



THE **W** REPORT™ sponsored by SAP

Media & Telecom 2008

MOST COMPETITIVE COMPANIES in AMERICA



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ABOUT wRATINGS

We are a fully independent competitive research firm.

Through our patented methods, we continually measure how today's market leading companies deliver against consumer expectations to build a durable competitive advantage.

Since 1999, our research system has accurately identified a vast number of competitive trends. This allows our members to gain early access and warning signals so they can take action in advance of their rivals.

The research group was originally founded in 1998 by Gary A. Williams as a privately owned research firm. Studies from Gary A. Williams have been featured in *Harvard Business Review* (May 2002) and his first book, *The 5 Paths to Persuasion* (Warner Business, 2004). His data and analysis have been cited in 800+ publications worldwide and are continually used in corporate board rooms and on Wall Street.

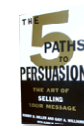
For more information on the **wRatings Corporation**, see the Appendix or go to www.wratings.com.



US 6,658,391
Dec 1999



HBR Cover
May 2002



Warner Business
Apr 2004

PAST FINDINGS FROM wRATINGS STUDIES

This report covers the Media & Telecom Industries. We define the Media Industry as those companies publishing content in print, television and/or the web. We define the Telecom Industry as those companies providing services for wireline phones, wireless phones and cable/satellite.

NOTE:

Past findings are from Gary A. Williams and his research team published for Miller-Williams, Adjoined Consulting and Kanbay. All data is owned by Gary A. Williams and licensed to wRatings Corporation.

DATE	OUR PUBLISHED FINDINGS*	WHAT HAPPENED NEXT
August 2002	The wireless industry has very low pricing power as consumers are unwilling to spend additional dollars on their technology until their basic services work more reliably. New 3G mobile phones will not be the instant hit wireless companies desire.	By Summer 2003, Cingular and other providers abandon any thought of price hikes and the price wars begin. They change their advertising to focus on network coverage, reliability and customer service.
January 2003	In order to monetize their content, media and telecom companies must work together to expand services such as Video on Demand. These type of offerings promise to deliver advertising messages to a highly targeted audience, thereby increasing ad revenues.	In 2004 alone, Comcast reports that video-on-demand viewership grew from 20 million shows in January to 75 million shows by December. Yet, the Media & Telecom industry as a whole continue to struggle on how to convert this demand into sustainable economic profit.
January 2005	Over 92% of consumers see the benefits of a single provider for all of their telecom needs: wireless, wireline and cable/television. Price remains the most critical buying driver, thus perpetuating the difficulty in finding pricing power.	Since 2005, the "triple play" (and now quad play) becomes a standard bundling technique by telephone and cable providers alike. The war for the consumer begins for which companies can best meet expectations across all communication types.
May 2006	For Media Content providers to succeed in the future, consumers want them to use technology to distribute their content in more ways. What is critical though is to match the device with the content length, where consumers won't typically watch video on mobile devices for more than 10 minutes at a time and on PCs for more than 60 minutes.	The Apple iPod continues to integrate video into select versions, yet content providers are slow to adapt. By the end of 2006 though, Media Content providers start offering TV shows for download at their own website and/or third-party sites in a growing number.
June 2007	In 2007, the business models underneath media & telecom providers are improving to show positive economic profit on average but more work must be done. While media content drives demand, providers continue to struggle with monetizing their shows.	The writer's strike delays the introduction of new shows as the industry struggles to split the oncoming profits of digitized content. Media providers use the delay to optimize their content processes to lower costs and stagger their new show introductions.

KEY FINDINGS 2008

To succeed in 2008 and beyond, telecom companies (wirelines, wireless & cable/satellite) and media content providers (print, TV and web) must create barriers of entry that rivals cannot easily duplicate.

The convergence of media content, service providers and device makers is well underway. Consumers are increasingly watching the content they want, on the device they want, and at the time they want.


The challenge now is how to turn this consumer demand into steady revenue streams. With the upcoming switch to digital airwaves in 2009, which companies are best positioned to win an unfair share of the profits? What have they done to build their competitive strengths? How can others tap into new sources of competitive advantage to out-smart and out-execute their rivals?

This report shows how a select group of telecom and media content providers are building new, sustainable advantages over their traditional competitors to generate superior economic profits.

- ✓ By embracing the digitization of content over the past few years, the Media Industry is starting to turn their competitive prowess into economic advantages. Media companies today enjoy a slightly better level of net income as a percentage of revenue than their counterparts in the Telecom industry. Our projections show these advantages are likely to grow in the coming 5 years.
- ✓ In the 2002 economic downturn, the Telecom industry was impacted slightly harder than its Media counterparts. Even though they have recovered, today's Telecom players continue to struggle to build durable advantages that rivals find difficult to duplicate (in a relatively short period of time). Price wars continue to be the norm, rather than the exception. But some Telecom players are well positioned to finally separate from the pack.
- ✓ Although some Media companies are doing better than others at generating economic profits, much opportunity still exists since consumers see certain Media content in high demand -- especially Cable Channels, News Channels, Broadcast Networks and Web Content. Successful competitive frameworks exist on how to monetize their efforts and those building capabilities first and deepest are already winning an unfair share of the profits.
- ✓ Across every Media and Telecom category, companies on average are better meeting consumer expectations in 2008 than in 2007. This bit of good news though is temporary, as the decrease in performance gap has also decreased consumers willingness to spend more. Pricing power with consumers in 2008 still exists for those firms that know how to set and meet expectations consistently.
- ✓ For Cable/Satellite and Wireless companies, consumer expectations have risen considerably in 2008. This is a dual-edged sword: Higher expectations are leading indicators to increased revenue opportunities, but only if the companies can meet expectations.
- ✓ Pricing Power is on the rise for two categories though, News Print and Web Search. This rise, coupled with a decreasing performance gap, indicates that consumers are still searching for innovative ways from companies to meet their expectations -- and most importantly, they are willing to pay for them. Although on opposite ends of the innovative spectrum (old vs. new media), consumers still see significant transition occurring in News Print and Web Search.
- ✓ In 2008, Media content providers are significantly more competitive than Telecom companies in terms of meeting consumer expectations and generating economic profits. Yet, substantial opportunity for competitive strengths exist as the top Media performers are tapping into only six of the 9 sources of advantage. Telecom taps into only one of the 9.

MOST COMPETITIVE COMPANIES: Media

Our rankings are highly unique. Most lists rank companies by either financial (e.g. Fortune 500) or consumer performance (e.g. Brands, Reputation, Satisfaction). With our scores, we combine the two performance areas into a single metric centered around a core concept: durable advantage.




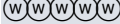





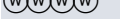






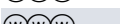


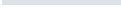
A  Rating represents a company's ability to earn a consistent profit above their cost of capital, and their ability to protect that profit through multiple sources of competitive advantage with consumers.

In 2008, Google continues to extend its dominance in the Media industry. Their services and search properties hold the top 2 rankings, and their News and Youtube sites are ranked #10 and #12, respectively. From a consumer's perspective, Google continues to be a dominant force in the online world.

In general, the online media properties hold 10 of the top 20 spots and are out-competing their traditional news and television counterparts. The good news is that traditional media still retains strong customer bonds, and appear to be rapidly figuring out how to monetize those bonds.

Rankings within industry only

W Ratings and Scores at national level

2008 Rank	2007 Rank	Business Segment	Ticker	Parent Company	2007 Rev in \$M	2008 W Rating	2008 W Score
1	13	Google Shopping/Services	GOOG	Google Inc.	\$10,605		88.8
2	4	Google Search	GOOG	Google Inc.	\$10,605		88.2
3	7	wsj.com	NWS.A	News Corp.	\$1,784		85.0
4	5	HGTV Channel	SNI	Scripps Network Interactive	\$2,498		83.7
5	3	NYTimes.com	NYT	New York Times Co.	\$3,290		83.4
6	2	Wall Street Journal	NWS.A	News Corp.	\$1,784		81.8
7	6	Food Network Channel	SNI	Scripps Network Interactive	\$2,498		79.9
8	8	WashingtonPost.com	WPO	Washington Post	\$3,905		76.1
9	14	JDPower.com	MHP	McGraw-Hill Companies	\$6,255		74.5
10	20	Google News	GOOG	Google Inc.	\$10,605		72.2
11	12	Nickelodeon	VIA.B	Viacom Inc.	\$11,467		71.2
12	1	YouTube	GOOG	Google Inc.	\$10,605		70.5
13	10	BusinessWeek.com	MHP	McGraw-Hill Companies	\$6,255		68.5
14	15	Disney Channel	DIS	Disney (Walt) Co	\$34,285		67.0
15	25	Washington Post	WPO	Washington Post	\$3,905		63.5
16	30	Apple iTunes	AAPL	Apple Inc.	\$19,315		62.1
17	19	CNBC News	GE	General Electric Co	\$160,854		59.9
18	27	VH1 Channel	VIA.B	Viacom Inc.	\$11,467		58.8
19	18	BusinessWeek	MHP	McGraw-Hill Companies	\$6,255		57.6
20	17	MS-NBC Channel	GE	General Electric Co	\$160,854		57.5

For a complete list of Media Properties in the wRatings coverage, go to www.wratings.com.

W Scores are blended percentile ranks of the company's 5-Year Weighted Average Economic Profit and the ability of the Business Segment to meet consumer expectations

Margin of Error ± 0.27 for all ratings

FINANCIAL SOURCE: SEC Edgar, Company Reports

MOST COMPETITIVE COMPANIES: Telecom

Being a slow growth industry that typically requires substantial investments, the Telecom industry continues to struggle to find competitive strengths.

No doubt exists that they remain integral and essential to the end consumer's experience. The challenge for Telecom providers is to find sources of advantage that cannot be easily duplicated by rivals. For the past five years, the industry has looked to pricing packages and bundles (i.e. triple play) that are relatively easy to copy.

The Verizon FiOS service, ranked #1 two years in a row, is highly unique although expensive. The payoff may have lifted their traditional wireline service from #20 to #6. Contrasted with AT&T wireline service drop (3->20), Verizon may be building a significant barrier to entry.

In viewing the top 20, wireline providers -- especially the regional players -- are scoring slightly better (albeit still very low) than their cable rivals. The industry as a whole needs to re-energize their sources of advantage, possibly borrowing techniques from highly successful Consumer Goods companies such as Clorox and Wrigleys.

Rankings within industry only

W Ratings and Scores at national level

2008 Rank	2007 Rank	Business Segment	Ticker	Parent Company	2007 Rev in \$M	2008 W Rating	2008 W Score
1	1	Verizon FiOS	VZ	Verizon Communications Inc.	\$88,144	ⓈⓈⓈⓈ	73.0
2	5	Frontier Phone	CZN	Citizens Communications Co	\$2,025	ⓈⓈⓈ	52.9
3	4	DISH Network	DISH	Dish Network Corp.	\$9,818	ⓈⓈⓈ	42.3
4	8	Embarq Phone	EQ	Embarq Corp.	\$6,329	ⓈⓈⓈ	41.7
5	10	Qwest Telephone	Q	Qwest Communication Intl Inc.	\$13,923	ⓈⓈ	35.8
6	19	Verizon Telephone	VZ	Verizon Communications Inc.	\$88,144	ⓈⓈ	35.0
7	15	Windstream Phone	WIN	Windstream Corp.	\$3,033	ⓈⓈ	32.9
8	11	Alltel	AT	Alltel Corp.	\$7,884	ⓈⓈ	32.4
9	16	Verizon Wireless	VZ	Verizon Communications Inc.	\$88,144	ⓈⓈ	32.1
10	2	Charter Cable	CHTR	Charter Communications Inc.	\$5,504	ⓈⓈ	31.9
11	20	Comcast Cable	CMCSA	Comcast Corp.	\$24,966	ⓈⓈ	30.6
12	17	Sprint Nextel	S	Sprint Nextel Corp.	\$41,028	ⓈⓈ	29.5
13	22	AT&T Wireless	T	AT&T Inc.	\$63,055	ⓈⓈ	28.7
14	6	Skype	EBAY	Ebay Inc.	\$5,970	ⓈⓈ	27.2
15	14	CenturyTel	CTL	Centurytel Inc.	\$2,446	ⓈⓈ	24.3
16	25	Cablevision	CVC	Cablevision Sys Corp.	\$5,927	ⓈⓈ	24.2
17	23	DirectTV	DTV	DirectTV Group Inc.	\$14,756	ⓈⓈ	20.8
18	12	T-Mobile	DT	Deutsche Telekom AG (ADR)	\$82,619	Ⓢ	19.4
19	9	TiVo	TIVO	Tivo Inc.	\$259	Ⓢ	18.1
20	3	AT&T Telephone	T	AT&T Inc.	\$63,055	Ⓢ	14.9




For a complete list of Telecom Providers in the wRatings coverage, go to www.wratings.com.


W Scores are blended percentile ranks of the company's 5-Year Weighted Average Economic Profit and the ability of the Business Segment to meet consumer expectations

Margin of Error ±0.27 for all ratings


FINANCIAL SOURCE: SEC Edgar, Company Reports

THE RATINGS SYSTEM

The  Ratings are similar to a five-star rating system used for hotels. We rate companies 1 through 5 's, where the  represents Winners, with 5 the most and 1 the least competitive.

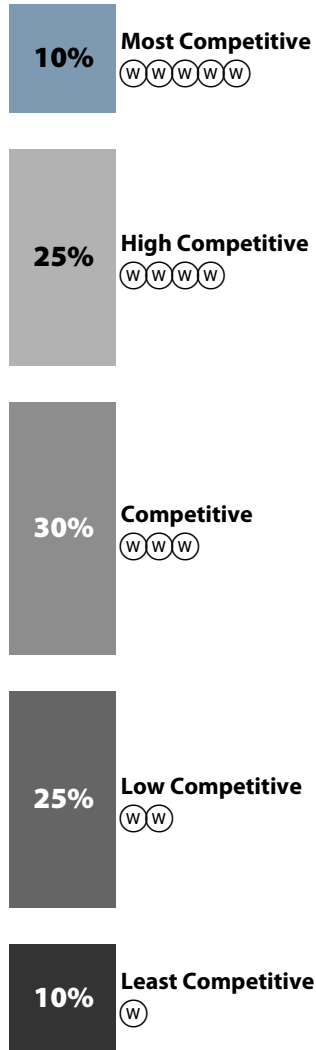
The **Competitive Outlook** quadrant shows how our ratings are based on historical results and future ability to perform. The historical is a 5-yr weighted average of economic profits. The future is the total moats (i.e. barriers to entry) of how well a company is beating its rivals by meeting consumer expectations in the current year. Changes in a company's  Ratings can be caused by:

- 1) Increased Economic Profits (EP)
- 2) Increased performance with consumers, resulting in higher Total Moats (TM)
- 3) Rivals that increase their EP or TM faster than the company


Because the  Ratings are relative, companies can shift up or down without changing their performance.

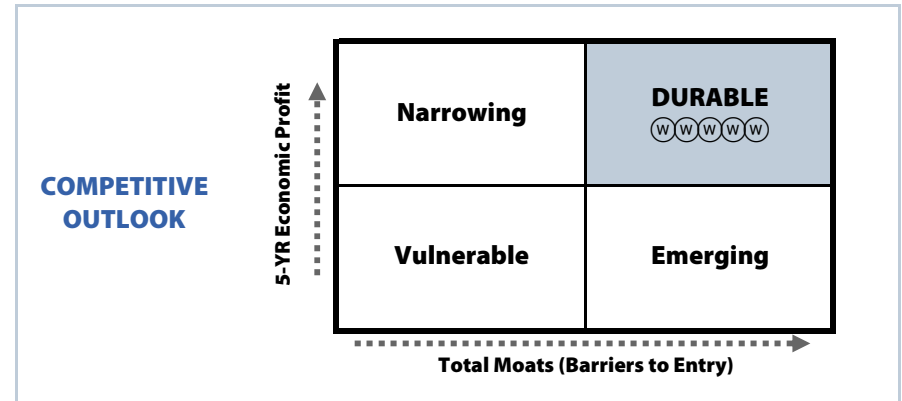
We continually backtest our algorithms, and a company's Total Moats are a **leading indicator** to their ability to generate EP. In our 2002-2007 analysis, companies able to sustain a high TM score (in the top quintile) have generated the highest EP every year.

Approximate % Distribution of Companies in 2008

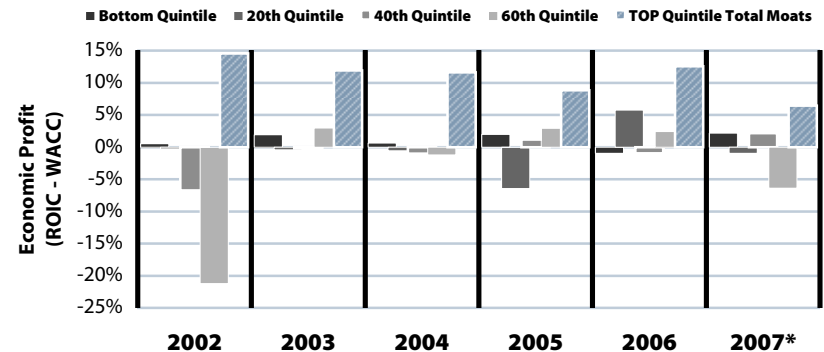


PREDICTABLE RESULTS

Delivering higher economic profits (EP) on a consistent basis requires companies to meet consumer expectations better than rivals and build moats to protect their profits. The  Ratings System blends ranks of EP and Total Moats into a single rating.



LEADING INDICATOR TO FINANCIAL RESULTS



* Partial financial data reported in 2007

MEASURING COMPETITIVE ADVANTAGE

We measure competitive advantage in a highly unique, but completely logical way.

Our turn-key, patented system combines financials, behavioral psychology and statistics to measure the durability of a company's advantages with consumers. The ratings serve as a leading indicator to the sustainability of company's economic profit. The three steps are:

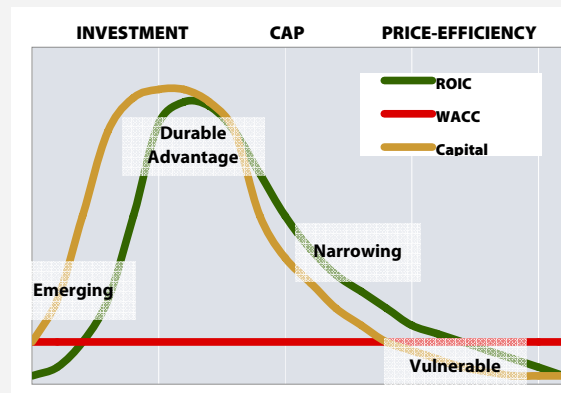
1. Calculate a company's **Economic Profit (EP)**, ROIC (return-on-invested-capital) minus WACC (weighted average cost of capital). Companies with 5+ years of superior EP have built some form of protection – what famous investor Warren Buffett calls a "moat."

2. **Moats** are **barriers to entry** a company builds to protect their economic advantage. The precursor to every economic advantage is a consumer advantage, and we've statistically determined that nine moats exist.

3. By blending the percentile ranks of a company's ability to sustain EP and protect it with consumers via Total Moats, we score the competitive strength of every company in the wRatings coverage.

For more information on the **wRatings** approach, see the Appendix.

1 Competitive Life Cycle



2 Barriers to Entry: MOATS

SUPPLY CHAIN	Economies of Scale
	Economies of Skill
	Cost Containment
PRODUCTS	Design Dominance
	Brand Perception
	Routine Reliance
DELIVERY CHAIN	Channel Lock-Out
	Switching Lock-In
	Network Effect

Stages of Competitive Life Cycle

INVESTMENT PERIOD

Emerging ROIC with High Investment

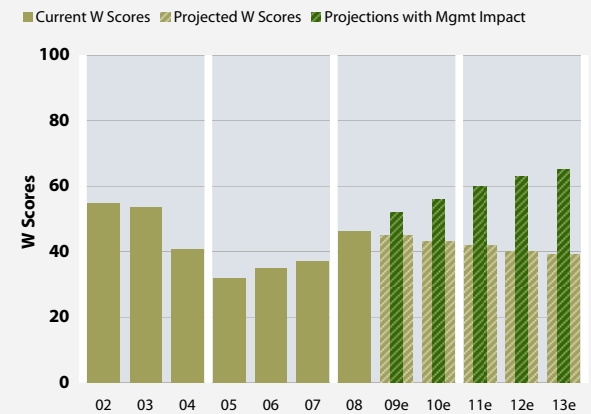
COMPETITIVE ADVANTAGE PERIOD (CAP)

High Economic Profit with continual Fade Rate

PRICE-EFFICIENCY PERIOD

Low or Negative Economic Profits

3 Competitive Strength



The Moat Maker™ database utilizes multiple patents

COVERAGE: MEDIA and TELECOM

The wRatings company coverage is determined by company size (market cap) and requests from premium members

CATEGORIES PER INDUSTRY

Cable Channels
 Broadcast Networks
 News Channels
 News Print
 News Online
 Sports Leagues
 Web Content
 Web Search

 Phone
 Wireless
 Cable Satellite
 Internet Service Providers**

Media

A&E Channel
 Animal Planet (DISCA)
 Discovery Channel (DISCA)
 Disney Channel (DIS)
 ESPN Channels (DIS)
 Food Network Channel (SNI)
 HBO Channel (TWX)
 HGTV Channel (SNI)
 HSN (IACI)
 MTV Channel (VIA.B)
 Nickelodeon (VIA.B)
 QVC Channel (L.CM)
 Showtime (CBS)
 TLC Channel (DISCA)
 TNT Channel (TWX)
 Travel Channel (DISCA)
 VH1 Channel (VIA.B)
ABC Network (DIS)
 CBS Network (CBS)
 FOX Network (NWS.A)
 NBC Network (GE)
The WB Network**
 BBC News**
 CNBC News (GE)
 CNN News (TWX)
 FOX Business Network (NWS.A)
 FOX News (NWS.A)
 Headline News (TWX)
 MS-NBC Channel (GE)

BusinessWeek (MHP)
 Consumer Reports
 Forbes Magazine
 Fortune Magazine (TWX)
 IBD Newspaper
 New York Times (NYT)
 USA Today (GCI)
 Wall Street Journal (DJ)
Washington Post (WPO)
 Arbitron** (ARB)
 BusinessWeek.com (MHP)
 ConsumerReports.com
 Forbes.com
 Fortune.com (TWX)
 Google News (GOOG)
 Hoovers (DNB)
 Investors.com
 JDPower.com (MHP)
 Moody's Ratings** (MCO)
 Morningstar.com (MORN)
 NetRatings** (NTRT)
 Nielsen TV Ratings**
 NYTimes.com (NYT)
 S&P Research** (MHP)
 wsj.com (DJ)
 WashingtonPost.com (WPO)
 Yahoo! News (YHOO)

Telecom

MLB
 NASCAR
 NBA
 NCAA
 NFL
 NHL
 PGA
AOL Content (TWX)
 Apple iTunes (AAPL)
 Google Shopping (GOOG)
 MSN Content (MSFT)
 MySpace (NWS.A)
 Yahoo! Content (YHOO)
YouTube (GOOG)
 AOL Search (TWX)
 Ask.com (IACI)
 Google Search (GOOG)
 MSN Search (MSFT)
 Yahoo! Search (YHOO)

AT&T Telephone (T)
 BellSouth* (BLS)
 CenturyTel (CTL)
 Frontier Phone (CZN)
 Embarq Phone (EQ)
 MCI**
 McLeodUSA** (MCLD)
 Qwest Telephone (Q)
 Southwestern Bell** (SBC)
 Skype (EBAY)
 Talk America** (TALK)
 Verizon Telephone (VZ)
 Vonage (VG)
Windstream Phone (WIN)
 Alltel (AT)
 AT&T Wireless (T)
 Nextel** (NXTL)
 Sprint Nextel (S)
 T-Mobile (DT)
 Verizon Wireless (VZ)

Adelphia** (ADELQ)
 Cablevision (CVC)
 Charter Cable (CHTR)
 Comcast Cable (CMCSA)
 Cox Cable** (1656B)
 DirecTV (DTV)
 DISH Network (DISH)
 Time Warner Cable (TWC)
 TiVo (TIVO)
Verizon FiOs (VZ)
 AOL Broadband** (TWX)
 Earthlink** (ELNK)
 Juno/Netzero** (UNTD)
 Road Runner** (TWX)

Note that Sports Leagues are included here for display comparative purposes only. Because no league is a publicly-traded corporation, we cannot accurately view their financials.

** Discontinued company and/or industry; Partial years of data exist. Check our website for the latest information.

INDUSTRY COMPETITIVENESS

Revenue & Income 10-Year Trends

Competitive Strength & Projections

Consumer vs. Financial Performance

Consumer Expectations & Pricing Power

Unfair Share of Economic Profits

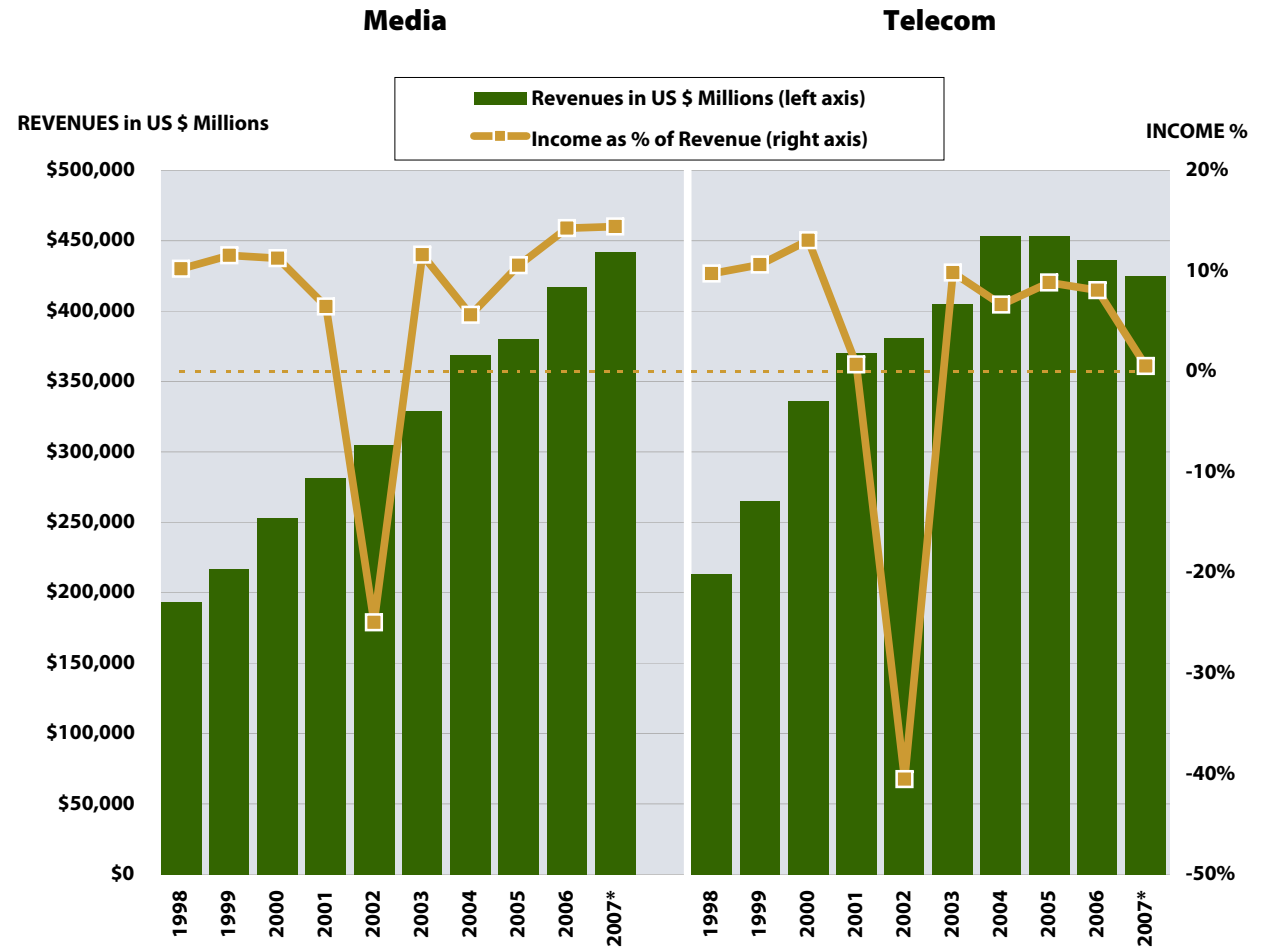
REVENUE & INCOME 10-YEAR TRENDS

This chart shows the 10-year historical trends in revenue (left axis, green bars) and income (right axis, gold line) for the wRatings coverage in this report. To ensure proper comparisons, no company's revenues or income was counted more than once. All financials are at the corporate level.

The Media industry continues to grow whereas Telecom consolidate continues to have its impact on overall revenues in the wRatings coverage. Media companies also continue to enjoy a slightly better level of net income as a percentage of revenue. The 2002 recession impacted both industries, but Telecom slightly harder.

As industry consolidation continues to dominate the Telecom industry, attention will need to turn to more than just operating efficiency. To re-energize revenue growth, Telecom companies need look for new sources of advantage with customers to hold them captive in a positive way.

NOTE: Charts show companies in wRatings coverage only.



* Partial companies reporting for 2007 financial data

FINANCIAL SOURCE: SEC Edgar, Company Reports

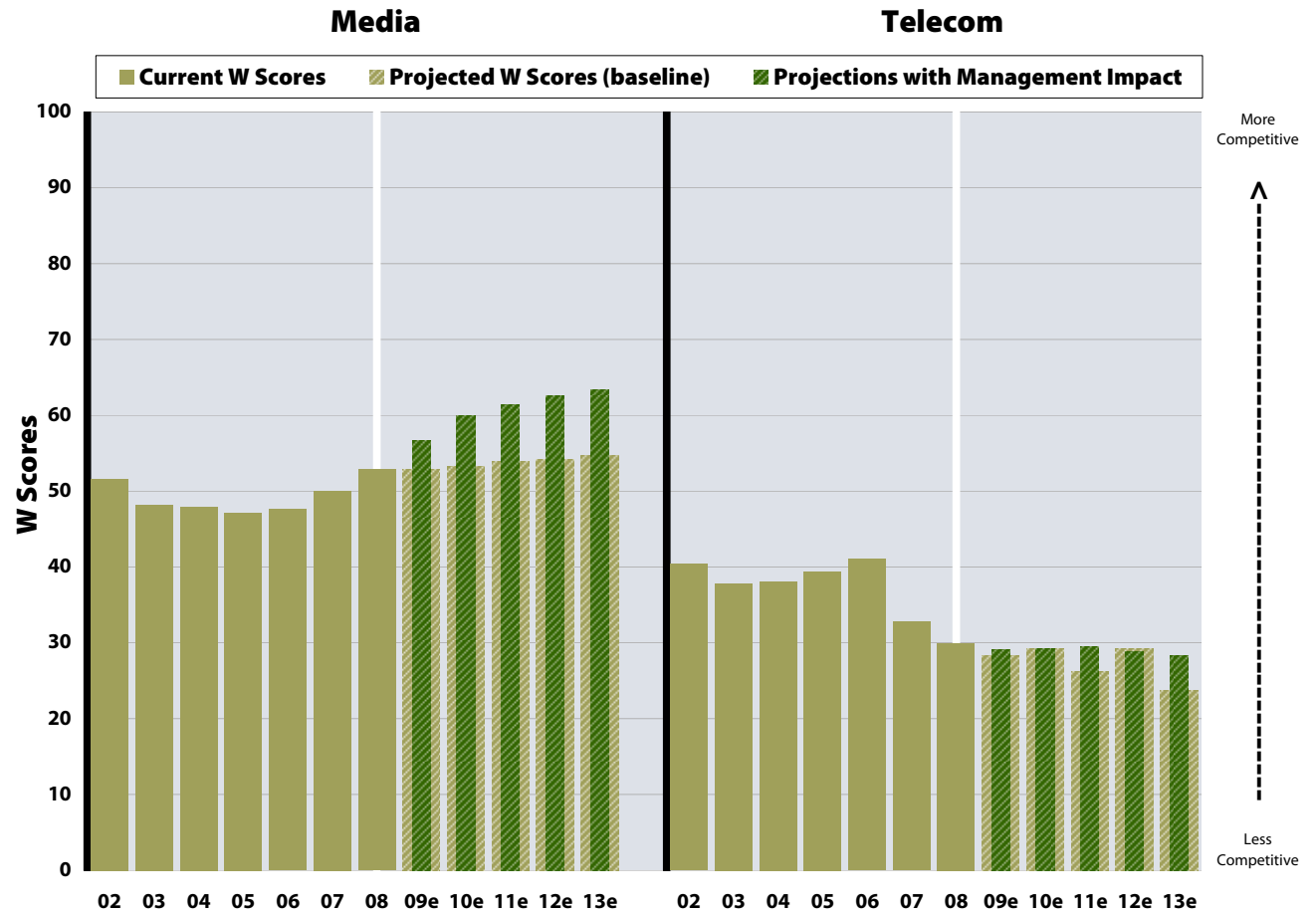
COMPETITIVE STRENGTH & PROJECTIONS

A company's W Score measures a company's ability to earn a consistent return above their cost of capital AND protect that profit through competitive advantages with consumers. The higher the score, the higher the likelihood of predictable, positive financial results.

By trending the W Scores forward, we can project two different views of their future: 1) A baseline view of how well the company is likely to do based on its last 5+ years of results (i.e. Projected W Scores), and 2) A projected view of the management's impact on the company's future. The second view uses a blended, momentum algorithm that over-weights management's consistency over time as well as the last two years of results. When management's actions are building competitive strengths, their projected impact exceeds the baseline view.

By embracing the digitization of content over the past few years, the Media Industry is starting to turn their competitive prowess into economic advantages. In 2005, we see a clear inflection point for the Media industry.

The Telecom industry continues to struggle in searching for new strengths.

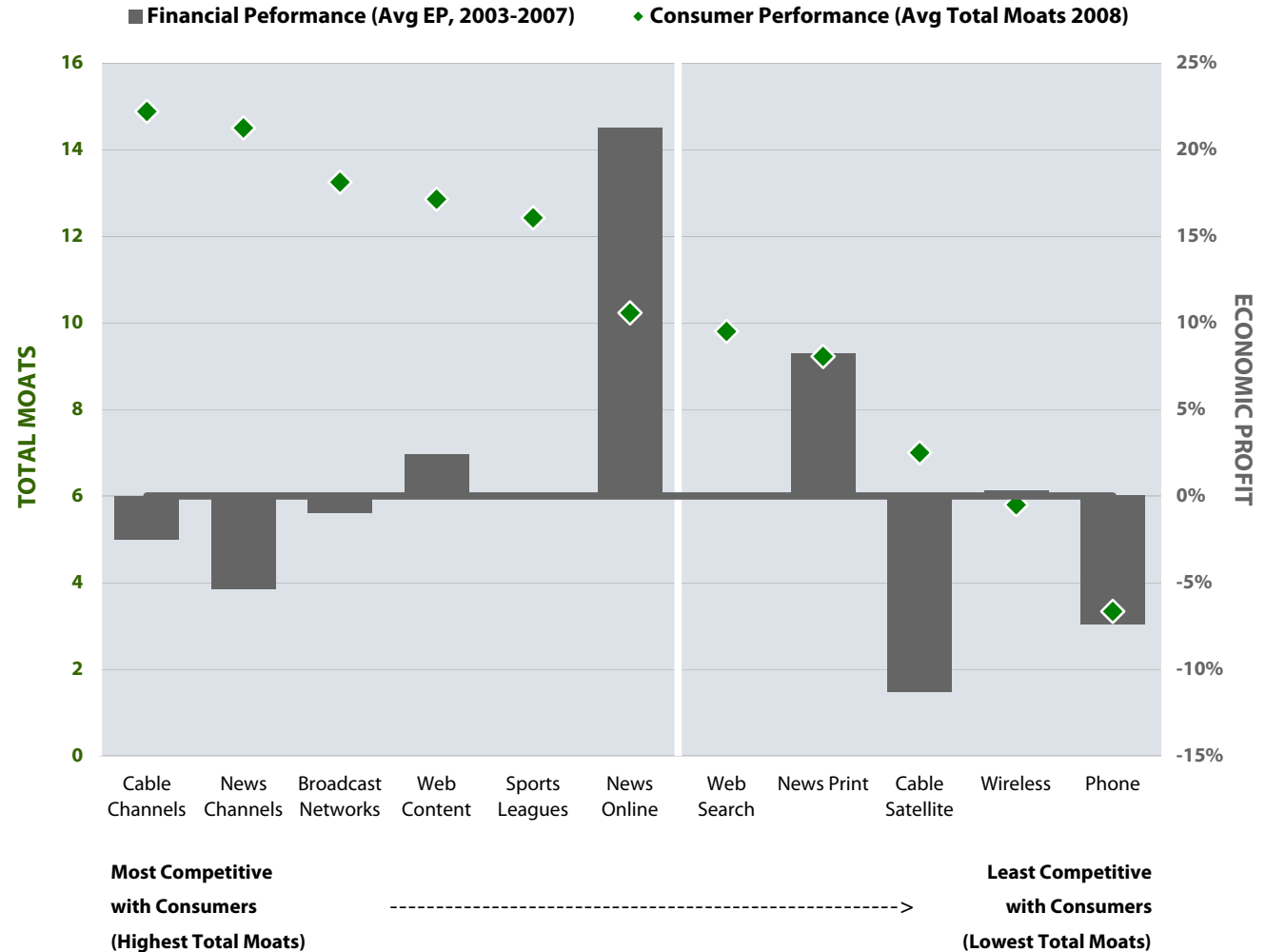


CONSUMER vs. FINANCIAL PERFORMANCE

By ranking each category by their Total Moats (TM) and Economic Profit (EP), we can better evaluate the overall competitiveness of a category. We rank the companies in this chart from most competitive with consumers (highest TM) to least competitive (lowest TM).

Gaps between a high TM score and low EP represent significant opportunities where revenues and profit "should" emerge (e.g. Cable Channels, News Channels, Broadcast Networks, Web Content). We say "should" because within these gaps, successful competitive frameworks exist (evidenced by other industries/categories) that show companies how to monetize their efforts. These frameworks vary based on each company's current state, but can range from operational efficiencies to better customer targeting/advertising to superior alliances.

When TM and EP are in alignment (e.g. News Print, Wireless, Phone), the path to regain superior EP rests in finding new sources of sustainable consumer advantages. This is the highly trumpeted "organic growth" and often requires innovative views that challenge traditional beliefs about how an industry competes.



NOTE: TMS for Auto Parts and Cosmetics are from 2006.

FINANCIAL SOURCE: SEC Edgar, Company Reports

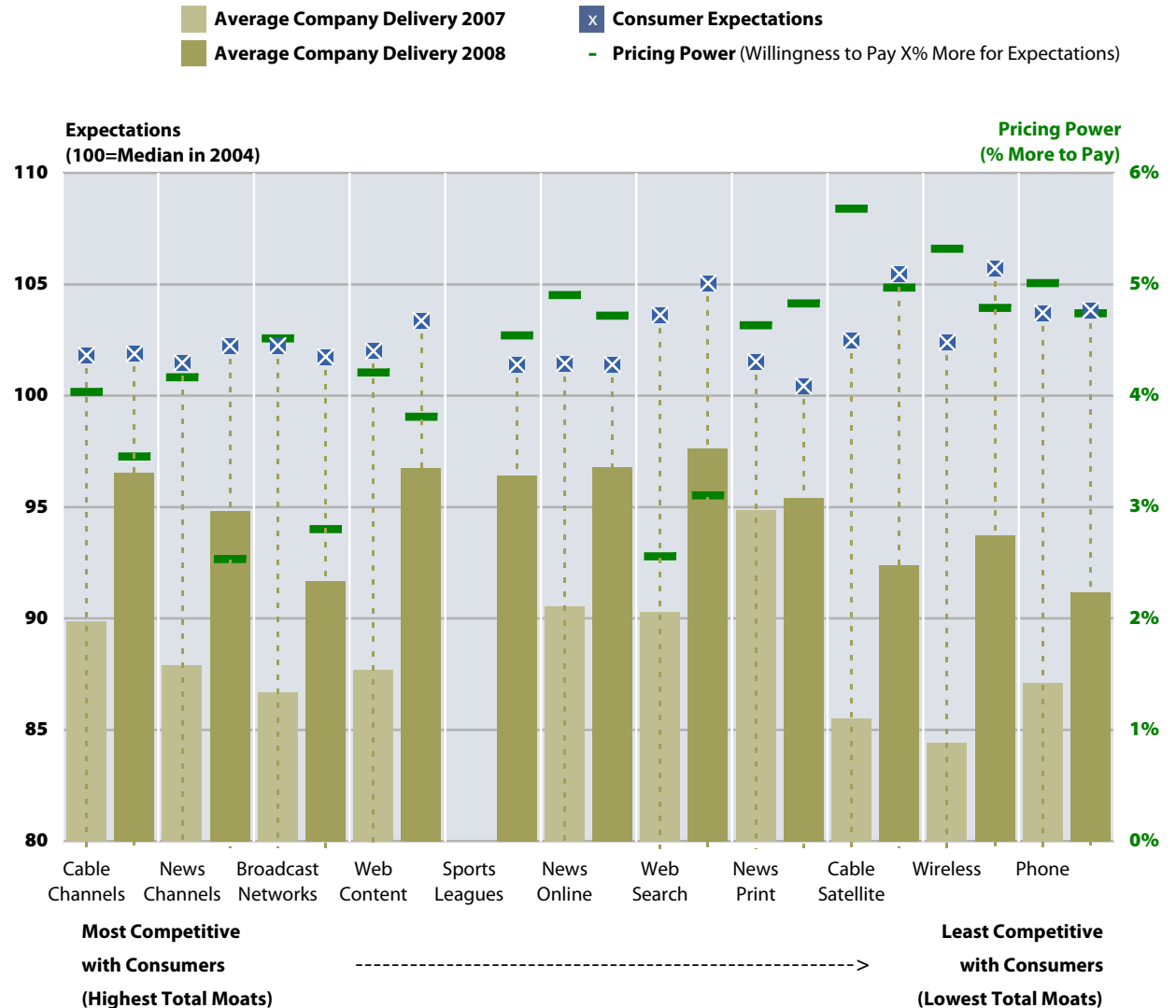
CONSUMER EXPECTATIONS & PRICING POWER

By looking at the year-to-year changes in how companies deliver on consumer expectations as well as their pricing power, we can better understand how the competitive landscape is changing.

Across every category, companies are better meeting consumer expectations in 2008 than 2007. As is often the case, pricing power with consumers has decreased as the performance gap (expectations - delivery) also decreases.

Pricing Power is on the rise for two categories though, News Print and Web Search. This rise, coupled with a decreasing performance gap, indicates that consumers are still searching for innovative ways from companies to meet their expectations -- and most importantly, they are willing to pay for them. Although on opposite ends of the innovative spectrum (old vs. new media), consumers still see significant transition occurring in News Print and Web Search.

For Cable/Satellite and Wireless companies, consumer expectations have risen considerably in 2008. This is a dual-edged sword: Higher expectations are leading indicators to increased revenue opportunities, but only if the companies can meet expectations.



UNFAIR SHARE OF ECONOMIC PROFITS

Have you ever wondered which actions, programs and other initiatives generate an unfair share of economic profits?

This chart shows us precisely where to focus resources to get the highest ROI. First, we determined the top performing companies (> 3Ms) for each moat in 2007 on a national basis. We then percentile rank their economic profits (EP). When the 80th percentile is high AND the gap with the 50th percentile is also high, an unfair share of the EP is going to those advantages.

In general, the three top opportunities to build superior EP exist in Cost Containment (9.2% gap), Switching Lock-In (8.2% gap) and Network Effect (9.0% gap). Whereas we can find 37 top moat performers in six of the 9 moats from the Media industry, we can find only 2 from the Telecom industry.

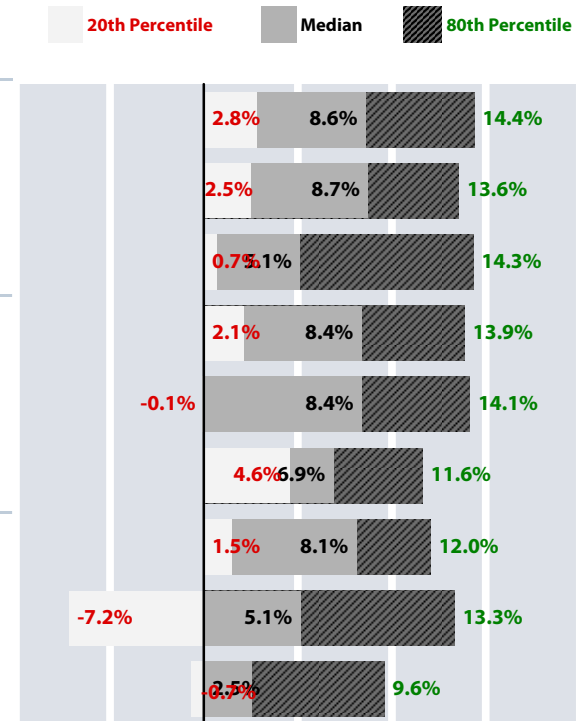
In the next section, we will spotlight several companies that possess competitive strength already or have the opportunity to build significant strengths.

MOAT

		NO. OF COMPANIES IN TOP MOAT PERFORMERS*		
		Media	Telecom	National
SUPPLY CHAIN	Economies of Scale High Volume in Focused Area	2	0	24
	Economies of Skill High Volume in Focused Area	0	0	58
	Cost Containment Comparative Quality at Fair Price	11	0	29
PRODUCTS	Design Dominance Real Functional Distinctiveness	3	0	28
	Brand Perception Perceived Trusted Leader	6	0	53
	Routine Reliance Regular Usage Built into Schedule	0	0	10
DELIVERY CHAIN	Channel Lock-Out Control Distribution for Choice	0	0	5
	Switching Lock-In Fear Loss of Time/Money/Status	13	2	25
	Network Effect Community Growth with Each Node	2	0	18
SUMMARY		37	2	250

% of National Top Moats 14.8% 0.8%

ECONOMIC PROFIT OF TOP MOAT PERFORMERS* IN 2007



MOAT KEY	
(M)(M)	Weak Advantage
(M)(M)(M)(M)	Most Competitive
(M)	No Advantage
(M)(M)(M)(M)	Strong Advantage
(M)(M)(M)	Competitive
(M)	Non-Competitive
(M)	Disadvantage

* Top Moat Performers determined by those companies with a 4M or higher rating for each moat.

COMPETITIVE SPOTLIGHTS

Apple iTunes

Comcast Cable

Verizon FiOS

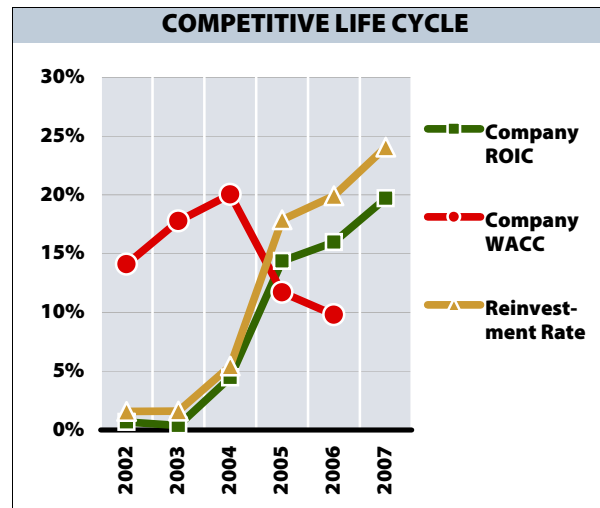
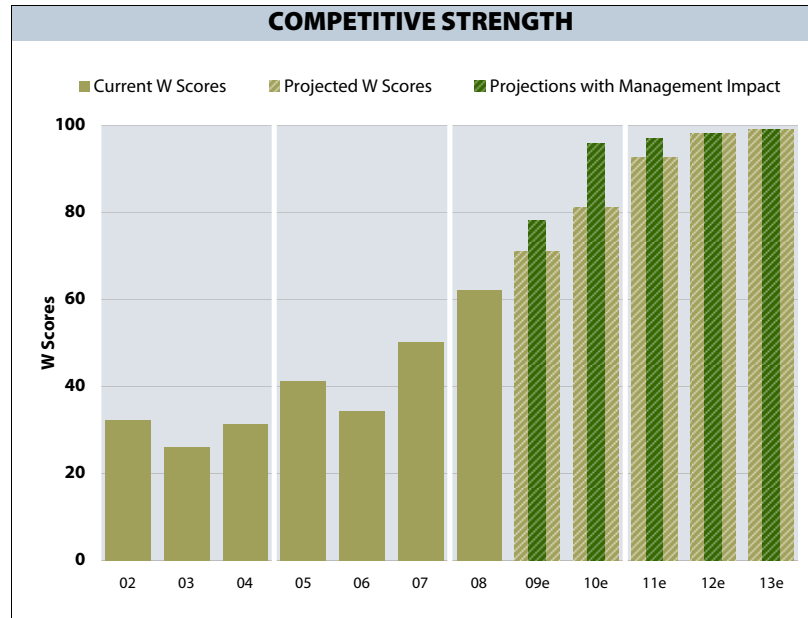
WashingtonPost.com

While the success of Apple has been well documented, few mention the true sources of their competitive advantage. No doubt exists that the iPod® is a beautifully designed product, but the ease of duplicating a product's features makes the Design Dominance moat the least durable.

But build a community that connects (legal) music with consumers willing to pay a small fee, and the first-mover advantage with a Network Effect can be long-lasting. iTunes remains the dominant portal for consumers to access digital downloads. The more supplier relationships Apple can attract, the more valuable their iTunes Store becomes. The iPod and Mac benefits from the halo effect. Consumers view Apple as an integrated digital lifestyle solutions provider, resulting in a Switching Lock-In advantage where all their music is stored.

Yet, Apple still lacks a Routine Reliance advantage with iPod/iTunes. This was likely a determining factor in building the iPhone, where both Motorola and Cingular Wireless enjoyed high moat ratings in 2006.

MOAT KEY	
(M)(M)(M)(M)(M)	Most Competitive
(M)(M)(M)(M)	Strong Advantage
(M)(M)(M)	Competitive
(M)(M)	Weak Advantage
(M)	No Advantage
(O)	Disadvantage
(O)	Non-Competitive



BARRIERS TO ENTRY

Percentile ranks within wRatings national coverage

Moat	2008 Rating	Nat'l Rank
Economies of Scale	(M)	35.1%
Economies of Skill		25.2%
Cost Containment	(M)	29.2%
Design Dominance	(M)(M)	63.9%
Brand Perception	(M)(M)(M)	75.5%
Routine Reliance	(O)	0.0%
Channel Lock-Out	(M)(M)	64.0%
Switching Lock-In	(M)(M)(M)(M)	95.5%
Network Effect	(M)(M)(M)(M)	93.0%
TOTAL MOATS =	16	

FINANCIAL SOURCE: SEC Edgar, Company Reports

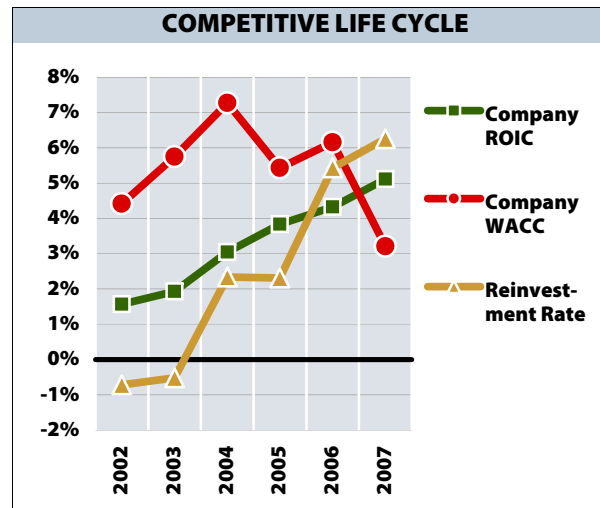
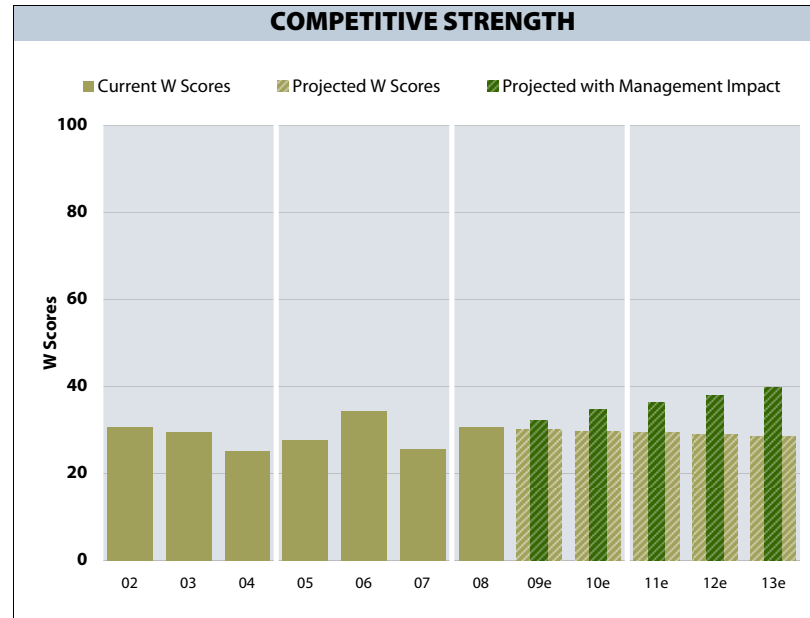
With the phone companies making inroads to offering television, internet and phone services under one roof, competition in the cable TV market is rampant. No provider is delivering well in terms of consumer and financial performance.

While Comcast increased their capital spending in 2007, the company's inward focus is starting to reap rewards financially. With a respectable Total Moat score (8), Comcast needs to find ways to hold on to market share as rivals come at them from every direction.

To not engage in price wars, Comcast must keep up with competitor's technological advances and seek out a wireless partner for a quad play. Their large video-on-demand library provides a small advantage in Economies of Skill, but that's not enough.

One recent announcement with substantial opportunity is a Panasonic partnership to "simplify TV" by building top-boxes right into the TV, including a DVR. This Routine Reliance advantage is what can push consumers their way, and provide them with a Switching Lock-In advantage. Once service calls could be simplified (or eliminated), Comcast would have a substantial advantage.

MOAT KEY			
(M)(M)	Most Competitive	(M)(M)	Weak Advantage
(M)	Strong Advantage	(M)	No Advantage
(M)(M)(M)	Competitive	(M)(M)(M)	Non-Competitive
(M)(M)		(M)	Disadvantage



BARRIERS TO ENTRY

Percentile ranks within wRatings national coverage

Moat	2008 Rating	Nat'l Rank
Economies of Scale		15.8%
Economies of Skill	(M)(M)	62.7%
Cost Containment	(M)	29.3%
Design Dominance		16.4%
Brand Perception	(M)	39.1%
Routine Reliance	(M)(M)	64.2%
Channel Lock-Out		7.5%
Switching Lock-In	(M)	36.5%
Network Effect	(M)	40.2%
TOTAL MOATS =	8	

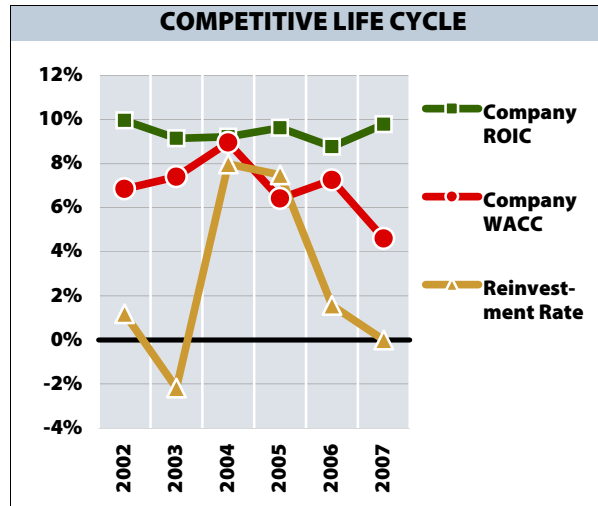
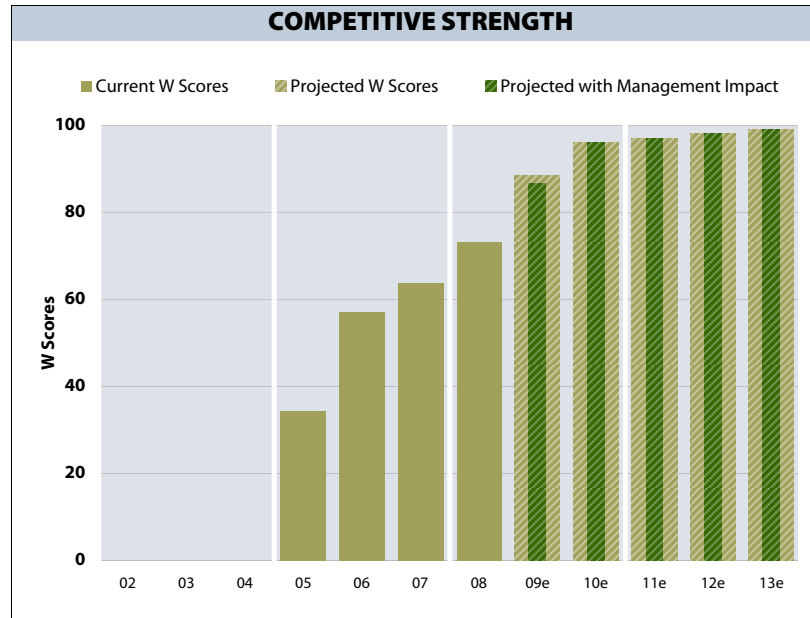
FINANCIAL SOURCE: SEC Edgar, Company Reports

After many years of promise, the \$18 billion investment by Verizon in FiOS has the potential to build a significant competitive advantage. The key is to be able to translate the early adopters into main street loyalists as they continue to expand the service. Consumer ratings year-over-year show a growing consistency in the service levels, even though early snags were reported.

Verizon's marketing program for FiOS is building customer trust (Brand Perception) in an industry where little typically exists. Consumers also recognize their ability to deliver a high quality picture (Design Dominance).

With the 2009 required switch to digitized TV and Verizon's superior quality, demand for high definition content will continue to grow. Just as Apple's iTunes built a Network Effect advantage for music publishers, so can Verizon FiOS with HD content publishers. The key is for Verizon to recognize how to build this buyer-seller community as a first-mover advantage, and put the right agreements and systems in place to monetize their content.

MOAT KEY	
(M)(M)	Weak Advantage
(M)(M)(M)(M)	Most Competitive
(M)	No Advantage
(M)(M)(M)	Strong Advantage
(M)(M)	Competitive
(O)	Disadvantage
(M)(M)(M)	Non-Competitive



BARRIERS TO ENTRY

Percentile ranks within wRatings national coverage

Moat	2008 Rating	Nat'l Rank
Economies of Scale	(M)(M)	61.0%
Economies of Skill	(M)(M)(M)	77.1%
Cost Containment	(M)	29.3%
Design Dominance	(M)(M)(M)	83.5%
Brand Perception	(M)(M)(M)(M)	90.4%
Routine Reliance	(M)	30.9%
Channel Lock-Out	(M)(M)	64.2%
Switching Lock-In	(M)(M)(M)	82.8%
Network Effect	(M)(M)(M)	80.0%
TOTAL MOATS =	22	

FINANCIAL SOURCE: SEC Edgar, Company Reports

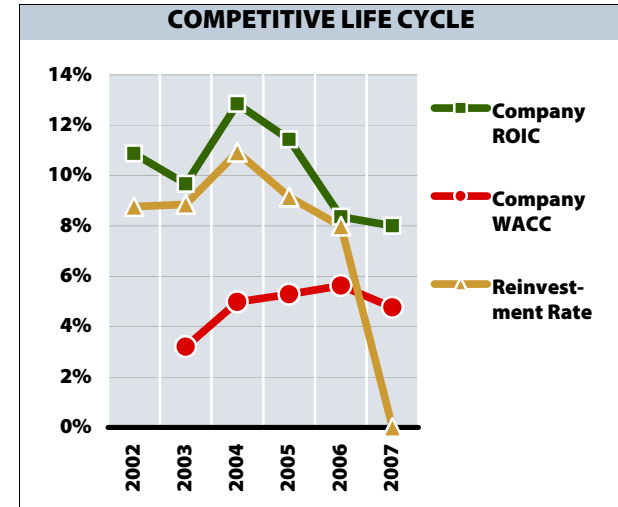
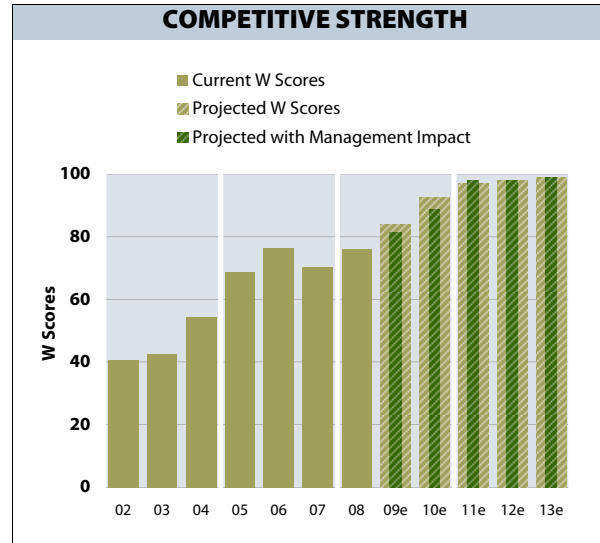
While the Washington Post suffers the same pressures as other print publications, consumers clearly believe their direction will keep them competitive.

Our charts here show how consumers view both the print and online versions, with the online newspaper picking up and expanding their advantages in Economies of Scale and Cost Containment.

Even with today's world of perpetual blogs and 24x7 publishing capabilities, the advantage that translates seamlessly is the safe, unique content found in the Washington Post.

Learning from consumer goods companies like Coca-Cola (a top 5 most competitive company by wRatings for many years), the Washington Post can build a trusted brand where consumers go for their content. This type of advantage can turn into predictable revenue dollars from online paid subscribers (similar to the WSJ) and/or from advertisers everywhere, including Coca-Cola.

MOAT KEY	
(M)(M)	Weak Advantage
(M)(M)(M)(M)	Most Competitive
(M)	No Advantage
(M)(M)(M)	Strong Advantage
(M)(M)	Competitive
(O)	Disadvantage
(O)(O)	Non-Competitive



BARRIERS TO ENTRY: Washingtonpost.com

Percentile ranks within wRatings national coverage

Moat	2008 Rating	Nat'l Rank
Economies of Scale	(M)(M)(M)(M)	95.3%
Economies of Skill	(M)	44.2%
Cost Containment	(M)(M)(M)(M)	92.8%
Design Dominance	(M)	37.2%
Brand Perception	(O)	0.0%
Routine Reliance	(M)(M)(M)	83.9%
Channel Lock-Out	(M)(M)(M)	88.1%
Switching Lock-In	(M)	36.5%
Network Effect	(M)	40.2%
TOTAL MOATS =	17	

BARRIERS TO ENTRY: Washington Post (Print)

Percentile ranks within wRatings national coverage

Moat	2008 Rating	Nat'l Rank
Economies of Scale	(M)(M)	61.0%
Economies of Skill	(O)	0.0%
Cost Containment	(M)(M)(M)	75.0%
Design Dominance	(M)	37.2%
Brand Perception	(O)	0.0%
Routine Reliance	(M)(M)	64.2%
Channel Lock-Out	(M)(M)(M)	88.1%
Switching Lock-In	(M)	36.5%
Network Effect	(M)	40.2%
TOTAL MOATS =	11	

FINANCIAL SOURCE: SEC Edgar, Company Reports

APPENDIX

Terminology

Why Our Ratings Work

Your Competitive X-Ray™

Our Coverage

TERMINOLOGY



Delivery Scores

How well a company performs on each of 12 attributes. Each score is indexed using 100 as the median across all national desires in 2004. A score of 100 indicates the company is delivering fully against consumer expectations. See Desires Scores.

Expectation Scores

How high up consumer expectations and needs are on each of 12 attributes. Each score is indexed using 100 as the median across all national desires in 2004. A score of 100 indicates the company is delivering fully against consumer expectations. See Delivery

Economic Profit (EP)

The difference between return on capital and opportunity cost of capital. We define EP as ROIC minus WACC.

Moat or M Rating

A company's ability to perform above the industry's 65% percentile on a unique set of attributes that define competitive advantage. Moats are barriers to entry companies create to sustain economic profits.

Pricing Power

The percentage more consumers are willing to pay if companies met their expectations. A small gap between Desires and Delivery scores with a high Pricing Power indicates an increasing demand for innovative approaches.

Return on Invested Capital (ROIC)

Return on Invested Capital is a non-standard accounting financial measure that quantifies how well a company generates cash with capital they invest in their business.

Total Moats (TM)

The sum of all moat ratings, which is not a simple count of M's. Companies can receive a negative moat rating if performance is poor.

Weighted Average Cost of Capital (WACC)

Weighted Average Cost of Capital is the required return needed to make an investment worthwhile in which each portion of capital – common stock, preferred stock or debt – is proportionally weighted.

Win or [®] Rating

Similar to a five-star rating system used for hotels, we rate companies 1 through 5 W's, with 5 the most competitive and 1 the least competitive.

Win or W Score

A measurement of a company's ability to earn a consistent profit above their cost of capital and their ability to protect that profit through competitive advantages with consumers.

WHY OUR RATINGS WORK

The Study. Ever since Gary Williams' Macintosh® software company missed the Microsoft Windows® market in the late 1980's, he has been on a quest to discover what truly drives a company's competitive advantage.

The Benchmarks. To see if a company built a sustainable competitive advantage, we started with 2,628 companies and filtered them by market cap and revenue. We then looked for two telltale signs of competitive advantage: 1) High market share and 2) High ROIC. Only 15 companies met the 65th percentile mark or higher for 5 consecutive years.

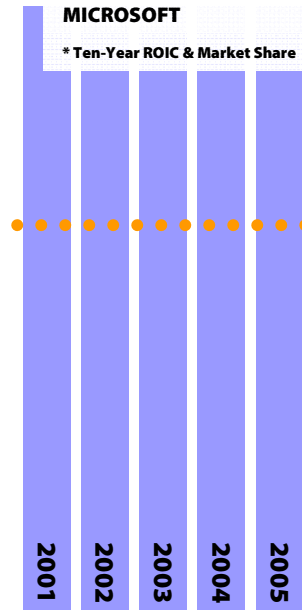
The Moat Makers™. We then wanted to see HOW those top companies built barriers to entry, or moats, to protect their advantages. Using the top 15 companies as a starter set, we analyzed data from 135,000+ consumer interviews to empirically find the nine sources of competitive advantage. We call these companies Moat Makers™.

The Results. Our ratings work because they use a core set of Moat Maker™ algorithms to determine the strength of a company's moat in comparison to industry peers.

THE STUDY & BENCHMARKS

ANHEUSER-BUSCH*
CITIGROUP*
COCA-COLA*
DELL
GLAXOSMITHKLINE
HOME DEPOT
LOREAL
MICROSOFT

MORGAN STANLEY
NOKIA
PEPSICO
TJX COMPANIES
UNITED PARCEL SERVICE
WALGREENS*
YUM BRANDS



1 Market Share

2 ROIC

3 Deliver on Consumer Desires

4 Out-Perform Competitors

Rolling 5-year analysis starting in 1999

THE MOAT MAKERS™



PRIORITIZE SPENDING TO BUILD ADVANTAGES

FROM MAIN STREET TO WALL STREET

Most companies today equate “demand” with “lead” generation so they focus on internal activities such as advertising, PR and marketing materials.

But in order to understand how demand is generated, we must start by examining how consumers buy. Most researchers believe that decisions follow a logical process, where consumers weigh the utility of an offering against their budget to buy (or not buy).

Decisions are far more complex, and require a series of trade-offs between emotional, functional and economic needs. These trade-offs are where companies must create unique sets of advantages that cannot be duplicated by competitors, what we call “moats”. Nine moats exist within three business areas (Supply Chain, Products and Delivery Chain).

The wRatings' **COMPETITIVE X-RAY™** provides a full 9-moat analysis to help companies prioritize their spending needs based on their ability to build competitive advantage.

MAIN STREET DEMAND

How Consumers Buy

EMOTIONAL NEEDS

Trust
Precision
Connection
Variety
Stability

FUNCTIONAL NEEDS

- Products:

Quality
Usefulness

UNIQUENESS

FAIR-PRICE

- Management:

LEADERSHIP
Safety / Low-Risk
Locations
Culture
- Operations:
Competence
Consistency
Simplicity
Time-Sensitivity

CORPORATIONS

How to Build Pricing Power: Competitive Advantage

SUPPLY CHAIN

FAIR-PRICE +
Locations
FAIR-PRICE +
Competence
FAIR-PRICE +
Usefulness

LEADERSHIP +
Quality
LEADERSHIP +
Culture
LEADERSHIP +
Simplicity

PRODUCTS

UNIQUENESS +
Safety
UNIQUENESS +
Consistency
UNIQUENESS +
Time-Sensitivity

DELIVERY CHAIN

SAMPLE AREAS
Manufacturing
Logistics
Business Process

SAMPLE AREAS
Engineering
R & D
Product Lifecycles

SAMPLE AREAS
Sourcing
Customer Relations
Communities

WALL STREET DEMAND

How Markets Evaluated

GROWTH

Sales Revenue
Free Cash Flow
Earnings Per Share
Equity & Book Value

DURABILITY

Market Share
Economic Profit
(ROIC minus WACC)

The wRatings **COMPETITIVE X-RAY™** covers all of the above areas.

OUR INDUSTRY COVERAGE

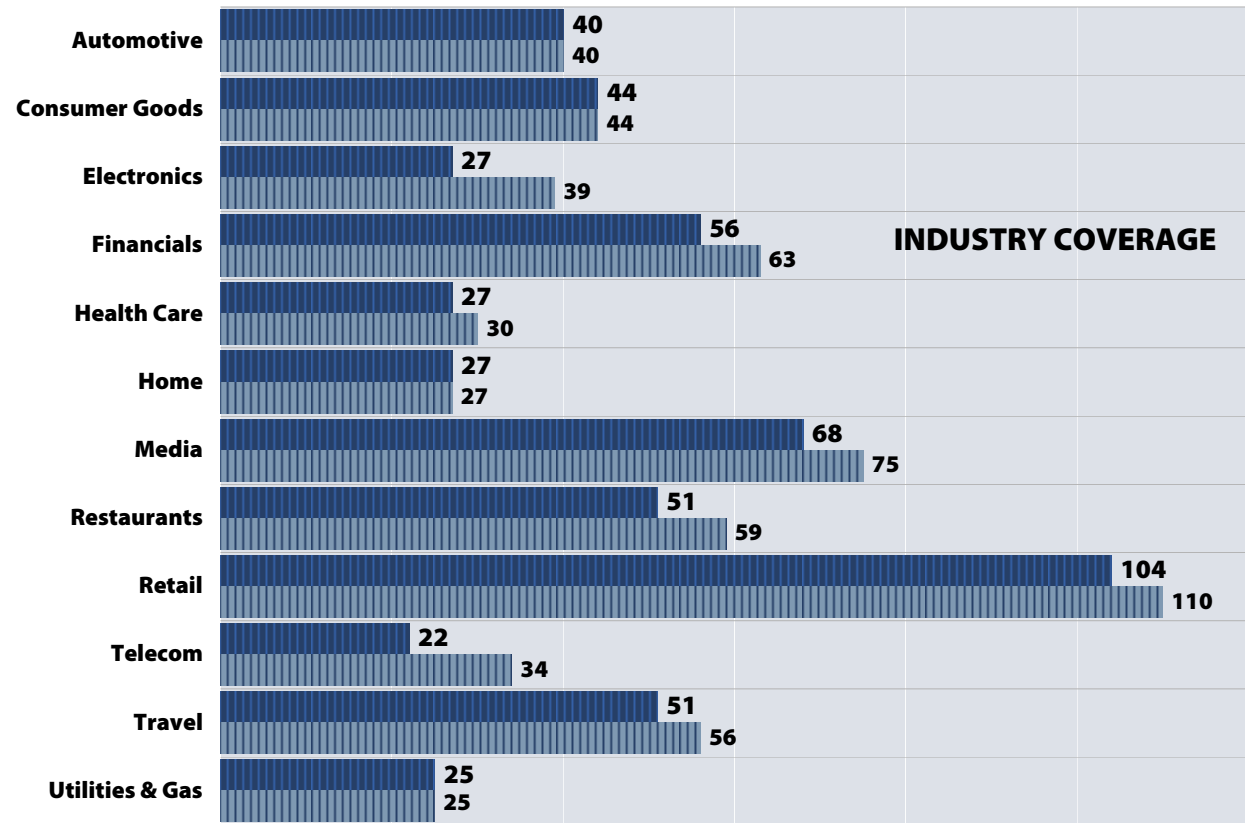
Our research team operates in 90-day increments. During the course of that time, we pre-qualify a panel, conduct interviews with them and analyze the data on each company in our database. Our analyst team then writes and publishes individual reports on many of the companies covered.

Every year, we publish an annual report for each industry.

For a complete listing of the wRatings coverage, go to www.wratings.com.

542 Business Segments in Current Coverage

602 Business Segments in Current + Historical Coverage



INDUSTRY COVERAGE

FOR MORE INFORMATION

ABOUT SAP

SAP is the world's leading provider of business software*. Today, more than 46,100 customers in more than 120 countries run SAP® applications—from distinct solutions addressing the needs of small businesses and midsize companies to suite offerings for global organizations. Powered by the SAP NetWeaver® technology platform to drive innovation and enable business change, SAP software helps enterprises of all sizes around the world improve customer relationships, enhance partner collaboration and create efficiencies across their supply chains and business operations. SAP solution portfolios support the unique business processes of more than 25 industries, including high tech, retail, financial services, healthcare and the public sector. With subsidiaries in more than 50 countries, the company is listed on several exchanges, including the Frankfurt stock exchange and NYSE under the symbol "SAP."

(*) SAP defines business software as comprising enterprise resource planning and related applications such as supply chain management, customer relationship management, product life-cycle management and supplier relationship management.

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