Ad Spending Surged for Amazon in Q1 as Shoppers Stocked Up

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Advertising on Amazon has been volatile, as concerns over the coronavirus pandemic created a shopping frenzy for supplies. This drove many products out of stock, which, along with Amazon's deprioritization of non-necessities, caused advertising competition in multiple categories to dry up.

Still, consumers' appetite for goods on the ecommerce marketplace drove an ad spending surge for Amazon in Q1 2020. According to performance marketing agency Merkle, client spending was up 67.3% on Sponsored Product ads and 118.3% on Sponsored Brand ads compared with Q1 2019. Tinuiti reported a 47% increase in client spending on Sponsored Brand ads, with Sponsored Product ad spending growing 24%. Yesterday, Amazon reported 44% growth in Q1 2020 in its "other" sales line item, which primarily includes advertising revenues.

Merkle and Tinuiti also found that prices were rising on Sponsored Brand ads—but by dramatically different amounts. Tinuiti reported that the costs per click (CPCs) for US Sponsored Brand ads rose just 1% year over year in Q1 2020, while CPCs for Merkle's clients increased 52.4%. Amazon ad buying technology provider Pacvue reported relatively low growth in Sponsored Brand CPCs, at 5%.

US Amazon Sponsored Brand Ad Performance Metrics, Q1 2019-Q1 2020

	Cost per click	Clickthrough rate	Return on ad spending
Q1 2019	$1.34	0.62%	4.0%
Q2 2019	$1.31	0.54%	4.4%
Q3 2019	$1.33	0.54%	4.3%
Q4 2019	$1.30	0.56%	4.8%
Q1 2020	$1.41	0.58%	4.6%
—% change QoQ	8%	4%	-4%
—% change YoY	5%	-6%	15%

Note: based on campaigns analyzed by Pacvue, broader industry metrics may vary
Source: Pacvue, "Advertising on Amazon 2020 Q1 CPC Report," April 23, 2020

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Pacvue found Sponsored Product CPCs grew 10% year over year in Q1 2020, while Tinuiti reported a corresponding increase of 9%. Merkle, by contrast, reported Sponsored Product CPCs were down 10.4%.

US Amazon Sponsored Product Ad Performance Metrics, Q1 2019-Q1 2020

	Cost per click	Clickthrough rate	Return on ad spending
Q1 2019	$0.96	0.39%	$5.57
Q2 2019	$1.04	0.40%	$5.82
Q3 2019	$1.03	0.39%	$5.59
Q4 2019	$1.08	0.34%	$5.08
Q1 2020	$1.06	0.35%	$4.83
—% change QoQ	-2%	3%	-5%
—% change YoY	10%	-10%	-13%

Note: based on campaigns analyzed by Pacvue, broader industry metrics may vary
Source: Pacvue, "Advertising on Amazon 2020 Q1 CPC Report," April 23, 2020

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Differences in reporting are likely driven by differences in client bases—which are magnified now because the effects of the pandemic can vastly vary depending on the type of product being sold, its likelihood of running out of stock, seller access to alternate logistics options and more.

"Those of our clients who sell more essential products saw really strong sales in early to mid-March," said Mark Ballard, vice president of research at Merkle. "A lot of people were stocking up. And those brands faced the challenge of depleting their inventory, so their results were weakened by that in the tail end of March."

Pacvue president and cofounder Melissa Burdick described how the complex pandemic-related issues could play out on eMarketer's The Ad Platform podcast in April. "If those [essential] categories have inventory, people are spending a ton, so the [ad] spending is way up in those categories," she said. "Other nonessential categories and decreased-demand categories, like auto and apparel, have just fallen off a cliff in terms of both demand and thus [ad] spending. Then there are other categories of increased demand like DIY, now that we're all stuck in our house, and tools and consumer electronics and toys. The toy category usually comes alive in Q4, but we've seen … brands triple their average daily spending in March."