


The Daily: Reevaluating this years ad spend picture, Amazon's shoppable video ad options, and how many folks block ads?

Audio



On today's podcast episode, we discuss whether we can believe an improved economic outlook, why the US ad market is experiencing such a sustained period of growth, and whether it can last. "In Other News," we talk about which of Amazon's three new shoppable video ad formats is most interesting and how many Americans have an ad blocker (and a surprising reason why). Tune in to the discussion with our analyst Yory Wurmser.

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Episode Transcript:

Marcus Johnson (00:00):

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Yory Wurmser (00:25):

This AI driven ad buying that both Google and Meta are offering are really driving some strong performance and are giving 'em a leg up on a lot of their competitors and have, for that matter, have let them reverse some of the impact of the privacy role changes from Apple.

Marcus Johnson (00:47):

Hey gang, it's Thursday, May 16th. Yuri and listeners, welcome to the Behind the numbers Daily eMarket podcast, made possible by Awin. I'm Marcus. Today I'm joined by our principal analyst who covers advertising, tech and media. It's Yuri Wormer based in New Jersey.

Yory Wurmser (01:03):

Hey Marcus. How are you?

Marcus Johnson (01:04):

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

Yory Wurmser (01:06):

I'm doing great.

Marcus Johnson (01:06):

Okay. Today's facts, sir, what's the record for the longest amount of time spent in space? Any guesses?

Yory Wurmser (01:14):

Man? Some of these, I think some of the Russian cosmonauts were there for over a year. I'm going to say 390 days.

Marcus Johnson (01:21):

Jesus. How did you know this? It's as crazy close. So Russia, Cosmo, Valerie POV holds the record for the most consecutive days spent in space at 437. So Yuri was just like a month off onboard Russia's mere space station between 1994 and 1995. Remarkable guests. The most

days ever spent in space in terms of just total not consecutive, is American astronaut. Peggy Whitson holds a record for most total days spent in space at 665. It's nearly two years.

Yory Wurmser (01:55):

That's a lot of time in space.

Marcus Johnson (01:56):

Yeah, maybe not long enough.

Yory Wurmser (01:58):

I think people who work with me think I've spent a lot of time in space too.

Marcus Johnson (02:04):

No comment. Anyway, today's real topic revisions to this year's ad spending outlook.

Marcus Johnson (02:15):

In today's episode, we will cover what to make of the updates to this year's ad spending picture. Then for another news, we discuss Amazon's shockable videos and how many people are trying to block ads. But we start, of course, with the lead uri. And the story here is that as of the end of March, Magna Revised, its four year ad spending figure up from about 8% to about nine. Why one major reason is an improved economic outlook. But Euro orange, first of all, your take to kind of, I mean there's this backdrop of obviously the economy and how that influences ad spending, but do you agree that the economic outlook has given good reason to be more optimistic in terms of this ad spending revision upwards?

Yory Wurmser (02:59):

I do. I think there are a couple of reasons for that. I mean, first of all, the first quarter GDP in the US was okay, I think it was around 1.6 or 1.7%, which is not super strong, but it follows a bunch of relatively strong quarters. It seems like the economy's holding up pretty well despite some expectations of a downturn. So I think the economy has more resilience. So in that way, I think the overall economic outlook in the us, which is still a strong driver of the international economy, is looking pretty strong relative to what a lot of people thought it would look like a year or two ago. So yeah, I think an upward revision makes sense based on the overall economic situation. Yeah,

Marcus Johnson (03:38):

GDP is the interesting one because right, it called off a little 1.6% recording, technically its lowest number in two years, but economists weren't too concerned. They pointed to shifts in inventories and international trade, so they said it's not too terrible, even though it was up 3.4% in q4. So GDP decent GDP growth in terms of Q1 inflation, uri still very impressive. It's been below 4% now for nearly a year, even though it still feels like everything is going up nine or 10% that we saw summer or two ago unemployment that's been below 4% for nearly two and a half years. So employment numbers are still strong. The one thing that here that jumps out is just consumer confidence. It's still well below pre pandemic numbers, and that's if you look at the conference boards or the index of consumer sentiment from University of Michigan, both of them have consumer confidence below those pre pandemic levels, which is a real kind of head scratcher as to why they can't give those numbers back up. And I think that's why there's the sentiment of things are better on one hand. At the same time things don't feel like it.

Yory Wurmser (04:44):

Yeah, it's interesting and I agree it's a real head scratcher. Part of it comes down to I think the inflation we had a couple of years ago, because although inflation rate is going down, it doesn't mean the prices are going back to what they used to be. They're still high, it's just they're increasing at a slower rate. So everyone see the prices around and they're a lot more than they were just a couple of years ago. So I think that's a big contributing factor. And the country as a whole is pretty contentious these days. So I think there's a lot of contention over how the country is doing, and that filters down to economic optimism as well.

Marcus Johnson (05:17):

Yeah, yeah, that's a really good point, especially inflation. Yeah, I mean, it's been below 4% for close to a year now, but it's still 4%. And summer of 2022, it was close to nine as I mentioned. But if you go back to 2020 and then back in time for a ton of years, it was right around 2%. And so even that 4% we have today is double what we've been used to for years and years. So it definitely is a factor. Mike O'Connor, executive VP of video investment at Media Agency, horizon Media, I think summed up things up quite nicely when he said, I can't remember the last time things felt stable. Yeah, he's kind of right there. I kind of share that sentiment. Other folks though, you feel optimistic as well, not just Magna with their full year ad spending figure revision going up from eight to 9%.

Marcus Johnson (06:01):

Brian Weezer of Madison and War bumped up his expectations for this year's ad spend picture from about 5.2 to 5.6, and Forrester expects healthy single digit ad growth this year as well. And it seems like a lot of that year is coming off the back of some pretty steady growth in the ad market, the US ad market expanding for its 11th consecutive month in March up over 4% year on year according to guidelines, US ad market tracker. We're going to play slice of pie for this question, Yuri, why is the US ad market experiencing such a sustained period of growth according to these numbers?

Yory Wurmser (06:36):

A couple of reasons. Well, three reasons. I'm giving you a pie. I'd say the biggest single reason is just the economy recovering from a bit of a downturn a year or two ago, so that we already discussed that that is always going to drive the growth. So I'm going to give that 40% right there as the economy, you're seeing continued strength in the digital ad market, which is definitely contributing to the growth. It's coming at the expense of traditional advertising. So TV continues to go down with the exception of these presidential Olympic years. So we're actually expecting TV to be pretty flat this year. I think we have been predicting a very small bump, but if you're looking at a long-term trend, traditional is going down, but digital is going up pretty strongly and it's going up pretty strongly for two reasons. And that's going to be the other two factors.

Yory Wurmser (07:22):

One is really strong growth among video, and that's digital video advertising that's driven by growth in CTV and over the top streaming services that are adding at a pretty high clip advertising. So most recent is Amazon Prime video. They added advertising, but most of these formerly subscription services are adding advertising. So that I'm going to give that another 30% sort of that really big boost into video advertising. And then you're also, I think seeing a fairly strong growth coming from retail both on the supply side and the demand side. So on the demand side, you're seeing retail continuing to grow pretty strongly as a buyer of advertising, and you're also seeing retailers expand to retail media networks, and that's just adding a lot of really high quality inventory to the ad mix and specifically in search. And that I'd say is the other 30% of those three. And then there are all these other factors like social is going pretty strongly too, but I'm not going to get into that since I think you just wanted to top three.

Marcus Johnson (08:25):

Yeah, no, it's a good top three 40% economy, 30% video ad spending, and then 30% retailers as a buyer of ads and also retail media as well in that final 30% that you mentioned. Yeah, I mean, talking about ad spending by media did show up 13% somehow this year is the fastest growth of any media channel out of homes in second with 5%. Then TV in a very distant third are barely 1% this year, and that's a good year for TV because of the Paris Olympics, because of the Euro Cup going on, there's a ton of elections as well, and so especially the one in the us, but there are elections around the world happening this year, and so that's giving TV a bit of a bump into the black, but next couple of years back into the red for tv, expecting it to drop quite sharply actually next year.

Marcus Johnson (09:14):

And then radio, print, everything else down. And this sustained growth from this stand tracker, this 11 consecutive months, and the sustained growth dates back to April, 2023, the previous nine months before April, 2023 or negative. So quite the turnarounds and yeah, the most recent three months, AKA Q1, 5.7, 11.2, 4.3, January, February, March, according to guidelines, US ad market tracker and the digital ad players also had a decent Q1. Google grew ad revenue 13% in Q1, meta up 27, and Amazon grew ad revenue 24%. But Yuri, what jumped out to you about the digital ad giants performance in q1,

Yory Wurmser (09:57):

All three of 'em had really strong orders. I think part of that is the continued influence of ai, so just performance Max. We've Googled META'S Advantage plus platform, this AI driven ad buying that both Google and Meta are offering are really driving some strong performance and are giving 'em a leg up on a lot of their competitors and for that matter have let them reverse some of the impact of the privacy rule changes from Apple. So those two really struck me and Amazon is just really doubling down on sponsored returns. They've introduced prime video advertising, so all three of 'em are really having strong years. Now the one that's I'd say the most surprising is Google's because Google has, there's been a lot of discussion on the impact of generative AI on search that hasn't appeared yet. It hasn't really hit Google's bottom line in any way yet. And in fact, as I said, performance Max and their use of AI is actually helping them. So at the moment, it's still early. It's the long-term impact on Google search is to be determined. But right now, all three of them are performing very well.

Marcus Johnson (11:04):

Yeah, it's a great point about gen ai. I mean, that could be cataclysmic. If that changes how people search for things and then Google takes the brunt of that, then that could really affect their business. Also, they've got the antitrust case going on at the moment, paying Apple to be the default on its devices. That case came to closing arguments, and so ruling on that could also affect them, but for now don't seem to be too terribly affected at all.

Yory Wurmser (11:32):

And what all of these have, that's a huge advantage is they have got a lot of cash to be able to spend to invest in these AI tools, which just gives them another leg up on the competition. It's a really built-in advantage because these AI buying tools are giving them a price advantage and a performance advantage that it's going to be tough to keep up with.

Marcus Johnson (11:52):

Yeah, that's a great point. So great quarters for Google Meta, Amazon, a lot of the digital players, to be honest, we gave each of them a Google, and part of that reason is this is the turnaround. I mean, if you look at where they were a year ago, it's not like they've been crushing double digits for ages. Google, we gave an A because they turned Q1 ad revenue from flat last Q1 to plus 13% this past year. Meta we gave in a, because they did similar thing, they went from 4% growth last Q1 to 27%, this Q1 and Amazon going from strength to strength. I mean, they grew ad revenue 24% up from the 21 a year ago. So just all round, impressive zoom out and look at digital ad spending for this year. We are expecting a 13% increase digital ad spending this year up from 11% last year. That will drop a little bit next year because some of those events are going away, major events and other things, but 13% growth we're expecting for digital ad spend, and that's 78% of the pie, total media ad spending pie, 78% is digital and somehow growing. Yuri, I don't understand how there's any more room to grow, but that's today, 78% of the pie going to digital today, 85. So it's going to increase by seven more points over the next few years.

Yory Wurmser (13:13):

Yeah, I mean, it's just a continued shift from TV to CTVI think is really driving that.

Marcus Johnson (13:17):

Yeah, great point. All right, fella, let's move to the fourth quarter of the show today. In other news, Amazon rolls out three new shoppable video ad formats and how many folks use ad blocking software

Marcus Johnson (13:33):

Story. One head of Amazon's upfront week debut, the retail giant is rolling out three shoppable video ad formats notes. Our senior retail analyst, Zach sta the three R number one shoppable carousel ads during prime video ad breaks. Folks can use their remote to scroll through the items and add them to their Amazon carts. So shoppable carousel number two, interactive pause ads brands insert a translucent banner featuring brand messages and imagery. When a user pauses a video along with a prompt like ads to carts, that's interactive pause. And then brand trivia is the third type brand trivia ads, companies share facts about their products whilst letting folks add items to their carts. For some offers, viewers can claim rewards like Amazon shopping credits. Zach explains the new ad formats coming just months after. As Yuri was saying, Amazon opened up a massive trove of inventory by making their ad supported tier of prime video, the default setting for all subscribers. So the question Yuri, is which of these ad formats do you find most interesting and why?

Yory Wurmser (14:33):

I'm sure an answer is I find all three interesting. I think these shoppable ads are something cheater. I know cheating I, I'm going to give you an answer, but I think these shoppable ads are a great move by Amazon. To me, the one that's most interesting is the pause one, and the reason is that it's non interruptive. So other or two, they interrupt you. You're not necessarily in a shopping mood. If you're seeing an ad between shows or in the middle of a show, you're not necessarily willing to do a little quiz in that same situation. But if you're already paused, I think people are more ready to do a little bit of shopping. So I'd say that's the most intriguing of the three, but I think all three have got a lot of promise.

Marcus Johnson (15:10):

Yeah, great points. Story two, over half, 52% of American internet users use ad blocking software. 52% writes our senior director of briefings, Jamie Goldman, that 52% of folks who block ads is up from 34% in 2022. So from 34 to 52 in the last two years, according to ad blocker, ghost Re. But Yuri, what do you make of this increase in ad blocking usage over the past two years?

Yory Wurmser (15:34):

Well, first of all, the number is crazy. The majority of people use ad blockers, which I did not know before I saw that study. So that's really surprising. The second thing is it hasn't really dented digital ad spending. So the long-term impact of this, I'm still unsure. Clearly digital advertising is driving the economy, the media economy still. So the lesson for advertisers is that they need to make these advertising less disruptive. The made for advertising sites need to be phased out somehow. The advertising farm sites and did really high quality advertising will have a premium.

Marcus Johnson (16:13):

Yeah, why folks use them was also part of the survey. Number one reason for using an ad blocker privacy protection, followed by avoiding disruptive ads, followed by faster website loading speed. So they were the top three reasons why folks use ad blockers. And then I thought it was an interesting point as well, how strong of an influence the brand can have. The study showed that Google is still widely trusted by Americans for data privacy, despite being the biggest collector of data.

Yory Wurmser (16:41):

I found that really interesting because they are, they're the biggest users. The government regulators don't think that they've been super subtle with their use of it. So yeah, that was a really interesting finding.

Marcus Johnson (16:53):

Yes, sir. That's all we've got time for this episode. Thank you, Yuri for hanging out with me today, my friend.

Yory Wurmser (16:57):

Yeah, great to be

Marcus Johnson (16:58):

Here. Yes, sir. Thank you to Victoria who edits the show. Stuart, who runs the team, and Sophie who does our social media. Thanks to everyone for listening in. We hope see you tomorrow for the Behind the Numbers Weekly. Listen, that's an e-marketer video podcast. You can watch

on YouTube made possible by Awin. You might like these then if you, you're a space guy. The shortest trip ever taken by an astronaut. Any guesses on that?

Yory Wurmser (17:24):

Alan Shepherd?

Marcus Johnson (17:25):

Holy hell. Are you kidding me? What? Yes. Yeah, the main 1961, the First American in space, I had no idea he was the First American in space. 15 minutes. Does that count? Probably. And then, do you know if you get this, I'm walking away. Do you know the first person in space?

Yory Wurmser (17:49):

Well, I mean, look at me. It's Yuri Gagarin. I mean, look at the name.

Marcus Johnson (17:55):

That's fair. Is that it's not the only reason you

Yory Wurmser (17:57):

Know it. No, I would've known Jesus Christ.

Marcus Johnson (18:02):

Yes. Soviet Union three weeks before at Mr. Shepherd.

Yory Wurmser (18:07):

Wow. Yeah.