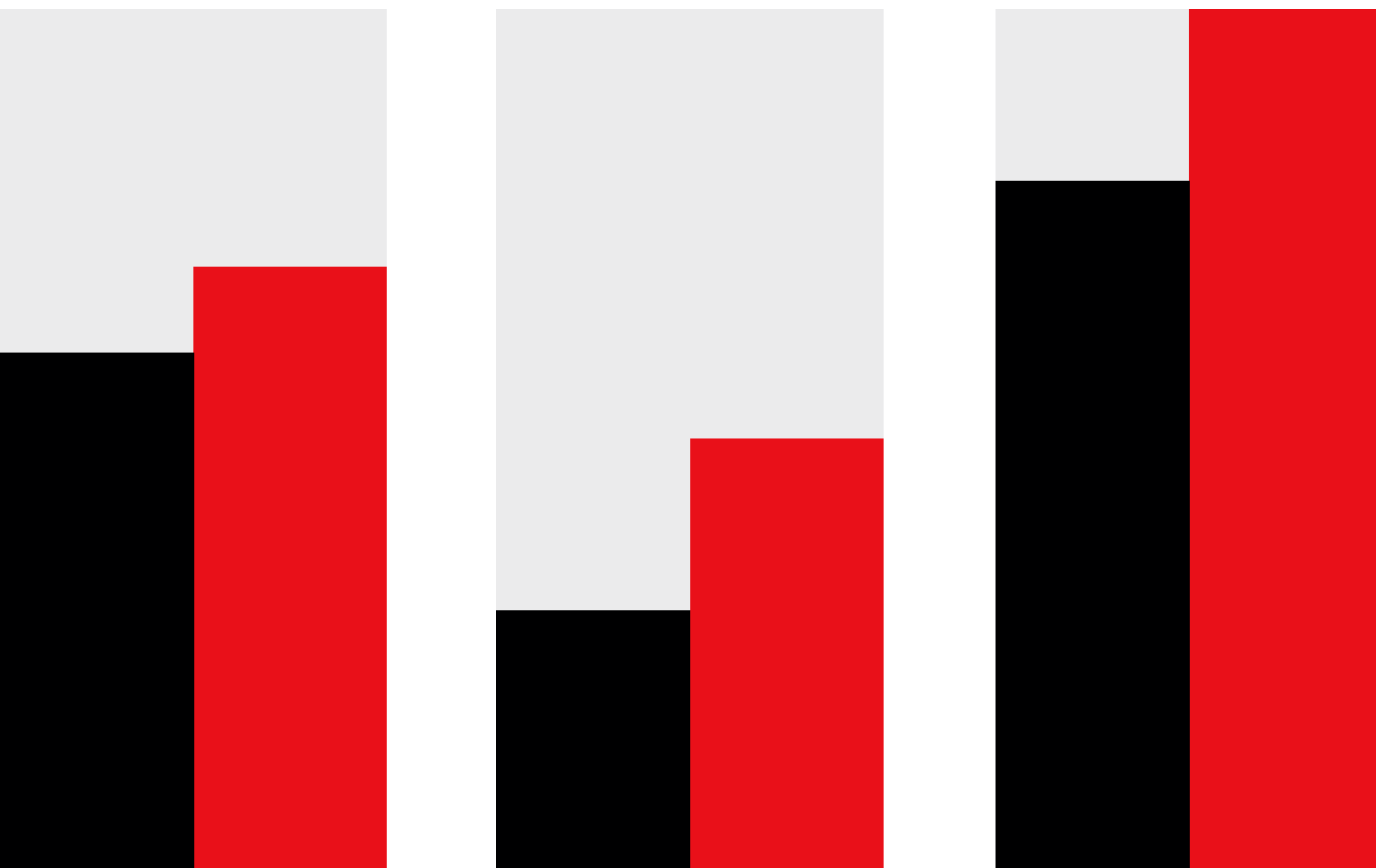


Amazon Advertising 2020

Pandemic Trends Push the No. 3 US Digital Ad Seller Forward



Amazon Advertising 2020: Pandemic Trends Push the No. 3 US Digital Ad Seller Forward

In recent years, Amazon has solidified its place as the third-leading digital ad seller in the US. But the events of 2020 have helped it carve out additional share earlier than expected and made it clear that Amazon is positioned to continue growing its ad business robustly.

How will the pandemic affect Amazon's advertising business?

The pandemic is accelerating growth in Amazon's ad revenues, along with its ecommerce sales. At the beginning of March, we had forecast 32.5% growth in Amazon's net US digital ad revenues this year. By early October, after Amazon reported rapid growth in Q1 and Q2 despite the disruptions of the spring, we revised our expectation upward to 41.0% growth this year. Amazon will now earn more than 10% of US digital ad spending in 2020.

How are advertisers approaching Amazon this year?

For advertisers with goods to sell in the marketplace, Amazon ads have been a key performance lever this year, especially with the cheap ad opportunities available in Q2, when many sellers suffered out-of-stocks and dropped out of the auctions. 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.

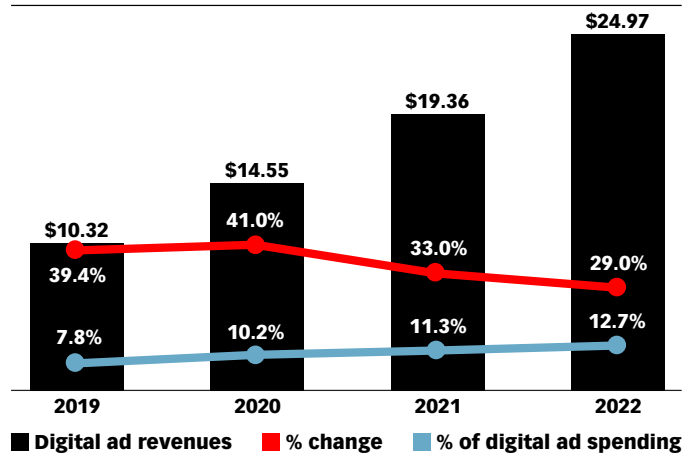
How will Amazon continue to attract advertiser spending?

Amazon is continuing to roll out new ad products, including more ways for advertisers to use video and other opportunities for advertising higher in the funnel. Sponsored Brands Video attracted about a quarter of its clients' Sponsored Brand ad spending in Q3 2020, according to ad agency Tinuiti. Amazon is also working to offer more measurement tools to press its advantage as targeting- and attribution-related data becomes harder to come by.

WHAT'S IN THIS REPORT? This report includes our latest forecast of digital ad revenues at Amazon, comparative Amazon ad benchmarks for 2020, and other key Amazon ad trends.

US Net Digital Ad Revenues at Amazon, 2019-2022

billions, % change, and % of 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

Source: eMarketer, Oct 2020

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KEY STAT: Amazon's net US digital ad revenues will rise by 41.0% this year as consumers dramatically shift to more ecommerce shopping and advertisers pay to get in front of shoppers at their leading destination.

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Amazon Advertising Revenues

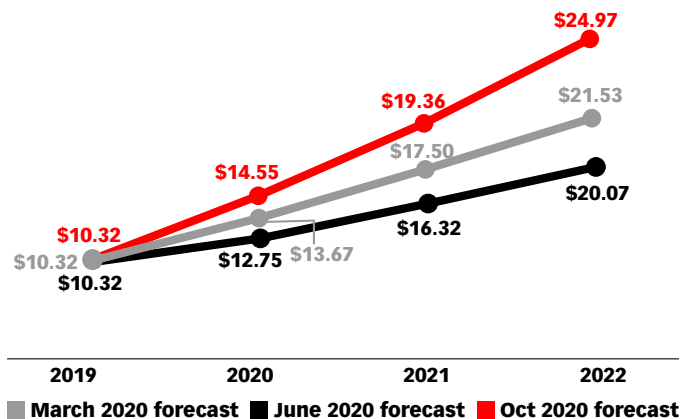
Prior to the pandemic, we had expected Amazon's net US ad revenues to grow faster this year than those of any other digital ad seller of comparable size. In June, our outlook for Amazon was somewhat worse—but we still expected it to grow faster than any digital ad seller besides the much smaller Roku.

But the pandemic has been good for Amazon's ad revenues along with its retail sales, as consumers shift their shopping habits to ecommerce at elevated rates. We now forecast even faster growth this year for Amazon's US ad business than we had expected in March. Amazon has a unique place in our US digital ad revenue breakout: It's the only company for which we revised our 2020 estimate upward between March and October.

For more on how the pandemic has boosted Amazon's fortunes on the ecommerce side, see our September and October reports [“Amazon Prime Day 2020: From ‘Black Friday in July’ to Early Holiday Season Kickoff”](#) and [“Holiday Shopping 2020: Unprecedented Holiday Ecommerce Gains Will Make Up for Brick-and-Mortar Shortfall.”](#)

How Has the Forecast for US Net Amazon Ad Revenues Changed?

billions, 2019-2022



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

Source: eMarketer, Oct 2020

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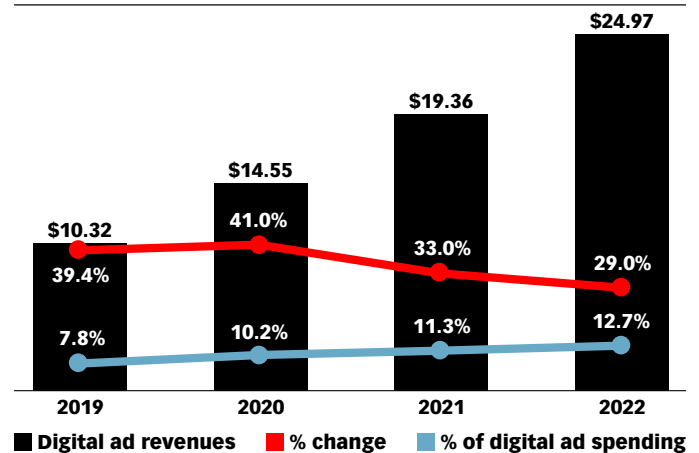
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We expect Amazon to earn \$14.55 billion in net US digital ad revenues in 2020. This year's growth of 41.0% represents a slight acceleration over 2019, and no digital ad seller without an ecommerce property will grow as quickly in 2020. Our October estimate was created at the beginning of the month, before Amazon reported a 50.5% year-over-year increase in worldwide "other" revenues—the line item that includes primarily advertising revenue—in its Q3 earnings. This was an acceleration of growth compared with Q2 and the fastest annual growth reported in any quarter after 2018, the year an accounting change sent growth rates artificially high. It was also faster than we had expected and suggests Amazon is headed to a strong finish to 2020.

This pandemic-driven growth will propel Amazon to a more than 10% share of the US digital ad market this year. Before the pandemic, we hadn't expected Amazon's share to exceed 10% until 2022.

US Net Digital Ad Revenues at Amazon, 2019-2022

billions, % change, and % of 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

Source: eMarketer, Oct 2020

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We estimate that Amazon makes the vast majority of its ad revenues from impressions served in the US—about 83% this year. While its ad business is growing elsewhere in the world as well, it's growing even more quickly in the US—and some US spending comes from overseas advertisers trying to sell to US consumers. We expect Amazon's worldwide net ad revenues to approach \$30 billion in 2022.

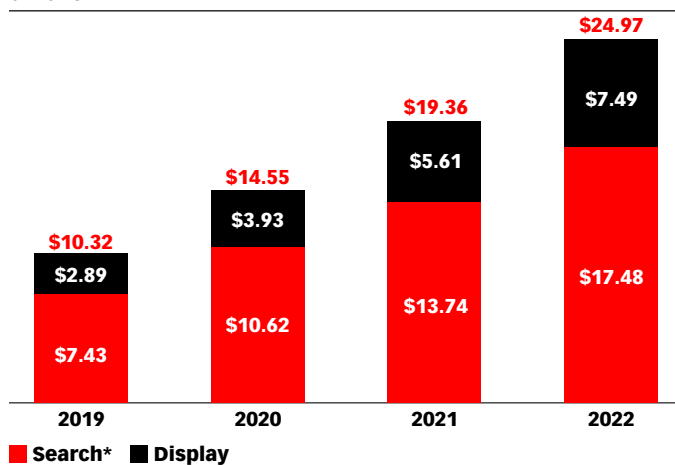
Amazon Ad Formats and Products

There are a few different ways to break down the major elements of Amazon's ad business. Amazon's self-serve, cost-per-click-based ad console forms the core of the offering and includes Sponsored Products, Sponsored Brands, and Sponsored Display ads. Amazon DSP is one of the leading demand-side platforms (DSPs) in the programmatic display market and allows advertisers to buy ads both on- and off-property. In addition to selling ads on its ecommerce marketplace and elsewhere on the web, Amazon has an increasing amount of video ad inventory on owned and operated media properties including Twitch, IMDb TV, and Fire TV.

In our estimates, we break out our traditional categories of search and display. We define search as ads where the primary method of targeting is in response to a keyword or other user query. We estimate that about 73% of Amazon's net US digital ad revenues this year will come from search ads. Note that Amazon's net revenues exclude the portion of advertiser spending from Amazon DSP that ultimately ends up with other publishers (or ad tech partners), so from an advertiser allocation standpoint, display's share will be somewhat higher.

US Net Digital Ad Revenues at Amazon, by Format, 2019-2022

billions



Note: numbers may not add up to total due to rounding; *includes advertising that appears based on specified keywords or search terms in response to a user's query
Source: eMarketer, Oct 2020

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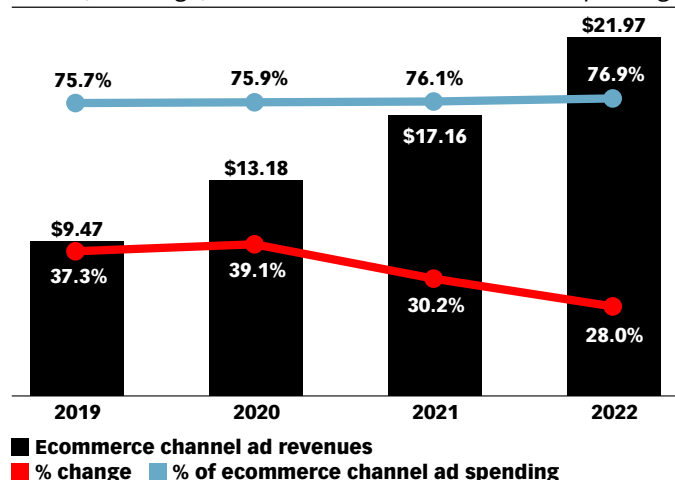
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This year, for the first time, we also have an estimate of Amazon's ecommerce channel ad revenues. This includes all ads that appear on Amazon's marketplace properties—the vast majority of its ad business. In 2020, Amazon will earn \$13.18 billion from ads on its US ecommerce properties,

up 39.1% year over year. See below for more on our new forecast of ecommerce channel advertising and Amazon's place in that market.

US Net Ecommerce Channel Ad Revenues at Amazon, 2019-2022

billions, % change, and % of ecommerce channel 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; excludes advertising on Amazon-owned media properties like Amazon Fire TV and Twitch, and advertising placed on non-Amazon-owned properties

Source: eMarketer, Oct 2020

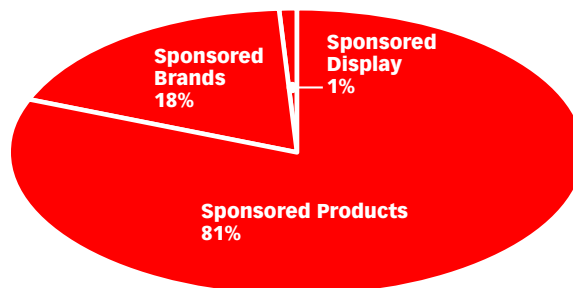
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Agencies including Merkle and Tinuiti report how their clients' spending on Amazon ad console formats (i.e., excluding Amazon DSP) breaks down. Since Q4 2019, Merkle has reported about 80% of this spending went to Sponsored Product ads, with almost all of the remainder going to Sponsored Brand ads.

Amazon Ad Spending Share in North America, by Format, Q3 2020

% of total



Note: based on campaigns analyzed by Merkle, broader industry metrics may vary

Source: Merkle, "Digital Marketing Report Q3 2020," Oct 27, 2020

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Tinuiti revealed that an even higher share of its clients' spending has gone to Sponsored Products since it began reporting this breakdown in Q2 2020. Other Amazon-focused agencies also reported that their clients' spending continues to gravitate toward Sponsored Products—though reporting on a per-agency basis might be misleading because some advertisers manage their ad console and DSP spending with separate firms.

It can be frustrating to try to categorize digital ads, and it doesn't get any easier when we're dealing with innovative ad products in a novel market like digital retail media. Take one of Amazon's newer formats, Sponsored Brands Video. This format is a subset of Sponsored Brands, which we categorize as search. Typically, we would consider video a subset of display advertising. Amazon introduced Sponsored Brands Video as part of its effort to attract higher-funnel spending, but the targeting is still in response to a user query, which is our main criterion for whether an ad is search. Sponsored Brands Video ads have already become popular since their launch earlier this year—according to Tinuiti, 26% of its clients' spending on Sponsored Brand ads in Q3 went to Sponsored Brands Video placements.

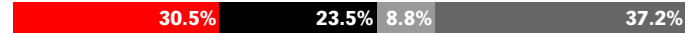
Amazon's Place in the Digital Ad Market

As discussed above, the pandemic has benefited Amazon's ad business and we now expect the company to account for more than 10% of the US digital ad market this year. It remains a distant second to Facebook, which maintains a share of just under a quarter of the market. But Amazon has a comfortable lead on everyone else. The fourth- and fifth-place digital ad sellers, Microsoft and Verizon Media Group, will net an aggregate 5.7% of the market in 2020, and that share will fall as Amazon's continues to grow through the end of our forecast period in 2022.

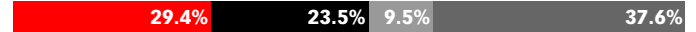
How Has the Forecast for Triopoly vs. Other Ad Revenues in the US Changed?

% of digital ad spending, 2020

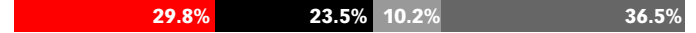
March 2020 forecast



June 2020 forecast



Oct 2020 forecast



■ Google ■ Facebook ■ Amazon ■ Other

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

Source: eMarketer, Oct 2020

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In the past, we've written about how Facebook built a display ad powerhouse alongside Google's search juggernaut, not taking share from Google but rather building up a digital ad duopoly spanning two different types of ads. And we've explained that Amazon's business was focused on a third area, ecommerce channel advertising, and would similarly take a limited amount of share from the duopoly.

For more on our past coverage of Amazon's rise in the triopoly, see our November 2019 report [“Amazon Advertising 2019: Growth and Performance Are Strong at the No. 3 US Digital Ad Seller.”](#)

The success of ecommerce channel advertising, combined with the pandemic-induced shift to record levels of digital shopping and buying, is changing this dynamic to some extent. Early in the pandemic, both Google and Facebook made announcements that suggest they're looking to compete more with Amazon on the ecommerce front, such as Google's decision to allow organic listings in Google Shopping, making it more like a marketplace, and Facebook's unveiling of its Shops product. Google and Facebook are also 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 recognize they stand to lose digital ad business to the ecommerce giant.

We expect Amazon to net 17.9% of the US search ad market this year, up from our pre-pandemic expectation of 15.2%. Google's share is still much bigger, though we've revised it downward by 1.3 percentage points over the same time frame.

US Net Search Ad Revenue Share, by Company, 2019-2022

% of search ad spending

	2019	2020	2021	2022
Google	61.3%	57.9%	56.8%	54.9%
Amazon	13.3%	17.9%	19.4%	21.5%
Microsoft	6.6%	5.7%	5.0%	4.6%
Verizon Media	1.9%	1.5%	1.3%	1.1%
Yelp	1.7%	1.3%	1.3%	1.2%
IAC	1.1%	0.8%	0.7%	0.6%
Other	14.0%	14.8%	15.5%	16.0%

Note: includes advertising that appears based on specified keywords or search terms in response to a user's query; includes paid listings, paid inclusion, and contextual text links; examples include text ads in Google search results, Product Listing Ads in Google search results, and Amazon Sponsored Products and Sponsored Brands; includes advertising that appears on desktop and laptop computers, as well as mobile phones, tablets, and other internet-connected devices

Source: eMarketer, Oct 2020

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Amazon isn't particularly known for its display ad business—though that's starting to change as advertiser allocations to Amazon DSP continue to grow and more video inventory becomes available on Amazon's media properties. Even so, Amazon has had the third-largest share of the US display ad market since 2019. We expect it to continue growing its slice of the market through the end of our forecast period.

US Net Digital Display Ad Revenue Share, by Company, 2019-2022

% of total display ad spending

	2019	2020	2021	2022
Facebook	41.9%	43.0%	43.0%	43.4%
Google	10.6%	10.4%	10.6%	10.5%
Amazon	4.1%	5.1%	6.0%	6.8%
Verizon Media Group	3.2%	2.6%	2.3%	2.0%
Twitter	2.3%	1.9%	2.0%	2.0%
Microsoft	1.5%	1.5%	1.5%	1.4%
Snapchat	1.2%	1.4%	1.4%	1.5%
IAC	0.1%	0.1%	0.1%	0.1%
Other	35.0%	34.0%	33.2%	32.3%

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 banner ads and other (static display and ads such as Facebook's News Feed Ads and Twitter's Promoted Tweets), rich media (including in-stream and outstream video ads), and sponsorships; rich media data for 2017-2022 includes in-stream and outstream video ads; data prior to 2017 includes only outstream video ads; Facebook advertising revenues include Instagram advertising revenues; Google advertising revenues include YouTube advertising revenues; numbers may not add up to 100% due to rounding

Source: eMarketer, Oct 2020

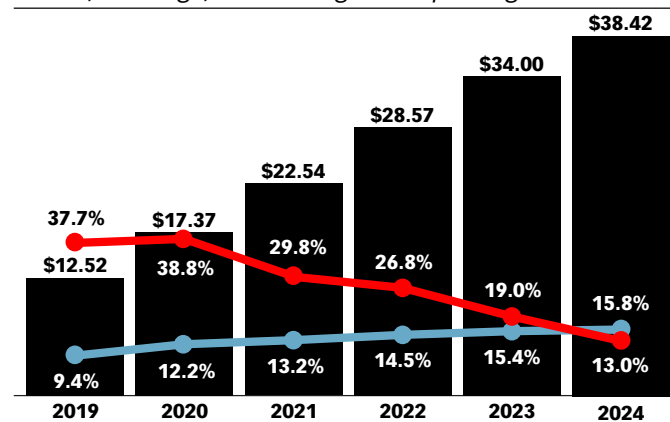
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This year, for the first time, we have estimated the size of the overall ecommerce channel advertising market, which Amazon has pioneered. We forecast that advertisers will spend \$17.37 billion this year advertising on retail ecommerce properties in the US. That's up 38.8% over 2019 and represents one of the fastest-growing digital ad channels during this year's economic disruption.

US Ecommerce Channel Ad Spending, 2019-2024

billions, % change, and % of digital ad spending



■ Ecommerce channel ad spending

■ % change ■ % of digital ad spending

Note: digital advertising that appears on websites or apps that are primarily engaged in retail ecommerce; examples include advertising on Amazon, Walmart, and eBay; excludes advertising on social networks or search engines

Source: eMarketer, Oct 2020

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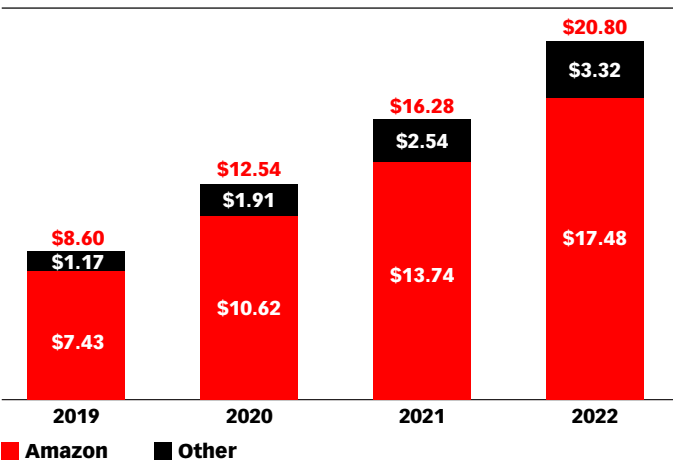
As discussed above, not all of Amazon's digital ad revenues come from ecommerce channel ads. For example, ads purchased through Amazon DSP that appear off-property would not meet our definition of ecommerce channel advertising, nor would ads that appear on Amazon's media properties such as Twitch or IMDb TV, regardless of the method of purchase. We estimate that ecommerce advertising will contribute about 91% of Amazon's net US digital ad revenues this year, and that the share will fall by a couple points over the next two years.

Amazon's ecommerce channel ad revenues will amount to just over three-quarters of the market this year, and we expect its share to grow slightly faster than ecommerce ad spending overall in the next two years. The No. 2 ad seller in this market is Walmart, which we estimate will net 4.9% of ecommerce ad spending in the US this year.

For more on our first-ever estimates of digital ad revenues at Walmart, eBay, and Etsy, see our November 2020 report **"Search Marketing 2020: Pandemic Brings Short-Term Pain but Long-Term Gain."**

Since most of its ecommerce channel ad revenues come from search ads, Amazon especially dominates the search side of the ecommerce market. We expect that pattern to continue through the end of our forecast period.

US Net Ecommerce Channel Search Ad Revenues, Amazon vs. Other, 2019-2022
billions

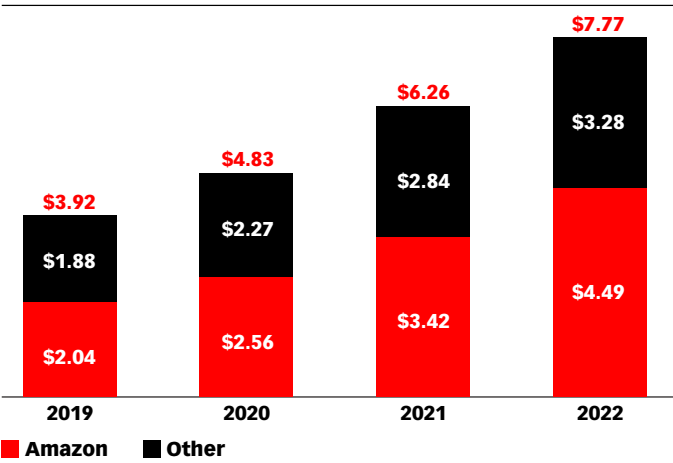


Note: search advertising that appears on websites or apps that are primarily engaged in retail ecommerce; examples include advertising on Amazon, Walmart, and eBay; excludes advertising on social networks or search engines; numbers may not add up to total due to rounding
Source: eMarketer, Oct 2020

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Other ecommerce channel ad sellers are relatively more focused on display inventory than Amazon is, but Amazon will still account for more than half of all ecommerce channel display ad spending this year. And it will gain some share of this side of the market over our forecast period, as Amazon continues to develop products for advertisers to use higher in the purchase funnel.

US Net Ecommerce Channel Display Ad Revenues, Amazon vs. Other, 2019-2022
billions



Note: display advertising that appears on websites or apps that are primarily engaged in retail ecommerce; examples include advertising on Amazon, Walmart, and eBay; excludes advertising on social networks or search engines
Source: eMarketer, Oct 2020

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Amazon DSP makes up a relatively small part of Amazon's ad business but has topped Advertiser Perceptions' list of preferred DSPs for a few years. The most recent wave of the researcher's DSP study was conducted last September and showed continued high marks for Amazon DSP. US agency and marketing professionals surveyed were more likely to both use and prefer Amazon's over any other DSP.

Which Demand-Side Platforms (DSPs) Have US Agency and Marketing Professionals Used?
% of respondents, June 2017-Sep 2019

	June 2017	January 2018	July 2018	January 2019	September 2019
Amazon Advertising	39%	38%	41%	48%	46%
The Trade Desk	21%	18%	26%	32%	38%
Google Display & Video 360	35%	38%	35%	36%	33%
MediaMath	24%	15%	19%	29%	31%
Adobe Advertising Cloud	21%	20%	20%	28%	25%
AppNexus	19%	17%	15%	18%	24%
Oath Ad Platforms	17%	30%	29%	32%	21%

Note: among those who use DSPs; in the past 12 months
Source: Advertiser Perceptions, "DSP Report, Wave 7: Programmatic Intelligence Report Q3 2019," Dec 3, 2019

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While Amazon's CPC formats like Sponsored Products and Sponsored Brands are available only to those whose products are for sale on the platform, any advertiser (with enough budget to afford the minimum monthly spend) can make use of Amazon's audience targeting data through its DSP. According to Tinuiti, spending among its clients on Amazon DSP was up 33% in Q3 2020 over the previous quarter, and 97% of that spending used Amazon's proprietary audience targeting. A slight majority (54%) of their Amazon DSP spend also went to placements on Amazon-owned and -operated properties.

"DSP absolutely is appealing to folks who aren't selling on Amazon," said Andy Taylor, director of research at Tinuiti. "If you're a retailer, there are limitations to what types of products can be advertised depending on whether they are already available for purchase on Amazon. Advertisers in other industries such as insurance or entertainment can use the audiences to target folks who are in their target demographic."

Amazon's ad tech solutions are also popular with publishers—though Advertiser Perceptions found Amazon Publisher Services' penetration was far below that of Google Ad Manager as of February 2020. Google Ad Manager was also the most preferred supply-side platform (SSP) of 60% of US publishers surveyed, compared with 12% who chose Amazon Publisher Services.

Supply-Side Platforms (SSPs) Used by US Publishers, by Publisher Size, Feb 2020

% of respondents in each group

	Small publisher	Large publisher
Google Ad Manager	81%	80%
Amazon Publisher Services	46%	46%
OpenX	31%	41%
Verizon Media	24%	30%
Rubicon Project	21%	35%
SpotX	17%	37%
TripleLift	15%	26%
MoPub	15%	11%
Index Exchange	14%	44%
PubMatic	13%	26%
Xandr Monetize	11%	26%
Telaria	9%	20%
FreeWheel	7%	17%
Sovrn Holdings	5%	24%

Note: in the past 12 months

Source: Advertiser Perceptions, "SSP Report: Wave 5 1H 2020," May 5, 2020

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Amazon was about tied with Rubicon Project (now merged with Telaria, further down this list, and known as Magnite) for second place when respondents were asked about their preferred header bidding solutions. Google was again in the lead.

Amazon has also been a key factor in advertiser allocations of connected TV (CTV) budgets this year, according to August 2020 polling by Pivotal Research Group. Pivotal found that US brand and agency marketers were allocating, on average, 16% of their CTV budgets to Amazon in Q2 and Q3, which put Amazon's share about halfway between Hulu's and Roku's.

Allocation of Connected TV Budget at Their Company According to US Agencies and Brand Marketers, by Buy Type and Channel, Q2 & Q3 2020

% of respondents in each group

	Branding	Direct	Total
Q2 2020			
Amazon	17%	15%	16%
Demand-side platforms (DSPs)	18%	26%	23%
Directly to networks	24%	18%	21%
Hulu	26%	15%	19%
Roku	8%	16%	13%
Other	7%	10%	8%
Q3 2020			
Amazon	17%	15%	16%
Demand-side platforms (DSPs)	22%	26%	24%
Directly to networks	22%	18%	20%
Hulu	25%	15%	19%
Roku	7%	16%	12%
Other	7%	10%	8%

Note: numbers may not add up to 100% due to rounding

Source: Pivotal Research Group, "Advertising Insights (PAI): CTV/TV Deep Dive – 3Q20 QTD," Sep 27, 2020

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It's worth noting that when Pivotal conducted the same research in July, it found very different results: Respondents reported allocating just 9% of their CTV budgets to Amazon across both quarters.

The Pandemic Effect on Amazon Advertising

Early in the pandemic, consumers turned to Amazon in droves for groceries, cleaning items, and just about everything they could. As Amazon struggled to keep up with unprecedented levels of demand alongside new requirements for employee safety, it was forced to restrict shipping and receiving of nonessential categories of items, cut its own Google search advertising to zero to dampen demand, and extend delivery estimates past the one or two days shoppers had gotten used to. Many sellers found themselves facing out-of-stocks or shipping restrictions—or both—and dropped out of the Amazon ad market because they had nothing to advertise.

This led to unprecedented price drops for Sponsored Product ads in Q2, according to several firms that report on Amazon ad pricing and other benchmarks. Merkle, Tinuiti, and ad technology provider Pacvue reported their clients' CPCs for Sponsored Product ads dropped by double-digit rates in Q2 2020 compared with the same period in 2019. According to Merkle and Tinuiti, CPCs continued falling in Q3 2020, though Pacvue found prices were up again compared with the same period last year.

Comparative Estimates: Amazon Sponsored Product Ad Costs per Click in North America, Q3 2019-Q3 2020 % change vs. same period of prior year

	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Pacvue*	13%	16%	10%	-15%	3%
Merkle	11%	15%	52%	-41%	-9%
Tinuiti*	10%	12%	9%	-14%	-9%

Note: *US only

Source: various, as noted, Nov 2, 2020

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The picture was similar for Sponsored Brand ads, though prices for those had been more volatile in the past. In 2019, Sponsored Brand CPCs had come down because new, lower-value inventory had been added by Amazon. But in Q2 2020, Sponsored Brand ads saw pandemic-related price drops as well, according to all three firms, and Tinuiti's clients continued enjoying lower CPCs on Sponsored Brand ads as of Q3.

Comparative Estimates: Amazon Sponsored Brand Ad Costs per Click in North America, Q3 2019-Q3 2020

% change vs. same period of prior year

	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Merkle	-18%	21%	52%	-19%	16%
Pacvue*	-8%	-8%	5%	-13%	5%
Tinuiti*	3%	-8%	-1%	-13%	-3%

Note: *US only

Source: various, as noted, Nov 2, 2020

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Lower prices led to opportunities for advertisers that did have items to sell and ways to ship them to customers. Consumers were still shopping on Amazon, still clicking, and still converting even in the face of extended or uncertain shipping times. Falling CPCs meant a better return on ad spending for advertisers that were able to continue participating in the marketplace.

Note that annual growth rates appear depressed in Q3 2020 because Prime Day occurred in July last year but was postponed this year to October. Most of our sources released data indicating this year's Prime Day meant a big boost in ad spending, but we've also heard that some advertisers opted not to participate for a combination of reasons. Amazon was slow in getting information out about Prime Day, and when it came so close to the holiday season, some advertisers didn't want to use up too much budget too early, or run low on product inventory ahead of the holidays. Plus, there were competing events from other retailers, and the fact that many online sellers had already made their goals for the year.

Comparative Estimates: Amazon Sponsored Product Ad Benchmarks in North America, Q3 2019-Q3 2020

% change vs. same period of prior year

	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Retail sales					
Merkle	69%	106%	70%	77%	67%
Tinuiti*	30%	21%	19%	37%	20%
Ad spending					
Merkle	35%	63%	67%	22%	50%
Tinuiti*	30%	30%	24%	28%	11%
Clicks					
Merkle	21%	42%	87%	107%	64%
Tinuiti*	18%	16%	14%	49%	22%

Note: *US only

Source: various, as noted, Nov 2, 2020

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Just as for Sponsored Product ads, Merkle and Tinuiti reported continued strong increases in spending, clicks, and sales for Sponsored Brand ads.

Comparative Estimates: Amazon Sponsored Brand Ad Benchmarks in North America, Q3 2019-Q3 2020

% change vs. same period of prior year

	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Retail sales					
Merkle	87%	57%	131%	117%	113%
Tinuiti*	-**	43%	57%	79%	110%
Clicks					
Merkle	46%	28%	43%	94%	50%
Tinuiti*	16%	38%	45%	84%	72%
Ad spending					
Merkle	21%	56%	118%	58%	74%
Tinuiti*	19%	27%	47%	60%	67%

Note: *US only; **Tinuiti did not release retail sales datapoint for Q3 2019
Source: various, as noted, Nov 2, 2020

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Technology provider Kenshoo releases data on its worldwide client base's experience with ecommerce channel advertising overall—including not just Amazon but also Walmart. Kenshoo reported strong annual growth in ecommerce channel ad spending each quarter this year, including a 45% increase in spending in Q3, despite the absence of Prime Day. That 45% increase in spending was associated with a 56% increase in clicks and a 126% increase in impressions, suggesting that Kenshoo found prices were down during the quarter. In Q2, it had reported client spending was up 37% and clicks were up 64%.

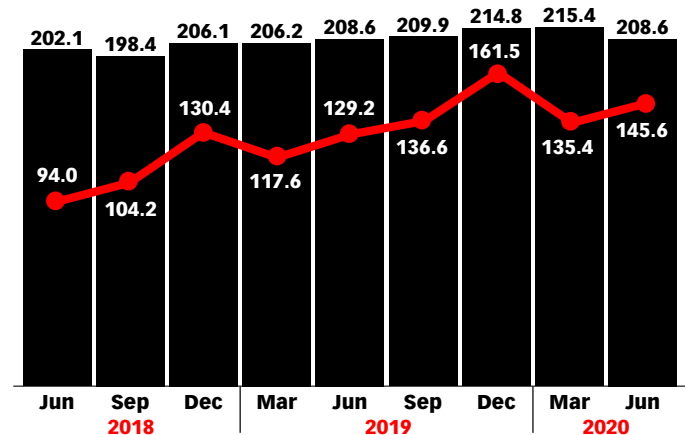
Consumer Attitudes Toward Amazon

Past editions of this report have checked in on Amazon's importance to consumer lives. This year, such observations seem superfluous, but we'll note some key stats for the record.

Amazon's ad business is successful in part because of its massive reach and traffic. It has far more digital ad inventory to sell than other retailers do, and advertisers can reach a large chunk of their audiences on Amazon. According to Comscore MMX Multi-Platform, Amazon has had more than 200 million unique monthly visitors to its US sites for years. Average time spent on these sites was up more than 12% annually this past June.

Average Time Spent* per Unique Visitor on US Amazon Sites, June 2018-June 2020

minutes and millions of visitors



■ Unique visitors ■ Average time spent

Note: activity on desktop ages 2+, activity on mobile ages 18+; based on activity from 20 retail sites; *every 3 months
Source: Comscore MMX Multi-Platform; eMarketer calculations, Aug 3, 2020

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Amazon also has the most popular mobile app among retailers by far. Comscore reported that as of August 2020, more than 45% of the US adult smartphone audience had Amazon's app. Walmart's app, in second place, had less than half that reach.

Top 15 US Mobile Retail Apps, Ranked by Reach, Aug 2020

millions and % reach

	Unique visitors	% reach
1. Amazon	97.8	45.2%
2. Walmart	39.0	18.0%
3. Wish	31.7	14.7%
4. eBay	29.8	13.8%
5. Target	18.0	8.3%
6. Etsy	9.5	4.4%
7. Walgreens	9.6	4.4%
8. CVS	8.6	4.0%
9. The Kroger Co.	6.8	3.2%
10. Poshmark	7.7	3.6%
11. Wayfair	7.0	3.2%
12. Dollar General	6.4	3.0%
13. AliExpress	4.9	2.2%
14. Kohl's	5.3	2.5%
15. The Home Depot	5.1	2.3%

Note: ages 18+; includes apps for digital marketplaces and multichannel retailers; excludes restaurant and delivery apps
Source: Comscore, Sep 24, 2020

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Amazon's Prime program—beefed up now to the point where “loyalty membership” doesn't seem like a fair description—also reaches a large share of consumers. We estimate that 59.0% of US households will have a Prime membership this year—a share that will surge by 7.3 points this year because of the pandemic.

And many of these Prime members have relied on Amazon for goods in a number of categories month after month during the pandemic, based on polling conducted for eMarketer by Bizrate Insights in February, April, and June.

Which Product Categories Have US Amazon Prime Members Purchased Digitally in the Past Month?

% of respondents, Feb, April, & June 2020

	Feb 2020	April 2020	June 2020
Clothing, shoes, or accessories	60%	55%	63%
Pharmacy, health, or beauty products	42%	50%	50%
Household supplies (cleaning supplies, kitchen supplies, etc.)	35%	44%	47%
Food or beverages	31%	44%	45%
Books, music, or videos	35%	39%	38%
Pet products	30%	36%	37%
Consumer electronics (TV, computer, phone, etc.)	24%	21%	26%
Home, furniture, or appliances	20%	19%	32%
Toys or games	21%	25%	26%
Office equipment or supplies	19%	26%	26%
Sports or outdoor (including lawn and garden) products	15%	20%	28%
Baby products	9%	10%	12%
Tobacco products/smoking accessories	4%	5%	6%
Other	16%	14%	16%

Note: ages 18-65 who are Amazon Prime members and made a digital purchase in the past month/30 days
Source: "The eMarketer Ecommerce Survey" conducted in June 2020 by Bizrate Insights, June 9, 2020

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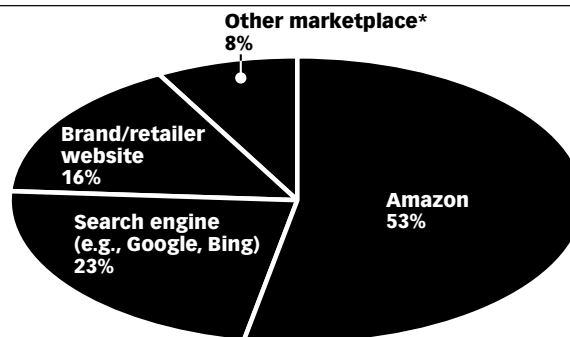
That was the case even as Amazon suffered out-of-stocks and shipping delays early in the pandemic—Amazon ad agencies and technology providers reported earlier this year that shoppers were still converting in these situations, probably because they simply needed the items and had no better choice. Tinuiti found in August that 40% of US Amazon Prime members said they would shop at Walmart if Amazon didn't have the item they were looking for, and 26% said they would look to Google.

Where Consumers Search for Products

We continue to follow consumer research on where people start their online searches when they're shopping for products. Ecommerce ad agency ChannelAdvisor and Dynata found in August that 53% of US adults said they began product searches at Amazon when planning to make a digital purchase. That's in line with past research with similar question wording.

Digital Channels Where US Adults Begin Their Product Search When Digitally Purchasing Products, Aug 2020

% of respondents



Note: *eBay, Walmart, Target, Newegg, etc.

Source: ChannelAdvisor as cited in company blog conducted by Dynata, Oct 9, 2020

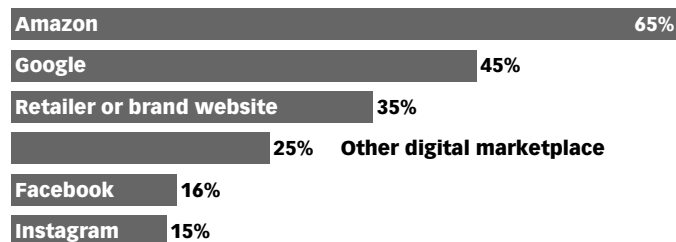
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Consumers plan to lean on Amazon heavily this holiday season. About two-thirds of respondents to the ChannelAdvisor and Dynata research said they planned to research gifts on Amazon, 20 points ahead of Google.

Digital Channels Where US Adults Plan to Research the Majority of Their Holiday Gifts, Aug 2020

% of respondents



Source: ChannelAdvisor as cited in company blog conducted by Dynata, Oct 9, 2020

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For more information about where consumers search and why, see our recent reports “[Search in 2020](#)” and “[Search Marketing 2020](#).”

Research also continues to find that, for the most part, consumers are fine with the ad experience on Amazon—despite the fact that sponsored listings and other nonorganic results continue to take up ever more real estate on the first search results page.

According to Tinuiti polling conducted in August 2020 by Survata, just 15% of US Amazon Prime members surveyed said ads had negatively impacted their Amazon experience. The most commonly cited negative impact on their Amazon experience was product quality, at 18%. About half of respondents said they hadn't had any bad Amazon experiences.

Gen Z and millennial respondents were much more likely than those ages forty and older to report a negative ad experience, as were male Prime members who spent more than \$100 a month on the site relative to their female counterparts.

Reported Negative Amazon Experiences with Ads vs. Product Quality Among US Amazon Prime Members, by Demographic, Aug 2020
 % of respondents in each group

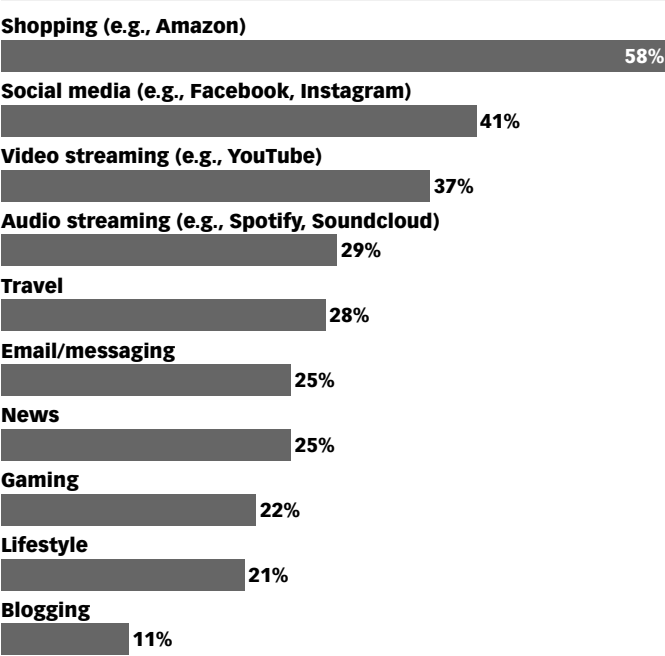
	Ads	Product quality
Gender		
Male super spenders*	21%	21%
Female super spenders*	11%	20%
Age		
Gen Z (18-23)	25%	20%
Millennials (24-39)	19%	19%
Gen X (40-55)	11%	22%
Baby boomers (56-74)	10%	14%
Seniors (75+)	11%	9%

*Note: *who spend \$100+ a month on Amazon*
Source: Tinuiti, "The State of Amazon Prime in 2021" conducted by Survata, Oct 15, 2020

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Amazon's ad business is built on its proprietary consumer data, and research conducted in March suggests US adults are fine with that. Integral Ad Science found survey respondents were more willing to share their personal data with retail sites, like Amazon, than with any other entity when the tradeoff was for a more relevant and personalized ad experience.

Sites/Apps with Which US Adults Would Be Willing to Share Their Personal Data for a More Relevant and Personalized Ad Experience, March 2020
 % of respondents



Note: ages 18+
Source: Integral Ad Science, "Context Is the New Black: How Advertisers Can Navigate the Consumer Privacy Landscape," May 7, 2020
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That said, people do have a few qualms about Amazon's significant power. Wunderman Thompson surveyed internet users in a handful of countries including the US in March. Most US respondents were Prime members (70%), and even more (82%) said they wished more brands and retailers had services like Amazon's. But 54% were also "worried about Amazon's dominance." And that was before stay-at-home orders made the retailer even more important in many people's lives.

Looking Ahead

As it enjoys a boost from 2020's rapid shift of retail sales from brick-and-mortar to ecommerce, Amazon is continuing to build its ad business in the same key areas we have identified in the past.

Moving up the funnel. It all started with Sponsored Products, but Amazon's ad business has come a long way from there. Experts we spoke with agreed that Sponsored Products are still very much the heart of an Amazon ad strategy, but that there are more ways than ever to include higher-funnel objectives like consideration and awareness, including Sponsored Brands Video ads that function almost like a commercial amid search results.

"We've seen adoption [of Sponsored Brands Video] soar," Tinuiti's Taylor said. "We had 16 times as many advertisers using it in September as we had in April. It does give you a way to stand out and put your product, and holiday-themed imagery, in the look and feel of your ad."

"Clients really appreciate the ability to be more creative with these ad types to drive awareness," said Guru Hariharan, CEO of ecommerce technology provider CommerceIQ. "The new-to-brand metrics from Sponsored Brands on Amazon allow them to measure the incrementality of this type of advertising, making this type of upper-funnel advertising very appealing compared with more traditional upper-funnel advertising."

According to Nich Weinheimer, general manager of ecommerce at Kenshoo, Amazon's goal is to democratize video ads with such formats, which will eventually proliferate beyond the marketplace and throughout surfaces like Fire TV. He mentioned direct manufacturers in China as one potential pool of advertisers interested in moving up the funnel with Amazon ads.

Joshua Kreitzer, founder and CEO of Amazon specialist agency Channel Bakers, also discussed a growing amount of business coming from "challenger brands"—manufacturers in countries like China, Malaysia, and Taiwan that have been selling their goods directly to US consumers on Amazon and using Amazon's search-type ad products for a while. Those advertisers are often too small to qualify to use Amazon DSP on their own, but Amazon has made DSP available to smaller advertisers through partner agencies like Channel Bakers. Before, these brands relied on Facebook and Google for the upper-funnel component of their campaigns, Kreitzer said, but now they can target based on Amazon's audience data through Amazon DSP.

"More and more, Amazon has been successful at positioning itself as a branding platform rather than just a retail platform," said Connor Folley, co-founder and CEO of ecommerce tech provider Downstream. "If you took the buy box off every page on Amazon, it would be the largest ratings and reviews site on the planet. It receives a massive

volume of product research even for purchases done offline or elsewhere. So, it certainly is a branding platform, and that's been a mind shift for a lot of the more forward-looking brands, that they shouldn't necessarily be focusing only on attributed sales."

Expanding beyond ecommerce. Today, Amazon makes the vast majority of its ad revenues selling placements on its marketplace, including in search results, on product detail pages, and on its home page. But it has a large base of video viewers—we estimate 94.2 million US adults will watch video on Amazon monthly this year—and it has built out a strong premium video business, which includes its own award-winning originals. This year, its US audience will also boast 72.7 million monthly Fire TV users, who are using Amazon's CTV operating system to watch on devices including Fire TV Sticks and other manufacturers' smart TVs, and 41.5 million monthly viewers of Twitch.

We expect Amazon to develop more video ad inventory, and more opportunities for advertisers to access it—especially programmatically, so they can manage and optimize this spending alongside their other Amazon ad efforts. We also expect continued growth for Amazon DSP, especially as advertisers face a waning ability to access and use audience data in the coming years.

As Amazon builds its ad business far beyond sponsored search results on an ecommerce marketplace, one of its challenges will be unlocking advertiser budgets that in many cases remain controlled by separate teams.

"Organizational and ecosystem dynamics continue to be the biggest inhibitors to further accelerating ad spend on Amazon," said Bryan Wiener, CEO of ecommerce analytics firm Profitero. "Traditional shopper and consumer marketing have generally been separate—separate teams at the brands, separate agencies, separate analytics, and even rolling up to different C-level execs.

"As marketing and ecommerce sales become increasingly interconnected, there's a need to put valuable sales data in the hands of marketers in real time," he said. "Empowering the ad technology platforms, and the agencies that are making the retail media buying decisions, with valuable product-level analytics from ecommerce teams will help connect the dots and open the floodgates for more spend."

For more on the difficulties of buying CTV ad inventory and of understanding who controls what inventory, see our November 2020 report [“US Connected TV Advertising 2020: A Surging Channel in an Uncertain Year.”](#)

Updating tools and capabilities. When Amazon's ad business was newer, advertisers complained that it didn't have all the same buying tools and interfaces as other big platforms they were used to, such as Google, Facebook, or The Trade Desk. Technology providers partnered with Amazon to offer something better, and these tools have been popular—especially because in many cases they allow sellers to manage both advertising and ecommerce in one place. This is key considering Amazon's bidding systems take merchandising factors—like likelihood of users to convert from a product detail page—into account when they run its auctions.

Amazon now offers better interfaces on-site than it did a few years ago and has added capabilities including automated bidding. Automated bidding is available from ad sellers including Facebook and Google, and Kenshoo has reported for several quarters that an increasing share of its clients worldwide are using those automated bidding systems (though many clients continue to use Kenshoo's proprietary automated bidding algorithms as well). With Amazon now offering many of these relatively basic tools in-house, partners are focusing on other ways they can continue adding value, including by allowing advertisers to optimize their efforts more intelligently and across other platforms in addition to Amazon.

Measurement and attribution. Amazon's ability to tie ad engagements directly to sales through closed-loop attribution has always been one of its biggest selling points. Not only are Amazon shoppers in market and raising their hands to signal intent, but their purchases can also be measured and attributed to advertising more easily than those at just about any other retailer.

This advantage is only becoming more important as the digital ad industry hurtles toward a future free of third-party tracking cookies, where consumer consent for ad targeting and tracking is a necessity. Amazon is one of just a handful of digital ad players in the world with billions of logged-in users. Not only does it know a lot about how those users shop and buy products, it also has better capabilities to model consumer behaviors and crack the code of cohort-based attribution than most other entities do.

Amazon now offers Amazon Attribution—basically an Amazon-based competitor to the Facebook pixel that allows advertisers to understand how social media, search, email, and more ultimately drive purchases on Amazon. And in Q4 2019, Amazon launched for select advertisers the Amazon Marketing Cloud, which offers a data clean room (similar to Google's Ads Data Hub). Advertisers can upload their own information to the clean room, and Amazon will allow them to combine this information with log-level data from across Amazon's properties to better understand the effects of their advertising. This is a tool that relatively few advertisers have access to, and that most wouldn't have the resources to exploit anyway. But expect leading brands and their agency and technology partners to be mining powerful insights from Amazon's clean room that will inform digital ad strategies for years to come.

For more on the significance of identity-related changes in the digital marketing world today, read our September 2020 report [“Identity 2020: Changes to Cookies, Ad IDs, and Regulations Take Aim at Tracking.”](#)

Key Takeaways

- **The pandemic has accelerated Amazon's ad business two years into the future.** Amazon will net more than 10% of the US digital ad market this year, and it's on a faster growth path than ever thanks to retail's rapid channel shift to digital. Amazon and other ecommerce channel ad sellers are in a better position than they were a year ago.
- **Amazon's value proposition for advertisers is as strong as it's ever been.** Amazon won advertisers over with proven performance due to its ability to tie ad engagements to sales on its site—plus its ability to use powerful browsing and buying data to target those ads. As third-party tracking becomes more challenging, advertisers will be all the more likely to rely on this type of closed-loop attribution.
- **Amazon is getting serious about ads.** Slowly but surely, Amazon has diversified its ad products to offer more options for the upper funnel. It's still barely scratched the surface of what it can do with its video properties. It's been building out its media buying and measurement tools and rolling out a data clean room. And it's building up its on-site tools as partners look to continue their own strategic innovations.

eMarketer Interviews

eMarketer was founded on the idea that multiple sources and a variety of perspectives will lead to better analysis. Our interview outreach strategy for our reports is to target specific companies and roles within those companies in order to get a cross-section of businesses across sectors, size and legacy. We also look to interview sources from diverse backgrounds in order to reflect a mix of experiences and perspectives that help strengthen our analysis.

The people we interview for our reports are asked because their expertise helps to clarify, illustrate or elaborate upon the data and assertions in a report. If you would like to be considered for an interview for one of our reports, please [fill out this form](#).



Mark Ballard
Vice President, Research
Merkle
Interviewed August 13, 2020



Bryan Wiener
CEO
Profitero
Interviewed November 3, 2020



Melissa Burdick
Co-Founder and President
Pacvue
Interviewed October 28, 2020



Connor Folley
Co-Founder and CEO
Downstream
Interviewed October 27, 2020



Guru Hariharan
CEO
CommercelQ
Interviewed November 3, 2020



Franz Jordan
CEO
Sellics
Interviewed September 25, 2020



Joshua Kreitzer
Founder and CEO
Channel Bakers
Interviewed November 4, 2020



Andy Taylor
Director, Research
Tinuiti
Interviewed October 23, 2020



Nich Weinheimer
General Manager, Ecommerce
Kenshoo
Interviewed October 30, 2020

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[Search in 2020: How Consumer Search Behavior Is Adapting to Mobile, Voice and Visual Channels](#)

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[Dynata \(previously Research Now SSI\)](#)

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