Max Willens, and Peter Newman

The Daily: How much search ground will Google lose, Peacock enters the metaverse, and are people sick of subscriptions?

Audio

On today's episode, we discuss whether Microsoft's AI-powered Bing can take share from Google, if social platforms can compete with Amazon on product search, and what to make of the idea that Apple might release its own search engine. "In Other News," we talk about what watching Peacock in the metaverse looks like and how people feel about all of their subscriptions. Tune in to the discussion with our director of forecasting Peter Newman and analyst Max Willens.

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Episode Transcript:

Marcus Johnson:

Hey, gang. It's Thursday, April 20. Max, Peter and listeners, welcome to the Behind the Numbers Daily, an eMarketer podcast made possible by Cint. I'm Marcus, and today I'm joined by two people. Let's introduce them right now. We start with one of our directors of forecasting based out of New York. The lovely New York, apparently. Good weather for Peter. Lucky him. It's Peter Newman.

Peter Newman:

Hey, Marcus. Great to talk to you again.

Marcus Johnson:

Good to see you as well. We're also joined by one of our senior analysts covering digital advertising and media. He's based out of Pennsylvania, and he is often referred to as Max Willens.

Max Willens:

Yo.

Marcus Johnson:

Hello, fella. So today's fact, the world's longest river, according to the Guinness World Records book, is what? If you get this wrong, you're kicked off the show. So don't get it wrong because I need to talk to someone.

Peter Newman:

It's the world's largest e-commerce company, Amazon.

Max Willens:

Oh, duh.

Marcus Johnson:

Oh, that's one of them. Want to take the other one? They're very close. It depends how you measure them, but that is one of them. The other one is? Gentlemen. [inaudible 00:01:49].

Peter Newman:

Is it not the Nile?

Max Willens:

I don't know.

Marcus Johnson:

Yes, it's the Nile. It is indeed. Yeah. Good guess. So over 4,000 miles long. According to the Guinness World Records book, it's the Nile that's the biggest. But I'll come to the Amazon in a second.

So over 4,000 miles long. That would mean it would stretch from Miami in the bottom right corner of the country of America through the entire US to the top left corner near Seattle, and then it would keep going through Canada to nearly reach Alaska. That's how long it is. In addition to Egypt, the Nile runs through or along the border of 10 other African countries. So that's where you can find it.

But by some measurements, the Amazon is the longest river in the world. Which is longer is more a matter of definition than measurements. The Amazon runs from the bottom of Peru to the top and then heads east to the top of Brazil. Anyway, thanks for getting those right, gents. I need you here with me. You would've stayed regardless. Today's real topic, how much search ground will Google lose.

In today's episode, first in the lead we'll cover the search market. And then for In Other News, we'll discuss what Peacock entering the metaverse looks like and how people feel about their subscriptions. But we start with search.

So folks, Kimeko McCoy wrote a piece for Digiday saying the cracks of fragmentation are starting to show across search advertising as Bing's new AI integration and TikTok's functionality presents search add options beyond Google. But advertisers are not ready to move their dollars over, at least not until they prove they're brand safe and scalable enough to work. So let's go through some of those potential Google alternatives. We'll start with Microsoft's AI-powered Bing and whether that can take share from Google.

So our senior director of briefing, Jeremy Goldman, just wrote that AI-powered Bing is making inroads on Google's search lead. He cites some similar web data showing OpenAI's integration into Microsoft's Bing, OpenAI being the company that created ChatGPT and GPT-4. So their integration with Microsoft's Bing grew traffic and page views 16% since early February. Google, on the other hand, saw traffic and page views fall by 1% over that time.

Max, I'll start with you. The idea that Microsoft's AI-powered Bing can take share from Google or that it is making inroads at all. Is this something or nothing?

Max Willens:

I think it's something, but the way I think about the prospects of Microsoft's making inroads here has more to do with Microsoft's partnership and business development teams than it does consumer behavior. The Times wrote this story about a week ago now about Google hurriedly whipping up a bunch of products that would put AI more forward and in front of users. And the lead of that story was a bunch of shock inside Google when they got wind of the fact that Samsung, which is one of their big partners, was considering ditching Google in favor of Bing for their smartphones. And to me, it's moves like that, and potentially Apple doing the same, that would do a lot more to accelerate a change in market share than any kind of individual consumer behavior.

Because imagine, for example, that a year from now Samsung and Apple had decided to go in another direction and then all of a sudden, the default search engine on every Samsung phone and every iPhone was changed over to Bing. That would, I think, shift the ground that everyone walks on a lot more quickly than people essentially experimenting with Bing at the moment, which is what I think that the similar web data points to rather than any kind of fundamental shift in user behavior.

Marcus Johnson:

I mean, we've just come to expect the default browser on these devices to be the default browser on these devices forever. But to your point, that that article was saying that Google, they had... It's about a $3 billion a year contract with Samsung that was at stake and then in addition to the $20 billion Apple contract that actually is up for a renewal this year, with Google being the default browser on Apple devices. So yeah, that could really send shock waves if they decide not to renew that and go in a different direction. Peter, what are your thoughts?

Peter Newman:

I do think that one thing we might see is more of a downstream effect in a couple of years to come. So I don't think we'll be seeing Microsoft really encroaching on Google anytime in this year, next year even, but what we might see is the impact of Microsoft and Bing's generative AI-powered search. And the way that the more tech-forward folks, the way that the people who you turn to for what should I do for tech? My grandmother comes and asks me, "What should I do on my computer?" Google is no longer going to be the default answer. Google is going to be part of a range of options. And Google, if it doesn't provide an answer, people will not just say, "Huh, I can't do this." The consumer behavioral change will come from knowing there's an alternative. There's a second place to turn to that might get you a search in a different way and then, from the business side of things, could have a novel approach to actually monetizing it.

Marcus Johnson:

Yeah.

Max Willens:

Yeah, I think to Peter's point, one thing that's surprised me as I've read more pieces about the prospect of Bing eating into Google's market share is there is a lot of dissatisfaction, I think, with how ad clogged Google's search results have become. I mean, there's a not insignificant number of people who feel like instead of just getting what they're looking for, they get six or seven boxes of, at best, related advertisements shoved in their faces, and then hidden among those pushed ads is the thing that is what they are looking for. And to the extent to which a definitive ad-light or even ad-free alternative exists on Bing, I think that could potentially win a lot of people over. Obviously, there's going to be more advertising in Bing's responses over time, but certainly for the near and medium term future, it's going to be much more ad light compared to Google. And that is, I think, going to also play a real role in what happens over the next couple of years.

Marcus Johnson:

Yeah, there's definitely an appetite for something else, and Microsoft Bing could be that alternative. It's small, but growing. Two points to that. Data.ai reporting an eightfold increase in global Bing app downloads after its chatbot edition while Google search app downloads fell 2% over the same period. And then second point, the new Bing beta crossed a hundred million daily active users. Google is said to soon add its AI chatbot to its flagship search function, so definitely expect Google to counter very soon.

But in terms of the dollars, it's just not close at the moment. We expect Google to hold onto an over 50% share in search ad revenues in the US this year. That's 10 times that of Microsoft, but that gap is slowly closing between Google and Microsoft in terms of search ad dollars.

Google share will fall, Microsoft's will grow a little bit, and so by 2025 that gap won't be 10 times. It'll be closer to seven times.

Moving on to social platforms, gents, and how they could cut into Amazon's product search dominance. So our research director, Amy Rotondo, writes that consumers are increasingly turning to TikTok, Instagram and YouTube to begin their product searches. She cites a February survey by GWI showing that social networks have overtaken search engines. Social networks overtaking search engines for Gen Z product research a few years ago, in fact.

Peter, I'll start with you. Can these social platforms actually compete with Amazon on search?

Peter Newman:

So I think a place where there's... We're seeing a lot of movement. We're seeing TikTok and Instagram both put in either beta or going in full-fledged launch for search ad products, which they have... For TikTok, they started a beta last year. We're hearing it's probably going to be moving into full production later in the year. Instagram, we also saw some new formats roll out with search ad formats which, again, we've never seen before coming out of Meta. So this is something that they're definitely trying.

The one place where I think Amazon and all the other players in the retail media space will always have an advantage is in measurement. And measurement is really what's just going to fully set apart as someone who has a complete one-stop shop platform, like a retail media network, as opposed to a social platform where you can do your searching, you can find it, but the advertiser will have to understand their own conversion rates rather than being able to see what those rates look like from the platform itself.

Marcus Johnson:

Yeah. I mean, buying and measurement are huge part of this. Young people, though, they are buying on social platforms too. And more and more, we estimate TikTok will add 10 million social buyers in 2023. That's more than the net gain of Facebook, Instagram and Pinterest combined. So we're definitely seeing social buying growing on certain social platforms, TikTok more so than others. But Amazon is multiples times bigger in terms of where people actually buy stuff.

Peter Newman:

That's fair. But the other thing is the way that we look at social buying is people buying both directly on that site, but also through referral links-

Marcus Johnson:

Exactly. Yeah.

Peter Newman:

... to an e-commerce site. So that's where the measurement difficulty comes in.

Marcus Johnson:

Yeah, absolutely. Max, what's your take here?

Max Willens:

So I feel like e-commerce search was always destined to be more atomized. I mean, even though Amazon does sell something close to everything, people are specialized and our picky about the particular goods that they want. There's lots of stuff you just can't get on Amazon. And if you want to do research into something, you might as well start where there's a high concentration of very fashionable influencers, for example, or lots of authorities on a certain passion that you might have. And the research that Amy and Jeremy flag from Jungle Scout underlines this to begin with.

So usually, the question is, where do you start your product searches? And you would expect that that would be a pie chart where the answers would add up to a hundred percent. But Jungle Scout allowed people to select more than one response, and so the percentages in these figures add up to 200%. So I think that the extent to which Amazon is in a dominant position might even be overstated already.

And I think to Peter's point, he's definitely right that Google will maintain an early lead when it comes to measurement. But if you look at TikTok Shop, which is something that they seem to be investing quite seriously in, they will have that closed loop of being able to prove that the search led directly to a transaction. That's not going to apply in every case, but if they're disciplined about who they invite onto the platform and how they continue to shape their product experience to drive sales, I think that that's going to be much less of an advantage for Amazon over time.

Marcus Johnson:

Quickly on that Jungle Scout research as well. Yeah, interesting to see that yeah, Amazon's grasp on the product search space is starting to loosen somewhat. 56% of US adults started their product search on Amazon in Q1 of this year. That's down from 63 the year before. So from 63 last year to 56 this year in terms of where people start their product searches on Amazon. That's from Jungle Scout.

Final point on this part of the lead from me is yeah, young people searching for products on social media, GWI data showing that among us age groups, Gen Z unsurprisingly leads the way. But the difference between the younger people and the older people is astonishing. 43% of Gen Zs using TikTok to search for products online. That's versus 2% of baby boomers. So a massive demographic difference there.

One more thing on that as well, which was a good point about when you search for something, are you searching with intent? Bryan Karas, CEO of agency Playbook Media says, "I think if you're searching for a fun video or something like that, sure. TikTok is going to get a lot of search potential and so could Instagram. But the question is, are you searching with intent, especially the intent to buy or the intent to transact? Because that's what advertisers care about." So that also matters.

Let's move quickly to close out the lead and talk about Apple. So an Apple search engine. Our colleague, retail principal analyst Andrew Lipsman, thinks Apple will probably launch a search engine at some point saying, "Think about how easily it could replace Google as the default search engine," something Max was talking about at the top of the show. Real quick, gents. Quick take on this. Max, we'll start with you. What'd you make of the idea that Apple might release a search engine? And what would its impact be?

Max Willens:

So I think the biggest impact would be addition by subtraction. You referred earlier to the story about how much money Apple gets every year from Google to be the default search engine. And Apple is obviously a fabulously profitable company and it's not hurting for sources of money, but no executive would willingly light a $20 billion a year partnership on fire if they didn't have a very, very promising replacement lying around. And the amount of time it will take for them to build that scaled long tail of demand needed to supplant that money will take years, I think. I mean, they have an opportunity to start that out with potentially ads on maps and in its app store, but they're nowhere near even starting in lots of other categories.

And so until they start to frankly just even build out the infrastructure to drive demand for that ad inventory, they, I think, are going to not even consider this for quite a while.

Marcus Johnson:

Mm-hmm. Peter, what do you think?

Peter Newman:

So I think that I agree with Max. I wouldn't see Apple considering this in the near term either. Apple's already got a quite robust ads business coming through their app store, with more than $5 billion a year in the US alone of revenue from there. So they're trying to diversify their revenue streams. They're trying to not be purely reliant on hardware. The story for years has been services, services, services, and ads are just another aspect of those services. But getting into a real search engine would require them to make some choices and to put themselves in the position that is much more contentious.

They would need to be doing moderation decisions. They would need to be ranking things via algorithm. They would need to be basically calling things safe. It would put the brand at much more risk than they're used to, so that would be one reason why I would think Apple might be staying away. Another would be regulatory risk. Google is already facing regulatory risk for its position in the search business. And the combination of Android and Google search for Apple, which historically had things coupled together as well even more stringently than Google does, it could put itself, depending on implementation, in a place where the regulatory risk would just be asking for bodies to investigate in ways that could be calamitous for its business overall.

Marcus Johnson:

Great points, gents. That's all we've got time for the lead. Let's move quickly to the halftime report.

Peter, I'll start with you. Ten-second takeaway from the first half, sir?

Peter Newman:

Microsoft is probably not going to be taking a huge amount of ground from Google this year, maybe even not next year, but they're laying the groundwork for Bing to grow its ads business and to become a part of the conversation in three to four years' time.

Marcus Johnson:

Mm-hmm. Very nice. Max?

Max Willens:

I think the main thing is that search has, in the popular imagination and in the imagination of advertisers, been this monolithic thing for years and years and years. And I think that the conversation we've had hints at the reality that in a couple of years, it will be far from it. It will be a much more diverse ecosystem with lots more places to invest advertiser budgets.

Marcus Johnson:

Mm-hmm. All right, folks. Time for the second half of the show. We call that In Other News. Peacock enters the metaverse, and people are sick and tired of all of their subscriptions apparently.

Story one. Peacock enters the metaverse as the streaming service launches on Meta Quest VR, notes senior director of briefings Jeremy Goldman. Premium and Premium Plus plan subscribers can access a custom-built Peacock virtual environment within the Quest platform and watch TV shows with friends whilst they're there. As Jeremy points out, this makes Peacock the first major streaming platform to launch on Meta Quest's VR. But Peter, the most important part of this article is what and why?

Peter Newman:

The most important part is the social viewing aspect. The problem I've always seen with VR for content consumption is it is entirely atomizing. You are sat there on your couch or in your chair with a headset on, locked out from the world. It's already locking you away from anyone in a room with you. There needs to be some way to share, to socialize, and that is the one way that a metaverse streaming experience can actually work. But I'm still skeptical.

Marcus Johnson:

Mm-hmm. Max, how about you?

Max Willens:

I think Peter's really on to something, but the thing that leapt out at me was Jeremy saying that this potentially expands audience offerings and attracts a wider audience, and I would respectfully disagree. So you are required to have a Peacock subscription already, so there is no incremental users that are being attracted potentially. And I think that for VR to really take off, it's going to require, as Peter said, a exclusive, must-have and highly social content experience. And as far as I can tell, none exists yet.

Marcus Johnson:

Mm-hmm. Yeah, we expect Peacock to finish this year with 70 million viewers. That's over half as many as Hulu. That was a lot more than I expected, and we estimate that Peacock will approach the 100 million viewers mark in four years' time. That's just of the regular streaming service, not necessarily with this VR partnership.

Story two. People are sick and tired of all their subscriptions and are rethinking their relationship with them, as our companies, writes, Rachel Wolfe and Imani Moise of the Wall Street Journal. The last two quarters, cancellations have outpaced new subscriptions, according to Rocket Money. Cancellations for streaming services up 50% in 2022, according to Antenna. But Max, the most interesting part of this story is what and why?

Max Willens:

So the thing that really leapt out at me was data near the top of the story which said, "Americans are paying $133 more than the 86 they thought they were paying for subscriptions each month." That's a crazy, crazy disparity which, to me, suggests that a lot of people are basically either being tricked by low introductory offers that they forget will increase over time or they're just not thinking clearly about what they're spending, and subscriptions are being unfairly penalized for financial irresponsibility from consumers.

Marcus Johnson:

Yeah. That data that Max mentioned is from C+R Research. Two things from me. Single-click cancellations could change the game. There's new proposal we mentioned on another show, actually, from the FTC that could require companies to have a single-click cancellation button. Everyone listening is like, "Please make it happen."

And two, inflation is lower, but still very high. So we've got used to, especially in the last year or so, high levels of inflation. So when it comes down a bit we think, "Oh, okay. Things are back to normal." But they're not. They're nowhere near it. So inflation in March was 5%. It feels good because the summer, we were dealing with eight to 9% inflation in the US. But 5% is still two and a half times higher than what we're used to. Inflation from 2020 backwards for the last 20 years, so 2020 back to 2000 and probably beyond, has lived at one to 2%. So that's what we were used to. We're now thinking that 5% is acceptable, and it's not. It's still high. And so I think people are starting to get sick and tired of their subscriptions or pay more attention to them and take them off autopilot and really see which ones they want to get rid of and hang on to.

That's all we've got time for, for this episode. Thank you so much to my guests. Thank you, Peter.

Peter Newman:

Thanks, Marcus. It was a great conversation.

Marcus Johnson:

Yes, sir. Thank you to Max.

Max Willens:

Always a pleasure, Marcus.

Marcus Johnson:

Absolutely. Thank you to Victoria who edits the show, James who copyedits it and Stuart who runs the team. Thanks to everyone for listening in. We'll see you tomorrow, hopefully, for the Behind Numbers Weekly Listen, an eMarketer podcast made possible by Cint.