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Digital ad spending is surging, but measuring ad performance presents challenges

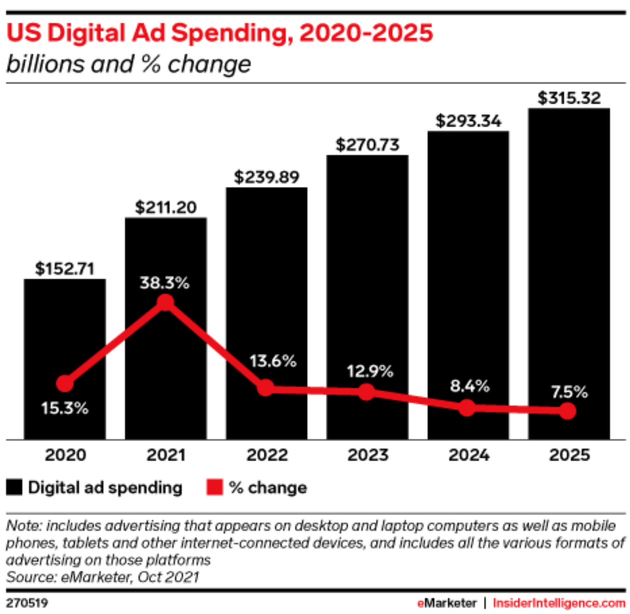
Article

These are boom times for digital advertising. While the pandemic battered the economy, the job market, and consumer confidence, it did little to quash a bonanza in digital ad spending.

Still, there are challenges ahead for the industry, including grappling with the thorny issue of measuring ad performance across fragmented media platforms and walled gardens.

US digital ad spending is surging thanks to increased investments in video, connected TV (CTV), and ecommerce ads, as well as growing use of programmatic channels. The health of the digital ad market is also reflected in a pendulum shift toward ad-supported video-on-demand (AVOD) services, despite the continuing strength of subscription-based services. Even linear addressable TV advertising is a bright spot in the otherwise flat traditional TV market.

These positive changes notwithstanding, ad buyers and sellers have been hard-pressed to solve the all-important challenge of how to implement measurement standards across linear TV and CTV. **This is the biggest item on the to-do list of an otherwise robust and growing digital ad market.**



Trends to watch in 2022

Trend 1: Digital ad spending blows away our pre-pandemic outlook

US digital ad spending will grow by **nearly 50%** in the next four years. By 2025, the digital ad market will top **$300 billion**—more than three-quarters of all media spending. Digital has eclipsed all other forms of advertising, and it has also outperformed our expectations several times in the past couple of years.

Trend 2: Programmatic display goes from big to huge

Programmatic makes up a large and growing share of display ad spending. In 2019, **more than 86%** of US display ad spending was transacted programmatically, and that percentage will exceed **91%** in 2023. The dollar volume of programmatic display will more than double in that time, from just more than **$61 billion** to nearly **$142 billion**.

Trend 3: Addressable is a bright spot on the TV dial

Linear TV advertising is no longer a growth sector, but the addressable portion is. We expect US linear addressable ad spending to reach **$4.22 billion** in 2023, up from **$2.85 billion** in 2021. While addressable, which we define as targeted TV ads delivered on a home-by-home basis via cable and satellite boxes, will represent only **4.3%** of total TV ad spending in 2021, its share will grow to **6.3%** within two years.

Trend 4: The pendulum is swinging toward AVOD

Advertising video on demand (AVOD) viewership is growing, even as subscription-based platforms continue to grow in users and revenue. There will be **164.0 million** US AVOD viewers in 2025, up from **127.7 million** this year. These figures represent increases relative to key metrics such as OTT video service users, digital video viewers, internet users, and the general population. Time spent with AVOD platforms is also on the rise.

Trend 5: TV and video ad measurement is a hot mess

Long-simmering tensions between TV networks and Nielsen bubbled over in 2021. Nielsen, the de-facto standard for TV ratings and ad measurement for generations, ran afoul of its TV network clients in 2021. The Vab—the trade group for US TV networks—successfully petitioned the Media Rating Council (MRC) to suspend its accreditation of Nielsen's national TV ratings service. In the aftermath of that momentous decision, networks took steps to circumvent Nielsen and come up with new measurements standards that consider the fragmented ways people watch TV programming across linear and digital platforms. This process is ongoing.

Read the full report.

Report by Paul Verna Nov 29, 2021

Insider Intelligence's Digital Advertising Trends to Watch in 2022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Digital Ad Spending Keeps Rising While Ad Measurement Debate Reaches New Stage