



Studies show that only about 20 per cent of all apps are bought for smartphones and tablets. Jay Directo / AFP

Being social can pay off

Entrepreneur finds a way to cash in

System includes loyalty scheme that takes advantage of the popularity of social networks

The National staff

Making money from social networks is considered the ultimate challenge for tech startups. But how do companies go about successfully cashing in?

It is not easy, experts say. In the world of mobile applications, for instance, only about 20 per cent of all apps are bought for devices such as smartphones and tablets, according to a study by Real Opinions, a research firm, and AppsArabia, an Abu Dhabi company that invests in new app concepts.

It can be even harder to make money in the social networking space, since sites such as Facebook and LinkedIn have few services for which they can charge. Yet, one entrepreneur based in Moscow believes he has found a way to do so by creating a front-to-back restaurant management system that includes a loyalty scheme.

In his day job, David Yang runs

ABBYY, a company that specialises in linguistic recognition and translation software. But as a passionate restaurateur, Mr Yang has spotted an opportunity created by social networks such as Facebook and Foursquare, the latter of which updates followers on the specific locations a person visits.

The end result is something called "iiko", an integrated system that handles a restaurant's orders, inventory, finance and security. It also runs a loyalty scheme geared to the fad for location-based social networking.

"Loyal guests are better motivated because if they publish a recommendation on their wall and their friends come, the person that recommends it receives part of their spending [as a discount]," Mr Yang told Reuters at Artefaq, one of his trendy restaurants.

"He or she, or their friends, will also receive free wine, free burgers, free mojitos," says Mr Yang, who was born in the US and whose fa-

ther went from China to the Soviet Union to study physics, only to be stranded by the Cultural Revolution.

If that is not enough, iikoDJ can also play the right music, at the right volume, at the right time of day or night. "During the day you should change the volume and in different rooms have different music playing," says Mr Yang. "But people in the restaurants don't usually care, they don't switch music, they don't switch volume or, even worse, put on their own music."

Iiko was founded in 2005 and received an investment from the brokerage firm Troika Dialog in 2008. Mr Yang expects it to generate US\$50 million (Dh183.65m) in revenues by 2015 through one-off sales or service contracts, topped up by 1 to 2 per cent of collections.

The iiko system is already working in 1,400 restaurants and cafes, including the Russian operations of Dunkin' Donuts and Sbarro, a pasta chain. Mr Yang plans to take iiko international and reach 40,000 sites by 2015.

Mr Yang was a student at the Moscow Institute of Physics and Technology in 1989 when he first went into business with fellow student Alexander Moskalyov and receiving a loan from a fund set up by

Mikhail Gorbachev, then president, to back young entrepreneurs. "It was like an incubator. They believed..." says Mr Yang.

ABBYY now focuses on selling the text-recognition software FineReader, which is capable of reading hand-written mediaeval texts and the electronic dictionary known as Lingvo. The firm employs 1,000 people, has 13 offices in nine countries and boasts some 30 million customers.

Even though the Swedish-Russian fund called Mint Capital took a minority stake in Mr Yang's company in the early 2000s, ABBYY is not considering joining the rush by tech firms to list despite success stories such as the internet search firm Yandex, which is known as the "Russian Google" and raised \$1.4 billion on Nasdaq.

But Mr Yang, who is ranked as Russia's number four tech entrepreneur by the Expert RA Rating Agency, is keeping his options open. "We are facing interest all the time from financial and strategic investors," he says. "We are exploring the organic and non-organic growth of the company. But we don't have exact plans."

✳ with Reuters
✉ business@thenational.ae