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Big Tech is reacting to a shaky economy. Here's what that means for advertising.

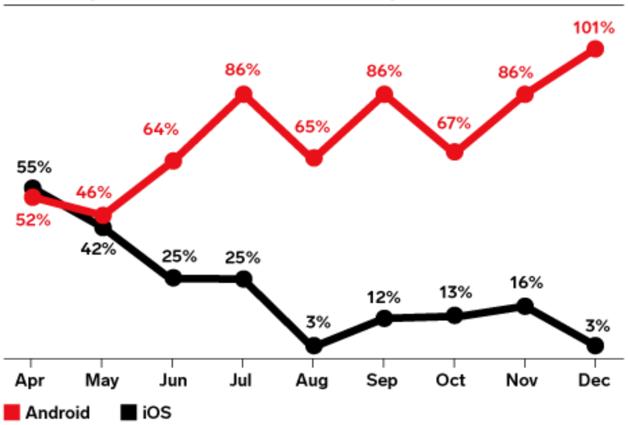
Article

The trend: It’s been called many names by many companies—restructuring, reorganizing, reshuffling—but the signs are clear: Social media and Big Tech are going through a dramatic shift as the economy and state of digital advertising enter uncertain territory, forcing companies to focus on the core of their businesses.

Social media faces the music: Last year's **AppTrackingTransparency** (ATT) change upended the mobile app industry, sending social media platforms in search of new tracking solutions and revenue streams.

- Now, following **Snap**'s dramatic revenue warning and a shaky economy, many companies are shelving projects that were supposed to help diversify revenue or offer new advertising channels.
- **Meta** implemented a hiring freeze and shut down its year-old podcasting platform, meaning it will miss out on the projected **$1.7 billion** in podcast advertising spending this year, per our recent report.
- **Twitter** similarly put its podcasting effort, which hadn't seen the light of day, on the back burner alongside other projects like newsletters and communities in order to focus on user growth and personalization.
- That leaves those two major platforms to focus on their advertising businesses, which haven't adapted well to iOS' tracking changes or the depreciation of third-party cookies.

US Meta Mobile Ad Spending, by OS, April-Dec 2021
% change vs. same period of prior year



Note: across all properties, including Facebook, Instagram, Audience Network, and Messenger; represents activity on the Tinuiti platform, broader industry metrics may vary
Source: Tinuiti, "Facebook Ads Benchmark Report: Q4 2021," Jan 2022
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No turning back: Tech's reassessment of priorities will result in some shorter-term advertising revenue gains for firms with large, established consumer bases. But many companies are also deeply entangled in projects that could take years to see through.

- By Meta's own admission, its metaverse ambitions could take up to a decade to reach fruition. The company is now slowing down its metaverse ambitions somewhat, and instead focusing on **TikTok** competitor **Instagram Reels**.
- TikTok is going through a period of explosive growth, but pivoting to short-form video isn't a guaranteed silver bullet for Meta. Reels—which is full of TikTok reposts—ranked third as the preferred short-form video platform of US consumers over 18 (**20.1%**) behind **YouTube Shorts** (**25.3%**) and TikTok (**48.5%**), according to Inmar Intelligence.
- **Netflix** also finds itself in a tricky position after news of subscriber losses caused it to rush development of an ad-supported tier that could take up to a year to launch. The streamer may have nearly **222 million** global subscribers, but still lacks a meaningful way to increase its revenue per user.

The big takeaway: Companies with existing advertising infrastructure and well-established market share will benefit most from the refocusing on advertising revenues, as will newer platforms enjoying upward growth.

- Meta, for all its flaws, still has a user base that numbers in the billions, though advertisers may look elsewhere due to its relatively high CPMs compared to other platforms.
- TikTok is currently enjoying the same explosive growth that platforms like Twitter and Facebook did in their early days, and continues to release features and strike partnerships that will make it a valuable platform for marketers.
- Still, advertisers don't have an easy choice for where to spend. Consumers aren't very fond of advertisements on the preeminent social media platforms, and a meaningful solution for post-ATT advertising has yet to be found and raises questions about effectiveness.

Select Social Ad Platform Costs per Thousand (CPMs) Relative to Meta* Ads, Q1 2022

*Note: represents activity on the Tinuiti platform, broader industry metrics may vary; among median advertisers on each platform; read as in Q1 2022, the median Pinterest advertiser that was also active in Meta ads found CPM 44% lower on Pinterest than on Meta platforms; *includes Facebook, Instagram, Messenger, and Audience Network*
Source: Tinuiti, "Facebook Ads Benchmark Report Q1 2022," April 14, 2022

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