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The shifts that will impact 2024's video ad landscape

Article

It's becoming more expensive for streaming viewers to avoid advertising. Netflix, Disney+, and others have raised subscription prices over the past several months.

Streaming services' move toward connected TV (CTV) advertising and higher subscription costs comes at a time when linear TV ad spend and viewership has declined, explained our analyst Ross Benes during a recent Meet the Analyst Webinar.

Streaming services will continue to focus less on gaining subscribers and more on profits in 2024. To achieve this, companies will raise the fees paid by consumers and open their services up to advertising. Meanwhile, Amazon will drive the acceleration of CTV advertising in 2024 with the launch of an ad-supported tier on Prime Video.

Here are the key takeaways for marketers surrounding 2024's video ad landscape.

1. Linear TV is on a long and winding downward road. Continual ad price increases can't make up for declining linear TV viewership.

- Linear TV in 2024 will still account for about two-thirds of combined US TV and streaming ad spend, per our forecast.
- The 2024 election and the Olympics will temporarily boost ad spend, which we expect to reach $60.56 billion next year.

There are, however, significantly more ad-supported streaming viewers than there are pay TV viewers, and that gap will only widen by the end of the forecast period in 2027, Benes noted. By then, there will be about double the ad-supported streaming viewers as there will be linear TV viewers.

In the past, TV networks have recovered cord-cutting losses by raising ad prices. Yet, in 2023, primetime upfront costs per thousand (CPMs) are forecast to drop 2.7% for broadcast networks and 5.0% for cable, per Media Dynamics.

2. Seeking profitability, streaming services are raising subscription prices and getting more serious about advertising. Ad-supported streaming viewership is growing now that nearly all major US streaming services offer ad plans.

- CTV accounted for 15% to 23% of total CTV and TV ad inventory between 2021 and 2023, according to Madison and Wall.
- In 2023, 25% of US subscription video-on-demand services will be ad-supported, per Antenna research.
- Ad-supported sign-ups are catching on at varying rates, Antenna found. Over 80% of Netflix's new subscription sign-ups in 2023, for example, will be for ad-free plans, while 69% of Peacock sign-ups will be ad-supported.

The majority of Peacock, Paramount+, and Hulu viewers watch ad-supported plans, according to our forecast. Viewers of Netflix's ad-supported plan will be under 5% this year, but that share is expected to grow.

"Aside from raising subscription prices and getting more people to adopt cheaper ad tiers, the other way streaming services are earning more dollars so that they can achieve profitability is by cranking up the ad load," Benes said.

Netflix has about 3 minutes of ads per hour, putting it on the low end of ad loads, Benes noted. Hulu is higher, with closer to 8 minutes of ads per hour. Ad loads, however, rarely fall backward.

3. Streaming ad price ranges are narrowing. The high ad prices Disney+ and Netflix initially asked for have lowered.

- In Q4 2022, Disney+ and Netflix's ad prices were $50.00 and $59.50, respectively. In Q4 2023, those CPMs were lowered to $46.64 and $47.05.
- YouTube has lower ad prices than most subscription streaming services. On average, its CPMs are about $15 due to content being primarily user-generated.

Streaming ad dollars are also spreading out. In 2019, Hulu, YouTube, and Roku accounted for over half of the US CTV ad revenues; now, they're about one-third of the market.

Instead of just three services with billion-dollar CTV ad businesses, there are now more than a handful, Benes explained.

4. Amazon will make a big splash in streaming advertising next year. The introduction of ads into Prime Video will cement Amazon as one of the largest digital video ad sellers.

- As CTV advertising diversifies, Amazon Prime Video is pushing ads. Amazon will see $3.13 billion in CTV ad revenues in 2024, according to our forecast.
- Prime Video ads will contribute to an 85.5% bump in Amazon's US OTT ad revenues in 2024, per our new forecast, which includes Prime Video, Freevee, Twitch, and Fire TV.
- Amazon will become the No. 3 ad seller in streaming, behind only Alphabet and The Walt Disney Co.

“The move will add nearly $2 billion, not just to Amazon, but to the whole CTV ad market,” Benes said.

Watch the full webinar.

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