KATZ TELEVISION GROUP | CONTENT MATTERS
IDEAS IMPACTING THE CONTENT COMMUNITY
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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. Healthy But Challenging Outlook for Local Broadcast say BIA/KELSEY report

In the face of increased competition for viewers, television stations are maintaining their position in the advertising marketplace. Stations have responded by bolstering their online presence, becoming more involved in social media, expanding their offerings and improving their over-the-air services.

2. The media we consume: What's hot, and what's not.

Here are the numbers on which media are on the rise and which are "not", these are based on the Nielsen Total Audience report looking at all aspects of the media landscape. The report offers a quarterly snapshot of media usage habits, shows that people are increasing the amount of time they spend with their TVs for purposes other than watching live television.

3. What the upfront tells us about the media economy

High demand, rising prices and greater volume speak to frustration. With online advertising facing a small, but notable backlash over two pesky issues, click fraud and viewability, the networks experienced an unexpectedly robust upfront, something that would have seemed unthinkable this time last year.

4. Facebook's Mid-Roll Experiment is an Important Step in Monetizing Its Live Streams

The test is clearly just a toe in the water for Facebook in inserting ads in live streams. It could signal an important step forward in Facebook monetizing its live streams and becoming an even bigger player in online video advertising and competition for ad dollars with broadcast television.

5. Get 'em while they're Young

Kids' networks make cross-platform moves to hook youngsters first on TV-everywhere. It used to be that kids would wake up early on Saturday mornings and gather in front of the TV. These days, young people and especially "tweens" age 6 to 11 can watch their favorite cartoons and series any time of day, over and over again, without ever getting out of bed — and they don't even need a TV set in their room.

A new report released by BIA/Kelsey entitled "Local Television Stations: Maintaining an Important Presence in 2016 & Beyond" analyzes opportunities and hurdles for the local television industry. The report is excerpted and condensed from TVNEWSCHECK. It examines TV's position in the competitive media landscape, with a look at a range of influences, from the many viewing options now available to consumers, to the variety of revenue streams the industry is embracing.

New options for national and local advertisers are now available, exerting competitive pressure on local television stations, the report finds. At the same time, some national cable networks are feeling pressure themselves from the increase of online viewing options. Many local television stations are benefiting from increased retransmission consent revenues from cable, telco and satellite delivery services. Local television stations are also continuing to provide new services with their digital signals and are in the planning stages for a massive overhaul and improvement in their transmission technology, though that is several years away.

What is not encouraging in the short term, the report says, is the prospect of any regulatory relief of ownership rules. The level of television station transactions increased between 2013 and early 2014 due to the success of larger groups' retransmission consent negotiations and the upcoming reverse auction to be held by the FCC. Among the many findings of the report are that local news is key programming for stations, drawing national and local advertisers via audiences with higher education and income levels. Local TV ranks second in terms of U.S. local advertising revenue share at $21.9 billion. Direct mail is No. 1 at $36.9 billion, newspapers is third at $17.4 billion, closely followed by online at $17.3 billion and radio at $15.4 billion.

Over-the-air advertising revenues will grow 12.1% in 2016 due to political advertising. Online /interactive ad revenue is growing steadily — it will account for 6.4% of total revenue by 2020. Between 2016 and 2020, local TV will receive a growing share of mobile advertising, up to 14.9%. By 2020, local TV stations' advertising revenues will remain the largest portion (63.6%) of the local video ad marketplace. Retransmission consent revenues are expected to grow at a 17.3% compound annual growth rate through 2020.

The report concludes that "increasing choices now available to consumers and advertisers have already had a significant impact on local television stations. Stations have responded by bolstering their online presence, becoming more involved in social media, expanding their offerings and improving their over-the-air services. Given recent revenue increases from advertising revenues and retransmission consent payments, they are making these changes from a strengthened position."

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We agree with the conclusion of the report that stations continue adapting to their new environment. We believe stations must consider themselves as not just local television stations providing a stream of programming, but as local media companies reaching their markets in different ways and providing many access points for advertisers. We share the same optimism as BIA/KELSEY that local broadcasters will be able to adapt to these potential changes based on the recent acquisitions and the strengthening of revenues.

Live television viewing has fallen over recent years. People are still using their TVs; they're just using them in different ways. This is according to the latest total audience report from Nielsen, condensed and excerpted from MEDIALIFE. The report offers a quarterly snapshot of media usage habits, shows that people are increasing the amount of time they spend with their TVs for purposes other than watching live television.

As the report tells us, "Changing consumer behavior is being driven by the growth of technology and services. Emerging technologies are showing growth in ownership while some older devices are experiencing declines or flattening in ownership." Use of devices connected to the internet is way up. At a time of great turmoil for media, here's a look at what's hot, what's not and what's in between right now in media consumption.

As was characterized in the article hot media would include subscription video on demand. Half of households now subscribe to SVOD services such as Netflix and Amazon, or about the same percent who own DVRs. Penetration has soared 19 percent from last year and smart TVs, which have had the biggest year-to-year surge in penetration, are up 43 percent from last year. Nearly a quarter of the population has these TVs, which can hook up to the internet. Also included would be tablets. While smartphones may be ubiquitous, tablets continue to grow. More than half the population now owns one, up 17 percent from last year. And finally HDTV, at this point there are very few people not using HDTV, just 6 percent. Still, it grew 4 percent from last year.

The item went on to point out what is in the "not hot" media, included were DVDs. When you can log onto Amazon and rent the latest movie from the comfort of your couch, it's going to have a negative impact on the use and purchase of DVDs, which were down 3 percent in first quarter. And also surprisingly on the list were gaming consoles. Gamers remain rabid and dedicated to their pursuits, but Nielsen found that penetration of gaming consoles fell 4 percent to 44 percent. And of concern to broadcasters, is this last item of live TV. Viewership of live TV has dropped by 20 minutes per day since 2014, but at a still-substantial four hours and 31 minutes. And finally, characterized in the unenviable category entitled "Not Not Hot" media was the DVR. People still use DVRs, of course, but their penetration has leveled off. We've likely reached a saturation point, with 50 percent of TV households owning a time-shifting device.

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When we go back to the report itself, we can find some positives for broadcasters. Even with many options, radio and television continue to reach the most users. Overall there has been an increase among adults of an additional hour of time spent with media. But we need to continue to adapt with 72% of homes using a DVR or access to SVOD, which is up 67% in just one year. We have to hope, as the report asserts, "that the share of live TV increases with age." So it seems we need to adjust for today and be ready for tomorrow.

These observations are excerpted and condensed from articles in MEDIA LIFE. Make no mistake; the digital advertising era is coming. But it seems to have hit a speed bump, and the television networks could not be happier. With online advertising facing a small, but notable backlash over two pesky issues, click fraud and viewability, the networks experienced an unexpectedly robust upfront, something that would have seemed unthinkable this time last year.

For buyers and sellers, the upfront is dramatic and intense, once it breaks, as they haggle to cut the best deals for their clients or the networks. Over just a few days, $8-plus billion in ad inventory will be sold. Yet for all the drama and intensity for those involved, the upfront holds few actual surprises. The outcome is totally predictable. Demand was high. Pricing increases were high. Volume was healthy.

When the entire process wrapped up, traditional media still has advantages over digital media that are going to be difficult to overcome. Users may be moving increasingly to digital media and away from traditional television for their entertainment, but advertisers are not ready to mirror that trend. Advertisers have not reached the comfort level with new media that they have with old. They understand and trust television.

They have two persistent issues with digital. One, they're frustrated by rampant digital ad fraud, which studies say costs up to $18.5 billion annually. Two, they're concerned about viewability. They fear buying ads that are not being seen. Some would rather avoid the medium entirely than risk wasting money.

And so, after years of experimenting with digital, advertisers are funneling some money back to broadcast, which they know from experience can deliver results. That confidence shone through during the upfront. This year's broadcast network pricing increases roughly doubled last year.

Everyone knows the future of advertising [will likely include] digital. One stronger upfront doesn't change that. This was most likely a hiccup. But it is an important reminder that advertisers still aren't entirely comfortable with digital, even though they know they need to be eventually. It will be interesting to see if digital gets the message and makes better progress toward viewability and battling ad fraud. If not, then next year might be a stronger upfront, as well. Barring a major economic meltdown, the broadcast networks can count on getting about the same increase in prices each year. Ratings continue to fall as viewers shift to other options, such as cable, but they tend to fall by the same amount each season.

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Thankfully for broadcasters, advertisers continue to view TV as the most efficient way to reach people. We agree that there's really no reason to expect a change in the foreseeable future. As some have made the allusion to the casino expression "the house always wins" that could well continue to apply to the upfront. The networks have the clear advantage–and always have. Broadcasters can hope that a solid upfront can lead to a strong national spot market from which we all benefit.

Ad Age and this item from Video Nuze reported that Facebook confirmed it is running tests of mid-roll ads in live streams by certain publishing partners. This excerpted and condensed report stated that the ads can appear 5 minutes into the live stream and can run for a max of 15 seconds. The ads are drawn from promoted video campaigns already running on Facebook, but advertisers are able to opt out if they'd like.

The test is clearly just a toe in the water for Facebook in inserting ads into live streams, which to date have run ad-free. But, to the extent that the initiative develops further, and possibly evolves to allow pre-roll ads, it would signal an important step forward in Facebook monetizing its live streams and becoming an even bigger player in online video advertising.

Explained that while Facebook's massive audience and unparalleled targeting makes it a magnet for video advertisers, its avoidance of pre-roll ads creates challenges in scaling its video opportunity. For all of pre-roll's challenges, it's still an incredibly important video ad unit that has been embraced in particular by TV advertisers, who can re-use their spots and extend their TV campaigns. The challenge is that pre-rolls don't really fit with Facebook's News Feed format, as its Founder, Chairman and CEO Mark Zuckerberg justifiably pointed out. However, pre-rolls actually can fit fairly well with live-streams, particularly when they are scheduled in advance or when they're viewed on-demand (remember, live viewing is just the tip of the iceberg for Facebook Live, a far bigger opportunity is likely on-demand viewing of stored "live" streams subsequently as the videos are shared).

Remarkably, even lacking pre-rolls, Facebook is seen by advertisers as being as important as YouTube, long the 800-pound gorilla of the online video industry. For now though, Facebook isn't talking about pre-rolls, instead it's focusing on mid-rolls, which is a fine place to start. Though it's clearly in its very early days, advertisers are enthusiastic, though more work is needed in brand safety, measurement and targeting. With monetization still scarce, Facebook is wisely using some of its massive financial resources to pay publishers and creators to incent them to use Facebook Live.

As these publishers discover the value of Facebook Live, they'll push Facebook to aggressively develop monetization. This should move along the mid-roll experiment, and I believe, inevitably lead to pre-rolls as well. There are still many steps Facebook needs to take, but the foundation looks like it is being put in place for Facebook to become a major player in in-stream video ads - pre-roll, mid-roll and post-roll. As this comes together, Facebook's impact on the ad business is going to grow even further.

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We are concerned that the potential of these commercial insertions have been embraced by TV advertisers re-using their spots to extend their TV campaigns. With this development, Facebook could become a major player in in-stream video ads - pre-roll, mid-roll and post-roll and direct competition to broadcast television.

As we have reported, when looking at local news promotion, the aggregate audience in daytime for Facebook is greater and farther reaching than over-the-air broadcast. So, as we expand into mobile, we need to make ad insertion a priority for our mobile offerings to effectively compete with Facebook.

This item is excerpted and condensed from a cover story in MULTICHANNEL NEWS stating that it used to be that kids would wake up early on Saturday mornings and gather in front of the TV to get their fix of age-appropriate animated shows, live-action series and specials on most of the major broadcast networks.

These days, kids age 2 to 11 — especially "tweens" age 6 to 11 — can watch their favorite cartoons and series any time of day, over and over again, without ever getting out of bed — and they don't even need a TV set in their room. The first generation to grow up in a truly multiplatform video universe has a bevy of content to watch on their iPads, mobile phones and television sets originating from traditional linear cable networks such as Nickelodeon, Cartoon Network, Disney Channel and even HBO, with its recent acquisition of Sesame Street. Plus, there are kids' offerings from streaming subscription video-on-demand services like Amazon Prime, Netflix and Hulu.

The new ways of watching create opportunities for content providers — and challenges for distributors looking to maintain and grow audiences of very young viewers. Programmers are using original and acquired kids' fare designed to stimulate and entertain their young minds, while hoping to build brand loyalty with parents and, ultimately, with their kids as they get older and make their own TV-purchasing decisions.

The data shows that kids watch a lot of TV on a lot of platforms. Children aged 2 to 11 spend 41% of their daily viewing watching a TV-connected device such as a tablet, on par with their teen siblings as well as adults 18-34, according to Nielsen total-day audience numbers for the first quarter. But kids still watch most of their TV on the big screen: 59% of daily viewing still comes from traditional television. With viewing occurring on multiple platforms, there are a lot of ways to reach young viewers with targeted content. Established presence on traditional TV creates brand appeal on digital platforms. Trying to reach viewers wherever they are, the network often premieres new episodes of shows and new original movies online prior to their linear debuts.

Kids watch a lot of video on digital devices, and that has spurred OTT services like Netflix, Hulu and Amazon to aggressively acquire and create original content to serve those subscribers. Executives with the streaming services say kids-targeted programming often leads to co-viewing with parents — the consumers who ultimately pay the subscription bills. With half of its subscriber base regularly watching kid-targeted offerings, Netflix also has stepped up its game with regard to offering quality children's programming.

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Broadcasters are no longer providing compelling pure entertainment but E/I programming and only on Saturday morning. We should be concerned that streaming services have more flexibility to explore subject matter targeted to kids of all age groups without having to worry about adhering to time period constraints, which allow viewers to engage in as much content as they want whenever they desire. For kids and families, the increase in kids' fare provides more viewing options and loyalty to these new platforms than broadcast television.