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Amazon has a larger advertising business than YouTube

Article

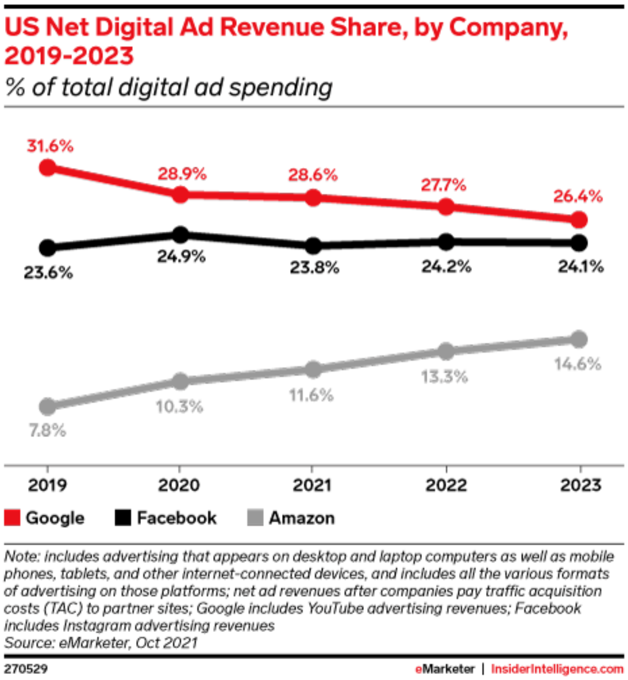
The news: Amazon's advertising revenues rose 32% in Q4 2021 to $9.72 billion, reaching $31.16 billion for the year, per the company's earnings release. The Q4 growth was actually a slowdown from increases of 52% in Q3 and 88% in Q2, when the retailer hosted Prime Day.

More on this: This was the first time the retail giant broke out its advertising revenues.

- Amazon's ad business generated more annual revenues than the company's physical stores ($17.08 billion) and roughly the same amount as Amazon Prime and its other subscription services ($31.77 billion). Amazon announced last week that it is increasing the cost of Prime to $139.
- The business is larger than **YouTube**'s ad business, which grew 46% to $28.85 billion last year, per a filing from parent company **Alphabet**.
- Amazon sees ample room for ad growth: "We're excited to continue innovating in areas like sponsored ads, streaming video, and measurement. Of course, advertising only works if we make it useful for Amazon customers. When we create great customer experiences, we build better outcomes for brands," said **Brian Olsavsky**, Amazon's CFO, during the earnings call.

Why it matters: Amazon's first-party data on consumer shopping and purchase habits offer it an advantage over the more general online behavioral data that Facebook and Google provide.

- Amazon has been largely unaffected by the **privacy tweaks** made to Apple's operating system, per Reuters.
- Amazon's ad business is a **key cog within the retailer's flywheel**. Because advertising is extremely profitable, it provides Amazon with cash to fine-tune logistics and speed up delivery times. Advertising revenues also allow it to invest in original content for Prime Video to drive media usage.
- The ad business helped offset a **slight slowdown in first-party online sales** during Q4 2021, when compared with the prior year. Q4 2020 included Amazon's Prime Day, which shifted to June last year.
- We expect **Amazon's share of the US digital ad market will jump 1.7 percentage points this year**; by the end of 2023, it will increase its share to 14.6%, primarily at the expense of Google and Facebook.



The big takeaway: Amazon's ad business is poised for growth, since the company's offerings enable marketers to reach huge groups of in-market shoppers with high purchase intent, making it extremely important for brands to defend their search position, much as they do on Google.