Debra Aho Williamson, Paul Verna, and Andrew Lipsman

The Daily: Very specific 2023 predictions— Microsoft buying Roku, TikTok search, and Instagram's Twitter

Audio

On today's episode, we discuss some predictions for 2023 that are too specific to be 100% certain but could still come true, including: why Microsoft would want to buy Roku, whether TikTok will make a splash in search advertising, who will be the runaway retailer of the year, if Instagram's new Twitter competitor app will be a hit, and more. Tune in to the discussion with our analysts Debra Aho Williamson, Andrew Lipsman, and Paul Verna.

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Episode Transcript:

Marcus Johnson:

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Andrew Lipsman:

But to me it's a story of execution on the core parts of their retail business, their e-commerce and delivery business, which is growing like gangbusters, the build out of their marketplace, and how all these things work together to help forge the strength of their ad business, their retail media business, which is now growing incredibly quickly.

Marcus Johnson:

Hey gang, it's Thursday, June 15th. Debbie, Paul, Andrew and listeners, welcome to the Behind the Numbers daily: an eMarketer Podcast. I'm Marcus, today I'm joined by three folks. Let's meet them. We start with our principal analyst for social media based out of Washington, it's Debra Aho Williamson.

Debra Aho Williamson:

Hey Marcus.

Marcus Johnson:

Hello there. We're also joined by one of our principal analysts on the retail and e-commerce team based out of Illinois, Chicago, specifically, it's Andrew Lipsman.

Andrew Lipsman:

Hey Marcus.

Marcus Johnson:

Hey fella. And finally, we have one of our principal analysts who heads up our digital advertising and media practice based out of New York, just above the city. It's Paul Verna.

Paul Verna:

Great to be here.

Marcus Johnson:

Hello. Folks, today's fact variety isn't the spice of most people's diets. What am I talking about? Well, a staggering 75% of our calories, 75% of our food, of our energy, comes from just 12 crops and five animals. For context, there are more than 50,000 types of edible plants crops in the world. We choose to eat 12, and there are approximately 1.2 million known species of animal. We mostly eat the same five. I mainly eat just Chinese food and the tele sticks.

Paul Verna:

Well, I mean-

Marcus Johnson:

It's a miracle I'm still alive.

Paul Verna:

I love variety, but right now turmeric is my go-to spice.

Marcus Johnson:

Well played. Too soon, poor with the jokes, too soon. Today's real topic, very specific, but highly unlikely predictions for the rest of the year.

In today's episode, we'll cover some very specific but highly unlikely predictions for the rest of the year. Now in other news, we have too many excellent predictions to make. So how does this episode work? We do it twice a year and we make some predictions that are incredibly specific and so they may not happen, but we go out on a limb for you. That's what we do folks.

So back in December of last year, you guys made some very specific predictions about what would happen in the first half of 2023, which we are just wrapping up. So we're going to check in on those for a few minutes and then we'll get to some brand new ones that we think are going to happen before the year is out. Paul, I'll start with you. What did you predict and how's it going?

Paul Verna:

I predicted that TV measurement would not get a single currency and it did not. I have to say, just for full disclosure that I also said it wouldn't even get a set of currencies. I don't know that

I would say that now. I think there's some measurement providers that are coalescing in that space. So there probably is realistically a set of currencies. Definitely not a single currency though.

I also said that the Bob Iger sequel at Disney wouldn't be as good as the original. The jury's out on that. It was a rocky start for him, and obviously with the company having layoffs and with all the other issues affecting the industry, it's a pretty rough time. But who's to say how that story plays out?

And I also said that sports betting would get the scrutiny of the US government, and just recently, Senator Bob Blumenthal of Connecticut wrote a letter basically trying to raise awareness of this issue among US colleges and universities, and there's been some response to that with some colleges severing ties to sports gambling operations. I think we're just at the beginning stages of the unfolding of gambling and what's going to happen going forward. So more on that later.

Marcus Johnson:

Very nice. Debbie, how about you? How's it going with your predictions?

Debra Aho Williamson:

All right. So I made two predictions. My first prediction was about the very hot at the time app called BeReal. BeReal is fallen out of favor a little bit. But the prediction I made was that BeReal will announce its first revenue model, which will not be based on advertising. I was so far wrong about that. They have not to come out of hiding to announce any form of revenue model that I can find yet. But they have come out of hiding in other ways. So I'll claim maybe a tiny little bit of accuracy. [inaudible 00:05:12] BeReal has launched multiple new features over the past couple of months, so maybe they will still yet this year announce a revenue model.

The other prediction I made was that subscriptions would be a temporary dalliance for Twitter and Snapchat. And I'm going to say that one's wrongish. They're nowhere near being able to rival advertising as a revenue stream for these companies, but both of them are still offering them. They've actually been pretty good performance for Snapchat. They now have more than 3 million subscribers for Snapchat, plus a lot of that is due to the launch of My AI, the chatbot.

Twitter Blue on the other hand, a mess. They removed the legacy check mark. Paid verification has been a problem. We saw reports that there were only 640,000 paying subscribers to Twitter Blue. So that one's still very much up in the air.

Marcus Johnson:

Very nice. Andrew, how about you sir?

Andrew Lipsman:

So my first prediction was that Amazon would revolutionize advertising this year with three sub-bullets to that. The first was Amazon introducing targeting to NFL Thursday Night Football. I'll give myself a check mark there. They actually did announce their plans to do that a few weeks ago. The second piece to that was that they would ramp up their expansion of Amazon Fresh to start to get a lot more grocery, data in particular. I'm going to go ahead and say that was wrong because they've done the opposite.

They are slowing their role on the expansion because they haven't gotten physical store grocery right yet. At least not in the Amazon Fresh version. And the third piece to it was that they would reintroduce Amazon Prime Samples, sampling of products through prime orders. And I'll give myself a not yet on that though I have seen some things that indicate that they may be closer to doing that.

My second prediction was that Instacart would finally IPO, I'm going to give myself a not yet on that one, because again, I think they're getting closer and closer, but it just still hasn't quite happened yet. So that remains to be seen. Maybe we'll see it in the second half of the year.

And the last one was that Walmart would partner with Paramount Plus with a TV ad targeting and measurement deal. That one also has not happened, but I will also give it a not yet because we haven't gotten to advertising week and the fall TV season when these types of announcements usually ramp up. So yeah, remains to be seen.

Marcus Johnson:

Very nice folks. For people wondering, I predict is that the Lakers would turn things around and they made the Western conference finals, after coming in, I think with the 13th seed. So you'll be happy to know that I'm so far winning this game. Let's move into some predictions for the rest of the year. What do we have for you? We've got a ton. Each person made about

three, some of them four. So we've got a ton sprinkled in here, 10 plus. We'll start Paul with yourself, splashy one to kick us off. Microsoft or Meta could buy Roku. What's going on here?

Paul Verna:

What's going on is that-

Marcus Johnson:

It is a prediction. No reporting this, probably won't happen. But Paul thinks it could, potentially.

Paul Verna:

And if I have to go out on a limb and pick one, I'm going to say Microsoft, but I think Meta is a dark horse candidate. We're definitely in a time when I think we're headed to some major consolidation in the media and advertising and tech spaces. And there are companies that are ripe for the picking in terms of being acquisition targets and then there are companies that have the cash and the strategic imperative to make things happen in adjacent spaces.

So I think in this case, I think Roku and Netflix are actually companies that are targets for acquisition because they have very simple business models that are under stress. They don't have a lot of other leverage to change or to improve their businesses, and they're facing a ton of competition and just a lot of trouble in that space, a lot of layoffs and just stress in general.

But I don't think Netflix is going to be acquired anytime soon if at all. I think Roku's another story. There were actually rumors that Netflix would buy them or Apple would buy them over the past couple of years, that hasn't happened. I think Microsoft, which actually has a partnership with Roku, has a lot of interest in getting further into the entertainment and TV and advertising space. They also have a partnership with Netflix and they're trying to buy Activision Blizzard. That deal hits some roadblocks in the UK and it's questions to whether it will pass regulatory approval in the US, but it did in the EU, which is key.

So I think there's a lot to be set for Microsoft buying a company that has the devices, the TV advertising knowhow, and now increasingly the original content production capabilities.

Marcus Johnson:

So Roku, we say it's the third largest CTV player in the US, for context. 2 billion a year company, only behind Hulu and new YouTube. So significant, but they're not colossal. They are

a very significant player when you're ranking these CTV folks. You mentioned Netflix, I mean if you had to throw it out you mentioned they could potentially get bought, less likely. Who buys them?

Paul Verna:

Potentially Microsoft. But I mentioned Meta before. Meta is another company that has obviously tried to pivot its business to the point of renaming itself and reorienting its business around the Metaverse, which hasn't gone very well.

Marcus Johnson:

Yeah, that's generous.

Paul Verna:

Debbie can speak to this in a lot more detail than I can, but they've gone through a lot of issues with their core business of social media advertising. They've had for many years aspirations to get further into premium entertainment, and I think this CTV space is one of the most attractive areas along with retail media, which Andrew can speak to. But clearly CTV is the golden opportunity for many companies. Facebook or Meta has not gone there yet in a big way, it has tried. So this could give them an entry point into that business.

Debra Aho Williamson:

I'm just going to jump in and say I think, and I will claim some credit for this if it's true also, Paul, that Microsoft and Roku makes much more sense to me than Meta and Roku. You mentioned Microsoft already has a partnership with Roku, and my ears pricked up a little bit when I heard that because anytime companies are already familiar with each other, I feel like that's one avenue to making it more likely that a deal could take place.

I also think it's possible Roku's more of a tech layer. They're a platform through which you can access a Netflix, a Fubo, et cetera, from my understanding. So it feels more likely that a tech player and a tech player would get together than a content player like a Netflix and a Microsoft. I love this prediction.

Andrew Lipsman:

The gigantic ones like Netflix are always hard to digest. To me, it seems a little too different from Microsoft to make that work. But Roku does make a lot of sense and Microsoft seems

to be going after the advertising market in a new way. The biggest missing piece they have is TV. Clearly the Netflix partnership has helped buy their way into that opportunity to some extent, but it's not their own asset. So that to me, Roku represents that inventory. That could really make sense. And also Roku feels like, I don't know what their next act is. They've almost gone to the end of their logical road.

Marcus Johnson:

So speaking of TV, something that is consuming that world at the moment is this writer's strike. Paul, you have a prediction about the writer's strike. First of all, I mean quickly in 10 seconds set the scene, what the hell is going on with the writer's strike and what's your prediction?

Paul Verna:

The Writers Guild, the WGA, Writers Guild of America went on strike on May 2nd this year. It happened to be right as the upfronts were starting, so it caused a lot of commotion at the TV upfronts.

Marcus Johnson:

Coincidence? I think not.

Paul Verna:

What I'm predicting is that this year's strike will be longer than 100 days, which is how long the last one was in 2008, 2009. And it's also an amount of time that a lot of people see as if it goes past that, then the level of disruption is just going to cascade and get bigger.

I think the dynamics are a lot more complex than they were in 2007, 2008. At the time, writers were still angling for things like residuals on DVD rentals. And at the time, Netflix was primarily a DVD rental company. So now you have a situation where content is being produced by players in a lot of different industries, from tech to traditional TV media and then the likes of the Roku's of the world.

The business model for writers or the payout for writers is not nearly as good in digital media right now than it was in previous distribution methods. So I think they're obviously angling for better terms and the content providers are not that eager to play ball with them. Also, the Screen Actors Guild and the Director's Guild have also been in a mode where they're also

angling for better terms. The Director's Guild actually just struck a deal with the AMPTP, which is the trade group that represents TV, studios and production companies.

But the Screen Actors Guild actually voted to authorize a strike. Their contract comes up for renewal at the end of June. So if actors go on strike and writers are already on strike, it just complicates things because it puts a lot more items on the agenda for the AMPTP to deal with. And again, I think they have a lot of bargaining power right now. AI is a big subtext in all of this. I think that's the new technology that everybody's concerned about. Writers are concerned that they're going to be replaced by generative AI tools.

Marcus Johnson:

So talk to us about this because this is one of your bonus predictions.

Paul Verna:

Right. And even actors could on some level, I mean obviously not in feature films just yet, but certainly in an environment where, say it's like a newscaster who's just reading news on camera. I mean, these are things that AI is currently already able to do and in a year, two years, five years, the capabilities are just going to go through the roof. So it's not too futuristic or dystopian to think for writers and actors to think that their jobs are under threat and that they're already in a situation where they feel like they're earning less from the streaming economy than they did from traditional distribution.

So this is only accentuating the issues, and it's also a very hard issue to wrap your mind around because it is technical. Nobody knows how it's going to play out. So there's just a lot of unknowns, and we're already, I mean, it started on May 2nd, so we're already close to a month and a half into the strike. So 100 days is a little more than three months. That would be August 10th, by the way. So I think there are a lot of people who think it will stretch into the fall. There's obviously a chance that it could get resolved tomorrow and then I'll look like an idiot, but that will not be the first time that happens.

Marcus Johnson:

Stop telling jokes, Paul. They're terrible. That's the only reason. So Paul's got a couple for us out the gate with regards to the media world, the TV world, Microsoft buying Roku, potentially the writers strike lasting longer than 100 days, and the use of generative AI in

developing and writing TV and movie scripts will accelerate, especially if the writer strike continues into the fall.

So let's get a prediction on something a little different. We're going to go to Debbie for one on search advertising and TikTok. Debbie, what have you got for us?

Debra Aho Williamson:

So first of all, so TikTok, if we rewind almost a year ago, there was a very famous quote that Google executive said at a conference, at a Fortune conference, and he said that in our study, something like almost 40% of young people where they're looking for a place for lunch, they don't go to Google Maps or search, they go to TikTok or Instagram. That quote has been repeated probably hundreds of times. If you were to Google it, you'd find this guy's quote everywhere and-

Marcus Johnson:

Well played.

Debra Aho Williamson:

… it is what I think has created a second renaissance in social search. Social search has been around for a while, but nobody really paid much attention to it, and all of a sudden everybody started talking about TikTok and search. They conveniently forgot that Instagram was part of that quote too, first of all. So long-winded way of saying, my prediction is that TikTok is getting all the attention when it comes to this idea of social search, but it's actually going to struggle to get its search advertising business off the ground.

There's a couple reasons why. So just to set the scene, TikTok has been testing search advertising for almost a year. Basically what happens is if you, and on certain types of searches that you might do on the platform, video ads will pop up or promoted videos will pop up in the mix of other videos that you see that are paid for. So say you're searching for a new makeup technique, you might see lots of user generated videos, and then there's one from say, maybe I'm making this up, but e.l.f. Cosmetics or Sephora or something like that.

TikTok has a lot of models to look to this including its own sister app Douyin in China, where and this has been a practice for a long time. Advertisers have all have been for years able to use search ads to drive traffic or spur app downloads.

But TikTok is moving slowly. It really hasn't gotten to the point of launching this search advertising yet. In the meantime, Instagram has gone from zero to 60 really quickly. Instagram went from testing search advertising to launching it globally within a couple of months of the announcement. Snapchat has just leapfrogged all of this directly into generative AI and it's launching sponsored links in its chatbot.

And there's another thing for all the focus on TikTok searches, searching on Google or Amazon and is really far from being intermediated by social search. Amazon or search engine is way more likely places than TikTok to begin any search that an advertiser would actually really be interested in advertising on.

So last thing is, TikTok search ad features are pretty underdeveloped compared to what search advertisers are looking for. So yeah, a Google executive may have said it. They also mentioned Instagram. I think TikTok may struggle here. I think Instagram might have a better chance of getting more traction with search advertising, but either way, it's going to be a super interesting thing to watch in the next couple of months and into next year.

Marcus Johnson:

So let's look at the space for a second. So search advertising in the US, $110 billion space, $120 billion next year. It makes up 42% of digital ad spend. So that's the market that we're talking about. By company, Google has over half. Amazon 20%, Microsoft and Apple 5% a piece. So that's the landscape. But the Google and Amazon gap, it's about 30% difference now, 20 for Amazon, 50 for Google. But in two years, that gap goes from a 30% gap to a 20% gap. Google share is falling, Amazon's going up. Microsoft and Apple are also slightly increasing their share as well. So yeah, there's a lot of other players who have something else to say about TikTok, muscling in on the search advertising space.

Andrew, as I mentioned, Amazon increasing their share of search ad revenue in the US, but advertising obviously not their main line item business division. One of your predictions has to do with something that they used as their primary business for a long time and still do, which is e-commerce. What do you expect to happen with Amazon's e-commerce for the rest of this year?

Andrew Lipsman:

Yeah, well, as you mentioned, the advertising business is doing pretty well and outperforming most of the rest of the market. But that advertising business is also a function of how much

growth they're seeing in their e-commerce business. And that one has been struggling a little bit in relative terms. And I think throughout this year it's going to continue to struggle and see that tepid growth that we've seen in previous quarters, but not for the reasons that you might think.

There's a lot of discussion about maybe the overall consumer economy still being tepid. I would say it's actually healthier in a lot of ways than many think consumers have money and they are spending it, just maybe in different areas. There's a lot of discussion about Amazon specifically and the fact that they maybe over expanded in different parts of their business. They lost focus, too many side projects, all of these things so there's this narrative that Amazon is relatively struggling for some of these reasons.

All of these things I think play a role, but on the margins. The single biggest reason that I think is creating a drag on their e-commerce business is one category, and that category is consumer electronics. It's about 20% of Amazon's e-commerce business, and it is growing according to our forecast in low single digits. This is in an area e-commerce that is used to growing in double-digit growth rates. So that's just going to create a drag.

And I would say Amazon, it's not your fault. This is what happened. Yeah, Goodwill Hunting reference. Amazon in the pandemic, there were certain categories that demand really did get pulled forward, and people bought up a lot of high ticket purchases in consumer electronics, investing in TVs, sound systems and computers and all these things that they needed being at home. In addition to things like furniture and stuff like that.

These higher ticket categories, they're not on the same upgrade cycle as other categories. So what we're in right now is the pullback in consumer demand and consumer electronics, and I haven't seen any evidence yet that it's ready to bounce back on that natural upgrade cycle. It will happen. I think it's probably we'll start to see some green shoots maybe in 2024, but for the near term, it's just not there, and it's going to hit Amazon harder than most as a result. So I think as long as that's happening, they're going to struggle to get that higher end growth that they're looking for.

Paul Verna:

I'll say though, I mean, I agree, Andrew, about how search is type the e-commerce and Amazon may not be doing as well as we've been used to seeing, but still, when you look at the search business, and this takes it back to Debbie's prediction, it's interesting that the Google

executive was so concerned about TikTok because really when you look at search, I mean, 10 years ago, Amazon had 2% of the search market. Now they have 10 times that amount in terms of share. And by 2025, we're expecting they'll have a quarter. So really that's the-

Marcus Johnson:

The threat?

Paul Verna:

Yeah, that's the real threat to Google in terms of real dollars. In terms of what could happen if social search really does take off in a major way, or if Microsoft and their investments in AI revolutionize the search market as I think everybody thought would happen three months ago, now it doesn't seem so sure. But at the end of the day, none of that is going to amount in dollar terms to what I think Amazon represents in that market and how they're stealing share directly away from Google.

Marcus Johnson:

Yeah. Andrew, you've got one more prediction in this sphere of delivery, e-commerce delivery and consolidation in this space. What are you predicting here?

Andrew Lipsman:

So this is a very specific prediction. I think that e-commerce, the whole intermediary delivery market that is constituted by Instacart and DoorDash and Uber and Gopuff and the like. It's a tough business. Debbie has wrote about this way back when and...

Debra Aho Williamson:

So glad you brought this up again.

Andrew Lipsman:

[inaudible 00:25:51] to me, it's one of the most clairvoyant stories that I've ever seen. It's like Debbie wrote a story for adage. A while back there was in the first.com boom, and you read it today, and it's almost the exact same thing. But I think it boils down to the fact, hey, the economics of this are really hard, and in a market that is much more uneven now than like 2021, I think a lot of these companies are finding out how hard it is to be profitable.

So I think that the space has to consolidate and there's just one match out there that to me seems almost too perfect. Let's make this happen. It's DoorDash and it's Gopuff. I think that DoorDash is big enough that it can be acquisitive. Gopuff I think is, I'm not sure where they go from here. But what DoorDash has been trying to do, I mean, they really have done an excellent job executing and owning that restaurant delivery market and moving into retail media and that segment of the market. They're trying to move into grocery and CPG. And I haven't seen the evidence yet that it's working out particularly well.

I don't know if consumers are looking at DoorDash and thinking, I'm going to use that for grocery delivery. But they will do it for Gopuff. That's what Gopuff is known for. So why not just buy your way into that market? I think there's a lot of synergies and the right adjacencies where to me, DoorDash can more easily execute on its vision of what it wanted to do in that market, and I think now is probably the right time to buy a company like Gopuff. So to me, it just makes a lot of sense.

Marcus Johnson:

Let's stay in the retail world. We talked about some Amazon, one of their big competitors, particularly online, is Walmart. Andrew, you've got a prediction about Walmart for us.

Andrew Lipsman:

Yes. Well, this one is, I think that Walmart is just going to be almost hands down the retailer of the year for 2023. How will we know if I am right? You can ask me at the end of the year and then I get to determine who's the retailer of the year. No.

Marcus Johnson:

Too soon.

Andrew Lipsman:

Yeah, I mean, Walmart's executing incredibly well right now. I mean, if you look at Amazon, Target, Dollar General, three of kind. I'd say it's closest competitors in slightly different ways. All those companies have not had their best quarters recently, but Walmart has. It continues to do well.

So I think Walmart is going to be the retailer of the year because it's executing. And the narrative might be, well, Walmart's going to benefit from inflation and people trading down.

And again, some of those things might be true, but to me it's a story of execution on the core parts of their retail business, their e-commerce and delivery business, which is growing like gangbusters. The build out of their marketplace, and how all these things work together to help forge the strength of their ad business, their retail media business, which is now growing incredibly quickly, about 40% year over year.

So to me, they're just executing on all fronts, and I think they deserve a lot of credit. And other retailers, especially as we move in this post, I don't want to say post Amazon, but to the next stage of retail media where it's going to be much more about the growth of brick and mortar, retail media networks. I think that Walmart becomes the object lesson there that everyone is going to be chasing inside what Walmart do right.

Marcus Johnson:

I just had a couple retail ones for you. Let's grab another social media prediction. Debbie, yours is on Instagram threads. What are we talking about?

Debra Aho Williamson:

It is. But before we go on, I have been just silently cracking myself up trying to imagine door puff, go Dash, door go door go puff dash.

Paul Verna:

The possibilities.

Debra Aho Williamson:

What is this name of this combined company-

Paul Verna:

What I was wondering.

Debra Aho Williamson:

... I want to know.

Paul Verna:

When Andrew said, where will Gopuff go? I figure if DoorDash just swallows up the brand, then they just go puff, right?

Debra Aho Williamson:

Oh, Gosh.

Marcus Johnson:

Paul, we talked about [inaudible 00:29:45].

Debra Aho Williamson:

Okay. So you were doing the same thing the whole time Andrew was talking?

Paul Verna:

But I always do that, Debbie. That's my brand.

Marcus Johnson:

Yeah. That's why we bring Paul on.

Andrew Lipsman:

Awe, I know that's an awe. You know what, there is no one better at those puns and I'm here for it.

Marcus Johnson:

That's punishment.

Debra Aho Williamson:

Oh my gosh. Okay. So social media-

Marcus Johnson:

Terrible.

Debra Aho Williamson:

... prediction, back to that. Okay. So my prediction is about an app that Instagram has yet to launch, but lots of rumors are flying around, and as of now, it doesn't even have a name. It's been called P92 or Barcelona, or most recently the word threads came about, which is actually the name of something that Instagram tried to lodge a few years ago and then shut down. What am I talking about here?

"Instagram Threads," if we're going to call it that, I'm going to go with that as the name. That's not my prediction, but my prediction is, is that advertiser support for this new app that Instagram wants to launch, maybe called Threads, will be thin.

Marcus Johnson:

How come?

Debra Aho Williamson:

Threads is a new text-based app intertwined with Instagram? It is being called a knockoff of Twitter, perhaps a Twitter killer. It will allow users to seamlessly transfer over their profiles and their followers. And by the way, Twitter may not need Instagram to kill, it's all. Anyway, what will Threads do? It'll enable creators to share updates in new and old ways. They'll be able to write text posts, da da, da. This is what it sounds like when you try to mimic Twitter.

You can write text posts up to 500 characters and attach links or photos or videos to it. This whole idea of text-based communication is experiencing a revival. Even as Twitter is struggling, we're seeing [inaudible 00:31:31] things like Bluesky and Mastodon and now Threads and even TikTok potentially allowing you to post text on your app. Sounds great, but I think advertising success for it is not guaranteed. There's a few reasons for that.

First one is, it's a new format for Instagram, so advertisers aren't going to just jump on it because it's from Meta, they're going to need proof. Users are using it. Creators are there because they want to be there, not because Meta's paying them to be there or giving them some incentive to be there. Meta doesn't have a great track record of monetizing me too products. It's still trying to figure out how to monetize reels and it's way behind TikTok on this.

Another reason, advertisers are really basically all in on social video right now. They've just barely made the pivot finally to spending a lot of money on social video. Are they going to go back to text advertising? I don't know. And lastly, Twitter's not that big of an ad business. Why would Instagram try to be Twitter? Twitter made under $5 billion at its peak in 2021, pre-Musk, and that was less than what 10% of what Meta made that year. So I don't think we're going to see a whole lot of advertiser support for Threads and we're remains to be seen about creators as well.

Marcus Johnson:

Pretty convincing. All right folks, we've got a couple more for you. Couple of the bonus ones. We're going to go quick on these. We'll start with one from Andrew about Meta's ad business.

Andrew Lipsman:

Yeah. So real quick one, I think Meta's ad business, we've seen the first quarter of it start to rebound a bit and perform better than expected. I think that's going to continue. But again, playing off of my theme for not for the reasons that you might think, the narrative is about maybe improving reels monetization and about retuning their algorithm for targeting Post-ATT, now they finally figured it out.

When I look at the business, I still see that they are missing data. They have lost irrevocably, lost certain data signal that can't be purely retuned in the algorithm. I think there's something else going on here, that isn't being talked about, and that is that Facebook or Meta started modeling out ROAS that they are missing. And as a result of that, I think advertisers, particularly the long tail of advertisers, SMBs, who make up so much of Facebook ad spend, are looking at that number, that model, that ROAS number, and they are starting to invest again in the platform because they are taking the number that's put in front of them. And I think it has a powerful impact, even if that number isn't purely deterministic and is more probabilistic than it was in the past.

Marcus Johnson:

Debbie, you have a quick one for us on Meta as well with regards to Messenger.

Debra Aho Williamson:

I do. So the background here is that Meta in March started a test of allowing some users of Facebook to access their messages without leaving Facebook, without having to use Facebook Messenger, which is kind of a back to the future. Because previously before Messenger was around, you could do that.

So my prediction is that Meta is actually will no longer require users to go to Messenger if they want to send messages on Facebook. There are a variety of reasons for that. User growth has been pretty much at a standstill, especially in the US. There's a huge trend with messaging right now where people want to message in the apps that they're already using. They don't necessarily want to go somewhere else. And in the case of Messenger, a lot of them are already Facebook users. So why make them go to a second app?

Not that Meta is going to go away from messaging. Quite the contrary, it is a huge pillar of their business. They're working on chatbots, they're working on all sorts of things related to messaging. But I think that Messenger's days particularly in the US, maybe elsewhere, maybe numbered.

Marcus Johnson:

Interesting. And one final one, from Andrew staying with social media. We're talking Twitter. Andrew, what you got for us?

Andrew Lipsman:

I don't think Linda Yaccarino is going to make it till the end of 2023.

Marcus Johnson:

The new CEO of Twitter, replacing Elon?

Andrew Lipsman:

The new CEO.

Marcus Johnson:

Okay. How come?

Andrew Lipsman:

And listen, I think in many ways she's the best possible choice because the ad business is hemorrhaging to try and win back. I just don't see how she's going to be able to do it. And at the end of the day, she's dealing with a very impulsive Elon Musk who determines her fate. And if things aren't going the way that he wants quickly enough, I see too much potential for conflict and a relationship that will end in a breakup.

Paul Verna:

When the news leaked that she was going to be hired as CEO of Twitter, and that her start date was six weeks out, a lot of people predicted she wouldn't even make it to her start date. So she made it this far, but only because she moved up the start date. But I agree with Andrew. I think if she doesn't make it and that there's a good chance that will come true, it won't be because of her or even because of Twitter. It'll be just because of Musk's

management style and how it's almost impossible to work for someone like that and have any degree of continuity or expectation of being able to carry out an agenda. It's just every day is a fire drill.

Marcus Johnson:

Debbie, you cover social for us. Real quick, what do you think? Does she make it?

Debra Aho Williamson:

Yeah. I'm going to go out on the limit here and say she makes it longer than we think she will. So year-end is not that far. So it's what, six, seven months? I bet she makes it to year-end. Does she make it a full year from her start date? That is I'm not sure about.

Marcus Johnson:

All right folks. There are the predictions we have for you for this episode. We had Microsoft buying Roku, the writer's strike lasting longer than 100 days. The use of generative AI in developing and writing TV. Movie scripts becoming more prevalent. Search advertising won't be a slam dunk for TikTok. Amazon's e-commerce growth will continue to struggle. Walmart will be the retailer of the year, according to Andrew's list. Advertiser supporter for Instagram Threads will be thin. Meta's ad business rebound will continue through the balance of the year and Meta no longer requiring users to go to Messenger and finally Linda Yaccarino, Twitter's new CEO not making it to the end of the year. Real quick folks, which of these do you think is most likely? Debbie, I'll start with you.

Debra Aho Williamson:

I'm going to go out on a limb here and say Microsoft acquiring Roku.

Marcus Johnson:

Okay. Most likely?

Debra Aho Williamson:

Most likely.

Marcus Johnson:

Most likely. Andrew?

Andrew Lipsman:

I like the Microsoft Roku on the most, but that one is inherently difficult to predict. In terms of most likely, the writer's strike.

Marcus Johnson:

Okay.

Andrew Lipsman:

I think it's going to be protracted.

Marcus Johnson:

And Paul.

Paul Verna:

I think I'll go with Walmart being the retailer of the year and exercising its muscle in all the areas that Andrew mentioned. But I also agree with all of Debbie's predictions, so it's hard to pick one. I mean, they're all our children, so hard to pick a favorite.

Marcus Johnson:

We know.

Paul Verna:

I just want to say as a parting thought, regarding Linda Yaccarino, she is a fan of the show, a friend of the show, she's been on the show.

Marcus Johnson:

Yeah.

Paul Verna:

So I wish her all the best, whatever that looks like for her.

Marcus Johnson:

Best of luck. And mum, if you're listening, let's be real, I'm your favorite. That's what we've got time for, for this episode. Thank you so much to my guests. Thank you to Debbie.

Debra Aho Williamson:

Thank you, Marcus. This is one of my favorite episodes to record.

Marcus Johnson:

Yes, indeed. And thank you so much to, Paul.

Paul Verna:

Always a pleasure.

Marcus Johnson:

And thank you to, Andrew.

Andrew Lipsman:

Thank you. Always good to do this episode with you, Debbie and Paul.

Paul Verna:

Likewise.

Marcus Johnson:

Absolutely. We'll see you guys in six months to see how they've done in December, right before Christmas is when we revisit these predictions and see if they came true. Spoiler alert, they would have.

That's what we've got time for. Thank you so much to my guest. Thank you to Victoria who edits the show, James, who copy, edits it and Stewart who runs the team. Thanks to everyone listening in. We'll see you guys tomorrow hopefully for the Behind the Numbers weekly listen: an eMarketer Podcast.