

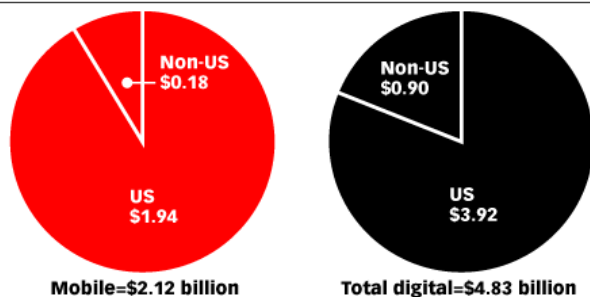
Where Do Amazon's Incremental Ad Revenues Come From?

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Amazon's US digital ad revenues will grow 53% in 2019, as it continues to *steal share from the Facebook-Google duopoly*. That will amount to \$3.92 billion in incremental US ad revenues this year, or 82% of Amazon's worldwide total. And nearly half (43.9%) will come from mobile ad spending.

Incremental Amazon Net Digital Ad Revenues Worldwide, US vs. Non-US, 2019
billions



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; numbers may not add to total due to rounding

Source: eMarketer, Feb 2019

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www.eMarketer.com

Less than one-fifth of Amazon's incremental revenues (\$900 million) will come from outside the US.

In the US, there doesn't seem to be a dominant Amazon ad product attracting marketers. According to an ad-buying survey conducted by Cowen and Company in December 2018, ad-spend allocation among US senior ad buyers' clients is dispersed almost evenly across five categories: traditional display ads, product display ads, sponsored products, video ads and headline search.

However, when combining these ad products into larger categories, the search-type ads make up the majority of allocation (57%) over the combined traditional display and video ads, which make up only 43% of ad spend on Amazon.

How Do US Senior Ad Buyers' Clients Allocate Their Ad Spending on Amazon Ad Products?
% of total, Dec 2018



Source: Cowen and Company, "Ad Buyer Survey VII: Advertisers More Bullish on 2019 US Ad Spend, Led by Digital Video Ascendancy," Jan 10, 2019

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www.eMarketer.com

But a few factors, such as the expansion of video ads, could affect these proportions in the near future. Amazon has **reportedly been testing video ads** that appear within mobile search results.

This development could bolster both facets of the company's ad business. We expect that more than \$36 billion will be spent on video ads in the US this year, with more than 35% going to Facebook and YouTube. But the introduction of more video ads—an in-demand ad format that **Amazon has lacked for years**—could give the company a chance to siphon share from the duopoly.

It will also help Amazon accelerate its already fast-growing mobile ad business. We expect the company's total mobile ad revenues to grow 74.9% in 2019, making up 40% of its total digital ad revenues.