

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. TV: CBS' Les Moonves Touts Broadcast Visibility**

We live in interesting times as broadcast networks adapt to compete with streaming video and OTT content providers. While the big players make decisions at global and national levels, local broadcasters need to be vigilant about following what's happening so they can dictate their future business potential.

### **2. DIGITAL: Pirate Radio Channels Explode on YouTube**

"Everything that's old is new again." And, "kids will be kids." But, what do hacks of new technologies and media tell us about audience wants and desires. If we pay attention to the real-time laboratory of YouTube and Facebook, we can identify new product and service opportunities.

### **3. DIGITAL: YouTube Reaches 1.8 Billion Monthly Users**

We all knew it was big but YouTube's latest numbers suggest a giant that will continue to grow and dominate the streaming video content landscape. We need to pay attention to what's really happening under the hood and look more closely at content opportunities emerging on the platform.

### **4. DIGITAL: Amazon Expands Alexa In-Skill Purchasing**

While many in the industry are excited about "radio finding a new place in the home," new voice-activated technologies represent the tip of an iceberg for the future of human-technology interface design and product experiences.

### **5. AUDIO: Public Radio Stations Buy Pocket Casts**

Without question, podcasts are an exploding segment of the audio marketplace. Most broadcasters and producers struggle with creating value around a single or handful of titles. A new strategic alliance and branding play among public broadcasters provides an interesting new model for the future of podcast distribution and measurement.

## 1. TV: CBS' Les Moonves Touts Broadcast Models Visibility & Back-End In Battle for Talent With Deep-Pocketed SVOD Players

From *Deadline*, 3 May 2018

"As Silicon Valley continues its quest to conquer television—with companies such as Netflix, Amazon, Apple, Google/YouTube and Facebook spending billions of dollars on original content, driving up prices—how does a traditional media company like CBS compete? The question came up during CBS Corp.'s quarterly earnings call.

"While CBS CEO Leslie Moonves acknowledged the issue with comments including 'There is a lot more competition out there' and 'The cost of poker, in most cases, has gone up,' he did not seem too concerned about the recent talent raid launched by the deep-pocketed digital newcomers, illustrated by the blockbuster overall deals at Netflix for mega creator/producers Ryan Murphy (as much as \$300 million) and Shonda Rhimes (at least \$100 million).

"'We are pretty competitive,' Moonves said. 'On broadcast, we offer creators visibility and something called back-end. There's a guy called Chuck Lorre who's made more than a couple hundred million bucks on his shows that air on CBS.'

"Warner Bros. TV-based Lorre, the top comedy producer of the past decade, is behind a string of CBS series that have gone to syndication: mega hits *The Big Bang Theory* and *Two and a Half Men* as well as the well-received *Mom* and *Mike & Molly*. His latest show, *Big Bang* spinoff *Young Sheldon*, is the No.1 new comedy series of the broadcast season.

"Under the 'Netflix model,' which has been adopted by most SVOD players, they pay creators and producers Cost + upfront, a premium over the production cost of a series that guarantees them profit from the get-go but greatly limits it within a pre-set margin. The high risk, high reward broadcast model involves the studios deficitting, aka losing money on a show for its first few seasons. But in success, they are poised to make hundreds of millions of dollars from 'back-end' sales of the series in cable and broadcast syndication, streaming and internationally.

"Maybe because the profit margins for broadcast series are not what they were even a decade ago as networks suffer from audience fragmentation and softening of the off-network market, the SVOD model, with its smaller but guaranteed financial upside, has become increasingly attractive, along with the larger creative freedom such places generally offer creators..."

### *Content in Context*

As we head into the annual upfront presentations, questions swirl around the value and future of broadcast TV. Obviously, current business and advertising models are evolving to keep up with changing viewer demands and behaviors but long-term prospects are still unknown, especially locally. As anyone looking for high-quality syndicated product knows, the market gets smaller and smaller every year. Local programmers are struggling to identify viable alternatives as more original content, even after one or two seasons, is streamed or aired on cable networks that are in the national broadcasters' "families." The so-called back-end is being modeled into the new, wider front-end. It will be interesting to see how the networks position on-air and digital opportunities during this year's sales presentations. We need to consider new options for future local content.

## **2. DIGITAL: Pirate Radio Stations Explode on YouTube**

*From New York Times, 3 May 2018*

“Luke Pritchard and Jonny Laxton were 13 when they met at a boarding school in Crowthorne, England, in 2011. They bonded over a shared love of underground music and in 2014 started a YouTube channel, College Music, to promote the artists they liked. At first, the channel grew slowly. Then, in the spring of 2016, Mr. Pritchard discovered 24/7 live-streaming, a feature that allows YouTube’s users to broadcast a single video continuously.

“College Music had 794 subscribers in April 2015, a year before Mr. Pritchard and Mr. Laxton started streaming. A month after they began, they had more than 18,440. In April 2016, they had 98,110 subscribers and as of last month, with three active live streams, they have more than triple that amount, with 334,000. They make about \$5,000 a month from the streams.

“The boys stumbled upon a new strategy, one that, in the past two years, has helped a certain kind of YouTube channel achieve widespread popularity. Hundreds of independently run channels have begun to stream music nonstop, with videos that combine playlists with hundreds of songs and short, looped animations, often taken from anime films without copyright permission...

“...The channels occupy a precarious space between YouTube’s algorithm and its copyright policing, drawing comparisons to the unlicensed pirate radio stations of the 20th century, recreated in the digital sphere. Many of the channels blink in and out of existence within a week, but their presence has become a compelling part of the site’s musical ecosystem. And while competitors like Spotify are gaining, YouTube still dominates the streaming world, according to the latest Music Consumer Insight Report from the International Federation of the Phonographic Industry...

“...Live streams like theirs succeed in part by exploiting user behavior. According to channel operators, YouTube users often click off a video after several minutes, before the clip has concluded. But users who listen to live streams tend to play them for a half-hour or more, often as background music. That boosts the videos’ retention rates, which compels YouTube to promote them more widely...”

“...Channels like College Music, ChilledCow, Chillhop Music and others are unlikely to have a broad impact on the music industry. But they represent an underground alternative to the streaming hegemony of Spotify and Apple Music...”

### ***Content in Context***

While we’ve all become obsessed with collecting and analyzing data through digital media, we can learn a great deal about audiences from the way they hack new technologies and platforms. What do the unexpected and sometimes very creative ways users re-model a feature reveal about new products and services we can produce to satisfy audience appetites? The takeaway here is not that “pirate” channels on YouTube are a competitive threat, but that there is still tremendous value in the seemingly out-of-fashion idea of a DJ curating and packaging music for listeners. As easy as it is to leverage data to personalize an individual’s experience on platforms like Spotify, there are new opportunities to engage smaller, local streaming audiences with niche or undiscovered audio and music content.

## 3. **DIGITAL:** YouTube Now Has 1.8 Billion Users Every Month, Within Spitting Distance of Facebook's 2 Billion

From *Business Insider*, 4 May 2018

- YouTube is now pulling in over 1.8 billion users every month — and that's just the people who are logged in.
- That makes YouTube Google's most popular service, with even more users than Gmail.
- YouTube's monthly user number is nearing that of Facebook, the world's largest platform, which has over 2 billion users.

YouTube is even bigger than Gmail, and nearly as big as Facebook, with over 1.8 billion monthly logged-in users. The absurdly high user number was announced by YouTube CEO Susan Wojcicki on Thursday night during the company's annual Brandcast advertising event, according to Variety.

Alongside the user number, Wojcicki unveiled YouTube's plans to renew several shows that've been a hit with viewers: Two shows from comedian/actor Kevin Hart, and "The Super Slow Show" from The Slow Mo Guys. Additionally, a new show is coming from musician Demi Lovato.

"But let's not kid ourselves: Most of the 1.8 billion people watching YouTube are watching for YouTube stars like Felix 'PewDiePie' Kjellberg. His channel alone has over 62 million subscribers.

"The top channels list on YouTube is dominated by popular YouTube producers like PewDiePie, and musicians like Justin Bieber. All of which is to say one thing: Though YouTube's pushing hard into scripted content, it's unlikely that said content is driving much of the huge user numbers YouTube is seeing.

### *Content in Context*

When asked what they wanted to be when they grew up, yesteryears' kids might chirp an aspirational "I want to be a movie star" or "I want to be on TV" as the ultimate dream job. Today: "I want to be on YouTube." And, they usually don't need to wait until they grow up—many give their dreams at stardom a shot with technologies already in their hands. Consider the sheer number of smartphones in the market and you immediately get a sense of how the rules for recording and distributing content have changed. We all know Facebook is a big media player and intuitively know YouTube is the "go to" for comedy segments, music videos, and library or archival clips. But, beyond the occasional visit, few of us in legacy media have spent significant time on YouTube to recognize it has become *the* media destination for the next generation. Non-professional original content, unscripted and scripted, vlogs (video blog posts), and commentary are exploding. Consider that *Good Mythical Morning*, a format-bending morning show created by two lifetime pals, has more than 13 million subscribers. Now, consider the daily audience for NBC's *Today* and ABC's *Good Morning America*, which combined might reach that many people on a given day. Locally, it may be worth exploring YouTube to identify up-and-coming talent for new content opportunities, leveraging the following tomorrow's "stars" are building and expanding their audience broadcast and larger advertising potential.

## 4. **DIGITAL: Amazon Opens Up In-Skill Purchases to All Alexa Developers**

From *Tech Crunch*, 3 May 2018

“Amazon today launched in-skill purchasing to all Alexa developers, along with Amazon Pay for skills. That means developers have a way to generate revenue from their voice applications on Alexa-powered devices, like Amazon’s Echo speakers. For example, developers could charge for additional packs to go along with their voice-based games, or offer other premium content to expand their free voice app experience.

“The feature was previously announced in November 2017, but was only available at the time to a small handful of voice app developers, like Jeopardy!, plus other game publishers. When in-skill purchasing is added to a voice application – Amazon calls these apps Alexa’s ‘skills’ – customers can ask to shop the purchase suggestions offered, and then pay by voice using the payment information already associated with their Amazon account.

“Developers are in control of what content is offered at which price, but Amazon will handle the actual purchasing flow. It also offers self-serve tools to help developers manage their in-skill purchases and optimize their sales.

“While any Alexa device owner can buy the available in-skill purchases, Amazon Prime members will get the best deal. Amazon says that in-skill purchases must offer some sort of value-add for Prime subscribers, like a discounted price, exclusive content or early access. Developers are paid 70 percent of the list price for their in-skill purchase, before any Amazon discount is applied.

“In-skill purchases is only one of the ways that Amazon offers a way for developers to generate revenue. The company is also now offering a way for brands and merchants to sell products and services (like event tickets or flower delivery) through Alexa, using Amazon Pay for Alexa Skills. Amazon Pay integrates with existing CRM and order management solutions, says Amazon, allowing merchants to manage sales in their current process. This is generally available as of today, too.

“And it’s been paying top developers directly through its Developer Rewards program, which is an attempt to seed the ecosystem with skills ahead of a more robust system for skill monetization.

“The news was announced alongside an update on Alexa’s skill ecosystem, which has 40,000 skills available, up from 25,000 last December...”

### ***Content in Context***

The last sentence of this excerpt should be part of the headline. You might want to read it again. *Alexa now has up to 40,000 skills available.* Consider that the average adult may know between 20,000-35,000 words and you immediately get a sense of the scale Amazon aims to achieve with its voice-activated technologies. In the same way that the first smartphones paved the way for both the need and explosive growth of apps, early experiments with voice-driven features on smart speakers are paving the way for a whole new way for consumers to interact not just with audio but with devices connected to the “Internet of Things.” Alexa’s new skills are going to spark new product development, which will open up new opportunities for promotion and advertising. And, as with Apple and its iPhone, we need to be mindful Amazon’s role in defining what consumers expect and how they behave with new voice-driven product and media experiences.

## **5. AUDIO: Public Radio Podcasters Align to Acquire App Pocket Casts**

From *Inside Radio*, 4 May 2018

"Four of the most prominent podcast producers in the U.S.—NPR, WNYC Studios, WBEZ Chicago and This American Life—have joined to acquire podcast app Pocket Casts. Their intent: to reach a new generation of listeners, to serve the needs of audio producers in public radio and beyond, to improve discovery for listeners, to enable creators to connect with global audiences and to provide podcast producers with better insights.

"This unprecedented collaboration furthers public radio's leading role as an innovator in audio discovery and distribution, while ensuring the continued support and growth of one of the most popular listening platforms on the market," the companies said in a press release.

"Audio veteran Owen Grover will serve as CEO of Pocket Casts. Grover previously served as executive VP and general manager at iHeartRadio, and before that as VP of Programming and Marketing at Clear Channel Music & Radio. Pocket Casts will operate as a joint venture, with founders Philip Simpson and Russell Ivanovic in leadership roles and the existing staff and developer team remaining in place. 'To ensure development aligns with the mission-driven ethos of public radio,' the board will comprise representatives of public media leaders, the companies said.

"Created in 2008 by Australian mobile app developer Shifty Jelly, Pocket Casts is one of the highest-rated mobile apps for podcast listening by users on Android, iOS, the web, Sonos and other platforms, the news release notes. Pocket Casts has been recognized as "The podcast app every iPhone user needs" by Wired as well as "The best podcast app for Android" by The Verge.

"NPR, WNYC Studios, WBEZ Chicago and This American Life are responsible for more than 170 million downloads per month, producing such podcasts as 'This American Life,' '2 Dope Queens,' 'Making Obama,' 'Making Oprah,' 'Planet Money,' 'Radiolab,' 'Serial' and 'Up First.'

"As the leading producers of podcasts in a rapidly growing market, we're linking arms to embrace new opportunities for the distribution of audio and the engagement of a new generation of listeners," said Jarl Mohn, President and CEO, NPR. 'Pocket Casts is a terrific app and will be a great complement to NPR One, the NPR app and the other outstanding products in public radio's portfolio of innovation.'"

### *Content in Context*

While podcasts get their fair share of distribution through Apple, Google, Spotify, and iHeart, among other big streaming players, public radio's move to acquire and aggregate its blue chip content within one app puts a spotlight on two things. First, publicly funded, sponsor- and listener-supported broadcasters have found they need to more creatively and effectively package and brand their content in an increasingly competitive and fractured marketplace. And, second, they need to direct access to data that will drive future sponsorship and promotional activities rather than relying on what second-party distributors currently report. Local radio broadcasters struggle with similar challenges, which is why this kind of strategic alliance provides an interesting example for new partnership opportunities.