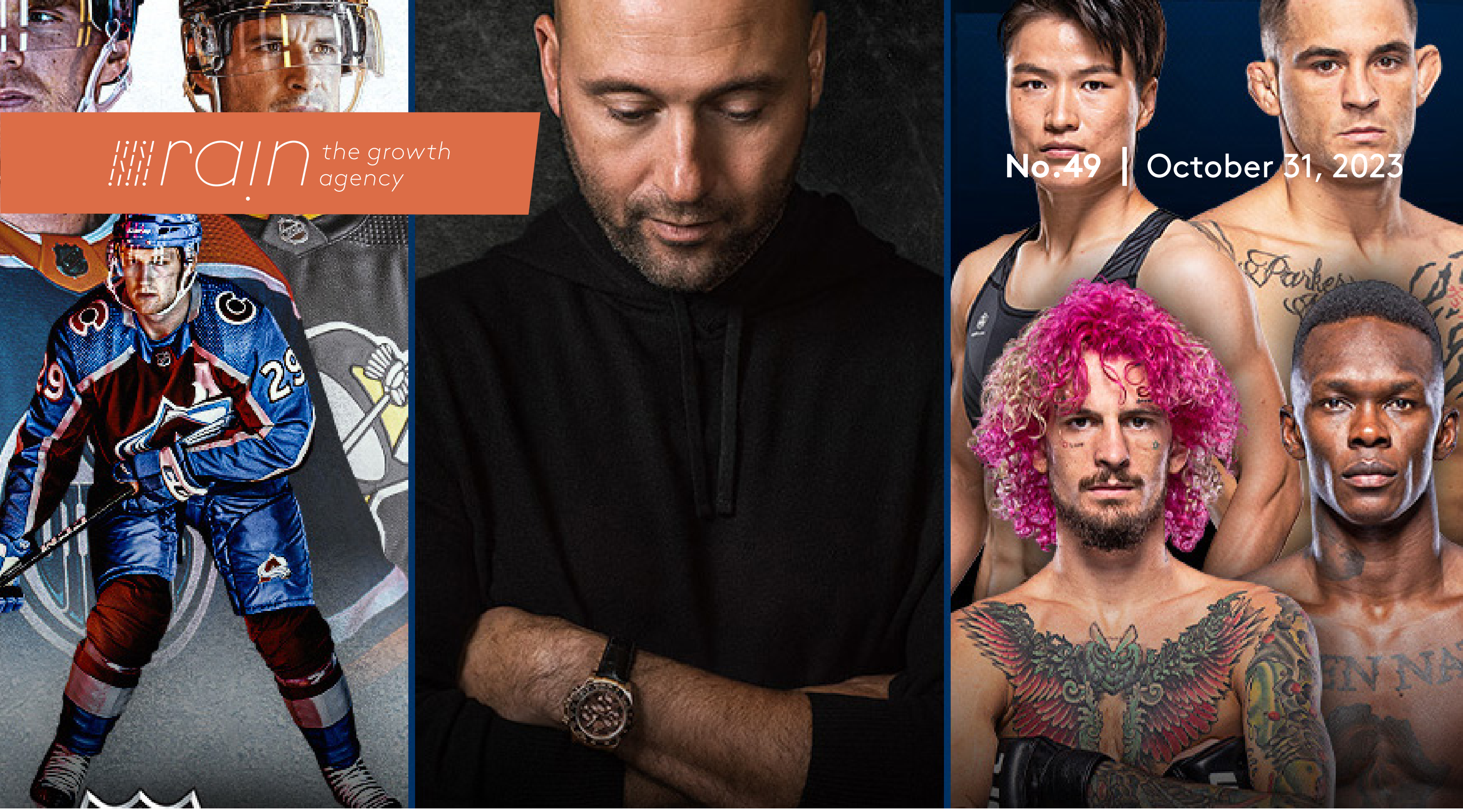

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MEDIA IMPACT REPORT

Charter's Carriage Fee Battle with Disney

Also in this issue: Digiday Media Buying Summit Recap, Results from our Consumer Worldview Study

Charter Communications Carriage Dispute with Disney Gives Birth to a New "Bundle" of Joy

By Mark Brown, Chief Investment Officer

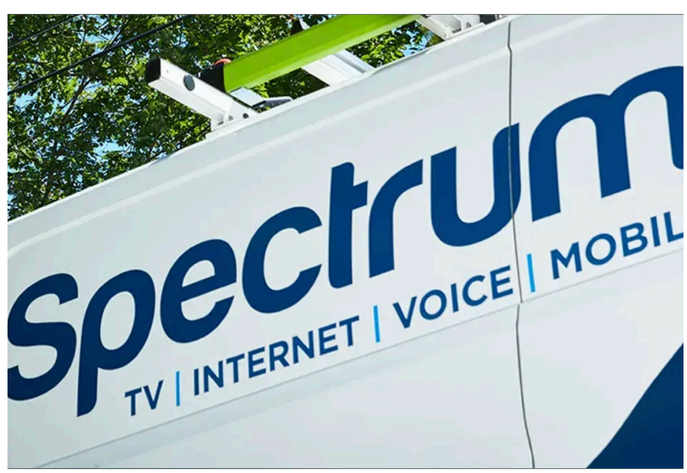
Carriage fee disputes between broadcasters and multi-channel video programming distributors (MVPDs), (cable operators like Xfinity and Spectrum; satellite operators like Dish and DirecTV) are nothing new, but the outcome of this month's battle between The Walt Disney Company and Charter Communication's Spectrum Cable might be a watershed moment in the industry. It may still be too early to judge, but if other cable providers take a similar approach with broadcasters in their upcoming fee negotiations it may speed the decline of linear television even more rapidly than we've already experienced in the past few years.

What's a Carriage Fee?

First, let's look at how this landmark deal came to be. Since the first days of cable and satellite TV, networks charged the operators a fee per subscriber to carry their networks on their systems, hence the term carriage fee. Even as cable and satellite subscriptions are declining, networks still generate significant revenue from these fees (estimated to be in the range of $10-$15 billion annually). As these systems shed subscribers, networks have tried to maintain their revenues by increasing fees. And when the operators just pass those costs along to their customers, the higher cable bill motivates more customers to cut the cord. It is a vicious cycle.

The other part of the carriage equation is bundling, where networks will only allow distributors to carry an entire set of networks – each adding to the carriage fee – or none at all. Like the fees, this is another instance where operators pass that along to their consumers, forcing them to subscribe to bundles of networks versus allowing them to build bespoke packages of networks. For every ESPN you really want, there's a Freeform you may have to take to get it, which leads to a higher cable bill and adds to the vicious cycle even more.

When Disney's carriage fees came up for renewal this year, Spectrum pushed back, but not for the normal reasons. Spectrum actually agreed to an increased fee with Disney, with conditions. What really concerned Spectrum was that Disney was offering less value in their network programming, because they were taking their best content and reserving it for their streaming services like Hulu and Disney+. So, instead of the typical negotiating stance of requesting lower prices, Spectrum asked that Disney bundle their streaming services with their linear content to Spectrum subscribers at no additional cost. As Charter's President and CEO Chris Winfrey argued, "[The] very rich linear fees that our customers are paying to the programmers are then being funneled into direct-to-consumer products not available to them unless they pay twice ..."



Disney balked at the request, and then things got ugly. As the carriage agreement lapsed, Spectrum subscribers lost access to Disney channels on the system. Most notably, the blackout came heading into coverage of the U.S. Open Tennis Championships, the opening weekend of college football, and was resolved only hours before the kickoff of Monday Night Football. During the blackout, Spectrum ran messages blasting Disney's greed and encouraging subscribers to switch to Fubo to access sports normally available on ESPN. In return, Disney released a statement saying in part that, "It's unfortunate that Charter decided to abandon their consumers by denying them access to our great programming... [the] question for Charter is clear: Do you care about your subscribers and what they're telling you they want—or not? Disney stands ready to resolve this dispute and do what's in the best interest of Charter's customers."


us open

Statement on Spectrum, Charter Dispute with Disney

We're very disappointed for our fans and viewers around the country that Spectrum and Charter could not resolve their dispute with Disney, resulting in a loss of ESPN coverage of Thursday night's matches. We're very hopeful that this dispute can be resolved as quickly as possible.

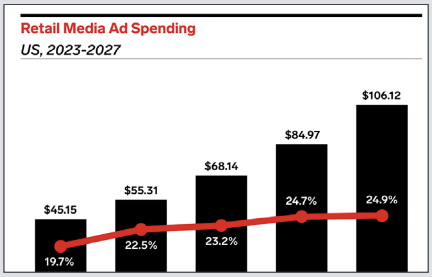
In the end, both sides got some of what they wanted. Disney agreed to offer their streaming bundles to Spectrum subscribers at a discount, not for free. Spectrum will continue to carry the Disney linear channels, passing along higher carriage fees to subscribers.

Implications for Future Negotiations

Most importantly, this will likely represent a trend for future content carriage negotiations. Every major broadcaster is heavily invested in the future of streaming, and every cable operator is less dependent on the cable TV business for their profits. The real revenue generator for them these days lies in selling their customers high-speed broadband—and you can't enjoy streaming services without broadband. As more subscribers shift from linear to streaming, more cable MVPDs will redefine their business as broad-band providers first and cable TV providers second, if at all.

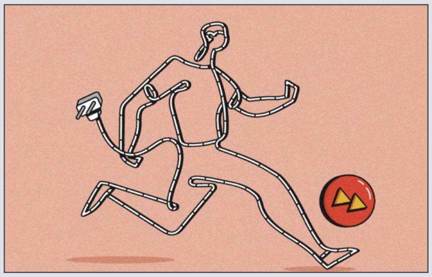
As the Charter battle pointed out, many content providers like Disney, Warner Bros. Discovery, and NBCUniversal have built their streaming services on the profits from their linear carriage fees and advertising revenue. Do those economics still work in a streaming only landscape? Or are they slowly killing off their golden goose? Based on current consumer trends, it will be a few years before they have to answer that question. In the meantime, keep a close watch on the next carriage fee fight to see if it gives birth to a new linear/streaming bundle.

/QUICK HITS



What Retailers Need to Know about 2024 (and Beyond) in 5 Charts [eMarketer]

Exclusive: Meta Unveils Brand Suitability Controls for Reels [Marketing Brew]



Women's Sports Marketing Boom 'Huge Up and Coming Opportunity,' Spurs New Agency Services [Digiday]

/NOTEPAD

Reviewing the Digiday Media Buying Summit: Insights & Key Learnings

By Kyle Knutsen, Associate Director, Digital Video

The 2023 Digiday Media Buying Summit was held in Naples, Florida, in early October which held an intimate, yet condensed group of industry and agency leaders, with a tight agenda to cover the most pressing topics in the marketplace today. Panels and attendees ranged from large holding companies to boutique digital agencies, all intent on one purpose: finding out where the digital advertising ecosystem is heading, and how to keep up. By the start of the first day, it was apparent—the cookieless future and the growth of AI are at the top of every media buyer's mind.

Cookies Will Soon Be a Thing of the Past

The cookieless future has been somewhat of an industry buzz term for years now, referring to the increased regulatory policies placed on consumer privacy standards by the General Data Protection Regulation (GDPR) and California Consumer Privacy Act (CCPA). As a result of these policies, major web and mobile browsers are in the infancy stages of taking steps to fully block third-party cookies. This poses a major, yet unavoidable, issue for advertisers. How will brands continue to accurately target their core consumer? Two words: adaptation and innovation.

Without the benefit of third-party cookie targeting, brands will need to shift their focus toward first-party and zero-party data, contextual advertising, and unified identification solutions to accurately reach their intended audience.

- **First-Party Data:** This data set serves as the most valuable and reliable data source, complete with advertiser customer analytics, and purchase and subscription data. Leveraging this data often results in better targeting as it stems directly from a brand's sales data. With countless OTT/CTV client partners at Rain the Growth Agency, we've leveraged first-party data to effectively retarget and create look-alike prospecting audiences to be added into their media mix.

  While extremely valuable, this level of data does come with inherent risks from the advertisers perspective, such as:

  - Loss of competitive strategy
  - Data loss
  - Mixing of data sets

  These factors culminate into a fundamental must-have for agencies: trust. As the need for privacy and data security increase, so does the need for a cohesive trusting relationship between agencies and advertisers.

- **Contextual Advertising:** By taking a more contextual approach to targeting, advertisers can focus on content first across multiple media channels, ultimately reaching audiences in specialized contexts. Aligning relevancy between a product and content can often positively impact brand sentiment.
- **Unified ID (UID) Solutions:** The most widely known and used UID solution is UID 2.0, which leverages standardized, privacy-safe user identifications across multiple viewing screens (devices, platforms, sites, etc.). Products like UID 2.0 will need to continue to evolve, continue to be privacy-compliant and agnostic to all platforms.

The above listed solutions don't come without their pitfalls, as no targeting solution fits all media channels. The digital landscape as a whole still struggles to find a balance within premium inventory and scale. This was a commonly found sentiment during the summit. One attendee put it best:

"I cannot believe that there's not an easier way where you can go in and do a preferred placement list, just like you do for programmatic and display and other types of formats."

How AI Aims to Reshape Digital Buying

AI is constantly evolving and is making steady progress toward bridging the gap between the current advertising landscape, and a post-cookie world. When we speak of the solutions centered around first-party data, contextual advertising and unified ID solutions, AI is often the technology behind those tools.

On the topic of data privacy, AI's data anonymization, user profiling, and consent opt-in tools enable advertisers to safely access inventory geared toward their core consumer. Machine learning will allow for AI backed DSPs to predict user behavior, while serving ads in safe environments due to ad fraud detection.

So, what does this all mean? As more data measurement, demand side platforms (DSPs), and programmatic bidders integrate AI into their platforms, advertisers will have better access to predictive analytics, dynamic pricing, ad quality scoring and creative optimizations, among many other factors. We're already seeing this trend happen with omnichannel platforms like Cognitiv, Chalice, Silverpush, and Seedtag—all of which were in attendance for the Digiday summit.

It's important to know that not all AI is created equally, meaning while the partners listed above are all leveraging machine learning in their algorithms, it is ultimately up to media buyers to do their due diligence and choose the right partner for their client partners. This is already a priority for Rain the Growth Agency.

The Rain the Growth Agency team recently launched a Transactional Brand Building algorithm with Chalice AI for a client partner that has immediately paid dividends. The algorithm delivered an unprecedented balance between brand and performance, delivering on all client KPIs; inclusive of brand awareness lift, platform conversion data and impressions quality data. Thus far, the campaign has seen an awareness lift of 17% and ROAS growth within seven weeks, and has paved the way for additional clients within the portfolio to confidently test AI algorithms.

Future State

While the exact time frame in which cookies will permanently disappear is undetermined, both advertisers and agencies that are preparing for this massive change will certainly benefit from proactive due diligence. It will be exciting to see how the next few years unfold, and which technologies will emerge and/or evolve.

Taking a Stand: How Consumers View Brand Activism

By Dan Gallagher, EVP, Brand Strategy + Research

Rain the Growth Agency recently conducted a study to explore how consumers perceive the importance of brands taking a public stance on environmental, social and political issues to gain a better understanding of opportunities that may exist for purpose-driven brands. Findings included:

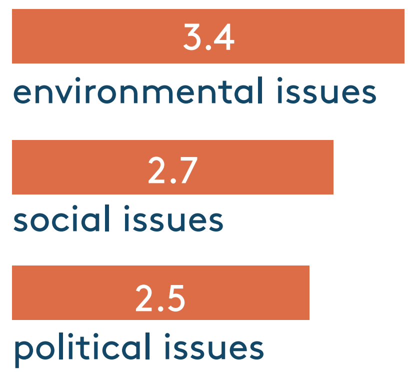
- *Environmental issues are the most important cross generations and political ideology followed by social and political issues.*
- *Liberal-leaning individuals, Gen Z, and Millennials are more likely to value brands taking a public stance on issues than conservative-leaning individuals, Boomers, and Gen Xers.*
- *Women are more concerned about environmental issues than men, but there is no gender difference on social and political issues.*
- *Less than one-in-four people would boycott a brand that has an opposing stance, but liberal-leaning individuals, very liberal individuals, and men are more likely to do so than conservative-leaning individuals, moderate individuals, and women.*

Less than one-in-four people would boycott a brand that has an opposing stance

The study asked people to rate the importance of brands taking a public stance on environmental, social, and political issues on a scale of 1 (not at all important) to 5 (critically important). The results show that:

- *Environmental issues have the highest average rating of 3.4, followed by social issues (2.7) and political issues (2.5).*

How important is it for brands to take a stance on the following issues? (Average rating out of 5)



- *Liberal-leaning individuals rate environmental issues higher than conservative-leaning individuals (4.1 vs. 2.8), but there is no significant difference on social and political issues (3.0 vs. 2.5 and 2.8 vs. 2.3 respectively).*
- *Gen Z and Millennials rate all three types of issues higher than Boomers and Gen Xers, but the difference is more pronounced for social issues (3.3 vs. 2.4) and political issues (3.0 vs. 2.2) than for environmental issues (3.7 vs. 3.2).*
- *Women rate environmental issues higher than men (3.6 vs. 3.2), but there is no significant difference on social and political issues (2.7 vs. 2.6 and 2.5 vs. 2.4 respectively).*

The study also asked people if they would boycott a brand that takes a public stance on an issue that they disagree with. The results show that:

- *Thirty-four percent of people say they would boycott a brand with an opposing stance, while 40% say they would not and 26% say they are not sure.*

- *Liberal-leaning individuals are more likely to boycott a brand than conservative-leaning individuals (49% vs. 32%), especially if they are very liberal (66% vs. 41% for moderately liberal).*
- *There is no significant difference in boycotting behavior among different generations.*

49% of liberal-leaning individuals say they are likely to boycott a brand that takes a stance on an issue they disagree with vs. 32% of conservative-leaning individuals

Activism: Implications for Brands

Brands that take a stance on social or political issues that don't align with their brand's core values or business may face reputational and boycott risks, which could lead to criticism and credibility issues. Additionally, if brands want to align with a cause, they should have a strong understanding of what will resonate with their target audience to ensure that any potential causes do not conflict with the beliefs of their core consumer.

Nevertheless, brands can find common ground across political ideology and generational lines. Most consumers are motivated to purchase from brands made in the U.S. and from brands that support small businesses.

Brands can conduct market research among current customers and potential reach audiences to determine if a particular issue resonates sufficiently among the base before making a public statement regarding a social issue or public policy.

Tools like Rain the Growth Agency's proprietary MindReader™ quantitative platform can help brands explore target audience attitudes towards particular issues. Our first-party customer database analysis and segmentation tool, ConsumerID™, can also help brands identify effective target audience media consumption and worldview attitudes and behaviors.

/UPDATES

The Alternative Currency Race Heats Up with JIC Certification

By Mark Brown, Chief Investment Officer

The race to adopt currencies to complement—or replace – industry leader Nielsen just passed a critical milestone on September 20. The Joint Industry Committee (JIC) granted "conditional certification" to three of the leading challengers to Nielsen: ComScore, iSpot and VideoAmp. The JIC was formed in January of 2023 "as a collaborative forum for both media buyers and video suppliers to work together to define a more sustainable model for long-form video measurement." The committee's goal is to create common standards for cross-platform video measurement and to encourage greater competition of measurement solutions.

While last month's announcement only granted "conditional certification" to the measurement services, it is a monumental first step towards becoming a fully certified contender to Nielsen. The JIC first began testing several alternative currencies over the summer, with an even number of both buyers and sellers evaluating six companies on a rubric that looked at their use of big data, level of transparency, integrations with clean room and transactability. Three of the evaluated companies did not receive conditional certification: SambaTV, Innovid, and 605. (Note: 605 was recently acquired by iSpot, who will be integrating 605's data sources with their own to create an even more robust offering.) SambaTV and Innovid contend that currency certification was never their primary business goal.

"Innovid is not pursuing a currency strategy and, as such, did not expect to be selected as part of this process," said Innovid Chief Commercial Officer Dave Helmreich in a statement. "We are currently in conversations with the JIC about a possible non-currency related partnership."

"Samba is not seeking certification as a linear TV currency, but [rather] as the provider of representative TV [and CTV] data to future-certified audience currency providers, in addition to being a provider of outcomes-based measurement solutions," the company said in a statement.

The JIC will be launching a separate certification evaluation for measurement providers in 2024. Measurement is a lower bar than currency, since it does not require the agreement of both buyers and sellers to transact on the data, and it can include a variety of new datasets like outcomes or attention. The committee will likely focus their initial measurement certification on outcomes-based solutions, since that is a high priority for the industry, especially those of us who work in performance marketing.

One company that is noticeably absent from the JIC certification process is Nielsen themselves. The committee did send their request for information to Nielsen, but the company chose not to participate. Nielsen will continue to rely on their accreditation from the Media Rating Council (MRC) and Nielsen's long-standing position as the only game in town. The JIC was formed because of complaints that the MRC accreditation process was too slow and complex that it made it impossible for alternative currencies to gain accreditation and perpetrated Nielsen's monopoly position.

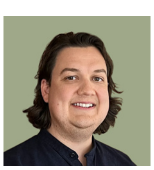
So, what does this mean for advertisers? In the short-term, not much. The JIC has launched the second phase of their evaluation of ComScore, iSpot and VideoAmp and expects to announce which—if any—of these services will be fully certified sometime in early 2024. Full certification will earn those companies access to first-party data from some of the biggest names in media such as Paramount, Warner Bros. Discovery and NBCUniversal.

Making the leap from measurement to currency requires more than certification from the JIC or accreditation from the MRC. It will require buyers and sellers of media to agree to transact deals on these new currencies. So far, that has been slow to come, but it is happening. Paramount announced this week that it is now open to transacting on iSpot data, adding them to the list that already included ComScore and VideoAmp. Paramount isn't the only one. Fox, NBCU, WBDiscovery, A+E, and other major media companies have also approved at least one of the three JIC-certified services as currencies they are open to negotiate on.

At Rain the Growth Agency, we continue to work with multiple partners in both the media currency and measurement space. We remain a Nielsen subscriber and utilize them as a primary benchmark for audience measurement, especially for linear television. But as a performance marketing agency, we understand that what really matters to our client partners is delivering business outcomes. We have been on the cutting edge of using and evaluating outcome-based measurement services and continue to work with our media partners towards a future where media buys are negotiated solely on results, not audience size.

We still have a way to go to achieve that goal, but the JIC certification was a big step in the right direction.

Need More Guidance?



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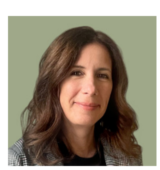

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