Ross Benes, and Jeremy Goldman

The Daily: Digital Trends for H2 2024—Beyond AI replacing people, Venu Sports getting delayed, and more

Audio

On today's tiny "Shark Tank"-style podcast episode, our contestants pitch their most interesting predictions for the rest of 2024 including how AI messaging will change, when Venu Sports will actually launch, and more. Tune in to the discussion with analyst Ross Benes and director of Briefings Jeremy Goldman.

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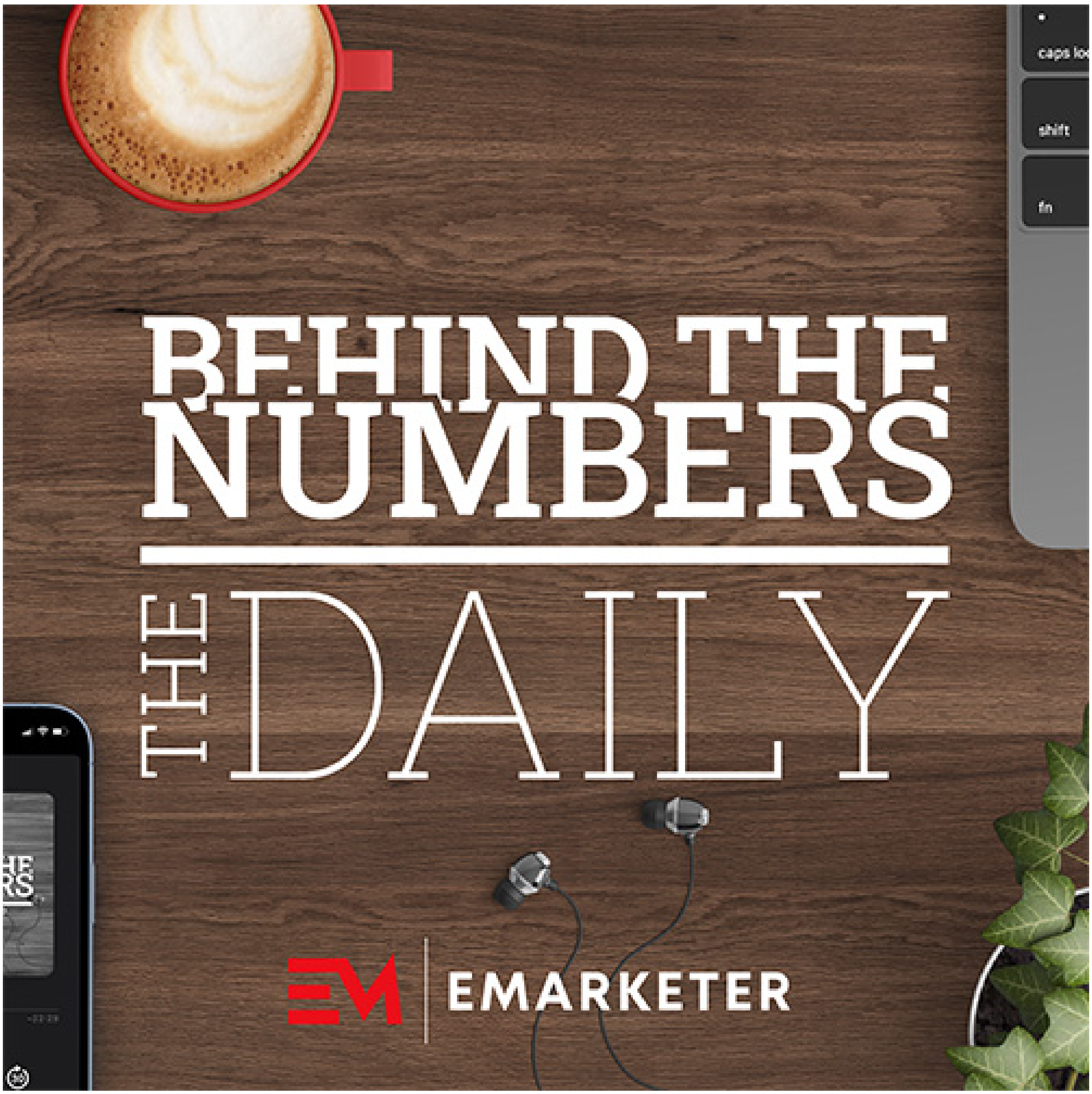

Episode Transcript:

Jeremy Goldman (00:00):

And part of why we were able to achieve that is because of AI and the efficiency of getting the right people in the right seats who are not afraid of the technology, who are able to use it and treat it like a tool and not a replacement for human personnel. That's the kind of thing that I think is more likely to happen.

Marcus Johnson (00:23):

Hey gang, it's Tuesday, July 9th, Jeremy, Ross and listeners. Welcome to the Behind the Numbers Daily and E-Marketer podcast. I'm Marcus. Today I'm joined by two people. We start with our senior director of briefings. He's based in New York, the city. It's of course Jeremy Goldman.

Jeremy Goldman (00:39):

It's a pleasure to be with you on this fine Tuesday, Marcus.

Marcus Johnson (00:43):

Hey fella, good to see you again. We're also joined by one of our senior analysts who covers everything digital advertising and media based just north of New York City. It's Ross Benes.

Ross Benes (00:53):

Hey Marcus.

Marcus Johnson (00:54):

Hey fella. Today's fact, where did killer whales get their name? This could get really dark, so I'll just tell you there is no record of an orca ever killing a human in the wild according to livingscience.com since humans are not part of their natural diet. Thank goodness. The name Killer Whale derives from the original name whale killers given to them by sailors who saw them hunting other often larger whales. And over time, the name switched around from whale killers to killer whales. Their scientific name Orcinus orca comes from the mythical Orcus, the Roman God of death and the underworld.

Jeremy Goldman (01:37):

Why did they kill the other whales? Are they just mean or-

Marcus Johnson (01:41):

No, it's not for sport. They're to eat. They eat them. Anyway, today's real topic, digital predictions for the rest of the year. In today's episode, first in the league, we'll cover some predictions. [inaudible 00:02:02], here's how today's episode will work. We're playing Shark Tank. And so Ross has to convince me and Jeremy first of his prediction and it's going to happen this year. And if he does convince us, we will, "Invest in it." Then it's Jeremy's turn, me and Ross become the new panel and so on and so forth. As I mentioned, both those two folks have two predictions for us each, so four total. Let's do it. Ross, I'm starting with you. 60 seconds on the clock for your first pitch, something you think is going to happen in the world of digital by the end of 2024.

Ross Benes (02:31):

In the United States, this election will be the last one where most political ad spending goes toward traditional television.

Marcus Johnson (02:44):

Okay, tell me why you think that.

Ross Benes (02:46):

So the share of total advertising that goes to television has been dropping a little bit. It is where the lion's share is, but it went from over two thirds in 2020 to 58% in 2022 to 56% in 2024. It's kind of crazy that it's still the majority because linear television is a small part of total media budgets, only about 15% right now, it really sticks in politics. But in four years, or even in two years, I expect CTV podcasts or retail media to grow and eat more of these budgets and for cord cutting to reduce the audience to the point where advertisers look for other methods during political seasons.

Marcus Johnson (03:30):

So the current balance of power is I think 7 billion spent on political TV ads versus 1.5 billion for political CTV ads. You think the scales are going to tip in the favor of CTV in four years.

Ross Benes (03:44):

Not just CTV. It'll be political, just won't be the majority. CTV is just one part of everything else. There's social, there's mailing, there's out of home. There's a lot of things that aren't just television light.

Marcus Johnson (03:58):

Oh, I see what you mean.

Ross Benes (03:59):

Television's going to go under 50%.

Marcus Johnson (04:01):

Got it. Okay. Not TV versus CTV, TV versus the field.

Ross Benes (04:06):

Yeah. Linear TV for the first time will not be more than 50% come 2026, for sure by 2028.

Marcus Johnson (04:14):

Okay. So I saw that political CTV ads account for about half of all digital political spend, so they account for quite a lot. But you're right, there are a lot of different media types and so this is, okay, TV versus the field. Jeremy, what do you think?

Jeremy Goldman (04:26):

I think it's a really interesting one. I think it becomes a little bit kind of juicier if you say that we reach there by the 2026 mid-cycle election rather than 2028, then it gets me more intrigued because I totally agree about the 2028 as to whether or not we hit there by 2026. How much are you willing to bet on that?

Ross Benes (04:48):

I think 2026 is still a little bit of a stretch, but to get your investment, I'll go ahead and-

Marcus Johnson (04:55):

Jeremy's, I know he's a true shark. He's like, "If you can move down to 2026, I'll give you the full point, the full investment points." Are you moving Ross?

Ross Benes (05:04):

Yeah, I'll move.

Marcus Johnson (05:05):

Oh, Jeremy, hard ball well played. I don't know how much I love the 2026. What did you say it was today? What's it right now?

Ross Benes (05:14):

Right now it's about 57%, between 56 and 57. But it's going to continue to erode a lot.

Marcus Johnson (05:23):

Yeah, I'll give you half a point.

Ross Benes (05:25):

Okay.

Marcus Johnson (05:26):

I'll give you a half a one.

Jeremy Goldman (05:27):

How many points do I have to allocate?

Marcus Johnson (05:28):

One. Just one. You only get one investment point. I've cut mine in half though because Susie started doing it a few episodes ago and apparently it's caught on. I told her she shouldn't, but-

Jeremy Goldman (05:29):

All right. Can I do three quarters?

Marcus Johnson (05:41):

You going all in? No, no. Paul tried that nonsense the other day. I told him no quarter points. Half was a [inaudible 00:05:46].

Jeremy Goldman (05:46):

We're analysts, we're precise. Well, okay, fine.

Marcus Johnson (05:49):

Point two. No, half or full. You going all in?

Jeremy Goldman (05:52):

Fine, then I'm going to go half rather than full. But I do think you may have-

Marcus Johnson (05:54):

You made him change his prediction. You made him change.

Jeremy Goldman (05:57):

I know. I thought I could do three quarters.

Ross Benes (05:59):

I went down for no reason though.

Jeremy Goldman (06:01):

No, but it is spicy and it's a lot more compelling and I think that one thing that's really important for us to keep in mind is so much is being spent over the next few months that there's going to be stronger data as to what performs and what doesn't. And I think that this could be a moment where it gives a lot of political advertisers that measurement capability to say, "Let's actually move towards more channels." That's why I think that there's a lot of possibility in Ross's prediction.

Marcus Johnson (06:29):

Yeah, that's a good point. And just because of those measurement capabilities and targeting capabilities, there's so much more money now in... So US total political ad spending 2016 total everything was 4 billion. This election, eight years later, 12 billion is what we're predicting. So it's triple what it was in 2016. All right, very good. Ross, you get one and a half investment points over a possible two, so not a bad start. Jeremy, your first prediction is-

Jeremy Goldman (06:58):

So I think one thing that you're going to see is retail media has increasingly gotten... I want to say it's something that people are aware of right now. It's something that has become a meaningful part of the bottom line of a number of major players, not just Amazon, even though a lot of people will start the conversation there. And what that means is that you're going to see more non-endemic advertisers that aren't selling on a particular site that are going to start to market through retail media channels. And just some of that is naturally going to be because you have to anniversary the retail media sales that you generated the year before and you're going to have to find ways to grow that. And some of the ways that you do that are to increase the cost to your advertisers that you have and some of it is by picking up new advertisers and opening up more inventory. Yeah.

Marcus Johnson (07:50):

Yeah. So to just explain, most folks probably know what that is, but non-endemic, some retail media networks starting to sell ads to advertisers who are pushing products or services not sold by the retailer behind the retail media network. And so that's who we're talking about, folks who don't typically sell through a retailer who are advertising through that retail media network. So non-endemic folks.

(08:14):

It seems though a fair few retailers seem to have given non-endemic a try. There was this one study from Merkel, I found more than half 53% of advertisers have leveraged media networks with retailers where they are a non-endemic brand. However, Jeremy, I'm wondering if the value proposition is clear enough and our retail media lead, Sarah Marzano was noting retailers must clearly articulate their specific value proposition to the non-endemic advertisers. So I think that might hold this back. What do you think?

Jeremy Goldman (08:45):

I think that it's a valid point and I think that that's a hurdle to get through. I think that there's another major hurdle, which is we're really talking about the customer experience. And do you want to lead people off of the site? Do you want to muddy up the interface to a point where it gets in the way of creating more e-commerce dollars and transactions? That's something that certainly these platforms have to be really beholden to. But these are problems that they're business is going to start to acknowledge and operate around, right? This is not something that stops you from doing it. It's more like a known hurdle that they're going to have to deal with if they want to keep growing.

Marcus Johnson (09:23):

Ross, what do you think?

Ross Benes (09:24):

It's really, clear the benefits for an endemic advertiser, why you'd want to advertise on any of these retail media networks. But what's the incentive for a non-endemic to start buying this type of advertising?

Jeremy Goldman (09:36):

I guess I would kind of answer the question with a question, which is, what's the incentive to anybody to advertise on Meta where you're interrupting somebody's experience with something that you think is going to be somewhat valuable to them. But it's still an interruptive experience for retail media. And I think that this example was given by Sarah Lebow on the really great Re-Imagining Retail podcast where if you sell grills, if you're in Home Depot or Lowe's, then you might very well sell barbecue sauce. It's relevant to the query. So the key thing is if it's not interruptive and you've got people at a moment where they need that product, why wouldn't you buy that media?

Marcus Johnson (10:17):

It's hard to know the market size here and Sarah Marzano who covers retail media for us was noting non-endemic advertising data is pretty limited. It's a huge space in terms of retail media. We think it's going to be 54 billion this year, but the non-endemic is hard to quantify. So I'm not sure. I also found another study retailers, also don't rank non-endemic partnerships among their top priorities according to Merkel. Again, other priorities, higher priorities, we're creating deeper partnerships with tech companies and media platforms, building a connection between merchant teams and retail. They've got a whole list of stuff. The very bottom of the list I think in 10th place was provide a way to partner with non-endemic advertisers or brands. So I'm not sure. I think eventually, but I don't think soon. Definitely not by the end of this year. I'm out on this one, Jeremy. Ross?

Ross Benes (11:02):

Well, I'll go half a point because I think it has some validity. But what stops me from going full point is there is a lack of data in there as Sarah mentioned in her report. If you were able to make a prediction on say, the share of retail media that's coming from non-endemic is going to grow from 10% to 33%, that's just a made up example, that sort of concrete specificity would be something that would encourage me to go more in.

Jeremy Goldman (11:32):

Totally fair. I will just say if anybody's listening to this and they would like us to do the digging-

Marcus Johnson (11:37):

If anybody's listening.

Jeremy Goldman (11:39):

We know that there's at least 14 people listening.

Marcus Johnson (11:43):

Don't give away our numbers, our listener thank you very much.

Jeremy Goldman (11:43):

No, 14,000,000.

Marcus Johnson (11:47):

14 [inaudible 00:11:47]. 14 million. Okay.

Jeremy Goldman (11:51):

We will definitely do the digging if it's useful to people and I do think that we should have some more specificity there. So Ross, I think you're spot on.

Ross Benes (11:59):

On. Well, and if any retail media network has data they want to share anonymously about the share of non-endemic advertising they're selling in their retail media network, we'd also take that.

Marcus Johnson (11:59):

Will you guys stop using this as a platform-

Jeremy Goldman (12:08):

Hit us up through a secure channel.

Marcus Johnson (12:11):

... to do your primary research? All right, folks. That's two in the books. Ross, your next prediction.

Ross Benes (12:20):

So the sports streaming joint venture between Fox, Disney and Warner Brothers known as venue sports is supposed to launch this fall. My prediction is it will be delayed and it will not launch this fall.

Marcus Johnson (12:35):

Okay. So this is the, folks, as Ross said, the sports focused streaming service from those three players. I'm just going to offer all the major US sports, NHL, NFL, NBA, MLB, some college sports as well across a collection of the media giants channels. Supposed to come out in September. Ross, what I'm assuming... Maybe this isn't the [inaudible 00:12:57], it's because of the Fubo TV and a bunch of other folks saying to regulators, "Hey, hang on a second. There's a problem here in terms of market share when these players get together."

Ross Benes (13:05):

That's one of the reasons why I expect the launch to be delayed. But there's a few, so there's the antitrust concerns, like those lawsuits you mentioned from Fubo. They're also still hiring. Their team isn't fully set. They've been adding executives, but it doesn't seem like it's just ready to rock and roll. And they haven't even named price yet and most people haven't seen an interface. So if this is going to be something that's sold in the open market within the next two to three months, I'd expect to know how much it's going to cost by now. And the fact that you don't know that yet and you don't know how it's going to differentiate between the upcoming app ESPN is going to have, there's a lot of question marks for a service that's supposed to be launching within the next 60 to 90 days. Wouldn't be surprised if it gets pushed out to launch somewhere six months from now.

Marcus Johnson (13:50):

I Nike's generous too. They wanted to get this off the ground and out there to market before the start of major US sports season being football first, then the NBA, so football starts beginning of September, sometime basketball the end of October, and so you need some runway to market this thing as well. It's already July. So yeah, that's a good point. Jeremy, where did you land on this one?

Jeremy Goldman (14:11):

I think that, yeah, if we were talking about extra details needed about why, I like this more if you're able to say, is it regulator pushback versus is it not getting their team in order versus what rights do they actually have? I think that Marcus mentioned the NBA and I think that NBA rights obviously to me, it's like you kind of have to know what you're able to offer the consumer before you put a price on it because people are willing to spend more if they're getting more, right?

Marcus Johnson (14:41):

Yeah. What's so odd about this, they didn't tell the NBA or the NFL that they were doing this until they did it. And then were like, "Oh, by the way, we've created this joint venture." So I do wonder if there is pushback from those leagues to say, "Hang on a second, you can't just do this." Maybe not. Maybe they'd be happy about the type of reach they're going to get with their different sports offerings.

Jeremy Goldman (14:59):

But not the way it was carried out. You're right.

Marcus Johnson (15:02):

Yeah. So it's not just Fubo. There's a letter to regulators, Fubo, DirecTV, Dish Network, Newsmax, they're all saying this new streaming service will control 80% of US sports broadcasts, they said, "is a large market share that calls for Congress's immediate oversight." In response, Fox said, Fox and the two partners were saying, "It's going to be consumer friendly. We'll give viewers non-exclusive options for sports." So that was their defensive this, but they do have a lot to get in order before they get this thing off the ground. I don't know, Ross, would you launch mid football season, kind of mid basketball season or do you think they'd wait till next year for an official hurrah?

Ross Benes (15:41):

If you miss the start of football season, no other sports launch in the US at least is going to be as impactful. And I don't think January is much different than December. I know if you're looking to just push it to another year, I think you would just launch it when you're able to, whenever you have all parties appeased and you have your team ready and you marketed it for a while. There's pushback from the cable companies, whether it's the digital cable companies like Fubo or ones like Charter or satellite companies like DirecTV. There's also the affiliates they have to appease.

(16:15):

And they have said that this will reward affiliates and they won't be pushed out. But it's very unclear if you're like the local ABC station and you're planning on viewers coming into your channel on linear TV, if this is offered and it's controlled by your parent company, the local affiliates aren't always controlled by the same company. They might be owned by Hearst or Gray or Sinclair or whatever. That's a whole other can of worms that to me doesn't seem like it's fully sorted out. There's just too many legal machinations to clear before September.

Marcus Johnson (16:51):

Yeah. I am going half a point because the prediction being venue sports will get delayed. Yeah. I could see that. But I'm going half a point because there's still a chance and there's three huge players with a huge incentive to get this off the ground. Now there's also a lot of interest in this already, and so waiting a year. I don't know, maybe you build that interest over time. But maybe it fades. Maybe someone launched some competing offering, potentially. Probably not. But there was a Horowitz research survey that Daniel Konstantinovic, he writes for our briefings, was noting self-identified sports viewers, 42% were likely to subscribe to venue sports at a price point of 35 to 40 bucks a month. We don't know what the price is as the gents have said. That rate was higher for younger people as well.

Ross Benes (17:31):

I saw that survey.

Marcus Johnson (17:32):

Yeah. What do you think?

Ross Benes (17:33):

I would not buy those results.

Marcus Johnson (17:35):

Really.

Ross Benes (17:35):

42% of sports fans subscribing to this, the venue's own research suggested they'd have 5 million subscriptions in the first year.

Marcus Johnson (17:43):

I know, but that was a low ball, right?

Ross Benes (17:44):

Yeah, that was low. But 42% of sports fans--

Marcus Johnson (17:47):

It'd probably land somewhere in the middle too.

Ross Benes (17:49):

So you're just going to become bigger than any cable operator in the US within a year. We're talking tens of millions of subscribers for 42% of sports fans-

Marcus Johnson (17:58):

It's a good point. I think it's probably going to land somewhere in the middle of that.

Ross Benes (17:59):

... that might be interested in it, but I'm interested in a lot of things I don't buy.

Marcus Johnson (18:03):

That's true. Part of the what would have to happen here is folks would cut other services. This is not going to be something they add on top. According to that survey, 38%, nearly 40% of consumers said they would change their streaming portfolios based on what venue offers. So maybe they would save a bit of money elsewhere to pay for this. But still to Ross's point, I think 42% of folks is a lot. They said 5 million, I think they were doing that so they didn't catch regulators' eyes as quickly as they already have. So it doesn't seem to have helped much. But I'm half a point. Jeremy?

Jeremy Goldman (18:36):

Yeah, I think I would actually give a whole point.

Marcus Johnson (18:41):

Wow.

Jeremy Goldman (18:41):

Doing the whole thing.

Marcus Johnson (18:43):

Convinced him. Fair enough. All right, point and a half. Very good, Ross. Jeremy, your final prediction for the year is-

Jeremy Goldman (18:52):

Final prediction is that we're going to be moving past as an industry the conversation of AI is going to replace every single agency job and more and more sharp agencies are going to be winning work and doing a good job, essentially realizing that AI is a tool and it's not a human being. I'm not saying that AI cannot do a lot, but increasingly, and a lot of this is from the conversations that I have with agencies, is that they're realizing, "Maybe I'm not going to add people necessarily to expand. But if I can get a handle on the proper AI tools, if I can figure out how to do the right kind of disclosures, if I can build it into my processes, then I can make all of my people more efficient and I can scale with the people that I have."

(19:38):

And it's not necessarily an excuse to get rid of people and eliminate roles, but it's more so an opportunity to be a little bit more efficient with the people that you have and not make new investments in human personnel, but actually just trying to get people that are more proficient with these tools.

Marcus Johnson (19:57):

It's an interesting take. I think that the way this will play out is pretty much exactly what you said, which is you are not going to, companies, say, "Hey, Philip, we've taken your job. You are out the door. We're going to replace it with AI. Here's the new AI that's going to be doing what you used to do." I think it's going to be almost, I'm going to say a freeze on hiring. But there are going to be a lot of positions, whether it's people leave and companies try to replace that person's job with AI or leaving on their own accord. Or if it's, "Hey, we've been always talking about for years hiring that person to help you out on that team to do this thing to expand. Can you get it done with AI?"

(20:35):

And so it's still going to have I think a pretty significant effect on the job market. Actually, Jacob Bourne is one of our technology analysts, also thinks it's going to have a pretty sizeable effect on the labor space. So I agree with this. I don't know if it's going to pivot this year though. Ross, what do you think?

Ross Benes (20:49):

Do you expect companies to use this as a justification for downsizing the layoffs that they had already planned?

Jeremy Goldman (20:56):

It's a really good question. I think that, no, I think that generally speaking, it all depends if we were talking about a large tech company, right? But I'm referring specifically to agencies. It's an unpopular argument to say, "Hey, by the way, AI is letting us do things more efficiently. That's why we eliminated roles." But to actually say, "Well, we were able to take on 30% more clients year over year and we only needed to hire 11% more. And part of why we were able to achieve that is because of AI and the efficiency of getting the right people in the right seats who are not afraid of the technology, who are able to use it and treat it like a tool and not a replacement for human personnel," that's the kind of thing that I think is more likely to happen. And again, this is just based off of conversations that I'm having with some of the agencies that we write for, that we cover and so on.

Ross Benes (21:49):

I'd be curious if the people who work at those agencies, if they feel like they're getting 10% headcount for 30% more clients, if they're feeling significant burnout from being asked to do more.

Jeremy Goldman (22:01):

I think that that's definitely part of the equation by all means, is doing more with less. It's one of those recipes for burnout if it continues down that path for the average agency. But again, I think that when you're in that market where you're trying to deliver the best possible work, if we can start to see more agencies that speak up about case studies about, "Look what we did. We used this with AI and human ingenuity and had a human at the helm to make the decisions and we found people who were not afraid of the technology, but were investing in it as a resource as opposed to as a replacement," if you start to see more of those case studies at events and at major conferences, that's the kind of thing that everybody else tries to then copy and then we've changed the paradigm a little bit.

Marcus Johnson (22:46):

That speaks to this prediction as well. There was some research I found from Bentley University in Gallup. How many folks, how many Americans believe AI will have an impact on the total number of US jobs? 75% of them said decrease. 19% said no effect. 6% said increase. So there's a lot of skepticism there. Jeremy, I don't know, I'm probably going to go... I'm so non-committal today. I'm going to go half a point, Ross,

Ross Benes (23:12):

I'm still not convinced companies aren't just going to use this for the nefarious purpose of dumping their employees and asking them to do more or less. So not buying this one.

Marcus Johnson (23:19):

Ross is out. Ross is out. All right. Good pitch though. Some great predictions folks. Some really good ones. Indeed. That's all we've got time for this episode. Thank you gents for hanging out with me today. Thank you. First, to Jeremy.

Jeremy Goldman (23:30):

I was going to have ChatGPT, say goodbye on my behalf, but lazy. Thank you so much.

Marcus Johnson (23:36):

Yes sir. Thank you to Ross.

Ross Benes (23:38):

Thanks, Marcus.

Marcus Johnson (23:39):

Thank you to Victoria who edits the show, Stuart, who runs the team, and Sophie who does our social media. Thanks to everyone for listening into the Behind the Numbers Daily and e-Marketer podcast. You can tune in tomorrow to hang out with Sara Lebow on the Reimagining Retail show where she'll be hanging out with Beth Ann Kaminkow, global chief commerce officer at VML and our principal analyst who covers everything, advertising, media and tech called [inaudible 00:24:02] talking all about leveraging generative AI in retail. Who is leading the way and what have we learned so far?