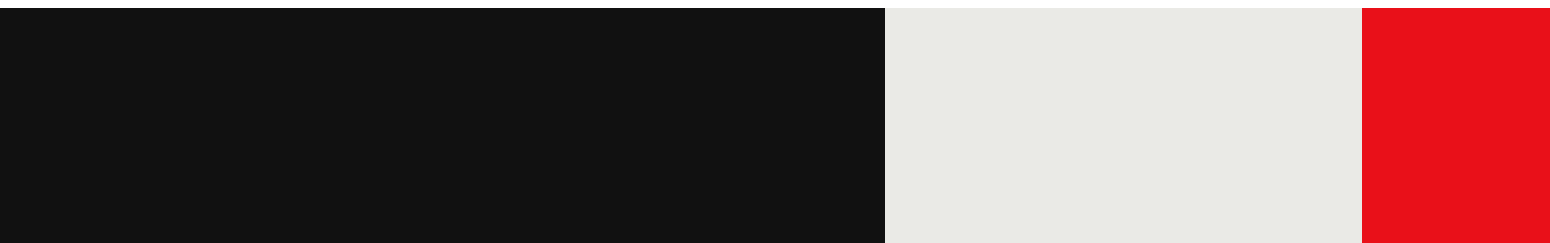



The long(form) and short(s) of YouTube's business strategy

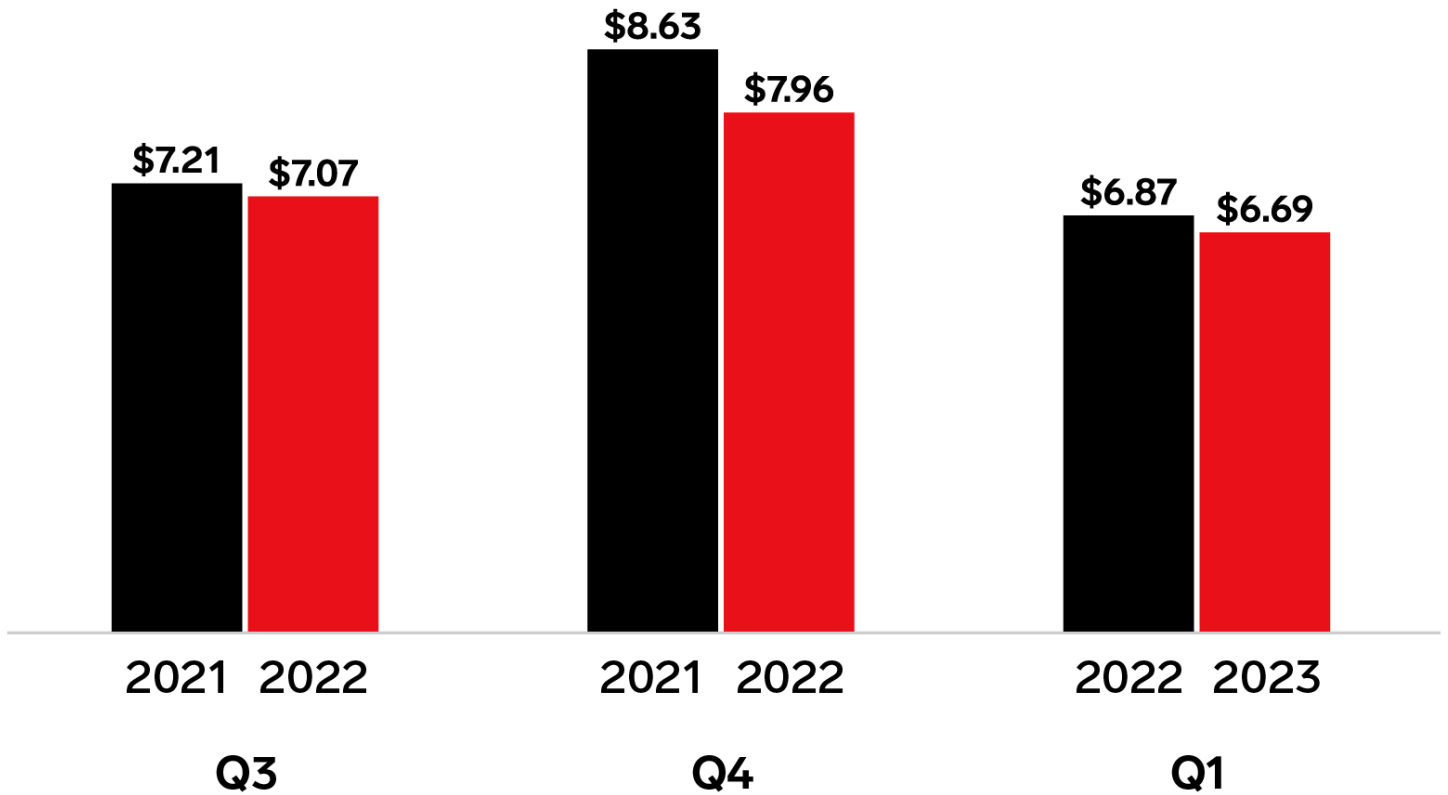
Article



YouTube's ad business has posted losses for the past three quarters—an unprecedented slide following years of double-digit gains. This underperformance has forced the video giant to sharpen its focus in the two areas where it has the best shot at attracting ad spending and restoring growth: connected TV (CTV) and short-form video.

From Q3 2022 to Q1 2023, YouTube's Worldwide Ad Revenues Declined YoY

billions



Source: Alphabet company reports, Q3 2022-Q1 2023

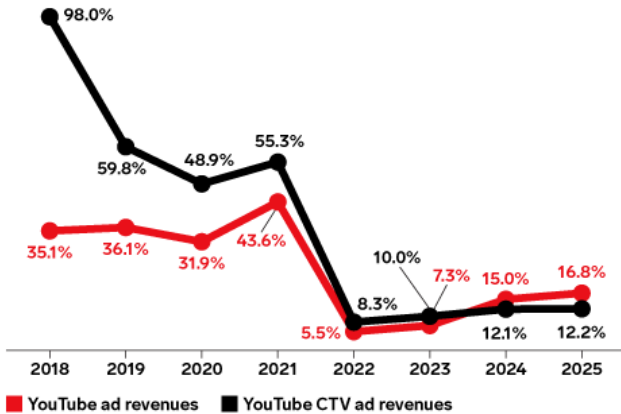
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YouTube's focus on the living room screen has allowed its CTV growth to outpace its overall ad business on a net basis, per our forecast. That will change in 2024 as CTV bumps up against more competition and YouTube scales up its Shorts business. But CTV will continue to track closely with YouTube's total ad revenues, and positive momentum in CTV advertising and time spent is ahead.

YouTube's US Connected TV Growth Has Outpaced the Rest of Its Ad Business Since 2018

% change, 2018-2025



Note: 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; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites; CTV gross ad revenues include advertising that appears on CTV devices
Source: Insider Intelligence | eMarketer, March 2023

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Insider Intelligence | eMarketer

YouTube's pivot to CTV represents a paradigm shift for a company whose DNA is in short, user-generated clips. Although YouTube made earlier attempts to capture CTV viewing by investing in premium content, it has since focused on two areas that differentiate it from services like Netflix: its creator community and live sports.

Creators are also central to YouTube's thrust to compete in social video, where TikTok poses an urgent threat to the video giant's ad business. By 2025, YouTube's lead over TikTok will shrink to \$930 million, from \$4.3 billion in 2021, per our forecast. Against that backdrop, it's easy to see why YouTube launched Shorts in late 2020 to combat TikTok's strength in creator-driven short clips for smartphone viewing.

While social video competition will continue to be intense, we can expect YouTube to hold its own against the likes of TikTok, Instagram, and Snapchat. That's not to say YouTube will necessarily dominate this space, but it has a good chance of using Shorts in a flywheel of content and advertising of all lengths and for all screens.

Report by Paul Verna Jul 18, 2023

YouTube Bets on Long and Short Content to Right Its Ship

