

TELEVISION ENTERS THE DIGITAL ERA, THE ERA OF THE FRANCHISE PROGRAM

David F. Poltrack
Chief Research Officer, CBS Corporation
President, CBS VISION



*Welcome to the Era of
Digital Television...*



FROM LINEAR TO NON-LINEAR TELEVISION

- **The DVR**
- **Video-On-Demand (VOD)**
- **New Portable Distribution Options**
- **The Internet**



The DVR



The DVR



“The new technology from TiVo and Replay provides the ultimate in television convenience, it will spy on you, destroy prime time and shatter the power of the mass market”

—“Boom Box”, Michael Lewis;
New York Times Magazine
August 13, 2000



The DVR



The DVR

DVR Penetration

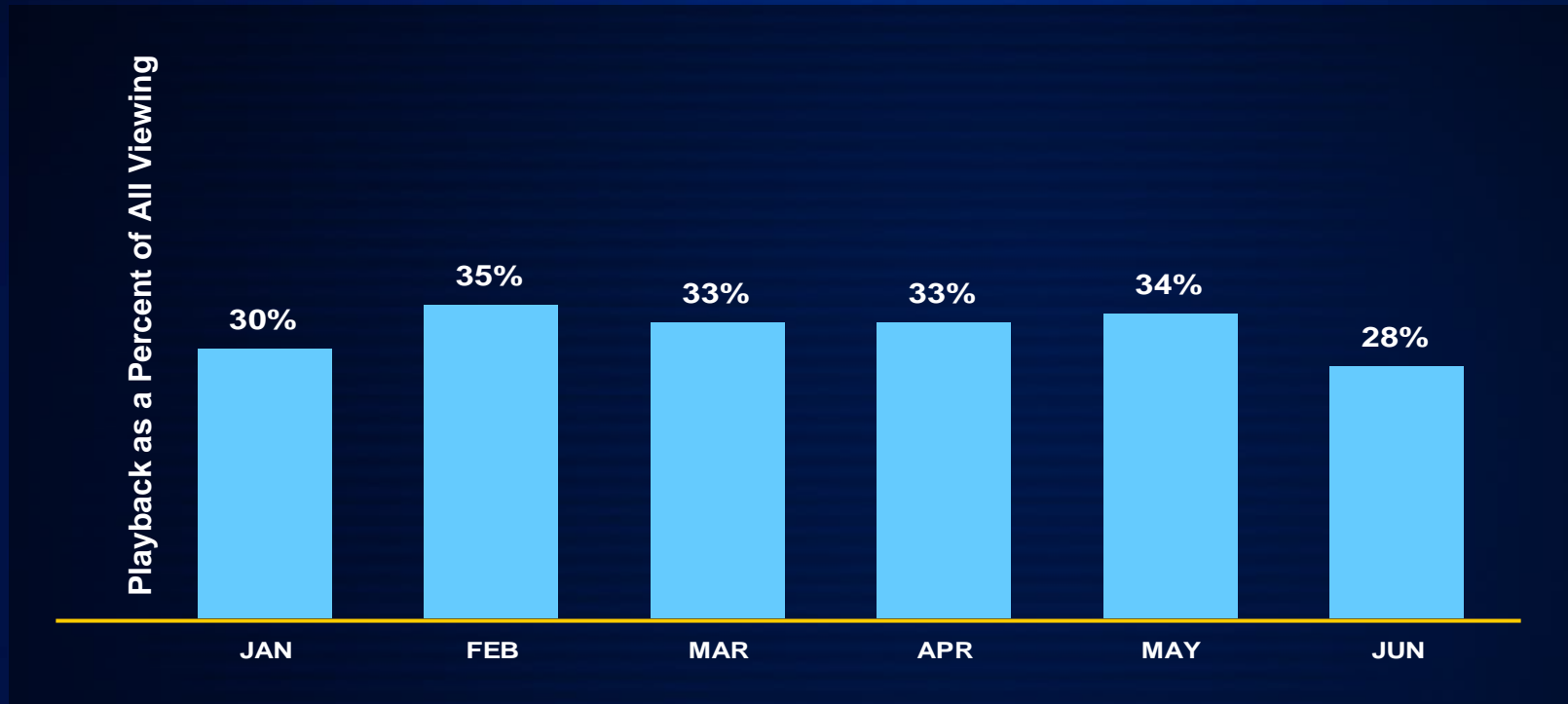
2003 = 3%

2004 = 5%

2005 = 8%



DVR Playback-NTI/TiVo

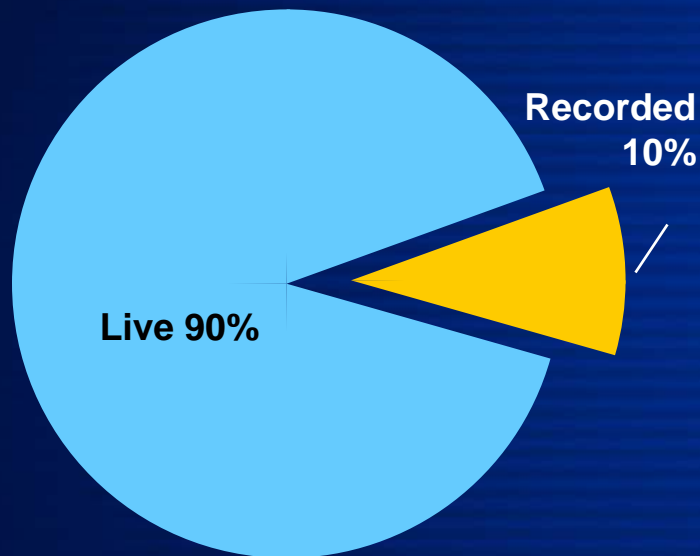


Source: Nielsen/TiVo Study 2005

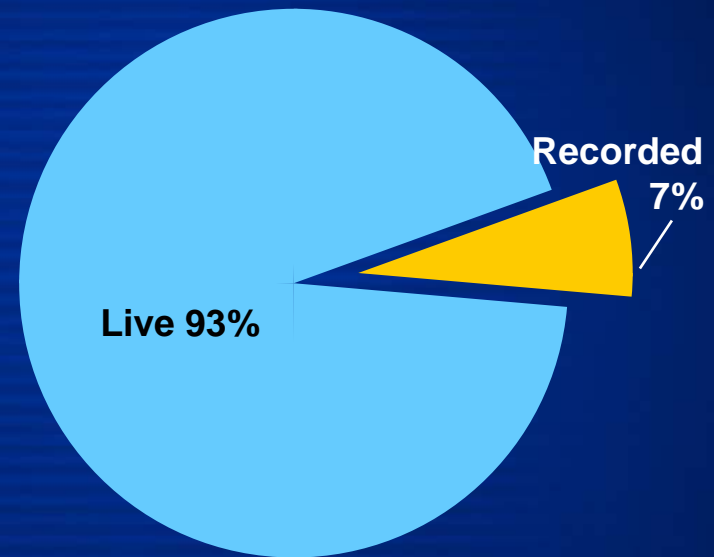


Recorded vs. Live Viewing Among DVR Households

DVR Time Shifting (%)



April-May 2005



June-July 2005



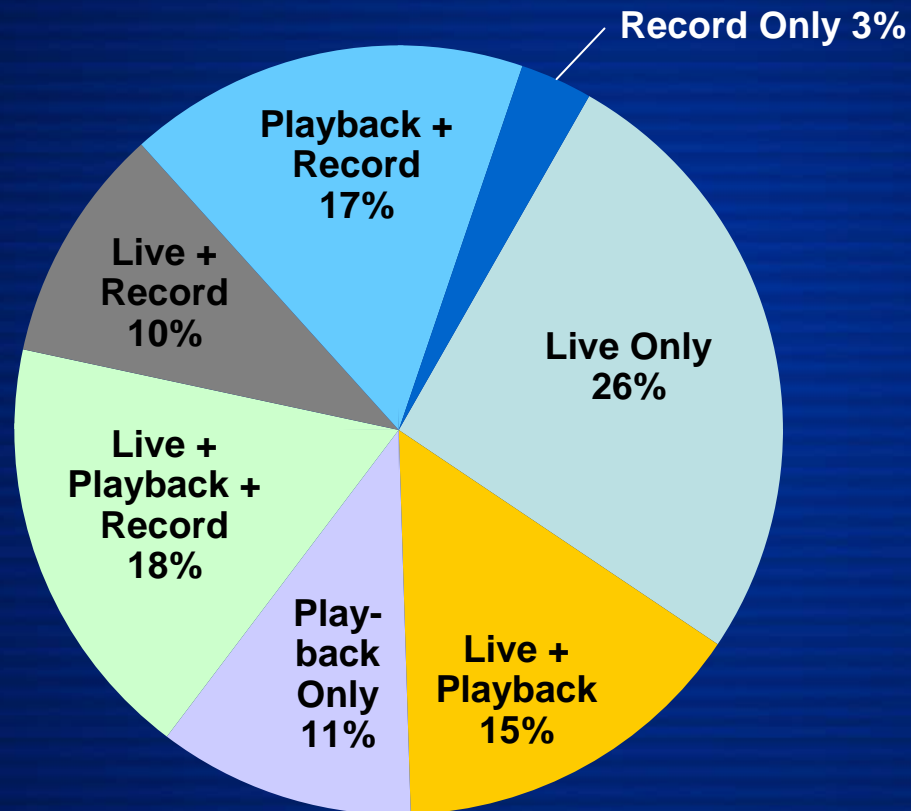
DVR Survey-CBS

- Sample: 734 DVR Owners from TV City Entertainment Panel
- When: October 31 thru November 14, 2004
- What: All TV Activity for the Previous Evening



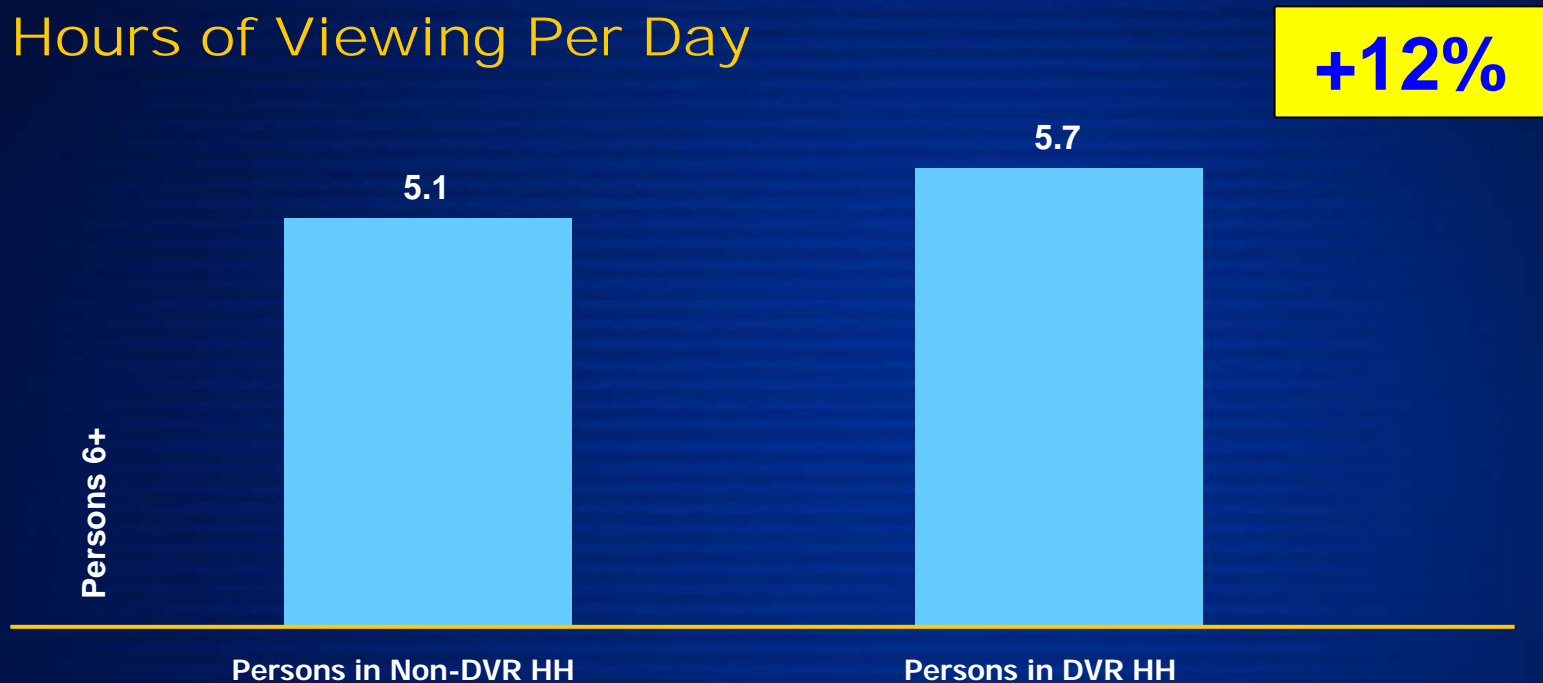
DVR Survey-CBS

PRIMETIME – Share of Viewing – Previous Night



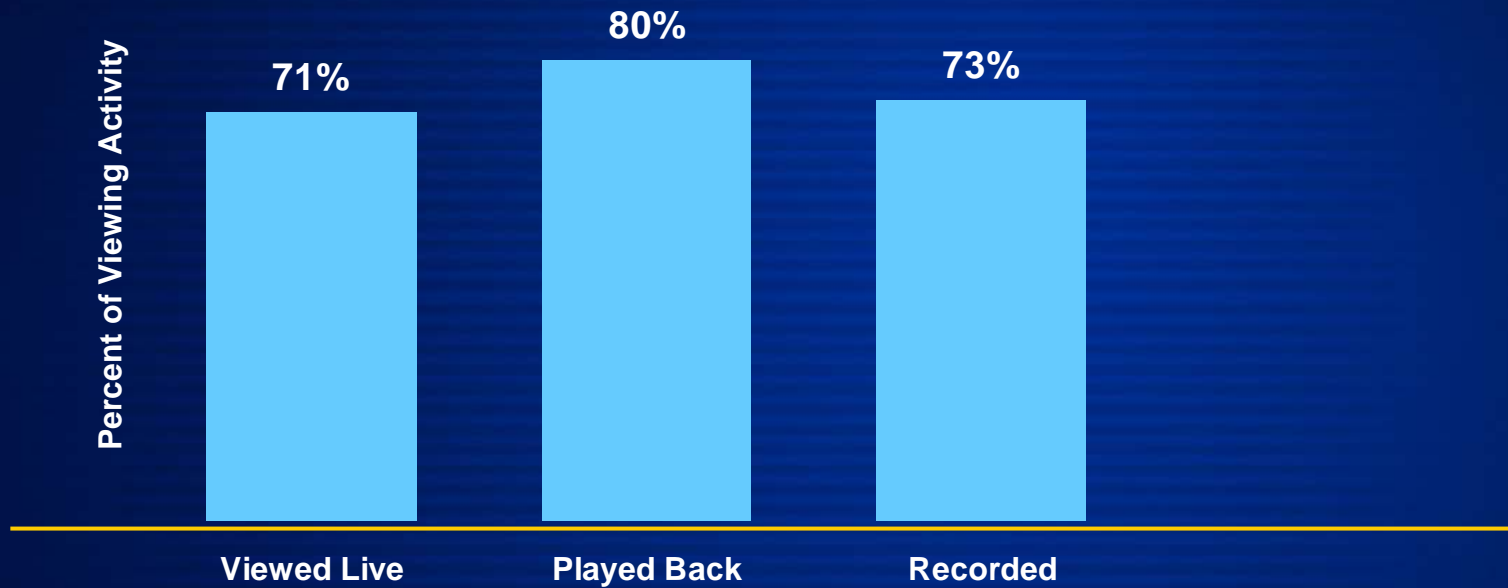
DVR vs. Non-DVR—PPM

Hours of Viewing Per Day



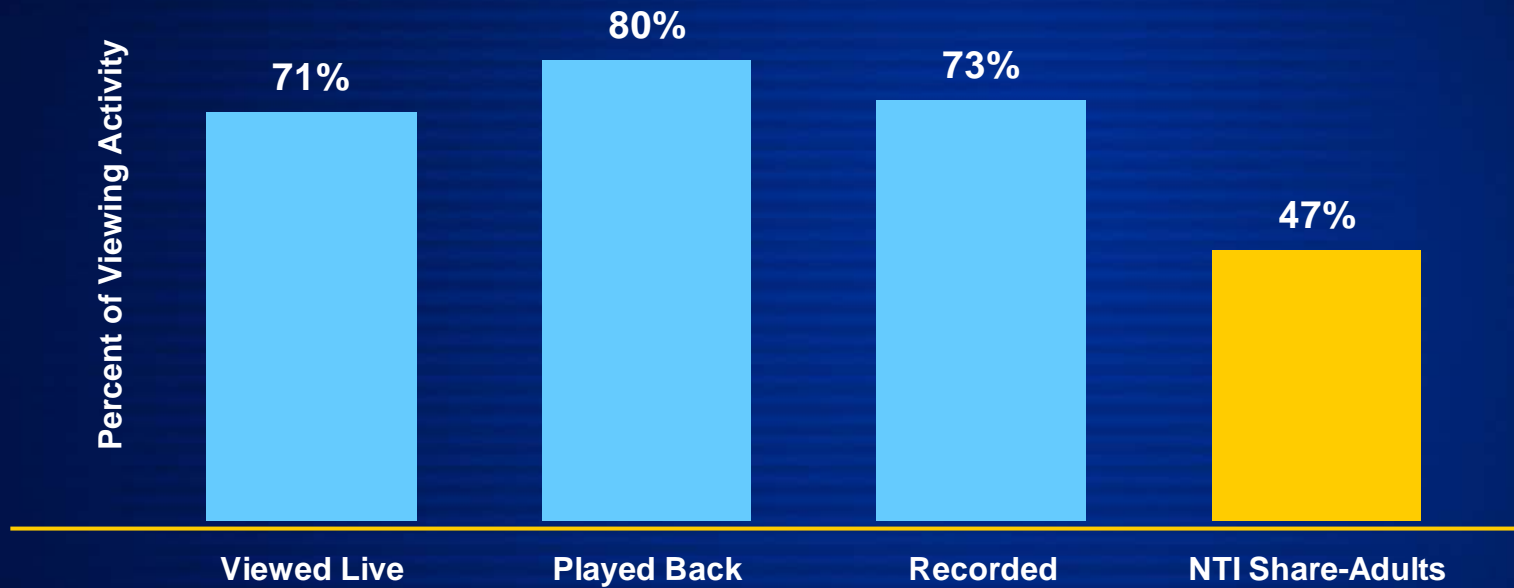
DVR Survey-CBS

BROADCAST NETWORK PROGRAMS- Share of Viewing



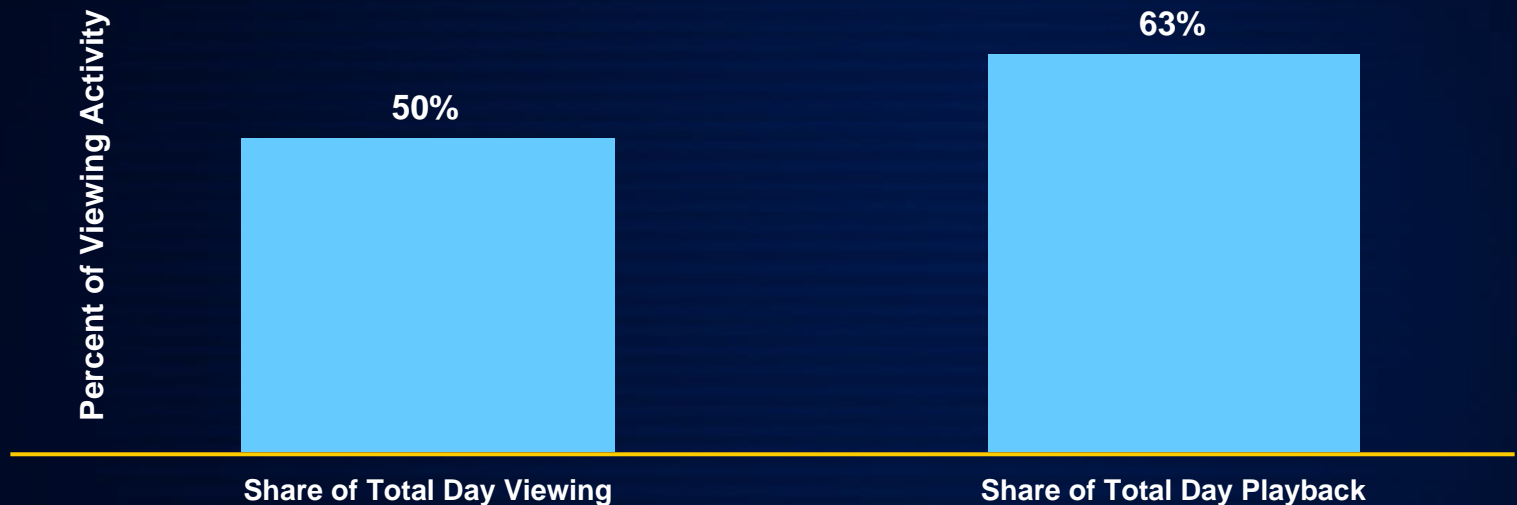
DVR Survey-CBS

BROADCAST NETWORK PROGRAMS- Share of Viewing



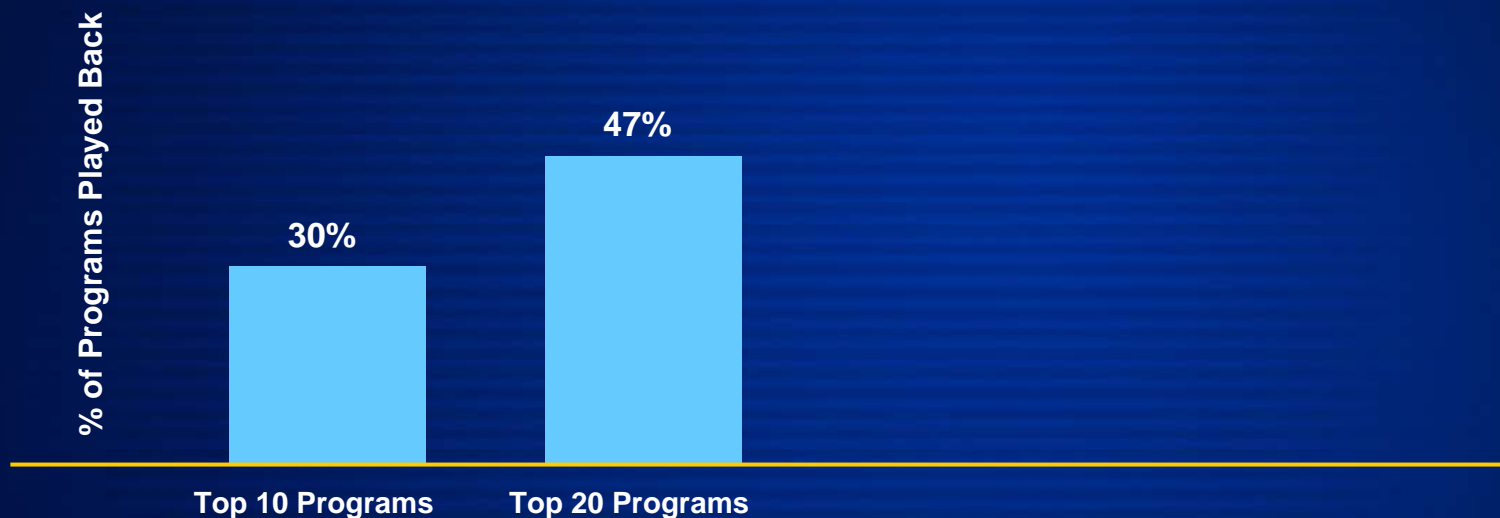
Nielsen TiVo Study–May 2005

Broadcast Network–Share of Viewing/Playback



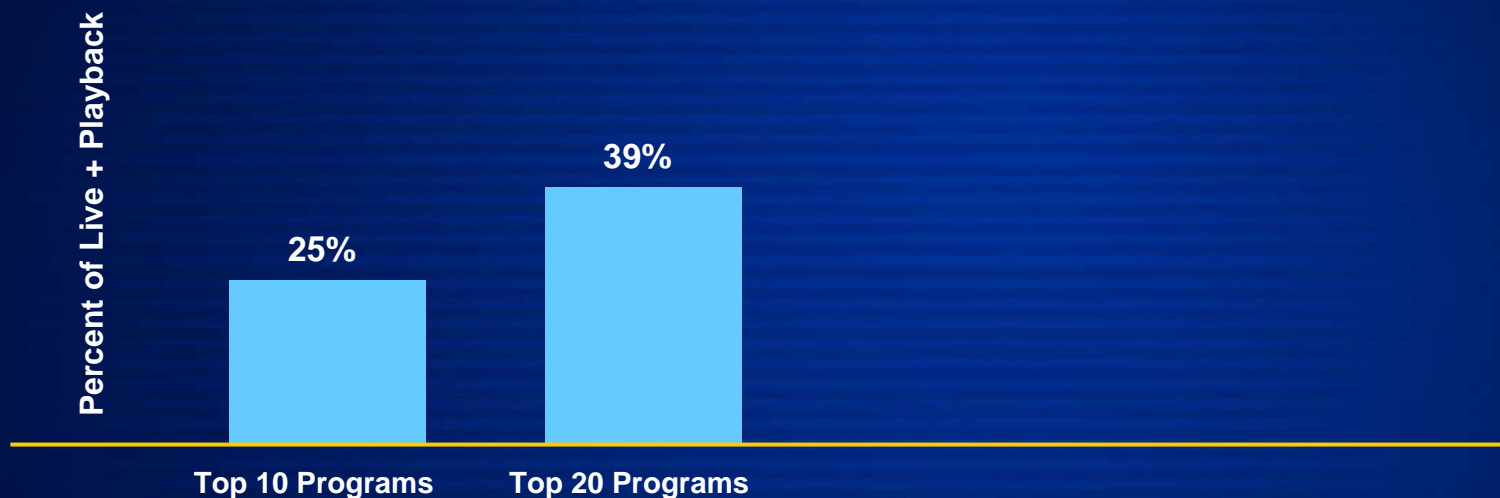
DVR Survey-CBS

Programs Played Back



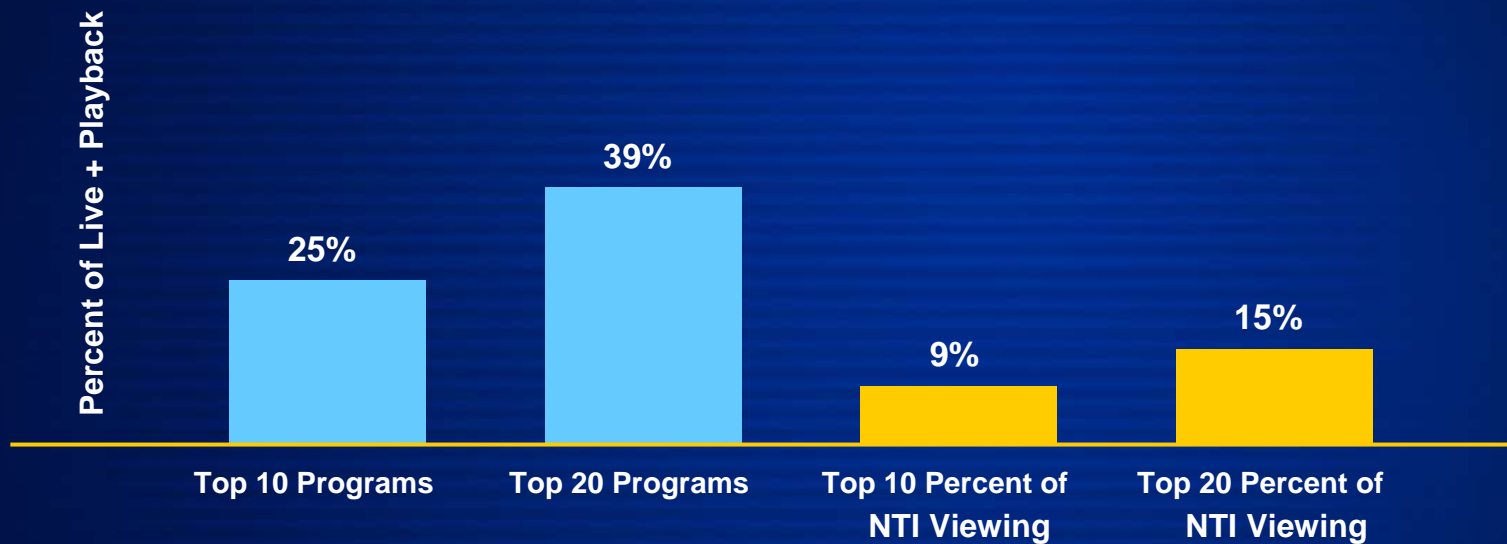
DVR Survey-CBS

Programs Viewed – Live + Playback



DVR Survey-CBS

Programs Viewed – Live + Playback



Source: TV Entertainment Panel and Nielsen NTI: 10/31/04-11/14/04



DVR Survey-CBS

Top 10 Programs Played Back

- 1 CSI**
- 2 Desperate Housewives**
- 3 Las Vegas**
- 4 Joey**
- 5 Lost**
- 6 CSI:NY**
- 7 The Daily Show**
- 8 The Apprentice**
- 9 The Simpsons**
- 10 Survivor**



Nielsen/TiVo Study

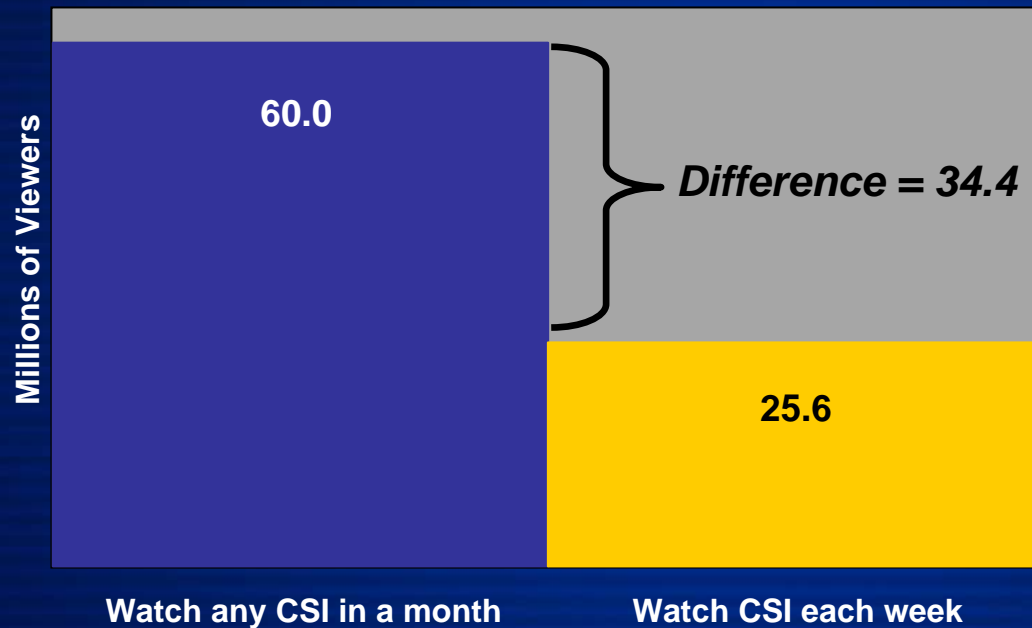
Top 10 Programs Played Back

- 1 Desperate Housewives**
- 2 Survivor: Palau**
- 3 CSI**
- 4 Lost**
- 5 American Idol**
- 6 Apprentice 3**
- 7 24**
- 8 E.R.**
- 9 The O.C.**
- 10 Grey's Anatomy**



Positive Impact of DVRs

Incremental Audience Potential for CSI



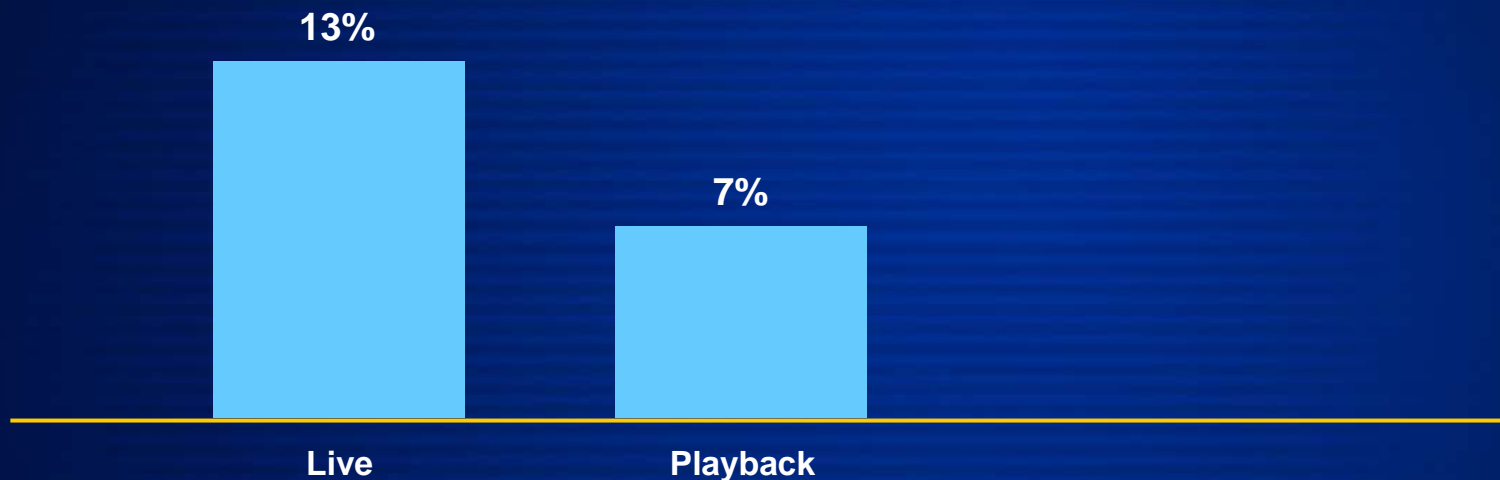
Positive Impact of DVRs

Percent of DVR Owners' Viewing to CSI



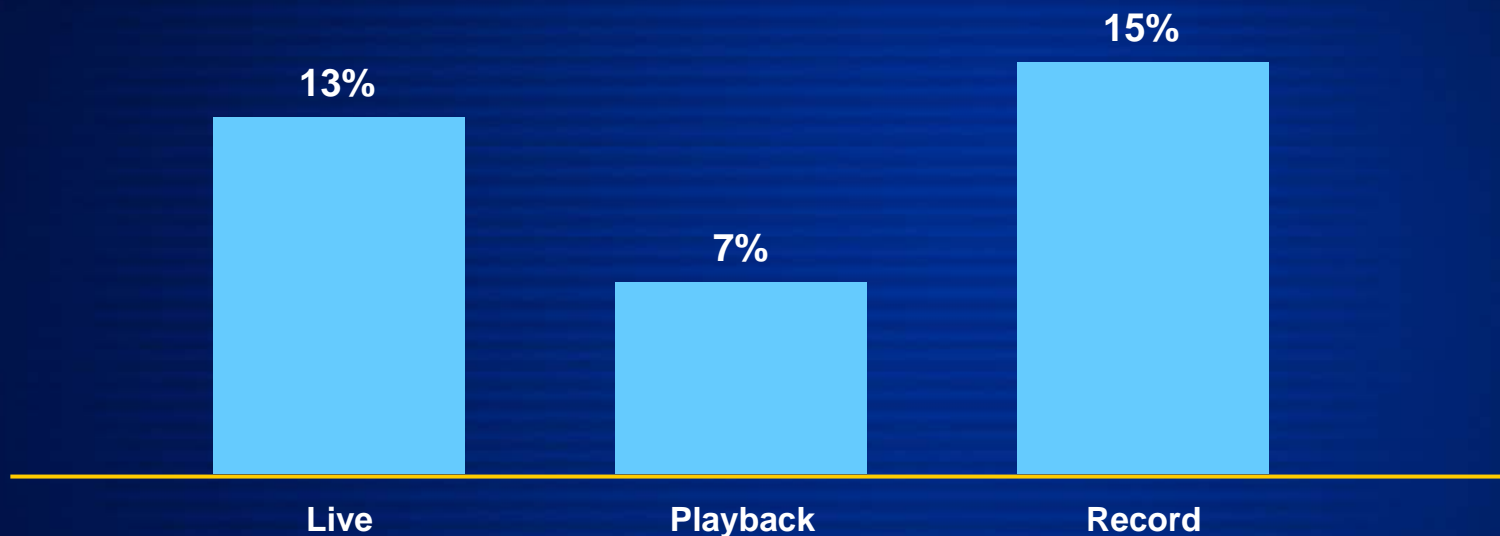
Positive Impact of DVRs

Percent of DVR Owners' Viewing to CSI



Positive Impact of DVRs

Percent of DVR Owners' Viewing to CSI



Positive Impact of DVRs

Early Results From Seven NSI Metered Markets

- Average Penetration in Top DVR Markets = 8.5%
- 7 Day DVR Playback Rating for Top Primetime Programs Show:
 - An average gain of 5% total audience
 - A range of 1-10% incremental viewing



Nielsen NSI 7 Market Composite

Live + 7 Day Lift In Rating Points

Program	LIVE +7 DAYS HH Rtg	RTG PT. LIFT Live+7 vs live	Program	LIVE +7 DAYS HH Rtg	RTG PT. LIFT Live+7 vs live
Desperate Housewives	16.5	0.8	Alias	6.7	0.5
Lost	13.8	0.8	Apprentice	7.5	0.5
CSI	20.2	0.7	CSI: New York	10.0	0.4
Survivor: Guatemala	11.6	0.7	Without a Trace	14.9	0.4
E.R.	10.2	0.6	Prison Break	6.2	0.4
Grey's Anatomy	12.1	0.6	Invasion	8.4	0.4
House	10.9	0.6	Smallville	4.9	0.4
Numb3rs	8.3	0.5	Ghost Whisperer	8.9	0.4
Commander-In-Chief	13.0	0.5	Supernatural	4.6	0.4
Medium	9.8	0.5	Criminal Minds	9.2	0.4
Bones	6.8	0.5	Las Vegas	9.2	0.4

Source: NSI, 7 Metered Market Average; Denver, Austin, Houston, Tampa, Orlando, Raleigh, Charlotte. Average DVR Penetration = 7.0%. Note: Data exclude Repeats



Nielsen NSI 7 Market Composite

Live+7 Day Lift = % of Audience from DVR Playback

Program	HH Rtg	Live+7 vs live	Program	HH Rtg	Live+7 vs live
Supernatural	4.6	10%	Medium	9.8	5%
Smallville	4.9	9%	Grey's Anatomy	12.1	5%
Alias	6.7	8%	Desperate Housewives	16.5	5%
Bones	6.8	8%	Invasion	8.4	5%
Apprentice	7.5	7%	Ghost Whisperer	8.9	5%
Prison Break	6.2	7%	Criminal Minds	9.2	5%
Survivor: Guatemala	11.6	6%	Las Vegas	9.2	5%
Numb3rs	8.3	6%	CSI: New York	10.0	4%
E.R	10.2	6%	Commander-In-Chief	13.0	4%
Lost	13.8	6%	My Name is Earl	8.6	4%
House [2 telecasts]	10.9	6%	CSI	20.2	4%

Source: NSI, 7 Metered Market Average; Denver, Austin, Houston, Tampa, Orlando, Raleigh, Charlotte. Average DVR Penetration = 7.0%. Note: Data exclude Repeats



Video on Demand



The Virtual DVR



VOD Study—CBS

- 18 Focus Groups
- Adults 25-54
 - Adults 25-34= 40%
 - Adults 35-54= 60%
- No Dependent Young Adults
- Sample = 211
 - 64 couples
 - 83 singles

} 147 Households
- 33 States Represented





Home Entertainment Equipment

	Focus Groups	U.S.
Cable TV	78%	66%
<i>Digital Cable</i>	38%	24%
Satellite TV	27%	19%
Internet Access	90%	66%
<i>Broadband</i>	65%	23%



VOD Study-CBS

- VOD EXPERIMENTS
 - Purchase Interest
 - “A Night of Television” Simulation



VOD Study–CBS

■ VOD EXPERIMENTS – 1st EXPERIMENT

– Objective:

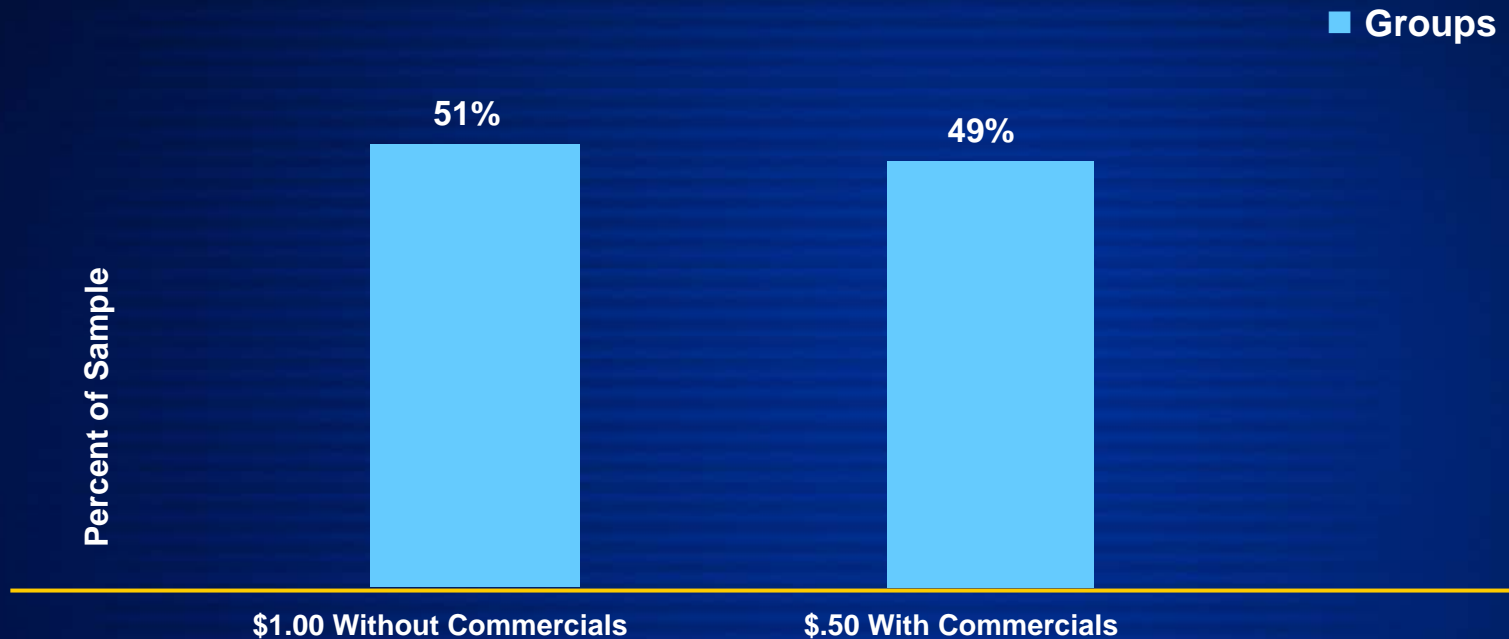
- Measure interest in purchasing episodes of top television series at \$1.00 without commercials and \$.50 with commercials.

– Findings:

- 95% selected at least one program that they would “consider” purchasing.
- On average, respondents selected 7.5 programs.



VOD Study-CBS



Source: TV City New Technology Focus Groups, Dec 2004; TV City EPanel, Dec 2004



VOD Study–CBS

- 65 PRIMETIME PROGRAMS
 - Top Broadcast Network Shows
 - Top Original Cable Network Shows
- | | |
|--------------------|------------------------|
| 1. The Sopranos | 6. The Grid |
| 2. Deadwood | 7. The O'Reilly Factor |
| 3. Trading Spaces | 8. Rescue Me |
| 4. Monk | 9. Nip/tuck |
| 5. Strong Medicine | 10. The 4400 |



VOD Study-CBS

Nielsen Rank	Group Rank	Top 10 Programs Selected by Groups	
1	1	CSI	 <p>Top 10 = 34% of all choices</p>
2	2	Desperate Housewives	
5	3	The Apprentice	
N/A	4	The Sopranos	
3	5	CSI: Miami	
12	6	Everybody Loves Raymond	
19	7	Will & Grace	
6	8	E.R.	
21	9	Law & Order	
17	10	Law & Order: SVU	



VOD Study-CBS

Nielsen Rank	Group Rank	11-20 Programs Selected by Groups	
15	11	CSI: NY	 <p>Top 20 = 57% of all choices</p>
3	12	Survivor	
26	13	Law & Order: CI	
37	14	The Simpsons	
21	15	Las Vegas	
14	16	Ext. Makeover: Home Ed.	
30	17	West Wing	
11	18	Lost	
N/A	19	Nip/Tuck	
26	20	Cold Case	



VOD Study-CBS

Group Rank	Daytime Programs	
1	Oprah	22%
2	Dr. Phil	10%
3	Ellen	10%
4	Jeopardy	7%
5	The View	7%



VOD Study-CBS

Group Rank	Late Night Programs	
1	Late Show w/David Letterman	23%
2	Saturday Night Live	21%
3	Tonight Show w/Jay Leno	17%
4	Late Night w/ Conan O'Brien	8%
5	Late Late Show	2%



VOD Study-CBS

Group Rank	Theatrical Movies (\$5 for 24 hours or \$7 for 7 days)	
1	Spider-man 2	18%
2	Shrek 2	16%
3	Harry Potter & The Prisoner Of Azkaban	15%
4	Elf	12%
5	Dodgeball: The True Underdog Story	11%
6	The Terminal	10%
7	Van Helsing	10%
8	The Chronicles Of Riddick	10%
9	The Stepford Wives	6%
10	Species III	4%



VOD Study–CBS

- VOD Experiments – 2nd Experiment
 - Objective:
 - Further test viewers' interest in VOD by having them choose a night of TV viewing from a list of shows plus the primetime listings for network and cable for that night.
 - Findings:
 - The 211 respondents chose to purchase 148 shows or 0.7 shows per respondent.



VOD Study–CBS

- VOD Experiments – 2nd Experiment
 - Top 5 Shows Selected:

1	Desperate Housewives	5.7%
2	Lost	5.2%
3	The Sopranos	5.2%
4	Will & Grace	5.2%
5	CSI	4.7%



Video on Demand

ON DEMAND | PICK A SHOW.
PLAY IT WHENEVER.
Only with Comcast Digital Cable



The Virtual DVR



VOD vs. The DVR

- Nielsen VOD Survey Sept–Oct 2005
- Sample=1708
- Own/Rent DVR and have VOD=222 (13%)
- If could keep one service, which would you keep?
 - VOD 49%
 - DVR 48%



VOD vs. The DVR

Reason for Choice	Choose VOD	Choose DVR
Convenience	30%	19%
Ease Of Use	37%	19%
Better Prgm Selection	25%	15%
More Prgms/features Available	—	19%
Better For Later Recd/dub	2%	12%
More Control Of Device	—	13%
Record While Away	—	9%



FROM LINEAR TO NON-LINEAR TELEVISION

- The DVR
- Video-On-Demand (VOD)
- **New Portable Distribution Options**
- The Internet



New Portable Distribution Options

- Survey of CBS Entertainment Panel-Nov 2005
- Sample=3781
- 42% own iPod (22%) and/or MP3 Player(25%)
- Q: How likely to purchase video iPod for yourself?
 - Definitely/Very Likely = 7%
- Q: How likely to purchase video iPod as a gift in the next few months?
 - Definitely/Very Likely = 4%



New Portable Distribution Options

Q: In an arrangement with ABC, Apple is offering the ability to watch episodes of *Desperate Housewives* and *Lost* for \$1.95 an episode through their iTunes service. Assuming other networks will make their most popular programs, including your favorites, available at this price, **how interested would you be in purchasing episodes of your favorite series that you missed?**

- iPod Owners (22%)
 - Definitely 17%
 - Very Likely 18%
 - Def/Very Likely 35%
- VOD Purchasers (6%)
 - Definitely 26%
 - Very Likely 11%
 - Def/Very Likely 37%



New Portable Distribution Options

Q: In an arrangement with ABC, Apple is offering the ability to watch episodes of Desperate Housewives and Lost for \$1.95 an episode through their iTunes service. Assuming other networks will make their most popular programs, including your favorites, available at this price, **how much more does this feature make you likely to purchase a video iPod?**

- Non-iPod Owners
 - Much more likely 1%
 - Somewhat more likely 29%



New Portable Distribution Options

- Survey of CBS Entertainment Panel-Nov 2005
- Sample=3781
- 40% own cell phone with internet access
- 37% own cell phone with picture
- 11% already own cell phone with full motion video
 - If do not own, how likely to upgrade phone?
 - Definitely 1%
 - Very Likely 2%



New Portable Distribution Options

Q: Of the two new ways of viewing TV programs on a portable device, which are you eventually more likely to purchase?

- Video iPod 55%
- Cell Phone with full motion video 45%



*Welcome to
The Era of Digital Television...*



*From Linear Viewing...
...To Non-Linear Viewing*

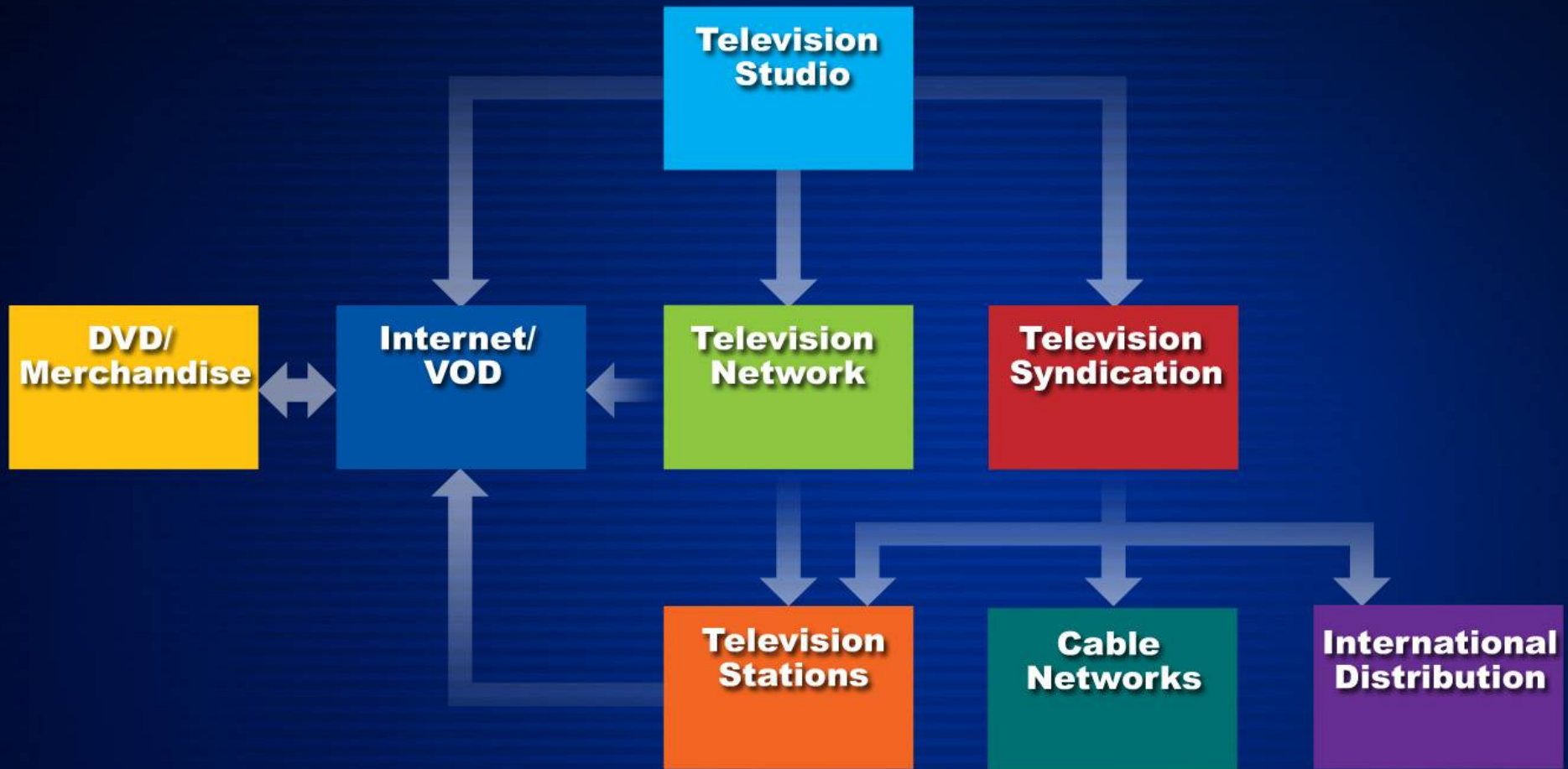


*Welcome to
The Era of Digital Television...*

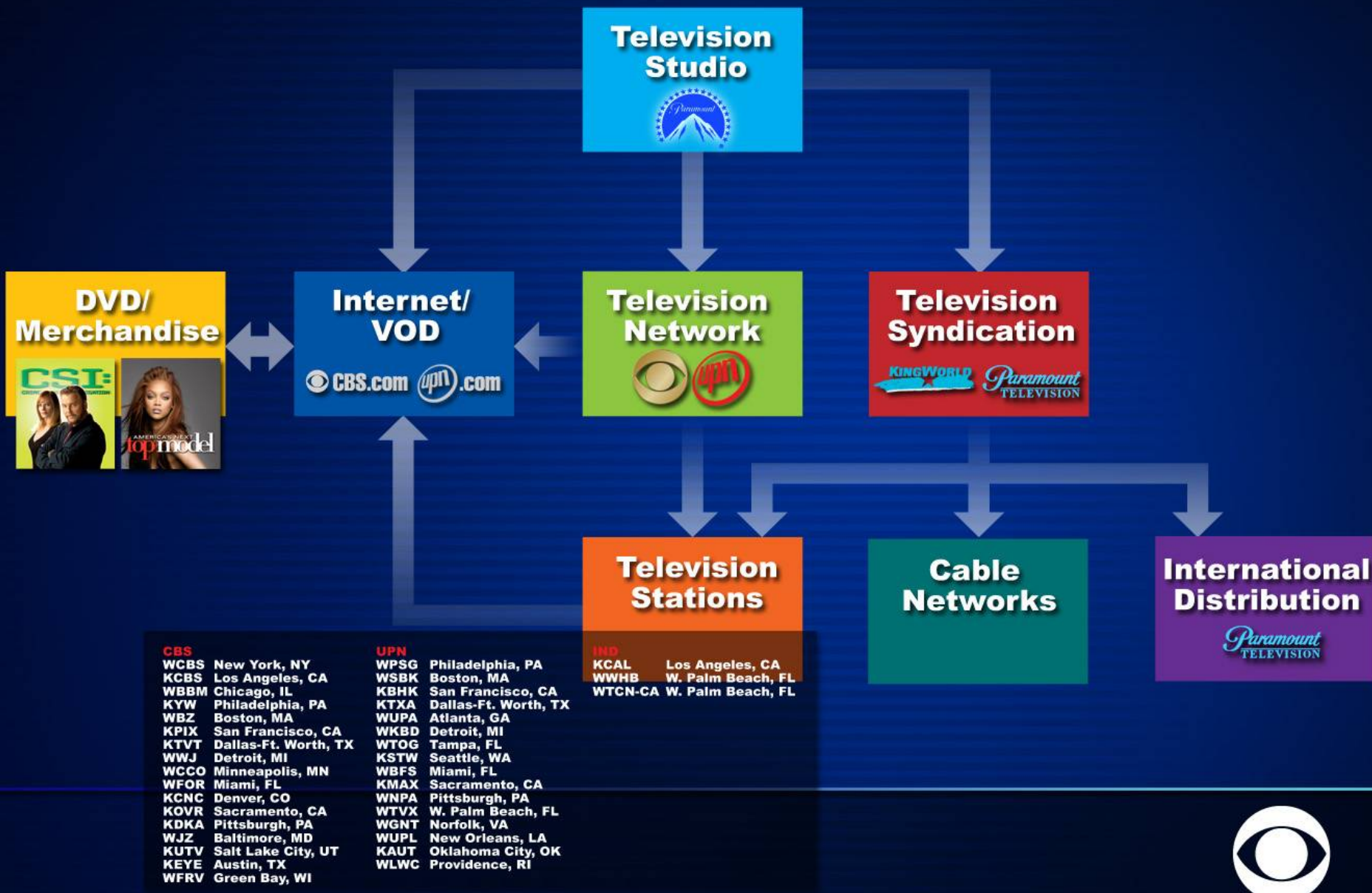
The Era of the Franchise Program



The Broadcast Television Network System



The Broadcast Television Network System



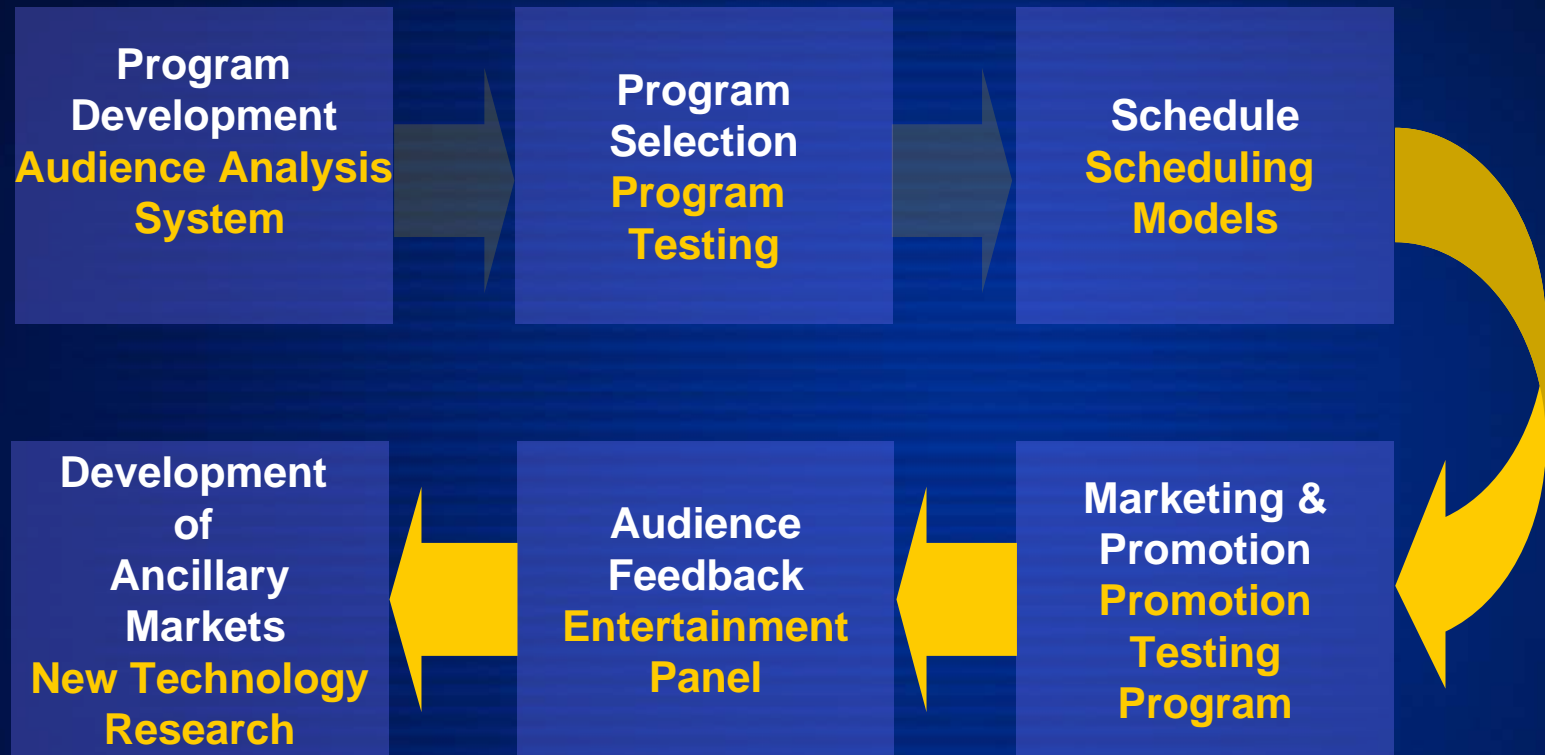
The Franchise Program

The Broadcast Network Advantage

- Universal Distribution System
- Selective Program Development
- Marketing Muscle



The Role of Research in Building The Franchise Program



The Franchise Program

2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
CSI	Survivor	CSI:Miami	Two and a Half Men	CSI:NY	Criminal Minds
Yes, Dear		Without a Trace	Cold Case	Numb3rs	Out of Practice
		Still Standing	NCIS		Ghost Whisperer
					Close To Home
					How I Met Your Mother

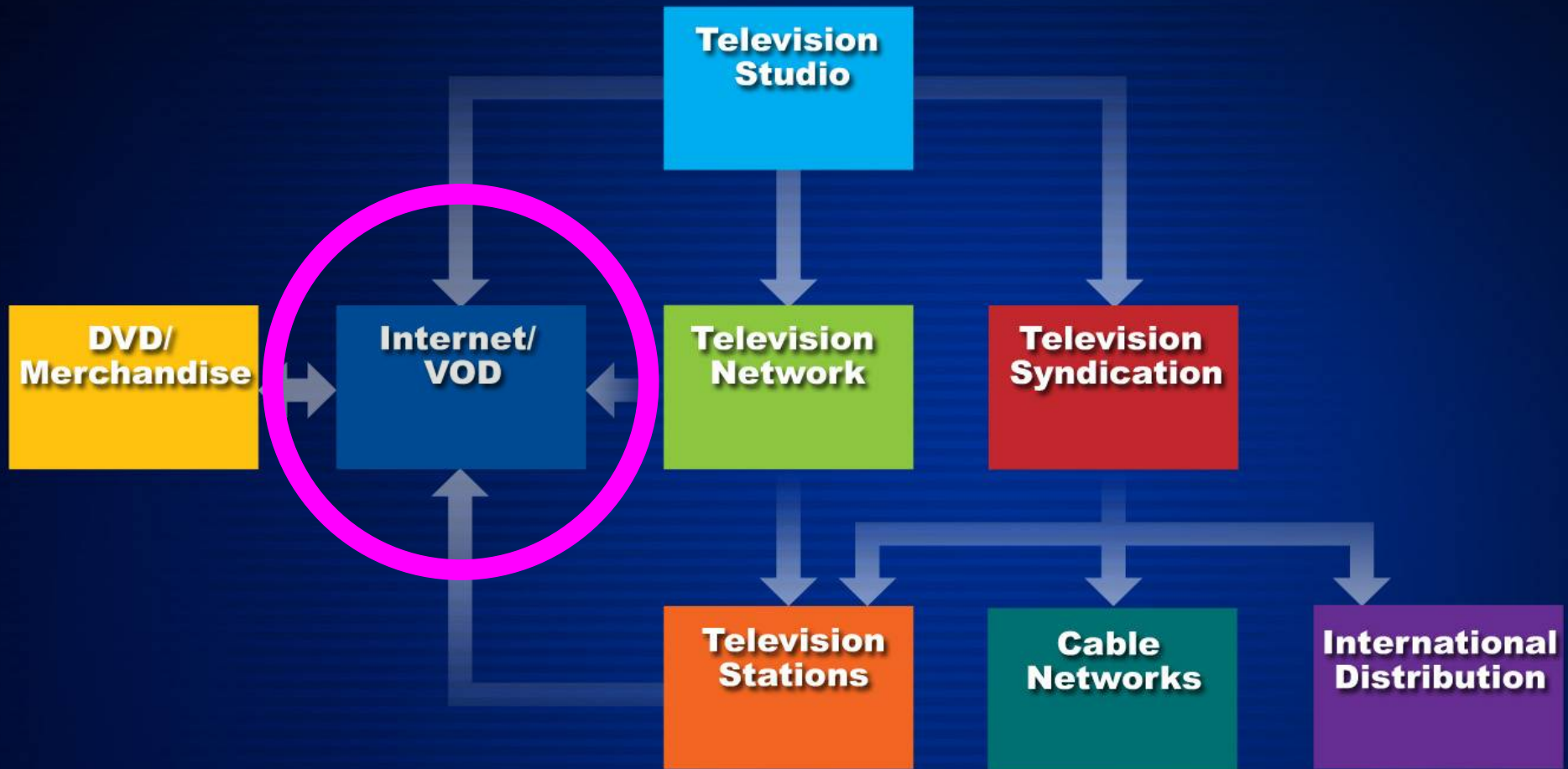


FROM LINEAR TO NON-LINEAR TELEVISION

- The DVR
- Video-On-Demand (VOD)
- New Portable Distribution Options
- **The Internet**



The Broadcast Television Network System



Internet Advertising/Marketing

TV Content on the Web

- *CSI:Miami* extended ending. Sponsored by Hummer. Over one million streams is just hours after telecast
- *Everybody Hates Chris* pilot streamed on Google Video. 120,000 streams of show



Internet Advertising/Marketing

TV Content on the Web

– Live Internet Talk Shows

- *Finish Line: The Amazing Race*
- *Survivor Live*
- *House Calls: Big Brother*
- *CBS Soapbox*
- *Talk Model: Top Model*



Internet Advertising/Marketing

- **Podcasting**
 - Audio segments from a variety of programs
- **Blogs**
 - “The Spirit World According to James van Praegh”
- **Interactive Applications**
 - *CSI:Miami, Survivor: Guatemala, NCIS, Numb3rs*



*Welcome to
The Era of Digital Television...*



*Welcome to
The Era of Digital Television...*

The Era of the Franchise Program



*Welcome to
The Era of Digital Television...*

The Era of the Franchise Program

*The Era of the Broadcast
Network System*





NEW TECHNOLOGY – FOCUS GROUPS

MAXIMUM AMOUNT WILLING TO PAY FOR CABLE TV AND INTERNET PER MONTH

	<i>Dec 2003</i>	<i>Dec 2004</i>	<i>Dec 2005</i>
\$200+:	2%	0%	1%
\$150 to 200:	23%	24%	16%
\$125 to 150:	16%	15%	13%
\$100 to 125:	35%	25%	27%
\$75 to 100:	20%	31%	28%
\$50 to 75:	4%	15%	15%

SOURCE: TV CITY NEW TECHNOLOGY FOCUS GROUPS, December 2003,
December 2004 and December 2005



NEW TECHNOLOGY – FOCUS GROUPS

WOULD YOU CONSIDER UPGRADING YOUR CURRENT HOME ENTERTAINMENT EQUIPMENT?

	<i>Dec 2003</i>	<i>Dec 2004</i>	<i>Dec 2005</i>
➡ Must do:	9%	6%	6%
➡ High priority:	11%	4%	10%
➡ Medium priority:	32%	25%	38%
➡ Non priority:	30%	51%	31%
➡ Of no interest at present:	18%	10%	15%



NEW TECHNOLOGY – FOCUS GROUPS

GIVEN A CHOICE OF \$2,500 CASH OR \$5,000 WORTH OF
MERCHANDISE FROM CATALOG

	<i>Dec 2003</i>	<i>Dec 2004</i>	<i>Dec 2005</i>
Would Take Cash:	49%	52%	41%
Would Take Merchandise:	51%	48%	59%



*Welcome to
The Era of Digital Television...
The Era of the Franchise Program*



IN CONCLUSION

Over the longer term, a transformation of the network television business is inevitable. I see that transformation as one of significant opportunity and growth for the broadcast network system.



THANK YOU!

