

AdAge

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AMAZON PURSUES TIES WITH DISNEY AND OTHER PUBLISHERS IN CONNECTED TV

ADVERTISERS SAY E-COMMERCE GIANT IS HUNGRY FOR MAJOR MEDIA PARTNERSHIPS TO GROW ITS VIDEO AD PLATFORM

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Advertisers say e-commerce giant is hungry for major media partnerships to grow its video ad platform.

Credit: Illustration by Tam Nguyen/Ad Age

The coronavirus may have thwarted Amazon's plans to host its first formal NewFront this year, but it still has big plans for connected TV.

Amazon is making an aggressive push to solidify its position in the space as the traditional TV marketplace grapples with uncertainty around fall programming and live sports thanks to the pandemic. Advertisers who have met virtually with Amazon reps in recent weeks say that the company is touting plans that will supersize the available ad inventory to apps and places outside its own connected TV domain.

One way it plans to do this is through closer partnerships with frenemies in media. Amazon is looking to deepen its relationship with companies like Walt Disney, according to advertising executives familiar with the plans. In the past year, Amazon has been

building an extensive network of media partners through its Publisher Services program, and Amazon sales reps are talking to advertisers about how that will open newfound territory for ad campaigns.

“Amazon wants new access to Disney inventory,” says one agency executive who has met with Amazon about its goals for video and spoke on condition of anonymity. “And they’re going to bring on more third-party [over-the-top] inventory sources from other major, well-known video providers.”

Amazon declined to comment on its agreements with media partners like Disney. A Disney spokeswoman did not return a request for comment.

Getting cozy with Disney

Currently, Amazon acts as a distributor of apps like Disney+, which brings subscriber fees to Disney but does not carry ads. Amazon Fire TV devices distribute Disney-owned apps, like ABC and Freeform, and Amazon has sales rights to a percentage of ad inventory on those apps. Then there are licensing deals: Amazon buys the rights to stream Disney-owned programming and sells ads into the shows on IMDb TV. One of ABC’s most popular shows, “Lost,” recently launched with ads on IMDb TV.

Advertisers say that Amazon wants to get cozier with Disney by bringing it into the publisher program, known as Amazon Publisher Services. That would be separate from Amazon licensing old Disney shows for IMDb TV. It would set up a closer ad technology connection, giving Disney a way to sell ads backed by Amazon data, and giving Amazon advertisers access to more Disney-owned video placements, agency executives say.

“Amazon is being more aggressive in terms of setting up those publisher relationships to have more inventory flowing through its DSP [demand-side platform] and available within their platform,” says another agency executive, who also spoke on condition of anonymity because of sensitivity around private talks with Amazon.

Closer ties with frenemies

If Disney joins Amazon Publisher Services, then brands could bid on its inventory through the online ad auction using Amazon’s demand-side platform.

Closer ties between Amazon and frenemies like Disney are indicative of the new media landscape where platforms and media companies rely on distribution deals for apps and video content while they compete for subscribers, viewers and advertisers.

Further complicating matters, Amazon's advertising technology platform serves ads into media partners' apps and sites, which come with its own set of agreements. Notably, Amazon wins new media business for its ad technology by not charging publishers a fee to access it. Google, on the other hand, charges publishers who use Google Ad Manager. It is one advantage Amazon presses to bolster the presence of its ad technology throughout the internet, and now to grow in connected TV.

Amazon already works with media partners like Discovery through Amazon Publisher Services, an Amazon spokeswoman said. Last year, Amazon started working on a solution for publishers to fill ads in places not owned by Amazon. Discovery, for example, could use Amazon to deliver ads even when viewers were streaming on platforms not directly controlled by Amazon—when Discovery viewers were on third-party over-the-top TV devices, not just Fire TV. In January, The Wall Street Journal reported Amazon opened Publisher Services to video apps appearing on third-party OTT devices like Xbox and Apple TV.

The data benefit

It is the type of arrangement that Amazon wants with as many publishers as possible. On top of making it free to integrate with its ad technology, Amazon also has a case to make that it can generate higher bids than other internet ad rivals. Amazon has a wealth of shopper data that it claims lead to higher cost per thousand views, an industry standard known as CPMs, which is what publishers charge for ads sold in automated internet auctions.

“The main benefit is their data,” says Sal Candela, president of enterprise partnerships for OMG, talking about Amazon's demand-side platform, which is what agencies and brands use to manage campaigns on Amazon. “You have the data that is only exclusively available in their DSP; within that you can run ads across Amazon. It gives the ability to run across the open web, across multiple publishers using Amazon data.

“On the video front, it is the preferred way of buying their [over-the-top TV] inventory,” Candela says.

The Amazon spokeswoman said the company has been working with media partners including Discovery to open more ad space through Publisher Services, claiming an advertiser reaches 65 percent more unique viewers when selecting to run ads outside of Amazon’s ecosystem.

Amazon’s total ad business, including search ads and sponsored products on its e-commerce site, is becoming a linchpin to its overall success. In the first quarter, Amazon generated \$3.9 billion in the category of the business labeled “other,” which covers advertising; that was up 44 percent from the first quarter of 2019.

Taking a larger piece of the advertising pie in connected TV is one of Amazon’s main strategies in a chaotic digital landscape. Amazon competes with internet ad giants including Google and Facebook for greater shares of internet display ads. Meanwhile, rivals Walmart and Target represent a growing threat in e-commerce advertising.

All of them compete with traditional media companies like Disney, NBCUniversal and ViacomCBS for an estimated \$25 billion in advertising allotted to TV and digital video in upfront deals. That was eMarketer’s estimate of how much money would be up for grabs between TV upfront and digital NewFront deal-making in 2020, though brands have been looking to reduce commitments in the face of coronavirus.

Prime opportunity

Amazon has never been a strong contender in the upfront advertising sales bonanza, according to agency executives. Now, Amazon has a lot to tout: a growing investment in original programming on ad-supported IMDb TV and a sprawling ad network through Amazon Publisher Services that is starting to connect to outside devices, apps and sites.

Its video ad offering is strong, because it owns Amazon Prime, a service with more than 110 million subscribers, according to estimates from Consumer Intelligence Research Partners. But Amazon Prime has been mostly ad-free, though that is changing. And Amazon has made investments in free, ad-supported IMDb TV and Fire TV.

Amazon spent \$2.4 billion on video and music content in the first quarter of this year, its public filings show, up from \$1.7 billion in the first quarter of 2019. The money pays for original shows produced by Amazon Studios and licensing agreements with outside studios.

Amazon would not reveal the number of IMDb TV viewers, but the spokeswoman said that viewership is rising and that streaming hours increased 516 percent from April 2019 to April 2020. But advertisers say that Amazon still needs to show it has the scale to deliver on their campaign needs, and that is why programs like Publisher Services are key to its connected TV offering.

“They are investing in IMDb TV,” says Jessica Brown, director of digital investment at GroupM. “They want to grow that channel through originals, and making them for IMDb TV to focus on growing out viewership.”

“Amazon is talking about the growth of its platform and the content they have on their platform, and the targeting they have available,” Brown adds.

Inline Play

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