

# **VIDEO: THE DIGITAL MEDIA COMPANY'S FINAL FRONTIER**

**WHY OLD NEEDS NEW AND NEW NEEDS OLD**

**So... Digital content...  
How's that going?**

## **In terms of \$, it's all underperformed**

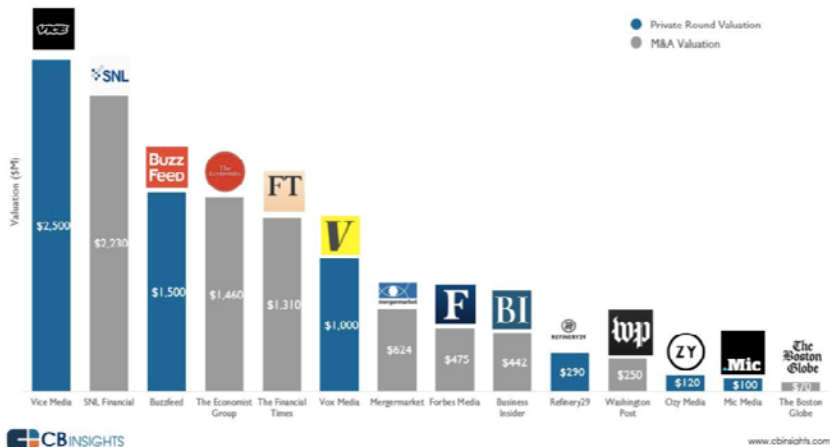
- WordPress, Six Apart, Medium, Blogger --> lots of hype and no big exits in the media software world
- Revenue enablers like Federated Media, Say Media, Meebo all also were ultimately disappointments
- On the content side only four companies have exited for north of \$100 million: Daily Candy, HuffingtonPost, Bleacher Report, Business Insider

## **What about up and comers?**

- Only five additional companies have even had private valuations of north of \$100 million: BuzzFeed, Vox, VICE, Refinery29, and Ozy
- Only three of those– BuzzFeed, Vox, VICE– are unicorns in an age of 140+ unicorns
- This is supposed to be a bubble and a new golden era when VCs believe in content companies again

# Let's look at media valuations over all

Select News & Media M&A and Private Round Valuations

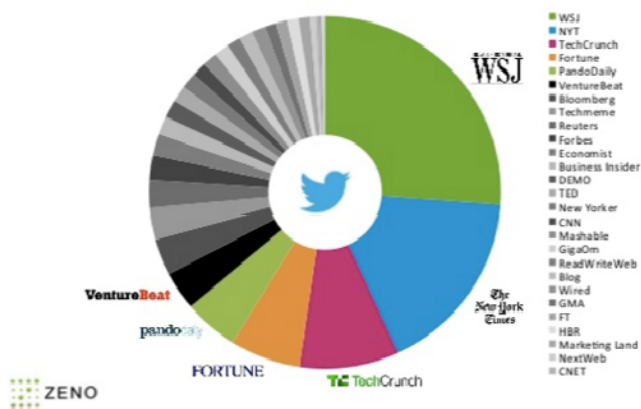


- For all the talk of its demise, old media is just killing new media

chart: cbinsights.com

# Here's a fun chart...

Battle of the Media Empires  
 No Shortcuts: Big Media Brands Matter  
 Media outlets and journalists followed by 10 or more of the Midas List VCs on Twitter



- Even amid early adopter VCs, 100-year-old media brands are the go to

chart: zeno group

## Why are VCs so bad at media?

- Difference between media moguls and tech moguls: Confrontation. Ex: Evan Williams, Chris Hughes, Pierre Omidyar
- Content doesn't scale like tech
- It takes 10+ years to build a brand– no matter what you do
- Hacks don't work long term.

**Video: The path to true unicorn-hood?**

## Everyone is pinning their hopes (and valuations) on video

- The biggest of all new content companies is VICE. It's raised \$700m+ with a recent \$2b+ billion valuation, the biggest in the space. It's big differentiation was video.
- That's what made Fox, A&E, Disney all invest at whatever price Shane Smith asked
- Refinery29, BuzzFeed, Vox all the other big players have raised capital based on nailing video
- Sites like EliteDaily that used to rely on viral Facebook hacks have been decimated by algorithm changes, all hopes on video now

## Unfortunately video is BRUTAL

Why so many new media co.s fail at it (GUILTY!)

## **Silicon Valley was arrogant**

- Early on, online video channels thought you could turn on a Web cam, point it at two guys sitting on a couch and stream
- To build a quality audience you need a lot of the expensive art of television. High quality, editors, makeup, story telling

## **...That means video is expensive**

- You have to really believe in the content to produce mini-documentaries, invest in editing bays, professional multicamera shoots
- It's a bigger gamble than even doing a long-form investigative print piece
- And content CEOs don't like *those*
- It's the opposite of a listicle

## ...And takes even longer to build audience

- With the exception of BuzzFeed and the Huffington Post all of the major content exits and hopefuls have been niche/affinity audiences like young women, millennial men, sports fans, or tech and business readers
- Those audiences are highly valuable but hard to monetize, requiring custom assets and long time horizons
- Reaching affinity audiences via a mass platform is hard

## ....And good luck making \$\$

Viewability Standards: What Qualifies as a Viewable Impression?

Viewable Impression Criteria	YouTube <sup>1</sup>	Facebook <sup>2</sup>	Twitter	IAB
% of Video Player Viewable	50%	>0%	100%	50%
Consecutive Seconds Video in View	3 Seconds	>0 Seconds	3 Seconds	2 Seconds
Third Party Verification?	No	No	Yes	N/A

- We are supposedly in the golden age of video. Here's the crazy quilt of how we're supposed to get all that gold...
- We can't even agree on what an "impression" is

## How do I know? I have the scars

- My first on camera job was a show on Yahoo Finance. Huge audience coming there for finance everyday. Incredibly professional team. Ability to shove endless eyeballs at us. Didn't work.
- My second was trying to build TechCrunchTV. Smaller, but fiercely loyal, engaged, highly valuable audience with a strong brand. Also didn't work.
- Even with huge assets, this is hard

**So what's different now?**

This isn't just masochism!



## Platforms

- There are more platforms than ever before to build, reach and monetize an audience
- Netflix, HBO, YouTube, Facebook, Snapchat, Amazon
- They all want content
- You have to be careful: Platforms can wreck you
- Best if you view video as the way to build brand and audience \*not\* pure monetization

## Autoplay in your face! (book)

- Facebook has driven a mass-market acceptance of autoplay by doing what it does best: Brute forcing features until we accept it
- Life casting was tried and failed and tried and failed... until Periscope and Meerkat appear to be real things people want
- iPhones have given us more places to watch a three minute clip, versus blaring at our office desk

## **Big fat corporate check books**

- Corporates were 25% of all VC deals last year
- Comcast is one of the biggest: Vox, Re/Code + more
- VICE is all about the corporates (A&E, Fox, Disney) and it's needed others (HBO, YouTube) to build its brand
- Corporates want new audience... Web can deliver shows/ talent, worth the deal?
- When does Netflix show up? It can target like no one in broadcast can (VICE would arguably have a bigger audience on Netflix than HBO...)

## **Why? Cord cutting is finally real (Sorry!)**

- In 2014 91% of people said they'd stay subscribers. In 2015 that fell to 79%
- 23% of cable customers cord-trimmed last year
- More than 16% said they had unsubscribed completely in the last year. And 5% had never subscribed at all
- 18 to 24 year old demographic. The study said they are 67% more likely to be cord-nevers than cord-cutters.
- Why the change? It's not cord cutting. It's cord swapping.

## Old media and new media need each other more than ever



## Will any of this work?

- So many ways to fail. Not enough quality; not enough true partnerships; too much reliance on platforms
- A handful will win huge and new traditional channels could result (VICE, for one)
- Smartest corporates will cherry pick shows, talent and offer what they have that no one else does: Allure of TV
- No one should expect immediate cash cows; shouldn't be anyone's primary business model

# QUESTIONS?

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