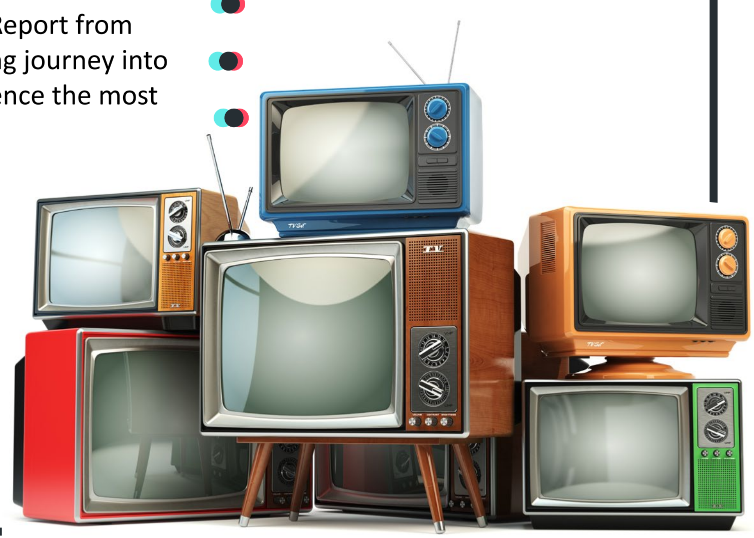
Television's Exciting Journey into the Future

A Special Report from Media Group Online, Inc.

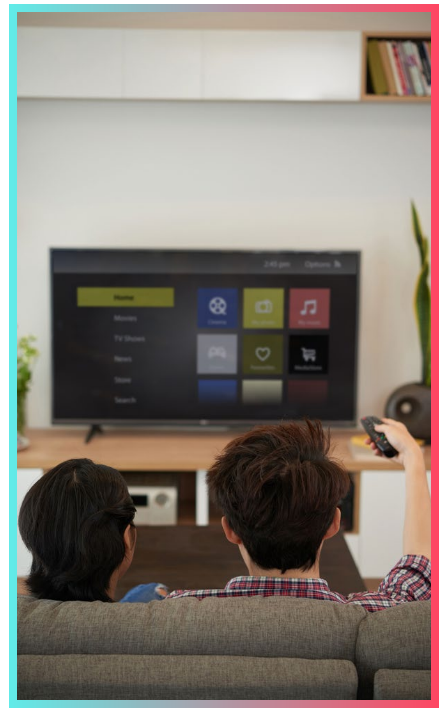
Since its inception, television's journey across the media landscape has been steady and relatively smooth, comfortably accommodating viewers, advertisers and government regulators. More recently, however, the media landscape has changed and television has had to adjust its course.

That journey into the future will be an exciting ride because of the many new opportunities the changes in viewing habits, advertisers' needs and technology will create for content creators and ad sales teams.

These opportunities are the focus of this month's Special Report from Media Group Online. It's those who join television's exciting journey into the future with enthusiasm and optimism who will experience the most success. It's time to punch your ticket.



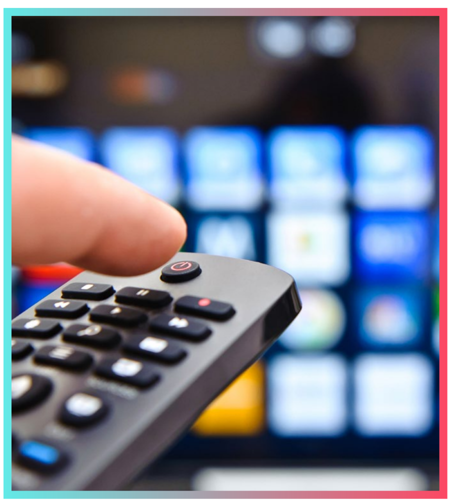
TV Is the Great Connector



Television's greatest strength has always been its reach into almost every household and wherever people were watching a TV set. That particular value of TV hasn't diminished much during the era of streaming and it actually enhances ad-supported streaming platforms. Their strength is targeting niche audiences. The integration of those two value propositions is occurring now but will require a few more years as addressable advertising continues to evolve and mature.

Connected TV (CTV) is a major trend of that integration because it connects television and digital, which benefits both media. eMarketer's definition of CTV in its December 2021 report, US Connected TV Advertising, includes only digital ads delivered to TV sets. An important distinction because the entire audience is accessing content only on their TVs, not any other devices (computers, smartphones, tablets, etc.)

Smart TVs will continue to be the primary device CTV users will view content through 2025, although the use of some devices will increase more.

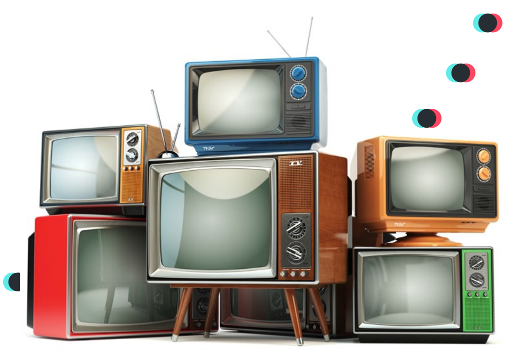


Change in CTV Users, by Device, 2022–2025

Device	2022	2025	% Change
Smart TV	135.2 M	142.7 M	+5.5%
Roku	117.3 M	126.4 M	+7.8%
Amazon Fire TV	104.6 M	118.6 M	+13.4%
Connected game console	77.9 M	79.0 M	+1.4%
Apple TV	29.1 M	30.4 M	+14.3%
Google Chromecast	29.1 M	29.7 M	+2.1%
Blu-ray player	23.2 M	19.7 M	-15.1%
Total	221.0 M	232.9 M	+5.4%

eMarketer, December 2021

Because the number of CTV users is increasing so will the ad dollars chasing those viewers. A March 2021 forecast from eMarketer estimated total US linear and connected TV ad spending would total $93.33 billion by 2025, a 9.4% increase from $85.32 billion projected for 2022. Linear TV will retain the largest share, but it will decrease from 79.6% for 2022 to 70.6% for 2025. Conversely, CTV's share will increase, from 20.4% to 29.4%, respectively.



Strong in the Face of Many Challenges

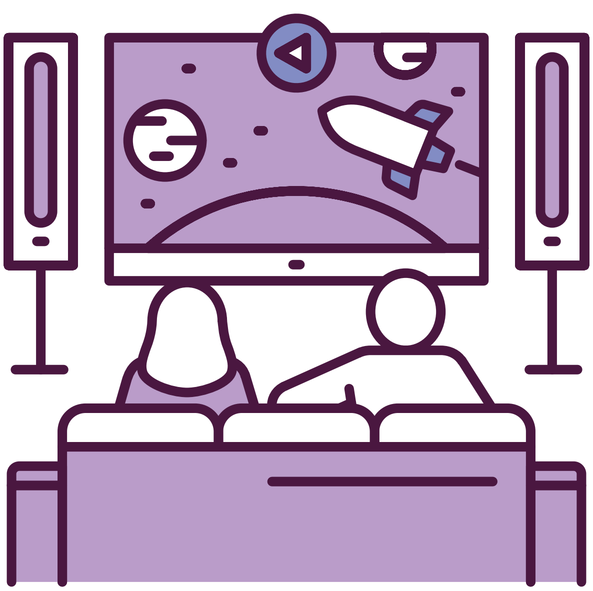
Television's major challenges, from streaming services to programmatic ad buying to more time spent on mobile devices viewing video, could create a "the-sky-is-falling" mindset for broadcasters, station managers and ad sales teams.

Recent data and analysis from multiple sources indicate the sky is not falling on TV but is revealing a potentially bright, blue sky.

- Advertiser Perceptions reported 24% of the 250 US advertisers it surveyed during October 2021 said they were planning to increase their ad spending on linear TV during the next 12 months.

  Of even greater significance, the average increase for linear TV (19%) among all the advertisers was the largest of the other categories: OTT streaming services, VMVPDs, addressable linear TV, data-driven linear TV and set-top box VOD.

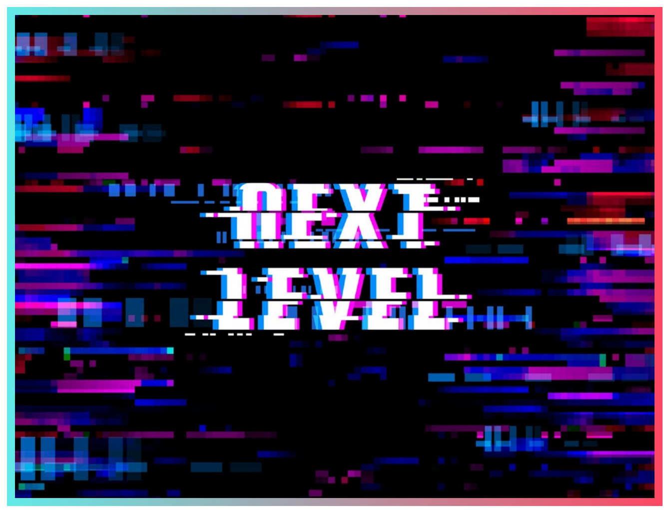
- The same Advertiser Perceptions survey found 50% of the surveyed advertisers chose video as delivering the most value to reach their goals. Of that 50%, 47% named all forms of TV as the most valuable while digital video was essentially tied at 46%.

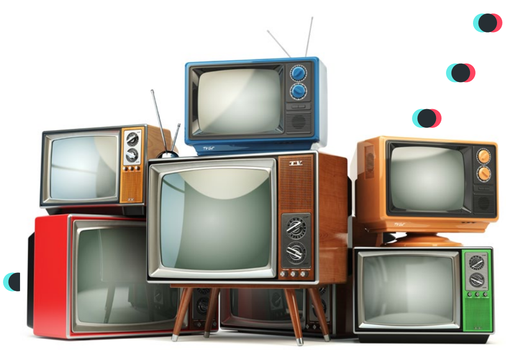


Each, however, is moving in opposite directions: TV's 47% is a 10-percentage point increase from 36% for 2020 and digital video decreased seven-percentage points, from 53% (2020) to 46% (2021).

- Nexstar Media Group, which has the largest portfolio of US TV stations, is forecasting NextGen TV (ATSC 3.0 technology) could add $15 billion annually to local stations by 2030. That amount would equal or potentially exceed TV stations' retransmission deals, which are already a major revenue stream at $13 billion annually.

  Nexstar expects to launch NextTV Gen at enough of its stations by the end of 2022 to reach half of those stations' viewers totaling 212 million.





Sports Is the Winning Play

Traditional, linear TV's primary attractions have always been live events, from Apollo 11 to the Watergate hearings to national election nights. Undoubtedly, live sports draws the biggest audiences, continues to do so and will be critical to the future of television.

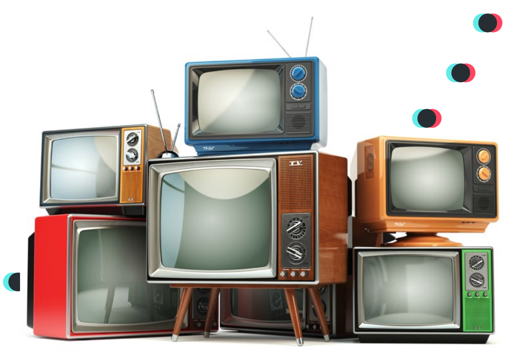
Although some streaming services are beginning to secure the rights to major and lesser sports, analysis from Standard Media Index (SMI) found sports on linear TV had their best performance during the January–November 2021 period since January 2014. Sporting events had 43 of the 50 highest-rated primetime programs during 2021.

All 2021 sports programming (live, talk and documentaries) had a 28% share of national TV ad spending during the same 2021 period, with live sports accounting for 22%. Of even greater importance, that 28% ad spending share only required a 9% investment in content, or $20 billion compared to $220 billion for total content.

Now that college athletes have received permission to license their name, image and likeness (NIL) and increasing use of Virtual Reality and Augment Reality, new types of TV sports programming and social media content are likely, which could result in sports becoming 30% of all TV content investments by 2030.

From the audience perspective, sports viewing is becoming fragmented, with three-quarters of younger adults watching on streaming services, according to a June 2021 survey from Disney Ad Sales of 2,500 sports streamers 13 to 54 years of age. The TV set remained the primary device for viewing sports at 46% with other devices approximately half or less: mobile phone 24%, computer/laptop 18% and tablet 12%.

What should be of interest to advertisers is the Disney survey revealed 76% of those watching sports via streaming services were actively viewing a second screen. Of those, 26% were shopping online. Unsurprisingly, the youngest cohort (10–25) spent the most time viewing other screens at 61%, with Millennials at 53% and Gen Xers at 43%.



Streaming's Flow Slows

Today, there are four primary broadcast TV networks – ABC, CBS, NBC and Fox – and a few smaller networks and PBS. By comparison, there are more than 50 streaming services, with Amazon, Netflix and Hulu the major players. No wonder more industry analysts are predicting some major consolidation of streaming services very similar to cable distribution.

Nielsen reports Christmas week 2021 had the most total minutes of streaming viewing by Americans at 183 billion minutes. Nonetheless, many streaming services are experiencing sluggish growth of subscriptions. For Q3 2021, Disney Plus added 2.1 million subscribers, but the market was expecting 4 million.

During late January 2022, tech stocks, including streaming services, suffered significant losses. Netflix's shares decreased almost 22% January 21 and during Q4 2021, Disney was -19%, ViacomCBS -18%, Amazon -17% and Comcast -7.5%.

Analysts think investors are less interested in financing companies in the broader tech world that are operating with deficits that are only increasing. The challenge for streaming services, specifically, is they must decide to spend billions, in most cases, to create new content to maintain their positions in the pecking order as well as gain more subscribers.

It's only the biggest streaming players with deep wallets that can spend billions for content. For example, Disney is expected to invest more than the $9 billion it had previously announced for 2024. Those with fewer dollars or must spend more of those dollars for other parts of their businesses, such as Comcast, simply won't be able to compete. The results are almost certain to be consolidation.

The good news for linear TV is these consolidations are likely to harm streaming viewership. Consumers will discover their favorite service has disappeared, must be accessed from another platform and requires a new and maybe more costly subscription. As these services wander across the media landscape trying to find their way, television will continue on its uninterrupted journey into the future.

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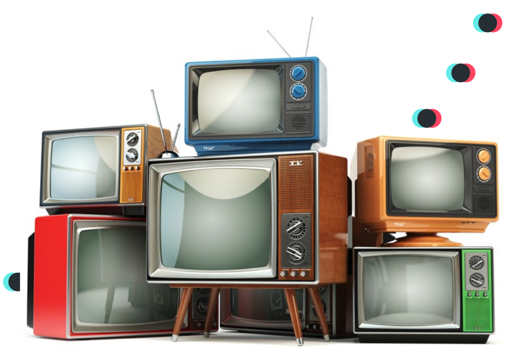
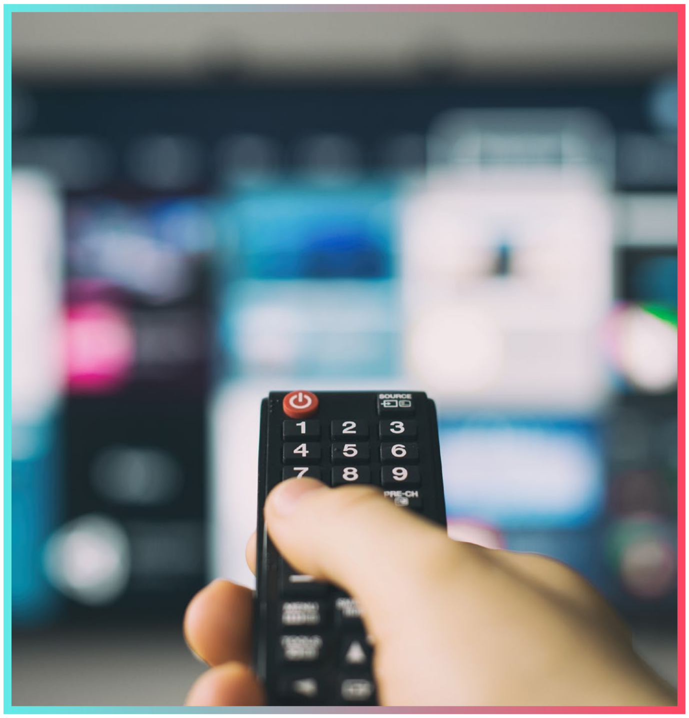


The Measurement Muddle

For decades, most broadcast TV networks and local stations, as well as advertisers and their agencies, have based TV ad buying on a few independent sources of viewership data (Nielsen, ComScore, etc.). With digital TV attracting significant audiences and more ad dollars, the integration of digital and linear TV is advancing quickly; however, measuring audiences across both platforms is still a muddle.



Following the suspension of its accreditation for national and local television services by the Media Ratings Council, Nielsen announced during early January 2022 that it had launched Streaming Signals. It was developed to forecast who within a household is watching specific programs on connected TV. Although this could be the solution many marketers, advertisers, agencies and media have needed, Nielsen must prove its value first.

Linear TV, by contrast, doesn't have to regain its credibility. Its track record for reaching and emotionally engaging with viewers/consumers is unmatched, which is the fuel driving it into a sustainable future.

According to a May 2021 survey from Advertiser Perceptions of US agency/marketing professionals, the #1 improvement they said was needed to measure video ad effectiveness was "standardization of video metrics to prove ROI across screens" at 57%.
The others are:

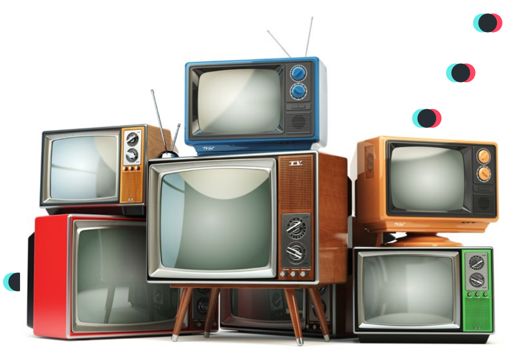
- Deeper audience insights to optimize future campaigns (52%)
- Attribution that ties to lower-funnel, business outcome metrics (e.g., store visits, acquisition, sales) (50%)
- Trusted consumer identity data to draw deeper attribution insights (48%)

A separate April 2021 Innovid and Digiday survey of US brand marketers and agency executives revealed the many challenges of connected TV advertising.

Connected TV (CTV) Advertising Challenges, April 2021

Challenge	Percent
Inconsistent measurement	57%
Targeting the right audiences	53%
Inventory fragmentation	41%
Frequency	32%
Brand safety	28%
Reach	22%
Ad fraud	18%

eMarketer (Innovid and Digiday, December 2021



The View from the Couch

Viewers (and, therefore, consumers) decide what video content to watch, when and on what device. Media and the ad world can only follow their lead and the bread crumbs lead to streaming services.

2021 research from Samsung found 56.1% of the consumers surveyed said they watch television, movies and other video content via streaming; 26.3% watch via cable (linear TV); and 8.6% on Blu-ray, DVD or VHS. Despite the rush to streaming video content, 50.4% said they were watching on a smart or connected TV. An external smart device was second and less than half at 23.5%.

Another important insight is 91.6% of consumers use at least one ad-supported streaming service to watch video content, according to tvScientific's report, How CTV Advertising Powers the Performance TV Revolution (December 2021). The takeaway: many millions of consumers are still willing to view commercials to access content on a free streaming service.

The table reveals an interesting correlation from five representative 2021 consumer/market surveys conducted by The Media Audit.

Adults 18+ Who Watched TV Newscasts During the Past 7 Days Correlated with Indices of Their Use of Streaming Services, in Selected Markets, 2021

Use of Streaming Services	Tampa-St. Petersburg	Detroit	Salt Lake City	Phoenix	Portland, OR
Watched TV newscasts	53.0%	58.4%	42.4%	48.0%	45.4%
Heavy exposure to video streaming*	93	103	83	94	83
Amazon Prime/Amazon Instant†	105	111	100	111	113
Apple TV+†	126	109	110	141	142
Disney+†	102	94	92	100	95
Hulu†	106	103	93	87	99
Netflix†	100	101	94	101	943

Based on The Media Audit's 2021 surveys
**180+ minutes during a typical day*
†during the past 7 days

Takeaways:

- Substantial percentages of adults watch TV newscasts, indicating this programming on linear TV remains strong.
- TV news viewers don't tend to be attracted to streaming services, although some over-index for watching Amazon Prime/Amazon Instant and Apple TV+.

Destinations of Opportunity

Signs of television's exciting journey into the future are already appearing.

- **TV can become more hyper-local.**

The promise of NextGen TV (ATSC 3.0) hasn't yet been fully realized as less than half (45%) of US households can receive the service. Although the actual capacity, as measured in bandwidth, of NextGen TV is still limited, industry analysts expect one of the first opportunities for local TV stations is location services. A recent study from BIA Advisory Services forecasts this and other datacasting services could generate $5 billion by 2027.

Providing location services through ATSC 3.0 integrates with the proliferation of mobile devices, especially in the B2B world. These could include automotive and transportation, trucking, dispatch, delivery, Internet of Things (IoT) and security services.

BitPath, a Sinclair Broadcasting Group/Nexstar Media Group consortium, will be conducting some of the first trials for datacasting, especially location services, in selected NextGen TV markets during Q1 2022.

- **Consumers accept TV's data gathering much more than Google's and Facebook's.**

The Banning Surveillance Advertising Act, a recently introduced congressional bill, aims to limit the user data Google, Facebook and similar companies can gather and use. Multiple studies find most consumers dislike this practice and how much these companies know about them.

The consumer data TV collects is not a target of this bill. More importantly, consumers are less concerned about the data TV has about them. Only 16% would prefer TV didn't have their data or use it for ad targeting, according to Hub Research.

The same study found 61% of consumers had no problem with TV gathering data about their program choices. They said having this data could help to prevent the cancellation of their favorite shows and deliver more relevant commercials.

Sources eMarketer Website, 1/22; Beet.TV Website, 1/22; Next TV Website MediaPost Website, 1/22; Media Village Website, 1/22; Nielsen Website, 1/22; HubSpot Website, 1/22; The Media Audit Website, 1/22; TVNewsCheck Website, 1/22.

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