ATSC 3.0 and The Future of Broadcasting
The Industry View

WIDEORBIT

Contents

Executive Summary

This report summarizes the broadcast industry's understanding of ATSC 3.0 and its potential benefits and costs to their businesses.

In January 2017, WideOrbit fielded an anonymous survey to understand the awareness and perception of the new ATSC 3.0 broadcast standard. WideOrbit surveyed broadcast industry sales, traffic and engineering professionals, who are members of the groups most likely to have an opinion and business influence on adopting this new technology.

An initial qualifying question eliminated survey takers who said they were not familiar with ATSC 3.0. More than two-thirds reported that their primary roles were executive management or sales, with the remainder coming from broadcast engineering, technology and other assorted disciplines.

Highlights

Broadcasters are enthusiastic about ATSC 3.0 and most are taking steps to adopt it.

More than 75% of respondents told us they are excited about ATSC 3.0. More than half said their station group is actively examining whether to make the transition.

Uncertainty about transition costs and consumer adoption means ATSC 3.0 adoption will be slow.

Respondents offered a wide range of predictions for the cost per station for ATSC 3.0 transition. Capital investment and operating costs remain a crucial area for media companies to understand before moving forward. This finding comes in spite of a recent BIA/Kelsey report that many stations can expect to recoup ATSC 3.0-related incremental costs in three years.

Broadcasters don't have a complete picture yet of the technologies that need upgrade or replacement.

Respondents do not have a clear idea yet of what technology upgrades will be required nor the software and business practices for accommodating an advanced interactive advertising business.

For ATSC 3.0 to be successful, viewers need the industry to offer compelling reasons to make the switch.

Respondents said that improvement in audience experience, which was a key driver to the rapid consumer adoption of HDTV, is ATSC 3.0's least important benefit. Perhaps as a result, more than half of broadcasters are concerned that consumers won't purchase ATSC 3.0-compatible televisions.
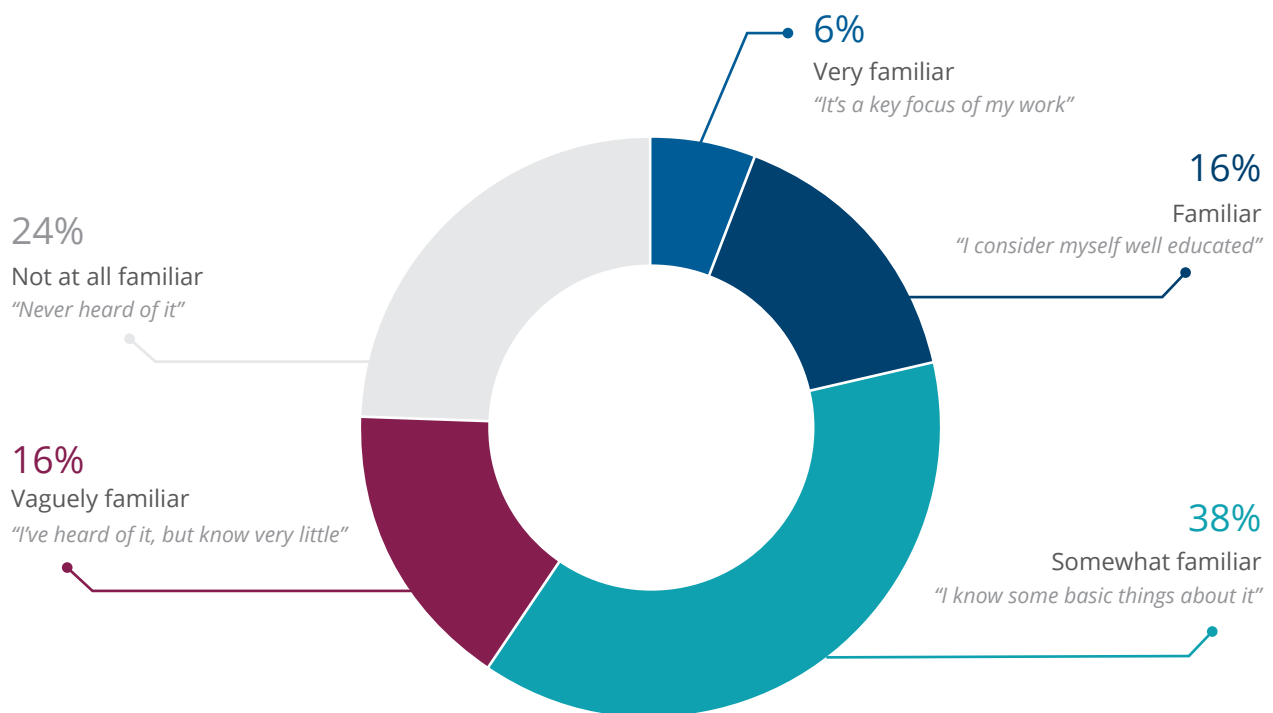
ATSC 3.0 Adoption

Most of the TV broadcasting industry has heard about ATSC 3.0 and excited about its potential for their business. Even so, stations and groups are taking a go-slow approach, with most not planning to transition until at least 2018.

QUESTION #1

How familiar are you with ATSC 3.0?

Industry knowledge of ATSC 3.0 is not yet widespread. More than three-fourths of respondents had not heard of ATSC 3.0 or only knew basic things about it. The remaining 22% considered themselves well-educated on the subject or had it as a key focus of their work.

The 24% of total respondents who said they had not heard of ATSC 3.0 were not invited to answer the rest of the survey.

6%
Very familiar
"It's a key focus of my work"

16%
Familiar
"I consider myself well educated"

24%
Not at all familiar
"Never heard of it"

16%
Vaguely familiar
"I've heard of it, but know very little"

38%
Somewhat familiar
"I know some basic things about it"

ATSC 3.0 is an exciting new technology that will benefit the broadcasting industry.

ATSC 3.0 has strong support among broadcasters, with 71% agreeing that it's an exciting technology that will benefit the industry. Only 8% of our respondents are detractors of ATSC 3.0.

5%
Strongly Disagree

3%
Disagree

21%
Neutral

27%
Strongly Agree

44%
Agree
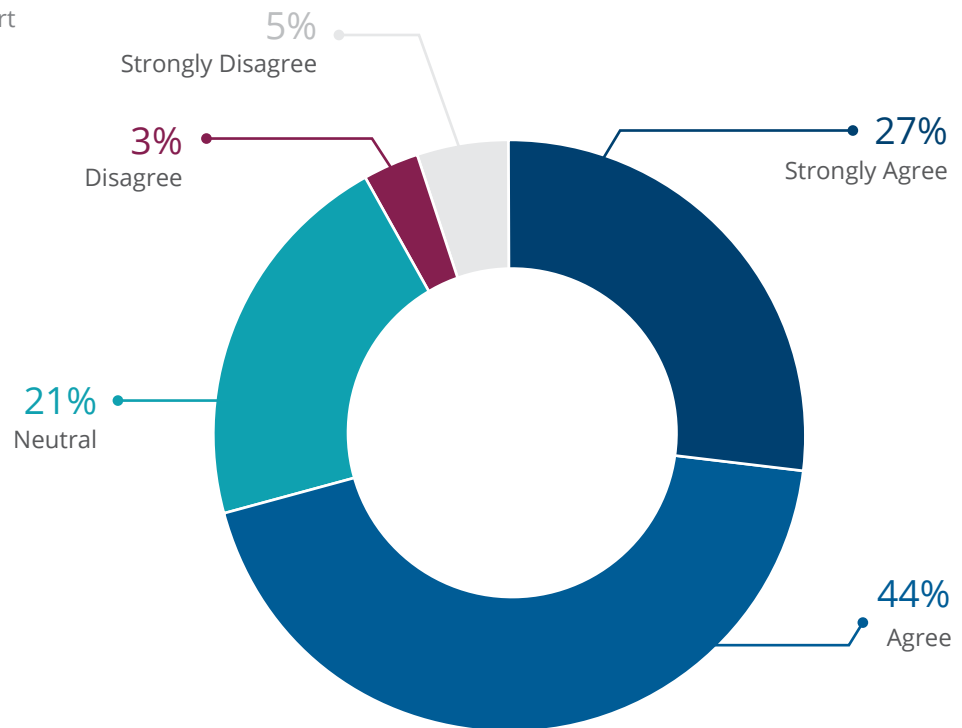
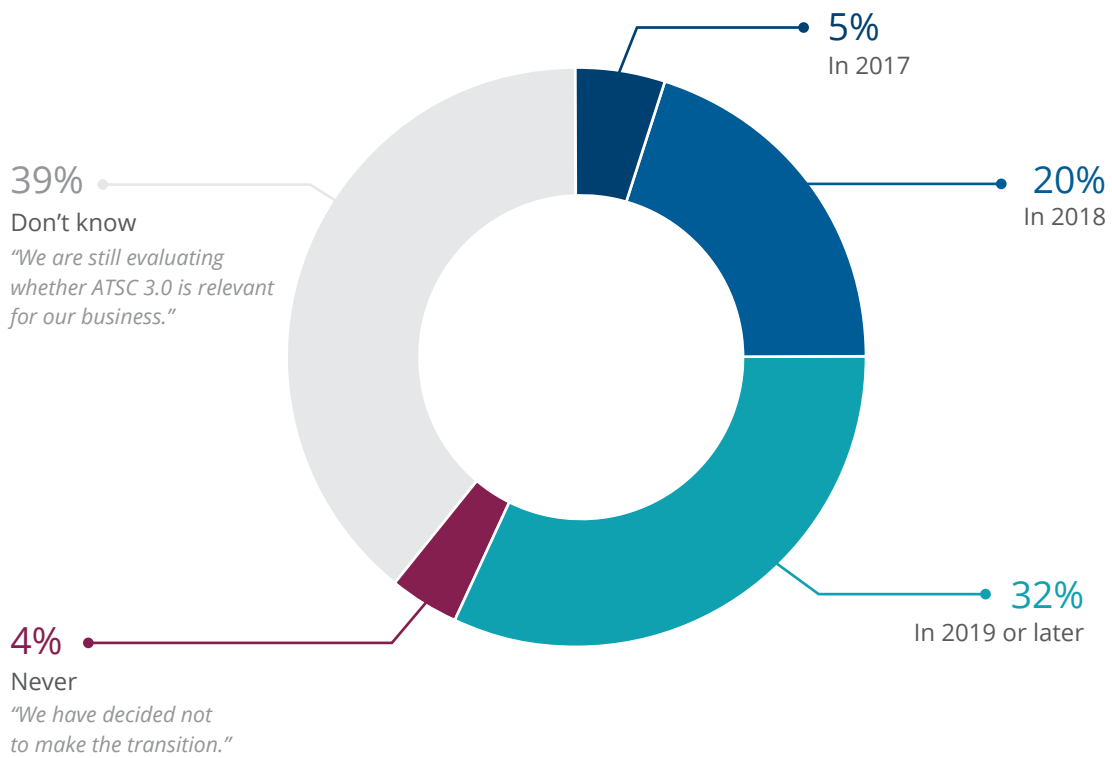### QUESTION #3

Is your station or group currently considering adoption of ATSC 3.0?

More than half of those surveyed said their business is giving active consideration to moving forward with ATSC 3.0.

16%
Don't know

28%
No

56%
Yes
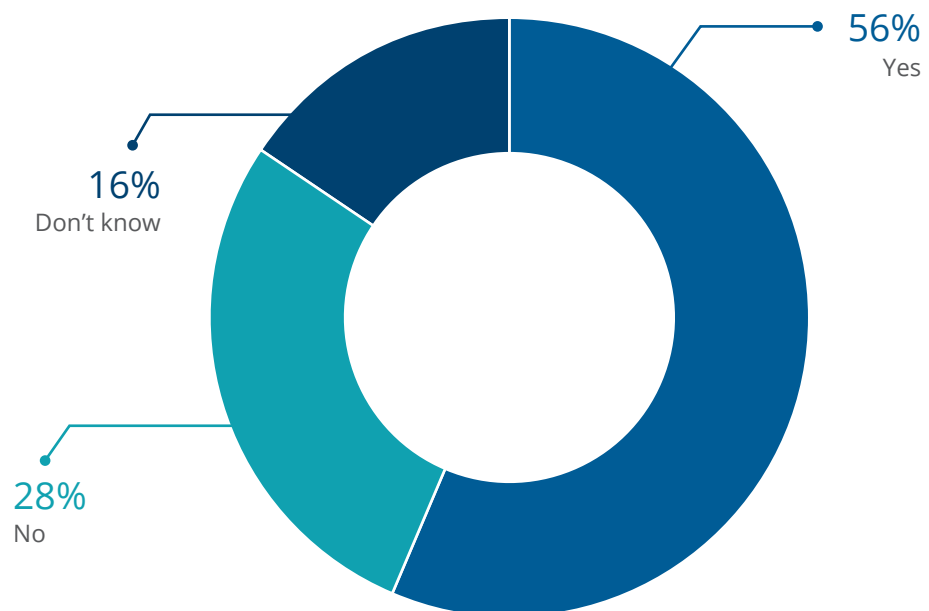
How soon do you believe your station or group will start the transition to ATSC 3.0?

According to our respondents, ATSC 3.0 adoption is still at least a year away. The largest segment (39%) say they don't know when ATSC 3.0 is coming to their business or are still evaluating its relevance. More than half of those who were willing to make an estimate expect the transition to start in 2018 or later.

5%
In 2017

20%
In 2018

32%
In 2019 or later

39%
Don't know
"We are still evaluating whether ATSC 3.0 is relevant for our business."

4%
Never
"We have decided not to make the transition."

Which departments are or will be most involved in driving ATSC 3.0 policy at your business?

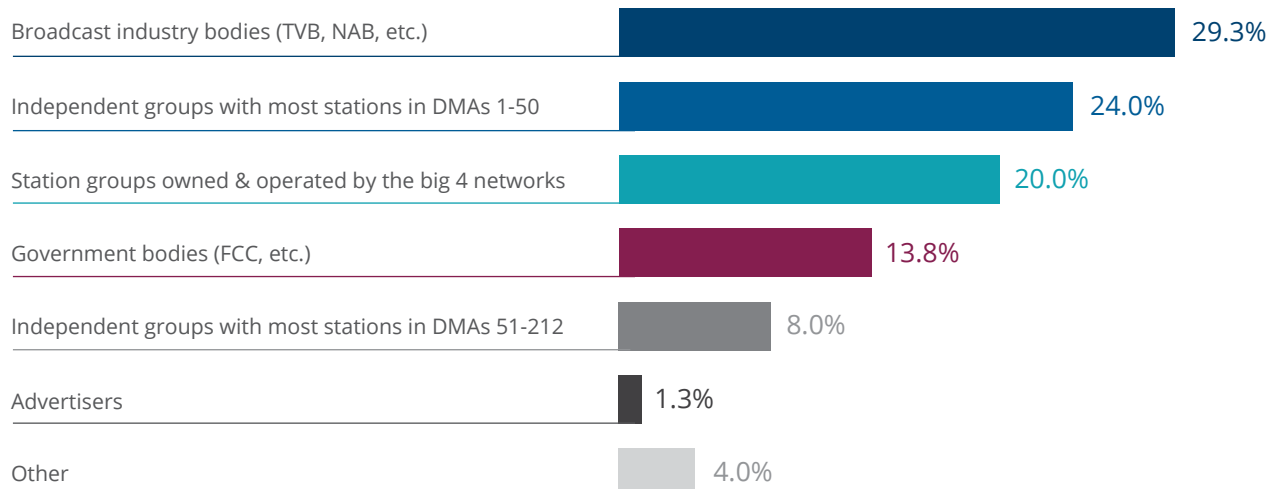Broadcast engineers and executive management are most widely assumed to be leading ATSC 3.0 policy at stations and groups. Both were cited by around three-fourths of respondents.

Broadcast Engineering	81.3%
Executive Management (C-level & VPs)	74.0%
IT	25.0%
Sales Leadership (GMs, CROs, VP Sales, etc.)	18.8%
Finance and Accounting	13.5%
Other	4.2%
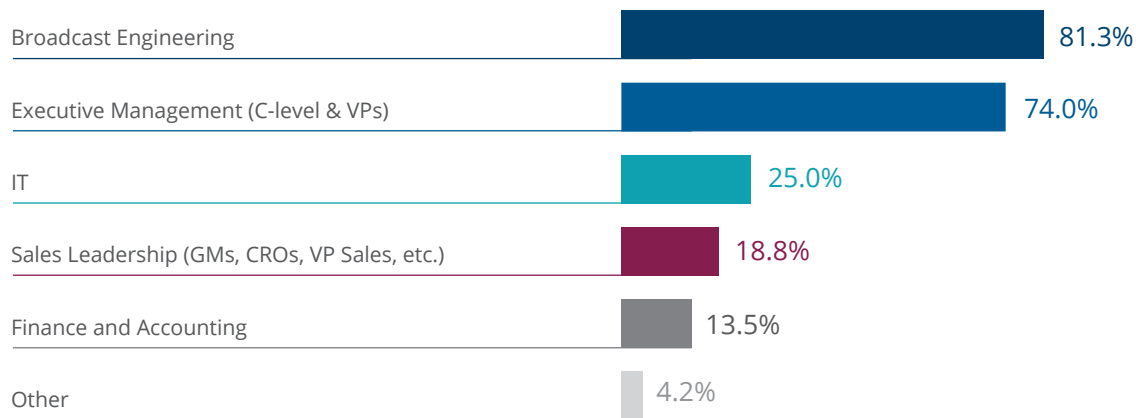
Who will be ATSC 3.0's biggest advocates in 2017?

The drive to adopt ATSC 3.0 is largely expected to come from within the industry, led by industry bodies (29%) and groups operating in the largest media markets (20%).

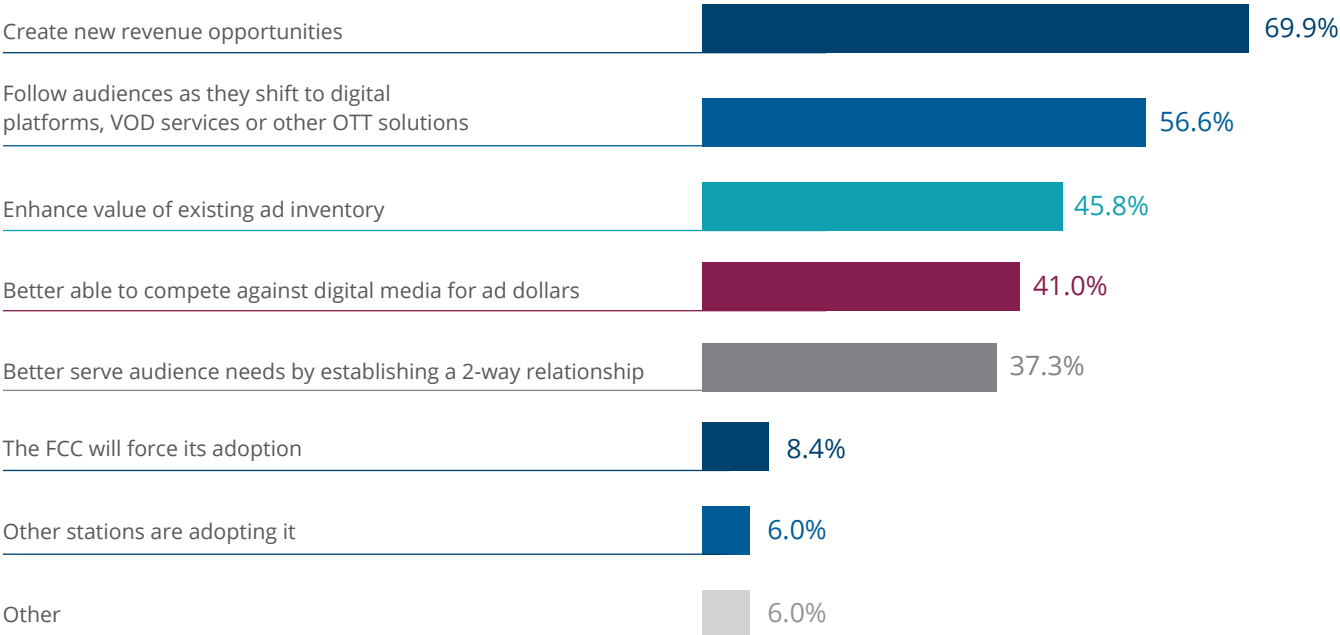|	
Broadcast industry bodies (TVB, NAB, etc.)	29.3%
Independent groups with most stations in DMAs 1-50	24.0%
Station groups owned & operated by the big 4 networks	20.0%
Government bodies (FCC, etc.)	13.8%
Independent groups with most stations in DMAs 51-212	8.0%
Advertisers	1.3%
Other	4.0%

Business Drivers

When respondents consider what ATSC 3.0 can bring their business, they think first and foremost about its potential financial benefits, in particular the potential to create new revenue opportunities and advertising products. Benefits for the audience, like the ability to access content on mobile devices or improve the viewing experience, are a lower priority.

QUESTION #7

What are the main reasons your station or group is considering ATSC 3.0?
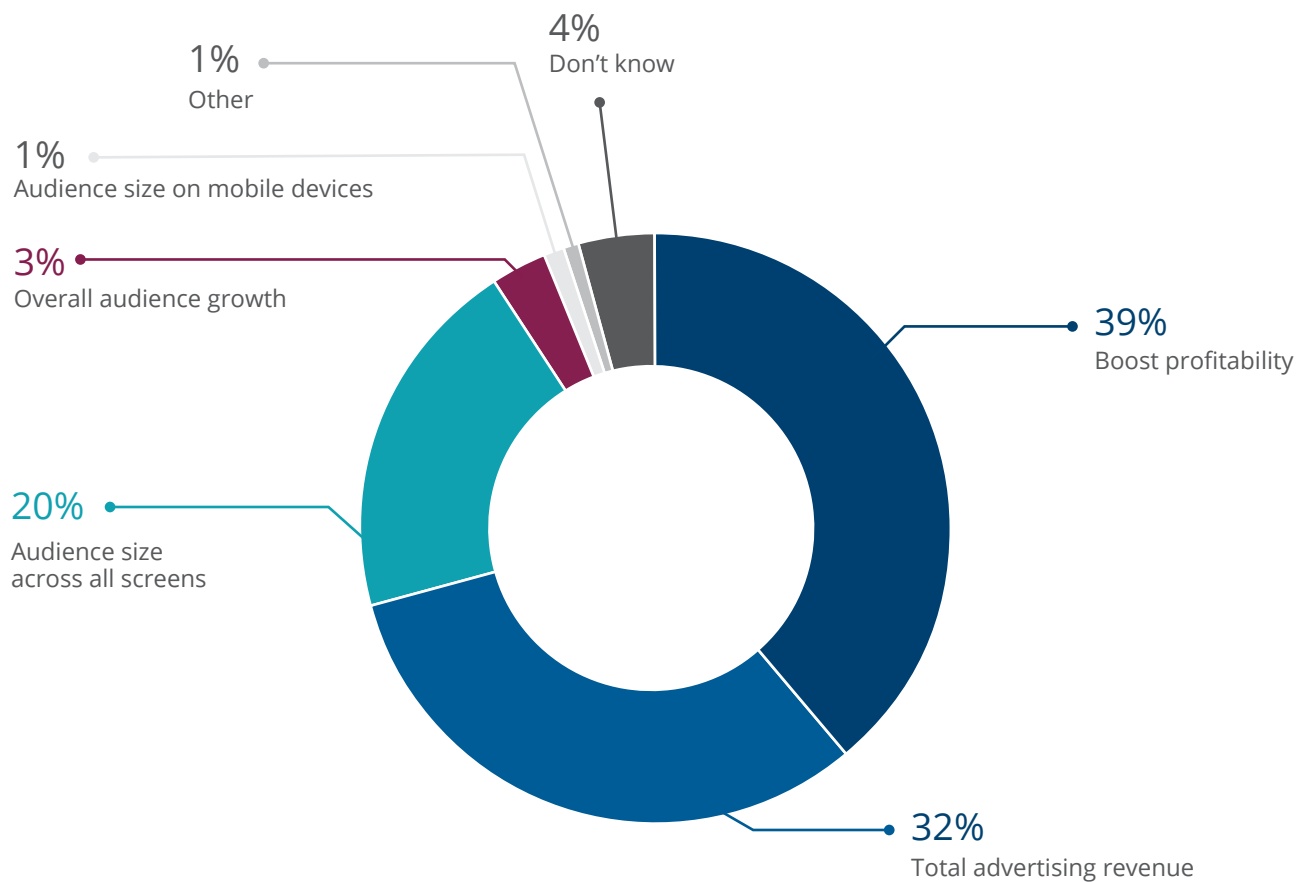
Respondents are most interested in ATSC 3.0's potential to deliver new revenue. Over half are concerned about following audiences to new media platforms. External pressure from regulators and competitors are the least compelling reasons for adoption.

Reason	Percentage
Create new revenue opportunities	69.9%
Follow audiences as they shift to digital platforms, VOD services or other OTT solutions	56.6%
Enhance value of existing ad inventory	45.8%
Better able to compete against digital media for ad dollars	41.0%
Better serve audience needs by establishing a 2-way relationship	37.3%
The FCC will force its adoption	8.4%
Other stations are adopting it	6.0%
Other	6.0%

When evaluating ATSC 3.0 performance, what will be the most important performance indicator for your business?

More than 70% will use financial success as the measuring stick for ATSC 3.0's performance for their business. Only 24% plan to use audience size as the principal measure of its success.

1%
Other

4%
Don't know

1%
Audience size on mobile devices

3%
Overall audience growth

39%
Boost profitability

20%
Audience size across all screens

32%
Total advertising revenue

Here is a list of potential benefits of ATSC 3.0. How important would each be to your business?

The short answer is "All of them." The most enthusiastic answers were for advertising-related benefits: more inventory to sell, cross-platform campaigns, and better targeting and attribution capabilities. Enhancing broadcast quality is considered the least important benefit, which is surprising and significant. As we will see in a later finding, consumer adoption is one of the broadcast industry's deepest concerns about investing in ATSC 3.0.

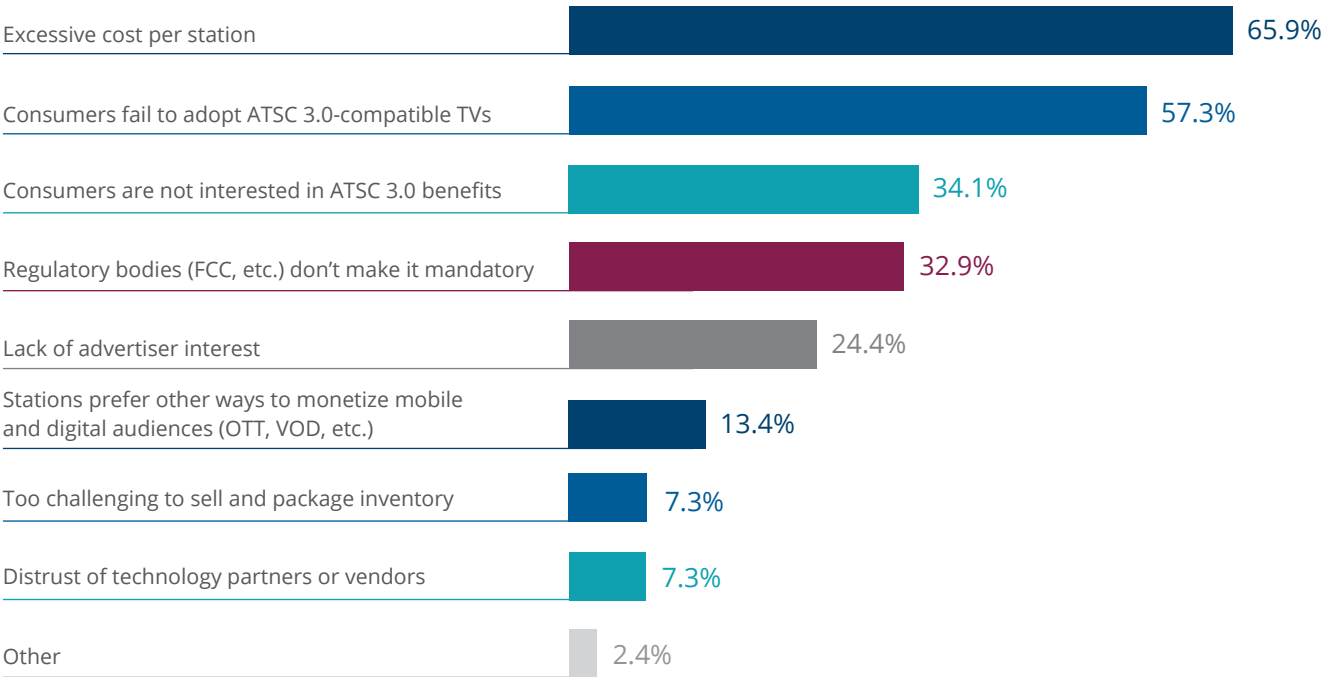| 1= Not important to 5 = Very important	Importance Avg. Rating
MORE TO SELL Expand advertising inventory and types	4.31
CROSS-SCREEN Offer ad campaigns that reach viewers on TV, mobile, and digital campaigns	4.25
ADDRESSABILITY Serve ads simultaneously to selected households or IP addresses in a broadcast market	4.20
GEO-TARGETING Serve ads simultaneously to separate areas within a broadcast market	4.20
MOBILE VIEWERSHIP Offer a reliable broadcast signal that reaches viewers on mobile devices	4.16
ATTRIBUTION Directly connect consumer activity to viewing an advertisement	4.15
QUALITY 4K/8K signal, higher-quality broadcast product	3.63

Blockers and Costs

The industry is unsure about the capital costs of ATSC 3.0 conversion. Our respondents also do not agree on the new operational costs or technology needed to support a more "digital-style" business model.

QUESTION #10

What are the top reasons the broadcast industry might not adopt ATSC 3.0?

While the single biggest blocker to adoption is thought to be the cost per station (66%), media companies have little direct control over their other biggest concern – lack of consumer interest (57%).
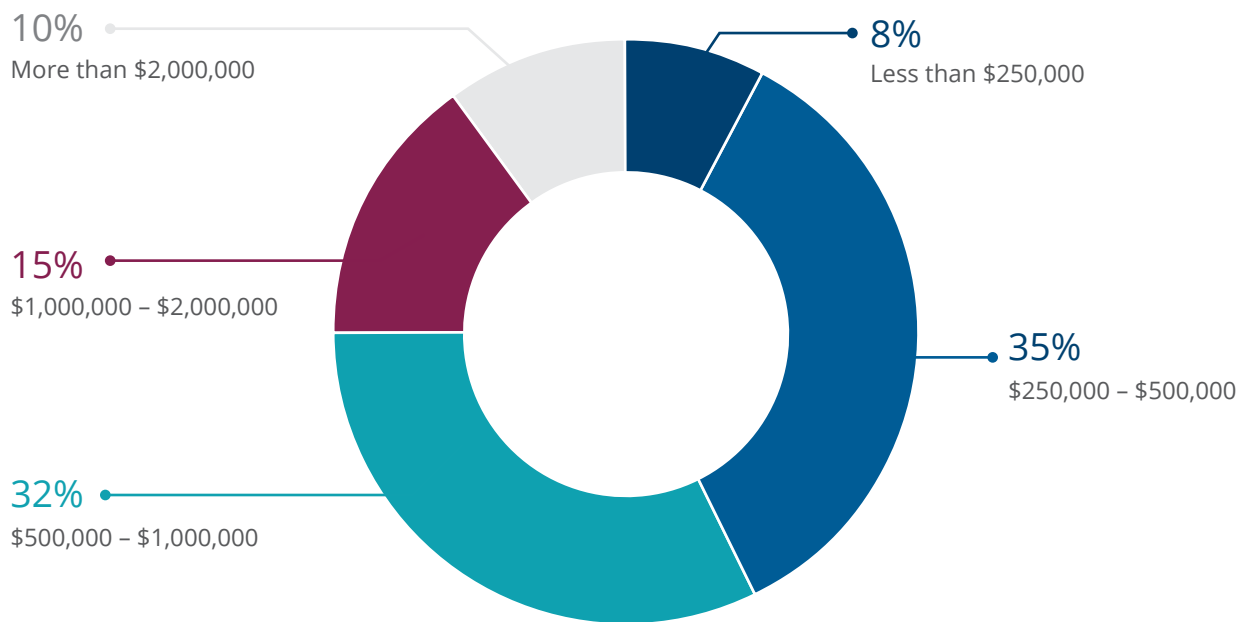
Another fear mentioned by one-third of respondents – that ATSC 3.0 will not be made mandatory by the federal government – has come to pass since our survey was fielded in January 2017. The FCC's February 2017 Notice of Proposed Rulemaking makes transitioning to ATSC 3.0 voluntary.

Reason	Percentage
Excessive cost per station	65.9%
Consumers fail to adopt ATSC 3.0-compatible TVs	57.3%
Consumers are not interested in ATSC 3.0 benefits	34.1%
Regulatory bodies (FCC, etc.) don't make it mandatory	32.9%
Lack of advertiser interest	24.4%
Stations prefer other ways to monetize mobile and digital audiences (OTT, VOD, etc.)	13.4%
Too challenging to sell and package inventory	7.3%
Distrust of technology partners or vendors	7.3%
Other	2.4%

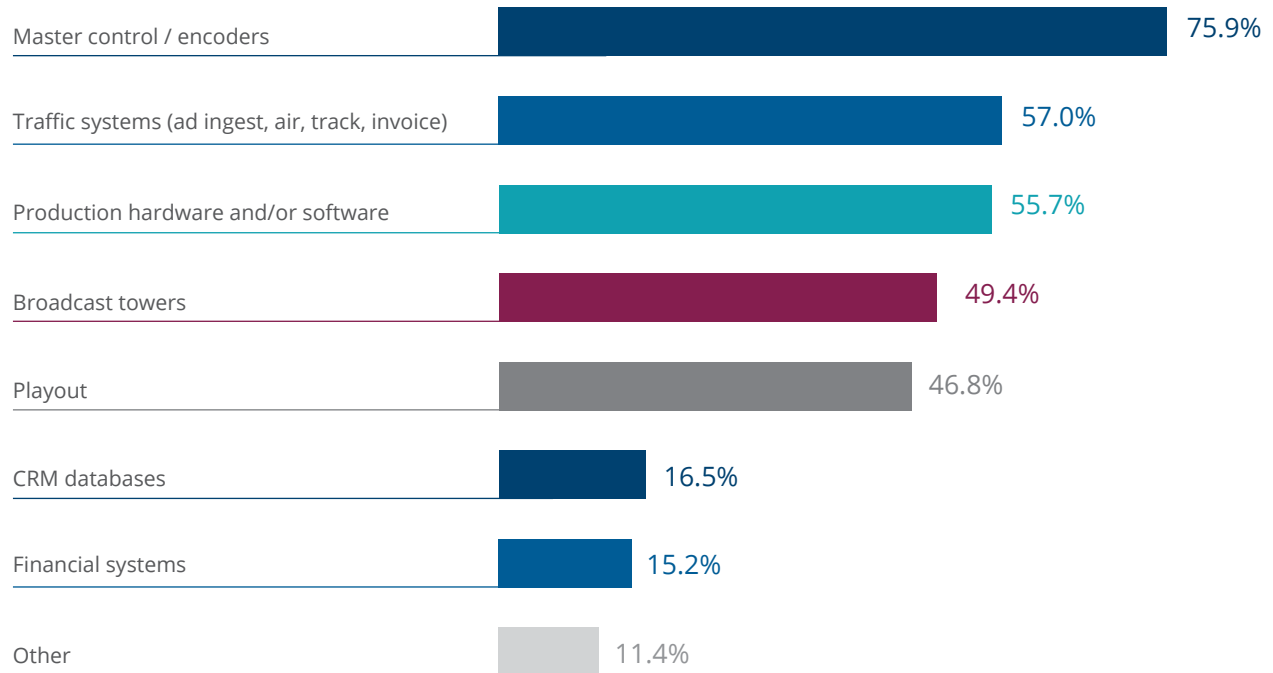# What is your estimate of the average cost of converting a single station to ATSC 3.0?

Our respondents were nowhere near consensus on the cost to convert. They do agree on one thing: it will be significant. 92% think it will be more than $250,000 per station and 25% believe it will be more than $1 million.

10%
More than $2,000,000

15%
$1,000,000 – $2,000,000

32%
$500,000 – $1,000,000

8%
Less than $250,000

35%
$250,000 – $500,000

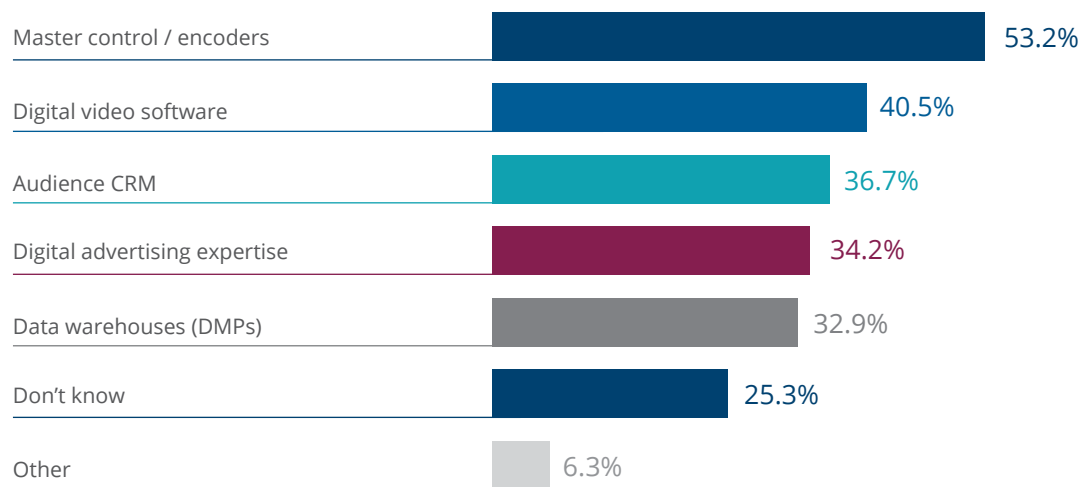# What technology needs to be upgraded at your business to adopt ATSC 3.0?

Respondents believe that ATSC 3.0 will require many significant station technology upgrades, with more than 46% able to name five significant software and hardware categories they expect will need to be refreshed.

Category	Percentage
Master control / encoders	75.9%
Traffic systems (ad ingest, air, track, invoice)	57.0%
Production hardware and/or software	55.7%
Broadcast towers	49.4%
Playout	46.8%
CRM databases	16.5%
Financial systems	15.2%
Other	11.4%

What new technology, services or people will your business need for ATSC 3.0?

Many are aware that stations will need to adopt new software and business practices to take advantage of ATSC 3.0's potential benefits. More than one-third expect to acquire video software (41%) and sales expertise (34%) to sell ads in a more "digital" style. In addition, respondents cited new tools for supporting data-driven ad sales, like audience CRM systems (37%) and Data Management Platforms (33%).

Master control / encoders	53.2%
Digital video software	40.5%
Audience CRM	36.7%
Digital advertising expertise	34.2%
Data warehouses (DMPs)	32.9%
Don't know	25.3%
Other	6.3%

Do you expect more vendors from the digital media industry to develop products and services for the broadcast industry?

Ex. Google, Adobe or "demand-side platforms"

There is strong belief that digital vendors are coming to broadcast. The vast majority believe digital media vendors will grow their presence in TV as stations becomes more "digital" in their business practices.
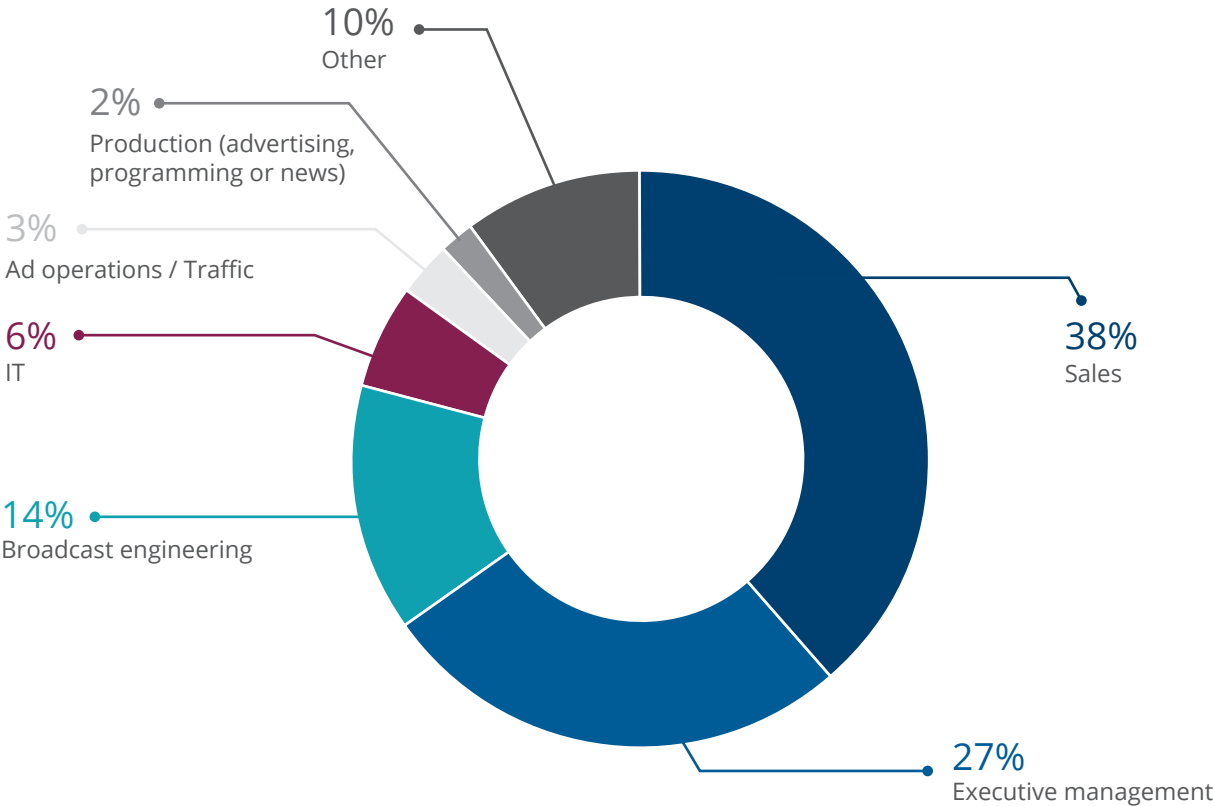
12%
Don't know

12%
No

76%
Yes
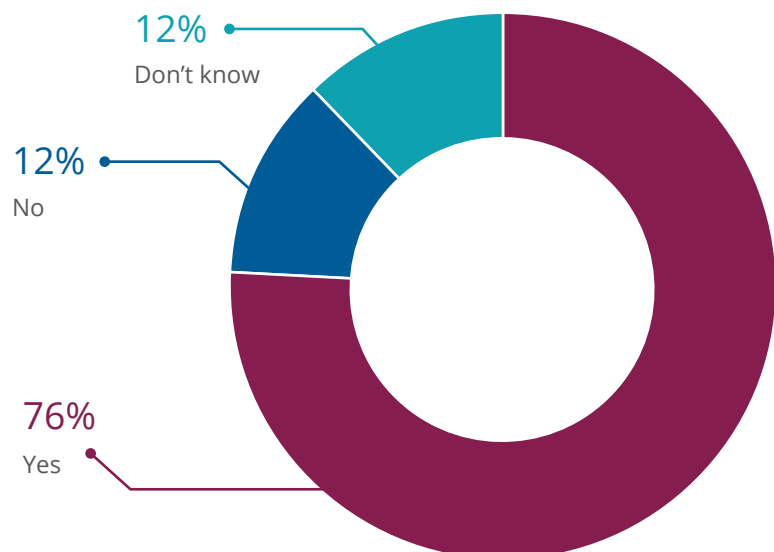
Respondent Composition

This survey reflects a broad cross-section of the industry opinions. Executives from many different business areas and sizes of station groups contributed to our report.

QUESTION #15

## What is your primary role at your station or group?

The largest number of respondents work in revenue-generating positions. More than twenty-five percent of respondents are members of executive management teams.

10%
Other

2%
Production (advertising, programming or news)

3%
Ad operations / Traffic

6%
IT

14%
Broadcast engineering

38%
Sales

27%
Executive management

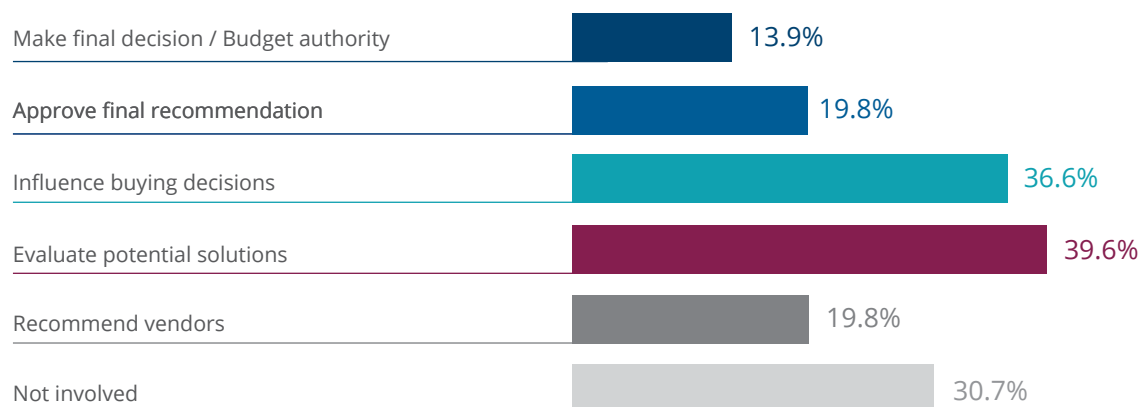# How many stations does your group own and operate?

Our responses came from media companies of all sizes. A little more than half are employed by groups of more than 11 stations. One-third come from smaller groups that own and operate only a handful of stations.

32%
1-5

34%
More than 30

8%
21-30

9%
11-20

17%
6-10
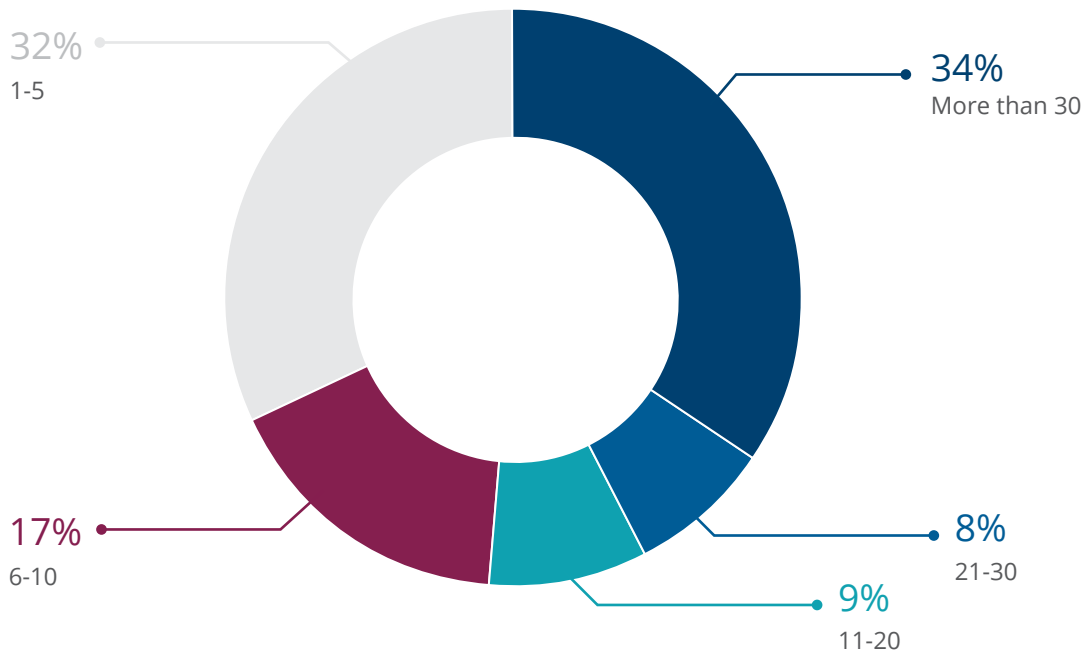
What role do you play in selecting technology for your station or group?

Nearly 70% of survey respondents are involved in technology selection and purchasing at their business.

Role	Percentage
Make final decision / Budget authority	13.9%
Approve final recommendation	19.8%
Influence buying decisions	36.6%
Evaluate potential solutions	39.6%
Recommend vendors	19.8%
Not involved	30.7%

Getting ready for a smooth transition

Are your hardware and software vendors ready for ATSC 3.0? Do you know what ATSC 3.0 capabilities they can support now and which will require upgrades and add-ons?

As we've shown in this survey, many station groups are considering making the change in as soon as two years, but are uncertain about what technologies need to be upgraded or adopted.

We recommend contacting your technology partners today to understand their plans for having fully functional, compliant products and services ready for ATSC 3.0.

Here are some questions to ask:

- Does your software accommodate targeted, 'digital-style' advertising?
- Can station teams easily propose, air and invoice multi-cast advertising campaigns?
- What's your roadmap for improving your technology for ATSC 3.0?
- When will upgrades and replacement systems be available for testing?
- Will there be additional costs for upgrades and replacement systems?
- Will new hardware be necessary?
- Will tools, training and support be provided for upgrades and replacements?

At WideOrbit, we know it's still early days for ATSC 3.0 and the business case for adoption is still coming together. Stations using WideOrbit's *WO Traffic* are ready today for basic ATSC 3.0 functions like secondary events and support for digital ads. We're planning to support other key advanced advertising capabilities like personalization and second-screen interactivity.

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Methodology

WideOrbit conducted an online survey of 1,583 professionals in January 2017. The names were drawn from WideOrbit's customer and prospect database of traffic, broadcast engineering and operations executives. We received 101 responses, a 6.4% response rate.

Because our platform is employed by more than two-thirds of United States television stations, we have high confidence that this sample represents a significant cross-section of overall industry opinion.

Respondents were incentivized with the opportunity to win one of five $100 Amazon gift certificates and to be among the first to review the results.

SurveyGizmo was used to field the survey and collect data. Surveys were sent anonymously and all data was analyzed in aggregate. Results were tabulated in March 2017.

1,583
Professionals
Surveyed

101
Responses

6.4%
Response Rate

Find out what WideOrbit can do for you today

US SALES CONTACT

TVSales@wideorbit.com

INTERNATIONAL SALES CONTACT

InternationalSales@wideorbit.com

MEDIA INQUIRIES

Shawn Roberts | sroberts@wideorbit.com

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