

# Amazon eyes ad-supported Prime Video tier in bid to boost streaming revenues

Article

**The news:** Amazon Prime Video is considering launching an ad-supported tier, according to The Wall Street Journal, which would make it the latest major streamer to cave to the trend.

- The company is in the early stages of discussions about the format of a forthcoming ad-supported Prime Video tier, with pricing and launch date yet to be determined.
- Amazon is reportedly considering this ad-supported tier as part of an industrywide move to boost revenue. By introducing a more affordable subscription option that includes advertisements, Amazon aims to expand its subscriber base and strengthen its position against competitors.

Ad-supported plans are gaining traction in streaming for their potential to enhance average revenues per user. Notably, even **Netflix**, once staunchly against ads, has adopted this model with apparent success.

**Ad empire expansion:** While retail media has long become an Amazon core competency, it's quietly began to build its ad-supported streaming bona fides.

- The tech giant has already dipped its toes into ad-supported content with the May introduction of **Fire TV Channels**, which offer free content on Fire TV devices, bolstered by ads. It also has the ad-supported **Freevee** service, which last month announced it would begin offering some original Prime Video content.
- Amazon is rumored to be in talks with major studios such as **Warner Bros. Discovery** (WBD) and **Paramount** to incorporate their ad-supported subscriptions into Prime Video Channels.
- Prime Video already includes advertisements in a few key areas, like **NFL Thursday Night Football** broadcasts, and through a virtual product placement program that integrates ads directly into content.

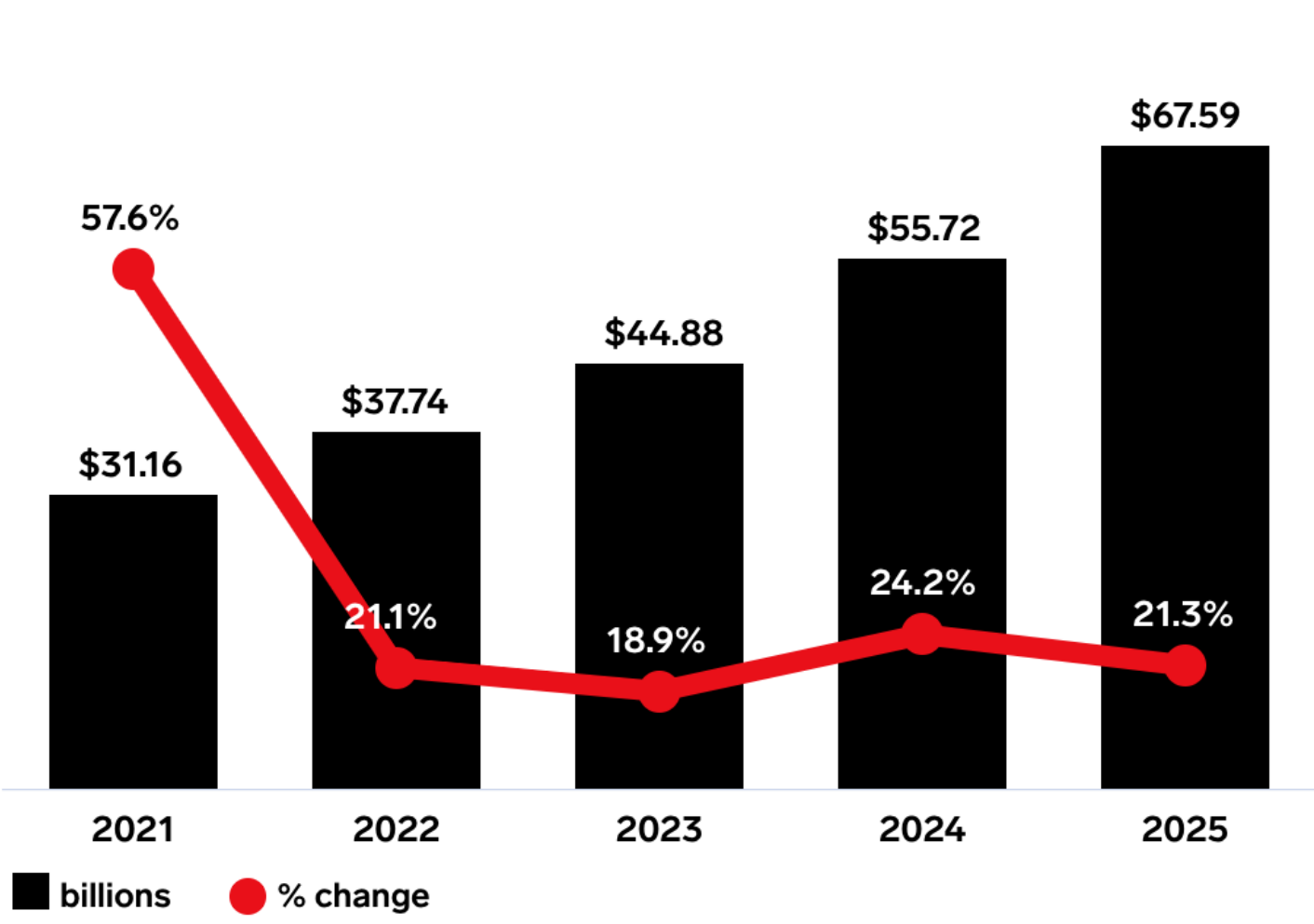
**How it may work:** One possibility is that Amazon would show more ads to existing Prime subscribers, alongside a promotion for an ad-free subscription tier. Another would involve possibly receiving a cut of revenues from other streamers' ad-supported subscription tiers.

- While format and pricing are still uncertain, one thing is clear: Ad breaks will be short. WBD's **Max** and Netflix also have short ad loads of 3 to 4 minutes of ads per hour.

**Our take:** It may be some time before an ad-supported video-on-demand (AVOD) tier makes its way to Prime Video, but it's clear that the company—and streaming industry as a whole—are determined to move in that direction.

However, Amazon may be an advertising giant, but its NFL missteps (more on those tomorrow) show it has a long way to go to build out a strategy and system to bring ads to its streaming service.

## 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: eMarketer, March 2023

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