

POINTSYMMETRY

Previewing 3Q2018 Digital Earnings: Google, Amazon, Facebook, Twitter and Snap



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For years, I have been asked to speak privately with investors and analysts in and around the digital media platform space about trends, opportunities and risks that we, as marketers, see with each of these platforms. This is the first quarter that I'm not working with a publicly-traded company in years, yet still remain actively involved with and on Google, Facebook, twitter, Amazon and Snapchat, so I'm happy to (finally) share these thoughts a bit more broadly.

All five of these platforms will report 3Q18 results on or around this Thursday, October 25th. Here's a preview of what to expect and watch for:

Google: The growth in advertising spend/revenue driven by mobile and YouTube has not slowed down. Overall, paid search spending remains stable on Google, and has been accelerating on YouTube. As a result, you can expect to see anywhere from 20-25% growth year-over-year. Despite some fears over the GDPR intro in Europe as well as the rise of Amazon, there isn't any indication of negative impact on spend, but this should be watched in 4Q and 2019. YouTube benefits from the easy brand safety comp and shifting offline budgets onto scaled online video platforms. And with Season 2 of Cobra Kai returning to YouTube's premium video network early in 2019, there is even more reason to believe.

A m a z o n : Simply put, this is the Year of Amazon. Again. They have further strengthened their position as leaders in three large growth markets — e-commerce, cloud and advertising. And that position continues to trend in a positive direction. Amazon continues to invest aggressively in fulfillment and logistics, international expansion, content and original video. I recently moderated a panel on the future of Amazon as a creative canvas/platform for advertisers, including Voice, and the everyone in attendance believes that the future is Amazon's to own.

They already have 100MM+ prime subscribers, increasing uptake of the emerging advertising products as well as a grocery delivery model with Whole Foods that remains underdeveloped. There has been significant growth driven by Sponsored Products ads uptake, and with the holiday shopping season fast approaching, we should expect that to increase. Amazon continues to expand its focus in ad-tech, including several initiatives to improve the advertising platform, and they are aggressively hiring engineers and key sales leaders from large agencies to improve sell-through. (I'm getting emails every few days, and I don't have ANY sales experience!) The only threats to Amazon at the moment are the recent wage hike, the government's distaste for Amazon leadership and increased postal/fuel service fees. And Alexa continuing to misunderstand my kids' absurd questions, commands and insults.

F a c e b o o k : If you just read major news headlines, you'd think that Facebook is in trouble. It's not. Thanks, in large part, to its advertising platform, ad share and its percentage of online media budget share. That said, with exposed data risks, bad PR, mix shift to Stories, a heavy investment cycle and potential governmental regulation, the near-term isn't as ideal for its stock price. But make no mistake: advertisers continue to pour in money, and we should expect similar dynamics to continue in 4Q. Direct response accounts for ~75+% of Facebook budgets,

so the softness in brand/creative advertising budgets may not hit Facebook as hard. Facebook had already lowered 3Q expectations for revenue, so they should be able to hit or exceed what was put in place.

Listen and watch for a few key data points in this week's report: user growth, engagement, and expenses. Facebook has said that its data privacy-related changes are not expected to have a meaningful impact on users and engagement going forward, so this will be interesting to see. It will also be interesting to see the impact of GDPR with respect to user growth and engagement trends, price/volume dynamics and progress with monetization around Instagram Stories, Messenger and WhatsApp. If my own Instagram Stories views are any indication, they still have a L000000ONG way to go.

T w i t t e r: We are entering a period of unparalleled conversation and content taking place on Twitter, especially around midterm elections, but Twitter's 3Q report needs to prove and establish greater stability in users, increasing engagement, and improved monetization (particularly around video). By all accounts, there are more stable spending trends on Twitter, especially with its video ad strategy and the focus on live real-time events and news. There is still significant room to improve the ad products, targeting technology and audience size, including opening up to more DSPs.

However, Twitter seems to be taking a deliberate, slow approach here, consistent with its penchant for conservatism. What to look for in Thursday's announcement: 1. User growth; 2. User engagement; 3. Live video monetization strategy; 4. Programmatic; 5. Platform feature iteration and user impact. In years past, anything and everything that this president tweets could have been an "October surprise" this election year, but nothing seems to last in terms of impact to Twitter.

S n a p: It hasn't been a great year for Snapchat, as a number of factors both within and outside of Snap's control have created significant barriers to success. First and foremost, competition from Facebook, Instagram and Twitter has resulted in a severely limited ad spend... not to mention a saturated core demo, a weak international presence beyond the United States, marketer complaints about the Snapchat UI/UX, challenges with Android and overall unimpressive ad products. Marketers' negativity has created investor negativity despite the company's efforts to lower CPMs and refine the ads platform. Many brand-side clients have given up on Snapchat, if not viewing it only as an experiment, and the app redesign didn't help. If Thursday's report doesn't show DAU net adds, introduce new features (both on the user side and for the ads platform), demonstrate ad platform optimizations or show a path to compete with the bigger platforms, Snap's path to profitability may look even murkier to investors. Like my own history of content posted to Snapchat, a lot of this may soon disappear.