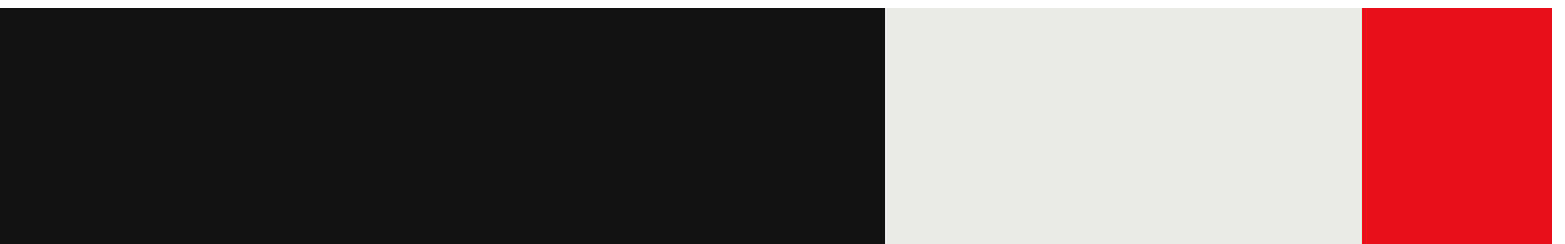# The Daily: How ChatGPT will change media and ads, retail media boosts advertising, and the EV race in the US

Audio

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On today's episode, we discuss what to make of Microsoft putting ads in its AI-powered Bing Chat platform, the biggest pitfalls of companies using generative AI, and publishers' concerns about AI chatbots cutting readership. "In Other News," we talk about how much retail media networks are actually boosting the US ad market and which car manufacturers are leading the US electric vehicle (EV) race. Tune in to the discussion with our analysts Gadjo Sevilla and Max Willens.

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Episode Transcript:

Marcus Johnson:

Hey, gang. It's Tuesday, April 18th. Max, Gadjo and listeners, welcome to the Behind the Numbers Daily, an eMarketer podcast made possible by Cint. I'm Marcus. Today, I'm joined by

two folks. We start by introducing senior analyst on the connectivity and tech team. Based out of New York, it's Gadjo Sevilla.

Gadjo Sevilla:

Hi, everybody.

Marcus Johnson:

Hey, fella. We're also joined by one of our senior analysts on the digital advertising and media desk. Based out of Pennsylvania, it's Max Willens.

Max Willens:

Yo.

Marcus Johnson:

They're both Knicks fans, so take what they say with a grain of salt.

Max Willens:

Go New York, go New York go.

Marcus Johnson:

I just ruined their credibility early on-

Gadjo Sevilla:

Bing bong.

Max Willens:

Yeah.

Marcus Johnson:

... in the episode. Perfect. So today's fact, gents, is basketball related. So Wilt Chamberlain, who you guys may have heard of, was a seven foot one NBA center who played for Philadelphia and for the LA Lakers. He finished his career as a Hall of Famer, two-time NBA champion, four-time MVP, 13-time All-Star, seven-time scoring champion. He scored the seventh most points of all time. He has the most rebounds of all time. Led the league 11 times

in rebounds. He led in assists one year as well. He's a two-time All-Defensive Player, rookie of the year, 10-time All-NBA and he averaged for his career 30 points, 23 rebounds and four assists per game and once scored, as I'm sure everybody knows, over a hundred points in a single game. It was, of course, against the Knicks.

But fascinatingly, if that wasn't enough for you, one other fact about him: he never fouled out of a regular season or playoff game in his 14-year NBA career. His career average was just two fouls per game despite averaging 46 of a possible 48 minutes per game over his career. He played all but two minutes of every game on average over his career. Never fouled out. Remarkable. Absolutely remarkable. It's like Gary Lineker. He's a English footballer who has... I think he's scored... He's in the top three, top five most goals scored for England. He's now a broadcaster over in England for football, but he never got a card. Never got a yellow card or a red card, which is just amazing during a really long career. But anyway, today's real topic ChatGPT and how it would change the advertising world.

In today's episode, first in the lead we'll cover ChatGPT's impacts on advertising and media. Then for In Other News, we'll discuss how much retail media is boosting US ad spending and who's winning the electric vehicle race in America. The lead, though, gents is where we start.

So let's talk about how ChatGPT will/is changing the advertising world. Insider Intelligence's senior director of briefings Jeremy Goldman writes that Microsoft is exploring placing ads in the chat experience. According to the company's Consumer CMO Yusuf Mehdi, ads appear within chat responses, highlighting businesses or products related to a user search query. This is the first time the company has experimented with advertising in its chatbot platform.

Gadjo, I'll start with you. What'd you make of Microsoft putting ads in its AI-powered Bing Chat platform?

Gadjo Sevilla:

Yeah, I'm worried it could compromise any future plan of monetizing AI-powered chat unless-

Marcus Johnson:

Interesting.

Gadjo Sevilla:

... they start offering a paid ad-free access to chat. And the reason for that is Bing isn't really anyone's go-to search engine, and AI chat is really the only differentiator at this point. So clogging that with targeted ads could quickly devalue the usefulness. So more in the long-term thought that it's an experiment, understood, but it might keep people from going back if there's just too many ads.

Marcus Johnson:

Okay. Yeah. Max, how about for you? Microsoft putting ads in its AI-powered Bing Chat platform. What's your takeaway?

Max Willens:

I think Gadjo's point about them having to tread very lightly is a really important one. I mean, I think this is still looked at as this quasi-magical technology by lots of inexperienced tech users, and Microsoft's going to want to be very careful not to screw that up. But at the end of the day, they have to put advertising in it because at the end of the day, search even for Microsoft is still a close to billion-dollar business, and they aren't going to just throw all of that out the window or set themselves on a path to setting all that on fire.

The issue here, though, is that it's very difficult to see a path toward delivering even the same amount of revenue to the ecosystem that the current model does. There's going to be fewer ad slots. There's going to be less possibility for conquesting. There's going to be real limitations created by the specificity and definitiveness of the answers. If you ask Bing's ChatGPT what's the best camping stove, and ChatGPT says the Coleman XRX 5000.

Marcus Johnson:

5000. Yes. It's a good one.

Max Willens:

Then it doesn't do very much good to stick an ad for the REI FRF 4000 in there because people are going to go, "That's fine, but I want the best one. So this ad is useless."

Marcus Johnson:

Yeah, great point.

Max Willens:

And then there's also the limited opportunity to put in shoulder content like ads for tents or trips that you might take to go camping. There's not a lot of opportunity to fill up the search results page the way that Google and Microsoft have done to such great success. And so I think that it would not surprise me if the embrace of advertising within this format takes place over a very, very long period of time.

Marcus Johnson:

Mm-hmm. So Max, you have just completed some research on generative AI in media and advertising, and you know that AI is already playing its part in media and marketing industries. Where, in your opinion, will generative AI have the biggest impact in advertising and media?

Max Willens:

I mean, it's almost an impossible thing to highlight one thing. I mean, generative AI, people talk about it potentially having ramifications and disrupting all kinds of industries, but the bedrock of media and advertising is texts and images. And generative AI creates texts and images cheaper, more effectively and at a higher quality than really anyone has ever seen before, and so there's all kinds of possibilities. But to me, the thing that really leaps out as a potential disruption for the industry is the possibility that it could significantly disintermediate agencies, particularly the ones that serve small businesses.

So if you're a medium-sized business and most of your money goes toward ads that you put on platforms like Facebook, Instagram and Google, and maybe you have an agency that helps you write the copy for the ads, maybe design some landing pages, helps you figure out the keyword targeting and strategy behind spending your budgets in those spaces, and it's very easy to see a path toward a world where generative AI and the automation that's being built into those platforms basically removes the need to hire an agency. Just take photos of your products, stick them in there along with the particulars of where your business is located, your site URL, and the platforms are just going to do the rest of it. And that has gigantic ramifications for the way that this industry is designed and who is employed in it, how many people it employs. And so like I said, I mean there's tons more that we can look at, whether it relates to publishers or consumer trust in media generally, but to me the possibility that it could transform the agency business is a pretty big one.

Marcus Johnson:

Mm-hmm. Yeah, your point about it further eroding public trust in media is something you've got in your research as well. Automation in algorithm is already damaging the consumer-media company relationship. An avalanche, however, of automatically-generated, inaccurate content, as you point out, ain't going to help. And so it's definitely something to watch in terms of your biggest impact, which leads me on to the biggest pitfalls. And you have a section in your new report looking at the potential pitfalls of generative AI when it comes to media and advertising.

Gadjo, I'll start with you, though, because you've written about generative AI and how to look at how it affects a lot of different spaces. But when thinking about how it could affect advertising and media, what do you think are the biggest pitfalls when it comes to generative AI?

Gadjo Sevilla:

So I think the pitfalls specifically for digital marketing and advertising is it becomes easier to automate certain tasks. You could have it write your social media posts. you could ask it to create a sales page and Facebook ad, Google ad. It could even refine your buyer persona. But the issue with that, though, is would readers realize that they might be looking for a trusted, original or more compelling information, right?

Marcus Johnson:

Mm-hmm.

Gadjo Sevilla:

So while it could do a good enough job, that's evidently going to reflect on the brand, on the company. So the rush to just have it do all these tasks without oversight could be problematic.

Marcus Johnson:

Yeah. Max, how about for you? You've got a number of them in your report. Which one do you think jumps out to you the most when it comes to pitfalls in generative AI in the media marketing space?

Max Willens:

I think you highlighted it a few moments ago, and it's just the potential for a further erosion, or even just disintegration, of public trust in all kinds of things, not just media, but also really

just... Well, yeah, media and technology in general.

I mean, the other thing that hasn't been discussed because it's not clear that this is how it will go, but it's very possible technologically to see this happening is what happens when or if Microsoft and Google decide that ChatGPT can start personalizing answers? And so it starts taking all the data that it has about you to start changing its responses to the questions that you ask.

So for example, let's say I ask ChatGPT, "What's the best travel credit card?" And it knows based on my past searches that maybe I am somebody who earns over a certain income threshold, but maybe I have a lot of debt and maybe I have lots of expenses. And so it decides that the thing that I'm most likely to click on or most likely to buy is one thing. But then maybe Gadjo searches and based on Gadjo's searches, it knows that Gadjo doesn't have the same kinds of expenses and maybe earns more money, and so it's going to offer him something else. And all of a sudden, people start thinking, "Well, this answer they're giving me isn't actually real or fact-based. It's just the thing that's most likely to drive a business outcome for somebody." And that's going to make people even more skeptical and more suspicious of the technology.

And that's before you even get into, as we were talking about offline, the potential avalanche of fake news or images that are untrue or misleading and their ability to shape people's perceptions of reality and without government intervention or the technology companies intervening in some way. I could see all of that having a ton of adverse consequences and things spiraling out of control.

Marcus Johnson:

Let's talk about publishers for a second because there's an article by Katie Robertson of the New York Times titled Publishers Worry AI Chatbots Will Cut Readership. She says that many sites get at least half their traffic from search engines. Results generated by new chatbots could mean answers to search queries in full paragraphs rather than a list of links. So therefore, you'd have fewer reasons for visitors to actually reach the publisher's sites. Gadjo, do you agree with the publisher's concerns about AI chatbots cutting readership?

Gadjo Sevilla:

I do actually. If you think about AI being the next search, then it's likely that readership numbers could go down because chatbots are used to scraping and compiling information on the fly, so you're not going to get the context. You're not going to get a link to a longer article.

And so again, that just cuts through a lot of things. It cuts through their advertising models, and the way that they usually promote their content is going to change.

Marcus Johnson:

Yeah. One of the points from that article was saying The Washington Post just appointed a deputy business editor to lead an internal group looking at AI's impact on the Post's journalism and digital strategy. So hiring folks to look at this stuff so companies aren't caught off guard further down the road. Max, I'll finish the lead by asking about a section in your report at the end. The focus is on what marketers and advertisers can do now to prepare for an AI-driven future. What's the one thing from that section for the listeners?

Max Willens:

I think the key thing here is really just to... If I'm working at a brand or an agency, the thing that I'm tracking most closely is just the rate and nature of consumer adoption. People talk about this technology as though it has already replaced or supplanted regular search behavior, but that's just untrue. A lot of people have played around with it, and that's notable and exciting or fear-inducing depending on how you think about it, but the reality is that we're right at the very beginning of understanding how people use this technology and if they find it actually useful.

Because the reality is that people currently have a lot of suspicions of the technology and are approaching it with a lot of suspicion, but they're also approaching it with a fair amount of resignation, which I think has come from two straight decades of technological innovation just crashing down on us. 52% of people surveyed by I think it was Morning Consult earlier this year said that they expect that generative AI is here to stay even though a lot of people distrust it. So you just have to be very careful in watching how people decide to let this into their lives.

Marcus Johnson:

Yeah. One of the things that jumped out to me from the report... This wasn't in the advertisers should do this now to prepare and for an AI-driven future section. This was in the biggest pitfall section, but I thought it was really interesting. You say, "Consumers don't trust AI, so don't give it customer-facing roles." It was citing a Monmouth University January poll where less than 10% of folks said AI would do more good than harm, and three in four thinking it would be bad if tools such as ChatGPT began writing news articles. So maybe you can find

ways for this technology to help at your company. It doesn't mean you need to put it in front of your consumer. That's what we've got time for, for the lead. It's time, of course, for the halftime report.

Time for some key takeaways. Max, I'll start with you. Quick takeaway for the listeners.

Max Willens:

I think I would just repeat something that I said at the end of the conversation, which is just that we're in this curious position right now where half of Americans seem to think that this technology is here whether we like it or not, which I think is such a fascinating thing where we can live in this moment where lots of people are suspicious of a technology or think that it's going to adversely affect their business or society or their livelihoods, but they also just think, "Well, I guess there's nothing to be done about this." And I think that that's a fascinating thing to think about on lots of levels, and I think that it's instructive when you think about generative AI's prospects and the road it might take into American society.

Marcus Johnson:

Mm-hmm. Gadjo, how about for you?

Gadjo Sevilla:

So I think there are still opportunities for media and marketing, for those channels to serve readers looking for trusted, original and compelling content that currently no AI can emulate, but we could stand to lose over reliance on the AI's accountability and accuracy. So we might get to a point where authenticity would be the key determining factor. Similar to how some people would look out for the source of the content they're reading, I think that might become more of a focus in the future.

Marcus Johnson:

Mm-hmm. Well, if you want the full report, Max's report is called ChatGPT and generative AI in Media and Advertising: With Use Cases Set, the Battle for Hearts and Minds Begins. The link is in the show notes, or you can head to insiderintelligence.com. All right, time for the second half today, In Other News. Retail media networks to boost US ad market growth, and who's leading in the US electric vehicle sales race.

Story one, retail media networks to boost US ad market growth in 2023, writes Insider Intelligence senior director of briefings, Jeremy Goldman. He notes that the numbers from market intelligence company Magna suggest 3.4% growth for the US ad market this year, slightly down from a 3.7 from last. With linear media ad dollars projected to full 4% this year, it will be digital ad dollars to the rescue, expected to grow by 9% thanks to retail media networks and supported video streaming and the automotive industry recovery, notes Jeremy. Magna thinks retail media ads will improve 15% this year to over $40 billion. Our October forecast predicts a higher 21% growth, but Jeremy points out our methodologies do vary. But Max, the most interesting sentence in this article from Jeremy is what and why?

Max Willens:

So to me, the thing that really leap out at me was not a sentence, but a number and a chart from the article, which was that 54% of advertisers are not changing their ad budgets this year compared to last year. And the reason that I think that that's important is that the numbers that you just laid out do show that there is a tremendous amount of excitement and enthusiasm around retail media along with a couple of other digital channels. But we are still in a moment of pretty significant and confusing economic uncertainty. There's a lot of different indicators that are pointing in different directions, and so lots of brands have decided to just keep their budgets at a steady place. And I think that that is a kind of overarching principle that is important to keep in mind when we think about growth prospects for the media and advertising sectors generally.

Marcus Johnson:

Story two. Gadjo, you recently noted that GM, General Motors, has overtaken Ford in US electric vehicle sales, but still trails Tesla. According to the Associated Press, Tesla sold over 160,000 electric vehicles in Q1 compared to GM's over 20,000 EVs to Ford's over 10. So Tesla selling eight times more than GM and 16 times more than Ford in Q1. You explained that GM's sales were boosted by the Chevrolet Bolt, the bestselling EV in the US in Q1, whilst Ford's sales were hurt by production disruptions at its Mexico plant where it builds the Mustang Mach-E. But Gadjo, the most important sentence in your piece is what and why?

Gadjo Sevilla:

So I think for me, it's Tesla has not released a new model since 2019. So it feels like their market is quickly saturating. Their one way they have to dominate our EVs in America and

elsewhere, it's starting to grow a little stagnant. So this is becoming a problem for them because their inventory is maturing and the competitors are releasing more exciting and more affordable models. I mean, they've been discounting their cars heavily, but they can only do that so much before they start to lose market share.

Marcus Johnson:

Mm-hmm. I was stunned by that. Tesla's not released a new model since 2019. That's four years somehow. Since before the pandemic, they've not released a new car. And the other number that jumped out to me was US electric vehicle sales rose nearly 50%, 50, in Q1 year-on-year, accounting for 7% of new vehicle sales, according to the Associated Press.

That's what we've got time for, for this episode. Thank you so much, gents, for hanging out. Thank you to Max.

Max Willens:

Always a pleasure, Marcus.

Marcus Johnson:

And thank you to Gadjo.

Gadjo Sevilla:

Great to be here. Thank you.

Marcus Johnson:

Thanks, fellas. And thank you so much to Victoria who edits the show, James who copyedits it, Stuart who runs the team. Thanks to everyone listening 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 speaks to head of retail and Canadian Suzy Davidkhanian and Canada expert Paul Briggs all about Canadian and US brands and why they work or don't work in each other's markets.