For Networks and Sponsors, the Sweet DVR Bonus

By BILL CARTER

IN television there may be no free lunch, but for some advertisers, the current rating system continues to supply a healthy serving of free viewers.

Consider the case of ABC’s “Modern Family,” already television’s biggest hit comedy. Every week when the ratings get reported, “Modern Family” looks to be soaring along, starting with its live broadcast on Wednesday at 9 p.m., with 10 million viewers and a 3.9 rating in the prime ad-buying category of viewers from 18 to 49.

But that does not measure how popular the show really is. When Nielsen delivers final ratings for how many viewers watched the show on DVRs, the numbers grow to more than 18 million viewers and an 8.1 rating in the 18-49 measure.

These figures represent the number of people who watched the show within a week after its telecast. But ABC is able to charge advertisers for only three days worth of that viewing, because of the economic system that measures viewership based on commercials that are watched.

Using that three-day measure, “Modern Family” gets credit for only 13 million of the 18 million viewers who actually watch within a week. The five million extra viewers turn out to be, in essence, a nice bonus for the sponsors.

As Brad Adgate, the director of research for the media-buying firm Horizon Media put it, “For advertisers, DVR viewing is a sweet deal.” He added, that “some day the dam’s going to burst” on this advantage, and networks will press for extra cash for the extra viewers.

But, he said, the disparity is currently mitigated by other factors. Among these are the “lucrative upfront sales” that networks have enjoyed in recent years, referring to the preseason market for commercials. “No one wants to upset that apple cart right now,” Mr. Adgate said.

Another factor is that many advertisers would have good reason to fight being charged for ads that run a week late, because their weekend sales events or movie openings would be long over by then.

In general, the statistics that define success in television have never been so malleable, thanks largely to the ability of viewers to delay viewing, either through DVRs, video-on-demand selections or streaming online.

Shows that appear to be marginal in the traditional ratings can look like pleasant surprises when delayed viewing is counted, and hit network shows can add to their audience totals, sometimes in staggering numbers.

One case pointed to by David F. Poltrack, chief research officer for CBS, is the drama “Hawaii Five-O.” The show, considered a modest success, has a live rating this season of 2.7 and about 10 million viewers. But after seven days of playback, those numbers lift to a 4.3 rating in the 18-49 group and 14.5 million viewers.
Mr. Poltrack said that the DVR results were crucial in how networks viewed their shows now. “Absolutely, they are important,” he said, noting that what seem to be chronic issues with unimpressive ratings for network 10 p.m. series are deceiving because “a lot of people are watching the 9 p.m. shows at 10.” The 10 p.m. shows tend to be watched later in the week, he said.

Mr. Adgate said that the trend toward comedy this season was underscored by how well certain shows, like “New Girl” on Fox and “The Office” on NBC, fared when their delayed viewing was included.

He pointed to one striking example. The new comedy “Up All Night” on NBC looks both weak and older-skewing during its live telecasts. But it improves 47 percent when delayed viewing is included. More remarkable, Mr. Adgate said, is that “the median age for the live viewing audience is 50.2, but when you add in the delayed viewing it drops to 43.2.”

The rate of improvement demonstrated by shows that start with smaller bases of live audience can be spectacular. This is especially true of cable networks with younger viewers. Colleen Fahey Rush, the chief researcher for Viacom’s cable networks, pointed to “Tosh.O” on Comedy Central. Its 18-49 audience grows 142 percent when delayed viewing is included.

The overall amount of delayed viewing has continued to increase as more homes have added DVRs, but Mr. Poltrack said these figures were going to level off. (DVRs are now in 43 percent of homes nationally.) He said that CBS’s research indicated that the people who do not have DVRs now say “I don’t need them” because they are considered too expensive.

These people are depending more and more on streaming and video-on-demand, Mr. Poltrack said. That “is very positive for networks,” Mr. Poltrack said, citing statistics that show network shows are streamed and ordered on demand far more often than cable series.

He agreed that advertisers continued to get a bonus because of DVR playback, with all the added viewers they did not pay for. But he also agreed that commercials in shows a week old often had lost their relevance.

Mr. Poltrack argued that the DVR was a “transitional technology,” one that would be outflanked at some point by streaming and video-on-demand. Both those technologies still allow viewers to program shows on their own schedules, he said, but don’t add a DVR’s extra cost.

The added benefit for show owners like networks is that the commercials can be adjusted long after the live telecast of the episode is viewed. And the fast-forward function is eliminated in these forms of playback, meaning the commercials can not be zipped through.