



# Sizing the Opportunity for Measuring & Monetizing Local TV Audiences

August 2017



## Contents

Executive Summary.....	1
The Media Audience Value Pyramid Starts with Accurate Measurement .....	3
The Advertising Outlook for Local TV Investment and Activation.....	5
Local TV's Broadcast vs. Digital Revenue Mix.....	5
Three Market Case Studies: Los Angeles, CA; Kansas City, KS-MO and Madison, WI .....	7
Social Ratings: Local TV is Missing the Boat on Monetizing Social Audiences .....	7
TV Ratings: Local Market TV Stations Monetization of Broadcast Audiences .....	9
Los Angeles, CA.....	9
Kansas City, KS-MO .....	10
Madison, WI.....	11
Conclusion and Recommendations.....	12
About the Authors.....	13
About BIA/Kelsey .....	14

## Figures

Figure 1 - The Balancing Act of Matching Audience Data to Big Data .....	4
Figure 2 - Broadcast and Digital Revenue Forecast for Local TV Stations.....	6
Figure 3 - TV Station Social Monetization Opportunity.....	8
Figure 4 - Los Angeles: Monetization of Broadcast Audiences \$000s .....	9
Figure 5 - Kansas City: Monetization of Broadcast Audiences \$000s.....	10
Figure 6 - Madison, WI: Monetization of Broadcast Audiences \$000s .....	11



## Executive Summary

- BIA/Kelsey's [July 2017 ad forecast](#) sizes the local TV ad market at \$20.9 billion for 2017 or 14% of the total local ad spend across 16 media platforms targeting local audiences. Overall, about 95% of this revenue is produced by selling on-air advertising while only 5% of ad and sponsorship sales comes from various digital properties of local TV operators such as owned-and-operated web assets, mobile apps, and newer distribution platforms off the open web such as Facebook. As we look ahead in our forecast window, we see significant upside opportunities for local TV operators to scale their revenue growth in both their linear TV and digital video platforms.
- However, the paths to growth are gated by the ability to develop trusted and accurate measurement systems that clearly establish the size and attributes of the audiences delivered across linear and digital platforms. Based on [BIA/Kelsey's](#) data partnerships with [comScore](#) and [Share Rocket](#) and using our own BIA ADVantage market intelligence data platform, we offer here a unique perspective on the monetization and revenue scaling opportunities for local TV by diving into cases studies of three markets with different characteristics: Los Angeles, CA; Kansas City, KS-MO and Madison, WI.
- Local TV broadcasters seeking revenue growth in the digital domain are achieving only about 5% of their total revenue mix from digital. However, by directly monetizing the audiences they create on third-party distribution platforms such as Facebook can double that digital component to the revenue mix with new incremental revenue.

Working with Share Rocket, we size the opportunity for monetizing local TV stations' earned audiences just with Facebook Native and Facebook LIVE video to be \$67.1 million for Los Angeles, CA; \$10.7 million for Kansas City, KS-MO and \$2.35 million for Madison, WI.

- An essential point to see here is that local TV operators have a path to doubling their digital revenue growth simply by monetizing the audiences *they already have created* on Facebook.
- From the advertisers' perspective, the social audience segments local TV stations create with their premium video product while highly valuable are not currently exposed to them so they don't even have the chance to buy this inventory to hit their campaign goals.
- Given the trendline for local TV's revenue mix as heavily dependent on monetizing local broadcast audiences, about 5% of their total revenue, the accuracy of audience measurement is critical. For example, each rating point is worth \$12.8 million in Los Angeles, CA; \$1.12 million in Kansas City, KS-MO and \$496,350 in Madison, WI.
- This means for example that in Los Angeles if a ratings estimate is off by just half a point, \$6.4 million could be misspent by advertisers.
- Accurate measurement, the ability to add "big data" to audience estimates to develop data-driven audience and consumer segment matches and monetizing social audiences already created are critical growth paths.



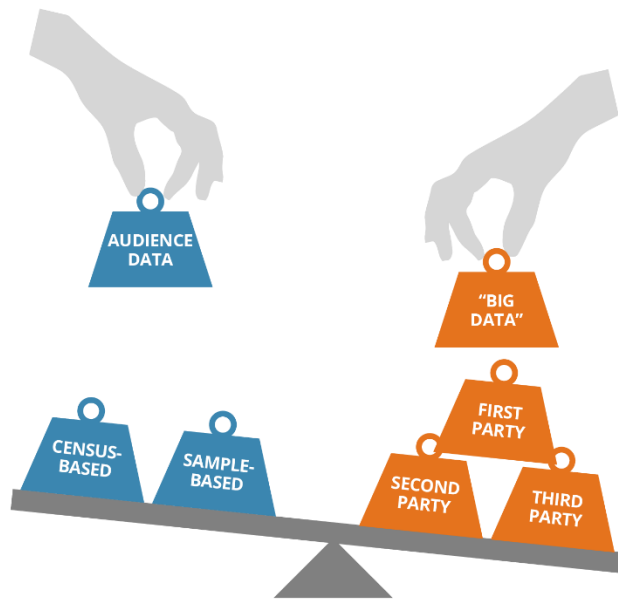
## The Media Audience Value Pyramid Starts with Accurate Measurement

Local TV operators have the two primary jobs of producing audiences by providing a valued service with their broadcast programming and then monetizing these broadcast audiences largely through advertising and sponsorship sales. Arguably, the market value of the audiences local broadcasters produce and deliver to advertisers has three major drivers:

1. Measurement of these audiences
2. Value to advertisers of the program or daypart delivery of these audiences
3. Negotiation

In this report, we focus on the first two factors. And these factors clearly require accurate audience measurement.

In today's local television market, there is a marked trend toward data-driven audience buying that goes beyond the measurement and reporting of local TV audiences in terms of just gender and age. Incremental audience value is unlocked by matching these audiences at a household or even individual level using probabilistic or deterministic methods to augment media audience estimates with literally thousands of household and individual attributes to further segment these media audiences into actionable consumer profiles matching advertisers' campaign strategies and goals.

**Figure 1 - The Balancing Act of Matching Audience Data to Big Data**

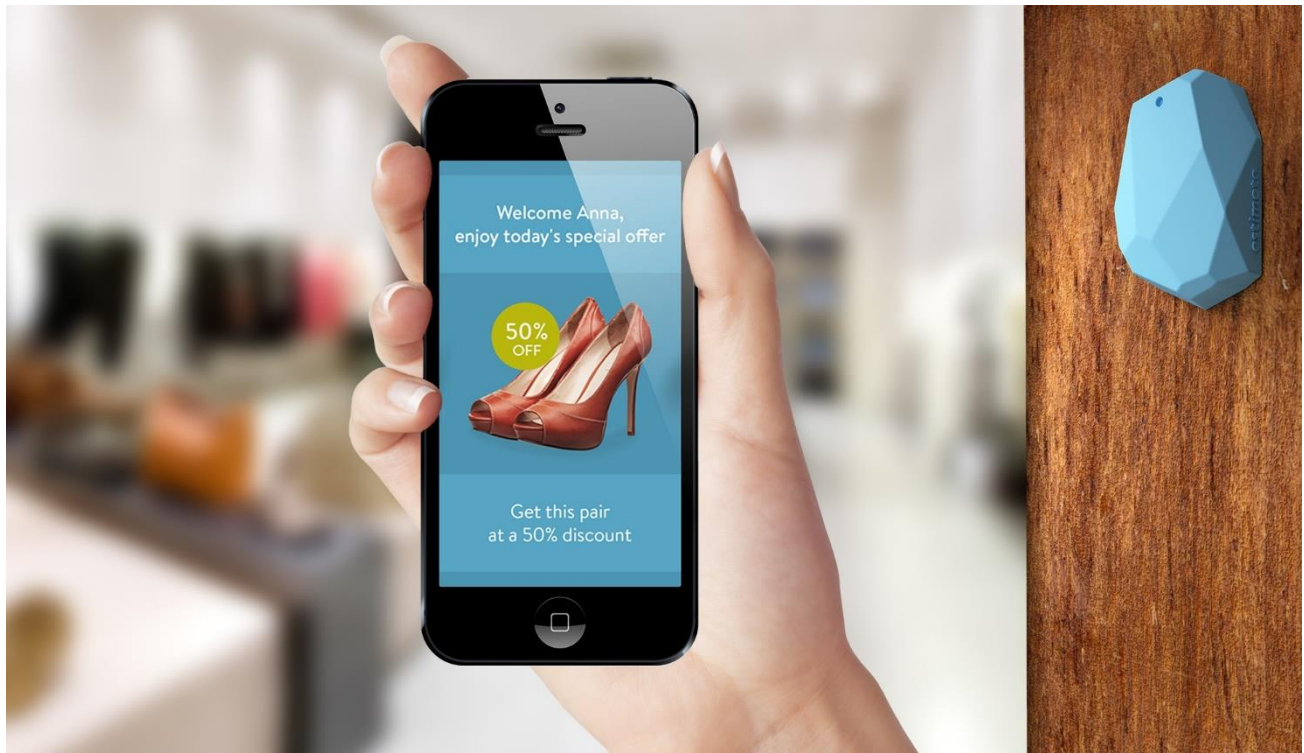
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*Matching Audience Data to Big Data Requires ID Authentication (e.g., HH or Person levels) and Probabilistic or Deterministic Algorithms to Build Device or Consumer Graphs.*

*These matched data sets are used to build audience/consumer segments potentially from thousands of attributes, but can only be as good as the underlying audience data.*

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Source: BIA/Kelsey, July 2017



## The Advertising Outlook for Local TV Investment and Activation

### Local TV's Broadcast vs. Digital Revenue Mix

For local TV, we see two significant revenue growth paths. First, increasing the value of the broadcast audience with better measurement and audience index-based selling by augmenting audience data with attributes from other data sets. If these developments occur, local TV broadcasters will become more competitive with digital pure play platforms and would see greater revenue growth in better monetizing their broadcast audiences. Second, scaling and monetizing audiences on digital properties whether owned and operated or on other distribution platforms such as Facebook. By this we mean not just scaling impressions from earned media that may correlate to higher broadcast ratings, but selling those impressions for incremental revenue growth beyond the broadcast product.

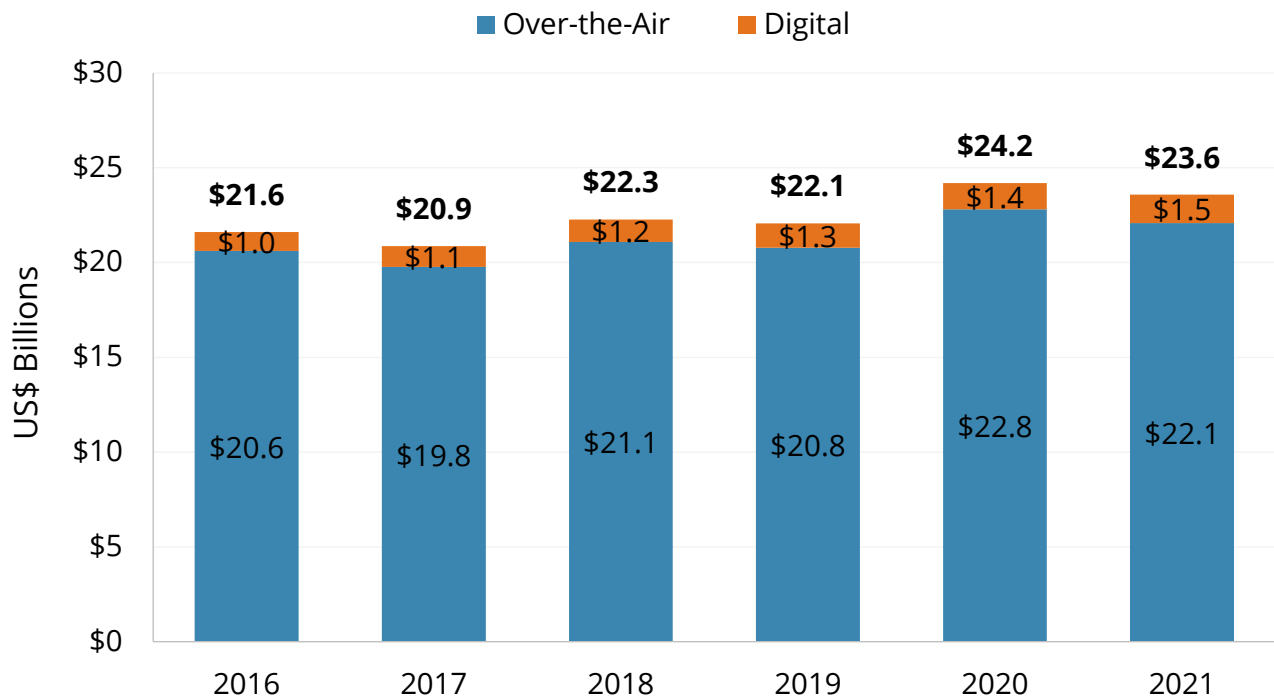
BIA/Kelsey's U.S. Local Advertising Forecast 2017 is a five-year forecast that delivers an overview of total U.S. spending targeting local audiences across all major media platforms. BIA/Kelsey defines "local advertising" as all advertising platforms that target access to local audiences for national, regional, and local marketers.

For 2017, we forecast total local ad spend to be \$147.9 billion, of which \$21.6 billion will go to local TV. While digital ad spending is the fastest growing part of the overall ad economy, for

local TV stations BIA/Kelsey forecasts that the digital component of their revenue mix will increase from 4.6% to just 6.4% in the 2016-2021 period.

We are on the precipice of different advertising channels taking lead positions in the local advertising marketplace. Although national and local businesses still utilize a mix of digital and traditional advertising platforms, the opportunities afforded by mobile, social, and video advertising are valuable due to their measurability, targetability, high adoption by consumers and enhancements by technologies such as beacons and data attribution that blend extraordinarily well with today's mobile consumer.

**Figure 2 - Broadcast and Digital Revenue Forecast for Local TV Stations**



Note: Numbers are rounded.

Source: BIA/Kelsey, July 2017





## Three Market Case Studies: Los Angeles, CA; Kansas City, KS-MO and Madison, WI

In this section, we'll highlight case studies from three different types of TV markets to explore how well local TV stations are monetizing both their broadcast and social audiences.

### Social Ratings: Local TV is Missing the Boat on Monetizing Social Audiences

We see lots of evidence that local TV stations get that engaged social audiences are valuable in terms of driving on-air viewership that can be monetized by higher ratings. For example, a recent [TVNewsCheck article](#) cites the case of WTTG (Washington, DC) and its use of social media to help them with their on-air ratings. "Our focus on social engagement, I believe has had a cumulative positive impact on our current growth and success," said Paolini."

As we know, broadcasters are keenly interested in growing topline revenue across traditional and digital platforms. We noted earlier that only about 5% of total local station revenue comes from digital platforms. Are local broadcasters leaving money on the digital table by producing digital audiences that they are not currently monetizing? For our look at social, we'll focus on Facebook audience creation as that is the most significant component of third-party platform audience creation for many local TV broadcasters.

To address this question of monetizing social audiences, [we collaborated with Share Rocket](#) to build on our own database and analytics of Facebook and revenue data to create a deeper understanding of the audience-revenue relationship potential.

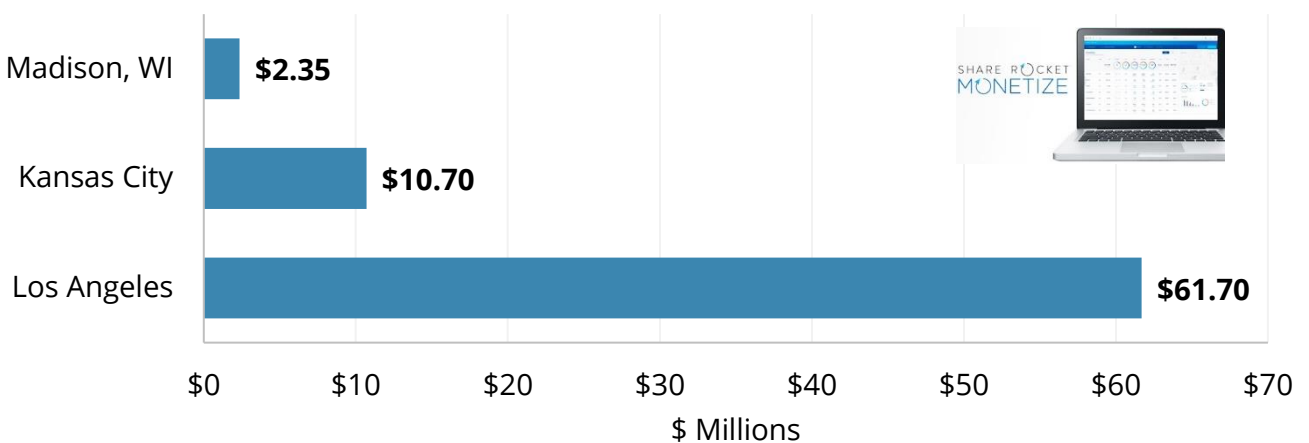
The revenue goals of local TV stations are to produce and monetize audiences on both their linear and digital platforms. It is simple and straightforward in concept but tougher to accomplish in execution. Starting with an accepted audience measurement currency, additional audience attributes can be grafted onto the underlying media estimates to create transactable new audience segments that can be of great value to marketers, and programmers for that matter.

One type of audience that local TV stations consistently under-monetize are the earned audiences they create on social platforms.

Still, the social audiences can be directly monetized by selling the digital impressions not just looking for ratings boosts to the on-air signal. To size this opportunity, we developed a data sharing partnership with Share Rocket the leading provider of social ratings currency data for local TV.

Working with Share Rocket, we developed estimates of social audience impressions and their relative value in our case study markets. These numbers represent estimates based on Share Rocket data collected for a 12-month period beginning July 1, 2016 and ending July 1, 2017. Using Facebook audience and engagement data analyzed for that period, we have estimated the total revenue opportunity for Facebook Native Video and Facebook LIVE video. This estimate is based on the new [Share Rocket Monetize currency](#) that values the reach, impressions, video views and engagements of Facebook Native and Facebook LIVE video posts.

**Figure 3 - TV Station Social Monetization Opportunity**



Source: Share Rocket, July 2016-July 2017

- Los Angeles, CA:** Using Share Rocket's Monetize currency we can see that the local TV stations in LA generated Facebook video impressions that could be monetized with a value of \$61.7 million. That represents a potential incremental revenue growth of 3.9% relative to its over-the-air revenue. In other words, local TV operators in Los Angeles seeking revenue growth by monetizing their video audience impressions essentially are

walking over from at least some of this growth component.

- **Kansas City, KS-MO:** Share Rocket's Monetize currency estimates a total value of Facebook video impressions created by local TV stations equals \$10.7 million. In this case, it appears broadcasters are doing a much more effective job at engaging their audiences via Facebook. What's less clear is how well these broadcasters are monetizing these impressions. If fully monetized, these Facebook impressions represent a revenue growth potential of 6.7% of the over-the-air revenue currently generated by stations.
- **Madison, WI:** Even in a smaller market like this one, social audiences have a value of up to \$2.35 million or another 3.8% of the over-the-air sales that could be added on top for incremental growth just by monetizing audiences *already created* by the stations.

## TV Ratings: Local Market TV Stations Monetization of Broadcast Audiences



BIA/Kelsey and comScore have a [data partnership](#) to help build better analytics and insights into the value of local market TV audiences. Based on data analytics from [comScore's StationView Essentials](#) and BIA/Kelsey ADVantage data platforms, we produced estimates of audience monetization efficiency in terms of Rating Points and Average Audience Minutes. These analytics provide a top-level index of the ability of TV stations in local markets to monetize their broadcast audiences. For this analysis, we keep it at the market and station levels for Adults 25-54, All Day, All Week for the calendar year 2016.

### Los Angeles, CA

**Figure 4 - Los Angeles: Monetization of Broadcast Audiences \$000s**

Net / Station	comScore HH Live		BIA/Kelsey Market Data		
	Total 2016 Rating Pts.	Total 2016 AA Min.	2016 Revenues	\$ / Rating Pt.	\$ / AA Min.
KABC (ABC)	21,937	1,203,374,449	\$283,000.00	\$12,900.70	\$0.24
KCBS (CBS)	17,941	984,077,169	\$224,000.00	\$12,485.51	\$0.23
KCOP (MyNet)	4,061	222,748,234	\$42,000.00	\$10,342.55	\$0.19
KNBC (NBC)	14,536	797,294,900	\$193,000.00	\$13,277.28	\$0.24
KTLA (CW)	16,855	924,541,187	\$120,000.00	\$7,119.45	\$0.13
KTTV (FOX)	9,287	509,328,959	\$220,000.00	\$23,690.06	\$0.43
<b>TOTAL</b>	84,616	4,641,364,898	<b>\$1,082,000.00</b>	<b>\$12,787.12</b>	<b>\$0.23</b>

Dates: 01/01/2016 - 12/31/2016

Filtered by: A25-54, All Day, All Week, Include Exceptions, Stations in Los Angeles: KABC Los Angeles, Calif. (ABC), KCBS Los Angeles, Calif. (CBS), KCOP Los Angeles, Calif. (MyNet), KNBC Los Angeles, Calif. (NBC), KTLA Los Angeles, Calif. (CW), KTTV Los Angeles, Calif. (FOX)

Sources: comScore, BIA/Kelsey

Local TV ad revenue totaled \$1.08 billion in Los Angeles in 2016. Overall, the local TV stations generated 84,616 rating points and 4.6 billion Average Audience Minutes. Building on these comScore metrics by using data from BIA ADVantage, we can estimate the audience monetization efficiency of local TV stations in this market. Overall, each Los Angeles Rating Point is worth \$12.79 million and the Average Audience Minute is worth \$0.23.

- **Ratings Monetization:** \$12.8 million is produced for each rating point generated by Los Angeles TV stations. This ranges from a low of \$7.1 million for KTLA to a high of \$23.7 million for KTTV.
- **Average Audience Minutes Monetization:** Each AA minute generated by Los Angeles TV stations yields \$0.23 on average. This ranges from a low of \$0.13 for KTLA to a high of \$0.43 for KTTV.

## Kansas City, KS-MO

**Figure 5 - Kansas City: Monetization of Broadcast Audiences \$000s**

Net / Station	comScore HH Live		BIA/Kelsey Market Data		
	Total 2016 Rating Pts.	Total 2016 AA Min.	2016 Revenues	\$ / Rating Pt.	\$ / AA Min.
<b>KCTV (CBS)</b>	33,551	304,154,790	<b>\$36,200.00</b>	<b>\$1,078.97</b>	<b>\$0.12</b>
<b>KCWE (CW)</b>	8,246	74,732,952	<b>\$6,400.00</b>	<b>\$776.11</b>	<b>\$0.09</b>
<b>KSMO (MyNet)</b>	3,163	28,638,565	<b>\$6,200.00</b>	<b>\$1,960.07</b>	<b>\$0.22</b>
<b>KMBC (ABC)</b>	30,951	280,806,166	<b>\$40,000.00</b>	<b>\$1,292.38</b>	<b>\$0.14</b>
<b>KSHB (NBC)</b>	20,630	187,145,864	<b>\$24,000.00</b>	<b>\$1,163.34</b>	<b>\$0.13</b>
<b>WDAF (FOX)</b>	36,956	335,128,311	<b>\$37,300.00</b>	<b>\$1,009.30</b>	<b>\$0.11</b>
<b>TOTAL</b>	133,497	1,210,606,648	<b>\$150,100.00</b>	<b>\$1,124.37</b>	<b>\$0.12</b>

Dates: 01/01/2016 - 12/31/2016

Filtered by: A25-54, All Day, All Week, Include Exceptions, Stations in Kansas City: KCTV Kansas City, Mo. (CBS), KCWE Kansas City, Mo. (CW), KMBC Kansas City, Mo. (ABC), KSHB Kansas City, Mo. (NBC), KSMO Kansas City, Mo. (MyNet), WDAF Kansas City, Mo. (FOX)

Sources: comScore, BIA/Kelsey

Local TV ad revenue totaled \$133.5 million in Kansas City in 2016. Overall, the local TV stations generated 133,497 rating points and total Average Audience Minutes viewing of 1,210,606,648. Building on these comScore metrics by using data from BIA ADVantage, we can estimate the audience monetization efficiency of local TV stations in this market. Overall, each Kansas City Rating Point is worth \$1.12 million and the Average Audience Minute is worth 12 cents.

- **Ratings Monetization:** \$1.12 million is produced for each rating point generated by the Kansas City TV stations. This ranges from a low of \$776,110 produced by KCWE to a high of \$1.96 million produced by Station KSMO.

- **Average Audience Minutes Monetization:** Each AA minute generated by the Kansas City TV stations yields \$0.12. This ranges from a low of \$0.11 for WDAF to a high of \$0.22 for KSMO.

## Madison, WI

**Figure 6 - Madison, WI: Monetization of Broadcast Audiences \$000s**

Net / Station	comScore HH Live		BIA/Kelsey Market Data		
	Total 2016 Rating Pts.	Total 2016 AA Min.	2016 Revenues	\$ / Rating Pt.	\$ / AA Min.
TVW (MyNet)	2,297	8,654,735			
WBUW (CW - 1/1/16 - 9/11/16)	2,493	9,360,484	\$1,525.00	\$611.65	\$0.16
WISC (CBS)	35,326	133,545,308	\$16,400.00	\$464.25	\$0.12
WKOW (ABC)	25,390	95,929,419	\$13,000.00	\$512.02	\$0.14
WMSN (FOX)	18,816	71,227,246	\$10,950.00	\$581.96	\$0.15
WMTV (NBC)	36,157	136,790,211	\$17,925.00	\$495.75	\$0.13
<b>TOTAL</b>	<b>120,479</b>	<b>455,507,403</b>	<b>\$59,800.00</b>	<b>\$496.35</b>	<b>\$0.13</b>

Dates: 01/01/2016 - 12/31/2016

Filtered by: A25-54, All Day, All Week, Include Exceptions, Stations in Madison: TVW Madison, Wis. (MyNet) [WISC2], WISC Madison, Wis. (CBS), WKOW Madison, Wis. (ABC), WMSN Madison, Wis. (FOX), WMTV Madison, Wis. (NBC)

Sources: comScore, BIA/Kelsey

Local TV ad revenue totaled \$59.7 million in Madison, WI in 2016. Overall, the local TV stations generated 120,479 rating points and 455,507,403 Average Audience Minutes. Building on these comScore metrics by using data from BIA ADVantage, we can estimate the audience monetization efficiency of local TV stations in this market. Overall, each Madison Rating Point is worth \$496,350 and the Average Audience Minute is worth 13 cents.

- **Ratings Monetization:** \$496,350 is produced for each rating point generated by the Madison TV stations. This ranges from a low of \$464,250 for WISC to a high of \$611,650 for WBUW.
- **Average Audience Minutes Monetization:** Each AA minute generated by Madison TV stations yields an average of \$0.13. This ranges from a low of \$0.12 for WISC to a high of \$0.16 for WBUW.



## Conclusion and Recommendations

Local TV is a valued advertising platform for its premium video inventory and locally activated, engaged audiences that can be targeted by marketers. Both local TV operators and marketers have a personal stake in accurate audience measurement and reporting for both broadcast and social audiences created by this premium video programming. The ability to match broadcast audience data to third party "big data" and addressable targeting from set-top boxes adds substantially to the local TV value proposition.

Local TV's social audiences are an undervalued asset in the local market – by both TV operators and marketers. An essential point to see is that local TV operators have a path to doubling their digital revenue growth simply by monetizing the audiences they already create on Facebook. From the advertisers' perspective, marketers get access to premium video inventory that is currently undersold. Local TV stations create with their premium video product while highly valuable are not currently exposed to them so they don't even have the chance to buy this inventory to hit their campaign goals.

Given the trendline for local TV's revenue mix as heavily dependent on monetizing local broadcast audiences, about 5% of their total revenue, the accuracy of audience measurement is critical. For example, each rating point is worth \$12.8 million in Los Angeles, \$1.12 million in Kansas City and \$496,350 in Madison, WI. This means for example that in Los Angeles if a ratings estimate is off by just half a point, \$6.4 million could be misspent by advertisers.

Accurate measurement, the ability to add "big data" to audience estimates to develop data-driven audience and consumer segment matches and monetizing social audiences already created are critical growth paths for fully realizing the monetization potential of local TV in the forms of incremental revenue for TV operators and more engagement and sales for marketers.

## About the Authors

### Rick Ducey

Managing Director, BIA/Kelsey



Rick Ducey is managing director, leading BIA/Kelsey's strategy consulting practice. He assists clients with their business planning and revenue models, strategic research, market assessment, and designing and implementing strategies for leveraging video media assets and inventory in local markets.

Ducey is a sought-out expert for his coverage and analysis of how disruptive technologies, emerging competition, shifting consumer demographics and media usage trends drive changes in the media ecosystem.

Prior to joining BIA/Kelsey in 2000, Ducey was senior vice president of NAB's Research and Information Group. Ducey was recognized in academia as the 2011 Shapiro Fellow at George Washington University, where he teaches entrepreneurship in new media. He has also taught on the faculties of Michigan State University, George Mason University and the University of Maryland.

Ducey received his B.A. from the University of Massachusetts at Amherst, M.S. from Syracuse University and Ph.D. from Michigan State University.

### Mark Fratrik

SVP and Chief Economist, BIA/Kelsey



Senior vice president Mark Fratrik serves as BIA/Kelsey's chief economist and is responsible for forecasting across all local media segments. He also manages the company's numerous proprietary databases and conducts primary research on various trends as they affect the broadcasting and related communications industries. Additionally, Mark is heavily involved in BIA/Kelsey's strategic and financial consulting projects, conducting research and analysis for clients on matters related to the broadcasting, digital media and related communications industries.

He is often quoted in the media and is a leading spokesperson concerning trends and forecasts for the media industry including analyzing competitiveness of media and related industries. He is the author BIA/Kelsey's series of studies on the state of the radio and television industry.

Mark received his Bachelor of Arts in mathematics and economics from State University of New York at Binghamton and his master's and doctoral degrees in economics from Texas A&M University. He served as an adjunct professor of economics at Johns Hopkins University for more than seven years.

## About BIA/Kelsey



Local media is one of the fastest moving industries of our time. And BIA/Kelsey has been at the center of it for more than 30 years.

BIA/Kelsey is the leading research and advisory firm focused on the advertising and marketing marketplace. We have proven advisory services and consulting methods that put our clients in the best possible position to compete and stand out in today's multiplatform, interactive world.

Our research, forecasts, industry analysis, competitive intelligence and industry-leading analyst team propel our clients' success forward. Put yourself in the best possible position to compete and win — turn to BIA/Kelsey.

We are pleased to announce our new Programmatic Program that features a series of papers and webinars that will help our clients understand the potential of programmatic. Contact us today for more details: [info@biakelsey.com](mailto:info@biakelsey.com).

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