

Fast-forward puts TV advertising to the test

By Patrick Barwise and Sarah Pearson
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New consumer technologies do not always end up being used in the way their developers originally expected - often with unexpected consequences for industry. Mobile phone companies, for example, did not predict the extent to which handsets would be used for text messaging.

The uncertainties that govern consumer behaviour therefore make it hard to assess the likely impact of new technologies that promise dramatic revolutions in their respective industries. One such potential drama is being played out across television screens around the world.

Peter Bazalgette, chief creative officer of *Big Brother* producer Endemol, has described personal video recorders (PVRs) as "one of the most important economic issues facing [the broadcasting] industry now".

A PVR is a television set-top box with a hard disk that can be used to record and play back programmes far more flexibly and conveniently than via a videocassette recorder (VCR).

Early PVRs from TiVo and Replay TV were standalone boxes but today most are integrated into the set-top box by satellite and cable operators such as Comcast, Echostar and DirectTV in the US - where penetration is about 10 per cent of all homes.

In Britain, penetration is around 4 per cent, dominated by BSkyB's Sky+ box. PVRs are also now gaining market share in France and Germany. In Japan, 15 per cent of homes have bought standalone PVRs, according to Dentsu, the Japanese advertising agency, but their usage is relatively low.

Among most PVR homes, usage is much higher than for VCRs, with viewers watching more programmes they really like - live or in time-shifted playback mode - and fewer "least objectionable" programmes. From a consumer perspective and a pay-TV perspective, PVRs are great. But from the perspective of television advertisers and the channels they fund, they represent a huge potential threat because they make it easy for viewers to fast-forward through the commercials.

There is wide disagreement about the extent of this threat. On one side, Andy Jones, joint managing director of Universal McCann, says: "Our research shows that in Sky+ homes 90 per cent of breaks are skipped in playback mode." On the other side, some commercial broadcasters, such as BSkyB and CBS, say that PVRs have little, if any impact, on advertising effectiveness.

It matters who is right. Television is largely a fixed-cost business. Even a small drop in advertising revenue could wipe out profits or force deep cuts in programming budgets, leading to a further loss of commercial audiences as viewers switch to channels funded by subscription or licence fees.

Knock-on effects could include pressure on advertising regulations (such as the rules on product placement and sponsorship) and the public service obligations of broadcasters funded by advertising. The potential implications go beyond broadcasting, with PVRs part of a wider trend away from traditional media, funded and controlled by advertisers, towards new media, funded and controlled by consumers.

Given its potential importance and the disagreement about its likely impact, the quality of research and analysis of the PVR threat has been disappointing. There has been no shortage of comment and opinion, but few reliable facts.

The problem is that advertising exposure is not "on or off" like a regular light switch. It is a question of degree, more like a dimmer switch. Audience behaviour and advertising exposure during commercial breaks are complex, whether during live or time-shifted viewing.

Variations occur between different programmes, genres, channels, times of day, commercial breaks, timing within the break, brands and commercials, as well as the fact that PVR ownership somewhat increases total television viewing and perhaps the share of commercial channels. These are all researchable issues, given data and time. There is also the widely held but questionable assumption that when viewers fast-forward through commercial breaks, their advertising exposure falls to zero.

We have long known that audiences are only partially attentive during commercial breaks. Twenty years ago, roughly 20 per cent of those viewing a programme were momentarily out of the room during the average break, 10 per cent were present but not viewing, 30 per cent viewing while also chatting, eating, or reading, and only 40 per cent viewing only.

Recent research by Initiative, the media agency, suggests that the average percentage of programme viewers fully attentive to a commercial has now fallen to 27 per cent. This is the "base case" against which to compare viewers' advertising exposure during PVR playback. It does not mean that advertising on live television is ineffective - we know it can still be highly effective. It does, however, mean that television, like all marketing communications, is increasingly having to find ways of capturing the attention of consumers with more and more competing activities, distractions and time pressures.

To assess the likely impact of PVRs on advertising exposure and revenue in this new, time-pressured world, we need detailed, valid data comparing the same viewers' behaviour during advertising breaks in time-shifted versus live viewing of commercial programmes. Survey data on what people say they do is neither detailed enough nor valid enough to address the issue. The only valid way to capture the required behaviour in a real-world context is video ethnography in PVR homes.

Video ethnography involves recording second-by-second audience behaviour in front of the set over many days using a video camera and microphone, while monitoring exactly what was on the television.

A London Business School study led by Mark Ritson three years ago used a version of this method to explore the wide range of audience behaviour in commercial breaks during live viewing. These included watching the ads, flicking between channels, chatting (sometimes about an ad), reading, doing chores and briefly leaving the room.

We, the authors, are currently conducting a video ethnography study in eight PVR homes. The aim is to throw light on the extent to which fast-forwarding through a commercial (at varying speeds and in different contexts) reduces viewers' advertising exposure compared with their exposure during live viewing.

What is already clear from an earlier pilot in two homes is that the implicit assumption that this reduction is 100 per cent is wrong: people give partial attention to commercials both when they fast-forward (especially at low speed) and during live viewing. Even at high speed, they recognise commercials they have seen before. They also pay more attention to commercials they like and about brands they consider relevant.

The results are rich and complex, and this is still work in progress, but the reduction in advertising exposure per PVR home may be significantly less than most commentators have suggested.

At the same time, Barb, the UK body that measures television audiences for the industry, is just starting to record PVR usage in Sky+ homes alongside its well established measurement of live viewing. Over the next few months, we should start to get hard, quantitative data on issues such as how much people in Sky+ homes watch time-shifted television, the impact on total viewing and on the viewing of particular programmes, genres, and channels, as well as how much people fast-forward at different speeds, perhaps linked to the timing of the break and of the commercial within the break.

The quantitative Barb data and the qualitative video ethnography data will be complementary. They represent different pieces of the jigsaw. Others include projections of future adoption and studies directly exploring advertising effectiveness in PVR homes.

Some issues have already been explored in the US, where the market is further developed. We should, however, be cautious about applying to the UK results from the very different US context, with far more commercials and where, at least initially, the PVR was positioned as a high-tech product, in contrast to the easy-to-use service positioning of Sky+.

As far as we know, no one in the US has used video ethnography to research detailed audience behaviour during commercial breaks in PVR homes. This represents a significant gap.

Ten years after the digerati started saying that television and "push" advertising were dead, we are within a few months of a much clearer assessment of the real impact of this particular, much-hyped digital technology in Britain.

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