

# Platforms and Mediums

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## Executive Summary

The explosion of OTT and streaming platforms means there are more opportunities for brands to tell their stories than ever before. However, navigating the landscape of channels, networks, and platforms is more onerous and confusing than it's ever been. This paper takes a look at the evolving supply chain for brand storytelling. The aggressive entry of FAANG (Facebook, Amazon, Apple, Netflix, and Google) into this supply chain has created effects that ripple across the distribution landscape. In this paper we will see how that impacts brands, what role data plays in development and marketing, and what kinds of content the platforms are acquiring and for how much.

## Key Questions:

- How is the storytelling supply chain evolving?
- How does that impact brands?
- What role does data play in development and marketing?
- What does the future of short form content look like?
- What kinds of content and budgets are platforms looking for?

## Introduction

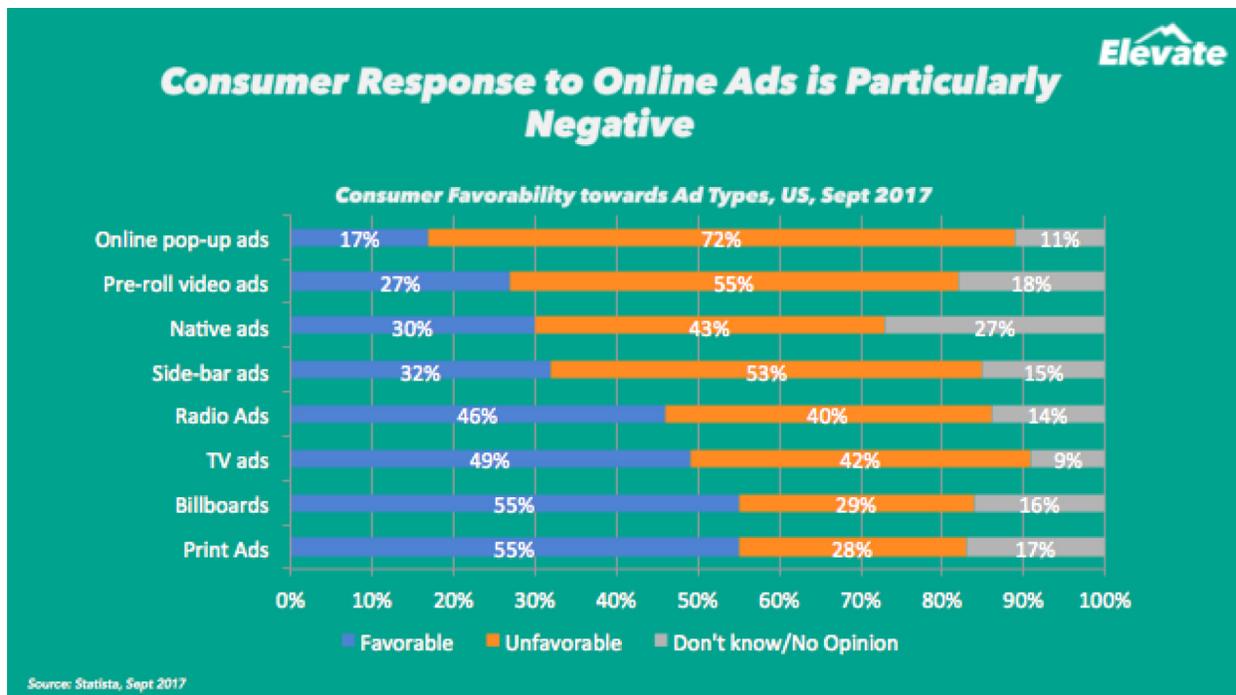
Today's consumer is increasingly savvy. They can see through empty sales promises, ignore uninspiring advertising, and turn a blind eye towards banal banners. The good news is that brands that are able to tell a compelling story with a strong narrative, are able to engage consumers in new and sustained ways. We're able to remember stories while most of us are hard pressed to recall facts, figures, and statistics. Brands that harness the power of stories to establish and amplify their identity and purpose can also change consumer behavior.

While most brands are aware of the inherent power of storytelling, the challenge is execution. Video, VR and AR, and social media mean there is now a multitude of platforms a brand can use to tell its story. And while most brands know their mission, values and personality intimately, few have the resources and skills in-house to execute great storytelling. It's why Chipotle and CAA teamed to create series like "Farmed and Dangerous" on Hulu. That merger of Hollywood magic with brand know-how creates the opportunity to form a passionate relationship with audiences and consumers. Conversely, brands are also building more robust in-house teams to execute creative storytelling, while looking for new distribution channels to amplify the messaging. Airbnb is building its own studio to create TV shows and documentaries. MasterCard hosts its own podcast, Fortune Favors the Bold, about the role money plays in people's lives.

But the economics of development and production are changing rapidly as OTT and SVOD have indelibly altered the media landscape. This paper will look at how that landscape is changing, how marketers should approach these mediums, and what are some of the best practices a brand should adopt when thinking about its approach to storytelling.

## The Storytelling Supply Chain is Evolving

Online marketing is experiencing a paradox. At the same time that consumers experience more and more personalization in their interactions with brands, favorability towards their advertising is declining. A recent survey by Kantar Media found that nearly three out of four consumers had an unfavorable view of online pop-up ads and more than half reported disliking pre-roll video.



As marketers find more and more intrusive ways to combat consumers' aversion to advertising, audiences find new ways to opt out, including ad blockers, skipping, and subscribing to premium services to avoid interruption of their experience. As Dentsu Aegis Network recently proclaimed, "we have created both the motive and the means for people to screen advertising out of their lives."



So, it's no surprise that marketers are looking for more creative and engaging ways to reach consumers. According to PQ Media, the size of the global consumer content marketing industry in 2018 was \$16 billion. Perhaps even more revealing is content marketing's growth rate, which was 15 percent last year, which is double the growth rate of the advertising industry as a whole.

What this means is that while brands are increasingly looking for ways to tell stories, to inspire people, and to enter the zeitgeist, the barriers to entry are higher than ever. Attention is scarce, production costs are rising, and distribution channels are atomized.

The good news is that the consumer appetite for storytelling content shows no signs of slowing. According to Cisco, online videos will make up more than 82 percent of all consumer internet traffic by 2022. This is 15 times higher than it was in 2017.



Unsurprisingly, marketers are responding to these changes in consumer appetites. There is increasing investment in content marketing, and in video in particular. According to Hubspot, nearly nine out of ten marketers are using video. However, with the increase in video as a marketing tool, there is a subsequent increase in competition. Marketers are already feeling the heat, with 90 percent reporting they feel the level of competition and noise has increased in the past year.

Simply creating branded content isn't enough. Given the ever-expanding universe of entertainment options, marketers need to align themselves with the right distribution partners to gain attention and audiences. At the same time, media companies, OTT platforms, and streaming services are in a rush to acquire cost-effective content. This has implications across the entertainment supply chain. From development costs, to production timelines, to marketing budgets, the supply chain for brand storytelling is shifting. To understand the opportunities for brands within this environment, it's useful to look at the supply chain as a whole.

### **Platforms are Acquiring Everything, at Every Price, in Every Genre**

In the race to acquire content, one of the common refrains is that the platforms are choosing quantity over quality. Prestige shows certainly attract awards, fawning press, and marketing hype. But as FAANG (Facebook, Apple, Amazon, Netflix and Google) have aggressively entered the entertainment field, the rush to acquire shows has led to a flood of supposedly low-quality content. As subscribers log on to a homepage rife with show suggestions of little-known series barely marketed outside of the subscriber's service, the criticism that there are too many low quality shows available seems overblown as subscriber growth continues for the major OTT platforms.

Thus, it's not a question of quality versus quantity. FAANG, as well as their more traditional counterparts who are rapidly moving towards streaming services as interested in both quality AND quantity. As FAANG's dominance looks more and more assured the economic status quo of the entertainment industry is disrupted. Consolidation is a call to arms for traditional entertainment companies, who are emulating the Netflix model to build models that are integrated producers, purchasers, and distributors for content.

Netflix's subscriber growth and power has repercussions throughout the media industry, regardless of whether a company is ad-supported, subscriber-based, or some combination of the two. Just how imbalanced does the entertainment landscape look like today? In 2018, Netflix had about 700 "original" series, spent a whopping \$13 billion on content and is expected to spend \$15 billion in 2019. That is several orders of magnitude larger than some of its competitors. HBO spent \$2.5 billion in 2017, while CBS spent \$4 billion. Disney was close to Netflix, having spent \$12 billion in 2017, while NBC Universal spent \$11 billion. Amazon spent \$5 billion in 2017 and Apple was believed to have spent \$1 billion in 2018.

In order to more effectively compete, legacy networks are launching OTT services such as CBS All Access and Disney+. Amazon Prime Video doesn't just offer original content but also allows subscribers to add third-party subscriptions such as Showtime and HBO. Linear networks, facing declining viewership and a more challenging economic environment, are investigating non-linear revenue opportunities such as live events, more sophisticated advertising offerings, and more integrated brand sponsorships.

What does this glut look like from the consumer perspective? One in five online video customers pay for three or more streaming services (451 Research). Streaming media devices such as Roku or Apple TV are now in 40 percent of US households according to ComScore. And as consumers own the necessary devices and pay for streaming access, they also are reassessing the value of their traditional pay TV, with 70 percent reporting they feel they're paying too much (Deloitte).

## **What is the Impact?**

### **Media/Content Owners**

As mentioned, the repercussions of these shifts tend to reverberate beyond the FAANG faction, affecting the entirety of the media industry. There is obviously a land grab of streaming services acquiring and developing original content. For distribution platforms, it's not enough to be a channel operator anymore. Most are increasing emphasis on the studio side right now and looking for more cost-effective ways to develop content.

As these companies ramp up their studio operations, they're looking to create content to run in their own channels or on SVOD such as Netflix or Hulu in the US. Global windows are also shifting as studios distribute content into territories where a company owns channels or sells their content to SVOD services that operate overseas. CBS claimed in 2016 that Netflix's global licensing for Star Trek: Discovery meant the show was "100 percent paid for" before it even aired on

its own streaming service. Recently, Amazon nabbed the global rights to the upcoming Jean-Luc Picard Star Trek series, making it more complicated for fans to watch since it requires subscribing to two different streaming services to watch the disparate but related series.

It's a bit of the Wild West at the moment. Contract terms and definitions of content types, which used to be fairly straightforward, are very much in flux. There is a great deal of uncertainty about how to negotiate deal terms. As FAANG-owned shows begin to find award acclaim, it supports the legal argument that SVOD is equivalent to premium cable. The result is lawyers and managers now asking for compensation for their clients equal to what they earn in premium cable. The upside is that smaller, independent productions in this environment may find more funding and new audiences.

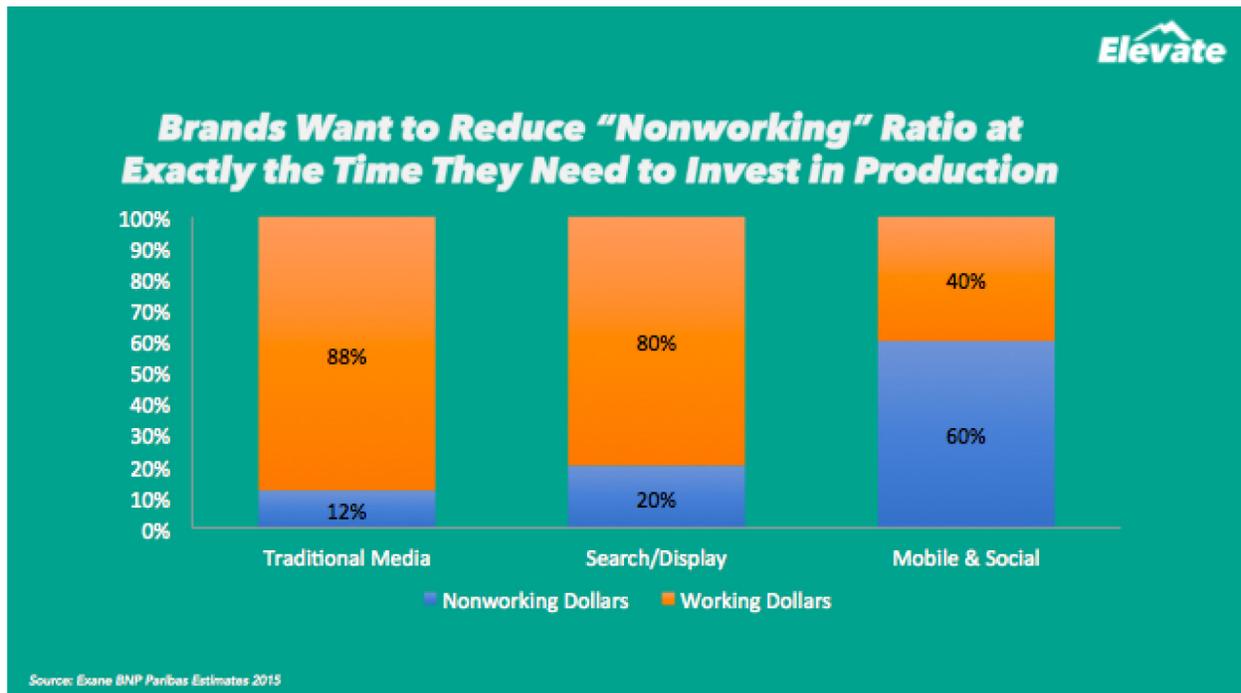
### **Marketing Impact**

The rapid increase in content and distribution platforms means that breaking through the clutter is increasingly difficult via traditional marketing. For brands or entertainment companies alike, finding an audience requires savvy marketing. Advanced analytics are critical to matching audiences with content. For many years, Netflix insisted its ability to match content to consumer within its own service is more efficient than traditional marketing. "We've found the most effective way to drive viewing is on the service," said Netflix VP of product innovation Chris Jaffe in December 2017.

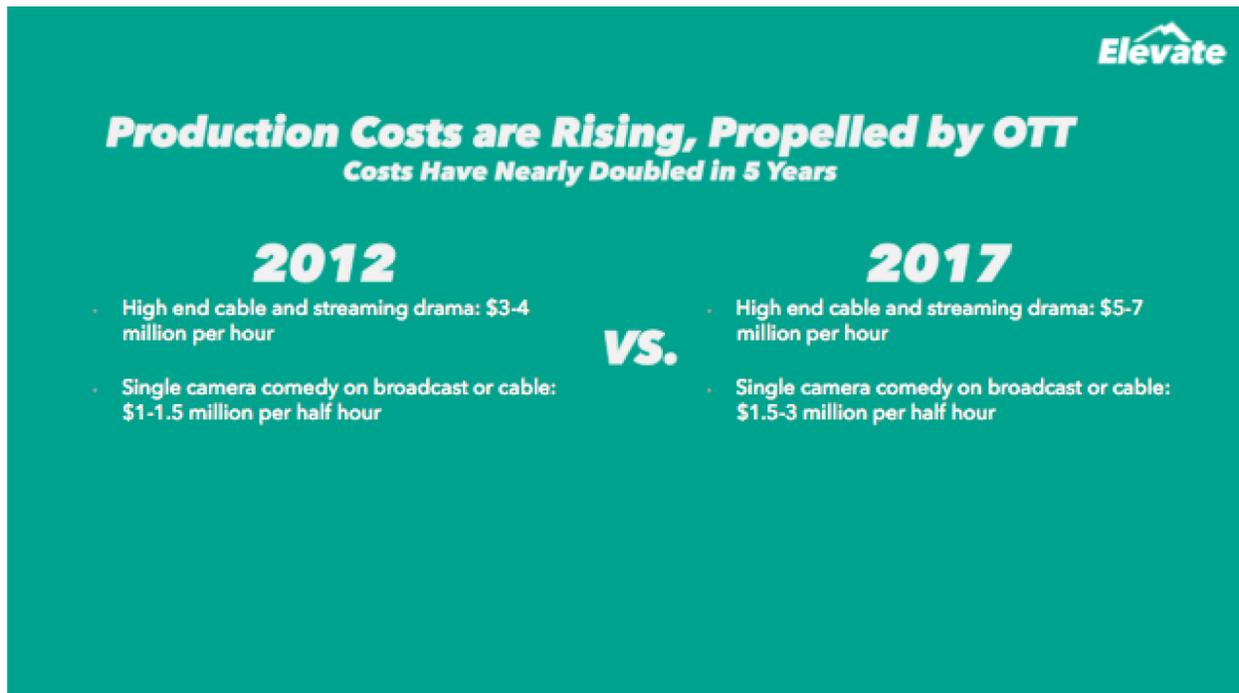
Yet even Netflix has conceded finding new audiences requires amplifying content via marketing channels outside of the service itself. In 2018 it told investors it was likely to spend \$2 billion on marketing. Up to 85 percent of that budget would be on its originals. Platforms are looking for marketing efficiencies wherever they can find them, such as much shorter release windows for series in multiple territories (e.g. Schitt's Creek in the US and Canada). Others find riding the tailwinds of companies with larger budgets effective, such as when Hulu released its Fyre Festival documentary unexpectedly right before the competing Netflix documentary.

For brands distributing content on platforms such as YouTube and Facebook, finding an audience also requires additional spend to ensure their content finds an audience. However, while in years past most marketers followed the rule of thumb ten to 20 percent of their budget went to production and the rest went to media, today there are no hard and fast rules on budgeting.

Increasingly, major brands are looking to take their marketing in-house. Unilever has stated its in-house production team for U-Studios has saved the company about 30 percent in agency fees by doing production internally. MGM Resorts International built an in-house "Social and Content Center of Excellence" that operates as an internal agency. Chobani, Kind Snacks, Marriott, Mastercard, Visa, and Dell are just some of the brands that have set up internal content and production teams the last few years.



While brands are increasingly looking for ways to reduce what's termed their "nonworking" ratio (i.e. creative production, agency fees, social media measurement tools), the demands of digital marketing require the opposite. According to Exane BNP Paribas, the 12 percent nonworking ratio common for traditional media needs to be in the 15 to 20 percent range for search and 55 to 60 percent range for mobile and social media.



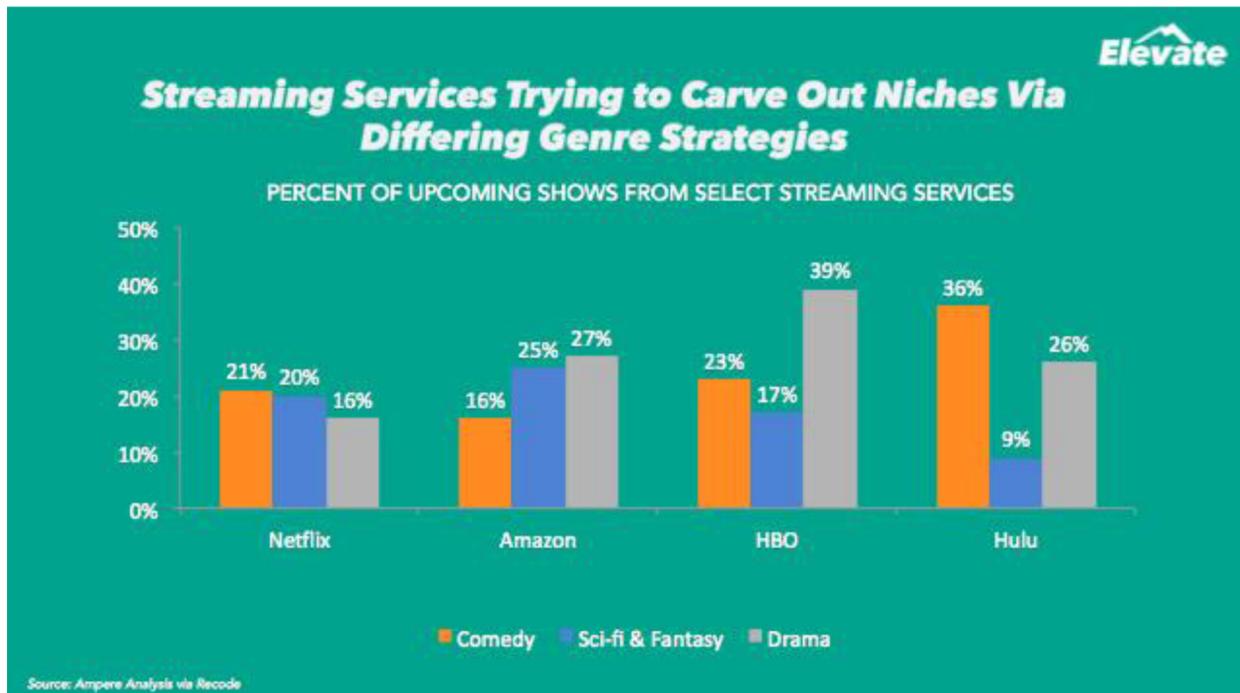
At the same time, production costs are rising -- a trend that tends to reverberate throughout the industry. While cable and streaming dramas cost on average three to four million dollars and a single camera comedy cost between one and one and a half million per half hour in 2012, by 2017 those numbers had nearly doubled.

There are several factors that contribute to the increase in production costs, affecting both brands and content companies:

- OTT platforms are spending aggressively, creating greater competition for premium content and raising the floor across the industry.
- Storytelling itself has become more ambitious, longer, and VFX-heavy.
- Upfront talents costs are increasing due to the lack of profit participation points on the backend.
- VOD expands the shelf life of shows, so budget expenditures are amortized over a longer period.
- Bigger production budgets also translate into bigger license fees for the producing studio.
- The glut of content means production crews and showrunners may sometimes lack experience at reigning in budgets.

### **Streaming Services Are Trying to Carve Out Niches Via Differing Content Strategies**

While it may seem like the Wild West when it comes to content acquisition tactics between the major OTT platforms, there does seem to be a deliberate strategy between each streaming service.



While Netflix is assembling an almost equal percentage of content across comedy, sci-fi and fantasy, and drama, the other streaming services are emphasizing certain genres over others. Amazon, for instance, has invested more heavily in sci-fi and fantasy and drama than comedy, while Hulu has more than a third of its content library dedicated to comedy. HBO, long the heavyweight of prestige drama, continues to invest in that genre with almost two out of every five of its shows dedicated to the genre.

Yet even HBO has acknowledged that in order to stay competitive with Netflix, it will need to broaden its content strategy. As reported in The New York Times:

HBO's tightly curated cluster of shows, released seasonally and in weekly batches, no longer amounted to a tenable strategy. "It's not hours a week, and it's not hours a month," [CEO of WarnerMedia John Stankey] said. "We need hours a day. You are competing with devices that sit in people's hands that capture their attention every 15 minutes."

### Decisions Don't Begin with Data

While there is a widely held belief that platforms like Netflix and Facebook rely heavily on data to develop new shows, the development process is still more art than science, leaving a great deal of leeway for creativity. Brands should be careful not to get too caught up in their reliance purely on data to develop their storytelling strategy. As Netflix's Ted Sarandos puts it: "You have to be very cautious not to get caught in the math, because you'll end up making the same thing over and over again. And the data just tells you what happened in the past. It doesn't tell you anything that will happen in the future."

However, while data shouldn't be the lead indicator for developing ideas and concepts, analytics is critical to marketing and promotion in order to find and build interested audiences. Traditional demographics, which have always been a proxy for potential interests and behaviors, are being replaced by more precise taste clusters and actual behavior.

And new metrics are beginning to emerge. Just as content marketing requires brands to think like publishers, more immersive storytelling requires brands to think like development execs. For instance, survivorship has emerged as an important metric. Did audiences watch a series to completion within 28 days or did they watch a couple of episodes and never return? Brands need to consider what engagement might look like for ongoing, serialized video content.

### **Short Form vs. Long Form**

While the development and acquisition frenzy in entertainment has been focused on longer form content, there is still value and interest in short form. The value proposition is simple: high production value short form video optimized for mobile viewing. While Verizon's go90 shut down in 2018 after failing to gain traction with audiences with a similar proposition, Jeffrey Katzenberg and Meg Whitman's soon-to-debut Quibi has raised \$1 billion from investors that includes Disney, Alibaba, FOX, Viacom, Sony, and NBC Universal. Likewise, Facebook and Snapchat are still aggressively partnering to develop and acquire short form content. And production studios like Pocket.Watch are still developing original content with YouTube creators for distribution on not just YouTube but also linear networks.

The majority of short form content comes in three flavors: news, service journalism, and branded entertainment rather than "pure" pure entertainment. Short form can also be used as an incubator to test concepts that can be developed into longer form series.

### **Scripted vs. Unscripted**

While much of the hype has been focused on platforms' forays into scripted content, there is still a large appetite for unscripted series from both an audience and producer perspective. One reason for this is that it is still incredibly cost effective. According to one producer on a network show, "When we shoot downtown [in Los Angeles], what we pay for parking and food is the budget for a season of a reality show." All of the major OTT platforms have stepped up their development and acquisition of unscripted series, with the mandate that high impact, original unscripted content can become successful long-term IP. Even as recently as 2015, Netflix dismissed reality television as "off brand" but has since had hits with "Queer Eye," "Tidying Up," and "Nailed It." "Queer Eye," in particular, has been rife with product placement and branded integrations in its current iteration. Today, one in three subscribers watch Netflix unscripted shows monthly.

For brands considering integration and storytelling opportunities, each network and platform is looking for content that reflects its brand. For instance, FOX is explicitly looking for series that feature "mavericks and innovators." E! is looking for strong female-focused content that can help revitalize its programming post-Kardashian as those franchises age. And Facebook is looking for content that utilizes the unique properties of the platform such as live voting or live programming. Brands also need to consider just how wide a berth unscripted programming offers them. While the term "reality TV" may

be most closely associated with the drama and travails of “Real Housewives” or “The Bachelor,” the universe of unscripted television is far more expansive and includes:

- **Docuseries/Documentary** | Day in the Life
- **Occuseries**
- **Competition/Game Shows**
- **Travelogues**
- **Comedy: Sketch and Standup**
- **Legal** | Court, Prison, Crimes
- **Transformation** | Weightloss, Addiction
- **Social Experiment** | E.g. Wife Swap
- **Lifestyle** | Renovation, Weddings, Craft

### What are Networks and Platforms Looking for?

The explosion of platforms and distribution opportunities means there is opportunity for brands to tell compelling stories and engage new audiences in new ways. Yet one of the more challenging aspects of this landscape is navigating the plethora of opportunities, finding the right partners, and reining in costs effectively. As mentioned, each network is looking for content that reflects the tone and brand of the network. While some of these platforms have a specific audience profile in mind, others, such as Netflix, Amazon and Facebook, are so vast that the opportunity is less restricted.

Taking just a sampling of potential distribution platforms, we uncovered the kinds of content and budgets they are currently trading in:

Company	Looking For	Not Looking For	Budgets
<b>Facebook</b>	<ul style="list-style-type: none"> <li>• Simple organizing principles (e.g. Humans of NY)</li> <li>• Pop Science</li> <li>• Comedy</li> <li>• Animal programming</li> <li>• Needs to utilize FB platform such as live polling</li> </ul>	<ul style="list-style-type: none"> <li>• Music content (no rights)</li> <li>• Kids programming</li> <li>• Hard news</li> <li>• Event TV</li> </ul>	<ul style="list-style-type: none"> <li>• \$10-35k for 5-10 min episodes</li> <li>• Up to \$250k for any video 20-30 min long</li> <li>• \$1-3M for FB Live</li> </ul>
<b>Amazon</b>	<ul style="list-style-type: none"> <li>• Premium docs</li> <li>• Big name attachments</li> <li>• Comedy (not standup)</li> <li>• Late night/political talk</li> <li>• Live programming</li> <li>• Issues in the zeitgeist</li> </ul>	<ul style="list-style-type: none"> <li>• Sports on hold right now</li> <li>• Stand-up comedy</li> </ul>	<ul style="list-style-type: none"> <li>• Scripted: \$2-10M</li> </ul>
<b>Apple</b>	<ul style="list-style-type: none"> <li>• Underlying theme of “pushing humanity forward”</li> <li>• Emotional connection with audience</li> <li>• Open to all genres but has to be premium</li> </ul>	<ul style="list-style-type: none"> <li>• Religion</li> <li>• Stand-up comedy</li> <li>• Projects about China</li> </ul>	<ul style="list-style-type: none"> <li>• Competitive with other premium outlets</li> </ul>

Company	Looking For	Not Looking For	Budgets
<b>Netflix</b>	<ul style="list-style-type: none"> <li>• Channel defining shows</li> <li>• Global appeal</li> <li>• Lifestyle documentaries</li> <li>• Home renovation</li> <li>• Male Occu-follow</li> </ul>	<ul style="list-style-type: none"> <li>• Quiz shows</li> <li>• Fixer upper home renovation</li> </ul>	<ul style="list-style-type: none"> <li>• Unscripted: \$250-450k per hour but open to half hours</li> <li>• Scripted: Competitive with other premium</li> </ul>
<b>YouTube</b>	<ul style="list-style-type: none"> <li>• Premium documentary features (music, gaming, LGBTQ)</li> <li>• Docufollow series - true crime, investigative, high profile topics or people</li> <li>• Music shows (bio and performance)</li> <li>• Emotional payoff</li> <li>• Technology driven - VR, nonlinear, interactive</li> <li>• YouTube ensembles</li> <li>• Smart/educational</li> <li>• Female empowerment</li> </ul>	<ul style="list-style-type: none"> <li>• Game shows</li> <li>• Weight loss</li> <li>• Fashion</li> <li>• Trashy TV</li> <li>• Prank shows</li> <li>• Travel series</li> <li>• Dating shows</li> </ul>	<ul style="list-style-type: none"> <li>• \$400-800k per ep for half-hour shows and close to double that for hour long dramas</li> </ul>
<b>Snapchat</b>	<ul style="list-style-type: none"> <li>• Genres span drama, mystery, horror, comedy, animation, romance</li> <li>• All are focused on young adult audience Native technology like augmented reality "lenses"</li> </ul>	<ul style="list-style-type: none"> <li>• Music content (no rights)</li> <li>• Kids programming</li> </ul>	<ul style="list-style-type: none"> <li>• \$60-50k per episode, 10-12 ep series, each ep 3-5 min in length</li> </ul>

## Conclusion

The brand storytelling opportunity is compelling - richer storytelling, more immersive experiences for consumers, and an emotionally engaging way to interact with brands. Yet the supply chain for brand storytelling is rapidly evolving as the economics shift. The entrance of FAANG into the landscape has meant more opportunities for content distribution. It has also made it more difficult for brands to navigate. As the cost of producing and acquiring content rises, producers and developers will look towards brands to help offset some of these costs. Likewise, brands will benefit from integration into these new narratives.

The distribution landscape today resembles the Wild West. There are few hard and fast rules. Linear television is struggling to remain relevant in a streaming world and brands need to think about the implications for consumption, audience behaviors, and context when mapping a brand storytelling strategy.

For brands, this means considering the context of where their content is distributed. Finding the right platform, right audi-

ence, and right messaging means examining which opportunities provide the tone and environment that aligns with their core values. It also means a reliance on data, though less so for development and increasingly for amplifying the content beyond the organic audience these platforms can provide via paid advertising.

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