WHAT MILLENNIALS WANT FROM TV

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INTRODUCTION

After years of growth the pay television industry has hit a plateau. In the US, while the pundits argue about small gains and losses, the core number of households with pay television has been stuck at about a hundred million for the last few years. In the UK, it is the same story. Sky, the leading pay-TV provider in the UK, has struggled to continue growth beyond 10.5 million homes.

Though the overall number of subscribers may not be changing, operators must work very hard just to keep those that they have today. In this daily battle for customers, one of the most important age groups for operators to focus on is the 18 to 29-year-olds, the so-called millennial generation. For the industry to sustain long-term health, winning the millennials as customers is essential. Recapturing their business as they leave behind their parents pay-TV subscription is the only way to maintain subscriber numbers, and in the long run, grow them.

Stalwarts of the industry are confident that they will win the millennial consumer’s business. Jeff Bewkes, Time Warner Inc. CEO, said recently, “Once they <millennials> take the mattress and get it off the floor, that’s when they subscribe to TV.”\(^1\) Is he right, as millennials age will they subscribe to pay television, just as their parents did? Unfortunately, there is evidence that attracting the young customer is harder than it has ever been before.

This paper will examine the dimensions of the problems facing operators in attracting millennial consumers. It will look at the increasingly important role of social media in the video experience, particularly for the young. Finally, it will suggest specific steps that operators can take now to begin to bring television back into the conversation.
MILLENNIALS BEHAVE DIFFERENTLY

Young people have media options available to them today that were unimaginable to their parents and grandparents. Whether it be watching YouTube originals, playing online games, watching movies on a smartphone or reading a book on a Kindle Fire. In general, they embrace them all.

However, one area that may be a problem is traditional media. They put considerably less stock by pay-TV than the rest of the population. Just 63% of 18-29 year olds with broadband report also having pay-TV. That is 11% below the average ownership and 14% lower than the 30-49 year olds. This substantial difference is probably due to the 19% that have never subscribed to the service, since cancellation rates amongst millennials are identical to the 30-49 year olds.

And it is with the 19% that have never subscribed to service that operators have the biggest challenge. Just 2% of that group say they are considering subscribing in the next three months.

Of the 19% of millennials that have never subscribed to pay-TV service, just 2% say they are considering subscribing in the next three months.

![Pay-TV Subscription Status by Age Group](image)

**Figure 1 Pay-TV subscription status by age group**
Making TV Part of the Conversation

If there is one thing millennials love to do it’s talk. And social media is almost the perfect forum for them, with 72% saying Facebook is their platform of choice. Even the bathroom is not sacrosanct. Twice as many 18-24 year olds (40%) use Facebook in the bathroom than the general population.  

For those that are already television viewers, social media is a critical part of the entertainment experience. 48% of American millennials use social media while watching television, compared to 26% of the 31 to 47 year-olds. According to Twitter, 70% enjoy reading tweets while tracking a live event on TV. The addiction is not confined to North America. 24% of UK 18-24 year olds that watch TV and have Twitter almost always use it to chat about what they are watching, versus 16% of the average. 20% use their Facebook account.

The data shows that the conversation about and around what many millennials watch is part of the experience. Online video providers recognize that to really engage an audience, social has to be part of the experience. As Roy Sekoff, head of HuffPost Live, put it: “People are part of the stories. They want to be talked with, not talked at. When they go back and look at cable they wonder why they can’t engage.”

There is plenty of evidence that tweeting about what a viewer is watching is not the exclusive domain of millennials. One out of six times someone in the US watches primetime TV, they are using social media. And there is a strong gender bias among people that tweet or post while watching: 58% are women and 42% men.

Some have narrowed their focus to take advantage of what appears to be the biggest group of social video viewers; millennial women. Zeebox, a pioneering app bringing together a TV guide, synchronized second screen TV experiences and social media, recently rebranded to become Beamly. Anthony Rose, CTO and co-founder, said of his intended audience: “Since almost two thirds of our users are now female, and the 16-24 age bracket is our core, the new Beamly brand captures the zeitgeist of these millennials perfectly.”

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Roy Sekoff, Head of HuffPost Live
How Social Is Changing the Video Experience

The conversation that is taking place around television today is an increasingly vital part of the entertainment for many. To appreciate the importance, consider that it is now possible to replay the social conversation around a show after it has aired. Tomorrowish bills itself as the first social media DVR, and allows users watching a program on-demand to synchronize the original social stream with their viewing. Tweets posted during the original airing appear to the Tomorrowish user at precisely the same point in the program that they are watching. A user can even filter the social stream to include only the most popular tweets and Facebook posts.

Tomorrowish shows that for many the conversation around a TV show is as vital as the show itself. However, for certain content types, social media is changing the experience of video entirely. Rather than simply cultivating the conversation around the video, the content provider is making the social experience a part of it.

HuffPost Live (HPL) was conceived with exactly that idea in mind. In some respects it is the essential ingredient, according to Roy Sekoff: “Obviously you can make a difference in editorial approach, but that is the thing we hit on fairly early, to give people a seat at the table.” The service makes direct use of the audiences input to shape the conversations taking place. Any viewer can record a video comment simply by pushing the “Be an On-Air Guest” button that is front and center on the home page. Here viewers can submit their video comments and questions. These are reviewed by producers at HPL and the most appropriate are included in the broadcast.

The approach appears to be working. Mr. Sekoff said that HPL has attracted 1.3B views with an average of 22M monthly unique viewers watching for, on average, 18 minutes each. These results are approaching TV numbers. In 2011, Nielsen Media Research reported the monthly cumulative audience for the top three cable news networks. Though the bar was set somewhat higher than the average viewership reported by HPL (Nielsen only counted people watching for an hour or more in the month), the audience’s size was very close to television. CNN attracted 41.7M unique monthly viewers, Fox News 41M and MSNBC 36.9M.

Others are also tapping into the opinions of the audience to shape the content. Comedy Central launched CC: Social Scene on its YouTube channel. It’s a sketch comedy show where viewers suggest topics via Twitter for comedians to use in skits. These services not only show the commitment to social media as part of the experience, but also the real power of the social platform when combined with video. Binding social with video creates a live experience that for many is more engaging, more vital than either of the media apart.

It is this experience that traditional TV providers need to embrace if they are to make progress with millennials.
Pay-TV operators, as the integrator and provider of much of the TV watched in developed markets, have an opportunity to bring social media more directly into the experience than any individual broadcaster or provider. Here are some steps that operators can take now to re-energize the TV experience.

**Partner with 2nd Screen TV App providers**

The simplest approach is to work with existing 2nd Screen TV App providers. Operators are already doing this. For example, Sky in the UK and Comcast in the US have both invested in and integrated with Beamly (Zeebox, as it was called at the time). Other apps that operators have partnered with include NextGuide and Viggle, but there are many more.

Partnering with app providers is a good first step, but the biggest disadvantage to this approach is the scarcity of good coverage. There are many 2nd Screen TV apps and penetration of each remains modest. For example, TV guide and discovery apps have been downloaded and installed on connected devices by just 6% of consumers in the US.

**Grow your own community**

The best way to ensure that all of an operator’s subscribers can easily chat with each other while they watch TV is to provide the social networking solution directly. This approach allows an operator to do something an app developer can’t: leverage the social aspects directly on the TV screen. It’s easier to implement a homegrown community than it might appear, since vendors like RelayTV already have solutions custom built for operators.

Providing the social network solves the problem for subscribers about which social network they should use to chat with their friends during a favorite program. It also keeps the conversation centered on television. That means a friend’s ramblings about a computer problem are much less likely to appear during a tense moment in a favorite drama.

Growing your own community means operators can leverage a subscriber’s friends to make better TV program recommendations. For example, when a subscriber turns on the TV, telling them what their friends are watching right now is a great way of quickly guiding them to a show they might like. As the consumer uses the social aspects of the service, it also helps build loyalty. After all, who would want to leave the service where all their friends are?

This approach may also have some drawbacks. Owning and operating the social solution could bring additional capital and operational costs. Although much of the infrastructure and maintenance costs are avoided in solutions like RelayTV, which hosts most of the functionality in the cloud. Also, since the solution isn’t part of the large social networks it might appear that it can’t benefit from their scale. Luckily, major social sites like Facebook and Twitter allow external apps to connect with them. This means an operator
network can leverage the scale of the big networks, but manage the conversation to keep it in the TV context.

In the end, making the social network part of the television platform creates a more unified experience allowing the operator to provide an immersive experience for its subscribers. As Kye Cheung, CEO of RelayTV, put it: “Disparate apps result in a disjointed user experience. By integrating social throughout the discovery and watching experience, operators can leverage it to provide immediate monetization avenues such as targeted advertising.”

**Put web services on the box**

Hybrid service providers (like Comcast X1, Cox Contour, CableVision Optimum) already have a TV platform which allows them to deploy web services through the pay-TV set-top box in the home. Operators deployed these platforms explicitly to be able to deliver more web-like services to customers and to take advantage of IP technologies to speed innovation.

In addition to implementing the first two steps above, hybrid operators can work with web providers like HuffPost Live, Twitch and OnLive to bring their services directly to customers on televisions through the operator provided set-top box. These types of services are already heavily leveraging social media to build communities (affinity communities) around their content. Integrating them with the operator social network could be a win-win for all concerned.

This approach has one big downside: existing content partners might not be happy to see web competitors on the same TV platform as them. That brings us to the last suggestion to help win back millennials to TV.

**Help existing partners get with the plan**

One of the reasons web video services are growing fast is because they can evolve quickly to track the changing habits of their audience. As we saw with HuffPost Live, social media is ground-zero for this evolution. Providing a controlled, stable platform on which content partners can begin to bring social into their content mix could be a great way to help them modernize the TV experience. It also allows this evolution to take place safely within the confines of the pay-TV model, supporting the existing revenue structure.

Programmers like CNN are acutely aware of the need to keep up with web competition. The company’s new web app, CNNx, looks remarkably similar to the on-web competition, though there is no evidence of social media integration. KC Estenson, SVP and GM of CNN Digital, said the company has ported CNNx to some of the more advanced operator set-top box. If Comcast had a social media solution deployed, this would be an excellent opportunity to help content providers like CNN better engage with viewers.
The difference between the experiences of video found online and on television is becoming increasingly jarring. For the young in particular, social media is not only an essential part of the experience, but is also changing the experience of video itself. Comments about a TV program between friends enhances the experience for all involved. Giving viewers the ability to add that dimension on the television screen, as with RelayTV, will help enliven the experience for them.

Today, the conversation about TV happens around and outside of the shows. For content with strong narratives, such as drama and movies, leaving the plot unsullied by the winds of social chatter is entirely appropriate. However, for other content types it lacks the essential component for the young to be really engaged. Millions of millennials believe their opinions and experiences count and want to be heard by the content creators.

Current affairs, reality TV, sketch comedy shows have an opportunity to improve the live experience by listening to, and directly leveraging, these opinions. Of course, exercising editorial control over how the viewer’s opinions are included is critical, but recognizing that social is part of the entertainment experience is critical if TV is to remain part of the conversation.

To be sure, social media is not the only change to the entertainment experience attracting the millennial viewer. Unbound by the rigors of traditional TV, online originals can be shorter, more niche and simply more irreverent. Things guaranteed to appeal more strongly to the young viewer. Though even here, it is social media, the voice of the online audience, which determines what will succeed and what will fail, not some panel appointed by Nielsen.

However, social media, more than any of these other changes, is the one truly new feature of video entertainment. Bringing the voice of the people to the traditional TV experience will surely change it, but it is the best way to guarantee the long-term future of the medium.
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