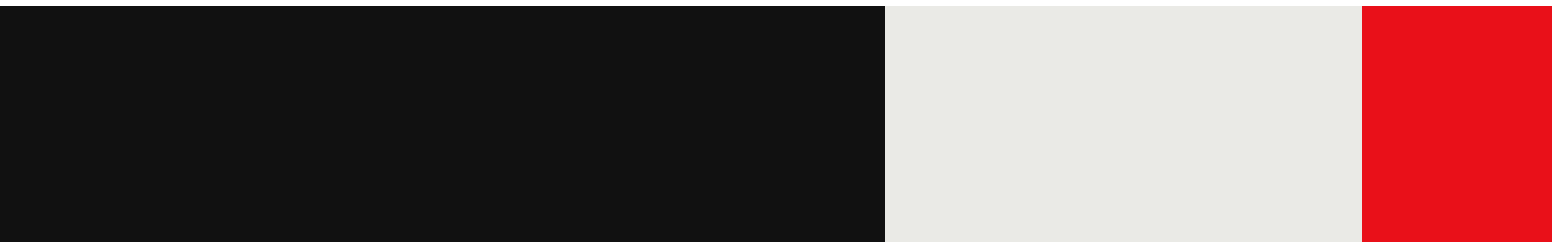


The Daily: 2023 trends— The next tier of digital ads, Gen Z evolves social media, and rethinking customer loyalty

Audio



On today's episode, we discuss the most important trends we're watching in 2023: what's upending the duopoly's dominance, Gen Z putting its stamp on the next phase of social media, what to make of consumers' time and attention declining, and more. Tune in to the discussion with our director of reports editing Rahul Chadha and director of Briefings Jeremy Goldman.



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Episode Transcript

Marcus Johnson: This episode is sponsored by Tinuiti. It's time to stop thinking about brand and performance separately. The funnel has collapsed. Brand and performance are now one. With top-notch marketing, you can go from awareness to click in a few seconds. That means you can sell as you brand and brand as you sell. Rethink performance with Tinuiti, the largest independent performance marketing firm across streaming TV and the triopoly of Google, Facebook, and Amazon. Find out how at [rethinkperformance.com](#).

Jeremy Goldman: There are a lot of people who built a [00:00:30] really strong following, including brands, by virtue of delivering strong, short creative. So people will have loyalty to your channel if you're able to delight them. You just have very little time to convince them that it's worth their time.

Marcus Johnson: Hey, gang, it's Tuesday, January 3rd. Rahul and Jeremy and listeners, happiest of brandest New Year's to you all and welcome back to the very first [00:01:00] 2023 episode of Behind the Numbers Daily, an eMarketer podcast made possible by Tinuiti. I am still Marcus. I'm joined by our director of briefings based out of New York. It's Jeremy Goldman.

Jeremy Goldman: Happy New Year. Great to be with you.

Marcus Johnson: Hello, hello. We're also joined by one of our directors of reports editing. He's also New York based. It's Rahul Chadha.

Rahul Chadha: Happy New Year, Marcus, and to our listeners too.

Marcus Johnson: Hey, fella. Gents, today's fact, to try and get you through this abysmally cold [00:01:30] period that we have to go through every year. Well, at some places. That's why I

migrate south for the winter. It's too horrible in the colder parts. Sunsets are typically prettier in the winter. That's nice. So cold, non-humid air... It's not just an opinion. This is a real thing. Cold, non-humid air is clearer than warm summer air, which allows the colors of the sun to shine through more clearly. That's not bad, is it? One benefit [00:02:00] to it being miserably cold.

Jeremy Goldman: That's the first new thing I've learned all year.

Marcus Johnson: You're welcome. Anyway, today's real topic: the most important trends we're watching in 2023.

So we recently put out our Top Eight Trends We Are Watching in 2023 report, and we wanted to share a few of those with you on the podcast [00:02:30] to start the year. We'll look at about four of those eight predictions for 2023, and then at the very end, we'll take one or two from Jeremy and Rahul that didn't quite make the top eight list but are still very important. So let's get into it, gents.

The first one we're going to talk about from the report is the next tier of digital advertising is here, and it's upending the duopoly's dominance. This section was written by Insider Intelligence Principal Retail Analyst, Andrew Lipsman. And what he's talking [00:03:00] about here is Meta and Google losing their complete stranglehold on the digital ad space. Andrew reminds us that Apple's anti-tracking initiative has created major disruption for both companies' display ad businesses, upending their foundation of targeting and measurements.

So with tens of billions of dollars up for grabs, the next tier of digital ad players is poised to exploit the opportunity. Andrew believes that digital advertising's next tier is in tech, retail, and streaming, but notes that advertising is not the primary business of most of these next tier [00:03:30] players, like Amazon, Walmart, Instacart, Apple, Microsoft, Hulu, Spotify, TikTok, and Netflix. However, each does have huge audiences, unique first-party data, and the deep pockets to make a bigger dent in the digital ad space. So Jeremy, I'll start with you. Outside of Amazon, who do you think is the next most important digital ad player now and I guess going into 2023?

Jeremy Goldman: Well, since I think that you just obviously alluded to Apple, I want to talk a little bit about, [00:04:00] I'd say, Hulu, which we touch upon in the report. And then Disney, more broadly speaking, I think, is a very interesting one because if you think about it, Disney with respect to the fact that they've upped their game from a privacy, from a clean-room

perspective, so that they have really great data to work with. The fact that, unlike Netflix, they have the wherewithal of having Hulu's capabilities and their years of ad sales and advanced [00:04:30] capabilities tied to Hulu. They're a really interesting player to pay attention to, that I don't think enough people are actually paying that much attention to in relation to some of the big players.

Marcus Johnson: Yeah. We've got some new numbers on Disney+ and how much they're going to make from ads. Their new ads tier is out, Disney+ with ads, as well as Netflix with ads. And Peter Newman, who's one of the directors of forecasting who worked on that forecast, was saying that Disney+ expected to make more than Netflix in terms of money made from [00:05:00] its ads in 2023, this year, and next year as well. Not a ton more, but still more, which is interesting. And I think, yeah, Jeremy, it plays into that point that you made, which is that they have experience selling ads, and Netflix doesn't. It's new for them. Rahul, how about you? Which digital ad player do you also find interesting?

Rahul Chadha: Sure. I'm not sure they're going to be a key advertising player, but the one that's most interesting for me to watch is Walmart, actually, because they're the biggest retailer in the US, but they're not yet a natural [00:05:30] part of most digital shoppers' path to purchase, meaning people don't, when they're shopping online, don't instinctively think to go to Walmart to search for something in the same way they would for Amazon. But I think their major advantage over Amazon is their brick-and-mortar presence. We count in-store retail as part of our retail media ad revenues, and I think they're adding a bunch of technical features and partnerships to build out their online ad capabilities. Their online website functions as a marketplace now, so it's starting to look a lot more like [00:06:00] Amazon.

But I think the trick for them is to try to figure out how to get people to start shopping online with them, and I think a key part of that strategy was Walmart+, their subscription service that's an analog to Amazon Prime. And they haven't really hit it out of the park yet with Walmart+ yet, but I think they have the deep pockets to keep funneling money towards these endeavors. So I'm curious to see how their strategy shapes up next year.

Marcus Johnson: Yeah, definitely one to watch, not just in terms of how they stack up against Amazon anymore, but how they stack up against these different [00:06:30] digital ad players. But they've got their work cut out for them. One of the points made in this part of the report from Andrew was that we're expecting Amazon's ad business to grow more than Meta's and Google's combined in terms of dollars. So Meta's expected to increase by 2.7 billion, Google's

by 2.1 billion, and we expect Amazon's ad business to grow by more than both of those combined. Obviously, from a smaller base but still pretty significant.

Let's move to another [00:07:00] trend, gents. This one is about Gen Z putting its stamp on the next phase of social media. We credit our principal analyst who heads up our social media team, Debra Aho Williamson, for writing this next 2023 trend. She writes that TikTok needs to watch its back. It may be Gen Z's favorite app. We expect nearly 70% of Gen Z internet users to use it monthly next year, she points out, but emerging competitors like BeReal are gaining traction. Debbie notes [00:07:30] the comparison between a fall 2022 Piper Sandler Survey and our own forecasts showing that the percentage of US teens who use BeReal looks to be ahead of where Instagram and Snapchat were around three years post launch. So put another way, three years after launch, 16% of teens used Instagram. Three years after Instagram came out, 16% of teens used it. Three years after Snapchat came out, 35% of teens [00:08:00] were using it. That's double. But BeReal, which launched this year, already has 34% of teens using the app. Jeremy, what do you make of BeReal's impacts on the social media world?

Jeremy Goldman: Yeah, so first off, I was actually glad that Debbie asked me earlier this year to write this analyst take on BeReal because it forced me to watch to see what brands were doing on BeReal and what the appeal of the platform was in general. And I think that [00:08:30] really what this tells me is that TikTok has to be mindful of the fact that younger consumers have certain things that they care about, particularly authenticity. Obviously, TikTok is something else that they care about, and TikTok is often not about authenticity. So there are a lot of seeming inconsistencies when you look at those two things.

I think ultimately, BeReal can only become a true threat if it continues to grow and [00:09:00] add features and figures out how to monetize, right? Because you can keep on growing at this rate, and then your servers go down, and then people flock to somebody else who basically has the exact same playbook as you except for the fact that their servers are up. So ultimately, it is TikTok's to lose, and BeReal has to perform pretty close to flawlessly if they want to inherit the Earth. So [00:09:30] the odds are against it, but it's still worth watching.

Marcus Johnson: Yeah, BeReal, this app which asks folks who use it to take a picture of what they're doing at a random moment throughout the day. It will alert folks as to when that moment is, and they have a couple of minutes to do it and to post it along with everyone else who's on the app. It took off last year. But Rahul, do you see a future for BeReal, or is this just

another app that gets copycatted out of existence by the other established social media platforms?

Rahul Chadha: [00:10:00] That's a great question. I think BeReal, one of its key differentiators is, as Jeremy mentioned, its authenticity, and I think that's actually a really difficult feature to copy. If you see somebody doing some kind of BeReal thing in your Instagram feed, it's kind of incongruous with those carefully curated and filtered photos that make up the vast majority of the feed. But as Jeremy mentioned too, I think monetization is going to be a really hard challenge for them without turning off their users. The Financial Times reported in September that the company was looking hard at adding additional [00:10:30] features and charging a subscription fee. I think trying to figure out how to pump ads into the experience is going to be difficult for them. And as Jeremy mentioned too, I think most brands are using it as kind of like an owned channel right now in terms of their marketing strategies.

Marcus Johnson: Yeah, the how-they-make-money part is fascinating because you mentioned maybe potentially charging a subscription fee. Debbie was saying that one trend to kind of watch this year and going forward is that ads may not be the primary revenue source for [00:11:00] social media platforms in the future. Not saying that's going to happen tomorrow, but especially for some of these new players, these new platforms... Legacy social platforms, she notes, get the vast majority of their revenues from ads, but this newer crop will look to commerce, subscriptions, and paid features. She notes that adult Gen Z social media users, so that's 18 to 25-year-olds, were more likely than any other generation to agree that ads are annoying on most social platforms.

Rahul Chadha: Sure. And sorry, I just wanted to mention too, one of the challenges, I think, [00:11:30] the shiny new thing in social media is always going to face is that it's going to get... The early adopters are going to be younger generations. But these platforms all have to scale in order to generate revenue. And once your dad gets on the platform, if you're 14, that's probably like... It's going to lose some of its allure and their sheen. Yeah, so these platforms... I think you've seen other platforms like Clubhouse and Houseparty kind of gain a lot of media attention and then sort of flame out. And that's kind of a combination between their features getting copied, but I think that it is a challenge for any social platform in terms of [00:12:00] maintaining their relevancy to the younger users.

Jeremy Goldman: I'm excited to see all of my great-great-grandma's snaps. I don't know what you're talking about.

Marcus Johnson: Let's move to a third trend here. Consumers' time and attention are declining, but marketers haven't evolved. Our former colleague, Dave Frankland, wrote this part of the report. Shout-out to Dave. Dave notes that attention spans are declining across all ages, according to studies, particularly for Gen Z adults, [00:12:30] though, 18 to 25, as we mentioned, who've grown up in a world of YouTube and TikTok, where short-form videos are the norm. And they decide instantly whether to invest their time and attention in content, skipping content, including ads, that doesn't interest or entertain them. So, Dave says, the entire marketing department and agency workflow needs to be reshaped to deliver campaigns that meet the audience's expectations.

We were saying on another episode that if you're a 15-year-old, a 17- [00:13:00] year-old, an 18-year-old, you don't know a world that doesn't include YouTube, doesn't include Facebook in some way, shape or form, that doesn't include a smartphone. So this is a world where they're so used to shorter form everything. And even older folks, that behavior is trickling over to older demographics, where their attention spans do seem to be getting shorter and shorter. Rahul, what's the biggest impact of this seemingly shortening attention span?

Rahul Chadha: I think Dave breaks it down tremendously. The challenge for advertisers used to thinking in 30-second TV spots [00:13:30] is that they're going to have to be more nimble. They're going to have to be quicker, more responsive. And I think one of the things that underlies all those things is they're going to have to accept a lot more risk actually in the way they create and deliver their creative. And I think for brands that want some kind of certainty in terms of the outcome of their campaigns, that's a really tough pill to swallow. But the people who do it and get it right, I think, are going to have a huge advantage.

Marcus Johnson: Yeah. Jeremy, your thoughts?

Jeremy Goldman: Sorry, what's that? I wasn't paying attention.

Marcus Johnson: Unbelievable.

Jeremy Goldman: [00:14:00] In all seriousness, I will say, I think that people make a lot of the fact that there's no attention span and that we're all goldfish now. And I think that the truth of the matter is, is Rahul's right and I think Dave is right. In terms of the way that you design your campaigns and your creative, you've got to be rethinking it from a fundamental perspective. But that doesn't mean that people won't seek out your TikToks. [00:14:30] If you're thinking in this eight-second mindset, if you're creating a lot of different short-form content, it doesn't

mean people are only going to watch one of those things and then not go to the next one and the next one and the next one. There are a lot of people who built a really strong following, including brands, by virtue of delivering strong, short creative. So people will have loyalty to your channel if you're able to delight them. You just have very little time to convince them that [00:15:00] it's worth their time.

Marcus Johnson: Right. Final trend, gents, from the report at least that we're going to talk about, is brands rethinking how they earn customer loyalty. Our head of retail and principal analyst, Suzy Davidkhanian, wrote this next section in concert with Dave. They noted that as consumer needs change, so does their loyalty, especially as price increases are hammering households. Nearly six in 10 adults are less loyal to a brand due to rising [00:15:30] costs. Six in 10 less loyal to a brand due to rising costs, according to data company Dynata. So, loyalty must evolve. Suzy and Dave think that one way it might do so or is doing so is by companies offering programs at different price points, Netflix being one example, which just launched an ad-supported tier that we talked about earlier. Another example they offer is casual dining restaurant chain, P.F. Chang's, who provide a free [00:16:00] loyalty program as well as higher-value paid membership options. Rahul, your thoughts on how loyalty is going to be evolving in 2023?

Rahul Chadha: I think the most interesting aspect about this idea or trend to me is the free membership programs. I think for so long with digital advertising, we talked about value exchange. The ecosystem hoovers up customer data, and everybody's making money off of it except for the customer. With free loyalty programs, you can provide [00:16:30] some value to the user. Especially if we're moving into a kind of recessionary or downturn in the economy, those coupons, those discounts, free shipping, at least for retailers, those are all going to be huge incentives for a customer to sign up for a membership program. And the brand gets a bunch of data on their customer that they can use for marketing and remarketing, among, I'm sure, many other purposes. So I think the trade-off there is pretty clear.

Marcus Johnson: Yeah. Jeremy, your thoughts on loyalty and how it could be evolving [00:17:00] in 2023?

Jeremy Goldman: Yeah, I definitely think this is a case where it continues to evolve, and it's not dead. This is an opportunity for brands. For instance, the fact that they can offer more options in terms of how to pay with respect to... There are multiple platforms, including Peacock, that have different levels of advertising within the platform, and then you pay

different amounts depending on how much you're willing to see in terms of ads. [00:17:30] So I think the same thing is true in terms of subscription clubs offering different memberships that have different values.

Another key thing is, as Suzy and Dave pointed out, you have a lot of people that are canceling memberships, and that is a hint that they're not getting value from those memberships. So it's important to look at those subscriptions and to see what can you do better as an organization in order to deliver that value, especially at a time of increased competition, which, let's face it, there are a lot of things [00:18:00] here that can change in 2023 and beyond. One thing that's not going to change is the increased competition that the digital economy affords. So you have to be really mindful of that if you're a brand selling to consumers.

Marcus Johnson: All right, well, there are the four trends we wanted to talk about from the report. There are eight in the report. We head now to the cutting-room-floor trends. As I mentioned, eight in the report. We talked about four, but we wanted to ask Jeremy and Rahul for an extra trend, a bonus trend each, [00:18:30] that they would like to tack onto the top eight to give us a top 10. So Jeremy, I'll start with you. What's your bonus trend for 2023?

Jeremy Goldman: One that I'm really thinking about is that you're going to see more and more of these big tech giants that are just going to be up against one another, in each other's business, I guess you could say. You see that with YouTube's shorts going up against TikTok more and more. You can see that even in [00:19:00] the space where Google is going to probably have a chatbot interface to compete with ChatGPT, and Meta is looking to do similar things in that regard. You've obviously seen more and more emphasis from Amazon as an ad player to go against some of the stalwarts that we always talk about within the digital advertising space. So I can go on, but I think that really you're going to see more and more of each competitor trying to [00:19:30] stake out ground on one another's turf.

Marcus Johnson: Yeah. Yeah, that's a great point. We used to have AVOD, advertising video on demand, and SVOD, subscription video on demand, and now there's just hybrid video on demand. I think Peter Newman was saying that Apple is the last holdout in terms of putting ads on its platform. So yeah, I think the blurring of the lines across, it seems, every single space is a really good one. Rahul, how about you? What's one bonus trend for 2023?

Rahul Chadha: Yeah, you just mentioned Apple, and I think their forays into advertising are going to be really [00:20:00] interesting to watch. They effectively kneecapped the

capabilities of competitor ad sellers, namely Google and Facebook, with changes to privacy tracking on iOS earlier last year. That actually makes them a good candidate as an ad seller themselves now. How fortuitous for them. Another analyst or one of our advertising analysts, Evelyn Mitchell, has also talked about the potential for them to really upset the apple cart if they launched their [00:20:30] own search engine. Is it happening in a skunkwork somewhere deep in the caverns of Apple's offices? I don't know. But it'll be interesting to watch them build out their advertising capabilities. And I think they've already started increasing ad loads on the App Store if I'm not mistaken. So I think they're definitely signaling that they're interested in generating new revenue streams from advertising.

Marcus Johnson: Mm-hmm. Fantastic. Well, that's what we've got time for for the lead. It's time now for the post-game report. Jeremy, I'll start with you. What's one trend that we've talked about [00:21:00] today that you think is worth paying the most attention to?

Jeremy Goldman: I think it's really important to think about Gen Z putting its stamp on social media. They're going to continue to be a cohort that the average advertiser wants to pay a lot of attention to. So obviously, it's TikTok's to lose, but it remains to be seen if anybody else can get in there, including BeReal.

Marcus Johnson: And Rahul, the one trend you think is most interesting from everything we've discussed?

Rahul Chadha: I think the reshaping [00:21:30] of the digital ad landscape is the thing I'm most interested in watching. For so long, this story's been kind of the similar story of Google and Facebook or now Meta gaining share and kind of dominating everybody else, and now... I don't think the change is going to happen immediately, but slowly. I think we've identified a bunch of key players in those changes over the next couple of years.

Marcus Johnson: Mm-hmm. Well, the full title of the report is called Top Eight Trends to Watch for 2023: Demographic and Behavioral Shifts Reshape the Landscape. We [00:22:00] only covered four of the trends, as I've mentioned, but pro subscribers can head to insiderintelligence.com to get more detail on those four we discussed and the other four we didn't talk about. A heck of a collective effort from all of the analysts we mentioned plus Jasmine Enberg, Eleni Digalaki, Tiffani Montez, and Yory Wurmser. But that's what we've got time for for this episode. Thank you so much to my guests for being on the very first episode of 2023. Thank you to Jeremy.

Jeremy Goldman: It's been an honor. Thank you.

Marcus Johnson: Thank you to Rahul.

Rahul Chadha: Thanks for having me, Marcus.

Marcus Johnson: And thank you to Victoria, [00:22:30] who edits the show. Happy Brand New Year to her as well. Thanks to everyone listening in to the Behind the Numbers Daily, an eMarketer podcast made possible by Tinititi. You can tune in tomorrow for the very first Reimagining Retail episode of 2023, where host Sara Lebow speaks with Suzy Davidkhanian and Carina Perkins about the key retail trends for this year.