

New ad zapper has TV networks worried about sales

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(AP) -- The maker of a new DVR that lets consumers zap away broadcast TV commercials at the touch of a button suggested Tuesday that the networks are being short-sighted in opposing the technology.

The Dish Network, which has offered its new Auto Hop feature on new digital video recorders since March, said it believes that people who buy the machine are watching more network television than they had before. The Auto Hop automatically records every minute of prime-time programming on ABC, CBS, NBC and Fox and stores it for eight days.

"It's a win-win for both consumers and the networks," said Vivek Khemka, Dish Network vice president of product management.

That opinion is anecdotal, however. Dish officials say they don't yet have hard data to back up the contention that more of their customers are watching network shows because they are automatically stored on their DVR.

Network executives are angry about how Auto Hop allows viewers to eliminate commercials on the recorded shows through one button, no fast-forwarding required. It didn't help their moods that Dish, the [satellite service](#) with about 14 million customers in the U.S., was advertising the new feature on the week that networks were touting their new fall programming. The feature isn't available for [cable network](#) programming.

Dish said Fox and NBC have refused to allow its ads for the new DVR on their networks.

"Ads are key to our business, so we're not supportive of anything that doesn't support our advertisers," said Paul Lee, president of the [ABC Television](#) Group.

During a presentation to advertisers at Radio City Music Hall, Ted Harbert, chairman of NBC Broadcasting, called the [Dish Network](#) feature "an insult to our joint investment in programming."

In one respect, the issue is a rerun for TV networks. In 2001, they sued the maker of Replay TV, another DVR, to stop a similar feature. The feature wasn't included in the next model of DVR that Replay TV put out, and the company that made them filed for bankruptcy before the lawsuit could be resolved.

Kevin Reilly, Fox entertainment president, said it was surprising that Dish would make such a move against its largest content provider.

"More broadcast is watched there than anything else, so this seems like a strange thing to do," Reilly said. "But we're still evaluating it."

Khemka said Auto Hop has features that are sensitive to the broadcasters' concerns. The commercial zapping feature has to be activated; the recorded programs will still contain the ads if the button isn't used. The feature also won't allow the commercials to be skipped until at least 1 a.m. Eastern time the next day, and studies show that a significant amount of recorded programming is viewed the same night it airs.

Dish has also supported broadcasters by paying significant rate increases for their content, said company spokesman Robert Toevs.

If people are deciding between a cable or satellite provider, the feature gives the company a competitive edge, Khemka said. Indeed, Auto Hop is the feature that Dish focuses on during its current ad campaign.

Dish said it's exemplifying its belief in the advertising structure by spending tens of millions of dollars on television ads, the kind of ads customers would be allowed to zap through.

At this point, Auto Hop is likely in the hands of relatively few viewers, but Dish wouldn't say how many of their customers have it. As a point of comparison, an estimated 700,000 new homes signed up for Dish in the first three months of the year.

The jury is also still out on the ultimate impact of ad skipping. Nearly half of American households with televisions now have DVRs, and there hasn't been any measurable impact on the rates that advertisers are paying for broadcast commercials.

Ratings indicate that DVR usage has increased viewership of some network TV shows, said Jack Myers, publisher of the industry newsletter The Myers Report. In an odd way, fast-forwarding through commercials often makes people concentrate more intensely on the TV and stop if something interests them, he said.

Allowing a customer to eliminate the commercials entirely, however, is "too big a game-changer," he said. "It brings to question Dish's understanding of the fundamentals of broadcast television."

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