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OUTSIDE THE BOX: Consumers and the Business of HDTV

By Adriana Waterston, Horowitz Associates

Earlier this month, over 90 million people tuned in to the Super Bowl, a good number of whom watched specifically to catch the highly anticipated commercials. The game itself has been filmed in high definition since 2000, and this year, more than half the ads aired during the game were also in super-sharp HD. Indeed, my colleagues who watched the game in HD noted that the non-HD commercials paled in comparison to the high-def ones.

With prices for high definition TV sets dropping, it seems, almost daily, penetration of this high-end eye candy is naturally on an upswing. The 2005 edition of Horowitz Associates' annual State of Cable and Broadband study reported that 14 percent of cable/satellite subscribers have HDTV or HD-ready TV sets in the home. The same survey conducted in 2006 finds that today, one out of every 4 cable/satellite households (25 percent) reports having at least one HDTV set, and over one-quarter of those HD homes say they have two or more HDTVs in the home. With CE retailers taking full advantage of the Super Bowl to push these expensive sets, we can anticipate that the number of sets has grown in the month since the survey was fielded.

Yet, Super Bowl Sunday aside, the availability of and access to high-definition content still remains relatively limited. The reality is that penetration of HDTV services provided by cable/satellite companies still lags behind penetration of the sets themselves: For example, among digital cable subscribers, 36 percent of whom have HD sets, only 23 percent have HDTV service. Among satellite subscribers, 34 percent say they have HD sets, but only 19 percent report subscribing to HD service.

The consumer "confusion" these data indicate (and as reported previously in these pages) is generated by confusing, sometimes contradictory and often self-serving advertising and marketing communications from service providers, content providers and consumer electronics manufacturers. This confusion is also reflective of the platform and distribution constraints and incompatibilities that limit the reach of some of digital's most promising technologies.

A recent ethnographic study conducted by Horowitz Associates for a major cable programmer revealed some key issues surrounding the marketing of HDTV that must be addressed in order for the full promise of this technology to be fulfilled. Indeed, some of the most revealing findings of this study conducted among households who reported owning HDTVs came not from those homes that qualified for inclusion in the study based on their ownership of HD, but from those homes that did not qualify.

What we found was that many of the homes that thought they qualified—i.e., reported that they had an HDTV set—actually did not own a set, a discovery made by the ethnographers upon their first ethnographic visit. Some believed they automatically had an HD set simply because they had a large or a flat panel TV. Still others thought that seeing a little icon announcing "available in HD" on their screens during some shows meant they were actually watching that very show in HD. And even among those who legitimately had an HD set and were paying for HD service, some confusion remains. More than one of these study participants did not know they needed to change the channel to access the high-def programming — for which they were paying a monthly fee.

Nevertheless, other findings of this ethnographic and other research on HD lend support to what we already intuitively know about it: Those who are taking full advantage of high-def are passionate about it, and wish there were more HD content available so they can enjoy the technology even more. For some who have discovered HD, watching in standard definition is like having to use a dial-up connection after having Broadband Internet service.

While there is probably some degree of confusion in these data, a large majority of consumers indicate they watch HDTV if they have access to it. The State of Cable and Broadband study finds that two-thirds (64 percent) of consumers who say they have HD service in their home say they watch high-def programming on a daily/almost every day basis, and 82 percent watch high-def programming weekly. Almost three-quarters (72 percent) of those who say they have the service give it high satisfaction ratings. Certain genres of programming - sports events, sports news and movies, specifically — rank higher in daily/every day viewership among households that have HDTV than among multichannel subscribers overall. While we can only assume that much of this viewing is in HD, these data correlate to findings from other data in the State of Cable and Broadband study series (SOCB 2005) showing that consumers with HD perceive that HDTV "really makes a difference" in their viewing experience of movies (25 percent) and sports (22 percent) in particular, over other kinds of programming genres.

We anticipate that as more and more content becomes available in HD, the imperative for advertisers going forward will be to advertise in HD — or, like those non-HD commercials during the Super Bowl, risk palling in comparison. At the same time, advertisers will likely insist that their HD ads be placed in the context of HD programming, adding additional momentum to the High-Def movement. Indeed, compounded by the rapidly approaching digital switch, the dawn of the high-def digital age may in fact be upon us.

It is in the industry's best interest, then, to work to clarify the confusion that still remains among consumers both with, and without, HDTVs. As consumers demand "the next great picture," programmers, distributors, CE companies and even advertisers alike can embrace HD as a key competitive advantage. Importantly, of all the new digital services, HD stands out as a technology that is not, in and of itself, disruptive of the classic advertising and linear television model: From a consumer perspective, it's ultimately, just better looking TV. And that's a winning proposition for everyone.

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