



**ARBITRON/**  
**EDISON MEDIA RESEARCH**  
**INTERNET STUDY II:**

**RADIO & E-COMMERCE**

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**Internet Study II - 1999**  
**"Radio and E-commerce"**  
**Arbitron and Edison Media Research**  
**Executive Summary**

## **Overview**

This study represents the second collaboration between Arbitron and Edison Media Research to seek out the very latest on the state of the Internet and its relationship to radio listeners. Just six months ago, we debuted the landmark study, "Radio in a New Media World" depicting how radio listeners are utilizing new media such as the Internet, and their interest in digital satellite radio. The results were astounding. One in five online Americans had already listened to Internet radio. There was huge interest among radio listeners in seeing station Web sites provide new content.

Due to the fast moving nature of the Internet, Arbitron and Edison now debut "Internet Study II - 1999: Radio and E-commerce." Since the Internet is growing so quickly, it is our commitment to produce a new Internet study every six months.

In January 1999, we conducted telephone re-interviews with 1,350 diarykeepers from the Fall 1998 survey. We asked dozens of questions about their usage of the Internet and interest in various e-commerce and shopping ideas. Numerous questions for this study were suggested by the Radio Advertising Bureau's Board of Directors. This document and all graphs from the Arbitron/Edison Media Research RAB presentation can be found at [www.arbitron.com](http://www.arbitron.com) and [www.edisonresearch.com](http://www.edisonresearch.com).

We will begin with a summary of the opportunities and challenges for radio. The twenty key findings of the study will be reviewed, followed by seven recommendations for the radio industry.

## The Opportunities for Radio

- \* Common advertiser objections to radio can be solved by the Internet and e-commerce. Top objections to radio include: lack of visuals, inability to coupon, lack of product detail, and uncertainty in measuring results. If stations can provide what listeners want on radio station Web sites, radio stations can grow revenue and overcome these historical objections. Some key Web site functions that listeners want are: seeing information on advertisers' products (53%), printing coupons from advertisers (48%), buying products and services from a station Web site (42%), and linking to advertisers' Web sites (40%).
- \* Most online Americans are aware that radio stations have Web sites, so better content and increased promotion should drive up Web site visits.
- \* Music e-commerce represents a huge opportunity for radio. Music represents a top category of e-commerce today and it is what listeners are most interested in purchasing from a radio station Web site. As a vast majority of American radio stations play music, marketing music via the Web is a huge e-commerce opportunity.
- \* The proportion of those online who have listened to radio stations over the Internet has jumped from 18% to 27%. Among all Americans, 13% have listened to radio stations over the Internet. Radio has an opportunity to infuse audio into its Web applications taking advantage of radio's expertise in using audio to entertain and market.

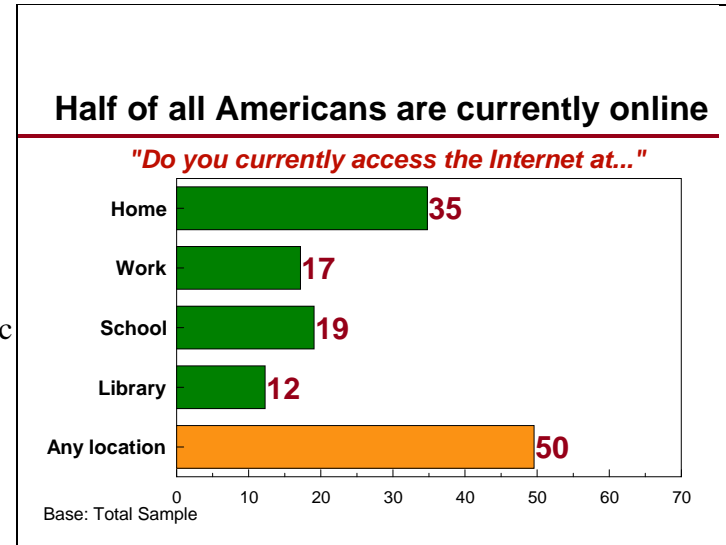
## The Challenges for Radio

- \* As we saw in last year's study, Internet users spend less time with radio. Time Spent Listening to radio (TSL) among online Americans averages 90 minutes less per week than among those that aren't using the Internet. As Internet usage continues to grow, radio time spent listening may see continued erosion.
- \* Radio station Web sites have good awareness but are not drawing repeat traffic. Two-thirds are aware that stations have Web sites, and one-third of online Americans have visited a radio station Web site. Only 9% of online Americans have visited a station Web site in the past month. Few people "bookmark" or save radio station Web sites as favorite places.
- \* Most station Web sites do not provide the type of information desired by listeners. Information drives Internet usage. Listeners want radio station Web sites to provide community and concert information, title and artist of songs being played, the ability to listen to the station, enter contests and to see advertisers' products. If station Web sites can consistently begin to provide this type of information, their Web site visitation should grow.
- \* Many consumers do not yet perceive radio station Web sites as credible places to make purchases. They are concerned about safety on radio station Web sites, and they must be assured that a radio station is a legitimate place for e-commerce.

## 20 Key Findings

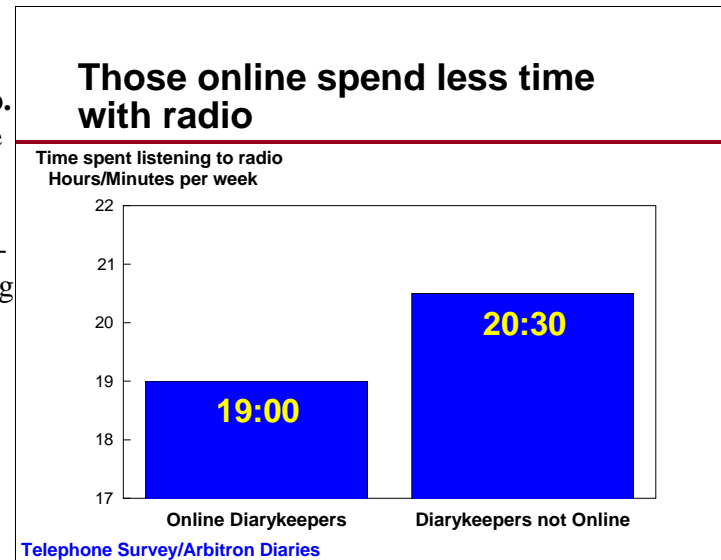
Below, we have indicated some of the key findings of the "Radio and E-commerce" Internet Study II.

1. **Online usage is exploding. Currently one out of two Americans is using the Internet.** More than one-third of all Americans have access to the Internet at home, followed by school or college (19%), work (17%), or a public library (12%). The proportion of Americans that currently access the Internet either at home or at work has surged from our last study 6 months ago: from 31% to 41%! Of those online, 35% indicate they have become Internet users just within the last year.



2. **Internet usage is highest among core listeners of Alternative Rock (91%), Top 40 (68%) and Classical (68%), followed by Religious (54%) and Adult Contemporary (52%).** Next comes News/Talk (50%), Oldies (49%), Rock (48%), Jazz (46%) and Urban (44%). Showing less Internet usage are listeners to Country (33%), Big Band (26%) and Spanish (24%).

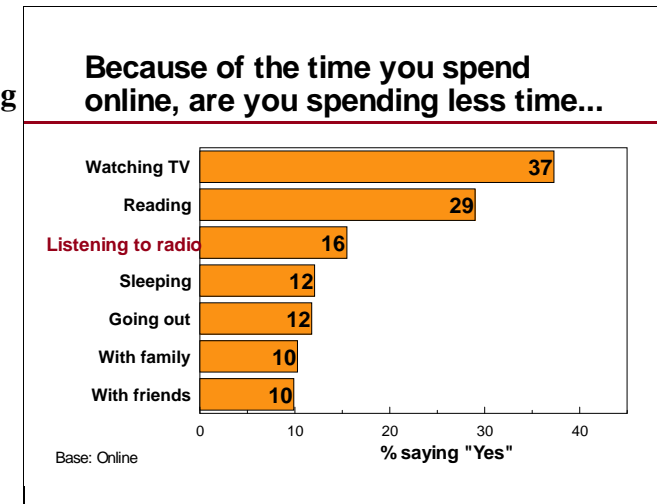
3. **People with Internet access spend less time with radio.** in our previous study, time spent listening to radio among online is lower. Because we are conducting a study of Arbitron diarykeepers, we can get a very accurate measure of time spent examining the actual listenership in the diary. Time spent listening among those online is a full hour and 30 minutes less than among online.



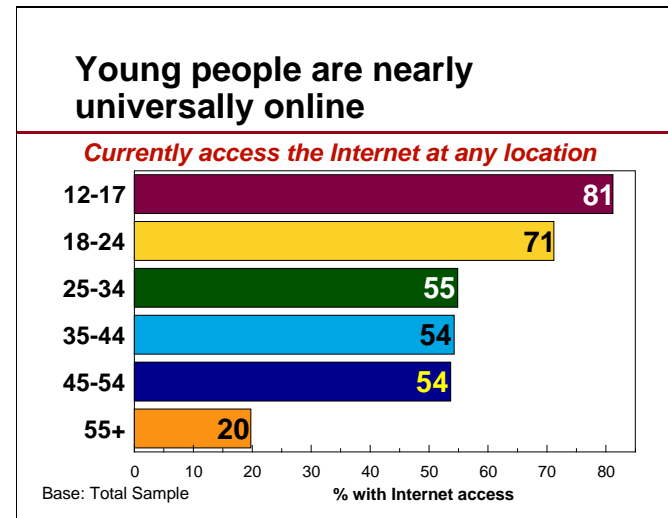
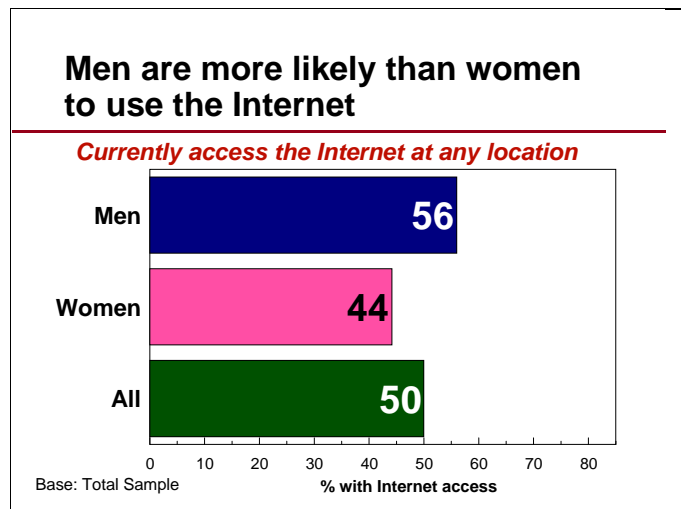
As we saw Americans listening by those not

4. As we saw in last year's study, online Americans report they are spending much less time with television (37%) and less time reading (29%). Smaller but significant numbers say that they are listening less to radio (16%), sleeping (12%), going out (12%), spending time with family (10%) or friends (10%).

Clearly, the Internet is changing consumers' media habits, and it may erode radio listenership in the future. Recently, television stations have expressed concern over dropping television viewing levels among 18-34's. Our study indicates strong Internet usage among young people as a likely explanation for dropping TV viewing levels. We will need to watch the impact of the Internet on radio listening.

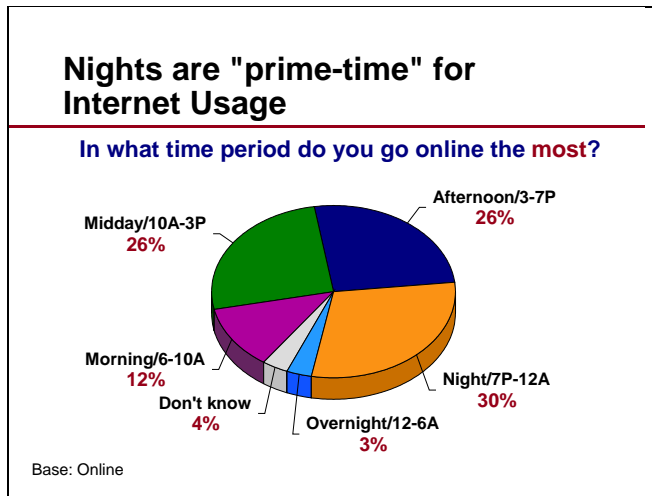
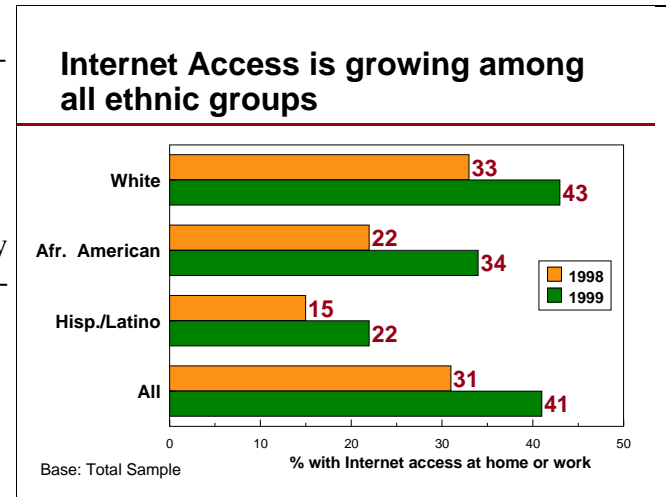


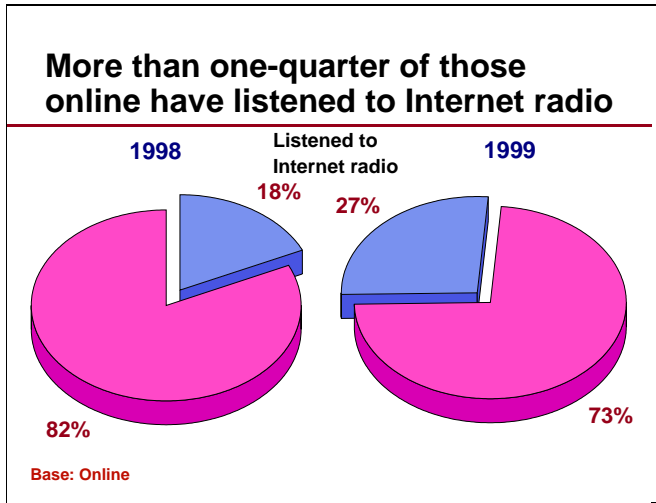
5. Men are slightly more likely to be online than women. Teenagers and 18-24 year olds are more likely to be online mainly because a majority have Internet access at school or at college. Internet access drops off dramatically among those 55 years and older.



While African-Americans and Hispanics still trail behind the population for Internet access, the growth among minority groups mirrors the general population.

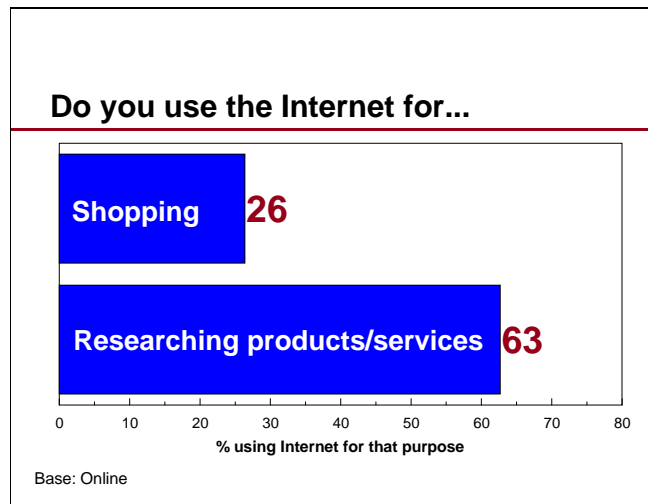
6. **Internet usage grows as the day progresses.** People online indicate they are using the Internet most at night (30%), followed by mid-days (26%) and afternoons (26%). Luckily for radio, Internet usage is lowest during radio's morning drive prime time, with only 12% saying they use the Internet during this daypart.





7. **The median amount of time spent online at home is 4.0 hours per week.** Those with Internet access at work spend a median amount of 3.4 hours per week online at work. Trended against the prior study, time spent online, whether at home or at work is fairly constant. What has increased is the location. Compared to six months ago, 25% to 35%. Among those who are increased from 22% to 31%.

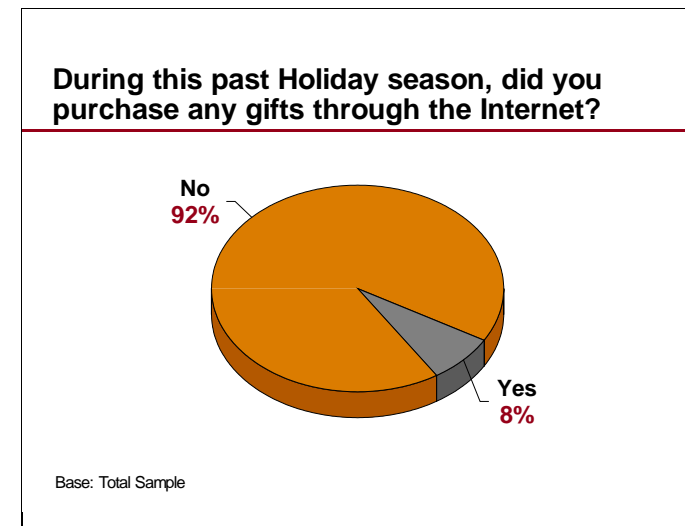
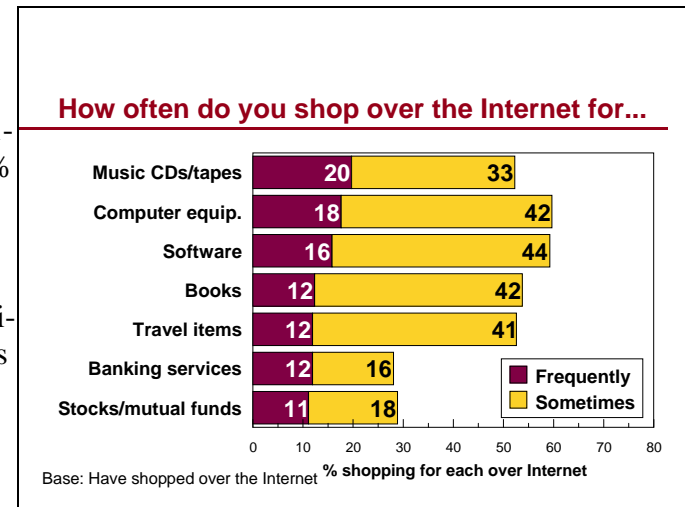
actual number of people online in either Internet access at home has jumped from employed, at-work Internet access has



8. **In six months, online radio listenership among all Americans has jumped from 6% to 13%.** Almost one out of seven Americans have now listened to radio on the Internet. Among those online, the proportion that have listened to radio stations online has jumped from 18% to 27% in only six months. Online listeners tend to skew male and towards younger demographics. One-third of online 12-24 year olds have listened to Internet radio, followed by 25-44 (28%) and 45+ (19%).

Of those who have listened to radio stations online, 57% report they have listened to stations in other parts of the country, 51% report listening to stations in their local area and 20% indicate they sampled stations outside the US. It is clear that the adoption of audio online has occurred far faster than other historical new audio technologies such as AM or FM radio, CDs, cassettes, etc. At this rate, it is conceivable that the proportion of all Americans that will have sampled radio online could jump from the current 13% to 25% of the entire population by in the year 2000.

9. **Information is what drives Internet usage.** Two-thirds of online Americans have used the Internet to research products and services. More than twice as many people online have used the Internet for researching products and services (63%) as have actually shopped (26%). Nearly 80% of those online expressed interest in visiting a Web site that has information on local shopping. It is clear that there is an opportunity for broadcasters to construct online resource tools to assist local shoppers in researching products and services.

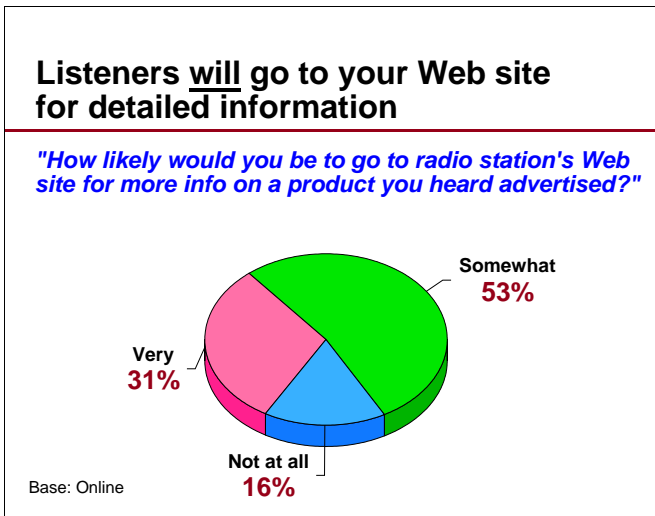


10. **More than one-quarter of online Americans have used the Internet for shopping and their satisfaction with the online shopping experience is mixed.** Of those that have shopped on the Internet, the gender profile is evenly split between men and women and shoppers are concentrated among persons 25-54 (70%). When asked to compare the online shopping experience with mall or store shopping, 39% say they were "more satisfied," 32% say they were "less satisfied" and 23% say they were "equally satisfied." Despite the supposed ease of online shopping, there are still some kinks to be worked out in the system and there are opportunities to grow the satisfaction of the online shopping experience. More people feel shopping over the Internet is safe (55%) than those that feel it is unsafe (35%).

11. **Music CDs, tapes, and computer items are the most frequently purchased items online.** Among those that have shopped over the Internet, 20% say they have frequently shopped for music CDs/tapes, followed by computer equipment (18%), and computer software (16%). Next, online shoppers say they have frequently shopped for books (12%), travel items (12%), banking services (12%), and stocks and mutual funds (11%).

12. **This past holiday season 8% of all Americans purchased gifts online. This translates into 14% of online Americans that shopped online for Holiday presents this past year.** Nearly 60% of holiday shoppers fell into the 25-44 age demographic. Considering the new nature of the Internet and somewhat mixed feelings on the relative safety of shopping online, it is astounding that

nearly one out of every 12 Americans shopped online this past Holiday Season. In the past six months, online shoppers report median total spending of \$250 online. Of those that purchased holiday gifts through the Internet in the past year, median holiday expenditures were \$175.

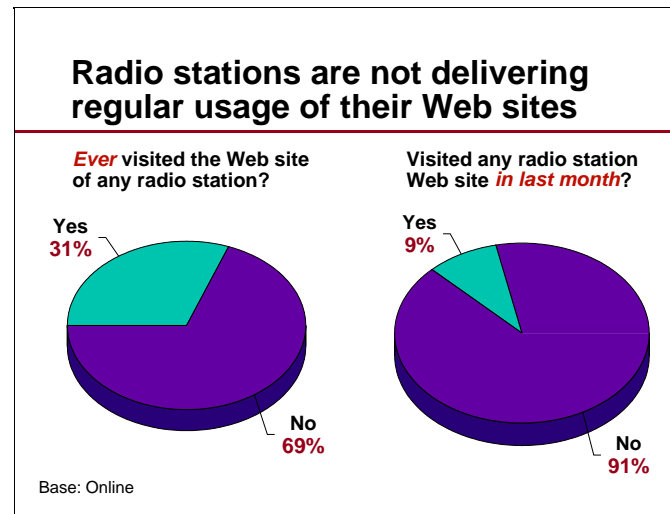
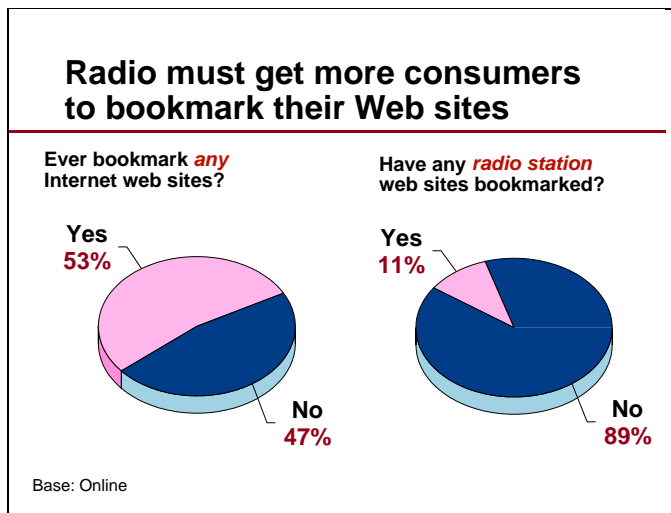
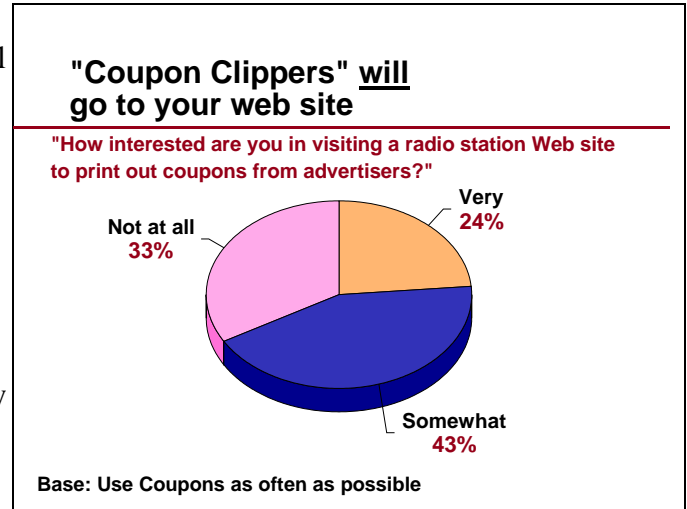


13. **Half of those online show interest in receiving e-mailed information on products and services directly from advertisers.** Analysts have touted the Internet as the medium where point-to-point or "one-to-one marketing" can

occur. It appears to be a marketing opportunity for custom developed information based upon individuals' preferences and interests.

Further, there may be non-traditional revenue opportunities for station that can rent e-mail lists of registered site users, or that have the capacity to create their own e-mail newsletters highlighting special retail offers.

14. **Internet users show a high degree of interest in going to a radio station Web site for information on products and services but are less likely to feel comfortable with buying items from a station Web site.** Eight out of 10 say they would be likely to seek information on products and services from a station Web site (31% say they would be very likely and 53% say they would be somewhat likely). Compared to making purchases on other Web sites, 35% say they would be less likely to make purchases from a station Web site while only 25% say they would be more likely. Clearly, the notion of purchasing things from a station Web site is not in consumer's current paradigm. It is not clear whether this paradigm can shift but broadcasters wishing to conduct e-commerce on their Web site should understand the current consumer attitudes on this topic. Consumers don't yet see radio station Web sites as the place to go for buying. We must change these perceptions to realize our potential.

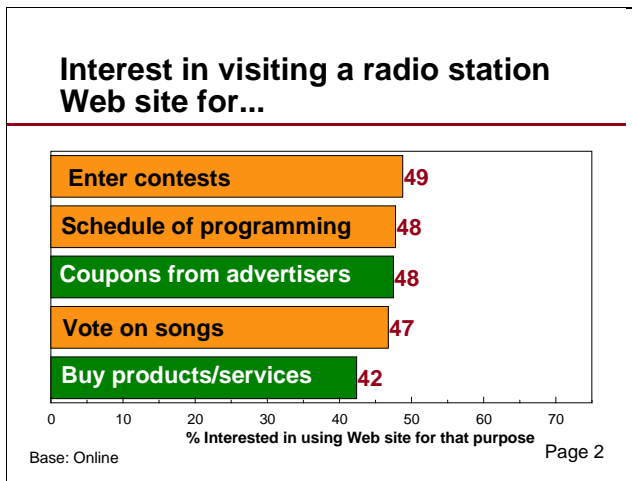


15. **Overall, American consumers are aggressive users of coupons.** Consumers show interest obtaining coupons from station Web sites (48%). Among the total sample interviewed, 35% say they use coupons as often as possible. These "Coupon Clippers" are even more interested than Internet users as a whole in printing out coupons from radio station Web sites. As Internet usage grows, the ability to provide coupons should prove to be a compelling attribute of an e-commerce marketing strategy.

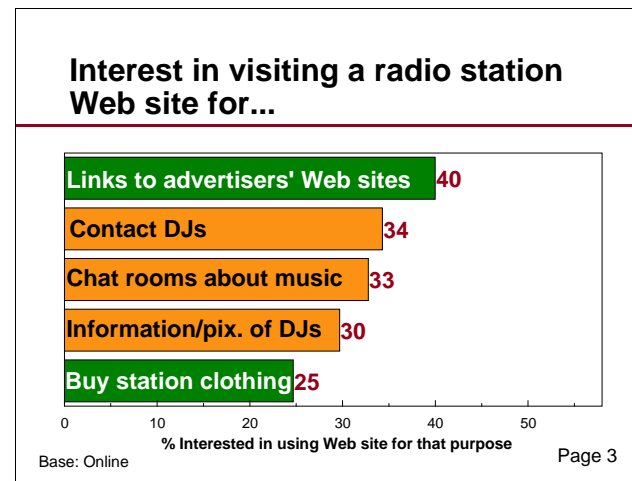
16. **39% have clicked on Web advertising, 23% have clicked advertising in the past month.** Men are more likely than women to have clicked on Web advertising. A majority of ad clickers are 25-54 (58%). Format partisans of Oldies, Country and Jazz are more likely to have clicked on advertising compared to the norm.

17. **Awareness and visitation of radio station Web sites have increased.** Compared to six months ago, a greater portion of online Americans have heard a radio station talking about their Web sites on air (58% to 65%). When asked to think about their most preferred radio station (P1 or first preference station) awareness of a station Web site has increased 46% to 56%. Visitation of radio station Web sites has increased

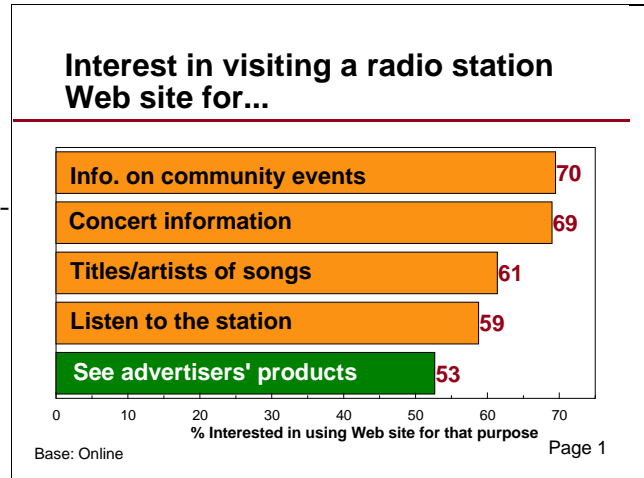
from 25% to about 60% of station Web visited.



31% of those sites

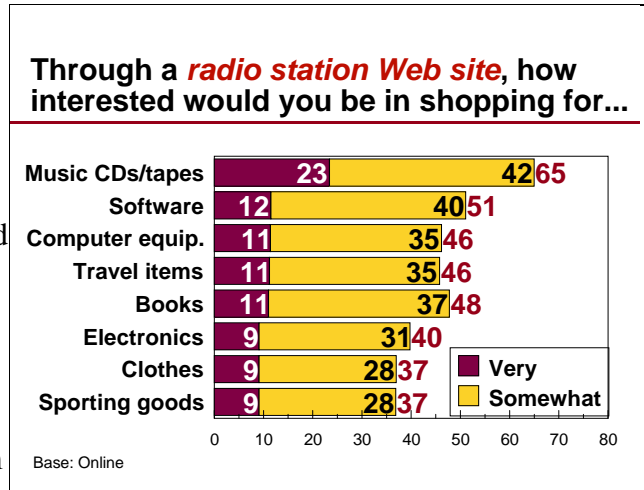


Still, only aware of have ever



18. **Radio station Web site content is not compelling enough to drive frequent visits.** Only 9% have visited a station Web site in the past month and only 11% have "bookmarked" or saved a radio station Web site as a favorite place to return to. Radio is not doing a good job of getting those that visit to come back frequently and to value a Web site enough to consider it a favorite and "bookmark" it.

19. **What do people want from a radio station Web site? Information!** When asked to specify items of interest on a radio station Web site, information is king. Tops in interest are: information on community events (70%), concert information (59%), listening to the radio station (59%). Next, advertisers' products (53%), enter contests (48%), see the schedule of the station's programming (48%), and vote on songs (47%). Smaller but significant numbers of listeners indicate they would like to buy advertiser Web site (40%). Lastly, things of least interest to visitors are the ability to contact jocks (33%), see pictures of them (30%), and the ability to buy station clothing (25%).



**station's Web site? Information!** When asked to specify items of interest on a radio station Web site, information is king. community events (70%), concert information (59%), listening to the radio station (59%). Next, advertisers' products (53%), enter contests (48%), see the schedule of the station's programming (48%), and vote on songs (47%). Smaller but significant numbers of products and services (42%) or get links to of least interest to visitors are the ability to contact jocks (33%), see pictures of them (30%), and the ability to buy station clothing (25%).

20. **There is interest in purchasing music from radio Web sites.** 23% of respondents say they would be very interested in purchasing music CDs and tapes off the station Web site. Overall, nearly two-thirds say they are at least somewhat interested in purchasing music from a station Web site.

## 7 Recommendations

The key messages of the study involve the astounding growth of Internet usage. In the six months since the last Arbitron/Edison study, online usage has surged, online listenership has doubled and the continued thirst for information remains unquenched. There are many opportunities for radio to become involved with e-commerce. To accomplish this, a radio station needs to begin considering its Web site as if it were a serious media outlet. Successful media thrive and prosper because they have a strategic plan, and allocate resources to create compelling content and marketing. Radio can make money from the Internet.

In addition, Radio can become more than an advertising medium and begin to participate in the transaction of products and services. Radio is no longer just the radio business. The Web site needs to be treated as a discrete media property that is not just radio and not just the Internet, but something new and different that shares the best attributes of both - targeted, compelling content, strong community involvement like Radio; action-oriented, customizable, and expandable like the Internet. But remember, to truly leverage the Web's strength the resulting Web site is actually worlds apart from what we traditionally consider Radio.

With these key findings in mind, we offer the following recommendations:

1. **Make your Web site a compelling place to visit every day.** Radio needs to dramatically enhance Web site content to boost traffic. Radio station Web sites are not igniting the imagination of surfers. Only 9% of online Americans have visited a radio station Web site in the past month. Despite the fact that most people are aware that stations have Web sites, few bookmark or save a radio station Web site as a favorite place. Media entities, for instance MTV, who devote significant resources to compelling Web site content are rewarded with massive visitation. The large number of eyeballs on their sites leads to successful e-commerce partnerships with major advertisers and the ability to charge for advertising on Web sites.
2. **"Program" your Web site according to listener needs.** In the spirit of treating a station Web site as if it were a viable media entity, it is crucial to ask listeners what they want from a Web site and give it to them. When one compares what respondents tell us they want from a radio station Web site to what most stations deliver, the difference is shocking. The vast majority of what currently exists on radio station Web sites falls to the bottom of the list when contrasted to listener interests. The things that would really excite listeners such as title and artist of songs being played in real time, being able to listen to the station, concert information, community information, and information on advertiser products and services are not universally found on existing radio station Web sites.

Just as local radio stations conduct perceptual studies to find out what listeners want, stations should begin researching what listeners want from their Web sites. Then after changes have been made to the content, future studies should determine how well the radio station is doing at giving listeners what they want.

3. **Use your marketing power to drive awareness, frequent visits and time spent on your Web site.** Once the "content crisis" of radio station Web sites is eased, broadcasters should use their impressive marketing might to drive up Web site awareness, frequent visits and time spent. Once stations have measured their listeners Web site desires, and programmed the Web site accordingly, it will then be time to get the message out. Radio stations have proved that they are able to hammer a point home on air. Many ownership clusters now reach 50% to 70% of everyone in a market. Thus, groups should be able to drive immense amounts of listeners to Web sites. Meeting the goal of the improved content and aggressive marketing will drive up visitation levels. Once this can be accomplished, a station can become a force in e-commerce.

4. **Explore different radio e-commerce models and put people specifically in charge of e-commerce.** There's an old management rule that says unless someone is 100% in charge of something, nothing will occur. As groups begin appointing e-commerce executives whose sole focus is to develop programs to generate revenue, progress will be made. What is needed is focus. What is needed is partnerships with interactive agencies and advertisers to experiment with different e-commerce concepts.

Radio offers many tremendous advantages to marketers. First, it is incredibly targeted. There are dramatic and unique characteristics of Urban stations, Country, Top 40, Alternative, etc. Qualitative research has demonstrated these formats attract a precise and unique profile, and it stands to reason that Web site visitors will do the same. Secondly, stations have tremendous on-air marketing power to drive Web site visitation. Radio must use these advantages to become a leader in e-commerce.

5. **Invest in a new Internet organization by creating positions such as Internet Program Director, Internet Sales Manager, and Internet Marketing Director.** Of all media, Radio has the greatest opportunity to grow revenue from e-commerce. Radio's highly targeted existing audiences along with its expertise in programming, marketing and generating revenue give the industry an advantage over others vying for online revenue. To capitalize on this opportunity, radio stations must create new organizations of people purely dedicated to building and marketing Internet content and seeking advertising partnerships.

6. **Develop an e-commerce model to sell music through your Web site.** Music represents the number one category for online purchases. When probed as to which types of products and services they would most be interested in purchasing from a radio station Web site, music shows up highest. As most radio stations have a music focus and there seems to be tremendous interest in purchasing music, there is an obvious opportunity for radio and music e-commerce.

7. **Use audio in your online marketing.** The portion of people listening to radio and sound on the Internet is exploding. In six months, the number of online Americans saying they have listened to radio online has surged from 18% to 27%. Against the context of all Americans, the proportion of those who have listened to online radio has more than doubled from 6% to 13%. With the large increase in audio consumption on the Internet, it is a natural for radio stations to infuse sound and audio into e-commerce activities. There is no other medium more qualified than radio to use audio to connect advertisers with their target consumers.

## Arbitron's Next Steps

It is Arbitron's goal to provide the complete solution for Webcasting measurement. In its key Web measurement initiative, InfoStream, Arbitron will begin providing Webcasting measurement of hundreds of radio stations in 1999. Arbitron will also test refinements to its radio diary to better capture digital satellite radio and Internet audio.

Arbitron's goal is to collect and process all Internet listening data to generate the definitive "gold standard" of Webcast measurement. To help achieve this, Arbitron is developing the systems and services necessary to measure this new medium and is already working with Magnitude Network, RealNetworks, OnRadio and RadioWave.com to ensure measurement of the stations affiliated with those service companies. Streaming organizations interested in learning more about Arbitron NewMedia InfoStream and Internet streaming media measurement, or interested in being included in InfoStream measurement should contact Arbitron's Vice President and General Manager of Internet Information Services, Greg Verdino at [gregory.verdino@arbitron.com](mailto:gregory.verdino@arbitron.com) or 212-887-1450.

In the first half of 1999, Arbitron will publish its landmark Pathfinder New Media Study providing the most comprehensive understanding of new media. The 1999 edition of Pathfinder includes information on Internet audio, digital satellite radio, and general Internet behavior and usage, as well as a full battery of data on both traditional and new media behaviors.

The Arbitron/Edison Internet Listening Study provides exciting and substantial insight into an area where little research has existed. Arbitron, a leader in media information, along with Edison Media Research are committed to generating industry Internet listening studies every six months. This will provide the industry with fresh information on a growing and vibrant marketplace that offers a tremendous amount of revenue promise as well as new listenership choices for consumers.

