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MARKETER TAKEAWAYS FROM CTA'S 2023 RESEARCH

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Introduction

A decade or so ago, it was 3D. A few years later, 5G. More recently, the Metaverse. This year, it's AI all day. Artificial Intelligence will take center stage at CES 2024—and the learnings for marketers in the C Space will be abundant.

To prepare marketing and media leaders for this year's event, CTA and MediaLink dissected four major studies conducted by CTA this past year.*

1 SERVICES OUTSHINE DEVICES

The word “technology” often implies hardware—physical devices like TVs, stereos, and gaming consoles.

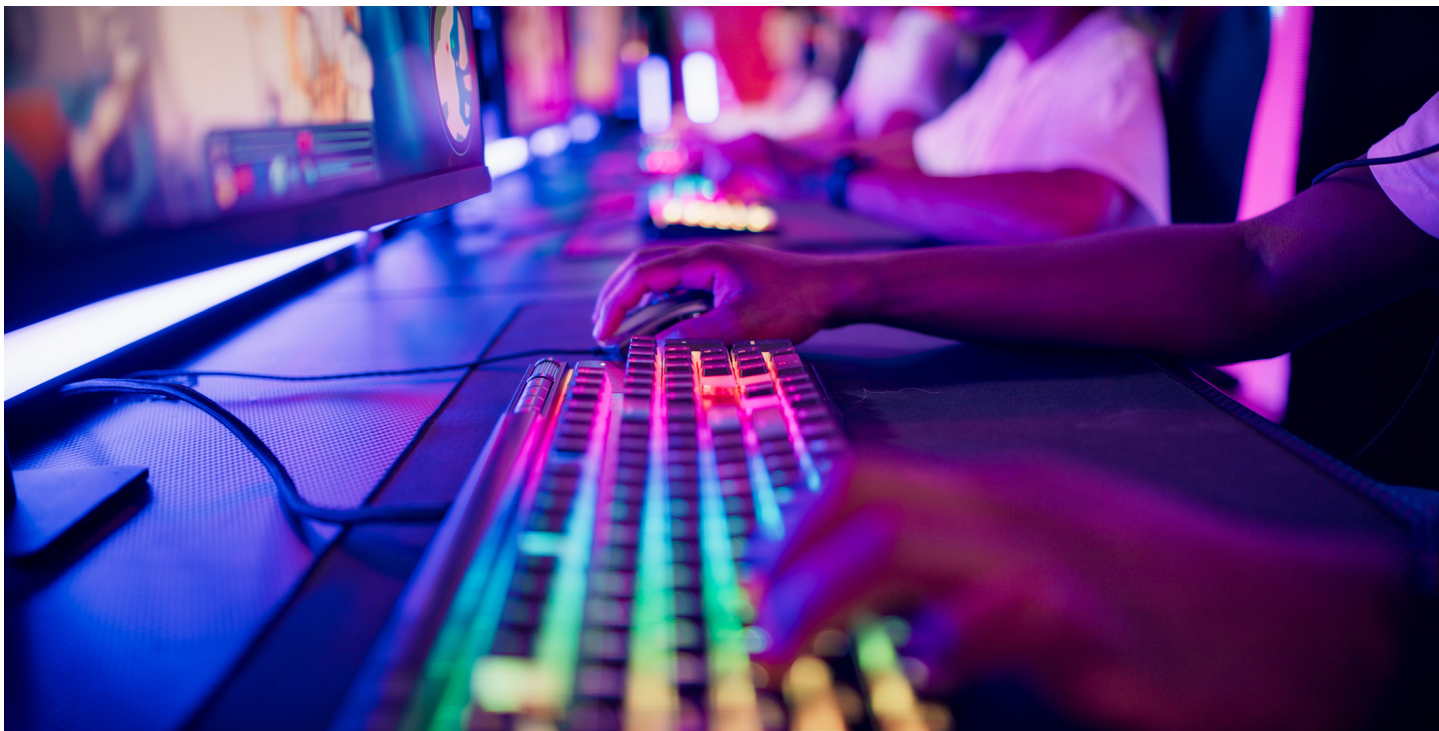
But increasingly, services (think streaming) are dominating the technology landscape. A whopping 85% of Americans subscribe to at least one digital subscription service, while more than a third (36%) subscribe to five or more. Additionally, among adults with subscriptions in their name, over half (53%) have signed up for one of these services within the past year—and the average number of services they pay for is three.

These numbers will continue to trend upward and are reflective of growth in the market overall. In fact, CTA found that software and services account for nearly one-third (31%) of total U.S. consumer technology revenue at \$152 billion. And that number is poised to rise another 3.7%, landing at \$157 billion by 2024.

A reason for this growth, beyond the proliferation of new entrants in streaming, is that services are increasingly being baked into products. New devices often connect to an ecosystem of apps, services, and experiences (for example, when someone purchases a Fire TV or a Roku TV, each runs unique software that features a distinct navigation setup).

Implications for marketers:

The path to people is getting more complicated. Services are a crucial vehicle to reach consumers with advertising, especially with streamers like Netflix and Disney offering ad tiers in the past year. And consumers continue to access content via myriad devices and platforms. Marketers need a simple and efficient roadmap to traverse multiple partners and pipes, with data and insights that enable them to execute and optimize campaigns. This puts pressure on service providers to be laser-focused on transparency, ad innovation, flexibility and collaboration.



2 GAMING IS BLOCKBUSTER

While the media industry often fixates on Hollywood box office numbers (recall the “Barbenheimer” phenomenon), video game sales regularly eclipse the biggest movie hits. In fact, overall spending on video games is larger than spending on video streaming services, according to CTA insights.

By 2024, U.S. consumer spending on video games is projected to climb to \$48.6 billion—driven in large part by the sheer size of the gaming market (a market that is still arguably under-utilized by marketers). Indeed, 73% of 13- to 64-year-old Americans are self-

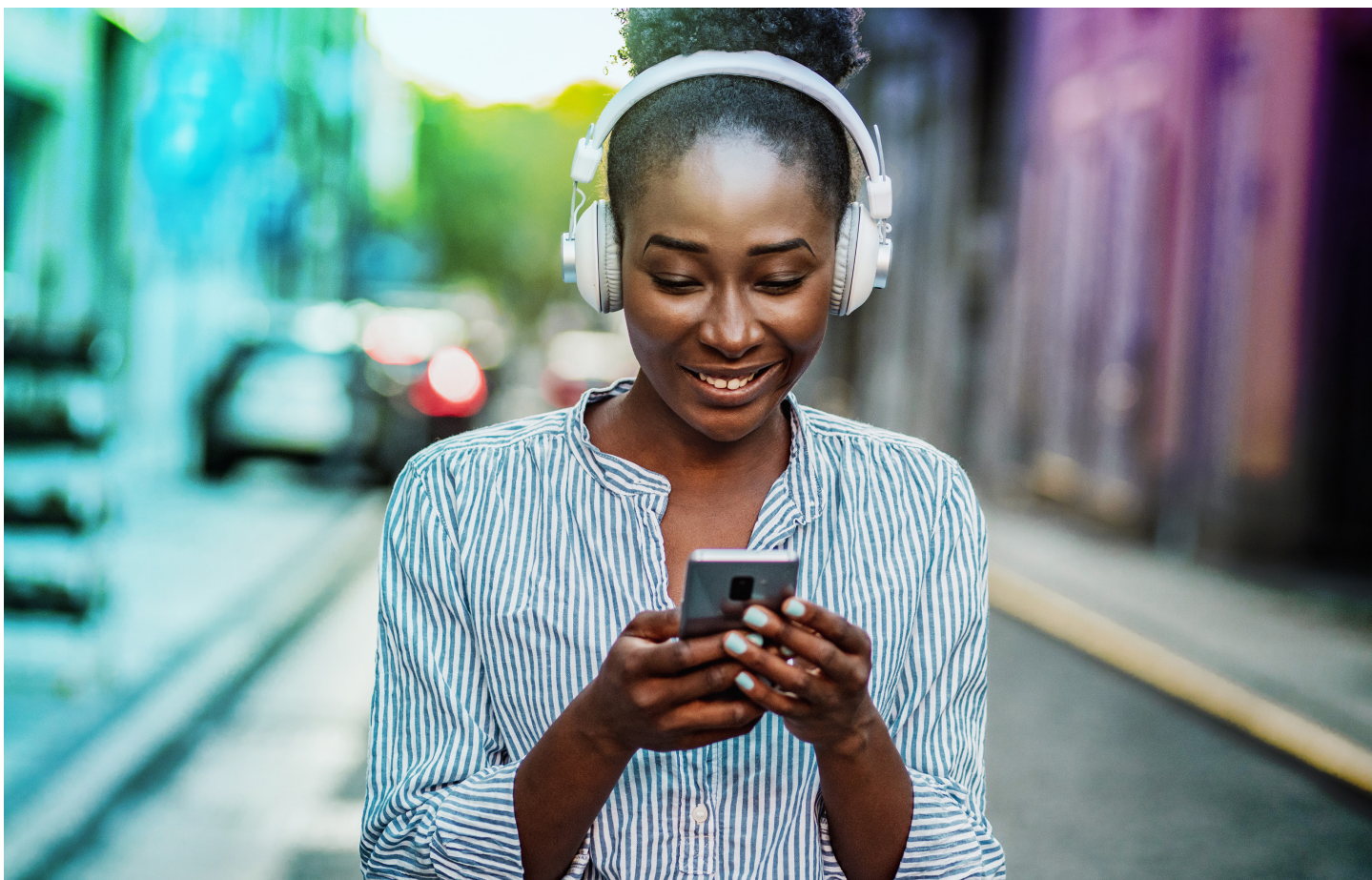
described gamers. A big reason behind this number is that gaming is ubiquitous, from consoles to PCs to mobile devices. In fact, mobile gaming now represents over 50% of total gaming revenues.

As gaming siphons away more and more of consumers’ attention (and wallet share), gaming companies are layering on service products, seeking out multiple revenue streams while broadening their own footprints.

CTA found that gaming subscriptions are the fastest-growing part of the gaming sector, expected to jump 12% to \$3.5 billion in 2024. In the past 12 months alone, 41% of U.S. adults have paid for some type of video game software or service.

Implications for marketers:

Given gaming’s broad appeal across a wide range of ages, it’s “game on” for brands who want to reach avid fans, knowing that fandom is a smart path to revenue. While in-game advertising can be challenging, marketers should expect ad innovation to improve as the growth of gaming services continues. Esports sponsorships, virtual product placement, and ad-supported, free-to-play games might be just the tip of the proverbial spear for marketers.



3 ENTERTAINMENT IS STILL A BUNDLE

The cable bundle may be declining, but that doesn't mean consumers don't appreciate a smart package when it comes to expanding their entertainment budgets.

CTA's research has found that the bundling of hardware and services is now table stakes in

consumer technology as virtually every new device includes a free trial of some kind. Whether it's a three-month video streaming app trial or 30 days of free music, these offers are assumed by consumers. Among U.S. adult account holders, 30% signed up for at least one such service, because it was bundled or discounted with their initial purchase.

Two examples include Sling TV's access to AMC+ or Apple packaging Apple TV+ with each purchase of a new iPhone.

Implications for marketers:

More consumers signing up for streaming services means broader reach for brands. But marketers should keep a keen eye on engagement and response across these "add-on" platforms versus those that consumers sign up for directly. Meanwhile, look for more consumer brands to explore their own versions of technology-driven bundle partnerships.



4 STREAMING IS STILL STEAMING

As the cord-cutting trend continues, expect multichannel/live TV streaming revenues to continue to swell. This year, spending on multichannel/live TV streaming has surged 7% to \$10.6 billion, and in 2024, CTA expects another 5% jump, netting out at \$11.1 billion.

Still, while much of the industry's (and Wall Street's) attention has been fixated on subscriber growth for individual streaming services, pay TV alternative offerings from YouTube and Hulu Live continue

to attract users. Unlike many on-demand-centric products, these services offer live linear feeds of TV networks, along with live sports.

Although these services can cost more than some subscription video-on-demand (SVOD) products, the big money remains in SVOD, where consumers are predicted to shell out \$35.8 billion this year and another \$37.4 billion in 2024.

That said, it will be interesting to gauge the impact on these figures over time given the growth of FAST (free ad-supported streaming TV). Products such as Paramount's Pluto TV, Amazon's FreeVee, and Fox's Tubi TV continue to gain distribution and users.

Implications for marketers:

While linear TV is waning, live viewing remains a viable means of reaching consumers. Additionally, the targeting capabilities of many of these streaming services are superior to traditional TV. In the meantime, marketers should continue experimenting with the newer, ad-supported SVOD products while moving aggressively into the FAST space, which promises to replace some of linear TV's lost reach.



5 AI IS AT HOME WITH CONSUMERS

Since the launch of ChatGPT and other related products roughly a year ago, the advertising business—and the broader world at large—has been captivated by the possibilities of AI. While many of the promised advancements (and threats) of AI remain theoretical or years away, CTA's research shows that consumers are actively incorporating AI tools into their daily lives.

While many presenters at CES 2024 will likely highlight how they plan to use generative AI in the years ahead, the most immediate opportunities for brands may be found in digital assistants and intelligent recommendation engines.

Consumers grow more and more comfortable with chatbots and new search methods, and the expanding

ability of these products to process natural language will facilitate more fluid conversations, creating an interactive sales channel. Already, 41% of U.S. households own a smart speaker or smart display with an onboard digital assistant, while 74% of U.S. households own a smart TV, according to CTA research.

Meanwhile, AI is already fostering more personalized shopping experiences, thanks to the growing use of conversational interfaces. CTA's consumer sentiment research found that three-quarters (75%) of U.S. adults who are familiar with AI are open to tech-assisted shopping.

In addition, over time, recommendation engines for music and video will likely be able to optimize their suggestions based on real-time verbal feedback from users. Eighty-three percent of U.S. adults who are familiar with AI claim to be satisfied with personalized content recommendations for streaming services.

Implications for marketers:

According to MediaLink's global annual study, [The Marketer's Forecast 2024 \(TMF24\)](#),* 84% of marketing leaders have used AI in some capacity, from strategy to research to personalized marketing campaigns. Experimentation is underway, and it's important that marketers make consumer experience a core pillar of their basic functional framework for AI adoption. Within that pillar, one investment worth looking at based on CTA's data includes voice, and brands should explore ways to bring together voice-related search and entertainment. In addition, shopping discovery is changing, and retail brands should dedicate more resources and data science toward ensuring their products are surfaced via recommendation engines.

Given the speed at which consumers shift their habits from year to year, the opportunities for marketers to reach consumers are only getting more powerful—and complex. Keeping ahead of these trends is a job unto itself for marketers. Ruthless prioritization of the insights on consumer behavior shifts that matter most will set marketers up for success in navigating the “all on” technological shift expected in the year ahead.

*SOURCES

- *2023 U.S. Consumer Technology Software & Services Forecast*
- *2023 Decoding Consumer Sentiment and Outlook on Artificial Intelligence, U.S. Edition*
- *2023 U.S. Consumer Technology Ownership & Market Potential Study*
- *CTA Future of Gaming Study*
- *MediaLink's The Marketer's Forecast 2024 (TMF24)*

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