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# Advertising in the DVR Age

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Written by **DVR  
Research Institute**



# 1. The Lowdown

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DVRs allow television consumers to watch programming on their schedule. The ability to time-shift programming also allows viewers to fast-forward through commercials. With a DVR in 30 percent of U.S. households in the beginning of 2009, the impact of DVRs can no longer be ignored. Advertisers who ignore the impact of DVRs risk wasting valuable advertising money.

Savvy advertisers are already creatively adjusting their TV advertising strategies to address the widespread use of DVRs—coming up with innovative ways of getting their messages across to consumers, even in a time-shifted world.

How DVRs affect the effectiveness of TV advertising depends on the answers to the following questions:

- How many TV households have DVRs?
- What percentage of TV watching is time-shifted in DVR households?
- How many ads are skipped in time-shifted mode?
- What impact do DVRs have on the cost of advertising (CPMs, C-3 pricing, etc.)?

The answers to these questions are not always straightforward. The answers vary with the target audience and its ethnicity, location, socio-demographics, age, etc., and with factors like program genre and day part. Answering these questions is the first step in the process of adjusting an advertising strategy to the new DVR reality.

Adjusting an advertising strategy to the new DVR reality necessitates a reassessment of all aspects of (TV) advertising and requires a tailored response across all dimensions; i.e., spending levels, program selection, day-part selection, creative strategy, frequency, advertising format (commercials, product placement, sponsoring, etc.), positioning, and target audience selection.

There is no one-size-fits-all approach to adapting an advertising strategy to the ad-skipping phenomenon. The best practices vary across many dimensions: industry, target audience, campaign type or purpose, and product positioning.

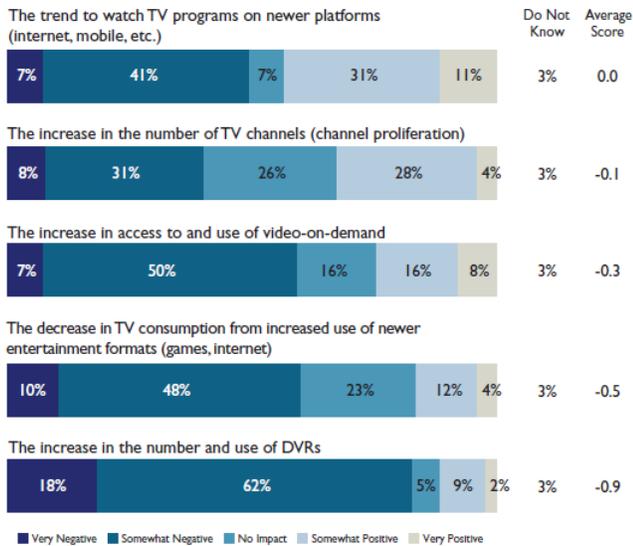
Changes in DVR penetration and DVR usage will result in changes in commercial viewership and changes in the cost of TV advertising. These changes, in turn, will affect the effectiveness of TV advertising, requiring a continuous revision of the tailored strategic response to maintain advertising spending efficiency. Measures that worked last year will not necessarily work this year.



## 2. Why Do I Need to Know About It?

### EXHIBIT 1: HOW DO YOU RATE THE IMPACT IN THE NEXT 3 YEARS ON THE EFFECTIVENESS OF TV ADVERTISING OF...

Respondents: Advertisers and Advertising Agencies



Number of observations: Advertisers: 72, Advertising Agencies: 112

Advertising executives believe DVRs represent the greatest challenge to TV advertising over the next three years. More than 80 percent of advertising executives believe that DVRs will have a serious negative impact on the effectiveness of TV advertising. DVRs are a bigger threat to TV advertising than, for instance, the shift in media consumption or the increased use of Internet (Exhibit 1).

A survey of 200 advertising executives by the DVR Research Institute revealed, widespread misconceptions about how DVRs impact TV viewing habits and the

effectiveness of TV advertising. Misconceptions also exist on what the implications are of the C-3 rating as the industry's new currency for ad time compensation. These misconceptions and misunderstandings may doom some advertisers to make unnecessary mistakes that result in wasted advertising dollars and missed opportunities. The first step in any attempt to incorporate DVRs in a TV advertising strategy should, therefore, be to establish a sound fact base about DVRs (see below).

## 3. The Thing to Remember Is...

While DVR usage represents challenges, a study recently released by the DVR Research Institute suggests opportunities for advertisers to adjust strategies to continue to benefit from the high-impact, high-reach aspects of TV advertising. The study, *Advertising in the DVR Age*, is based on the survey response from 200 top U.S. advertising executives, in-depth interviews with industry thought leaders, and an analysis of past and future industry trends. The study includes a thorough review of the advertising strategy changes that are being contemplated or implemented and an assessment of the best practices in responding to the new DVR reality.

The study suggests an easy three-step approach for advertisers to adapt their strategy to the new DVR reality (Exhibit 2).



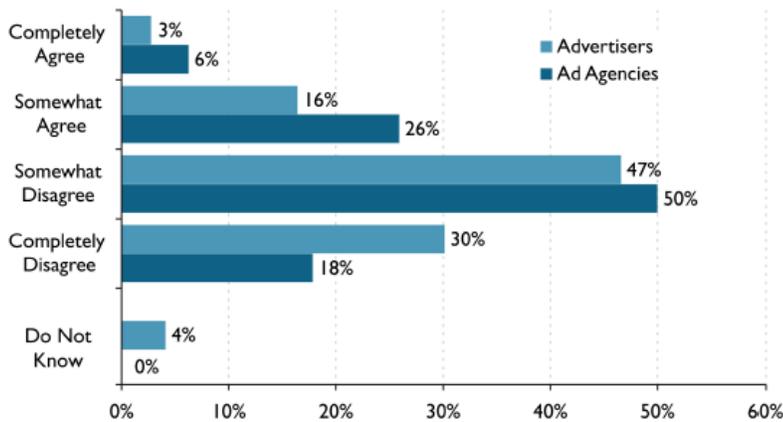
**EXHIBIT 2: THE STUDY SUGGESTS AN EASY THREE-STEP APPROACH FOR ADVERTISERS TO ADAPT THEIR STRATEGY TO THE NEW DVR REALITY.**

Three step approach for advertisers to adapt their strategy to the new DVR reality



First, advertisers have to establish the fact base about DVRs. Advertisers who do not correctly assess the basic facts about DVRs and their impact on TV advertising are likely to either overestimate or underestimate the true impact and either overreact or underreact to DVRs. This, in turn, will result in waste in advertising spending.

**EXHIBIT 3: TO WHAT EXTENT DO YOU AGREE/DISAGREE WITH THE FOLLOWING STATEMENT: "I HAVE THE RELEVANT INFORMATION ABOUT DVRs AND THE IMPACT THEY HAVE ON (TV) ADVERTISING"?**



Number of observations: Advertisers: 73, Advertising Agencies: 112

Establishing the fact base about DVRs may not be as simple as it seems. The study *Advertising in the DVR Age* shows that about 70 percent of the advertising executives acknowledge that they do not have the relevant information about DVRs and their impact on TV advertising (Exhibit 3). Advertisers who turn to their advertising agencies for answers to these questions should note that 68 percent of ad agencies acknowledge they do not have this information either. As indicated earlier,

misconceptions and misinformation are widespread among advertising executives.

*Advertising in the DVR Age* helps advertisers in establishing a fact base on DVRs. It contains the key statistics on:

- How many households have a DVR or are expected to have a DVR over the next three years.
- What percentage of TV watching is time shifted, how that percentage evolved over time and how it varies across program genres, day parts, etc.
- How many ads are skipped in time-shifted mode?
- The impact of DVRs on the cost of advertising.



*The second step* in the process is to evaluate best practice strategies in response to the impact of DVRs.

What can advertising executives do to address the increased use and penetration of DVRs? A large number of things. DVRs require the reassessment of *all* aspects of TV advertising strategies.

Leading advertising executives are already taking, or considering taking, measures to mitigate the effects of DVRs on TV advertising effectiveness including:

- Reevaluating the media mix and reassessing TV budget allocations (versus Internet or other media)
- Using alternate forms of TV advertising (e.g., product placement, pop-up ads, sponsorship, etc.)
- Reassessing daypart selection (primetime, nighttime, daytime, etc.)
- Reallocating TV advertising to different program types (news, sports, etc.)
- Adapting creative strategy to DVRs (more/less funny, more/less elaborate, more/less emphasis on branding, etc.)
- Changing the placement of a commercial in a commercial pod (first, middle, last)
- Changing the length of the typical commercial and the airing frequency

*Advertising in the DVR Age* includes an assessment of the effectiveness of all these measures.

*The third step* consists of tailoring the best practices to the advertising strategy of the product or service under consideration.

As previously stated, there is no one-size-fits-all approach to adapting an advertising strategy to the ad-skipping phenomenon. The best practices from the car industry do not work for pharmaceuticals. What works for seniors does not work for teenagers (who have different program preferences, multitask when watching TV and are more avid DVR users). *Advertising in the DVR Age* reviews all the available strategic options and shows how leading advertisers are prioritizing changes in advertising strategy. It also shows how the effectiveness of strategy changes vary across campaign type, target audience, and program/daypart.

Decisions about the appropriate strategies to use are critical. Costs are significant and misallocating spends can result in wasted money and lost opportunities. Devising the right combination of placement and creative strategy holds a significant upside for advertisers.

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### **About the DVR Research Institute**

(<http://www.DVRresearch.com>)

The DVR Research Institute is the leading provider of market research and consulting services specific to the impact of Digital Video Recorders (DVRs) on advertising strategies. Advertising in the DVR Age is available on the DVR Research Institute's Web site.

With its proprietary databases, tools, and templates, the DVR Research Institute has consulted for many companies on adjusting their strategy to the new DVR reality and on setting benchmarks.

The experience base of the DVR Research Institute is very broad and covers many industries and target audiences. It can direct advertisers and advertising agencies to best practices that are relevant to their target audience, product, and advertising budget.

**DVR Research Institute Management**

**Tom Schultz**

**[tom.schultz@DVRresearch.com](mailto:tom.schultz@DVRresearch.com)**

**Adam Zarrin**

**[adam.zarrin@DVRresearch.com](mailto:adam.zarrin@DVRresearch.com)**

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