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3 ad channels bolstering the growth of the US ad market

Article

Although inflation, a strong job market, and a positive economic outlook are at play, three dominant ad channels are contributing to upward US ad spend. From the resonance of retail media networks to the resurgence of social ad spend and burgeoning subscription over-the-top (sub OTT) platforms, the impact of these channels is being felt in the overall ad market.

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October saw a 3.2% YoY growth for the US ad market, according to the Standard Media Index ad market tracker. This marked the fourth consecutive month of spending increases—a sharp turn from a prolonged period of negative monthly growth that persisted for about a year until July.

1. Boom of retail media networks

“Amazon, Walmart, Target, and Kroger ... everyone across this entire booming retail media space is posting incredibly strong advertising numbers. That is really driving so much of the incremental growth across our digital ad spend forecast,” our analyst Peter Newman said on an episode of the “Behind the Numbers: The Daily” podcast.

- Amazon will claim 75.4% of US retail media ad revenues this year, bringing in $34.96 billion, per our forecast.
- Walmart, however, will win out with the most growth this year, with a 40.4% YoY increase.
- We expect retail media ad spend to double between 2023 and 2027, reaching more than $109 billion.

2. Social ad spend makes a rebound

“Meta is really by far the largest part of [social’s ad growth], but not only that, we’re seeing growth for Snap, Reddit, and, of course, TikTok. Everyone wants to be getting their ads there,” Newman said.

- Meta’s ad revenue growth will be in the double digits through the end of our forecast period in 2025, when it will near the $70 billion milestone.
- TikTok’s ad revenues will see the most growth this year, with a 31.6% YoY increase.
- X (formerly Twitter) is the only social platform we track that will have a decline in ad spend in 2024, when revenues will be less than half of what they were in 2022, the year Elon Musk took over.

3. Sub OTT gains popularity

Ad-supported sub OTT tiers entered the streaming scene just in time for cost-conscious consumers to take advantage. “Netflix is opening up completely uncharted space for

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advertising where it hadn't been before, and Disney is doing very similar things. You're seeing huge amounts of people joining the Disney bundle or converting their Disney subscriptions into the ad-supported version," Newman said.

- Netflix garnered 15 million ad-supported subscribers within a year of launching the more affordable model.
- Ad-supported US Netflix viewers will reach 13.0 million next year, per our September 2023 forecast.
- Ad revenues for Disney+ will pass the $1 billion mark by 2025, per our forecast.

Listen to the full episode.

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