

# Forecast sees big payoff for Google's mobile ads (Update)

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The Google logo at the Google headquarters in Mountain View, California, on April 7, 2011. Google captured more than half of the \$8.8 billion spent on mobile Internet advertising worldwide last year and is expected to boost its share in 2013, a market watchers said Thursday.

Google will sell more mobile advertising than the rest of its rivals combined for the second straight year, according to a new forecast that highlights the expansion of the Internet search leader's moneymaking prowess from personal computers to smartphones and tablets.

The report released Thursday by the research firm eMarketer projects Google Inc. will generate nearly \$8.9 billion in mobile ad revenue throughout the world this year. The figure reflects the anticipated amount that Google will retain after paying commissions to its ad partners.

The prediction calls for Google to hold a 56 percent share of the overall mobile ad market, which is expected to approach \$16 billion this year. In 2012, Google accounted for 52 percent, or \$4.6 billion, of the worldwide mobile ad market, according to eMarketer.

Facebook Inc., the owner of the largest online social network, is expected to rank a distant second in mobile advertising this year with about \$2 billion in revenue from phones and tablets, eMarketer predicted. Although still far behind Google, Facebook has been making rapid inroads in the mobile market. Last year, Facebook sold less than \$500 million in mobile advertising.

The report marks the first time that eMarketer has released digital ad numbers spanning the entire globe. The firm's previous estimates, which are closely watched in the industry, have been confined to the U.S. ad market.

EMarketer's figures are intriguing because Google doesn't disclose how much of its total advertising revenue flows from the rapidly growing ad market. The Mountain View, California, company has repeatedly said during quarterly discussions of its earnings that its mobile ad business is thriving.

Google's success in mobile advertising stems from its ability to establish its Internet search engine and other services, such as digital maps, Gmail and the Chrome browsers, as frequently used applications on mobile devices. The company accomplished that largely by forging a partnership

with Apple Inc. when that company's iPhone came out in 2007. Google then baked its services into Android, a free operating system now running on more than 900 million mobile devices.

Android's success transformed Google into a competitive threat to the iPhone and iPad, prompting Apple to dump some of Google's services as built-in programs on those devices. But many iPhone and iPad users are still relying on Google products by installing apps on their Apple devices.

Google's lead in the mobile ad market may not have been as large if the Federal Trade Commission hadn't approved the company's \$681 million acquisition of AdMob in 2010. It was approved over the objections of critics who said the deal would make it more difficult for formidable competitors to emerge. AdMob set up one of the first mobile advertising services.

The transition to mobile computing hasn't been entirely smooth for Google. Advertisers so far haven't been willing to pay as much for mobile ads as they do on PCs because of the smaller screen size. That resistance is the main reason why Google's average ad prices have been falling since 2011, a downturn that rattled investors and held back the company's stock price.

But the downturn in Google's ad prices has been easing since late last year as marketers have started to see better returns from their mobile campaigns. Google also revised its advertising system so campaigns on PCs and mobile devices are tied together.

Those factors helped change investor sentiment, contributing to a 23 percent increase in Google's stock price so far this year. The shares closed Wednesday at \$871.98.

EMarketer also provided projections on the total digital ad market, which includes the PC channel. After paying commissions, Google's worldwide ad revenue is expected to total \$38.8 billion this year, according to the forecast, a 19 percent increase from last year.

The estimate presumes Google will grab one-third of a nearly \$117 billion market for digital advertising this year. Facebook ranks second with a projected 5 percent share of the overall market and Yahoo Inc. is next at just 3 percent, according to eMarketer.

The forecast attempts to gauge Twitter's efforts to mine its online messaging service for revenue. As a privately held company, Twitter doesn't disclose its revenue, leaving it to outsiders to make educated guesses. EMarketer predicts Twitter's ad revenue will approach \$600 million this year, with about half of the money coming from mobile devices.

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