Digital Video & the Future of News

Chapter 1: Forces Disrupting TV Economics
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.

3rd Quarter 2013: 147hrs
3rd Quarter 2014: 141hrs

Source: Neilsen
Digital Video Grows

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

- **Total US Population**: 319 million
- **Digital Video Viewers**: 195.6 million
- **61% of population watches digital video**

Source: Neilsen, TNS
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

Source: Comscore, Leichtman Research Group, NPD Group, Neilsen
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

Source: Comscore, Leichtman Research Group, NPD Group, Neilsen
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

Source: Comscore, Leichtman Research Group, NPD Group, Neilsen
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.)

Source: CEA, Pew
Audience is Desirable

Those most likely to watch news online are:

- Younger
- More Educated
- Higher Earners

Source: Pew Research Center
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.

Source: eMarketer
But Also An Opportunity?

Percent Participating in Online Activities, US Internet Users by Age

Source: NetBase/eMarketer
So what’s driving all these changes in behavior?
Preference and Convenience

Reasons US Internet Users Watch TV Online

- Prefer to watch on own schedule: 60%
- More convenient: 50%
- I can skip commercials: 40%
- Prefer to watch multiple episodes at once: 30%
- There are fewer commercials: 30%
- Less expensive than cable/pay TV: 20%
- At work or commuting when show starts: 10%
- Someone watching another show at the same time: 0%

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.)

Source: eMarketer, NFL
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.

Source: eMarketer
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.

Source: Alexa, Quantcast, Pew
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.

Source: Alexa, Quantcast, Pew
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."

Source: Alexa, Quantcast, Pew
**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

Source: Alexa (global survey)
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.
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

- Digital video will be as important as TV
- Will spend more on digital video advertising next year
- Percentage of budget to spend on "made for digital" programming

Source: IAB
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.)

Source: Media Dynamics, 2013 survey
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.

Source: Media Dynamics, 2013 survey
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.

Source: Media Dynamics, 2013 survey
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.

Source: IAB
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

- Cross-device advertising: 70%
- Measurement and attribution: 67.5%
- Mobile advertising: 52.5%
- Getting better results from real-time bidding: 47.5%
- Video advertising: 35%
- Social advertising: 35%

Source: Conversant/Bovitz, April 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