

Amazon Prime Video's new ad tier has a few roadblocks to conquer for it to succeed

Article

The news: Amazon launches its ad-supported tier for Prime Video today—but before it conquers the streaming world, it might experience some growing pains.

- Its [pitch deck](#) has elicited a lukewarm response from some media buyers, prompting the company to deploy incentives to lure brands.
- The allure of a vast audience and competitive pricing initially piqued interest, but Amazon's belated venture into the ad-supported streaming market and untimely debut far from the traditional upfront buying season have tempered advertiser enthusiasm.
- Despite this, Amazon reports positive feedback from some agencies. It is rewarding highly engaged clients with additional opportunities, actively promoting ad buys with substantial bonus media and minimal commitments to attract a diverse range of brands, especially smaller advertisers who are new to video.

Moment's pause: While some large TV advertisers are holding off until the next ad-buying cycle, Amazon has managed to secure early commitments from brands excited to expand their visibility on Prime Video.

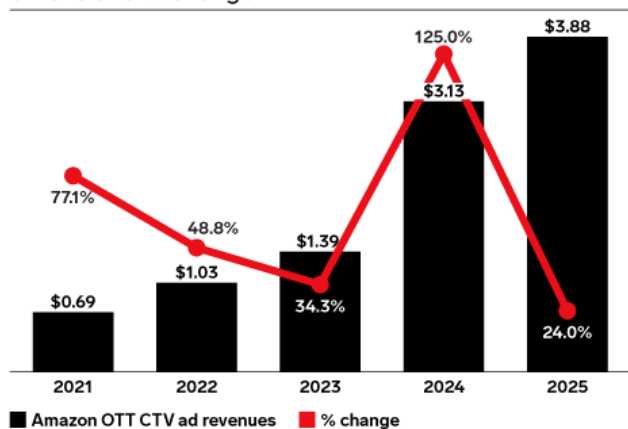
- However, the platform's rigid ad terms, coupled with challenging market conditions, have made it a tough sell, despite [lower CPM rates](#) vis-à-vis **Netflix** and added incentives. Amazon's demand for significant budget commitments starkly contrasts with industry norms favoring flexibility, causing hesitation among buyers.

Why it matters: Amazon joins the growing AVOD market at a strategic moment as the industry leans more toward ad-supported models.

- The addition is set to more than double Amazon's CTV ad revenues from \$1.39 billion last year to \$3.13 billion in 2024.

US Amazon OTT Connected TV (CTV) Ad Revenues, 2021-2025

billions and % change



Note: includes in-stream video such as those appearing before, during, or after digital video content (pre-roll, mid-roll, or post-roll video ads) and video overlays; includes Freevee, Fire TV, Prime Video, and Twitch
Source: Insider Intelligence | eMarketer Forecast, Oct 2023

283934

Insider Intelligence | eMarketer

Will it work? Amazon could struggle to attract Prime members to its ad-free option, as a CivicScience report indicates less than 10% are considering the upgrade.

- The CivicScience study indicates a mixed response to the introduction of ads, with the majority unaffected but a notable portion considering **using Prime Video less or canceling**.
- Many Prime members don't use Prime Video, subscribing instead for other benefits. Data shows most streaming users tolerate ads for lower costs, with the CivicScience survey revealing 56% prefer not to pay extra for ad-free streaming. Antenna's findings support a rising trend in ad-supported streaming plan sign-ups.

Our take: Prime Video's ad debut, bolstered by Amazon's commercial prowess and broad reach, is poised to be a significant and potentially disruptive force in streaming advertising. It could redefine industry standards and pricing structures as Amazon goes after a larger share of the advertising market.

- The launch also brings a new dynamic to the market, appealing to larger brands seeking upfront commitments and smaller brands exploring short-term buys.
- The entry might compel competitors like Netflix and **Disney+** to reassess their offerings in light of Prime Video's competitive pricing and substantial market presence. Though Amazon's launch lacks the immediate urgency of Netflix's initial pitch, the expectation of competitive

upfront deals driven by Prime Video has sparked buyer interest, potentially pressuring other streamers to lower prices.