

eBay takes outward step with AdContext

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This week eBay threw a new twist in the contextual advertising industry, with their unveiling recently of AdContext service, which will place contextually appropriate ads for eBay auction and sale items on Web sites.

Though AdContext will not exactly be competing head-to-head with Google's AdSense, experts think it could be the first step in the retail giant re-establishing itself as an online powerhouse.

The action by eBay not only helps them forge outward partnerships but also strengthens their main sales service, said Shar VanBoskirk, senior analyst at Forrester Research.

"eBay is very specifically in the product-selling business," she said.

While Google's AdSense pays publishers for each time an ad is viewed, AdContext will use a more commission-oriented system, where payment is dependent on a sale occurring via the ad.

Andrew Frank, research director at Gartner Inc., said that due to the nature of eBay sales, a commission-based payment system was necessary.

"It's a lot harder to obscure the value of clicks" when they trace to a specific auction or sale, he said.

VanBoskirk said that eBay's business model is of note because "it implies that publisher sites might actually have some motivation to do what they can to make people purchase," which is a unique approach.

Frank noted that the AdContext format opens it up to questions of legitimacy and quality in sales, a point that VanBoskirk said should be of concern to eBay.

"There's always room for abuse in any pay-for-performance system," she said. "There's a shared responsibility in terms of why a deal actually closes."

Frank said that publishers of sites with a particular narrow focus might be better served by eBay ads than Google's more generalized ad service.

"There is a lot of underutilized contextual real estate," he said. "Blog real estate may not be getting as much as it could. Blogs are often quite topical."

VanBoskirk agreed that more focused sites should be the ones looking to AdContext.

"What eBay should do is connect beyond publishers to blogs and social networking sites," she said.

She said that eBay would be wise to look for publishers that connect not just to a topic, but a particular purchasing pattern, such as a site dedicated to baseball-card collecting as opposed to just a baseball site.

"They need to look for areas where they can put contextual ads that are more specific to actual behavior," she said. "Blogs would be a good place to do that."

Frank said that this might be the beginning of eBay's reemergence as a major force.

"eBay has been a sleeping giant in the Web world for quite some time," he said.

Frank said that eBay has the distinct advantage of having their huge auction business as a starting point.

"They have a huge stable business in consumer-to-consumer e-commerce," he said. "They can leverage their holdings, like Skype for example, to create a real platform for consumer and small business sales."

VanBoskirk agreed.

"eBay is an extremely leverageable brand," she said. "They're making eBay into a media site, not just a retailer selling products."

Frank said that eBay might be on its way to becoming a portal site for users.

"They're doing a lot of work to break them out of their own Web site and put them in a syndicated position," he said. "Competition will spur them in that direction."

VanBoskirk said she envisions a future where the line between data portals like Google and online retailers like eBay is blurred.

"We're seeing a convergence of large media companies and very large retail brands," she said. "There's less delineation between online retail powerhouses and online media powerhouses."

She said that in the future, the four big Internet brands of Google, Yahoo!, eBay and Amazon will all be grouped together as competitors all providing "content, commerce, and community all in one place."

Frank said that as eBay moves into a more direct competition with them, Google will not be standing still.

"They're cultivating advertising channels beyond the Internet," he said. "We will definitely see them extending their advertising systems in new directions."

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