KATZ TELEVISION GROUP | CONTENT MATTERS
IDEAS IMPACTING THE CONTENT COMMUNITY
2016 Q1 ISSUE #1

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.**

5 INSIGHTS TO KNOW

1.Sports ads account for nearly 40% of all broadcast advertising

It would be hyperbolic to say that sports are the only thing keeping the lights on at the TV networks; current spending patterns suggest that they certainly go a long way towards making sure the electric bill gets paid.

2. What Happens If TV Companies Won't Give Netflix Their Content?

Many analysts tell us that it looks like it's going to happen, but the streaming leader appears ready for it.

3. TV Networks Pushing Fewer Spots in Shows

With the advertising market improving some media companies are saying they are trying to reduce the number of commercials they pack into shows.

4. New Category for TV Viewership

New research into cross-platform TV viewership finds that while streaming helps reach more viewers, it also creates additional engagement for traditional TV by consumers it dubbed "Super Users."

5. The dust has settled, and the winners — and losers — in late night have emerged.

With so many contestants vying for attention 'round midnight, everyone's going to get their hair mussed.

As this item excerpted from Ad Age reported...

According to Kantar Media estimates, sports programming in 2014-15 generated $8.47 billion in sales for ABC, CBS, NBC and FOX, accounting for more than one-third (37%) of their overall ad revenue for the period. That marks a 35% increase from five years ago.

Auto, telco, insurance and beer brands are among the biggest sports spenders across broadcast and cable. Last year, Chevrolet led all comers, investing $323 million in televised sports programming, topping AT&T, Geico, Verizon and Budweiser. Quick-serve restaurants/fast food and movie studios are also big backers. All told, marketers last season spent some $13.9 billion on sports TV.

Outside of the Academy Awards, Shark Week and a handful of freakishly successful scripted dramas, sports is the only segment that guarantees huge reach and live-audience deliveries -- two conditions that also serve to squash much of the ad avoidance that erodes salable gross ratings points. NFL games alone accounted for 45 of last season's 50 most-watched broadcasts, and 24 of those contests were held outside of the primetime window.

Whereas "American Idol" once brought in enough marketing dollars to literally cover the cost of developing and producing every other show on FOX, the show's rapid senescence has had a chilling effect on network sales. According to Kantar, FOX last season took in $1.59 billion in entertainment-targeted sales, down 38% from $2.57 billion in 2010-11. As it so happens, that also was the last time "Idol" was the most-watched primetime TV program; together, the Wednesday and Thursday night episodes averaged 23 million viewers, edging NBC's "Sunday Night Football" (21 million). Declines at ABC and CBS were nowhere near as vertiginous.

Meanwhile, a resurgent NBC has bucked the trend, improving its entertainment sales to $3.99 billion, an increase of 30% versus $3.08 billion in 2010-11. While "The Voice" certainly does a lot of heavy lifting, the staggering five-season comp is largely a function of the network's successful exorcism of the old Zucker-Silverman regime. As the new decade began, NBC could lay claim to only one top 20 non-sports program ("The Office"); this was also the season of pricey flops and burnoffs. feeling a lot of pressure to move forward with enhanced measurement.

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The report also informed us that as sports continue to metastasize, general entertainment dollars are in retreat.Scripted dramas, comedies and reality fare last season drew $14.3 billion in advertiser commitments, off 5% from the $15 billion booked over the course of the 2010-11 broadcast campaign. We need to be concerned about the available funding for entertainment programming at the same time that we face increased competition for entertainment series available on cable and from streaming services.

This excerpted item from the MOTLEY FOOL website tells that...

For a while, Netflix offered a lifeline to television producers. The streaming service paid relatively hefty fees to air shows, creating a new revenue stream for content owner at a time when DVD sales were plummeting. Recently, however, Netflix has gained access to enough content that it's making consumers reconsider whether they need a cable subscription at all.

By licensing Netflix so much top-tier TV content, the broadcast networks and cable channels have begun to cannibalize their own business. Allowing the streaming giant access to their shows has become a double-edged sword, where on one hand they get paid, but on the other, they make cord-cutting more attractive. It's a complicated problem, and at least one company that creates content it currently licenses to Netflix plans to pull back.

Time Warner is considering changing its policy on licensing to streaming services. CEO Jeff Bewkes said, "This would effectively push the [subscription video] window for content on our networks to a multiyear period more consistent with traditional syndication." This would, in theory, force people to keep cable subscriptions and raise the value of the company's cable properties. The changes won't take effect until its current licensing deals expire.

Never one to be caught unprepared, Netflix CEO Reed Hastings has been readying his company to deal with this issue. "Some studios will choose to license content to SVOD services. Others may not," To combat the loss of some programming either because it goes to another streaming player or because the programmers won't make deals, Netflix is spending heavily on original programming. Originals are arguably more important to Netflix than licensed shows.

Ultimately, this will be bad for consumers because they will either have very long waits to watch shows on streaming services, or they will have to keep paying for at least part of a cable package. Of course, even if Netflix only ends up with older TV shows in its licensed archive, it will still offer a good value to consumers. Spending less on licensed content frees the company up to spend more on originals.

It makes sense for Time Warner to pull back its content and wait longer to license it. It will also be logical for many program owners to do the same thing. It's the kind of move that will likely cost them some short-term revenue, but put them in a better competitive position over the long haul.

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Netflix offered easy money to the content owners, and all it cost them was the viability of their brands. Call it a small win for the content creators/cable channels, a slight blow to Netflix, which the company can easily handle, and a small loss for consumers, who may have to spend more to see every show they want to watch. What does this mean to local broadcasters? It can be a positive on two fronts, protecting some of the viability of the syndication window while extending the viable life span of cable retransmission fees.

In this article excerpted from BROADCASTING & CABLE…

Viacom confirmed that it is reducing its ad load during primetime. The company has been notorious for stuffing some of its shows with so many ads that it could fit only five half-hour shows into a three-hour programming block. The move comes as ratings are eroding partly because of competition with streaming services, many of which are either commercial free or have greatly reduced commercial loads.

Turner Broadcasting announced plans to cut commercial loads on its truTV network next year. Discovery said that with ratings up, it was running fewer commercials on some of its networks. And Fox has been running its hit Empire with fewer commercial interruptions for two seasons.

Viacom has been working on non-Nielsen metrics to sell advertising as more of its younger viewers watch on non-traditional platforms. The company has introduced products like Viacom Vantage, which is designed to capture viewer engagement on digital, mobile and social platforms. Vantage was a major driver of its upfront sales and that those initiatives would be taking effect during the new broadcast season. “

According to stats compiled by analyst Todd Juenger of Sanford C. Bernstein, the number of commercial hours in Viacom’s non-kid primetime programming (not including sports and news) rose 1% from a year ago. Viacom reduced the amount of promotion material it runs, so its total commercial and promo hours were down 1% for the quarter. Other media companies, including A+E Networks, Time Warner, 21st Century Fox and the Walt Disney Co. increased commercial hours by more than 2% during the quarter.

CEO Jeff Bewkes stressed the importance of improving the consumer experience, and said its networks were looking for opportunities to reduce ad load, as with truTV. “Over time, we think a better viewing experience will help drive higher viewership and enhance the value proposition of our networks.” “When we think about the ad clutter that we have on our networks, I’m comfortable with where we are for the most part, but I think tru is going to be a very, very interesting experiment to see whether it actually will make a difference with respect to the viewing experience,” added John Martin, CEO of Turner. “And we don’t anticipate it will have really any revenue impact with respect to that network.”

While, Discovery CFO Andy Warren said that because ad revenues were up, “we even actually cut back a little bit of inventory to drive a better viewer experience, which showed up in our ratings.”

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As most of the commentary has concluded, the move comes as ratings are eroding, partly because of competition with streaming services, many of which are commercial free or have lesser commercial loads. Clearly it’s a move most will applaud. Some advertisers may be asked to pay more per spot because there is less ad clutter. Assuming that the same practice migrates to the broadcast networks, as happened this year with EMPIRE, our stations will benefit from the less cluttered environment.

In the excerpted item from BROADCASTING & CABLE…

They reported on a study that looked at viewers who watched TV only, viewers who consumed content online only, and those that do both for 10 networks. According to the report, entitled "Total View: Measuring the Changing Video Landscape", from the Coalition for Innovative Media Measurement and comScore, viewers who watch on both TV and online are more engaged than TV-only users.

Their press release went on to state that these studies helped detail that while the prevailing belief is there has been declines in television viewing, video viewing is actually stronger than ever. Therefore where such perceived declines real, or were they the function of inadequate and incomplete measurement.

"A clear trend that emerged from this study was that of the multi-platform 'Super User'; Viewers who watched the network on TV and visited the respective network online watched far more of that network on TV." The report added, "Across the networks TV + Digital multi-platform consumers on average viewed 52% more of the network's content on TV compared to TV Only consumers."

The report found that the Super User effect is even more pronounced for individual shows. Digital + TV multi-platform consumers watched over 300% more of the show on TV compared to TV Only viewers, the report said. "When viewers of a TV show engage with the show's content online, the TV Engagement Index illustrates that TV viewing of that show jumps," the report said. "Super Users – those engaged in a cross media world across multiple screens – demonstrate more viewing time on TV over and above the time they spend with the content on digital platforms."

The Super User effect also applies to digital consumption. "Consumers who watched the network on TV and visited the respective network online used far more of the network's website and online video content than consumers who only used the online content," according to the report.

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Broadcasters are providing viewers with more choices in how they consume video than ever before. The media industry has migrated quickly from a TV business to a total video business as consumers have more control over when they use video and how. TV viewing is stronger than ever, but it is fragmented across devices and platforms. Digital platforms extend reach for media brands, whether it is desktop or mobile, video, or web and video content. As local broadcasters, we need to provide these cross-platform opportunities to reach these "Super Users."

As an item on excerpted from Variety explained...

Further complicating matters, late-night TV continues to evolve: an earlier time slot for Kimmel; a revamped late-night "SportsCenter" on ESPN; a vibrant new format in Chris Hardwick's "@midnight" on Comedy Central; a traveling Conan O'Brien on TBS; and the ongoing school of young people drawn to Adult Swim.

If TV networks want to spark any shift in viewer behavior and vie for ad dollars, they must strike during a transition period like this one. Of course, tracking the ratings for late-night TV can be something of a futile exercise. According to data from Comedy Central, 40% of "Daily Show" content consumption now occurs on digital platforms, compared with 30% when Stewart was host. The network sees the show getting an additional 650,000 full-episode views per broadcast via digital means. [While it was reported] 70% of the views of NBC's "Tonight Show" were digital.

As a result, shifts in audience are being examined on a wider level. According to Amobee Brand Intelligence, the first week with Colbert as host of "The Late Show" generated 73% more engagement than Fallon during the same frame. However, since then, there's been 47% more digital content engagement around Fallon than Colbert. The host who has gained the most in this category is James Corden, of CBS' "Late Late Show," who is generating 58% of the digital engagement of Fallon — up from just 12% of the leader in September.

The hosts need to build appeal with their core viewers, and then work to branch out. For instance, Colbert may not be the most-watched host in the wee hours, but his "Late Show" nabbed 52% more viewers between 18 and 49 in the first nine weeks of the television season, which exclude Colbert's first two weeks, compared with the year-earlier period, and snared 118% more viewers between 18 and 34.

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Amid the rough-and-tumble battle for eyeballs, what's clear is that the hosts are staking out their territory. And we agree with these overall assessments of the hosts. Fallon is the entertainer. Kimmel wields an edge. Colbert aims for the brain as much as the funny bone. Wilmore sheds light on topics the others won't touch. O'Brien has become the dean of the format, burnishing a cerebral brand of humor. Noah could be the comedic news voice of a growing multicultural generation. Within those characteristics, it would appear that broadcast can keep its competitive edge.