

THE STATE OF CTV IN 2023

Connected TV evolves in
the ad mix as old challenges fade
and new tech enters the picture

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Television has become a fully interconnected, wide-open space for audiences, with the very nature of sight, sound and motion on a screen now multifaceted and distributable across any number of devices. Audiences' underlying concepts of what TV comprises in the first place have been radically transformed by the technology they use daily.

In the midst of this transformation, when it comes to advertisers, connected TV has been a primary force driving this change, altering the marketing landscape of video content and fusing robust performance metrics with the longstanding value of brand awareness that television has always provided.

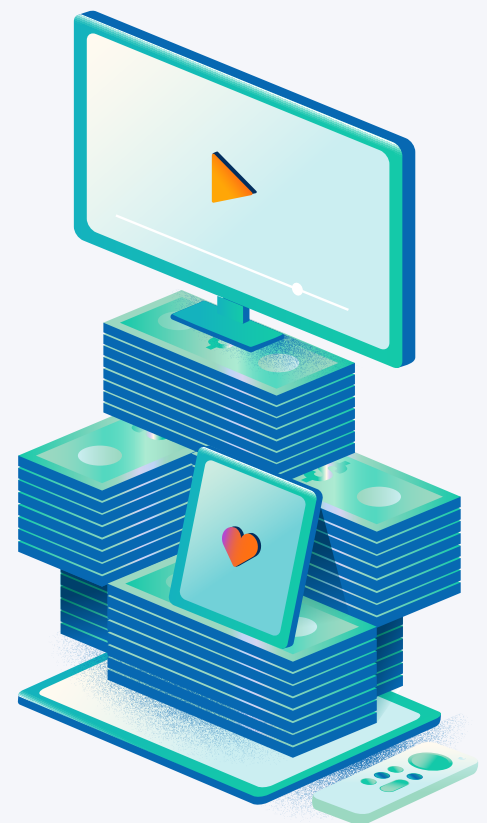
"2023 has seen connected TV reach new heights – record ad spend and adoption have seen it entrench itself as a mainstay for performance marketers," said Ali Haeri, vice president of marketing at MNTN. "As we look toward 2024, we expect more of the same as the channel's performance capabilities come further into focus. It's safe to say TV advertising has been transformed forever."

In this new State of the Industry report, Modern Retail, Digiday and MNTN explore how advertisers are setting goals for CTV in the second half of the year, what revenue and budget look like around connected TV channels – now and in the year to come – and which formats and team structures are in play as they deploy and optimize CTV creative across channels.

At the center of this third installment in our annual state-of-series is a new survey of more than 100 brands and agencies. What they told us highlights the evolution of CTV – from the buzz-heavy days of 2020 and 2021 into an established and powerfully integrated part of the everyday advertising mix.

In the following sections, we'll unpack how budgets and revenue expectations are stabilizing and how that integration suggests a steady cadence of spend now and in the future (even when economic uncertainties are in play). This report also shows how brand and performance teams – and metrics – are converging, spotlighting how rising channels such as RMNs and dramatically advancing technology such as generative AI are reshaping go-to-market strategies for connected

TV teams. Beyond that, we'll address the changing natures of challenges, including inventory fragmentation and costs, and how partnerships continue to occupy a central place in the success of CTV advertising teams.



What's in this report?

- How CTV has come to occupy an established and integrated role in the advertising mix
- What advertisers expect CTV will drive regarding revenue in 2023 and 2024
- How performance and brand teams are tackling CTV advertising management and measurement
- Why RMNs are playing a new and powerful role in CTV strategies
- What the rise of generative AI means for CTV ad creative
- How challenges are changing: from fragmentation to scale, engagement and cost

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In 2023, CTV occupies an increasingly integrated role in the advertising mix

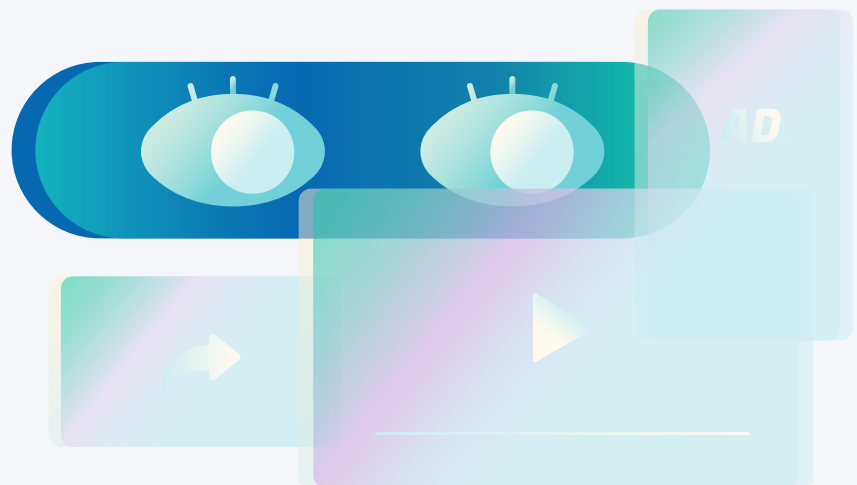
The intense early focus on CTV is now showing signs of settling into an established and integrated place in the marketing mix. Of the respondents who told us CTV was part of their strategies in 2023, a combined 76% said CTV was moderately to very significant to their advertising programs.

Q. How significant a role does CTV play in your advertising mix?



Their position is borne out by brands and agencies identifying opportunities – even niche strategic advantages – in the CTV space. For example, the company Adam and Eve leaned on the targeting capabilities of connected TV and streaming television ads throughout a year that has so far been marked by economic uncertainty.

“If we want to continue to be in front of the consumers that we need to be in front of, we have to go with where the eyeballs are,” said Chad Davis, director of customer acquisition at Adam and Eve, in [a recent Digiday report](#) on brands turning to video streaming to capture attention from the right viewers. “If we find a media that works and it’s acquiring customers in a very efficient way, we’ll spend money on that until the cows come home. If it works, we’ll keep spending on it and look to always grow.”

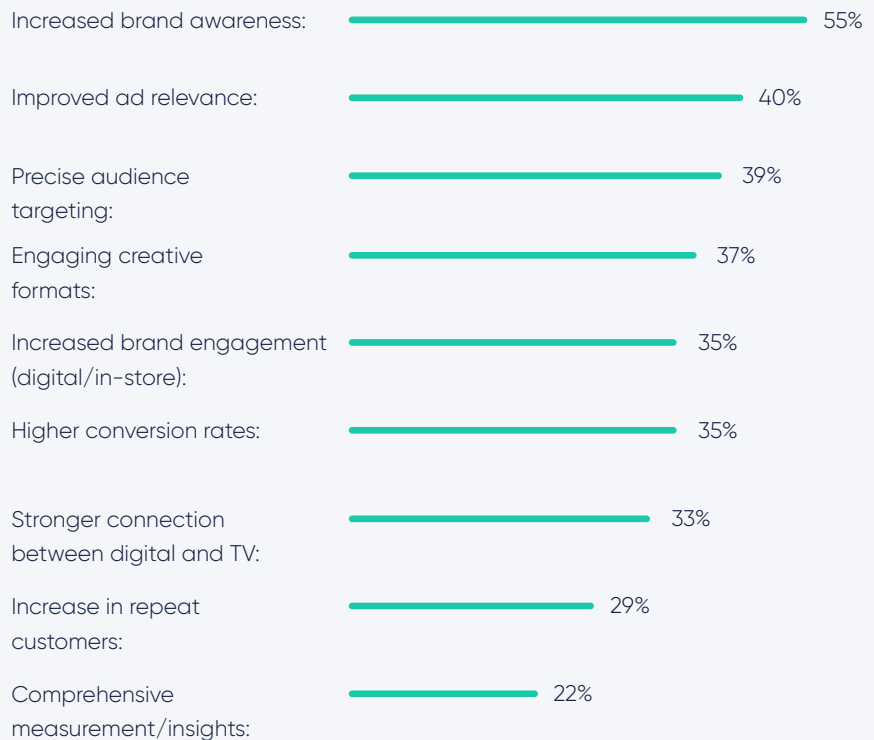


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CTV is still primarily a brand awareness goal; performance goals focus on ad relevance and targeting

Two years of industrywide discussion about the convergence of performance marketing and brand marketing have so far resulted in what still looks to be an emphasis on brand awareness for advertisers. In our survey, 55% of respondents cited increased brand awareness as a primary goal.

Q. What are the primary goals your team pursues with CTV advertising? Select all that apply.



However, performance is not very far behind on the list. Improved ad relevance (40%) and precise audience targeting (39%) came in at a virtual tie for second place among our respondents' advertising goals in 2023, and ensuring engaging creative formats (37%), increased engagement (35%) and higher conversion rates (35%) came in close as well – third and fourth selections for primary goals.

The picture is one of convergence. Brand awareness is a standard way of approaching the TV space, but performance is making inroads as advertisers see the results of attaching consumer action to their CTV campaigns.

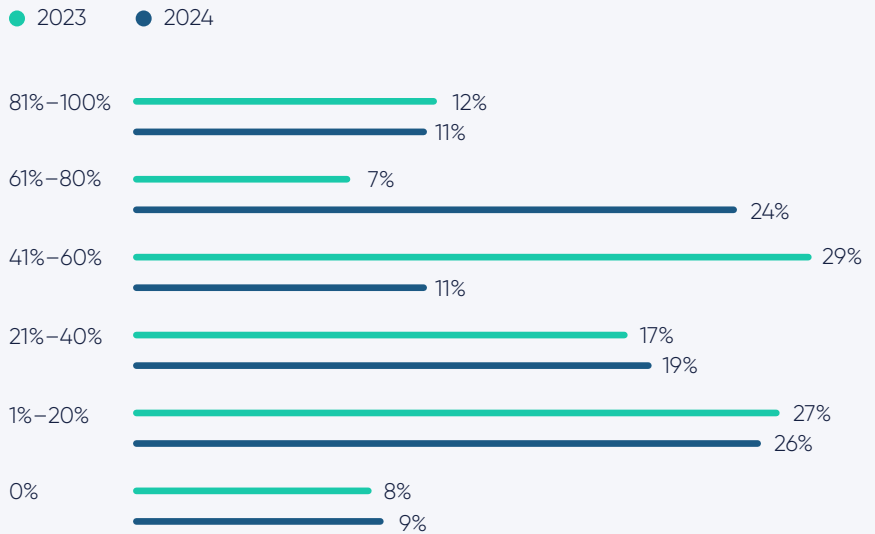
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Advertisers are counting on CTV for about half their ad revenue, and budgets track accordingly

Regarding the revenue that CTV generates for their organizations, more than one-third of our respondents (35%) expect connected TV campaigns to drive more than 40% of their advertising revenue in the year to come.

Q. What percentage of your revenue did CTV advertising represent in 2023, and how much do you expect it to represent in 2024?



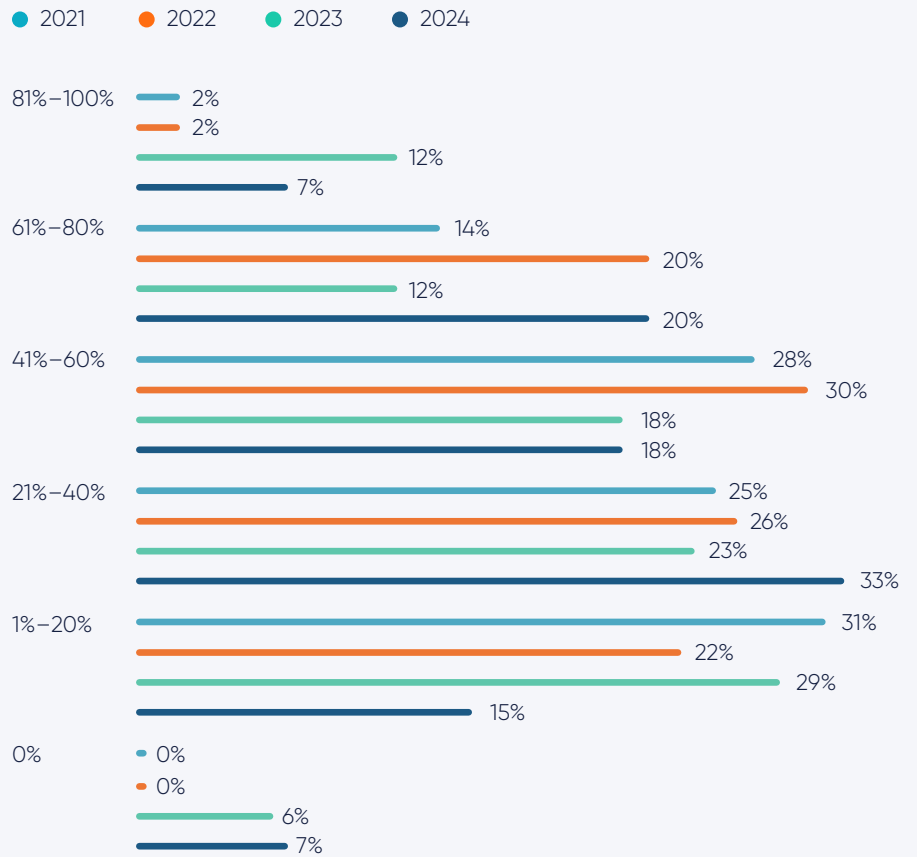
The most significant change between this year and next comes with the front-end of that range, in which the respondents estimate CTV to drive 61%–80 of their ad revenue; the uptick from 2023 to 2024 is expected to be 17 points – to 24 from 7%.

How advertisers are budgeting to capture the revenue they’re predicting this year and next tracks accordingly. About half (42%) put more than 41% or more of their budget into CTV campaigns and strategies in 2023; the percentage is approximately the same for their 2024 budget outlook (45%).

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Q. What percentage of your budget was allocated to run CTV campaigns in 2023, and how much do you expect to allocate in 2024?



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This steady cadence of CTV spend comes amid budgetary challenges across the advertising industry, but those factors appear to be a temporary concern for advertisers in mid-2023.

"While overall advertising spend projections are being revised down due to economic softness, CTV – and particularly programmatic CTV – is considered a growth area for 2023 and especially in the second half of the year," Talia Arnold, managing director at Exverus Media, told Digiday [in a recent article](#).

Programmatic buying still rules the CTV roost

Our survey respondents said programmatic buys are their primary conduit to CTV inventory (45%). This represents an increase of 6 points from the 39% who picked programmatic in 2022. Some (26%) are splitting programmatic and direct buys evenly in their strategy (another 6-point increase from 2022), while 30% are operating on a direct-sold basis only – the only dip between the two years, down 9 points from 39%.

Meanwhile, external indicators may well point to a shift in types of programmatic spend in the CTV space – i.e., toward more guaranteed transactions and PMP deals rather than the open marketplace. [In a recent Digiday article](#), Toby Katcher, vice president of video investment at CMI Media Group, said the guaranteed transactions and private marketplace deals give them more inventory control and improve brand safety and ad quality.



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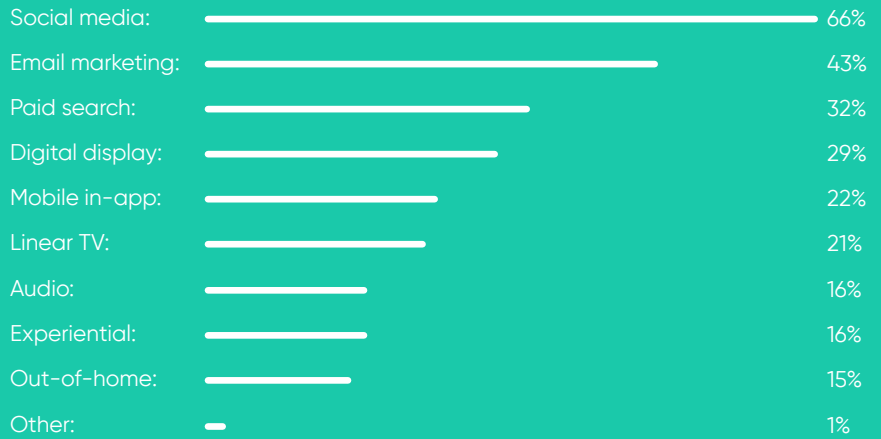
Advertisers are primarily shifting their CTV budget from social and email

Among our respondents, 24% have created a dedicated line in the budget for their CTV strategy (and 30% said they will do so in 2024). The rest of our respondents are moving allocation from other advertising lines into CTV to keep their strategies going.

most commonly cited move (66%). Email marketing (43%) was the second most cited line from which budget was drawn to support CTV strategies and paid search, digital display and mobile in-app virtually tied for third at 32%, 29% and 22% of the respondents' choices.

In 2023, shifting budget from social media to CTV was our respondents'

Q. From which advertising lines are you shifting allocation to support your CTV strategy? Select all that apply.



Looking back to the [2021 Digiday and MNTN report](#) on the state of CTV, one remarkable difference is that linear TV was the primary selection for sourcing CTV budget at 58%. However, in 2023,

it fell to 21%. Social media and display were second and third picks for budget reallocation two years ago (41% and 34%, respectively). In 2021, email marketing was seventh on the list.

Advertisers expect to rely less on other budget lines for CTV in 2024

Among the respondents in our survey who are shifting budget into their CTV lines from social media, email, paid search, display and other parts of their advertising mix, most (54%) are fueling half or more of their connected TV budget from these shifts in 2023. That percentage dips 12 points in 2024, with external budgets anticipated to supply 42% of our respondents' CTV budgets overall.

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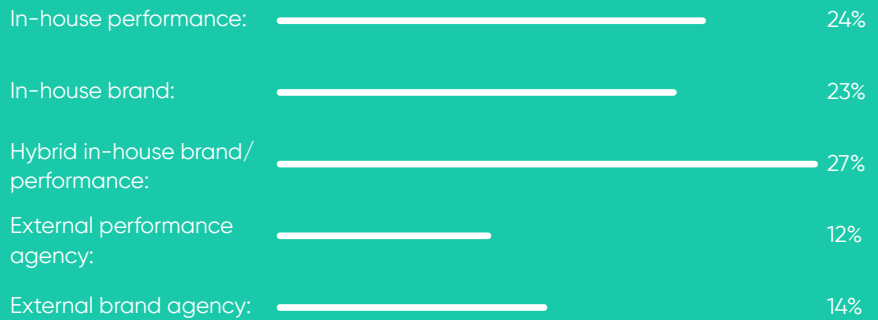
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Performance teams are adding CTV campaign management to their lists in 2023

Advertisers relying solely on their performance teams (24%) have edged ahead of the brand team (23%) in 2023. Among our respondents, the hybrid approach – brand and performance teams working together – is much less common (27%) than a

brand-or-performance-only system (47%). Relying on agencies, whether brand or performance in focus, to handle the work is similarly less common (26% combined) than in-house single-team approaches.

Q. Brands: What team is primarily responsible for CTV marketing?



What has changed most significantly since previous surveys of our audience is our advertisers increased focus on the in-house performance team for CTV campaign management – up 11 points from the 13% relying on performance in 2021. Likewise, the brand performance

in-house focus fell to 9% between the two years. The shift is evident; performance teams are increasingly on the job as connected TV becomes an endemic and persistent force in our respondents’ advertising mix.

Measurement team structures correlate with campaign management

Among our respondents, measurement team dynamics correspond closely to what we found in the management team query.

Advertisers relying on their performance teams fully (24%) to measure outcomes have edged ahead of those tapping into the brand team (22%). Using a hybrid approach – brand and performance teams working together – is similarly less common (28%) than an internal-team system (46% combined). The scenario appears to be the same as [in the Digiday and MNTN 2022](#) report on advertisers on CTV measurement and optimization – 48% were focusing only on internal teams, and 32% were working on a hybrid model.

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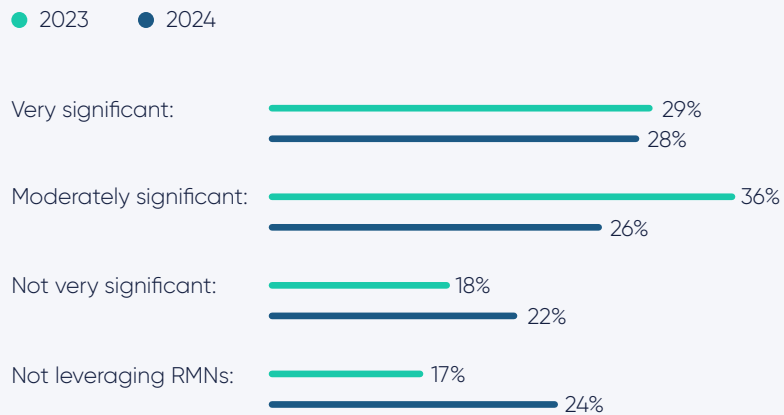
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A majority of advertisers are leveraging RMNs in their CTV strategies at significant levels

Where advertisers are targeting is changing as well. As retail media networks traced a renewed upward trajectory into advertisers' sales and marketplace in recent years, applying CTV tactics to RMNs followed suit.

Nearly three-quarters (72%) of survey respondents in 2023 said they are leveraging RMNs to drive connected TV campaign results to a moderate or very significant level. A majority (64%) expect retail media networks to play a moderately to very significant role in their CTV strategies in 2024.

Q. To what extent do your CTV campaigns leverage retail media networks in 2023, and to what extent do you expect they will leverage RMNs in 2024?



Short-form video formats are essential in 2023, with interactivity as a dominant theme

Enabling viewer interaction with video is a dominant goal our survey respondents are prioritizing. Interactive ad creative (42%) is the recipe for the second most-cited format on their list in 2023. Similarly, shoppable video (via QR codes) came in third at 34%, with selection tools that allow the viewer to pick the ad they want to watch not far behind at 27%.

Conversions took second place on the key metrics rundown, falling to 48% in 2023 from 58% in 2022. Return on ad spend and average cost of sale/CPA combined also dipped in our respondent's 2023 list, down 17 points to 22% from 39% one year ago.

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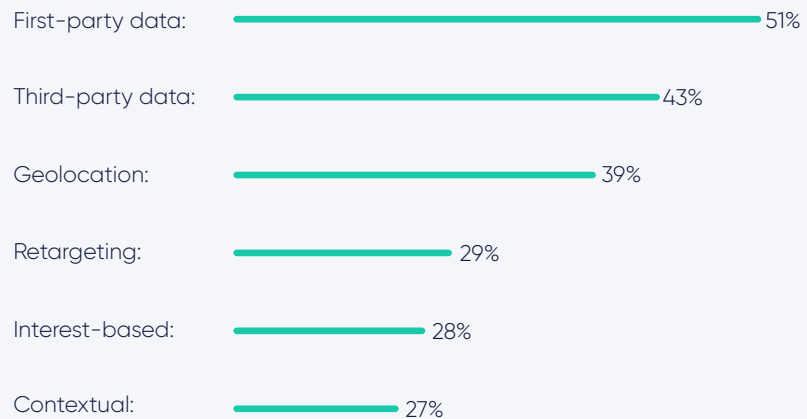
First-party tactics sustain a two-year lead for CTV targeting

Advertisers appear to be making plans for the death of the cookie.

For example, in 2021, third-party and first-party data were tied for the role of top targeting resource at 61%. And then, in 2022, first-party data pulled ahead to 74% against 68% citing third-party approaches.

Now, in 2023, first-party data continues to be the vanguard approach for CTV advertising: more than half (51%) of our survey respondents said so in our survey. The new percentages show third-party data holding second place (43%) among the ways advertisers reach their target audience with connected TV.

Q. What data and tactics are you using to reach target audiences with CTV advertising in 2023? Select all that apply.

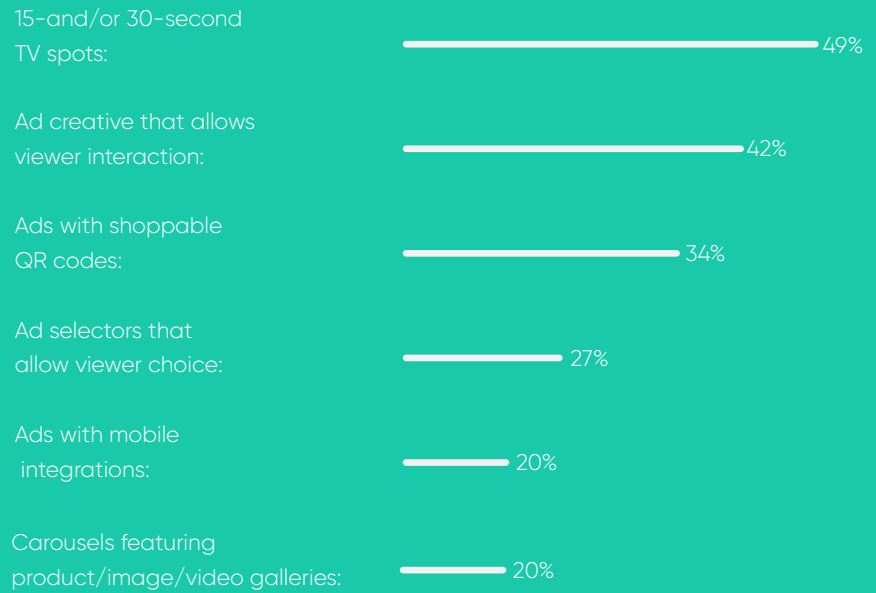


Meanwhile, a familiar tactical stalwart – geolocation targeting – has pulled ahead to a third-place spot (39%) in the targeting-data mix. Interest-based and contextual tactics, much closer contenders in 2021 (51% and 35%, respectively), occupy less prominent spots – 28% and 27% in 2023.

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Q. Which advertising formats are part of your CTV strategy? Select all that apply.



Meanwhile, whatever the state of debate regarding short-form and long-form video, advertisers in our survey are chiefly relying on 15-second and 30-second spots to drive their CTV campaigns – 49% indicated short video as their primary format.

Each result mirrors what 2022 survey respondents told us: Last year, short-form was first, interactive ads second, shoppable third and selection tools fourth.



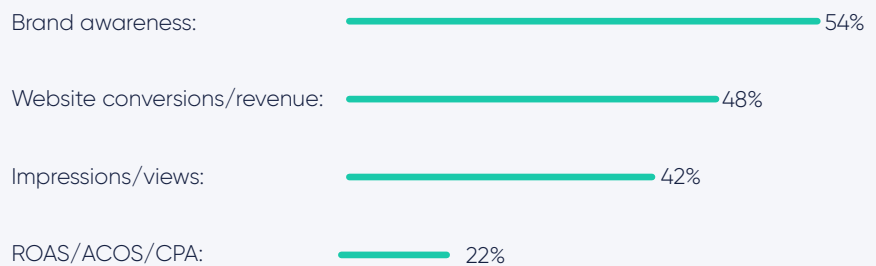
Brand and performance KPIs have achieved and sustained an integrated role

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While our advertisers have elevated performance-marketing KPIs in their list of critical metrics for CTV campaigns, brand awareness is still at the top by 6 percentage points (54%), with the awareness focus of impressions and views not far behind at 42%.

Q. Which metrics are most valuable when measuring CTV advertising? Select all that apply.



One of the reasons for the emphasis on these three metrics is likely due to the nature of the connected TV audience.

As Oliver Embry, director of product innovation at MNTN, put it in [a recent sponsored Digiday article](#): “Relative to other channels like social or paid search, the CTV consumer is choosing and opting into that content – they’re choosing to tune into their favorite show or their favorite channel. And what that does is it actually creates a more engaged customer when it comes to the view-through and attribution of some of those ads.”

What is additionally notable is the arc of the changes we can observe.

For example, brand awareness was ahead by a 43-point margin compared to conversions in our 2021 survey, a 3-point difference in 2022 and then a 6-point margin in 2023. As CTV moves to that more integrated role in the advertising mix, the KPIs have drawn closer between brand and performance – and they’ve sustained that approximate balance. A similar phenomenon can be seen between impressions/views and conversions: a 43% difference in 2021, 6 points in 2022 and 6 points in 2023.

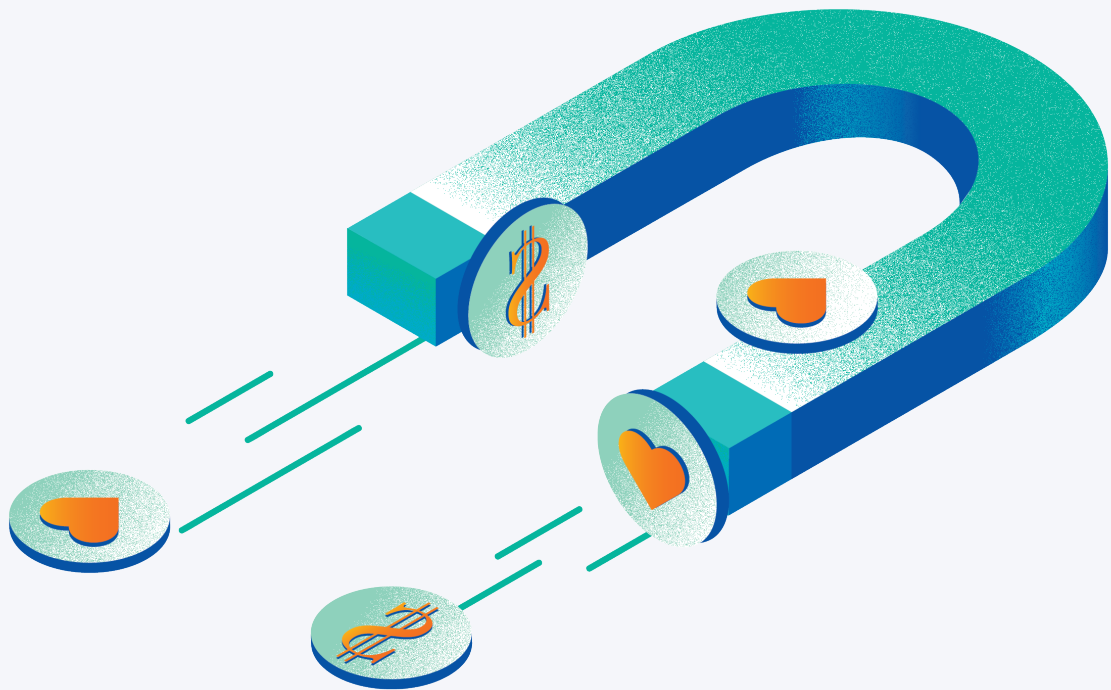
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This convergence is evidence of an advantage endemic to CTV, Haeri noted.

“There has been a convergence of KPIs – brand marketers are now using the same signals that performance marketers use to influence their creative decisions and understand the impact of their top-funnel ideas,” he said.

“As for what this means for sellers of inventory and buyers, it depends on the specific KPIs being used and a brand’s goals,” Haeri continued. “For example, a newly-launched brand looking to drive awareness is approaching their campaigns differently than an established one announcing a new product line. So buyers of inventory need to be hyper-aware of their target audience and campaign goals. That said, CTV campaigns can be activated as a performance marketing channel with a direct response mindset while still driving awareness – allowing brands to target the audiences most likely to convert.”



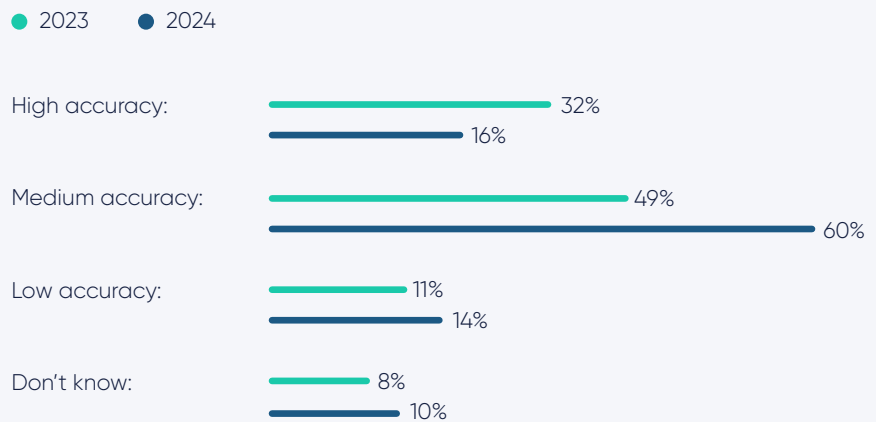
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As inventory fragmentation challenges appear to fade, advertisers are tackling audience, scale and engagement

The vast majority of our survey respondents said the accuracy of their CTV campaign measurements is in a positive place – 81% told us their level of accuracy scored medium to high results in 2023 (with medium accounting for most of those responses at 49%).

Q. To what level of accuracy are you measuring CTV campaigns in 2023, and how do you expect accuracy will look in 2024?



The picture is very similar to what respondents said in 2022 (79% at medium or high accuracy), and the prognosis for accurate metrics in 2024 is also optimistic – 76% expect medium to high accuracy from their CTV measurements. It's worth noting that 84% of last year's respondents predicted a medium-to-high score for accuracy in 2023. They were accurate themselves, just 3 points off the 81% of 2023 respondents who evaluated their CTV metrics in just that way.

However, there are challenges in play.

Brand safety (40%) and audience relevance (40%) tied for top-cited challenges in 2023, with cost in second place at 33%. Ad fraud and inconsistent measurement tied for third at 31%.

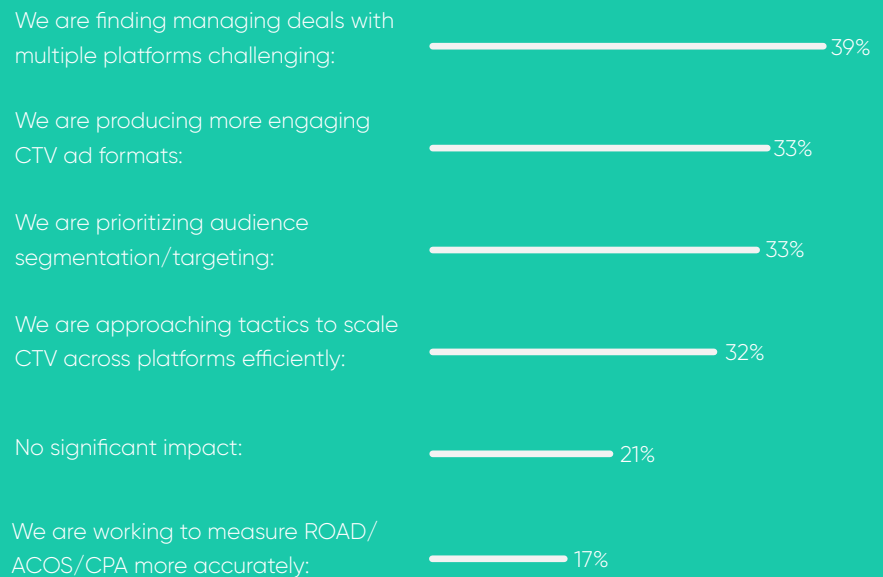
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Q. What challenges have you encountered in your CTV advertising campaigns? Select all that apply.



The most significant shift in the top-three spots on the list is the absence of the number-one challenge respondents cited in 2021 – inventory fragmentation. Pegged at 54% among respondents in our report two years ago, it appears last on the list at 26% in 2023.

Q. How is inventory fragmentation impacting your CTV strategy in 2023? Select all that apply.



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The reasons for the change may be found in how our 2023 survey respondents answered questions about the impact of inventory fragmentation.

While the difficulty of dealing with multiple platforms remained the most cited impact (39%), a comparable percentage said they are changing tactics to mitigate problems: 33% said they'd begun prioritizing audience segmentation to better target, and they were creating increasingly engaging ad creative to match disparate CTV unit formats; 32% said they were learning to scale across platforms more effectively.

The challenge, in other words, has prompted these respondents to put a focus on solutions.

On another note, the second most significant shift on the top-three list of challenges is the rise of brand safety challenges by 16 points to first from its near-last position (24%) on the same list in 2021. In the way of solutions to those challenges, some media directors are citing PMPs as a way to thread the needle when it comes to scale coupled with transparency and brand-safety assurances.

"PMPs generally allow for greater transparency and control since advertisers can dictate preferences on categories and apps – therefore better ensuring brand safety," said Kelly McAloon, associate media director of programmatic at Good Apple, in [a recent Digiday article](#). Because of this, we're seeing priority being shifted to PMP and programmatic guaranteed-focused buying."

Cost also came up on the overall list in 2023. Among the 22% of our respondents who said they were not incorporating CTV in their media mix, the most commonly cited reason for its absence this year was that ad pricing was too expensive (46%).

Q. If you have not added CTV to your advertising mix, why not? Select all that apply.



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The price of advertising in CTV channels is a sentiment that agency executives have echoed in recent months. Still, it doesn't necessarily ladder up to predictions of widespread significant change to CTV strategies in play.

"We're not seeing that the CPMs are so high that it's becoming prohibitive, but it is high enough that we're constantly reevaluating our investment levels in CTV," Nitin Sinha, vice president, head of paid media at Laundry Service ad agency, [told Digday](#).

The bottom line on cost: CTV is worth it simply because the audience is there and the media buys are more flexible than linear.



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Framing the future: AI is making inroads into the creative process

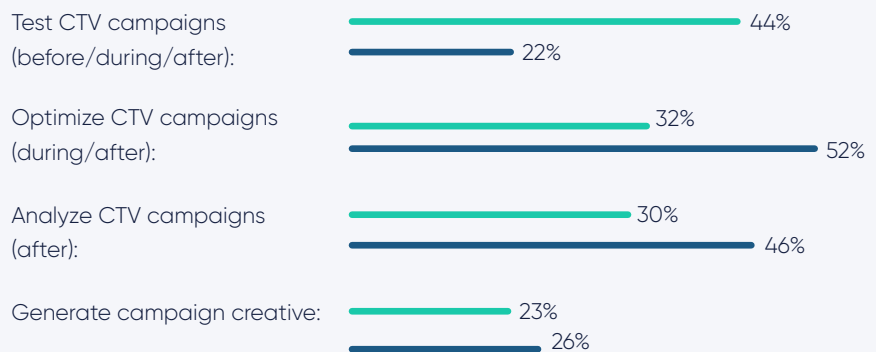
While artificial intelligence is not a new tool in the campaign testing and optimization toolbox – and its use is robust among our survey respondents; nearly half (44%) are putting AI to work on testing CTV campaigns before, during and after their flighting, and about one-third (31%) are putting AI to use in analyzing campaign results and optimizing their creative and targeting during and after the campaign (32%) – the technology is coming into play in some new ways.

Since late 2022 and into 2023, the rise of widely available generative AI options has introduced a wild card into the discussion of artificial intelligence. For creative teams, the very act of making copy and images – moving or otherwise – is now open to a range of machine-assisted and executed options that stand to revise the nature of production and scale significantly.

There are already signs that generative AI is making its way into the CTV conversation, with 23% of our advertisers indicating that it's already part of how they generate copy, art, video and other components of a connected TV campaign in 2023, and 26% expecting it to play a similar role in 2024.

Q. What roles does AI play in your CTV campaigns in 2023, and what roles do you expect AI to play in 2024? Select all that apply.

● 2023 ● 2024



"Artificial intelligence and automation are already making a difference in the way that retailers market and advertise, specifically addressing those challenges of needing to drive customer acquisition and performance and to accommodate more and more complex product lines," said Matt Collins, director of product marketing at MNTN, in [a recent Modern Retail article](#).

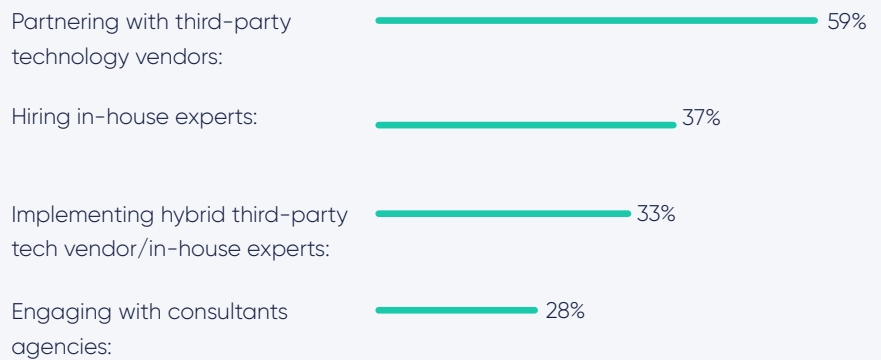
"We can already see how AI is changing the way that advertisers and agencies are thinking about creative," he added. "Those tools stand to save a lot of the cost and time and time out of how the creative is delivered, which should serve the increased demands of retail marketers."

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Next steps: Advertisers are turning to tech and agency partnerships to boost CTV outcomes

When it comes to how they'll drive increasingly more accurate results across their connected TV campaigns, the leading strategy among our respondents is outsourcing.

Q.What steps have you taken to measure CTV ad performance more effectively? Select all that apply.



Nearly 60% said partnering with third-party technology providers to supplement their in-house capabilities with connected TV advertising platforms, DSP, SSP and ad server solutions was at the top of their list.

"Brands should look for clear viewability metrics, as well as the ability to customize and access them at any time," said Haeri. "Another factor to consider is the targeting methods used – does the solution target specific audiences based on their interests, demographics, geographical location, and other factors? Does it offer CRM targeting? Again, automatic optimization capabilities can save brands a lot of time, money, and headaches.

As these partnerships evolve and the latest influx of technology continues to alter the advertising landscape, teams like the ones responding to our survey will continue to adjust and adopt, adapt and innovate.

What seems inevitable from our respondents' answers in 2023 is that old challenges are fading, and new challenges are receiving fresh focus in terms of priorities around audience segmentation, capacity to scale and the insights – and tools – needed to create increasingly engaging moments for audiences who now see TV everywhere, in a world that is genuinely and (almost) seamlessly connected.

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