HOW GEN Z CONNECTS TO TV
Exploring the Generational Divide in the Future of TV

Telaria | Hulu Proprietary Research Study
May 2017
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Research Goals

Gen Z is the first generation that has grown up with on-demand television content availability for most of their lives. Despite this fact, very little is known about how they consume Connected TV (CTV), and what their attitudes are around advertising in the CTV environment. Telaria, in partnership with Hulu, sought to understand the variance across generations in terms of ad receptivity and media behaviors.

We set out to discover:

- Consumption behaviors and usage of Linear TV vs. Connected TV by generation, to gain insight into future implications for the Linear, OTT, SVOD, and streaming marketplaces.

- Generational habits, behaviors, and perceptions of consumers toward connected TV advertising to gain a better understanding of how advertising models may need to evolve.
Methodology

- Telaria and Hulu engaged The Center for Generational Kinetics for study design, sampling, field execution, and data processing.
- Custom 25-question survey designed collaboratively by Telaria, Hulu, and The Center for Generational Kinetics.
- Study administered to 1,020 U.S. respondents (ages 14–50) and weighted to the U.S. Census for age, region, and gender.

The sample spanned three generations:

- **Gen Z** (ages 14–21)  
  225 Sample Size
- **Millennials** (ages 22–37)  
  527 Sample Size
- **Gen X** (ages 38–50)  
  268 Sample Size

Sample screened for ownership and usage of a Connected TV, through either a Smart TV or a standard television in conjunction with a streaming device.

The survey was conducted online from March 9, 2017 to March 15, 2017.

Margin of error is +/-3%
Introduction

Connected TV + Over-the-Top

The growth in TV-connected streaming devices and subscription-based services has created a new normal for how content is viewed across devices, including the large screen known as the TV. Usage of over-the-top (OTT) devices and services is highest in households with teens (the largest segment of Gen Z). This should be no surprise since there tends to be a ubiquity of game consoles in these households—and those were the earliest devices enabling TV content connectivity.

For Gen Z, Connected TV (CTV) isn’t a new way of watching TV. Gen Z defines TV not as a box with glass and wires, but as a gallery of shows. Television has always been about the programming, and although that hasn’t changed, the hierarchy of television consumption has been turned upside down, no longer driven by the type of network (broadcast or cable), time of day (DVR or live viewing), or location (the room with a cable connection). Gen Z is ushering in a new, boundaryless paradigm: whatever TV content they choose, wherever they are, whenever and however much they want to watch.

CTV/OTT Implications for Advertisers

Advertising is an adaptive beast. Although advertising has proliferated to the point of omnipresence, technology has enabled younger generations to be exposed to fewer television ads, and the scarcer something is, the more novel it becomes. In fact, when done right, Gen Z actually embraces advertising as something to enjoy as much as the content—not a distraction to be skipped.

As Gen Z charts its own course of television consumption, advertising must iterate new solutions to engage this audience. Evolution in the model should be viewed as an opportunity to embrace the next generation of consumers on its terms.

Telaria Video and Hulu’s “How Gen Z Connects to TV: Exploring the Generational Divide in the Future of TV” research study brings us much closer to understanding how CTV/OTT advertisers can follow the path that Gen Z has set, and to become an integral part of this new landscape.
Research Findings

OTT is redefining what it means to watch TV:

For Gen Z and Millennials, TV viewing means accessing shows through online sources, such as Smart TVs, game consoles, or multimedia devices like Roku, Apple TV, or Amazon’s Fire TV Stick. Gen X is not there yet, being far more likely to think of television in terms of cable or satellite connectivity.

In 2008, Hulu ushered in the streaming revolution with its launch of the industry’s first on-demand streaming service. Other industry players would quickly follow suit, such as Netflix and Amazon, helping to make streaming in the living room a reality. Back then, you weren’t watching TV, you were streaming it. Fast-forward to present day, and the term “streaming” is synonymous with watching. Regardless of age, streaming TV content is the new definition of watching TV. A show is a show, regardless of how it gets on screen.

What “watching TV” means by generation.

When you stream an online show through your television set, do you consider this to be ‘watching TV?’ 84% said yes.
How Gen Z Connects to TV: Exploring the Generational Divide in the Future of TV

Gen Z is the whenever, wherever generation, and for most of their lives they have never known a time when on-demand content wasn’t available. While most viewers have some idea of what they want to watch, Gen Z is 21% more likely to be in discovery mode when they watch television: channel surfing or flipping through programs until they find something to watch.

Gen Z is open to suggestions and will check out TV content recommendations based on previous viewing habits.

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**How often each generation frequently watches recommended TV content.**

*Content recommended based on previous viewing habits.*

- **Gen Z:** 38%
- **Millennials:** 32%
- **Gen X:** 26%

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Don’t know, channel surf, or flip through programs until I find something

I know exactly what I want to watch
Gen Z prefers to watch TV in the way we think of watching a movie or reading a novel: not in bite-size chunks spread over time, but as one seamless story. Contrary to how their parents watch, Gen Z devours serials, with 60% watching multiple episodes at a time—compared to only 44% for Gen X. Once they start a show, they stick with it, binging through an entire season before starting with another show.

### Serial Monogamy

- **60%** Gen Z: Watch multiple episodes in a single sitting (AKA binge-watch)
- **53%** Gen Z: Binge-watch the same show through to the end before starting the next show
- **44%** Gen X
- **38%** Gen X
Receptivity to Advertising

Advertising sometimes gets a bad rap, but that tide may be turning. Better digital understanding of consumer behavior means marketers are getting really good at targeting advertising to consumers who are in-market and receptive to messaging. Nearly half of our respondents either don’t mind watching ads, or—gasp!—actually like them!

Gen Zen

Gen Z is at peace with advertising and is more receptive to it than older generations. Gen Z spends a majority of its overall television viewing time with connected TV, thus exposed to lighter ad loads and fewer commercials. Ads are more of a novelty and can be so well targeted on CTV that they are de facto viewed as content.

Percent who don’t mind or enjoy watching TV ads

54% Gen Z

43% Gen X

45% Millennials

Across all generations the total is 46%
Receptivity to Advertising

Gen Z is less likely to actively avoid watching advertising. When asked about watching a non-skippable ad appearing in streamed or on-demand content, Gen Z was 39% more likely to watch the ad than Gen X and Millennials.

Advertising as Social Currency

Like memes, short-form videos, and music, advertising has joined the sharing economy among Gen Z. Teens are twice as likely as their parents to share video ads via social. The primary reason? Because it made them laugh.

Gen Z engages with advertising more than other generations

<table>
<thead>
<tr>
<th>Gen Z</th>
<th>43%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millennials</td>
<td>31%</td>
</tr>
<tr>
<td>Gen X</td>
<td>31%</td>
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</tbody>
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Gen Z is driven by a need to be “in the know” about TV in order to be part of the social conversation. So much so that 20% have posted about a show…without actually seeing the show!

A few reasons why Gen Z will watch a show:

43% Just to talk about it

32% Simply to impress others

23% To look smart
Multi-Screening

Gen Z is the mobile-first generation. Their smartphones are always in hand, tucked into a backpocket, or at worst, an arm’s length away. As such, the television screen will always vie for attention with the mobile screen, making it ever more important for advertisers to think cross-screen. Gen Z is 80% more likely to always be multi-screening compared to their parents.

What are viewers doing on another device while watching TV?

There are strong generational differences, especially when looking beyond checking social media. Gen X and Millennials are far more likely to browse or shop online, whereas as Gen Z engage in more social activities like texting or gaming.

Use smartphone while watching television
(Every or almost every time)

47% 37% 26%
Gen Z Millennials Gen X

What consumers are doing on another device while watching TV

Social media [Gen X: 50%, Millennials: 55%, Gen Z: 48%]
Online browsing [Gen X: 41%, Millennials: 37%, Gen Z: 37%]
Texting [Gen X: 50%, Millennials: 37%, Gen Z: 33%]
Gaming [Gen X: 18%, Millennials: 23%, Gen Z: 33%]

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Fragmentation + ACR Technology

While high levels of multi-screening can present challenges for advertisers, such as audience fragmentation, they also open opportunities for cross-screen engagement. Advances in audio content recognition (ACR) technology are enabling marketers to target messaging from the television screen to the mobile screen, synching the small screen to work in conjunction with the big screen.
Future Implications

Customization and personalization tactics adopted by digital advertisers mean viewers expect a more digital-like experience with television advertising. They don’t expect an ad-free experience, but they do want a better ad experience. Viewers predict that in 10 years, they will only be exposed to ads specifically targeted to them. They also expect ads that are contextually relevant or “native” to what’s being watched. Gen Z feels strongly about this: they want ads that fit the type of show they are watching. The status quo is a no-go, with only 22% believing that nothing will change.

Advertisements are wise to heed this advice because it may be harder to engage Gen Z on television in the future. Almost half say they now watch less TV than their parents, a figure significantly higher than Gen X and Millennials.

What television ads will be like in 10 years

- Have only targeted ads
- Have ads that completely match or reinforce what is being watched
- Have about the same number and type of ads as currently

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Watch less TV compared to parents

48% Gen Z
38% Millennials
36% Gen X

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Not only does Gen Z watch less TV than other generations, they are constantly multi-screening. As the data have shown, the way to capture their attention will be via advertising that is:

- Multi-platform
- Multi-screen
- Targeted
- Contextual
Key Takeaways

1. Get educated on the differences in generational behavior because these distinctions are important. Recognize the impact that technology has on the viewing behavior of each to inform and activate customized marketing strategies.

   Gen Z are not Millennial wannabes when it comes to television viewing. In fact the data suggest that Millennial viewing behavior tends to mirror Gen X more than Gen Z.

2. Monetize content across linear and OTT channels to make programming available on the viewer’s schedule.

   The lines between wired and OTT access to programming are blurring and may be irrelevant in the future. Gen Z is the most connected generation and expects to be able to watch any show anytime, without an appointment.

3. Binge-watching creates opportunities for increased frequency and storytelling through episodic ad units. Think creatively.

   Gen Z is binge-watching TV content, creating a movie-like experience.
Key Takeaways

4. Take advantage of CTV’s targeting and addressable capabilities.
   - The future of television advertising lies in increased targeting and seamless integration into programming.

5. New technologies in Automated Content Recognition can identify programming that is out of the reach of advertisers and bring valuable viewing data to ad targeting.
   - Automated content recognition solves for ad-free binging.

6. Advertise across platforms to connect with Gen Z when they are looking.
   - Mobile-first means multi-screen.

7. Keep ad loads light. :15 units interspersed throughout a program work best with Gen Z; older generations prefer a longer ad unit at the start of the program with no other interruptions.
   - Gen Z is receptive to advertising, but exposure to other forms of content and entertainment (e.g. gaming, social media, streaming music channels) means they aren’t used to experiencing large ad loads.
Appendix
Glossary of Advanced TV Terminology

➤ **Addressability**
The ability to target an ad to a device, browser, segment, and/or individual.

➤ **Connected TV**
A television set that is connected to the Internet via OTT streaming devices.

➤ **Streaming devices**
Blu-ray players, streaming box or stick, and gaming consoles, or television with built-in internet capabilities (i.e., a Smart TV) that access a variety of long-form and short-form web-based content.

➤ **Over-the-top (OTT) video**
Video content viewed via an app or website that bypasses traditional distribution channels.

➤ **SVOD**
Subscription video on demand (SVOD) refers to a service that gives users unlimited access to a wide range of programs for a monthly flat rate. The users have full control and can decide when to view the program.