Arbitron/Edison Media Research

Internet 8:

Advertising vs. Subscription – Which Streaming Model Will Win?

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Overview

Welcome to the eighth Arbitron/Edison Media Research study of consumer use of the Internet and streaming media with brand-new data from interviews conducted in January 2002. We have conducted these studies every six months since August of 1998, and our semiannual reports have become a widely used source of information on streaming media and consumer behavior on the Internet.

The streaming media business sector has experienced growing pains during the past year. In addition, the industry is facing new controversy regarding digital rights fees. Despite these hurdles, consumers continue to use online audio and video in record numbers. More Americans continue to try streaming media, and more Americans are making their use of streaming media a regular habit.

According to our study, 35% of Americans age 12 and older are “Streamies,” or Internet users who ever listen to online audio or watch online video. This translates to approximately 80 million Americans. In a typical month, 24% of those online (equal to approximately 40 million Americans) listen to or watch Internet audio or video.

Despite the economic recession of the last year, consumer adoption of superfast Internet broadband connections continues to rise sharply. In one year, the proportion of people reporting at-home broadband Internet access surged from 12% (January 2001) to 21% (January 2002). We continue to find that those with broadband connections consume far more streaming media, especially video, compared to those with slower, dial-up connections.

This report outlines key findings detailed point by point, concluding with recommendations to the industry.

We also include several appendices to help the reader understand American consumer use of the Internet and streaming media. The first, Appendix A, depicts topline metrics for streaming media; the second, Appendix B, provides a profile of Internet users, Streamies and active Streamies (those who have listened or watched online in the past month and in the past week). Appendix C shows a comparison of Internet users with dial-up access versus those with broadband access, and finally, Appendix D provides an overview of Internet and streaming behavior among various radio format partisans.

How This Study Was Conducted

A total of 2,508 people were surveyed to investigate America’s Internet usage and streaming media behavior. In January 2002, telephone interviews were conducted with respondents age 12 and older chosen at random from a national sample of Arbitron’s Fall 2001 survey diarykeepers.

Significant Highlights

- **Most Americans rate the Internet's entertainment value behind its attributes as a means of communication and source of news and information**. Since the first Arbitron/Edison Media Research Internet study in August 1998, we have maintained that the Internet (and streaming) must cut through with compelling and unique entertainment content in order to convert trial into regular usage.

- **The number of Americans who have access to the Internet continues to rise**. More than seven in ten Americans now have access to the Internet. Also, use of the Internet is becoming a monthly and weekly habit, with 64% of Americans having used the Internet in the past month, and 58% having used the Internet in the past week.

- **Streaming media usage is at an all-time high, as an estimated 80 million Americans have ever tried streaming media**. Also, regular usage of Internet audio and video increased substantially in the last year. The percentage of Americans who have listened or watched online in the last month grew from 13% in January 2001 to 17% in January 2002. Expressed as a proportion of all Americans age 12 or older, 28% of consumers in the U.S. have tried audio streaming and 20% have tried video streaming. Among those online, 17% have streamed audio in the past month while 13% have watched online video in the past month.

- **The number of Americans with at-home broadband Internet access has surged from 15 million to 27 million in the last year**. Also, adoption of residential broadband appears poised for further growth in 2002. Of those with home Internet access, 14% say they plan to get high-speed broadband access in the coming year.

- **One in five consumers who listened online in the last month are willing to pay a fee for the channel they listen to most on the Internet**. Also, those who have ever listened to Internet audio (audio Streamies) show a willingness to pay subscription fees for the right mix of offerings. Four in ten audio Streamies say they would be willing to pay a small fee for commercial-free content, high-quality audio, or content they can't find anywhere else.

- **Those online say banner ads are more annoying than online audio or video commercials by nearly a two-to-one margin**. In addition, the number of Americans who have clicked on banner ads continues to decline. The proportion of those who have clicked on a banner ad in the last month plunged from 31% in January 2000 to 14% in January 2002.

- **A substantial number of audio Streamies are familiar with each of the major streaming brands: MSN Music, Yahoo Radio, Real.com and Radio@AOL.** Thirty percent (30%) to 40% of audio Streamies are aware of the major streaming brands, and 30% to 70% of those who are aware of these brands have ever listened to them.

Key Findings

A. Attitudes About the Internet

1. **Most Americans rate the Internet's entertainment value behind its attributes as a means of communication and source of news and information.** We asked Americans to rate the Internet on a scale of 1-10 (1 = poor and 10 = excellent) as a source of entertainment, means of communication and source of news and information. The Internet posted strong "ratings" as a means of communication (7.8) and source of news and information (7.4). However, the consumer's rating of the Internet as a source of entertainment is substantially lower (6.1).

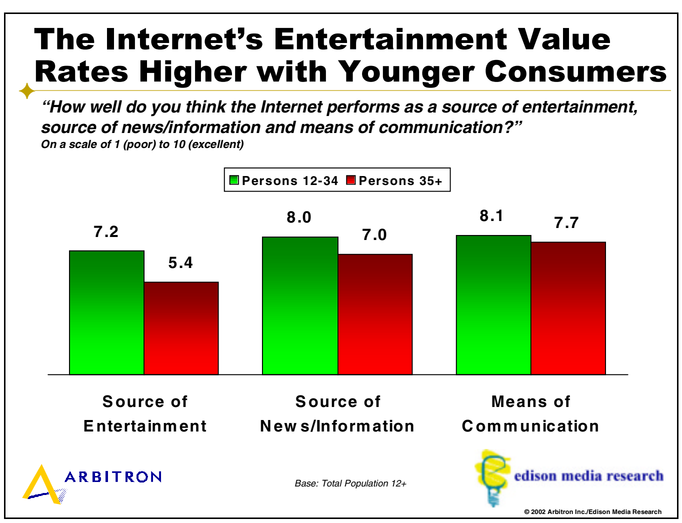
Consumer Rating of the Internet for Entertainment, News/Information and Communication
(1 = poor, 10 = excellent)

	Total Pop. 12+	Access the Internet	Dial-Up Homes	Broadband Homes	Streamies	Monthly Streamies
Source of Entertainment	6.1	6.3	6.1	6.7	7.0	7.5
Source of News and Information	7.4	7.6	7.6	7.9	8.1	8.4
Means of Communication	7.8	8.1	8.2	8.4	8.4	8.6

Since the beginning of our research on the Internet and streaming, we have maintained that the Internet (and streaming) must cut through with compelling and unique entertainment content in order to convert trial into regular usage. These findings indicate that consumer perception of the Internet as an entertainment medium still lags its perceived value for communication as well as news and information.

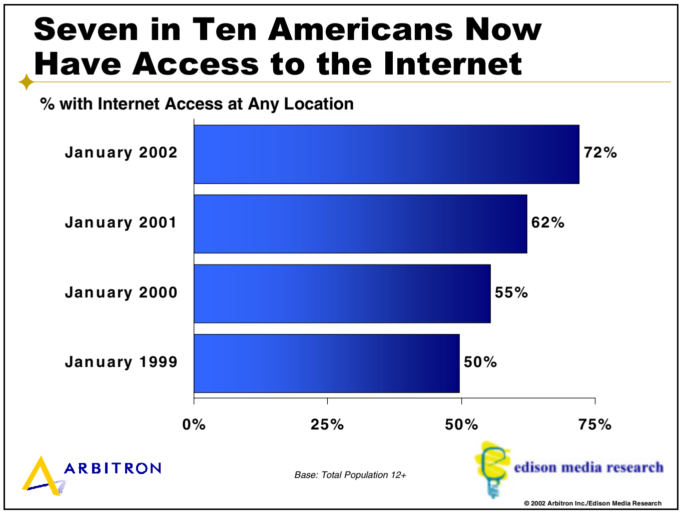
Streamies and consumers in broadband homes rate the Internet higher as an entertainment source. However, they still rate the Internet's entertainment value lower than its communication and news/information attributes.

Younger Americans are more likely to rate the Internet higher as a source of entertainment.

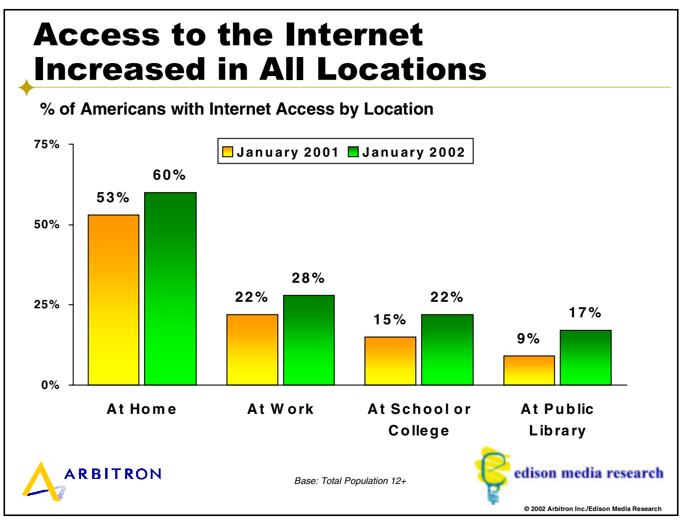


B. Internet Access Trends

2. **More than seven in ten Americans now have access to the Internet.** The growth of those who have access to the Internet has been remarkable since our first study three and a half years ago. In August 1998, only 31% of Americans had access to the Internet from any location, and now, as of January 2002, 72% of Americans have access to the Internet.

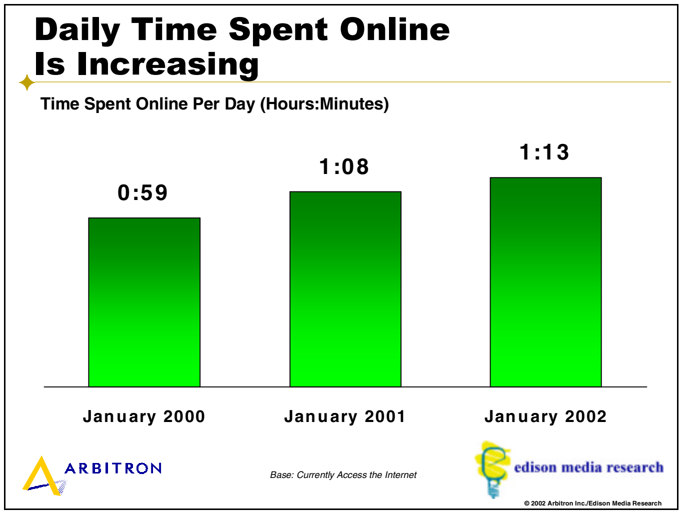


The most significant growth comes from an increase in those who have access to the Internet at home. One year ago, 53% of Americans reported having access to the Internet at home. In January 2002, 60% have access to the Internet at home. In addition, 28% of Americans access the Internet at work, 22% access the Internet at school or at college and 17% access the Internet at a public library.



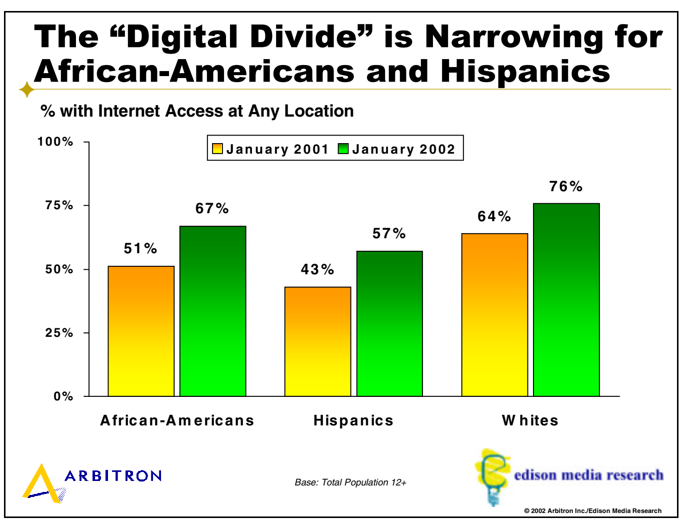
The growth of those who have a computer in their home has paralleled the growth of the Internet. In August 1998, half of Americans indicated they had a computer in their home, and now, in January 2002, 71% of Americans say their home has at least one computer, while 24% have more than one computer in their household.

3. **Daily time spent online is increasing.** Two years ago online Americans estimated that they spent an average of 59 minutes per day on the Internet. One year later, in January 2001, time spent online increased to 1:08 (1 hour 8 minutes) per day. In January 2002, those online estimate they spend an average of 1:13 per day online.



4. **Use of the Internet is becoming a monthly and weekly habit.** Sixty-four percent (64%) of Americans have used the Internet in the past month, and 58% have used the Internet in the past week.

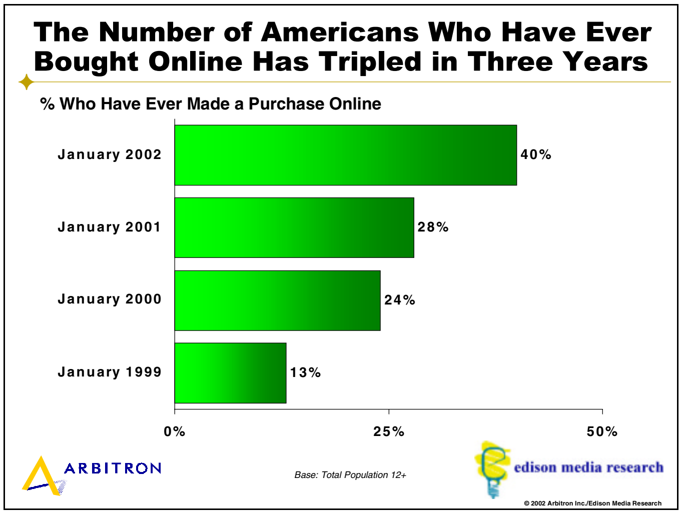
5. **The "digital divide" is narrowing.** One year ago (January 2001), only 51% of African-Americans had access to the Internet, with that number increasing to 67% in January 2002. During the same one-year period, the percentage of Hispanics with Internet access has risen from 43% to 57%.



6. **The Internet surpasses TV as the "most cool and exciting" medium among young people.** Consumers were read a series of statements and asked to name the medium (the Internet, radio, TV or newspapers) that first came to mind for each statement. Forty-two percent (42%) of 12- to 24-year-olds say the Internet is the "most cool and exciting," compared with 39% who identified television for this image.

C. Buying Online

7. **The number of Americans who buy online is up sharply in the last three years.** The proportion of all Americans who say they have purchased online during the past holiday season increased from 14% one year ago to 18% in January 2002. Currently, 40% of all Americans say they have ever made a purchase from an Internet Web site, up from 13% in January 1999.



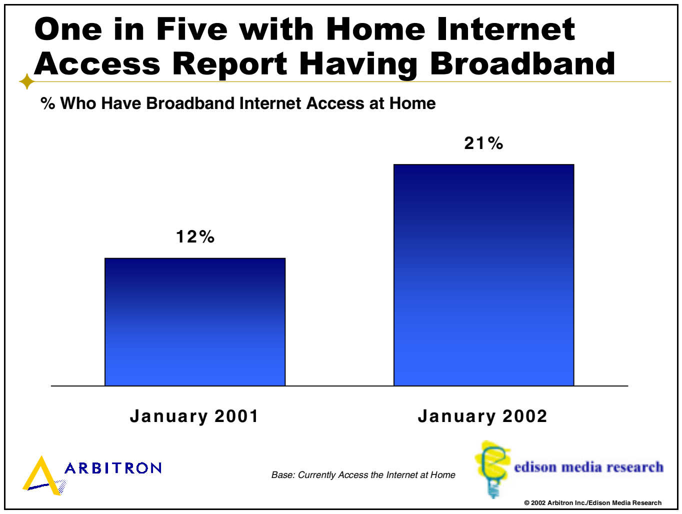
8. **More online Americans have made buying online a regular habit.** The number of online Americans who have purchased online continues to rise. However, it appears that the economy may have had an impact on the average amount spent online per person in the past year.

Online Buying Trends
Base: Currently Access the Internet

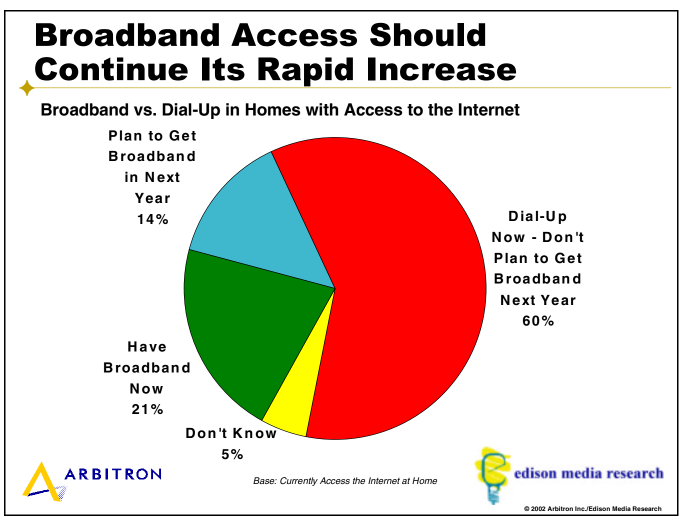
	January 2000	January 2001	January 2002
Ever Made Purchase from Internet Web Site	43%	45%	56%
Made Purchase Online in the Last Month	28%	26%	31%
Made Purchase Online in the Last Week	8%	7%	10%
Average Amount Spent Online in Past Year	$650	$806	$658

D. Broadband

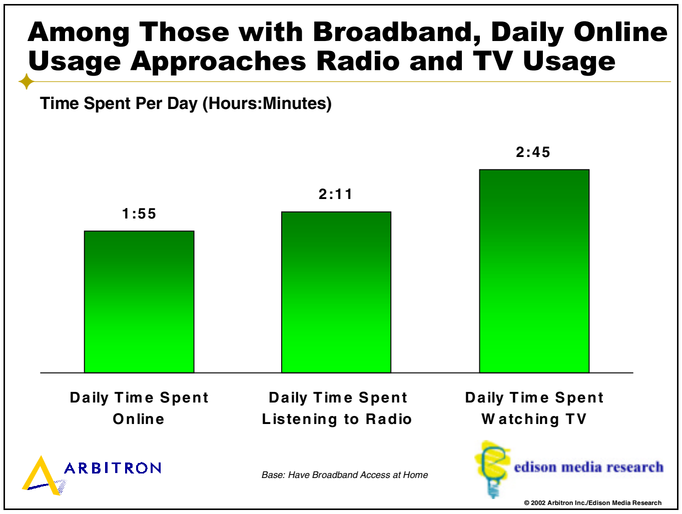
9. **The number of Americans with at-home broadband Internet access has surged from 15 million to 27 million in the last year.** In January 2001, 12% of at-home Internet users reported that they had a broadband Internet connection in the home. In January 2002, at-home broadband penetration jumped to 21% of those with access to the Internet at home despite the marked slowdown of the economy and other issues impacting the broadband business sector.



10. **Adoption of residential broadband appears poised for further growth in 2002**. Of those with home Internet access, 14% say they plan to get high-speed broadband access in the coming year.



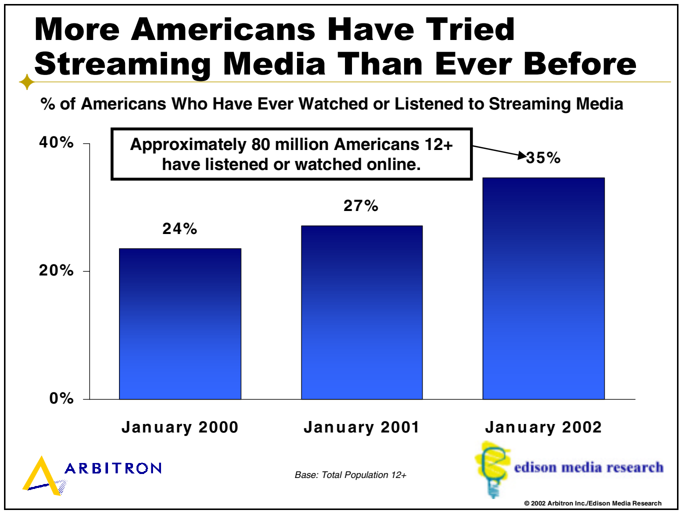
11. **Weekly Internet usage is nearly universal in broadband homes.** Eighty-nine percent (89%) of those in broadband homes use the Internet each week, and spend nearly as much time online per day (1:55) as they spend listening to radio (2:11).



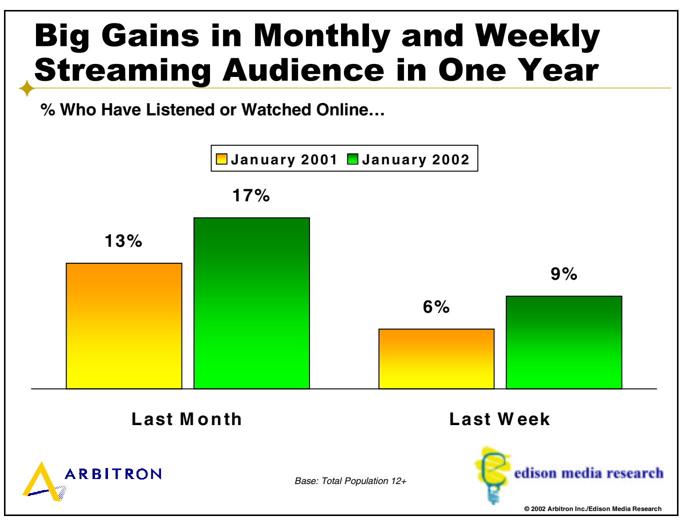
12. **People who have broadband access at home have a different perception of where to turn to find new music.** For years radio has been the medium that Americans use to learn about new music. Sixty-three percent (63%) of all Americans say that radio is the medium they use to learn about new music, compared with 14% for TV and 9% for the Internet. However, among people who live in broadband homes, 22% say they use the Internet to learn about new music while radio's image declines to 54%.

E. Streaming Usage

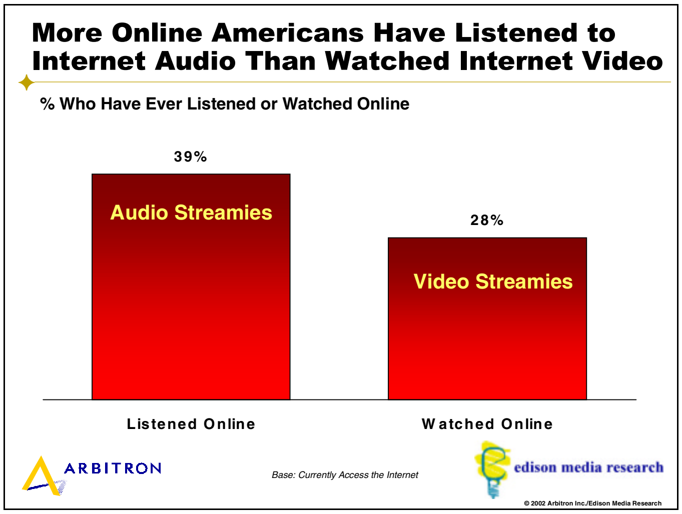
13. An estimated 80 million Americans have ever tried streaming media, and approximately 40 million say they listen to audio or watch video online on a monthly basis. Just two years ago, 24% of Americans had ever listened or watched online. Now, 35% of all Americans have ever listened to or watched online audio or video, which also represents half of those online.



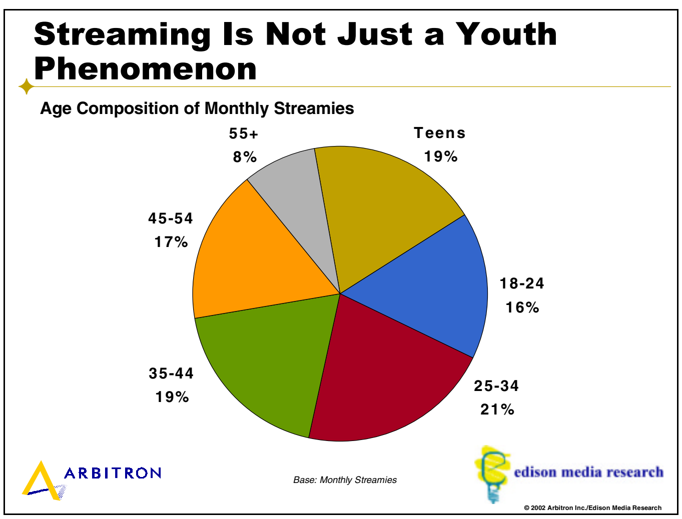
14. Monthly and weekly usage of Internet audio and video increased substantially in the last year. The percentage of Americans who have listened or watched online in the last month grew from 13% in January 2001 to 17% in January 2002. The number of Americans who have listened or watched online in the past week also gained significantly from 6% one year ago to 9% in January 2002.



15. **Among those online, 39% have tried audio streaming and 28% have tried video streaming.** Expressed as a proportion of all Americans age 12 or older, 28% of consumers in the U.S. have tried audio streaming and 20% have tried video streaming. Among those online, 17% have streamed audio in the past month while 13% have watched online video in the past month.



16. **Streaming is not just a youth phenomenon.** It is a commonly held perception that streaming is for the young. As the consumption of streaming has grown, the age composition of those who listen or watch online in the past month ("monthly Streamies") has become remarkably balanced among all age groups from 12 to 54 years old.



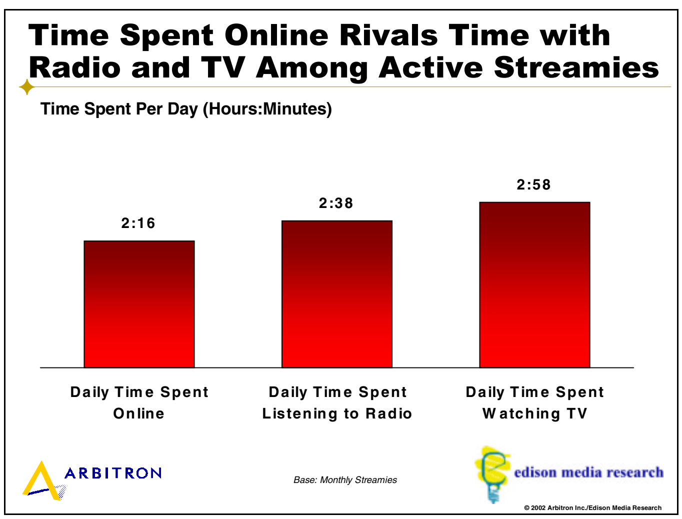
17. **The active streaming audience (those who listen or watch online in the past month and past week) skews male.** Fifty-six percent (56%) of monthly Streamies are men and 44% are women. Among Streamies who watched or listened online in the past week, 62% are male and 38% are female.

18. African-Americans and Hispanics who are online are more likely to consume streaming media. Among African-Americans online, 55% indicate they have listened or watched online compared with 57% among Hispanics and 48% among whites. Throughout this research, we find that Hispanics and African-Americans show substantial interest in streaming audio and video.

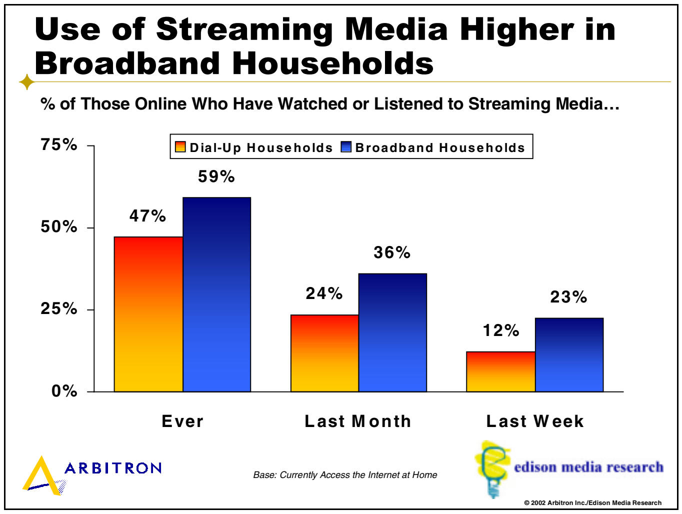
19. Those who consume streaming media on a regular basis are a very attractive advertising target. Of the 17% of all Americans age 12 and older who indicate that they have consumed audio or video streaming in the last month…

- 62% are employed full or part time (vs. the national average of 57%)
- 49% live in homes with $50,000+ annual income (vs. the national average of 34%)
- 42% have made a purchase in the last month (vs. 31% of all Internet users)
- 26% plan to spend more online in the next year (vs. 19% of all Internet users who have made an online purchase)
- 43% purchase CDs online (vs. 22% of those online)

20. Monthly Streamies spend nearly as much time online each day as they spend listening to radio or watching TV. Consumers who streamed in the last month say they spend an average of 2:16 online each day. These monthly Streamies say they spend 2:38 per day listening to radio and 2:58 per day watching TV.



21. **People who live in homes with broadband Internet access are much more likely to consume streaming media**. Nearly six in ten people (59%) who live in homes with broadband Internet access watch or listen online, compared with 47% among those who live in homes with dial-up Internet connections. Monthly and weekly usage of streaming media is also significantly higher in homes with broadband.

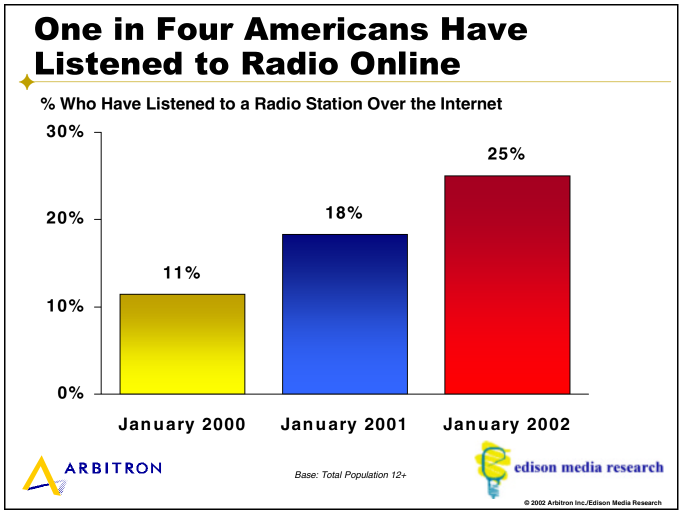


22. **"Surfing the Internet" and "recommendations from friends and family" are the top ways consumers discover Internet audio and video.** Sixty-two percent (62%) of Streamies say "browsing around or surfing the Internet" is the way they discover audio content, followed by "word of mouth from friends and family" (52%). Four out of ten say they find streaming media content through Internet search engines or traditional media advertising, while 29% say they find Internet audio and video through the preset stations and channels that appear on media players.

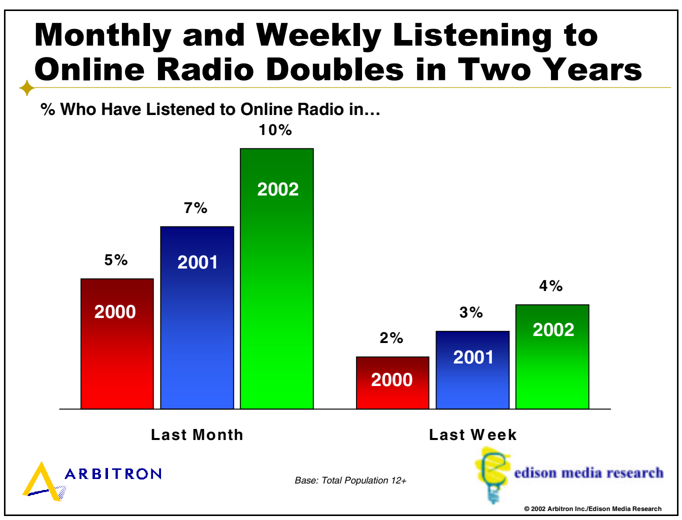
    Having broadband Internet access increases the likelihood that people will surf around to find Internet audio and video content. Sixty percent (60%) of those with broadband say they surf the Internet to find audio and video content, compared to 31% among those with dial-up connections. The slower speed of dial-up access appears to hinder the willingness of consumers to "surf around and browse" to find new streaming content. Among those with dial-up, the number one method for finding streaming content is via friends and family, followed by Internet search engines and traditional media advertisements.

F. Internet Radio/Audio

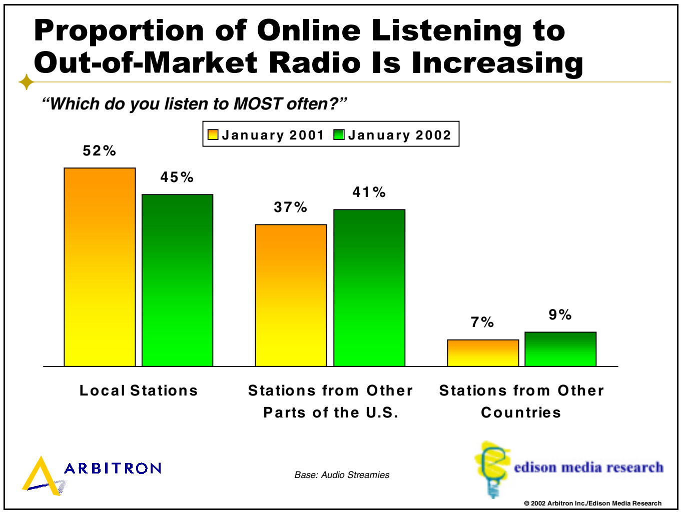
23. One in four Americans have ever listened to radio stations over the Internet. As of January 2002, 25% of all Americans over the age of 12 have listened to radio stations online.



Monthly and weekly listening to radio stations over the Internet has doubled in the last two years. Listening to online radio stations in the last month has grown from 5% of Americans in 2000 to 10% in January 2002. The number of Americans who reported listening to radio stations online in the past week has grown from 2% in January 2000 to 4% in January 2002.

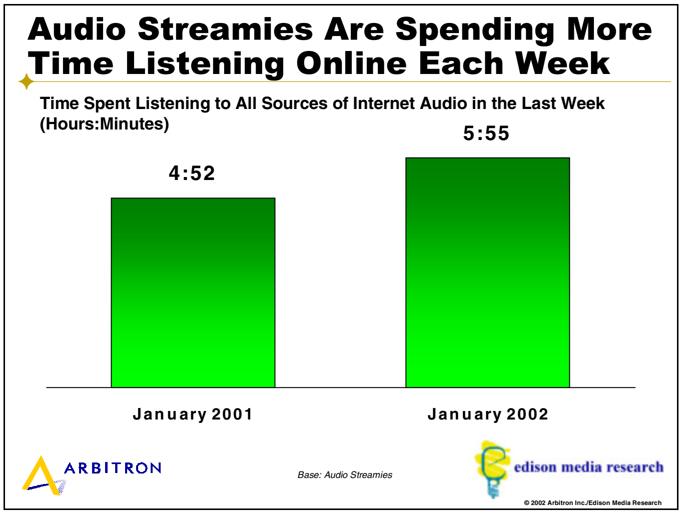


24. **While audio Streamies still listen most often to local radio stations, the proportion of listening to out-of-town stations is growing.** In January 2001, those who had listened to radio stations over the Internet said they listened most online to local stations (52%), followed by stations in the rest of the United States (37%) and stations from other countries (7%). In January 2002, those saying they listen most online to local stations decreased to 45%, with more now saying they listen to stations from around the rest of the United States (41%) and stations from other countries (9%). Fewer stations streamed their over-the-air signals over the Internet during the past year due to digital rights issues. Therefore, it is possible that audio Streamies may have tuned to out-of-town radio stations instead to satisfy their listening needs.



25. **Tuning to Internet-only audio is higher than it was one year ago, but it has declined in the last six months with the departure of several popular Internet-only audio sources.** In January 2002, 12% of Americans said they had ever listened to Internet-only audio, which is slightly higher than the 9% who had done so one year ago. However, several popular Internet-only audio sources stopped streaming during the past six months. With fewer Internet-only sources of audio, the percentage of Americans who have listened to Internet-only audio sources in the past month declined from 8% of those online in July 2001 to 6% in January 2002. This erosion may be short-lived. Major streaming/Internet brands such as AOL, Yahoo!, MSN and RealNetworks are marketing and promoting their content, some of which is exclusive Internet-only audio.

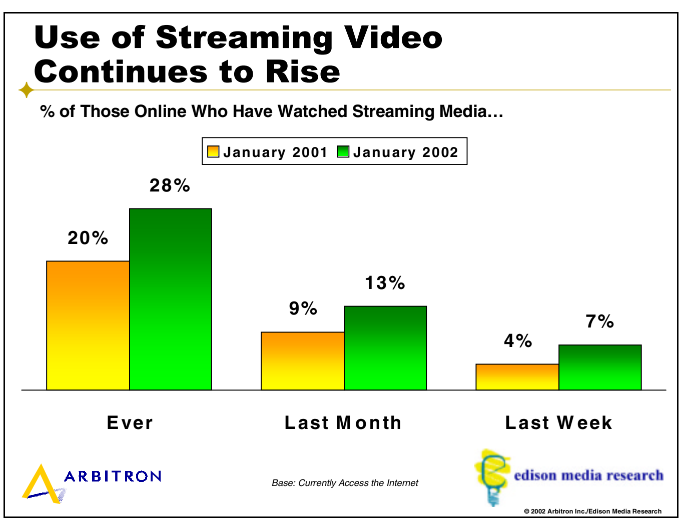
26. Audio Streamies are spending more time listening online each week. Among those who have listened online in the past week, time spent listening per week increased from 4:52 in January 2001 to 5:55 in January 2002.



27. Forty-five percent of audio Streamies say they use the Internet to listen to audio content they cannot find otherwise on traditional over-the-air radio. More men (50%) say they use the Internet to seek audio content as an alternative to traditional radio than women (39%). Audio Streamies age 12 to 34 are more likely than those age 35 and older to use the Internet to listen to content they cannot find on traditional radio (52%).

G. Internet Video

28. More than one in four Internet users have ever tuned to online video and 13% have watched Internet video in the past month. The percentage of those online who have ever tuned to online video increased from 20% in January 2001 to 28% in January 2002. Regular usage of online video also grew compared to one year ago. In January 2002, 13% of those online say they have watched online video in the past month, up from 9% in January 2001. During this same time period, weekly use of streaming video grew from 4% to 7% of those online.



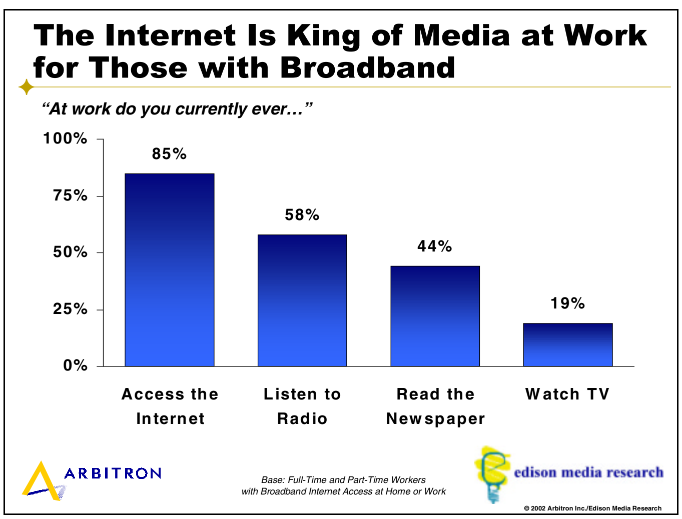
29. **Half of video Streamies say they watch online video content that they cannot otherwise find on existing TV or cable.** As we saw with audio content, men are more likely to say they look for unique online video content on the Internet as compared to women. Interestingly, six out of ten African-Americans and Hispanics say they watch streaming video for content that cannot be found elsewhere. It appears there is a growing opportunity to offer minorities unique and compelling content via streaming video.

30. **Video Streamies are spending slightly more time watching online each week.** Among those who watched online video in the past week, time spent watching Internet video per week increased from 2:14 in January 2001 to 2:24 in January 2002.

H. The Internet and Streaming Media at Work

31. **In the workplace, broadband continues to be the most common method to access the Internet.** Among those with Internet access at work, 51% report they access via broadband while one-third report using dial-up connections.

32. **The Internet is king of media at work for those with broadband.** When those full- or part-time workers were asked which media they ever use at work (Internet, radio, TV and newspaper), 64% reported listening to the radio, followed by the Internet at 50%, newspapers at 43% and TV at 18%. However, among full- and part-time workers who have broadband access at home or at work, 85% said they ever use the Internet at work, followed by 58% who ever listen to the radio, 44% who ever read the newspaper, and 19% who ever watch TV at work.



I. Major Streaming Brands

33. A substantial number of audio Streamies are familiar with each of the major streaming brands: MSN Music, Yahoo Radio, Real.com and Radio@AOL. Real.com/Real Guide has the highest awareness and usage among the major streaming brands, reflecting its brand equity and tenure in the streaming media "space." Real.com/Real Guide converts 72% of those who are familiar with its brand to trial usage. Yahoo Radio and MSN Music have similar profiles of awareness, trial usage and conversion of awareness to trial usage. Radio@AOL shows substantial awareness, reflecting its massive marketing efforts. In addition, Radio@AOL's trial usage and conversion are remarkable considering its recent entry into the streaming market.

Familiarity and Usage of Major Streaming Brands
Base: Audio Streamies

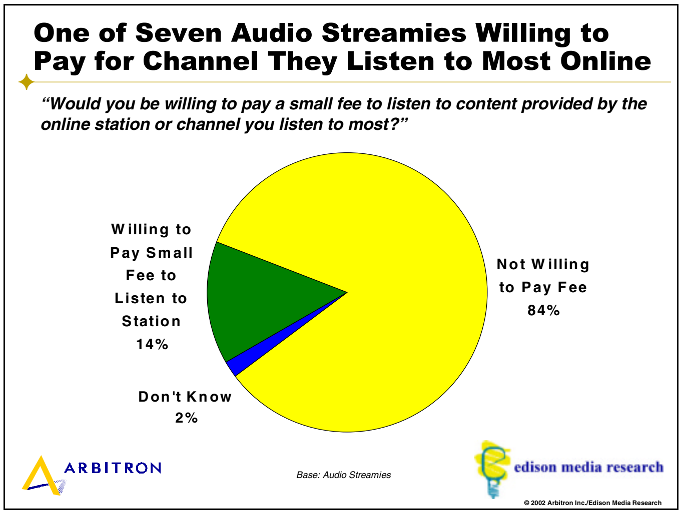
	Awareness	Ever Listened	Conversion of Awareness to Listening
Real.com/Real Guide	43%	31%	72%
Yahoo Radio	37%	19%	51%
MSN Music	36%	18%	50%
Radio@AOL	32%	11%	34%

34. America Online has a clear opportunity to leverage its subscriber base into a significant streaming media audience. AOL has an opportunity to convert its users to regular streaming media behavior through its new Radio@AOL webcasting functionality. One-third of online Americans say that they subscribe to AOL. AOL's subscription rate is even higher (40%) among monthly Streamies.

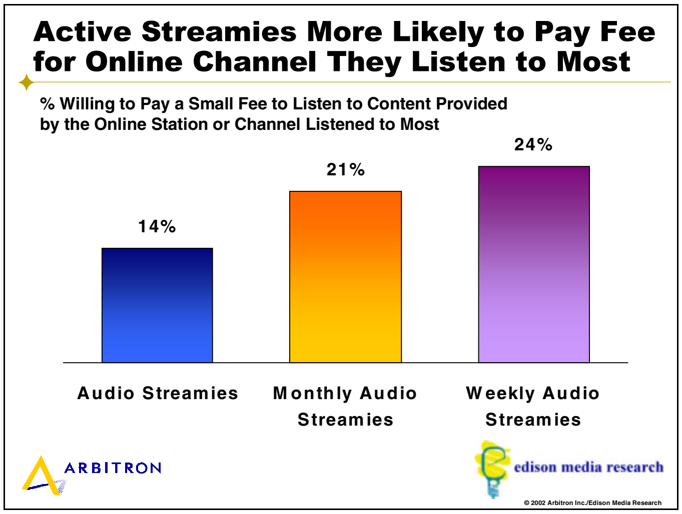
Those with residential broadband are somewhat less likely to be AOL subscribers. Among Americans with dial-up Internet access, 39% subscribe to AOL while only 30% of Americans with at-home broadband access subscribe to AOL. Consumer use of streaming media is higher among those with broadband Internet access. Therefore, AOL's efforts to drive online listening through Radio@AOL may be hindered by its lower penetration among those with broadband.

J. Streaming Subscription Models

35. **One in seven audio Streamies say they would be willing to pay a small fee to listen to the one audio channel they listen to most online.** Fourteen percent (14%) of those who have ever tried streaming say they would be willing to pay a fee to listen to their favorite online channel.



Active Streamies are more likely to be willing to pay a fee to listen to the station or channel they listen to most. Twenty-one percent (21%) of monthly Streamies and 24% of weekly Streamies say they would pay a fee to listen to the channel they listen to most online. Those with broadband Internet access are slightly more likely to be willing to pay a fee (16%) compared to those with dial-up Internet access (13%).



36. **A large portion of audio Streamies say they would be willing to pay a small fee for content with no commercials, high-quality audio, and content they can't find elsewhere.** Four in ten audio Streamies say they would agree to pay a small fee if the audio content had no commercials, if the content was of the highest audio quality (without pausing or buffering) or if the content could not be found elsewhere. A smaller proportion (25%) say they would pay a small fee if there were noticeably fewer commercials.

Percent of Audio Streamies Who Would Be Willing to Pay a Small Fee for Audio on the Internet If…

The channel offered content you could not get elsewhere	43%
There were no audio commercials	41%
Audio was of highest quality without pausing or buffering	39%
There were noticeably fewer commercials	25%

37. **Ten percent (10%) to 15% of listeners to popular national radio personalities say they would be willing to pay a small fee to listen to those personalities online.** Ten percent (10%) of Rush Limbaugh's over-the-air listeners, 12% of Dr. Laura Schlessinger's listeners and 15% of Howard Stern's radio audience say they would be willing to pay a small fee to listen to these programs over the Internet. Recently, Premiere Radio Networks, the syndicator for the Rush Limbaugh and Dr. Laura Schlessinger programs, began offering a subscription model for their popular national personalities.

Willingness to Pay a Small Fee to Listen Online Among Listeners to Popular Over-the-Air Radio Programs

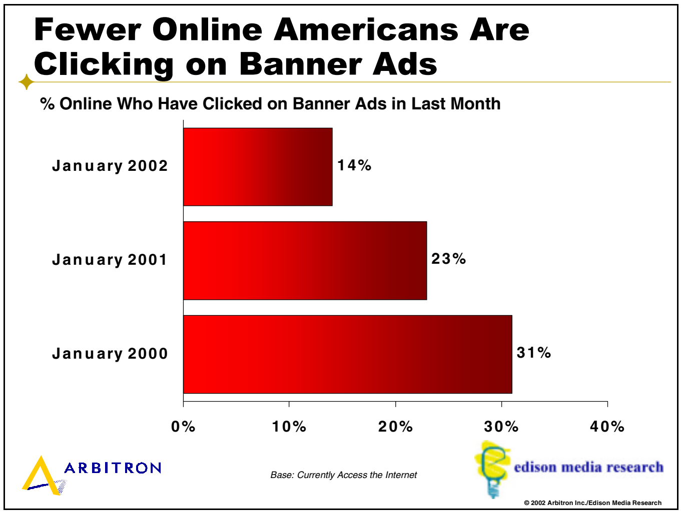
	% Who Say They Listen Over-the-Air	% of Listeners Who Say They Would Be Willing to Pay a Fee to Listen to Personality Online
Rush Limbaugh	24%	10%
Dr. Laura Schlessinger	17%	12%
Howard Stern	14%	15%

38. **Streamies, and those with broadband Internet access, are twice as likely to pay for Web site subscriptions.** Streaming media content providers seeking to build a subscription model should note that active Streamies, and those with broadband Internet access, are far more likely to pay Web site subscription fees. Seven percent (7%) of those online say they currently pay at least one Web site subscription fee, while 12% of those who have streamed in the last month and the last week currently pay Web site subscription fees. Twice as many people with broadband access (11%) pay subscription fees for Web sites compared to those with dial-up (6%).

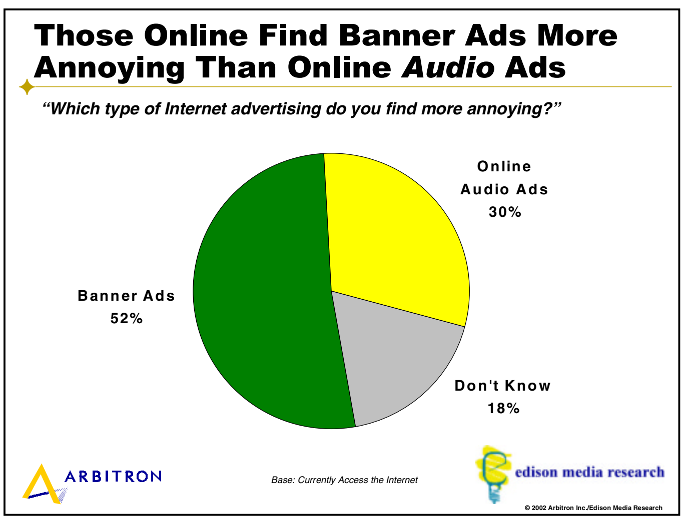
39. **Four in ten Streamies say that providing information about themselves to a Web site is a fair price to pay for free streaming content.** Forty-two percent (42%) of Streamies agree that providing information about themselves and their household, before being able to access that site's content, is a fair price to pay for access to the site's streaming content. However, their attitude changes when it comes to subscription sites. Only 29% say it is reasonable to provide registration information to access Internet audio and video when that site also requires a small subscription fee.

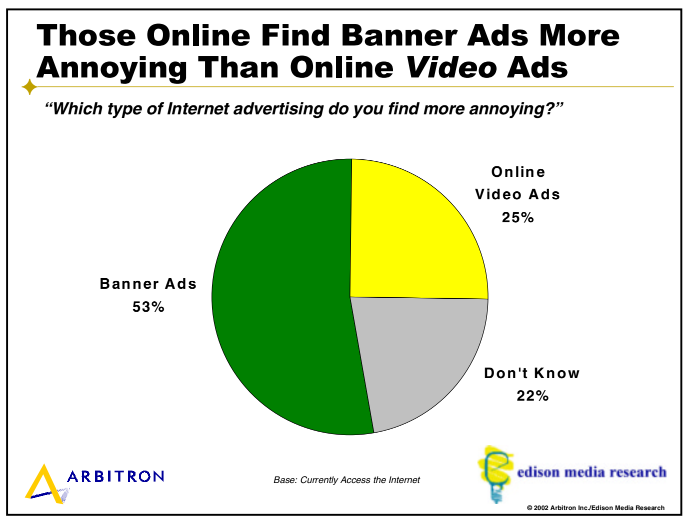
K. Internet Advertising

40. **The number of online Americans who report having clicked on banner ads in the last month continues to decline.** The proportion of those who have clicked on a banner ad in the last month plunged from 31% in January 2000 to 23% in January 2001 to 14% in January 2002.



41. **Consumers say that banner ads are more annoying than online audio or video ads.** When asked which they find more annoying between banner ads and audio ads on the Internet, 52% of online Americans said banner ads are more annoying, and only 30% said audio ads are more annoying. When asked whether banner ads or video ads were more annoying, 53% of online Americans said banner ads were more annoying, while only 25% chose video ads as more annoying.





42. Streamies are more aware of having heard audio commercials online than video commercials. Thirty-six percent (36%) of audio Streamies say they have heard a commercial while listening to streaming audio. Among video Streamies, 20% say they have seen a video commercial while watching streaming video.

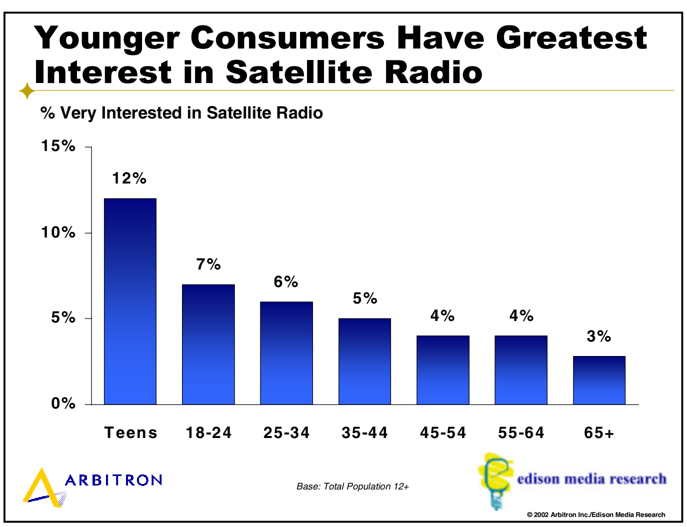
43. More Americans say they have visited Web sites they learned about through broadcast, print, outdoor and Internet media. In 1999 and 2000, record advertising dollars were spent in the dotcom economy to drive Americans to Web sites. By mid-2000, the dotcom advertising blitz dried up. Six months later (January 2001), fewer Americans said they had visited Internet Web sites they learned about through broadcast, print and Internet media. In January 2002, it appears that more Americans are visiting Web sites as a result of having learned about them through the media. This may be the result of traditional marketers promoting their Web sites more aggressively.

"Have you visited an Internet Web site that you learned about from…"

	January 2000	January 2001	January 2002
Magazines	59%	53%	64%
The Internet	-	-	63%
Television	60%	52%	59%
Radio	45%	39%	44%
Newspaper	40%	36%	41%
Billboards	17%	15%	19%

L. Satellite Radio

44. Twelve million Americans say they are "very interested" in the concept of satellite radio. Among all Americans surveyed, 5% say they are "very interested" in satellite radio, which translates to approximately 12 million Americans age 12 and older. Twice as many men are interested in satellite radio (8%) as women (4%). As seen in the chart below, the younger the consumer, the greater the interest in satellite radio.



45. **Minorities have greater interest in satellite radio than whites.** Eight percent (8%) of African-Americans and 9% of Hispanics say they are "very interested" in satellite radio, while only 5% of whites indicate they are "very interested" in satellite radio.

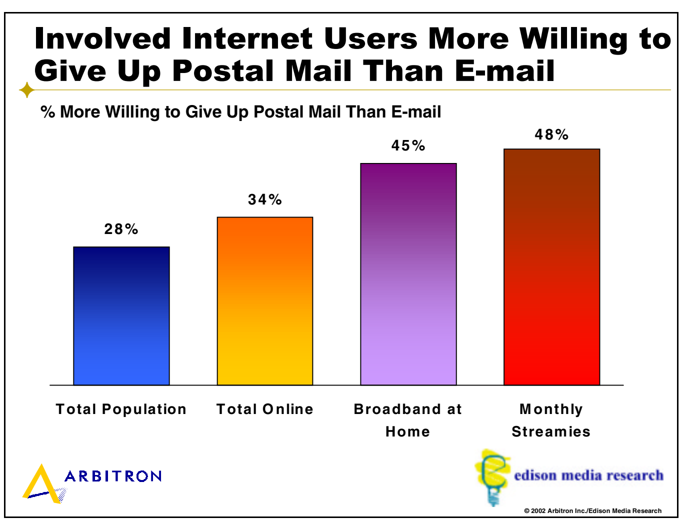
46. **Streamies represent a compelling target for satellite radio subscriptions.** Of all Americans who say they are "very interested" in satellite radio, nearly half are those who consume streaming audio. While 28% of all Americans consume audio over the Internet (audio Streamies), they represent nearly 50% of those who say they are "very interested" in satellite radio. Satellite radio companies seeking to drive subscriptions may want to target their marketing toward audio Streamies.

47. **Satellite radio brands are off to a fast start with consumer awareness.** Seventeen percent (17%) of Americans say they have heard of a satellite radio service called "XM," and 8% say they have heard of a satellite radio service named "Sirius." XM shows its highest brand awareness among consumers age 12 to 34. Awareness of XM is highest among Hispanics (20%), followed by whites (17%) and African-Americans (16%). More men than women are aware of Sirius and XM. Awareness of Sirius is consistent among ethnic and demographic groups.

    The brand awareness for both XM and Sirius is much higher among active Streamies. Thirty percent (30%) of those who have streamed in the past week have heard of XM, and 13% of weekly Streamies have heard of Sirius.

M. American Preference for E-mail and "Snail Mail"

48. **When given the choice between eliminating either postal mail or e-mail, 28% of Americans say they would eliminate postal mail.** We asked respondents, "If given the choice between never being able to send or receive postal mail again or never being able to send or receive e-mail again, which would you be more willing to eliminate from your life?" Among Internet users, 34% would eliminate regular postal mail. Nearly half (48%) of monthly Streamies and 45% of those with broadband Internet access at home would eliminate regular postal mail. Clearly, the more involved with the Internet, the more reluctant consumers are about giving up e-mail. The younger the consumer, the more likely they would ditch snail mail. Forty-two percent (42%) of teenagers say they would eliminate postal mail.



Recommendations

1. Consumers appreciate the Internet as an information and communication medium, but they have been less accepting of the Internet as an entertainment medium. Content providers need to provide unique content that is compelling enough to change consumer perception of the Internet as an entertainment medium. Plus, content providers should make a more concerted effort to sell the Internet's entertainment value.

2. Consumers are using more streaming media than ever before. Our prior studies have shown that consumers would be upset if their favorite online audio content disappeared due to digital rights controversies, and they would search for other types of Internet audio to listen to in its place. Therefore, webcasters with the most compelling content and strongest brands should maintain their streaming efforts because they will be most capable of weathering the short-term obstacles and be best positioned for success when the market matures.

3. Most Streamies say that they tune online for content they cannot find elsewhere. Therefore, webcasters should create and highlight online programming that is different from what consumers can find on traditional media properties.

4. People with broadband Internet access use the Internet more at work than radio, TV or newspapers. Therefore, advertisers should include the Internet and webcasting as part of their media strategies for reaching working consumers at work.

5. Streamies are a valuable target for advertisers because the evidence is clear that streaming and online purchasing go together. Streamies are early adopters who spend more time online and buy more online. Therefore, advertisers and agencies should consider streaming media to be a high-growth advertising vehicle that should be part of their media mix for reaching an upscale, technically savvy online audience. Webcasters should emphasize "the buying power of Streamies" as the key value proposition of webcast advertising. They should also target online retailers such as Amazon and Dell as well as traditional retailers who have aggressive online strategies.

6. Webcasters should pursue advertisers who have used banner ads in the past since they already recognize the value of online advertising. Also, online advertisers are seeking more effective forms of advertising because fewer Americans are clicking on banner ads. Most consumers view banner advertising to be more annoying than online audio and video commercials. Therefore, webcasters should consider positioning streaming advertising as "better than banners."

7. There is substantial evidence in this study that supports the consumer's willingness to pay a subscription fee for streaming content. For streaming subscription models to be successful, content providers must follow the time-tested model of offering something extra to the consumer: no commercials and great, exclusive content. In essence, webcasters must bring the HBO model for cable broadcasting to the Internet.

8. Streaming companies should provide incentive for consumers to adopt broadband Internet access. Those who have broadband access spend more time listening to online audio and watching online video. There is a logical benefit for streaming companies to encourage broadband use by providing rebates or coupons to Internet users who sign up for broadband.

9. Branding is crucial for successful streaming business models because of the staggering amount of choice available to consumers online. This study reveals that the major streaming brands have substantial familiarity among audio Streamies. America Online's new Radio@AOL service has already established significant awareness among consumers with its massive marketing efforts. Radio, TV and cable broadcasters have valuable, well-known and popular brands. Plus, the growth of broadband will stimulate more streaming media usage. Therefore radio, TV and cable owners should maintain their streaming efforts in order to compete online and protect their traditional brands.

10. The digital divide is closing. African-Americans and Hispanics are the new high-growth frontier of the Internet, and ethnic marketers should use the Internet and streaming to reach these consumers while their online buying habits are forming.

Appendix A

The Current State of Streaming

January 2002

Streamies – Those who have ever listened or watched online

80 million Americans
35% of U.S. population 12+
48% of those online
26% have broadband Internet access at home

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

40 million Americans
17% of U.S. population 12+
24% of those online
30% have broadband Internet access at home

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

22 million Americans
9% of U.S. population 12+
13% of those online
34% have broadband Internet access at home

Appendix B

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

	U.S. Population	Internet Users *(71% of U.S. Population)*	Total Streamies *(35% of U.S. Population)*	Last-Month Streamies *(17% of U.S. Population)*	Last-Week Streamies *(9% of U.S. Population)*
Demographics					
Men	45%*	45%	50%	56%	62%*
Women	55%	55%	50%	44%	38%
12-17	11%	14%	18%	19%	15%
18-24	10%	11%	15%	16%	22%
25-34	15%	16%	19%	21%	23%
35-44	19%	21%	20%	19%	15%
45-54	19%	21%	19%	17%	17%
55-64	12%	10%	6%	5%	4%
65+	14%	7%	3%	3%	3%
Employed part/full time	56%	62%	62%	62%	66%
Retired	17%	9%	5%	4%	4%
Student	12%	15%	20%	21%	18%
Homemaker	8%	7%	6%	6%	6%
Unemployed	7%	6%	6%	6%	6%
$50K+ HH income	34%	43%	45%	49%	50%
White	74%	76%	73%	74%	73%
African-American	7%	7%	8%	8%	7%
Hispanic/Latino	9%	7%	9%	9%	10%
Media time spent per day					
TV	3:27	3:08	3:05	2:59	2:49
Radio	2:38	2:31	2:41	2:38	2:53
Newspaper	:46	:44	:38	:45	:40
Internet	:55	1:13	1:42	2:16	2:49
Total media time spent	7:46	7:36	8:06	8:38	9:11

***How to read:** Forty-five percent (45%) of the U.S. population 12 and older are male vs. 62% 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 *(71% of U.S. Population)*	Total Streamies *(35% of U.S. Population)*	Last-Month Streamies *(17% of U.S. Population)*	Last-Week Streamies *(9% of U.S. Population)*
<u>Share of daily media time spent</u>					
TV	44%	41%	38%	35%	31%
Radio	34%	33%	33%	31%	31%
Newspaper	10%	10%	8%	9%	7%
Internet	12%	16%	21%	26%	31%
<u>% that say the Internet…</u>					
is most cool and exciting	25%	33%	46%	53%	54%
is medium used to first learn about new music	9%	12%	18%	26%	30%
is medium using more lately	19%	26%	37%	48%	54%
has ads that allow you to quickly make a purchase	21%	27%	38%	42%	41%
<u>At-home Internet connection</u>					
Broadband	-	20%	26%	30%	34%
Dial-up	-	76%	73%	69%	66%
Plan to get broadband at home in next 12 months		20%	26%	30%	36%
<u>Internet usage</u>					
Used Internet in the last week	-	80%	88%	95%	97%
Weekly time spent online	-	7:25	9:57	12:48	15:40
Have visited a Web site you learned about <u>from advertisement…</u>					
in a magazine	-	64%	75%	77%	79%
on the Internet	-	63%	78%	82%	83%
on television	-	59%	72%	76%	78%
on the radio	-	44%	57%	59%	61%
in the newspaper	-	41%	49%	52%	53%
on a billboard	-	19%	27%	30%	35%

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

	U.S. Population	Internet Users *(71% of U.S. Population)*	Total Streamies *(35% of U.S. Population)*	Last-Month Streamies *(17% of U.S. Population)*	Last-Week Streamies *(9% of U.S. Population)*
Clicked on Web site advertising…					
ever	-	24%	37%	43%	47%
last month	-	14%	22%	28%	32%
last week	-	7%	12%	15%	19%
Online buying habits					
Ever purchased online	-	56%	65%	70%	75%
Purchased online last month	-	31%	37%	42%	47%
Purchased online last week	-	10%	12%	14%	18%
Average number of Web sites purchased	-	6.0	7.2	8.2	9.2
Average amount spent online in last 12 months	-	$658	$747	$806	$1,011
% saying plan to spend more $ online in next 12 months	-	19%	21%	26%	28%
Ever purchased CDs online	-	22%	34%	43%	46%
Total CDs purchased online in last 12 months	-	5.6	5.0	5.2	5.2
Streaming behavior					
Familiar with…					
Radio@AOL	-	24%	29%	37%	40%
MSN Music	-	26%	34%	39%	41%
Yahoo Radio	-	28%	34%	39%	45%
Real.com/Real Guide.com	-	28%	42%	49%	50%
Ever listened to…					
Radio@AOL	-	5%	9%	15%	15%
MSN Music	-	7%	14%	19%	21%
Yahoo Radio	-	7%	15%	18%	22%
Real.com/Real Guide.com	-	12%	26%	32%	36%
% willing to pay a small fee to listen to one audio channel listened to most over the Internet	-	-	14%	18%	21%

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

	U.S. Population	**Internet Users** *(71% of U.S. Population)*	**Total Streamies** *(35% of U.S. Population)*	**Last-Month Streamies** *(17% of U.S. Population)*	**Last-Week Streamies** *(9% of U.S. Population)*
Heard audio commercial online	-	-	36%	43%	47%
Saw video commercial online	-	-	20%	25%	32%
Currently pay Web site subscription fees	-	7%	8%	11%	12%
Satellite radio					
Ever heard of XM satellite radio	17%	20%	25%	28%	30%
Ever heard of Sirius satellite radio	8%	9%	10%	12%	13%
% "very interested" in satellite radio	5%	5%	8%	8%	10%
Which would you rather eliminate from your life?:					
Regular postal mail	28%	34%	41%	48%	50%
E-mail	67%	61%	55%	49%	46%

Appendix C

Broadband vs. Dial-Up Connection Comparison

	People with Residential Broadband Access *(13% of U.S. Population)*	**People with Dial-Up Home Internet Access** *(46% of U.S. Population)*
Demographics		
Men	54%*	44%*
Women	46%	56%
12-17	12%	13%
18-24	12%	10%
25-34	19%	16%
35-44	21%	20%
45-54	21%	22%
55-64	10%	11%
65+	5%	8%
Access Internet at work	45%	36%
$75K+ HH income	53%	39%
Media time spent		
TV	2:46	3:08
Radio	2:11	2:32
Newspaper	:44	:44
Internet	1:54	1:15
Total media time spent	7:35	7:39
Share of media time spent		
TV	36%	41%
Radio	29%	33%
Newspaper	10%	10%
Internet	25%	16%
Weekly time spent online	12:00	7:16

***How to read:** Fifty-four percent (54%) of those with broadband access at home are male vs. 44% of those with dial-up access.

Broadband vs. Dial-Up Connection Comparison (continued)

	People with Residential Broadband Access *(13% of U.S. Population)*	**People with Dial-Up Home Internet Access** *(46% of U.S. Population)*
% that say the Internet…		
is most cool and exciting	43%	33%
is medium used to first learn about new music	22%	11%
is medium using more lately	41%	26%
has advertisements that allow you to quickly make a purchase	34%	29%
Subscribe to cable TV	83%	63%
Subscribe to satellite TV	11%	23%
Average number of working PCs at home	2.0	1.4
Clicked on Web site advertising…		
ever	27%	26%
last month	17%	16%
last week	10%	8%
Online buying habits		
Ever purchased online	71%	59%
Purchased online last month	47%	32%
Purchased online last week	17%	10%
Average number of Web sites purchased	8.8	5.3
Average amount spent online in last 12 months	$770	$621
Past holiday, purchased gifts over Internet	56%	44%
Average amount spent online holiday shopping	$412	$382
Pay for Web site subscription fees	11%	6%
Ever purchased CDs over the Internet	37%	22%

Broadband vs. Dial-Up Connection Comparison (continued)

	People with Residential Broadband Access *(13% of U.S. Population)*	**People with Dial-Up Home Internet Access** *(46% of U.S. Population)*
Online listening habits		
Listened to radio stations online last month	18%	14%
Listened to radio stations online last week	8%	7%
Have ever listened online to…		
music	62%	49%
MP3 files you have downloaded	49%	26%
radio stations	45%	34%
news reports	39%	31%
music that's not available from local radio	39%	26%
news and information you cannot get on local radio	31%	26%
radio stations in the U.S. but outside your local area	26%	17%
previously aired programming you want to hear again	21%	18%
sports play-by-play	17%	11%
the radio station you currently listen to most	14%	13%
radio stations from other countries	14%	6%
other radio stations in your local area	13%	11%
talk shows	10%	6%
% saying listening to radio stations online is…		
very easy	39%	27%
somewhat easy	38%	44%
somewhat difficult	15%	23%
very difficult	4%	4%

Broadband vs. Dial-Up Connection Comparison (continued)

	People with Residential Broadband Access *(13% of U.S. Population)*	**People with Dial-Up Home Internet Access** *(46% of U.S. Population)*
Of radio stations normally listened to online, which listened to most…		
Radio stations from your local area	33%	44%
Radio stations from other parts of the U.S.	52%	40%
Radio stations from other countries	10%	10%
Listened to audio from Internet-only sources…		
ever	27%	13%
last month	17%	7%
last week	10%	4%
% who say they use the Internet to listen to content not found on traditional over-the-air radio	53%	42%
Willing to pay a small fee to listen to audio content listened to most online	16%	13%
Online viewing habits		
Watched video over the Internet…		
ever	43%	27%
last month	24%	12%
last week	16%	6%
How easy or difficult is viewing Internet video?		
Very easy	45%	24%
Somewhat easy	36%	40%
Somewhat difficult	14%	28%
Very difficult	3%	6%
Online commercials		
Ever heard audio commercial online	38%	38%
Ever saw video commercial online	29%	18%

Broadband vs. Dial-Up Connection Comparison (continued)

	People with Residential Broadband Access *(13% of U.S. Population)*	**People with Dial-Up Home Internet Access** *(46% of U.S. Population)*
Discovered Internet audio and video through…		
word of mouth from friend or family	65%	49%
browsing around or surfing the Internet	60%	31%
traditional media advertisements	48%	39%
Internet search engine	45%	44%
preset stations and channels on media player	36%	27%
Satellite radio		
Ever heard of XM satellite radio	27%	19%
Ever heard of Sirius satellite radio	11%	8%
% “very interested” in satellite radio	5%	6%
Which would you rather eliminate from your life?:		
Regular postal mail	45%	33%
E-mail	50%	61%

Appendix D

Radio Format Profile

	AC	Album Rock	Alternative Rock	Black/ Urban	CHR	Classical	Country	Jazz
Internet access at any location	77%*	79%	84%	73%	84%	81%	63%	88%
Used Internet in last month	70%	70%	81%	65%	77%	74%	53%	83%
Average weekly time spent online	7:33	8:05	7:31	6:05	8:14	6:26	6:41	8:48
Home broadband connection	17%	14%	16%	9%	14%	22%	7%	23%
Plan to get broadband at home	18%	15%	22%	20%	18%	7%	10%	13%
Ever made purchase online	45%	45%	58%	28%	41%	53%	28%	46%
Amount spent online in last 12 months	$557	$877	$431	$385	$551	$459	$487	$309
Ever listened to radio stations online	26%	28%	40%	31%	34%	30%	15%	28%
Listened to radio stations online in last month	9%	14%	13%	12%	14%	13%	7%	5%
Ever listened to Internet-only audio	12%	12%	23%	10%	17%	9%	4%	20%
Time spent listening to Internet audio in last week	4:05	6:54	7:54	3:47	8:48	3:01	5:05	3:00
Ever watched video online	22%	29%	42%	21%	25%	24%	9%	17%
% "very interested" in satellite radio	5%	6%	14%	7%	8%	-	4%	6%
Heard of XM satellite radio	14%	21%	35%	11%	17%	21%	10%	28%
Heard of Sirius satellite radio	7%	10%	5%	5%	4%	12%	6%	10%

***How to read:** Seventy-seven percent (77%) of listeners to Adult Contemporary (AC) radio stations have Internet access at any location**.**

Radio Format Profile (continued)

	MOR/ Easy Listening	News/Talk	Oldies	Religious	Spanish
Internet access at any location	46%	73%	64%	70%	34%
Used Internet in last month	38%	66%	55%	58%	23%
Average weekly time spent online	6:24	7:49	6:43	4:21	7:10
Home broadband connection	7%	17%	9%	9%	2%
Plan to get broadband at home	3%	16%	14%	14%	32%
Ever made purchase online	19%	48%	33%	37%	12%
Amount spent online in last 12 months	$438	$1,100	$393	$492	$775
Ever listened to radio stations online	2%	25%	15%	29%	15%
Ever listened to radio stations online in last month	2%	9%	3%	8%	7%
Ever listened to Internet-only audio	5%	9%	6%	8%	4%
Time spent listening to Internet audio in last week	1:00	6:10	3:54	4:52	:46
Ever watched video online	6%	19%	10%	13%	9%
% "very interested" in satellite radio	4%	4%	3%	1%	14%
Heard of XM satellite radio	8%	22%	13%	10%	21%
Heard of Sirius satellite radio	13%	12%	6%	5%	10%

About Arbitron Webcast Services

Arbitron has more than 50 years of leadership and experience in audience measurement. The company's Webcast Services division provides credible third-party measurement that advertisers and advertising agencies need in order to make informed media planning and buying decisions and webcasters need to demonstrate the size and value of their audience. Arbitron debuted the world's first webcast ratings in October 1999. Today, the company publishes Arbitron Webcast Ratings℠ every month, which include the top 75 measured stations and channels and the top 25 measured networks. In 2001, Arbitron introduced a new service called Webcast Audience Profiles. Webcast Audience Profiles demonstrate the "buying power of Streamies" by gathering the demographic, socioeconomic and Internet usage profiles of people who tune to individual streaming media channels. In addition to Arbitron's semiannual Internet studies with Edison Media Research, Arbitron conducts free yearly studies with Coleman (www.ColemanInsights.com) about the media habits of people who have access to broadband in America. Arbitron also has presented an overview of streaming media called "Webcasting 101" to more than 250 advertising agencies about the value of webcast advertising. All of Arbitron's 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 radio ownership groups, including Entercom, ABC Radio, Infinity, Emmis Communications and Westwood One, and also conducts strategic and perceptual research for a broad array of companies including AOL/Time Warner, CNN, Yahoo!, CBS, The Golf Channel, Court TV, Maverick Records, The Cleveland Cavaliers, Princeton University, Northwestern University, Sony Music, The Blackstone Group, Time-Life Music and the Voice of America. Edison Media Research also conducts research for successful radio stations in South America, Africa, Asia, Canada and Europe. All of Edison Media Research's industry studies can be found on the company's Web site at www.edisonresearch.com and can be downloaded free of charge.

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