Sizing Growth Opportunities for NextGen TV in Local Markets

Rick Ducey, Managing Director
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BIA Advisory Services

NextGen TV Summit:
How ATSC 3.0 Will Transform Television
SMPTE DC Chapter
January 16, 2020

EXAMINING LOCAL
Ad Revenue, Media Channels, Business Ad Spend, Industry Trends, Strategies, Valuations

January 16, 2020

nextgenTV SUMMIT

Event Recording courtesy of the following sponsors:

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January 16, 2020

THANK YOU TO THE SMPTE DC, SBE AND NAB TEAM MEMBERS WHO PRODUCED THIS EVENT

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WITHOUT THEIR VOLUNTEER EFFORTS THIS SUMMIT WOULD NOT BE POSSIBLE

Morning Program

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Afternoon Program

8:00 AM - 9:00 AM	Registration and continental breakfast
8:55 AM - 9:00 AM	**Welcome from SMPTE, SBE and AES** Fred Willard, SBE Washington Kishore Persaud, SBE Baltimore
9:00 AM - 9:05 AM	**Introduction** Peter Wharton, SMPTE Membership VP Chris Lane, Chief Engineer, WETA
9:05 AM - 9:35 AM	**NextGen TV: Transforming the Consumer Experience** Lynn Claudy, SVP Technology, NAB and Chairman, ATSC Board of Directors Madeleine Noland, President, ATSC
9:35 AM - 10:00 AM	**Creating New Opportunities with NextGen TV** Joonyoung Park, VP and Fellow, DigiCAP
10:00 AM - 10:35 AM	**Improved Television Reception for Consumers** *Implementing NextGen TV Distribution Systems* John Lynch, ERI Jeff Andrew, Osborn Engineering
10:35 AM - 11:15 AM	**Benefits of a Converged Broadcast and IP Platform** Lynn Claudy, SVP Technology, NAB and Chairman, ATSC Board of Directors **Content Reception Enhancements** Richard Lhermitte, VP Solutions and Market Dev, ENENSYS TeamCast
11:15 AM - 11:30 AM	Morning Break
11:30 AM - 11:50 AM	**Consumer Applications for Combined 5G & NextGen TV Networks** Josh Arensberg, M&E Business Development, Verizon Media
11:50 AM - 12:15 PM	**Case Study: Hybrid Services at "Chicago 3.0"** Jean Macher, Harmonic
12:15 PM - 01:20 PM	Buffet Lunch ▶

01:25 PM - 01:45 PM	**Protecting the NextGen TV Consumer** *Advanced EAS and AWARN Capabilities* John McCoskey, SpectraRep
01:45 PM - 02:15 PM	**Monetizing the NextGen TV Consumer** *Addressable Advertising and Analytics* Rick Ducey & Mark Fratrik, BIA
02:20 PM - 03:20 PM	**Personalizing the Consumer Experience** *Interactive and Personalized Features* Mark Corl, Triveni Digital Greg Jarvis, Fincons So Vang, NAB Pete Van Peenan, Pearl TV
03:25 PM - 03:40 PM	Afternoon Break
03:40 PM - 04:10 PM	**The Consumer Out-of-Home Experience** *Mobile & Automotive Applications and FeMBMS (5G Broadcast)* Thomas Janner, Product Management & R&D Director, Rhode & Schwarz
4:10 PM - 4:35 PM	**The ATSC 3.0 Roadmap** Lynn Claudy, SVP Technology, NAB and Chairman, ATSC Board of Directors Madeleine Noland, President, ATSC
4:35 PM - 5:00 PM	**The Consumer Technology Roadmap** Brian Markwalter, SVP Research and Standards The Consumer Technology Association
5:00 PM - 6:00 PM	**Station Group and Industry Deployment Plans** *Advanced Capability Implementation Strategies* Skip Pizzi, VP Technology Education & Outreach, NAB (Moderator) Michael Bouchard, VP Technology Strategy, ONE Media / Sinclair Stacey Decker, CTO, Public Media Group Sasha Javid, COO, The Spectrum Co
6:00 PM - 8:00 PM	**Cocktail Reception** Busboys and Poets 4251 S. Campbell Ave.,Shirlington *Heavy Hors d'oeuvres and open bar* ▶

Examining Core and Adjacent Markets

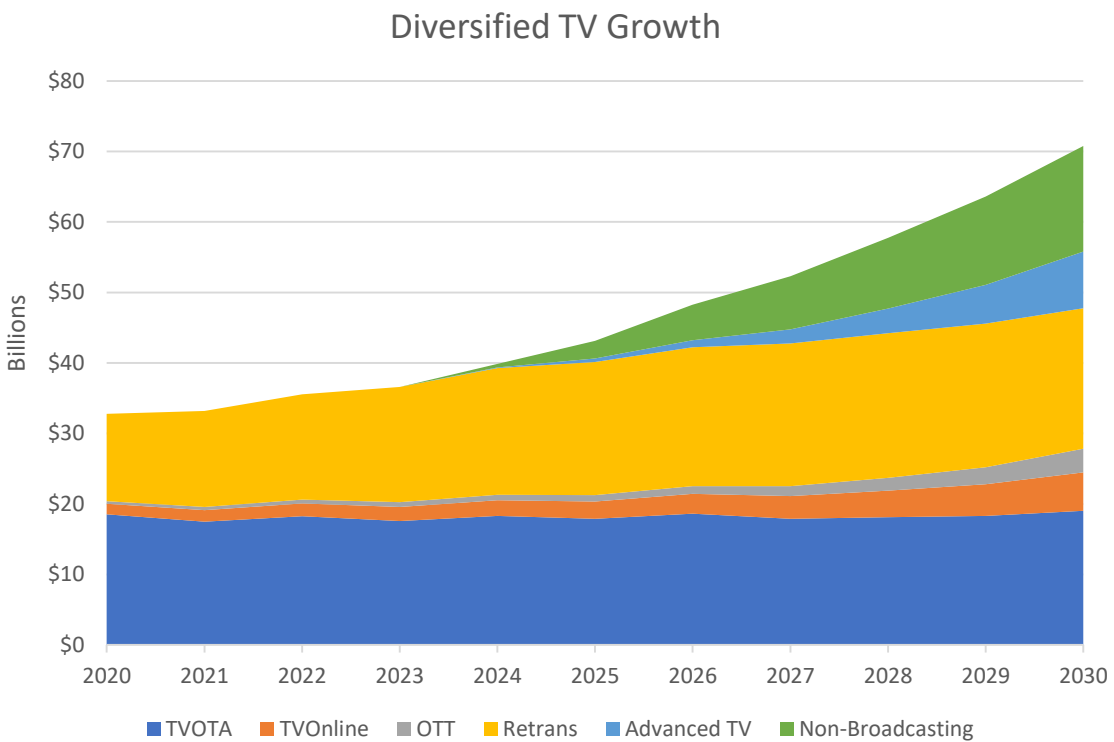Advanced advertising
Connected car
Wireless broadband data
Hybrid networks

Cutting to the chase, NextGen TV has Clear Upsides for Local TV

NextGen TV has 8.0% CAGR Revenue Growth Scenario, versus 3.8% CAGR baseline

BIA Observation

"Even with a slow down in OTA revenue growth, the future for television stations and groups is bright, especially for those that pursue multiple revenue streams."

Diversified TV Growth

Billions axis: $0, $10, $20, $30, $40, $50, $60, $70, $80

X-axis years: 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030

Legend: TVOTA, TVOnline, OTT, Retrans, Advanced TV, Non-Broadcasting

Potential Growth Rates

Existing TV CAGR: 3.8%

With Advanced TV[1]: 5.5%

With Non-Broadcasting[2]: 8.0%

1/Advanced TV: Incremental to OTA offers: DAI, Addressability, Attribution, Cross Platform Targeting
2/ Non-Broadcasting: Data Distribution, IoT, Autonomous Cars,…

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Advanced TV Ecosystem in the Local Video Market. Continued M&A Reshapes this Market.

Platforms 2-sided market aggregators
Devices OTA, STB, Internet, Mobile
Content Networks, Stations, Flixes
Distribution MVPD, Internet, 5G,
NextGen

NextGen TV is an Exciting New Local Advanced TV Platform!

With our ear to the ground in the local marketplace, here's what we're hearing.
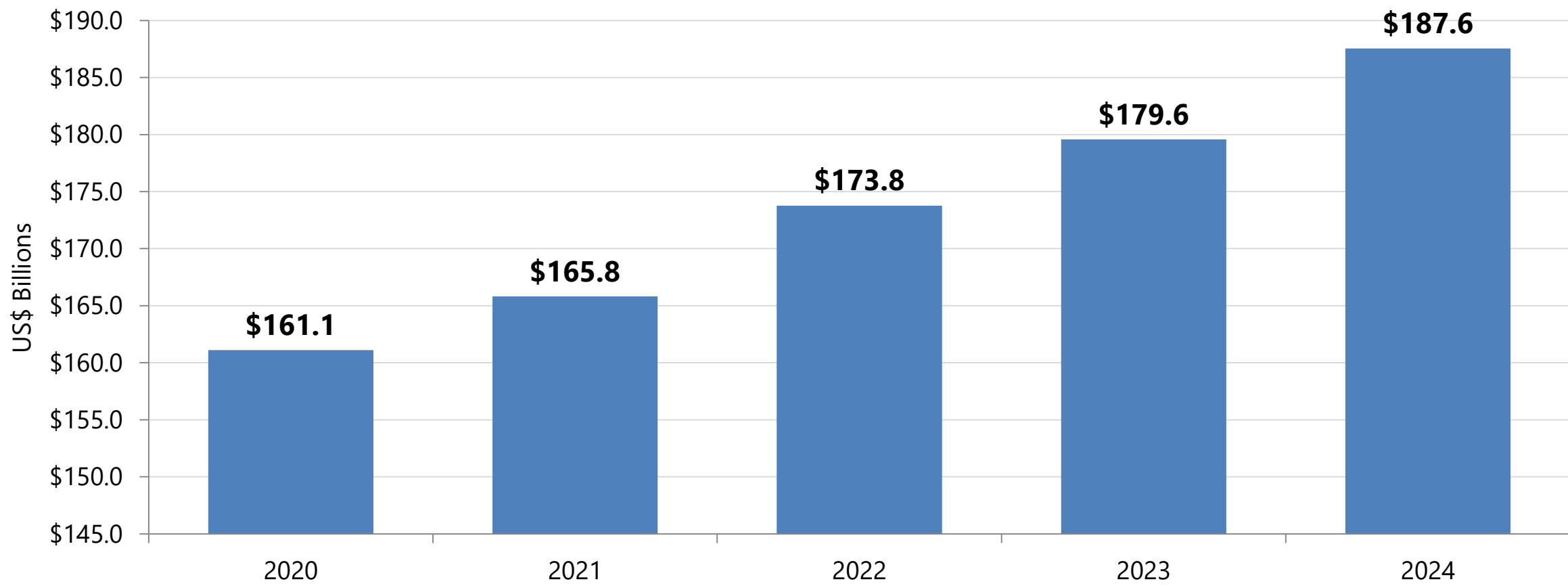
- What expectations should agencies and marketers have for NextGen TV and local TV advertising in terms of services, data and other opportunities will be available to them, and when?

- Will there be OTA addressable advertising via NextGen TV?

- What are the major local TV groups doing about NextGen TV?

- What market penetration level must NextGen TV reach before it becomes a viable advertising platform?

- How does NextGen TV compare to OTT/CTV from consumer and buyer POVs?

- Will broadcasters incorporate workflow automation into NextGen TV deployments?

- What NextGen TV advertising inventory and units will be available to buyers?

- With 5G, why do we need NextGen TV?

- What 1st party data will local TV broadcasters have from NextGen TV services?

- What are the compelling NextGen TV use cases for audiences?

- What are broadcasters' NextGen TV business models?

- How will local TV broadcasters manage cross-platform NextGen TV, OTT/CTV and other integrated campaign buying in terms of inventory and pricing transparency?

- How will local TV broadcasters develop cross-platform yield management, revenue optimization solutions?

- How will local TV package ATSC 1.0 and NextGen TV offerings for buyers?

- Will NextGen TV be an "audience extension" product until it reaches scale to be a stand-alone platform?

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Let's back up a step and look at the video and the local ad market

2020-2024 Ad Forecast

Shift Toward Digital Media Continuing – *Ad Revenue*

Legend: ■ Traditional Media ■ Digital Media

US$ Billions

Year	Traditional Media	Digital Media	Total
2020	$71.0	$90.1	$161.1
2021	$78.3	$87.5	$165.8
2022	$86.0	$87.8	$173.8
2023	$93.7	$85.9	$179.6
2024	$100.9	$86.6	$187.6

Note: Numbers are rounded.

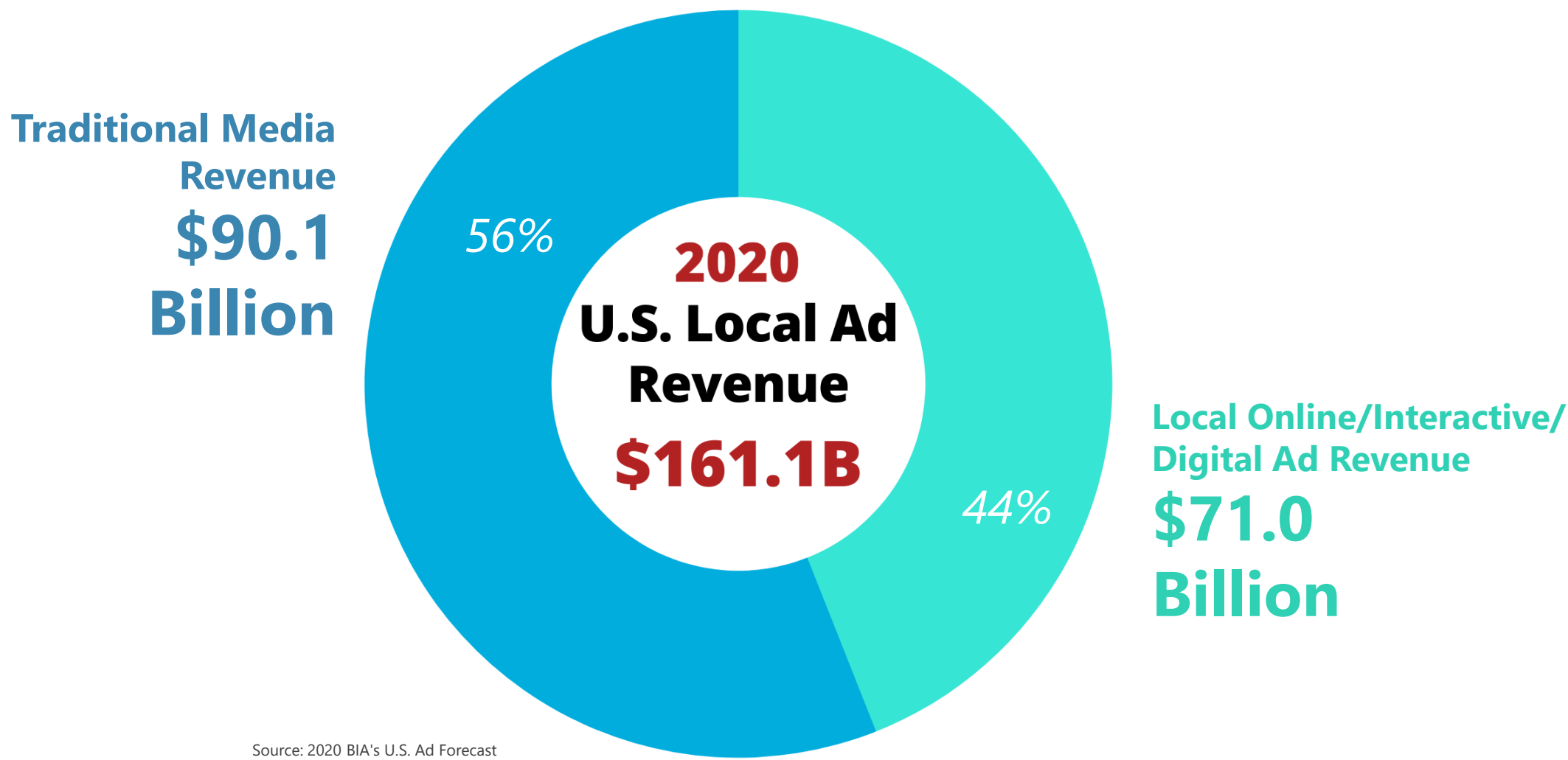Source: 2020 BIA's U.S. Ad Forecast
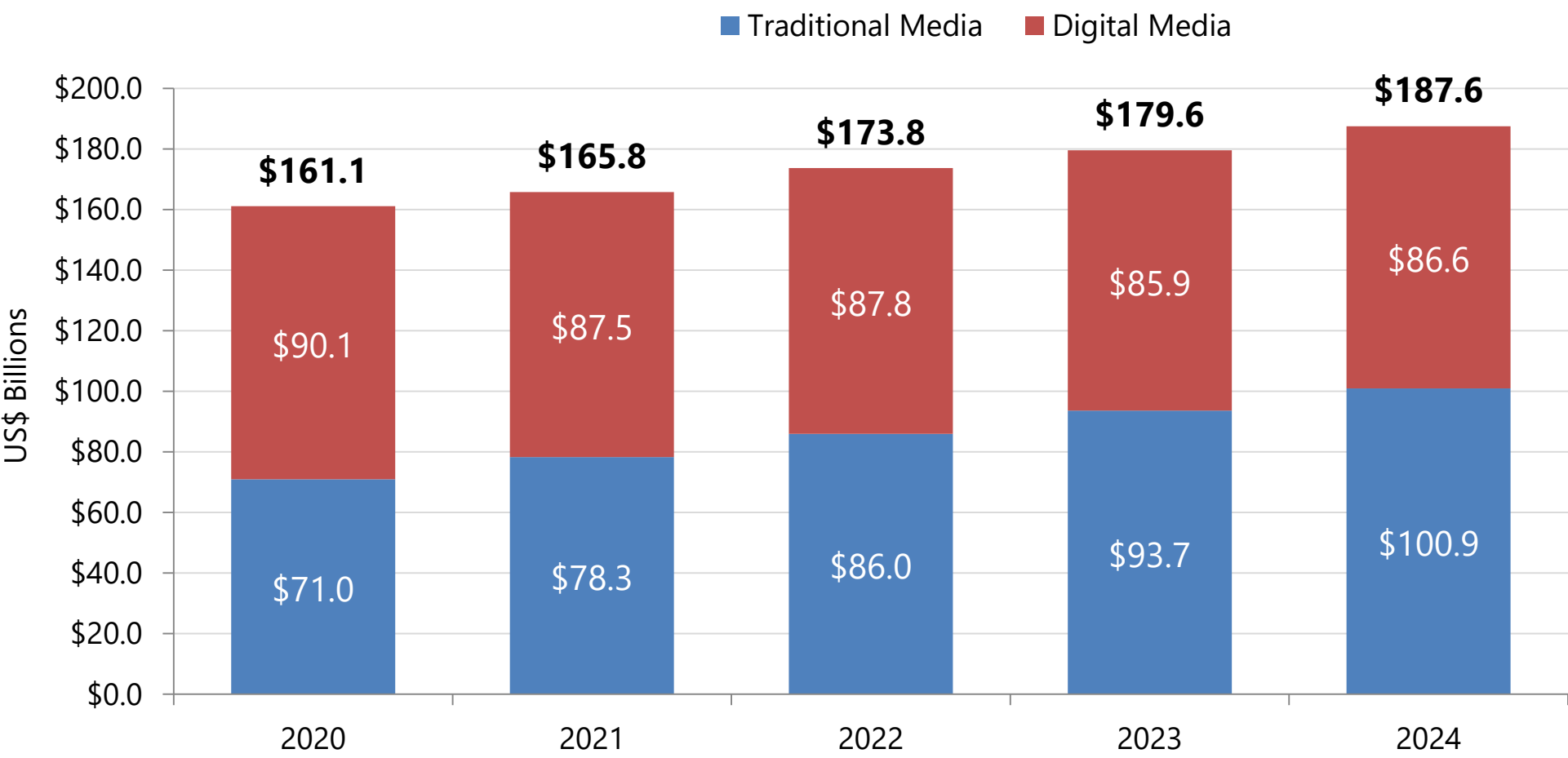
2020-2024 CAGRs:

Total Media CAGR 3.9%

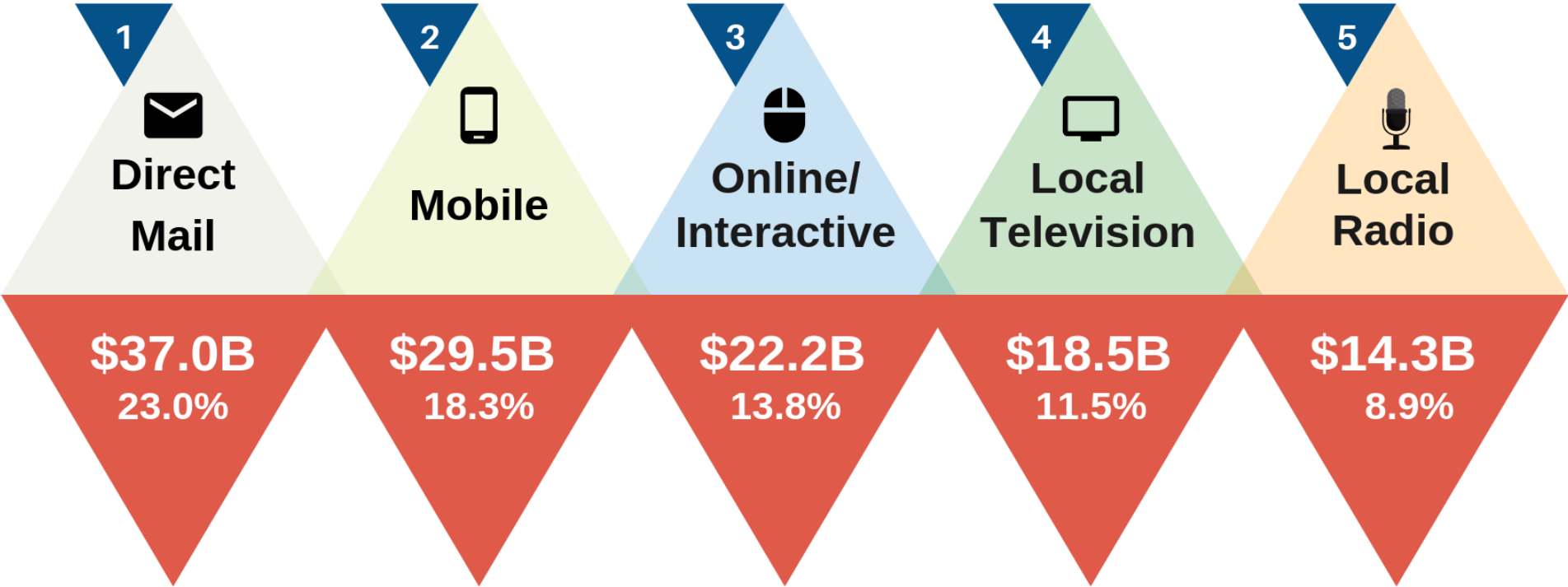*Digital Media* CAGR 9.2%

Traditional Media CAGR -1.0%

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Total Local U.S. Ad Revenue to Reach $161.1B in 2020

Looking Ahead: Local Online/Interactive/Digital Approaches 50%

Traditional Media Revenue
$90.1 Billion

56%

2020 U.S. Local Ad Revenue $161.1B

44%

Local Online/Interactive/ Digital Ad Revenue
$71.0 Billion

Source: 2020 BIA's U.S. Ad Forecast

Top Five Media in 2020

Total Ad Spend $161.1B
Dollar Spend and Percentage Share by Media

1	2	3	4	5
Direct Mail	Mobile	Online/ Interactive	Local Television	Local Radio
$37.0B 23.0%	$29.5B 18.3%	$22.2B 13.8%	$18.5B 11.5%	$14.3B 8.9%

Source: 2020 BIA's U.S. Ad Forecast

Note: Local radio includes over-the-air and digital advertising.
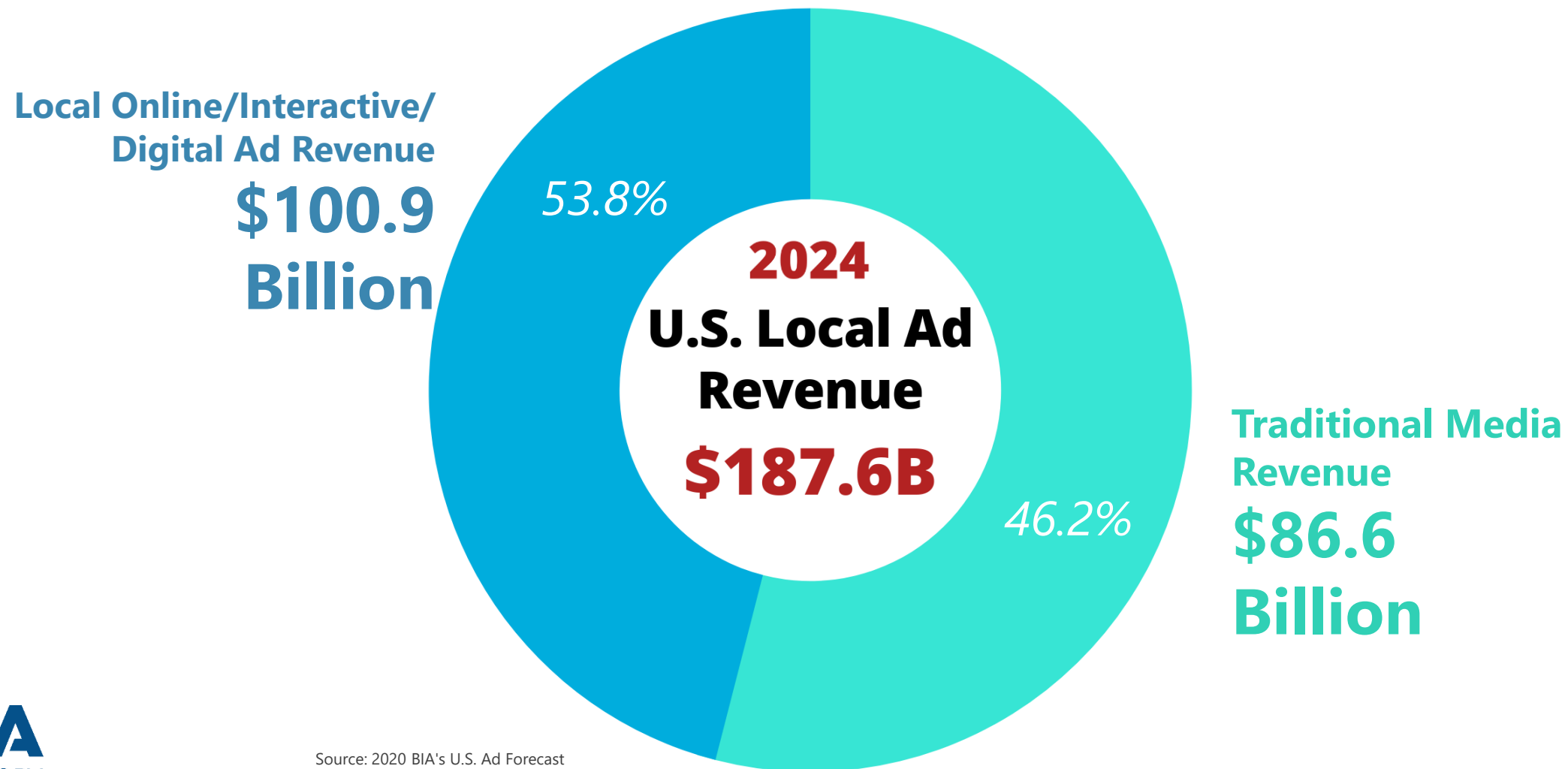
Total Local U.S. Ad Revenue to Reach $187.6B in 2024

Looking Ahead: Local Online/Interactive/Digital Becomes Dominant Media

Local Online/Interactive/ Digital Ad Revenue

$100.9 Billion

53.8%

2024 U.S. Local Ad Revenue $187.6B

46.2%

Traditional Media Revenue

$86.6 Billion

Source: 2020 BIA's U.S. Ad Forecast

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Local Mobile Ad Spend, Limited Video Upside

Local TV operators looking to Mobile Video as high growth for NextGen TV revenue. But video is a small component of mobile ad spend. Where will growth come from?

2020

2024
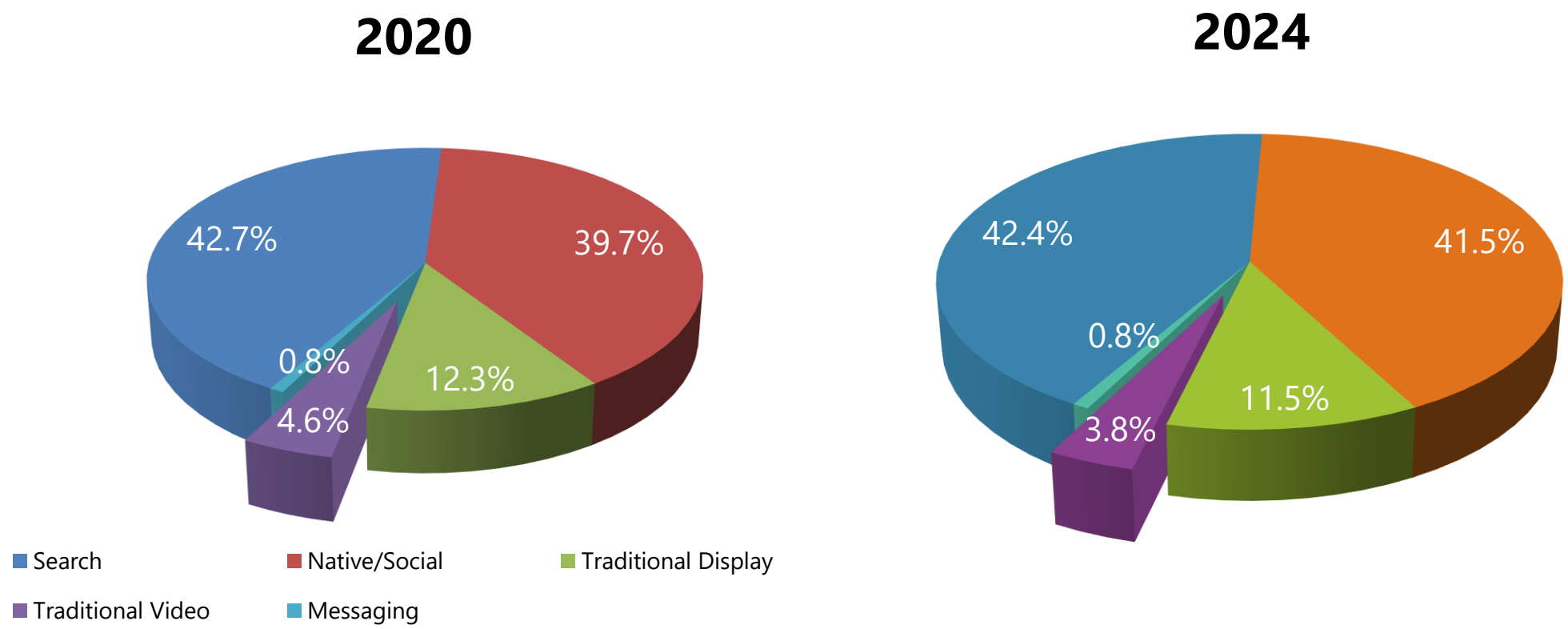
- ■ Search
- ■ Native/Social
- ■ Traditional Display
- ■ Traditional Video
- ■ Messaging
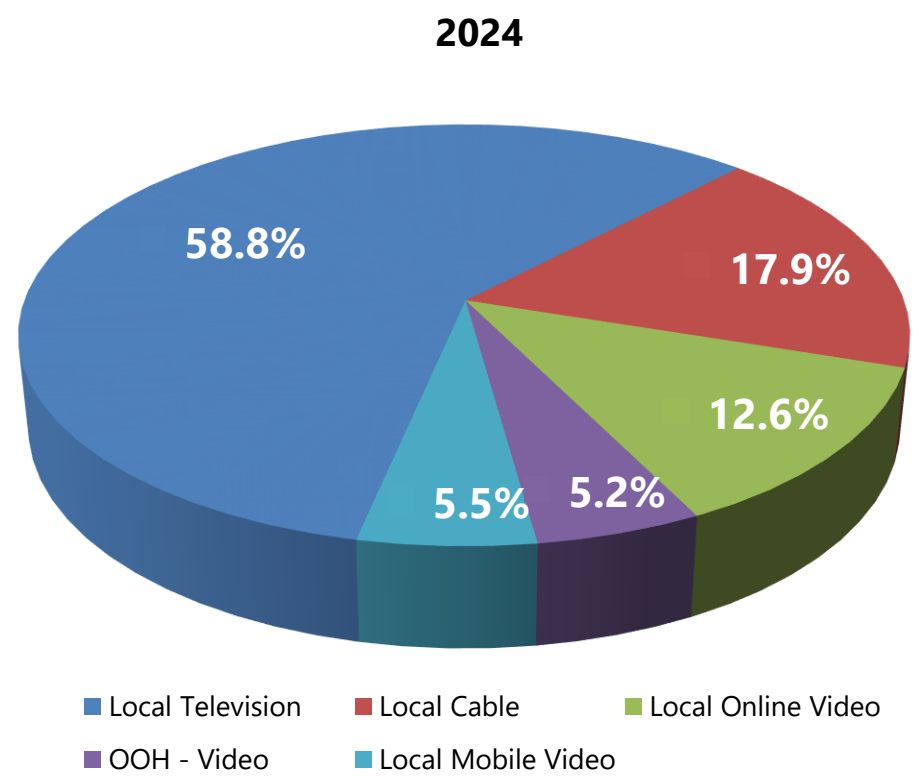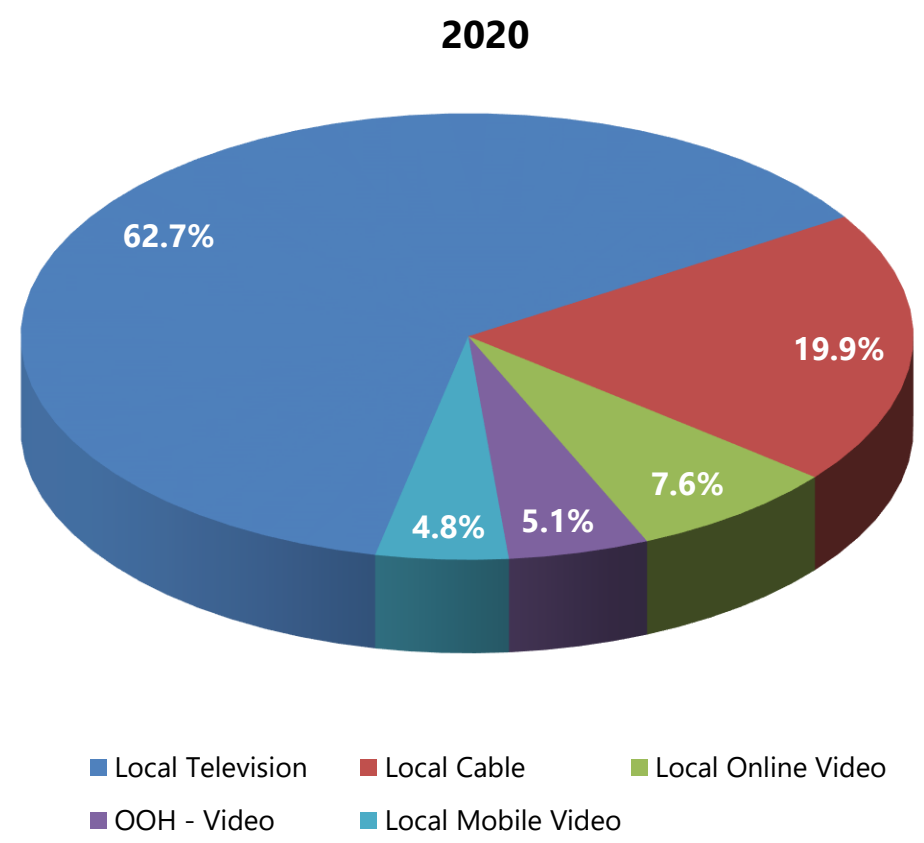
*Note: traditional video includes such things as in-stream pre-roll ads on YouTube. It does not include natively produced and placed in-feed video in social media, such as Facebook news feed ads. Videos in the latter category are measured separately under native/social.

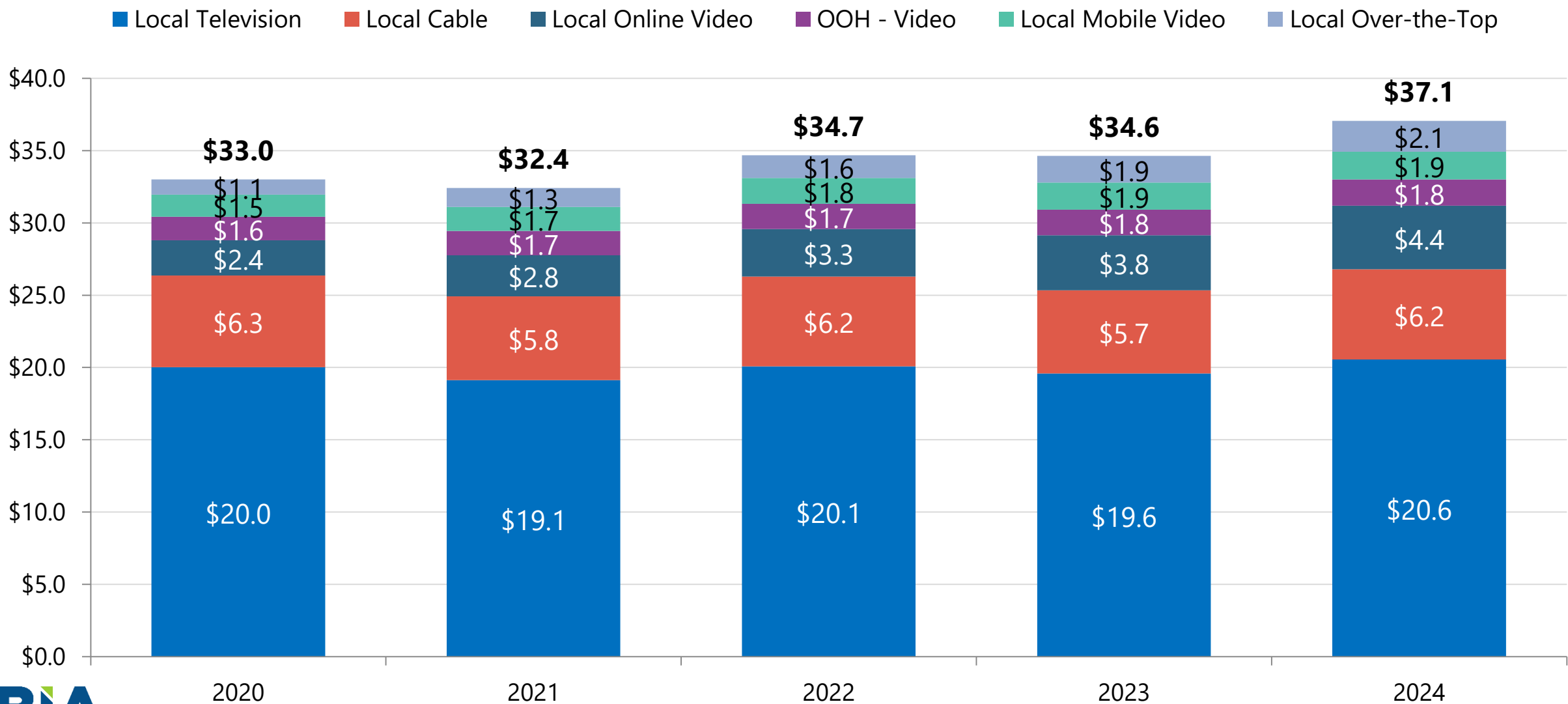Source: BIA's 2020 BIA's U.S. Ad Forecast

Note: Numbers are rounded.

Local Video Marketplace

Linear TV (OTA, Cable) get lion's share of spending, Digital video continues to eat away

2020

- 62.7%
- 19.9%
- 7.6%
- 5.1%
- 4.8%

Local Television · Local Cable · Local Online Video · OOH - Video · Local Mobile Video

2024

- 58.8%
- 17.9%
- 12.6%
- 5.5%
- 5.2%

Local Television · Local Cable · Local Online Video · OOH - Video · Local Mobile Video

Local Video Advertising Revenue

Legend: Local Television · Local Cable · Local Online Video · OOH - Video · Local Mobile Video · Local Over-the-Top

2020 — $33.0
- Local Television: $20.0
- Local Cable: $6.3
- Local Online Video: $2.4
- OOH - Video: $1.6
- Local Mobile Video: $1.5
- Local Over-the-Top: $1.1

2021 — $32.4
- Local Television: $19.1
- Local Cable: $5.8
- Local Online Video: $2.8
- OOH - Video: $1.7
- Local Mobile Video: $1.7
- Local Over-the-Top: $1.3

2022 — $34.7
- Local Television: $20.1
- Local Cable: $6.2
- Local Online Video: $3.3
- OOH - Video: $1.7
- Local Mobile Video: $1.8
- Local Over-the-Top: $1.6

2023 — $34.6
- Local Television: $19.6
- Local Cable: $5.7
- Local Online Video: $3.8
- OOH - Video: $1.8
- Local Mobile Video: $1.9
- Local Over-the-Top: $1.9

2024 — $37.1
- Local Television: $20.6
- Local Cable: $6.2
- Local Online Video: $4.4
- OOH - Video: $1.8
- Local Mobile Video: $1.9
- Local Over-the-Top: $2.1

Source: 2020 BIA's U.S. Ad Forecast

Note: Numbers are rounded.

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NextGen TV and Advanced Advertising

Addressability
Attribution

NextGen TV: Filling in the Blanks for Local TV as an Ad Platform

## Relative Strengths of Different Local Video Ad Platforms (at maturity)

BENEFIT	LOCAL TV	NEXTGEN TV	OTT/CTV/VMVPD	MVPD
Full Market Reach	√	√	x	x
Premium Video	√	√	√	√
Interactive	x	√	√	x
Addressable	x	√	√	√
Dynamic Ad Insertion	x	√	√	√
Mobile	x	√	√	x
Attribution	x	√	√	√
First-Party Data	x	√	√	√
Privacy	√	√	x	√
Brand Safe	√	√	x	√
Fraud	√	√	x	√

Source: BIA Advisory Services, January 2020

Platforms and devices drive the business models more than the content.

- **Competition:** setting the bar – MVPD, vMVPD, OTT/CTV, duopoly

- **Geotargeting OTA:** SFNs and geo zones

- **Audience targeting:** Internet connected devices with OTA interface, data-matching

- **Ad cache:** equipped devices with shared storage

- **Decisioning engines:** Dynamic Ad Insertion, which ads get served to whom

- **Inventory management:** allocating addressable inventory, pricing to maximize revenue

- **Audience measurement** and reporting for OTA only and connected viewing

https://tvrev.com/reports/challenge-universal-addressability/
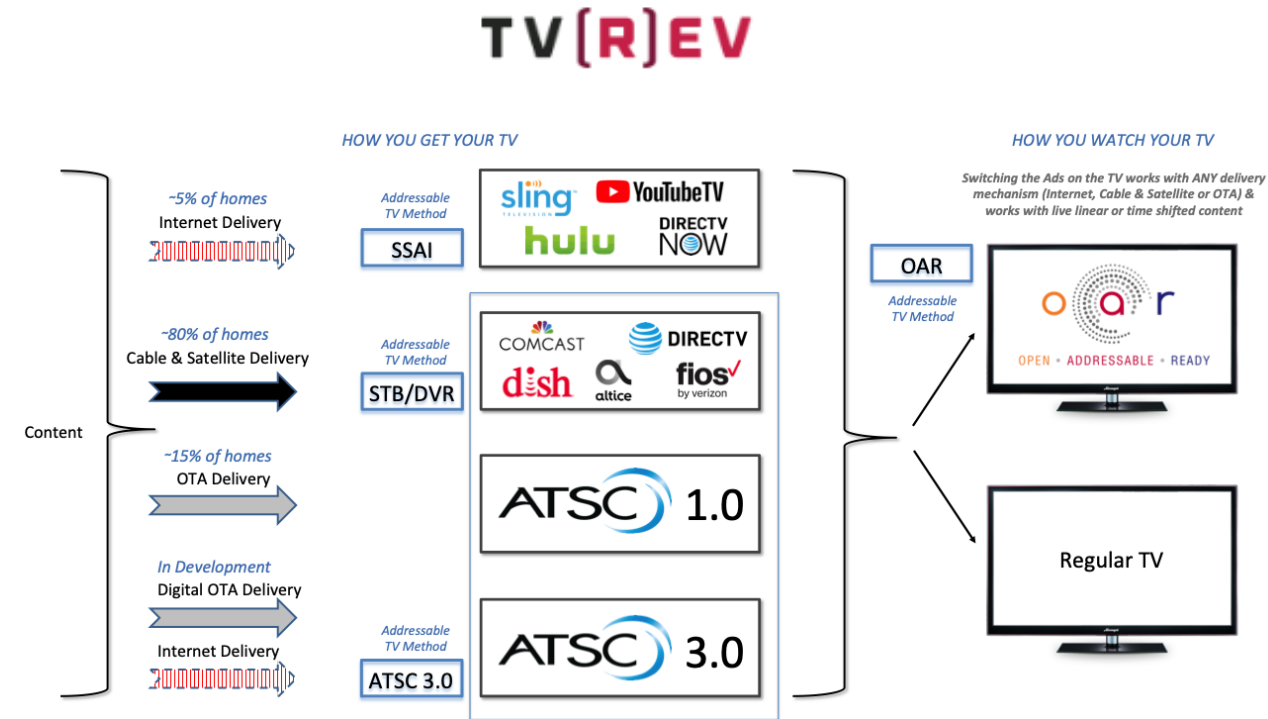
NextGen TV and Attribution

Match *content* to *audience* to *performance,* allocated to specific media channels

- **Content** (Program and Ad IDs)

  - Kantar Media: Audio watermarking technology (2018 SMPTE standard). Part of Trackable Asset Cross-Platform Identification (TAXI) initiative launched in 2013.
  - Nielsen: Watermarks and metering
  - Verance: Watermark for ATSC 3.0 and cross-platform content distribution.

- **Audience**

  - Comscore, Nielsen
  - Yotta Media Labs: HbbTV 2.0 based framework for audience estimation for Phoenix Model Market partners.

- **Performance**

  - Correlational: Matching offline campaigns to
    - Digital KPIs: site traffic, search traffic, app downloads, form fills
    - Physical KPIs: foot traffic, phone calls
    - POS: matching sales to campaign periods
    - Testimonials: still work!

  - Closed-Loop: Much harder to accomplish actual causal links
    - Amazon, Google, Facebook have the data for e-commerce
    - Data matching rates an issue
    - GDRP and CCPA change the game

Other Opportunities: Data-Driven Business Models and ATSC 3.0
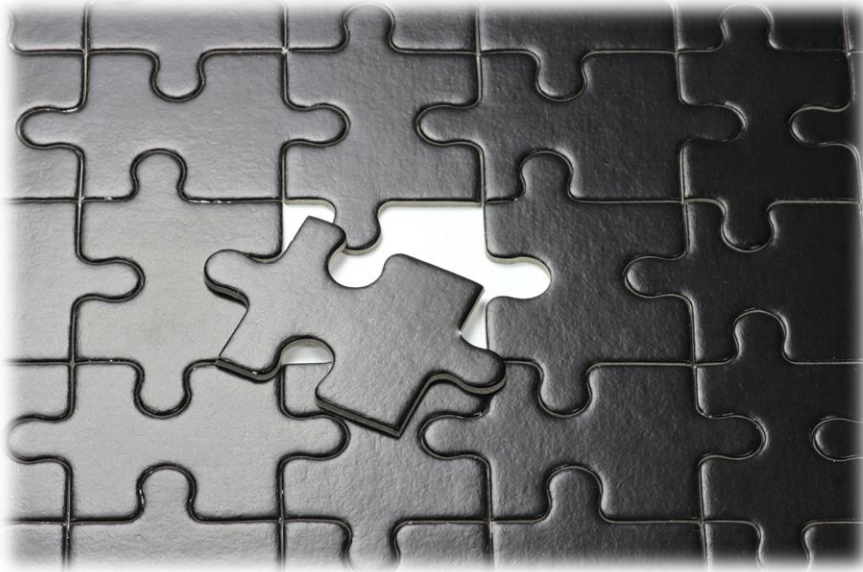
Opportunity assessments for local TV use cases

- 1st party data

- Analytics and insights

- Addressability

- Attribution

- Content Distribution Network

- Alerts and warnings

https://nabpilot.org/wp-content/uploads/2018/06/BIAK-NAB-Pilot-Data-Services-Landscape-Report-Feb2018f.pdf
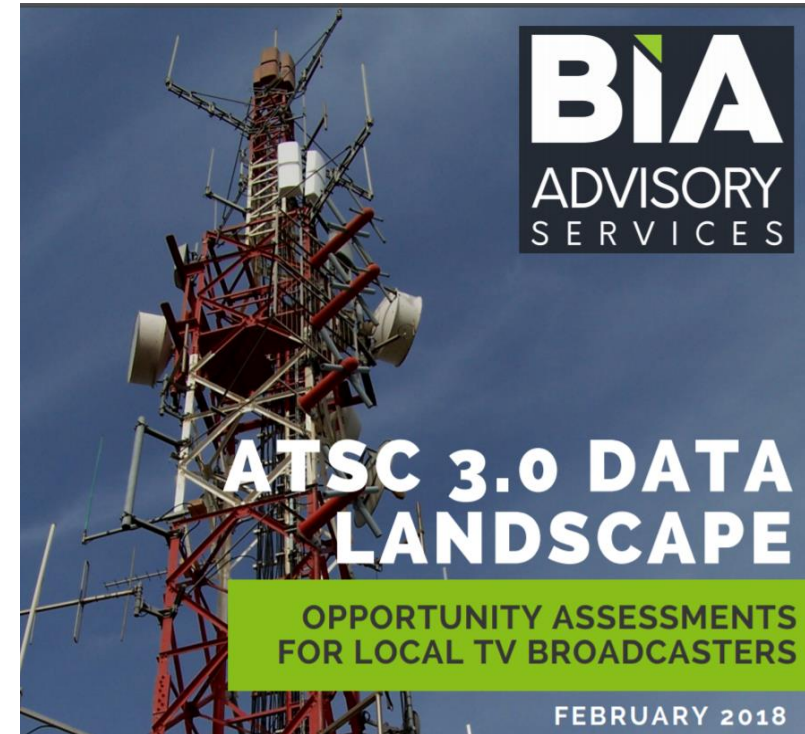
Final Thoughts

Putting the Puzzle Together

- NextGen TV has clear paths to revenue growth across different business models

- Through our forecast period, linear TV (TV OTA and MVPD) retain most of the local video ad dollars.

- Online video (including OTT) and mobile video continue to eat away at linear TV dollars

- NextGen TV presents opportunities for local TV to participate in more of the traditional value chain.

- If Data is the New Oil, local TV operators might be forgiven for mistaking their towers for oil rigs.

- NextGen TV + Data = high value/high impact business model marrying premium video to targeted audiences.

Questions & Comments:

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FROM THE SMPTE WASHINGTON DC SECTION

THANK YOU