

Prime Day advertising was costly, but Amazon helped pay for out-of-network ad costs

Article

The news: Amazon Prime Day created the two highest-volume sales days in Amazon's history last week, but participating brands' profit margins thinned due to steep advertising costs.

Sellers **spent 14% of their Prime Day revenues on Amazon ads**, according to data from Momentum Commerce.

Behind the stats: Prime Day has become [more than a retail event](#) for Amazon. The multiday discount period pressures Amazon merchants to spend heavily on advertising, making it a pillar of Amazon's ad business, which will generate \$34 billion in the US this year.

- The pressure to participate is rising. According to market research firm Accadia, **80% of Amazon sellers** participated in Prime Day, up from 69% in 2022.
- For brands, the equation is simple: Don't advertise, and miss out on the chance to benefit from Amazon's multibillion dollar sales event. But last year, the tradeoff wasn't so clear. According to Perpetua, each ad dollar spent on Prime Day generated 25% less revenue than in 2021.
- This year, that problem softened. Perpetua found that Amazon's cost of sales, or the amount of ad spend required to see a return on investment, was 9% lower than in 2022, encouraging more sellers to buy.

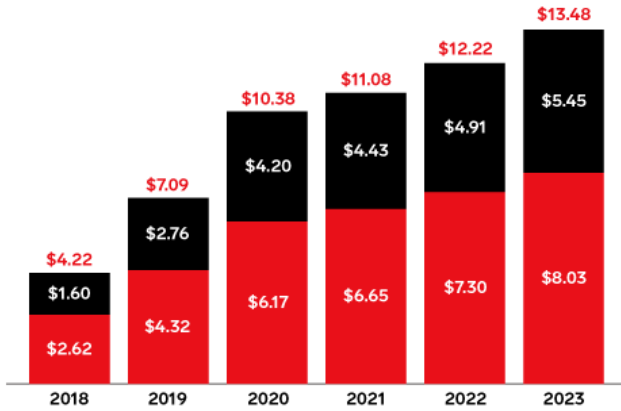
The costs: Even with better ROI, advertising during Prime Day is an expensive endeavor with no guarantee of results. This year, costs were higher thanks to new ad formats Amazon pushed on to sellers. But in exchange, Amazon helped with out-of-ecosystem exposure.

- One costly channel was **Amazon Live**, the company's QVC-like retail ecommerce livestream service. Amazon has pushed the service heavily despite difficulty making [social commerce catch on in the US](#).
- In exchange for devoting ad dollars to the Amazon ecosystem, the company subsidized some brands' out-of-network advertising costs, according to Momentum Commerce. Amazon reportedly helped offset the cost of **Google** search advertising, influencer marketing, and **TikTok** advertising, by paying back 10% of brands' costs if their out-of-network advertising drove significant traffic back to Amazon.

Our take: Prime Day continues to grow as a powerful advertising force with each year. This year's event was the first mostly untarnished by pandemic-related logistics issues like supply chain shortages, and Amazon capitalized on the number of brands eager to get back into consumers' baskets. Programs like the out-of-network advertising subsidies will help Amazon build relationships with brands that could get them to focus even more heavily on the event.

US Amazon Prime Day Retail Ecommerce Sales, Amazon vs. Other Retailers, 2018-2023

billions



■ Amazon Prime Day sales*

■ Other retailers' ecommerce sales during Amazon Prime Day**

*Note: excludes travel and event tickets; *represents the gross value of products or services sold on amazon.com (browser or app) during the Amazon Prime Day sales event, regardless of the method of payment or fulfillment; excludes Amazon Web Services (AWS) sales, advertising services, and credit card agreements; includes direct and marketplace sales; excludes Amazon Business sales; **includes products or services ordered using the internet during the Amazon Prime Day sales event across all retailers, regardless of the method of payment or fulfillment*

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