

The Daily: What to expect from the US ad market in 2024, Google introduces Gemini, and how often AI chatbots hallucinate

Audio

On today's podcast episode, we discuss what will influence digital ad spending this year, who's the "dark horse" ad player of 2024, and how the CMO role and marketing departments will change. "In Other News," we talk about what to make of Google's latest AI creation called Gemini and some research explaining how often AI chatbots make things up. Tune in to the discussion with our analyst Yory Wurmser.

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Episode Transcript:

Marcus Johnson:

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Yory Wurmser:

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Marcus Johnson:

Hey gang, it's Thursday, February 22nd, Yory and listeners, welcome in to the Behind the Numbers Daily, an eMarketer podcast made possible by StackAdapt. I'm Marcus. Today I am joined by our principal analyst covering a lot of things based in New Jersey. It's Yory Wurmser.

Yory Wurmser:

Hey Marcus, how are you?

Marcus Johnson:

Hey fella. Very good sir. How are you?

Yory Wurmser:

I'm doing great.

Marcus Johnson:

Terrific. Today's fact, the US is the largest producer of oil in the world. So this has been the case for a few years, but it still seems odd to say, don't you think?

Yory Wurmser:

It does. Yeah.

Marcus Johnson:

So took the top spot in 2018. So it's been a while. Currently, produces 15% of the world's oil according to the US Energy Information Administration. Saudi Arabia is in second place with just over 13%. Russia is in third, just under 13%. And then there's a huge gap to fourth place Canada who produces half as much. So the top three America, Saudi Arabia, and Russia

account for 41% of the world's oil production, and they've shared the top three spots for decades at this point. Question being, how did the US sneak into first place?

Omri Wallach, a Visual Capitalist noting that among other factors, the shale revolution, a combination of hydraulic fracturing and fracking and horizontal drilling significantly increased American production.

What was that V? Was that a rocket?

Victoria Grace:

It was like Armageddon music, I guess. It's called From the Launchpad.

Marcus Johnson:

Can we get it again?

Victoria Grace:

Yeah, hold on.

Marcus Johnson:

So for the listeners, we're trialing out a new timer and it has a sound effect when you hit zero.

Oh, it's intense. That was very brief.

Victoria Grace:

I don't know if I get the launchpad thing.

Marcus Johnson:

No, it does feel a bit like slow, slow walk Armageddon music though, doesn't it?

Victoria Grace:

Do you want a different one?

Marcus Johnson:

Kind of, yeah.

Victoria Grace:

Okay.

Marcus Johnson:

Las Vegas.

Oh. Hello.

Victoria Grace:

This is crazy. It's all like little audio vignettes. It's not even a sound effect. It's like little tiny clips.

Marcus Johnson:

Yeah. The other one's much better. Oh La La.

Victoria Grace:

Oh La. You want Oh La La back?

Marcus Johnson:

Yeah, just for Yory, then we'll move on. Sorry.

Victoria Grace:

Marcus.

Marcus Johnson:

It's so good. It makes me too happy. I have to get a life. Anyway, today's real topic, what to expect from the US ad market in 2024.

In the lead we'll cover how the US ad market will look this year. Then for in other news, it's back, we'll discover, maybe we'll discover some stuff, but we're going to discuss what to make of Google's Bard transforming into Gemini, being powered by Gemini, and how often GenAI actually hallucinates.

We start of course with the lead, Yory, GDP, grew over 3% in Q4. Pretty decent. Inflation has been below 4% for the last nine months. Unemployment has been below 4% for two straight years. US ad and PR jobs reached a record high in January. Sounds like a decent backdrop. So what should we expect from the US ad market in 2024?

It depends on who you ask of course. But ad giant WPP expects some of 2023's market pressures to subside this year. But ad holding company S4Capital seems less optimistic notes the Journal's Megan Graham.

We're going to start with a slice of pie where we, well, I say we, Yory is going to create a pie chart as to the elements, three max, but he can have fewer if he wants, the elements that will influence digital ad spending this year.

So Yory, what does your pie chart of influence look like?

Yory Wurmser:

Well, I mean, first of all, I think you nailed the main reason and that's just the economy is doing better. So we're expecting 13.6% increase in digital ad spend in the US in 2024. And I think the big reason for bouncing back into the double digits is just the recover of the economy. So let's say that's 50% right there.

Then I think you're going to see a few specific industries really drive ad spend. So the biggest is retail, which is going to grow at a pretty whopping 17% ad spend this year. And that's driven in part by the economy and in part just by, it's a deeper investment in ad networks and video and things like that. So just pretty strong growth in retail.

And then also you have technology and media and entertainment recovering from the writer strike and the actor strike and technology just from down 2023, and they're going to bounce back pretty strongly. So pretty strong growth from a bunch of industries and just overall growth. So that's an additional 40%.

And then final 10% are kind of the oddities of the every four years, the election, the Olympics, things like that. So pretty strong growth there. And just in general sort of overlaying all of this as just rapid growth of video advertising.

Marcus Johnson:

Okay. So I've got mostly the biggest slice of the economy. Then you've got some spending on by advertisers, some ad spending from advertisers, media and entertainment bouncing back from the writer strike, tech improving. And then a little bit being accounted from those, the every four year events bump that we're experiencing, which is why we've got, was it 14%, you said digital ad growth this year and that's up from the 10% last year. That's why we're expecting TV to basically be flat, zero, 0.3, which is up quite drastically from last year's -9. So

all media channels will be getting that bump because of the election, the Olympics, things like that, soccer tournaments, worldwide soccer tournaments.

Yory Wurmser:

Yeah. And I'm going to cheat a little bit and just say that that effect on video of those four year events, because the rapid growth of CTV is probably, I said 50, 40, 10. It's probably 40, 30, 20% being to jump in video advertising and then 10% of these other things.

Marcus Johnson:

Okay. Okay. A refreshed pie from Yory. So 14% growth this year. And part because digital ad giants doing so well in Q4, they've got the tailwinds that it's going to push them into this year. Google, which counts for 20% of total net ad market revenue in the US. Digital it's 25% slice. But that grew advertising 11% in Q4, Meta was at 24%, and Amazon ad dollars were up 27%. Those three are 60% of digital ad pie. So that's going to help.

And it seems like multiple surveys suggesting Jamie Goldman was noting cautiously optimistic forecast for the ad industry in 2024, over 60% of agency folks expecting increased ad spending, 87% of agencies anticipating higher revenues.

The one thing on the retail side Yory to note is supply chain disruptions, at least potential. Bloomberg saying thousands of ships are taking massive detours to avoid Houthi militants attacks in the Red Sea. The Red Sea accounts for 12% of global trade. And our Zach Stambaugh was saying the Panama Canal traffic is also down a third, over a third due to drought conditions per NPR and analysts at Bank of America global research warning these supply chain bottlenecks could lead retailers to cut ad spending. So something to watch.

Yory Wurmser:

Yeah. I mean I think that's super important to point out because our estimates are based on assumptions to predate the Red Sea shipping crisis. And that has the potential to kind of dampen growth significantly. So we'll see what happens there.

Marcus Johnson:

Yeah. That's a great point. Let's have a look. So I mentioned the top three ad players, Google, Meta, Amazon of course, accounting for about 60% of the pie. But there are a lot of other players who take up that other 40% of the digital advertising pie in the US. But Yory, what is

your dark horse not top three US ad player that you think will have a significant 2024 and why?

Yory Wurmser:

I think Walmart, it has a lot of potential this year now. I mean in terms of digital advertising, they're a small player. They account for about 1.4% of the digital ad revenues in the US. So they're not going to move the whole market with their growth, but we're predicting almost 40% growth this year. And that's driven by a couple of things. They're really expanding the retail media network rapidly. I mean I think the recent purchase of Vizio, which is originally announced purchase of Vizio, it's going to take a while to have an impact, but that's going to expand the inventory that they'll have control over for advertising and over the internet work. We're already expecting rapid growth in their ad revenues and I think that purchase is just going to charge it up even more.

Marcus Johnson:

That's a great one to watch. So currently in eighth place, but we think the next year, 2025, they're going to overtake LinkedIn in terms of digital ad revenue to take seventh place. So that's a good choice.

I went with two to look out for very obvious one. It's TikTok this year. TikTok in fifth place. It's almost too obvious. I should have found some ... Actually I do have another one as well. It is painfully obvious, but it's so obvious you have to talk about it. So currently in fifth place, we'll edge even closer to Microsoft in fourth place in terms of share of the US digital ad pie. TikTok is on pace to be the fourth-largest ad player only behind Amazon, Meta and Google in the US by 2026. Our forecast doesn't go that far, but it is getting dangerously close to Microsoft and is on an upward trajectory, whereas Microsoft is pretty much flat in terms of share. So you can see them overtaking them to be number four by 2026.

The other one, Yory, which this is just staggering, as I pointed out X, formerly Twitter. And we talked about them all the time when it came to ad dollars. And then obviously they've had a lot going on in the past year and change since Mr. Musk bought them. But they now make fewer ad dollars Yory than Instacart. And in 2022 they were making three times as many ad dollars as Instacart. They now, believe it or not, X in times of our ranking sits at 17th on our top digital ad players in the US list. So Pinterest, Roku, Snapchat, Yelp, Hulu, all these guys are ahead of them because of what's happened.

Yory Wurmser:

Yeah, I'm not surprised by those numbers at all. They've really killed their ad business with their policies.

Marcus Johnson:

Yep.

Yory Wurmser:

Yeah, the 17 sounds about right for them this year. And TikTok, I didn't mention them because they're not really a dark horse. Everyone sees as charging.

Marcus Johnson:

That's true. That's very true.

Yory Wurmser:

But you're right. But they're going to be a huge story I'd assume.

Marcus Johnson:

Let's talk about how things are changing for the CMO. It was a really good piece by Robert Klara of Adweek and in it he was talking about the ways in which the CMO role and marketing departments at large are going to be changing. What are a couple of ways you see the CMO role and marketing departments evolving this year, Yory?

Yory Wurmser:

I mean I think the article pinpointed one major trend and it's just a shortening of the timeframe that they have to show results right away, results in sales or actions and not just an exposure. So that's kind of a longer term trend, but I think it continues this year.

And the other big trend I think is just how to deal with AI and implementing generative AI into their marketing, both the creation side and the experience side and just really taking advantage of the personalization opportunities and also the efficiency opportunities that are there. I think that's going to be a huge part of the CMO job this year.

Marcus Johnson:

Yeah, the first point, the increased focus on short-termism, CMO advisor Lola Bakare was quoted in the piece as saying, and ultimately you're saying it's a recipe for disaster because relationship building with consumers takes time.

And then to your second point, Alex Feiglstorfer, co-founder of content management system Storyblok saying the advent of GenAI tech, live ChatGPT is revolutionizing how we conceive, create and deliver content. But even AI makes some marketing tasks, even though it makes some marketing tasks easy, it carries risks on the back end, Chris Cosec, founder and CEO of Gallup Branding saying there's going to be more and more misinformation and that's going to create a further erosion of trust. How are brands going to really build trust?

The problem is Yory it's an election year, and so they need to focus on trying to get their messages out there and building trust, which is going to be really hard in a potential sea of misinformation with artificial intelligence. But this year folks expect brands to choose a side. I'm not saying that they should, but according to recent Bentley Gallup Business and Society report 2022, close to half of Americans consumers believe brands should take a position on social issues. Today it's closer to 40%, depends on what surveys you're looking at. But it's going to be a very challenging year for advertisers in terms of knowing when to weigh in, how to weigh in, how much to weigh in.

Yory Wurmser:

Yeah. And I think there are two separate issues there. One is the choice how to weigh in on controversial issues and whether to weigh in. And I think you're right. A lot of companies are going to choose side with one side. I think more are probably just going to try to stay neutral.

But then there's the separate issue of how to filter out disinformation or misinformation where your content is associated. Your brand is negatively affected by incorrect information or misinformation or you're advertising against news you don't want to advertise due to various programmatic or automated systems. And there are various ways to filter out against that and GenAI can be the solution for a lot of that. But it can also, if you're building content without direct oversight, it's going to create some dangers as well. So keeping that oversight there, keeping systems there for oversight on where you're advertising against what for brand safety reasons is going to be really important.

Marcus Johnson:

Yeah. Sticking with GenAI to close down the lead here, Lucinda Southern of Adweek, writing that since OpenAI introduced ChatGPT over a year ago, vendors and tech partners have been dressing up their tech as AI causing frustration among marketers who are grappling to understand how best to meaningfully implement the technology.

So Yory, for this question, fast-forward to the end of the year. What will we say about how marketers used GenAI in 2024?

Yory Wurmser:

Yeah, well, I think there's going to be a lot more use of GenAI in ad creative and personalizing ad creative. And I don't mean creating whole 30 second spots using GenAI, although you might see some, I'd say more gimmicky uses of that this year. It's more in terms of product ads that have personalized backgrounds, advertising that changes its copy to represent past buys or to represent what the target audience might be interested in. So I think you're going to see a lot of that use of kind of the "boring" use cases of GenAI around personalization, which are actually hugely impactful.

Marcus Johnson:

Absolutely. That's what we've got time for today's lead. It's time now for in other news. Today Google shows off Gemini and how often do chatbots actually hallucinate.

Story one, Google shows off Gemini, its latest bid to keep pace with OpenAI writes Ina Fried of Axios. They explain that Gemini is the next version of its LLM, large language model, that will power Bard and other products. Gemini comes in three flavors, Ultra for the most demanding tasks, Pro for a wide range of tasks, and Nano that runs directly on mobile. It's multimodal, so it can recognize video, images, text and voice at the same time, but Gemini only returns results in either text or code for now. So you could upload a picture and say, write me a story about this picture for example. This new Gemini technology will be rolled out slowly but surely over the next 12 months.

Yory, what's your one takeaway regarding this Bard to Gemini rebrand of sorts?

Yory Wurmser:

I think, well, you asked for one takeaway. I'm going to give you two though because I ...

Marcus Johnson:

Hit me. Bonus.

Yory Wurmser:

So first takeaway is that Bard kind of mediocre brand recognition and brand reputation. So it was I think a smart move to shift to Gemini. And my second observation is I think it's part of Google's headfirst dive into putting AI everywhere and it's going to go under the Gemini brand. So it was sort of like Copilot for Microsoft. That very much looks like what Google is doing with Gemini. So two things. Yeah, just Bard needed a rebranding and two, they were really putting it everywhere.

Marcus Johnson:

Yeah, it certainly did. Google long way to go to catch ChatGPT. Google's Bard has around 220 million monthly worldwide visitors. That's eight times fewer according to SimilarWeb data in part because OpenAI has a mobile app for ChatGPT. Google doesn't yet.

Story two, chatbots may hallucinate more often than many realized notes Cade Metz of the New York Times. AI hallucinations are when chatbots spit back incorrect information because A) the information they were pulling from the internet is full of inaccuracies because it was posted there by people, or B) the large language models that drive these AI chatbots are trying to guess the next word in a sequence of words. Sometimes they guess wrong. Real world hallucination example would be when New York Times federal judge sanctioned lawyers who had submitted a legal brief written by ChatGPT, including citations of non-existent court cases, notes CNBC.

But how often does GenAI make things up? According to a startup called Vectara, hallucination rates vary widely among the leading AI companies. OpenAI had the lowest rate at around 3%. Facebook and Instagram parent company Meta was around 5%. Claude 2 from Anthropic was at 8%, and Google system PaLM Chat had the highest rate at 27%. So to recap it's between 3% to 27% of the time, depending on which tool you are using.

But Yory, what's your take on GenAI chatbot hallucinations?

Yory Wurmser:

Yeah, I mean they're getting better. I think part of the reason that OpenAI performs so well with ChatGPT, just that it's been in the field having hundreds of millions of users for about a year now or over a year. So they're refining it.

I think part of the cut down on hallucination also has made ChatGPT a little bit more boring through some of the guardrails they've put in and through the training. But I think it's relatively impressive they've gotten it down to 3%. But 3%, that's still pretty significant. So it's not a surprise if you've ever played around with these tools that there's significant percentages of hallucination there.

Marcus Johnson:

I wonder what an acceptable rate of getting things wrong is going to be because humans don't get things right 100% of the time. So like self-driving cars, the goal shouldn't be perfect. It should be better than humans. But the bar is higher, right, because trusting a robot is harder to do than accepting when a human makes a mistake.

Yory Wurmser:

Yeah. And I mean, the analogy with autonomous driving is a little bit different in that autonomous driving has to be pretty close to 100% because humans have to be pretty close to 100% when it comes to driving.

Marcus Johnson:

True.

Yory Wurmser:

Being 99.9% successful in driving is not going to cut it. The percentage of acceptable hallucinations is going to be higher for chatbots, but it still has to be trustworthy. I can't give you ... It would just be arbitrary to give you a number. It's going to be a lower number in front of autonomous driving, but it's going to be a lot lower than 3% mean, 1% maybe, I'm not sure, but definitely much lower than it is now.

Marcus Johnson:

'Cause sometimes humans make things up, quite a lot sometimes. But what we really want is for the chatbot to say I don't know. And then you'd be like, okay, cool, I'll go find out separately. Not to just make something up.

Yory Wurmser:

Exactly.

Marcus Johnson:

Yeah.

Yory Wurmser:

I think part of the answer is also these general chatbots are probably going to fork traffic to specialty versions of themselves or other models that will have much higher accuracy rates and be less-

Marcus Johnson:

Interesting. Yeah, yeah.

Yory Wurmser:

And I think that sending it to the right source is going to be an incredibly important part of these sort of general models.

Marcus Johnson:

Yeah. Great take.

That's all we've got time for this episode. Yory, thank you for hanging out my friend.

Yory Wurmser:

Yeah, always great to be here.

Marcus Johnson:

Yes, sir. Thank you to Victoria who edits the show, and the rest of the crew, James, Stewart and Sophie. Thanks to everyone for listening in. We hope to see you tomorrow for the Behind The Numbers Weekly Listen as an eMarketer video podcast made possible by StackAdapt. So if you want to watch us talk about things, then you can head over to youtube.com/insiderintelligence to get the video version of the Weekly Listen.