



PUBLISHED

November 2018

The convergence of TV and digital: How broadcasters are building for success

Google

EXECUTIVE SUMMARY

Ask any leader from a top broadcasting company and she or he will likely agree: The future of TV is exciting – and changing rapidly. Google is committed to supporting broadcasters (including traditional linear broadcasters, OTT providers, and digital-first video publishers) with the technology to thrive in the current and new era of TV. A key part of this commitment is further understanding the needs and strategic priorities of broadcasters. That’s why we recently partnered with Illuminas, an independent research firm, to gather first-person insights from ten broadcast executives and ten senior TV media buyers. Here are some of the observations they shared:

- › TV industry executives today are most focused on these four consumer trends:
 - **Cord cutting:** Audiences are cancelling traditional cable TV subscriptions to watch or subscribe to streaming services instead.
 - **Skinny bundles:** A smaller and usually less expensive (than cable) package of live TV channels that audiences stream across various digital devices.
 - **Over-the-top (OTT) original content:** Premium programming that is being developed and distributed by streaming platforms.
 - **Personalization of ads and content:** The ability to deliver relevant ad and content experiences to audiences regardless of where and how they are watching.
- › Broadcast executives are investing their effort, time and money in three critical areas to address these trends:
 - **Modifying revenue models:** Broadcasters are working to solve for ad-supported revenue models across digital devices and developing new direct-to-consumer solutions to attract viewers and keep them engaged.
 - **Closing the technology gap:** Technical complexity and bandwidth constraints are making it difficult for broadcasters to deliver the seamless viewing experiences that customers demand.
 - **Achieving organizational alignment:** Broadcasters’ current revenue strategies, priorities and financial incentives are limiting their ability to take full advantage of the evolving digital ecosystem.
- › **Technology** and **infrastructure** are the two areas where broadcast executives feel the industry is most prepared for the convergence of TV and digital. Organizations are investing substantial resources in developing and refining the technology they need.
- › Broadcast executives ranked the industry as least prepared for the convergence of TV and digital in four ad-related areas: **ad sales execution**, **revenue models**, **buyer-seller conversations**, and **measurement**.

The “new normal” for TV is change. This report provides a view into what’s on broadcasters’ minds, the critical challenges they’re addressing today, and what they see coming in the months and years ahead.

Shifting consumer behaviors

As the modern TV experience becomes increasingly about accessibility of content and control over how to watch, today's consumer landscape is defined by changing audience behaviors. To start, audiences have a virtually limitless amount of content to consume and a growing number of ways to consume it. Consider, for example, that an estimated [487 different scripted shows](#) made it to the air in the U.S. in 2017. That's a huge amount of content, with new growth strongly driven by streaming services that are producing original programming.

Changes in digital technology are also giving audiences more control. Today's audiences watch content across many devices and platforms with various pricing options. In particular, mobile and connected TV devices are expanding viewership options, even for live events. Plus, over-the-top (OTT) options such as direct-to-consumer apps, skinny bundles and virtual multichannel video programming distributors (vMVPDs) are gaining momentum. These developments are influencing TV broadcasters to evolve their offerings to meet their audiences' new expectations.

Broadcasters are also seeing more changes in consumer behavior as they experiment with and test different revenue-generating strategies, primarily advertising- and subscription-based models. Ad-supported models are expected to create a digital experience that mirrors the traditional TV experience – but so far, technological complexity has made it difficult to deliver optimal customer experiences.

[According to an OTT provider, “It’s not that they don’t like advertising, it’s that they don’t like irrelevant advertising. They expect experiences that are shorter in length, more relevant, more interactive, and deliver some kind of benefit.”](#)



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According to our research, TV executives today are most impacted by four top-of-mind trends



Cord cutting

Consumers who leave traditional cable providers and rely on digital services for content, resulting in increased viewership across varying streaming platforms.



OTT original content

Content that is being developed by non-traditional broadcasters, which is forcing traditional broadcasters to rethink their content-related goals in an effort to maximize revenue.



Skinny bundles

A smaller and usually less expensive (than cable) package of live TV channels that audiences stream across various digital devices.



Personalization of ads and content

Consumers are choosing ad-supported models but are increasingly expecting content and ad delivery to be relevant. These high expectations are adding to the complexity of what and where publishers must deliver.

Consumers have more choices than ever, so it's important for both traditional and digital broadcasters to not only attract new audiences, but keep them watching — which means producing high-quality content and providing stellar consumer experiences.

Addressing the challenges of the TV landscape

Our survey of industry players helped us identify three key areas where broadcasters are focusing their effort, time and money to address current consumer trends: revenue models, technology and operational alignment.



Key challenge #1

Evolution of revenue models

Broadcasters readily acknowledge the challenge of keeping viewers interested and engaged across disparate platforms, while balancing the need to protect their content and avoid cannibalization of their traditional TV sales. Adapting the ad-supported revenue model for digital distribution is a central part of this challenge for several reasons:

- › Broadcasters are working to attract new digital audiences inside and outside of their owned and operated platforms.
- › Different audiences prefer different pricing options, which range from ad supported to subscriptions, or a combination of both. Building for this variability increases the complexity of the revenue model.
- › Broadcasters don't want to lose out on traditional revenue streams associated with linear ad sales.
- › When it comes to pricing TV and digital video inventory, there is no unified common approach.

A broadcaster summarized the challenge by noting, “We don't want to shoot the golden goose by trying to provide everything on every digital platform. But we've got to be everywhere because people are everywhere.”



Key challenge #2

Closing the technology gap

Technical complexity and bandwidth constraints continue to challenge broadcasters. Issues like cross-platform monetization, measurement, and frequency capping across devices were widely reported, as were foundational challenges like combating buffering and ad creative management. Collectively, these challenges make it harder to deliver the seamless experience that customers demand from their content and ad experiences.

Additionally, most broadcasters are working to build solutions to reach audiences where and how they prefer to consume content. Several are attempting to level the playing field by developing their own direct-to-consumer services, designed to compete with OTT and vMVPD services which are rapidly growing subscriber counts. As one OTT provider said, “Frankly, anyone who is going to succeed needs to have a flawless service. You’ve got to turn it on, it’s got to work, it’s got to surface up the content that you want to watch and it has to remember what you watched before. Plus, it can’t have buffering or too many ads. The experience is still key.”

To better serve their customers, broadcasters are increasingly investing in technology – which is difficult because most are not primarily technology companies.

“What keeps us up at night is we, as a traditional media company, are not a technology company first,” noted a broadcaster. “We continue to quickly grow our competency and internal resources to support the various technologies that we put out in the market. Anything that we make we then have to maintain and continually update – which comes with a lot of overhead.”



Key challenge #3

Achieving organizational alignment

Broadcasters are also working to overcome organizational silos and knowledge gaps. For many broadcasters, current revenue strategies, sales priorities and financial incentives limit their ability to take full advantage of the evolving digital ecosystem. For example, ad sales and buying teams are often siloed into linear and digital groups. There is also a lack of knowledge around selling and successfully monetizing digital video – a challenge that rings especially true for traditional broadcasters' programmatic sales efforts. Meanwhile, broadcasters must introduce new ways to incentivise sales teams, who are accustomed to prioritizing linear reservations.

In addition to solving for their own internal alignment, broadcasters are realizing that many media buyers (brands and agencies) are not yet prepared for the convergence of digital and TV media sales. As one broadcaster put it, "Not even the agencies are ready. They have different teams. They have a TV team and a digital team which speak different languages and have different skills. They don't know how to communicate well and use different units of measurement and value."

Conversations with media buyers also emphasized the need for an organizational evolution. "Five years from now, we're anticipating having an agnostic approach," said one agency. "It's all going to be one budget, one effort. Right now, dollars are shifting from linear to digital."

An advertiser added, "The way we advertise is shifting in dollars. We are diversifying the types of ad units, our messaging and our creative. Across the board, the digital marketing budget and team are growing every year."

The convergence of TV and digital

Broadcasters we surveyed agreed that traditional TV is certainly evolving. There is a shared expectation that digital will provide a much stronger contribution of revenue for broadcasters in the near future — and this development will be accompanied by other changes. For example, subscription-based models and bundling options will continue to gain momentum. In addition, the digital ecosystem is generating insights that help broadcasters create relevant content for viewers. These insights — which were previously out of reach with linear TV tracking — will significantly improve broadcasters' ability to sell. Lastly, the convergence of traditional and digital will require a new industry standard for measurement that is consistent and actionable across delivery methods.

Are we ready for what's coming next?

We asked participants to rate how prepared the industry is to support the convergence of TV and digital on a scale from 1 (not at all prepared) to 5 (completely prepared). The average rating was 3.

Broadcaster respondents cited a need for consolidation, both organizationally, in terms of measurement, and from an ad sales and revenue perspective. They also emphasized that they have been preparing for years for the convergence of TV and digital but still find themselves struggling to adapt. Lastly, they acknowledged an expected increase in competition from non-traditional broadcasters, who gain an advantage from their ability to focus more on things that impact the audience experience like the user interface and new creative ad formats.

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In what ways is the industry most prepared for the future?

Broadcasters responded that their industry is most prepared when it comes to technology and infrastructure, rating readiness in this category at 3.1 on a scale of 1 to 5. Most organizations are investing substantial resources in developing and refining the needed technology. Broadcasters are also modernizing internal infrastructure to support convergence and exploring the numerous available technology and programmatic partnerships. Among sports broadcasters, scalability is a key concern, especially as they consider how to live stream large events to millions of viewers.

“Technology is the area that we have focused on the most in terms of investment,” said an OTT provider, “and that will likely be what we have to do going forward as we need to provide reporting tools, dashboards and self-service platforms.”

Broadcasters also felt relatively well prepared in the category of delivering relevant ads to their audiences. They agreed that the availability of tools to support advanced ad delivery has grown considerably in recent years. Considering how well digital reaches audiences with addressable messages, most broadcasters are confident that these capabilities will carry over into the linear TV ecosystem. The challenge, however, will be in the activation and delivery of these personalized ad experiences in the converged landscape.

In what ways is the industry least prepared for the future?

Broadcasters feel the industry is least prepared when it comes to managing inventory sales. While the legacy model of media sales is one-to-one and based on personal relationships, the TV ad sales teams of the future will be data-driven, technical and results-oriented. Broadcasters will need to modernize not only their infrastructure but their sales systems as well.

Respondents ranked the industry as least prepared for the future in these four ad-related areas:



Ad sales execution

Broadcasters are struggling to adapt their sales models for digital. To thrive in the future, organizations need to elevate the skillsets of those selling to reflect a more business-minded approach that matches up with the increased complexity of the ecosystem. Many organizations are responding by restructuring traditional departments while expanding research and analytics teams.



Buyer-seller conversations

Broadcasters indicated the industry is prepared from a media perspective, but needs to focus on adapting the sales approach so that conversations between buyers and sellers better reflect the future of TV and digital convergence. OTT providers agreed, and noted the large number of products and services on the market that support this future state.



Revenue models

TV metrics like age and gender are broad and don't translate well for sophisticated digital buyers, so broadcasters are working to reinvent their pricing models. In the meantime, they're working in separate TV and digital silos. Sports broadcasters are more optimistic about monetizing digital but continue to work in these siloed structures, which shows the fragmentation among marketers and agencies.



Measurement

Broadcasters specified a need for more consistency in measurement across connected devices and platforms. "The technology I've seen individually has been very strong on OTT and linear. In certain places, the measurement is very good, but it's in isolated platforms and devices." Agencies have expressed a similar sentiment, with one noting, "We're not great yet at providing true cross-platform articulation of media campaign delivery, reach and effectiveness as a cohesive single media campaign. Everything is still largely siloed between TV and digital when it comes to reporting, measurement and analytics."

The role of programmatic sales

The industry is moving cautiously toward adopting open auction programmatic demand sources after finding success with Programmatic Direct deals.

One of the top concerns related to programmatic sales is the issue of pricing — as well as control over the value of and compensation for premium content. This concern has a major impact on the approaches that broadcasters are willing to use for programmatic sales:

Broadcasters typically rely on Private Auctions and Programmatic Guaranteed because they are viewed as less risky and enable more control over pricing. “With Private Auctions, I can agree on a price and make the placement programmatic,” described a broadcaster. “That isolates me from the risk of under-delivery or over-delivery.”

For programmatic sales to fully take flight, several challenges need to be overcome. As one broadcaster noted, the industry must strengthen the skills required to sell programmatically: “The organization will change and become more technical than today. You’re going to need hardware skills on the technical side and be able to better articulate the different aspects.” In addition, publishers are challenged by the technological complexity of creating an infrastructure which supports programmatic sales. Along with increased training and resource development, organizations will need to continue to acquire and partner with companies that can bolster the technology and skills needed for success in the digital realm.

Reimagining the commercial break

The future of TV is exciting, and Google is investing in flexible technology to prepare our partners to succeed. As audiences dictate the future of the TV experience, and broadcasters look to monetize their content everywhere viewers are watching, the advanced TV solutions powered by Google Ad Manager can help.

Many of our solutions and investments are directly aligned with the findings highlighted in this report. Here are a few ways Google is helping partners build for the future of TV.



We're partnering with broadcasters, agencies and advertisers to build innovative solutions to help them evolve their businesses:

- › Working hand-in-hand with top media owners and broadcasters to develop technology that solves problems without causing friction.
- › Making organizational updates, including hiring top TV talent, to drive our strategy and product development.
- › Partnering with industry leaders like the Media Rating Council, Coalition for Better Ads, Interactive Advertising Bureau and others to develop new standards and solutions in areas such as measurement that benefit the industry overall.



We're building technology that reaches people everywhere with addressable, personalized messages for an enjoyable viewer experience:

- › Powering server-side ad insertion via our Dynamic Ad Insertion solution to seamlessly monetize live, linear, on-demand audiences with relevant ads across all connected devices.
- › Building a global infrastructure that's powerful enough to meet the demands of the world's largest media companies.
- › Providing content cataloging, forecasting and actionable insights generated by machine learning that are built specifically for TV content.



We're providing monetization solutions that help broadcasters manage their business with flexibility and control across all properties and formats — linear TV, OTT, digital video, mobile, app, and display:

- › Offering flexible deal types like Programmatic Guaranteed for direct reservations, Private Auctions, sponsorships and open auctions while ensuring broadcasters have complete control over their business rules, such as competitive separation.
- › Providing advanced optimization, decisioning and consolidated reporting across all ad breaks to maximize revenue.
- › Continuously testing and building new platform integrations to help broadcasters continue their cross-platform conquering.

We hope you found the insights shared here to be valuable. Just like you, Google is excited about the future of TV — and we're ready to help broadcasters succeed in TV's next era through transformational technology and partnerships.

Visit our [website](#) for more information and resources on Google Ad Manager's advanced TV solutions. And contact us [here](#) to speak with Google Ad Manager representative today.

Research methodology and overview

Google partnered with independent research firm Illuminas, which conducted twenty one-hour long interviews with executives across the U.S.

› **Research was conducted double-blind.**

- Google does not know the identity or company of those being interviewed.
- Those interviewed do not know that it was Google sponsoring the research.

› **Interviewee breakdown:**

- Broadcasters and OTT executives
 - Five broadcasters
 - Three sports broadcasters
 - Two OTT/pure play digital providers
- Brands and Agencies
 - Eight TV buyers
 - Two CTV and premium video buyers

› **Interviewee criteria and qualifications:**

- Broadcasters and OTT executives
 - All are national broadcasters
 - All produce their own original content
 - 50% VPs or higher, 50% directors
- Brands and Agencies
 - All brands spent between \$5MM and \$100MM on TV media buys
 - All agencies spent a minimum of \$50MM on TV media buys
 - 50% VPs or higher, 50% directors

› **All broadcaster participants:**

- Understand the concerns and challenges broadcasters are facing related to TV and digital video convergence and the impact it has on digital ad monetization efforts.
- Are responsible for decisions involving the monetization of TV or digital video content through advertising.
- Are experienced in making technology and partnership decisions that impact their digital revenue efforts.
- Are familiar with the ad serving platforms that media organizations typically use to carry out digital video ad sales including programmatic solutions.