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The Arbitron Cable Television Study

Exploring the Consumer's Relationship with Cable TV

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Overview

Welcome to *The Arbitron Cable Television Study: Exploring the Consumer's Relationship with Cable TV*. This report examines how the expanding role of cable multiple-system operators (MSOs) is affecting the way Americans relate to television and the Internet.

What Americans Want to See

The question of cable television content or, more specifically, if there should be some governmental or industry control over that content, has been the subject of increasing debate. In this study, Arbitron goes beyond the outspoken opinions of special-interest groups and asks a cross section of America precisely what they think about cable programming and how it should be regulated.

How They Want to See It

Cable providers are impacting not only what Americans watch on TV but also how they watch it. Beyond the growing universe of cable TV networks, MSOs are now offering a variety of services that give subscribers more control over their viewing habits than ever before. Services such as Video On Demand and digital video recording (DVR) are allowing subscribers to watch TV on their terms. High-speed cable Internet access is opening up a whole new world of video content online. This study explores the adoption of these expanded cable products and the pricing structures that make the most sense to subscribers.

How the Study Was Conducted

Arbitron, in conjunction with Edison Media Research, interviewed a total of 1,925 people to investigate Americans' use of cable products and services. From January 13 to February 12, 2006, telephone interviews were conducted with respondents age 12 and older chosen at random from a national sample of Arbitron's Fall 2005 survey diarykeepers. In certain geographic areas (representing 5% of the national population), a sample of Arbitron diarykeepers was not available for the survey, and a supplemental sample was interviewed through random digit dialing.

Definition of Terms

Cable TV audience: U.S. residents age 12+ who subscribe to either analog or digital cable television service at home.

Basic cable channels: Commercial or public cable television networks such as MTV, E! and Comedy Central.

Premium (pay) channels: Noncommercial cable television networks such as HBO and Showtime. Consumers pay a separate subscription fee for these channels beyond their basic cable service.

Video On Demand (VOD): TV shows and movies accessed upon request through a cable TV provider. This programming is not recorded or saved, but can be controlled (paused, forwarded and rewind) by the consumer using their cable TV remote.

Digital video recorder (DVR): A TV device that can gather a user's viewing preferences and automatically record and store many hours of programming for playback at any time. It can be a stand-alone unit such as TiVo[®] or hosted by a cable TV provider. A monthly fee is usually associated with the service.

Cable Internet access: High-speed (broadband) Internet access provided by a cable multiple-system operator (MSO).

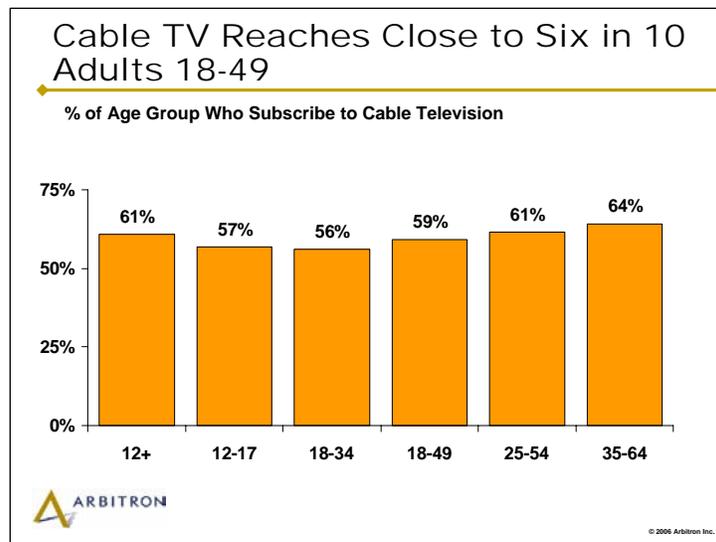
Significant Highlights

- **Almost two-thirds of cable subscribers feel that basic cable programming should be unrestricted.** Sixty-two percent of cable subscribers agree that “channels like MTV, E! and Comedy Central should be able to air whatever programming they please; if people don’t want to watch, they can change the channel.” Seventy-seven percent of cable subscribers feel that networks such as HBO and Showtime should be able to air unrestricted programming.
- **Close to half of cable subscribers feel that basic cable programming is rarely or almost never too dirty for their tastes.** Thirty percent of cable subscribers feel that basic cable programming is almost never too explicit, and another 17% believe it rarely pushes the line of acceptability. An equal number of cable subscribers feel the content is either sometimes (30%) or frequently (19%) too extreme for their tastes.
- **Most cable subscribers would prefer to choose and pay for ONLY the individual cable channels they are interested in viewing.** Currently, most cable companies offer packages of channels grouped together and available for one price for each group of channels. Another option would be to offer each individual cable channel at a separate price for each channel. Fifty-four percent of cable subscribers would prefer to only have access to the stations they view and only pay for those channels. Forty-two percent of cable subscribers would opt to continue buying channel packages as they currently do, and 4% are undecided.
- **Consumers are split on whether they prefer to access Video On Demand programming with commercials or pay a fee.** Forty-seven percent of those who have either watched or are interested in VOD services would prefer to get the programming for free in exchange for watching commercials that they cannot fast-forward through. Forty-two percent would rather pay a small fee, such as a dollar or two per show, in order to watch uninterrupted (commercial-free) programming.

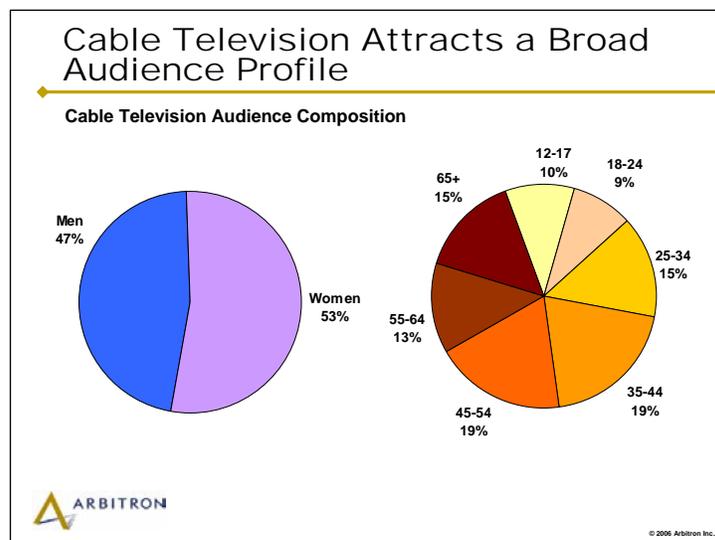
Key Findings

A. Cable Television Audience

- 1. More than 60% of Americans subscribe to cable television.** Sixty-one percent of the U.S. population age 12+ subscribe to basic cable television service at home. Thirty-one percent of cable subscribers pay an additional fee for one or more premium cable channels such as HBO or Showtime.
- 2. Cable television reaches nearly six in 10 adults age 18-49.** Fifty-nine percent of adults between the ages of 18 and 49 subscribe to basic cable television, and 56% percent of the 18-34 demographic can be reached through cable TV programming.

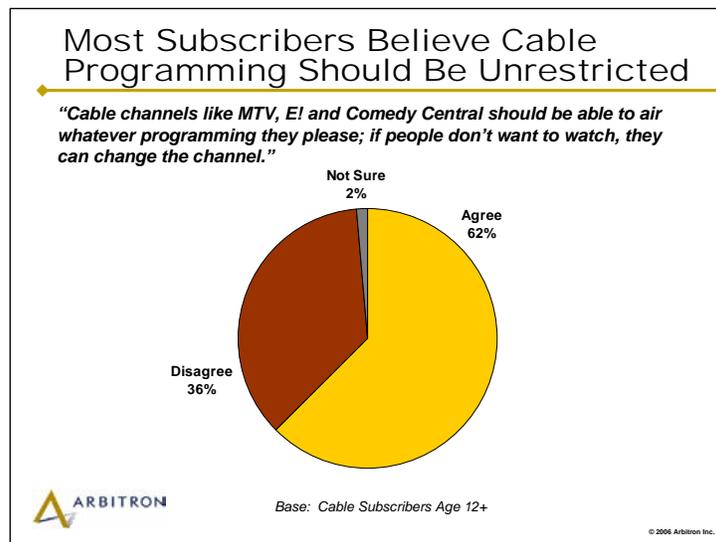


- 3. Cable subscribers closely mirror the age/gender profile of the average American.** Cable TV attracts a broad audience profile. Forty-seven percent are men, and 53% are between the ages of 25 and 54.

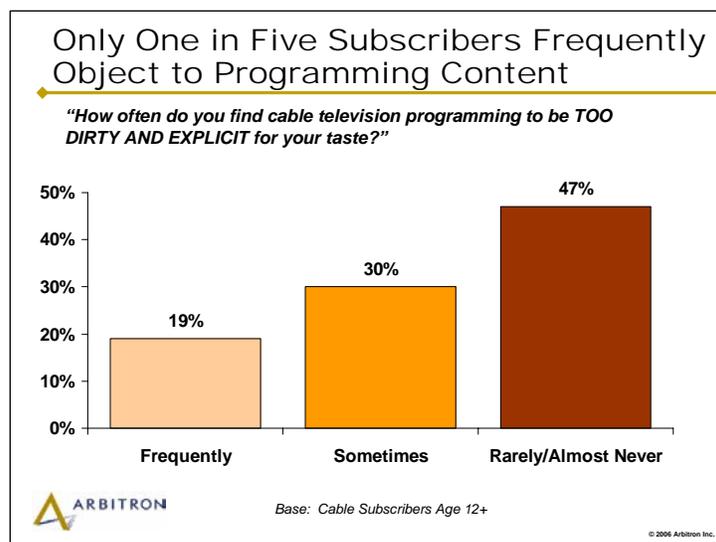


B. Basic Cable Programming

4. **Almost two-thirds of cable subscribers feel that basic cable programming should be unrestricted.** Sixty-two percent of cable subscribers agree that “channels like MTV, E! and Comedy Central should be able to air whatever programming they please; if people don’t want to watch, they can change the channel.” Seventy-seven percent of cable subscribers feel that networks such as HBO and Showtime should be able to air unrestricted programming.



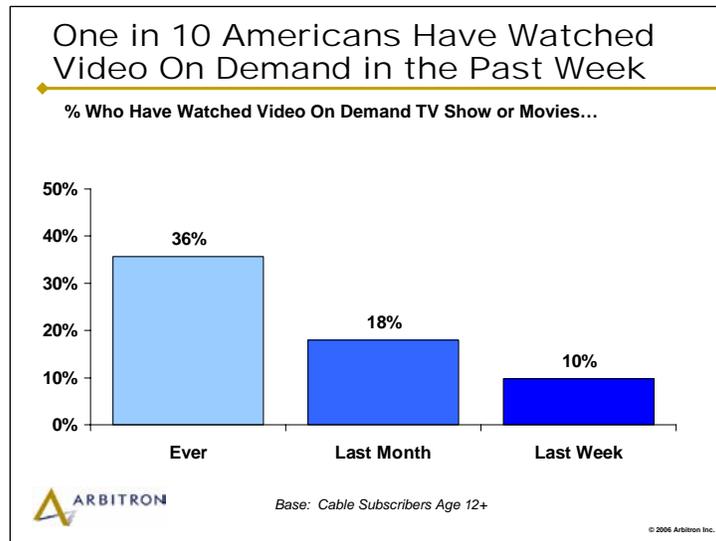
5. **Close to half of cable subscribers feel that basic cable programming is rarely or almost never too dirty for their tastes.** Thirty percent of cable subscribers feel that basic cable programming is almost never too explicit, and another 17% believe it rarely pushes the line of acceptability. An equal number of cable subscribers feel the content is either sometimes (30%) or frequently (19%) too extreme for their tastes.



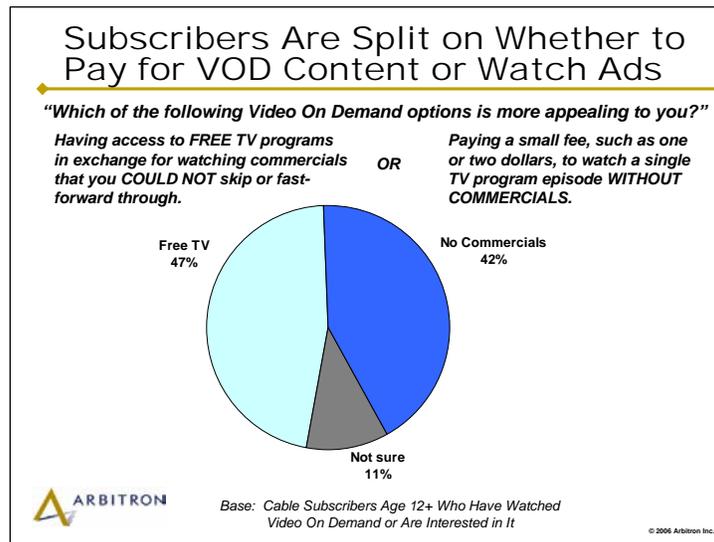
- 6. **Most cable subscribers would prefer to choose and pay for ONLY the individual cable channels they are interested in viewing.** Currently, most cable companies offer packages of channels grouped together and available for one price for each group of channels. Another option would be to offer each individual cable channel at a separate price for each channel. Fifty-four percent of cable subscribers would prefer to only have access to the stations they view and only pay for those channels. Forty-two percent of cable subscribers would opt to continue buying channel packages as they currently do, and 4% are undecided.

C. Video On Demand

- 7. **More than one-third of cable subscribers have watched a TV program or movie through their provider's Video On Demand (VOD) service.** Thirty-six percent of cable subscribers have watched Video On Demand, the service that allows customers to choose movies or events from an on-screen list and start them anytime they want. Eighteen percent have watched VOD in the past month, and 10% of cable subscribers have watched in the past week. Of those who have not tried VOD, one-quarter (27%) are very/somewhat interested in using the service in the future.

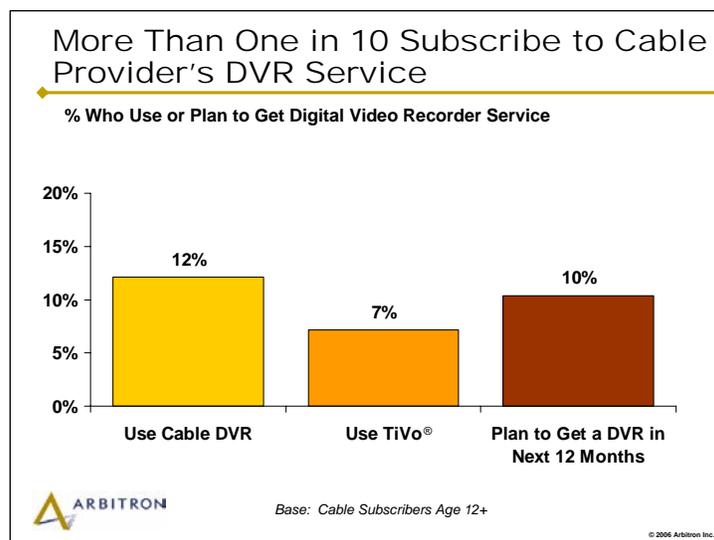


8. **Consumers are split on whether they prefer to access Video On Demand programming with commercials or pay a fee.** Forty-seven percent of those who have either watched or are interested in VOD services would prefer to get the programming for free in exchange for watching commercials that they cannot fast-forward through. Forty-two percent would rather pay a small fee, such as a dollar or two per show, in order to watch uninterrupted (commercial-free) programming.

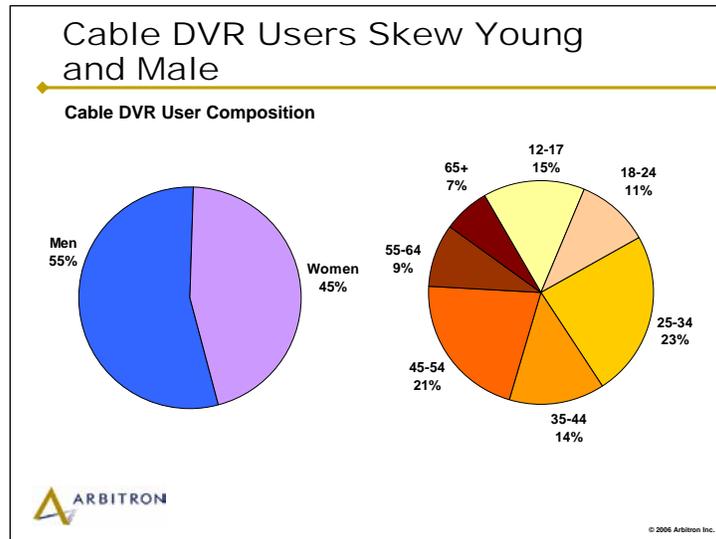


D. Digital Video Recorder

9. **More than one in 10 cable subscribers use a digital video recorder (DVR) service supplied by their cable provider.** Twelve percent of cable subscribers use the digital video recorder service offered by their cable provider. An additional 7% of cable subscribers own a TiVo-branded DVR. Of those cable subscribers who do not currently use a DVR, 10% plan to subscribe to one during the next 12 months.



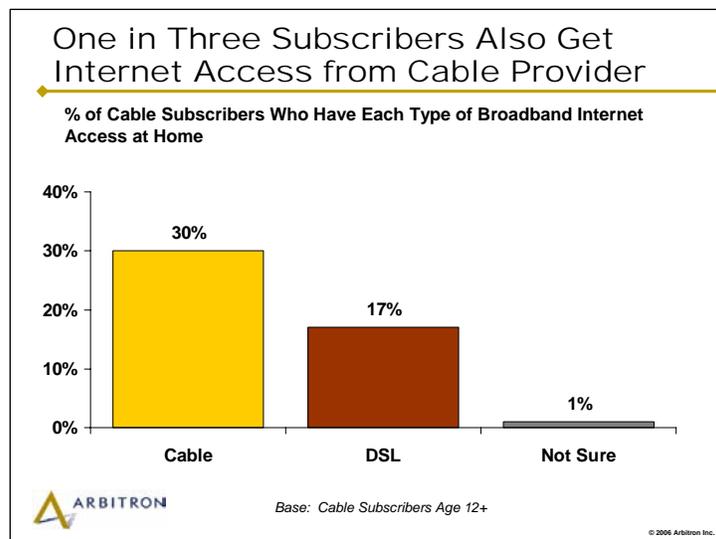
10. Cable digital video recorder service is most popular with young males. More than half (55%) of cable DVR users are men, and 49% are under the age of 35.



11. The ability to skip or fast-forward through commercials is the main reason cable DVR users record TV programming. Forty-seven percent of those who use their cable provider's digital video recorder service feel that the ability to skip or fast-forward through commercials is the most important reason to prerecord television shows. Twenty-one percent feel that both the ability to watch shows when it fits their schedule and the ability to skip ads are equally important reasons to record TV programming.

E. Cable Internet Access

12. One in three cable subscribers get their broadband Internet access from their cable provider. Thirty percent of cable subscribers use a cable modem to access the Internet at home. Of those who do not, 27% plan to get a high-speed Internet connection in the next 12 months.



About Arbitron

Arbitron Inc. (NYSE: ARB) is an international media and marketing research firm serving radio broadcasters, cable companies, advertisers, advertising agencies and outdoor advertising companies in the United States, Mexico and Europe. Arbitron's core businesses are measuring network and local market radio audiences across the United States; surveying the retail, media and product patterns of local market consumers; and providing application software used for analyzing media audience and marketing information data. The Company has also developed the Portable People Meter (PPMSM), a new technology for media and marketing research.

Arbitron's marketing and business units are supported by its research and technology organization, located in Columbia, Maryland. Arbitron has approximately 1,700 employees; its executive offices are located in New York City.

Through its Scarborough Research joint venture with VNU, Inc., Arbitron also provides media and marketing research services to the broadcast television, magazine, newspaper and online industries.

About Edison Media Research

Edison Media Research conducts survey research and provides strategic information to radio stations, television stations, newspapers, cable networks, record labels, Internet companies and other media organizations. Edison Media Research works with many of the largest American radio ownership groups, including Entercom, ABC Radio, Infinity, Bonneville and Westwood One; and also conducts strategic and perceptual research for a broad array of companies including AOL/Time Warner, Yahoo!, Sony Music, Princeton University, Northwestern University, Universal Music Group, Time-Life Music and the Voice of America. Edison Media Research also conducts research for successful radio stations in South America, Africa, Asia, Canada and Europe. Edison Media Research designed and operated the CNN RealVote election projection system in 2002; and currently conducts all exit polls and election projections for the six major news organizations: ABC, CBS, CNN, FOX, NBC and the Associated Press. All of Edison Media Research's industry studies can be found on the company's Web site at www.edisonresearch.com and can be downloaded free of charge.

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