



## THE VIEWER TAKES CONTROL:

### *The DVR's Impact on the Television Advertising Model*

David Poltrack

Chief Research Officer, CBS Corporation

President, CBS Vision, CBS Corporation



# THE DVR



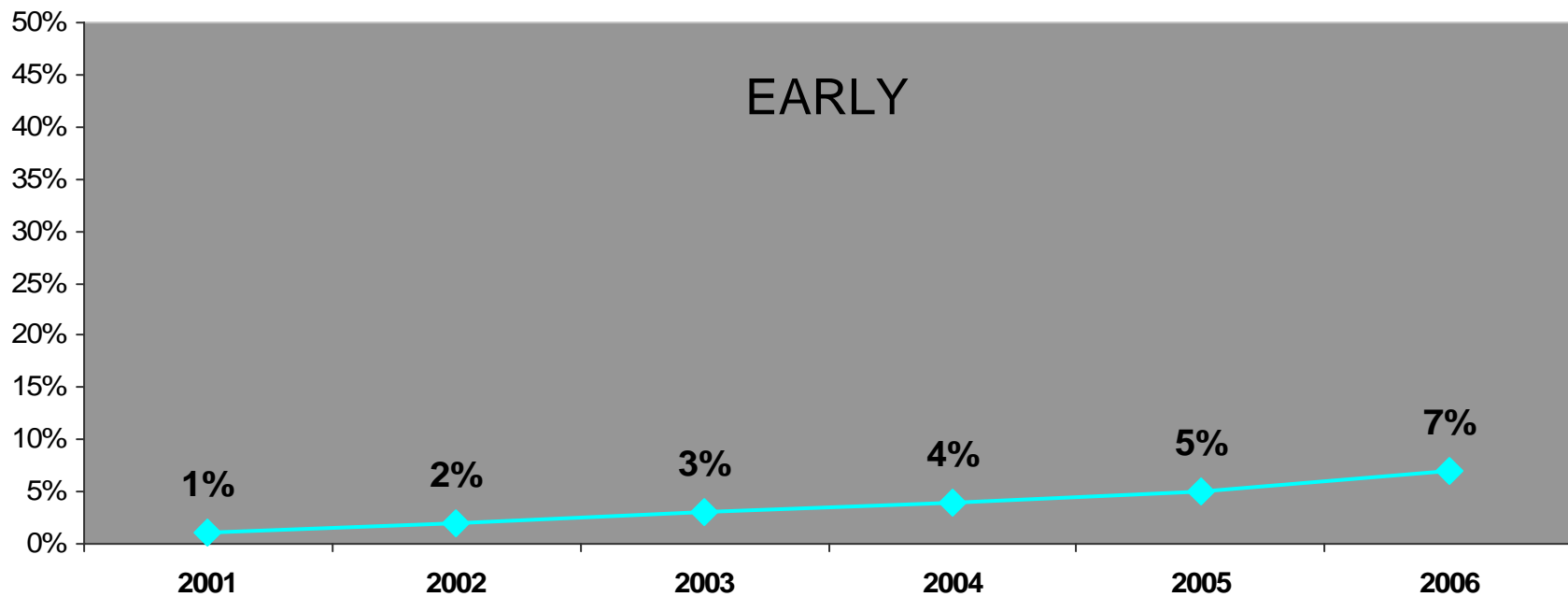
# LONG TERM IMPLICATIONS



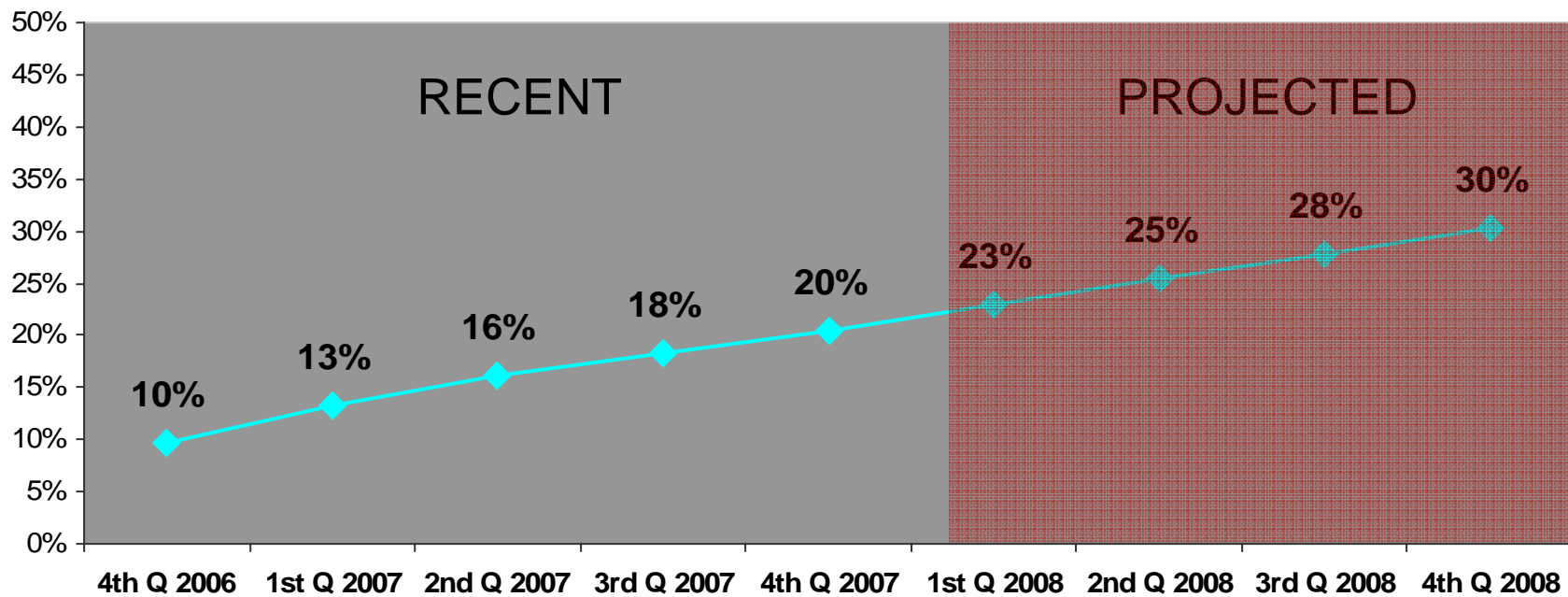
“The new technology from TiVo and Replay provides the ultimate in television convenience, it will spy on you, destroy prime time and shatter the power of the mass market”

—“Boom Box”, Michael Lewis;  
*New York Times Magazine*  
August 13, 2000

# DVR PENETRATION GROWTH TREND



# DVR PENETRATION GROWTH TREND



Source: NTI and CBS RESEARCH ESTIMATES

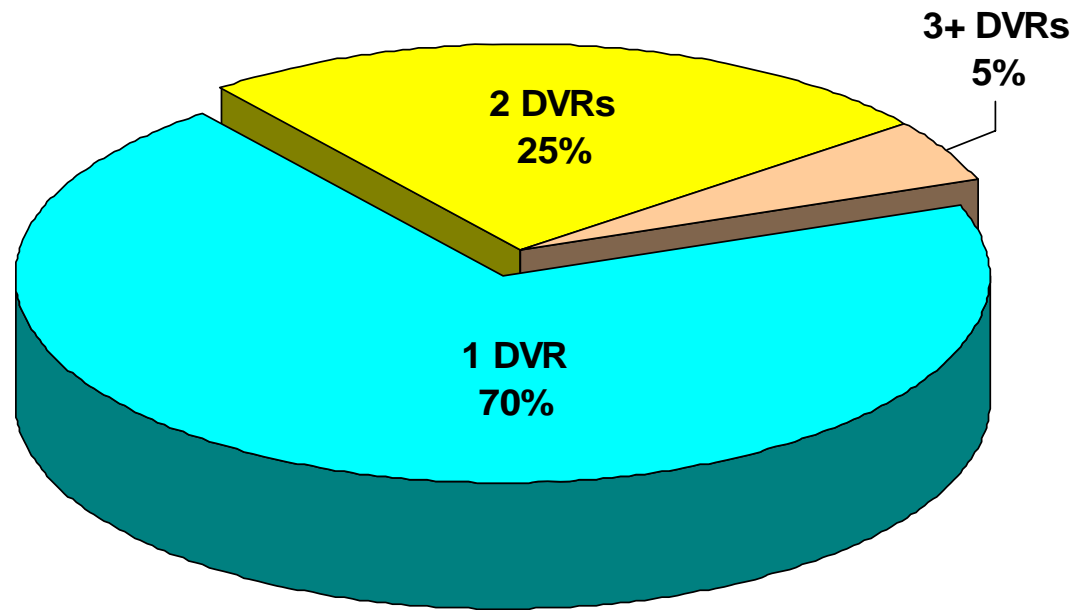


# DVR HOUSEHOLD CHARACTERISTICS

- Currently above 20% of the sample
- DVR Households are:
  - Upper income
  - Higher education
  - Wired Digital
  - DBS
- Households with HOH <35 decreasing
- DVR Households with HOH 55+ increasing

# MULTI-DVR HOME PENETRATION

**30% of Households with a DVR have more than one**



# THE DVR



# PRIMETIME - 2007-08 SEASON-TO-DATE

## BROADCAST NETWORKS

|              | Live-Only | Live+7 Day | Live+7 Day<br>Lift vs. Live-<br>Only |
|--------------|-----------|------------|--------------------------------------|
| Households   | 23.1      | 24.8       | +7%                                  |
| Adults 25-54 | 13.6      | 15.6       | +14%                                 |
| Adults 18-49 | 11.6      | 13.2       | +14%                                 |
|              |           |            |                                      |



Source: NTI, 4-Network Totals, 9/24/07-1/6/08



# PRIMETIME - 2007-08 SEASON-TO-DATE

## ADULTS 25-54

|                            | Live-Only | Live+7 Day | Live+7 Day<br>Lift vs. Live-<br>Only |
|----------------------------|-----------|------------|--------------------------------------|
| 4-Broadcast<br>Networks    | 13.6      | 15.5       | +14%                                 |
| 42-Basic Cable<br>Networks | 14.5      | 15.1       | +4%                                  |

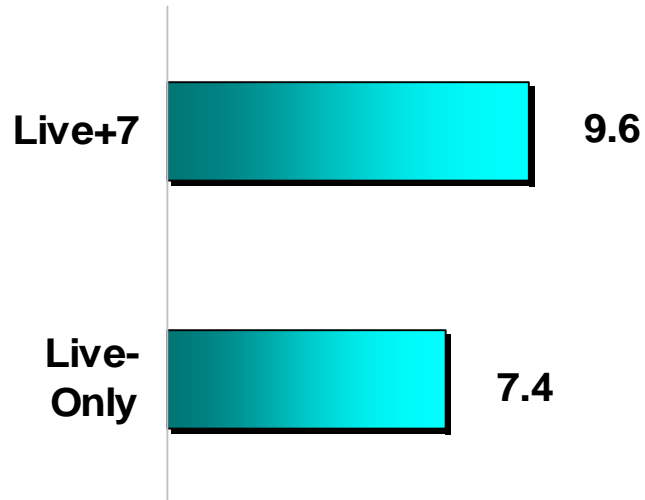


Source: NTI, 9/24/07-1/6/08

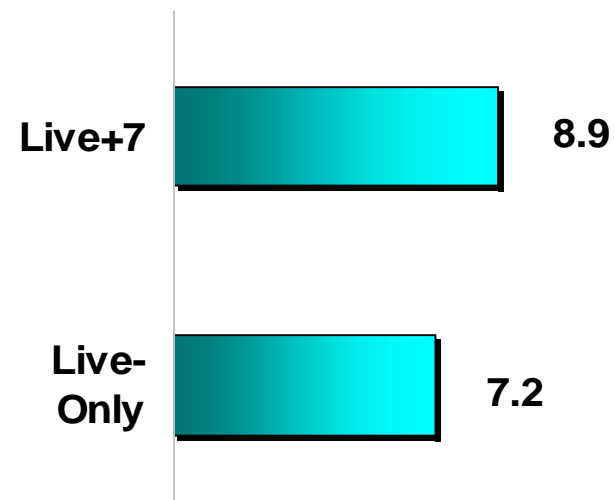


# DVR PLAYBACK LIFT – Adults 25-54

## GREY'S ANATOMY

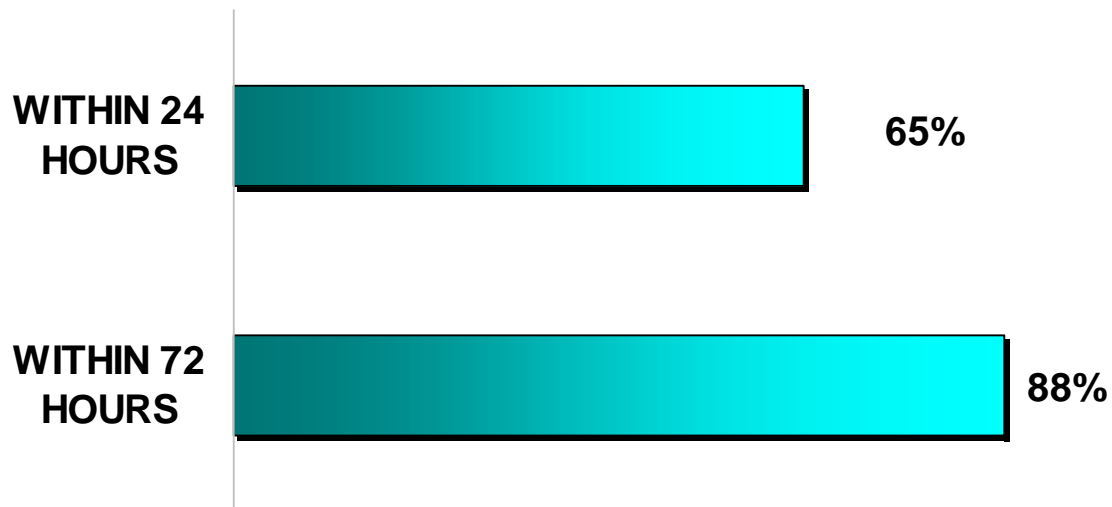


## CSI:



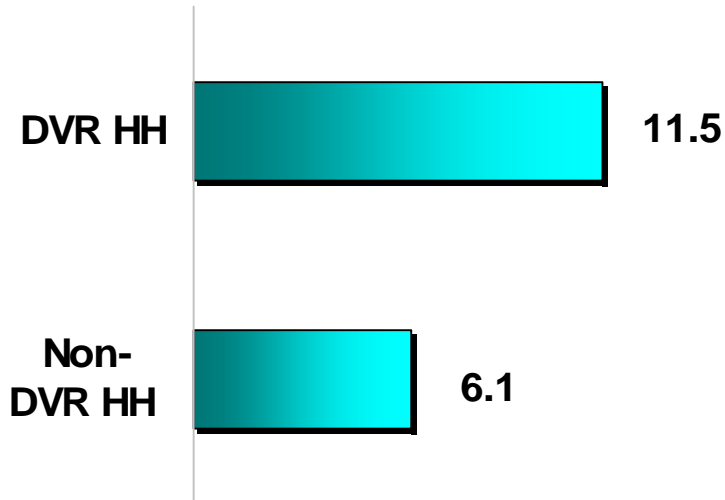
# DVR PLAYBACK INTERVAL

## Average Broadcast Network Primetime Series

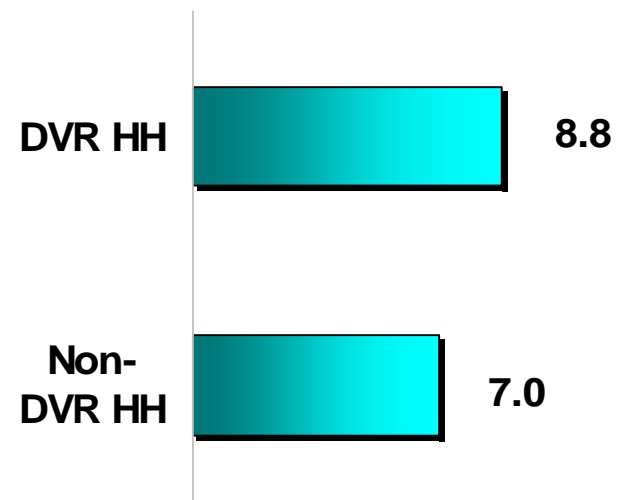


# DVR PLAYBACK LIFT – Adults 25-54

## GREY'S ANATOMY

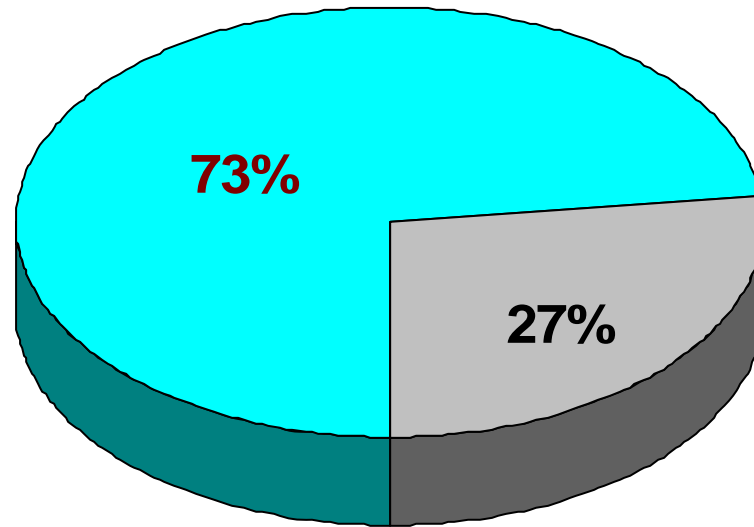


## CSI:



# DVR PLAYBACK LIFT – Total Viewers

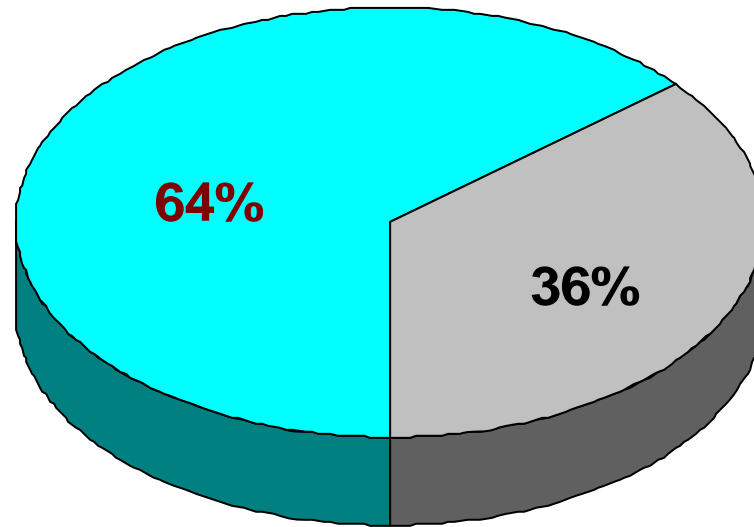
**PRIMETIME 2007-08 PRE-STRIKE**



- **BROADCAST NETWORKS**
- **BASIC CABLE NETWORKS**

# DVR PLAYBACK LIFT – Total Viewers

**PRIMETIME 2007-08 POST-STRIKE**



- **BROADCAST NETWORKS**
- **BASIC CABLE NETWORKS**

# TOP 15 DVR PLAYBACK LIFT - Total Viewers

## PRIMETIME 2007-08

| <u>Rank</u> | <u>Program Title</u>   | <u>Network</u> | <u>Lift (Millions)</u> |
|-------------|------------------------|----------------|------------------------|
| 1           | GREY'S ANATOMY-THU 9PM | ABC            | 3.83                   |
| 2           | HOUSE                  | FOX            | 3.38                   |
| 3           | HEROES                 | NBC            | 2.92                   |
| 4           | DESPERATE HOUSEWIVES   | ABC            | 2.58                   |
| 5           | CSI                    | CBS            | 2.52                   |
| 6           | OFFICE                 | NBC            | 2.41                   |
| 7           | SURVIVOR: CHINA        | CBS            | 2.30                   |
| 8           | PRIVATE PRACTICE       | ABC            | 1.94                   |
| 9           | CRIMINAL MINDS         | CBS            | 1.72                   |
| 10          | CSI: MIAMI             | CBS            | 1.68                   |
| 11          | TWO AND A HALF MEN     | CBS            | 1.65                   |
| 12          | NCIS                   | CBS            | 1.63                   |
| 13          | AMAZING RACE 12        | CBS            | 1.62                   |
| 14          | BIONIC WOMAN           | NBC            | 1.59                   |
| 15          | BROTHERS & SISTERS     | ABC            | 1.58                   |



Source: NTI, 9/24/07-11/4/07



# TOP 15 DVR PLAYBACK LIFT - Total Viewers

## PRIMETIME 2007-08

| <u>Rank</u> | <u>Program Title</u>   | <u>Network</u> | <u>Lift (Percent)</u> |
|-------------|------------------------|----------------|-----------------------|
| 1           | OFFICE                 | NBC            | 31.1%                 |
| 2           | HEROES                 | NBC            | 27.4%                 |
| 3           | REAPER                 | CW             | 22.1%                 |
| 4           | GREY'S ANATOMY-THU 9PM | ABC            | 22.1%                 |
| 5           | PRISON BREAK           | FOX            | 21.9%                 |
| 6           | FRIDAY NIGHT LIGHTS    | NBC            | 21.0%                 |
| 7           | HOUSE                  | FOX            | 20.7%                 |
| 8           | BONES                  | FOX            | 19.7%                 |
| 9           | BEAUTY AND THE GEEK-2  | CW             | 18.6%                 |
| 10          | SMALLVILLE             | CW             | 18.4%                 |
| 11          | AMERICA'S TOP MODEL-3  | CW             | 18.3%                 |
| 12          | JOURNEYMAN             | NBC            | 18.0%                 |
| 13          | SURVIVOR: CHINA        | CBS            | 17.9%                 |
| 14          | MY NAME IS EARL        | NBC            | 17.8%                 |
| 15          | CHUCK                  | NBC            | 17.7%                 |

# THE ECONOMICS - Advertising



“C3” ...

*The New Currency*

# COMMERCIAL AUDIENCE – THE ISSUE

- Now that Nielsen has added DVR homes to the sample, how should playback be credited?

# THE ADVERTISERS' PERSPECTIVE

- Use individual commercial minute or average commercial minute measure.
- Correctly identify commercial minutes.
- How to handle mixed program/commercial minutes.
- No value for fast-forwarded minutes.
- Proper playback duration, Live-Only, Live+Same Day, Live+7 Day or some other duration.

# THE SELLERS' PERSPECTIVE

- Not all viewers fast forward through all of the commercials during playback.
- Exposure to commercials in the fast-forward mode has some proven communications value.

# THE SOLUTION

- Switch “currency” audience measurement from **program** audiences to **commercial** audiences.
- Since Nielsen records viewing through detection of audio codes, commercial minutes fast-forwarded through are **NOT** included in audience count.

# ISSUES TO ADDRESS

- Not all viewers fast forward through all of the commercials during playback.
- Exposure to commercials in the fast-forward mode has some proven communications value.

# IMPACT OF CHANGE TO COMMERCIAL RATINGS

## PRIMETIME 2007-08 (20% DVR Penetration)

| INDEX *                 | HH   | A 25-54 | A 18-49 |
|-------------------------|------|---------|---------|
| 4-BROADCAST NETWORKS    | 97.4 | 98.4    | 98.6    |
| 42-BASIC CABLE NETWORKS | 92.6 | 92.7    | 92.5    |

\* Index = Live+3 Commercial vs. Live-Only Program

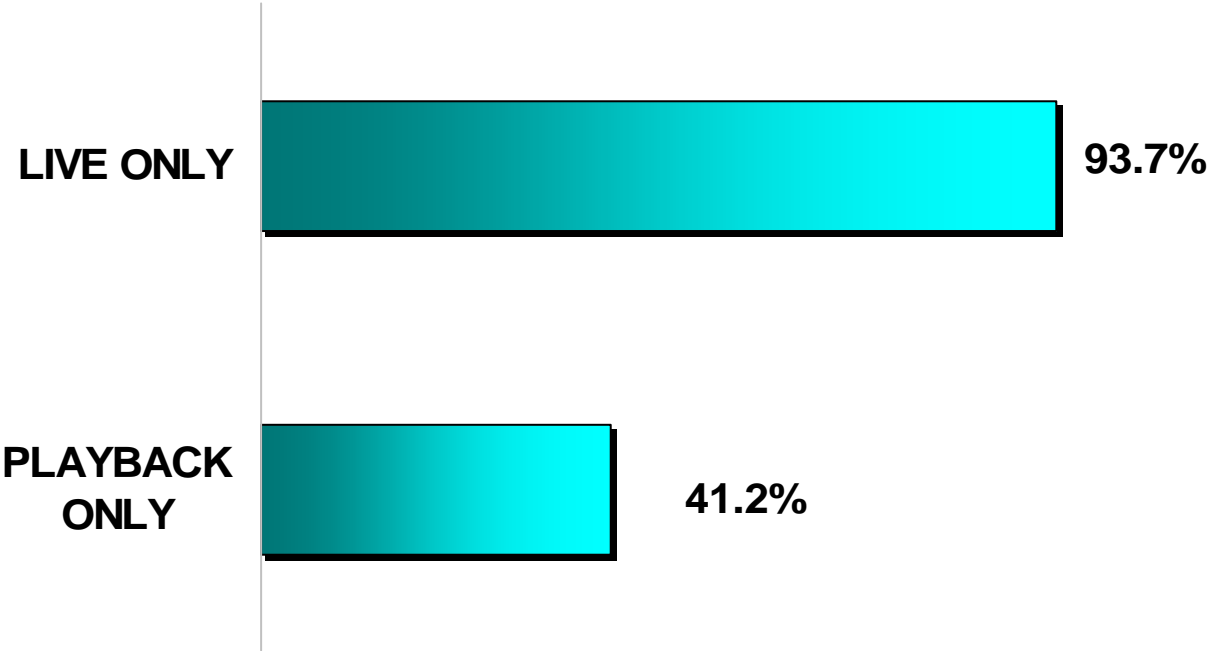


Source: NTI, BCAST=9/24/07-1/6/08; CABLE=9/24/07-12/16/07



# IMPACT OF CHANGE TO COMMERCIAL RATINGS

## COMMERCIAL EXPOSURE - PRIMETIME 2007-08



[Commercial Exposure = Avg Commercial Audiences vs. Avg Program Audiences]



Source: NTI, Live Program and "C3", 9/24/07-1/6/08



# IMPACT OF CHANGE TO COMMERCIAL RATINGS

## **PRIMETIME 2008-09 PROJECTION (35% DVR Penetration)**

| INDEX *                 | HH    | A 25-54 | A 18-49 |
|-------------------------|-------|---------|---------|
| 4-BROADCAST NETWORKS    | 104.2 | 105.3   | 105.5   |
| 42-BASIC CABLE NETWORKS | 99.1  | 99.2    | 99.0    |

\* Index = Live+3 Commercial vs. Live-Only Program



Source: CBS RESEARCH ESTIMATES



## IMPACT OF CHANGE TO COMMERCIAL RATINGS

- Some, but not all, ratings will be lower as the switch is made from program to commercial minute basis.
- Playback audience that does not fast-forward through commercials will be added back into currency.
- Playback as a percent of total audience 14%
- Commercial minutes watched 41%
- Audience recaptured 5.7%

# IMPACT OF CHANGE TO COMMERCIAL RATINGS

## **OTHER DAYPARTS 2007-08 (20% DVR Penetration)**

| <b>INDEX *</b>          | <b>HH</b>    | <b>25-54</b> |
|-------------------------|--------------|--------------|
| <b>M-F MORNING NEWS</b> | <b>95.9</b>  | <b>91.7</b>  |
| <b>M-F EVENING NEWS</b> | <b>98.9</b>  | <b>98.4</b>  |
| <b>M-F DAYTIME</b>      | <b>102.5</b> | <b>105.3</b> |
| <b>M-F LATE NIGHT</b>   | <b>89.2</b>  | <b>90.2</b>  |

\* Index = Live+3 Commercial vs. Live-Only Program

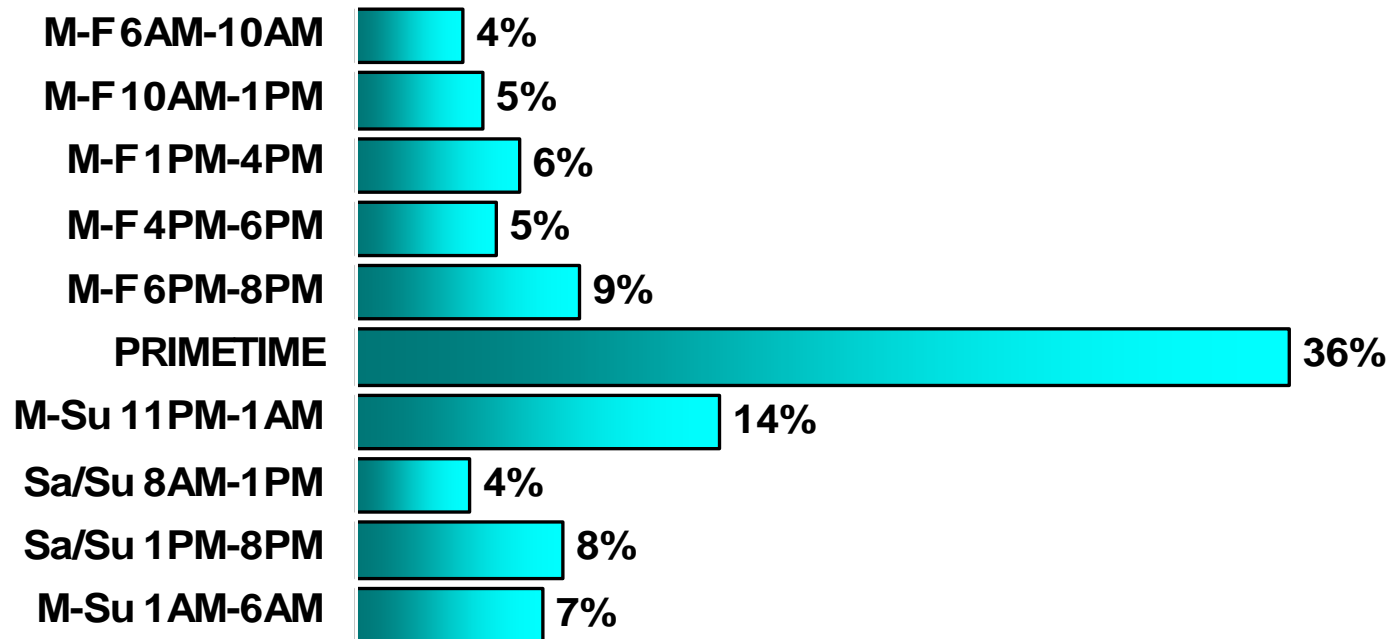


Source: NTI, 9/24/07-12/30/07



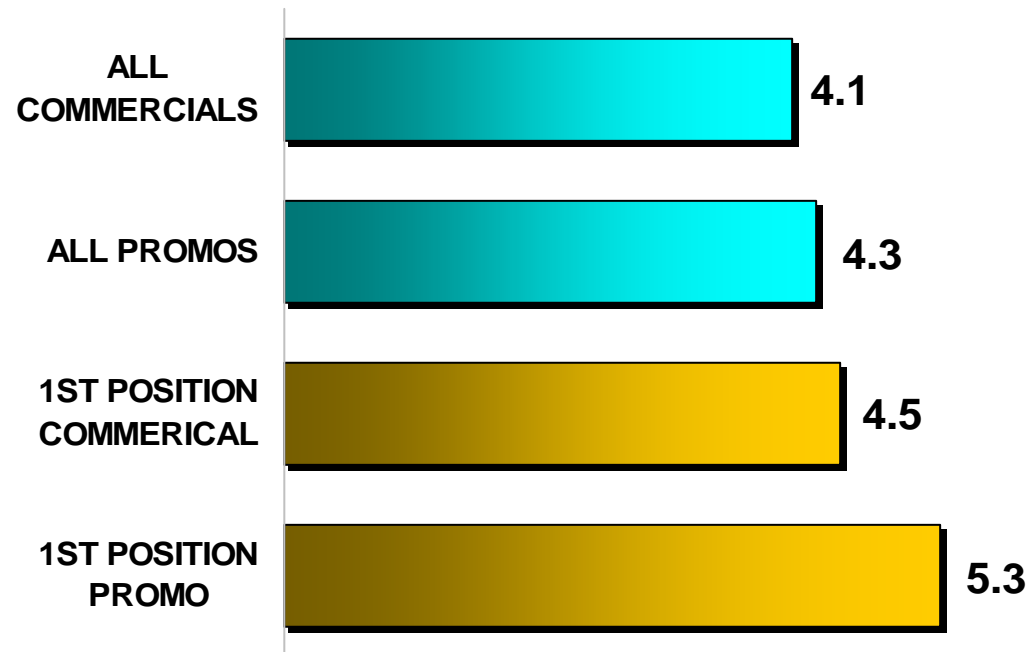
# DVR PLAYBACK BY DAYPART

## *Distribution of Playback Ratings – A 18-49*



# TiVo StopWatch – Second-by-Second Data

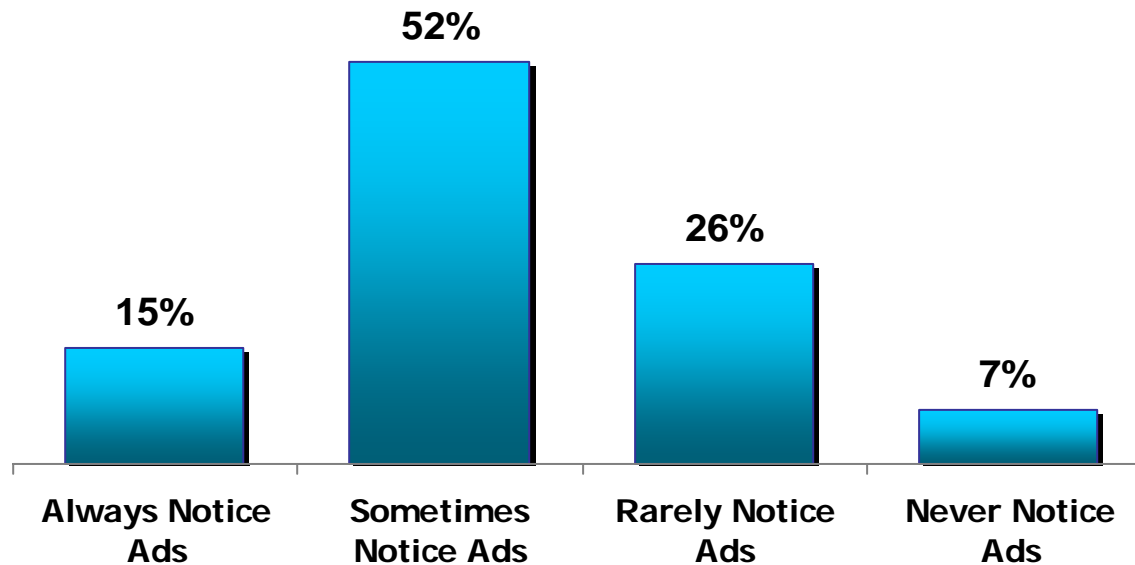
## PROMO VS COMMERCIAL RATINGS



# DVR STUDY – Insight Express

## COMMERCIAL SKIPPING

Percent of Time Shifting Viewers



## Total Average Across Categories – DVR Owners

There is a slight decrease in ad recognition and ad recall related to time-shifting versus live viewing.

|  | DVR Owners Watch Air Time % | DVR Owners Watch as Playback % | Index of Air Time Against Playback |
|--|-----------------------------|--------------------------------|------------------------------------|
| <b>Ad Recall*</b><br>(Aware of TV Advertising for Specific Brands)                   | 44                          | 41                             | 93                                 |
| <b>Prompted Ad Recognition*</b><br>(Recognized Ads Based Upon 6 Unbranded Ad Frames) | 47                          | 41                             | 87                                 |

\* Note: Specific ads and brands included in appendix. Ad recall averages only include 16 brands shown for prompted recognition.  
 Q6b. Please indicate where you have heard, seen or read anything recently about (BRAND) by checking Yes or No below.  
 Q7. Have you seen this television ad before?

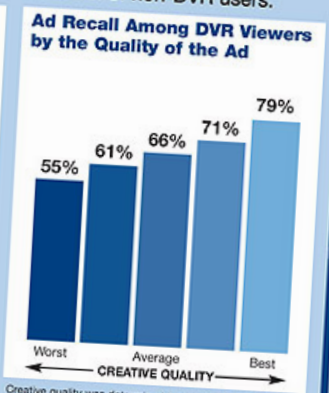
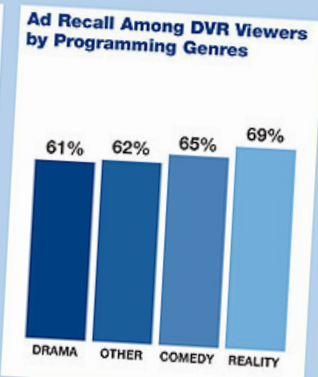
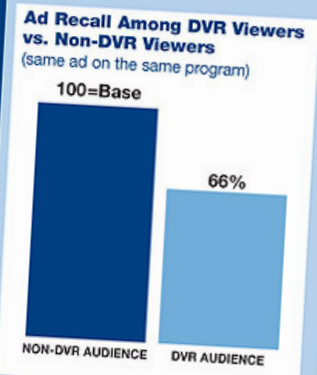


# DVR Users Recall Ads

**IAG reports DVR users have significantly higher ad recall than expected.**

A comprehensive study analyzed more than 4,000 individual ads covering 2,400 programs airing on 21 networks in prime time.

- Ad recall among DVR viewers, during playback, is only 1/3 less than among non-DVR users.
- DVR viewers of reality programs have the highest ad recall—in part due to product placement.
- Ad recall among DVR viewers varies by creative quality, with the best ads reaching almost 80% of the level of non-DVR users.



To mitigate the impact of prior exposure, IAG analyzed new creative only.

Creative quality was determined by creating quintiles of the ads' general recall rate measured during their initial airings and among non-DVR viewers.



Source: IAG, IMPACT OF DVR USE ON AD EFFECTIVENESS, 1Q 2007.

# LONG-TERM IMPLICATIONS

- Nielsen Valuation Study
  - Studied 243 brand placements in 50 different programs
  - Used three separate measures
    - Brand Recognition
    - Shift in Brand Attitude
    - Purchase Intent

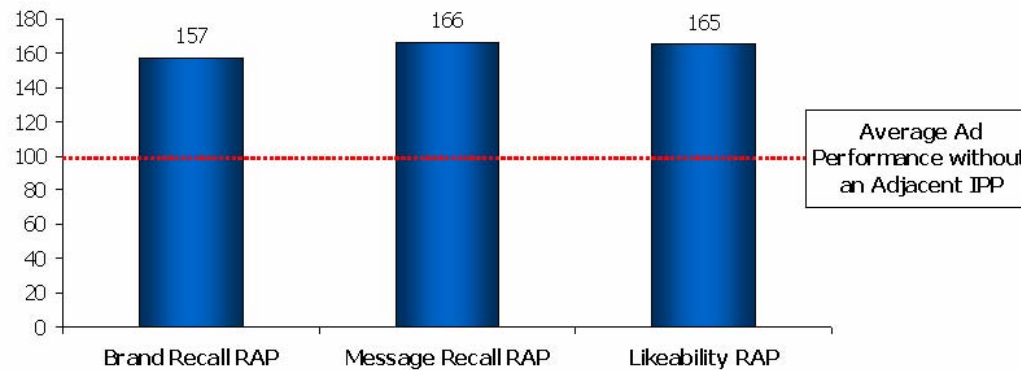
# LONG-TERM IMPLICATIONS

IAG | Research

## Impact of Adjacent In-Program Placements (IPPs) on Ad Performance

- Ads are much more effective when they air during a program in which the brand is integrated. Brand Recall was 57% higher on average for ads airing adjacent to an IPP compared to airings of the same ads without an adjacent placement.

Relative Ad Performance (RAP): Performance of Ads when airing with Adjacent IPP Indexed to Performance of Same Ads when not airing with Adjacent IPP



Source: IAG Research Ad Performance Data, 4/1/06 – 6/30/06  
Limited to non-sports programming; A18-49

Note: Relative Ad Performance (RAP) compares the performance of a specific ad in a program with an In-program Placement (IPP) to nearby outside airings of the same ad without an IPP. Above data reflect the average RAP Index across all IPP-adjacent Ads during the measured time period.

1

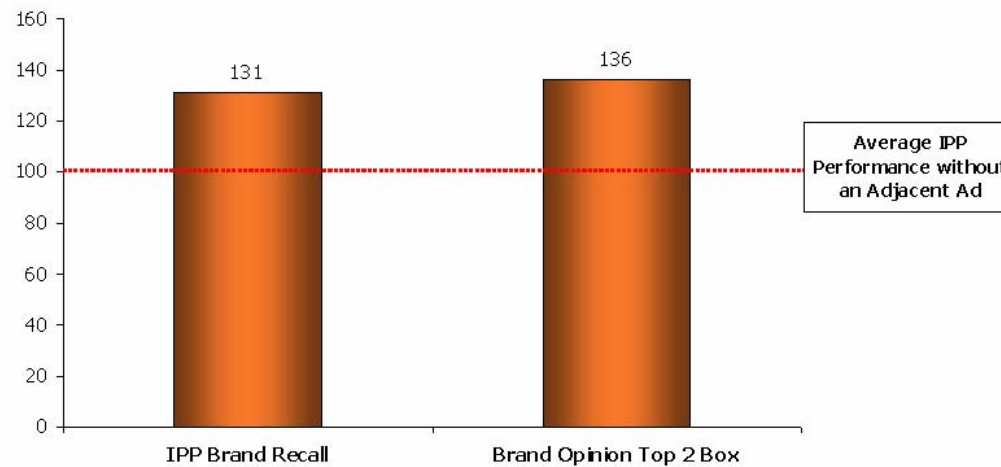
# LONG-TERM IMPLICATIONS

IAG | Research

## Impact of Adjacent Ads on In-Program Placement (IPP) Performance

- Integrations that involve both an in-show placement and an accompanying advertisement during the show resulted in substantially higher Brand Recall than integrations without an adjacent ad. Brand Recall was 31% higher for IPPs that were paired with an adjacent ad.

Performance of IPPs with Adjacent Same-Brand Ads Indexed to Performance of IPPs without Adjacent Same-Brand Ads



Source: IAG Research In-Program Performance Data, 4/1/06 - 6/30/06  
Limited to non-sports programming; A18-49

2

# LONG-TERM IMPLICATIONS

- Commercial audience to program audience ratio in non-DVR homes is likely to remain stable.
- More homes will switch to DVR-enabled status.
- Viewing of the most popular broadcast network programs will increase as DVR penetration increases.
- This increase will eventually lead to commercial audience levels that exceed current program live-only program audience levels.
- The broadcast networks will increase audience share at the expense of the cable networks.

# LONG-TERM IMPLICATIONS

- Top broadcast programs will become more valuable as vehicles for **product placement**. The increased number of DVR households will lead to larger audiences for these programs and product placement will offer an alternative to the fast-forward-vulnerable 30-second commercial.
- Broadcasters are still struggling with putting a value on various forms of product placement; however, **recent studies by IAG and Nielsen should help**.

---

# Thank You!

