



## Q1 2024 Earnings Reporting

Tracking successful platform innovation

Updated: May 3<sup>rd</sup> 2024

**Better decisions, faster.**



## Earnings reporting highlights the most significant trends in digital media

### Movement to platforms and video

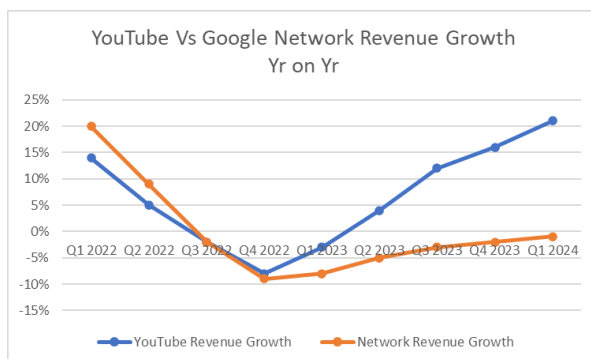
Quarterly reporting enables a validated quantification of trends in media investment and effectiveness. Strong results across all the large digital platforms illustrate a [healthy digital advertising market](#).

The migration to digital channels has not slowed down. The UK AA /WARC [Expenditure Report Q4 2023](#) states that almost 80% of ad spend is now on digital channels.

There is also a trend of spending gravitating toward significant platforms, as spending through digital channels on national and regional news brands, magazines, and radio [was down year on year](#).

TV is doing better. While linear TV spending in the UK is down, broadcaster VOD is up almost [16%](#), [with double-digit growth forecast](#) for the next two years.

This aligns with Q1 earnings from the global video platforms, which all report significant ad revenue growth. The most significant of these is YouTube which reported [growth of 21% to USD 8.1bn](#), well ahead of Wall Street forecasts and [with room to grow](#). YouTube Shorts [revenue is also picking up](#), contrasting with continuing [declines in Google Network Revenue](#).



Roku reported a [14% growth in streaming households](#) and a 23% rise in streaming hours, meaning Roku homes now [stream 4.2 hours/day](#).

Netflix reported a surprise addition [of 9 million subscribers](#), reaching nearly 270 million worldwide. In a sign that the business is shifting focus, Netflix announced they will [no longer report quarterly subscriber numbers](#) from early 2025, shifting the focus time to spend with the service.

### An algorithmic power shift

There is increasing evidence of the ongoing shift towards the dominance of algorithmically driven content exposure and ad monetization. Increasingly sophisticated systems are enabling content-driven inventory supply and demand-driven inventory monetization.

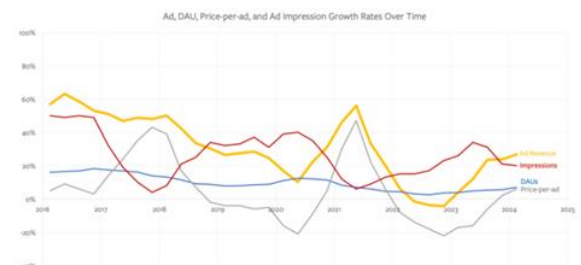
Snap reports [422m daily active users](#), a 10% increase over Q1 '23. They claim to reach [75% of 13–34-year-olds](#) in their 35 top markets. [Unified content stacks drive more time](#) with more relevant content from various sources. Stories from [Snap Stars grew over 55%](#) year on year in North America.

The 7-0 Pixel Purchase optimization model, a bid-for-conversions approach, and an upgraded [conversions API drive ad effectiveness and monetization](#).

New content formats are also proving effective further up the funnel. A recent attention [study of augmented reality formats for OMD](#) conducted by Amplified Intelligence shows they deliver over 14 active attention seconds, [far above](#) many digital video formats and competing with TV ads.

This builds on existing [OMG Attention research into Snap](#) Commercials and Ads, which explores how to communicate effectively with users.

Meta reported an [ad revenue increase of 27%](#), driven by a positive combination rise to [3.24bn people](#) active daily across the family of apps, the [impressions served to them up 20%](#), and ad [prices rising by 6%](#).



[Advantage+'s success](#) has propelled Meta's results. However, [some have reported issues](#) with Advantage+ [Shopping Campaigns](#) where errors have resulted in highly inflated CPMs, [causing budgets to be blown in hours](#).

## Productising AI

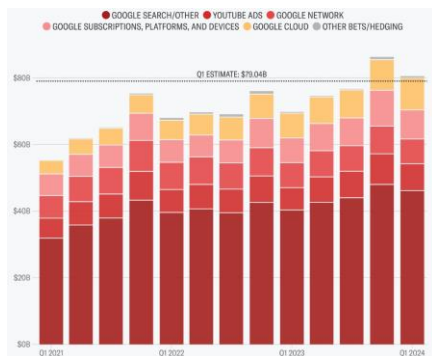
Analysis of AI experiments and proofs of concept illustrates a [significant gain](#) in productivity - [80% of US jobs](#) could see at least 10% of their tasks done twice as quickly with generative AI. This week, Google published its report on the ['Economic Impact of Generative AI.'](#)

Many organizations are focused on the [difficult task of producing and scaling AI Innovations](#). This involves significant investment and careful safety planning that may not see pay-offs for several years.

For example, Microsoft announced a [USD 100bn investment in AI data](#) centers that will power models 10-100 times as powerful as today's state of the art.

Meta's pivot to AI involves more capital investment – spending [USD 35bn-40bn in 2024](#) alone. This news drove the stock to [fall over 10% after Q1 earnings](#) despite the positive news on ad revenue.

Google reported 14% growth in its core [search product](#). As such, it is a large revenue driver, representing nearly USD 6 billion in [incremental revenue over Q1 last year](#).



However, the search landscape is changing. Google is grappling with the [economics of generative search](#) – how to [minimize the technical costs](#) of ever-larger models and maximize the monetization of searches that yield fewer clicks.

Incremental AI advances are regularly coming to ad tech. This week, [six new AI-powered features](#) were launched for Google's Pmax, enabling optimizations to customer value and retention, demo reporting, IP, and URL testing.

## Winning Strategies

Amazon reported [a tripling of profits](#) in Q1 2024, led by a 24% increase in advertising revenue. The higher-margin ad business is a significant lever in profitability and, therefore, market capitalization. A key driver of Amazon Ads' growth is the addition of [ads to Prime Video](#) as the default option in many markets.



One advantage Amazon has is the maturity of its cloud Amazon Web Services business, which grew by 17% in Q1 as third parties use [Amazon's infrastructure to innovate](#). OMG has a long-standing partnership with AWS that now [integrates access to their AI](#) technology.

An AI-driven platform to monetize across content assets is now a necessity. Wall Street is looking for [streaming brands to boost performance revenue](#) on top of the upper funnel investments that linear TV had been most associated with.

Investors are looking for efficiencies to ameliorate fast-increasing investment in AI technologies. Google's Q1 revenue growth comes with [lower operating costs](#), so profits are up over 50%, meaning that Alphabet is again worth [USD 2trn](#).

With increasingly sophisticated and expensive consumer experiences and ad tech driving success, platforms are aligning strategies across their business units to drive the competitive advantage that funds the next round of innovation. Successful advertisers will need to think similarly.

As the cycle is only accelerating.



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