

Trend Watch

Personalized Discovery

December 2022

A Letter From Our Founders

This week Landon and I have had a field day playing around with perhaps the most cutting-edge artificial intelligence available to the public right now: ChatGPT.

I even had this smart bot write a Seinfeld script.

But this report isn't about ChatGPT – though it does fit in perfectly with the major theme. This report is about how HIGH consumer expectations have risen since the dawn of search engines as we know them.

The days of relying solely on Google to answer your questions are over.

Consumers are seeking out smarter search tools and often expect information (and new brands/products/services) to be served to them on a silver platter – err – directly on their iPhone.

As companies leverage technology and first-party data, brands are better positioned than ever to connect directly to their target audience.

The companies featured in this report have the potential to be major disruptors in the “traditional search” field, though not all are executing quite yet.

We'll be closely tracking each of these names in the years to come to see if their personalized vision translates to sustained growth.

Enjoy,
Andy and Landon Swan



Personalized Discovery – Overview

theTradeDesk (TTD)

TheTradeDesk's proprietary software allows brands and marketers to connect directly with the audience they're looking for. After a slow-down in growth post-pandemic, metrics are improving across the board.

Pinterest (PINS)

Pinterest is upping its discovery game. The company is proactively improving its algorithm to provide more updated recommendations to consumers. It is capitalizing on visual search to connect consumers directly with the brands/products they're looking for but don't quite have the words to describe. Its global audience is growing, alongside total mention buzz...turnaround at play?

Booking Holdings (BKNG)

A few months ago it looked like travel aggregators like BKNG may be losing market share to search efforts from major players like Google and even META. However, LikeFolio data suggests the company still has a competitive edge, especially when it comes to deal discovery, a top priority for consumers in the current environment.

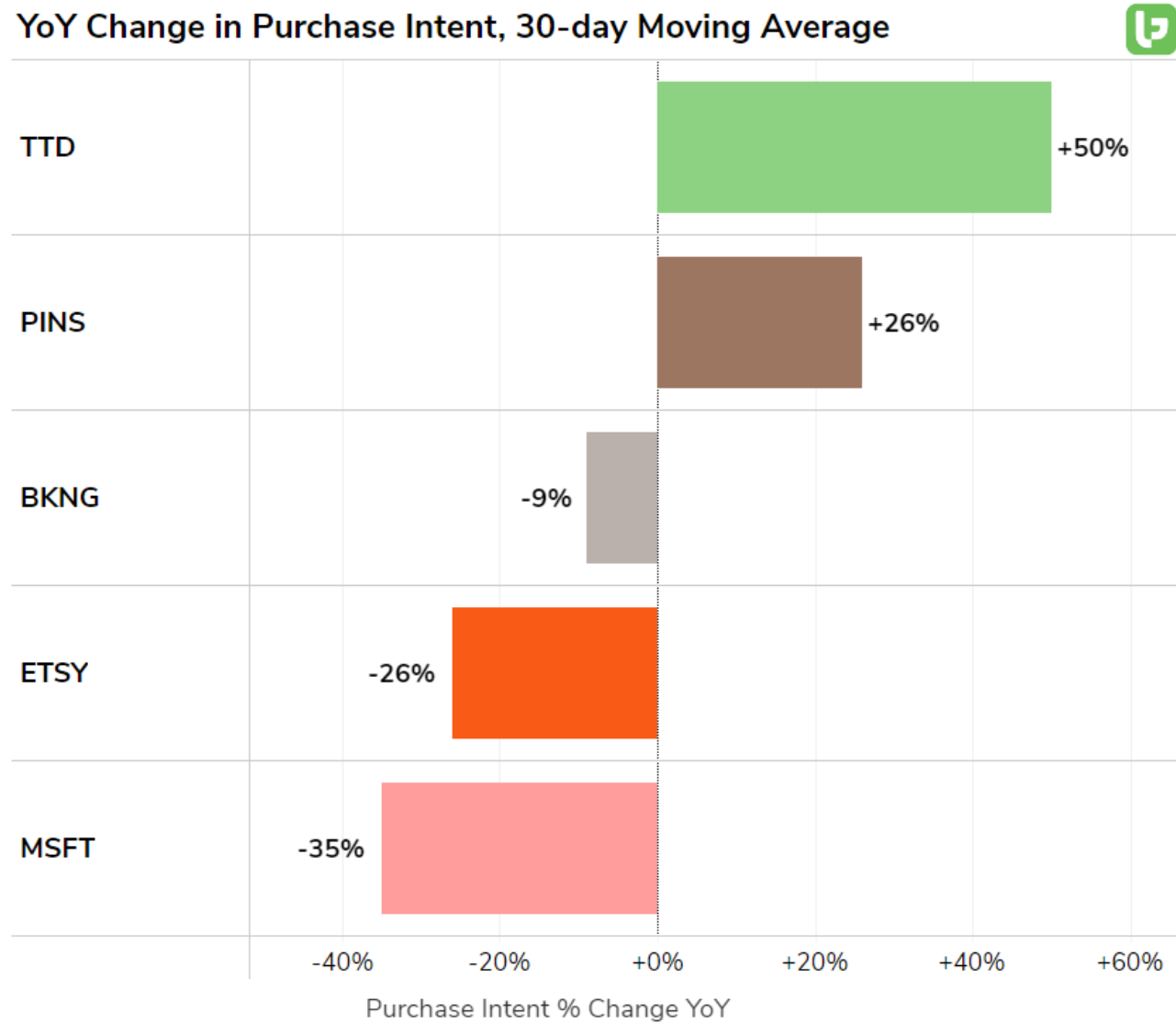
Etsy (ETSY)

Etsy flourished as eCommerce took off – especially for small creators looking to reach a new audience that simply wasn't possible in person. However, growth rates continue to temper for the second year in a row. The company is taking steps to add new platform functionality, including embracing a new visual search tool on its mobile app. However, qualitative review reveals consumers are increasingly skeptical about product quality and legitimacy, concerns the company will need to address.

Microsoft (MSFT)

Microsoft wears a lot of technology hats, from cloud services to the software that was used to create this report. But one area where it lags: intuitive search. The company is considering taking proactive steps in this area to disrupt mobile search leaders Google and Apple with a Super App modeled after Chinese app WeChat, integrating messaging, social media, payment, and search.

Search 2.0 – Personalized Discovery





Trend Watch



Trend Watch: New Search Priorities

Macro Trend Watch:

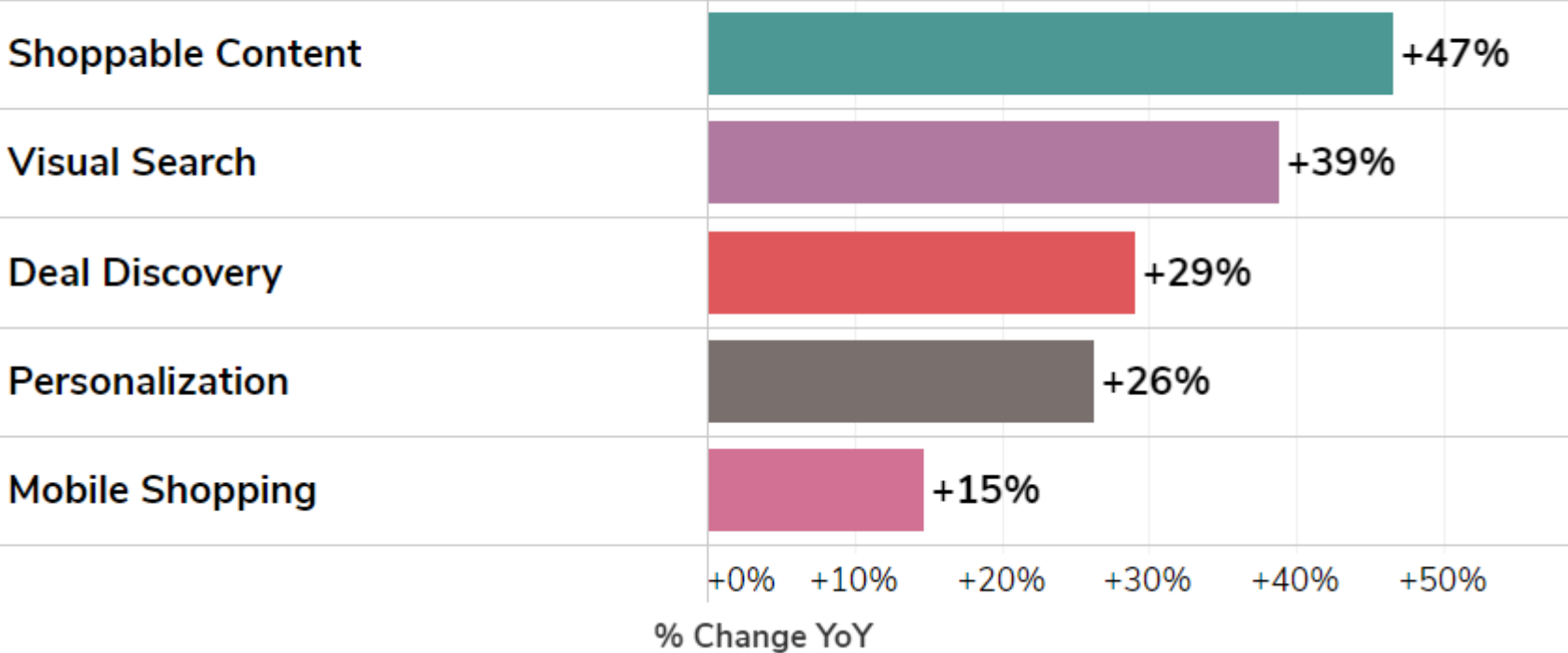
Consumer methods for discovering new brands, products, and services for purchase is shifting.

Looking ahead, discovery is “organic”, intuitive, personalized, and mobile.

As technology improves (think visual search) and is layered on top of first-party (personalized) data, brands can connect with you even if you don't have the words to describe what you're looking for...or if you don't even know yet.



YoY % Change, 30-day Moving Average



Macro Trend Watch:

Marketers have shifted their strategy to connect with consumers, opting for real-time, highly targeted messaging vs. a mass coverage approach.

Currently, 97% of marketers use customer data in decision making.

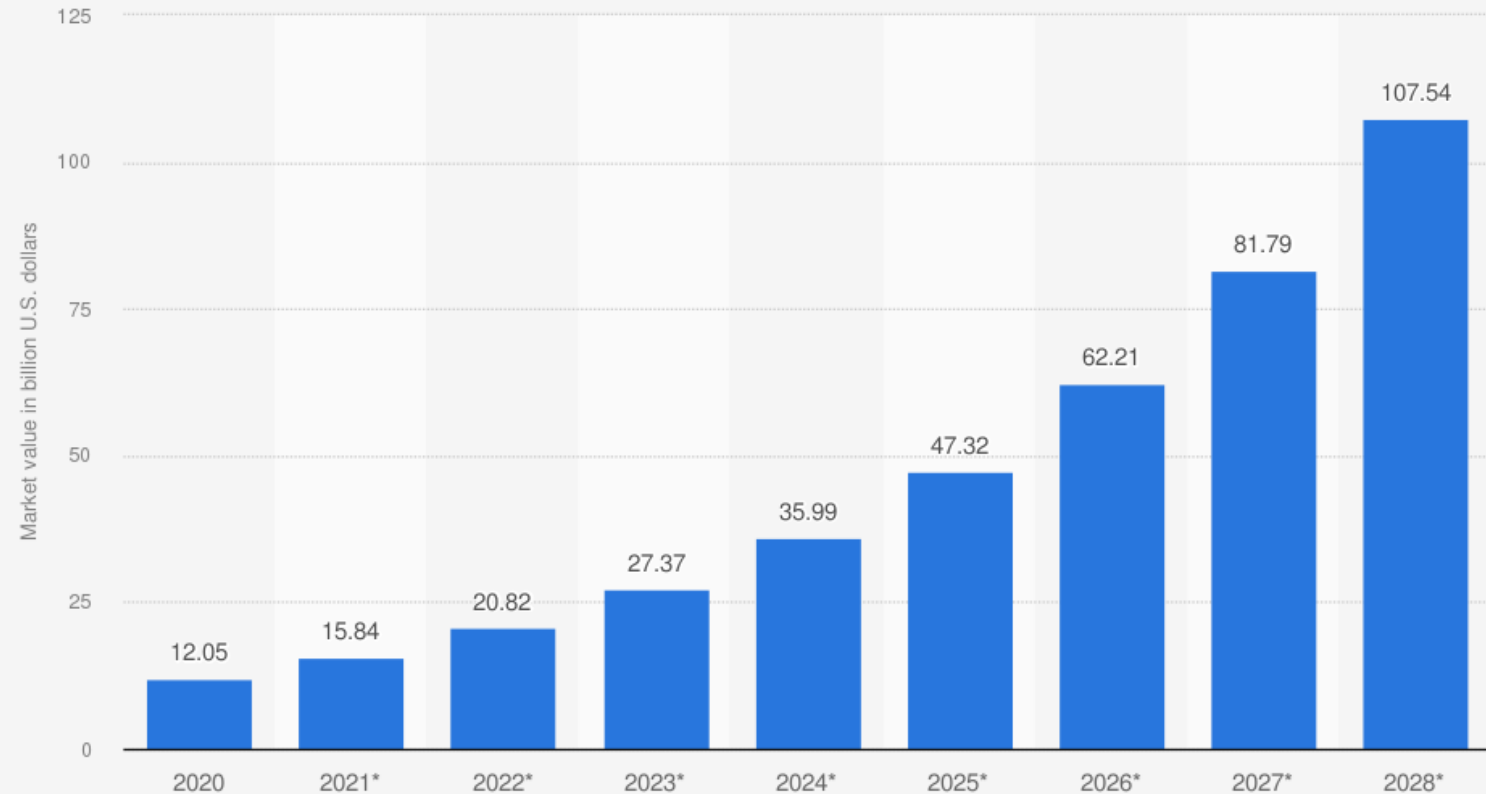
And technology is getting more sophisticated.

The market value of artificial intelligence in marketing is expected to top \$100 billion globally by 2028.



Trend Watch: Rise of Personalization

Market value of artificial intelligence (AI) in marketing worldwide from 2020 to 2028 (in billion U.S. dollars)



Sources

The Insight Partners; Statista
© Statista 2022

Additional Information:

Worldwide; The Insight Partners; Statista; 2020

Trend Watch: Search is Ripe for Disruption

Macro Trend Watch:

Qualitative review of consumers commenting on their search experience suggests the market is wide open for disruption and improvement.

Consumers want meaningful results vs. non-related info elevated to the top from ads and sophisticated search engine optimization efforts.

The underlying theme: consumers want a smarter search...or for platforms to tell them what they're looking for.

william @wlaw_
google search has gotten so bad that adding +reddit to the end is a must
10:45 PM · Dec 10, 2022
1 Retweet 11 Likes

Lucy Lichen @Whispering_Wild
Hoping to save up for a second hand macro lens for my olympus OM-D but being a little dyslexic I am very confused by all the numbers when I Google search. Can anyone tell me what I'm looking for? Just hoping to take close ups of insects and lichen #cameras #photography #nature
9:28 AM · Dec 8, 2022
2 Retweets 2 Likes

James Malloy @AndTheMeltdowns
I'm trying to find a gif of it and it's in everything but I don't know what to search for to find it.
10:56 AM · Dec 13, 2022

Griff @novacav · Dec 6
Combo of SEO and censorship has made search engines useless
@0xStef @0xStef · Dec 6
This week I have made more searches on @openai than @Google. 10x productivity bump! My latest search. Bye-bye, big G.
#UseBetterTools

to say tomorrow in the top 20 most spoken languages

Language	Native Speakers (Approx.)
Chinese	1.4 billion
Spanish	550 million
English	460 million
Hindi	350 million
Arabic	310 million
Portuguese	260 million
Bengali	230 million
Russian	140 million
Japanese	125 million
German	100 million
French	75 million
Javanese	100 million
Korean	100 million
Tagalog	100 million
Tamil	100 million
Turkish	80 million
Marathi	80 million

82,000,000 results (0.68 seconds)
lingoda.com · most-spoken-languages-in-2022 - Lingoda
10 Most Spoken Languages in the World in 2022 - Lingoda
2022 — The 20 most widely-spoken languages in 2022. Let's focus on the top 5...
How many people speak English? 1.132 billion speakers. Learn ...
tomorrow | Must include: tomorrow

mentalflow.com · article · most-spoken-la...
10 Most Spoken Languages in the World | Mental Flow
2021 — 1. English / 1.35 Billion. The most common word in the most common langua...
tomorrow | Must include: tomorrow

le also ask |
the top 20 most spoken language in the world?
the top 10 most spoken language in the world in 2022?

clockworkprismdev @clockworkprism1
Replying to @highbrowtrash
I'm more worried that in the next five years the first five pages of Google results will be AI generated garbage. It's already a problem, but massive amounts of AI generated articles for every Google search could render search engines completely useless
10:18 AM · Dec 4, 2022





TTD



Key Points

TTD

The Trade Desk



Money Dial: Bullish

77

 **theTradeDesk®**

Global Page Views:

+15% YoY

Mentions:

+12% YoY

Streaming Mentions:

+24% YoY

Actionable Trade Ideas

Buy Trade Desk Inc (NASDAQ: TTD) stock up to \$50/share**

Alternative approaches would include selling OTM put options with a strike price 5% below the current price of the stock each month to generate income until a position is established.

We believe this stock could gain by more than 100% within the next 2 years.

Buy TTD Jan. '24 55/65 Call Spread @ \$3.00

Max Gain: \$TTD trading above \$65 on Jan. 19th 2024
— +\$700 per contract

Max Loss: \$TTD trading below \$55 on Jan. 19th 2024
— -\$300 per contract

**ON ALL TRADES, it is important to use proper risk management to correctly allocate and protect your capital.



Company Updates: TTD

TheTradeDesk aims to help advertisers better connect with customers. It offers a self-service cloud platform where ad buyers can create, manage, and optimize digital ad campaigns across various ad formats and devices. The platform is integrated with 1st party data providers and inventory information to support decisions while connections with enterprise APIs allow advertisers to develop custom campaigns on top of the platform. Ad agencies and brands have over 500 billion digital ad opportunities to pick from each day.

TTD announced revenue growth of +31% YoY for [Q3](#) driven by strong demand for ‘decisioned media buying’ especially in the Connected TV ad space, beating expectations. Demand from retailers looking to unleash the power of their retail data is also positive. Non-GAAP EPS grew 44% to \$0.26 and topped the Street by 3 cents. The customer retention rate remained above 95% as it has for the past 8 years. Despite the strong quarter, the stock fell -8% on 11/9/22 due to soft Q4 guidance.

[Netflix’s plan to sell ads](#) and to rely on 3rd party ad infrastructure companies rather than buildout an in-house ad arm is a win for ad tech companies like TTD. It validates the need and benefits of digital advertising including allowing TTD customers to focus on their core business and leave the ad game to them.

This summer TTD inked an ad [deal with Disney](#) allowing brands to place targeted, automated ads across Disney properties. The ads will match customer data that Disney collects with information gathered through Unified ID 2.0 (UID2), an industry framework. This is an example of the advertising industry’s move away from intrusive cookies toward precise-and-privacy-focused ads. As part of UID2, TTD has also recently formed partnerships with Procter & Gamble and FuboTV.

Approximately 14% of TTD ad spend came from outside North America and yet 67% of ALL ad dollars were spent outside North American, so the overseas growth opportunity is huge. In 2021, the health & fitness, food & drink, and automotive industries combined accounted for 43% of total TTD [ad spending](#).



TTD: Global Page Views Rising

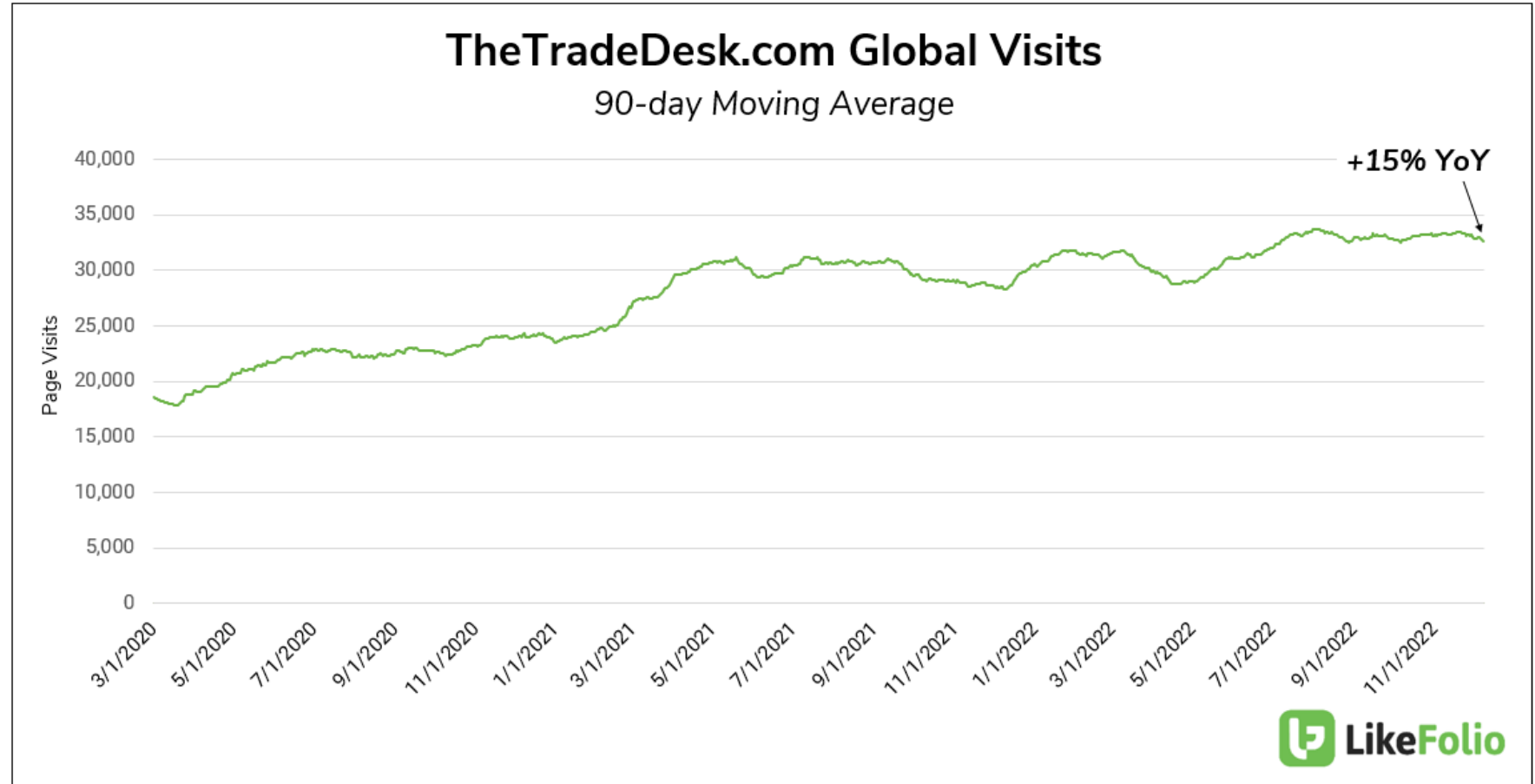
Key Takeaway:

The number of U.S. visitors to TTD's consumer-facing site have increased by +15% YoY.

North American consumers constitute nearly 85% of theTradeDesk's ad revenue.

The current visit trajectory suggests TTD's efforts to grow its international ad revenue are working.

In contrast, TTD U.S. page views have dropped on a YoY basis, though this rate is normalizing vs. last quarter (+5-point improvement).



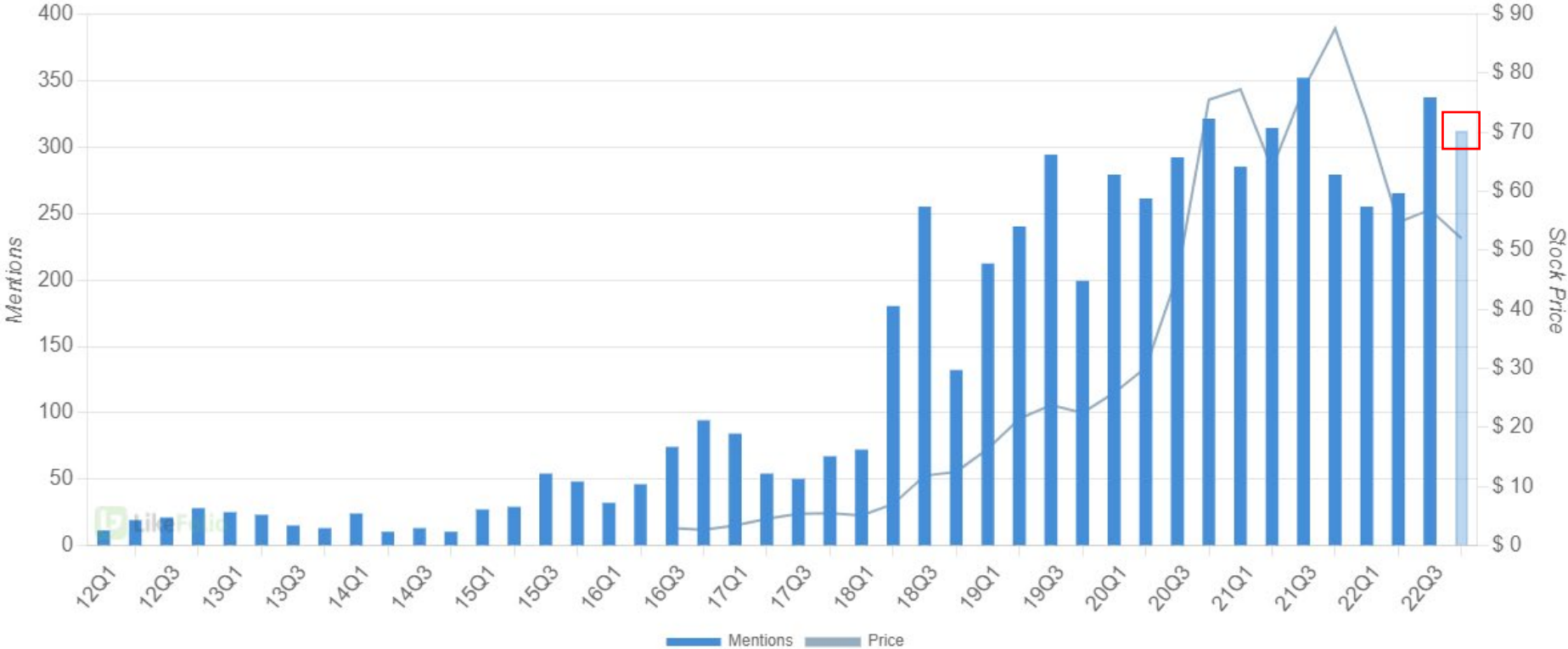
TTD: Brand Awareness Improving

Key Takeaway:

Buzz surrounding TTD's advertising platform continues to rebound after some post-pandemic normalization.

Mentions are on pace for +12% growth YoY in the 4th quarter, a +16-point improvement in volume growth rate vs. Q3.

The Trade Desk (TTD): Full Company
Mentions Count



TTD: Consumer Shifting to Streaming

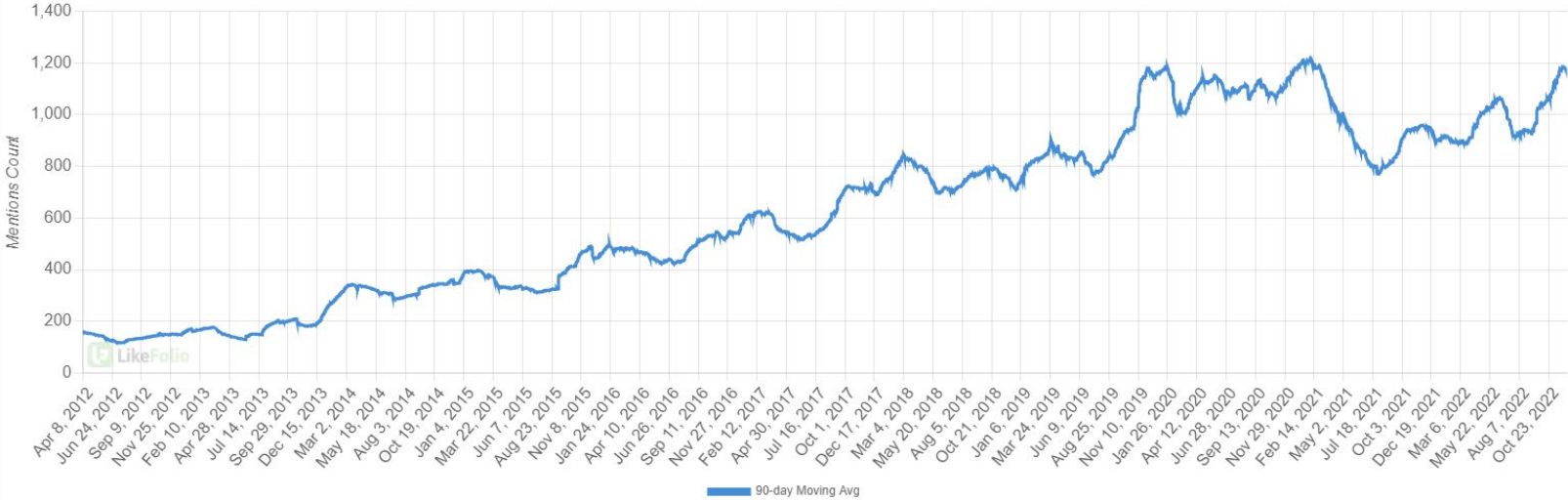
Key Takeaway:

Consumer streaming activity is on the rise again, currently pacing +24% higher YoY.

Meanwhile, consumer demand for traditional cable continues to stagnate, registering -27% lower vs. 3 years ago.

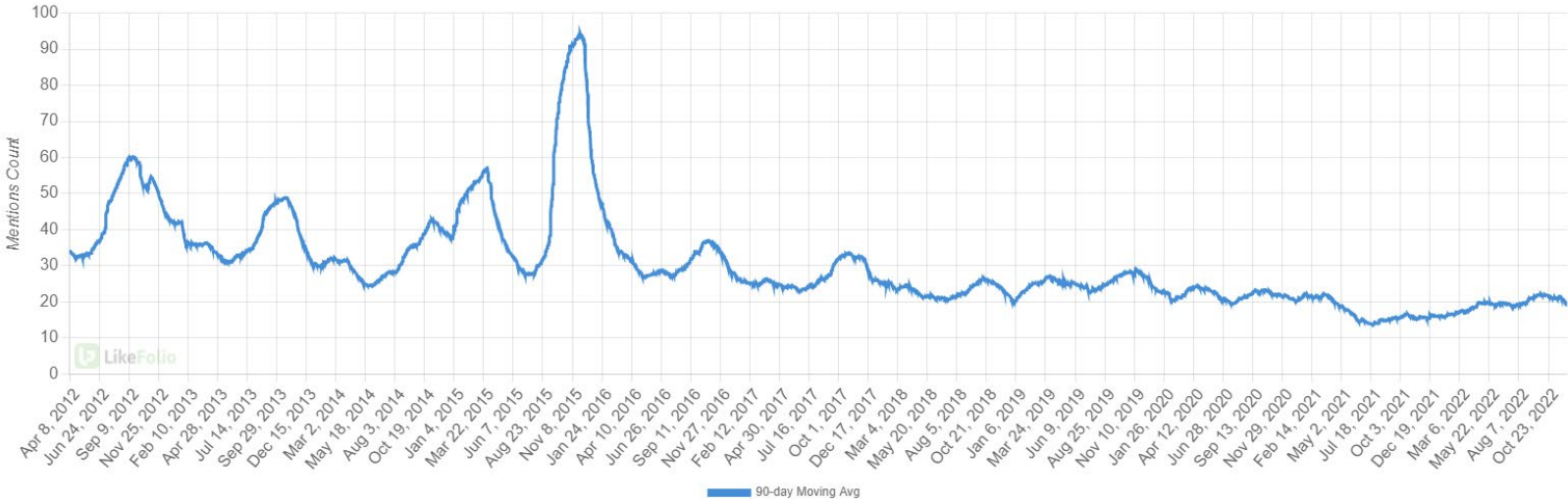
Streaming: Mentions Count

Consumer mentions of streaming media content including live TV, shows, and movies.



Traditional Cable Demand: Mentions Count

Consumer mentions of signing up for or using traditional cable services.



Macro Trend Watch:

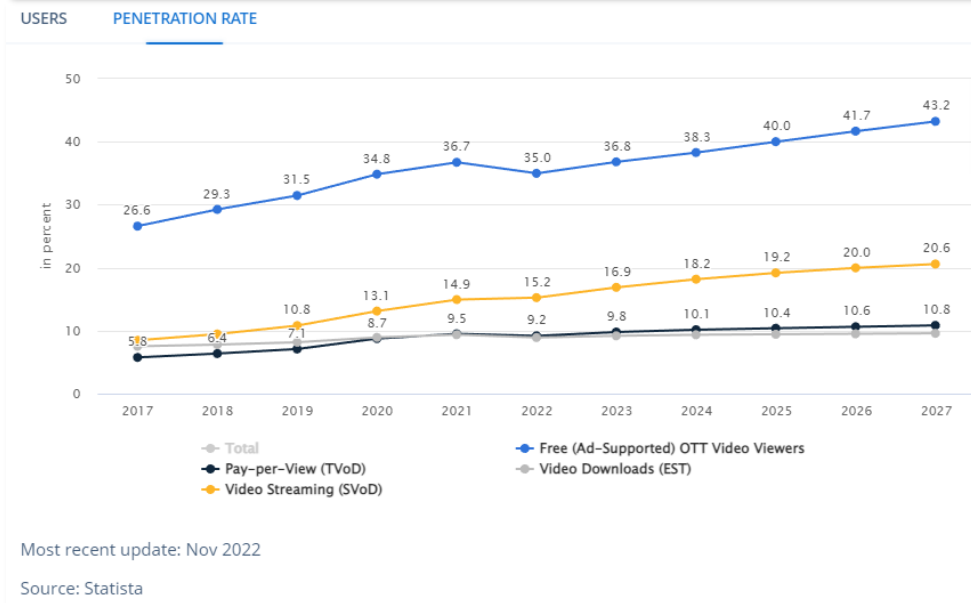
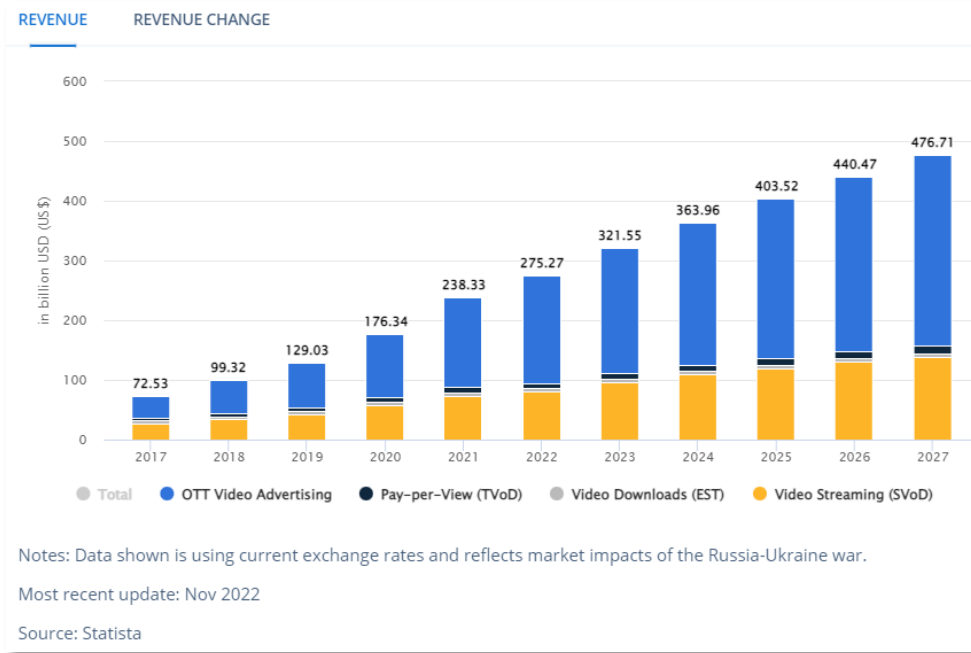
Streaming video ad spend is expected to exceed \$470 billion by 2027.

This growth is driven by continued consumer adoption of ad-supported content.

Note that by 2027, penetration rate of OTT Video Viewers is estimated to be +43%. The penetration rate is the share of active customers or accounts from the total population of the global market for each year.



Trend Watch: OTT Video Advertising Spend

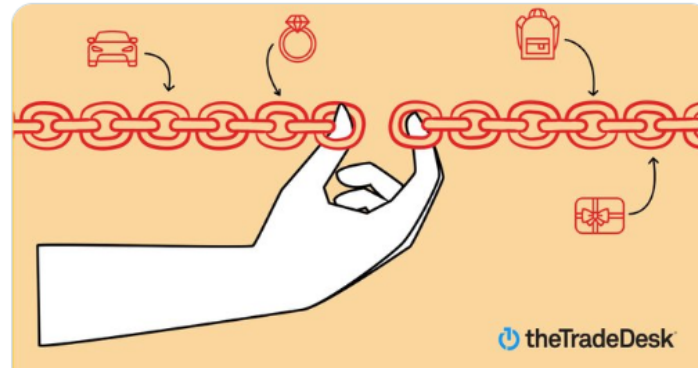


TTD: Real-Time Targeted Ads



The Trade Desk @TheTradeDesk · Nov 18

The combination of dynamic creative optimization (DCO) and programmatic advertising offers advertisers flexibility, using real-time inventory **data** and personalized creative to promote currently available products to the right audience.



thetradedesk.com

Managing supply chain issues with DCO marketplace | The Trade Desk
Find out how dynamic creative optimization is helping advertisers pivot quickly in response to supply chain issues.



The Trade Desk @TheTradeDesk · Nov 9

Our very own Tim Sims had a great discussion with leaders from @TMobile and @NestleUSA about the benefits of **data**-driven CTV at @advertisingweek's #AWNewYork. It's time to leverage a consolidated, fully-decided approach to reach streaming audiences.



CMI Media Group @CMIMediaGroup · Jul 14

.@Disney announced that it will be matching its audience graph to @TheTradeDesk's Unified ID 2.0. This will allow programmatic buyers to find and buy their **first-party** audiences on Disney properties via @MediaPost



mediapost.com

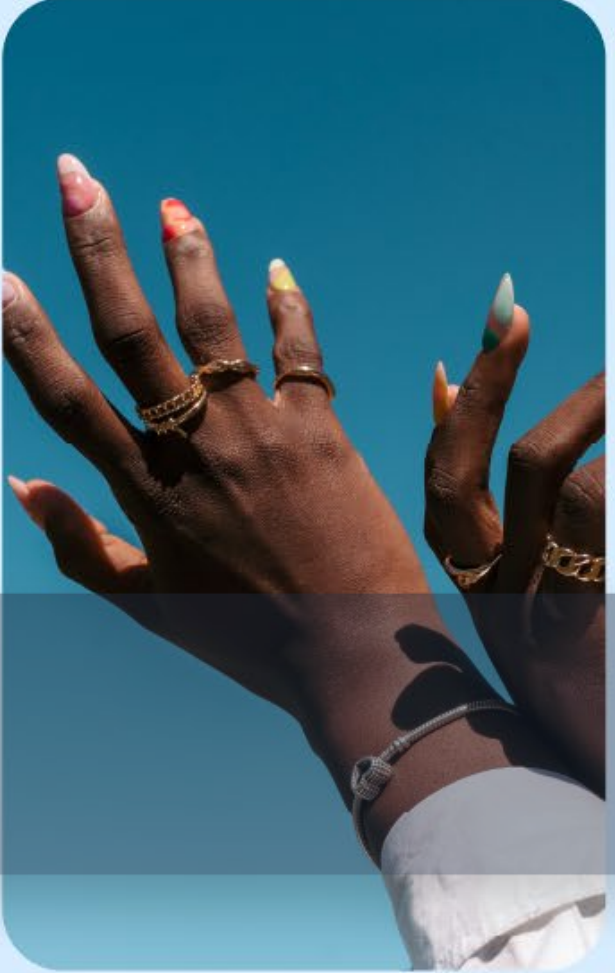
Television News Daily: Disney, The Trade Desk Exp...
With this deal, the companies say media buyers can discover and activate addressable, biddable ...



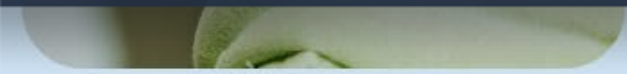
Narrative @narrative_io · Oct 27

We're excited to announce our new partnership with @TheTradeDesk, enabling data providers to match their **first-party** data using UID2 and make it available for advertiser activation in @TheTradeDesk platform without needing to know code. Get the full scoop:





PINS



Key Points

PINS

Pinterest



Money Dial: Bullish

82



Mentions:

+10% YoY

Returning U.S. Users:

-10% YoY (+14 points vs. prior quarter)

Global Unique Audience:

+11% YoY

Actionable Trade Ideas

Buy Pinterest Inc (NYSE: PINS) stock up to \$30/share**

Alternative approaches would include selling OTM put options with a strike price 5% below the current price of the stock each month to generate income until a position is established.

We believe this stock could gain by more than 100% within the next 2 years.

Buy PINS Jan. '24 20/30 Call Spread @ \$4.60

Max Gain: \$PINS trading above \$30 on Jan. 19th 2024
— +\$540 per contract

Max Loss: \$PINS trading below \$20 on Jan. 19th 2024
— -\$460 per contract

**ON ALL TRADES, it is important to use proper risk management to correctly allocate and protect your capital.



Company Updates: PINS

Pinterest is a (social) media platform for visual discovery that lets contributors ('pinners') share visual images ('pins'), and save ideas & recommendations into collections. It has grown into a community of over 400 million active users and a valuable demographic for advertisers.

In October Pinterest reported better than expected [Q3 results](#). Revenue was up +8% YoY driven by strong demand for retail advertising. Global monthly average users (MAUs) increased +1 million to 445 million and global average revenue per user (ARPU) increased +11% to \$1.56. Adjusted EPS came in at \$0.11 which was +38% higher than last year and ahead of the Street's \$0.06. The stock jumped +14% following the earnings surprise.

In an effort to improve the user experience for Pinners, Pinterest plans to invest in content and site personalization. Former Google executive Bill Ready became CEO in June 2022. Along with activist investor Elliott Management, management is focused on increasing the amount of '[shoppable](#)' inventory, i.e., products that users can buy directly from the website with the end goal of creating more commerce to capture a greater share of ad budgets. Pinterest is teamed up with Shopify and other 3rd party platforms to advance this agenda.

In June 2022 Pinterest [acquired](#) THE YES, an AI-powered shopping platform for fashion that lets users shop a personalized feed based on their input on brand, style, and size. The move was part of a vision to make Pinterest 'the home of taste-driven shopping'.

Since consumers come to Pinterest to generate ideas, the site can leverage search data to gain insight into what's coming in pop culture before it starts trending. In the last 3 years, [80% of predicted trends came true](#). The recently released [Pinterest Predicts 2023](#) report includes emerging trends such as Airy fashion styles, 'Hipstoric' homes, pool parties for dogs, Primal Movement, and anti-tech workouts.



PINS: Returning User Loss Softens

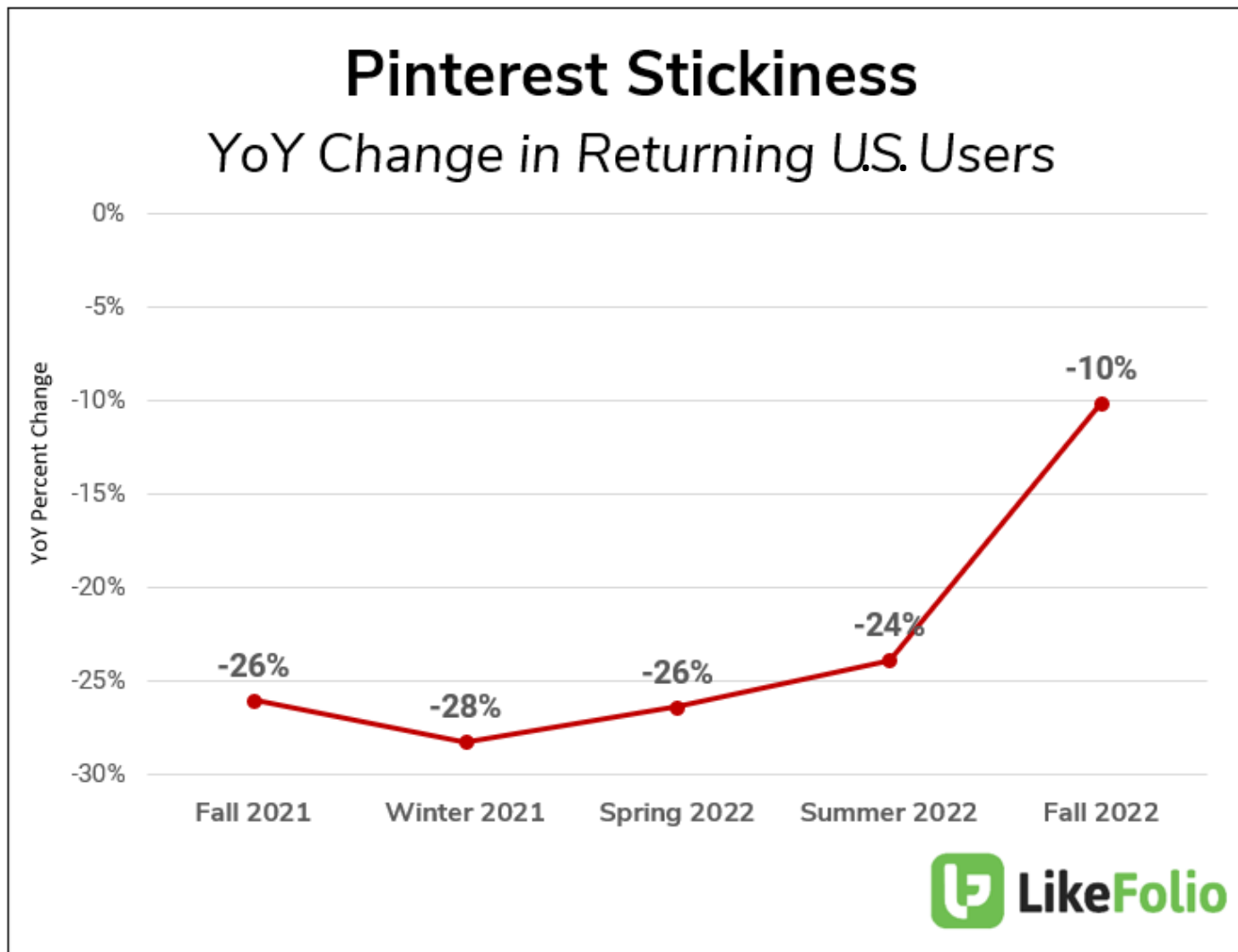
Key Takeaway:

According to LikeFolio correlation studies, returning U.S. users is highly correlated to Pinterest revenue.

After failing to attract repeat users after its pandemic heyday, the drawdown in the number of returning users is cooling.

Through the end of November, the number of returning U.S. users dropped by -10%. While negative, this is a slow down vs. prior rates – a 14-point improvement in the last quarter alone.

This is also indicative of improving comps.



PINS: Global Unique Audience Grows

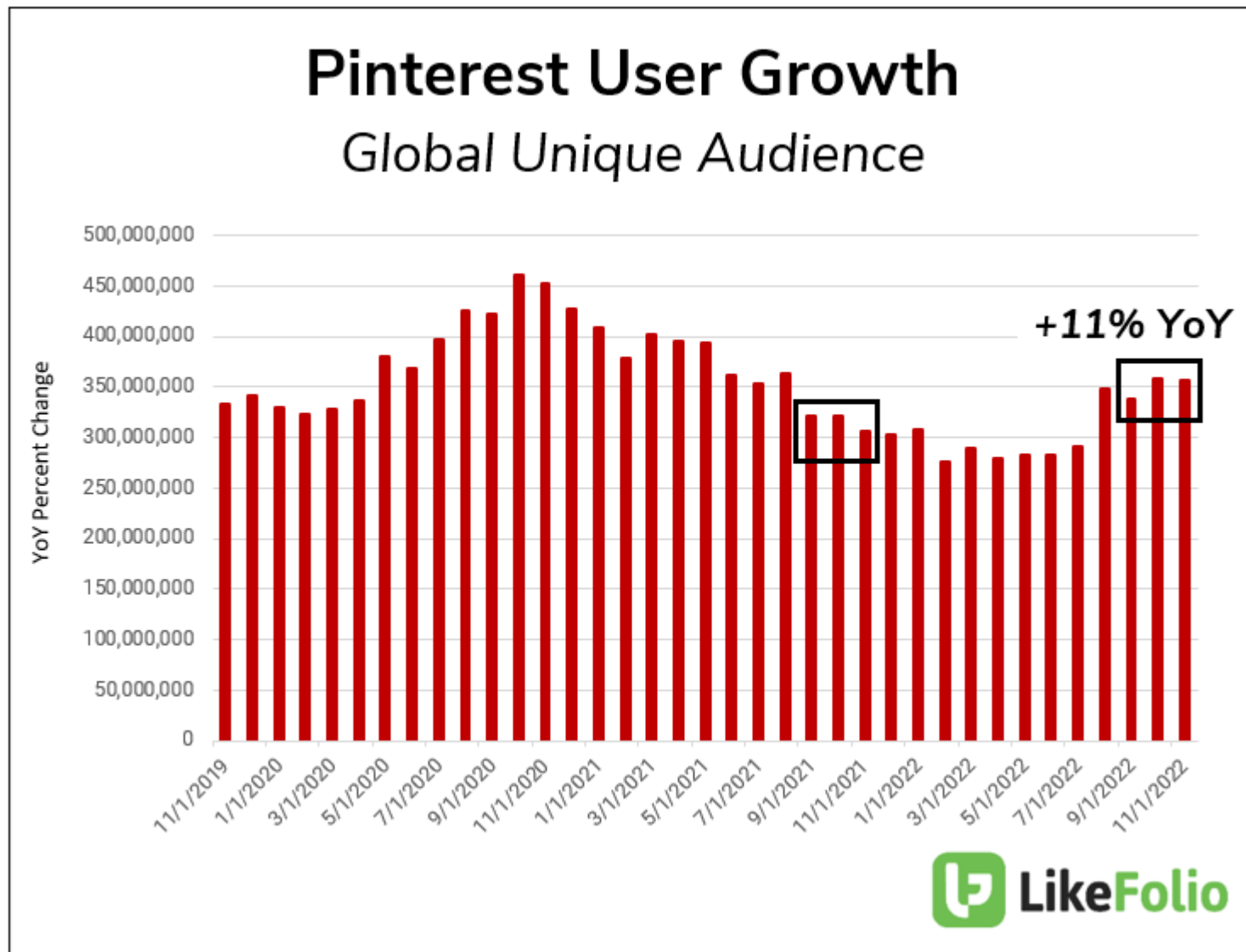
Key Takeaway:

Pinterest's global unique audience peaked in October 2022.

Several quarters of userbase decline followed the platform's pandemic popularity surge.

However, this trend has reversed in the last 4 months.

Pinterest's Global Unique Audience has increased by +11% YoY in the last quarter, which speaks to the company's successful efforts to expand its international userbase.



PINS: Mentions are on the Rise

Key Takeaway:

Consumer mentions of Pinterest have increased by +10% YoY on a 30-day moving average.

This growth rate is an example of buzz acceleration – the 90-day moving average rate of growth is +3% YoY.

Building on this, consumer mentions of signing up for or using the Pinterest platform have increased at an even steeper clip: +28% YoY.

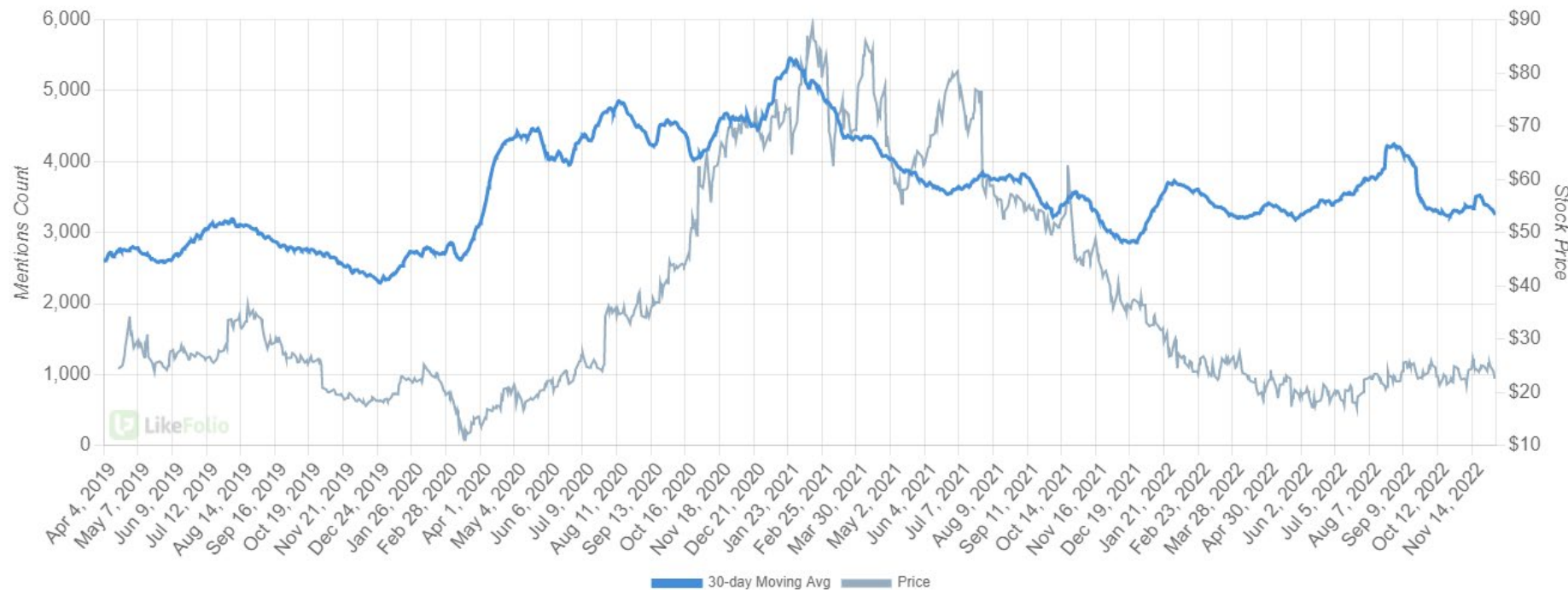
Mentions are displayed and emphasized because this metric has shown a higher correlation to company revenue vs. PI.



Pinterest (PINS): Full Company

Mentions Count

30-day change: QoQ: -22%, YoY: +10%



Trend Watch: Visual Search

Macro Trend Watch:

As technology improves, consumers are increasingly utilizing visual search.

Mentions of using some type of image search tool are currently pacing for all-time highs.

Pinterest has improved upon its own visual search tool, "Lens" for years.

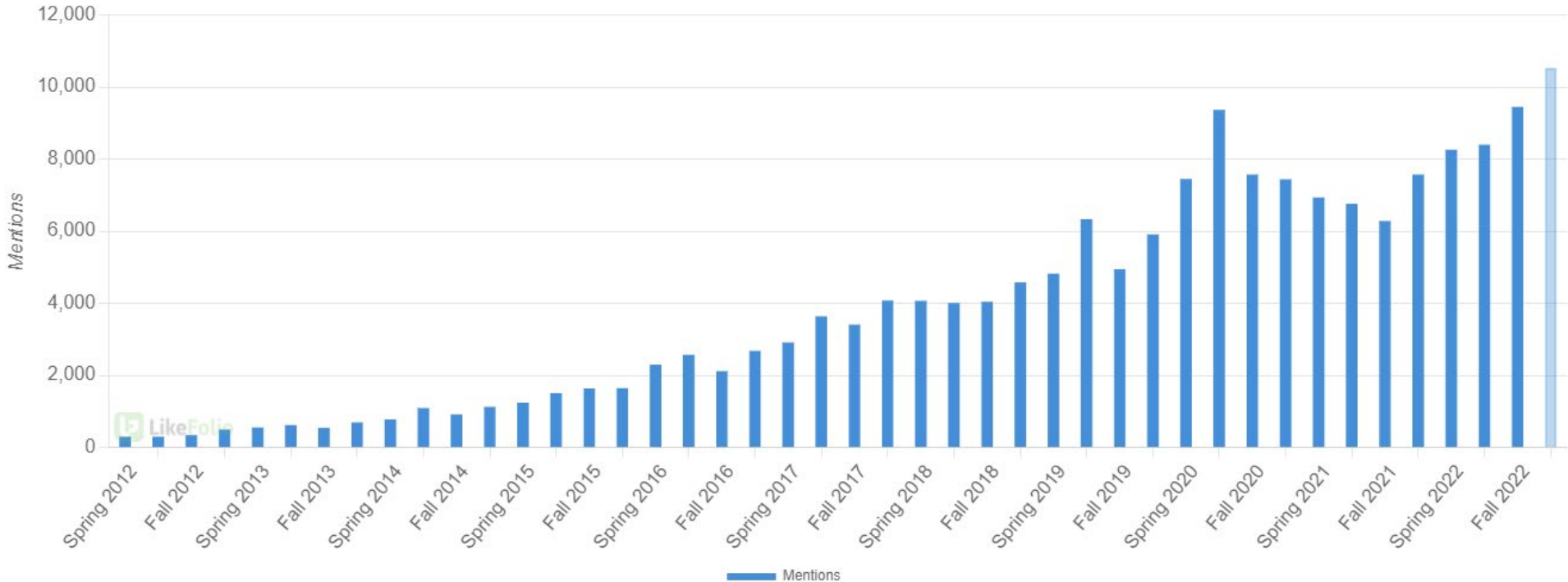
Users can search by photo for fashion items to buy, or even recipes when submitting a picture of an ingredient.

Pinterest Lens mentions have increased by +13% YoY as this search preference rises.

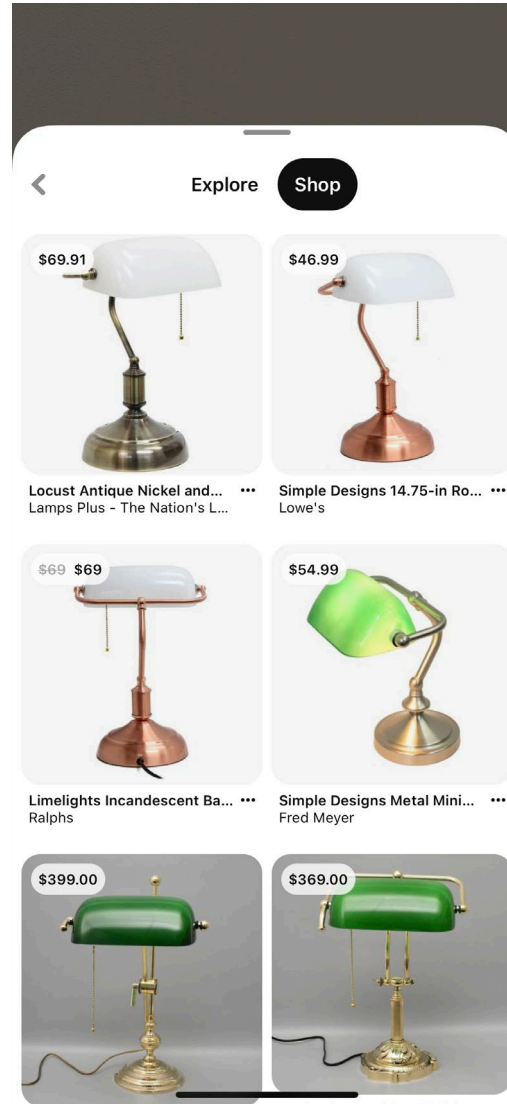


Visual Search: Mentions Count

Consumer mentions of using visual search tools, including reverse image search.



PINS: Optimized for Discovery



Mighty Mo Marketing @WeAreMightyMo · Aug 26
Customers want and need an omnichannel experience, taking them from their phones to the store and back again.

Plenty of studies have shown the benefits of omnichannel marketing, from greater customer reach and satisfaction to higher profits across all company sectors.

1

Mighty Mo Marketing @WeAreMightyMo · Aug 26
Target is one of the best for this type of marketing, foregoing their individual channel focus and thinking across multiple platforms.

1

Mighty Mo Marketing @WeAreMightyMo

One of their most successful partnerships has been with Pinterest, specifically the Pinterest Lens feature. Within the Pinterest app, users can take a photo on their smartphone of products they like and the Target app will show them similar products in their own collections.

12:11 PM · Aug 26, 2022





BKNG



Key Points

BKNG

Booking Holdings



Money Dial: Bullish

84



BOOKING HOLDINGS

Global Website Visits:

+12% YoY

Global New Users:

+6% YoY

Purchase Intent:

+7% YoY

Actionable Trade Ideas

Buy Booking Holdings (NASDAQ: BKNG) stock up to \$2000/share**

Alternative approaches would include selling OTM put options with a strike price 7-8% below the current price of the stock each month to generate income until a position is established.

We believe this stock could gain by more than 60% within the next 2 years.

Buy BKNG Jan. '24 1950/1970 Call Spread @ \$10.00

Max Gain: \$BKNG trading above \$1970 on Jan. 19th 2024 — +\$1000 per contract

Max Loss: \$BKNG trading below \$1950 on Jan. 19th 2024 — -\$1000 per contract

**ON ALL TRADES, it is important to use proper risk management to correctly allocate and protect your capital.



Company Updates: BKNG

Booking Holdings Group offers a mix of online booking services for airline tickets, car rentals, cruises, hotels, restaurants, and packaged vacations. Customers have the option of purchasing travel services the traditional, price-disclosed way or through 'Name Your Own Price' which lets customers bid at discount prices. Its brands include the flagship Booking.com, Priceline, Kayak, OpenTable, Agoda, Rentalcars.com.

Last quarter BKNG reported +29% revenue growth and +41% EPS growth, both of which topped consensus. Bookings were up +36% to \$32.1 billion, room nights booked were up +32% to 240 million, and airlines tickets were up +45% YoY. Agency revenue (up +12%) accounted for 43% of total revenue and merchant revenue (up 61%) accounted for 53% of revenue. Strength was driven by rebounding travel demand. BKNG shares rose +3% on the day after the release.

Booking generates most of its revenue from international markets where the agency model is more popular, notably in Europe where it generates most of its gross profit. Some analysts believe the post-Covid [travel boom will moderate](#) in 2023 alongside a slowing global economy. Booking's high exposure to Europe where inflation and the energy crisis are being felt more, adds to the risk profile of the stock especially if Europe enters a deep recession. BKNG has been investing heavily in the U.S. market partly to reduce its Europe dependency, temporarily elevating customer acquisition costs.

Booking is the largest player in the global Online Travel Agency (OTA) segment according to [comparable booking revenue](#) through the end of 2021. While Google appeared to be chipping away at Booking's dominance via its travel capabilities (for example: Google Flights), the company began phasing out the ability to book directly on its site, thus lowering the competitive risk for travel aggregators like BKNG. A google spokesperson noted: "We originally offered this functionality to give people a simpler way to buy their tickets and to help our partner airlines and OTAs [online travel agencies] receive more bookings. However, we've found over time that people actually want to book directly on partner websites, and we always strive to meet user preferences whenever possible."



BKNG: Global Website Visits

Key Takeaway:

Booking Global Visits (the metric most highly correlated to Booking Revenue) continues to improve as travel rebounds.

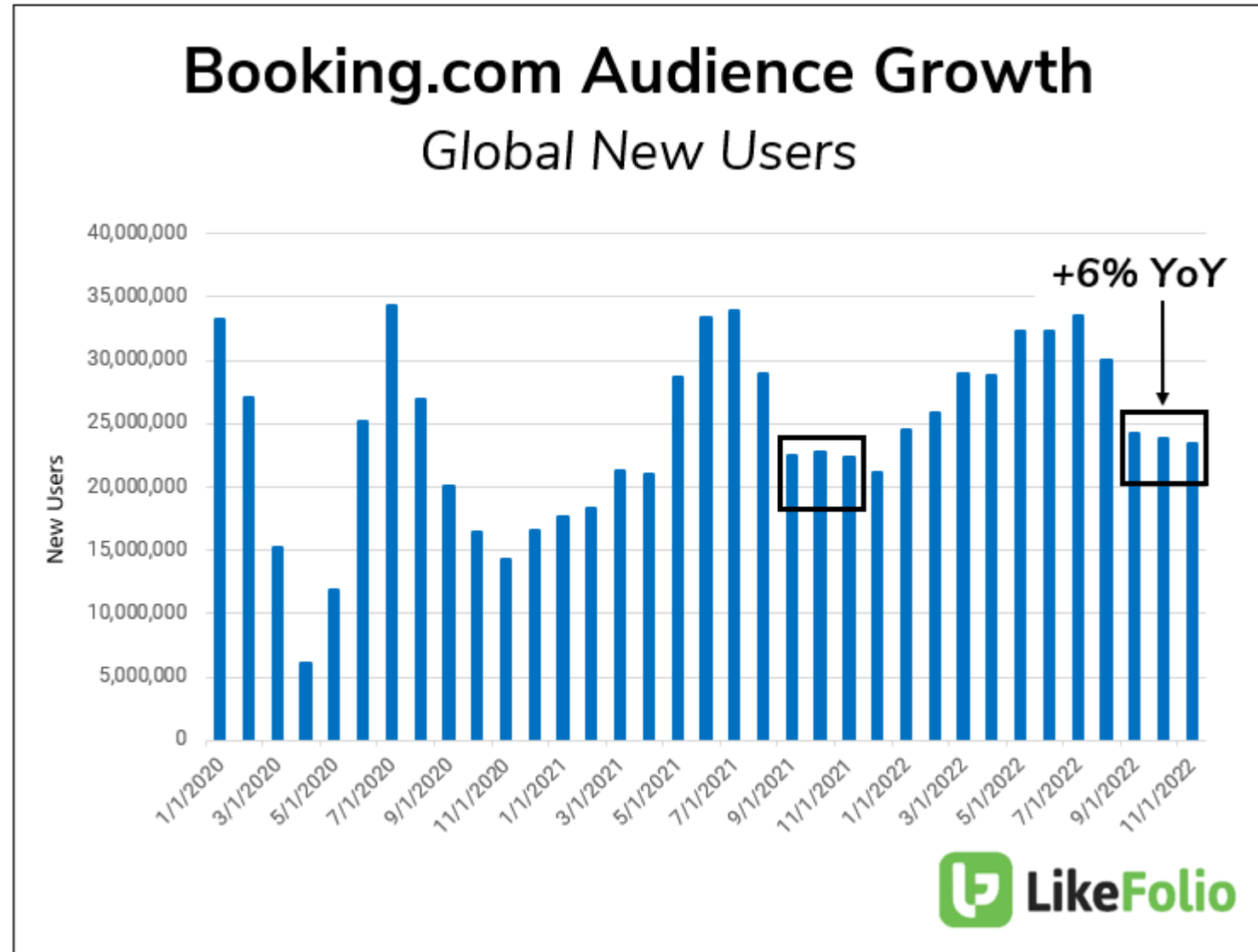
Visits increased +12% YoY from September-November, a 4-point improvement from the prior quarter growth rate.



BKNG: New User Growth

Key Takeaway:

The number of new users turning to Booking for travel needs remains +6% higher YoY, even in the travel “off-season”.



BKNG: U.S. Demand Remains Elevated

Key Takeaway:

LikeFolio Purchase Intent captures English-speaking mentions from consumers utilizing any service under BKNG's umbrella, from the company's namesake booking.com site to aggregators like Kayak.com and Cheapflights.com.

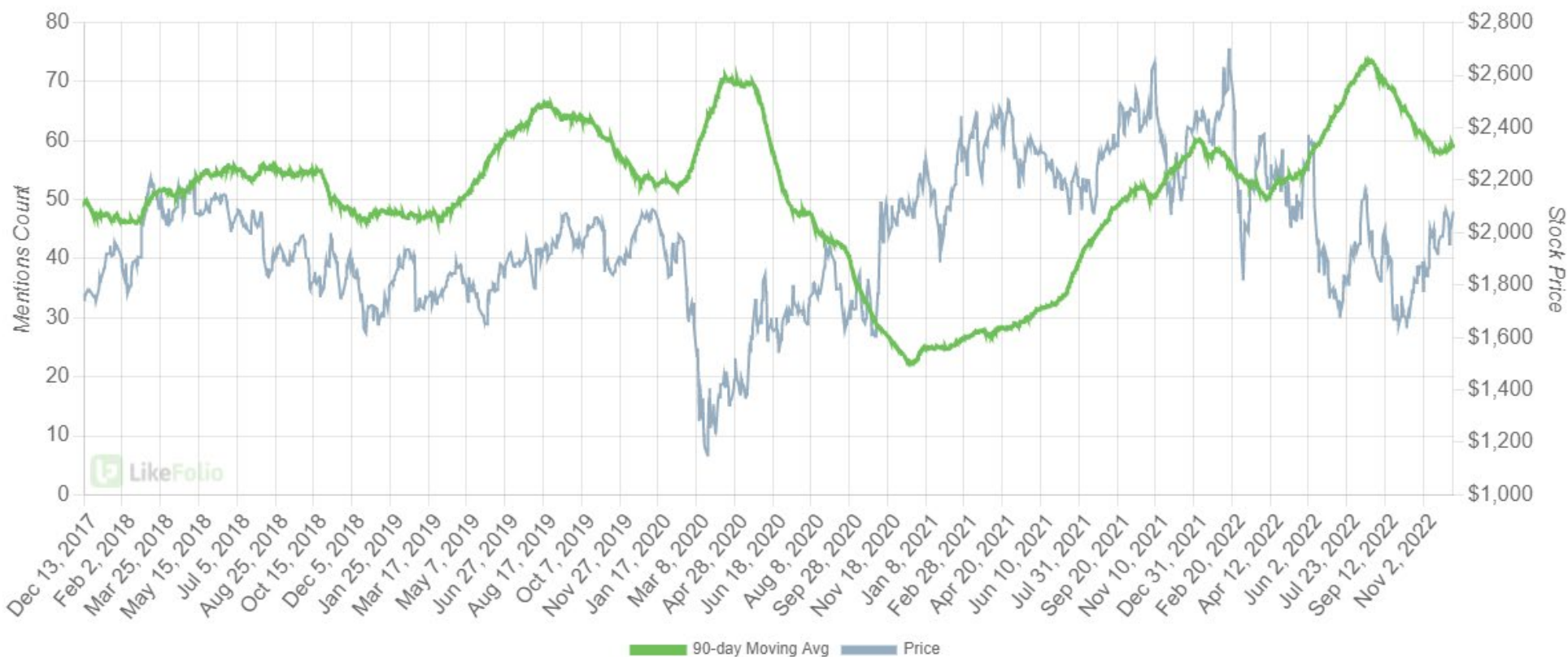
Forward-looking demand remains elevated, +7% higher YoY.

This is a positive indication that Booking is expanding its presence domestically.

Booking Holdings (BKNG): Full Company

Consumer Purchase Intent Mentions

90-day change: QoQ: -15%, YoY: +7%

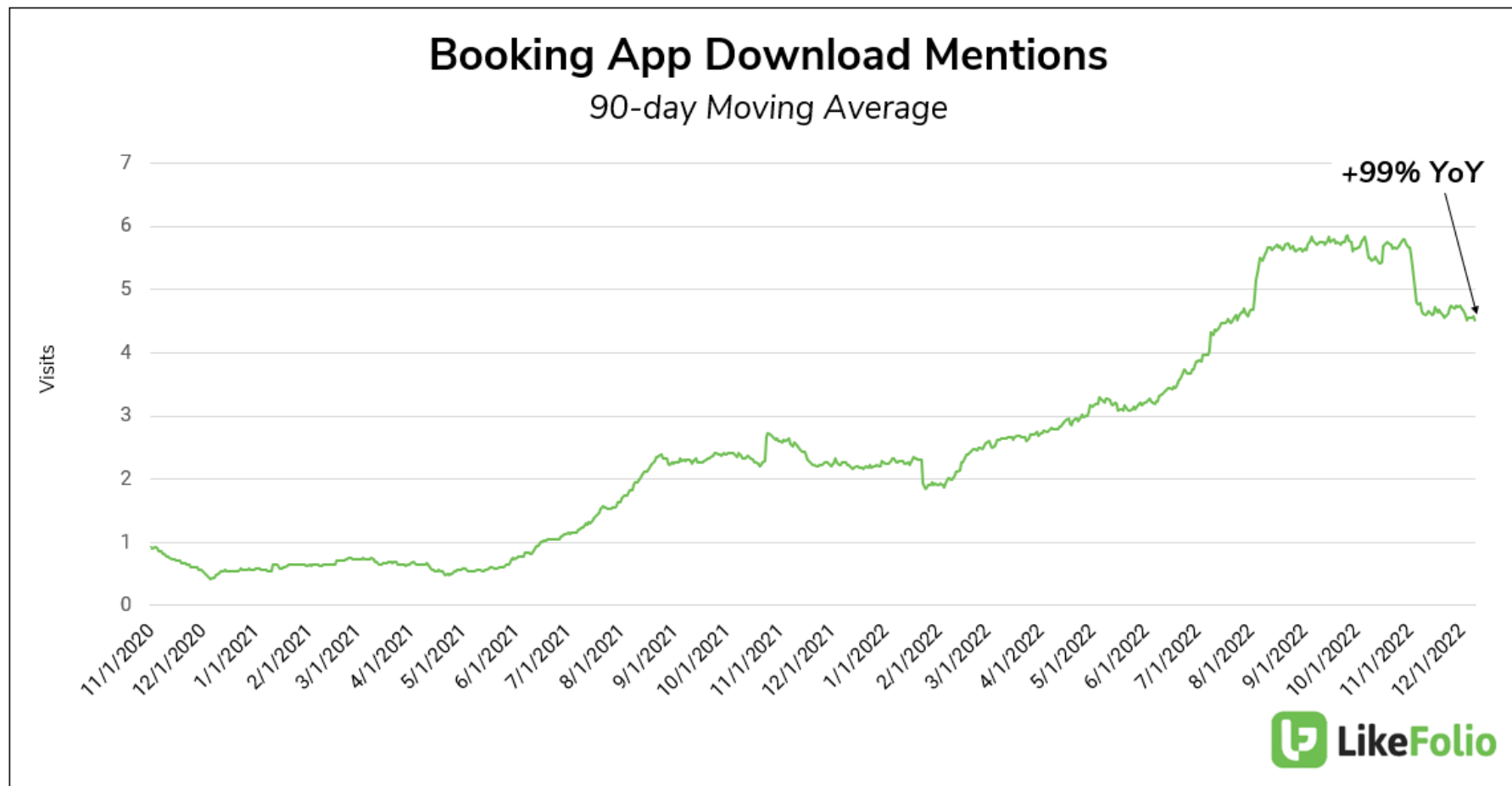


BKNG: Leveraging Mobile App Usage

Key Takeaway:

Booking is prioritizing moving mobile web searches onto its app, noting: “our job is to make sure people use our app and don't use mobile web search, where we have to pay, which is one of the key things. You know...60% of our business was going mobile but 45% at the app. So, obviously, we want to make anybody who's using mobile device, we want them to use the app.”

App downloads surged last summer and remain elevated, suggesting the company is making traction in this critical area.



Trend Watch: Travel Still Higher YoY

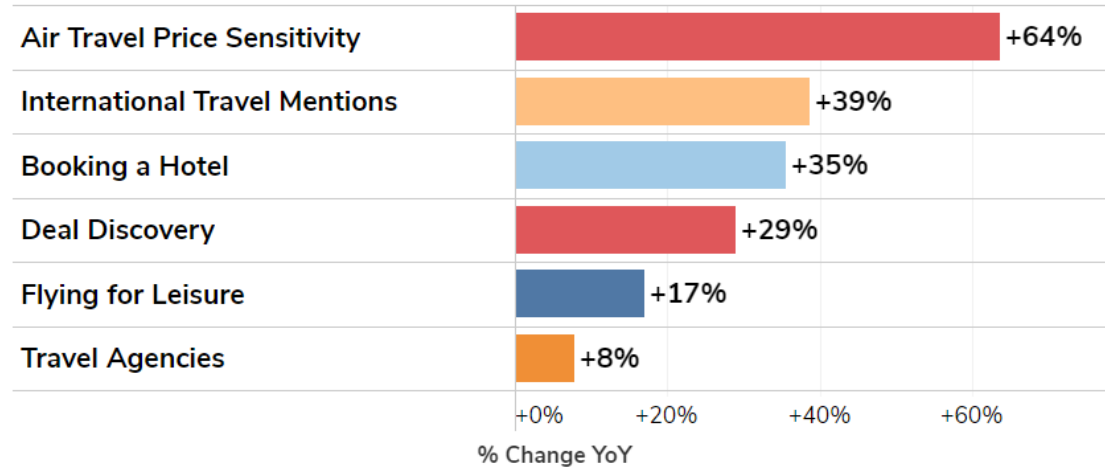
Macro Trend Watch:

LikeFolio data shows that although travel demand has normalized (as expected) from high Summer seasonal demand, demand remains higher YoY across the board.

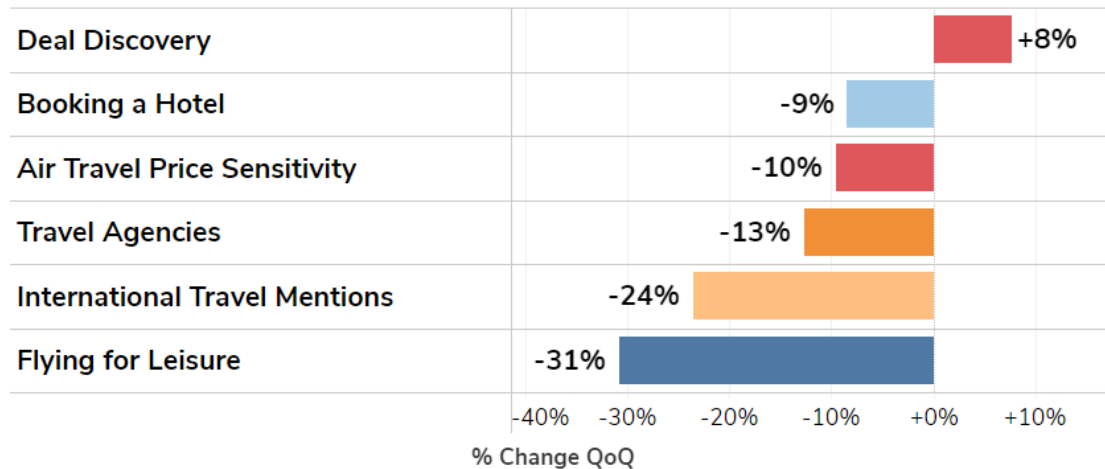
Notably, price sensitivity is weighing on consumers alongside continued rising inflation.

This is giving sites like Booking a competitive advantage as consumers increasingly hunt out the best deal possible.

YoY % Change, 90-day Moving Average



QoQ % Change, 90-day Moving Average



BKNG: Competitive Advantage

Philip Deatherage @phillipsfree · Dec 9, 2022

I've used #AirBNB for years, but after the nightmare @Airbnb I had for my birthday, I skipped them and went with @bookingcom for our #christmas plans. #airbnb refused to stand behind their guarantee or even hold the host responsible for a deceptive listing.

McCole @McCole59925291 · Dec 3

@hotelscomhelp all I can say is your service is horrific. The hotel I booked through your service, is refusing to keep my booking unless I make a second payment in addition to the one I made through your website.

McCole @McCole59925291 · Dec 3

I called your customer help service. And the person handling the call was extremely unsympathetic and even hung up on me! Our trip is in a few days time and now we're left wondering if we'll have accommodation in a foreign country!

McCole @McCole59925291

This is the first time we've used your service and the last time. We only ever use @bookingcom and have never had a single issue on all of the trips with them.

Maria McErlane @mariamcerlane · 18h

Very poor behaviour @TheGoudhurstInn The room was booked, conditions treacherous. Here is your right to reply?

Stuart Simons @Stupotsim · Dec 12

I walked just under 3hrs in the snow and was frozen to the core. Got to the hotel and they had given my room up. Turned me away and threw me out in to the cold with no where to go. If you have ever been to @TheGoudhurstInn you will know it's in the middle of nowhere....

Catherine Lorimer @Catheri21201709

Replying to @mariamcerlane and @TheGoudhurstInn

This sounds awful, not great in -temperatures. I travel a lot and arrive at hotels at strange hours so I use @bookingcom and pay for the room in advance, you might want to go down that route next time.

Raphael De Lio @RaphaelDeLio

Moving from Portugal to the Netherlands: Going from the airport to the city we're gonna live in (40 km) would cost 130€ by @Uber_NL - Booking with @bookingcom will cost 87€. We're gonna be two people with six suitcases, thats why we're not taking the train



Etsy

Search for anything

Black History
Month

Jewelry &
Accessories

Black History Month

ETSY



LikeFolio

Key Points

ETSY

Etsy



Money Dial: Bearish

21

Etsy

U.S. Page Views:

-4% YoY

Unique U.S. Audience Size:

+4% YoY

Mentions:

-11% YoY

Actionable Trade Ideas

**Short Sell Etsy Inc (NASDAQ:
ETSY) stock down to
\$120/share****

Alternative approaches would include selling OTM call options with a strike price 7-8% above the current price of the stock each month to generate income until a short position is established.

We believe this stock could fall by more than 30% within the next year.

**Buy ETSY Jan. '24 130/120 Put
Spread @ \$5.00**

Max Gain: \$ETSY trading below \$120 on Jan. 19th 2024 — +\$500 per contract

Max Loss: \$ETSY trading above \$130 on Jan. 19th 2024 — -\$500 per contract

****ON ALL TRADES, it is important to use proper risk management to correctly allocate and protect your capital.**



Company Updates: ETSY

Etsy operates a global two-sided marketplace for creative goods across more than 50 merchandise categories under the motto 'keep commerce human'. It gives creative entrepreneurs a cost-effective way to reach millions of prospective customers. The top product categories in 2021 were 1) homewares & home furnishings 2) jewelry & personal accessories 3) apparel 4) craft supplies 5) paper & party supplies and 6) beauty & personal care. Etsy's base consists of 7.4 million active sellers, nearly 90 million buyers around the world. There are more than 120 million items in the Etsy marketplace.

After the close on November 2nd, Etsy reported that Q3 revenue was up +12% and ahead of the Street, driven by increased transaction fees (from 5% to 6.5%) that prompted a [sellers strike](#) earlier this year. It reported a \$7.62 per share loss due to a \$1 billion impairment charge to the goodwill of Elo7 and Depop (acquired last year). Excluding the impairment, Etsy earned \$0.58 per share versus the Street's \$0.37. Take rate, revenue as a percentage of gross merchandise sales, was 19.8% (ahead of 19.2% guidance). Gross merchandise sales were down 3.3%. Etsy shares rose 14% the day after the Q3 earnings release.

Last month Etsy launched a [visual search feature](#) as an alternative to keyword search that helps users find things faster. When an iPhone user taps the new camera icon in the search bar and uploads/takes a photo, Etsy provides visually similar items. IT helps users that are having trouble finding the right words to describe a product. It plans to roll the technology out to Android users next.

Etsy customers that make purchases at least 2-3 times a month decreased from 25% in June to 16% in November according to an [Evercore survey](#). Etsy customers that make purchases once every 6 months or less increased +16%. Etsy consumers are also spending less. Weighted average spend declined from about \$100 in June to about \$60 in November, likely due to some combination of lower purchase frequency and the purchase of less expensive products.

Etsy is developing a 'House of Brands' outside of the core Etsy marketplace including Reverb (online marketplace for buying and selling musical instruments), elo7 (the Etsy of Brazil), and depop (fashion resale marketplace for Gen Z).

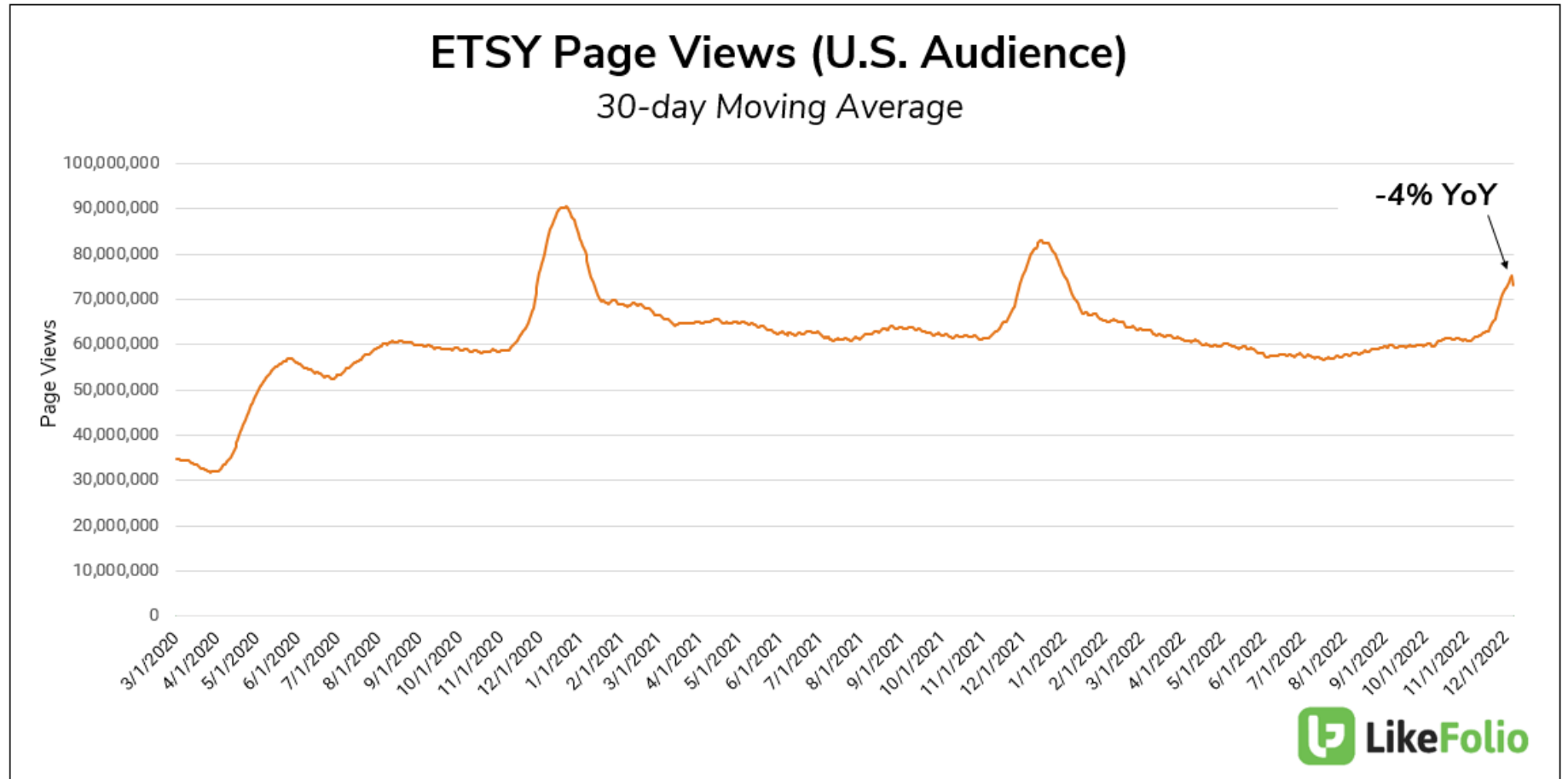


ETSY: U.S. Page Views Slip

Key Takeaway:

Etsy page views dropped during the Holiday season on a YoY basis, continuing a multi-year weakening trend vs. pandemic highs.

The number of pages visited by audience members has proven to be highly correlated to ETSY revenue.



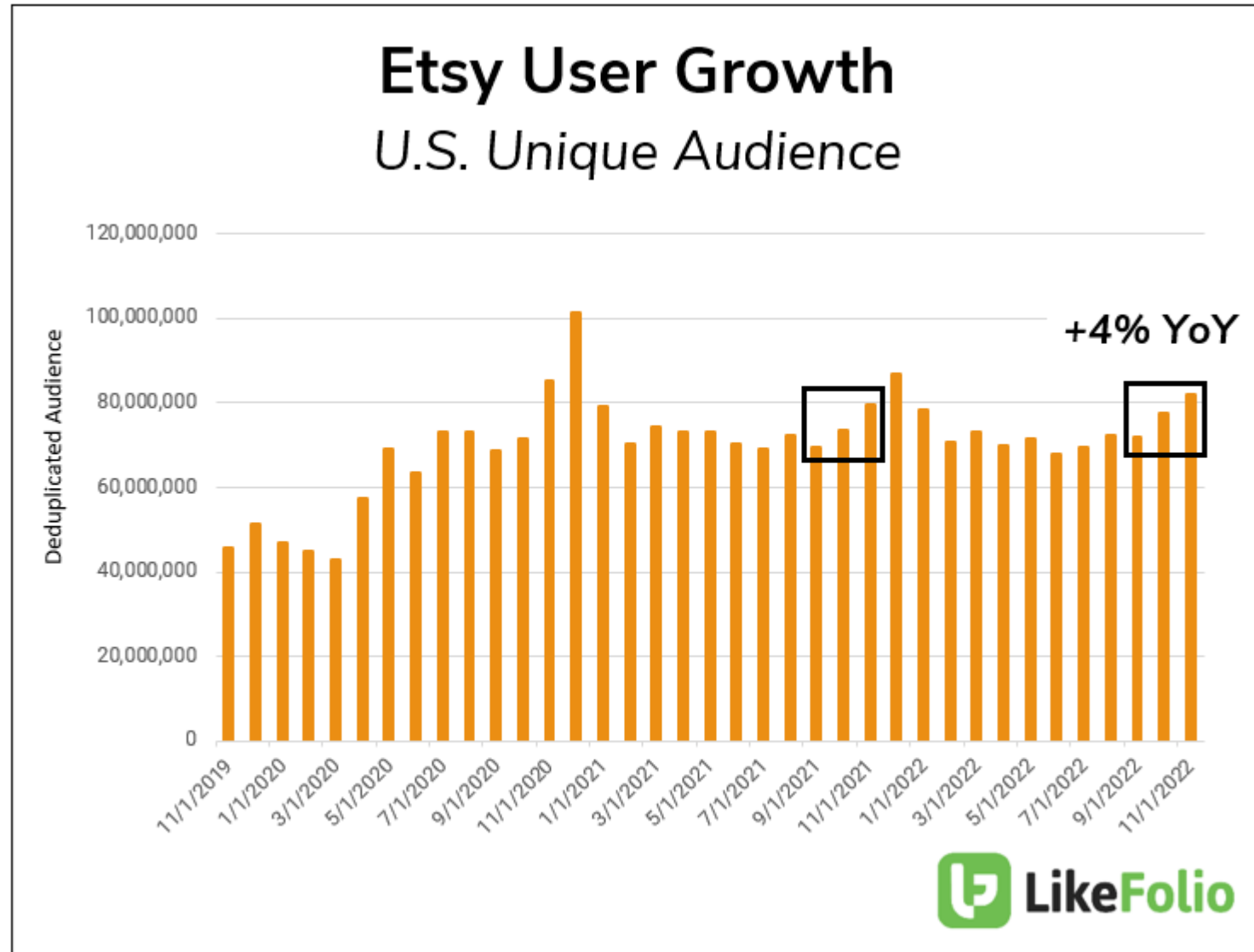
ETSY: U.S. Audience Size Rises

Key Takeaway:

While total page views slipped, the size of Etsy's U.S. audience grew by 4% YoY.

The company has noted internal efforts to reactivate former buyers, and this appears to be gaining some traction.

Examples include personalized product recommendations and timely reminders from previously favorited shops.



ETSY: Mentions Losing Steam

Key Takeaway:

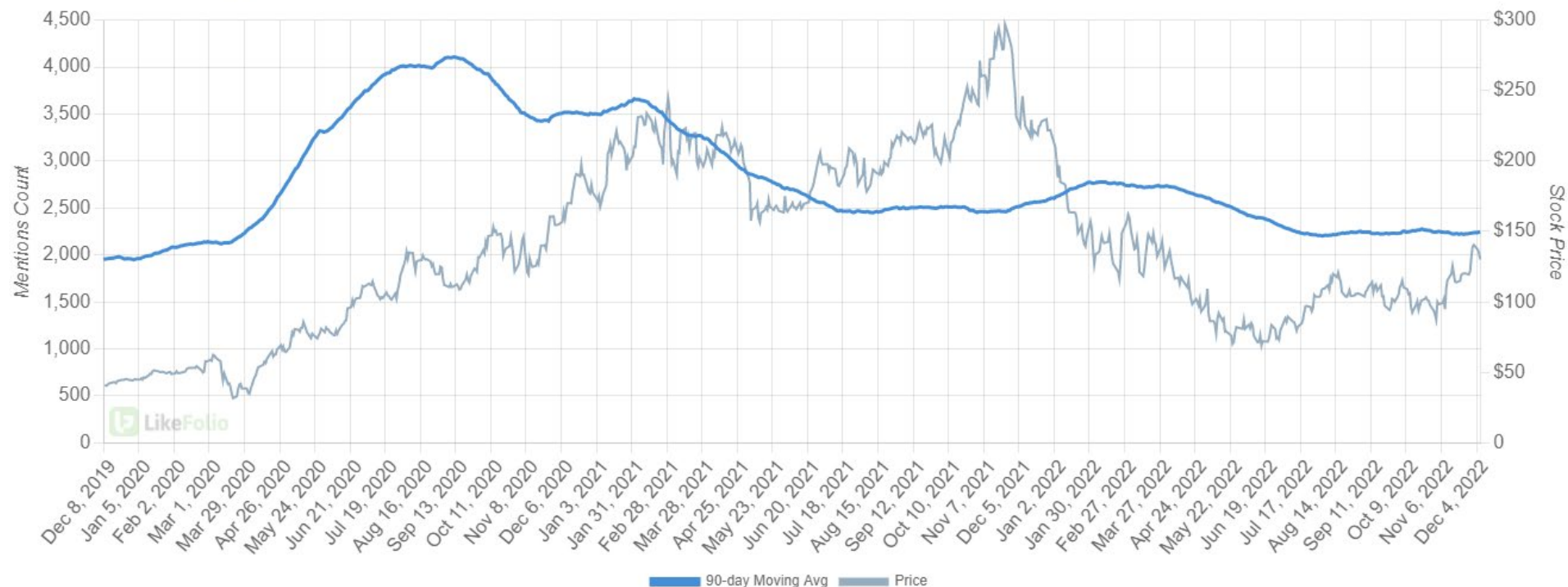
ETSY consumer mentions continue to drop, currently pacing -11% lower YoY.

This marks the second year of momentum decline from 2020 highs.

Etsy (ETSY): Full Company

Mentions Count

90-day change: QoQ: 0%, YoY: -11%



Trend Watch: Visual Search

Macro Trend Watch:

As technology improves, consumers are increasingly utilizing visual search.

Mentions of using some type of image search tool are currently pacing for all-time highs.

In November, ETSY launched a new image search feature to help users find what they're looking for.

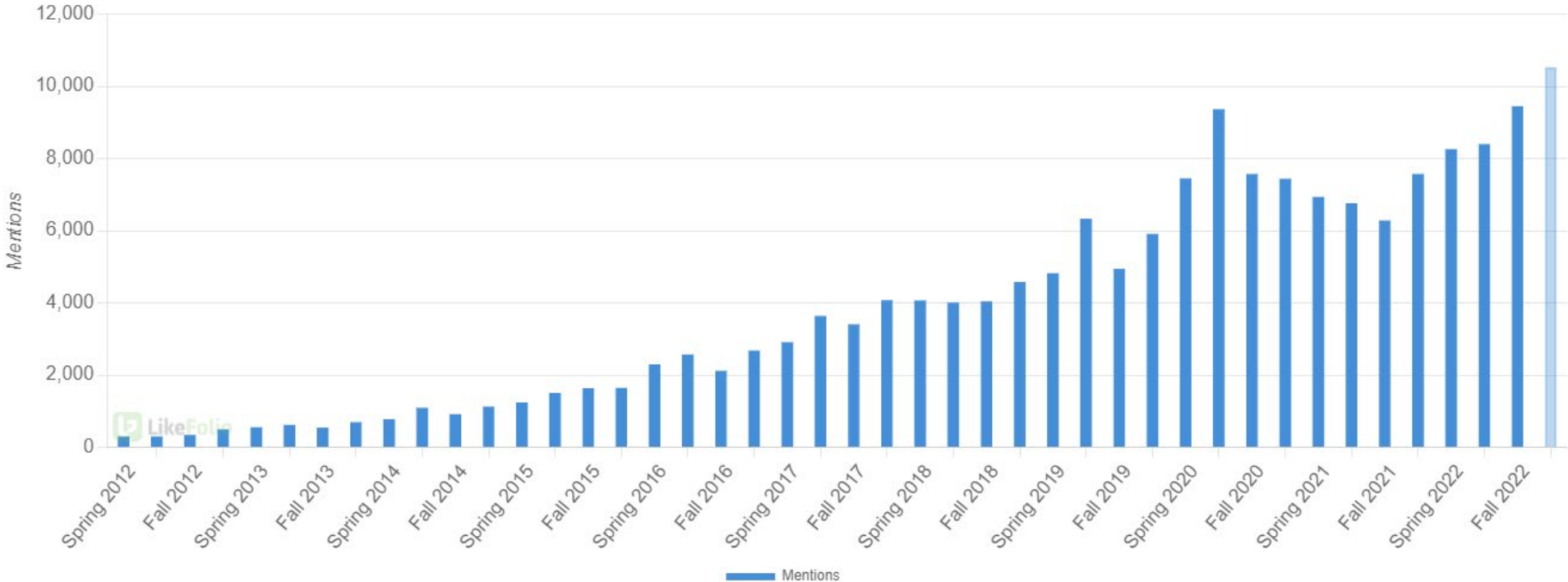
For example, if users spot a unique looking piece of furniture, they can upload a photo so find shops that sell or create items with similar styles.

However, the proliferation of reverse-image search has also unveiled ETSY hustlers, with many users spotting so-called "hand-made items" marked up on the platform that were ordered from low-cost suppliers overseas. This has contributed to worsening ETSY sentiment levels (10 points lower than they were 5 years ago).



Visual Search: Mentions Count


Consumer mentions of using visual search tools, including reverse image search.



ETSY: Dark Side of Reverse Image Search

rhoz @rhizabled · Nov 17
or if i have to see one more company claim it made this crying ring 🙄🙄🙄
🙄🙄🙄

yes someone did, at some point for alibaba/express to steal it from, but all of you fucking didn't



rhoz @rhizabled · Nov 17
it's a real shame that people start off great brands, with great quality handmade products then just start bunging in loads off random tat off aliexpress to fool their customers
...
[Show this thread](#)

Spookiline @Spookiline · Nov 17
Replying to @rhizabled
Its super bad on etsy too, people upcharging kawaii stuff like mousepads, thumb covers & switch covers from aliexpress 🙄

rhoz @rhizabled
Replying to @Spookiline
honestly it's ruining Etsy for those of us that actually sell stuff on there that's handmade 🙄 it's useful to find inspiration to just reverse image search and buy cheaper at the source though

8:45 PM · Nov 17, 2022

Sofi @ABreadGoddess
I don't know if this is common knowledge and I'm just dumb but make sure to reverse image search photos from Etsy because you could actually just be buying shein products at a 500% markup 😊

12:42 PM · Nov 23, 2022

Briar Lian @BriarLian
Etsy makes me wildly anxious and also incredibly sad as I have to painstakingly reverse image search everything to check if it's dishonest dropshipping.

7:46 PM · Sep 29, 2022

Jinglellem Bells @imaginariumArtz
I highly recommend doing things like a reverse image search on Society6, Redbubble, Etsy, etc. for exactly this reason:

Kiana @kamalumallow · Sep 18
⚠️⚠️ This is a PSA to properly support your favorite artists!! Artwork is always being stolen online, so please do your research before buying art prints on sites like Etsy or even Redbubble
[Show this thread](#)

9:51 PM · Sep 19, 2022



Trend Watch: On-Premise Shopping Boost

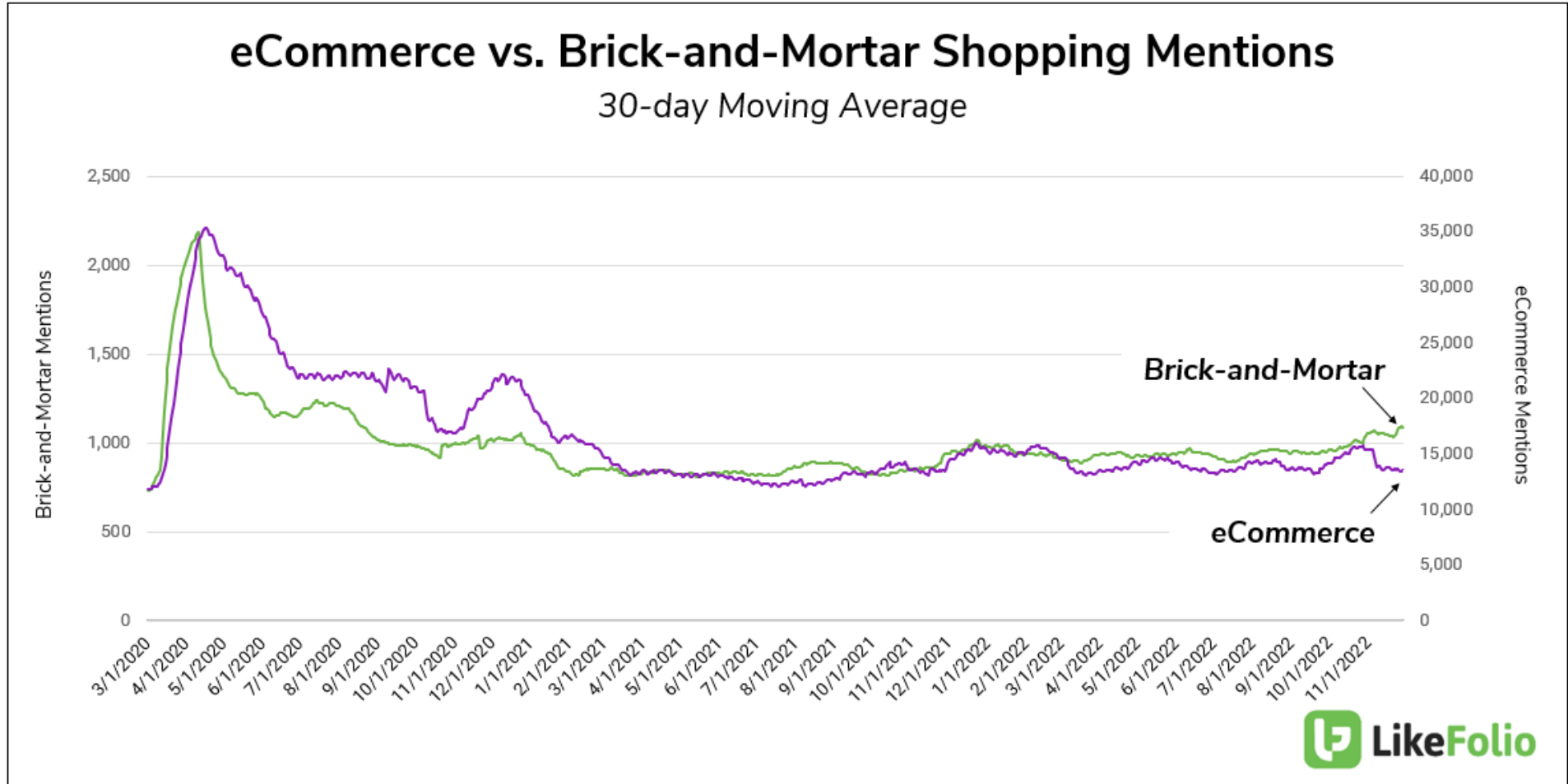
Macro Trend Watch:

Near-term, many eCommerce darlings face headwinds from a rebound in consumer shopping behavior in physical retail locations.

More consumers reported shopping in a brick-and-mortar locations this year vs. last year, while eCommerce mentions continue to lose steam.

What's driving this?

Aside from the social element, rising inflation means consumers are less likely to splurge to pay delivery fees, and many report intentionally seeking out deals that may not have been previously advertised online.





MSFT



LikeFolio

Key Points

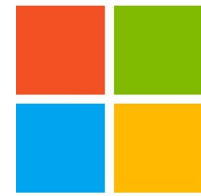
MSFT

Microsoft
Corporation



Money Dial: Neutral

56



Microsoft

Global Returning Users:

-3% YoY

Microsoft Azure Purchase Intent:

-11% YoY

Microsoft Mentions:

-13% YoY

Actionable Trade Ideas

Buy Microsoft Corp (NYSE: MSFT) stock on any dip to \$200 or below**

We believe this stock will likely trade in a quiet range through 2023.

Buy MSFT Jan. '24 190/200 Call Spread @ \$7.00

Max Gain: \$MSFT trading above \$200 on Jan. 19th 2024 — +\$300 per contract

Max Loss: \$MSFT trading below \$190 on Jan. 19th 2024 — -\$700 per contract

**ON ALL TRADES, it is important to use proper risk management to correctly allocate and protect your capital.



Company Updates: MSFT

Microsoft is the world's largest independent software developer founded on the MS Windows operating system and the MS Office business suite. It has expanded into 1) enterprise software via Windows Server, SQL Server, Dynamics CRM, SharePoint, Azure, and Lync 2) hardware via the Xbox gaming platform and Surface tablet and 3) online services through MSN, Bing, Teams, and Skype. Microsoft pivoted toward the high-value commercial and cloud business to support enterprises' digital transformation.

In October MSFT reported that [fiscal Q1](#) revenue was up +11% and adjusted EPS grew +4% driven by the Intelligent Cloud & Productivity (revenue up 20%, strong Azure/cloud services growth) and Business Processes segments (revenue up +15% led by Office 365 and LinkedIn). The More Personal Computing segment stayed flat, which was a positive considering PC sales fell almost 20% in Q3, the largest decline in 20 years (following the pandemic demand surge). Within the MPC segment, search & news advertising and Xbox growth were offset by declines in Windows OEM revenue. Although the company beat on both revenue and EPS, the stock fell -8% due to a weak fiscal Q2 outlook tied to the PC market slowdown.

Microsoft is planning a ['Super App'](#) to challenge Google and Apple's dominance in mobile search. The app could combine web search, news feeds, messaging, shopping, and other services in a one-stop smartphone app. The app could be a major boost to MSFT's multi-billion ad business and Bing search and attract more users to Teams and other mobile services. By creating an all-in-one app whereby users won't have to leave to access other MSFT products, Microsoft would be taking a page out of the playbook of Tencent which developed the WeChat app in China to successfully execute its mobile strategy.

Microsoft is [joining forces with Meta Platforms](#) to develop virtual reality (VR) applications for Microsoft Teams, Windows 365, and Xbox Game Pass videogame subscriptions. Aside from games, Microsoft Teams could turn into a use case for the metaverse with Meta Quest headset users able to join Teams meetings from Meta Horizon Workrooms. This could present MSFT with a chance to 'piggyback' its software on top of Meta's multi-billion-dollar metaverse investment.



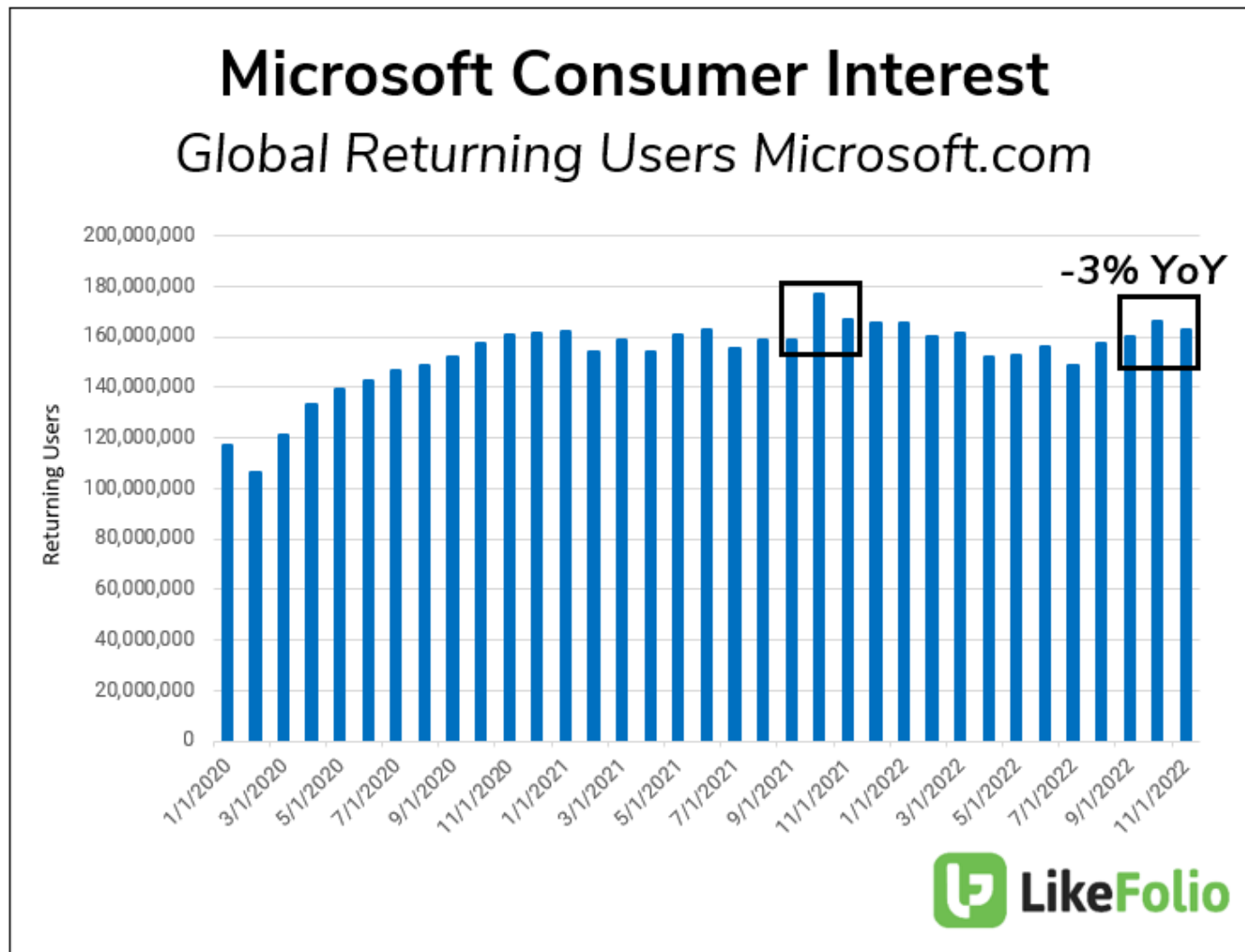
MSFT: Global Returning Users

Key Takeaway:

The most correlated Microsoft metric to company revenue in the LikeFolio universe is global returning users to the company's consumer facing sites.

Sites include Microsoft 365, Teams, Windows, Surface, and Xbox.

The number of returning users to these platforms has slipped slightly, trending -3% lower on a YoY basis.



MSFT: Azure (Cloud) Growth Slows

Key Takeaway:

Growth in a core segment of Microsoft's Cloud business (Azure) continues to weaken.

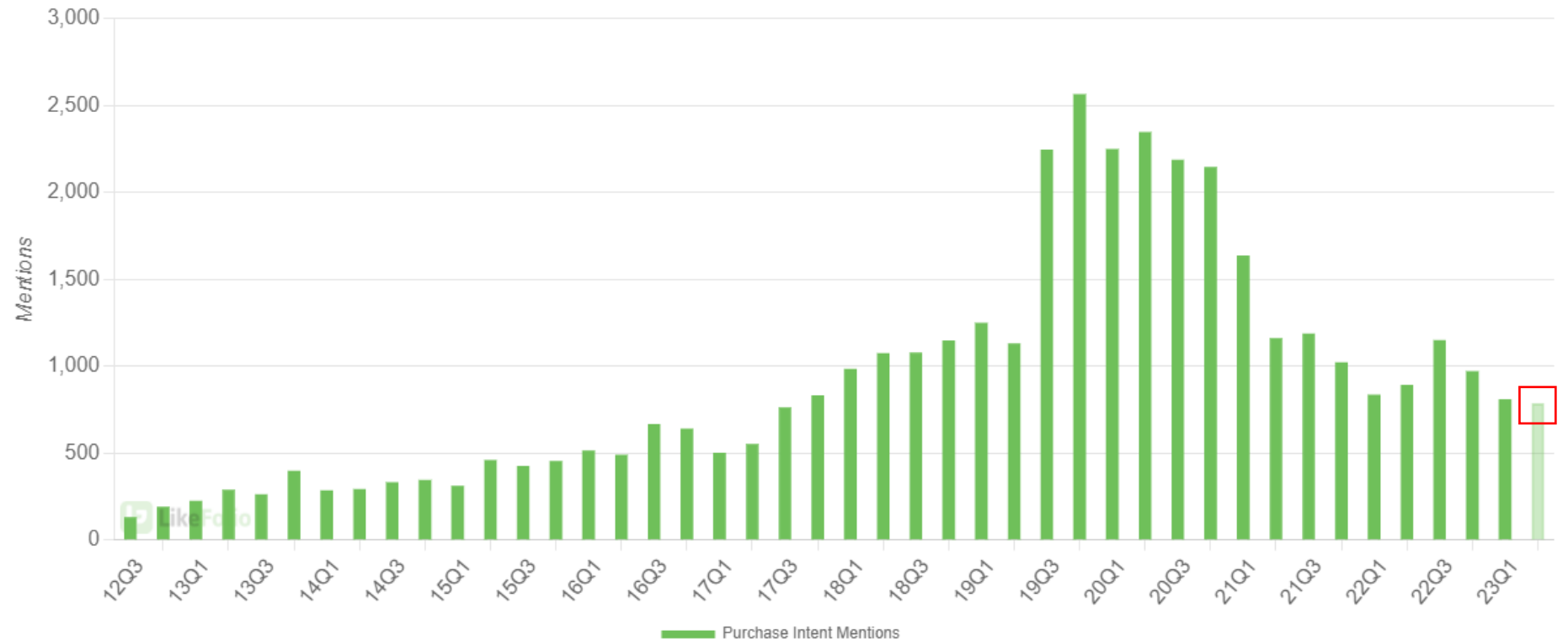
Last quarter Azure revenue grew +35% YoY compared to +40% the quarter before that.

LikeFolio data confirms continued weakening in new users (Purchase Intent...aka sign-up mentions) in the 4th quarter, trending lower by -14 points vs. -3 points in the third quarter.



Microsoft (MSFT): Azure brand

Consumer Purchase Intent Mentions



Microsoft: Consumer Buzz Dips

Key Takeaway:

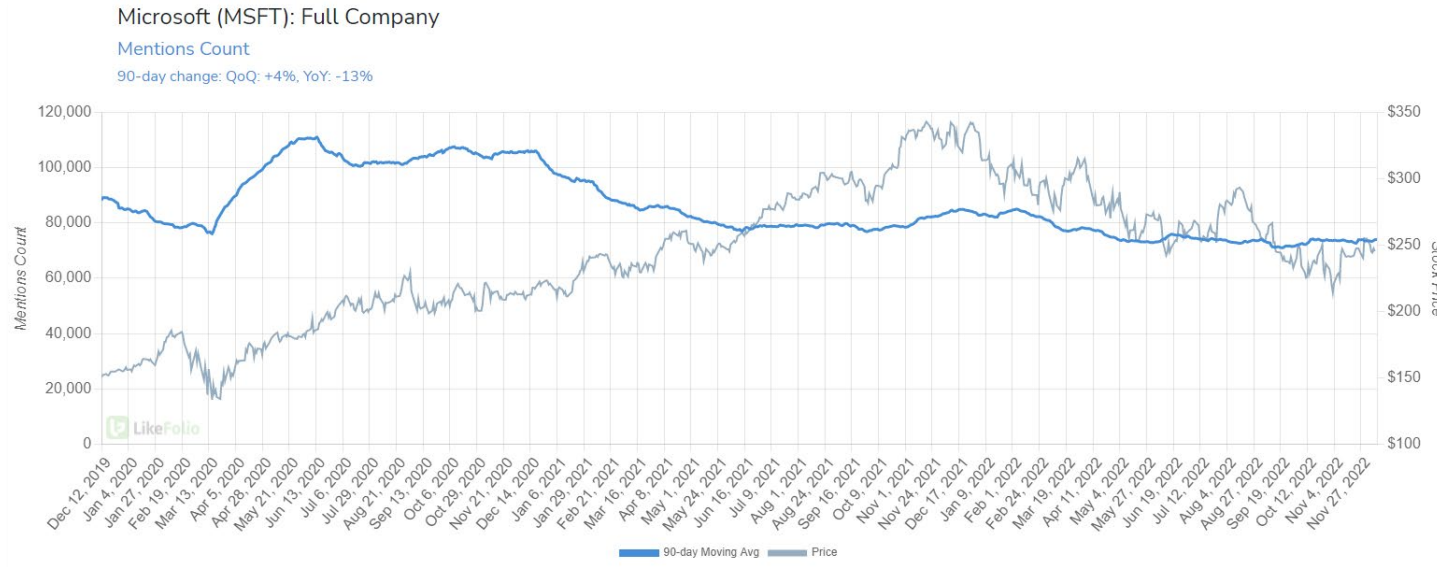
Microsoft consumer buzz continues to fall, slipping **-13% YoY**.

Much of this is driven by underperformance in the company's highly visible gaming segment (including Xbox).

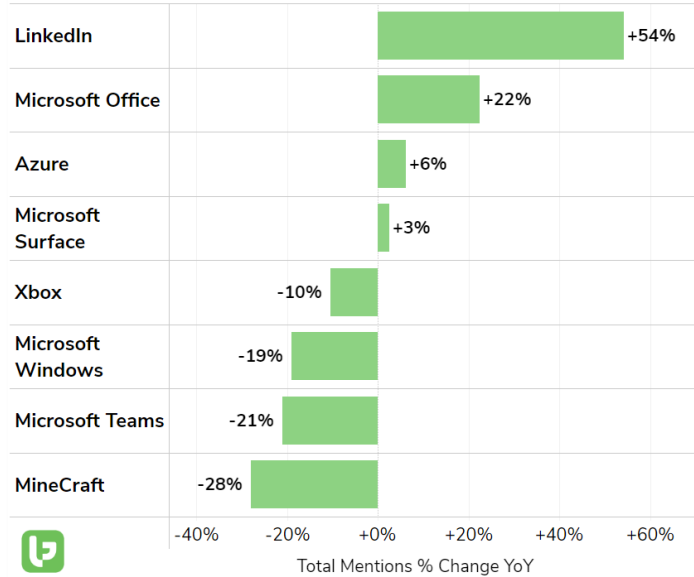
While gaming demand normalizes post-pandemic, other areas are recording growth.

Microsoft Office Buzz has increased **+22% YoY**.

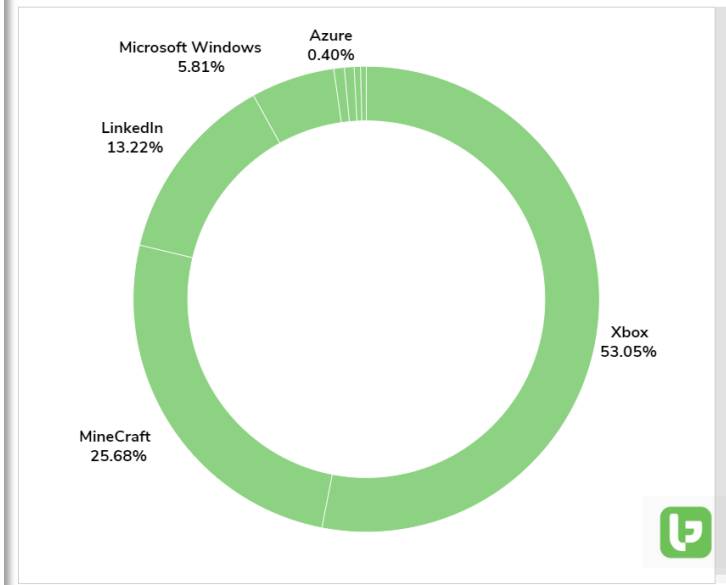
LinkedIn interest has exploded alongside changes in Twitter ownership and practices.



YoY Change in Total Mentions, 30-day Moving Average



Sentiment Mention Volume Comparison, Past 30 Days



Microsoft: Activision Buy Under Scrutiny

Key Takeaway:

Microsoft's proposed acquisition of gaming giant, Activision, remains in limbo

Earlier this month the Federal Trade Commission (FTC) officially sued Microsoft to halt the company's \$69 billion acquisition under the premise the deal would suppress competition.

Activision continues to outperform peers in the meantime, with demand for its games (including Call of Duty) rocketing: +75% YoY.

Activision (ATVI): Full Company

Consumer Purchase Intent Mentions

90-day change: QoQ: +103%, YoY: +75%



Macro Trend Watch:

As technology improves, consumers are increasingly utilizing visual search.

Mentions of using some type of image search tool are currently pacing for all-time highs.

In addition, search engine usage is an increasingly relevant topic of consumer interest as many consumers report a lack of usefulness lately.

Microsoft is considering [building a super app](#) to take a chunk of the search pie, and usher users into other business segments including Teams and Bing search.

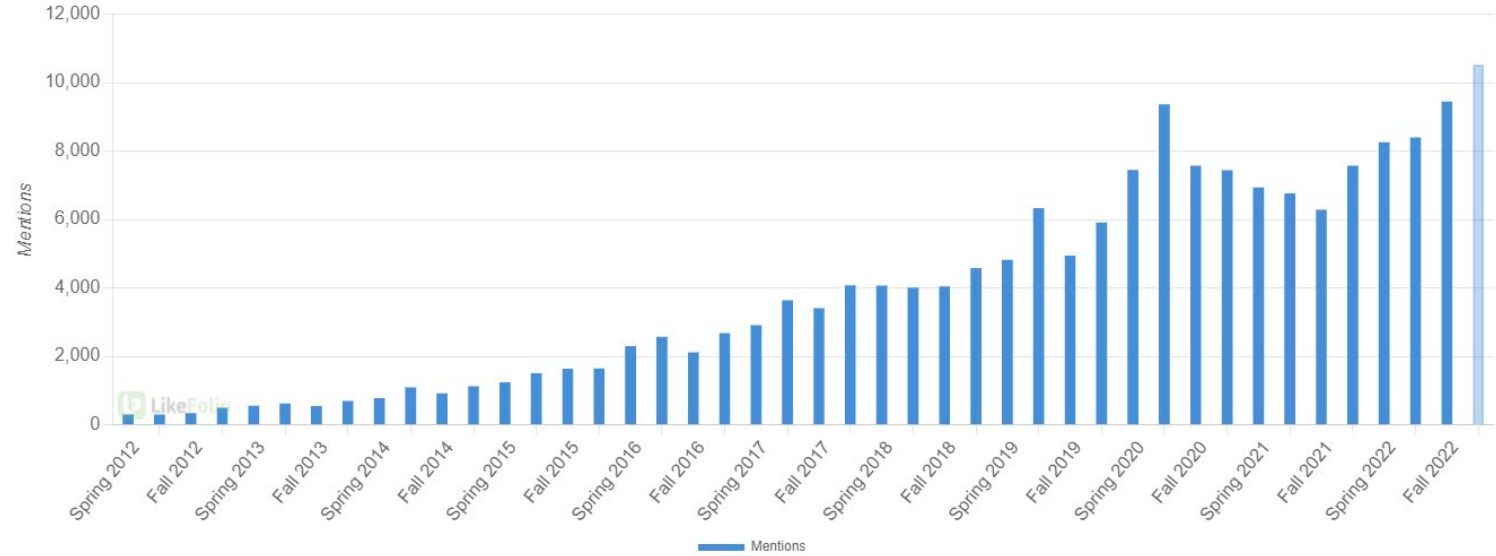
The proposed app would encompass shopping, messaging, news, and web search services.



Trend Watch: Smarter Search

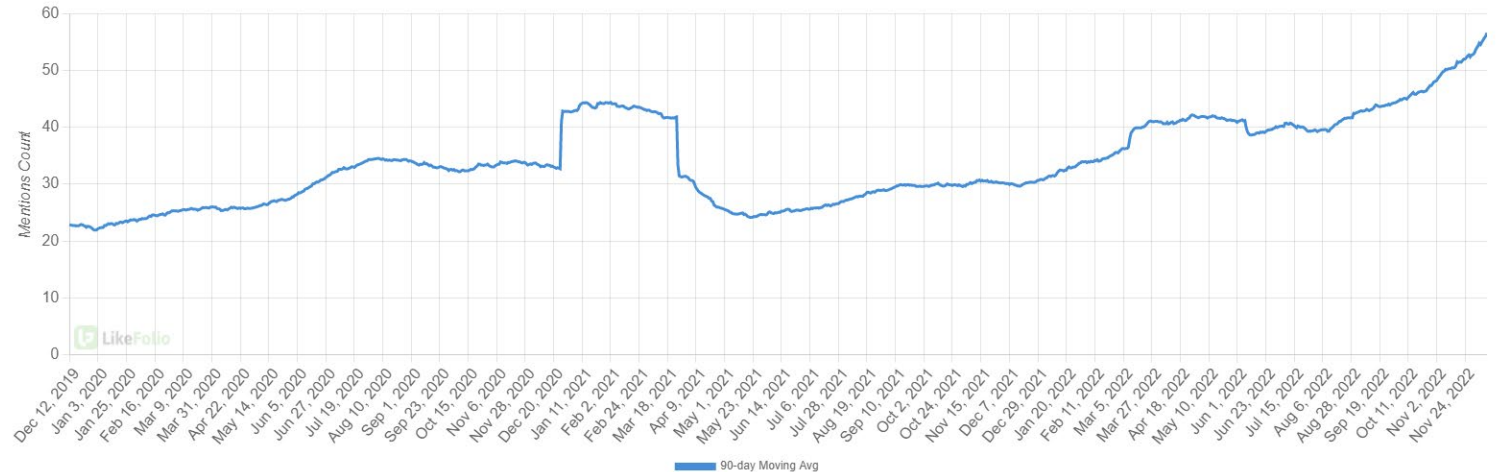
Visual Search: Mentions Count

Consumer mentions of using visual search tools, including reverse image search.



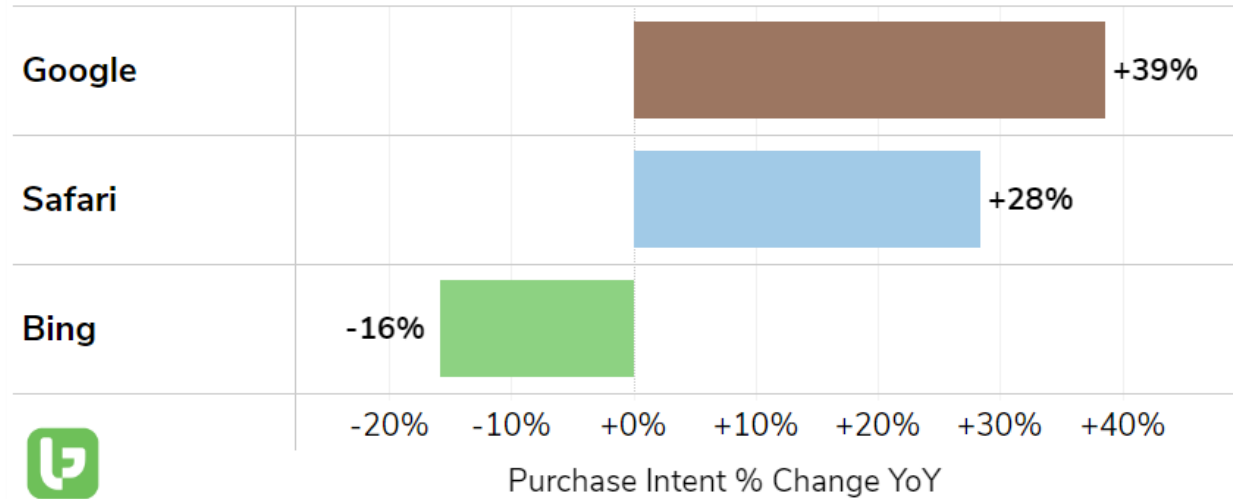
Search engine usage: Mentions Count

Consumer mentions of using Search engines.



MSFT: Improving Search as Bing Trails Peers

YoY Change in Purchase Intent, 30-day Moving Average



aaron holmes @aaronpholmes · Dec 6

Exclusive: **Microsoft** has recently considered building a "super app" inspired by Tencent's WeChat that could combine shopping, messaging, search, news, and more. The idea arose from frustration over the vice grip Apple and Google have on mobile search.



theinformation.com
Microsoft Eyes 'Super App' to Break Apple and Google's Hold on Mob...
Microsoft recently considered building a "super app" that could combine shopping, messaging, web search, news feeds and other ...

7 15 21

Tom Warren @tomwarren · Dec 6

Microsoft might be preparing its own "super app" to take on Google and Apple's mobile hold. The rumors come a year after **Microsoft** hired a former Uber exec to lead a new consumer apps effort



theverge.com
Microsoft could be eyeing its own 'super app.' - The Verge
Microsoft has been considering building a "super app" to challenge Google and Apple's hold on mobile. The Information reports that the ...

60 74 737



Trend Watch Summary: **Personalized Discovery**

Technology is reaching an almost-creepy-smart level.

First-party data, intuitive algorithms, and mobile deployment means information is *always* a click away.

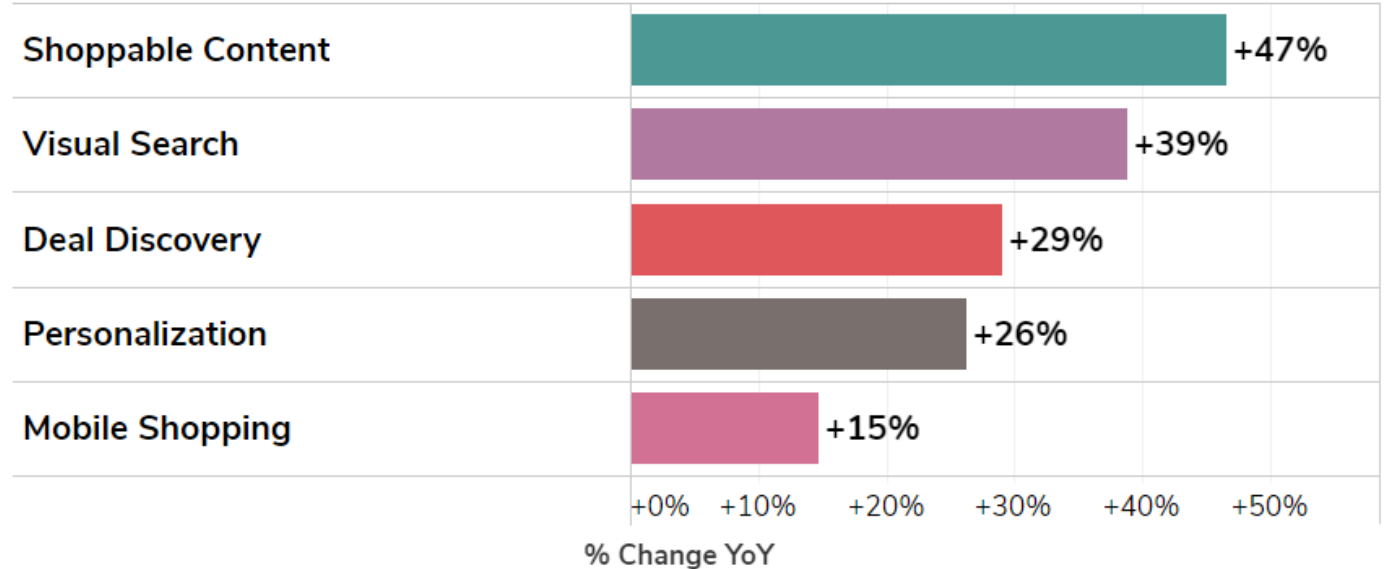
Google once seemed like a revolutionary step forward, but the technology now feels a bit stale...at least from the consumer perspective.

Because ultimately, the way consumers find information is changing.

Consumers want a “smarter” discovery experience. More intuitive, fewer words, and higher quality results.

The companies featured in this report could be major disruptors to some of the largest players in the search market, from GOOGL to AAPL.

YoY % Change, 30-day Moving Average



Disclaimers

The material in this presentation is for informational purposes only and does not constitute an offer to sell, a solicitation to buy, a recommendation or endorsement for any security or strategy, nor does it constitute an offer to provide investment advisory or other services by LikeFolio, SwanPowers, LLC, or its employees.

This information is not investment or tax advice.

SwanPowers, LLC and LikeFolio is not an investment advisor or a broker dealer.

Investing in securities involves risks, and there is always the potential of losing all your money.

Before investing in any strategy, consider your investment objectives and speak with a professional.

Past performance does not guarantee future results, and the likelihood of investment outcomes is hypothetical.





LikeFolio

Copyright 2022, SwanPowers LLC