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Checking in on ad trends: Digital ad spend downgraded again, retail media tries to keep up with Amazon

Article

Ad spend across digital channels has been mixed so far this year, with spend on social networks slowing and connected TV (CTV) spend boosted by new ad-supported subscription tiers. Meanwhile, retail media is diversifying at a rapid rate as nonendemic retailers get in the game.

Here are some mid-year updates on the predictions made in our Digital Advertising Trends to Watch for 2023 report.

Prediction: Digital ad spend downgraded amid economic instability

With inflation driving up costs and a potential recession looming, we predicted advertisers would tighten their budgets, so we downgraded our initial US digital ad spend forecast. We thought social networks would be hit the hardest by budget cuts, while spending on CTV would ramp up.

Where we are now

Digital ad spend is downgraded even more. Digital ad spending will increase by less than 10% for the first time in 14 years. We revised our forecast for 2023 down for a second time to $263.89 billion as hopes of an ad industry rebound have disappeared.

Social network ad spend is down—with one exception. Social will have the lowest growth rate of any digital ad spending category this year. Meta will be buoyed by Instagram, but Twitter's ad revenues will continue to plummet while Snapchat stagnates. TikTok, however, remains a bright spot.

CTV remains this year's fastest-growing major ad channel. Ad spend will be boosted by new ad-supported subscription tiers and strong legacy players like Hulu, YouTube, and Roku.

"We're seeing early signs of recovery in the digital ad market, but we're not out of the woods just yet," said our analyst Evelyn Mitchell-Wolf. "We expect advertisers to continue prioritizing channels with measurable contributions to revenues."

Prediction: Retail media platforms will diversify to compete with Amazon

We expected this year to generate a flurry of new partnerships and ad products as retailers come for Amazon's crown. Off-site inventory would grow in popularity and nonendemic advertisers would begin to dabble in the retail media space.

Where we are now

On-site ads still dominate, but off-site inventory grows. In 2023, on-site ads will account for 85.5% of retail media spending, per our forecast. But brands are starting to migrate off-site with ad placements on social media and streaming TV to reach consumers further up the funnel.

Everyone wants in on the retail media game. While grocery and consumer packaged goods remain the core of retail media's growth, many specialty retailers have been jumping on the bandwagon, including Best Buy and Chewy. The channel's growing popularity has also produced retail media partnerships between brands, publishers, and media platforms.

"Off-site inventory gives brands a chance to promote a product or service that doesn't necessarily make sense to advertise in the digital aisle," said Mitchell-Wolf. "Looking ahead, place-based ecosystems (like gas station TV) will present more opportunities for nonendemic retailers."

Learn more by downloading our "eMarketer Lookbook: Digital Advertising Trends in 2023."

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