

TIVO

Here's the sound that TV networks dread.

(Ambience) TV Commercial on TiVo

What you're hearing is TiVo fast-forwarding through that commercial. TiVo – a digital video recorder that's the most recognized brand of its kind – can also pause live TV and digitally record shows.

While those functions may worry TV networks – the impact on advertisers remains unclear. That's because DVRs have not been adopted by consumers in large numbers. Only about 13 percent of households have one.

Jupiter Research Analyst, Todd Chanko says the high price of a DVR is holding back greater acceptance.

(Chanko) If those benefits of using a DVR were so huge, wouldn't they outweigh the costs in most TV viewer's minds? But, apparently they're not.

Chanko says advertisers aren't threatened by DVRs – that's because of the people that own one, only half skip ads. And advertisers recently got some more good news. Andrea Brecker with the marketing research firm Millward Brown – says a study they conducted found people remember ads regardless of whether they use DVRs or not.

(Brecker) To some extent people who own DVRs now are more technically savvy and more interested in media overall, so whether or not they are skipping commercials, they're still aware of the advertising, it's not totally tuned out of their lives.

Even so, TV networks are scared. Brecker says advertisers are pointing to DVR use as a reason to pay less for primetime spots.

(Brecker) There's so much revenue involved, I think people- the advertisers, the people who are buying media- use whatever they can to leverage to get the best deals.

Networks are fighting back.

ABC President of Ad Sales, Mike Shaw, said he would love it if fast-forward buttons were disabled on future DVRs, and ABC is holding talks on how to accomplish just that.

Dave Morgan, Founder and Chairman on the Board of Directors at marketing firm Tacoda, says that this type of approach simply won't work.

(Morgan) If media companies and advertisers are foolish enough to think that they should be slapping the hands of consumers who want what they want, and saying 'I don't want you to fast-forward,' well, they'll disappear.

Paul Saffo agrees. He's the director of the Institute for the Future.

(Saffo) There's a long history of Hollywood mandating something and the users finding a way around it, or voting with their feet.

Instead of trying to force DVR users to stop ad-skipping, TV Networks and advertisers will have to get creative. So far, those who have adapted have had some success.

(Ambience) KFC commercial

KFC ran an ad early this year that awarded a coupon for a free buffalo snacker to those viewers who used their DVR to slow the ad down and watch it frame by frame. In the weeks it ran, one hundred and three thousand people claimed their free buffalo snacker, and KFC's website traffic nearly doubled.

Tacoda's Dave Morgan believes that commercials will get much shorter – between two and five seconds long, and will direct interested consumers to a longer video that they can download.

(Morgan) If you're interested in buying a Ford SUV, you actually would be quite interested in a 15 or 20 minute video that walks you through all the elements of the SUV. Particularly if you can watch it, you know, in the calm environment of your living room and not with a salesperson hanging over your shoulder.

The future of television advertising is also in product placement and product integration.

Dave Morgan says what we know of advertising today is fundamentally going to change.

(Morgan) What's fun is that it's going to change really fast and it's going to change pretty dramatically and we're all going to get to watch it.

For Intern Edition, I'm Courtney Kerrigan in Los Angeles.