MARKETPLACE SITUATION

At this stage, these new "networks" are closer to syndicators than real networks. Both UPN and WB have limited clearances and their schedules do not run on the same day and time in every market. In fact, in the case of UPN the affiliates have a one week window to air the episodes. In some markets "Star Trek: Voyager" is double-run (a standard practice with syndicated properties). Unlike the networks, UPN's ratings are delayed one week due to these double-runs. As noted WB's schedule is dependent on WGN's commitments and has already run out of pattern. Secondly, 21% of WB's schedule airs over cable which limits reach and penetration in those markets.

The only plus is that unlike syndicators, WB and UPN can offer advertisers replacement programs of equal or similar value for content pull-outs or makegoods for underdelivery, pre-emptions and program cancellations.

Both UPN and WB's long term viability is limited. Since a significant portion of UPN's schedule is cleared on secondary affiliates out-of-pattern, any attempt to add more hours creates problems for affiliates in finding time to run the programming. Unless WB can replace WGN with over-the-air broadcast stations which cover an entire market, its ratings potential and growth will be limited. Since there are finite number of local stations available, both UPN and WB are at distinct disadvantages.

(Media Edge February Report)

"NETWORKS" OVERVIEW

	% COVG DMA MKTS	PRIME # HRS/WK	# DAYS	AVG RATING (WHEN-ON) HH	A18+	A18-49	A25-54
3 Net Avg	98	22	7	11.7	7.7	6.5	7.3
Fox	96	15	7	7.8	4.6	5.5	5.1
UPN	87	4	2	6.0	4.1	4.7	4.9
WBN	77	2	1	2.0	1.1	1.3	1.2

Source: Ratings based on NTI Rankings Report Season to Date 1994-1995. (Posted 2/5/95)

DAYPARTS

	MORN	DAY	NEWS	PRIME	LATE NT	SPORTS
3 Net Avg	X	X	X	X	X	X
Fox	X		X	X	*	X
UPN				X		
WBN				X		

* Fox Late Night only runs on Saturday

Source: NTI 1994-1995. (Posted 2/5/95)

THE NETWORK SYSTEM

With approximately 600 local affiliates across the country, each serving an individual market, the networks ensure the full national distribution of an advertiser's message. The strength of these affiliate stations provide the broad reach of ABC, CBS and NBC The stronger the line-up of affiliate stations, the stronger the network.

The three Nets also own an operate TV stations. These serve as a foundation for their broadcast coverage. These groups of six to eight stations cover between 20-25% of U.S. TV households. The exact number of stations allowed (12), percent coverage (25%), and percent of foreign ownership is regulated by the FCC

The new "networks": Warner Bros., and Paramount are hurt by the weakness of their affiliate line-ups, which were pieced together from stations that were not affiliated with the Big Three. Many of these stations are the fourth or fifth strongest stations in their local markets, and some have weak UHF broadcast signals.

In exchange for carrying network programming, affiliates receive a fee, known as compensation. The networks then retain the right to sell the bulk of the advertising time on their shows to national advertisers. The remaining minutes are sold on a local basis. During time periods in which an affiliate is not airing a network show, the affiliate is free to run programming that it has purchased independently.

The amount of time a station is allowed to offfer network programming is also regulated by the FCC. Rules require that during most evenings, major network affiliates must offer shows that are not network related. This time period is called Prime Access and runs from 7pm-8pm.

(Industry Surveys. March 7, 1994)

PROGRAMMING

The real appeal of the networks to the viewer is its programming. No one can compete with the networks in this arena. Of the top 50 programs that have aired during the past season, 45 ran on either ABC, CBS or NBC. Only three Fox and two syndicated programs were able to crack the top 50. Even with over 4,000 hours of viewing alternatives available every week across all dayparts, the three networks continue to dominate.

Original Programming

Every week the three networks produce over 250 hours of original, high-quality programming. In primetime alone, over 95% of the programming that is aired during the fall and winter months is first-run. And virtually all of the daytime, sports, news and late night is original programming all year long. That kind of commitment to original programming is clearly the domain of the three networks.

Cable once billed itself as the upscale, educated option; providing niche programming to satisfy all interests and demographic groups being underserved by traditional broadcast. However, it has had to deal with the reality of production costs and the need to provide audiences for advertisers. Consequently, the larger cable networks provide mostly mass appeal fare -- much of it reruns off the Nets.

With the proliferation of viewing options through increased cable penetration and VCR ownership, the Networks have held onto a surprisingly strong share of viewing. That share dominance is directly attributable to the blockbuster ratings delivered by the sitcoms, to the best sports coverage, the soaps, the late night entertainmnent and the special events like the Olympics and Academy Awards. Only the networks have the wherewithal to afford the kind of high quality programming that the American public demands.

Diversity

Network programming serves the broadest audience possible. It's still the place where viewers turn first for primetime entertainment, sports, news, kids' programming, late night talk and entertainment, and daytime dramas and games. They wake up to Katie Couric, Joan Lunden and Paula Zahn and end their day with Jay Leno, David Letterman and Ted Koppel. They spend their days with "All My Children", "As the World Turns" and "Another World" and spend their evenings with Murphy Brown. Jerry Seinfeld and Tim "the Toolman" Taylor.

SUPPLYING THE PROGRAMS

The broadcast networks generally obtain primetime shows through license agreements that allow them to air each episode of a series several times. A great deal of risk is involved. If the show fails, the network loses ratings and has to make good on guarantees to advertisers.

Ownership of shows is retained by the production company. Regulators are easing restrictions on how much ownership and control the broadcast networks can have over entertainment programming. As a result, the networks are developing and partially owning more programming which they can air themselves or license to others.

Network shows are often licensed for a price that is less than the cost of production. Suppliers accept deficits in the hope that a profit will come from licensing reruns of the shows on local TV stations, off-network syndication and cable, videotapes, and international sales.

(Industry Surveys, March 7, 1994)

HOW TO PURCHASE

"Today's TV as sales business is often described as a pure example of a commodities marketplace. There's a finite supply of perishable ad units, so the price of TV time is determined almost entirely by demand."

Joe Mandese

Advertising Age

Spring 1995

In the early days of Network Television, advertiser sponsorships and full ownership of programs dominated. Shows were synonymous with the advertisers: Miton Berle and the "Texaco Star Theater", the "Colgate Comedy Hour", and the "Dinah Shore Show" and Chevrolet. But with the advent of ever increasing production costs very few advertisers could afford an hour or half hour in primetime. The only way to amortize such costs was to spread the charges among several sponsors. Network air-time shifted from program sponsorships to unit charges. The result is today's TV marketplace.

Upfront/Scatter

In May, prior to a new TV season, the networks generally announce their primetime schedules. Agencies and clients screen these pilots and calculate their potential. Then in mid-June and July the ritual sales period known as the "upfront" begins. Generally the networks sell 75% to 80% of the year's inventory in the upfront. Advertisers can negotiate options to cancel a certain percentage of their buy.

Commercial time not purchased upfront is called scatter inventory. Here, supply and demand are the operative terms. Scatter prices are generally more expensive, since there is less inventory available to meet advertiser demand.

The majority of upfront ad sales take place in June and July for the TV season that begins in late September. An exception is the kids market, which traditionally takes place in February coinciding with Toyfair.

Marketing Options:

The networks also offer ways to make an advertiser's message more effective.

Roadblocking

Billboards

Tie-ins

Client supplied programming

Sponsorships

Specialized marketing programs

Publishing Partnerships

Point of Purchase Displays

Sweepstakes

Mall and College Campus Exhibits

Direct Mail

Database Marketing

Daypart Branding

Interactive On-Line advertising

NETWORKS OFFER ACCOUNTABILITY

Advertisers are interested in accountability for a medium's performance and value. There are several accountability standards. Specifically, on-air monitoring, program specific ratings, timely post analyses and timely makegoods. Network television quantifies its performance and delivery best.

Network television measurement remains the most defined of all media. It provides measurement on an average minute basis by Nielsen's peoplemeters.

For spot TV, the majority of markets provide diary measurements.

Radio measurement is based on memory recall. The respondent is asked to indicate whether he/she "listened" to the station during a quarter hour.

Magazine and newspaper studies are even broader in scope. As a rule, no measurements are attempted for specific sections or pages of the publication. Secondly, planners base magazines CPMs on MRI and Simmons measurements, but publications only guarantee circulation, not pass-along readership.

Also unlike syndication and cable, network TV provides overnight ratings for primetime so advertisers can make timely adjustments to schedules they deem necessary.

NETWORK DAYPARTS

Primetime	All programming that airs Mon-Saturday 8-11pm. and Sunday 7-11pm.
Late Night	Mon-Sunday 11:30pm-1am.
Daytime	Monday-Friday, 10am-4:30pm.
Network News	ABC, CBS and NBC news programming includes Evening News (M-Su, 6:30-7pm), Morning News (M-F, 7-9am) and Sign-On News (M-F, 6-7am)
Sports	All major network sports and sporting events. Regular or specially programmed.
Children	Saturday 8am-1pm.

SEASONALITY

Network Television viewing shows a slight dip in Spring and Summer.

3 Nets Seasonal Usage Indices by Daypart
Annual Average = 100

DAYPART	JFM	AMJ	JAS	OND
M-F Morn	112	96	91	101
M-F Daytime	109	96	95	102
Eve News	118	92	89	100
Primetime	112	95	86	107
Late Night	103	95	94	108
Kids	107	95	94	103
TOTAL	112	95	90	103

Source: NTI Upfront Buying Guide 4th Quarter 1994

COMMERCIAL LENGTHS

Television's most common commercial length are the :30 and :15 second advertisement

Network Television Commercial Activity by Length of Commercial

% OF TOTAL

	10s	15s	20s	30s	45s	60s	90s+
1990	0.1	35.4	1.4	60.1	1.0	1.7	0.3
1991	0.1	33.6	1.4	62.5	0.9	1.7	0.4
1992	0.1	31.9	0.9	63.1	1.0	1.7	1.3
1993	0.1	31.2	0.8	65.0	0.4	1.3	1.2

Source: Adweek Marketer's Guide to Media Fall/Winter 94-95. Compiled from TVB and Arbitron.

REGULATORY ISSUES

Financial Interest and Syndication Rules

What it Does

The remaining fin/syn rules ban ABC, CBS, and NBC from the domestic syndication business (off-network and first-run) and prohibits them from acquiring financial interest in outside-produced first-run syndicated programs or co-producing such programs.

Status

The remaining rules are scheduled to sunset in November 1995, after an FCC review which must commence by May 1995.

Implications

Allows networks to produce more programming, and increase revenue by harvesting the benefits of reruns and syndication rights.

Primetime Access Rule

What it Does

Prohibits affiliates of ABC, CBS and NBC in the Top 50 markets from airing more than 3 hours of network programming in prime time. Network programming includes network broadcasts, off-network programs and any program produced by a network or its owned stations. News programs, documentaries and children's programs are exceptions to PTAR (except on Saturday).

Status

The FCC has commenced rulemaking to reexamine these rules.

Implications

Opportunity to air more Network programming, maintain viewers and achieve greater ratings

Multiple Ownership Rules

What it Does

Prohibits a single entity from owning more than 12 television stations, or television stations serving more than 25% of U.S. TV households. Only half the TV household coverage of UHF is counted, and minority-controlled stations are allowed higher numerical and coverage limits.

Status

The FCC has commenced rule making to reexamine these rules. A bill has been introduced in Congress to eliminate all ownership rules.

Implications

Greater consolidation of media companies.

NETWORK TV ATTRIBUTES: CHECKLIST✓

- ✓ Coverage and Distribution
- ✓ Immediate Awareness and Audience Accumulation
- ✓ Highest Cume Reach of all Media
- ✓ Highest Ratings of all Media
- ✓ Mass and Targeting Capabilities
- ✓ Dramatic Presentation and Demonstration Ability
- ✓ Sights and Sounds
- ✓ Intrusive and Impactful
- ✓ Programming Originality and Diversity
- ✓ Viewer Tuning Stability and Duration
- ✓ Commercial Environment
- ✓ Day, Date & Time Telecasting
- ✓ Geographic Ratings Balance
- ✓ Commercial Scheduling Flexibility
- ✓ Copy Splits, Tests, Sectionals
- ✓ Media Driven Promotions (Creativity)
- ✓ Accountability:
    - Pre-Screening
    - On-Air Monitoring
    - Program Specific Ratings
    - Timely Post Analysis
    - Timely Makegoods

APPENDIX I

Capital Cities/ABC, *The Best Game in Town,* 1994, excerpts

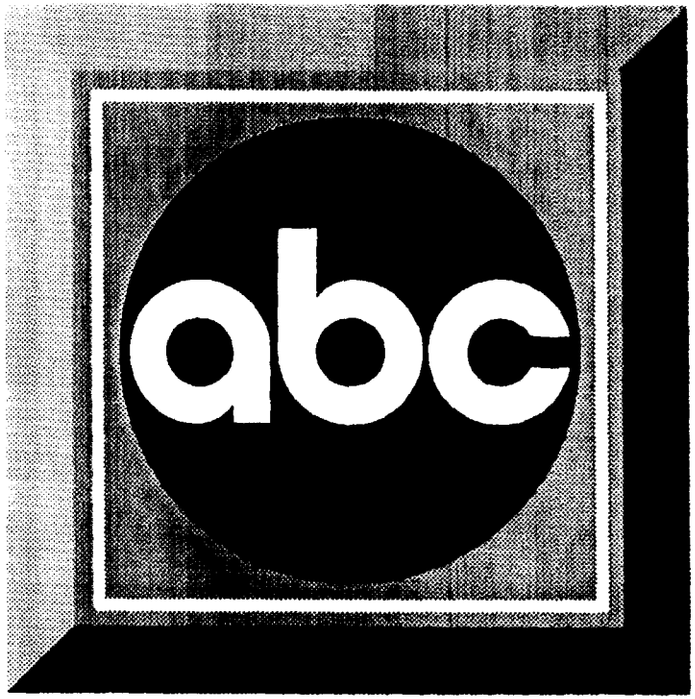
Capital Cities/ABC, *Not Your Average Day: ABC Daytime,* 1995, excerpts

Capital Cities/ABC, *Why Pay more for Oprah*, 1994

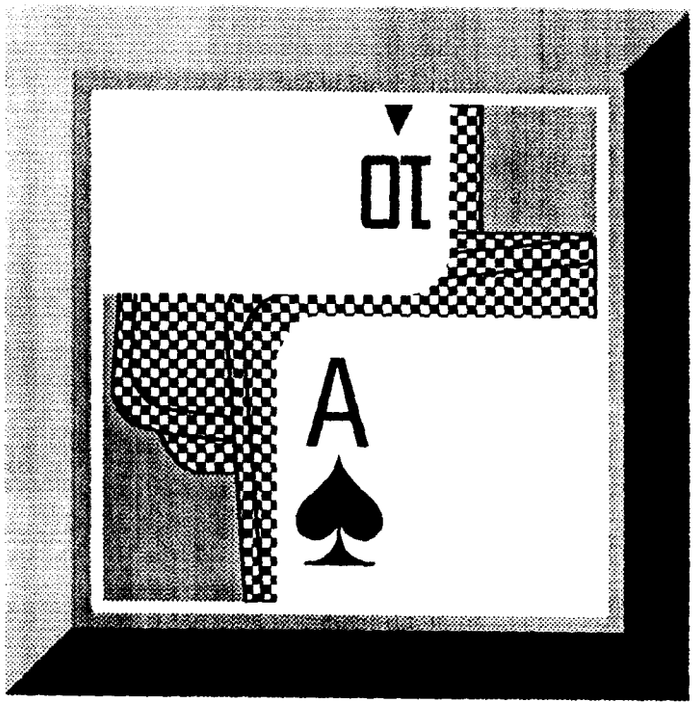
Capital Cities/ABC, *Balance of Power: ABC News,* 1994, excerpts

NBC, *The Power of Network Television,* 1995, excerpts

NBC, *TV's Field of Teens,* 1995, excerpts



THE BEST GAME IN TOWN



WAR

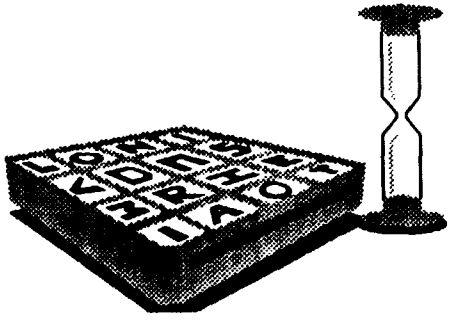
C Wins The War

	ABC	Cable	Syndication	Unwired
Full National Coverage	✔	0	0	0
Balanced Geographic Ratings	✔	0	0	0
Advertising Environment	✔	?	?	?
Product Protection	✔	?	?	0
Standard Measurement	✔	?	?	?
Less Commercialization	✔	?	0	?

THE BEST GAME IN TOWN abc

Boggle - Competitive Clutter

	Non-Program Minutes Per Hour
Syndication	*17:11*
FOX Prime	*14:35*
Cable Prime	*14:33*
CBS Prime	*13:53*
NBC Prime	*13:43*
ABC Prime	***13:24***



THE BEST GAME IN TOWN abc

ABC Day - Better Concentration

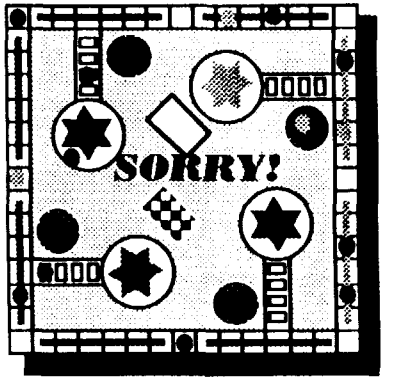
	W18-49 % Composition			
	Total	**4+ HH**	**$60M+ HHI**	**A County**
ABC Dramas	**62%**	**53%**	**27%**	**50%**
Syndicated Talk	53	43	18	42
Syndicated Access	41	39	25	42
Cable Prime	44	40	24	36

THE BEST GAME IN TOWN

NTI, NAD, CNAD; NSS, NAD, 4th Qtr. 1993

Sorry - Cable Reach

	Primetime Weekly Reach Potential	
	% U.S. Coverage	% HH Reach
ABC	**98**	**80**
CNN	66	11
ESPN	66	18
USA	65	21
TBS	65	20
DISC	64	13
TNT	64	17
NICK	63	11
FAM	62	10
TNN	62	8
LIF	61	10
A&E	61	11



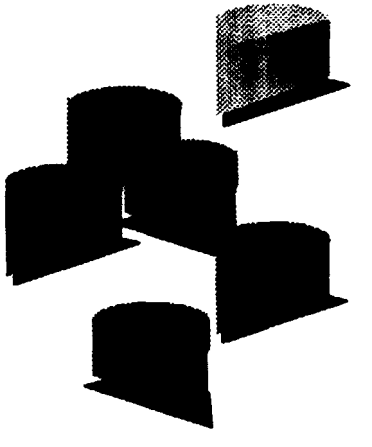
NTI, NCAR, 4th Qtr. 1993, (M-Su. 8-11PM).

THE BEST GAME IN TOWN abc

Trivial Pursuit - Cable Ratings

A18-49 AA Ratings - Primetime

ABC	*7.7*
ESPN	*0.8*
TBS	*0.8*
TNT	*0.7*
USA	*0.7*
DISC	*0.3*
LIF	*0.3*
NICK	*0.3*
A&E	*0.2*
CNN	*0.2*
FAM	*0.2*
TNN	*0.1*



NTI, 4th Qtr. 1993, Cable Audience Composition Report

THE BEST GAME IN TOWN abc

Mortal Kombat: Syndicated Talk Shows

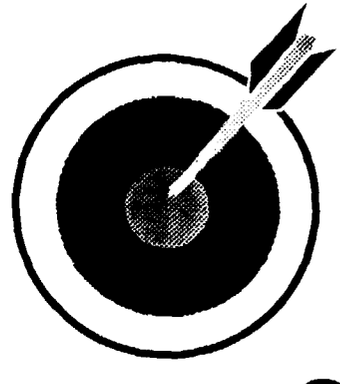
- *Oprah Winfrey Show*
- *Sally Jessy Raphael*
- *Donahue*
- *Geraldo*
- *Maury Povich*
- *Live - Regis & Kathie Lee*
- *Montel Williams Show*
- *Jenny Jones*
- *Vicki!*
- *Ricki Lake*
- *Bertice Berry*
- *Rolanda!*
- *Jerry Springer*
- *Joan River*

MORTAL KOMBAT

THE BEST GAME IN TOWN abc

The Bull's Eye On ABC News

	% Clearance	
	US Total	Prime Access 6-8PM
ABC World News Tonight	**99**	**99**
A Current Affair	88	58
Entertainment Tonight	91	83
Hard Copy	85	46
Inside Edition	90	43
Jeopardy	98	73
Wheel Of Fortune	99	98



NSI, November 1993

THE BEST GAME IN TOWN abc

20 Questions - Unwired Networks

1. *National Coverage?*
2. *Network Affiliations?*
3. *Station Strength?*
4. *Line-Up Stability?*
5. *Projectible Measurements?*
6. *Consistency Across Markets?*
7. *Top 25 Ratings?*
8. *Program Specific?*
9. *Timely Post-Analysis?*
10. *Guarantees?*
11. *Stewardship?*
12. *Pre-Emptibility?*
13. *Make-Good Policies?*
14. *Production Values?*
15. *Editorial Environment?*
16. *Commercial Environment?*
17. *Clutter?*
18. *Merchandisability?*
19. *Cost-Efficiencies?*
20. *Cost-Effectiveness?*

?