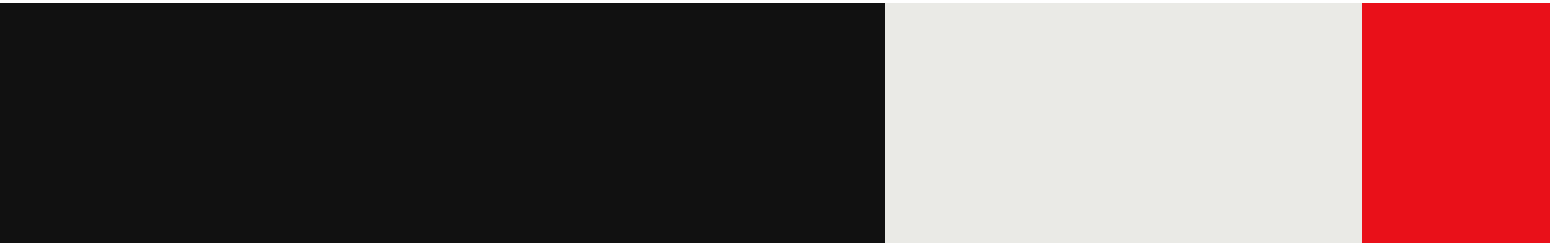



# Amazon Advertisers Still Focus Spending on Sponsored Products

Article



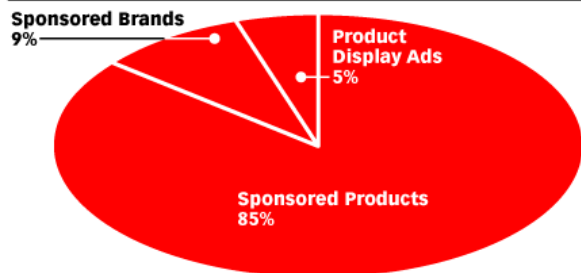
**F**or brands and retailers in certain categories, Amazon is a significant channel for ecommerce sales. And that often means paying for prime placement on Amazon properties, including in search results. We estimate Amazon will have earned 72% of its \$9.85 billion in net US digital ad revenues from search ads in 2019.

Until recently, Amazon included three ad products in its suite of cost-per-click (CPC) options: Sponsored Products, Sponsored Brands (formerly Headline Search) and Product Display (now included in a different grouping as "Sponsored Display" ads). Sponsored Products has long dominated in terms of spending. Performance ad agency Merkle reported that 85% of its clients' Amazon ad spending went to Sponsored Products in Q3 2019. Their spending on these placements rose by 35% year over year.

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**Amazon Ad Spending Share in North America, by Format, Q3 2019**

% of total



*Note: based on campaigns analyzed by Merkle, broader industry metrics may vary; numbers may not add up to 100% due to rounding*  
Source: Merkle, "Digital Marketing Report, Q3 2019," Oct 22, 2019

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Performance agency Tinuiti similarly reported that its clients' spending on Sponsored Product ads was up 30% in Q3. Those clients allocated 88% of their Amazon search budgets to Sponsored Products. (Search budgets were defined in this case as including only Sponsored Products and Sponsored Brands.)

The main reason for the lopsided tilt in favor of Sponsored Products is inventory. In the past, inventory has been a limiting factor for Sponsored Brand ads—there was just one at the top of each search results page. It's a very effective placement, and prices were high as a result. Amazon has added additional placements over the past 18 months. For example, Sponsored Brand ads can now be served on the left rail and at the bottom of results pages on PCs, as well as within search results in the Amazon mobile app.

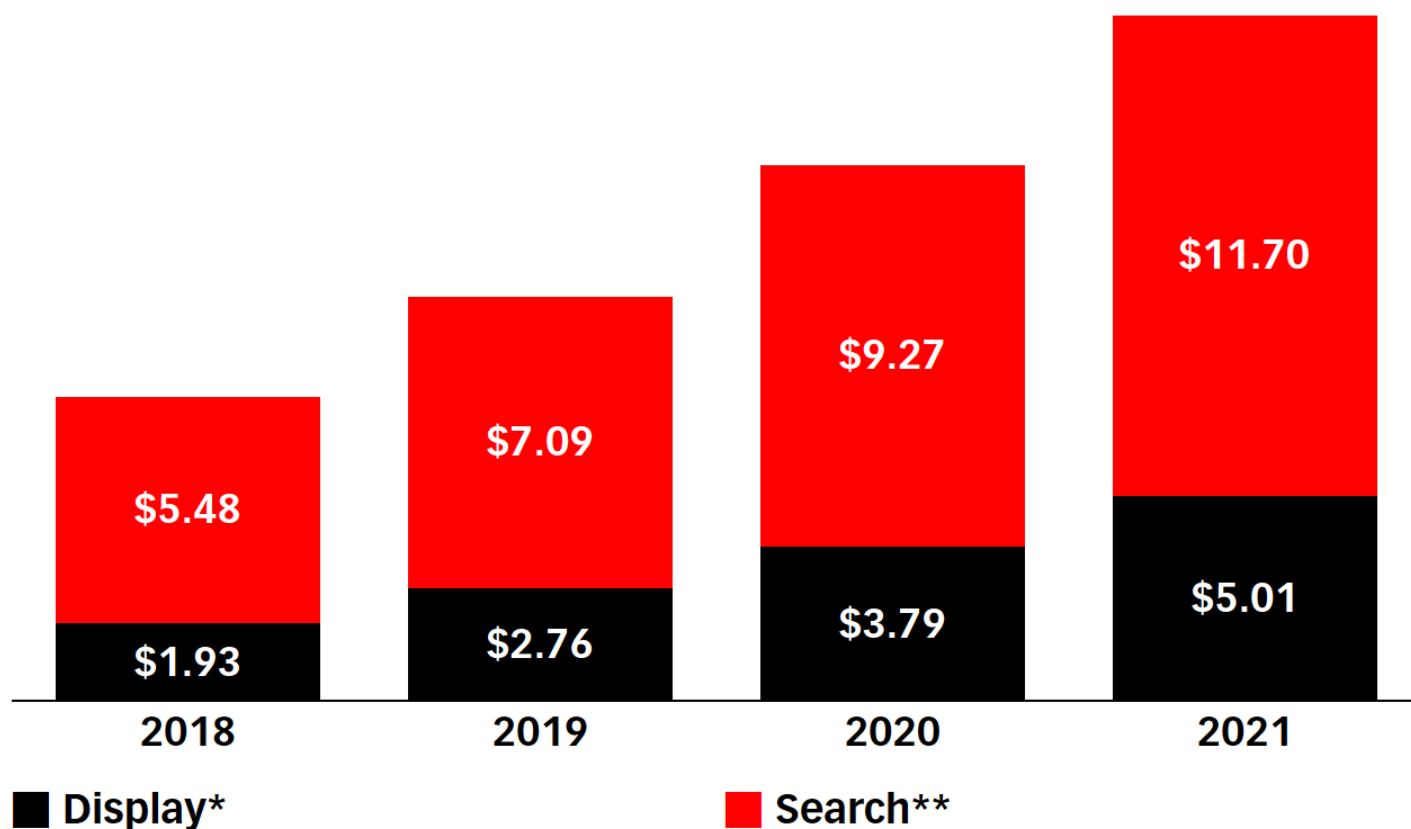
However, those newer options have lower conversion rates, and prices for Sponsored Brand ads have fallen over the past year, according to Tinuiti and other buy-side sources like Amazon ad automation provider Pacvue. Clickthrough rates on Sponsored Brand ads for Pacvue clients were down 39% year over year in Q3 2019, and CPCs were down 8%. For Sponsored Product ads during the same period, CPCs were up 13%. But the average CPC for

a Sponsored Brand ad in Q3 2019 was still \$1.32, vs. \$1.04 for the average Sponsored Product ad.

We expect Amazon to continue developing its display ad business and building out true awareness-oriented ads. Display will account for a greater share of net US digital ad revenues each year, but we don't expect the dominance of these search formats to disappear anytime soon.

## Amazon Net Digital Ad Revenues in the US, by Format, 2018-2021

billions



*Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites; \*includes banner ads and other (static display ads such as Facebook's News Feed Ads and Twitter's Promoted Tweets), rich media (including in-stream and outstream video ads) and sponsorships; \*\*includes contextual text links, paid inclusion, paid listings (paid search) and SEO*

Source: eMarketer, October 2019

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Amazon will net almost \$12 billion in US search revenues by the end of our forecast period in 2021, vs. \$5.01 billion from display.

For more on how advertisers are approaching Amazon’s ad business, read our recent report:

Report by Nicole Perrin Nov 07, 2019

## Amazon Advertising 2019

