

Social won't get overtaken by retail media ... yet

Article

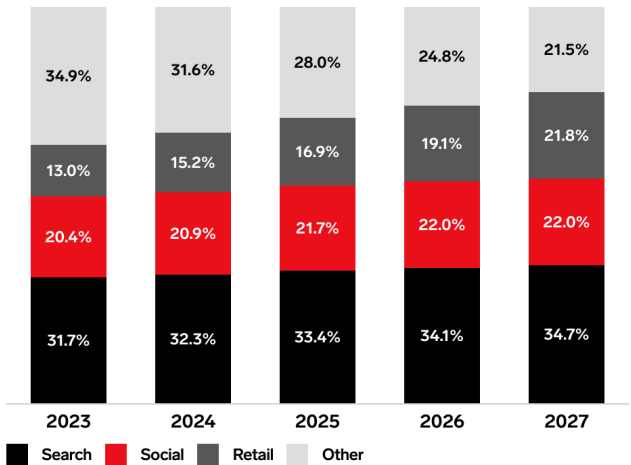
We have revised our ad spend growth forecast for social up significantly. The US social ad market looked poised for a rough year after companies including Meta posted weak quarters at the end of 2022 and the US advertising market staggered into 2023. After more than a decade of 20% growth almost every year, it appeared that US social network ad spending

would increase by just 3.4% in 2023. We now expect the channel to grow 10.1% and accelerate slightly in 2024.

- **Social's share of total media ad spending will grow much more slowly.** Between 2017 and 2021, social's share of overall media ad spending in the US nearly doubled, climbing from 10.5% to 20.0% in just four years. By contrast, its share of US media ad spending will climb less than 2 percentage points through 2027, inching from 20.4% in 2023 to 22.0%.
- **Social video's fortunes may determine who comes in second.** Social's share of media ad spending will continue growing—in part because spending in legacy channels is either growing more slowly or declining. And the extent to which social networks can grab the dollars that come out of linear may determine whether social is able to hold off retail media for the title of second-biggest ad spending channel in the US.
- **Social's emergent symbiosis with Amazon may help, too.** Amazon and the US social networks share a common enemy in TikTok, which is trying to become a default ecommerce destination for Gen Z with TikTok Shop. The recent partnerships Amazon has forged with Meta, Snap, and Pinterest are designed to guard against that prospect, and they may wind up getting replicated by other large US retailers. Even if Amazon is the only retailer to take these steps, it could significantly boost ad spending across the platforms.

Social Will Just Retain Its Title of Second-Biggest Ad Spending Channel Through 2027

% of US ad spending, 2023-2027



Note: digital advertising that appears on websites or apps that are primarily engaged in retail ecommerce or is bought through a retailer's media network or demand-side platform (DSP); examples of websites or apps primarily engaged in retail ecommerce include Amazon, Walmart, and eBay; examples of retail media networks include Amazon's DSP and Etsy's Offsite Ads; includes ads purchased through retail media networks that may not appear on ecommerce sites or apps; paid advertising only; includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms; excludes payments to influencers or other creators to produce sponsored content; includes branded content amplified as paid media; includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices for all formats mentioned; includes contextual text links, paid inclusion, paid listings, and SEO

Source: Insider Intelligence | eMarketer Forecast, Oct 2023

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Report by Max Willens Jan 12, 2024

Social Network Ad Spending and Trends Q4 2023

