

2021 Video Ad Spend & 2022 Outlook

May 2022

Prepared by:  Advertiser Perceptions™

Standard
Media
index

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Foreword

Now in its ninth year, the IAB 2021 Video Ad Spend & 2022 Outlook study provides a lens into the trends within the digital video market and offers guidance for buyers and sellers on how they can position and differentiate their video initiatives based on where the challenges and opportunities reside.

As viewers continue to increase their use of digital video including connected TV (CTV), social media, and short-form, this report finds that advertiser investment is primarily following consumer attention. Within digital video, ad investment in CTV is growing the fastest. **However, CTV budget allocation continues to significantly lag viewer time spent with the channel.**

This study explores why CTV ad dollars are not keeping pace with viewer time spent, what's driving CTV's growth to date, and the key challenges and opportunities within CTV and digital video.

Additionally, to quantify the size and growth rate of the digital video market (including CTV, social media, and short-form), IAB, in partnership with Standard Media Index (SMI) and Advertiser Perceptions, has released the first-ever total U.S. digital video advertising spend estimates for 2020 and 2021 and projections for 2022. Over 400 video buyers were also surveyed across agencies and brands to better understand the tactics behind one of the fastest-growing and most complex channels in digital advertising.

The study found that buyers find CTV to be more effective than linear TV at delivering KPI goals across the quickly-evolving purchase funnel. Also, via CTV, buyers can take advantage of many types of audience and behavioral data that are not available within linear TV buys.

As the deprecation of third-party cookies and identifiers renders advertising on the web and mobile less effective and more expensive, buyers are turning to CTV (which does not rely on third-party cookies) as a privacy-safe way to recapture that level of effectiveness. That said, buyers should acknowledge and prepare for the future deprecation of IP addresses—CTV's current primary tracking mechanism.

With the rise of advertising-based video on demand (AVOD) including free ad-supported streaming TV (FAST) services, there are now more opportunities for ad investment into premiere, longform, TV-like content than what has traditionally been available via linear TV, and by extension, the top 250 advertisers. Additionally, self-serve ad functionality makes it even easier for brands beyond the top 250 to activate campaigns across those AVOD platforms. This market reality reflects a democratization of TV.

Despite significant growth and advantages of CTV, challenges remain, largely stemming from channel fragmentation. This includes cross-platform campaign activation, management, and measurement. These fragmentation difficulties are preventing buyers from evolving to outcomes-based KPIs for CTV instead of upper-funnel KPIs.

To address CTV's challenges, buyers are preparing for a converged linear TV/CTV marketplace and are implementing a myriad of creative and targeting tactics.

This report reveals how we came to these conclusions, provides additional insights on the digital video ad market overall, and explores recommendations and solutions for the ecosystem which can be found on pages 38 and 39 of this report.

Executive Summary

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Executive Summary

1 Led by CTV, digital video ad spend is posting substantial growth, but ad dollars are not keeping pace with consumers.

- Ad spending in digital video increased 49% year-over-year in 2021 to \$39 billion and is expected to rise 26% in 2022 to \$49.2 billion.
- With three in four buyers (76%) labeling it a “must-buy,” CTV is the fastest growing video channel: Spend increased 57% in 2021 to \$15.2 billion and is expected to grow an additional 39% in 2022 to \$21.2 billion. Between 2020 and 2022, CTV ad spend is projected to more than double (+118%).
- Although CTV will account for 36% of total time spent with linear TV and CTV combined in 2022*, the dollars currently allocated to CTV are not proportionate to this viewership. Only 18% of video ad dollars are allocated to CTV.

2 CTV ad spend growth is being driven by multiple factors: KPI delivery, data usage, transparency, and as a channel that doesn't rely on third-party cookies.

- Compared to linear TV, CTV has distinct advantages for buyers:
 - Among users of the following KPIs, buyers score CTV as 57% more effective than linear TV at delivering website/sales actions and 46% more effective at delivering brand perception.
 - CTV enables buyers to leverage many types of data not available within linear TV buys, including first-party brand data (65%), location data (61%), and shopping data (50%).
- Compared to other digital video types, CTV provides more transparency into where ads run: 59% of buyers stated being “very clear” on where their CTV ads ran vs. only 50% and 43% for social video and other digital video, respectively.
- Buyers are turning to CTV (which does not rely on third-party cookies) as a privacy-safe way to spend ad dollars efficiently and effectively. Nearly three in four (73%) video buyers expect to fund their third-party cookie/mobile ID deprecation CTV spending increases by reallocating dollars from linear TV.

3 CTV's challenges largely stem from channel fragmentation-related issues.

- More than one in three video buyers cite multiple challenges in CTV that stem from difficulties with cross-platform campaign activation, management, and measurement, including:
 - Measuring incremental reach across platforms/publishers (48%)
 - Managing frequency across platforms/publishers (43%)
 - A lack of transparency/interoperability within walled gardens (42%)
 - Fragmentation of programmatic supply paths (35%)
- Fragmentation-related reasons also inhibit video buyers from using sales and business outcome KPIs within their CTV buys. Video buyers most often cite sales lift as their ideal KPI for CTV, but they are not leveraging it due to measurement complexity, sub-par tool functionality, and data lags.

4 Buyers are addressing CTV's challenges by preparing for a converged linear TV/CTV market, and leveraging creative and targeting tactics.

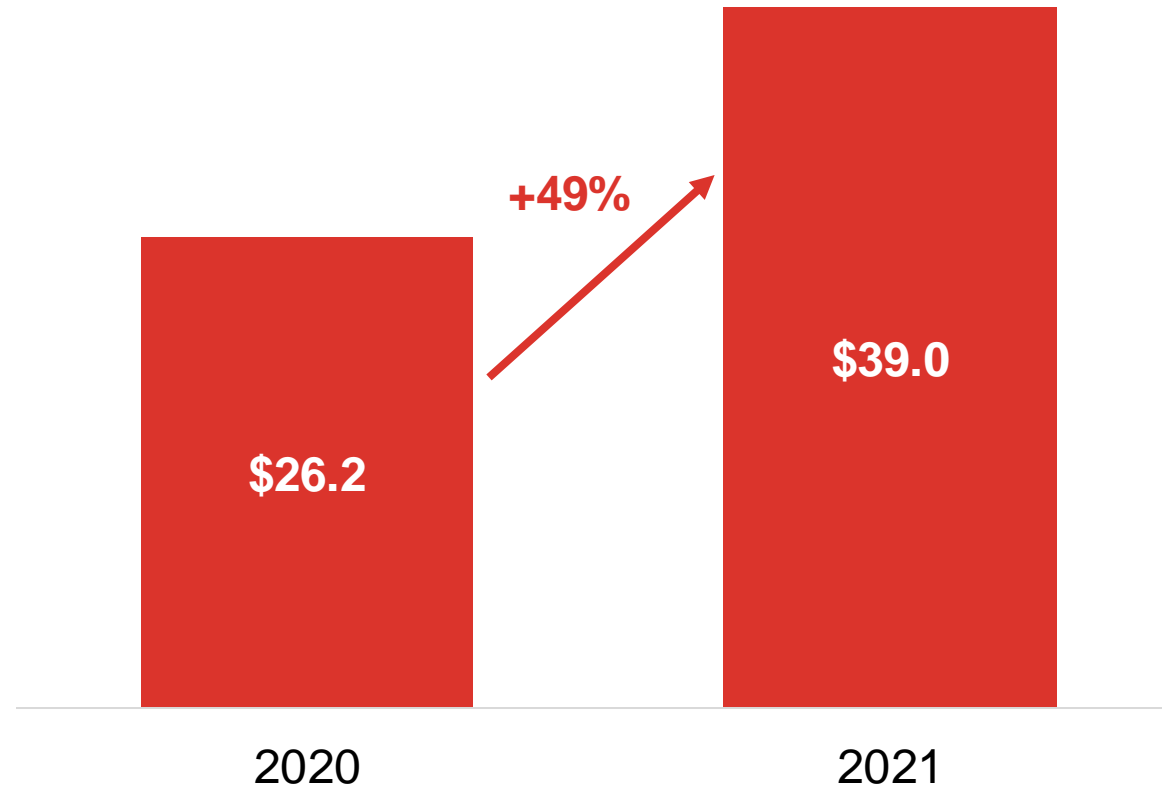
- A converged linear TV/CTV marketplace, which nine in ten (88%) buyers anticipate in the coming years, would ease management of cross-platform and cross-channel video buys. Two in three (66%) linear TV/digital video buyers now have a single planning team for the two channels; another quarter (25%) expect to have one planning team in the future.
- Buyers are implementing several creative and targeting tactics:
 - To mitigate over-frequency and creative burnout, nearly two in three (64%) video buyers are leveraging multivariate creative, which helps minimize viewer frustration from ad repetition.
 - More than half of buyers (52%) are increasing their use of contextual signals to replace open exchange-based audience targeting to reduce ad fraud.
- Continued adoption and finetuning of emerging ad formats will help shift adoption towards CTV. Among users of emerging formats, influencer-based and shoppable are performing well across the funnel. These formats are ripe for CTV as buyers express that CTV can deliver KPIs more effectively across the funnel than linear TV.

**The State of Digital Video:
Ad spend is growing, but not
keeping up with consumers**

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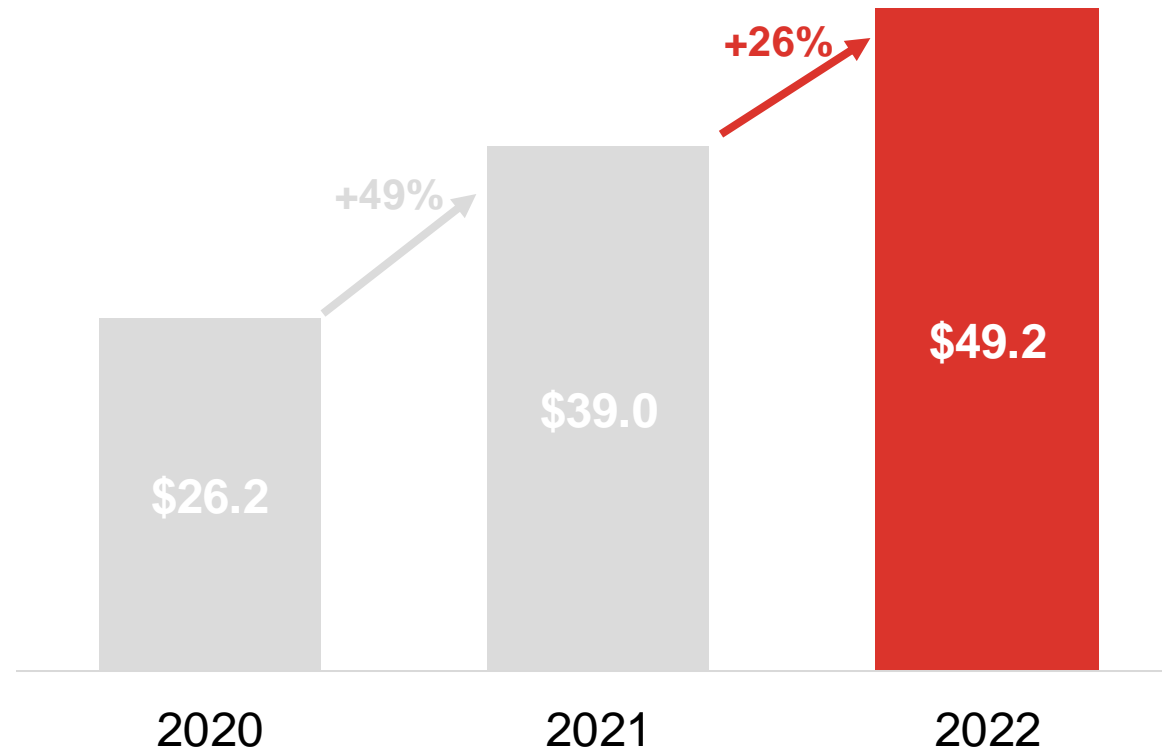
Digital video ad spending saw substantial growth in 2021, up 49% YoY to \$39.0B

Annual Digital Video Ad Spend (\$B)

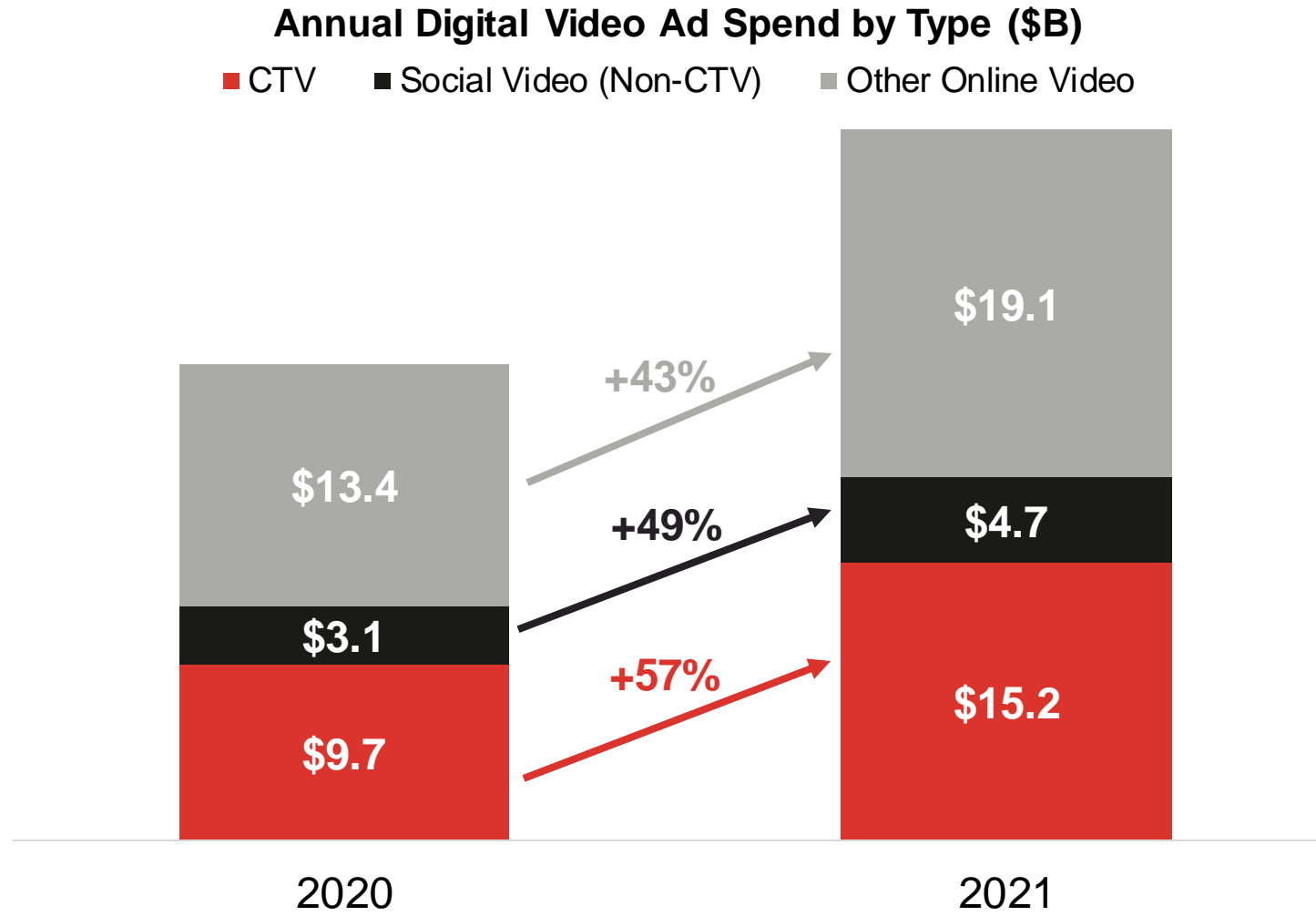


In 2022, growth will increase an additional 26% to \$49.2B

Annual Digital Video Ad Spend (\$B)



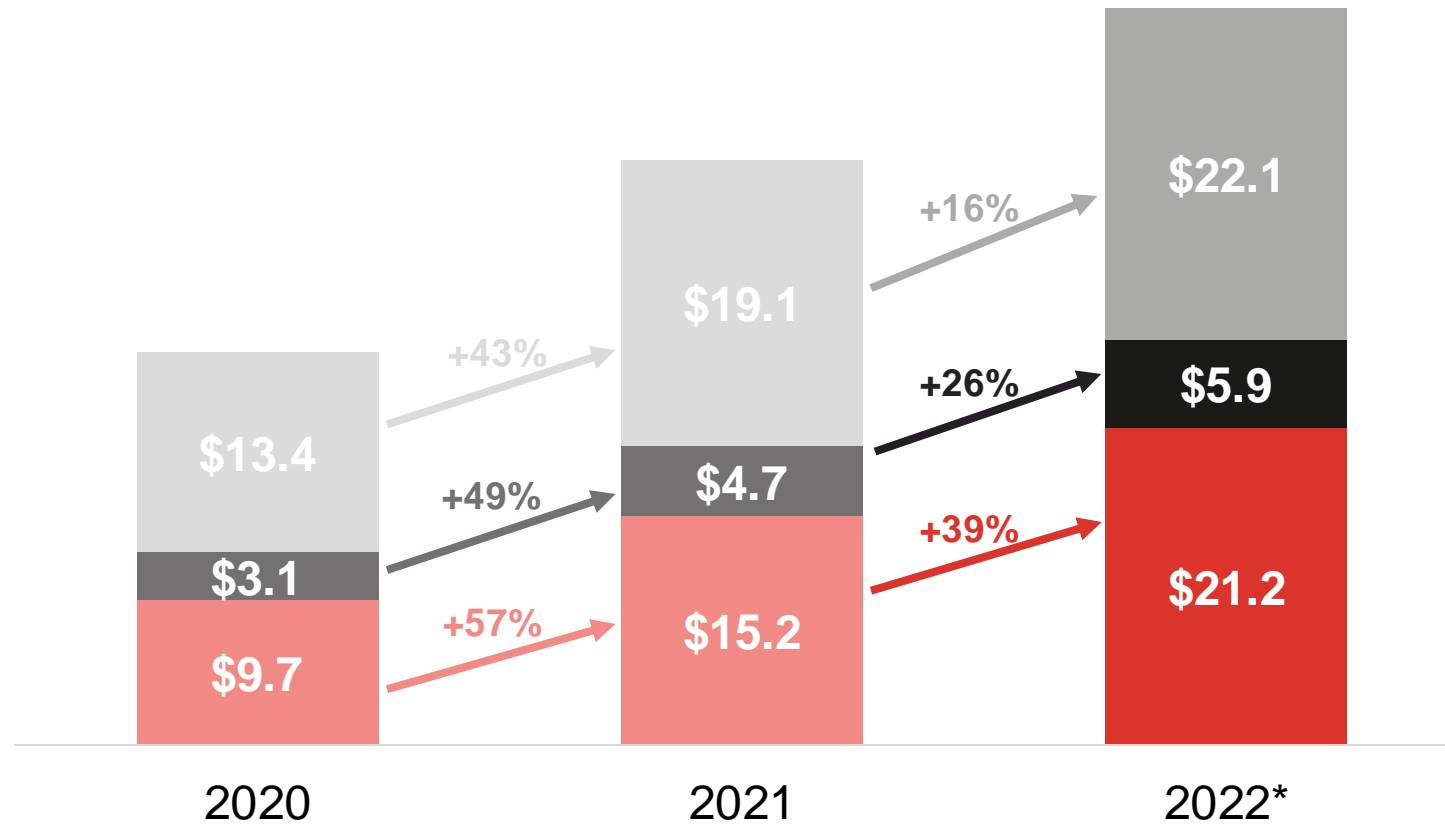
Within digital video, CTV grew the fastest in 2021, up 57% YoY to \$15.2B



In 2022, CTV will continue to grow the fastest within digital video, up 39% YoY to \$21.2B

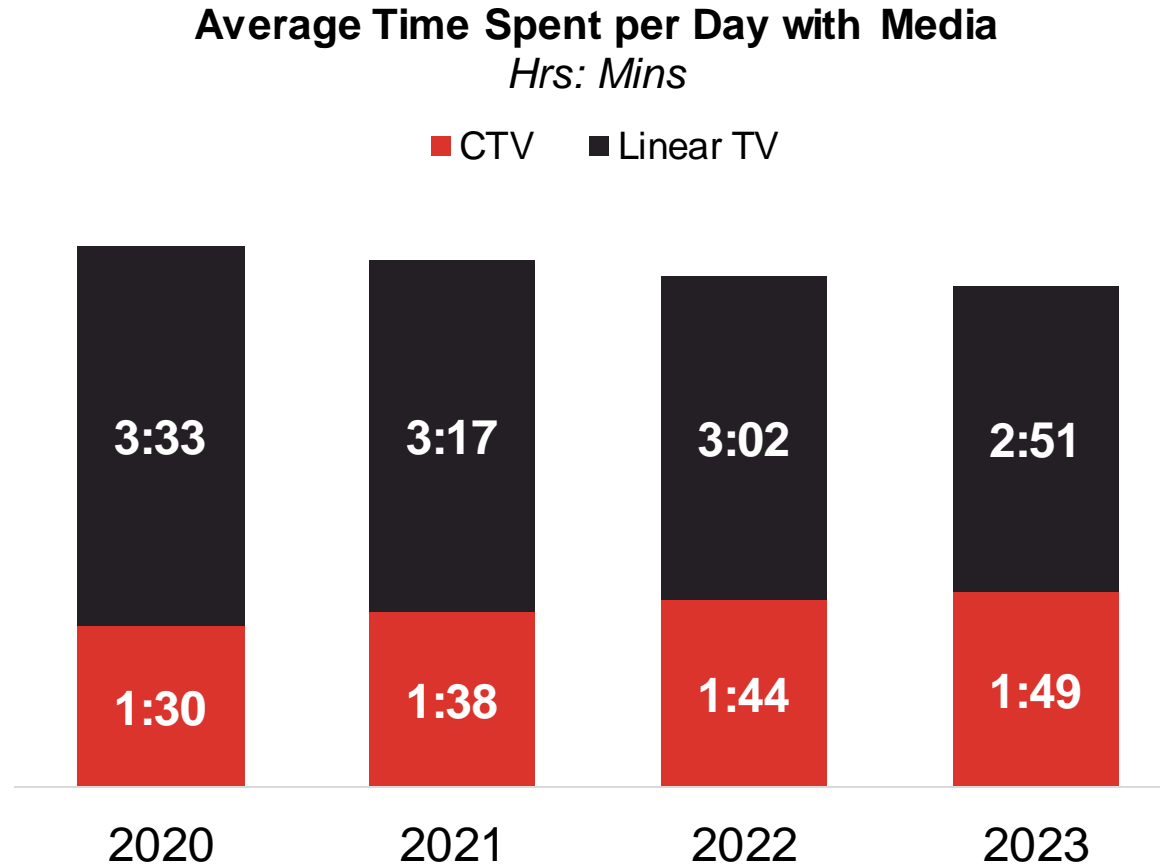
Annual Digital Video Ad Spend by Type (\$B)

■ CTV ■ Social Video (Non-CTV) ■ Other Online Video



CTV will also continue to grow in viewer time spent and steal share from linear TV

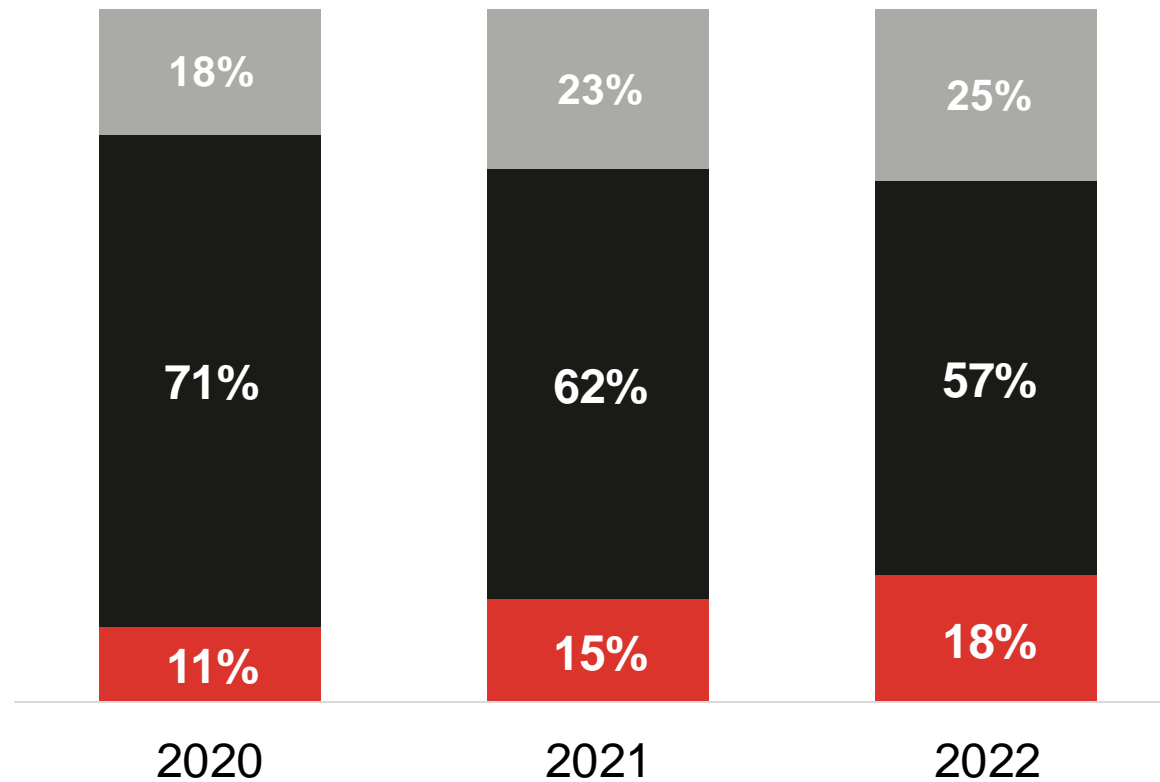
CTV will account for 36% of total time spent with linear TV and CTV combined in 2022



Despite the time spent growth, ad dollars are not keeping pace: Only 18% of total video ad dollars are going to CTV in 2022

Annual Total Video Ad Spend Share (\$MM)

■ CTV ■ Linear TV ■ All Other Digital Video

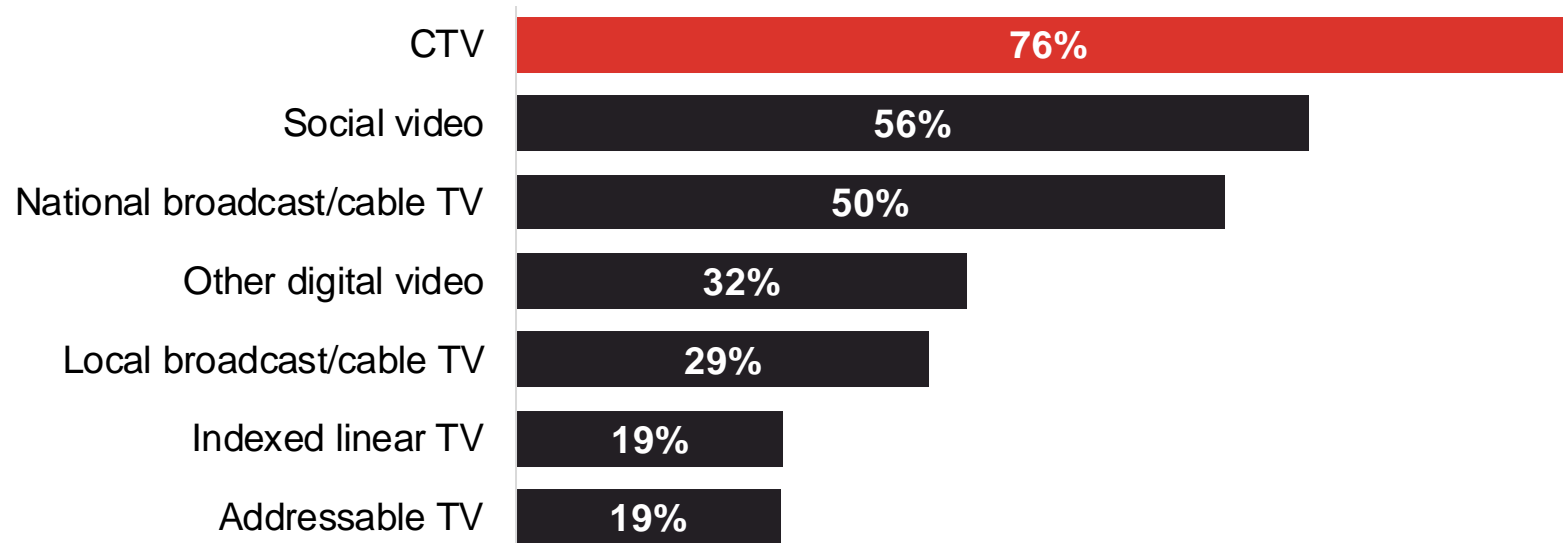


CTV: Ad Spend Growth Drivers

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CTV is a must-buy for three in four of video buyers, more so than any other video type

% That Consider a Must-Buy (Necessary for Media Plan)



Nine out of ten (87%) of the largest media spenders* say CTV is a must-buy.

*Annual media spend > \$50M

Q. Keeping in mind your [company's/main client's] largest/most important brand that you select media for in the [] market sector, which of the following best describes your opinion of each of the following advertising types?

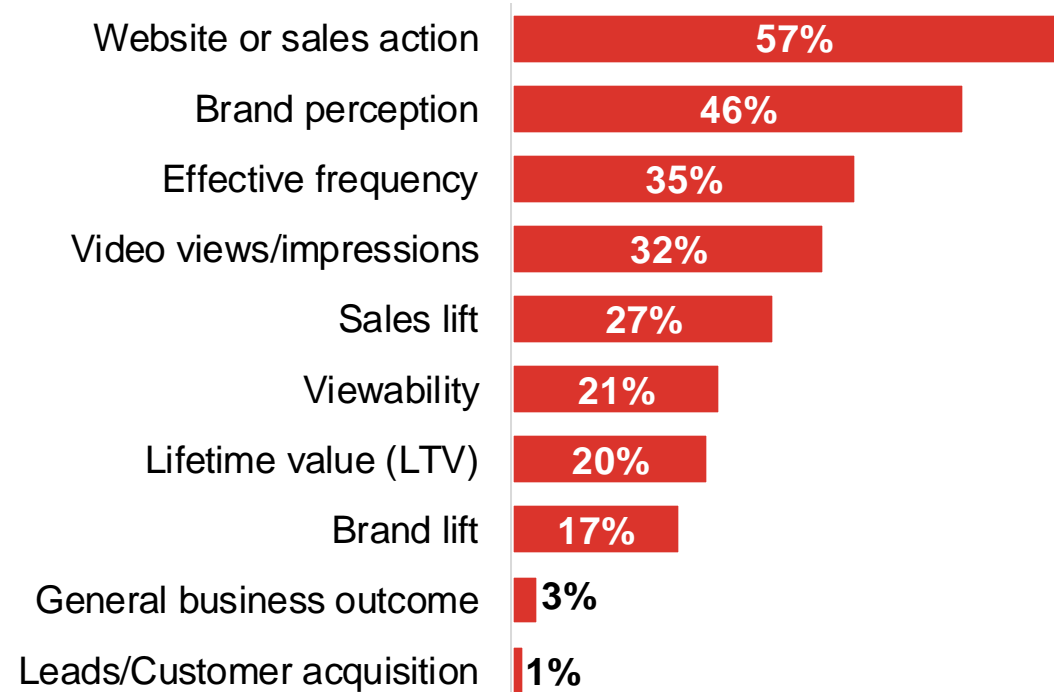
Base: Total respondents

CTV is more effective than linear TV at delivering KPIs across the funnel

Net Effectiveness of Advertising on CTV Compared to Linear TV

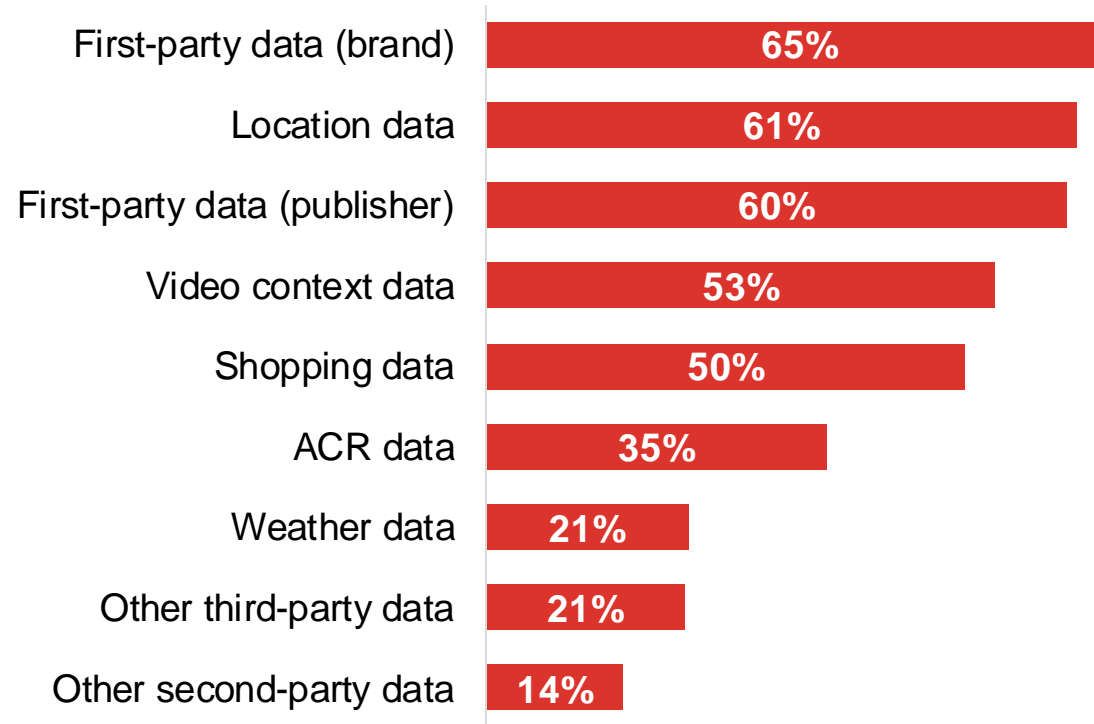
Among buyers using the KPIs

Net Effectiveness = More Effective – Less Effective



CTV enables buyers to leverage many types of data not available within linear TV

Data Types Used for CTV Targeting

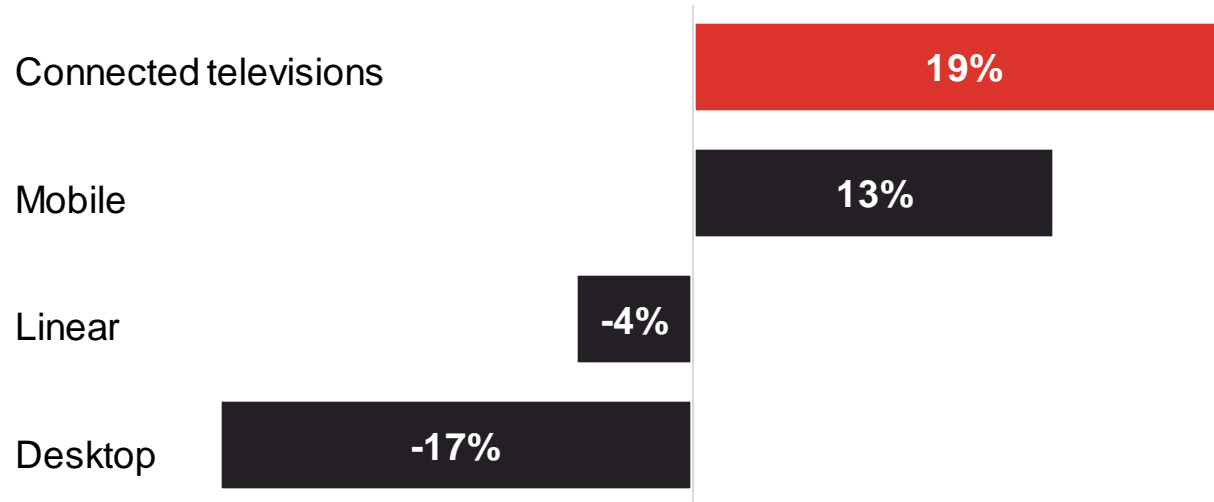


Q. Thinking about your [company's/main client's] targeting when buying CTV/OTT, which of the following types of data were used for targeting?
Base: Total respondents

Third-party cookie/mobile ID deprecation is helping to drive CTV spend

Net Optimism Regarding Increased Investment Due to the Deprecation of Third-Party Cookies/Mobile IDs

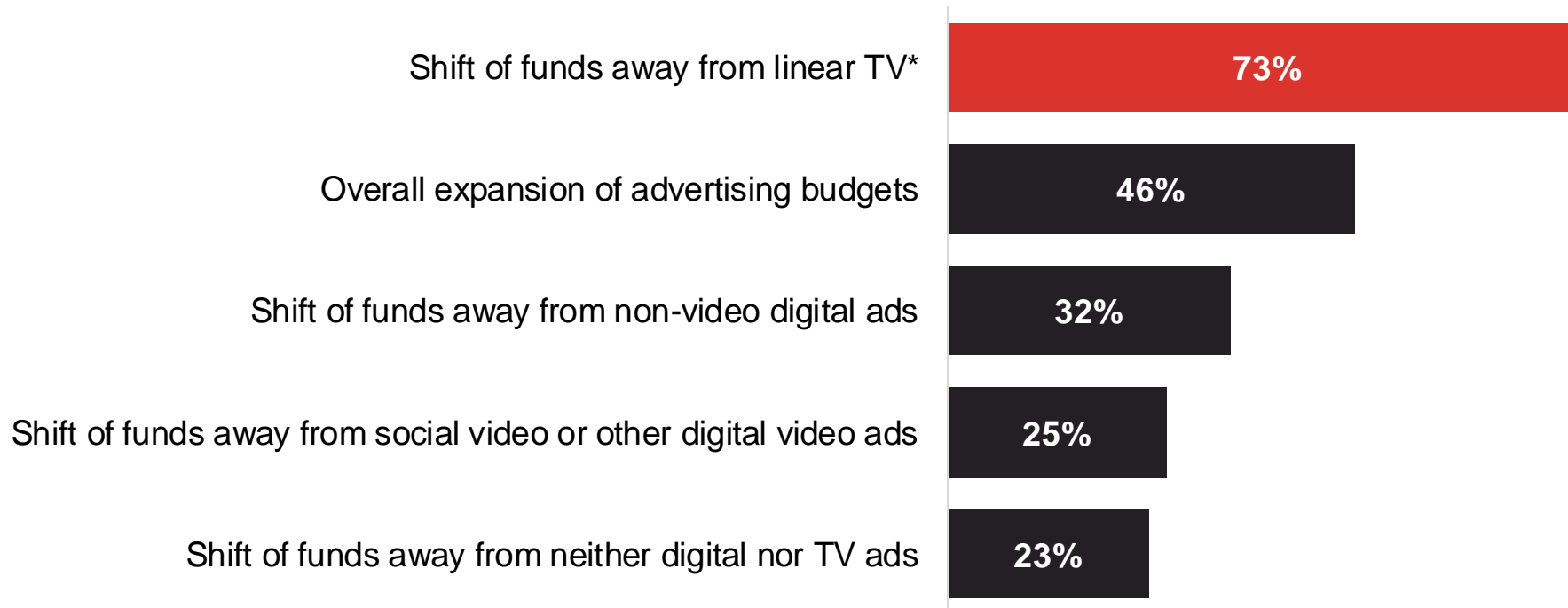
Net Optimism = % that plan to spend more – % that plan to spend less



Buyers expect to fund CTV increases primarily by shifting budget from linear TV

Sources for Funding the Increase in CTV Ad Spending Due to the Deprecation of Third-Party Cookies/Mobile IDs

Among buyers who plan to spend more on CTV



*Includes broadcast, cable, audience-based linear TV (addressable and indexed linear TV)

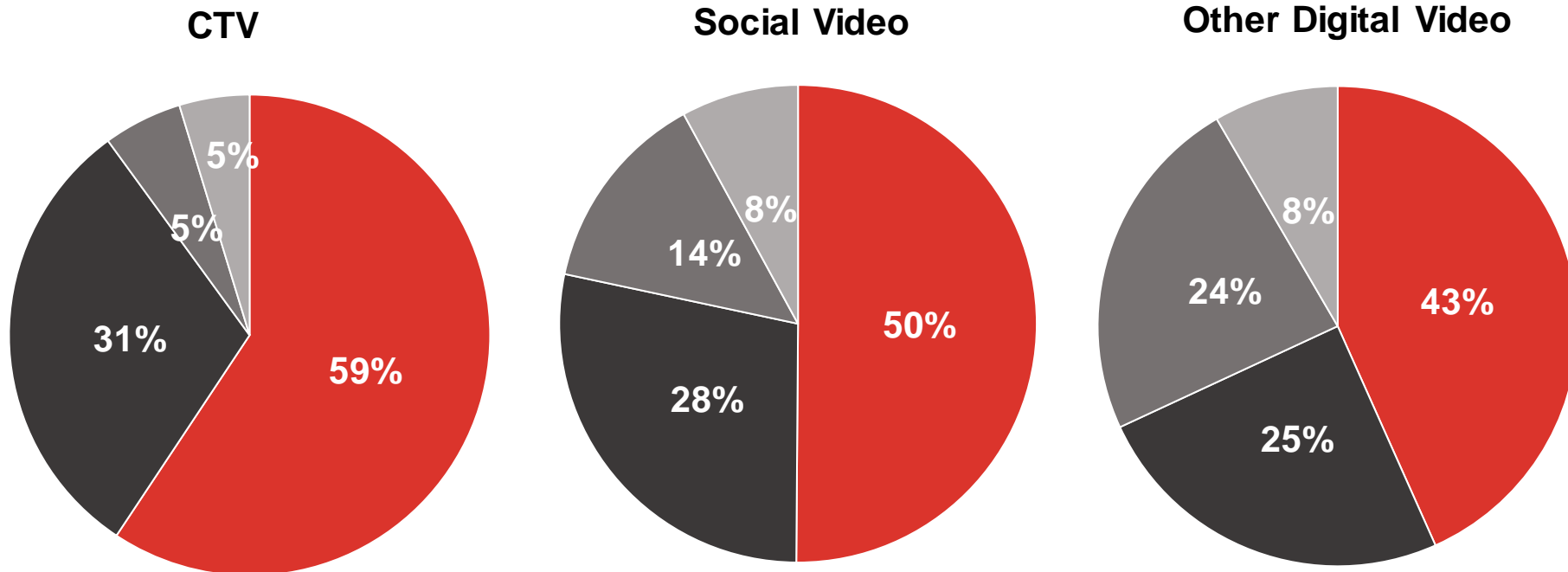
Q. You mentioned you plan to spend more on CTV/OTT due to the deprecation of third-party cookies and mobile ad IDs. How will you fund the CTV/OTT spending increase?
Base: Buyers who plan to spend more on CTV due to the deprecation of third-party cookies and mobile ad IDs

Across digital video, CTV provides buyers with greater ad placement transparency

59% of CTV buyers are very clear where their ads ran vs. only 50% and 43% for social video and other digital video

% of Video Ads Where Buyers Are Clear Where Their Video Ads Ran

■ Very clear ■ Mostly clear ■ Somewhat clear ■ Not clear



Q. Which statement best describes your [company's/main client's] purchasing of video ads in the following environments? - I know where XYZ%* of my [company's/main client's] video ads ran.

Base: Total respondents

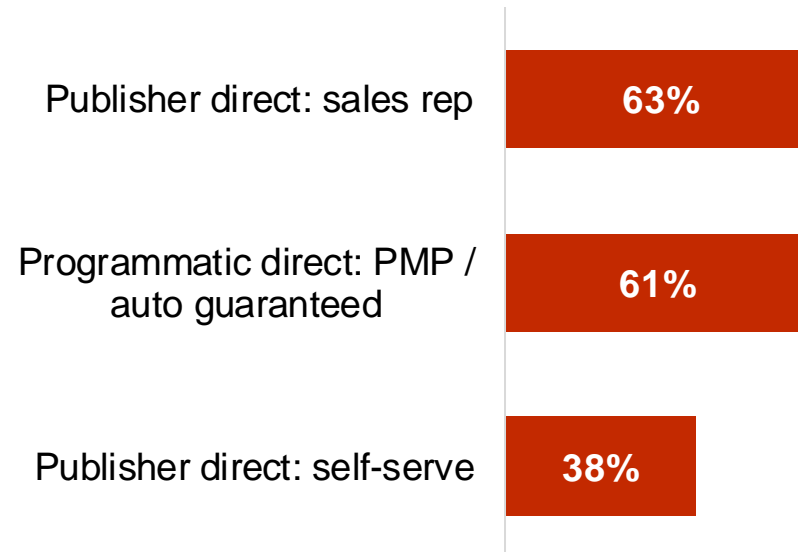
*Note: Very clear = 75% to 100%; Mostly clear = 50% to 74%; Somewhat clear = 25% to 49%; Not clear = < 25%

CTV transactions are primarily direct buys—providing further transparency to buyers

Publisher direct, programmatic direct, and self-serve ad platforms enable more buyer transparency than other transaction methods

Top 3 Transaction Methods Used to Purchase CTV Ads in the Past 12 Months

Among CTV buyers



CTV self-serve ad platforms make it easier for small businesses to spend in CTV

55%

of small media spenders*
who purchased **CTV** in the
last 12 months did so via
self-serve

In fact, small media spenders were significantly more likely to purchase CTV via self-serve than mid-tier and larger media spenders: 55% vs. 32% and 34%

*Small spenders = annual media spend < \$10M; Mid-tier spenders = annual media spend \$10M to < \$50M; large spenders = annual media spend > \$50M

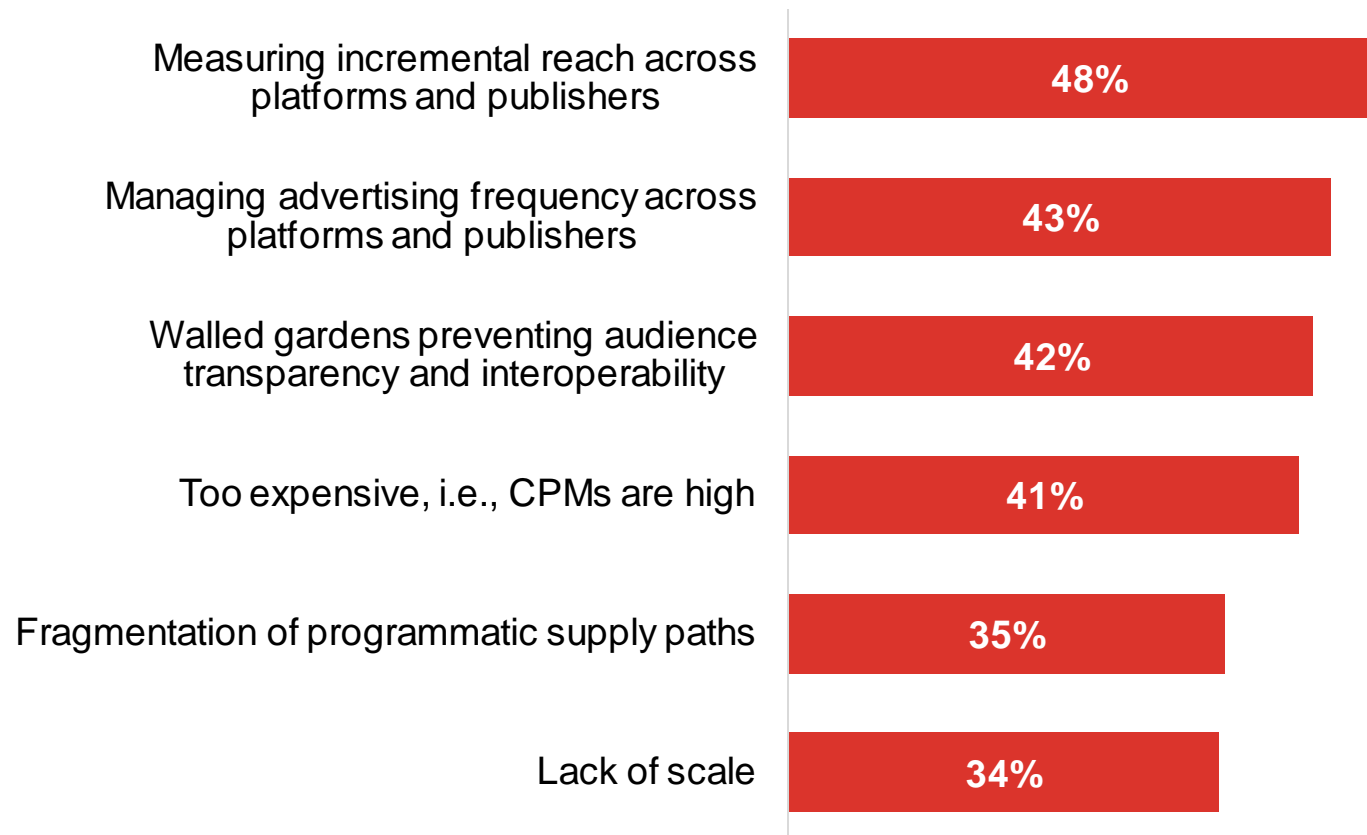
Q. Which transaction methods did you use to purchase CTV/OTT ads from each type of service in the past 12 months? CTV: Ad-supported subscription video services (AVOD)
Base: CTV buyers whose annual media spend < \$10M

CTV: Challenges & Opportunities

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Top CTV challenges: More than one third of buyers cite reach and frequency measurement, interoperability, price, fragmentation, and scale

Top CTV Challenges



Although buyers want to use sales/business outcome KPIs in CTV, they are not currently leveraging them

Top 5 Main KPIs Currently Used for CTV

1	Reach/Frequency
2	Brand lift
3	Effective frequency
4	Brand perception
5	Video views/impressions

Top 5 Ideal KPIs Desired for CTV

1	Sales lift
2	Reach/Frequency
3	Brand lift
4	Video views/impressions
5	General business outcome
5	Effective frequency

Qs. For each media type, which are the main KPIs your [company/main client] currently uses? / In an ideal world what primary KPI would you like to use for each media channel?

*Effective frequency = how many impressions it takes to achieve the desired result

Base: Total respondents

Sales lift KPI challenges most cited: measurement complexity, poor tools, and data lags

What is holding you back from relying on sales lift as your ideal KPI?



“Can’t tie back ad impressions to sales.”
-Supervisor, Agency

“Lack of proper attribution model.”
-Manager, Brand Marketer

“Impossible to track directly.”
-Director, Agency

“So many different factors contribute to sales lift that it is hard to quantify as a KPI.”
-VP, Agency

“Data delays. Takes too long to see sales results making it hard to optimize quickly.”
-Supervisor, Agency

“I don’t believe it is an accurate way to measure retaining customers, specific product sales, etc.”
-Director, Brand Marketer

“Difficult to attribute directly and consistently.”
-Director, Brand Marketer

“Quality of measurement and modeling.”
-Director, Brand Marketer

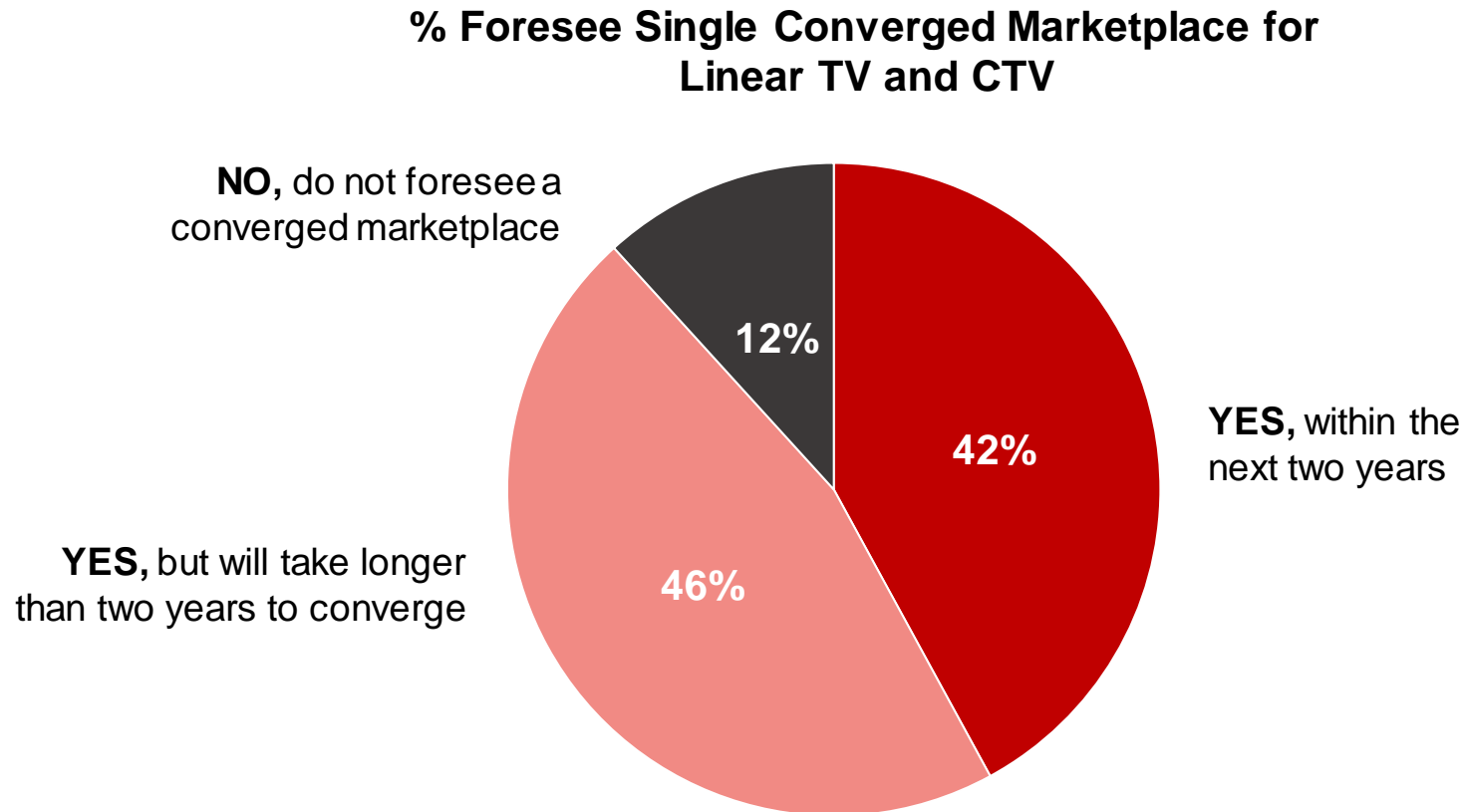
“Poor attribution tools and methods.”
-Director, Brand Marketer



Q. What is holding you back from relying on your ideal KPI (i.e., what will it take to get you to switch to this ideal KPI)? – Sales lift

Increasingly, buyers foresee a converged marketplace

Nearly nine in 10 buyers anticipate a converged marketplace in the coming years, 42% of which see it happening in the next two years, up from 30% in last year's study



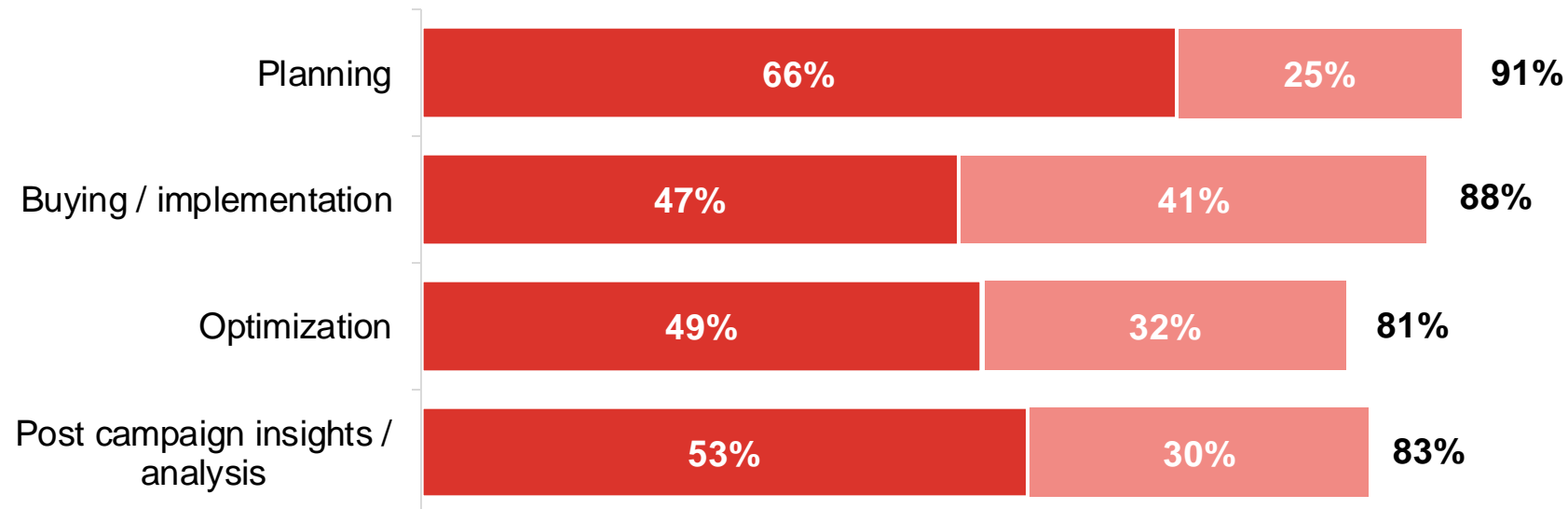
Buyers are adjusting their organizational design to mirror the converging market

Two thirds of linear TV/digital video buyers already have a single video planning team

Handling of Digital Video and Linear TV Advertising by Campaign Phase

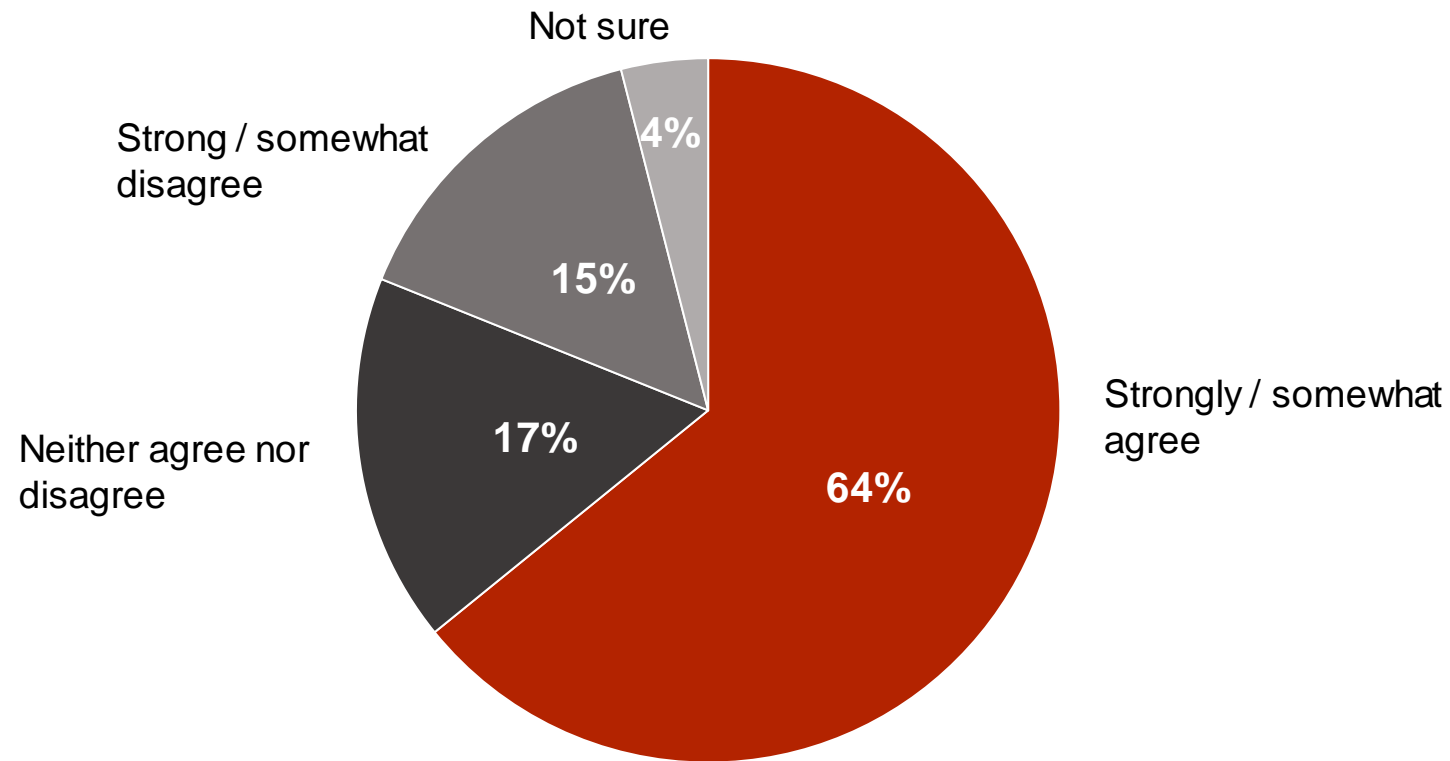
Among linear TV/digital video buyers

■ One team ■ Separate teams, anticipate one



Nearly two thirds of buyers are tapping the power of multivariate creative to mitigate over-frequency and creative burnout

Level of Agreement With Using Multivariate Creative to Avoid Over-Frequency and Creative Burnout

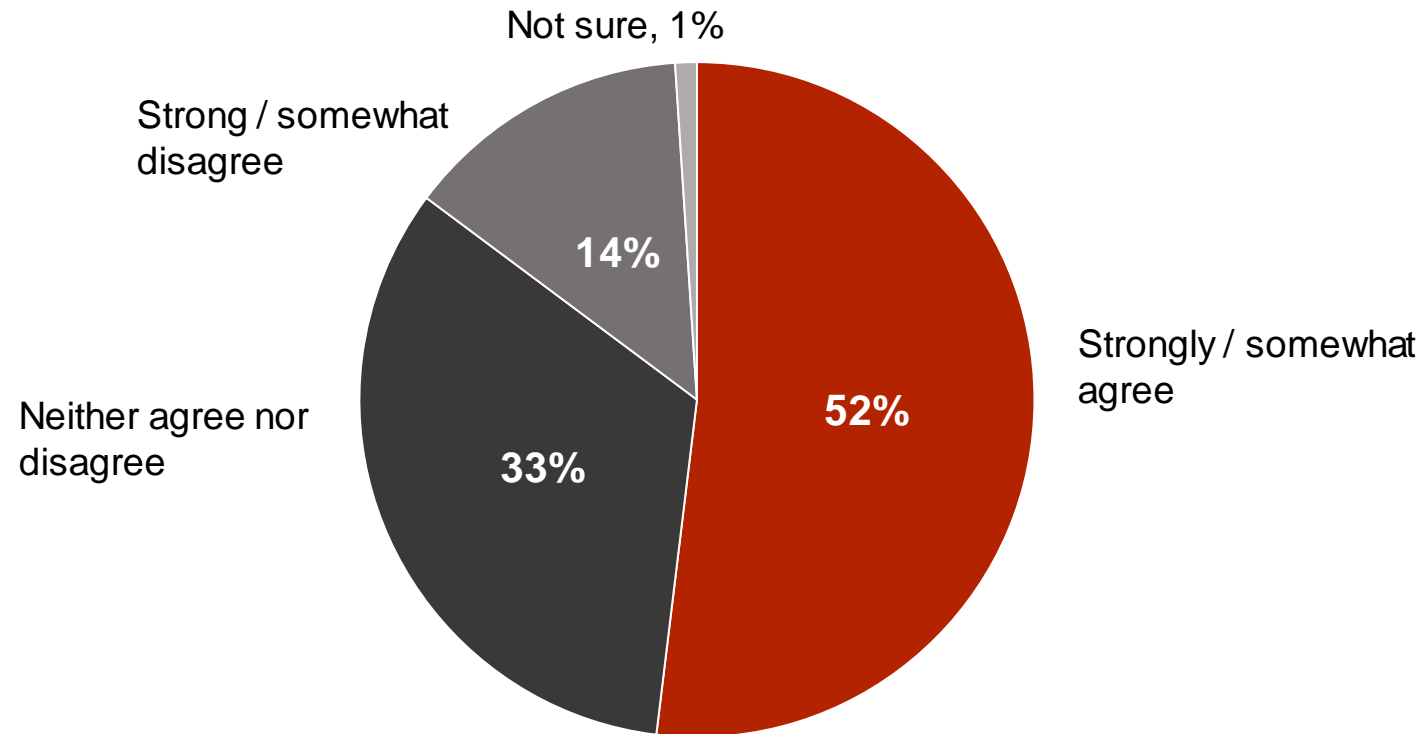


Q. Please rate your level of agreement with the following statements. - My [company/main client] is tapping the power of multivariate creative to avoid over-frequency and creative burnout.

Base: Total respondents

Over half of buyers are increasing the use of contextual signals to manage adjacencies and mitigate exchange-based fraud

Level of Agreement with Increasingly Using Real-Time Contextual Signals to Replace Open Exchange-Based Audience Targeting

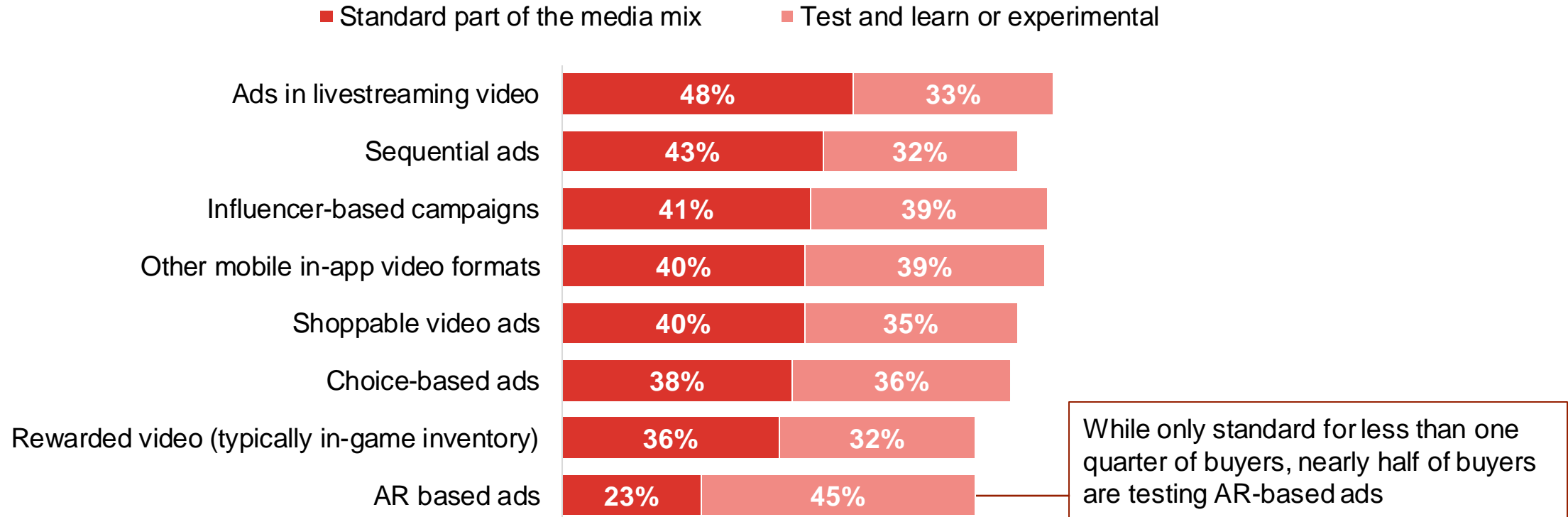


Q. Please rate your level of agreement with the following statements. - My [company/main client] is increasing our use of real-time contextual signals and segments as a replacement for open exchange-based audience targeting.
Base: Total respondents

Continued adoption and fine-tuning of emerging ad formats will help shift adoption towards CTV

Video Ad Formats Being Used – “Emerging”

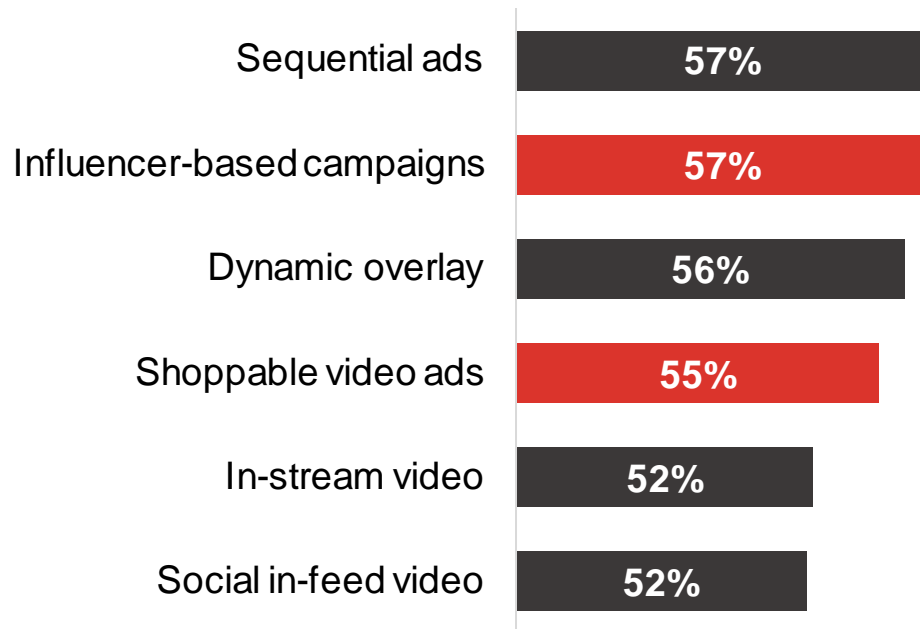
Formats that are standard for <50% of buyers



Emerging formats—influencer and shoppable—are already performing across the funnel

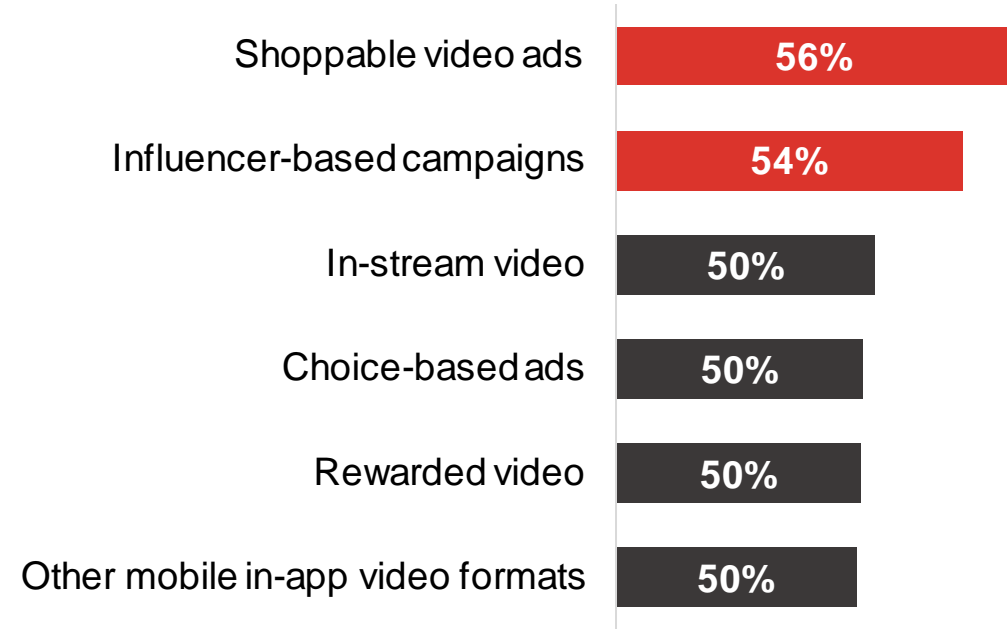
Video Ad Formats Rated Highly For Delivering on Upper Funnel KPIs

Among buyers using the formats



Video Ad Formats Rated Highly For Delivering on Lower Funnel KPIs

Among buyers using the formats

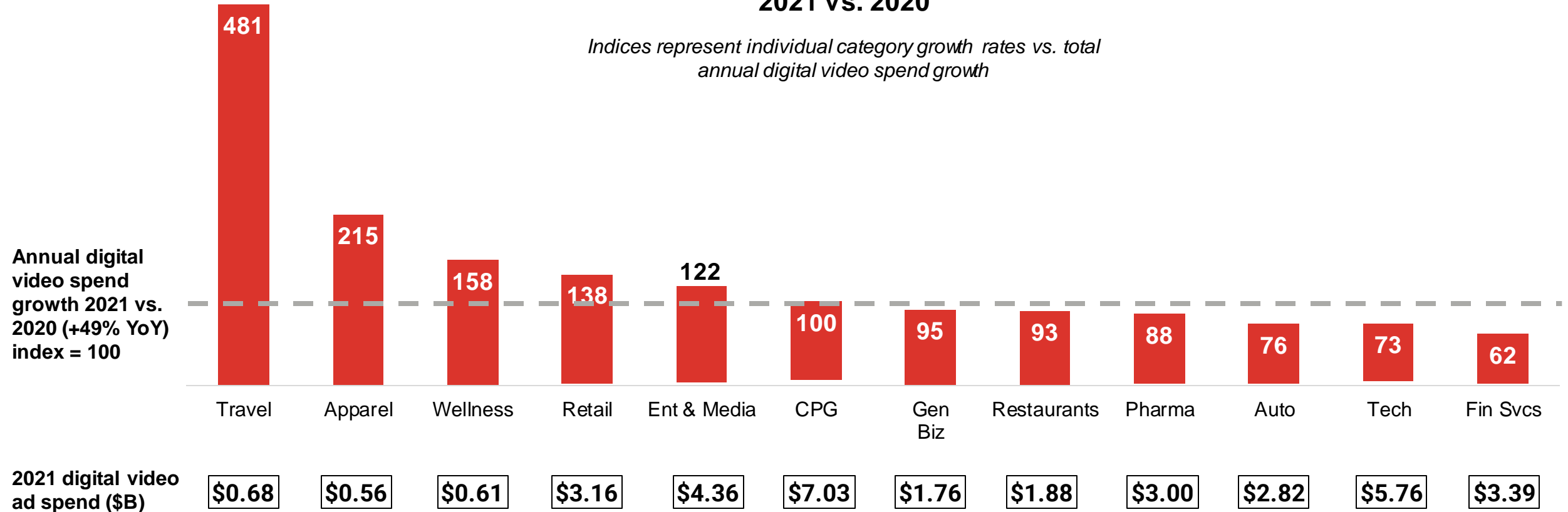


Q. You mentioned you've used some video ad formats. How would you rate their ability to deliver on goals/KPIs for campaigns focused on upper-funnel objectives? How would you rate each video ad format's ability to deliver on goals/KPIs for campaigns focused on lower-funnel objectives? – Rated highly = 8-10 on a 10-point scale
Answer choices truncated in chart above due to space. Full answer choice wording: In-stream video (e.g., pre-roll, mid-roll, post-roll). Rewarded video (typically in-game inventory). In-article (display outstream video). Note: Only responses 50%+ are shown
Base: Video ad formats used as part of media mix;

Travel, apparel, and wellness saw the most digital video/CTV ad spend growth in 2021

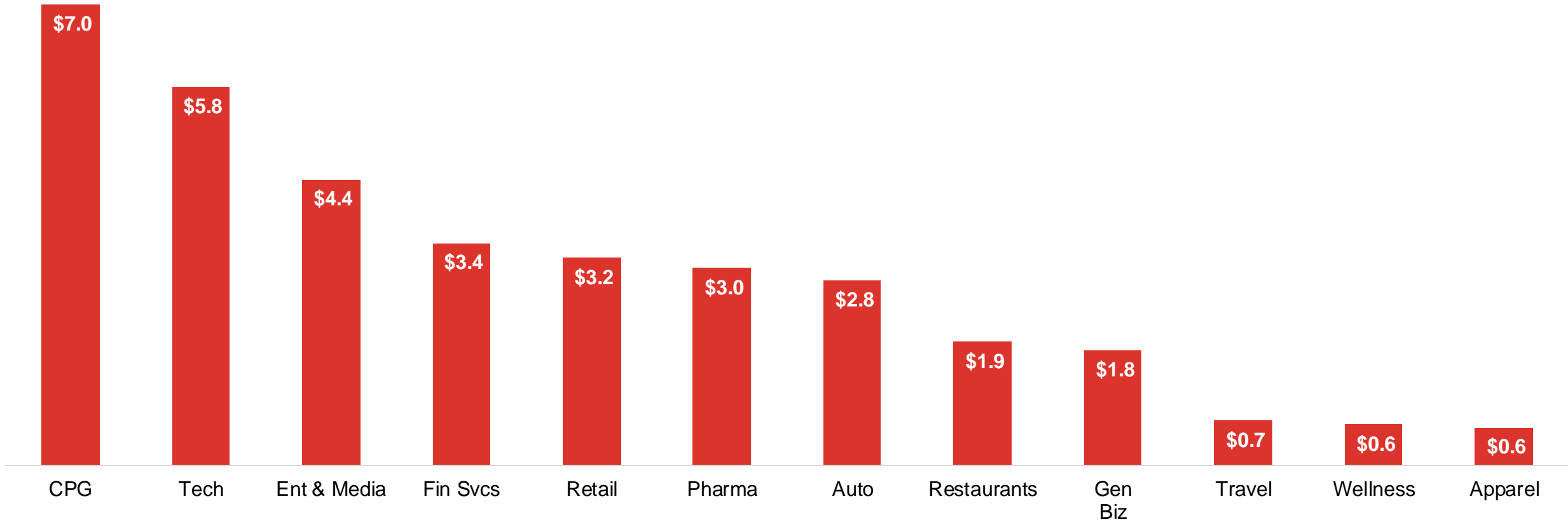
Growth Index: Annual Digital Video Spend by Category 2021 vs. 2020

Indices represent individual category growth rates vs. total annual digital video spend growth



CPG, tech, and entertainment led the way in spending volume in 2021

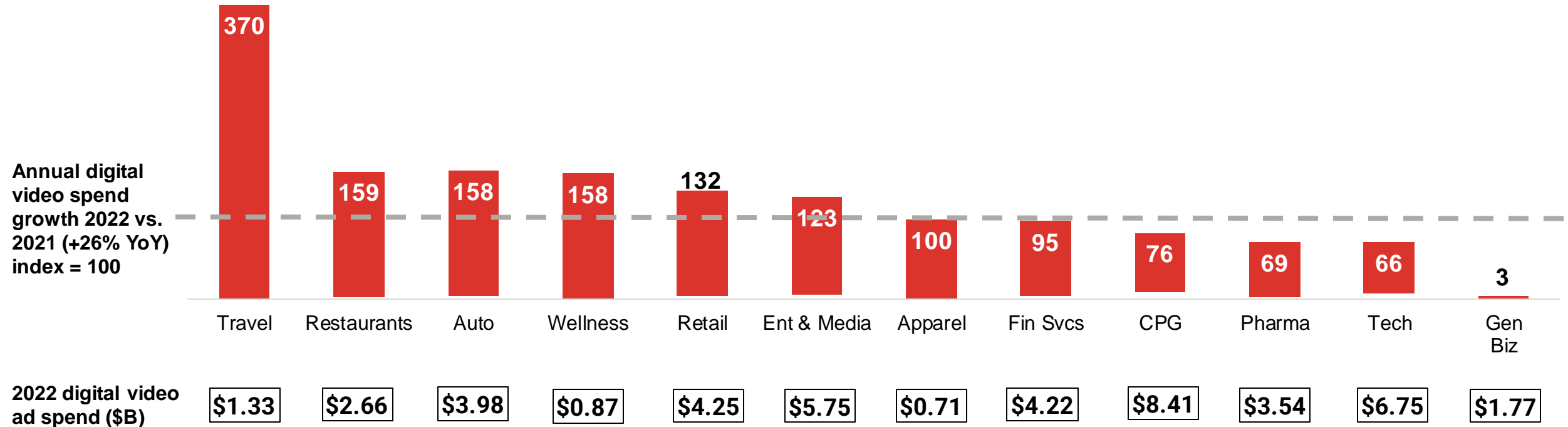
Annual Digital Video Spend 2021 by Category (\$B)



Travel, restaurants, auto, and wellness are expected to see the most growth in 2022

Growth Index: Annual Digital Video Spend by Category 2022 vs. 2021

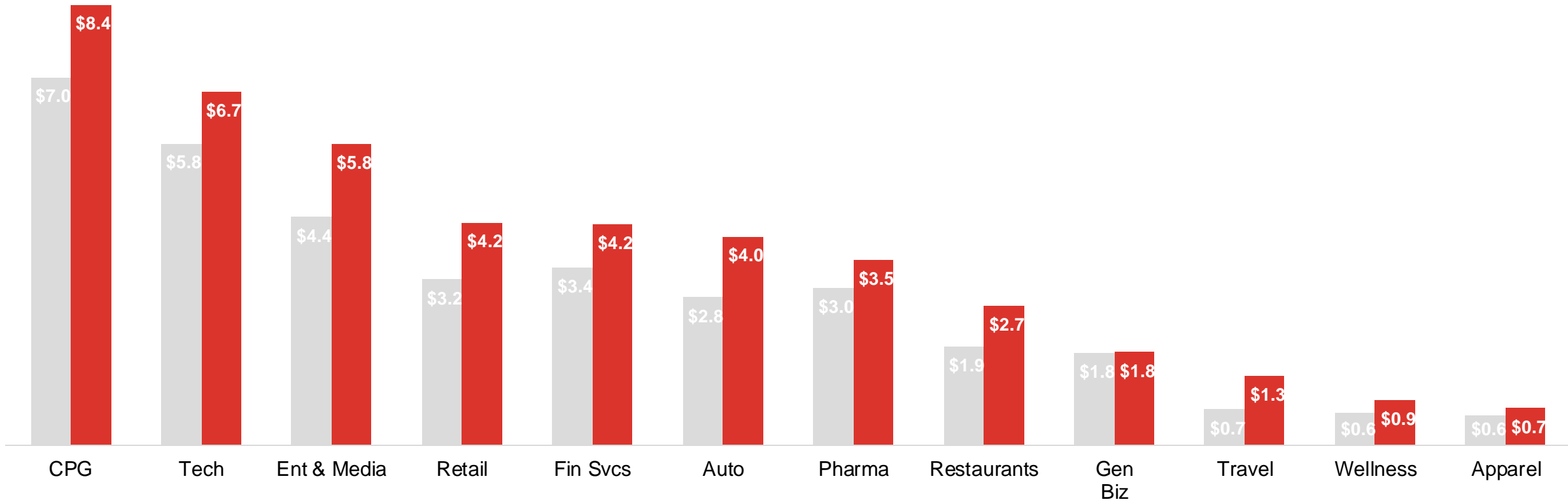
Indices represent individual category growth rates vs. total annual digital video spend growth



CPG, technology, and entertainment/media will continue to lead investment in 2022

Annual Digital Video Spend by Category (\$B)

■ 2021 ■ 2022



Recommendations

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Recommendations (1 of 2)

1. As viewers migrate from broadcast/cable to streaming TV, advertisers must meet them where they are.

- Although CTV will account for 36% of total time spent with linear TV and CTV combined this year, only 18% of the video ad dollars are being allocated there. For many emerging and established brands, it's time to right-size spend in order to “reach the unreachables”—current and future customers who are not viewing traditional television.

2. (Re)organize for success.

- The “wash, rinse, repeat” sequence of planning, executing, and optimizing is being rewritten with CTV. Media agencies need to rethink their team structures and how they bring planning and execution closer together, leveraging new workflows, data, tech, and measurement on behalf of their clients and brands.

3. Smart TVs deserve smarter creative.

- CTV is a digital medium with its own arsenal of planning, buying, and dynamic delivery which allows buyers to precisely refine their media plans. But CTV effectiveness requires more than just repurposing the same 30-second linear TV spot into targeted CTV environments. Buyers should test, learn, and optimize with multivariant creative to find true success within CTV.

4. “Walk the talk” for better CTV ad experiences.

- If CTV is going to make good on its promise of targetability, relevance, and efficiency, all participants in the supply chain must work together to prevent poor ad placement.

Recommendations (2 of 2)

5. Partnerships are critical.

- Overcoming streaming channel fragmentation requires collaboration with identity and addressability tech enablers whose connective solutions can bridge the CTV landscape of OEMs, platforms, and publishers to support more holistic media plans.

6. Recognize CTV's full-funnel future.

- Buyers like CTV for its precision in delivering household addressability. But that addressability is not just for bottom-of-the-funnel performance. Advertisers should leverage CTV audience insights to (a) reach incremental audiences that can't be reached via other channels, (b) optimize reach and frequency for top-of-the-funnel branding against light TV viewers who are spending more time with streaming, and (c) reach audiences more precisely on a national or local basis.

7. Don't rely exclusively on pricing models of the past.

- Our research found that 28% of buyers consider effective frequency* a main KPI for CTV. While broadcast/cable TV may appear less expensive in terms of hitting mass impression targets, the waste that comes with serving ads to unwanted audiences has become part of buyers' standard calculations to move beyond "spray and pray."

8. Trust but verify measurement providers.

- As dozens of new measurement providers, methodologies, and video currencies flood the market, buyers and sellers must ensure that third parties (e.g., MRC) are auditing the data. Standards matter now more than ever.

Appendix

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Video Type Classifications

Digital Video

- 1. CTV:** “TV-like” internet-delivered content, typically long-form and delivered via a Smart TV or OTT device, via subscription or non-subscription streaming video services. Some inventory may be distributed in the mobile or desktop environments of those services, likely less than 20%. Includes the following:
 - a. Advertising-Based Video on Demand (AVOD)**
 - Free ad-supported streaming TV (FAST) services such as Pluto TV, Tubi, and Xumo
 - Ad-supported paid subscription video services (e.g., Hulu, Paramount+)
 - b. Virtual Multichannel Video Programming Distributors (vMVPDs):** Services such as Hulu Live TV, YouTube TV, and Sling
- 2. Social Video:** Short-form video from social platforms, including TikTok, Snap, Twitter, YouTube, and others
- 3. Other Digital Video:** Short-form video from web/app-based publishers

Television

- 1. National Broadcast/Cable TV:** Traditional linear TV, bought for distribution nationally. Households viewing the same shows see the same ads. This includes any data-driven linear TV bought for distribution.
- 2. Local Broadcast/Cable TV:** Traditional linear TV, bought for local (metro-level) programming (aka “Spot TV”). Households viewing the same shows see the same ads.
- 3. Audience-Based Linear TV**
 - a. Addressable TV:** Allows advertisers to dynamically serve specific ads to a specific households during scheduled linear TV programming, based on first, second, or third-party data such as location, behavior, and demographics.
 - b. Indexed Linear TV:** Enables buyers to identify programs, networks, and dayparts with a high composition of the advertiser's target audience and build a buy more likely to reach that audience.

Partnered With Advertiser Perceptions and Standard Media Index (SMI) Insights

IAB commissioned Advertiser Perceptions and SMI Insights to quantify the size and growth rate of the U.S. digital video advertising spending market to provide a lens into market trends. The report offers guidance for buyers and sellers on how they can position and differentiate their video initiatives based on where the challenges and opportunities reside.

Advertiser Perceptions Quantitative Sample Generated and Execution

- 15-minute anonymous online survey, n=406
- Advertiser Perceptions leveraged its AdPros Community and and Dynata/CleverX B2B sample methodology to recruit verified industry leaders, identified as those who:
 - Are involved in recommending, specifying, or approving advertising spending in digital video
 - Spent at least \$1 million on advertising in 2021
 - Work at agencies or directly for a brand marketer
- Fielded: February 15, 2022 – March 15, 2022

SMI Insights' Digital Video Ad Spend Market Size and Growth Rate Methodology

- SMI Insights' digital video ad spend market size and growth rate estimates are based on SMI's Pool of ad billing data, including "forward bookings," the IAB-commissioned Advertiser Perceptions quantitative survey, interviews with industry leaders, other market estimates, and expert judgment.
- The SMI Pool's coverage of the U.S. advertising market is based on deterministic, census-level total media billings for all spending by the largest ad agencies, includes all six U.S. major holding groups most of the largest independents.

Survey Respondent Profile

Profile of Respondents (406)	Total
Agency	60%
Brand Marketer	40%
Senior (VP+) job title	46%
Mid (Director) job title	46%
Junior (Manager, Associate or Other) job title	8%
Small spenders (annual media spend < \$10M)	41%
Mid-tier spenders (annual media spend \$10M-\$50M)	27%
Large spenders (annual media spend > \$50M)	32%

Market Sectors	Total
Auto	7%
CPG	9%
Fashion/Apparel/Accessories	8%
Financial Services	9%
Health/Wellness	7%
Home Furnishings/Furniture/Appliances	8%
Media & Entertainment	7%
Retail	8%
Technology/Consumer Electronics	9%
Telecom	7%
Travel	8%
Other	12%



The Interactive Advertising Bureau empowers the media and marketing industries to thrive in the digital economy. Its membership comprises more than 700 leading media companies, brands, agencies, and the technology firms responsible for selling, delivering, and optimizing digital ad marketing campaigns. The trade group fields critical research on interactive advertising, while also educating brands, agencies, and the wider business community on the importance of digital marketing. In affiliation with the IAB Tech Lab, IAB develops technical standards and solutions. IAB is committed to professional development and elevating the knowledge, skills, expertise, and diversity of the workforce across the industry. Through the work of its public policy office in Washington, D.C., the trade association advocates for its members and promotes the value of the interactive advertising industry to legislators and policymakers. Founded in 1996, IAB is headquartered in New York City.

About Advertiser Perceptions



Advertiser Perceptions is the global leader in research-based business intelligence for the advertising, marketing, and ad technology industries. Our expert staff delivers an unbiased, research-based view of the advertising market with analysis and solutions tailored to our client's specific KPIs and business objectives. These insights provide our clients with the confidence to make the very best organizational, sales and/or marketing decisions, driving greater revenue and increased client satisfaction.

www.AdvertiserPerceptions.com

About Standard Media Index (SMI)

Standard Media index

SMI reports on census-level, complete billing records for placement-level detail of all media transactions in all media types as supplied by the world's largest media buying groups, as well as leading independents, and organizes that data to create a clear, granular, and easy-to-use database for our clients and agency partners.

Depending on the market, SMI captures between 70% and 95% of all agency spend. By aggregating it, SMI offers detailed ad intelligence across all media types, including television, digital, out-of-home, print, and radio. Depending on the market, data can be broken down by unit cost, media owner, ad type, buy type, advertiser product category, and other dimensions.

Clients use SMI data to determine media mix models, create competitive benchmarks, and gain visibility into pricing level data. The data also allow them to understand marketplace trends on a product category level, evaluate ROI of tentpoles and sporting events, and break out ad formats by media type to highlight the effectiveness of different kinds of placements.

Our data supports insights covering 34 countries around the world.

Thank You!

For further information:

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