

Digital Video Recorders: Adoption & Impact

Rachel Mueller-Lust
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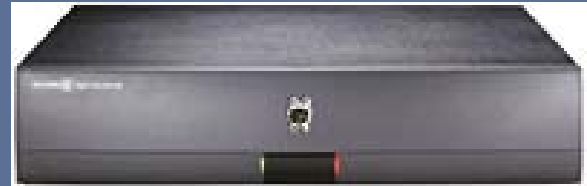
Agenda

DVR: Adoption and Impact

- Background, Purpose & Method
- Key Findings
- Implications & Conclusions

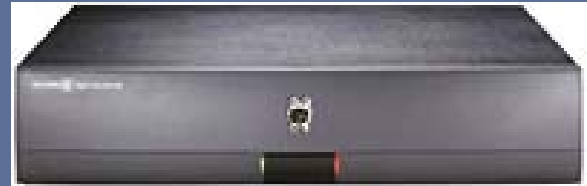
Assessing DVR Impact: *The problem with existing research*

- TiVo-centric
- Early Adopters
- Individual behavior
- The Why to the What



Assessing DVR Impact: *An Ethnographic Approach*

- Cable & TiVo
- Average Consumers
- Whole House



ABC/ESPN Study Purpose

- **Monitor non-early adopter households as they become accustomed to DVR technology**
- **Examine behaviors within the context of the household over a six month period**
- **Understand DVRs impact on TV viewing practices**
- **Observe the realities of DVR in relation to their pre-DVR TV viewing practices and attitudes**

ABC/ESPN Study Design

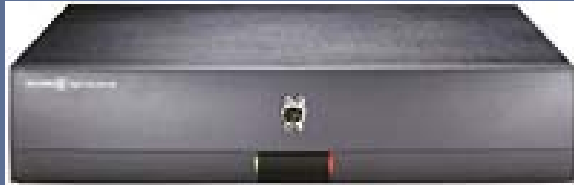
- The study was conducted for from February – August 2004 under supervision of Horowitz Associates
- Households were recruited from current cable subscribers in NY/NJ area to receive cable DVR or TiVo
- An ethnographic methodology was used

Ethnography Methodology

- **Anthropological**
 - 8 Multicultural Ethnographers:
 - Ph.D. in Sociology or Anthropology
- **Participant-observation employed to understand dimensions of participant's behavior**
 - Reveal *tacit* cultural knowledge not obtained in surveys
 - Most natural and unmediated view of TV/Viewer relationship
 - Nearly 1000 hours of observation
- **In-home visits were recorded by ethnographers in field notes, voice recordings and videotape**

Sample Size

	Recruited	Completed
Cable DVR	117	50
TiVo	40	17
<i>Total</i>	<i>157</i>	<i>67</i>



Key Findings



Acceptance and Rejection

- **No significant age or technology bias**
 - Main driver is importance of TV
- **Installation difficulties limited acceptance**
 - Bad experience with installer
 - Device conflict with furnishings; hi-end equipment
 - TiVo phone line; self-installation
- **Ultimately, cost is a barrier**
 - For average consumer, TV costs are already high

Consumption

- Over half of households do not believe they watch more TV
 - The DVR has not increased the time that remains in the day
 - Improved “viewing efficiency” – more programs in less time
- About a third of households feel they watch **more** hours of TV
 - Watching many new shows consistently
 - TV became more interesting so they set aside more time to watch
- Greatest impact is not more TV viewing, but getting more out of TV viewing time and enjoying TV more

DVR Usage: Six Distinct Approaches

Almost Real-Time / Short-Time Delay

- Purposely record a program to start it late, only to catch up to “live” by fast-forwarding through breaks
- Describes a minority of viewers, some fitting the “early adopter” profile
- Motivation is not always to skip ads

Same Day, Different Time Shifting

- Record programs as they initially air and make certain to view them the same day
- Typically those who recorded by VCR, these viewers are not around when program is aired due to conflicts
- “Need” to see it before winners/losers are revealed, want to view before the next installment, or addicts

Soaps, Talk, Reality

Weekend Warrior

- Use their weekends as a time to catch up on a weekly series
- Viewers attracted to semi-high profile shows with less “water-cooler” buzz
- Not concerned with same day viewing because they are under less pressure to be “in the know”
- Intent on viewing before the next installment

Primetime Dramas

DVR Usage: Six Distinct Approaches

Marathoning

- Gather and save large quantities of favorites and watch them in blocks, on weekends or free days
- Generally entails fast-forwarding through breaks, and even entire segments
- “Second string” favorites they like but lack the time to watch regularly

Daytime Talk, Syndicated, Cooking

Stockpiling

- Record favorites but do not view for long periods of time, if ever
- “Back-pocket” entertainment for themselves or other family members
- Insurance that they “can watch whatever, whenever, as often as they want”

Movies, Children's, Syndicated

The Traveler's Approach

- Program to save piles of specific favorites to view upon returning from travel
- Distinct approaches to “catching up”
 - ✓ Chip away at stored episodes of a series
 - ✓ Watch only recorded programs until they have caught up

When do viewers prefer live TV?

Many prefer live to recorded in certain cases

- **CHANNEL SURFERS**

“I flip, I get frustrated. So now, rather than channel up or down, I put in the channel number...TiVo makes flipping too difficult – it is too slow.”

- **LIVE IS THE “PURE” WAY OF WATCHING**

“Even with the DVR it’s my instinct to let the show run if the phone rings. When I get back, I’ll decide whether or not to rewind...I’m not gonna pause it...You can always catch up. It’s like cheating time, almost.”

- **NEWS JUNKIES AND SPORTS FANS**

“Sports are supposed to be watched live. I watch so many shows about sports... that it would be nearly impossible to avoid finding out who won the game.”

Commercial Avoidance & Viewing

- **Several reasons for skipping commercials**
 - Time management, relevance or lack thereof
 - “Now I only watch the commercials that I want to watch.”*
 - A genuine dislike for ad content and frequency
- **Some become more aware of ads**
 - “Fast-Forwarders” are more attentive than before, particularly first/last pod position
 - “I don’t think that the commercials are getting harmed by fast forwarding...It’s like driving. When you drive you don’t stop to read the billboards, but you see them.”*

Commercial Avoidance & Viewing

- *A third of participants say they do not skip ads*

“Sometimes it’s too much work to fast forward. You have to pay close attention to when the commercials end to stop fast forwarding. I just let it play.”

Network/Program Loyalty & Awareness

- The DVR strengthens program loyalty and network awareness
- Viewers become more program oriented:
"With the DVR, I never miss an episode of Law & Order...even the reruns."
- Network loyalty grows with program loyalty
 - As viewers become more engaged in shows, their reliance on favorite networks is strengthened
 - Controlled sampling improves – no time constraints

Household Dynamics

- **Resolving Conflict**

- Families are watching TV together more often and are spending more time together in the room with the DVR than they had in the past
- Viewers can record and return to a program at any time, so families are more willing to give up the remote and negotiate programs for group viewing

- **Creating Conflict**

- TiVo's inability to record more than one program while simultaneously viewing another program
- Youth are finding inappropriate programs their parents would not like them to watch at odd hours

Implications for TV Industry: What is Known and Future Speculation



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Near-Term Implications

- **Some viewers will not embrace DVRs**
 - Many homes gave back the DVR even though it was free due to technical or other issues
 - Cost is a significant issue
 - Conflict with HDTV
- **A single DVR may be enough for most homes, therefore not all the TVs in a home will have a DVR**
- **All DVR usage is not alike: TiVo and cable DVRs differ and so does the viewer experience**
 - Program search functionality,
 - Recording 2 shows at once



Near-Term Implications

- Commercial skipping is NOT the primary impetus for DVRs
 - Time management is the driving force
 - 30% say they never avoid commercials
 - Over half the viewers say they avoid commercials *when time-shifting*
- Programs that are viewed *live* have lower commercial skipping
 - Little observed buffering (near live time-shifting) occurring

Viewers will pay attention to commercials that they find appealing and relevant

Future Speculation

DVR penetration will be hampered initially, but will eventually approach appliance status among TV viewing homes:

- Passionate TV watchers are passionate about DVR
- Technology and cost efficiency will improve
- DVR / HDTV conflict will fade
- Gen Y will demand this device

Future Speculation

Good, relevant programming and branding will be even more powerful in a DVR environment :

- Loyalty and controlled sampling likely to increase
- Strong TV brands can get stronger
- Audiences are qualified, more clearly defined
- TV becomes more relevant and random access
 - *Like Magazines?*

Future Speculation

The :30 spot is not dead – even among DVR users:

- Commercial avoidance, not the main impetus
- TV viewing behavior/enjoyment still quite passive
- “Live” TV still considered the norm
- Attentiveness improves with program loyalty
- Fast-Forwarders more aware than before
- Net Effective commercial exposure may increase
- Many people actually LIKE commercials!

Future Speculation

For programmers, more than commercial avoidance, competition will be the issue:

- Least objectionable becomes most appealing
- Choice becomes almost endless
- Audiences will become even more fragmented

Programmers and advertisers alike must offer compelling and relevant content.

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