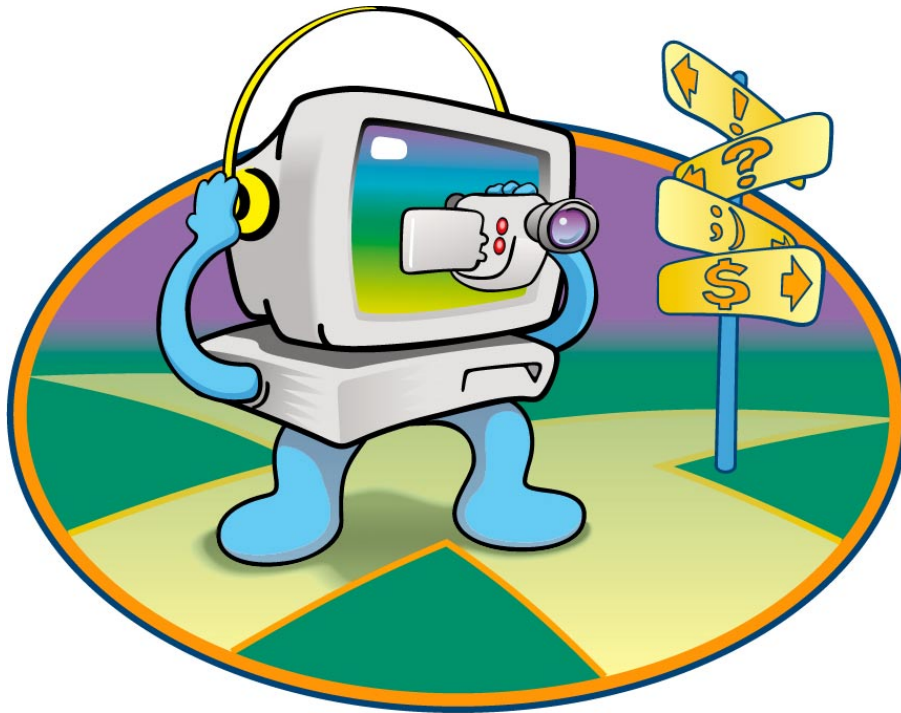


Arbitron/Edison Media Research

# Internet VI

*Streaming at a Crossroads*



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## Overview

Welcome to the sixth Arbitron/Edison Media Research streaming media study with the newest data from January 2001. This is the very latest edition of the most comprehensive and insightful examination of webcasting and Internet use. Since August of 1998, our series of studies, published every six months, has quickly become a primary source of information on streaming media, e-commerce and consumer behavior on the Internet.

Over the past two and a half years, we have witnessed the explosive growth of Internet usage and streaming media. The last six months show Internet usage seemingly approaching a plateau. This plateau in Internet usage is well documented by companies such as Nielsen//NetRatings and Media Metrix.

A partial explanation for the slowdown in growth of Internet use has been the dramatic reduction in dotcom advertising across all media. The relentless dotcom ad messages from 1998 through mid-2000 served as a powerful catalyst urging consumers to explore the Internet and new Web sites—proving again that advertising works. As dotcom advertising has slowed, so has time spent on the Internet, clicking on banner ads and purchasing online.

Despite the slowdown in time spent with the Internet overall, more Americans are using streaming media on a regular basis. This research clearly documents elements that will continue streaming media's explosive growth in the years to come. Of particular note is the impact of broadband on streaming media behavior. Many Internet veterans dissatisfied with their streaming media experience through dial-up Internet connections are turning to broadband. When consumers get broadband, their time spent online and with streaming media (especially video) surges.

“Streamies,” those users who watch or listen to webcasts online, now represent 44 percent of all Internet users and 27 percent of Americans overall. By far, streamies are the most valuable consumer group on the Internet. Streaming media consumers are far more interactive, are more oriented to e-commerce and spend far more time online compared to Internet users who don't stream. Advertisers wishing to target high-value Internet users should focus their marketing on streamies.

This report begins with a summary of highlights from the study, then follows with key findings detailed in a point-by-point manner, and concludes by offering several recommendations.

## How This Study Was Conducted

A total of 3,005 people were surveyed to probe America's Internet usage and streaming media behavior. In January 2001, telephone interviews were conducted with 3,005 respondents age 12 and older chosen at random from a national sample of Arbitron's Fall 2000 survey diarykeepers.



## Significant Highlights

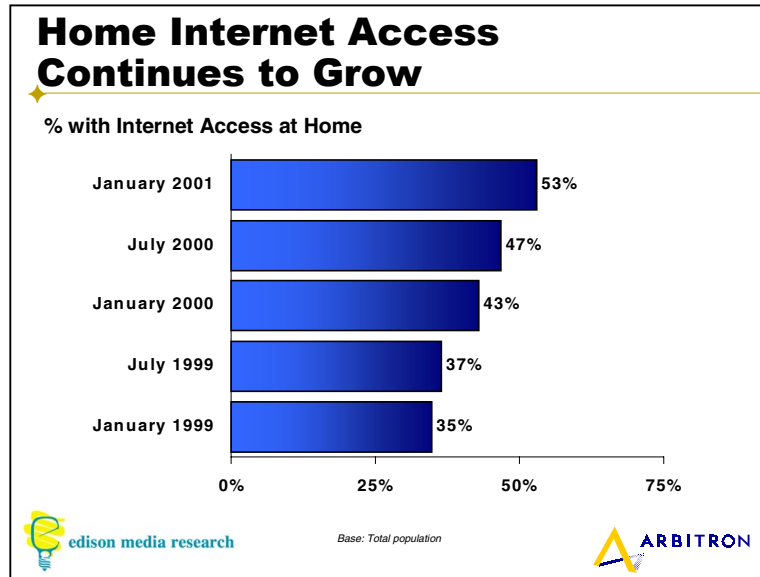
- **The growth of streaming media over the past two and a half years has been nothing short of stunning.** Our *Internet V* study, published in September 2000, showed that the percentage of Americans who had ever listened to radio stations online had tripled in two years. In this latest study we see more evidence of growth in the consumer's use of streaming media. As of January 2001, 13 percent, or 29.5 million Americans, had used either Internet audio or video in the past month, compared to 10 percent in January 2000. Our latest research also indicates that more than one-quarter (27 percent) of Americans (61.3 million), had ever experienced either Internet audio or video and six percent (13.4 million) had listened to or watched streaming media each week.
- **More Americans are using streaming media on a regular basis despite the slower growth of those accessing the Internet and a plateau in overall time spent online.** It is clear that the sudden reduction in dotcom advertising has led to slower growth in those going online and has also led to a decrease in time spent online. Despite the plateau in the overall time spent on the Internet, the percentage of Americans who have listened to radio stations online in the last month has grown from 5.3 percent in January 2000 to 7.3 percent in January 2001. Also, the proportion of Americans who have listened in the last week increased from 2.1 percent in January 2000 to 3.4 percent in January 2001.
- **One-third of Americans would give up TV if forced to choose between at-home Internet access and television.** It is stunning how, in a very short period of time, the Internet has become such a necessity for a large percentage of Americans. Among those who watch or listen to streaming media, nearly half would forsake their televisions to keep Internet access. Half of younger Americans (age 12 to 24) say they would give up their TVs in order to keep their home Internet access.
- **Advertisers desiring to reach a highly interactive, lucrative and responsive target on the Internet should target streamies.** Streamies are the 44 percent of those online who have either watched or listened to webcast content. Compared to non-streamies, streamies spend far more time online, are far more likely to click on banner ads and are twice as likely to make online purchases. Average expenditures online are much higher among Streamies and time spent online is nearly double. Streamies are more likely to be employed, are more highly educated and have higher incomes.
- **The proliferation of broadband will be a significant accelerator for streaming media.** Broadband and streaming media go hand in hand. Those with broadband (nearly seven percent of households) are twice as likely to consume streaming media. The most experienced Internet users tend to be the people converting from dial-up to broadband. Also, the most experienced Internet users are streaming media consumers. Overall, 13 percent of those online say they have an at-home broadband connection. The broadband penetration grows among those who have ever tried streaming media (16 percent), used streaming media in the last month (18 percent) or used streaming media in the last week (22 percent).

An additional eight percent of Americans say they plan to subscribe to broadband services in the next year. The more involved with streaming media, the greater the likelihood that consumers say they plan to get broadband in the next 12 months. Seventeen percent of Internet users with a dial-up connection at home say they intend to subscribe to broadband in the next 12 months. The statement of intent to access broadband in the next year is higher among those who have ever tried streaming (23 percent), have streamed in the last month (25 percent) and have streamed in the last week (28 percent).

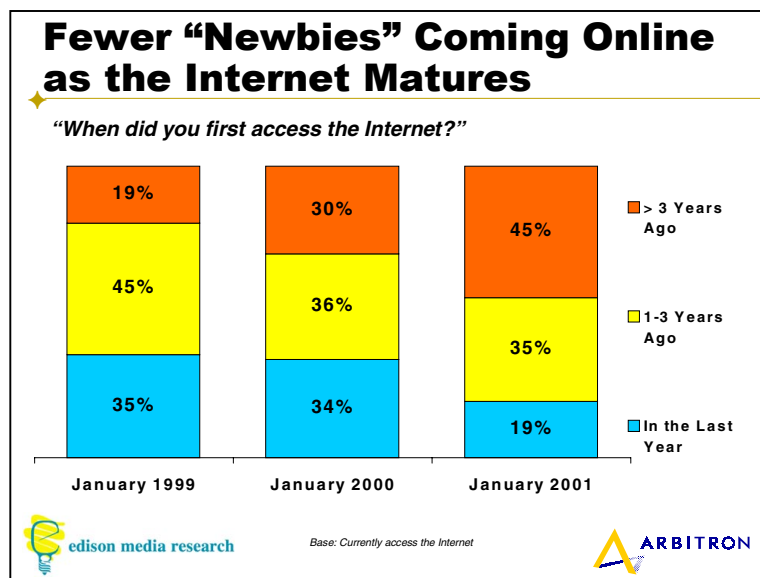
- **Video streamies represent 21 percent of those online, 12 percent of all Americans, and are a streaming media subsegment with very distinct characteristics.** Video streamies are exceptionally heavy consumers of media, spending a combined total of eight and a half hours a day with TV, radio, newspaper and the Internet. Video streamies spend nearly two hours a day online and skew male (63 percent). Video streamies are equally distributed among 12- to 54-year-olds and are the most experienced Internet users; they are even more likely to click on Web advertising and make online purchases. Movie trailers and music videos make up the most watched video content online.
- **Streamies show a high degree of interest in new devices for receiving audio content.** Compared to the overall population, streamies show almost twice as much interest in downloading music from the Internet to their computers, in listening to Internet audio in their cars and in getting satellite radio for their cars. Streamies are also twice as interested as the general population in receiving streamed content on cell phones or personal digital assistants (PDAs).
- **Streamies are very oriented to at-work media consumption and represent significant audience potential in the workplace.** The more time spent with streaming media, the greater the amount of at-work radio listenership. Not surprisingly, streamies are much more likely to get their at-work entertainment via Internet audio.
- **Two-thirds of streamies would be upset if radio stations discontinued webcasts due to new government fees.** Recently, the U.S. copyright office announced that U.S. radio stations that stream over the Internet would be subject to licensing fees. This matter is currently in litigation. It is clear that the streaming media audience would be very disappointed if radio stations stopped webcasting. This research reveals that the most frequent listeners to radio station broadcasts over the Internet are their existing loyal “over-the-air” core audiences.

## Key Findings

- 1. Internet access in America continues to grow.** Our latest survey shows that 62 percent of Americans access the Internet at home, at work, at a public library or at school. If we examine combined access at home or work, the proportion of Americans accessing the Internet has grown from 31 percent in August of 1998 to 58 percent in January 2001. Home access has more than doubled during the same period and has continued to grow in the last six months (from 47 percent in July 2000 to 53 percent in January 2001). Despite the disappointing fourth quarter 2000 PC sales, the penetration of personal computers in American homes grew from 61 percent in January 2000 to 67 percent in January 2001.



- 2. There are fewer newcomers to the Internet.** As the Internet matures, fewer people have gone online for the first time in the past year. With almost two-thirds of Americans already online, it is likely that future growth of those accessing the Internet will be more incremental.



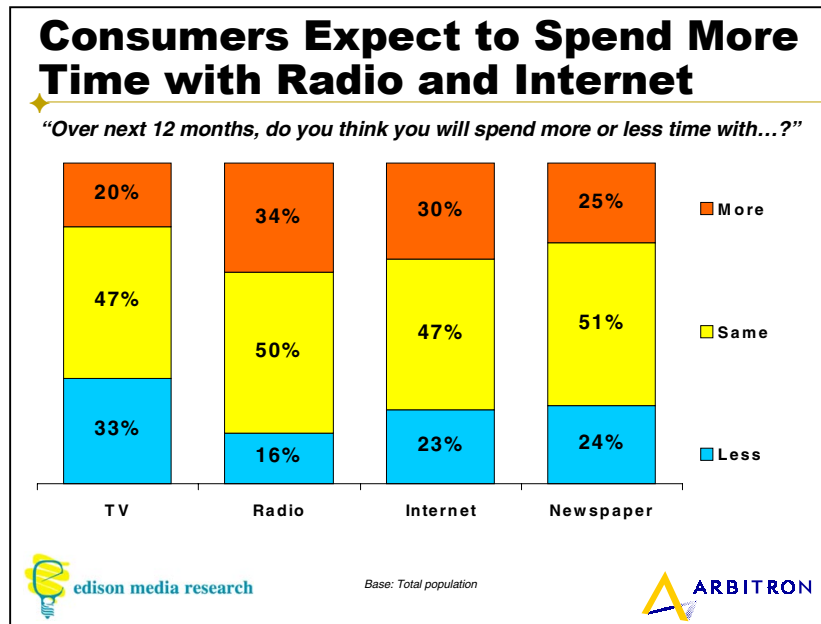
- 3. While the penetration of Internet access is up, time spent online is down.** Over the last year, the average weekly time spent online has been dropping (from eight hours one minute in January 2000 to seven hours 49 minutes in July 2000 to seven hours eight minutes in January 2001). This decrease in time spent online has also been measured by NetRatings, which recently revealed a 15 percent reduction in time spent online from October to December 2000. The drop in time spent online could be attributed to the “bloom fading from the rose” and possibly the sharp reduction in overall dotcom advertising.
- 4. The falloff in dotcom advertising has led to a decline in the ability of media to drive Web site visitation.** This study shows that fewer Americans now visit a Web site they learned about from advertising. Across the board, the proportion of Americans that say they visited a Web site because of ads on various media has dropped:

“Have you ever visited a Web site you learned about from an advertisement on...?”

| Media      | January 2000 | July 2000 | January 2001 |
|------------|--------------|-----------|--------------|
| Television | 60%          | 64%       | 52%          |
| Magazine   | 59%          | 63%       | 53%          |
| Radio      | 45%          | 49%       | 39%          |
| Newspaper  | 40%          | 47%       | 36%          |
| Billboard  | 17%          | 22%       | 15%          |

From 1998 to mid-2000, every advertising-supported medium was bursting with messages for exciting, interesting new Web sites. The sharp reduction in dotcom advertising corresponds with the drop in time spent online.

- 5. Consumers expect to spend more time with both radio and the Internet in the next 12 months.** Respondents were asked whether they expect to spend more time with various media in the next 12 months. Both radio and the Internet showed positive momentum, while a larger proportion expect to spend less time watching television.



**6. If forced to choose between giving up TV or home Internet access, one-third of people with Internet at home would choose to give up all of their TVs.** It is stunning that in a relatively short period of time, the Internet has achieved this degree of tremendous necessity with Americans. Among younger demographics, those who consume streaming media and those with broadband, the value and “necessity” of the Internet is even stronger. The chart below shows the percentages that would give up the Internet and TV.

“If you had to choose between giving up all the TVs in your home or your Internet access, which would you give up first?”

|   | <u>Give Up Internet</u> | <u>Give Up All TVs in Home</u> |
|---|-------------------------|--------------------------------|
| Those with the Internet at home           | 62%                     | 33%                            |
| Those who have streamed in the last month | 46%                     | 50%                            |
| Those with broadband Internet access      | 53%                     | 43%                            |
| Those with dial-up Internet access        | 63%                     | 32%                            |
| Age 12 to 24                              | 50%                     | 47%                            |
| Age 25 and older                          | 67%                     | 28%                            |

**7. Reported banner click-through drops while purchasing online remains stable.** Compared to six months ago, the proportion of people who say they have clicked on banner ad advertising has decreased.

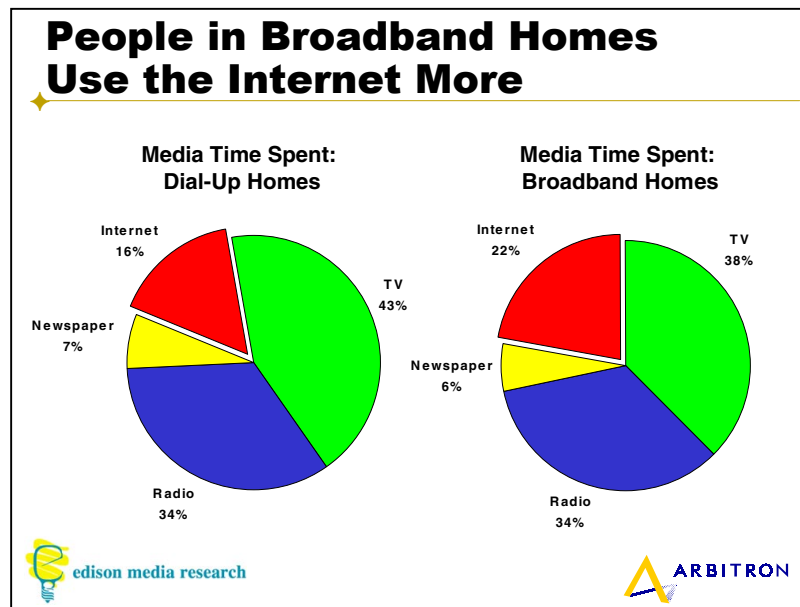
| <u>Clicked on Web Site Advertising</u> |     | <u>(Among Internet Users)</u> |             |             |             |             |
|--|-----|-------------------------------|-------------|-------------|-------------|-------------|
|  |     | <u>1/99</u>                   | <u>7/99</u> | <u>1/00</u> | <u>7/00</u> | <u>1/01</u> |
| Ever                                   | 39% | 34%                           | 48%         | 51%         | 39%         |             |
| In last month                          | 23% | 17%                           | 31%         | 30%         | 23%         |             |
| In last week                           | --  | 7%                            | 13%         | 14%         | 12%         |             |

While click-through behavior is down, purchase behavior on the Internet is stable and spending is up.

| <u>Made a Purchase Online</u>  |     | <u>(Among Internet users)</u> |             |             |             |             |
|--------------------------------|-----|-------------------------------|-------------|-------------|-------------|-------------|
|                                |     | <u>1/99</u>                   | <u>7/99</u> | <u>1/00</u> | <u>7/00</u> | <u>1/01</u> |
| Ever                           | 26% | 34%                           | 43%         | 44%         | 45%         |             |
| In last month                  | --  | --                            | 28%         | 21%         | 26%         |             |
| In last week                   | --  | --                            | 8%          | 8%          | 7%          |             |
| \$ spent online last 12 months | --  | --                            | \$650       | \$702       | \$806       |             |

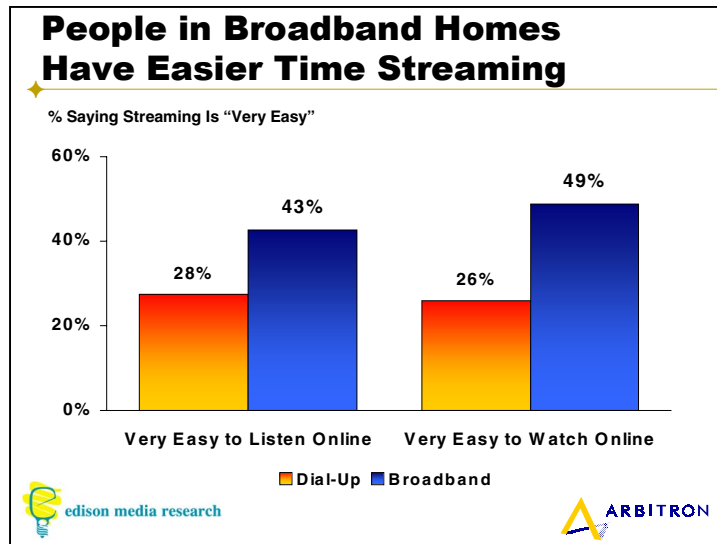
**8. Fourteen percent of all Americans used the Internet to purchase gifts for the past holiday season.** The percentage of Americans who have used the Internet for holiday shopping increased from eight percent in 1998 to 12 percent in 1999 to 14 percent this past holiday season. The average amount spent online for holiday gifts increased from \$401 in 1999 to \$478 in 2000.

- 9. Nearly seven percent of all households have broadband Internet access, and an additional eight percent of Americans say they plan to get broadband access at home in the next 12 months.** Broadband Internet access at home can be expected to roughly double in the next year. Americans with broadband tend to spend more time online and anticipate that they will be spending more time using the Internet in the future. Those with broadband are more likely to have purchased online and much more likely to have watched video streaming. Not surprisingly, those with broadband find the process of consuming streaming audio and video far easier than those with dial-up access at home. The graph below shows percentage of time spent with media in a typical day among those in broadband households vs. dial-up households.

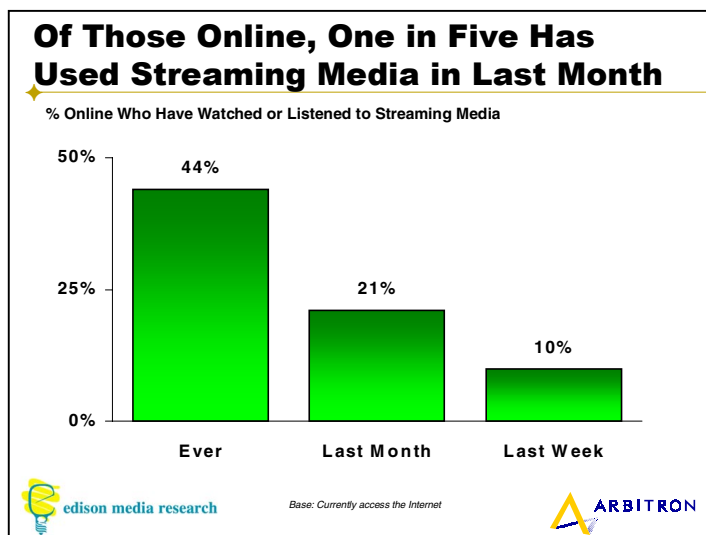


- 10. American consumers with a broadband Internet connection at home are exceptionally attractive marketing targets.** Consumers with faster Internet connections (broadband) such as cable modems and DSL (Digital Subscriber Line) represent a growing portion of those online (currently, 13 percent of those with Internet access at home). Among those currently using dial-up access at home, 17 percent indicate they plan to get high-speed broadband access in the next 12 months. Currently, those with broadband have a higher education and income profile and they spend far more time online. While those with dial-up at home connections estimate they spent an average of \$610 online in the past 12 months, people with broadband report an average online annual expenditure that is several times higher.
- 11. There is a correlation between how frequently people stream and the presence of broadband.** Broadband is an “accelerator” for streaming media usage. While only 13 percent of households with Internet access have broadband, among those who have used streaming media in the past month, 18 percent have broadband access at home. Among those who have used streaming media in the past week, 22 percent have a broadband Internet connection at home.

**12. Broadband is a powerful enabler for streaming video.** People with broadband are somewhat more likely to have listened to streaming audio (35 percent) compared to those with dial-up (29 percent), but they are far more likely to have successfully watched streaming video (35 percent) compared to those with dial-up (19 percent). Nearly twice as many people with broadband have viewed video online in the last month (19 percent) as compared to those with dial-up (nine percent). Three times as many people with broadband have watched streaming video in the past week (11 percent), compared to those with dial-up (three percent). Broadband makes the streaming video experience far easier. Nearly half of those with broadband access say that streaming video is “very easy,” compared to only 26 percent of those with dial-up.



**13. Forty-four percent of those online can be classified as streamies, or those having watched Internet video or listened to Internet audio.** Among all Americans, 27 percent have watched or listened online, with 13 percent streaming in the past month and six percent streaming in the past week. Translated as a percentage of the overall population, 61.3 million Americans have tried streaming media, while 29.5 million have done so in the past month and 13.4 million have done so in the past week. Among Internet users, 36 percent have listened to Internet audio and 20 percent have watched video over the Internet.



- 14. Streamies are media junkies.** While the average Internet user reports spending about seven and a half hours with media (combined daily time spent with TV, radio, newspapers and Internet), those who have ever streamed spend eight hours a day with media. Total media time spent among those who have streamed in the last month is eight hours and 38 minutes. Those who have streamed in the last week are virtual media junkies, spending nine hours and 53 minutes with all media. The more involved with streaming, the more time spent with radio and the Internet.
- 15. Internet audio listeners are twice as likely to purchase CDs online.** The proportion of the Internet audio streamies who have purchased CDs online (24 percent) is nearly twice that of Internet users who have not listened online (15 percent). The more time spent streaming, the greater the number of CDs a consumer reports purchasing overall. On average, about 45 percent of all CDs purchased by audio streamies are bought online. The average number of CDs purchased annually among monthly audio streamies is just over 14, with just over six of those CDs having been purchased online. The diehard weekly streaming media audience purchased an impressive 19 CDs overall, of which nearly seven were purchased online.
- 16. Music leads the list of the types of audio programming listened to by audio streamies.** Detailed below are the types of audio listened to by those having ever listened to any type of audio over the Internet.

**(percent of audio streamies having ever listened to each type of Internet audio)**

|  |     |
|--|-----|
| Music  | 76% |
| Radio stations   | 70% |
| Radio in the U.S., outside local area                    | 43% |
| Music that is not available on local radio               | 42% |
| News reports   | 41% |
| MP3 audio  | 41% |
| Music from Napster                                       | 39% |
| News and information that cannot be heard on local radio | 38% |
| Radio station listened to most                           | 33% |
| Other stations in local area                             | 27% |
| Previously aired programming                             | 26% |
| Sports play-by-play                                      | 19% |
| Radio from other countries                               | 11% |
| Talk shows   | 10% |

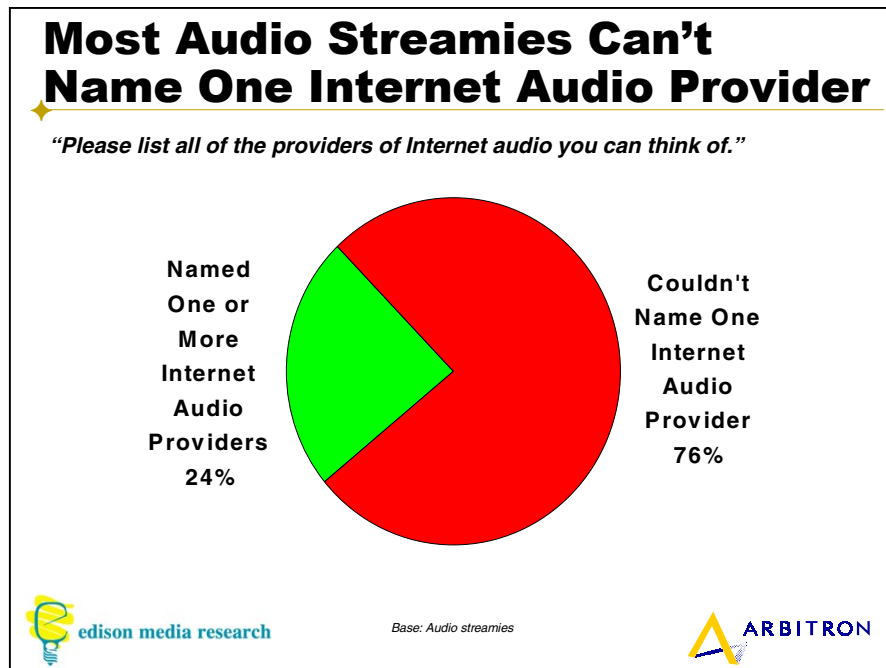
**17. Most are aware it is possible to view video over the Internet, yet the number of people who have viewed Internet video in the last week and last month has declined.** It is possible that those who have tried Internet video through dial-up connections have experienced enough difficulty and frustration due to poor video quality that they have begun to watch less video online.

Below is a list of items most frequently viewed over the Internet among video streamies.

**(percent of video streamies having ever viewed each type of Internet video)**

|   |     |
|---|-----|
| Movie trailers or previews                  | 51% |
| Music video                                 | 42% |
| Weather forecast                            | 34% |
| Sports                                      | 31% |
| Short/full-length movies                    | 29% |
| Online video newscasts                      | 27% |
| Video from TV stations                      | 20% |
| Video from TV stations from around the U.S. | 15% |
| Business reports                            | 15% |
| Live sports                                 | 13% |
| Video from TV stations in local area        | 9%  |
| Online video traffic reports                | 7%  |
| Talk shows                                  | 6%  |
| Video from TV stations outside the U.S.     | 5%  |

**18. More than three out of four people who have listened to audio online are unable to name any channels of Internet audio.** One of the crucial issues with streaming media is the battle to create brands that will resonate with the consumer. At present, few, if any, consumers are able to recall the names of Internet webcasters.

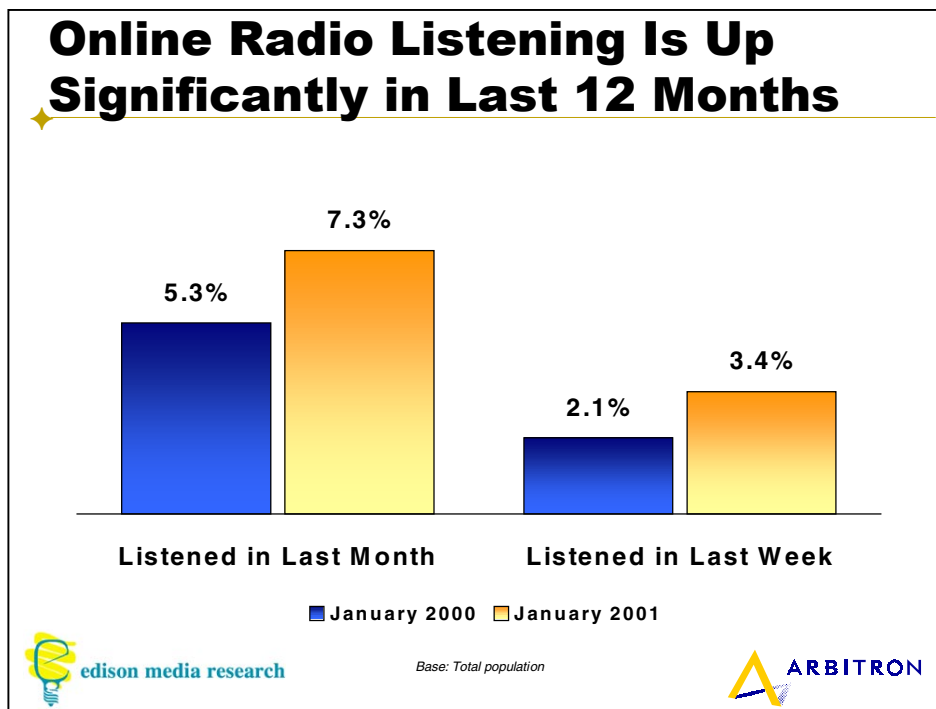


**19. Streamies show a strong degree of interest in new and easy-to-use Internet audio devices.**

Consumers were read a series of descriptions of new delivery devices for Internet audio. Below, we have indicated the proportion of all Americans and streamies (27 percent of Americans who have ever used streaming audio or video) who say they are “very interested” and “somewhat interested” in these new devices. In just about every case, streamies are nearly twice as interested in these new devices, compared to the total population.

|   | <u>Very Interested</u> |                  | <u>Somewhat Interested</u> |                  |
|---|------------------------|------------------|----------------------------|------------------|
|   | <u>Total U.S.</u>      | <u>Streamies</u> | <u>Total U.S.</u>          | <u>Streamies</u> |
| Small portable device, such as a Walkman®, that allows you to play music you can download from the Internet onto a computer   | 13%                    | 24%              | 26%                        | 34%              |
| A satellite radio device for your car that, for a monthly fee, can play many channels of CD-quality music without commercials | 15%                    | 22%              | 22%                        | 25%              |
| A device that enables you to listen to Internet audio in your car   | 11%                    | 19%              | 24%                        | 30%              |
| A device that rebroadcasts Internet audio from your computer and plays it on your FM radio or stereo in your house            | 9%                     | 6%               | 26%                        | 35%              |
| A device that looks like a radio, plugs into your telephone line or Internet connection and plays audio from the Web          | 8%                     | 14%              | 23%                        | 31%              |
| The ability to listen to Internet audio on your personal digital assistant, such as a Palm Pilot                              | 7%                     | 14%              | 20%                        | 27%              |
| The ability to listen to Internet audio on your cell phone  | 6%                     | 11%              | 17%                        | 18%              |

**20. Online radio listening has risen in the last 12 months.** The number of people who listen to online radio on a regular basis continues to increase. The proportion of all Americans who regularly listen has increased over the past year.



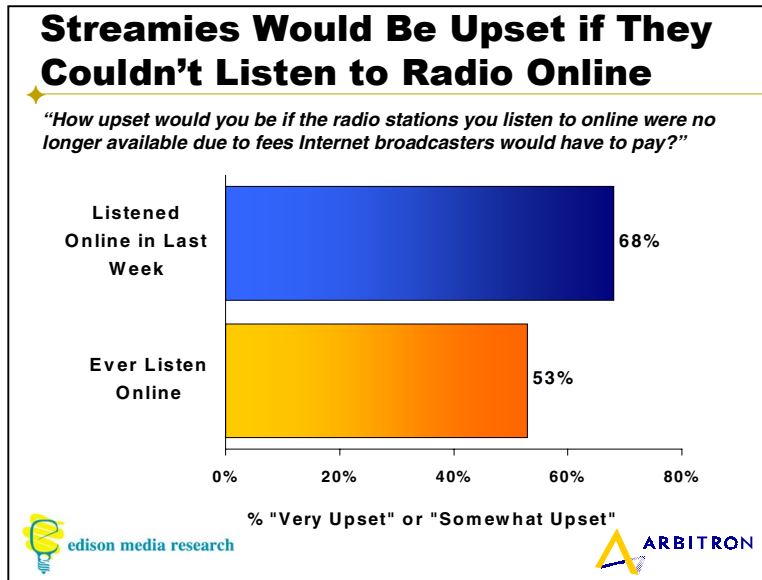
**21. Rock, Hip-Hop and Contemporary Hit Radio top the list of audio formats listened to online.** People who listen to audio over the Internet were read a list of different types of music and talk formats available over the Internet. As the profile of audio streamies continues to lean male (56 percent male vs. 44 percent female), it is not surprising that the top two sounds are Rock oriented. The table below shows the formats that audio streamies listen to “frequently” or “sometimes” and those who listen to that format most over the Internet (or P1 Internet format).

| <u>Format</u>           | <u>% Who Listen<br/>“Frequently/Sometimes”<br/>to a Given Format Online</u> | <u>% Who Listen Most<br/>to a Given Format Online</u> |
|-------------------------|---|---|
| Rock                    | 53%   | 15%   |
| Alternative/Modern Rock | 49%   | 14%   |
| Hip-Hop/Rap             | 39%   | 12%   |
| Top 40                  | 43%   | 9%  |
| Soft Rock               | 39%   | 7%  |
| Oldies                  | 34%   | 7%  |
| Country                 | 31%   | 6%  |
| National and Local News | 35%   | 6%  |
| Sports                  | 30%   | 5%  |
| Jazz                    | 27%   | 5%  |
| Classical               | 29%   | 4%  |
| Talk                    | 19%   | 4%  |
| Religious               | 18%   | 3%  |
| Spanish                 | 13%   | 3%  |

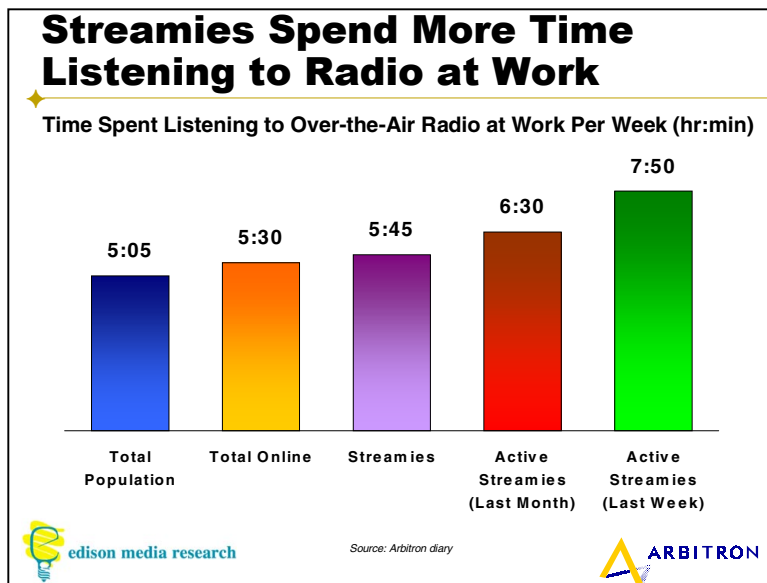
**22. Among those who listen to radio stations online, local radio stations are what people listen to most.** People who have listened to radio stations online were asked what type of radio stations they listen to most online. 52 percent say they listen most to radio stations from their local area, 37 percent say they listen most to stations originating from other parts of the U.S., and seven percent say they listen most to radio stations originating from other countries.

**23. According to listeners, the ability to hear a station online leads them to listen more to that station “over the air.”** Thirty-nine percent say the time they spend listening to a station over the Internet leads them to listen more to that station “over the air.” Twenty-five percent say they listen less to that station “over the air” and 27 percent say they listen about the same amount.

**24. Those who have listened to radio stations over the Internet would be upset if the stations they currently listen to online were no longer available due to new government fees.** Recently, the U.S. copyright office indicated terrestrial radio stations would be subject to new fees payable to record companies. While the issue is currently in litigation, some radio broadcasters in the U.S. have considered canceling their webcasts, and 68 percent of online radio listeners say they would be upset about this likelihood.



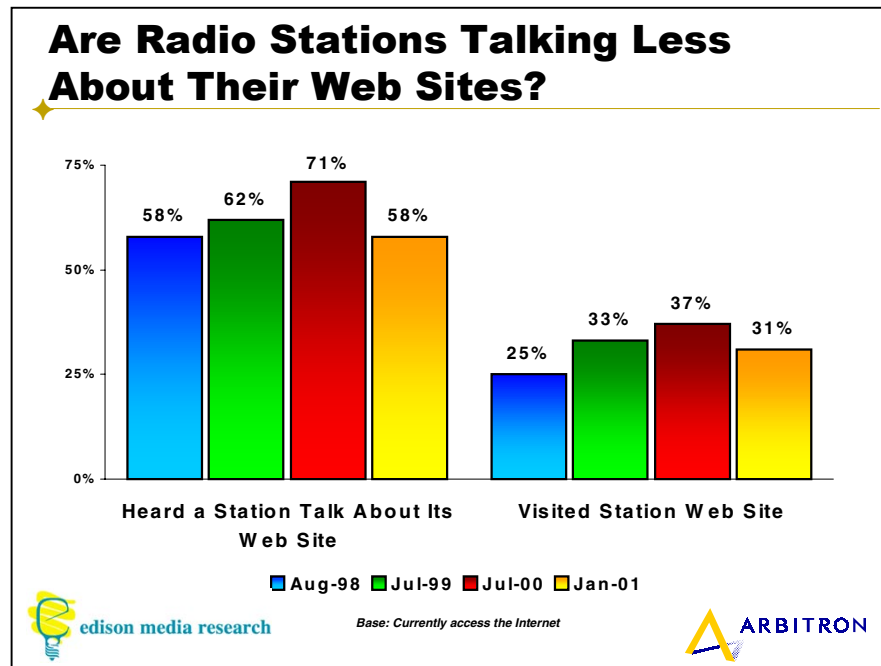
**25. Streaming is a catalyst for at-work radio listening.** A whopping 24 percent of those who have listened or watched online in the last week have listened to the radio over the Internet at work, compared with only five percent of Internet users who work full or part time. An analysis of Arbitron diarykeeper time spent listening data reveals at-work listenership to “over-the-air” radio stations increasing from five and a half hours among the typical Internet user to six and a half hours among those who have streamed in the past month. Among those who have streamed in the past week, at-work radio listenership reaches nearly eight hours (7:50).



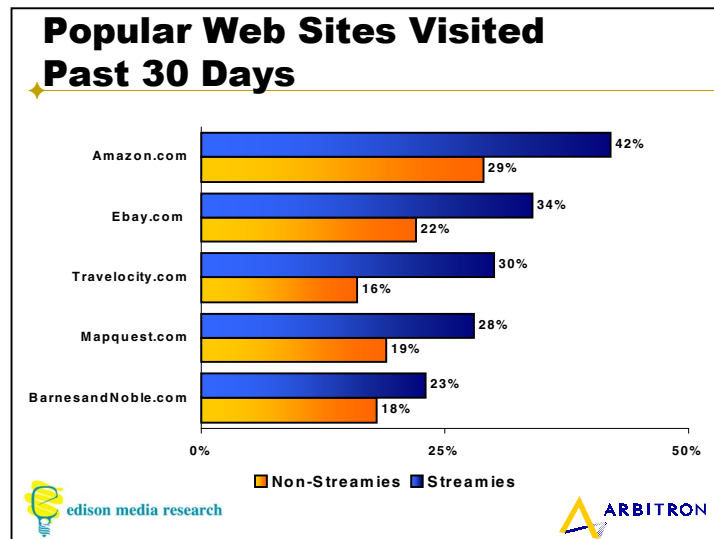
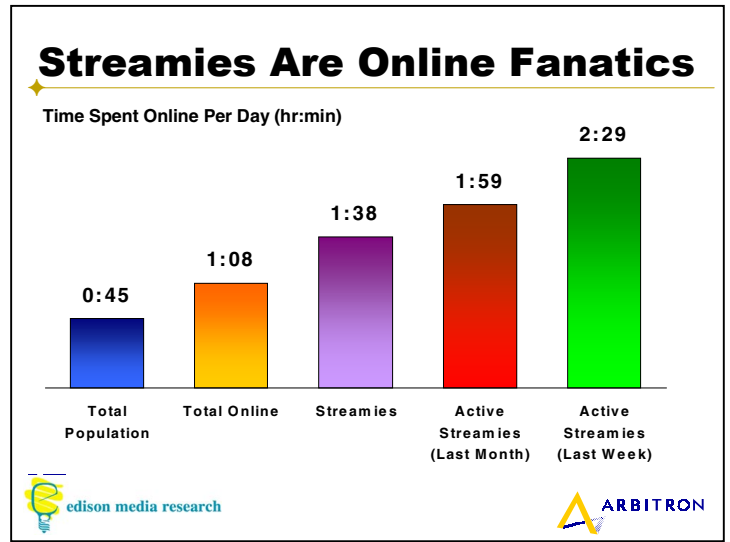
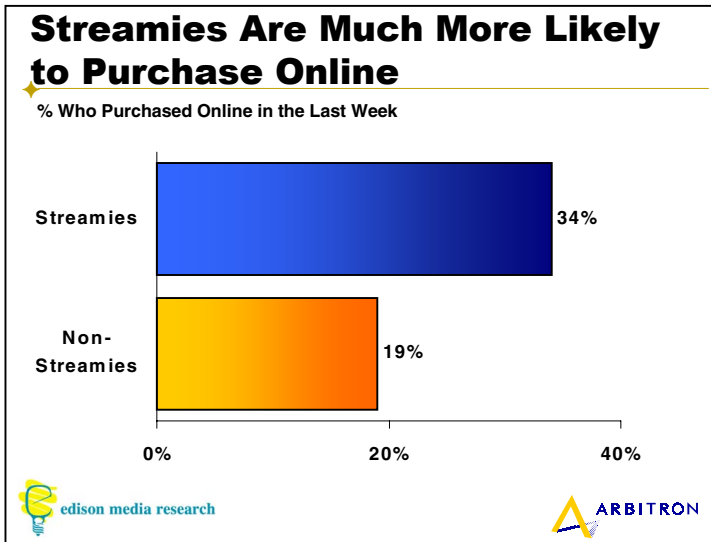
**26. Side channels are attracting online listening.** About one in eight of those who listen to audio online has listened to a radio station “side channel” on the Internet. Side channels are Internet based “niche-casts” that target a specific sound within the overall blend of a station’s format. In addition to questions about side channels in this survey, Edison Media Research and Arbitron conducted a survey in November 2000 devoted entirely to side channel listening. Both surveys produced evidence that a certain percentage of the online audio streaming audience is looking for additional options, and that if radio stations do not supply additional programming online, these audio streamies will search elsewhere. The entire research report on side channels can be found at [www.edisonresearch.com](http://www.edisonresearch.com) and [www.arbitron.com](http://www.arbitron.com).

**27. A radio station’s first preference (P1) or core audience is most likely to visit that station’s Web site and listen most online.** On average, Americans spend 70 percent of all their radio listening time with the one station they listen to the most. This loyalty extends to the online experience. The majority of people who visit a radio station Web site are its most loyal P1 listeners. The radio station people listen to the most online tends to be their “over-the-air” favorite. Radio stations should consider their Internet strategies as ways to cultivate and maintain the loyalties of the listeners they cherish the most, their loyal first preference (P1) listeners.

**28. Internet users are reporting that they are visiting radio station Web sites less often.** There are two possible explanations for this trend. Radio stations may be talking less about their Web sites on the air, or radio stations may not be promoting new content on their Web sites. As we have reported in previous Arbitron/Edison Media Research studies, radio stations need to provide new and compelling content for their Web sites in order to promote return visits, just as radio stations provide new and compelling content on air in order to encourage continued listenership.



**29. Streamies are a valuable audience for advertisers.** Compared to Internet users who do not watch or listen online, streamies are slightly younger and more likely to be male. They spend much more time online, are clicking more on banner ads and are buying more online. Streamies are much more likely than non-streamies to have recently made a purchase over the Internet in the last week. Given that streamies are more highly educated and more likely to be employed and report higher annual incomes, advertisers wishing to target responsive and valuable consumers online should focus on streamies.



**30. Video streamies—representing 20 percent of those online—are “power” Internet users who are highly interactive and oriented to e-commerce.** Video streamies are media junkies, spending an amazing eight hours and 25 minutes in the typical day with all media, compared to eight hours for streamies overall and seven hours for non-streamies. Video streamies spend nearly two hours a day online, compared to one hour 38 minutes for streamies and 45 minutes a day for non-streamies. Video streamies are more likely to be male (63 percent) than streamies overall (56 percent). Video streamies are the most experienced Internet users, as 40 percent have been online five or more years, compared to 31 percent for streamies overall.

Video streamies are more likely to have clicked on banner advertising (65 percent) compared to streamies overall (55 percent). Twenty-four percent of video streamies have clicked on an Internet ad in the past week, compared to 19 percent of overall streamies and only seven percent of non-streamies. Forty percent of video streamies have made online purchases in the last month, compared to 34 percent of overall streamies and only 19 percent of non-streamies. Video streamies are also spending more online, as their average online expenditure in the last year was \$1,115, compared to \$914 for streamies overall and \$632 for non-streamies.

As we noted earlier, broadband significantly increases the likelihood that a consumer will be a video streamie. Twenty-six percent of video streamies with dial-up access say they intend to get broadband in the next 12 months.

**31. One out of five streamies keeps the media player s/he is using open and in full view. These consumers are a compelling advertising target.** When consuming either audio or video, a media player is the device that exposes the consumer to the content. Popular media players include RealPlayer®, Windows Media™ Player and QuickTime™. While most select their audio or video content and then minimize the player, allowing themselves to return to work on their computers, 20 percent keep the player open and in full view.

Compared to Internet users overall, those who keep the player open and in full view tend to skew male (54 percent versus 46 percent) and are somewhat younger, compared to the total Internet audience. Of those who keep the player open, 35 percent are aged 12 to 24, compared to 27 percent for the Internet overall. Consumers who keep the media player open in full view are far more likely to have clicked on banner ads, and they spend more money online on average (\$1,047), compared to Internet users overall (\$806).

**32. There is a remarkable correlation between the format profile of “over-the-air” listeners and streamies.** “P1 listeners” are those people who listen most to a particular radio station. Overall, advertisers seeking to target Internet radio formats can feel very comfortable in using the long-established profiles of terrestrial radio formats. As an example, the vast majority of Oldies P1s on traditional radio stations are age 35-54. That is the same demographic that shows the highest audience concentration for listeners over the Internet to the Oldies format. A demographic comparison of 12 different radio formats is found in the appendix at the end of this report. In just about every case, the correlation in audience composition between “over-the-air” format and Internet format is remarkable.

**33. Listeners to National Public Radio (NPR) are more Internet-oriented than the norm.**

While 62 percent of all Americans are online, 69 percent of those who have ever listened to NPR are online. Streamies are more prone to have listened to NPR. 52 percent of streamies have ever listened to an NPR station compared to 43 percent of the total U.S. population. Of anyone who has ever listened to NPR, 11 percent have visited an NPR station Web site.

The Corporation for Public Broadcasting has funded a detailed analysis of how public radio listeners use streaming media and Internet. The Public Radio Internet Study, produced by Arbitron, Edison Media Research and Walrus Research, will appear on the CPB Web site, [www.cpb.org](http://www.cpb.org).

## Recommendations

- 1. Key stakeholders in streaming media should focus on articulating the compelling marketing attributes of streamies.** The Edison Media Research/Arbitron Internet studies have consistently documented the fact that streamies are the most compelling consumer target on the Internet. Simply put, streamies are more interactive and more valuable than non-streamies. Streamies spend much more time online, spend more money online and are more responsive to banner ads. Advertisers and marketers should begin advertising trials to measure the value of this target and its ability to brand products and services. Senior webcast executives along with marketers believe that streaming media advertising is a branding medium rather than a cost-per-action medium.
- 2. Streaming media companies should team up with terrestrial media for a more powerful combination.** In the first streaming media study conducted by Arbitron/Edison in September 1998, we proposed the notion of webcasters and broadcasters teaming up. At the time, streaming media webcasters were awash with significant financial resources from venture and public markets. Now, with marketing dollars and sales expertise at a premium, combining the technological know-how of streaming media companies with the sales and marketing prowess of terrestrial media makes perfect sense.

Terrestrial media urgently need to extend their brand equity online. This research reveals that the core listeners of traditional media are the very people who are most likely to visit their favorite stations' Web sites and seek their programming online. If terrestrial media does not "meet" its audience on the Internet with compelling sites and content, consumers will go elsewhere. At the same time, Internet-only webcasters need to increase their brand equity and generate ad sales. These are qualities that terrestrial media companies can bring to Internet-only webcasters. The time is right. The combination would be powerful.

- 3. Streaming media represents an opportunity to capture at-work audiences.** The more time people spend with streaming media, the more time they spend listening to radio at work. The more involved with streaming media, the greater the chance that a consumer has broadband Internet access. Nearly one-quarter of those who have listened to streaming media in the past week report they listen online at work. Those with broadband spend far more time online and more time overall with media. The opportunity to capture more of the at-work audience through the Internet is here today.
- 4. Advertisers and agencies can feel comfortable using demographic profiles of "over-the-air" formats for their online streaming media buys.** For the first time, this study details the amazing similarity in the demographic profiles of people who listen most to "over-the-air" formats and those listening most to those same formats online. While streaming media audiences lean slightly more male and are more focused on 18- to 44-year-olds, the listener profiles are remarkably similar.

5. **Terrestrial media companies should push ahead with revenue-generating Internet initiatives.** Truly dedicating resources, time and patience to developing new revenue channels is a challenge. During the boom times of the late '90s, things were so good that the idea of building Internet revenue streams got lost as terrestrial media tried to keep up with “the amazing good times.” Now that media advertising markets have stabilized, it might be easy for companies to ignore nontraditional opportunities and “just stick to the knitting.” By creating partnerships with streaming media companies, traditional media companies can focus on what they do best—creating results for advertisers and their agencies and using their marketing prowess to attract prospects for advertisers.
6. **Tracking broadband penetration in the local market should be a top priority for media companies as broadband usage dramatically increases streaming media behavior.** One out of four people who have ever used streaming media say they intend subscribe to broadband in the coming year. Industry estimates indicate broadband subscriptions will double correspondingly. While nearly seven percent of all Americans now have broadband Internet access via cable modems and DSL connections, broadband access varies by market, according to Scarborough Research. The degree to which consumers in local markets are planning to subscribe to broadband services in the coming year also varies dramatically by market.

Streaming media usage and broadband go arm in arm. Among those with broadband, time spent online doubles, as does streaming media usage. Terrestrial media needs to develop a strategy for capitalizing on the coming “tidal wave” of streaming media usage as a result of adoption of broadband. What alternative “niche casts” can be created utilizing the brands of traditional media? What programming needs and opportunities are available in a market to be filled with Web-based programming? What are the products and services that show the greatest propensity for consumption among broadband consumers in a local market? These types of strategic issues must be contemplated as in the next several years we will witness a stunning explosion of streaming media due to broadband adoption.

7. **Streaming media companies should create unique webcast programming that is so compelling it draws consumers online.** Historically, new media have gone through three phases of development. First, consumers adopt and use the new technology; second, compelling programming draws consumers to the new medium; and third, the unique programming drives up audiences and revenue. This study provides powerful evidence that Americans have begun using streaming media technology in significant numbers. Now webcasters need to create compelling content that draws Americans to streaming media much like cable did in the 1980s with CNN, ESPN and MTV. When webcasters develop unique and compelling programming such as a “Survivor” or “Howard Stern” of streaming media, more Americans will tune in online and revenue will grow.

## Appendix

### A. Demographic and Socioeconomic Profile of the U.S. Population, Internet Users and Streamies

|   | <u>U.S.<br/>Population</u> | <u>Internet<br/>Users</u><br><i>(62% of U.S.<br/>population)</i> | <u>Total<br/>Streamies</u><br><i>(27% of U.S.<br/>population)</i> | <u>Last-Month<br/>Streamies</u><br><i>(13% of U.S.<br/>population)</i> | <u>Last-Week<br/>Streamies</u><br><i>(6% of U.S.<br/>population)</i> |
|---|----------------------------|--|---|--|--|
| Men   | 46                         | 46   | 56  | 59   | 64   |
| Women   | 54                         | 54   | 44  | 41   | 36   |
| 12-17   | 11                         | 15   | 19  | 20   | 20   |
| 18-24   | 11                         | 12   | 15  | 15   | 13   |
| 25-34   | 15                         | 18   | 20  | 21   | 20   |
| 35-44   | 19                         | 20   | 20  | 19   | 17   |
| 45-54   | 18                         | 21   | 16  | 18   | 23   |
| 55-64   | 11                         | 9  | 6   | 5  | 4  |
| 65+   | 15                         | 6  | 3   | 3  | 3  |
| Employed part/full time                           | 59                         | 66   | 67  | 69   | 67   |
| Retired   | 16                         | 8  | 5   | 4  | 4  |
| Student   | 12                         | 16   | 22  | 21   | 22   |
| Homemaker   | 7                          | 6  | 3   | 2  | 3  |
| Unemployed  | 4                          | 3  | 3   | 3  | 3  |
| % who listen to radio via<br>the Internet at work | 4                          | 5  | 10  | 17   | 24   |
| Weekly time spent with<br>radio at work           | 5:05                       | 5:31   | 5:45  | 6:34   | 7:50   |
| \$50K+ Income                                     | 34                         | 42   | 46  | 47   | 42   |
| Education:  |                            |  |   |  |  |
| Some college                                      | 28                         | 31   | 32  | 36   | 32   |
| 4-year college degree                             | 17                         | 22   | 24  | 26   | 31   |
| Postgraduate                                      | 16                         | 20   | 22  | 18   | 19   |

**How to Read:** This table portrays the demographic and socioeconomic profile of the entire U.S. population, Internet users and “streamies.”

**Example:** 46 percent of the U.S. population are men, and 64 percent of those who have streamed in the last week are men.

### A. Demographic and Socioeconomic Profile of the U.S. Population, Internet Users and Streamies (Continued)

|  | <u>U.S.</u><br><u>Population</u> | <u>Internet</u><br><u>Users</u><br><i>(62% of U.S.<br/>population)</i> | <u>Total</u><br><u>Streamies</u><br><i>(27% of U.S.<br/>population)</i> | <u>Last-Month</u><br><u>Streamies</u><br><i>(13% of U.S.<br/>population)</i> | <u>Last-Week</u><br><u>Streamies</u><br><i>(6% of U.S.<br/>population)</i> |
|--|----------------------------------|--|---|--|--|
| Ever clicked on Web advertising                      | -                                | 39   | 55  | 63   | 68   |
| Clicked on Web advertising last month                | -                                | 23   | 34  | 45   | 54   |
| Clicked on Web advertising last week                 | -                                | 12   | 19  | 28   | 37   |
| Ever made a purchase online                          | -                                | 45   | 58  | 61   | 61   |
| Online purchase last month                           | -                                | 26   | 34  | 38   | 37   |
| Online purchase last week                            | -                                | 7  | 10  | 12   | 15   |
| Average amount spent online in last 12 months        | -                                | \$806  | \$914   | \$1,114  | \$1,467  |
| How long ago first accessed Internet:                |                                  |  |   |  |  |
| 0 to 1 year  | -                                | 18   | 14  | 13   | 12   |
| 1 to 2 years   | -                                | 4  | 13  | 13   | 13   |
| 2 to 3 years   | -                                | 20   | 20  | 20   | 20   |
| 3 to 5 years   | -                                | 22   | 22  | 20   | 20   |
| 5+ years   | -                                | 23   | 31  | 33   | 36   |
| Have broadband at home                               | -                                | 12   | 16  | 18   | 22   |
| Dial-up users who plan to get broadband in next year | -                                | 17   | 23  | 25   | 28   |

**B. When “Over-the-Air” Format Partisans Listen Online, What Formats Do They Listen to “Frequently?”**

“Over-the-Air” Format Partisans from Arbitron Diary (P1s)

| <u>Format Listened to “Frequently” Online</u> | <u>AC</u> | <u>Alt. Rock</u> | <u>Album Rock</u> | <u>Urban</u> | <u>Top 40</u> | <u>Classical</u> | <u>Country</u> | <u>News/Talk</u> | <u>Oldies</u> | <u>Religious</u> | <u>Spanish</u> |
|---|-----------|------------------|-------------------|--------------|---------------|------------------|----------------|------------------|---------------|------------------|----------------|
| Rock  | 25        | 43               | 51                | 13           | 24            | 14               | 10             | 11               | 8             | -                | -              |
| Top 40  | 18        | 21               | 11                | 16           | 23            | 9                | 9              | 7                | 11            | 8                | -              |
| Oldies  | 8         | 9                | 12                | 22           | 8             | -                | 12             | 9                | 19            | 8                | 18             |
| Alternative                                   | 22        | 49               | 40                | 7            | 27            | 9                | 12             | 7                | 15            | 4                | 18             |
| News  | 8         | 5                | 8                 | 10           | 4             | 9                | 12             | 12               | 7             | 11               | 33             |
| Talk  | 4         | -                | 3                 | 9            | 3             | 5                | 8              | 16               | 7             | 3                | -              |
| Sports  | 7         | 13               | 10                | 16           | 10            | -                | 2              | 16               | 7             | -                | 18             |
| Country                                       | 8         | 8                | 6                 | 3            | 9             | -                | 41             | 6                | -             | -                | -              |
| Classical                                     | 3         | 7                | 6                 | 3            | 2             | 29               | -              | 9                | 7             | 5                | -              |
| Jazz  | 5         | 5                | 6                 | 28           | 7             | 10               | 2              | 6                | 4             | 8                | 15             |
| Hip-Hop/Rap                                   | 14        | 18               | 9                 | 47           | 48            | -                | 5              | 4                | 11            | 8                | 41             |
| Soft Rock                                     | 22        | 12               | 17                | 9            | 7             | 4                | 8              | 12               | 8             | 11               | -              |
| Religious                                     | 4         | -                | 3                 | 12           | -             | 5                | 5              | 4                | -             | 41               | -              |
| Spanish                                       | 5         | 5                | 2                 | 3            | 3             | -                | 3              | 1                | 4             | 4                | 88             |

**How to read:** Pick a P1column. Based on Arbitron listening diaries, these are people who prefer a particular radio format. Read down. The numbers indicate what percent of “over-the-air” format partisans say they listen “frequently” to Internet audio programming.

**Example:** Among radio listeners who prefer Top 40 stations, 48 percent listen frequently to Hip-Hop/Rap online, 24 percent listen frequently to Rock online, etc.

**C. Comparison of Demographic Profiles of Listeners (“Over-the-Air” Radio and Over the Internet)**

|       | <u>Alternative Rock</u> |          | <u>Top 40</u> |          | <u>Oldies</u> |          | <u>Country</u> |          | <u>News/Talk</u> |          |
|-------|-------------------------|----------|---------------|----------|---------------|----------|----------------|----------|------------------|----------|
|       | Radio                   | Internet | Radio         | Internet | Radio         | Internet | Radio          | Internet | Radio            | Internet |
| Men   | 64                      | 62       | 42            | 40       | 49            | 63       | 40             | 40       | 58               | 62       |
| Women | 36                      | 38       | 58            | 60       | 51            | 37       | 60             | 60       | 42               | 38       |
| 12-17 | 12                      | 31       | 26            | 33       | 3             | 3        | 4              | 12       | 1                | 2        |
| 18-24 | 25                      | 21       | 25            | 16       | 5             | -        | 9              | 11       | 3                | 11       |
| 25-34 | 32                      | 29       | 24            | 21       | 12            | 9        | 18             | 22       | 12               | 23       |
| 35-44 | 20                      | 13       | 16            | 14       | 25            | 33       | 21             | 31       | 18               | 28       |
| 45-54 | 8                       | 5        | 7             | 11       | 33            | 34       | 20             | 13       | 20               | 26       |
| 55-64 | 2                       | -        | 2             | 3        | 16            | 18       | 15             | 6        | 17               | 9        |
| 65+   | 1                       | -        | 1             | 2        | 7             | 4        | 13             | 6        | 30               | 4        |

|       | <u>Rock</u> |          | <u>Religious</u> |          | <u>Classical</u> |          | <u>Smooth Jazz</u> |          | <u>Hip-Hop/Rap</u> |          |
|-------|-------------|----------|------------------|----------|------------------|----------|--------------------|----------|--------------------|----------|
|       | Radio       | Internet | Radio            | Internet | Radio            | Internet | Radio              | Internet | Radio              | Internet |
| Men   | 74          | 69       | 66               | 64       | 52               | 35       | 51                 | 64       | 50                 | 42       |
| Women | 26          | 31       | 34               | 36       | 48               | 66       | 49                 | 36       | 50                 | 58       |
| 12-17 | 5           | 24       | 4                | 4        | 1                | 6        | 1                  | -        | 30                 | 57       |
| 18-24 | 15          | 17       | 5                | 9        | 2                | 18       | 3                  | 18       | 30                 | 25       |
| 25-34 | 30          | 19       | 14               | 23       | 9                | 16       | 12                 | 8        | 23                 | 9        |
| 35-44 | 34          | 20       | 23               | 36       | 13               | 9        | 28                 | 24       | 11                 | 8        |
| 45-54 | 14          | 18       | 21               | 20       | 20               | 17       | 27                 | 30       | 3                  | 1        |
| 55-64 | 2           | 1        | 15               | 8        | 21               | 20       | 17                 | 21       | 1                  | -        |
| 65+   | 1           | 1        | 20               | -        | 34               | 14       | 12                 | -        | 1                  | -        |

|       | <u>Soft Rock</u> |          | <u>Sports</u> |          |
|-------|------------------|----------|---------------|----------|
|       | Radio            | Internet | Radio         | Internet |
| Men   | 35               | 55       | 87            | 79       |
| Women | 65               | 46       | 13            | 22       |
| 12-17 | 4                | 7        | 1             | -        |
| 18-24 | 10               | 14       | 5             | 6        |
| 25-34 | 23               | 21       | 23            | 26       |
| 35-44 | 26               | 29       | 25            | 39       |
| 45-54 | 19               | 29       | 22            | 15       |
| 55-64 | 10               | -        | 12            | 9        |
| 65+   | 8                | -        | 12            | 5        |

**How to read:** This table depicts the audience composition of “over-the-air” radio format partisans and online format partisans.

**Example:** Among those who indicate Top 40 is their most preferred “over-the-air” radio format, 58 percent are women and 26 percent are teenagers. Among those who indicate Top 40 is their most preferred online audio format, 60 percent are women and 33 percent are teens.

## About Arbitron's Webcast Ratings

Arbitron is the leading provider of ratings for streaming media. The company debuted the world's first webcast ratings in October 1999. In the summer of 2000, Arbitron and Lariat Software formed a strategic alliance that combines Lariat's market-leading data collection and reporting solutions with Arbitron's expertise in the compiling and marketing of credible third-party ratings. Arbitron Webcast Ratings<sup>SM</sup>, powered by Lariat Software, is designed to provide the third-party measurement, analysis and reporting that advertising agencies need to make informed media planning and buying decisions and webcasters need to demonstrate the size and value of their audience.

Arbitron also conducts regular industry studies to help webcasters, advertisers and agencies understand the Internet and streaming media. In addition to twice-yearly Internet studies with Edison Media Research, Arbitron publishes periodic research studies such as its landmark findings on how key decision-makers at agencies perceive webcasting ("Advertising Agencies Speak Out on Webcasting"). All of Arbitron's industry studies can be found on the company's Web site at [www.arbitron.com](http://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 is the fastest growing market research company in America over the past five years, according to *Advertising Age*. Edison Media Research works with many of the largest radio ownership groups and also conducts strategic and perceptual research for a broad array of companies, including AOL, Yahoo!, CBS, CNN, Entertainment Weekly, The Golf Channel, Court TV, Island Records, Maverick Records, The Cleveland Cavaliers, The Orlando Magic, Princeton University, Sony Music, The Blackstone Group and Time-Life Music. Edison Media Research also conducts research for successful radio stations in South America, Canada and Europe. All of Edison Media Research's industry studies can be found on the company's Web site at [www.edisonresearch.com](http://www.edisonresearch.com) and can be downloaded free of charge.