

# State of the Media Industry 2018

## It's All About Data Now

In 2018, video continues to lead media organizations as they become truly digital businesses. At the center of those businesses? Data.

Data and data-driven video have become the focal points of nearly every conversation in media these days. From consumer engagement and privacy to technological advances, content strategies and monetization, data in its various forms is everywhere and companies are challenged with harnessing and analyzing it smartly for greater returns.

Our 3rd annual report finds that the media leaders of tomorrow are those that are figuring out how to navigate the data landscape of today.



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# EXECUTIVE SUMMARY

Media companies are in the headwinds of unprecedented change. Consumers are fully to digital and social platforms, and those platforms have upended advertising models. New approaches focused on the audience may save the day. The digital business transition continues, guided more and more by technology. Immersive and live video and more targeted ad formats are helping to create the deeper engagement companies crave, and through it all, data is the beacon that is guiding companies forward and opening new avenues for growth and understanding.

## CONSUMERS

Media audiences today are savvier than days of yore — or even last year. They are now used to finding video content wherever and whenever they are looking for it, so mobile isn't a novelty anymore — it's the expectation. So is sharing content via social platforms. Media companies are in a dead sprint to keep up with consumers in a race where the stakes are high and the hurdles are plenty.

“When you think about how many hours people spend watching video versus reading, the audience has already spoken.”

— Chris Altchek, Chief Executive Officer, Mic, as quoted in **Bloomberg**

### 1.1 Mobility Rules

As media consumption has passed the tipping point towards mobile devices and technology has continued to advance, video continues to take up more of consumers' media time. **Americans** alone are forecast to spend over 80 minutes daily watching digital video next year, up from 61 minutes just three years ago, per **eMarketer**. And as **Ooyala Global Video Index** research has found, longer videos on all screens are now the norm. A separate study has determined that **longer videos** on publisher websites lead to higher engagement rates.

85% of U.S. adults now **get their news via mobile devices** according to a Pew Research Center survey. It's not surprising then that companies are evolving their digital strategies with **consumer habits** in mind. More publishers are using mobile-friendly **vertical video** and ad formats. **USA Today** has focused on creating more personalized experiences for audiences based on their interactions with its mobile website. In the U.K., *The Guardian's* Mobile Innovation Lab has experimented with elements such as **offline mobile news content** for commuters to improve mobile news delivery. *The Financial Times* brought its **iOS app** for current subscribers back to the Apple store to help drive engagement. And Iltalehti in Finland has seen its app downloads increase dramatically by offering content appealing to **younger audiences**.

Millennials and Generation Z continue to be a boon for mobile and video, even as **older consumers** start to catch up. The younger Gen Z consumers increasingly are **spending more time with digital video and social** at the expense of other forms of media. An Awesomeness study pointed to the fact that 34% of teens' entertainment content consumption is done via **smartphones**, and they watch nearly 70 videos daily. By 2022, over 80% of Millennials plan to **watch online video** via smartphones. To harness these trends, publishers are adapting. **BillyPenn**, for one, has built a mobile-first newsroom catering to Millennials, with differentiated content in its local Philadelphia market. The company won't be the last one catering to younger audiences, so look out for more offerings this year.

Social video has also ridden the mobile video storm surge and created a more complex media market than ever imagined.



Mobile video continued its double-digit growth in Q4, and now makes up 60.3% of all video plays.

— **Ooyala Q4 2017 Global Video Index**

## 1.2 Social Ignites

Consumer fascination with social media and video continues as the social medium provides the immediate gratification and 24/7 connection audiences crave in our “always on” world.

**Social media** now accounts for over 30% of online time, according to a GlobalWebIndex study. Another report noted that globally, 33% of 18-24 year-olds say social media is their main source of news now, Globally, 33% of 18-24 year-olds say social media is their **main source of news** now, and a Nu-Q study of the **Middle East** found that two-thirds of respondents there get news via social media. Consequently, publishers across the globe are leaning on social media to help promote and enhance their content. For example, some companies creating stories in the audio **podcast** format are using video to promote their projects on social media. And a Vox reporter solicited itinerary suggestions for his **video documentary series** through social media and received thousands of responses.

Publishers like **The Economist** and **Self** have seen growth among younger audiences from creating content specifically for Snapchat Discover. Yet, Snapchat has been dealing with competition for publishers’ attention from **Instagram** and its fast-growing and **video-friendly** Instagram Stories. A recent NewsWhip study found that **video engagement** for top publishers using Instagram has increased over 50% year-over-year; this, as interest in **video advertising** on the platform is also rising. Snapchat has been grappling with a drop in usage since a recent **redesign**; at the same time, it’s encouraging publishers to **create more video**, which isn’t subsidized by Snapchat but can be repackaged for other uses. It’s also testing Discover **ecommerce** features with publishers to help with monetization opportunities. **Mashable**, for one, has mimicked Snapchat to build out its own vertical video offerings.

Facebook has seen success with Facebook Watch **engagement rates** and **watch time** for media companies like **The Atlantic** as it prioritizes **longer content**. This, while some publishers are favoring its rival **YouTube** for video. Over on **Twitter**, video now drives the bulk of its ad revenues and Bloomberg launched its own **social news network** on the platform. Expect to see more experiments in the social video space as platform-specific tests help both publishers and platforms refine their strategies for short- and long-form content.

However, as social video has taken off, publishers are also being confronted like never before with the consequences of their reliance on social platforms for audience growth, engagement and revenue. Branding for owned sites, differentiated content, innovation and strategic partnerships have become critical survival factors for publishers of all shapes and sizes.

“68% of U.S. adults are now Facebook users.”

— **Pew Research Center: Social Media Use in 2018**

## TAKEAWAY

Mobile video and social video consumption are on the rise, taking more than a small bite out of total consumer viewing times. Look for more content experiments in these areas this year as companies fine-tune their strategies based on consumption data for generations coming of age and beyond.

## INDUSTRY

The media industry is continually looking for balance these days: print and digital, platforms and owned sites, acquisitions and divestitures, subscriptions and advertising. The fulcrum remains data to maintain business equilibrium, inform and guide responsibly, and set companies up for future success.

“We know that we have to constantly force ourselves to shake things up.... All media companies are going through a period of change, and we’re not immune from that.”

— **David Carey, President, Hearst Magazines, as quoted in *The New York Times***



## 2.1 Platforms Upend

The tension between distribution and destination approaches to published content has erupted in the last year. Why? The **duopoly** of top social platforms Google and Facebook has claimed the lion's share of digital advertising revenue globally, while data privacy and transparency issues, **algorithm changes**, “fake news” and brand safety concerns have been center stage for publishers, brands and consumers. Media publishers are faced with pivoting their strategies and innovating in a competitive space where much of their livelihood and revenue goal attainment have been dependent on other companies, which may ultimately be considered media **companies themselves**.

Facebook has been defending its practices around the consumer data issues and news feed changes that have affected all of its constituencies. The company is tightening policies, incorporating fact-checking initiatives and **background tools**, and becoming more transparent with audiences about its approaches to publisher content. It has also expanded publisher partnerships for its **Groups** and Watch video platform, and is working with publishers on features such as breaking news labels and accelerating **local news subscriptions**, yet not planning on paying **annual fees** to publishers. YouTube has made changes to alleviate **brand safety** issues on its platform, such as boosting creator requirements in order to monetize content. Snapchat employs a mix of **algorithms and editors**, machines and humans, to keep its platforms in balance.

All of this is happening while the General Data Protection Regulation (**GDPR**) gets set to take effect in Europe, promising to alter the relationship that **platforms** and publishers have with consumers worldwide — and with each other. Consumer data collection and consent methods will be changing. Could more **regulation or carriage fees** paid to publishers be next? Expect more debate and activity around these issues this year.

Location is a factor in how audiences consume content. **The Reuters Institute Digital News Report 2017** study, for example, found that while overall, direct access from a media provider was the main way respondents got news content, people in Nordic countries were more likely to get their news this way; those in Latin American and Eastern Europe countries were more apt to get news through social channels. And a recent **study of British news audiences** who get their news from social or search found that they are more likely to remember the platform where they got the news than the organization that originally published it, so there continue to be perils for companies who take this route.

Focusing on premium content and hybrid strategies for content publishing remain the smart bets in the space; balancing the discovery, reach and expansion opportunities that platforms can offer with the greater control, branding and revenue share that owned platforms provide. **Condé Nast** is one publisher focused on a hybrid strategy. Some publishers are working with Google to mimic the **Stories** concept from social platforms on their own sites. There is

also a renewed interest in Google **search** tactics for greater content discovery. Ultimately, building a strong, trustworthy brand, delivering unique quality content and experiences, and developing a deep understanding of audiences and what they want remain keys to success today, wherever companies do business.

Look for more media companies to control their owned content, integrate their publishing approaches, develop more innovative partnerships, and explore new ways to make money this year. Continued industry change is a sure thing in media; embracing it is vital for survival.

In a 2018 survey, 194 leading editors, CEOs and digital leaders said the biggest barriers to success are not tech platforms but internal factors (36%) such as resistance to change and inability to innovate.

— **Reuters Institute: Journalism, Media and Technology Predictions 2018**

## 2.2 Changes Abound

The media industry is facing battles on every front — consumer attention, advertising share, and managing costs of existing, legacy print businesses while pivoting to digital. Just as the broadcast industry has found, media companies are realizing it's paramount to have an integrated, data-driven strategy to encourage efficiencies, create organizational collaboration, and address all of these challenges.

The last year has seen a whirl of media activity as downsizing to cut costs, upsizing to build scale, and making strategic shifts all continue in the wake of an uncertain business climate. Meredith bought **Time Inc.** and then moved quickly to **sell** many of its core titles. **Ziff-Davis** bought Mashable and Hearst bought **Rodale**. **Bustle** is making more acquisitions and **Buzzfeed** made cuts. Fairfax Media staffers in Australia went **on strike**, the venerable **Village Voice** went all-digital, and the **Los Angeles Times** unionized for the first time in its 136-year history. These are but a few noteworthy moments and the coming year is sure to see more.

Partnerships have become a vital route to synergies and support. For example, some **hyperlocal** news organizations in the U.K. are working with the BBC to receive local content. Gothamist shut its sites down and **public radio stations** banded together to revive them. Video is becoming a bigger component of partnerships as well: Vox has set up separate partnerships with **ProPublica** and **PBS** for video projects. Buzzfeed and NBCUniversal are developing a Millennial-focused parenting channel on Facebook. **Hulu** teamed up with the Huffington Post for a branded content promotion, and with *The Washington Post* for a **joint subscription offering**.



Companies are still looking to premium video to boost **content engagement** and profits. In fact, a WAN-IFRA report of 235 media executives across nearly 70 countries found that the **top area they were investing in** to meet their revenue goals was video. **Millennial-focused publisher** Mic is one organization that has honed its video offerings to realize improvements in time spent with content. Expect to see video as a core component of more industry experiments in the coming year, as strategic alliances to help support them transcend the media world and the world in general.

Around the world, unlike some publishers such as the **Huffington Post** who have made significant strides by promoting international editions to global markets, **The New York Times** is covering international markets more in its U.S. edition to promote its **global brand**. The company is focusing on boosting digital subscriptions, key market coverage in its main edition (**Canada** is but one market), and text translations for **international audiences**, as well as select market development (namely, Mexico and Australia). Bloomberg launched a bi-weekly **Mexico edition** in Spanish, and **The New Yorker** is looking to create new products for audiences in its key markets of Canada, Australia and the U.K.

Innovation is a priority everywhere. For instance, **Condé Nast** is taking a page from Silicon Valley and running hackathons focused on personalization to innovate internally. The Globe and Mail in Canada has an **incubation lab** for new ideas and in hopes that innovation becomes part of the fabric of the company. Look for beyond-the-box thinking from more companies that are looking to change things up.

While a recent survey found that many newsrooms have a ways to go in bringing new technologies, data and a **digital-first mindset** into their organizations, there is little doubt that all of those are landmarks on the highway toward future success in media.

“Digital-only and hybrid newsrooms are outpacing traditional ones in seven of the eight regions surveyed. The leader in digital is Eurasia/former USSR, with the highest percentage of digital-only newsrooms (55%) compared to anywhere else in the world.”

— **ICFJ Survey: The State of Technology in Global Newsrooms**

## TAKEAWAY

Looking at the business from a different lens is now a survival skill in media. Expect partnerships, diversification and innovation, with the help of data, to be key assets in every publisher’s tool kit this year.

## TECHNOLOGY

Savvy companies have opened the door to business and audience data to craft richer, more personalized stories, build operational efficiencies, and understand what makes audiences tick — why they come to their content and media brands, and critically, what makes them stay. One element creating media stickiness these days is immersive video, where audiences can go all-in on the experience.

“If you can’t say that your story has been improved because it was told in part using augmented reality, then it probably shouldn’t be there — we are a storytelling company that uses technology to tell our stories, not a technology company that searches for stories worth applying our technology to.”

— **Jeremy Gilbert, Director of Strategic Initiatives, The Washington Post, as quoted in Journalism.co.uk**

### 3.1 Data Illuminates

The last year has seen media organizations embrace greater levels of content production and publishing efficiencies with the help of deep data, automation and artificial intelligence (A.I.).

Advanced applications in data and automation are becoming more widespread, particularly in newsrooms. **Reuters** is using automation to help its journalists dig up potential stories in market data sets, and Schibsted in Norway has employed browsing behavior data to help it determine which of its website visitors are more likely to subscribe so it can create messaging specifically for them. Slovakian publisher **Dennik N** shares with its journalists-owners the revenue data for every article published, with a laser focus on paid conversion. Meanwhile, *The Guardian* is building a smarter, more customized **story format** based on audience feedback and analytics, and the BBC is looking toward technology solutions to help personalize content in the many geographies it covers across **India** and other countries. Expect to see a continued rise in these activities as a way to get closer to stories and audiences.



This focus on more granular applications of asset metadata has also led to technology solutions to allow companies to jump more quickly into A.I. For example, the data-driven **Ooyala Flex Media Platform**, which connects and streamlines the entire content supply chain, works with **Microsoft Video Indexer** cognitive services to let media companies search their content archives for video, audio or text files with facial recognition, language translation, visual text identification, and more.

A.I.'s use is indeed increasing as companies determine their optimal efficiency mix between humans and machines. A 2018 report from the Reuters Institute noted that 59% of news publishers surveyed were already using the technology to improve content recommendations, and 39% for **automating workflows**. The BBC is deploying **chatbots** to help audiences grasp complex topics, and the **Toutiao** news app in China offers A.I.-driven personalized news and video feeds. *The Washington Post* is using A.I. to **surface opinion articles** with counter views, enable **branded content syndication** for advertisers, and expand its **hyper-local sports coverage**, while **Hoodline** has tapped the technology to similarly dig through mass public and private company data sets and help it find neighborhood stories across San Francisco. *The New York Times* has turned to A.I. to automate much of the **reader comment moderation process**, freeing up staff time and helping them expand the articles available for comments. And **China's** Xinhua News Agency is reimagining its newsroom with human and machine collaboration, and using cutting-edge technologies to improve all stages of news production.

Connected home and voice technologies like Amazon Alexa continue to be of interest as well. *The Columbus Dispatch*, for example, has **pushed stories** to Alexa-equipped devices like the **Amazon Echo**; that device and the **Amazon Echo Show** are building relationships with publishers to expand content for users. If that's not enough, we all may be **typing with our minds and hearing through our skin** soon, so stay tuned for more developments on the human-meets-machine front.

Blockchain is another rapidly-evolving data-driven technology that companies are pursuing to improve transactions, security and transparency. It's fueling companies like **Civil**, a publishing and crowdfunding platform for independent journalists. The capabilities of blockchain are revolutionary, so expect to see more activity emerge this year.

As deep as data is getting, audiences are becoming ever more immersed in their media experiences through video. Publishers and consumers are merging realities as we've never seen before.

A survey of 2,500 U.S. consumers and business decision makers found that 72% of business leaders believe A.I. is going to be a business advantage of the future.

— **PwC A Revolutionary Partnership: How AI Is Pushing Man And Machine Closer**, as published in **CMO.com**

### 3.2 Immersion Leads

Powerful and personal immersive technologies also continue to make their mark in the media world, whether they're overlaying our physical reality or replacing it all together. The industry is uncovering how these can supplement, enhance and differentiate content and storytelling (or "**storyliving**") to add value and drive greater levels of innovation and engagement.

With mobile phone advancements, more affordable phone data plans, and coming 5G wireless technologies, the possibilities for robust experiences on mobile are greater than ever. 5G adoption is expected to advance over the next year and Ericsson estimates that there will be around one billion **5G subscriptions** by 2023. These forward movements will help spur virtual reality (VR), 360-degree video, and augmented reality (AR). The **VR market** is estimated to reach nearly \$27 billion by 2022, while the **AR market** is forecast to be nearly \$134 billion by 2021, according to separate Zion Market Research studies. And a 2017 AOL study determined that among all new video formats, 62% of publishers and advertisers surveyed thought **360-degree video** would be the top revenue driver for the year.

**The Guardian** has been among the media companies leading the charge in VR, with multiple series covering current event and human interest stories, and a VR app for **Google Cardboard**. Travel exploration site **Atlas Obscura** has ventured into VR to extend its brand with a series on striking locations around the world. Expect to see similar companies expand their efforts, as the sense of place that VR can provide global audiences in journalism and media is among its core benefits. **USA Today** has done multiple projects with the help of Gannett's network of publications, and a recent Associated Press study affirmed that **VR does increase viewer engagement** with journalism, particularly with larger-scale experiences.

However, as a study published by *eMarketer* found, **challenges** remain with VR adoption rates including user experience, lack of high-quality content, and costs. A separate report has noted that **technological issues** with production and headsets are additional hurdles. And, after at least a few years of experimentation, organizations are under more pressure now to determine **how to make money** from the technology.



**Advertisers** are still getting their feet wet with the format; branded content has been a gateway and **VR360 ads** were found by an Omnivert study to perform better than traditional ads, so that's another avenue for companies to pursue. The advanced **Ooyala Player** is enabling media companies' aspirations in the VR and 360-degree video arena as well by supporting VR360 playback for VOD and live. Look for more innovations, including in the way VR stories are crafted, to address these adoption issues in the next year as AR is not only nipping at VR's heel but expected to surpass it.

Interest in **AR** within the industry is indeed rising, as the technology remains more accessible to producers, advertisers and users than VR — not only for the freedom it can bring from wired or clunky gear. **Google and Apple** are competing over their respective phone capabilities to support it. **The New York Times** is integrating AR into its stories, including features it published during the 2018 Winter Olympics, while *The Washington Post* has created multiple **AR experiences** as a new approach to storytelling; a recent series took audiences inside many iconic buildings around the world. **Quartz** has integrated AR features into its iOS app to provide illustration for its stories as well.

While data and new technologies have stepped up the game of many media companies, the methods for delivering content experiences and industry business models are changing as fast as one can say "Subscribe here."

"Around 257.2 million VR headsets will be in use by 2021."

— **PwC Global Entertainment & Media Outlook 2017-2021**

## TAKEAWAY

Publishing teams are becoming more connected to consumers and each other via deep data, and immersive video is creating a new reality. Look for technology advancements to continue expanding what media means and how we consume it in the future.

## CONTENT

Whether you're a glass half empty or glass half full type of media strategist, business models are diversifying rapidly with audiences at the center. Meanwhile, companies are finding their foothold in video — with new ways of looking at the medium.

"We need to get them to come often enough to want to pay....So our overarching challenge is to drive relevance to that community of people so that we understand who they are, where they are."

— **Stephen Dunbar-Johnson, President of International, *The New York Times*, as quoted in Poynter.org**

### 4.1 Content Engages

Media companies are continuing to embrace new engaging content formats and live video as a way to differentiate themselves and bring premium, real-time content to audiences who demand it.

**Facebook Live** broadcasts have doubled since they launched two years ago, although Facebook has also phased out its practice of **paying publishers** to broadcast Facebook Live content (and subsequently, live and VOD content for its news feed). The company has steered publishers to its Facebook Watch platform instead. Yet, live video may align well with recent algorithm changes that reward more engaging posts in the platform's news feed, as Facebook has historically seen **6x the engagement rates for live video** versus VOD. The company has been improving its **video compression** rates to support fast streaming as well.

**Twitter** has continued its own push into **live video** with media company partners; BuzzFeed launched a **live daily morning show** on the platform last year. Twitter is also recognizing the potential of **live-to-VOD clips** to extend revenue potential, and looking at A.I. to help it surface relevant content for users. These live video moves make sense, as 2017 GlobalWebIndex data indicates that **nearly 30% of internet users have watched a live stream** on Facebook, Twitter or Instagram.

Media companies who are making live video outside of social networks are finding success as well, including *The Guardian* and its experiments with **live video mobile alerts**. Bleacher Report launched a **live streaming sports service** featuring a variety of major and niche sports league content, which lends itself perfectly to live video. Expect to see more sports and event live content emerge as mobile video viewing continues its ascent; **Ooyala Live**, for one, helps media companies deliver and monetize high-quality live channels and events across devices, along with the Ooyala NOC for 24/7 monitoring.





**Audio content** is growing in popularity these days as well. **The Skimm**, for one, has added an app audio briefing to its video and newsletter offerings, and the Portuguese newspaper **Público** is using personalized audio pieces on its website to help people catch up on news. **Podcasts** are multiplying, as consumption data is showing high engagement and ad spend is increasing. **Branded** podcasts are growing as a result and **NPR** even has a podcast for kids. Look for the podcasting trend to continue in the year ahead, as media brands of all sizes can cost-effectively participate.

Still more alternative content approaches are in play. BuzzFeed is expanding **verticals** like its hit Tasty food channel and testing a strategy to encourage **appointment viewing** of the content it distributes. The BBC is examining a number of **new formats** for digital, and multiple publishers are now making shows for **Netflix**. Look for more companies to leverage their databases and archives and build content their audiences want, their way.

It's a great time for new content approaches, as more immediate and engaging formats may be just what the doctor ordered for publishers looking to support shifts in revenue structures.

“Video will make up 82% of all internet traffic in 2021.”

— **Cisco VNI Global Fixed and Mobile Internet Traffic Forecasts**, as published in **Recode**

#### 4.2 Models Expand

Media organizations are figuring out how to manage consumer movements, industry pressures and technological advancements. They're also looking at innovative and alternative ways to monetize content and diversify revenue streams, which are transitioning more and more toward audience-paid options as the dominant model.

A recent study noted that among the **top reasons consumers pay for news** are coverage of a particular topic of interest, friends and family recommendations, and special offers. Free content, lack of interest and cost are reasons they *don't* pay. Europe has many **regional differences** in the ways that publications approach paid models, according to the *Reuters Institute Digital News Report 2017*. The report **noted** that markets with low competition like Poland and Finland tend to have more paid models in place than more competitive markets like Germany. And among pay models overall, freemium models are dominant, with metered paywalls running a distant second.

Looking at paywalls, *Wired* launched its **metered paywall** earlier this year and *The Boston Globe* has found subscription success fine-tuning its own metered paywall. *Vanity Fair* has a new paywall in place for its content, with perks (exempting videos and slideshows) including access

to the magazine's digital archives and a subscription-only newsletter. Germany's **Zeit Online** is not only putting up a paywall but also looking for younger audiences via events. **Medium** has expanded publishing behind its paywall, while *The Atlantic* has a paywall and a membership program now in place. Expect to see companies create more experiments in this area, including testing price points and the optimal ratio of premium content in front of and behind their paywalls.

Subscription-based models are also a cornerstone of success today, as print subscribers march onward to digital screens. A recent study by the **American Press Institute** found that the median digital subscription cost among 100 U.S. newspapers was \$2.31 per week (about \$10 per month). At the same time, **Scandinavian countries have indexed high on digital subscriptions** to online news, outpacing even the U.S. A separate survey determined that publishers in **Europe** are exploring expansion into more subscription-based models, looking to invest in user flow optimization and editorial content, and enabling a better understanding of data within their newsrooms to better support those models.

Among the many recent subscription activities: **Bloomberg** is reportedly moving to a subscription model. *The Seattle Times* is prioritizing **newsletters** to turn on its digital readers to subscriptions. *The New York Times* is becoming a “**subscriber-first**” company focusing on **retention**, and it launched a **subscription** Cooking product given that one of its most searched words has been “chicken.” The publication is also giving subscribers **early access** to its documentary podcast series.

The Information has launched **multiple subscription tiers**, including a high-end level with briefings done in person. **The Ken** in India gives subscribers one long-form article a day and a number of subscription options. **CNN** is even planning subscriptions for its digital news. Platforms are supporting subscription efforts as well: **Apple News** is planning a subscription service and sharing those revenues with publishers, while **Google** is prioritizing stories of publications that audiences subscribe to in their searches, to help with targeting and retention.

Still other monetization methods, and mixes of those, are bubbling up. *The Guardian* now brings in **more revenue** from its readers (via subscriptions, memberships, newsstand sales and contributions) than it does from advertising. Coconuts in **Asia** relies on a revenue portfolio that includes production and content licensing along with more traditional sources. *Sports Illustrated* launched its own \$4.99 per month OTT video service through Amazon Channels that is now moving toward linear **skinny bundles** and Condé Nast is going the **OTT** route for some of its brands, too. *The Telegraph* is betting on **ecommerce** led by travel while Hearst Magazines is expanding into **affiliate ecommerce** approaches. Top publishers with renowned brand names are exploring more **brand licensing** options, and **micropayments** are still being considered.



Expect to see continued news about additional revenue experiments (more **sponsored subscriptions**?) in the space this year as companies search for the magic revenue elixir.

Meanwhile, advertising, the grande dame of digital revenue models, is fighting back against consumer malaise. It's bringing brands and audiences closer than ever through new approaches and the power of deep ad data.

44% of digital publishers surveyed worldwide said subscriptions would be an important revenue stream in 2018, while 40% said video (either sponsored or advertising).

— **Reuters Institute: Journalism, Media and Technology Predictions 2018**

## TAKEAWAY

Content engagement and revenue diversification are growing priorities for the media industry. Expect to see these come together more as companies look to create the ideal mix of experiences for audiences with the help of data.

## ADVERTISING

Digital video advertising is evolving in the face of the Facebook-Google duopoly and audience fatigue with ads in general. Companies are looking to build a better ad mousetrap with data-driven methods, which are becoming more critical than ever to reach and hang onto elusive consumers, streamline processes, and create more transparent, secure environments.

“The days of advertising as we knew it are waning. Marketers need to know how to do either high-quality programming or create products or experiences that actually give value to people. That doesn't mean there won't be campaign advertising, but respect people's time, privacy and data. The marketer creating a relationship with the content provider for whom the audience is coming is really important.”

— **Meredith Kopit Levien, EVP and COO, *The New York Times*, as quoted in **Digiday****

### 5.1 Formats Evolve

#### Digital video advertising and mobile video advertising

continue on an upward streak, according to 2018 IAB research. This is true in the U.S. and in markets such as **Australia** as well. Social titans **Facebook and Google** together collect more than 80% of all new ad dollars globally, but *eMarketer* notes that revenue share is starting to be taken by **Amazon** and other top social players.

A Morning Consult study found that 67% of those Americans polled **would not pay more** for a version of a service sans ads. Yet, in the same way that many television networks are reducing their heavy ad loads, some publishers are purging their own **cluttered ad environments** — dropping annoying formats and ad placements to build better viewer experiences and engagement, reduce ad blocking, and ultimately, improve overall ad revenue.

The time is right for this. *eMarketer* notes that **ad blocking** is still increasing on desktops and increasingly, mobile devices; it estimated that by year-end 2017, over one-third of people in the U.S. who use ad blockers would block ads on their smartphones. Publishers in **Germany**, where ad blocking rates are among the **highest**, were recently dealt a setback in their battle against ad blocking companies. The rates are similarly high in the U.K., where ***The Financial Times***, for one, is now restricting content for registered users of its website who use ad blockers. Meanwhile, **Google** introduced its Chrome ad blocker for desktop and mobile. This blocks websites that don't conform to the **Better Ads Standards** from the Coalition for Better Ads; it also includes ad formats that don't conform to the standards including autoplay ads with sound and pop-ups. Look for



ad blocking restrictions to become more severe for users, beyond passive methods like educational messaging, as the problem worsens for publishers.

More creative approaches to traditional ad formats and **data analysis** have indeed been top of mind for publishers who want to counter ad blocking and retain audiences and revenue. **Buzzfeed** has introduced some new formats, including one that can help marketers repurpose their television ads quickly for mobile environments. Internet content aggregator Reddit introduced **video ads**, while **Vice** redesigned its site and removed intrusive ads, and saw time spent and engagement grow.

On the platform side, Facebook introduced **in-stream only** video ads to mirror its rivals and has found success for partners with mobile-friendly **six-second ads**. **Branded video content** is in a growth phase, although it is still tough to scale. Vox launched a video-based **branded content studio** while **PopSugar** has found success using audience and intent data to boost its branded content business. Publishers are wise to keep experimenting and searching for fresh ways to deliver targeted messages; indeed, a survey from Adobe Digital Insights found that participants generally think digital **ad quality and relevance have improved** in the last few years. Expect to see publishers continue honing their format strategies this year to reach fickle audiences who are looking at ads and media with a critical eye these days.

These insights and happenings are being spurred by data-driven advertising methods and technologies, and more advanced ones are now stepping forward to lead us into the next era of advertising.

Mid-roll completion rates were higher on publisher platforms in Q4 2017 than in Q3 2017: PCs saw the highest mid-roll ad completion rates at 92%, up from 88%, tablets were at 84%, up from 82%, and smartphones were at 75%, up from 73%.

— **Ooyala Q4 2017 Global Video Index**

## 5.2 Ad Tech Excites

Publishers are turning more and more to their own data troves and to technology to improve their ad businesses and bring value to their audiences.

The media monetization platform Invisibly, for example, aims to use more precise targeting via engagement data to create better micropayment and **advertising options**. **Hearst** looks at its audience and consumption data to build relevant messaging and experiences for **brands**. And **The Economist** is using its subscription and transactional data to connect marketers with its audience outside of its platforms. As these activities move forward, publishers and platforms alike are uncovering the ways in which the **GDPR**

will impact how consumer data is collected for ad targeting purposes as well. Publishers in **Germany**, which already has a long history of prioritizing consumer data privacy, are prepared; they're focusing on the proposed **ePrivacy law** in the EU that is centered on items such as more complex consent for cookies.

While this is going on, programmatic advertising technology continues to dominate. *eMarketer* estimates that advertisers will spend \$13.22 billion on **programmatic video ads** in 2018, or 74% of all U.S. digital video ad outlays, rising to over 79% by 2020. **Vox** is one media company that now has come around to programmatic ads. And, like many other markets, **Malaysia** now has a programmatic marketplace for publishers. Expect to see more publishers **aligning** their programmatic advertising businesses like this to build scale, efficiencies and a collective bulwark against Google and Facebook.

Publishers continue to focus on building efficiencies and quality environments, including resolving brand safety issues with the major platforms. Data — along with technology — is again a critical foundation for meeting these challenges. Blockchain technology is helping companies to **increase transparency** across their ad data while A.I. and **machine learning** technology tools promise to help publishers use asset data to streamline operations and connect consumers and video content with advertising in dazzling new ways. Once again, it's all about data this year — and beyond.

Programmatic trading will make up 67% of the global digital display market by next year.

— **Zenith research, as published in The Drum**



## TAKEAWAY

Advertising is changing to reflect market realities, with new engaging formats and data-driven technology as drivers. Look for more personalized approaches to serve audiences and advertisers alike in 2018.

## CONCLUSION

It's been **said** that "big data is the great equalizer," and that remains true for all media companies today. Data is at the center of a dynamic era in the industry, and along with video, promises to reset what media will mean to the world in the years ahead. Publishers who look forward — whatever size they may be — understand the power of data to enlighten, strengthen and lead them into the next era of media.

“Any media business that isn’t sure why they need to exist or why their content is good but seems to have found an audience regardless will probably be facing some serious problems very soon.”

— **Jessica Lessin, Founder and Editor-In-Chief, The Information**, as quoted by **@StanfordGSB** from the **Stanford Future of Media Conference 2018** on **Twitter**



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