

AMAZON RAMPING UP ADVERTISING EFFORTS



The world's largest online retailer is Amazon.com, but that does not satisfy the company, as it is aggressively expanding in the industry of online advertising. The reason for this is that it wants to take on the industry leader in online advertising, Google Inc. A new offering from Amazon, the Amazon Product Ads, was launched earlier in this year's holiday shopping season. This feature allows retailers with an online sales channel for their products. Amazon achieves more than 100 million visits each month to its websites. The company is capitalizing on these hits by selling ads to other businesses willing to reach this large base of customers. The effort by Amazon can cause the company to lose sales to rival businesses but the chance for increased revenue is immense. "It's higher margin than their traditional business and they've shown a lot of interest in expanding it," said Ben Schachter, an analyst at Macquarie, according to [Tech Circle](#). In the United States, online advertising is expected to increase by over 20 percent to \$30 billion this year. That number could reach \$50 billion by the year 2015. A profit margin of 20 to 25 percent is generated by display ad providers, while Amazon is used to only five to six percent for their ads. During the fourth quarter of 2011, display ads appeared quite often on the homepage of Amazon.com and more than a quarter of them were ads for consumer packaged goods. Those goods include products from Philips and Proctor & Gamble. Since the end of February, Amazon has posted 30 jobs for its display ad sector but continues to remain close-lipped about its plans. "We are building next-generation advertising products by leveraging Amazon's world-class personalization technologies, unparalleled customer data and engaging video content," the company said on its website this week. The online shopping process is a battlefield right now between Amazon and Google, as the two titans continue to clash. Amazon is typically focused on the back end of the advertising, where customers make purchases and Amazon processes the orders. Google, on the other hand, is more concerned about consumers searching online for products to buy. "The two titans are going head to head as their businesses are overlapping more and more," said Jeffrey Grau, e-commerce analyst at eMarketer. Thousands of shoppers are beginning to start their product searches on the Amazon website itself, instead of using Google to find products. Consumers doing this can allow Amazon to create more targeted ads that reach a wider audience of consumers. "That's got to be very troubling to Google," Grau added. "Amazon is a threat to Google because it's catching consumers earlier in the purchase process." Amazon Product Ads, the feature for product advertising, has been in circulation since 2008 but those ads truly did not catch on with consumers until this year's holiday shopping season began.