

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**.

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INSIGHTS TO KNOW

1. Nielsen Embraces Change

Frequently chided for its inability to enact timely changes, Nielsen readies to overhaul major currency measurement in the next few months.

2. Why Traditional Media Players are Still in the Game

Michael Wolf tells us that cord cutting is years away and TV isn't going away.

3. Your Show Is Dead (or the Age of Denial in Broadcast TV)

Commentary on how aging broadcast networks must come to terms with a changed landscape.

4. Kids These Days: They Might Just Pay for Digital Content

According to Bain & Company's new survey, these consumers, whom we call Generation #hashtag (regardless of age), favor content and services that have been designed and distributed exclusively through digital (and especially mobile) channels.

5. Evidence is Clearly Pointing to Television's Marketing Muscle

Television is using research to counter the shift of advertising dollars to digital.

In this item excerpted from Media Life...

John Morse, Ph.D., head of Byron Media, talked about how the changes will resonate in media. Nielsen is bumping up its sample size of national households, addressing one of the longstanding complaints from media buyers and planners. It will go from 25,920 to 40,330 households, which it claims will increase the reliability of ratings by nearly a third. Also next year, digital viewership from online sources such as desktops and tablets will be added to TV ratings, and Nielsen will begin tracking DVR playback beyond seven days.

Each of these changes is sure to have an impact on how media is planned and bought. The impact on ratings [from this increased sample size] is unclear at this time. Theoretically, the only changes should be greater statistical reliability and consistency.

Another of the things being added in is DVR playback beyond seven days. The value will vary by program genre. Sports and news are mostly watched live or live plus same-day. However, movies, documentaries and the top program series will get a small lift by adding in ratings beyond seven days. Even these genres are mostly replayed in the first three days, so the value will not be huge.

With so many people dropping traditional multichannel subscriptions in favor of inexpensive internet-based ones,

the audience migration needs to be fully measured. But currently Nielsen won't measure sources without the cooperation of a service to code the programs for measurement. Nielsen should find a way to apply its own code and measure these options—even at the risk of upsetting some services, which don't want their numbers to be publicly reported.

We know that L+SD provides an incomplete measure of total audience. However, some programmers continue to run these numbers in order to get an early heads-up on how shows are doing. Sales, on the other hand, need to add as long a timeline as the market will bear. There may be two accounting moments for settling up on audience delivery: L+7 and L+35.

The industry is divided on almost everything that Nielsen is doing, with the exception of adding a new national sample without increasing prices. One faction wants to have more time to vet and critique any new data added into the Nielsen national sample. Others are anxious to get an expanded sample and to incorporate additional audience platforms. However, there is no client consensus about what Nielsen should do. Most companies are wary, but excited by the prospect that ratings will likely be higher. In part because of the competitive situation, Nielsen is feeling a lot of pressure to move forward with enhanced measurement.

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We agree that given the proliferation of viewing options, Nielsen needs to continue to expand its samples and find a way to add a representative sample of set-top box ratings for households. There are many issues related to using set-top

box data, but the statistical stability of Rentrak's 18 million homes to Nielsen's 40 thousand is significant. The key is to marry stability with representativeness. As is stated, adding set-top box data into Nielsen play would be a game-changer.

In an item excerpted from the FOUND REMOTE website...

Michael Wolf, Managing Director and Co-Founder at Activate stated that there is more competition for consumers' video time and attention, but traditional TV still captures 72 percent of all viewing. The rise of time shifting and on demand means people are watching more TV than ever: Millennials, Gen Xers, and Boomers still overwhelmingly prefer to watch high-quality video on large screens.

The death of cable is over-rated and it will take at least a decade for substantial decline. It's expensive and difficult to reproduce the deals that cable operators have in place. A company like Apple or Google may try to take on the cable operators and will find that their costs are significantly higher. We expect that they will compete for the high end of the market, rather than the mass or lower end, where there are skinny bundles and other incentives for consumers to stay with cable.

Cable is entrenched in the American home and it will likely take a decade before consumers are willing to cut the

cord. Cable deals are based on volume and have lower pricing than newer competitors would offer. They are also able to offer attractive discounts, skinny bundles, unbundling and 'triple play' incentives that include phone, Internet and cable.

Pricing in the industry is based on volume and a cable killer couldn't put together an attractive package for the average consumer without bundles. The trend is unbundling — and consumers will expect more of this, rather than less. So we see difficulty for cable killers to come in and upset the status quo at the moment. The strategies they need to compete aren't aligned with consumer trends and purchasing behavior.

Netflix is in an astounding half of all American homes. That's a shocking statistic. Beyond that, we see millennial consumption behavior and new consumer entertainment devices driving some of these other platforms in the future but there's no clear leader or winner yet. It's still early days, given where technology infrastructure is in handling bandwidth.

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Wolf tells us that TV isn't going away, and in fact, the average American is still watching more than 5 hours of TV daily. What's surprising is that millennials are binge-watching TV while multi-tasking – surfing, messaging, playing games etc.

Long-form is still preferred on large screens by every demographic, but short form videos are being consumed on mobile and tablets. We agree and believe that we need strategies to be where the audience is heading in the future.

In this commentary excerpted from Variety...

At some point aspiring to run a broadcast network went from a sign of ambition to one of insanity. And so they are all — like everyone — witness to the massive shift that seemingly happened overnight but, of course, did not. In the Too Much TV era, everybody has been working with their heads down and either chose to ignore or missed the signs that fundamental, unmanageable change was afoot according to columnist Tim Goodman.

The fashionable excuse is, “We’re still trying to understand it and don’t want to make any rash decisions about it. Network heads talk about why the networks aren’t canceling shows. Instead, they’ve been trimming episode orders. All that does is delay both the obvious and the inevitable decision to cancel. Network execs think the new world order on ratings monitoring viewer and demo growth over three, seven or 30 days is a much more complicated formula than those age-old overnights of the past. The only problem here is that those execs are lying or in denial, because they know.

Maybe 2015 is the Age of Denial in broadcast television. And it’s fascinating to watch because so few movers and shakers

are getting together and trying to figure out how to fix it. What the broadcast TV industry should be worried about in 2015 is “all this other stuff.” The failure of “all this other stuff” to be viable in the Too Much TV era means that the model is broken.

There are strong parallels to the auto industry here. Nobody in broadcast television has created an untapped sub-category like minivans or SUVs, yet. Maybe the “limited series” or “anthology” category is the minivan of the TV industry. But there is no Prius or Tesla yet. A first step, maybe something akin to the compact economy line would be nice. In the meantime, an unwieldy, aging production line is cranking out the same product: expensive, unwanted, and wasteful.

The nets want to believe they are broadcasters, when they’re really narrowcasters, or, if you want, cable channels. To make that world work, so much has to change as to be overwhelming. Yet if these broadcast channels don’t want to concede that times have changed, the industry has evolved and then calcified and now needs to be fundamentally altered they can’t be helped (or saved).

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Though this commentary may be extreme, it does point out some of the key issues facing broadcast networks and thus our stations. As the commentary concludes, the problem is that the industry hasn’t retrofitted itself. Nobody made a move to change the way television production has

operated because nobody either had the foresight, the honesty, the power or the fortitude to do it. Outside of CBS and the rare huge hit, the broadcast television industry is in such disarray and denial that it can’t even kill its failures. What an inert, sad state of affairs.

As excerpted from ADVERTISING AGE ...

The Bain & Company survey tells perhaps most importantly for media companies, a younger cohort among Generation #hashtag that it is increasingly willing to pay for content, especially for video, music and games. Services also are rapidly becoming native-first, with our survey revealing widespread adoption across the categories. Generation #hashtag flocks to sharing and mobile champions. While millennials led the charge in entertainment, services show a surprisingly even pace of change across generations.

With new platforms come renewed hopes for consumers who will pay, and here we find a solid basis for such hope. While advertiser-supported models remain prevalent, consumers are adopting the full spectrum of digital monetization models -- including single purchases, subscriptions and micropayments.

The survey also found that, contrary to conventional wisdom, younger customers are more willing to pay for content, possibly because they are more comfortable with mobile payments. Among customers younger than 26 in developed markets, 30% are already paying for some forms of digital video (compared to only 23% of those 26 and older).

So how can media companies monetize this powerful trend? They must move beyond traditional advertising strategies or the land grabs pursued by YouTube, Netflix and others that aim to build enormous user bases. Long-term success depends first on understanding Generation #hashtag and its media preferences and then upgrading capabilities in these areas.

Successful content is user-influenced, if not user-generated. Here, entertainment and publishing companies can learn from service providers, which have become masters at growing audiences and building business models based on user engagement and contributions. Individual targeting, social engagement, measurability and return on investment have become as important as reach and affinity. In a demand-driven economy, deep insight into consumer behavior is more critical than ever.

Adding another category, Generation #hashtag, we get more insight on consumer and viewer behavior. For traditional players, moving into the native space allows them to access a wealth of new information. HBO's launch of HBO Now allows it not only to gain share in the streaming market, but also to correct the data collection imbalance.

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Whether as broadcasters we are attempting to evolve into the native space or just more clearly focus our traditional approach, we need to continue to evolve our methods. We are

encouraged that the survey suggested, just as traditional media companies need to embrace native models, native upstarts may also have to learn some of the old dogs' best tricks.

As stated in this item excerpted from AD WEEK...

As we come to the end of 2015, we should remember some findings from earlier this year, with emphasis on the evidence that is clearly pointing to television's marketing muscle. As television advertising is facing a new challenge from digital media, the industry is compelled to tout TV effectiveness, this time with the help of new data analytics tools. CBS joined the fight by presenting the findings of its own study this year -- in cross-platform campaigns, TV soundly trumps digital in both spending and reach.

As reported among several trade publications, David Poltrack, chief research officer at CBS, shared his findings on the cross-platform dynamics of 315 brands' TV and digital campaigns, based on Nielsen's cross-platform ratings (XCR). Of those brands that ran both digital and television campaigns on the system (including insurance, automotive and consumer packaged goods), the average target reach for the campaigns was 67 percent, 53 percent saw only television ads, 9 percent

viewed both digital and television ads and just 5 percent saw digital ads only. Similar results occurred in category-specific breakdowns as well.

Coupled with the earlier Turner/Horizon study on television's effectiveness, Poltrack said both studies highlight that "nothing's more effective than television, television's as effective as ever. He went on to state that advertisers aren't abandoning it. He also asserted that advertisers certainly shouldn't be abandoning it." Advocating advertisers use digital as a "supplemental element. Digital has value, but it does not replace television."

Poltrack also argued that "precisely targeted" digital campaigns are nowhere near as precise as one might think. "Of the targeted digital campaigns we're seeing, the best ones are delivering 40 or 50 % of the target group. They're not delivering all of the target audience," he said. "So no matter how small your target is, if you want to saturate your target, if you want to reach everyone in your target, then the only medium that is able to do that effectively is television."

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Poltrack compares the networks' new found urgency to reinforce the power of television advertising to what occurred in the late '80s, when the advent of supermarket scanner data prompted marketers to shift money out of advertising into promotion. In response, the television industry and advertisers conducted the

famous 1991 study, "How Advertising Works." We agree with the analysis that a key strength of both studies' findings is "they're actually based on how advertisers are actually using media and how they're combining television with digital. It's working, it's effective and no one is running away from television."