

Amazon muscles in on Google's and Facebook's advertising turf

January 3 2018, by Ethan Baron, The Mercury News

As Amazon.com keeps growing and expands into new lines of business, the company is turning its sights on the golden goose of two Silicon Valley rivals: digital advertising.

Google and Facebook dominate the lucrative business of selling digital ads, but experts say Amazon is positioning itself to snatch [market](#) share.

"They have made the determination to take the [advertising](#) business seriously," said Rob Norman, chief digital officer for GroupM, an arm of advertising powerhouse WPP.

Driving Amazon's digital advertising advances are the company's efforts to make it easier for customers to buy ads on Amazon websites, combined with a growing awareness in the business world that Amazon can offer advertisers a huge audience of consumers who are eager to buy, experts said.

"Many (advertisers) had resisted it for a long time but are starting to realize that you need to be on Amazon, as you are on the other platforms," said Forrester Research analyst Samantha Merlivat.

By the end of 2017, Google and Facebook had 63 percent of the U.S. digital ad market and 54 percent of digital ad revenue worldwide, according to eMarketer. That leaves little for others. Nationally, the next-biggest U.S. revenue share will go to Microsoft, with only 4 percent of the total.

Globally, Chinese e-commerce giant Alibaba comes directly behind Google and Facebook, but with less than 9 percent of the market, according to eMarketer.

Amazon's current share is just 2 percent nationally and less than 1 percent worldwide.

But as advertisers have followed consumers from the printed page to the electronic screen, digital advertising has boomed, and promises to continue to be a huge moneymaker. Worth \$228 billion globally and \$83 billion in the U.S., the market is expected to grow 27 percent domestically and 34 percent globally over the next two years, eMarketer reported.

And with digital advertising relying on data-driven targeting of specific consumers, Amazon is uniquely poised to disrupt the status quo, experts said.

"Facebook knows your interests, Google knows your intent and Amazon knows what you do commercially," said Pivotal Research analyst Brian Wieser.

Wieser believes eMarketer's estimate of Amazon's digital ad market share is too low, but he said guessing is hard because Amazon doesn't make it clear in its financial reporting how much revenue comes from advertising.

Amazon runs advertisements from other companies in a number of locations on its websites, including ads on search-results pages, on pages for specific products for sale, and on its home page, from companies including Sony, Comcast and Wells Fargo. It also sells ads on other Amazon sites, including Digital Photography Review and the movie-focused Box Office Mojo.

Amazon did not respond to a request for comment about its digital advertising plans.

But the company appears to have reached a tipping point of sorts, and could start taking [market share](#) from Google and Facebook, eMarketer analyst Monica Peart said.

"What we've seen with Google and Facebook as an example, they're getting a share of probably everyone's budget at this point," Peart said. "We expect Amazon to really become for many advertisers part of the suite of platforms that they are using to advertise."

Amazon, according to eMarketer, will increase its share of the U.S. digital ad market to about 3 percent in 2019. But it's quite possible that eMarketer will revise upward its projections for Amazon's share, Peart said.

"There is quite a lot of interest in Amazon as an advertising platform, just the data they hold, the size of the network," she said.

Data that Amazon obtains from its shopping platform provides an "incredibly granular" picture of consumers in nearly a dozen major markets around the world, GroupM's Norman said.

"There will be no doubt a number of advertisers that find Amazon's transaction data the most powerful way of targeting their customers," Norman said.

GroupM's parent agency, WPP, said it may increase its spending with Amazon by 50 percent this year from 2017's \$200 million, helping push total spending on Amazon ads by three of the world's largest agencies to a collective \$800 million a year, the Wall Street Journal reported in December.

WPP CEO Martin Sorrell has, in earnings reports, described Amazon as a potential "third force" in [digital advertising](#) beyond Google and Facebook, and revealed that WPP opened an office in Seattle specifically to cater to Amazon. Norman noted that when discussing increased spending on Amazon, it's important to remember that the agency's current expenditure is relatively small.

"What we spend with Facebook and Google is orders of magnitude greater than what we spend with Amazon and what we'll spend with Amazon (in 2018)," Norman said.

Still, Norman and others see a strong likelihood that Amazon will grab an increasing share of the U.S. digital ad market—possibly up to 10 percent. "I'm not sure that I see the path right now to get into the 25s and 30s," Norman said.

However, Amazon's digital assistant "Alexa," inside millions of "Echo" virtual-assistant devices that Amazon has sold into U.S. homes, should give the company a powerful boost in an online advertising market driven by consumer targeting, Merlivat said.

"As you ask Alexa for things, you're kind of telling Amazon what your habits are, how many people you have in your household, what your interests are," she said.

©2018 The Mercury News (San Jose, Calif.)
Distributed by Tribune Content Agency, LLC.

Citation: Amazon muscles in on Google's and Facebook's advertising turf (2018, January 3)
retrieved 19 April 2024 from
<https://phys.org/news/2018-01-amazon-muscles-google-facebook-advertising.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private

study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.