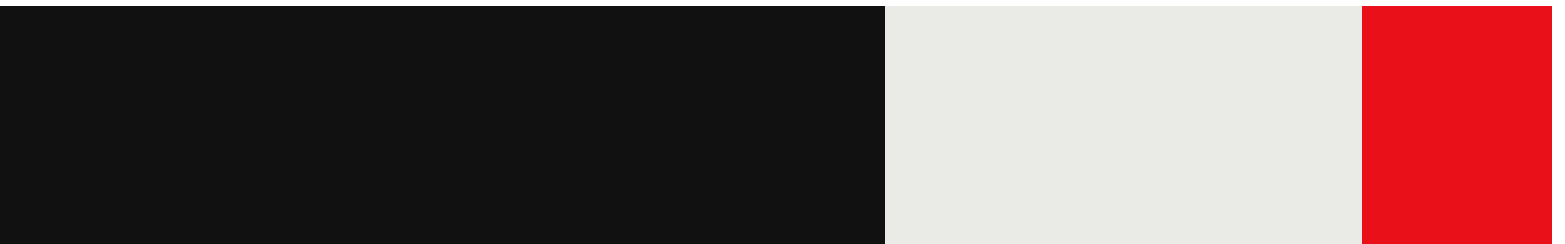


The Daily: Why is no one talking about Apple vs. Amazon, TikTok's advertisers, and brands' environmental claims

Audio



On today's episode, we discuss why Apple and Amazon will be the two most consequential advertising companies for the rest of the decade, the ceiling on their streaming ambitions, and how their tech and health investments stack up. "In Other News," we talk about whether TikTok has been able to reassure advertisers after its recent government hearing and the Federal Trade Commission outlining how companies should communicate their environmental claims. Tune in to the discussion with our director of Briefings Jeremy Goldman.

Subscribe to the "Behind the Numbers" podcast on [Apple Podcasts](#), [Spotify](#), [Pandora](#), [Stitcher](#), Podbean or wherever you listen to podcasts. [Follow us on Instagram](#)

Cint is a global insights company. Our media measurement solutions help advertisers, publishers, platforms, and media agencies measure the impact of cross-platform ad campaigns by leveraging our platform's global reach. Cint's attitudinal measurement product, Lucid Impact Measurement, has measured over 3000 campaigns and 480 billion impressions globally.



Episode Transcript:

Marcus Johnson:

Hey, gang. It's Tuesday, April 4th. Jeremy and listeners, welcome to the Behind the Numbers Daily, an eMarketer podcast made possible by Cint. I'm Marcus. Today, I'm joined by our

senior director of briefings based out of New York. It's Jeremy Goldman.

Jeremy Goldman:

Happy Tuesday. How are you doing?

Marcus Johnson:

Hey, chap. Very good, sir. How are you?

Jeremy Goldman:

Eight and a half out of 10.

Marcus Johnson:

Ah, not bad. Eight and a half. How specific.

So today's fact. Where did karaoke come from? So a lot of folks might know that it came from Japan. The word karaoke comes from Japanese. It's made up in two parts, apparently. kara, which means empty, and then oke, which means soul. I'm kidding. It doesn't mean soul. That's what it feels when you do karaoke. But if the second part, oke, means orchestra. So an empty orchestra. The first karaoke machine was invented in 1971 by Daisuke Inoue, by a Japanese musician who was looking for a way to allow people to sing along with pre-recorded music.

I hate karaoke. I feel like Victoria's going to be upset with me on this. I feel like she likes karaoke. I don't know why. We never talk-

Victoria:

I live for karaoke.

Marcus Johnson:

There we are. I knew it. I just knew it. Jeremy, break the tie.

Jeremy Goldman:

I had an ex-girlfriend named Cara who was empty inside, so-

Marcus Johnson:

Oh.

Jeremy Goldman:

... maybe that biased me, but that's interesting. I didn't know that kara meant empty.

Victoria:

Wow.

Jeremy Goldman:

It explains a lot.

Marcus Johnson:

This got real. How do you feel about karaoke the activity?

Jeremy Goldman:

The activity? Well, with a voice like this, are you kidding? I-

Marcus Johnson:

Of course you love it.

Jeremy Goldman:

I just watch everybody else embarrass themselves when they post it to TikTok, so I like it.

Marcus Johnson:

You like it? Oh, no. Moving on. It's truly awful. I hate it so much.

There's so many facts about karaoke though. Here's one for you. The biggest ever karaoke party happened in Tennessee. August 2009, the Guinness World Record in Bristol, Tennessee, the record for the largest ever karaoke, and it was 160,000 people, 160,000, 160,000 people all singing Friends in Low Places by Garth Brooks at Bristol Motor Speedway, probably led by our very own Victoria who edits the podcast. Anyway, today's real topic, Apple versus Amazon and why nobody's really talking about it.

In today's episode, first in the lead, we'll cover the burgeoning battle between Apple and Amazon. Then for In Other News, we'll discuss TikTok trying to reassure advertisers after

taking fire at the recent congressional hearing. And also, we'll cover the new FTC guidance on companies making different environmental claims.

But we start, Jeremy, of course with the lead. Apple versus Amazon. You recently sent me a Slack saying a lot of people are talking about Meta versus Google or Meta versus TikTok, but increasingly one to watch is Apple versus Amazon. You then explained a few reasons why, and we're going to take those in turn and talk about them on the show today.

So the first of the three was you saying both are moving more into advertising. You then cite one of our principal analysts, Andrew Lipsman, as saying that he believes that Apple could be one of the two most consequential ad companies, I think he is suggesting Amazon is the second, for the rest of the decade. Apple being one of the two most consequential ad companies for the rest of the decade, particularly in the US. How come?

Jeremy Goldman:

Yeah, I mean... And you're right. It is Amazon and Apple, and Amazon is further ahead. So that's less of a bold prediction.

Marcus Johnson:

Mm-hmm, mm-hmm.

Jeremy Goldman:

But there is a number of different reasons for that. One of the things is that starting with the iOS 14.5 update for Apple and the implementation of their ATT, app tracking transparency changes, which is already a while ago, they shrewdly kneecapped their competition.

Marcus Johnson:

Yes.

Jeremy Goldman:

And-

Marcus Johnson:

You can get ahead not necessarily by doing something that pushes you forward, but by bringing your competitors back.

Jeremy Goldman:

Exactly, and it bought them time to do a lot of things that could... Basically starting to create a little bit more of a market for themselves. First, Meta had a pretty big mobile app install business. It still does, but Apple was able to create some app store ads and create some sizable new revenue streams for them just by limiting the amount of data that their competitors had.

Marcus Johnson:

Mm-hmm. Tell me a bit about your piece titled Gen Z loves Apple, which should help the tech giant expand its ad business. What do you mean by this? How is this younger generation going to help Apple in the ad space?

Jeremy Goldman:

Well, I mean in essence, especially in the US, Apple has a really strong hold on Gen Z. About 34% of all iPhone owners belong to that age group, only 10% for Samsung. Apple among Gen Z is... It's one of their top 20 favorite brands. Samsung is not one of them. And this is really important because Gen Z, roughly speaking, has a little bit less money to spend right now because inflation is out of control in the US over the last, let's say, 18 months.

Marcus Johnson:

Right.

Jeremy Goldman:

And iPhones cost a lot more. And despite that, there's been actually a lot of brand loyalty there. And when you compare this with older generations who have a more even split between Android and iOS, what that means is that Apple is collecting information with a group of people that are essentially more coveted by advertisers, right?

Marcus Johnson:

Mm-hmm, mm-hmm.

Jeremy Goldman:

You want to overindex for people that are essentially more valuable, for lack of a better term.

Marcus Johnson:

Yeah. That number you mentioned in terms of Apple's hold on Gen Z is staggering. You were saying 34% of people who have an iPhone are Gen Z people. And put another way, you have another data point in there. S&P Global Market Intelligence suggesting that 83% of young Gen Z people have an iPhone, 83% versus 10% who have a Samsung smartphone. So that's a trend that's not going to play well in favor of Samsung in terms of moving into those later years, especially as Gen Z does start to get its spending power. We expect Apple to make just over \$5 billion in US ad revenue this year, placing it in eighth place just behind TikTok. But when you look at growth, it's the fifth fastest-growing US digital ad player. 26% growth this year.

We're talking about Apple versus Amazon, Jeremy. Amazon's advertising business made \$38 billion last year. However Q4, which grew at 19%, did grow slower than last Q4 at 32. So it's gone from 32, slowed down to 19 in terms of Q4 on Q4. But Jeremy, where does Amazon's ad business stand, in your opinion, after this recent slowdown in ad spend revenue?

Jeremy Goldman:

So Amazon is interesting in the sense that while they're a very diversified company, their retail media, which is really what we call most of their advertising, their retail media can suffer if their e-commerce sales suffer because they're very, very closely correlated. And I think the other challenge that Amazon has is it is so big it's laying off... I think they announced about 9,000 or so more employees, and that's going to impact their advertising department. It's going to impact other places that they monetize like Twitch. But I think that that could be a potential disruption in terms of their ability to maintain continuity with some of the things that they've been building there. But a lot of it really is built. They're just essentially pulling back on future growth here.

Marcus Johnson:

Right. And so, I mean, you noted that their businesses are linked. And a big part of that business, I think it's 40 to 45% of their business is that online sales portion. And that has seen negative year-on-year growth for four of the last five quarters, not negative in terms of they're making minus money, but in terms of they saw better growth the year before and it's lower this year. Four of the last five quarters on that line item, online store sales, it's not been

doing so good. It's been negative. So that definitely having a knock on effect in terms of advertising.

7% of Amazon's total revenue, though, Jeremy now comes from advertising and growing. Slowly but surely, 7% of Amazon's total money coming from advertising. We estimate Amazon's ad business will grow 19% this year, which would give it 12% slice of the US digital ad pie behind, of course, Google and Facebook. But closing in and slowly but surely.

Jeremy, you also talk about Apple versus Amazon in the context of both are trying to conquer the box office to power their streaming ambitions. So this is the second way that you see these two going up against each other. Is it working? Are their streaming initiatives working, in your opinion, and what's the ceiling on their streaming ambitions?

Jeremy Goldman:

So remains to be seen for Apple, but that's a very interesting one to watch. They are reporting... We actually were covering this in one of our briefings recently that they're planning to allocate a billion dollars annually towards producing movies for theatrical releases, and really signals that what they're trying to do is not necessarily make that much money at the box office per se, but it's not a loss leader. You want to make money there, but you're really doing it because you want to grow Apple TV+.

And if you look at how well Apple TV+ is doing in relation to all of Apple, I don't want to call it pitiful, but it's just a very small bit of what they do. And obviously, they think that they can make it a lot bigger if they move past a random one-off hit like Ted Lasso or their Best Picture win for a CODA. They want to move past that and create a whole lot of other big wins. And then Amazon, by the way, you can't forget that Amazon completed its acquisition of MGM, rebranded the Epix streaming service as MGM+ with the focus on providing legacy content from MGM, and they've got a lot of IP in MGM.

Marcus Johnson:

Yes.

Jeremy Goldman:

And they're going to spend-

Marcus Johnson:

Absolutely.

Jeremy Goldman:

... a billion dollars annually, so they're basically... They're both matching each other dollar for dollar in this regard.

Marcus Johnson:

That piece on Apple, let's go back for a second, it's staggering. So people talk a lot about Ted Lasso, but you note that it... Obviously Apple TV+'s top original show, but then you go on to say its third premiere reaching nearly 1 million US households within four days. So is that... That's season three, right?

Jeremy Goldman:

Yeah.

Marcus Johnson:

Okay. This went up from 60% from season two, according to Samba TV, but reaching nearly 1 million US households in four days in terms of its third season premiere. So they're not tiny numbers. It's having a quiet movement, so to speak. I mean, it's similar to when you've got a player in basketball who gets you 25 points, but it's a quiet 25. And it seems like all of a sudden, they've got... You mentioned they've got the MLS deal. You mentioned that they're going after Premier League soccer rights. The \$1 billion you talked about to put into films. They are slowly but surely becoming a... Maybe they're not the top tier. If you look at some of the different... I think this is in another one of your articles. You had some research at the bottom in terms of leading streaming video services that people used. Netflix, Hulu, YouTube, Amazon Prime Video, your tier ones, Disney+. Then you've got your HBO Max, your Roku, your tier twos. Apple TV+ is right there with them, right behind those two.

Jeremy Goldman:

Yes, although I would say if you score 25 points and then I look at the box score and I saw that you took 37 shots to get there, then I would say actually-

Marcus Johnson:

It wasn't an efficient 25.

Jeremy Goldman:

The context is not great, right?

Marcus Johnson:

That's true.

Jeremy Goldman:

So if you-

Marcus Johnson:

That's true.

Jeremy Goldman:

If you say you reached 870,000 US households within four days, but you've got 2 billion active devices for Apple, give or take, then you're thinking-

Marcus Johnson:

That's great a great point.

Jeremy Goldman:

Well, then you had a lot of attempts at bat, or shots, so presumably you can land a few more of them.

Marcus Johnson:

Yeah, that's a good point. Quietly, Apple TV+ has gotten up to 42 million viewers, our forecasting crew thinks. That's 12% of the population. Not growing incredibly fast anymore, but it is still ticking up. Amazon, however, has four times as many Prime Video viewers at nearly 160 million and still growing. Nearly half of Americans are Prime Video viewers. Netflix, for comparison, has 170. So Netflix, 170. Prime Video, 160. This is in the US, of course. And then 42 million for Apple TV+. That's higher than I would've guessed, Jeremy. I mean, nowhere near some of their competitors, but still I thought pretty impressive, all things considered.

Jeremy Goldman:

Yeah, and the one thing to add to that, that you got to keep in mind is that Prime Video had been around for a while. Also bundled with Prime, which is a subscription service that is incredibly famous, versus Apple has a lot of subscriptions as well, but they're far less well-known and make up a smaller portion of Apple's revenue, even though it's climbing every year.

Marcus Johnson:

Yeah, Prime is incredibly sticky. Let's move to a third part of this battle between Apple and Amazon. Both companies competing more frequently in the consumer tech area, you were noting, and to a lesser extent, but still to an extent in health. Let's start with tech. Lay out for me where you see the majority of the investment, the bets being placed, the attention being focused when it comes to these companies.

Jeremy Goldman:

Yeah, I think that Apple has a much simpler organizing principle here, which is what is Apple at its core? It's hardware and the software that supports that, and then the content that supports that. So that's really where the investments are going to go as a technology company in terms of the tech stack and where they're looking to invest.

And then when it comes to Amazon, it's very different. The organizing principle is almost the everything store. Everything is all integrated together, and there's going to be a bunch of things that you might not think go together, but they all plug into your life. And it's a little bit messier, and that's just the way that Amazon's always run and it's worked pretty well. So as a result, you're going to see them investing in a number of different disparate areas. And I think that health is an area... a perfect example of how both companies are approaching those tech investments in very different ways.

When it comes to health, for instance, Apple's released a lot of new health and safety features that are embedded on their latest devices like the Apple Watch Series 8 and SE and iPhone 14 to target new and current users. And again, it's very much embedded within the existing hardware that they're offering people as a value-add and to make their products more sticky. Versus if you look at Amazon, well they just completed a major acquisition of One Medical, a primary care provider with a network of clinics all across the US. And I think our digital health team can much better speak to that, but ultimately that is a perfect example of how Amazon is thinking about integrating all different types of services and products that you need to live your life.

Marcus Johnson:

Yeah. Well, that's all we've got time for the lead. Time, of course, now for the halftime report.

So, Jeremy, this is, of course, normally the takeaway section of the episode, but I want to instead of ask you what you mean by Apple versus Amazon. We've been talking about that all episode so far, but when you think about it, is it that you see those two as being the most dominant pretty soon? Is it you see those two fighting for third place in terms of digital advertising or in terms of streaming? How do you look at that matchup? Apple versus Amazon, what does that mean to you?

Jeremy Goldman:

What it means to me is that these are two different companies that are increasingly competing, particularly within media and streaming and advertising. And nobody is paying that much attention to the fact that this is like a duopoly in a very different way to Meta and Google, which everybody's talking about.

Marcus Johnson:

Yep. That's all we've got time for, for the first half. It's time, of course, for the second, today in other news. TikTok tries to reassure advertisers over its ban threat, and the FTC is updating its guidance on how companies make environmental claims.

Story one, TikTok tries to reassure advertisers over ban threat as some set backup plans, writes Patience Haggin and Suzanne Vranica of the Wall Street Journal. The US government has national security concerns about TikTok and its ties to China, demanding its Chinese parent ByteDance sell its stake in TikTok or face a possible ban. America is worried about the app's Chinese owners collecting data on US users and potentially influencing the contents, the article reminds us. But Jeremy, the most interesting sentence in this article is what and why.

Jeremy Goldman:

So it's a quote.

Marcus Johnson:

Okay.

Jeremy Goldman:

And I like the quote "Brands can't have any gaps in performance, so they're looking at where they can replicate the performance they're getting from TikTok if the app is banned." That's from Diana DiGuido, the chief client officer at Tiviti. And I think it's really interesting because there are a lot of different people who are looking at Reels from Instagram, they're looking at YouTube Shorts to try to see where their spend can be moved over to if need be.

Marcus Johnson:

Mm-hmm. Yeah. In terms of that spend, we expect TikTok to have 2.5% of the US digital ad market. 2.5% share of the US digital ad market this year. That's good enough for nearly \$7 billion, nearly three times as much as Snapchat or Twitter will make individually, nearly as much as YouTube, in fact, placing it in seventh place in terms of the US digital ad market leaders.

Story two, the Federal Trade Commission, or FTC, is updating guidance on environmental claims, writes Kathryn Lundstrom of Adweek. It's been a decade since the last update. The FTC was supposed to issue new guidance last year, but extended its period for public comment through this spring. The Adweek article notes they are expected sometime over the coming months. The updated guidelines aim to better outline how companies should communicate their environmental commitments and progress to folks. But Jeremy, the most interesting sentence in this article is what and why.

Jeremy Goldman:

So again, another quote. I wanted to be equal here. "For anyone making an advertising claim, greenwashing or not, you better be doing what you say you're doing."

Marcus Johnson:

Mm-hmm.

Jeremy Goldman:

That is from Alison Pepper, the EVP of government relations and sustainability at the 4A's. And to me, this really just encapsulates the fact that people really demand not just, let's say, action on the environment, but it's also the accountability of not just saying it to score marketing points, but to be judged based off of your transparency and how accurate are you being with your claims.

Marcus Johnson:

Don't just talk about it. Be about it. Feel like that's from a rap thing. I don't know which one. Anyway, that's what we've got time for today. Thank you, Jeremy, for hanging out today.

Jeremy Goldman:

Pleasure as always, sir.

Marcus Johnson:

And thank you, of course, to Victoria, who edits the show; James, who copy edits it, and Stuart, who runs the team. And thanks to everyone listening in to the Behind the Numbers Daily, an eMarketer podcast made possible by Cint. You can tune in tomorrow to hang out with Sara Lebow on the Reimagining Retail show, where she'll speak to analysts Sky Canaves and Blake Droesch about how young people will change shopping by 2025.