Horowitz Associates, Inc.
Market Research & Consulting

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Survivor Challenge:

Retaining Subs & Growing Business In a Recession Marketplace

Today, the multichannel business is more challenging than ever before:

- **New competition in the marketplace;**
- **New content, services and platforms changing consumer expectations and demands;**
- **Diverse audiences for diverse content, and requiring targeted marketing;**
- **A difficult economic climate where cost and value are top of mind;**
- **National and Caribbean challenges are in many ways the same, in other ways, different, and often even more intense.**

Survivor Challenge:

Retaining Subs & Growing Business In a Recession Marketplace

This presentation covers:

- ***Where have we been, where we are today, and where are we going*** **in terms of the competitive market for multichannel and broadband services?**
- **What do consumers** ***know and think about our competition*** **(satellite, FiOS, U-verse?)**
- **What** ***products, services and brands*** **can we leverage for success in this competitive environment?**
- **What** ***changes can we foresee*** **in this increasingly competitive market for digital, broadband and telco services?**

Survivor Challenge:

The Historical Perspective

<u>The Recap:</u> Cable's overall penetration has remained steady throughout the years.

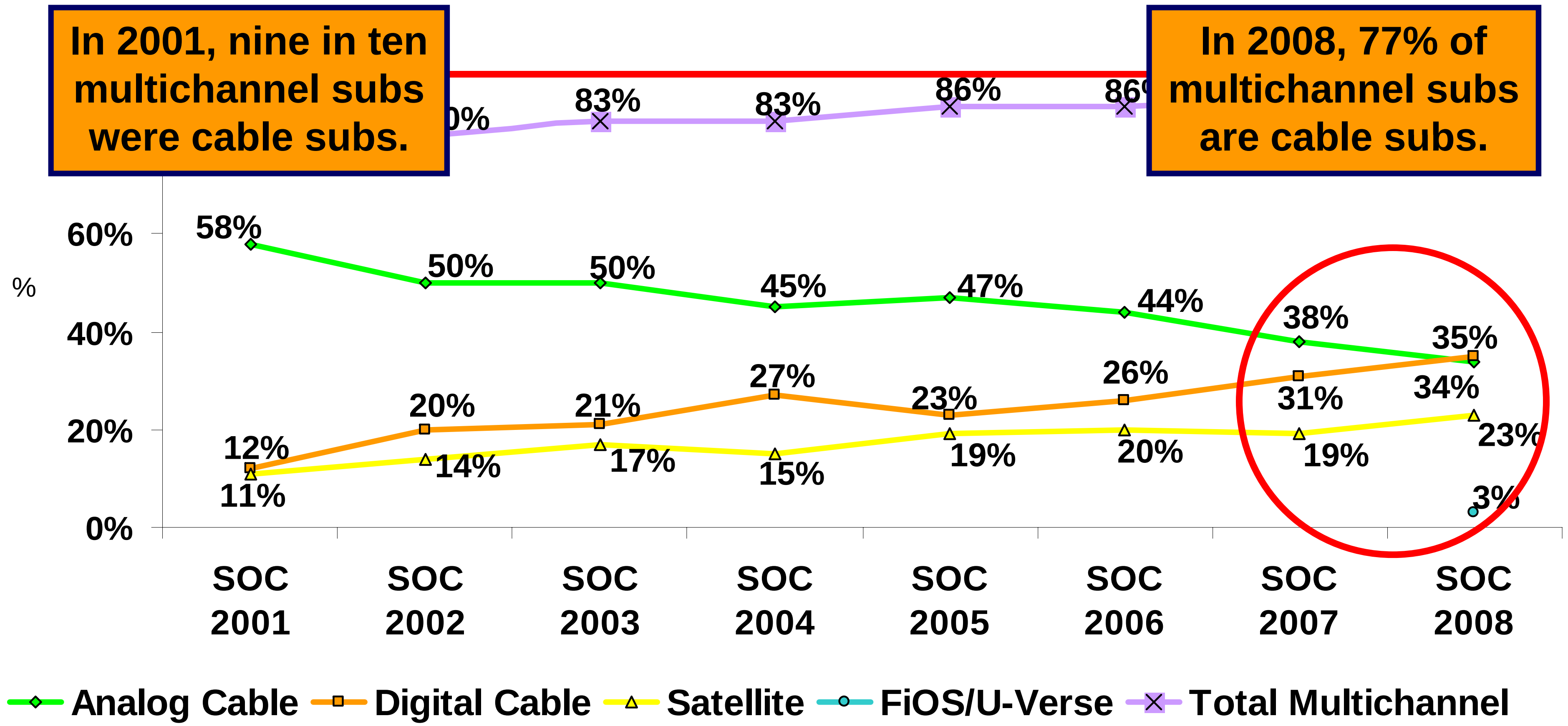
New digital providers are changing our landscape: Cable's share of the *multichannel* market has eroded somewhat.

<u>Our first challenge:</u> To maintain our tribe's competitive edge when it comes to the crowded digital television space.

Survivor Challenge:

The Historical Perspective

Trend Data: Multichannel Services



Survivor Challenge:

The Historical Perspective

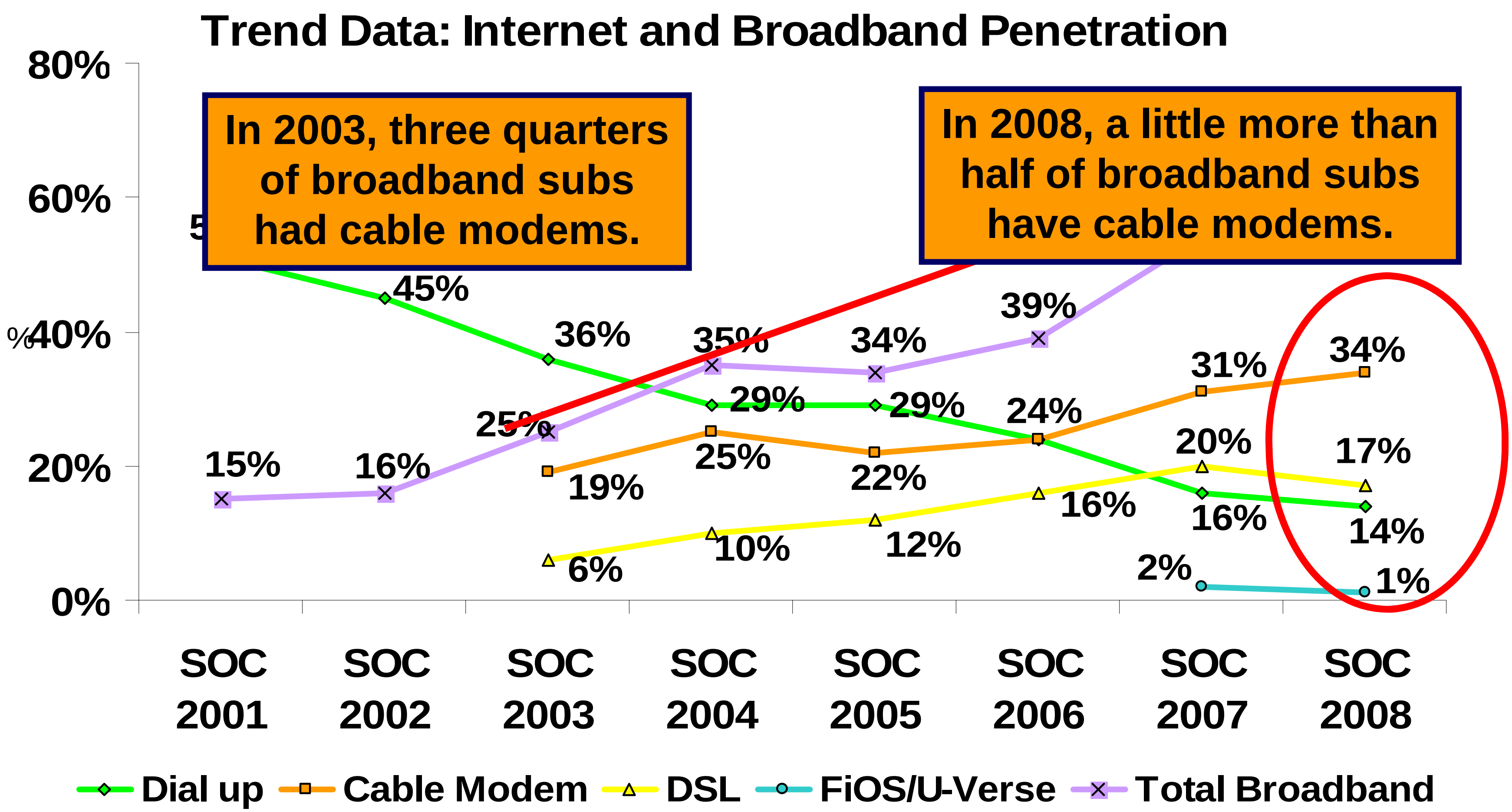
The Recap: **Internet penetration has changed a lot over the past eight years.**

Broadband has transformed the Internet from a static, text-based platform for information, *into a rich media platform for entertainment and innovative communications*, making it a more compelling platform for more people.

Our second challenge: To make sure we continue to be the leading tribe when it comes to growing broadband.

Survivor Challenge:

The Historical Perspective



Survivor Challenge:

The Historical Perspective

<u>The Recap:</u> The introduction of cable phone provided cable with the unique ability to deliver value, convenience and savings for consumers via the bundle.

<u>Our third challenge:</u> Continue to design and use our bundles as a powerful marketing and pricing strategy while other providers enter the bundle market.

Survivor Challenge:

Cable's Competitive Positioning Today

Over half (42%) of consumers tell us they get some kind of bundle from their TV service provider:

- **50% of cable customers;**
- **15% of satellite customers;**
- **77% of FiOS/U-Verse TV customers.**

Fourteen percent (14%) get a three-service bundle **from their TV service provider.**

Bundled services penetration is higher in White/Non-Hispanic and Asian homes, and *lowest in Black and Hispanic homes*.

Survivor Challenge:

The New Season is Starting!

<u>The Next Episode:</u> The digital transition of 2009 represents *a window of opportunity* for the acquisition of new multichannel subscribers.

<u>Our fourth challenge:</u> To take advantage of this this once-in-a-lifetime opportunity.

Survivor Challenge:

The New Season is Starting!

<u>Coming this Season:</u> Cable continues to enter the other tribes' turfs, breaking into the market for wireless phones.

<u>Our fifth challenge:</u> To maintain the <u>cost-value ratio</u> for consumers while <u>continuing to be on the leading edge</u> for new technologies and services.

Winning these five challenges will get us the immunity we need to win this game!

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Facing the Jury:
Customer Perceptions
and Satisfaction

Survivor Challenge:

Customer Perceptions and Satisfaction

A more competitive market means more informed consumers.

What do consumers perceive as the *benefits of cable* over other providers?

What are the *red flags for cable* when it comes to new providers?

Survivor Challenge:

Customer Perceptions and Satisfaction

Perspective here is important:

- **As the incumbent, cable has had more time to develop a happy <u>and unhappy</u> customer base;**
- **Cable is often negatively perceived as a monopoly;**
- **Cable is priced higher, making expectations greater;**
- **Satellite and telcos are taking unsatisfied cable customers, *who are even more likely to give their new service provider high ratings*!**

Survivor Challenge:
Customer Perceptions and Satisfaction

Perceived Advantages of One Service Over Another
Base: Total Multichannel Homes

Cable TV Over Others:	Satellite TV Over Others:	Telco TV Over Others:
Satellite goes out in bad weather/Reliability (18%)	More channels (14%)	Bundled packages (7%)
Cheaper (5%)	Cheaper (10%)	Cheaper (5%)
More channels (5%)	More HD channels (5%)	Other services not available in my area (4%)
Bundled packages (5%)	Other services not available in my area (4%)	More channels (2%)
Local channels (4%)	Better picture quality/reception (3%)	One bill (2%)

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Using All Our Tools:
Leveraging Products, Services and Brands For Success

Survivor Challenge:

Using All Our Tools for Success

To survive, the cable tribe must *keep our fingers on the pulse* of the American multichannel consumer.

HD, DVR and On Demand are transforming the way consumers consume television, and are raising consumers' expectations vis a vis their TV service.

Over half of the consumers with HD and DVR capabilities are *using these services just about every day*.

Survivor Challenge:
Using All Our Tools for Success

Among those with respective service at home	Everyday/ Almost Everyday (Net)	Weekly (Net)	Monthly (Net)	Never
HD channels/programs	71%	84%	88%	4%
DVR/TiVo	53%	72%	81%	12%
On Demand	16%	41%	57%	25%

Weekly (Net) Among those with respective service at home	Total HHs	Male	Female	18-34	35-49	50+	Kids <18 in HH
HD channels/programs	84%	90%	79%	79%	91%	85%	89%
DVR/TiVo	72%	76%	68%	84%	87%	57%	83%
On Demand	41%	42%	40%	53%	41%	36%	46%

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Keeping the Fire Burning:
Winning Final Immunity

Survivor Challenge:

Winning Final Immunity

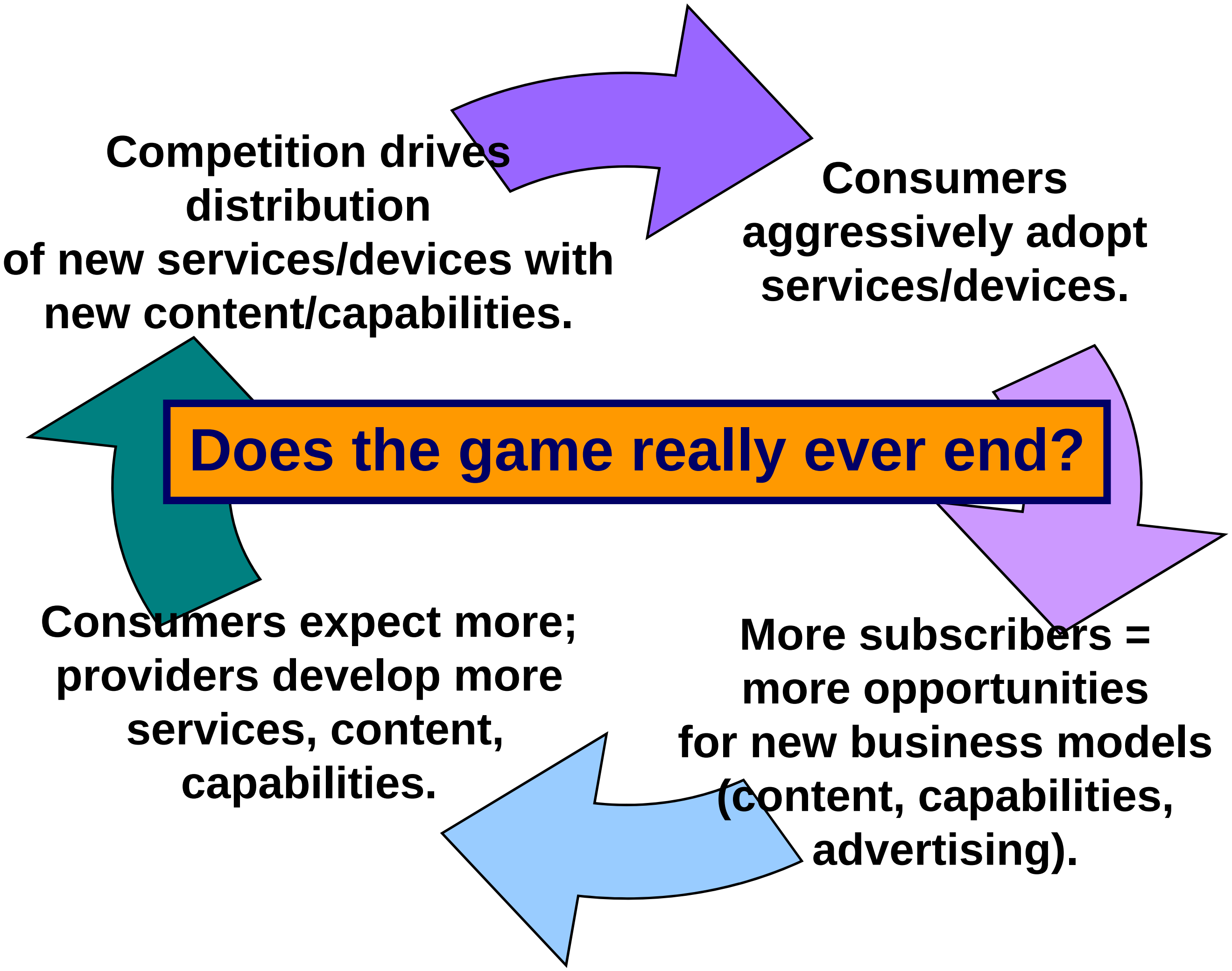
Entertainment is the major driver of multiplatform growth: ***content makes the categories*****.**

At the same time, ***new platforms are transforming consumers' habits, behaviors and expectations*** **around content consumption–**

- **On TV**
- **On the PC**
- **On their wireless/handheld devices**

Survivor Challenge:

Winning Final Immunity



Survivor Challenge:

Winning Final Immunity

From the programmer's perspective, embracing new platforms will be crucial to <u>keep the fire burning</u>:

- **Meeting *consumers' expectations* of their favorite content, whenever and wherever;**
- **Staying *relevant for new, younger audiences*;**
- **Meeting your *advertisers expectations* for a holistic environment to build brands and reinforce messages;**
- **Meeting your *distributors expectations* for content for a robust digital tier.**

Survivor Challenge:

Winning Final Immunity

For cable companies, <u>keeping the fire burning</u> means developing and selling new platforms to maintain the competitive edge, while keeping the cost/value ratio in check:

- ***Continue to create and improve platforms*** **(digital, VOD, broadband) to differentiate the cable tribe;**
- **Close the *broadband digital divide*;**
- **View *wireless* as a quadruple-play opportunity;**
- **Use the *digital transition* to grow digital subscribers.**

Survivor Challenge:
Winning Final Immunity

Winning is not only about platform and service innovations... the hidden Immunity Idol is a loyal customer.

Entertainment may be the major driver of multiplatform growth, but *customer satisfaction is the driver of loyalty*.

In this competitive and challenging business environment, *ensuring a passionate, devoted and loyal customer base* is a key strategy for success.

Thank you.

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