



Presented by Outbrain

# DIGITAL VIDEO ADVERTISING TRENDS 2019 ROUNDUP

October 2019

Ad spending in digital video will grow 20.8% to \$36.01 billion this year in the US. Where is all this money going? It's a variety of avenues from connected TV and OTT, as well as across mobile devices, programmatic and social media platforms. eMarketer has curated this Roundup of articles and insights to understand the key trends in digital video advertising today.

# TABLE OF CONTENTS

- 
- 3** Sponsor Message

---

  - 4** Overview

---

  - 6** Video Will Account for Almost Half of Programmatic Spend This Year

---

  - 8** Video Ads: Native vs. In-Stream

---

  - 10** Breaking Down Mobile Video Ad Spending

---

  - 12** Social Video Ad Spending Will Grow 44% by 2021

---

  - 14** Connected TV Ad Spend Is Growing, but There Are Still Plenty of Challenges

---

  - 16** What Marketers Should Know About TikTok Ad Formats, Plus Partnership News

---

  - 18** About this Roundup



# SPONSOR MESSAGE

Decades have seemingly passed since video advertising was restricted to linear TV. With the increase of formats and platforms, it's never been as complex to execute cross-screen strategies.

Now, more than ever, marketers must be agile to dominate consumer attention, capturing them at their most heightened moments of discovery to gain the sought-after outcome of both sides. Adding yet another layer of complexity is the power of the consumer and their need for flexible, fast-access, uninterrupted content.

The ongoing challenge: capturing the attention of the consumer, keeping them drawn to your story...*without* invasive ad disruption.

Brands, it's time to provide a more engaging ad experience—one that creates an authentic connection with your audiences. And at Outbrain, that's at the forefront through nonintrusive video ads delivered at the right moment of discovery, in seamlessly integrated feed placements, when people are the most receptive to new content.

Together, let's change the way video advertising works online: less disruption, better attention, real ROI.

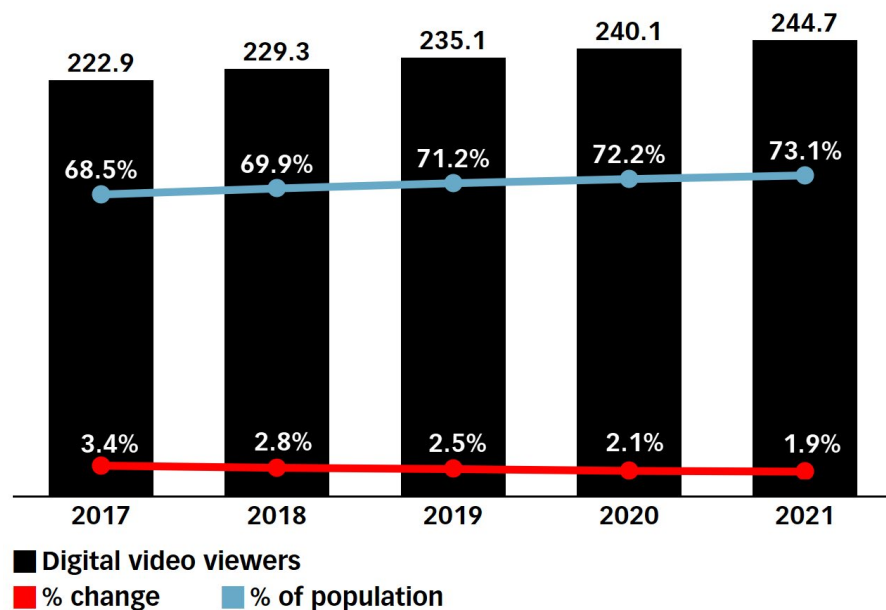


# OVERVIEW

**As the TV industry combats disruption, digital video is growing across several areas that regularly overlap. Overall, the number of digital video viewers in the US will reach 235.1 million in 2019, which represents 71.2% of the country's population.**

## Digital Video Viewers in the US, 2017-2021

millions, % change and % of population



Note: internet users of any age who watch digital video content via any device at least once per month

Source: eMarketer, September 2019

T10478

www.eMarketer.com

Ad spending in digital video is growing, too; we forecast it will reach \$36.01 billion this year, an increase of 20.8% from 2018. Video ad spending is increasing in connected TV and OTT, as well as across mobile devices, programmatic exchanges and social media platforms. Advertisers are investing more in ad-supported video-on-demand (AVOD) content and in ads that run next to live digital video. When examining the components of digital video, it's rare to come across an area that isn't seeing increasing investment.

On the non-ad-supported side of digital video, the success of Netflix has prompted several media conglomerates to create their own subscription-based services, and some of these services are eliminating ads as a way to attract customers.

As 2019 comes to a close, here are six key video trends to keep in mind when identifying your spending goals for the new year:

- **Cable and satellite companies continue to bleed subscribers.** We forecast that the number of pay TV subscriber households will decline from 86.5 million in 2019 to 72.7 million in 2023.
- **People who solely rely on digital services for their video entertainment are closing the gap on pay TV subscribers.** By 2023, 56.1 million households in the US will be either cord-cutters or cord-nevers, meaning they'll access their video entertainment through a digital package that doesn't include pay TV.
- **Linear OTT services are growing slower than previously expected.** We have revised our 2019 forecast for linear OTT subscriptions to 9.1 million US households, down from our previous forecast of 9.5 million.

# —CONTINUED

- **Connected TV keeps growing.** In July, we raised our 2019 US connected TV viewers forecast slightly, from 190.0 million monthly viewers to 195.1 million monthly viewers.
- **Netflix users are becoming more price-sensitive, but we expect the service to keep adding users.** This year, 158.8 million people in the US will view Netflix, and by 2022, that figure will grow to 174.5 million people.
- **The video streaming landscape will look much different a year from now.** Expect Disney, NBCU, WarnerMedia, Apple, ViacomCBS and Quibi to make some noise in the ensuing months.

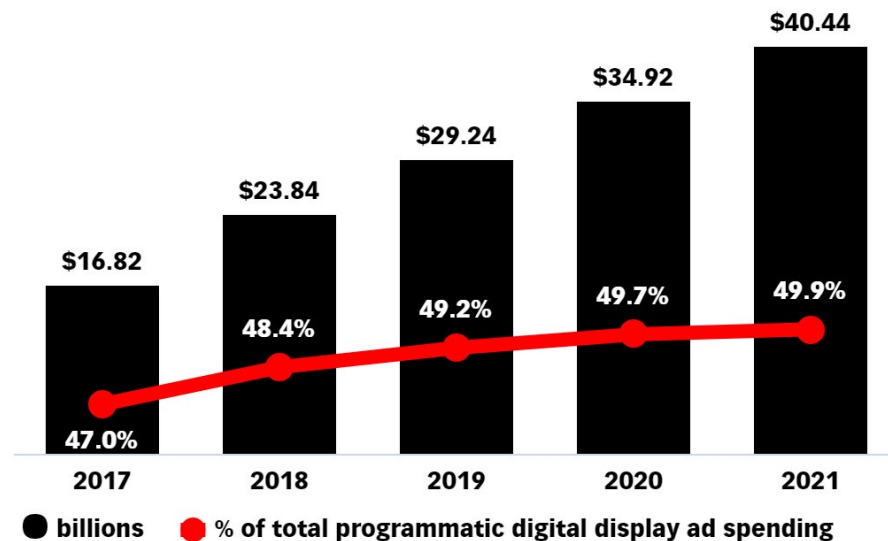


# VIDEO WILL ACCOUNT FOR ALMOST HALF OF PROGRAMMATIC SPEND THIS YEAR

**US marketers will spend \$29.24 billion on programmatic video this year, which accounts for 49.2% of all US programmatic digital display ad spending. For the next few years, we expect the portion of programmatic spend that goes to video to remain steady.**

## Programmatic Video Ad Spending

US, 2017-2021



Source: eMarketer, April 2019

[www.eMarketer.com](http://www.eMarketer.com)

“The near 50-50 split of spending is an indicator of how eager buyers and sellers have become to capitalize on video advertising in any and all forms,” eMarketer principal analyst Lauren Fisher said. “And it also speaks to how quickly both sides have embraced programmatic as the primary method for buying and selling these ads.”

Back in September 2018, we forecast that programmatic video would represent 48.7% of all US programmatic ad spending by 2020. We revised our forecast upward due to growth in programmatic spending on connected TV, over-the-top (OTT) video and social video advertising.

We include the majority of social video in our definition of programmatic video because platforms like Facebook, Twitter and Snapchat allow advertisers to transact via programmatic direct ad manager tools. We expect the combined programmatic video ad revenues of social networks today to account for roughly a third of total programmatic video ad spending. Much of this spend is being directed through mobile devices.

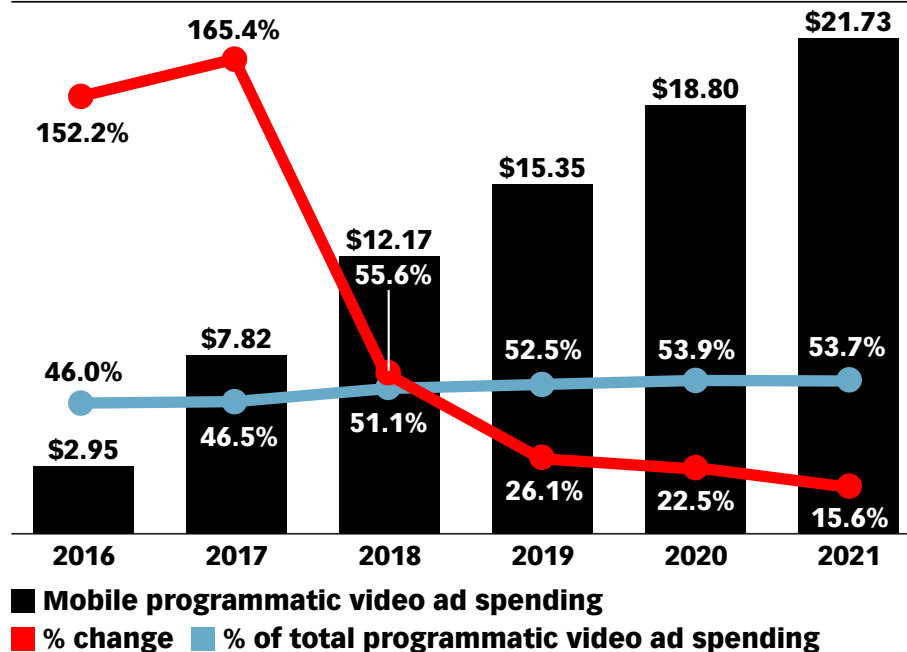
Within programmatic video, dollars allocated to mobile devices edge out dollars given to desktop, laptop or connected TV only slightly this year. Mobile’s share of programmatic video will peak in 2020 at 53.9%. By 2021, that share will dip, as ad buyers ramp up investments in areas such as connected TV.





**US Mobile Programmatic Video Ad Spending, 2016-2021**

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



*Note: mobile display ads transacted via an API, including everything from publisher-erected APIs to more standardized RTB technology; video includes in-stream video ads such as those appearing before, during or after digital video content in a video player (pre-roll, mid-roll, post-roll video ads) and video overlays; includes social network in-stream video advertising in platforms such as Facebook Watch and Snapchat Shows; includes outstream video ads such as native, in-feed (including video ads in Facebook's News Feed and Twitter's Promoted Tweets), in-article, in-banner and interstitial video ads; data for 2008-2016 excludes in-stream video ads; includes ad spending on tablets*  
 Source: eMarketer, April 2019

246657

www.eMarketer.com

**Mobile's share of programmatic video will peak in 2020 at 53.9%.**

Digitally native video companies like YouTube, Roku and Hulu are growing their ad businesses at a time when TV networks are opening more inventory to digital buyers, and as demand-side platforms (DSPs) are investing heavily in making TV ad buying more automated, targeted and measurable. These trends contribute to a growth in programmatic video spend.

We forecast that 81.2% of total digital video spend will be transacted programmatically in 2019. That's slightly less than the 84.9% of total digital display spend that will be transacted programmatically this year.

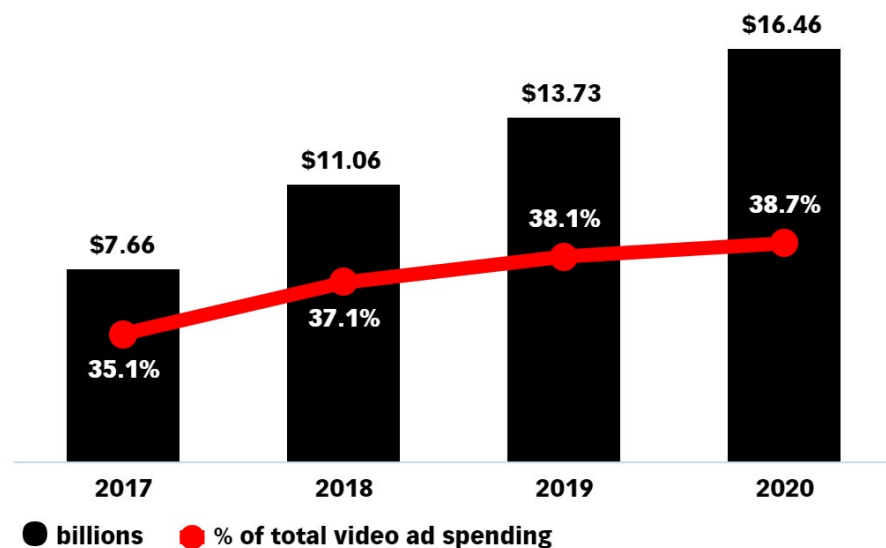
# VIDEO ADS: NATIVE VS. IN-STREAM

**We forecast that native video will make up 38.1% of US digital video ad spending in 2019, but it won't take a much larger share in the near future.**

For the first time, we have broken out video in our estimates of US native digital display ad spending. It's growing roughly in line with the video ad market as a whole, and we expect advertisers to spend 38.7% of their US digital video ad budgets on native formats in 2020.

## Native Video Ad Spending

US, 2017-2020



Source: eMarketer, March 2019

www.eMarketer.com

But looking at the broader digital display picture (which includes video), native has grown to a much larger share of ad spend at a faster rate. We expect US spending on native display ads will reach \$43.90 billion in 2019, making up 62.7% of all display ad spending. Between 2017 and 2020, native display will capture an additional 10.6-point share of the display ad market.

Video ad spending skews less native because in-stream video ads are hugely popular with advertisers. These video ads are found on ad-supported over-the-top (OTT) services like Hulu and Roku and are even more prominent on YouTube, which alone will account for 11.5% of US digital video ad spending this year.

## In-stream will remain hugely popular with advertisers.

Social networking sites like Facebook, by contrast, still make most of their video ad revenues on native outstream formats like in-feed ads. But this could change in the future. Almost all social video ad spending went to native formats in 2017 (99.5%), but that number is expected to fall to 96.2% by 2020.



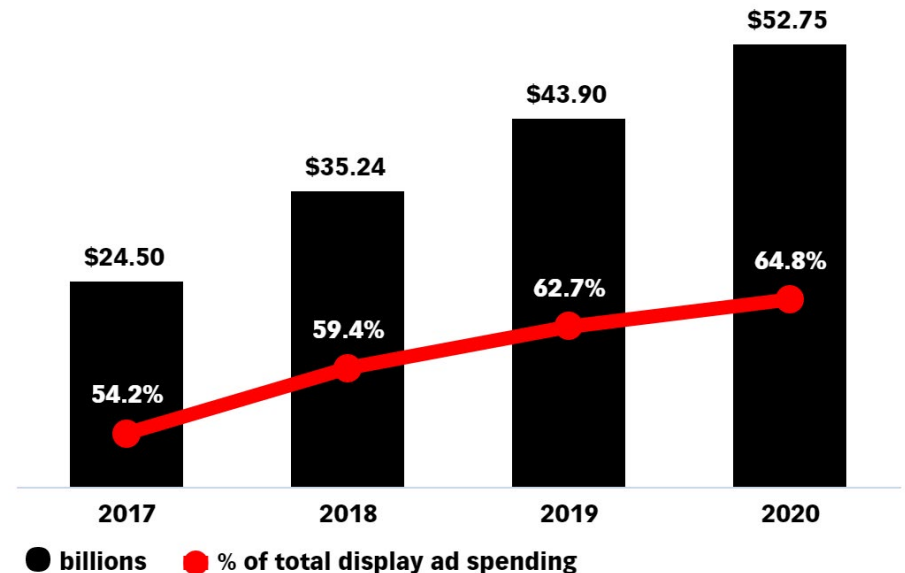


Facebook, the second-largest digital ad seller in the country, expanded its in-stream offerings last year, hoping to entice marketers with what it says are high completion rates and sound-on viewing. Twitter also has made in-stream video more dynamic. Late last year, the company made it possible for publishers to monetize their organic videos worldwide. Now, US publishers can host—and profit from—in-stream video ads outside their local markets.

These investments shouldn't put a substantial dent in native video's majority on social networks, but if Facebook Watch or other long-form video components become successful on social, there could be much more money being spent on in-stream video in the future.

## Native Display Ad Spending

US, 2017-2020



Source: eMarketer, March 2019

[www.eMarketer.com](http://www.eMarketer.com)

# BREAKING DOWN MOBILE VIDEO AD SPENDING

**This year, US advertisers will spend two-thirds of their digital budgets on mobile placements. Mobile ad spending has taken the majority of digital spending every year since 2015, and both search and display spending skew heavily mobile. But even though it falls under the display umbrella, video is the only digital ad format where more ad dollars are spent outside mobile channels.**

In 2019, we estimate, US advertisers will spend \$16.41 billion on mobile video advertising (45.6% of total digital video ad spend) and \$19.59 billion on video elsewhere.

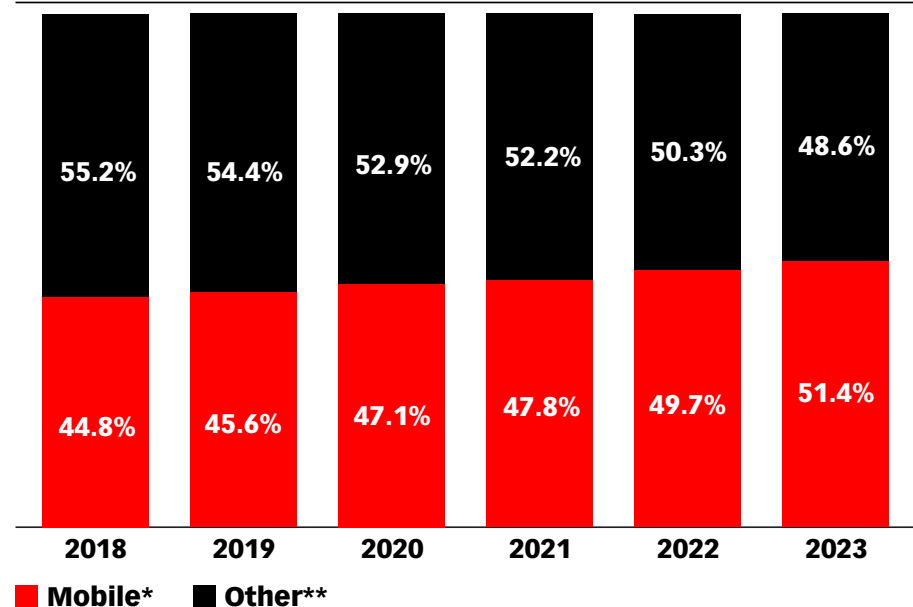
One big exception to the nonmobile skew of video ad spending is social video, of which 93% will go toward mobile placements in 2019. That's largely because the overwhelming majority of Facebook's ad revenues (94% in 2019) come from mobile spending.

The initial shift to a mobile-dominated digital ad market in the US was largely driven by display advertising, which made up 44.6% of digital ad spending in 2015. That year, mobile display spending grew 62.9% to \$15.71 billion. And 2015 was also the year mobile commanded more than half of total digital ad dollars. Search ad spending caught up in 2016, when more than \$20 billion was invested in mobile ads, a 45.4% increase year over year.

In 2019, the \$36-billion video ad industry remains the only outlier in this respect, and the reason is simple: the rise of over-the-top (OTT) TV advertising. We don't break out OTT ad spending from the nonmobile total, but, for example, Hulu is expected to gross nearly \$2 billion this year in ad revenues.

## US Digital Video Ad Spending Share, by Device, 2018-2023

% of total



Note: \*includes advertising that appears on mobile phones, tablets and other mobile internet-connected devices; \*\*includes advertising that appears on desktop and laptop computers and other nonmobile internet-connected devices

Source: eMarketer, Feb 2019

246309

www.eMarketer.com

According to data from Extreme Reach, 44% of all digital video ad impressions the company serviced in Q4 2018 went to connected TV devices. And connected TV could play an even larger role in the video ad market if ad-supported streaming continues to expand. The Roku Channel, which launched in 2017, offers free ad-supported content to Roku's 22 million registered



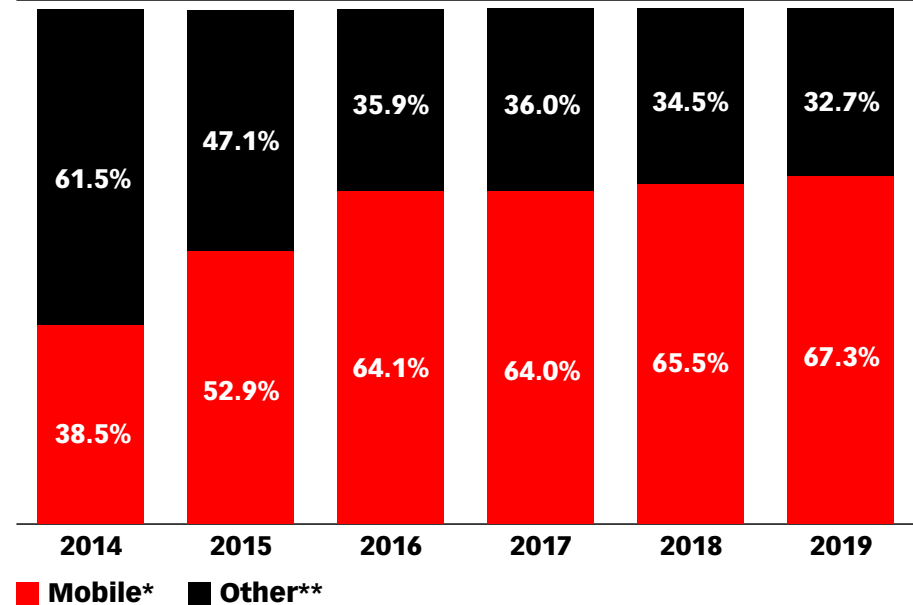
users. Amazon, which already owned Twitch, further expanded into the ad-supported streaming market this year with IMDb Freeive. And the expected launch of NBCUniversal's streaming service in 2020 will bring another major player to the ad-supported OTT market.

Some of this content is being viewed on mobile devices, according to October 2018 data from video measurement and intelligence platform Conviva. But 56% of time spent viewing OTT video worldwide is on connected TV.

While mobile video ad spending will continue to grow in the US, the nonmobile segment will remain a healthy component of the video ad market, as long as ad-supported OTT services remain prevalent.

**Even though it falls under the display umbrella, video is the only digital ad format where more ad dollars are spent outside mobile channels.**

**US Digital Ad Spending Share, by Device, 2014-2019**  
% of total



Note: \*includes advertising that appears on mobile phones, tablets and other mobile internet-connected devices; \*\*includes advertising that appears on desktop and laptop computers and other nonmobile internet-connected devices

Source: eMarketer, Feb 2019

246310

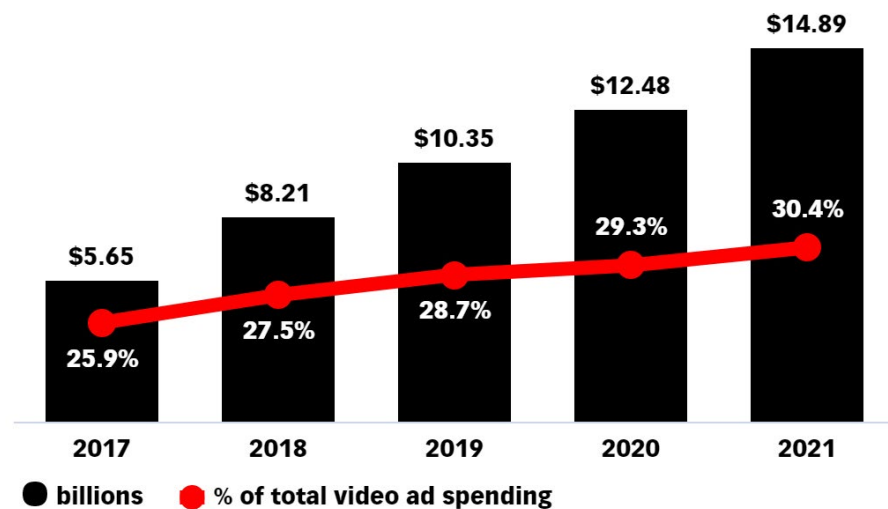
www.eMarketer.com

# SOCIAL VIDEO AD SPENDING WILL GROW 44% BY 2021

**We forecast that social video ad spending in the US will reach \$14.89 billion in 2021, growing 44% from 2019. It will then account for 30.4% of total video ad spending.**

## Social Network Video Ad Spending

US, 2017-2021



Source: eMarketer, February 2019

www.eMarketer.com

We also estimate that overall video ad spending will increase 62.1% between 2019 and 2023.

Facebook and YouTube are the dominant players in this space. (Editor's Note: We do not factor YouTube into our social network video ad spending forecast.) But smaller social platforms, like Twitter and Snapchat, are also significant.

Twitter's US video ad revenues will pass \$1 billion in 2021. And Snapchat's US video ad business is estimated to grow 19.9% year over year in 2021, reaching \$727.4 million. That is nearly on par with Roku's expected total US revenues of \$785.4 million by 2021.

US digital video viewers favor YouTube and Facebook, according to AudienceProject, with social networks Instagram, Twitter and Snapchat also ranking higher than major news sites.

### Why should marketers watch for social video?

Social platforms are among the most popular destinations for viewing ad-supported video in the US, especially among the highly coveted millennial and Gen Z populations.

"Video has taken center stage on social platforms that were once text- or photo-centric—including Facebook, Instagram, Twitter, Snapchat, even Pinterest," said eMarketer principal analyst Paul Verna. "Not only do younger users spend growing amounts of time watching video on these platforms, but they also share clips among their followers, potentially amplifying brand messages."

This trend reflects the shifting viewing behaviors of younger generations. Millennials and Gen Zers spend 54% of video time per day on social apps, according to a May 2018 multinational study by VidMob. YouTube accounted for 25% of that share.

And consumers have confirmed that video can influence their purchase behavior. According to a September 2018 study by Brightcove, 76% of adults in the US, UK and Australia have purchased a product after viewing a video; 66% of millennial respondents (ages 18-34) said they've engaged with a brand after watching a video on social media.



# Consumers Crave Connection and Despise Disruption

Move beyond interruptive ad experiences.  
And turn to the open web for your native storytelling.

- ✔ Promote Your Brand
- ✔ Drive Full-Funnel Performance
- ✔ Maximize Your Ad Revenue

[Discover How](#)





# CONNECTED TV AD SPEND IS GROWING, BUT THERE ARE STILL PLENTY OF CHALLENGES

**Connected TV ad spending is increasing significantly, but it still faces issues when it comes to the fragmentation of inventory, lack of standardized measurements, frequency capping and ad fraud. In our newest report on US digital video, we look at connected TV's limitations and what leaders in the industry think.**

An ad buyer considering connected TV has the option to buy from multiple sources, such as streaming device manufacturers, makers of smart TVs, content aggregators, programmatic ad exchanges and broadcast networks. This means the inventory is spread out in a way that makes it hard for any single channel, or provider, to deliver the kind of scale that advertisers are accustomed to with linear TV. So what's the best way for marketers to deal with this issue? It depends whom you ask.

"The challenge if you go through a platform is you don't know exactly where your ads are running," said Mike Reidy, senior vice president of digital ad sales at NBCUniversal. "Yes, it could be connected TV inventory, but you don't know what network, you don't know what shows. So that's why we always tell our advertiser partners, if you start with the content publisher, you'll know not only what shows you're running against, but also which platforms you're delivering against in the connected TV ecosystem."

However, Tom Fochetta, vice president of advertising sales at Samsung Ads, argued that rather than buying from multiple

sources, ad buyers should look for products that have the ability to buy from multiple publishers through a single platform. With measurement being so bifurcated, inventory sources that sell access to multiple publishers can help ad buyers reduce the number of dashboards and measurement vendors they have to navigate.

Regardless of which approach advertisers use for buying connected TV inventory, piecing together an ad campaign in this field requires digital savvy and patience. This is because each connected TV inventory source has its own set of metrics and data-sharing policies. By comparison, TV advertisers are accustomed to relying on Nielsen ratings across large upfront inventory purchases.

In a March 2019 poll of 350 US marketers conducted by the Interactive Advertising Bureau and Advertiser Perceptions, 27% of respondents said that inadequate campaign measurement was a top obstacle that prevented them from investing more in over-the-top (OTT) video ads. This was second only to cost/price.

The terms "connected TV" and "OTT" are often used interchangeably in the ad industry. We define OTT as video that's delivered independently of a traditional pay TV service, regardless of device. Connected TV refers specifically to video watched on a TV with internet connectivity. By these definitions, connected TV is a subset of OTT. Nevertheless, industry insiders and data providers often use the term OTT to refer to services that are geared primarily toward connected TV viewing.





## What Obstacles Are Preventing US Agency and Marketing Professionals from Using More Over-the-Top (OTT) Ads?

% of respondents, March 2019

### Cost/price

33%

### Inadequate metrics/campaign measurement

27%

### Lack of large scale audience

26%

### Difficulty with data integration

24%

### Poor performance/ROI

24%

### Confusion about how audience-based TV advertising works/its benefits

22%

### Lack of incremental reach/overlap with traditional TV buys

22%

### Lack of advertiser demand

21%

### Lack of agency demand

21%

### None

15%

Note: n=350; top 3 responses

Source: Interactive Advertising Bureau (IAB), "Digital Content NewFronts: 2019 Video Ad Spend Report" conducted by Advertiser Perceptions, April 29, 2019

247248

www.eMarketer.com

While the complexity of OTT and connectedTV measurement stifles some marketers from investing more in those areas, others see measurement as an opportunity. Unlike with traditional TV advertising that has historically drawn from basic demographic data, connectedTV measurement allows marketers to measure more granularly and tie viewing patterns to other online and offline behaviors.

Another issue with connectedTV and OTT advertising is that it can be prone to ad fraud. While connectedTV and OTT inventory demand is very strong, the supply of impressions is limited. This has created an opportunity for fraudsters to trick advertisers into buying inventory that does not really exist.

"One thing that would help with tracking video ad fraud is SSPs [supply-side platforms] or content owners providing log-level data to advertisers," said Marcus Pratt, vice president of insights and tech at ad agency Mediasmith. "That's not something every advertiser or agency is necessarily going to want to analyze. But with some of the data that's contained within those logs, advertisers would be able to match that back to some of the characteristics and users they were targeting. That would be a first step to catch some of the more easily spottable fraud."

The fragmentation in measurement and inventory sources can also make it more difficult for advertisers to avoid bombarding viewers with the same ad. This issue is not new to connectedTV or OTT advertising, but it persists.



# WHAT MARKETERS SHOULD KNOW ABOUT TIKTOK AD FORMATS, PLUS PARTNERSHIP NEWS

**It's now been more than a year since TikTok launched in the US, and in that short period, the Chinese-owned video app has capitalized on the viral nature of its platform by partnering with a number of brands and slowly unveiling a slew of advertising capabilities.**

Cosmetics brand e.l.f. is one of the latest advertisers to launch a paid campaign targeting TikTok's Gen Z user base. Using the popular "Hashtag Challenge" ad unit, the brand recently launched its #eyeslipsface campaign, encouraging TikTok users to create videos showing off their makeup using an original song created for the activation. e.l.f. Beauty also purchased a 24-hour takeover ad, which prompted users to participate in the challenge upon opening the app.

"Gen Z is a huge audience for us," said Kory Marchisotto, CMO of e.l.f., in an interview with eMarketer about the news of the partnership. "It's of critical importance to make sure we're not only where they are, but also serving up content that's relevant to them."

Marchisotto says it's not just TikTok's demographic that has e.l.f. interested in the platform. "I think [TikTok] is bringing something very different. Instagram has become highly polished, it's still the coffee table book, it's very curated. On TikTok, everybody's out there to have fun and express themselves in unique ways."

Below is a roundup of TikTok's current ad offerings, as of early October 2019, and some of its biggest brand partnerships to date.

## Ad Formats

Though the video app has yet to roll out all its ad capabilities—such as augmented reality lenses and full-screen video ads, as listed on its website—some early adopters are testing select formats.

Brands like Guess and Chipotle Mexican Grill partnered with TikTok on sponsored "Hashtag Challenges," which placed branded hashtags on the app's Discover page. Food delivery app Grubhub was reportedly testing video ads on TikTok as early as January 2019, and fashion retailer Hollister Co. ran a series of in-feed video ads last spring. TikTok has also become a popular platform for influencer marketing, especially for brands looking to work with the platform's up-and-coming video creators.

A representative from TikTok confirmed that its hashtag unit was still the only ad product officially available in the US, but it is conducting early experiments with other models. Last month, sponsored hashtags were expanded under the name Hashtag Challenge Plus and now include an in-app shoppable component.



## **Walmart**

Walmart TikTok's list of advertisers also includes the largest company in the world. Walmart launched its #SavingsShuffle hashtag challenge in late September and promoted the campaign using a roster of TikTok influencers. "It's kind of one of those seminal moments when you start seeing those kinds of brands," said TikTok vice president Blake Chandlee at Advertising Week in New York City. The brand used the hashtag challenge Explore tab—which pops up when a user taps on a hashtag—to advertise a variety of shoppable products and ask users to guess Walmart's best-selling item. (The answer: toilet paper.)

## **NFL**

In perhaps the largest US branding effort to date, TikTok announced a multiyear partnership with the NFL that will allow third-party brands to sponsor content on the NFL's TikTok account. When the announcement was made prior to the 2019 season, the NFL began posting using the hashtag #WeReady. Although the NFL told AdAge that it did not pay to promote the hashtag, the organization plans to use the Hashtag Challenge feature in the future. The NFL also hopes to generate user engagement by inviting fans to create TikTok-centric content to support their favorite teams and players.

## **Ralph Lauren**

As the official outfitter of the US Open Tennis Championships, Ralph Lauren was one of the first brands to use TikTok's shoppable Hashtag Challenge Plus feature to show off its collection for the 2019 tournament. The challenge asked TikTok users to post a video wearing Ralph Lauren products using the hashtag #WinningRL.

At the end of the contest, creators of the top three videos with the highest engagement were awarded free US Open gear.

## **Macy's**

The department store kicked off the back-to-school shopping season by bringing its omnichannel "All Brand New" campaign to TikTok using the platform's Hashtag Challenge. The challenge encouraged students to post videos wearing back-to-school outfits, and if users tapped on the hashtag, a "Shop Now" prompt appeared above Macy's official videos linking to its website.

## **Kroger**

For its own back-to-school campaign, Kroger became the one of the first brands to use TikTok's shoppable Hashtag Challenge Plus feature. The grocery chain promoted its #TransformUrDorm campaign, which encouraged college students to show off their decorated dorm rooms. Similar to Macy's, the campaign allowed users to tap on the sponsored hashtag, which led to a separate Explore tab showcasing Kroger products and direct links to its ecommerce channel.

## **Chipotle**

One of TikTok's most notable US partnerships was with Chipotle, which worked with the video platform twice on hashtag challenges. For Cinco de Mayo, the restaurant chain asked fans to post their best "lid flip"—where users flipped an aluminum dish lid onto a Chipotle plate and then used the hashtag #ChipotleLidFlip—to promote its free delivery offer. The brand went viral on TikTok in August when it announced a new challenge, #GuacDance, which became TikTok's highest-performing branded challenge in the US.

# ABOUT THIS ROUNDUP

## Read Next

[Q3 2019 Digital Video Trends: Cord Cutting Keeps Chugging Along](#)

[Video Ads in Social Media 2019: Creators Are in Demand on Social Properties](#)

## Watch Next

[Daily Forecast | Digital Video ad Spending Committed in Advance Will Grow 20% in 2019](#)

## Listen Next

[Podcast | Which of the New Wave of Streaming Services Will You Subscribe to?](#)

Start your day with info you can trust and data you can use. Subscribe to the [eMarketer Daily Newsletter](#) for our latest articles, videos and podcasts.

## Contributors and Production

Danielle Drolet                      Senior Editor & Program Director, Content Studio

Dana Hill                                Director of Production

Stephanie Meyer                      Senior Production Artist

Adrienne Skinner                      Senior Sales Director, Advertising Sales

# Your one-stop-shop for digital intelligence

Home to all eMarketer research, eMarketer PRO connects you to powerful data and analysis on nearly every digital topic. Request a quote today.

*[emarketer.com/corporate/pro](http://emarketer.com/corporate/pro)*

Inquire about your subscription at [sales@emarketer.com](mailto:sales@emarketer.com) or give us a call at 1-800-405-0844.