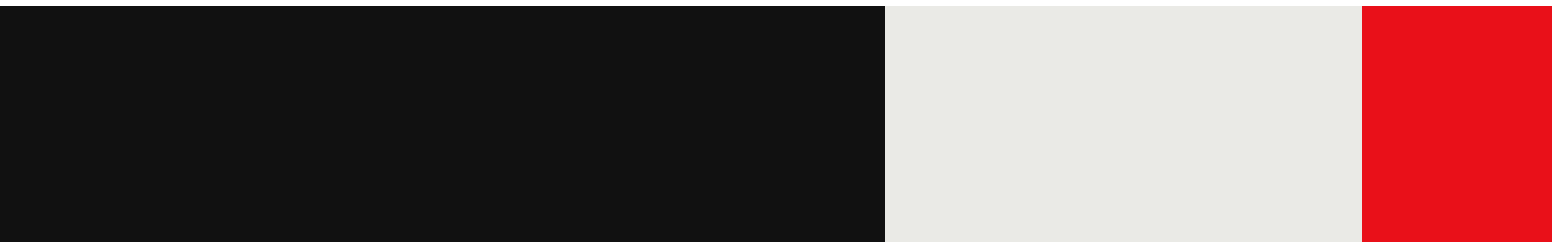


The Daily: Everything going on with the TikTok ban, Meta's 'year of efficiency,' and plans for a Twitter rival

Audio



On today's episode, we discuss why the US is considering a TikTok ban; where influencers, users, and advertisers will go if there is one; and how marketers can prepare. "In Other News," we talk about what Meta's latest job cuts say about the company and what its plans look like for a Twitter rival. Tune in to the discussion with our analyst Jasmine Enberg.

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Episode Transcript:

Marcus Johnson:

Hey gang. It's Tuesday, March 28. Jasmine and listeners, welcome to the Behind the Numbers Daily, an eMarketer podcast made possible by Meltwater.

I'm Marcus. Today I'm joined by one of our principal analysts who covers everything social media. Based out of California, ladies and gentlemen, it's Jasmine Enberg.

Jasmine Enberg:

Hey, Marcus. Hey everyone.

Marcus Johnson:

Hello, hello. Today's facts, guess what it's about, Jasmine?

Jasmine Enberg:

You promised me a Finland fact, so it better be one.

Marcus Johnson:

I did. Yep.

Jasmine Enberg:

Yes? Yay.

Marcus Johnson:

One last time.

Jasmine Enberg:

Okay.

Marcus Johnson:

Last time, oh yeah, was about the Finnish language and that it's not similar to Swedish.

Jasmine Enberg:

Correct.

Marcus Johnson:

Or Norwegian. And it's closer to Hungarian.

Jasmine Enberg:

Yes.

Marcus Johnson:

I think we settled on. This one is about Finland being literally the happiest place on Earth.

Jasmine Enberg:

Ooh. I have a lot of thoughts about this.

Marcus Johnson:

Here we go. Okay, so according to this year's 2023 World Happiness Report, Finland is the happiest country in the world, has been since 2020. The rankings take into account many factors like life expectancy, freedom to make life choices, economic strength, generosity, social support from friends, perceived corruption, et cetera. Jasmine, why, to you, is Finland the happiest place in the world? Or is it not?

Jasmine Enberg:

It depends how you define happiness, right? So, the analyst in me.

Marcus Johnson:

Yeah, true.

Jasmine Enberg:

As soon as I heard this the first time, I of course started to research the study and how they defined happiness. And all of the things that it points to are completely correct.

But for me, I think happiness is more than safety and security, which Finland 100% provides. I think sometimes people who want maybe a little bit more, or something different, may not necessarily thrive there. And don't get me wrong, I love Finland. I am a proud Fin, but I live in the US, and I live in the US for a reason.

Marcus Johnson:

Hmm. Oh, honest. Happiness is in the eye of the beholder, it would seem. Well, of the top five, Finland, Denmark, Iceland, Israel and the Netherlands, round out the top five. Eight out of the top 10, Jasmine, are Northern European countries. I thought it was interesting. So let's all move to Finland. Anyway, today's real topic, everything ...

Jasmine Enberg:

It's really beautiful, too. I will give Finland that as well.

Marcus Johnson:

Best place to go for beauty in Finland. Talk to us.

Jasmine Enberg:

I'm biased, but I will say the Archipelago, right in the southwest. But I also go there a lot, so that's probably ...

Marcus Johnson:

That's the correct answer. Well played. Today's real topic: everything going on with the TikTok ban.

So in today's episode, we'll first cover the TikTok ban, in the lead. Then for In Other News we'll discuss what Meta's second round of job cuts mean for the company and what their plans are, Meta that is, for a Twitter rival.

So we start with the lead, of course. The US government recently told TikTok that either its Chinese owners, a company called ByteDance, sell their stakes in the company, or the app TikTok could face a US ban, accusing them of posing a national security risk through data gathered from millions of users. TikTok, Chief Executive Shou Zi Chew went before US committee members last Thursday to answer questions about potential Chinese government influence over the platform promotion of misleading and harmful content, data security and other things.

Jasmine, we'll start here. What's going on with all of this? Why is the US even considering banning a platform like TikTok?

Jasmine Enberg:

Well, I think you hit the nail on the head there, Marcus. I mean, national security concerns are the number one reason, and that was really clear during the hearing. They brought up a lot of questions, really grueling questions about data privacy and security.

TikTok, of course, has taken steps to prove that it's taking data privacy seriously, including Project Texas. But that didn't seem to be enough, nor do I think it will be enough to quell

lawmakers' concerns. Because the question for them isn't necessarily only about data, but also about influence. And TikTok is kind of stuck proving a negative, that the app can't be used or isn't being used to influence US public opinion, either directly or indirectly.

Marcus Johnson:

Yeah, Project Texas, so that's TikTok's efforts to move US-based data to the US.

Jasmine Enberg:

Right.

Marcus Johnson:

TikTok data, that is. Yeah, it seems a bit silly. Why would the government be so worried about a platform like TikTok, which has a lot of dance videos and animal videos and things like that? But when you think about the amount of data and information on that platform; so, a few reasons why there are fears the Chinese government could order TikTok, who's owned by a Chinese company, ByteDance, to do these things.

So one, share data on where TikTok users are, by using IP addresses; two, share what videos Americans are watching so the Chinese government can see what Americans were watching; and three, control. Or to use one of the words Jasmine mentioned, influence. Control, or influence which videos TikTok is showing Americans. Propaganda, misinformation, things like that.

Chinese laws compel companies to assist the government whenever it asks. However, Jasmine, Chinese foreign ministry spokesperson, Wang Wenbin, recently said that the US has yet to prove, with evidence, that TikTok threatens its national security. So all of this, for the most part at the minute, is speculative, that TikTok might be asked to do these things by the Chinese government. It's trying to preemptively get ahead of this.

Jasmine Enberg:

Yeah. I mean, it's a really complicated question, right? And the burden of proof is really high on both sides here.

I think one other thing that came up very frequently during the hearing was that lawmakers are also concerned about TikTok's impact on youth's mental health. This was a huge topic of

conversation, talking about the different types of content that TikTok viewers can see, how that is controlled, how that kind of content gets served to those users.

And TikTok, of course, responded with its content moderation policies and tools. But a lot of these issues too are issues that all social media platforms face. So, the type of content that you see on TikTok can be seen on Instagram or Facebook or Snapchat. And I would also say that there's a lot of good that can come from social media, too.

Marcus Johnson:

Yeah. So, let's look at what a ban would look like. A Record article was explaining what a ban would look like in practice, using former President Trump's ban attempt as a guide.

So, one, app stores not being allowed to carry TikTok, so no downloads or updates. Two, Internet hosting services not being allowed to host it. Number three, companies could be prohibited from advertising on the app. Four, content creators wouldn't be able to use TikTok's monetization tools.

Jasmine, if it was banned tomorrow, people wouldn't have it ripped away from their phones, right? It would still be on their phones, it would just be maybe a degrading product over time, because there wouldn't be any more updates, and new users couldn't get on the app or download the app. Correct?

Jasmine Enberg:

Well, it won't be banned tomorrow. Whatever happens, it's going to take some time, so I'll start by saying that. It's not really clear exactly how it would look like. I think there's a couple of different options, which you laid out right there. But yeah, I mean, I would agree with that, that it isn't necessarily going to just disappear off of people's phones if it does get banned.

Marcus Johnson:

Right.

Jasmine Enberg:

And the US does have some partial bans already in place, I mean, multiple states have issued bans. There's bans on government devices. So there is a little bit of precedent already here.

Marcus Johnson:

Is TikTok too big to fail? It's a phrase we've heard in the banking sector; you can't let certain banks go under because it would have seismic effects on other parts of the economy, on other things like consumers. Is TikTok too big to fail? 150 million Americans using the app, they say it's become pretty entrenched in America in the last couple of years. Two presidential administrations trying to figure out what to do with it. Is this thing just too big to fail?

Jasmine Enberg:

So, there's going to be a lot of very unhappy people if TikTok gets banned.

Marcus Johnson:

Oh, yeah.

Jasmine Enberg:

A lot of those people are going to be Gen Z.

Marcus Johnson:

Or Bill Fisher, the host of Behind the Numbers: Around the World, who apparently spends nearly three hours a day on this platform.

Jasmine Enberg:

What?

Marcus Johnson:

And yes, he does have a family.

Jasmine Enberg:

I knew he loved TikTok, I didn't know he loves it that much.

Marcus Johnson:

Oh, yeah. Yep.

Jasmine Enberg:

That beats me. I mean, I'm a pretty heavy TikTok user these days as well. Yes, there will be a lot of very, very unhappy people.

Is it too big to fail? It's a complicated question, and it's part of the strategy that TikTok used going into this hearing. And I'm not 100% sure that it was the correct strategy. Showing how big TikTok has become in US society and US business isn't necessarily going to do much to persuade lawmakers that it can't be used as a tool of influence, right?

Marcus Johnson:

Yeah. Great point.

Jasmine Enberg:

At the same time, I don't think there was anything that Chew could have said. He was really ...

Marcus Johnson:

Also true.

Jasmine Enberg:

He was really stuck in a very, very difficult position, and many of the lawmakers already seemed to have their minds made up. And he had very little time to respond to a lot of their questions.

Marcus Johnson:

Yeah. One reason it might not/possibly, very possibly wouldn't get banned, Carol E. Lee. You mentioned about the backlash from these TikTok users. Carol E. Lee of NBC News use was saying the potential political fallout for a TikTok ban is difficult to predict, but the prospect of a ban comes as President Joe Biden, expected to mount a 2024 reelection campaign, and the sheer number of TikTok users in the US suggests he could pay the price if he runs.

Of the 150 million US TikTok users, around 12 million are under the age of 18, so about 8%, meaning 138 million are of voting age, regular TikTok users are voting age. And Gina Raimondo, the Commerce Secretary, recently said, "The politician in me thinks if you ban TikTok, you're going to literally lose every voter under 35 forever." And also maybe small businesses. TikTok's used by five million US businesses to reach their customers, most of which are small to medium-sized businesses.

Jasmine Enberg:

And I think there's a lot of truth to that. And this is something that I've talked about before too. I think if TikTok can make lawmakers fear that they're going to pay the price at the polling booth, that might be a really, really strong argument against a ban.

Marcus Johnson:

Yeah. Maybe that was why he brought up the 150 million, potentially.

Jasmine Enberg:

For sure, I think that was part of it. And it's tough, right? What is the right strategy? There's so little that you can say. And it's a strategy that's worked in the past. I mean, you mentioned, we've had these discussions about other big companies. So I do see why they went that route, I just don't think it had the effect that they were hoping for.

Marcus Johnson:

Mm-hmm. What kind of precedent does this set though? Because Raffaele Huang of the Wall Street Journal was noting that one of the hottest apps in the US right now is TikTok's lesser known sibling, that's also owned by Chinese parents, ByteDance, called CapCut. So, ByteDance owns TikTok and CapCut, which is a video editing tool. It's been downloaded more in recent weeks than TikTok. It launched in 2020 and now has 200 million monthly active users, according to Shanghai-based data tracker, Diandian.

Jasmine, what kind of precedent does this set? Is this just going to be, if your platform is foreign and gets to a certain number of users, you're going to have to stop doing business in the US?

Jasmine Enberg:

So, you've got to talk to Jeremy Goldman about this because he keeps asking me the same question, and he has got a lot to say too.

Marcus Johnson:

Jeremy.

Jasmine Enberg:

But yeah, I am worried that it sets a precedent, not only for foreign companies that operate in the US, but for US-based companies that operate abroad. I mean, Facebook of course is

banned in China, but international markets are really, really important to its business.

And we're already seeing that the potential TikTok ban in the US is having a ripple effect into other countries. The UK announced a new partial ban today during the hearing as well, and there could be an impact on how US-based companies operate in foreign markets in the future. I think it's something that we do have to consider here.

Marcus Johnson:

Mm-hmm. Looking at some poll numbers, so a recent Quinnipiac poll showing 49% of Americans supported a TikTok ban in the US, 49% supporting one, 42% opposed one. But when you looked at younger people, 18 to 34 year olds, 63% opposing one. So, younger people up in arms about it. The poll also showing that, among the political parties, a ban could hurt Democrats more, which obviously Joe Biden is one.

BBC were noting, in another poll in December, 53% of US adults favored a national ban on Chinese-owned social media apps in general, according to Morning Consult. That's way up from the 29% who supported blocking TikTok in 2020 when then US President Trump took steps to ban TikTok and WeChat, another Chinese app. The moves were later blocked in court.

Jasmine Enberg:

Yeah, I would like to see a survey conducted only among adult TikTok users, people who use the app. And I'd like to see how those percentages compare.

Marcus Johnson:

Yeah, that's true. A lot of people are like, "TikTok, what is that? Ban it anyway." Jasmine, where will influences, users and advertisers go if TikTok does get banned in the US?

Jasmine Enberg:

Great question. I think the obvious answer is Instagram Reels and YouTube Shorts. I think that they will absorb a lot of TikTok time. There's plenty of research out there now that also shows that that's where users are planning on going.

One app that I've been thinking about with the potential impact is Snapchat. They do share a common core userbase, Gen Z primarily. But Snapchat of course isn't really used for short video. And as it stands right now, I don't see it being a huge beneficiary of time or ad dollars, or creators.

But I think that if it does expand its public-facing spaces, expands its creator programs, which it's doing right now, it might benefit in the future too. But I think in terms of creators, users, advertisers, Instagram Reels and YouTube Shorts are the obvious choices, as it stands.

Marcus Johnson:

Mm-hmm, so some places that they might move. However, a recent Record article noting no other social platform is quite as good as TikTok at turning a completely unknown personal brand into a global superstar, thanks to its emphasis on discovery versus keeping people up to date on users they already follow. So without TikTok, much more difficult for aspiring influencers to see the kind of overnight success others have enjoyed on the platform.

And then also Jasmine, last Monday, March 20th, Insider Intelligence Briefings Analyst Daniel Konstantinovic pointing out that advertisers haven't stopped spending on TikTok, saying CEO of Mover+Shakers Evan Horowitz told AdAge, "Clients haven't slowed spending and generally feel that things will be resolved." Daniel noted that advertisers' resistance to redirect spending in anticipation of major industry changes is unsurprising, the same thing happening with third party cookies, which will disappear in 2024.

Final question, Jasmine. A new report that you and your colleague, Debra Aho Williamson, who we're having on the show on Thursday to talk about the time we spend on TikTok. The both of you recently put out a report called How to Prepare for a Possible TikTok Ban: Things Marketers Should Do Now. Can you give us one of those things?

Jasmine Enberg:

Sure. I think I'll give you a couple, or a mashup of a few. And I think the first thing, and you alluded to that, is it's not time for any immediate action, and it sounds like most advertisers are already doing that. Basically, it's time to prepare, not to make any rash moves. But I think determining where your audience is, whether that's Instagram Reels, YouTube Shorts, some other platform, is key. And then nurturing those audiences on those other platforms is a great place to start.

Marcus Johnson:

Yep. That's what we've got time for, for the lead. Time now for the Halftime Report.

Jasmine, quick 10-second takeaway from you from the first half.

Jasmine Enberg:

I'd say that TikTok's fate in the US is on shakier ground than it ever has been before. I was saying prior to this hearing that it feels like déjà vu from the Trump-era potential ban. But the momentum around TikTok right now is just greater than it ever has been and the hearing probably didn't go as well as TikTok would've liked.

Marcus Johnson:

Mm-hmm. Yes, indeed. The report's called How to Prepare for a Possible TikTok Ban: Five Things Marketers Should Do Now. The link is in the show notes, of course, or pro subscribers can head to InsiderIntelligence.com.

All right, time now for the second half of the show. Today in other news, Facebook's parent, Meta, plans 10,000 job cuts. And Meta is exploring plans for a Twitter rival.

Story one. Facebook parent Meta plans 10,000 job cuts in second round of layoffs, writes Sam Schechner of The Wall Street Journal. As well as job cuts, Meta plans to cancel some projects, reduce hiring rates, as part of what they're calling the "Year of Efficiency". CEO Mark Zuckerberg said, "Meta must cope with the longer-term change in the economy marked by the end of low interest rates, growing geopolitical attentions and costly new regulations." But Jasmine, what does this say about the company as a whole?

Jasmine Enberg:

Mark Zuckerberg is making good on his promise. You brought up the "year of efficiency" and that's what he told investors 2023 would be. So, I think that is a really big part of it. They're not just becoming leaner, they're reprioritizing their business. They sunset some projects that probably weren't working or bringing in a lot of revenue.

At the same time though, there are a lot of really big issues, short-term issues that Meta needs to deal with right now, in terms of fixing its core ad business. There's also new threats like AI that it needs to work to turn into an opportunity so that it doesn't get left behind. And all of that is part of this, it's reprioritizing its business.

Marcus Johnson:

Yep, and it certainly needs to. Meta lost over 70% of its value last year, making it one of the worst performers in the S&P 500. Since changing its name to Meta and creating a bigger

group and talking a lot about the Metaverse in the fall of 2021, its stock went from \$380 to \$90. It has since rebounded to up over \$200.

Story two. Meta is exploring plans for a Twitter rival, notes the BBC. It will be a standalone text-based social network app that lets creators and public figures share timely updates about their interests. Convenient timing as a Twitter-esque app could help Meta take advantage of the current chaos at the Elon Musk-led company.

The BBC article explains the new app, codenamed P92, according to Moneycontrol, "will let users log in through their Instagram credentials. The app would be decentralized, so it cannot be run by a single entity, bought or sold." Jasmine, what are the chances Meta could pull this off?

Jasmine Enberg:

I think this could be the first real Twitter alternative to emerge if Meta actually goes down the route of developing it. That's not clear yet. Because it would be able to leverage the power of Instagram, because people can use their Instagram credentials to sign up for the platform. But it would also require that Meta can make a decentralized platform that is easy to use; most decentralized platforms right now are too difficult for mainstream users. And it has to also have strong privacy and security guardrails in order for it to be able to take off. But, we just talked about Meta reprioritizing its business, sunseting projects that are maybe unnecessary. Who knows where this is going to go?

Marcus Johnson:

There's definitely some potential Twitter users to grab hold of as they leave Twitter.

Jasmine Enberg:

For sure.

Marcus Johnson:

Our forecasting team expects Twitter to lose 15 million users worldwide this year and a further 18 million next year. Every other major social network is still growing. That's all we've got time for. Jasmine, thank you so much for hanging out today.

Jasmine Enberg:

Thank you, Marcus. Thanks, everyone.

Marcus Johnson:

And thanks of course to Victoria who edits the show, James who copyedits it, Stuart who runs the team. And thanks to everyone listening into the Behind the Numbers Daily, an eMarketer podcast made possible by Meltwater.

You can tune in tomorrow to hear about the most interesting parts of this year's Shoptalk conference in Vegas, as Insider Intelligence's Chief Content Officer, Zia Daniell Wigder, and VP of Content, Suzy Davidkhanian, join the Reimagining Retail show, and Sara Lebow, live from the floor.