Television:

The Heart of the Matter

Richard Marks

ResearchTheMedia

Helsinki 6 February 2013

The Heart of the matter….

- How did we get here?
- What are the most pressing issues?
- What are the implications..
  - ..for content owners?
  - ..for advertisers?
  - ..for research?
- What is the 'big picture'?

The Big Issues…..

- What is the role of quality content going forward? In particular what is the future for ‘free’ advertiser-supported content vs paid VOD or subscription models? ***What funds TV***?
- ..and what will be the balance between live viewing and on-demand ?
- Does time-shifting kill the 30 second spot?
- What is the quality of contacts that television is able to deliver? Does digital enhance or detract from televisions historic strength?
- What role will second screen usage, tablets and mobile play in the TV viewing experience?
- ..and is ‘Social TV’ a revolution?

Implications for Broadcasters and Content Owners

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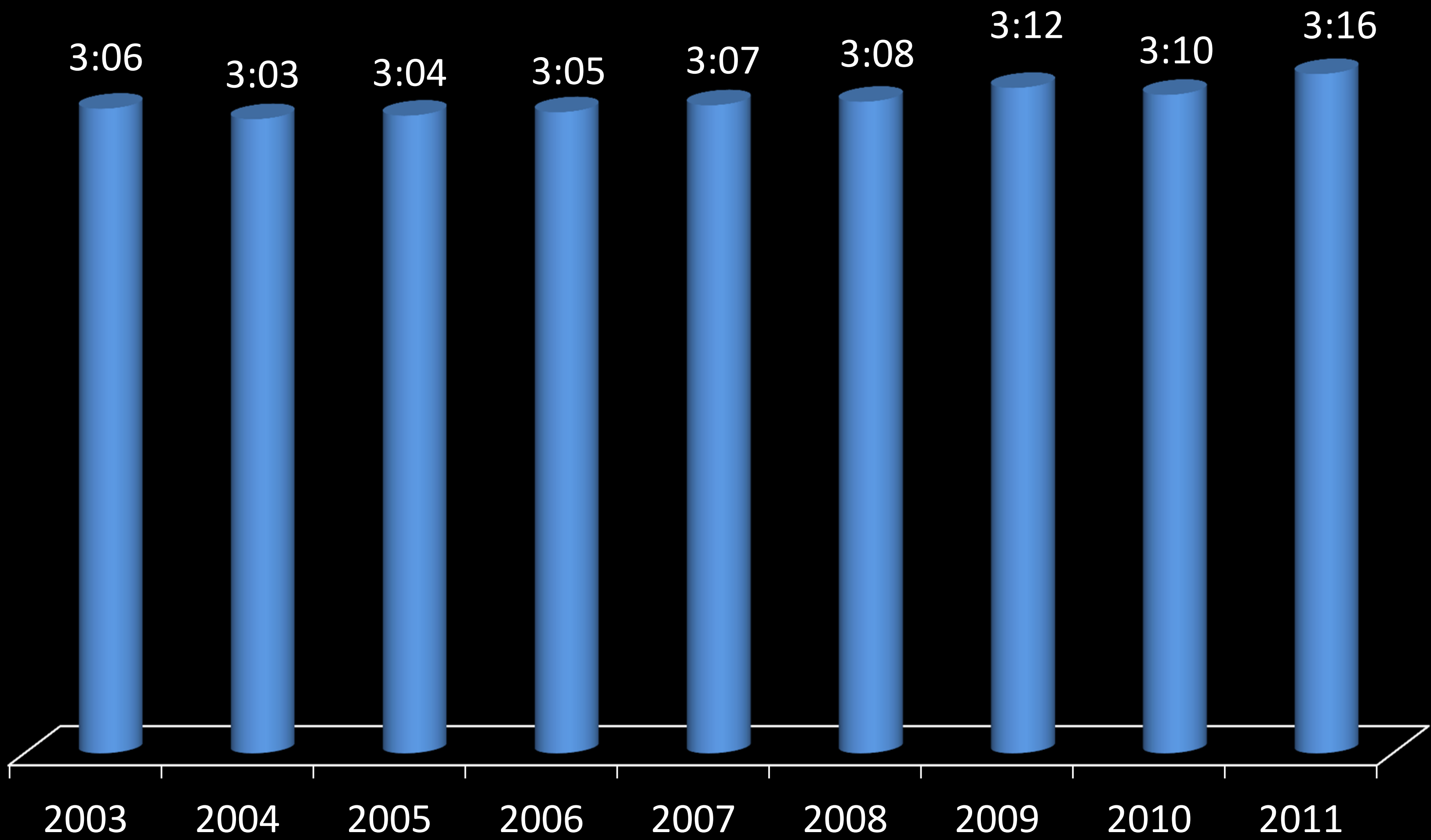
“No more media disruption, just some slow melting icebergs”
Wayne Friedman, Mediapost Nov 6

Global time spent viewing TV on TV sets is, if anything, growing…

Average hours spent viewing TV



Source: Eurodata Worldwide 93 markets

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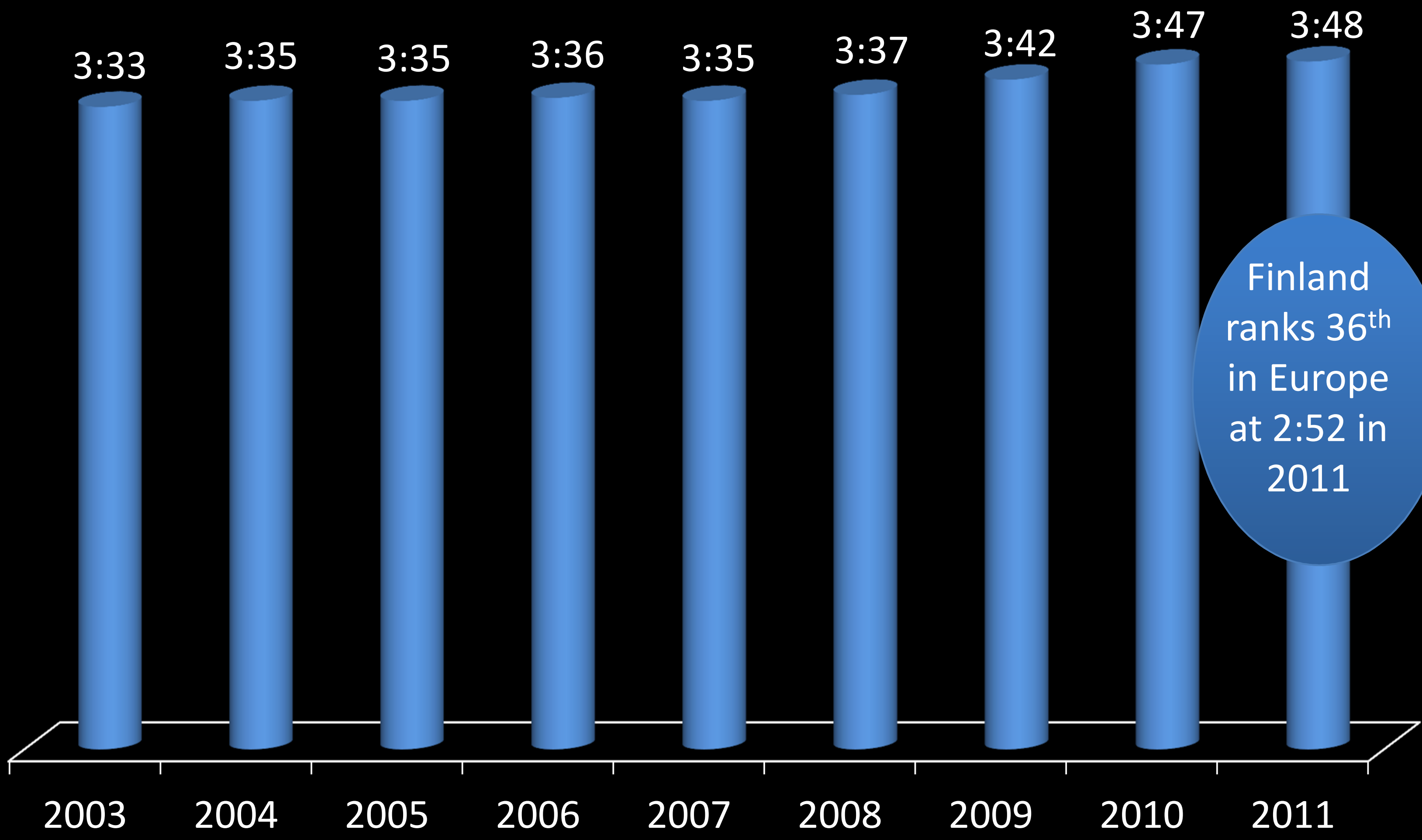
..even in more ‘advanced’ regions like Europe

Average hours spent viewing TV



Source: Eurodata Worldwide – 43 markets

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Global Advertising Expenditure by Medium

Zenith Forecast Sept 2013

	2010	2011	2012	2013	2014
Newspapers	*98,337*	*96,520*	93,844	92,626	91,682
Magazines	*45,216*	*44,933*	43,644	42,088	42,860
Television	*183,042*	*191,907*	200,490	209,465	219,860
Radio	*32,784*	*33,751*	34,478	35,526	36,506
Cinema	*2,358*	*2,472*	2,721	2,782	2,984
Outdoor	*30,975*	*31,741*	32,263	33,309	34,629
Internet	*67,837*	*76,618*	88,413	101,761	116,837
Total	*460,550*	*477,941*	495,854	518,557	545,358

FIGURES IN MILLIONS

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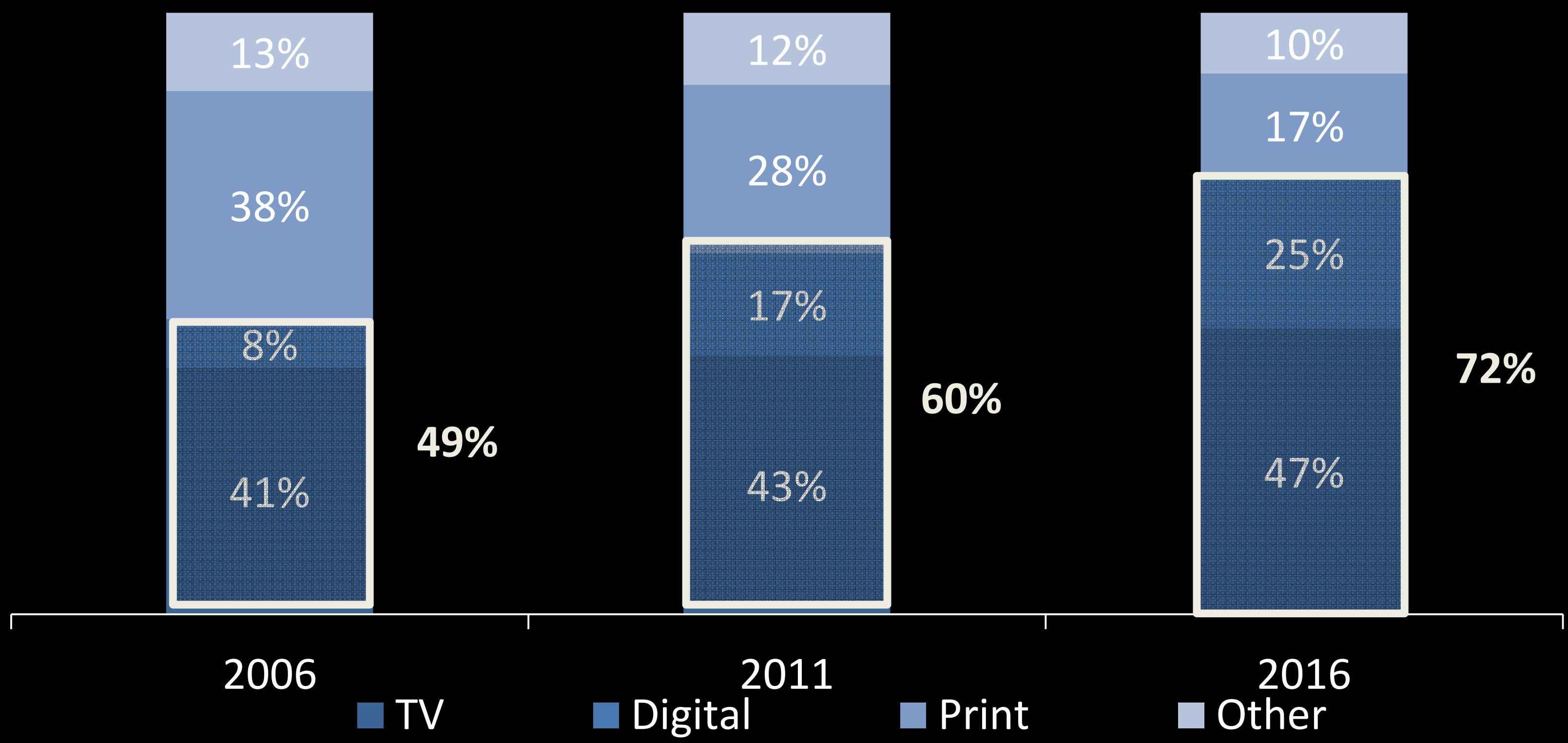
A world dominated by TV and digital

•% of total advertising spend by medium



Source: Group M

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Many positive Indicators for TV

- Worldwide pay TV market continues to grow, up 6% in 2012 (ABI Research)
- Media stocks continue to outperform the market
  - Dow Jones US Broadcasting & entertainment index is up nearly 40% cf industial index 6.7%
- 2013 Superbowl sold out 60 ads at around $4m per 30 secs = 225m USD+


“TV in
2020: The super-
medium..the
medium around
which all others
revolve.” -
Deloitte

The bigger picture….

- Television will remain a distinct and dominant medium
- Domestic TV set viewing will continue to predominate (80%+ by volume well into next decade)
- Non TV viewing primarily PC migrating to tablets, smartphone viewing remaining a niche
- VOD accessibility will further increase time shift and non-linear for a range of genres
- ..but linear viewing will still predominate reinforced by social media

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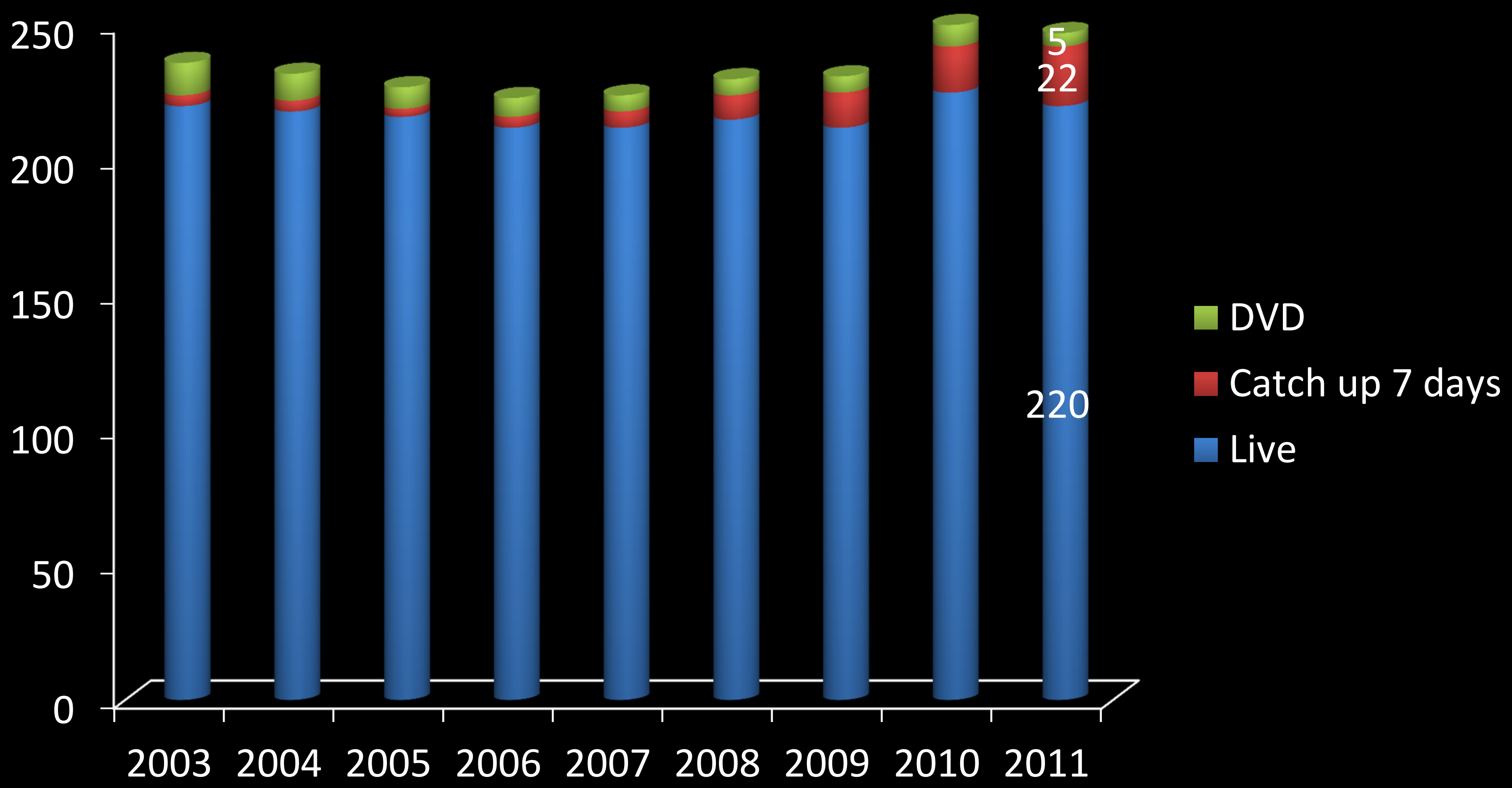
Timeshift trends UK



Source: BARB/Enders Analysis

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Why is timeshift not higher?

Where is this 100% non-linear future we were promised?

- Buzz TV /Watercooler TV/ “FOMO” reinforced by social media
- TV has actually polarised as mass and niche co-exist
- For a lot of the day, TV is not a ‘lean forward’ medium
- News, sport, music genres don’t tend to be timeshifted
- Currency systems not yet measuring online catch up..

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In US primetime, DVR playback outranks any single channel


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Today's News: Our Take

Fall TV Analysis: The No. 1 TV Network Is Now The DVR

Oct 24, 2012 09:23 AM ET | 38 Comments
by Michael Schneider

Follow @TVGMSchneider 1,669 followers

Tweet 78 Recommend 112 +1 0

There's a new No. 1 network in primetime, and no, it's not NBC. Or CBS. Or any of the traditional networks. If the digital video recorder were a network — with you, the viewer, as chief programmer — it would rank as tops among total viewers and in the key young-adult demographics.

For example, on Tuesday, Sept. 25 at 10 pm, CBS' new drama *Vegas* was No. 1 with adults

Needs a change in how TV overnights are reported by the media

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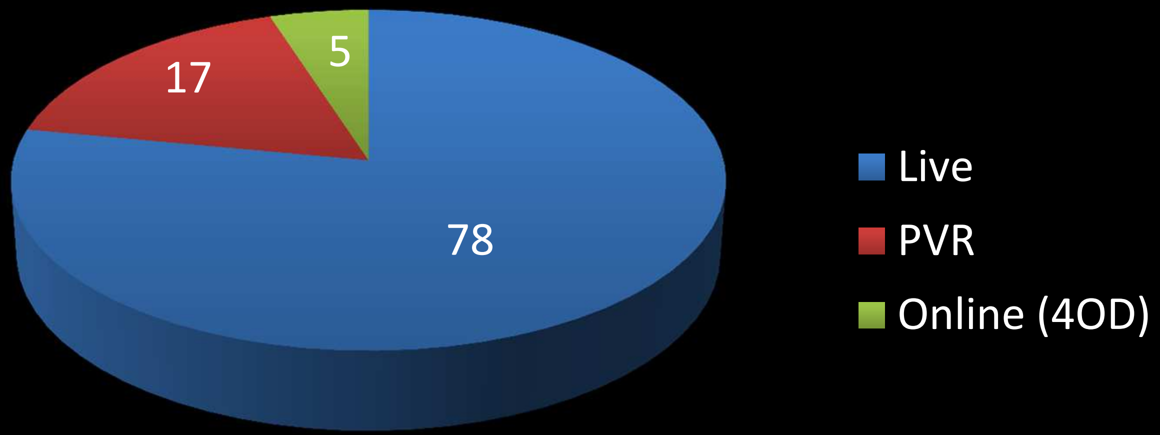
Channel 4 UK Top 100 programmes have significant timeshift



Source: BARB/ C4 internal estimates

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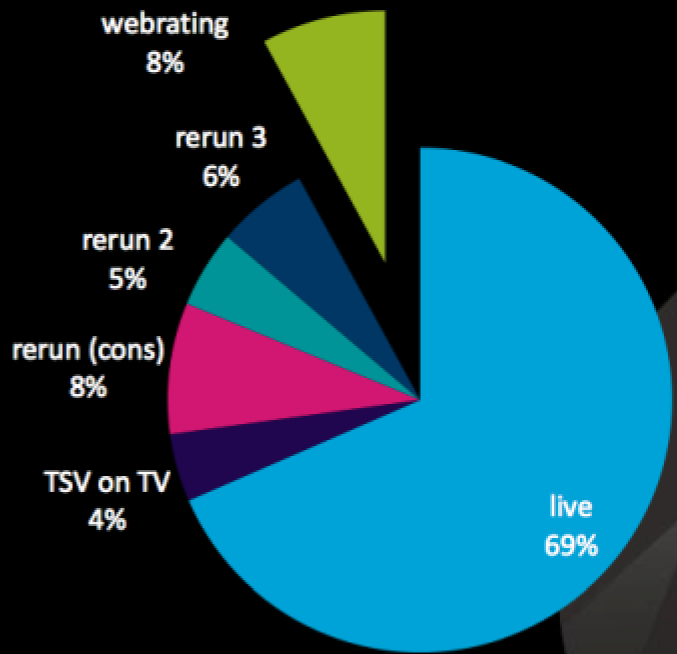
Also there are 'hidden' forms of timeshift – reruns and staggercast channels

One Norwegian way: «Brille» measured
(TNS TAM & Scores)



Total Screen Rating (TSR): 666 000 (17%)
Live TV: 456 000

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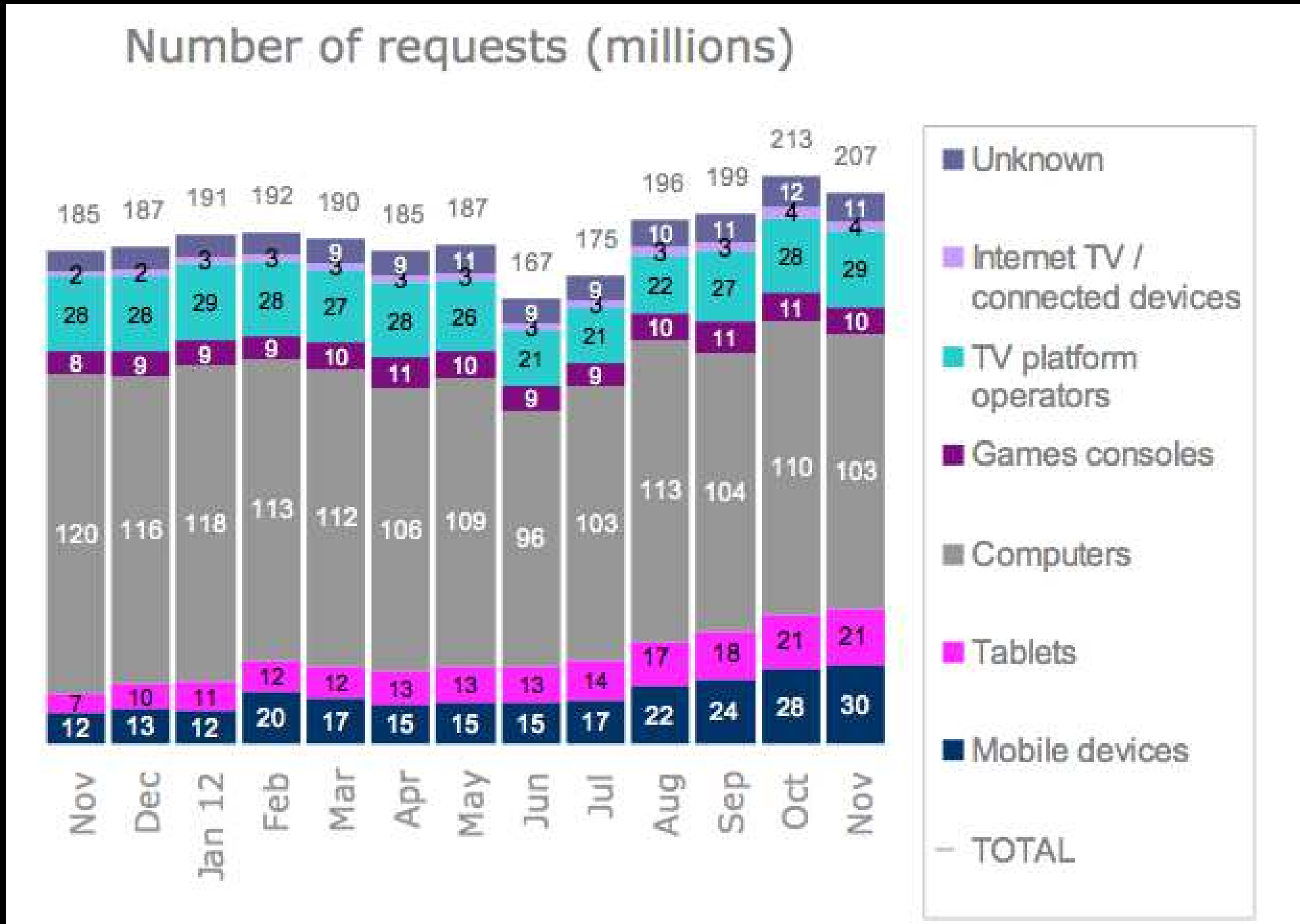
In UK, use of BBC iPlayer continues to grow
..but non PC usage is the driver now



Source: BBC istats Nov 2012

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The Bigger Picture….

- Advertising revenue will stay healthy but larger proportion of broadcaster revenue will come directly from content:
  - PPV/ VOD
  - Digital
  - Overseas sales of formats and quality content

The ITV example

- UK's no 1 commercial broadcaster
- Jan 2010 2.7bn annual loss, 1bn in debt, shares at 56p
- Feb 2013 £350m profit, shares at 100p+
- Strategy: advertising is core but grow through programme production and distribution, drive digital revenue e.g. ITV player paid content, licensing content to netflix, lovefilm
- Target by 204 is 50% of revenue from advertising, currently 67% down from 75% three years ago
- However digital remains only 5% of revenues

The importance of Content

Freemantle Thames / Syco

NBC Universal Carnival

ITV STUDIOS

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BBC Worldwide

Broadcast in 100 countries

£1bn gross revenue for BBC Enterprises for 2011/12

Regularly no 1 show on US iTunes

Dancing With The Stars format licensed to over 35 countries

Content is king..

- International co-productions
- Sales of finished programmes
- Formats – scripted (Office, 24, Homeland)
- Formats Unscripted (largely reality)

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Buzz TV

- Largely viewed live
- Big audiences (co-viewing experience)
- Voting/involvement
- Strong realtime second-screen social media use – further drives ‘need’ to watch live

Binge TV

- Significant Timeshift / VOD
- Session consuming
- Immersive experience
- Strong critical Word Of Mouth: social media important but to build interest not in realtime whilst viewing
- ..so second screen primarily used for viewing

One more episode…

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Is TV 'SMART' and 'Social' ?

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Connected 'SMART' TVs

- Typically only 50% are actually connected
- Significant effort needed to make them more usable
- ..and to persuade consumers to actually use them
- Tablets better suited for navigation and text

This will end up being one of the most successful flops in the history of consumer tech adoption

James McQuivey
Forrester

It's not about people watching connected TV, it's about connected people watching TV

Matthew Kershaw
BBH London

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The transforming power of the tablet

..replacing PC as a screen for delivering TV

..and as a companion screen to accompany and enhance TV viewing

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Tablet as TV screen

- Early indications are that tablet TV viewing is additive to TV and mainly cannibalising PC usage”
- Tablets more heavily used for video than Smart phones and more long-form content consumed
- Allow families to consume different content in the same room

Tablet / mobile as Companion Screen

- Replacing remote control
- EPG for previewing content before ‘pushing’ to TV screen (eg Flingo)
- Companion screen apps to have social media experiences (eg Zeebox)
- Advanced Content Recognition to allow
  - Synchronised content
  - Targeted advertising

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Social TV/ Twitter….

- 10 million tweets during first US Presidential debate
- 150m tweets about Olympics
- Twitter CEO Dick Costollo sees their future as being the second screen, complementing TV

Source: gigaom.com

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AdAge | media news

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DANIEL J. EDELMAN
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Twitter and Nielsen to Rate TV Shows by New Measure

Part of Growing Social TV Competition Among Social Platforms

By: Nat Ives Published: December 17, 2012

1.2k | share this page

Twitter said Mo
Rating" that wi
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Social TV has been hailed as the saviour of live television, it's helping to drive people back to the schedule; it makes TV even more engaging and communal

Lovelace Consulting

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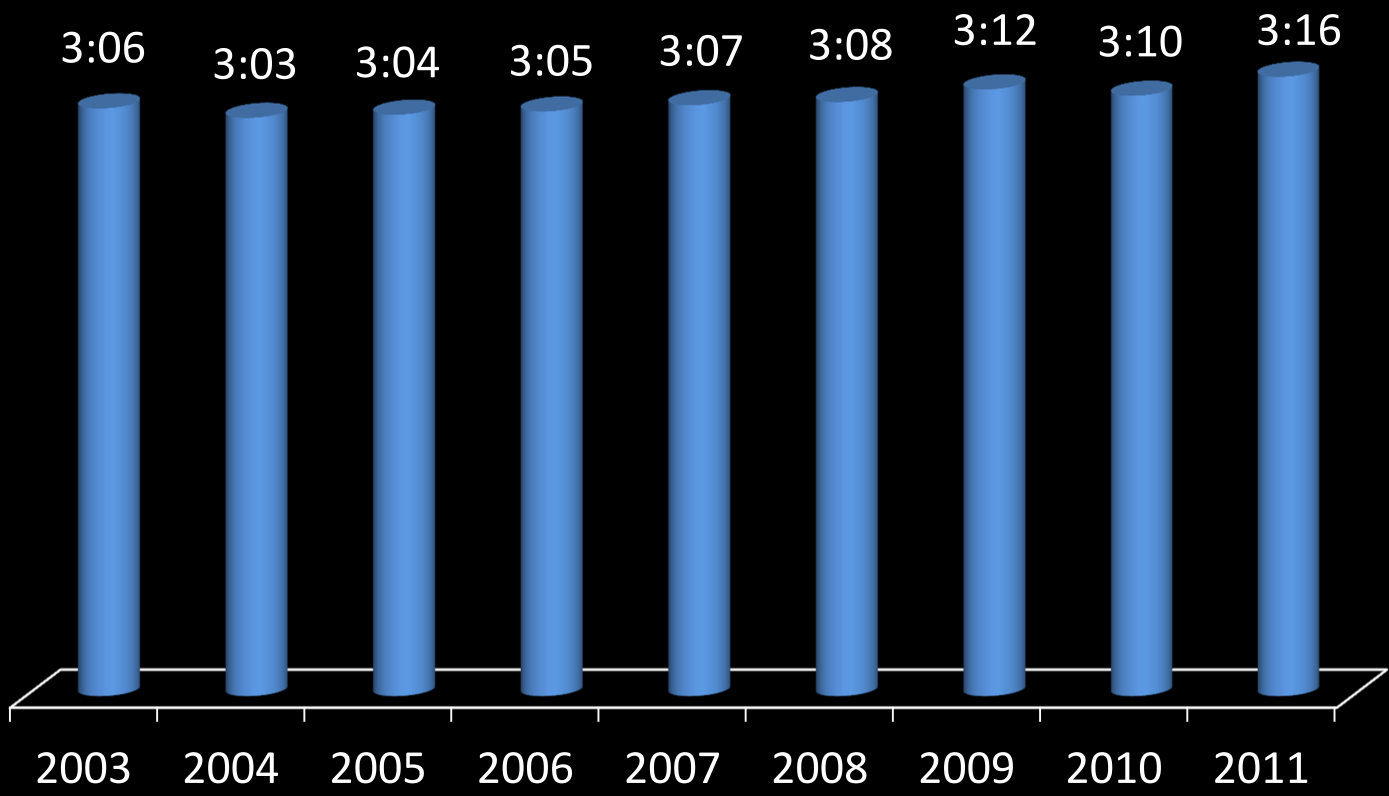
So perhaps this isn't such a surprise after all..

Average hours spent viewing TV



Source: Eurodata Worldwide 93 markets

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..but how is this possible? Time is finite.

How is TV maintaining and growing reach despite proliferation of alternatives?

- Answer is multi-tasking with other media
- ..and even dual-screening different TV content
- Implications for attentiveness and ‘quality’ of TV viewing as opposed to volume
- Need for better measure of eyeballs on screen as opposed to just exposure – engagement.

“Hyper – tasking!”

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Implications for Advertisers

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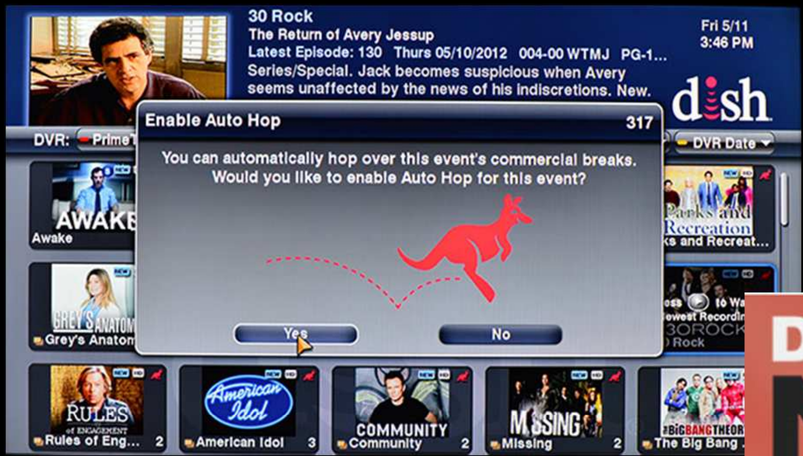
Fear of advertising avoidance



New forms for television advertising

- Sponsorship
- Product placement
- Paid programming
- ‘Native Advertising’
- Danger is ‘disruption’ and viewer irritation
- Banner ads (e.g. Romania)
- RTB (Real Time Bidding)
- VOD control of ad delivery

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Addressable / Targeted Advertising

- Pioneeered by cable and satellite companies in US
- DirecTV addressable system has been up and running for a year
- Ads can be served at cable head in or from cache in digibox
- ..or via ad substition using audio-recognition and addressable system (eg Gracenote & Invidi)
- More relevant ads will discourage ad avoidance and increase Return on Investment

"We are entering a new era of television advertising, where focus and relevance rules,"

Stephen White, Gracenote

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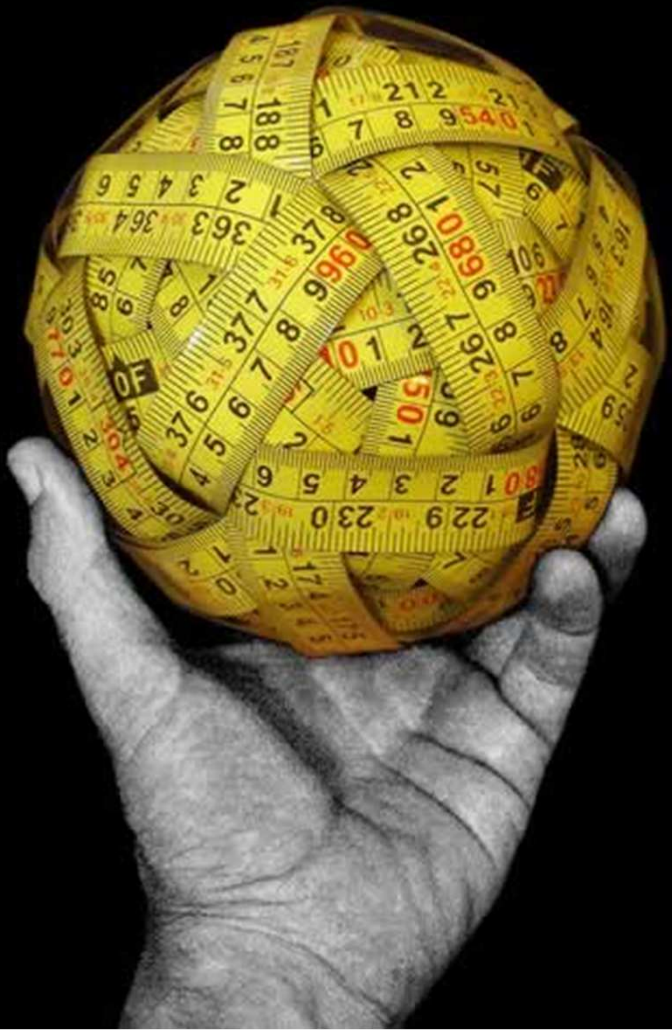
New Adsvertiser Opportunities with Companion Screen..

- T-Commerce
- Opportunities for second screen syncing to TV
  - e.g. audiomatching,(Enswers, Gracenote), Watchwith

TV metrics will predominate for cross-media



- TV is the dominant medium with high research standards and buyers want to be able to add internet to TV buys using the same metrics
- Online GRPs inevitable (Nielsen leading the way with cross-platform campaign ratings)

Implications for Audience Measurement

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Implications for audience measurement….

- TV is polarising
- ..in terms of devices
- ..and in terms of audiences
- Challenge for currency is to measure mass and niche activity simultaneously
- Measuring main TV set will remain the priority
- Whilst live TV will remain significant, importance of TV overnights will diminish versus seven day consolidated
- Big data will play an important role: RPD from digiboxes and server data

Current Advantages of PeopleMeter Services

- Persons demographics
- Cover entire universe of households
- Peripheral devices
- High quality, statistically controlled sample management back to establishment surveys
- PeopleMeter panel can be the ‘hub’ providing total market measurement, to which other data can be added to provide granularity

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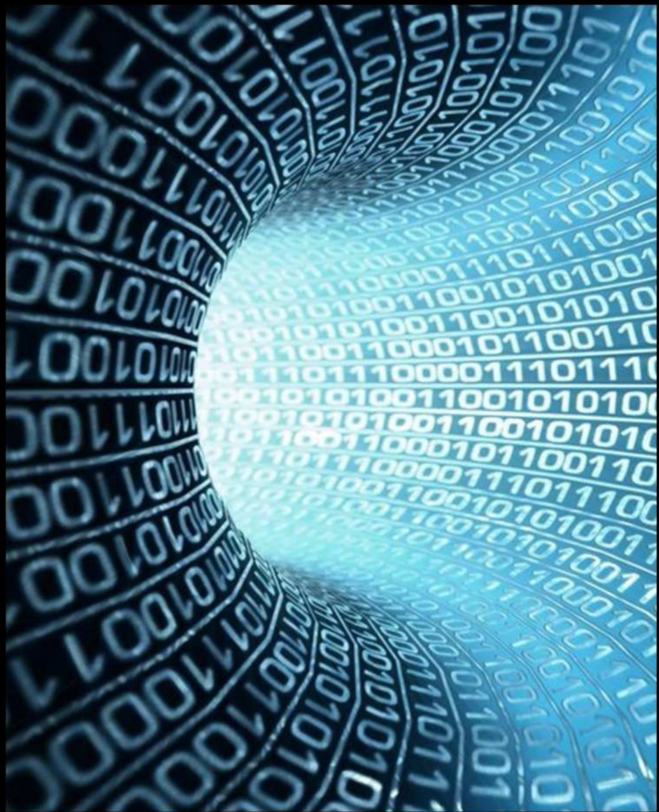
Advantages of RPD / Server Data



- Long tail measurement
- Addressable advertising
- Interactive content and advertising
- Advance media planning/ ROI: combining viewing data with outcomes
- Debate is no longer about ***if,*** but about ***how*** it can be deployed
- ..but seeking false security in large numbers is a real danger

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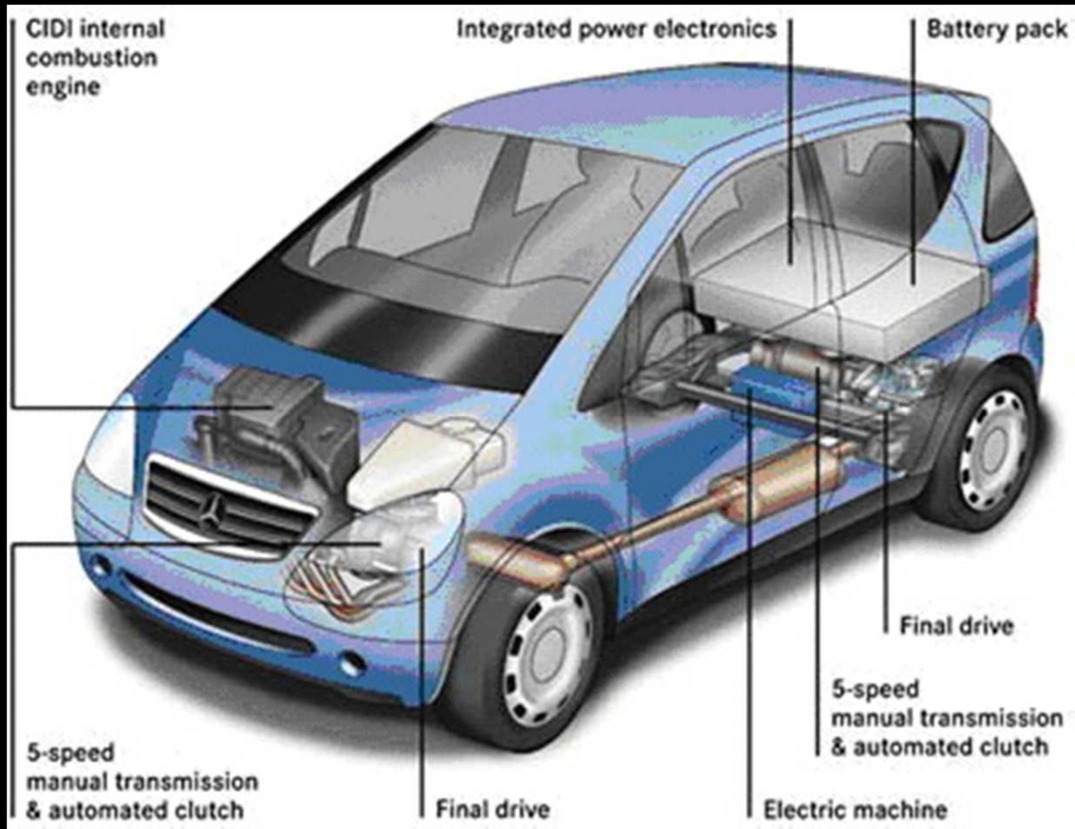
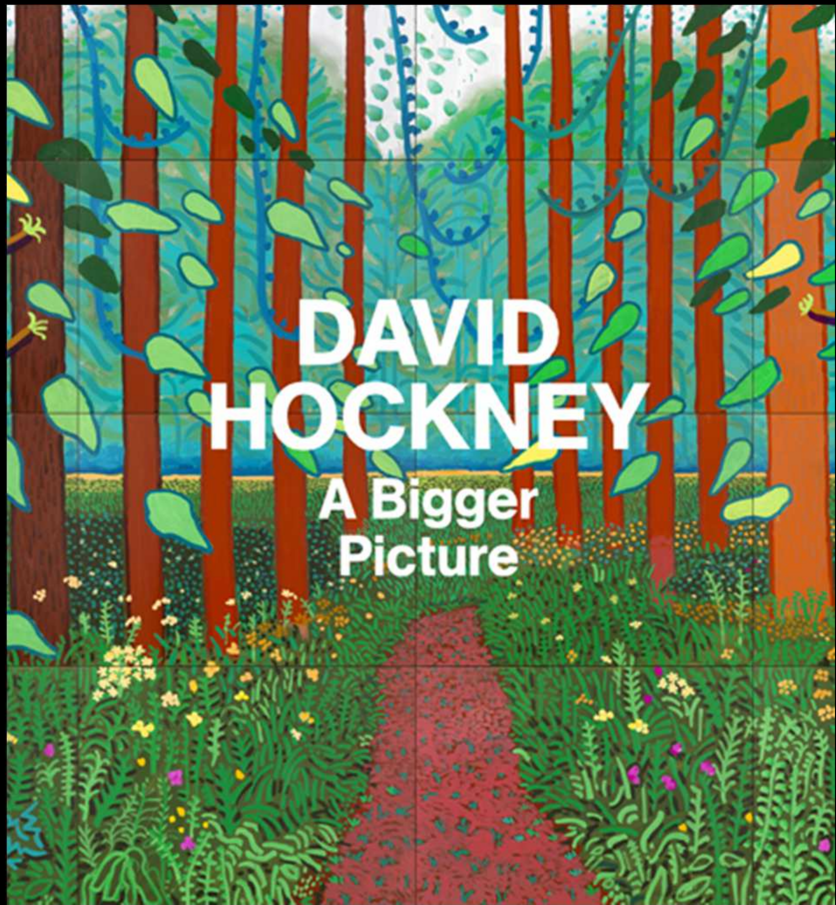
The Future is Hybrid



The Bigger Picture……..



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Richard's Predictions

1. Broadband will become the default delivery to all screens
2. Tablets will be the new second screen and companion screen
   – Gradually replacing PCs and smaller TV sets.
   – More important than mobile
   – However industry needs to define what a tablet is for TV rights

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Richard’s Predictions

3. Social TV cannot replace actual ratings but can augment programming and appreciation research
4. Polarisation
   - TV screen sizes
   - Live vs timeshift
   - Mass and niche audience levels

Richard’s Predictions

5. TV channels will survive through distinctive content and because of viewer desire for ‘curation’
6. Advertising will remain a key plank of TV revenues
   - Live/buzz TV survives and so does 30 second spot
   - Opportunities around second screen and online video
   - TV at the heart of cross-media strategies with TV metrics used to evaluate other screens
   - However advertisers seek reassurance around attention and engagement

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So....

- Far from the Internet 'replacing' television, the internet is exactly what TV has been waiting for..
- ..freed from the constraints of the fixed TV set
- ..freed from the schedules
- ..freed from international boundaries
- It's all about having the best content and making that content available as widely as possible.

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"Change is neither good nor bad it simply 'is'.
It can be greeted with terror or joy,
a tantrum that says "I want it the way it was"…
..or a dance that says: "Look! Something new!"
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