

TV Trends December 2016: C3 Impressions Decline Only Slightly

Jan. 17, 2017

BOTTOM LINE: We have analyzed trends associated with the use of television alongside commercial share trends for national media owners in the United States through the end of the calendar month of December 2016 (covering the period running from December 1 to December 31 rather than the broadcast month, which ran from November 28 to December 25). Complete data including time-shifted viewing and commercial impression data for this period became available from Nielsen on Tuesday.

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Notable observations for the month of December include the following:

- Total use of television as we define it across all sources of content inputs was up by +0.4% on a total day basis for adults 18-49 during December and up by +0.8% among all households. Viewing of English-language broadcast networks and ad-supported cable was down by -3.5% for adults 18-49 and down by -0.9% for households, both on a total day basis. National TV commercial impressions delivered among adults 18-49 fell by only -0.7% year-over-year on a total day basis, and by -0.4% on a prime time-only basis.
- Consumption via internet-connected devices, including Roku, Apple TV and Google's Chromecast rose by +66% year-over-year to account for 9.2% of total TV use among adults 18-49 on a total day basis vs. 5.6% in December 2015 and 3.0% in December 2014.
- National commercial loads across the industry rose to average 10.9 minutes per hour across all Nielsen-tracked programming during December 2016, up from 10.7 minutes per hour in December 2015 and 10.4 minutes per hour in December 2014. Most network groups increased or held constant their commercial loads during the month, with Scripps and Time Warner notably reducing loads across their networks.
- Viacom produced the largest share of C3 commercial impressions during December with a 15.4% adults 18-49 share among national media owners, vs. 15.3% during the year-ago period on slightly higher ad loads (14.8 minutes per hour in December 2016 vs. 14.3 minutes in December 2015). AMC posted the most significant gains, with 3.6% share in December 2016 vs. 2.9% in December 2015, while Time Warner saw the most significant declines, generating 10.0% of commercial share in December 2016 vs. 11.7% in December 2015.
- For the quarter, Comcast's NBCU produced the most commercial impressions (14.7% of the national TV industry's total in 4Q16, up from 14.4% in 4Q15). Fox posted the most significant gains, with 10.0% commercial share in 4Q16 vs. 9.1% in 4Q15 while Time Warner saw the most significant declines (with 10.6% of commercial share in 4Q16 vs. 11.6% in 4Q15)

Total use of TV is important to monitor as it provides investors with a relative sense of the health of the medium. While this data is incomplete in the sense that it excludes viewing of content on non-TV-based devices, going beyond network-level ratings and looking at aggregated sources of viewing helps to better analyze the relative importance of the medium to consumers. Commercial share data is important to monitor as networks with more available inventory to sell should generally capture a greater share of advertising budgets.

Additional commentary and data covering share data for different types of TV consumption and commercial viewing shares for different network groups are included in the remainder of this note.

TV Trends December 2016: C3 Viewing Declines Only Slightly Year-Over-Year

We have analyzed trends associated with the use of television alongside commercial share trends for national media owners in the United States through the end of the calendar month of December 2016 (covering the period running from December 1 to December 31 rather than the broadcast month, which ran from November 28 to December 25). Complete data including time-shifted viewing and commercial impression data for this period became available from Nielsen on Tuesday.

We note that this data generally excludes programming which runs on devices other than television sets (i.e. computers, tablets and handsets) if that programming was not encoded for commercial ratings. Viewing of content on OTT devices, through VOD or gaming consoles over a conventional TV is only attributed to individual networks if programming is encoded for commercial ratings, with commercial pods which matched a network's linear feed.

Total use of TV is important to monitor as it provides investors with a better sense of the health of the medium than relying solely on commercial ratings. There can be differing definitions of what total use of TV is, but going beyond network-level ratings or live + DVR viewing and looking at aggregated sources of viewing (especially including viewing on internet-connected devices, which includes a significant volume of television that concurrently appears on conventional TV) helps to better analyze the relative importance of the medium to consumers.

During December 2016, total use of television across the whole day rose by +0.8% in terms of average household viewing and rose by +0.4% for adults 18-49. Prime time trends were softer, falling -0.4% for households and adults 18-49 alike. Looking at ad-supported cable and English-language broadcast networks only and among adults 18-49, we can see a viewing decline of -4.3% during prime time, -3.5% on a total day basis. Among households for the same ad-supported cable and English-language broadcast networks, there was a -2.4% decline in viewing during prime time and a -0.9% decline in viewing on a total day basis.

Growth in use of TV involving internet-connected devices (primarily Roku, Apple TVs and Google Chromecast devices) was rapid once again. For the month, households increased this kind of TV viewing by +68.1%, while adults 18-49 were up by +65.7%. The share of viewing over dedicated internet-connected devices was up to 9.2% for adults 18-49 during December 2016 vs. 5.6% in December 2015 and 3.0% in December 2014. Across households, the share of viewing over internet-connected devices was 5.9% in December 2016, up from 3.6% in December 2015 and 1.8% in December 2014.

TV Usage Share (P18-49, Total Day)			
	Dec 2014	Dec 2015	Dec 2016
Ad Supported Cable Orig	46.8%	44.6%	42.7%
All Other Cable Orig	3.7%	4.2%	4.3%
All PBS Stations	0.8%	0.7%	0.7%
AOT	6.6%	5.9%	6.0%
DVD Playback	4.2%	3.6%	3.2%
English Broadcast	19.0%	18.9%	18.3%
Internet Connected Devices	3.0%	5.6%	9.2%
Premium Pay	3.8%	3.4%	3.3%
Spanish Broadcast	4.0%	3.6%	3.2%
Video Game Console	8.2%	9.4%	9.0%
Total	100.0%	100.0%	100.0%

Source: Pivotal Research Analysis of Nielsen Data

We have also reviewed major network group viewing trends for the month and summarize notable observations here. Rather than focusing on ratings (which are mostly relevant for media trading in context of how many people were reached with a single unit of advertising on a single program) we think investors should look at commercial inventory, which accounts for ratings as well as the number of units available for sale. Together, related metrics provide a more useful data related to the revenue headwinds or tailwinds that each network group faces.

Commercial inventory *share* at the network group level is then the metric that we think provides the best indications of relative strength or weakness at a given network or network group, independent of the health of the advertising market (which is driven by factors typically beyond the control of TV sellers).

Across the industry, programming hours (the number of networks multiplied by the number of hours they programmed Nielsen-rated content during the relevant period) were flat during the month of December, with an increase of advertising hours (the number of hours of that programming devoted to advertising content rather than programming) of +2.9%. We estimate that there was an average of 10.7 minutes of national ads per national programming hour during December 2016 vs. 10.5 minutes per programming hour during December 2015 and 10.4 during December 2014.

For the month, total C3 commercial impressions delivered among adults 18-49 fell by -0.7% year-over-year on a total day basis, or by -0.4% on a prime time-only basis. Viacom produced the largest share of C3 commercial impressions during December with a 15.4% adults 18-49 share among national media owners, vs. 15.3% during the year-ago period on higher ad loads (14.8 minutes per hour in December 2016 vs. 14.3 minutes in December 2015). On a comparable basis, Comcast's NBC Universal rose from 13.9% to 14.7% over the same period, also on higher ad loads (up to 11.3 minutes per hour vs. 11.1 minutes per hour one year earlier). Disney was the next-most important network owner with 11.8% of commercial share vs. 12.6% previously, also on higher ad loads (up from 7.8 minutes per hour to 8.1 minutes per hour). Fox was down only slightly, to 8.4% in December 2016 vs. 8.5% in December 2015 on stable ad loads, and CBS was down by a little more to 5.6% vs. 5.9% in the year-ago period, also on slightly higher ad loads. Discovery was stable at 6.3% commercial share on higher ad loads, while Scripps was up – unusually, on decreasing commercial loads. AMC grew significantly, up from 2.9% to 3.6% commercial share, aided by higher commercial loads. Once again, independent networks collectively gained share, rising from 8.8% to 9.7%, with growth in commercial loads that drove much of the gain.

For the quarter, there were notable differences vs. trends observed for the month of December for AMC, Fox and Viacom. Rather than growing significantly, AMC was relatively stable in its commercial audience share during 4Q16. Rather than declining slightly, Fox was up substantially on the quarter. And rather than gaining marginally as during the month, Viacom declined somewhat more significantly for the quarter.

The individual networks gaining the most commercial impression share during December included NBC (which increased share by more than 1%, or around a quarter of total viewing due to additional NFL programming), Hallmark Channel (up from 1.8% to 2.4% share, driven by the movies which account for virtually all of the network's programming), AMC (up to 1.7% vs. 1.2% in the year ago period, which benefitted from "Walking Dead" and "Breaking Bad" episodes which did not run in December 2015), and ESPN (where viewing rose from 4.4% to 4.8% year-over-year on a schedule dominated by football). Hallmark Movie Channel was the next most significant gainer of viewing shares.

Interestingly, news networks generally held up well in December. While some declines were to be expected from November viewing levels given the heightened interest in the election, its aftermath has evidently contributed to much higher audience shares vs. year-ago levels. Fox News captured 1.4% of commercial audience share in December 2016 vs. 1.3% in December 2015. CNN captured 0.8% in December 2016 vs. 0.9% in December 2015. MSNBC captured 0.6% in December 2016 vs. 0.5% in December 2015.

The networks with the most significant audience losses included TBS (down from 3.2% to 2.3%), Freeform (down from 3.3% to 2.5%), Fox (down from 2.8% to 2.5%), CBS (down from 5.0% to 4.6%) and BET (down from 1.7% to 1.4%). TBS saw reduced viewing levels from key shows including “Big Bang Theory”, “Friends”, “American Dad” and “2 Broke Girls”. Freeform viewing in December was almost entirely dependent on movies (which accounted for 97% of commercial impressions). Fox viewing in December was almost entirely dependent on football (which accounted for 76% of commercial impressions). By contrast, CBS viewing declines were relatively broad (as football only accounted for 29% of impressions in December 2016 vs. 32% in December 2015). BET was again down as that network has massively increased its dependence on movies (up to 63% of viewing at the network vs. 28% in the year-ago period), while reducing reliance on scripted programs such as “Martin” and “House of Payne.”

Network Group	P18-49 C3 Commercial Share		Ad Loads (Minutes/Hr)	
	Dec. 2015	Dec. 2016	Dec. 2015	Dec. 2016
National TV	100.0%	100.0%	10.5	10.7
AMC	2.9%	3.6%	11.8	12.3
CBS	5.9%	5.6%	7.3	7.4
Discovery	6.3%	6.3%	9.5	9.7
Disney	12.6%	11.8%	7.8	8.1
Fox	8.5%	8.4%	10.1	10.1
NBCU	13.9%	14.7%	11.1	11.3
Scripps	4.5%	4.7%	13.4	13.1
Time Warner	11.7%	10.0%	8.6	8.5
Viacom	15.3%	15.4%	14.3	14.8

Network Group	P18-49 C3 Commercial Share		Ad Loads (Minutes/Hr)	
	4Q15	4Q16	4Q15	4Q16
National TV	100.0%	100.0%	10.7	10.9
AMC	3.4%	3.4%	11.9	12.4
CBS	6.9%	6.3%	7.2	7.3
Discovery	6.1%	6.1%	9.7	9.8
Disney	11.9%	11.1%	7.9	8.2
Fox	9.1%	10.0%	10.3	10.1
NBCU	14.4%	14.7%	11.1	11.3
Scripps	4.5%	4.5%	13.5	13.2
Time Warner	11.6%	10.6%	8.9	8.8s
Viacom	14.7%	14.4%	14.3	14.8

Source: Pivotal Research Analysis of Nielsen data

Appendix: Important Disclosures

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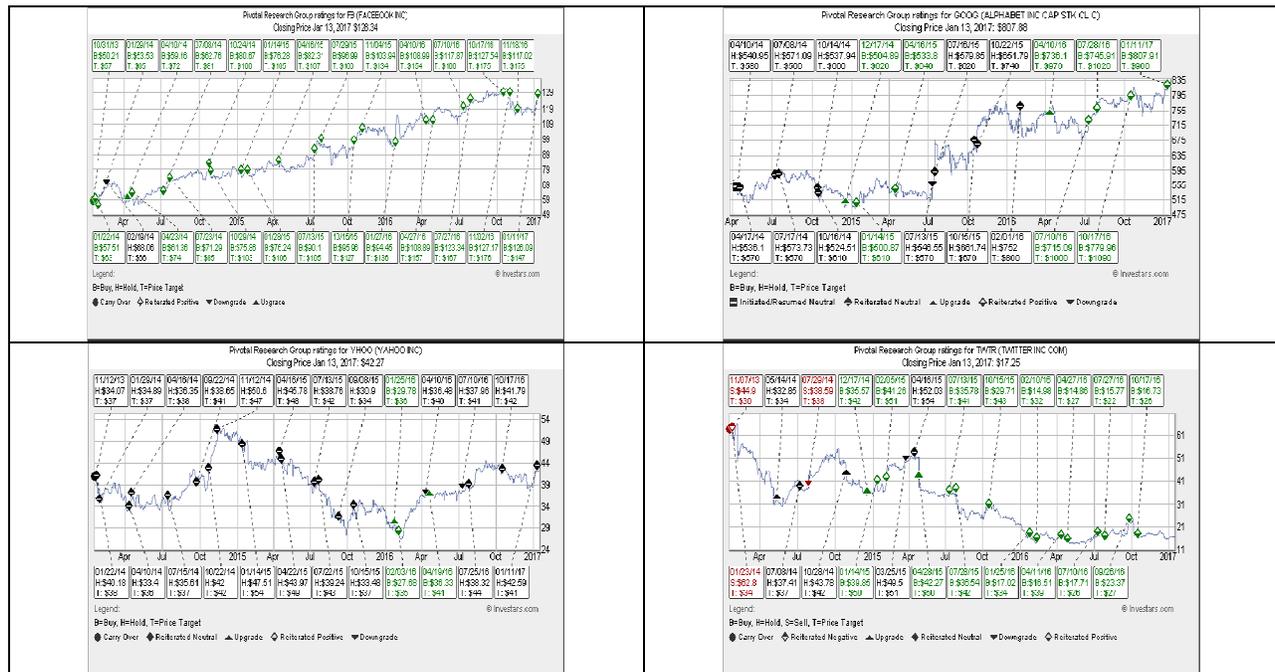
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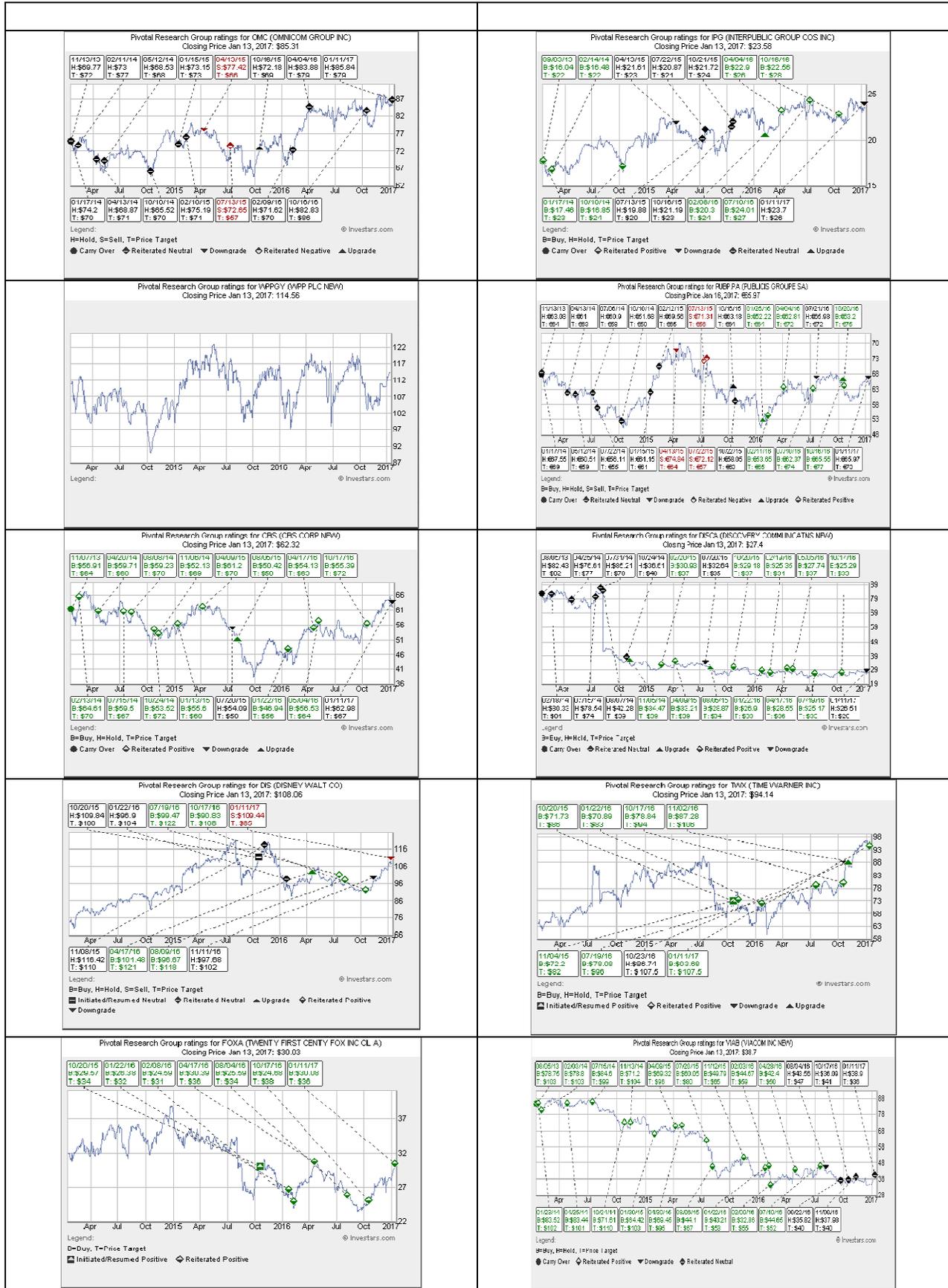
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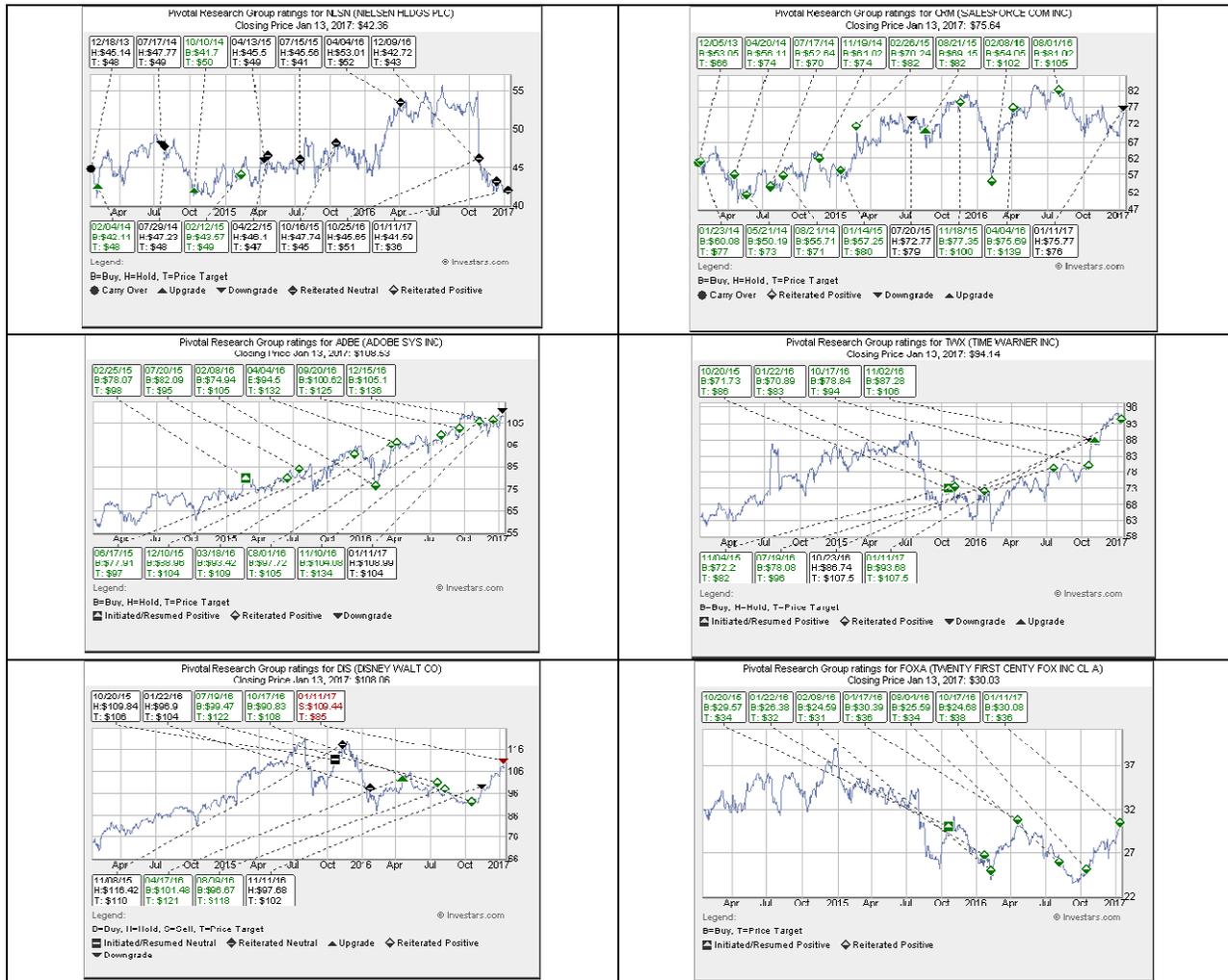
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