

Amazon adds off-site placements to Sponsored Products ads

Article

The news: Amazon is extending its **Sponsored Products ads** to premium apps and websites, including **Pinterest**, **BuzzFeed**, **Hearst Newspapers**, **Raptive**, and **Ziff Davis** brands such as **Lifehacker** and **Mashable**.

- The expansion reflects Amazon's ongoing efforts to connect customers and products through experiences that facilitate discovery and shopping.
- Introduced over a decade ago, these cost-per-click ads are designed to help customers find and buy products on Amazon's online store.

How it works: These off-site Sponsored Products ads resemble search ads and appear when a viewer is browsing on Amazon.

- They give product details, including star ratings, pricing, and in-stock status.
- Clicking on an ad directs users to an Amazon page to add items to their carts.
- Amazon plans to use machine learning algorithms to place ads with relevant content. On Pinterest, for example, Amazon advertisers' products will appear within search results.

Martha Welsh, Pinterest's chief strategy officer, sees this as a way to bring more “shoppable content” to the platform.

How sellers can take part: The new extension of Sponsored Products to third-party platforms will be automatic; advertisers do not need to take any action.

- Ads will be displayed based on page context, campaign details, and cost-per-click parameters already set by the advertisers.
- All ads will link to the corresponding Amazon product page and only appear when advertised items are available.
- Sellers can choose not to have their ads appear on specific apps and websites.

Etsy, by contrast, requires all but the smallest sellers to participate in an off-site ad program. **eBay** launched an optional offsite ad program in 2021.

Our take: Our forecast has Amazon accounting for 7.5% of the global digital advertising market in 2023, growing to 9.2% by 2025.

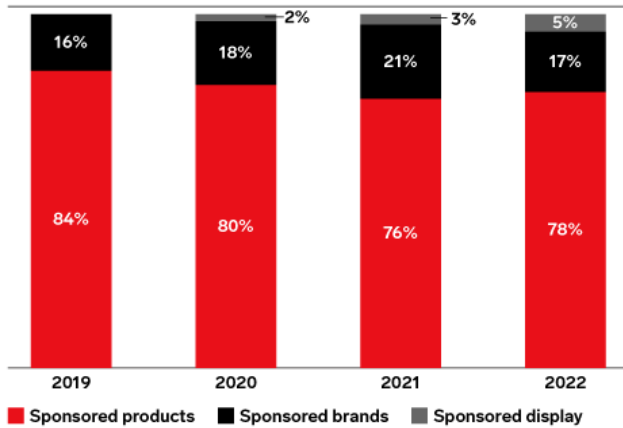
- By that year, **Google** will claim 25% of the US digital advertising market, **Meta** will hold 18%, and Amazon will hold 15%.
- Off-site sponsored products have the potential to cut into the duopoly's lead even further.
- **Tinuiti** reported that in the second half of the first quarter, Amazon's share of Google Shopping impressions rose an average of 20 points compared with a year earlier, while

Walmart's share slipped. If these off-site sponsored listings take off in popularity, Amazon could decrease its Google Shopping investments—which raises its profitability while simultaneously cutting into Google's advertising revenues.

- JungleScout notes that while these ads blend seamlessly with Amazon's organic search results, they're more obviously ads away from Amazon. It's unclear how successful these ads will be for Amazon, hence their cautious rollout with a select few publishers.

Amazon Ad Spending Share Worldwide, by Ad Format, 2019-2022

% of total



Source: Jungle Scout, "2023 Amazon Advertising Report," May 16, 2023

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