Report: Amazon in discussions with consumer brands about ads on Alexa [company denies it]



According to a report on CNBC, Amazon is in talks with several large consumer product companies, such as Procter & Gamble, about advertising and sponsorship opportunities through Alexa and voice search. However, Amazon has denied the story saying it has no plans to introduce ads on Alexa (see postscript below).

According to the report:

> *The e-tailer has been in talks with several companies about letting them promote products on the best-selling Echo devices, which are powered by the Alexa voice assistant, according to several people familiar with the matter who asked not to be named because the discussions are private. Consumer companies, including Procter & Gamble and Clorox, have been involved in these talks, according to the people. Some of the early discussions have centered on whether companies would pay for higher placement if a user searches for a product such as shampoo on the device, similar to how paid searches work in Google.*

The report also says that there may be a range of promotional opportunities on Alexa. One is reportedly a product suggestion on behalf of a brand tied to purchase history. “Alexa may suggest to a shopper who previously bought Clorox’s Pine-Sol to consider buying its disinfecting wipes,” CNBC says. Consumer shopping data, in the aggregate and by individual,

could be used here very effectively to target ads.

Hypothetically, general questions or informational queries could also yield product ads related to content (e.g., “How do I get red wine out of a carpet?”). Currently, Alexa doesn’t answer that question (though Google Home does). A real example comes if you ask Alexa to purchase a product: “Alexa, I’d like to buy some paper towels.” The machine currently responds: “OK, I can look for a brand like Bounty, what would you like?”

If you buy the product through Alexa, that fact could then be reported back to the advertiser.

CNBC flags this last example not merely as a helpful suggestion but as a promotion currently being tested. The only problem, if it is in fact an ad, is that there’s no disclosure of that fact. Undisclosed ads potentially run afoul of FTC prohibitions against “consumer deception.” The analogy is the labeling of sponsored slots in search results. If it sounds like an organic result but is really an ad, it would probably be a violation of FTC rules.

Alexa can send search results back to the Alexa app on users’ phones, creating additional “inventory” for ads there as well. The Amazon Echo Show also has a screen (Google is also reportedly working on a virtual assistant device with a screen). The screen creates additional visual and video advertising opportunities. It’s not clear how well the Show sold over the holidays; the most popular Alexa device by far was the ultra-cheap Echo Dot.

In May of last year, voice analytics firm VoiceLabs launched audio ads for Alexa devices but subsequently shut it down because of Amazon disapproval. At the time, CEO Adam Marchick told me that there was “a lot of advertiser demand from CPG companies, to prompt people to add products to their shopping carts.” He added that the audio ads saw a high degree of consumer acceptance.

Amazon's ad sales topped $1 billion in Q3 of 2017, according to company financial data. Due to Amazon's strength as a product search engine and in the virtual assistant market, it is poised to grow ad revenue significantly in 2018.

It's clear that use of voice interfaces and voice search have taken hold over the past 18 months. Google, in May of 2016, said that 20 percent of mobile queries were voice-initiated (probably a conservative estimate). And comScore has famously projected 50 percent of search queries will come from voice by 2020.

Amazon dominates the virtual assistant market today, with anywhere from 70 to 75 percent of device market share. Amazon probably maintained or increased its lead during this past holiday shopping season; we'll have to wait for the numbers. It's now fair to say (and forgive me for this) that Alexa has become "the Google of virtual assistants."

Postscript: An Amazon spokesperson contacted me by email this afternoon and denied that the company was intending to introduce advertising on Alexa: "There are no plans to add advertising to Alexa."

About The Author

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