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Who will win digital advertising's 'Game of Thrones'?

Article

The digital advertising landscape is shifting and it's every person for themselves in a fight to the top. Let's get to know the players and place our bets on who will win the battle royale for ad dollars.

Just the two of us: For years, the duopoly of Google and Meta dominated digital advertising, noted our analyst Andrew Lipsman during the keynote session of our virtual summit last week.

But their reign is coming to an end. In 2023, Google and Meta will account for just 15.8% of net new digital ad spending growth, down from 79.5% in 2015.

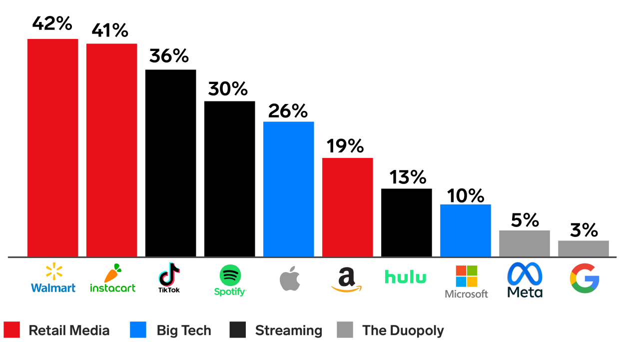
Who's coming for the crown? According to Lipsman, three key segments are disrupting the space: retail media, search, and video.

The retail media rundown: Amazon leads the pack, gaining $5.48 billion in net ad revenues next year. The ecommerce giant will surpass Meta ($2.66 billion) and Google ($2.07 billion) combined.

But Walmart and Instacart will see the strongest growth rates among retail media, noted Lipsman, growing 42% and 41%, respectively, in 2023.

US Digital Ad Revenue Growth, by Company, 2023

% change



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites; Google includes YouTube advertising revenues; Meta includes Facebook and Instagram advertising revenues; excludes revenues reported under Meta's "Facebook Reality Labs" segment; Microsoft data from 2016 forward includes LinkedIn ad revenues
Source: eMarketer, Oct 2022

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The search is on: Apple's AppTrackingTransparency changed the digital advertising game when it took effect last year. Meta, in particular, took a big hit, said Lipsman, as direct-to-consumer (D2C) ad spend moved away from the platform to Google (34.9% of D2C ad spend in Q1 2021 versus 27.0% in Q1 2022).

However, Lipsman warned that, despite D2C dollars shifting to Google, it may not be able to keep its grip on search advertising for long. Google's share of US search advertising is down five points over the past three years to 56.1%, while Amazon has increased its share by nearly 10 points to 22.6%.

Video wars: While not technically a streaming service, TikTok is in contention for serious ad dollars due to being a more immediate form of performance advertising. TikTok will continue to pull share away from Meta and other social platforms, said Lipsman.

Meanwhile, linear TV dollars will continue to shift to streaming services like Apple TV, Amazon, Hulu, and possibly even Netflix's new ad-supported tier.

So who's going to win? "The two names I see popping up the most are Amazon and Apple," said Lipsman.

We predict Amazon's total ad revenues will grow nearly 19% to reach $34.59 billion next year. Though Apple's total 2023 ad revenues will be much smaller ($5.34 billion), the company will outpace Amazon's growth at over 25% year over year.

We'd keep an eye on these two.

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