

# 3 big ad stories from Meta's earnings report: Reels catches up to TikTok

Article

What were the three biggest ad-related takeaways from Meta's stellar Q2 2023 earnings report? Reels' revenues, AI ad products, and a return to ad growth in Europe.

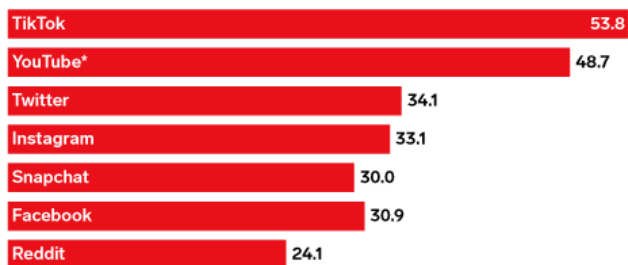
## 1. Reels has finally become a true TikTok competitor

More than three-quarters of Meta's advertisers now use Reels ads, and the annual revenue run rate for Reels now exceeds \$10 billion, up from \$3 billion last fall, per Meta. That brings Reels into much closer contention with TikTok, which we forecast will have \$13.16 billion in ad revenues worldwide this year, up from \$9.89 billion in 2022.

The big red flag for future monetization growth is that Meta continues to expect time on Reels to monetize at a lower rate than its Stories and Feed, since people tend to scroll more slowly through video content. Time spent is another factor: US adult Instagram users will spend 33.1 minutes per day on the app this year, well below the 53.8 minutes TikTok users spend, according to our forecast.

### Average Time Spent per Day by US Adult Users on Select Social Media Platforms, 2023

minutes



Note: ages 18+; internet users who use each social network via any device at least once per month; includes all time spent on social network platforms; includes usage via any device; \*YouTube includes all time spent watching video on YouTube via any device; includes YouTube TV

Source: Insider Intelligence | eMarketer, June 2023

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## 2. AI ad products are gaining traction

AI was a huge topic during the earnings call, particularly Advantage+, Meta's suite of AI-powered ad automation tools.

Meta is seeing strong adoption for Advantage+ in the ecommerce and retail verticals, and consumer packaged goods advertisers are also showing interest. After Advantage+ Shopping, the company plans to roll out other products under the Advantage+ umbrella. The feedback and results that it's seen from advertisers have been good, and Meta considers it a promising area worthy of continued investment.

Outside of Advantage+, Meta has also launched Lattice (which learns to predict an ad's performance across data sets and optimization goals) and AI Sandbox (where marketers can test generative AI-powered tools like automatic text variation, background generation, and image outcropping).

### **3. A Europe turnaround is helping ad revenue growth**

Ad revenues grew 14% in Europe in Q2 after falling 1% in Q1 2023 and 16% in Q4 2022. Europe was the second-fastest growing out of Meta's four world regions in Q2, behind the Rest of World region. If Meta continues to perform well in Europe in the second half of the year, it will buck the larger trend. We forecast that digital ad spending will rise just 4.5% in Western Europe and 4.9% in the UK this year.

The Europe turnaround came even though Facebook lost users in the region in Q2. Daily active users were flat at 307 million, and monthly active users fell to 409 million from 411 million, per Meta data.

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