CONTENT MATTERS

IDEAS THAT IMPACT THE CONTENT BUSINESS

2017 Q2 Issue #2

Culled from the headlines of the media and technology trade press by Katz's Strategy, Analytics, and Research Team, ***Content Matters*** provides a periodic snapshot of news and issues that affect the business of creating, producing, and distributing content across TV, radio, and digital media. Full stories are linked from the headlines on each page.

5 THINGS TO KNOW

1. Audio: Trilia Works Creative and Data Mash-Up

We need to think more strategically about how to collect, tag, and analyze information about *all* our assets and resources so we can apply what we discover to create greater value for advertisers and audiences.

2. Audio: Digital Adds Reach to Radio Core

Audiences move across a rich and complex mediascape every day. While our businesses may be defined by silos — TV, radio, digital, or print — audiences define experiences by "story" or "brand." Opportunities abound to create and distribute content across platforms that audiences can put together like puzzles.

3. Digital: YouTube "Boost" Study Deemed Misleading

YouTube has proven a powerful force in disrupting the video and music industries. But, to what end in creating "gaps" at multiple points in the value chain? The Recording Industry of America responds to a recent YouTube-funded study on the matter.

4. TV: Bundle Without Sports for Less than $20

Does everyone want to watch Sunday Night Football or tune into the Olympics? Some companies are willing to bet "no" and are on the eve of announcing a low-cost, non-sports cable bundle. We're eager to see what happens, win or lose.

5. TV: Surprising Reasons Advertisers Can't Quit TV

In the wake of the annual network upfront presentations, it's important to remind ourselves of some fundamental (and, honestly, not all that surprising) reasons why TV is still a solid investment.

1. Audio: Inside the Agencies: Trilia Works Mash-Up Between Creative and Data

From *Inside Radio*, 17 March 2017

"'What we really want to see from our partners are ideas that go beyond spots,' Agresti adds. 'And it's not just digital display ads on their websites. We really want to engage with their listeners, who are our customers.'

"Authenticity is a really big deal for Trilia. Thus, the agency's name, a mash-up between the words 'true' and 'real.' 'Consumers are blocking ads left and right and trying not to interact with advertising. The more you can be relevant and interesting and create something that people want to spend time with, you're going to win,' says Agresti.

"At the time of Trilia's founding, advertiser clients were starting to realize that their previous strategy of focusing primarily on the cheapest media deals possible just wasn't cutting it. In contrast, Trilia focuses on a combination of creativity and science to create campaigns that cut through the clutter of other promotions.

"To help accomplish the 'creativity' goal, Trilia works closely with creative agencies. And the science goal has involved increasing investment in technology for deeper data insights. 'That will be a constant evolution, because the business demands it,' says Agresti.

"'We've tapped more into the resources of IPG, and we do that more and more every month,' Agresti adds. 'I don't think any individual agency can, on their own, afford to invest in the kind of data and technology that the business demands.'

"Search consultants told us that clients they were working with were hungering for ways to stand out in the marketplace. All of a sudden our model made a ton of sense," says Stockwell. It's a model that could well grow, the more clients spread the word of Trilia's creative advantage."

Content in Context

Traditionally, most people have thought of "data" as referring exclusively to audience demographics, advertiser spending, dayparts, ratings, and shares, among a handful of others. The truth is that data can be found in almost every aspect of business operations depending on how executives think about capturing and tagging assets and resources; everything from a DJ's interests and family life to how many donut shops exist within a listening area can be leveraged to create custom, highly targeted promotional campaigns that more effectively engage listeners and deliver value to advertisers. Data-driven creative strategies help everyone get the most for the proverbial "entertainment dollar."

2. Audio: To Dave Ramsey, Digital Adds Reach to Radio Core

From *Inside Radio*, 22 May 2017

"…four years ago, Ramsey and company came to a 'turning point' of their own. To reach everyone interested in hearing the show's message would require major investments in developing new digital platforms and a new philosophy of meeting listeners in all the places where they are. 'You can't pull the listener to you, you have to go to them,' Mayfield says. 'The audience is making a choice and we have to go to them and develop content that works on the platform where they are.'

"That's when team Ramsey got serious about video, podcasting and other digital distribution points. Juggling a daily three-hour radio show while serving as the CEO of his expanding company, Ramsey had no time to create new programming. The anchor radio show would fill the new digital pipelines, augmented by complementary programming developed by a growing content creation team. To repurpose its existing content, Ramsey Media's Nashville producers rely on separate studios for audio and video. The three-hour live daily radio show is edited and repurposed into three daily one hour podcasts in the audio studio. The podcasts have a total average of 2.7 million downloads per week, according to the company. There's a dedicated Ramsey channel on iHeartRadio, along with live streams and show archives available on a Ramsey app and website. Apart from the podcast audience these digital channels have a weekly audience of 1.2 million.

"A similar philosophy guides Ramsey's video channel, which launched in 2013 after a year spent building out the infrastructure. In addition to the app and website, the video version of the daily radio show streams on the host's YouTube channel and on Facebook Live. More than just a video version of the radio show, the slickly produced program is shot with five HD cameras (including one in the lobby). It opens with a pre-produced segment filmed in the field of people telling the story of how they got out of debt or became millionaires."

"But the live video producers faced a challenge in having to follow the radio clock with its long spot breaks for local and national avails. 'You can't run five minutes of spots and keep a video viewer engaged,' Mayfield says. 'They're going to check out on you.' Instead the video version replaces spots with 30-, 60- or 90-second video vignettes that tie in with the show's story lines."

Content in Context

In a market driven by multiple consumer touchpoints, producers must think strategically and creatively about how to optimize resources to capture as much content as possible in real-time, managing production resources while creating enough content to push through multiple channels without it being redundant or repetitive. The goal should be to create an engaging and compelling composite experience for audiences, creating opportunities for them to discover different elements of a story across all platforms. Audiences should feel rewarded with new details as they encounter content across the mediascape.

3. Digital: Google-Funded Study Touting YouTube Boost to the Music Business Deemed Misleading by RIAA

From *Variety*, 19 May 2017

"A Google-funded study that touts positive impact of YouTube on the music industry is raising hackles, with the Recording Industry Association of America (RIAA) characterizing the study as misleading and out of touch. The study, by the London-based RBB Economics, studies user patterns in Europe, assessing whether the overall YouTube impact spurs more business or cannibalizes paid sales. 'The RBB study tries very hard to show that YouTube is really good for artists, even if they don't know it. But it isn't for YouTube to tell artists what's good for them, or how they should promote their music,' the RIAA said in a statement to *Variety*. 'That's for artists and their business partners to decide.'

"Drawing particular criticism are stats that tout YouTube's beneficial effect on boosting other paid services, referred to in the study as 'a significant promotional effect.' The study advances theories that 'paid streaming rises where YouTube views rise, with views rising first, spilling over to a noticeable rise in streams.' A country-by-country assessment of this uptick reveals a range of 12-142% increase depending on country, with Germany at the high end. 'Tracks with higher initial exposure on YouTube achieve higher streams on paid services like Spotify and Apple Music in subsequent months, compared with new releases that had lower initial exposure on YouTube,' the study claims, noting the benefits exist across geographies and age ranges and music types.

"The RIAA characterizes as 'astounding" the RBB report claims that artists benefit from, for example, higher audio streams on other music services when YouTube views are higher. 'Do they truly believe that it's okay for YouTube to pay only miniscule royalties because artists will make more from services like Apple and Spotify? The RBB study ignores the fundamental issue – that YouTube is failing to pay fair market value for the music they're using. Music creators want to make their music available on YouTube. They just want to be paid fairly for doing so,' the industry group continued."

Content in Context

Obviously, we have not reached a point where the "value gaps" between traditional and digital media are small enough for businesses, producers, and artists to all be satisfied that everyone is making the money they rightfully deserve. Gaps will continue to exist and likely expand unless we develop smarter models that rely on varied and inconsistent audience and usage measures, as well as better understand audience behaviors across media channels. Until we have a more qualitative *and* quantitive understanding of how consumers use multiple platforms to discover, sample, and purchase content, and, ultimately, how they engage with the advertisers wrapped around that content, we will continue to struggle with perceived "value gaps" and challenge research that prefaces one platform over another.

4. TV: A TV Bundle Without Sports that Costs Under $20 is Coming Together, According to Viacom's CEO

From *Business Insider*, 22 May 2017

"***Broadcasters hate it***…There are two basic camps on this matter…

"The parent companies of the major broadcast networks — NBC, ABC, CBS, and Fox — have paid a lot for sports rights, so they want no part of a bundle that makes sports seem less important. The cable networks they own are also out. So no FX, USA, or Fox News.

"That means the bundle will have to be constructed of companies like Discovery, Viacom, AMC, Scripps, and Turner (though it does have some sports rights). Those five put together could indeed make a pretty compelling cheap "entertainment" bundle at $20 or less. You would get a spread of programming from CNN's news, to AMC's dramas, to Comedy Central or the Food Network. There would be holes, but at the right price people might be willing to overlook it.

"Distributors who want to sell such a bundle might run into trouble, however. How? Some of the contracts cable and satellite providers have signed with heavyweights like Disney and Fox have fine print designed to stop new bundles like these. And in 2015, ESPN and Verizon over a sports-free bundle, saying it violated distribution deals.

"But it seems that at least one distributor is looking to bring a $10-$20 bundle to market anyway.

"Bakish said the package was meant to appeal to 'cord-never millennials,' or young people who have never subscribed to cable. As it stands, it's hard to imagine why a young consumer who isn't interested in sports would shell out $40-a-month for his or her first pay-TV bundle. This package is meant to fix that.

"The question is whether, without the broadcasters, there will be enough quality entertainment in the bundle to move the needle."

Content in Context

According to a recent *Los Angeles Times* report, cable companies lost more than 800,000 subscribers last year alone. The *Times* also reported that a survey of "cord cutters" revealed that most believed the cost of their cable subscriptions was overvalued and that they wanted more a la carte and smaller bundle options. While the broadcast networks have invested heavily and created programming schedules that rely on revenue from professional and college sports, there are still significant audience segments across all demographics that desire different creative, news, and information content. Whether it's a success or failure, the industry can learn a tremendous amount from a $20 non-sports-based bundle in the market, helping us better define strategies for managing the future of broadcast, cable, and digital businesses.

5. TV: Here Are 4 Surprising Reasons Why Advertisers Can't Quit TV

From *Business Insider*, 19 May 2017

"[1] Grandfathered pricing…Some marketers, like say Bayer aspirin, have been advertising on TV literally since the 1960s. That means they've probably been absorbing modest ad price increases every year, according to Eric Bader, managing director at the ad tech advisory firm Volando, who has logged stints at several top media buying agencies. And these ad rates are contingent upon them spending at a certain level.

'TV is eroding in every dimension, but there is a spoken or unspoken threat that if a Bayer takes money out, that cost basis goes away,' said Bader. And coming back to TV after leaving for a period of time could result in that brand having to pay rates that are two and three time higher, according to estimates from Pivotal Research analyst Brian Wieser.

"[2] The models say TV works…Many marketers have long relied on using what are known as 'marketing-mix modeling.' Research companies such as Millward Brown provide brands with sophisticated research and statistical analysis designed to help them figure out where best to spend their marketing budgets to achieve whatever it is they want to achieve.

Guess what? These models often tell marketers that despite all the shiny new digital options out there, TV works. Again, the Bayers of the world may have decades of research data showing them how effective and efficient TV is. Digital media is still catching up here.

"[3] CMOs like to see their ads…As much as marketers say they want to try more sophisticated ad tactics, such as using better data and tech to deliver precisely targeted ads, they also really like to know that their expensive new commercial is running during the second ad break of *Law & Order SVU* on Wednesday night so they can tell their boss to tune in.

"[4] Agencies make good money making TV ads and buying TV ad space…Because ad agencies need to make every dime they can, there can be an 'internal bias towards TV,' said Bader."

Content in Context

We're in the broadcast TV business. We get it. While these reasons may seem "surprising" to some, they are threads of the many arguments we make daily for continued investment in TV. It's important to recognize that TV, despite significant changes in the business, is still the predominant medium audiences turn and refer to during major cultural, sports, and social events. Changes in the business are forcing us to re-evaluate production, licensing, and revenue models. But, as they say, change can be good. We shouldn't wring our hands and fear the end is near but rather roll up our sleeves and work harder to ensure a long and healthy future for TV in an increasingly complicated marketplace. We owe it to our audiences and advertisers alike.