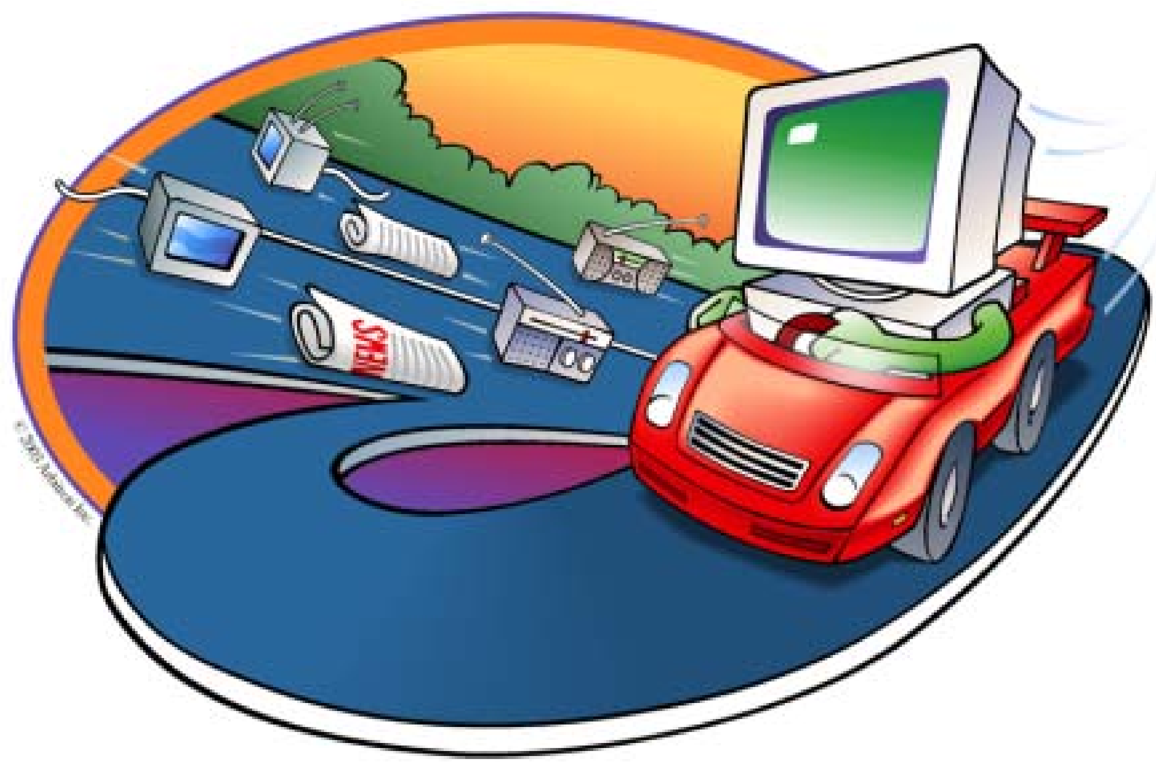
Arbitron/Edison Media Research

Internet and Multimedia 11:

New Media Enters the Mainstream



Presented by:

Bill Rose
Vice President and General Manager
Arbitron Internet Broadcast Services
142 West 57th Street
New York, NY 10019
(212) 887-1327
bill.rose@arbitron.com

Larry Rosin
President
Edison Media Research
6 West Cliff Street
Somerville, NJ 08876
(908) 707-4707
lrosin@edisonresearch.com

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Overview

Welcome to the eleventh Arbitron/Edison Media Research Study of consumer use of digital media, the Internet and Internet broadcasting. This study contains brand-new data from interviews conducted in July 2003. Arbitron and Edison Media Research have conducted these studies every six months since August of 1998. Over the past five years, this research series has become one of the most widely used sources of information on Internet broadcasting, Internet usage and consumer perceptions of media.

In this study, we will explore consumer interest in subscription versus advertising models for Internet broadcasting (or "streaming") and examine awareness, interest and usage of new media such as satellite radio and personal video recorders.

This study shows that the Internet has entered the "mainstream" of usage among Americans. Eighty percent of Americans now have access to the Internet from any location. By comparison, in our first study in 1998 only 31% were online.

Consumption of Internet broadcasting by American consumers is also approaching mainstream status. The estimated number of Americans who watched video online or listened to audio online in the month is now approximately 50 million people. This group, which we call "Monthly Streamies," represents 21% of all persons age 12 and older.

For the first time in our series, we introduce a new dimension of consumer purchase behavior called the "adopter scale." With this scale we classify consumers into five groups based on when people try or buy new products and services relative to their friends and family. We examine these five consumer classifications against interest and usage of new media and consumer entertainment services. In addition, we also introduce the first national consumer shopping profile of Internet broadcast consumers from Scarborough Research, a leader in identifying local, regional and national shopping patterns and media usage for the American consumer.

We have uncovered exciting new promotional opportunities to drive consumers via new media. One example is the surging interest among online Americans in watching movie trailers. Online movie trailers have become a significant promotional opportunity for motion picture studios. This research finds that one out of five of the most frequent moviegoers (those who have watched five or more movies in the past three months) have watched an Internet broadcast of a movie trailer in the past month.

This report outlines key findings detailed in a point-by-point manner and also includes recommendations. In addition, several appendices with detailed data comparisons are included to enhance the reader's understanding of how American consumers use new media and Internet broadcasting.

How the Study Was Conducted

A total of 2,005 people were interviewed to investigate Americans' media exposure, Internet usage and interest in consumer entertainment and services. From July 10 to July 29, 2003, telephone interviews were conducted with respondents age 12 and over chosen at random from a national sample of Arbitron's Spring 2003 survey diarykeepers.

Significant Highlights

- **The percentage of Americans with Internet access in any location (home, work, school, public library) increased to 80%.** This continued increase contradicts many predictions of a plateau in Internet access. Two-thirds of Americans now access the Internet at home, and 72% access the Internet at home or at work. Also, African-Americans and Hispanics continue to experience significant growth in access to the Internet.

- **The estimated number of Americans who have used Internet broadcasts in the past month was 50 million people, as of July 2003.** Twenty-one percent of Americans say they have watched Internet audio or video in the past month. Overall, 45% of Americans (108 million) age 12 and older say they have tried Internet broadcasting at least once.

- **The estimated weekly Internet broadcast audience is 30 million, or 13% of all Americans.** The Internet broadcast audience continues to grow, becoming more of a regular habit among online Americans.

- **The Internet broadcast audience attracts a significant proportion of consumers who are among the first to buy new products and services.** While 11% of Americans consider themselves among the first to buy new products and services, 17% of the people who watched or listened to an Internet broadcast in the past week fall into this highly desirable, early-adopter category.

- **By a significant 2-to-1 margin, Internet broadcast consumers say they prefer programming with commercials versus paid subscription models.**

- **Three in five people who have watched online video say they "would not mind" a short commercial playing prior to an online movie trailer.** This represents a valuable promotional vehicle for the movie studios and a promising advertising opportunity for Internet broadcasters.

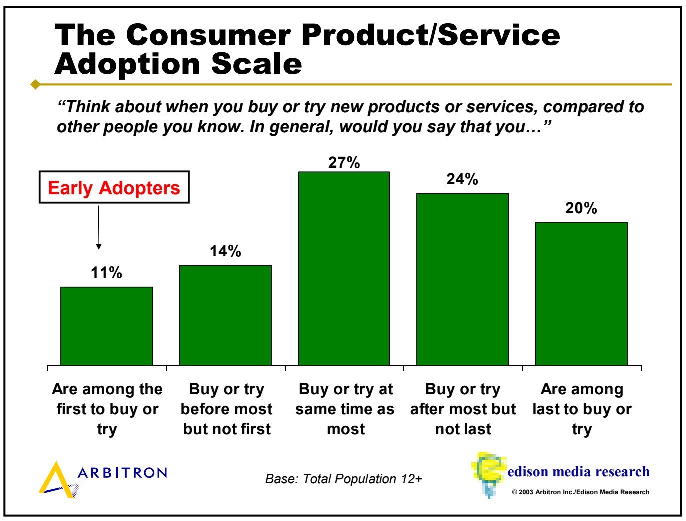
Key Findings

A. Consumer Product/Service Adoption

1. **Eleven percent of Americans say they are among the first to try new products and services.** With this new study, we introduce a method to analyze consumer purchase behavior called the "adopter scale." Everett M. Rogers[1] introduced the adopter scale in the marketing field in the early 1960s to understand how product trial and usage are influenced by the period when consumers tend to buy new products or services.

   We have fresh new research that classifies today's consumers into five groups, based on when people try new products and services relative to their friends and family. The figures in parentheses represent the percent of Americans age 12 and older in the respective category.

   - People who are **among the first** to buy or try new products or services (11%)
   - People who buy or try products or services **before most** but not first (14%)
   - People who buy or try new products or services at **same time as most** (27%)
   - People who buy or try new products or services **after most** but not last (24%)
   - People who are **among the last** to buy or try new products or services (20%)

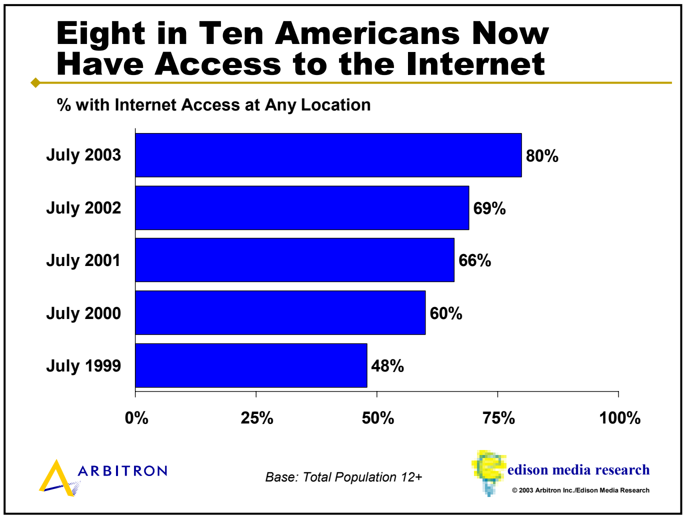


   We will call people who are among the first to buy or try new products or services "***early adopters***." Throughout this study we will evaluate early adopters against interest and usage of new media and consumer entertainment services. Also, see Appendix D for a consumer profile based on product/service-adoption tendencies.

[1] Everett M. Rogers, *Diffusion of Innovations*, (New York: Free Press, 1962).

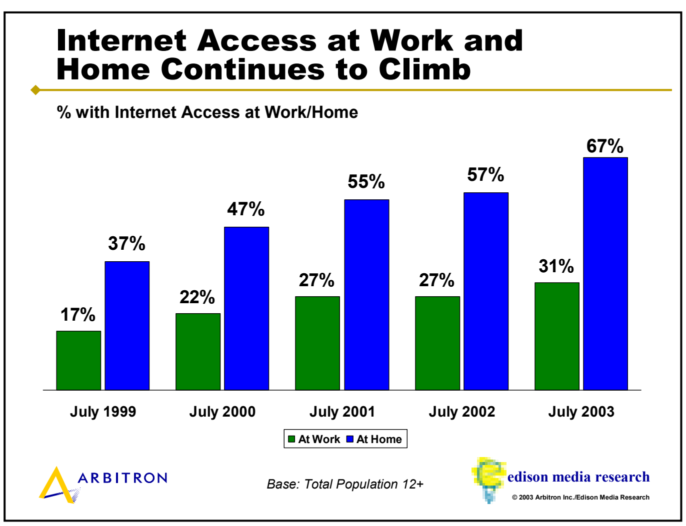
B. Internet Usage

2. **Eighty percent of all Americans now access the Internet in any location.** In July 1999, less than half of Americans (48%) age 12 and older had access to the Internet. In just four years the Internet has reached the "mainstream." Now, four out of five Americans are online. This includes those who access the Internet at home, work, school or at a library.

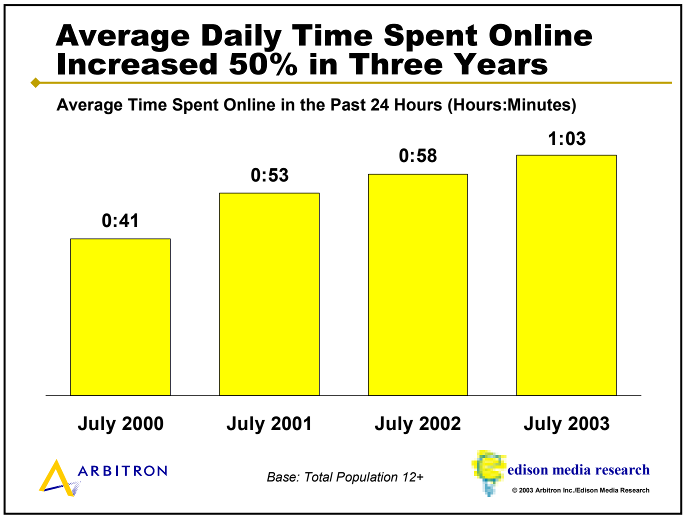


3. **Internet access grew 5% in just six months.** In prior studies, we had theorized that Internet penetration would plateau at approximately 70% to 75% of all Americans. From January to July 2003, U.S. Web access from any location grew from 75% to 80%.

4. **Internet access at home and at work continues to grow.** Access to the Internet at work increased in the last 12 months after two years of relatively modest growth. In addition, access to the Internet at home continues to grow. In July 1999, 37% of Americans had Internet access at home. Now, two-thirds of Americans have at-home Internet access (67%).

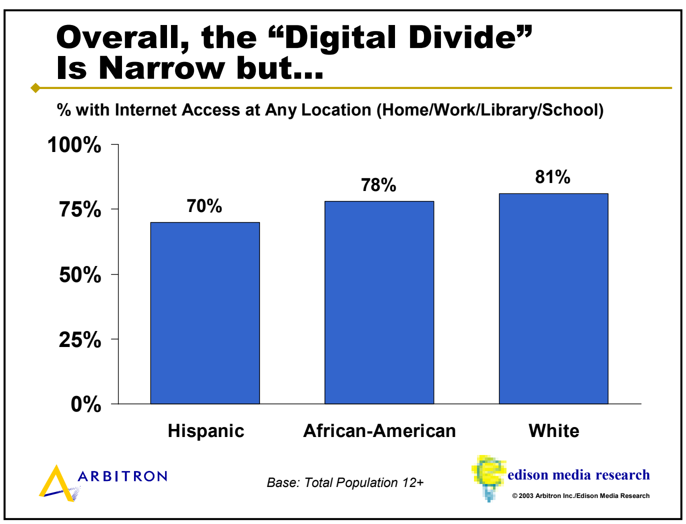


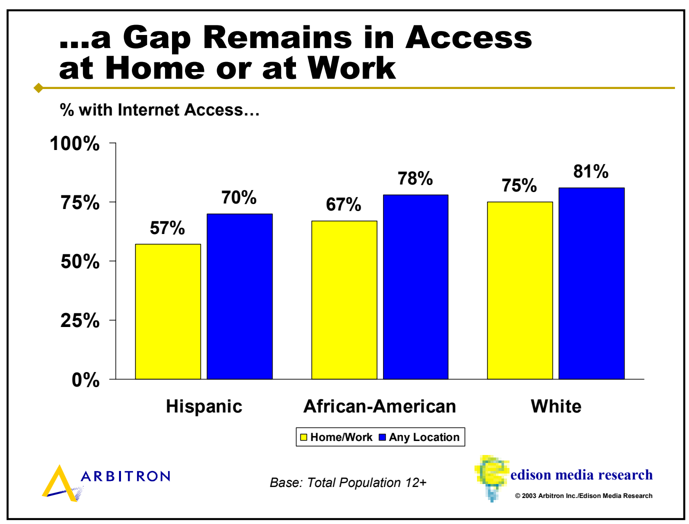
5. **Americans are spending an increasing amount of time online each day.** Over the past few years, the estimated time consumers spend online in the past 24 hours increased from 41 minutes a day in July 2000 to 1 hour 3 minutes in July 2003. Over the same period, the Internet has seen significant gains in the number of new users. It is interesting to note that despite this constant influx of new users, average daily time spent online continues to grow.



6. **There is an "Education Gap" in regards to Internet access.** Ninety percent of those with four years or more of college have Internet access, compared to only 61% of those with a high school education or less.

7. **The "Digital Divide" continues to narrow but a gap still remains.** Eighty-one percent of whites have access to the Internet from any location, compared with 78% of African-Americans and 70% of Hispanics. However, when we examine Internet access at either home or work, we continue to see a gap in combined access among whites (75%), African-Americans (67%) and Hispanics (57%).





8. **Public libraries and schools/universities have made the Internet more accessible to African-Americans and Hispanic-Americans**. Higher proportions of African-Americans and Hispanics access the Internet at schools and libraries than whites. Thirty-two percent of African-Americans access the Internet in public libraries, versus 27% of Hispanics and only 18% of whites. We see the same pattern with access to the Internet in schools. Thirty-one percent of African-Americans access the Internet in schools, compared with 35% of Hispanics and only 21% of whites.

9. **Three-quarters of Americans live in households that have at least one personal computer.** Five years ago, in August 1998, only half of all Americans lived in homes with a PC. Now, three-quarters of Americans live in homes with a personal computer. Seventy-seven percent of whites live in households that have a personal computer, compared to 67% of African-Americans and 65% of Hispanics.

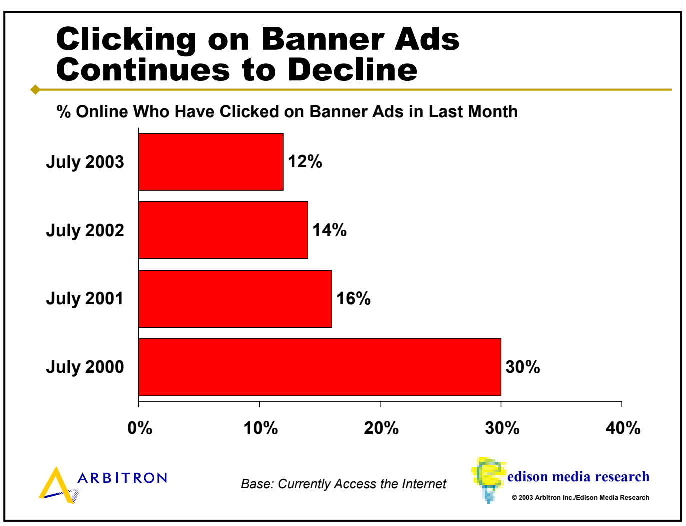
   The presence of a PC in the home is closely correlated with the age of the consumer. Among 12- to 54-year-olds, 80% have a computer in the household. The presence of a PC in the home drops to 69% among 55- to 64-year-olds, and only 43% among those age 65 and older.

10. **The number of multi-PC households is growing.** From January 2002 to July 2003, the proportion of households with two or more computers increased from 24% to 30%. Forty-five percent of early adopters own more than one PC.

11. **As multi-PC homes increase, so does the use of home networking.** Currently, an estimated 28 million Americans (12%) say they have a home network connecting the computers in their homes. More than one in five (22%) early adopters have a home network.

C. Online Advertising and Purchases

12. **Fewer online Americans have clicked on Web site banner advertising in the past month.** The proportion of those online who have clicked on banner ads in the last month has declined steadily since summer 2000. As of July 2003, the percent of online Americans who have clicked on banner ads in the past month is less than half of what it was at its peak.



13. **Nearly two-thirds of those online say pop-up advertising is the most annoying type of advertising on the Internet.** When given the choice of Internet advertising such as pop-up ads, e-mail, commercials before or during Internet audio and video content, and Web site banner ads, online Americans say that pop-up ads are the most annoying by more than a 6-to-1 margin over any other type of Internet ad.

Most Annoying Types of Internet Advertising
Base: Access the Internet from Any Location

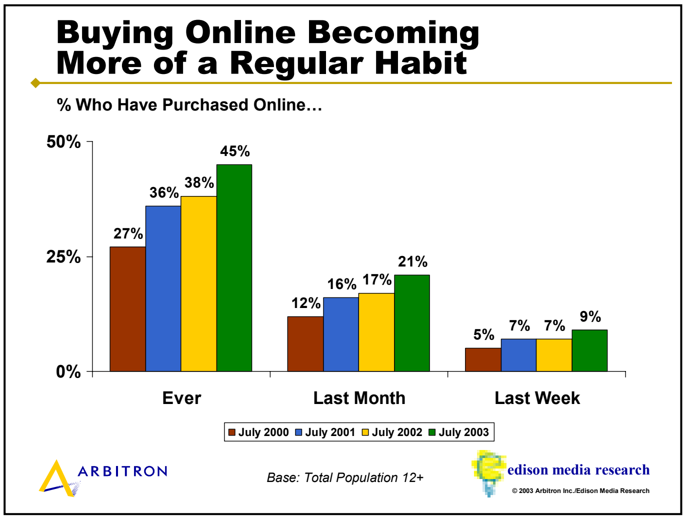
Pop-up advertisements	65%
E-mail from an advertiser	9%
Commercials during Internet audio or Internet video content	3%
Web site banner ads	3%
Commercials before Internet audio or Internet video content	2%

14. **Annoyed by Internet advertising, Americans have begun equipping themselves to block intrusions.** Among those with Internet access at home, 34% use programs to block spam or junk e-mail, 25% have software to eliminate pop-up advertising, and 16% say they use programs to eliminate banner ads.

Currently Use a Program on Home Computer to Block…
Base: Access the Internet from Home

Spam or junk e-mail	34%
Internet pop-up advertising	25%
Internet banner advertising	16%

15. **The number of Americans who make purchases over the Internet continues to increase.** Forty-five percent of all Americans indicate that they have made at least one purchase online. Twenty-one percent say they have made a purchase in the past month, and 9% of Americans say they have made a purchase in the past week.

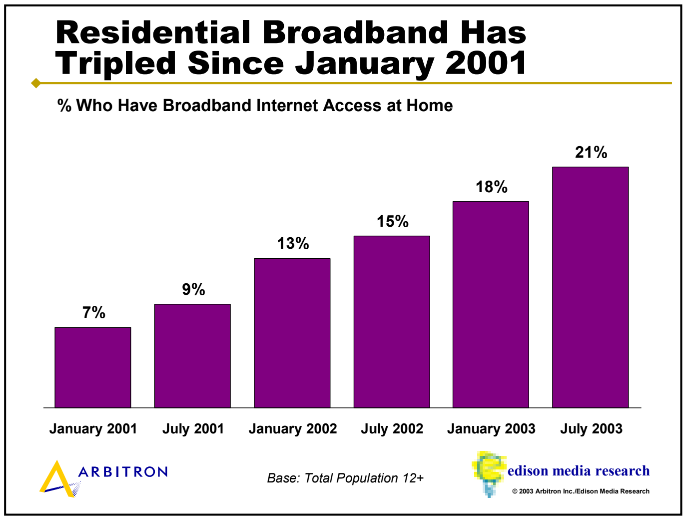


While the number of Americans buying online has risen steadily since 2000, the amount spent online in the past year by those buying online has declined. As of July 2003, those who have made a purchase over the Internet estimate that the average amount they spent online in the past year was $568, down from an average of $595 one year ago, and much lower than the peak of $702 in July 2001.

16. **An estimated 85 million Americans have booked hotels or bought airline tickets through the Internet for their personal travel needs.** Overall, 36% of all Americans say that they have used the Internet to book a hotel or airline ticket for personal travel. Twelve percent say they have booked a hotel room or bought an airline ticket online for their business travel needs. On average, Americans have taken 1.2 airline round trips in the past year. People who have booked a hotel or bought an airline ticket online for personal travel have taken 1.9 round trips, and those who have booked online for business have taken nearly three times the average number of round trips (3.4).

D. Broadband

17. The number of Americans with residential broadband Internet access has tripled since January 2001. Americans continue to sign up for fast Internet broadband connections. In January 2001, 7% of all Americans indicated they had broadband Internet access at home. That figure has risen steadily to 21% of all Americans as of July 2003. One-third of early adopters live in homes with residential broadband.



18. More Americans with residential broadband access have cable modem connections (57%) versus DSL (37%). Since January of this year, the proportion of those with DSL broadband has increased slightly, from 34% to 37%, while the proportion of those with cable modem access has decreased slightly, from 59% to 57%. It is possible that aggressive marketing by DSL providers has resulted in a slight increase in market share.

19. Consumers with residential broadband spend more time with the Internet and less time with other media than people who live in homes with dial-up access. As the chart below indicates, people in households with broadband spend two hours online in the typical day. They spend less time with television, radio and newspaper than people who live in homes with dial-up Internet access.

Media Daily Time Spent
Base: Access the Internet from Home

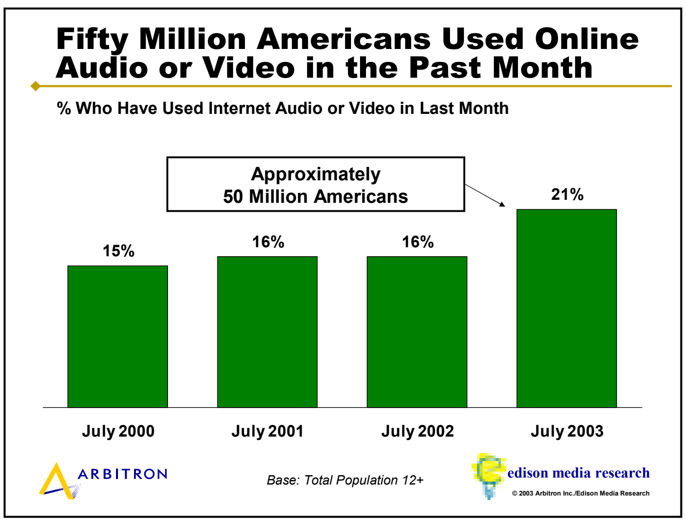
	Dial-Up	Broadband
TV	3:03	2:45
Radio	2:43	2:23
Newspaper	0:40	0:11
Internet	1:16	2:00

20. **One out of six Americans plans to convert from dial-up access to broadband.** The growth of residential broadband access is likely to continue. Sixteen percent of those with dial-up or no Internet access at home say they intend to subscribe to broadband in the coming year.

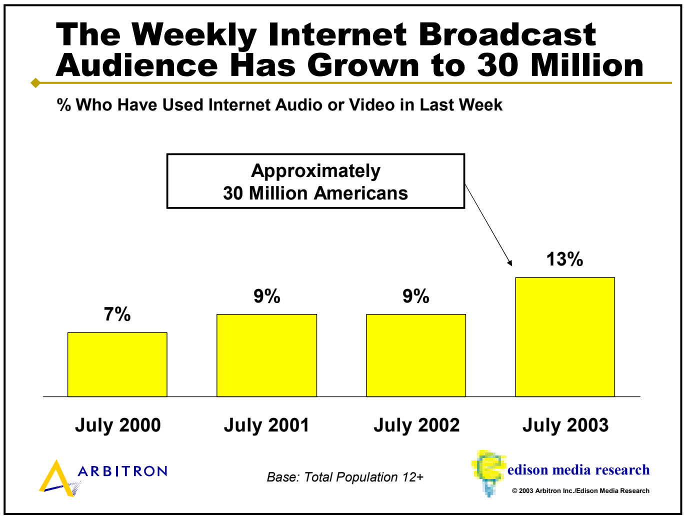
E. Internet Broadcasting (Streaming)

21. **The number of Americans who have tried Internet audio or video today is comparable to the total number of Americans online in the late '90s.** In summer 1999, 42% of all Americans were online. This is roughly the same proportion of Americans today (45%) who have ever tried Internet audio and video, as of July 2003. What was a novelty five or six years ago has now become significantly more "mainstream," with an estimated 108 million Americans, defined as Streamies, having ever tried Internet audio or video broadcasts.

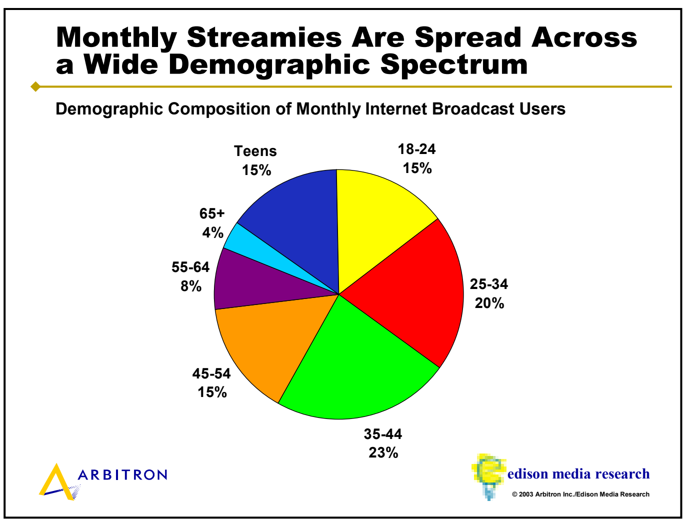
22. **More than one in five consumers (approximately 50 million Americans) have used Internet audio or video in the past month.** The number of Monthly Streamies has grown substantially in the last two years. From July 2000 through July 2002, the proportion of Americans who have tuned to Internet audio or video in the past month ranged around 15% to 16%. In July 2003, this figure rose to 21% of Americans.



23. **The weekly Internet broadcast audience has grown from approximately 16 million in July 2000 to 30 million in July 2003.** Several years ago, only a small percentage of consumers indicated they listened to or watched Internet broadcasts in the past week. Now, 13% of the U.S. can be classified as Weekly Streamies (approximately 30 million Americans).



24. **The profile of Americans who have used Internet audio or video in the past month is spread across a wide demographic spectrum from 12 to 54.** Persons 35-44 are the demographic segment with the largest concentration of monthly users of Internet broadcasting (23%). This is followed by Persons 25-34 (20%), 12-17 (15%), 45-54 (15%) and 18-24 (15%). Monthly Streamies profile somewhat higher male (57%) than female (43%).



25. **Internet broadcast consumers prefer advertising to a variety of subscription models by a wide margin.** The longstanding model of free compelling programming with advertising to support it still rules the day with consumers. Internet audio and video users were given the choice of three different business models, ranging from free programming with commercials, a small monthly fee with fewer commercials, or a higher monthly fee with no commercials. Nearly six in 10 Internet audio and video users say they prefer no monthly fee with commercials.

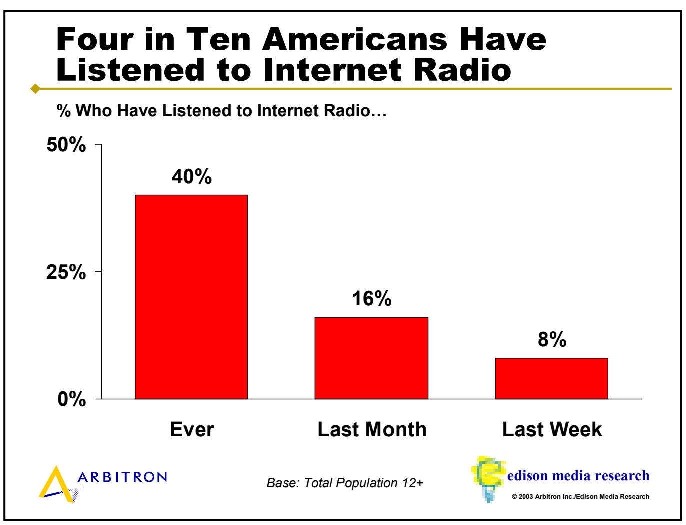
Thinking About the Online Station You Listen To/Watch Most… Which Appeals to You Most?

Base: Audio and Video Streamies

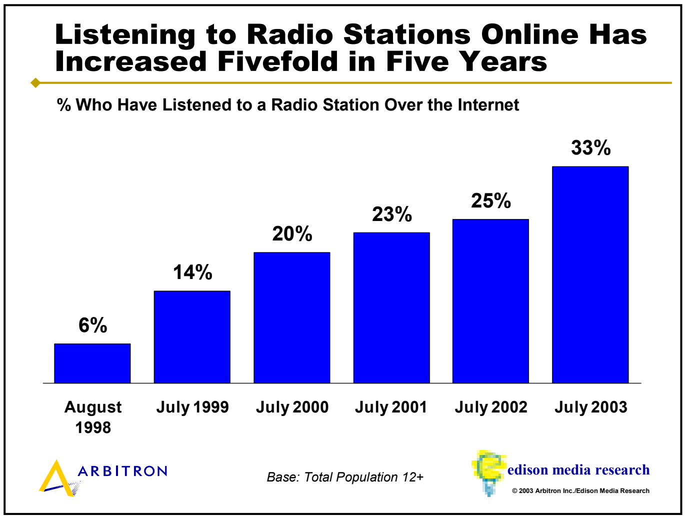
	Audio Streamies	Video Streamies
Paying no monthly fee for programming with SEVERAL commercials per hour	61%	59%
Paying a small monthly fee for programming with FEWER commercials per hour	14%	20%
Paying a higher monthly fee for programming with NO commercials	14%	12%

F. Internet Audio

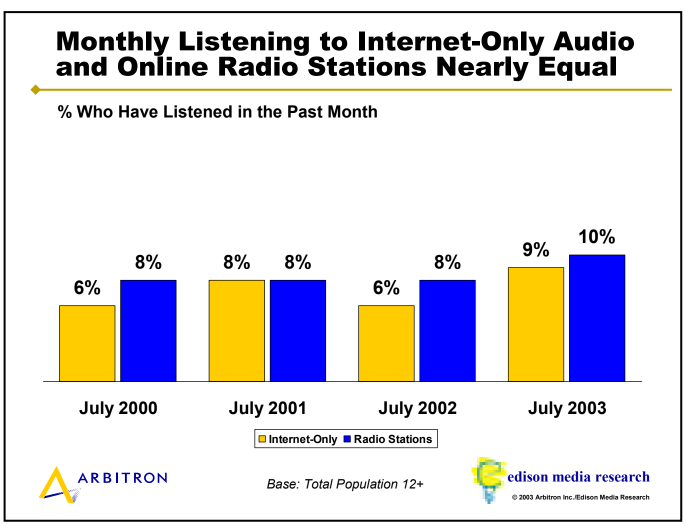
26. **Four in 10 Americans have listened to Internet radio.** Forty percent of Americans have ever listened online to broadcasts of over-the-air radio stations or stations with programming available only on the Internet. Sixteen percent have listened to Internet radio in the past month, and 8% have listened in the past week.



27. **Listening to radio stations online has increased fivefold in five years.** In 1998, 6% of Americans had ever listened to rebroadcasts of over-the-air radio stations on the Internet. As of July 2003, 33% have listened to rebroadcasts of radio stations online. Ten percent have listened to radio stations online in the past month, and 5% have listened online in the past week.



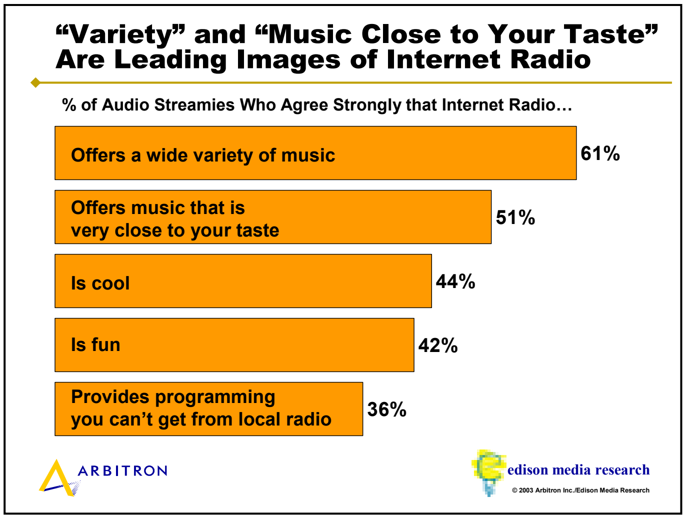
28. **The number of Americans listening to sources of programming available only on the Internet has rebounded.** Over the last five years, the proportion of those Americans who listen to traditional radio stations online has generally exceeded those who have listened to Internet-only sources. In the summer of 2001, the number of people who listened to radio stations online in the past 30 days was quite close to the number of listeners tuning to Internet-only sources in that same period. In 2002, more people listened to radio station rebroadcasts as many Internet-only broadcasters went offline due to digital-rights controversies and toughening economic conditions. In 2002, AOL introduced its Radio@AOL and broadband service with a significant marketing push. At the same time, Yahoo! was strengthening its Internet broadcast capabilities under its Launch brand. In July 2003, nearly the same number of people listened to radio station rebroadcasts in the past 30 days as those who have tuned to stations originating online.



29. **People who listen most often to over-the-air contemporary radio formats such as Alternative Rock, Urban, Contemporary Hit Radio and Public Radio are most likely to listen to Internet audio broadcasts.** The chart below indicates the percentage of first preference radio listeners (sometimes called P1 or core listeners) who tune to Internet audio on a monthly basis.

Percent of Format Partisans Who Listened to Internet Audio in the Past 30 Days	
CHR	26%
Public Radio	22%
Alternative Rock	20%
Urban	18%
Religious	18%
News/Talk	18%
AOR	17%
AC	15%
Other	13%
Country	13%
Oldies	11%
MOR/Big Band	8%
Jazz	7%
Classical	7%
Spanish	6%

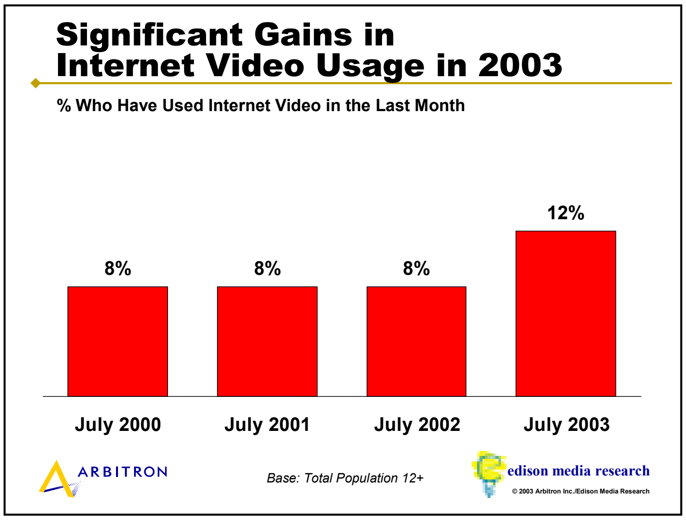
30. **"Variety of music," "music that meets personal tastes," "cool" and "fun" are images that people who listen to Internet radio associate with the medium.** Audio Streamies were asked to "agree strongly," "agree not that strongly," "disagree not that strongly" or "disagree strongly" with a series of statements about Internet radio. The graph below shows the leading images and perceptions associated with Internet radio.



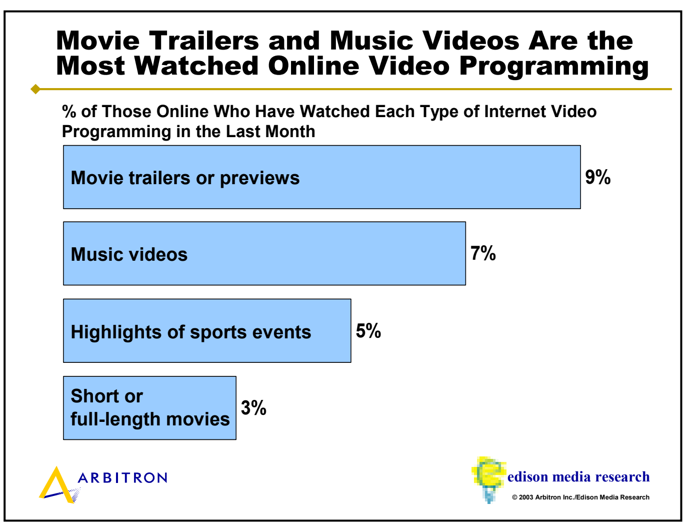
31. **Over two-thirds of Internet audio listeners see the medium as simply another form of radio.** During the late '90s, some advocated that Internet audio was an entirely different and unique media experience that "will replace radio as we know it." Consumers clearly think otherwise. Over two-thirds of people who listen to Internet audio agree that it is "just another form of radio rather than something new and different from radio." To most consumers, radio is radio whether it comes out of car speakers, stereo speakers or computer speakers.

G. Internet Video

32. The Internet video audience experienced significant gains in 2003. From January 2000 to early 2003, an average of 8% of all Americans watched some form of Internet video in the past month. In July 2003, the monthly Internet video audience grew to 12%. There are a number of potential explanations for the gain in the Internet video audience. One is the continuing growth in the number of Americans with residential broadband Internet access. The second is that war in Iraq in early 2003 may have also provided a significant catalyst for increased tuning to Internet video. Additionally, well-known consumer brands such as ESPN have introduced well-marketed efforts to present compelling Internet video content to consumers.



33. Movie trailers and music videos are the most watched types of online video programming. Our research has consistently found that movie trailers and music videos are the most watched types of online video programming. As online video increases in popularity, it will become more important to track regular usage of the most popular forms of online video programming. For this reason we have begun tracking the monthly audience for different types of online videos.



H. The Buying Power of the Internet Broadcast Audience

34. **Internet broadcasting is a strong media vehicle for reaching early adopters.** Twenty percent of early adopters have tuned to Internet broadcasts in the past week. In addition, the weekly Internet broadcast audience is more than 50% more likely to be early adopters than the total population. Overall, 11% of U.S. consumers are early adopters, compared to 17% of those who have tuned to an Internet broadcast in the past week.

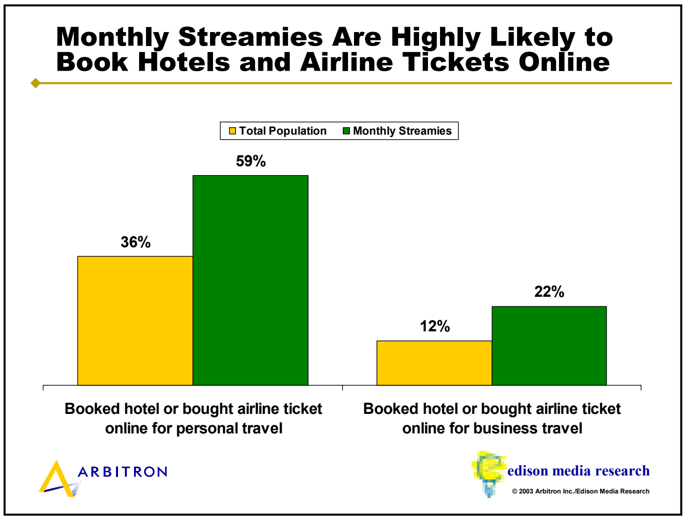
35. **Internet broadcast consumers represent a highly valuable audience, in terms of consumer buying power.** Newly released data from Scarborough Research reveal the impressive buying power of the Internet broadcast audience. Over the last year, Scarborough Research has introduced Internet broadcasting into its national survey of 200,000 consumers. Below, we have included some highlights of the consumer shopping data from Scarborough, including an index of buying power.

    The index compares buying and shopping patterns of Internet broadcast consumers to the country overall. An index of 100 indicates that the Internet broadcast consumer shows virtually the same buying and shopping patterns as the country overall. An index of over 100 indicates the Internet broadcast consumer is more likely than the norm to buy a product or service. As an example, the monthly Internet broadcast consumer has an index of 178 for purchasing items at Best Buy in the past month. This indicates that those consuming Internet audio and video in a typical month are 78% more likely to have made a purchase at Best Buy in the past month than the typical consumer.

Scarborough Profile of Selected Categories
Monthly Internet Broadcast Users
Source: Scarborough USA Plus, Release 2, 2002 (12-month)

Category	Buying Power Index
Bought computer hardware on the Internet in the past year	360
Household plans to upgrade PC hardware (CPU, monitor, etc.) in next year	234
Shopped Amazon.com for books/book items in past 3 months	231
Took 10+ business round-trips by air in continental U.S. in past year	218
Household has/uses home computer banking	216
Spent $1,000+ on men's business clothing in past year	209
Participated in computer hardware/software purchasing decisions in company	192
Household plans to buy digital camera in the next year	184
Purchased items at Best Buy in past month	178
Drank any imported beer in the past week	158
Household plans to buy a new sport utility vehicle next year	151
Occupation is executive, administrative, or managerial	144
Highest education level: postgraduate degree	141
Market value of owned home is $500,000+	131

36. **Monthly Streamies are far more likely to book hotels and buy airline tickets online.** Thirty-six percent of Americans say that they have used the Internet to book a hotel or airline ticket for personal travel. Among monthly Internet broadcast consumers, the proportion of those who use online travel services is significantly higher. Nearly six out of 10 Monthly Streamies have booked a hotel or bought an airline ticket on the Internet. Also, more than two out of five monthly Internet broadcast consumers have booked a hotel or airline ticket for business travel.



37. **Weekly Streamies own one and a half times more DVDs than the average.** For the general population, the average number of DVDs owned is 14, compared to Weekly Streamies, who own an average of 24 DVDs.

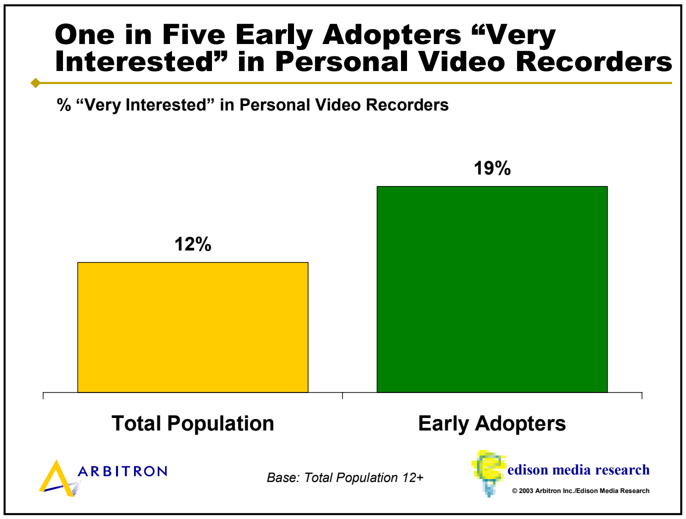
I. Satellite Media

38. **Satellite television has grown over the last three years.** Although there are nearly three times as many cable subscribers (62%) as satellite television subscribers (22%), satellite television has shown steady growth over the last three years. In July 2001, 18% of Americans subscribed to satellite television. That increased to 19% in July 2002 and 22% in July 2003.

39. **Americans continue to be intrigued by the concept of satellite radio.** Eight percent of Americans say they have high interest in the notion of satellite radio. This represents a potential market of 19 million people. Aided awareness of the XM Satellite Radio service has remained consistent over the past year at 37%. Sirius Satellite Radio has seen a significant gain in aided awareness from 8% in January 2002 to 24% in July 2003. Despite these gains in awareness, less than 2% of all Americans say they currently subscribe to either of the two satellite radio services.

J. New Digital Devices and New Media Technologies

40. One in eight Americans are "very interested" in the concept of personal video recorders. Personal video recorders (PVRs) have gotten a lot of press and attention in the past several months. PVRs are devices that "learn" your viewing preferences and automatically record many dozens of hours of programs for playback at any time. Twelve percent of Americans (approximately 28 million) say they are "very interested" in the concept of the PVR. Personal video recorders are hot with early adopters, with nearly one in five reporting being "very interested" in PVRs.



Fifty-two percent of all Americans say they have heard of "TiVo," the most well-known personal video recorder brand name. Approximately 2% of Americans say they currently own a TiVo, and about 4% indicate they plan to purchase a TiVo unit in the future.

41. Nearly two-thirds of consumers now have a DVD player. DVD players were introduced to consumers only about seven years ago. Today, 62% of Americans say they currently own a DVD player. It appears that DVD collections are growing rapidly as the average person says that they own approximately 14 DVDs and they have purchased an average of six DVDs in the past year. Early adopters got DVD players sooner than the rest of the population and, therefore, it is not surprising that they own far more DVDs (31) than the general population.

42. Wireless high-speed Internet access, sometimes called Wi-Fi, shows limited awareness and interest among the total population. Despite substantial coverage in business publications, only 20% of Americans say they are familiar with Wi-Fi. Of those who are aware of Wi-Fi, only 9% are "very interested" for personal or business use. Early adopters are more interested, with 15% "very interested" in Wi-Fi for personal use and 16% "very interested" for business use.

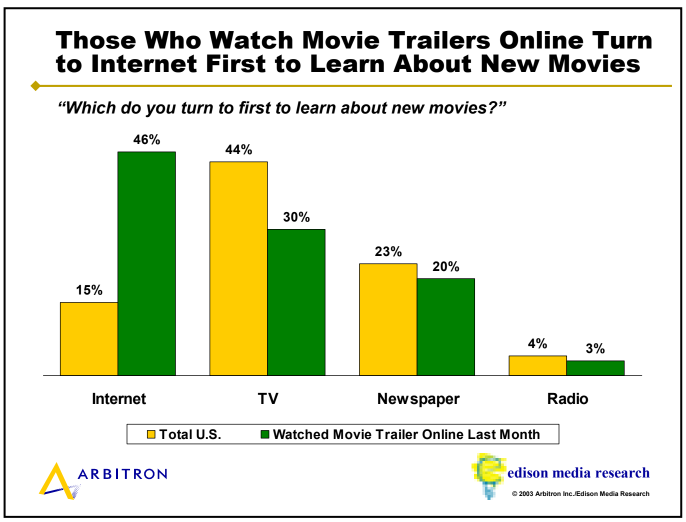
K. Moviegoing and the Internet

43. **The more movies a consumer sees, the more important the Internet becomes as a source for information about new movies.** The recently released *Arbitron Cinema Advertising Study* revealed that heavy consumers of outdoor media are also heavy moviegoers. In our current study, we find that the Internet becomes a vital source of information about the movies, among those who go to movies the most.

    When consumers were asked where they turn to first to learn about new movies, those having seen only one movie in the previous three months (light moviegoers) were more likely to mention television (49%) and newspapers (27%) than the Internet (13%). The Internet rises in importance among the most active group of moviegoers (those who have seen five or more movies in the previous three months), with 30% saying they turn to the Internet to learn about new movies.

44. **Approximately 17 million Americans say they watched a movie trailer over the Internet in the past month.** The 7% of Americans who have watched online movie trailers in the past month are a highly valuable group of consumers to the movie studios. Overall, 13% of Americans say they have gone to five or more movies in the past three months, yet 45% of those who regularly watch online movie trailers have done so.

45. **Consumers who watch online movie trailers are far more likely to turn to the Internet first for information about new movies.** Fifteen percent of the total population turn to the Internet first for information about new movies. However, 46% of those who have watched movie trailers on the Internet in the past month turn to the Internet first to learn about new movies.



46. **People who watch movie trailers on the Internet represent a significant source of potential advertising revenue.** Our five years of research on Internet consumers has consistently shown that people are willing to watch or listen to commercials in exchange for compelling content. Today, movie trailers are among the most watched Internet video content. Six out of 10 Internet video consumers agreed that they "wouldn't mind" seeing a brief commercial before a movie trailer begins. This represents a significant source of potential advertising revenue for Internet video providers.

L. Media Web Sites

47. **More people have visited newspaper Web sites in the past month than those who have visited television and radio Web sites.** Among all Americans, 28% say they have visited a newspaper Web site in the past month. Twenty-two percent say they have visited a television Web site, and 16% say they have visited a radio station Web site in the past month.

48. **Format partisans of contemporary formats such as Alternative, Contemporary Hit Radio, Album Rock and Public Radio are most likely to visit their favorite station's Web site.**

Percent of Format Partisans Who Visited the Web Site of the Station They Listen to Most in the Past Month	
Alternative Rock	28%
CHR	20%
AOR	17%
Public Radio	15%
AC	14%
News/Talk	14%
Urban	13%
Religious	13%
Classical	13%
Country	11%
Spanish	11%
Jazz	10%
Oldies	4%

Recommendations

1. **Internet broadcasting is entering the mainstream, and the industry needs to renew its commitment to ad sales.** Consumers are watching and listening to Internet broadcasts in impressive numbers. In this study we learned that when presented with various types of business models, consumers prefer free, ad-supported programming versus subscription by an overwhelming margin. It is time for Internet broadcasting to get out in front of advertisers and agencies with a new, focused and professional sales effort that talks about the value of this audience.

2. **Advertisers should use Internet broadcasting to reach upscale and technology-savvy consumers.** Our prior research revealed the "buying power" of Internet broadcast consumers, and this year's study provides further compelling evidence. Internet broadcasting is a valuable medium for companies that are seeking to get consumers to their Web sites, such as online travel sites (Expedia or Travelocity) or online DVD rental sites (Netflix). Also, the medium reaches a tech-savvy audience that is highly likely to be in the market for new digital devices, computers, computer peripheral devices, home networks, etc. Dell Computer, Nikon Digital Cameras, and CompUSA are examples of the brands that could benefit from Internet broadcast advertising.

3. **Advertisers would be wise to use Internet broadcasting as a means to get their message noticed online without annoying the customers they are trying to influence.** Consumers have strongly expressed their irritation with spam, pop-up and banner ads, and many are currently using special software to completely block these ads from their online experience. Imagine the state of the TV advertising industry if 25% of the viewing audience could skip all commercials aired. Internet broadcast commercials are not affected by ad-blocking software and remain an effective online advertising platform.

4. **Advertisers should use Internet broadcasting to reach early adopters.** Early adopters are a valuable target audience, because they are opinion leaders who often influence others. If an advertiser makes a positive impression on this leading-edge consumer segment, the early adopters might help spread the word. People who have tuned to Internet broadcasts in the past week are one and a half times more likely to be these important early adopters.

5. **Movie studios in particular should promote their new movies using Internet broadcasting.** Online movie trailers are an exceptionally compelling advertising vehicle because the people who have watched online trailers see far more movies than the average consumer. Also, people who saw five or more movies in the past few months turn first to the Internet for information about the movies. Therefore, the movie studios should adjust their media plans to place more emphasis on the Internet.

6. **Internet video broadcasters should play commercials before movie trailers.** Consumers who watch movie trailers online are a highly valuable audience for the movie studios and video Streamies say they "wouldn't mind" seeing a brief commercial before the trailer.

7. **Companies pursuing an audio Internet broadcast strategy should stop positioning themselves as something other than radio**. Consumers tell us that they perceive Internet audio to be another form of radio, rather than something new or different from radio. In prior studies, we also found that contrary to the opinions of a vocal few, consumers are not dissatisfied with radio. Therefore, Internet audio broadcasters should not position themselves as the "anti-radio."

   The same logic applies to the advertising arena. Internet broadcasting should be a complement to national radio buys—think of it as "Radio Plus." The "Plus" is the unique and highly desirable upscale, tech-savvy, early-adopter audience. The "Plus" is the ability to have your spot heard by a national audience with superior accountability. The "Plus" is having a new, uncluttered broadcast medium to showcase your product.

8. **Internet radio should promote its strongest images of variety and music close to consumers' tastes**. Internet radio should promote and highlight its strongest images: the variety of music online and music that is close to the consumers' tastes. These are the impressions that have cut through in consumers' minds about the medium. The industry also needs to develop elements that help radio stations differentiate themselves from each other, such as the distinctive production character or sound of the station. In addition, Internet radio stations should continue adding "air personalities" to help make them sound less like a jukebox.

Appendix A

The Current State of Internet Broadcasting (Streaming)

July 2003

Streamies—Those who have ever listened or watched online

- 108 million Americans
- 45% of U.S. population 12+
- 57% of those online
- 39% have broadband Internet access at home
- 1 hour 42 minutes per day of total time spent online

Monthly Streamies—Those who have listened or watched online in the last month

- 50 million Americans
- 21% of U.S. population 12+
- 27% of those online
- 50% have broadband Internet access at home
- 2 hours per day of total time spent online

Weekly Streamies—Those who have listened or watched online in the last week

- 30 million Americans
- 13% of U.S. population 12+
- 16% of those online
- 57% have broadband Internet access at home
- 2 hours 22 minutes per day of total time spent online

Appendix B

Profile of the U.S. Population, Internet Users and Streamies

	U.S. Population	Internet Users (80% of U.S. Population)	Total Streamies (45% of U.S. Population)	Last-Month Streamies (21% of U.S. Population)	Last-Week Streamies (13% of U.S. Population)
Demographics					
Men	46%*	48%	52%	57%	60%*
Women	54%	52%	48%	43%	40%
12–17	10%	12%	15%	15%	12%
18–24	10%	11%	15%	15%	16%
25–34	16%	17%	20%	20%	22%
35–44	19%	20%	21%	23%	24%
45–54	18%	19%	16%	15%	12%
55–64	13%	12%	8%	8%	9%
65+	14%	8%	4%	4%	4%
Employed part/full time	58%	63%	65%	67%	68%
Retired	16%	10%	5%	5%	5%
Student	12%	14%	17%	16%	14%
Homemaker	8%	7%	6%	4%	5%
Unemployed	5%	8%	5%	5%	6%
$50K+ HH income	37%	44%	50%	54%	52%
White	81%	76%	73%	72%	72%
African-American	10%	10%	11%	10%	10%
Hispanic/Latino	9%	8%	9%	9%	7%
Media time spent per day					
TV	3:20	3:07	3:05	2:51	2:33
Radio	2:39	2:41	2:44	2:46	2:37
Newspaper	:38	:37	:36	:37	:34
Internet	1:03	1:17	1:04	2:00	2:22
Total media time spent	7:40	7:43	8:07	8:14	8:01

continued…

***How to read:** Forty-six percent (46%) of the U.S. population age 12 and older are male vs. 60% of those who have streamed in the past week.

Profile of the U.S. Population, Internet Users and Streamies (continued)

	U.S. Population	Internet Users *(80% of U.S. Population)*	Total Streamies *(45% of U.S. Population)*	Last-Month Streamies *(21% of U.S. Population)*	Last-Week Streamies *(13% of U.S. Population)*
Share of daily media time spent					
TV	43%	40%	38%	35%	31%
Radio	35%	35%	34%	34%	32%
Newspaper	8%	8%	7%	8%	7%
Internet	14%	17%	21%	24%	29%
At-home Internet connection					
Broadband	-	32%	38%	48%	54%
Dial-up	-	64%	59%	48%	42%
Plan to get broadband at home in next 12 months	-	16%	25%	27%	33%
Internet usage					
Used Internet in the last week	-	76%	86%	91%	97%
Clicked on Web site advertising…					
Ever	-	22%	31%	38%	39%
Last month	-	12%	18%	26%	29%
Last week	-	7%	10%	16%	21%
Online buying habits					
Ever purchased online	-	56%	67%	75%	79%
Purchased online last month	-	27%	35%	43%	48%
Purchased online last week	-	11%	15%	19%	24%
Average amount spent online in last 12 months	-	$569	$668	$827	$861
Total CDs purchased in last 12 months	10	11	14	16	14

Appendix C

Broadband vs. Dial-Up Connection Comparison

	People with Residential Broadband Access *(22% of U.S. Population)*	**People with Dial-Up Home Internet Access** *(42% of U.S. Population)*
Demographics		
Men	50%*	47%*
Women	50%	53%
12–17	11%	12%
18–24	12%	11%
25–34	21%	16%
35–44	21%	22%
45–54	20%	20%
55–64	11%	13%
65+	5%	8%
$50K+ HH income	57%	43%
Media time spent per day		
TV	2:45	3:03
Radio	2:23	2:43
Newspaper	:29	:40
Internet	1:59	1:16
Share of daily media time spent		
TV	36%	40%
Radio	31%	35%
Newspaper	6%	9%
Internet	26%	17%

continued…

***How to read:** Fifty percent (50%) of those with broadband access at home are male vs. 47% of those with dial-up access.

Broadband vs. Dial-Up Connection Comparison (continued)

	People with Residential Broadband Access *(22% of U.S. Population)*	**People with Dial-Up Home Internet Access** *(42% of U.S. Population)*
Subscribe to cable TV	78%	59%
Subscribe to satellite TV	17%	27%
More than two working PCs at home	60%	36%
Clicked on Web site advertising…		
Ever	31%	21%
Last month	20%	11%
Last week	12%	6%
Online buying habits		
Ever purchased online	72%	59%
Purchased online last month	42%	25%
Purchased online last week	21%	10%
Average amount spent online in last 12 months	$843	$442
Online listening habits		
Listened to radio stations online last month	30%	20%
Listened to radio stations online last week	18%	7%
Have ever listened online to…		
Radio stations	52%	38%
Radio stations in the U.S. but outside your local area	35%	21%
The station you currently listen to most	22%	15%
Radio stations from other countries	14%	6%
Other radio stations in your local area	22%	13%
Satellite radio		
Ever heard of XM Satellite Radio	52%	29%
Ever heard of Sirius Satellite Radio	35%	27%
% “very interested” in satellite radio	6%	7%

Appendix D

The Consumer Product/Service Adoption Scale

	Among the first to buy	Before most but not first	Same time as most	After most but not last	Among last to buy
Demographics					
Men	50%*	47%	44%	46%	46%*
Women	50%	53%	56%	54%	54%
12-17	8%	9%	13%	10%	9%
18-24	13%	16%	10%	8%	7%
25-34	21%	20%	13%	18%	14%
35-44	18%	21%	18%	20%	18%
45-54	18%	16%	18%	21%	17%
55-64	14%	9%	15%	12%	15%
65+	10%	10%	12%	11%	21%
Employed part/full time	61%	64%	59%	63%	51%
Retired	13%	11%	14%	12%	22%
Student	10%	13%	13%	10%	11%
Homemaker	7%	7%	7%	8%	8%
Unemployed	6%	4%	6%	4%	6%
$50K+ HH income	48%	41%	40%	42%	28%
White	73%	73%	76%	79%	72%
African-American	11%	11%	10%	9%	11%
Hispanic/Latino	8%	10%	9%	7%	10%
Media time spent per day					
TV	3:30	3:07	3:09	3:14	3:44
Radio	3:02	2:31	2:37	2:48	2:45
Newspaper	:41	:35	:43	:33	:38
Internet	1:24	1:13	1:01	1:03	:53
Share of daily media time spent					
TV	41%	42%	42%	44%	47%
Radio	35%	34%	35%	34%	34%
Newspaper	8%	8%	9%	8%	8%
Internet	16%	16%	14%	14%	11%
Weekly time spent online	8:37	7:40	6:47	6:32	6:29

continued…

***How to read:** Fifty percent (50%) of those who are among the first to buy/try new products/services are male vs. 46% of those with among last to buy.

The Consumer Product/Service Adoption Scale (continued)

	Among the first to buy	Before most but not first	Same time as most	After most but not last	Among last to buy
Computers and Services					
Two or more working PCs at home	45%	43%	29%	30%	19%
Have home Internet-networked PCs	22%	19%	12%	11%	4%
Have broadband at home	45%	36%	32%	30%	22%
Intend to get broadband at home in the next 12 months	27%	24%	16%	16%	12%
Used AOL last month	26%	28%	25%	20%	21%
Paid for exclusive content from Yahoo!	9%	5%	2%	3%	3%
Frequently use the Internet and watch TV in the same room	38%	34%	29%	29%	33%
Use software on home PC to block...					
Banner ads	26%	16%	15%	14%	16%
Pop-up ads	34%	27%	23%	24%	22%
Spam (junk e-mail)	49%	33%	34%	33%	27%
Clicked on Web site advertising…					
Ever	30%	32%	19%	22%	13%
Last month	16%	22%	11%	12%	5%
Last week	11%	13%	6%	6%	2%
Online buying habits					
Ever purchased online	65%	68%	59%	55%	44%
Purchased online last month	38%	41%	25%	23%	17%
Purchased online last week	22%	20%	10%	8%	5%
Average amount spent online in last 12 months	$984	$648	$545	$459	$317
Used Internet to book…					
Business travel	25%	18%	13%	13%	12%
Pleasure travel	41%	49%	35%	39%	25%

continued…

The Consumer Product/Service Adoption Scale (continued)

	Among the first to buy	Before most but not first	Same time as most	After most but not last	Among last to buy
Online broadcast habits					
Listened to radio online last month	33%	25%	18%	19%	14%
Listened to radio online last week	17%	18%	9%	8%	6%
Watched video online last month	26%	20%	14%	15%	8%
Watched video online last week	10%	12%	6%	4%	4%
Satellite Services					
Ever heard of XM Satellite Radio	49%	47%	35%	37%	29%
Ever heard of Sirius Satellite Radio	37%	30%	25%	25%	16%
% "very interested" in satellite radio	17%	10%	7%	7%	6%
Subscribe to satellite radio	7%	2%	1%	1%	1%
Subscribe to satellite TV	23%	21%	24%	25%	17%
New Technologies					
Very interested in PVR (TiVo)	19%	19%	11%	10%	8%
Own PVR (TiVo)	6%	3%	2%	2%	>1%
Familiar with Wi-Fi	32%	33%	28%	22%	19%
Very/somewhat interested in Wi-Fi for business or personal	43%	39%	31%	29%	27%
Aware that you can use a cell phone to listen to or watch Internet audio/video	57%	52%	47%	44%	44%
Cell phone represents almost all/most of total telephone time	33%	35%	26%	20%	23%
Very interested in ability to listen to or watch Internet audio/video via cell phone	14%	14%	7%	9%	9%

About Arbitron Internet Broadcast Services

Arbitron's Internet Broadcast Services provides the sales training, ratings and publicity that Internet broadcasters need to fuel their ad sales efforts. Credible third-party measurement helps advertisers justify their investment in the medium. The company's 50 years of audience measurement experience help sellers focus on selling the value of their advertising rather than justifying the credibility of their measurement. Arbitron Internet Broadcast Ratings (powered by MeasureCast technology) provide customers with ratings both weekly and monthly. The company also publishes the top 15 measured Internet broadcasters and sales networks and top 40 Internet broadcast stations each week. Arbitron studies can be found on the company's Web site at www.arbitron.com and can be downloaded free of charge.

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 has been cited by *Advertising Age* as the fastest growing company among their list of Top 100 market research companies in their past five annual listings. Edison Media Research works with many of the largest American radio ownership groups, including Entercom, ABC Radio, Infinity, Bonneville, Emmis Communications and Westwood One, and also conducts strategic and perceptual research for a broad array of companies including AOL/Time Warner, Yahoo!, Universal Music Group, Sony Music, Princeton University, Northwestern University, 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 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.

03-INT-339 9/03