

Case study: personal video recorders



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Case Study: Personal Video Recorders 1. Discuss how PVRs will affect the demand from advertisers? The increase usage of PVRs will result in the decrease of the demand from advertisers.

The reason is that the more people use the PVRs to record TV shows and skipping commercials, the less viewers that commercials can reach which makes the commercials are less efficient. Therefore, there would be less demand from the advertisers. 2. $Q_d = 30 - 0.0002P + 26V$ a. The price should charge at \$140,000; 28 minutes will be sold; and the total revenue will be \$3,920,000.

b. If due to PVRs the number of expected viewer falls to 0.5 million, the quantity demand will decrease from 28 to 15. $Q_d = 30 - (0.0002 \times 140,000) + (26 \times 0.5)$

$= 15$ Viewers = ? $Q / (Q_1 + Q_2) / 2 / ? V / (V_1 + V_2) / 2 = 15\% / 16.7\% = 0.9$

That means the elasticity of viewers is inelastic. The decrease in number of viewers will results in the decrease in demand of advertising. 3. As more viewers begin using PVRs, the revenues of the major networks will most likely decrease.

It's because Total revenue = Price x Quantity Demand. If the price stays the same, the decrease in Q_d will result in the decrease in Total Revenue. . If a significant proportion of the viewers begin adopting these “ advertising snipping” systems, the long-run effects would be less and less company use commercials as their advertising method which will decrease the demand and revenues of advertising companies dramatically. 5.

The advice that I would give to the major commercial networks and producers of programming for these networks is to make the commercials more interesting, more attractive and less time; so that the viewers will enjoy watching the commercials instead of thinking they are boring and skipping them.