XM Satellite Radio Messaging Study

Topline Report

SATELLITE RADIO

June 2006

FINAL

SX Trial Ex. 17

Proprietary & Confidential

Data Development **Worldwide**

02-419 Topline Report

XMCRB 00051347

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Background, Objectives & Methodology

SATELLiTE
RADiO

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Background and Objectives

•In the past, XM Radio has found that their subscribers have generally been early adopters and they have had difficulty bringing in consumers who are not typified by "early adopter-like" characteristics.

–That said, XM is interested in identifying positioning strategies for the brand that would be more appealing to a broader set of listeners.

•The overall objective of this research is to determine the communication points that will resonate most with non-subscribers and encourage them to sign on with XM.

•This is accomplished by identifying the most powerful message or combination of messages and taglines that should be used in future advertising efforts.

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Methodology

Who:

- 414 interviews were randomly conducted among adults who:
  - Have sole or partial responsibility for making purchasing or describing decisions for communication products and services, such as cable or satellite TV,
  - Do not currently subscribe to Satellite Radio,
  - Would be at least somewhat likely to subscribe to Satellite Radio in the next 6 months.

What:

- Respondents participated in a 20 minute telephone interview, via CATI (Computer Assisted Telephone Interviewing).

When:

- Interviews were conducted from June 16th - June 20th, 2006

Significance Testing:

  - Performed at the 90% confidence level
  - Significantly higher than average = ☐

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Summary of Findings

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Summary of Findings

- Based on this initial read of the data, several of the XM messages resonate well with potential Satellite Radio users.
  - Not only does the following message garner the highest importance score, it is also the top rated score for the likelihood to sign up measure.
    - *100% money-back guarantee*
      - Potential customers find this money-back pledge enticing enough to motivate them to sign up for Satellite Radio.
  - However, at this point it is difficult to narrow down the messages to one winner.
    - The following cluster of messages, focusing on commercial-free programming, also performs well - with importance and likelihood to sign up scores significantly above average:
      - *100% commercial-free music*
      - *Hear music the way it was meant to be. Commercial free.*
      - *More music the way it was meant to be. Commercial free.*
      - *Hear more commercial free music channels.*
      - *The Most Commercial-Free Music Channels.*
    - The appeal of commercial-free music is quite clear based on these scores; potential customers value uninterrupted listening time, especially if multiple channels offer this type of programming.
      - In the final analysis we will examine other ways to narrow down this cluster of messages but the bottom line is, commercial free music is the most appealing theme, no matter how you say it.

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Summary of Findings (Continued)

- Looking at the taglines, two stand out as particularly appealing for potential XM listeners.
  - Based on appeal scores alone, it is difficult to determine which of these taglines is the single winner.
    - *Beyond AM. Beyond FM. XM.*
    - *Hear More of What you Love. XM.*
  - However, ranking these taglines does help to differentiate potential customers' preferences.
    - While looking at the first and second ranking of these two taglines does not produce a clear winner, focusing on the top ranked tagline does distinguish the two.
      - *Beyond AM. Beyond FM. XM.*
    - This succinct tagline has an edge over the others, potentially encouraging more listeners to sign up for XM Satellite Radio.

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Summary of Findings (Continued)

- The market for XM looks promising with many non-subscribers claiming that "music is a huge part of their life".
  - Even more promising is that two in three report they are tired of flipping through AM/FM radio stations and a similar proportion agrees that it enjoys new products and gadgets.
  - Potential XM customers report listening to music most frequently in transit - either by radio or music CDs.
    - And many agree that they drive outside of their local area, creating an ideal target for Satellite Radio providers.
- While only a small percentage of non-subscribers have actually subscribed to Satellite Radio in the past, the vast majority of this audience is familiar with Satellite Radio.
  - While non-subscribers are most familiar with Sirius, XM clearly has a strong position in the market.
    - Three in four non-subscribers are aware of the XM brand and one in four are likely to choose XM as their Satellite Radio provider.

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Messages and Taglines

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RADiO

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XM Messages

SATELLiTE RADiO

	Top Box Scores	
	Importance	Likelihood to Sign Up
100% money-back guarantee	64%	30%
100% commercial free music	59%	26%
Hear music the way it was meant to be. Commercial free.	56%	20%
More music the way it was meant to be. Commercial free.	55%	21%
Hear more commercial free music channels	52%	21%
The Most Commercial-Free Music Channels	52%	19%
Enjoy superior digital sound quality in your car, home or on the go. Available from coast to coast.	51%	25%
Tired of commercials, so are we. Get 69 commercial free music channels.	49%	17%
The deepest playlist of commercial free music	46%	18%
Listen Large with the Most Commercial-Free Music	46%	19%
Hear more choices/more channels/more variety	44%	16%
XM. The Sound of Total Freedom: Freedom to listen to whatever you want, whenever you want.	44%	18%
The largest playlist on Satellite Radio	44%	15%
Average Across All Messages	37	14

Q.1, 4

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XM Messages (Continued)

SATELLiTE RADiO

	Top Box Scores	
	Importance	Likelihood to Sign Up
The Most Variety of Satellite Radio - Over 170 Channels	44%	16%
Over 170 Digital Channels - Coast to Coast	43%	16%
More commercial free music, news & talk	40%	15%
Most commercial free music and most sports in Satellite Radio	39%	15%
The Deepest Playlist in Satellite Radio	39%	13%
Hear more of what you love with XM	38%	14%
America's #1 Satellite Radio - Over 170 Channels	37%	15%
69 Commercial-Free Music Channels, Including Exclusive Live Performances & Interviews	37%	12%
Every song, every story, every play everywhere	36%	13%
Over 6M subscribers love XM and we guarantee you will too or your money back	36%	15%
XM. The Sound of Total Freedom: Freedom of Choice.	36%	15%
Every song, every story, every play by play everywhere	35%	14%
Get the most choice and the most commercial-free music for just 43 cents a day	33%	16%
Average Across All Messages	37	14

Q.1, 4

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XM Messages (Continued)

SATELLITE RADIO

	Top Box Scores	
	Importance	Likelihood to Sign Up
Music, Sports and More - Over 170 Channels	31%	11%
Experience XM for just 43 cents a day	28%	12%
The Biggest Names in News & Entertainment	22%	7%
The Best Sports Package	19%	8%
Most Play by Play Sports	18%	8%
Hear Most Play by Play Sports	18%	7%
Every MLB Team, Wherever You Are, NHL Hockey Games, The PGA Tour, World Cup Soccer, College Sports and Much More	16%	7%
Major League Baseball Every Team, Wherever You Are	14%	5%
#1 Based on the 2005 Brandweek/Brand Keys Customer Loyalty Index Study	14%	5%
Shows Hosted By Bob Dylan, Snoop Dogg, Ludacris, Quincy Jones, Tom Petty, Wynton Marsalis, Jimmie Johnson, Dale Earnhardt, Jr., Cal Ripken, Jr., Coach K., James Carville & Luke Russert and MORE	13%	3%
Oprah & Friends (Coming in September), Bob Edwards, the Ellen DeGeneres Show, Sean Hannity, Bill O'Reilly, Opie & Anthony, Good Morning America Radio and More	12%	4%
Average Across All Messages	37	14

Q.1, 4

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Appeal of Taglines

SATELLiTE RADiO

	Extremely/Very Appealing (Top 2 Box)
Beyond AM. Beyond FM. XM	48%
Hear More of What you Love. XM	48%
Beyond AM/FM. XM is Today's Radio	39%
Hear What Makes you Happy. XM	36%
Beyond AM/FM, XM is changing Radio	36%
Radio to the Power of X	33%
The Best Radio on Radio	30%
Listen Large. XM	26%

Q.5

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Ranking of Taglines

SATELLITE RADIO

	Ranked First	Ranked First/Second
Beyond AM. Beyond FM. XM	24%	36%
Hear More of What you Love. XM	18%	36%
Radio to the Power of X	11%	24%
Beyond AM/FM. XM is Today's Radio	11%	24%
The Best Radio on Radio	11%	18%
Hear What Makes you Happy. XM	11%	27%
Beyond AM/FM, XM is changing Radio	7%	20%
Listen Large. XM	6%	16%

Q.6

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Profile of Potential XM Subscribers

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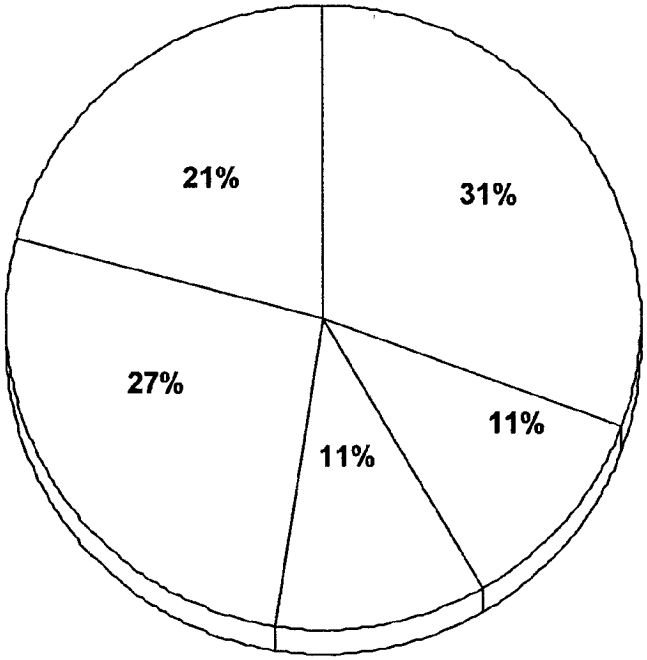
Music Preferences

SATELLITE RADIO



- Music Enthusiasts
- Cruisin' Gadgeteers
- Info Cruisers
- Happy Listeners
- Contented Listeners

Q.13

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Music Behaviors

SATELLITE RADIO

	Once a Week or More Frequently (Top 2 Box)
Listen to the radio in a car or truck	90%
Listen to music CDs at home	72%
Listen to Music CDs in a car or truck	68%
Listen to the radio at home	63%
Listen to music on cable/satellite TV music channels	43%
Download songs off the Internet	23%
Listen to an MP3 player at home	22%
Buy music CDs	19%
Listen to an MP3 player in a car or truck	18%

Q.14

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Lifestyle Attitudes

SATELLITE RADIO

	Agree Somewhat/Completely (Top 2 Box)
Music is a huge part of my life	70%
I get tired of flipping around the AM/FM dial looking for something decent to listen to	68%
I consider myself someone who likes new products and gadgets	66%
I frequently drive outside of my local area	58%
AM/FM radio keeps me in touch with my local community	50%
I am an NFL fan	48%
I can't find music I like on AM/FM radio	47%
I don't like what AM/FM radio has become	44%
I consider myself an expert on one or more types of music	41%
I am a college football fan	37%
I am an NBA fan	35%

Q.12

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Lifestyle Attitudes (Continued)

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	Agree Somewhat/Completely (Top 2 Box)
I am a Major League Baseball fan	35%
I tend to listen to a lot of news programming on AM/FM	31%
I am an college basketball fan	31%
I tend to listen to a lot of talk programming on AM/FM	28%
I have AOL	24%
I have Direct TV	22%
I have flown on United Airlines during the past 12 months	22%
I am an NHL fan	20%
I am a NASCAR fan	20%
I enjoy watching golf on TV	19%
I have rented a car from Avis or Hertz during the past 12 months	19%

Q.12

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Lifestyle Attitudes (Continued)

SATELLITE RADIO

	Agree Somewhat/Completely (Top 2 Box)
I buy coffee at Starbucks at least once a week	16%
I have stayed at a Hyatt Hotel during the past 12 months	16%
I have Dish TV	16%
I am a golf fan (PGA - Professional Golfers' Association)	15%
I am a tennis fan	15%
I am an IRL/Indy car fan	13%
I have flown on Jet Blue or AirTran during the past 12 months	10%

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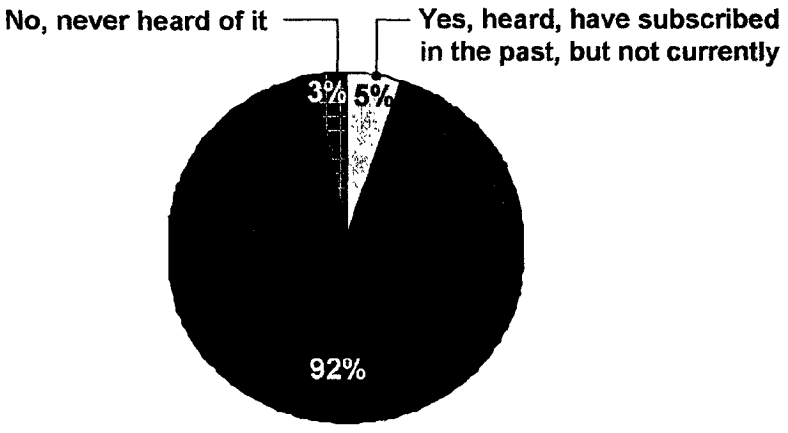
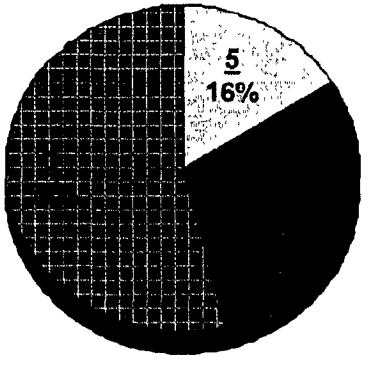
Awareness of Satellite Radio and Providers

SATELLITE RADIO

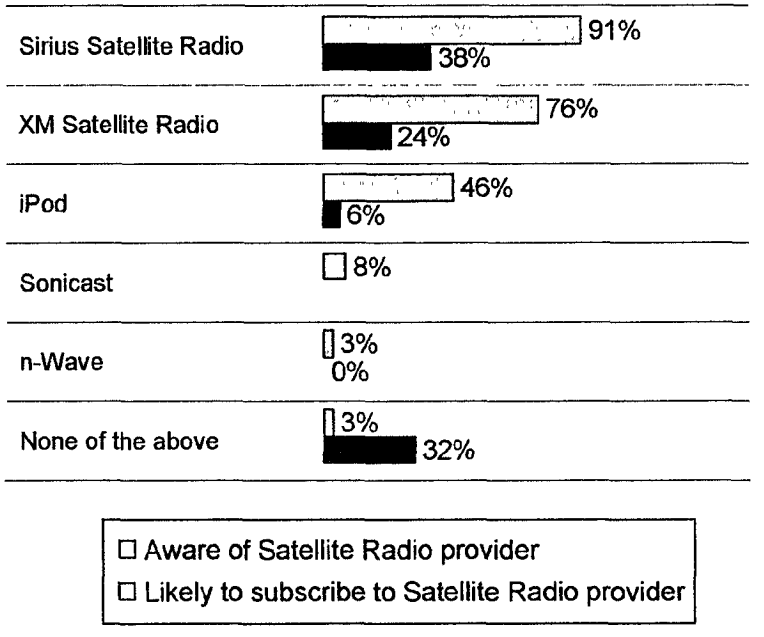
Awareness of Radio



Likelihood to Sign up for Satellite Radio in the Next 6 Months (5 = Very Likely)



Satellite Radio Providers



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Demographics

Average Age

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