

The Daily: Publishers future, part 1—What to do about the GenAI issue, BeReal's next move, and X pivots to CTV

Audio

On today's podcast episode (part 1), we discuss what publishers can do about GenAI that summarizes answers, how to strike the right ad load balance, and who has the best 'what-to-do-about-social-media' strategy. "In Other News," we talk about what social app BeReal's next move will be and why X (formerly Twitter) is pivoting to CTV. Tune in to the discussion with our director of Briefings Jeremy Goldman and analyst Daniel Konstantinovic.

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Episode Transcript:

Marcus Johnson:

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Jeremy Goldman:

Essentially social media is a major gatekeeper at this point. The other one is search. If you're building a strategy that would be reliant on social media, I would just ask that publisher why, given the fact that the rules of engagement can just change on you immediately.

Marcus Johnson:

Hey, gang, it's Monday, April 1st. Danny, Jeremy, and listeners, welcome to the Behind the Numbers Daily, it's an eMarketer podcast made possible by Walmart Connect. I'm Marcus. Today, I'm joined by two folks, both of them right in from our briefing. One of them is a senior director of briefings based in New York, it's Jeremy Goldman.

Jeremy Goldman:

That's me. How are you doing?

Marcus Johnson:

Hey, fella, very good. Thanks for being here. We're also joined by someone else in New York, it's Daniel Konstantinovic, who writes for our marketing and advertising briefing. How are you doing, fella?

Daniel Konstantinovic:

Doing good. How about you?

Marcus Johnson:

Yes, very good, sir. Today, we're talking all about the future of publishers in part one of our two episodes. The second one will be tomorrow. But we start with today's fact. We don't use just 10% of our brains. Huh.

Daniel Konstantinovic:

Huh. Who would have thought?

Marcus Johnson:

I know.

Jeremy Goldman:

We use 8%?

Marcus Johnson:

Just eight?

Jeremy Goldman:

I don't know.

Marcus Johnson:

Short change me, Jeremy. Yeah, we don't just use 10%, we use all of it at one time or another. A lot of the brain is even active when a person is resting or sleeping. The 10% myth was debunked in a study published in *Frontiers in Human Neuroscience*. Where did the myth come from?

Medical News Today explains that, in an article published in 1907, an edition of the *Journal of Science*, psychologist and author William James argued humans only use part of their mental resources, but he never gave a percentage. The figure was referenced in Dale Carnegie's 1936 book, *How to Win Friends and Influence People*, described as something the author's college professor used to say. There's also a belief among scientists that neurons make up about 10% of the brain's cells, which may have contributed to the 10% myth.

Jeremy Goldman:

Wow.

Marcus Johnson:

This one was heartbreaking because I'd always told myself there's a whole other gear I could reach if I just tapped into the other 90%. It turns out, this is as smart as I'll be. How disappointing. Anyway, today's real topic, *The Future of Publishers Part One*, what to do about the gen AI issue.

In today's episode, first in The Lead, we'll cover the future of publishers. Then, for In Other News, we'll discuss social app BeReal's next move and why X, formally Twitter, is pivoting to CTV of all things.

We start of course with The Lead. Gents, we've put our heads together and decided there was too much to talk about for one episode on the future of publishers, broke it into two. In this first one, we wanted to set the stage to start out with. Let's do that first. It's no surprise, publishers are struggling, a lot of folks would know that. It seems like there's almost too much evidence at this point, a lot you guys have written about. We've seen recent layoffs at tech news site Engadget, Conde Nast, Time, The Washington Post, The LA Times. Vice Media and Sports Illustrated have more than uncertain futures. Online news site The Messenger is closing down after just eight months, and much, much more.

Daniel, I'll start with you though. What jumps out to you regarding the current backdrop of publishing?

Daniel Konstantinovic:

A lot of publications, especially ones that started out as print and tried to make the pivot to digital, have struggled for a long time and now it's reaching a point of severe decline, or maybe an end game, and things need to change. There are going to be a few, I would say, strong survivors of the current landscape and a lot of companies that are trying new things. Out of those companies that are trying new things, which I'm sure we'll talk about, hopefully a new business model will emerge because the current model of purely relying on advertising revenues just isn't working out for a lot of reasons.

Marcus Johnson:

Yeah. Jeremy, what jumps out to you?

Jeremy Goldman:

I'm trying to separate out what I hope to happen from what I think might actually happen because certainly, we do need some strong publishers. Even the big companies, like big tech and AI that's dinging publishers right now, I would argue that you maybe have ... They do need some strong content to pull from. But ultimately, yeah it's a really challenging business model right now.

Marcus Johnson:

One of the most pressing questions at the moment for publishers is this question of what to do about gen AI. Danny, you wrote in a January piece, "Google working to launch gen AI search features that summarize articles and answer user's queries without having to click through to read links, a develop that threatens publisher revenues to a significant degree." Of course, because publishers hope that you click on their links, click on their sites, and then they can make money through subscriptions, or ads, or whatever.

Danny, I'll start with you because you wrote about Google working on this gen AI search. What are publishers supposed to do about ChatGPT like gen AI that summarizes answers?

Daniel Konstantinovic:

Oh, that's a tough question.

Marcus Johnson:

Figure it out, Danny! Come on.

Daniel Konstantinovic:

Yeah, I'm going to figure it out right now.

Marcus Johnson:

People are relying on you.

Daniel Konstantinovic:

I'm going to fix the media business model, right here.

Marcus Johnson:

Finally.

Daniel Konstantinovic:

What are they supposed to do? There's little that they can do.

Marcus Johnson:

Oh, dear.

Daniel Konstantinovic:

The publishing industry ... Yeah, it's not much of a solution.

Marcus Johnson:

That's bleak.

Daniel Konstantinovic:

The publishing industry has been dependent on platforms for a long time, whether it's traffic from social media platforms or Google, like Google Search is the last big platform that I would say the publishing industry is dependent on. A lot of these companies are relying on being the first result in a Google search. Google has said, "If we do this chatbot answer, we'll make the chatbot link to the story where they got the answer." But if I'm a user and I'm asking a question, and I have the answer right there, why would I click through to the article?

Marcus Johnson:

Yeah. People already do that when you Google something, just at the top. The answer's at the top.

Jeremy Goldman:

That is I think one thing that was really interesting, is that web snippets, which I feel like in some ways you're referencing, at the start, they were these innocuous things about, "Oh, let me figure out how, as a publisher, I can format all of my content so that snippets gets surfaced. It's a really good search marketing practice, where I can get more organic traffic to my site," and some of that is true. Some people will click through and you'll be rewarded in that way if you play that game. But what's also true is that not everybody will click through because you've done such a good job at surfacing exactly what they needed, that they're like, "Why should I actually bother to go through?"

As a result, Danny is completely right. If you can basically chop off 20% of your digital ad revenue right off the top, because you're just not getting that traffic. Then you have to essentially charge more for the remaining clicks in order to remain competitive, and then you're no longer a good price and you could be undercut by everybody else. That's part of what makes it so challenging.

Daniel Konstantinovic:

Yeah. If you are charging more for that ad space, advertising data that publishers can provide is often not as robust or useful as data from social media platforms, where there's much more intricate user information that can be pulled out of it.

But to answer your question more specifically, Marcus, I'd say there are maybe three things that publishers can do.

Marcus Johnson:

Oh! I'll take a list.

Daniel Konstantinovic:

One of them is strike deals with AI companies, which is something that a bunch have already done. Including Axel Springer, our parent company, has struck deals with AI companies for licensing purposes.

Marcus Johnson:

Yeah.

Daniel Konstantinovic:

They are turning this technology that could pose an existential threat into a revenue source.

Marcus Johnson:

It seems like there could be a few others as well. The Associated Press-

Daniel Konstantinovic:

Yes.

Marcus Johnson:

They've struck a deal. Then, Bloomberg reporting CNN, Fox Corp, and Time have all had discussions about licensing their work to OpenAI.

Daniel Konstantinovic:

Yeah.

Marcus Johnson:

Definitely one lifeline, so to speak.

Daniel Konstantinovic:

But we don't really have numbers for those deals.

Marcus Johnson:

Good point.

Daniel Konstantinovic:

The question is, is the money that they're getting from OpenAI, or whomever, enough to offset the loss in ad revenues that AI search could present? It's unclear and I don't think it's a panacea.

But another thing that they could do, and this is not such an easy solution, is try to rely less on ad revenues that come from Google search or social media links, and try and build a dedicated audience. This is something that The New York Times has done well, and The Verge has done well, and a couple of other Vox sites. These are sites that have focused not so much on being the first result on Google, although they often can be, but they are really working hard to develop a devoted readership so that you have people visiting their homepage every day or every other day, who aren't dependent on traffic from Google. They're coming there out of a desire to see what's on The Times home page, or The Verge home page, rather than hoping that they land at the top of the search results and get traffic.

But that's not so easily done, that requires a major strategic and editorial shift, and it's not something that can be done overnight. The companies that are doing it well now are companies that have been working in that direction for a while. It may be too late to pivot for some of those companies that are still relying on the shrinking model.

Jeremy Goldman:

Yeah. I would just add on to the fact that it's a little bit like if you're playing most sports, like basketball, soccer, or whatever. You should probably be going towards where the ball is headed, not where it's been. I think with a lot of publishers, we have seen this where some publishers almost wish that they were starting their new venture 10 years ago, 15 years ago, and then they adhere to an outdated playbook in terms of how they're going to get their traffic, how they're going to monetize, and instead it's actually a much better idea of thinking

about, "What direction are things going," and then try to build a company that's essentially future-proof because it's leaning into the trends of the business world of today.

Marcus Johnson:

Dan, you had three?

Daniel Konstantinovic:

Yes. The third one, I'll just say really quick, is you could what The New York Times seems to be doing with AI, which is using it to try and bolster their ad business by providing more detailed or robust user data. The New York Times is suing OpenAI because they couldn't figure out a content licensing deal, but they are trying to use the tech to plug what's historically been a pretty big gap in publishers' ad businesses. I just mentioned that platform data from YouTube, or Instagram, or whatever is usually more useful to advertisers than something from just the publisher's website, so the hope is that AI can plug the hole there.

Marcus Johnson:

Jeremy, apart from what happens when gen AI summarizes your ask when no one clicks through to your website, another concern is ad load balance. You need to make money, you put ads on your site. If you put too many, it becomes cluttered, no one wants to read content on that site. In your opinion, how will the sites strike the right ad load balance?

Jeremy Goldman:

Some of it is really involving looking at sponsorships, looking at deals that are going to add to your bottom line, like if we're thinking about advertising and promotions, look into things like that, that are going to allow you to keep the ad load at a permissible level. Because if you just basically say, "Hey, what we're going to do is just essentially turn our sites into junk in the spirit of keeping afloat," it becomes a bit of a vicious cycle where you start to increase the ad load, you're sending signals to Google that you're a lower quality site. Your users start to feel like they're being treated like they're lower quality.

Marcus Johnson:

Yeah.

Jeremy Goldman:

Then it becomes a very pernicious cycle and it's really hard to get around it. I think one of the key things is essentially find advertising adjacent revenues that can help you stay afloat. There are some examples of companies that are, forget about data licensing and things like that, but even leaning into events and experiential, and finding adjacent services like gaming. If you think about The New York Times, to increase time spent and increase the overall fidelity of the platform, rather than just have a never-ending cycle of ads that you just have to keep on increasing the load because your user base is dwindling. Nobody wants that.

Marcus Johnson:

Yeah.

Daniel Konstantinovic:

Yeah. I think what Jeremy said about the vicious cycle is exactly right. There are a lot of companies that you could point to who have had this issue. Gannett, which owns a ton of local newspapers, which has just shrunk really significantly year, after year, after year and is really struggling. Another one is G/O Media, this is a company that bought up what was formerly Gawker and a number of their sister websites. There is news that they are selling off a couple of their websites. I think it is The AV Club and The Takeout to two buyers. Their portfolio of sites is a really key example of ones whose ad load has just increased to a point that has really, really detracted from the user experience.

Marcus Johnson:

The final question we wanted to tackle with things that publishers are struggling with right now is social media. Social media platforms have significantly impacted publishers, of course. One stat that highlights that is half of American adults get their news from social media. 53% of X or Twitter users get their news from there. 43% of Facebook and TikTok users get their news from those platforms, those apps respectively.

Jeremy who's got the best what to do about social media strategy in terms of publishers?

Jeremy Goldman:

It is tricky. I think that, again, some of the ones that have the best what to do about social media strategy are the ones that are increasingly building around social media rather than relying on it, rather than counting it. That's ultimately the best way to grow. There are some, including The Times, but not exclusively. There are a number that are really investing in email

marketing, SMS marketing, everything that gets you around the gatekeeper. Essentially social media is a major gatekeeper at this point. The other one is search. If you're building a strategy that would be reliant on social media, I would just ask that publisher why, given the fact that the rules of engagement can just change on you immediately. If I see somebody on stage saying, "Oh, here's my great case study about how I work with social media," there's absolutely nothing that you can do as a publisher that will stop that social media platform that you're reliant on from changing its model and its algorithm if it chooses to. In that way, the best one is to not be reliant on it whatsoever.

Marcus Johnson:

I think a big part of the problem here is trust issues. People's distrust in news and information on social media was only slightly higher than it's levels of distrust around information on TV and on news sites, according to the UN Educational, Scientific, and Cultural Organization, UNESCO. But I think that this is a problem that could take a very, very long time to fix because people are going to social media because, a lot of times, it's easier to get there, it's where they're hanging out, it's where they're spending their time. But in terms of trust, it's on a similar par with some of these more established media channels, anyway.

That's all we got time for, for part one. Part two, we're talking all about what's next for publishers, but we move to the fourth quarter of today's episode. Today, In Other News, BeReal is facing a critical juncture, and X, formally Twitter, pivots to CTV and video.

Story one. Jeremy, in a recent Briefing Us call, you write that, "Spontaneous photo sharing app BeReal is facing a critical juncture as it's financial prospects dim and user growth plateaus to 25 million daily active users." You point out that BeReal's journey from a pandemic era sensation to its current financial crossroads illustrates the ephemeral nature of social media's success. Jeremy, BeReal's next move will be blank, in your opinion?

Jeremy Goldman:

BeReal's next move will be not covered by any mainstream publisher. You see how I brought it back to the first?

Marcus Johnson:

Oh, I see what you've done.

Jeremy Goldman:

I'm not trying to burn BeReal at all, and I think that it was a really interesting case study in can you be a standalone minor social app these days, and the answer is no, it's really winner take all to some extent. If you're not giving people a compelling reason to keep logging in, and if they're getting basically most of their entertainment and social interaction elsewhere, it's just that much harder to get people, to convince people to open one more app during the course of the day. BeReal hasn't given people enough of a compelling reason to do that.

Marcus Johnson:

Yeah. Social media relies on the network effect, and there's just not enough folks on it. BeReal, in 2022, was gaining some popularity but by mid 2023, just 15% of Gen Z'ers were using it, according to our July survey.

Story two. Jeremy, in another piece titled X, Formally Twitter, Pivots to CTV and Video, you explained that Elon Musk is ambitiously expanding X with a connected TV app, debuting on Amazon and Samsung devices, in an attempt to emulate YouTube. He points out that, "The platform's existing user base and brand identity are rooted in short form," so making a sudden pivot to video feels like a potentially jarring transition.

Danny, how likely is this to succeed out of 10 and why?

Daniel Konstantinovic:

I'd say maybe, oh I don't know, five, but that feels generous. That's still five out of 10, that's a failing grade. But maybe a little bit better than I first expected because we wrote a story, using our industry KPI data from Adelaide, that showed that X had a pretty surprising attention value metric for ads. Basically, YouTube was the dominant platform for social attention for advertisements, but X was in second place. That's if you exclude podcasting. It was still a distant second, but second nonetheless. I think that shows that maybe it's something that shouldn't be written off by default by all advertisers, that there's a potential there to reach specific audiences with particular effectiveness. It might not be the right answer for everyone, but it might be the right answer for some.

But at the same time, I think recent developments at X show that this change is just as subject to the whims of Elon Musk as any other, because a big anchor of their video business was this deal with Don Lemon, and then that was axed basically instantaneously after an interview that Musk wasn't too big of a fan of. It's not the most reliable place to bank your advertising spending, even though you can reach some users pretty effectively there.

Marcus Johnson:

On the face of it, this does feel like a panic of move because the amount of money X, or Twitter, makes from advertising was more than cut in half last year.

Daniel Konstantinovic:

Yeah.

Marcus Johnson:

But, we'll see. That's all we've got time for for this episode. We'll see you tomorrow for part two of The Future of Publishers. Thank you so much to my guests. Thank you to Jeremy.

Jeremy Goldman:

See you tomorrow.

Marcus Johnson:

Thank you to Danny.

Daniel Konstantinovic:

Yeah, I'll see you tomorrow. Hopefully, we'll have some more positive things to say about the state of publishing.

Marcus Johnson:

We'll try. Thanks to Victoria, who edits the show, James, Stewart, and Sophie, the rest of the podcast crew, and thanks to everyone for listening in. We hope to see you tomorrow for part two of the very episode of the Behind the Numbers Daily, an eMarketer podcast made possible by Walmart Connect.