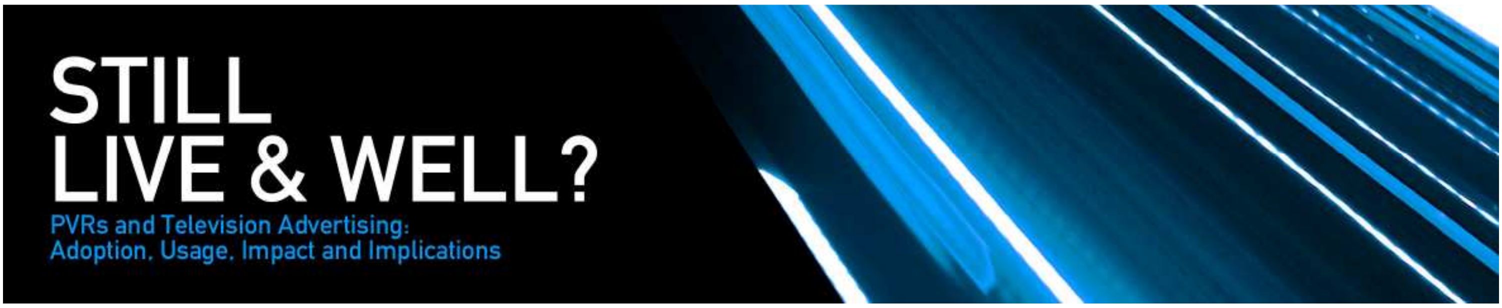

PVRs and Advertising Exposure: LBS Conference Report and Update

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This report provides the results of research presented at the LBS Still Live and Well Conference on 1st June 2006 with updates by each speaker on their chosen subject.

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Introduction

On 1st June 2006 London Business School hosted a conference which examined the impact and implications of emerging PVR technology. The aim of the conference was to combine quantitative and qualitative data to gain more accurate insights into the impact of PVRs on audience behaviour and ad exposure, and to discuss the implications of PVR technology for networks and advertising. Entitled *"Still Live and Well? The Adoption, Usage, Impact and Implications of PVRs/DVRs*", the conference brought together academics, agency and network representatives from the UK and the US.

PVRs were launched in the US in 1999 by two Silicon Valley companies, TiVo and Replay TV. Research found that early adopters claimed that the new technology had enabled them to time-shift their viewing and avoid ads which prompted concerns that PVRs would undermine traditional television advertising and render the 30 second spot obsolete. However PVR adoption was slower than forecast, partly because these companies had weak marketing strategies and resources and no established customer base. The industry relaxed. In 2003 the technology was launched by platform operators such as Sky (in the UK) an established brand with a large customer base, extensive resources and excellent marketing and customer services. Anxiety in the television business model increased again and new concerns arose that the product would shift from the early adopters to the early majority, having considerable implications for the broadcasters and the advertising industry, as well as the viewing public.

Adoption of PVRs is now underway with integrated set-top boxes like Sky+ and the forthcoming Freeview Playback. Sky+ penetration has risen to 2.1 million (8% of homes – 31st December 2006 BSkyB) and it is anticipated that by 2012 this will rise to 12 million (43% of homes). Predictions of this nature only serve to reiterate the importance of research of this nature and the need for a deeper understanding as PVR penetration increases. Research presented at the 'Still

Live and Well?' conference examined the impact which increased adoption of PVR technology, in the UK and US has had on actual behaviour and the implications for advertising.

The first session focused on UK adoption and usage. Toby Syfret presented forecasts by Enders Analysis which suggested that, in the run-up to digital switchover it is unlikely that either Freeview or Pay DTV will dominate DTV adoption in the United Kingdom, rather the UK market will be equally shared at the time of digital switchover. Although Sky+ is currently the primary PVR technology, competitor packages, being launched 2006/7, will become increasingly popular.

Tony Wearn presented Barb's early findings on Sky+ which showed that homes equipped with PVR technology tended to time-shift much more that those with VCR, although behavioural trends, such as which genres are time-shifted and the length of time between recording and playback, were much the same.

Sarah Pearson presented research conducted by Actual Customer Behaviour (ACB) and Patrick Barwise (London Business School) which showed that use of PVR technology for time-shifting and ad avoidance was lower than predicted and that audience behaviour was almost always to watch live TV first and use the PVR only as back-up. Findings from a subsequent study on 3 Sky+ families are also included.

The second session explored the US perspective on PVRs and On Demand technologies. Research by ABC Network, presented by Mark Loughney, found that PVR users time-shifted only 25% of their viewing, their main motivation being convenience and greater choice, rather than ad avoidance.

Pat Dunbar presented research conducted by DiMA group which suggested that new advertising formats, such as long form ads and showcases embedded in

VOD programmes, may be more efficient for certain products than the 30-second spot.

The final session discussed the impact and implications of current research. Alastair Goode's research showed that, when a familiar ad is seen in fast-forward, likeability increases *more* than if the same ad had been seen at normal speed. This suggests that, at least for familiar ads, fast-forwarding may have a positive impact on audience and engagement.

Sue Moseley (Initiative Futures) discussed the implications of emerging digital technologies for advertisers and marketers and suggested that it was essential that both embraced new technologies in order to enhance traditional television advertising.

Tim Ambler closed the conference by commenting on the implications that the research had for advertisers. Ambler discussed four key issues raised during the conference – programmes as brands; adverts designed to be viewed in fast-forward; pre-testing; complexity of research – and suggested that advertisers may choose to leave detailed media issues with the media buying agencies and focus simply on what outputs (effects on their brands) they get for their money.

<u>Enders Analysis: 'Actual PVR Adoption' *Toby Syfret*</u>

In contrast to the US where over 80% of TV homes now subscribe to pay-TV, Enders Analysis predicts that the UK market will be more equally shared between free (Freeview/Freesat) and pay-TV (Sky/NTL) services by the time of digital switchover in 2012. At this point, free TV households are expected to have a market share of about 55%, with Freeview being the primary driver of digital growth.

Period	Freeview	Digital Satellite/Cable
2005	2,147,000	773,000
2006 (Jan-June)	818,000	294,000

Table showing adoption figures for Freeview and digital satellite/cable for 2005/2006

The television market is polarising on three parallel levels: Free TV versus Pay-TV; DTT platform versus Other DTV platforms; Terrestrial establishment versus Multi-channel newcomers. As DTT adoption has spread, further polarisation has taken place at a fourth, demographic level. The adoption of free services, mostly received via DTT (though recent figures indicate accelerated uptake of free satellite reception) in which the public service broadcasters play a leading role, is heavily skewed towards older households and families with no children, which make up the bulk of the residual to be converted analogue base. As this base dwindles in size, so the profile differences between free DTV and pay DTV homes become accentuated.

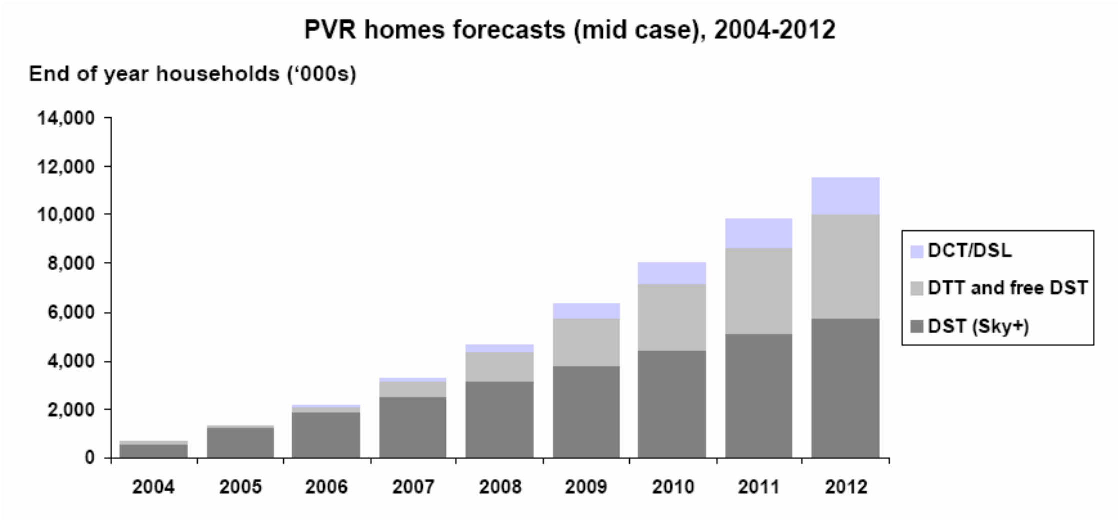
The profile differences are important when it comes to predicting PVR uptake by platform. Today, about 95% of PVR devices are Sky+ settop boxes in satellite homes, but the proportion will steadily diminish following the launch of the cable PVR settop box TV Drive in March 2006 and the new service information (SI) specifications for terrestrial digital broadcasters, that will enable manufacturers from 2007 onwards to offer Freeview households PVR devices with much more sophisticated functionality. In addition, hybrid DTT/DSL services such as BT Vision (December 2006 launch) will incorporate PVR functionality as a standard feature of their settop boxes.

Age Profile	**Total**	**Digital Satellite**	**Digital Cable**	**Digital Terrestrial**	**Analogue Terrestrial**
Adults: 55+	29%	18%	19%	33%	48%
Adults: 35-	30%	34%	34%	30%	21%
Adults: 16-	25%	28%	28%	22%	22%
Children	16%	20%	19%	15%	9%

Table showing age profile of main distribution platforms: April 2006

It is inevitable that projection of PVR adoption trends carries a high degree of uncertainty as the cable and terrestrial PVR markets are still in their infancy and it is unclear whether the respective cable and terrestrial PVR products will approach Sky+ in terms of customer satisfaction. What we do possess is five years of quarterly PVR uptake figures from BSkyB, which added almost 650,000 Sky+ homes in 2005 and is expected to achieve similar increase in 2006. At the same time, an in-house survey of Sky+ users conducted in November 2005 yielded satisfaction figures of 91%. Such a healthy brand confidence will be vital as Sky moves towards a ‘whole home’ scenario encompassing broadband, wireless radio, television, and mobile phones.

Today, Sky+ is extending its lead over PVR products for other platforms, but it is expected that rival cable, DTT and DSL PVR products will start to catch up from 2008 onwards.



But, there is a wide margin of uncertainty. As well as the very limited experience to date of other PVR products besides Sky+, it has yet to be seen how many homes that now possess one or more VCRs (circa 80% at the end of 2005) will react when digital switchover renders them obsolete for recording purposes. As it is, the Enders Analysis forecasts assume that PVR growth curves for the cable/DSL and terrestrial platforms will be similar to the Sky+ growth curves in terms of conversion rates from the existing customer bases, but with less steep gradients. This is in recognition of the very strong design qualities of Sky+, its immense popularity and the very high levels of promotional spend in support of its uptake. The skew of the DTT population towards older, single person and lower income households is also reflected in the projected slower adoption rates for DTT versus digital cable/DSL. On balance, Enders Analysis predicts in its mid-range forecast that approaching 45% of UK TV homes will have one or more PVR devices by the end of 2012, but the true value could lie anywhere between 35% and 50%.

BARB: ‘Early BARB Results on Sky+ Usage’ *Tony Wearn*

By comparing BARB’s data on time-shifting trends in homes with PVR equipment against those with only VCRs, this presentation examined the impact which PVR technology has had on viewing behaviour and showed that, whilst time-shifting trends remained similar, the proportion of viewing which was time-shifted was higher in homes equipped with PVR technology.

The increased penetration of VCR’s into homes led to concerns that time-shifted viewing – i.e. recording and playing back – would lead to a situation of largely unmeasured exposure to programmes and, more importantly, advertisements. It was therefore deemed important to try and capture as much ‘opportunity to see’ (OTS) as possible. However, after its peak in 2001, VCR household penetration has since declined, from 87% at its pinnacle to 78%, and is still falling. PVR’s are now the future.

In VCR homes, 2% of broadcast viewing was time-shifted, whereas in Sky+ homes 14% of viewing was time-shifted. The majority of time-shifted viewing was played back on day nought (i.e. the same day) in both PVR (40% of time-shifted viewing) and VCR (just under 40% of time-shifted viewing) enabled homes. In Sky+ homes 18% of time-shifted viewing watched within 7 days of recording is viewed within 1 hour, 17.7% between 1-6 hours, 6.4% between 6-12 hours, 18.8% between 12-24 hours, 16.8% between 1-2 days, 8.8% between 2-3 days, and 13.4% is viewed between 3-7 days after its initial transmission.

There was a marked difference in the proportion of time-shifted viewing by genre, i.e. drama and documentaries were recorded far more often than the news and the weather. Similar trends were found in the PVR enabled homes although the percentage of time-shifted viewing by genre was greater.

Genre	VCR Time-shift %	Sky+ Time-shift %
Drama: Series/Serials	4.9	30.6
Documentaries	2.6	25.5
Soaps	2.7	20.0
Films	2.2	12.5
All Programmes	**1.6**	**13.8**
Sport	0.8	6.5
Children's	0.4	6.7
News/Weather	0.1	3.0

Table showing the percentage of viewing time-shifted be genre

The introduction of Sky+ has had a significant impact on time-shifting behaviour; 70% of homes which were equipped with VCR only did not time-shift at all during the 7 day window. However, in homes with PVR/Sky+ technology, 7.8% of homes did not use it at all for time-shifting purposes. Though these homes may well have used the time-shifting outside of this seven-day window, this is outside of the BARB reporting timeframe.

Proportion of time-shifted viewing	VCR (but no PVR) % of homes	Sky+ % of homes
No Time-shift	70.0	7.8
0-10%	25.7	46.7
10-20%	3.2	17.6
20%+	1.1	27.9

Table showing the proportion of viewing time-shifted in VCR and PVR homes over 7 day period

Although the amount of time-shifted viewing declined from 2.9% in April 1996 to as low as 1.4% in April 2005, it has since increased to 1.9%, due to the advent of Sky+. If, as is predicted, 80% of homes will have digital recording equipment in seven years time, the proportion of viewing which is time-shifted will inevitably continue to rise, leading to a more viewer dominated environment.

<u>'Results of the ACB/London Business School Research – PVRs and Advertising Exposure: A Video Ethnography Study' *Sarah Pearson*</u>

Research conducted by Sarah Pearson, ACB and Patrick Barwise, LBS, presented here by Sarah Pearson, showed that actual use of PVR technology for time-shifting and ad avoidance was low, audience viewing behaviour was dictated by routine, which was usually to watch live first.

Funded by a consortium of Ofcom, Channel 4, Five, ITV, and Initiative, the research carried out by ACB and LBS examined the impact of personal video recorders (PVRs) on television viewing behaviour and, in particular, on ad exposure. ACB used video ethnography to examine *actual* rather than *claimed* viewing behaviour, which enabled more accurate insights into the impact of PVR technology. With the aim of complementing hard data produced by BARB's large samples, ACB used a small sample of soft data, which examined factors such as presence, attention, concurrent behaviours, and interaction.

Using video ethnography, which captured the behaviour of participants at home as well as what they were watching at the time, researchers were able to view participants in context and were able to observe both viewing and non-viewing actual behaviour. As well as the ethnography, further qualitative research was carried out through post-observational structuring of questionnaires and subsequent interviewing. Alongside this an extensive behavioural coding system measured viewing behaviour on a frame-by-frame basis

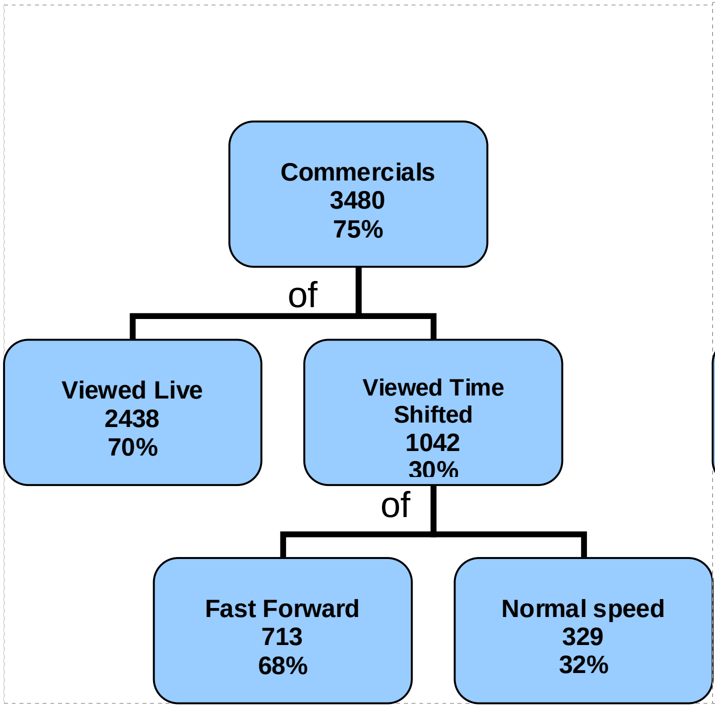
Participants at home watching television – this research was able to capture both the audience behaviour in the lounge and the picture on the television screen.

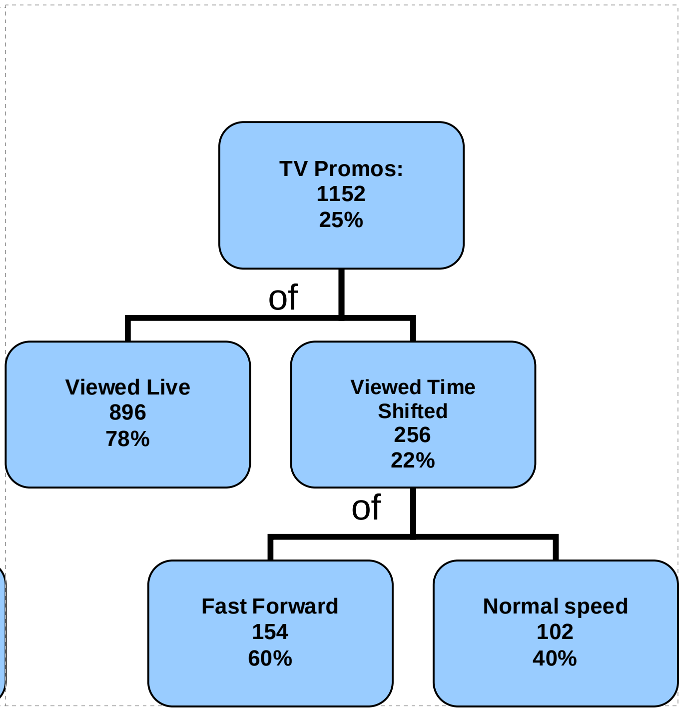
The families observed were demographically diverse. Not all of the homes in the study had Sky+; some had NTL and other packages. The participants had all acquired their PVRs themselves and had owned the technology for between four months and two years. The families were filmed over a period of three weeks. Around the last four to five days of data were analysed (including some weekdays and a full weekend). Footage from these days was edited to include only the commercial breaks, plus five to ten seconds of the preceding and following programmes.

The research found that viewing behaviour was very much dictated by routine and so the majority of participants initially watched live TV and only resorted to time-shifted programmes as a back-up, if there was 'nothing on'. One participant was an exception; this participant's routine was to watch mainly time-shifted viewing during the week, although the participant did tend to watch more live TV at the weekend. Interestingly the research showed no evidence of PVR use among the children or teenagers in the study. In some non-nuclear families this may have been due to ownership issues, where the technology belonged to an adult in the household who was not the child's parent. Furthermore, many children either did not understand the technology, or simply saw no reason to use it. Interviews conducted with the participants revealed that all participants, including those who never used the technology, highly valued the PVR and the capacity to time-shift.

The study captured 3480 opportunities to see (OTS) commercials. Of these, 70% were live and 30% were time-shifted. Assuming that the main set (equipped with PVR technology) accounts for 75% of household viewing, and that 25% of household viewing will be on other sets in the home which do not have time-shifting capabilities, the overall figure of live ad viewing for the household would be 78%, which is lower than BARB's figure of 86%. Optimistic predictions suggest that in ten years time PVR time-shifted viewing may be around 15%. This, however, assumes that the late adopters of the technology will time-shift as much earlier adopters, which of course remains to be seen.

Although the majority of ads seen were commercials (75%) the research showed that a higher proportion of TV promos were viewed at normal speed (either live or time-shifted but not fast forwarded). Of TV promos, only 22% were viewed time-shifted and 40% of these were watched at normal speed. Overall, 70% of commercials were viewed live; of the 30% that were time-shifted 32% were watched at normal speed





By combining the 70% of commercials which were viewed live and the 32% of time-shifted commercials which were viewed at normal speed it was shown that 80% of commercials on the main (PVR enabled) set were viewed at normal speed, the figure for TV promos was 87%. Only 20% of all commercials were viewed in fast-forward. Close observation showed that fast forwarding required concentration, therefore participants often paid close attention to fast-forwarded ads, and sometimes still engaged with them. One participant was observed commenting on adverts as they fast forwarded. Whilst the participant's claimed behaviour was partially accurate, the participant claimed to fast forward through ads and was indeed observed doing so, in this instance, claimed behaviour alone would have concealed interesting actual behaviour.

In sum, based on both qualitative and quantitative research, PVR use is low - live viewing still prevails. Moreover, it has been found that time-shifting does not always mean fast-forwarding; one-third of time-shifted adverts are viewed at normal speed. The research carried out by ACB and LBS has shown that claimed behaviour is problematic and can be misleading and that the importance of measuring actual behaviour cannot be overstated.

Subsequent to this conference ACB conducted a further ethnographic study on similar lines for Thinkbox, examining ad engagement in a further fourteen households - eleven non-PVR and three PVR (all Sky+).

Filming in the three new PVR households on a sample of 16 participants took place in June/July 2006, for a minimum of four and a maximum of six weeks. In a similar way to the initial sample, participants were told that the study was on the use of the room and television, with no reference to advertising or PVR use.

The PVR households selected for the subsequent study complimented the earlier PVR study and addressed some of the limitations of the previous sample. All of the new families were nuclear with two or three children in each – this enabled the observation of usage by children without the complex ownership issues encountered during the previous study (where the technology belonged to an adult in the household who was not the child's parent). There were eight children in total aged 21, 21, 17, 15, 12, 11, 10 and 9, one family also had 2 guests aged 17 and 21 who were present during the study.

The adopters (Perry Johnson 44, Jack Inman 43, Carl King 43 – all tradesmen) appeared to represent a different type of early adopter than those observed in the previous study – whilst they had owned their technology for an average of 18 months the adopters in this second study were less enthusiastic about their TV viewing than the previous participants and they appeared to have purchased the technology for their families rather than for themselves.

In two of the new Sky+ households, footage was recorded and behaviour analysed in both the living room and in the kitchen (both of these families had analogue television in the kitchen) in order to compare the usage of main (PVR enabled) sets with secondary (non-PVR sets).

The findings from this second study often supported the earlier PVR study.

In general routine determined behaviour – which was to watch live first.

Time-shifting on the main PVR enabled set remained low - 24% of OTS were viewed time-shifted.

As TV viewing was captured on the main set and the kitchen set in two households (11 participants) ACB was able to measure the proportion of OTS that were time-shifted when viewing on a secondary (non-PVR enabled) set was included. In the King household 16% of all OTS were timeshifted, this was lower the Inman household with only 7% of OTS timeshifted. It is important to note that both families had additional sets in other rooms in their homes therefore overall timeshifted OTS for the household may be lower.

As with the earlier study some timeshifted ads were viewed at normal speed, however with this second study it was lower representing 18% of timeshifted OTS.

Ethnographic observation showed that the heaviest PVR user in the study was Chloe King (42) who watched a high volume of commercials and timeshifted 35% OTS on the main set. Chloe King fast forwarded 81% of timeshifted ads, of these she fast forwarded 88% at the maximum speed of x30. Chloe King was exposed to 223 ads in total however, as she often watched TV in the kitchen, 54 of these were on the secondary non-PVR set so only 59 ads in total were timeshifted representing 26% of her total OTS on both sets. Chloe King was a heavy TV viewer and was enthusiastic about her PVR technology which enabled her to fit TV viewing around her busy lifestyle.

Only one participant (M 43) did not claim to feel confident about use of the PVR, however, despite claimed confidence by the other participants seven of the sixteen participants were never exposed to timeshifted TV.

All participants over the age of 12 overestimated their PVR use with the exception of the one (M43). Furthermore, as with the previous study, there were gaps in knowledge about Sky+ features e.g. some participants were unaware of the series-link function.

It was found that claimed behaviour was much more accurate in children under 12. Children were observed using the PVR more in the three new families, this may have been because these were nuclear families and so the complex ownership issues, which may have impacted usage by children in the previous study, were not present in the three new families.

The PVR technology was used by some participants from both the original and new PVR households to speed-watch content as well as commercials. As was found with the previous study, close observation showed that fast forwarding required concentration, therefore participants often paid close attention to fast forwarded ads, and sometimes still engaged with them. Therefore it is suggested that ‘speed-watching’ is a more accurate term than ‘fast forwarding’, as advert and programme content viewed at speed was usually watched closely with full eyes on screen, especially by the remote holder, but eyes on screen was also high for other viewers in the room. .

ABC Network: 'PVR Research in the USA' ***Mark Loughney***

Combining ethnographic observation with large scale telephone interviews, ABC Network found that people using PVRs, known in the US as DVRs, reported time shifting only 25% of their T.V. viewing. Their main motivation for doing so was convenience and greater choice of what to watch, only 30% of participants said that their main reason for using the DVR was to avoid ads.

As in Britain, early anecdotal evidence of DVR use in the U.S. suggested something of a revolution in television viewing, which centred around three key areas of discussion:- time-shifting, advertisement avoidance, and the perceived impact on ad revenue. When the American public started using such technology it was widely thought television viewing would change forever and certainly very few people would watch the advertisements. The aim of ABC's research was to gain a more enhanced understanding of the technology's use and adoption, in order to fully comprehend any subsequent implications for advertising, promotions, and scheduling.

Initial ethnography, carried out in 2004, sampled 67 households and involved approximately one thousand hours of observation. In order to be able to generalise their findings to the entire population, ABC followed the ethnography with a large-scale telephone survey, in 2005. The survey was conducted among one hundred randomly selected cable systems across the US, in which over one thousand interviews took place with people aged eighteen and above. Finally, the most recent phase of research, took place in January, 2006, and included 665 adults – both DVR users and non-DVR users – in order to examine specifically how they watch the ad breaks.

Overall, the ethnography suggested that DVRs are not for everybody; many are put off by perceived complexity of use and the issue of cost. Adoption of DVR technology is also largely dependent on one's view of television, and the importance it holds. Furthermore, the importance of live viewing cannot be underestimated; genres such as sport and news typically lose value when time-shifted. Those who chose DVRs were more interested in increased convenience and the ability to easily 'keep up' with their favourite programmes, rather than simply avoiding the ad breaks. The survey results suggested that the key issue in viewers' watching of ads is relevance; a viewer will watch an ad if it is relevant, ABC found 30% of participants watched ads which displayed a product that they were interested in or that they simply found entertaining. This was also found to be the case when viewers were fast forwarding and, due to the level of concentration necessary during fast forwarding, these viewers may possibly have been more attentive.

The 2005 telephone survey determined that there was 6% use of DVR (12% now), just over a third of which was provided by stand alone boxes. Around 90% of DVR users had just one in the household, which meant that the remainder of the household – generally another two sets – did not have time-shifting capabilities. Live TV still accounted for 61% of the total viewing on DVR. Therefore, as only 65% of the participants' total viewing was on a DVR enabled set, only 25% of their total viewing was time-shifted. Although 71% of viewers who time-shifted said that they frequently fast forwarded through the ads, 28% said that they watched time-shifted TV as if it was live, choosing not to fast forward through ads. In addition, an examination of general attitudes towards advertisements found that although 70% of people saw the ad breaks as a chance to do something else, 61% said that they will pay attention if interested, and 41% will watch if they simply have not seen the ad previously.

As has been found with Sky+ users in Britain, ABC found that the overwhelming majority of DVR users (87%) were very satisfied. Nonetheless, only 19% of those surveyed expressed a desire to have another DVR in their household. Another surprising finding was that since having the DVR technology, 25% of participants said that they were *more* aware of ads. So whereas 71% of DVR users said that they fast forward through the ads, 87% are not actually leaving the room or ignoring them, compared with just 48% of non-DVR users, who claim to pay differing levels of attention. If anything, they are paying heightened attention, necessary during fast forwarding.

	DVR owners	**Non-Owners**
Watched commercials in ff mode	71%	-
Stay tuned but paid little attention to commercials	11%	40%
Stay tuned and paid full attention to commercials	5%	8%
Stay tuned, ignored	9%	29%
Changed channel	1%	10%
Left room	4%	12%

Table showing percentage distribution of ad viewing behaviour by DVR owners and non-owners

Though ad interactivity, such as those with ‘red button’ functionality, may increase attention and engagement, the research showed that in order to interact with ads many people would have to see a tangible benefit of doing so – such as a discount, film trailer, etc. Moreover, it was found that although most DVR users do not have the capability to interact with ads, the majority of them expressed a desire to do so - 87% of DVR users who were questioned expressed an interest in interacting with at least one form of interactive advert.

For the ABC Network it is clear that DVR usage is on the ascent. However, it is also apparent that it is not for everybody and live viewing certainly has a future. Although many people will avoid the ad breaks, as ABC has shown, it is a question of relevance. ABC found that if the advert is entertaining enough, or promoting a product that consumers value it will be watched. Furthermore, it was also found that, if future technology allows adverts to be customized to an individual's interests, these adverts are more likely to be watched. The key is to unearth the 'reasons to watch' and to make the best use of viewers engagement with the advertisements – even when in fast forward – whether that be through product integration, ad interactivity, or customizing ads to the individual.

<u>DiMA Group: 'The Shifting US On-Demand Market' *Pat Dunbar*</u>

Research conducted by DiMA Group on the emerging 'on-demand' media suggested that new advertising formats such as long form ads, bumpers and showcases embedded in video on demand (VOD) programmes may be more efficient, for particular products, than the traditional 30 second spot. Pat Dunbar hypothesized that on-demand media is less cluttered, tends to have more aligned relevant advertising, which may result in a more engaged audience for the advertiser.

However, for advertisers, VOD media needs to be considered in the rapidly expanding milieu of consumer controlled platforms. In over 20% of upscale US households these platforms include DVRs, video on demand capabilities, and access to on-demand via broadband video. The on-demand market differs from the DVR market in that the DVR consumer is choosing to record and later watch programmes already in the broadcast schedule. The on-demand user's "potential library" of programmes is being assembled as media contracts and capabilities evolve – therefore in its early forms it has tended to be less robust than a full broadcast schedule.

It has been noted through qualitative research that in households with a combination of DVR and cable on-demand there are a variety of different behaviours as the consumer has an integrated viewing opportunity. This allows them to vacillate between a premeditated mode of DVR viewing to the opportunistic aspects of on-demand, and the spontaneous offerings still available in linear. However, this has only added to the marketplace fragmentation from an advertiser's point of view. To make matters more difficult for advertisers, consistent advertising standards in cable or satellite have yet to emerge. For example, in the case of cable, there are a variety of set-top boxes and "middleware" configurations with multiple idiosyncratic formats, thus it is difficult for the advertiser to achieve a wide “footprint” of consumers to deliver their message to.

The DiMA Group looks at how emerging technologies may affect advertisers and marketers through a variety of programs. Over the past four years, through its ID!A (Innovation in Digital Advertising) – a cross industry working group of over 60 companies - and AdLab programs, DiMA Group has sponsored research and forum discussions to understand trends in the US on-demand markets, and strategise how best to utilise this new media space.

In the AdLab program, qualitative research has been carried out to test the usability of the technology platforms when applied to specific advertiser/programme formats. Participants were observed using the technology in a synthetic living room space, and questioned by a moderator. The research, which is ongoing, has tested a variety of products on over three hundred people, over a period of two and a half years. In order to gain an understanding of consumers’ usage and responses to the on-demand prototype scenarios presented, a combination of one on ones, two person, and focus group settings were utilized to introduce some of the social element that can be inherent in TV viewing.

Overall, in the US (where the average number of hours spent watching TV per day is around double of that in Britain) the picture was one of satisfaction as users perceived on-demand as offering increased convenience. Nevertheless, and likely due to the immature state of the programme offerings, the actual usage of on-demand was fairly low. Statistics have shown that the most popular categories of VOD viewing were music, movies, and children’s programming, and this tracks with the qualitative research which was carried out.

As discussed above, a problem for advertisers within the VOD market, is the wide variation of both system capabilities and available programmes from system to system. From an advertiser's point of view, it is very much a 'work in progress'. However, there are advantages for advertisers on VOD, and many are beginning to explore bumpers and showcases, which may have extended content. A major advantage is that the VOD space can offer an uncluttered ad environment as there is often only one advertiser per show. Perhaps an even greater advantage is the increased likeliness of meeting an engaged viewer; after all, they have actually chosen to watch.

An example of a new and innovative VOD channel 'Driver TV' is entirely focused on information about cars on the market. Similar in concept to web based comparative sites, Driver TV lets users compare vehicles in a side by side format, then lets them dive deeper into individual brand's "showcases." Since it rolled out nationwide the client, General Motors, has reported a consistent viewer-ship of three minute long form adverts, where viewers are watching over 75% of the ads proving that if people are interested in a product, they will watch the information. Although clearly beneficial for automotive advertising, this format is not for everybody. Such a long form advert would be unnecessary and unwanted by the consumer for instant purchase products, such as soft-drinks. Long form adverts appear most appropriate for products or offers which involve more consideration or a broader offer message; suggesting that consumers may be interested in information intensive services like insurance or financial products.

VOD represents an emerging media space in the US. Although it is not likely that this will constitute the majority in terms of viewing in the next few years, it will still add complexity to the marketplace as demographically diverse groups move into the space in tandem with their other media usage. The subsequent challenge for advertisers and marketers is no longer how to get their message into a thirty second spot; the challenge now is to identify where their consumers are and what is the appropriate method(s) with which to engage them. As others have identified, it is not so much about the technology, it is about the way in which the technology is used. Different viewing behaviours will affect receptivity to advertising. Fundamentally the issue of relevance must also be addressed. It is important that, as well as looking at the relevance of the content, (i.e., a food product ad in a food network show) advertisers must also be aware of the consumers' mindset.

Duckfoot: 'What Happens at x30 Fast Forward?' *Dr Alastair Goode*

This study demonstrated that when familiar ads are seen at fast-forward, likeability increases more than if the same ad had not been seen at fast-forward or was seen at normal speed. This research suggests that, certainly for familiar ads, fast-forwarding may have a positive impact on an audience.

As PVR adoption figures increase, more and more viewers are able to time-shift their viewing and they are able to fast-forward through sections they do not want to see. The assumption is that fast-forwarded adverts are ineffective, as they leave no impression on the viewer. Previous research, however, has suggested that even momentary exposure to stimuli can have an influence upon the viewer.

According to Goode the Mere Exposure Effect (MEE) demonstrates that when a person is exposed to a stimulus even for as little as 5 milliseconds their liking of it increases on next encounter. Interestingly this liking increase occurs independently of conscious awareness of the prior encounter. The aim of Goode's research was to examine whether this MEE could be found for adverts seen at fast-forward and at normal speed.

Earlier research by Goode, in 2001, examined Implicit Memory and MEE. Participants were shown a set of adverts for canned drinks, memory and ad liking was tested. The participants were shown a second set which contained some new ads and some which they had been exposed to in the first set. Ad liking measures were taken along with a memory test called the Process Dissociation Procedure (PDP), which estimated respondents Implicit and Explicit memory for the ads. Using this Goode defined Explicit memory as the ability to consciously mentally reconstruct a past event and hence identify the source of the ad and ad message. In contrast Implicit memory was defined as the sense of familiarity for an stimulus that resulted from past experience without the ability to identify its source. This research demonstrated that a MEE could be found for advertising and that it may have been associated with greater Implicit than Explicit ad memory. The research showed a positive correlation between the strength of implicit memory and ad liking.

Goode's second study was designed to investigate whether a MEE could be found for ads at fast-forward. Twenty-four Participants (an equal number of men and women, aged 21-45, who were regular commercial TV viewers) took part in the study. The stimulus consisted of 20 ads, half that were currently running on UK terrestrial prime time and half that were international adverts which participants were unlikely to have seen before.

Participants were split into two groups, one watched ten adverts (5 familiar and five international) at normal speed, and the other group watched ten ads (5 familiar and five international) at x30 fast-forward twice. The ads were counterbalanced across the study design. After exposure to the ads respondents were given a booklet with 6 images from all 20 ads (120 in total) and were asked to rate each image from 1 (dislike a lot) to 7 (like a lot). Goode's research found a significant increase in likeability for the familiar UK adverts when viewed at fast-forward, whilst likeability was unchanged when they were viewed at normal speed. In contrast liking significantly increased when the international adverts were viewed for the first time at normal speed, but remained unchanged when viewed for the first time at fast-forward.

Goode asserted that this result could be accounted for by considering the somatic marker theory proposed by Damasio. The somatic marker is a memory of the emotional state an individual was in when the memory was created. Goode proposed that when an advert is viewed for the first time the viewer experiences a positive feeling which is stored as a positive somatic marker. When this advert is viewed again, at fast-forward, it acts as a catalyst that cues a somatic marker and may result in the positive feeling produced during the exposure effect.

However, if a familiar advert is watched again at normal speed the individual has the ability to cognitively analyse the ad, which overrides the effect of the somatic marker and may inhibit it. Viewing an unfamiliar advert for the first time in fast-forward causes no change in its likeability as no somatic marker already exists. Goode proposed this mechanism to account for how ads viewed at fast forward can positively influence the viewer where as the same ads viewed at normal speed may not.

Goode concluded that the belief that ads viewed at fast-forward had not effect on the audience was incorrect and that a fast-forwarded ad is not a wasted ad.

Initiative: Implications: 'An Agency Perspective' *Sue Moseley*

Sue Moseley, from Initiative Futures, discussed the implications of PVRs for advertisers and marketers and suggested that it was essential new technologies were embraced in order to enhance traditional television advertising

Although the actual impact of PVR technology on viewing behaviour has proved to be more encouraging than original pessimistic predictions suggested, the technology may still have a significant impact on television advertising. It is essential that marketers and advertisers understand consumers in terms of their technological enablement, not simply if they have the technology, but if, and how, they use it. This information is important as it will be necessary to communicate with these people in ways that complement their contrasting viewing experiences. Furthermore, it is important to remember that it is not only PVRs that facilitate time-shifted viewing, there are also video on demand, repeat broadcasters and both legal and illegal downloads, which do not generally carry advertisements.

A key problem in the current technological climate is the diminished effectiveness of the traditional 30 second spot. Moreover, there is the increasing problem of clutter – on average an adult is exposed to 310 TV commercials a week, which has increased by around one fifth in the last five years. Consequently, it has become imperative to embrace new technologies and use them to enhance the thirty second spot. A good example of how this can work is Initiative's campaign for Johnson & Johnson's RoC brand of anti-ageing creams. TV spot and sponsorship activity were amplified by adding 'red button' interactivity to both, enabling the viewer to click through for special offers and additional content linked to the Channel 4 '10 Years Younger' programme. The Channel 4 website for '10 Years Younger' also linked through to the same RoC content. This integrated activity produced significant sales results.

It is important for marketers to understand time-shift behaviour. As knowledge of the types of programmes that are more frequently, or less frequently, time-shifted grows (as a result of studies such as those conducted through BARB) marketers will be better equipped to plan when and where to advertise. For instance, where there is a low tendency to time-shift – such as with sports events, news and reality shows – it is more advantageous to launch and introduce new campaigns. Conversely, instances of higher time-shifting – soap operas and high-profile dramas – may be more suited to reminders of existing products and campaigns; ones that the viewer is more likely to have already formed an opinion on.

The PVR enhances the viewer's experience enabling the user to never miss an episode of their favourite series. Popular programmes will increase in ratings and the least popular will find their viewing numbers diminish. There is the possibility of certain programmes becoming out-priced.

Due to the PVR users' ability to fast forward ads, there is clearly a need to find new ways to engage the audience, even when as ad is in fast forward. Whilst relevance is important, there are certain triggers that will make people stop, this could be music or celebrity, for example, but arguably the viewer is most likely to engage with creative adverts. The Sony Bravia ad, featuring thousands of coloured balls and accompanied by a Jose Gonzalez song, was pre-sold on-line, which created anticipation. When the ad aired some viewers used their PVRs to record the ad for subsequent repeat viewing. Overall the ad was so successful that it had to be temporarily taken off air as demand for the product was overwhelming.

Emerging technologies offer new media spaces and ad formats for marketers to develop. For instance, in the United States, TiVo has its own space where ads can be stored and delivered straight to the consumer. Kentucky Fried Chicken produced an ad that must be watched frame-by-frame to reveal a secret code. The viewer can use this code to claim a free burger on the company's website.

This strategy ensured that the viewer was both attentive and engaged and was likely to look out for future adverts. Channel 4 placed spoof adverts within episodes of ‘Lost’ in an attempt to increase viewers’ attention during ad breaks.

Furthermore, programmes themselves need to be seen as brands and marketers must find various ways in which to associate their products with these programmes. Research has shown that many people will watch promos before and after programmes, or will use them as an indicator of when to stop fast-forwarding. Initiative’s study in the United States identified thirty-three ways in which a programme and a brand can be extended, such as SMS, websites, etc. It was found that the average TV programme in the US offers the consumer 4.7 ways to extend their experience in digital spaces.

New technology is enhancing the television viewing experience with PVR homes increasing their viewing hours after acquisition. Any research in the field of time-shifted viewing, and its implications, must focus on actual behaviour. In order to accurately inform future strategies, it is imperative that marketers continually adapt and evolve in concurrence with the industry.

Closing comments: *Tim Ambler*

Tim Ambler, Senior Fellow at London Business School and author of "Marketing and the Bottom Line," was invited to offer some final thoughts and comments on the day's proceedings, from the perspective of the advertiser. Ambler outlined four key points. Firstly, Ambler questioned whether advertisers should be concerned with the issues highlighted by the research presented at the conference. Advertising research is becoming increasingly complex and requires greater levels of expertise to interpret. Ambler suggests advertisers may choose to leave detailed media issues with the media buying agencies and focus simply on what outputs (effects on their brands) they get for their money.

Secondly, it was suggested that the time of day an advert is broadcast no longer holds the importance it once did. Instead, the presented research suggested that the programmes themselves must now be seen as brands in their own right. Programmes no longer simply compete with one another for ratings, programmes are becoming brands which advertisers attempt to associate their products and brands with. Knowledge or theory about branding can now be applied to "programme brands"; this has further implications for advertisers and agencies to focus their budgets.

Thirdly, the idea, that advertising should be designed with fast forwarding in mind, is very interesting. An ad that can still communicate under those conditions must be communicating well. By designing adverts in such a way, advertisers may see ad effectiveness improve, as was suggested by Alistair Goode's findings. Research into advertising can draw from advances in neuroscience to develop new technique to assess an adverts' effectiveness at these speeds.

The final point concerned with pre-testing. Although there is no evidence that pre-testing works, it may be appropriate for some companies. Advertisers need empirically to see if pre-testing works for their brands, ie by comparing pre-test results with original objectives and post campaign tracking studies. The issue of ad frequency also needs to be addressed; the research presented showed that viewers were increasingly annoyed at seeing the same ad time and again, which suggests that there is a need for a rebalanced schedule, with fewer and perhaps briefer ads. By addressing these issues, highlighted during the conference, and by understanding and embracing new technologies, advertisers may benefit from more effective advertising, making their money go further.