

The mother of all online advertisers?



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Alimama.com is looking to give smaller web sites a boost in China's top-heavy internet advertising space
By **Jeremy Goldkorn and Maya Alexandri**

On November 20, Alibaba Group launched its online advertising exchange site, Alimama.com. The site operates as a clearinghouse for advertising space on small- and medium-sized sites. Since its introduction in beta form in August, Alimama.com claims it has attracted more than 1 million registered users, 150,000 participating web sites and more than 135,000 personal blogs. Moreover, it's growing rapidly, adding more than 4,000 web sites and 10,000 blogs every day.

The site is easy to use. To sell advertising on Alimama.com, web publishers provide basic information about their site and the space available for ads. Advertisers browse through summaries and just click on interesting content providers to see more detailed information, from which they can buy the ad space offered.

Most of the ads sold on Alimama.com are priced according to a yuan-per-week formulation, similar to the way advertising in print media is sold. A source at Alibaba Group explained that advertisers favour CPT (cost-per-time) pricing for accountability reasons: They can confirm that the ad is being displayed when it is supposed to be.

Hot mama

So far, the site is facilitating 20,000 transactions a day. Alibaba takes an 8 percent commission from each transaction.

Alimama.com seems to have tremendous potential to increase online

ad spend, a market in which there's plenty of room for growth. Alibaba Group estimates that visitors to small- and medium-sized sites represent 80 percent of internet traffic, and the participating web sites and blogs already on Alimama.com offer more than a billion page views.

Despite this volume, smaller sites enjoy only a tiny portion of the ad revenue pie. In 2006, just four sites – Baidu, Sina, Sohu, and QQ – accounted for approximately 60 percent of online ad revenue in China.

There are two main reasons that small- and medium-sized web sites have failed to attract advertisers. First, they often lack a sales force. Second, no reliable, third-party auditing exists to confirm claims sites make about their traffic, so there's no guarantee that an ad placed on a smaller web site will reach the target number of eyeballs.

Alimama.com is looking to remedy both of these failings. By creating an online marketplace where content providers can find advertisers directly, Alimama.com allows web sites to forget about building a sales force. Also, according to a source at Alibaba, the platform has plans for a service that will provide independent auditing of its participating web sites' traffic numbers.

Alimama.com has another advantage: It has no direct competition. Google and Baidu both offer keyword advertising services that small- and medium-sized enterprises (SMEs) may

use, but these services do not allow web publishers to control the advertising placed on their sites, and they are not transparent: publishers have no means to confirm that their ad-revenue share is what Google or Baidu claim it is.

Baidu's "Baidu Union" is another option for smaller companies that want a slice of its ad-revenue pie. Baidu Union members typically feature a Baidu search bar on their sites and share in advertising fees generated when visitors to their sites use the Baidu search bar and click on ads in the process. But Baidu Union doesn't connect participating sites with independent advertising revenue, as Alimama.com does. Moreover, as an Alibaba Group source emphasised, Baidu, far from being a competitor, is a potential client – it is, of course, free to sell advertising space on its site through Alimama.com.

Can the little guy pay?

The challenges that Alimama.com faces may stem more from the current state of the Chinese internet than from the nature of its services or competition. Online media attracted only 5 percent of total ad-spend in 2006 for at least two reasons:

First, China's internet, with its angry mobs and site shutdowns, can be

riskier than many media buyers are used to.

Second, the number of Chinese internet users remains relatively small at just 12 percent of the country's population – and the buying power they represent is less impressive than this number. According to the China Internet Network Information Centre, only 3.6 percent of internet users earn more than US\$680 (€470) per month, with more than 66 percent of internet users earning less than US\$200 per month.

Both factors limit the attractiveness to advertisers of all but a few sites on the Chinese internet, and neither is a problem that Alimama.com is equipped to solve.

Still, Alibaba does have one secret weapon: It already has a core nationwide group of paying advertising customers – the SMEs that pay for listing space on Alibaba.com, its popular business-to-business portal. These companies are not currently a force in internet advertising – but before Alibaba.com, they weren't a force in manufacturing, either. If Alimama.com empowers this consumer base in the realm of internet ads, Jack Ma's new baby might just be the service that breaks the Baidu-Sina-Sohu-QQ stranglehold on the market.

Jack Ma's new baby might just be the service that breaks the Baidu-Sina-Sohu-QQ stranglehold on China's online advertising market

SAP Training SAP All-in-One SAP Best Practices

SAP Rollout SAP ERP / R3

h:c Business Training SAP Localization

SAP helpdesk SAP Consulting

SAP Business Suite SAP Business One

SAP Implementation SAP Technical Support

h:c pharm h:c machinery

contact us: info@hartung.com.cn

SAP SERVICES

The advertisement features a central text layout with 'SAP in China spells hartung:consult' in large, bold, black font. The word 'SAP' is in a smaller, grey font. The word 'hartung:' is in a larger, bold, grey font, and 'consult' is in a smaller, bold, grey font. The word 'SAP' is in a smaller, grey font. The word 'SERVICES' is in a smaller, grey font. The SAP logo is in the bottom right corner.