

Retail media and Prime Video fueled Amazon's best year for advertising yet

Article

The news: Amazon's ad business saw another quarter of exceptional growth, continuing its encroachment on Google and Meta's ad duopoly.

- Advertising sales jumped **27% to \$14.65 billion** in Q4 2023, marking several quarters in a row that the retailer's advertising growth has outpaced Meta's (the social media giant's Q4 ad revenues rose **24% YoY to \$38.7 billion**).

What drove 2023 growth: Amazon's advertising business had an exceptionally strong year (and final quarter), fueled by new ad tools, credits that onboarded new advertisers, and strong interest in new ad formats on **Prime Video**.

- Amazon's advertising growth was largely driven by increased adoption of retail media. The company captured **75.2% of the US retail media market in 2023**, more than 10 times the share of No. 2 **Walmart Connect**. Thanks to retail media, Amazon's 2023 ad growth outpaced Meta and Google combined, per our forecast.
- Video advertising was a priority for Amazon in the year's latter half. **Thursday Night Football** hit viewership milestones in 2023 after a lackluster first year, driving significant advertiser interest. One leaked report showed Amazon expected **\$100 million** from two new ad units centered on football.
- The company offered ad credits to entice new advertisers to join its various video platforms and launched an effort to create its own marquee football event on **Black Friday**. The game was called a "mini Super Bowl" by many, and though it under-delivered on expectations somewhat, Amazon was able to sell out 30-second advertising spots for \$600,000 a pop.

Retail Media Ad Revenues, by Company

US, 2023, billions

Amazon

\$34.96

Other ecommerce channel

\$4.17

Walmart

\$3.19

Target

\$1.17

Instacart

\$0.94

eBay

\$0.52

Etsy

\$0.26

Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites

Source: Insider Intelligence | eMarketer, October 2023

Insider Intelligence | eMarketer

The year of Prime Video: The [launch of ads on Prime Video](#) is likely to propel the retailer to become one of the dominant forces in video advertising.

- CEO **Andy Jassy** said the company has an “increasing conviction that Prime Video can be a profitable business on its own.”
- The stock market shares Jassy’s confidence. **Morgan Stanley** forecasts that Prime Video will generate \$3.3 billion in advertising revenues in its first year and reach \$7.1 billion by 2026.
- Prime Video’s initial offerings left advertisers wanting, but its large baked-in audience and CPMs (the cost per 1,000 viewers) that are driving down competing prices will likely lead brands to give the service a look sooner rather than later.

Our take: Thanks to retail media growth and video advertising opportunities, Amazon will soon be mentioned in the same breath as Google and Meta when it comes to digital ad market share.

- While recent earnings from **Netflix** showed that established companies are still on top in the video streaming world, they could soon be looking over their shoulders, too.