


The Daily: More very specific 2024 predictions (part 2)—Measuring retail media, Starbucks drones, and publishers and AI

Audio



In part two of this two-part podcast episode, we discuss some more predictions for 2024 that are too specific to be 100% certain about but could still come true, including: what happens next when measuring retail media, Starbuck's drone delivery pilot, and how the publisher/AI relationship will play out. Tune in to the discussion with our vice presidents of content Suzy Davidkhanian and Paul Verna and analyst Max Willens.

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Episode Transcript:

Marcus Johnson (00:00):

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Max Willens (00:23):

Consumer spending is starting to wobble and it's wobbling more violently at the sort of mid to lower end of the economic spectrum and people that are in those tax brackets, when they look to tighten their belts, the first thing they look at is little treats like coffee that costs \$5 a cup.

Marcus Johnson (00:45):

Hey gang, it's Tuesday the 18th of June Max Sui. Paul and listeners, welcome to the Behind the Numbers Daily and eMarketer podcast made possible by Roundel. I'm Marcus barely hanging on apparently, and today I'm joined once again by three people. Let's meet them our senior analyst covering digital advertising and media based in Philadelphia. Max Willens. Yo, we have our VP of content who runs our retail desk based in New York City. It's Suzy Davidkhanian, hi and our VP of content for ads media and tech based in the New York countryside. It's Paul Verna.

Paul Verna (01:20):

Hey, great to be here.

Marcus Johnson (01:21):

We start with today's facts. Why are they called french fries? Do you know this? Maybe you don't know this.

Paul Verna (01:30):

I know they're Belgian, but I don't know why they're called french fries.

Marcus Johnson (01:34):

That is why they might be French. No one really knows, but what I found out was according to the National Geographic, wait, Suzy, do you know this?

Suzy Davidkhanian (01:40):

No, you go ahead.

Marcus Johnson (01:41):

Oh, okay. According to the, you're going to pretend afterwards that you knew it.

Suzy Davidkhanian (01:45):

I would never do such a thing.

Marcus Johnson (01:47):

You would always, never. According to the National Geographic, American soldiers learned about fries while stationed in Belgium during World War I and since the dominant language of southern Belgium is French, they dubbed the tasty potatoes, french fries and also I found out according to a survey of one, a hundred percent of people said that mayonnaise is a perfectly acceptable condiment with fries according to everyone with taste buds.

Suzy Davidkhanian (02:16):

Everyone sample size a

Paul Verna (02:17):

Waters. Guess I have none then because for me mayonnaise is not a condiment for anything much less French fries. So

Marcus Johnson (02:24):

Disappointing

Suzy Davidkhanian (02:24):

The spicy

Paul Verna (02:25):

Vinegar? Yes, vinegar. Okay, ketchup. Better cocktail sauce. Oh, oh, that's spicy. Good weapon.

Marcus Johnson (02:33):

Where are we right now?

Max Willens (02:34):

Underrated

Paul Verna (02:35):

Because it's got everything that ketchup has plus the zing

Suzy Davidkhanian (02:38):

Disaster. You should try the spicy mayo. That's amazing you selling this. What's going on right now? The Chipotle mayo. Do that one. No way.

Paul Verna (02:45):

No kind of mayo for me.

Suzy Davidkhanian (02:46):

I actually like fries with nothing to be honest with you. If you get good fries, yeah, if you get good fries with a little bit of salt and they're brand new right

Marcus Johnson (02:54):

Out. Worse than Paul's suggestion, a cocktail sauce, whatever he said Max. Come on. Today's real topic. Some more very specific but highly unlikely predictions for 2024 sharp tank style part two.

Marcus Johnson (03:13):

In today's episode we'll cover three more very specific but highly unlikely predictions for this year. We covered three in yesterday's episode. We have three more for you right now. Quick recap in case you weren't there yesterday. Each person Max first will have 60 seconds to pitch a very specific but highly unlikely prediction for 2024. Then the rest of us, me, Paul and Suzy and folks listening will decide if we are going to invest in his prediction, invest meaning do we believe in it. Then we move on to the next contestant and repeat. So Suzy will be next to me, max and Paul will become the new panel. Each of our guests has one prediction for you today. We had another one yesterday. Let's go. Max is kicking us off and today he is talking about advertisers saying that they will not coalesce around a measurement standard for retail media until the aggregators peak growth subsides Max. Talk to us.

Max Willens (04:07):

Yes, so the simple reality is that the thing that kind of drove retail media to grow really quickly and its offering was the preexisting relationships between advertisers and retailers via trade dollars and shopper marketing. The second phase of retail media, which is just getting

underway, which I wrote about in a recent report, is about the sort of dawning of the offsite era of retail media ad spending. And because this is in its infancy and because it is being driven by lots of aggregators of supply, people like Criteo, people like the Trade Desk, people like Sky and Pac View and so on, they're going to basically have a whole set of runway to work with and that's going to buy themselves some time before buyers start looking around and going, okay, we really need to start simplifying this and figuring things out and getting some consistency in what we buy. So they've got at least a year before the pressure to get to a standard rises up.

Paul Verna (05:04):

Max, can you clarify, did you say the offsite, what was the term you use? The offsite era or

Max Willens (05:10):

Oh, the beginning of the offsite spending era. So most of the spending that's happened in retail media over the last several years has been onsite spending. So sponsored search listings, display ads on the owned that operated properties of Amazon, Walmart Targets, websites, things like that.

Suzy Davidkhanian (05:26):

And the prediction is that everything's going to move offsite. Sorry, I don't know how I underst. No, the

Max Willens (05:31):

Prediction is, sorry, we're going a hundred miles an hour here. Basically there have been calls as retail media has grown up for there to be some standardization

Suzy Davidkhanian (05:39):

Around metrics it, sorry.

Max Willens (05:40):

That's exactly right. So we're basically, we're looking at, even though there are people that talking about measurement standards and things of the like on conference stages and in white papers and so on, there really isn't going to be any kind of industry consensus building that happens in earnest for at least a year.

Suzy Davidkhanian (05:56):

Oh, think it's not going to happen. They're not going to coalesce. Oh, got it. That's right. I'm sad about that one. I give that half a point. You agree Suzy? No, I think

Max Willens (06:05):

By Suzy's standard, that's a yes, that's a

Suzy Davidkhanian (06:08):

Endorsement. So then I guess it's a, no, I was just trying to be nice only because I think that there is only so much money to go around and the economy is a little bit tight and so everybody's cutting budgets and so if you can't prove the value of where you're spending your money, you're not going to get that money again. And so it's in the best interest of the advertisers to push the retail media networks to have some sort of, now they might not have a metric system that cuts across all of them because they don't want to give away their secret sauce between the different networks, but I think that there's going to be more pressure, immediate pressure to figure out a way to measure success.

Max Willens (06:46):

I disagree

Suzy Davidkhanian (06:47):

Clearly. Go ahead.

Paul Verna (06:49):

I mean I think the core prediction of there not really being any measurement standards anytime in the short horizon. I agree with that, but I think a big factor, maybe the biggest factor is that Amazon controls still 75% of the market in the US and will continue to, there's no forecast horizon that we see where Amazon is going to be less than a major, major dominant player and they don't really have a lot of incentive to create any kind of standardized measurement approach. So I think that's definitely what's holding things back as well.

Max Willens (07:30):

Yeah, a hundred percent. I mean I wanted to squeeze this pitch into as tight a space as I could, but to me that's exactly right. I think by our own forecast they're going to control at minimum

77% of the market through 2026 and when you have an 800 pound gorilla in a space who gets to make its own rules, they're not going to do anything that keeps the money from flowing. And so to me that's an argument and saver of my thesis here.

Marcus Johnson (07:59):

Are we investing, Suzy was put some money on the table and then very quickly snatched it back. Well I

Suzy Davidkhanian (08:04):

Think even Amazon though they are 70% is going to have to do some, whether it's metrics we believe in or not are the right ones or whether we think they're soft balling whatever it, and I'm not saying any company would do that, but I'm just saying it might not be the end all be all metrics, but I do think everybody's going to need to be able to show their value as a must have vendor no matter who you are and how big you are.

Max Willens (08:27):

I do want to clarify Suzy, that Amazon, Walmart and most of the other large RMNs do offer measurement

Suzy Davidkhanian (08:35):

Proving

Paul Verna (08:36):

Value.

Max Willens (08:37):

They do have ROAS statistics, they do have attribution, but it's just that there's no consistency there. But if you spend a dollar on Amazon, Amazon has lots of features within its platform to show that you made a dollar 25 or whatever the ROAS happens to be. So it's not like you're just pouring money down a well hoping that something grows in your garden down the way. It's much more tightly mapped out than that There is those

Suzy Davidkhanian (09:02):

Loop reporting. Yeah, it's just not across them.

Paul Verna (09:04):

Correct. And as a marketer, if you're, and I don't know what the current stats on, on how many average RMNs marketers use, but it's got to be what like four, five. So you basically have to do this for every network. There's no standard that cuts across,

Suzy Davidkhanian (09:20):

I mean by technically ROAS is the same. You measure ROAS the same way? No, I think it's more like is that the right measure even to decide whether your money is performing well, especially offsite.

Marcus Johnson (09:34):

Alright. I'm pressing you for investments. Suzy, are you in you half in you

Suzy Davidkhanian (09:38):

Out? You half in? I'm half in. Oh,

Marcus Johnson (09:40):

Half in still. Okay. Max managed to convince her for half her investment points. Paul,

Paul Verna (09:45):

I'm in,

Marcus Johnson (09:45):

He's I'm torn so I'm going half in. Alright folks. Yeah, max mentioned his report. There's some fascinating stuff in there. One of the things I pulled out, size of retail media, currently 14% of all ad spending, not just digital. Digital is pretty much most of it at this point, but of all ad spending, 14% of it is retail media today q to our forecast team and they expect it to go from 14 to 25% over the next four years. So reaching 25% of all ad spending being retail media by the next Olympics in 2028, the full report is called retail media ad spending forecast H 1 20 24 offsite ads rise Sparks a new era. We'll put a link in the show notes for folks who want to check that out. Alright, Suzy, you are happy.

Suzy Davidkhanian (10:33):

You know what, I would give it another half point if it was measurement is not going to happen between all of the different digital ad spaces in a similar sort of standardized way, not just between all the different networks.

Marcus Johnson (10:45):

Maxie willing to change your prediction for an extra half an investment point.

Max Willens (10:49):

I want to make sure I understand what Cissy is asking. So are you saying that there's a methodology that applies not just to Amazon but also to TikTok and the trade desk and that? Is that what you're

Suzy Davidkhanian (10:59):

Asking for? Yeah, it should be. If you're measuring the success of your ad dollar, it should be regardless of the type of channel or platform you use so that you can measure apples to apples.

Max Willens (11:10):

I see. There's no way that happens.

Paul Verna (11:15):

It's not happening in any one of these spaces. Yeah,

Suzy Davidkhanian (11:18):

That's what I'm saying. That was your prediction. It's not going to happen across all of advertising then. I'm all in.

Marcus Johnson (11:24):

Max has taken half the point and keeping his current prediction fair. Let's move to the next prediction. We've got Suzy up. She's saying to stop the leaky buckets, Starbucks will pilot drone delivery in select cities. Suzy go.

Suzy Davidkhanian (11:39):

So everybody knows that there are pockets of growth in retail and fast food and quick service restaurants and fast casual and then there are companies that are not doing well and surprisingly for the last two quarters in the US Starbucks has not been doing especially well and they have had some weaker than expected earnings and a lot of that is coming from their more casual consumers. The folks that are loyal that have their app and the order through the app, I think it sounds like based on the earnings call are sort of still spending but it's the casual users that are not going as often and so Starbucks has slashed their forecast and admittedly says that they're struggling a little bit because of consumer spending. So I think they just announced that GrubHub is going to be another delivery partner. They realize that they are seeing growth in that delivery channel, people who are ordering for delivery, so they have now partnered with GrubHub, they already were with DoorDash from last year and they have Uber Eats.

Suzy Davidkhanian (12:33):

Maybe it's no coincidence that now GrubHub will also be available on Amazon. If you're an Amazon Prime member, you can go through GrubHub to order stuff, which is kind of nuts. It's going to open up the consumer potential for Starbucks by being on Grub. And then I think just the next iteration of how do you get coffee into hands quickly is through drone delivery. So I wouldn't be surprised given that Walmart's pilot from 2021 is now moving beyond a pilot and is increased in coverage and scope. I wouldn't be surprised. I mean coffee is easy to deliver through a drone just hot. So that part I'm not sure if it's a shaky drone what'll happen, but that's my prediction.

Marcus Johnson (13:10):

Yeah, the hot liquid falling from the sky thing is what I think kind of leaves people a bit nervous about this, but Suzy, you think that people are not spending because of speed as opposed to Starbucks's prices in their current inflationary climate.

Suzy Davidkhanian (13:23):

It's not that they're not spending because they're not getting it fast enough. They are right. You order through the app. I mean there are now stores that are just pickup only through the app, so it's not so much speed of getting the coffee on your hand. I think it's just the convenience factor of getting it delivered to you A hot coffee. If you think about around me, I mean I live in the city, there used to be a lot more Starbucks than there are now. They've

converted some of the Starbucks to just the windows where you pick up your stuff and you leave and there's no room at all to hang out. But a lot of them are also closing and I think there is something about instant gratification.

Marcus Johnson (13:56):

Yeah, I do wonder how quickly someone can be converted to being someone who is skeptical of how safe these things are to being someone who's like, oh yeah, delivered my drink once, fine, I'm all in. I found one survey, I think this was a survey in an article by Rachel Wolf who writes for our retail briefing, 57% of consumers had little to no trust in drones to deliver products safely. It's going to a morning consult survey, but maybe with one successful delivery there'd be converts potentially

Suzy Davidkhanian (14:25):

Or I mean it's one in two so I mean it's still one in two people feel fine about it and I think if it wasn't successful, Walmart wouldn't be moving from pilot to increasing coverage

Marcus Johnson (14:39):

Across a number of states

Suzy Davidkhanian (14:40):

And I mean maybe then it's a little bit extra work for Starbucks. They have to put in a special bag. Maybe that's protective versus you coming through the window or an Uber. But if you think about in New York we have the Uber drivers are on bicycles so that can't be, there's got to be containers. They've already had to figure that out for the hot liquid,

Marcus Johnson (14:59):

They're liquid, they going to be just one of those grab hand machines that just holds it very gingerly at the top and just drags your drink through the sky. There's probably going to be a liquid sealed box of some description.

Suzy Davidkhanian (15:10):

I'm sure some think, but I do think to your original question, I mean Kohl's is partnering with Instacart. Do I think it's going to help? It's just on the margin in terms of if your customers

aren't coming for your core product, which is expensive coffee, then getting it into their hand quickly, is that going to make a difference?

Marcus Johnson (15:27):

Yeah,

Max Willens (15:28):

Sounds like you're arguing against yourself here. Suzy, I'm going to pre up Marcus and just say I am completely out on this only because I think that the reason that Starbucks is struggling is because of stuff that we have talked about a little bit in the last episode just at consumer spending is starting to wobble and it's wobbling more violently at the sort of mid to lower end of the economic spectrum and people that are in those tax brackets, when they look to tighten their belts, the first thing they look at is little treats like coffee that costs \$5 a cup. And so I think that be it, convenience or novelty, whatever the answer is, if Starbucks wants to do this, they should cut their prices by a dollar every Friday or something, not drop it out of the sky On my head

Suzy Davidkhanian (16:14):

I will tell you that they are definitely doing more coupons for their valued customer. There is something called the lipstick effect, which is sort of the reverse in that if you are having a tough time and you are sad, you buy yourself these little baby luxuries that on the surface don't cost a lot like a \$6 coffee but make you feel good, which is why usually beauty does okay and is recession proof. There are luxury chocolates that are typically also they do well during a recession. I think coffee is one of those that's a little bit harder. Starbucks in particular it's because of the inflation, the commodity coffee beans started costing so much more that all of the prices increased in a way that was probably unsustainable for consumers. I think their world is a little bit different, but what I will say is my prediction is not, do I think it's going to help them because it's not my prediction. I think on the margin it might make a small difference for their overall business, but I don't see why they wouldn't try it if they're already going with GrubHub.

Paul Verna (17:12):

I am a drone delivery skeptic and I also think that if there were going to be drone delivery coffee is not where I would invest.

Marcus Johnson (17:24):

There are, yeah, I mean there are a fair amount of companies testing drones out. I mean you mentioned Walmart, they're the biggest one, but our retail writer, as I mentioned Rachel Wolf noting Panera's customers in Seattle and Jets pizza customers in Detroit will soon be able to receive orders by drone thanks to a partnership with startup zip line. It's an enticing proposition. Timothy Pomp, Andre Forbes was writing drones ditch the carbon footprint for clean electric motors, soaring past traffic jams and saving up to 88 0% in energy consumption compared to traditional vans. So yeah, it sounds great. We'll see. Suzy, I'm giving you half a point. Thank you. So half a point for Suzy. You're welcome. Not out of pity. Maybe Paul, we're going to end with yours. You're talking about the publisher AI Gold Rush and you think that's going to continue in H two?

Marcus Johnson (18:12):

So what's going on here is that AI needs to use news to train its large language models so that they are smarter programs and it was just taking all of that news and just training its AI systems, but then there's two camps. New York Times one publisher says, no, you need to pay us for that and is suing open ai one of these AI companies for using its stuff, its news without permission. There's a few other smaller folks, Chicago and others as well, but they're kind of on an island by themselves. Then the other camp you have a lot of the other major publishers who have done deals with AI companies to say you can use the content but you have to pay us for it. And there's a couple here, associated Press, single digit millions per year deal with OpenAI the ft. Their deal is five to 10 million a year. Our parent company Axel Springer, signed a three year deal for about 25 to 30 million and NewsCorp a huge five year deal with OpenAI valued as much as 250 million in cash.

Paul Verna (19:13):

Yeah, I mean a lot of major publishers have already signed deals to license their content to OpenAI and other AI platforms and even though when you look at the list of the ones who already have it seems like that's pretty much almost everyone, but there actually are still some holdouts and I think that those are going to start coming on board and I think that publishers that are not as well known brands and sort of like the long tail, they have even more incentive to do this and I don't necessarily think that this is a great trend. I think there's a lot of uncertainty about how that content is going to be used or potentially misused, but in a way it's just another example of publishers getting the short end of the stick, digitally speaking since

really since the dawn of the internet. I mean it started with people wanting and expecting news content to be free and then it was social media basically amassing audiences of news consumers and stealing a lot of the thunder from publishers and now it's ai. So I think it's an indication of just how stressed publishers are for revenue and this is, I mean as one someone on LinkedIn put it basically burning the furniture to stay warm.

Marcus Johnson (20:30):

I mean Paul, yeah, it does seem like these deals feel panicked not for a ton of money and it does seem like they're thinking to themselves, let's get something now kind of a settlement out of court because we might not get anything down the road.

Max Willens (20:45):

I continue to find it bewildering that media companies and other publishers have not only inked these deals but have inked them at prices that to me are astonishingly low. I mean I'm thinking Reddit isn't exactly a media company per se, but what I saw the amount of money that they voluntarily took from Google to allow Gemini to dig through and use its content to trade its model that just struck me as absolutely crazy. I agree that Paul, that there are going to be lots of publishers now beating down the doors of places like OpenAI and Gemini in hopes of getting a check, but I also feel like what you said earlier is true, which is that there are not a lot of places left that are worth that effort on the part of it. OpenAI, I mean are there particular holdouts that you think are going to benefit from this Gold Rush and H two? Because I sort of struggle to think of big fish that might get wheeled in here.

Paul Verna (21:42):

I mean if you look across the landscape, it's conceivable that the New York Times lawsuit gets settled in a way that actually results in a deal. There are also companies, just to think of a couple off the top of my head, like CNN and Bloomberg that have not done this.

Marcus Johnson (21:59):

The Washington Post

Paul Verna (22:00):

Too, I think Washington Post. So there are some big brands out there that have not jumped on board this bandwagon.

Marcus Johnson (22:07):

Suzy, you in.

Suzy Davidkhanian (22:09):

I mean I understand what we're saying. I just think it's like the cat's out of the bag and so I just don't know. I just dunno what we can do about it and I mean it's like you kind of have to just keep going and follow the trends or you go out of business kind of.

Marcus Johnson (22:24):

Right. So I mean it sounds like you agree then that there will still be a few more deals, however many big fish to Max's point are still in the ocean and they will ultimately have to do deals with these AI companies.

Suzy Davidkhanian (22:37):

Well yeah, I agree because otherwise what are they going to do? They're just going to lose

Marcus Johnson (22:41):

Suzy's in Max.

Max Willens (22:43):

I think I have out, which is out. Interesting. I hear what you're saying, but I think that there are enough publish. The ones that are holding out, I think have enough of a moat around them that they can afford to wait this out for a little while. Bloomberg, for example, has a very valuable audience. They have a scaled subscription business and fundamentally they can incredibly make the argument that the information that they sit on is worth paying for. It is there's no reason for them to sort of allow the wall between that information and non-paying customers to get more permeable. I also think that we're just going, to me, it's very telling that the Washington Post, which is owned by Jeff Bezos, who has a very close and personal look at the potential of generative ai because he's an investor in perplexity, has not cited deal like this. I think he understands the trade off there being not being very valuable. So I am out on this.

Marcus Johnson (23:38):

All right, max is out. So let's recap. Max had his advertisers will not coalesce around a measurement standard for retail media until the aggregator's peak growth subsides

prediction two investment points total Suzy's prediction that to stop the leaky bucket, Starbucks will pilot drone delivery in select cities, half an investment point, and Paul had the publisher AI Gold Rush continuing in H two and he gets two investment points total there. That's it for today's episode. As I mentioned, we covered three other predictions in yesterday's show, so go check that one out if you would like. But a huge thank you to my guests for today and yesterday. Thank you to Suzy. Thanks for having me. Thank you to Paul. Thank you. And to Max always a pleasure, Marcus. Thank you. And to Victoria who edits the show, Stuart, who runs the team and Sophie does our social media. Thanks to everyone for listening in to the Behind the Numbers Daily and e-Marketer podcast made possible by Round Dell. We are off tomorrow in observance of Juneteenth. We hope to see you Thursday for an episode about just how far have the TV and CTV scales tipped.