

Amazon to expand other ad services after announcing exit from ad-serving business

Article

The question: It's been two months since **Amazon** announced plans to shutter its ad-serving business, **Amazon Ad Server**, by the fourth quarter of 2024, giving brands, agencies, and

employees time to adapt. But why?

- The offering, an optional tool for advertisers, aids in creating and distributing ads across multiple platforms, including Amazon's own sites.
- Amazon's 2019 acquisition of Sizmek's ad server and dynamic content optimization business bolstered its position against **Google** and **Facebook** (now **Meta**), allowing Amazon to use its data management platform to deliver ads across various platforms.
- Other advertising services, such as **Amazon DSP** and **Amazon Marketing Cloud**, will continue to operate.
- Amazon's advertising business has seen robust growth—revenues topped **\$12 billion in Q3**, a **26% increase** from the previous year. This growth in advertising revenues—Amazon now accounts for 7.5% of the global digital ad market—comes as the retailer capitalizes on changes, like the effects of **Apple's** 2021 iOS privacy update.

Why it matters: The discontinuation of the ad-serving business may signal a shift in Amazon's technological focus toward areas like artificial intelligence and machine learning.

- Amazon is set to release a **new generative AI model**, code-named Olympus, in an effort to enhance its ecommerce storefront and Alexa voice assistant.
- Amazon is also **testing an AI chatbot feature** to enhance its search functionality, aiming to offer personalized product recommendations and comparisons to users. This feature, designed to streamline the shopping experience by mimicking the service of experienced store associates, could launch in the US as early as January.
- Amazon Web Services (AWS) **unveiled Amazon Q** at its recent re:Invent conference, a notable generative AI (genAI) chatbot trained on 17 years of AWS data.

Not just AI: At its October Unboxed event, Amazon announced an expansion of its ad platform with **Amazon Publisher Cloud**, enhancing ad tech systems to compete against companies like Google and **The Trade Desk**.

- This update includes a data clean room for publishers, enabling them to integrate their audience data with Amazon's for targeted ad delivery, and new features in Amazon's DSP.
- These efforts, part of Amazon's broader strategy to strengthen its advertising business, include working closely with publishers and offering new ad formats like "sponsored TV" for

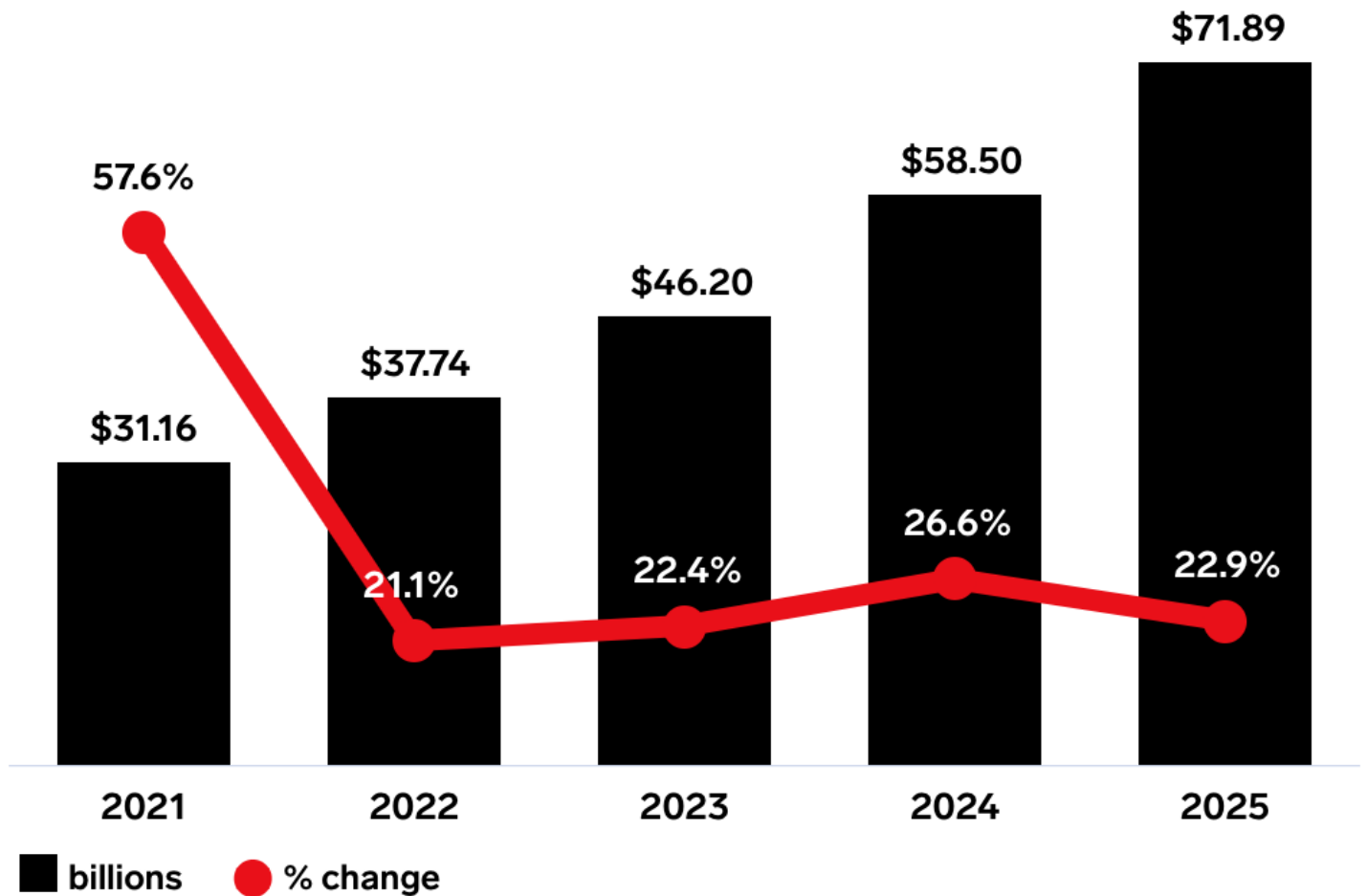
smaller brands.

Our take: Amazon's decision to close the ad-serving business while expanding in other advertising areas suggests a strategic realignment toward more profitable or promising segments.

- The company's ability to significantly expand its ad revenues, even amid strategic shifts, demonstrates its strong (and arguably underrated) position in the digital ad market.

Amazon Ad Revenues

Worldwide, 2021-2025



Note: Exchange Rate; 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

Source: Insider Intelligence | eMarketer, October 2023

Insider Intelligence | eMarketer