FASTs Are The New Cable

A TVREV REPORT

TVREV

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FASTs ARE THE NEW CABLE

> *"One of the things that was pretty revolutionary about our initial product was that you turned it on, and it started playing. You had the EPG guide there, and the audio was on. It was as if you pressed the remote button and turned on the television."*
> *—Tom Ryan, President and CEO, Streaming, Paramount, Pluto TV Co-Founder, on the app's 2014 launch*

In the late 2010s, a new type of streaming service started to gain some traction. They were ad-supported, which was not all that unusual, but they did not charge a monthly subscription fee, which was.

To set these upstarts apart from the more popular subscription ad-supported services like Hulu, we came up with the acronym "FAST" or free ad-supported streaming TV.

The growing popularity of the FASTs confused many people in the business, since at the time, their offerings were largely both identical and unremarkable—library series that Netflix, Amazon and Hulu hadn't secured rights to, along with popular movies from the 80s, 90s and early 00s.

The conventional wisdom was that they were watched either out of curiosity or boredom or by cord-cutters who had run out of things to watch on Netflix.

It was, in many ways, similar to the sort of skepticism that greeted cable TV networks in their early days when their content also consisted mostly of syndicated network series and older movies.

But then in January of 2019, Viacom's Bob Bakish bought Pluto TV, the largest and most established of the FASTs for what, at the time, was regarded as the shockingly high price of $340MM.

Viacom's move was followed a year later by NBCU which bought Xumo for an undisclosed sum in February 2020 and Fox, which bought Tubi for $440MM in April 2020.

Suddenly people were taking notice of the FASTs. It wasn't just the FASTs owned by the major media companies either. The Roku Channel, Roku's own FAST, was a major part of this growing ecosystem, along with Amazon's IMDbTV (now called Freevee) and the FAST services owned by the three major U.S. TV manufacturers, Samsung TV Plus, LG Channels Plus and VIZIO Watch Free.

The FAST ecosystem has continued to grow rapidly, introducing innovations such as linear-like channels (hundreds of them) which in turn led to a new group of players in the FAST ecosystem—studios, cable networks and other publishers that provide much of the programming for those linear channels. (Some of those providers have their own individual apps as well.)

All of which has left the FAST ecosystem a very confusing place that only seems to be growing more confusing day by day.

Hence this report, whose purpose is to try and untangle some of that confusion and to provide a clear explanation of how the FAST ecosystem is structured, who the gatekeepers are, how apps and linear channels are programmed, what the differences between the myriad services are, and, because it's a TVREV report, where this is all heading in the years to come.

> *"Too often we think about streaming through a binging lens, through a primetime TV lens. But we forget that there were all these hours of the day that people would throw on TV just to have something to watch. And that's the role the FASTs seem to aspire to fill."*
> *—Mike Shields, Founder, Shields Strategic.*

THE FAST ECOSYSTEM EXPLAINED

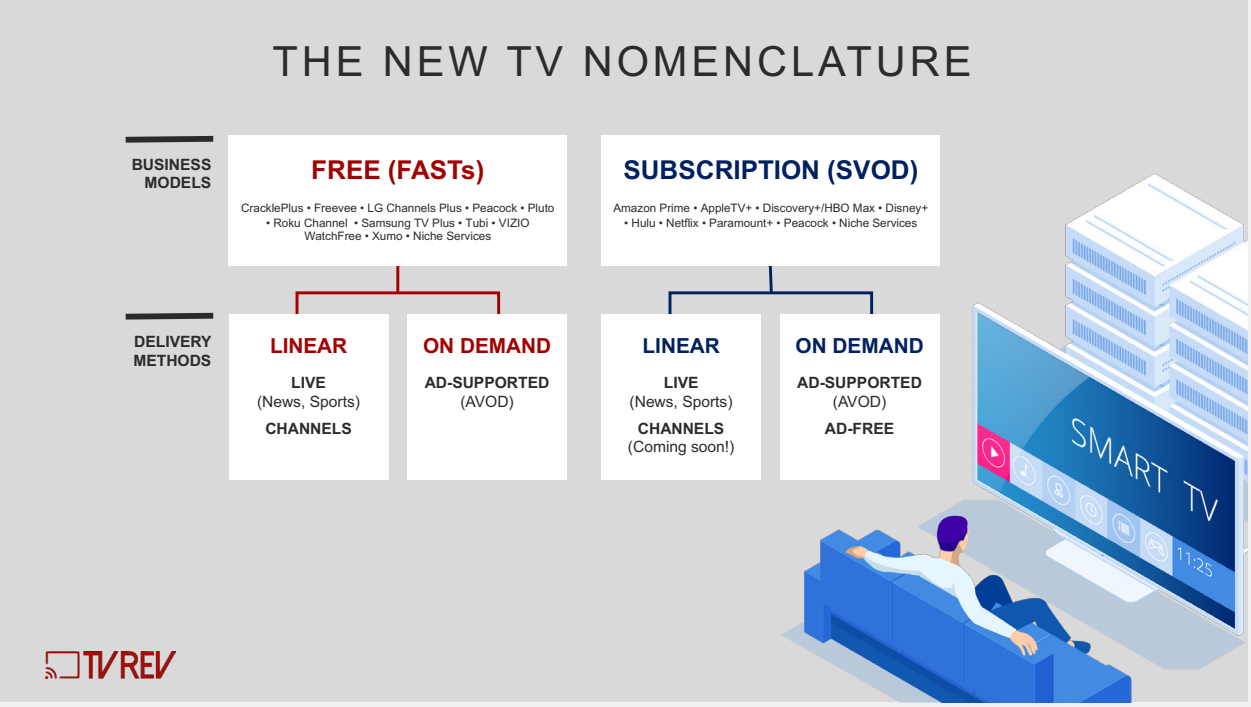
Some Definitions

> *"Nobody really understands FASTs at all. A lot of people are still trying to figure out the difference between CTV and OTT as acronyms."*
> *— James Smith, EVP, Global Ads Sales & Programmatic, Amagi*

As noted, one of the more interesting findings of this report is that there are a multitude of terms that people use to refer to the various pieces of the streaming TV ecosystem and this often leads to massive confusion.

So for the purposes of this report, and with the hope of keeping everyone in the industry on the same page, here is a brief overview of how we should be looking at everything, based on conversations with numerous executives, consultants and analysts.

To help explain things and to appeal to our more visually oriented readers, we've created this handy chart.



The Key Distinction For Consumers Is Free vs Subscription

This seems to be a more important distinction for consumers than the other two options: linear versus on-demand and ad-free versus ad-supported.

Free (FAST) and Subscription (SVOD) are business models and thus services fall into one bucket or the other.

With linear and on-demand, which are delivery methods, we have found that almost all services now have both options. The FASTs all have linear channels and on-demand offerings, some favoring one option more than the other. And with the addition of live sports and news, most of the major SVOD services now have linear and on-demand options as well.

What's more, as we will detail in a later section, most of the executives we spoke with felt that it is only a matter of time (e.g., early 2023 at the latest) until all the SVOD services followed Paramount+ and Peacock's lead and roll out their own linear channels, given how popular that format is on the FASTs and how easy they have become to set up.

So while "FAST Channel" is most definitely the term currently used to describe linear channels on FAST services, the appearance of linear channels on SVOD is likely to result in a shortening of that term to "Channel" across both business models.

The next distinction is ad-free versus ad-supported. Both are now options on all of the eight major SVOD services, given that live sports on Amazon and Apple, the last two ad-free holdouts, now have ads. So while this distinction does matter to consumers in that it affects the price of their subscriptions, they can now be seen as different variations of the subscription (SVOD) business model.

Finally, there is TVOD, or transactional video on demand. While this model is likely to become quite popular in emerging economies as a way of selling a single movie or TV series via a free service, for now it is tangential to our discussion of the FASTs as it is not yet an option on any of the US-based FASTs.

So, to sum up:

- FAST and SVOD are the two key business models.
- Each delivers content via linear channels and on-demand options.
- While FASTs are always ad-supported, SVOD can be either ad-supported or ad-free.

THE NEW GATEKEEPERS

1. The Interface Providers

One of the biggest battles being fought right now in the television industry is the battle over the interface, specifically which interfaces will prevail and which companies will provide those interfaces to the hundreds of smaller TV manufacturers worldwide who don't have resources to create their own.

There are a number of contenders (more on that in a minute) but the reason this is being so hotly contested is that whoever controls the interface for the TV also controls which apps are allowed on the interface, which means they get to wield a great deal of power and become the new gatekeepers for the streaming ecosystem, FASTs included.

In simplest terms, that means if you are standing up a FAST service and you want it to be on as many television sets as possible, you need to play nice with the interface providers.

So who exactly are these interface providers?

At a macro level, you have the smart TV OEMs, namely Samsung, LG and VIZIO, whose televisions come with their own proprietary operating system built in. All three have taken great pains over the past several years to improve the interfaces on their operating systems in order to make them as up to date and user-friendly as possible.

Then you have the connected device manufacturers: Roku, Amazon, Google and Apple all make dongles (or pucks, if you will) while Microsoft makes a gaming device (the X-Box.)

Now here's where it gets confusing: Roku, Amazon and Google all also license their interfaces to smaller TV OEMs, and (more confusing still) Amazon and Google have started to make their own proprietary branded TV sets while Roku is rumored to be heading down that path as well. (Or not. Though their CEO did recently state that Samsung, VIZIO and LG should just give up the chase and submit to the Roku OS.)

There are also new players like Toshiba, Comcast and Walmart who may use a third party interface (Android) as a base, but whose design and content decisions are their own.

It is a lot to take in, but the key takeaway here is that all of these companies serve as the new gatekeepers in that they get to decide which apps appear on their TV interfaces as well as where on the interface they appear. This gives them a lot of power over the FASTs, similar, in fact, to the power the MVPDs once had over cable networks.

Initially, most of the interfaces had a limited number of streaming offerings, usually just Netflix. Roku was the exception here, and it is widely believed that one of the key reasons for Roku's surprising success was that they had hundreds of apps available, which caused their competitors to eventually follow suit.

At present, failing to launch an app without a presence on a broad array of interfaces is seen as a major liability— one of the more prominent criticisms lobbed at the ill-fated CNN+ app was that they had not secured distribution on Roku, Amazon or any of the smart TV OEMs.

This dynamic empowers the interface providers as they are now in a much better negotiating position—the apps need them more than they need the apps... at least at launch.

The dynamic reverses itself though once apps are established. Then the interface providers need the apps, especially apps with solid fan bases.

> *"There's not that much difference between the various interfaces and if someone is not carrying your favorite app, then you are just going to select a TV or connected device that does carry it."*
> *—Senior programming executive, FAST*

2. The Aggregators

The next grouping of streaming services are what most people think of when they hear the term "FASTs." These services aggregate content from a number of different sources and maintain fairly extensive libraries of programming, delivered both linearly and on-demand.

We can break the aggregators down even further by looking at who owns them.

There are the four media company-owned services: Pluto TV (Paramount), Peacock (NBCU), Xumo (Comcast) and Tubi (Fox.)

(Curiously Disney does not have a FAST service—at least not yet.)

Then there are the five device and OEM owned services: Freevee (Amazon), The Roku Channel (Roku), LG Channels (LG), Samsung TV Plus (Samsung) and WatchFree+ (VIZIO).

Then there are the independent services, like Plex and Crackle Plus, the OG FAST, which is now owned by Chicken Soup For The Soul.

3. Single Publisher Apps

One level down from the aggregators, at least in terms of size, you'll find single publisher apps, which, as the name implies, have content from a single publisher or studio.

These may be news apps like Cheddar or Newsy, remaining network "TV Everywhere" apps like the ABC app or the History Channel app, or independent apps like Future Today, which specializes in kids and family entertainment.

These apps provide a range of linear and on-demand content and unlike the aggregator apps, some may be all on-demand (for now, anyway.)

To make things even more complicated, many of these single publisher apps also license their content to the aggregators, where their content appears as a linear channel (or part of a linear channel, grouped in with similar shows) or as part of the aggregator's on-demand catalog. Or all of the above.

What this means is that someone looking for, say, Cheddar News on their LG TV can find it via the Cheddar app, via LG's own LG Channels app or via Pluto TV, Tubi, The Roku Channel and other aggregators.

That's confusing enough for consumers, but, as we shall see, it makes it even tougher for advertisers.

4. The Content Providers

The final layer of the FAST ecosystem are those companies whose content populates the many linear channels and on-demand sections on the aggregators, everyone from Newsy to Filmrise to A+E to This Old House to The Hallmark Channel.

These providers, as noted, may also maintain their own unique apps, but they have also struck deals to have the aggregators distribute their programming.

This is a broad and rapidly growing category as rights holders see that they can get much broader distribution for their content by striking deals with numerous aggregators.

> *"It's just a lot easier to strike a deal with say Pluto TV, The Roku Channel and similar services, and have them handle distribution. You avoid the costs of having to maintain and promote your own app and you get much wider distribution which translates to more ad revenue. So it's an easy decision for most rights holders."*
> *—Senior content executive*

For cable networks, distributing programming via their own dedicated channel on the various FAST services appears to be a much smarter move than trying to make their own TV Everywhere apps happen.

While many single source apps and smaller cable networks have loyal fans, they just don't have enough of those fans to make a go of a streaming app, even a niche app, and when they distribute their content through the FASTs they are able to take advantage of the larger audiences that the aggregators can offer. Granted, they may not have as much control over the data but the executives we spoke with felt the trade-off was worth it.

Other reasons those executives, cable TV executives in particular, felt working with aggregators was a positive experience was that it provided a hedge against shrinking numbers on linear and gave them a way to reach a younger audience.

FASTs ARE THE NEW CABLE

> *"Back in the early days of cable, it was a place to watch reruns. Nobody wanted to watch cable because it was all reruns. And look where that is now—thousands of channels and billions of dollars. I think that good content will find a way to get distributed and get watched. And I think that's what's going on with the FASTs right now."*
> *—Bob Ivins, Chief Strategy Officer, TVSquared by Innovid*

The title of this report comes from a comment we heard dozens of times from various industry executives.

It makes sense at a very basic level in that both cable and the FASTs had the same original business model: take older library content that still has an audience and run advertising against it.

Both businesses initially surprised observers when they started to take off. In the early 80s, it was "why would anyone want to watch this when they could watch new shows on network TV or reruns during the daytime on local broadcasters?" In the late 10s, it was "why would anyone want to watch this when Netflix, Amazon and Hulu all have massive content libraries of similar shows?"

> *"The biggest difference between today and the early days of cable is we have so much more data now to draw on and so companies have real time feedback. So things are improving much, much, much faster than they once did. People are experimenting more and things that don't work are being thrown away. So it's maturing much, much faster and the iterations are much faster too."*
> *—Srinivasan KA, Co-Founder, Amagi*

For both cable and the FASTs, the answer as to why they succeeded seems to be pretty simple: people liked having access to comfort food TV of the sort they could have on as background. Plus it felt personal—this was something only you were watching, no one else was going to be talking about it at work the next day.

In the current ecosystem, the feeling is that FASTs operate as a counterweight to the big SVOD services.

> *"SVOD shows are "lean-in", the sort of shows you binge and pay close attention to. FASTs are more of a "lean back" experience—comfort food and all that. People don't always want lean-in experiences from TV."*
> *—Industry analyst*

The Different Flavors of Aggregators

Aggregators come in three basic flavors. There are the aggregators that are owned by the big media companies, the aggregators that are owned by the various OEMs and a handful of independent aggregators.

They all have strengths and weaknesses, depending on what you are looking for and whether you are a consumer, an advertiser or a content distribution partner. That said, they also all work together: the OEM's FAST services also run the media company aggregators' apps on their platforms and those media company aggregators—most notably Pluto TV and Xumo, have helped them to stand up their apps.

So let's compare and contrast.

Media Company-Owned FASTs

Right now there are four of these FASTs: Pluto TV, which is owned by Paramount, Tubi, which is owned by Fox, Peacock (or the free portion thereof) which is owned by NBCU, and Xumo, which is owned by Comcast.

(If you're confused about the distinction between the latter two, you're not alone. When Comcast bought Xumo, most observers assumed it was to shore up the free version of Peacock. When that proved not to be the case, it was unclear what Xumo's role was. That has been becoming somewhat less cloudy as of late, as the company has begun associating Xumo with Flex, the new Comcast-Charter OS. So it seems that Xumo is the official FAST of the Comcast empire, while Peacock is the NBCU FAST.)

Advantages

Exclusive Content

The biggest advantage the media company-owned FASTs have is that they have access to exclusive content from the networks owned by their parent companies.

In the case of Pluto TV, for instance, this means everything from seasons of *JAG*, *Jersey Shore* and *Gunsmoke*, to an entire Paramount Movie Channel.

At a time when there's an assumption that most FAST services have (more or less)

the same content, the availability of TV series and movies that can't be found on other services is a huge plus.

Many of the executives we spoke with also felt that these services would become part of a flywheel that helps to promote originals on the parent company's subscription apps.

So that, for instance, NBCU might give free Peacock a teaser episode of a popular series on paid Peacock, as a way of encouraging viewers to sign up.

Similarly, the networks can put older seasons of their popular originals on their FASTs as a way to encourage viewers to subscribe to see the current season.

> *"Netflix, at least in the early years, had a reputation for helping to popularize series like* The Walking Dead *and* Breaking Bad *and driving viewers to AMC to watch the current season. This would seem to be an ideal use case for the FASTs."*
> *—Programming executive, FAST service*

Paramount has gone a step farther here, combining their SVOD and streaming services into a single division in order to amp up the flywheel, so to speak.

Synergy

> *"There's an internal partnership between both linear and streaming programming and marketing teams across Paramount. So, before the next Yellowstone season debuts on Paramount Network, we will run a Yellowstone marathon on Pluto TV aimed at driving tune-in back to linear. For our streaming and premium pay TV services, like Paramount +, BET + and Showtime, we have dedicated channels like Paramount + Picks, Showtime Selects, BET Pluto TV and even single-series channels devoted to properties like Star Trek where we sample new episodes from current seasons and run marathon-style programming of select past episodes and seasons to promote our paid subscription services."*
> *—Jeff Shultz, Chief Strategy Officer and Chief Business Development Officer, Streaming at Paramount*

Because viewers are not strictly on streaming or linear, but rather flitting between the two, it is easy for the media companies to promote their FASTs on their SVOD services and on their linear networks. Similarly, the FASTs can promote the SVOD services themselves and specific shows on those services.

The promotional loop helps to keep the FAST top of mind with the consumer, especially if the consumer is a fan of the network, the SVOD service or of a particular show. The ability to watch exclusive or ancillary content on the FAST also helps to increase stickiness with viewers who are network fans.

Distribution

Another advantage the media company FASTs have is distribution. Because they are not tied to a single device, they are able to place their apps on a wide range of platforms and devices. That means they have a broader viewership base than FASTs that are tied to a specific device.

Experience

The final advantage the media company FASTs have is that they are the pioneers. This has given them time to refine their user experience and content acquisition strategies and, more importantly, to establish their brands with consumers.

Challenges

Measurement

The media company FASTs live on a range of devices, all of which have their own disparate measurement systems. Combined with the lack of any mutually agreed upon third-party measurement service, this makes it difficult to get any kind of consistency across devices, especially given the fact that their apps are available on such a wide range of devices.

Updating The App

The number of connected devices is growing, not shrinking, as companies like Walmart and Comcast roll out their own smart TVs, and companies like Google expand their presence.

This means that new apps must be created for each new platform while existing apps must be updated when platforms update their operating system. Keeping up with the update cycle is costly but necessary, and this is one expense that is unlikely to disappear.

Overseas Rights

As the network apps roll out outside the U.S., they must negotiate new content deals, navigate rights issues and find ways to bring new advertisers on board. While expansion is generally a good thing and presents opportunities for growth, it can also be costly and time-consuming while distracting from the company's U.S. operations, especially for those services with limited global experience.

OEM FASTs

Rolling out their own FAST services has proven to be a very wise move for both TV and connected device OEMs. It allows them to make the FAST the centerpiece of their interface, and to offer users the ability to watch free programming right off the bat. Better still, it allows them to monetize that content via advertising and thus create a second revenue stream.

Advantages

> *"As OEMs we know what people like to watch on linear TV via our ACR data. And that has allowed us to pick and choose the type of content we want to put in front of users. That amount of data doesn't really exist with anybody else and it's given us the ability to experiment too with the type of linear channels we put up."*
> *—Raghu Kodige, President, LG Ads Solutions*

Better Data and Discovery

The OEM FASTs do double duty as the TV's operating system and are part of the UX. That makes it easy for them to surface shows to viewers based on prior viewing and to push their own content and channels front and center.

Smart TV OEMs also know what viewers watch on both linear and streaming, so they are able to better tailor recommendations as well.

> *"One of the large advantages the OEMs have is discovery. Given that the FAST apps owned and operated by the OEMs and device manufacturers can be so closely correlated with the consumer experience, it gives them an obvious advantage in terms of what the consumer journey looks like."*
> *—Sean Buckley, Chief Revenue Officer, Magnite*

All that data also gives them an advantage when it comes to programming, both for themselves and for their partners.

> *"We have data from over 20 million opt-in VIZIO devices. We use data for everything from deciding which shows to surface,provide more relevant entertainment content options and recommendations for users and enable our partners to understand key insights that can help shape future programming and which audience segments they're resonating with."*
> *—Katherine Pond, Group Vice President, Platform Content and Partnerships, VIZIO*

Creating An Alternative Revenue Stream

The OEM FASTs have several advantages. For the OEMs themselves, the apps provide an alternative revenue stream in the form of ad revenue, which then allows them to keep the price of their devices low, which encourages more people to buy them, which means more people watching the apps, which means more revenue...

> *"As a TV manufacturer, we have direct consumer relationships, and understand TV viewing behavior and usage. That is why hardware is having its moment and proving that the first-party data it has access to, unique ad experiences it offers, and consumer loyalty it has built, is an unbeatable combination for advertisers."*
> *—Justin Fromm, Head of Insights, Samsung Ads*

Better Measurement

VIZIO, Samsung, Roku and LG all have their own ACR data which allows them to provide more accurate measurement of programming watched on their devices.

This is a boon for the OEM's own content teams too, as they have second-by-second data on what shows viewers watch on both streaming and linear and how those shows relate to each other, e.g., viewers who watch Movie A also watch Series B and Movie C. This, in turn, helps them to make better content acquisition decisions.

> *"From an advertising standpoint, the OEMs have very unique first party data assets. And so they're able to layer that first party data on top of the FAST inventory that they own, as well as across the carriage deals, where they get a slice of inventory from third party apps in return for distribution. And that is a really compelling value proposition for buyers."*
> *—Sean Buckley, Magnite*

The ability to understand which ads viewers have been exposed to across linear and streaming is of course a boon to advertisers as well and can help them to guard against overexposing viewers by showing them the same ad over and over again, something we will go into more detail on in the follow up to this report which looks at advertising and the FASTs.

Ubiquity

> *The OEM apps have a more permanent footprint since people keep their TVs for years, but may ditch individual apps on a month to month basis. And that app is front and center every time they turn on the TV.-- Michael Tuminello, Vice President, Strategy, Mediaocean*

One of the biggest advantages OEM apps have is that they are incorporated into the OEM's interface, so that every time a viewer sits down to watch they have the opportunity to see what the app has to offer and are reminded of its existence.

This ubiquity is bound to ultimately create more stickiness and more awareness throughout the life of the TV.

The flip side, of course, is that viewers don't always have the same brand TV throughout the house and thus may opt for a FAST service that appears on every TV.

Personalization
Because the OEMs have so much data about what their viewers are watching on both linear and streaming, they are able to provide a high level of personalization across the entire interface in general and on their FAST app in particular. While other apps, both FAST and SVOD, can do this based on what shows a viewer has been watching on their channel (e.g., Hulu Live TV knows that if there is a Brooklyn Nets game on I am probably going to want to watch it and will suggest it in the hero tile), the OEM apps can actually start personalizing the app the very first time the user shows up, which greatly increases the chances of that viewer returning.

Then, they can fine tune those recommendations as the viewer keeps coming back.

> *"If you go to the LG Channels homepage. It shows a whole bunch of the content that is available, but they're not in any particular set order. That's because they're actually personalized for each viewer. So if I'm watching a lot of crime shows on linear pay TV, then our own crime shows and channels are going to be dominant in my personalized view when I launch the app."*
> *—Raghu Kodige, LG Ads Solutions*

Challenges

Distribution

At present, the OEM FASTs are limited to a single device, which limits the number of subscribers they can attract.

This may be changing—Roku and Amazon have a deal to run each other's apps, and the OEMs may follow suit. Samsung's FAST is also available on Samsung's smartphones and via any web browser (though with different content due to rights issues.) Still, it will be some time before these apps reach the broad distribution enjoyed by the media company apps.

Content Acquisition

The OEM FASTs don't have any relationships with studios or other rights holders and thus have to license all their programming. This makes it more costly for them to get high profile programming, so they need to be more strategic in their content acquisition plays.

Original Programming

The size of their audiences also makes big budget original programming unlikely for the smart TV OEMs, and thus far they have been opting for exclusive windows, where a show like *@ Home With Tori* debuts on VIZIO WatchFree, before moving on to other services.

Roku and Amazon, OTOH, have much larger audiences and thus have been investing in original content: Roku bought the rights to the ill-fated Quibi's catalog and is producing a handful of other originals. Freevee has relied on Amazon's deep pockets and a desire to create synergy with shows on Prime to roll out versions of Prime series like *Bosch* along with other original shows.

Audience Retention

Few viewers have the same brand of TV in every room in their house, and may abandon the OEM's FAST when they buy a new TV or, in the case of Roku and Amazon, when they buy a new TV and decide that the native interface is easier to use than a separate dongle.

Here again, cross-platform distribution deals might help some, along with greater differentiation in content and UX.

Independent and Single Source Apps

> *"You basically have to ask yourself, what's the value of opening up a new service versus licensing a set of those channels to a bigger service where you'd get more promotional support."*
> *—Nick Cicero, Vice President, Strategy, Conviva*

In the early days of streaming, many rights holders rushed to launch their own apps. The theory was that they would have greater control over everything from interface design to ad sales.

While this was true, it was also costly—the time, effort and money required to update apps across multiple devices, keep them bug-free and negotiate ad deals proved to be prohibitive for many smaller content owners and so they contracted with aggregator apps to launch channels on their apps. PBR—the Professional Bull Riding service is a good example of this. After starting off as a subscription service, they signed a deal with Pluto TV in July 2021 to launch PBR's Ride Pass as a (free) linear channel on Pluto TV.

Many have not fully shut down their original apps though, which leads to a fair amount of confusion, given that the same programming is available across multiple aggregator FASTs and well as on the original app.

News apps, such as Cheddar and Newsy, are another example of this, as their linear news channels were easily translated to linear channels on the FASTs, and to channels on traditional cable systems too, further adding to the disarray.

Finally, there's CracklePlus, Sony's original FAST channel, which saw a market grow up around it. CracklePlus is now owned by Chicken Soup For The Soul and, having recently acquired Redbox, is one of only two independent aggregators, Plex being the other.

While they are sometimes overlooked by those reporting on the industry because they do not fit into an easy box, they are both still very viable services and a number of advertisers we spoke with noted that they appreciated their independent status as it meant they were not tied down to either a media company or an OEM. Plex's large global presence was also cited as a plus.

On the other hand, many of those same executives felt that a buyout by a larger player was inevitable, provided the services remained a success. Disney, which lacks a FAST of its own, was frequently cited as a potential buyer, as was Netflix.

HOW THE FAST ECOSYSTEM IS STRUCTURED

Linear Channels

In the early days of the FASTs, content delivery was primarily on-demand. It was a format viewers were familiar with from Netflix, Hulu and Amazon, the three main SVOD services at the time.

Tom Ryan and the team at Pluto TV, then an independent service, had different ideas. They had long believed in the power of linear channels, and, in fact, when the service first launched in 2014, Ryan decided to create linear channels from YouTube and other online channels with a vastly improved navigation system that made it easier for users to find what they were looking for.

> *"The conventional wisdom at the time was that the future of streaming would be ad free, paid, and on demand. And here we were with this linear product that was free and supported by ads. We wanted people to feel like they were watching TV when they watched Pluto TV. Meaning that they would launch the app and something would start playing, there was an EPG too, to help them navigate. And it worked—we were getting much higher engagement numbers."*
> *—Tom Ryan, Pluto TV*

Another huge jump for linear channels happened when Ryan decided that Pluto TV should update its interface to allow for cable-style clicking—viewers could use their remotes to jump from one channel to the next.

> *"People love channel surfing. There's plenty of things that traditional TV did not do to modernize for the streaming era. But the ability to just channel surf and switch the dial quickly and easily without having to go into a program menu with thousands of options gives people a low stakes way to try additional content without spending 20 minutes studying the program guide."*
> *— Tom Ryan, Pluto TV*

For consumers, that made the whole notion that FASTs were a replacement for cable real as those with restless thumbs were able to enjoy the same experience on streaming as they did on cable.

> *"I am very curious to see whether clicking through the channels is a behavior that is going to take off with younger viewers or whether it is limited to people who grew up with cable. Is it a learned behavior or is it something innate to human nature?"*
> *— Senior Ad Tech executive (echoing our own thoughts on the matter.)*

While the success of linear channels took many in the industry by surprise (after all, wasn't streaming supposed to be about watching what you want when you want?) they were just as quickly embraced by the industry and, more importantly, by consumers.

There was another benefit to the linear channels too—they allowed for differentiation and branding.

> *"In the early days it seemed like all the FASTs were pulling from the same pool of content, like they'd all gotten into the discount DVD bin at 7-11. And so creating linear channels is an attempt to help them to differentiate themselves and create a brand."*
> *—Mike Shields, Shields Strategic*

By standing up their own curated channels, the FASTs were able to create their own distinct identities—Pluto TV's channels were going to feel different than Crackle's and both would feel different than Freevee's.

This, as many people pointed out, is similar to the early days of cable, when it was hard to differentiate one channel from another...until all of a sudden it wasn't. That seems to be that path the FASTs are headed down as well and by now they have established (or started to establish) unique brands.

The growth of linear channels also made it more likely that a viewer would return once they found a channel they liked.

> *"The best part about linear channels was that we could really experiment with how we put them out there. Is a channel devoted to a single series going to draw in viewers? Is it better to go narrow and focus on, say, a certain type of horror movie, or go broaders and do a whole horror channel? There was a lot of learning up front, at least for us."*
> *—FAST programming executive*

The growth of linear channels was not without issue, however. Many of the aggregator apps did not have rights to show the content they licensed on both linear channels and on demand. That meant if a viewer found a show they liked on a linear channel, it was not always possible to continue watching it on demand or to find specific episodes—the show or movie was not part of the aggregator's on-demand library.

For now, that is.

Every programming executive we spoke with at the various FASTs assured us that (a) they were well aware of this issue and (b) they would remedy this in the next round of deals.

> *"It's not as if anyone on either side had any desire for things to shake out that way—it's just that many of the deals were negotiated before linear channels became a thing. And it's something we are definitely looking to fix as the more we can meet consumer demands, the better."*
> *— FAST programming lead*

Another benefit of linear channels, one that we will explore more deeply in our second report, is that they tend to increase the amount of time spent on that service. This is not unexpected—if you have to pick a new show every time the one you were watching ends, you're far more likely to get up and do something else, versus if a new episode pops on automatically—something the SVOD services have figured out as well, with their autoplay feature on bingeable series.

But for ad-supported services, the benefit is more direct. The more time a viewer spends on the service, the more ads they see, the more revenue the FAST generates.

Curated Channels vs Licensed Channels

Executives at all of the FAST aggregators we spoke with noted how they prided themselves on their ability to curate channels from a range of studios and rights holders that will appeal to their audiences.

> *"Our curators have been the heart and soul of Pluto TV since the very beginning. Over 70 percent of the channels on Pluto TV are curated Pluto TV original channels."*
> *—Tom Ryan, Pluto TV*

While some rights holders are trying to self-curate their own channels that they can license directly to the FASTs, the FAST executives are leary of this approach, as they prefer to curate their own channels, the feeling being that this allows them to remain truer to their brand and that their ability to curate channels is a value add to both users and programmers and, most important, is what sets them apart.

> *"Our goal is for our horror channel to be better than all our competitors' horror channels. That is what gets viewers coming back."*
> *—FAST programming executive*

The curated channels are also successful, Samsung TV Plus, for example, has had so much success with its curated channels that it is doubling the size of what it calls its "owned and operated" library while rolling out more curated channels around topics like cooking, DIY and auto.

That said, FAST platforms will occasionally license channels directly from distributors, but only with channels they feel will perform well due to prior demand or channels where curation is not necessary, i.e., news channels.

The goal of all of the linear channels on the FASTs—curated and licensed—is to keep viewers engaged and to provide the same sort of programming magic that made certain cable channels stand out back in the day.

They all have different approaches to curation as well. While Pluto TV relies on humans to curate its channels, VIZIO's WatchFree+ relies heavily on the ACR data it is able to collect.

> *"VIZIO has owned and operated channels that we call Features which is our curated offering. Part of the process for creating those channels is looking at the data and making an evaluation about what consumers want to see."*
> *—Katherine Pond, VIZIO*

One other advantage of curated channels is that they can become brands on their own. As Pluto TV's Tom Ryan pointed out to us, Spotify's Rap Caviar, a curated playlist the service puts out, has become a strong brand outside of Spotify and helps keep subscribers on the service.

> *"It's part of Spotify, but people talk about Rap Caviar, as a trusted curatorial brand for new hip hop. And that's not dissimilar to how we think about our channels. We brand them and they stand for something. We have curators who live and breathe the content that goes on those channels."*
> *—Tom Ryan, Pluto TV*

SVOD Goes Linear Too

One other interesting piece of information we learned in researching this report is that just about everyone we spoke with assumed that the SVOD services will also all roll out their own linear channels in the next year.

Three of the major SVOD services—Paramount+, Discovery+ and Peacock (the subscription version) have already adopted linear channels and the suspicion is that the rest are not far behind.

The rationale most often proffered is summed up in this (paraphrased) quote, the main idea of which was offered up by numerous executives we spoke with: "If someone is going to binge watch *Friends* every night, why would I make them choose from over 200 episodes every time, when I could just give them a *Friends* channel?"

Another common theme was that while the SVOD services had substantial libraries, they concentrated their promotional activity on their originals, so viewers were either unaware of the extent of their library content or felt that they should be spending their time watching originals instead. Either way, linear channels would help to solve this problem and would help surface their extensive libraries so that viewers felt they were getting more out of their subscriptions.

A final rationale for SVOD linear channels is that they can hold a larger ad load.

The assumption is that SVOD services will try and keep ad loads very low on their originals, with some (Netflix) possibly limiting them to preroll. By adding in more ad slots on their linear channels, the SVOD services would be able to increase their limited supply while offering a lower CPM option for brands that were shut out of their higher priced originals.

This will also solve one of the bigger problems facing the SVOD services: the need to increase the amount of time viewers spend on their platforms as a way of optimizing their ad revenue.

It's not enough for them to just have lots of subscribers. On streaming TV, those subscribers need to actually be watching TV in order to see the ads.

Which means that the more time viewers spend on a service, the more ads the service is able to serve to them, the more revenue that service stands to make.

By focusing on originals, many of which are released on a weekly basis, SVOD services have unfortunately trained viewers to see them as a specialized viewing experience, a place to go and watch the latest episode (or two) of the most buzzed about original series before logging off and moving on to something else.

This is a fine outcome if you are not selling advertising, provided you can keep your subscriber numbers steady. But if you are, and your ad supported viewers are only spending an hour or two on your platform, that is not a great outcome by any stretch of the imagination.

As the FASTs have learned, linear channels are a great solution to this problem because linear viewers tend to watch more than just one episode. Thus, rolling out linear channels should also help SVOD services increase the time viewers actually spend on their platforms, which will in turn help them to optimize their ad products... which in turn then helps the FASTs, because the more ad avails there are in streaming, the more money will flow to streaming in all its various forms.

> *"We humans are lazy animals. We don't want to spend a lot of energy trying to figure out what we want to watch. And I think there's a time and place for everything. There are times when we want to have a lean forward experience where we're looking for something specific. But there are times where we don't want to, we want somebody else to bring in the food to our bed so to speak. That is the appeal of linear channels."*
> *—Srinivasan KA, Amagi*

VOD Is Not Going Away

That said, VOD is not going anywhere either. While we have heard people refer to "a FAST" to refer to a linear channel (ouch!) the reality is that all of the aggregators maintain both linear and VOD content.

This is just common sense.

Why wouldn't you cater to viewers' different needs and wants, especially when those needs and wants vary depending on mood or time of day?

> *"There are two components to our WatchFree+ service. We have over 250 free streaming channels. And then we also have our on demand portion of the service, which includes over 5000 assets. We want to be able to meet the consumer's need whatever that need may be."*
> *—Katherine Pond, VIZIO*

That said, the people responsible for VOD interfaces are now adopting many of the tactics that made linear so successful as a way of engaging viewers in the content.

> *"We're starting to see more motion graphics and more autoplay of content on VOD interfaces now. And the thought behind that really is how do I pull this user into this piece of content in a way that I can't if they're just looking at a thumbnail. It's using the techniques we learned from programming linear channels to pull those viewers in and get them to actually start watching the show."*
> *—Tom Ryan, Pluto TV*

Data and Content Development

All of the programming executives we spoke with noted how much data plays a role in everything from deciding which content to license to what genres of linear channels to launch.

This, more than anything, distinguishes the FASTs from the cable channels of the 80s, where most programmers were flying blind.

Today's programming executives can look at a broad range of data to determine which genres are likely to keep viewers on the platforms for longer periods of time, which genres advertisers seem to prefer, which genres result in viewers returning to the app.

The aggregators attached to the OEMs have a particularly broad range of data at their disposal, as they can look at viewer's habits on linear as well as on streaming, to give them a better sense of what is popular.

That said, aggregators attached to the major media companies are able to tap into the wisdom of 60+ years of programming decision-making.

So humans vs. machines, which is a great metaphor for where the TV industry is nowadays on a macro level.

Original Programming

> *"None of the FASTs are going to be able to compete with the big SVOD services in terms of big budget originals, not even Freevee and Roku. But there's a whole world of other programming where they can come in strong with originals, things like game shows and nonfiction. That's where I think the FASTs can compete and it's the sort of programming their audiences would appreciate."*
> *—Programming executive, FAST channel.*

The question of original content always seems to come up with the FASTs because other than the cost (or lack thereof) that seems to be the major differentiator between FASTs and SVOD services.

> *"It reminds me of the early days of cable. People couldn't wrap their heads around why people would want to watch all these reruns instead of the new shows on the networks and they were always asking when the cable networks were going to start producing their own shows too."*
> *—Senior advertising executive*

Of the various FASTs, Amazon's Freevee seems best situated to go the big budget original content route thanks to Amazon's deep pockets and their seeming desire to blur the line between Freevee and Prime.

To wit, one of the more popular originals Amazon launched on Freevee is *Bosch: Legacy*, billed as a continuation of the popular *Bosch* series on Prime. And while most of Freevee's originals fall into the nonfiction and reality genre, the service announced a 70% year-over-year increase in the number of originals during the May 2022 NewFronts and several of those were scripted series and movies.

Roku has also been busy on the original content front. They picked up the late Quibi's catalog of quick bite mobile programming and turned it into full-size TV shows. They've invested in other content as well including series starring Martha Stewart and Emeril Lagasse as well as a Weird Al Yankovich biopic starring Daniel Radcliffe.

Amazon and Roku investing in originals is not all that surprising. FASTs owned by the media companies have access to exclusive programming from their parent company's libraries. The FASTs owned by the smart TV OEMs are still relatively new and finding their audiences so running exclusives makes more sense for them than creating originals.

> *"Roku and Amazon need to find a way to set themselves apart from every other FAST. That's why Roku made such a big deal over getting Xena: Warrior Princess from NBCU in exchange for carrying Peacock. They're looking for something other than the same slate of library content that everyone else has."*
> *—Streaming executive*

The Measurement Issue

While we will delve more deeply into the issues around measurement (or lack thereof) on the FASTs in the next report, it is worthwhile noting here, too, as it affects rights holders and how they value their content, how much they charge for it and how they curate their syndicated channels.

> *"One of the biggest challenges I think we all face as programmers is that there's not a tremendous amount of data sharing. So I really don't know how I stack up versus the 200 some odd channels the FASTs we're on may carry. We've been told we're among their better channels and that all of our channels performed quite well. But I have no idea what that actually means— I'd rather have a number."*
> *—Programming executive, cable TV network*

The solution here will not be a FAST-only solution but rather one the entire streaming TV industry—SVODs and FASTs— comes up with.

> *"There needs to be a better ecosystem for many of the content owners to understand their true reach. They have a bunch of syndication deals with all the different FAST services, but because it's such a fragmented landscape, they don't know their audience. If these syndicated content companies want to build sustainable businesses, then both the rights holders and the FASTs need some insight into who is actually watching and how many people are watching."*
> *—Alexandra Klausner, Senior Product Marketing Manager, Conviva*

Regardless, the lack of measurement standards will be a drag on growth, so the impetus remains for all of the players to cooperate, a task that is no doubt easier said than done.

> *"There's a real need for standards and we're definitely starting to see those emerge. The industry is maturing in a positive way, and has moved meaningfully forward over the last couple of years."*
> *—Sean Buckley, Magnite*

One potential solution is the approach taken by Whip Media, whose goal is not so much to be a measurement source but rather a measurement aggregator of sorts, taking all the diverse data and turning it into something usable.

> *"There are no gatekeepers for data on the FAST side. What happens is all of these licensees report individually in different formats. The studios and networks need to make use of that data for analytics purposes, for research purposes, and for financial purposes, like revenue recognition. The performance tracking service we've provided for a decade plus now is taking all those files, normalizing that data, mapping it to their product masters, that carry their financial IDs, and basically just making it usable."*
> *—Vince Muscarella, VP, Sales, Whip Media*

Standing Up Channels And Services — A Brief Overview

For content owners, one of the biggest initial challenges of the shift to streaming was figuring out how to digitize all their content and then how to take those files and make them available to viewers, either as standalone apps, linear channels or both.

> *"By lowering the cost of entry, we are allowing rights holders to experiment a lot more. Take something like a single IP channel, for example, which is a fairly new concept. And we do that by providing them with the data and analytics to understand what's being watched and how they should program, what sort of content should they acquire? Where should they promote it? Where should they distribute it? Providing all of that information is very, very powerful."*
> *—Srinivasan KA, Amagi*

Streaming presented markedly different technical challenges than traditional linear which was delivered via cable or satellite, which is why there is an entire sector of companies, broadly (if not accurately) referred to as CMS or Content Management Systems, that are devoted to helping content owners build, distribute and monetize their apps and channels.

While there is much overlap between these players, most have the capability to digitize and ingest all of the rights holders' programming and metadata to create both linear and VOD playback options, manage those options based on how rights have been apportioned, create advanced graphics options (e.g., picture-in-picture) and format the end product so that advertising can be easily inserted. Finally, they can provide data and analytics around the video so that their clients can understand who is watching their programming, where they are, what they do next and how frequently they come back.

Many of these services have now moved into distribution and work to match content owners with content distributors.

Amagi, one of the largest players in this space (not to mention a sponsor of this report), have even moved into the ad sales space, creating a marketplace that makes it easier for advertisers to engage with CTV providers.

> *"Because we have a few billion ad opportunities that are enabled by our system on a monthly basis, we're able to aggregate and help them monetize all that content by selling the ad inventory for them through programmatic and direct channels."*
> *—Srinivasan KA, Amagi*

This area of the business is expected to grow over the next decade as more rights holders come into the market and as FASTs expand globally. The ability to handle DRM (digital rights management) issues will be critical as different players have different rights in different markets and the need to stay on top of all of them will increase.

> *"Years ago, I was licensing content for a small independent film company. And we had what I'd call the 80/20 rule—80 percent of our revenue came from 20 percent of our content, that's what we could license. So what we did is we took that remaining content that we were never going to monetize and created nostalgia or theme-based packages around them for AVOD platforms. That was how we monetized it.*
> *—Vince Muscarella, Whip Media*

FUTURE PREDICTIONS

The Three-Tier System and the Flywheel

As the big eight US-based streaming services continue their quest for Total World Domination, they will all turn to some version of the three-tier system currently in place at NBCU and Paramount where each company maintains an ad-free subscription service, an ad-supported subscription service and a FAST.

> *"Assuming they bundle their subscription and FAST services into the same buying opportunities, it gives them a much bigger audience and more places to run the ads."*
> *—Media agency executive.*

Some companies will have all three apps rolled up into one app, like Peacock, others will keep the FAST service separate-but-connected like Paramount.

There are arguments both ways.

The all-in-one case makes sense when the FAST is spun out of an existing SVOD service and where the goal is to create an onramp to the subscription service that is positioned as a "lite" version of the paid service.

Keeping the FAST separate with its own branding works when then FAST already has a following and distinct brand identity the way Paramount's Pluto TV does, and where the goal is to be able to have the FAST stand on its own as a separate service.

> *"Pluto TV has a very clear value proposition—it's free and has great programming, while Paramount+ and our other SVOD services have a distinct proposition too. And I think that makes for a better value proposition when you're not comparing it with a subscription service with the same name. It lets us create our own unique identity."*
> *—Jeff Shultz, Pluto TV*

In either case, the goal will be to create the proverbial flywheel effect by using the FAST service to promote original programming on the subscription services so that viewers sign up...while at the same time keeping the FAST original and engaging so that viewers see it as a destination in its own right and using the subscription service and/or the broadcast network to gin awareness.

While that handles the FASTs associated with the various media companies, networks and streaming services, it leaves the FASTs owned by the OEMs.

Here, we're thinking that these services will adapt as well and become home to a different style of programming, more focused on comfort food and bingeable content like non-fiction and game shows.

That said, they may strike deals with some of the big SVOD services to promote their programming in exchange for some form of revenue split if the viewer signs up for the service on an app on the OEM's device.

Practically, this means that, say, VIZIO might run one or two episodes of a new Netflix original while offering new viewers who sign up for Netflix on VIZIO a discount on the first year's subscription.

> *"You can draw a comparison from TV to the music world. I think there's a time and a place where, from a streaming audio perspective, folks want to go and listen to something specifically. And then there's a time and a place where they want to have more of a leanback experience and are open to recommendations. I think you can draw parallels between that and the way people watch TV. It's not an either/or scenario."*
> *—Sean Buckley, Magnite*

The exception to all this is Amazon's Freevee.

To start off, Amazon is an exception in general.

Most people subscribe to Amazon for the free two-day delivery—the TV programming that comes along with it is incidental, a point neatly illustrated by the fact the few people outside of the industry seem to understand why so much of what is available on Prime still requires an additional payment (it's TVOD) and so they're not exactly sure what their Prime subscription gets them beyond free delivery.

So there's that.

Then there's the fact that Amazon mixes up all three options in its search results—you can pay to rent the show, you can watch it for free with ads, maybe you can even watch it free without ads.

Amazon doesn't do a whole lot to promote Freevee either—anecdotally we find that few people outside of the industry are aware that it exists and even those that do assume it is some sort of division of Prime rather than a separate service.

Which is a long-winded way of saying that Freevee will likely continue to drive viewers to Prime and vice versa. We are also likely to see continued synergy between Prime and Freevee of the sort we're seeing now with *Bosch*, a series that ran on Prime, but whose backstory spinoff *Bosch: Legacy* is now on Freevee.

When you have deep pockets like Amazon, you can do that.

UX Matters

> *"We've heard for a long time that content is king. But in the FAST ecosystem, context is really king. It's all about the user experience and presenting that content in a way that consumers want when they're ready for it."*
> *—Katherine Pond, VIZIO*

While content will always be the key reason viewers choose one service over another, user experience will not be far behind.

Unlike cable, where the MVPD determines the interface, each FAST service will have its own unique interface and the services that make it easier to find and discover programming will win out. Personalization will be key here, but in a way that allows for the fact that a TV is not a personal device but rather a shared one.

> *"The unique thing about any sort of streaming TV experience is the fact that you can identify and get a signal back on who that viewer is. And it's not just for advertising, it's for personalization of the entire experience. When I turn on the TV, I don't want to see shows that make no sense for me. So it's not just about personalizing the ads. It's about personalizing the content too. And if you can get the two right, I think you hit a home run."*
> *—James Smith, Amagi*

Setting Up Accounts

One tricky issue the FASTs will need to confront is how to entice viewers to actually sign up, e.g., give up their email addresses, which can then be used to better personalize both the ad experience and the content experience. At present the carrot is that viewers will be able to customize the interface, save their favorite channels and receive more customized "offers" (e.g., promotions and advertising.)

For the FASTs, the benefit of collecting email addresses is huge in that it will allow them to better target advertising.

They will just need to convince viewers that giving up their email addresses will not result in any sort of privacy issues, mountains of spam or both. (The aggressive email "touches" many of the SVOD services rolled out are in no small part to blame for the Fear of Spam.) And then, of course, prove to them that the personalized channel really is a much better experience and to use their PR machinery to supplement word of mouth on how good the experience is.

Some FASTs may of course choose to zag and base their marketing on the fact that they never try to get viewers to sign up, playing up the privacy angle. That is a viable angle as well and we will no doubt see both.

Personalized Channels

Back in 2015, when I wrote my opus Over The Top: How The Internet Is (Slowly But Surely) Changing The Television Industry, I predicted that we would soon see personalized linear channels. Seven years later, I stand by that prediction, as the rise of linear channels plus the superior viewer data we now have should allow at least one FAST to experiment with a channel based on prior viewing habits—something similar to the way Spotify creates personalized playlists based on your recent listening selections.

It's certainly worth a shot and if successful, would increase engagement.

> *"What we have done up until now is essentially kind of overlaid the traditional cable model on connected TVs. Now we need to start layering in all the advantages of connected TV in terms of the data that we have and how we can personalize the experience. How can we make the viewing experience better? So I think personalized channels are a natural evolution from where we are."*
> *—Srinivasan KA, Amagi*

Originals and Live Sports

In keeping with the theme of "FASTs are the New Cable," we think that the original programming on the FASTs will soon resemble the best of early cable and daytime TV: talk shows, game shows and other non-fiction along with niche channels around things like gaming and music.

The key will be lower production costs and bingeability.

We will also see "exclusive windows" where a FAST will serve as the sole distribution platform for a series for a set period of time before the show is made widely available. The FAST will not produce the show, but they will promote it and it will, at least initially, be something unique to that service, a clever compromise.

We will also see live sports on the FASTs, not from the major sports leagues, but rather from smaller leagues like minor league baseball, smaller NCAA conferences and niche sports like field hockey and lacrosse.

While many of these sports already have some sort of broadcast deal, they will find a more welcoming home on the FASTs—live sports will be a key point of differentiation for them—not to mention the greater interactivity that comes with digital delivery. So look for features like stats overlays and multiple camera angles. In fact, a few people suggested that the FASTs would become testing grounds for new interactive sports features before they are rolled out before a bigger national audience during an NFL game.

In addition to introducing a point of differentiation, carrying live spotts gives the FASTs a way to promote themselves to a live audience, fans who may not have been aware of their existence.

The "Televisioning" of the FASTs

This is a term my friend Evan Shapiro coined to describe the fact that the FASTs need to start promoting their programming the way that cable networks do.

Shapiro's example was FAST Studio's new Women's Sports Network (exactly what it sounds like) and their plans to promote upcoming games as well as the existence of the network. This is something we will soon see duplicated, as many smaller sports leagues and college divisions will find homes on the FASTs

Similarly, we will start seeing FASTs trying to drive tune-in when they have something special on a linear channel, be it a popular series in reruns or something more exclusive. Cable networks and local stations ran tune-in promotions for rerun series for years, there is no reason the FASTs should not take the same tack.

> *"I think almost every FAST has a content promotion problem, which is ultimately about how they market the service and how they set themselves apart. If you can watch Bob Ross or This Old House on just about every service, what is different? And they have so many different content types they need to market. The best move would be for them to push it out to their channel partners and let them compete to get the most attention inside of your platform."*
> *—Nick Cicero, Conviva*

The other part of the "televisioning' of the FASTs will be a pull towards quality. Right now, on many FAST platforms, content runs the gamut from quality originals, network reruns and Hollywood movies to the Suzy's Yoga Studio channel which Suzy's sister-in-law shoots on her iPhone.

Now having that sort of content made sense in the early days of streaming when there wasn't much else to choose from and the goal was to give consumers as many options as possible.

But now that there is a vast supply of high quality programming, look for all of the FASTs to shed the Suzy-style content and focus on programming with much higher production value, programming that looks like "TV."

> *"Right now we're at the phase where everyone wants their content on every device and every service everywhere. But soon, those devices and those services are going to start looking at their data and figuring out which channels are working, and which ones are not. And then they're going to start cutting the ones that don't work."*
> *—Vince Muscarella, Whip Media*

The TikToking Of The FASTs

TikTok has become wildly popular over the past few years and Facebook and Instagram are pushing their short form, user-generated videos hard.

TikTok is also now on TV, having launched apps on the big three smart TV OEMs (Samsung VIZIO and LG) as well as on Amazon Fire TV and Android TV.

Given that it is both free and ad-supported, it sort of qualifies as a FAST, falling into the same gray area as YouTube because it's short form and often user-generated.

That said, there seems to be some potential for creating linear channels out of the content, grouping, say, stand-up and other comics all together and creating 30 minute "shows" out of 10 three-minute clips.

This was, as per Pluto TV's Tom Ryan, the original concept behind Pluto TV back in 2014 and the service actually launched as a place to watch YouTube videos that had been grouped into linear channels.

So no reason to think that would not be a popular way to package TikTok and Instagram Stories type videos... if (and it's a big if) those platforms and their influencers will agree to it.

The key here will be watching to see how much of TikTok's viewing shifts to television sets from smartphones and how that affects the desire for similar channels on the FASTs.

Comedy would seem to be a promising source for a FAST channel—almost every aspiring standup has a TikTok channel and short form comedy clips run together have a nice pace to them.

Something to keep an eye on.

Branded Content Channels

Branded content is something that's been on the verge of happening for many years now. On paper it makes sense: a lawn care company creates a channel around gardening, maybe expanding it out to highlighting spectacular gardens around the world, innovative conservation efforts, etc.

The problem though is that making all that interesting is a lot tougher than it looks and many well-intentioned efforts have failed to draw an audience.

Which is not to say that it could never work. Brands would need to get over their gut reaction of "I'm paying for this, why isn't my product front and center?" and all that, but think *Mutual of Omaha's Wild Kingdom*, only as a full-on channel and you can see how it could succeed.

The other issue would be cost—how to fairly determine the value of the ad revenue a FAST service would make on that sort of channel given that all ads were for a single brand and that the brand was paying to produce the content.

Again, not impossible to sort out, but definitely another hurdle.

All that said, we suspect that there will be a number of sponsored content channels, as they are an easy way to add content that is already paid for. Several of the FASTs already allow brands to sponsor existing channels, either on a permanent or seasonal basis, so there's every reason to think we will see more branded content, not less.

It also hearkens back to the early days of television when most all shows had a single sponsor and the message was clear: you are getting to watch this wonderful show for free in exchange for hearing a sales pitch from the sponsor.

Seems like something worth bringing back.

> *"Brands need to remember that if they want to create their own content then the content has to be compelling. Otherwise, you're not going to get any viewers. It's a riskier proposition than running an ad because with an ad you are paying to have people watch it, but if your branded content is not compelling, then no one is going to watch it."*
> *—Raghu Kodige, LG Ads Solutions*

More Cable Networks Plant Their Flags On A FAST

As viewership on linear continues to drop along with potential ad revenue, more cable networks will launch linear channels on the various FASTs. Or cable networks with original content, anyway.

The major media companies have already set up FAST channels for their own networks on the FASTs they own (e.g., MTV on Pluto TV) and the larger independent cable channels—most notably AMC and A+E, have a presence on most all the aggregators. While it's rarely first-run programming, it's unique and it gives a certain imprimatur of quality to the FASTs that carry it.

The big question is what happens to the smaller cable networks, the ones without a whole lot of original programming?

There it seems to depend on the value of the licensed content they run and what rights they have to it.

If they have exclusive rights to that content, even if it's library content they've licensed, then aggregator apps will indeed want to have them on board. If not, well, there's a good chance the FASTs already have access to that content.

There's also the question of monetization—can these cable networks continue to make enough money on advertising even if they do plant a flag in both the cable and FAST markets? They won't, as we'll get into shortly, have the income from carriage fees that helps to make them profitable and it's unclear whether ad revenue alone can keep them afloat.

Local TV Goes FAST

Local broadcasters are in a curious spot these days as they try and determine just where they fit in the streaming TV landscape.

Their most valuable asset is their local news broadcast, which still very much resonates with viewers, possibly even more so these days as local newspapers close down and/or become part of larger conglomerates.

News is a huge driver of FAST viewing too—news and movies were the two categories that all the executives we spoke with—regardless of which service they were with—cited as being the most popular with viewers.

> *"We found that news plays a large role in the success of Samsung TV Plus– it is the top genre that Samsung streamers watch on a daily basis. Which is why Samsung TV Plus now has one of the most extensive premium news offerings of any FAST service with live news feeds from both major broadcasters and local news outlets."*
> *—Justin Fromm, Samsung Ads*

Local stations that are part of big station groups like Sinclair have their own path in that they can band together and launch their own FAST service—Sinclair's STIRR is a prime example.

Local O&Os (owned and operated) stations have found a home with their parent network's streaming apps and FASTs—Paramount+ for example, runs 24-hour news feeds from the company's O&Os, while Pluto TV currently has 14 local news stations in its lineup along with CBS News's national feed.

There are even apps like Haystack that aggregate local news for cord cutters.

But for the rest of the market, FASTs may be the way forward.

The goal here would be to create a linear channel that only runs in-market, one that is heavy on local news and other local content.

This is, of course, tricky because there are indeed all sorts of rights issues and local broadcasters can't just throw their feeds up on the FASTs. That is why they will need to develop some sort of content plan that makes them attractive enough to both local audiences and local advertisers so as to continually turn a profit.

Easier said than done.

The FAST Model Goes Global

> *"The analogy I would use is that if you go to less developed countries, they often have much better cellular service in place because they didn't have all that money and infrastructure invested in landlines, so they were able to go straight to cellular. Which is why I would expect the FAST model to take off in places where there's not a well-developed cable TV infrastructure. It's going to be all about streaming and all about free."*
> *—Bob Ivins, TVSquared by Innovid*

Free ad-supported TV promises to become the dominant business model globally. That's because in most of the world, few people have the sort of disposable income needed to support a subscription TV service.

All of the major US SVOD services have Total World Domination as their end goal, yet an SVOD model, even an ad-supported one, is unlikely to gain much traction in emerging economies.

How this will play out is worth keeping an eye on.

FASTs associated with major media companies are at the forefront here—Pluto TV, which is owned by Paramount, has already launched in over 33 countries and territories across Europe and Latin America, with Canada joining the list in Fall 2022.

> *"There is a massive opportunity for Pluto TV and for free ad supported streaming in developing markets. And we're actively looking at Africa and Asia for further expansion."*
> *—Tom Ryan, Pluto TV*

But what will be interesting is when services like Netflix, which had resisted launching an ad-supported tier on principle, realize that they will also need a free tier to gain audiences in most of the 125+ countries they've planted their flag in.

> *"I suspect it will be similar to mobile gaming in many countries, where only around 10% of users opt for the paid version and everyone else just plays the free ad-supported version."*
> *—Senior programming executive, cable TV network*

The key to success will be incorporating local players into the FAST services, either via outright purchases or by launching joint ventures. This is particularly true in regions that are producing a solid amount of popular local programming (e.g., Nigeria's "Nollywood" studios) where obtaining rights to popular local programming gives services a strong advantage. In addition, relying on local knowledge can help American companies to navigate language and cultural issues they may not be aware of.

> *"When you talk about emerging economies, it seems to me that clearly they will be less subscription-oriented. Phones in India are subsidized to a greater degree and feature ads on lock screens and other ad opportunities we probably won't see in the US."*
> *—Michael Tuminello, Mediaocean*

The Return Of Carriage And Retrans Fees

We saved this one for last for a reason.

It's the thing no one likes to talk about.

But... one of the primary ways that cable and broadcast networks (and local broadcasters) make money is via the carriage and retrans fees the MVPDs pay them.

As the MVPDs shed subscribers those fees will, of course, shrink, or possibly even disappear as the MVPDs try to shave the size of their bundles down to something manageable, something that they can bundle together with broadband and a couple of subscription streaming services for a reasonable price.

Which then raises the question of whether the more desirable streaming services, both subscription and FAST, will try and get the MVPDs to pay them some sort of carriage/retrans fee equivalent.

Carriage fees, if you recall, came into play because the cable networks had the upper hand over the MVPDs—pay us to carry our popular station and you will get more subscribers, and since you can pass along the fees to your subscribers, it's not that big a deal.

(Retrans fees, which were based on the legality of rebroadcasting an over the air signal, are another story, but similar argument there too—just pass on the cost to the consumer.)

With streaming, it gets trickier. The "MVPDs" here are both the traditional MVPDs as well as all the smart TV and connected device manufacturers. While the traditional MVPDs can bump the cost of broadband to make up the cost of whatever carriage fees Netflix or Hulu might charge them, the device manufacturers are in a much more competitive market and thus have no such option.

So the question remains, how do you pass on the cost of those carriage fees to the consumer, other than by raising the price of your device/TV set, an option that would clearly turn off consumers.

Unless...

There is a scenario where all of the major streaming services and FASTs begin to charge some sort of carriage fee. And they do this because they know that Amazon, Google and Apple are all big enough and wealthy enough to absorb those fees without having to appreciably raise the price of their devices.

And the other OEMs don't want to be the only ones without Netflix or Disney+ and so they accede and bake the cost into the price of their device, figuring that with inflation and all consumers won't really notice.

Or maybe they'll keep their device prices as they are, but take a smaller cut of ad revenue in return for the carriage agreement.

In canvassing the executives we spoke with, the general consensus was that while these scenarios were unlikely, "never say never."

So one more thing to keep your eye on.

THE TL;DR VERSION: 5 KEY TAKEAWAYS

1. **The FAST ecosystem is rapidly growing** as existing players add content and viewers. With all the major streaming services setting up shop overseas, we will see even greater adoption of FASTs in places where paying for a monthly subscription service is not an option for most viewers.
2. **The FAST ecosystem has many levels**:
   a. **The OEMs** are the top level enabler, as they decide which apps go on their devices.
   b. Then there are **aggregators** like Pluto TV, The Roku Channel and VIZIO's WatchFree+ which have their own programming plus linear channels from various rights holders.
   c. There are **"single source" apps** like Cheddar or PocketWatch or AMC that run content from a single provider or studio
      i. These single source apps **often run on the aggregator's apps** as linear channels
3. **Within the aggregator category there are three key segments:** those owned by the **networks**, those owned by the **OEMs** and the **independents**, all of which have advantages and challenges for rights holders, advertisers and consumers alike
4. There is a whole sub-industry of companies like Amagi who help rights holders to **create, distribute and monetize their content on the FASTs**, creating apps and linear channels that can easily handle programmatic ad insertions.
5. The **future of FASTs** is bright indeed and includes
   a. The shift to a **three-tier system** (ad-free subscription, ad-supported subscription and FASTs)
   b. **User experience** on the FASTs will critical to success
      i. We can even expect to see **personalized channels**
      ii. FAST apps will introduce **live sports programming** from smaller leagues and conferences, **original programming** and **exclusive programming** (debuts there first) but will not have big budget shows
   c. FASTs will become more like cable networks in the way they **promote their programming**
   d. We will see the rise of **short form channels culled from TikTok** around comedy and other popular genres
   e. **Local broadcasters** will look to strike deals with the FASTs
   f. **Carriage and retrans fees** may rear their heads again, albeit in a slightly different arrangement, perhaps one based on share of ad revenue.

A NOTE ABOUT COUNTING FAST VIEWERSHIP

As our friend and colleague Colin Dixon recently pointed out, how you measure the number of viewers watching FAST services depends on how you define FAST services.

He took a look at three studies from major companies that attempted to measure current viewership on AVOD/FAST services to try and understand why they came out with three vastly different numbers.

The culprit (no surprise to anyone working in this part of the industry) was that each study had a completely different definition of what constituted AVOD and FAST, down to which services they included.

Methodologies varied widely too, from surveys to actual measurement tech. We remain skeptical as to the accuracy of any of these studies—measurement is tricky—but if you want a really big number to add to your next deck, there are, as per TiVo 170 million US adults who have, at some point in time, watched a FAST service. (66% of US adults, which Dixon pegs at 170 million *individuals*.)

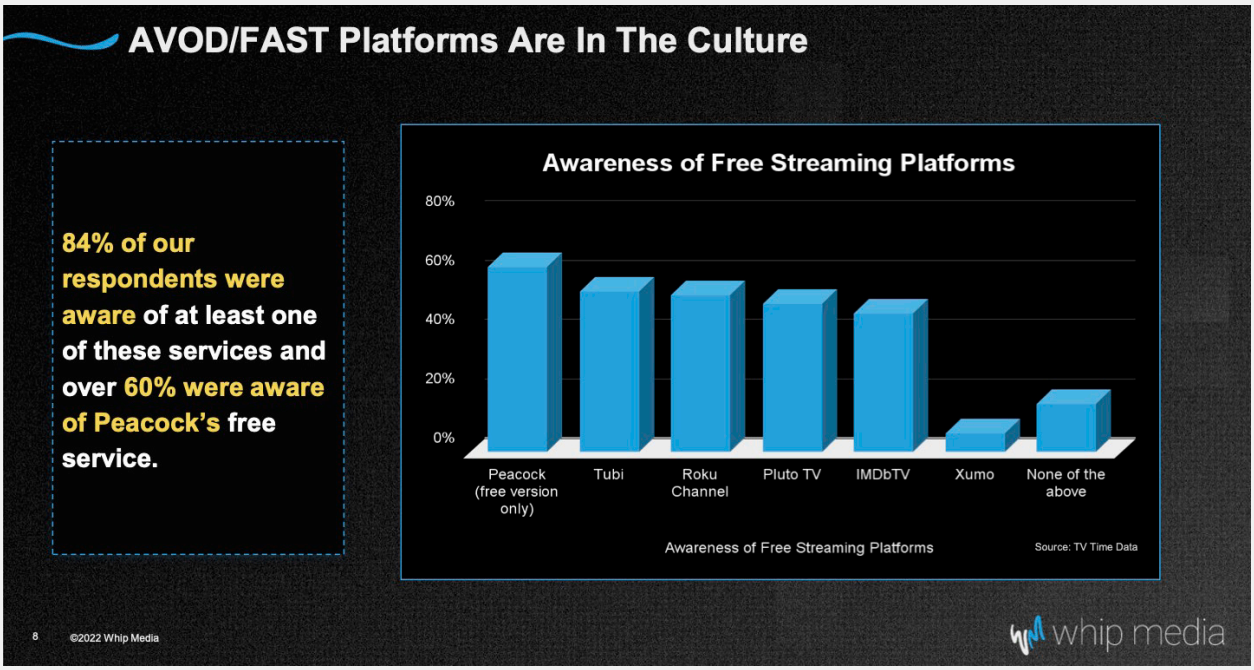
If you want a stat that says FAST viewership is not all that, but still better than subscription (pay) AVOD, then Kantar's study, based on its 20,000 person Entertainment On Demand panel, says that FASTs have 25.3% household penetration, a number that seems to be based on the number of installs, which Dixon computes to be 32 million *households* (as opposed to individual viewers.)

Taking that a step further, if you factor in the Pew statistic that there are on average 2.6 people in a US household, that Kantar number becomes 83.2 million people, still a much lower number than TiVo's.

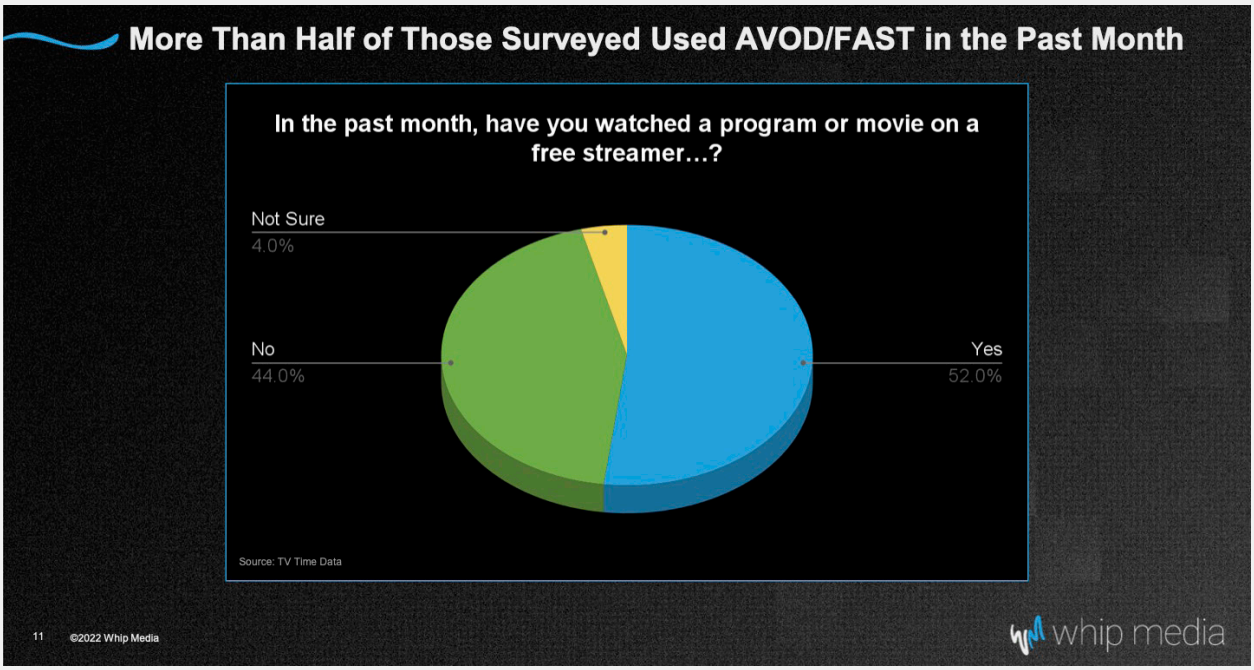
Finally, if you really want to be confused, there are eMarketer's stats, which do not differentiate between FASTs and ad-supported subscription services, which is why they net out to 127.7 million AVOD viewers, or 38% of the population..

All of which is a long winded way of explaining why we did not include viewership stats.

We are, however, including some charts from our friends at Whip Media around how people are using FASTs. These are based on a survey of several thousand people who use Whip's TV Time app. So while it's very much a self-selecting group (people who care enough about TV to have downloaded and made use of an app around TV viewing) the sample base is large enough that the results are worth looking at.

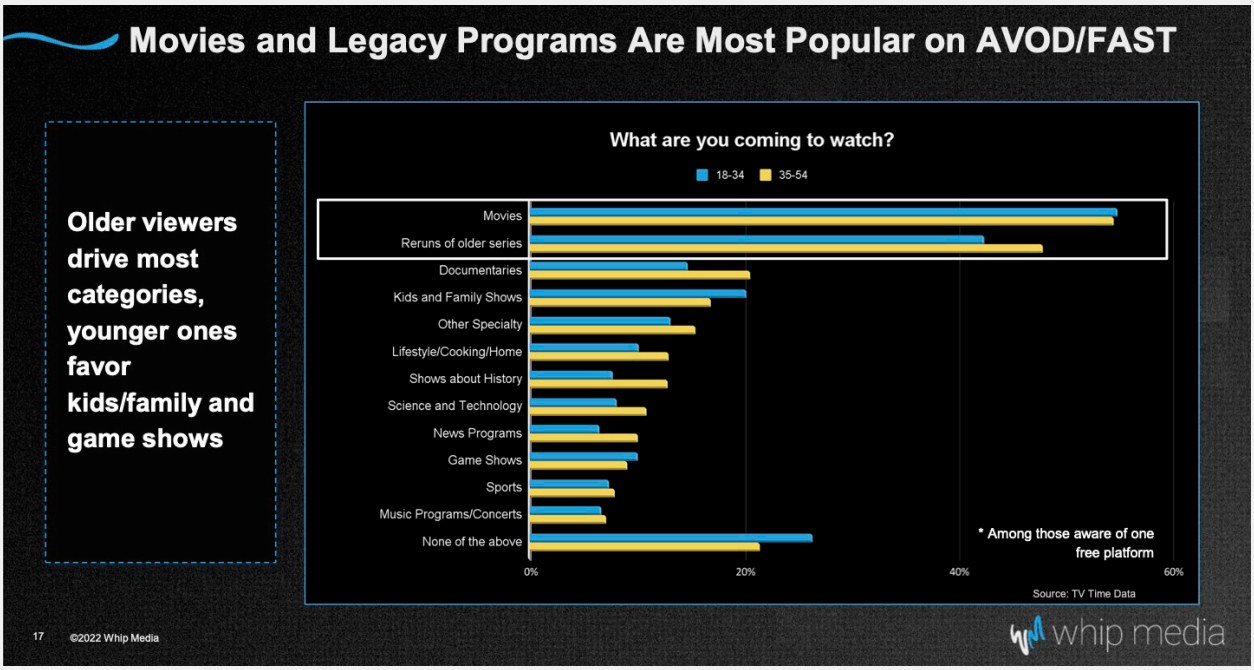


Awareness: As the FASTs grow and as more people buy new smart TVs with multiple FASTs preinstalled, awareness is growing. Our TVREV take is that while awareness will continue to grow, FASTs will need to do some advertising and marketing the way TV networks do in order to gain and secure market share, i.e., "televisioning".



Frequency: Around half of all respondents reported watching a FAST at some point in the past month, with a follow up question revealing that around half of those viewers watched at least several times a week. So if around a quarter of all viewers are currently watching FASTs on the regular, that's a good sign that they are indeed being well-received by viewers.

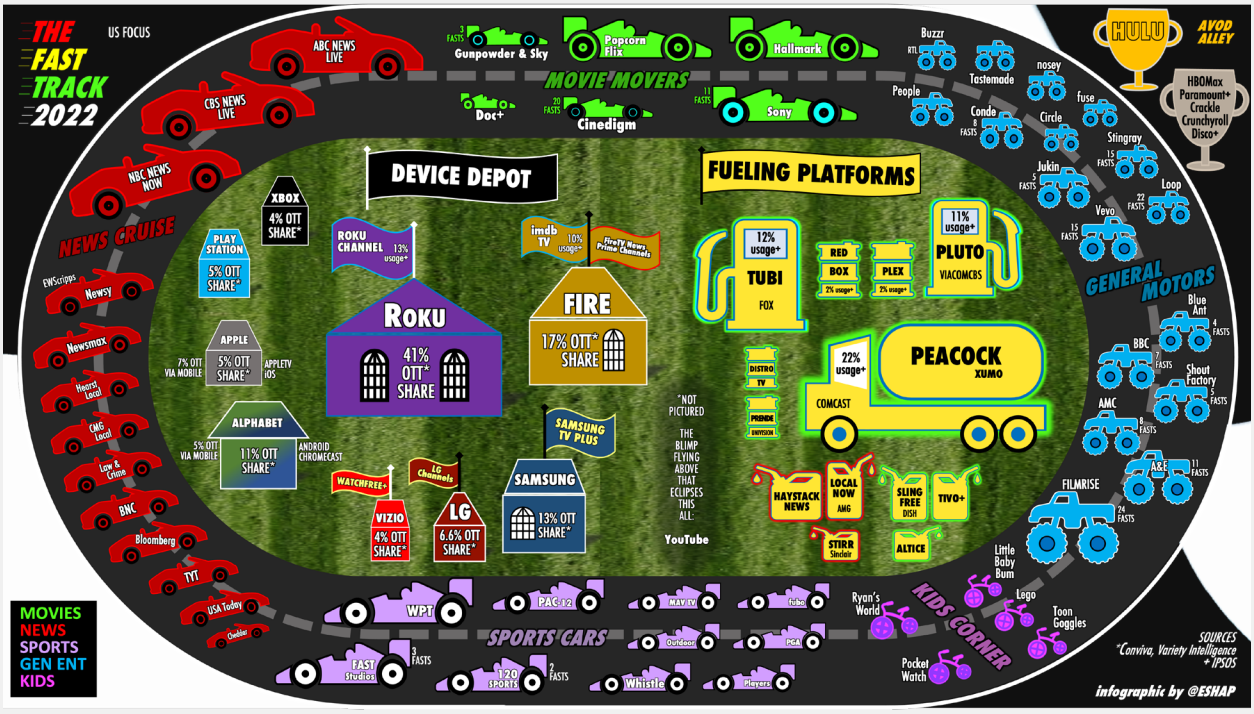
This is backed up by a further Whip finding that close to two-thirds of weekly FAST viewers say that a FAST is either always (20 percent) or usually (44 percent) their first choice viewing option.



Popular Genres: Whip's respondents reported that movies and reruns of older series were the main things they came to the FASTs to watch. This is mostly in line with what we heard from executives at the various FASTs who also reported that news as well as lifestyle programming (food, travel) were very popular.

Evan Shapiro's FAST Universe Map

TVREV friend and media cartographer Evan Shapiro has compiled a map of the FAST universe for us. You can download a hi-res version of the map here, and read Shapiro's baedeker here.



amagi

How Amagi Is Helping FASTs to Experiment, Iterate and Ultimately Monetize

"Fundamentally, our goal as a company is to allow content owners to stand up their channels very quickly and at a lower cost, which allows them to experiment more by giving them the ability to try a bunch of tactics," explains **Srinivasan KA, Amagi's Co-Founder**. "We provide the data and analytics that allow them to experiment with all sorts of innovations, to see at a better level what is being watched and how they should program. What sort of content should they acquire? How they should promote it. Where should they distribute it? Providing all of that information is very, very powerful. And now we also have a few billion ad opportunities being enabled by our system on a monthly basis, so we're able to actually help them monetize as well by selling the ad inventory for them through both programmatic and direct."

Q: Many people are comparing today's FAST landscape to the early days of cable. What does and doesn't ring true to you about that comparison?

A: I think a reasonably fair comparison right now is the Wild West as people are continually experimenting with a range of different options. Everybody's trying out different things, chasing after the next shiny new thing. The whole FAST ecosystem is still not very mature and is in really early, early days, so that's not surprising.

But where the FASTs differ from cable is that today we have tons more data available. So while it's still early days, we have real time feedback. Stuff that doesn't work is being thrown away much sooner. The whole industry is maturing at a rapid pace and the iterations are much faster.

A number of the companies in the space have also built a large presence in social media , so they already have experience doing direct to consumer. So unlike early cable companies, they're not just winging it.

Finally, there are a lot more distribution pipelines in the FAST ecosystem compared to cable. You have a wide range of apps and devices where you can distribute content now, plus you are not limited to just the U.S., you can distribute content globally. That was not available in the 80s.

Q: Many people we spoke with assumed that it would just be a matter of time before all the SVOD services joined Paramount+ and Peacock in launching linear channels. Does that sound accurate to you?

A: Absolutely. We humans are lazy animals. We don't want to spend a lot of energy trying to figure out what we want to watch. And I think there's a time and place for everything. There are times where we want to have a lean forward experience where we're looking for something specific. But there are times where we don't want to, we want somebody else to bring the food to our bed, so to speak. So we just want to lean back and get served with the right curated content.

In terms of linear channels overall, I think substantial credit goes to the user experience of some of these apps, they've made it so simple and easy. The device OEMs, for example, have made their FAST apps the default as a channel launch packet.

Compare that to Netflix, where after 30 minutes of searching for something from their originals to watch, I'm just bored. So if I see something familiar on a Netflix linear, I'm going to go straight to that.

Overall, I think there is value in a curated experience. Yes there are times I want to choose exactly what I want to watch. But a lot of times I just want somebody to tell me what's great. And that is especially valuable when somebody has already done the work for me, of creating a linear experience of shows I might want to watch.

Q: Do you think we'll ever see personalized playlists based on someone's existing viewing habits?

A: 100%, I think we will actually see multiple curated playlists for individual viewers, exactly like the Spotify model.

Personalization is going to be a big part of the future of the FASTs. What we have done to date is essentially overlaid the traditional cable model on connected TVs. Now we need to start bringing in the advantage of connected TVs in terms of the data that we have. How can we personalize each experience, how can we make those experiences better? So I think that's a natural evolution to get to personalized channels.

Q: What are some of the technical challenges you see when launching a FAST channel or app?

A: One big challenge is the lack of cue points for where to insert an ad. Network TV shows have cue points built in so that cutting to a commercial isn't jarring. But with movies, in particular, there is no cue point and you want to place the ads in a way that preserves the customer experience—you don't want the ads to be jarring the way they can be on YouTube. So you need to have some sort of mechanism as to where to insert the ad pod. That's something we've learned to work with content owners on.

Q: As American TV programmers move to expand overseas, do you think that FAST will become the dominant business model, especially in emerging economies?

A: Certainly the FAST model will become the default model for many of these countries. The only question that's unclear in my mind is that a lot of these geographies are mobile first, as opposed to TV first the way it is here in the US or in Western Europe. Mobile tends to be not very suitable for a FAST due to the interface challenges. It's much more suitable for an AVOD sort of experience, something that is more interactive than the lean-back experience you get with linear-based FASTs. I think that's something that's going to be a challenge in those markets and we might have to move back to a more on-demand type model for all these mobile-first markets.

Magnite

Why Magnite Is Bullish On The Future of FASTs

"Right now the FAST ecosystem is still developing. It's early on and folks are trying to figure things out," notes **Sean Buckley, Magnite's Chief Revenue Officer**. "But I think that standards are developing over time as the market matures. And I do think the industry is maturing in a positive way, and certainly has been doing so over the last couple of years. So things are on the right track."

Q: There are FASTs that are owned by the OEMs and FASTs that are owned by major programmers. What are the relative strengths of each?

A: I think this is a very important dynamic. Let's start with the OEMs. I think they have multiple advantages they can leverage. Number one is discovery. The apps are operated by the device manufacturers themselves. That gives them an advantage in terms of what the discovery process is like, and what the overall consumer journey is like as soon as you turn on the TV. That's a big inherent advantage that the OEMs have.

From an advertising standpoint, the OEMs obviously have very unique first party data assets. And so they're able to layer that first party ACR data on top of the FAST inventory that they own, as well as across their "carriage deals" e.g., the distribution deals where they get a slice of inventory from third party apps in return for distribution. That is proving to be a really compelling value proposition to buyers.

That's not to say that others don't have first party data. But I think the capabilities that the OEMs have around that data is uniquely differentiated.

As for the FAST apps that were built or acquired by the major programmers, I think the opportunity there is to selectively include a unique content proposition. Those companies all maintain a deep portfolio of popular well-known content that they can incorporate into their offering. And it's a big draw to have that unique content so that when a consumer wants to watch one of those shows, they have to go to that app, and once they are in, it becomes easier to get them to come back or to watch something else. That is their big advantage.

Q: As streaming in general draws in more viewers and more demand from advertisers there is going to be pressure on the FASTs to notably increase their ads loads. Do you think they should?

A: I do not think they should. I think the consumer experience has to be top of mind, and as we've seen from the traditional television ecosystem, I don't think consumers will tolerate really extended ad loads. Particularly for the more casual type of viewing that you have on the FASTs, where it's not something someone absolutely feels the need to watch live at that moment in time.

I think there is going to continue to be a very measured approach around the length of the ad breaks and the overall ad loads on the FASTs, so as not to impede the consumer experience. I just think that's imperative. And if it gets untenable for the consumer, you're probably going to see accelerated churn.

Q: The FAST model is doing very well in the U.S. right now. How do you think it will do globally, especially in the sort of emerging economies where pay TV has been the exception?

A: So I think this is another really important dynamic. Number one, I think there's a huge opportunity here because streaming really does open up a global opportunity for a lot of these companies. And so clearly, that's an upside.

In terms of the FASTs, you also need to look at local populations and what their economic circumstances are, and what they can afford to pay.

I would also argue that the TV landscape in terms of what audiences are accustomed to changes pretty dramatically based on where you are.

If you look at the US, for example, it's a little bit of an outlier. If you zoom back, before cord cutting really took off, you had a situation where the vast majority of the population paid for TV— and on average they were paying a pretty substantial sum.

On top of that, you had a situation where ad loads had gotten very high—14 to 16 minutes an hour which is pretty substantial for consumers. Layer on the fact that you didn't have a great track record of customer service in the cable industry either.

The result really was a perfect storm—you had an industry that was ripe for disruption, which is a big part of why streaming in general has been so successful in the US.

If you go to other markets, though, even more developed markets, you'll find very different conditions. In many countries, free to air is a much more common way to view television. Now, the content selection might be narrower than in the US, but folks can tune into a number of different linear channels that they can watch for free. And in most cases the ad loads are much lower than in the U.S.

In those markets people are used to getting a decent experience and not paying for it. So they may be more resistant to paying a lot for streaming subscriptions which is why the FAST model could prove very attractive, even in places where people conceivably have the wherewithal to pay for subscription streaming. It's just not what they are used to.

Q: Streaming was supposed to be all about binge viewing and on demand. So why are linear channels doing so well on the FASTs?

A: I think from a consumer experience standpoint, there is certainly an appetite for that leanback experience. Speaking personally, having to go in and proactively select what show to watch next can be a really stressful situation in our household! (Note this is a joke!) especially when we're at the end of a series and need to find a new one.

So I definitely think there is an appetite for that kind of leanback experience, to just experience the content in that manner at times, versus having to constantly make an intentional choice. But there are definitely times we know exactly what we want to watch, which is why I think it's important to have options available for consumers.

pluto tv

Tom Ryan On The Value Of Curation And The Early Days Of Pluto TV

"I first started thinking about the idea of Pluto TV with my co-founder Ilya Pozinn back in 2013. There was so much great video on the internet, but it was really tough to find the good stuff," relates **Tom Ryan, currently President & CEO, Streaming at Paramount, as well as the Co-Founder of Pluto TV**, "At the time, our thought process was around linear as there weren't really good recommendation engines for video, any sort of playlists or even the kind of autoplay that you now see on sites like YouTube."

Q: What problem were you trying to solve when you launched Pluto TV?

A: Every time you found a good video, it would play and then you had to start searching all over again to find the next thing to watch. So we figured there's got to be a way to make this easier to allow for a more enjoyable viewing experience where you can get good recommendations that deliver a stream of videos that suit your interests.

There are two ways to do that –there's algorithmic recommendations, which we didn't think, at least at the time, worked well for video, and then there's curation by actual experts. We thought that we had an opportunity to try and take some of what makes TV so great, which is these curated, interest-based channels, where you've got a real expert, who knows and loves the content, picking out the best stuff, so that the user can just tune in, find a channel that they like, and let the curator do all the work.

We launched on April Fool's Day 2014. Which was ironic because we were viewed as fools when we launched. Because the conventional wisdom at the time was that the future of streaming would be Netflix: ad free, paid, and on demand. And there we were with this linear product that was free and supported by ads.

Q: So what happened next, why did Pluto TV finally take off?

A: What we saw initially was that people stayed on our app longer than on similar apps that did not use a curatorial approach. That gave us confidence to say okay there's something here, people like to be programmed to. After much experimentation we landed on connected TVs with longer form

traditional TV programming, like TV shows, news and movies. That was where we started to see some real semblance of a sustainable product market fit that could actually allow us to build a business and earn enough ad revenue to actually pay content owners and distributors to partner with us.

Q: Unlike most other services, Pluto TV focused on linear from the start. What was it about linear that viewers liked?

A: One thing that we were very determined about was this whole idea of making it feel like you're turning on the television when you turned on Pluto TV. That's very powerful. If we're doing our jobs right then you will find a channel that aligns with your interest, whether that is a comedy channel or a movie channel or a home improvement channel, and it will just pull you in. We've invested very heavily in making sure we've got a great team of curators and editors at Pluto TV. They've been the heart and soul of Pluto TV from day one. They are programming great content that keeps viewers engaged and if you like that channel, chances are you will keep it on for two or three hours straight. You won't have to make any decisions on what to watch next since we do that for you. It's like taking the best of television and the best of the internet and marrying them together for the streaming era.

Q: What is the value of a curated linear channel?

A: Whether it be in television, video or music, people like to be programmed to, and a great curated playlist or channel is a very valuable way to do that. But more than that, those channels can become brands unto themselves. Take Spotify's Rap Caviar playlist for example. It's where you go if you want to learn about the newest hip hop. It's become a brand of its own and people talk about "Rap Caviar" not just Spotify, which only enhances Spotify's reputation. That is not dissimilar to how I think about our channels, we want them to stand for something, we have curators who live and breathe the content that goes on those channels. We want our channels to have a strong editorial voice and we think that's really what sets us apart.

Q: What is the relationship between Paramount and Pluto TV—where does Pluto TV fit in the grand scheme of things?

A: In February, Paramount realigned itself into three distinct segments. Those three segments are the movie segment, which is Paramount Pictures, the TV studio and network segment, and then the direct to consumer or streaming division, which I run.

Within the streaming division the two most prominent properties are Paramount+ and Pluto TV. Even though they are separate brands, we've created a unified streaming executive team that works very collaboratively with our peers at the movie and TV divisions.

Q: How does Paramount use Pluto TV to promote Paramount+ and vice versa?

A: There's a promotional flywheel, we call it a "super funnel" and the total company streaming super funnel involves taking all of the assets of Paramount Global and promoting our streaming services wherever we can.

Then there's a funnel between the services. So you'll see channels like Paramount+ Picks or Showtime Selects on Pluto TV and we will curate linear channels with good what we call "dial positioning" on the interface, and those channels are filled with content that's typically in front of the subscription paywall on those apps. The idea is to actively promote these shows to get people to subscribe to Paramount+, or Showtime OTT to watch more.

We're finding that we're driving a tremendous amount of leads to Paramount+, as a result of that, so Pluto TV is clearly a very effective promotional channel.

We also will advertise Paramount+ across Pluto TV. We have a lot of house inventory on Pluto TV and we're able to make that highly targetable. So let's say you're on the Pluto TV movies channel, you might get an ad for the new Sonic the Hedgehog 2 movie that's on Paramount+, that steers you to where you can go to subscribe to see it. And then if someone does churn out of Paramount+, we're going to try to reactivate them, but we're also directing them to Pluto TV to make sure we keep them in our streaming ecosystem.

LG Ads Solutions

How LG Uses Data To Stand Up The FAST Channels Users Want Most

"From a consumer POV, user experience is our key advantage," explains **Raghu Kodige, CEO of LG Ads Solutions**. "You have the FAST channels integrated into the operating system as well as the remote. We even make sure that if viewers have terrestrial network channels they like that those are intermingled with our FAST channels. So you can literally take your remote and click channel up, channel down and you have all your linear and streaming channels integrated in one place."

Q: What are some advantages that LG Channels has as an OEM?

A: We didn't try to reinvent how people should experience TV, we just took the things they were very familiar with and then introduced a better way of experiencing TV that also included our FAST channels.

The other advantage we have as OEMs is that through ACR, we know what people like to watch on linear TV. And that has allowed us to pick and choose the type of content we know users are interested in. No one other than OEMs has that amount of data since we can combine linear and streaming viewing patterns. That has led to the creation of new theme based channels. So if you want to watch *Hell's Kitchen* all day long, there is a channel for that. And we can experiment too, to see which channels work. We're not tied down the way traditional linear channels are.

Q: How do FASTs and FAST channels differ from traditional cable and cable channels?

A: There's a lot of investment that goes into creating a traditional cable channel. Once you get past that, and all the tech infrastructure that is necessary to get it up and running, you still need to go to the individual cable operators and cut a carriage deal.

Whereas with LG Channels, we can just say "*CSI* is very popular with our users right now, let's create a *CSI* channel." And we can stand that up very quickly and then measure how it does. We can play around with moving it up and down in the channel guide to see if that significantly increases viewership.

All that is only possible if you have access to the equipment, which in this case is the TV, because then you have access to the data through ACR and to the operating system itself.

On a macro level, that means we have many more entry points into the content than a traditional cable network would because we can personalize that content. We can make a CSI-only channel or a crime channel or specific type of crime channel, and then we can test all of them to see which ones resonate best and which viewers they resonate with.

Q: Why do you think that linear channels have become so popular on the FASTs?

A: People have always used TV as a leanback experience. They don't want to have to think about it a lot. When you go to Netflix or one of the other SVOD services these days you can easily spend twenty or thirty minutes just trying to find something to watch and you're often not sure what type of show you're getting.

Whereas with linear channels, you can see right away—is this a channel about crime shows? Great, because I like crime shows. And it has a lot of shows I know I like. So I can immediately make a decision on what to watch rather than spend time trying to find a single series on SVOD.

Q: Measurement remains a huge issue with streaming in general and the FASTs in particular. What do you think the solution is?

A: That is the million dollar question. People talk about how walled gardens are the issue and we've done our best not to create yet another walled garden. We work with a range of leading industry measurement companies and make our ACR data available to them.

But taking a step back, we feel strongly that we shouldn't be the ones grading our own homework. The industry needs to have reputable third-party measurement companies doing the measurement for us because that is how you create trust.

Q: Do you think that FASTs will become the dominant business model globally?

A: I think it will become the dominant model and that there are two factors driving that. One is that the number of SVOD services being launched makes it harder for people to afford them all. Because it's no longer just Netflix and one other service and you're good to go. You now have to constantly change services because the popular program that you wanted to watch is not on a service you currently subscribe to.

Outside the U.S., that becomes an even bigger issue because most people do not have the resources to pay for multiple subscription services. That's why even Netflix is launching an ad-free model.

But even then, the cost of those ad-supported subscription services is going to add up. So people are going to be looking for free and that is why FAST services will become so popular.

What's great about streaming is that it's easy enough to stand up all these FAST channels and FAST services in different markets. With cable, you had to make a significant investment if you wanted to say, launch a channel in Europe. That is not going to be the case with streaming and FAST channels.

Q: As all of the SVOD networks launch their ad-supported tiers, the assumption is that those tiers will have very low ad loads, possibly limited to pre-roll. That means there will be pressure on the FASTs to increase their ad loads. Should they?

A: I think that the size of the ad load needs to take consumer preferences into consideration, because first and foremost we are serving the consumer, and consumers do not want heavy ad loads. That is why advertisers will tell you that they do not want to be the 18th ad a consumer sees in a 30 minute show.

The solution to having lower ad loads is to make the ads more relevant to consumers. In the old model, the only way to make more ad revenue was to increase the number of ads. But with all the data we have at our disposal, FASTs can make sure our advertising is more relevant to the user which is something advertisers find very valuable.

For instance, we just launched a program called "Guaranteed Outcomes. And what that entails is that we tell the advertiser that we are going to guarantee the outcome that they want, whether that is downloads on their website, or site visits or actual sales. There are advertisers that are willing to pay a higher price for that guarantee, which is one way we will keep our ad loads down.

VIZIO

How VIZIO Is Using Data To Help Figure Out The Programming Puzzle On Its FAST

We have transformed from a hardware company to an integrated hardware and software entertainment company. By owning the hardware and distribution of entertainment as well as the data that flows through it allows us to really focus on the consumer experience the second VIZIO products are turned on.," observes **Katherine Pond, Group Vice President, Platform Content and Partnerships at VIZIO**. "I think the genesis of WatchFree+ was really a result of us looking at what consumers wanted, and then figuring out a way that we could fill that need. WatchFree+ also gives us the opportunity to be able to serve ad supported entertainment that will meet the needs of our content, brand and agency advertiser partners."

Q: The initial impression was that the various FASTs were interchangeable. What sets WatchFree+ apart from other FASTs?

A: I'd say our number one difference is that the way that we use our data allows us to bring in content that we know consumers are really interested in.

But number two, once you get consumers into the app, is our focus on user experience, it's about making sure that users can easily find what they're looking for. While the usual statement is that content is king, when it comes to interface, context is really the king. That's why we've made it a priority to present our content in a way that makes sure consumers can find what they want when they're ready for it. In practical terms, that means we've got 13 different genres available in WatchFree+ along with a way for consumers to favorite their top channels so that they show up first.

Q: What is your content strategy—how do you decide which shows to acquire?

A: This is probably one of my favorite things to talk about. I could geek out on this for a while. And the reason I say "geek out" is because we absolutely make use of a wide array of data. But when we look at what the overall strategy is for content acquisition, I would say there are two components to our WatchFree+ service.

Right now, we have over 250 free streaming channels. We also have an on demand portion of our service, which includes over 5,000 titles. So if I look at our on demand library today, we have a really good mix of content that has recognizable names and faces from star studded movies that are part of our deals with major studios, indies and what I like to call "mini-majors."

Overall that means we really can provide consumers with the depth and breadth they are looking for. So that when they are on that Saturday binge, they'll be able to find something they want to watch.

Now on the linear side, we can look at the data to see how much users are engaging and how many minutes they're spending per channel on average within each of the genres. That is one of the driving factors in our decisions about how we go out and acquire content. We know what content is being watched on linear TV through our ACR data. So we can bring that in as a factor too.

We also have a list of over 20 other criteria that we look at when we are evaluating a linear channel. Then we blend that together with how existing channels are performing on the platform—there's a lot of art and a lot of science that goes into our decision-making process.

Q: Let's drill down deeper into that. What criteria do you use when deciding how to curate the channels you stand up yourself?

A: The channels we curate ourselves are a result of looking at where consumers are showing the most interest and filling in the gaps. Curated channels also offer us an opportunity to present ourselves to brands and sponsors. and to create something they feel is a good fit for their brands. Part of that process is looking at the data and making an evaluation about what consumers want to see, and then seeing which shows and genres perform well. That goes way beyond just acquiring the content, but also how we're scheduling the programming. Successful channels can have a real mix of content types too. Take our "Fork and Flight" channel, for instance, which is about food and travel. That channel has both movies and TV series and they all work well together to give the consumer the sort of experience they want.

Q: What is the value, to a rights holder, of letting VIZIO stand up a linear channel for them on WatchFree+ versus just standing up their own app?

A: I think there's value, especially in the VIZIO ecosystem, of having both an app and a FAST channel for many of our content partners. The way I tell our partners to think about this is to think about the best way to grow your audience. So if someone is searching for something to watch on the VIZIO SmartCast platform, they may not land on your content because they don't know your brand, at the surface level from all the other apps on the platform. That's just the reality of a crowded space today. What a FAST channel allows you to do is to really build an audience.

Something unique to the VIZIO platform is that we're really pushing our WatchFree+ application, it is front and center from the minute you turn on the TV. That gives you a prime opportunity to really engage with a consumer in that FAST environment, build that audience, and then potentially have them come directly into your application in the future. It's a great marketing tool. Another huge advantage for our content partners is that our WatchFree+ ad sales team is the best in the business. So content partners have a real ability to monetize their content, which can really help them grow.

The relationship doesn't stop there either. We have a partnership management team that works with every single one of these FAST channels to grow and build their audience. We're looking at the data, we're telling them what's working, we're working with them to figure out what we can surface on our home screen to bring even more of their content to the forefront because we know that on streaming, discoverability is the name of the game.

Don't forget too, that as an OEM we have access to all kinds of data, and we use that data as we work with our partners to really help them continue to improve. Those are things that you get from VIZIO that you don't necessarily find when you're just working with a third party application.

ABOUT TVREV

TVREV captures the voices and insights of executives in the TV, digital and advertising industries. Our insights, reports, newsletters, videos and events are guideposts for everyone in the greater television ecosystem, from programmers and distributors to advertisers and adtech companies.

Written in the engaging colloquial style that's become our trademark, TVREV's articles and newsletter are proof that there's no law that says reading about business, even the technical aspects of business, has to be dull. Especially in a business as entertaining as ours is.

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Analyst Services

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ABOUT THE AUTHORS

Alan Wolk

"If you know anything about television, you probably know Alan Wolk." That's how Adweek describes the best-selling author of Over The Top. How The Internet Is (Slowly But Surely) Changing The Television Industry. As co-founder, editor and lead analyst of TVREV, Wolk has created one of the media industry's go-to- sources for understanding the changes coming from Hollywood, Silicon Valley, Madison Avenue and beyond. A contributing writer at Forbes and other industry news sources, Wolk has been interviewed and quoted by everyone from NPR to the Wall Street Journal, and is a regular guest on Cheddar TV, offering expert opinion on breaking stories in the media industry.

Jason Damata

Jason is the founder and CEO of Fabric Media, a media incubator and talent consortium, and is the co-owner and publisher of TVREV. Damata gives strategic guidance to TV networks, agencies, measurement companies, brands and technology platforms.
He was named Ad Age 40 under 40 (when he was of age), for his role in the growth and acquisition of numerous technology companies. Jason worked in Telecommunications Policy at George Mason University, developed Political TV Literacy Programs for multiple universities and spent years traveling the country working with cable operators for C-SPAN.

Executive Editor
Jason Damata

Editor
Antony Bruno

Research
Martha Bennett

Designed by
Gary Wong Designs

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