

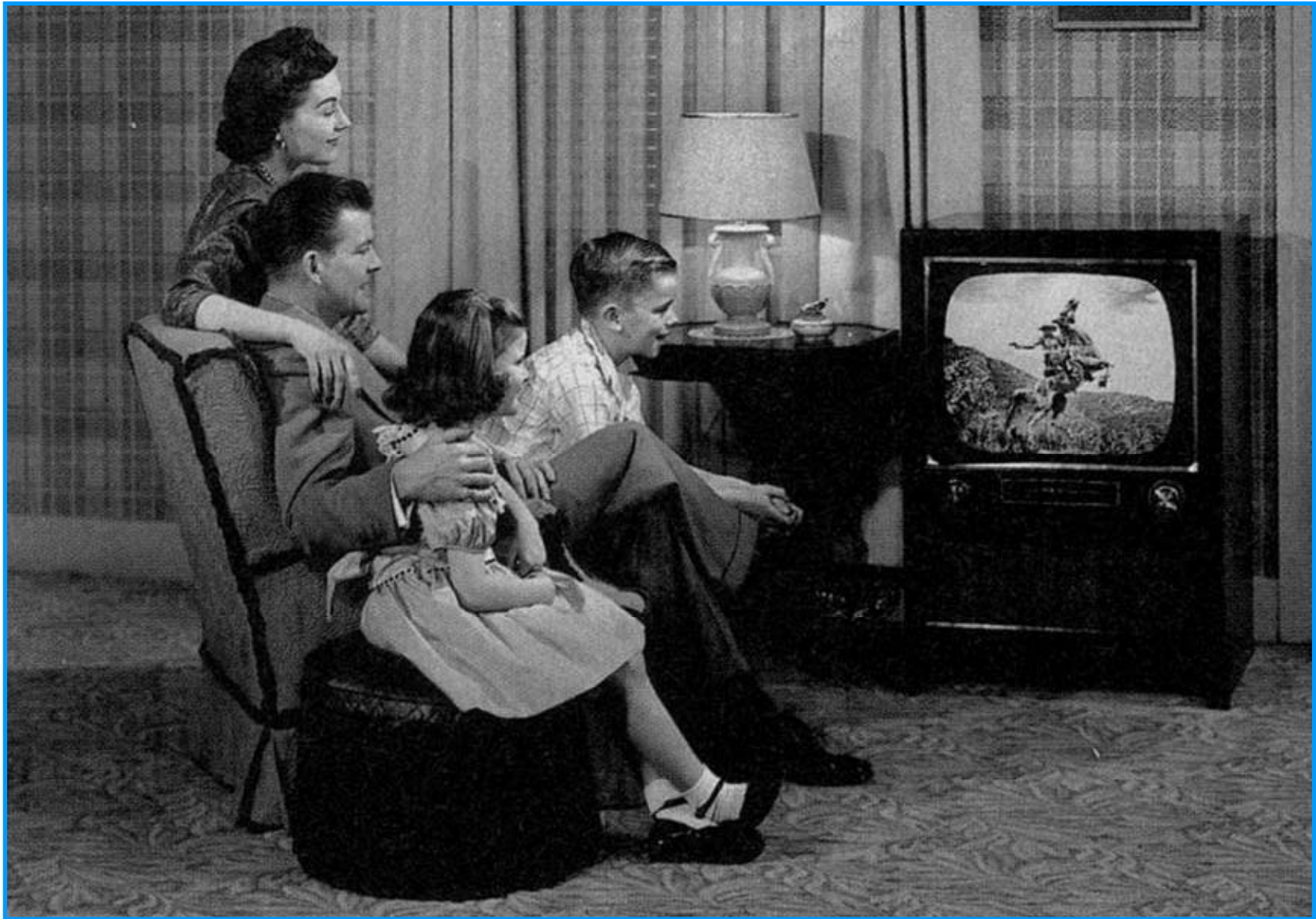
The Future of Television: 10 Trends

Horst Stipp
SVP, Strategic Insights & Innovation
NBC Universal, New York

CTAM Sept 2008



From this: 1958



To This: 2008





• REVOLUTION?

Many Negative Opinions about Future of Media

Let's Just Declare Television Dead and Move On (May 2006)

Appointment-Based Television Is Dead (Jan 2006)

Near Total On-Demand Viewing (May 2004)

The End of TV As We Know It!

Advertising Is Obsolete (Jan 2006)

The Internet Is About To Kill TV (March 2006)

Hollywood Hype

Universe of Limitless Choice

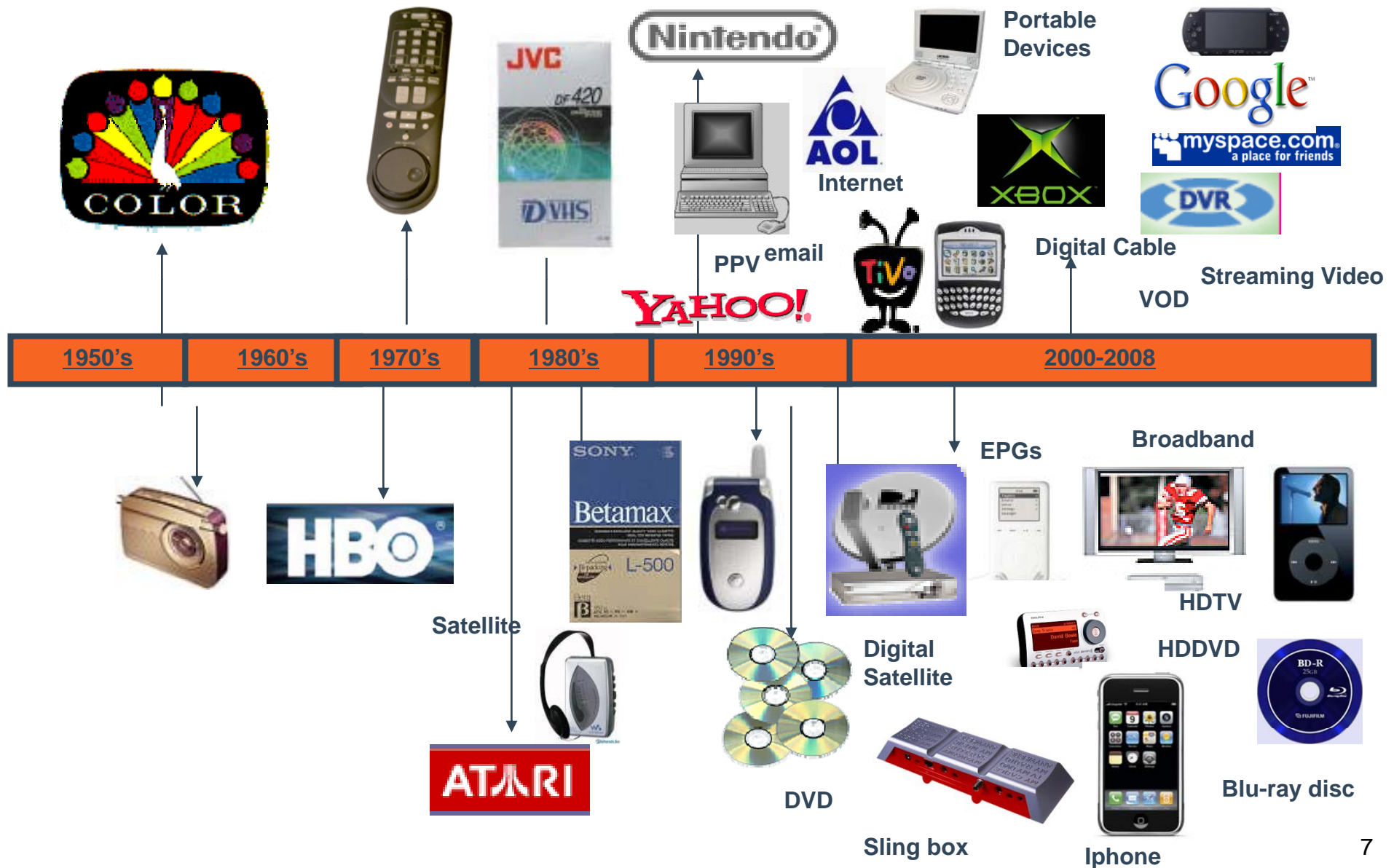
It's the Breakthrough Year!

**Transforming and Disassembling the World of
Traditional Media and Communications**

Advertising Innovation!

Hollywood Reinvented!

More and More Changes in Media Technology



Agenda

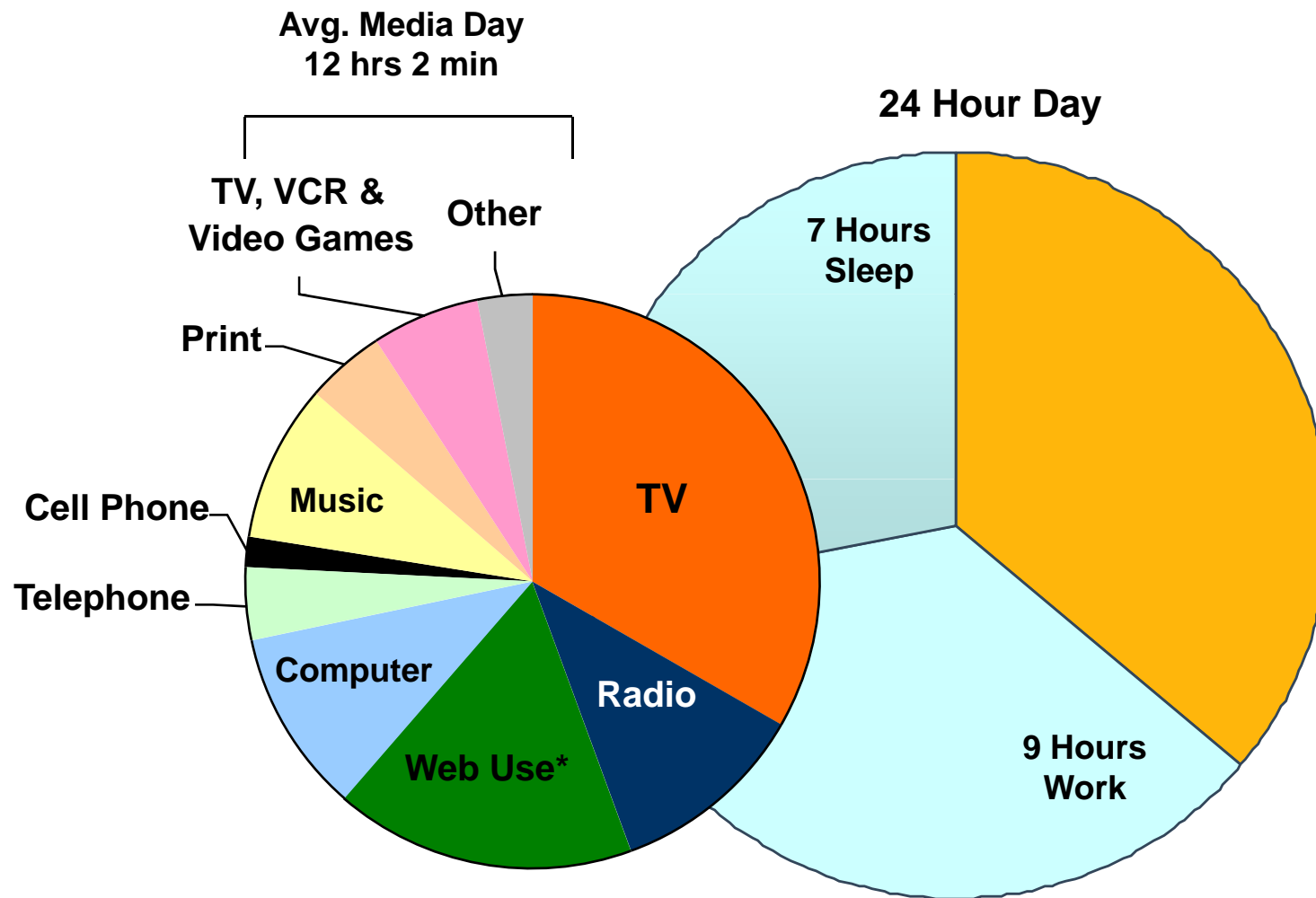
-  **Changes in Media Use:
10 Key Trends and their
Implications**
-  **Summary: Trends and
Forecasts**

10 Media Trends

1.

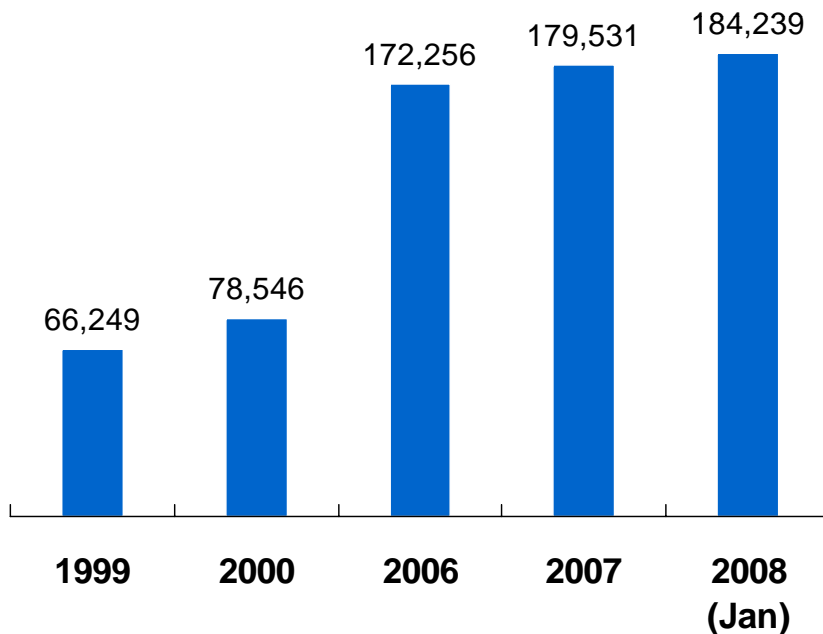
**More Media – Same Time:
More Multi-Tasking**

More Media – Same Time: More Multi-Tasking

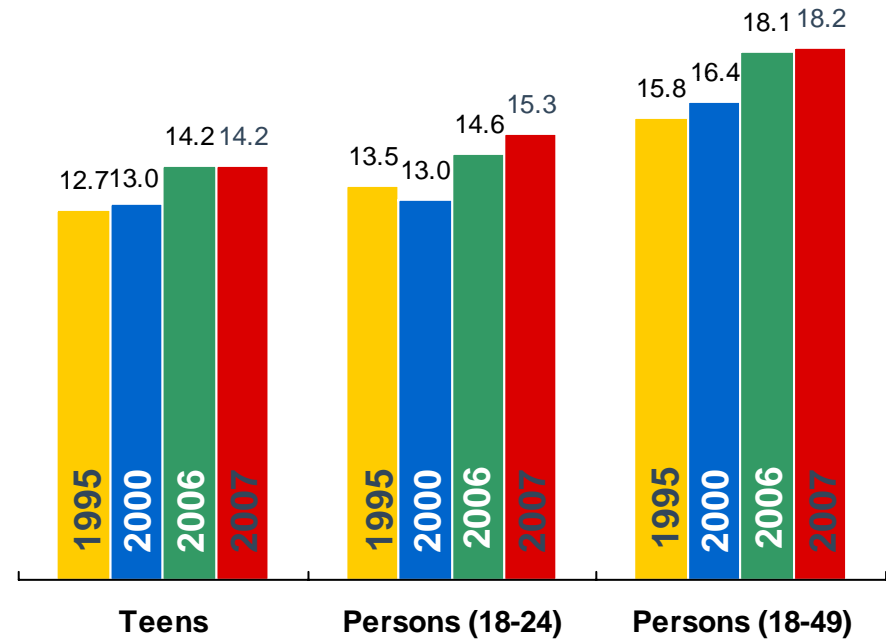


No Replacement of “Old” Medium Through New Medium

Average Monthly Uniques
Total Internet
(000)



TV Usage
(Live PUT + DVR Playback)



10 Media Trends

2.

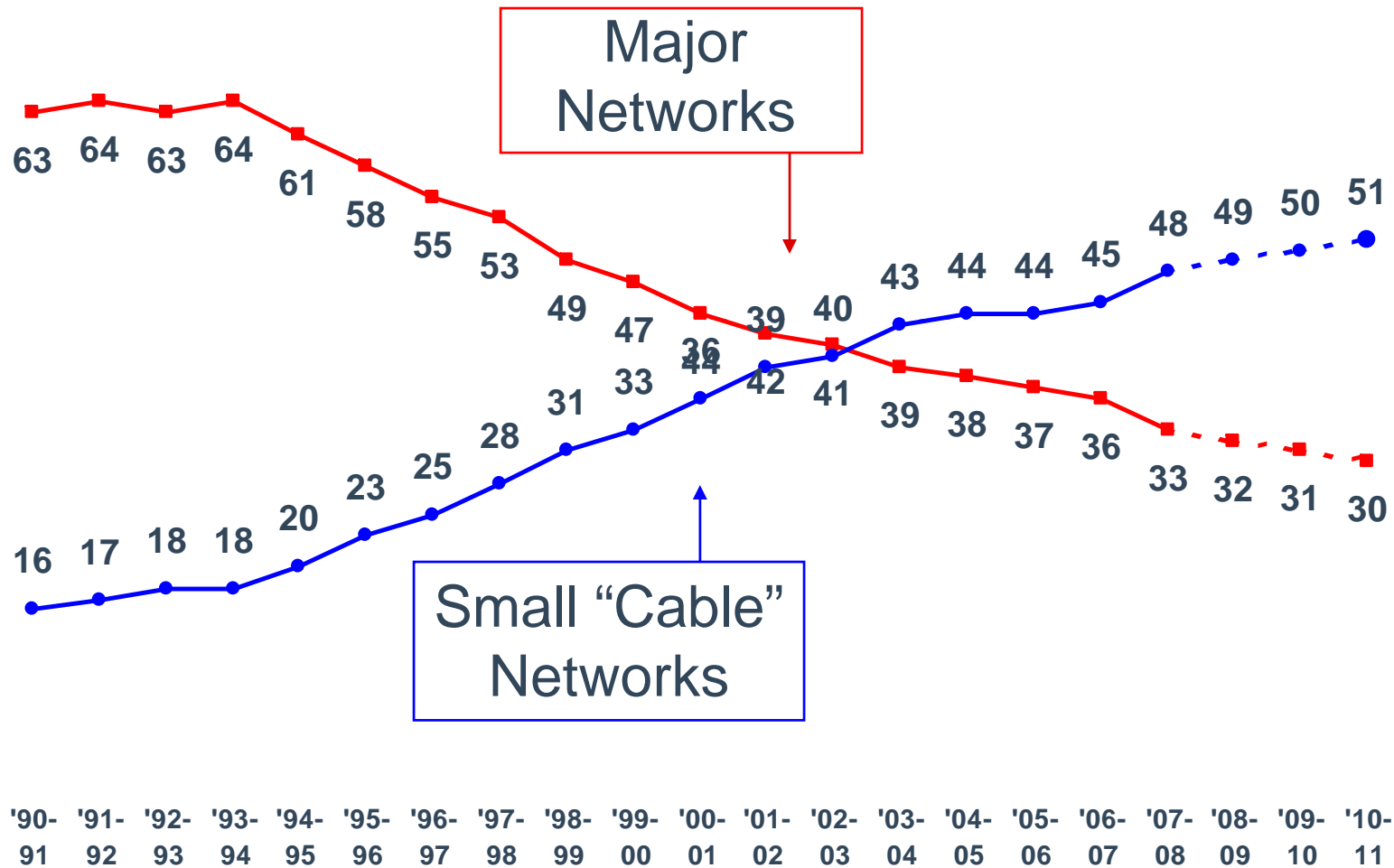
**More Competition =
More Fragmentation**

Competition: TV Networks

A & E NETWORK	BRAVO EAST	COX CABLE, CA	FOX NEWS CHANNEL	LAS VEGAS ONE	MUN2 EAST
A & E NETWORK EAST	BRAVO WEST	COX CHL 13 MARKET SPOTLIGHT	FX	LIFETIME MOVIE NET	MUN2 WEST
A & E NETWORK WEST	CABLE MARKETPLACE	COX SPORTS TV	FX - EAST	LIFETIME TELEVISION	MUSIC AUDIO ONLY
ABC FAMILY	CABLE NEWS NETWORK	CPM	FX - WEST	LIFETIME TELEVISION - EAST	MUSIC CHOICE
ABC FAMILY EAST	CABLE TELEVISION NET (NJ)	C-SPAN	GALAVISION	LIFETIME TELEVISION - WEST	NASA
ABC FAMILY WEST	CAL-SPAN	C-SPAN 2	GALAVISION EAST FEED	LOCAL NEWS ON CABLE	NATIONAL JEWISH TELEVISION
ABC SATELLITE PROGRAM	CANAL SUR	C-SPAN3	GALAVISION WEST FEED	LOCAL ORINATION - VIDEO	NATL GEO CHNL
ABC TEST CHARLOTTE	CAPITAL NEWS 9	CVS 6, SHREVEPORT CBL	GAME SHOW NETWORK	LOCAL ORINATION CHANNEL 3	NBC SATELLITE PROGRAM
ABC TEST CHICAGO	CBS SATELLITE PROGRAM	DIGITAL MUSIC - PSEUDO	GENESIS CABLE STORY TIME	LOCAL ORINATION- CHAR GEN	NETV2
ABC TEST HOUSTON	CCTV	DISNEY CHANNEL	GOODLIFE TV NTWK	LOCAL WEATHER STATION	NETWORK CONTROL
ABC7	CENTRAL FLORIDA NEWS 13	DISNEY EAST FEED	GREAT AMERICAN COUNTRY	MAJOR BRDCST NTWK	NEW ENGLAND CABLE NEWS
ACCESS TV	CHANNEL 66	DISNEY WEST FEED	GRTV NETWORK	MANPOWER	NEW URBAN ENT
AEN BIOGRAPHY	CHANNEL 8 CLASSIFIED TV	DIVA	HALLMARK CHANNEL	MARKET VIEW	NEWS - LOCAL/SATELLITE
ALASKA RURAL COMMUNITY SVC	CHICAGOLAND TV	DO IT YOURSELF NETWORK	HALLMARK EAST FEED	MAS	NEWS 12 BRONX
AM JEWELRY STORE	CINE LATINO	DSC EN ESPANOL	HALLMARK WEST FEED	MEMPHIS - TV21	NEWS 12 CONNECTICUT
AMC EAST	CMT	DSC HEALTH	HEADLINE NEWS	METRO 48	NEWS 12 LONG ISLAND
AMC WEST	CMT EAST	DSC HOME & LEISURE	HISTORY CHNL INTL	METRO LEARNING CHNL	NEWS 12 NEW JERSEY
AMERICAN MOVIE CLASSICS	CMT WEST	DSC KIDS	HIT VIDEO USA	METRO TRAFFIC/WTHR	NEWS 12 WESTCHESTER
ANIMAL PLANET	CN8 - BALTIMORE	DSC TIMES CHNL	HOME & GARDEN TV NET	METRO TV	NEWS 14 CHARLTTE
ARIZONA NEWS CHL	CN8 - NEW YORK	DSC WINGS	HOME PREVIEW CHNL	METROSPORTS	NEWS 14 RALEIGH
ART AMERICA	CN8 - PHILADELPHIA	E! ENTERTAINMENT TV	HSN	MIAMI VALLEY CHANNEL	NEWS 8 AUSTIN
AT&T 3	CNBC	E! ENTERTAINMENT TV - EAST	HTV/N	MID SOUTH NEWS NETWORK	NEWS CHANNEL 5 PLUS
AT&T 9	CNBC ALT FEED	E! ENTERTAINMENT TV - WEST	INDEPENDENT FILM CH	MOR MUSIC TV	NEWS FROM ITALY
BBC AMERICA	CNBC WORLD	EDUCATIONAL ACCESS	INDIAN TELEVISION NETWORK	MSNBC	NEWS NOW 53
BET ON JAZZ	CNN EN ESPANOL	ELECTRONIC PROGRAM GUIDE	INSPIRANTLIFE NTWK	MSNBC ALT FEED	NEWS ON ONE
BLACK ENT TV EAST	CNN INTERNATIONAL	ELECTRONIC PROGRAM GUIDE	INSTANT WEATHER	MTV JAM	NEWSCHANNEL 64
BLACK ENT TV WEST	COMEDY CENTRAL	ESPN NOW	INTERNATIONAL CHANNEL	MTV LATINO	NEWSCHANNEL 8
BLACK ENTERTAINMENT TV	COMEDY CENTRAL - EAST	ETERNAL WORD TV NET	IOWA CABLE NET	MTV: MUSIC TELEVISION	NEWTALK TELEVISION
BLOOMBERG TV	COMEDY CENTRAL - WEST	FAMILY NETWORK CABLE	JADE-TA PED CHINESE PROGRAMS	MTV: MUSIC TELEVISION-EAST	NEWSWATCH CHL 15
BOOMERANG	COURT TV	FOOD NETWORK	KALEIDOSCOPE NETWORK	MTV: MUSIC TELEVISION-WEST	NEWSWORLD INTL
BOX CLASSIC	COURT TV EAST	FORT MEYERS - TV12	KBL-TV	MTV2 CABLE	NICK TOO
BOX PULSE	COURT TV WEST	FOX 27	KERO - NEWS PROGRAM	MUCHMUSIC	NICK/NICK-AT-NITE EAST
BRAVO	COX 10	FOX MOVIE CHANNEL	KLBC-TV	MUN2 CABLE	NICK/NICK-AT-NITE WEST

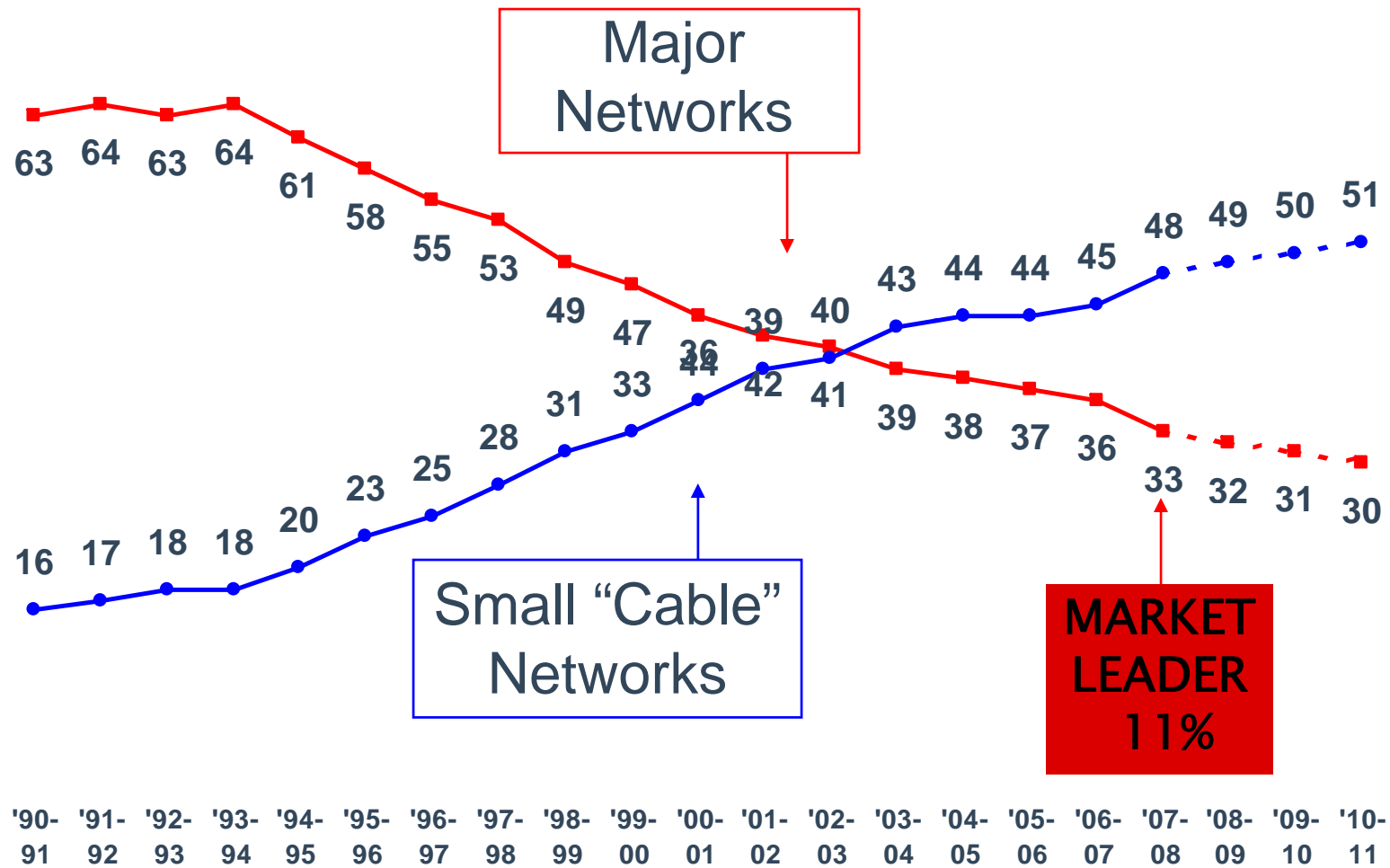
706 Channels includes Basic, Sports, Pay Per View and Pay Cable (as of 10/4/06)

Primetime Market Share Trend



Source: September–May Seasons updated through 5/23/07; 07/08–10/11 PROJECTED; 18–49

Primetime Market Share Trend



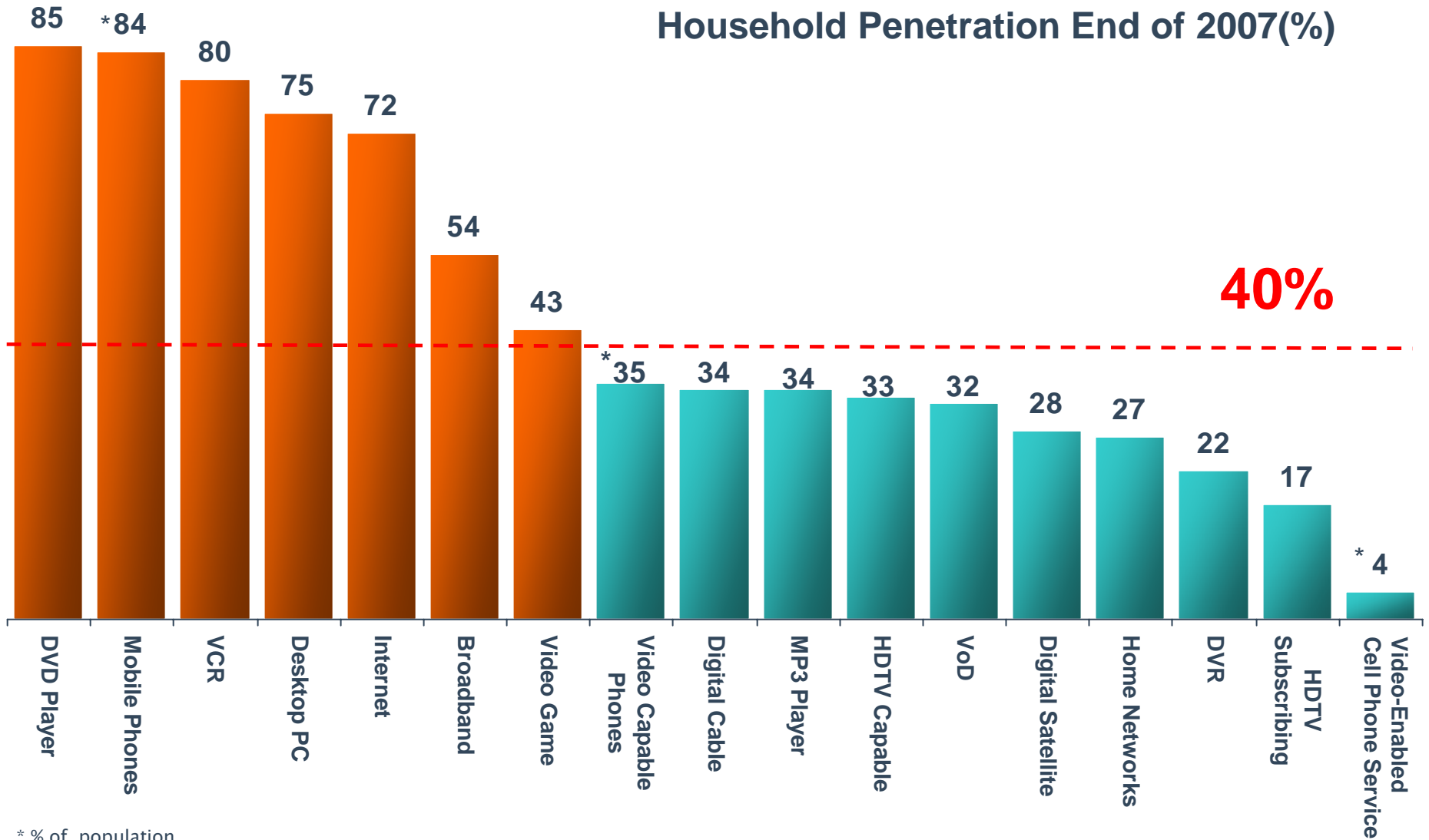
Source: September-May Seasons updated through 5/23/07; 07/08-10/11 PROJECTED; 18-49

10 Media Trends

3.

**Growth of Media Technology
Adoption Continues**

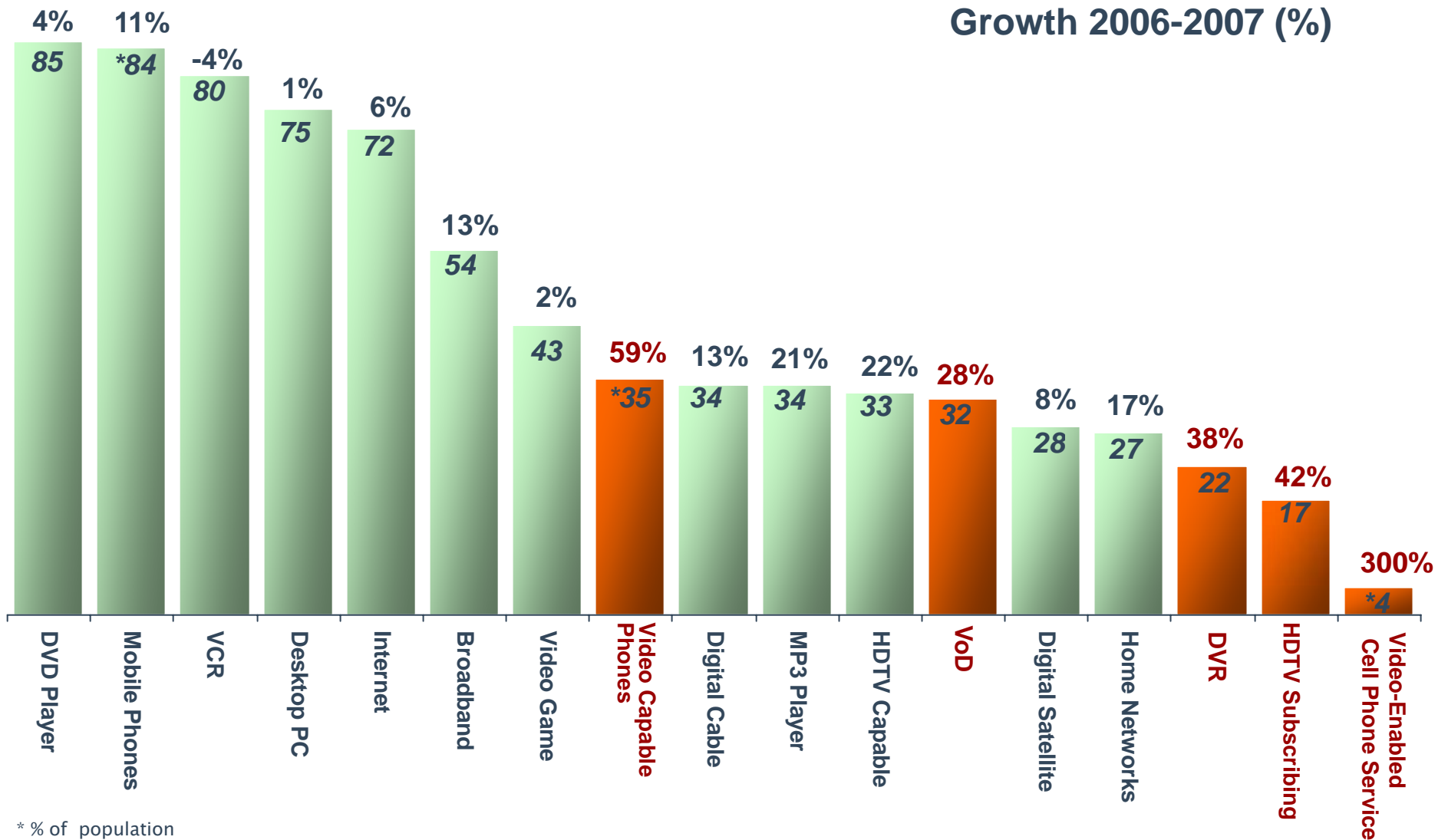
Media Technology Ownership



* % of population

Sources: CEA, eMarketer, Forrester, IDC, Jupiterresearch, Kagan, m:metrics, Magna Global, NBC Internal Estimates 4Q07, Nielsen, SNL Kagan, Veronis; all penetration numbers = end of year 17

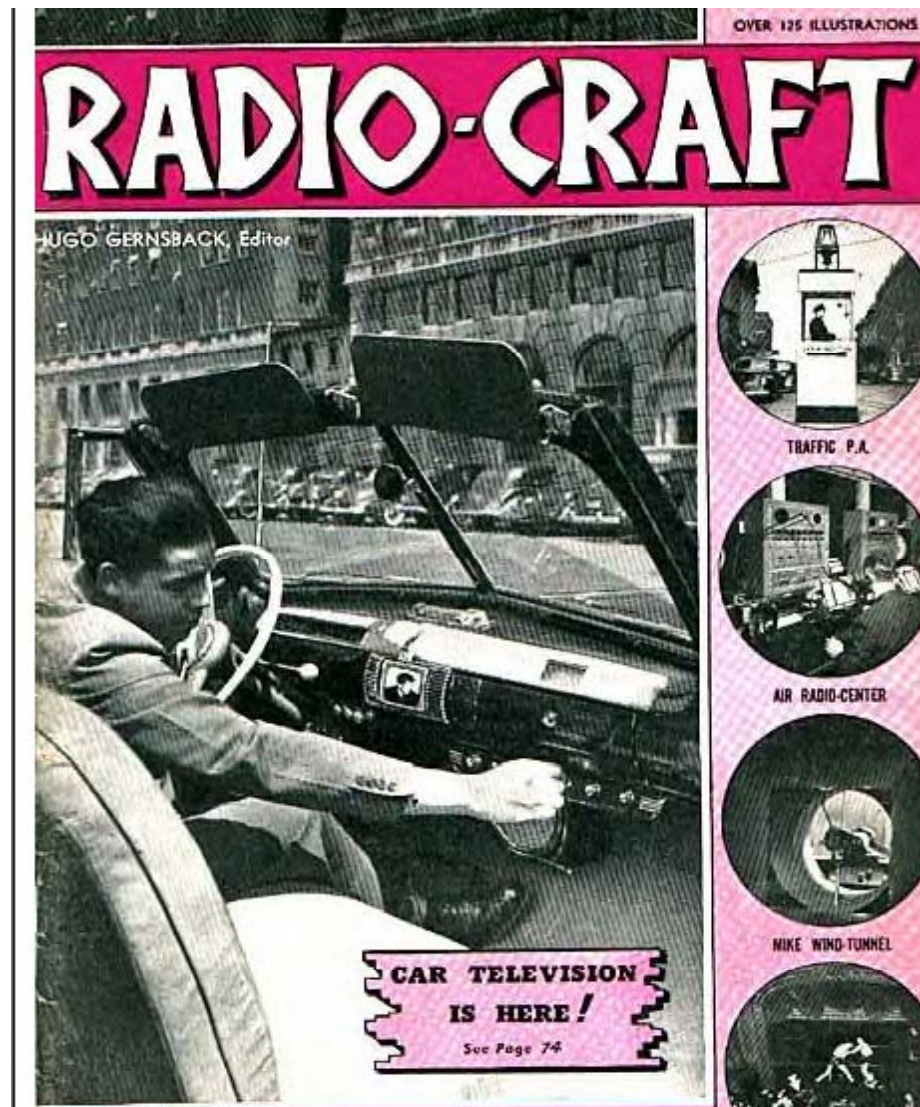
Media Technology Ownership Growth



* % of population

Sources: CEA, eMarketer, Forrester, IDC, Jupiterresearch, Kagan, m:metrics, Magna Global, NBC Internal Estimates 4Q07, Nielsen, SNL Kagan, Veronis; all penetration numbers = end of year

Not all Media Technologies are Adopted by Consumers



1941

10 Media Trends

4.

**Consumers' Use and Perception
of the Internet is Changing**

Use and Perception of Internet Changing

1990' s

**Information/
Education**

E-mail

2005

**Information/
Education**

E-mail

Search

Social Networking

Shopping

Entertainment

Use and Perception of Internet Changing

1990' s

**Information/
Education**

E-mail

TODAY

Information/Education

Entertainment/Video

E-mail

Search

Social Networking

Shopping

Online Video is becoming Important

TECHNOLOGY BRENT SCHLENDER



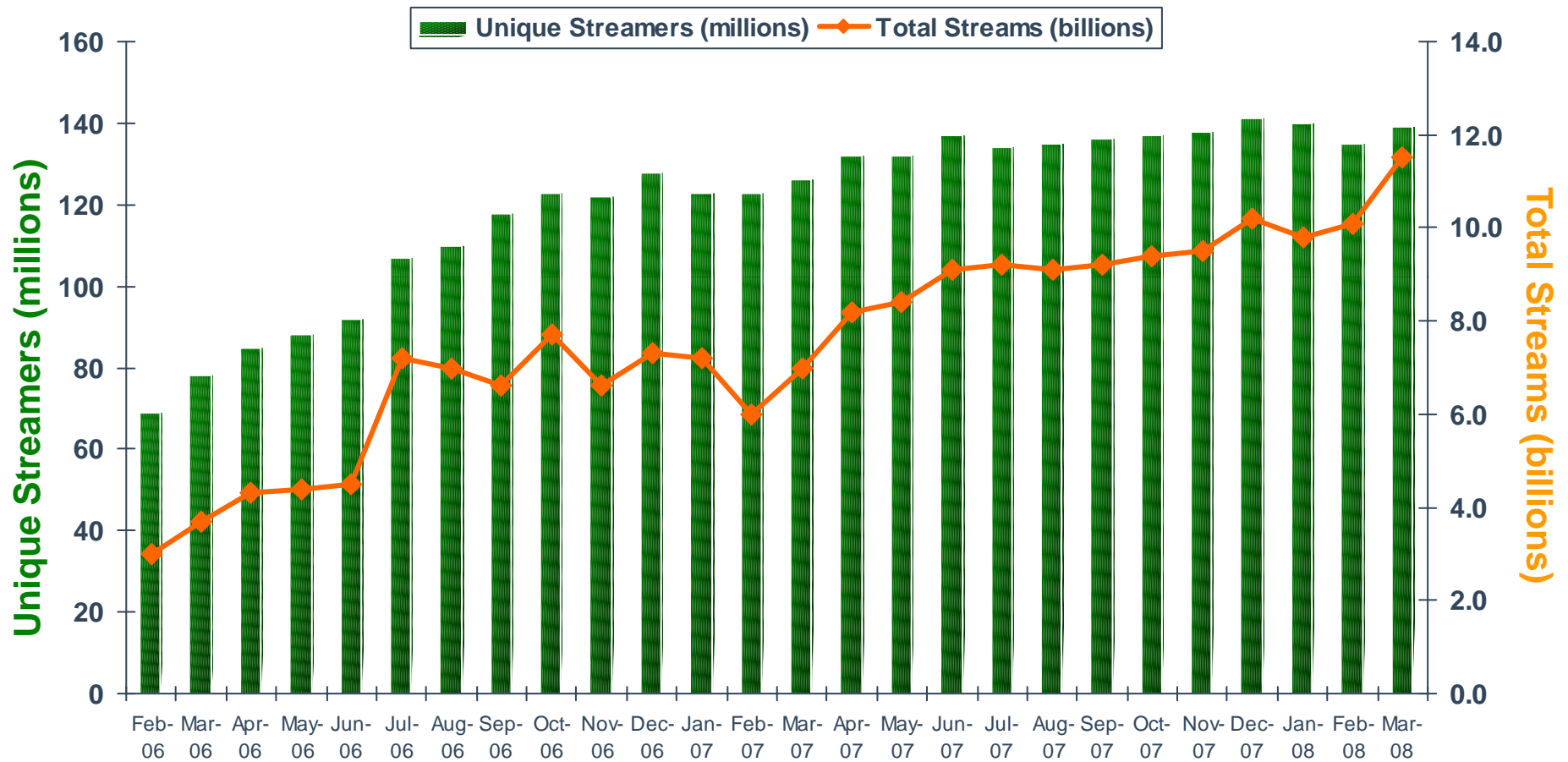
Dawn of the Web Potato

Web video isn't just for **stupid pet tricks**. It's driving the Internet's future.

IT'S TIME TO RETIRE "surfing the web" from the *Dictionary of Internet Jargon*. You hardly ever hear it nowadays because that's not what most of us do when we go online anymore. We don't surf; we do specific things—e-mailing, instant messaging, shopping, Googling. And according to two recent studies from Cisco and the Online Publishing Association (OPA), what people do more than anything online is consume "content": look at videos and photographs, read the news, and get the lowdown on friends and celebrities at MySpace or Facebook. In other words, we've

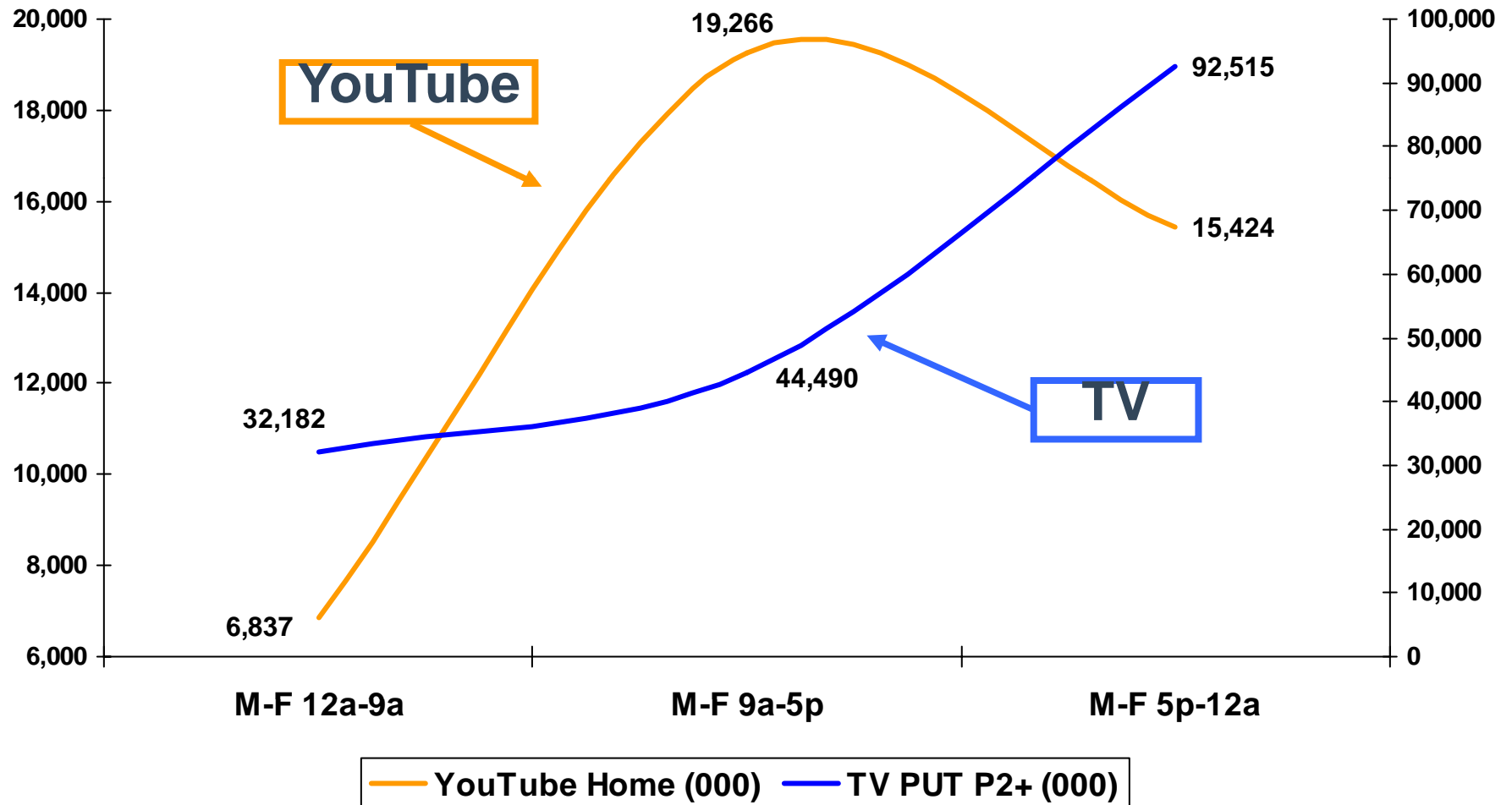
and 5% Googling or using other search engines. The definitions of those categories, however, are a little fuzzy, and the search figure seems strikingly low, although the OPA emphasizes that search activities have grown as a proportion of Internet time by 35% since 2003, when they accounted for merely 3%. (To me, however, that statistic implies that search engines might be getting worse.) Cisco's white paper, called "The Exabyte Era," strenuously asserts that the Internet is in no danger of "collapsing under YouTube traffic, nor is it likely to," despite the fact that in North America online video

Significant Growth in Online Video Use



73% of Internet users have streamed in a given month

Daytime “Video Snacking” on YouTube

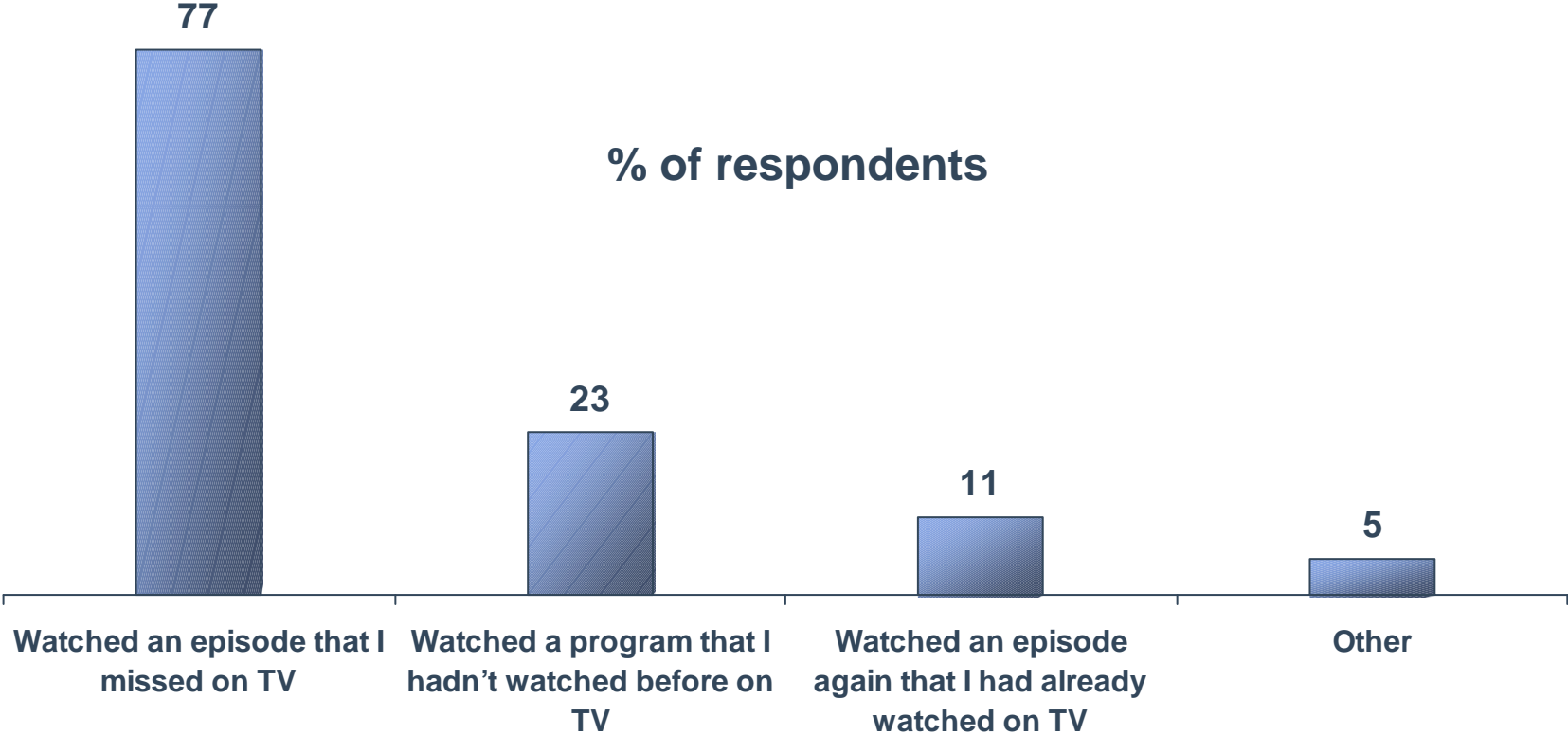


Source: comScore, Nov 2006 (Youtube); Nielsen Television Index (TV).

Increased Online Viewing of Full TV Episodes (*Heroes*)

TOTAL	15,910,872
Viiv	2,165
iTunes Downloads	59,717
Streaming Video	2,135,990
Sci-Fi Network	744,000
NBC TV Network	12,969,000

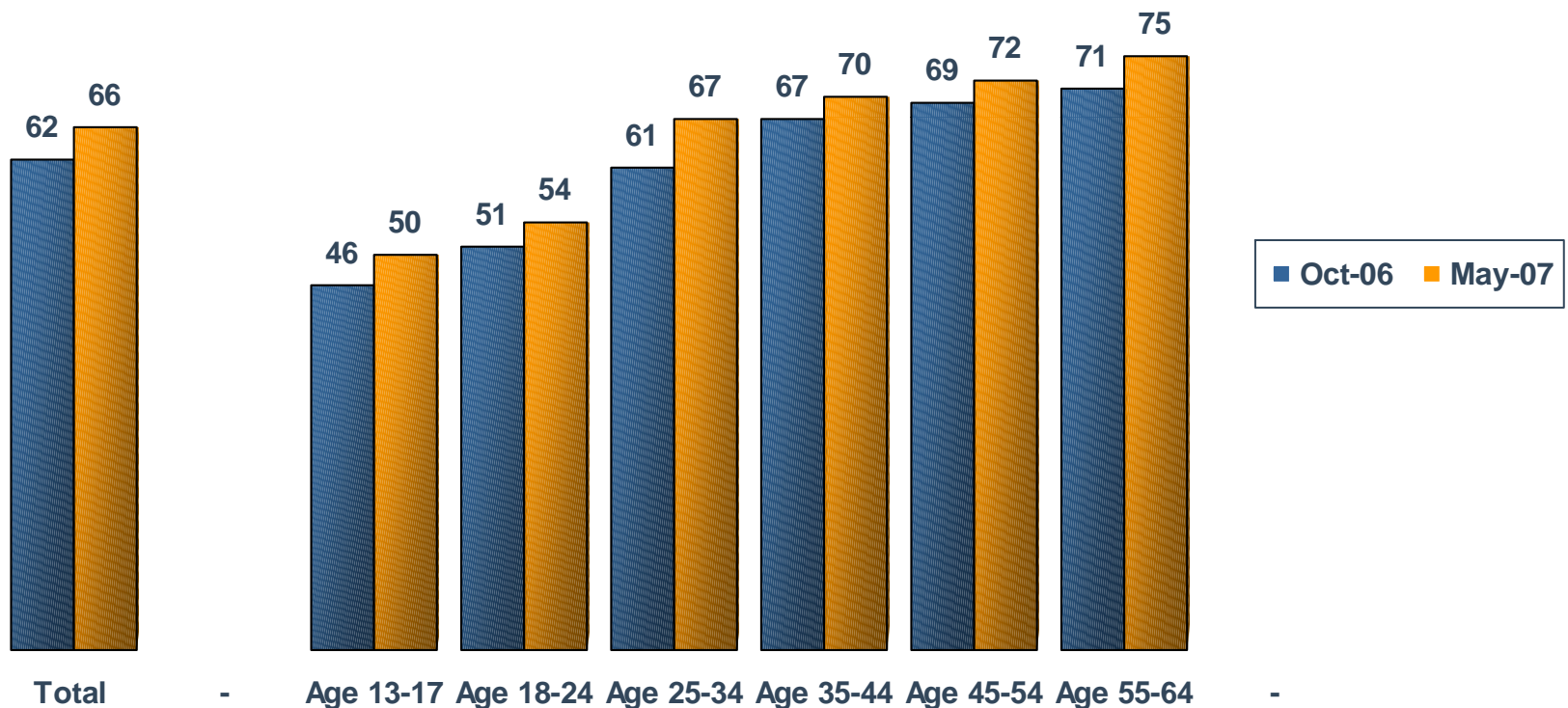
Online Viewing Extends Reach, does Not Cannibalize Audience



Source: NBC Rewind, 4Q07, Insight Express

Preference for Watching Video on Big Screens Remains the Norm

“If I had a choice, I would always prefer to watch a video on my TV versus watching it on my computer or a portable video device”
% Strongly/Somewhat Agree



Source: Harris Interactive: How strongly do you agree or disagree with the following statements about videos that you might download or stream off the Internet? Base: U.S. Respondents 13-64; Age 13-17 (n=1,028), Age 18-24 (n=1,924), Age 25-34 (n=2,367), Age 35-44 (n=3,097), Age 45-54 (n=2,831), Age 55-64 (n=1,934) Online survey

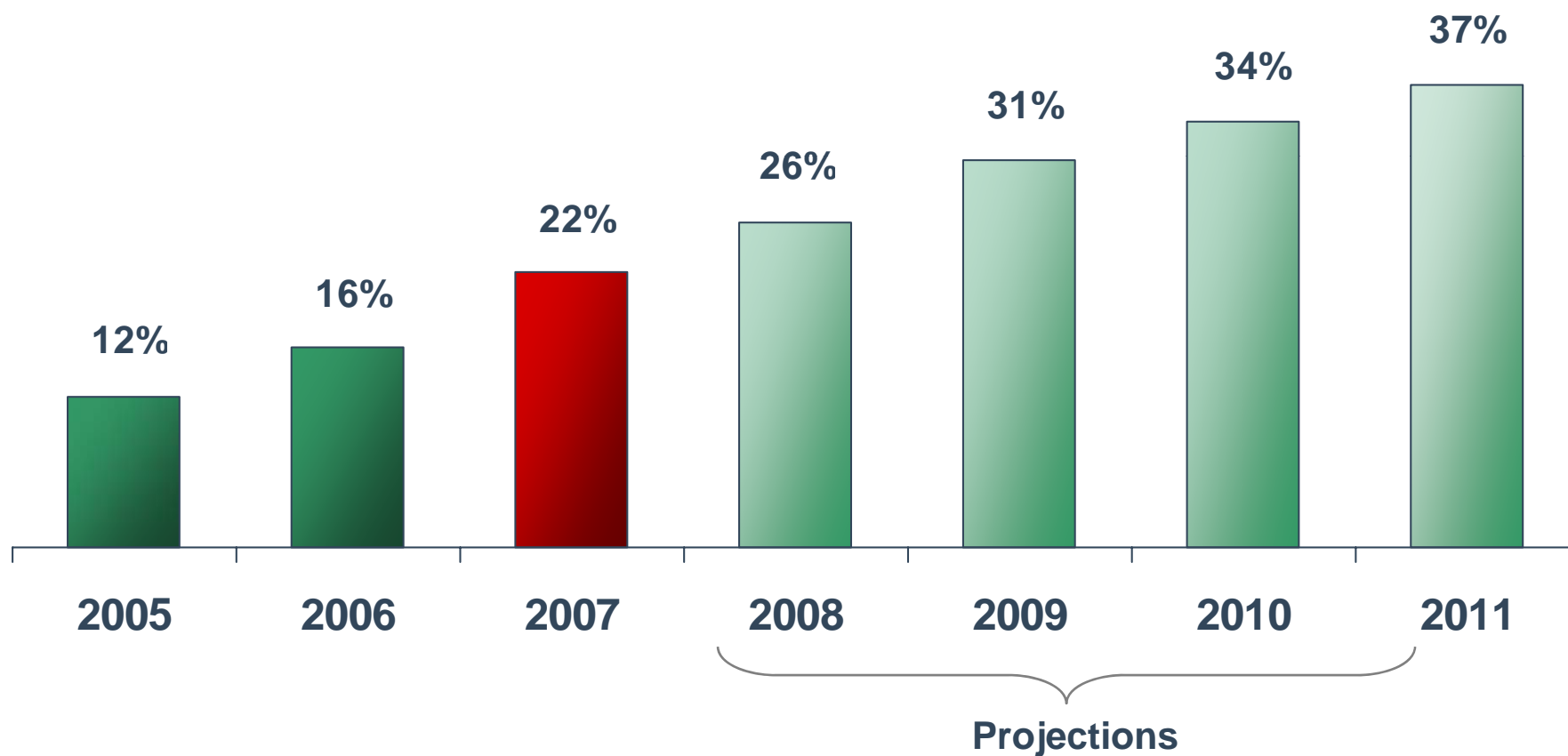
35 Million High Definition TVs



5. Time-Shifting: Increasing Demand for Content on Demand

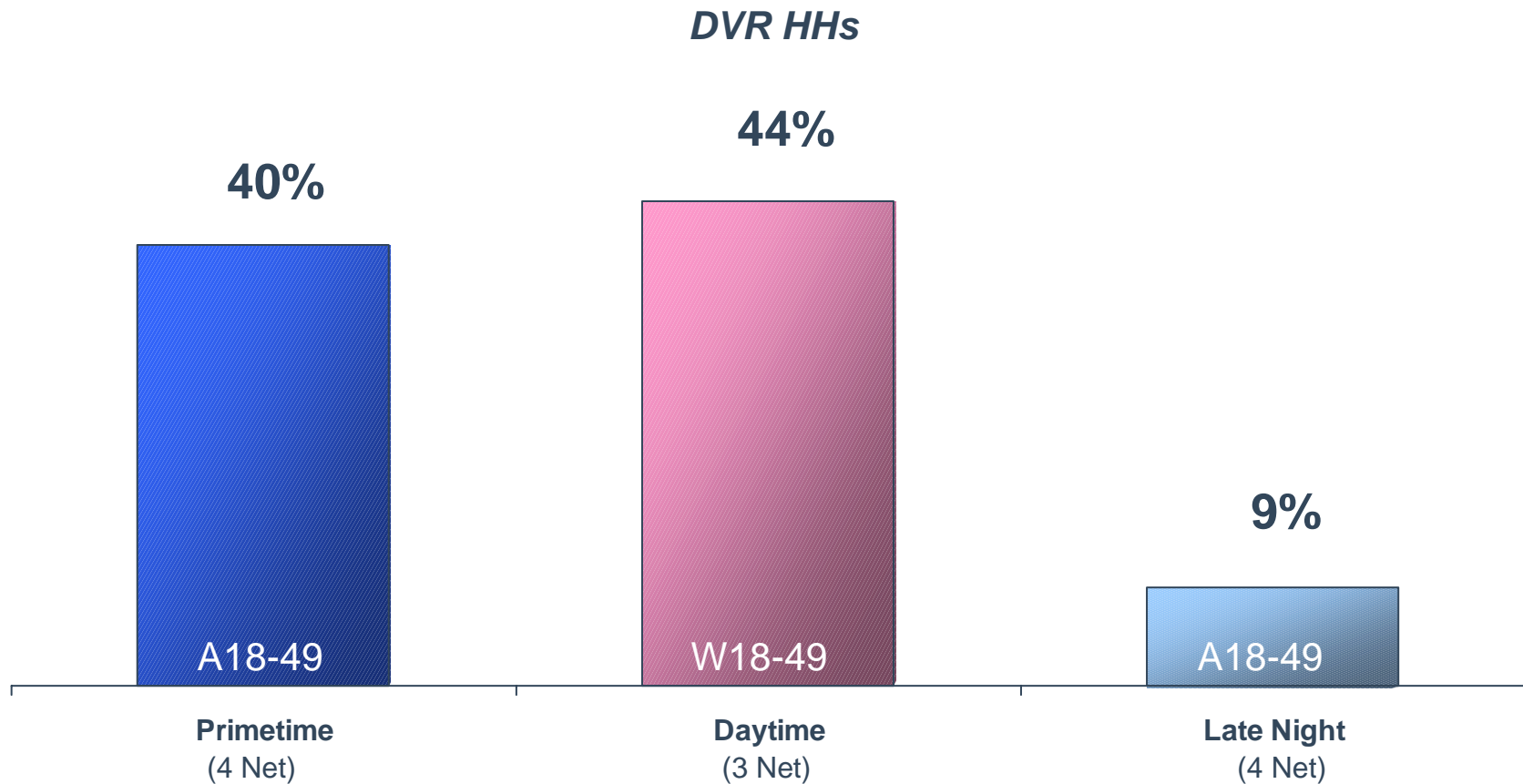
DVR Penetration

Percent of US Households with DVRs

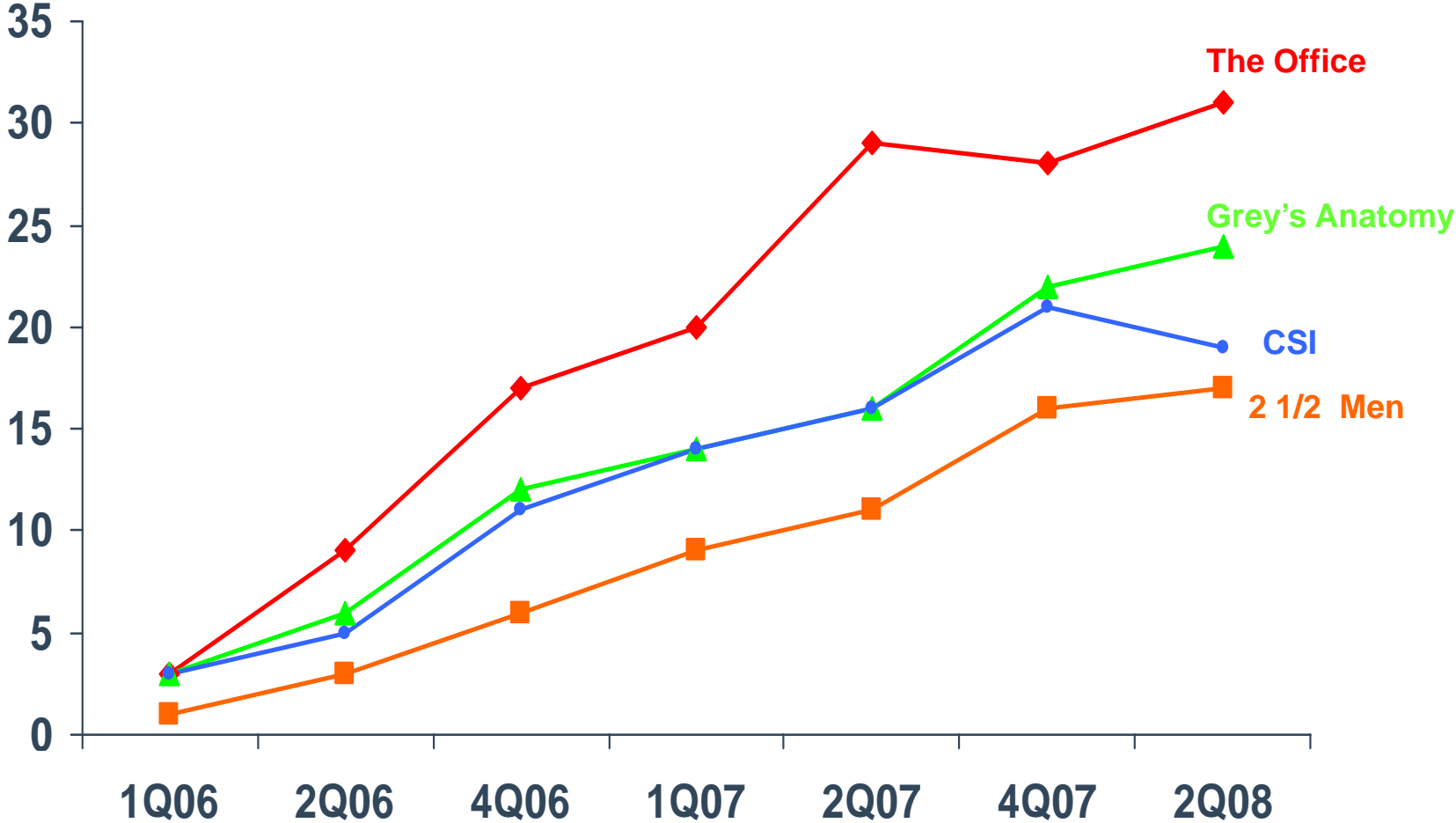


Source: eMarketer, July 2007; Jupiter research, Dec. 2007; Magna Global, Dec. 2007; Nielsen, Jan. 2008; Veronis, Aug. 2007

Amount of Time-Shifted Viewing

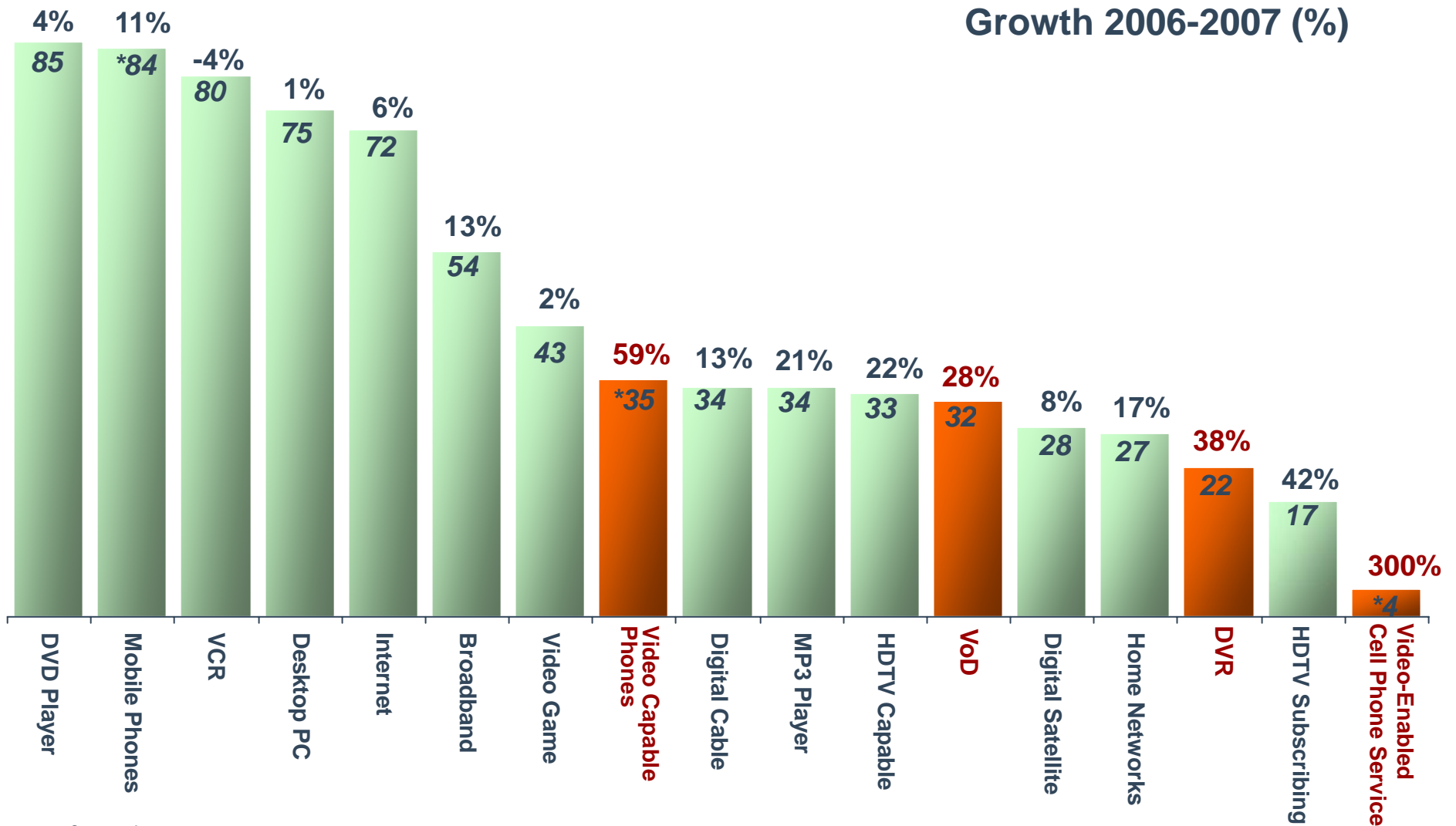


Growth of Time-Shifted Viewing



Source: Nielsen A18-49

Time-Shift/On Demand Technologies Growing Strongly



* % of population

Sources: CEA, eMarketer, Forrester, IDC, Jupiterresearch, Kagan, m:metrics, Magna Global, NBC Internal Estimates 4Q07, Nielsen, SNL Kagan, Veronis; all penetration numbers = end of year

6.

**User Generated Content (UGC) is
Not replacing Professionally
Produced Content**

Professionally Produced Content Dominates even on YouTube

Top 20 Videos on Broadcast Yourself

Top 20	UGC	Professionally Produced
All Time	15%	85%
February'08	20%	80%
April'08	20%	80%

7.

**Interactive TV and IPTV:
Killer Application of the Future?**

Interactive TV: the Next Trend?

THE WALL STREET JOURNAL.

* * * *

May 14, 2008

MEDIA & MARKETING

ADVERTISING | *By Suzanne Vranica*

Unilever Bets on Interactivity

*Company Steps Up
'iTV' Ads in a Bid
To Engage Viewers*

As marketers descend on New York this week to place their bets on network TV's fall season, **Unilever** is making a sizable wager in a different direction: interactive TV.

Interactive-TV ads, in which consumers use the remote control to request a brochure or call up more information about a product, have been slow to gain traction among marketers. Advertisers love the prospect of get-



The CW Network

The CW lineup will include '90210,' an updated version of the 1990s hit.

IPTV: the Next Trend?

- Many attempts to develop technology and products that deliver internet access over TV
 - First: Microsoft's Web TV 1999
 - Few takers: Technology issues, cost and lack of consumer interest to use PC from couch, instead of/or together with TV
- Today: Spread of broadband and of laptop use (often while watching TV), proliferation of video on web, flatscreen TVs with PC capabilities
 - Will IPTV take off this time?
 - Alternative or addition to cable and satellite?
 - Will Google, Microsoft or others become content providers?
 - Will consumers want to watch YouTube on HD set?

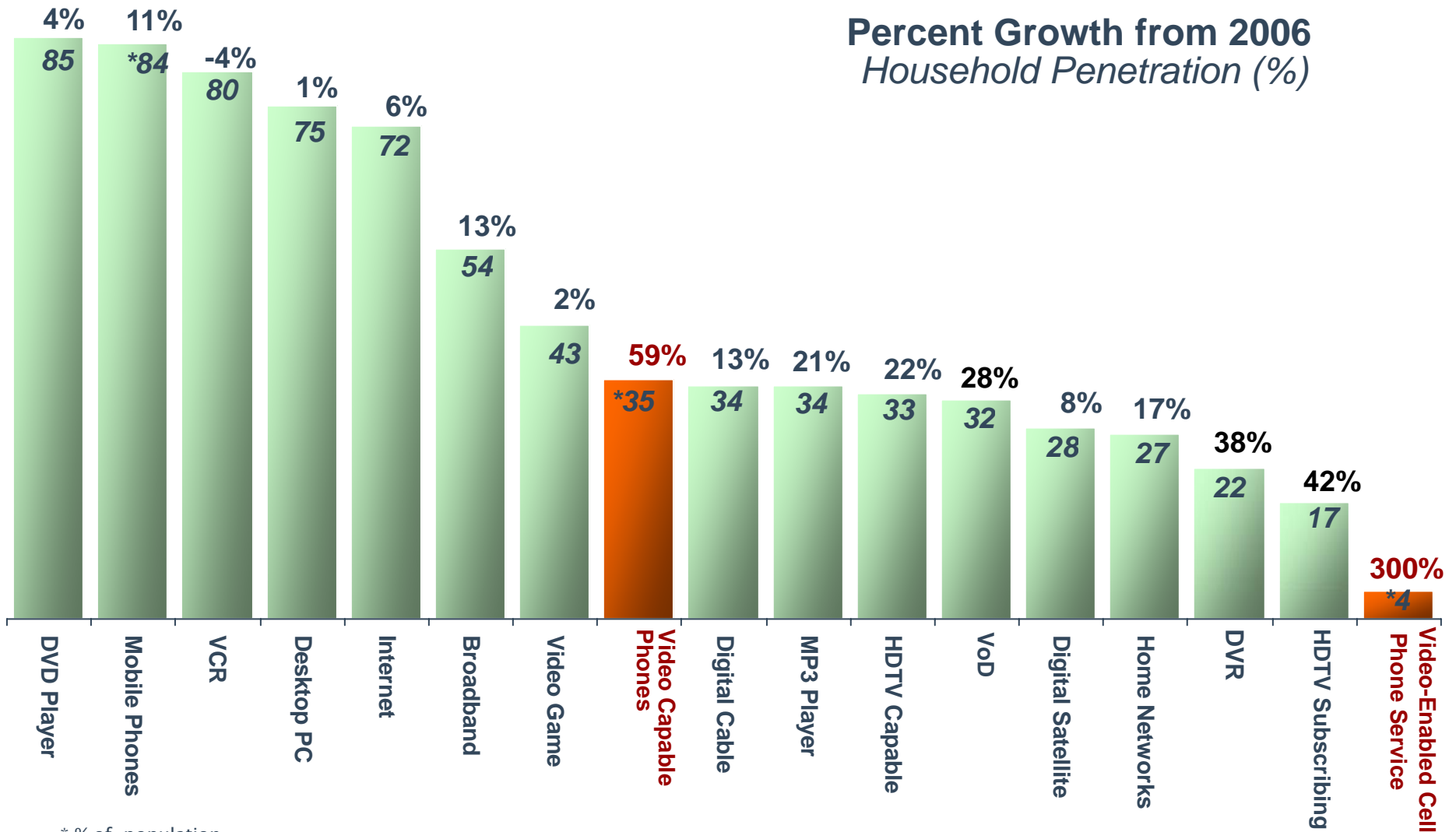
10 Media Trends

8.

**Mobile Video is Developing
Slowly**

Mobile Video Growing – But from a Very Low Level

Percent Growth from 2006
Household Penetration (%)



* % of population

Sources: CEA, eMarketer, Forrester, IDC, Jupiterresearch, Kagan, m:metrics, Magna Global, NBC Internal Estimates 4Q07, Nielsen, SNL Kagan, Veronis; all penetration numbers = end of year

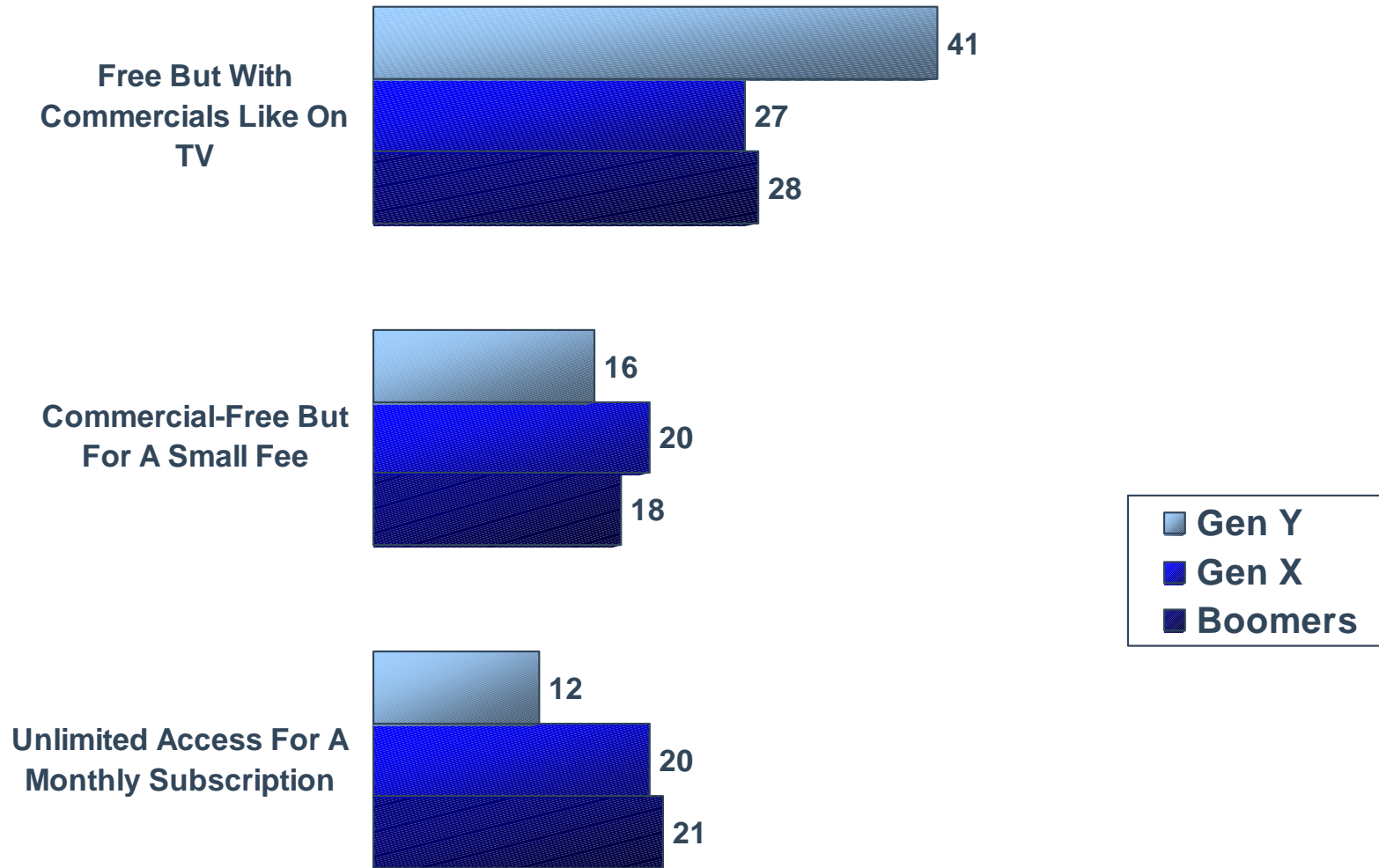
10 Media Trends

9.

**Acceptance of Advertising,
Sponsorship, and Product
Integration over Paid Content**

Most Prefer Ad Supported Content – Especially Young People (Gen Y)

Payment Options by Generations – Very Appealing %

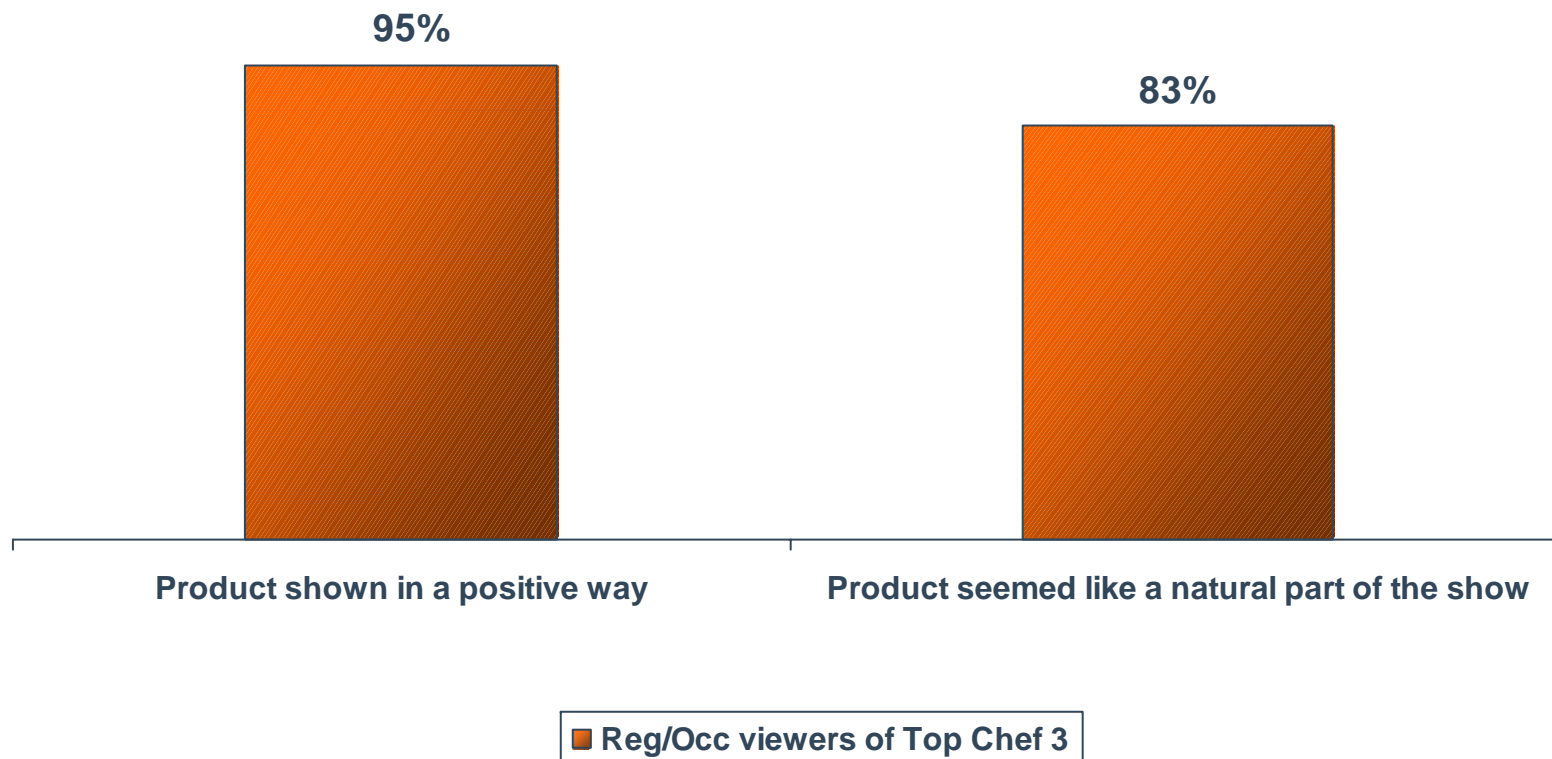


Source: NBC New Media Study2007; Base: Important watch videos whenever/wherever, M/F age 13-64, N = 643; Gen Y: N = 246; Gen X: N = 173; Boomers N = 224. Q31: "How appealing are the following payment options to you, personally, for having access to your favorite TV shows either on a computer or on portable media player?"

Strong Acceptance for well-placed Product Integrations among Viewers



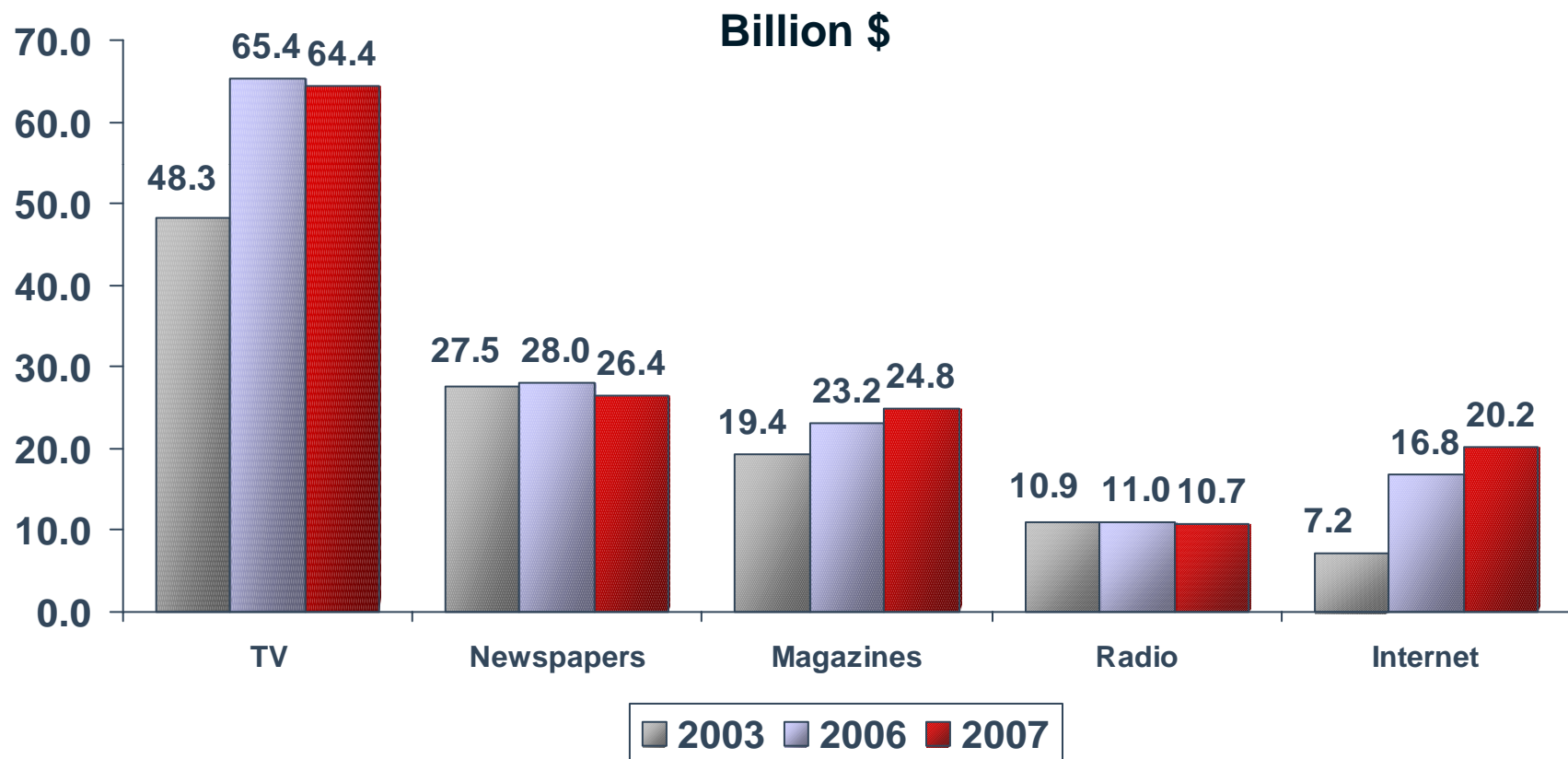
Percent Agree



10 Media Trends

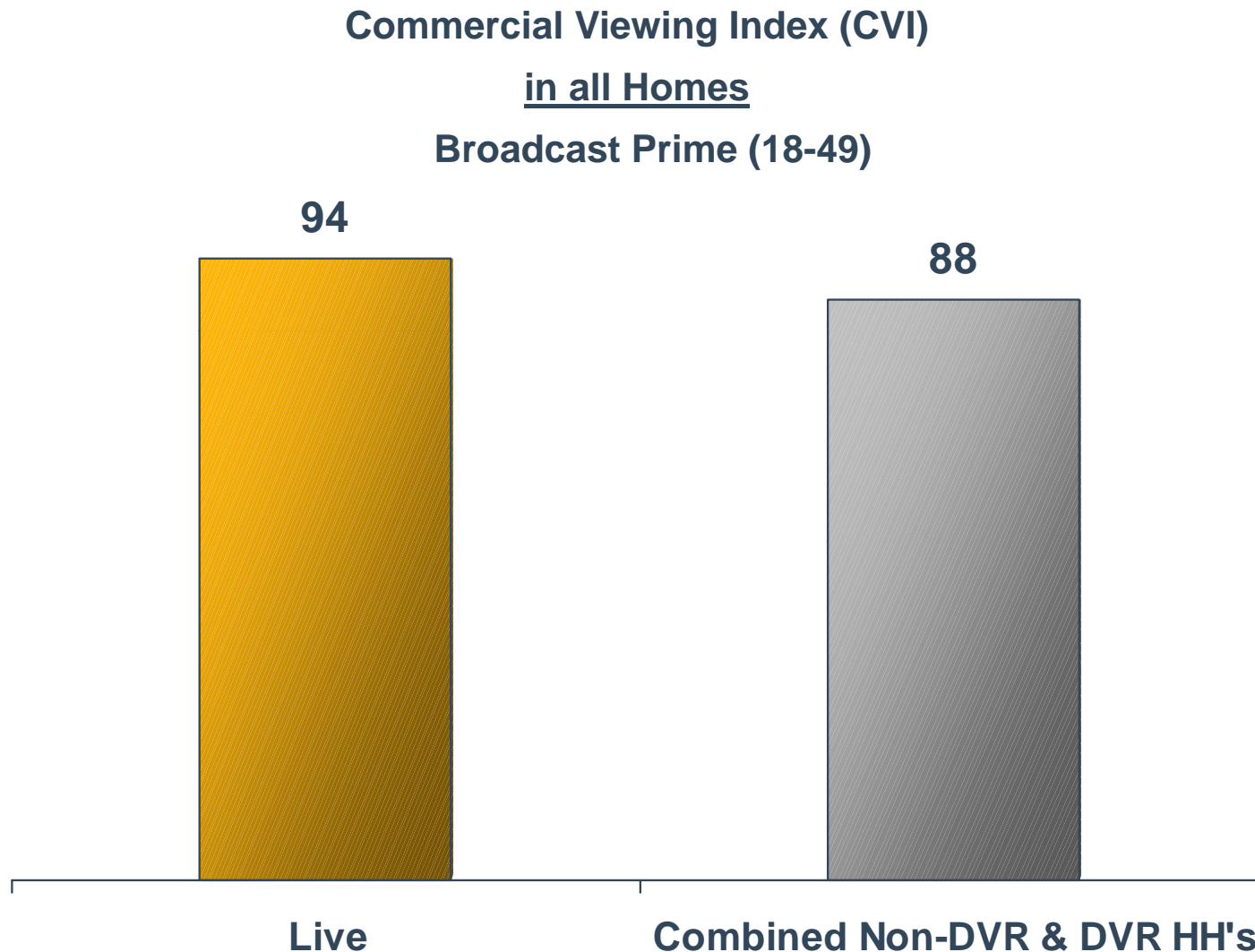
10. Changes in Media Behavior Impact Business Models

Trends in Advertising Spending



Source: tns media intelligence, March 2007. For Internet: Interactive Advertising Bureau March 2007; NBC Research 2008

DVRs Impact Commercial Viewing

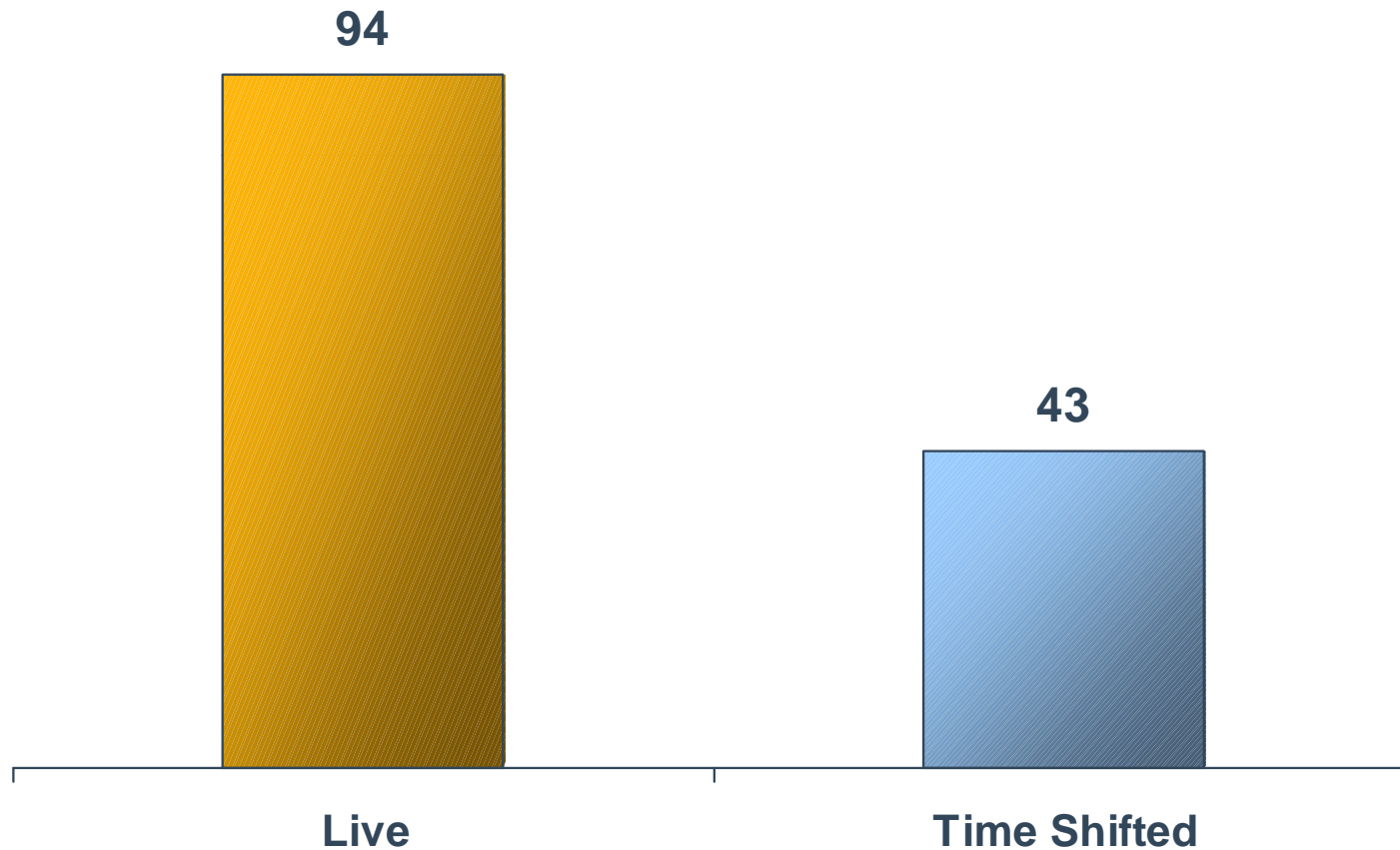


DVRs Impact Commercial Viewing

Commercial Viewing Index (CVI)

in DVR Homes

Broadcast Prime (18-49)



Viewers Watch and Recall Fast-Forward Ads

Mercedes-Benz



Citi Bank



Press Coverage for DVR Studies

THE WALL STREET JOURNAL.

Why DVR Viewers Recall Some TV Spots

NBC Study Tracks
What Is Absorbed
In Fast Forward

By **STEPHANIE KANG**
February 26, 2008; Page B5

What do Matt Damon and an animated piece of phlegm have in common? Viewers seem to remember them especially well, according to a new test that measured what people recall about TV ads, even when they're zapping through them.

The test is part of a continuing effort by [General Electric's](#) NBC Universal to measure the effectiveness of television ads that viewers skip through with their digital video recorders. The bottom line: Viewers still remember the spots -- or at least some elements of them -- even when they're watching at up to six times the speed of regular live TV.



Tracking biometric measurements such as eye movements, heart rate and sweat, the study found that the ads people concentrated on the most and recalled the most shared several traits. The most successful ads concentrated the action and the brand's logo in the middle of the screen, didn't rely on multiple scene changes, audio or text to tell the story, and often used familiar characters. People were also more likely to remember an ad in fast-forward mode if they had seen it once before live.

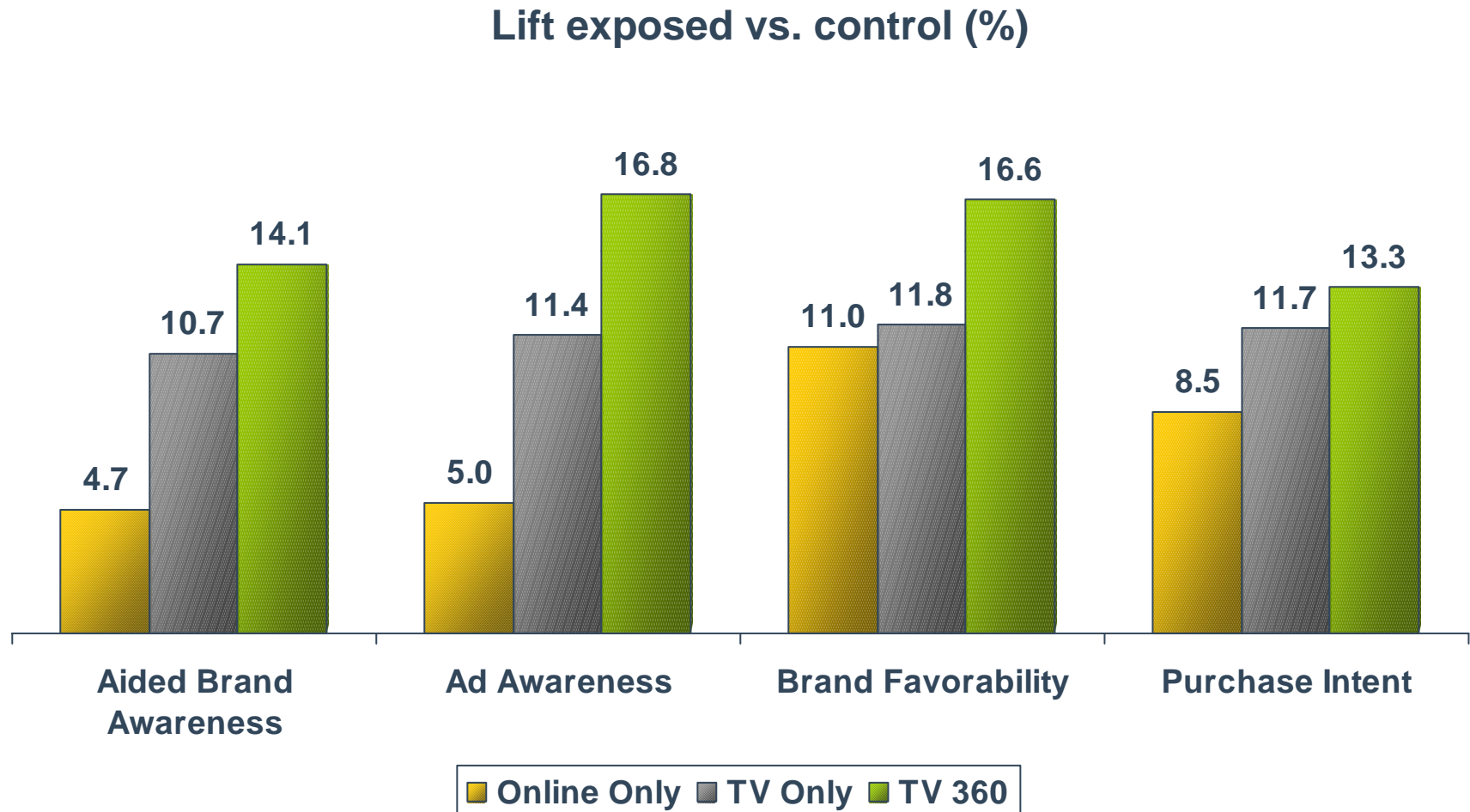
The New York Times

ADVERTISING

Engaging at Any Speed? Commercials Put to Test



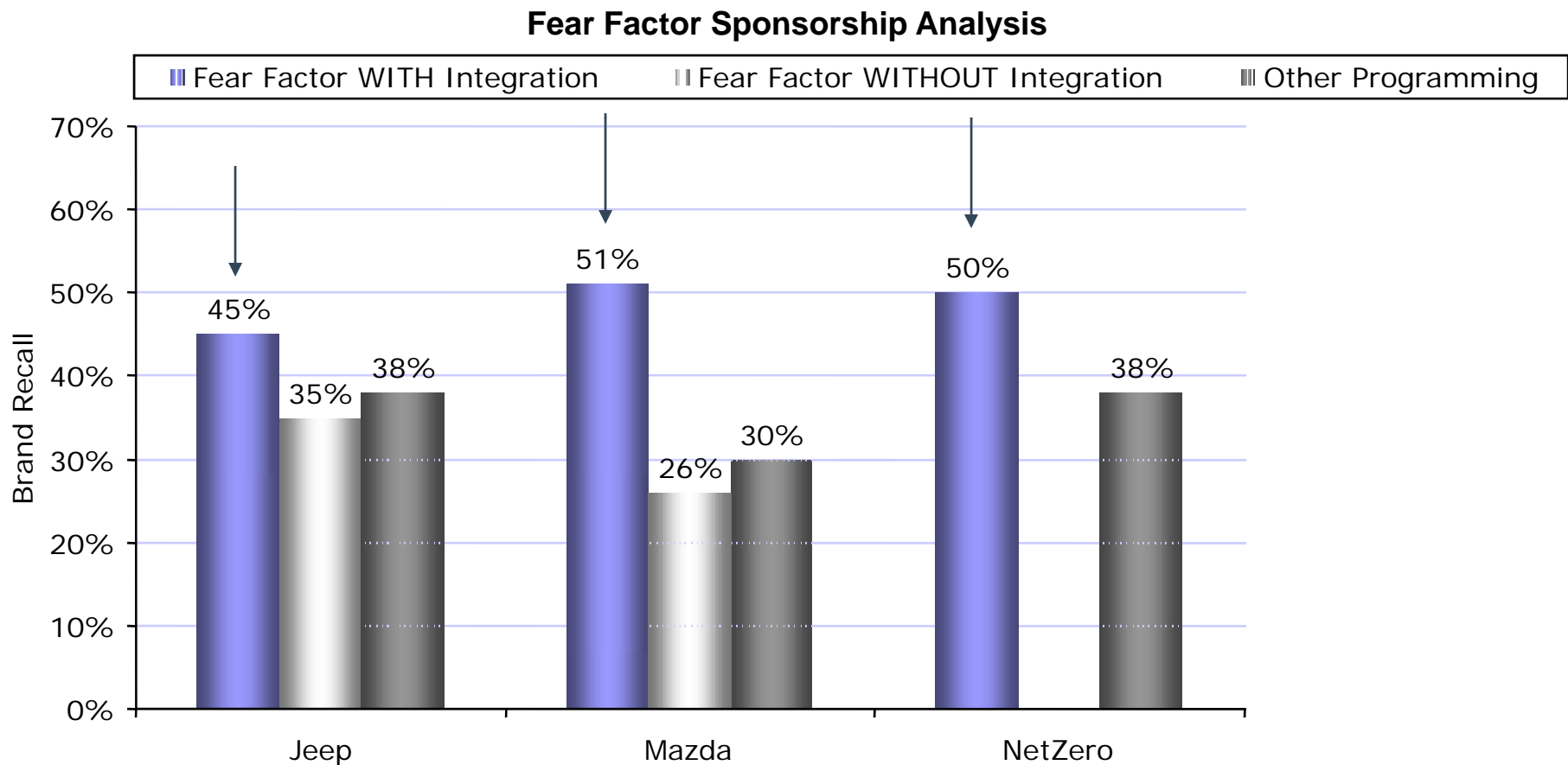
“360” Studies Show Cross-Media Advertising works Better



Source: NBCU Dynamic Logic Cross Media studies (average of 9 brands); % lift exposed vs. control

30 Sec. Spots Work Better with **Product Integration**

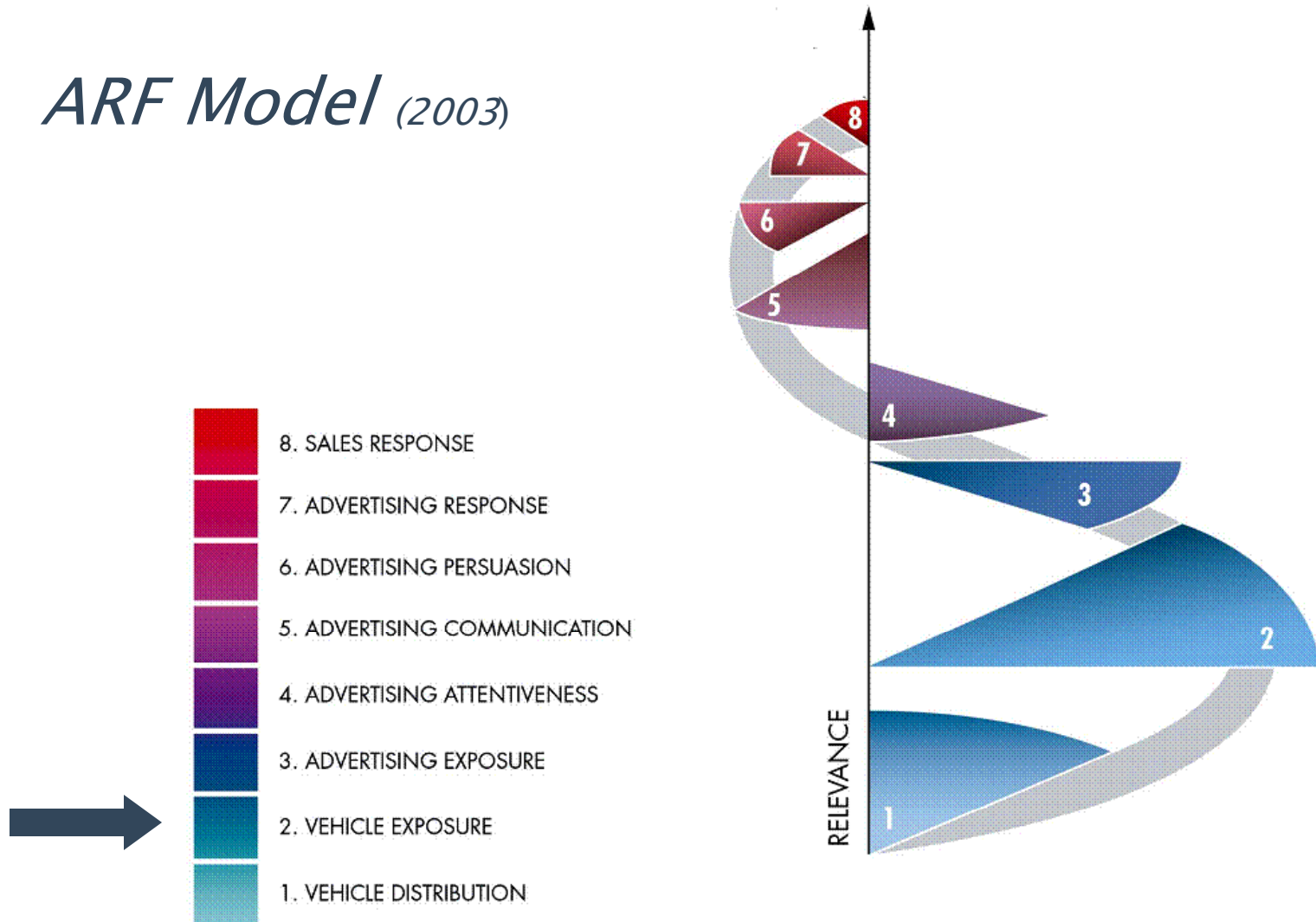
IAG Measures show viewer acceptance and superior brand recall for commercials paired with product Integrations (which are legal on American TV)



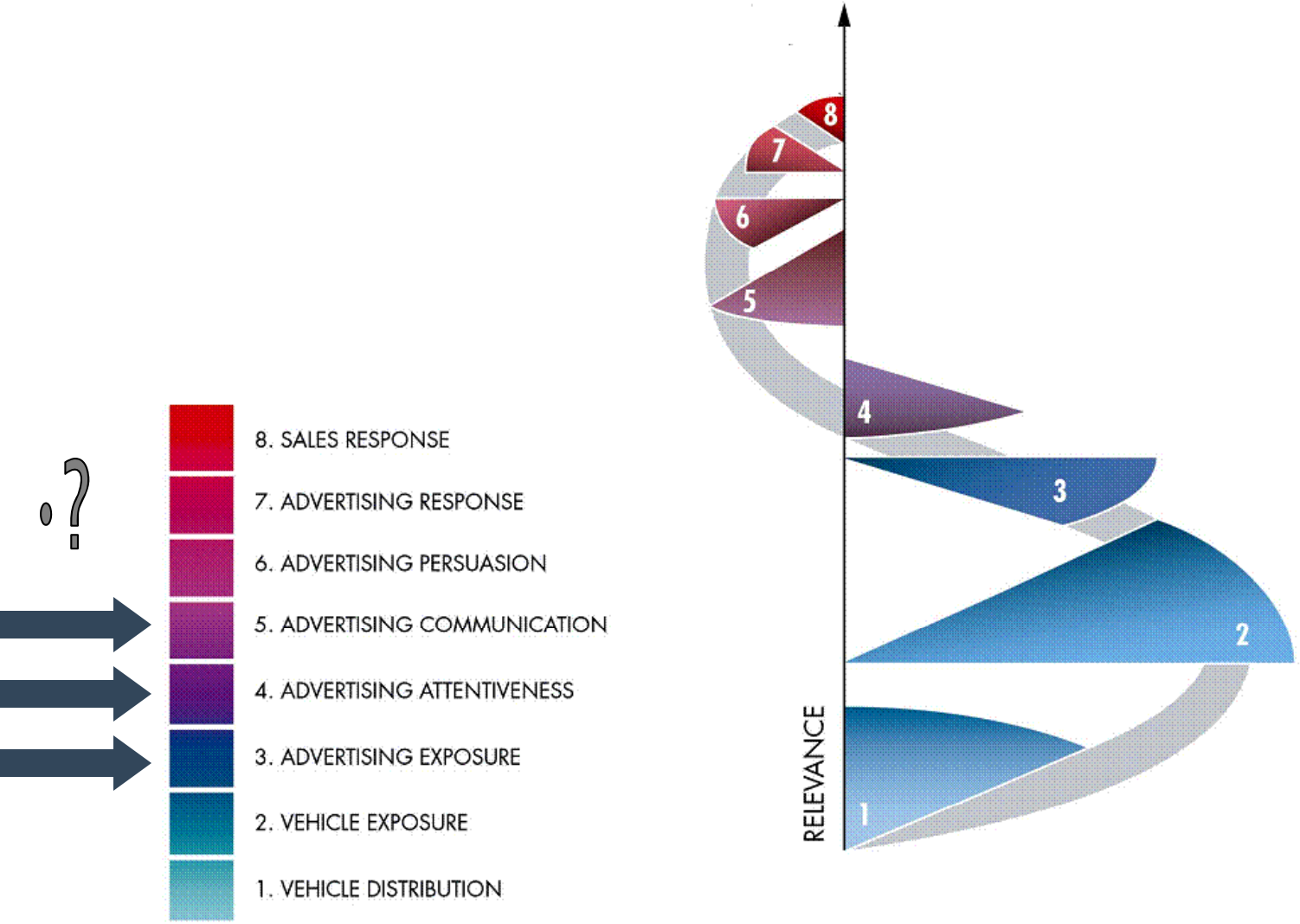
Source: IAG Ad Data

Changes in Currency: From **Exposure**

ARF Model (2003)



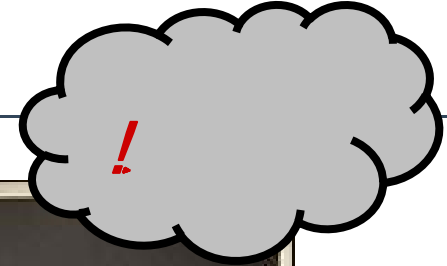
Changes in Currency: From Exposure to “Custom Currencies”?



Summary: Media Trends

- Growth of new technology ownership and use continues
 - Growth strong in both TV and internet technologies (HD, digital cable, DVRs)
- Many technology uses are still early adopter behaviors, but most early adopters are not 20 year olds
 - HD growth strong among all generations
- TV online is here to stay – but does not replace “traditional” viewing
- Spread of DVRs and time–shifting does not mean end of 30–Second commercial, but demands new strategies
- 360 Marketing Plans offer new ways of reaching consumers
 - *‘Sum is greater than its parts’*

Summary: **Future** Trends



Emerging Trends in Media Use and Measurement

- More access to media technologies and greater variety of media offerings lead to new patterns of usage, expansion of consumer choices
 - Internet is becoming a video medium, more time-shifting, more mobile
- More challenges for content providers and advertisers through increased competition between media and new consumer behavior patterns
- New technologies will provide new, better measures and marketplace will demand them
 - Top issue: measure 3-screen use and impact
 - Ideal: Single-source measure of media exposure and purchase behavior
 - Limit: consumers' willingness to provide data