

# eMarketer's Analysts Explain Mary Meeker's '2019 Internet Trends Report'

Five highlights and five charts on private messaging, ecommerce and social media

**ARTICLE | JUNE 21, 2019**

**Amy He**

**M**ary Meeker, “queen of the internet” and venture capitalist at Bond Capital, released her highly anticipated annual “Internet Trends Report” and touched on everything from digital media usage in the US to consumer confidence in China in the 333-slide presentation she gave at the Recode Code Conference earlier this month.

A couple of items stood out to us, so we offer our analysis on five of Meeker’s conclusions.

## **A Private Messaging Movement in the US? Not So Fast**

*By Debra Aho Williamson, principal analyst covering social media*

Is encryption really what consumers care most about when it comes to private messaging apps? On slide 168 of her presentation, Meeker pairs two charts in a discussion of privacy concerns impacting internet usage. The chart on the left shows the growth in worldwide MAUs for messaging services and places fully encrypted services Telegram, iMessage and WhatsApp at the top of the chart, with Twitter and WeChat, which do not offer end-to-end encryption, at the bottom.

Facebook Messenger, Instagram and Gmail, which offer either optional or announced end-to-end encryption capabilities, are shown in between. The other chart, from security services company Fortinet, shows the amount of global web traffic that is encrypted has risen from 53% in Q1 2016 to 87% in Q1 2019.

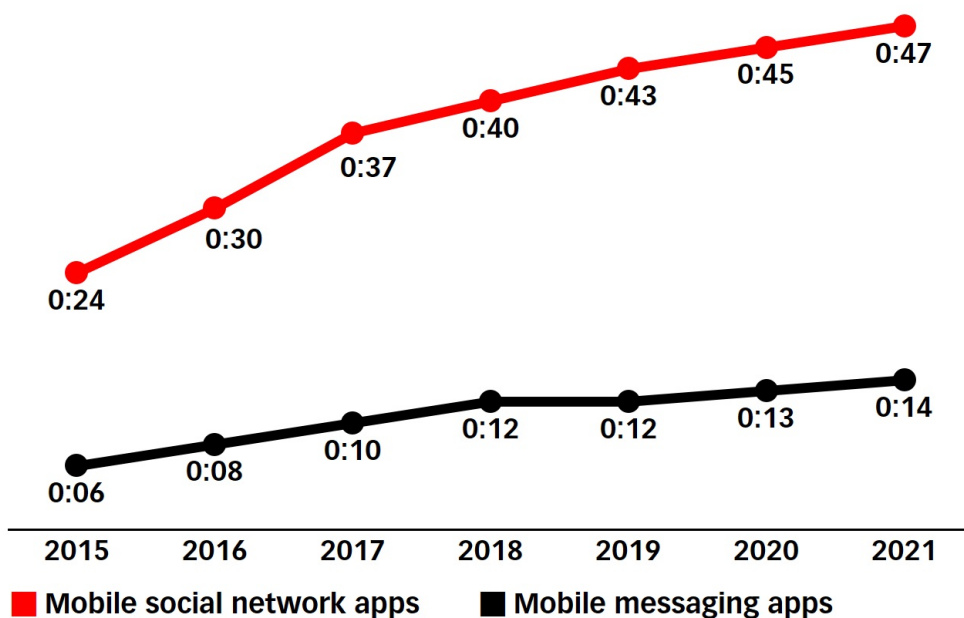
The implied takeaway from these charts is that consumers are becoming more inclined to seek out private ways of communicating. But, the problem is that these charts are unrelated. The MAU chart shows data only through 2017, and Messenger and Instagram didn't announce their plans to add encryption until this year. By placing services with smaller MAU counts (Telegram, iMessage) at the top, that chart implies that the presence of end-to-end encryption is driving usage growth.

The Fortinet data, meanwhile, shows the percentage of web traffic that uses HTTPS as a security protocol, and as such, it is more of a reflection of changing corporate security needs as mobile traffic has increased, rather than consumers' desire for privacy.

We believe that time spent in mobile messaging, at least in the US, will remain well under time spent in social networks.

## Mobile Social Network Apps vs. Mobile Messaging Apps: Average Time Spent in the US, 2015-2021

hrs:mins per day among population



Note: ages 18+; time spent with each device includes all time spent with that device, regardless of multitasking; for example, 1 hour of multitasking on a messaging app while on a social network app is counted as 1 hour for messaging app and 1 hour for social app; both mobile messaging time and mobile social time include Snapchat  
Source: eMarketer, April 2019

T10175

www.eMarketer.com

And while it's true that mobile messaging app usage is rising, it's not necessarily because of the presence of encryption. This year, there will be 2.3 billion mobile messaging app users worldwide, up 9.2% over 2018, according to our forecast. However, 63% of users will be in China, where the government intensely regulates encryption.

## Tech Companies in Latin America's Private Sector Step in to Bolster the Digital Economy

By Matteo Ceurvels, research analyst covering LatAm and Spain

As more consumers in Latin America come online and take part in the digital economy, technology companies in the region's private sector have played a fundamental role in bolstering a culture of ecommerce. In

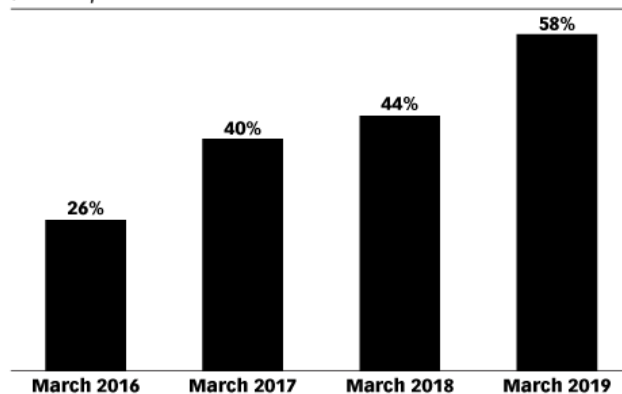
Meeker's report, we get an interesting look at how players like Rappi have ultimately reshaped the way consumers transact online.

Latin America is home to countries with some of the world's worst traffic. For many, a simple trip to the store could turn into a whole day affair—taking into consideration the time it takes to go from point A to point B in crippling traffic.

But as consumers' purchasing power continues to grow, many are now turning to on-demand, last-mile delivery startups—like Rappi, Glovo and UberEats to name a few—to seek out convenient ways to get products delivered without having to venture out into grueling, gridlock traffic.

In particular, Rappi offers consumers a quick and efficient way to fulfill their orders by capitalizing on the region's longstanding bike culture. By offering consumers the ability to get anything delivered in fewer than 30 minutes for less than a dollar, monthly orders have experienced year-over-year, exponential growth. As a result, Rappi is now one of the latest Latin American startups to achieve "unicorn" status—that is, a privately held startup company valued over \$1 billion.

**Smartphone Owners in Brazil Who Have Ordered Food via Smartphone Apps, March 2016-March 2019**  
% of respondents



Note: n=2,115 ages 16+  
Source: Mobile Time and Opinion Box, "Panorama Mobile Time/Opinion Box – Comércio móvel no Brasil," May 2, 2019

248086

www.eMarketer.com

## The Rise of Pinduoduo and the Consumer-to-Manufacturer Model in China

*By Man-Chung Cheung, research analyst covering China, Japan, and APAC*

Meeker's presentation identifies the "consumer-to-manufacturer" model (slide 57) that's very quickly finding ground in China's ecommerce space, be it on Alibaba's Taobao Live, Kuaishou or Mogujie. Under this model, digital shoppers interact directly with merchandise manufacturers or brands via live stream to express their preferences for items. These ideas and data are harnessed and applied to the production process, making high levels of personalization possible.

The next step is to incorporate automation to increase efficiency and drive down cost. Eventually, we will see an end-to-end digitization and full interconnectedness of the supply chain, and that may happen in China first.

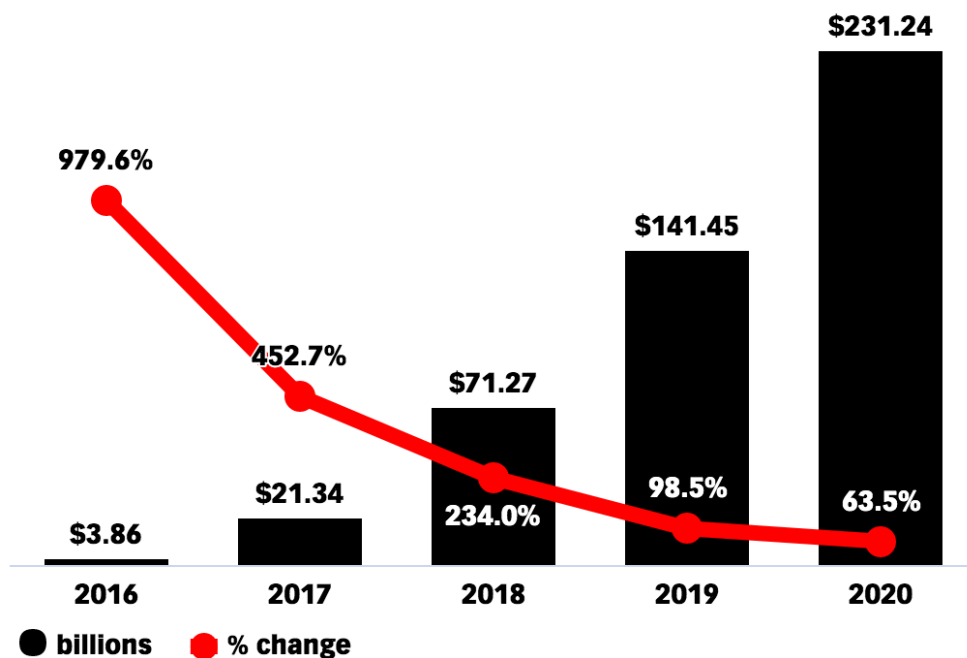
Related to the consumer-to-manufacturer model is ecommerce platform Pinduoduo, which allows users and their contacts to shop as a group to get the lowest prices on products. The ecommerce retailer knows exactly which buttons to push to motivate shoppers to buy: Consumers in China trust word-of-mouth recommendations, which is why social commerce works so well.

Pinduoduo gets digital buyers to share their desired items on social with their friends in order to get a better price. Pop-up banners constantly flash on top of the screen alerting shoppers to what others are buying, tapping into consumers' fear of missing out. And the extremely affordable pricing ensures consumers come back often.

We estimate that Pinduoduo's retail ecommerce sales will be \$141.45 billion this year and grow 63.5% next year to reach \$231.24 billion next year.

## Pinduoduo Retail Ecommerce Sales

China, 2016-2020



Source: eMarketer, May 2019

www.eMarketer.com

## The Fragmentation of Media Consumption in the US

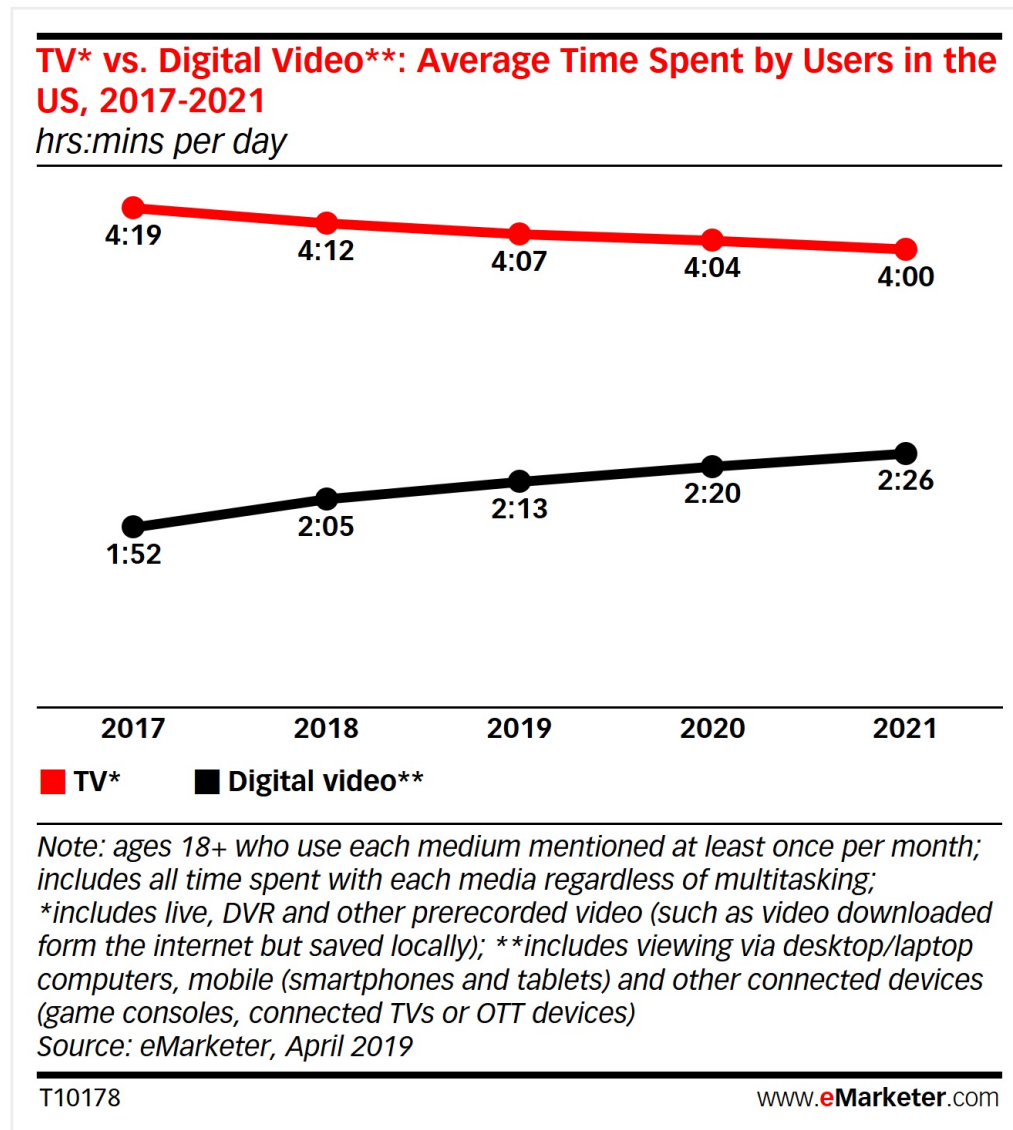
By Ross Benes, analyst covering video

Meeker highlights the increasing use of second screens (slide 38), which underscores how people's fragmented media consumption is disrupting the way marketers approach TV advertising. As TV marketers struggle to determine the best way to do branding, more will turn to cross-device targeting.

Furthermore, the growing amount of time that people spend streaming digital videos through their phones, computers and TV sets is blurring the distinction between digital video and TV. To some people, the definition of TV has become an existential topic now that ordinary users and advertisers are focusing on internet-enabled TV viewing.

And although digital video is gaining traction at the same time that TV is becoming more data-driven, it's also worth recognizing that

traditional linear TV hasn't gone away; it still accounts for a hefty chunk of overall watch time. We estimate that US consumers will spend 4 hours, 7 minutes on TV this year, and 2 hours, 13 minutes on digital video.

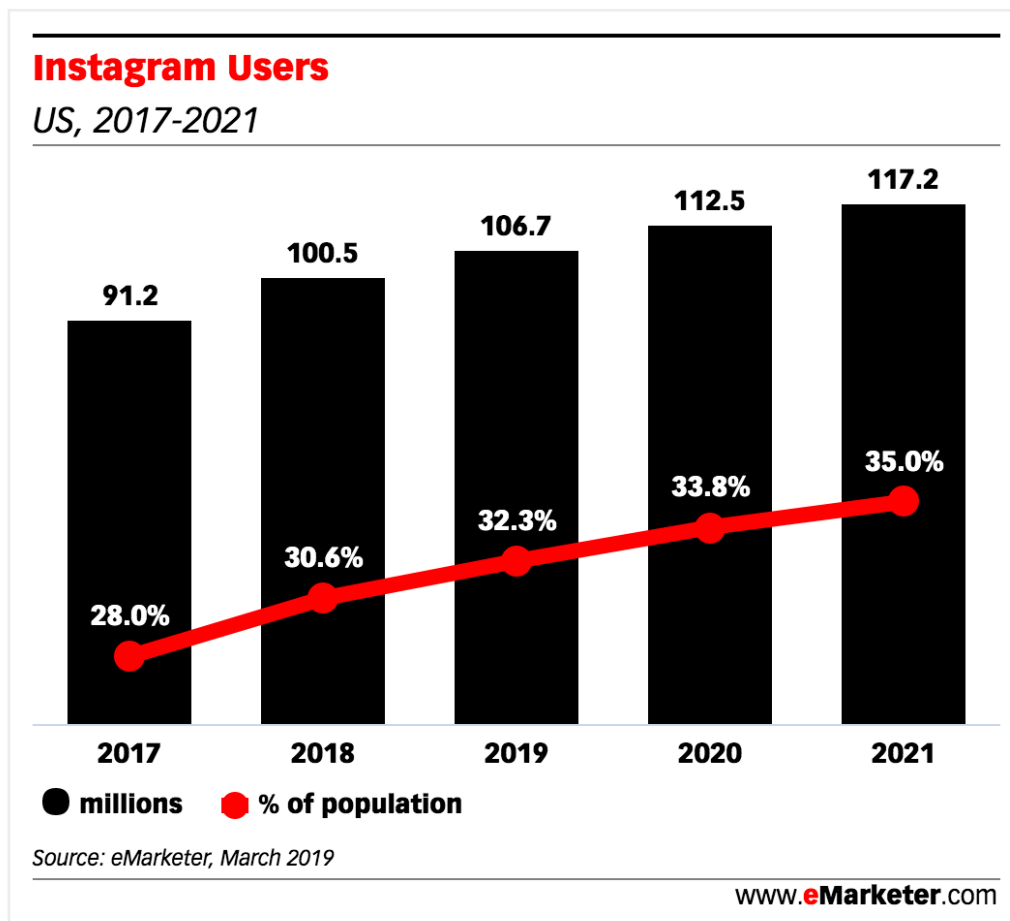


## Are Images Replacing the Written Word?

*By Mark Dolliver, principal analyst covering demographics*

As social media has evolved, some people are increasingly inclined to share images instead of written words. This is a trend we have noted in covering the rise of platforms like Instagram and Snapchat. Meeker's

presentation touched on the topic with data on steep rises in image creation and sharing, along with increasing sophistication of image usage on venues like Pinterest and Instagram—slides 79 and 80—the latter of which has seen a steadily increasing user base, and which we estimate will have 117.2 million users by 2021.



But one of the most striking slides had no images at all—just words (slide 86), noting that “our brains are wired for images” and included a reference to writing as “a hack, a detour.”

Well, yes, but it’s a “detour” central to the emergence of advanced human civilization. If images are displacing the written word, the implications extend well beyond technology usage or how society shapes itself. Among other things, it portends an internet-age division between “haves” and “have nots”—in this case, between people who have a lot of information and those who don’t.



It hardly needs to be said that digital technology enables people to gather unprecedented amounts of information and even (sometimes) synthesize that information into genuine knowledge. Plenty of people—Meeker among them—will continue to use digital in that way. But we do see a drift in which the written word matters less to lots of people as they find it more fun to focus on images. Granted, most people will do some of each. But the many for whom written words become an unloved second choice will lead lower-information lives, at least in relation to those who still gravitate toward the written word.