

In many homes, a laptop computer has become a "second TV."



John Carey

Is TV Dead?

Absolutely not, say two experts, but the environment is changing radically.

By Gali Einav and John Carey

On April 8, 1966, *Time* magazine startled readers with a provocative cover that asked in large type, "Is God Dead?" After reading newspaper, trade and journal articles over the past year, we might ask a similar, if less profound, question— Is TV Dead? The headlines have been screaming about the demise of television: "Let's Just Declare TV Dead and Move On...The End of TV as We Know It...The Internet Is About To Kill TV."

The atmosphere of doom and gloom, fueled by fundamentalist Netizens (those who believe in the Web with a near-religious fervor), is reminiscent of the story of Chicken Little who, after being hit on the head with an acorn, declared to the world that "The sky is falling." Looking at the changes in the TV viewing environment through the

prism of a researcher's eye, we will argue that not only is the sky not falling, but we are actually at a very low risk of bidding goodbye to the television business. Further, rather than looking at the rise of new digital platforms and technologies as a threat, we believe the TV industry is on the verge of a Golden Age of Media, a time when vast new opportunities are opening up for content creators and distributors, and, most importantly, for the consumer.

We are at an important point of change in television viewing. There are many new ways of accessing and watching television. We have to re-examine many of our assumptions about television, for example: all TV viewing follows a schedule; with a few exceptions such as sports or movies, programs are 30 or 60 minutes in length; we watch TV programs only on a TV set; most people use print guides to find out



John Carey

TV programs are one way for passengers to occupy time on a car trip.

about TV shows; and, TV gets to us in one of three ways: over-the-air broadcast, cable or satellite. Significant changes in the television-viewing environment have occurred before. The first major change, which industry veterans will remember, was when TV viewing moved into the home. In the late 1940s, when TV sets were very expensive, most TV viewing was in bars or department stores. Media historian and scholar Leo Bogart called this the era of “Tavern Television.” In the early 1950s, as the price of TV sets dropped, millions of people purchased TVs and began to enjoy television in their homes. Other substantial changes in TV viewing patterns occurred with the adoption of remote controls (more channel changing and a greater sense of control over TV viewing), the purchase of a second or third TV set for a bedroom or kitchen (more personalized viewing),

the construction of large cable systems in cities (more niche channels) and the introduction of the VCR (time-shift viewing of recorded programs). Each time, some industry analysts saw these changes as a threat to the existing television business, when, in fact, they created opportunities for those who did not have their heads in the sand.

The new Millennium brought with it an accelerated pace of change—more changes in the past several years than in the previous 50. The internet, digital cable and satellite, broadband, laptops, videogame consoles, wireless networks, portable TV devices, HDTVs and DVRs have created a world in which content is available to consumers whenever and wherever they want it. TV programs are available simultaneously on display devices that are larger and smaller than in the past

and there are more ways to transmit programs to consumers. Further, the presence of laptops, broadband and wireless networks in homes has created a powerful new video portal that can make Web television available anywhere in a household, often in combination with regular TV viewing. While none of these technologies is in as many homes as TV sets, many of them are becoming mainstream - adopted by very large numbers of consumers. Technologies such as HDTV-enabled sets, broadband and video games have crossed the 40-percent household-penetration mark in the United States. Other technologies such as DVRs and video-capable cell phones are trailing behind, but they are growing rapidly and with them alternative options for TV viewing.

One might think that the mainstreaming of these technologies is achieved at the expense of others, with new video media replacing established technologies, but this is not the case. It is true that online streaming has been experiencing phenomenal growth and has gone from rare to occasional to mainstream in a very short period of time. According to Comscore, within a period of 18 months, from early 2006 to mid 2007, the number of unique streamers doubled from approximately 65 million to 130 million. The number of total streams grew from approximately 3.5 billion to 9 billion. Currently, nearly three quarters of Internet users stream video content in any given month. Interestingly, television viewing has not been affected by this growth. According to Nielsen Media Research, the persons using television (PUT) ratings among

people 18-49 have grown from 16.9 to 18.8 over the same period. PUT growth is also strong among teens.

How is this possible? The buzz word of the media industry is multitasking. According the Ball State University Middletown media studies, we manage to consume more than 12 hours of media in nine hours during an average day, through multitasking (for example, a person who listens to an iPod for

“I just wanted to catch up on shows I missed”

ten minutes while simultaneously watching TV would be classified as consuming 20 minutes of media). By comparison, we experience seven hours of sleep and nine hours of work on an average weekday. As a result, we are experiencing more media use than ever before. This is one reason for our argument that we are entering a Golden Age of Media in which there are many more opportunities to reach new and existing audiences over a plethora of platforms. We are experiencing a move from viewing habits to new choices, framed by the availability of new technologies.

Television viewing is breaking out of the conventional box that marked our expectations for how people utilize TV. New viewing platforms and behaviors such as time shifting with the help of a DVR, streaming online via broadband and watching TV over bigger and smaller screens are all legitimate forms of viewing television content. Does choice have a negative effect on television viewing? A number of studies have shown that DVR owners watch more

television, especially prime time shows, since they have control over when to watch them. Further, they like TV more since they are watching shows that they can choose from the entire 24 hour lineup. In addition, specific prime time shows garner viewers who may have been lost if not for the option of time shifted viewing. Nielsen has begun to capture this viewing in new ratings data that include live plus the next seven days of time shifted viewing. By way of example, *The Office* during the week of October 1-7, 2007, showed an exponential growth of more than 40 percent once time-shifted viewers were included. Online streaming adds even more viewers and the distributor can control whether or not people can fast forward through commercials while watching online.

Looking more closely at online video, new viewing patterns are beginning to emerge. In addition to “video snacking” of short clips, the main form of online video available only 18 months ago, there has been an incredible growth in full episode viewing. Although they are a small share of TV viewing overall, TV episodes have been a significant driver of streaming video growth, according to Harris Interactive, rising from a very small percentage of all online video streaming in the spring of 2006 to nearly 20 percent in the spring of 2007.

NBC’s study of its Rewind video player, showcasing prime-time shows on nbc.com, uncovered another interesting pattern of viewing. While there has been some video “snacking” of (mainly) short form video content during the day, the majority of NBC Rewind viewing has taken place at home and at night, a behavior similar to TV viewing. This is not to say that

online viewing is replacing traditional television viewing. The study showed that online viewing is creating an incremental audience, with the majority of people falling into a “catch up viewer” category, stating that they have used Rewind to watch an episode that they missed on TV. In addition, a majority of respondents in the study were new viewers, who were exposed to a show for the first time online. Many of these viewers remained loyal to the show and kept on viewing both online and on TV. A second pattern of online video use is to re-watch favorite shows a person has seen before, sometimes in their entirety and sometimes to re-watch favorite scenes. A third use of online video is to watch shows that friends recommend after the show has aired. In this way, online video has an advantage over DVRs. With DVRs, you have to anticipate what you want to watch and set the DVR to record it; with online TV programs you can go back and watch a program that was on TV yesterday even though you didn’t record it. This suggests that the online video experience, at this point, is not cannibalizing viewers but building loyalty to favorite shows and exposing people to new shows they have missed.

What is the effect of smaller, portable screens on media consumption? Although there is a proliferation of small screens such as video iPods and cell phones, the majority of Americans still prefer to watch television content on a bigger television screen. According to a Harris Study, two thirds of people would always prefer to watch video on their TV versus a computer or portable video device. However, laptops and

portable video devices are useful secondary TVs when a big set is not available or to watch a second program along with the TV show on a large set. The same study revealed that only 6 percent have ever connected a computer to a TV to watch internet video. So, while TV programs are being viewed

Is TV dead? Clearly not, but the viewing environment is changing as profoundly as the shift from Tavern TV to Home TV in the early 1950s

on the Web, videos created for the Web are not being viewed on TV sets, at least not yet or in large numbers.

Most Americans do not use their cell phones and video MP-3 players for video at all. However, those who do use an MP-3 player for watching TV programs, report that it is a positive experience. How could watching a TV program on such a small screen be positive? It is important to remember that people sit much closer to an MP-3 player screen when they are watching TV programs compared to regular TV sets. Viewing a TV program on an MP-3 player that is 18 inches away is like watching a 30 inch TV set from six feet away. People also have developed many ways to position an MP-3 player so that it is not tiring, for example they set it against a pillow, rest the hand holding the MP-3 on a lap or use one of the stands that are made for the devices. It may come as a surprise to some that much viewing of TV programs on MP-3 players and other portable video devices

is in the home. Some people watch TV programs on a portable device while in bed, before they go to sleep. They report that earbuds are very useful since they do not disturb a spouse but if they laugh too loudly at a comedy show, it may lead to a poke in the side. Others use portable video devices to stay in a room even when they do not like the show playing on the main TV. People have told us that when they are watching TV with a spouse and a favorite show of one person comes on (which the other doesn't like) it was common in the past for one to leave the room and watch a different show on a TV set in another room. One person called this the "TV divorce." Now, they stay together and while one watches the main TV, the other watches a recorded show on the portable player, using earbuds to not disturb their spouse.

There is an important distinction to be made between television content and its distribution screen. Good television content is still and will always be in demand. There is a strong preference for professionally produced content online now that the video quality has improved. A few years ago, in a dial-up narrowband internet world, streaming video was the size of a postage stamp and frequently out of sync with the audio. In that environment, professional content and amateur content all looked bad. In the new broadband environment, high quality video looks very good, if not quite as good as regular television, and viewers can see a difference between amateur and professional content. Though many like short, off-beat amateur content, professional content dominates long form viewing.

The Digital Divide Narrows As Mainstreaming Takes Over.

A decade ago, a widely read government report, *Falling Through The Net*, proclaimed that there was a wide digital divide between those who had access to new technology and those who did not, based on age, ethnicity and geographic location. Recently, communications research scholar Horst Stipp analyzed a range of data on technology adoption and demonstrated that the digital divide has narrowed considerably. Focusing on age, young people are more likely to use a device such as a video MP-3 player, but for DVRs, HDTVs, broadband and laptops, there is considerable adoption across age groups. This supports the concept of mainstreaming which we introduced earlier. While most of these technologies are not yet in a majority of US households (broadband has passed the 50 percent mark), they have moved past the early adopter stage and have found wide acceptance across a broad range of households.

Is TV dead? Clearly not, but the viewing environment is changing as profoundly as the shift from Tavern TV to Home TV in the early 1950s.

It is difficult to predict what the television landscape will look like ten years from now. What we do know is that old habits are slow to change. Traditional media habits still apply, with television viewing growing and big screen preferences still the norm. On the other hand, consumers are exploring new choices, time shifted viewing, online viewing and video over portable media and their growing expectation of control over content consumption is not likely to recede any time soon. What has not changed is people's desire to be entertained

but they might choose to do so over less traditional platforms than the television set depending when and where they are at the time.

To return to our original question, is TV dead? The answer is clearly, no, but the TV viewing environment is changing in ways as profound as the shift from Tavern TV to Home TV in the early 1950s. We need to keep a perspective on change and continue to monitor it. Let's lean back, or forward, and enjoy one of the most exciting times the television business has experienced since the introduction of the television set those many years ago.

© 2008 Gali Einav and John Carey

Gali Einav is Director of Digital Technology Research at NBC Universal, where she oversees strategic and consumer research across various digital technologies such as VOD, mobile and online media. She holds an M.A. in Communications and Journalism from Hebrew University and a Ph.D. in Communications from Columbia University's School of Journalism.

John Carey is Professor of Communications and Media Management at Fordham Business School. His research focuses on consumer adoption of new media and the impact of technology on media behavior. He holds a Ph.D. from the Annenberg School for Communications at the University of Pennsylvania.