KATZ TELEVISION GROUP | CONTENT MATTERS
IDEAS IMPACTING THE CONTENT COMMUNITY
2016 Q3 ISSUE #1

Culled from the headlines of the TV Industry's Trade Press, CONTENT MATTERS is a Bi-Monthly Newsletter curated and contextualized by **KATZ Content Strategy's Bill Carroll.**

5 INSIGHTS TO KNOW

1. Viewers Still Prefer Traditional TV Content

But Streaming Is Gaining Fast

2. Even During TV Time, Digital Devices Play A Prominent Role

Nearly 85% of Internet Users Surf the Web Watching TV

3. COMSCORE Issues its "FUTURE FOCUS" Report

With an emphasis on VOD viewing

4. Why Declining Ratings Don't Matter (to the Networks)

Commentary from Media Post

5. How Television Has Become the Newest Media

The Very Definition of Television is Changing as Viewer Devices Change

We explore how Americans spend their time consuming media in an item condensed and excerpted from THE WRAP that recounted the results of a survey from L.E.K. consulting.

Despite rumors of its death, the survey showed that traditional TV is still king. And today is a golden age for TV, with record numbers of shows in production. Traditional TV remains a robust offering, but new forms of entertainment like Netflix, Hulu Plus, and Amazon Prime are also performing well. In their proprietary research on media consumption habits outlined by L.E.K.'s Dan Schechter, the researchers dove even deeper into why consumers are shifting. Many analysts talk about what is happening, but we are among the very few who ask "Why?" The main driver of increasing traditional TV consumption is that programming is getting better. Traditional TV companies are producing better content. Think back to "The Sopranos Effect" and how so many different networks made great shows that universally raised the bar. About 40 percent of survey respondents indicated that they are watching more TV because there is more programming on traditional TV that they are interested in. Respondents also cited more free time and greater access to DVRs, which allow for time shifting.

[When we] turn to the new forms of entertainment, on the surface, reasons for increased consumption of paid over-the-top (OTT) services largely follow the same reasoning. However, two additional responses popped up frequently when it came to increased use of streaming services: More than a quarter of respondents cited larger libraries with more options as a driver of their increased consumption, and another 26 percent highlighted that OTT services are now more affordable.

When the survey asked respondents why they subscribe to a paid OTT service like Netflix, more than a third of respondents cited the ability to watch content on their own timetable and not the schedule set forth by traditional TV programmers. So, despite time-shifting capabilities with traditional TV, there is still a perception that OTT services better meet the needs of respondents. In addition to that, about a quarter of respondents subscribe because they see OTT services as a cheaper option than traditional TV, and another quarter prefer the lack of advertisements. Those are two more advantages that traditional TV operators cannot match. Larger OTT libraries and better pricing are a big problem for traditional TV. Paid OTT services win on these factors, and traditional TV will have trouble matching these advantages.

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When the results of the survey were summarized, the report again concluded that traditional TV is still king for many good reasons. Better programming and increased use of time shifting has helped drive further gains in consumption. But OTT services are hot on the heels of traditional TV with their large libraries, better pricing and no commercials. As broadcasters, we are aware that we, as well as the production companies, networks, cable and other traditional TV companies will need new ideas and actions to maintain our current position in the ever-changing media landscape.

Multitasking has been called the one-two punch to advertisers and content providers according to this report from eMarketer Daily.

With Americans' attention increasingly divided among an ever-expanding array of internet-connected devices, the number of people multitasking while watching television continues to rise, while cord-cutting also accelerates. This year, 182.9 million Americans will use the internet while watching TV at least once a month, according to eMarketer's first forecast of simultaneous media usage. That translates to 80.3% of internet users.

Not surprisingly, smartphones are the device of choice for multitaskers. This year, 146.9 million Americans will browse the web or use internet-connected apps on their phone (including chat apps) while they watch TV, representing more than two-thirds of internet users. And 68.0% of US internet users will use an internet-connected smartphone to do so. By 2018, that figure is expected to climb to 79.1%, the same year that 91.6% of internet users will use the web and TV at the same time. Americans' TV time is becoming increasingly distracted at a time when cord-cutting is already accelerating. This year, the number of cord-cutters will grow 15.7%, causing the number of pay TV viewers to drop 0.6% from last year. That means this year the US will lose 1.3 million pay TV viewers.

So what type of content are people consuming on their internet-connected devices while they watch TV? As it turns out, most are looking at content unrelated to the TV program. This year, only 25.5% of simultaneous media users will consume related content online while watching TV. "The good news for advertisers and content owners is that as addressable, programmatic and cross-device advertising continue to evolve, they'll provide marketers with better ways to reach desired audiences irrespective of device," said eMarketer senior analyst Paul Verna.

Another bright spot for advertisers and content providers is that the percentage of simultaneous users consuming related content will increase. There are a number of reasons for this. The mobile web and apps are making it increasingly easier for viewers to get more information about the show or sporting event they're watching, such as an actor's name or stats about their favorite team. Also, the increasing prevalence of social media and messaging apps allows people to connect with others about the TV content.

Advertisers are beginning to exploit the multitasking phenomenon by encouraging consumers to make a purchase within minutes of seeing a TV commercial," said eMarketer forecasting analyst Marcus Johnson. "As ads become more targeted, viewers will be more likely to act on them in the moment because of their relevance to the TV program they are watching."

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There is both good news and some challenges in this report from eMarketer. First the challenge, channeling multitaskers watching television as their numbers inevitably rise in the next few years. If the predictions are correct, the majority of TV viewers will be simultaneously engaged with their smartphones while watching TV in the years ahead. Now for the good news and a real opportunity, with only 25% currently consuming related content, it is reasonable that those numbers will grow, if we provide, particularly on mobile apps more information related to the programming. Also, as was stated, the increasing prevalence of social media and messaging apps allows people to connect with others about the "live" TV content.

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This item is excerpted from the TV & Cross Platform section of the Comscore "Future in Focus" report.

Contained in the Insight sections of the report, here are some of the key findings dealing with cable. Despite fewer cable households overall, the average watch time among viewing households is increasing versus a year ago. The availability of more viewing options appeals to a wider array of tastes. The majority of VOD viewing is Free On Demand, but most of the growth is happening via subscription services such as HBO and Showtime. The TV Entertainment category accounts for the majority of FOD viewing while also being one of the faster growing categories. Along with Kids content, which is also growing its share of viewing transactions, the two make up three of every four Free On Demand views.

TV Entertainment content has been rapidly gaining share of total VOD transactions and time spent over the past several years. Most of the $8.7 billion in On Demand revenue came from recurring subscription fees. Purchases and rentals via digital retailers such as Amazon, Google Play and iTunes contributed to another one third share, while On Demand rentals from a cable operator only accounted for 10%. There's a clear trend showing that as demographic segments get younger, those consumers are more likely to spend time on their mobile device and less likely to spend time watching Live TV. It's possible that digital share of time spent among 35-54 year-olds might also soon surpass Live TV.

Traditionally, primetime TV has been the advertising medium that marketers use to reach the largest audiences. Even though that still holds true today, the top digital media properties (Google, Facebook, Yahoo, Microsoft) can also achieve a similar, if not larger, reach over the course of a single month The total time consumers spend on YouTube is up for both desktop and mobile, but its mobile engagement has nearly doubled over the past two years. It's easier than ever to consume video anytime and anywhere, and mobile is the best medium for immediate, on-the-go viewing. Cross-platform media planning can break down silos and allow brands to more efficiently reach audience targets. Over the course of a month, a YouTube ad buy across desktop and mobile has the potential to deliver 90%+ target reach when coupled with network primetime TV.

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The headlines in this report were the amount of time watching TV per household is up 7% year-over-year for both Live TV and DVR viewing. Moreover, the TV entertainment category's share of all VOD time spent has tripled in six years. There are more platforms competing for consumer's attention than ever, with digital (in this report) eclipsing Live TV among Millennials. Using their reporting tools (Comscore Xmedia and Media Metrix Multi Platform) they assert the largest digital properties can reach the big four broadcasters in prime time. Assuming that some of these findings and assertions may be true or could be in the future, as broadcasters we need to take action to build our multi-platform presence now.

This commentary is condensed and excerpted from MEDIA POST with the premise that declining ratings don't matter to the networks.

If you ask any broadcast network executive whether they would rather lose 10% of their audience next season. but move into first place (because everyone else declined more) or gain 10%, but slip into third or fourth place, they would all rather lose viewers and be in first place.

This is actually as ridiculous as it sounds, but that's what happens in an industry that doesn't reward gains or penalize losses. This is the only business I can think of where losing customers is perfectly fine, as long as your competitors lose more customers.

At the upfront presentations, we heard a lot about who is No. 1 in this or that, but we heard virtually nothing about how many people are actually watching all those No. 1 networks.

We also heard that people of all ages are still watching much more traditional TV than digital or social media. But again, nothing about how many actual viewers that represents.

Author Steve Sternberg reiterates that he has been saying for years that this short-term strategy of only thinking about where you rank, rather than whether you gain or lose viewers, could lead to long-term problems. Welcome to the long term.

Ad-supported cable has long been siphoning off broadcast network viewers, but until recently their combined audience remained remarkably stable. Viewers and money tended to shift around the TV pie, but the size of the pie remained roughly the same.

The audience going from broadcast to cable each season was so splintered that no single cable network got too close to any of the Big Four broadcast networks. So the broadcast networks were able to claim that they still far out-rated and outreached cable, while the cable networks were able to claim that in aggregate, ad-supported cable was higher rated than broadcast.

Broadcast ratings continue to slip, and now non-ad-supported TV/Video is finally siphoning viewers from both broadcast and cable. Until the marketplace dynamics and industry perceptions that continue to make audience rankings more significant than audience size change, we'll continue to analyze rankings of continually declining audience bases.

Broadcast networks still stubbornly refuse to promote one another as cable networks have done so effectively for years. In today's media world, is there really any broadcast network executive who believes his only competition is one of three or four other broadcast networks?

Until this changes, the largest group of potential viewers in which to promote broadcast network programming will remain untapped, and network ratings will continue to drop.

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We completely agree with this commentary as it concerns the obsession over ranking and not on the continuing actual audience delivery. As local broadcasters we can highlight our news rankings as a promotional tool, but have always have had to deliver ratings for advertisers. And as importantly, it is time for the broadcast networks to embrace the cable strategy and promote the quality programming across the networks as we compete for viewers with cable and the new media options.

We look at the evolution of media via IP addresses in this item by Peter Naylor of Hulu excerpted and condensed from AD WEEK.

As a salesman, I get the pleasure of having conversations with marketers on a daily basis. And, as marketers should, you're asking many questions to ensure your campaigns are getting the best results and your brands are reaching the right audiences. Every day, we are asked questions like "What is median age?" and "How do we index against millennials?", and "What are your most popular shows?" And, those are all really interesting questions that I'm sure I'll field during [any] presentation.

But those questions and answers come from yesterday's play book. Median age really doesn't matter. What matters is that we can pinpoint any age group advertisers are trying to reach. It doesn't matter how we index against millennials or any other audience segment. Why bother with indices? What matters is that we can deliver 100 percent of an advertiser's target segment. And while popularity of programing is directionally interesting, what's more interesting is the ability to buy against both heavily streamed shows and shows that are heavily viewed by your target audience.

In other words, we need new questions for this new media called "TV." Wait, what? "New media" was what everyone called that whole content-in-a-browser-dial-up-internet thingy about 20 years ago. TV on the other hand is traditional media. Some might call it "conventional media." But I assert that the most conventional of media—TV—is new media.

Here's why. The entire definition of TV is changing, and the ability of viewers to watch TV through an IP address is the biggest driver. The opportunity to device- and place-shift viewing on digital platforms and internet-connected TVs has been rapidly adopted by consumers. Nielsen, comScore, Symphony and others are racing to paint the most complete picture of these shifting viewers—viewers who are way ahead of all of us, by the way.

We're well underway in the transition from a one-to-many broadcast model to an ever-expanding addressable advertising market. Addressable TV represents a huge opportunity to use media automation and data-driven targeting to serve with unprecedented precision. Data and advertising have been like peanut butter and jelly for a long time in areas like direct response mail. But the surge of data used for targeting TV? That's new media.

Another example of TV's shift to new media is that brands have more freedom with their creative. When TV is delivered via IP, where we are not anchored to a programming grid, we can experiment with new creative types and lengths. Sure, 15- and 30-second spots are welcomed in these environments, but interactive ads and creatives of varying lengths—the ones that drive more viewer engagement—are all welcomed in this new media landscape.

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As Naylor concludes, with the arrival of TV as new media, to borrow a phrase, "It's time to think differently and ask new questions." That is certainly true, but as importantly, we as broadcasters need to be aware and prepare for the IP address viewing on digital platforms and internet connected "smart" TVs. This is in part, to find the way to think differently in order to be able to answer these new questions.