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The Future of Viewer Control on Television Advertising

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by

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ABSTRACT

The past decade has witnessed a number of technological advancements altering the way people watch television. Digital video recorders (DVRs), video on demand (VOD) and online streaming video liberate viewers from the constraints of live television by allowing them to select the programs they want at their convenience. While many viewers celebrate these advancements as a victory for consumer control, many advertisers and broadcasters worry that fewer people will watch the commercials that fund the production of television programming.

Although only four to six percent of current television viewing occurs through these alternative means, researchers anticipate a dramatic increase in non-traditional television over the next few years. Advertisers fear that the time-shifting and ad-skipping capabilities of these new technologies will render television commercials ineffective. As a result, many advertisers are shifting their media budgets away from traditional 30-second commercials toward television sponsorships and the Internet. Television networks, however, argue that viewers still perceive advertising messages, particularly if viewed in a short period after the original airing. Purveyors of DVR, VOD and online video seek to assuage advertisers' fears by developing alternate methods of including advertising within these new formats

In my thesis, I argue that advertisers who oppose these alternative methods of watching television are both overestimating the decline of commercial viewing and overlooking the valuable opportunities that the new technologies provide. The data demonstrates that viewers who use these alternative methods actually watch more

television, meaning that they have an increased opportunity to watch the advertisements. Additionally, DVR, VOD and online video companies can supply a wealth of information that advertisers can use to target consumers more effectively. As a result, television advertising will continue to flourish by reaching consumers who are interested in hearing the message that the commercial pitches.

Key Terms: branded entertainment, digital video recorder, digital video recording, DVR, online video, product placement, sponsorship, television advertising, TiVo, on-demand, video-on-demand, VOD, YouTube

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1. INTRODUCTION

The past decade has witnessed a number of technological advancements altering the way people watch television. Digital video recorders (DVRs), video on demand (VOD) and streaming online video liberate viewers from the constraints of live television by allowing them to select the programs they want to watch at the most convenient times. DVRs, also known as personal video recorders (PVRs), allow users to record programming they can play back later. Instead of using tapes, DVRs record directly to a hard drive, which can store dozens of hours of material and can be easily accessed via an on-screen menu. DVR users can also pause and rewind live television, and record and watch programming simultaneously on different networks. Most DVRs include the capacity for recording all episodes of a particular series, and some, such as TiVo, allow users to create a wish list for potential programming or automatically record programming based on viewing habits.

While DVR users select and store their own programming, VOD allows viewers to select a program to watch at any time from a menu of available material placed on a cable operator's server. Users can most commonly watch shows free of charge, but movies or popular television shows may charge a small fee to view. In addition to shows developed for networks, VOD can feature programming developed specifically for the service. The term "VOD" can also refer to similar Internet-based services such as iTunes and YouTube, but I have split this kind of viewing into a separate category called "online video."

Researchers estimate that, currently, only four to six percent of television viewing occurs through these alternative means (eMarketer, 2006; Story, 2007a). However, these

numbers are predicted to increase dramatically in the near future, as more cable operators add DVRs and VOD to lure consumers to their digital cable packages (Story, 2007a). Market research firm eMarketer projects that the percentage of DVR-enabled households will increase to 34.8 percent by 2010, with VOD penetration rising to 42 percent in the same time period (eMarketer, 2006). This thesis examines how these technological advancements, which allow viewers to decide when and how they watch television, affect the future of the television advertising industry.

2. REACTIONS OF ADVERTISERS AND BROADCASTERS

Advertisers and New Technology

Many advertising industry executives view the expected increase in personal video technology as sounding the death knell for traditional television advertising. According to a 2005 survey conducted by the American Advertising Federation (AAF), 75 percent of respondents "believe the DVR will have a dramatic impact on television advertising" (Fortunato and Windels, 2005, p.138). This same survey also found that 58 percent "have either changed or are poised to change their advertising plans in response to DVRs" (Mandese, 2005b, p.26). Research by McKinsey & Co. only adds to the negative perception of the future of television advertising. The consulting firm predicts that, by the year 2010, only 12 percent of television advertising will be effective, citing a "decline in ads viewed due to switching off," "loss of attention to ads due to increased multitasking" and a "decrease in message impact due to saturation," also known as advertising clutter (Klaassen, 2006c, p.32). Tom French, director at McKinsey, cautioned, "You've got pronounced changes in consumer behavior while they're consuming media. And ad spending is decreasingly reflecting consumer behavior" (Klaassen, 2006c, p.33).

Under particular threat is the venerable staple of television advertising, the 30-second spot. A study conducted by Forrester Research in March 2006 found that nearly 70 percent of the Association of National Advertisers members surveyed "believed DVRs and VOD would reduce or destroy the effectiveness of the traditional 30-second commercial" (eMarketer, 2007a). Don Cole, Corporate Media Director for the Atlanta-based Fletcher Martin agency, warns that

> [t]he DVR will rock the marketing and advertising industry to the core. The mighty thirty-second spot, our industry standard, will die a slow death. Its utility will diminish greatly over the next five years, and will be a minimal part of the mix ten years from now. (Cole, 2005)

Aditya Kishore, media and entertainment strategies analyst for research firm the Yankee Group, advises media buyers and planners that "[i]f [a 30-second commercial] is all you have in your arsenal, you're at a disadvantage from advertisers who have been experimenting with new technologies and trying new things" (Posnock, 2004, p.30).

In place of the 30-second commercial, many advertisers are turning to placing advertisements in the sponsored programming itself. In addition to the more traditional use of product placement, advertisers are developing other methods of blending together entertainment and a commercial message. An October 2006 report from ICOM found that marketers named branded entertainment, or advertiser-created programming, one of the top 10 "fasting growing new media" (Belcher, 2006; Story, 2006a). A Forrester Research study found that a majority of Association of National Advertisers (ANA) members planned to invest more in branded entertainment and sponsorship of television programs (Mermelstein & Zid, 2006, p.6). Anheuser-Busch is positioning itself as a branded entertainment leader, launching the online network Bud.TV in February 2007 (Story, 2006a). Bud.TV features six channels of programming produced by the beer company, with a seventh channel for consumer-generated content (Elliott, 2006). Anthony T. Ponturo, Anheuser-Busch in St. Louis's vice president of global media and sports marketing, states, "We're trying to get out in front of consumers who are spending six hours a week online. Marketers had better understand how to effectively reach them" (Elliott, 2006).

Advertisers are also experimenting with using television commercials to direct viewers to more information online. Television advertising from advertisers such as BMW and American Express show clips from online film series to draw interest in the company's Web sites. These films incorporate the advertisers' products into the narratives, serving as a kind of longer-form advertising. The AAF found in 2006 that advertising executives viewed broadcast television as the medium "most innovative in integrating online media into advertising/marketing solutions," and, in second place behind magazines, the medium "most effective for driving traffic to advertiser Web sites, online promotions/offers or other Web-based marketing sites" (Belcher, 2006).

Advertisers are unlikely to discard television advertising completely, however. The 2005 AAF survey found that 55 percent believed "the thirty-second commercial will remain as the foundation of the television advertising industry" (Fortunato & Windels, 2005, p.142). Steve Grubbs, CEO of media agency PHD US, argues, "When you have great creative, the 30-second spot is still hugely impactful. Great creative will always break through" (Posnock, 2004, p.32). Some advertisers are focusing on cable television, believing that it is still an effective way to target audiences, who "can be as interested in the niche advertisements on a network such as the Food Channel as they are in the actual program content" (Fortunato & Windels 2005, p.144). However, Chris Charron, vice president of Forrester Research, holds the less optimistic view that the industry may simply be making excuses for its unwillingness to change: "[N]etworks and ad agencies … have a lot of stake in the buying and selling of advertising going on as it has for years, so they're not going to be very fast to move to these new forms of media" ("The Chaos Scenario," 2005). Joe Ambeault, director of broadband services for VOD-technology

provider SeaChange, agrees: “Advertising is always about crawl, walk, run. The reality is that the technology can sometimes exist for as much as a decade before it gets used” (Kerschbaumer, 2005b, p.28).

Changes in Media Budgets

Television has long been the most expensive medium for advertisers, who spent more than $70 billion on television advertising in 2006 (Story, 2007a). As popular television programs become more expensive to produce, networks need to charge even more money for spots to bridge the gap (Graser & Atkinson, 2005, p.21). Over the previous decade, advertisers increased their spending for broadcast television advertising by 40 percent, while viewership declined by nearly 50 percent (Klaassen, 2006c, p.33). Columnist and ad critic Bob Garfield argues, “In that span, the advertiser cost of reaching consumers has nearly tripled” (“The Chaos Scenario,” 2005).

In response, many advertisers are reallocating the portions of their media budgets originally devoted to television. Sixty percent of ANA’s surveyed members stated that they would “spend less on TV ads when DVR use spreads to 30 million homes” (Mermelstein and Zid, 2006, p.6). One media-agency executive surveyed by the AAF stated that his company has “reduced television [buys] considerably,” warning that there will be “more to come unless rates come down to reflect lost viewership” (Mandese, 2005b, p.26). Some major advertisers, including Procter & Gamble and General Motors, have already slashed their traditional television spending in favor of event marketing, branded-entertainment deals and VOD advertising (Halliday, 2006, p.8).

Despite these threats, media merchant bank Veronis Suhler Stevenson estimates that television advertising spending will increase from $71.1 billion in 2006 to $87.2 billion in 2010 (eMarketer, 2006). The reason for this projected continued growth of television advertising lies in the fragmented nature of the Web, which complicates finding advertising space online that is both available and likely to be seen. Amy Guggenheim Shenkan, senior practice knowledge specialist for McKinsey & Co., asserts, "Should everybody shift 30 percent of their ad dollars to the Web? No. There wouldn't be room today if everybody wanted to shift online" (Klaassen, 2006c, p.33).

Changes in Television Ratings Systems

The past decade has been characterized by an increasing degree of media fragmentation, fueled by the growing popularity of satellite television, digital cable, video games, the Internet and portable devices. As a result, "the network audience has eroded an average of 2 percent a year for a decade, while the US population increased by 30 million" ("The Chaos Scenario," 2005). Although advertisers continue to pay high rates for popular programs, their ads are unlikely to reach more than 15 percent of the population during prime time, a steep reduction from the 40 percent that could be reached in the mid-1980s (Foust & Grow, 2004).

The increasing media fragmentation leads many broadcasters to call for an adjustment to the traditional rating measurement system. Television networks, reluctant to give away what they perceive as free audiences to advertisers, argue for the inclusion of DVR viewing in the program ratings used for negotiating advertising rates. Alan Wurtzel, president of NBC Universal research, contends that "[t]he live-only data stream

is a distortion of how people watch television today. The media agencies know people are watching TV shows time-shifted on DVRs" (Consoli, 2007b, p.4). In January 2007, the broadcast networks announced that they would no longer accept live-only program ratings in the 2007-2008 upfront negotiations with advertisers, with demands ranging from CBS's live plus same day to ABC's live plus seven days (Consoli, 2007b, p.4).

Media agencies, believing that DVR users only skip commercials, refuse to break away from traditional program ratings. Chris Allen, GSD&M Advertising's vice president-associate director of national broadcast, argues, "Successful advertisers are paying the freight for people who are not sticking around to watch the ads already. They shouldn't also be paying for others who skip them" (Atkinson, 2005, p.55). MediaCom chairman Jon Mandel discourages accepting time-shifted ratings, citing the fact that some advertisers create spots targeted to certain times of day: "So for a food client, it's 'When do you want to advertise – before they eat or after they eat?' It's a creative issue, not a media issue" (McClellan, 2005, p.4). Other marketers say that they will agree to accept the factoring in of DVR viewing once VCR recording is eliminated from ratings numbers. MAGNA Global's Steve Sternberg claims that VCR recording, which can add five percent or more to some programs' audience levels, "is still much more significant than DVR playback is" (McClellan, 2006, p.10).

One possible compromise is using commercial ratings, rather than program ratings, to determine advertising rates. Dave Poltrack, CBS's executive vice president and chief research officer, states that he believes commercial ratings will be acceptable in the 2007-2008 upfront negotiations: "We know the advertisers want to use commercial ratings rather than program ratings. They've been telling us that for years" (Consoli,

2006, p.4). Both TiVo and Nielsen have announced plans to market commercial ratings information. TiVo's Stop||Watch system offers an option for advertisers and broadcasters who are interested in ratings for specific advertisements. The DVR company tracks second by second which commercials its 4.5 million subscribers watch and which they fast-forward (McClellan, 2007, p.7).

Nielsen's data, which the company will begin releasing in May 2007, provides only "one average rating of all the commercial minutes within a show" (Consoli, 2006, p.5). Although Nielsen's set-top boxes collect data every few seconds, the company believes networks and advertisers lack interest in such detailed numbers (Story, 2007a). Lyle Schwartz, broadcast director and managing partner at the agency Mediaedge:cia, agrees: "Average commercial-minute ratings are the only practical approach for use as currency and transaction purposes. … The other approaches are impractical given the current Nielsen sample size and logistics involved in buying and selling time" (Schwartz, 2006, p.12). Until the broadcasters and advertisers agree on an industry standard, however, commercial ratings are unlikely to make much of impact on the negotiations process.

New Technology and Increased Television Watching

Advertisers' worries over DVR, VOD and online video may be misplaced, however. A November 2006 report from eMarketer announced, "With one in four households able to access VOD and nearly 16 percent having a DVR in 2006, a change in TV usage should be reflected in the data. But it is not" (eMarketer, 2006). Similarly, a

December 2006 study by Leichtman Research Group found that only 8 percent of online video watchers "strongly agree that they watch television less often" (eMarketer, 2007b).

If fact, these alternate methods of television viewing often increase the size of the audience of a television program. Next Research found that "TiVo users watch five to six more hours of television weekly on average, because viewers can focus more on the programs they like" (Posnock, 2004, p.32). One study by Nielsen, using DVR tracking, discovered that some broadcast shows increased their audience by four percent over the seven days after the programs originally aired (Consoli, 2005, p.5).

Competition between two or more successful programs can improve ratings at an impressive rate when time-shifted viewing is included. During the 2006-2007 season, ABC's *Grey's Anatomy* and CBS's *CSI* both aired on Thursdays at 9 p.m. EST. *Grey's Anatomy* rated 10.4 among adults 18- to 54-years-old in non-DVR homes, but rose to 18.2 in DVR homes over the seven days after its original airing (Poltrack, 2006, p.22). Likewise, *CSI*'s ratings improved from 9.4 to 14.2 (Poltrack, 2006, p.22).

Although the new technologies may increase program ratings, many advertisers question whether their advertisements will be seen. *Advertising Age* speculates: "The super-lucrative Thursday 9 p.m. slot … looks sure to send consumers to their DVRs and Internet browsers – with the potential consequence that many of the ads in these expensive shows get zapped" (Atkinson & Klaassen, 2006, p.38). However, a 2007 study by Nielsen found that the percentage of commercials watched by DVR users increased by 22 percent over the seven days after they originally aired (eMarketer, 2007a). While the number is far less than full viewership, eMarketer still declared these findings "good news for advertisers who have been worried that the DVR boom would kill TV ads

completely” (eMarketer, 2007a). Some analysts contend that, because DVRs allow viewers to watch programs that they would otherwise fail to see, DVR owners now have a chance to view advertisements that they also would have missed (Fortunato & Windels 2005, p.142). Ben Macklin, senior analyst for eMarketer, declares, “One cannot lose something one never had. DVRs and VOD usage will merely assist in the redistribution of those dollars to where the content is accessed” (eMarketer, 2007a).

3. DIGITAL VIDEO RECORDING (DVR)

Characteristics of DVR Users

Digital video recorders, or DVRs, first entered the American market in 1999 (Story, 2007a). Current estimates place them in 12 to 20 percent of households, generally in those characterized by above-average levels of education and income (Story, 2007a). This percentage is expected to double by the end of the decade (eMarketer, 2006). Tracey Scheppach, vice president and video innovations director at Starcom USA, asserts, “Four of five people use the word ‘love’ when they describe this product, and when you have a product that powerful, it is going to become mainstream” (Story, 2007a).

As the previous section discussed, the most threatening feature of the machine for advertisers is the ability to fast-forward through commercials. DVR owners appreciate the freedom that ad-skipping provides to watch a television program in less time, to watch more television in the same amount of time or simply to bypass annoying commercials (Fortunato & Windels, 2005, p.139). However, a study conducted by the American Broadcasting Company (ABC) found that “the main reason for using the DVR was for greater control over programs, rather than the ability to skip ads” (Lord, 2006, p.13). Tim Brooks, Lifetime Television’s executive vice-president of research, agrees that DVR owners primarily want “to reorganize when they watch TV. Skipping is a secondary part of it, and some ads stop people in their tracks” (McClellan, 2005, p.4).

However, even the popularity of using DVRs to time-shift television programming may be overstated. A 2006 study by marketing research firm Millward Brown discovered that, even among DVR owners, 61 percent of television viewing is live

(Wurtzel, 2006, p.19). Some types of programming, such as news, sports and local content, are particularly likely to be watched live (Fann, 2003, p.21; Bachman, 2005, p.10). In addition, some viewers time-shift programming by as little as five minutes (McClellan, 2005, p.4). Steve Sternberg, executive vice president at MAGNA Global Market Research, contends that “[p]eople are buying DVRs not because they want to time-shift all of their viewing and skip all commercials, but because they want to time-shift some of their viewing” (Story, 2007a).

Additionally, much of the past information about DVR user behavior comes from early adopters, who “tend to be far more extreme in how they use technology” than mainstream users (Wurtzel, 2006, p.19). ABC found that non-subscribers who were given a DVR were less likely to fast-forward through commercials than early adopters (Lord, 2006, p.13). During a similar study, conducted by cable network ESPN, 57 percent of participating households returned their DVRs before the study’s end, “citing reasons ranging from installation hassles to such problems as the DVRs clashing with their home furnishings” (Mandese, 2005a, p.11). These findings may indicate that television viewers who do not already own DVRs may not be interested in the devices, or may not want to time-shift their viewing as much as early adopters.

DVR Users and Ad Watching

Many consumers feel besieged by the ubiquity of advertising in today’s society. A study by McKinsey & Co. found that 65 percent of consumers “feel they are bombarded with too much advertising” and 54 percent “avoid buying products that overwhelm with too much advertising” (Klaassen, 2006c, p.33). Television in particular

is perceived as an offender, with 80 percent of the population believing the medium has too much advertising (Fortunato & Windels, 2005, p.140). In contrast, studies have found that people value the advertisements in magazines and the Yellow Pages, both of which contain a higher percentage of advertising than television does (Link, 2005, p.30; Fortunato & Windels, 2005, p.140). Likewise, consumers generally accept out-of-home advertising (Edmonson, 1998, p.46). The difference seems to lie in the involuntary and interruptive nature of television commercials, as opposed to the selectable and easily ignored advertisements in other media (Fortunato & Windels, 2005, p.140).

DVR users, however, “generally feel they have more control over TV advertising and therefore feel the ads are less of an imposition on their TV viewing experience” than non-DVR viewers (Mandese, 2004, p.35). A report by InsightExpress found DVR users “less irritated by television commercials” (43 percent DVR owners versus 49 percent non-DVR owners) and “more inclined to find TV commercials ‘informative’” (13 percent versus nine percent) (Mandese, 2004, p.35). Russ Booth, MediaCom’s director of developing technology, believes these figures bode well for advertisers: “[DVR users’] watching tends to be more enjoyable and as a result there's probably a greater connection between the viewer and what they're watching – that engagement is good for us as advertisers” (Posnock, 2004, p.32).

Research indicates that a number of factors influence when and how often DVR users skip commercials. Nielsen found that “younger people generally skip more commercials and time-shift more of their viewing than older people,” and that the nearer a program is watched to its original airtime, the more likely the advertisements are to be watched as well (Story, 2007a). TiVo determined that viewers are more likely to skip

advertisements in dramas and sitcoms, as opposed to news and live programming (Lord, 2006, p.13). The DVR company also discovered that subscribers are more likely to watch the first and last commercials in a break rather than the commercials in the middle, as users often start fast-forwarding late and stop early to avoid missing part of the show they are watching (Story, 2007a).

Even skipping commercials may lead to viewers watching advertisements that they would have missed otherwise. A joint report by InsightExpress and MediaPost declared that fast-forwarding through commercials "is actually 'recapturing' TV viewers who would simply change the channel when commercials they don't want to watch come on" (Mandese, 2004, p.35). Ethnographic research by London Business School confirms that DVR watchers "pay partial attention to ads when fast-forwarding" (Lord, 2006, p.13). Nielsen also found that DVR owners are less likely to change channels during commercial breaks in programming than viewers without DVRs (Wurtzel, 2006, p.19). JupiterResearch analyst Todd Chanko states, "People used to get up and go to the bathroom, get a snack during [television commercials]. Now, though they may be watching in fast-forward, people are watching frames of commercial content" (Media Asia, 2006, p.14). Mitch Oscar, executive vice president of digital media specialist Carat Digital, agrees that DVR fast-forwarding may represent a positive development for advertisers:

> If people are fast-forwarding through commercials, then they are concentrating on them, particularly on when a program might start. Therefore they're looking at your video. They might not be seeing every frame of it, but they have a sense that a brand or a commercial is running. And if they are interested enough in what they see, they will stop, rewind and play it back. (Mandese, 2004, p.35)

In addition to seeing commercials that they may have otherwise missed, DVR users are also remembering these advertisements. A study by Millward Brown found "no significant impact on ad recall and ad recognition among DVR users compared to nonusers" (Wurtzel, 2006, p.19). Likewise, the results of a survey by television broadcaster CBS studying recall of four commercials determined that 58 percent of DVR users and 66 percent of non-DVR users had similar levels of recall (Consoli, 2005, p.5). However, Marc Goldstein, CEO of media agency MindShare North America, doubts that DVR users get the full intended effect of the advertising:

> What level of recall are we talking about – product or messaging? Are we talking about 'I remember fast-forwarding through the Pontiac spot' or 'The 30-second Pontiac commercial was intended to introduce the new brand, show that it has two doors and a 250-horsepower engine and gets 35 miles to the gallon'? (Higgins, 2006a, p.25)

Goldstein's anxieties may be misplaced, however. Despite many DVR owners' claims that they no longer watch television advertising, a February 2007 report by Nielsen revealed that they actually view 40 percent of commercials in played-back programming, and two-thirds of total television advertising (Fann, 2003, p.20; Story, 2007a). A number of reasons exist as to why DVR owners continue to view advertising, despite the ease of the device to skip through commercials. DVR owners watch about half of their programming live, which means that they view the shows the same way that non-DVR users do (Story, 2007a). Also, certain types of programming that DVR owners view live, including soap operas, local news and professional sports, tend to be watched start to finish without changing channels (eMarketer, 2007a).

Most importantly, DVR owners continue to watch commercials that they find relevant or interesting. TiVo subscriber Andres Ortiz relates three reasons why he still watches some advertisements:

> [The first is] I'm interested in the product – it might be a movie I wanted to see or if I'm in the market for cell phones, I'll stop to watch the cell phone commercials. A lot of car commercials in particular have very good cinematography or clever concepts or good music. And then there's word of mouth. If a friend tells me that the new Coke commercial has a cute girl in it, I'll stop to watch that commercial. (Fann, 2003, p.20)

Emma Staples, another DVR user, concurs: "I like to see what is going on in commercials. Sometimes I'll stop if it's a preview for a movie I might want to see" (Story, 2007a). As a result, more advertisers are concentrating on creating visually attractive and creative advertisements to catch the attention of fast-forwarders (Fortunato & Windels, 2005, p.142). GSD&M Advertising's Adam Troyak claims that "clever commercials will get stopped and replayed" (Fortunato & Windels, 2005, p.142).

The Perils of Ignoring DVR

Because DVR users continue to watch, recall and appreciate advertisements, they constitute an audience that broadcasters and advertisers cannot afford to overlook. David F. Poltrack, chief research officer for the CBS Corporation, cautions that "[f]rom the broadcasters' perspective, they cannot continue to give this DVR-playback audience away for free" (Poltrack, 2006, p.22). Similarly, DVR owners tend to represent a valuable demographic for advertisers: young, educated, technologically adept and having an above-average income. DVRs can provide information to advertisers to help determine what this audience watches and how to better target them, such as which programs DVR users save, what time they watch television and where they fast-forward,

rewind or pause (Johnson 2004, p.12). Coach Media broadband technology analyst Stephen Johnson warns that ignoring this data “means throwing away an advertising gold mine. Under appropriate conditions viewers reveal not only what they’re watching but also how, when and maybe even why” (Johnson, 2004, p.12). Additionally, the interactivity inherent in DVRs require that viewers become more engaged with their television watching, and thus are more likely to be engaged with the advertising message (Cole, 2005).

Finally, broadcast television has already adapted to past technology, including the remote control, cable and satellite television and the VCR (Wurtzel, 2006, p.19). An eMarketer report asserts “TV viewers have been changing channels to avoid ads since the introduction of the remote control. TV advertisers have been factoring in this cost for years, so TV ad avoidance is not a new phenomenon” (eMarketer, 2006). A DVR owner fast-forwarding through a commercial break, however, still watches frames of advertising content, and has the opportunity to watch any spot that interests him.

Advertising on DVR Systems

One possibility advertisers are experimenting with involves placing advertisements directly onto the DVR systems. While most DVR companies have yet to introduce on-system advertising services, TiVo has pioneered a number of new services aimed at delivering advertisements to its subscribers. The newest of these methods is the Program Placement service, launched in November 2006, which inserts advertisements at the end of specific played-back programs (McClellan, 2007, p.7). Viewers can elect to watch these commercials when prompted by a screen at the end of the program (Levith,

2006). Burger King and General Motors have already used the service to insert long-form and interactive spots that would be unsuitable on live television (Story, 2007a; Levith, 2006, p.24). Similarly, the DVR company's Gold Star Sponsorship service allows advertisers to place content directly on subscribers' hard drives, which can then be accessed via a link on the user's TiVo Central page (Walsh, 2006). With the company's Product Watch service, viewers can search a collection of advertisements and watch those related to their interests and favorite brands (TiVo, 2006). Finally, TiVo has established a system of marking certain commercials and programs with special interactive tags. When viewers recognize a tag, they can press a button on their remotes to access more information about the product or show (Weir, 2006). The tags also often present to viewers the option of buying the product or recording the series advertised (Weir, 2006).

These advertising measures permit subscribers to decide which advertisements, if any, they want to watch. The other possible technique involves persistent advertisements that automatically play when the user fast-forwards through a commercial break (Whitney, 2005). These types of advertisements include audio messages, on-screen billboards and commercials that run in a "picture-in-picture" screen (Whitney, 2005, p.S4). Currently, TiVo places pop-up static billboards during commercial skipping (Graham & Kessler, 2004). However, these types of advertisements are often unpopular with both DVR users, who complain that they are being "forced" to watch commercials, and advertisers, who believe that a "static impression isn't compelling" (Graham & Kessler, 2004).

Changes in Live Television Advertising

Alternatively, advertisers are trying to attract the attention of fast-forwarders by changing the way they use television to reach all consumers. These alterations include increasing use of sponsorship and product placement, finding new outlets for placing advertisements and focusing on creative strategies that will attract consumers to actually wanting to watch the commercials.

Sponsorship and Product Placement

Because DVR viewers can skip commercials that do not interest them, advertisers are shifting to placing advertisements within the programs themselves. Sponsorships and product placements allow advertisers to insert their message where it cannot be ignored (Fortunato & Windels, 2005, p.143). Television advertising offers a variety of options for sponsorship. One opportunity allows a single advertiser to sponsor the whole program. Ford Motors sponsored the Fall 2003 season premiere of FOX's show *24* by airing the program without commercials, except for running a three-minute short film featuring the Ford-150 truck before and after the program (Posnock, 2004, p.31). Another option places several sponsors within a single show, but with fewer and shorter breaks within the program. Cable network A&E aired the first two episodes of *The Sopranos* with advertisements tailored to the program and with two of the six commercial breaks sponsored by a single advertiser (Hampp, 2007, p.7). Finally, an advertiser can sponsor a particular portion of a news, sports or reality program. For example, the background set of FOX Sports's *The Best Damn Sports Show Period* features branding for Coors Brewing Company's Keystone Light beer (Stilson, 2006, p.S4).

Sponsorships and product placements allow products to break out from television's commercial clutter. Steve Sturm, Toyota's vice president of North American planning, states that the car company is investing more in television sponsorship because, without an event, advertisements "simply become noise" (Bachman, 2005, p.10). Mel Berning, A&E's executive vice president of advertising sales, argues that the focus on the advertiser allows sponsorship to deliver "better engagement and better recall for the spots" (Hampp, 2007, p.7). In addition, many television watchers prefer the lack of interruption that sponsorships can provide. Viewer Ashley Dunham, in reference to Ford's sponsorship of *24*, states, "It really draws you into the story and you're able to focus on it for the hour" (Posnock, 2004, p.31). Bill Harvey, of Next Century Media and OpenTV Research, asserts that viewers see sponsors not as "the bad guys that interrupt [their] program, but advertisers that can bring them content that they like" (Posnock, 2004, p.31).

However, sponsorship and product placement are not without their disadvantages. Branded entertainment can increase levels of brand recall, but lacks the advantage of traditional commercials to convey why consumers should buy the advertised brand (Fortunato & Windels, 2005, p.144). Secondly, viewers focused on the plot of the program can miss any references to the sponsoring or product-placed brand (Fortunato & Windels, 2005, p.144). Mentioning the advertiser several times within the program, however, can irritate viewers who regard it as "shameless shilling" (Posnock, 2004, p.31).

One possible solution that benefits both advertisers and networks involves bundling together product-placed spots and traditional 30-second commercials.

Advertisers can use this scenario to explain the benefits of their products just mentioned within the program, while DVR viewers attracted by a product referenced in the show can then choose to watch the 30-second spots for more information. The networks generate more revenue by selling both sponsorships and commercials, allowing them to support higher-quality programming. However, whether advertisers are willing to spend extra money for uncertain results remains to be seen.

Another option, developed in large part by the network The CW, places special advertising content during the commercial breaks of popular programming. These sponsored “content wraps” are “serialized vignettes which feature one product … shown during two-minute breaks at several intervals throughout a show” (Consoli, 2007a, p.4). In November 2006, the CW programs *Smallville* and *Supernatural* aired a series of three content wraps devoted to the video game *Guitar Hero II* (Consoli, 2007a, p.4). The first spot focused on “what’s hip in music,” the second on “what’s hot in holiday gifts” and the last showed two of the shows’ stars playing the game (Lafayette, 2006, p.6). Media specialist company MediaVest, which developed the concept for its clients, found that the content wraps retained 100 percent of the show’s audience (Lafayette, 2006, p.6). These content wraps seem to work because they provide content that viewers find valuable, rather than simply delivering an advertising message.

New Creative Strategies

In addition to looking for new places to insert advertisements, advertisers are also attempting to attract the interest of DVR users through changing the creative content of commercials. Some advertisers have experimented with visuals that catch the attention

of fast-forwarders. Susanne Lyons, chief marketing officer for Visa, explains that DVR users factored into the credit card company's decision to use bright colors in its "Life Takes Visa" campaign: "We're trying to make a bigger-than-live color statement so when you're flipping through quickly, the color jumps out" (Story, 2007a). Similarly, Sony tried to appeal to fast-forwarders in its advertisements for the Bravia television by featuring messages that could only be read when the viewer paused the DVR (Stevenson, 2006).

Fast food restaurant KFC ran one of the first commercials designed specifically for DVR users. Advertising agency Foote Cone & Belding embedded a coupon in its client's February 2006 advertisements that could be redeemed online for a free Buffalo Snacker chicken sandwich (Schwartz, 2006, p.12). The details of the coupon were contained in just a few of the commercial's frames, so only viewers able to pause and replay the advertisement in slow motion could redeem the coupon (Schwartz, 2006, p.12). As a result of the campaign, 103,000 viewers downloaded the coupons from the KFC Web site, increasing the site's traffic by 40 percent (Vranica, 2006). Tom O'Keefe, executive at Foote Cone & Belding, declares, "This is taking the exact opposition approach – rewarding viewers for taking the time to engage and be interactive with television" (Schwartz, 2006, p.12).

Advertisers continue to explore other avenues of connecting with DVR users. OMD, the world's largest media-buying agency, experimented with creating advertisements that would double as standard 30-second commercials when viewed live and six-second commercials when fast-forwarded (Mandese, 2005a, p.11; Mandese, 2004, p.35). Another possibility involves placing banners in one corner of the screen

displaying the brand name, logo, tagline and Web site address (Fortunato & Windels, 2005, p.144). Media researcher John Carey states that such a banner “would also be an incentive to stop and watch if, say, you were interested in buying a car from Chrysler and you saw a Chrysler flag” (Fann, 2003, p.21). As the household penetration of the DVR continues its projected climb over the next few years, advertisers are likely to experiment with these and other creative opportunities to retain their fast-forwarding audience.

4. VIDEO-ON-DEMAND (VOD)

VOD vs. DVR

DVR frequently receives more media attention, but video-on-demand (VOD) services threaten to overtake the market for alternatives to linear television, the traditional format in which networks air particular program at an assigned time. DVRs require users to select shows to record in advance, and store the programming on the limited space of a user's hard drive. VOD, on the other hand, offers an always-available array of programming on the cable provider's server. VOD also differentiates itself from DVR with its capacity to host exclusive programming that does not fit on the linear network (Klaassen, 2005, p.S8). In addition, Time Warner has used VOD technology to create a service called StartOver, which allows viewers to record programs in progress and re-watch them much in the same way that DVR does, but without the ad-skipping capability (Becker & Dickson, 2006, p.17). As a result of these advantages, CBS's Dave Poltrack contends that "DVR usage will just be transitional until VOD gains acceptance" (Consoli, 2005, p.5).

According to a 2006 report by Leichtman Research Group, "VOD is now in 25 million digital-cable homes and 60 percent of all digital-cable subscribers have used VOD" (Whitney, 2006b, p.S5). More cable operators are turning to VOD to stem customer losses to satellite television providers, who lack the transmission capacity to offer true on-demand services (Downey, 2006, p.20; Higgins, 2006, p.16). VOD also interests advertisers, who recognize its targeting capacities and are eager to win over viewers from DVR and online video (Becker & Dickson, 2006, p.17). Beta Research found that although "67 percent of cable subscribers are familiar with VOD," many were

unfamiliar with its location, the programming available and the fact that 60 percent of the content is free (Downey, 2006, p.20; Story, 2006b). However, this lack of awareness combined with VOD's growing presence in American homes provides an opportunity for growth that will be likely explored in the upcoming years.

VOD Programming and Ratings

Much of the programming on VOD consists of show and movies that already air on broadcast and cable networks. Sarah Erichson, general manager of national services at Nielsen, states that this sort of programming is "really just another form of time-shift, especially for the top content" (Kerschbaumer, 2005a, p.32). However, some networks use VOD to stimulate interest in their standard programming by placing previews or new episodes on the service before they premiere on the linear channel (Klaassen, 2005, p.S8). VOD can also provide an outlet for "material that doesn't fit on the linear network – such as behind-the-scenes and extra footage" (Klaassen, 2005, p.S8). In the case of cable network Oxygen's VOD channel Oh! Baby, content is refreshed weekly, has a life span of 28 days and is not supported by advertising (Klaassen, 2005, p.S8).

So far, advertisers have relied on the cinema and home video tracker Rentrak to compile ratings for VOD programming (Schmuckler, 2006, p.18). However, Rentrak bases its data on information submitted by the cable companies and does not receive information from all VOD providers (Story, 2006b). Nielsen began releasing standardized VOD ratings information in December 2006, which includes a minute-by-minute breakdown to track whether or not viewers skip advertisements (Story, 2006b; Goetzel, 2006, p.22). Nielsen's third-party ratings may lead more networks to place

popular programs on VOD, since they can count on-demand viewers more reliably (Kerschbaumer, 2005a, p.32).

VOD Advertising

Typical VOD advertising bookends a selected program with a short commercial at the beginning and a longer advertisement at the end (Goetzel, 2006, p.22). However, some advertisers have discovered other methods of placing advertising on VOD systems. VOD channel DriverTV features free profiles of over fifty General Motors automobiles (Halliday, 2006, p.8). Similarly, sports drink company Gatorade and sneaker brand New Balance cosponsor the Comcast VOD channel ExerciseTV (Higgins, 2006b, p.16). *Details* magazine, Bombay Sapphire gin and Jean Paul Da'Mage jeans teamed up to produce a product placement-filled short film exclusively for VOD (Klaassen, 2005, p.S8). These VOD advertisements draw in viewers by offering a greater degree of entertainment and information than found in many traditional 30-second advertisements, while simultaneously ensuring that an interested audience receives the advertising message.

In the early days of VOD, advertisements had to be prepared 60 days in advance, stayed on the system for one to four months and could not be changed (Goetzel, 2006, p.22; Whitney, 2006a, p.S6). These restrictions prohibited a number of advertisers, such as movie studios and retailers with special offers, from including VOD in their media plans (Whitney, 2006a, p.S6). New advancements in technology, however, allow cable operators to insert and remove advertisements on a reduced time frame. Digital video service SeaChange's On Demand Advertising System, introduced in 2005, places

advertisements targeted to VOD users based on zip code and time of day (Kerschbaumer, 2005a, p.32). Tandberg Television's AdPoint system, employed by cable provider Comcast, includes interactive capacities with its targeting abilities (Becker & Dickson, 2006, p.17). In 2006, Sunflower Broadband developed almost real-time VOD advertisement insertion for promoting the movie *Jackass: Number Two* in Comedy Central's VOD programming (Crupi, 2006, p.9).

With the increased opportunities for inserting advertisements in VOD streams, advertisers are developing new ways of communicating their messages through the service. Advertisers must create spots that range from 10 seconds to 30 minutes to cover the different placements needed for on-demand systems (Klaassen, 2006b, p.7). Although conventional wisdom dictates that all advertisements in a campaign should look and feel similar, the degree of engagement inherent in VOD requires advertisers to create spots in a variety of styles. Kristi Faulkner, co-founder of advertising agency Words & Pictures, declares that "your audience is at 100% attention, and if there's any similarity in the pieces you put out there, you're going to lose [viewers]" (Klaassen, 2006b, p.7).

Advantages of VOD Advertising

This level of engagement also figures as one of the primary benefits of advertising through VOD. Universal McCann's David Cohen states that "[i]f someone has chosen to view a piece of content, they're very much in a lean-forward, active-engaged mode prior to seeing it" (Goetzel, 2006, p.22). Research conducted by MediaVest in 2005 found that 75 percent of viewers do not change channels once a VOD program starts, and 43 percent declared that they do not "leave the room or multitask while watching" (Ives, 2005, p.40).

In addition, VOD's low level of advertising clutter causes viewers to be more likely to notice and retain the commercial messages (Crupi, 2006, p.9).

VOD also offers advertising a degree of flexibility that live television cannot match. Through the platform of "telescoping," an interested viewer watching a short advertisement on linear television can click a button and watch a longer, more detailed commercial on VOD (Higgins, 2006b, p.16). Interactive advertising company Navic Networks found that viewers were six times more likely to watch a long-form VOD commercial if it were linked from a linear spot than if the linear spot only mentioned that more information was available on VOD (Whitney, 2006a, p.S6). Other advertisers are developing other methods to interact with consumers through VOD. Unilever brand Bertolli provides viewers of its VOD channel with an on-screen form for ordering free cookbooks (Atkinson, 2007, p.8). Similarly, the Procter & Gamble and American Express cosponsored channel Movie Trailers On Demand is developing technology to let viewers buy movie tickets off the VOD service using their remotes (Becker & Dickson, 2006, p.17).

Problems With VOD Advertising

A number of obstacles continue to block VOD advertising's break into the mainstream. Although Universal McCann found that 75 to 80 percent of VOD viewers watch the advertising, the media agency's executive vice president David Cohen believes that "[a]s consumers become more savvy, potentially, they will fast-forward through it or tune it out" (Goetzel, 2006, p.22). In addition, because each cable operator provides its

own VOD service, advertisers must buy placements from each one in order to launch a national VOD campaign (Klaassen, 2005, p.S8).

Perhaps the biggest problem facing VOD advertising is the lack of a universal ratings measurement system. Some cable operators, including Comcast, signed with Rentrak, while others, including Time Warner, use TNS (Higgins, 2006b, p.16). In addition, cable operators disagree as to the length of time that constitutes a view of an on-demand program (Schmuckler, 2006, p.19). This lack of consistent measurement complicates comparing ratings information across different VOD platforms. Some networks also criticize the ratings systems for not reporting certain viewer information. Brad Dancer, vice president of research and on-demand for the National Geographic Channel, explains: “We really need demographic info and income breaks … Also, I’d love to know the relationship between VOD and our linear network, and if these are regular viewers of my channel or surfers finding us on VOD” (Schmuckler, 2006, p.19).

The last barrier to the success of VOD involves the lack of many popular shows available. Almost all of the major broadcasters are placing their on-demand programming online rather than through cable VOD providers (Whitney, 2006b, p.S5). The difficulty of renegotiating program rights blocks many hit shows from VOD (Whitney, 2006b, p.S5). Many networks are waiting until they generate enough advertising revenue from programming already on VOD before they license other shows to VOD operators (Higgins, 2006b, p.16).

5. ONLINE VIDEO

The Growth of Online Video

The past few years have seen a dramatic increase in the amount of Internet video both watched and available for viewing (Whitney, 2007a, p.S1). According to audience measurement data by ComScore, viewers initiated seven billion video streams in August 2006 alone (Whitney, 2007a, p.S1). By 2010, eMarketer predicts that 157 million Americans, or 53 percent of the total population, will watch online video at least once a month (eMarketer, 2007b). Networks are responding to this surge in popularity by placing more video material online related to their programming. Peter Gardiner, chief media officer for advertising agency Deutsch, argues, "The big story is multiplatform. The networks are realizing that the network model is not the powerhouse anymore, it's the distribution strategy for their content" (Atkinson & Klaassen, 2006, p.38).

Advertisers also recognize how online video can potentially reach a large percentage of consumers. Spending on online video increased by 82 percent between 2005 and 2006, making it the fastest-growing category of online advertising (Story, 2007b). Online video company Maven Networks estimates that, by 2010, advertisers will shift 10 percent of their spending on television advertising to online video (Klaassen, 2007a, p.61). One major reason for this level of interest concerns the demographics of many online video users. Sixty-four percent of men ages 25 to 34 watch online video at least once a week (Vorhaus, 2007, p.18). eMarketer reports that "[m]en ages 18-34 account for 41 percent of daily online video watchers, but make up only 14 percent of all online subscribers" (eMarketer, 2007b).

Where Viewers Watch Online Video

Many broadcasters, including NBC, ABC and CBS, stream episodes of their popular shows on their Web sites. In Fall 2006, visitors to ABC.com streamed 19 million episodes of six series within 24 hours of their original airing (Macklin, 2006). However, networks are discovering that online video viewers frequently watch video on other sites, ranging from the juggernaut YouTube to small blogs. Hilmi Ozguc, co-founder of Maven Networks, states that "[t]o get a mass audience while maintaining control, you want to run on hundreds of sites" (Shields, 2007a, p.6).

YouTube launched in December 2005 as a site for uploading personal video, but many users also share preexisting material, including clips of television programs (Oser, 2006b, p.58). Some networks, such as NBC and Viacom, initially charged the site with infringement of copyright and demanded the removal of their material (Murphy, 2006, p.14). In June 2006, however, NBC signed a deal with YouTube that created a channel on the site devoted to exclusive clips and previews from the network (Shields, 2006a). In return, NBC would air YouTube clips on its televised network (Shields, 2006a). Google's acquisition of the site in fall 2006 has provided YouTube with the financial backing to broker more licensing deals with other entertainment companies (Shields, 2006b, p.8). While YouTube currently limits its advertising mix to banner ads and sponsored channels, the site may soon add conventional pre-roll spots to some videos (Schonfeld, 2007, p.95).

Viacom, the media conglomerate that owns networks including CBS, Comedy Central and MTV, has partnered instead with Joost (Viacom, 2007). The site, set to launch later in 2007, differs from YouTube by distributing only licensed, professionally-

made material (Schonfeld, 2007, p.96). Also unlike YouTube, viewers can watch Joost on their television sets (Klaassen, 2007b, p.34). The site's expected advertising model features five- to seven-second pre-roll spots for all videos and mid-roll commercials in videos longer than five minutes (Klaassen, 2007b, p.34). However, Joost plans to keep the advertising-to-programming ratio down to less than three minutes per hour, far less than the 16 minutes per hour of traditional television (Schonfeld, 2007, p.96).

Viewers can also purchase many NBC, ABC and Viacom programs through Apple's iTunes Store (Broida, 2006, p.44). Each episode typically costs $1.99 and runs without advertisements (Becker, 2006, p.A2). Despite the cost, users downloaded over 45 million episodes within the first year iTunes offered television programming (Baumann, 2006, p.14). This success proves true earlier research indicating that many viewers are willing to pay for commercial-free programming (Ives, 2005, p.41). Because some viewers also download the programming to their iPods, many in the television industry acknowledge iTunes as paving the way to delivering television for other portable media, such as cell phones and personal digital assistants (Baumann, 2006, p.14).

In addition to these major video-hosting sites, networks are turning to online services that syndicate video to smaller sites (Whitney, 2007a, p.S1). These syndicators, which include Broadband Enterprises, Tremor Media and NBC's National Broadband Company (NBBC), embed non-skippable advertisements into online video, which can then be distributed to hundreds of Web sites (Klaassen, 2007a, p.61; Becker & Romano, 2006, p.31). Michael Hayes of media agency Initiative North America states that syndication "makes sense for brand-based advertisers to extend their reach and move into a platform that's new and emerging and hugely on the rise" (Whitney, 2007a, p.S2).

The Relationship Between Television and Online Video

Like DVR and VOD, online video can potentially reinforce viewership of programs airing on linear television (Macklin 2006). Only eight percent of online video viewers report that they now watch less television (eMarketer, 2007b). Bruce Leichtman of Leichtman Research Group predicts that "[r]ather than replacing TV, in the near-term, emerging video services like online video are best viewed as opportunities to complement and augment traditional TV viewing options" (eMarketer, 2007b). CBS attributes online clips of *The Late Show With David Letterman* and *The Late Late Show With Craig Ferguson* with raising those programs' ratings, while NBC's *The Office* also gained linear television viewers soon after debuting on iTunes (Klaassen, 2006d, p.41; Whitney, 2007b, p.S7). "Webisodes," or online-exclusive material developed for a particular program, can create a greater degree of investment in the program and help maintain interest during summer reruns (Whitney, 2007b, p.S7).

Advertising in Online Video

Advertisers benefit from online video advertising through its ability to target and engage viewers and generate high levels of advertising recall. NBC.com, which places pre-roll spots before its full-length episodes, found that 81 percent of viewers remembered these advertisements after two or more exposures (Whitney 2007b, p.S7). A study by the Online Publishers Association and Frank N. Magid Associates reports that "40 percent of video viewers have clicked on an accompanying link or visited a Web site mentioned in the video" (Oser, 2006a, p.58). However, online video advertisements must be targeted to viewers and shorter than their television counterparts in order to retain

viewer interest (eMarketer, 2007c). Jeff Davis, of *Sports Illustrated*'s online division SI Digital, states, "What we've quite honestly seen is the user experience at 15 seconds and under is quite engaged and constant. When you go longer, the abandonment rate is significantly higher" (Moses, 2006, p.29).

In addition to pre-roll spots, advertisers are also experimenting with integrating entertaining online video with commercial messages much in the same way as they are on television. Anheuser-Busch launched the online video network Bud.TV in early 2007, as discussed earlier in this thesis (p.4). Beauty product manufacturer Garnier is also trying out branded entertainment, producing a series of three- to five-minute informative Webisodes incorporating its Nutritioniste skincare line (Shields, 2007b, p.6). The four Garnier Webisodes will be distributed through AOL, Joost and other online video sites, and will include pre-roll advertisements (Shields, 2007b, p.6). Advertisers are also beginning to buy product placement and sponsorship in video made specifically for Web consumption. Hershey's Icebreakers Sours gum appeared in an episode of the YouTube series *lonelygirl15*, while scotch brand Dewar's sponsored another YouTube program, *the show with zefrank* (Morrissey, 2007).

A number of factors deter advertisers from using online video, however. A study by Points North Group and Horowitz Associates found that only 45 percent of online American adults stated interest in watching long videos on their computer (eMarketer, 2007b). Todd Boes, vice president of marketing for Maven Networks, states that "[advertisers] can't buy enough impressions, and it's fragmented" (Klaassen, 2007a, p.61). Viewers also tend to multitask while watching online video, and are generally resistant to advertising in this medium (eMarketer, 2007b; Murphy, 2006, p.14). Lastly,

advertisers and online video distributors have not yet selected a universal ratings system (Klaassen, 2007a, p.61). As with VOD, the lack of ratings from a standardized, third-party source prevents advertisers from easily comparing online video viewing with that of linear television (Klaassen, 2006a, p.26). These complications lead Terry Semel, Yahoo!'s CEO, to view online video advertising "ultimately as something that becomes very significant, and it'll get there, but not quite yet" (Klaassen, 2007a, p.61).

6. CONCLUSION

The rise of digital video recorders, video-on-demand and online video indicates the growing interest television viewers have in being able to control their media habits. The popularity of these technologies also reflects the drive toward interactivity in general American society, spurred on in large part by the Internet boom of the past decade. Web users, accustomed to finding the information that interests them whenever they want it, also want to be able to choose their entertainment. Television's status as a passive medium is declining as more viewers take an active interest in the programming they watch.

This level of interest translates to a greater engagement with the advertising that supports the programming. Although viewers may skip through commercial breaks, the very act of fast-forwarding means that they will be paying attention to the images onscreen. Viewers focused on the commercial break, instead of channel surfing or ignoring the television, will have the opportunity to watch advertisements that are eye-catching and relevant. Additionally, the shift toward integrating commercial messages and programming, through branded entertainment, product placement and sponsorship, makes advertising unavoidable in a way that the traditional 30-second commercial never was. These advertisement-entertainment hybrids also allow advertisers to associate their product with programming the audience likes, thus transferring the positive feelings from the show to the advertising itself.

Viewer control also puts an end to the two primary factors behind viewer dislike for advertising: its interruptive nature and the personal irrelevance of many ads. Viewers able to select which advertising they watch will be more likely to have positive views

both of the advertised product and advertising as a whole. Likewise, the targeting capacities that DVRs, VOD and online video provide help television advertisers more effectively reach those viewers actually interested in their products. Because these viewers choose to watch particular advertisements, they are more likely to pay attention to and be engaged with those ads.

The fragmentation of media means that television must compete with the Internet, DVDs and personal devices for a share of consumers' interest. To attract advertising dollars, networks must produce shows that viewers will want to seek out on live television, VOD or online. Compelling programming, such as continuity- or mystery-based dramas (*24*, *Lost*) and competition-based reality shows (*Project Runway*), ensures that viewers will make an effort to catch every episode of the series to avoid missing important information. DVRs, VOD and online video can assist them in watching programming that might otherwise not be seen. These technologies may also help less popular but critically acclaimed series find an audience without being struck down by the competitors in their time slots. As a result, the quality level of television programming will increase to attract viewers presented with a variety of entertainment options.

Likewise, advertisers must provide an entertaining aspect to their message to catch the fleeting attention of television viewers, whether it is branded entertainment, valuable content or amusing commercials. Given the ease with which viewers can fast-forward commercials, advertisers cannot afford to air spots with weak creative or that are irrelevant to the show's audience. Viewers already like well-made advertisements, as demonstrated by the popularity of commercials on YouTube and other online video sites. Advertisers can tap into this level of interest by creating advertisements that will both

catch the attention of viewers fast-forwarding through advertisements and that will be shared online, thus reaching a wider audience free of charge.

The main issue that the growth of viewer-controlled technology presents concerns whether advertisers will recognize the benefits that DVR, VOD and online video provide. Networks face the risk that advertisers will decrease their television advertising budgets, leaving them unable to produce the high-quality programming attractive to viewers. The networks' growing insistence on live-plus ratings for their programming will either deter advertisers from placing advertisements that they believe will be skipped, or it will force them to accept that they must change their advertising to suit the new methods of television viewing. However, the fact that advertisers are already placing advertisements on DVRs and VOD systems, as well as before online video clips, indicates that they are beginning to recognize the benefits that these technologies provide. Advertisers want to reach the people who will listen and react to their messages, and the research indicates that these people are still watching television, often in greater amounts than viewers who only watch exclusively live/linear television. After networks and advertisers have agreed on how to measure television audiences who use these alternative technologies, the television advertising industry should stabilize and eventually flourish, given effectively targeted audiences who are engaged with the messages.

Media will only continue to become more fragmented and niche-driven in the future. However, advertisers should not perceive this fragmentation as a threat, but rather as creating outlets to reach more consumers. With television available not only live but also on DVR, VOD and online, viewers have more opportunities to watch television programming and the accompanying advertising. In addition, the increased level of

viewer control on television watching will deepen the connection between advertiser and consumer. In short, viewer control will not distance consumers from advertisers, but instead provide a much-needed boost for television advertising.

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