

Meta's AI and automation push could turn off advertising agencies

Article

The news: Facebook and Instagram parent Meta has been investing in artificial intelligence and machine learning to upgrade its ad technology, and not every marketer is happy.

- Over the last few months, Meta introduced **Advantage+**. The offering is powered by AI and can automatically generate up to 150 advertisements based on the marketer's specific goals,

eliminating the need for manual ad creation. The algorithms test potential ads and choose the most effective ones, with the option to modify text and images automatically.

- Brands that tested Advantage+ Shopping Campaigns (ASC) during October 2022 saw **significant cost savings, with at least a 20% decrease in costs per thousand impressions (CPMs) and a 15% decrease in costs per click**, per Tinuiti data.
- Advantage+ has reportedly improved the performance of advertising campaigns and generated lucrative returns: Clients of the marketing agency **iProspect** were reportedly earning \$7 for every \$1 spent on website advertising campaigns using the service.
- Meta has **spent more money upgrading its AI tech to address the impact of Apple's privacy changes than it has on CEO Mark Zuckerberg's [metaverse ambitions](#)**, according to a senior staffer.

Yes, but: Some marketers are concerned that they are losing too much control over their campaigns to Meta's algorithms.

- Multiple companies interviewed by **The Financial Times** withdrew from Advantage+ because they had to give up too much control.
- A UK-based games company withdrew from Advantage+ because it recommended an ad that attracted inflammatory and hateful comments. The tool lacked human emotion and common sense, the company said.
- A UK-based retailer said that while the CPM prices were significantly better, the company had to give up too much control.

Why it matters: Meta **lost approximately \$10 billion in revenues** within nine months after Apple [introduced its privacy changes](#) in April 2021.

- Due to the privacy changes, Meta must rely more on first-party data, such as whether users like, comment, tag, or mention specific brands.

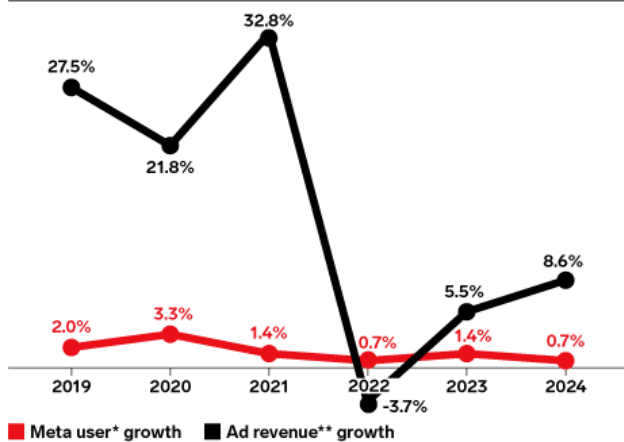
Analyst take: “Advertisers would do well to remember that Meta has a history of inflating metrics for its own benefit,” said senior analyst **Max Willems**. “Advertisers and agencies should be approaching this with extreme vigilance.”

Our take: While agencies currently view ASC as a helpful addition to their existing tactics, the highly automated and opaque nature of the platform has the potential to significantly change

the role of agencies in Meta's advertising business. As advertisers come to rely on ASC more heavily, they may find they need agencies less.

- Meta relies on an extensive agency network to convince brands that the social giant is a shrewd place to invest ad dollars. Leaning into AI and automation could upset the applecart and lose the allyship from agencies it has long relied on.
- The company can argue that advertisers can save money on asset development and deployment, and then reallocate those dollars into ad buys. That's convenient, since Meta could use that ad revenue growth.

US Meta User* and Ad Revenue Growth, 2019-2024**
% change



Note: *internet users of any age who use Facebook or Instagram at least once per month; unduplicated reach; excludes WhatsApp, Messenger, and Reality Labs; **paid advertising only; includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices; includes Facebook and Instagram ad revenues; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites; excludes spending by marketers that goes toward developing or maintaining a Facebook and/or Instagram presence; excludes revenues reported under Meta's Reality Labs segment; forecast is from Oct 2022
Source: eMarketer, Dec 2022

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