

September 26, 2019

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**Amazon: YY Growth  
Momentum Tipping Back  
Upward**

CMCSA, CBS, DIS, ROKU

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**3Q19 year to year ad spending growth has edged upward versus 2Q19 on solid summer e-commerce trends spurred by this year's bigger prime day and aggressive late summer ad competition.**

- Both brands and marketplace performance advertisers see move upward in yy growth trend in 3Q.
- Sponsored product CTRs reviving as Amazon works to clear clutter, improve targeting.
- CPG's continue ramp-up of Shopper marketing budgets
- Merchants, brands still optimistic on 4q19 e-commerce, seeing room for further year to year acceleration in spending.

**3Q Growth Edges Upward on Broader Prime Day Effect, Aggressive Pre-Holiday Branding Push**

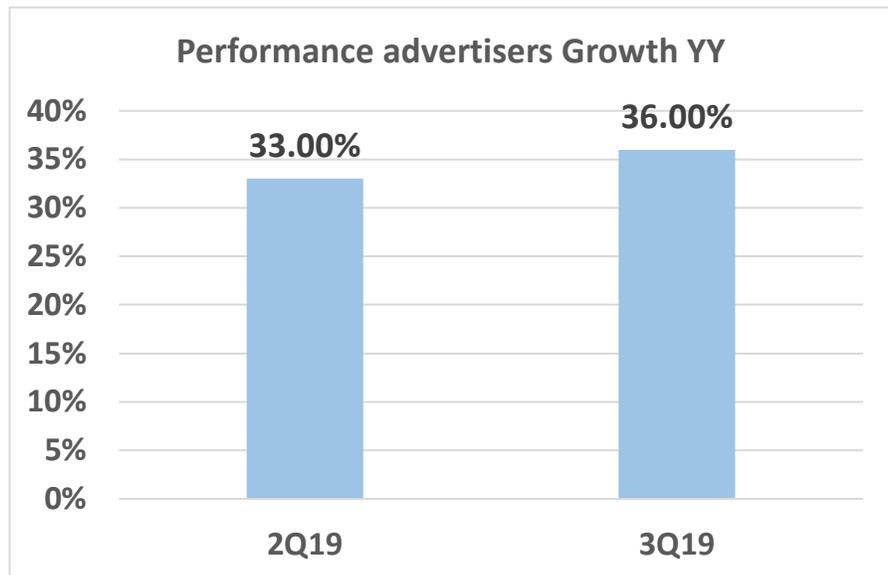
A majority of both marketplace performance and brand advertisers I've seen an upward movement in yy growth in 3Q19 versus 2Q19. Positive growth momentum, according to most, was spurred first by the broader impact of this year's July Prime Day event on advertiser's summer spending budgets. Where in the previous few years Prime Day promotions were single day sales involving a small group of mostly remnant items, this year, according to many, the sale was the occasion of a far wider gamut of campaigns some beginning well before and many extending well after the two-day prime event. "Prime day is obviously no longer new, having been around five years," said a manager of an Amazon marketing partner, "but the level of strategic intensity among brands and retailers around not just the two-day event but the weeks leading up to and following it was cranked up a big notch this year as advertisers bid far more aggressively for paid

ad real estate on Amazon. They (advertisers) are designing much more extensive Prime day and post Prime day promotions and gearing up retargeting efforts to follow up on those who may have abandoned shopping carts or just browsed on price day with offers later in the month.”

In several verticals, especially consumer electronics, apparel and footwear, strong sales momentum geared up by the midsummer events sustained further into and through the quarter including back to school.

### Sponsored Product Ad CTRs Reviving

Performance advertisers are seeing a slow improvement in click through rates, which as discussed in VMI’s 1Q19 and 2Q19 Amazon notes have been under pressure due to excessive ad load and imprecise targeting. “Early in the year our experience seemed to be that there was an ever expanding glut of ads among



resellers and that CTR’s were declining because of the clutter, and the lack of precise ad targeting options,” commented a source. “The past few months those pretty negative trends have shown signs of ebbing. Both advertiser targeting options, especially the ability to find relative wideness or tightness of query match, are refining relevancy, which is improving both click through rates and conversions.”

*Source: Vertical Market Intelligence, averages, 9 sources, 2019*

Additionally, advertisers are generally enthusiastic about refinements Amazon is made to give performance advertisers more effective control over managing and monitoring campaigns as well as to a still small but increasing extent data. In particular, sources noted Amazon’s changes earlier this year to enable advertisers to set Amazon Automatic campaigns reach parameters around tighter or looser matches to consumer queries. “Historically Amazon advertising’s value proposition, while real, has been limited,” explained a performance advertising manager. “Amazon offered advertisers access to unparalleled market scale but provided little in the way of control or precision tools about how to customize that presence, much less rich post campaign data to assess it. There’s been real progress finally along those lines which we’ve been waiting for.”

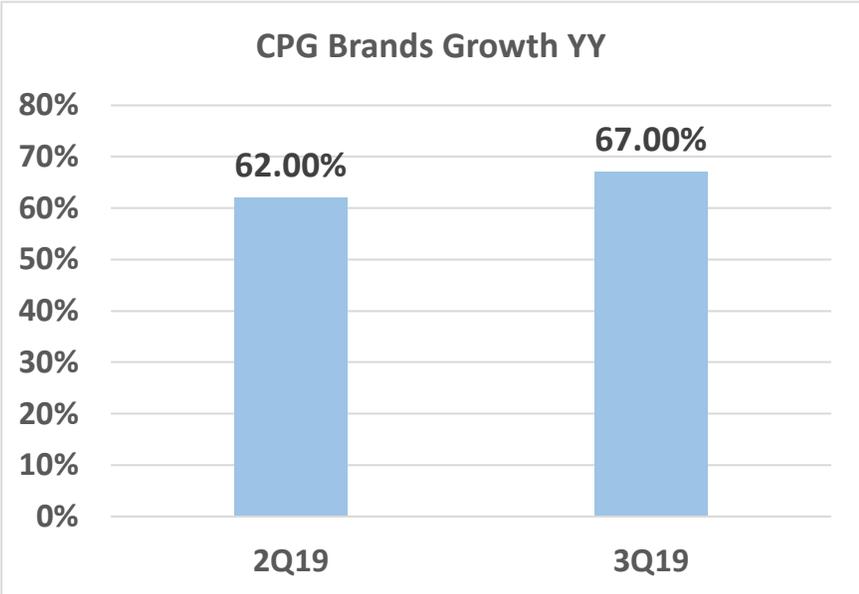
Performance advertisers are also enthusiastic about their newly gained ability to advertise products not sold on Amazon, which take people off Amazon to their own e-commerce site.

A related and also to many advertisers very positive development is ironically Google’s recent move to allow search advertisers there to link consumers to their Amazon store pages. While not an immediate driver of ad spending on Amazon sources note this option amplifies the traffic on Amazon and creates leads which can be re-targeted within the Amazon ecosystem.

Finally, Amazon's fledgling but promising testing of “clean room technology,” which blends advertisers’ own first party data it was with Amazon's consumer data insights, is a move some think opens up richer possibilities for a customer segmentation and customization of campaigns. “If Amazon follows through on its current test of using for the very first time Amazon sales and customer data to enhance targeting Integration with marketers on first party data it could mark a profound step forward, making Amazon advertising truly rival Facebook and Google in a way it frankly hasn't yet,” a source said.

**Sponsored Brands Continue Gaining Traction Among CPG's**

Adoption of sponsored brand ads, especially by CPG brands, continues to proceed apace, largely in line with trends laid out in VMIs 2q report, which found Amazon penetrating a larger share of traditional shopper marketing budgets. Amazon’s cultivation of the CPG brand market has been significantly refined in recent



months according to sources. Prominent among these Innovations is the ability to finally integrate multiple brand campaigns within a single portfolio. “The use of wider multi brand portfolios is a big improvement for a larger CPG brands looking to get a holistic view of their Amazon investments which in turn makes spending much more efficient,” noted one CPG agency source.

Source: Vertical Market Intelligence, averages, 6 sources, 2019

Another major enhancement for brands is the ability to segment advertising targeting analytics between existing users and new prospects. “Having control over whether you want to be in front of new prospects or existing customers and being able to toggle between them as needed based on campaign needs or objectives is a great development,” a source said.

### **Outlook for Holidays Still Favorable**

Consistent with findings in recent VMI notes on 4Q e-commerce outlook and Google 3Q update, industry sources describe late 3Q trends and outlook moving into October as favorable for solid year to year spending boosts along e-commerce advertisers. “The dominant tone among merchants is still one of optimism, as most expect sales to meet or exceed last year's stellar growth on Amazon and to do that they know they need to advertise more aggressively. They also expect competition to be even fiercer, which means focusing on getting out earlier in the season, and even preseason, than their competition,” observed a source.

Though longer-term concerns about the sustainability of consumer spending momentum are evident among industry participants, most believe 4Q trends will remain robust broadly and that the place of Amazon in the holiday performance and brand advertising mix will see significant expansion versus a year ago. “While we’ve seen no slowdown in consumer traffic or spending, there is awareness that tariffs could at some point pinch sales or margins or both,” said a source. “So that is adding a sense of urgency to get at consumers earlier rather than later.” “As much as Amazon advertising has grown in the past couple of years, it's still something of an early adopter phenomenon,” said another source. “Only a third or so of clients even advertised at all last year on Amazon, which is to say the majority of our clients did not. But this year a clear majority are on and revving up for holiday ad promotions.”

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