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Advertising Trends to Watch in 2024

Ad Spending Growth Levels Off, but ID Deprecation, AI, and Measurement Heat Up

After years of unbridled growth and unprecedented spikes stemming from the pandemic, the US digital ad market is settling into a period of more modest and predictable growth. But beneath those calm waters, there is turbulence in many parts of the ecosystem, including TV and connected TV (CTV) ad measurement, identifier deprecation, AI, and streaming. This eMarketer analyst report will cover key advertising trends and predictions to win over consumers in 2024.

Contents

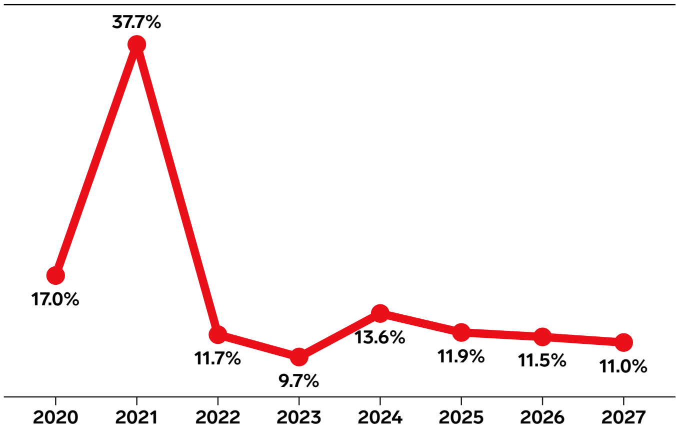
Digital ad spending is entering an era of modest growth

After growing at a compound annual rate of 17.6% over the past 15 years, digital ad spending will settle into YoY growth in the low double digits starting in 2024 and through at least 2027. This is a sign of a mature market that will top $270 billion this year and account for over three-quarters of all ad spending.

- **The deceleration cycle started in 2019.** Factoring out the anomalous year of 2021, when digital ad spending spiked amid pandemic lockdowns, this ad channel has been on a gradual downward trajectory since 2019. Spending growth has also experienced some lumpiness in the past two years, but in general, the curve shows a peak of over 26% growth in 2018 that will be followed by a steady decline to 11% by 2027.

US Digital Ad Spending Growth, 2020-2027

% change



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: Insider Intelligence | eMarketer Forecast, Oct 2023

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Prediction

- **After 2024, we likely won't see huge swings in digital ad spending growth.** Because of the size of the market and its growing share of total media ad spending (expected to top 83% by 2027), growth will probably not spike dramatically from now on. Barring other cataclysmic events like the Great Recession or the onset of the coronavirus pandemic, the likely scenario is a continued deceleration with less year-to-year variance.

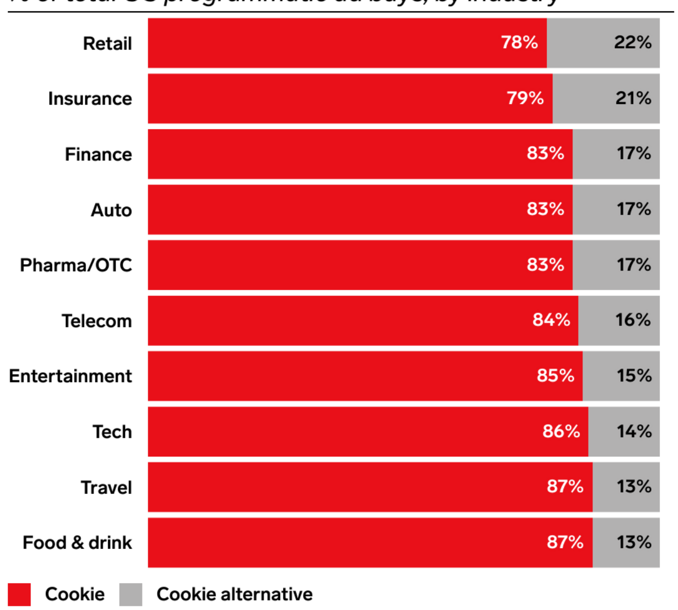
The cookie is down to its last crumbs—this time for real

The slow-moving train of third-party cookie and mobile ID deprecation is slouching toward its terminus, with Google scheduled to phase out its identifiers sometime in 2024. The caveat is that Google has been vague in its wording on when its ID deprecation will be complete. Given that the company has twice pushed out its timelines, programmatic ad buyers and sellers are understandably skeptical that this process will come to its natural conclusion next year.

- **Despite the inevitability of a world without legacy IDs, the industry is still not "getting it," and that will become a big problem in 2024.** One out of 4 US marketers and agencies were still using third-party cookies as of April 2023, according to Advertiser Perceptions. And across 10 industries tracked by 33Across in Q3 2023, all continued to overwhelmingly use cookies in their programmatic ad buys.

As of Q3 2023, Cookied Inventory Still Accounts for Most Programmatic Activity

% of total US programmatic ad buys, by industry



Note: represents activity on the 33Across platform; broader industry metrics may vary
Source: 33Across, "Programmatic Cookie Alternative Trends Report: Q3 2023," Nov 2, 2023

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Predictions

- **Apple will roll out a demand-side platform (DSP).** The tech giant has been advertising for high-level DSP positions since at least mid-2022, so it seems a matter of time before this happens. A DSP would confirm Apple's ambitions to build out a more robust ad tech stack as it makes a play to become a bigger force in that space. It would also give credence to the notion that the company's April 2021 implementation of the AppTrackingTransparency framework was motivated not just by its historic pro-privacy posture, but also by a deliberate decision to become a bigger advertising player.

- **The absence of cookies will finally force consolidation among identity providers.** Over the past few years, the number of companies selling deterministic, probabilistic, and contextual ID services has expanded to a level that many industry experts consider unsustainable. We expect the universe of providers to contract over the next year as smaller independent players fall by the wayside and others consolidate through mergers or acquisitions.

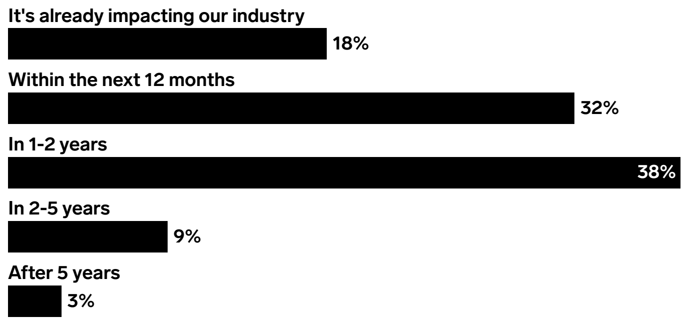
AI is coming to ... everything

The biggest buzzword of 2023 is more than a buzzword. Companies in every corner of the ad industry are using some form of AI to supercharge their internal operations and customer-facing services.

- **Most marketers expect AI to transform the industry quickly.** Over two-thirds of marketers said AI will have a "serious impact" within the next two years, according to a July 2023 MMA Global study. This is on top of the 18% who said that the impact is already happening. Unlike other recent tech paradigms like the metaverse, NFTs, and cryptocurrency, AI is the real deal. It is imperfect and raises many logistical and ethical questions, but it will reshape virtually every facet of advertising.

Time Frame in Which Marketers in North America Expect Generative AI to Start Having a Serious Impact on Their Industry, July 2023

% of respondents



Note: n=119
Source: MMA Global, "The State of Generative AI in Marketing," Aug 2023
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Predictions

- **In 2024, marketers and agencies will lean further into AI for creative ideation, media planning, and more.** As creative agencies and individual media buyers get more comfortable with using generative AI (genAI) to boost creative output, this trend will change how creative agencies work and media buyers think.

- **GenAI will continue to make its mark on search.** Google will roll out generative search, which will cause reduced traffic to long tail publishers' sites and apps—and could also result in a number of those publishers folding in 2024. That will reduce the amount of indexed content in search results. In response, Google will subsidize content creation.

- **AI will power the post-cookie world.** With third-party desktop and mobile identifiers facing their imminent demise, AI will supercharge contextual targeting, fill gaps in deterministic consumer data to fuel behavioral targeting, and enhance campaign measurement.

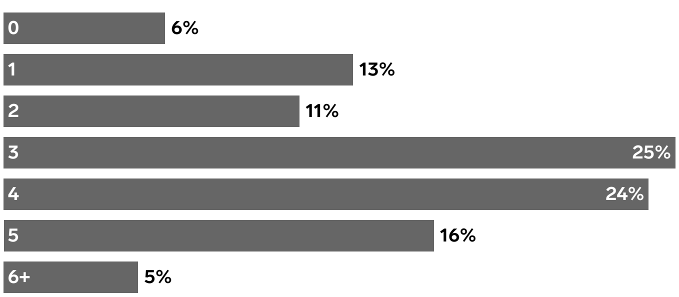
Nielsen will sunset its legacy TV currency—eventually

Nielsen's decision to push out the phaseout of its C3 and C7 ratings will delay an inevitable before and after in TV ad measurement. After announcing it would ditch its legacy metric in time for the 2023 upfronts, Nielsen pulled a switcheroo on the eve of the annual advertising showcase and decided to keep its current system in place. Then, in October 2023, it again backtracked on plans to sunset its currency by September 2024.

- **C3 and C7 ratings have defined TV ad measurement for the past 16 years, but they no longer reflect how people watch.** Nielsen introduced C3 ratings in 2007 to account for commercials viewed during a live broadcast and in the three subsequent days on a time-shifted basis. Five years later, Nielsen expanded the commercial ratings window to seven days post-broadcast. But now the massive shifts from linear to connected TV (CTV) over the past decade have rendered Nielsen's methodology obsolete. Despite Nielsen's latest delay, it's a new day in TV ad measurement, as evidenced by the many analytics firms that are rushing in to fill the void left by the ratings giant.

Number of Currencies US TV/Video Ad Buyers Want to Have for Impression Measurement, March 2023

% of respondents



Note: n=360
Source: Interactive Advertising Bureau (IAB), "2022 Video Ad Spend & 2023 Outlook" in partnership with Standard Media Index (SMI) and Advertiser Perceptions, May 3, 2023

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Predictions

- **Nielsen will lose its iron grip on TV measurement.** In 2021, the Media Rating Council (MRC) suspended its accreditation of Nielsen's national TV measurement service. While the MRC has since reinstated Nielsen, the firm has fallen a long way from the days in which it was the gold standard for audience measurement and the de facto currency for TV advertising. Despite extending its C3 and C7 phaseout past 2024, its monopoly over measurement is over.

- **Paradoxically, Nielsen will continue to be a key player in a multicurrency world.** In the free-for-all that resulted from Nielsen's fall from grace, a slew of measurement companies have been courting TV networks and streaming services with systems that measure across linear and digital platforms. Nielsen is one of them. Given its long dominant industry position and infrastructural advantages, Nielsen may very well thrive in a decentralized environment, especially among smaller networks that can't afford to support more than one currency.

The cable bundle is dead

There's no turning back the tide of cord-cutting. The traditional cable, satellite, and telco pay TV bundle continues to lose ground to streamers, and the trend is irreversible.

- **The resolution of the Disney-Spectrum dispute was only a temporary respite.** The existential questions that the carriage scuffle brought up are still latent. Traditional pay TV is a dwindling business that's increasingly burdensome to cable, satellite, and telco providers, to the point that Charter Communications president and CEO Christopher Winfrey signaled the company was ready to walk away from that business and continue to focus on internet delivery. And Disney CEO Bob Iger admitted in July 2023 that the traditional distribution model was "definitely broken." Although the two sides worked out an agreement, other carriage disputes will happen, and they'll bring up many of the same issues.

Predictions

- **As more people shift from linear to CTV, consumers will demand a more cohesive and affordable experience on digital channels.** That will pressure streaming services and aggregators to offer digital bundles that could look uncannily like their traditional TV predecessors.

- **More sports will come to streaming.** Sports leagues will continue to license their content to digital platforms, in many cases exclusively. As that process plays out and legacy broadcast channels like ESPN move from the cable and satellite ecosystem to a D2C streaming model, sports fans will ditch their cable bundles for streaming services. That migration of viewership could be the final blow for the legacy pay TV business, which in recent years has been held together by live sports.

US Sports Fans Who Would Be Interested in Select Streaming Video Service Features, by Generation, March 2023

% of respondents in each group

	Gen Z (1997-2009)	Millennials (1983-1996)	Gen X (1966-1982)	Baby boomers (1947-1965)
Real-time statistics and analytics	46%	43%	35%	23%
Different camera angles	37%	35%	39%	30%
Watching from an athlete's point of view	31%	29%	25%	17%
Coviewing with friends and family	29%	28%	24%	17%
A live social feed on-screen	20%	19%	10%	4%
Integrated betting capabilities (21+ years)	7%	11%	7%	3%
Integrated shopping capabilities	7%	10%	3%	1%

Source: Deloitte, "2023 Sports fan insights: The beginning of the immersive sports era," June 27, 2023

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The future of streaming media is ad-supported

Netflix and Disney rolled out ad-supported tiers in their streaming services in late 2022, and Amazon Prime Video joined the party in Q3 2023 when it announced it would launch an ad tier in early 2024. This means that, in a span of 18 months, three major streaming services that were previously ad free will have plenty of inventory to satisfy pent-up demand from advertisers.

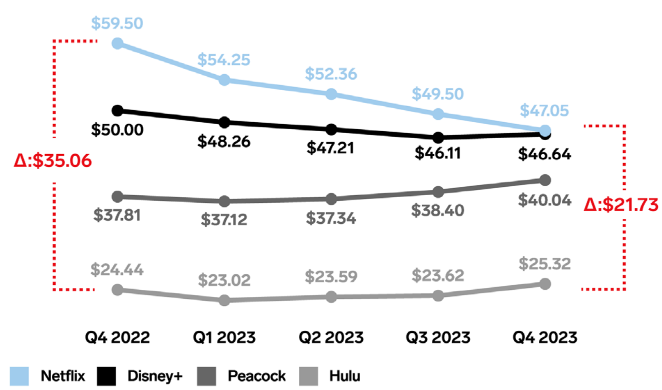
- **Free ad-supported streaming TV channels are adding viewers and growing their revenues.** By 2027, nearly one-third of the US population will view these services, which include The Roku Channel, Tubi, and Pluto TV (the last two owned by Fox and Paramount Global, respectively). Amazon-owned Freevee is also in the mix. The three we break out in our forecasts—Roku, Pluto TV, and Tubi—are expected to grow their ad revenues by double digits in 2024.

Predictions

- **Streaming ad prices will continue to coalesce.** When Netflix and Disney+ launched their ad tiers, they asked for what many in the industry considered unrealistically high prices. Since then, they've fallen closer in line with incumbents Peacock and Hulu. Early reports suggest Amazon is taking a different approach, with a target cost per thousand (CPM) of about $36, which is around the middle of the pack among major streaming services.

The Gap in CPMs Among Major US Streaming Services Will Narrow in the Year Leading Up to Q4 2023

ad cost per thousand



Note: average platform ad cost per thousand (CPM) is the amount advertisers pay for every thousand impressions of their ads delivered through each platform's ad-supported tier; includes in-stream ads such as those appearing before, during, or after digital video content (pre-roll, mid-roll, or post-roll video ads) and video overlays; appears on desktop and laptop computers as well as mobile phones, tablets, connected TVs, and other internet-connected devices; Hulu data excludes Hulu + Live TV
Source: Insider Intelligence | eMarketer, Sep 2023

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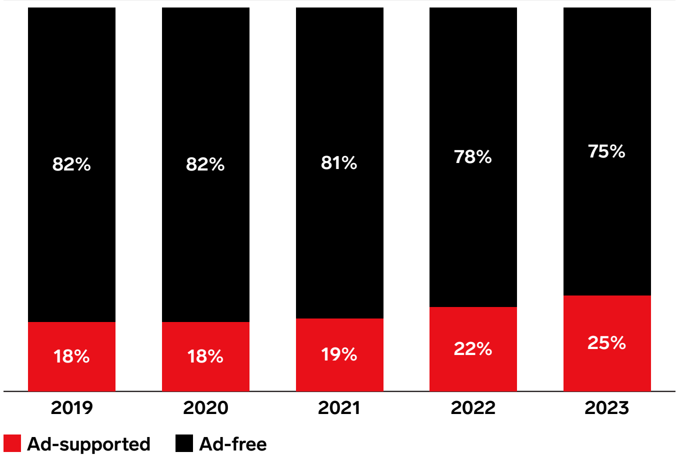
- **One-third of streaming subscriptions will become ad-supported as more people sign up for those tiers.** In 2023, an estimated one-quarter of US premium subscription video-on-demand (SVOD) customers are on ad-supported plans, according to Antenna. That percentage could easily rise to one-third within a year. In an October 2023 letter to shareholders, Netflix reported that its Q3 2023 ad-supported sign-ups were up nearly 70% from Q2, and that 30% of new sign-ups in countries where it offers an ad tier were for the ad-supported product.

Share of US Premium SVOD Subscriptions, by Plan Type, 2019-2023

% of total



Note: premium SVOD includes Apple TV+, Discovery+, Disney+, Max, Hulu (SVOD only), Netflix, Paramount+, Peacock, Showtime, and Starz; excludes free tiers, MVPD+ telco distribution and select bundles (e.g., Disney Bundle Sign-ups distributed through Hulu); as of end of May for all years
Source: Antenna, "State of Subscriptions," June 28, 2023

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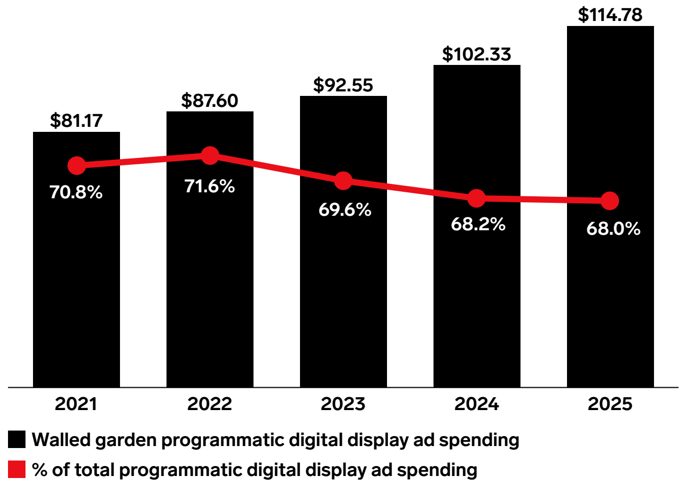
US Walled Garden Programmatic Digital Display Ad Spending, 2021-2025

billions and % of total programmatic digital display ad spending



Note: includes programmatic digital display ads transacted in a closed ad ecosystem where the publisher has access to first-party data and owns and controls all operations in the entire ad tech stack, such as ad buying, serving, tracking, and reporting; its inventory is not available for purchase through third-party sellers or resellers; examples include Amazon, Google-owned and -operated properties, and Meta
Source: Insider Intelligence | eMarketer Forecast, April 2023

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Smaller walled gardens will cross-pollinate

Walled gardens make up a mighty share of programmatic display ad spending. However, that share will fall for the first time in 2023, dropping to 69.6% from 71.6% a year earlier.

- **Retail media ad spending is one factor driving walled gardens' declining share.** Starting in 2024, retail media will be the fastest-growing ad channel we track, and it is still made up predominantly of search ads.

- **As this happens, smaller walled gardens will partner with their behemoth counterparts to prop up their ad businesses.** At least three such alliances were forged in 2023, with X (formerly Twitter) using Google Ad Manager to extend its reach, and both Pinterest and Snapchat striking deals with Amazon Ads to boost their ad businesses.

Prediction

- **Reddit will follow in its competitors' footsteps by aligning with a larger walled garden in 2024.** As social network ad spending growth declines, Reddit—and potentially others—will look to fortify targeting options with commerce data and/or first-party audience data.

3 ways to use AI for superior marketing results

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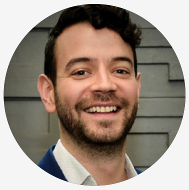

Gordon Ferris
Director, Growth Marketing
Marin Software

AI is transforming marketing at warp speed, creating a new challenge for performance marketers to identify how the technology should accelerate workflows and where human insight remains indispensable.

Until last year, you probably thought of AI as something that excels at processing mountains of data to identify patterns and predict outcomes. But with the explosion of generative AI, these tools are now your partners in the creative process, enabling marketers to move at the speed of thought. Yet the human element—the ability to create compelling stories or pivot a strategy mid-campaign—is still hard to replace with AI.

The sweet spot lies in harmony: partnering with AI to find the right message for the right user at the right time, and spending less time on data processing and analysis. In 2024, you're not competing with AI, you're competing with other marketers using it. Here are three tips:

1. Increase velocity and creativity with generative AI

Generative AI is not a one-size fits all solution; the use cases vary greatly across vertical, channel, ad type, and end-goal. From generating creative to drafting copy, effective usage of these tools should be a compliment to your existing team and resources, rather than a replacement. Don't wait for a perfect solution, try generative AI on everything and see what works for your team. Taking a test-and-learn approach helps you understand how your team can be accentuated by generative tools, and then scale accordingly.

2. Improve performance with independent optimization engines

With a wealth of free publisher tools available, it's important to evaluate systems designed and owned by the very companies we buy ad inventory from. Are these publisher tools and automated recommendations truly impartial? To safeguard yourself against publisher biases, consider impartial, third-party solutions that can analyze your entire marketing portfolio and make recommendations that align with your business objectives, and not the interests of ad platforms.

3. Optimize ROI with intelligent budget allocation

Single-channel solutions excel within their own ecosystems, but fail to provide a holistic view for cross-channel analysis and budget allocation. While publisher tools can increase performance on that platform, the customer journey is not equally siloed; awareness, discovery, consideration, and purchase usually occur on separate channels. Deciphering this journey is where a third-party AI tool excels: it will consider historical data, analyze cross-channel patterns in real-time, and then invest where the opportunity is greatest. AI-powered budget allocation can take your cross-channel campaigns from reactive to proactive overnight.

Bringing it all together

Marin Software can give you an immediate AI advantage to leverage both impartial optimizations and dynamic budget allocation. Our **Insights** feature analyzes your entire marketing portfolio to provide cross-channel optimizations that can be applied with a single click. With **Ascend**—our newly released budget allocation tool—let our AI dynamically adjust spend to seize intraday opportunities across channels.

If you're a B2C marketer, we can help you connect retail interactions to search and social media advertising in order to identify opportunities and drive more sales. If you're a B2B marketer, go beyond the capabilities of LinkedIn's campaign manager to achieve a greater level of transparency, management efficiency, and optimization intelligence. Regardless of your vertical, every click, impression, and conversion can be the difference between trailing or leading the pack—**Marin Software offers you the AI edge**.

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