

The Daily: Has Meta turned things around, what folks want in a social media platform, and 'Bonus' BeReal

Audio

On today's episode, we discuss how Meta was able to snap its negative ad revenue growth streak, how Reels is helping Instagram grow time spent on the platform, and what Meta's metaverse plans are at this point. "In Other News," we talk about what Americans actually want in a social media platform and whether BeReal's new "Bonus" feature can help keep its momentum going. Tune in to the discussion with our analyst Debra Aho Williamson.

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Episode Transcript:

Marcus Johnson:

Hey, gang. It's Tuesday, May 9th. Debbie and listeners, welcome to the Behind the Numbers: Daily and eMarketer Podcast made possible by InMobi. I'm Marcus. Today I'm joined by our

principal analyst who heads up our social media research based out of Washington State. It's Deborah Aho Williamson.

Debra Aho Williamson:

Well, hello, Marcus.

Marcus Johnson:

Hello, hello. Today's fact. For some reason I feel like you're going to know this one, so no pressure. Where is the largest volcano on Earth located?

Debra Aho Williamson:

It might be underwater.

Marcus Johnson:

Oh, hello. She's getting close. Yep. Yep. But it does poke out the top of the water. So the base is at sea level, but it does poke out the top.

Debra Aho Williamson:

Oh. Ooh, ooh. Okay, so that means it must be an island.

Marcus Johnson:

Oh, she's closer.

Debra Aho Williamson:

Some deducing here. Is it in Hawaii?

Marcus Johnson:

It is in Hawaii. Well played, Debbie. It is Mauna Loa, which means "Long Mountain" in Hawaiian. It's the largest active volcano in the world, covering 2,000 square miles. For context, Rhode Island would fit into the space this volcano takes up.

Mauna Loa's, I'm probably saying this wrong, summit is ... I'm definitely saying it wrong. Summit is nearly 14,000 feet above sea level. That's about, what, about 9,000 miles. But its base is on the sea floor. And from there, the summit is 30,000 feet, three zero, which is cruising altitude for planes, making it taller than Mount Everest, in fact.

Debbie, it's erupted 33 times since 1843, the date of the first recorded eruption. On average, that's one eruption every five and a half years. The last one was in November, apparently, and before that was almost 40 years ago.

Debra Aho Williamson:

Yeah, it's a pretty incredible volcano and it's something to see if you ever go to Hawaii.

Marcus Johnson:

Anyway, today's real topic: Meta's Turnaround, apparently.

In today's episode, first of a lead, we'll cover Meta and whether this turnaround looks sustainable. Then in other news, we'll discuss what folks want from a social network and BeReal's new bonus feature. But Debbie, we start with the lead, and let's talk. We're going to talk about how they did in the last couple of months. We'll talk about how Reels is getting on. We'll quickly check in on the Metaverse. Is that still a thing they are pursuing?

But we'll start with a bit of a headline figure here. So Meta was able to record a positive four percent growth in ad revenue, plus four in ad revenue in the quarter, year-on-year. After seeing the context here is that they saw negative numbers each of the previous three quarters. So it was negative, it was negative, it was negative, and now it's positive. Debbie, how was Meta able to turn things around ad revenue wise?

Debra Aho Williamson:

Well, I think when they announced this revenue growth, it was pretty explosive. See what I did there?

Marcus Johnson:

Oh, oh, oh! Volcano puns.

Debra Aho Williamson:

We're back to the volcano. So anyway, I'm sorry, just had ... But it really was. I mean, it got a lot of press coverage. The market reacted really strongly to the fact that Meta was finally able to turn around, as you said, three straight quarters of negative growth in revenue. And so it's interesting. I guess single-digit growth is the new good or the new great-

Marcus Johnson:

I know.

Debra Aho Williamson:

... for companies in this era.

Marcus Johnson:

Celebrating four percent.

Debra Aho Williamson:

Yeah, we're celebrating four percent. But seriously, I think there are basically three reasons why Meta was able to accomplish this. So the first one is the return of e-commerce advertisers, especially from China. So these are companies based in China that are trying to reach people outside of China with their advertising. So those were called out as being a very strong category for Meta. So that's the first reason. But the first reason is actually tied to the second reason, which is there's an ad format, or basically a portfolio of tools, I should call it, called Advantage+ that Meta has been rolling out.

So Advantage+ has several components. It has shopping ad campaigns that allow advertisers to ... They don't need to manually test their campaigns. Basically, Meta does it for them. They have app campaigns that are Advantage+ that help app install metrics. They have Advantage+ placements which help find the most effective placement across all of Meta's properties and placements for an ad. And then there's a creative tool that is related to Advantage+. So these have really started to turn things around for Meta, and they talked about in the call, in the last six months they'd seen a seven X increase in daily revenue from the Advantage+ shopping campaign.

Marcus Johnson:

And number three?

Debra Aho Williamson:

Yeah, so the final thing really has to do with a couple of unique things that were going on in different world regions for Meta. So for example, they talked about in their call in North America there was this demand from ... In addition to China, there's also a demand in North America from online commerce advertisers. In Europe, in the EU, one of the things that really

helped it was that a year ago was the start of the Ukraine War, and so that made that quarter very challenging. So this quarter looked better in comparison.

Marcus Johnson:

Okay.

Debra Aho Williamson:

In APAC they talked about currency headwinds, and in the rest of the world they talked about an acceleration of growth driven by ad pricing, particularly in the Middle East and Mexico. So a lot of different factors adding up.

Marcus Johnson:

Yeah. The two things that jumped out to me, North America, which you touched on, revenue responsible for nearly half of Meta's money grew a healthy six percent. Again, single digits are the new good, apparently. And then secondly, attractive ad rates. Meta said its average ad price fell 17% year-on-year. So price is looking pretty decent to advertise because they're still making a lot of money, even though we're down to single digit growth being something to throw a party over. Meta made 28 billion dollars in Q1. That's on par, pretty much, with each of the previous 10. So they're still making a ton.

And then, Debbie, just in general, I mean, zooming out, positive signs for digital advertising all round, we estimate that Google and Meta account for basically half of the digital ad market. So if they both do well, that means something of a recovery, potentially, for digital advertising. And Google, which we talked about yesterday, turned ad revenue around Q4 to Q1 from negative four to flat. Their search revenue, in particular Q4 to Q1, went from negative two to plus two, and now Meta snaps the not-so-good streak of three quarters of negative growth, posting a four percent bump. So good for digital advertising in the US.

Let's move on to the users for a second, Debbie, because they also seem to shine in that area as well. What's your take on Facebook growing daily active users by 37 million, which is its highest quarterly growth in nearly three years?

Debra Aho Williamson:

Yeah. I mean, that is interesting, too, because I think one of the common trains of thought, particularly in the developed world, US, Canada, Europe, is that Facebook is basically flat or

maybe even declining. So it's true that Facebook is on the decline in some parts of the world, but where it's growing and where most of this DAU strength came from is in Asia-Pacific, and its rest of world region.

Marcus Johnson:

Yep, five percent.

Debra Aho Williamson:

So if I look at the numbers, so quarter over quarter, 14 million of that 37 million DAU growth came from the rest of world region, and 19 million came from APAC, compared to just three million from Europe and only one million from US and Canada. So that goes back to the story where people tend to look at Europe, US, and Canada and go, "Oh, Facebook is not growing." But really, the rest of world and APAC regions have been and continue to drive stronger growth for the company. They don't monetize these regions as well, so they tend to drive a stronger growth and have, for a while, in users and daily active users. However, the revenue potential is much less from the developing world and from APAC. So that's what they have to balance against.

Marcus Johnson:

Of those 37 million daily active users, yeah, when you combine rest of world and Asia, it's 33 of the 37, so a ton of growth coming from those regions. Two things for me on this one, milestones all round. Daily active users crossed the two billion mark for Facebook last quarter. Continues to grow, obviously, this quarter, but monthly active users dangerously close to the three billion mark. So two billion for DAUs, nearly three billion for MAUs. That's talking about Facebook and both growing.

And then the second thing here, Debbie, is I'm just fascinated by this number, I bring it up every time, but Meta just hoovering up, vacuuming up, if you will, new users. So Meta added 60 million, six zero million new daily users to its family of apps. That's WhatsApp, that's Messenger, Facebook Messenger, that's Facebook and Instagram added 60 million new folks. That's a California and a Florida's worth of new people. That's the largest and the third largest US states by population.

Debra Aho Williamson:

Another thing that stuck out jumped out at me was, and we've talked about this in past podcasts, is their ratio of daily active users to monthly active users. That ratio now is up to 68%, and it's possibly that is the highest ever. I looked back a lot of quarters and hadn't seen it that high in the past.

Marcus Johnson:

It's stuck at 67 or 66, right? Forever.

Debra Aho Williamson:

It had been stuck at 66 for many quarters. It started to inch up to 67% in Q1 of last year, and in Q1 of this year was at 68%, which is just mind-blowing to me that they're able to actually increase, with all the talk about Facebook dying or tailing off, this daily active user to monthly active user ratio at 68% is really pretty remarkable.

Marcus Johnson:

And what that's telling us is basically of the monthly users, more and more of them are coming and visiting the platform daily.

Debra Aho Williamson:

Yes. Basically, that's the summary. Thank you for encapsulating that for me.

Marcus Johnson:

Yeah. Well, it is a fascinating number, something that has been stuck at 66 for such a long time. So as soon as that moves, it's definitely worth paying attention to. I mentioned Instagram, which is part of their family of apps. They don't report a ton of information on Instagram. We have to pick through things to try to figure out how the platform is doing. But one thing they did mention is that time spent on Instagram grew nearly 25%. Why were they pointed directly to Reels? They said Reels is responsible for 25% increase in time spent on Instagram. Debbie, what should we make of that?

Debra Aho Williamson:

Yeah. Well, first of all, that's really awesome that they've achieved this growth, but by the same token, I mean, it's a no-brainer. I mean, videos take longer to watch than scrolling in the feed or reading through your stories. So it's just going to naturally be more time spent. Just take a

look at TikTok. I mean, in the US, TikTok adult users this year are expected to spend 56 minutes per day using TikTok. Comparatively, on Instagram, we expect adult users to spend 31 minutes. So that's-

Marcus Johnson:

Wow, that's half.

Debra Aho Williamson:

... a little over half of the amount of time. So there's a huge gap. But TikTok is all video, essentially, and it's able to drive that time spent not only because of its great algorithm, but because there's video, and you're just going to naturally spend more time watching video. But still, a good finding and a good result for Instagram.

Marcus Johnson:

Yeah.

Debra Aho Williamson:

Unfortunately, though, the negative to that, and Meta's executives talked about this on the call, is that Reel's monetization still has this ongoing problem of not catching up to where it should be compared to, say, Stories or Feed. And part of that reason is because of what we just talked about, people scroll more slowly through Reels because they're pausing to watch videos. So there's fewer opportunities to put ads because the ads typically appear in between Reels, like every few Reels, you see an ad. So that, I think, is really creating an interesting scenario where Meta needs to figure out ways to embed ads in more places within Reels. If you raise the time spent, that's great, but then you can't show enough ads, so that's not good.

Marcus Johnson:

Oh, ad double-edged sword. Absolutely.

Debra Aho Williamson:

There you go.

Marcus Johnson:

Yes, Darrell Etherington of TechCrunch was making this same point. Reels and AI recommendations driving more engagement on Instagram, but that's not yet directly translating to more revenue. Instagram actually acknowledging that Reels were cannibalizing some revenue from stories and feed-based posts since they're accounting for some of the time users would have spent engaging with that content. They did say that Instagram thinks Reels is on track to be revenue neutral by the end of the year, or early 2024, and then positive contributions after that.

Something else, Debbie, I thought was very interesting. This is from your report you just put out on TikTok Reels and Shorts, and you note last summer, total time spent on Reels was less than 10% of the time spent on TikTok, according to an internal Meta document cited by The Wall Street Journal. And you say that combined with a slim bench of ad options has made some advertisers less willing to spend on Reels. So despite the gains that they've made, 10% of the time people spend on TikTok are being spent on Reels. But you also point out the flip side of that, which is Reel's usage is growing. In the report, you note that the percentage of adult Instagram users watching Reels nearly doubled throughout 2022, according to Cohen, and a March 2023 survey you cite from Raymond James, 44% of US internet users, 18 to 60, 44% of them using Reels just below 46% who are using TikTok.

Debra Aho Williamson:

Yep. There's no doubt that Reels is getting more popular, and YouTube shorts. They haven't gotten to the level of popularity with TikTok, but it'll be interesting to watch over the next couple of years.

Marcus Johnson:

Yeah, it's going to be a fun battle. Two other things that are working in Reels' favor are more original content on Reels, not just TikToks that you find on Reels, and then also folks re-sharing Reels over two billion times every day, doubling over the last six months, and Meta pointing to their AI investments for helping to push Reels videos to other folks. The new report I mentioned that Debbie wrote on TikTok Reels and Shorts is called Social Video Usage and Ad Engagement: How Reels and YouTube Shorts Stack Up Against TikTok's Explosive Growth. Link in the show notes, or you can go to insiderintelligence.com to check that out. Debbie, let's end with the Metaverse. We have to. They renamed the company, for crying out loud. What's the plan for Reality Labs and the Metaverse at this point?

Debra Aho Williamson:

Well, first of all, it was in the earnings call. There was a whole lot more time spent talking about artificial intelligence AI than on the Metaverse. So, I mean, that might give you some tea leaves, but at the same time, Mark Zuckerberg also made a very strong point to say there's this perception that we're moving away from the Metaverse to focus on AI, and he wanted to correct that perception and say, "We're doing both." And he made an effort to tie their work in AI that they're doing now to potential benefits to the Metaverse. The reality, so to speak, is that Reality Labs, though, is a huge money loser for Meta. They lost four billion dollars in Reality Labs last quarter on top of nearly 24 billion in the past two years, '21 and '22. And they admitted on the call that Reality Lab's losses are going to increase year over year, this year.

Marcus Johnson:

The revenue for that is going to go down-

Debra Aho Williamson:

And when it's going to make up revenue-

Marcus Johnson:

... 50% as well.

Debra Aho Williamson:

Yeah. Yeah. I mean, between Q1 of 2021 and Q1 of 2023, the revenue from Reality Labs was less than five billion.

Marcus Johnson:

Gosh, yeah. They may be working on these the same in terms of AI in the Metaverse, but that's definitely in the background. In terms of public relations and what they're talking about, definitely AI seems to be more front and center, and Mr. Zuckerberg stressing that Meta no longer behind in building AI infrastructure, announcing plans to roll out. They're basically announcing they're working on a few things in the space. One, directly relinked to the Metaverse, as you mentioned. They're expecting AI to help Metaverse users more easily create avatars and virtual worlds. They also also said that announcing plans to roll out a generative AI product that can be used to create ads for its platforms by the end of the year. And also a chatbot called LLaMA, I think. God knows why.

Debbie, let's end the lead by talking about the mini future, AKA Q2. Dan Gallagher of The Wall Street Journal wrote that such a performance, a Q1 performance, that Meta just posted, raises the question of what the company can do for an encore. Sarah Fischer of Axios says Meta projected that its Q2 would also experience a growth in top-line revenue, a signal to investors that the company believes its Q1 momentum won't be short-lived. What do you think?

Debra Aho Williamson:

Well, if they reach the upper end of their guidance for the amount of revenue they expect in Q2, that would mean Meta would have its first quarter of double-digit year-over-year revenue growth since Q4 of 2020.

Marcus Johnson:

Wow.

Debra Aho Williamson:

So that that's an if, right? But Q2, it'll be interesting, because Q2 I think, again, compares against a pretty rough Q2 of last year. That's when we started to see that negative chain that started our conversation about Meta-

Marcus Johnson:

Yeah, negative one percent.

Debra Aho Williamson:

... today. So yeah, so I think lapping that, to use the term that they like to use, lapping that figure will make their Q2 look stronger. So I think all lives are on Q2 and then into Q3 for these companies. They're certainly not out of the woods in terms of their business. Meta is still going, working through layoffs and much else in its year of efficiency.

Marcus Johnson:

Yeah, it's two negative quarters of growth, which creates ... Oh, sorry, which equals a recession. And so, one positive quarter of growth for a company does not make a recovery, but we'll see what happens in Q2. That's all we've got time for the lead. Time for the halftime report. Debbie, a quick takeaway from you from the first half, please.

Debra Aho Williamson:

First quarter? Oh, no. First-

Marcus Johnson:

First half of the show.

Debra Aho Williamson:

I'm sorry. First half of the show.

Marcus Johnson:

And the first quarter.

Debra Aho Williamson:

Sorry.

Marcus Johnson:

Yep. The first quarter and the first half.

Debra Aho Williamson:

Okay, so I guess this is Meta's year of efficiency, as Mark Zuckerberg calls it. And it's off to a stronger start, stronger than expected start. And in this economic environment, three percent revenue growth, total four percent ad revenue growth is really good. And I think there is reason for hope that Meta might be turning things around in the quarters to come.

Marcus Johnson:

Time for the fourth quarter of the show today. In other news, what do Americans want in a social media platform? Who knows? And BeReal is testing a new BeReal bonus feature.

Story one, what do Americans want in a social media platform? Well, YouGov American just asked 1,000 folks. Here's what they said: They wanted a platform that presented content chronologically that verified user's identity with people using their real name. They wanted their information to always be private, or at least by default. They wanted human moderators to verify accounts and moderate content, and people preferred social platforms that made money through e-commerce or ads as opposed to subscriptions and selling their data. But

Debbie, the most interesting sentence in this article from YouGov on what Americans want in a social media platform was what and why?

Debra Aho Williamson:

The sentence is, "For social media, Americans slightly prefer text and images to audio and video." So why I find that interesting is because last year was a year when we saw lots of pivot towards video, right? So TikTok had taken off, so Instagram talked about how it was going to make a video a centerpiece of the platform, and I know Facebook has also pivoted to video. I mean, we've been basically video, video, video for the past year, year and a half now. And I think what the survey tells us is that perhaps Instagram was onto something in backing off a little bit on video and reiterating that things that are textual and image, particularly images on Instagram, are still important.

Marcus Johnson:

Yeah. The one for me was the most popular types of user engagement, commenting, groups, and private messaging each with around 78%. The least popular was stories, 68%, so only 10 points difference, but still was towards the bottom, live-streaming, 64, and image and video filters, 48. Story two. BeReal is testing a new BeReal bonus function in the UK that would let folks post more than once a day. BeReal's original premise was that users would be alerted one time each day at a random time where they would have two minutes to post about whatever they were doing in that exact moment to try and be more authentic. But Debbie, the most interesting sentence in this article from Jeremy Goldman, who is our senior director of briefings, talking about BeReal's BeReal Bonus Function is what and why?

Debra Aho Williamson:

So I went all the way to the end of the article for this one. So the sentence I picked was, "BeReal's pace of innovation needs to dramatically improve if it is to grow to the point that it can monetize itself." So that's something that Jeremy and I have been talking about quite a lot. I mean, we wrote very early on about the growth of BeReal. We noticed, like everybody else, that had really rocketed to the top of the app charts, and then strangely it never did much with that momentum. And so that is absolutely true, that the pace of innovation does need to improve.

The interesting news is that it seems like BeReal is making an effort to do that with this new bonus function that we just talked about. They've also launched the ability to watch a feed of

celebrity and creator BeReals. Let's pay attention to BeReal. I don't know if it's going to be enough for BeReal to make up for the lost momentum. It probably should have done a lot of these things and shipped a lot of these features sooner. But BeReal is not dead. It's going to keep trying, and we'll see if it can get to the point that it can monetize itself.

Marcus Johnson:

Yeah. We assume everything needs to have 100 billion users for it to be relevant. But as Ethan Cramer-Flood, who's our senior forecasting writer, was pointing out in a piece, there are 17 different ... Actually, more than that, but he listed 17 different video streaming platforms, and not all of them have 170 million viewers like Netflix. Some of them have 50, 40 million, some of them have six million. And so BeReal, they confirmed that they currently have 20 million daily active users.

For context, Snapchat has nearly 20 times as many daily active users. However, it's not nothing. And there was a February survey from Jeremy's article, UK communications regulator, Ofcom, suggesting 12% of British teens, 12% of them are using BeReal. That's nearly as many as those who use Twitter, 15%, and Pinterest at 17. TikTok, for more context, is at 68. That's all we've got time for, for this episode. Thank you so much to my guest. Thank you to Debbie.

Debra Aho Williamson:

Well, thank you, Marcus.

Marcus Johnson:

My pleasure. And thank you to Scott who is editing today's show. Victoria is out. James is also out, apparently, which I didn't realize until very recently. So if the copy looks atrocious, that's why. It's his fault. Stuart runs the team. Thank you to him, and thanks to everyone listening in to the Behind The Numbers Daily, an e-Marketer podcast made possible by InMobi. You can tune in tomorrow for the Reimagining Retail Show hosted by Sara Lebow as she speaks with senior retail analyst, Sky Canaves, and senior director of briefings we mentioned earlier, Jeremy Goldman, all about Nike. You guys call it Nike, and how they've been able to and continue to stay on top.