

The Daily: Has Meta officially bounced back, TikTok's text-only posts, and what happened to Lemon8?

Audio

On today's episode, we discuss whether Meta has officially bounced back, what to make of Threads at this point, and what Meta's metaverse plans will look like in 2024. "In Other News," we talk about the impact of TikTok's new text-only posts and what happened to social media app Lemon8. Tune in to the discussion with our analyst Debra Aho Williamson.

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Episode Transcript:

Marcus Johnson:

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Debra Aho Williamson:

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Marcus Johnson:

Hey gang, it's Monday, August 7th, Debbie and listeners, welcome to The Behind the Numbers Daily, an eMarketer podcast made possible by Awin. I'm Marcus. Today I'm joined by one of our Principal Analysts who covers everything social media, based on the West Coast of the US in Washington state, it's Debra Aho Williamson.

Debra Aho Williamson:

Hey Marcus.

Marcus Johnson:

Hey, Debbie. Thanks for being here. As I mentioned, you're based out of Washington state, and so I have a fact today about Washington State and wine.

Debra Aho Williamson:

Uh-oh. Is this a test?

Marcus Johnson:

Maybe? So Washington State is, where do you think it ranks in terms of producers of wine in the country? High up or low down?

Debra Aho Williamson:

I'm going to say second.

Marcus Johnson:

Wow. Bang. Debbie. Nailed it. Yeah, Washington state is the second-largest producer of wine in the country. Was that a guess?

Debra Aho Williamson:

No.

Marcus Johnson:

Oh, you knew that.

Debra Aho Williamson:

I know Washington wine a little bit.

Marcus Johnson:

Wow. Yeah, so it is technically it's way beyond California, which counts for 85% of all the wine. But Washington has 5%, still puts it in second place. New York is third according to the Alcohol and Tobacco Tax and Trade Bureau. Is there a regional wine that's your favorite, Debbie?

Debra Aho Williamson:

Yes. It's in a region called Red Mountain and it's out east of Yakima. And it's a very small region, but produces amazing red wine, Cabernets and other types of red wine.

Marcus Johnson:

Okay, good tip. Thank you for the recommendation, Debbie. Today's real topic, has Meta officially bounced back?

So in today's episode, first In The Lead we'll cover Meta. Then for In Other News we'll discuss TikTok adding text only posts and how ByteDance's social media app Lemon8 is getting on in the US.

But, Debbie, we start with Meta. That's the company that owns Facebook, WhatsApp, Instagram, Facebook Messenger, Oculus, all of those things. But let's talk about how they did in terms of ad revenues. We'll start there. So Meta's ad revenues grew 11% in Q2. The same period a year ago, growth was negative one. So Debbie, what do you make of this 11% growth in worldwide ad revenues for Meta, top line?

Debra Aho Williamson:

Yeah, I mean obviously a really great quarter for Meta. We kind of expected it. Right before earnings came out, I published my pre-earnings analysis and we were seeing some good signs from the quarter. We saw that Meta had, obviously, Reels had been doing pretty well. We'll talk a little bit more about that later. But we know we did see an uptick in advertiser interest in Reels. We also saw that ad product called Advantage Plus had been getting some traction. So Advantage Plus is an automated way of placing, measuring, and targeting advertising. And then generally the economy has been picking up and advertisers have been a bit more positive about the year, maybe a recession won't be happening. And so all of these factors led me to think that Meta could potentially get into the double digits this quarter in revenue growth. And it did at 11%. It was definitely a very good quarter. You referenced a year ago, 2022 was kind of a year to forget for Meta, and so far 2023 has been off to a much better start.

Marcus Johnson:

Yeah, it really, really has. And I mean you mentioned the backdrop of an improving ads market, Standard Media Index Ad Tracker showing that May saw positive number for the first time in about 11 months. I think June actually was down a bit, but it is starting to hover closer to zero and be less likely to be in the red. So that's positive sign, a much better backdrop, as well as some positive earnings coming out of Google as well.

11% as you mentioned, it's good. Actually, it's really good. Yeah, Q2's 11% growth is the largest quarterly gain since Q4 of 2021. As you mentioned last year, a year to forget. Three out of the four quarters last year, Meta saw revenues fall year on year for the year 2022 and posted that 0.1% growth and Q1 of this year posted 4%, plus 4%. Now it's plus 11%. So it's definitely heading in the right direction.

Another thing worth noting, Debbie, is Facebook's average revenue per user growing nearly 7% in a very important US and Canadian market. That accounts for nearly half of Meta's money. It was actually up, ARPU was up, healthily in all the other regions. And also profits looking healthy again, which the markets like. Profits grew 16% year on year to nearly 8 billion quarterly profits have seen staircase growth up since a 4 billion low point in Q3 last year. They're now double that at 8 billion as I mentioned.

Debra Aho Williamson:

Well, you have to remember that this was the year of efficiency for Meta and for Mark Zuckerberg.

Marcus Johnson:

Good point.

Debra Aho Williamson:

And so a lot of that reason why it's profitable is because they did have to let go a large number of staff, unfortunately.

Marcus Johnson:

Yeah, very good point.

Debra Aho Williamson:

So the company has become more profitable for sure, which is great, but it is a leaner, meaner, and much hopefully more efficient company, which I think it's sad that people who are let go, but I do think that this sets Meta up for a much better second half of this year.

Marcus Johnson:

Yeah, a lot of layoffs, about 20,000 odd, but it does seem to be having some kind of effect on the bottom line, which is what they were going for, as you mentioned, the year efficiency, as Mark Zuckerberg is phrasing it. Let's move to the users of Meta's own platform, Facebook. So Facebook is the one platform that it reports on, nothing in the way of Instagram apart from a little piece here and there and sometimes in the earnings on the earnings calls, but the main platform they report on is Facebook. That crossed the 2 billion worldwide daily active users market the end of last year. So we already crossed that milestone. It added a further 37 million folks to Facebook daily active users in Q1 and now 27 million in Q2. Your thoughts, Debbie, on Facebook's Q2 user growth adding 27 million folks.

Debra Aho Williamson:

Yeah, i mean it's definitely still growing. I think that is the big takeaway. Many people think kind of that Facebook is old and tired and not relevant anymore, and there is of some truth to that certainly, but it is still managing to eke out a small bit of growth every quarter. That's about, I

calculated it to be about a 1.3% quarter over quarter growth in daily active users. But what's more interesting to me is the monthly active user figure.

Marcus Johnson:

Yes.

Debra Aho Williamson:

So Facebook went over 3 billion by their methodology, by their count, in the quarter, and that was a big milestone for them. And that was a bit faster growth than in the previous quarter.

Marcus Johnson:

Yeah.

Debra Aho Williamson:

So about 1.4% versus I calculated at 0.9% growth in Q1. So that also is an interesting one because you really have, again, you have signs that Facebook is maintaining its relevance. And it's true that most growth is happening in APAC. There are regions where their growth is not happening as much. So on monthly active users Europe was down by 2 million in the quarter and US and Canada were up by only 1 million quarter over quarter. But still adding, not losing.

Marcus Johnson:

Yeah.

Debra Aho Williamson:

And that I think is the biggest takeaway for me.

Marcus Johnson:

That monthly number jumped out to me as well. So you mentioned they crossed 3 billion, but they added over 40 million MAUS, monthly active users, to do it, which is the highest quarterly number in over two years. So had a really good monthly number. That 27 million daily new users is three times more than the same period last year. If all those Facebook users formed a state, an American state, it would be the third most populated state in America. So it's a lot of people that they're adding. And Debbie also interesting to see that North America, it's kind of continuing that momentum that it had the previous quarter and the quarters before that. So

North American Facebook users had been stuck at about 198 million from mid 2020 to mid 2022. Last quarter they crossed the 200 million mark, in Q2 they reached 202. So they even ticked up a little bit despite being a very saturated market, of course.

Debra Aho Williamson:

The only other thing I would point out that was interesting to me as well was, and I know we've talked about this before, is they always publish the ratio of daily active users to monthly active users.

Marcus Johnson:

Stickiness ratio.

Debra Aho Williamson:

That ratio is now at 68% for two quarters in a row.

Marcus Johnson:

Oh wow.

Debra Aho Williamson:

It was at 67% all of last year, and before that it was stuck at 66% for every single quarter.

Marcus Johnson:

Since the beginning of time, yeah.

Debra Aho Williamson:

And so the fact that they've been able to eke out increases in that ratio of daily to monthly active users, I'm not sure how they're doing it, but they seem to be doing it. And that is something to call out too.

Marcus Johnson:

Yeah.

Debra Aho Williamson:

A greater percentage of people are visiting Facebook on a daily basis than in years past.

Marcus Johnson:

As I mentioned, Debbie, they don't report any kind of official Instagram numbers, every now and again, they'll throw out a milestone number in their earnings call, but have you seen anything Instagram related with regards to its recent performance?

Debra Aho Williamson:

Well, in the quarter they talked a little bit about Reels, so those were the numbers that they liked to talk about. And Reels is available on Facebook, but it's really mostly an Instagram product. They did reveal some advertising numbers related to Reels.

Marcus Johnson:

Okay.

Debra Aho Williamson:

And those were actually pretty interesting to me. They said that three quarters of Meta advertisers are now using Reels ads, and that Reels is on a revenue run rate of \$10 billion, which is up from 3 billion last fall. So that's pretty strong growth.

Marcus Johnson:

Wow.

Debra Aho Williamson:

And that puts Reels on track to become much bigger and stronger competitor to TikTok.

Marcus Johnson:

Yeah.

Debra Aho Williamson:

Just by comparison, we estimate that TikTok had worldwide ad revenue of just under 10 billion last year, and will have about 13 billion in revenue this year. So a much stronger competitor and a long time coming. Meta's been talking about Reels and trying to monetize Reels for some time now. So those statistics caught my attention.

Marcus Johnson:

Yeah.

Debra Aho Williamson:

Because I think a lot of people still think of Reels as being a sad me too to TikTok.

Marcus Johnson:

Yeah.

Debra Aho Williamson:

And at least from the advertising standpoint, it's definitely getting a lot more traction.

Marcus Johnson:

I mean, yeah, a lot more traction. You mentioned a much stronger competitor. Another number to point that out, going to hammer that point home, is a March survey from Raymond James that I saw finding that 44% of Americans 18 to 60, 18 to 60, use Reels, 44%. That's a fraction behind TikTok at 46. That was a survey from March of this year.

The other number, Debbie, before we move on to Threads, is the family of apps number, I just find fascinating. So this is the number that encapsulates all of the different platforms under the Meta brands, whether that's WhatsApp, Facebook, Instagram, Facebook Messenger, et cetera. And the family of apps number, they added a South Korea's worth of new family daily active people number, 50 million daily active people is what they call them, 50 million they added. And South Korea is the 29th most populated country in the world. So they now in terms of you count up all of their apps family daily active people, there are over 3 billion. Their monthly number in terms of all the platforms that they have is closer to 4 billion, is really close to crossing that, could potentially cross that this year.

Debra Aho Williamson:

That's a huge number. I mean, really just to stop and think about that, 4 billion

Marcus Johnson:

It's impossible to comprehend. Almost half of the people on the planet Earth. It's remarkable. And half the people on the planet Earth don't have the internet. So if you think of the people who have the internet, it's hard to wrap your head around.

Let's talk about Threads, Debbie. So Meta's latest app Threads, a Twitter or X rival, became the most downloaded app in history last month when it reached a hundred million users in under a week. However, since then, engagement on Meta's Threads has fallen 70%, notes our Senior Connectivity and Tech Analyst, Gadjó Sevilla . He points out the average time spent on the iOS and Android apps fell to just four minutes from a peak of 19 according to Sensor Tower, per The Wall Street Journal. Daily users also fell dramatically shortly after it's dream launch. Debbie, what's your position on Threads at this point?

Debra Aho Williamson:

Yeah, Threads was an interesting one. And Mark Zuckerberg spent quite a bit of time talking about it on the earnings call. He referenced how it had, "unprecedented growth out of the gate," in his words, but he did say that they're now focused on retention and "improving the basics." So that tells me, and I think this has already been reported, but just to recap, Threads was launched very quickly. They saw an opportunity with Twitter, now X, as you mentioned, with Twitter is really struggling and decided that even though Threads didn't have all of the features that people would want, that they would go ahead and launch it.

And so that's I think why we're seeing this massive interest at the start with people kind of going, "Ooh, okay. Well, no, it doesn't have everything I want, so I'm going to take a backseat and watch and wait." So now it's really on Meta and Instagram to build out those features to convince people to come back, to make sure that its creators and Meta's creators, and then any Twitter creators who were disillusioned and joined Threads are using the platform because that ultimately is what's going to be drawing people in.

Marcus Johnson:

Yeah.

Debra Aho Williamson:

And I think that as Zuckerberg said in the call, he says, "We have a lot of work to do to really make Threads reach its full potential." I would 100% agree with that. I do think it's also interesting that he said on the call that, and he actually named name checked Twitter, which he rarely does in these calls, is to talk about specific other companies, but he did say that there hasn't been an app for public discussions that has reached 1 billion people. So he just dropped that hint there, that he thinks that Threads could potentially become another 1 billion app, just like all of its other properties have become.

Marcus Johnson:

Interesting.

Debra Aho Williamson:

So one to watch for sure.

Marcus Johnson:

Yeah. Debbie, let's end the lead by talking about the Metaverse. Meta signaled that spending for its Metaverse unit would surge in 2024 and the losses would increase. What's your take here?

Debra Aho Williamson:

Wow. Yeah. So once again, yes, Zuckerberg reiterated his commitment to the Metaverse. He talked about how it would be discomfort, it would provide discomfort to investors, that he was spending so much money on it. He also said he couldn't guarantee that he's going to be right about the bet.

Marcus Johnson:

Yeah.

Debra Aho Williamson:

But he did say that he is committed to it, that he does believe that the Metaverse and what it can do and where they're going is something that they are committed to and that they believe will eventually happen. In the meantime, the losses are mounting. I believe Reality Labs, which is the unit that oversees all of the Metaverse related activities, the operating loss for Reality Labs has gone over \$40 billion in total, which is crazy. Just in the quarter lost 3.7 billion on revenue of just 276 million. So these are huge losses.

Marcus Johnson:

Yeah.

Debra Aho Williamson:

And it's really going to take a lot, I think, for investors to stick with Mark Zuckerberg on this, but he is very adamant that the Metaverse is coming and that they are going to continue

building for it.

Marcus Johnson:

Yeah. Revenue, as you mentioned, close to 300 million in the quarter, but that was down nearly 40% year on year, worse than Wall Street was expecting. I knew that they'd lost close to 4 billion in the quarter, Debbie, but 40 overall is shocking. Mr. Zuckerberg, CEO, pointing to lower Quest 2 sales. Reality Labs will launch the Quest 3 VR headset at the company's Connect Conference in September, apparently. That's all we've got time for for The Lead. Time now for The Halftime Report.

Debbie, what to you is the main takeaway from the first half of today's show?

Debra Aho Williamson:

Well, speaking of first half, the first half of the year was a really pretty good year for Meta. And it shows that the year of efficiency is off to a strong start. So if the company can continue to maintain this momentum for the rest of the year, it's going to exit this year 2023 in much better position than it entered the year.

Marcus Johnson:

Yeah. Fair to say, I think Meta has safely shifted into second gear and it is getting ready to perhaps shift into third. We'll see. That's what we've got time for the first half. Time for the second. Today, In Other News, TikTok adds text only posts and what happens to social media app Lemon8?

Story one, TikTok has added text-only posts. So now you can post videos, photos, or text. Dustin Jones of NPR notes that users can diversify their posts by adding sounds and music stickers and hashtags, as well as tagging locations. The text-only post lets folks publish 1000 characters versus 500 for Threads or 280 for X or Twitter. But Debbie, the most interesting sentence in this BBC article I sent you on TikTok adding text only posts is what and why?

Debra Aho Williamson:

Well, it's admittedly not the most scintillating sentence in the article, but it's meaningful. The sentence was, "TikTok users will now be offered three options on the app, whether to post photos, videos, or text." So on its own, it kind of sounds boring, but I think it's really a momentous statement. Because what do we think of TikTok as? A video app.

Marcus Johnson:

Not text, yeah.

Debra Aho Williamson:

A short video app. Everybody calls it a short video app. It's even complicating for us now because we estimate social video ad spending and social video users and we include TikTok in that. And so now we have to think about, well, do we parse out the TikTok text posts and the image posts from the video posts to really come to a number of how much money is being spent there? But it really, at a bigger frame, it does show that for social apps to succeed, I think they do need to offer more than just one activity. And we have seen social video grow quite substantially in the past couple of years, but there's a ceiling to that growth. And people do want to do other things in social media and I think TikTok is recognizing that.

Marcus Johnson:

Yeah, one source I saw saying text is still people's favorite type of social media content. This was according to an April YouGov poll. Text was slightly ahead of images and then video. So it's still got its place, even on TikTok apparently.

Story two, what happens to social media app Lemon8? Our Senior Director of Briefings Jeremy Goldman notes that ByteDance's app, often likened to a blend of Pinterest and Instagram, is seeing declining popularity in the US, with daily active users dropping from 12,000 to 6,000 since April, according to Rest of World. One of their reporters, Kai-Wai Chen, reminds us that by the end of March, Lemon8 had skyrocketed to the top 10 most downloaded apps on Apple's App Store in the US. But Debbie, the most interesting sentence in this article from Jeremy about Lemon8 is what and why?

Debra Aho Williamson:

The sentence that I picked from this article was, "Time spent with social media can't increase forever and new apps need to wrest loyalty from other platforms to be successful." I think that's true of Lemon8, that's true of Threads, that's true of any other app.

We do see that there is a plateau coming in time spent on social networks. We have a forecast that was just published in June that this year US adult social network users will spend an hour and 47 minutes per day on social networks. There's been a pretty significant increase since say 2019 before the pandemic when it was only 82 minutes. But after this year, the increases

are going to be very small, less than a minute per year through 2024 and 2025. So it is a 100% true that every social app is now competing with each other to get people to spend more time. Time isn't increasing so much on social networks. And that, I think is one of the biggest challenges that any new app faces.

Marcus Johnson:

Yeah. And it's a great point. My takeaway was that ByteDance might still need a TikTok backup because a quote from Jeremy saying, "Despite this downturn ByteDance remains committed to reviving the platform, continually recruiting influencers, and posting job listings." And Ms. Chen at Rest at World saying that Lemon8 has also been compared to Xiaohongshu, the Chinese social media and e-commerce platform with over 200 million MAUs known as the country's lifestyle bible. And so I think ByteDance does still believe in it, and TikTok could in theory still get banned, right, Debbie? So maybe they do need a backup if that happens.

Debra Aho Williamson:

Good points. Very good points as always, Marcus.

Marcus Johnson:

Yeah, they're going to need a break glass in case of emergency. But we'll see. That's what we've got time for this episode. Thank you so much to Debbie for hanging out.

Debra Aho Williamson:

Yeah, thank you for having me.

Marcus Johnson:

And thank you to Victoria who edits the show, James who copy edits it, and Stuart who runs the team. Thanks to everyone for listening in. We'll see you guys tomorrow hopefully for the Behind The Numbers Daily, an eMarketer podcast made possible by Awin.