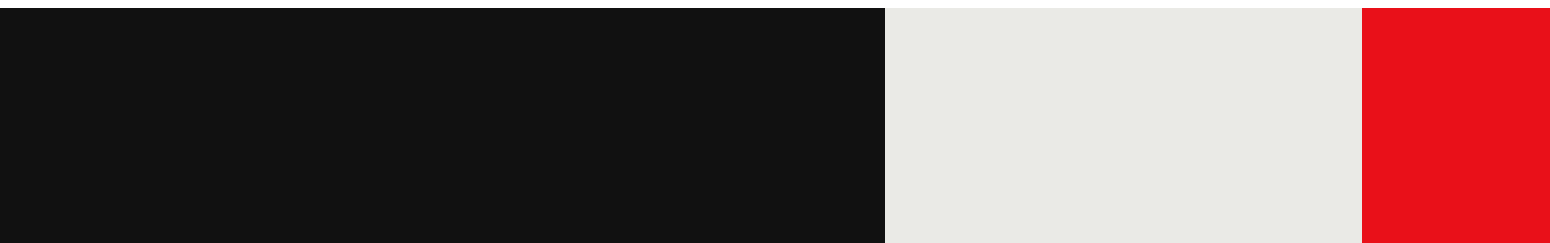



CTV is filling gaps in declining linear TV ad spend

Article



All the metrics we track for connected TV (CTV) are climbing, including time spent, ad dollars, and users. All this is happening as linear viewership declines, and for the first time, non-pay TV viewers have surpassed pay TV this year, according to our forecast. Here's what advertisers need to know to keep up with this shifting landscape.

Ad spend

Fueled by a surge in streaming during pandemic lockdowns, CTV ad spend has increased by nearly 400% since 2019, according to our forecast.

- And in 2024, we're now expecting the CTV ad market will be almost \$13 billion higher than what it was in early 2020.
- "This gives you an idea of how much the market has grown in absolute dollar terms, but also how it's blown past our expectations with almost every update," said our analyst Paul Verna.

Combined linear TV and CTV projections

Linear TV ad spend in the US will decline from \$61.31 billion this year to \$56.83 billion in 2027, per our forecast.

- Meanwhile, CTV will grow from \$25.09 billion in 2023 to \$40.90 billion in 2027.
- Despite the decline in linear TV ad spend, total TV ad spend will grow from \$86.40 billion this year to \$97.73 billion by 2027.

Programmatic focus

CTV ad spending is smaller compared with other major ad formats like search, social, TV, and retail media, and we expect that to continue until at least 2027, according to our forecast.

- Almost 90% of CTV is transacted programmatically (i.e., sold with any amount of automation).
- About 40% of programmatic ad spend is coming from YouTube, according to Verna.

Where CTV ad dollars come from

Advertisers are most likely to reallocate their linear TV (37%) and digital/mobile video (36%) dollars toward CTV, per a March 2023 survey conducted by the Interactive Advertising Bureau in conjunction with Standard Media Index and Advertiser Perceptions.

- Social media platforms aren't far behind at 31%. "That gives you a little bit of an idea of how advertisers perceive social these days, when a lot of platforms are having trouble monetizing

at the levels they did a couple [of] years ago due to privacy issues and a whole bunch of other factors,” said Verna.

- Almost half of marketers said their linear TV budgets would shrink as more money is allocated to CTV, according to a study by Advertiser Perceptions and Premion.

To pay or not to pay

Cord-cutters, those who have canceled their pay TV, and cord-nevers, those who have never subscribed to pay TV, are on the rise.

- In 2022, the proportion of US households with traditional pay TV services dropped below half for the first time. By the end of 2027, we expect the portion of pay TV users to be just over one-third, per our forecast.
- A growing number of paid TV subscriptions are delivered via the internet. This has been driven by live sports viewership.

Demographics

CTV has the largest audience share among millennials: There will be 62.0 million millennial CTV users in the US this year, per our forecast.

- Traditional TV in the US is dominated by the 65-and-older age group, which spends 4 hours, 58 minutes (4:58) watching linear TV per day. This is in contrast to younger age groups, such as the 25-to-34 age group, which spends only 1:12 on linear TV daily, per our forecast.

Advertisers might consider combining both TV and CTV if their target audience spans a larger age range, Verna said.

Watch the full webinar.

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