EMARKETER

ROUNDUP

AD SPENDING TRENDS TO WATCH FOR 2025 AND BEYOND

October 2024

This year, over three-quarters of US ad spending is forecast to go to digital channels, according to our forecast. To help you decide where to allocate your advertising budget, EMARKETER has compiled this roundup of key stats, charts, and insights to spotlight where digital ad spending is heading, the key differences between industries, how connected TV (CTV) is poised for growth, steps for a privacy-led programmatic strategy, and why attention metrics matter.

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DIGITAL AD SPENDING RISES,
BUT DIFFERENCES REMAIN BETWEEN INDUSTRIES

In 2024, over three-quarters of US ad spend will go to digital channels, but not all industries emphasize digital equally. In six industries, digital will command an even higher share than the overall average of 77.7%. And there is significant variation in the share of digital ad spend that different sectors dedicate to mobile, social, video, and search.

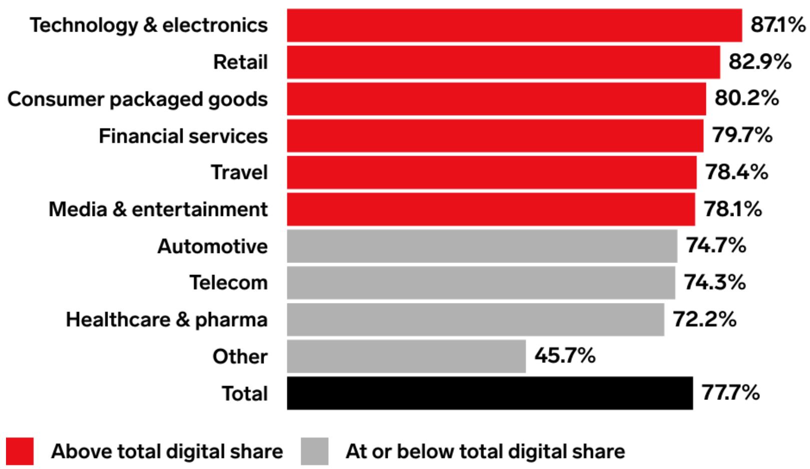
Three industries—technology and electronics, retail, and consumer packaged goods (CPG)—will spend more than $4 of every $5 ad dollars on digital formats in 2024.

As digital advertising continues to gain share, the divide between the most and least digitally focused industries will continue to shrink. Three of the 5 major industries that consistently lean heavily into digital advertising—technology and electronics, retail, and travel—have moved toward the mean (the overall digital share of total US ad spending) since 2022. Two others—financial services and CPG—will move toward the mean over the next two years. And the difference in share between the most digitally focused industry (technology and electronics) and the least (healthcare and pharma) will drop from 17.8 percentage points in 2022 to 13.2 percentage points in 2026.

The technology and electronics and retail sectors continue to significantly skew toward digital advertising despite their recent drift toward the industry average. In fact, by 2026, technology and electronics will be the first industry to spend over 90% (90.6%) of its ad budget on digital channels. Retail won't be far behind at 87.1%.

Six Industries Will Spend More Than Three-Quarters of Their Ad Budgets on Digital in 2024

digital % of US total media ad spending, by industry, 2024



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms
Source: EMARKETER Forecast, Aug 2024

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In 2024, digital's share of total ad spending will be below average in three industries. (Media and entertainment will actually move above the mean share in 2024 before moving under again in 2025). In this group, only telecom will keep its digital share at a relatively consistent level below the mean. But all industries are increasing their digital share. Even the lowest-ranked healthcare and pharma will surpass three-quarters (77.4%) of its budget going to digital channels in 2026, moving its share just 5.4 percentage points below the overall mean.

Three industries—technology and electronics, retail, and consumer packaged goods (CPG)—will spend more than $4 of every $5 ad dollars on digital formats in 2024.

US CTV TIME SPENT VS. AD SPENDING 2024

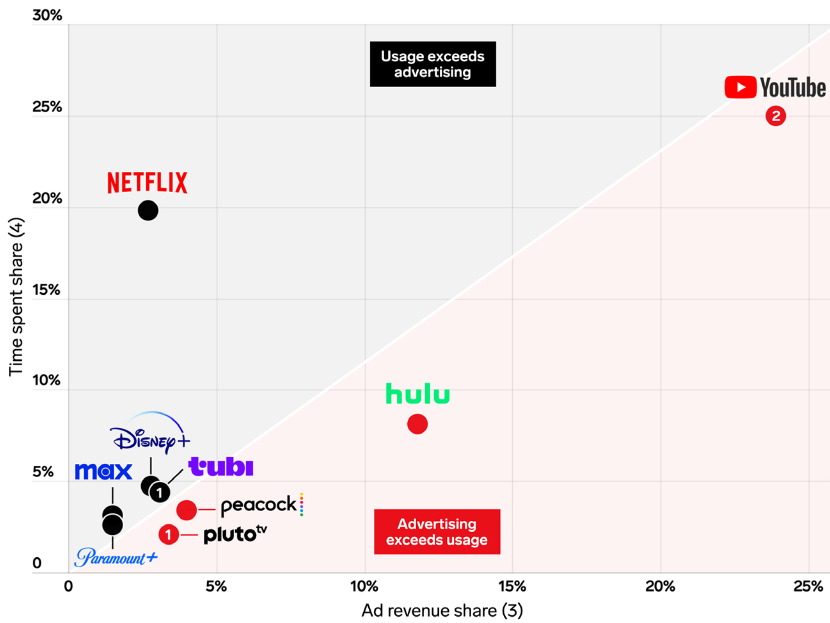
With ad money pouring into CTV, streaming services are doing their best to stand out. YouTube, Amazon, and Hulu have established success in the crowded market. But a group of emerging services is attempting to steal viewers and ad dollars from them.

The number of companies that generate more than $1 billion in annual US CTV ad sales grew from two in 2020 to five in 2024. With ad dollars spreading out among services, few platforms have enough viewership to command more than 5% of CTV ad revenues. But a few companies still stand out—YouTube, Hulu, and Amazon.

Amazon made the biggest splash in streaming advertising this year when it launched an ad tier for Prime Video in January and defaulted users onto it. We forecast that Amazon will receive $3.13 billion in CTV ad revenues in 2024, putting it in third place behind Hulu and YouTube and ahead of Roku. In April, Nielsen estimated that time spent with Amazon Prime Video was slightly higher than with Hulu.

Among services included in the graphic, only YouTube and Hulu account for more than 5% apiece in both time spent and ad revenues. YouTube reigns in both categories, accounting for about one-fourth of both total time spent and ad revenues. Netflix is the other standout in time spent, representing about one-fifth of the market in that category, but its ad business has been off to a slow start.

US Connected TV Time Spent vs. Share of Ad Revenues, 2024
% of total connected TV time spent and ad revenues



Note: (1) free services without ad-free tiers; (2) gross ad revenues; (3) digital advertising that appears on connected TV (CTV) devices; examples include display ads that appear on home screens and in-stream video ads that appear on CTVs from platforms like Hulu, Roku, and YouTube; excludes network-sold inventory from traditional linear TV and addressable TV advertising; (4) ages 2+; streaming category excludes "linear streaming" such as YouTube TV
Source: ad revenues from EMARKETER Forecast, March 2024; time spent from Nielsen as cited in company blog, April 2024

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Netflix is competing with a cluster of services that are aching to achieve more than 5% of US CTV ad revenues. Money is pouring into this space—US CTV ad spending grew more than $8 billion over the past two years—but competition for those dollars is tight.

Disney+ launched its ad tier about two years ago and gradually expanded its streaming ad capabilities. In March, Disney partnered with demand-side platforms (DSPs) The Trade Desk and Google's Display & Video 360 to open up more of its streaming ad inventory to programmatic sales. And in June, Disney announced that it would target "mid-market advertisers" that spend between $30 million to $300 million on advertising per year.

Max (formerly HBO Max) is also transitioning from being entirely ad-free to growing its ad-supported base. Max's ad revenue gains have been modest. Max also has lower ad loads than other streamers. In Q4 2023, Max's ad-supported viewers saw 2.7 minutes of commercials per program, which was 31.7% lower than the average ad loads across streaming services monitored by MediaRadar. Keeping ad loads low may limit ad revenue growth, but doing so has helped Max preserve its user experience (UX).

Peacock keeps losing money, but its parent company Comcast continues to buy into streaming. If Peacock's ad revenues make a meaningful jump over the next year, it will likely be due to its sports programming investments. Peacock struck ratings gold with its Olympics coverage this summer, which contributed to an increase of 2.8 million subscribers during the first week. It also features games from the NFL, Premier League, college football, and college basketball. In 2025, it will begin including NBA and WNBA games.

The share of total TV time spent controlled by **Pluto TV** and **Paramount+** (both owned by Paramount Global) has barely budged over the past year, per Nielsen. While we expect Pluto TV's CTV ad revenues to exceed $1 billion in 2025, its share of total CTV ad spending will actually drop slightly to 3.1%.

Tubi has made considerable progress with viewers. Tubi's time spent is ahead of several subscription services, like Max, Peacock, and Paramount+, as well as free ones, like The Roku Channel and Pluto TV, according to Nielsen. Tubi's share of total time spent with TV increased from 1.4% in July 2023 to 2.1% in July 2024, per Nielsen. Of the services Nielsen publicly breaks out, only YouTube gained more share during that time.

US CTV ad spending grew more than $8 billion over the past two years—but competition for those dollars is tight.

MOBILE IS STILL STRONG WITH ADVERTISERS, BUT CTV POISED TO GROW

Consumers spend most of their daily digital time with mobile devices—and ad spending reflects that. But as viewers shift to ad-supported tiers and streamers add inventory, CTV is closing in. Advertisers should consider these factors when budgeting their digital dollars:

Digital audio: US adults spend 1:24 per day with digital audio, but the channel has the lowest annual ad spend per user of any medium, $36.05, according to our forecast. Those hours spent listening on phones and in cars represent an opportunity for advertisers. "That's well below digital video, which is over $500 per user. It severely under-indexes," said EMARKETER principal analyst Yory Wurmser.

Apps: Over 90% of time spent on mobile devices is in-app, and consumers typically use about 20 apps, according to our forecast. The key to in-app advertising is understanding which apps your target audience lives in, and then concentrating your dollars there, said Wurmser. "That's going to be your biggest bang for the buck."

Tablets: After peaking this year at 54 minutes, tablet use by US adults will slip in 2025, according to our forecast. Although that's only a quarter of the time spent with mobile phones (3:06), advertisers shouldn't disregard that device, said Wurmser.

Untapped channels: For advertisers looking to expand their reach into new devices, such as automotive consoles, the advertising ecosystem surrounding these channels is underdeveloped, said Wurmser. "There's active work to make these [channels] more programmatic and usable for advertisers, but it's still early days. But advertisers should keep an eye on developments there and get their feet wet."

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Yory Wurmser
Principal Analyst, EMARKETER

HOW MARKETERS CAN BUILD A PRIVACY-FIRST PROGRAMMATIC STRATEGY

Next year, we expect nearly 92% of total display ad spend to be transacted programmatically, reaching $175.58 billion. However, signal loss and privacy regulations are making the programmatic landscape more difficult to navigate, according to our report, "The Privacy-First Programmatic Opportunity."

- 57% of US brands, agencies, and publishers are somewhat or significantly less confident in the data accuracy of programmatic platforms, per February 2024 data from the Interactive Advertising Bureau and BWG Strategy.
- 55% of marketing professionals in the US, UK, France, and Germany expect data accuracy and quality to be a top challenge affecting the leveraging of data and data infrastructure in the next one to three years, per a February 2024 survey from Winterberry Group.
- Privacy laws also present complications. Nearly two-thirds (65%) of publishers worldwide say navigating and complying with evolving privacy regulations is a challenge when optimizing revenues, according to a March 2024 survey from Digiday and Piano.

Even though Google reversed its decision to deprecate third-party cookies, marketers will contend with some form of cookie loss in the years ahead, said EMARKETER senior analyst Evelyn Mitchell-Wolf.

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"Whenever Google rolls out its 'new experience' in Chrome, we will start to see a significant decrease in the amount of third-party cookies available to advertisers," she said. "So there's value in advertisers that are proactive and don't root their entire programmatic strategies in cookies."

Here are three ways marketers can future-proof their programmatic advertising strategy amid signal loss and privacy regulations.

1. Conduct a data audit

"The first step is to conduct a really thorough audit of data flows," said Mitchell-Wolf. "Understand where data is coming into your organization, where it sits within your organization, because it's often sitting in silos in various departments, and then who is receiving the data, if and when it exits your organization."

2. Build out a first-party data strategy

First-party data is a key part of any organization's data strategy.

- Marketers can incentivize customers to share data by offering a value exchange via loyalty programs or content/product recommendations.
- Ideally, first-party data should be centralized within an organization, enabling collection and activation across departments. The data should also be continuously cleaned to keep it fresh and ready to use.
- Brands can build trust with consumers by ensuring their tech stack is built to honor opt-out requests.

3. Approach data partnerships cautiously

External data sources can help marketers enrich and activate first-party data, but it's critical to be discerning with these partnerships.

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Evelyn Mitchell-Wolf
Senior Analyst, EMARKETER

AMAZON PRIME VIDEO AD LAUNCH FORCED NETFLIX TO LOWER CPMS

Amazon Prime Video's entry into the streaming ad market has forced Netflix to cut its CPMs to approximately $29 to $35, down from $39 to $45 last summer, per a Wall Street Journal report.

Prime Video disrupted the streaming market earlier this year when it made ad-supported viewing the default for its 97.2 million US Prime households. The streaming service has enjoyed strong revenue growth thanks to the launch of ads, and its competitively priced CPMs are forcing rivals to adapt.

Amazon broke into the market with CPMs of approximately $30, according to Adweek reporting from January. Netflix and Disney+ had spent 2023 lowering CPMs after entering the market with highs of $50 or $60, but Amazon's pricing increased pressure to offer more affordable ad space.

Amazon's Q1 ad revenues grew by 24% to $11.82 billion thanks in part to Prime Video's launch. Though Amazon offers ad-free viewing for an extra $2.99 monthly, we estimate that 80% of Prime Video viewers use the ad-supported version.

Almost overnight, Amazon became one of the biggest competitors in the streaming ad market. Prime Video has said that it reaches 115 million US viewers every month; Netflix said at its upfront presentation that it reaches 40 million viewers globally every month.

Netflix vs. Amazon Prime Video Viewers in Select Countries, 2024

millions

	Netflix viewers	Amazon Prime Video viewers
US	173.7	163.6
India	48.1	65.9
UK	35.0	26.9
Germany	29.4	32.3
France	27.1	13.6
Canada	18.9	14.6
Australia	10.5	4.9
Japan	10.4	16.2

Note: individuals of any age who watch Netflix or Amazon Prime Video via app or website at least once per month
Source: Insider Intelligence | eMarketer Forecast, Sep 2023

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Prime eked out an advantage over competitors by making ad-supported viewing the default rather than following Disney and Netflix's strategy of trying to get users to transition to cheaper, ad-supported tiers. While Netflix has had to shift CPMs below where it may want them to be, it has other initiatives that will help it compete with Amazon.

- Prime may have a larger ad-viewing audience than Netflix, but the latter's reach is still significant and frequently lands in the No. 2 viewership spot behind YouTube. Netflix's large audience of nearly 270 million global subscribers and strong brand recognition make it a desirable partner for brands.
- Netflix is also attempting to launch its own marquee sports events like tennis tournaments and boxing matches that open up the possibility for lucrative brand partnerships.
- It also recently secured streaming rights to World Wrestling Entertainment and could win rights to two high-profile holiday season NFL matches, which could help draw more ad spending.

Competition in the streaming space has forced CPMs down, which is good news for budget-conscious advertisers. But Amazon and Netflix each have unique benefits. Amazon's wealth of retail data and dense Prime ecosystem gives advertisers more flexibility, while Netflix commands strong viewing time and engagement.

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Sources and Methodology

This EMARKETER Roundup features a compiled collection of our forecasts and analysis from recently published articles and reports.

Contributors and Production

The Roundup was compiled by members of EM Studio, EMARKETER's in-house research and creative studio composed of analysts, designers, content marketers, and video producers.

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- US CTV Time Spent vs. Ad Spending 2024
- Q3 2024 Ad Spending Forecast and Trends
- US Time Spent With Media H2 2024 Update
- Programmatic Advertising Forecast and Ad Tech Trends H2 2024
- Ad Spending Benchmarks: Q3 2024

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