

Arbitron/Edison Media Research

Internet and Multimedia 2005:

The On-Demand Media Consumer



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Overview

Welcome to the latest Arbitron/Edison Media Research Study of consumer use of Internet broadcasting, the Internet and digital media. Arbitron and Edison Media Research have conducted 13 national studies since 1998, and this research series has become one of the most widely used sources of information of Internet broadcasting, Internet usage and consumer media trends. This study contains brand-new data from interviews conducted in January 2005.

The focus of this year's study is to examine American consumers who are increasingly using different forms of audio and video on their own terms; a phenomenon we call "On-Demand Media Consumers." Advances in technology are giving consumers unprecedented control over the programming they consume and when they consume it. New devices allow consumers to order programming on-demand through their cable or satellite provider, record an entire season of a TV show at the touch of a button, carry a complete music collection in the palm of their hand, rent movies over the Internet and visit a Web site from the car.

We are following these trends closely because they will have a fundamental impact on how advertisers successfully market their products and services. Many of the on-demand media behaviors and devices we examine allow consumers to change or even limit the commercial messaging they normally receive through television, radio and the Internet.

We also take a fresh look at newer forms of media such as Internet radio, Internet video and satellite radio. As of January 2005, the Internet radio audience has grown to an estimated 37 million Americans each month, and the Internet video audience stands at roughly 35 million each month. Over the past three years, awareness of XM Satellite Radio has grown from 17% to 50% while awareness of Sirius Satellite Radio has increased from 8% to 54%. Since our last study, Sirius has announced that they will be adding popular radio talk show host Howard Stern to their lineup beginning in 2006. Twenty-two percent of Stern's current national listeners say they are either "very" or "somewhat" likely to subscribe to Sirius to continue listening to his show. There has been a wave of publicity surrounding new audio sources such as satellite and iPods, which has led some to conclude that traditional over-the-air radio is losing a significant portion of its audience to these new choices. This study reveals that on-demand audio consumers listen to only slightly less radio per day than average.

This report outlines key findings detailed in a point-by-point manner and also includes a summary, conclusions and recommendations to enhance the reader's understanding of the changing media habits of American consumers.

How the Study Was Conducted

A total of 1,855 people were interviewed to investigate Americans' use of various forms of traditional, online and satellite media. From January 13 to February 2, 2005, telephone interviews were conducted with respondents age 12 and older. Most of the interviews were conducted from a random national sample of Arbitron's Fall 2004 survey diarykeepers. In certain geographic areas (representing 11% of the national population), a sample of Arbitron diarykeepers was not available for the survey, and a supplemental sample was interviewed through random digit dialing.

Definition of Terms

Internet/Online Radio: Over-the-air radio station programming rebroadcast on the Internet or audio programming available exclusively on the Internet.

Internet/Online Video: Video content streamed over the Internet.

The On-Demand Media Consumer Scale

We have constructed a scale to represent the level of control that consumers exercise on their own media usage. This scale assigned values to each respondent based upon their ownership of the on-demand devices and their media behaviors.

The goal of this scale is to determine the demographic groups that are most invested in the new on-demand lifestyle and to provide insight into developing marketing plans that accommodate their shifting media habits.

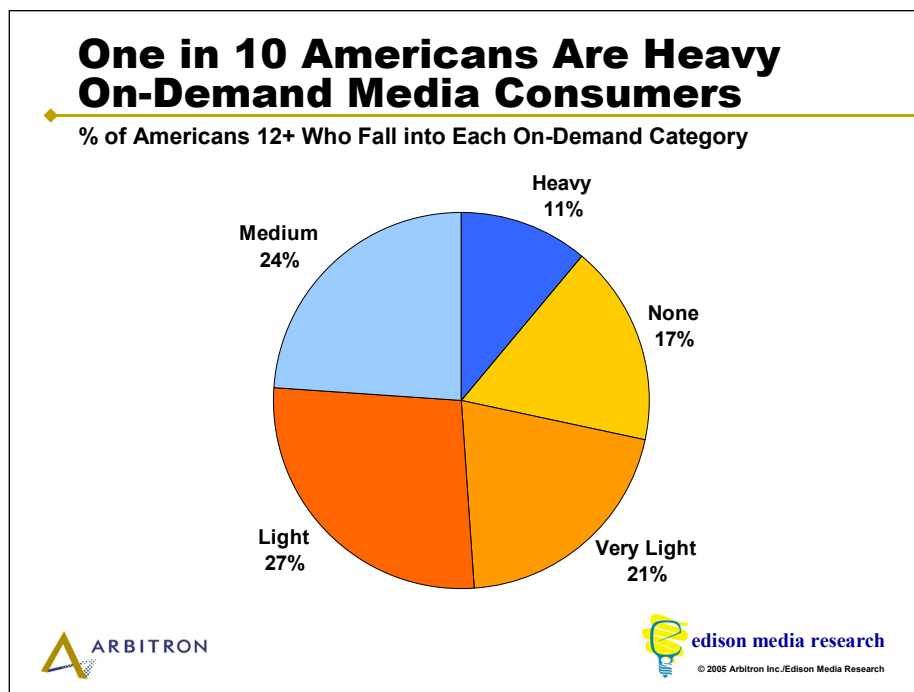
Based upon this scale we have categorized consumers into five groups: Heavy, Medium, Light, Very Light, and None. The Heavy category represents consumers who own multiple on-demand devices (TiVo[®]/DVR, iPod[®], portable DVD player, etc.). The Medium category represents consumers who demonstrate some on-demand media behavior but do not necessarily own one or more of the on-demand devices. The Light and Very Light categories represent consumers who show only a few on-demand media behaviors. The last category represents those who exhibit no on-demand media behavior.

The table below contains the 14 items that were used to assign respondents to categories of on-demand media usage.

On-Demand Media Devices, Behaviors and Attitudes

- Have watched Video on Demand in the past month.
- Own a digital video recording device such as TiVo.
- Own a portable DVD player.
- Own a portable MP3 player such as an iPod.
- First to try new products or services.
- Own 20 or more DVDs.
- Subscribe to an online DVD rental service.
- Prefer to record TV to watch at a later time.
- Listened to Internet radio in the past month.
- Watched Internet video in the past month.
- Try new products or services before most.
- Own a hand-held wireless Internet device such as a BlackBerry®.
- Spend seven hours or more on the Internet per week.
- Have made a purchase online.

Heavy and Medium on-demand media consumers account for slightly more than one-third of Americans. Heavy on-demand media consumers own one or more on-demand media devices and also exhibit behaviors that show a heavy tendency toward an on-demand media lifestyle; more than 10% of Americans fall into this category. In addition, one-fourth are Medium on-demand media users, and approximately one in six (17%) exhibit no on-demand media traits.



Significant Highlights

- **Eight in 10 Americans have access to the Internet from any location.** As of January 2005, 81% of consumers have access to the Internet from any location. This is a remarkable rise from the 50% penetration figure from just six years ago (January 1999).
- **The number of people with a broadband Internet connection at home equals the number of people with a dial-up connection at home.** In January 2001, only 12% of Americans with Internet access at home used a broadband connection. That figure has since quadrupled. Now, in January 2005, 48% of people with home Internet access have broadband, and 48% have dial-up service.
- **Twenty-nine percent of those who record TV to watch at a different time say the ability to skip through TV ads is the primary reason they record TV programming.** Nineteen percent say both the ability to skip commercials and the ability to time-shift viewing are equally important. However, the majority say that fitting their TV viewing into their schedule is most important.
- **Twenty-seven percent of 12- to 17-year-olds own an iPod or other portable MP3 player.** Ownership of portable digital music devices appears to be fueled by the young. Twenty-seven percent of 12- to 17-year-olds, 18% of 18- to 24-year-olds and 20% of 25- to 34-year-olds own an iPod or other portable MP3 player, compared with 9% of those 35 and older.
- **Twenty-two percent of Howard Stern's listeners say they are "very" or "somewhat" likely to follow him to satellite radio.** Sixteen percent of Americans say they currently listen to radio personality Howard Stern. In 2004, Stern announced that when his over-the-air radio contract expires he will be taking his show to Sirius Satellite Radio.
- **The monthly Internet radio audience represents an estimated 37 million Americans, and the estimated weekly audience is nearly 20 million Americans.** As of January 2005, 15% of Americans say they have listened to Internet radio in the last month, and 8% have listened to Internet radio in the past week.
- **Fourteen percent of Americans have watched Internet video in the last month, and 8% have watched in the last week.** The monthly Internet video audience is estimated to be approximately 35 million people; the weekly Internet video audience is nearly 20 million.
- **Eighty-one percent of owners say they "like" or "love" using their TiVo/DVR, while 78% of owners say they "like" or "love" using their iPod.** In addition, more than half of TiVo/DVR owners (55%) say that their digital recorder has had a "big impact" on their life. Nearly six in 10 (57%) broadband Internet users say that their Internet connection has had a "big impact on their life."
- **Those who use on-demand media audio devices/services spend slightly less time listening to traditional radio compared to the average.** Those who own iPods/portable MP3 devices, subscribe to satellite radio or listen to Internet radio spend only 15 minutes less per day with over-the-air radio than the average listener.

Key Findings

A. The On-Demand Media Consumer

In past studies, we have measured consumer awareness and ownership of new digital devices such as TiVo, Video on Demand, and the iPod. An underlying feature of these devices and programming choices is the ability of the user to have more control over the media they consume and in some cases to alter or limit their commercial exposure. In this study we look at these devices and behaviors in greater detail.

1. Satellite TV and a variety of DVD devices top the list of on-demand media devices owned by American consumers.

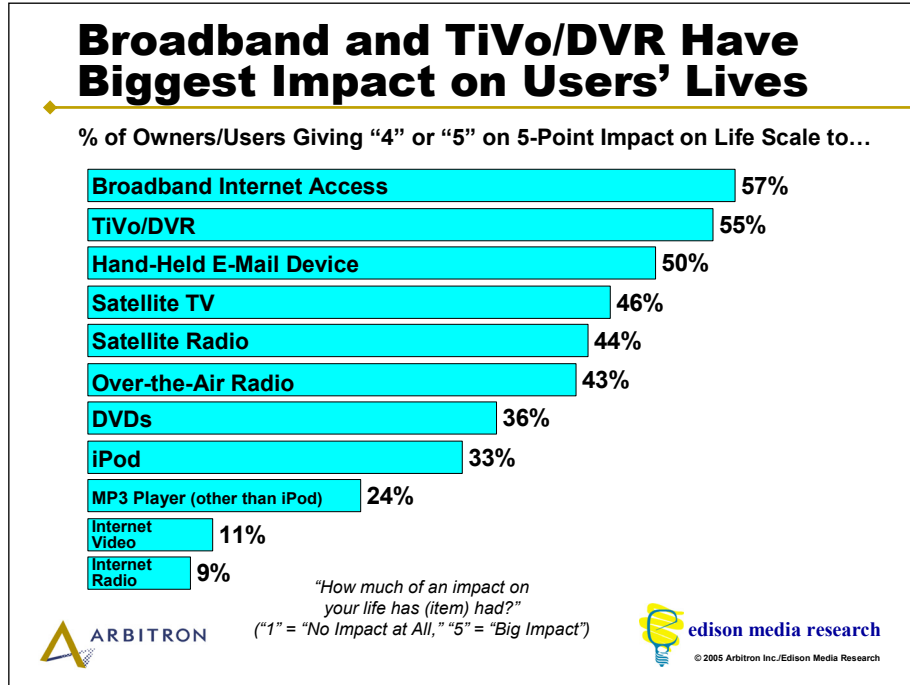
Percent of U.S. Population Who Own/Use On-Demand Devices/Media	
<i>Base: Total Population 12+</i>	
Satellite TV	25%
Computer DVD recorder	21%
Portable DVD player	19%
Stand-alone DVD recorder	16%
High-definition TV (HDTV)	10%
Video on Demand (watched last month)	10%
MP3 audio player (other than iPod)	8%
TiVo/DVR	6%
iPod	6%
Hand-held wireless e-mail device such as a BlackBerry®	3%

2. Newer on-demand media devices and media have high enthusiasm among their users.

TiVo/DVR has the highest enthusiasm among users, with a remarkable 54% saying they “love it” and an additional 27% saying they “like it.” More than one-third of HDTV, broadband Internet access, satellite radio and iPod users say they “love” using those devices/media.

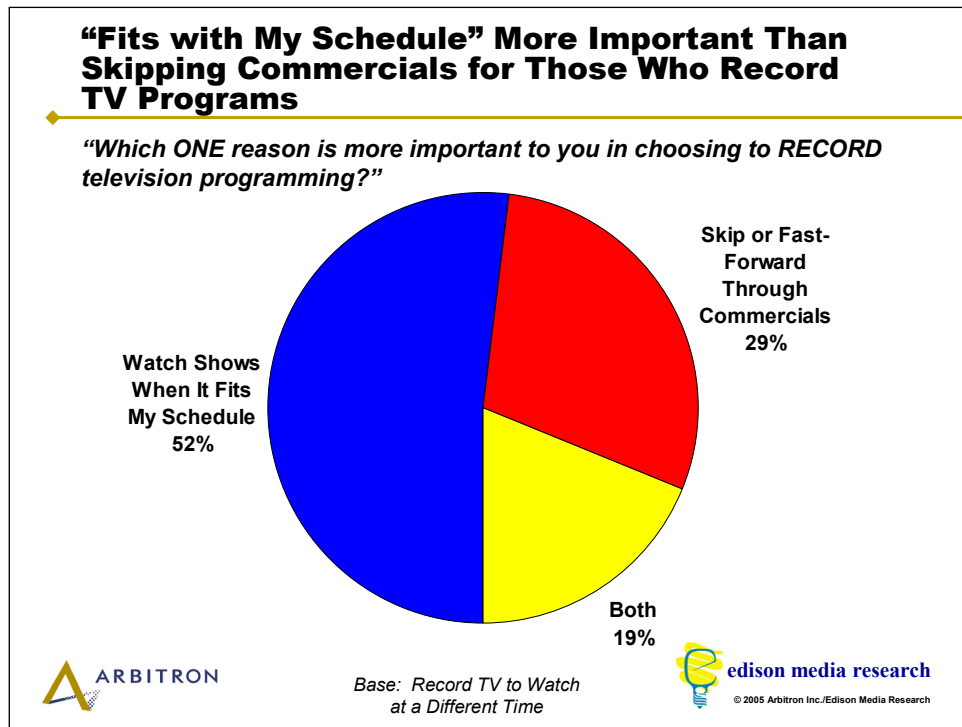
Percent of Owners Who Say They “Love” Using Device	
TiVo/DVR	54%
High-definition TV (HDTV)	44%
Broadband Internet access	40%
Satellite radio	40%
iPod	35%
Satellite TV	31%
Hand-held e-mail device such as BlackBerry	27%
Portable MP3 player other than iPod	24%
Cable TV	20%
Over-the-Air Radio	19%
Pay TV channels such as HBO or Showtime	17%
Video on Demand	10%
Internet radio	8%
Internet video	7%

3. **More than half of consumers who have broadband Internet access or own a DVR or hand-held wireless e-mail device say these items have had a major impact on their life.** Many users of on-demand media devices and services recognize that these products have had a significant impact on their lives.



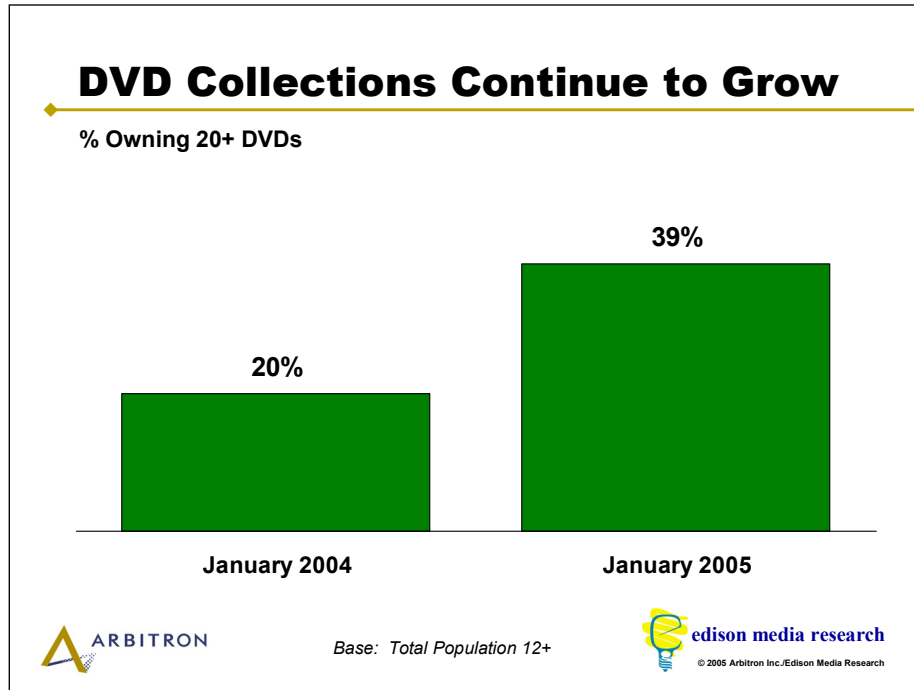
4. **Close to one in five consumers say they prefer to record TV shows instead of watching them at their regularly scheduled times.** Eighteen percent of Americans say they prefer to record TV programs to watch at a different time. Out of the consumers who do watch TV at its regularly scheduled time, 32% say they do **not record** because it is too difficult or time consuming, and 33% say they do not want to make decisions about what they are going to watch in advance.

5. **When asked to choose one main reason for recording TV programs, half say that being able to watch shows when it fits their schedule is more important than skipping through commercials.** Fifty-two percent say the one main reason they record programs is to watch shows on their schedule. Nearly one in three (29%) say the ability to skip TV ads is the main reason they record TV programs.



6. **Six percent of Americans currently own a digital video recorder (DVR) such as a TiVo.** Another 6% plan to purchase a DVR in the next 12 months. DVR devices embody the core feature of the on-demand media lifestyle by allowing consumers to search, record and play back TV programming with unprecedented ease.
7. **One in four Americans have ever watched Video on Demand TV programming.** Twenty-five percent of consumers have ever watched a movie, special event or TV program through a cable or satellite provider's Video on Demand service. One in 10 Americans have done so in the last month, and 5% have accessed Video on Demand in the past week. These services consist of Pay-Per-View movies and events or a subscription to entire on-demand channels.

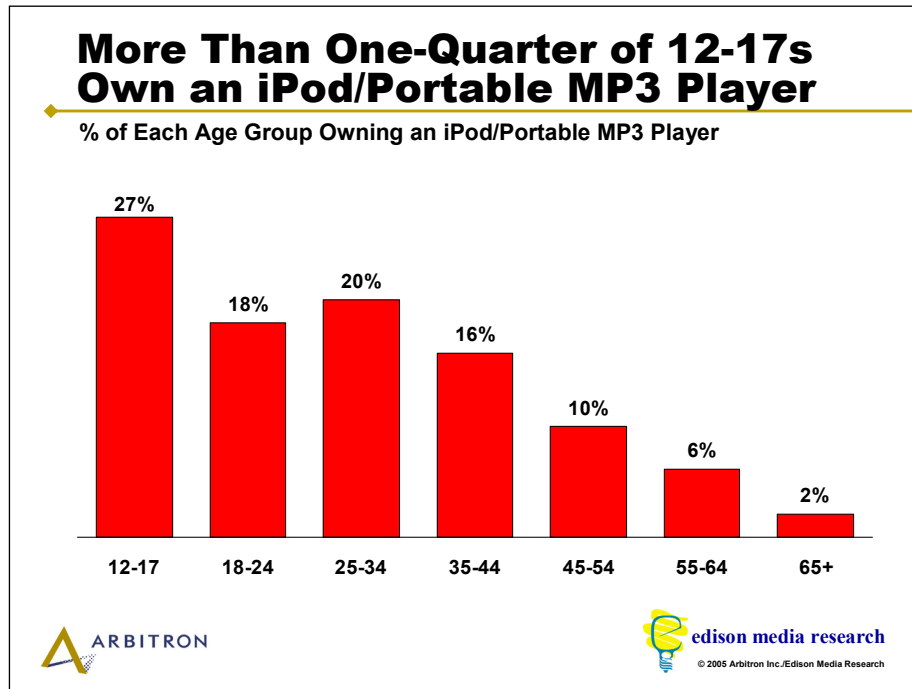
8. **Three-quarters of Americans own DVDs.** Seventy-six percent of consumers own at least one DVD, and 50% of Americans are spending more time watching DVDs now compared to a few years ago. Thirty-nine percent of consumers own 20 or more DVDs in their personal collection, and 28% have purchased 10 or more of those discs in the past 12 months.



9. **Twelve percent of Americans say they are spending less time watching television because they are watching DVDs or videos instead.** Thirty-six percent of Americans say they are watching less television compared to a few years ago, and 12% say they are watching less television because they are spending more time with DVDs.

10. Twenty-seven percent of 12- to 17-year-olds own an iPod or other portable MP3 player.

Ownership of portable digital music devices appears to be fueled by the young. Twenty-seven percent of 12- to 17-year-olds, 18% of 18- to 24-year-olds and 20% of 25- to 34-year-olds own an iPod or other portable MP3 player, compared with an average 9% of those 35 and older. One-third of iPod owners and one-quarter of owners of MP3 players other than the iPod say their player has had a “big impact” on their life.

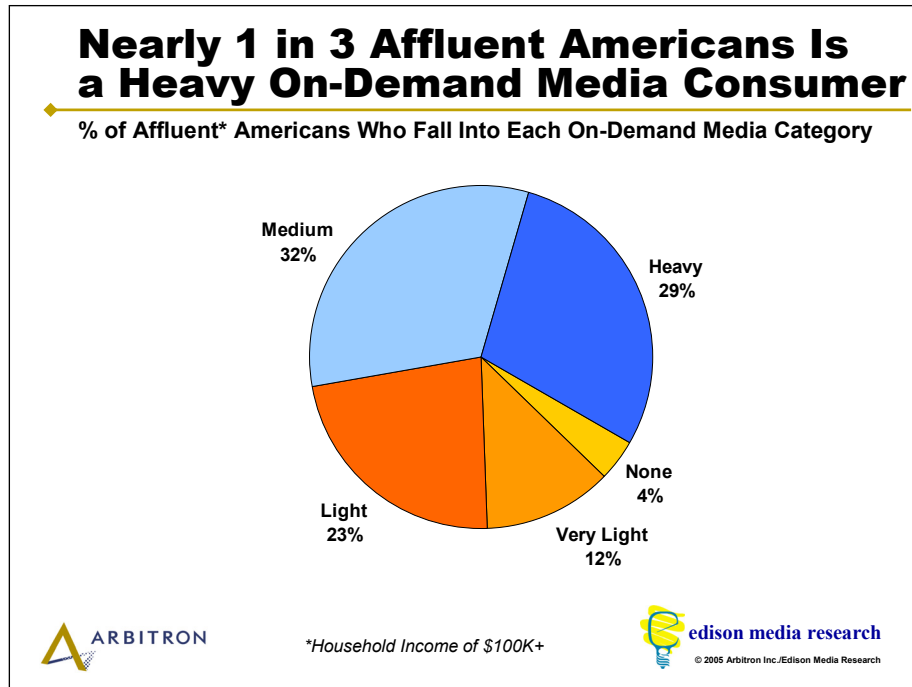


11. One in 10 affluent Americans carry a wireless e-mail device. Ten percent of Americans with a household income of \$100,000 or more own a hand-held wireless e-mail device such as BlackBerry, compared to 3% of Americans 12+.

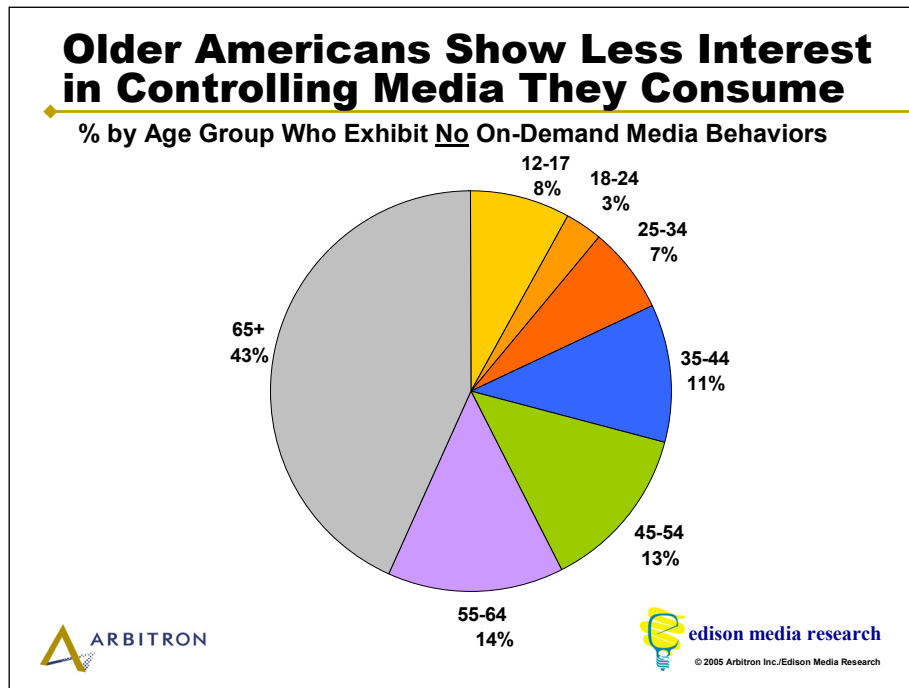
12. On-demand media consumers are “early adopters.” Overall, 11% of consumers say they are the first among their family and friends to try new products or services, those we call “early adopters.” Twenty percent of DVR owners, 19% of portable MP3 player owners and 21% of owners of hand-held e-mail devices such as BlackBerry classify themselves as early adopters.

13. One in 10 Americans subscribe to an online DVD rental service. Companies such as Netflix, Blockbuster Online and Wal-Mart now allow consumers to browse and order their DVD rentals online, receive them through the mail and keep them for as long as desired. Americans are getting more comfortable doing business online, and 11% have already adopted this new rental method that combines the ease of an Internet search and the convenience of home delivery.

14. Nearly one-third of affluent Americans are Heavy on-demand consumers. Sixty-one percent of consumers with a household income of \$100,000 or more per year have bought devices and engage in behaviors that give them more control of their media exposure. Those living in households with \$100,000 or higher incomes are more able to afford on-demand media devices such as TiVo/DVRs and portable MP3 players.

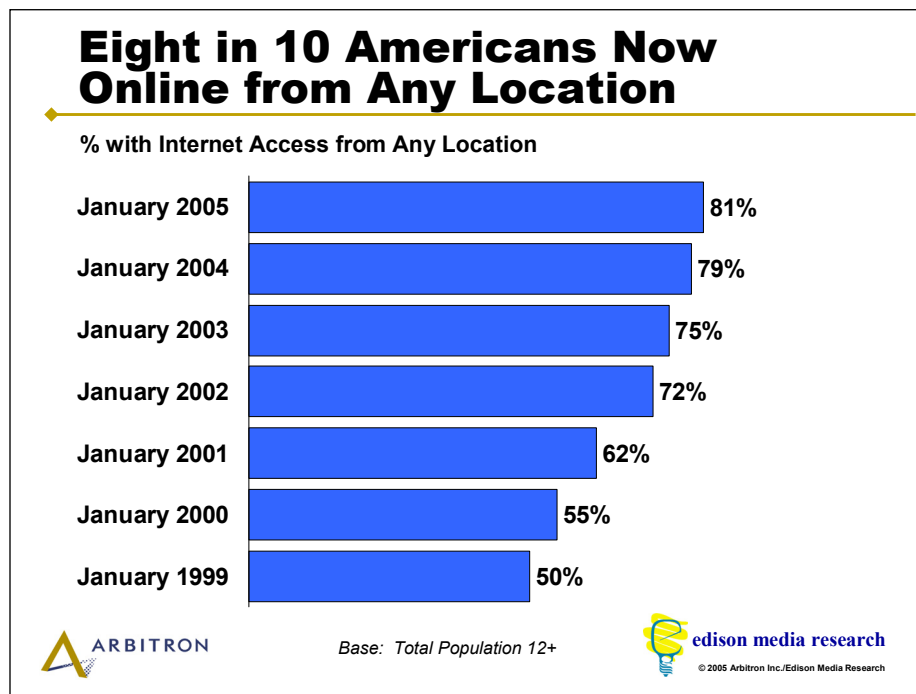


15. **Older Americans are least interested in controlling the media they consume.** Fifty-seven percent of the consumers who exhibit none of the traits used for our On-Demand Consumer Scale are age 55 and over.

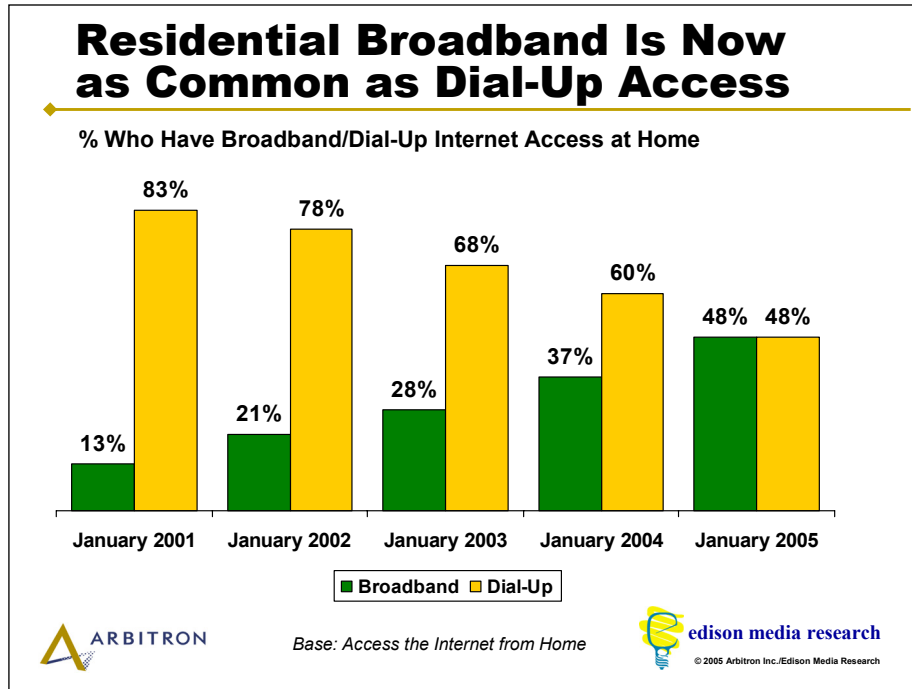


B. Internet Usage Trends

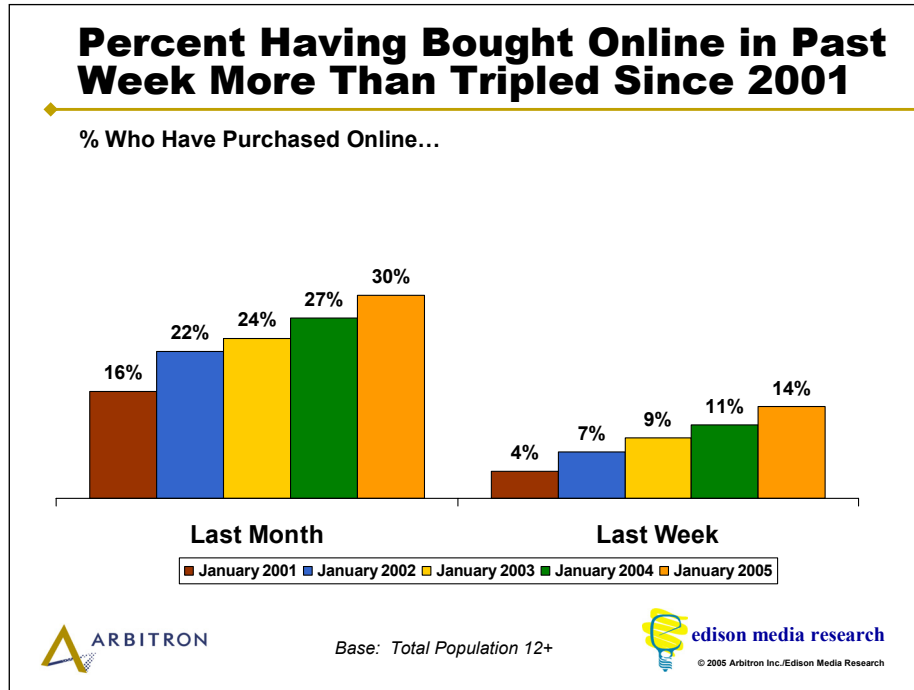
- 16. Eight in 10 Americans have Internet access from any location.** In January 1999, half of Americans had access to the Internet from any location. As of January 2005, nearly seven in 10 (69%) access the Internet from home, and one-third access the Internet at work. When locations such as school, college or public library are included, the proportion of Americans with Internet access rises to 81%.
- 17. Two-thirds of Americans say they have used the Internet in the past week.** In January 2005, nearly three-quarters (72%) of Americans have used the Internet in the last month, and about two-thirds (65%) have used the Internet in the last week.



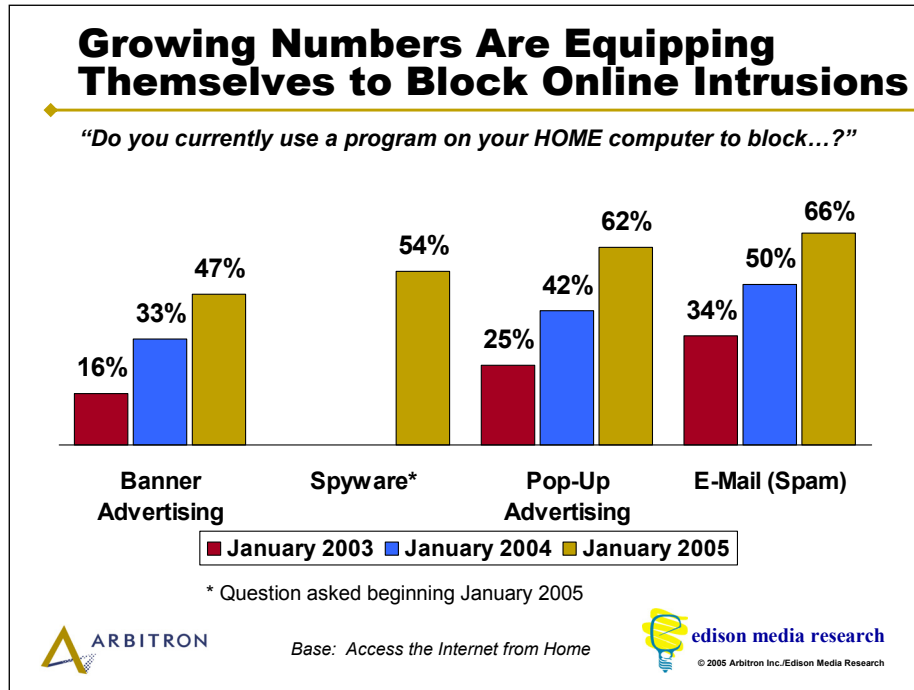
18. Residential broadband Internet access is now just as common as dial-up access. In January 2001, 13% of Americans with Internet access at home used a broadband connection. In January 2005, 48% of people who live in homes with Internet access have broadband access, and 48% have dial-up access. Among those with broadband Internet access at home, 53% use cable modem service and 44% use DSL.



19. The number of Americans who made a purchase from a Web site in the past week has more than tripled since 2001. In 2001, 4% of Americans purchased online in the past week, compared with 14% in January 2005. Nearly one-third of Americans have purchased from a Web site in the past month in January 2005 versus 16% in 2001.



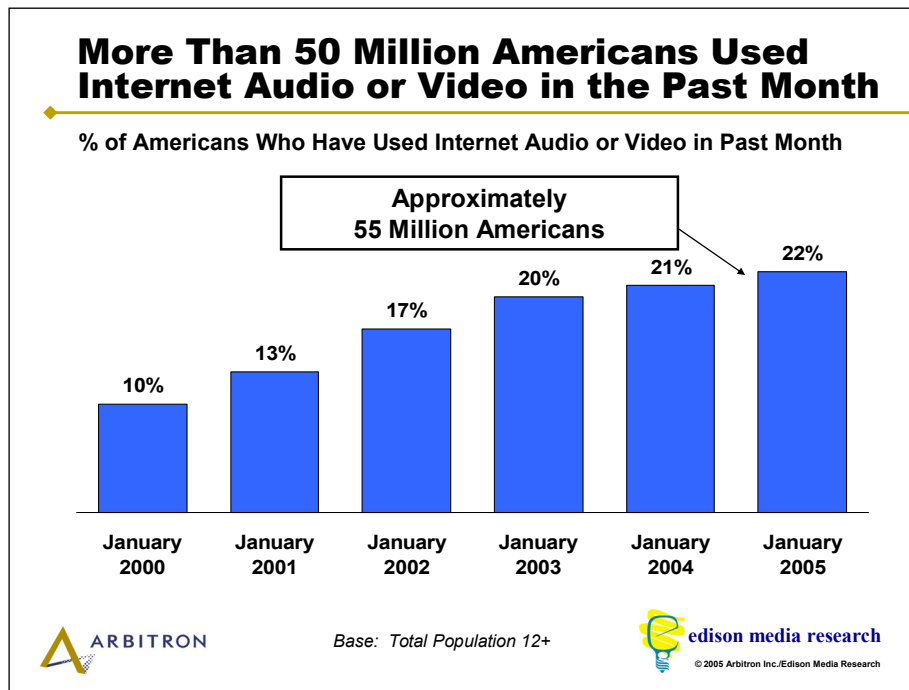
20. Growing numbers of consumers are using software to protect against pop-ups, spam, spyware and banner ads. Two-thirds of those who access the Internet at home use software to block spam, more than six in 10 (62%) use pop-up blocking software, more than half (54%) use software to block spyware, and 47% use software to block banner ads.



C. Internet Broadcast Audience Trends

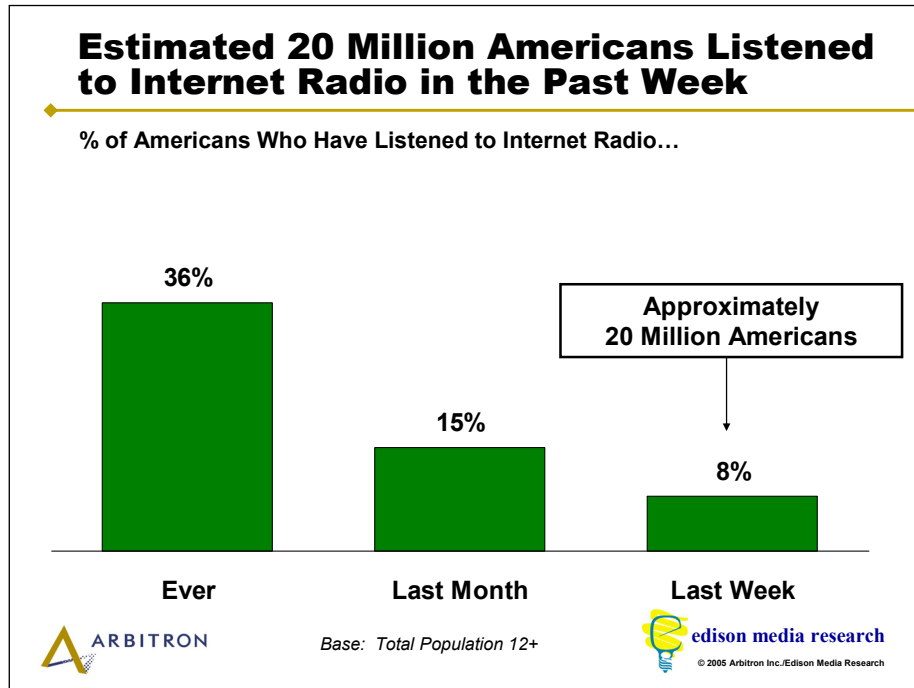
Internet Radio and Video

21. The monthly Internet radio and Internet video audience represents an estimated 55 million consumers. In January 2000, 10% of Americans had watched Internet video or listened to Internet radio/audio in the last month. As of January 2005, 22% of Americans watched or listened to Internet broadcasting in the past month, and 13% have done so in the past week.



Internet Radio

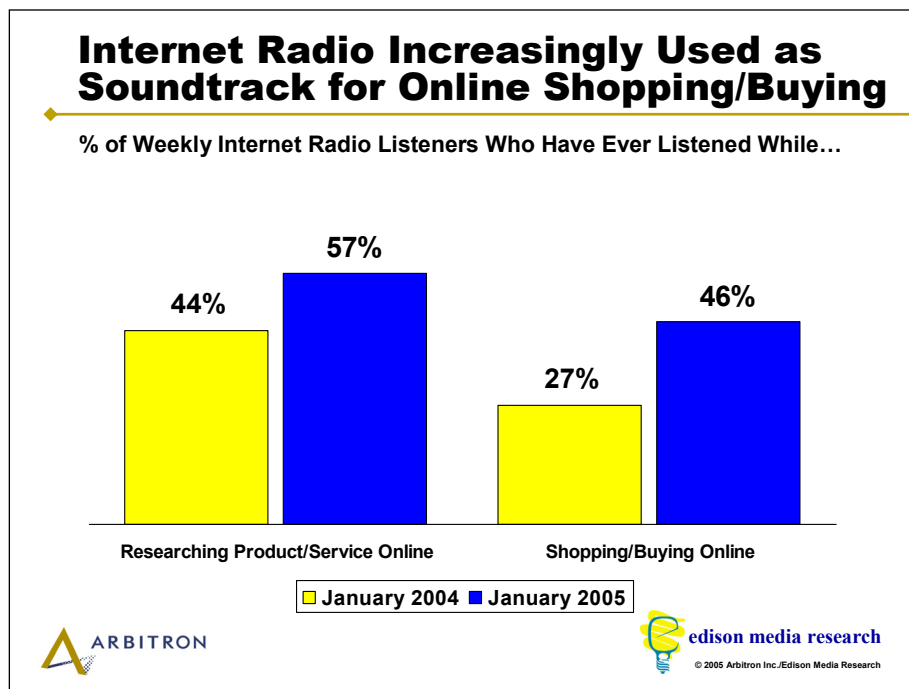
22. Approximately 37 million Americans tuned to Internet radio in the past month and an estimated 20 million in the past week. In January 2000, only 5% of the population during the past month had listened to Internet broadcasts of over-the-air radio stations or stations available only on the Internet. As of January 2005, 15% of Americans now say they have listened to Internet radio in the last month. Eight percent say they have listened to Internet radio in the last week. More than one-third (36%) of Americans say they have ever used the Internet to listen to audio programming, up from only 19% in January 2000.



23. The ability to “listen to content not found elsewhere,” “to control/choose music played” and “more music variety” are the top reasons consumers listen to Internet radio. Fewer people say that “less DJ chatter” and “clearer signal/sound” are the main reasons they listen to Internet radio.

Main Reasons People Listen to Internet radio	
<i>Base: People Who Have Ever Listened to Internet Radio (36% of U.S. Population)</i>	
To listen to audio can't get elsewhere	17%
To control/choose the music played	15%
Fewer commercials	14%
More music variety	13%
Clearer signal than over-the-air radio	8%
Less DJ chatter	8%
Because it is new	7%

24. Internet radio is increasingly used as a soundtrack for the online shopping and buying experience. Fifty-seven percent of weekly Internet radio users say they have listened while researching a product or service online, while nearly half (46%) have listened while shopping and purchasing online. The “Recency” theory of media planning espoused by noted media researcher Erwin Ephron (www.ephronmedia.com) recognizes the importance of advertising that “gets the last word” before a consumer decides to make a purchase. Internet radio offers advertisers “the last word before the sale” for those who research products and make purchases online.

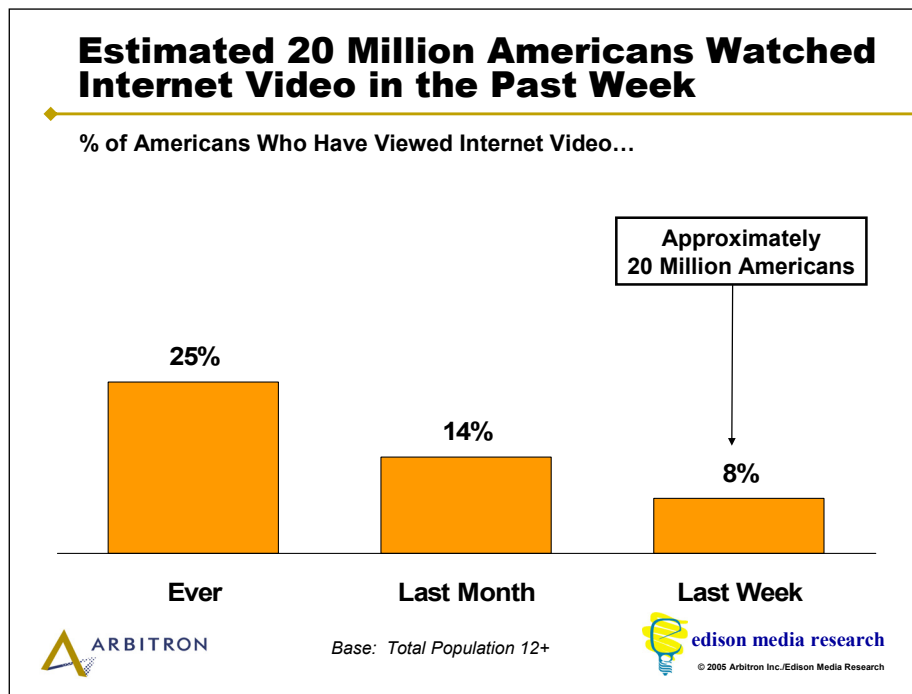


25. Internet listening appears to be concentrated among well-known Internet radio brands.

According to the comScore Arbitron Online Ratings Service for the January 2005 survey period, the Internet radio properties of America Online's AOL® Radio Network; Yahoo!® Music; Microsoft's MSN Radio and WindowsMedia.com and Live365 reached an average of 4,892,300 listeners age 12 or older per week during the hours of 6AM–12Midnight Monday through Sunday. Therefore, the listeners to these five major Internet radio brands represent roughly one out of four of the 20 million weekly Internet radio listeners.

Internet Video

26. One in four Americans say they have ever viewed video over the Internet. Fourteen percent of Americans have watched Internet video in the last month, and 8% have watched in the last week. That results in an estimated monthly and weekly Internet video audience of approximately 35 million and nearly 20 million, respectively.



27. From January 2000 to January 2005, the percentage of Americans who have viewed Internet video in the last month has doubled from 7% to 14%. Over the same period, the proportion of Americans who have watched Internet video in the last week increased from 2% to 8%.

28. Short-form programming still dominates Internet video content; news clips, movie trailers and music videos are the most popular types of Internet video content. Eleven percent of online Americans have watched a news clip online in the past month, 9% have viewed movie trailers or previews, and 8% have seen a music video.

Type of Internet Video Programming Viewed in Past Month

*Base: Currently Access the Internet
(81% of U.S. Population)*

News clips	11%
Movie trailers or previews	9%
Music videos	8%
Highlights of sporting events	5%
Short or full-length movies	3%
Live sporting events	1%

D. The Profile of the Internet Broadcast Audience

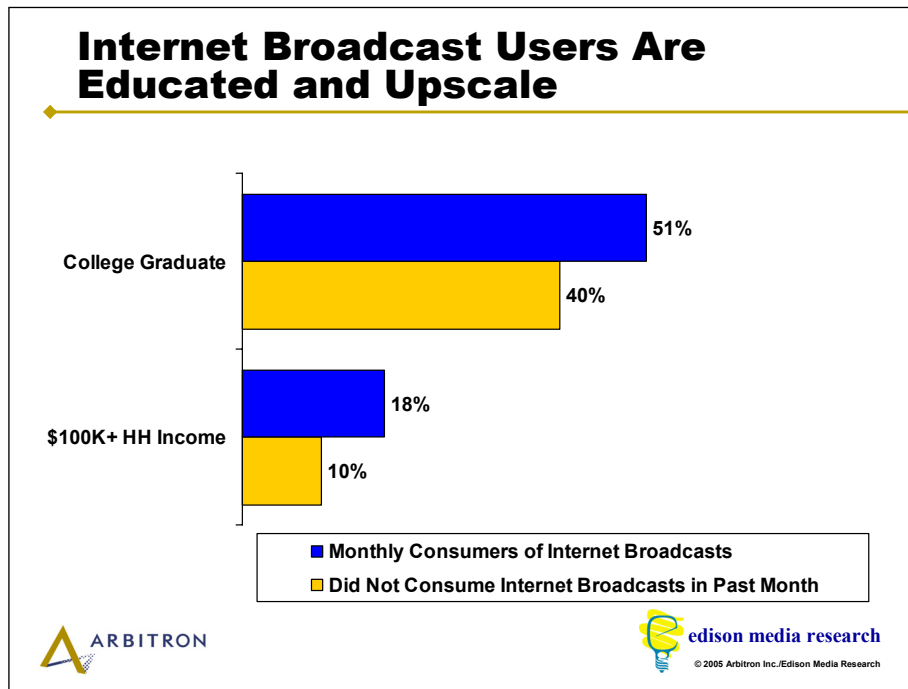
Below we will contrast the profile of the 28% of online Americans who consume Internet audio and video on a monthly basis with Internet users who do not. The differences are striking.

29. Monthly Internet broadcast consumers are more likely to be 25 to 54 years of age compared with those who do not stream. The chart below depicts the audience composition of Americans who regularly consume Internet audio and video and those Internet users who do not use Internet broadcasts. The Internet broadcast segment delivers a much higher concentration of persons ages 12-24 and 25-54.

	Monthly Internet Broadcast Consumers <i>(22% of U.S. Population)</i>	Internet Audience Who Do Not Regularly Listen or Watch Internet Broadcasts <i>(59% of U.S. Population)</i>
12-24	28%	19%
25-54	62%	50%
55+	11%	31%

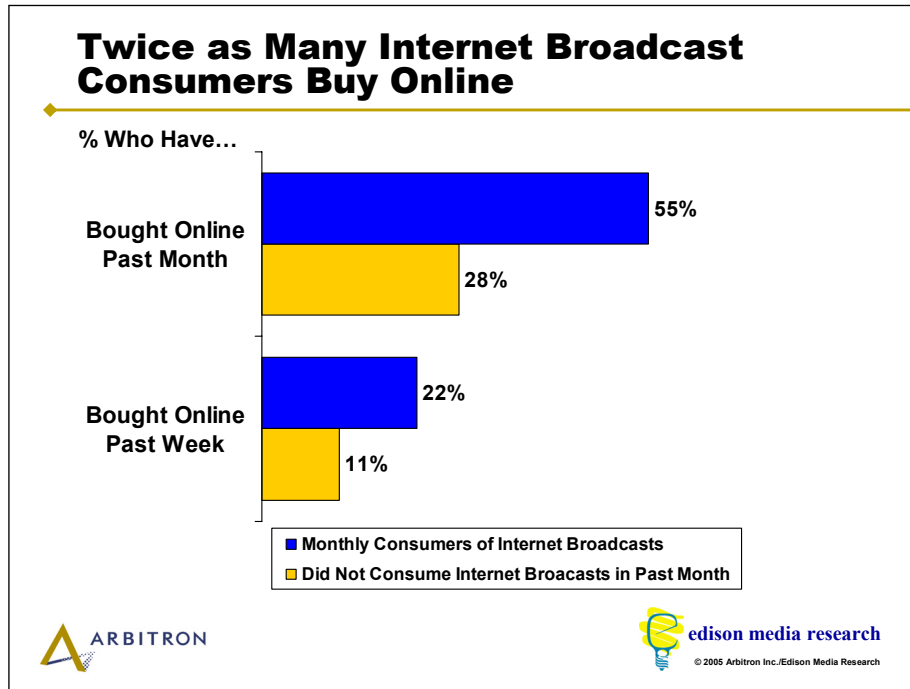
30. Monthly Internet broadcast users are more likely to be male (55%), while those who are not are more likely to be female. Fifty-five percent of monthly Internet broadcast users are male and 45% are female. The profile of those who do not consume monthly Internet broadcasts is reversed, with 55% being female and 45% being male.

- 31. Monthly Internet broadcast consumers are more educated and upscale compared to the rest of the Internet population.** Fifty-one percent of monthly Internet broadcast consumers have at least a college degree versus 40% for those who do not regularly consume streaming media. Eighteen percent of Internet broadcast consumers have a household income of \$100,000 or more per year versus 10% for the remaining Internet audience.



- 32. The Internet broadcast audience is more likely to have broadband Internet access at home and at work.** Among Internet broadcast consumers, 65% have broadband at home, compared to only 38% of Internet users who do not access Internet broadcasting. Eight in 10 Internet broadcast consumers have broadband at work, compared to 58% of the rest of those online.
- 33. The Internet broadcast audience is far more likely to have multiple computers in their house.** Nearly half of Internet broadcast consumers have two or more PCs in the house, compared to only one-third (32%) of Internet users who do not listen to or watch Internet broadcasts.
- 34. More Internet broadcast consumers are multitasking with television and the Internet.** Sixty-two percent of monthly users of Internet broadcasting say they have a TV and Internet access in the same room of their house, up from 55% in 2004. The number of Internet broadcast consumers who say they “frequently” use the Internet and watch TV at the same time in the same room has almost doubled in the past year, from 23% to 44%. Comparatively, 50% of Internet users who do not tune to Internet broadcasting have a TV and Internet in the same room, and 37% say they “frequently” use both at the same time.

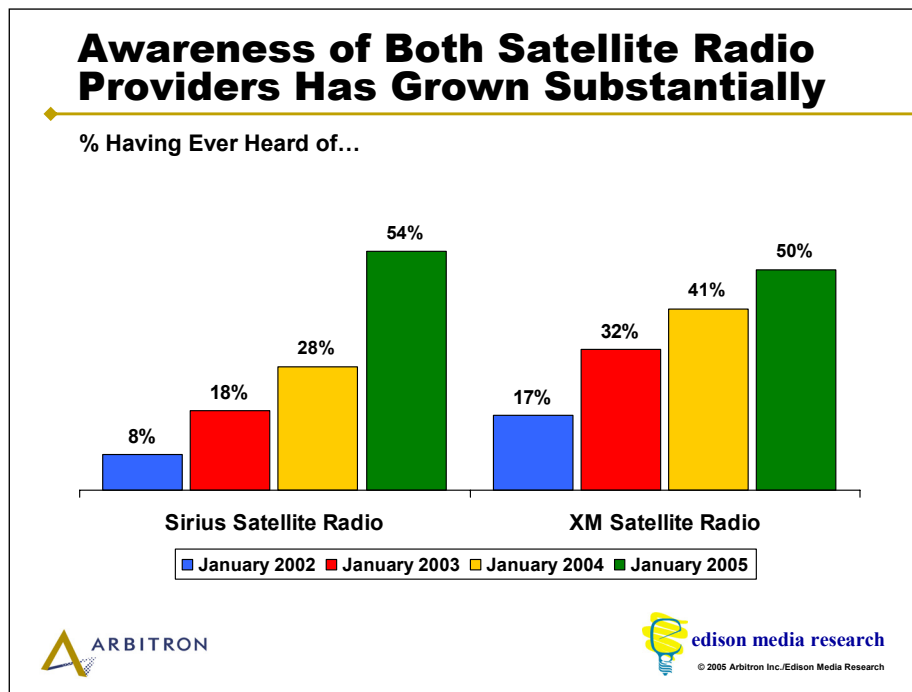
35. Monthly Internet broadcast consumers are nearly twice as likely to have purchased online in the past month compared with those who have not used Internet broadcasts in the past month (55% vs. 28%). In addition, twice as many monthly Internet broadcast consumers have made a purchase online in the past week (22%), compared to those who do not regularly consume Internet broadcasts (11%).



36. The Internet broadcast audience is more likely to use software to block banner ads, spam and pop-up advertising. Almost eight in 10 monthly Internet broadcast consumers say they use pop-up blocking software on their home (77%) or work computers (78%), compared to 55% and 60% of non-Internet broadcast users, respectively. More than two-thirds of the people who tune to Internet broadcasts (69%) use programs to block spam, and 56% block Internet banner ads. Traditional broadcast commercials inserted directly into Internet programming are not affected by these technologies and may prove to be an effective way to reach this audience.

E. Satellite Radio

- 37. Awareness of both satellite radio providers, XM and Sirius, has grown substantially.** The last year has seen a flurry of high-profile programming changes, and publicity for satellite radio and awareness of both providers has jumped accordingly. Awareness of XM Satellite Radio has grown from 17% in January 2002 to 50% in January 2005, while awareness of Sirius Satellite Radio has increased from 8% to 54%.



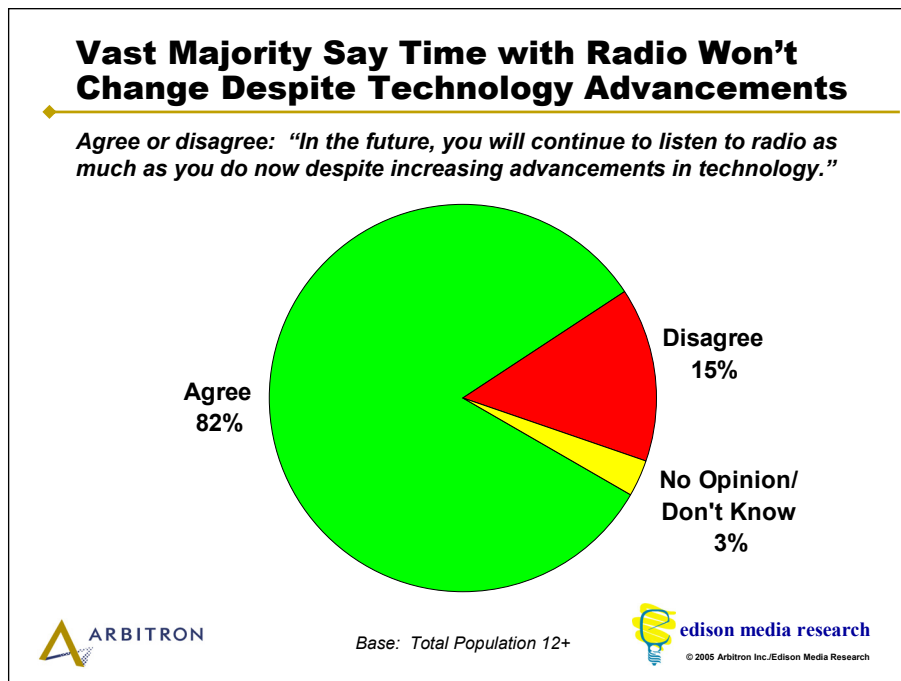
- 38. One out of five Americans say they are “very” or “somewhat” likely to subscribe to one of the two satellite services in the next 12 months.** In addition, when read a description of satellite radio, 30% said they are “very” or “somewhat” interested in satellite radio.
- 39. Twenty-two percent of Howard Stern’s listeners say they are “very” or “somewhat” likely to follow him to satellite radio.** Sixteen percent of Americans say they currently listen to radio personality Howard Stern. In 2004, Stern announced that when his over-the-air radio contract expires he will be taking his show to Sirius Satellite Radio.

F. Views of Traditional Media

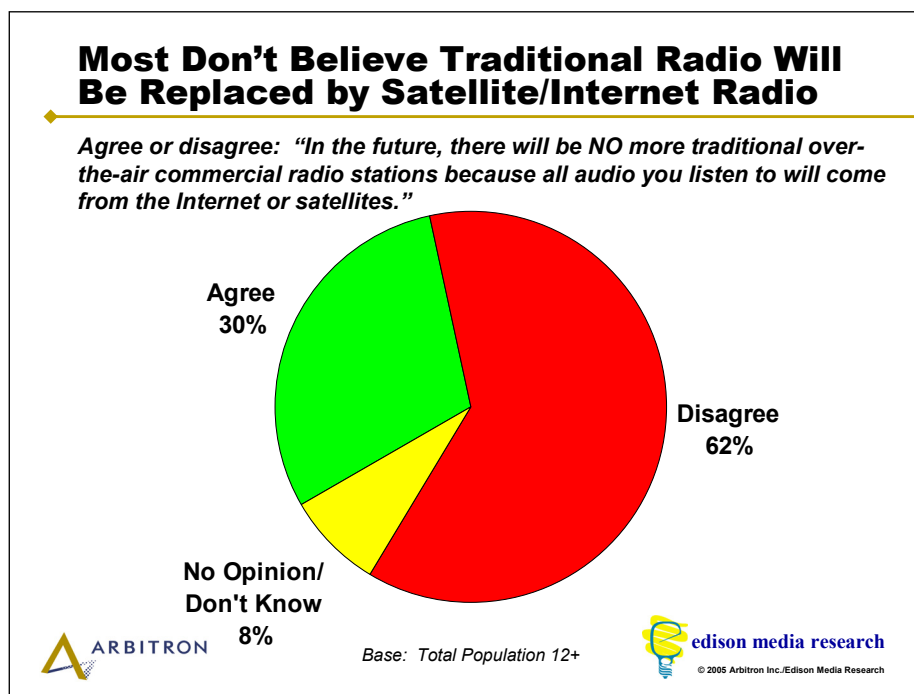
40. Cable and broadcast television network programming are the current media options most consumers say are frequently “too dirty or explicit.” Radio today is the medium most consumers say is almost never too dirty or explicit for their tastes.

Frequently Too Dirty and Explicit		Almost Never Too Dirty and Explicit	
Cable television programs	18%	Radio shows	43%
Network television programs	16%	Network television programs	30%
Internet Web sites	15%	Internet audio content	29%
Internet video content	13%	Internet Web sites	27%
Internet audio content	8%	Cable television programs	26%
Radio shows	8%	Internet video content	25%

41. More than eight in 10 Americans say they will listen to terrestrial radio in the future as much as they do now despite advancements in technology. Eighty-two percent say that they will continue to listen to terrestrial radio in the future as much as they do today despite technology advancements. Seven in 10 12- to 17-year-olds and 83% of 18- to 24-year-olds also agree that they will continue to listen to over-the-air radio as much as they do now despite technology progress.



- 42. A majority of consumers believe that TV, radio and Internet outlets should be able to air whatever programming they choose.** We asked consumers to respond to a series of agree/disagree statements about programming content, with the caveat that those who did not want to be subject to the programming could choose to change the channel/station or not visit the Web site. Three-quarters agreed that pay TV/premium cable channels (e.g., HBO, Showtime, Cinemax) “should be able to air whatever programming they please; if people do not want to watch, they can change the channel or choose not to subscribe”; followed by nonsubscription cable channels (e.g., MTV, E!, Comedy Central) at 63%, Internet Web sites at 58%, radio personalities at 53%, and broadcast TV networks (i.e., ABC, CBS, Fox, NBC) at 49%.
- 43. About two-thirds of Americans do not believe traditional radio will be replaced by satellite/Internet radio.** Most consumers believe that radio will persist regardless of the growing popularity of satellite and Internet radio.



- 44. Those who use on-demand audio devices/services spend slightly less time listening to traditional radio compared to the average.** The average consumer spends approximately 2 hours 48 minutes per day listening to traditional radio, compared with 2 hours 33 minutes per day among those who own iPods/portable MP3 devices, subscribe to satellite radio or listen to Internet radio during the past week.

Summary of Findings

- 1. Americans are changing the way they access video programming.** Video programming is no longer the exclusive domain of broadcast television, and network schedules no longer completely dictate what content is watched and when. Significant numbers of consumers are:
 - Watching movies on-demand through their cable box or rent them online.
 - Watching movies and TV programs on DVD as an alternative to syndication.
 - Accessing news and sports clips online.
 - Recording and time-shifting regular TV programming.
- 2. Americans are changing the way they access music. Music choices have expanded past the terrestrial radio dial to include:**
 - Internet radio with thousands of stations to choose from.
 - Satellite radio with a clear national signal featuring major personalities and attractions.
 - Portable MP3 players that can hold entire music libraries and customized playlists.
- 3. The Internet is now mainstream. Four in five Americans have Internet access, with nearly half of online households having broadband access, and as a result:**
 - Consumers are researching and buying items online.
 - News, music and video are being accessed online.
 - Consumers are spending a significant amount of time online, even while they are doing other activities, such as watching TV.
- 4. On-demand media behaviors change and limit exposure to commercial messages. Many on-demand devices and activities affect the ads normally associated with these media, such as:**
 - DVRs allow users to skip through the commercial breaks in TV programs.
 - Video on Demand and DVDs allow consumers to watch movies and series without commercial interruption.
 - Portable MP3 players and satellite radio allow consumers to listen to a wide variety of music without commercial interruption.

Summary of Findings (continued)

5. Consumers show high enthusiasm and passion for on-demand media devices such as TiVo/DVR, iPod, broadband Internet access, high-definition TV and satellite radio.

- More Americans are adopting the new technologies of the on-demand media lifestyle.
- Consumers are enjoying the on-demand media experience and finding it to have a fundamental impact on the way they consume audio, video and other media content.

6. The young and affluent are leading the shift to on-demand media habits.

- Teens, young adults and persons with an annual household income of \$100,000 or more seem to gravitate toward on-demand media behaviors and attitudes.
- Older and lower-income Americans seem to be less interested in or less likely to afford these new innovative devices.

Recommendations

- 1. Advertisers need to plan for the shifts in on-demand media habits.** Young adults and affluent Americans are most engaged by on-demand media devices and behaviors. As teens and young adults mature and on-demand media devices become more prevalent, consumers' desire to control their media use is likely to spread. Marketers need to work now on strategies that will cut through in an increasingly on-demand media world.
- 2. Traditional media outlets need to incorporate the on-demand media lifestyle into their programming decisions.** Consumers want media to fit their schedule, and they are adopting new devices and media to meet that need. Traditional media should consider playing first-run programs more than once, provide consumers with content online in addition to over-the-air, and partner with on-demand media services.
- 3. Internet media need to continue to make listening and viewing experiences more compelling.** Internet media incorporate several elements that appeal to the on-demand media consumer, including programming not easily found on traditional media, fewer commercials and a wide variety of content. However, consumer passion for the programming itself is not as strong as the passion for newer on-demand media devices such as TiVo/DVR and iPod or traditional media options such as radio or cable. Therefore, Internet broadcasters need to continue to focus on providing unique programming that generates greater consumer passion for their medium.
- 4. On-demand media habits are developing, but it is important to keep these trends in perspective.** There has been a wave of publicity surrounding new audio sources such as satellite and iPods, which may lead some to believe that traditional over-the-air radio is losing a significant portion of its audience to these new choices. Currently, 20% of Americans subscribe to satellite radio, own an iPod/MP3 device or listened to Internet radio in the past week, compared with the 95% of Americans who listened to radio during the week. Plus, this study reveals that on-demand audio consumers listened to only slightly less radio per day (15 minutes) than average.
- 5. Advertisers for on-demand media devices should run Internet audio and video advertising to get the attention of potential buyers.** People who use on-demand media devices and services are heavy Internet users, making Internet media ideal to promote their products.
- 6. Internet advertising needs to expand beyond banners, search and pop-ups.** Internet users are becoming more sophisticated and are learning to block much of the current advertisements and spyware. Internet broadcast advertising with Internet radio and visual ads attached to video content cannot be skipped or avoided, and may prove to be a vital part of the Internet experience.

Appendix A

The Current State of Internet Broadcasting (Streaming) *January 2005*

Those who have ever listened or watched online

- 106 million Americans
- 43% of U.S. population 12+
- 54% of those online
- 54% have broadband Internet access at home

Those who have listened or watched online in the last month

- 55 million Americans
- 22% of U.S. population 12+
- 28% of those online
- 65% have broadband Internet access at home

Those who have listened or watched online in the last week

- 32 million Americans
 - 13% of U.S. population 12+
 - 17% of those online
 - 69% have broadband Internet access at home
-

Appendix B

Profile of the U.S. Population, Internet Users and the Internet Broadcasting Audience

	U.S. Population (247 Million Age 12+)	Internet Users (81% of U.S. Population)	Last-Month Internet radio (15% of U.S. Population)	Last-Month Internet Video (14% of U.S. Population)	Last-Month Radio/Video (22% of U.S. Population)
Demographics					
Men	46%*	47%	54%*	61%	55%
Women	54%	53%	46%	39%	45%
12–17	11%	12%	14%	14%	15%
18–24	10%	11%	14%	13%	13%
25–34	16%	18%	22%	24%	21%
35–44	19%	21%	21%	25%	25%
45–54	18%	20%	17%	16%	16%
55–64	12%	12%	8%	7%	9%
65+	14%	6%	4%	2%	2%
Employed part/full time	60%	65%	66%	67%	68%
Retired	16%	9%	7%	4%	5%
Student	13%	15%	19%	19%	18%
Homemaker	6%	5%	4%	4%	4%
Unemployed	3%	3%	4%	4%	3%
\$50K+ HH income	37%	47%	46%	54%	53%
White	72%	74%	71%	77%	74%
African-American	11%	10%	11%	10%	10%
Hispanic/Latino	11%	10%	10%	7%	8%
At-home Internet connection					
Broadband	-	48%	66%	72%	65%
Dial-up	-	48%	30%	23%	30%
Plan to switch to broadband in next 12 months	-	20%	34%	38%	33%

***How to read:** Forty-six percent (46%) of the U.S. population age 12 and older are male vs. 54% of those who have listened to Internet radio in the last month.

Appendix C

U.S. Population Composition for On-Demand Behaviors and Attitudes

	Prefer to Record TV Programs to Watch at Another Time <i>(18% of U.S. Population)</i>	Own a Digital Video Recorder (such as TiVo) <i>(6% of U.S. Population)</i>	Watched Video on Demand Through Cable/Satellite in the Past Month <i>(10% of U.S. Population)</i>	Own 20 or More DVDs <i>(39% of U.S. Population)</i>	Own a Portable DVD player <i>(19% of U.S. Population)</i>
Demographics					
Men	43%	56%	52%	50%	47%
Women	57%	44%	48%	50%	53%
12-17	10%	10%	14%	8%	13%
18-24	11%	10%	10%	15%	8%
25-34	20%	22%	22%	24%	18%
35-44	22%	26%	24%	25%	28%
45-54	20%	18%	16%	16%	17%
55-64	11%	7%	9%	6%	10%
65+	6%	8%	6%	5%	6%
\$75K+ HH income	27%	40%	31%	25%	30%
White	72%	82%	74%	69%	71%
African-American	11%	8%	11%	12%	11%
Hispanic or Latino	13%	4%	9%	12%	11%

Appendix C (continued)

	Own an iPod or Other Brand of MP3 Player <i>(14% of U.S. Population)</i>	Own a Hand- Held Wireless E-Mail & Internet Device <i>(3% of U.S. Population)</i>	First Among Family/Friends to Try New Products/ Services <i>(11% of U.S. Population)</i>	Try New Products/ Services Before Most Family/ Friends <i>(16% of U.S. Population)</i>
Demographics				
Men	52%	68%	47%	46%
Women	48%	32%	53%	54%
12-17	22%	6%	11%	14%
18-24	13%	14%	13%	12%
25-34	24%	25%	24%	16%
35-44	22%	25%	20%	20%
45-54	13%	23%	12%	17%
55-64	5%	7%	7%	11%
65+	2%	2%	14%	11%
\$75K+ HH Income	35%	53%	23%	28%
White	72%	77%	63%	73%
African- American	10%	11%	18%	11%
Hispanic or Latino	10%	3%	10%	11%

Appendix C (continued)

U.S. Population Composition for On-Demand Media Behaviors and Attitudes

	Spend 7+ Hours on Internet Per Week <i>(33% of U.S. Population)</i>	Listened to Internet Radio in the Past Month <i>(15% of U.S. Population)</i>	Watched Internet Video in the Past Month <i>(14% of U.S. Population)</i>	Have Ever Made a Purchase Over the Internet <i>(51% of U.S. Population)</i>	Subscribe to an Online DVD Rental Service (e.g., Netflix) <i>(11% of U.S. Population)</i>
Demographics					
Men	51%	54%	61%	47%	50%
Women	49%	46%	39%	53%	50%
12-17	7%	15%	18%	8%	13%
18-24	11%	11%	17%	9%	12%
25-34	21%	20%	21%	21%	24%
35-44	25%	25%	18%	23%	24%
45-54	20%	17%	12%	22%	18%
55-64	13%	10%	8%	12%	5%
65+	5%	2%	2%	6%	4%
\$75K+ HH income	31%	30%	33%	29%	28%
White	78%	75%	77%	79%	63%
African- American	8%	10%	10%	7%	12%
Hispanic or Latino	7%	7%	7%	7%	16%

Appendix D

U.S. Population Composition for the On-Demand Media Consumer Scale

	None <i>(17% of U.S. Population)</i>	Very Light <i>(21% of U.S. Population)</i>	Light <i>(27% of U.S. Population)</i>	Medium <i>(24% of U.S. Population)</i>	Heavy <i>(11% of U.S. Population)</i>
Demographics					
Men	42%	42%	45%	49%	53%
Women	58%	58%	55%	51%	47%
12-17	8%	11%	11%	11%	14%
18-24	3%	11%	14%	11%	8%
25-34	7%	10%	18%	20%	26%
35-44	11%	15%	17%	26%	31%
45-54	13%	23%	19%	17%	14%
55-64	14%	15%	12%	10%	5%
65+	43%	15%	10%	4%	2%
\$75K+ HH income	7%	13%	19%	24%	47%
White	76%	69%	70%	70%	78%
African- American	10%	13%	13%	12%	7%
Hispanic or Latino	13%	14%	11%	10%	8%

About Arbitron

Arbitron Inc. (NYSE: ARB) is an international media and marketing research firm serving radio broadcasters, cable companies, advertisers, advertising agencies and outdoor advertising companies in the United States, Mexico and Europe. Arbitron's core businesses are measuring network and local market radio audiences across the United States; surveying the retail, media and product patterns of local market consumers; and providing application software used for analyzing media audience and marketing information data. The Company has also developed the Portable People Meter (PPMSM), a new technology for media and marketing research.

Arbitron's marketing and business units are supported by its research and technology organization, located in Columbia, Maryland. Arbitron has approximately 1,700 employees; its executive offices are located in New York City.

Through its Scarborough Research joint venture with VNU, Inc., Arbitron also provides media and marketing research services to the broadcast television, magazine, newspaper and online industries.

About comScore Arbitron Online Radio Ratings

Arbitron Inc., in conjunction with comScore Media Metrix, a division of comScore Networks, Inc., has established an audience measurement system designed to provide traditional broadcast ratings for the Internet radio industry. The service provides customers with Average Quarter-Hour and Cume audience estimates for standard dayparts and demographics.

The comScore Arbitron Online Radio Ratings service is based on approximately 200,000 U.S. participants within the comScore global consumer panel. Using proprietary and patent-pending technology, comScore passively and continuously captures the Internet behavior of these panelists, including Internet radio listening behavior.



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 works with many of the largest American radio ownership groups, including Entercom, ABC Radio, Infinity, Bonneville and Westwood One, and also conducts strategic and perceptual research for a broad array of companies including AOL/Time Warner, Yahoo!, Sony Music, Princeton University, Northwestern University, Universal Music Group, Time-Life Music and the Voice of America. Edison Media Research also conducts research for successful radio stations in South America, Africa, Asia, Canada and Europe.

Beginning in 2004, Edison Media Research conducts all exit polls and election projections for the six major news organizations—ABC, CBS, CNN, Fox, NBC and the Associated Press—and designed and operated the CNN RealVote election projection system in 2002.

All of Edison Media Research's industry studies can be found on the company's Web site at www.edisonresearch.com and can be downloaded free of charge.

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