

# Monetizing Digital Content



“If you're not stubborn, you'll give up on experiments too soon. And if you're not flexible, you'll pound your head against the wall and you won't see a different solution to a problem you're trying to solve.”

Jeff Bezos

Amazon CEO, now working on increasing digital revenue at his newspaper, the Washington Post

# 1. What's Now



## 1. What's Now

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Let's start with a quick snapshot of where revenue is headed and what trends are driving growth and innovation.



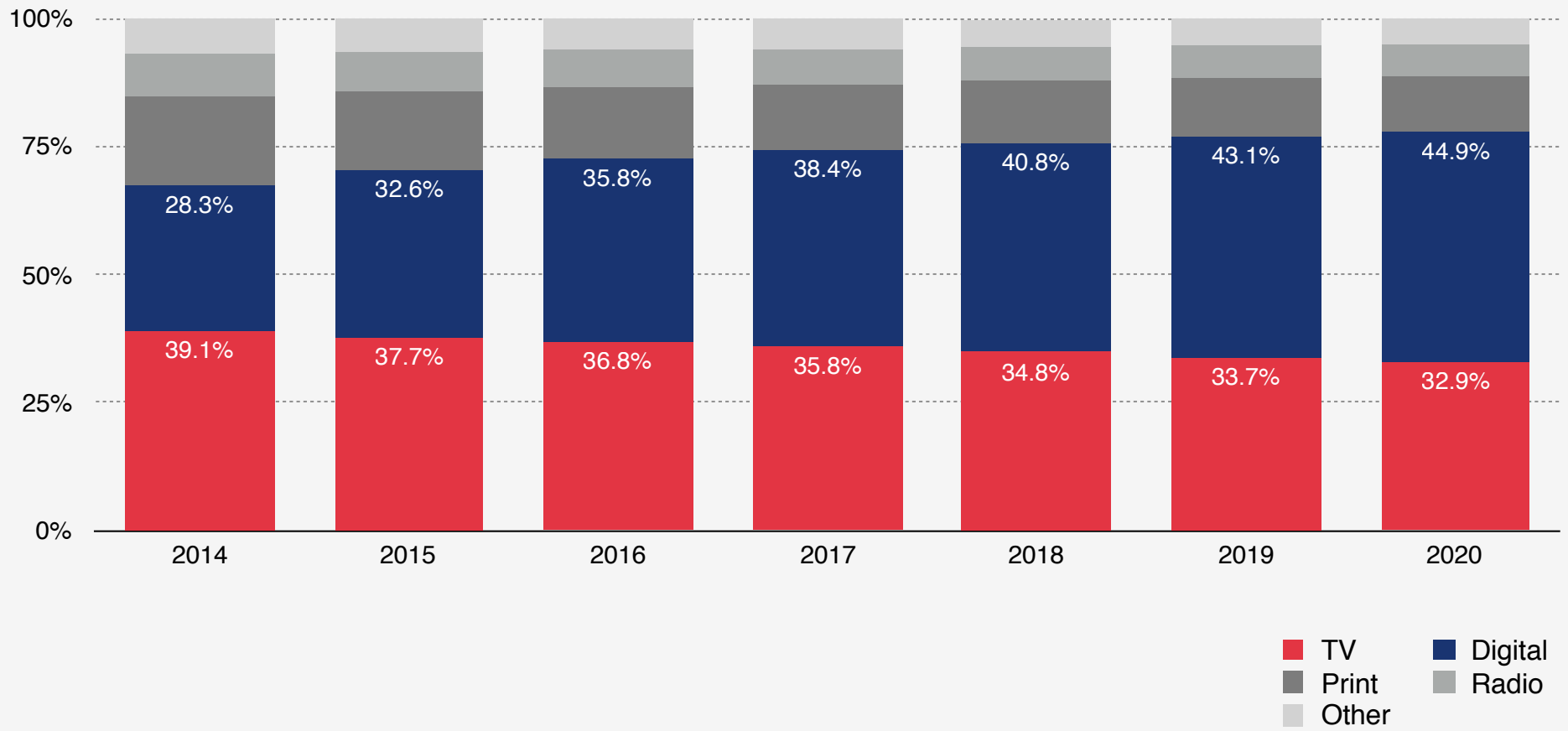
1. What's Now

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# Revenue Snapshot

# Digital Ads Growing Fast

Digital media ad revenue will surpass TV in late 2016, somewhat faster than expected



US Total Media Ad Spending Share, by Media

Source: eMarketer, March 2016

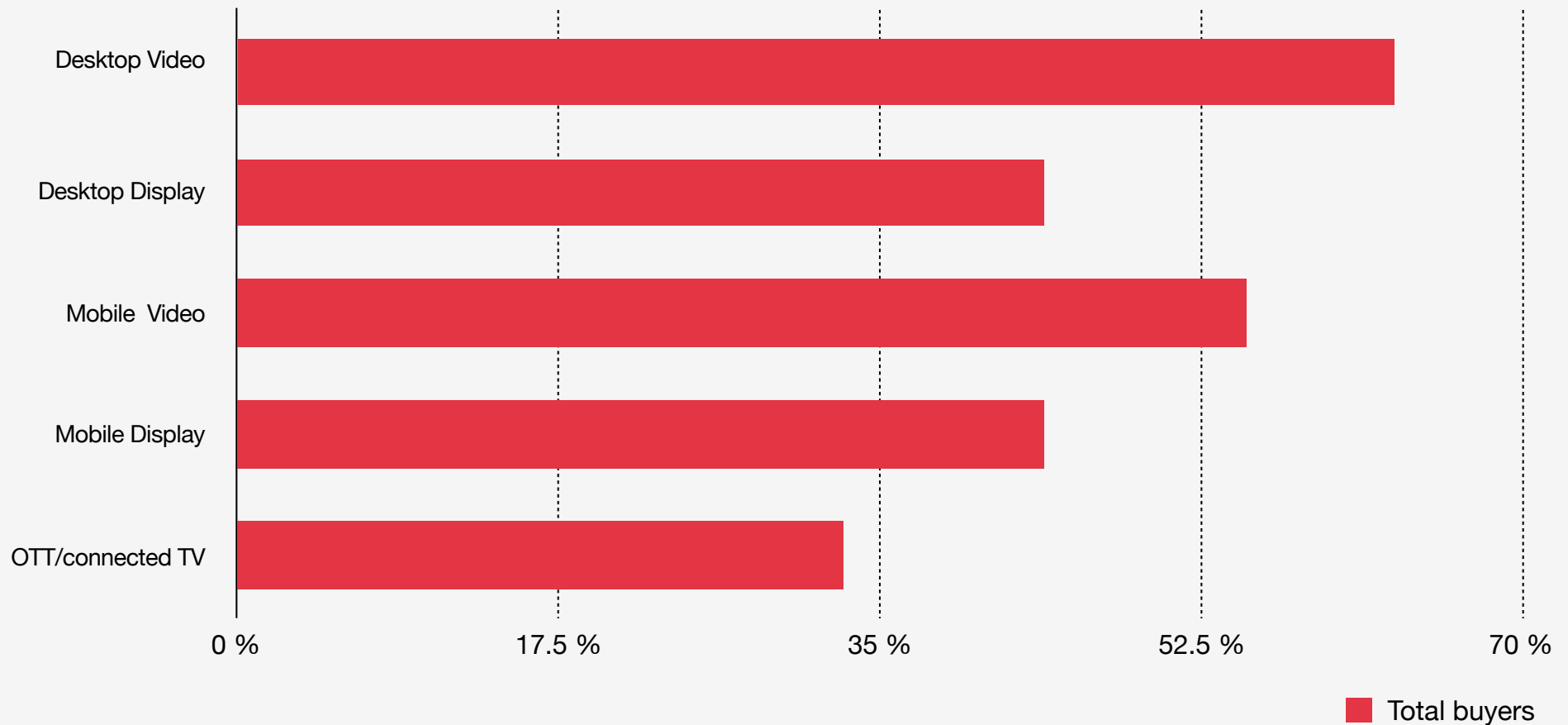
# Why?



Digital offers more platforms and ad models compared to television and is therefore better positioned to reach the audiences advertisers want. And this is causing money to move.

# Marketers Moving Budgets

Half of buyers shifting budget to digital video are relocating from TV



2015 Percentage of Buyers Shifting Broadcast & Cable TV Budgets By Channel & Format

Source: AOL US State of the Video Industry Report (Oct. 2015)



# Not All is Gloomy for TV

Local channels have some advantages national networks do not:



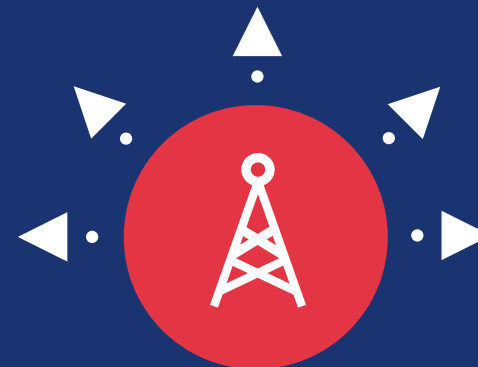
Existing relationships with advertisers make TV stations a logical starting point for transition to digital ad buys



Bundling across TV, web and mobile for single local channel property



Bundling across duopoly partners

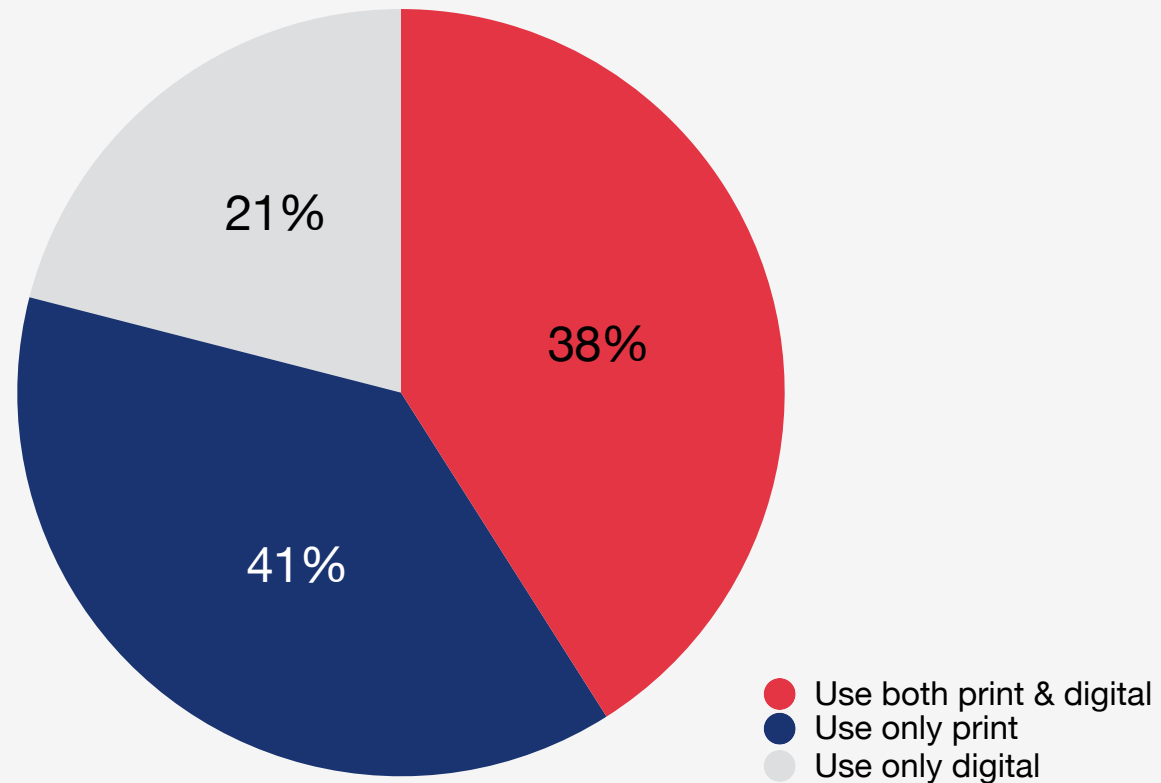


Ability for local TV stations to extend inventory digitally, either on their own or through using services like CNN's VAN

Signs are strong that revenue can come from sources other than advertising.

# Millennials Willing to Pay

53% regularly consume paid news content

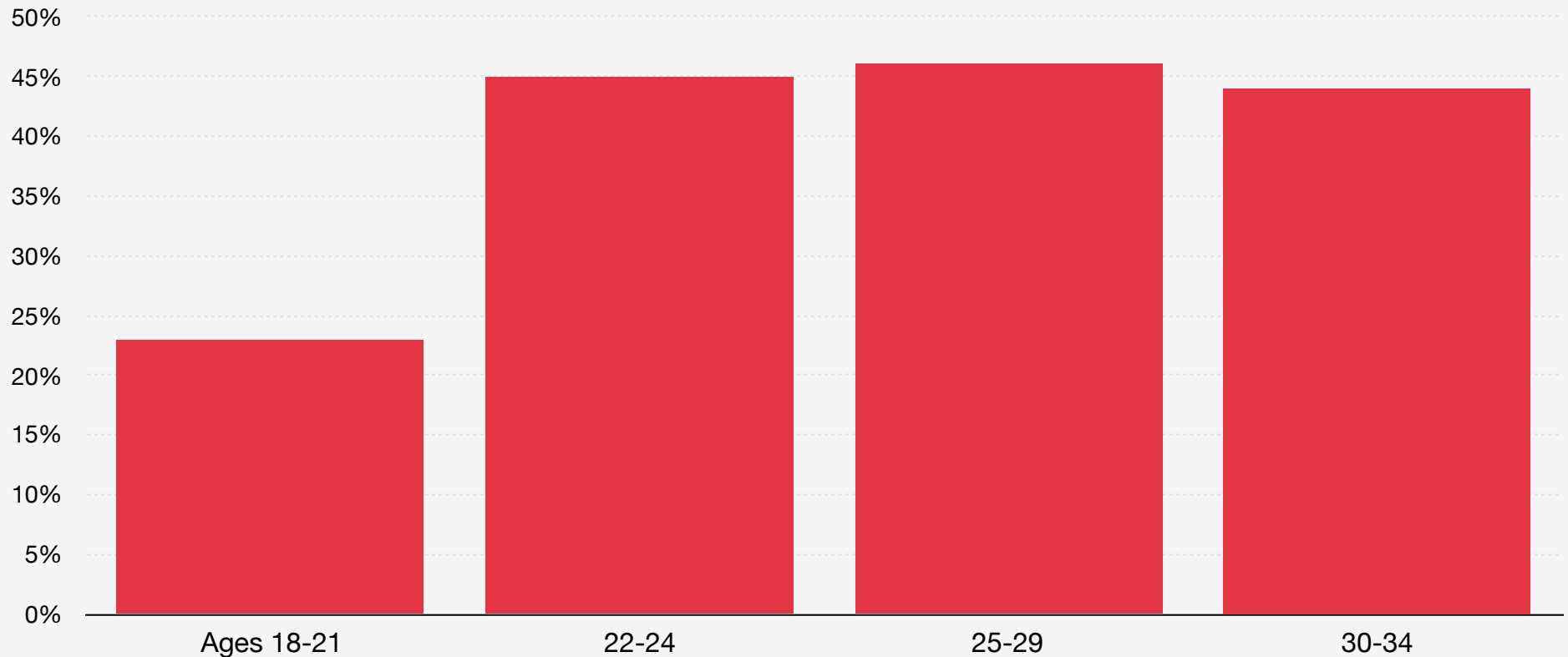


Millennials who purchase paid news content

Source: *The Media Insight Project*, Nov. 2015

# Millennials Willing to Pay

Older millennials more likely to pay out of their own pocket

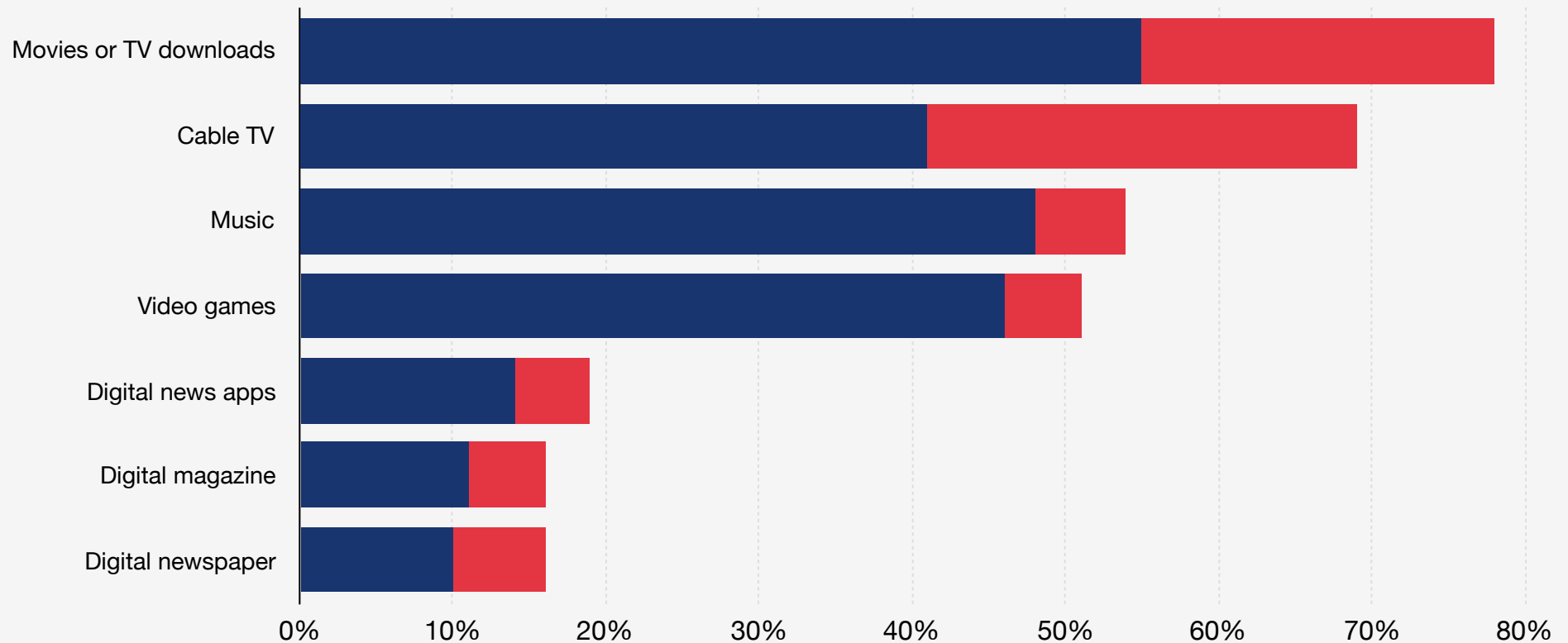


Millennials who purchase content

Source: *The Media Insight Project*, Nov. 2015

# Millennials Willing to Pay

Entertainment more popular on paid media spectrum, but news consumption is significant



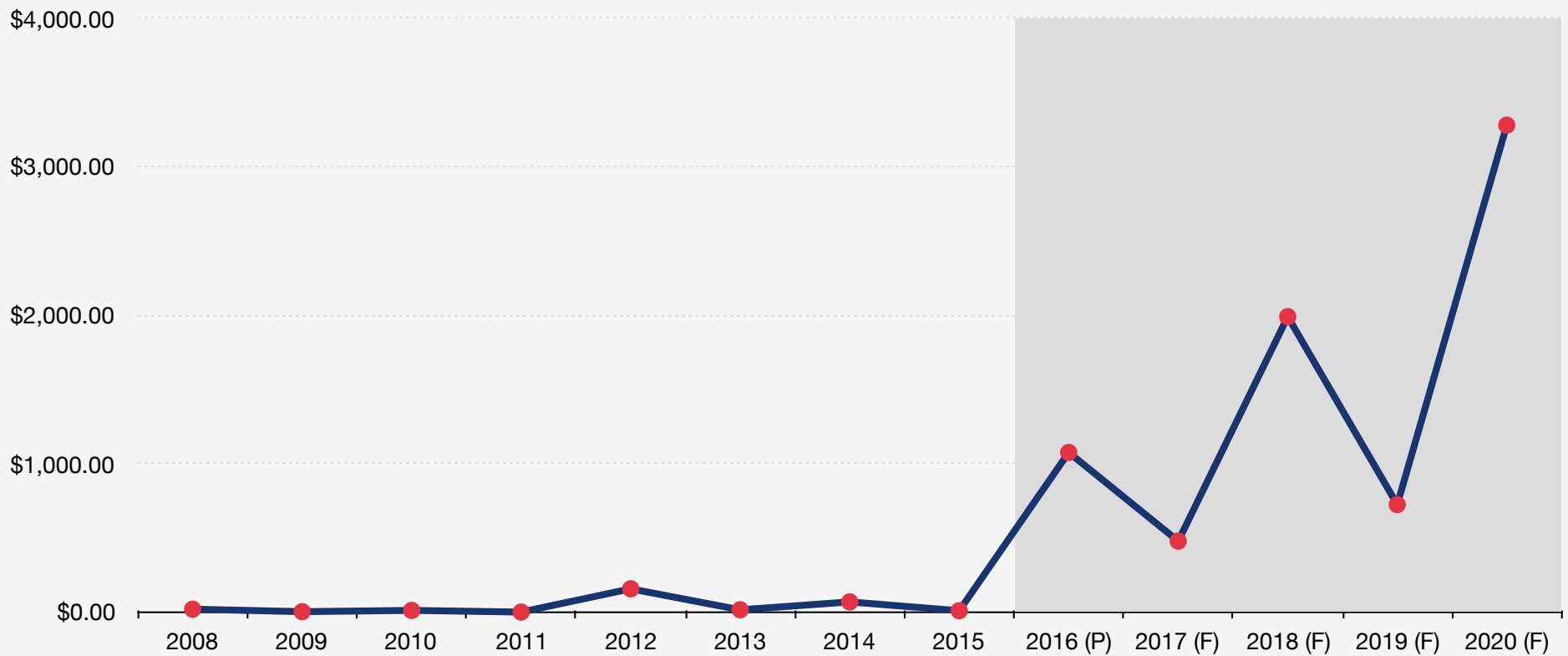
Using paid entertainment subscriptions, products, or services

Source: The Media Insight Project, Nov. 2015

■ Pay personally  
■ Someone else pays

# Digital Political Ads Extend TV

Rapid growth predicted for 2016 and beyond, with digital revenues doubling each even-year election cycle



U.S. Total online/digital political ad spending (millions)

Source: August Borrell Associates

1. What's Now

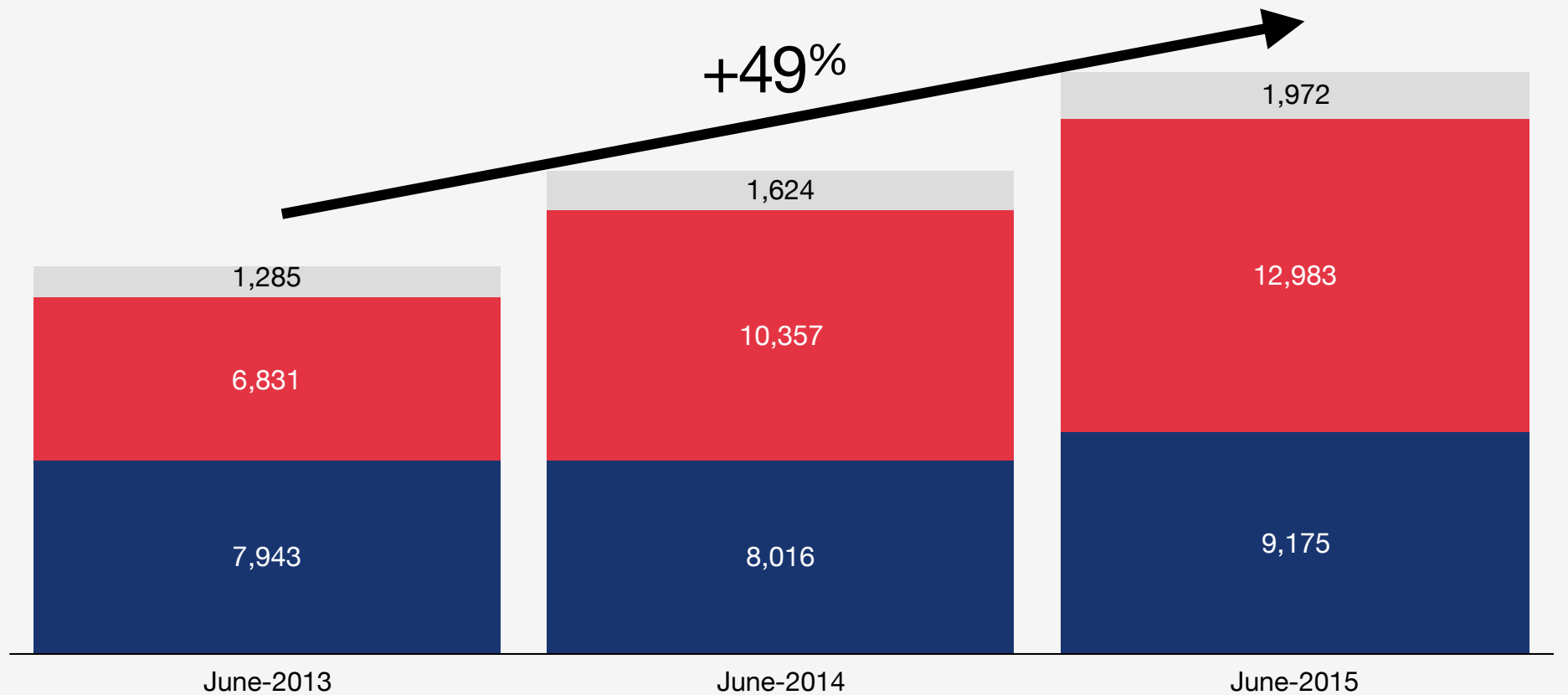
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# Mobile Trends



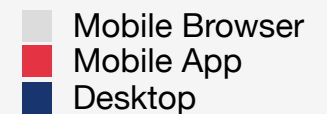
# Mobile Usage Time Soaring

49% digital growth in past two years, led by apps, mobile web



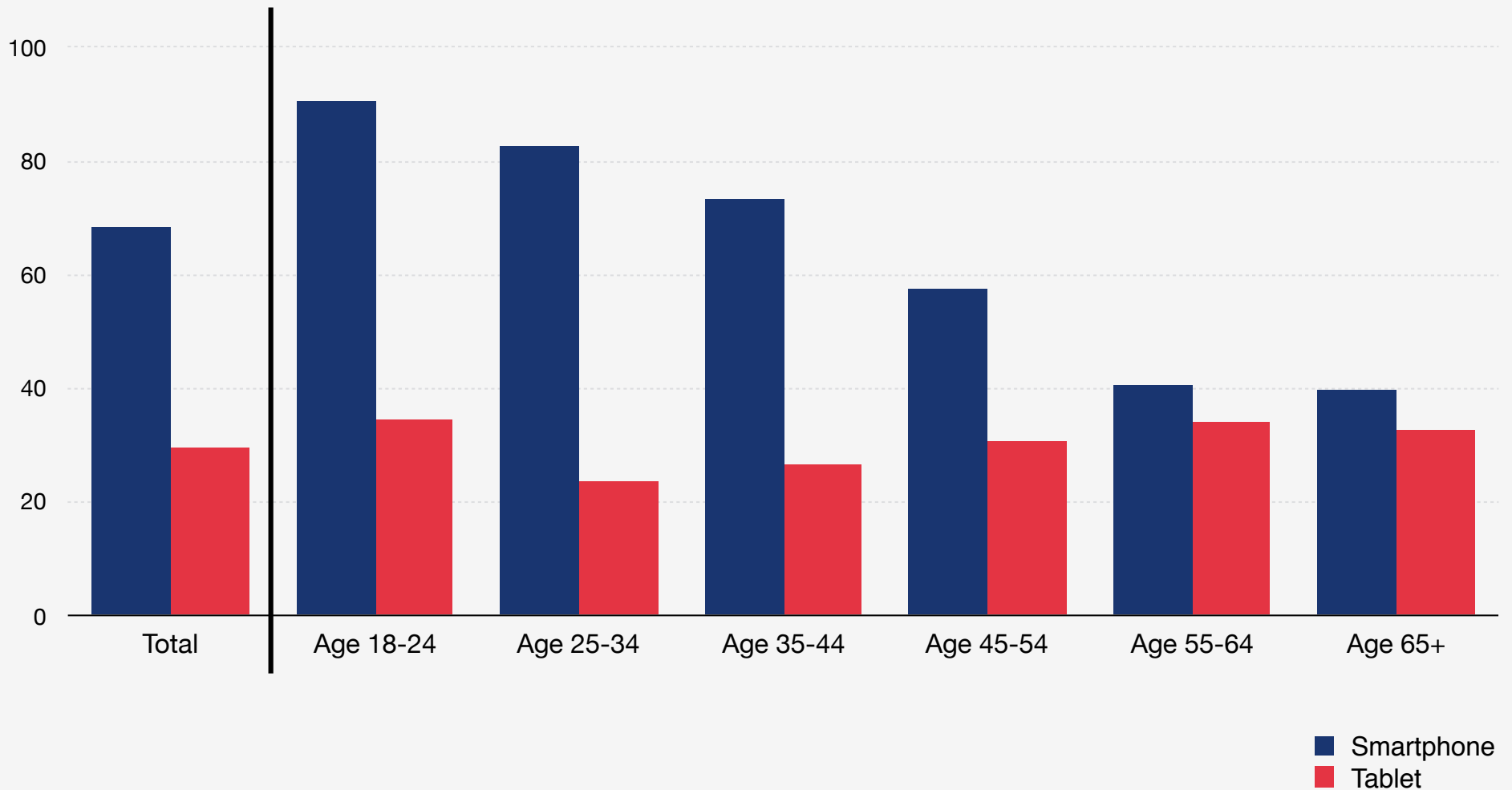
Growth in Digital Media Time Spent, total minutes by platform

Source: comScore Media Metrix Multi-Platform & Mobile Metrix, US, Total Audience



# Younger = Mobile Apps

Millennials use apps on phones, older people use apps on tablets

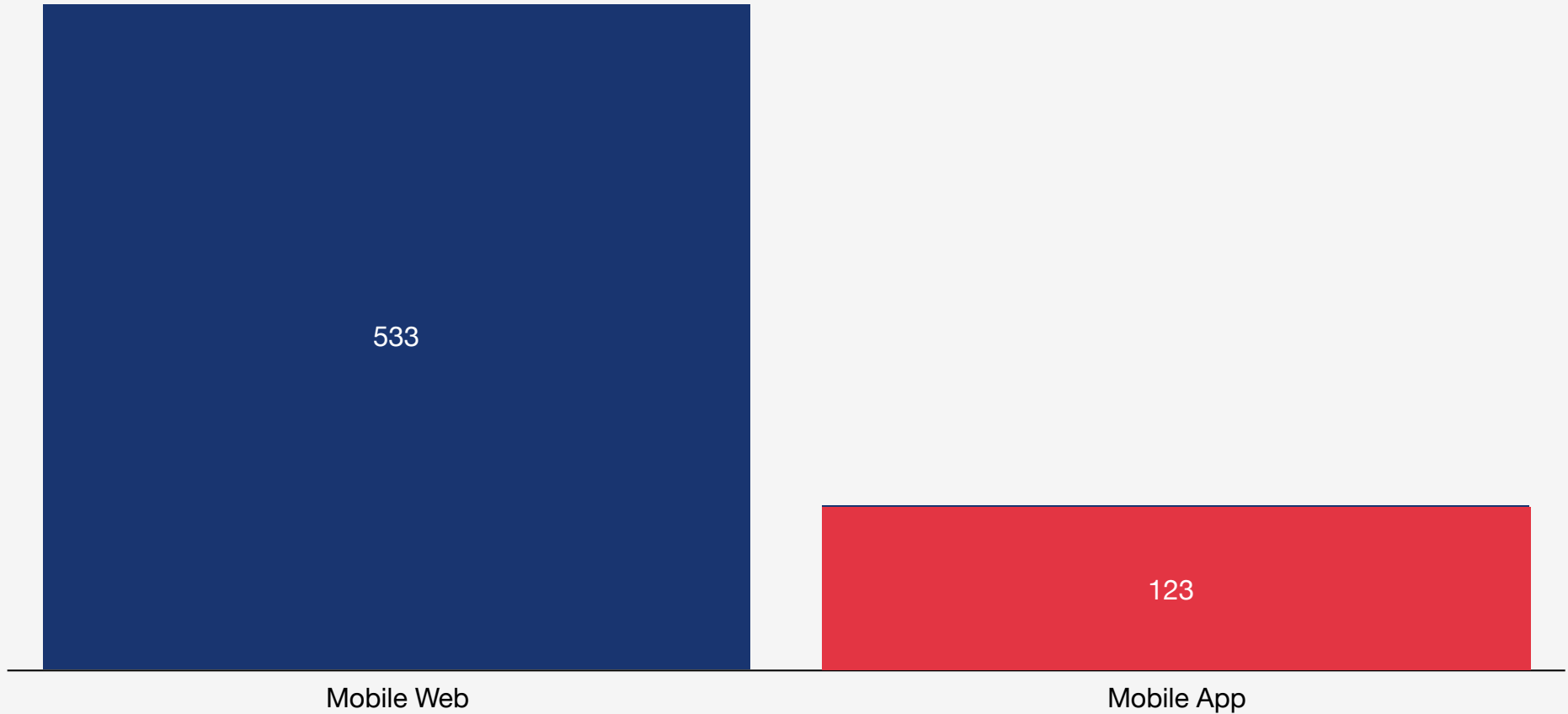


Average Monthly Hours per App Visitor by Age

Source: comScore Media Metrix

# But Mobile Web Can Reach Further

Audience finds it easier and quicker to access

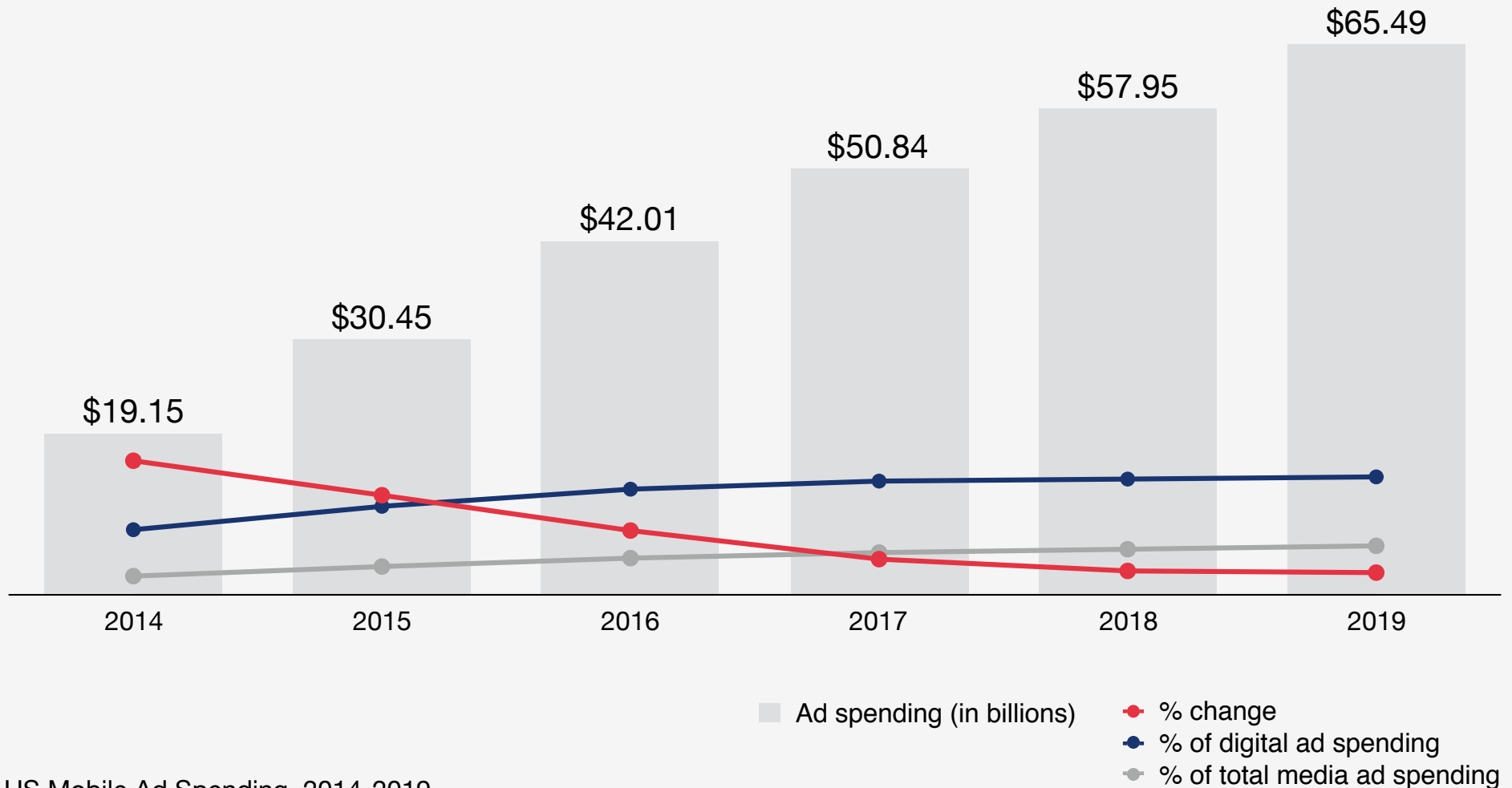


Number of Web Properties vs. Mobile Apps Reaching New Unique Visitor Records, June 2015

Source: comScore Media Metrix

# Ad Dollars Follow Usage

In 2015, mobile ad spending comprised more than half of all digital, surpassing desktop for the first time, and faster than earlier predicted



US Mobile Ad Spending, 2014-2019

Source: eMarketer

# CPMs Growing Too

Mobile CPMs higher, growing faster than desktop, even with inventory increasing

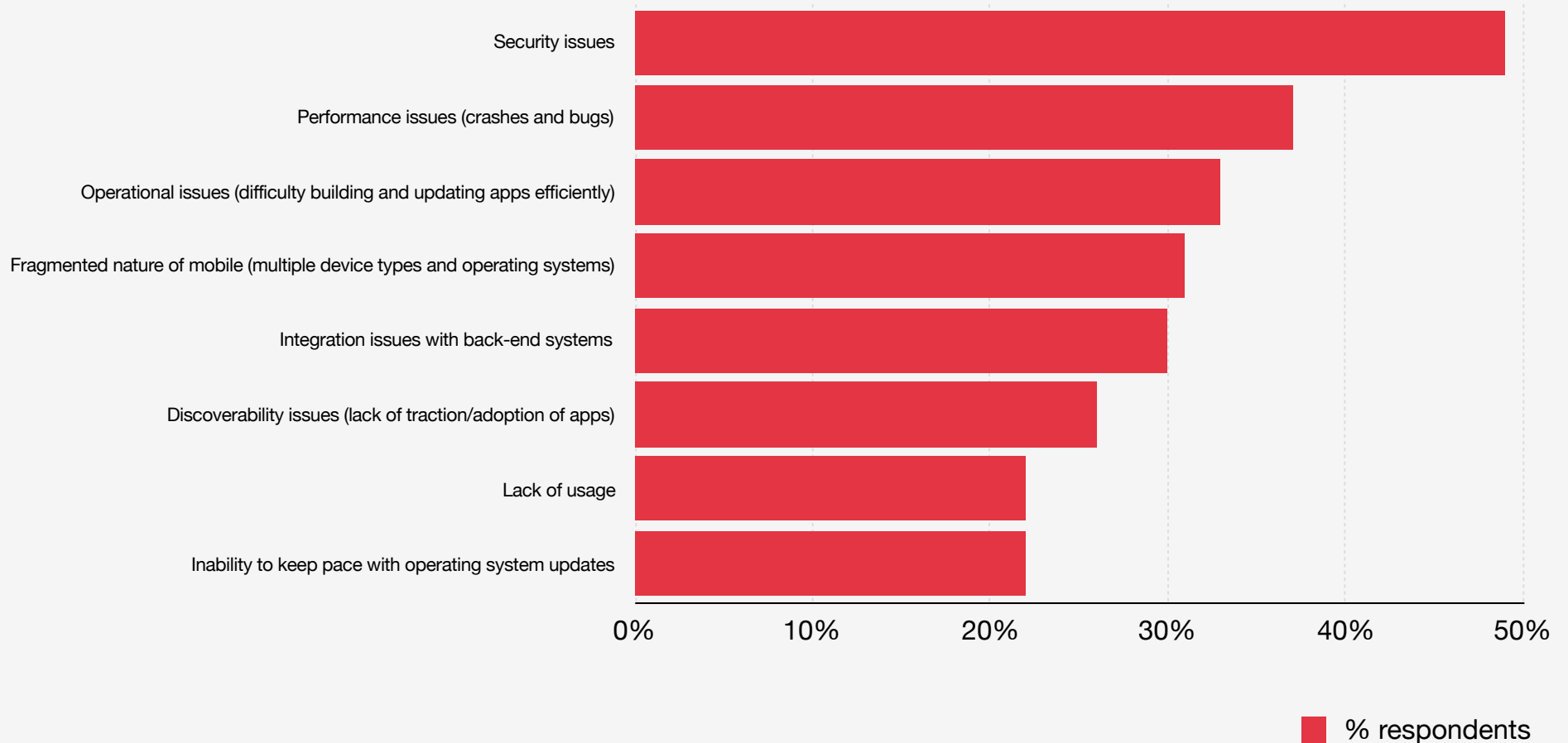


Average mobile CPMs in 3Q15 were 34% higher than desktop CPMs

Mobile CPMs grew at a rate of 12% year over year in 3Q15, compared to 10% for desktop

# But Developing Can Be Difficult

Mobile most difficult to develop and manage according to publishers

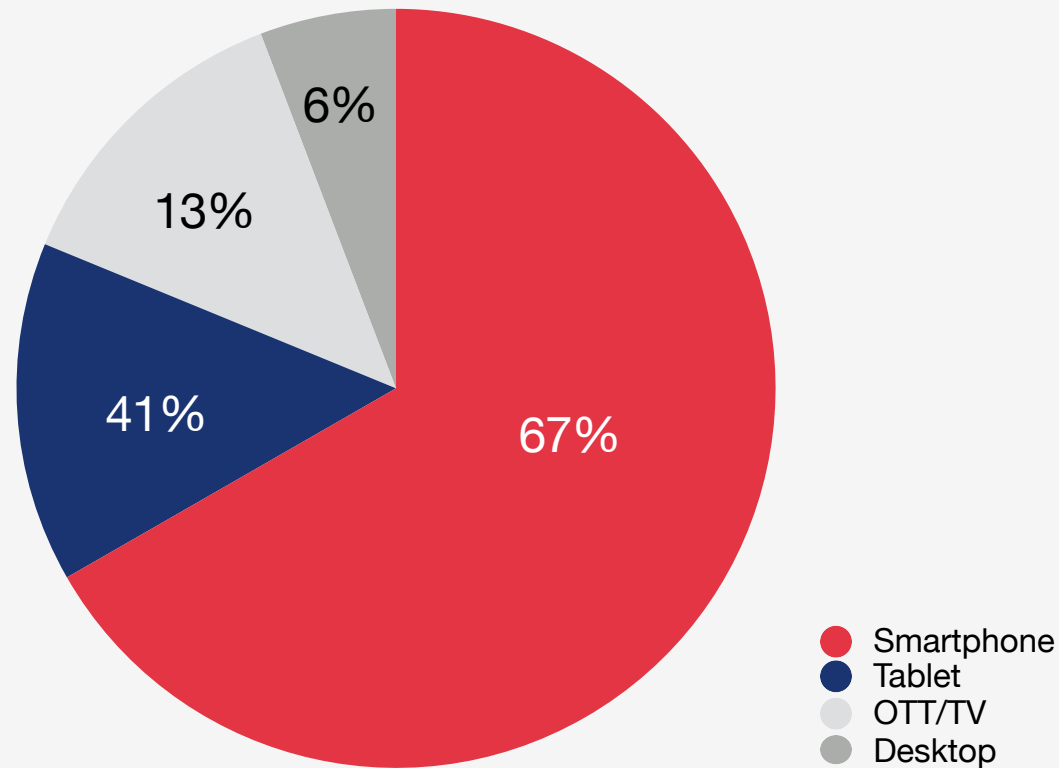


Challenges Faced When Developing/Managing Mobile Apps

Source: Ad Monsters, eMarketer, Sept. 2015

# And So Can Cashing In

Mobile most difficult to monetize according to publishers



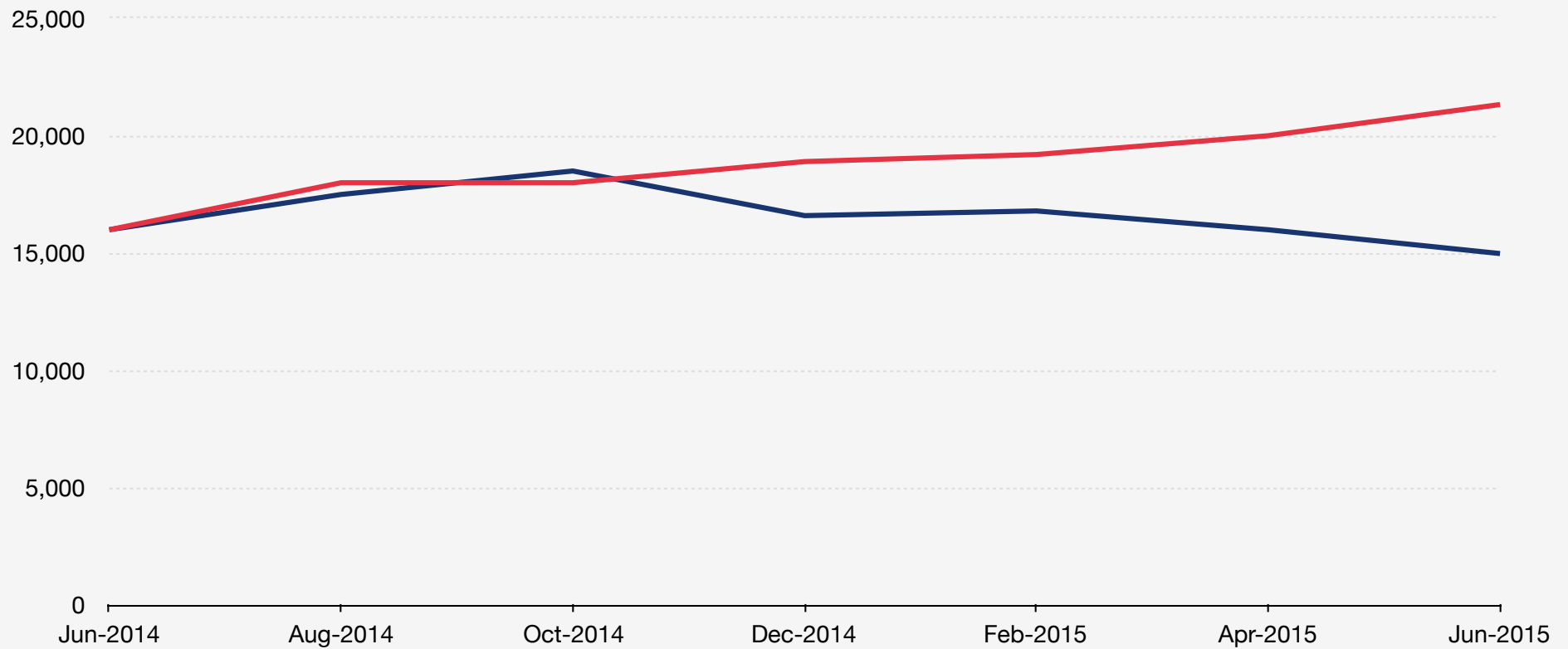
Type of Screen that Causes the Most Monetization Trouble

Source: Ad Monsters, eMarketer, Sept. 2015



# News Sites Seeing the Trend

Mobile users surpassed desktop at the end of 2014



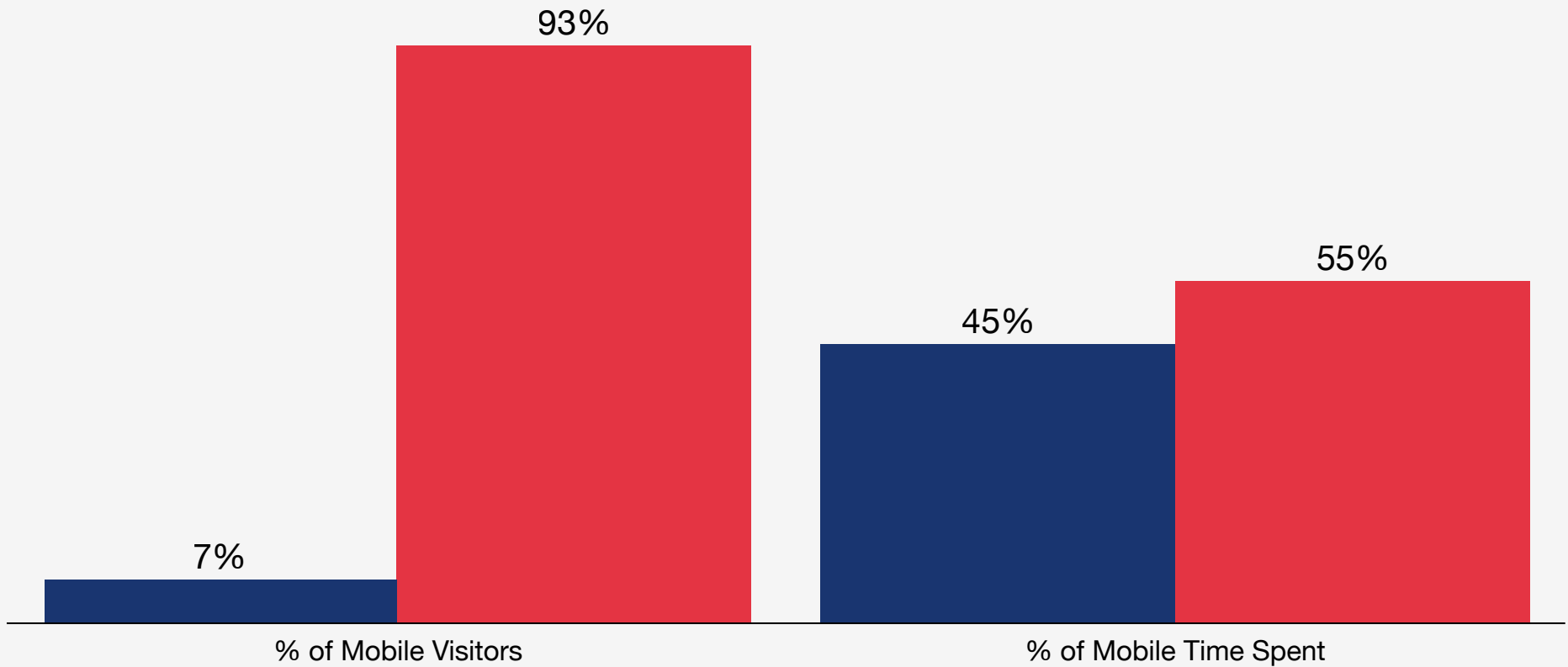
Selected 25 News Sites: Desktop & Mobile Unique Visitor Trend

Source: comScore

— Mobile  
— Desktop

# Mobile Web Winning

News users flock to mobile web in greater numbers, but spend more time with apps



Selected 25 News Sites: % of total mobile audience

Source: comScore

■ Mobile App  
■ Mobile Web Browser

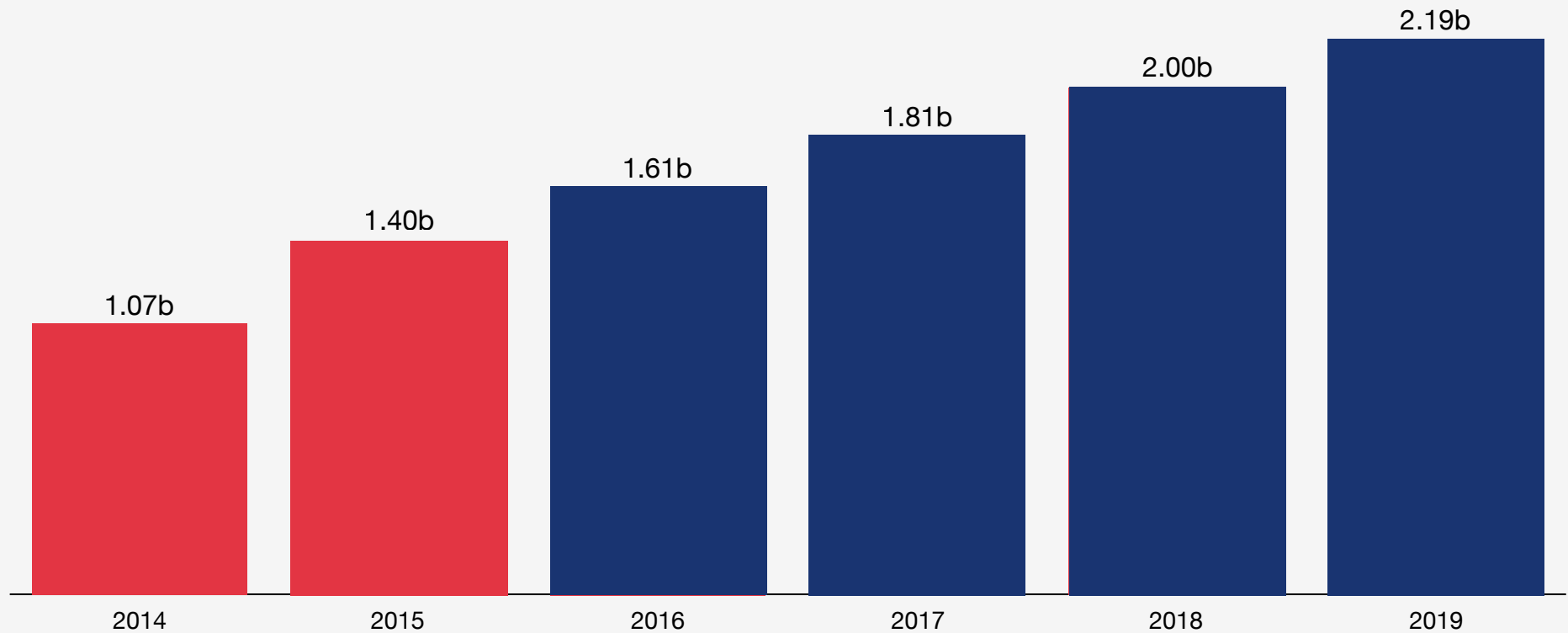
# Why?



Links from social media, where many people first hear about breaking news, drive almost exclusively to mobile web sites rather than apps.

# Messaging Next Big Thing?

Most people use messaging, but advertising not a factor yet

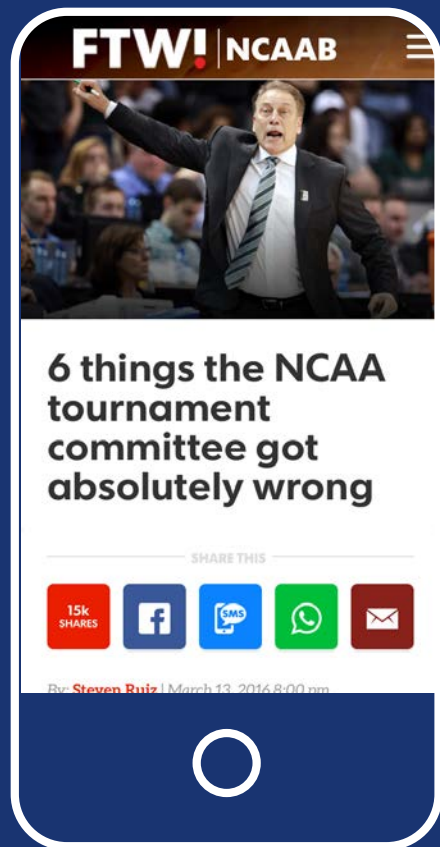


Mobile Phone Messaging App Users Worldwide, 2014-2019

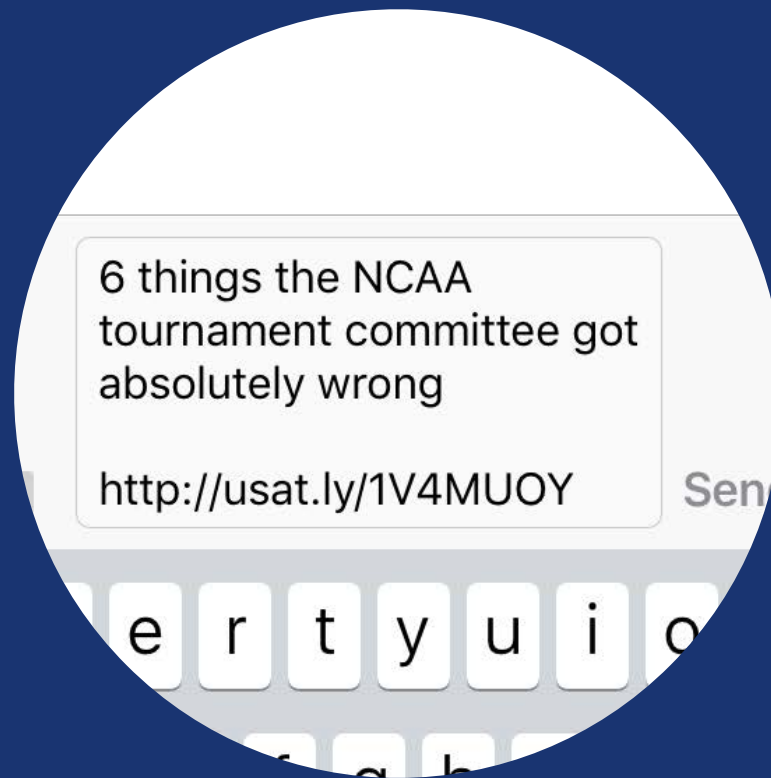
Source: eMarketer

# Messaging as Social Platform

USA Today's mobile web site offers users a way to share stories via SMS or through the WhatsApp messaging service

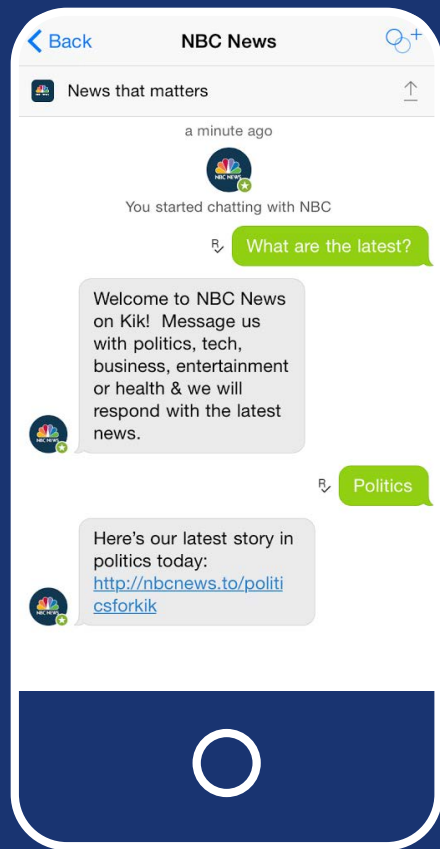


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# Not Ad Platform, but Barker?

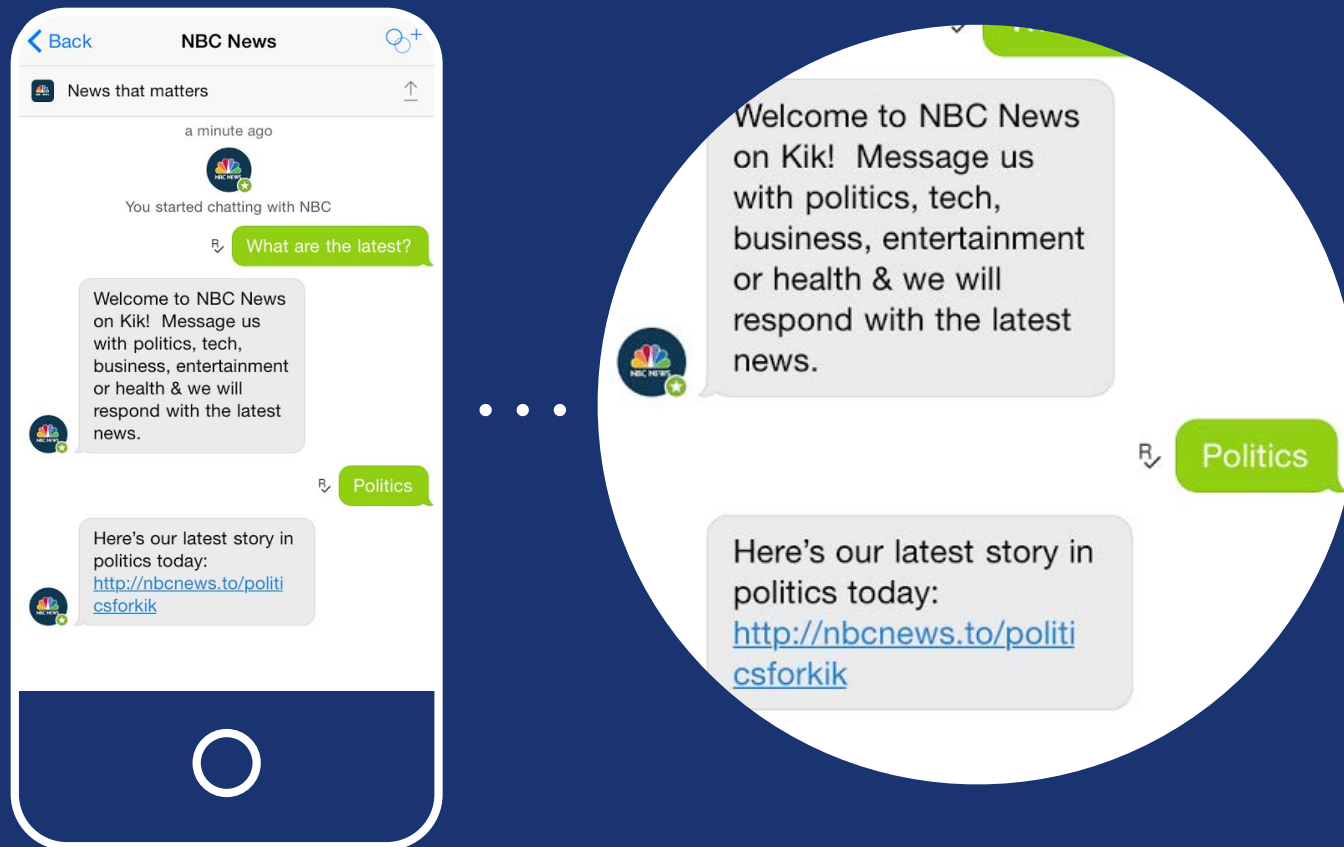
Messaging and chat may best be used to engage users and drive them to other places where they can be properly monetized



Users initiate contact with publisher via messaging app, are presented with options and can choose content with a simple response.

# Not Ad Platform, but Barker?

NBC News is the first to use an app like Kik to interact with its audience via messaging.

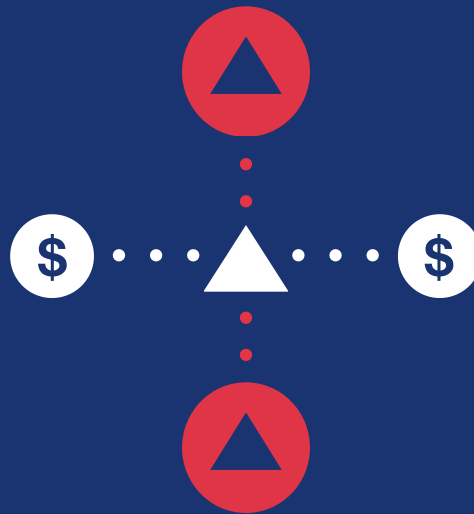




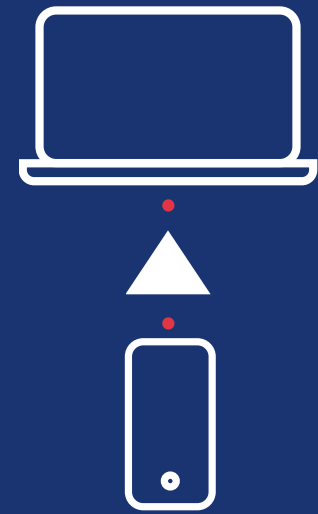
# Not Ad Platform, but Barker?



Ideal for content verticals  
(follow one sports team,  
weather for my area, etc.)



Monetization comes from  
other platforms where user  
is referred or in messaging-  
specific methods still to be  
developed



Automated as part of  
existing workflow

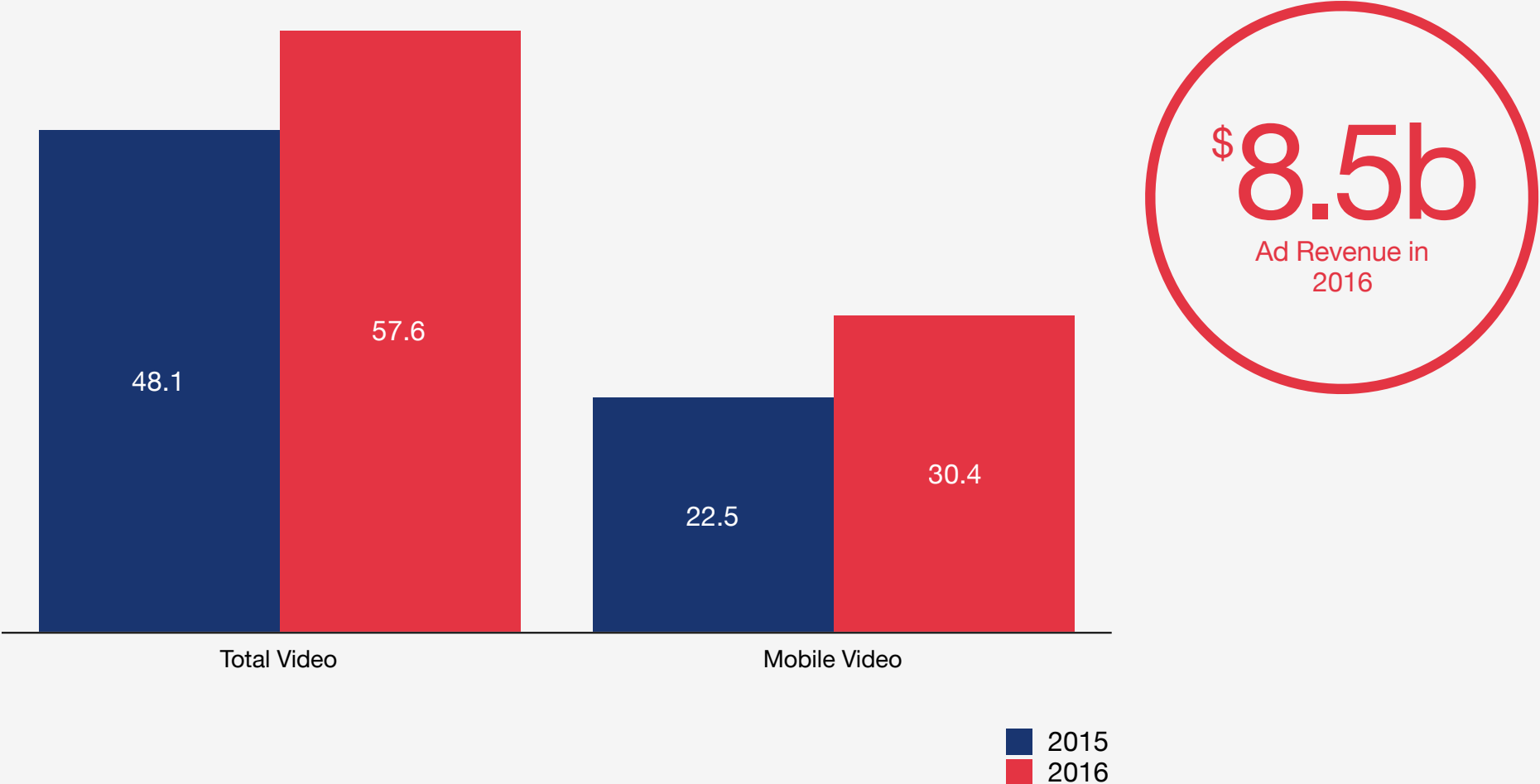
1. What's Now

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# Video Monetization Trends

# Online and Mobile

Fastest growing segments of digital advertising

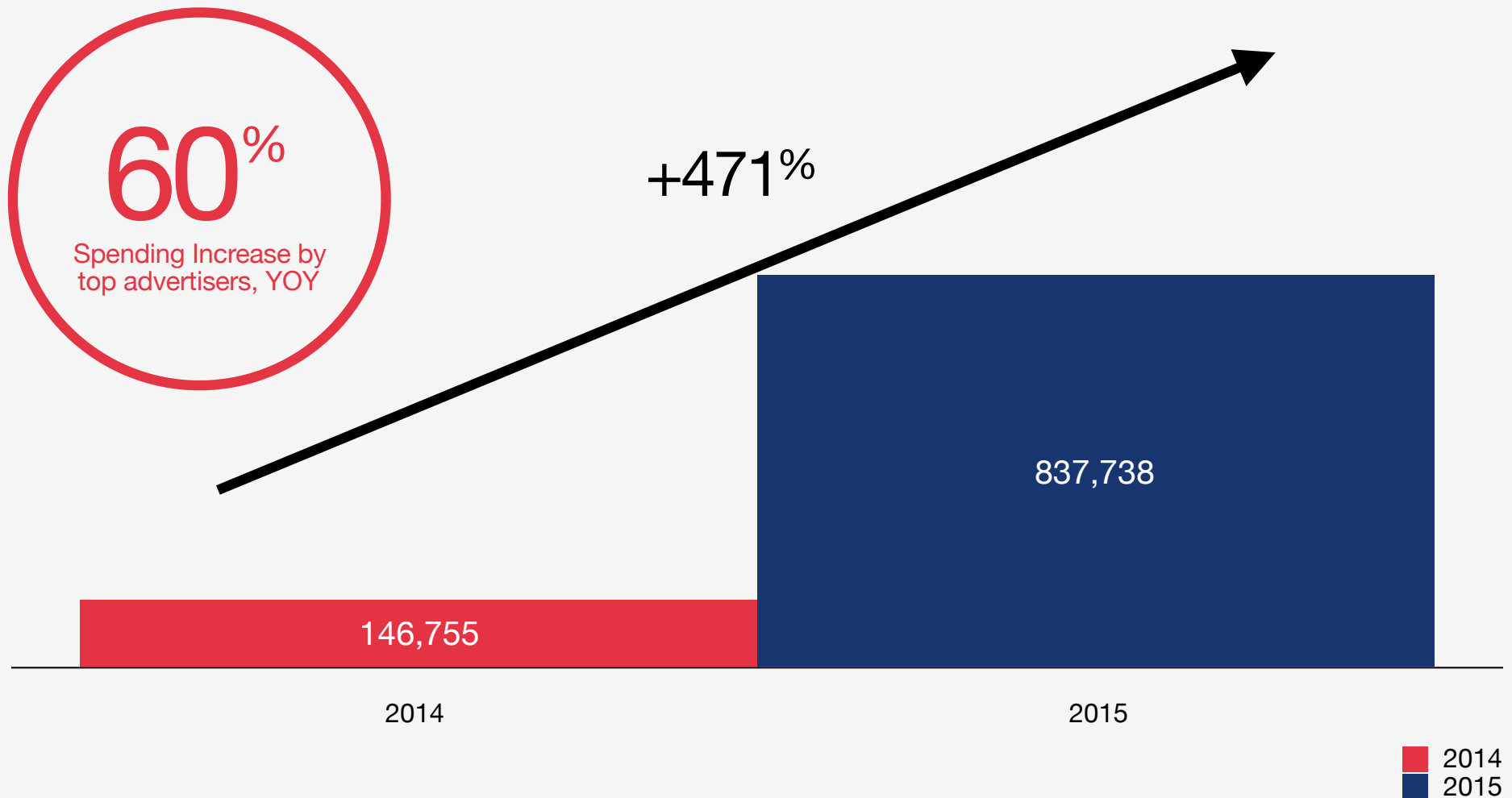


US Video Ad Consumption (minutes per day on average)

Source: ZenithOptmedia's Online Video Forecast 2015

# YouTube Embraces Ads

Four times as many ad-supported channels in 4Q15 over 4Q14



Ad-supported channels on YouTube

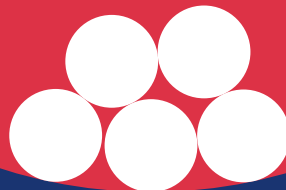
Source: Open Slate, Wall Street Journal, Oct. 2015

# But More is Not Always Better

YouTube proving broad but not deep

144 YouTube channels  
sport 1,000,000 or more  
subscribers.

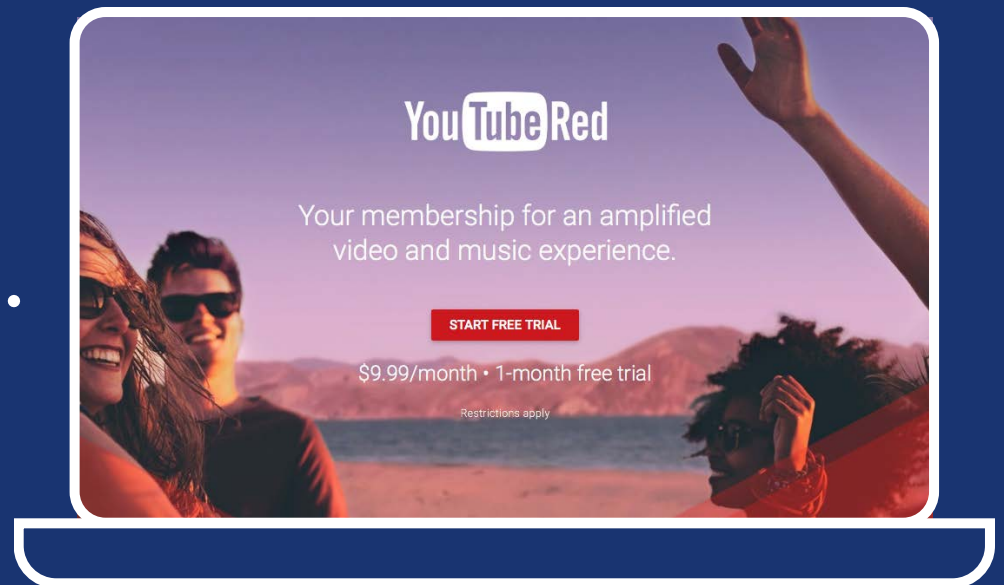
Yet more than 5,000,000  
other channels have less  
than a thousand  
subscribers each.



# YouTube Also Embraces Subscription

Media companies participating with wary eyes

Revenue increases are despite YouTube rolling out a subscription service for ad-free viewing across the site.



# YouTube Takes on TV

Pitches advertisers in “NewFronts” presentation, offers guaranteed placement on top channels from major brands

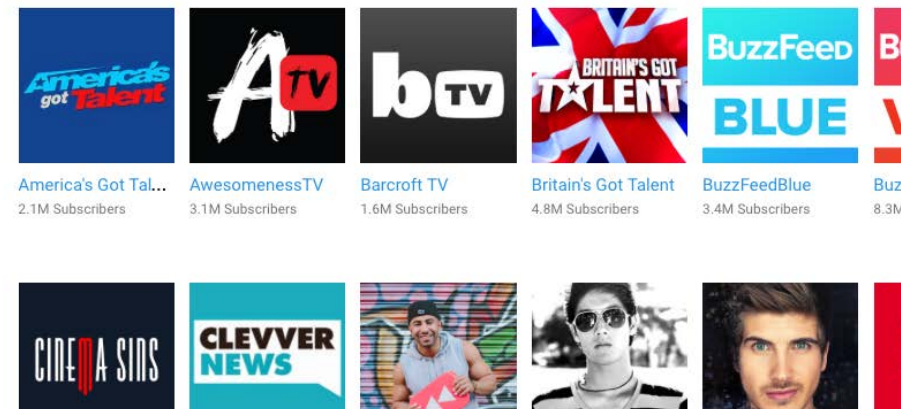
## All the news that's fit to stream

YouTube has become the place to go to get the latest news, citizen journalism and commentary, as YouTube upstarts like The Young Turks join with established outlets like the Associated Press. The Google Preferred News Lineup presents a broad picture of breaking news.



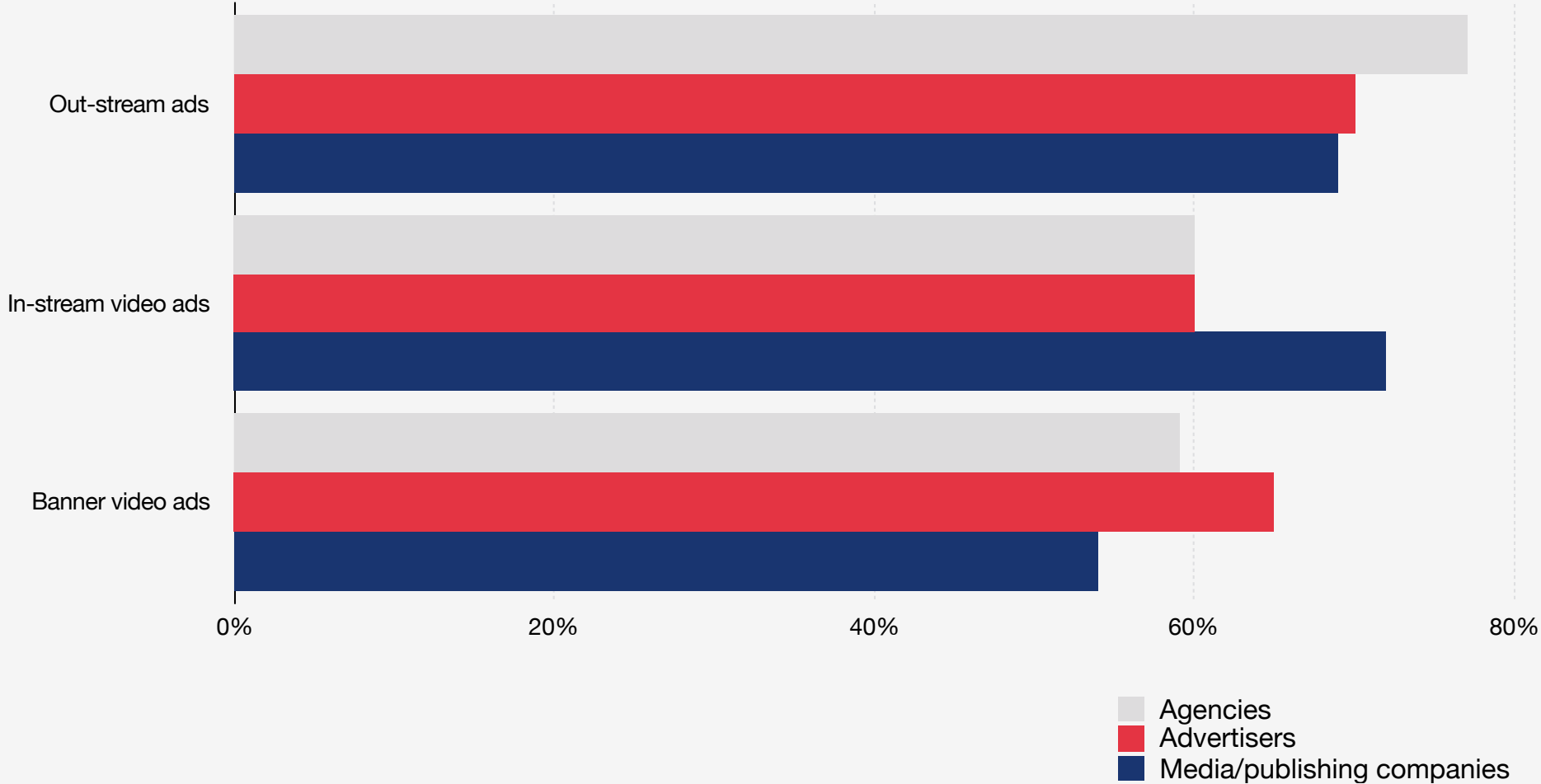
## Your daily dish

YouTube is a one-stop shop for celeb dish, coming attractions and unique perspectives from cherished commentators. The Preferred Entertainment & Pop Culture Lineup includes established franchises like BuzzFeed along with unique YouTube perspectives from the likes of iJustine and AwesomenessTV.



# Out-of-Stream Ads in Favor

Out-of-Stream ads (OoS), video ads that play outside other video content, have exploded in popularity since they create new, separate video ad inventory



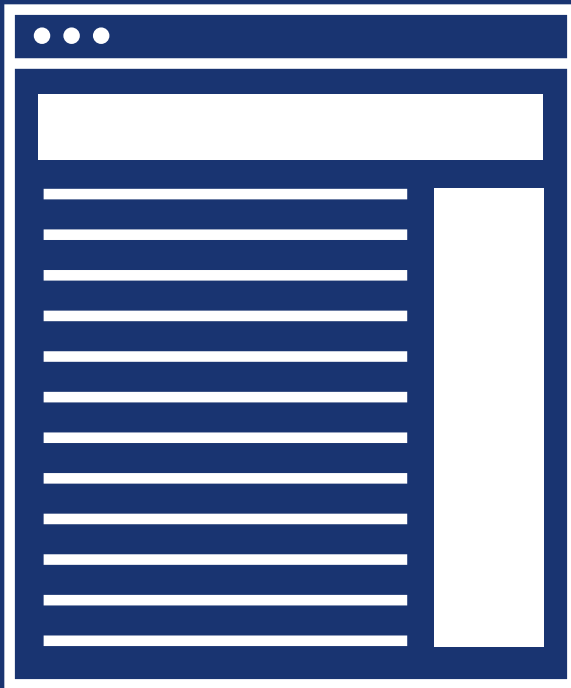
Types of Video Ads that Will be Important to Their Clients' Overall Ad Portfolio

Source: Forrester Research, eMarketer



# OoS Offers Flexibility

Many ways to work OoS ads into a page, potentially expanding a site's inventory greatly



1



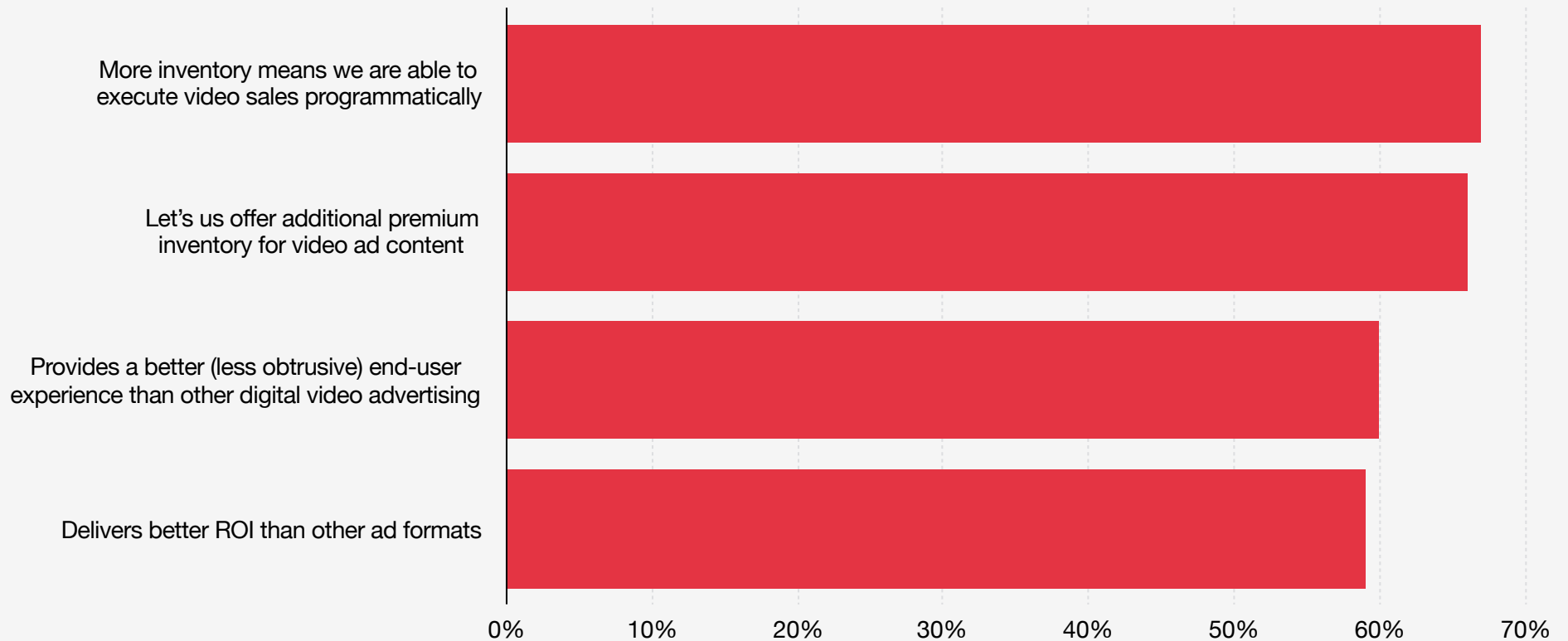
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3

# Many Factors Favor OoS

Out-of-Stream addresses other concerns of publishers



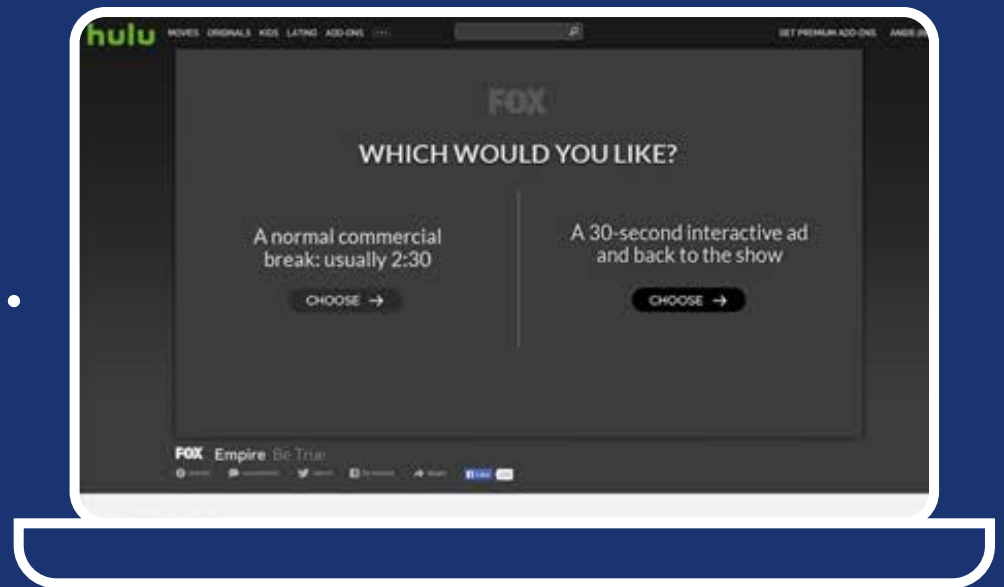
Reasons the Media/Publishing Professionals Offer Out-Stream Video Ads

Source: Forrester Research, eMarketer

# Game Changer?

Interactive ads within streaming TV content

Hulu replaces five :30 video ads with one :30 interactive ad within program streams, increasing value despite shorter ad durations.





Techniques like OoS and interactive streaming ads are just a few of many tools now at the disposal of publishers to extend ad inventory beyond traditional web limits.

Video is often a main vehicle for this new inventory, but there are many more expanded options now available, as you will see later in this presentation.

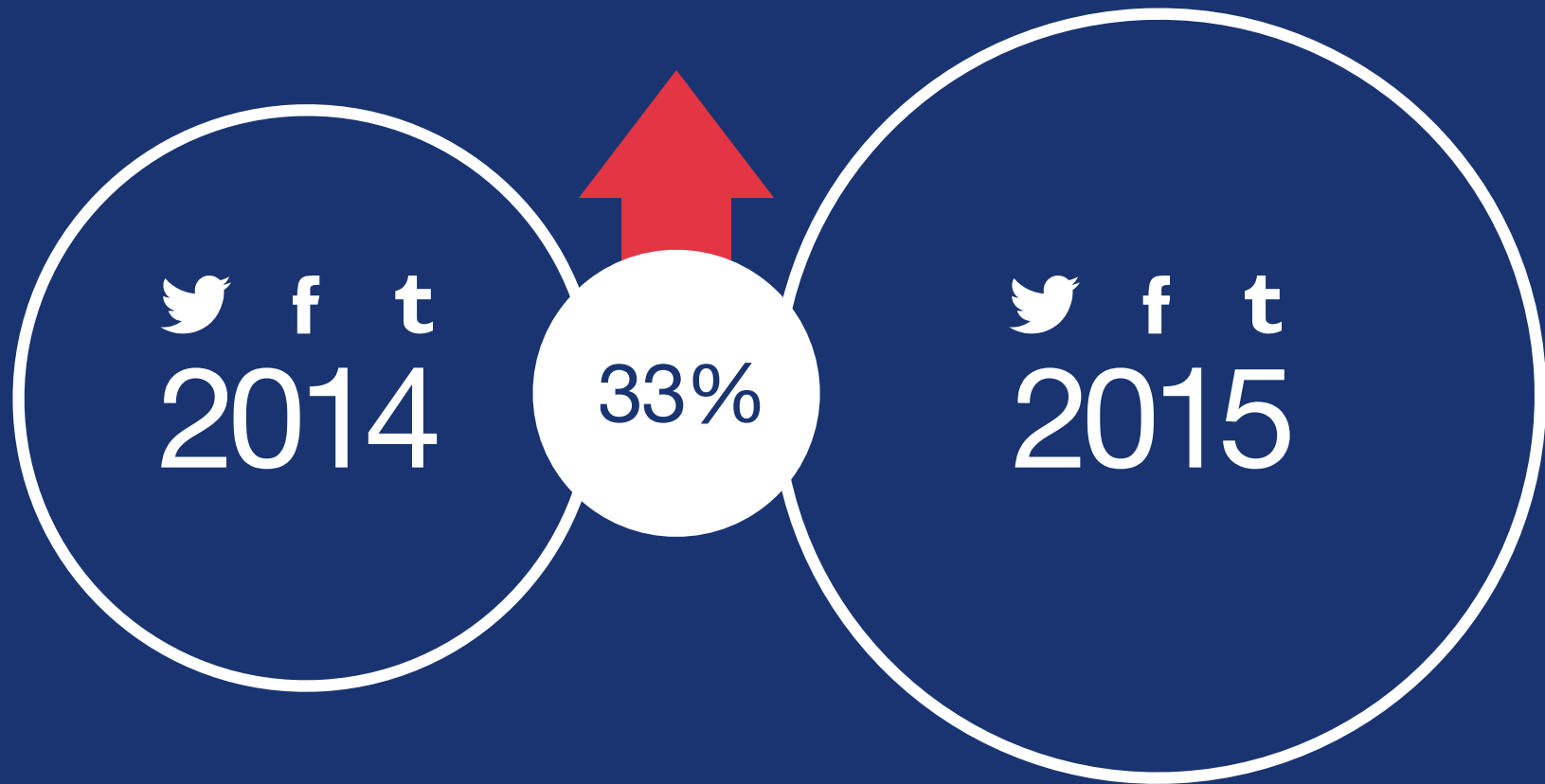
1. What's Now

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# Social Media Monetization Trends

# Social Media Ads Soaring

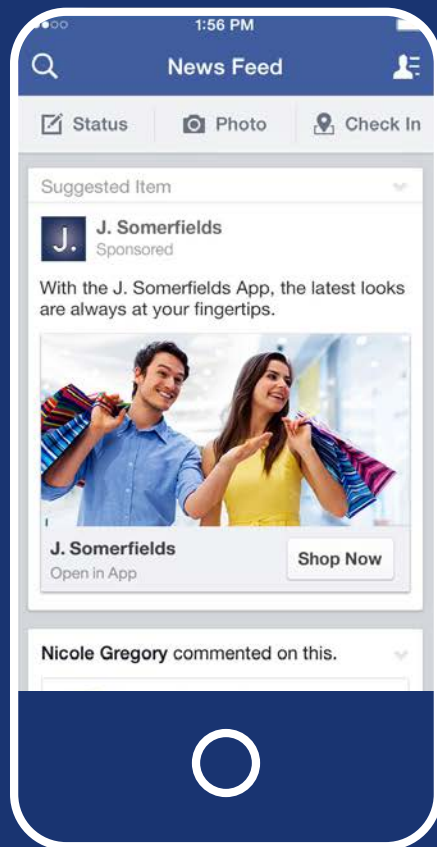
2015 worldwide ad revenue totals one-third higher than in 2014



By 2017 social will represent 16% of all digital ad spending.

# Facebook Cementing Its Lead

#1 social media advertising platform, and still growing



1 out of 5

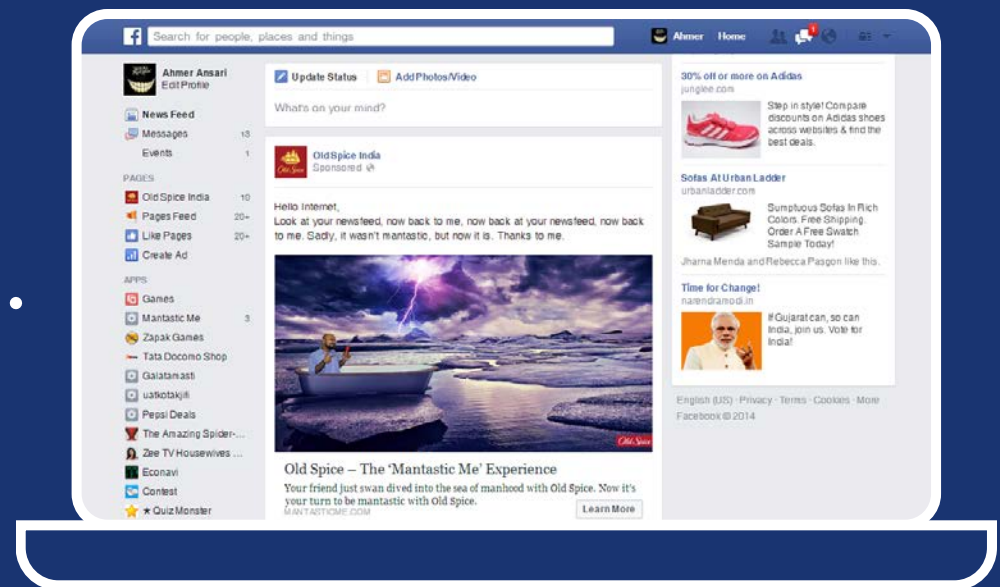
minutes people use  
mobile are spent on  
Facebook.

# Facebook Cementing Its Lead

#1 social media advertising platform, and still growing

1 out of 6

minutes people are on the internet are spent on Facebook.





# Mobile-Only Majority?

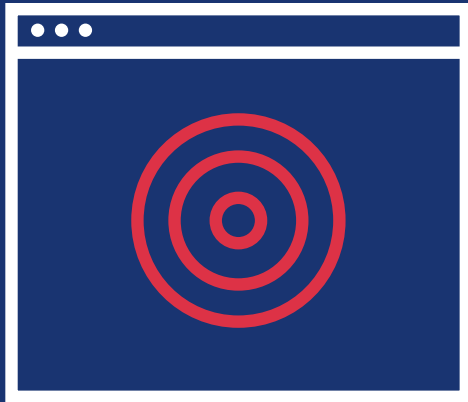
Not only do Facebook users flock to mobile, many do it in place of desktop



In 3Q15, nearly half of Facebook's users only accessed by phone and NEVER interacted with it on a computer

# Ads That Like Your Likes

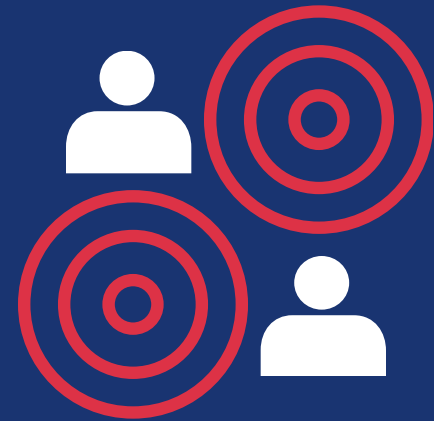
In 2015, Facebook began targeting ads based on your Likes and Shares



Facebook, like many of the sites you visit, has long targeted ads based on the content you view



Now it is targeting ads based on things you like or share with your Facebook friends



More than that, it's also beginning to target ads to you based on what your friends like and share

# Twitter is News User Choice

Twitter users consume more news than other social media users

86%

...of Twitter users use the service for news, 74% of those doing it daily

40%

...of users want to be alerted to breaking news

94%

...get their news on Twitter by scrolling their timelines or browsing tweets of those they follow; only 34% get news from trending topics

62%

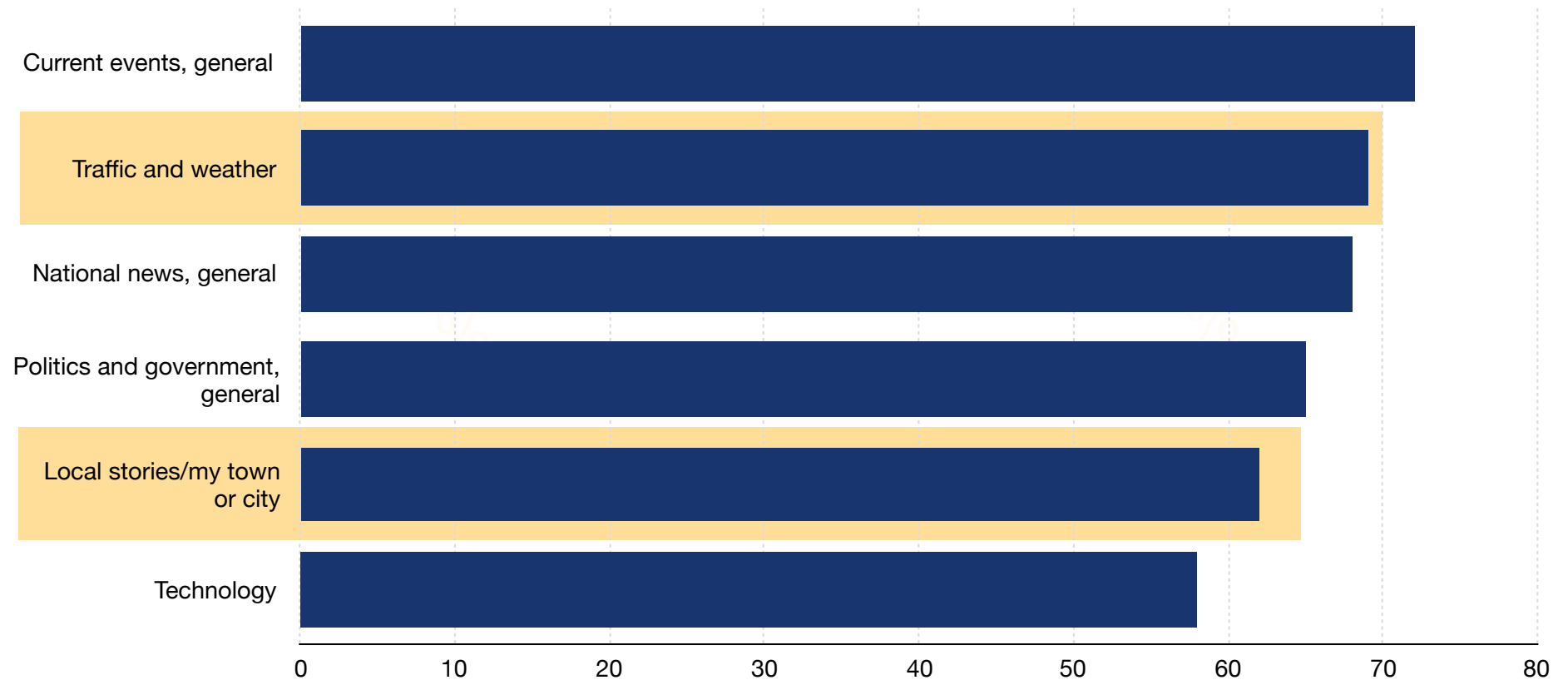
...follow news organizations and even more, 73% follow individual journalists or commentators

82%

...of users access Twitter on their phones

# Breaking News Drives Usage

People look for current news, not topics



What Drives Social Media Users to Look for News and Info, % Twitter users

Source: American Press Institute



Twitter is a very powerful tool to drive users to news sites. But Twitter is not finding the easy path to monetization that Facebook has. If Twitter attempts to keep more traffic in its service in order to make money off of it, it could threaten how we as publishers profit from our presence on the network.

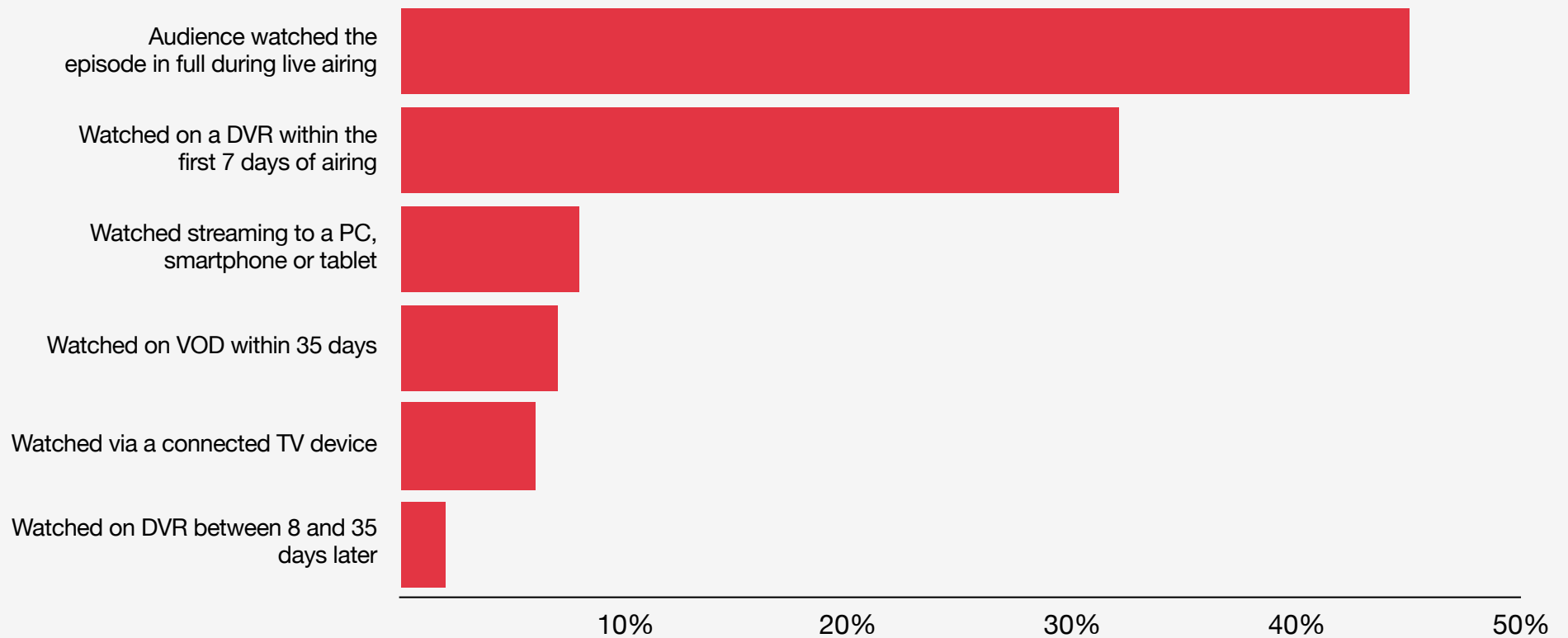
1. What's Now

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# Emerging Trends

# Viewing Fragmentation

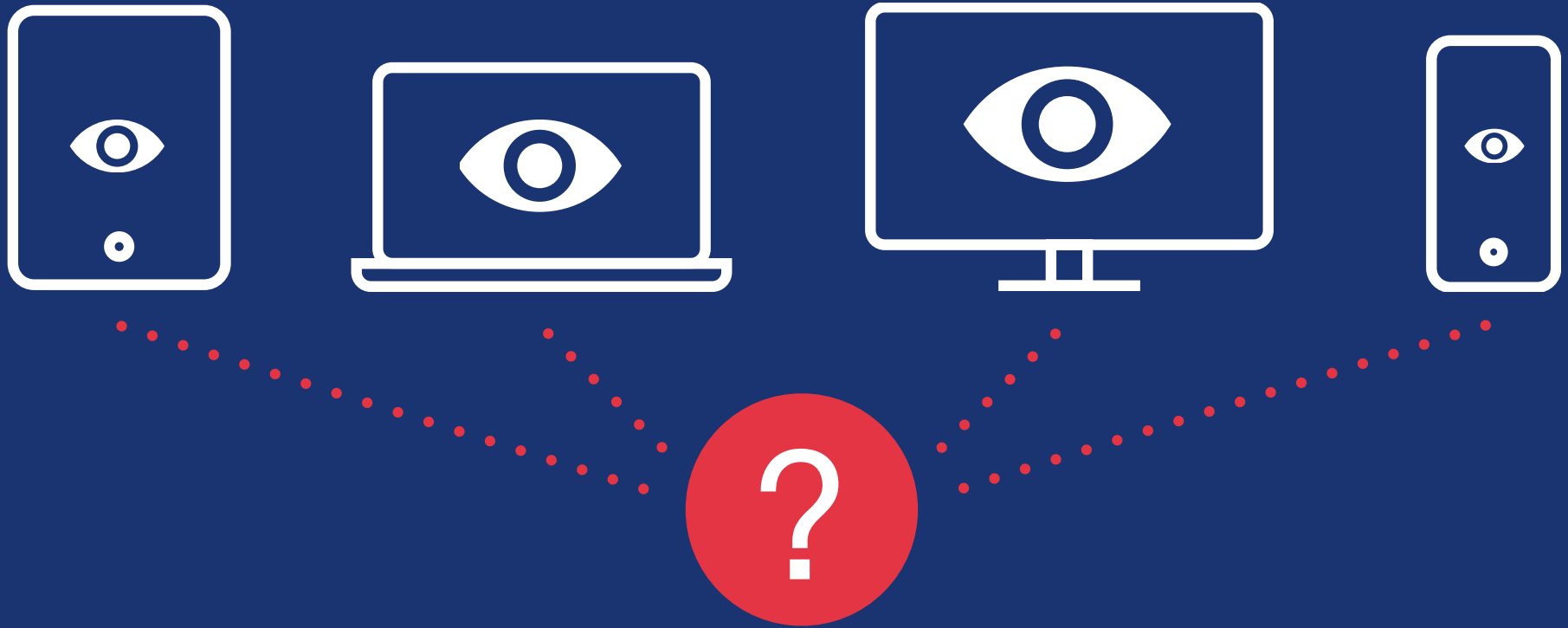
Viewers are spread across multiple platforms, even for the same show



Viewers watching one broadcast network drama

Source: Nielsen

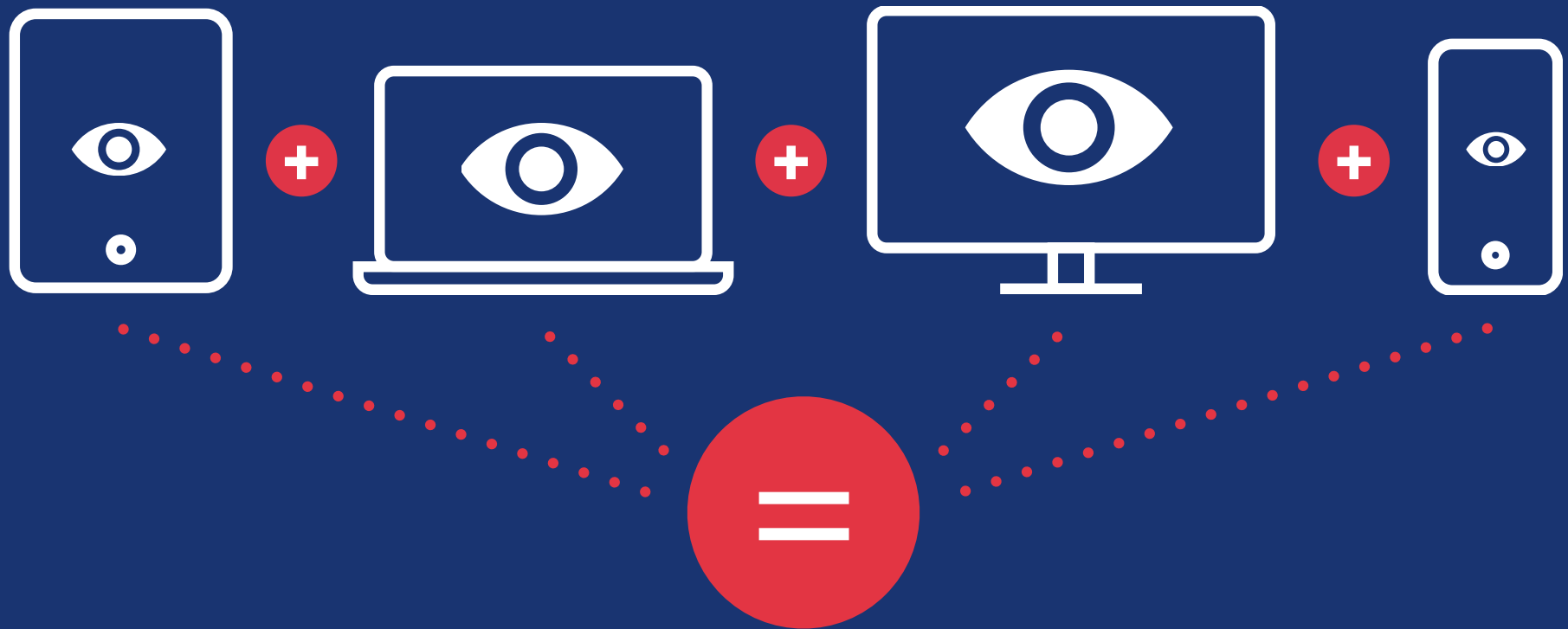
So, how do we derive value from all these viewing patterns?





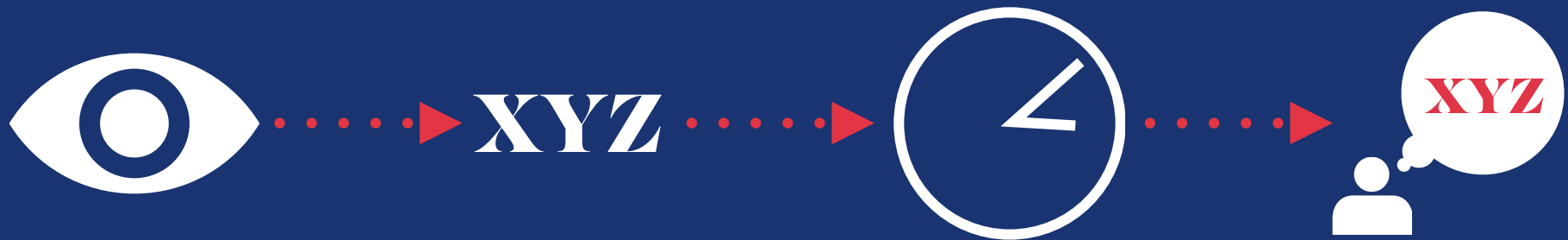
# Total Audience Measurement

Nielsen and others look to count people across all platforms, allow advertisers to make smarter buys, but it's not clear yet if any of these services will measure the true total audience. For example, web site live streaming still is not measured fully.



# Duration-Based Advertising

Theory that the amount of time a consumer is exposed to an ad matters more than knowing just that he or she viewed it



The Financial Times ran a nine-month test where it charged for display ads only if they were in view for five seconds or longer.

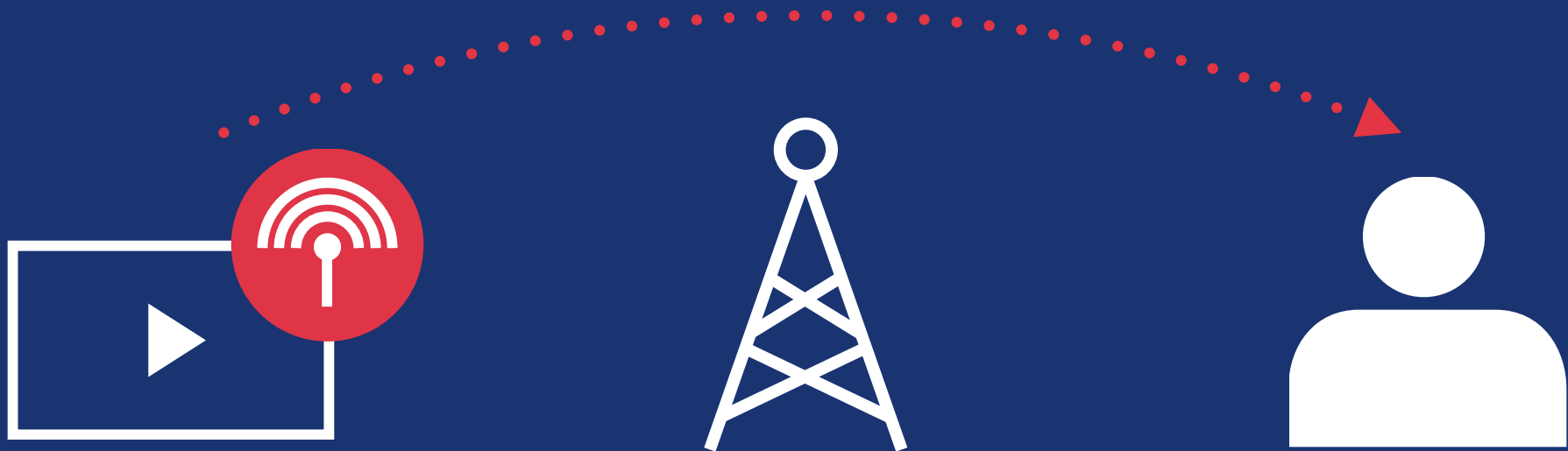
The test consisted of 17 campaigns for 13 clients, including BP and Microsoft.

An analysis showed that this so-called cost-per-hour approach produced 58% higher brand consideration and 79% higher ad recall.

It also generated \$2.2 million in additional revenue.

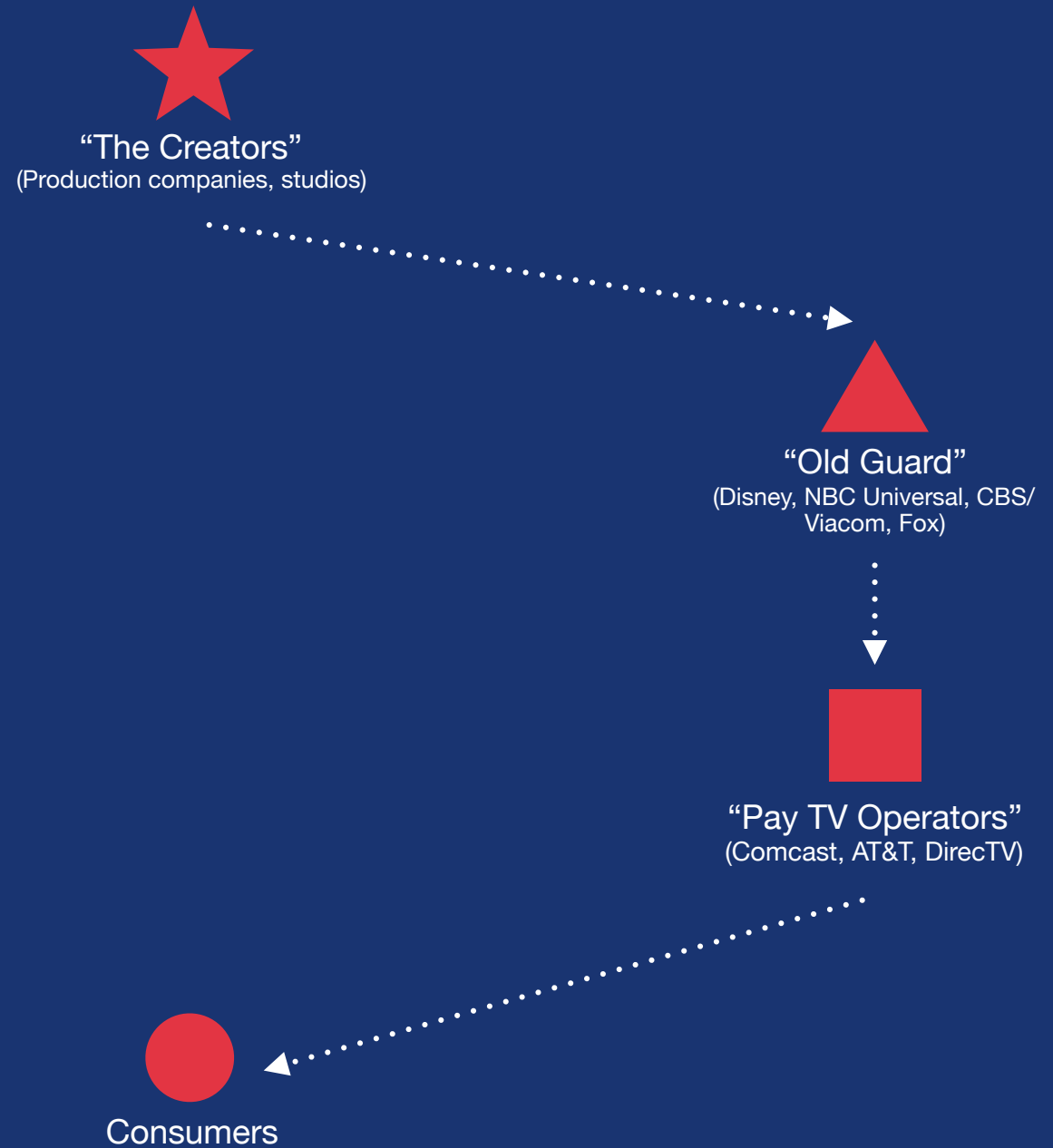
# Growth of OTT Services

Over-the-Top (OTT) video delivery presents challenges and opportunities

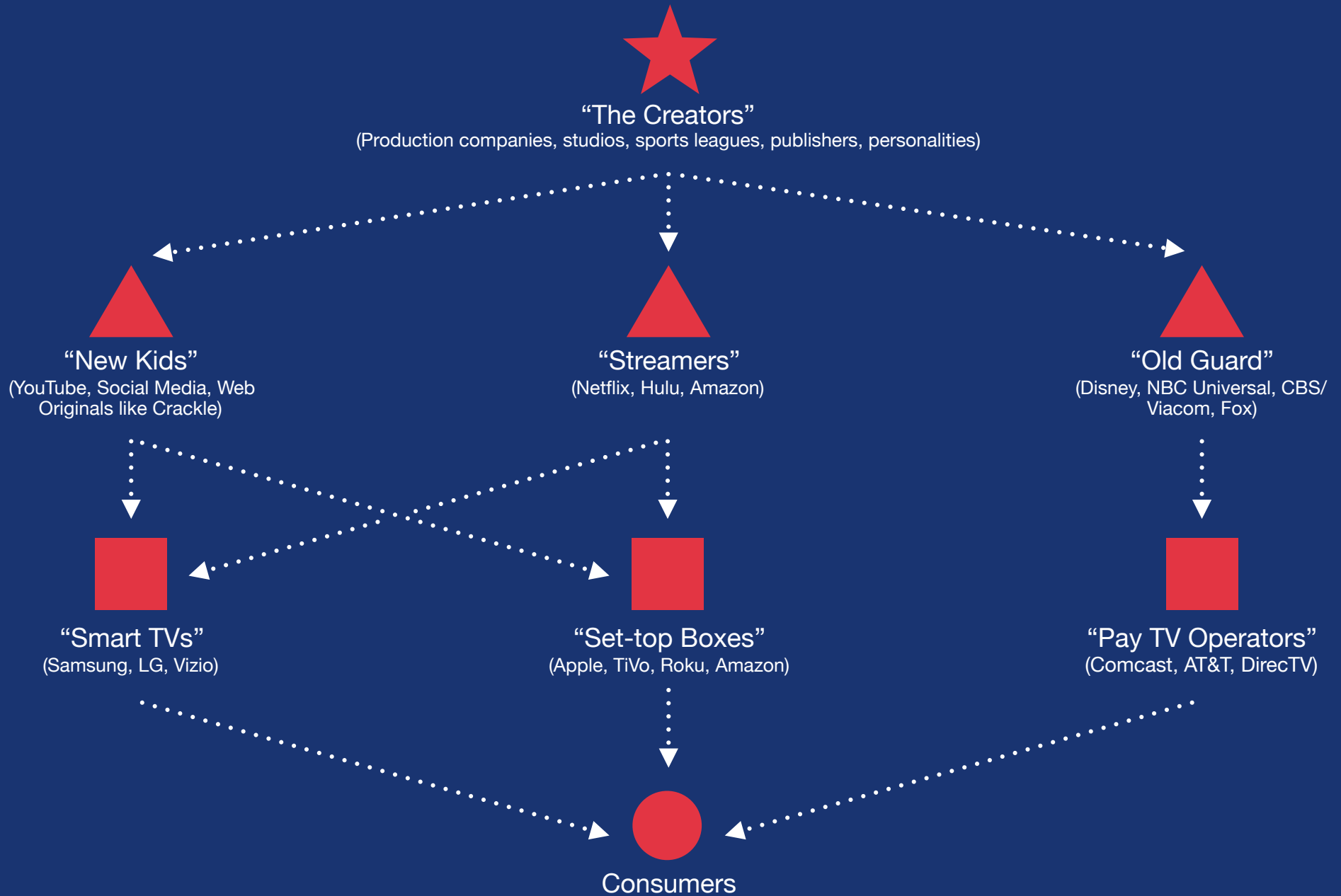


Any video service that uses the internet to bypass TV operators to reach consumer directly. Content can be short form, longer programs or even streaming channels. Content is delivered to a smart TV, set-top box or other connected device.

# OTT Known Universe

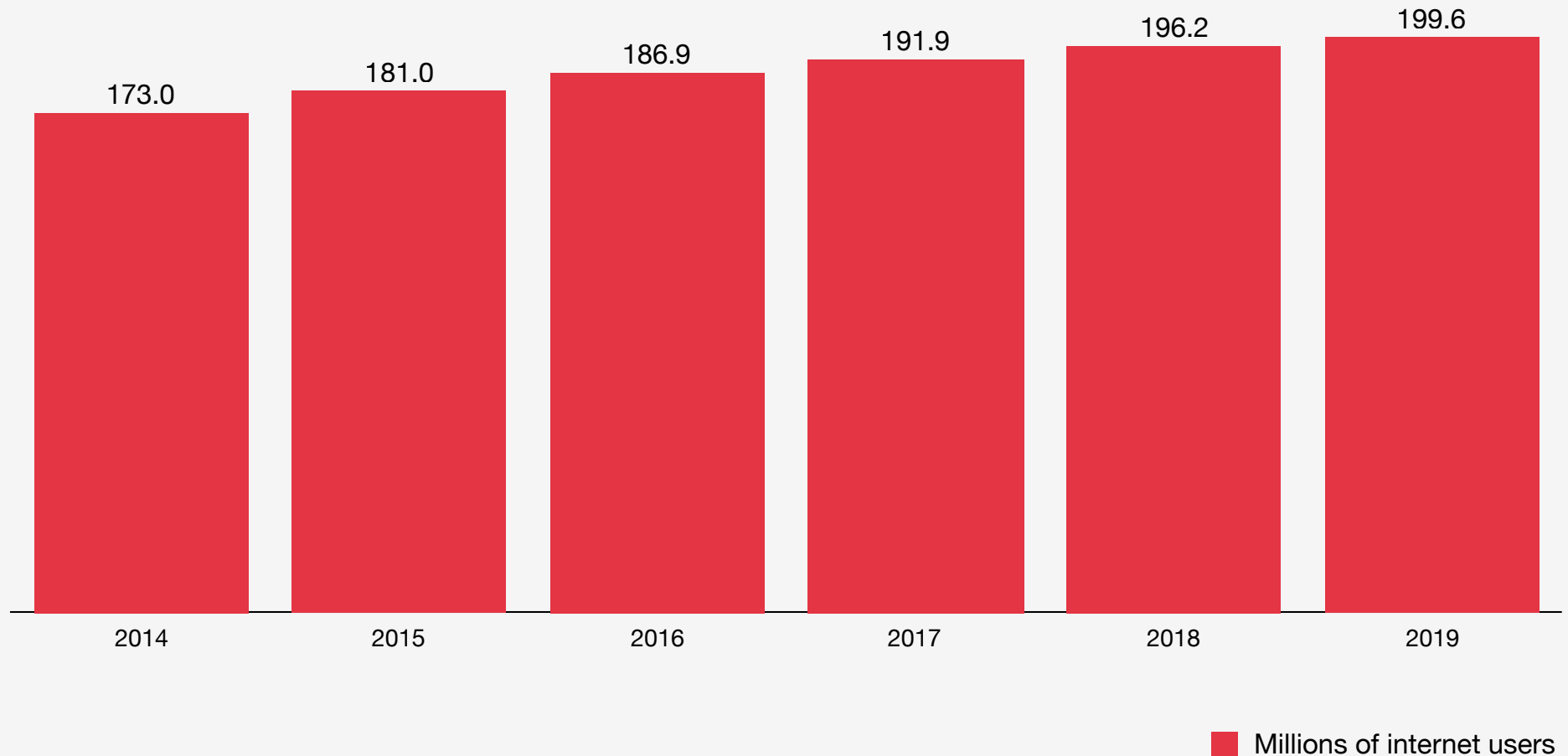


# OTT Known Universe



# Fast Growth, But Upside Still

Vast majority of video viewers already use OTT services, but growth in users will be steady for foreseeable future

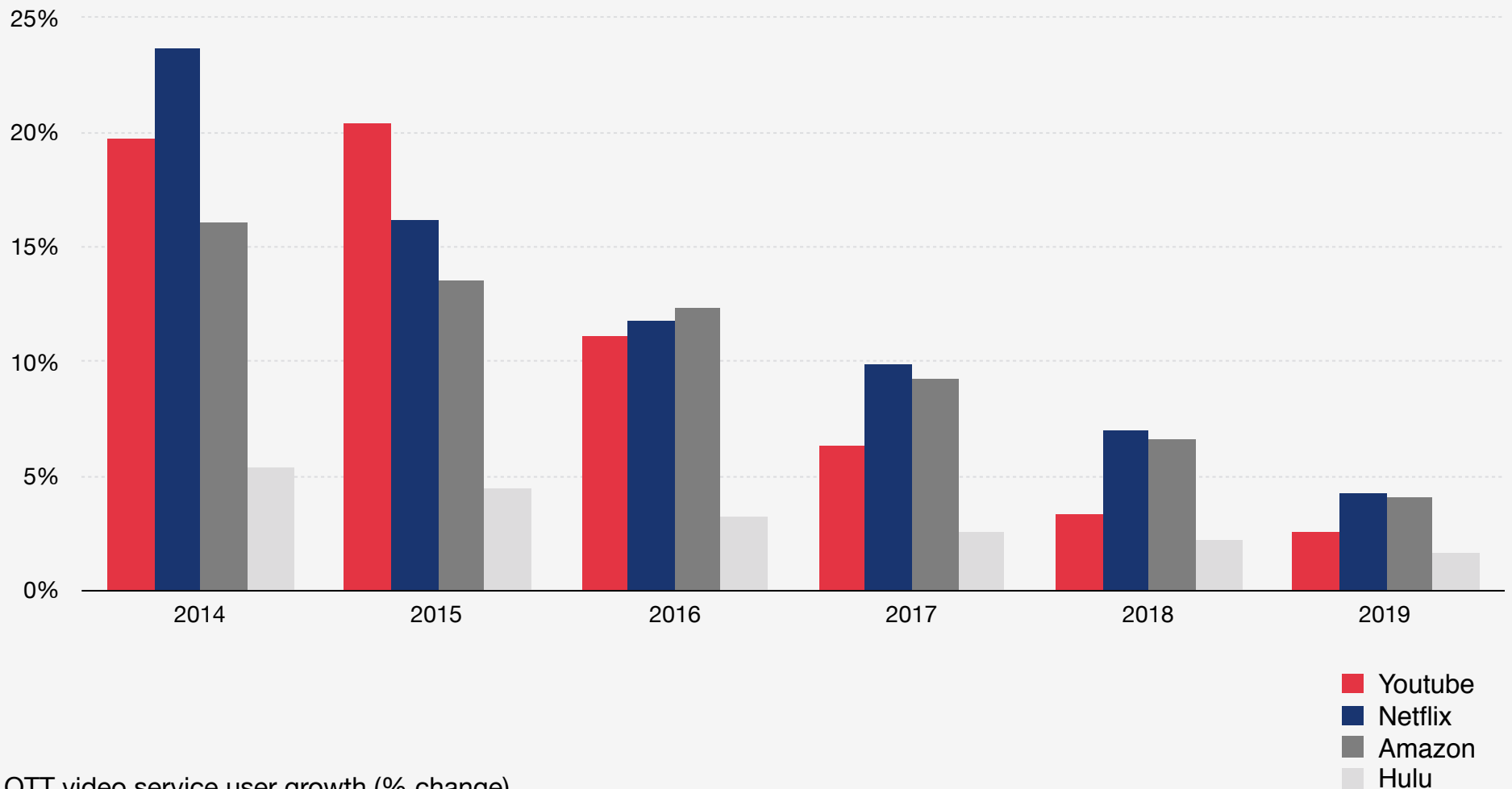


US Over The Top (OTT) Video Service Users, 2014–2019

Source: eMarketer

# Growth Across All Services

But even mostly mature services like YouTube, Netflix, Hulu and Amazon will see significant growth in users over the next few years

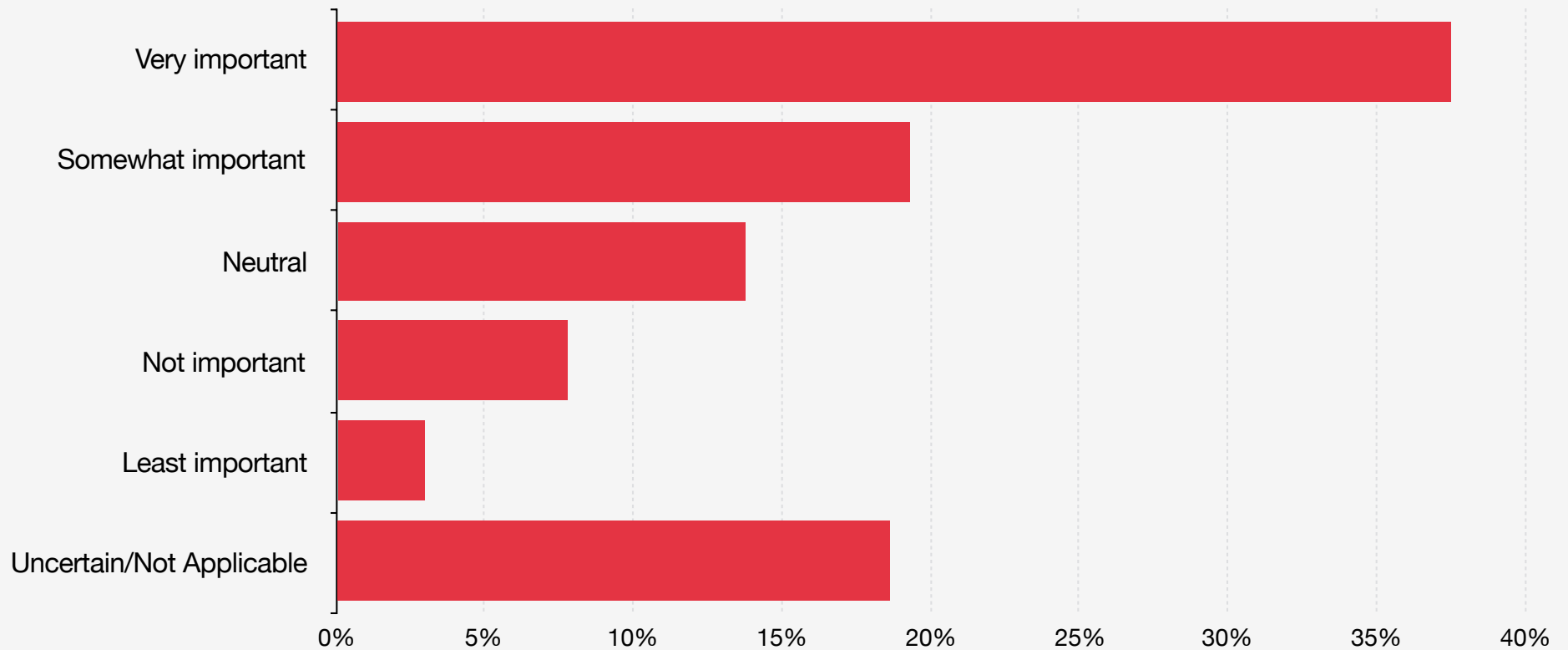


OTT video service user growth (% change)

Source: eMarketer

# Role of Live in OTT

Increasingly, live concurrent video, video being streamed at the same time it is broadcast, is helping attract and retain OTT users



How important is live linear content to OTT programmers' business plans

Source: Level 3, Streaming Media Magazine, Unisphere Research



# Video Ads in Search Results

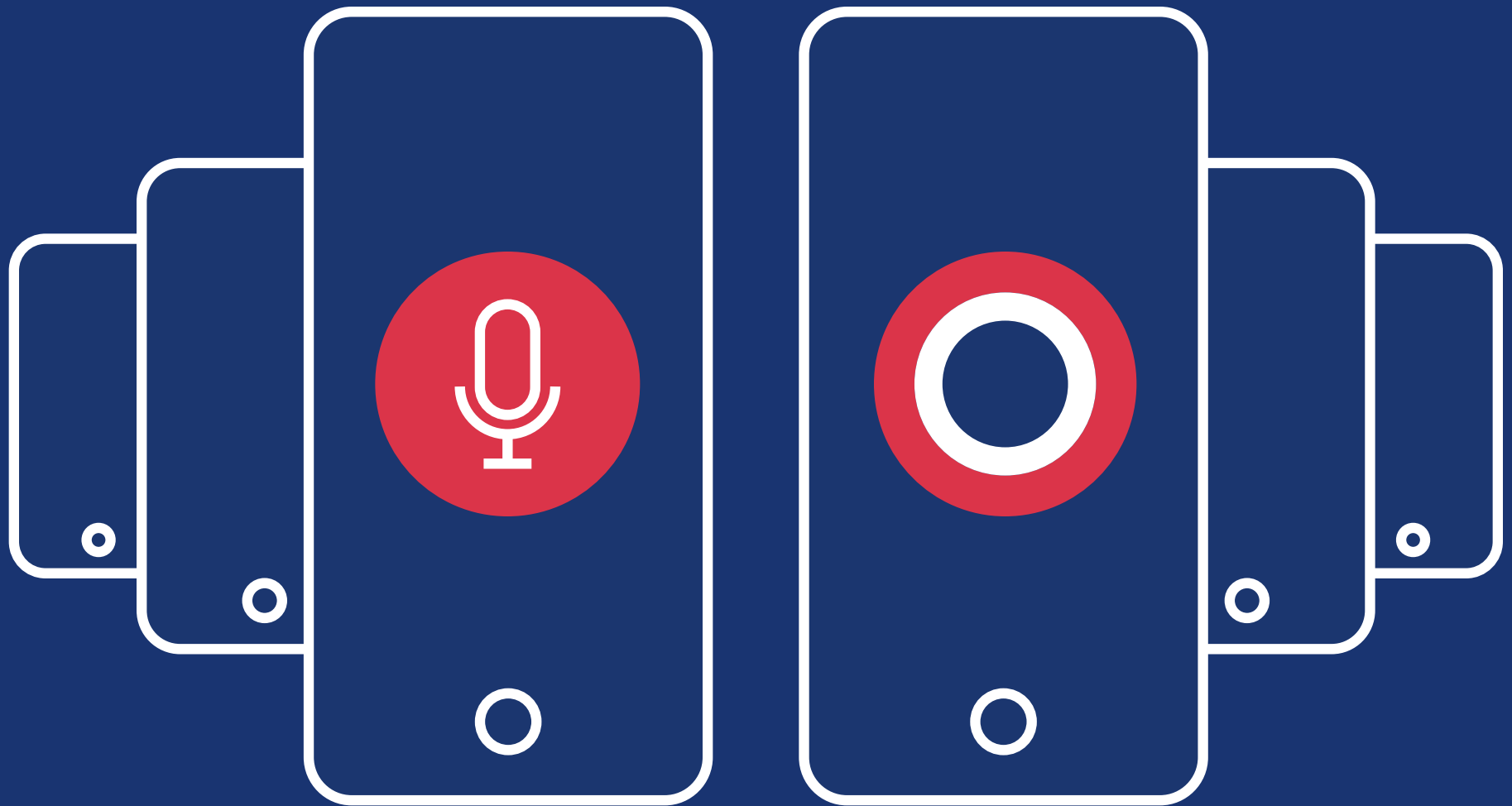
Google and Bing experimenting with ads containing video and other media in search results instead of just text



Said one Forrester analyst: “If advertisers could buy video, their favorite format, on search, their favorite place to reach consumers, it would be a gusher of money for Google.”

# Digital Assistants Deliver Ads

Siri and Cortana already deliver search results and other requested info. Why not ads too?



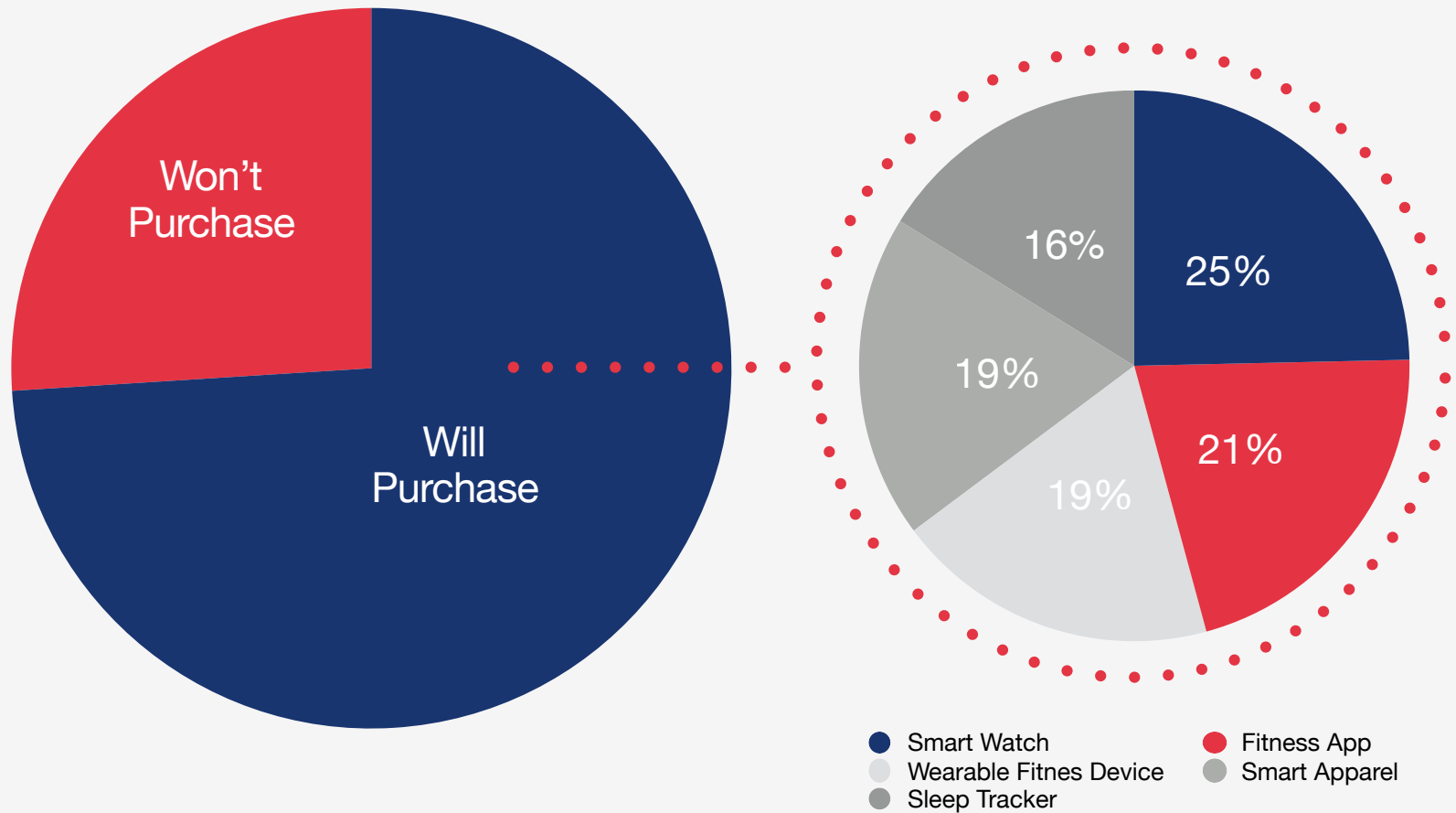
# What About Wearables?

With total product shipments to reach 180 million by 2018, the opportunity is very enticing for marketers



# Watches Lead the Way

With fitness trackers a close second



US Internet Users Who Plan to Purchase Health/Fitness Devices/Technologies, by Type, 2015

Source: The Consumer Technology Association, eMarketer, Dec. 2015

# Augmented Reality Ads

Location-based advertising finding new home on AR apps



# Virtual Reality Ideal for Ads

Facebook's acquisition of Oculus has spurred marketers like Coca-Cola, Nissan and HBO to look at how to integrate advertising





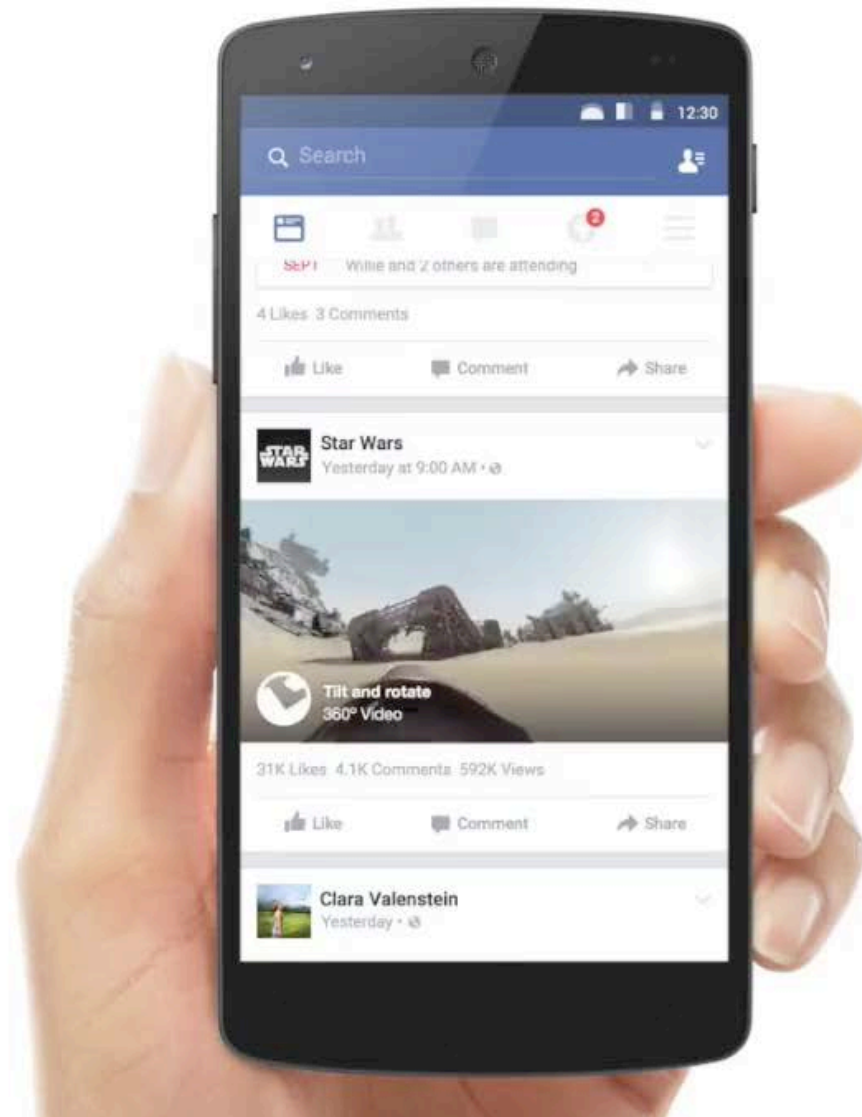
# Virtual Reality Ideal for Ads

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# Facebook 360° Ads

Even without a VR headset Facebook is launching 360° ads in users' feeds, like this one for the latest Star Wars movie





# Internet of Things Next?

The Internet of Things (IoT), common household and personal items connected to the Internet, could be the new frontier. Growth in usage, personal nature and pervasive placement of IoT items may make them irresistible to advertisers.

