

Help offered

In a country with no tradition of classified advertising, eBay sees a bright future for an online version of it

Already a multi-billion-dollar industry in the US, Internet classified advertising has arrived in China, courtesy of online-auction giant eBay. But China has no history of classifieds, online or offline. So it begs the question: can online classifieds in China make money? According to the people behind Kijiji.com, eBay's entry into the international online-classifieds market, the answer is yes—easily. How do they plan to pull it off? By taking their online operation offline.

In August 2004 eBay purchased a 25% stake in San Francisco-based online classifieds pioneer Craigslist.com for a reported US\$10m-12m. Six months later, eBay launched Kijiji (it means “village” in Swahili), a mostly non-English network of Craigslist-inspired community websites where people advertise jobs, apartments, goods, activities and services for free. After a series of acquisitions, Kijiji now has websites covering more than 150 cities in 20 countries. And Kijiji China, launched in February with the other Kijiji sites around the world, is leading the pack with more than 80,000 postings at any given time.

China's huge population obviously provides Kijiji with a solid base from which to grow. Even with very low Internet penetration, the number of Chinese going online is estimated to be more than 100m, second only to the US. But China's low labour costs allow Kijiji to try things there that it would think twice about in other parts of the world, especially when the operation has little or no revenue.

For example, in May Kijiji China opened a Shanghai call centre where its employees take classified-advertisement information from phone calls, mobile-phone text messages and online instant messages. While Kijiji China would not reveal how many employees the call centre has, it is safe to assume that the company, which has seven full-time administrative staffers, already has or will soon have more workers than the entire 175-site Craigslist network. Craigslist, with 18 employees and very little overhead, has an estimated annual revenue of US\$10m-20m.

Kijiji's China director has a much bigger venture in mind, however. Wang Jianshuo, 28, envisions a workforce of several hundred in the not-too-distant future. The former Microsoft employee whom eBay tracked down through his popular English-language blog, says he wants to grow Kijiji China as a start-up company. “I want Kijiji to be a household brand instead of an online brand,” says Mr Wang.

Kijiji China currently has localised sites covering 30 cities, although most of the traffic during the first seven months of its existence was generated in Shanghai, Beijing and Guangzhou, where the company focused its marketing push. In Shanghai, full-page ads on Kijiji—also featuring a big selection of its own

online classifieds—appear twice a week in the free newspaper distributed to the city's subway commuters. They carry information about how readers can post their own advertisements on Kijiji's websites. Such bridges to the offline community are crucial components in Mr Wang's plans to grow Kijiji in China's second- and third-tier cities. He sees a day when there will be neighbourhood “Kijiji stations”, where people can go both to place classified listings and to pick up a paper version of the online Kijiji ads.

Megaphones and cowbells

Of course, this is all assuming the typical Chinese small-city dweller takes to the foreign idea of placing and answering classified ads. China is still largely a country where things are used until they can be used no more and then sold for scrap value to the “garbage collector”, who rides his bicycle through neighbourhoods with a megaphone and a cowbell. Many day workers, too, do not have access to computers, and usually announce their availability to the public by pasting or painting their phone numbers on city walls.

For his part, Mr Wang says Kijiji's market research has shown that there is demand for both offline and online classifieds in China. But the question remains: will the Chinese pay for something that they can now do for free? Mr Wang is confident they will, saying some Kijiji China users have already asked if they could pay in order to get better placement for their ads. Mr Wang's answer to them is “eventually”, but he does not want to monetise the sites too soon. The core service of Kijiji—a basic online classified ad—will always be free, he says. When the time is ripe, however, the company plans to charge users for such value-added features as preferred placement or guaranteed inclusion in Kijiji China's newspaper section. Kijiji China could charge customers who place ads over the phone, as well.

As with many online ventures, Mr Wang's ideas will be worthless until they are proven in practice. But most analysts agree that Kijiji China's potential upside greatly outweighs any financial risks eBay is taking on with the project. The investment needed to launch and maintain Kijiji sites around the world is minor for a company of eBay's size (it has a market capitalisation of some US\$53bn). If it follows the Craigslist model of providing a quality service, generating substantial traffic and then monetising certain aspects of the sites, profits could be substantial. Nowhere is this truer than in China, where there is virtually no competition for classified ads, and where some analysts expect the Internet population to almost double in the next two years—or sooner.

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