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Insider Intelligence Analysts

Top Trends to Watch in 2024

9 Ways Media, Commerce, and the AI Revolution Will Reshape the Market in the New Year

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Top Trends to Watch in 2024

It's hard to imagine that 2024 will be as transformative as 2023—but it might be. Between broader adoption of generative AI (genAI), a constantly evolving media and regulatory landscape, and new forms of commerce, 2024 will keep companies on their toes.

This report covers the top nine trends to watch in 2024.

1. Cookies are going away in 2024, but the ad industry can't seem to kick the habit.
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1. Cookies are going away in 2024, but the ad industry can't seem to kick the habit

The gradual elimination of cookies and mobile IDs is nearing a conclusion. Google is scheduled to phase out its identifiers in 2024—but there's a caveat: Google has twice pushed out its cookie timeline, so programmatic ad buyers and sellers are understandably skeptical that this process will come to a natural conclusion next year. Even if it doesn't happen in 2024, we're heading toward a cookieless future, so marketers and publishers who haven't already done so would be wise to get ahead of the curve and implement alternatives.

The post-cookie world is still a work in progress.

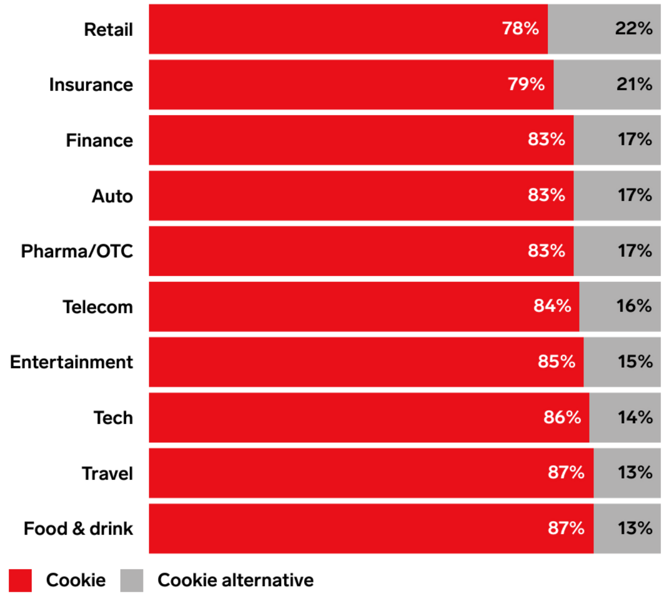
- **The industry still isn't getting it, and that will become a problem in 2024.** All 10 industries tracked by 33Across in Q3 2023 continued to overwhelmingly use cookies in their programmatic ad buys. That means cookie alternatives have not caught on to the extent that they should a year before deprecation. And even if Google kicks the can down the road again—as one-third of respondents in a 2023 ID5 survey believe it will—the reality marketers and publishers are facing will remain the same.

- **The absence of cookies will force a shakeout of identity providers.** The number of companies selling ID services has expanded to a level some consider unsustainable. We expect the pool of providers to contract in 2024 as players fall by the wayside or consolidate through mergers or acquisitions.

- **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 just a matter of time before this happens. A DSP would confirm Apple's ambitions to become a bigger advertising player. It would also support the view that Apple's April 2021 implementation of the AppTrackingTransparency framework was motivated not just by a historic pro-privacy posture, but also by a deliberate decision to grow its ad business.

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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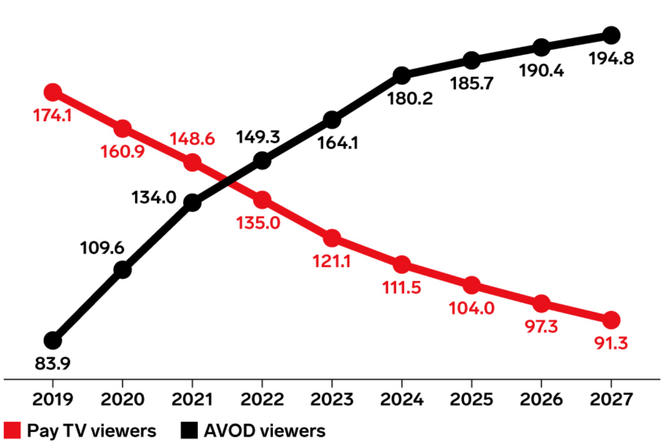
2. As ad-funded streaming takes a bigger bite of video time, pay TV's decline will reach surprising depths

The TV-to-AVOD revolution will happen faster than you think. Ad-supported video on demand (AVOD) viewership recently overtook pay TV viewership, but the disruption generated by this sea change has only just begun. In 2024, the combined viewership of free ad-supported TV (FAST) platforms and ad-supported subscription over-the-top tiers—in other words, the total AVOD audience—will exceed 180 million. That figure will tower over pay TV's total 111.5 million viewers.

The pace of change will be jarring for advertisers who still plan based on linear TV spots.

- As recently as 2019, traditional pay TV drew over 90 million more viewers than ad-supported streaming services.
- In less than 10 years, that dynamic will have more than reversed.
- By 2027, AVOD will lead pay TV by more than 100 million viewers, and the gap will only get more extreme as pay TV devolves into a niche format.

US Pay TV Viewers vs. AVOD Viewers, 2019-2027
millions



Note: pay TV viewers are individuals ages 18+ who have access to a traditional pay TV service; excludes IPTV and pure-play online video services (e.g., Hulu, Netflix, Sling TV, YouTube); AVOD viewers are individuals of any age who watch videos via app or website at least once per month on an ad-supported platform that primarily offers professionally produced content; includes free ad-supported streaming TV (FAST) services (e.g., Pluto TV, The Roku Channel, Tubi) and the ad-supported plans of subscription OTT services (e.g., Disney+, Hulu, Netflix); excludes services like Twitch and YouTube
Source: Insider Intelligence | eMarketer, Sep 2023

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Viewers will be harder to reach as AVOD steals time. Because pay TV features higher ad loads than AVOD, collective ad time between the two will decline 24% between 2023 and 2027, according to consultancy Madison and Wall. Advertisers must become more precise in how they target viewers. TV will still have its place for reaching national audiences, but broad targets will be replaced by more defined viewership.

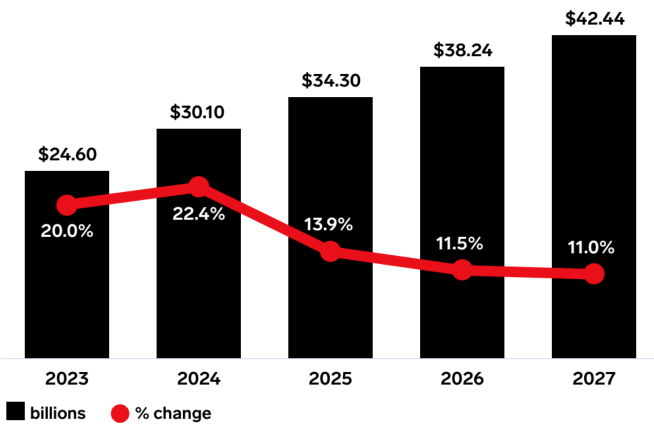
3. Prime Video will push CTV ad spending to a new milestone as linear TV tumbles

Amazon will drive the acceleration in connected TV (CTV) advertising in 2024. The launch of an ad-supported tier on Amazon Prime Video will energize the CTV ad market. We expect YoY growth to increase next year to 22.4%, from 20.0% in 2023. That makes CTV the second-fastest-growing ad format we track, after retail media. Most of CTV's increases starting in 2024 will come from new spending on Prime Video ads.

Linear TV ad spending is dropping faster than expected. In 2023, TV advertising will fall by 9.4% YoY to $60.38 billion. There will be a fractional increase in 2024 due to political advertising, but it will be smaller than typical presidential election year bumps because of lingering effects of the actors' and writers' strikes.

- **After 2024, linear TV ad spending will fall every year through 2027.** At that time, the US TV ad market will be over $2 billion smaller than what we expected in H1 2023. Advertisers are moving dollars away from linear TV as pay TV viewers and TV time spent continue trending downward. Most of the budget shift is going to CTV and retail media.
- **The decline is unprecedented.** The industry hasn't experienced three consecutive years of decreases in TV ad spending since we started tracking it in 2008.

Connected TV Ad Spending
US, 2023-2027



Note: digital advertising that appears on connected TV (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: Insider Intelligence | eMarketer, October 2023

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4. Short video will face a reckoning as monetization problems persist and messaging grows

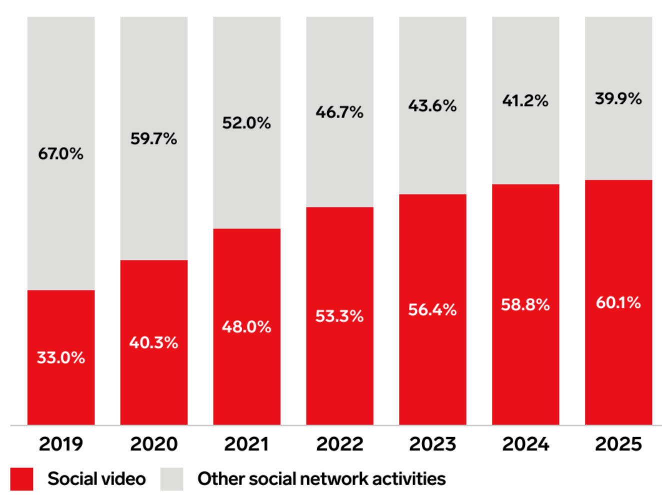
The platforms' short-video craze will cool. Reels is now revenue-neutral, but reports hint that Meta is struggling to convince advertisers that Reels can drive performance. In Q3 earnings, Meta suggested it will pivot its strategy from Reels to video more holistically. Meanwhile, Alphabet's Q3 earnings implied that YouTube Shorts had trouble growing beyond the 2 billion users it announced in Q2. Even TikTok is toying with 15-minute videos. And by ending its Creator Fund, the app will pay creators only for videos longer than 60 seconds—another sign of short-video monetization problems.

Direct messages (DMs) and group chats will heat up. Users spend over half their social time watching videos, but they're increasingly accessing that content and engaging with each other through DMs. That's likely one reason why Meta folded Messenger back into Facebook.

- **Sharing videos via DM is problematic for short-video advertisers.** Short-video ads are served primarily between videos, limiting where users can see those ads. Content shared via DM, for example, appears in isolation.

- **Marketers have few paid options to reach users in DMs overall.** Meta is banking on AI-driven business messaging tools to monetize WhatsApp, Messenger, and Instagram DMs, but it's still a nascent business in the US.

Video's Share of Average Daily Social Network Time Is Huge but Approaching a Plateau
% share among US adult users, 2019-2025



Note: ages 18+; social video time includes all time spent with online video activities on social network platforms; includes usage via any device; does not include YouTube time
Source: Insider Intelligence | eMarketer, June 2023

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A longer-form resurgence could be a triple win. Platforms, advertisers, and creators would all benefit: Longer videos mean greater time spent, more ad space, and fewer excuses not to share ad revenues. But this isn't the first time the platforms have tried. TikTok's attempt at 10-minute videos was deprioritized, and IGTV and Facebook Watch were abandoned. Plus, the platforms must contend with the reality that consumers still love short videos, many short-form creators will have a learning curve in a pivot to longer-form content, and viewers are already starting to max out on social video time.

5. TikTok will encroach further on Amazon as it eyes super app status

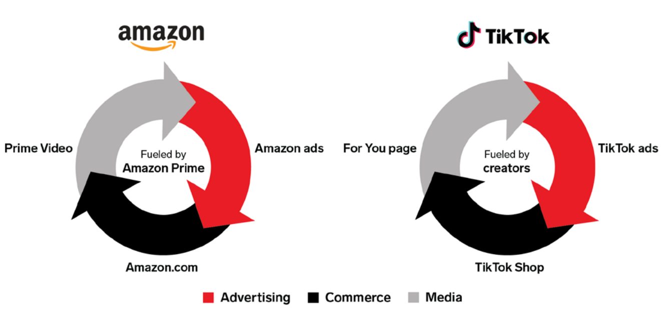
TikTok will go head-to-head with Amazon in search and affiliate. As TikTok Shop grows and improves, a rising number of publishers and creators will focus their affiliate marketing energies on TikTok rather than Amazon, which has been the bedrock of most affiliate strategies. And as TikTok expands its ad business beyond short video, it will lean more heavily into search. That will put it in direct competition with Amazon for ad dollars, as advertisers devote more spending to the platform to capitalize on the growth of social product search.

TikTok wants to be the next big US digital juggernaut. TikTok will be the fastest-growing digital ad business after Walmart in 2024, per our forecast. But at $8.66 billion in 2024, its US ad revenues will be only about one-fifth of Amazon's, and close to just one-tenth of Meta's and Google's.

- **Search and affiliate could accelerate TikTok's flywheel.** With the launch of TikTok Shop in 2023, TikTok's Amazon-like media, advertising, and commerce flywheel is complete. Search and affiliate will provide new touchpoints for TikTok to generate sales.

- **TikTok doesn't need to be Amazon to succeed.** Its strategy is straight out of Amazon's playbook, but the shopping experience will be different. Amazon's flywheel is fueled by ease and convenience, while TikTok's is powered by inspiration and trends, packaged up and served to users through creators.

TikTok Is Building an Amazon-Like Flywheel



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But TikTok's path to dominance isn't without roadblocks. TikTok's deal-driven, creator-led commerce play has attracted buyers and sellers, including established brands like Zara (which could soon expand from the UK to include the US). But not all of the merchant incentives it offers, particularly around the holiday period, are sustainable in the long term. In 2024, TikTok's logistics operations, which it has outsourced to third-party providers, will be put to the test. TikTok must prove it can provide a seamless experience for both buyers and sellers, ensure the legitimacy of products promoted and sold on the app, and navigate regulatory scrutiny, which could intensify with the possibility of an integrated payments system on the horizon.

6. Platform partnerships will shift the ad spending landscape

Nascent partnerships from 2023 will start packing a punch in 2024. Companies without an overwhelming market advantage will need to join forces with rivals or complementary partners to keep boosting revenues. Partnerships have already cut across critical strategic spending areas, including the following:

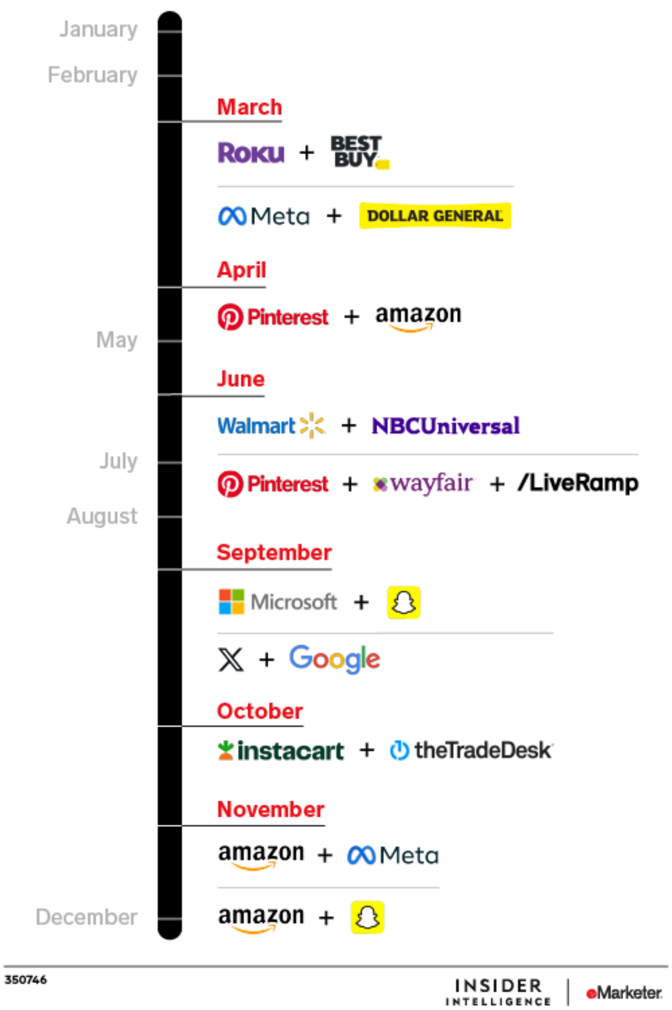
- Pinterest allows Amazon to sell inventory via Amazon Ads, further connecting social and retail media.

- Meta and Amazon are testing Amazon product sales inside Instagram and Facebook.

- The partnership between X (formerly known as Twitter) and Google demonstrates what happens to platforms struggling to attract sufficient advertisers.

Some of these companies appear dominant in their respective markets. But their weak spots in others—Meta has struggled to drive native ecommerce on its platforms; Amazon has struggled to build a reputation as a place where consumers can find the kinds of exciting, quirky products TikTok makes famous—are pushing them to join forces.

Notable Social, Retail, and Digital Advertising Partnerships in 2023



This has significant implications for advertisers. In 2024, it will be easier than ever for advertisers to work with fewer, bigger partners. But at what cost?

- **Tie-ups that allow more one-stop shopping enhance convenience but may heighten platform risk for the advertisers themselves.** Partnerships could also raise privacy concerns and the prospect of regulatory scrutiny for the platforms involved.
- **Advertisers may have to change their approach to these combined platforms.** Brands that had built distinct teams to manage spend across different channels may have to figure out how to either combine them again or build frameworks that allow more collaboration. Without that reorganization, increased spending in one place will only create additional headaches.

7. China's influence shakes up online shopping

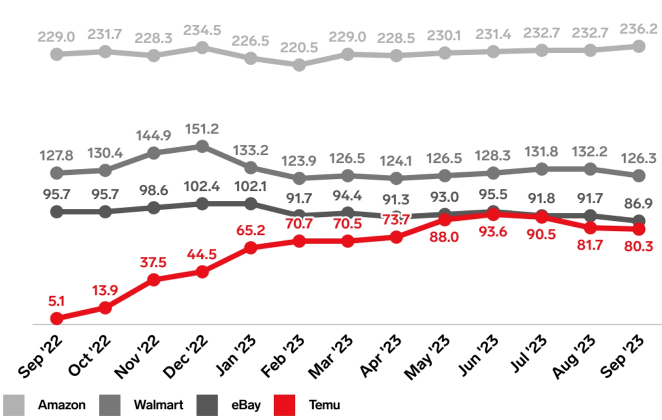
TikTok, Temu, and Shein have captured widespread consumer attention. Ecommerce players with roots in China have gained ground on established retailers by introducing innovative shopping experiences. App-based, entertaining, and highly deal-driven, the platforms appeal most to Gen Z and budget-conscious shoppers. They cut out the middlemen of retail distribution and connect directly to China's vast manufacturing base. Their algorithmically driven approaches enable them to respond rapidly to consumer trends and shifts in demand, while passing on savings in the process.

Strategies are evolving and converging around third-party marketplaces.

- **TikTok Shop's latest iteration is taking over user feeds.** The platform now features a hodgepodge of participating brands, cheap products from marketplace sellers, and shoppable livestreams. More than 200,000 sellers and 100,000 creators signed on in September 2023, its first month, according to TikTok.
- **Temu has risen rapidly up the ranks of the most popular US online retailers.** The platform launched in the US in September 2022 with a massive budget for advertising and promotions from parent PDD Holdings, which also owns Chinese ecommerce giant Pinduoduo. By May 2023, Temu's US online traffic ranked it as the fourth-most-visited retailer, per Comscore data, after Amazon, Walmart, and eBay.
- **Shein seeks expansion beyond its brand's fast-fashion dominance.** Shein is betting future growth will come from partnerships with more brands, such as its recent investment in Forever 21 to design, produce, and sell apparel for the label. The deal will also bring Shein goods into Forever 21 stores, yielding an advantage over its online-only competition.

Temu's US Online Traffic Approached No. 3 eBay's Less Than a Year After Launching

millions of unique visitors, Sep 2022-Sep 2023



Note: desktop ages 2+; mobile ages 18+
Source: Comscore Media Metrix Multi-Platform, Oct 24, 2023

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Established retailers will struggle to compete on price alone. Discount stores are already losing market share to the newcomers, and it will become more critical to seek differentiation via product assortments and categories, higher levels of customer service (including faster delivery), and quality. Greater scrutiny from lawmakers could slow the newer players' growth, however, as concerns are mounting around business practices and potential security threats.

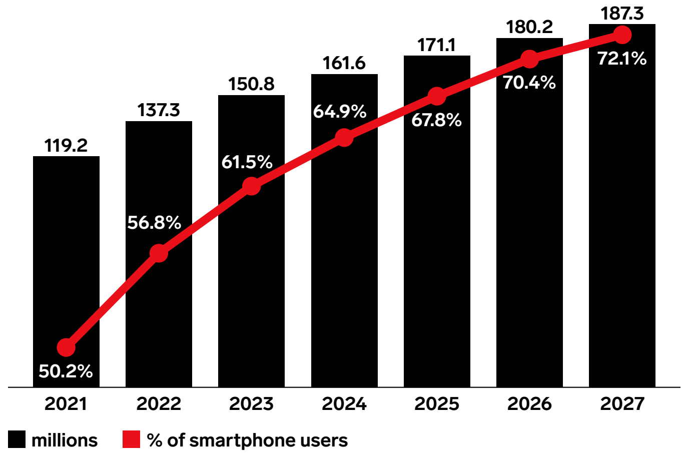
8. Digital wallets will cement their position as everyday commerce enablers—in or out of the store

Total smartphone-based spending will top $1 trillion for the first time. In 2024, $687.74 billion in in-store tap-and-pay transactions plus $497.43 billion in internet-based (wallet, app, and browser) smartphone retail sales will push payment value to $1.185 trillion, compared with $7.548 trillion in total retail sales.

Most consumers will pay with digital wallets, with younger generations driving tap-and-pay. In 2024, roughly two-thirds of US smartphone users will use a mobile wallet app to transact monthly, up from about half in 2021. This will also mark the first year that approximately half (49.8%) of Gen Z users will tap-and-pay, following in the footsteps of millennials (63.0%).

US Mobile Wallet Users and Penetration, 2021-2027

millions and % of smartphone users



Note: ages 14+; mobile phone users who use a mobile wallet app to complete a transaction at least once per month
Source: Insider Intelligence | eMarketer Forecast, Nov 2023

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Features introduced in 2023 will quickly spread across major open-loop wallets—and be adopted by consumers—transforming them into commerce enablers in 2024. This shift from being merely convenient payment access points will increase wallet user loyalty and boost retail sales, thanks to:

- **Tools like digital smart receipts** (stored and searchable in-wallet), order tracking (even for purchases made outside the wallet), and card balance and transaction history integrations, which will push consumers to centralize their purchase and financial management within their wallet of choice.
- **Payment method optimization,** which will help users optimize payment method choice by recommending stored options—such as a co-branded travel credit card when purchasing an airline ticket—that tilt rewards and benefits in their favor. Conversion boost, anyone?
- **AI-driven predictive product recommendations,** which will give consumers more of what they really want, right in their wallet—recommendations that more accurately predict what they will buy next—via machine learning and deep dives into their purchase histories. Cha-ching!
- **The disappearance of passwords and usernames**—already on their way out—will remove friction at checkout. From Apple to PayPal to Paze, wallets are introducing passwordless authentication that can be applied across mobile operating systems.

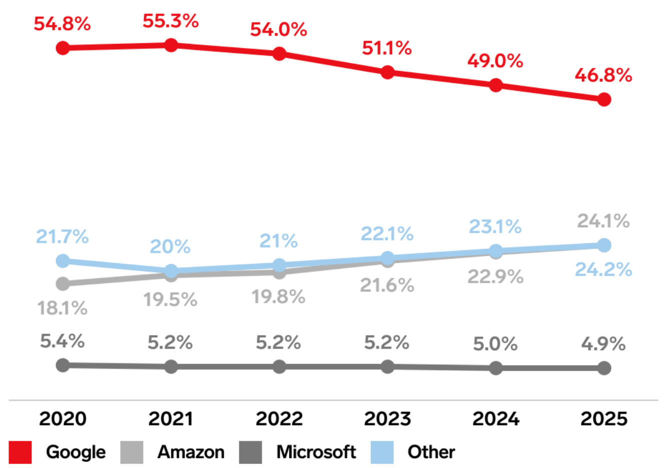
9. GenAI integration will supercharge search and transform the market

Sophisticated multimodal models are on their way. Despite early fanfare around genAI, the search market hasn't fundamentally shifted—yet. That will likely change in 2024 with Google's Gemini and OpenAI's ChatGPT-4V, which can process not just language, but also voice, images, music, and other media. These new models should supercharge emerging search formats, such as visual or voice search.

Alternative search formats will take root.

- **Visual search already has traction.** As of September 2023, Google processed more than 12 billion monthly visual searches in Lens, up from 8 billion a year earlier. In our October survey (conducted by Bizrate Insights), 24.2% of online shoppers reported using visual search, including 7.3% who use it regularly.
- **Virtual assistants will get big upgrades.** Google, Amazon, and Apple all plan enhancements to their assistants—which will be used by about 43% of the US population this year—leading to more voice search in cars, homes, and phones.
- **Conversational responses will spread.** Google still lacks sufficient trust in its genAI search tools to move them from beta, and Bing remains niche, but expect both to appear in main search pages soon.
- **Site-specific search will grow.** Amazon will account for 21.6% of search revenues this year thanks to its dominant position in product search. But TikTok, Snapchat, and Meta all have chatbot-powered search features, and OpenAI continues to refine ChatGPT with new features.

Google's Dominant Lead Shrinks as Users Shift Some Search Tasks to Amazon and Social Media
% share of US search ad spending, 2020-2025



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices; includes contextual text links, paid inclusion, paid listings (paid search), and SEO; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites
Source: Insider Intelligence | eMarketer Forecast, Nov 2023

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Fragmentation will lead to a wider search ad net. Fewer list-based answers will trigger new search formats. Google will likely figure out ways to monetize this more conversational, multimodal search, but it will have a hard time preventing specialized searches from moving to genAI-enhanced retail and social media sites. Search advertisers face a year of testing new formats and tracking new paths to purchase to see where customers are asking their questions.

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The Future of Digital 2024: The Future of Digital 2024: Winning the New Zero Sum Game

Holiday Shopping 2023: Brick-and-Mortar and Ecommerce Will Battle for Retail Channel Supremacy

Social Commerce Forecast 2023: Gen Z, TikTok Shop, and Increased Spending per Buyer Drive Growth

The Global Media Intelligence Report 2023: A Reference Guide to Consumers' Media Use in 47 Markets

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