

Prices for Amazon Sponsored Product Ads Continue to Climb

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Marketers that advertise on Amazon are continuing to pour more money into paid media on the ecommerce marketplace, according to Q4 2019 reporting from technology providers and performance advertising agencies.

Spending on Sponsored Product ads, which are historically Amazon's most popular ad product, is continuing to go up, as are prices. Merkle reported that among its clients in North America that had been spending on Amazon for at least a year, Q4 2019 spending on Sponsored Product ads was up 63%. Among US-based clients of Tinuiti, spending on the format was up 30%.

Though the client bases of the two firms are increasing Sponsored Product spending at different rates, and thus seeing different increases in overall click volume, they're experiencing similar levels of price increases, along with the clients of Pacvue. The three companies reported 12% to 16% increases in the cost-per-click (CPC) of Sponsored Product ads.

Comparative Estimates: Amazon Sponsored Products Ad Benchmarks in North America, Q4 2019

% change vs. same period of prior year

	Ad spending	Clicks	Cost-per-click
Merkle	63%	42%	15%
Pacvue*	37%	18%	16%
Tinuiti*	30%	16%	12%

Note: *US only

Source: various, as noted, Feb 18, 2020

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Prices on Sponsored Product ads have been rising for a while. In Q3 2019, Pacvue reported they were up 13%, while Merkle reported an increase of 11% and Tinuiti reported a 10% price jump. At the same time, prices on Sponsored Brand ads have been falling due to Amazon adding more inventory for the format in locations that are less likely to result in conversions (meaning some of the placements are less valuable).

Pacvue and Tinuiti both reported CPCs on Sponsored Brand ads were down 8% in Q4 2019. For Merkle's clients, however, CPCs were up. Merkle noted that Q4 represented a return to year-over-year growth in CPCs for Sponsored Brand ads, after a period of declines due to the increase in inventory.

Comparative Estimates: Amazon Sponsored Brand Ad Benchmarks in North America, Q4 2019

% change vs. same period of prior year

	Ad spending	Clicks	Cost-per-click
Merkle	56%	28%	21%
Pacvue*	27%	38%	-8%
Tinuiti*	27%	38%	-8%

Note: *US only

Source: various, as noted, Feb 18, 2020

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Even with these declines, Sponsored Brand ads remain more expensive on a CPC basis than the average Sponsored Product ad, according to Pacvue. Pacvue reported an average Sponsored Product CPC of \$1.08 in Q4 2019, compared with an average of \$1.30 for Sponsored Brand ads.

Together, Sponsored Product and Sponsored Brand ads account for the bulk of Amazon's ad business, according to our estimates. These, and

other primarily keyword-targeted search ads, will net Amazon \$9.79 billion in US search ad revenues this year, up from just more than \$7 billion in 2019.