

Facebook ad spending continues to grow, but it won't be unscathed by iOS privacy changes

Article

Since **Apple's** AppTrackingTransparency (ATT) framework in iOS 14.5 took effect in late April, **Facebook** has experienced steadily worsening data loss as iOS users have adopted the

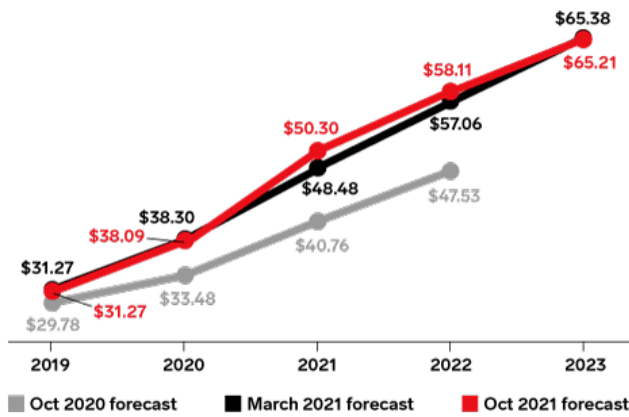
update. For Facebook, data loss includes user-level data posted back from IDFA as well as the Facebook pixel, the piece of tracking code placed on brand websites.

As of Q3 2021, iOS 14.5+ adoption among US social media app users had effectively reached full impact. Opt-in rates among US Facebook and Instagram users are low, cutting off Facebook's ability to track web or app conversions and activity by a large majority of iOS app users. For advertisers, this has diminished the accuracy of targeting and measurement of Facebook campaigns.

Despite Apple's iOS privacy changes, we estimate that US advertisers will spend **\$50.30 billion** on Facebook advertising in 2021, up **32.1%** from last year. That's a significant increase versus our March 2021 and October 2020 expectations, when we predicted growth of **26.6%** and **21.8%**, respectively.

How Has the Forecast for US Facebook Net Ad Revenues Changed?

billions, 2019-2023



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; includes Instagram advertising revenues; excludes spending by marketers that goes toward developing or maintaining a Facebook presence; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites
Source: eMarketer, Oct 2021

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Ad spending growth on Facebook will slow to **15.5%** next year as the company continues to scale following a significant increase in growth this year. However, we now predict slightly slower growth next year than we did in our March forecast—a decrease of **2.2 percentage points**—due to headwinds related to Apple's privacy changes and their impacts on the efficiency and measurement of Facebook ads.

Our new 2021 growth estimate is driven primarily by rising ad prices this year—the biggest single factor driving up total advertiser spending on Facebook platforms. Facebook CPMs—the cost per thousand impressions—have increased significantly over the past year as digital ad spending has resurged and advertisers have flocked to the platform, driving more competition into programmatic auctions.

- On core Facebook (excluding FAN), CPMs rose **47%** in Q3 2021 versus Q3 2020—and **+33%** versus Q3 2019, according to data provided by performance marketing agency Tinuiti.
- On **Instagram**, CPMs increased **32%** versus Q3 2020 and **23%** versus Q3 2019, per Tinuiti data.

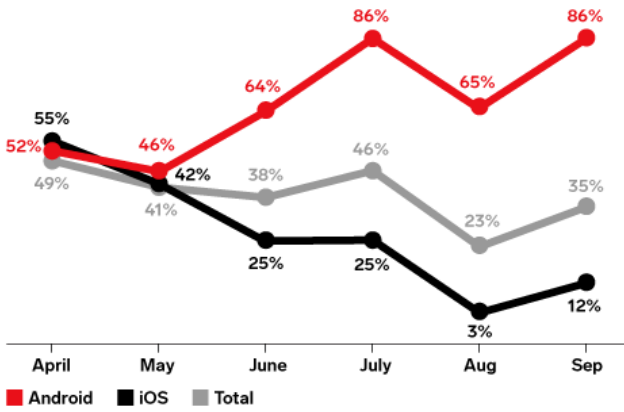
But there are also iOS-related causes of CPM increases:

- **Reduced audience sizes:** Some Facebook audiences, such as for retargeting, have diminished due to IDFA and pixel loss among Facebook and Instagram users who have opted out of tracking on iOS. As these audiences reduced, CPMs at the campaign level have risen—and advertisers with narrower targeting have likely seen greater increases.
- **Some ad spend shifting out of iOS:** Some advertisers—particularly direct-response advertisers like mobile app developers—are proactively shifting spend out of iOS on Facebook to reclaim deterministic user tracking that remains on Android mobile devices. Efforts to reach Android users have intensified, elevating CPMs among those audiences relative to iOS users.

Facebook CPMs on Android have risen substantially relative to iOS since May as iOS users gradually adopted the update, according to data provided by Tinuiti. That divergence has meant that ad spending growth to reach Android users on Facebook has accelerated since May, far outpacing growth on iOS.

US Facebook Mobile Ad Spending, by OS, April-Sep 2021

% change vs. same period of prior year



Note: represents activity on the Tinulti platform, broader industry metrics may vary
Source: Tinulti, "Facebook Ads Benchmark Report: Q2 2021," Aug 2021

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Read the full report.

Report by Audrey Schomer Nov 04, 2021

Facebook Advertising 2021

