



A MARKETING OPPORTUNITY FOR NOW

Videocassette marketing is particularly appropriate for NOW because:

- It is consistent with NOW's contemporary personality.
- It allows for more complete communication of the complex factual support for NOW's lowest position.
- There is a good fit between NOW's target prospects and VCR owners.

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COMMUNICATION OBJECTIVES

Primarily to communicate NOW's lowest positioning and the factual support for it in an impactful, memorable and credible manner, consistent with NOW's print advertising.

Secondarily to leverage NOW's brand equities:

Brand name:	Contemporary
Packaging:	Modern
Positioning:	Lowest, Informational



RECOMMENDED VIDEO CONCEPTS

1. A Stand-Alone Factual Commercial

Provide a video that exclusively communicates NOW's positioning in a commercial format.

Pro's

- Focuses message to achieve objective.
- Lowest production costs.

Con's

- Risks consumer irritation with being sent a commercial only.
- Probably viewed only once.



RECOMMENDED VIDEO CONCEPTS

2. Programming With A Commercial

Provide a video offering entertainment or informational programming, as well as a NOW message to increase consumer interest in the video (i.e., brought to you by NOW). Possibilities include:

- Music
- How-to
- Old Movies
- Current Events

Pro's

- Greater perceived value (\$20)
- Greater probability of repeat viewing
- May share videocassette with others

Con's

- Higher production costs
- NOW message is not the sole focus



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VCR INDUSTRY OVERVIEW

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BACKGROUND

The following will provide some general background information on the VCR and videocassette industries:

- o The VCR is the newest piece of video entertainment hardware and appears to be an enduring phenomenon.
- o VCR's provide the crucial ability to control when TV viewing occurs, as well as supply additional programming options.
- o VCR household penetration has grown dramatically over the past eight years and in 1987 surpassed cable penetration, 53% and 49%, respectively. (See Appendix, Chart I).
- o VCR household penetration by 1990 should reach 65%, and by 1992 40% of TVHH will have two VCRs. (See Appendix, Chart I).
- o As VCR penetration grows, and consumer facility with their operation increases, the demand for VCR programming will also increase.
- o The prerecorded videocassette business was a \$6 billion industry in 1986.
 - Approximately 1/3 of revenue was from purchasing and 2/3 from rentals
 - Buying tapes is increasing
 - By 1989 tape purchases will likely be greater than tape rentals
 - The high cost of tapes has been driving the tape rental market
 - Tape prices will continue to fall
- o The 1/2 inch VHS tape format is dominant versus Beta.
 - Greater availability
 - 90% of sales VHS, only 10% Beta
- o Movies are the dominant category for prerecorded videocassette with 62% of sales. (See Appendix, Chart I)

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VCR USAGE

The following will provide consumer usage information of VCR's:

- o The VCR user is young (73% under 45, mean age = 39), highly educated (46% attended college), have a family orientation (81% married, 66% with children), are affluent (78% HHI \$35M+) and are heavy consumers of media (90% read one newspaper per day, 62% subscribe to 3+ magazines). (See Appendix, Chart II).
- o According to Nielsen's diary study about 70% of all unattended TV recordings are played back.
- o Nielsen reports that almost one-third of all VCR taping is of programming being viewed live.

	<u>Set Is Off</u>	Set Is On Tuned to a Diff. Channel	<u>Set Is On</u> Tuned to Channel Being Recorded
Recording Usage	51%	18%	31%

- o Nielsen reports that VCR recording parallels TV usage and are highest during the winter months.

	<u>WEEKLY USAGE (HOURS)</u>		VCR Recording as a % Of Total Usage
	<u>VCR Recording</u>	<u>Total TV Usage</u>	
Apr-May 86	2.9	51.1	6
Jun-Sept 86	2.1	47.5	4
Oct-Dec 86	3.1	53.0	6
Jan-Mar 87	3.3	54.5	6



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VCR USAGE (Cont'd)

- o According to Nielsen the average VCR household uses their VCR for over seven hours per week.

<u>Total Hours of VCR Usage</u>	<u>Hours of Recordings</u>	<u>Hours of Playback</u>
7.4	2.9	4.5

- o According to Nielsen the majority of VCR playback time is with prerecorded videocassettes.

<u>Total Hours of VCR Usage</u>	<u>Hours of TV Recordings</u>	<u>Playback of Prerecorded Videocassettes</u>
4.5	2.0	2.5

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INDUSTRY OBSERVATIONS

The following industry observations were obtained from recent trade and consumer publications:

- o "Consumers like the idea of owning something (videocassette) they really like. And having it on their shelf, like a book, it says something about who they are."
- o Growth of home video libraries will increase as cassette prices decline.
- o It is projected prerecorded video sales will reach \$3.3 billion in 1988, up from \$810 million in 1985.
- o Videocassette title availability has risen 30% in 1987 about 19,000 are currently available.
- o Video rentals increased from 1.1 billion to 1.4 billion transactions.
- o There are currently 27,000 video specialty stores, primarily for tape rentals.
- o Currently videocassettes are sold through a wide range of distribution outlets, they are:
 - Video Specialty Stores
 - Direct Marketing
 - Mail Order Catalogues
 - Bookstores
 - Premium/Promotion Item (On Package)
 - Mass Merchandisers
 - Supermarkets
 - Video Clubs (RCA, CBS)
- o Video producers are constantly seeking new outlets and have had difficulty in finding distribution.

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CONCLUSIONS

Based on what has been reviewed on the VCR and videocassette industries, VCR consumer usage and other industry observations the following conclusions are relevant to developing a marketing program for NOW's video:

- o VCR ownership profile and concerned segment consumer are highly similar.
- o A NOW video should be offered exclusively in the VHS tape format.
- o The NOW videocassette should become available just prior to the winter months when VCR and TV usage are highest.
- o Obtaining a tie-in partner for NOW should not be a significant problem.
- o Movies, Music, Sports and How-To represent the best volumetric opportunities for NOW tie-in partnerships.
- o Marketing via videocassettes will become increasingly popular, as tape prices decline, VCR penetration and facility increases. NOW has an opportunity to take advantage of this technique before it becomes less impactful.

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APPENDIX

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TODAY'S TV ENVIRONMENT

	<u>1975</u>	<u>1980</u>	<u>1987</u>
% TV Ownership	97	98	89
& Color TV	74	85	95
& Multi-set	43	51	59
& Cable	13	20	49
& VCR	*	2	53
Avg. # Stations Receivable	9	9	14
Household TV Viewing Hours/week (includes VCR taping)	43	47	51

SOURCE: Nielsen

VCR'S & HH PENETRATION

	<u>% U.S.</u>	<u>HHs (Millions)</u>
1980	2	1.5
1983	10	8.5
1985	31	26.5
1987	53	47.0
1990	65	62.0

SOURCE: Nielsen & Y&R Estimates

VIDEOCASSETTE SALES BY CATEGORY

<u>Category</u>	<u>% Sales</u>
Adult Movies	51
Kid's Movies	11
Children's	11
Music	3
Exercise	4
Sports	4
How-To	3
Other	13
Total	100

SOURCE: CBS/Fox Video



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CHART II

VCR USER PROFILE

VCR OWNERS
\$ Who Are Index

VCR OWNERS
\$ Who Are Index

Age

Adults 18-34
Adults 35-54
Adults 55+

45
38
17

114
121
58

Household Income

Less than \$25,000
\$25,000+
\$50,000+

22
78
29

57
125
140

Presence of Children

Have any child under 18
Have child 2-5
Have child 6-11
Have child 12-17

52
19
24
25

123
122
121
124

Region

Northeast
Central
South
West

23
25
30
22

108
103
87
110

Education

Graduated College
Attended College
Graduated High School
Not Graduate H.S.

24
22
40
14

135
123
103
55

SOURCE: MRI Spring '87

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CHART III

INDEX OF RECORD OR TAPE PURCHASES IN PAST 12 MONTHS

Categories	Women 35+	Women 35+ Who Smoke	Women 35+ Who Own VCR	Total Women
Contemporary/Pop/Vocal	81	95	184	100
Beautiful Music	125	108	150	100
Contemporary Rock Vocal	62	83	172	100
Contemporary Rock Bands	55	85	173	100
Heavy Rock	56	113	157	100
New Wave Rock	43	84	122	100
Traditional Country	101	144	141	100
Contemporary Country	89	122	148	100
Sacred	93	57	141	100
Gospel	95	89	106	100
Rhythm & Blues	70	115	149	100
Contemporary Black	61	112	157	100
Disco	64	109	149	100
Latin	94	161	168	100
Traditional Jazz	97	151	170	100
Contemporary Jazz	72	99	154	100

SOURCE: 1987 SMRB

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CHART IV

INDEX OF HOBBIES PARTICIPATED IN PAST 12 MONTHS

<u>Hobbies</u>	<u>Women 35+</u>	<u>Women 35+</u>		<u>Total Women</u>
		<u>Who Smoke</u>	<u>Who Own VCR</u>	
Cooking For Fun	88	86	130	100
Adult Education	94	79	140	100
Needlework	105	92	128	100
Woodwork	95	118	145	100
Playing Musical Instrument	91	93	154	100
Drawing/Painting	87	85	124	100
Photography	82	76	170	100
Coin Collecting	99	124	125	100
Card Games	92	112	115	100
Board Games	98	98	146	100
Indoor Gardening	103	100	125	100
Outdoor Gardening	109	103	129	100