KATZ TELEVISION GROUP | CONTENT MATTERS
IDEAS IMPACTING THE CONTENT COMMUNITY
2016 Q4 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. APPETIZED- HOW APPS WILL CHANGE THE WAY WE WATCH TV

The data-packed buttons that dominate the first screens of most smartphones and tablets are about to comprehensively change the way most Americans access video entertainment. That could be a sea change for the business.

2. AUDIENCIAS HISPANAS ESTÁN EN AUMENTO... HISPANIC AUDIENCES ARE ON THE RISE

From the Ballot Box to the Grocery Store, shows that Hispanic power and influence is surging: 50% of the U.S. population growth from 2010 to 2015 has come from Hispanics, and the U.S. Census expects the U.S. Latino population to more than double within the next two generations.

3. IN THE EVOLUTION OF TV, AUDIENCE IS KING

The rhetoric of late between networks and digital upstarts has been provocative. Recently, all sides argued that their content will reign supreme. It is said in the advertising race; the winners will be those that evolve their thinking toward a new world order that puts "Audience First"— not content — first.

4. FOR MILLENNIALS, THE DVR IS AN AFTERTHOUGHT

Study: The youngest in the demo, 18-24s, devote just 18 percent of time. You'd probably expect Millennials to have a higher level of usage than other demographics for a slew of new media devices—smartphones, connected TVs, tablets, DVRs. Hold up a second on that last one.

5. SORRY DIGITAL MEDIA KIDS, OLD MEDIA IS GOING TO PREVAIL

For all of the attention given to digital media startups producing buzzworthy content on social platforms, it's easy to forget that spending decades deeply entrenched in the TV business can teach you a thing or two about resilience.

Why TV is going to the apps is the subject of this cover story excerpted and condensed from MULTICHANNEL NEWS. Digital apps, born on mobile phones and nurtured by a nation of finger-tapping millennials, are about to change TV. That transformation is already happening, as cable operators move to consolidate functionalities into their main apps. Eventually, with the proliferation of smart TVs, they'll look to deliver their entire TV and Internet product suite through their app.

That could be a sea change for the business, but it's a shift that could take several years moving toward Internet protocol-based technologies. The key is the set-top box and the timing of its demise. Over the long term, though, the industry wants to move in an IP direction. The cable industry under the direction of the initiative "ditch the box" in answer to the FCC plans to make the set top box market more competitive. For cable operators, apps have evolved significantly since they first came on the scene — essentially as a way for customers to use their smartphones as another TV remote. Today, they have become an integral part of the TV experience, offering not only another way to access programming in and out of the home and perform functions like programming DVRs.

"The objective is to make this as easy for customers as possible," Altice USA evp Matt Lake said. "In the world of connectivity, it's about simplifying complexity. What we've found is if there are particular needs for a customer out there, an app can potentially solve that." Customers use the app for everything from watching TV — mostly in-home on different devices — to troubleshooting service glitches.

"When you started to look at the plethora of smart TVs, the wide variety of OTT-connected devices and game consoles [we] continued to develop these apps and keep them up to date," Cox executive vice president of product development and management Steve Necessary said. It will be an evolution, not a revolution. That could take as long as five years, while in its ditch the box proposal, the NCTA estimated it would take at least two years for new technology to be implemented.

"It all comes down to what is preferred by the customer," Mediacom Communications senior vice president Tapan Dandnaik said. "Older customers prefer watching TV traditionally, passively and on a TV screen. Younger viewers are looking at stuff on demand; they watch shows on the go. Anyone can see using apps is more for younger customers. I don't see that changing anytime soon."

CONTENT IN CONTEXT

As broadcasters move into the mobile space, we are also "going to the apps". Possibly answering one of the biggest viewer concerns, an inability to easily find their favorite programs on clunky and outdated electronic guides, apps and the searchable data bases are the answer. And the intuitive technology pioneered by NETFLIX can be a godsend for broadcasters as we compete for viewer attention. Technology and delivery systems continue to be the next frontier and potentially positive for our industries survival.

Hispanics will drive the majority of all U.S. future growth for the foreseeable future. From the Ballot Box to the Grocery Store, Nielsen's fifth report on the Latino consumer in the annual Diverse Intelligence Series is excerpted here from the Nielsen Wire. It finds, almost 57 million strong, Hispanics represent almost 18% of the U.S. population, and they're expected to continue showing growth, reaching 24% of the population by 2040 and 29% by 2060.

Despite slowing immigration and reduced birth rates, The U.S. Census projects Latinos to account for a full 65% of the nation's population growth over the next 45 years. This means the U.S. Latino population will more than double, adding 62 million people, and will reach more than 119 million people by 2060. Meanwhile, the compound effect of Hispanic growth and the decline of the non-Hispanic white population due to aging and lower birth rates will result in non-Hispanic whites declining from 62% of the total population in 2015 to 44% by 2060; their contribution to total growth will decline by 17% from 2015 to 2060.

Younger generations of Hispanics (under age 55) are predominantly bilingual, and with each new generation, more English-dominant. Currently, 40.6 million Hispanics over the age of 5 speak English well, and 96% of Hispanics under 18 are either bilingual or English-dominant. In total, 55% of Hispanics are bilingual, while 27% are English-dominant and 19% are Spanish-dominant. Spanish is still spoken by many of the English-dominant speakers, however, and the growing importance of Spanish makes dual-language competence a benefit for marketers in mainstream America. Sixty-three percent of Spanish-dominant Hispanics are age 35 and older, compared with only 4% of those under age 18. Over half (58%) of Hispanics under 18 are bilingual. Despite an increasing proficiency in English, messaging in Spanish and in-culture is still very relevant to younger generations.

In 2015, Hispanics controlled $1.3 trillion in buying power, an amount larger than the GDP of Australia or Spain, up 167% since the turn of the century. The increase is more than twice the 76% growth in non-Hispanic buying power during the same period. The center's projections show U.S. Hispanic buying power continuing this trend, reaching $1.7 trillion by 2020. Latinas have made the most dramatic gains in education. The higher education level is helping drive positive economic results, including rising household income and greater household expenditures. According to U.S. Census data, the percentage of Hispanics with a household income greater than $50,000 increased to 43% in 2014 from 30% in 2000.

CONTENT IN CONTEXT

When we place this data in perspective for broadcasters, we are faced with a unique challenge. As the report states, the growing importance of Spanish makes dual-language competence a benefit for marketers in mainstream America. Despite increasing proficiency in English, messaging in Spanish and in-culture is still very relevant to younger generations. That may be the biggest key, though not able to present in Spanish, we certainly should be aware and provide in-culture programming and messaging. We are likely to be rewarded for those efforts now and in the future.

KATZ TELEVISION GROUP
2016 Q4 ISSUE #1

CONTENT MATTERS

IDEAS IMPACTING THE CONTENT COMMUNITY

According to this item excerpted and summarized from TELEVISION NEWS DAILY, NBCU is a prime example of embracing an 'audience-first' mind-set. The network put an end to its traditional time-based schedule of programming in favor of aligning around audiences and genres — a direct reflection of digital influence. Observers say this allows the net to think about reaching them more holistically: linear TV, connected TV, digital, mobile. The way in which content is discovered and consumed is very different today than it was five years ago. With an "Audience First" approach, the goal is to reach individuals most likely to respond favorably to a brand's message.

How you reach them becomes a dynamic exercise, based upon a multitude of factors. For example, Gen Xers have TV habits dependent on how they are connected and where they consume media. For advertisers, reaching these viewers has never been more complicated. It is a far cry from the delivery of an ad into the primetime block vs. streaming via connected TV at random times. Successful strategies that incorporate an "Audience First" approach turn targeting challenges into engagements that build loyalty and sell products. "Audience First" means discovering, expanding and engaging with a desired audience on their terms.

There are new categories of audience definition. Key demographics, age and gender are the beginning; behavioral and contextual insights - browsing behavior, interests, device preferences, location, time of day, all dynamically cross tabulated - are equally critical. Social and mobile have become key elements. Both embrace a wide array of meaning and nuance that must be unpacked to build successful strategies.

Some believe that the journey is as important as the destination. Understanding how someone navigates to content can be critical to connection. By paying attention to the long game rather than the industry's fixation on KPIs and standard metrics can distract from the more important goal of building fan-bases with these audiences. We must understand the consumer psyche. It's as important to have motivational insights as it is to identify an audience by demographics. Psychographic insights reveal information on behavioral patterns and habits that aid in influencing the audience. The lines between marketing and content continue to blur, where storytelling is the linchpin that sets apart good vs. great.

The right technology can find whatever audience a brand needs, wherever and whenever they are consuming content. Brands' relationships with their audiences are constantly evolving. Ad tech companies are at the epicenter of the shift ensuring that individuals discover content they are passionate about wherever they interact with content establish greater brand resonance for engaged consumers.

CONTENT IN CONTEXT

If we believe that is the future, that there will and must be new categories of audience definition that are basic to achieving behavioral and contextual insights as social and mobile have become part of nuanced strategies, broadcasters will face an even more complex environment then has been presented by the ever changing technological advances. It may be trite to say that change is inevitable, but we are not sure that we can all keep up with this multi-layered change.

DVRs, as it turns out, hold about as much interest for Millennials as their parents' old VCRs. It's a combination of changing TV habits and the view that the DVR is, well, dated in the eyes of this younger generation, which has led to lower levels of usage of the device compared to older demos. A new study from the Video Advertising Bureau and a report by MEDIA LIFE have been excerpted and summarized which breaks down DVR habits through generations, income levels and ethnicity. One major takeaway from the report is that DVRs simply aren't as important to the younger generations as they are to the older ones.

VAB finds Millennials devote less of their TV time to DVR viewing than any other major demo. Among the youngest of them, 18-24s, time-shifting represents just 18 percent of all time spent watching television—which means 82 percent of their TV time is spent watching live. That's higher than teens (80 percent) and 2-11s (79 percent). And it's much higher than adults 35-49, who spend only 76 percent of their time watching live TV. Total time spent with DVR content is also much lower. Adults 18-24 spend 15 hours and 16 minutes per month with time-shifted content, or about half of what 50-64s and adults over 65 do. Even among the older Millennials, time is lower than other adult demos, at 24 hours and 26 minutes.

The report asks and tries to answer the question: So why the disparity between older and younger viewers? It indicates that there are a number of reasons. They included that Millennials prefer the instant gratification of finding shows they missed on TV on-demand via VOD, on networks' websites or streaming services such as Netflix or Hulu. It was also found that Millennials watch less TV overall, and when they do watch, it tends to be programs that are viewed more live, such as sports or reality shows like "The Bachelor," one of their top shows. Even with all of the discussion of DVR playback, the report does state that 77% of TV viewing is spent with "Live TV' in primetime.

The report also stated that Millennials tend to be more diverse than their older counterparts and that Hispanics and blacks are, overall, less likely to own DVRs. Overall 51.7% of the U.S. are DVR households. The report specifically tallied that only 45.1% of black homes and 48.6% of Hispanic homes have a DVR. That has, however, grown by 7% for Hispanics and 10% for black households since 2015.

CONTENT IN CONTEXT

The real insight of the report was Millennials grew up with DVRs, so they view them as traditional media. Also, fewer Millennials subscribe to cable or satellite, thanks to cord cutting, so fewer have DVRs. Younger viewers know other ways to find the shows they want to watch rather than recording them, preferring the instant gratification of VOD. As broadcasters, we are again faced with the challenge of reaching this new generation where, when and how they want to view our content.

Recent announcements are just the latest in a long series of equity investments made by traditional media giants in fast-rising digital media startups. In fact, since 2013, the quartet of BuzzFeed, Refinery29, Vice Media and Vox Media alone have raised more than $1.6 billion from the likes of Disney, NBCUniversal, Turner and Hearst. Those deals were the focus of this item excerpted and condensed from DIGIDAY.

All of a sudden, there was a change in mentality, and all the digital media companies want to be on TV. These deals are frequently labeled as "strategic investments" benefiting both sides — the TV guys get a chance to reach younger viewers on newer platforms while the digital guys get more money and resources to continue growing. What these deals also demonstrate is that while the death of traditional media might make for a great cocktail conversation, if the so-called disruptors succeed, so will "old media." They've ensured it.

To be sure, the investments come out of necessity. According to Nielsen, Americans aged 18 to 24 watched nearly two fewer hours of TV every week in the first quarter of 2016 when compared to the same time period last year. Take, for instance, this 2014 presentation from BuzzFeed, which touted how it reaches more people in the U.S. than CNN, MTV and Comedy Central. Among millennials, it's bigger than those three cable networks as well as broadcast giants CBS and NBC, BuzzFeed claimed.

A year later, NBCUniversal put $200 million into BuzzFeed in a deal that valued the company at $1.5 billion. The partnership gives NBCU access to younger viewers across platforms that BuzzFeed has a lot more expertise in. For instance, the most notable collaboration between the two companies to date is around the Rio Olympics, for which BuzzFeed was running NBCU's Snapchat Discover channel. Even if it's "bigger than TV," BuzzFeed still wants to be TV. Similarly, Turner's investment in Refinery29 includes plans for both companies to work together on video content targeted to Refinery29's core base of millennial women. Some of that content could be made for Turner's cable networks.

For companies as financially strong as Disney, NBCUniversal and Turner, investing in big digital publishers has more upside than downside. The digital publishers, meanwhile, get more of a runway to one day meet their lofty valuations. And while it's not a given that any of these video-crazy digital publishers will be successful in the end, ultimately, it doesn't matter — "old media" will be there to pick up the scraps. They are building real businesses, but I'm not sure many of them are going to be standalone entities five years from now.

CONTENT IN CONTEXT

If even just a few years ago, many of us had not heard of SNAPCHAT, BUZZFEED and certainly REFINERY29, it is impossible not to be aware of their influence today, especially for those 18-24 year olds that Madison Avenue seems to covet. Thankfully the bigger players in "old media" are taking position with these services. Hopefully, in the future, local broadcasters will be able to benefit from these developments.