

Digital Strategies & Scaling
Revenue Growth in Local TV

FIRESIDE CHAT

WITH **TOM
O'BRIEN**

*Executive-in-Residence,
BIA/Kelsey*



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ABOUT BIA/KELSEY'S EXECUTIVE-IN-RESIDENCE PROGRAM

The media industry is a dynamic space, filled not only with hard problems to solve but also the kinds of opportunities that attract and drive extremely capable executives to compete for success. High achieving executives often look for opportunities to share back some of their learning and experiences. BIA/Kelsey's Executive-in-Residence program offers a platform for these executives to offer their mentorship and thought leadership for the industry.

At BIA/Kelsey, we're proud to be associated with some of the top leaders in the industry segments we serve. Our Executive-in-Residence program is our initiative to foster community and encouragement for top executives to participate in the industry by offering both their experience and their fresh perspectives to their fellow executives and the next generation's rising stars.

A FIRESIDE CHAT WITH TOM O'BRIEN

Tom O'Brien joins BIA/Kelsey as Executive-in-Residence this month, we're so pleased to have him joining us. He'll lend his expertise to our programs, insights, and analytics and to our consulting programs.

In this report, BIA/Kelsey's managing director, Rick Ducey, sat down with Tom to consider his perspectives on a few of the top of mind issues facing local TV and digital media executives today.



LOCAL TV AND DIGITAL GROWTH

RD: Tom, first, welcome to BIA/Kelsey's EIR Program. It's wonderful to have you joining us as both an accomplished executive and a long-time thought leader and innovator. You've got a deep background in local TV with networks, major groups and stations in executive management, sales, and even production. You've just come off an assignment as EVP/CRO with Nexstar to broaden local TV's business model into digital domains for revenue growth and better services for audiences and advertisers. Let's start with the existential point – how optimistic are you that local TV will be able to leverage digital and remain competitive into the future?

TO: I'm very optimistic as local television is still inherently strong and has a good base to build from, and that is being recognized by smart local media companies. The long-term, trusted relationship we have with our audience is valuable, but at the same time media companies can't take that for granted by not evolving their product offering and changing their go-to-market strategy.

In any business evolution, there are winners and losers and the key is to ensure that your company is positioned to be a winner in the future. Progressive media companies and stations are being introspective and reexamining the value proposition for their local media business in light of the new capabilities available. They are ascertaining what their audience and advertisers need/want and then organizing around that to deliver. Leveraging new and enabling technology should be a key element in this discussion. If they do that successfully, audiences and revenues will follow. Building from a position of strength and playing offense is important, as the current media environment is ripe for an evolution of the business model. There are many pure play digital players that are very envious of local media's market strengths and will build better, and more current, business models to fill voids in the market if allowed to.

A good indicator of the digital progress the industry has made to date, is that a number of local TV companies are ranked in comScore's top 30 list of U.S. news and information publishers.



WHAT'S KEEPING LOCAL TV EXECUTIVES UP AT NIGHT?

RD: What are the major issues that you think top executives in local TV need to focus on to drive their businesses forward? There are so many things in play: achieving quality and stability in audience measurement, the influx of big data and data science, data-driven advertising, rise of automated trading platforms in linear and digital video, audience targeting across devices, etc. How would you size up the near term and long-term challenges local TV needs to prioritize and what should we do about these challenges?

TO: In my opinion; several of the key macro issues are creating a real digital culture in your company, recognizing and internalizing that the audience is now in control, selling aggregated audiences, training and speed to market. If you aren't focused on these areas, it's going to be tough to drive your business forward and sustain it. Developing a holistic approach to how you can best serve your audience across all devices, and developing strategies and tactics that can sell that aggregated audience to clients to drive higher ARPU (Average Revenue Per User) is starting to pay dividends in a number of companies.

The digital industry has taught us a lot, and these learnings are pushing local media companies to leverage their strength and quickly evolve to take

advantage of the opportunities they have in this dynamic market. The importance and value of producing and distributing quality content, effective audience development and engagement, social, delivering quality audiences, and device agnostic distribution has been firmly established as today's new table stakes.

The waves are hitting the beach now in a lot of the areas you referenced and advertisers are looking for access to these audiences wherever they go. Video, OTT, expanding data capabilities, audience-driven selling/buying, and automated buying are all ways to take advantage of the new media ecosystem if you have the other building blocks in place.

There are both near and long-term opportunities in each of these areas, the key is to get started.

Along those lines, here are some of the areas that local media companies are starting to pursue to expand opportunities:

- ✓ **Investing in data science capabilities:** Important from both the audience and revenue strategy perspective. With the move to audience based buying picking up steam across the media landscape, audience segmentation and insights takes on a new importance. Hire and partner with the right people and vendors to identify/develop meaningful audience segments that drive programming and also match agency and client demand.
- ✓ **Advanced multi-platform activations:** Multi-platform must be a key part of the value proposition and execution for local TV, not an add-on. This is a great advantage local media has over many of the pure play digital companies. Unified campaign planning, execution and reporting with a streamlined approach to workflow will be critical.
- ✓ **Implementing Automated Trading Platforms:** Reducing the friction and increasing complexity of the buy/sell process, with the infusion of data and multi-platform inventory, will add value to both media company and advertiser. Will enable access to new budgets and ideally drive stronger yield.
- ✓ **Pursuing advanced advertising opportunities:** Data-driven advertising is being applied to linear and digital video inventory. Looking ahead for the broadcast platform, ATSC 3.0 and content targeting (program and advertising content) will provide unique advanced advertising opportunities to reach audiences via this new broadcast platform.



NATIONAL MARKETERS, LOCAL INVESTMENT AND ACTIVATION

RD: One of your initiatives at Nexstar was to target more media investment and activation in local media from national brands. This is an area where BIA/Kelsey also sees substantial opportunity, over \$17 billion in increased local activation from national brands in the 2016-2021 period. A big issue for national brands has been that while it's easier to buy national ad platforms like broadcast and cable networks, they don't get the full reach and frequency into their strategic target segments that their planners want to see. In large part this is due to increasing fragmentation across national ad platforms. They need to go to the local media market to find more premium video impressions. But, it has been so complicated dealing with the local ecosystem, national brands and their agencies face major hurdles to move more money into local. Is this changing with initiatives such as programmatic or automated trading? What do you think the revenue growth prospects are for local TV from national brands?

TO: It's no secret that the friction inherent in the current spot TV buy/sell process makes it difficult to efficiently deploy national money into local markets at scale. With audience fragmentation and the nefarious practices of some pure play digital publishers, I've gotten the same feedback from clients that they see a dearth of premium impressions available that are easy to buy.

We certainly know that local media companies have a great quality of audience, so if there is an easy way to buy local and integrate into a national campaign then why wouldn't more money flow to local? I think it behooves the industry to focus on changing the current process quickly, as this is a significant revenue opportunity. National agencies and advertisers are smart and are very good at finding ways to solve their marketing challenges. Ohm's Law is a great analogy; if you reduce resistance more electrical current will flow through the same wire.

While I'm optimistic, I find it tough to put an exact number the revenue expectation. Even using a percentage of the \$17B you've identified would be a very significant windfall for local media. I do think automated trading is a necessary near-term opportunity to unlock these budgets. Successfully automating elements of what is today a manual, inefficient, and increasingly complex process is essential. I was recently leading a joint initiative, funded by several large local media companies, to identify and standardize APIs to make it easier for local media companies to integrate multiple automated trading platforms. Once this is in place, it should make it easier to deploy these solutions at scale while ensuring there are the proper business rules and transparency in the process.



ATSC 3.0

RD: You've been involved with planning for ATSC 3.0, sometimes called Next Gen TV, for some time. This is local TV's new broadcast platform that among other things plays well in the Internet ecosystem due to its native Internet Protocol (IP) friendly technology architecture. BIA/Kelsey released a fairly bullish report earlier this year on the business case for ATSC 3.0. What are your thoughts about where we are with ATSC 3.0 as an industry and what do you see as the critical milestones to achieve success? What's the timeline look like for all of this?

TO: As you noted, there is tremendous potential for ATSC 3.0 going forward. It is great that local media companies are aggressively pursuing this as an opportunity

The timeline is still a work in progress, but in the meantime, it is good for the industry to start developing new business models around the opportunities for personalization, advanced advertising, new distribution and programming strategies, mobile and connected cars, etc.

I'll come back to an earlier point I made about digital and culture. The challenge with local media companies is will they be able to change quick enough by hiring and investing in the right people and adding digital DNA? ATSC 3.0 may be a wonderful technology, but it's not going to change the industry by itself.



M&A AND COMPETITIVE PLAYING FIELD

RD: Do you have any thoughts into industry M&A activity? We're seeing significant trading both within local TV of course, but also across traditional industry segments. Verizon's acquisition of Yahoo! and AOL, Adobe's acquisition of TubeMogul, AT&T's and Time Warner, and so on. What is the competitive playing going to look like with this kind of M&A activity?

TO: All indications are that it will continue to be strong. There are strategic buyers looking to get bigger, private equity companies are starting to show interest in this segment again, there is a Republican administration that has signaled regulatory relief, scale is being rewarded, and debt is still cheap so the key drivers are there for the market to remain robust.

ROLE AS BIA/KELSEY EIR

RD: We look forward to our collaboration with you as our newest EIR and the kinds of thought leadership and perspective you'll add to what we do for our clients. What are the kinds of things you'd like to focus on as you look ahead both as our EIR and to the next steps in your career?

TO: What I've admired about BIA/Kelsey is that you are taking a forward-looking view in analyzing trends and opportunities that are important to media companies. I've used your research in my recent corporate roles as one resource to help formulate the strategies I was recommending to our company's CEO and Board to keep evolving our company, so I'm looking forward to our collaboration.

I'm fortunate to have led meaningful and successful innovation and change for some of the nation's top media companies over the last two decades. I have a passion for our business and still see a lot of opportunities for growth in local media. I'm very interested, and well suited, to work with companies on overall strategy, developing new business and revenue models, M&A strategies and opportunities, identifying and driving implementation of the current and future opportunities available in the traditional media, digital, multi-platform, data, advanced advertising and programming areas for companies committed to building for the future.



ABOUT TOM O'BRIEN
EXECUTIVE-IN-RESIDENCE, BIA/KELSEY

Tom O'Brien is a strategic, innovative digital and television business leader who successfully operates at the nexus of digital, TV and technology. He has successfully driven growth in both large and medium scale organizations by developing customer-focused strategies, products, cultures, and business models in news/editorial, programming, digital, and revenue.

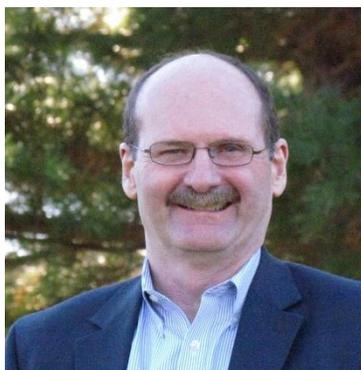
A corporate officer of, what is now, the Nexstar Media Group for nearly four years, Tom was the Executive Vice President and Chief Revenue Officer of one of the largest local media groups in the country. He was responsible for developing strategies to drive holistic revenue and audience growth across the company's pure play digital and broadcast subsidiaries with the objective of accelerating Nexstar's transformation into a next generation, multi-media company, which culminated with Nexstar's \$4.6B acquisition of Media General in 2017.

Joining Nexstar as EVP, Digital Media and CRO in 2013, he was the P&L business leader of Nexstar's digital group. Tom significantly expanded Nexstar's digital business portfolio by growing Nexstar's local digital capabilities; in addition, to creating pure play digital subsidiaries. Under his leadership, digital revenues grew to \$250MM, an 8-fold increase. His responsibilities included managing Nexstar's local digital P&L including content, product, technology, and sales for what grew to over 100 websites and close to 200 mobile apps; executive leadership of Nexstar's CMS technology company, video/ad technology companies and digital agency businesses.

O'Brien led Nexstar's digital M&A, integration and business development strategies and execution; developed and implemented Nexstar's comprehensive multi-screen audience strategy; and catalyzed multi-platform audience development and revenue opportunities.

Prior to Nexstar, O'Brien worked for over 14 years in senior leadership roles at NBC Universal with operating responsibility for both television and digital businesses. In his career at NBCU he served as Executive Vice President and Chief Revenue Officer, CNBC; President and General Manager of NBC's flagship station WNBC in New York; President and General Manager, KXAS in Dallas/Ft. Worth; and President and General Manager at WVIT in Connecticut.

Recognized for his work in the industry, Tom received the 2015 Technology Leadership Award by Broadcasting and Cable Magazine and was named a 2014 Digital All Star by B&C. He was honored in April 2010 by New York's City Harvest with their prestigious "Heart of the City" award. Tom and his team have been awarded an Emmy Award for Overall Station Excellence, a NATAS Emerging Media Award for web site nbc5i.com, as well as an Edward R. Murrow Award. Tom was honored with an Award of Excellence for TV/Cable General Management from the American Women in Radio and Television (AWRT) in 2006. O'Brien graduated at the top of his class from Syracuse University's S.I. Newhouse School of Public Communications and the School of Management.



ABOUT 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.



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.

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