

# Digital Video & the Future of News

**Chapter 1: Forces Disrupting TV Economics**



1

Forces

Disrupting TV

Economics

“

**We're still in the process of picking ourselves up off the floor after witnessing firsthand that a 16-year-old YouTuber can deliver us 3 times the traffic in a couple of days than some excellent traditional media coverage has over 5 months.**

”

**Michael Fox**

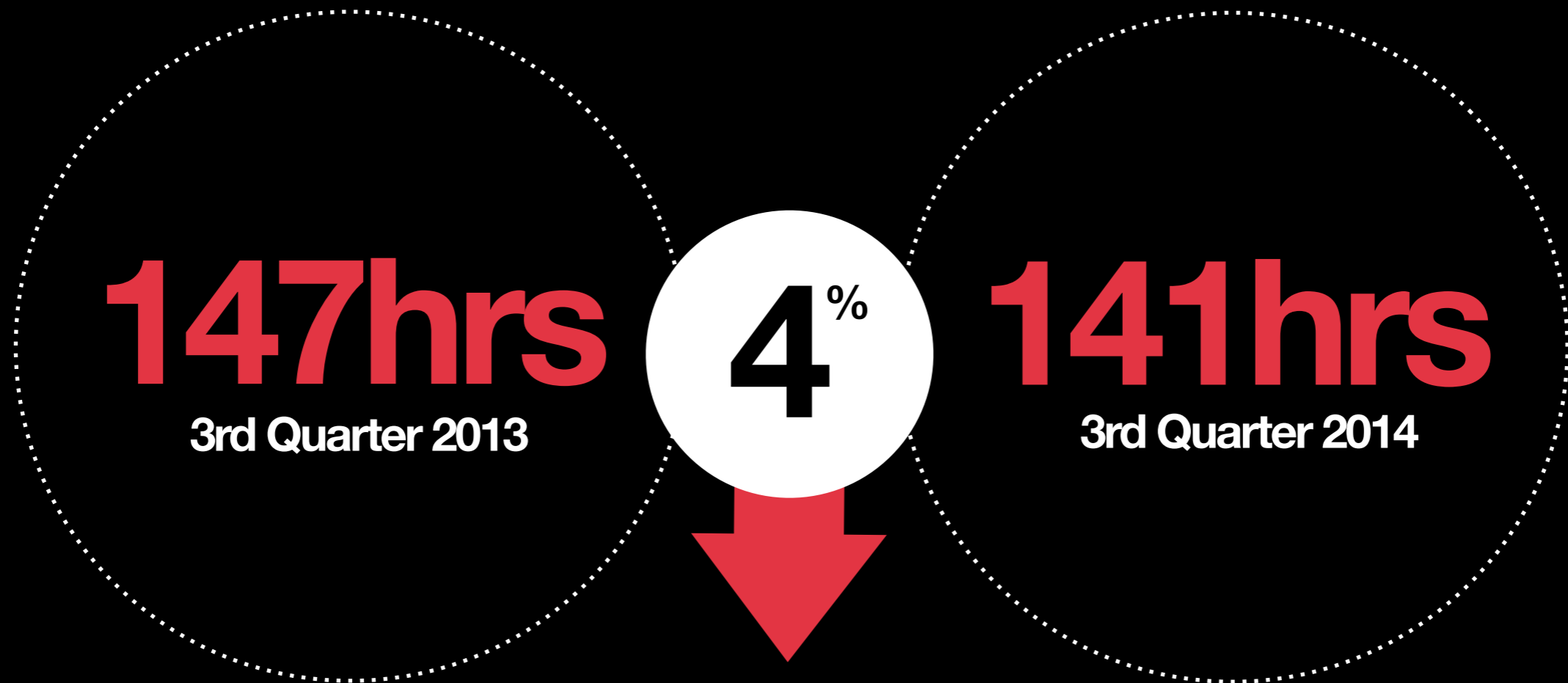
Founder, Shoes of Prey, a site that allows users to design and buy their own custom shoes

# Digital Video Snapshot

**We're undergoing continual shifts in audience makeup and behavior, and digital video is one of the most affected content types.**

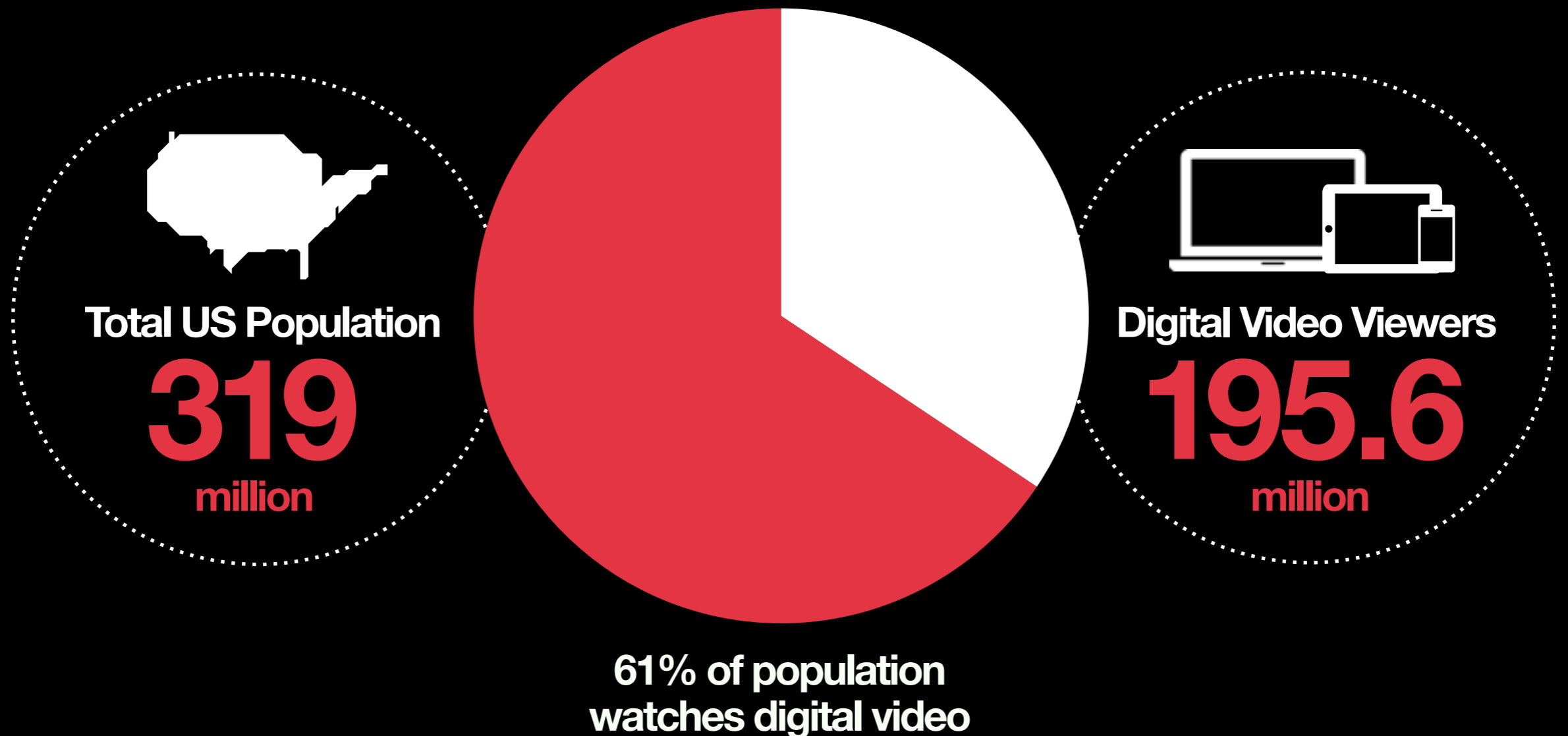
# Traditional TV Viewing Down

In 3Q14, US adults watched an average of **4% fewer hours** of live television than in the same quarter of 2013.



# Digital Video Grows

While traditional television viewing is dropping, digital video has seen **5% growth** year over year.



# Usage is Frequent & Increasing



**34%**

**of US adults watch  
online video every day**



**11hrs**

**of streaming web video  
watched per month on  
average in 3Q14**



# Usage is Frequent & Increasing



**200m**

**US homes will have  
connected TVs or  
attached devices this year**



**44%**

**Increase since early 2013,  
with 2/3 making regular  
connections for content**

# Usage is Frequent & Increasing



**47%**

**of US households subscribe to a digital video service such as Hulu or Netflix**

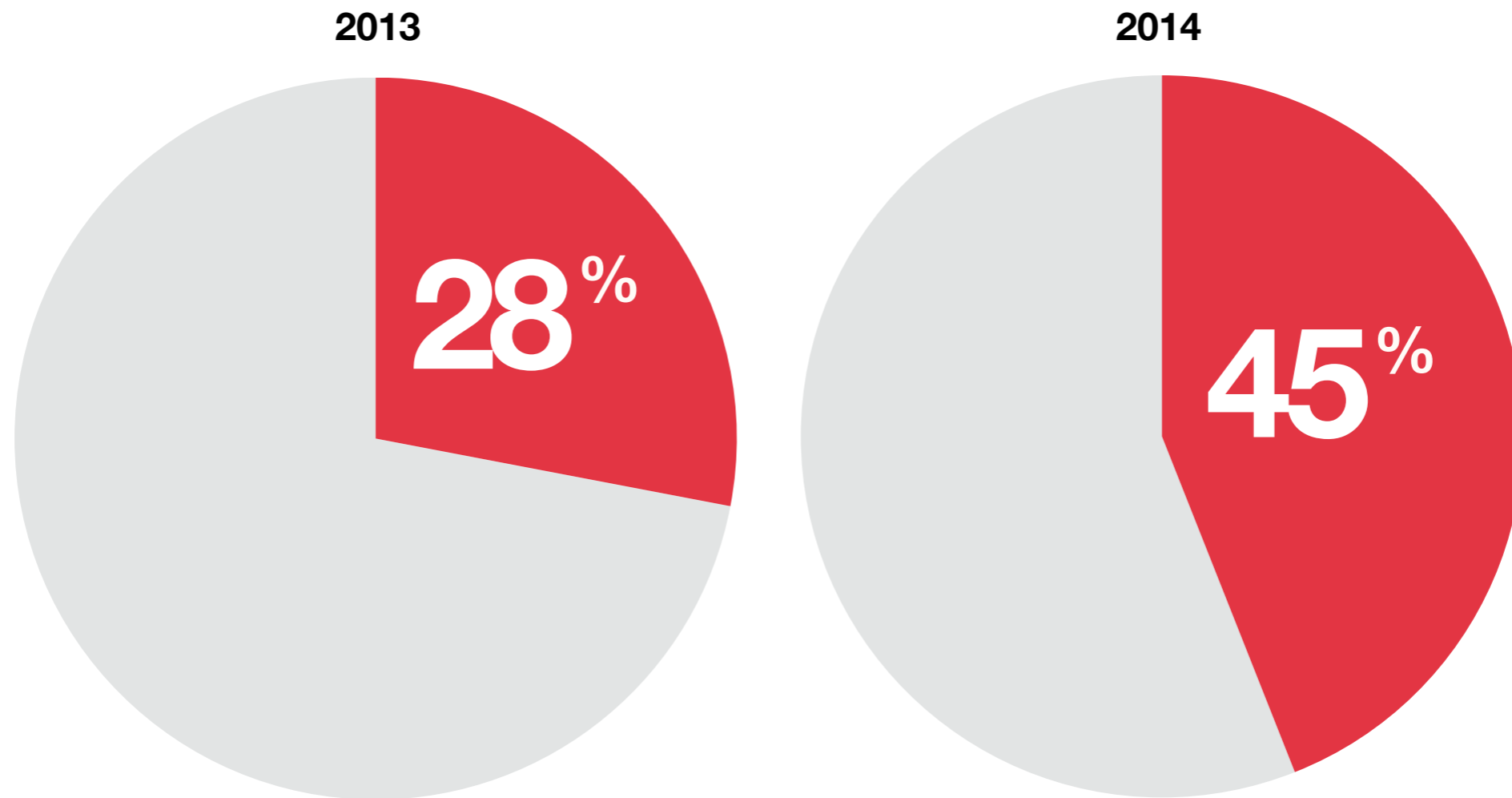


**60%**

**of users 18-24 subscribe to one or more digital video services**

# Audience is Substantial

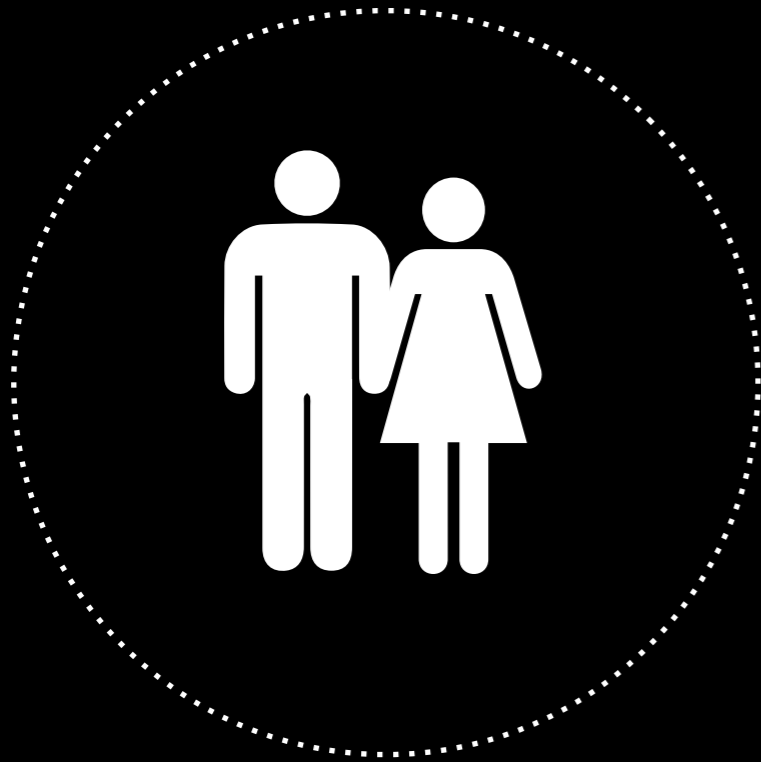
**45%** of US households watched internet content regularly on their TVs in 2014, up from about **28%** in 2013.



(That's about the same number as those who watch cable news channels regularly.)

# Audience is Desirable

Those most likely to watch news online are:



**Younger**



**More  
Educated**



**Higher  
Earners**

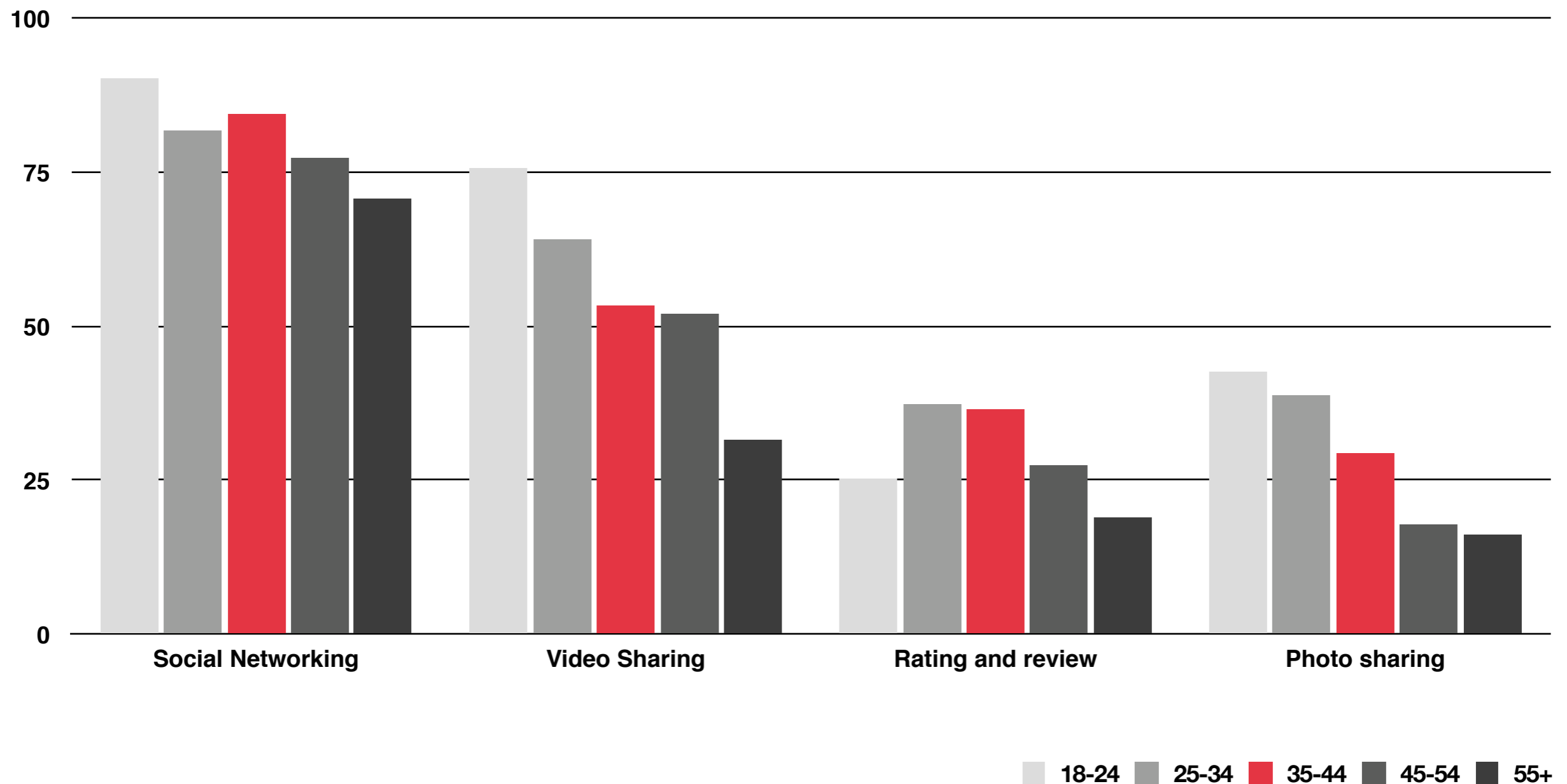
# Youth Behavior an Indicator?

**While 75% of millennials still subscribe to a pay TV service, they are more likely to reduce or cut out services than older viewers.**



# But Also An Opportunity?

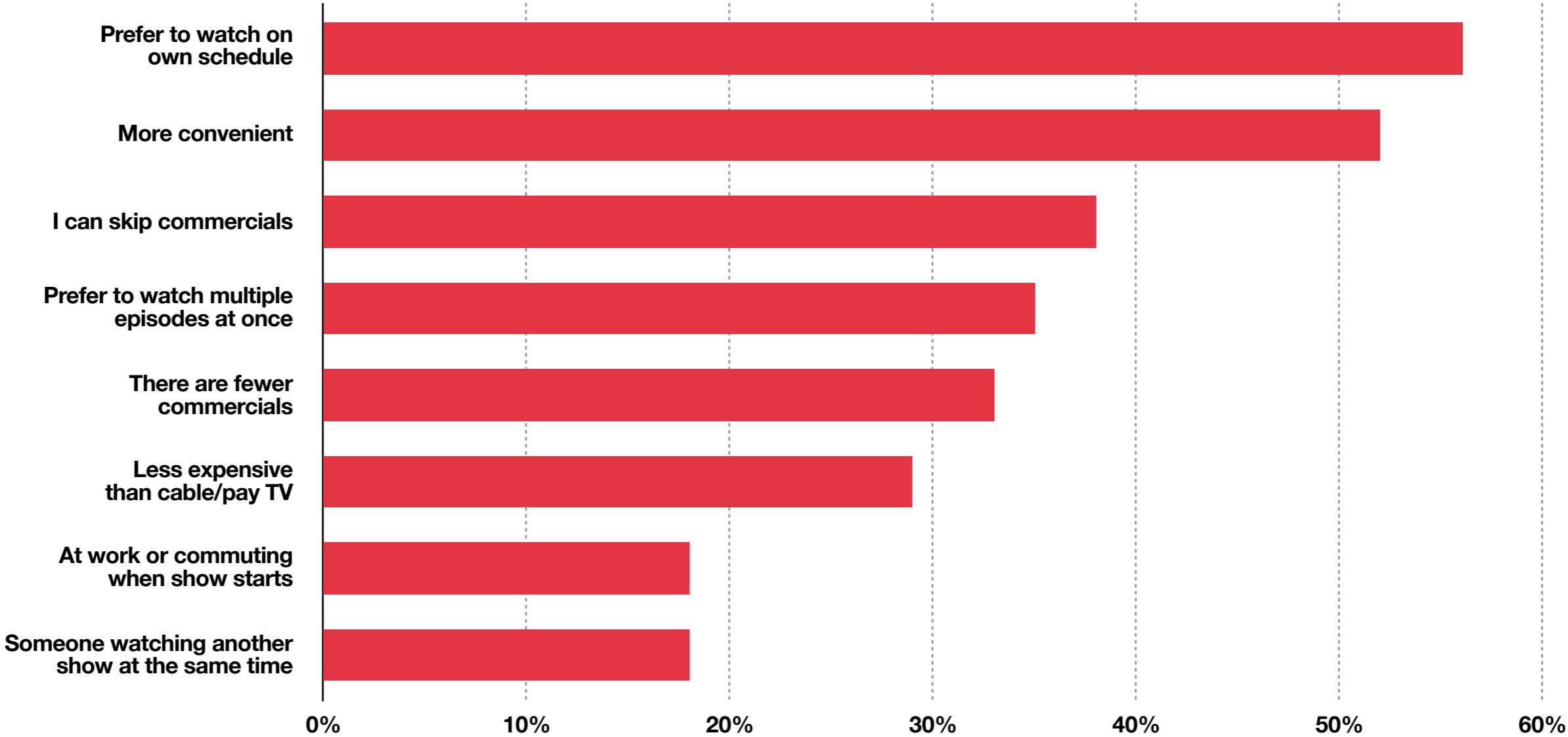
Percent Participating in Online Activities, US Internet Users by Age



**So what's driving all  
these changes in  
behavior?**

# Preference and Convenience

Reasons US Internet Users Watch TV Online



Source: eMarketer





# Impact of Mobile

**Second only to the digital revolution itself, mobile technology has had the most impact on our video consumption over the past half-century.**

# Mobile a Primary Choice

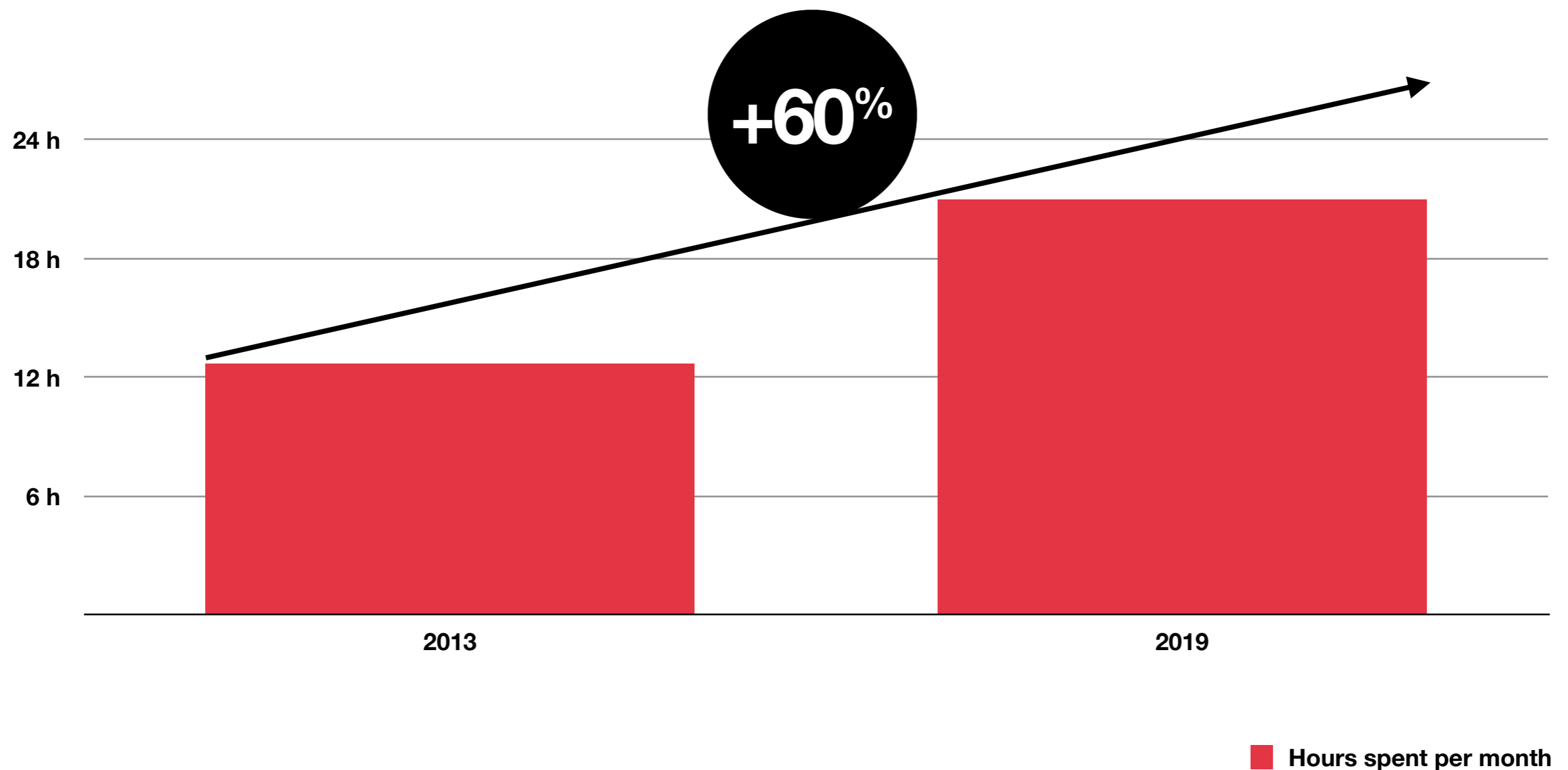
In 2014, about **25%** of US smartphone users watched video on their phones at least monthly, **up about 20%** from 2013.



(That's about the same number of people who watched the Super Bowl in 2005.)

# Time Spent Increasing

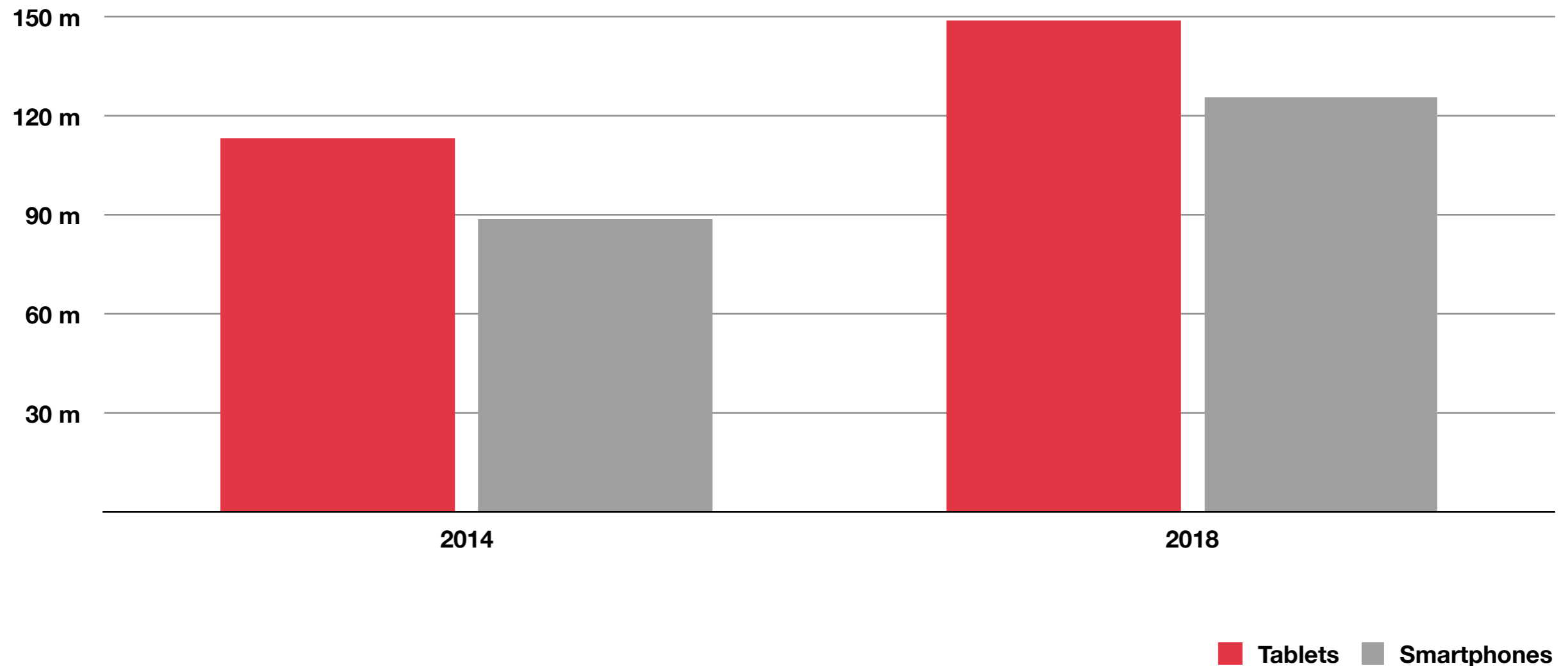
Researchers project about a **60% increase** in time spent watching videos on mobile devices over the next six years.



# Tablets a Primary Choice

Already the leading choice for video, by 2018 there will be **149 million** tablet video viewers in the US

U.S. Device Owners



# Proliferation of Video Content

**Video produced by TV stations and networks is not the only game in town any longer.**

# Digital Pure-Play Competition

New brands seeing large audiences and rapid growth, often outdistancing traditional competitors, especially in news.



The Huffington Post had **110 million unique monthly visitors** in December 2014, making it the **3rd most popular news site**, behind Yahoo and Google News.



Buzzfeed claims a global audience of about **150M users each month**, challenging the news aggregators for top audience.



# Digital Pure-Play Competition

New brands seeing large audiences and rapid growth, often outdistancing traditional competitors, especially in news.



Reddit, an information community that gathers links to numerous sources, including news, had **174M unique visitors** in October 2014.



Vice News calls itself an international news organization by and for a connected generation. While its audience is relatively small it is **receiving critical acclaim** and its reports are seen on HBO among other outlets.

# News-Centric Apps Emerge

**Apps allow simple reading, saving and sharing from smartphones and tablets.**



**SmartNews takes a more automated approach, scanning the internet for indications of what are the biggest stories and collecting them in the app.**



**Flipboard emerged in 2011 and is the leader among news aggregation apps. It takes information from websites, news feeds, and social networks and molds it into a magazine-styled layout. Flipboard makes discovery simple by maintaining well kept "channels."**

# Video is a Primary Offering

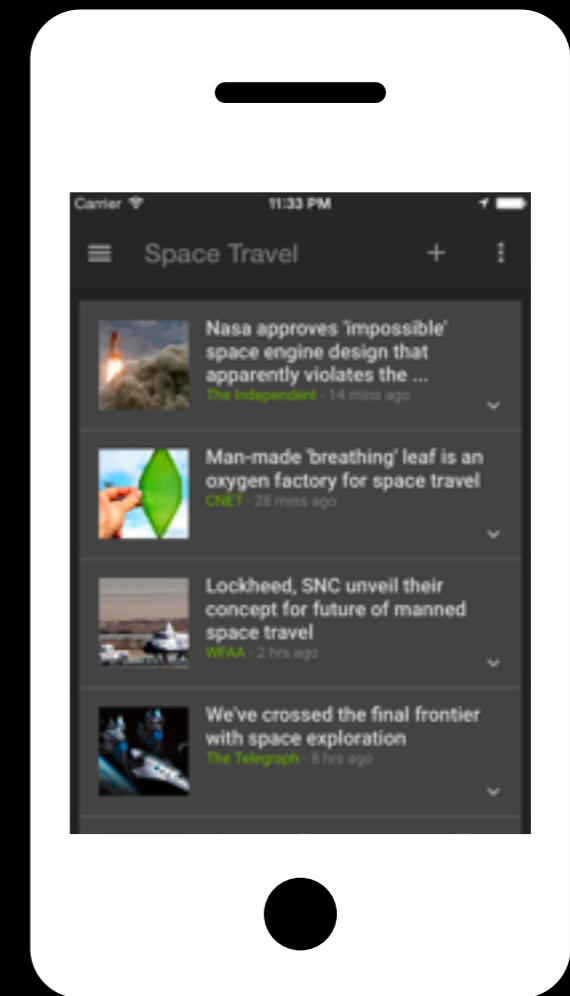
Digital pure-plays and aggregators feature a large amount of video, often serving as an index of other sources, including traditional news organizations.



Flipboard



Yahoo!



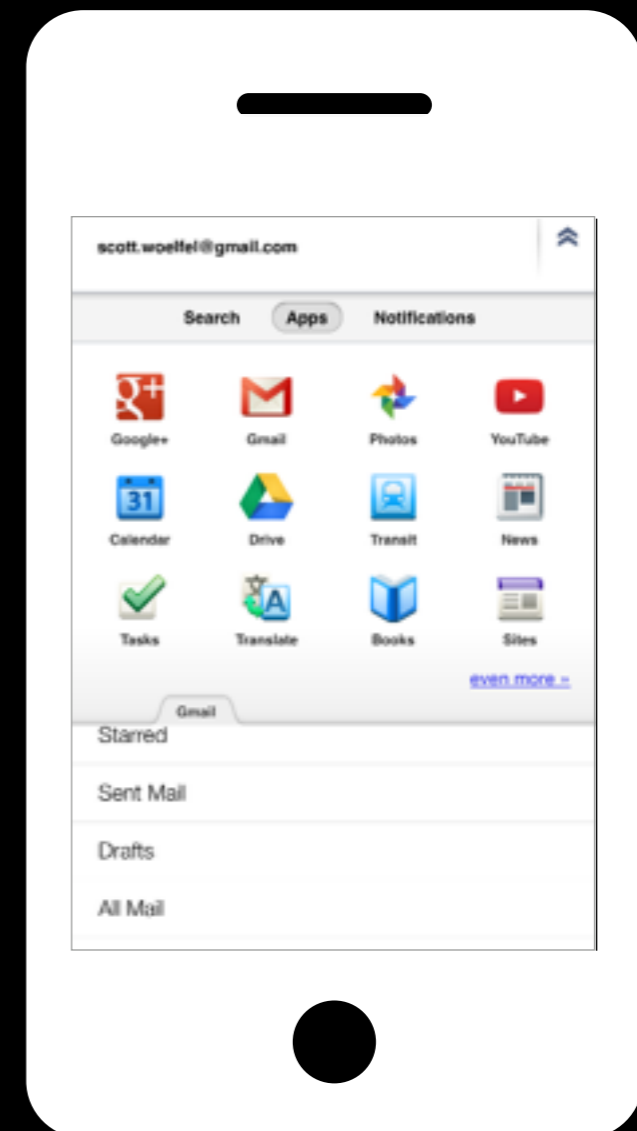
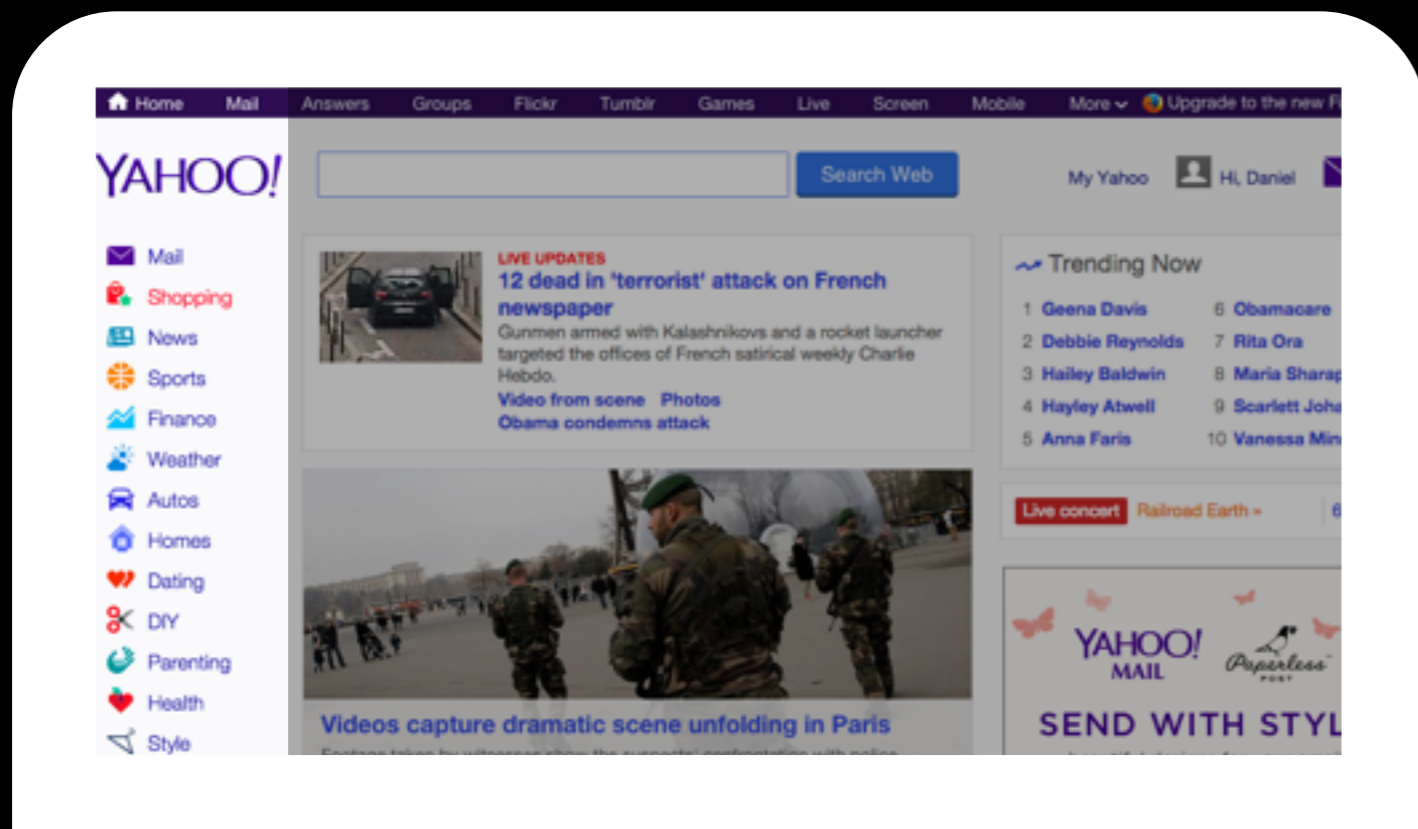
Google News

**Putting  
Content  
Where Users  
Want It**

**Given these new patterns of behavior and increased competition, a wise strategy calls for finding ways to get your content in front of users rather than trying to get them only to come to your destination.**

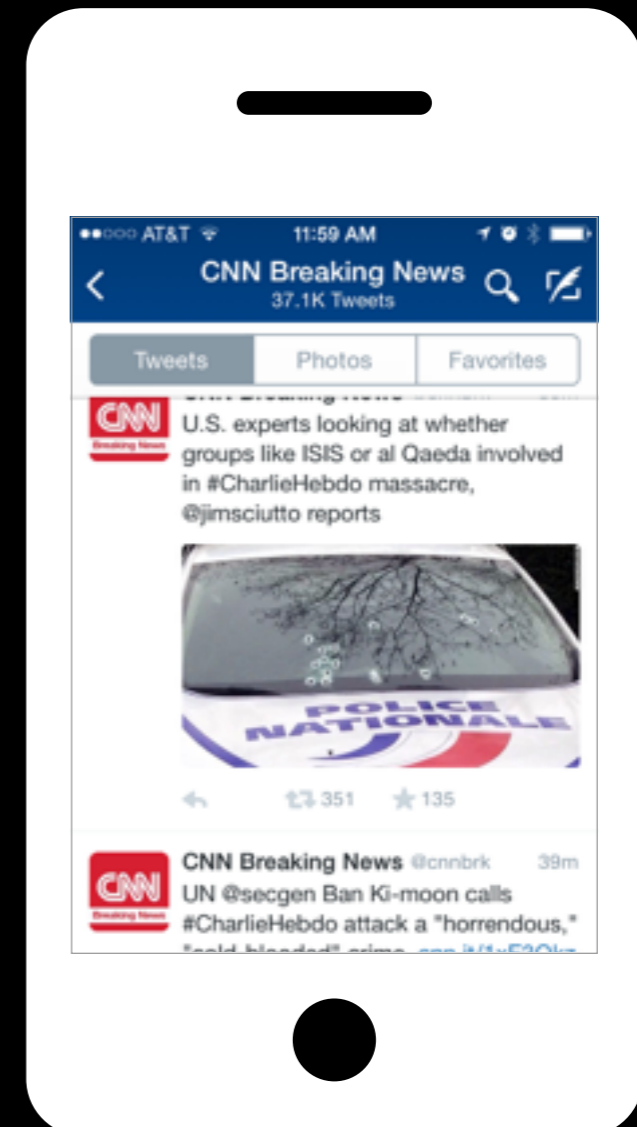
# Convenience and Habit

Users of aggregators such as **Gmail** or **Yahoo Mail** can easily check the news and watch a few videos while exercising the habit of checking their email, fantasy sports stats or portfolios.



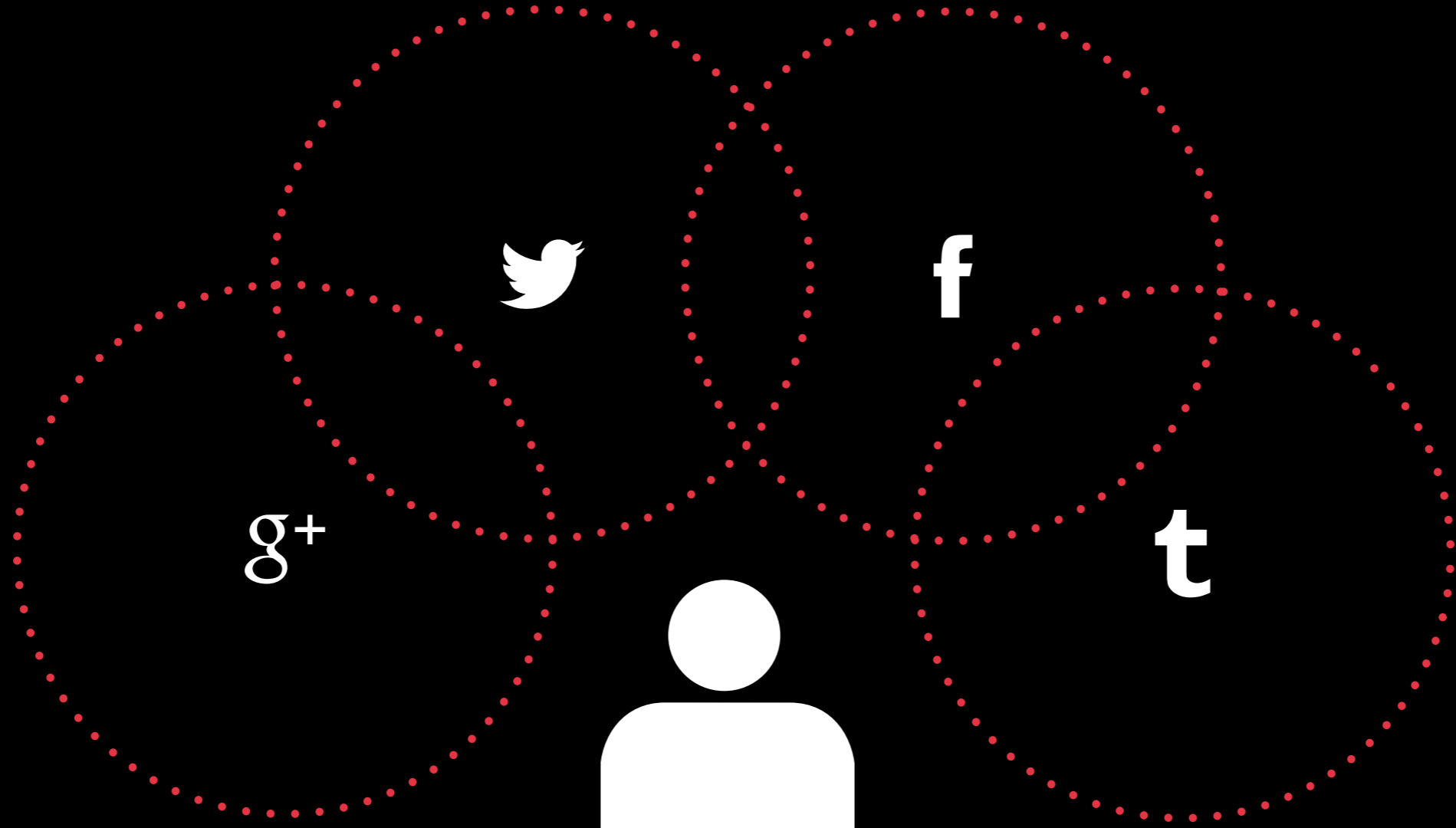
# Social Media Home Bases

Increasingly, users spend a large portion of their days on their social media platforms of choice, encountering much of the news and video they consume in place on those services.



# The Power of Referral

As opposed to typing in web address or search terms, many users just wait for the content to come to them, through referrals from friends using social media or email.





# Top News Sites

Four out of the top six are aggregators.

**1**

Reddit

**2**

Yahoo  
News

**3**

CNN

**4**

Huffington  
Post

**5**

New York  
Times

**6**

Google  
News

**7**

The  
Guardian

**8**

Forbes

**9**

The Times  
of India

**10**

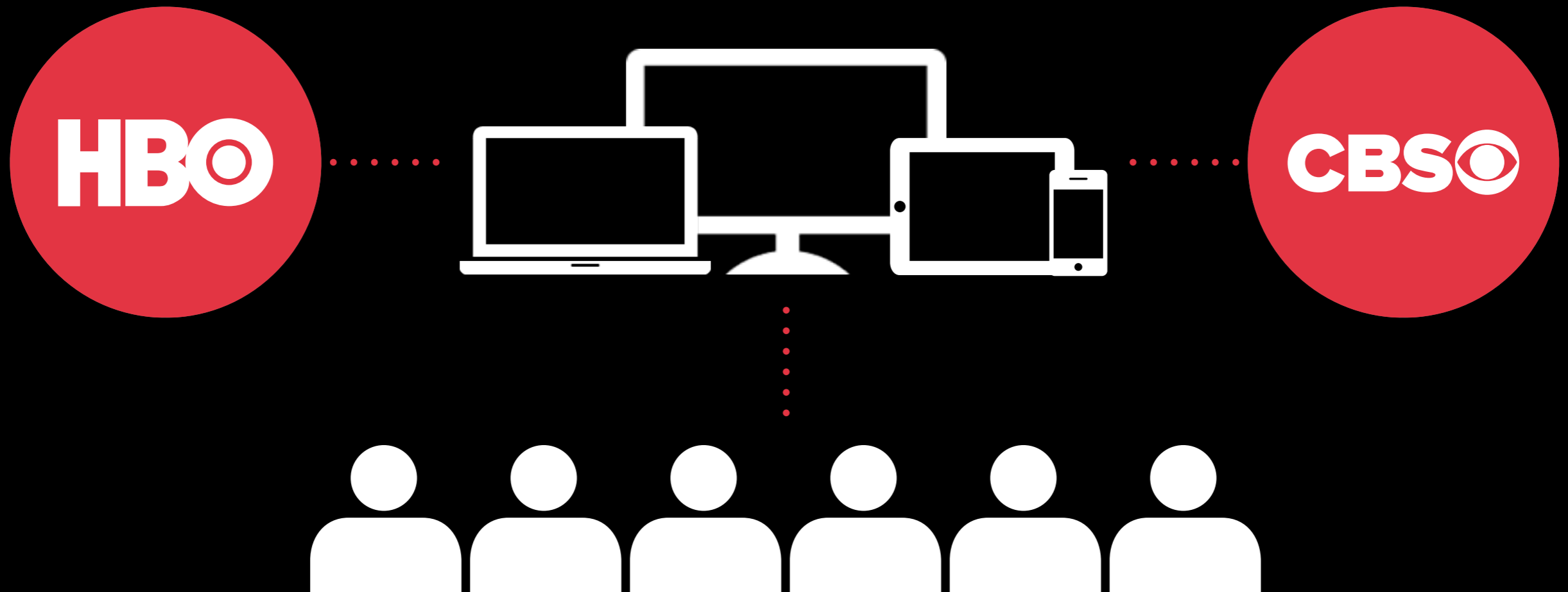
Fox  
News

# Evolution of Content Providers

**Content providers are creating new services, making acquisitions & partnerships to leverage these trends.**

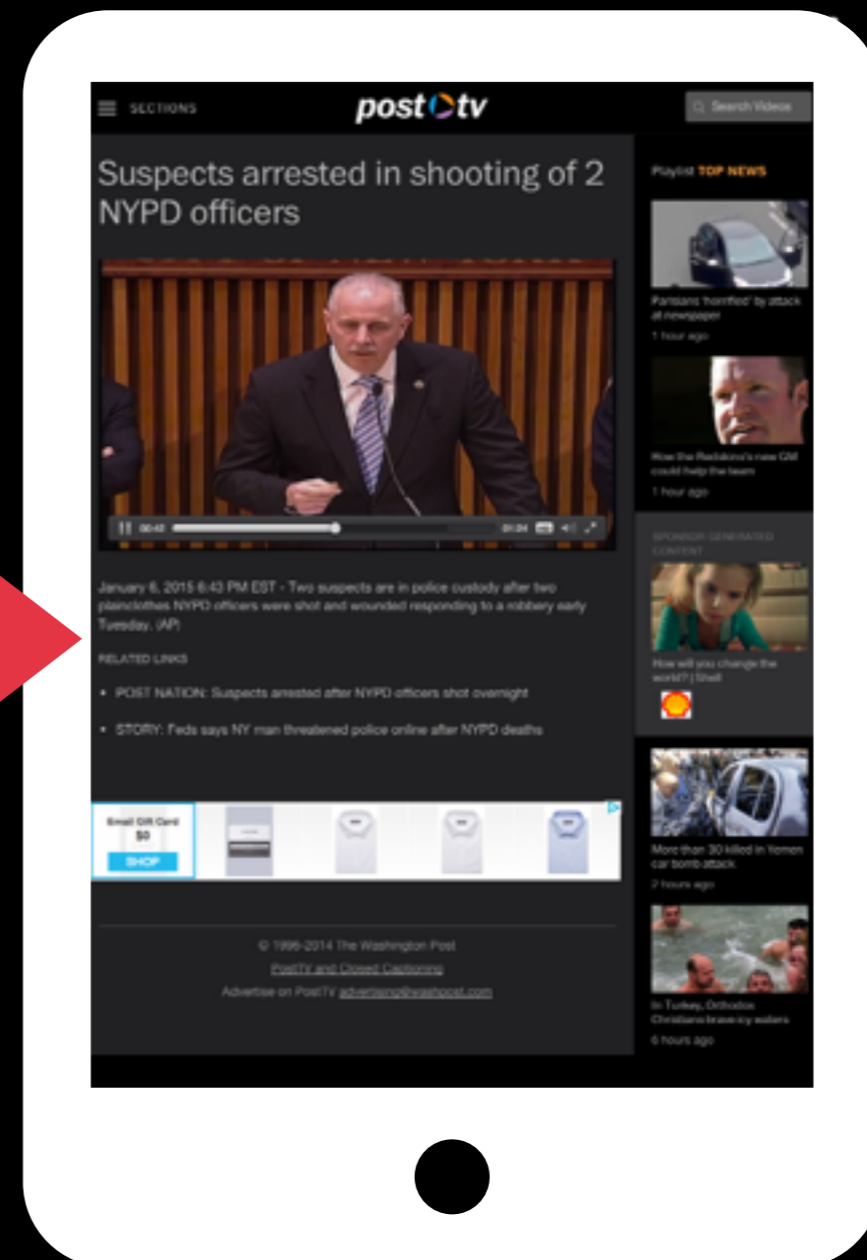
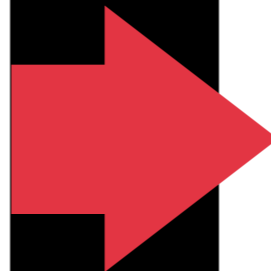
# Unbundling

**HBO** and **CBS** are offering direct-to-consumers digital-only services, bypassing cable and satellite operators. More networks are bound to follow.



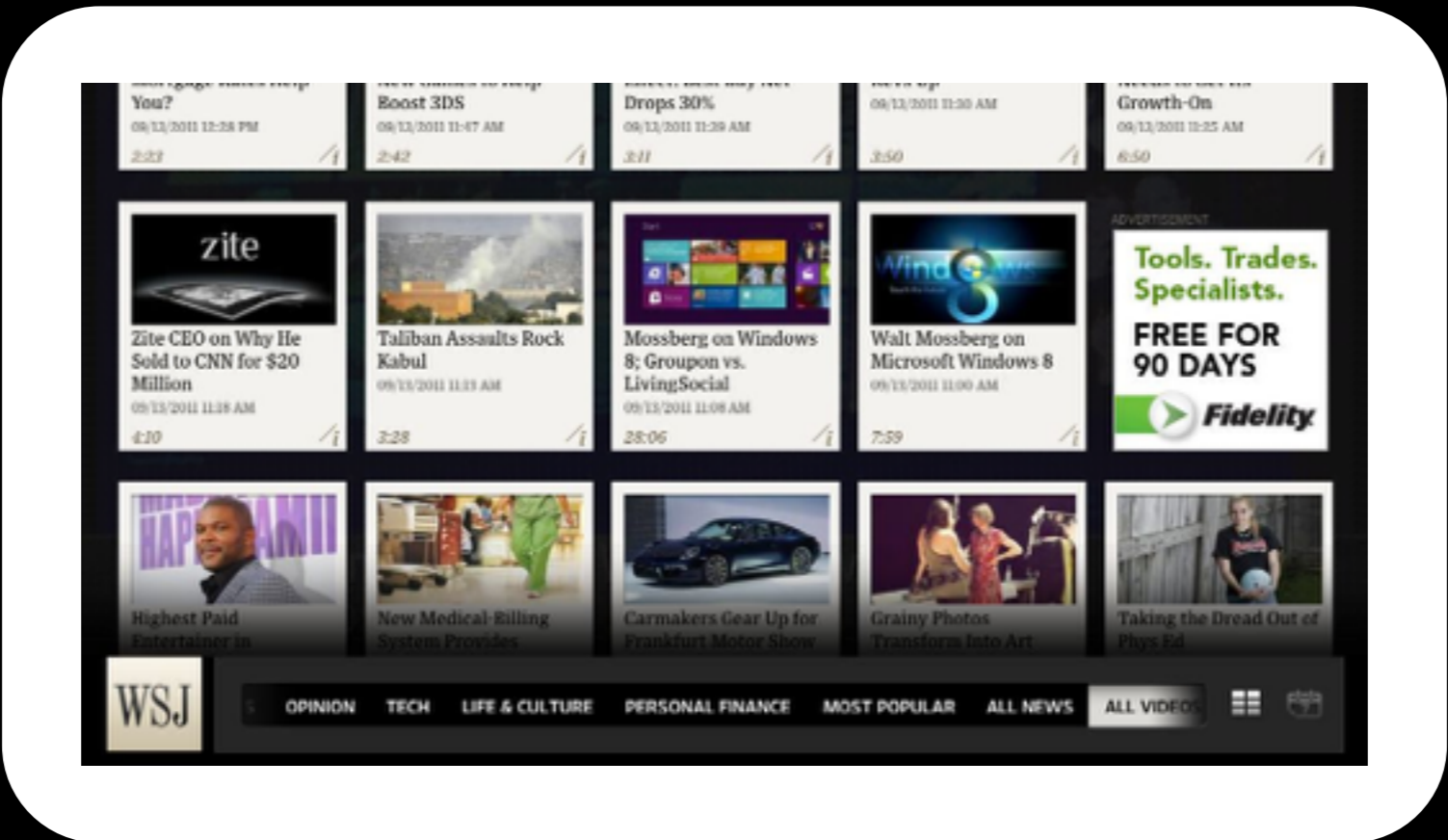
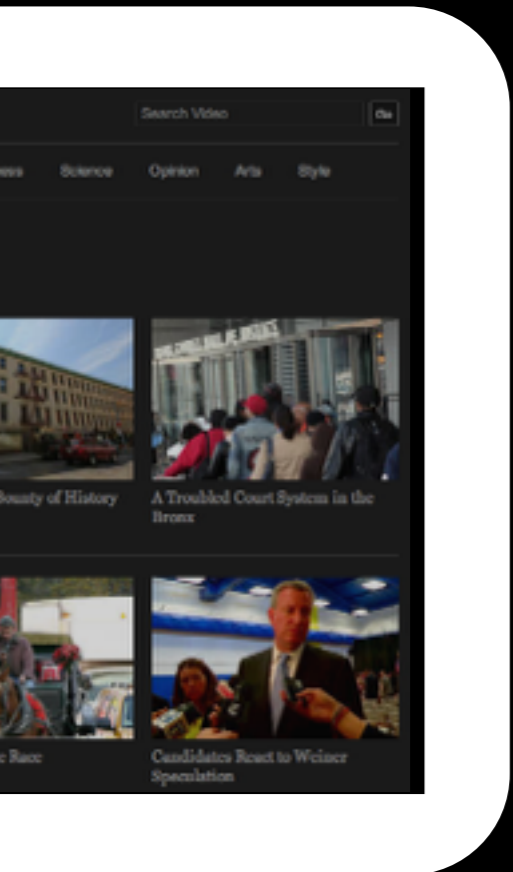
# Cross-Media Acquisitions

Amazon's Jeff Bezos bought the **Washington Post**, citing need for the news business to evolve and focus more on video.



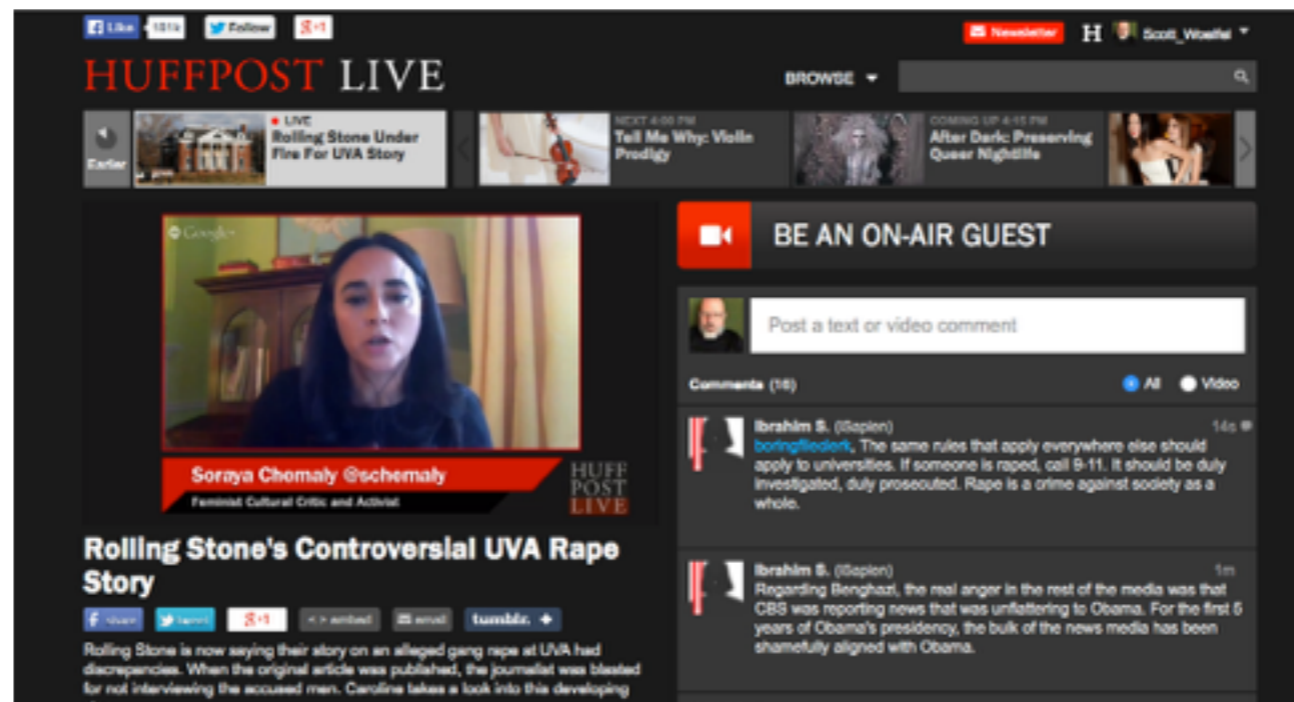
# Greater Emphasis on Video

Traditional print news organizations are jumping more fully into the video sphere, and both print and television news brands have begun to produce programming for digital channels like **Apple TV** and **Roku**.



# Digital Pure Plays Evolving Too

Many news startups have launched live video news and commentary streams, such as **HuffPost Live**.



The screenshot displays the HuffPost Live website interface. At the top, there are social media sharing options (Facebook, Email, Twitter, StumbleUpon) and a user profile for "Scott\_Vivette". The main header reads "HUFFPOST LIVE" with a "BROWSE" dropdown menu. Below the header, there are several featured video thumbnails, including one for "Rolling Stone Under Fire For UVA Story" which is marked as "LIVE". The central focus is a live video stream of Soraya Chemaly, identified as a "Feminist Cultural Critic and Activist". To the right of the video is a "BE AN ON-AIR GUEST" section with a text input field for comments. Below this, a "Comments (18)" section shows two comments from a user named Ibrahim S. (@Sepien). The first comment, posted 14s ago, discusses the application of rules to universities in the context of rape. The second comment, posted 1m ago, discusses media coverage of the Benghazi incident during Obama's presidency.

# Narrowcasting via Video

And targeted services have also emerged, such as **ABC (Disney)** and **Univision's** joint venture **Fusion**, aimed at Latinos in the US.



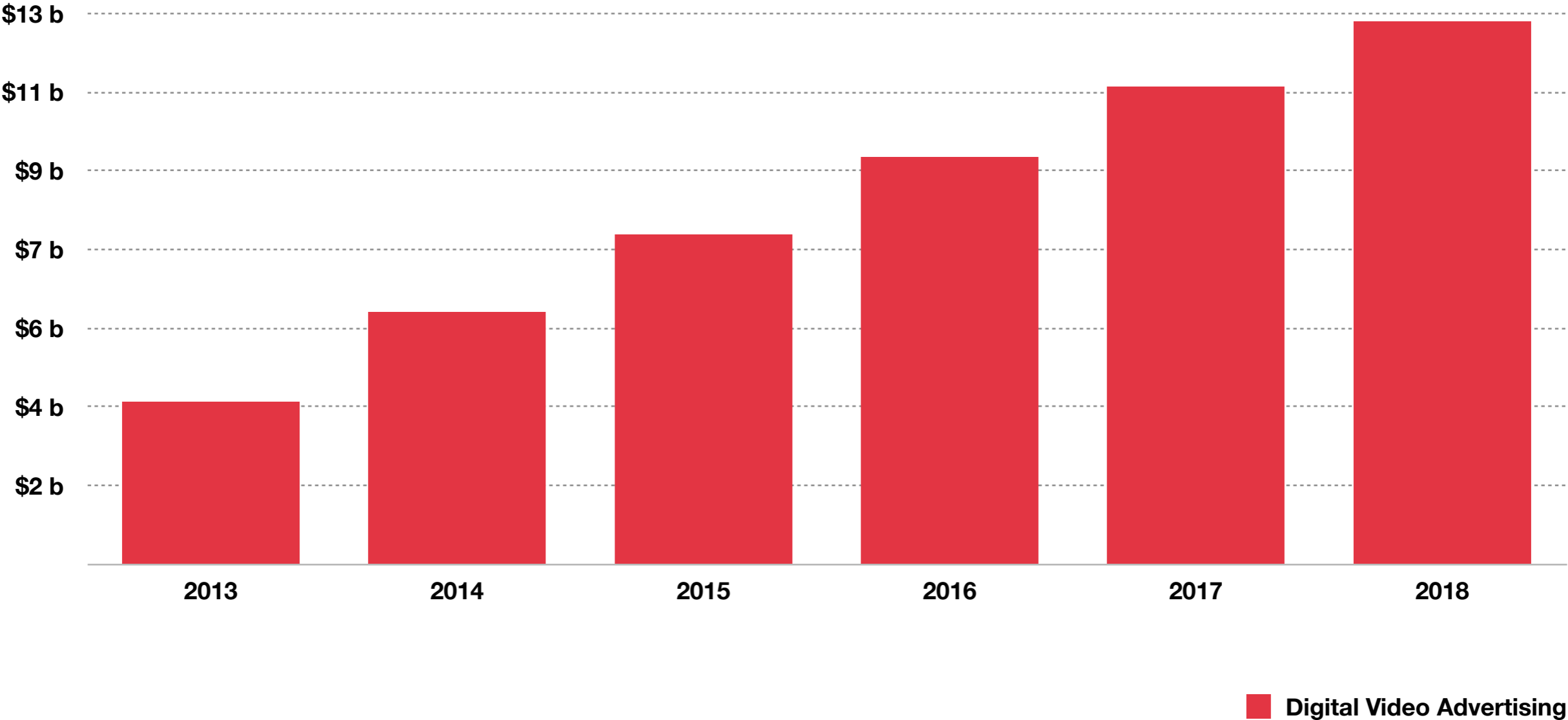


**Money  
Follows the  
Trends**

**Where behaviors are  
disrupted, so too are  
economic models.**

# Digital Video Ads Soar

Digital video ad spending in the US was up **56%** in 2014 alone, and is projected to continue double-digit growth through at least 2018.

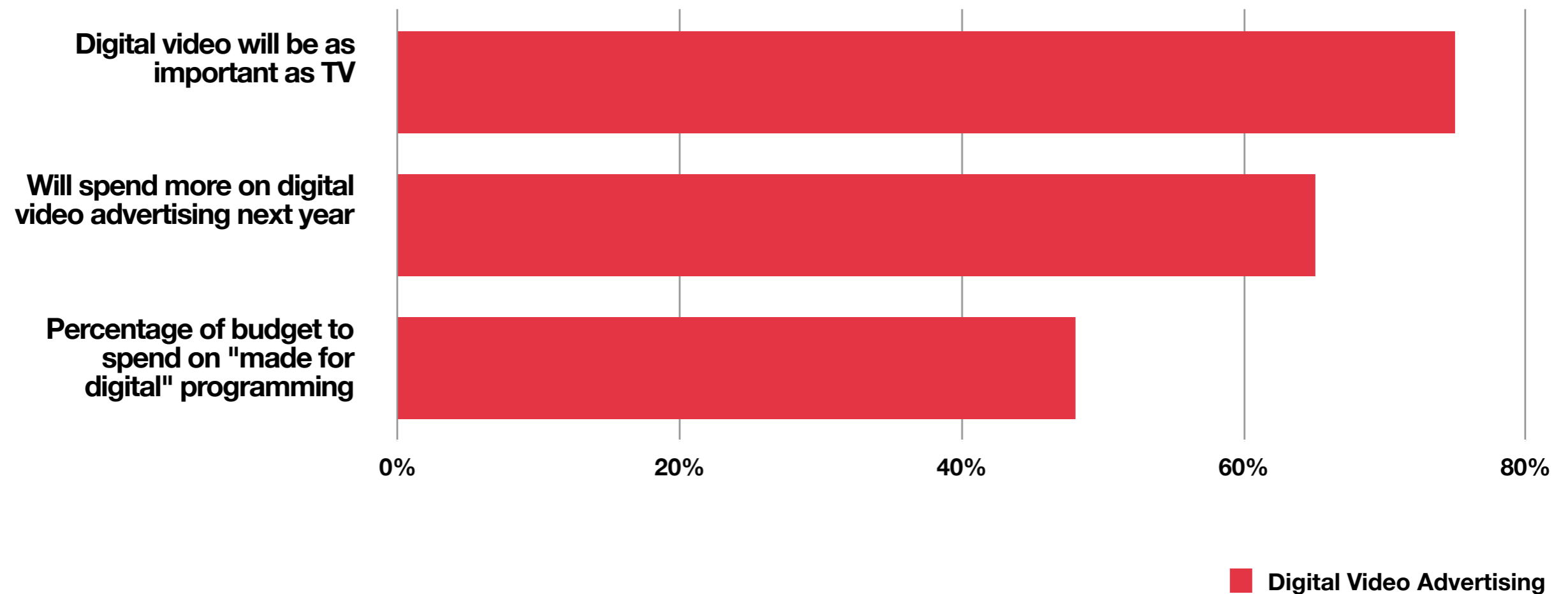


Source: eMarketer

# Marketers are Bullish

The vast majority of brand marketers and agencies expect original digital video programming to become as important as TV in reaching their target audiences over the next three to five years.

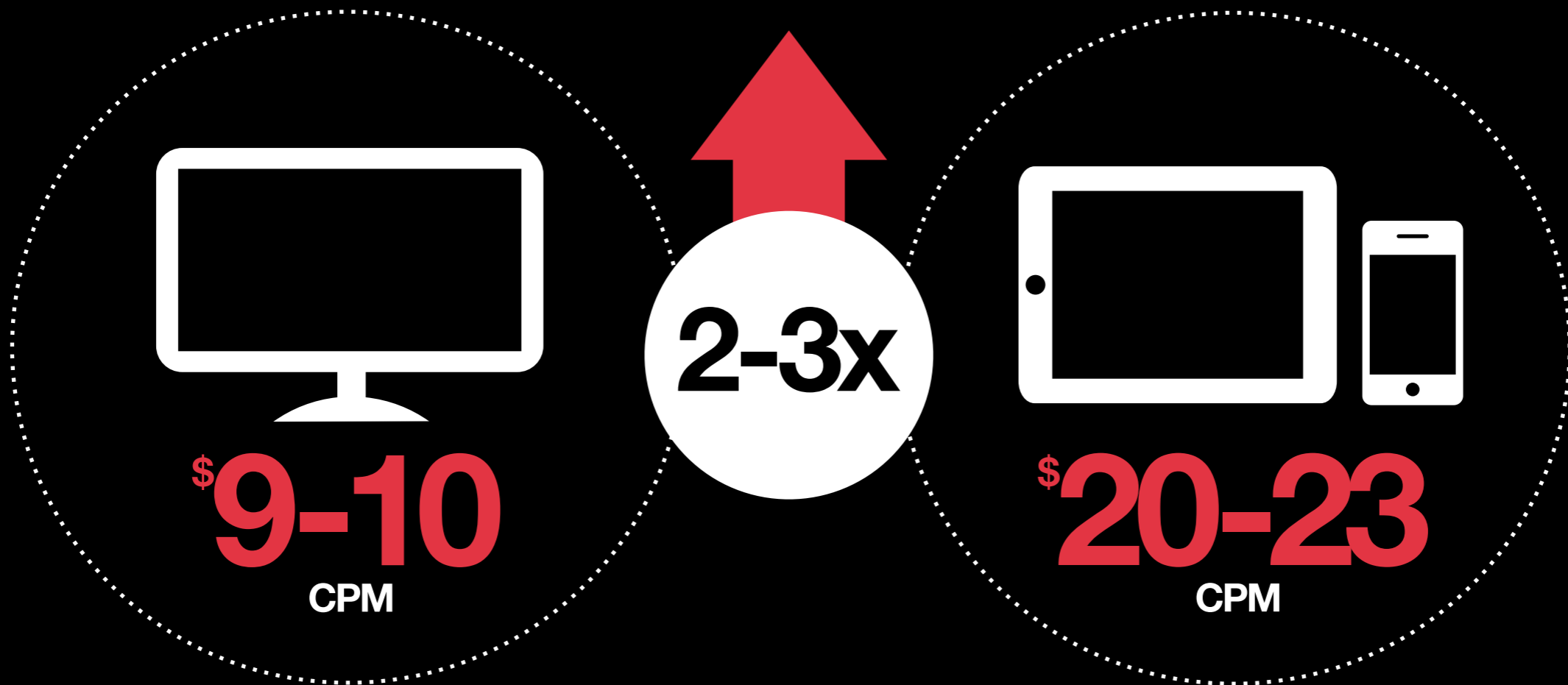
Marketers' Opinions on Digital Video



**To follow this trend  
marketers say they will  
shift budgets from  
television to pure  
digital video.**

# Online Video Ads More Valuable

Online ads generally sell for two to three times the cost of national television spots.



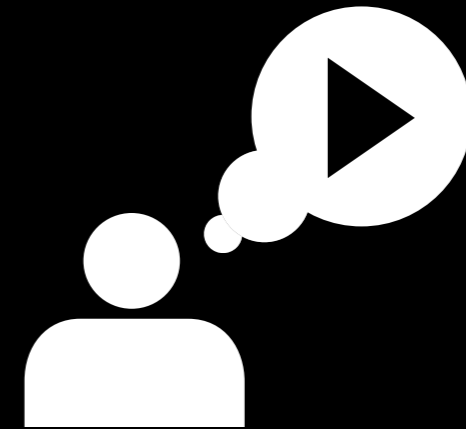
(Ad targeting online can drive CPMs up to 60% higher still.)

# What Drives the Higher Cost?

A mix of **audience** and **effectiveness**.



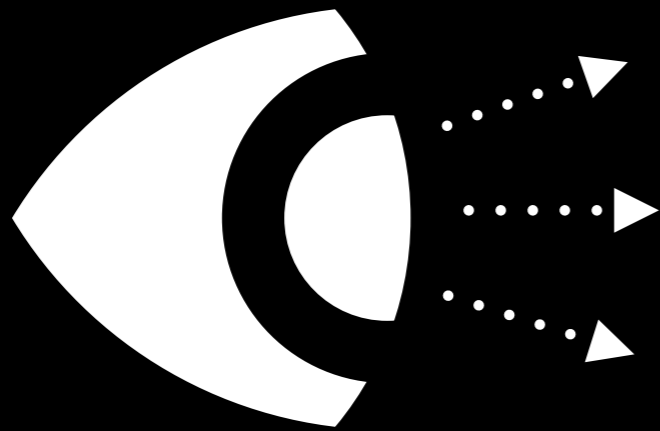
**Users who tend to spend more time online, such as millennials, are more highly sought by advertisers.**



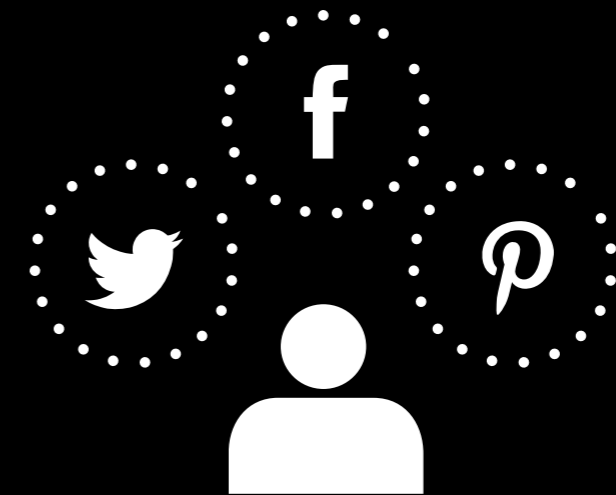
**Studies show online video ads are more effective, both in product awareness and conversion.**

# What Drives the Higher Cost?

A mix of **audience** and **effectiveness**.



Online users are less likely to be distracted during ads with 55% reporting their full attention was given the online ad versus only 37% for TV viewers.

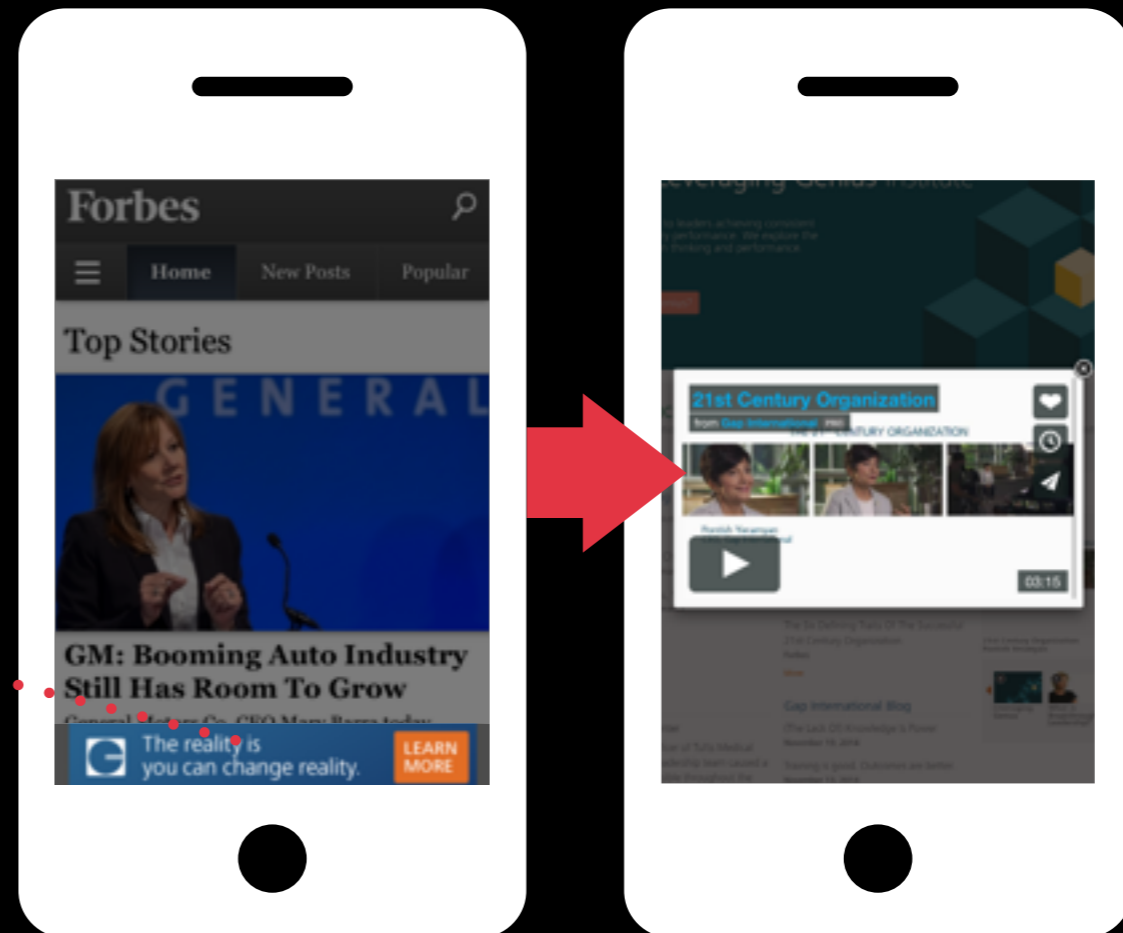
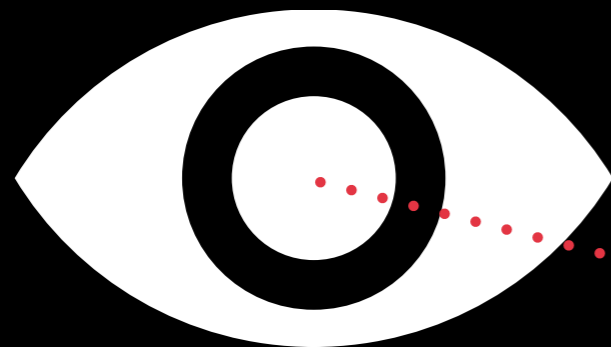


If online users see an ad they like they often share it with their friends via social media.



# Mobile Users Open to Ads

**53%** say they are positive or neutrally receptive to mobile video advertising.

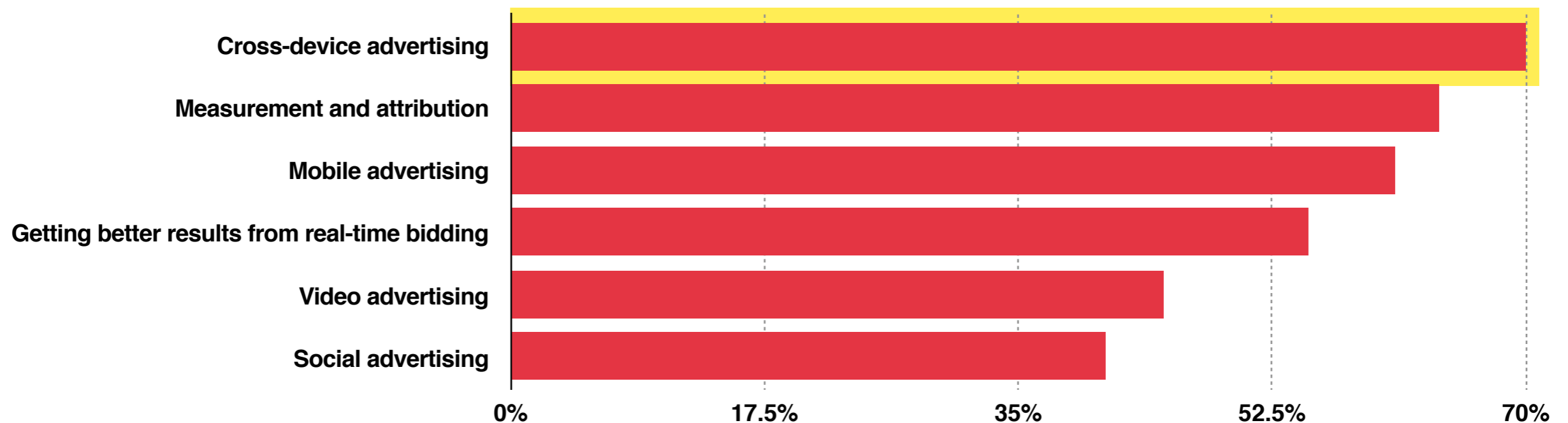


And nearly **50%** of mobile video viewers say they prefer seeing ads related to the video they are watching on their devices.

# Cross-Device Advertising

A 2014 survey of marketers show that they are most interested in cross-device advertising, a method for a brand to reach a target across TV, web, mobile and social with the same or similar messaging, tracking the target's behavior as it moves from platform to platform.

Digital Advertising Topics that US Agency Media Professionals Would Like to Know More About in 2014



# Recap

**Changes in consumption are driving producers to change what they produce and how they monetize it.**

- **Traditional TV viewing is down slightly while digital video consumption is soaring.**
- **Smartphones and tablets are primary drivers in the change.**
- **The demographics and behaviors of digital video consumer are very appealing to content producers.**
- **Because of this, more content from more providers is being seen in more places.**
- **Advertising dollars are following these trends.**

**Digital Video & the  
Future of News  
continues with...**

**How Behaviors Around  
Digital Video Are  
Changing**