

Global Ad Trends

March 2019 – The Duopoly [SAMPLE]



Other key media intelligence:

Seven in ten companies are not GDPR compliant

TV's reach key to cross-channel campaigns

Flipkart lags behind Amazon India in adspend

5G to triple mobile speeds by 2022

94% of UK youth access TV streaming services

WARC[^] **Data**

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The Duopoly

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- ✓ Google and Facebook's advertising spend compared to the wider ad market
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- ✓ Facebook's move into the AVOD market, currently dominated by Google's YouTube
- ✓ Google's competition with Amazon in the smart speaker and voice search markets

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- ✓ TV's reach key to cross-channel campaigns
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- ✓ Adspend projections from WARC's Consensus and International Ad forecasts

1

Media analysis

The Duopoly

28.6%

Google and Facebook's combined share of global adspend this year, up from 24.5% in 2018

41.0%

search and social media's share of US adspend

51.8%

share of attainable users Facebook reaches every day

61.4%

the Duopoly's expected share of the online ad market this year

82.7%

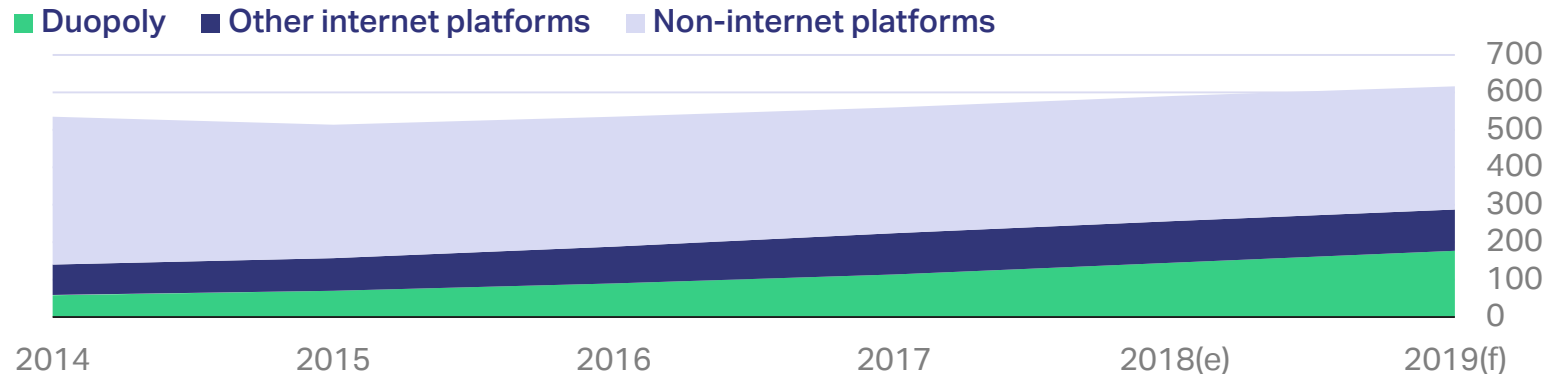
Facebook's share of US social adspend in 2018

86.0%

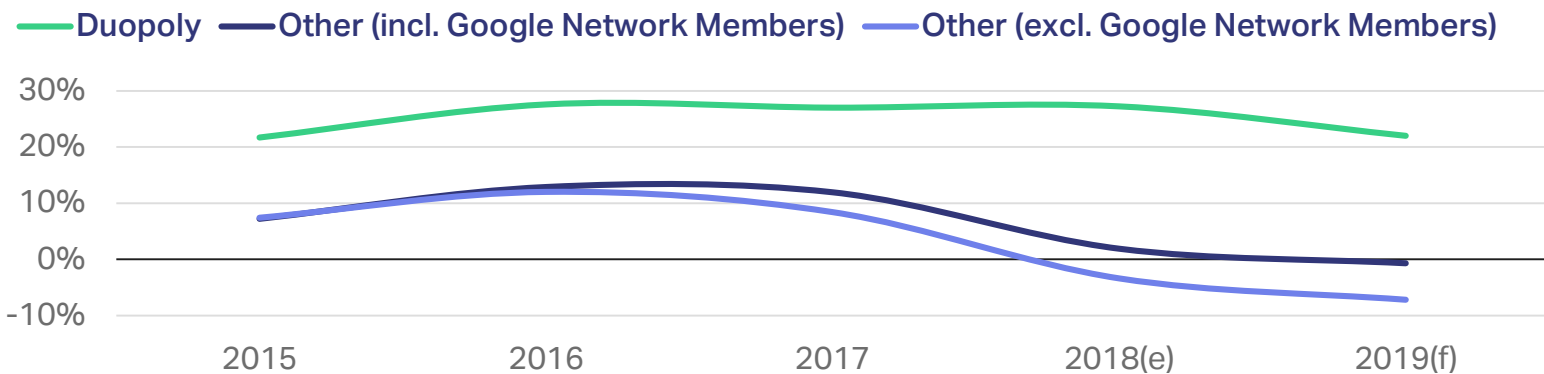
social's share of UK online video advertising spend

One in four ad dollars goes to the Duopoly

Global, Advertising revenue by platform type, US\$ billions, current prices



Global, Internet ad revenue, year-on-year % change



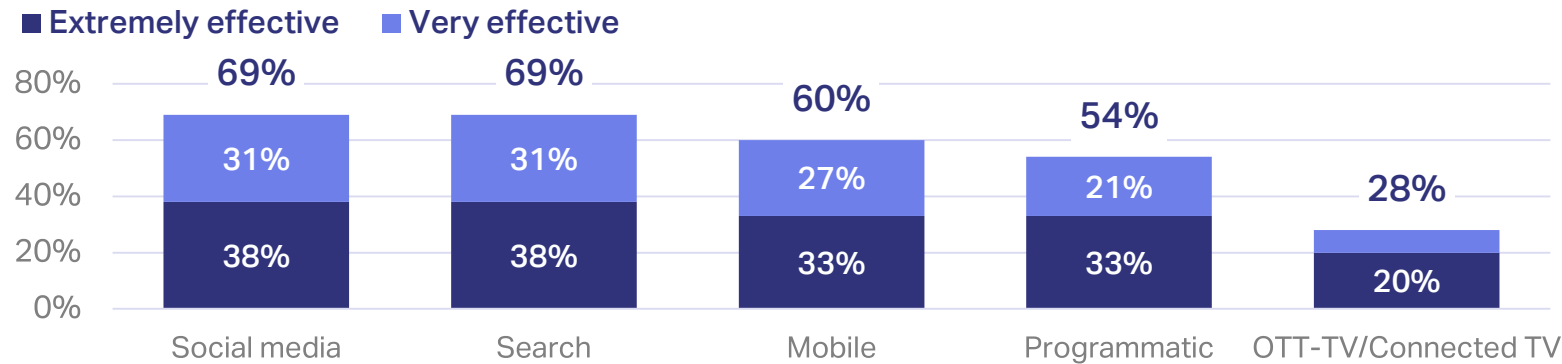
SOURCE › WARC Data, Adspend Database, Company reports

Media Analysis: The Duopoly

- Of the \$590.4bn spent on advertising worldwide last year, 24.5% – or \$144.6bn – went to the Google/Facebook ‘Duopoly’. This is after Google’s payment of \$26.7bn to its network members (third party platforms that host Google’s ads). The Duopoly’s share is up from 20.3% in 2017, and is more than double the 10.8% recorded in 2014. The pair are expected to increase their share again this year, up 4.1pp to 28.6% (\$176.4bn).
- Looking only at the internet ad market, the Duopoly took over half (56.4%) of ad money in 2018 – a share which is **expected to rise to 61.4% this year**. This would, in turn, result in the combined ad revenue for other online platforms **declining for the first time** (-0.7%, to \$111.0bn). Online platforms beyond the Duopoly are expected to take 18.0 cents in the ad dollar this year, down from a peak of 19.6 cents in 2017.
- Owners of traditional media channels have, collectively, recorded falling ad revenue in recent years. In 2014, this group took 74.0 cents of each dollar spent on advertising, though this is expected to dip to 53.4 this year. While the fortunes of individual media owners will differ, the pool of ad money available to them is shrinking.

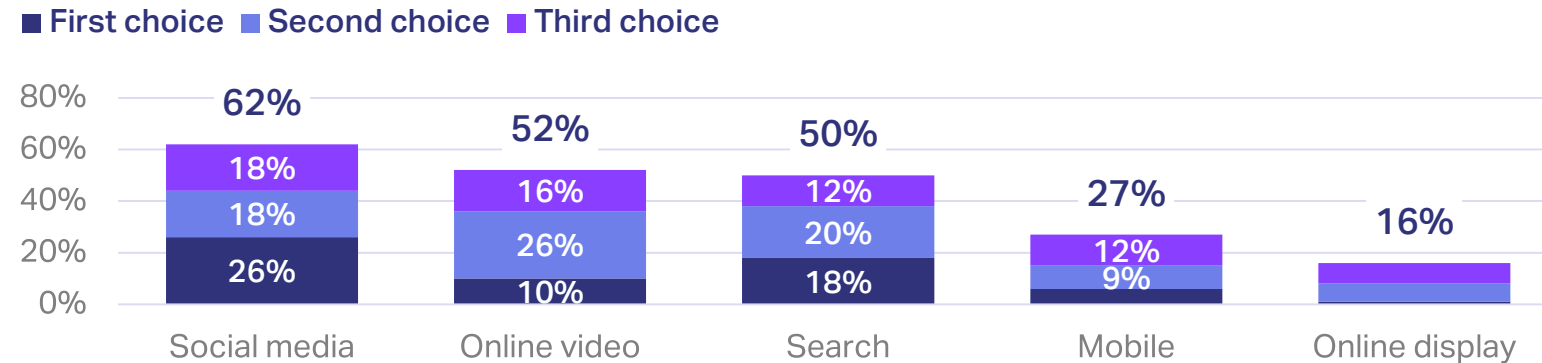
The Duopoly controls the most effective online channels

The perceived effectiveness of digital media channels, % share of respondents



Note: 165 US CMOs, director-level or above

SOURCE › Nielsen, CMO Report 2018



Note: 800 marketers globally. Q: Rank the top three most effective channels for meeting your marketing objectives.

SOURCE › WARC, Marketer's Toolkit 2018

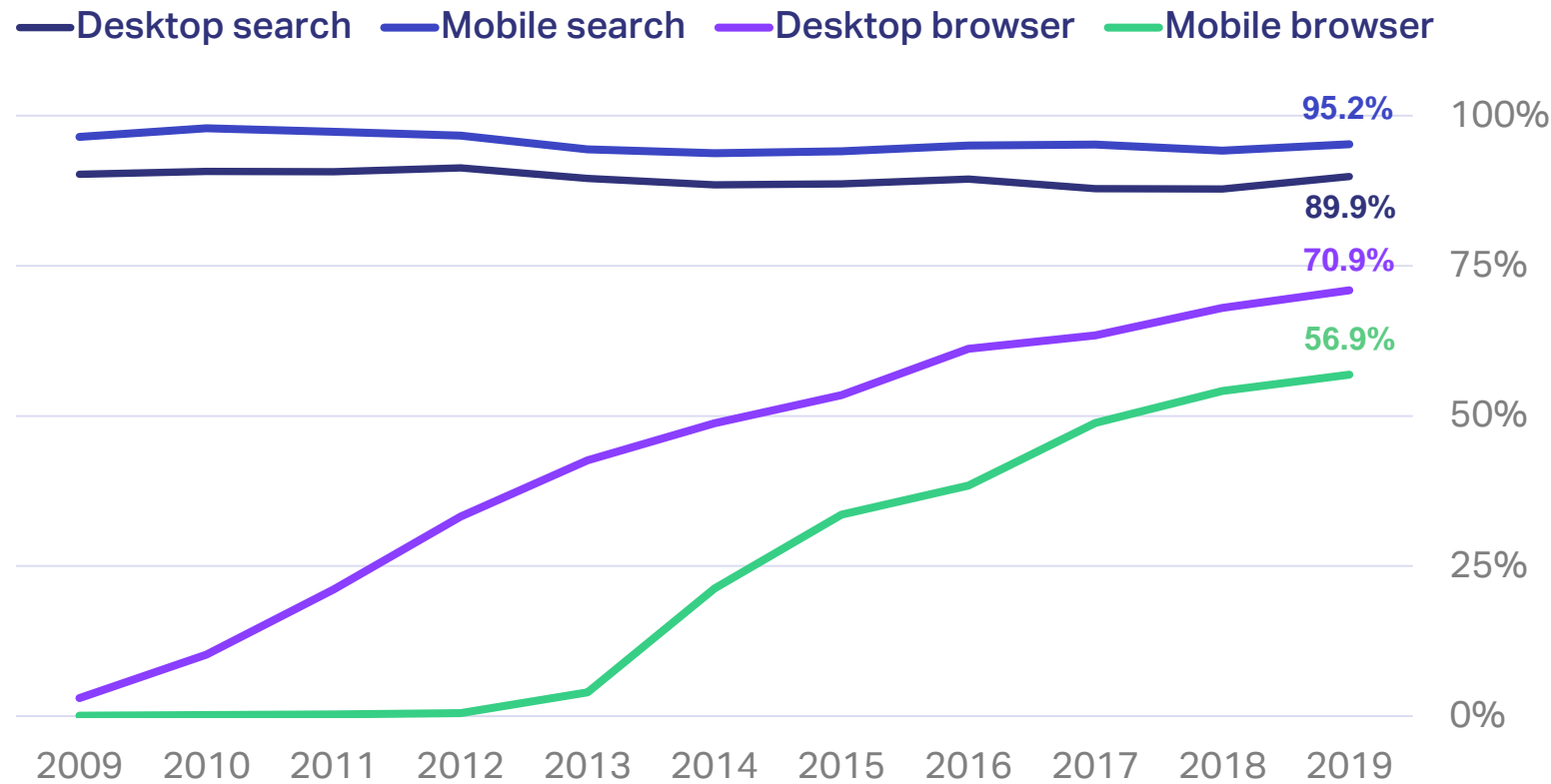
[Read full report](#)

Media Analysis: The Duopoly

- Part of the reason for the Duopoly's success is their creation, and subsequent ownership, of the digital formats perceived to be most effective by adland's decision makers: social and search.
- Search is an activation channel that reaches consumers close to the point of purchase, while the ability of social formats (including video) to target consumers using a rich cache of data has been attractive to ad buyers.
- Data from Nielsen's CMO survey and **WARC's Marketer's Toolkit** clearly show that marketers value these formats for their effectiveness. Further, data from **WARC's Media Allocation Report**, which studies the average media mix of successful campaigns, shows that digital's share of budgets is rising significantly, particularly among low budget campaigns (<\$500k) where it typically draws 57% of budgeted spend.
- The **relatively low CPM** and accessibility of ad buying tools has enabled the Duopoly to attract a long tail of small- and micro-advertisers to their platforms. This competitive advantage has been core to the Duopoly's growth over the years.

Over one billion people use a Google service each month

Google, Global penetration by device, % share of measured web traffic



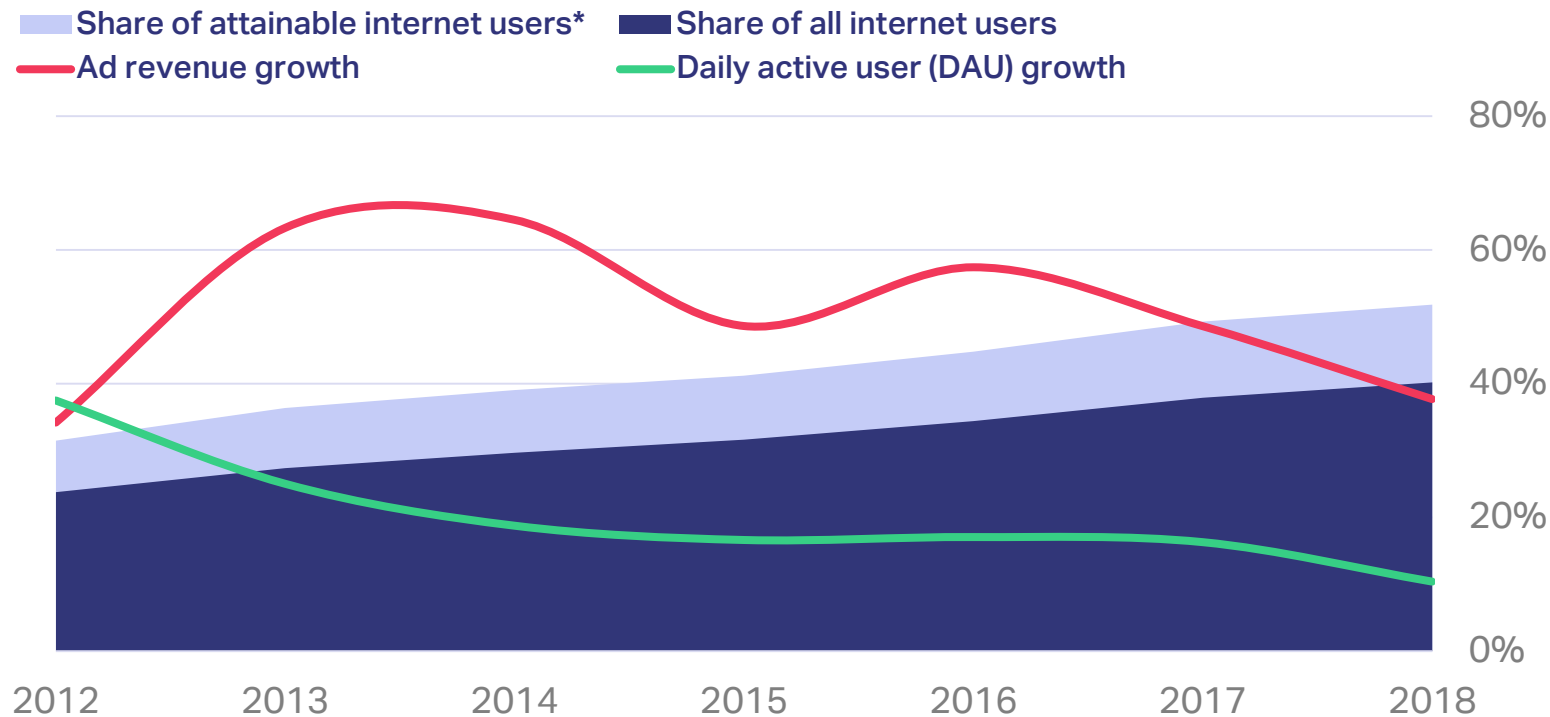
SOURCE › Statcounter

Media Analysis: The Duopoly

- Google dominates the search engine market, accounting for almost all mobile searches and nine in ten desktop searches – levels which have been consistent for more than a decade. Google handles 63,000 searches per second across all devices, or roughly two trillion in an average year.
- Ads accounted for over 85% of Google's total revenue in 2018, with the majority coming from paid search – a market expected to be worth **\$130.6bn worldwide this year**. While Google's control is currently assured, Amazon may soon pose serious competition, gaining incremental dollars in the search market **in the coming years**.
- Chrome's share of the browser market is much lower by comparison, particularly on mobile devices. While the Google-designed Android OS is utilised by three in four smartphones, Chrome is not the default browser on Samsung, Apple and Huawei devices (47.9% market share combined).
- Google has moved to gain a foothold in the smartphone market, but it's currently chasing the pack. However, reports show US sales of Google's Pixel phone were up 43% year-on-year in Q4 2018, outpacing both Apple and Samsung.

Facebook now reaches one in two attainable users each day, though North American growth is stalling

Facebook, Global growth by key performance indicator



Note: Attainable users excludes internet users in China, Iran and North Korea. Penetration and DAU figures exclude Instagram, WhatsApp and Oculus users, though ad revenue is company wide.

SOURCE › WARC, Facebook, ITU, IMF

Media Analysis: The Duopoly

- Facebook now reaches 51.8% of its attainable user base, defined as global internet users excluding markets where the social network is blocked. This is up from a share of 49.3% in 2017, and equates to 1.48bn active users per day. While Chinese users are not classed as attainable here, company filings suggest **China is still a large contributor** to Facebook's ad income.
- User growth in North America was slower than the rise in internet users last year, with Facebook capturing 1.8m of the additional 6.3m internet users, or 27.9%. As Facebook's user growth is net, this may obscure the fact that a number of users in the region left the platform last year. Facebook now reaches 63.2% of internet users in North America each day, down 0.8 percentage points (pp) from 64.0% in 2017. However, Pew notes that over half of Facebook users in the US visit the platform **several times a day**.
- On a monthly basis, Facebook reaches almost four in five (78.7%) of its global attainable users, up from 74.7% in 2017 and 54.1% in 2012. These figures exclude WhatsApp, Instagram and Oculus but, in the UK, over three-quarters of adults **visit a Facebook-owned platform in a typical week**.

2 **Key media intelligence**

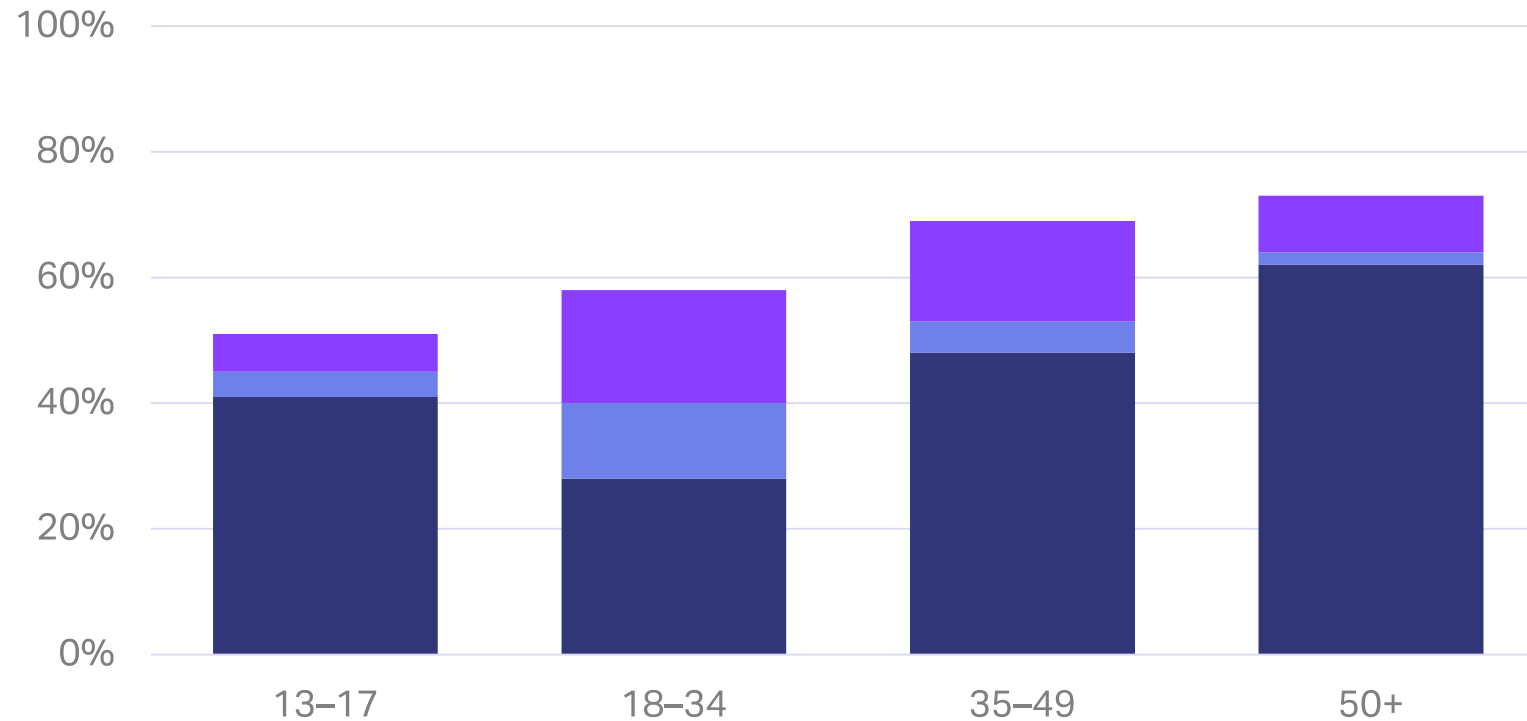
New on WARC Data

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TV's reach key to cross-channel campaigns

US, Targeted campaign reach, % share of population

■ TV only ■ Digital only ■ TV and digital



Note: Campaigns targeted to 18-49 year olds with two or more publishers that ran October 2016 to December 2018.

SOURCE > Nielsen

Get the data

Media Intel

- TV remains the primary driver of audience reach in cross-platform campaigns, according to the latest data from Nielsen. Nearly 30% of 18-34 year-olds were reached by the TV only element of the campaign, higher than the reach for digital only and the TV and digital aspects together. This lead for TV is larger for the 35-49 group, where 48% were reached by TV only, 5% by digital only and 16% by both elements.
- Despite the campaigns targeting 18-49 year-olds, average reach for those aged 50+ was nearly three-quarters. Indeed, a higher share of the 50+ group saw the campaign on TV than the 18-34 group across any device combination.
- Globally, **successful brands** spend more than three-quarters of their budgets on television and digital channels combined, although TV's share is declining. A lack of standardised cross-channel measurement remains the **biggest challenge** for video inventory buyers.

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Latest WARC research

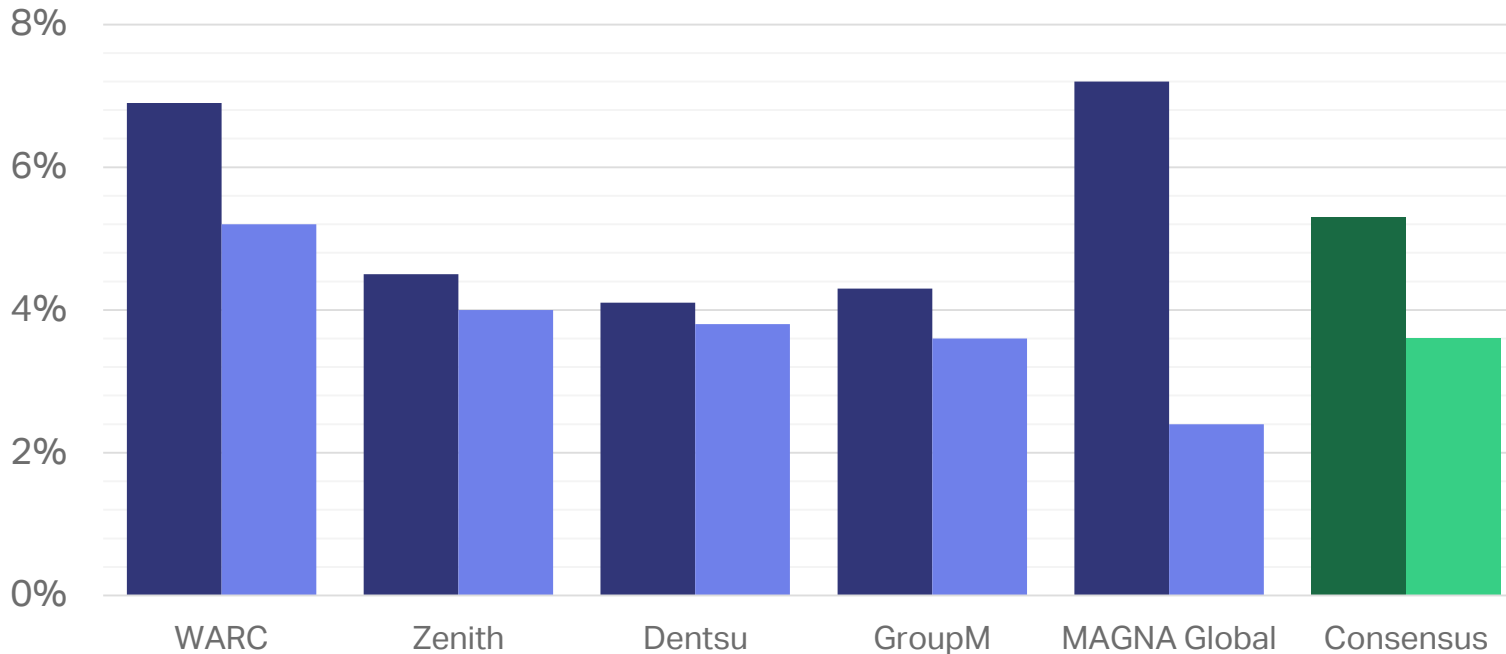
The state of the global ad market

- ✓ **WARC GMI:** Decline in American budgets drags global marketing spend down
- ✓ **WARC GMI:** Mobile and digital growth continues to outpace traditional media
- ✓ **WARC Consensus Forecast:** Global ad market growth to ease to 3.6% this year
- ✓ **WARC International Ad Forecast:** Key market growth expected to slow to 6.0% this year
- ✓ **WARC International Ad Forecast:** Mobile to be the fastest-growing ad medium this year

WARC Consensus Forecast: Global ad market growth expected to ease to 3.6% this year

Global, Year-on-year % change in advertising expenditure, US\$ current prices

■ 2018 ■ 2019



Note: Direct comparisons between forecasts are not truly like-for-like as WARC applies variable exchange rates to all years. This has been factored into the weighting to draw a purer consensus.

SOURCE › WARC Data, *International Ad Forecast (March 2019)*; Dentsu (January 2019); Zenith, GroupM, MAGNA Global (December 2018).

Latest WARC research

- Global advertising spend is expected to rise 3.6% in dollar terms this year, a slowdown from the estimated growth rate of 5.3% in 2018, according to WARC's latest Consensus Forecast, a weighted average of third-party growth projections.
- MAGNA Global believes that the lack of cyclical political and sporting events will underpin the 2019 slowdown, particularly in the US. MAGNA states that strong digital growth will push its share **to over half of all adspend worldwide this year.**
- Dentsu cites strong digital growth, notably in China, where 63% of ad money is expected to **be spent online this year.** Dentsu also believes digital spend will overtake TV in the US in 2019 – a watershed moment.
- Zenith and GroupM predict a cooling in the rate of global ad market expansion, to 4.0% and 3.6% respectively.
- WARC's forecast – **based on 12 key markets** – anticipates the strongest rise, at 5.2% this year. Our projections factor in shifting exchange rates, and we believe the US dollar will weaken this year, inflating overall spend in the majority of markets.

More from WARC Data

About WARC Data

WARC has published independent and objective advertising research since 1982.

Our data products are trusted by the world's leading brands, ad and media agencies, media owners, research bodies, academic institutions and market analysts.

www.warc.com/data

Benchmarks

Utilise WARC's suite of benchmarks to measure your ROI against industry sector and geography, decide on the right media mix for your campaign, and compare your ad/sales ratio with the sector's wider performance.

Forecasts

WARC produces detailed adspend forecasts for 12 key markets – Australia, Brazil, Canada, China, France, Germany, India, Italy, Japan, Russia, UK, US – which between them account for three-quarters of global advertising expenditure, atop a biannual forecast for media inflation drawn from a consensus of exclusive agency data.

Data Points

Access hundreds of pre-made charts and datasets on media consumption, spend and costs.

Databases

Instantly access advertising spend data in 96 markets across major media and formats.

Check CPM and GRP costs by media and target audience in 63 markets.

Global Marketing Index

Established in 2011, the Global Marketing Index (GMI) is designed to provide a unique monthly indicator of expenditure and business conditions for marketers worldwide.

Our panel of 10,000 marketing professionals is invited to give its views of current business conditions, including marketing spend, media budgets and staffing. The results provided exclusively to WARC Data subscribers each month.

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