

# Economists say Internet TV means more options, not viewing time

October 21 2015, by Brittany Magelssen

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The option of watching television online will not influence the amount of time a person spends viewing TV, but it does make the experience more pleasurable, according to a new study from The University of Texas at Dallas.

"Some media reports predict that because people now have access to watch anything they want, anytime they want, they will spend more time watching TV," said Dr. Stan Liebowitz, a managerial economics professor in the Naveen Jindal School of Management and one of the study's authors.

For their research, Liebowitz and Dr. Alejandro Zentner examined television consumption during the switch from broadcast TV to cable TV. Because data of current trends in Internet TV viewing won't be available for another 10 to 15 years, the authors prognosticated what's going to happen based on what's happened in the past.

The study, recently published in the *Journal of Cultural Economics*, found that viewing time essentially stayed the same, regardless if the variety of available TV shows increased. Liebowitz said consumers have only 24 hours in a day, so giving them more variety does not mean they're going to spend more time watching television.

Although they're not watching more TV, viewers are getting greater enjoyment from watching television via the Internet, according to the study.

"Additional program choices imply that people will be more likely to find a television show that more closely matches their taste," said Zentner, an associate professor of finance and managerial economics. "Because the Internet has brought about additional program choices, viewers get greater enjoyment."

Because the variety of programs doesn't impact the amount of television consumption, the researchers determined that on-demand Internet streaming media companies should not expect to make additional revenues through increased viewing. Liebowitz said they should focus on subscription revenue—as Netflix has—rather than advertising revenue—as Hulu initially did.

And what about binge watching, viewing multiple episodes of a TV show in rapid succession?

"Our results imply that people who are consuming their TV in binges do not change the total time they spend watching TV," Liebowitz said. "Instead, they're just changing what content they're watching."

Showing that increased variety does not change the amount of television consumption may provide strategic insights for other industries, said Liebowitz, an Ashbel Smith professor.

Consumers have a large number of choices for many products, including movies, candy bars and cars. These industries might have the same trait as television—that more variety merely shifts consumption toward choices that better fit each consumer's taste.

Ultimately, the extra choice of watching TV online is positive for viewers.

"Consumers are going to be better off as the option to watch TV via the

Internet grows," Liebowitz said. "If you have more choices, you're going to be able to find a program that fits what you feel like watching."

**More information:** Stan J. Liebowitz et al. The internet as a celestial TiVo: What can we learn from cable television adoption?, *Journal of Cultural Economics* (2015). [DOI: 10.1007/s10824-015-9245-6](https://doi.org/10.1007/s10824-015-9245-6)

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