2019

Digital Media Pocket Roadmap

ORACLE NETSUITE | DIGIDAY

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Introduction

The cable cords were trimmed but not severed. Brands picked up cameras and clapboards to shoot their own stories. And as corporate media behemoths added more height to their already towering structures, the laborers who'd built them were evicted from the buildings.

Some of the advertising and viewership landmarks in 2018 were expected and welcomed. Others caused unnecessary delays. But if we've learned anything along our digital journey this past year, it's that media will provide us with even more twists and turns throughout 2019.

Brought to you by Oracle Netsuite and charted by leaders at Deloitte, Simpli.fi, Otter Media and The Chernin Group, this pocket roadmap offers highlights and insight into what flashy digital attractions captivated us last year, where 2018 predictions sent us off course and what may be waiting for us at the end of the road in 2019.

Travelers will discover valuable insights — for instance, high-quality content will thrive in 2019 regardless of platform, and companies will continue to shift their identities from product producers to full-circle storytellers.

All that's left to do is start driving and see what awaits on the path ahead.

Where we've been

Before we see what media sights await us in 2019, we need to pause and appreciate the trends and events of 2018.

Brands brought creative in-house

From Nike's landmark Colin Kaepernick campaign to Wendy's use of social media to transform customer bases into content audiences, brands increasingly saw themselves as the creators and curators of their own independent stories.

"We're seeing a lot more agencies and publishers and brands work together to create more of a content story with more of a social impact," said Chris Hering, former director of advertising and media product marketing at Oracle NetSuite. This trend proves true today, as current brands have conquered the challenge of crafting a voice and message that resonates across digital media platforms. It's an approach that speaks directly to new audiences and reflects new priorities.

"I tend to think they're looking for deeper loyalty with their customer base," Hering says. "When you look at the post-brand world where buyers and millennials are potentially less tied to their brands and more tied to what's less expensive or more readily available, brands are looking for a way to relate to that buyer that will enable them to charge that premium and to have that continued relationship."

The brands that went the extra mile to connect to their customers — whether through careful narratives or shareable memes — have continued to reap the benefits into this year.

Publishers took to the stage

Digital publishers experimented, and thrived, by utilizing their in-house talent for acclaimed public events, effectively increasing their audience reach, raising awareness and opening up a prodigious new revenue stream. Hering observed the benefit of these events, especially as publishers face financial difficulty in the future: "There are many situations where publishers are having a hard time maintaining staff and driving revenue ... They're going to look for opportunities where they can have a competitive advantage."

One such opportunity, which an ever-growing number of publications have seized on, is bringing the written word from page to stage. Through live events, publishers connect with their readers on a personal, often intimate level, strengthening brand identity and community through a curated, shared experience.

Publishers as disparate as The Atlantic, Refinery29 and Yahoo Finance dramatically expanded their slate of live conferences. Readers from Sydney to San Francisco attended panels and discussions featuring writers from The New York Times. Film and TV buffs could buy a three-day pass to one of Entertainment Weekly's full-scale festivals featuring A-list celebrities. In late 2017, Condé Nast Traveler held free events for their readers, offering "the Traveler experience up close and personal" with live podcasts, wine tastings and panels.

Through these creative activations, publications demonstrated the value of bringing their in-house talent outside for the entire world to appreciate — while tacitly acknowledging a need to shore up shrinking margins.

Where we got lost

Even the most forward-looking media insiders encountered erroneous predictions in 2018.

AR/VR didn't have us seeing 20/20

Starting in 2016, the industry became entranced by the groundbreaking potential of augmented and virtual reality content. But as 2018 made increasingly clear, the technology's most lucrative applications haven't come in the field of consumer entertainment. "Certainly, in the enterprise space, VR and AR is a big deal," explained Todd Beilis, principal and partner at Deloitte Digital. "But in traditional media, they're overhyped."

Augmented reality in particular has come under widespread use by major retail brands. Companies from Sephora to Ikea have woven AR technology into their mobile apps — for instance, allowing customers to virtually try on a particular shade of lipstick or envision exactly how a certain chair or bookcase would fit into their living space.

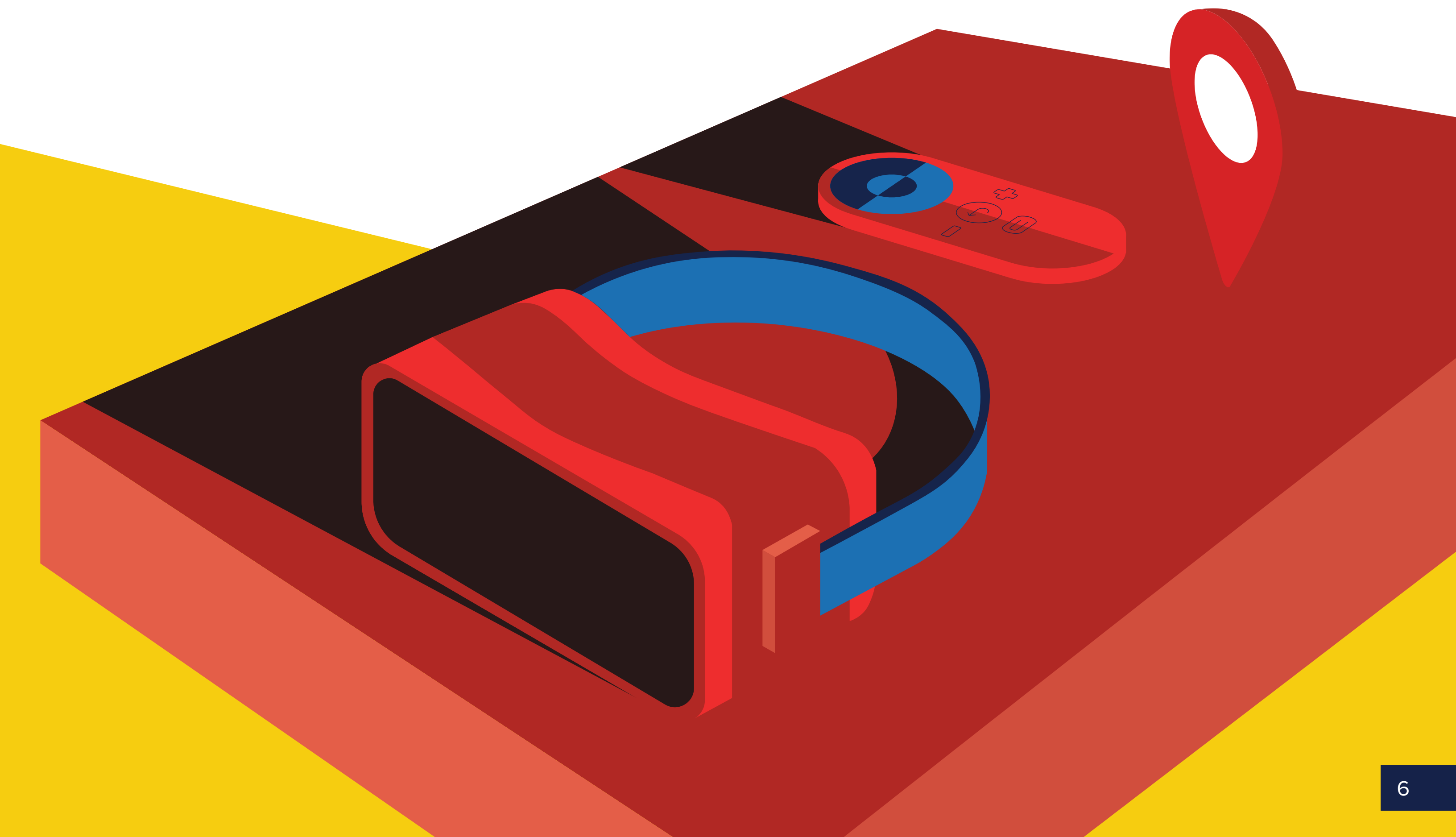
But on the consumer entertainment side, AR has mainly been a bust. While the mobile game Pokémon Go captured the country by storm in 2016, its audience soon plummeted, and no AR game since has replicated its success. Meanwhile, the much-hyped Magic Leap AR headset met widespread derision.

Virtual reality, meanwhile, remains a relatively niche technology in the entertainment space, with once-promising VR startups like Jaunt and Starbreeze either reorganizing or reducing the scale of their operations.

Publishers, too, have grown skeptical of the technology. In 2016, Time Inc. launched its multi-platform virtual reality brand LIFE VR, intended to "elevate Time Inc.'s iconic storytelling capabilities to new levels, creating powerful engagements and immersive experiences."

But after producing a handful of projects over the following two years, it only attempted one high-profile AR effort in 2018 — an AR-heavy Time Magazine issue that required a mobile app download to experience.

On top of all that, sales and shipments for PlayStation, HTC, Samsung and Oculus headsets have continued to drop, showing that demand for VR just isn't on par with supply – for now.



Digital ads didn't dismantle TV budgets

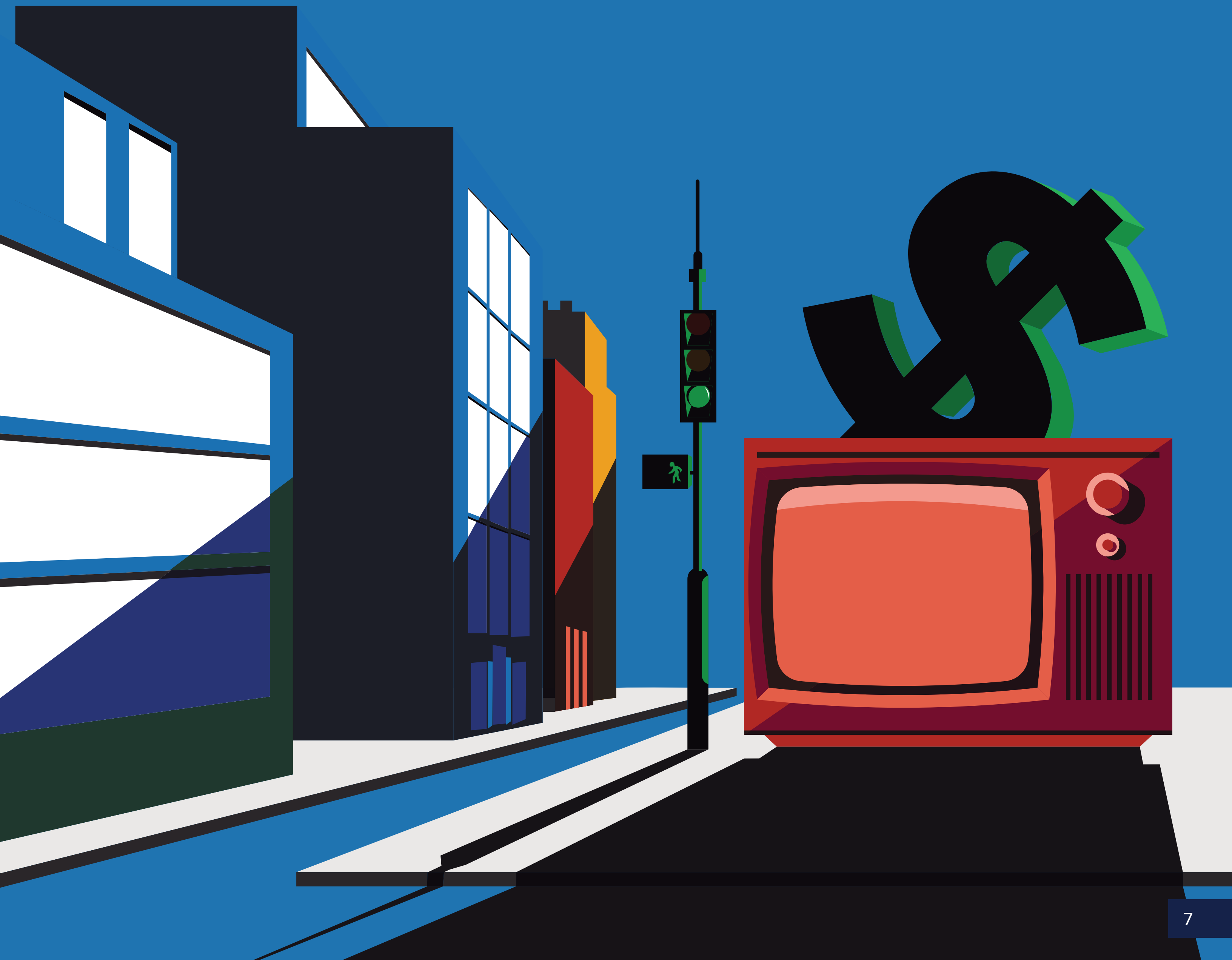
Digital ad dollars outpaced TV for the first time in 2017. And while a full accounting has yet to be finalized for 2018, it's likely that trend continued last year. Nonetheless, the small screen was hardly left in the dust. In 2017, for instance, TV took in $70.1 billion in revenue to digital's $88billion, according to research from PwC.

"If you're a big brand advertiser, you are still spending plenty of money on television," said Beilis. "When I turn on the TV, I see ads from Facebook, from Google, from Amazon, from every one of these major digital technology companies referred to as the folks taking apart TV advertising. But if TV is that challenged, I don't know why those folks are all spending money to get my attention on the set in my living room."

And they're not the only companies tapping into TV ads: Direct-to-consumer brands, in particular, have found success with television commercials, with HelloFresh recently attributing its TV ads, broadcast nationally since 2015, to an 88 percent year-over-year increase in site and app visits.

With more cord-cutting and advancements in OTT, the share of ad dollars spent on live broadcast advertisements is certain to continue declining. MoffettNathanson Research projects that TV advertising dollars will drop 4.3 percent in 2019 — despite the fact that overall ad spending is expected to grow by 5 percent.

Nonetheless, with advertisers still paying record numbers for linear Super Bowl commercials and a slew of industries continuing to derive meaningful ROI from TV spending, digital has hardly snuffed out brands' TV investments. That's not going to change in 2019.



Where we are

Our current media landscape is being shaped by expansions, consolidations, new platforms and high-quality conent.

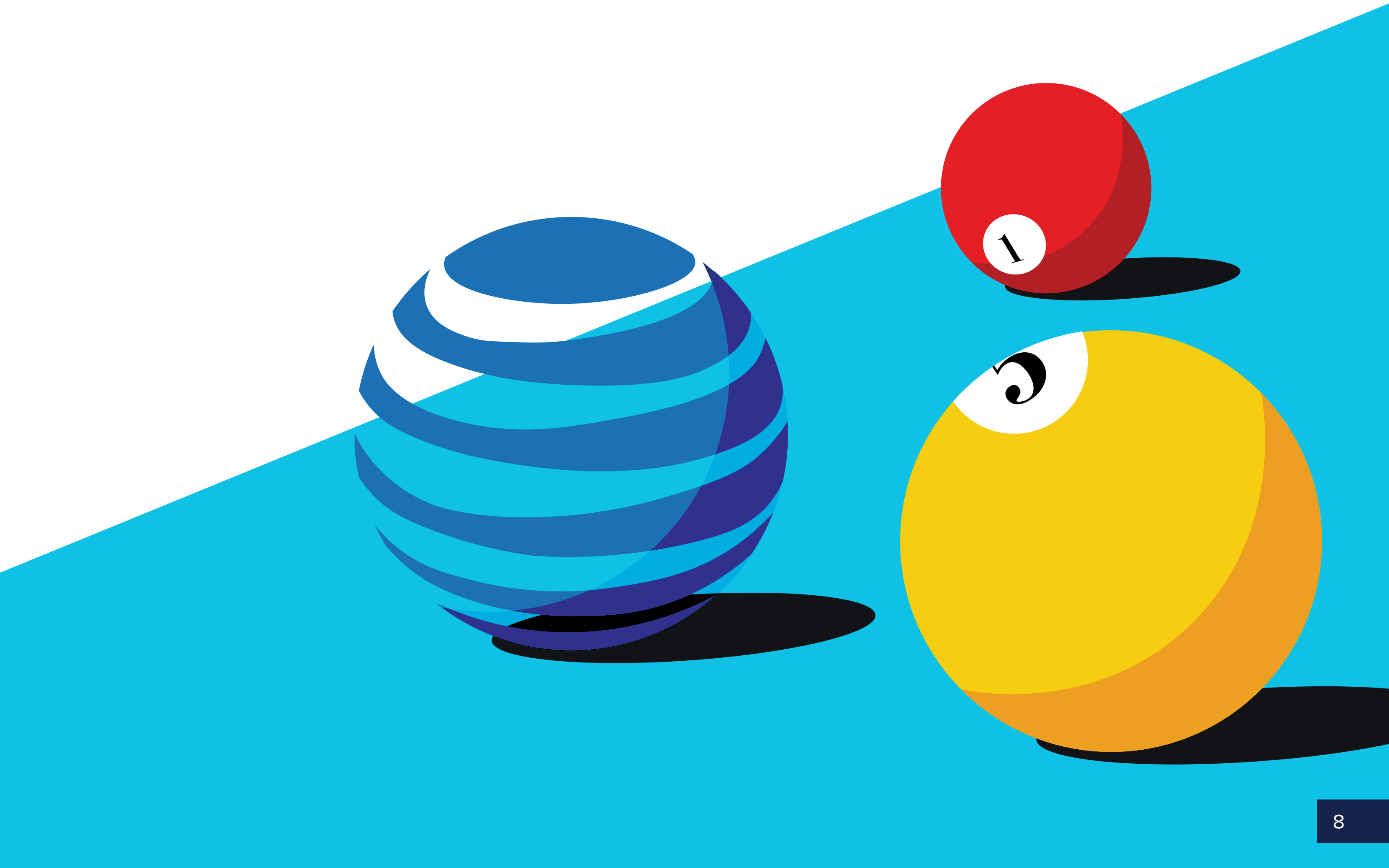
Acquiring upsides and downsides

AT&T purchased Time Warner, Ziff Davis snatched up Mashable at a fire-sale price and The Walt Disney Company just acquired most of Twenty-First Century Fox. As mega-companies continue to consume one another, new content opportunities have arisen.

“The old adage that we’ve heard many, many times before that ‘content is king’ is still relevant,” said Pierre Cadena, svp of corporate development and interactive entertainment at AT&T-owned Otter Media. “AT&T, like many others, is seeking to add more premium content and original programming.”

And the content kingdom is full of riches. AT&T made $9.6 billion in revenue for Q2 of 2018 across Time Warner, its TV distribution businesses and its advertising business — despite only having owned Time Warner for the final 16 days of the quarter. It certainly helps that the Time Warner acquisition literally tripled AT&T’s available ad inventory, according to the company.

Widening content portfolios have pleased shareholders, but employees often haven’t reaped the benefits. On the contrary, thousands of FOX staffers lost their jobs after the Disney acquisition, Mashable reduced its workforce after the Ziff Davis sale, and the list goes on. As more M&A takes place, more layoffs are inevitable.

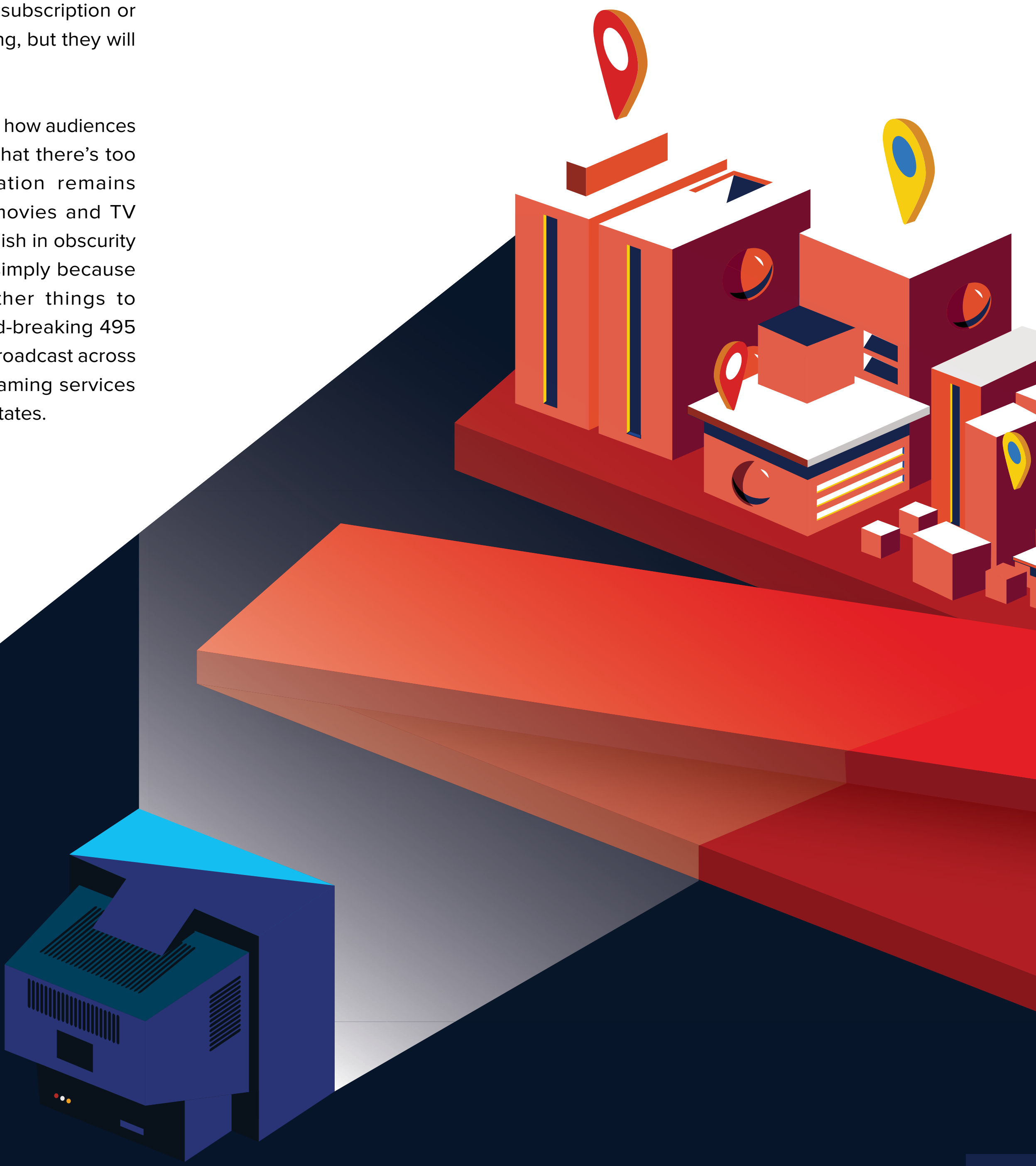


If you build great content, audiences will come

2018 was one of the most successful years at the (digital) box office. Forty-five million people watched a Netflix original film in its first week in 2019, and CBS is building new, profitable digital audiences through legacy franchises. At the end of the day, audiences can be agnostic in terms of platforms or methods of discovery, instead responding to content that makes a connection.

"If you create great content people are going to consume it," said Beilis. "They're going to consume it with subscription or consume it with advertising, but they will consume it."

The problem isn't so much how audiences consume content — it's that there's too much of it. Oversaturation remains an issue, as premiere movies and TV programs can often languish in obscurity on streaming platforms simply because there are too many other things to watch. Last year, a record-breaking 495 scripted TV series were broadcast across linear networks and streaming services combined in the United States.



Where we're going

How the media landscape will take shape in 2019 is uncertain, but there are some sights we're likely to spot on the way.

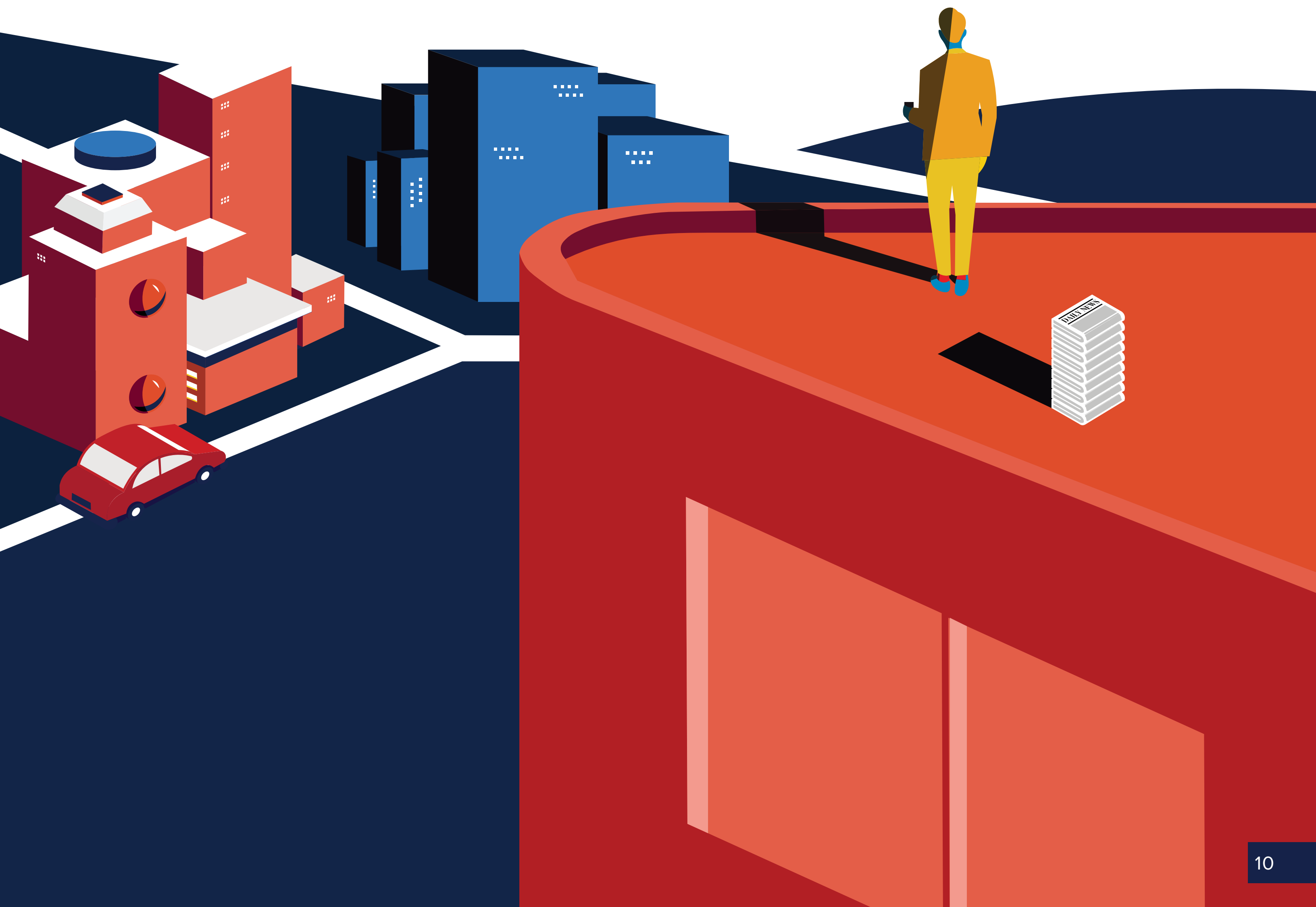
Billioinaires will be big on media

This year, we can expect one of our earlier trends to continue: Ultra-high net worth individuals will keep purchasing entire newspapers and other publishing organizations. As Hering phrased it, "Some of the large newspapers and traditional content providers are being effectively purchased and subsidized by the benevolent billionaires."

In 2018, Salesforce founder Marc Benioff purchased Time magazine, and Dr. Patrick Soon-Shiong bought the Los Angeles Times and The San Diego Union-Tribune. A few years before that, Amazon founder and CEO Jeff Bezos bought The Washington Post, while Carlos Slim became the majority shareholder of The New York Times.

As purchases continue and struggling media organizations fall under the control of the richest people on the planet, there will be more questions and concerns about the influence of wealth on media and content — even if the publishers thrive under this new ownership.

In 2018, NetSuite created their own media channel called GrowWire.com to share stories about innovation, entrepreneurship and growing businesses. It's apparent that businesses of all shapes and sizes are more excited than ever to create & promote in-house developed content.



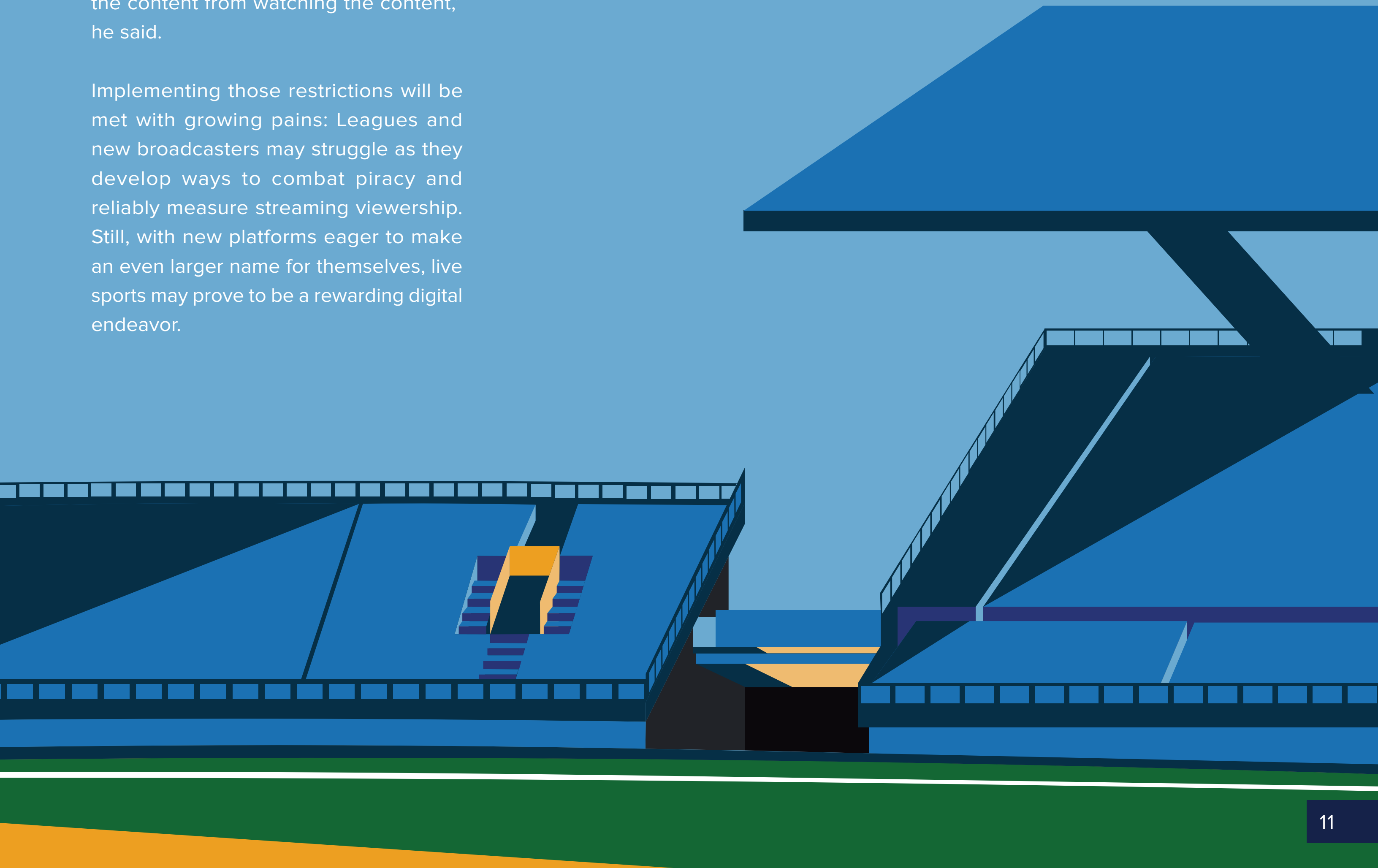
Sports fans will discover more viewing options

Twitter first proved that digital players could take on the role of broadcaster with their livestream of an NFL game in 2016. Amazon, which now owns the live-streaming rights to Thursday Night Football games, has followed suit.

A variety of social platforms (including Facebook, which live-streams Champions League soccer matches through a partnership with Fox Sports) now dabble in live sports broadcasting. If incremental deals between broadcasters and sports leagues continue to proliferate, digital platforms could reshape the industry by giving fans even more options.

But Beilis predicts that if future NFL deals involve more digital players, there will still be strict guidelines on who can access those streams. “If the NFL is going to strike a deal where it’s going to potentially make a big change, they’re going to make sure they have that mechanism and ability to restrict people who shouldn’t be watching the content from watching the content,” he said.

Implementing those restrictions will be met with growing pains: Leagues and new broadcasters may struggle as they develop ways to combat piracy and reliably measure streaming viewership. Still, with new platforms eager to make an even larger name for themselves, live sports may prove to be a rewarding digital endeavor.



Content and advertising will have trouble adapting to data

Advertisers are building new business models because of advancements in data — and the supply chain in digital advertising is expanding so rapidly that scale is harder to account for. “Data has been the biggest change in that there’s so much more of it,” said Neal Helf, controller at Simpli.fi.

The growth in data-driven campaigns could generate opportunity, including a rise in the number of firms able to provide more insight into measuring the signals and helping companies determine which data streams are most valuable. But while these issues may eventually subside, media organizations will struggle nonetheless as they continue to adapt to emerging analytics.

But with those advancements have come certain restrictions, particularly on the regulatory side. The EU’s General Data Protection Regulation (GDPR) and California’s Consumer Privacy Act marked some of the first major government efforts to rein in how companies collect and use data, mandating heavy standards of opt-in consent before companies can directly target users. In 2019 and beyond, it’ll be acutely important for companies to have systems that can help them stay up-to-date with emerging regulations – that’s why many companies look to NetSuite for compliance assistance as they grow.

2019 will see data-driven companies big and small continuing to adapt to the new regulatory paradigm — and perhaps testing the waters to see what they can get away with. For now, GDPR enforcement has mostly been limited to major companies, with Google recently hit with a $57 million fine. California-based companies will get a little breathing room but still need to start preparing: The Golden State’s privacy law doesn’t kick in until January 2020.

Conclusion

It's been a long journey. Let's take a look back at what we've seen.

Brands brought their creative in-house

Brands ranging from Nike to Wendy's used in-house talent and innovative social media strategies to tell stories on their own terms.

Publishers benefited from live events

A wide array of publishers, from The New York Times to Yahoo Finance, dove deeper into live events to combat shrinking margins.

AR and VR didn't make the impact some predicted

While brands like Ikea and Sephora turned augmented reality into a surprisingly effective retail tool, AR and VR fizzled as forms of consumer entertainment.

Digital isn't dismantling TV advertising

Yes, digital advertising continues to outpace TV spending — but linear TV still accounts for tens of billions of dollars in ad buys, and major brands continue to find it effective.

Big companies are being sold to even bigger ones

Acquisitions continue apace, with entertainment companies like Time Warner, Fox and Mashable getting snatched up by corporate giants.

High-quality content is finding audiences everywhere

As corporations have snatched up entertainment companies, they've placed increased importance on producing quality content — and a lot of it.

The richest of the rich own more media

Salesforce founder Marc Benioff purchased Time Magazine and Dr. Patrick Soon-Shiong bought the Los Angeles Times and The San Diego Union-Tribune — just the latest examples of billionaires buying up news outlets.

Sports could be less exclusive and more digital

Outlets from Twitter to Amazon to Facebook live-streamed sporting events — often exclusively — in a bid to continue weakening TV's iron grip on sports.

As data advances, media will struggle to keep up

There's more data than ever — but analytics tools were still imperfect, and regulations like GDPR created new complications that the industry is still grappling with.