



## Effects and Implications of Digital Video Recorders on Television Commercials

### EXECUTIVE SUMMARY

#### Objective

To provide understanding of the impact of Digital Video Recorders (DVR's) on national commercial television audiences.

#### KEY ANALYSIS CRITERIA

- a. As of January 2009, DVR's are estimated to be in approximately 28% of US TV households.
- b. All data analyzed is from Nielsen People Meter Research (N-Power software) for the period 9/29/08 – 12/28/08.
- c. The audience demographic analyzed is Adults 18+.
- d. A distinction is made between the audience of the *program* and the audience of the *commercial* as follows:

<b>Live Program:</b>	The average number of Adults 18+ that watch a program live.
<b>C – Live:</b>	This is the average number of Adults 18+ watching the <i>commercials</i> in a given program. C-live audiences are usually lower than program audiences because of channel switching.
<b>Live +3:</b>	Similar to live program ratings, this number includes viewers that have played the program back on their DVR's within three days of the original airing. Live program viewers are included in live +3 audience estimates.
<b>C – 3:</b>	This is the average number of Adults 18+ watching the <i>commercials</i> in a given program (due to DVR playback) over three days from the original airing. It includes the original live viewers. It does not include viewers that fast forward through commercials when playing back a program.

#### FINDINGS

- I. Compared to the total audience potential of the program, DVR's do contribute to commercial audience erosion. This erosion varies by program and by daypart as follows:



*% Audience Commercial Drop-off (vs. program audience) Due to DVR Fast-Forwarding*

15 Top-rated Broadcast Prime Time Programs: <sup>1</sup>	-6 percentage points
Daytime/prime access syndication: <sup>2</sup>	no change
Daytime Soaps/Talk Shows: <sup>3</sup>	-4 percentage points
Network early morning: <sup>4</sup>	-1 percentage point
10 cable networks in prime time: <sup>5</sup>	-2 percentage points

There are differences by program and by network:.

- a. Grey's Anatomy had the highest audience drop-off due to DVR's -10.8%, while the audience drop-off to House was only -3.7%
- b. Bravo showed an audience drop-off of 4.7% vs. HGTV of .94%.

II. The net effect of DVR's is that they actually increase commercial viewership.

This is because some viewers watch the commercials within the three day playback period. If they did not have a DVR to record the program initially, they would not have an opportunity to watch the commercial later on.

The degree of increased commercial audience varies by program and time of day:

*% Increase of C-Live to C-3 Audiences*

15 Top-rated Broadcast Prime Time Programs:	+6.1%
Daytime/prime access syndication:	+1.8%
Daytime Soaps/Talk Shows:	+4.5%
Network early morning:	+1.3%
10 cable networks in prime time:	+2.4%

These audiences would be even higher if some DVR viewers did not fast forward commercials.

<sup>1</sup> Dancing With the Stars, Desperate Housewives, Grey's Anatomy, Cold Case, Criminal Minds, CSI, CSI: Miami, CSI: NY, Eleventh Hour, The Mentalist, NCIS, Survivor: Gabon, Two and a Half Men, Without a Trace, House

<sup>2</sup> Access Hollywood, Dr. Phil, Ellen, ET, Jeopardy, Regis and Kelly, Oprah, TMZ, Wheel of Fortune

<sup>3</sup> All My Children, Guiding Light, General Hospital, Y & R, One Life to Live, Days of Our Lives, The View, As the World Turns, Bold and the Beautiful

<sup>4</sup> The Today Show, CBS Early Show, Good Morning America

<sup>5</sup> A & E, Bravo, E, Food, FX, HGTV, History, Lifetime, Soapnet, USA, WE



## COMMENTS/IMPLICATIONS

I. Time-shifting and commercial avoidance is nothing new. It has been occurring since VCR's were invented in the early '80's. DVR's have been described as VCR's on steroids. While they are easier to operate than VCR's and have more functionality, their much hyped effect on audience erosion is, as the numbers indicate, exaggerated

II. Broadcast and cable television are still the only media forms capable of delivering millions of commercial viewers live, in an instant.

Program and commercial audiences are down vs. years ago due to many factors: greater program choice leading to fragmentation, DVR's, VCR's, the Internet, etc. This does not mean the medium is dead from either an entertainment or advertising standpoint.

On the contrary, many advertisers can now reach specific target audience groups with low-out-of-pocket targeted cable networks that were not available 10-20 years ago. This is a meaningful marketing benefit.

III. DVR's will continue to pose a threat to commercial viewing as their household penetration increases. However, we expect this inevitable growth will continue to primarily impact prime time commercial viewership (broadcast and cable) and less for the other dayparts. This analysis should be performed annually to ensure complete understanding of the situation.

## Detailed Nielsen Adult 18+ Audience Estimates

9/28/08-12/28/08

Source: Nielsen N-Power

Program Name	Live AA Proj (000)		Live +3 AA Proj (000)	
	(Program)	(Commercial)	(Program)	(Commercial)
<b>Selected Prime</b>				
DANCING WITH THE STARS	16,556	15,637	17,922	16,158
DESPERATE HOUSEWIVES	13,261	12,479	15,652	13,426
GREY'S ANATOMY-THU 9PM	11,188	10,518	13,932	11,590
COLD CASE	10,683	9,916	11,502	10,277
CRIMINAL MINDS	13,389	12,571	15,323	13,431
CSI	16,716	15,562	18,987	16,563
CSI: MIAMI	12,010	11,336	13,208	11,876
CSI: NY	12,505	11,937	13,653	12,477
ELEVENTH HOUR	10,594	10,173	11,536	10,669
MENTALIST, THE	14,791	13,844	16,516	14,653
NCIS	15,705	14,941	17,614	15,828
SURVIVOR: GABON	10,154	9,616	12,191	10,377
TWO AND A HALF MEN	12,589	11,687	14,135	12,435
WITHOUT A TRACE	11,069	10,647	11,923	11,026
HOUSE	<u>9,141</u>	<u>8,772</u>	<u>11,387</u>	<u>9,834</u>
	<b>190,351</b>	<b>179,636</b>	<b>215,481</b>	<b>190,620</b>
<b>Syndication</b>				
ACCESS HOLLYWOOD (AT)	2,519	2,473	2,556	2,504
DR. PHIL SHOW (AT)	4,215	4,415	4,390	4,530
ELLEN DEGENERES SHOW	2,647	2,634	2,870	2,765
ENTERTAINMENT TONIGHT	2,695	2,620	2,729	2,652
JEOPARDY	8,562	8,721	8,753	8,837
LIVE WITH REGIS AND KELLY	3,313	3,190	3,383	3,229
OPRAH WINFREY SHOW	6,057	6,414	6,467	6,640
TMZ	2,516	2,480	2,600	2,547
WHEEL OF FORTUNE	<u>10,734</u>	<u>10,916</u>	<u>10,849</u>	<u>11,012</u>
	<b>43,259</b>	<b>43,863</b>	<b>44,598</b>	<b>44,715</b>
<b>Daytime/Early Morning</b>				
ALL MY CHILDREN	2,269	2,211	2,556	2,351
AMERICA THIS MORNING	1,502	1,548	1,510	1,556
GENERAL HOSPITAL	2,455	2,406	2,805	2,574
GOOD MORNING, AMERICA	4,304	4,089	4,356	4,130
ONE LIFE TO LIVE	2,377	2,328	2,570	2,435
VIEW, THE	3,813	3,707	4,098	3,860
AS THE WORLD TURNS	2,392	2,331	2,584	2,429
BOLD AND THE BEAUTIFUL	3,252	3,128	3,474	3,246
EARLY SHOW-1	3,104	2,935	3,119	2,948
EARLY SHOW-2	2,602	2,523	2,617	2,537
GUIDING LIGHT	1,927	1,886	2,018	1,935
SATURDAY EARLY SHOW	1,734	1,681	1,744	1,691
YOUNG AND THE RESTLESS	4,416	4,354	4,822	4,554
DAYS OF OUR LIVES	2,348	2,304	2,662	2,461
EARLY TODAY	900	897	902	899
SATURDAY TODAY	3,472	3,411	3,526	3,458
SUNDAY TODAY	3,246	3,324	3,298	3,369
TODAY SHOW	<u>5,147</u>	<u>4,758</u>	<u>5,233</u>	<u>4,816</u>
	<b>96,638</b>	<b>90,685</b>	<b>96,917</b>	<b>92,916</b>
<b>Cable Prime (M-Sun. 6p-12mid)</b>				
A&E	1,004	941	1,040	958
BRAVO	507	457	557	476
E!	438	377	460	388
FOOD	700	636	718	645
FX	878	783	933	815
HGTV	816	768	835	779
HISTORY	877	789	898	801
LIFETIME	1,171	1,084	1,207	1,101
SOAPNET	319	319	327	324
USA	2,318	2,170	2,442	2,231
WE	<u>192</u>	<u>172</u>	<u>200</u>	<u>176</u>
	<b>9,219</b>	<b>8,497</b>	<b>9,617</b>	<b>8,692</b>