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RIQ Editorial

Planning for the upturn

By Galiya Sayfutdinova
Editor, Russian IT Quarterly

Seems that the IT market is showing signs of revival, and that doesn't just go for the global market, but Russian ICT as well.

Russia's game development sector, burgeoning before the crisis and bursting right after it hit, is growing again (see page 6) The latest mergers and acquisitions indicate the interest of global players towards this country. Investors, for the first time in the last 1, 5 years - struggle for putting their money into start-ups (including the famous Chatroulette, see page 7) And judging by our clients' behaviour, an increasing interest in software development outsourcing services also points at the changing moods of world economy.

However, as a lot of experts point out, the fast recovery may turn out to be as big a shock for many market players as the crisis itself. IT directors and decision-makers will need to answer questions such as how to cope with increasing business demands for support and IT services. Do you have all the necessary resources at hand?

Will suppliers be ready to meet the market demand? With empty stocks and a tight credit situation, it wouldn't be easy.

And the most awkward question – did they manage to retain their knowledge base and key people during the downturn?

Companies that were able to keep their team together as the economy slowed now have an opportunity to seize new opportunities on the growing market. In the situation when, as IT Europa reports, the price level in the traditional low-cost destination like India goes up, core skills and experience go upfront. And this is a chance for Russian IT companies.

Well, as the proverb says, chance is running along, blessed be he who seizes it.



Summary

China's Tencent to Buy Stake In Russian Firm Digital Sky

China's largest Internet company, Tencent Holdings Ltd., is purchasing a 10% stake in Digital Sky Technologies Ltd., a Russian investment firm that holds a stake in Facebook Inc. [read more](#)

The Wall Street Journal by Loretta Chao
12.04.2010

Level up: Value of Russian MMO games market expected to double by 2012

The value of Russia's online gaming market reached \$224m in 2009, a rise of 66%, and is expected to double by 2012, according to research conducted by J'son & Partners Consulting. The Russian market now represents 3.3% of global industry revenues. [read more](#)

Reksoft press-service by the materials of Cnews.ru
09.04.2010

Medvedev to Use Twitter

President Dmitry Medvedev plans to set up his own microblog on Twitter, Interfax reported [read more](#)

Moscow Times
08.04.2010

Outsourcing: trends for 2010

The last 18 months have seen large, new outsourcing deals grind to a halt and organisations question the reasons and results behind existing agreements. But companies are now moving forward with renewed trust in the stability and growth of economic markets, leading to increased outsourcing activity. The slowdown of the past months has led to a re-evaluation of how outsourcing benefits businesses. Five years ago, outsourcing was the fashionable option behind many cost-cutting ideas. Now corporations have woken up to the fact it is so much more than just a cost-saving measure and the extent to which outsourcing can improve their business operations is much more under their control.

So what's changed? [read more](#)

Eucommerz by Michael Morris
23.03.2010

Moving beyond the cost benefits of outsourcing

When thinking about IT outsourcing, what often springs to mind is cost savings. Although costs savings are often key, it is not always cost savings alone that drive outsourcing deals. Outsourcing deals can incorporate many other benefits, writes Jimmy Desai, a technology and intellectual property law partner at Blake Laphorn. [read more](#)

Computerweekly.com by Jimmy Desai
23.03.2010

'Mom, Dad, the Site Is Expanding'

Chatroulette, a Web site connecting random users via video, could be the next big thing online. Investors are lining up to get in on the action. In an interview in the bedroom where he grew up, 17-year-old Moscow student Andrey Ternovskiy who created the site talks about money and ways to rid his site of half-naked perverts [read more](#)

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Reuters
16.02.2010

U.S. Government, Geek Luminaries: To Russia With Tech

A high-tech delegation representing eBay, Cisco, Mozilla, Twitter and others is heading to Russia as part of a State Department-sponsored initiative to share U.S. expertise on such daunting problems as corruption and human trafficking. The initiatives will vary, but crowdsourcing will be at the heart of each. And since Twitter phenomenon Ashton Kutcher is involved you know social media will play a big role. [read more](#)

Wired.com
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China's Tencent to Buy Stake In Russian Firm Digital Sky

The Wall Street Journal by Loretta Chao
12.04.2010

China's largest Internet company, Tencent Holdings Ltd., is purchasing a 10% stake in Digital Sky Technologies Ltd., a Russian investment firm that holds a stake in Facebook Inc.

Shenzhen-based Tencent, which popularized instant messaging in China and operates an online game portal and other Chinese Internet services, said it will invest about \$300 million in Moscow-based Digital Sky, also known as DST. The companies plan to explore "new business opportunities" in the Russian-speaking Internet markets, said Tencent President Martin Lau in a joint statement Monday.

"Our teams share many common views and beliefs and a clear vision about the significant opportunities that lay ahead," said Digital Sky's chief executive, Yuri Milner, in the statement. Digital Sky is known for its stakes in Russian Internet companies including Mail.ru, one of the country's largest Web sites.

Tencent, which boasts hundreds of millions of users for its instant-messaging service called "QQ," operates a Web portal and is testing a new search engine in China; online games have been lucrative for the company. Last month, the company reported \$1.8 billion in revenue in 2009 and has a market capitalization larger than Yahoo Inc. and almost twice the size of Baidu Inc..

The step is the biggest commitment Tencent has made so far in taking its business outside of China, which has the most Internet users of any nation, just as other Chinese online game companies are setting their sights abroad. In January, Shanghai-based Shanda Games Ltd. announced a deal to acquire U.S. online game network Mochi Media in a bid to tap into global distribution markets and into the large and quickly growing world-wide base of players who like more casual social games.

In addition to gaining entry to the Russian-speaking Internet market, Tencent may also benefit from Digital Skys stake in U.S. companies Facebook and Zynga Game Network Inc., the largest provider of online social games such as the games played on Facebook or on Apple Inc.'s iPhones. Last year, Digital Sky purchased a 3.5% stake in Facebook for \$100 million, and has also invested \$180 million in Zynga.

Dick Wei, analyst for J.P. Morgan in Hong Kong, said in a report that the move would benefit Tencent by "giving it exposure to the fast growing emerging Russia Internet market," and may lead to financial gains as well if Tencent is able to strengthen DST's portfolio companies with its expertise. "Tencent is positioning itself to benefit from global Internet growth," Mr. Wei said.

Social games, a burgeoning industry that has appealed to investors because it attracts a broader base of users than games with cult followings like massive multiplayer online games, have gained popularity among Chinese users. But while game developers have found that higher rates of Chinese users are willing to pay to play such games, average spending is still much higher among users in western markets like the U.S.

Through the deal, Tencent will get a roughly 10.26% stake in Digital Sky, as well as .51% of total voting power and the right to nominate one observer to Digital Sky's board of directors.



Level up: Value of Russian MMO games market expected to double by 2012

Reksoft press-service by the materials of Cnews.ru
09.04.2010

The value of Russia's online gaming market reached \$224m in 2009, a rise of 66%, and is expected to double by 2012, according to research conducted by J'son & Partners Consulting. The Russian market now represents 3.3% of global industry revenues.

Researchers point to ever-increasing internet access across Russia, growing use of online payment gateways, and new investments aimed at high-quality online development projects, to account for the fast-rising market. The popularity of social networks like Vkontakte.ru, Russia's answer to Facebook, could help bring yet more gamers online. J'son & Partners predict that the Russian online games market will grow to \$410 within the next two years.

Medvedev to Use Twitter

Moscow Times
08.04.2010

President Dmitry Medvedev plans to set up his own microblog on Twitter, Interfax reported Wednesday.

His office has sent an official request to Twitter to remove a fake account set up in his name, Interfax said, citing the Kremlin's press service.

Medvedev already keeps a LiveJournal blog, which Russians have used to appeal to him about various problems. Twitter, which allows users to type up to 160 characters in a single post, is a favorite among some Russian politicians. Dmitry Rogozin, Russia's envoy to NATO, is a frequent Twitter user.

Outsourcing: trends for 2010

Eucommerz by Michael Morris
23.03.2010

Companies will return to using outsourcing to recapture innovation and maximise their return on investment.

The last 18 months have seen large, new outsourcing deals grind to a halt and organisations question the reasons and results behind existing agreements. But companies are now moving forward with renewed trust in the stability and growth of economic markets, leading to increased outsourcing activity. The slowdown of the past months has led to a re-evaluation of how outsourcing benefits businesses. Five years ago, outsourcing was the fashionable option behind many cost-cutting ideas. Now corporations have woken up to the fact it is so much more than just a cost-saving measure and the extent to which outsourcing can improve their business operations is much more under their control.

So what's changed?

The recession of 2008-09 prompted people and companies to take stock and ask why, what, how, where? Why do we outsource? Why do we offshore? What do we actually get in return? How do we really benefit? How, if at all, do our customers benefit? Where does that leave our outsourcing options in 2010?

Firstly, regardless of how, what, why or where – outsourcing is back... it has weathered the economic storm and businesses will return to using outsourcing to recapture innovation in 2010. However, this does lead us to ask why do we outsource?



Five, even 10 years ago, companies outsourced for one reason – cost reduction. Outsourcing was viewed as the light of the end of tunnel for reducing expenditure. It now seems this was a short-sighted view. From 2010 onwards, with new deals signed and new management potentially in place in many companies, everything is screaming return on investment (ROI). Clients are demanding quicker, more transparent results and this development will shape the majority of future outsourcing deals. A complete offering is what companies now expect. The end of 2009 and the early months of 2010 were witness to a significant increase in activity in the outsourcing arena, so much so that some major players in the IT and BPO sector have realised that a full ‘right sourcing’ offering is invaluable. For example, HP purchased EDS, Dell acquired Perot Systems, Xerox bought ACS, and Xchanging PLC acquired Cambridge Solutions. It is not just about local presence, organisations now realise they need to offer clients every option possible. Each of the above organisations cemented not only a European presence, but in most cases, a global one also. Thus allowing on, off and near- shore offerings to clients.

Offshoring

And so, to the future. What is on the horizon for 2010 and beyond?

Offshoring to India was once the thing to do. The world is now a smaller place; customer satisfaction is priority, ROI is vital, and transparency is key to securing any (long-term) deal.

India remains a hotbed and a focal point for offshoring but with more options available, companies are increasingly asking what the best choice is for their needs. And there is a choice. The world has opened up and delivery centres are common in Eastern Europe as well as Asia. Brazil is now a major candidate for consideration, as are numerous other locations in Central and South America. These rising geographies will move market share away from the traditional outsourcing major players, such as India. ‘Offshore players will continue to expand and set up operations in new geographies, taking a share of an expanded pie,’ says Atul Vashistha COP, International Association of Outsourcing Professionals (IAOP) board member, and chairman, Neo Advisory & Neo Group.

As new destinations emerge, the competition among outsourcing providers will intensify, leading parts of the world – particularly the BRIC nations – to differentiate themselves through professional certification, such as the COP designation, and training and education programmes. ‘Increased competition from emerging market providers will also drive a focus on services differentiation, bundling of services and greater intimacy with customers through outsourcing relationship management (ORM),’ says Matt Shocklee, COP, president and CEO of Global Sourcing Optimisation Services and IAOP US Ambassador.

Moving beyond the cost benefits of outsourcing

Computerweekly.com by Jimmy Desai
23.03.2010

When thinking about IT outsourcing, what often springs to mind is cost savings. Although costs savings are often key, it is not always cost savings alone that drive outsourcing deals. Outsourcing deals can incorporate many other benefits, writes Jimmy Desai, a technology and intellectual property law partner at Blake Laphorn.

For example, looking to the market for provision of your IT can provide a range of IT goods and services from which you can choose. Although it is easy to be dazzled by the range of IT goods and/or services available from numerous potential suppliers, if you have some framework regarding what you need and what your budget is before even looking at potential suppliers, this will help a lot in whittling down the list of potential suppliers into a shortlist.

By engaging your preferred IT supplier, you can clearly define, monitor and understand your own IT systems and IT needs more fully. The outsourcing contract can help you achieve visibility and transparency regarding the services which you have paid for, how they are provided and the standard of those services. This increased visibility and



transparency can help you control your IT, whereas the way or manner in which your IT services are provided internally (and the associated standards and costs) may be unclear.

You can also add provisions to the outsourcing contract to enable you to benefit from the IT supplier's external expertise, as they are likely to be working for a portfolio of users and have up-to-date skills, know-how and industry knowledge from which your organisation might benefit.

An outsourcing contract can also provide that if your organisation does not receive the service that you have paid for, and/or if the services are not to pre-agreed standards, then you are entitled to service credits and/or action plans being implemented to actually compensate you and/or rectify the problems within defined timeframes. Of course, if your IT needs are provided in-house, then this portfolio of remedies is not likely to be available.

It is also true that if you have your own fully staffed IT department, then regardless of how your organisation's IT needs change, your IT staff will all need to be paid. In particular, if your organisation does not need all of its IT staff all of the time, or perhaps needs them on an ad hoc "call in" basis, then you will still have to pay for them on a full-time basis. Outsourcing IT to a third-party IT supplier can, therefore, provide your organisation with flexibility, as your organisation can buy in the IT goods and/or services that it needs from time to time. Because organisations tend to change structures and requirements frequently, this option of "flexing" of your IT requirements (by either reducing or increasing your IT requirements or by adding completely different IT goods or services to the package) can be a welcome option.

However, if your organisation wants to properly capture all the benefits of outsourcing (in addition to achieving cost savings), the outsourcing contract will be critical and must be negotiated and drafted with all of your organisation's aims in mind.

'Mom, Dad, the Site Is Expanding'

Spiegel by Yevgeniy Kondakov and Benjamin Bidder
10.03.2010

Chatroulette, a Web site connecting random users via video, could be the next big thing online. Investors are lining up to get in on the action. In an interview in the bedroom where he grew up, 17-year-old Moscow student Andrey Ternovskiy who created the site talks about money and ways to rid his site of half-naked perverts.

SPIEGEL ONLINE: Andrey, you're 17 and still in school. How much pocket money do you get from your parents?

Ternovskiy: A thousand rubles a week, that's about 25 euros. Why do you ask?

SPIEGEL ONLINE: We're wondering whether you know how to handle money. Your invention, Chatroulette.com, is already being talked about as the next big thing on the Internet. Some experts have suggested that it may be worth anywhere between €10 and €30 million.

Ternovskiy: Don't worry. I know how to handle money. I'm thrifty and I've always managed to keep my savings together. In the past, I would only buy myself an ice cream once in a while. The rest of the time I was saving up for a new computer, a Webcam and other accessories.

SPIEGEL ONLINE: How did you come up with the idea for Chatroulette.com?

Ternovskiy: I've always wanted that kind of site. My friends and I used to video chat over Skype quite often, but that got boring after a while. I always knew who was waiting for me and who I would be speaking to. So I searched Google for a video chat program that operated in a more random way. No such thing existed. So I sat down and wrote software for two days and two nights. And that was the first version of Chatroulette.

SPIEGEL ONLINE: Did you expect this level of interest? After all, CNN has broadcast a piece about you and the New York Times has written about you. And you really only



created the site for yourself and your friends. There was no advertising. But then other people found their way to your site -- first they came in the hundreds, then in the thousands.

Ternovskiy: To be fair, I did publicize it on several Web forums after launching it. I was hoping it would be a success, but I have been overwhelmed by the extent of it. In early November there were 500 visitors per day. A month later there were 50,000. Chatroulette now has around 1.5 million users. Approximately 33 percent come from the United States, 5 percent from Germany -- of those, most are from Berlin. But there is someone in virtually every country that uses Chatroulette.

SPIEGEL ONLINE: How did you deal with that tremendous rate of growth? There are people who claim that a 17-year-old couldn't possibly manage such a project, that one would require more resources.

Ternovskiy: It all works out, thanks to the Internet. I manage my site with a free program, Google Analytics. And the server resources can be hired from special Web sites; I pay the bill online too. I have also hired four programmers to work with me on the site.

SPIEGEL ONLINE: We're sitting in your childhood room: There's a bed, a table and two monitors. Where do your employees work? Where is your office?

Ternovskiy: I don't have one. I found my employees on the Web. One of them I've known for five years -- I met him online -- and he lives in Virginia. Another one lives in Belarus.

SPIEGEL ONLINE: Where do you get the money for all of this from?

Ternovskiy: I said to my parents: "Mom, Dad, the site is expanding. You should invest now." My parents did that and their \$10,000 were enough to get things started. I actually paid them back a while ago. And I am making very good money at the moment, thanks to the small advertising links to an online dating service on the site. Once in a while we meet in a Moscow restaurant and I pick up an envelope filled with cash.

SPIEGEL ONLINE: Do you have investors knocking at your door?

Ternovskiy: I have received 200 e-mails from venture capital firms in the Silicon Valley alone. Skype has invited me to come to the United States. And Google has also contacted me.

SPIEGEL ONLINE: Will you sell?

Ternovskiy: No, the site will always be mine. I will continue to develop Chatroulette myself. But I could imagine some sort of scheme involving shares in the company.

SPIEGEL ONLINE: Where did you learn programming skills? You're a student at a Moscow school. Is that where one learns these skills, at school in Russia?

Ternovskiy: It's not all about ability, it's also about luck. But in fact, everything I know, I've learned from the Web. To be honest, I rarely go to school.

SPIEGEL ONLINE: Why?

Ternovskiy: I am a nerd. The web is everything for me. School bores me. I have my own way of learning: I read Wikipedia. School is a waste of my time and I'd rather use that time to program and for business negotiations.

SPIEGEL ONLINE: Russian Web czar Yuri Milner wanted to meet with you recently. His online ventures account for 70 percent of all the traffic on the Russian-speaking Internet. A more typical meeting for him is with President Dmitry Medvedev as part of a commission on the modernization of Russia. He had a private meeting with you that lasted one and a half hours. What was your impression of him?

Ternovskiy: That he was really, really interested in my project. And then I relaxed and enjoyed my success. His office is on the 57th floor and there's a great view of Moscow.

SPIEGEL ONLINE: What do you eventually want to accomplish?

Ternovskiy: I always wanted to have a successful Web site. Now I have one. And now I would like my own company, an office, employees. And I want it in the USA, because that's



the center of IT culture. All of the biggest names in IT are in the Silicon Valley -- Google, Microsoft.

SPIEGEL ONLINE: But taxes are very high in the USA.

Ternovskiy: I can register the company in Switzerland.

SPIEGEL ONLINE: Chatroulette is minimalist and, in a way, a return to the uncivilized and wild days of the Internet. Your site attracts many exhibitionists. Some even say that Chatroulette is the antithesis of Facebook, where almost everything can be controlled. So it has the potential to be a pleasant pastime or it could be an entirely new platform for online interaction. But currently nobody seems to know exactly what it is, or what it could be.

Ternovskiy: To me, it's like the street in some big city, where you see all kinds of unknown faces. Some of those faces appeal to you, some disgust you. Chatroulette is a street that you walk along where you can chat to whomever you like. The program makes the Internet more like real life. As for the "freaks and fuckers," I'm working on a solution. I have integrated a "report" function into Chatroulette. If three users complain about the same bum, then that user is automatically banned from using the system. So there are a lot less of them already.

EBay adds new Europe, Russia platform to spur buying

Reuters
16.02.2010

EBay Inc will launch a new online retail platform in five European countries and Russia by the end of March, spurring cross-border transactions and allowing buyers to navigate purchases in their native languages.

The move comes as eBay seeks to increase transactions on its sites by making them more user-friendly and reliable. It has been emphasizing fixed-price goods, rather than auctions, to encourage more buyers.

Online shoppers in Russia, Greece, the Czech Republic, Norway, Denmark and Sweden will now be able to buy online in their native tongues. Those countries were chosen based on demand, eBay said.

The company will also offer PayPal, its online payments system, to these customers to facilitate transactions across borders.

"EBay continues to look at ways to provide online consumers with access to the wide range of products on sale on eBay, even if there is no eBay platform in their market," the e-commerce company said in a statement.

Vsevolod Denisov from the Edelman public relations agency told Reuters the Russian-language interface would be launched by mid- or late-March.

Previously, consumers in those six countries had to navigate eBay's branded marketplaces in a different language than their own. EBay currently operates some 20 eBay-branded marketplaces.

Under the new platform, buyers will only be allowed to purchase fixed-price items, as opposed to those sold in an auctions format.

In Russia, competition is limited, due to the poorly developed and highly fragmented market. EBay will compete with Russia's Internet auction site Molotok.ru which serves around 200,000 people a day, offering more than 5 million items on sale.



U.S. Government, Geek Luminaries: To Russia With Tech

Wired.com
16.02.2010

A high-tech delegation representing eBay, Cisco, Mozilla, Twitter and others is heading to Russia as part of a State Department-sponsored initiative to share U.S. expertise on such daunting problems as corruption and human trafficking. The initiatives will vary, but crowdsourcing will be at the heart of each. And since Twitter phenomenon Ashton Kutcher is involved you know social media will play a big role.

“We’re trying to look at how Russia can utilize its population as a health resource, as an education resource, as an anti-corruption resource, as an anti-trafficking resource,” said Jared Cohen of the Secretary of State Hillary Clinton’s policy-planning staff. In addition to whatever ideas arise organically, the group plans to specifically address corruption and human trafficking.

The nine executives flying to Moscow on Tuesday — weather permitting — include Mitchell Baker, chair of the Mozilla Foundation; John Donahoe, president and CEO of eBay; Jack Dorsey, founder of Twitter; Esther Dyson, currently of EDventure; Jason Liebman, CEO and co-founder of Howcast; Shervin Pishevar, founder of Social Gaming Network; Ellis Rubinstein, president and CEO of the New York Academy of Sciences; and Padmasree Warrior, CTO of Cisco Systems.

Joining the CEOs, Cohen, and Howard Solomon of the National Security Council is Kutcher, whose Demi and Ashton Foundation targets “anti-trafficking issues and in particular the potential role that technology can play.”

Before returning in a week, the group hopes to emerge with clear deliverables. Women in remote areas could receive information — either online or using the SMS feature on their cellphones — on how to have healthy pregnancies. And in order to prevent Russian cellphone companies from being pressured into divulging the names and locations of those who report human-trafficking violations by SMS, the complaints could be cleaned and anonymized outside of the country, according to Cohen.

“The State Department is not bringing these people over as CEOs,” Cohen added. “John Donahoe is the CEO of eBay, but he’s also an expert on e-commerce and building platforms that move large sums of money in ways that aren’t corrupt, so he’s an expert on ‘e-anti-corruption.’”

The delegates will meet with the Russian ministers of communications, health and education, as well as advisers to president Medvedev, the heads of technology and telecommunications companies, university administrators, and organizations involved with health, child welfare, anti-trafficking and anti-corruption efforts in Moscow. Then, in Novosibirsk, Siberia, they’ll sit down with the governor, entrepreneurs, students and representatives of various nongovernmental organizations.

Unlike Mexico and Iraq, where the United States sent similar groups of delegates, Russia already has a thriving technology sector including plenty of programmers.

“Russia is a very different case, because this is the first time we’ve sent a technology delegation to a country with a vibrant technology industry in and of itself. The Russians have a huge startup capability, a huge technology industry and a huge innovative capacity.” Given Russia’s technology expertise, he said, these experts will work together to solve problems in other areas of the world, not just there.

“We’re looking at things like teacher training, distance learning, and how these tools can be used to set up civil society and get people direct-communicating,” said Howcast’s Liebman.

The trip to Iraq resulted in a surprise result: Over half a dozen young Iraqi software engineers signed on as interns at U.S. companies, including at Howcast.

“During our trip to Iraq, we realized that ‘entrepreneurship’ as a word didn’t really have a lot of meaning, because there hadn’t been a culture of entrepreneurship under Saddam



Hussein,” said Cohen. “The group recommended that we do these internships as a way to expose Iraq’s best engineering talent to the American entrepreneurial experience.”

The delegates are scheduled to leave for Russia on Tuesday, although a snowstorm in the northeast could delay some of them. As the New York-based Liebman pointed out, there would be a certain irony in delaying a trip to Siberia due to snow.