

In the Age of TiVo and Web Video, What Is Prime Time?

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Chris Haston/NBC

"The Office" is a hit with those most likely to delay watching.

This week, the television upfronts — in which the broadcast networks present their schedules to advertisers — will open with a mystery. Who stole six million viewers?

That's the number who were watching prime time television last May, a month affectionately known as "sweeps," but have disappeared this year, according to the overnight Nielsen ratings. Each of the major broadcast networks, save for Fox, has seen its audience decline this season. The ratings for hit shows like "American Idol" and "CSI" have approached record lows.

Where some of last May's 44 million viewers went is not a mystery, according to the networks. The writers' strike this winter deflated the ratings and accelerated the flight of viewers to cable channels.

But the more significant shift can't be blamed on the strike. In the past television season, there has been a sharp increase in time-shifting. Some of the six million are still watching, but on their own terms, thanks to TiVos and other digital video recorders, streaming video on the Internet, and cable video on demand offerings. So while overall usage of television is steady, the linear broadcasts favored by advertisers are in decline.

The mystery, then, is what the networks should do now.

Brad Adgate, research director of the advertising agency Horizon Media, said that advertisers were paying attention to the changes.

"Part of the reason why advertisers buy television is because of its immediacy," Mr. Adgate said. As more consumers time-shift their viewing, "there becomes less of a difference between ads in magazines and ads on television."

Broadcast television remains the dominant medium for advertising, as the \$9 billion upfront market attests, but its prime-time audience is gradually shrinking. Time-shifting has cushioned the declines, but in ways that are trickier to measure and pitch to marketers. With on-demand options available in more households than ever, networks have no choice but to adapt.

For starters, the prime-time schedules crafted by television programmers might become less important with each passing year. David Wolf, a senior executive with the consulting firm Accenture's media and entertainment practice, said that "must-see TV" — the longtime slogan for of NBC's Thursday night lineup — might become a television relic.

"The days of the 'lineup' are numbered," Mr. Wolf said. In other words, with fewer viewers watching linear over-the-air television, networks can't assume that a heavyweight lead-in like "Dancing With the Stars" will keep viewers watching all the way to the late local news, a pattern that has helped networks introduce new shows.

It may also mean that matching up programs becomes less important, or at least less potentially damaging. Last fall's powerhouse Thursday at 9 p.m. match-up — ABC's "Grey's Anatomy" versus CBS's "CSI" versus NBC's "The Office" — was a scheduling move influenced by time-shifting. All three shows are popular among the young, upscale viewers who record and stream shows most often.

"I think that scheduling decision would have been a lot harder to make in a non-DVR world," said a senior network executive who spoke on the condition of anonymity in order to be candid about the issue. "It would have been more of a zero-sum game then."

Many of the top-rated broadcast shows now have 20 percent to 25 percent ratings gains when DVR viewing is calculated. In urban areas, the gains are even greater. In Los Angeles, fully half the 18- to 49-year-old viewership for some shows, including "The Office" and another NBC sitcom, "30 Rock," happens on a time-shifted basis.

Some viewers shift their viewing only slightly, overlapping shows scheduled later in the evening.

Of 20 shows time-shifted most often, only one ("Medium") is on at 10 p.m. As appointment viewing wanes, hit franchises — ones that viewers will record or watch online each week — become even more important.

"As a result of time-shifting, the biggest shows are getting bigger and some of the smaller shows are getting negatively impacted," the senior television executive said.

At a series of upfront presentations this week, the networks are likely to discuss the dizzying number of new ways to watch television. Last week, for example, the General Electric unit NBC started streaming some episodes to the Apple iPhone, and Microsoft added show downloads to its online store.

The availability of television shows online has become widespread surprisingly quickly. Some series are viewed millions of times a week via free, advertising-supported streaming Web sites like Hulu, Veoh and Fancast (and the network sites themselves). DVRs and online streams offer "a fairly large library of content available on an on-demand basis," said Amy Banse of Comcast Interactive Media.

"The Hills," the most popular show on Viacom's MTV, is a leading example of the shift. Comparing television ratings with online streams is imprecise, but the audience for the series soars when on-demand options are factored in. Since the show returned on March 24, premiere episodes have averaged 3.7 million "live" viewers on Monday nights. Almost a million more viewers have watched each episode using DVRs. On the Internet, episodes and excerpts have been streamed another 32 million times. Some overlap undoubtedly exists, as some fans watch the episode both on TV and online. But every viewing is another advertising opportunity for MTV.

Streaming is particularly popular among younger viewers, who are able to sample shows they would otherwise miss. In a first-of-its-kind experiment, the CW decided last month to stop streaming the teen drama "Gossip Girl" on its Web site and steer viewers to the television broadcast in an effort to bolster its over-the-air ratings. Stephanie Savage, an executive producer, said she worried that the move would alienate viewers. After all, each episode put online had been streamed hundreds of thousands of times.

"There were a lot of question marks," she said.

But executives at the CW, a joint venture between a Time Warner unit and the CBS Corporation, were pleased with the results when the ratings rose slightly in late April, Ms. Savage noted, and the episodes are still for sale for \$1.99 each at Apple's iTunes store, where they regularly rank No. 1.

Cable operators offer yet another on-demand option. Comcast and Time Warner Cable, the country's two largest cable providers, are increasingly promoting their video-on-demand platforms, which are mostly associated with movies and premium programming. One-third of United States households now have on-demand capabilities, and Comcast said its platform recorded more than 300 million video views in March, up 50 percent over the previous year.

But of all the time-shifting technologies, digital video recorders are the most popular. One in four American households now uses a digital video recorder to time-shift shows and skip commercials, up from about 15 percent last May. The broadcast networks experienced a 60 percent rise in recorded viewing this season. Last year, in recognition of the growth of DVRs, many television networks converted to a new ratings metric for buying and selling ad time that includes shows watched within three days of the broadcast.

For networks, the DVR is a friend and an enemy: "the classic frenemy," said Alan Wurtzel, the head of research for NBC.

While they enable viewers to watch more hours of television, they hurt the rate of commercial recognition, as about half of all commercials are skipped in time-shifting modes.

"Honestly, if I could wish away the DVR, I would," Mr. Wurtzel added. "But I can't. It's growing."

Time Warner is trying a half-measure: letting viewers start an episode anytime during the hour of its broadcast. "I'd like to see this get to the point where we have so much content that consumers can actually plan their lives around knowing that they don't have to plan their lives," said Peter C. Stern, the executive vice president for product management at Time Warner Cable.

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