MAGNA Global

The Consumer and Control

November 2006

About Us

- MAGNA Global: A Media Services Unit of the Interpublic Group of Companies
  - Negotiations
  - Research
  - Entertainment

- Industry Analysis: Designed to Support “Smart” Negotiation
  - Wall Street background, corporate behavior focus

What About

The **Consumer?**

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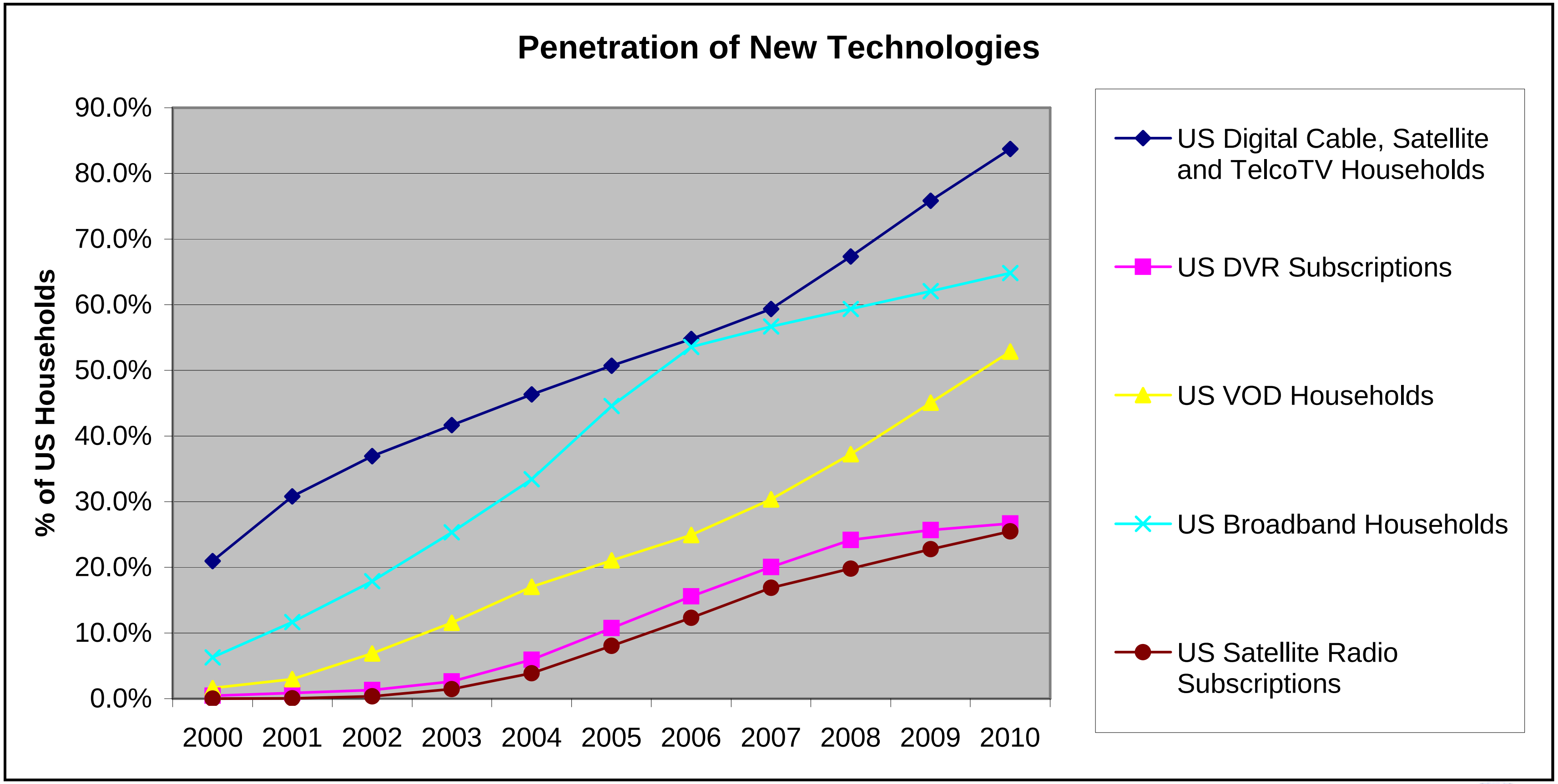
- **Data Points *Suggest* Consumers Are Taking Control**



Source: MAGNA Global Research, OPA, FCC, US Census, NAA, Company Reports

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- **But Demand For Control Is Constrained Near- to Mid-Term**
  - Business model issues
  - Limits to market appeal
  - Difficulty changing consumer behavior
  - Negative utility associated with expanded choice

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- **Business Model Issues**
  - Barriers to entry: not all media markets are competitive
  - Indirect relationship between content creators and consumers produces noise
  - Internet bypass offers *potential*, but existing models are satisfactory for most

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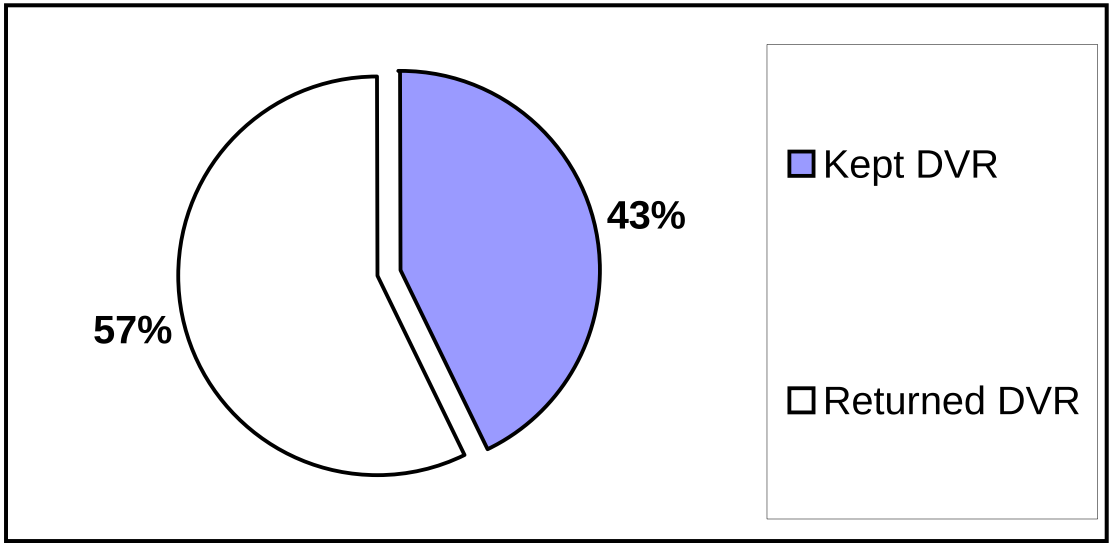
- **Limits to Market Appeal**
  - Early adopters: not representative
  - ESPN's late adopter study from May 2005: most consumers given DVRs prefer not to keep them



Source: ESPN, cited on Mediapost, May 2005

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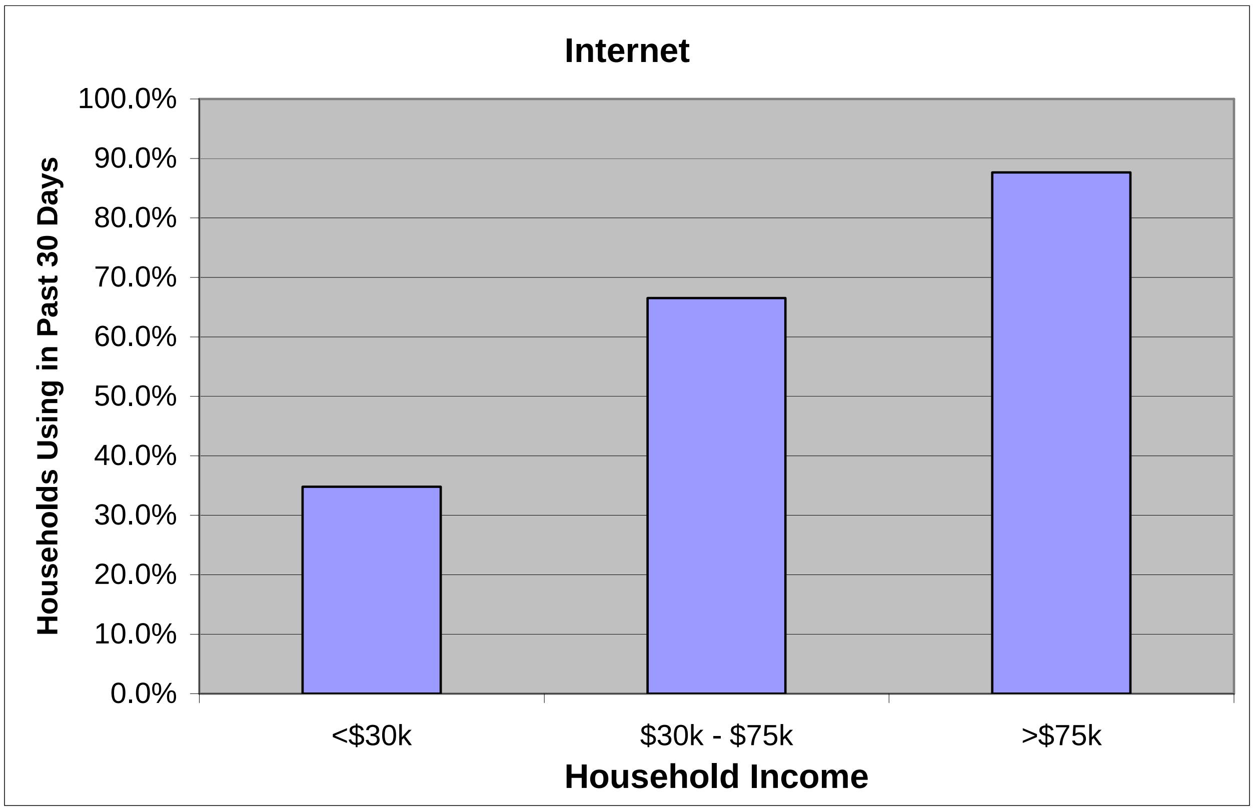
- **Limits to Market Appeal**
  - Income: differences are likely wider for all new media among different income groups



Source: MRI, 2005

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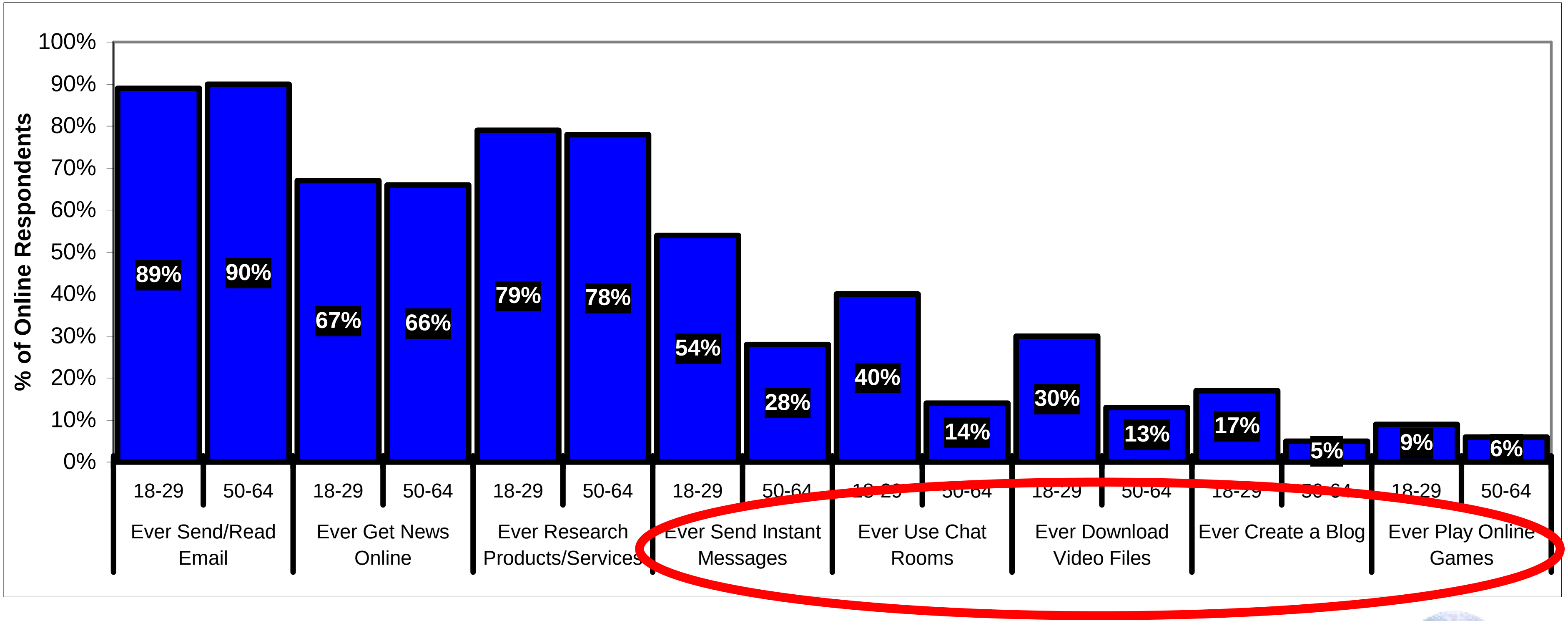
- **Limits to Market Appeal**
  - Age: some differences in new media consumption, but many similarities



Source: Pew Internet Life Project, December 2005

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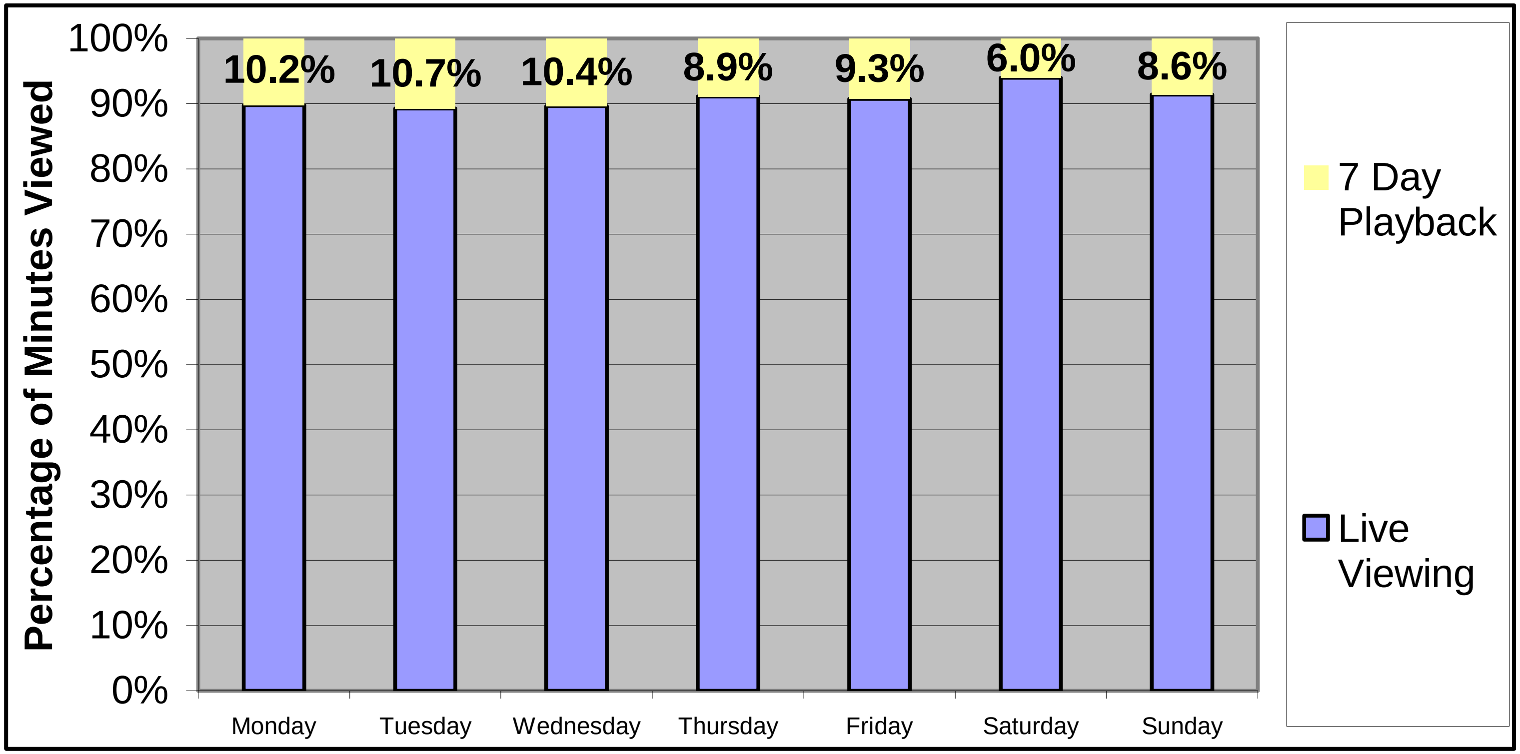
- **Example: DVRs Present Option For Control**
  - However, research indicates that consumption of TV via DVR is limited



Source: CBS Analysis of Nielsen Data, March 2006

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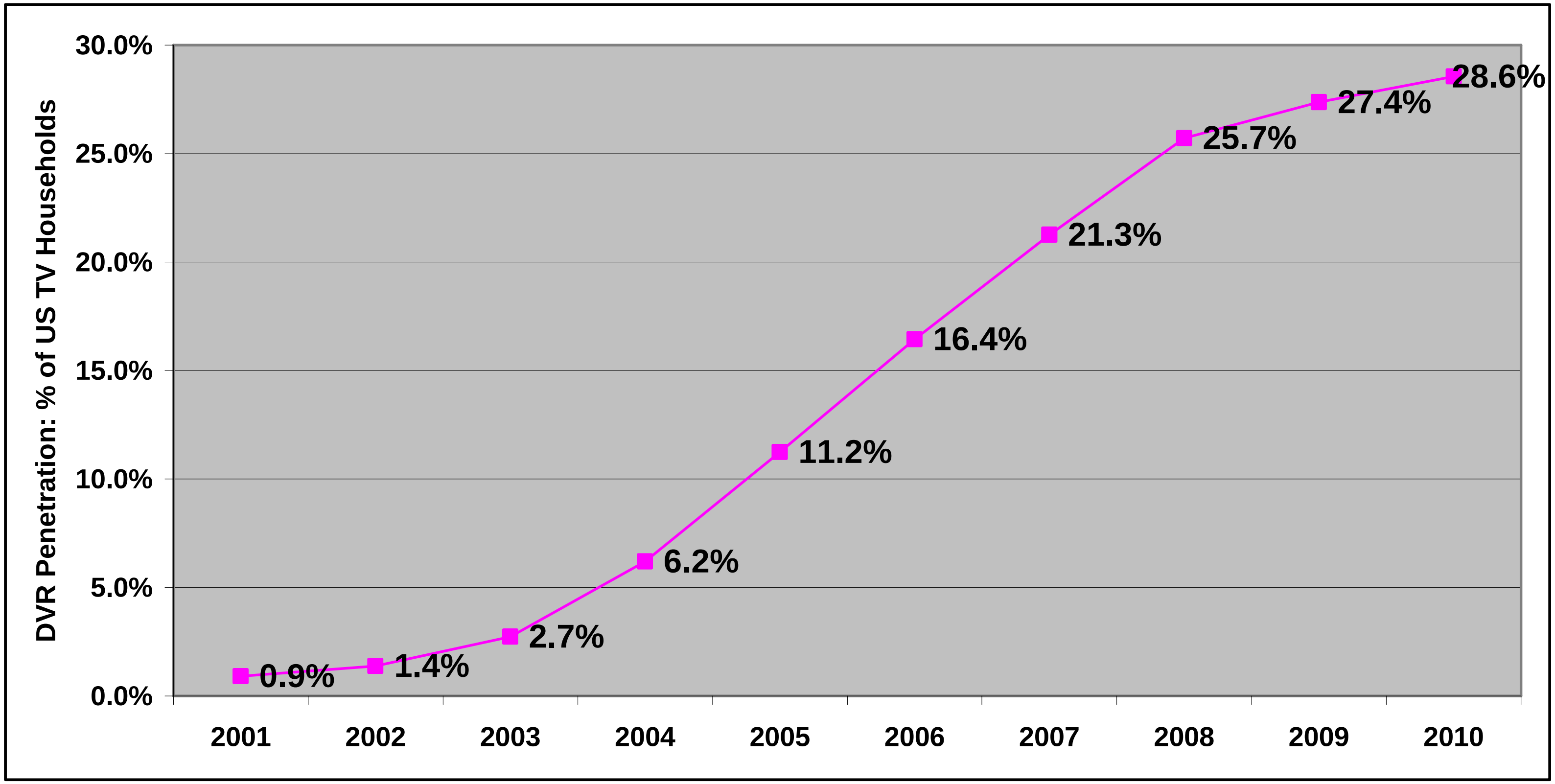
- **And DVRs Will Have Limited Market Appeal**
  - Few premium cable services ever naturally exceed 30% penetration



Source: MAGNA Global Research

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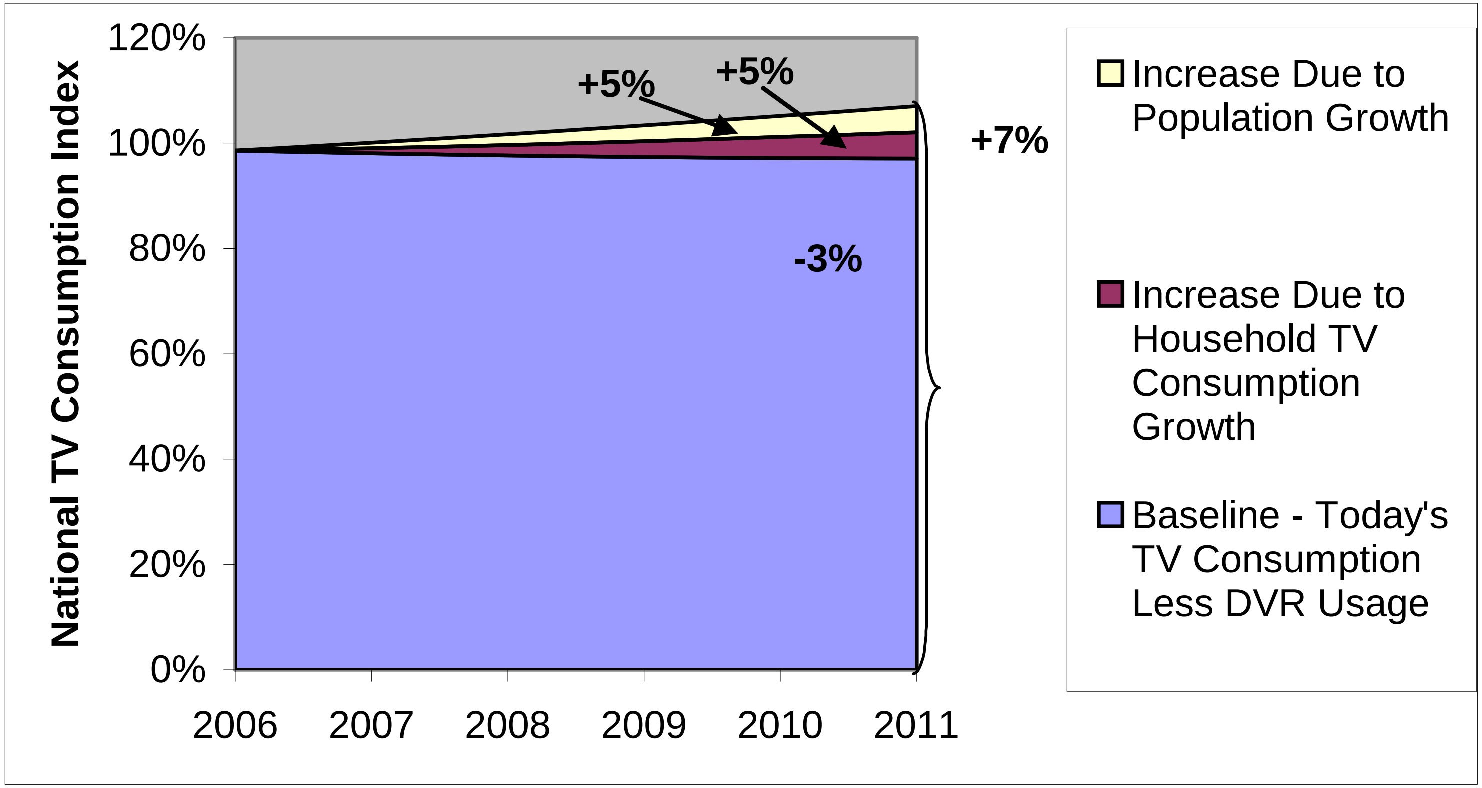
- **Impact: DVRs Won't Offset Population and Household TV Viewing Growth**



Source: MAGNA Global Research

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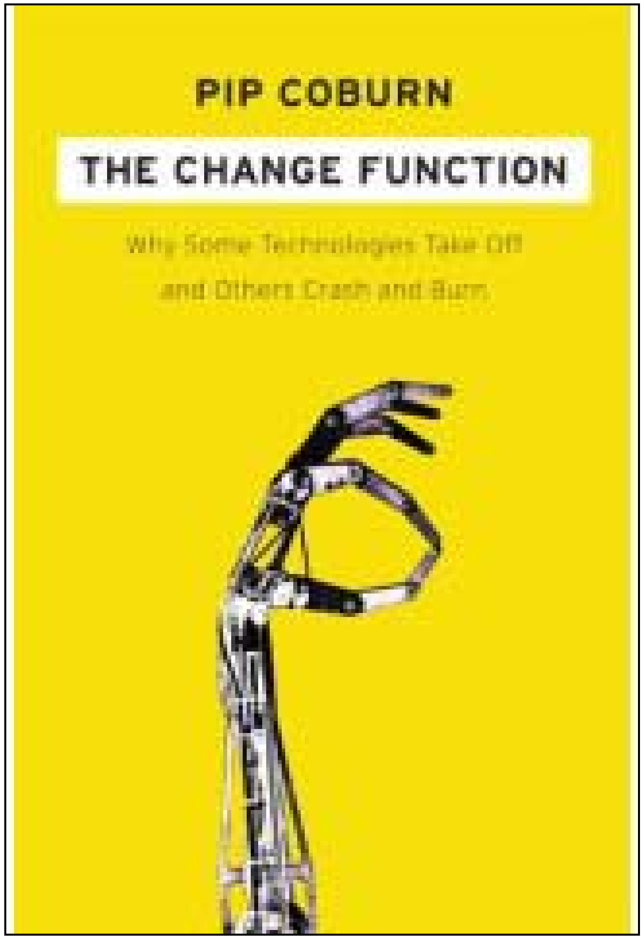
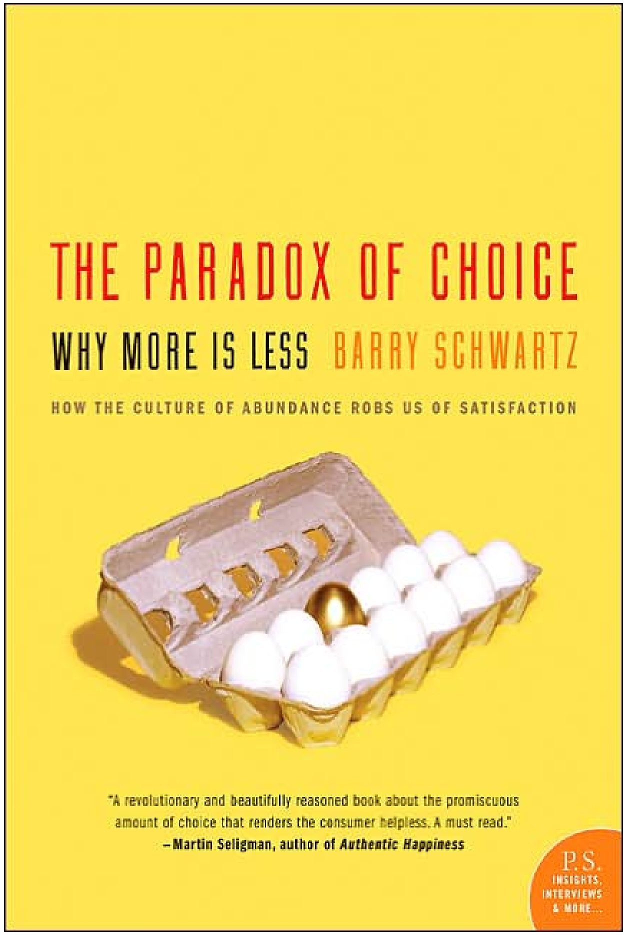
- **Do (All) Consumers Necessarily Want Control?**





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- **What is the Popularity of On-Demand Content Today?**
  - On an “apples to apples basis” consumption of ABC’s content was literally more than a thousand times more popular in its conventional linear environment
  - In 2006: 23 Billion online video streams in the US, 2:40 minutes in length on average. **In comparable units, conventional TV = 460x more popular**

	MEDIUM		
CONTENT SOURCE	Linear TV (Equivalent Gross Impressions)[a]	iTunes / Online (Downloads / Streams)[b]	**Linear TV Popularity Factor**
Disney content via iTunes[c]	4.7 Billion	0.004 Billion	**1,174x**
ABC’s Streaming “Desperate Housewives” Trial[d]	235 Million	0.0057 Billion	**41x**

(a) Estimates total number of gross impressions on television for content available via iTunes or through streaming experiment for the period of comparison
(b) Figures as reported by Disney for the relevant period of comparison
(c) Refers to content made available from Disney through iTunes. Impressions/Downloads/Streams for the period between January and May of 2006
(d) Refers to broadcast network content made available from ABC.com during May and June of 2006

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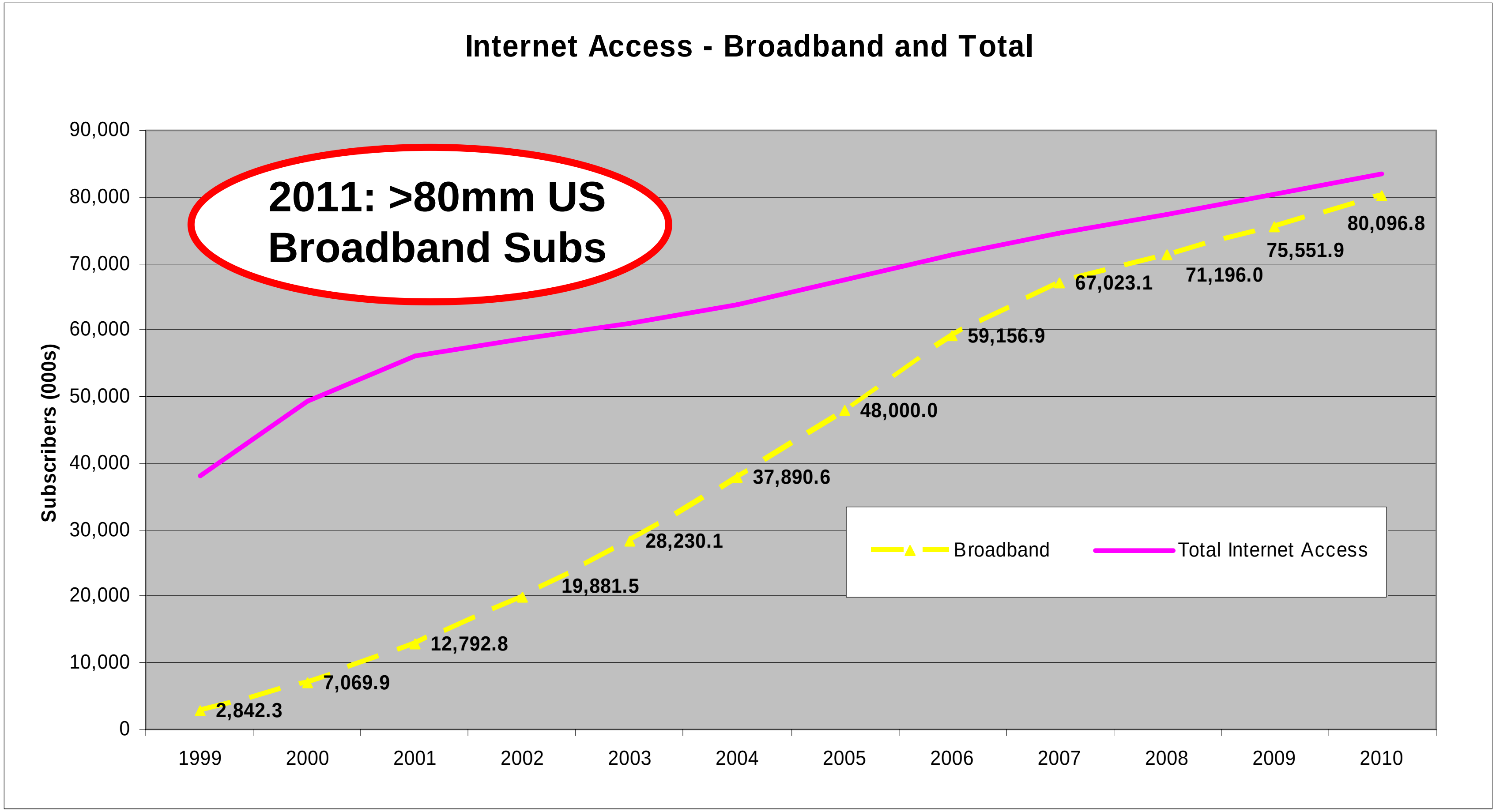
- **Even With Future Saturation of Broadband…**



Source: MAGNA Global, FCC, US Census, Company Reports

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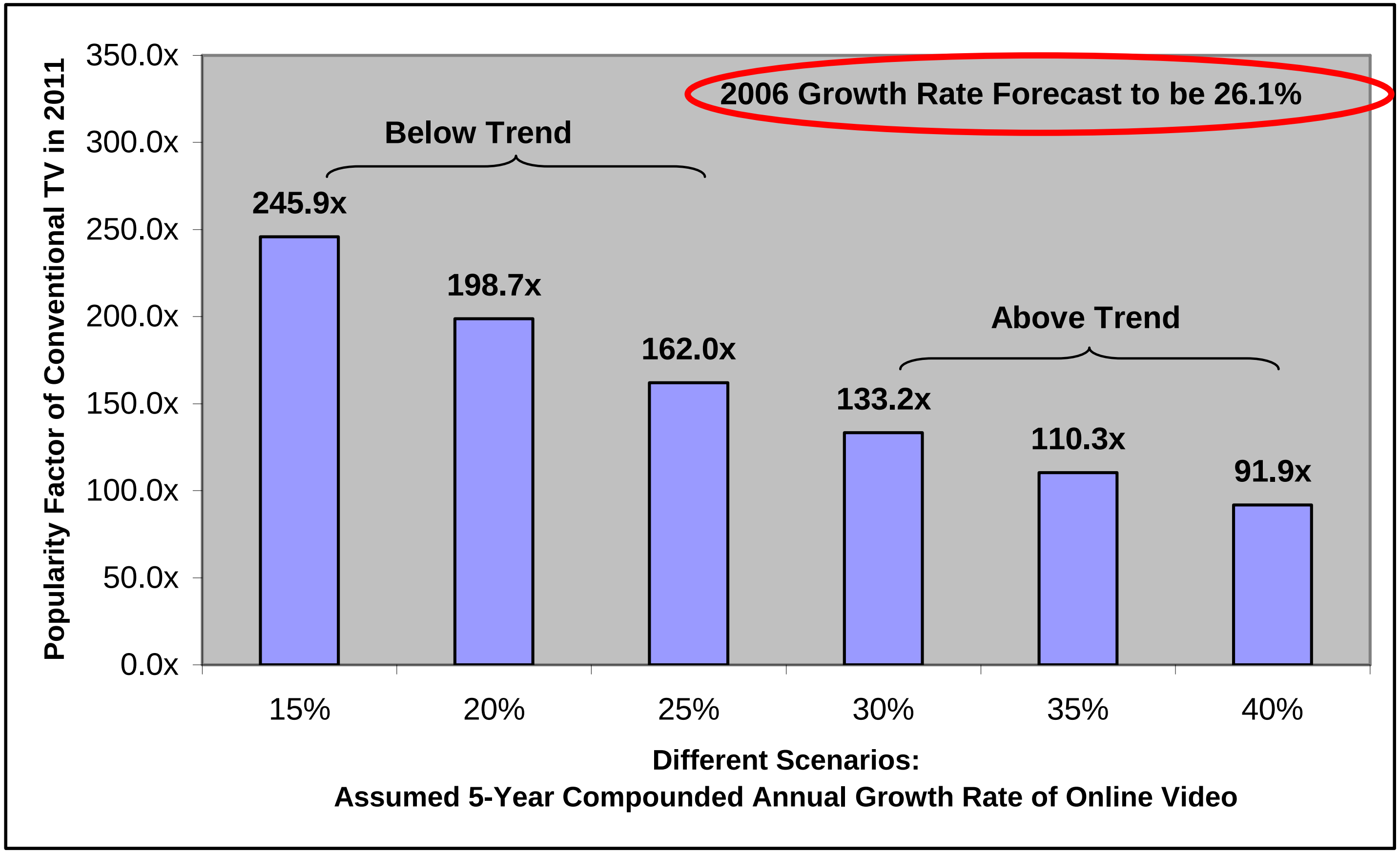
- **Conventional Television Will Still Be 100-200x as "Popular" as Online Video By 2011**



Source: MAGNA Global Research, Accustream

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- **What *Do* Consumers Actually Want?**
  - Reasonably wide choice of content assets
  - Distribution platforms: consistent with existing equipment
  - Times of distribution: consistent with times consumers prefer
  - Customer service from content distributors

Contact: Brian Wieser, CFA
Tel: 917-542-7008 Email: brian.wieser@magnaglobal.com