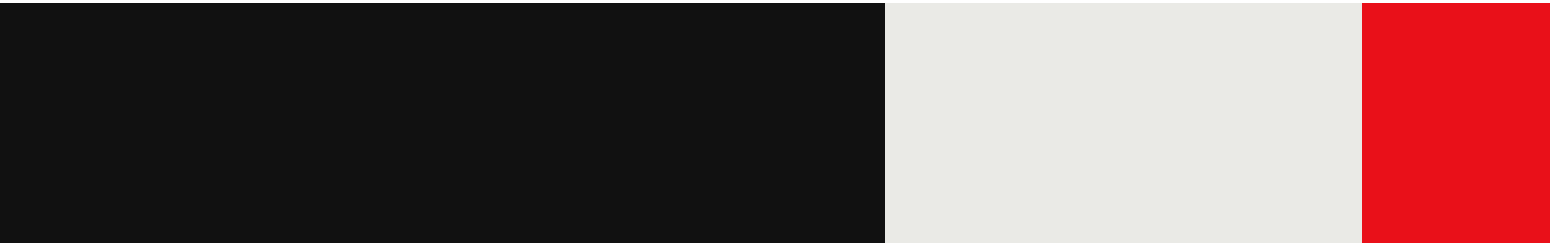



Amazon's share of the US digital ad market surpassed 10% in 2020

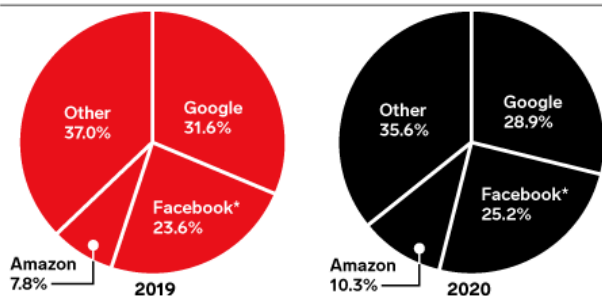
Article



As the pandemic drove consumers to move their spending online in 2020, Amazon benefitted in a big way. But it wasn't just its ecommerce business that grew by double digits. Its advertising business grew by 52.5% last year, pushing Amazon's share of the US digital ad market past 10% for the first time. This has only strengthened its position as the No. 3 ad publisher in the US.

US Triopoly Digital Ad Revenue Share, by Company, 2019 & 2020

% of total digital ad spending



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; *includes Instagram ad revenues

Source: eMarketer, March 2021

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Amazon's US ad revenues last year grew to \$15.73 billion, increasing its market share from 7.8% in 2019 to 10.3% in 2020. Growth was driven by search revenues from Sponsored Products and Sponsored Brands, while video ad revenues on properties including Amazon Fire TV, Twitch, and IMDb TV grew significantly as well.

“For advertisers with goods to sell in the marketplace, Amazon ads were a key performance lever throughout 2020, especially with the cheap ad opportunities available in Q2, when many sellers suffered out-of-stocks and dropped out of the auctions,” said Nicole Perrin, eMarketer principal analyst at Insider Intelligence. “Amazon advertising has long been a must for marketplace participants, and that hasn't really changed—though more brands and retailers are considering Amazon from an ecommerce perspective due to the pandemic.”

This year, we expect Amazon's US ad business to grow another 30.1%, surpassing \$20 billion for the first time, higher than our Q4 2020 forecast. That puts it on track to surge past \$30 billion by 2023.

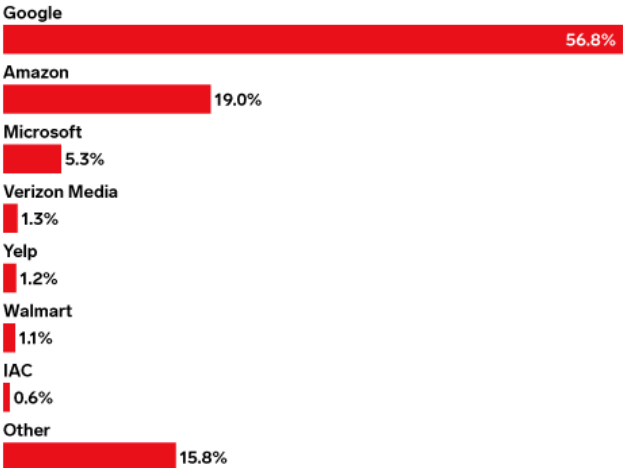
“As consumers shift more spend online, trade spending and shopper marketing will rapidly follow, with the bulk flowing to Amazon,” said Eric Haggstrom, eMarketer senior forecasting analyst at Insider Intelligence. “Its investments in NFL rights and its ad-supported video properties will drive significant growth as well.”

Importantly, Amazon continues to slowly chip away at Google's share of total US digital ad revenues—which will shrink from 28.9% in 2020 to 26.6% by 2023, even as its digital ad business grows.

More specifically, Amazon is stealing share from Google within search, as it continues to better monetize the channel. Amazon’s search ad business will grow to \$14.53 billion in 2021, boosting its share of US search ad spending to 19.0%, up from 13.3% in 2019. By the end of 2022, its share will surpass 20%.

US Search Ad Revenue Share, by Company, 2021

% of search ad spending



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 contextual text links, paid inclusion, paid listings (paid search), and SEO
Source: eMarketer, March 2021

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Ecommerce channel advertising, which includes search advertising and display ads on its retail properties, accounts for roughly 89% of Amazon’s ad business. The rest of Amazon’s ad revenues come from ads on its video platforms and off-property ads sold through Amazon DSP. And it crushes its ecommerce competitors within the ad category it pioneered in the US. This year, Amazon will control 76.2% of the nearly \$24 billion ecommerce channel ad market. For comparison, No. 2 Walmart will capture just 6.5% of the market.

“Early in the pandemic, Google and Facebook made announcements that suggest they’re looking to compete more with Amazon on the ecommerce front,” Perrin said. “For example, they are looking to do more with shoppable display formats, including video. Both companies have a long way to go before catching up with Amazon in the world of ecommerce, but they recognize that they stand to lose digital ad business to the ecommerce giant.”