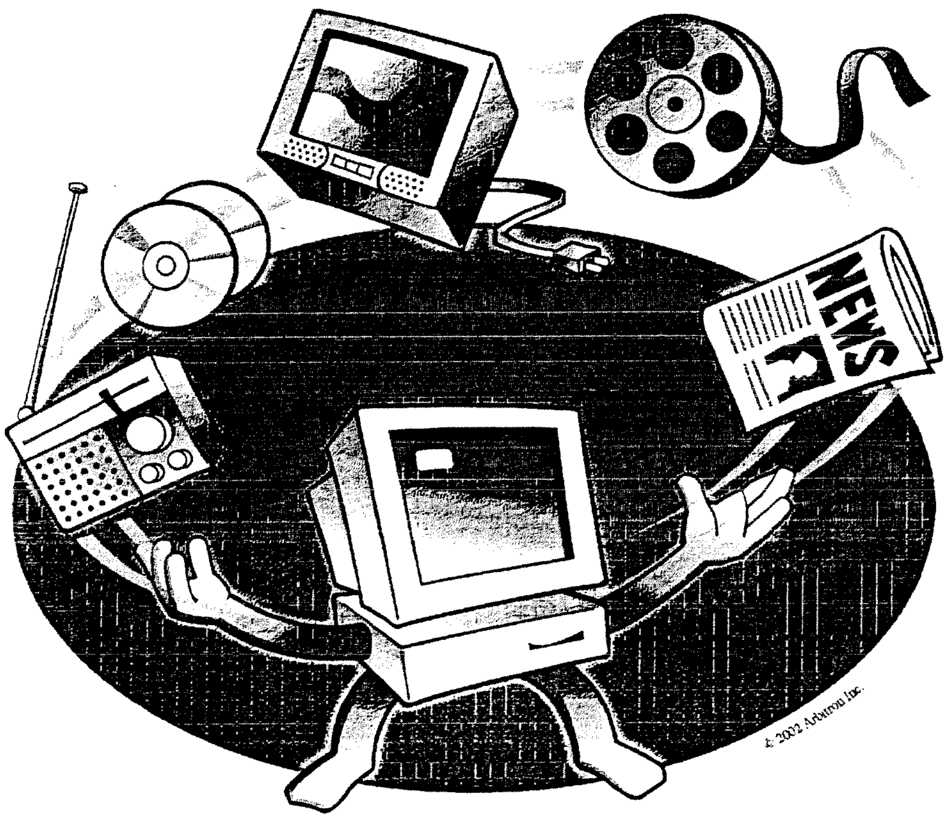
Arbitron/Edison Media Research

Internet 9:

The Media and Entertainment World of Online Consumers



Services Exhibit 62

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Overview

Welcome to the ninth Arbitron/Edison Media Research study of consumers' use of streaming media and the Internet, with brand-new data from interviews conducted in July 2002. We have conducted these studies every six months since August of 1998, and our semiannual reports have become widely used sources of information on streaming media and consumer behavior on the Internet.

In the first half of 2002, streaming media faced a period of tremendous turmoil and controversy. Several webcasters ceased streaming due to newly imposed digital-rights fees. For the first time, the number of Americans having listened to audio or watched video online in the past month did not grow significantly from year to year (37 million in July 2001 to 38 million in July 2002). The number of Americans having listened to or watched webcasts in the past week is also flat during that same period (an estimated 19 million in both July 2001 and July 2002). While there is a lack of significant growth, in light of the discontinuation of many webcasts, the fact that large numbers of Americans continue to use streaming media indicates the continued popularity of Internet audio and video.

Overall, 35% of Americans age 12 and older are "Streamies"—Internet users who have ever listened to audio or watched video online. This translates into approximately 83 million Americans. In a typical month, 23% of those online use Internet audio or video.

Despite the struggling economy during the past year and a half, consumer adoption of superfast Internet broadband connections continues to rise sharply. The proportion of online Americans who report having residential broadband Internet access surged to 28% in July 2002, up from 13% eighteen months earlier (January of 2001). Those with broadband connections see the Internet as far more essential and consume a lot more streaming media, especially video webcasts, compared to those with slower, dial-up connections.

This report outlines key findings detailed in a point-by-point manner and also includes recommendations. We have also included several appendices to enhance readers' understanding of American consumer use of the Internet and streaming media. Appendix A depicts topline metrics for streaming media. Appendix B profiles Internet users, total Streamies and active Streamies (those who have listened or watched online in the past month or past week). Appendix C shows a comparison of Internet users with dial-up access and those with broadband access.

How the Study Was Conducted

A total of 2,511 people were surveyed to investigate America's Internet usage and streaming media behavior. In July 2002, telephone interviews were conducted with respondents age 12 and older chosen at random from a national sample of Arbitron's Spring 2002 survey diarykeepers.

Significant Highlights

- **After years of rapid growth, the proportion of Americans with access to the Internet has leveled off.** Internet access in any location has stabilized at seven in ten Americans. Despite the slowing growth of Internet adoption, the average daily time spent online continues to increase steadily.

- **Americans continue to adopt superfast at-home broadband Internet connections despite the slowing economy.** The number of Americans with broadband connections at home has more than doubled since January 2001. At the beginning of 2001, 13% of those with at-home Internet access subscribed to broadband. As of July 2002, 28% of those with access to the Internet at home have a broadband connection. It appears that broadband adoption will continue to grow. One out of five of those with dial-up home Internet access indicate an intention to convert to broadband in the coming year.

- **Despite the turmoil in the streaming media sector, record numbers of Americans continue to consume Internet audio and video.** While a number of radio stations and webcasters have ceased streaming due to newly imposed government digital-rights fees, streaming continues to hold the attention of the American consumer. Approximately 83 million Americans have now experienced Internet audio or video. The number of people who have listened to audio or watched video online in the past month grew slightly from the prior year (37 million in July 2001 to 38 million in July 2002).

- **Streamies are upset about new digital-rights fees that threaten webcasting, and they support congressional action.** Among those who stream on a weekly basis, half are aware of the digital-rights controversies that have caused several webcasters to cease streaming. Two-thirds of monthly Streamies indicate they are upset about not being able to listen to canceled Internet audio webcasts, and a similar number support action by Congress to help Internet audio webcasts afford to continue streaming.

- **Streamies are more aware of online audio commercials.** Consumer awareness of online audio commercials in Internet webcasts has increased from 30% in July of 2001 to 40% in July 2002. Consumers see streaming ads as far more acceptable than traditional Internet banner advertising and a fair trade-off for free online streaming content.

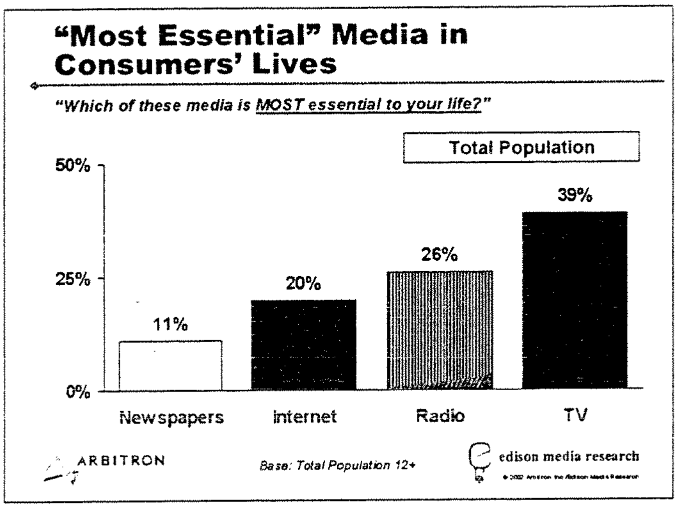
- **An estimated 16 million Americans say they would be willing to pay a small fee to listen to the online audio content provided by the webcast audio channel that they listen to most.** More than one out of five Internet audio Streamies (22%) indicate they are interested in paying for streaming subscription content. Thus, not only is there a compelling argument to be made for streaming media advertising, there is a significant interest among consumers in streaming subscription models.

- **Habitual consumers of webcasting buy the most recorded CDs.** The data show that those who stream the most also buy the most CDs. The average American purchased 13 CDs in the past year. Consumers who have ever tried streaming purchased 15 CDs in the past year, consumers who have streamed in the last month bought 18 CDs, and those who streamed in the last week bought 21 CDs in the last year. Thus, the data imply that more active streaming media users are a very lucrative group of record buyers.

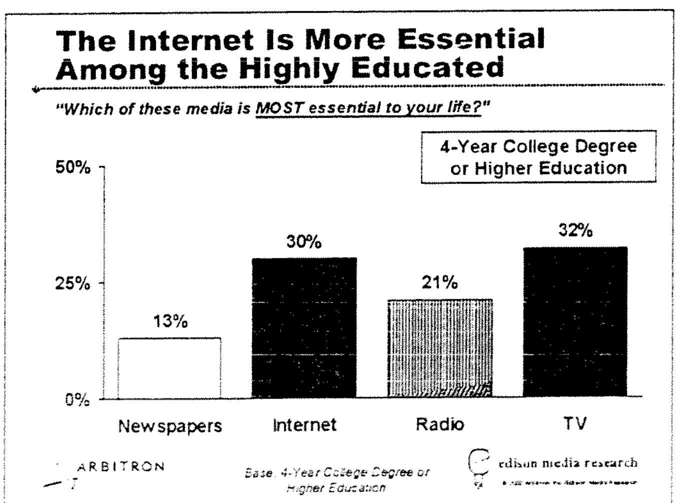
Key Findings

A. Media and Entertainment Patterns of Online Consumers

1. **When compared with other traditional media, one out of five Americans feel the Internet is "most essential" to their life.** When asked to indicate which medium among TV, radio, the Internet and newspapers is "most essential," 39% of all Americans indicate television, followed by radio (26%) and the Internet (20%). Eleven percent indicate newspapers as most essential. Considering how new the Internet is compared to TV, radio and newspapers, it is amazing that one out of five consider it to be "most essential."

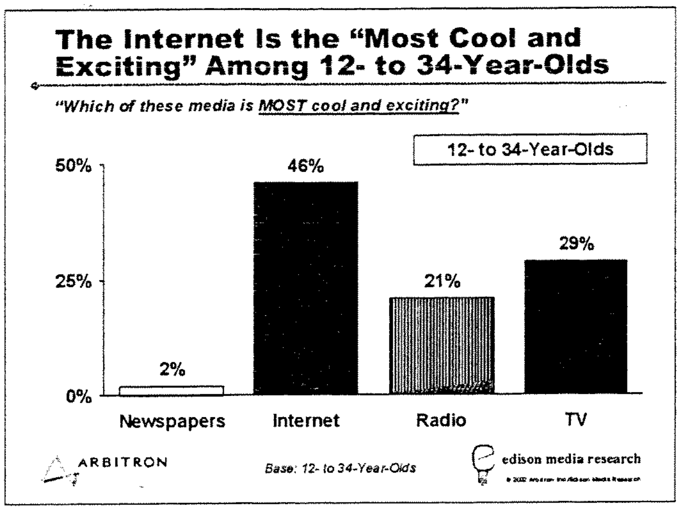


The greater the education level, the more essential the Internet is to consumers. Among those with a high school or less education, only 8% cite the Internet as "most essential," which increases to 30% among those with a four-year college degree or more.

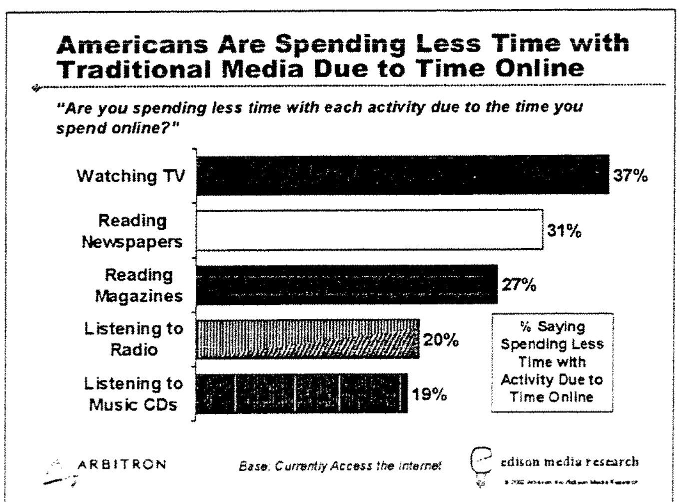


Among 12- to 24-year-olds, 34% see the Internet as "most essential" to their lives, slightly ahead of TV at 30% and radio at 27%. The Internet has rapidly become vital to the lives of younger consumers.

2. **The Internet is considered to be the "most cool and exciting" medium among 12- to 34-year-olds.** Consumers were asked to name the Internet, TV, radio or newspapers as the medium that is "most cool and exciting." The Internet was essentially tied with TV among all Americans (34% to 35%, respectively). However, among 12- to 34-year-olds the Internet dominates the "most cool and exciting" image (46%), well ahead of TV (29%) and radio (21%).



3. **Nearly four in ten online Americans indicate time spent online has resulted in less time watching TV.** Because of consumers' Internet use, 37% say they are watching TV less, followed by less time reading newspapers (31%), less time reading magazines (27%), less time listening to the radio (20%) and less time listening to music from CDs (19%).



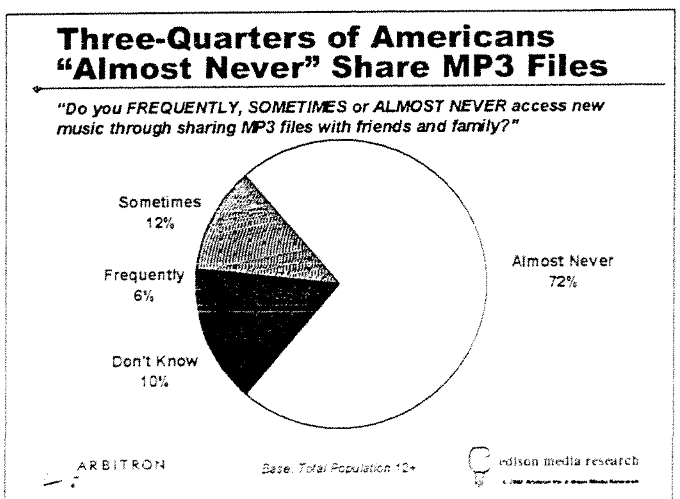
4. **Nearly six in ten Americans say that radio is "getting better" lately, and over half say that TV is "getting worse."** Consumers were asked if radio, the Internet, newspapers and television were "getting better" or "getting worse" lately. Radio had the highest "getting better" score, while television had the most people saying that it is "getting worse."

% Who Say Medium Is Getting Better		% Who Say Medium Is Getting Worse	
Radio	59%	Television	52%
Internet	43%	Newspapers	23%
Newspapers	37%	Radio	19%
Television	33%	Internet	14%

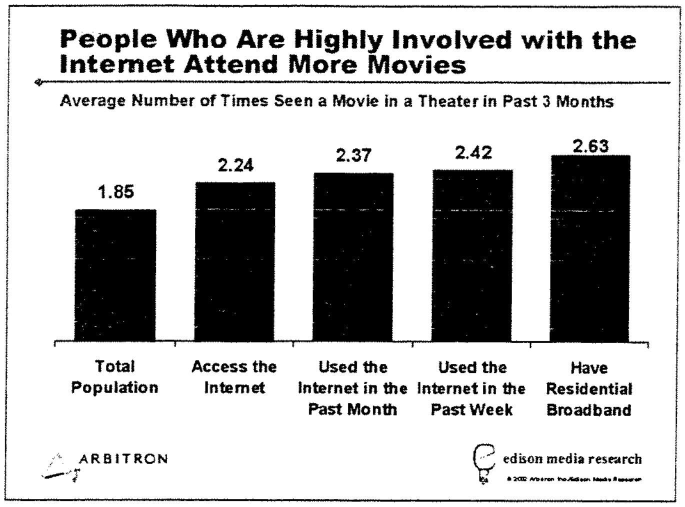
5. **Most Americans say that radio does a good job of providing the kinds of music, news and information they want.** Nearly three-quarters of Americans (74%) say that radio does a "good" or "very good job" of playing the kinds of music they like and seven in ten say that radio does a "good" or "very good job" of providing the news and information they want.

6. **Buying CDs from a store is the most frequent manner in which Americans access new music.** Consumers were asked to indicate the ways in which they access new music. Twenty-five percent indicate they "frequently" "buy CDs from a store," which is three times as many consumers who say they "copy CDs from friends and family" or "download MP3 files from the Internet" (8%). A smaller proportion indicates that they "frequently" "share MP3 files with friends and family" (6%) or access new music through "streaming audio over the Internet" (5%). Two percent say that they "buy CDs over the Internet."

Despite the tremendous amount of publicity surrounding downloading and sharing of MP3 files, 72% of all Americans say they "almost never" download and share MP3 files from others.

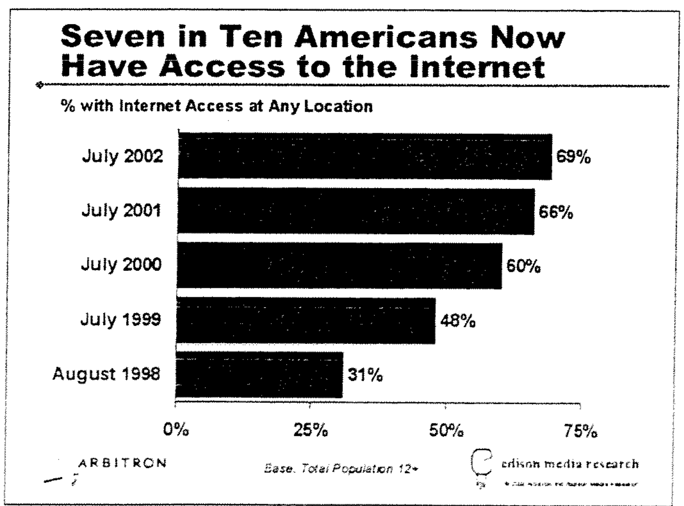


7. **Frequent users of the Internet are more likely to see movies.** On average, Americans have seen 1.85 movies in the past three months while 12- to 17-year-olds (3.61) and 18- to 24-year-olds (3.15) see nearly twice as many movies compared to the average. In addition, the more involved with the Internet, the more likely people are to see movies in theaters.



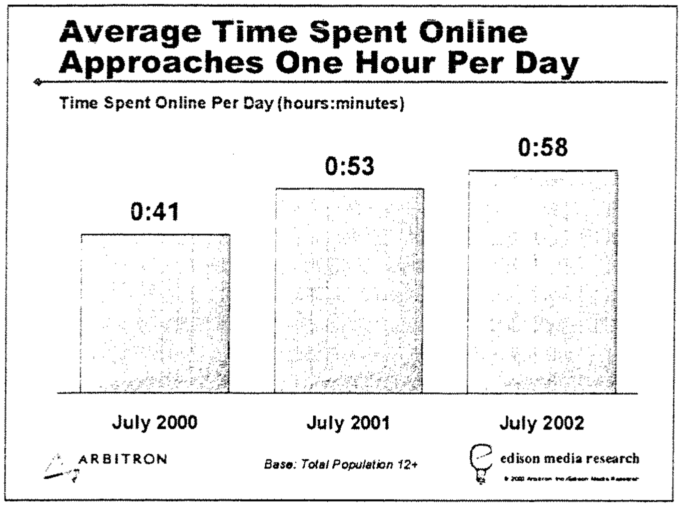
B. Internet Access Trends

8. **Access to the Internet has leveled off at approximately 70% of all Americans.** After years of rapid growth the proportion of those with access to the Internet has stabilized at seven out of ten Americans (69%). In August of 1998, 31% of Americans accessed the Internet at home or at work. One year later, nearly half of all Americans had Internet access at any location. In July of 2000, Internet access had reached 60%, and by summer of 2001 two-thirds of all Americans were accessing the Internet at any location. As of July 2002, 69% of all Americans now have access to the Internet.



9. **Six in ten Americans use the Internet each month and over half use it each week.** In July 2002 60% percent of Americans (87% of those online) used the Internet in the past 30 days, and 53% of Americans (78% of those online) used the Internet in the past week.

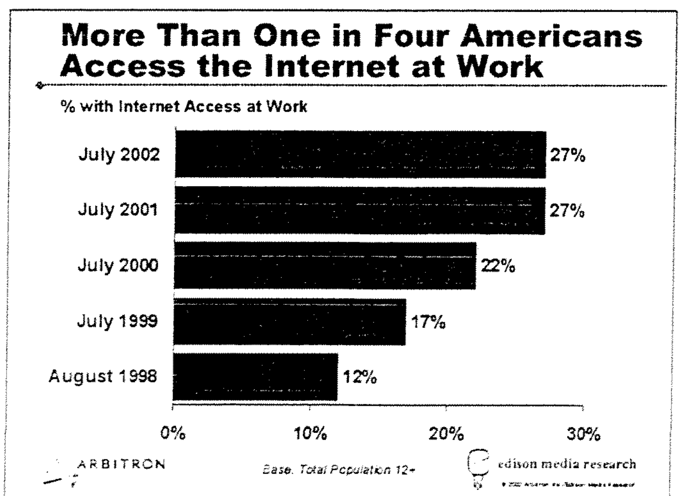
10. **Daily time spent online continues to rise.** While the growth of those with access to the Internet from any location has slowed, the average daily time spent online continues to climb. In July 2000, the average American reported spending 41 minutes online each day. In July 2002, Americans report an average of 58 minutes spent online per day.



11. **Seven in ten people live in households with a computer.** In August of 1998, 50% of Americans indicated that they had at least one computer in their home. As of July 2002, 69% now say they have a computer in their home.

12. **The number of people with access to the Internet at home is approaching the level of cable television**. Sixty-five percent of people in the U.S. live in homes that subscribe to cable television. Nearly six in ten (57%) Americans live in homes with access to the Internet.

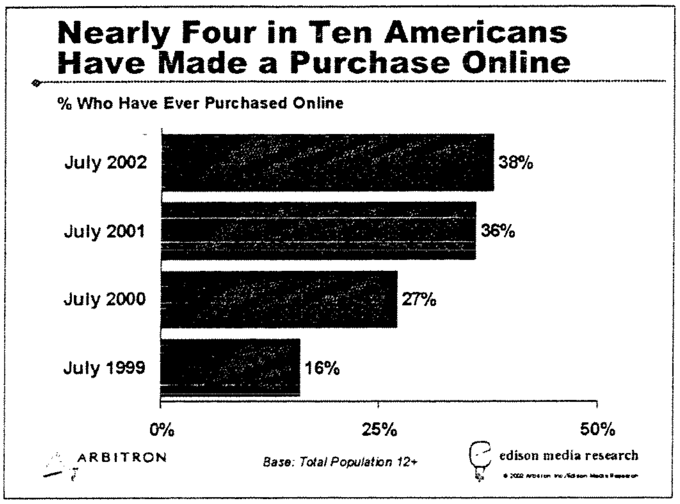
13. **More than one in four Americans have access to the Internet at work.** In August of 1998, only 12% of all Americans indicated they accessed the Internet at work. This number has increased substantially since that time. Currently, 27% of Americans access the Internet at work. Slightly less than half (46%) of those that work full or part time indicate they ever access the Internet at work.



14. **Music is the most frequent accompaniment to time spent online.** While using the Internet, 20% say they frequently listen to music CDs via a separate stereo or boom box (that is not part of their computer), 19% frequently listen to radio, and 17% frequently listen to CDs from the computer itself. Fifteen percent say they frequently talk on the telephone while surfing, and 13% frequently watch television while using the Internet.

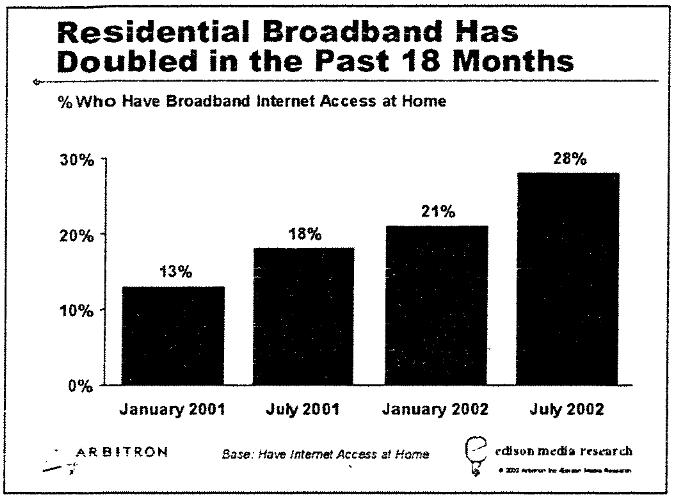
C. Buying Online

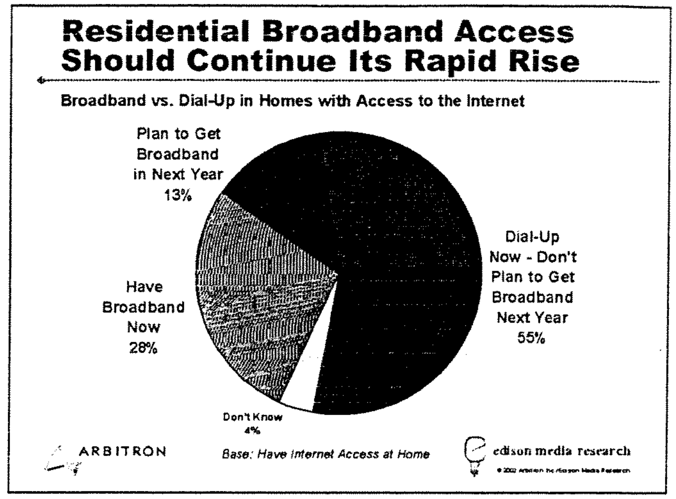
15. **The number of Americans who have made Internet purchases grew slightly, while online spending is down compared with one year ago.** In July 1999, only 16% of Americans had ever made a purchase from a Web site. By July 2001, the percentage of those who had ever made a purchase online more than doubled to 36%. Over the past year, there has been a slight increase in the number of people who have purchased online, rising to 38% in July 2002. Average spending online among those who made a purchase online in the last 12 months is $596, the lowest average annual online spending figure since we began measuring in January 2000, reflecting the slower economy.



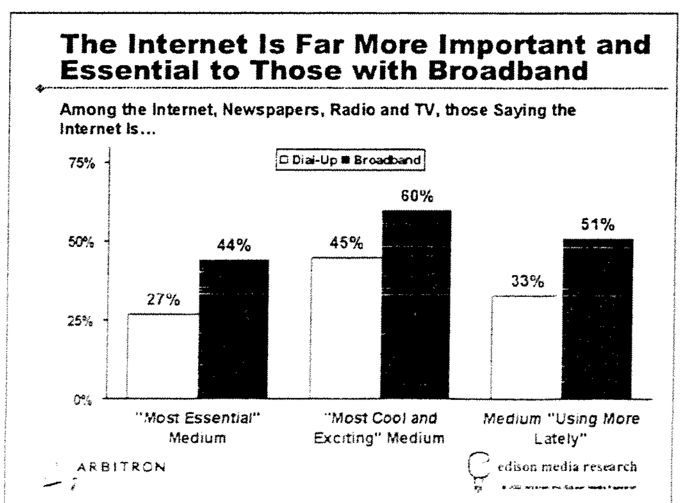
D. Broadband

16. **Residential broadband adoption has doubled in just under eighteen months.** In January 2001, 13% of those with Internet access at home indicated they access the Internet via a superfast, always-on broadband (cable modem or DSL) connection. Residential broadband access has increased sharply to 28% in July 2002. With the slowing economy, it is possible that broadband growth may not be as dramatic in the coming months. Yet, there appears to be continued interest in broadband adoption among consumers. In July 2002, 13% of those with dial-up access at home indicate their intention to get broadband in the coming year.





17. **Consumers who access the Internet via broadband indicate the Internet is far more important and essential in their life.** When asked to indicate which medium is "most essential in your life," 44% of those with broadband say the Internet, compared to 27% among those with dial-up access. When asked to indicate which medium is "most cool and exciting," those with broadband cite the Internet (60%) more often than those with dial-up (45%). In terms of perceived usage, 51% of those with broadband say they are "using the Internet more lately" compared with 33% of those with dial-up.



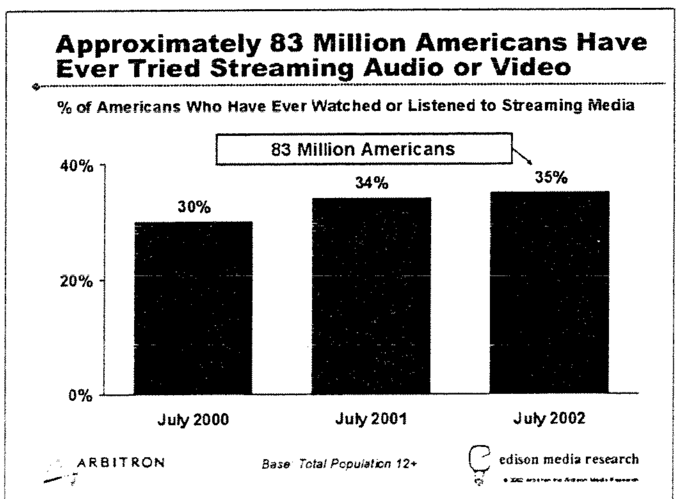
18. People with residential broadband Internet access spend nearly as much time online each day as they do with TV and radio.

Average Time Spent Per Day with Each Medium (Hours:Minutes)

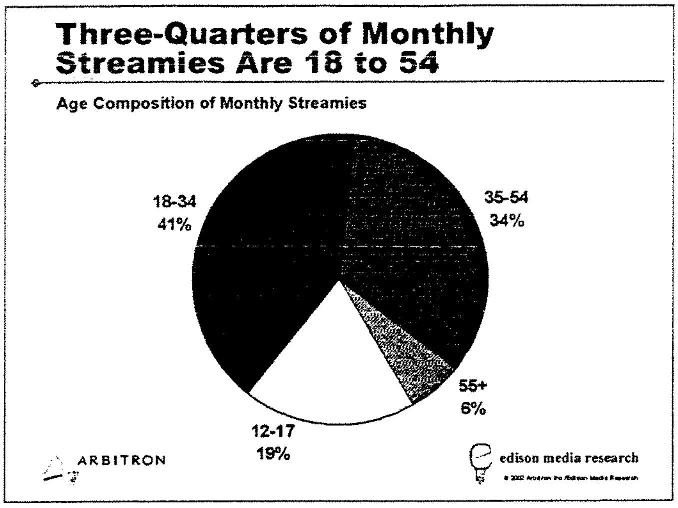
	Average Consumer	Those with Residential Broadband Internet Access
Watching Television	3:10	2:35
Listening to the Radio	2:43	2:19
On the Internet	:58	2:00
Reading Newspapers	:37	:35

E. Streaming Usage

19. An estimated 83 million Americans have ever tried streaming audio or video. As a percentage of the total population, 35% (approximately 83 million) indicate they have ever tried streaming. The number of Americans who have streamed in the last month (38 million – July 2002) is up slightly from the prior year (37 million – July 2001). The number of those who indicate that they have streamed in the past week has held steady at 19 million (July 2001 – July 2002).



20. **Three of four monthly Streamies are 18 to 54.** Seventy-five percent of monthly Streamies are 18 to 54 years of age. Forty-one percent are 18-34, 34% are 35-54, and 19% are teens (12-17). Only 6% are over the age of 55.

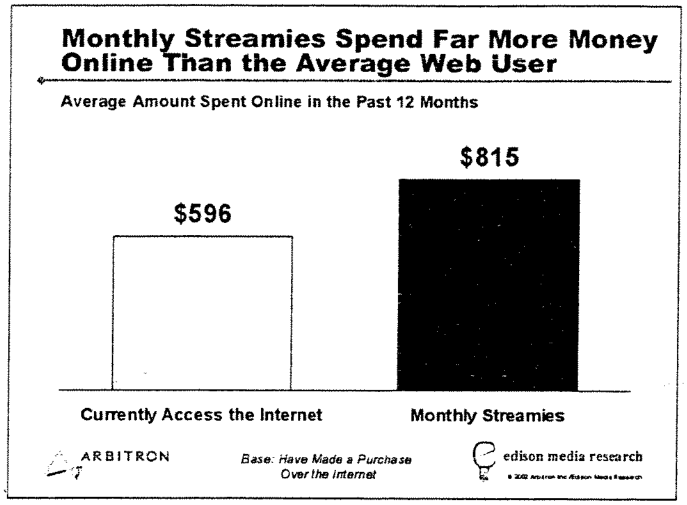


21. **Monthly Streamies are more Internet savvy and upscale than the total population.** Fifty-seven percent of monthly Streamies have a household income of $50K or more compared to 38% of the total population. Forty-five percent of monthly Streamies have a college degree or higher level of education compared with 32% among the total population. Regular Streamies are also far more likely to have residential broadband (39%) compared to Internet users in general (15%).

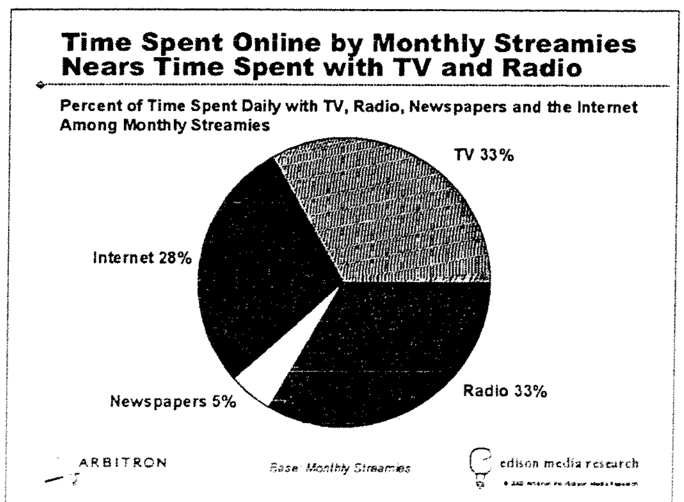
	Monthly Streamies	Total Population
$50,000+ annual household income	57%	38%
College graduate or higher level of education	45%	32%
Have residential broadband	39%	15%

Monthly Streamies also show more passion for the Internet as 46% say the Internet is "most essential" (compared with radio, TV and newspapers) vs. 28% for Web users in general. When asked to indicate if the Internet is getting better or worse lately, 72% of monthly Streamies say the Internet is "getting better" vs. 55% for the overall online population.

22. Consumers who regularly stream are more interactive than Web users overall. There is a stark contrast between those who have streamed audio or video in the past month and overall Web users. Streamies are more likely to respond to Internet advertising and make online purchases. Thirty percent of monthly Streamies have clicked Web advertising in the past month vs. 14% for Web users overall. Forty-three percent of monthly Streamies have made an online purchase in the past month vs. 25% for Web users overall. The total 12-month online expenditure is higher among monthly Streamies ($815) than online users as a whole ($596). In addition, monthly Streamies have purchased more CDs in the past year (18) compared to overall Web users (13).



23. Active Streamies spend nearly as much time online as they do with traditional media such as television or radio. Monthly Streamies spend a third of their time with television, a third with radio and 28% with the Internet.



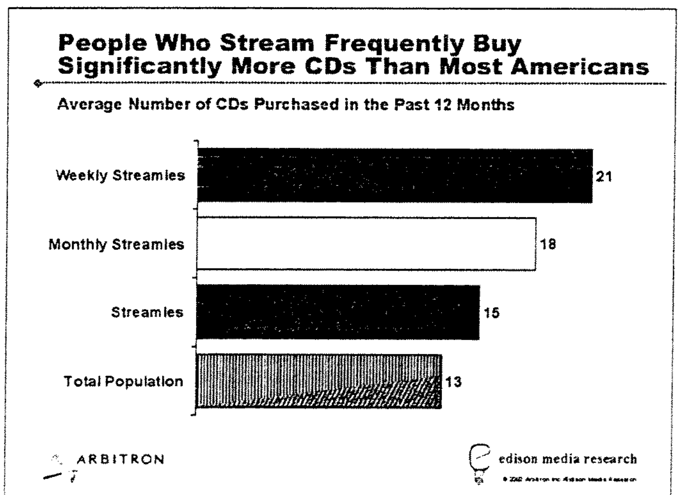
24. **People with residential broadband Internet access consume streaming media much more frequently than those with dial-up access.** Consumers who have superfast, always-on broadband connections in their homes are far more likely to have used streaming media on a monthly and weekly basis.

Percent Who Have Watched or Listened to Streaming Media...

Base: Currently Access the Internet at Home

	Broadband	Dial-Up
Ever	65%	52%
Monthly	37%	22%
Weekly	22%	9%

25. **People who stream frequently buy significantly more CDs than most Americans.** Some have mistakenly equated the rise of streaming audio with a decrease in record purchases. However, the data show that the more active Streamies (those streaming in the last month and last week) were also the group that purchased the greatest number of CDs in the past year. The average American purchased 13 CDs in the past year while those that have ever streamed have purchased 15 CDs. Monthly Streamies report that they bought an average of 18 CDs, and weekly Streamies say they have purchased nearly 21 CDs in the past year.

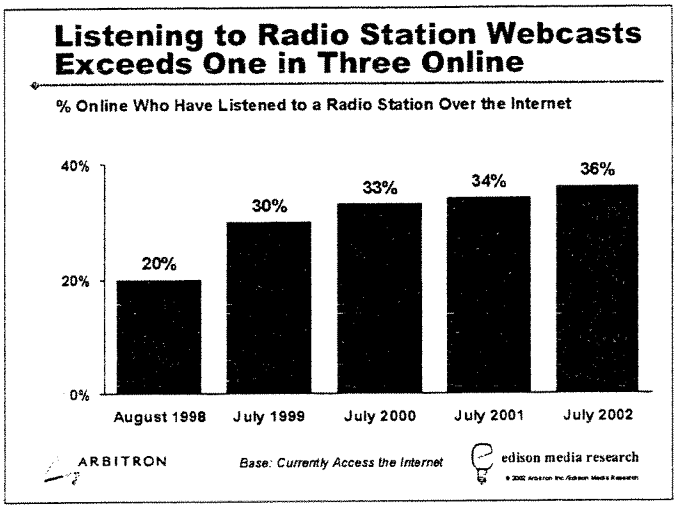


26. **People who stream each week see more movies than the general population.** On average, American consumers report having seen 1.85 movies at a movie theater in the past three months, which is significantly less than the 3.19 movies reported by weekly Streamies.

27. **Consumers appear to want instant gratification when it comes to streaming and show little interest in registration forms or downloading new media players.** Eighteen percent of Streamies say they would be "very likely" to download a new media player if it were required to access the site's Internet audio or video. Only 10% say they would be very likely to register with a site, by providing personal information, in order to stream. Fifty percent say they would be "not at all likely" to register with a site in order to listen or watch from that site.

F. Internet Radio/Audio

28. **The number of consumers who have ever tried listening to radio stations online increased slightly in the past year while listening to radio station webcasts in the past week and past month is stable.** In summer 1998, 20% of those online had ever listened to radio stations over the Internet. As of July 2002, 36% have listened to radio stations online. The number of people who have listened to radio stations over the Internet in the last month (12%) and the last week (5%) remained steady during the past year.



29. **Audiences to Internet-only audio sources have decreased with fewer webcasts currently available.** While audiences to online radio stations are stable, the number of those who have tried to listen to online audio from Internet-only audio sources has decreased. The proportion of those online that say they have listened to Internet-only sources in the last month has decreased from 12% in July 2001 to 8% in 2002. A multitude of factors including digital rights, a slow advertising market and the soft economy have thinned the ranks of Internet-only webcasters. Therefore, it is not surprising that consumers report they are listening less frequently to these Internet-only webcasts.

30. **Unique content/variety, the "quality of audio," and "no commercials" are the factors that Streamies identify as "very important" when choosing a site to listen to Internet audio.**

Important Factors When Choosing a Site to Listen to Internet Audio

(Percent Providing a Score of 8 or Higher on a 10-Point Scale; "1" = Not At All Important, "10" = "Very Important")

You can listen to specific types of audio you are looking for	63%
The quality of the audio	59%
Having NO commercials during the webcast	57%
You can listen to a wide variety of audio	56%
You can listen to audio that you cannot get elsewhere	52%
Having noticeably few commercials during the webcast	52%
Having DJs and other personalities on the station or channel	22%

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31. **Half of weekly audio Streamies are aware of the controversy surrounding digital-rights fees.** Recently, the government imposed music licensing fees on webcasters that has resulted in the discontinuation of several webcasts. Forty-eight percent of weekly audio Streamies have heard about the situation, while 37% of all audio Streamies say they are aware of the issue surrounding government-imposed music licensing fees.

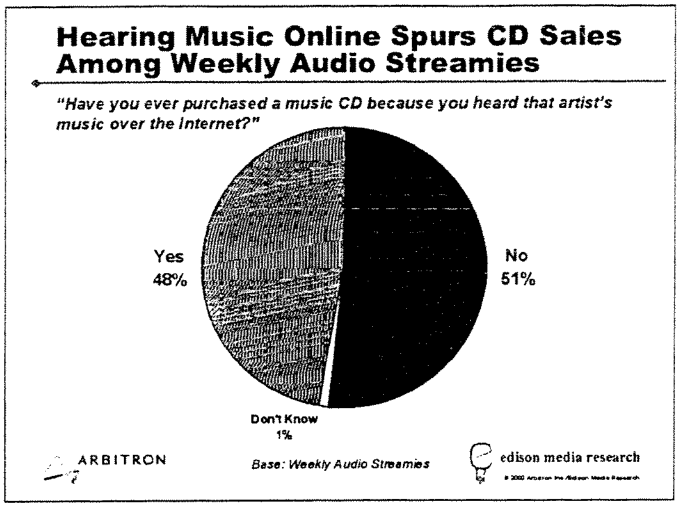
32. **Nearly two-thirds of monthly audio Streamies say they are upset over the loss of Internet audio webcasts due to digital-rights fees.** During the past several months there has been significant publicity regarding new digital-rights fees webcasters must pay to play music on the Internet. Sixty-two percent of those who have listened to Internet audio in the past month say they would be "very upset" or "somewhat upset" if they were no longer able to listen to the Internet audio webcasts they currently listen to due to these government-imposed fees. Nearly two-thirds (64%) of monthly Streamies support action by Congress to address these online music licensing fees in a way that would help Internet audio webcasters afford to continue streaming music.

33. **When it comes to listening to online radio stations, audio Streamies continue to favor local stations over those from other parts of the country.** Online radio listeners say they listen most often to local stations (48%) followed by stations from other parts of the U.S. (41%) and stations from other countries (8%).

    Younger listeners age 12-24 listen most often to local stations (59%) compared to stations from the rest of the U.S. (34%) while Streamies age 25-44 listen most to stations from other parts of the U.S. (46%) followed by local stations (42%). Older listeners have a greater likelihood of having lived in other parts of the country and therefore might be more interested in out-of-town stations than younger listeners. Consumers with broadband Internet access are much more interested in listening most to stations from around the U.S. while those with dial-up access favor local stations.

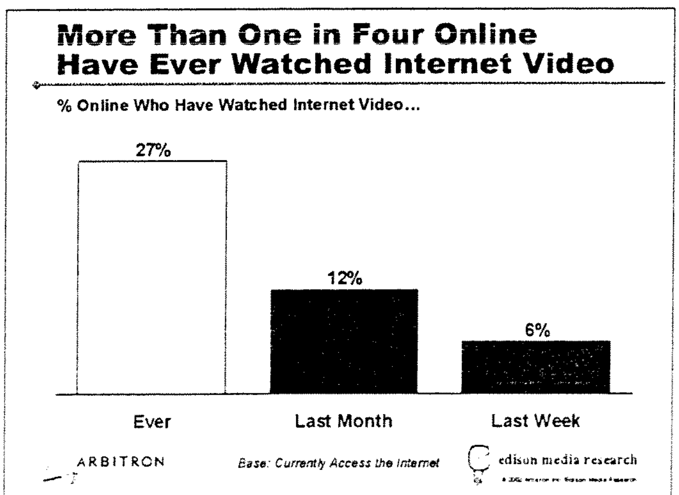
34. **Unique content is what drives American consumers to listen to Internet audio.** Six out of ten audio Streamies say they choose to listen to Internet audio because streaming provides content that they cannot find on local radio stations. A smaller proportion (23%) indicates that they listen to Internet audio because of difficulty in hearing local over-the-air radio signals.

35. **Half of weekly audio Streamies say that they have purchased a CD because they heard the artist's music over the Internet.** Forty-eight percent of those that have listened to online audio streaming over the past week have purchased a CD as a direct result of exposure to the artist's music over the Internet.



G. Internet Video

36. **More than one-quarter of those online have ever viewed video over the Internet**. Twenty-seven percent of those online have viewed video over the Internet, with 12% of those online having viewed Internet video in the last month and 6% having viewed video online in the past week.



37. Movie trailers and music videos are the leading types of content video Streamies say they have ever watched.

Top 10 Types of Content Among Video Streamies

% Who Have Ever Watched

Movie trailers or previews	62%
Music videos	52%
Online video weather forecasts	35%
Video newscasts	35%
Online video from TV stations	31%
Video highlights of sporting events	31%
Short or full-length movies	30%
Online video from TV stations from around the U.S.	23%
Online video business reports	12%
Online video from TV stations from local area	12%

38. One out of five monthly video Streamies are aware of the BMWfilms.com series of online "minimovies." One of the most acclaimed streaming video marketing campaigns involved BMW's use of well-known Hollywood directors to create compelling five-minute movies on the BMW Web site (www.bmwfilms.com) featuring BMW cars. It is impressive that such a large proportion of those who have consumed streaming video are aware of these films. Twenty-five percent of Internet users who use streaming video on a weekly basis are aware of this series, and 13% of those online have watched one or more of the online "minimovies." In total, approximately 3 million Streamies watched some of the BMWfilms.com series.

H. Major Internet/Streaming Brands

39. A huge number of Americans access the Internet via America Online. Overall, 30% of all Internet users subscribe to AOL. Twice as many Americans with dial-up Internet access subscribe to AOL (39%) as those with a broadband Internet connection at home (20%).

40. **None of the major Streaming media brands have established dominance in awareness, trial or regular usage.** There is a wide disparity in familiarity of the major streaming audio brands, with WindowsMedia.com and Yahoo Radio having the highest awareness among audio Streamies. Trial usage of the major streaming audio brands ranges from 10% to 37% of audio Streamies. On the whole, half of those who have ever listened to audio from any one of these brands indicate they have listened to that streaming brand in the past month.

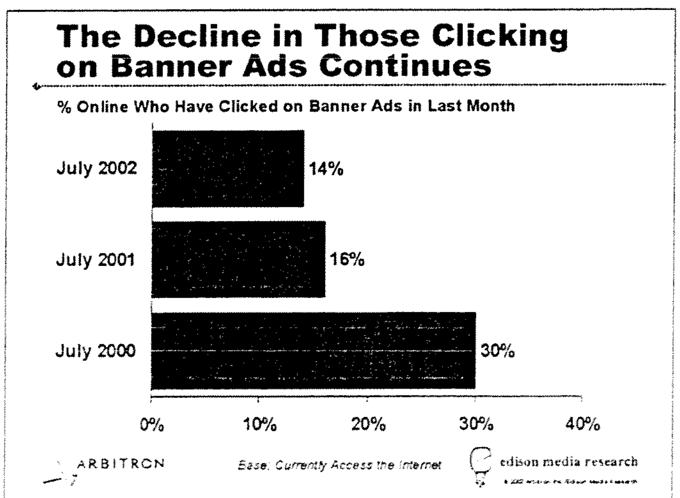
Listening to Major Streaming Audio Brands

Base: Audio Streamies

	% Familiar	% Ever Listened	% Listened Last Month	Monthly Usage as a % of Trial
WindowsMedia.com	59%	37%	17%	46%
Yahoo Radio	50%	26%	9%	35%
MSN Music	41%	21%	9%	43%
Radio@AOL	32%	19%	8%	42%
RealGuide.com	27%	16%	6%	38%
Launch.com	17%	10%	5%	50%

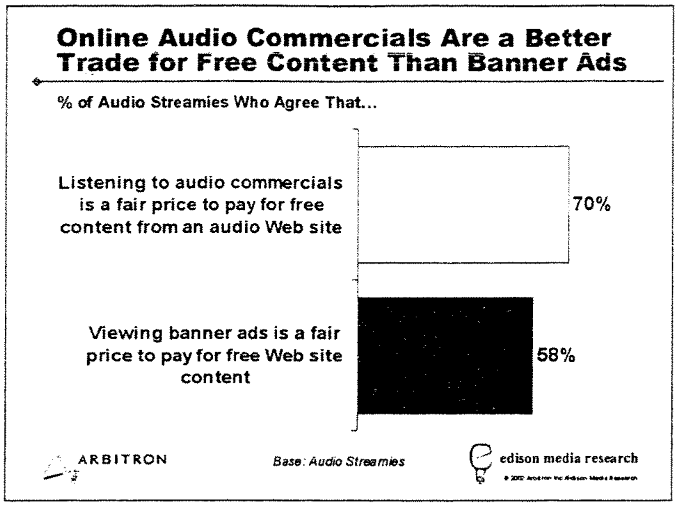
I. Subscription and Advertising

41. **The number of people online who click on Web site advertising continues to fall.** In 2000, the proportion of online consumers indicating that they had ever clicked on Web site advertising hit an all-time high of 50% before declining to 26% in July 2002. Those who clicked on any Web site advertising in the past month had dropped from 30% in July 2000 to 16% by summer 2001. As of July 2002, 14% of Internet users indicate they clicked on Web advertising in the last month.



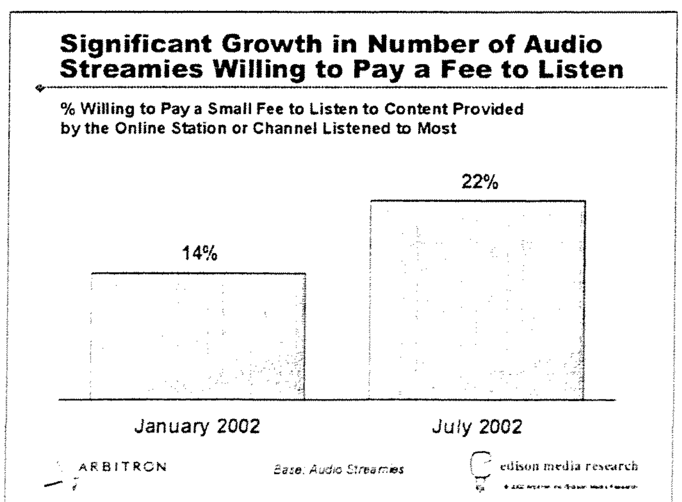
42. **Audio Streamies feel that online audio commercials are a better trade for free content than banner ads.** Fifty-eight percent of audio Streamies, and 45% of those online, agree that viewing Web site banner ads "is a fair price to pay for free content from a Web site." In a sign of possible

growing consumer irritation over Web site advertising, 30% and 35% disagree, respectively. A far higher number of audio Streamies indicate that listening to audio commercials is a fair price to pay (70%) for free Internet audio content.



43. **Awareness of Internet audio advertising has grown steadily during the past year.** In July 2001, 31% of audio Streamies had heard an audio commercial online. In July 2002, 40% had heard an online audio commercial. Two-thirds of weekly Streamies have heard an audio commercial while on the Internet while half of those that have listened online in the past month have heard an online audio commercial.

44. **An estimated 16 million consumers say they would pay a subscription fee for their favorite audio webcast.** There is growing acceptance among consumers to pay a subscription fee for online streaming content. Twenty-two percent of Internet audio Streamies (approximately 16 million consumers) say that they would be willing to pay a small fee to listen to the one audio channel they currently listen to the most over the Internet. Despite today's challenging economic climate, the proportion of audio Streamies who indicate their willingness to pay a subscription fee for online audio content has increased from 14% in January of 2002 to 22% in July 2002.



Those who stream more frequently are also more willing to pay a subscription fee than those who stream less frequently. Nearly one in three (30%) monthly audio Streamies say they would be willing to pay a subscription fee while 38% of weekly audio Streamies would be willing to do so.

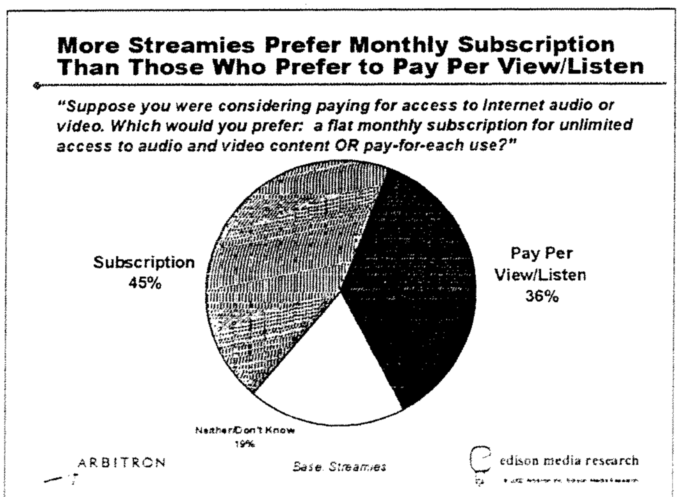
45. **The "HBO formula" of commercial-free compelling content with no commercials greatly enhances the value proposition of a streaming subscription model.** Forty-seven percent of audio Streamies say they would consider the idea of paying a small fee to listen to audio content if it offered unique programming they could not get elsewhere. Forty-two percent say they would consider streaming subscription concepts if there were no commercials and if the audio was of the highest quality.

Would Pay a Small Fee to Listen to Online Audio if...

Base: Audio Streamies

It offered content or programming you could not get elsewhere	47%
There were no commercials	42%
The audio was of the highest quality, without pausing or buffering	42%
There were noticeably fewer commercials	32%

46. **More Streamies say they prefer a monthly subscription fee than those who prefer a pay-per-view or pay-per-listen model.** Forty-five percent of Streamies say they prefer to pay a subscription fee for streaming content while 36% say they prefer a pay-per-view or pay-per-listen model. Female Streamies show equal interest in the two concepts while male Streamies tend to prefer a subscription model. Younger Streamies show a greater inclination to a flat monthly subscription model.



J. Local Media Web Sites and Marketing

47. **More online consumers rate the content of newspaper Web sites as "excellent" than radio and TV Web sites**. When asked to rate the content of newspaper, radio and TV Web sites they have visited, more online Americans said the content of newspaper sites is excellent (19%), followed by TV sites at 15% and radio station sites at 13%.

48. **Among the Web sites of major local media, newspapers have the highest trial usage, monthly visitation and conversion from trial into regular monthly visitation.** Compared with newspaper Web sites, TV Web sites have similar trial usage, monthly visitation and conversion of trial users into regular monthly visitors. Radio lags with significantly lower monthly visitation and conversion of trial into regular visitation.

Local Media Web Site Audience

Base: Currently Access the Internet

	Trial Usage	Monthly Visitation	Monthly Usage as a % of Trial
Newspapers	47%	26%	55%
TV	46%	22%	48%
Radio	41%	16%	39%

49. **More consumers recall having received e-mail from radio stations, but newspaper e-mail marketing is perceived to contain more useful information.** Twelve percent of those online recall having received an e-mail from a radio station, followed by 10% for newspapers and 6% for TV stations. When asked to rate the usefulness of the e-mail content, newspaper gets the highest marks (29% "very useful"). Seventeen percent rate TV station e-mail content as "very useful," and 15% rate radio station e-mail content as "very useful."

K. Satellite Radio

50. **Approximately 18 million Americans are "very interested" in satellite radio.** There is a strong correlation between interest in streaming media and satellite radio. Those who are "very interested" in satellite radio and audio Streamies are both highly interested in unique audio content not currently available over traditional radio. The greater the involvement with streaming, the greater the interest in satellite radio. While 8% of Americans overall indicate they are "very interested" in the satellite radio concept, 17% of weekly Streamies say they are "very interested" in satellite radio. In fact, 63% of Americans who say they are "very interested" in satellite radio have tried streaming. Therefore, streaming media is fertile ground for marketing and promoting satellite radio.

51. **Interest in satellite radio is strongest among men, younger consumers, Hispanics and African-Americans.** While 8% of Americans overall say they are "very interested" in satellite radio, African-Americans (14%) and Hispanics (12%) show greater interest in satellite radio. More men than woman are interested in satellite radio (10% "very interested" vs. 6% "very interested"). Consumers age 12-24 show greater interest (15%) than consumers age 25-54 (7%).

52. **In the past six months, XM Satellite Radio has doubled its level of awareness.** In January 2002, 17% of Americans indicated they had heard of the XM Satellite Radio service. In July 2002, 38% have now heard of XM. From January to July 2002, aided awareness for Sirius Satellite Radio increased from 8% to 11%. For both XM and Sirius, the level of awareness is twice as high among men as compared with women. Fifty-five percent of men in the U.S. are aware of XM compared to 23% of women. Sixteen percent of men are aware of Sirius compared to 7% of women.

Recommendations

1. **The streaming audience represents a huge opportunity for the recording industry.** While some in the record industry have viewed streaming as a threat, it is also an opportunity. This research shows that those who consume streaming media most frequently are also the same group that tends to buy more CDs. Streamies are far more interested in unique and compelling audio content and seek out online audio because it offers an alternative to traditional over-the-air radio. The vast majority of those who stream say they are doing so to be exposed to unique music they cannot get anywhere else. Ironically, the digital-rights fees being collected by the record labels are overwhelming the marketing channels the record company should be embracing. Actively advertising and marketing music on streaming media channels may be an important key to revenue growth for record labels.

2. **Subscription models represent a significant opportunity for streaming media.** An impressive 22% of audio Streamies indicate they would pay a small fee for the one audio channel they listen to the most. This translates into nearly 16 million potential streaming subscribers. The growth in consumer interest in subscription to content such as satellite radio and streaming media indicates an excellent subscription opportunity for business models involving unique and compelling audio content.

3. **The satellite radio and streaming media industries should work together because their consumers have common interests.** Satellite radio and streaming media have operated as totally separate business models. However, throughout this research, we see close parallels between those who are already streaming audio and video content over the Internet and those with a high degree of interest in satellite radio. In fact, 63% of all Americans who say they are "very interested" in satellite radio are those who have ever tried streaming audio or video over the Internet.

   Satellite radio companies should direct a portion of their marketing resources to advertising on streaming media. Advertising satellite radio on streaming media is like "shooting fish in a barrel." Streaming media has attracted an estimated 38 million monthly consumers who seek unique and compelling content. These are the very people that satellite radio seeks to convert into subscribers.

   There is also compelling streaming opportunity for satellite. Listeners to traditional radio stations can enjoy the content in their cars and at work. Currently, in-car listening represents 34% of all time spent with traditional radio in America. In addition, 26% of American radio time spent listening occurs at work. Satellite radio should explore opportunities to enable subscribers to take satellite radio to work with them. Satellite radio has an opportunity to promote its brand and generate revenue online by offering its content at work via streaming.

4. **Media and streaming companies should continue to develop partnerships to cater to and benefit from the growing residential broadband audience.** Nearly three in ten Americans have broadband Internet access at home, and those with broadband use streaming media much more frequently than those with dial-up access. Companies in both sectors stand to benefit from continued growth of the broadband audience, and should work together to cross-promote and provide incentives for consumers to both sign up for broadband at home and use streaming media.

5. **More than ever, streaming media needs to develop unique and compelling content of its own.** The key to growing the audience to streaming media is unique content. Significant cable audience growth occurred when unique content began to be developed. This unique content generated growth in cable television audiences and subsequent gains in its advertising revenue. Therefore, it is urgent for the streaming media industry to focus on developing "must see" and "must hear" content that will spur consumer awareness and passion.

6. **Webcasters need to organize their industry to create a simple mass reach advertising vehicle.** Each month, approximately 40 million Americans consume Internet audio and video webcasts. This audience is highly compelling and attractive for advertisers. Streamies are upscale, well educated, affluent, interactive and more likely to shop and buy online. The streaming media advertising industry needs to develop methods to reach a significant portion of that valuable audience easily and effectively. Whether this involves cooperation between the major streaming media players through common sales representative firms or industry organizations, standards need to be set and advertiser ease of use must be achieved. The "buying power of Streamies" is well documented. Now the industry needs to facilitate the advertising marketplace.

7. **Movie studios should use streaming media to advertise and promote their new films**. Weekly Streamies have seen significantly more movies in the past three months than most Americans. Plus, 62% of video Streamies report having viewed movie trailers or previews online, making trailers and previews the number one content for video Streamies. Therefore, movie studios should promote their new films (and retail videos) by including webcasting in their media mix.

Appendix A

The Current State of Streaming

July 2002

Streamies – Those who have ever listened or watched online

83 million Americans
35% of U.S. population 12+
51% of those online
32% have broadband Internet access at home

Monthly Streamies – Those who have listened or watched online in the last month

38 million Americans
16% of U.S. population 12+
23% of those online
39% have broadband Internet access at home

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
48% have broadband Internet access at home

Appendix B

Profile of the U.S. Population, Internet Users and Streamies

	U.S. Population	Internet Users *(69% of U.S. Population)*	Total Streamies *(35% of U.S. Population)*	Last-Month Streamies *(16% of U.S. Population)*	Last-Week Streamies *(8% of U.S. Population)*
Demographics					
Men	47%*	48%	57%	62%	66%*
Women	53%	52%	43%	38%	34%
12-17	11%	14%	18%	19%	15%
18-24	11%	12%	15%	17%	20%
25-34	16%	17%	22%	24%	26%
35-44	19%	21%	21%	19%	21%
45-54	18%	20%	16%	15%	14%
55-64	12%	10%	6%	5%	4%
65+	13%	6%	2%	1%	1%
Employed part/full time	57%	65%	66%	67%	68%
Retired	16%	9%	5%	3%	2%
Student	12%	16%	19%	20%	22%
Homemaker	8%	6%	4%	3%	3%
Unemployed	5%	4%	5%	5%	4%
$50K+ HH income	38%	47%	52%	55%	57%
White	77%	76%	74%	73%	73%
African-American	8%	8%	8%	7%	7%
Hispanic/Latino	9%	8%	10%	11%	9%
Media time spent per day					
TV	3:10	2:53	2:56	2:52	2:46
Radio	2:43	2:40	2:44	2:53	2:50
Newspaper	:37	:34	:30	:28	:29
Internet	:58	1:19	1:50	2:25	2:44
Total media time spent	7:28	7:26	8:00	8:38	8:49

***How to read:** Forty-seven percent (47%) of the U.S. population age 12 and older are male vs. 66% of those who have streamed in the past week.

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Profile of the U.S. Population, Internet Users and Streamies (continued)

	U.S. Population	Internet Users *(69% of U.S. Population)*	Total Streamies *(35% of U.S. Population)*	Last-Month Streamies *(16% of U.S. Population)*	Last-Week Streamies *(8% of U.S. Population)*
Share of daily media time spent					
TV	43%	39%	37%	35%	31%
Radio	36%	36%	34%	34%	32%
Newspaper	8%	7%	6%	5%	6%
Internet	13%	18%	23%	28%	31%
% that say the Internet...					
is most cool and exciting	34%	45%	56%	64%	67%
is medium used to first learn about new music	11%	15%	22%	28%	33%
is medium using more lately	25%	33%	44%	57%	64%
has ads that allow you to quickly make a purchase	31%	40%	48%	51%	53%
At-home Internet connection					
Broadband	-	28%	32%	39%	48%
Dial-up	-	70%	66%	59%	51%
Plan to get broadband at home in next 12 months		19%	22%	25%	25%
Internet usage					
Used Internet in the last week	-	78%	89%	95%	98%
Weekly time spent online	-	8:23	11:05	14:05	16:25
Clicked on Web site advertising...					
ever	-	26%	37%	41%	46%
last month	-	14%	22%	30%	34%
last week	-	8%	12%	17%	23%

Profile of the U.S. Population, Internet Users and Streamies (continued)

	U.S. Population	Internet Users (69% of U.S. Population)	Total Streamies (35% of U.S. Population)	Last-Month Streamies (16% of U.S. Population)	Last-Week Streamies (8% of U.S. Population)
Online buying habits					
Ever purchased online	-	55%	68%	74%	78%
Purchased online last month	-	25%	34%	43%	49%
Purchased online last week	-	11%	15%	21%	24%
Average amount spent online in last 12 months	-	$596	$677	$815	$882
Total CDs purchased in last 12 months	13.0	13.0	15.0	18.0	21.0
Total CDs purchased online in last 12 months	-	6.0	6.2	6.5	7.7
Streaming behavior					
Familiar with...					
Radio@AOL	-	21%	29%	33%	34%
MSN Music	-	30%	39%	44%	44%
Yahoo Radio	-	38%	47%	55%	57%
Real.com/RealGuide.com	-	16%	25%	31%	36%
Launch.com	-	11%	17%	23%	28%
WindowsMedia.com	-	43%	58%	65%	64%
Ever listened to...					
Radio@AOL	-	8%	16%	20%	18%
MSN Music	-	9%	18%	21%	21%
Yahoo Radio	-	11%	22%	28%	31%
Real.com/RealGuide.com	-	7%	13%	18%	20%
Launch.com	-	4%	8%	12%	14%
WindowsMedia.com	-	16%	31%	41%	42%

Profile of the U.S. Population, Internet Users and Streamies (continued)

	U.S. Population	Internet Users (69% of U.S. Population)	Total Streamies (35% of U.S. Population)	Last-Month Streamies (16% of U.S. Population)	Last-Week Streamies (8% of U.S. Population)
% willing to pay a small fee to listen to one audio channel listened to most over the Internet	-	-	22%	30%	38%
Heard audio commercial online	-	-	40%	52%	62%
Saw video commercial online	-	-	18%	21%	27%
Currently pay Web site subscription fees	-	1.7%	2.3%	3.9%	5.5%
Satellite radio					
Ever heard of XM Satellite Radio	38%	43%	57%	64%	63%
Ever heard of Sirius Satellite Radio	11%	12%	16%	18%	21%
% "very interested" in satellite radio	8%	10%	14%	16%	17%

Appendix C

Broadband vs. Dial-Up Connection Comparison

	People with Residential Broadband Access (16% of U.S. Population)	People with Dial-Up Home Internet Access (40% of U.S. Population)
Demographics		
Men	59%*	47%*
Women	41%	53%
12-17	17%	13%
18-24	13%	11%
25-34	15%	18%
35-44	20%	23%
45-54	22%	20%
55-64	9%	11%
65+	4%	6%
$50K+ HH income	59%	48%
Media time spent per day		
TV	2:35	2:47
Radio	2:19	2:43
Newspaper	:35	:35
Internet	2:00	1:17
Total media time spent	7:29	7:22
Share of daily media time spent		
TV	35%	37%
Radio	31%	37%
Newspaper	8%	8%
Internet	26%	18%
Weekly time spent online	11:37	8:25

***How to read:** Fifty-nine percent (59%) of those with broadband access at home are male vs. 47% of those with dial-up access.

Broadband vs. Dial-Up Connection Comparison (continued)

	People with Residential Broadband Access *(16% of U.S. Population)*	**People with Dial-Up Home Internet Access** *(40% of U.S. Population)*
% that say the Internet...		
is most cool and exciting	60%	45%
is medium used to first learn about new music	24%	14%
is medium using more lately	51%	33%
has advertisements that allow you to quickly make a purchase	47%	40%
Subscribe to cable TV	81%	65%
Subscribe to satellite TV	18%	22%
Average number of working PCs at home	2.0	1.5
Clicked on Web site advertising...		
ever	35%	26%
last month	21%	14%
last week	12%	8%
Online buying habits		
Ever purchased online	68%	58%
Purchased online last month	37%	27%
Purchased online last week	18%	10%
Average amount spent online in last 12 months	$825	$526

Broadband vs. Dial-Up Connection Comparison (continued)

	People with Residential Broadband Access (16% of U.S. Population)	People with Dial-Up Home Internet Access (40% of U.S. Population)
Online listening habits		
Listened to radio stations online last month	18%	12%
Listened to radio stations online last week	7%	5%
Have ever listened online to...		
music	62%	49%
MP3 files you have downloaded	48%	30%
radio stations	36%	31%
news reports	34%	25%
music that's not available from local radio	37%	26%
news and information you cannot get on local radio	34%	26%
radio stations in the U.S. but outside your local area	26%	19%
previously aired programming you want to hear again	25%	15%
sports play-by-play	16%	11%
the radio station you currently listen to most	16%	12%
radio stations from other countries	12%	7%
other radio stations in your local area	14%	11%
talk shows	9%	5%
Of radio stations normally listened to online, which listened to most...		
Radio stations from your local area	39%	51%
Radio stations from other parts of the U.S.	47%	40%
Radio stations from other countries	11%	6%

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Broadband vs. Dial-Up Connection Comparison (continued)

	People with Residential Broadband Access *(16% of U.S. Population)*	**People with Dial-Up Home Internet Access** *(40% of U.S. Population)*
Listened to audio from Internet-only sources...		
ever	27%	18%
last month	14%	7%
last week	7%	3%
Online viewing habits		
Watched video over the Internet...		
ever	43%	24%
last month	23%	10%
last week	14%	4%
Online commercials		
Ever heard audio commercial online	43%	40%
Ever saw video commercial online	23%	15%
Satellite radio		
Ever heard of XM Satellite Radio	52%	42%
Ever heard of Sirius Satellite Radio	14%	12%
% "very interested" in satellite radio	11%	9%

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. Arbitron debuted the world's first webcast ratings in October 1999. Today, the company publishes Arbitron Webcast Ratings℠ every month, which include the top 75 measured stations and channels and the top 25 measured networks. Arbitron also has presented an overview of streaming media called "Webcasting 101" to more than 250 advertising agencies about the value of webcast advertising. All of Arbitron's studies can be found on the company's Web site at 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 has been cited by *Advertising Age* as the fastest growing company among their list of Top 100 market research companies in their past five annual listings. Edison Media Research works with many of the largest radio ownership groups, including Entercom, ABC Radio, Infinity, Emmis Communications and Westwood One, and also conducts strategic and perceptual research for a broad array of companies including AOL/Time Warner, CNN, Yahoo!, CBS, The Golf Channel, Court TV, Maverick Records, The Cleveland Cavaliers, Princeton University, Northwestern University, Sony Music, The Blackstone 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. 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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