



**Future of video publishing and
implications on core monetization models**

Contents

Introduction	3
Changes in consumer preferences	4
Technology enablement	
Behaviors and expectations	
Future evolution	
Implications for traditional video publishers	
Changes to the advertising market—and the impact on video publishers	8
Digital publishers and the market-leading duo	
Technology enablement	
Behaviors and expectations	
Future evolution	
Implications for traditional video publishers	
Economic pressure for video publishers	12
Revenues	
Costs	
Bottom line	
Transformative steps to refocus the video publisher business	16
Ten-year strategic framework	
Six-month kick-start: Five immediate priorities for video publishers	
Conclusion	20

Introduction

If there has been any one constant over the last 20 years, it is that technology innovation will continue to accelerate the media evolution. Consider the massive changes that have impacted print, audio, and filmed content over the past several decades:



Print: Under pressure for much of the twenty-first century, newspaper revenues declined from \$60 billion to \$30 billion between 2005 and 2010.¹ This shift was not restricted to younger generations, given that a majority of US adults over age 50 now obtain news from social media, a channel that was almost nonexistent a decade ago.



Music: In the mid-1970s, vinyl and 8-track tapes were the premier consumer music ownership mediums. Both were obsolete by the 1980s, replaced by the cassette, which was overtaken by the compact disc in the 1990s. Now, all physical mediums have been replaced by digital music and streaming services.



Film: In 1930, 80 million Americans—about 65 percent of the population—visited a movie theater weekly. By the 1950s, after the introduction of three major broadcast networks, just 30 percent of the population did so. By the early 1960s, only 10 percent of Americans went to the movie theater weekly.²

These examples illustrate that as technology advances, the way people access content changes dramatically along with the underlying economics and value chain of the media industry. This report will provide perspectives for how traditional video publishers (the sell side) should think about the future—and the transformation necessary to get there. We will examine:

1. Changes in consumer preferences
2. Changes to the advertising market—and the impact on video publishers
3. Economic pressure for video publishers
4. Transformative steps to refocus the video publisher business

Changes in consumer preferences

In the mid-1990s, before the rise of the consumer internet, “Family Night” often featured a battle for the TV remote—a confrontation that sometimes turned physical. The winner chose the TV program or movie that the whole family would watch. The options were limited to scheduled programs on each channel, with some better prepared families renting movies or TV shows at the local video store.

In 2018, family members have access to content curated to individual tastes, on their own devices, available whenever they want. This is possible due to the acceleration of internet speeds, leaps in mobile technology, and the proliferation of over-the-top (OTT) content such as Netflix and YouTube. Collectively, the family has undergone a radical behavioral shift favoring personalized, on-demand access over the shared family TV experience. What does this mean for traditional video publishers?

Technology enablement

Enhanced internet connection speeds laid the groundwork for streaming of high-quality video content, irrespective of device. From 2012 to 2017, connection speeds in the United States increased an average of 28 percent annually after remaining relatively flat in the four years prior.³ This increased bandwidth allowed customers to stream video instantly over the internet instead of waiting hours to download content—or days for the delivery of a DVD. In 2011, Netflix began its meteoric rise by spinning off its DVD business and fully committing to streaming content.⁴

Smartphones leveraged increased internet speed to provide consumers with access to video content on the go. Though smartphone technology is about 10 years old, the average American now owns four mobile devices capable of accessing video content.⁵ Experiences once confined to the living room are now accessible anywhere,

in the palm of one’s hand. Furthermore, the app-based operating systems on phones and tablets (plus smart TVs and some laptops) have provided OTT services and publishers with direct access to consumers.

These two advances have led to an explosion in content to suit user tastes, both broad and niche, thus threatening the established video players. Between 1965 and today, consumer television expanded from three broadcast networks to more than 500 cable providers. Now, these traditional providers are being dwarfed in the OTT medium, where there are hundreds of thousands of digital channels (e.g., YouTube, Vimeo).⁶ As the proliferation of OTT offerings continues, there will be some winners, many losers, and consolidation. Regardless of the future of OTT, this technology has challenged the pay-TV bundle.

Behaviors and expectations

Consumer adoption of video streaming services has been broad, with many adopters becoming super-consumers. A recent Deloitte study shows 55 percent of US households subscribe to a paid streaming video service, and close to 50 percent of all US weekly video viewing (TV shows and movies) occurs through streaming services.⁷ Among younger generations, adoption is more staggering: 70 percent of Gen Z (ages 14–20) households have a streaming subscription, followed by Millennial (ages 21–34) and Gen X (ages 35–51) households, at 68 percent and 64 percent, respectively (see figure 1).

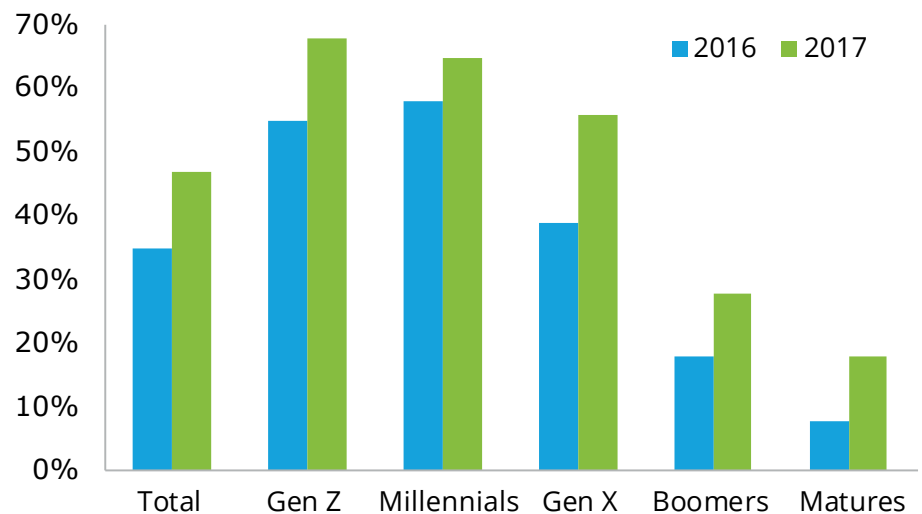
Unbundled streaming choices are putting pressure on the traditional pay-TV model. US household pay-TV penetration dropped to 63 percent in 2017 after hovering around 75 percent for years. Among survey respondents who no longer have a pay-TV subscription, 27 percent cut the cord in the last year. What's more, 16 to 22 percent of Gen Z, Millennial, and Gen X households have never subscribed to a pay-TV service—and are unlikely to do so. Although the traditional pay-TV model is being challenged, younger generations are still paying for content: 17 percent of Gen Z and 14 percent of Millennials have a news service subscription, while 40 percent of Gen Z and 37 percent of Millennials have music streaming subscriptions.⁸ The way in which Americans consume video content is indelibly shifting away from traditional TV, just as music consumption shifted from linear radio to personalized streaming services.

Consumer video consumption is no longer focused on the TV, with users increasingly enjoying a seamless video experience across all screens. According to a recent Deloitte survey, mobile devices now account for 61 percent of short-form and 35 percent of long-form video plays.⁹

Figure 1. Video streaming's popularity bridges multiple generations

Video streaming behavior, 2016–2017

Do you stream television programming every day/weekly?



Source: Digital Media Trends Survey, 12th Edition: *A new world of choice for digital consumers*, Center for Technology, Media & Telecommunications, Deloitte LLP, 2018.

Future evolution

The trends seen in content consumption will likely not slow down. Compelling content delivered through online video options will increase and attract close to 50 million additional users in the United States through 2022,¹⁰ while traditional video services will continue to experience customer churn. Cord cutting will steadily climb, from 69 million to 95 million in the next four years.¹¹ Clearly, users are shifting away from the legacy model of bundled TV. In 2018, ratings for major awards shows, generally benchmarks for the health of live TV, recorded significant declines—some to all-time-low audiences.¹² In response to changing consumer tastes, traditional video publishers are introducing linear OTT and skinny bundles, which will double to more than 15 million subscribers by 2022.¹³ As TV unbundles, new habits will likely form around total streaming services, and top OTT platforms will likely grow in importance and adoption.

Consumer technology, content delivery, and content discovery will likely also continue to evolve. Augmented reality and virtual reality (AR/VR) and other immersive experiences are starting to push the boundaries of the consumer video experience, while digital assistants such as Amazon's Alexa and Google Home can change consumer behavior when it comes to content discovery. Incumbents should expect continued innovation and disruption from rival publishers, both traditional and emerging. The winners will likely redefine how they interact with consumers in the form of new, intuitive, and immersive user experiences.

Implications for traditional video publishers

Traditional video publishers should acknowledge the evolution of content delivery and flex their efforts accordingly. To relate to customers, and especially to younger generations' typical limited tolerance for "commercially overt" advertising, publishers should activate "frictionless" advertising experiences that reflect a more balanced value exchange between consumers and marketers. For example, select research has shown 15-second ads to be more effective with consumers than 6- or 30-second ads.¹⁴ Search ads, native advertising, influencer marketing, and branded content continue to perform well, while a recent Deloitte survey¹⁵ indicated that 83 percent of consumers prefer to skip an online video ad if allowed. Adding to that, for online movies and TV, 50 percent of Millennials would prefer to pay for content to avoid ads.¹⁶

If consumers continue to shift consumption from advertising-based video toward subscription-based video, many publishers will be required to experiment with alternative business models. While there is a general understanding of the eventual need for this shift, many publishers are adapting slowly in hopes that viewership will rebound, which is unlikely. We believe that the 2018 year-over-year decline in traditional TV subscribers will increase the urgency to adjust business models.

Publishers should also adjust measurement tactics to align with viewership behaviors. As outlined above, consumers have an ever-broadening range of viewing options for video content. This has pushed video consumption patterns to become increasingly fragmented and individualized. Original air-date viewership is no longer an accurate measurement of consumer engagement, considering the shift to on-demand streaming and away from the traditional TV broadcast. According to a recent Deloitte survey, live programming accounted for only 42 percent of TV viewing, with remaining viewing occurring on digital and time-shifted platforms.¹⁷ Instead, publishers should build capabilities to measure cross-device viewership at different intervals (e.g., original air date, t+3 days, t+7 days).

Expect the consumer-centric trend to continue to impact video marketing by driving the growth of user-friendly advertising, reducing ad loads, and leading to adoption of more subscription-only services.



Changes to the advertising market—and the impact on video publishers

In the mid-1990s, consumer products companies like Procter & Gamble built their brands with the families who were arguing over the TV remote. They engaged ad agencies to identify target markets, build storyboards, run focus groups, finalize copy, and purchase spots with national and local broadcast networks. Today, these same consumer products companies develop customer profiles and advertising-campaign content in-house, purchase inventory programmatically to target specific consumers, and measure campaign results with deep data-driven insights from publishers. Many argue that the market-leading duo of digital advertising—Facebook and Google—have redefined ad-buyer expectations with targeting and measurement capabilities that have surpassed those of traditional publishers.

In the first section, we reviewed external consumer pressures on traditional video publishers. Now we will examine the paradigm shifts taking place in the video advertising industry.

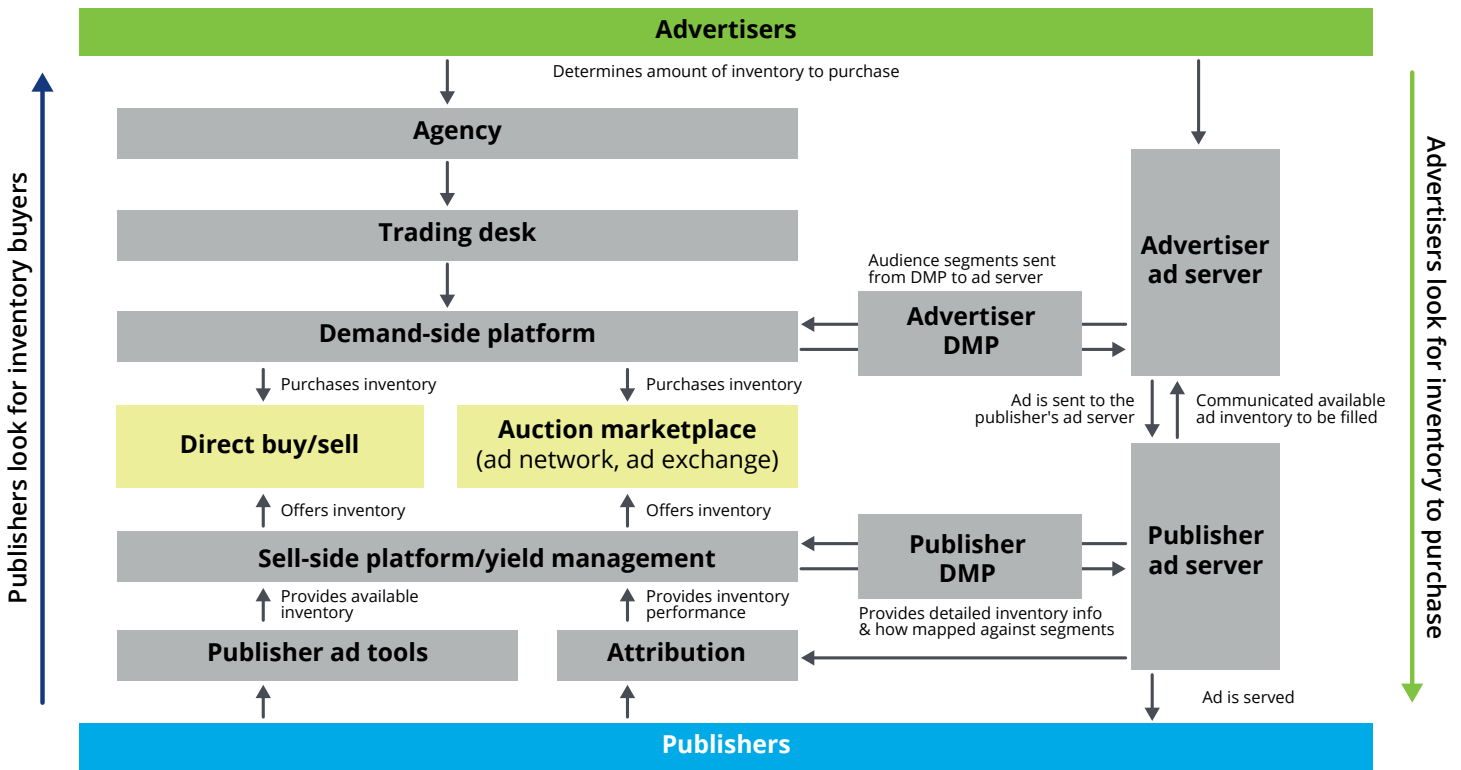
Digital publishers and the market-leading duo

Although interactions among players in the advertising ecosystem are unlikely to change in the near term (see figure 2), digital is becoming the preferred channel for video advertising. Traditional TV advertising is still king, with its current baseline of more than \$70 billion in the United States, but it is expected to gradually decline. In comparison, digital video advertising is forecasted to nearly double between 2018 and 2022 to more than \$50 billion (see figure 3). It will not be long before digital video advertising revenues surpass those of traditional TV advertising.

The market-leading duo is currently dominating the broader digital advertising market: It is estimated these two companies will control close to 60 percent of digital ad revenue in 2018 (see figure 4). In

addition to their current size, they also capture more than 60 percent of digital ad spending growth. The key driver of success for both Facebook and Google has been the development of incredibly sticky platforms that capture global, highly engaged audiences and, as a result, can command high ad-selling unit prices, or CPMs (cost per thousand impressions). Aside from operating popular front-end platforms, these publishers have armed their sell-side infrastructure with feedback loops that become more powerful as they grow. Their advertising models balance the needs of consumers (personalized experiences), advertisers (efficiently meeting and measuring objectives), and publishers (staying “top of mind” with media buyers).

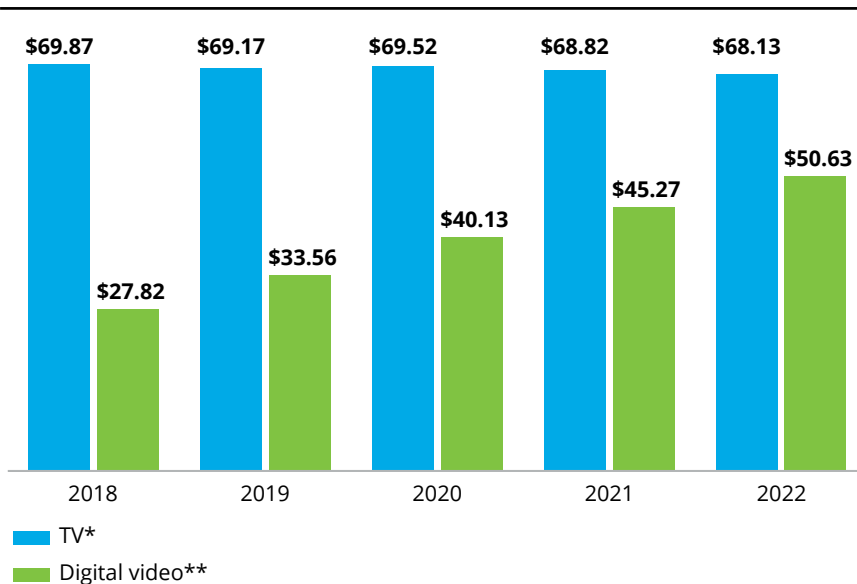
Figure 2. Representation of the advertising ecosystem



Source: Deloitte LLP, 2018.

Figure 3. Digital video ad spending is approaching that of traditional TV

US TV and digital video ad spending, 2018–2022 (\$B)

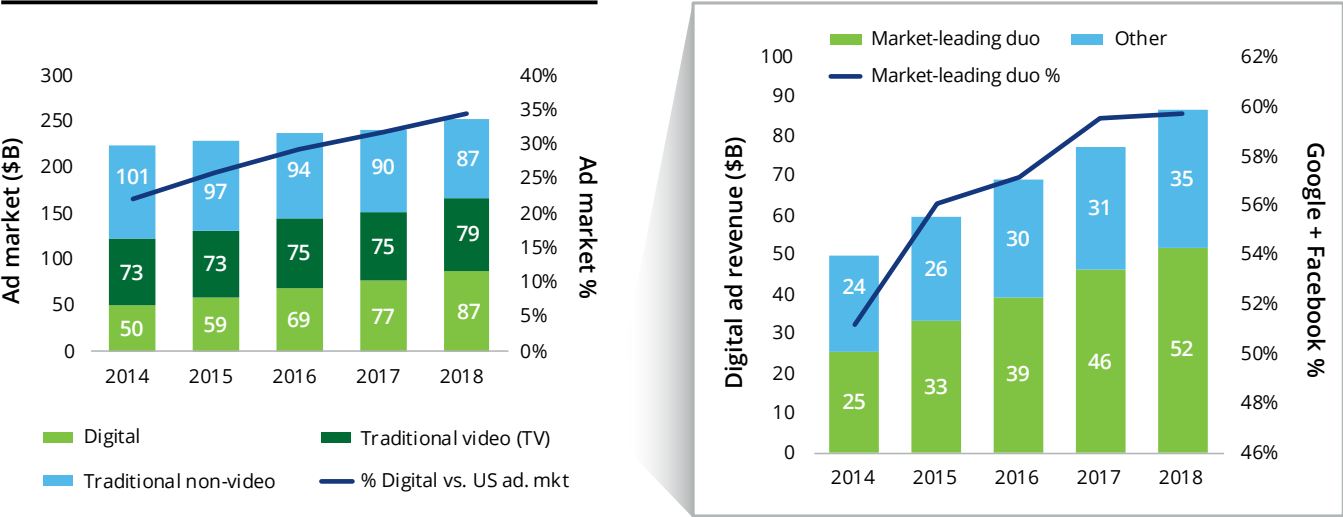


Note: * includes broadcast (network, spot, and syndication) and cable TV; ** includes in-banner, in-stream, and in-text; includes advertising that appears on desktop and laptop computers as well as mobile phones and tablets.

Sources: "Q3 2018 Digital Video Trends," eMarketer.

Figure 4. Digital is driving more revenue growth than TV, due to success of the market-leading duo

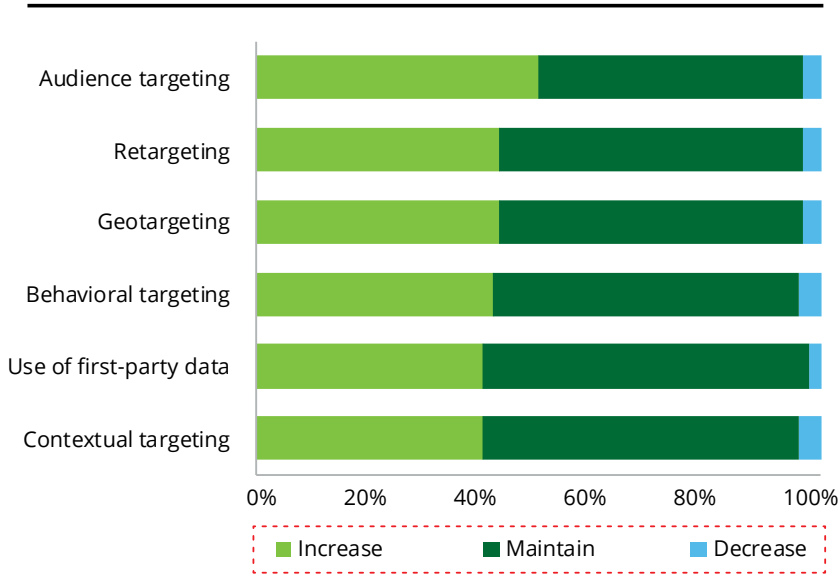
US advertising market (\$B)



Sources: "Advertising Forecasts: U.S. Market Trends & Data for All Major Media," SNL Kagan, 2017 edition; Deloitte analysis.

Figure 5. Consumer targeting has become a competitive differentiator for advertisers

Advertising focus areas from market study



Source: SNL Kagan.

Technology enablement

Many advertisers are leveraging digital and data-driven capabilities to differentiate themselves through targeting technology, with increasing emphasis on measurement, attribution, and analytics capabilities. Forms of targeting include audience targeting, retargeting, geotargeting, behavioral targeting, use of first-party data, and contextual targeting. These can enable advertisers to acquire audiences that are most receptive to certain products and strategies. Regardless of the targeting form, the objective is increased efficiency and effectiveness in moving consumers from “awareness” to “conversion” (see figure 5), driving greater ROI from campaigns. The market-leading duo have differentiated their inventory to advertisers by leading their peer group with targeting functionality.

Behaviors and expectations

The emergence of targeting technology has led buy-side advertisers to raise their expectations for traditional sell-side advertisers, specifically around pricing, targeting, and attribution. Today, expectations for sell-side video publishers include:

- **Contextually relevant, targeted results to drive customer conversions:**

Platforms are expected to more effectively leverage first- and third-party user data to drive acquisitions and conversions, thereby improving marketing ROI and measuring cross-channel lead-to-opportunity effectiveness.

- **Engagement or performance-based business models (e.g., cost per click) to help reduce media buying risk:**

The use of performance-based models distributes risk across advertisers and publishers by charging only for actions. In contrast, impression-based, or CPM, models incur charges regardless of performance.

- **High reach across all major advertising sectors, with a single buy:** Platforms (i.e., two-sided networks) aggregate audiences interested in a variety of verticals by providing a wide range of consumer-focused products and services. Larger and more diverse audiences become more appealing to ad buyers seeking broad marketing reach.

Future evolution

In the long term, the majority of inventory will be transacted programmatically and rely on first-party data to drive efficiency and effectiveness. In the short term, premium publishers will focus on content quality as buyers are still accustomed to buying “age, gender, geo.”

Implications for traditional video publishers

Near term, the biggest challenge for premium publishers is their ability to maintain ratings while growing digital experiences. If the content is premium (i.e., brand safe) and they can offer things like competitive separation and other buy-side requirements, there will be many buyers. Long term, the challenge will be introducing new business models to support the increased content production costs.

Economic pressure for video publishers

Shifts in consumer tastes and the advertising market have unsurprisingly affected the bottom line of traditional publishers (see figure 6). The race to develop programmatic systems, target consumers, and chase premier content has often strained both sides of the publisher's P&L. As these pressures ramp up, publishers should evolve the status quo profit model.

Revenues

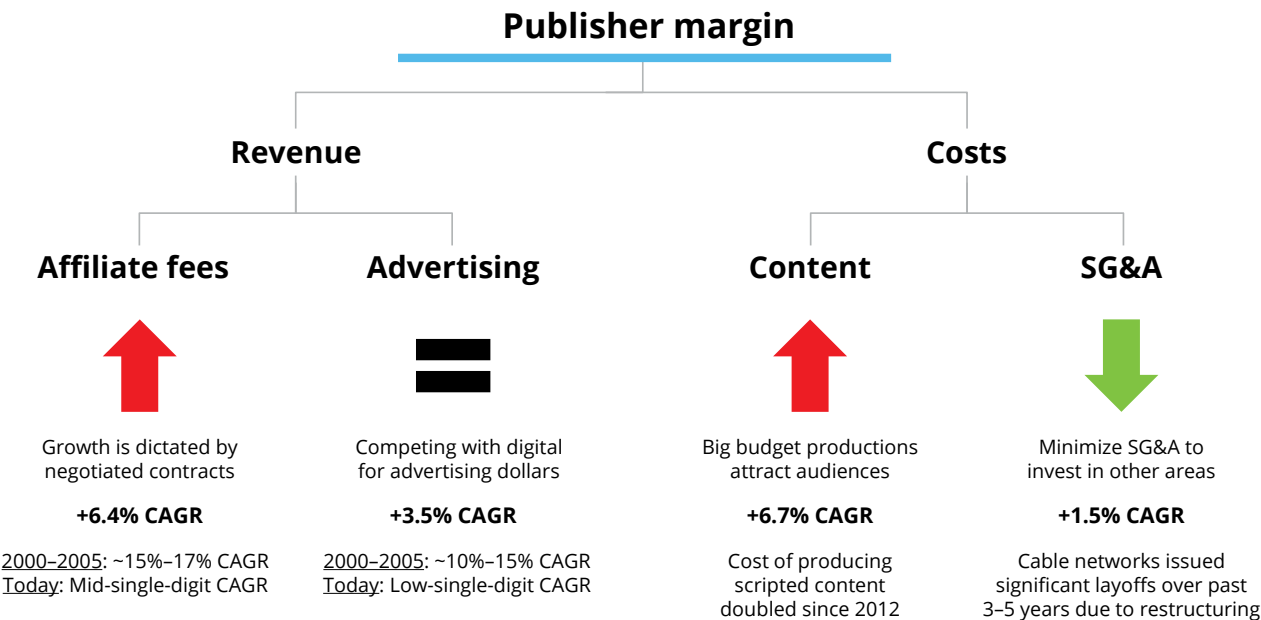
Traditional video publishers have historically balanced advertising revenue with carriage fees, evidenced by the near-50/50 split between the two revenue segments as recently as 2007 (see figure 7). However, effectiveness of digital ads and shifts in viewing habits have pulled ad spending and subscribers away from pay TV. Both trends are putting pressure on revenue generation:

- From 2000–2005, publishers increased affiliate fees by up to 15 percent annually. Since then, the annual growth rate of fees dropped to 6.4 percent due to pushback from multichannel video programming distributors (MVPDs).¹⁸
- Advertising revenue growth during this same period was flat—excluding political years and major sporting events such as the Olympics.¹⁹
- Year-over-year CPM/rate increases, while relevant, are starting to be outpaced by ratings declines—especially in local TV.²⁰

The impact to revenue contribution is considerable: affiliate fees now contribute more than 62 percent of cable programming revenue.²¹ Combined with the annual decline in subscriptions for even the most popular content, such as ESPN (see figure 8), this imbalance is likely unsustainable, and publishers should eventually generate revenue in ways other than increasing affiliate fees on a smaller user base.

Some publishers have reacted by carving out content and developing owned-and-operated subscription video on demand (SVOD) properties, yet this requires years of strategic vision and high investment. A reasonable short-term solution may be to focus on protecting advertising revenue with advances in advertising products, such as data-driven, targeted advertising. A proactive business model shift to refocus on advertising capabilities can help stem the tide of revenue declines.

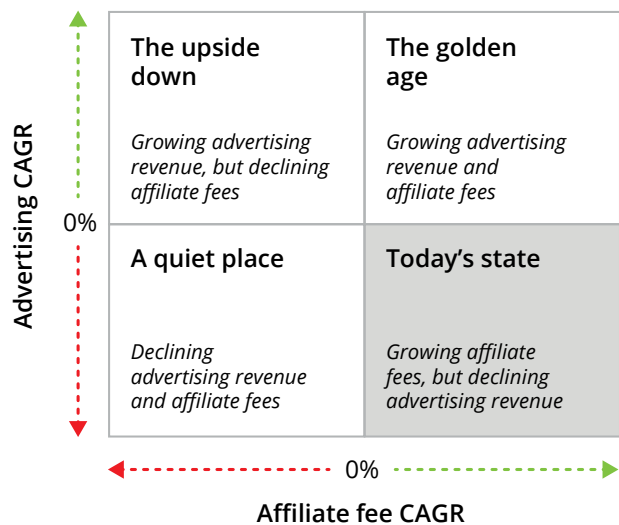
Figure 6. Publisher margin illustration, including recent trends



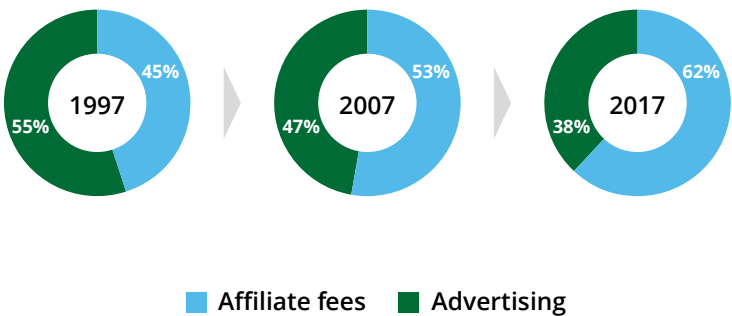
Source: Deloitte Market Study, 2017.

Figure 7. Revenue from affiliate fees outpaces advertising income

Cable programmer revenue mix



Cable programmer revenue mix

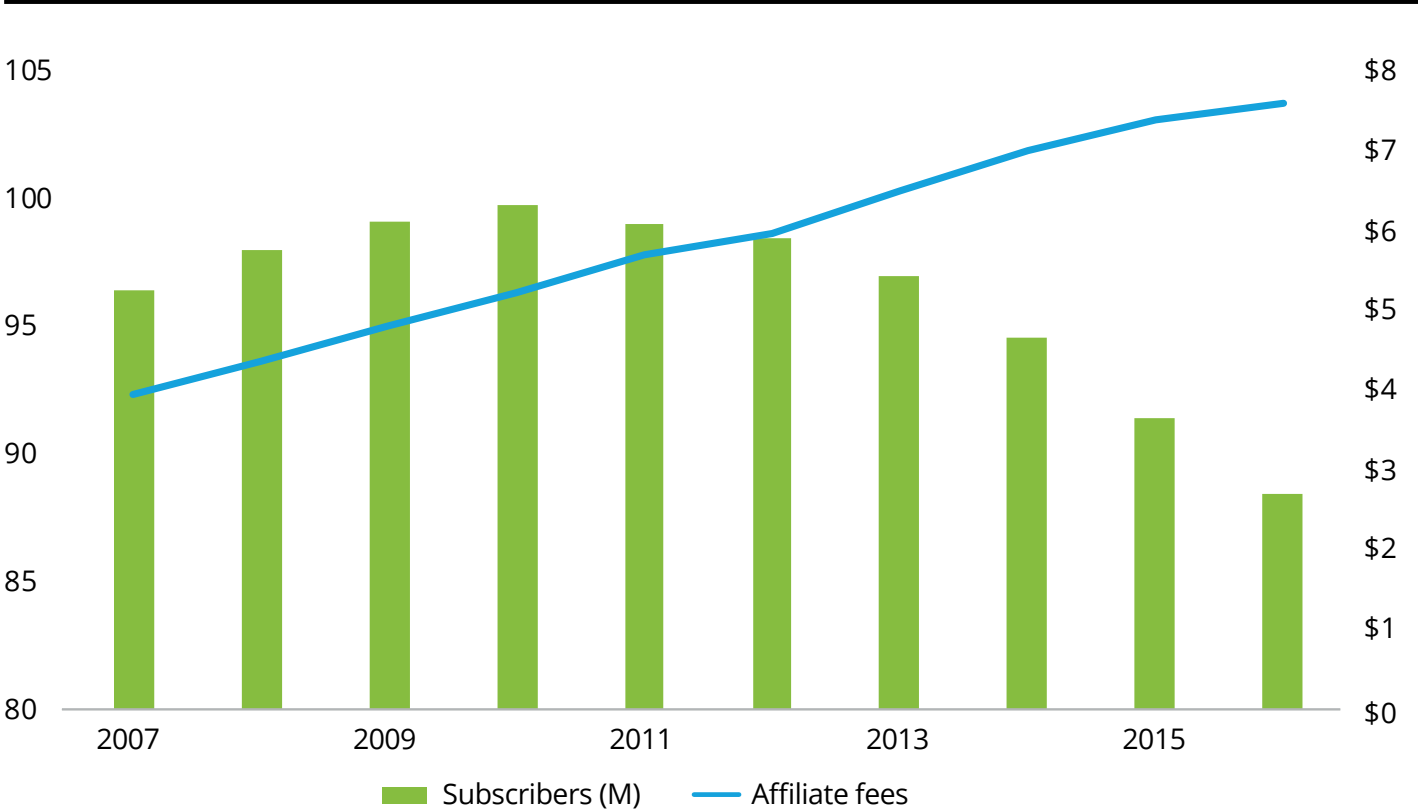


Unlikely affiliate fees will continue to offset slowing advertising growth rates

Sources: "Economics of Basic Cable Networks," SNL Kagan, 2017 edition; "Advertising Forecasts: U.S. Market Trends & Data for All Major Media," SNL Kagan, 2017 edition; Deloitte analysis.

Figure 8. Annual subscription declines and associated affiliate fee increases

ESPN subscriptions (M) vs. affiliate fees (\$)*



*Monthly affiliate fee per subscriber per month

Sources: SNL Kagan.

Costs

Costs have also increased considerably as several key technology players such as Amazon, Google, and Apple invest in content and programming to engage customers on their platforms. Combined with Netflix, which is estimated to have a current annual programming budget of close to \$10 billion,²² the arrival of highly liquid tech companies in the programming market is driving up costs and pressuring the budgets of traditional video publishers:

- Since 2012, the cost of producing scripted video content has nearly doubled, while the number of scripted shows has increased 34 percent (see figure 9).
- The amount of long-form content (greater than 20 minutes) processed in first quarter 2018 was 189 percent higher than a year earlier.²³
- Viewership continues to concentrate on the top properties; for cable programmers, 80 percent of operating revenue goes to the top quartile (see figure 10); for OTT, 80 percent of revenue is accounted for by SVOD and its three key players: Netflix, Amazon, and Hulu.²⁴

These cost trends point to a highly fragmented market in which the top companies garner most of the spoils. As expected, this has led to an arms race for premium content. We anticipate that competition for high-quality content will accelerate over the next decade.

Publishers can attempt to counteract content cost increases by reducing other costs such as integrating programmatic capabilities into the ad-buying process. Programmatic has been shown to reduce SG&A associated with selling spots, with adoption likely to increase in the future as the industry moves toward more automated and tech-driven solutions.

Bottom line

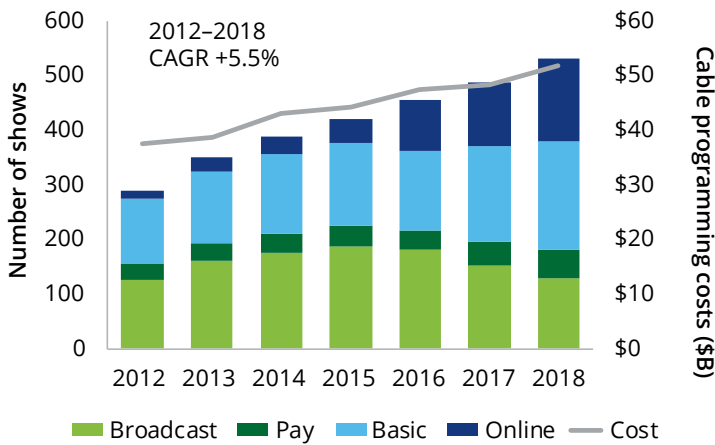
We see no reason to believe that declining carriage fees, mounting subscriber losses, and increasing content creation costs will abate. While profitability pressures should continue to grow, most concerning is the possibility of a significant reduction in linear TV content quality. If traditional publishers are unable to compete with tech titans on content costs, it is likely that content quality

will become weaker and they will concede a historical advantage. As a result, viewership will likely decrease, and publishers will no longer be able to demand the carriage fee increases that are keeping revenue afloat. A self-perpetuating cycle will likely ensue where carriage fee declines limit capital available for content spending.

Publishers seeking to circumnavigate this trend should focus on the other side of the revenue equation: ad revenue. Recommitting to generating advertising revenue by improving the ad-buying experience (e.g., programmatic purchasing and targeting) and commanding higher advertising prices (e.g., through better targeting) can help stimulate revenue that is otherwise decreasing.

Figure 9. Increase in content costs, 2012–2018

Increase in content and costs



The **number of scripted shows** has increased 34% since 2012

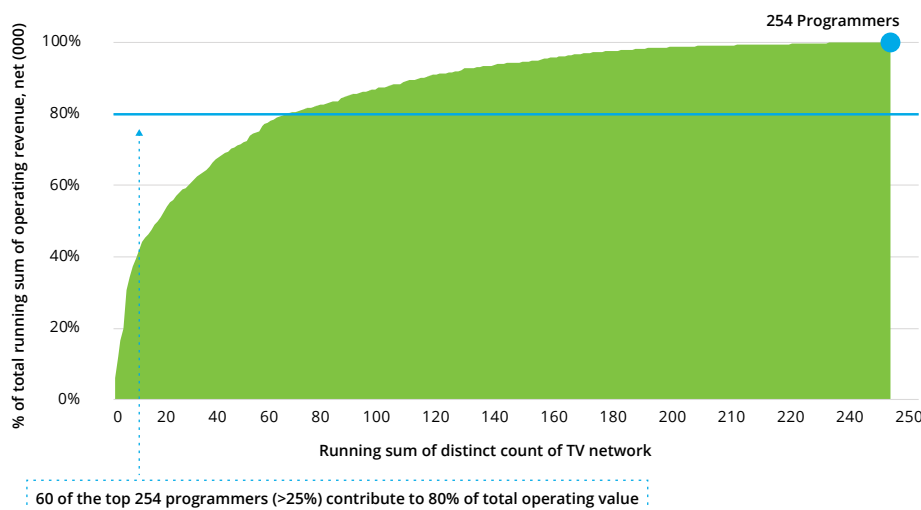
Production budgets have **nearly doubled** in the past five years

2012	2017	
\$1.5–3 million	\$5–7 million	1 hour on premium cable and streaming
\$1–1.5 million	\$1.5–3 million	30 minutes on broadcast and basic cable

Sources: SNL Kagan, Variety.

Figure 10. Concentration of programmer revenue

Operating revenue by US programmer



Sources: SNL Kagan.

Transformative steps to refocus the video publisher business

To evolve with consumer tastes and technological capabilities while optimizing profitability, sell-side video advertisers should lean in to change. Specifically, they should prepare to strategically refocus their business on digital capabilities. This is not an overnight solution and requires an emphasis on both the long and short term. One can equate it to being asked to build a new plane while still flying the current one—all while meeting quarterly revenue targets and margin goals. We believe this starts with a ten-year strategic framework that arrives at digital fluency, while also following a six-month kick-start plan of five distinct actions leaders can take today to compete tomorrow.

Ten-year strategic framework

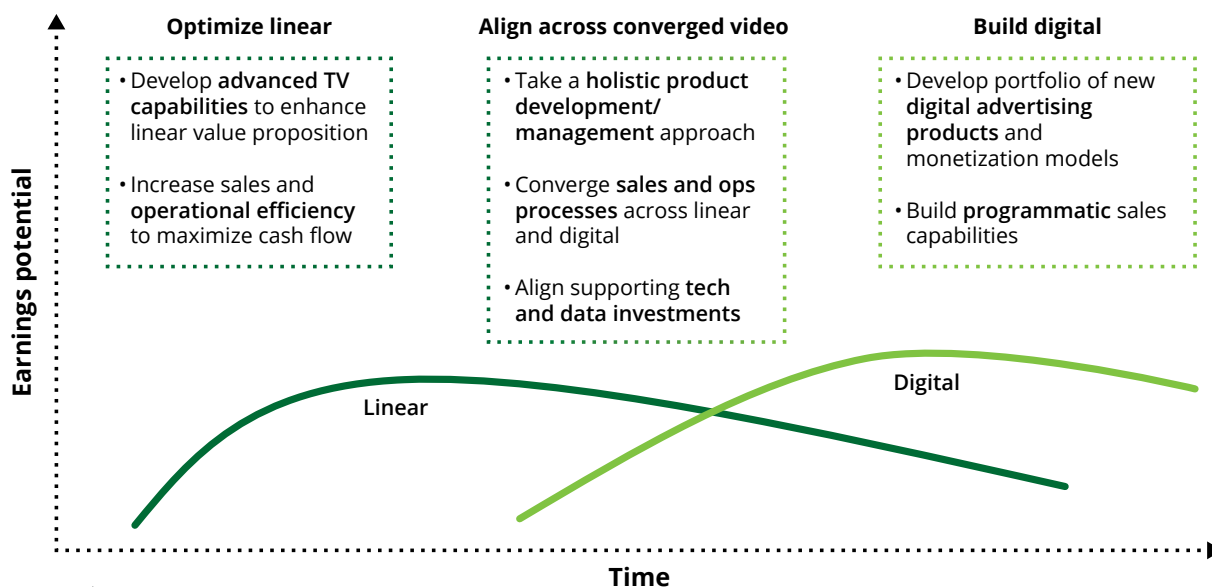
While it is prudent to manage the income statement with an eye on the future, many publishers are either behind or unable to shift their focus to digital immediately. Further, while trends support realigning businesses to focus on digital, traditional linear TV should continue to contribute ample returns for the near future. To balance these forces while progressing toward digital fluency, publishers should take a gradual but regimented three-step approach (see figure 11):

1. **Optimize linear:** Examine the current linear operating model and SG&A to determine potential areas of efficiency and incremental cash flow. In many cases, this includes adopting new capabilities, such as automating the buying process (e.g., programmatic).
2. **Align across converged video:** Blend traditional and digitally oriented inventory (e.g., TV Everywhere apps allowing authentication to watch linear on mobile). Bridging the traditional and

mobile TV experiences can enable a seamless advertising product supported by unified sales and ops organizations.

3. **Build digital:** Fund digital projects (e.g., programmatic) at the same level as the traditional linear business. Many of the largest US publishers devote only 10 percent of their investment budget to digital. Battling the market-leading duo and other emerging digital platforms will likely require more.

Figure 11. How publishers can support their current business while building for the digital future



Source: Deloitte LLP, 2018.

Video publishers can adopt several leading practices to increase their chances of success:

- **Drive digital transformation from the top down:** Leadership plays an essential role in setting the strategic direction, developing employees' digital skills, and coordinating digital efforts across the company's various organizations.
- **Secure cross-functional engagement, starting with the business:** A true digital transformation program encompasses a broad vision and orchestrates programs across core functions such as sales, operations, finance, and technology. The business should lead transformations to help ensure decision making aligns with the publisher's advertising strategy. Otherwise, any siloed improvements, while addressing one challenge, maintain and reinforce other existing pain points.
- **Ensure that the transformation's scope reflects allocated resources and capabilities:** Any digital transformation effort should be grounded in reasonable assumptions that account for the organization's current size and state. All relevant functions should be closely involved in scoping the transformation.
- **Approach transformation as an evolution:** Too often, organizations view digital transformation as "current state versus future state." Many successful companies, however, approach transformation as a "crawl, walk, run" evolution. This method can have a better chance of delivering early wins to drive adoption, while helping fund further digital transformation efforts.

Six-month kick-start: Five immediate priorities for video publishers

Once a foundational plan is in place, video publishers should pinpoint specific actions to optimize their digital transformation efforts—in the near term, as well as for the long haul. Our experience has identified five key areas—prioritized below according to business benefit vs. implementation timeline—that can help leaders kick-start change in their organization:

1. **Evolves the advertising sales operating model to align more closely with the media buyer.** As agencies continue to evolve their models, video publishers should follow—most notably by shifting from brand selling to a more vertically aligned approach. However, while several companies have embarked on this journey, many have failed to complete it. Areas such as organizational alignment, sales performance, compensation models, and supporting processes are frequently overlooked. For example, we often see that by fully executing a sales transformation, organizations can reduce associated sales costs by up to 25 percent. We also see underutilization of sales platforms and exchanges on inventory that may no longer require an account executive.

2. **Reduce complexity by simplifying the product portfolio.** With the introduction of new advertising products and a shift to more audience-based buying, video publishers should consider simplifying their portfolios. In some cases, we have seen product reductions of 60 to 70 percent, which have dramatically improved buyer sentiment and, in turn, pleased sellers. These changes minimize buying friction and provide an opportunity to introduce new inventory through categories, which can decrease the number of spot and placement restrictions.
3. **Implement pricing analytics capabilities to maintain value.** With the number of micro and macro factors that influence pricing, it is difficult to capture all the data necessary to accurately forecast viewer and customer demand. Compound that with an almost unlimited number of product bundling options and a growing number of sales channels, and the pricing process quickly becomes more complex than ad hoc analytics can manage. Instead, organizations should continually evaluate dynamically changing inventory and pricing across multiple platforms on a near-real-time basis to identify and act on changes in the market.



4. Manage audience data more effectively, and tie demand-generation efforts to key segments.

Video publishers need an in-depth customer understanding to more effectively forecast, segment, and market advertising inventory, but audience identity management can be challenging. According to a survey by Ad Age and Neustar, only about 23 percent of respondents said they believe they are currently using their data management platform to its fullest capacity.²⁵ In the majority of transformations, standardization and improved management are the first step in effectively deploying an audience data strategy. Only by applying governance, processes, policies, and the appropriate technologies can the full benefits be realized. But there can also be many quick wins along the way. For example, by better aligning audience demand-generation efforts with high-demand advertiser and agency segments within the context of content genres, video publishers can generate positive results. Too often, these demand-generation efforts focus on more short-term goals, such as acquisition, rather than on understanding audience lifetime value and how that can impact advertising sales.

5. Focus technology efforts and employ a flexible, service-oriented architecture.

Video publishers face increasing pressure to do more with less. Management expectations require cutting operational resources, while advertisers and agencies expect enhanced capabilities such as cross-platform buying. No one vendor can provide the technology stack to support the advertising sales value chain from “pitch to pay.” To be successful, video publishers should implement a technology architecture that can enable maintenance of core legacy systems while supporting new point solutions.

Conclusion

History shows us that despite the current media paradigm, we are never far away from the next shift. Whether it is news, music, or filmed entertainment, consumers consistently shift toward flexible alternatives offering more personalized experiences. Today the rate of change is more intense than ever. Consumers have supercomputers in their pockets, and media companies are no longer competing for weekly box-office attendance; instead, they are fighting to monetize minutes and mouse clicks, underlying the need to focus more on behavioral and data-driven solutions.

Traditional video publishers and sell-side advertisers are operating in an unstable ecosystem. Video consumption norms from the mid-1990s seem archaic just 20 years later. As we enter a post-internet age, the video landscape is expected to experience another phase of rapid change and development. Two decades from now, “video content” may entail 3D holograms beamed from our dining room tables. Digital assistants may become our personal gatekeepers from birth to death, with more intimate knowledge of likes and dislikes than

siblings or parents. More likely, the change will be something for which blueprints don't currently exist. Regardless, we will undoubtedly look back at the late 2010s similarly to how we currently view the mid-1990s.

Video publishers should start adjusting now for this new world. Today, evolving consumer tastes have increased pressure to evolve content delivery. Ad buyers have raised their expectations of publishers when it comes to the ad-buying experience, while simultaneously competing in the same fields. All of this comes against the backdrop of squeezed profitability from the market entry of content-focused tech behemoths. To evolve along with these changes, video publishers can focus on the following areas:

- Value the quality of ad experiences over the quantity—“frictionless” ads contribute to an improved user experience and can keep consumers engaged.
- Focus on data-driven advertising to help improve buy-side efficiency to reach target consumers.

- Recommit to ad sales to buoy future revenue generation; carriage fees will eventually dry up, and a solid foundational ad business may become the new cash cow.
- Avoid decreases in content spending, which could cause the bottom to fall out of carriage fee revenue.
- Shift the traditional video business over time to focus more on digital. However, do it gradually and purposefully, while delivering a coordinated message from the top of the organization.
- Focus on quick wins such as reduced product complexity and improved audience analytics to spur the shift to digital.

We will likely look back at this disruptive period in video similarly to how we currently view the winners and losers in print, music, and film. For video publishers, staying ahead of key trends and adapting businesses for digital success can be essential to remaining relevant in the future.

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Endnotes

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