

Arbitron/Edison Media Research

# Internet VII

*The Internet & Streaming:  
What Consumers Want Next*



Presented by:

**Bill Rose**

Vice President and General Manager  
Arbitron Webcast Services  
142 West 57<sup>th</sup> Street  
New York, NY 10019  
(212) 887-1327  
[bill.rose@arbitron.com](mailto:bill.rose@arbitron.com)

**Larry Rosin**

President  
Edison Media Research  
6 West Cliff Street  
Somerville, NJ 08876  
(908) 707-4707  
[lrosin@edisonresearch.com](mailto:lrosin@edisonresearch.com)



## Overview

Welcome to the seventh Arbitron/Edison Media Research study on consumer use of the Internet and streaming media with brand-new data from interviews conducted in July 2001. Our series of studies, published every six months since August 1998, have quickly become the primary source of information on streaming media and consumer behavior on the Internet. This report will trend key streaming media and Internet metrics from the period of Summer 1998 to Summer 2001.

During the past few months there has been much discussion in the industry regarding the health of the streaming media sector and controversies regarding digital rights. While these issues are important to those in the business, consumption of streaming media by American consumers continues to rise. In fact, this study marks the third consecutive year that we have measured increases in streaming media usage.

“Streamies,” those Internet users who watch or listen to webcasts online, have crossed the 50% threshold of all Internet users. This study reveals that 52% of all online Americans have ever streamed audio or video. As a proportion of all Americans, 34% have now experienced streaming media.

Consumer adoption of superfast, always-on Internet connections at home continues to rise. The percentage of online Americans who indicate they have superfast broadband Internet access at home has increased from 12% in January 2001 to 16% in July 2001. This study reveals significant differences in Internet use and streaming media consumption among those with superfast broadband connections versus those with slower dial-up connections. Broadband users spend much more time with streaming media exploring many different types of audio and video programming.

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

### How This Study Was Conducted

A total of 2,507 people were surveyed to probe America’s Internet usage and streaming media behavior. In July 2001, telephone interviews were conducted with respondents age 12 and older chosen at random from a national sample of Arbitron’s Spring 2001 survey diarykeepers.



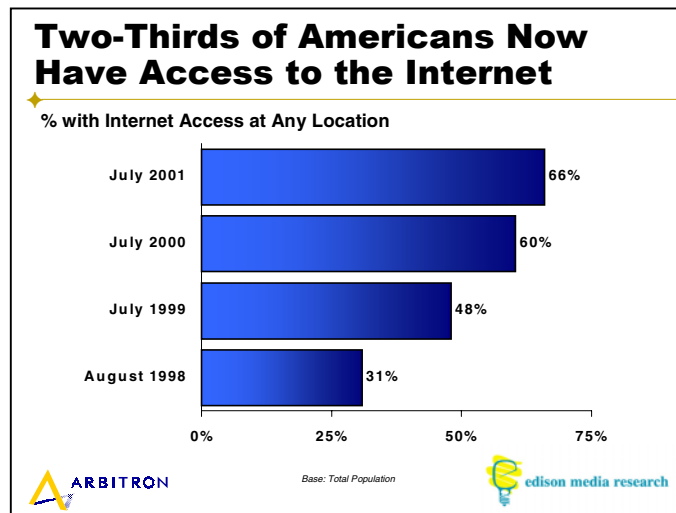
## Significant Highlights

- **Consumption of streaming media has surpassed 50% of Internet users.** The proportion of Internet users who have experienced online audio or video has increased from 44% in January 2001 to 52% in July 2001. Expressed as a proportion of all Americans, 34% of those age 12 and older have experienced Internet audio and video, which translates to approximately 78 million Americans.
- **The proportion of Americans who have listened to radio stations online has nearly quadrupled in three years, growing from 6% in 1998 to 23% in 2001.** The growth trend for listening to radio stations online is impressive: 1998 – 6%, 1999 – 14%, 2000 – 20%, 2001 – 23%. The growth from 2000 to 2001 is remarkable considering that many radio stations temporarily stopped streaming in 2001 due to digital rights issues. An analysis of Arbitron terrestrial radio listening from diarykeepers indicates that the greater the time spent listening to traditional radio, the greater the likelihood that a listener will also listen online.
- **Consumers who have encountered radio stations that have stopped streaming are upset about the inability to listen to those stations.** The majority of those who have experienced discontinued radio station webcasts say that they have been quick to seek out alternate sources of Internet audio.
- **Consumers are interested in a number of streaming media subscription models.** Consumers show the most interest in subscriptions for streamed concerts and music. Additionally, consumers show significant interest in subscribing to packages of programming involving sporting events.
- **Streaming media continues to attract a highly compelling advertising target.** Americans who consume streaming media are a highly desirable target audience for advertisers due to their upscale and Internet-savvy profile. For example, streaming media is the ideal advertising vehicle for promoting new video game software and hardware since Streamies are significantly more likely than non-Streamies to play video games.

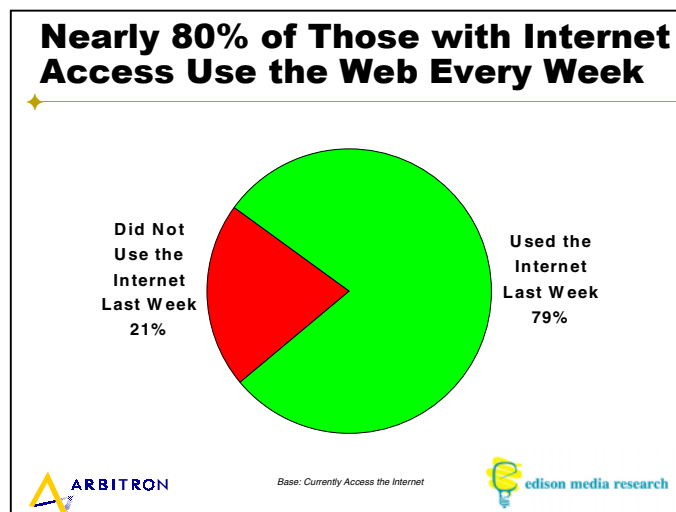
# Key Findings

## A. Current State of Internet Use and Streaming

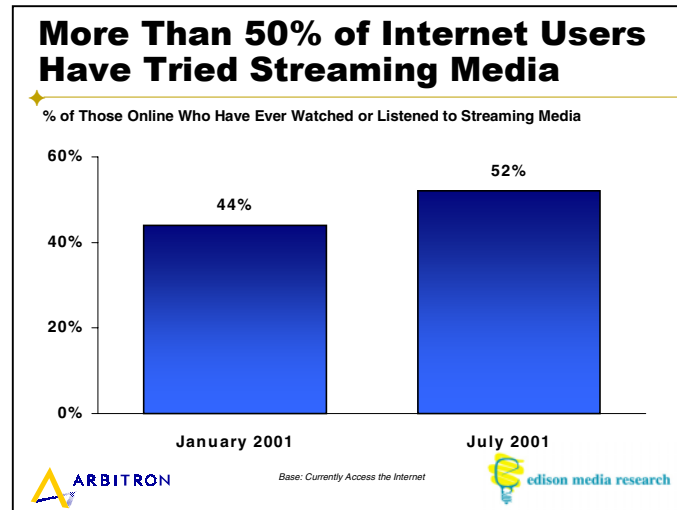
- Two-thirds of Americans now have access to the Internet.** In our first study in August of 1998, 31% of Americans had access to the Internet. As of July 2001, 66% of Americans have access to the Internet. Focusing solely on consumers under the age of 55, a full three-quarters of Americans ages 12 to 54 now have access to the Internet. The majority of the growth occurred in the workplace, where access to the Internet jumped from 21% of at-work Americans in July 2000 to 27% in July 2001. Fifty-five percent (55%) of Americans now access the Internet at home.



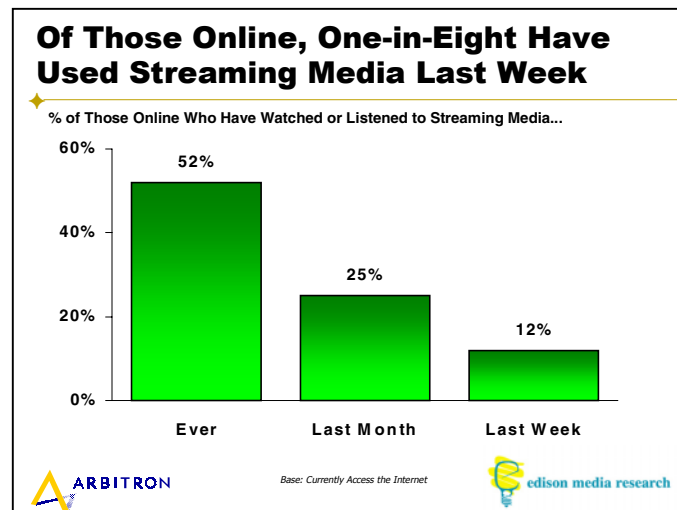
- Of those Americans with Internet access, nearly 80% use the Internet each week.** Americans have converted from trial use of the Internet into regular use. Two-thirds of Americans have Internet access while 59% have used the Internet in the past month. In addition, for the majority of online Americans, Internet use is habitual, with 79% using the Internet each week.



3. **The percentage of Internet users who have ever tried streaming media has crossed the 50% threshold for the first time.** Fifty-two percent (52%) of online Americans have ever watched or listened to streaming media. Translated as a percentage of all Americans, 34%, or roughly 78 million Americans, can now be called “Streamies.” Among all 12- to 44-year-olds, the percentage of Streamies has now reached 47%.

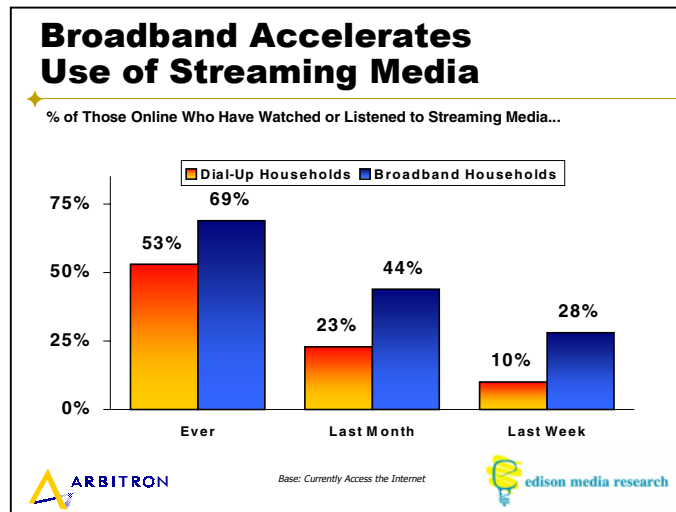


4. **One-out-of-four Americans use streaming media each month.** This number will grow if more American consumers make their usage of streaming media a regular habit. While 52% of Internet users have ever tried streaming media, only 25% have listened or watched online in the past month and only 12% have tuned online in the past week. One of the key challenges for the streaming media industry continues to be converting consumers’ initial trial of webcasting into regular monthly and weekly usage.

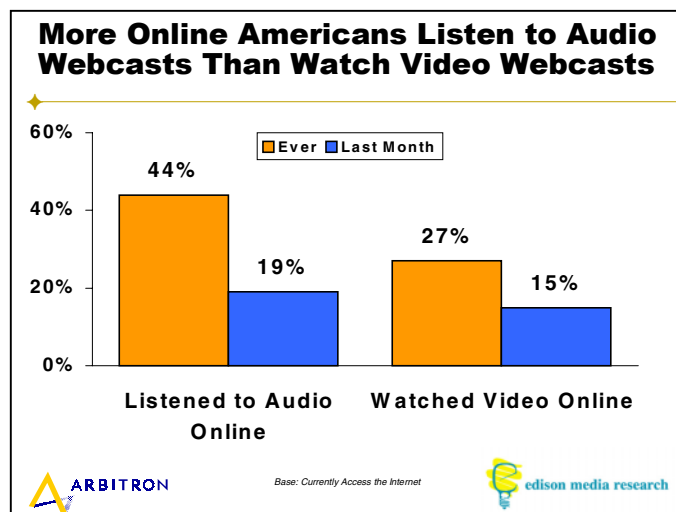


5. **The proportion of Internet users who have broadband at home has increased from 12% to 16% in the last six months.** Broadband penetration among online households jumped four points, from 12% in January 2001 to 16% in July 2001. An additional 14% of those with dial-up Internet access indicate that they plan to acquire broadband Internet access at home within the coming year.

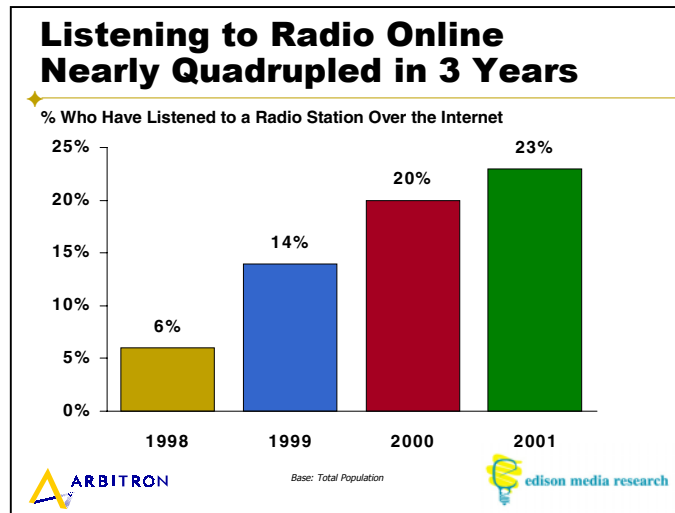
**6. Broadband continues to be a catalyst for consumer use of streaming media.** Broadband is an essential driver for converting trial of streaming media into habitual use. Among those with broadband, 69% have tried streaming media compared to 53% among those with dial-up Internet access at home. Forty-four percent (44%) of those with broadband at home have tuned to audio or video webcasts in the past month compared to 23% with dial-up access. Therefore, 64% of those with broadband convert their trial usage to monthly tuning compared with only 43% among those with dial-up Internet access. As broadband penetration continues to grow, we should expect increases in both the trial and regular usage of streaming media.



**7. Among those online, 44% have tried audio streaming and 27% have tried video streaming.** Expressed as a proportion of all Americans age 12 and older, 29% of consumers in the U.S. have tried audio streaming and 18% have tried video streaming. Among those online, 19% have streamed audio in the past month while 15% have watched online video in the past month.



**8. Nearly one-in-four Americans have now listened to radio stations online.** In our first study in summer 1998, only 18% of Americans were aware that it was possible to hear radio stations on the Internet, and only 6% of Americans had ever listened to radio stations online. Now, in July 2001, over half of Americans are aware that it is possible to listen to radio stations online and 23% of all Americans have done so. The growth of listening to radio stations on the Internet has been impressive: from 6% in 1998 to 14% in 1999 to 20% in 2000 to 23% in our latest study.



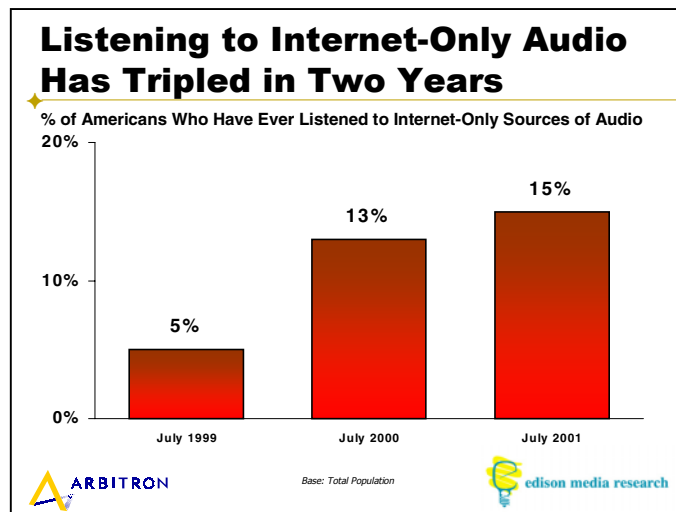
**Percent of Americans Who Have Listened to Radio Stations Online**

*By Age*

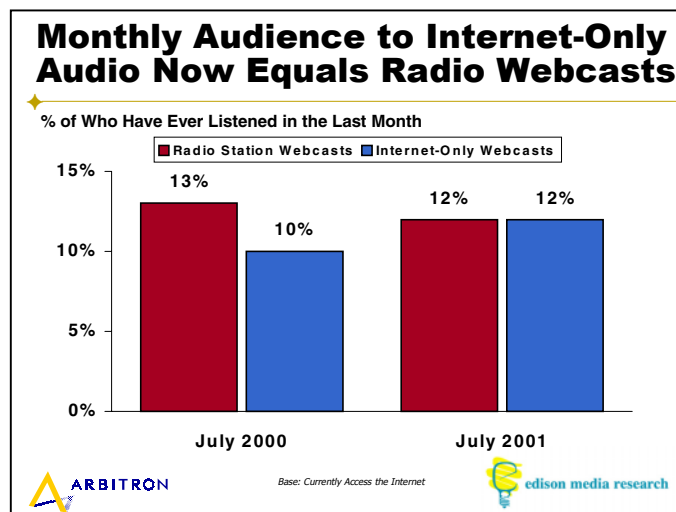
Age	1998	1999	2000	2001
<b>12 and older</b>	<b>6%</b>	<b>14%</b>	<b>20%</b>	<b>23%</b>
12-17	7%	27%	35%	37%
18-24	5%	17%	31%	35%
25-34	6%	17%	25%	33%
35-44	9%	17%	18%	25%
45-54	7%	15%	18%	17%
55-64	4%	9%	13%	12%
65+	0%	2%	6%	4%



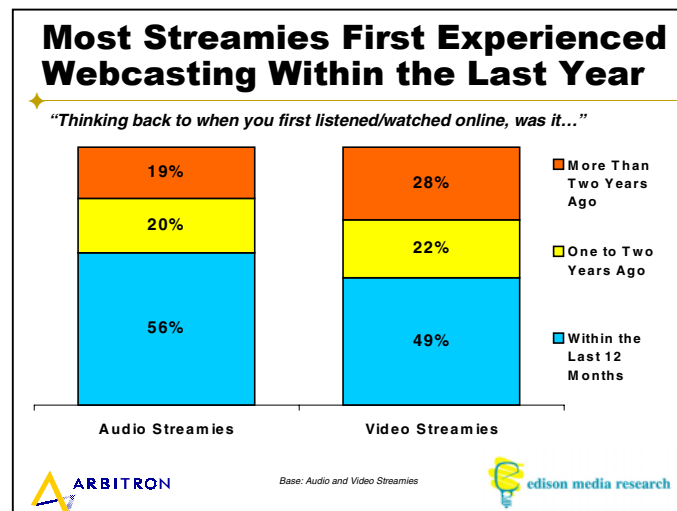
9. **The number of Americans who have ever listened to Internet-only audio has tripled in two years.** In July 1999, 5% of all Americans said they had tried listening to Internet-only audio. This year, 15% of all Americans report having ever listened to Internet-only audio.



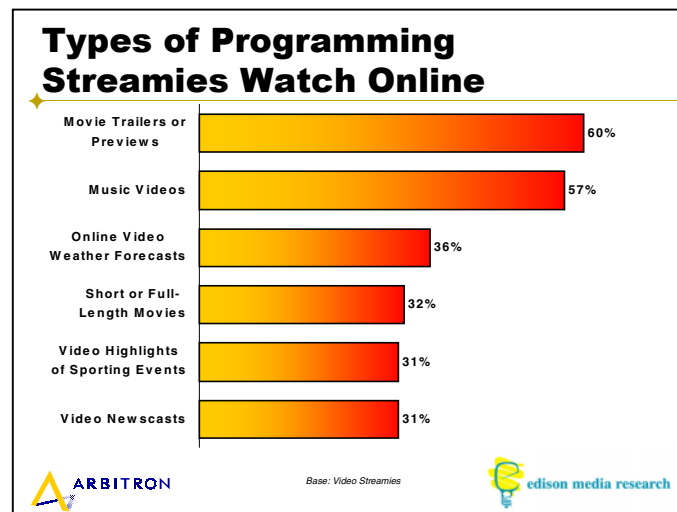
10. **The monthly audience for Internet-only audio now equals the audience to radio station webcasts.** Prior to this study, in the two years that Arbitron and Edison Media Research had been tracking monthly listening to Internet-only audio, the audience for radio stations that webcast their over-the-air signals had surpassed the audience of Internet-only audio sources. However, as of July 2001, an equal proportion of those online say they have listened in the past month to Internet-only audio (12%) and radio station webcasts (12%).



- 11. Many Streamies have experienced discontinued radio station webcasts, and this has driven them to seek out other sources of Internet audio.** There are a number of factors that could have led to the growth of Internet-only audio. In the last six months, many U.S. radio stations stopped streaming as a result of digital rights controversies. One-in-seven (14%) of those who listen to radio station webcasts say that at least one of the stations they normally listen to online recently stopped offering the ability to listen over the Internet. Among those who have listened to Internet audio in the last month, that percentage climbs to 20%. The data indicate that radio stations that stopped streaming essentially drove their audiences to Internet-only audio sources.
- 12. The majority of audio and video Streamies have only recently begun experiencing Internet webcasting.** While half of all Internet users in America have been online for three or more years, the vast majority of Streamies in America have only recently begun experiencing Internet audio and video. Fifty-six percent (56%) of audio Streamies say they first listened online in the last year, and 49% of video Streamies say they first began watching Internet video content in the past 12 months. Approximately 20% of audio and video Streamies say they first tuned online one to two years ago. The streaming media audience is similar to the beginning of radio listening in the 1920s, the television audience in the late 1940s, the cable television audience in the early 1980s and the Internet audience in the mid-1990s. It is still in its infancy.



- 13. Streamies who have tuned online in the past week say they spend approximately 2½ hours with streaming video and 3½ hours with streaming audio each week.** Even the most active Streamies, those who tuned in during the past week, spend a limited amount of time with Internet audio and video, which is further evidence that webcasting is still a new phenomenon. Since the first Arbitron/Edison Media Research Internet study in August 1998, we have stressed that webcasters need to provide unique and compelling content in order to get Streamies to spend more time online.
- 14. Only half of Streamies can name a specific provider of Internet audio.** Streamies were asked, “What is the first name that comes to mind when you think of Internet audio providers?” Only 48% could name a single provider of Internet audio. Of those who named at least one Internet audio provider, most of the brands they identified were well-known Internet brands such as “Napster,” “RealPlayer,” “Windows Media Player,” and “AOL.” Very few Streamies were able to name brands associated with the content of streaming audio. Since streaming is very new to American consumers, webcasters need to do a better job of promoting their stations and channels.
- 15. Movie trailers and music videos are the most popular types of streaming video content.** Nearly 60% of those who have ever watched streaming video online say they have watched movie trailers and music videos. Another 31% to 36% say they have watched video highlights of sports and online information segments such as newscasts and weather forecasts.



**16. Nearly half (47%) of Internet audio Streamies say they use a media player most often to directly access Internet audio while 40% access online audio most often from a Web site.**

Younger listeners are more likely to use their media player most often when accessing Internet audio content while older listeners tend to go to a Web site most often to tune in. Among the most active audio Streamies (those who have listened in the past week), 55% use a media player most often to access online audio, with only 37% using a Web site to directly access the Internet audio content.

**17. Major local media have seen small increases in Web site visitors.** The monthly audience to newspaper Web sites has increased from 23% in July 2000 to 26% in July 2001. Monthly radio station Web site visitation inched up from 14% to 17% in the past year, and television station Web site usage grew slightly, from 18% to 20% in the past 12 months. Newspaper has the highest rate of converting those who have “ever visited” into weekly usage of the Web site (31%). Radio lags TV and newspaper sites in converting those who have ever visited their Web sites into regular weekly visitors. Only 18% of radio station Web site visitors are converted to weekly site usage.

---

**Web Site Visitation of Major Local Media**

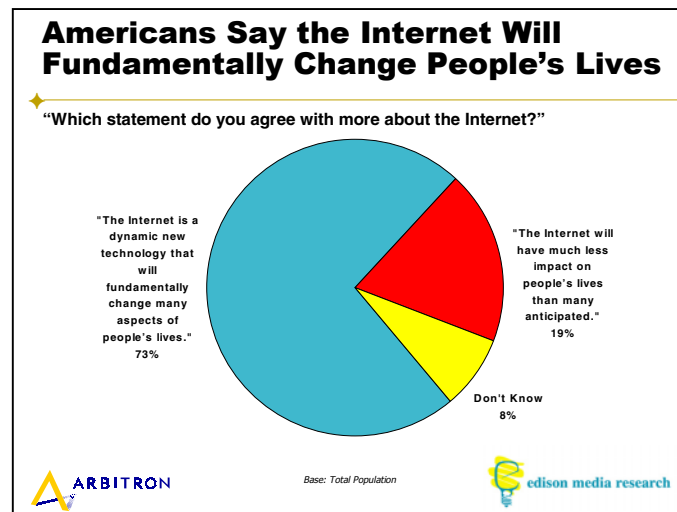
---

	<b>Ever Visited</b>	<b>Visited in Last Month</b>	<b>Visited in Last Week</b>	<b>Ever to Last Week Conversion</b>
Newspaper	48%	26%	15%	31%
Television	44%	20%	10%	23%
Radio	39%	17%	7%	18%

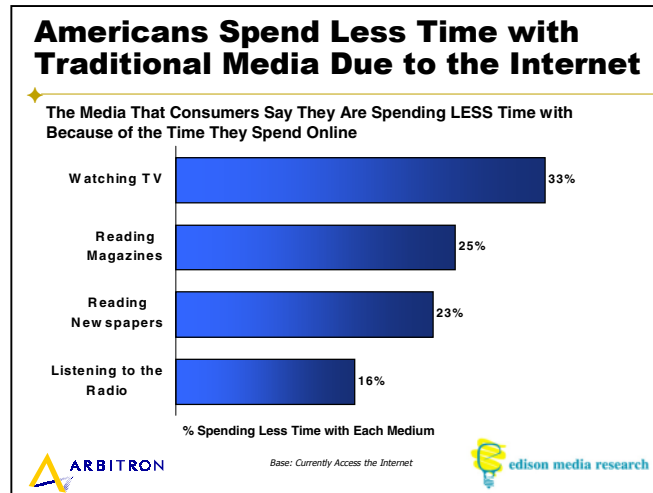
---

## B. Countering Popular Misconceptions About Consumers' Internet Use

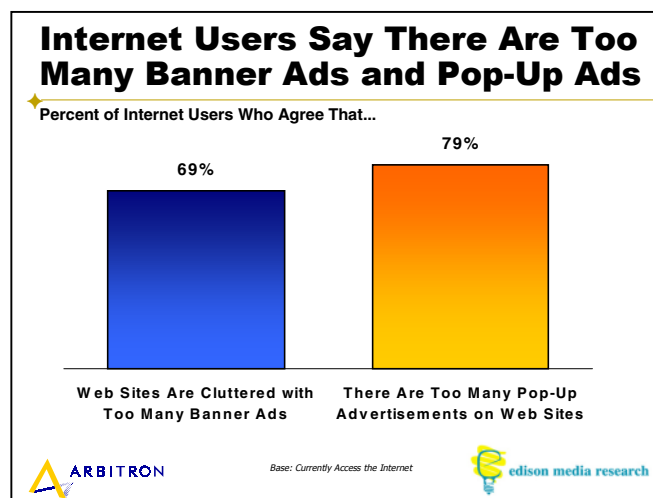
18. Despite the “dotcom” implosion, the majority of Americans feel the Internet is a “dynamic new technology that will fundamentally change many aspects of people’s lives.” Consumers were read two statements about the Internet and were asked to choose the one they agreed with more. Seventy-three percent (73%) indicated the Internet was a “dynamic new technology that will fundamentally change many aspects of peoples lives” while only 19% felt “the Internet will have much less impact on people’s lives than many anticipated.” Thus, despite the much-publicized decline of the dotcom business sector, the American consumer still feels the Internet will be a transforming technology.



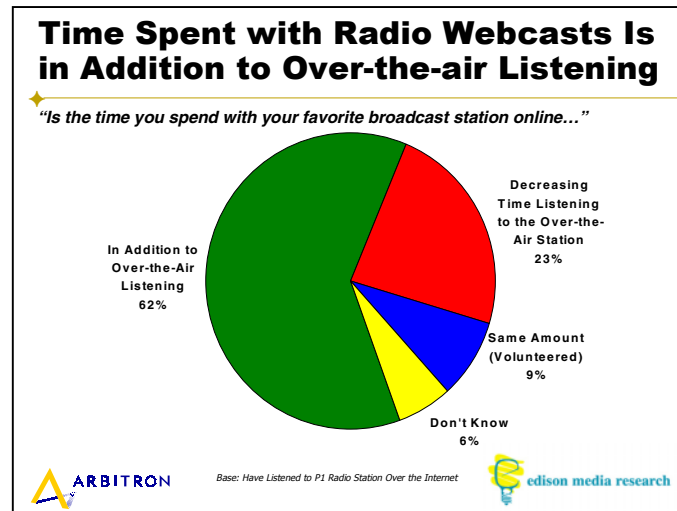
19. **Americans say they are spending less time with TV and print due to their time spent on the Internet.** Internet users were asked which activities they are spending less time with due to the time they spend online. One-third (33%) said they are watching less television due to the time they spend on the Internet, followed by magazines (25%) and newspapers (23%). In addition, 16% said they are listening to radio less because of the time they spend on the Internet. The consumers' perceptions that they are spending less time with television may be explained by the fact that peak Internet usage is at night (as revealed in prior Arbitron/Edison Media Research Internet studies), which is also television's prime time. The Internet's revolutionary ability to deliver information is most likely associated with the consumers' perceptions that they are spending less time with the information-based print media such as newspapers and magazines. The Internet does not appear to have as much impact on a consumer's perceived time with radio. This is probably due to the fact that radio usage is highest during the morning and daytime hours and therefore it competes less directly for the consumer's time during the Internet's peak hours.



- 20. More Americans say that they have made purchases online.** More Internet users than ever say they have made a purchase over the Internet. In July 2000, 21% of those online said they had made a purchase over the Internet in the past month. Now, in July 2001, 24% say they made an online purchase in the past 30 days. Comparing July 2000 to July 2001, the proportion of all Americans who say they have ever made a purchase over the Internet has grown from 27% to 37%.
- 21. Fewer Americans say they have clicked on Internet banner advertising.** The proportion of those online who say they have clicked on any Web site advertising in the last month dropped nearly in half during the past year, from 30% in July 2000 to 16% in July 2001.
- 22. The proliferation of banner ads and pop-up ads appears to annoy Internet users.** Sixty-nine percent (69%) of Internet users agree that “Web sites are cluttered with too many banner ads.” Seventy-nine percent (79%) agree that there are “too many pop-up advertisements on Web sites.” Despite this irritation, two-thirds of those online agree that “having banner ads on Web sites is a fair price to pay for online content.” Consumer irritation over banners and pop-ups presents a solid justification for advertisers to utilize streaming media advertising. Our data show that few Streamies have seen or heard webcast advertising. Thus, streaming media advertising is a clutter-free environment safe from the negatives associated with banner ads and pop-up ads that appear on Web sites.



**23. Most consumers indicate that their online listening to radio station webcasts increases the time they spend with that station over-the-air.** Sixty-two percent (62%) of those who have listened to their favorite broadcast station online say that their online listening is in addition to the time they spend listening to that station over-the-air. At the same time, nearly one in four (23%) indicate that the time they spend tuning to a radio station webcast decreases the time they spend listening to the terrestrial radio station.



**24. Only a small proportion of Streamies have noticed streaming audio commercials (31%) and streaming video commercials (19%).** Webcasters have only recently begun to use technology to insert commercials within the audio and video content of webcasts. Therefore, consumers perceive there to be relatively few streaming audio and video ads today. This is an ideal opportunity for advertisers wishing to reach a lucrative and technologically savvy online audience in an uncluttered advertising environment.

### C. What Consumers Want

**25. People still want to hear radio stations streamed over the Internet.** Two-thirds of those who encountered a discontinued radio station webcast say that they are “very” or “somewhat” upset that the radio station they listen to online stopped streaming. There is risk in losing these online radio station listeners to other Internet audio sources, with over half (55%) of all online radio station listeners and seven-in-ten (71%) monthly online radio station listeners saying they have found other sources of Internet audio to listen to in its place.

Among those who listen to radio stations on the Internet, and did not encounter stations that have stopped webcasting, 58% of audio Streamies and 71% of monthly audio Streamies say they would search for other types of Internet audio if the radio stations they listen to online were no longer available.

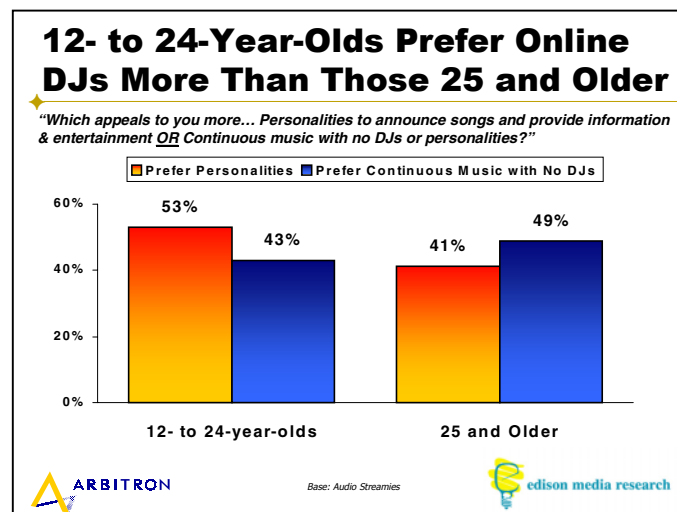


**26. The more habitual the streaming audio user, the more they enjoy webcast audio.** The proportion who say they either “love” or “like” streaming audio increases from 26% among all Streamies to 36% among monthly audio Streamies to 44% among weekly audio Streamies.

#### “How much do you enjoy streaming audio?”

	All Streamies	Monthly Audio Streamies	Weekly Audio Streamies
Love it / Like it	26%	36%	44%
It’s OK	58%	56%	50%
Dislike/Hate it	8%	4%	2%

- 27. With such a large proportion of the streaming media audience being new to the experience, many Streamies rate Internet audio and video as being “new and fresh.”** Fifty-six percent (56%) of audio Streamies agree with the statement that they “enjoy listening to streaming audio because it’s new and fresh.” An even higher percentage of video Streamies (65%) indicate they enjoy “viewing video over the Internet because it’s new and fresh.” Conversely, just over a quarter of the streaming media audience say that online audio and video have become “stale and boring.”
- 28. Audio Streamies are equally split in their interest in “program your own” channels and preprogrammed Internet audio channels.** Forty-four percent (44%) of audio Streamies prefer an Internet audio channel that asks them to indicate the artists they enjoy listening to and plays songs according to their indicated taste. Forty-six percent (46%) prefer a preprogrammed channel that plays the general music they might enjoy listening to but does not ask specific artist preferences. Younger listeners find the “program your own” Internet audio channels more appealing, with 59% of teens and 52% of 18- to 24-year-olds choosing the “program your own” channel versus the preprogrammed option.
- 29. Online listeners are equally split between preferences for online audio channels that play continuous music without disc jockeys and those online audio channels that have personalities.** Forty-seven percent (47%) prefer the “no DJ” format and an equal proportion (46%) prefer “with DJ” programming. Interestingly, 12- to 24-year-olds are more likely to prefer online audio channels “with DJs” (53%) to those with “no DJ” (43%), while those age 25 and older are more likely to prefer Internet audio channels with “no DJ.”



- 30. Audio Streamies are more interested in programming audio channels by music genres and artists as opposed to tempo and era.** Thirty-five percent (35%) of audio Streamies say they are “very interested” in programming Internet audio channels by selecting genres of music and specific artists and groups. A smaller number of Streamies (25%) indicated they are “very interested” in customizing Internet audio channels by music tempo and era or year of the songs.
- 31. Songs and albums from favorite artists as well as concerts are some of the most popular Internet audio subscription models among consumers.** Audio Streamies were read a list of possible online audio subscription services to gauge their interest. Twenty-seven percent (27%) say they are “very interested” in a service that would play songs and albums from their favorite artists for a small fee and 24% say they are “very interested” in a concert subscription service. Five percent (5%) to 10% say they are “very interested” in an assortment of sports subscription offerings.

---

### Most Popular Internet Audio Subscription Models

*% “Very Interested”*

*If Required to Pay a Small Subscription Fee*

---

Songs and albums from your favorite artists	27%
Concerts	24%
NFL football games	10%
NBA basketball games	8%
Radio programs too risqué or controversial for over-the-air broadcast	7%
NCAA basketball games	6%
NCAA football games	5%

---

- 32. Nearly one-in-five monthly Streamies say they are “very” or “somewhat” interested in a Major League Baseball Internet audio subscription package.** Eighteen percent (18%) of monthly audio Streamies say they are “very” or “somewhat” interested in being able to listen to next season’s Major League Baseball games over the Internet. It appears that there is significant interest among audio Streamies for subscription-based sports programming, much like the interest in sports packages that has driven the successful business models of several pay cable channels and satellite television companies.
- 33. Concerts top the list of potential streaming video subscription services.** Nineteen percent (19%) of video Streamies say they are “very interested” in paying a small subscription fee to watch concerts. Next, 11% say they would pay a small subscription fee to watch NFL football games online. Three percent (3%) to 7% indicate being “very interested” in other online video sports offerings.

---

### Most Popular Internet Video Subscription Models

% "Very Interested"

*If Required to Pay a Small Subscription Fee*

---

Concerts	19%
NFL football games	11%
TV programs too risqué or controversial for over-the-air broadcast	7%
NBA basketball games	7%
NCAA football games	7%
NASCAR	6%
NCAA basketball games	6%
Professional wrestling	3%

---

**34. Audio Streamies say they will listen more to Internet audio if they can get the programming they desire on demand, if it were easier to find content they want and if they had a device to listen to webcasts that is as easy to use as a radio.** Internet audio Streamies were read a list of items that might cause them to spend more time listening to Internet audio. Nearly eight-out-of-ten audio Streamies indicate that they would listen more if they had the ability to get on-demand programming and if it were easier to find the types of content they are looking for. Nearly three-quarters of audio Streamies say they would listen more if they were able to listen on a device that is as easy to use as a regular radio.

---

### Things That Would Cause Audio Streamies To Listen More

*% of Audio Streamies Who Said They Would Listen More Due to the Following Items*

---

Get the audio programming you want on-demand when you want it	79%
Easier to find the types of streaming audio you want	78%
Able to listen on a device that was as easy to use as a regular radio	74%
Better online directories of available streaming audio programming	70%
More radio stations available to listen to over the Internet	62%
Could listen to streaming audio in the car	61%
Listen to streaming audio on a portable device	55%
Personalities such as Howard Stern or Rush Limbaugh on the Internet	31%

---

**35. The ability to listen while doing other things, the variety of choices online, the lack of static, and control over what you hear top the list of what Streamies like most about Internet audio.**

The consumer's ability to listen to audio while working or doing other things are also some of radio's greatest strengths. Webcasting can help protect radio's at-work franchise by reaching consumers in locations where they may have difficulty hearing the station clearly. Those stations that are not streaming and those that have stopped may be vulnerable to new competition at work from Internet-only audio sources.

Variety, choice and the ability to get content that cannot easily be found elsewhere are also significant reasons why Streamies like the Internet audio and video experience.

---

### What Audio Streamies Like Most About Internet Audio

---

Item Audio Streamies Like Most	# of Responses
Convenient to use while doing other things (online, computer, work)	61
Wide selections/choices/variety (music, stations, programs, etc.)	50
Clear sound/no static	34
Choose what to hear/listen to what I like/you control it	34
It's different/a new way to listen to audio	24
Listen to things you can't find elsewhere	24

---



---

### What Video Streamies Like Most About Internet Video

---

Item Video Streamies Like Most	# of Responses
Watch things you can't get elsewhere	47
Watch when you want	35
Watch what you want	26
Variety/choices	21

---

**36. Poor sound and video quality and slow “downloads” are the items that consumers dislike about streaming media.** Poor sound and video quality frustrates Streamies and is a significant reason for the limited use of streaming media on a monthly and weekly basis. Higher broadband adoption will help, but improved compression technology will be needed to keep up with the demand and high consumer expectations.

---

### What Streamies Dislike Most About Internet Audio

---

Item Audio Streamies Dislike Most	# of Responses
Poor sound quality/unclear/static	117
Poor connection/connection gets cut off/kicked off by server	63
Slow to download	41

---



---

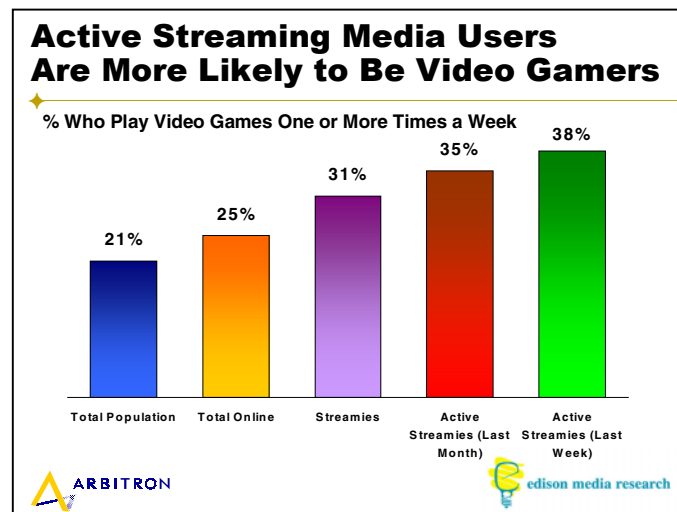
### What Streamies Dislike Most About Internet Video

---

Item Video Streamies Dislike Most	# of Responses
Poor picture quality/unclear/choppy/slow	138
Slow to download/takes too long	87
Image too small/small to watch on monitor	27

---

**37. Video game marketers should seriously consider using streaming media to reach their target market.** The more consumers use streaming media, the more likely they are to be frequent video game players. Overall, 21% of Americans age 12 and older indicate that they play video games at least once a week. Twenty-five percent (25%) of Web users play video games at least once a week, while those who have ever streamed Internet audio or video (31%) and those who have streamed Internet audio or video in the past month (35%) are more likely to be video game players. Among the most habitual streaming media users (those who have listened or watched in the past week), 38% have played video games in the past week. Thus, weekly Streamies are 81% more likely to play video games on a frequent basis. With a large number of new video game platforms launching in the next six months, marketers would be wise to allocate advertising dollars for streaming media since Streamies are far more likely to be regular video game users.



**38. The more involved with streaming media, the more interested consumers are in a “Big Brother 2” video subscription service. Forty percent (40%) of weekly Streamies show interest in the RealNetworks/CBS “Big Brother” subscription service.** This study was conducted in July 2001 when the CBS television program “Big Brother 2” was making its debut. A remarkable 57% of all Americans were aware of the program. The awareness was even higher among Streamies (65%). Those who have access to the Internet and had watched “Big Brother 2” were probed for their interest in a subscription to a live 24-hour feed of “Big Brother 2” video on the Internet. Twenty-seven percent (27%) of those online who had watched the show indicated they are “very” or “somewhat” interested in this online video feed. Additionally, 29% of all Streamies, 31% of monthly Streamies and 40% of weekly Streamies are “very” or “somewhat” interested. Based upon these data, it is clear that streaming media can find profitable niche subscription businesses keyed to events and programs that have passionate consumer interest.

## Recommendations

1. **Webcasters need to find and provide entertainment content that is compelling enough to cause consumers to “get the streaming habit.”** While the number of Americans who have ever used streaming media has grown rapidly, it has not yet become a regular habit among consumers. The Internet is succeeding tremendously as a source of information and a means of communication. Streaming media is the means by which it can realize its potential as an entertainment medium. History shows that hit content drives the growth of mass media. Radio needed “Jack Benny” and “The Lone Ranger” to spark its growth; TV needed “I Love Lucy” and “The Ed Sullivan Show”; and cable needed CNN and MTV. The streaming media industry needs entertainment content that is just as compelling to cause consumers to “get the streaming habit.”
2. **Webcasters should promote the benefits of streaming media to consumers and brand their content.** The vast majority of consumers who have tried webcasting began streaming in the last year. Only half of those who have streamed could name a single provider of Internet audio, and most identified well-known Internet brands such as “RealPlayer,” “Windows Media Player,” and “AOL” rather than brands associated with streaming media content. Only 23% of those who have tried streaming media have watched or listened online in the last week. For these reasons, webcasters must begin advertising and promoting the benefits of webcasting and their channels to consumers. Articulating the benefits of webcasting to consumers will help convert occasional trial into regular monthly and weekly usage of streaming media. In the early days of cable, compelling and unique content such as MTV, CNN, and ESPN were promoted to consumers to enhance regular viewership of cable channels. It is time for streaming media to invent its own version of the highly successful “I Want My MTV” campaign.

One-in-five online Americans are not aware that it is possible to view video on the Internet. The same number of online consumers are not aware that it is possible to listen to audio online. Webcasters need to explain streaming to the millions of Internet users who still do not know about webcasting.

With the advent of ad insertion technologies, it is now far easier for webcasters to run promos for their content and channels. The streaming media industry should assemble consumer benefit advertisements to run on all forms of Internet audio and video. For example, the cable industry banded together to create commercials over the last 20 years to promote the overall benefits of the cable TV experience. The streaming media industry should consider the same industrywide initiative to sell the consumer benefits of streaming media in a clear and plain-spoken manner.

3. **Now is the ideal time for advertisers and agencies to begin using streaming media advertising.** Today, Streamies represent more than half of those online and continue to have a highly compelling and attractive profile for advertisers. The time is ripe for advertisers to begin using streaming media advertising. Within the last year, ad insertion technologies have come to the market, making it far easier for advertisers to use the medium and achieve accountability for their expenditures. As the value and impact of banner ads have eroded and consumer irritation with pop-up/pop-under advertisements has grown, streaming media is the most compelling online advertising solution. Those who consume streaming media spend far more time online, are more affluent and are more likely to purchase products and services on the Internet. Additionally, audio and video messages

have greater creative ability to build brands and images for an advertiser's products or services. Finally, streaming media is an uncluttered online environment where advertisements are more likely to stand out and be noticed by consumers.

4. **Traditional broadcasters should resume streaming as soon as possible.** This research clearly indicates that those consumers who experienced discontinued streams are very upset and have quickly found other alternatives. Stations that have ceased streaming have lost online listening to Internet-only audio channels. Existing ad insertion technologies can overcome issues concerning digital rights management and commercial advertising performance. Traditional media should consider streaming to be an important element of their overall brand strategy and ensure that webcasting is part of their overall marketing plans.
5. **Broadcasters who stream should aggressively promote their online brands.** In study after study conducted by Arbitron and Edison Media Research, the item consumers want most from a radio station Web site is the ability to listen to that station online. Streaming makes Web sites "super-sticky" and compelling. The vast majority of the people who visit a radio station Web site are the core, or "First Preference" (P1), listeners of that station. Americans spend 70% of all their radio listening time with the one radio station they listen to most. Today, there is little risk of cannibalizing a radio station's over-the-air audience with its online webcast because most listeners say the time they spend listening to radio stations online is in addition to the time they spend with that station over-the-air.
6. **Webcasters should consider both video and audio streaming to enhance their sites and increase time spent tuning to their channels.** Audio webcasters should consider providing streaming video, and video webcasters should consider adding audio streams as supplements to their existing webcast experience. Data from this study suggest continued growth in the number of consumers who are using video streaming. Whether it's music videos, concerts or movie trailers, webcasters should experiment with different types of audio and video content.
7. **Media companies should continually track broadband adoption among their consumers and plan their programming and marketing accordingly.** Streaming behavior differs dramatically among those who have dial-up access at home versus those with superfast broadband Internet connections. Consumers with broadband spend far more time using streaming media, especially streaming video. The proportion of Americans with broadband access at home surged from 12% in January 2001 to 16% in July 2001. As the number of American homes with broadband grows, so will streaming media usage. Traditional broadcasters and Internet webcasters should monitor the proportion of their audiences with broadband and adjust their business plans to reflect that growth.
8. **Traditional broadcasters should improve the conversion of trial into habitual use of their Web sites.** Some media Web sites do a good job of converting trial into regular use. For example, 31% of those who have ever visited a newspaper Web site have also visited that site in the last week. Radio stations need to improve weekly visits to their Web sites because a smaller proportion (18%) of those who have ever visited a radio station Web site have visited in the last week. This is crucial because radio station Web sites are visited most often by the station's most valuable (P1) listeners.
9. **Webcasters should explore the "customization" vs. the "sit back" entertainment models.** An equal number of Streamies favor the "program your own content" model versus those who prefer the

“sit back and entertain me” model. Younger consumers (12- to 24-year-olds) favor more control over their entertainment experience compared to those age 25 and older. Consumers indicate that the most compelling aspect of “program your own” webcasts is selecting their preferred genres of music and artists rather than the tempo and era of the music. Audio listeners, especially younger consumers, prefer DJs and personalities as opposed to “music machine” programming.

- 10. Give consumers the items they say will increase their use of streaming media: ease of use, on-demand functionality, variety of choice and devices that are as easy to use as radios.** Consumers are quite clear about the things that will increase their streaming media usage. Improved ease of use will help close the gap between the 52% of those online who have ever tried streaming media and the 25% who have consumed streaming media in the past month. The streaming media market would be well served to study the “ease of use” strategy of America Online. Every aspect of AOL’s service has been focused on the ease of the consumer’s experience. Webcasters would be wise to continually make the process of consuming streaming media easier, and to spread the message loud and clear.
- 11. Targeted streaming subscription models have consumer value, and the streaming sector should explore a mix of both subscription and ad-supported revenue.** There are numerous examples of streamed content that consumers are willing to pay for, which represent significant subscription potential. Some of these include Major League Baseball audio packages, the “Big Brother 2” online video feed, as well as streamed audio concerts and streamed video concerts. There is a willingness to pay for unique and compelling streamed content, as there has been in the past and continues to be for cable pay channels and pay-per-view.

## Appendix A

### Broadband Versus Dial-Up Household Comparison

	Homes with Broadband Access <i>(10% of U.S. Population)</i>	Homes with Dial-Up Access <i>(44% of U.S. Population)</i>
Ever listened to radio stations online	50%*	34%*
last month	24%	10%
last week	12%	4%
Encountered discontinued radio station webcasts	19%	12%
Upset about discontinued radio station webcast	38%	18%
Have found other audio sources online due to discontinued radio station webcast	63%	46%
Listen to favorite over-the-air station online	47%	33%
Listening to favorite broadcast station online is in addition to listening to that station over-the-air	73%	60%
Ever listen to Internet-only audio channels	37%	22%
last month	25%	10%
last week	14%	4%
How much do you enjoy streaming audio?		
Love it / Like it	39%	21%
OK	50%	61%
Dislike/Hate it	4%	10%
How often do you listen online?		
Nearly every day	11%	3%
At least once a week	25%	13%
Once a month	20%	22%
Every few months	14%	20%
Almost never	28%	40%
Total time spent last week with all Internet audio	5 hrs. 10 mins.	2 hrs. 23 mins.
Ever <u>seen</u> a commercial online?	27%	14%
Ever <u>heard</u> a commercial online?	38%	30%
Ever viewed streaming video	44%	26%
last month	28%	11%
last week	16%	4%
How much do you enjoy video streaming?		
Love it / Like it	46%	27%
OK	46%	63%
Dislike/Hate it	8%	10%

\* **How to read:** Fifty percent (50%) of people who live in homes with broadband Internet access have ever listened to a radio station online. Among those with dial-up access, only 34% have ever listened to a radio station online.

## Broadband Versus Dial-Up Household Comparison (continued)

	Homes with Broadband Access (10% of U.S. Population)	Homes with Dial-Up Access (44% of U.S. Population)
How often do you watch online?		
Nearly every day	4%	3%
At least once a week	25%	11%
Once a month	34%	17%
Every few months	23%	24%
Almost never	14%	45%
Have you ever watched online. . .		
Movie trailers / previews	71%	58%
Music videos	59%	57%
Short/full-length movies	42%	28%
Video newscasts	40%	29%
Video from TV stations	39%	28%
Video weather	35%	35%
Video sports highlights	34%	30%
Video from TV stations around the U.S.	31%	22%
Video business reports	31%	15%
Live sporting events	22%	15%
Video from TV stations in your local area	19%	11%
Video from TV stations outside the U.S.	16%	5%
Video traffic	14%	9%
Video talk shows	9%	7%
Between TV and the Internet, which would you be more willing to eliminate from your life?		
Television	55%	38%
Internet	41%	58%
Annual household income		
Less than \$25K	3%	10%
\$25K-\$50K	21%	23%
\$50K-\$75K	26%	25%
\$75K-\$100K	17%	11%
Greater than \$100K	19%	12%

## Appendix B

---

### The Current State of Streaming

*July 2001*

---

#### **Streamies - Those who have ever listened or watched online**

78 million Americans

34% of U.S. population 12+

52% of those online

---

#### **Monthly Streamies - Those who have listened or watched online in the last month**

37 million Americans

16% of U.S. population 12+

25% of those online

---

#### **Weekly Streamies - Those who have listened or watched online in the last week**

19 million Americans

8% of U.S. population 12+

12% of those online

---

## 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. The company debuted the world's first webcast ratings in October 1999, and it now provides monthly ratings for more than 2,300 channels. In the summer of 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. The company also has a strategic alliance with Lariat Software that combines Lariat's market-leading data collection and reporting solutions with Arbitron's expertise in the compiling and marketing of credible third-party ratings.

Arbitron also conducts regular industry studies to help webcasters, advertisers and agencies understand the Internet and streaming media. In addition to its semiannual Internet studies with Edison Media Research, Arbitron also conducts free yearly studies with Coleman ([www.colemaninsights.com](http://www.colemaninsights.com)), headquartered in Research Triangle Park, NC, about the media habits of people who have access to broadband in America. Arbitron also publishes periodic studies such as its landmark findings on how key webcasting decision-makers perceive their industry ("Webcasters Speak Out"). All of Arbitron's industry studies can be found on the company's Web site at [www.arbitron.com](http://www.arbitron.com) and can be downloaded free of charge.

## About Edison Media Research

Edison Media Research conducts survey research and provides strategic information to radio stations, television stations, newspapers, cable networks, record labels, Internet companies and other media organizations. Edison Media Research is the fastest growing market research company in America over the past five years, according to *Advertising Age*. Edison Media Research works with many of the largest radio ownership groups and also conducts strategic and perceptual research for a broad array of companies, including AOL, Yahoo!, CBS, CNN, Entertainment Weekly, The Golf Channel, Court TV, Island Records, Maverick Records, The Cleveland Cavaliers, The Orlando Magic, Princeton University, Sony Music, The Blackstone Group and Time-Life Music. Edison Media Research also conducts research for successful radio stations in South America, Canada and Europe. All of Edison Media Research's industry studies can be found on the company's Web site at [www.edisonresearch.com](http://www.edisonresearch.com) and can be downloaded free of charge.