


The Daily: Advertising and Media Trends for H2 2024—New types of bundling, Apple Intelligence's effect on apps, and more

Audio



On today's tiny "Shark Tank"-style podcast episode, our contestants pitch their most interesting predictions for the rest of 2024 including some new flavors of bundling we can expect to see, how Apple's AI offering will impact the app ecosystem, and more. Tune in to the discussion with vice president of content Paul Verna and analyst Yory Wurmser.

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Episode Transcript:

Paul Verna (00:00):

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Marcus Johnson (00:23):

Hey, gang. It's Monday, July 8th, Paul, Yory, and listeners, welcome to the Behind the Numbers Daily, an EMARKETER podcast. I'm Marcus. Today I'm joined by two gents. Both of them cover advertising, media, and technology for us. One of them is based in New Jersey. He is our Principal Analyst called Yory Wurmser.

Yory Wurmser (00:41):

Hey, Marcus. How are you?

Marcus Johnson (00:42):

Hey, fella. Very good. How are we doing?

Yory Wurmser (00:44):

I'm doing great.

Marcus Johnson (00:45):

Very nice. We're also joined by one of our Vice Presidents of Content, covers the same stuff as I said. He lives just north of New York City. It's, of course, Paul Verna.

Paul Verna (00:54):

Great to be here.

Marcus Johnson (00:55):

Hey, Chap. So gents, today is fact, which animal sleeps the least and the most?

Yory Wurmser (01:02):

Most? I'm going with cat.

Marcus Johnson (01:04):

On a per animal basis, cat is probably a good guess. I don't know where they rank, but I'll give you the least first. Discover Magazine says the African elephants sleep only two hours per day.

Yory Wurmser (01:16):

Wow.

Paul Verna (01:17):

Eureka.

Marcus Johnson (01:17):

I'm not a doctor, but I don't think that's enough.

Paul Verna (01:20):

It's not enough, yeah.

Marcus Johnson (01:21):

Okay. I thought so. The most, the koala bear. They sleep between 20-22 hours per day according to BBC Science Focus. Lazy.

Paul Verna (01:35):

Yeah.

Marcus Johnson (01:35):

My sister.

Paul Verna (01:35):

Where do sloths come in in the ranking?

Marcus Johnson (01:37):

They're second. No, they're second. And then, the brown bat is third.

Paul Verna (01:41):

Okay.

Marcus Johnson (01:42):

Sloth is about 20 hours, pretty much neck and neck with the brown bat.

Yory Wurmser (01:46):

Koalas, they're still kind of grumpy creatures.

Marcus Johnson (01:48):

I know. It's something I said, my sister would give them a run for their money. She's also miserable. That's right, Nicole. I said it. She has no idea I host a podcast, so I will tell her my feelings in person. Kidding. I love you, sis. Anyway, today's real topic and media predictions for the rest of the year.

(02:12):

In today's episode, first in the lead, we'll cover some predictions known on the news. So how does this episode work? Well, Yory and Paul will have 60 seconds to pitch two predictions each that they expect to happen before the end of the year. Yuri goes first, then me and Paul and folks listening will decide if we are going to "invest" in his prediction, invest meaning do we believe in it? Then we move to the next contestant and repeat. As I said, both Yory and Paul have two predictions for us. Let's do it. Yory is up first. Yory, 60 seconds on the clock. What's your first prediction?

Yory Wurmser (02:50):

First prediction is that Apple Intelligence, when it comes online, is going to shake up the app ecosystem.

Marcus Johnson (02:57):

So for folks who haven't read yet, Apple Intelligence, so it's Apple's AI offering, aims to help users navigate Apple devices more easily using generative AI to do things like summarize messages, instantly write replies to emails in your writing style, things like that. Basically, taking everything your phone knows about you from your messages, your calendar, your maps, and then it kind of surfaces the right information at the right moment, maybe even taking action on your behalf if you let it. It also, Yory, Siri is going to be helped by ChatGPT for, oh, if it can't answer their question, it will turn to that technology to try and help. And Apple Intelligence arrives later this year.

Yory Wurmser (03:32):

This is going to have the effect of people going into their phones and asking specific questions and getting answers without having to go into specific apps. And the effect that's going to have is it's going to make winners in app categories more so than today. People will ask, "Okay, order me an Uber" or "Tell me the TripAdvisor rating on something" and that will

create winners and losers. And you're going to start seeing a little bit of that already at the end of 2024.

Marcus Johnson (04:00):

Mm-hmm. So do you have a sense of who they're going to be?

Yory Wurmser (04:03):

I think the category leaders that are leading right now are going to have the brand identity that the exploration is going to be reduced and those leaders will get strengthened as even stronger leaders.

Marcus Johnson (04:14):

Mm-hmm. Surprised we haven't seen more pushback from the developer community, app developers?

Yory Wurmser (04:19):

I don't know if they have much choice. Apple's giving them tools as well to plug into Apple Intelligence.

Marcus Johnson (04:19):

Yeah.

Yory Wurmser (04:24):

So I think you're going to see a lot of those developers take advantage of that and try to be some of the winners out there and to try to supercharge their apps. But yeah, I think it's going to be pretty disruptive.

Marcus Johnson (04:37):

Because this is going to need to pull from existing apps, right? It's not even going to help with app discovery. It's not going to say, "Oh, you want to try and do this. You don't have this app. If you did, you'd be able to." So it's not like... The counter argument would be, "Well, it's going to make you engage with your phone more, so maybe you'll end up spending more time with your device, which means you'll spend more time with the apps even though it will pull some

information up to the surface." Is that a fair argument or is this kind of a lose/lose for app developers?

Yory Wurmser (05:08):

Well, I don't think it's lose/lose, but I think it does make app discovery more difficult. So if you have a new app, I think it'll be harder to break through unless the category is relatively new and it doesn't plug into Apple Intelligence very easily.

Marcus Johnson (05:19):

Yeah.

Yory Wurmser (05:20):

But I think for existing categories, sort of already fairly mature categories, it will make discovery harder.

Marcus Johnson (05:26):

Yeah. I'm in. I do think this is going to upend the app ecosystem. The predictions were it was supposed to be by the end of this year. I don't know if it happens that soon. Now Apple Intelligence is going to be rolled out in a new set of devices. And the new iOS 18 I believe, Yory, comes out in September?

Yory Wurmser (05:43):

That's right, yep.

Marcus Johnson (05:44):

So it could. We saw how big an effect previous updates to its iOS have had on certain players. So it could happen very quickly, but I'm going to invest. I'll go half a point. Susie made up the half a point investment which kind of ruined things.

Paul Verna (06:02):

Well, if we're going fractions, I'll go a quarter of a point.

Marcus Johnson (06:05):

Oh, my goodness. Why'd you take us there? All right.

Yory Wurmser (06:08):

And I do want to give a hat that I've seen a few others make a similar prediction, including Eric Seufert, so I just want to acknowledge that, that I'm not alone in thinking this, but we'll all see if we were right.

Marcus Johnson (06:19):

We'll cut that out and just make sure that everyone knows it's just you. Paul, so you get... No, Paul doesn't get to do. We're both giving you a half an investment point, so you get a full investment point, one out of two.

Paul Verna (06:19):

I said a quarter. I said a quarter.

Marcus Johnson (06:33):

Yeah, you're not allowed. Oh, sorry. Yeah, you're not allowed to do that. That is against the rules.

Paul Verna (06:36):

Okay.

Marcus Johnson (06:36):

So half was too much when Susie did it. So Paul, I'm going to push you for a half a point. I'll go half a point. It's a full point for Yory out of a potential two. Paul, your first prediction.

Paul Verna (06:49):

My first prediction is that we are going to see a lot more bundling among not just streaming services but network groups. And the bundling, I see bundling is coming in three flavors. One is a company like Disney bundling-

Marcus Johnson (07:05):

Strawberry.

Paul Verna (07:05):

Yeah, strawberry, bundling some of its services. So what has been called the Disney bundle. Marcus, you can call it the strawberry bundle. Whatever you want to call it, it's basically bringing your own services into a plan that allows for some kind of savings or some user experience, and a consolidated app.

Marcus Johnson (07:26):

The in-house bundle.

Paul Verna (07:27):

Yeah.

Marcus Johnson (07:27):

Okay.

Paul Verna (07:27):

Second one is one that we're seeing more and more of, and that is competing streaming services banding together. And the third one is doing this across both traditional and digital media and among rivals as well. So this is happening more and more. So we saw this from Netflix, Apple TV+ and Peacock, the StreamSaver bundle and their other rivals are also getting together. Then there's the Venu Sports bundle, which for a long time we didn't have a name, now we have a name for it. So that is Disney, Warner Bros, Discovery, and Fox.

(08:04):

One of the things that's driving this is this idea that 200 is the new 100. And by that I mean that the conventional wisdom was that a streaming service, to work as a standalone business, needed at least 100 million subscribers. And now, in this great article in The New York Times that interviewed some industry elders like Brian Roberts of Comcast, John Malone, Barry Diller. So their idea now is that you need about 200 million subscribers. So the only way you get that kind of scale is to band together, even if it means-

Marcus Johnson (08:36):

To become a mainstay in streaming.

Paul Verna (08:39):

Yeah. Yeah.

Marcus Johnson (08:39):

Okay.

Paul Verna (08:39):

So that means some strange bedfellows. And so, we're going to see that, but we're also seeing FuboTV, the streaming service just announced an alliance with NBCUniversal around the Olympics coverage. I think we're seeing more cable providers basically get in bed with streaming services because it really helps both businesses. So in other words, these alliances are going across media types and across competitive battle lines.

Marcus Johnson (09:10):

Yeah.

Paul Verna (09:10):

So yeah, I think we're going to see more and more of that.

Marcus Johnson (09:12):

That StreamSavers from Xfinity, it's about \$35 a month, Netflix, Apple TV+, and Peacock. Verizon was offering Netflix and Max without ads, a bundle there. You mentioned Venu Sports, there's a bundle there. My question would be, Paul, which flavor of bundle do you see growing the most, let's say in the next six to nine months?

Paul Verna (09:32):

I don't really see one taking precedence over another.

Marcus Johnson (09:32):

Okay.

Paul Verna (09:36):

I think there's a reason why they're all happening. The sports one is driven by just so much of the interest around sports, but also the fact that as a sports fan, it's very hard to get access to anything without subscribing to multiple services. And I think when it comes to entertainment

content, it's a matter of scale. And when it comes to going across traditional media, that is really a way for a lot of these companies that are very invested in the cable ecosystem to keep that alive, to prop it up.

Marcus Johnson (10:09):

Yeah.

Paul Verna (10:10):

So I think there are business reasons why they're all happening, and I don't necessarily see one as emerging as the "winner."

Marcus Johnson (10:17):

Right. But in terms of in-house versus competitor versus cross-channel being more traditional.

Paul Verna (10:24):

Yeah. I think the in-house ones, they're always going to be there.

Marcus Johnson (10:27):

Yeah.

Paul Verna (10:27):

That's just logical.

Marcus Johnson (10:30):

It says that.

Paul Verna (10:30):

Yeah. I guess I would have to say the streaming services getting together, that's the most intriguing one to me because that's something we haven't seen until now, competitors really just recognizing that they need each other.

Marcus Johnson (10:45):

Yeah.

Paul Verna (10:45):

I think some of these traditional media and digital media, like Comcast has offered Netflix to some of its customers for many years now.

Marcus Johnson (10:53):

Well the other thing, you mentioned 200 being the new 100. The other part of this is if you look at Nielsen's gauge in terms of where people spend their time when they're watching TV, if you take these services individually, outside of YouTube, we're not talking about, but Netflix, which has 8% of the share of time people spend watching TV. Prime video is about half that with 3%, and Hulu as well. But then, you're getting down to the 1% or 2% really quickly with Disney+, Tubi, Peacock, Max, et cetera. And so, by bundling these, the Netflix, Peacock, Apple TV+ bundle, the StreamSaver one, that's 9%. If you add those services together, that's 9% of the time people spend watching TV. Another bundle from Hulu, Disney+, and Max, which we've not mentioned yet, that would be about 7% of all the time people spent watching television. So when you add these things up, they are starting to get to a very large portion of the time people spend watching TV, which again, of course is going to make them even stickier. Yory, what do you think of this prediction?

Yory Wurmser (11:51):

It makes a lot of sense to me. My big question for Paul is do you think consumers will react to the bundling as the streaming services expect them to? That is, they've hit a bit of subscription fatigue. This is I think an effort to overcome that. Do you see the business argument panning out for these companies?

Paul Verna (12:09):

I think there are two narratives here as far as the consumer goes. One is the narrative that the streaming services are offering more choice and consolidating some of the experience, which right now is extremely fragmented, especially around sports. The other argument is that this is just back to the cable situation that everybody hated. People specifically are subscribing to streaming services because they don't want to pay a big monthly fee for something they're not watching. So I think this gets people back to that mindset. So how it ultimately plays out is going to have a lot to do with price points, with marketing, with making intelligent choices of what content to offer by these streaming services.

Marcus Johnson (12:59):

Yeah. The price point is going to be important, because the inflationary pressures are forcing folks to cut back on streaming services. Inflation has been about 3-4% for the past year, down from the highs of like 9% in the summer of 2022, but higher than the previous two decades where America enjoyed about 2% inflation. So it's still a concern for folks. And there was some research I found from KPMG asking folks, American adults, what they're going to do with their streaming services because of budget constraints. And number one was canceling one streaming service to reduce their monthly spend. That's versus doing things like canceling because the price promo ran out or downsizing, basically going for a lower priced tier with ads as a way to also save money. All right, Yory, are you in or out?

Yory Wurmser (13:48):

I'm in. I think it's a pretty solid prediction.

Marcus Johnson (13:51):

I'm in, too. So that's two investment points total. Yory, back to you for your second prediction.

Yory Wurmser (13:59):

I'm going to edit a variant of an evergreen prediction and that brand dollars are going to flood into gaming. So that's something I've predicted for a while. And it has happened incrementally over the last few years, but I think specifically my prediction is that Roblox's ad platform, which has been pretty successful so far, is going to usher in a big effort by a lot of game developers to create their own game platforms specifically geared towards brand advertisers. That will entail more standardized ad formats, easier tools, better tracking. You've already seen that from Ubisoft, some stuff from Epic. I think this is going to be a fairly common move by most big game developers.

Marcus Johnson (14:42):

Mm-hmm. How likely is this though, given that Roblox... Roblox, they have 88 million folks who play, who are on Roblox every day. That's pretty significant scale for a game. Paul was just talking about the 200 being the new 100. Do you think game developers are going to have to have that kind of scale before they're able to attract those ad dollars, those brand dollars in particular?

Yory Wurmser (15:04):

Well, gaming has huge scale. Scale has never really been the problem. It's been more the formats, the fact that gamers while they're playing don't like interruptions. So there's been a combination of new ad formats like immersive ads, intrinsic ads where they're in the background or sort of built into the gameplay, and now you're having some ad formats that have clear tradeoffs and sort of play into... Roblox is a perfect example, where the world is kind of enhanced with these background portals into ads. So I think we're into brands. So I think the scale is there. It's just a matter that the formats, the measurement hasn't been, and I think that's what this'll introduce.

Marcus Johnson (15:44):

Paul.

Paul Verna (15:45):

Yeah. I'm fully in with this one, no fractional points here. I think-

Yory Wurmser (15:50):

Finally.

Paul Verna (15:52):

... there's a lot to be said for how important gaming has been and will continue to be to marketers, and I think that's just going to grow. But I think so many entertainment companies that are not gaming focused are trying to be, and for good reason. This is a way to reach an audience that is hard to reach through other media. And back to the point about streaming being so fragmented, I think when you can tap into that massive interest around so many games, and I think Roblox has done that very well, you can really unlock a lot of opportunities. So yeah, I would definitely invest in this one.

Marcus Johnson (16:31):

Mm-hmm. You mentioned growing space. I went and looked at some of our forecasting numbers. In-game advertising, a \$9 billion space this year growing to \$12 billion in a few years' time. That doesn't sound like a lot in the grand scheme of advertising, but that's good enough for 2.3% of all ad spending in the whole US. That doesn't sound like a lot at all, but it's more than print. It's the same amount that advertisers spend on out-of-home ads, and it's a shade behind the amount of ad dollars being spent on radio.

Yory Wurmser (17:03):

That's true. And the other thing is that most of those dollars are going for game-to-game ads, so ads for other games. And I think what this will do is bring in more brand dollars.

Marcus Johnson (17:12):

Great point. Yeah, great point. I'm in. I thought this was going to be more controversial, at least I was. But we're just in on all of them because they're spectacular, is what they are. Paul, your final prediction. What have you got for us?

Paul Verna (17:29):

My final prediction is a little bit more straightforward than my previous one, and that is simply that Apple TV is going to launch a bona fide ad tier as part of Apple TV+. And they've been really the only holdout among major services, so I think it's inevitable that Apple do something similar, especially as they become more similar to some of their competitors in the sense of having quite a lot of sports content and a lot of entertainment content. And they're trying to play in the big leagues.

Marcus Johnson (18:04):

Why have they been holding out? Why are they one of the last major streaming services to get into the ad game?

Paul Verna (18:10):

Well, to borrow from their very old slogan, they always like to think different or think they think different. Yeah, they've been famously a very consumer-centric and privacy-centric company, at least in terms of how they position themselves. So advertising is never the first thing that they want to promote, unlike companies like Google or Meta and even Amazon now, which makes tens of billions of dollars just from advertising a year. I think Apple has always gone a little bit more reluctantly into that realm, which is similar to what Netflix did for a very long time before they basically realized that they didn't have much of a choice. And I think Apple is going to confront that same kind of tipping point. And some of it comes back down to this 200 is the new 100, where if you don't have the scale, then you can plug in some of the revenue gaps through advertising. And even if you do have the scale, that argues for having a wider range of choices than just a subscription for an ad-free product.

Marcus Johnson (19:19):

Yeah. Yuri, what do you think?

Yory Wurmser (19:21):

Since there were rumors of Apple building a DSP already a few years ago, I have been kind of expecting this, so I want to invest. My hesitation is around just their antitrust dangers, just the fact that does building an ad product take away or weaken their antitrust position? In media, in Apple TV, I think the argument is pretty weak for that. But I'm just curious if that contributes to the delay, and whether that might push it even further down the line.

Marcus Johnson (19:50):

Yeah.

Paul Verna (19:51):

Yeah. They already have an ad product. I think what they haven't done is offer it as a consumer-facing choice. But they're already selling ads against a lot of this content, especially on sports, which everybody sells ads against sports. So I think yeah, the rumors of the DSP, you're right, have been swirling for quite a long time now. But yeah, I think regulatory scrutiny is always... Apple is always looking over their shoulders for what regulators are saying and thinking and what actions they might take. So we don't know what the timeline is going to be or whether that scrutiny or the fear of scrutiny would slow down this kind of operation or launching this kind of business. But I think it's in the cards just as it has been for some of their competitors who are also under some amount of scrutiny themselves.

Marcus Johnson (20:45):

Yeah. I think it happens. I'm just trying to figure out if I think it happens within the next six months, so I'm going to go half a point. Yory?

Yory Wurmser (20:54):

Yeah, that's about where I feel. I think it's almost definite they're going to do it.

Marcus Johnson (20:54):

Yeah.

Yory Wurmser (20:58):

I just don't know if it'll be in the next six months.

Marcus Johnson (21:00):

Yeah. Okay. All right. Maybe I am glad that Susie invented the half a point. It helps me be non-committal. All right, very good. That's all the predictions we've got for you today. We basically said we are going to invest in everything, so that must have meant there were good predictions or we're pushovers, one of the two. Anyway, thank you so much to my guests. Thank you to Yory.

Yory Wurmser (21:21):

Always great to be here.

Marcus Johnson (21:22):

Yes, sir. Thank you to Paul.

Yory Wurmser (21:23):

Hey, great to be here as well.

Marcus Johnson (21:25):

Thanks to Victoria who edits the show, Stuart who runs the team, and Sophie does our social media. Thanks to everyone for listening in. We hope to see you tomorrow for some more predictions on the Behind the Numbers Daily, an EMARKETER podcast.