

Internet 8:

Advertising vs. Subscription – Which Streaming Model Will Win?



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How Internet 8 Was Conducted

- ◆ 2,508 telephone interviews conducted in January 2002
 - National random sample
 - Fall 2001 Arbitron diarykeepers age 12+



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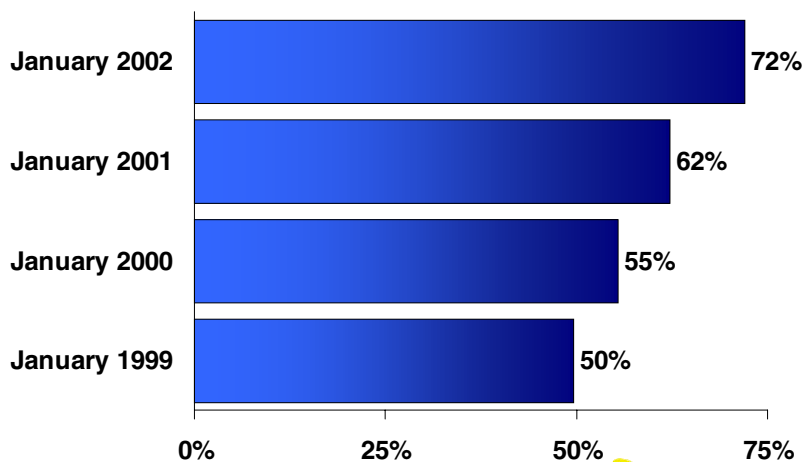
Internet Access and Online Buying Trends



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Seven in Ten Americans Now Have Access to the Internet

% with Internet Access at Any Location



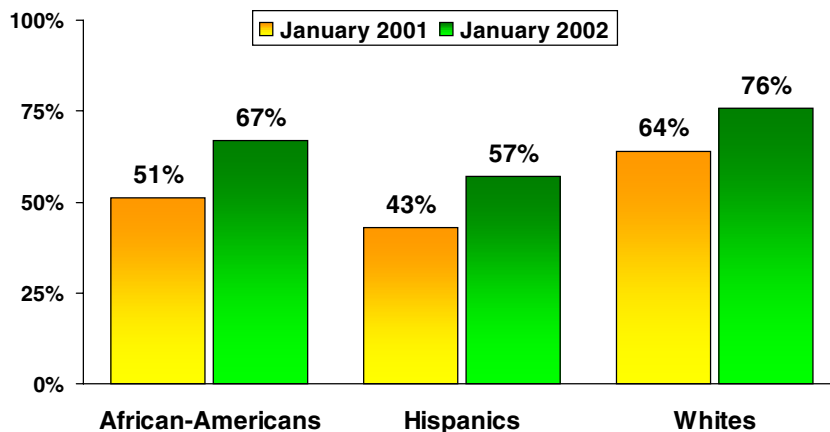
Base: Total Population 12+



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The "Digital Divide" is Narrowing for African-Americans and Hispanics

% with Internet Access at Any Location



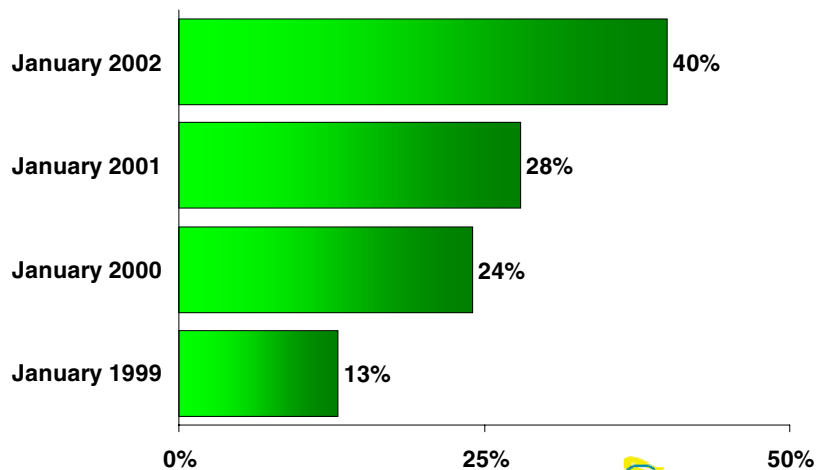
Base: Total Population 12+



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The Number of Americans Who Have Ever Bought Online Has Tripled in Three Years

% Who Have Ever Made a Purchase Online



Base: Total Population 12+

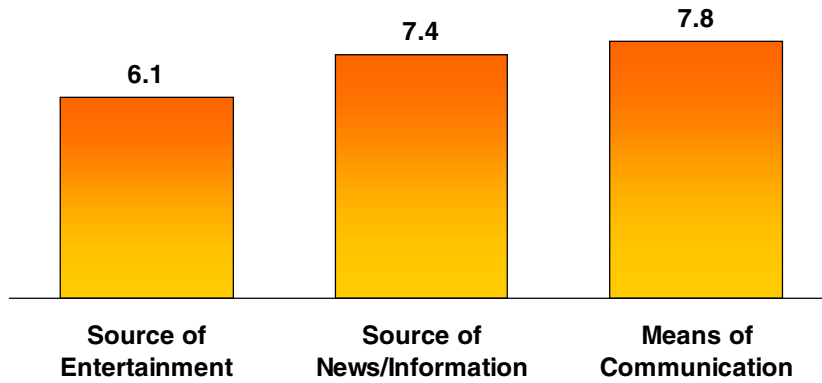


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The Internet Is Rated More Highly for Communication Than for Entertainment

“How well do you think the Internet performs as a source of entertainment, source of news/information and means of communication?”

Mean Score: On a scale of 1 (poor) to 10 (excellent)



Base: Total Population 12+



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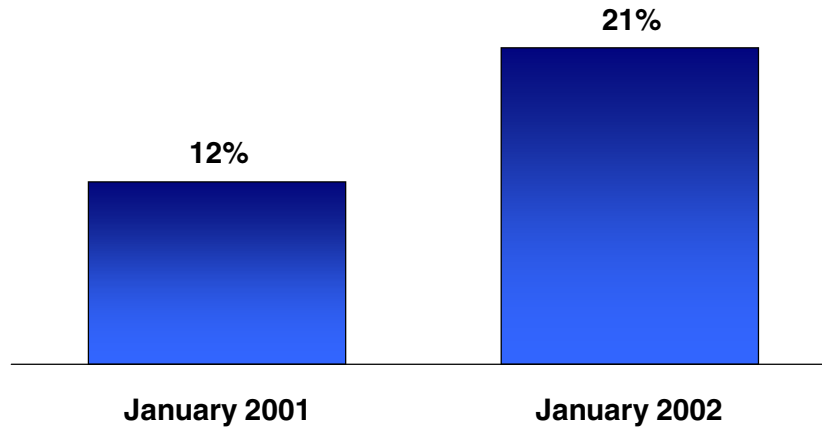
Broadband



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One in Five with Home Internet Access Report Having Broadband

% Who Have Broadband Internet Access at Home



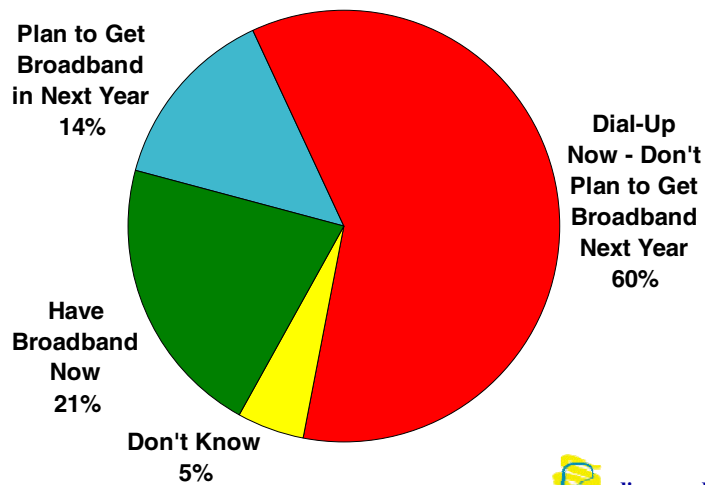
Base: Currently Access the Internet at Home



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Broadband Access Should Continue Its Rapid Increase

Broadband vs. Dial-Up in Homes with Access to the Internet



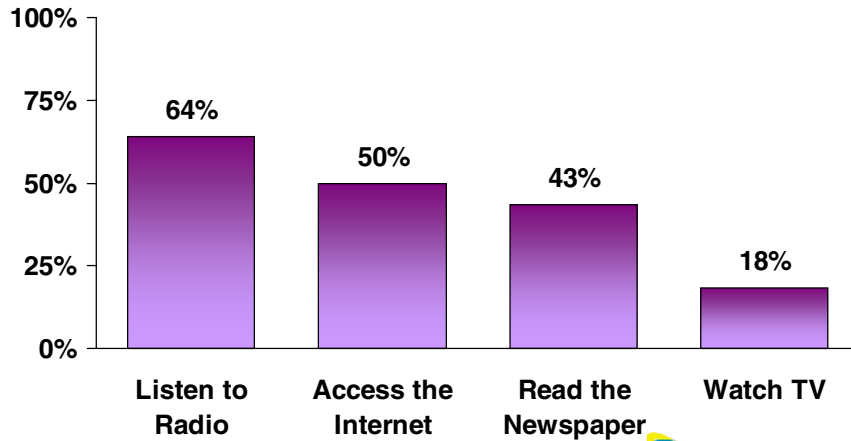
Base: Currently Access the Internet at Home



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Radio Is King of Media Among All Employed Americans

“At work do you currently ever...”



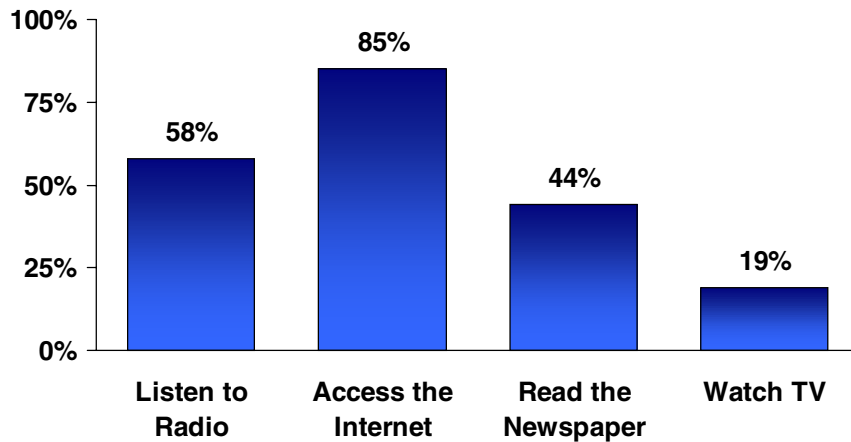
Base: Employed Full Time or Part Time



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The Internet Is King of Media at Work for Those with Broadband

“At work do you currently ever...”



Base: Full-Time and Part-Time Workers
with Broadband Internet Access at Home or Work



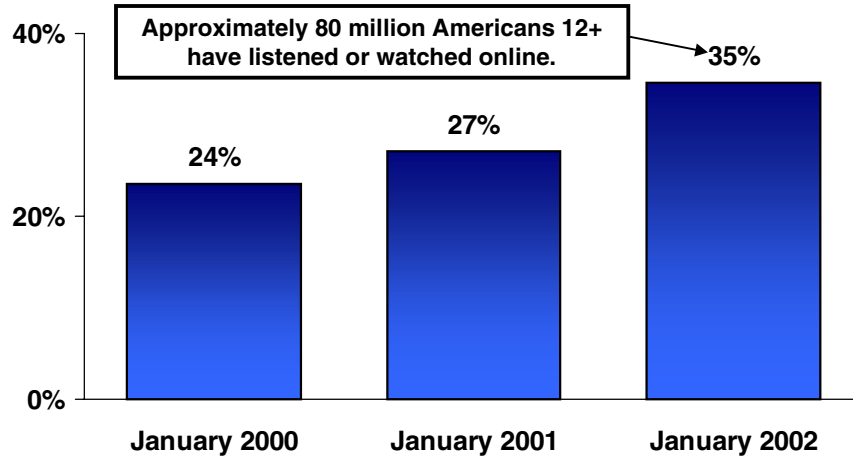
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Streaming Usage



More Americans Have Tried Streaming Media Than Ever Before

% of Americans Who Have Ever Watched or Listened to Streaming Media

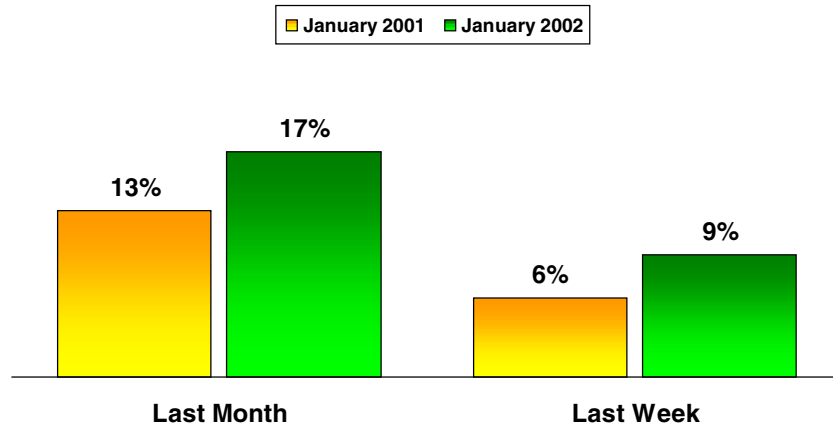


Base: Total Population 12+



Big Gains in Monthly and Weekly Streaming Audience in One Year

% Who Have Listened or Watched Online...



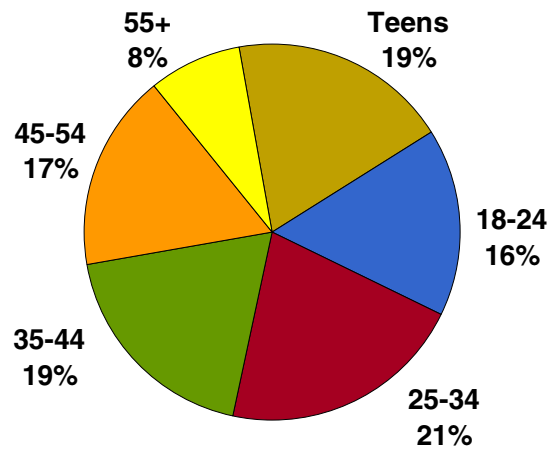
Base: Total Population 12+



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Streaming Is Not Just a Youth Phenomenon

Age Composition of Monthly Streamies



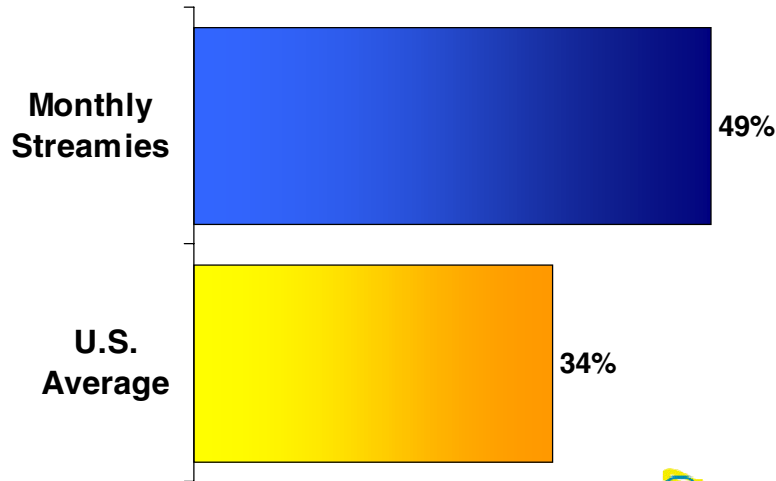
Base: Monthly Streamies



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Monthly Streamies Live in Homes with High Annual Income

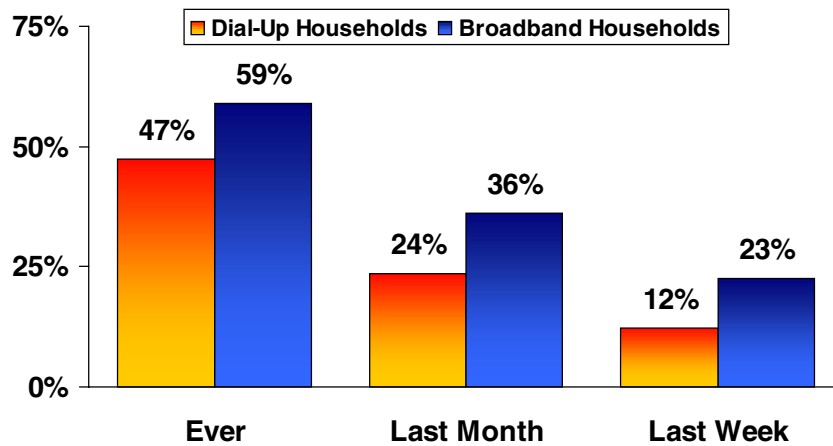
% Who Live in Homes with Greater Than \$50,000 Annual Income



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Use of Streaming Media Higher in Broadband Households

% of Those Online Who Have Watched or Listened to Streaming Media...



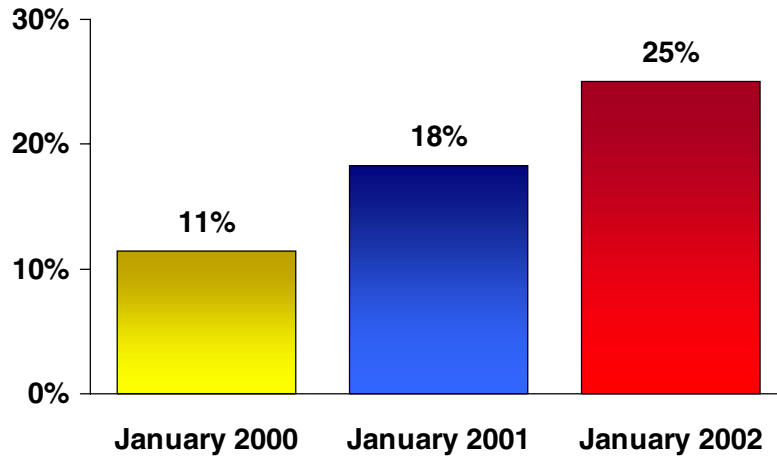
Base: Currently Access the Internet at Home



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One in Four Americans Have Listened to Radio Online

% Who Have Listened to a Radio Station Over the Internet



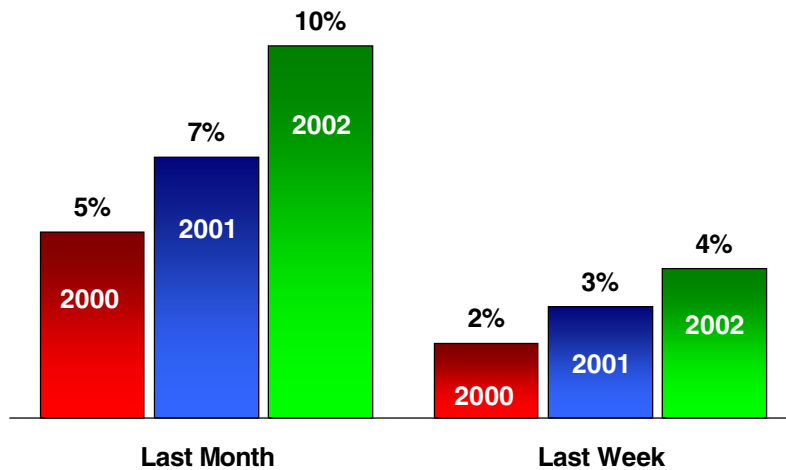
Base: Total Population 12+



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Monthly and Weekly Listening to Online Radio Doubles in Two Years

% Who Have Listened to Online Radio in...



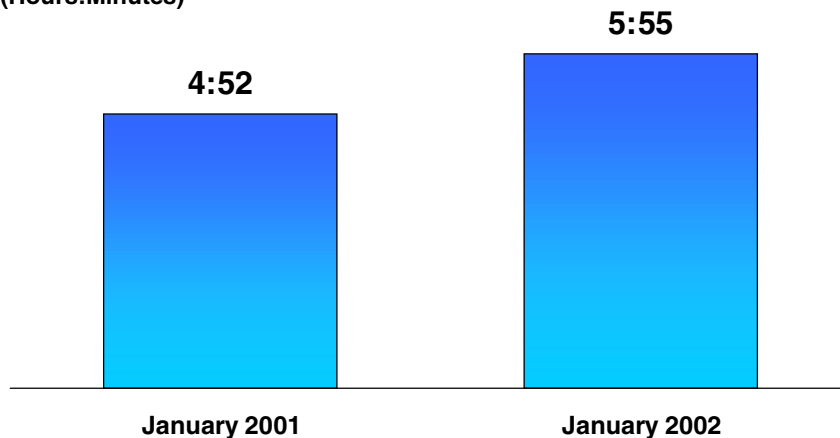
Base: Total Population 12+



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Audio Streamies Are Spending More Time Listening Online Each Week

Time Spent Listening to All Sources of Internet Audio in the Last Week
(Hours:Minutes)



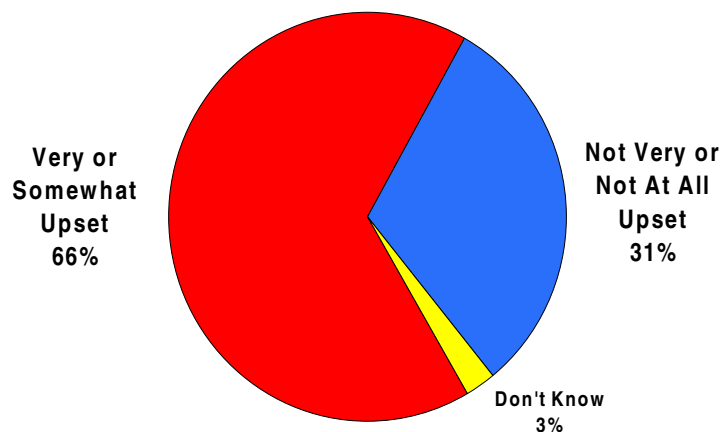
Base: Audio Streamies



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Audio Streamies Are Upset About Discontinued Radio Webcasts

"How upset are you that those stations you listen to online no longer offer the ability to listen over the Internet?"



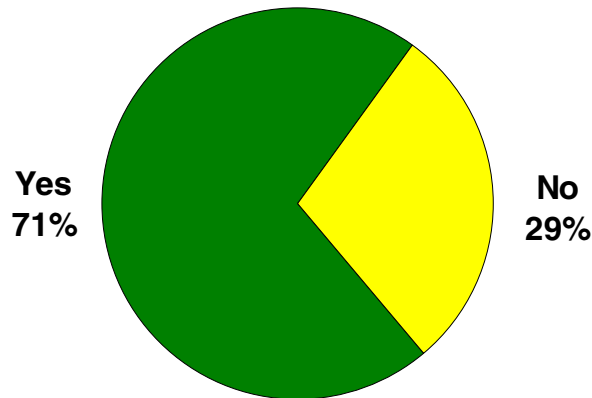
Base: Stations Listened to Online No Longer Offer Ability to Listen Over Internet



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Stations That Stop Their Webcasts Risk Losing Active Online Listeners

"If the stations you listen to over the Internet were no longer available, would you search for other types of Internet audio to listen to in its place?"



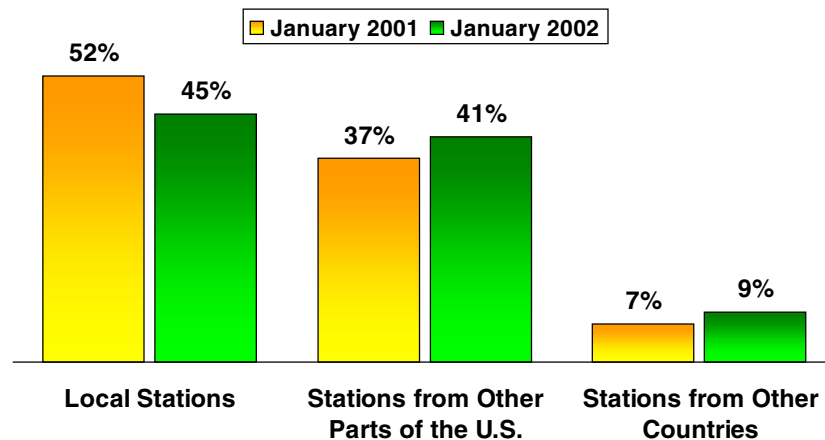
Base: Monthly Audio Streamies Who Have Not Encountered Discontinued Radio Webcasts



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Proportion of Online Listening to Out-of-Market Radio Is Increasing

"Which do you listen to MOST often?"



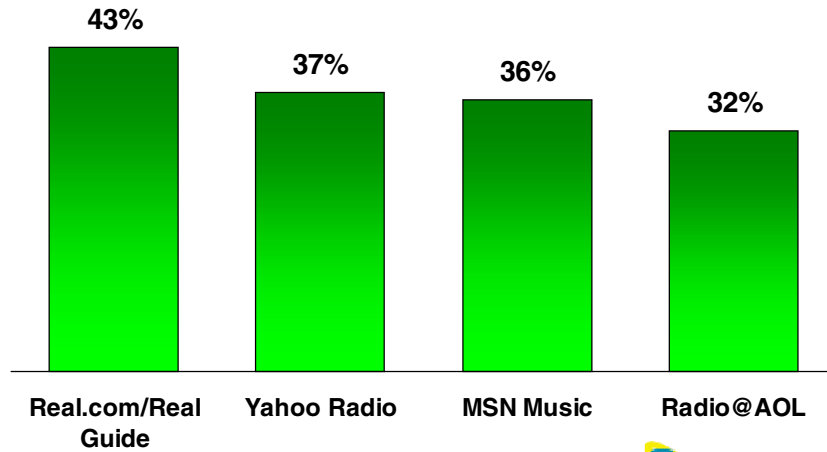
Base: Audio Streamies



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Awareness of Major Streaming Brands

% of Audio Streamies Familiar with Streaming Brand



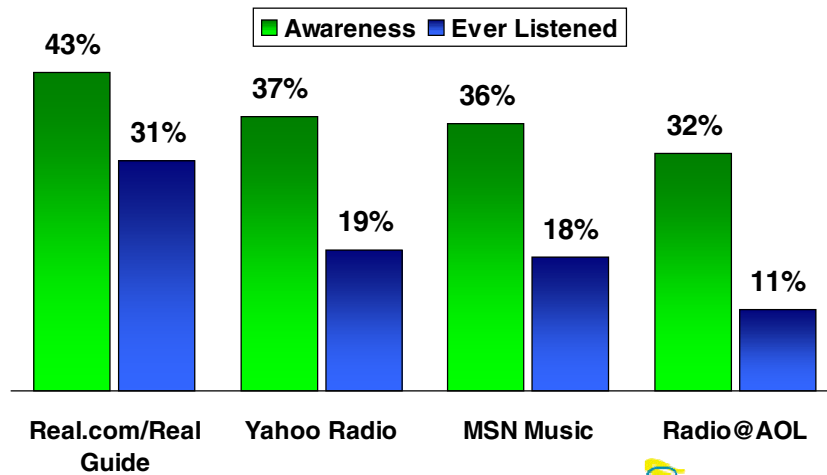
Base: Audio Streamies



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Real.com “Converts” Highest Proportion of Brand Awareness into Trial Usage

“Have you ever listened to audio from...”



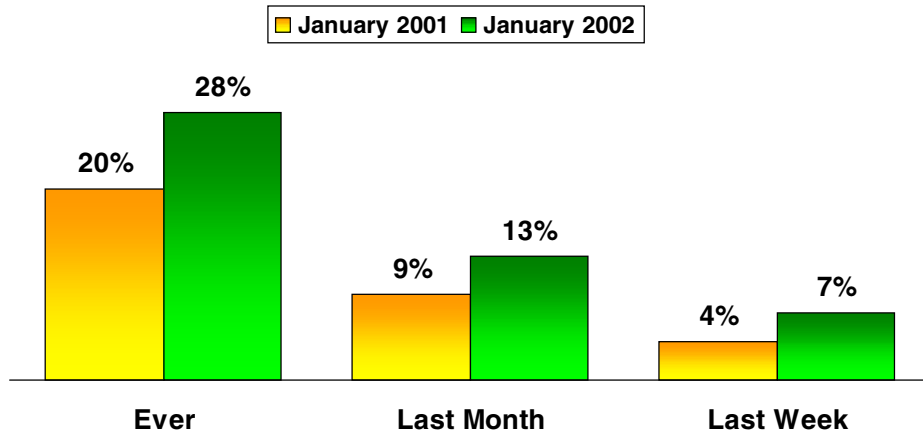
Base: Audio Streamies



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Use of Streaming Video Continues to Rise

% of Those Online Who Have Watched Streaming Media...



Base: Currently Access the Internet



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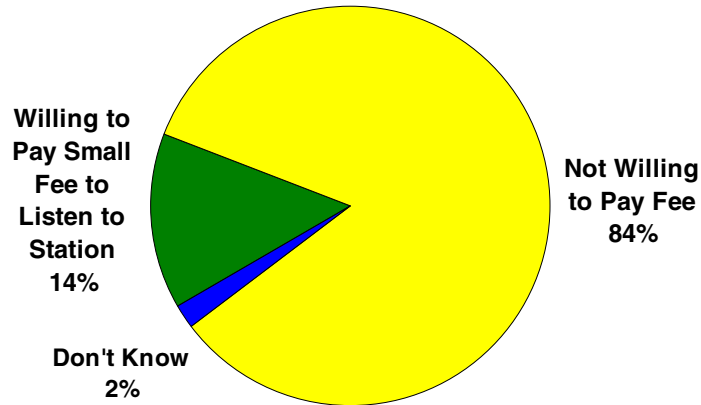
Subscription



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One of Seven Audio Streamies Willing to Pay for Channel They Listen to Most Online

"Would you be willing to pay a small fee to listen to content provided by the online station or channel you listen to most?"



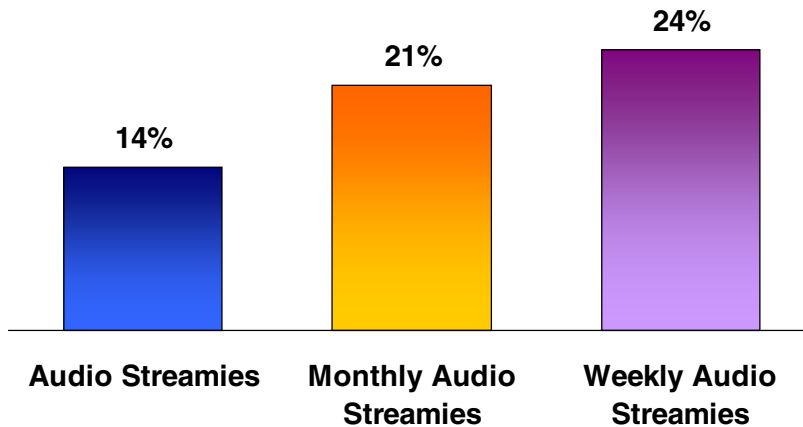
Base: Audio Streamies



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Active Streamies More Likely to Pay Fee for Online Channel They Listen to Most

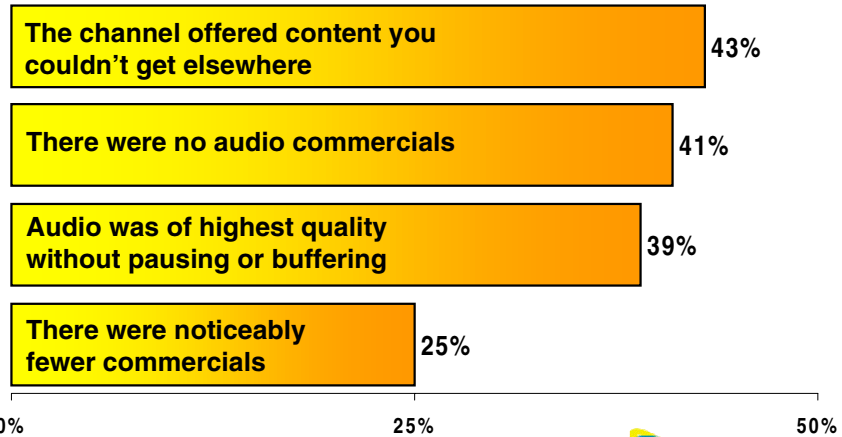
% Willing to Pay a Small Fee to Listen to Content Provided by the Online Station or Channel Listened to Most



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Streamies Are Willing to Pay for the Right Mix of Offerings

% of Audio Streamies Who Would Be Willing to Pay a Small Fee for Audio on the Internet if...



ARBITRON

Base: Audio Streamies

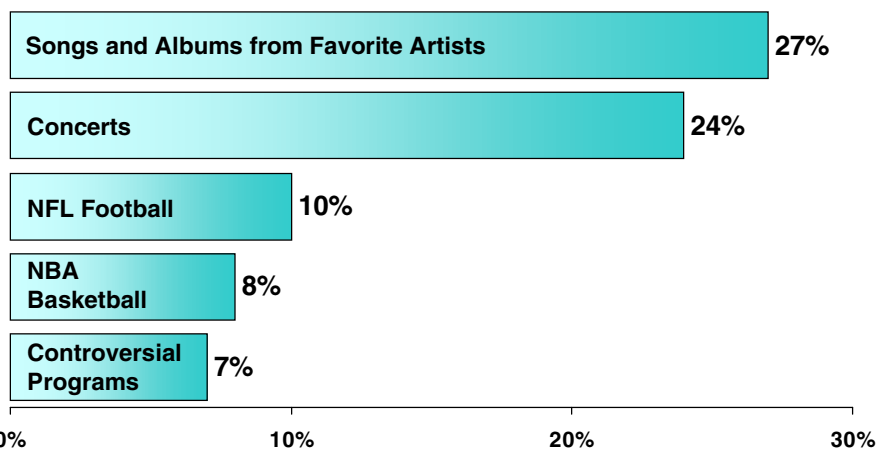


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Substantial Interest in Several *Audio* Streaming Subscription Choices

% "Very Interested" in Paying a Small Subscription Fee For...



ARBITRON

Base: Audio Streamies

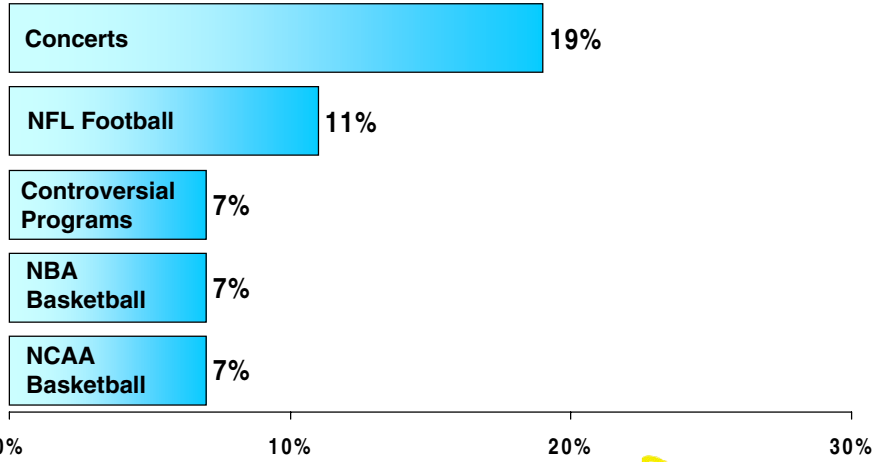


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Substantial Interest in Several **Video Streaming** Subscription Choices

% "Very Interested" in Paying a Small Subscription Fee For...



Base: Video Streamies



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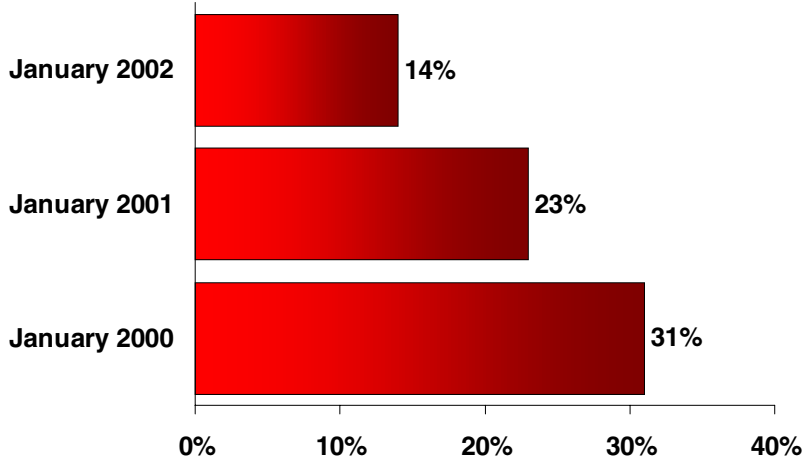
Online Advertising



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Fewer Online Americans Are Clicking on Banner Ads

% Online Who Have Clicked on Banner Ads in Last Month



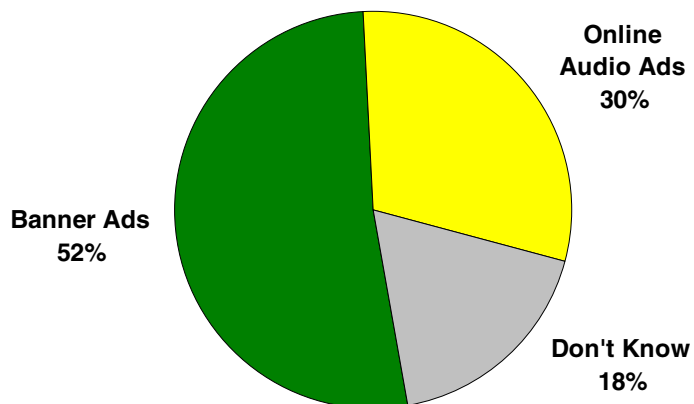
Base: Currently Access the Internet



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Those Online Find Banner Ads More Annoying Than Online *Audio* Ads

"Which type of Internet advertising do you find more annoying?"



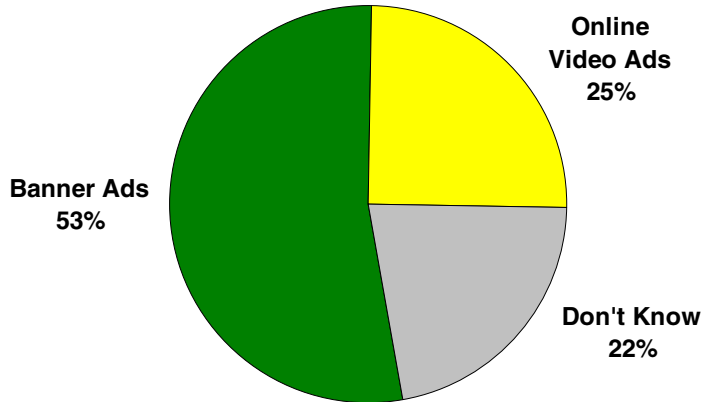
Base: Currently Access the Internet



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Those Online Find Banner Ads More Annoying Than Online *Video* Ads

“Which type of Internet advertising do you find more annoying?”



Base: Currently Access the Internet



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Satellite Radio



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Approximately 12 Million Americans “Very Interested” in Satellite Radio

- 5% of Americans are “very interested” in satellite radio
- Approximately 12 million people
- If half actually subscribe in the next five years...

**\$720 million per year
subscription market**



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Recommendations for Broadcasters, Webcasters and Advertisers



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Recommendations

- 1 Provide content that is more compelling to improve consumer perception of the Internet's entertainment value**



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Recommendations

- 2 Radio, TV and cable owners should maintain their streaming efforts in order to compete online and protect their brands**



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Recommendations

3 Webcasters should consider streaming subscription offerings

- Business conditions and consumer interest merit using time-tested models:
 - ✓ no commercials
 - ✓ great and exclusive content



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Recommendations

4 Advertisers should...

- ✓ include the Internet and webcasting in their media strategies for reaching consumers at work
- ✓ consider webcast advertising for reaching an upscale, technically savvy online audience



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Recommendations

5 Webcast ad sellers should...

- ✓ emphasize "the buying power of Streamies" as the key value proposition
- ✓ pursue advertisers who have used banner ads since they recognize the value of online advertising
- ✓ position webcast advertising as "better than banners"



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Recommendations

6 Streaming companies should provide incentives for consumers to adopt broadband Internet access



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Recommendations

- 7 African-Americans and Hispanics are the new high-growth frontier of the Internet
Marketers should use the Internet and streaming to reach these consumers while their online habits are forming



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