Media

Google and Facebook dominance forecast to rise

Tech duopoly to account for 84% of online advertising spend this year, forecasts report

There is a belief that to compete with internet giants, companies that are losing revenues to them must turn into giants themselves © AFP

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Google and Facebook are set to attract 84 per cent of global spending on digital advertising, excluding China, in 2017, according to a forecast from GroupM, the WPP-owned media buying agency, underscoring concerns that the two technology companies have become a digital duopoly.

The research predicts that total global ad spending will increase by about $23bn, or 4.3 per cent, next year. "Digital accounts for most of this growth and that means Google and Facebook," said Adam Smith, futures director of GroupM.

Excluding China, global spending on digital advertising in 2017 will be around $100bn, according to GroupM, with the dominance of Google and Facebook coming at the expense of other companies in traditional and online media.

"Editorial media is picking up only a fraction of what is being spent," with Google and Facebook "capturing a lot of share from other digital platforms and publishers," said Mr Smith. He added that "market plurality" was becoming problematic. "Competition will solve that problem and the most likely source of that competition is Amazon."

Amazon has a vast trove of data, with many of its customers using it as a search engine to find out information about particular products. The company has moved into live television "in a modest way" with its deal to screen Thursday night NFL games. The company will generate £2bn in digital ad revenue this year, according to eMarketer, a research firm.

Kelly Clark, GroupM's chief executive, said 2017 had been a "challenging year" for advertising. "Brands are operating in hyper-competitive and low-growth markets. Legacy media continue to be challenged by audience fragmentation and competition from the dominant digital players, and those giants have grappled with their own far-reaching success as consumers misuse their user-generated platforms."

Google and Facebook have been embroiled in damaging scandals this year over the placement of ads on their platforms.

$23bn

Expected increase in total global ad spending next year

Diageo, Mars, Hewlett-Packard, Deutsche Bank and Mondelez were among brands to pull advertising from YouTube and its owner Google after campaigns appeared alongside videos featuring children and sexualised comments.

Brands also pulled their ads from YouTube when it emerged that campaigns had appeared alongside extremist content.

Meanwhile, Facebook has faced questions in the US over how Russian entities were able to run ads and other content aimed at swaying the outcome of the 2016 presidential election.

Authorities in France and Germany have said their elections were also targeted, while in the UK a parliamentary committee is seeking information from Facebook and other social networks over the extent of Russian account activity during the Brexit referendum campaign and 2017 election.

GroupM expects spending on television advertising to increase 0.4 per cent in 2017 and 2.2 per cent in 2018. But digital ad investment is increasing more rapidly, with 11.5 per cent growth expected in 2017 and 11.3 per cent in 2018. Digital ad investment spending will exceed spending on traditional television by the end of 2017 in 17 markets, including the UK and Germany, according to the company.