


# The Daily: A new TikTok ban, part 2—What a TikTok-less America looks like, who might buy them, and marketers considerations

Audio



On today's podcast episode (part 2), we discuss what America looks like without TikTok, who would be most likely to buy the short-video app, and what marketers should be thinking about to plan for the future. Tune in to the discussion with our analysts Minda Smiley and Max Willens.

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## Episode Transcript:

### Speaker 1:

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Max Willens:

Instagram is already kind of part of the cultural firmament, but it's not really sexy the way that TikTok is, but the short answer is that a lot of the power is going to rid down to those two right off the bat. We ran a very, very preliminary analysis of what would happen if you just waved a magic wand and made TikTok go away.

Marcus Johnson:

Hey gang, it's Tuesday, March 26. Max, Minda, and this is welcome to the Behind the Numbers Daily EMARKETER podcast made possible by Nielsen. I'm Marcus. Today, I'm joined by, I nearly said I'm Nielsen. That's not true. It's probably a caller name. I like Marcus. It's fine. Who do we have on the show for you today? Two people. Let's meet them. We start with our senior analyst covering social media based in New York. It's Minda Smiley.

Minda Smiley:

Hello.

Marcus Johnson:

Hello there. And we're also joined by our senior analyst on the digital advertising and media team. He's based in Philadelphia. It's Max Willens.

Max Willens:

Yo.

Marcus Johnson:

Hey folks. Welcome back. Welcome back. We had you on yesterday in part one. Today we're talking all about in part two, what happens if TikTok does in fact get banned? What does that world look like? But we start with today's fact, and that is one day on Jupiter only lasts about 10 hours. We complain that 24 is not enough, 10, but their years are longer. They include about 4,000 days. So short days, long years, very long years.

Another fact about Jupiter, the great red spot on Jupiter is a huge elliptical shaped anti-cyclone. Don't really know what that means, but it's a long-lasting area of pressure that creates a persistent storm that happens to be the size of Earth. That's too big. Can you

imagine if there was a storm one day that spanned the entire planet? Everyone looked out the window and there was a storm, and then you went and turn on the news and it was like a storm's everywhere. It's across the whole planet and then it lasted for 300 years.

Minda Smiley:

Global storm.

Marcus Johnson:

I hate when it's windy out.

Max Willens:

This falls firmly in the bucket of how on earth do they know that?

Marcus Johnson:

Yeah, that's true. It's probably just a guess.

Max Willens:

I'm sure there's a perfectly valid explanation [inaudible 00:02:34] but how on earth do they have any idea?

Marcus Johnson:

Scratch this fact. It's probably wrong.

Max Willens:

Everybody pay attention to your science teacher's kids. I'm not doing that. I'm just saying like I hear that and I go, what?

Marcus Johnson:

Max is saying, don't go to class.

Max Willens:

I'm agitated Marcus, because I have been trapped in this room since we taped yesterday.

Marcus Johnson:

You stayed in the same room?

Max Willens:

I'm just really worked up.

Marcus Johnson:

Left once?

Max Willens:

You didn't say I could leave.

Marcus Johnson:

That's true. I did say wait there for 24 hours. Anyway, today's real topic, what a TikTok-less America would look like.

In today's episode, first in the lead, we will cover what happens if TikTok is actually banned and what marketers should be thinking about. Now in other news today, we start by talking about what TikTok-less America could look like. Let's have a quick look at what a TikTok-filled America looks like. Minda, you were mentioning on yesterday's episode that it's about 54 minutes per day people spend on TikTok. There are about 110 million Americans who use TikTok and of smartphone users. They skew younger, but there are older folks using TikTok, 75% of Gen Z smartphone people using the app, 50% of millennials and 15 to 20% of Gen X and Boomers. But mind, I'll start with you. If it does get banned, what does a TikTok-less America look like?

Minda Smiley:

Yeah, I mean, I guess it depends on who you're talking to. I mean, I'm actually working on a bit of a data drop, shameless plug here, but we're going to be coming out this week with a report that's kind of focused on just some charts that really show the impact that TikTok has had on marketers, on creators on users. That'll really give people context to answer your question. But yeah, I mean, I guess we could start with marketers. According to our estimates, TikTok is supposed to earn more than \$10 billion in ad revenue this year, which is, if you want to put that into context, that's roughly one fifth of what Meta brings in annually.

Marcus Johnson:



That's pretty significant, right?

Minda Smiley:

That's pretty significant.

Marcus Johnson:

That's the fifth-largest digital player in America that we track, and that's about 3% of the market just behind Microsoft. So it's not Google, it's not Meta, as you said, one fifth. It's not Amazon, but it's good enough for fifth place and it's good enough for 3% and it's good enough for \$10 billion.

Minda Smiley:

Yeah, so I mean, I think when you look at it that way, especially when you consider how new TikTok is, I mean Meta's been around for much longer. Most people weren't really downloading TikTok. I mean, maybe, obviously Gen Z was ahead of the curve, but I don't even think I got TikTok till about 2019, if I remember correctly. And so yeah, it's relatively new. So to already be commanding that much ad revenue and just conversation, honestly, it's pretty impressive. So it will certainly have an impact on what marketing budgets look like.

I think when you look at creators too, I mean, that's a whole nother tangent we could go on, but I think we kind of know broadly that creators are really hoping it does not go away for several reasons, and users also feel the same way. So yeah, I mean, I think there's sort of a lot to dig into, but I think to answer your question more succinctly, the impact would certainly be felt across different demographics.

Marcus Johnson:

Yeah, creators are going to need a new home, think Reels, YouTube Shorts, maybe they had to Snapchat other places. But Max, what does a TikTok-less America look like for you?

Max Willens:

Well, the air would be cleaner, the animals would be healthier. I'm just being a jerk again. I think the answer, the sort of short, possibly oversimplified answer is just a world where Instagram and YouTube are even more powerful economically and culturally. Thanks to a playbook that Mark Zuckerberg first started using with Stories many, many years ago, there is a whole lot of copycatting that's gone on in the social and digital media space over the last half decade. And

so consequently, a lot of the raw material, a lot of the basic facets of the TikTok experience are available elsewhere. You can find them on Reels, you can find them in YouTube Shorts. The sync between videos and shopping is one that Amazon is keen to copy, both in terms of live streams and also it's plugging into Meta and Pinterest via partnerships.

And I don't know that the kind of cultural centrality that TikTok has enjoyed for the last several years could easily be picked up by Instagram. I mean, Instagram is already kind of part of the cultural firmament, but it's not really sexy the way that TikTok is or has been for the last couple of years. But the short answer is that a lot of the power is going to read down to those two right off the bat.

We ran a very, very preliminary analysis of what would happen as you just kind of waved a magic wand and made TikTok go away and according to that, again, preliminary analysis between a quarter and a third of TikTok's revenues would just go to Meta and further solidify them as one of the three most powerful advertising companies in the United States.

Marcus Johnson:

A lot of that variation depends on how much it gets reallocated, how many of those dollars get reallocated that could influence which scenario ends up happening, and that's a couple of billion dollars extra for Meta, which is pretty impressive, would boost their growth quite a lot.

According to analysis, YouTube, the second-greatest beneficiary getting about a billion to a billion and a half. Google's display and search business, getting some as well. And then some other folks. You've got the other guys X, Pinterest, Snapchat, LinkedIn, all standing to benefit to a lesser extent, and then potentially Amazon, Netflix, Disney, other folks as well who might be able to hold on or grab a couple of those dollars. Now in terms of that's where the dollars could potentially go, the \$10 billion that are currently going to TikTok for advertising going somewhere else in terms of the users, I mentioned 110 million folks would be homeless, so to speak, and they'd have to go find somewhere else to spend that time, assuming that they would go to other platforms to spend that time and not save that time and not end up going somewhere else.

The short answer in terms of where people would go is Meta, Instagram, Facebook, and also Alphabet with YouTube. The Economist was looking at where TikTok users where else they are in terms of social platforms, the research from Kepios, 82% of worldwide TikTokers use



Facebook, 80% use Instagram and 78% watch YouTube just 53% use X, 35% are on Snapchat. So Meta and Alphabet, the two dominant online players would benefit the most.

There's a really interesting case study as well. After we mentioned last episode, India banned TikTok in 2020 after there was a conflict on its border with China and Instagram surged in the country. In 2019, it was the sixth most downloaded app in India, and by 2021 it was at the top. And then there was another interesting survey by marketing company MGH, which found nearly 60% of TikTok users said they would use Reels regularly if the app was banned, 52% said Shorts and 23% said X.

So that's where the dollars could go and where the users could go, but who might buy it because we were talking last episode in terms of the potential outcomes. One is it could get banned, another is it could get sold and continue to function. So top of your list Minda, who do you think is most likely to buy this thing?

Minda Smiley:

Gosh, that's a good question. Honestly, that's not something I've seen as part of the conversation too, too much at this point. I feel like, if I remember correctly, I think Microsoft at one point was considering buying it, or there was some conversation around that.

Marcus Johnson:

Yes, operations, yeah. And they were saying they could really use it because they don't really have a great presence in consumers' lives outside of their software, the business software.

Minda Smiley:

Yeah, exactly. So I mean, I have to imagine there's a reason why those talks stopped or why I haven't heard much, but I would say Microsoft is one of the more obvious contenders to your point.

Marcus Johnson:

Yep, Max?

Max Willens:

Well, I would say that the short answer is nobody, because one of the things that the Chinese government has been very unambiguous about is that they will basically oppose a forced sale

to anybody, and they would, if given the choice between shutting it down and selling it, they wouldn't choose to shut it down. It's entirely possible that that's posturing and the prospect of turning off a not just a source of revenue, but also a lifeline to an increasingly large number of Chinese manufacturers that are targeting American consumers that they might blink and change their mind about it. But in light of that vital role that it plays essentially for Chinese brands and Chinese manufacturers with designs on building American consumer brands, I think a kind of dark horse candidate to buy them could be Walmart.

So Walmart has for years and years and years had an immensely symbiotic relationship with Chinese manufacturers, which supply them with the cheap goods that fill their stores in addition to American consumer brands. And Walmart has been really, really focused on trying to find ways to get its goods out there and market it and sort of build out its own retail media operations. And I think that in that same vein, you could say that, well, maybe Amazon would make more sense, but Amazon is under an immense amount of scrutiny at the moment here and in a way that would probably make this the sort of thing that would attract the kind of attention that they do not want at the moment but Walmart is not facing similar scrutiny, and so they might be kind of a plausible or intriguing proposition.

The Microsoft thing is interesting to me. I mean, they I think are also sort of would face similar sort of antitrust scrutiny, but to your point, it would be a really, really interesting compliment to LinkedIn on one end and Xbox and their gaming universe on the other. But again, I think that the possible antitrust scrutiny that they would face is likely to be too intense for them to pursue it further.

Minda Smiley:

Yeah.

Marcus Johnson:

That some great suggestions. And Walmart as well. They teamed up with Oracle to buy minority stake in TikTok a few years ago. That deal fell through and Oracle's bought health records company Cerner in 2022 for nearly 30 billion. So it's unlikely they have the money to join up with Walmart for another run at this. Amazon's interesting. Microsoft is interesting as well. The Economist also pointing to Apple and Netflix are saying that they both passed when TikTok was considering a sale in 2020, could reconsider given slow growth in iPhone sales and streaming subscriptions respectively. And then another potential buyer, former Activision

boss, Bobby Kotick, was reportedly interested in buying TikTok in 2020 and again earlier this month maybe with partner Sam Altman of OpenAI, although they've got enough problems I'm sure. So I don't know if they would want to invite any more scrutiny.

Max Willens:

I will say though, I mean one thing that I think is worth pointing out, and it was very wise of the reporters that the information to make this point loudly and clearly, which is that TikTok is a money losing business.

Marcus Johnson:

Yes, good point.

Max Willens:

And we are no longer in an age where you can basically borrow money for free. And so anybody that does buy it is going to have to deal with the reality that they are buying a very big, very money losing business that if they plan to continue building out TikTok Shop, for example, if they plan to continue to invest in long form video infrastructure, it is going to continue to lose money and lots of money for a very long time.

And if you look at the way that Wall Street has responded to, for example, the money losing that has gone on with streaming operations at Disney and Warner Brothers Discovery, I think it's worth reckoning with the fact that any company that does buy TikTok, if it's publicly traded, will immediately be starting to field questions of, so what are you going to make it profitable? When you going to make it profitable? When's that going to happen? When is it going to stop being a drag in your earnings? And the number of companies that can kind of brush those questions aside or answer them comfortably is pretty short. So that's something to consider as you think about or continue to game all the stuff out.

Marcus Johnson:

It's also a short list of companies who will have enough money, and if you do have enough money, you might be too big because you're going to invite antitrust concerns anyway. And so to your point is you're trying to sell a business, you're like, hey, there's this business. Do you want to buy it? And they're like, oh, how's it doing? Oh, terrible. It loses tons of money. It's culturally relevant, but it's going to lose a lot of money. I don't think, it doesn't sound great.

How much is that going for? Oh, a hundred billion dollars. And that's a figure that was suggested.

Wedbush analyst, Dan Ives putting the value at TikTok's US operations at a hundred billion. That would drop to 40 billion if the buyout doesn't include the company's famed algorithm, but the price tag could just run way too high. And also the price tag could be even higher if ByteDance says, you know what? We're probably going to get banned in other countries. We'll throw in the operations of other countries, TikTok operations in other countries as well, and you can buy the whole lot. The Canadian government just said a national security review of TikTok's planned expansion in the country has been going on since September, so could get banned there as well.

Let's finally turn our attention to a question that Trishla Ostwal of Adweek was proposing. What will a TikTok ban or sale mean for advertisers, Max?

Max Willens:

So I think the simple answer is unfortunately quite similar to one of the answers that I gave to my previous question, which is just that even more of their money has to go into YouTube and Instagram. A lot of what is possible on TikTok at the moment is also quite doable on Instagram and YouTube. There are not a lot of American consumers that are on TikTok that are not also reachable on the platforms that I mentioned. And again, cache isn't quite there. The way that their algorithms function differs from platform to platform. But in terms of just the simple ability to reach lots of young people at scale to put ads in front of them that drive them to transact, you can do a lot of that if you just walk down the street to Meta or to Google. So I think that the short answer is that the kind of positions of the duopoly, and to a certain extent the triopoly will just get further strength in the short term.

Marcus Johnson:

Yeah. Yeah. Meta's Reels, YouTube Shorts could definitely emerge as alternatives. Minda, what do you think marketers should be thinking about as they plan for the future of whether potential ban or maybe no ban at all?

Minda Smiley:

Yeah, I mean, I agree with Max for sure on that point in terms of just where the money would go. I do think just from what I've read and what I've heard, especially marketers in the social

space, perhaps more than other types of marketers, they're kind of used to rolling with the punches. A new platform pops up or a new viral trend happens overnight. I do think marketers that work in this space are so used to, I mean, maybe not to something this extent in terms of such a jarring change, but I don't think any of them are really panicking quite yet. You see terms thrown around like, oh, we have a contingency plan in place, or we're getting recommendations from our agencies. They're thinking about it, but do I think anyone is really seriously planning for a TikTok ban right now? I would say no.

And then just a sort of relevant but slightly different take is more like on the organic side of things, like just how this could impact marketing strategies. I think obviously a lot of money goes to TikTok as we've talked about, but I also think just think it's really changed their strategies in terms of, I was even reading something earlier like Fruit of the Loom brought their fruit mascots back because of TikTok, because mascots are just [inaudible 00:18:12] something that have done well on TikTok. Obviously Duolingo is the big example we always go to, but we're seeing all these funny little downstream effects of just brands rethinking their entire marketing strategy just based off of one kind of TikTok insight, and so the Fruit of the Loom example being one of the funnier ones.

But yeah, I think from that point of view, I think maybe marketers will, it could maybe usher in a new chapter where they're kind of not so reliant on these trends or viral moments that TikTok has spurred.

Marcus Johnson:

Yeah, it's a really good point about no one panicking and marketers doing their due diligence and trying to plan for the future. It seems like it's already started. Ms. Ostwal of Adweek noting that Media Agency Collective Measures says brands are already testing identical ad units offered by Snap, YouTube Shorts and Reels. The agency's director of performance media, Lauren Beerling saying Meta has since emerged as the top performer, and it's also for a lot of folks, seems like it's hard to take the ban seriously, or at least overreact to it. John Johnston, senior social innovation director at performance marketing agency Tinuiti saying, "If history tells us anything, it's very unlikely that a ban will happen," but we'll see.

That's what we've got time for this episode. Thank you so much to my guests for hanging out with me yesterday and today. Thank you to Minda.

Minda Smiley:

Thank you.

Marcus Johnson:

Thank you to Max.

Max Willens:

Thank you, Marcus. Can I [inaudible 00:19:37] go home now?

Marcus Johnson:

Yeah, you can go. If you want to listen to us talk about the likelihood of a ban or how Americans feel about it, you can tune into yesterday's episode part one. But that's all we've got time for this episode. Thank you so much to Victoria who edits the show and the rest of the podcast gang, James Stewart and Sophie. Thanks to everyone for listening into the Behind the Numbers Daily an EMARKETER podcast made possible by Nielsen. You can tune in tomorrow to the Reimagining Retail show with host Sara Lebow as she runs through this March's Top Eight Most Interesting Retailers of the Month list with Becky Schilling, Suzy Davidkhanian, and Zak Stambor.