

More big brands pull ads from YouTube in widening boycott

March 24 2017, by Michael Liedtke



This March 18, 2010, file photo shows the YouTube website in Los Angeles. An advertising boycott of YouTube is broadening in a sign of the skepticism surrounding Google's promise to prevent marketing campaigns from appearing alongside repugnant videos. PepsiCo, Wal-Mart Stores and Dish Network became the latest companies to suspend their advertising on YouTube after The Wall Street Journal found Google's automated programs placed their brands on five videos containing racist content. Even though the defections are continuing, most analysts aren't worried yet. Starbucks and General Motors also joined in the YouTube boycott Friday, March 24, 2017. (AP Photo/Richard Vogel, File)

An advertising boycott of YouTube is broadening, a sign that big-spending companies doubt Google's ability to prevent marketing campaigns from appearing alongside repugnant videos.

PepsiCo, Wal-Mart Stores and Starbucks on Friday confirmed that they have also suspended their advertising on YouTube after the Wall Street Journal found Google's automated programs placed their brands on five videos containing racist content. AT&T, Verizon, Johnson & Johnson, Volkswagen and several other companies pulled ads earlier this week.

The defections are continuing even after Google apologized for tainting brands and outlined steps to ensure ads don't appear alongside unsavory videos.

It's not an easy problem to fix, even for a [company](#) with the brainpower that Google has drawn upon to build a search engine that billions trust to find the information they want in a matter of seconds.

Google depends mostly on automated programs to place ads in YouTube videos because the job is too much for humans to handle on their own. About 400 hours of [video](#) is now posted on YouTube each minute.

The company has pledged to hire more people to review videos and develop even more sophisticated programs to teach its computers to figure out which clips would be considered to be too despicable for advertising.

Contacted Friday, Google stood by its earlier promise, signaling the company's confidence that it will be able to placate advertisers. As part of that effort, Google intends to block more objectionable videos from ever being posted on YouTube—an effort that could spur complaints about censorship.

Some outraged advertisers are making it clear that they won't return to YouTube until they are certain Google has the situation under control.

"The content with which we are being associated is appalling and completely against our company values," Wal-Mart said in a Friday statement.

Besides suspending their spending on YouTube, Wal-Mart, PepsiCo and several other companies have said they will stop buying ads that Google places on more than two million other third-party websites.

If Google can't lure back advertisers, it could result in a loss of hundreds of millions of dollars in revenue. Most analysts, though, doubt the ad boycott will seriously hurt Google's corporate parent, Alphabet Inc.

Although they have been growing rapidly, YouTube's ads still only represent a relatively small financial piece of Alphabet, whose revenue totaled \$73.5 billion last year after subtracting commissions paid to Google's partners. YouTube accounted for \$5.6 billion, or nearly 8 percent, of that total, based on estimates from the research firm eMarketer Inc.

At most, RBC Capital Markets analyst Mark Mahaney said he expects the YouTube ad boycott to trim Alphabet's net revenue by about 2 percent this year.

Moody's Investor Service predicted the backlash won't last long because Google is "laser-focused" on cleaning things up on YouTube.

Alphabet's stock price has fallen nearly 4 percent since the boycott began last week after an investigation by The Times in London revealed the ads of major brands were appearing in YouTube videos delving into contentious themes. The shares fell \$4.51 to close at \$835.14 Friday.

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