The Infinite Dial 2007: Radio's Digital Platforms

Online, Satellite, HD Radio™ and Podcasting

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Overview

We are pleased to present our new Arbitron/Edison Media Research study, *The Infinite Dial 2007: Radio's Digital Platforms*. In this report, we continue to explore the world of radio, as it stands in 2007 and continues to take on new forms, in particular, an increasing number of digital platforms, such as online, satellite, HD Radio® and podcasting.

Digital Radio Revolution

Developments in technology have dramatically broadened the choices available to consumers for all media, including audio programming. By the late 1990s, consumers had the newfound ability to listen to audio "streamed" over the Internet, and two new radio satellite services were born.

Digital radio has continued to evolve with the advent of podcasting (audio programming on demand for playback on iPod®/MP3 players) and HD Digital Radio (superior sound quality and additional, digital frequencies along the AM and FM dials).

In the past, "radio" was limited solely to what was available on the AM/FM dial. Today radio choices for consumers appear to have no bounds. That is why we call radio's new digital platforms "The Infinite Dial." One can now "tune" to a boundless number of options for "radio."

Radio with No Limits

Arbitron and Edison Media Research have been tracking the growth of radio in its new forms since 1998. In this report, we update the trends for the more established digital radio platforms, such as Internet streaming and satellite radio, and take a look at the newer worlds of podcasting and HD Radio. We profile the audiences of these new kinds of radio and the implications for advertisers and media planners.

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 17 to February 18, 2007, telephone interviews were conducted with respondents age 12 and older chosen at random from a national sample of Arbitron's Fall 2006 survey diarykeepers. In certain geographic areas (representing four percent 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

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

Audio podcast: The concept of downloading various types of longer-form online audio programs, in the form of digital files you can listen to at any time you choose. Audio podcasting does not refer to the downloading of individual MP3s or songs. Audio podcasting *does* refer to the download of program-oriented online audio (such as a talk show or a hosted music program), usually as an automatic download that can be listened to at the user's convenience.

Significant Highlights

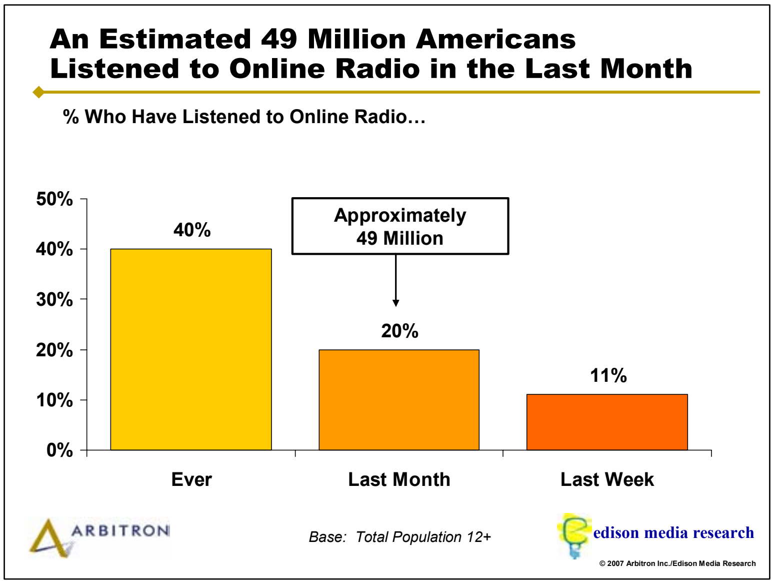
- **The weekly online radio audience remains steady over the past year at an estimated 29 million.** Eleven percent of the U.S. population age 12+ has listened to online radio in the past week (compared to 12 percent in 2006).
- **Sixteen percent of persons age 18-34 have listened to online radio in the past week.** Online radio also reaches 14 percent of adults 18-49 in an average week.
- **Awareness of both satellite radio companies is essentially flat in the past year at around 60 percent.** In the year that followed Howard Stern's announcement that he was moving from FM radio to SIRIUS Satellite Radio, SIRIUS experienced a huge increase in awareness. In the two years since that time, SIRIUS (as well as XM) has experienced only a marginal increase in awareness. Sixty percent are familiar with SIRIUS, while 64 percent are aware of XM.
- **Satellite radio subscribers are much more likely to live in $100,000+ households.** To date, satellite radio has continued to attract an upscale audience; nearly one in four (24 percent) subscribers have an annual household income of $100,000 or more, compared to 15 percent nationally.
- **While awareness of podcasting is up significantly, usage of audio podcasting is only up slightly.** Awareness of podcasting has jumped from 22 percent in 2006 to 37 percent in 2007. In that time, those having ever listened to an audio podcast have risen from 11 percent to 13 percent.
- **Podcasting attracts a youthful audience.** One out of six who have ever listened to an audio podcast are 12-17 years old, and more than half (52 percent) are under the age of 35.
- **Awareness in HD Radio has nearly doubled in the last year but greater awareness has not yet translated into high interest.** Awareness of HD Radio jumped from 14 percent in January 2006 to 26 percent in January 2007. However, increased awareness in HD Radio has not yet translated into high interest. In January 2007, only six percent said they were "very" interested in HD Radio.
- **iPod/Portable MP3 player ownership continues to rise**. Thirty percent report owning either an iPod or other portable MP3 player, which is up from 22 percent in 2006. More than half (54 percent) of those age 12-17 own a digital audio player.
- **Fewer than one in ten report less over-the-air radio listening specifically due to time spent with their iPod/portable MP3 player.** While 70 percent of Americans age 12 and older do not own an iPod/portable MP3 player, and an additional 15 percent report the device has had no impact on radio listening, nine percent say they are listening less to over-the-air radio. On the other hand, five percent report spending more time listening to over-the-air radio due to time spent with their iPod/portable MP3 player. Radio sees the most impact on listening from iPod/digital audio player owners age 12-24.
- **The cell phone and AM/FM radio are the two audio devices/platforms that have the most reported far-reaching impact.** Nearly three-quarters (74 percent) own a cell phone, and 35 percent of Americans age 12 and older say the device has had a "big impact" on their lives; 94 percent ever listen to AM/FM radio on a weekly basis, with 19 percent of all respondents saying AM/FM radio has had a "big impact" on their lives.

- **Among users of various audio platforms/devices, the cell phone and the iPod show a higher percentage saying the devices have had a "big impact" on their lives.** Forty-four percent of cell phone owners say the device has had a "big impact" on their lives. One in four iPod owners say the digital audio player has had a "big impact" on their lives.
- **People who listen to digital radio platforms do not spend less time listening to AM/FM radio.** Among all persons 12 and older who participated in the study, the average time spent listening per day to AM/FM radio was 2 hours, 37 minutes compared with 2 hours, 45 minutes a day among those who use radio's new digital platforms (listened to online radio in the last month, or subscribe to satellite radio, or have ever listened to an audio podcast).

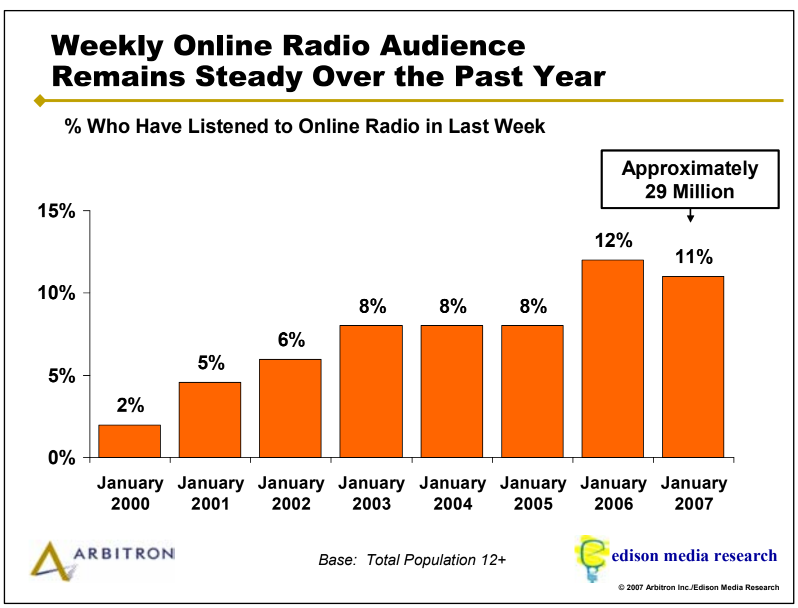
Key Findings

A. Online Radio

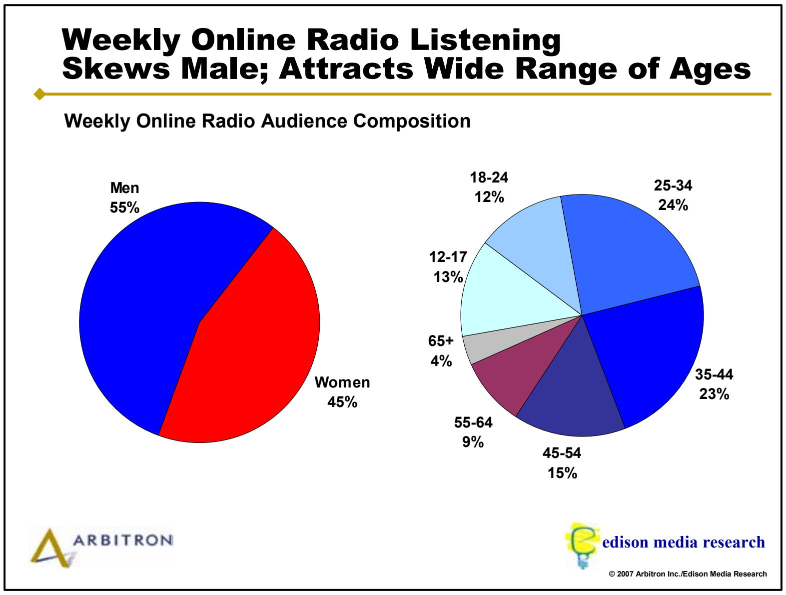
1. **One in five have listened to online radio in the last month**. Twenty percent of the U.S. population age 12 and older have listened to online radio in the last month. The estimated monthly audience for online radio is approximately 49 million.



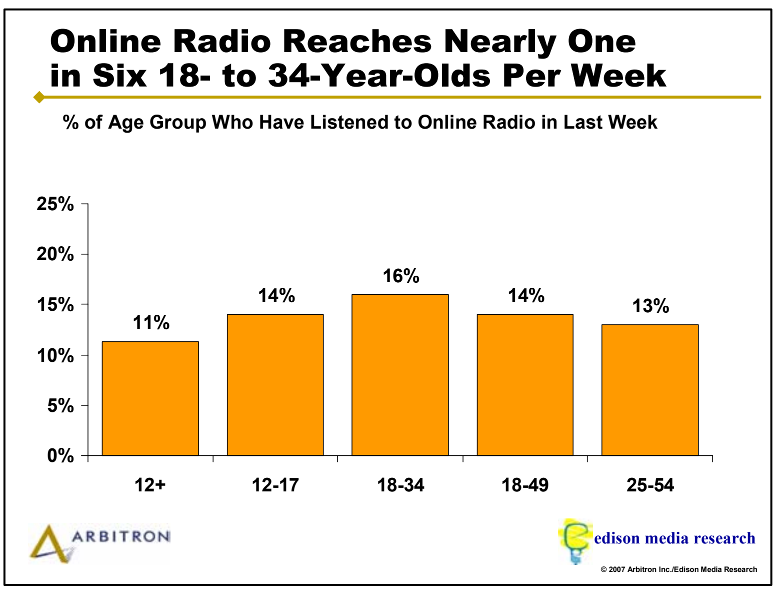
2. **The weekly online radio audience remains steady over the past year at an estimated 29 million.** Online radio saw a dramatic increase in numbers of weekly listeners from 2005 (8 percent) to 2006 (12 percent), and in 2007 we see a steady 11 percent of the U.S. population age 12+ who report listening to online radio in the last week.



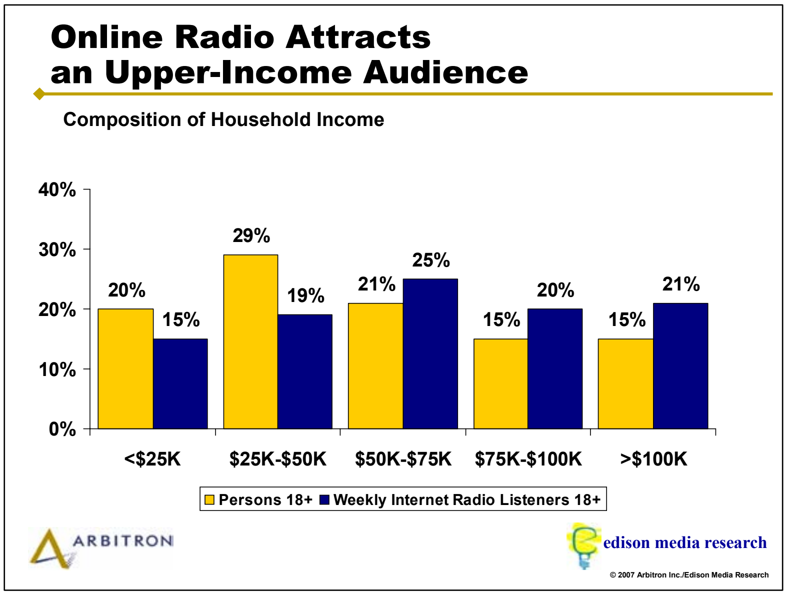
3. **The weekly online radio audience skews male and attracts young adults.** Fifty-five percent of weekly online radio listeners are men. The weekly audience delivers a high concentration of young adults, with 36 percent of listeners between the ages of 18 and 34.



4. **Nearly one in six 18- to 34-year-olds listened to online radio in the last week.** Sixteen percent of Americans age 18-34 are weekly online radio listeners. Online radio delivers 14 percent of persons in the prime 18-49 radio buying demo.

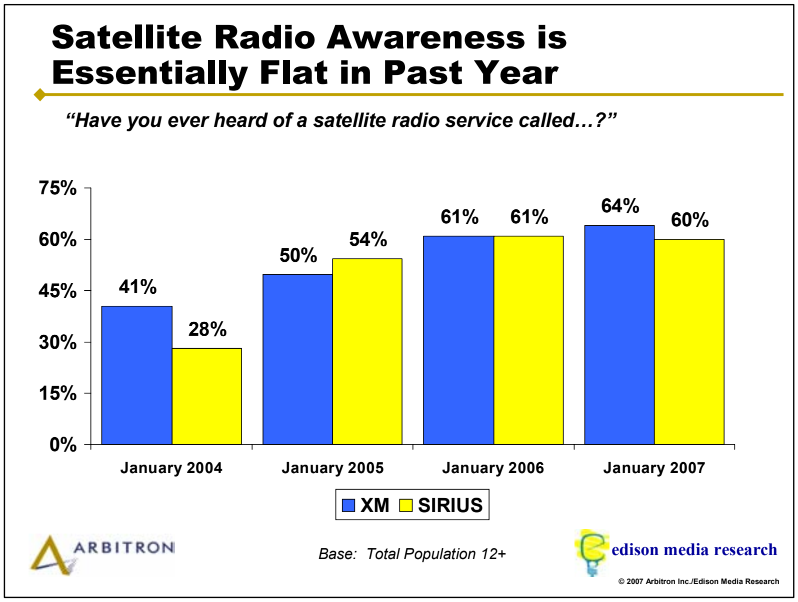


5. **Online radio attracts an upper-income audience.** Weekly online radio listeners are 40 percent more likely to live in a household with an annual income of $100,000 or higher, when compared to the general U.S. population age 18 and older.

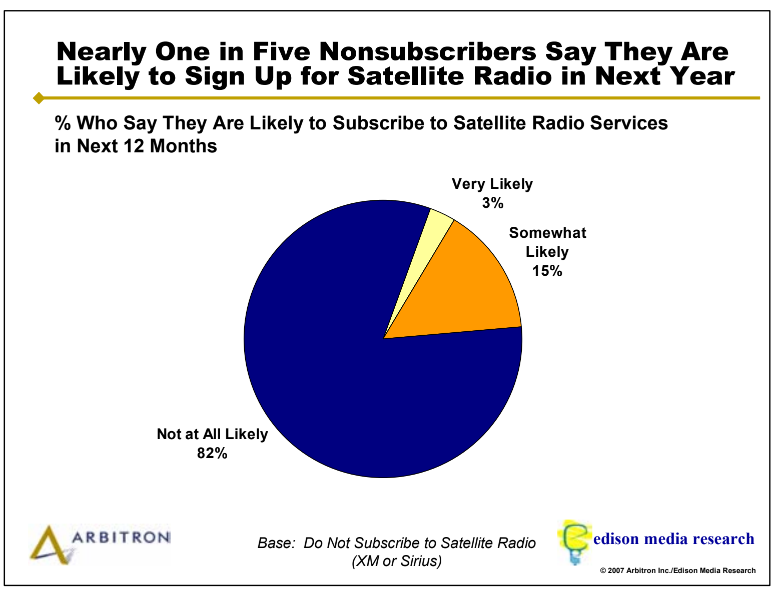


B. Satellite Radio

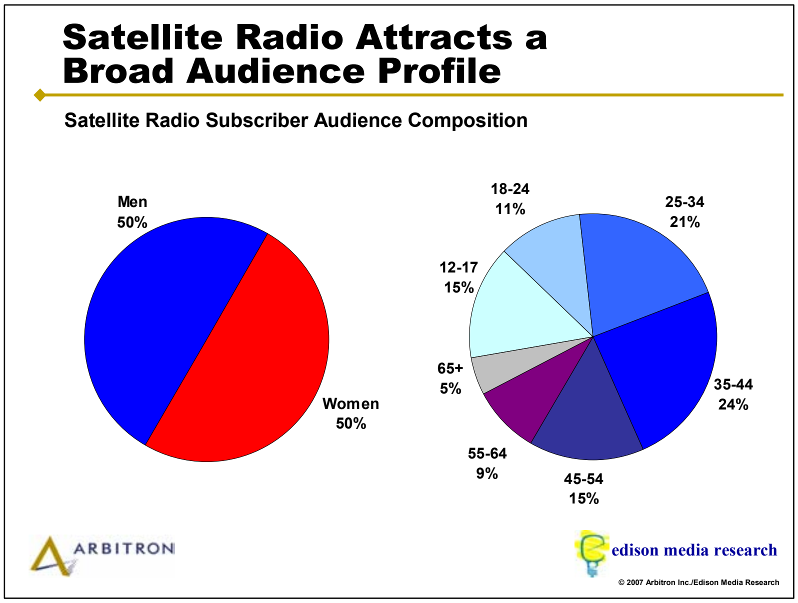
6. **Awareness of both satellite radio companies is essentially flat in the past year at around 60 percent**. In the year that followed Howard Stern's announcement that he was moving from FM radio to SIRIUS Satellite Radio, SIRIUS experienced a huge increase in awareness. In the two years since that time, SIRIUS (as well as XM) has experienced only a marginal increase in awareness. Sixty percent are familiar with SIRIUS, while 64 percent are aware of XM.



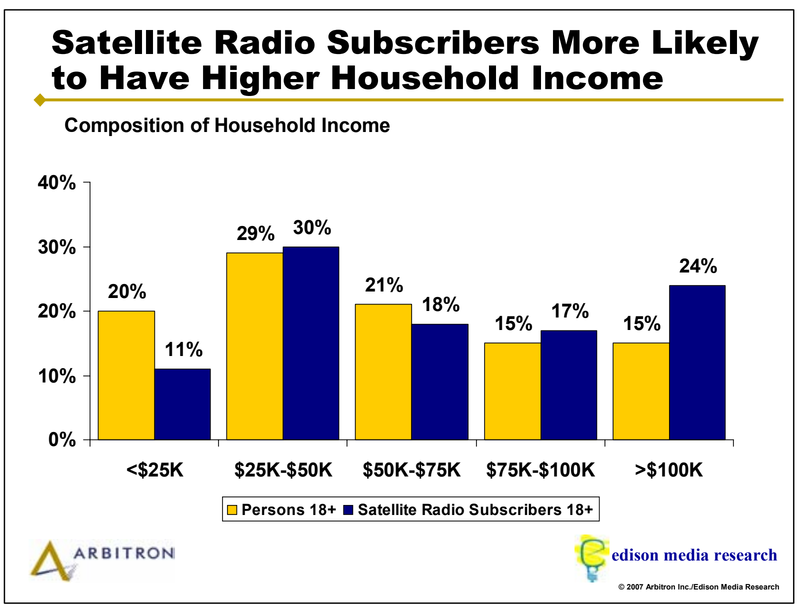
7. **Eighteen percent of those who do not currently subscribe to satellite radio (XM or SIRIUS) say they are likely to subscribe in the next 12 months.** This figure is unchanged in the last year. Only three percent of nonsubscribers to satellite radio say they are "very likely" to subscribe in the next 12 months.



8. **Satellite radio attracts a broad audience profile.** The satellite radio audience more closely mirrors the age and gender profile of the average American than audiences of other digital forms of radio. Equal numbers of men and women report subscribing to satellite radio, and 14 percent are age 55 and older.

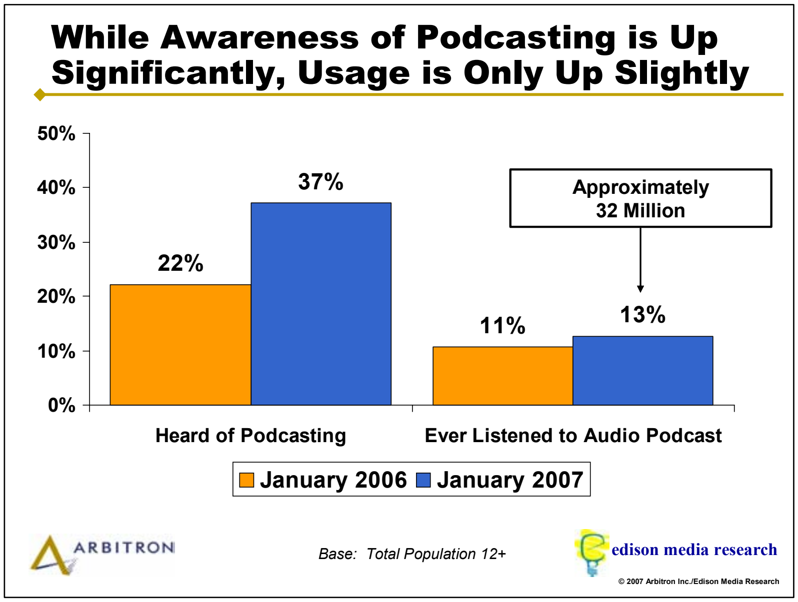


9. **Satellite radio subscribers are much more likely to live in $100,000+ households.** To date, satellite radio has continued to attract an upscale audience; nearly one in four (24 percent) subscribers have an annual household income of $100,000 or more, compared to 15 percent nationally.

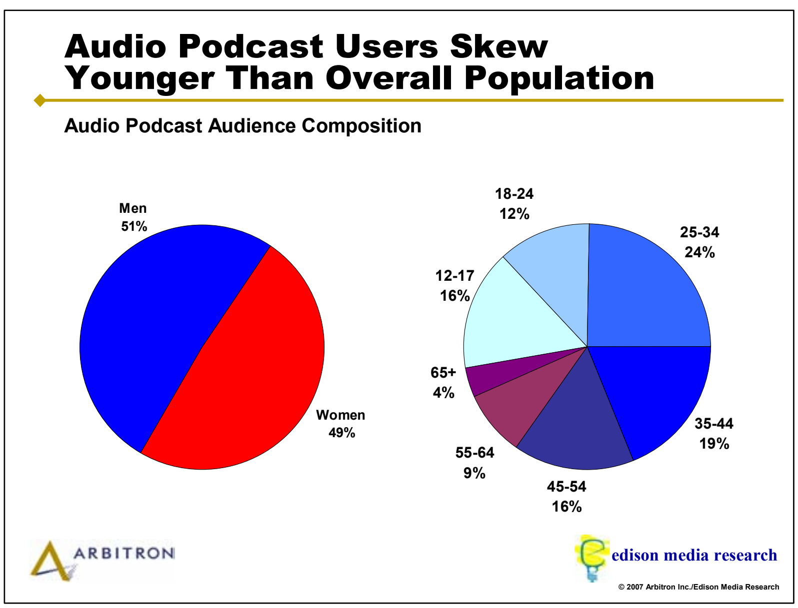


C. Podcasting

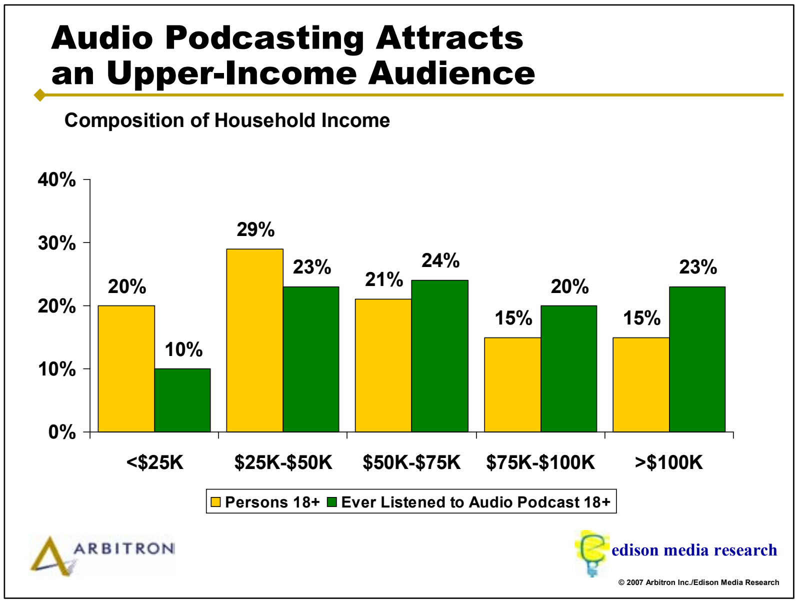
10. Although awareness of podcasting is up significantly, usage of audio podcasting is only up slightly. Awareness of podcasting has jumped from 22 percent in 2006 to 37 percent in 2007. In that time, those having ever listened to an audio podcast are up to 13 percent from 11 percent, which is an estimated 32 million Americans age 12 and older who have already tried this new form of radio.



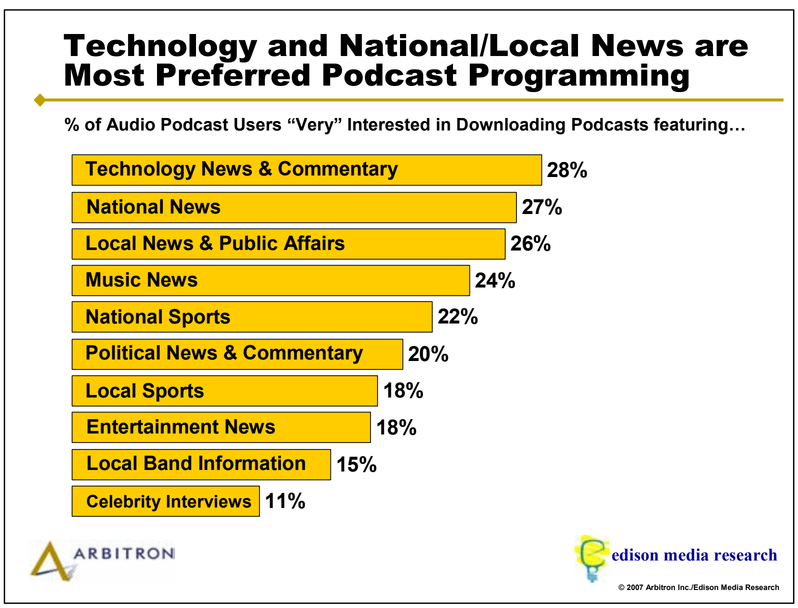
11. Podcasting attracts a youthful audience. One out of six who have ever listened to an audio podcast are 12-17 years old, and more than half (52 percent) are under the age of 35.



12. **Upper-income Americans are also more likely to have tried an audio podcast.** Typical of these digital forms of radio, podcasting attracts a higher concentration of upper-income households, with 23 percent earning more than $100,000 per year compared to 15 percent nationally.

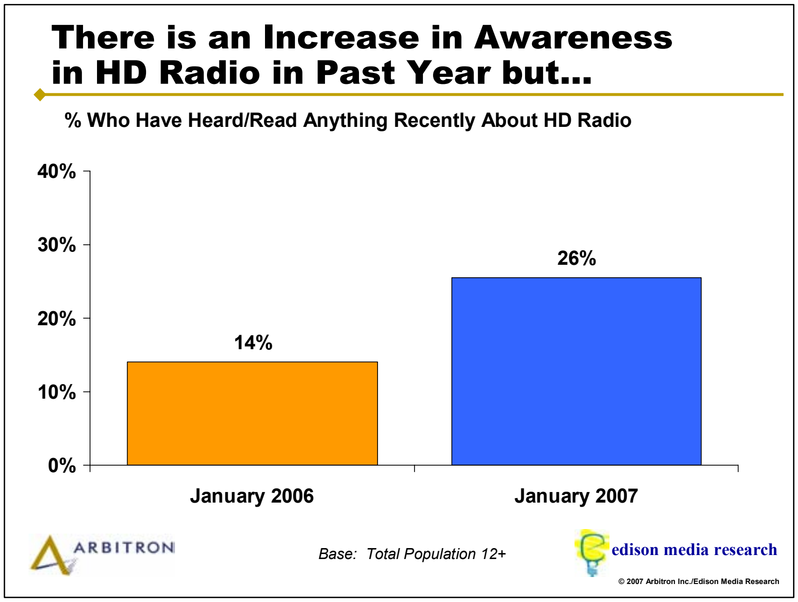


13. **Audio podcast users are most interested in technology news/commentary, national news and local news.** Twenty-eight percent of audio podcast users said they were "very" interested in downloading podcasts on technology, followed closely by national news (27 percent), and local news/public affairs (26 percent).

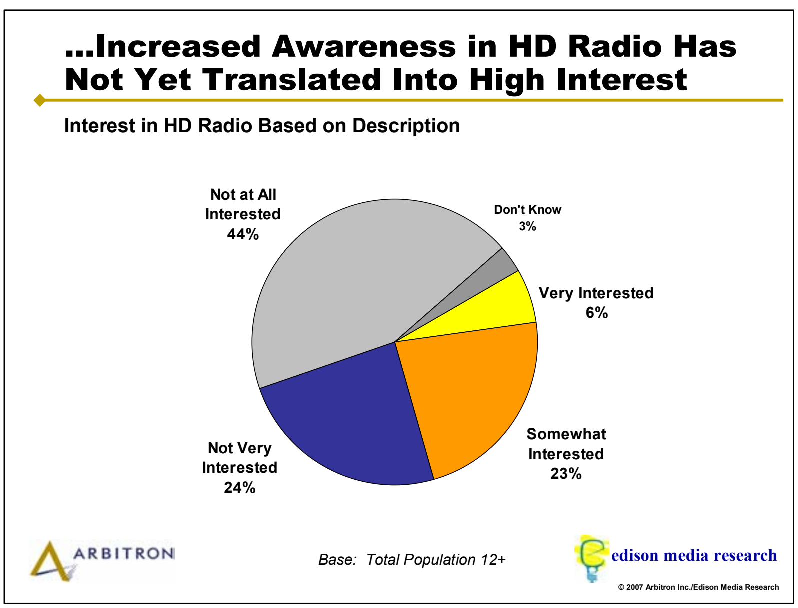


D. HD Radio

14. **There is increased awareness of HD Radio in the last year.** In January 2006, 14 percent said they had heard or read anything recently about HD Radio. This has nearly doubled in the last year, with 26 percent reporting having heard or read about HD Radio in January 2007.

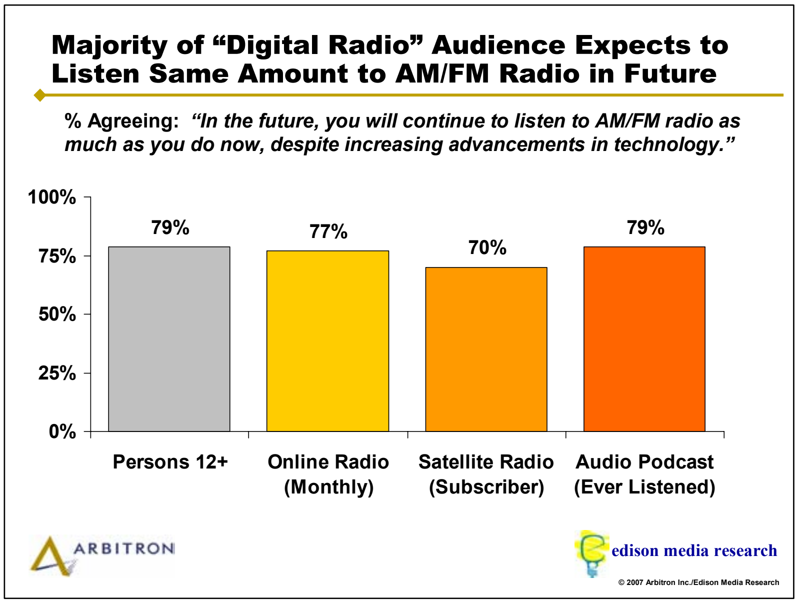


15. **Awareness in HD Radio has nearly doubled in the last year but greater awareness has not yet translated into high interest.** Awareness of HD Radio jumped from 14 percent in January 2006 to 26 percent in January 2007. However, increased awareness in HD Radio has not yet translated into high interest. In January 2007, only six percent said they were "very" interested in HD Radio.



E. AM/FM Radio

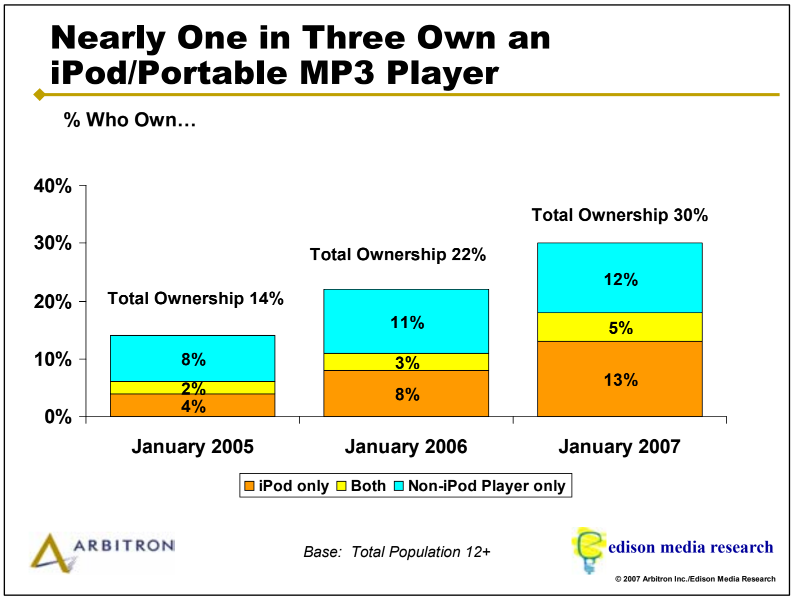
16. **The majority of the "digital radio" audience predicts they will continue listening the same amount to AM/FM radio.** Seventy-nine percent said they expect to listen to AM/FM radio as much as they do now despite increasing advancements in technology. The same holds true for online radio listeners and those who have tried audio podcasting. Satellite radio subscribers showed slightly less dedication to traditional broadcasting, with 70 percent saying they plan to continue listening to the same amount of AM/FM radio.



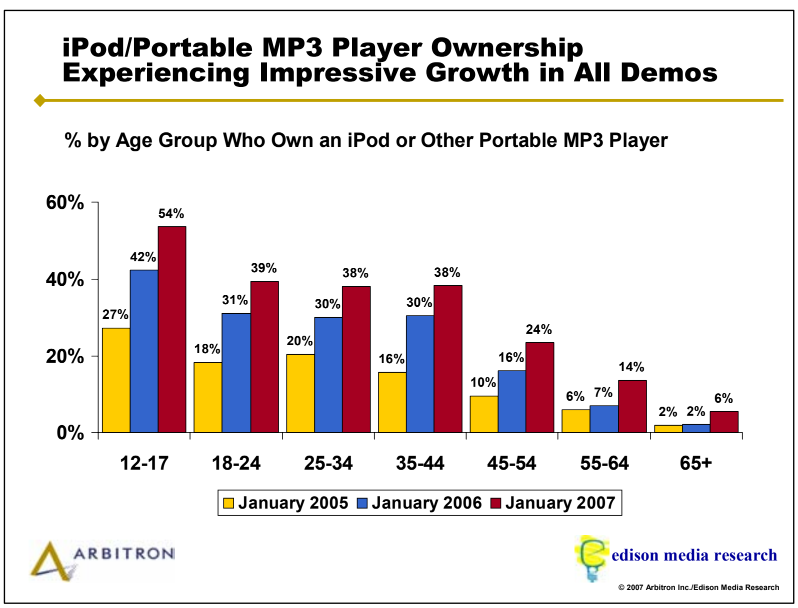
17. **Contrary to commonly held beliefs, people who listen to digital radio platforms do not spend less time listening to AM/FM radio.** Some industry insiders assume that people who use new digital platforms listen less to AM/FM radio. Once again, we find that people who use digital radio platforms do NOT listen less to AM/FM radio. Among respondents in our study, the average time spent listening per day to AM/FM radio was 2 hours, 37 minutes compared with 2 hours, 45 minutes a day among those who use radio's new digital platforms (listened to online radio in the last month, or subscribe to satellite radio, or have ever listened to an audio podcast). Despite the growth reported in alternatives, such as the iPod, online radio and satellite radio, the time spent listening to AM/FM radio by users of digital radio platforms has not changed versus a year ago.

F. Digital Audio

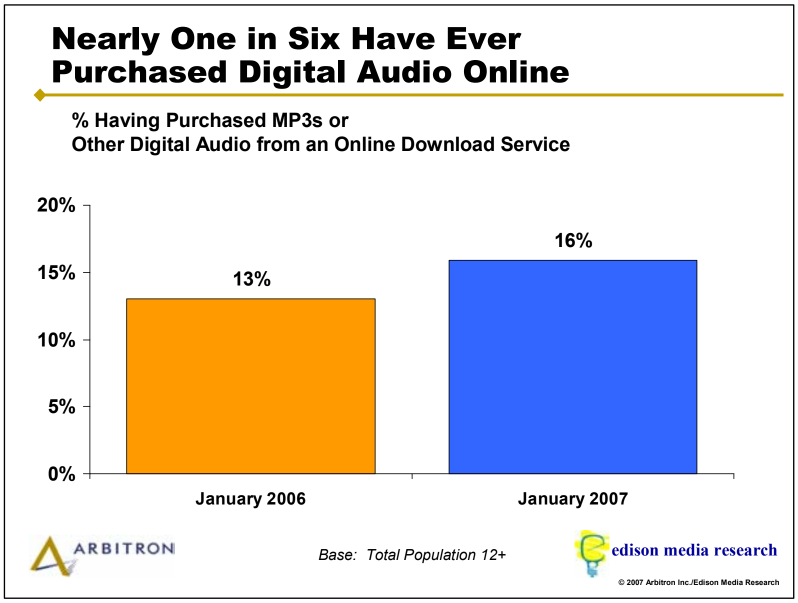
18. Nearly one in three Americans currently own an iPod or other portable MP3 player. Thirty percent of consumers age 12 and over own an iPod or other brand of portable MP3 player; this is more than a one-third increase in the last year (compared to 22 percent ownership in January 2006).



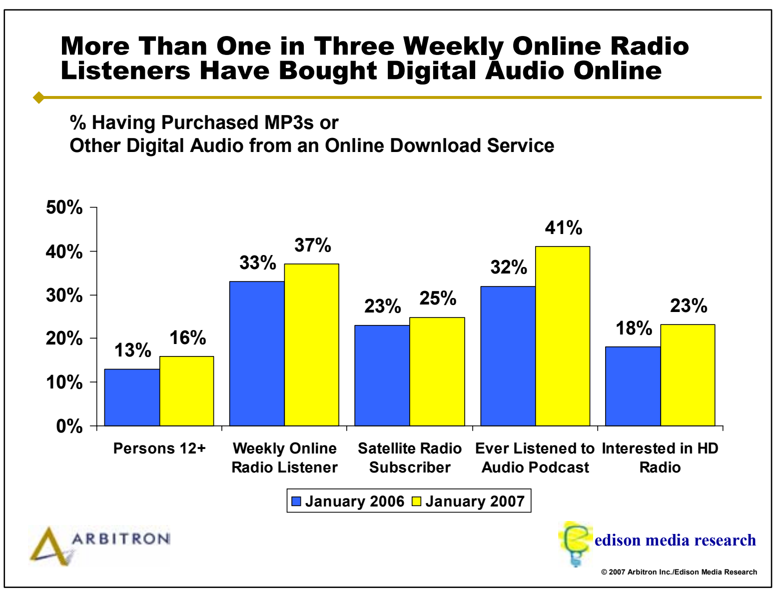
19. More than half of teenagers own an iPod or other portable MP3 player. Fifty-four percent of respondents age 12-17, and nearly four in ten adults age 18-34 currently own an iPod or other portable MP3 player.



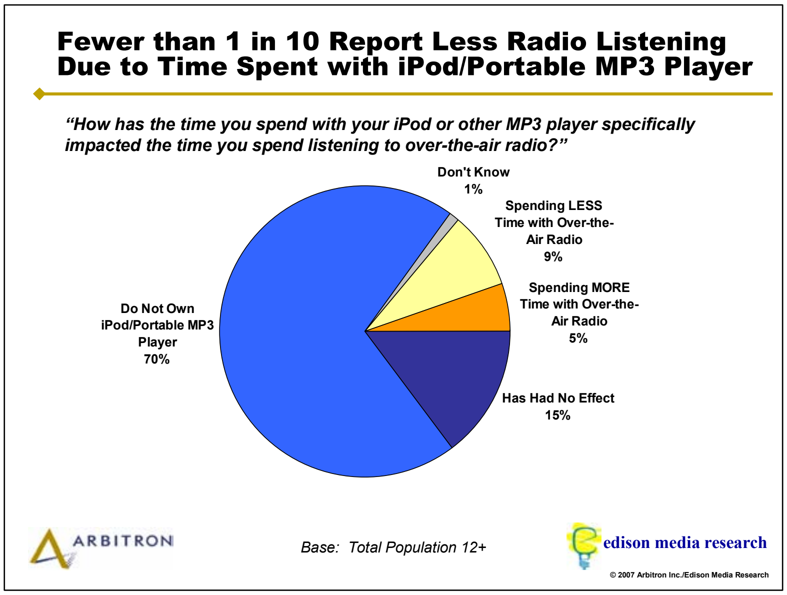
20. **The number of online digital audio downloaders has grown nearly 25 percent in the last year.** Sixteen percent have ever purchased MP3s or digital audio over the Internet, up from 13 percent in January 2006.



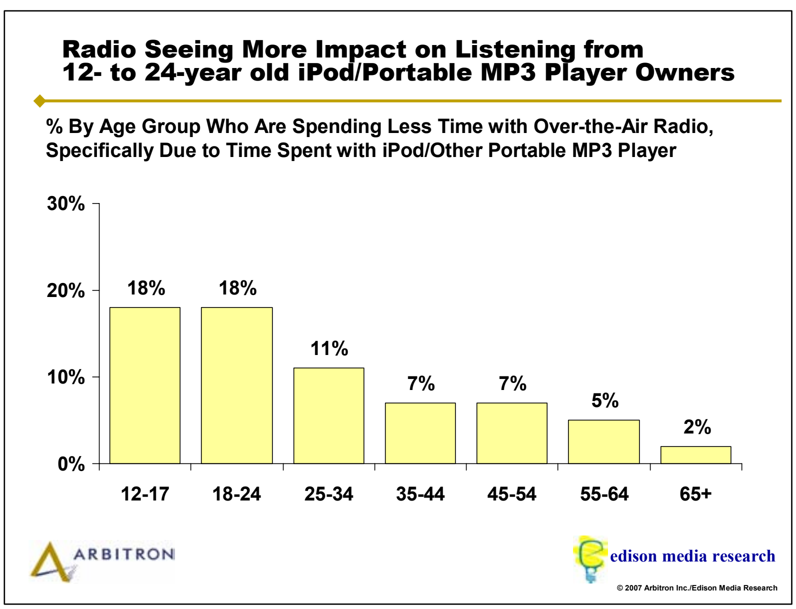
21. **More than one-third of weekly online radio listeners have purchased audio from an online audio download store.** Those who listen to online radio platforms, such as online radio or podcasting, are much more likely to have purchased downloadable music than the average American.



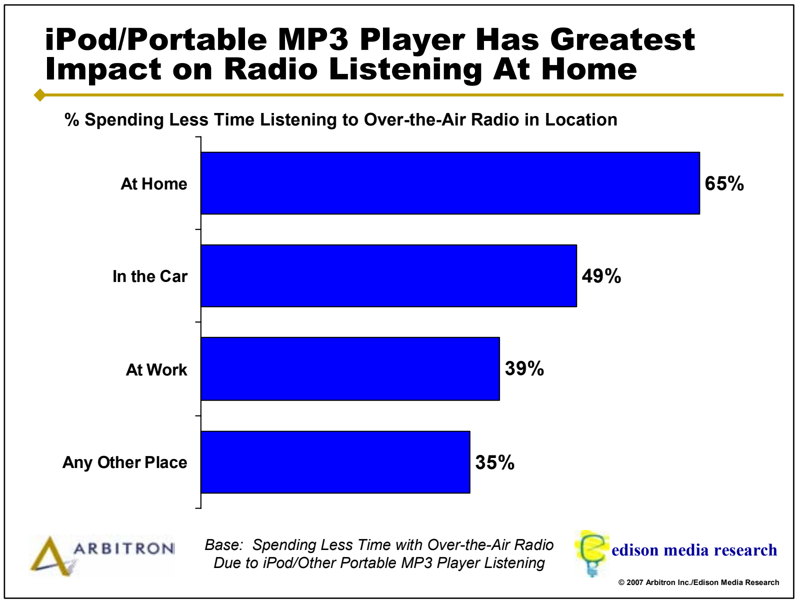
22. **Fewer than 10 percent report less time with over-the-air radio specifically due to time spent with their iPod/portable MP3 player.** Although 70 percent of Americans age 12 and older do not own an iPod/portable MP3 player, and an additional 15 percent report the device has had no impact on radio listening, nine percent say they are listening less to over-the-air radio. On the other hand, five percent report spending more time listening to over-the-air radio due to time spent with their iPod/portable MP3 player.



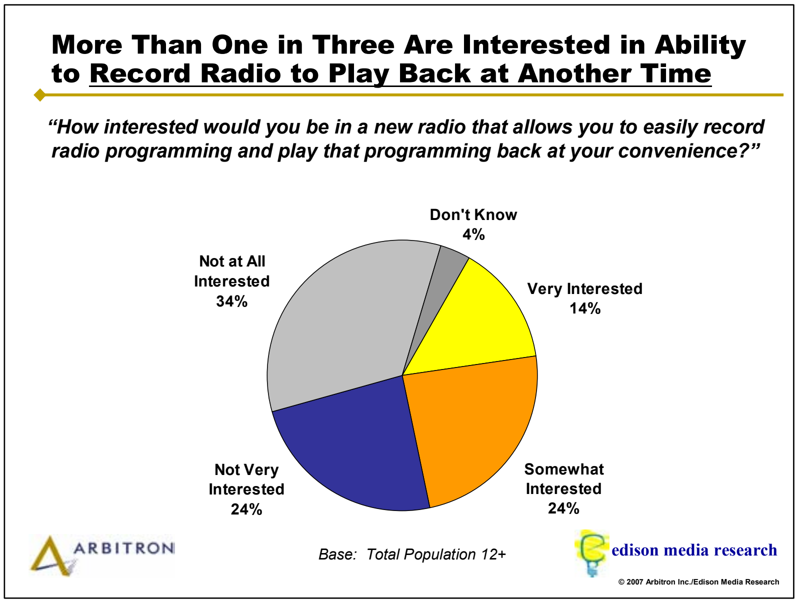
23. **Radio sees the most impact on listening from iPod/digital audio player owners age 12-24.** Among 12-17s and 18-24s, 18 percent in each age group say they are spending less time with over-the-air radio due to time spent with an iPod/portable MP3 player.

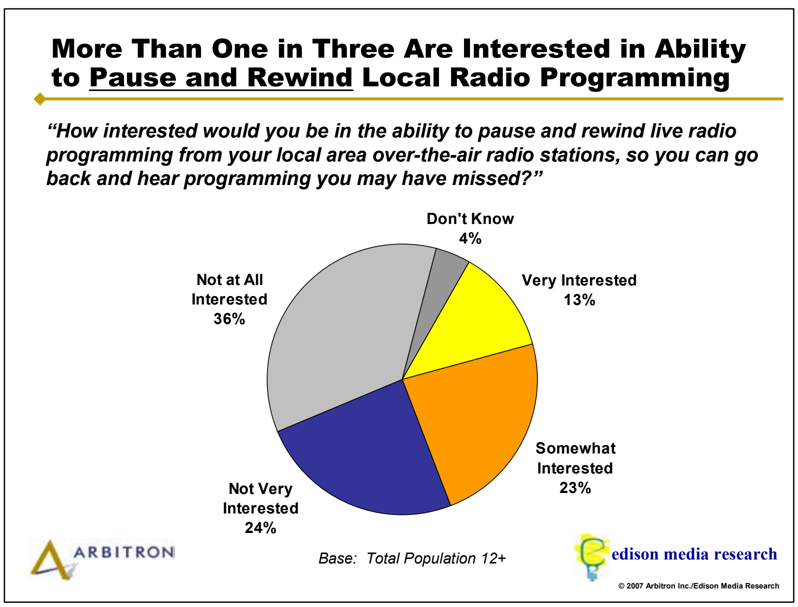


24. **iPod/Portable MP3 player usage has the greatest impact on over-the-air radio listening at home.** Among those who report spending less time listening to over-the-air radio due to time spent with their iPod/portable MP3 player, nearly two-thirds (65 percent) report less radio listening specifically at home; nearly half are listening less in the car (49 percent).

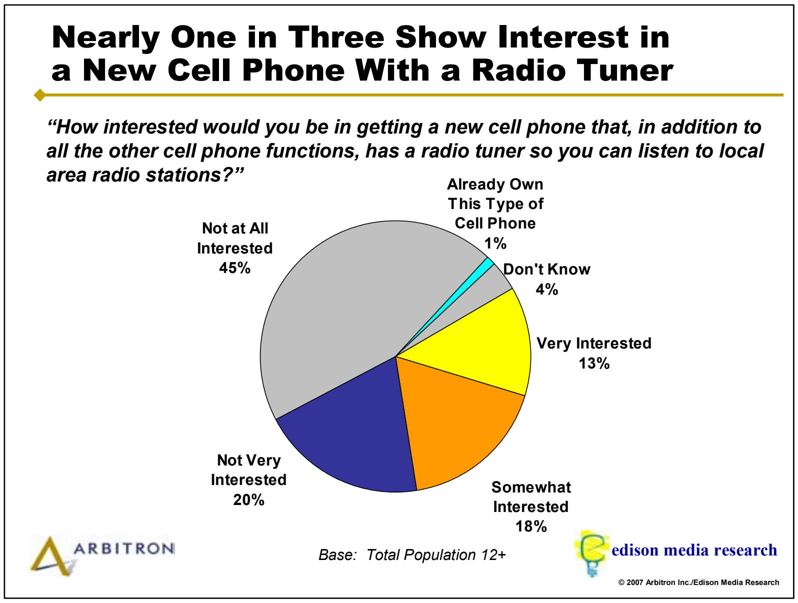


25. Nearly four in ten are interested in DVR/TiVo-like functionality for radio. Respondents were read two descriptions of alternate ways to listen to radio programming and asked their interest in each. Thirty-eight percent said they were "very/somewhat" interested in a new radio that would allow one to easily record radio programming to be played back at another time. Thirty-six percent said they were "very/somewhat" interested in the ability to pause and rewind live over-the-air radio programming in order to go back and hear something they may have missed.

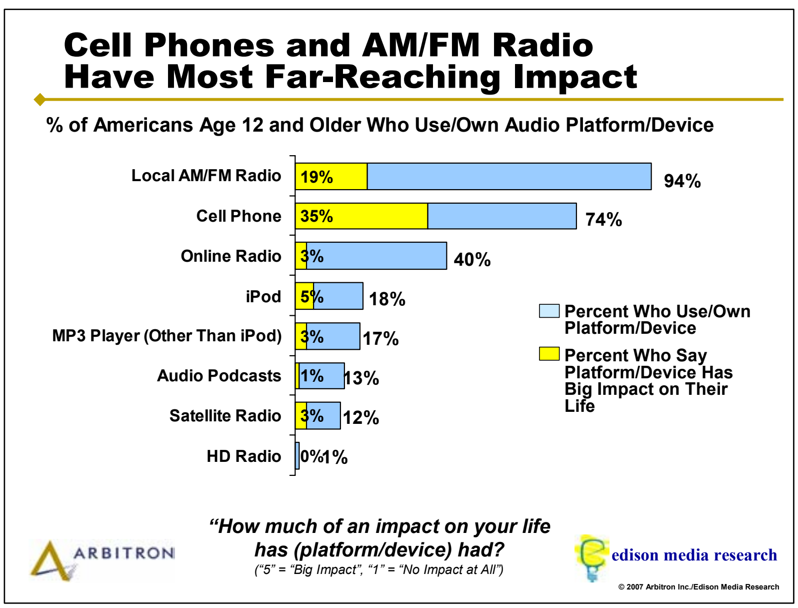




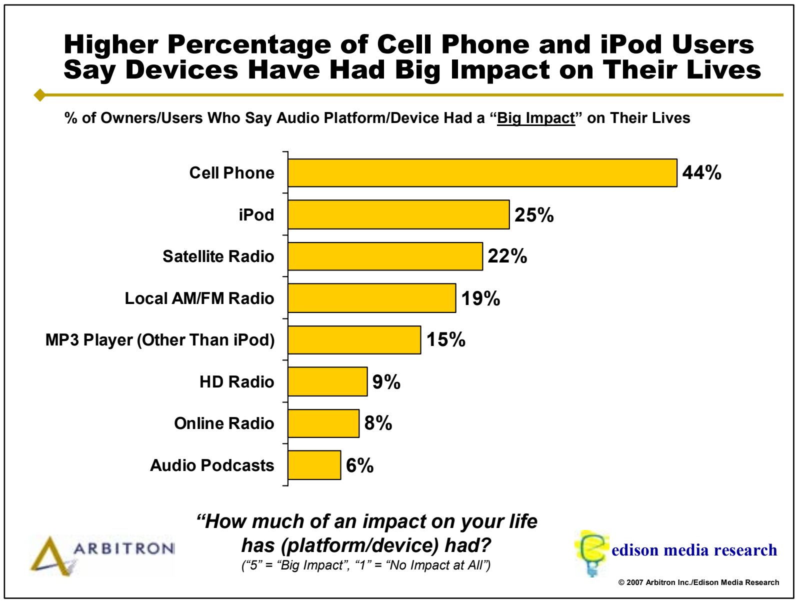
26. Nearly one-third are interested in a new cell phone with a radio tuner. Thirty-one percent said they were "very/somewhat" interested in a new cell phone that, in addition to its other cell phone functions, has a radio tuner to listen to local area radio stations.



27. The cell phone and AM/FM radio are the two audio devices/platforms that have the most reported far-reaching impact. Nearly three-quarters (74 percent) own a cell phone, and 35 percent of Americans age 12 and older say the device has had a "big impact" on their lives; 94 percent ever listen to AM/FM radio on a weekly basis, with 19 percent of all respondents saying AM/FM radio has had a "big impact" on their lives.



28. **Among users of various audio platforms/devices, the cell phone and the iPod show a higher percentage saying the devices have had a "big impact" on their lives.** Forty-four percent of cell phone owners say the device has had a "big impact" on their lives. One in four iPod owners say the digital audio player has had a "big impact" on their lives.



The State of Digital Radio 2007

Online Radio (Streaming)

Those who have listened to online radio in the last month

- Estimated 49 million Americans
- 20% of U.S. population 12+

Those who have listened to online radio in the last week

- Estimated 29 million Americans
- 11% of U.S. population 12+
- 16% of Adults 18-34
- 14% of Adults 18-49

Satellite Radio (XM and SIRIUS)

- 64% of Americans have heard of XM Satellite Radio
- 60% of Americans have heard of SIRIUS Satellite Radio
- 12% of total sample 12+ subscribe
- 24% have a household income of $100,000 or more

Audio Podcasting

- 37% of U.S. population 12+ are familiar with podcasting
- 13% of U.S. population 12+ have ever listened

HD Radio

- 26% of U.S. population 12+ have recently read or heard about HD Radio
- 29% of U.S. population 12+ are very/somewhat interested

Implications

1. **Advertisers looking to reach people who use digital radio platforms should consider online radio because it continues to garner the largest audience.** Online radio delivers nearly 29 million people each week and no other digital radio platform comes close today. In addition, there are a wide variety of online radio networks that support advertising, provide credible audience measurement and have accountability mechanisms in place.

2. **Broadcasters should make the value proposition of HD Radio more evident for consumers**. While awareness of HD Radio is up significantly, this has not yet translated into significant consumer interest. There are a wide variety of audio entertainment/information choices available today, and the benefits of HD Radio need to be clearly stated to stand out from the pack.

3. **Podcasters should concentrate on promoting their exclusive content rather than the details of the technology needed to get it**. Consumers are interested in the concepts that are at the heart of audio podcasts—that is, getting the content they want to listen to when they want to listen to it. Podcasters should continue to make the consumer experience less about the technology necessary to listen and more about the features and benefits.

4. **Mobile phones are the next frontier for audio entertainment and information.** The time is now for audio content providers to hone in on the right mix of compelling programming and easy-to-use functionality for cell phone users. Three in four own a cell phone, and users say it has a big impact on their lives. Nearly three in ten say they are interested in the ability to listen to radio on their cell phone; radio tuners in cell phones may have a positive impact on overall radio use.

5. **Broadcasters should promote the vitality of over-the-air radio.** On a weekly basis, AM/FM radio is used by the overwhelming majority of Americans, and it continues to have a big impact on the lives of consumers. Radio ranks second only to mobile phones as the audio platform/device that has the most impact on the most users. In addition, the widely held perception that people who use new digital radio platforms listen less to over-the-air radio is false; these users spend just as much time listening to over-the-air radio as the average consumer.

6. **Advertisers should continue to grow their experience with new digital radio platforms.** Consumers have shown increasing interest in and usage of new digital radio platforms over the years. It will take time and experience to refine advertising business practices; those who start early will have a head start on understanding how to use these newer platforms most effectively.

About Arbitron

Arbitron Inc. (NYSE: ARB) is an international media and marketing research firm serving the media (radio, television, cable, online radio and out-of-home) as well as advertisers and advertising agencies in the United States 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 developed the Portable People Meter™ (PPM™), a new technology for media and marketing research.

Arbitron's marketing and business units are supported by a world-renowned research and technology organization located in Columbia, Maryland. Arbitron has approximately 1,900 employees; its executive offices are located in New York City.

Through its Scarborough Research joint venture with The Nielsen Company, Arbitron provides additional media and marketing research services to the broadcast television, newspaper and online industries.

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, CBS Radio, Bonneville and Westwood One; it also conducts strategic and perceptual research for a broad array of companies including Time Warner, Google, 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. Edison Media Research currently conducts all exit polls and election projections for the six major news organizations: ABC, CBS, CNN, FOX, NBC and the Associated Press.

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

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