

How Time Shifting Has Affected Television and Influenced Advertising: Is it an Opportunity or  
a Threat to the Networks and Their Advertisers?

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### Abstract

This paper focuses on how advancements in technology over the years have affected how consumers watch television. It also looks into how advertisers are dealing with the consumers' ability to time shift when they watch their favorite programming. Anytime technology communication changes, the surrounding environments need to adapt as well. This is especially true when it comes to television. The digital video recorder (DVR) as well as online sites (like Hulu.com) that have the capability to stream full-length episodes of television programming have become the latest technological innovations that networks and advertisers need to adapt to. What DVRs and websites like Hulu.com have been able to accomplish is simple, yet extremely important when dealing with the television industry. It's allowed the consumer to skip commercials. The purpose of this paper is to understand how and why DVRs are being used by the consumer and look at the possible opportunities and threats that networks and advertisers must be aware of while adapting to this technology.

How Time Shifting Has Affected Television and Influenced Advertising: Is it an Opportunity to the Networks and their Advertisers?

In 2005, John Fortunato, a University of Texas at Austin assistant professor and Daniel Windels, an advertising executive, said innovations like the digital video recorder (DVR) would be new technologies that networks and their advertisers would have to adapt to.

Technology has made improvements in all fields and eased human life to a great extent. Technologies like the DVR as well as online websites like HULU.com have increased the television viewing experience to a great extent by providing a number of sophisticated features. Using these features have given the viewers and consumers the ability to control their day-to-day programming schedules in a greater capacity (“DVR: How it has Revolutionized,” 2010). DVR allows users to record and store programming digitally, pause live television at any time, set up series recordings weeks in advance, record multiple programs at the same time while watching another program live, but most importantly, it gives the viewer the ability to skip over commercials with the touch of a button. The feature that networks and advertisers are most concerned about regarding the user of this technology is that it allows the consumer to completely skip commercials with ease by simply fast-forwarding through them (Fortunato and Windels, 2005). In fact, a Forrester Research survey revealed that over 50% of all DVR users said that being able to skip through the commercials was their favorite feature (Fann-Im, 2004).

As technologies like DVR and websites like HULU.com continue to grow in popularity, the effect that they have on television advertising continues to become more drastic (Chevere, 2009). However, while some feel the use of these technologies will have negative effects on the television networks and their advertisers, some believe that they could have some positive impacts.

DVRs work like video cassette recorders (VCRs) in the sense that they allow the user to record selected programming. However, DVRs are completely digital, unlike VCRs, which depends on the use of a video cassette tape in order to record a show or movie. The DVR technology that exists now is designed to allow the user to be in control of when they watch their television programming; thus, advertising that is time-dependent, such as a limited-time offer for a product, may not be seen by the consumer when the advertiser wants him to. These innovative new technologies have greatly influenced television programming and television advertising. It has allowed the viewer and consumer to “time shift” television programming. The act of recording a television program in order to watch it later, on one’s own free time, is called time shifting. When people have the ability to watch a recorded show at a later time at their convenience, they will likely skip through the commercials. Skipping through the commercials on recorded programming is called zipping. Zipping is a larger problem for the television advertisers because when users engage in zipping, they are not watching the advertisements (Chevere, 2009.)

Any advertising environment presents both threats and opportunities for advertisers to reach their financial goals. Developing advertising strategies to achieve these goals centers around two key factors: understanding the communication vehicles to reach the audience and understanding the use behavior of these mass media vehicles by the audience. All other strategic decisions (media placement or creative tactics) emanate from understanding these two factors (Fortunato and Windels, 2005). The DVR and online streaming capabilities from various websites may forever change the way most people watch television. Both can change the relationship between the audience and the television medium in how they now experience

television as these devices allow for not only more choice for the viewer, but they allow for much more control by the viewer as well.

Americans are watching more television than ever and the increasing penetration of DVRs and online websites like HULU.com have likely contributed to increased viewership across the board (“How DVRs Are Changing,” 2009). Pat McDonough, Senior Vice President, Planning Policy and Analysis at Nielsen said, “DVRs are changing the way Americans watch TV. Despite the competition for viewers’ attention from the Internet, video games, and other media, TV viewership continues to rise. As with other vehicles, convenience is key – allowing people to consume content when they want. DVRs are a relatively inexpensive and useful tool for viewers to do that” (“How DVRs Are Changing,” 2009).

Andy Alexander, Vice President of Programming and Research, at KDFW Fox 4 in Dallas believes time shifting has been a part of television in some way or another for a long time now, but the recent explosion of DVR technologies have made it easier for people to record and watch television programming on a delayed basis. It’s actually caused television viewing to increase because people are able to record and watch at a later time, more programming that they would have originally not been able to. Alexander also states that emerging technologies continue to impact media and advertisers are looking at ways to take advantage of them.

Unfortunately, audiences continue to fragment making it tougher to find large audiences.

The typical American continues to increase his or her media time, watching each week almost 35 hours of television, two hours of time shifted television, 22 minutes of online video and four minutes of mobile video, while also spending four hours on the Internet (“Three Screen Report,” 2009).

What television networks and advertisers are finding is that with more media exposure through innovations like DVRs, there are more opportunities to get to the audience in one way or another. With the average American watching more and more television what once worried the networks and advertisers, isn't worrying them as much anymore. BusinessInsider.com reporter Erin Carlson suggests that initially the networks worried that DVR users would fast-forward through the commercials. But for whatever reason, DVR viewers don't. Instead they just watch a lot more television. And because of this, television network executives have fallen in love with a former tormentor: the digital video recorder. The reason is not simply that more households own DVRs (around 35%), it's also because more people seem content to sit through the commercials and the advertising than networks had originally thought (Carter, 2009). This can be directly attributed to the fact that with the innovation of the DVR, viewers are now in total and complete control of their viewing schedules ("DVR usage making," 2008). Alan Wurtzel, NBC's chief research executive said that the rules are being rewritten in regards to how networks select programming and how advertisers advertise on television because more and more people are changing the way they consume television.

These factors mentioned above mean DVR ratings now add significantly to live ratings and thus to ad revenue (Carter, 2009). A little over two years ago, The Nielsen Company started measuring television consumption with the so-called commercial-plus-three ratings, which measure viewing for the commercials in the shows that are watched either live or played back on digital video recorders within three days. This replaces the use of program ratings. At the time, network executives fiercely resisted the change, fearing that they would never get credit for recorded shows because viewers would skip through the commercials. But the results showed otherwise (Carter, 2009).

Across the board, the gains for playback are growing within the networks. The four major networks together are seeing an increase of 10% or more when the DVR-plus-three ratings are added to the viewing totals (Carter, 2009). Television viewing keeps increasing partly because of a better viewing environment that includes more convenience (“Three Screen Report,” 2009).

Consumers value the ability to manage their time more than ever because they can enjoy their favorite programming at their own pace (Jensen, 2007). Because of this, consumers are subsequently able to enjoy more television. They are able to watch one show at a specific time and record another one at the same time that without the use of DVR technology, would have been a time conflict and would have forced the consumer to choose. Now they don’t have to choose between one or the other, they can watch both. It allows the consumer to potentially be influenced by advertisers twice...instead of just once. The simplicity of the DVR device in time shifting programs is an advantage that wasn’t there before. Because these shows are being recorded the advertisers now have an opportunity to be seen, when without the recording option there was no opportunity for the viewer to see the commercials (Fortunato and Windels, 2005).

While the DVR has given the consumer the ability to watch more television, more often and still watching the commercials, the networks and their advertisers are always looking for ways to influence those viewers who aren’t watching the commercials at all.

The television commercial has been Madison Avenue’s main weapon for decades and still gets the lion’s share of the attention. But the idea that the consumer could use their DVRs to completely miss the commercials has the networks and advertisers exploring subtler and harder to avoid ways to reach their audience (McCarthy, 2010). Advertisers are now starting to embed their messages and products into, rather than around television shows. Program sponsorship and

product placement help advertisers put their brand name into a position where it is virtually impossible to be ignored. The move toward sponsorship and product placement does not mean the end of the traditional television commercial. The strategies are emblematic of television networks and advertisers working together to create an environment that is mutually beneficial to both parties (Fortunato and Windels, 2005).

Andy Alexander, KDFW Fox 4's VP of Programming and Research said that product placement is here to stay and advertisers will continue to look for new ways to push their products towards the consumer. It might be from a Coke glass on the judge's table on "American Idol" or an Outback Steakhouse being constructed during a season of "Survivor," advertisers will keep finding new ways for their products to end up on television. Product placement and show sponsorships aren't new ideas, but will continue to be used as long as there is the potential for consumers to skip over commercials while using their DVRs.

Television networks and their advertisers have to understand the communication vehicles to reach and audience and the use behavior of innovations like the DVR by the consumer. The DVR is the latest technological advancement to which networks and advertisers must adapt to (Fortunato and Windels, 2005). While the numbers seem to show that the opportunities that DVRs present outweigh the threats, the threats still remain. The audience and the consumer still do have a choice to time shift their television watching and it there will always be a chance that they might fast-forward through the commercials. The threat from the DVR or any other change in the communication technological environment is only fulfilled if there is no action by the networks and the advertisers. The biggest threat for advertisers is to accept the change as status quo in their relationship with the networks and not do anything about it (Fortunato and Windels 2005).

The changes brought about from the increased use of DVRs might present an opportunity for advertisers to change their relationship with networks and evolve with them as technology continues to evolve around them. By doing so, they can potentially turn a possible threat into an even bigger opportunity.

The DVR has changed the relationship between the audience and consumer and the television medium through the leisure time element and the amount of time they can participate in that medium or any other activity they desire (Fortunato and Windels, 2005). People like having the ability to choose what they want to watch and then watching it when they want to. The choice, the control, and the convenience play a significant role in the consumer's time shifted approach to viewing their favorite programs and as technology continues to change, the consumer will not only have more choices, but they'll also have even more control over what they watch and when they watch, then they do now. Andy Alexander states that technology is becoming more and more efficient, which makes it even more important that networks and advertisers continue to work together on finding the best possible ways to deliver not only content, but advertising to the consumer.

Networks and advertisers continue to feel the impact of innovative technologies that all the audience to time shift their television programming. The real impact of DVR and other time shifting technologies will show up in 10 years when the teenagers within the current DVR households move into their own homes and use the next generation of this ever-evolving technology. These will be the consumers to which DVRs will be second nature and not just a new, fun toy...but a way of life (Vasquez, 2008). The question isn't whether or not the consumer and the audience will continue to adapt to new technology as it's made available to them. But rather will the networks and advertisers continue to find ways to adapt to these

technological advances so that they can maximize the potential opportunities that will continue to present themselves?

It seems clear that technologies like digital video recorders have not only changed the way television is viewed, but will continue to change the way television is viewed. However, these new technologies have also given the networks and their advertisers the ability to change as the technology changes and to adapt to their advantage. Because the networks and their advertisers will always have the ability to adapt to whatever changes technology brings their way, the opportunities available to them appear to outweigh the possible threats (Lowrey, McCarty, Shrum, 2010).

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