



Q3 Platform Earnings

Advertising's role as a key strategic lever driving innovation opportunity

Updated: November 3rd 2023

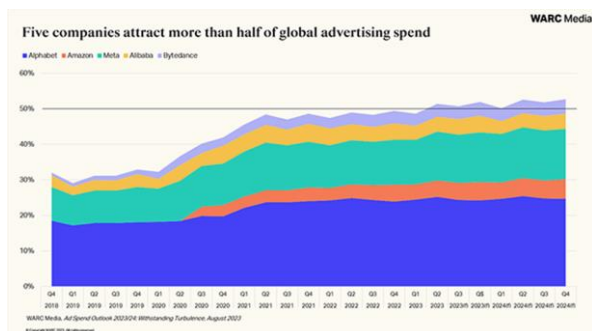
Better decisions, faster.



Widespread earnings growth, illustrates scalability of new models

The big 5 get bigger

Reporting of [Q3 2023 earnings](#) by the major tech platforms paints a positive picture for growth in advertising investment worldwide and across channels.



The growth of digital as a share of overall ad investment and continued consolidation of digital means that five companies now control over [50% of global ad spend](#) and [76% of global digital spending](#).

Strategies invoked to deal with policy shifts, such as App Tracking Transparency (ATT) and new regulations and legal judgments, are now proving effective.

Meta provides a clear example – [Q3 revenue is up 23%](#) over the same period in 2022. While daily users continue to grow slowly, the main driver is a [31% increase in impressions](#) served across the apps, mitigating a 6% decline in average CPMs.

Impression volumes are driven by users spending more time on site through short-form video formats such as Reels. At the same time, increased decision automation [has mitigated](#) ATT-driven CPM declines.

Platforms are becoming more assertive in driving revenue – Netflix’s password-sharing crackdown seems to [have paid off](#), and YouTube is [shutting off users with ad-blockers](#) after 3 video views.

In response to [several adverse legal rulings](#) in Europe, Meta announced a subscription-funded, ad-free version of [Facebook and Instagram](#) to counteract charges that users had no choice but to accept personalized ads on the platform. This [OMG guideline](#) paper goes into more detail and implantations for advertisers.

Commerce Scale

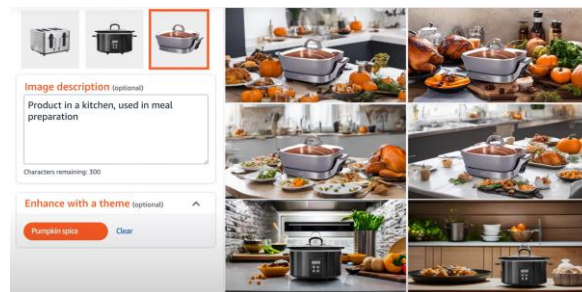
[Amazon’s Q3 reporting](#) illustrated the continued growth of commerce. Revenue is up 13% to USD 143.1 billion for the quarter, delivering USD 9.9 billion in profits.

While fundamental properties like AWS saw weaker-than-expected returns, Amazon’s [advertising business beat expectations](#), soaring 26% year-on-year to \$12 billion.

Razor-thin margins in retail mean that despite the ad business being less than one-tenth the scale of commerce, [profits from ads](#) contribute more to the bottom line than both Amazon’s commerce and web services businesses.

[Amazon Ads still has significant headroom](#), becoming a sustainable competitive advantage and a critical strategic asset. We can expect to see more investment and innovation in ads products.

[Product ads are scaling up](#) through partnerships with BuzzFeed, Pinterest, and Ziff Davis. These third-party ad partnerships will ease friction from inspiration to buying.



Several platforms have already developed Generative AI ads capabilities in recent months. Amazon this week announced their [AI image generation](#) tool.

This technology becomes most powerful in the off-platform commerce space, enabling any product to be embedded in relevant contexts at low cost, from single-day events to niche communities.

The growing strategic importance of commerce strategy and execution was underlined as Omnicom [announced its largest-ever acquisition](#) with the [agreement to purchase Flywheel](#).

Video driving growth

The major platforms are seeing success in videos of many kinds.

In long-form videos, Amazon is investing in assets and experience. [Thursday Night Football](#) audiences are [growing 25% over](#) last season. Amazon claims an average age [seven years younger](#) than NFL viewing on linear channels.



[Prime Vision enhances the viewing experience with Next Gen Stats](#), which uses AI technologies to bring on-screen analytics to the live experience. Viewers are reporting an [uncanny ability for the technology to predict](#) what will happen next.

This is part of a broader AWS [data analytics partnership](#) that goes deep across visuals, impacting [player safety](#) and [team tactics](#).

These new experiences open new opportunities for [advertisers to add value](#) to consumers and thus gain more attention. We can expect such experiences in more of [Prime Video's sports properties](#) worldwide if successful.

The largest of the video advertising platforms, YouTube reported ad revenue in Q3 at [USD 7.95Bn](#), growing 12.5% over 2022.

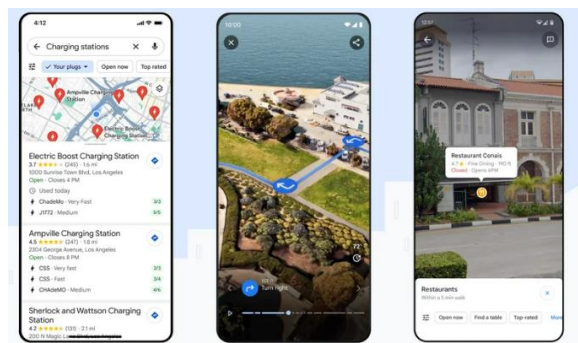
For the first time, [YouTube revenue is greater than Google Display Network](#) (though still far short of the [>USD 40bn](#) quarterly revenue from search).

This healthy growth is supported by deeper [integration of commerce](#) features and content. AI technologies are being enhanced to deliver ads in more [relevant contexts cost-effectively](#) and through advanced creation and curation tools like ['Dream Screen.'](#)

Wider integration

Q3 earnings show that [advertising remains](#) vital to the world's largest companies. They are all chasing after [revenue streams now delivering at scale](#) from new consumer behaviors in commerce and video.

Advertising models in programmatic and social are being [upgraded to work](#) in new regulatory environments of privacy and competitive markets.



We can expect increased investment in consumer experience and ad products in various contexts, from culture to maps. Capturing a share of what is expected to be a [USD 1trn global ad market](#) next year.

This also brings new challenges. YouTube, for example, is relaxing its [monetization guidelines for controversial topics](#), and brands must be alert to any new reputational risks.

The regulatory and policy landscape is by no means settling down. 2024 is likely to see more significant changes than 2023. For example, the UK Competition and Markets Authority is [claiming the final say](#) on the timeline of the [deprecation of cookies in Chrome](#).

Success for platforms and advertisers alike will be from agility in aligning innovation across developments in content (especially video), commerce, and AI.

Capitalizing on unique brand assets, cultures, and structures while working with the new realities of local regulation and policy driven by societal privacy and market imperatives.



Jean-Paul Edwards

OMD Worldwide Managing Director,
Product

jean-paul.edwards@omd.com