

Baidu profit falls 4.5 percent on higher costs

July 25 2013, by Joe Mcdonald

(AP)—China's biggest search engine operator is being squeezed by higher costs as it expands its fledgling business in the fast-growing mobile market.

Baidu Inc. said Thursday its latest quarterly profit fell 4.5 percent to 2.6 billion yuan (\$430.8 million). Revenue rose 38.6 percent from a year earlier to 7.6 billion yuan (\$1.2 billion) but promotion and other expenses rose 83.5 percent.

China's established competitors such as Baidu that focus on desktop computer-based services face new challenges as Web surfers shift to smartphones and tablets.

"The adoption of our mobile platform gained momentum and mobile monetization improved," said Baidu chairman Robin Li in a statement. "Mobile revenues for the first time accounted for over 10 percent of our total revenues this quarter."

China's population of Internet users grew 10 percent over the past year to 591 million people as of the end of June. The number of users who surf the Web on wireless devices rose at double that rate, climbing 20 percent to 464 million. That growth rate was an acceleration over the previous year's 18 percent rise in [wireless users](#).

The communist government encourages Internet use for business and education but tries to block access to material deemed subversive or obscene. The rise of Web use has driven the growth of new Chinese

industries from online shopping and microblogs to online video.

Growth in mobile use has created openings for new competitors, forcing Baidu and other established companies to roll out new services.

To gain a bigger mobile foothold, Baidu announced this month it would pay \$1.9 billion for 91 Wireless Websoft Ltd., a distributor of [smartphone](#) apps.

"Our recent investments have further strengthened Baidu's position in key strategic areas such as search, LBS, app distribution and online video," said Li.

The company "will continue to invest aggressively," said its chief financial officer, Jennifer Li.

Baidu dominates traditional Internet search in China with nearly 80 percent of the market. But it faces tough competition in mobile search, where its market share has eroded.

Baidu's mobile share declined to 66.9 percent in March from 77.5 percent last July. That followed the launch of a rival service in mid-2012 by Qihoo 360, an information security company, which quickly gained a market share of more than 13 percent.

In May, Baidu announced the purchase of Internet video service PPS Net for \$370 million. It said that, combined with the iQiyi.com service it already owned, would make it China's biggest mobile video platform by user numbers.

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