

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.

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THINGS TO KNOW

1. Audio: Summer is Near; Radio Habits Are Changing

Summer brings a natural change in audience listening preferences and habits. Nielsen provides a snapshot of early seasonal trends, noting summer 2017 may prove atypical depending on what happens in Washington, D.C.

2. Audio: Alexa and Other Smart Speakers Amp Radio

Voice-activated technologies are migrating from the smartphone to other consumer electronics as quickly as George Jetson can walk Astro on his futuristic treadmill. Smart speakers create big opportunities to increase user engagement with radio.

3. Digital: Time Warner CEO: AT&T Deal is About Gaining "Equal Footing" With Tech Companies

It's not just about whether one owns the water or the pipes in today's marketplace. The changing dynamics of getting audiences to turn on the faucet and figuring out who makes money when the water is running are at the heart of recent media and technology mergers and acquisitions, including the AT&T-Time Warner deal.

4. TV: TV Adaptations Must Figure Out When to Go By the Book — Or, Risk Fan Frenzy

Identifying what makes a book a bestseller and transposing those elements to create a hit TV series are not for the faint of heart. Complex choices are made to satisfy existing fan bases while growing audiences for new franchises.

5. TV: Netflix CEO Wants to Start Cancelling More Shows — Here's Why

To be more creative and continue to push limits, and thus remain competitive, Reed Hastings argues that the Netflix content team should have a higher kill rate. While the strategy may make sense based on internal data, audiences may have the final say.

1. **Audio: Summer Is Near, and Radio Habits Are Changing**

From Nielsen, 22 May 2017

"Another summer is just around the corner, and with it comes the seasonal changes in habits for millions of Americans. When it comes to listening to the radio, summer brings a seasonal shift in tuning behavior that matches the lifestyle of warm weather days, trips to the shore and vacation mindsets.

"So as we dissect Nielsen's April portable people meter (PPM) ratings, we see several historical trends in the data as we move into summer. Notably, News/Talk's recent high water marks driven by interest in politics are cooling just slightly, and Country radio is surging, particularly with Millennials.

"News/Talk radio stations have enjoyed a long stretch of increased share of audience due to interest in our current national politics. News/Talk tune-in over the past seven months has represented a return to levels not recorded since 2011 or 2012, including some record-breaking months in PPM measurement. The chart below [Note: see full article for chart] tracks News/Talk's share of audience since November, with the April data revealing a slight dip in the numbers and a reset to pre-election levels.

"Historically, News/Talk as a format, trends lowest in the summer, when working patterns, travel and lifestyle changes alter the daily routines of millions of Americans everywhere. When you're out of town at the beach or taking the day off for children's summer camp, the normal routine of weekday news consumption is interrupted. It will be interesting to see how the summer of 2017 trends for the format, considering the intensity of coverage and no shortage of material coming out of Washington, D.C. these days.

"One format that does peak in the summer is Country, and we're seeing signs of that annual surge in the April results. Although the April 2017 numbers for Country trail the same results from years past (when the format was at its PPM peak; 2014 and 2015), the past few months have seen a significant uptick in listening for the format, particularly among Millennial listeners aged 18-34. Since January (7.9%), Country's Millennial share has jumped by more than half a share-point, coming in at 8.6% this month."

Content in Context

The latest report from Nielsen highlights the annual shift in audience listening habits as we head into summer, highlighting how context, especially seasonal timing, plays a significant role in media consumption. While Hollywood looks to crown the "Summer Box Office Champion" and book sales surge with "Summer Reading Lists," radio and TV experience their own shifts in what people want to hear and see during vacation and relaxed time with family and friends. The big unknown, of course, as the Nielsen post suggests, is what will happen in Washington politics to disrupt the annual and now seemingly natural change in currents. As with everything related to the campaign, the election, and early months of the new administration, we are in uncharted waters.

2. Audio: Alexa and Other Smart Speakers Keep Radio's Volume Up

From *Inside Radio*, 5 June 2017

"Radio's latest big hit isn't a pop song, but rather a new device sitting discreetly on kitchen counters and bedroom nightstands. Voice-activated smart speakers, for now mostly Amazon's Alexa and Google's Google Home, offer broadcasters a promising new avenue into homes, offices and even cars, all by using voice commands.

"The speakers are virtual assistants that can perform myriad tasks, such as forecasting weather, ordering take out and—key for the radio industry—streaming high-quality audio. For both radio broadcasters and podcasters, smart speakers represent a new way to listen and connect with audiences on a new digital platform with a red-hot growth rate.

"Think about any interaction you are having with your favorite radio station right now becoming even easier with voice prompts. Make a song request, vote, enter a contest, replay songs—it can all be done in a hands-free experience," says Steve Radley, iHeartRadio's senior VP of product innovation. iHeart's radio stations are available on Alexa and Google Home via the iHeartRadio custom integration, or 'skill,' which comes baked into the devices. Radley says users will soon be able to apply some of the advanced functionality they enjoy with iHeart's paid plans—such as song skipping, replay and saving to a playlist—to the voice speakers.

"In just the last few months, a few pioneering radio broadcasters, including Federated Media and Hubbard Broadcasting, have launched their own custom Alexa skills, while even more stations are producing local news briefings exclusively for Amazon's Alexa. A number of broadcast technology partners, including Futuri Media, ClipInteractive, XAPPmedia and Sonic AI—a partnership between Jacobs Media and Amplifi Media—are building Alexa skills for stations and exploring integrations for other devices. All expect to launch multiple station skills in coming months. And several major station groups, including Scripps and Entercom, say they're laser-focused on developing strategies for smart speakers and plan to launch their own products later this year."

Content in Context

Given the arrival of Apple's Siri, it was only a matter of time before speech recognition software found its way into other consumer electronics. It's almost a "no brainer" that voice-activated technologies have been so quickly embraced by radio stations when the user experience is driven by listening, by audiences imagining a dialogue with a radio personality or podcaster, and consumers following through on a conversational "call to action." Smart speakers represent an immediate opportunity for programmers and advertisers to re-imagine what audio-based and highly personalized experiences might look like as voice-activated technologies are embedded in new places. Radio will eventually be accessed anywhere and everywhere with a simple command.

3. Digital: Time Warner CEO: AT&T Deal Is About Getting Equal Footing With Tech Giants, From *The Hollywood Reporter*, 31 May 2017

"Facebook and Google, both of which are now competing with the television industry by buying programming of their own, already dominate the digital advertising industry.

"Some of Time Warner's biggest competitors today are technology companies that weren't making programming just a few years ago. It's for that reason that last year Time Warner agreed to sell to AT&T for \$85.4 billion, according to CEO Jeff Bewkes.

"Speaking Wednesday at the Code Conference in Rancho Palos Verdes, Calif., the exec explained that the deal will give his company — owner of CNN, Turner and HBO — the chance to 'get on equal footing' with digital advertising giants Facebook and Google, both of which have begun to buy original video content in an effort to compete for TV-sized ad buys. It's the same justification that Verizon has given for building up its ad technology capabilities and buying AOL and Yahoo.

"'It's hard to get on equal footing with them,' said Bewkes. He noted that with AT&T, the company will be able to innovate faster and increase its distribution, especially on mobile devices. 'It's good for Americans,' he added.

"It is for those reasons that Bewkes is not worried about the deal passing regulatory review. When pressed whether having Donald Trump as president changes that process, the exec said, 'I don't think who is occupying the White House really changes that.'

"The conversation stayed political as Bewkes fielded questions about CNN's handling of the 2016 election and whether its frequent interviews with and coverage of Trump impacted the outcome of the race, something Democratic nominee Hillary Clinton has criticized the mainstream media for in the months since her loss. Bewkes noted that the race was unconventional for both parties. 'We had unpredicted outcomes,' he added. 'We were simply trying to cover it.'"

Content in Context

In the category of "everything that's new again," a major technology and services company is acquiring Time Warner. But, unlike AOL's merger with the media powerhouse in January 2000, which relied on a complex infrastructure of third-party hardware and internet technologies beyond AOL's control, the strength of AT&T's wireless network and subscriber base seems a natural way to leverage and monetize Time Warner's content. As technology companies like Facebook and Google continue to expand their user base and look for new ways to increase advertising revenue with video content, the market for securing premium content will continue to be fiercely competitive. As market consolidation continues, the battle lines between traditional media Goliaths and the new digital Olympians have started to become clearer.

4. TV: TV Adaptations Must Figure Out When to Go By the Book — Or, Risk Fan Frenzy, From *Variety*, 5 June 2017

"Deciding to adapt a book into a TV series is easy. Figuring out how to do it is a lot trickier.

"Among the many questions creative teams need to resolve: How many episodes should there be? Does the story need to be updated? Should they try to broaden it to attract an even bigger audience? How closely should they follow the book?

"After all, built-in book audiences are a large part of their appeal as adaptation material. Deviate too far from the novel and its core audience might cry foul.

"Having recently adapted a beloved movie for TV, Warren Littlefield knew the inherent risks, and challenges, to doing the same for an iconic novel. But he was blown away by Bruce Miller's take on Margaret Atwood's *The Handmaid's Tale*, so he boarded the TV adaptation, one of several lit newbies this season along with *Big Little Lies*, *American Gods*, *13 Reasons Why* and *I Love Dick*.

"Littlefield's first order of business: Persuading *Mad Men* and *Top of the Lake* star Elisabeth Moss to take the plunge with him on Hulu's highest-profile series to date.

"'I had hundreds of emails with Lizzie and lots of phone calls,' says Littlefield, producer of FX's Emmy-winning *Fargo* adaptation. 'I said, "I'll do it if you do it.'"

"She agreed and then the real work began: realizing Miller's vision for the adaptation. Early on, Littlefield says, you get a glimpse of what the show might be, but 'then it's up to you to make hundreds of correct decisions.'

"When creating an alternate world like Gilead, you have to make sure it's still believable, he points out, crediting *Game of Thrones* showrunners David Benioff and D.B. Weiss for doing just that on their adaptation of George R. R. Martin's fantasy novels."

Content in Context

What works on the page doesn't always work on screen. We've all been there. "I liked the book better." Or, "I thought the movie was better." The trick to adaptation is not simply ensuring familiarity as a story migrates from the written medium to a visual one, but in building on that familiarity to create something uniquely rich, textured, and exciting in its own rite. As the demand for long-form, layered, and complex stories continues to increase in a TV world where episodes can be accessed and revisited as easily as book chapters, the stakes get higher (and the rewards potentially greater) for producers to get it right. It's an exciting time to see where TV picks up opportunities to transpose bestsellers and cult favorites as Hollywood increasingly focuses on "tentpole" comic book and sci-fi movies.

5. TV: Netflix CEO Reed Hastings Wants to Start Cancelling More Shows — Here's Why, From *Business Insider*, 4 June 2017

"Netflix recently cancelled a pair of its high-profile original shows. If CEO Reed Hastings gets his way, there will be a lot more cancellations to come.

"Both *Sense8* and *The Get Down* got the axe after limited runs. That brought the number of original shows Netflix has dropped to somewhere between six and eight, depending on how you count them.

"'Our hit ratio is way too high right now,' Hastings said this week at the Code Conference. 'I'm always pushing the content team. We have to take more risk. You have to try more crazy things, because we should have a higher cancel rate overall.'

"Hastings might just be trying to prep Wall Street investors for more cancellations, and spin them as a good thing. But his statement does bring up an important point about the investments Netflix and rival Amazon are making in original content.

"Both Netflix and Amazon pride themselves on the vast troves of information they have about their customers they can mine for competitive advantage. Netflix famously said it used data to determine that *House of Cards* had a good shot of being a hit. Meanwhile, the company's decision to fund a string of reboots — *Full House*, *Gilmore Girls*, and so on — was almost certainly data driven.

"But there are limits to what data can tell you, according to Amazon Studios boss Roy Price.

"'You can look at what people watch but you can't be too deterministic about it,' Price said earlier this year. 'The show that will be a real game changer will be a rule breaker, not what people are watching today.'

"Another way of putting that: Viewer data likely can't tell you which shows will be breakout hits.

Content in Context

In the broadcast TV business, it's relatively easy to anticipate and then appreciate why and when a network show gets cancelled. There are transparencies built into the marketplace based on ratings, shares, demographics, critical reception, and a variety of other factors to define what's working and what's not. With original content on Netflix and Amazon, it's much harder to see or understand because so much is happening under the hood that we don't get to see. What's certain, however, is that as sure as Netflix caused a stir among subscribers when they started tweaking usage and pricing tiers a few years ago, the company opens itself up to similar forms of backlash when they start cancelling fan favorites based on business issues audiences don't understand.