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How marketers should rethink digital ad channels, based on our forecast data

Article

The big picture: Total media ad spending in the US will pass the $350 billion mark this year, but growth is slow at just 3.8%, according to our forecast. “That is not great compared to

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almost anything in recent memory; however, there is a U-shape to this line," our analyst Ethan Cramer-Flood said during our "US Digital Ad Spend Outlook" webinar.

- Ad spend is normalizing after 26.0% growth in 2021.
- Growth will rebound a bit in 2024 as inflation, interest rates, and overall macroeconomic uncertainty cools in the US.
- "[Ad spend] is not going to go back to the glory days of two years ago or really even over the past 10 years," said Cramer-Flood.

Breaking with tradition: Traditional media ad spend (like print, linear TV, and radio) will contract by 6.3% in the US this year to reach $89.97 billion. In contrast, digital ad spend will pass $260 billion for the first time this year as it makes up an increasing share of overall spend. Growth, however, will be significantly lower (7.8%) than in recent years, according to our forecasts.

Trend watch: Display and search advertising will grow by 7.9% and 8.3% in the US this year, respectively, but those figures don't tell the full story.

- Connected TV (CTV) is carrying display at 21.2% growth, while social advertising is "in the doldrums" at 3.4% growth, said Cramer-Flood.
- Search is growing slower than previously expected due to a "fairly gloomy outlook for Google," Cramer-Flood said. Retail media's growth (18.7%) will do a lot to carry search.

Good news: Retail media will prove its worth.

- Retail media is the only metric we track where digital ad spending will accelerate. Some of that is because retail media is starting from a smaller base, but with $45.15 billion in US ad spend this year, retail media should not be underestimated.
- Amazon makes up most of the retail media market, but its share will decline as more players and ad types become available, said Cramer-Flood.
- Retail media has avoided the same "doldrums" as other channels, mainly because its position near the bottom of the ad funnel insultates it from this challenging economy.

Good news: CTV ad spend is skyrocketing.

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- CTV is growing the fastest of all categories we track at 21.2% in the US this year, thanks in part to more ad-supported video-on-demand options from Netflix and Disney+.
- Hulu, YouTube, and Roku are well ahead of the new players, but each year there are more ad dollars to go around.
- Still, CTV advertising is "not growing like it once was," said Cramer-Flood. "Nothing is."

Bad news: Social media ad spend is hurting thanks to a tough year at Meta.

- US social network ad spend will grow just 3.4% this year to $68.45 billion. Meta accounts for $51.35 billion of those dollars and has a growth rate of just 2.7%, an improvement after ad spend contracted last year.
- TikTok is a bright spot for social media, but accounts for just 9.0% of social media spending in the US.
- Among smaller players, LinkedIn and Reddit will see healthy ad spend, while Twitter and Snap are in trouble.

The big players: The Google-Meta duopoly accounts for less than 50% of the US digital ad market as of last year.

- "Unless something changes at Meta with their model, it's entirely likely Amazon will eventually catch them and we'll have a true triopoly," said Cramer-Flood.
- TikTok and Microsoft round out the top five with strong ad revenues, but both account for a fraction of the triopoly's spend.

Watch the full webinar.

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