

# TikTok's lower CPMs are one of many reasons it is taking market share from the duopoly

Article

**The news:** TikTok is providing less expensive ad rates than competing platforms: 2022 data from marketing agency VaynerMedia and reported by FT shows the CPM (cost per 1,000

impressions) from video advertising on TikTok is **almost half that of Instagram Reels, a third less than Twitter, and 62% less than Snapchat.**

- That's in line with a study conducted by ad design platform Creatopy last year, which discovered that TikTok garnered nearly three times as many impressions for a single video as Instagram Reels or **YouTube Shorts**, though Shorts had better user engagement rates with content.
- Given relatively expensive **Meta** CPMs, it's no wonder spend is shifting to TikTok: Measurement firm Measured pegs the average Q3 2022 Meta CPM **at \$14**, versus \$8 for TikTok.
- That said, the Facebook and Instagram parent's CPMs actually fell in the third quarter of last year, per Tinititi. Many individual Meta advertisers saw ad prices rise; the median advertiser experienced a 6% increase. In Q3, Facebook CPMs decreased by more than 20%, while Instagram's increased 17%. From two years ago, Facebook's CPM actually rose by 16%, while Instagram CPMs ballooned 55%.

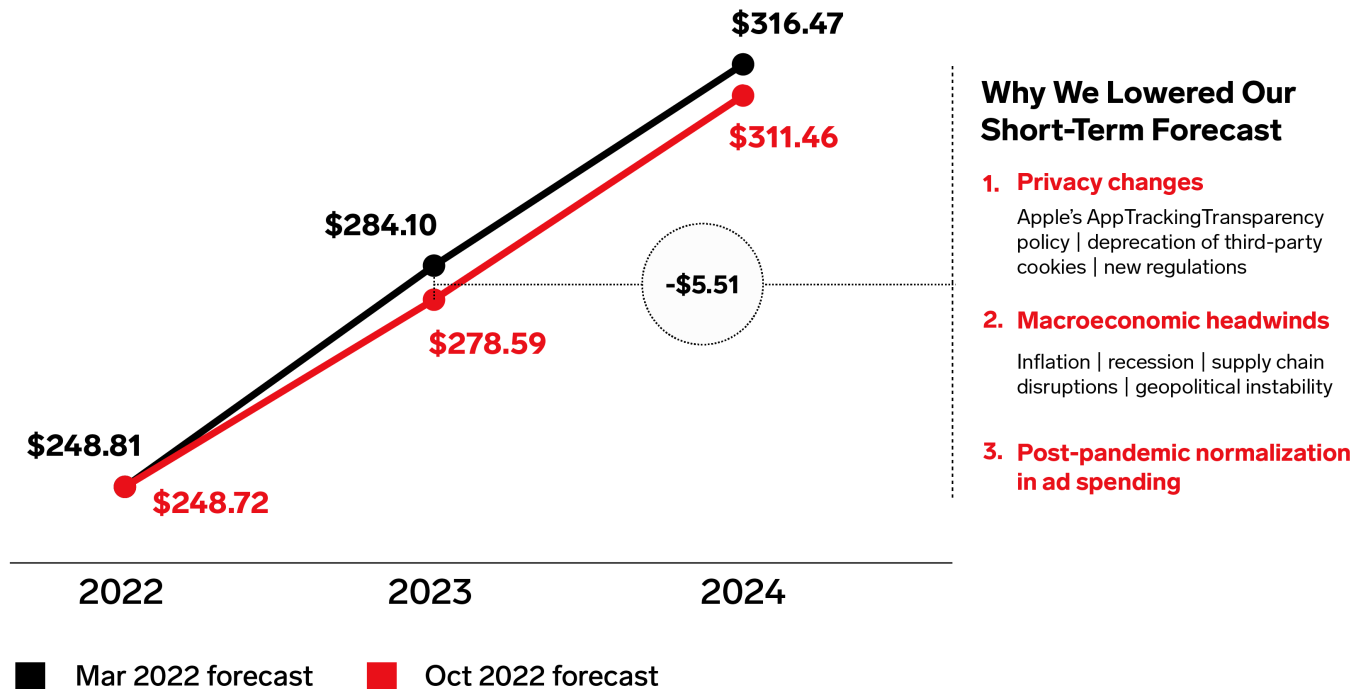
We expect TikTok's market share of social media ad spending to **increase 3.2 points** from 2022 to 2024, with Meta's to drop 4.1 points during that period.

**Zoom out:** This insight comes as TikTok advertising continues to gain market share: According to data from Pathmatics, the top 1,000 US advertisers boosted their spending on the viral video platform by 66% to \$467 million from September to October of 2022.

- The rapidly growing video app aims to snag a larger portion of the digital ad industry amid the broader ad spending dip that led us to restate our forecasts.
- Social platforms continue to be hurt by Apple's 2021 privacy changes as macroeconomic uncertainty inhibits most ad spending growth. We **cut our forecast** for US social media ad spending this year by \$16.21 billion to \$71.05 billion, with the majority of that downward revision due to Meta.

# US Digital Ad Spending, 2022-2024

billions



## Why We Lowered Our Short-Term Forecast

- 1. Privacy changes**  
Apple's AppTrackingTransparency policy | deprecation of third-party cookies | new regulations
- 2. Macroeconomic headwinds**  
Inflation | recession | supply chain disruptions | geopolitical instability
- 3. Post-pandemic normalization in ad spending**

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  
Source: eMarketer, 2022

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**Why it matters:** TikTok is trying to demonstrate value at a time when ad budgets are being cut and/or scrutinized; in October, nearly 30% of major advertisers said they planned to cut their ad budgets into 2023, and those that expect to decrease their social media ad spend outnumber those looking to increase it by a five-to-one margin.

- In November, TikTok reduced its global revenue forecast by 20% as a result of the unstable ad market. Despite that, the platform has said it would generate more than \$10 billion in revenue in 2022.

**Our take:** If TikTok can continue to keep its CPM prices low, allowing advertisers to reach more consumers (not to mention deliver high levels of engagement in the process) more ad spending will continue to shift away from companies like Meta, Snap, and Twitter—and toward TikTok.