

The State of Media Consumption 2015



TRADITIONAL LOCAL MARKET MEDIA

Local TV
stations

The days of simple decision making
in media buying are gone.

Two decades ago, there were a handful of media
options available to most local and regional
advertisers and there were clear definitions of
these various media channels.

Local cable
TV providers

Local
newspapers

Local Yellow
Pages

Local radio
stations

Local
out-of-home
advertising
companies

Local
magazines

Proliferation of New Media

Not only has there been an explosion of new media options, many of these options are actually new channels from traditional media – digital versions of newspapers or magazines, digital outdoor, streaming radio station feeds, Yellow Page websites and apps, etc..

At the same time, many new media options are unique in that the content they deliver is new. These include:

Online display advertising

Mobile in-app advertising

Search advertising

TV shows received through **cable**, recorded on a **DVR** and viewed later

TV shows received live through **cable**

TV shows received live, over the air through **local broadcasters**

National TV shows available online and through **mobile devices** from cable and satellite providers

TV shows received through **satellite** providers

As one example of how traditional content is being delivered through new channels, here is a comprehensive, but not exhaustive, description of channels that deliver typical television programming.

Local TV programming received through a **web browser on station's website** (particularly local news)

TV shows received through **satellite**, recorded on a **DVR** and viewed later

Local TV stations received on **smartphones and tablets** through mobile apps

TV shows, movies and original programs received from a **streaming service** (Netflix, Hulu, Amazon Prime) through a streaming device (AppleTV, Google Chromecast, Roku, Amazon Fire Stick, etc.).

TV shows received through **mobile device apps** (Watch ABC, WatchESPN, Netflix, Hulu, MaxGo, HBO Now, etc.) on smartphones or tablets

Video content received through **online video** websites (YouTube, Vimeo, etc.)

Video content received on **smartphones and tablets** through mobile device apps from online video websites

To understand how this proliferation of new delivery channels impacts a local advertiser's ability to reach a target audience through paid advertising, you have to realize that each specific channel has a different model for advertising content.

For instance, Netflix has no advertising while Hulu allows local, highly targeted advertising at the DMA or even zip code level. You can buy a 30-second spot to run during Law & Order: SVU on a local TV station that will be seen on over the air, cable and most satellite feeds. However, there is no local advertising available on the WatchABC mobile app, through streaming devices or on the ABC network website where full episodes are available for streaming.

The same proliferation of new channels is also happening with traditional radio as streaming services (iHeartRadio, Pandora, Spotify, etc.), mobile apps, websites and satellite radio create an equal amount of channel disruption. And the same is true for newspapers, as readership is shifting to online and mobile sites of local papers, national and international news sites are more readily available and traditional printed newspaper readership continues to decline.

In short, it is a very tumultuous time for local and regional advertisers as it is increasingly more difficult to navigate through the maze of content delivery options.



What Devices Are Being Used?

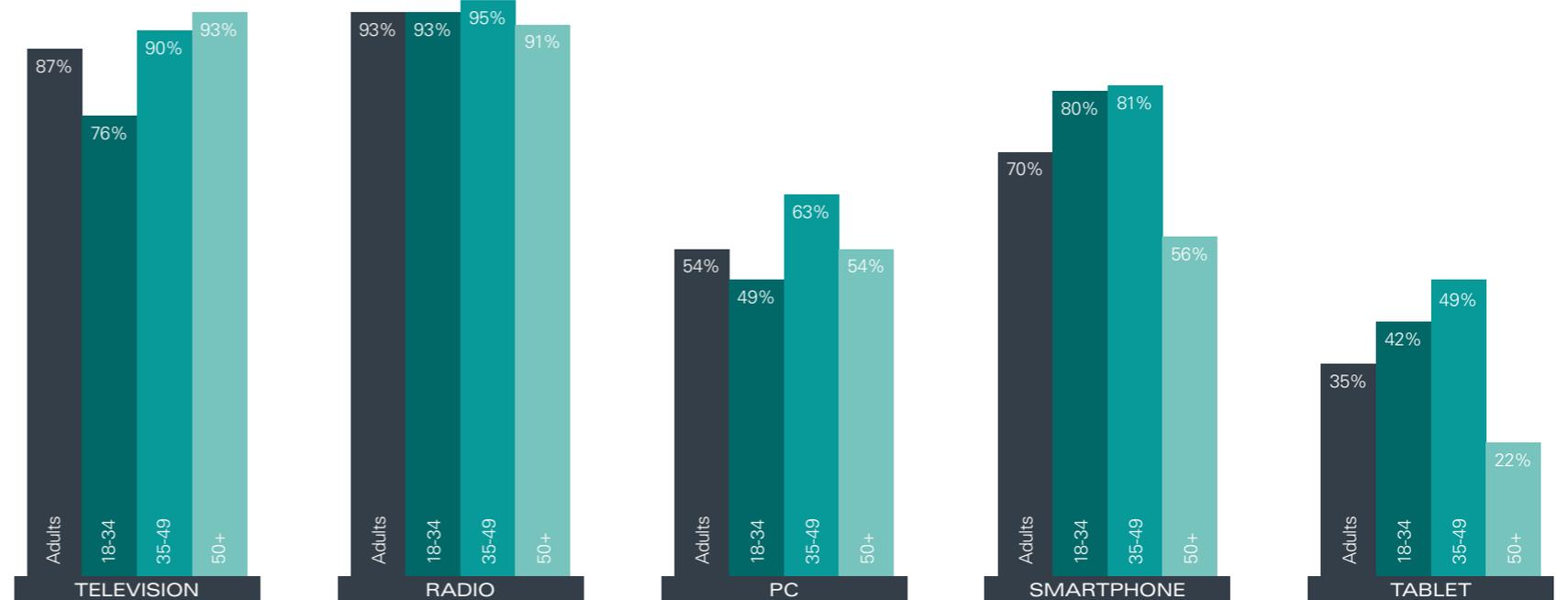
To understand where and how to reach consumers, it is important to know what devices consumers are utilizing. And while new media devices are growing in importance, they have not yet made traditional devices obsolete. In fact, one of the effects of the new devices is an overall increase in the amount of time spent consuming media. In other words, this isn't a situation where the size of the pie is remaining stable and new methods are taking away from the old. Instead, the size of the pie is growing.

According to Nielsen's Q1 2015 Total Audience Report, here are the percentages of U.S. consumers consuming media through the five major device types:

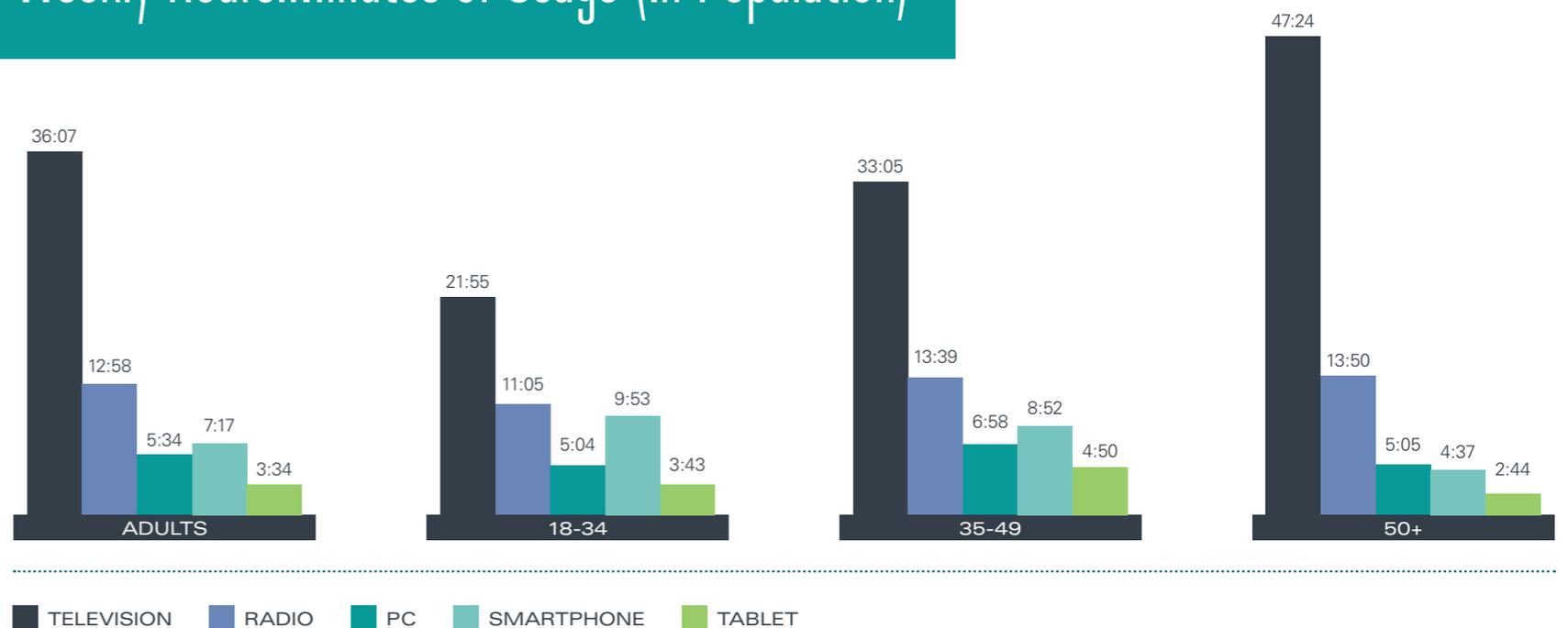
As you can see, radio and TV maintain their dominance as media content channels over computers, smartphones and tablets.

And when considering the amount of time spent consuming media through each device type, traditional TV still dominates with adults of all ages spending more time with TV than any other platform.

Weekly Reach (% of Population)



Weekly Hours:Minutes of Usage (In Population)

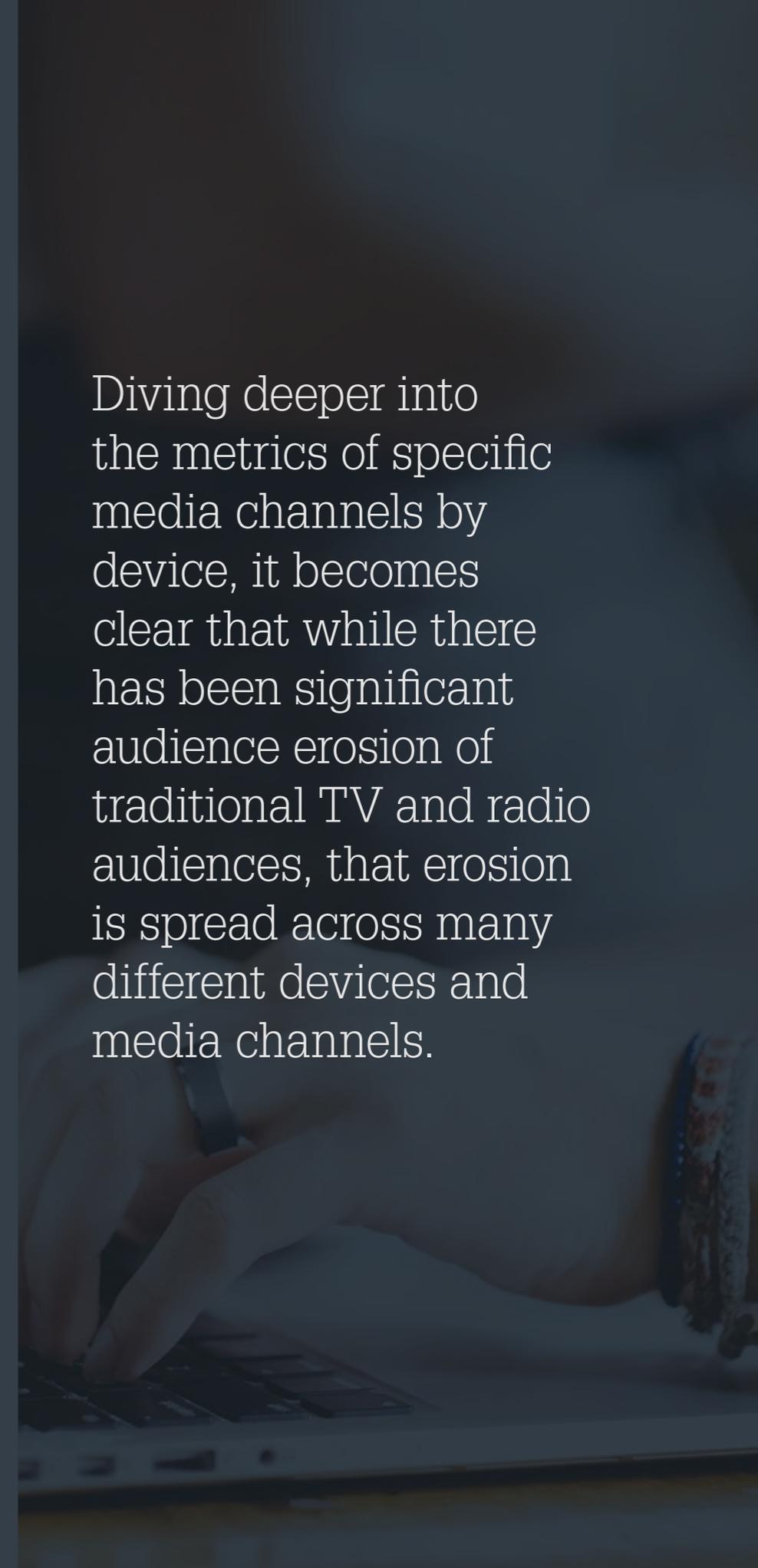


Average Week Q1 2015 — Adults 18+

| DEVICE/MEDIA | CUME REACH | REACH % | MINUTES | AVG AUDIENCE |
|-----------------------------------|-------------|---------|---------|--------------|
| TV | 209,358,000 | 87.2 | 2,487 | 52,648,149 |
| Radio | 222,921,000 | 92.8 | 838 | 18,532,520 |
| PC Video | 86,382,003 | 36.0 | 250 | 2,145,386 |
| PC Streaming Audio | 20,274,787 | 8.4 | 92 | 184,550 |
| Smartphone Video | 88,572,389 | 36.9 | 38 | 332,253 |
| Smartphone Streaming Audio | 43,625,155 | 18.2 | 93 | 403,443 |
| Tablet Video | 41,918,841 | 17.5 | 65 | 268,531 |
| Tablet Streaming Audio | 8,489,524 | 3.5 | 103 | 86,699 |

SOURCE: Nielsen Q1 2015 Total Audience Report

Diving deeper into the metrics of specific media channels by device, it becomes clear that while there has been significant audience erosion of traditional TV and radio audiences, that erosion is spread across many different devices and media channels.



Newspaper Readership

Daily newspaper readership among U.S. adults has seen a dramatic drop in the past 50 years – from 80% in 1964 to 42% in the most recent Scarborough research. But as newspapers have created new channels for delivery of their product through websites and mobile apps, the slide appears to be waning, leaving newspapers as a viable media option given the overall fragmentation of other media channels.

This is especially true when considering certain demographic targets. See the chart on the next page for details.

80% in 1964



42% today

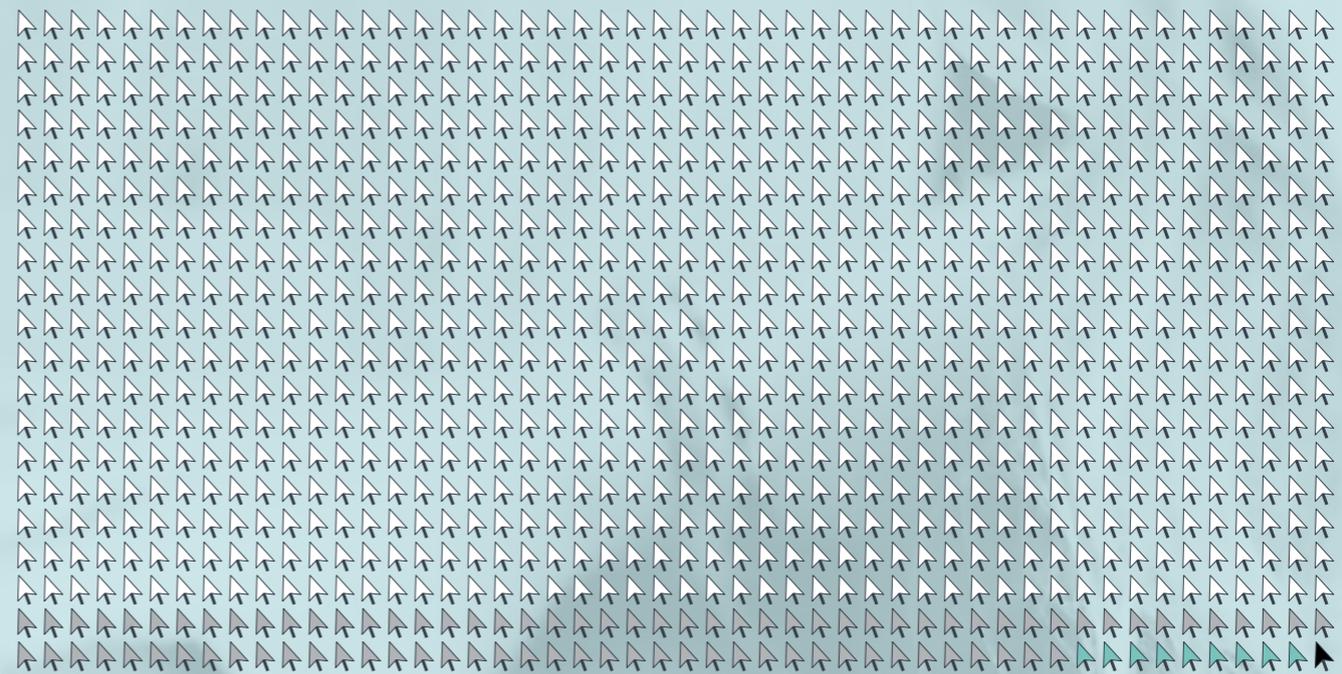
Below is a sampling of demographic breakouts of different newspaper readership statistics from Scarborough:

| Newspaper Media Audience 2012 by Gender & Age Group | | | | | | | |
|---|------------|--------------------|-------------|-------------|----------------|--------------------|--------------------|
| Market/Release: Scarborough USA+ 2012 Release 2 Total (Aug 2011 - Sep 2012) | | | | | | | |
| | | Base: Total Adults | Men | Women | Adults 18 - 34 | Adults 35 or older | Adults 55 or older |
| Base: Total Adults | Target Pop | 237,024,889 | 114,809,214 | 122,215,675 | 70,221,488 | 166,803,401 | 80,729,713 |
| | Target % | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Newspaper Print/E-Edition/ Website: Avg. Issue/Yesterday | Target Pop | 98,645,784 | 50,487,974 | 48,157,810 | 19,953,520 | 78,692,264 | 44,301,551 |
| | Target % | 41.6% | 44.0% | 39.4% | 28.4% | 47.2% | 54.9% |
| Sunday Newspaper: Print or E-edition | Target Pop | 102,019,452 | 48,092,669 | 53,926,783 | 20,783,390 | 81,236,062 | 45,689,039 |
| | Target % | 43.0% | 41.9% | 44.1% | 29.6% | 48.7% | 56.6% |
| Newspaper: Print/E-Edition 5 Weekday Cume | Target Pop | 124,700,514 | 61,780,593 | 62,919,921 | 28,756,262 | 95,944,252 | 52,928,058 |
| | Target % | 52.6% | 53.8% | 51.5% | 41.0% | 57.5% | 65.6% |
| Past Week Newspaper Print | Target Pop | 144,168,641 | 69,807,892 | 74,360,749 | 34,710,543 | 109,458,098 | 58,610,916 |
| | Target % | 60.8% | 60.8% | 60.8% | 49.4% | 65.6% | 72.6% |
| Past 7 Days: Newspaper Print/E- edition/Website | Target Pop | 157,899,419 | 77,449,869 | 80,449,550 | 39,706,743 | 118,192,676 | 60,905,326 |
| | Target % | 66.6% | 67.5% | 65.8% | 56.5% | 70.9% | 75.4% |
| Newspaper Past Week Print/E- Edition/Website combined with Newspaper Mobile Past 30 days | Target Pop | 163,784,048 | 80,503,431 | 83,280,617 | 42,967,739 | 120,816,309 | 61,398,836 |
| | Target % | 69.1% | 70.1% | 68.1% | 61.2% | 72.4% | 76.1% |

Online Display Advertising

Online display advertising has gone through its own significant shifts in its short existence. When it first became a mainstream form of advertising in the mid-90s the click-through rate for banner display ads was above 10%. In fact, the first banner ad was run by AT&T on Hotwire's website in 1994 and it had a 78% click-through rate. By 1999 the average click through rate dropped below 1%. For the past several years, the average has been around 0.1%, or 100 clicks for every 100,000 impressions.

Click Through Rates 1999 vs Today



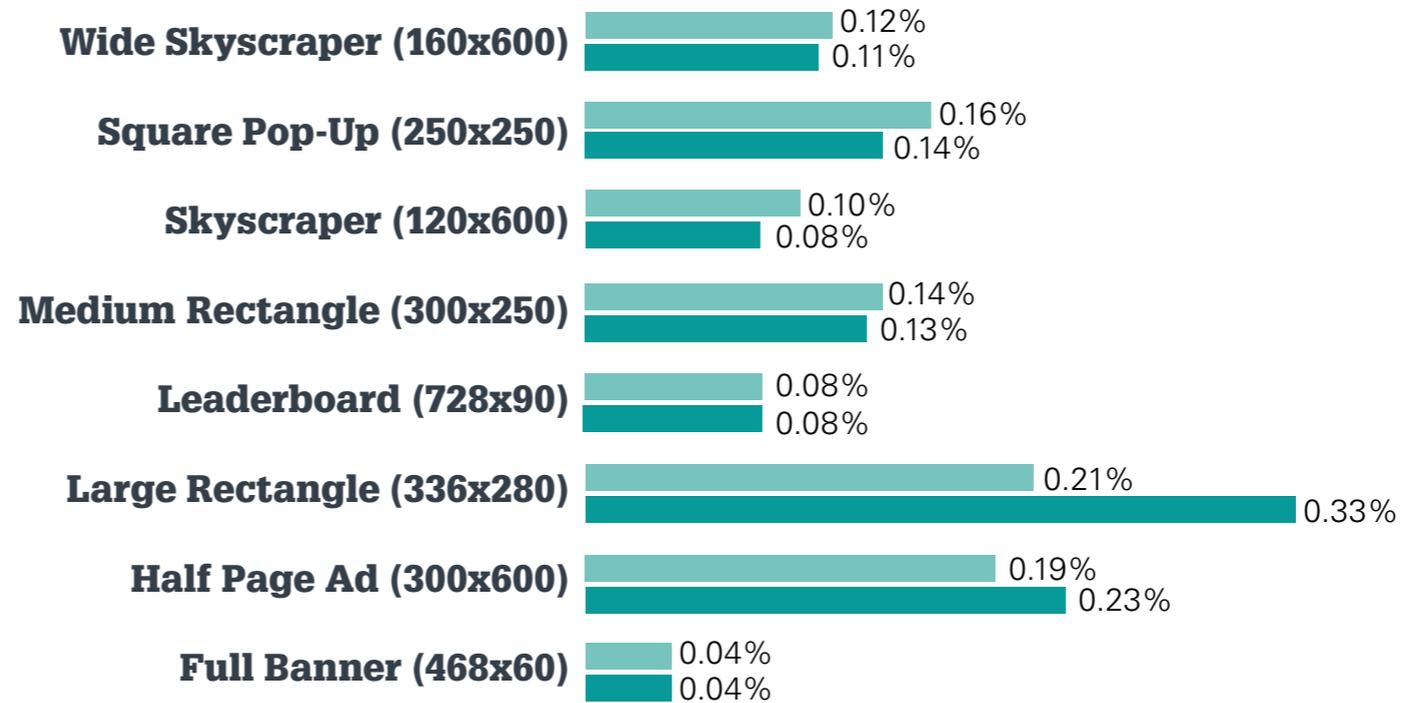
mid 90's 1999 Today

This has led to significant change in the marketing purpose of online display advertising – from a clear goal of driving traffic of interested buyers to it becoming another tool to drive awareness and branding with a side-benefit of driving some traffic.

Of course, the nature and type of online display ads has adapted to some degree, allowing for more targeting with options like re-targeting, search behavior targeting, etc. that can drive click-through rates up while suppressing impressions and exposure.

The chart on the right shows average click-through rates of standard sizes of online display ads broken out by static and video ads (data from DoubleClick):

Online Display Advertising Click-Through Rates



■ Video click-through rate% ■ Non-Video click-through rate%

Bottom Line: Fragmentation, Not Abandonment

In reading recent headlines about media consumption, many of which focus on the decline in consumers' use of traditional channels, **marketers might think that it is time to abandon traditional media channels** in favor of new media.

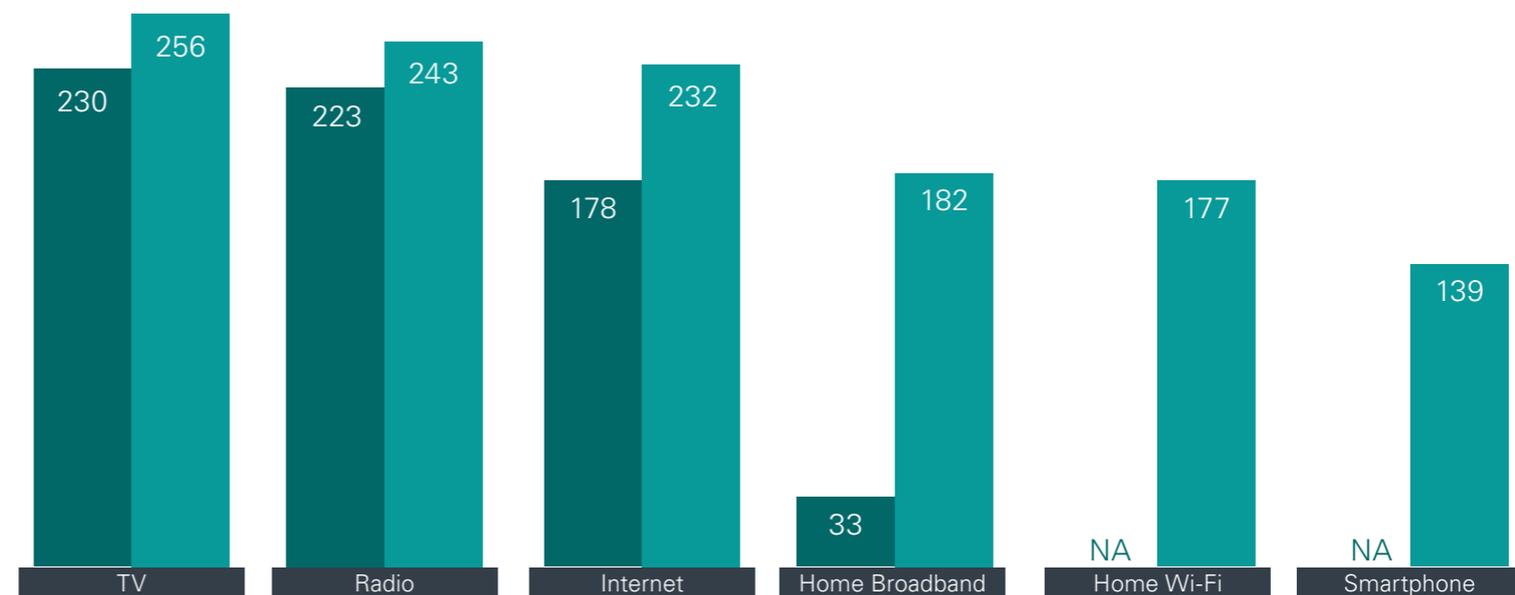
The challenge with this reaction is that **while the use of traditional channels is down, none of the new channels** is so dominant that they can replace the level of reach that is **available through** even the weakened **traditional channels**.

The chart below shows both the fragmentation of media consumption as well as the relative strength of both new and old media channels. It also reflects one truth about the proliferation of new media channels – that one of the results of more media options is more media consumption by consumers.

At the same time, because of the mass fragmentation of audiences, it is now very difficult, if not impossible, to achieve marketing goals while relying only on a few media channels. Achieving marketing goals in this fragmented media consumption environment requires diversification of media channels deployed and an integrated, strategic and well-informed approach to media planning.

Media/Digital Platforms 2003 vs. 2013

*Millions of Users



■ 2003 ■ 2013

Source: Infinite Dial 2013, TVB - "TV Basics," Arbitron Inc., and RADAR Base P12

Conclusions

What does this all mean to advertisers and especially local advertisers?

Here are a few recommendations and take-aways:

The data and statistics included in this report are of the entire U.S. geography. However, with some media – cable and satellite TV and newspapers in particular – there are significant variations market-by-market that must be accounted for in local market media planning.

There is a balance between expanding media buys to include more media channels for effectiveness and expanding media channels to the point where effectiveness is hurt. This balance depends upon many factors – budgets, target audience, marketing goals, product type, etc. This is a campaign-by-campaign issue.

Be cautious about over-interpreting news headlines about media consumption as they tend to focus on year-over-year trends vs. overall media channel penetration and usage.

Because media plans are now more complex than ever, developing and deploying an effective media plan takes more time and expertise now than in the past.

The primary focus of this media outlook is regarding consumer media and while many of the same factors are present in business media, we have not attempted to address B2B media in depth in this report.

