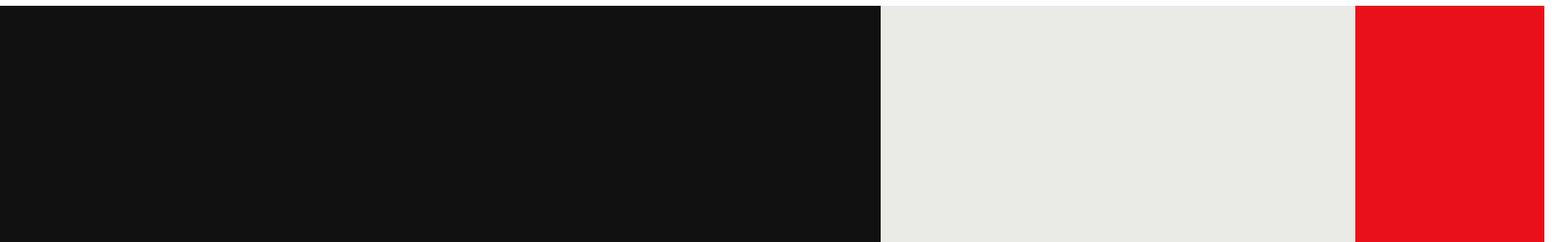


The Daily: Why Google continues to accelerate, Maps becomes Search, and the most interesting trend in affiliate

Audio



On today's podcast episode, we discuss the ongoing antitrust trial between Google and the Department of Justice, why Google should be looking over its shoulder at Amazon, and what to make of YouTube's most recent performance. "In Other News," we talk about why Google Maps is becoming more like Search and the most important thing going on in affiliate marketing. Tune in to the discussion with our analyst Max Willens.

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Episode Transcript:

Marcus Johnson:

Join eMarketer on November 3rd, that's tomorrow, for our next virtual event, Attention! Trends and Predictions For 2024. Our leading analysts and executives from brands like Pepsi,

Colgate, Palmolive, and Kendra Scott will explore trends like generative AI, retail media, and more to help professionals to plan for the year ahead. You can visit insiderintelligence.com/events/summit to register today.

Max Willens:

Even though I think the number of people that are dissatisfied with Google's core products grows every year, albeit from a low base, it's a thing that people fundamentally trust, and so I think that that's something that's going to be very difficult to sort of untangle or unwind.

Marcus Johnson:

Hey, gang, it's Thursday, November 2nd, Max and listeners, welcome to the Behind the Numbers Daily and e-Marketer podcast. I'm Marcus. Today I'm joined by one of our senior analysts covering everything digital advertising and media-based, in Philadelphia is Max Willens.

Max Willens:

Yo.

Marcus Johnson:

Hey fella, today's... Oh, no Facts. Today, it's the surprise question giveaway. So in today's surprise question giveaway, we have free stuff to give you. It's a water bottle, and if you answer this question and send us a screenshot of your review of this podcast, then you get to win it. So the question is, bestselling music artists of all time, the Beatles, number one, Garth Brooks in second. Shout out. Elvis is third. The question is, what was the official debut single of the Beatles? What was the official debut single of the Beatles? Max, do you know?

Max Willens:

I do, but I'm not going to spoil it for the listeners.

Marcus Johnson:

You can say it and then we can bleep you out.

Max Willens:

Oh, I was bluffing. I actually didn't know.

Marcus Johnson:

Oh, okay.

Max Willens:

I have a guess.

Marcus Johnson:

Unbelievable. Sham. Have a guess.

Max Willens:

Is it not She loves you?

Marcus Johnson:

No. No, it's not. So that's one song you guys can scratch from your list if you're thinking of that. It's not that. But you were saying... What's today? You said something else Beatles-related.

Max Willens:

So November 2nd happens to be the day that the term Beatlemania was coined. It came up in a review of a performance that they gave while they were still in England. I feel like a lot of people think of it, and by a lot of people, I mean ugly Americans like me, think of it as being a term related to their arrival in the US, but Beatlemania was well underway before they came to America.

Marcus Johnson:

Nice. I was looking for this surprise question, giveaway question for hours, and then Max was like, "Oh, today happens to be..." Where was that earlier? Could have saved myself a lot of time. But yes, coincidence that that is today and the question is Beatles-related because I had no idea until Max told me seconds before the show started, but that's the question. So if you know the answer to what was the official debut single of the Beatles, send your answer, correct answer plus a screenshot of your review of this podcast into podcast emarketer.com. Or you can DM us at Insider Intelligence, one word, on Instagram. Today's real topic, Google quietly easing itself into fourth gear.

In today's episode, first in the lead, we'll cover some Google stories. Then for another news, we will discuss why Maps is becoming more like search and the most interesting trend in affiliate marketing. We start with Google. Max, let's start by taking a peek at what's going on in the case with the DOJ. So let's check in on that. DOJ versus Google. It's the antitrust trial that's going on right now. We've known for a while that Google was paying Apple to be the default search engine on Apple phones, tablets, and computers, which is a centerpiece of this trial. But the New York Times recently reported that the exact figure in 2021 at least was \$18 billion. \$18 billion. The deal gives Google prime placement on Apple devices, but has also deterred Apple from investing in its own search capabilities according to testimony from a former Google executive who now runs machine learning and AI Apple. Max, what's your take now that we have an actual figure?

Max Willens:

Well, I think that the guys at Bernstein deserve a lot of credit for putting figures out about this years ago, and I think that they're pretty close to being right. I mean, I think what's so interesting about this is there's been all this talk about how this business deal deterred Apple from getting into the search business and quashed a lot of competition. But I think what's really notable is that we have reached a point now where Google has just sort of a really kind of an unshakeable hold on this core kind of consumer search functionality. I think a really important point of comparison here would be just looking at Europe. So after the European Commission, I think, fined Google about five billion euros, Google basically, in an attempt to mollify them after paying that fine, they changed things around inside their Android phones and gave customers an option when they booted them up for the first time.

Which search engine do you want? You can use Google, which we have here, but you can also use DuckDuckGo or Yandex or Bing, or whatever it happens to be. Google would regularly kind of swap in alternatives, and this offering really didn't make much of a difference to their market share in Europe. They still have over 90% market share in Europe. It's down from 97%, but it's still a stranglehold effectively. And so while we know this number, and it speaks to how valuable Google seems to view this placement and this partnership, I do think we've kind of broken past any point of consumers meaningfully changing what they decide to use when it comes to this kind of basic consumer search. As I'm sure we'll get into later, there's lots of different kinds of searches that people do now, and so that's why you see things like Amazon and Walmart search revenues skyrocketing, but the reality is that Googling is still a verb and it's going to stay that way for the foreseeable future, I think.

Marcus Johnson:

Right. It's just become so entrenched now. I mean, had they done that 10, 15, however many years ago, maybe people would've said, "Yeah, I'll give this other one a try," but the behavior is so entrenched, it almost seems like it's not even that fair to say, "Oh, well, we'll give people the chance now or the choice now," because they're going to default to Google, a lot of people, because they've been using it for so long. It's what they know. Part of the case here is the DOJ saying, "Okay, well if it's so easy for people to switch," which Google argues, "Why are you paying \$18 billion a year in hopes that they won't?" Which is kind of a centerpiece of the argument.

Microsoft, they said in testimony that they've tried nearly every year to persuade Apple to switch to its search default to Bing, failed. DuckDuckGo saying it's nearly impossible for consumers to discover rival search engines because of Google's default agreements. The folks calling this somewhat of a peace treaty between Google and Apple. You make us the default and we won't take away any of our apps because it has a bunch of other apps which are really important, especially for people who have iPhones, Gmail, Maps, YouTube, things like that.

Max Willens:

Yeah, absolutely. I mean, I think it's just kind of gotten to the point where Google has effectively created... The ecosystem that they've spent years building has survived and thrived to the point now where people feel some hesitation to leave it. Inside of this ecosystem, this platform that they've built, you have video, you have search, you have local business results, you have reviews, you have shopping. And even though I think the number of people that are dissatisfied with Google's core products grows every year, albeit from a low base, it's a thing that people fundamentally trust. And so I think that that's something that's going to be very difficult to sort of untangle or unwind if the goal here is really to sort of bring some level of parity to the search market.

Marcus Johnson:

So Google recently reported Q3 earnings. They said they made 60 billion from ads, 60 billion from ads. That's up nearly 10% year-on-year. Its search business grew 11%. That accounts for 75% of that overall ads business. Max, what was your biggest takeaway from Google's Q3 performance?

Max Willens:

Well, to me, it just signals how it touches on what we've been talking about already, which is just how kind of dominant and all-powerful their search ads businesses. I mean, I think it's kind of hilarious that they beat the Wall Street estimates for revenue. They had a bounce back year, albeit on weak comps, and investors dinged their stock because their Cloud business failed to hit. They missed their estimates by 2.6%, which I think is just kind of hilarious, especially because Cloud is such a lumpy business relative to search advertising. And so it's not surprising really at all that they couldn't... I mean, it's surprising a little bit, but it's not a shock that they ever so slightly missed this target that they've set out.

And I think, too, the bounce back in their search business amid all the competition they're facing from things like Amazon or Walmart or other search providers being even, it speaks a little bit to, it's kind of like a corollary to something that is sort of an axiom about advertising and marketing, which is just that in times of turbulence, advertisers go to what works. And I guess you could say to a certain extent the results that Google laid out show that the consumers do the same thing. They're not going to abandon the searches that they perform on YouTube or on Google.

Marcus Johnson:

Two things jumped out to me. One, growth accelerating 10%. Google ad growth is the fastest it's grown in the last five quarters, and it's gotten faster and faster each of the last four. So it's continued to get faster and faster. And then the second thing was net income nearly set a record, nearly reached \$20 billion, grew over 40% year-on-year. You mentioned those weak comps, but still 20 billion is just shy of the actual record. Max, today, Google... You mentioned some of its competitors there. Today, Google has a leading 27% share of the US digital ad pie. That's 14 points more... It's good enough for first, and 14 points more than Amazon, currently in third. In two years time, though, that gap will go from 14 point share gap between Google and Amazon to 10. So from 14 to 10. Google is going to lose two points. Amazon's going to gain two. How concerned should Google be about Amazon's growing share of the digital ad pie in the US?

Max Willens:

Well, probably quite concerned, but I also feel like there's not a whole lot they can do about it. One of the main drivers of Amazon's... Well, two things that are really fueling Amazon's

advertising growth. One is just onsite ads. People more and more are just turning to Amazon if they know, "Oh, I need to buy kitchen towels," or I have to buy just some kind of mundane banal good that they know that they can get shipped free to their house. And so they just go to Amazon and that gives them an opportunity to serve up a fresh batch of ads to people. And the other piece of it is just Amazon's expanding offsite ambitions, them turning ads on in Prime video, for example, and the deals that they're forging with other folks to allow their user data to be the sort of spine for advertising across a whole bunch of different surfaces.

And there's really nothing that Google can do about that. I mean, one of the things that's kind of powered Google's business above and beyond the primacy of their search engine is their user data. And Amazon's user data is... It's distinct from Google's, but it's in some ways kind of unparalleled because there's the variety of things that you can buy on there and consume through their products is kind of unparalleled. And so there's not much that Google can do about this, really.

Marcus Johnson:

Yeah, it's definitely something to watch because Amazon, it's been overtaking folks quietly, you can argue, for a while now. Amazon shot past Instagram in terms of share of the US ad pie back in 2020. This year, Amazon overtook standalone Facebook in terms of share the US digital ad pie. Now, they're obviously combined into Meta, and Meta is still bigger than Amazon for now. But yeah, Amazon is really growing and growing in terms of share and in a couple of years getting real close to Meta. And then you can obviously see if you extrapolate that out the similar path, it's starting to hedge closer to Google. Let's talk about another part of Google's business, YouTube. That saw double-digit growth for the first time in six quarters, growing nearly 13%. What stands out to you about how YouTube is getting on?

Max Willens:

So I think that it's important to sort of view the bounce back that they had with a pinch of salt in that they are, as you point out, they've had kind of a rough go of things recently, so they're bouncing back against a kind of weakish comp. But I think the thing that really leapt out to me was in the, I guess it was maybe just in the 10-Q that they put out, Google acknowledged that the bounce back was driven more by brand advertising than by direct response advertising. And I think that that can really be tied to just how much a part of people's big screen TV time YouTube has turned into. There's over 150 million households where people are watching YouTube on a big television every month.

And that's just outstanding scale and it also is really going to afford them a huge opportunity to sort of continue to court brand advertisers, even though a lot of their business is driven by direct response. Being able to attract brand dollars is huge for them. I also was struck by the absence of a new shorts user growth number. They've been very keen to sort of talk about how many billions of people watch shorts all the time, and they didn't offer a new number in this most recent quarter. They did offer an increased number of shorts consumed, but that to me is not as notable because that's a knob that they can fiddle with a lot more easily than a user number.

Marcus Johnson:

Yeah, 70 billion daily views up from 50 billion at the start of the year. But to Max's point, yeah, it's not people, individual people. Final thing here, Max, staying on YouTube, they're making it easier to buy creators products according to our senior retail analyst, Zach Stanbor. Zach recently wrote about two new features that aim to make it easier for creators to market products through videos on its platforms as per TechCrunch. One, YouTube's rolling out a feature that lets creators make a shopping button appear at relevant points in their videos. Think about demonstrating a beauty product. YouTube's test in the US apparently drove folks who saw the timestamps to click on tagged products about twice as often. And the second thing here is YouTube is allowing creators to tag affiliate products in bulk across their video libraries based on products added to the video's description. How much do you think these move the social commerce needle for them?

Max Willens:

I would say it's kind of tough to say. I mean, YouTube has sort of taken stabs at things like this in the past and partnering with companies like Spring. But I think part of the reason that they haven't really taken root in the past is that there wasn't necessarily a scaled population of creators looking to make money in this way. And now that's becoming increasingly more common, especially as you go further out on the long tail into the sort of micro and nano influencer part of the ecosystem. And so as more and more of those people start looking for ways to sort of monetize their followings more effectively, I think you can start to see this work out, but it's not a given to me that this is going to sort of turbocharge their position in that market.

Marcus Johnson:

All right, that's it for the lead. We skip the halftime report. We'll go straight to the second half of the show today. In other news, Google Maps is becoming more like search. And how affiliate marketing is stretching the funnel to find growth. Story one, Google Maps is becoming more like search thanks to AI thinks Andrew J. Hawkins of the Verge. He notes that Google is adding new AI-powered features to Maps like more immersive navigation, better driving directions, and more organized search results, ultimately reminding many users of Google search. And that's the plan. Mr. Hawkins explains that as well as regular Maps queries in coffee shops, Google wants folks to be able to enter vague queries like fall foliage or things to do in Tokyo and get a ton of useful hits. Max, the most interesting sentence in this article about Google Maps becoming more like search is what and why?

Max Willens:

So I'm going to be a little bit cute here and say that the most important sentence is actually a comment on the story. One of the people reading it wrote, "Today, Google Maps suggested I just turn off the interstate to an address that was next to the highway, like just drive right off the bridge." And to me, this is important because I think that a lot of what Google is doing with Maps makes a lot of sense because this is a playbook that worked for search, but it does seem like it's coming at the expense of the core product. It's something that's sort of very difficult to measure independently. But the story was replete with comments of people saying the actual maps part of Google Maps is terrible now.

It's crammed with sponsored search results that aren't that relevant. It tells me to do things that are not safe. It's mapping of the streets that I need to use for navigation has gotten worse. And I think that it's an important thing to not lose sight of as we watch this company continue to sort of look for pockets of growth, is that that growth does come at the expense of the user experience. And that's something that's, I guess, we're keeping an eye on.

Marcus Johnson:

Story two. Max, you wrote that affiliate marketing is stretching the funnel to find growth, noting that top line spending in affiliate marketing looks flat-ish so far in 2023, but that agencies have convinced clients that affiliate marketing can be used to drive results up and down the funnel, a significant win for a channel typically viewed as performance-focused. But Max, what to you is the most interesting finding from your recent report on affiliates and why?

Max Willens:

Well, I'm so glad you asked, Marcus. There was a lot in this report. It's a very diffuse ecosystem, so I try to sort of tag as much relevant stuff as possible. But I really do think that the most interesting thing is unfortunately something that's kind of lurking on the near term horizon, which is what Gen AI's role in affiliate is going to be. Obviously, anybody that listens to this show or reads all the stuff that eMarketer and I puts out knows that Gen AI has been a huge topic of conversation around media this entire year. But I think that affiliate in particular is kind of uniquely vulnerable to disruption at the hands of this technology. And to be clear, the people that are in it are definitely kind of rolling their sleeves up and trying it out. The Performance Marketing Association, which helps cover affiliate, polled its users twice this year. And I think in the most recent poll they'd done, over 90% of respondents said that they were using Gen AI in some way already, which to me is pretty wild.

But there's a version of the future where people really do kind of come to accept the answers from an Amazon search or a Google search where you just open up their search bar and say, "I'm going camping for the first time. What's the best array of stuff that I can buy by spending under 500 bucks?" And just trusting what the answer is and just going... Oh, and then at the bottom, there's just a button you can click to buy it all from REI or from Amazon or whatever it happens to be. And that potentially just completely wrecks or blows up that entire industry, or at minimum just completely transforms how it's viewed and used by marketers. And so I think that just... I'm going to be watching Gen AI. I have lots of angles in the year to come, but I think I'm going to be watching that especially closely because the implications are pretty profound.

Marcus Johnson:

Yeah, it's a very interesting point. That's what we've got time for this episode. Max, thank you so much for hanging out today.

Max Willens:

Always a pleasure, Marc.

Marcus Johnson:

Yes, sir. Pleasure's all mine. Thank you to Victoria who edits the show. James, who copy edits it. Stewart, who runs the team. Sophie, who runs our social media. And thanks to everyone for

listening in. As we mentioned at the top, surprise question giveaway. If you know the official debut single of the Beatles, then send us that answer in to podcast@emarketer.com, or DM us at Insider Intelligence, one word, on Instagram. If you know that answer, send it in with a copy or a screenshot of your review of this podcast and you could win a free Behind the Numbers branded water bottle. We hope to see you tomorrow though for the Behind the Numbers weekly listen and eMarketer podcast. That's how the music goes.

Max Willens:

The theme song needs work.

Marcus Johnson:

I feel like I nailed it, but okay.