

ADOPTION OF DIGITAL VIDEO RECORDERS AND ADVERTISING: THREATS OR OPPORTUNITIES

John A. Fortunato and Daniel M. Windels

ABSTRACT: It can be said that every time the technological communication environment changes so to does the advertising environment. Advertisers who do not carefully monitor and adapt to the technological communication environment run the risk of losing millions of dollars on inefficient advertising expenditures. The digital video recorder (DVR) is the latest technological innovation to which advertisers must adapt. By easily allowing the viewer to skip commercials the DVR is a device that could have potentially huge implications on advertising creative and placement strategies. The DVR is a clear threat to the advertising industry, but there are some opportunities for advertisers that can be explored because of DVR technology. The opportunities exist through an interdependent relationship between television networks and advertisers in creating a communication environment that is economically beneficial to both entities. The focus of this article is on understanding how and why DVR's are being used by the audience and examines the potential threats and opportunities that advertisers must be aware of in adapting to this technology.

The technological communication environment of how messages can be distributed and can be retrieved by the audience, and the audience use of these devices are always factors that advertisers must consider in developing their creative and placement strategies. It can be simply stated that every time the technological communication environment changes and causes the mass media use behavior of the audience to change, the advertising industry must also change. Advertisers need to place their messages in locations where they will be noticed by their desired target audience. Advertisers who do not carefully monitor and adapt to the technological communication environment run the risk of losing millions of dollars on inefficient advertising expenditures.

The digital video recorder (DVR) is the latest technological innovation to which advertisers must adapt. Although DVR penetration was between 4 and 5% of television households in late 2004, Nielsen predicts penetration could double to 10% by the end of 2005 (McClellan 2004). The DVR allows users to record and store programming digitally, skip commercials with a touch of a button, pause live television at any time, record programming through a digital menu up to one week in advance, or record the same program every week for an entire season. All of these features of the DVR provide the audience with more choice and more control over the television viewing experience. The feature that advertisers are obviously most concerned with regarding the DVR technology is that the device allows users to easily skip commercials by fast-forwarding through them. In fact, a Forrester Research survey revealed that over 50% of all DVR users said that being

able to fast-forward through commercials was their favorite feature (Fann-Im 2004).

Although the future role of DVR's in the economic structure of broadcast and cable television is uncertain, many of the opinions emerging from industry practitioners reflect the belief that these commercial-skipping devices have the potential to alter the existing advertising-supported business model (Learmonth 2003). Early estimates indicate that the amount of lost advertising revenue as a result of DVR users skipping commercials alone will reach \$5.5 billion by 2006 (Greenspan 2003). A survey of 121 senior advertising industry executives of the American Advertising Federation revealed that more than 75% believe the DVR will have a dramatic impact on the television advertising, leading to continued growth of nontraditional advertising formats (McClellan 2004). If DVR usage is to increase as predicted by many industry professionals (McClellan 2004; Posnack 2004), advertisers have to understand not only the threats, but the opportunities that are presented by this device. The purpose of this article is not to suggest that DVR's will eliminate the thirty-second commercial, or force a drastic restructuring of the commercial television system. The focus instead is on understanding how and why DVR's are being used by the audience and examine the potential threats and opportunities that advertisers must be aware of in adapting to this technology.

LITERATURE REVIEW

Any advertising environment presents both threats and opportunities for advertisers to achieve their communication

goals. Advertising communication goals can be parsimoniously stated as reaching a target audience, increasing brand recall, and increasing sales (Fortunato and Dunnam 2004). Developing advertising strategies to achieve these goals centers around two critical factors: (1) understanding the communication vehicles to reach the audience and (2) understanding the use behavior of these mass media vehicles by the audience. All other strategic decisions (i.e., media placement or creative tactics) emanate from an understanding of these two factors.

Theoretical frameworks can provide an understanding of these two critical factors and assist in analyzing the threats and opportunities that are presented to advertisers through audience use of the DVR. The mass media use behavior of the audience and the nature of communication vehicles are constantly changing as new technologies emerge. Ferguson and Perse (2004) point out that the DVR may forever change the way most people watch television. The DVR can change the relationship between the audience and the television medium in how they now experience television as the functions of the device allow for more choice and more control by the viewer. The uses and gratifications literature helps explain the relationship between the audience and their media use by focusing on concepts of an active audience's choice and control. This new television viewing experience caused by the DVR should alter the relationship between television networks and advertisers who are counting on the viewing behavior of that audience to sustain their respective businesses. Media dependency literature helps explain the relationship between television networks and advertisers by focusing on the economic needs and interactions between these two entities

Uses and Gratifications

Media use can be a purposeful behavior on the part of the individual audience member as indicated in the uses and gratifications literature (Blumler and Katz 1974; Rosengren, Wenner, and Palmgreen 1985). This purposeful behavior is based on an expectation of the audience member that his or her needs will be satisfied as they have been in previous experiences with that medium and/or the content that was provided. In their seminal uses and gratifications work, Katz, Blumler, and Gurevitch (1974) claim that uses and gratifications "simply represents an attempt to explain something of the way in which individuals use communications, among other resources in the environment, to satisfy their needs, and to achieve their goals" (p. 21). More

recently, Rubin (2002) explains that from the uses and gratifications perspective, "communication behavior is largely goal directed and purposive. People typically choose to participate and select media or messages from a variety of communication alternatives in response to their expectations and desires" (p. 528-529).

The most notable characteristic of the uses and gratifications perspective is that of an active audience. Hunt and Ruben (1993) describe the uses and gratifications approach as a general perspective rather than a specific theory, claiming "it represents an attempt to understand audience members as active information consumers, and to place the emphasis not on what media do to people, but rather what people do with the media" (p. 83). In this media use the active audience is behaving as people who are volunteering to participate and selecting where they participate is the determination of the audience member themselves with this behavior motivated by their own needs, values, beliefs, and goals (Levy and Windahl 1985; Lin 1993).

The active audience in selecting media according to the uses and gratifications perspective is applicable to implementation of the DVR because it signifies choice and control over the television experience. The DVR provides choice and control over when to experience specific programming and how the medium of television can be used to improve the overall individual experience with that medium. Ferguson and Perse (2004) claim DVR owners watch both live and recorded television with more enjoyment and greater control. Viewers using the DVR can have a different level of satisfaction than non-users causing them to always use the device and its features. If one of the primary functions that viewers consistently find satisfying is skipping commercials (Fann-Im 2004; McClellan 2004; Posnack 2004), any increased use of the DVR becomes problematic for advertisers.

One of the ways that the DVR could increase the satisfaction of experiencing the television medium is through the element of time. By skipping commercials viewers are not "stuck" for an hour to watch a program and by watching it faster they could then move on to other activities or experience more television content in the same amount of time. The time spent with a medium and how it relates to audience behavior and the overall experience with a medium has been examined in uses and gratifications research. The element of time relates to the leisure time that people have available to experience the medium. Gantz and Zohoori (1982) claim that accommodation to television changes may be a function of

two factors: (1) type of time and activity involved and (2) television content and gratifications associated with it. The element of time deals with the opportunity for media use and is separated into what they refer to as "non-disposable time for required activities such as work or sleep vs. disposable time for leisure activities such as watching TV" (p. 265). They summarize their position claiming:

The likelihood of accommodation for television is maximized when it involves the rearrangement of leisure activities during disposable time for content sought out and uniquely associated with desired gratifications. The likelihood of accommodation for television is minimized when it involves the rearrangement of non-leisure activities during non-disposable time for content of little interest or value to the viewer (p. 265).

Accommodation of media use behavior to the other activities and responsibilities that people have to perform in their daily lives cannot be overlooked. As indicated by Gantz and Zohoori (1982), the amount of leisure time available is clearly a factor in how the television medium can be experienced. The amount of leisure time increases if an hour-long television program can be viewed in half that time. Thus, if the audience is receiving gratifications from using the DVR to skip commercials by having to spend less time with the television medium and allowing for more flexible time choices, a threat to the economic system of advertising supported media is potentially being created.

Media Dependency

While the uses and gratifications perspective helps explain the relationship between the individual and the television medium, the media dependency theoretical model helps explain the relationship between the television and advertising industries. A dependency on the mass media can develop and exist on both an individual and organizational level (Ball-Rokeach and DeFleur 1976, 1986). Ball-Rokeach and DeFleur (1976) define dependency as a "relationship in which the satisfaction of needs or the attainment of goals by one party is contingent upon the resources of another party" (p. 6). Dependency exists on an individual level through a reliance and satisfaction of needs by mass media use. The consistent dependency on the mass media to satisfy needs makes participation by the audience in the media more likely. The need for information, entertainment, and social uses are among these needs that create an individual dependency on the work of mass media organizations. The stronger the

individual media dependency, the greater the likelihood of media use. It is the individual dependency to use the media to satisfy needs that relates to the uses and gratifications active audience characteristic.

On an organizational level, dependency exists for advertisers who need the mass media as the vehicle to reach an audience. Advertisers need to know the media behavior of their target audience in developing their placement strategies. Once customer media use behavior can be ascertained, advertising placement strategies can be better formulated. Reaching potential customers has always been the primary concern for advertisers. McAlliser (1996) claims that "advertisers know that the first necessary (but not sufficient) condition for persuading a potential customer to buy a product is to force the consumer to notice the message. If the consumer does not see the ad or ignores the ad, then the advertiser's message is wasted" (p. 18).

Being noticed is merely the first important step toward trying to achieve the desired behavior (i.e., sales, voting) being put forth by the advertiser. Advertising is an important function because the audience gets the idea that advertised products are better than their competitors. Sutherland and Galloway (1981) state, "products that are advertised heavily have a status conferred upon them - they are felt by customers to be 'the more popular' products. The media are assumed to carry that which is more important, more in demand, more notorious. Just as 'the ordinary person' does not appear on TV, neither does 'the ordinary product'" (p. 27). They conclude, "advertising (media prominence) functions as a significant cue to the customer in judging what is and is not acceptable and popular with others" (p. 28). This is especially important for the first time making a purchase decision about which brand to select in an unfamiliar product category.

The primary threat of the DVR is, therefore, that the device simply has the potential to hinder the advertised message being noticed. Technology and the multitude of media vehicles have made viewing and noticing television advertising more difficult. Commercial television has also been acknowledged in research to be the most intrusive advertising format for consumers (Elliot and Speck 1998). Studies indicate that the public's perception of the level of advertising clutter in various mediums is not consistent with the actual level that is present. For instance, television, which has less than 25% of total airtime in ads, is perceived by 80% of the population as having too much advertising. Conversely, the Yellow Pages, which is 100% advertising, is only perceived by eight percent of the

population as having too many advertisements (Elliot and Speck 1998). The significance of this is the relationship between perception and how each medium is consumed. The Yellow Pages offers individuals not only a voluntary opportunity to view advertisements, but a method of choice and control to easily seek out the exact information they are looking for. Television advertising on the other hand, due to its involuntary nature when viewing programming, is considered to be the most disruptive (Elliot and Speck 1998). As the advertisements on television continue to interrupt the flow of the desired communication, the person watching could be more likely to develop a negative perception about the advertisements themselves or that form of advertising in general.

What is helpful to advertisers in terms of the economic communication environment is that mass media organizations also need advertisers for revenue. Mass media organizations have to work with advertisers to create an environment economically beneficial to both the mass media organization and the advertiser. This coordination between advertisers and media organizations is not difficult as it is in the interest of both entities to create a system and establish relationships that would be successful for both. Meehan (1993) claims that "media firms and their agents must also develop increasingly sophisticated techniques of selling advertising-desirable audiences" (p. 387). Ball-Rokeach and DeFleur (1986) simply point out "the economic system could not operate effectively if the media did not provide massive advertising links between producers, distributors, and consumers" (p. 82).

In terms of the media economic system, any dependency relationship can thus be better characterized as interdependent with advertisers needing the mass media vehicle for exposure of their products to the audience and television networks needing advertisers as their only source of revenue. Grant, Guthrie, and Ball-Rokeach (1991) summarize the relationship between broadcasters, merchandisers, and the public stating:

Commercial broadcasting in the United States has been built on dependency relationships between broadcasters and merchandisers. In this system television programs are produced to attract large audiences, with merchandisers buying access to those audiences so they can air advertisements designed to entice viewers into buying their products. Broadcasters depend on the proceeds from the advertising sales to produce their shows. Merchandisers depend on television to reach consumers (p. 773).

With the threat of a more gratifying television viewing experience through the use of the DVR to skip commercials, the purpose of this article is to explain how and why DVR's are being used, and more importantly to examine the threats and opportunities that advertisers must be aware of in coping with this technology. An application of the uses and gratifications and media dependency theoretical models to the functions of the DVR allows for some philosophical ideas of how advertisers can address technology to be formulated.

FINDINGS

The Function of the DVR

In terms of the overall advertising industry challenge to have advertising noticed, Blake Calloway, media planning supervisor for Lopez Negrete Communications, describes the DVR as simply another fragmenting technology that gives consumers more choice and more control (personal communication, February 10, 2005). While the general dilemma of coping with technology and trying to attract audience attention might be a problem that advertisers have confronted before, the features of the DVR do create a new set of challenges to advertisers. The DVR allows users to record and store programming digitally, skip commercials with a touch of a button, pause live television at any time, record programming through a digital menu up to one week in advance, or record the same program every week for an entire season. All of these features give the viewer much more choice and more control in their television experience. This choice and control could lead to a more gratifying experience with the television medium.

For advertisers the concern of easily skipping commercials is obviously paramount. The DVR is not the first time that advertisers have had to confront the issue of skipping commercials. The technological innovation of the DVR is most similar to the video cassette recorder (VCR). From an advertising perspective the VCR created the same problem by enabling consumers to record programming and skip over commercials. The simplicity of the DVR's operation coupled with its ability to store programming like a computer, have led many to consider it something of "a souped-up VCR" (Allan 2003). Atkin, Jeffres, and Neuendorf (1998) explain that similar media may serve similar needs and replacing the time spent with traditional media could occur if the new technology is perceived to have an advantage over previous technology. Therefore, the DVR with its enhanced features, along with the DVD, means completely replacing the VCR is probable. Communication technology is only an issue if the audience

deems the equipment valuable. If the VCR or DVR did not make the television experience more gratifying for the viewer, their impact would be nominal and limited use irrelevant.

Where the DVR has an unquestioned advantage over the VCR is in its flexible time-shifting capabilities. Shifting of television programming to a time convenient for the viewer is another important feature of the DVR (Ferguson and Perse 2004; Posnack 2004). Time-shifting can be defined in its most general sense as watching a television program at a time other than when it was originally provided by the network. With the DVR's ability to watch and record a program at the same time, time-shifting could be as limited as beginning to watch a program only a few minutes after its actual start time on the network.

The combination of the time-shifting feature and the ability to skip commercials are creating dual problems for advertisers in trying to get their commercials noticed. Posnack (2004) claims that up to 80% of all prime-time programming in DVR households is recorded and viewed later and that when viewing time-shifted programming, DVR users skip 65-75% of all commercials. Mandese (2004a) reports a Starcom study which revealed that "an average of 53 percent of TV commercials are skipped in DVR households, but the ad zapping is much higher, 77 percent, for the portion of programming they view on a recorded basis" (p. 27). A joint tracking study by Starcom Media Vest Group and DVR pioneer TiVo revealed that less than 50% of all subscribers viewed the commercials of such top rated shows, such as "CSI: Miami," "American Idol," and "Friends" (Chunovic 2003). By using these two features of the DVR people are doing more than skipping commercials, they are changing the entire way they watch television and the economic implications for advertisers and television networks are immense.

DVR Threats

Because of its capabilities the DVR has to be characterized as a threat to the advertising industry and something that advertisers have to address. From an advertising perspective the biggest threat is obviously that the audience members receive gratifications in their television experience by not viewing commercials. A CBS survey revealed that 75% of DVR users said they fast-forward commercials (McClellan 2004). In a Forrester Research survey, over 50% of all DVR users said that being able to fast-forward through commercials was their favorite feature (Fann-Im 2004). The DVR features threaten the primary desire and necessity of advertisers, having their message noticed. Advertisers like the one-stop shopping that

network television once provided. The current media environment for advertisers is problematic in that the DVR technology allowing the audience to easily skip commercials is compounded with already declining ratings on network television and advertisers being asked to pay more money to reach a smaller audience.

With so many mass media options, television ratings have been on the decline in comparison to previous generations. For example, the number one prime-time entertainment show for the 2003-04 season, CSI, had an average rating of 15.9, while the top program in 1983-84, Dallas, had an average rating of 25.7, and the top show in 1963-64, The Beverly Hillbillies, had an average rating of 39.1. As recently as the mid-1980's, large advertisers such as General Motors, Procter and Gamble, and Coca-Cola could count on reaching 40% of the population with a prime-time television presence. However, with the continued fragmentation in the media, the best advertisers can hope to reach today is only 15% of the prime-time market (Foust and Grow 2004). When opportunities to reach a large audience are available, advertisers continue to put up the money. Advertisers paid an average \$2.4 million for each thirty-second commercial spot during the 2005 Super Bowl (Mandese 2005) because they know a large audience will be viewing. Advertisers also pay an average \$658,333 and \$620,000 respectively for a thirty-second commercial on the Wednesday and Tuesday telecasts of American Idol (Atkinson 2004).

Although giving consumers more media choices has resulted in lower ratings for the television networks, it certainly has not come at the cost of advertising revenue. Despite losing 30% of their prime-time viewers in the last decade, the network's per-viewer rate charged to advertisers had gone up 110% (Woolley 2003). For the 2003-04 prime-time season, the average thirty-second commercial cost \$126,674, up 9.4% from the 2002-03 season (Linnett 2003).

With the current environment of declining television ratings, yet still increasing advertising fees, television networks are not as concerned as advertisers. Even with the ownership of DVR's expected climb, some network executives dismiss the overall impact as minimal at best. David Poltrack, CBS executive vice president, research and planning, estimates that when DVR penetration hits the 20% mark it will result in a five percent loss in commercial viewing, while a 75% penetration will only cause a 20% reduction (McClellan 2003). If advertisers continue to write big checks like they did in 2003, the networks appear to be content with these losses. Alan Wurtzel,

NBC research head stated that, "until you can find an alternative that's better, they (advertisers) really will have no choice" (Woolley 2003). Networks can claim that DVR's will have only minimal effects on commercial television, but that claim may begin to ring hollow if advertisers want to be compensated for the loss in viewers. If, as TiVo suggests, only 39% of their viewers watch the commercials during "Friends," advertisers could argue that the \$2 million dollar price tag during the finale should drop to \$780,000 for that segment of the audience.

There are some conflicting opinions as to the impact of the DVR on the future of the thirty-second commercial. In a 2004 survey of 121 senior advertising industry executives of the American Advertising Federation, 21% reported that the DVR might kill off the thirty-second commercial, up from 13% in 2003 (McClellan 2004). The same survey had 55% holding that the thirty-second commercial will remain as the foundation of the television advertising industry, however supported by other alternative marketing strategies including product placement, sponsorship, and online opportunities (McClellan 2004). Adam Troyak, senior strategist for the integration group at GSD&M Advertising, claims the thirty-second commercial is not going to die and it will remain part of the overall marketing mix, but points out that "traditional advertising might now be used more to drive people online for longer form content" (personal communication, January 7, 2005). Don Cole, executive vice president for Fletcher Martin Ewing Advertising, however, predicts "the 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 2004).

DVR Opportunities

There are some opinions that because of its features the DVR provides beneficial opportunities for the advertising industry. Mandese (2004b) reports that "DVR's actually enhance the overall TV viewing experience, including advertising, making viewers far more 'satisfied' with television, including its advertising" (p. 35). Mitch Oscar, executive vice president of Carat Digital and the executive managing director/editor for the Association of National Advertisers' enhanced television initiative, comments, "if people are fast-forwarding through commercials, then they are concentrating on them, particularly on when a program might start" (cited in Mandese 2004b). Oscar adds, "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're interested enough in what they see, they will stop, rewind and play it back" (cited in Mandese 2004b).

The two features of people at least seeing the commercial even if fast-forwarding and having the feature to playback the advertisement were highlighted as opportunities by industry professionals. These features put more of an emphasis on the creative, visual components of the advertisement. Andy Hunter, strategy director for the integration group at GSD&M Advertising, describes the DVR as "a wake-up call helping the process along to look more closely how advertisers communicate creatively" (personal communication, January 7, 2005). Adam Troyak, senior strategist for the integration group at GSD&M Advertising, claims there is now more emphasis on the creative aspects and that "clever commercials will get stopped and replayed" (personal communication, January 7, 2005). In posing the simple question of "how do you make advertising interesting enough so people watch?" Martin Rubinstein, group account director for Lopez Negrete Communications, points out that visually attractive commercials will be noticed, even if fast-forwarding (personal communication, February 9, 2005). Blake Calloway, media planning supervisor for Lopez Negrete Communications, says the bar has been raised for people on the creative side of the advertising industry and that the features of the DVR can be used as an advantage in people watching commercials repeatedly and even storing the advertisements claiming, "people want to capture entertaining content" (personal communication, February 10, 2005).

The simplicity of the DVR device in time-shifting programs could also be an advantage if people are recording shows during times when there was no opportunity to view the program at its scheduled broadcast time. Because these shows are being recorded the advertisers now have an opportunity to be seen, when without the recording option there was no opportunity for the viewer to see the commercial. Calloway points out that when a person is not available to be in front of the television they were going to miss the program and all of those advertisements anyway, with the simplicity of the DVR recording the show the advertisements now have a chance to be seen.

Even with these potential advantages of the DVR for advertisers, the system of an audience skipping commercials is not the ideal scenario for advertisers. Better opportunities might exist for advertisers through the leveraging of their

interdependent relationship with television networks in potentially creating a media environment that helps facilitate their brands being noticed. Despite a decline in ratings and a potential increase in DVR use, advertising opportunities exist in that television networks desperately need them as a revenue source. Advertisers have opportunities because of the fact that they are the sole revenue source for broadcast television (although it is important to note that some cable television networks receive subscription fees in addition to advertising revenue). Advertisers should be examining their options or continue paying more money for less of an audience.

Some evidence of this interdependent relationship and the television networks understanding that they must work with the advertising industry or risk losing their revenue source is evident in sponsorship and product placement strategies. People might change channels during commercials or use the DVR to skip commercials, but it can be logically concluded that if they tuned in to watch a television program they virtually cannot escape certain brand name exposure. Advertisers can simply try to receive the necessary brand exposure within the context of these programs when the audience is watching. McAllister (1998) claims that, "from the sponsors' point of view, advertisers have been continually frustrated with the viewer's ability to "zap" ads, with the fragmentation of the media audience, and with the high cost of spot advertising in different media, and they have turned to sponsorship as a corrective to these problems" (p. 359). He makes a distinction between sponsorship and spot advertising or buying a single commercial within a program. He defines sponsorship as "the funding of an entire event, group, broadcast or place by one commercial interest in exchange for large amounts and special types of promotion connected with the sponsored activity" (p. 358).

For similar reasons of a diminished television audience and the ability to easily avoid commercials, product placement strategies of exposing the brand during the context of a program are also being utilized. Les Moonves, chairman and chief executive of CBS, describes product placement initiatives as the future, stating "there's going to be much more product placement. We did it with *Survivor*, obviously. They're doing it with *American Idol*. I saw *Minority Report*, Steven Spielberg's movie -- that had more product placement than any TV show I've ever seen" (cited in Gay 2003). Moonves adds, "you're going to see cars incorporated into shows, and instead of Ray Romano, sitting there with a can of nondescript soda, he'll be drinking a Diet Pepsi. That is going to happen" (cited in Gay 2003).

Advertisers simply move to sponsorship and product placement to put their brand name in a position where it is virtually impossible to be ignored. Corporations make the investment into sponsorship and product placement just like traditional commercial advertising strategies because there is the perceived and expected return on the investment. With the increase of DVR technology, media diversification, and the audience having multiple media options, all indications are that in the future sponsorship will continue to be part of the strategic communication plan of many corporations (Miyazaki and Morgan 2001; Parmar 2002).

Sponsorship and product placement strategies are emblematic of television networks and advertisers working together to create an environment that assists both entities. The key advantageous characteristic for a corporation in utilizing sponsorship as a communication strategy to reach its audience is the ability to negotiate with the mass media organization and leverage the agreement to further benefit both the media property and the sponsoring corporation (Fortunato and Dunnam 2004). Much like sponsorship strategies, negotiation is pivotal in product placement. It can be negotiated how the brand is seen, or whether the brand get mentioned by any of the characters. In these negotiations, television networks do, however, still force some conditions to advertisers. For example, to become a sponsor of a television program an advertiser might have to make a commitment to buy commercial time during the program. The forcing of sponsors to buy commercial time helps the television network sell a substantial portion of the commercial inventory for that broadcast and allows it to increase the price of the remaining commercial spots as the supply has been limited for a media location that might have strong demand. In speaking of the record advertising rates for a thirty-second commercial for a weekly program, Atkinson (2004) points out that a "reason for the dominance of *American Idol* is that it has sponsorship deals that guarantee airtime to those marketers, limiting the number of spots sold in the open market" (p. 77).

Moves toward sponsorship and product placement do not, however, mean the end of the broadcast commercial spot or print media purchase. While having the advantage of brand product exposure within the context of the program, there are potentially two major disadvantages to these sponsorship and product placement strategies. The first disadvantage is if the brand will be noticed as people could be so engrossed in the plot of the program that they did not notice that it was a Coca-Cola that the actor or actress was drinking. If possible, this problem could be solved by having the brand constantly seen

or the character repeatedly state the name of the brand so it is noticed. The film *Castaway* with Tom Hanks is one example where Federal Express and Wilson made their brand names such a prominent part of the movie that it was virtually impossible for the audience not to notice the product placement and recall the brand.

The second disadvantage is that the advertiser often cannot talk about the features of the brand through product placement or sponsorship. For example, people could see the Lexus automobile in a movie, but learn nothing about the product. It is the thirty-second commercial, magazine advertisement, or Internet communication that explains the features of the Lexus brand. Therefore, sponsorship and product placement strategies are often used in conjunction with the purchase of commercial time. In this scenario, however, with DVR use allowing commercials to be skipped, the outcome could be some brand recall, but still would not allow for any of the brand's features to be communicated to the audience.

Brad Aronson, executive vice president for Avenue A / Razorfish Advertising, comments that consumers getting greater control over advertising is "leading to the exploration of more integrated sponsorships and product placements for broadcast and a look at alternative advertising vehicles that allow for more impact amidst both consumer control and clutter" (personal communication, February 7, 2005). The movement to product placement and sponsorship according to Andy Hunter, strategy director for the integration group at GSD&M Advertising, illuminates the need for "many touch points for the brand with the consumer" (personal communication, January 7, 2005).

The DVR might also bring about movements to some alternative media placement options rather than the traditional thirty-second, over-the-air commercial. Martin Rubinstein, group account director for Lopez Negrete Communications, believes that cable television still remains a viable option as the content is very niche oriented and this niche audience can be as interested in the niche advertisements on a network such as the Food Channel as they are in the actual program content. Don Cole, executive vice president for Fletcher Martin Ewing Advertising, points out that radio is still a wonderful placement option as part of the marketing mix especially for local and regional advertisers (Cole 2004).

Another opportunity where television networks might be willing to capitulate to advertisers is in facilitating driving the

audience to an Internet site. This would allow the placement opportunities to co-exist with the creative opportunities of longer-form content that exist through the Internet. Perhaps television networks will permit advertisers to utilize the bottom corner of the screen during programming to not only display a brand name and logo or slogan, but also an Internet site address. Once at the site, both the company and the consumer are not restrained by a thirty-second format and all of the brand features can be provided and explained. There have been instances where Internet advertising has been extremely effective. Prominent examples, such as BMW Films or Reebok's Terry Tate long form advertisements, focused on pulling consumers into an Internet site with content rather than pushing them to it with other Internet site banner style advertising. The 2001 BMW Films series was specifically designed to appeal to a younger audience by producing short on-line action "mini-movies" featuring the cars. The campaign drew more than 13 million people to the Internet site, the favorability of the brand among the target skyrocketed, and BMW sales rose 12.5% in a year in which they had no new product releases (Olsen 2002).

The activity of visiting the Internet site is also consumer behavior driven and can easily be monitored by the advertiser. Both the DVR and the Internet also provide critical opportunities to learn about consumers and their media use patterns. Johnson (2004) reports that the DVR can provide valuable information about the audience member to an advertiser, including "when viewers watch a personally selected program, how long they watch, whether they keep it and watch it again, even when and where they pause, fast-forward and rewind it" (p. 12). He adds, "with time-shifted recordings allowing viewers to watch on their own schedule, advertisers can learn customized viewing habits and break out of the sitcom-on-at-8-p.m. world. The additional abilities to save recordings, watch programs multiple times, set up series and delete recordings all betray preferences and offer additional targeting opportunities" (p. 12). Johnson (2004) simply contends, "continuing to ignore DVR-specific data or worse, stubbornly adhering to outdated broadcast models means throwing away an advertising gold mine" (p. 12).

CONCLUSION

The advertising industry always has to understand the communication vehicles to reach an audience and the use behavior of these mass media vehicles by the audience. As the technological communication environment changes and causes the mass media use behavior of the audience to

change, so to must the advertising environment. Advertisers have to adapt to any new technological communication innovations used by the audience. Advertisers are always reacting to the audience and as the audience moves to different media locations, advertisers must recognize this and move with them. Advertising placement has to be in the locations where their potential customers participate and can be exposed to the message. The entire sales process breaks down without exposure and consumer knowledge that the brand exists and knowledge of the brand features. For corporations, to not adapt is to risk losing millions of dollars on inefficient advertising expenditures.

The DVR is the latest technological innovation to which advertisers must adapt. The changes brought about by the DVR clearly present a threat for advertisers with the audience having a device that can easily skip commercials. The skipping of commercials combined with the simplicity of the DVR and its ability to easily time-shift programming to when it is convenient for the viewer provides them with more choice, more control, and an overall more gratifying television experience. A theoretical application can be made to better explain the threats and opportunities that the DVR technology presents to the advertising industry. Uses and gratifications literature illustrates a threat on an individual level as the audience might have a better experience with the television medium if they can time-shift program viewing and skip advertisements.

The threat from the DVR or any other change in the communication technological environment is only fulfilled if there is no action by advertisers. The biggest threat for advertisers is to accept the status quo in their relationship with television networks and not recognize the flaw of the current system; to continue paying more money for commercials and receive a declining television audience. The media dependency theoretical model illustrates an opportunity for advertisers to leverage their relationship with television networks as these networks have to accommodate advertisers because they too are dependent on them as their source of revenue. Advertisers should not continue down this economic path as the threat is not necessarily the DVR, or any other future technological advancement, but advertisers failure to adapt to a changing environment.

The changes brought about by the DVR could present an opportunity for advertisers to re-think their relationship with broadcast television networks and re-examine what these networks might be willing to do to facilitate their relationship

with advertisers in helping create an environment that economically benefits both industries. After all, broadcast networks must be somewhat accommodating to their only revenue source. The specific opportunities through the strategies of product placement and sponsorship are already being practiced. Both of these strategies, however, do have flaws of the brand being noticed and not being able to explain the features of the brand to the audience. The real opportunity for advertisers could be to use their leverage in an interdependent relationship with television networks. For example, advertisers could convince television networks to allow the advertisers to use the bottom corner of the screen during television programming to not only display a brand name and logo or slogan, but also an Internet site address where the advertiser has unlimited time to creatively, and in a longer form, explain the features of the brand.

There are important opportunities for future research to study the many aspects of advertising relating to television and DVR technology. In specifically researching the use of DVR technology analysis of the type of programming that is being time-shifted is important. Perhaps there are certain programming genres that become time sensitive because of the social, interpersonal communication components that result from the shared experience of viewing at the same time. For example, sports and some reality television programs become topics of conversation and analysis in social settings immediately after their airing. To watch those types of programs in a time-shifted nature, especially if not on the same day, make it difficult to participate in the social aspect and potential gratifications associated with viewing that program. In addition to the type of programming, studying the viewer and if there are demographic variables that can be learned about who is using the DVR can be important. Advertisers could recognize these trends and adjust their placement strategies accordingly.

The DVR changes the relationship between the audience and the television medium through the leisure time element and the amount of time they can participate in that medium or any other activity they desire. With the DVR, an hour-long program can be viewed at a time other than when it was originally scheduled and can be viewed in half the time. It would be important to learn if in this "additional" leisure time people are watching more content or engaging in other leisure time activities. If they are watching more content the opportunity to reach people through the television medium remains. It is then perhaps a matter of shifting strategies to more widespread product placement and sponsorship to reach

an audience (assuming they are still using the DVR to continue to skip commercials during the additional programming content they are now consuming). If they are continuing to use the television medium, understanding creative approaches that resonate with the audience can also be analyzed. In this vein, studies on the issue of message framing could be incorporated into advertising scenarios. The measurability of viewing and skipping patterns of the DVR technology offers a unique opportunity to understand the content that people really want to see. If people are using their "additional" leisure time away from television, or the mass media altogether, any dependency on those vehicles is disappearing. A dependency on the part of advertisers for some communication vehicle does, however, remain for brand exposure to the audience. The challenge is thus not only knowledge of mass media behavior, but a more detailed social behavior of the audience as well.

A prominent aspect that is revealed through some of the studies of DVR use is that people like the choice and control of the viewing experience that is provided with the technology. Because television networks will continue to have a dependency on advertisers for revenue, perhaps, advertisers can work with the networks to create a system where people can choose the type of product advertisements that they are going to see during a program. Advertisers have tried to create a product match with many variables (demographic, psychographic, etc.) of the viewer through their placement strategies, but the dynamics of the relationship between the viewer and the advertiser could change if the viewer is creating the link. If people were to be able to choose and control the advertisements they could see, viewing commercials could become a gratifying experience of television. An example of this dynamic can be demonstrated in studies of Internet advertising effectiveness and the difference when people are exposed to a pop-up advertisement that was essentially sent to them outside of their control or when choosing on their own to click on an advertisement link for a product.

If the activity of skipping commercials becomes pervasive, the media economic system might be breaking down (especially if advertisers no longer capitulate to a system where they are asked to pay more for a decreasing audience). The potential ability of DVR's to "kill commercial television" by creating an easy option for consumers to skip commercials does exist. It is important, however, to keep in mind both the framework of the current economic system, as well as the thirty-second commercial's ability to survive other innovations before making such dramatic statements. The DVR is merely the

latest development emblematic of a system where advertisers have to consider technology and audience media use in their creative and placement strategies. Consumers have been able to skip advertisements since the inception of broadcast television. Whether it has been the bathroom, the refrigerator, the remote control, or the VCR, the voluntary nature of advertising supported content has always given viewers the choice to opt out. However, the ability to skip commercials has never been this easy and for advertisers to simply ignore this threat would be a potentially grave mistake. The challenge to advertisers is figuring out new and effective ways to communicate with people in the manner that the people welcome. More important than any one specific strategy, advertisers should have a philosophical approach to monitoring and adapting to the communication technological environment. Understanding the DVR or any new technology and the impact it can have on commercial television is a complicated hurdle, but one that advertisers must overcome.

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ABOUT THE AUTHORS

John A. Fortunato, Ph. D., is an assistant professor at the University of Texas at Austin in the Department of Advertising. He has recently published a book entitled, *Making Media Content: The Influence on Constituency Groups on Mass Media* (Lawrence Erlbaum). He has published articles in *Communications and the Law*, *Journal of Sport Management*, *Public Relations Review*, and *Rutgers Law Record*. Email: jfortunato@mail.utexas.edu

Daniel M. Windels, M.A., University of Texas at Austin (Advertising), B.S., University of Oregon (Telecommunications & Film) is an Account Planner at GSD&M Advertising in Austin, TX. His clients include AARP, American Legacy Foundation, United Health Foundation, the University of Texas, and Texas Parks & Wildlife.

Comments regarding this manuscript should be directed to: John A. Fortunato, Ph. D., Department of Advertising, School of Communication, University of Texas at Austin, 1 University Station A1200, Austin, Texas 78712-0116, phone: (512) 471-3482, e-mail: jfortunato@mail.utexas.edu.