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NOV 2022
Ross Benes

US Connected TV Advertising Forecast

How Netflix and Disney+ Will Help Fuel a $21 Billion Field

The gap between connected TV (CTV) and linear TV's ad spending is starting to close. As 2022 comes to an end, we anticipate US advertisers will spend $21.16 billion on CTV this year, a 23.0% increase over 2021. This eMarketer report reveals why marketers are pouring their budgets into CTV and what our forecasts will look like by 2026. You will also learn what's impacting viewership shifts, where ad-supported streaming services like Disney+, Netflix, and others stand, and how marketers are approaching advertising on CTV.

US Connected TV Advertising Forecast: How Netflix and Disney+ Will Help Fuel a $21 Billion Field

As more people cut their cable cords, streaming video keeps gaining viewers and ad dollars. Ad spending is still much smaller on CTV than on linear TV, but the gap is closing.

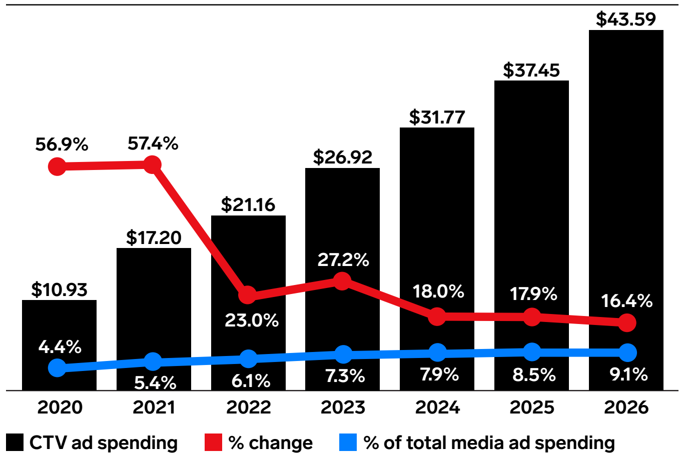
3 QUESTIONS THIS REPORT WILL ANSWER

1. How much money will advertisers spend on CTV?
2. Which companies are receiving the most CTV ad revenues?
3. How is CTV viewership changing?

WHAT'S IN THIS REPORT? An examination of trends, data, and strategies related to how marketers are approaching CTV. Also, our latest CTV ad spending and viewer forecasts.

US Connected TV (CTV) Ad Spending, 2020-2026

billions, % change, and % of total media ad spending



Note: digital advertising that appears on CTV devices; includes display ads that appear on home screens and in-stream video ads that appear on CTVs from platforms like Hulu, Roku, and YouTube; excludes network-sold inventory from traditional linear TV and addressable TV advertising
Source: eMarketer, Oct 2022

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KEY STAT: This year, US advertisers will spend $21.16 billion on CTV, an increase of 23.0% over 2021.

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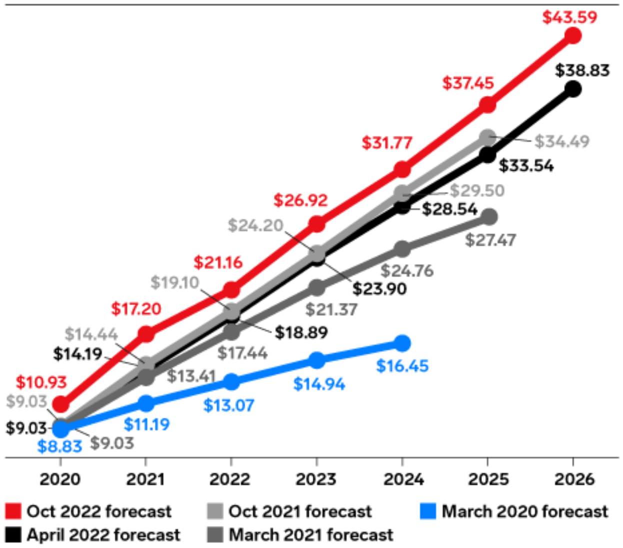
How Netflix and Disney+ Will Help Fuel a $21 Billion Field

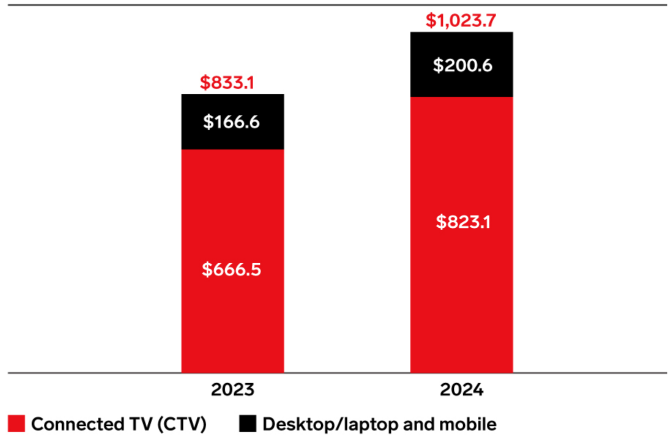
Even more ad dollars are coming to streaming services. Our new CTV ad spending forecast is higher than our previous forecasts as more streaming services introduce advertising, and as mid-tier streaming services see more ad growth than expected.

Key Stat US advertisers will spend more than $21 billion on CTV in 2022 and $26 billion in 2023.

How Has Our US Connected TV (CTV) Ad Spending Forecast Changed?
billions, 2020-2026



US Netflix Ad Revenues, by Device, 2023 & 2024
millions



Our Findings

CTV is becoming even more ad-driven.

- **Disney+'s and Netflix's ad tiers won't have a dramatic immediate impact.** Each service will account for only about 2% to 3% of all CTV ad dollars next year.
- **CTV can help advertisers reach mass audiences.** More than two-thirds of the US population will view digital video on TV screens by the end of this year.
- **Viewers are spending more time with these services.** US residents will spend nearly an hour and a half per day viewing subscription OTT services this year.

Your Opportunity

To make the most of CTV campaigns, advertisers should focus on three key strategies.

- **Take pains to limit ad frequency.** Over targeting audiences, which leads to customers seeing the same ad repeatedly, remains a challenge.
- **Spread your buys across competing services.** The number of streamers offering ads is growing, providing advertisers with the opportunity to reach new viewers.
- **Collaborate with internal teams.** The lines between TV and CTV campaigns are blurring; don't operate them in separate silos.

Also in this report: New Peacock and Paramount+ forecasts | Device breakouts | Market share estimates

Key Points

- **Despite recession fears, CTV ad spending hasn't slowed.** We expect US CTV ad spending to exceed $21 billion this year and $26 billion in 2023.
- **Disney+ and Netflix are both going all-in on ad-supported streaming services this year.** These services will each account for about 3% of all CTV ad dollars in 2023. It will take a few years for their new ad tiers to accumulate substantial market share.
- **Viewership growth has slowed considerably.** After reaching two-thirds of the US population, CTV users will increase by just 3.4% in 2022.
- **People keep spending more time streaming.** In 2023, US residents will spend more than an hour and a half per day with subscription over-the-top (OTT) services. Pre-pandemic, people spent just under an hour per day watching these services.

Sizing Up the Streaming Ad Market

The following sections will recap how large the US CTV market is and which companies are making the most money in this area.

What Is and Isn't Considered CTV Advertising?

CTV is in a unique position: It's literally the connection between television and digital. As such, many firms have slightly different definitions for CTV advertising.

Our definition focuses solely on ads delivered digitally to TV sets via their own internal internet capabilities or the external capabilities of connected streaming devices, Blu-ray players, or gaming consoles.

Our definition does not include ads delivered to computers, phones, tablets, or other non-TV devices, and it does not include network- or broadcaster-sold inventory from traditional linear TV or addressable TV advertising. We also don't include the vast majority of social video ad spending because it largely comes from outstream mobile ads.

But does it include OTT video? OTT is device agnostic and the broadest category of streaming. CTV is a device-specific subset of OTT.

Our definition of CTV advertising may include OTT—if that video is streamed via a TV set. We define OTT as video that's delivered independently of a traditional pay TV service, regardless of device. CTV refers specifically to video watched on a TV set connected to the internet, whether through a peripheral device or directly through a smart TV. We define smart TVs as TV sets that have built-in internet capabilities.

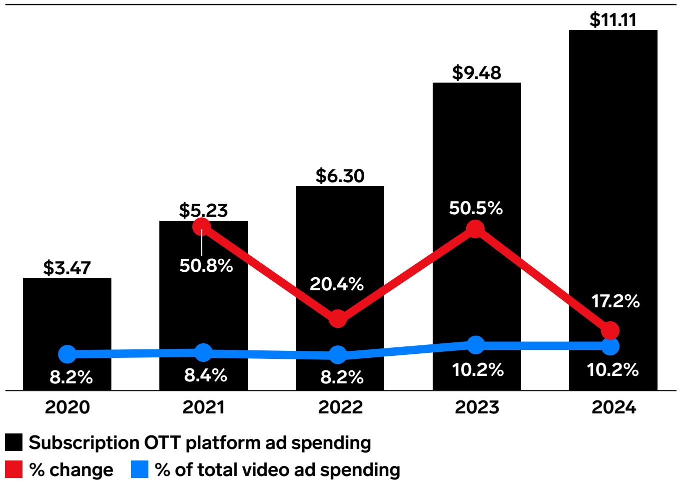
A word of caution moving forward: We will also be discussing OTT in this report.

OTT and CTV Advertising Won't Slow Down

We expect US subscription OTT video ad spending to near $10 billion and account for 3.4% of all digital ad spending—and 10.2% of total video ad spending—by the end of 2023. This estimate includes streaming ads across all devices. But it is limited to ads that appear in paid subscription services (like Hulu, HBO Max, and Paramount+). It excludes ads in free streaming services (such as Pluto TV, The Roku Channel, and most YouTube viewing).

US Subscription Over-the-Top (OTT) Platform Ad Spending, 2020-2024

billions, % change, and % of total video ad spending



Note: includes in-stream video such as those appearing before, during, or after digital video content on a subscription-based OTT platform (pre-roll, mid-roll, post-roll video ads) and video overlays; appears on appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices for all formats mentioned
Source: eMarketer, Oct 2022

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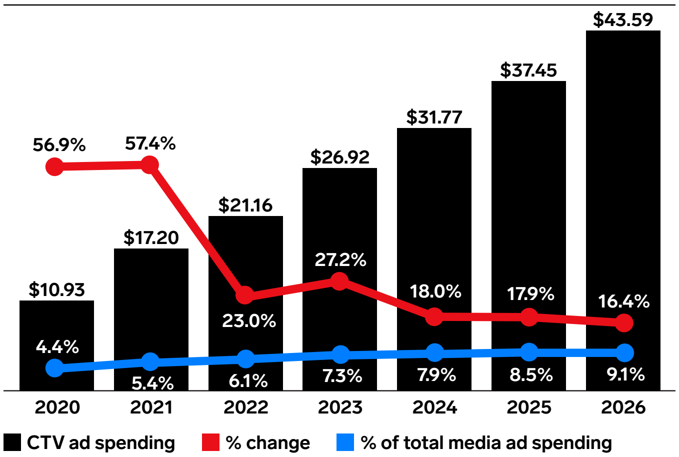
We define OTT as any app or website that provides streaming video content over the internet and bypasses traditional distribution. OTT advertising excludes outstream social video ads.

Our CTV ad spending estimate differs from our subscription OTT estimate in a few ways. Our CTV estimate encompasses all digital advertising on TV screens, including via free services (like Pluto TV) and platforms that rely on user-generated content (like YouTube and TikTok). That contributes to our CTV estimate being significantly greater than our subscription OTT estimate.

Once again, we raised our CTV forecast in our latest update. We expect US CTV ad spend to exceed $21 billion this year and $26 billion in 2023.

US Connected TV (CTV) Ad Spending, 2020-2026

billions, % change, and % of total media ad spending



Note: digital advertising that appears on CTV devices; includes display ads that appear on home screens and in-stream video ads that appear on CTVs from platforms like Hulu, Roku, and YouTube; excludes network-sold inventory from traditional linear TV and addressable TV advertising
Source: eMarketer, Oct 2022

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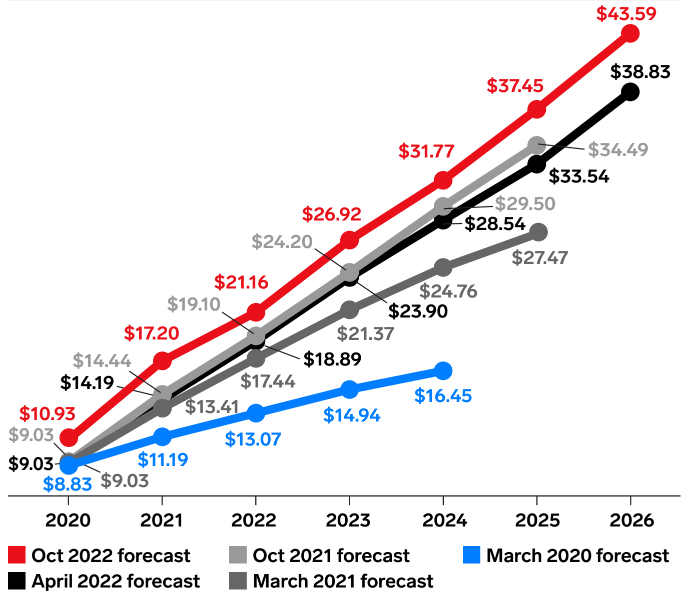
We raised our forecast because more streaming services added advertising, and mid-tier streaming services experienced more ad growth than we previously expected.

How Has Our US Connected TV (CTV) Ad Spending Forecast Changed?

billions, 2020-2026



Note: digital advertising that appears on CTV devices; includes display ads that appear on home screens and in-stream video ads that appear on CTVs from platforms like Hulu, Roku, and YouTube; excludes network-sold inventory from traditional linear TV and addressable TV advertising
Source: eMarketer, Oct 2022

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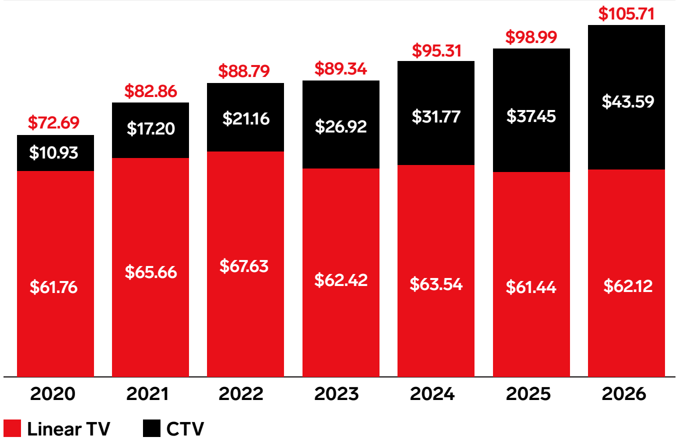
Now we expect US CTV ad spending to be 50.0% the size of linear TV ad spending by the end of 2024. While linear TV may still account for significantly more ad dollars than CTV, the latter is rapidly catching up. In our inaugural CTV forecast in 2019, we estimated CTV ad spending to be about one-tenth of linear TV. By the end of 2024, CTV will have gone from one-tenth of TV ad spend to exactly half.

Given how embedded TV has been in marketing campaigns for the past six decades, CTV's ability to catch up in ad dollars is impressive.

Combined US Linear and Connected TV Ad Spending, 2020-2026

billions



Note: linear TV includes broadcast (network, spot, and syndication) and cable TV; excludes digital; connected TV (CTV) includes digital advertising that appears on CTV devices; examples include display ads that appear on home screens and in-stream video ads that appear on CTVs from platforms like Hulu, Roku, and YouTube; excludes network-sold inventory from traditional linear TV and addressable TV advertising
Source: eMarketer, Oct 2022

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By the end of 2024, US advertisers will spend nearly $100 billion on linear TV and CTV combined. In 2024, CTV will account for nearly one-third of combined TV and CTV ad spending. Pre-pandemic, CTV accounted for under one-tenth of this spending in 2019.

Streaming Viewers Hold Steady

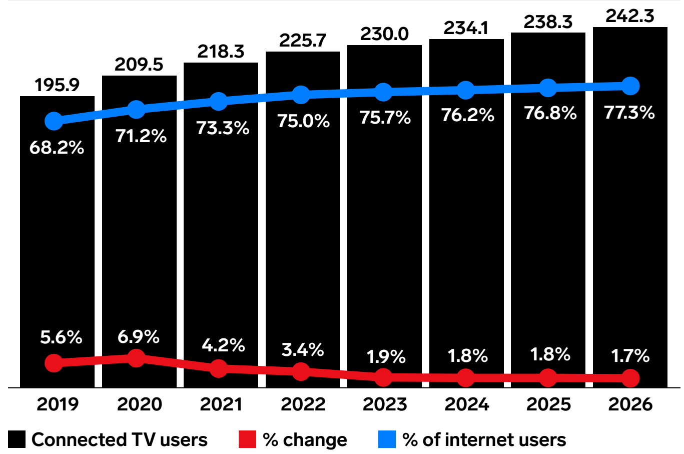
This year, two-thirds of the US population will watch content on CTV. (We define CTV users as anyone who watches content through an internet-connected TV screen.)

Growth in CTV viewership is reflective of rampant cord-cutting. By the end of 2023, households that don't pay for TV will outnumber those that do for the first time.

There will be 225.7 million CTV viewers in the US this year, leaving little room for growth. US CTV users will grow by only a few percentage points per year over the remainder of our forecast period. While there isn't a ton of growth in the number of viewers being added, time spent with CTV is expanding.

US Connected TV Users and Penetration, 2019-2026

millions, % change, and % of internet users



Note: individuals of any age who use the internet through a connected TV at least once per month
Source: eMarketer, Sep 2022

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About half of CTV viewers are Gen Zers or millennials. These two generations also boast the largest CTV user growth rates, with Gen Zers set to increase by 5.9% in 2022, and millennials by 3.3%.

Gen X CTV user growth will stay flat, and baby boomer users will decline slightly over the next few years. Because Gen Z viewership is growing the most, it is the only generation we track whose share of total CTV users will increase, jumping from 22.3% in 2022 to 23.6% in 2026. In other words, the generational makeup of CTV users won't change much in upcoming years.

Share of US Connected TV Users, by Generation, 2020-2026

% of total

	2020	2021	2022	2023	2024	2025	2026
Gen Z (1997-2012)	21.2%	21.7%	22.3%	22.9%	23.5%	23.6%	23.6%
Millennials (1981-1996)	27.4%	27.3%	27.3%	27.2%	27.0%	26.9%	26.6%
Gen X (1965-1980)	24.1%	23.6%	23.1%	22.7%	22.3%	21.8%	21.4%
Baby boomers (1946-1964)	16.6%	16.2%	15.8%	15.3%	14.8%	14.3%	13.8%

Note: individuals of any age who use the internet through a connected TV at least once per month
Source: eMarketer, Sep 2022

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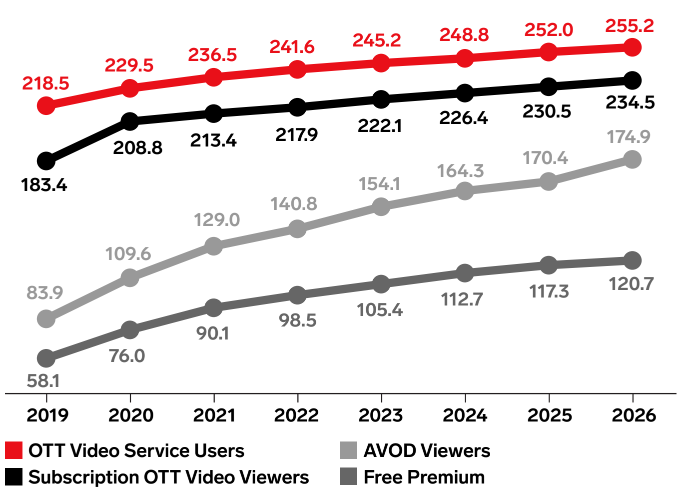
We break out a few other streaming viewership numbers that are related to—but not directly synonymous with—CTV. The largest category is OTT viewers, which refers to people who watch streaming services at least once per month across any device. Because some people stream primarily through phones and computers, there are more OTT viewers than CTV viewers.

Like CTV viewership, OTT viewership is massive and will grow by only a few percentage points per year for the foreseeable future. By 2026, nearly three-fourths of the US population will be OTT viewers.

We also forecast viewership for subscription OTT services. This is slightly different from total OTT viewership because some streaming services do not require paid subscriptions. But the gap between these categories is small and getting smaller. Only 23.7 million US OTT viewers in 2022 did not watch a subscription streaming service; that number will shrink to 20.7 million in 2026.

For context, less than one-tenth of OTT viewers watch free services exclusively. Most of them are YouTube viewers. Even though free streaming services are gaining more viewers, most people still subscribe to at least one streamer. Because of this dynamic, subscription OTT viewership follows the same trajectory as overall OTT viewership.

US OTT Video Service Users, by Type, 2019-2026
millions



Note: individuals of any age who watch video at least once per month via any app or website that provides streaming video content over the internet and bypasses traditional distribution; examples include Disney+, Hulu, Netflix, and YouTube
Source: eMarketer, Sep 2022

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AVOD Viewers Will Continue to Grow

A discussion of streaming viewership wouldn't be complete without the inclusion of more overlapping acronyms. There are fewer ad-supported video-on-demand (AVOD) viewers than OTT viewers. This gives AVOD more room to add viewers in the short term.

Last year, we published our first-ever forecast for AVOD viewers. Our AVOD forecast excludes YouTube and other services, such as Twitch, that rely heavily on user-generated content. It includes paid subscription services like Hulu and Paramount+, which feature advertising. It also includes free ad-supported services like The Roku Channel, Tubi, Amazon Freevee (formerly IMDb TV), and Pluto TV. This forecast is defined as individuals of any age who watch videos at least once per month on an ad-supported platform featuring professionally produced content.

US AVOD viewers will increase by 9.1% this year and reach 41.8% of the population. By the end of 2026, AVOD will reach half of the population. AVOD viewer growth will be bolstered by Disney+ and Netflix adopting advertising, which will bring in some viewers who aren't already using another ad-supported streaming service.

Free premium streaming, aka free ad-supported streaming TV (FAST), is a subset of our AVOD forecast that is limited to free streamers. In some ways, it is has expanded significantly. These services will reach 29.2% of the US population in 2022, up from 9.3% in 2018.

This subcategory's growth has been driven by smart TV manufacturers increasingly embedding free ad-driven content that users see as soon as they turn on their TVs, before they've logged in to any independent apps.

Additionally, as more subscription streamers launch, incumbents have raised their prices to inch closer toward profitability after years of running financial losses. This has happened while extraordinary inflation sets in. As people increase time spent with streaming, free ad-supported options help to offset subscription fatigue.

While this category's number of viewers has grown significantly, it has tended to receive an abundance of hype. But by the end of 2026, free premium streamers will still reach less than half of all OTT viewers. Operators of these services share viewer numbers but fail to disclose anything about consumption, largely because time spent with these services is still small.

Most of these free streamers have yet to crack Nielsen's gauge of streaming viewership. Pluto TV finally did so in September 2022, registering 1.0% of all time spent with TV and streaming.

Part of the reason why people don't spend much time with ad-reliant streamers is because the user experience is often atrocious. Four-fifths of viewers said they were irritated by seeing the same streaming ads repeatedly, per an October survey conducted by The Harris Poll on behalf of Ad Age. And three-quarters said there were too many ads in streaming services. Between frequency capping issues, glitches, buffering, and fraud, there is a lot about CTV advertising that remains lacking.

In some quarters of the marketing industry, there is insistence that FAST and AVOD are entirely separate categories. FASTs claim their products are distinct due to their inclusion of channels that run linear programming 24/7. But this is a misnomer.

FASTs like Pluto TV and Tubi let viewers watch movies on-demand. Streamers like Peacock that are built around on-demand content offer channels with linear programming within their apps. The separation between these categories is blurring. Furthermore, the distinction between FAST and AVOD is lost on the human beings watching their content. For marketers, the relevant issue is that their video ads are reaching young people, regardless of whether content is being viewed "live" or on-demand.

Smart TVs Are the Preferred Device to Stream Video

Streaming video via TV set has become much easier in recent years. The days of having to run an HDMI cable from your computer to your TV are largely gone. There are numerous ways to watch online video on a TV, with the most common being a smart TV that has built-in internet capabilities.

Nearly two-thirds of US CTV viewers use a smart TV. The most popular individual CTV operating system (OS) is Roku, used by just over half of CTV viewers. Amazon Fire TV's market penetration is next, about 6 percentage points behind Roku. Through the end of our forecast period in 2026, the use of Roku, Amazon, and Apple TV CTV devices will grow by a few percentage points per year. Streaming via game consoles and Google Chromecast will stay flat. Blu-ray player usage will slightly decline.

US Connected TV Users, by Device, 2020-2026

% of connected TV viewers

	2020	2021	2022	2023	2024	2025	2026
Amazon Fire TV	40.1%	44.1%	46.0%	47.6%	48.6%	49.3%	49.6%
Apple TV	12.9%	12.9%	12.9%	12.9%	12.9%	12.8%	12.7%
Blu-ray player	12.2%	11.1%	10.1%	9.3%	8.6%	7.9%	7.3%
Connected game console	34.2%	35.5%	34.5%	34.1%	33.6%	33.1%	32.7%
Google Chromecast	13.5%	13.2%	12.9%	2.8%	12.6%	12.5%	12.3%
Roku	47.8%	51.2%	52.5%	53.1%	53.5%	53.6%	53.6%
Smart TV	60.5%	62.8%	63.7%	64.3%	65.0%	65.2%	65.5%

Note: individuals of any age who use the internet through a connected TV at least once per month
Source: eMarketer, Sep 2022

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There is significant overlap in this forecast. Many smart TVs use Roku's and Amazon's software. In those instances, the TVs are counted in both the smart TV category and the respective company's category.

Furthermore, a single household can use numerous devices to access CTV. That's why our collective penetration rates for CTV devices significantly exceed 100%. Among streaming video viewers, 44% have both smart TVs and external CTV devices in their homes, according to an August survey by Hub Entertainment Research.

There is a fierce battle to control the streaming interface. Google expanded the licensing of its CTV software, Samsung is pushing to have other TV manufacturers use its OS, and Comcast is trying to license its streaming software as well.

This battle is intense because CTV operators usually get a cut of advertising and subscription revenues that are generated by views on their operating systems. CTV device-makers also receive automated content recognition (ACR) data that tracks what people watch on internet-enabled TVs. This data is valuable to marketers who use it to measure which programs and ads viewers see.

Netflix and Disney Shake Up CTV Ad Revenue Breakouts

We've significantly revised how we distribute CTV ad revenues by service: We lowered our forecasts for multiple services largely due to macroeconomic factors, and we added forecasts for services that are just now introducing advertising.

Roku is one of the companies for which we lowered our forecast. We now expect Roku's net ad revenues to reach $3.20 billion in 2024, down from our previous estimate of $3.59 billion. In Q2 2022, Roku's stock took a hit after its earnings missed analyst expectations. In its shareholder letter, Roku cited a "significant slowdown in TV advertising spend due to the macroeconomic environment." It also mentioned a weak scatter market as one cause of its lowered revenue guidance.

We also reduced our estimate for YouTube's US CTV gross ad revenues in 2024 from $8.83 billion to $7.68 billion. YouTube's CTV net ad revenues in 2024 were cut from $4.28 billion to $3.73 billion.

Note: The difference between net and gross ad revenues is significant for YouTube. Creators in its Partner Program keep 55% of the revenues from ads sold against their content, while YouTube keeps the other 45%.

YouTube's ad revenue outlook was hampered by competition from social video services like TikTok. In Q3 2022, YouTube reported a decline in ad revenues for the first time, stating that it "reflects further pullbacks in advertiser spend."

Roku's and YouTube's earnings indicate that macroeconomic issues—including supply chain problems, rising interest rates, recession fears, international war, and more—are affecting the broader TV and streaming ad marketplaces.

Here are some other indications of issues with the overall ad market:

- National TV ad spending was down 7% year-over-year (YoY) in August and 30% in July, per Standard Media Index.
- Automotive TV ad spending declined 23% in June, according to iSpot.TV.
- In September, advertisers cut upfront commitments by 10% to 20%, Digiday reported.

We also lowered our forecast for Hulu's net ad revenues in 2024 from $6.16 billion to $4.84 billion. By the end of 2023, the combined net ad revenues of Hulu, YouTube, and Roku will account for about a third of all US CTV ad revenues—a decline of approximately 11 percentage points from pre-pandemic 2019 levels.

US Connected TV (CTV) Ad Spending Share, by Company, 2020-2024

% of total CTV ad spending

	2020	2021	2022	2023	2024
Hulu	19.8%	17.6%	15.5%	13.8%	13.4%
YouTube	14.3%	14.1%	13.3%	11.7%	11.7%
Roku	7.6%	9.5%	10.1%	9.5%	10.1%
Pluto TV	3.5%	4.2%	4.1%	4.1%	4.4%
Tubi	1.9%	2.7%	2.9%	2.7%	2.8%
Disney+	0.0%	0.0%	0.0%	3.1%	3.1%
Netflix	0.0%	0.0%	0.0%	2.5%	2.6%
Paramount+	0.0%	1.0%	1.3%	1.5%	1.7%
Peacock	0.5%	1.6%	3.2%	3.0%	3.1%
Other	45.9%	43.6%	44.2%	42.1%	41.2%

Note: digital advertising that appears on CTV devices; includes display ads that appear on home screens and in-stream video ads that appear on CTVs from platforms like Hulu, Roku, and YouTube; excludes network-sold inventory from traditional linear TV and addressable TV advertising; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites; numbers may not add up to 100% due to rounding
Source: eMarketer, Oct 2022

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These companies' ad revenues have grown, but their share has shrunk because the broader market expanded at a greater rate as more services adopted ads.

New Forecasts Reflect the CTV Ad Market's Expansion

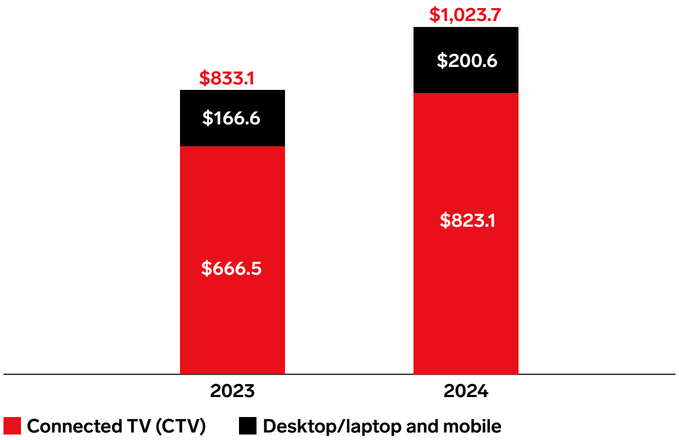
Netflix and Disney+ are the most notable services to adopt ads recently. We expect Netflix's US CTV ad revenues to reach $666.5 million in 2023 and $823.1 million in 2024. Netflix will account for about 2% of US CTV ad spending over the next two years.

It will take some time before a sizeable chunk of Netflix's users move to its ad tier. Netflix has enormous future potential ad revenues, but it will take a few years before its ad business rivals Roku's or Hulu's domestically.

Across all devices, Netflix's US OTT ad revenues will be $833.1 million in 2023 and $1.02 billion in 2024. Our expectation that 80% of Netflix's ad revenues will come through CTV is typical. Three-fourths of time spent streaming globally happens on TV screens, according to Q1 2022 data from Conviva. Advertisers also tend to pay a premium to advertise on larger screens, like TV sets, more than they do on smaller screens, like phones.

US Netflix Ad Revenues, by Device, 2023 & 2024

millions



Note: includes in-stream video such as those appearing before, during, or after digital video content on a subscription-based OTT platform (pre-roll, mid-roll, post-roll video ads) and video overlays; appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices for all formats mentioned
Source: eMarketer, Oct 2022

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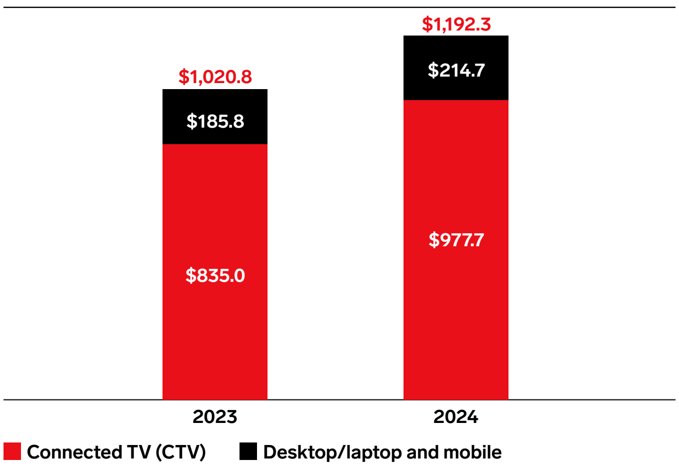
We expect Disney+'s US CTV ad revenues to initially be similar to Netflix's and reach about $1 billion by the end of 2024. Although time spent on Netflix dwarfs that on Disney+, The Walt Disney Co. has long been a TV advertising stalwart. Its streaming service can lean on company resources as its ad product gets built out. Ads will appear on Disney+ on December 8, a month after they went live on Netflix.

US Disney+ Ad Revenues, by Device, 2023 & 2024

millions



Note: includes in-stream video such as those appearing before, during, or after digital video content on a subscription-based OTT platform (pre-roll, mid-roll, post-roll video ads) and video overlays; appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices for all formats mentioned
Source: eMarketer, Oct 2022

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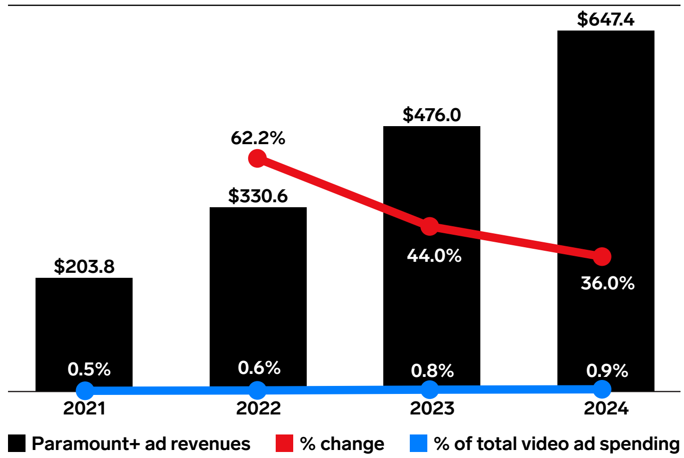
Among the services we measure, Paramount+ is the smallest advertising player with 2023 US CTV ad revenues projected at about $400 million.

Paramount+'s ad revenues are growing strongly on a percentage basis. But the base is small enough that the total amounts don't rival those of Pluto TV, which is owned by the same company, Paramount Global. Pluto TV's CTV ad revenues will exceed $1 billion in 2023.

While they share an owner, there are a few differences between these streamers: Pluto TV is a free service, while Paramount+ is a paid subscription service. Pluto is entirely ad supported, whereas about one-third of Paramount+ viewers pay for the more expensive tier to avoid ads, per March 2022 research from S&P Global Market Intelligence. Being free allows Pluto to reach more people than Paramount+ can. And commercials always being included helps Pluto's ad revenues exceed those of its corporate sibling.

US Paramount+ Ad Revenues, 2021-2024

billions, % change, and % of total video ad spending



Note: includes in-stream video such as those appearing before, during or after digital video content on Paramount+ (pre-roll, mid-roll, post-roll video ads) and video overlays; appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices for all formats mentioned
Source: eMarketer, Oct 2022

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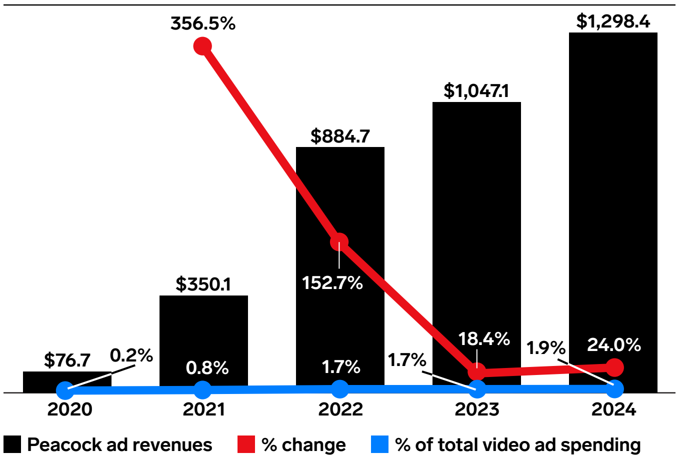
We expect Peacock's total US ad revenues to surpass $1 billion next year. The majority of Peacock's inventory is sold upfront. More than half of advertisers surveyed said they were allocating upfront dollars to Peacock, per April 2022 data from iSpot.TV. (iSpot.TV is one of the alternative measurement services NBCUniversal uses.)

In June 2022, NBCU—Peacock's parent company—announced that Peacock's upfront commitments topped $1 billion. A single upfront cycle can stretch across two calendar years, so upfront dollars from this cycle will go toward 2022 and 2023. Upfront commitments also don't necessarily result in actual ad spending, as advertisers tend to renege a portion of their commitments.

US Peacock Ad Revenues, 2020-2024

millions, % change, and % of total video ad spending



Note: includes in-stream video such as those appearing before, during, or after digital video content on Peacock (pre-roll, mid-roll, post-roll video ads) and video overlays; appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices for all formats mentioned
Source: eMarketer, Oct 2022

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Peacock benefits from being owned by NBCU—one of the largest ad sellers in TV advertising—because NBCU can package streaming ads into its deals. Other streamers owned by media companies with TV stations can do the same. Fox-owned Tubi is on pace to reach about $900 million in CTV ad revenues by 2024.

Peacock, Tubi, Paramount+, and Pluto TV each account for no more than 2% of time spent watching CTV, according to March 2022 data from Comscore. But these streamers—owned by NBCU, Fox, and Paramount—have become billion-dollar ad businesses. In isolation, the ad revenues appear inflated for the viewership these services receive. But when package deals with their TV counterparts are factored in, the stated ad dollars make more sense.

The nine services (net YouTube, Hulu, Roku, Pluto TV, Tubi, Netflix, Disney+, Paramount+, and Peacock) for which we forecast CTV ad revenues will account for about half the market in 2023. There are a few significant pieces within the "other" half of the market.

How "Other" Companies Factor Into Our Forecast

Amazon: We don't have a CTV advertising forecast for Amazon, but we believe the company is a major player in this field. Like Roku, Amazon monetizes viewing time on its Fire TV devices by selling a portion (usually 30%) of other publishers' inventory. It also sells inventory on its free ad-driven streamer Freevee.

Prime Video is technically ad-free, but ad-supported Freevee shows have been blended into the Prime Video interface in a delicate way that many viewers may fail to detect, especially if they're viewing it on a Fire TV. Prime Video's live sports broadcasts, which include select New York Yankees games and NFL Thursday Night Football games, also feature ads. Further, Amazon earns CTV-related revenues through fees associated with ad tech products like its demand-side platform (DSP).

Warner Bros. Discovery: The company plans to combine HBO Max and Discovery+ next year. We hope to forecast this service's ad revenues after the consolidation.

YouTube Partners: Because creator partners keep over half the ad revenues their YouTube videos generate, the difference between gross and net US ad revenues will be nearly $4 billion in 2024.

Ad tech fees: About three-fourths of CTV ad spending transacts programmatically. On a gross basis, YouTube accounts for just under half of our programmatic CTV estimate. Ad tech fees from YouTube ad buys are already factored into our YouTube estimate. But ad tech fees generated by the non-YouTube half of programmatic CTV belong to the "other" portion of the market. In Q2 2022, ad tech company Magnite reported that CTV accounted for 42% of its business. That same quarter, DSP platform The Trade Desk stated that video, including CTV, represented about 40% of its revenues.

Virtual cable services: Our CTV forecast includes the 2 minutes per hour that services like fuboTV and Sling TV sell. To avoid counting ad dollars twice, these services' remaining ads, which are sold by TV networks, are included in our linear TV forecast. Ad revenues for YouTube TV and Hulu + Live TV are already included in our YouTube and Hulu forecasts. Thus, only a portion of virtual cable ad revenues go to our "other" CTV category.

TV manufacturers: A few TV-makers are building ad businesses using a similar playbook to Roku and Fire TV. Consultancy TVREV estimated that Samsung, LG, and Vizio could have combined ad revenues of $6.17 billion by the end of 2026.

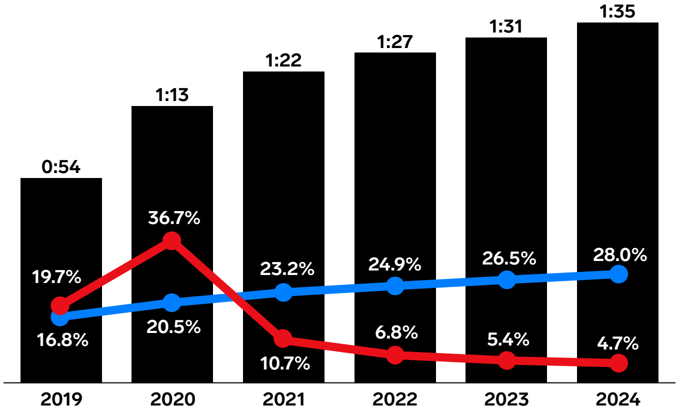
Social video: TikTok is primarily viewed on phones, but the company is hiring CTV roles and could become a bigger player in this area.

Retail media: Retailers like Walmart are partnering with CTV companies. Advertisers are testing shoppable streaming ads. Kroger added CTV display inventory to its ad network.

Long tail: There are hundreds of streaming services, many of which are ad-supported. The dozen most watched services account for about 90% of time spent streaming, per Comscore. The remainder represent a small portion of our ad spending forecast.

US Average Time Spent per Day with Subscription OTT Video Services, 2019-2024

hrs:mins, % change, and % of total time spent with TV and video



Note: ages 18+; includes all time watching video on subscription OTT platforms via any device
Source: eMarketer, April 2022

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Streaming Time Spent Keeps Growing

The explosive growth in CTV advertising has been fueled in part by people spending more time streaming video. While the number of new people coming into streaming each year isn't that large, growth in time spent is. Many casual viewers are becoming moderate viewers, and moderate viewers are becoming heavy viewers. A similar dynamic has unfolded in podcasting in recent years.

We don't forecast time spent with CTV, but we have a few proxy metrics. Pre-pandemic, US residents spent just under 1 hour per day viewing subscription OTT video. With quarantines in place and travel restricted, streaming surged in 2020 and 2021. As pandemic restrictions lifted and economic activity opened up, growth in time spent with streaming slowed, but it did not decline.

By the end of 2022, time spent with subscription OTT video will grow another 6.8%. This year, US residents will spend an average of nearly an hour and a half per day with subscription OTT. This figure encompasses the whole adult population, including millions of people who don't stream at all. Among OTT users specifically, time spent surpassed 2 hours per day in 2021 and will increase another 4.1% in 2022.

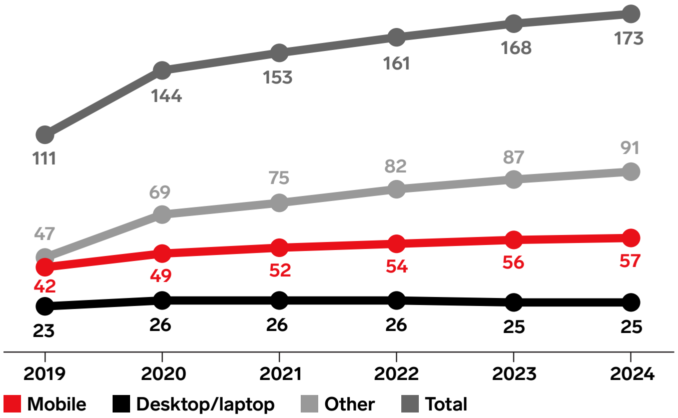
Our time spent figures include multitasking. Time spent with subscription OTT is about half of time spent per day with TV, which will exceed 3 hours per day in 2022. While time spent with TV is still greater than time spent streaming, the figures are moving in opposite directions as TV falls and streaming keeps making gains. In fact, time spent streaming surpassed time spent with cable TV this July for the first time, per an August report by Nielsen. But streaming time still significantly trailed time on broadcast and cable TV combined.

Another proxy metric is our "other connected device" forecast. It excludes time spent with mobile and computer screens, but includes CTVs, game consoles, and other miscellaneous devices connected to the internet.

Time spent with other connected devices follows a similar pattern as time spent with subscription OTT, with a boom in 2020 followed by a slowdown. By the end of 2024, time spent watching digital video on other connected devices will surpass 90 minutes per day.

US Average Time Spent per Day with Digital Video, by Device, 2019-2024

minutes



Note: ages 18+; includes all time spent with online video activities, regardless of multitasking; includes viewing via desktop/laptop computers, mobile (smartphones and tablets), and other connected devices (game consoles, connected TVs or OTT devices)
Source: eMarketer, April 2022

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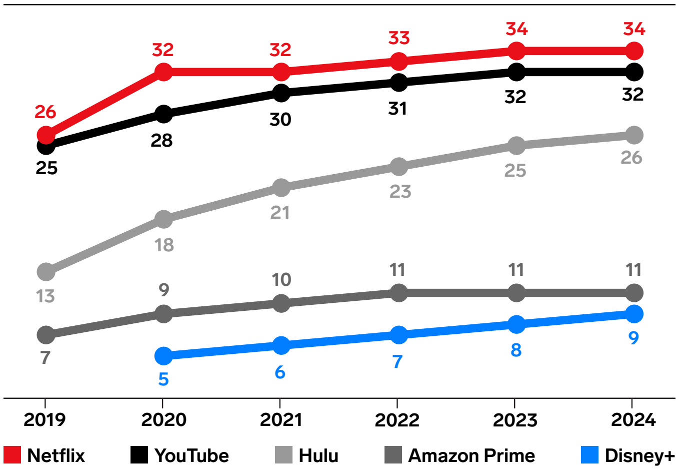
We also have time spent forecasts for the five most watched streaming services. Netflix and YouTube top the list. US adults will spend more than 30 minutes per day on Netflix and YouTube each in 2022. Hulu and Disney+ will combine for a half-hour per day this year, and Amazon Prime Video will stay steady at 11 minutes per day.

US Average Time Spent per Day with Subscription OTT Video, by Platform, 2019-2024

minutes



Note: ages 18+; includes all time watching video on subscription OTT platforms via any device
Source: eMarketer, April 2022

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Keep in mind that the ability to translate time spent into ad revenues varies for each company. Most Hulu and YouTube viewers see ads constantly. On the other hand, most Prime Video and Netflix users aren't yet exposed to much advertising on their services. There may be a correlation between having a large number of users and a successful ad business. But when marketers construct a media plan, it's important to consider the maturity and user adoption of each service's ad product.

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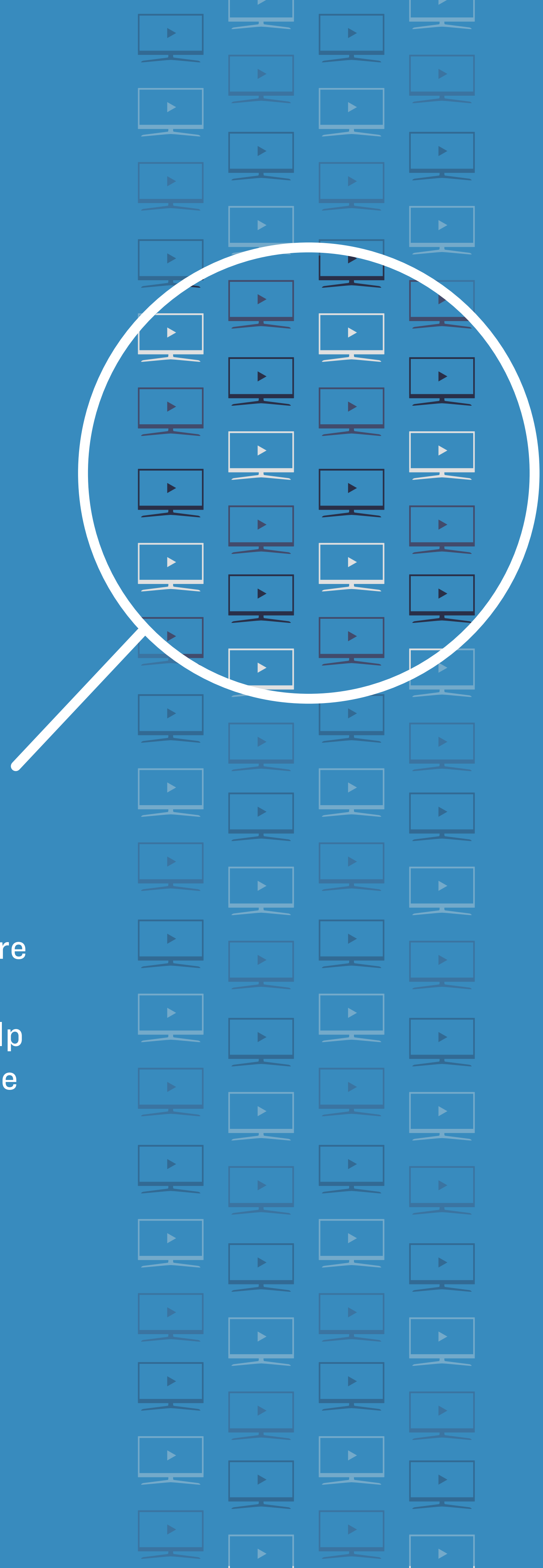
DO YOU KNOW WHERE YOUR CTV ADS ARE RUNNING?



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