Photos Courtesy of Telephia

The Mobile Audio Media Study

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Overview

We are pleased to present the debut of *The Mobile Audio Media Study* from Telephia and Arbitron. In this study, we explore the evolving market for Mobile Audio services through the lens of the consumer in terms of current usage patterns, attitudes and preferences.

This study brings together two industry-leading market research companies in their respective fields. Telephia is the world's largest provider of syndicated consumer research to the telecom and mobile media markets. Arbitron Inc. is an international media and marketing research firm best known for being the leader in measuring network and local market radio audiences in the United States. Both companies have brought their unique capabilities together to provide a comprehensive assessment of mobile consumers' Mobile Audio usage.

The Mobile Audio Opportunity

Companies across a wide spectrum of industries are battling for the digital consumer, a group that collectively spends billions of dollars a year on connectivity, devices and content. Mobile phones are at the center of this market and have been fully integrated into the lives of the majority of American consumers. The continued growth of the mobile ecosystem is intimately tied to the adoption of more advanced data services including music and other audio.

The mobile industry is experimenting with a diverse mix of applications to identify the services that drive consumer adoption and increase Average Revenue per User (ARPU). With the proliferation of digital music into the mainstream coupled with downward pressure on the prices of feature-rich mobile phones, the opportunity for Mobile Audio seems bright. Mobile phones now play a measurable role in mobile users' total audio consumption through over-the-air downloads, transfers from PCs and other devices, free FM radio, and subscription radio applications.

The Mobile Audio business model is in its early stages but evolving quickly. The industry is looking for ways to move Mobile Audio beyond the early adopter stage. In this study, we provide key findings that will illuminate mobile consumers' Mobile Audio usage in the context of their total digital audio consumption.

How the Study Was Conducted

A 15-minute online survey of over 2,000 wireless subscribers was conducted in February 2007 to investigate Americans' use, preference and perception of different types of mobile audio. The respondents included a group of approximately 1,100 Current Mobile Audio users, 300 Former Mobile Audio users and 600 Non-Mobile Audio users. These target groups were preidentified in the Q3 2006 to Q1 2007 Telephia Attitude & Behavior Study. The Telephia Attitude & Behavior Study, conducted monthly, is an online survey of over 300,000 adults annually. It provides a nationally representative view of the U.S. mobile subscriber and of the U.S. mobile market.

Qualifying respondents were sent an e-mail invitation to take the online Mobile Audio Media survey. In this context, Mobile Audio use includes performing the following on a mobile phone: downloading audio over-the-air (OTA), listening to free FM radio on the phone, listening to a subscription radio service and/or listening to music transferred from a computer. Targets were set for Mobile Audio Users (N = 1,500) and for Random Wireless Subscribers (N = 600). Report data weighted both groups back to overall wireless population benchmarks.

Definition of Terms

Current Mobile Audio Users – Wireless subscribers who have used Mobile Audio in the last 30 days. Mobile Audio Users include those who perform any of the following functions on a mobile phone:

- downloading music or other audio over-the-air on a wireless carrier's network directly to the cell phone;
- listening to free FM radio on their phone;
- listening to a subscription radio service; and
- listening to music transferred from a computer.

Downloaders – Mobile audio users who have downloaded music or other audio (such as podcasts) over-the-air on a carrier network directly to a mobile phone.

Free Radio Users – Mobile audio users who listen to FM radio (free) on their mobile phone (currently there are no models with a built-in AM receiver).

Sideloaders – Mobile Audio users who listen to music that is transferred or synchronized to a phone from another device, such as a PC or MP3 player via a cable, flash memory card or Bluetooth.

Subscription Radio Users – Mobile audio users who listen to subscription-based streaming music/audio or online radio (not downloaded or synchronized from another device).

Significant Highlights

Almost half (49%) of all mobile phone users use their phone for applications in addition to making calls. Text messaging is the leading nonvoice application with 36% of mobile phone users using this capability on their phones in the last 30 days.

Use of Mobile Audio features is still a new phenomenon among wireless subscribers with one in 16 (6%) having used one or more Mobile Audio features in the last 30 days.

Listening to music transferred from another device is the most commonly used Mobile Audio feature. Two-thirds (67%) of Mobile Audio users have listened in the last 30 days to music that they transferred or synchronized to their phone from another device, such as a PC or MP3 player, via a cable, flash memory card or Bluetooth.

Current Mobile Audio users are concentrated among men and people in the 25 to 44 age range. Nearly two-thirds (63%) of current Mobile Audio users are male. People aged 25 to 44 represent 71% of all current Mobile Audio users.

African-Americans, Asians and Hispanics make up a higher proportion of current Mobile Audio users than they do of the general mobile population.

Current Mobile Audio users spend the most time per week listening to music they transferred to their mobile phone from another device. They spend less time listening to subscription radio; music they downloaded over-the-air via a mobile network; and free FM radio on their mobile phone.

Current Mobile users spend more time than the general mobile population on nearly every media and entertainment activity. The exception: current Mobile Audio users report spending significantly LESS time per day watching TV than do typical wireless subscribers.

Pop music is the leading music style for Mobile Audio users. The preference for Hard Rock/Metal and Alternative music reflects the male demographic skew among current Mobile Audio users.

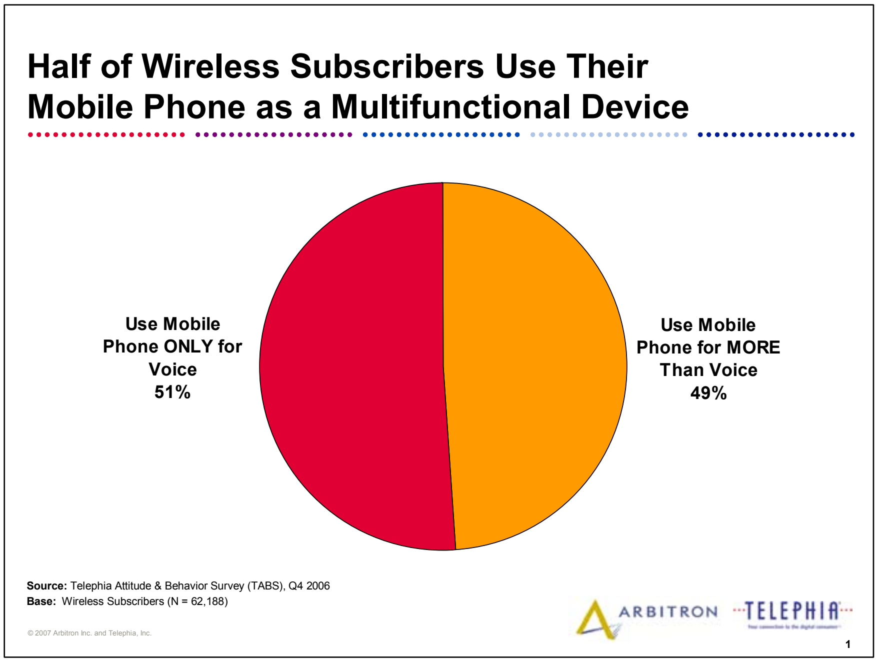
Twice as many current Mobile Audio users are satisfied with audio on their phone as those who are dissatisfied.

Most current Mobile Audio users agree that commercials are a fair price to pay for free content and most prefer free content with commercials to paying a small subscription fee.

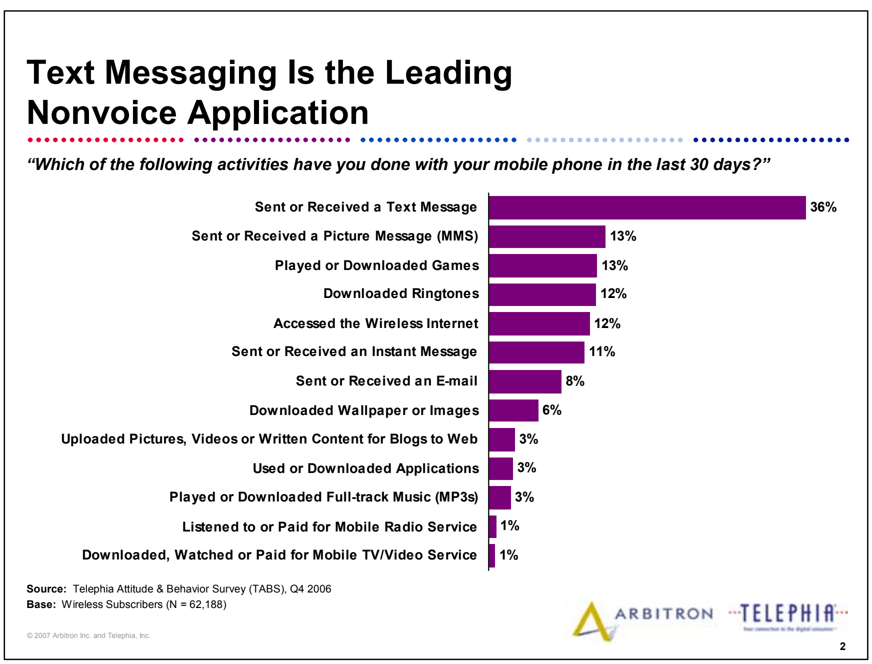
Attracting new consumers to the Mobile Audio marketplace will be challenging. For all four Mobile Audio services, approximately two-thirds of “noncurrent” Mobile Audio users are “not interested at all” in Mobile Audio services.

Key Findings

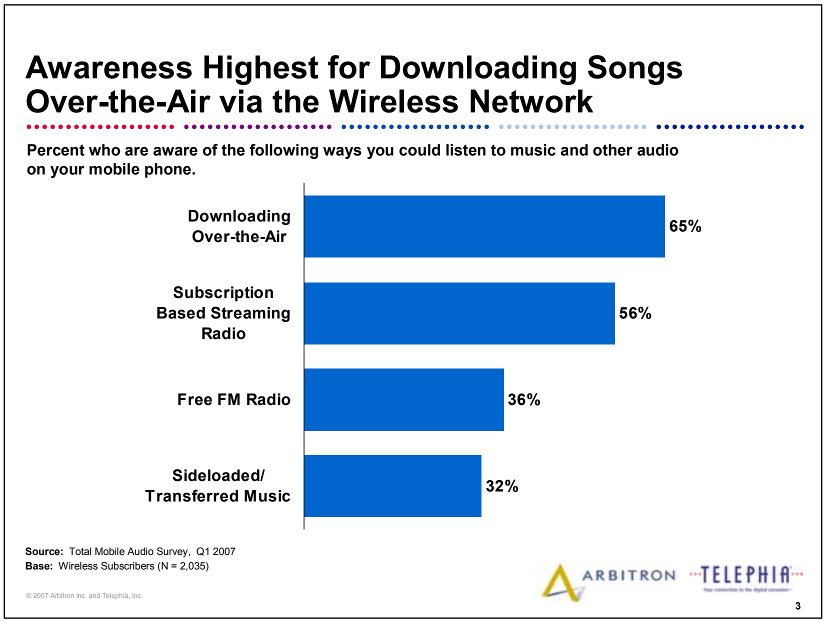
1. **For half of U.S. mobile phone users, the phone is a multifunction device.** Almost half (49%) of all mobile phone users use their phone for activities in addition to making calls.



2. **Text messaging is the top nonvoice application with more than a third of mobile phone users using this capability on their phones.** Thirty-six percent (36%) of mobile phone users have sent or received a text message in the last 30 days. One in eight mobile phone users have sent or received pictures (13%); played or downloaded games on their mobile phone (13%); downloaded ringtones (12%) or accessed the wireless Internet (12%).



3. **Almost two-thirds of wireless subscribers are aware of the ability to download music or other audio over-the-air on a mobile phone.** Sixty-five percent (65%) of wireless subscribers are aware of the ability to download music to the mobile phone over-the-air. Over half of wireless subscribers (56%) are aware of the ability to listen to music or other audio through a subscription radio service. Approximately a third of subscribers are aware of ability to listen to free FM radio on the phone (36%) and the ability to transfer music from a computer to the mobile phone (32%).



4. **Advertising is the leading source of how subscribers learn about Mobile Audio features**. Nearly four in ten mobile users indicated they first hear of over-the-air music downloads (43%), subscription radio (38%) and sideloading (38%) through advertising. Nearly three in ten (27%) learned about free FM radio on the mobile phone from advertising.

Advertising Is the Top Source of How Subscribers Hear About Mobile Audio Features

"Where did you first hear about the various ways you can listen to music and other audio programming on your mobile phone?"

	How Subscribers First Hear About Ways to Listen to Music or Other Audio on Their Mobile Phone			
	Over-the-Air Downloads (N = 1,331)	Free FM Radio (N = 723)	Subscription Based Streaming Radio (N = 1,131)	Sideloading/Transfer Music (N = 1,382)
Seen Advertising for Service	43%	27%	38%	38%
Seen in a Store	8%	14%	12%	10%
Friend Has Service/Product	17%	19%	12%	21%
Seen News or Magazine Article	11%	7%	15%	10%
Promotional Material from Carrier	7%	13%	8%	8%

Source Total Mobile Audio Survey, Q1 2007
Base: Wireless Subscribers (N = 2,035)

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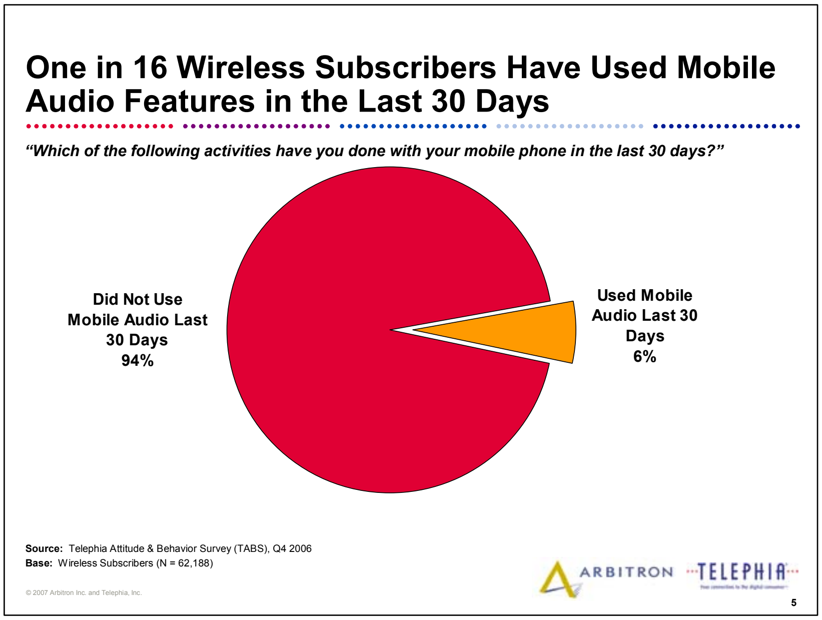
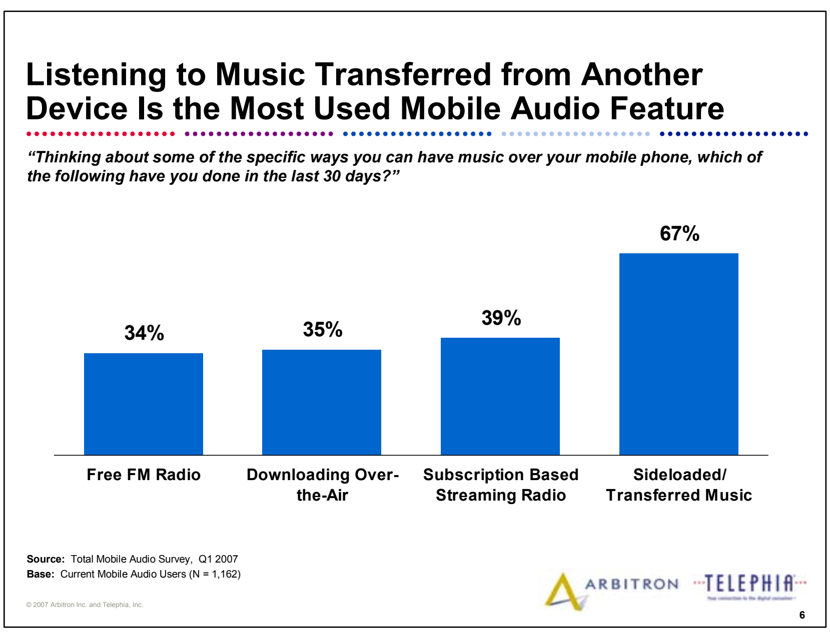
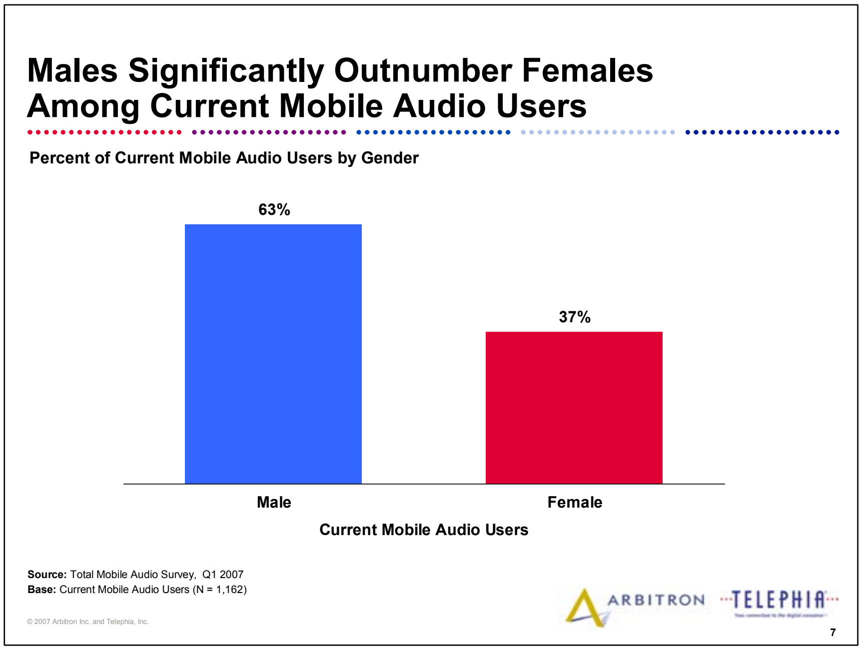
5. **Roughly one in 16 wireless subscribers has used Mobile Audio features in the last 30 days**. Use of Mobile Audio features is still a new phenomenon among wireless subscribers, with one in 16 (6%) having used Mobile Audio features in the last 30 days. Sideloading, the process of listening to music that is transferred or synchronized to a phone from another device, is the most commonly used Mobile Audio feature. An estimated 4% of mobile users have used this function in the last 30 days.

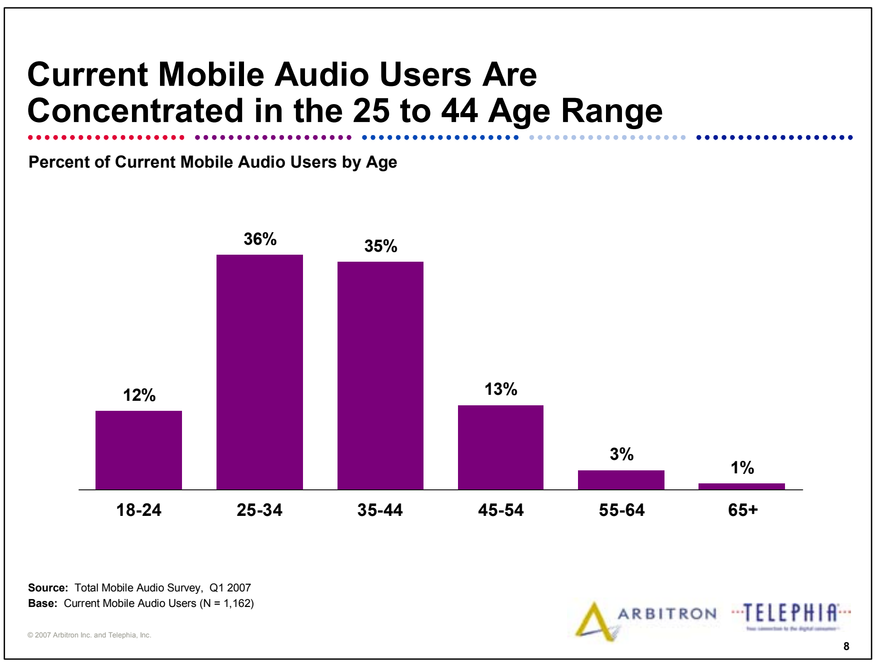


6. **Listening to music transferred from another device is the most used Mobile Audio feature**. Two-thirds (67%) of Mobile Audio users have listened to music in the last thirty days that they sideloaded—transferred or synchronized to their phone from another device such as a PC or MP3 player via a cable, flash memory card or Bluetooth. Slightly more than a third have listened to subscription radio (39%); downloaded music or other audio over a carrier network directly to a mobile phone (35%); or listened to free FM radio on their cell phone (34%).

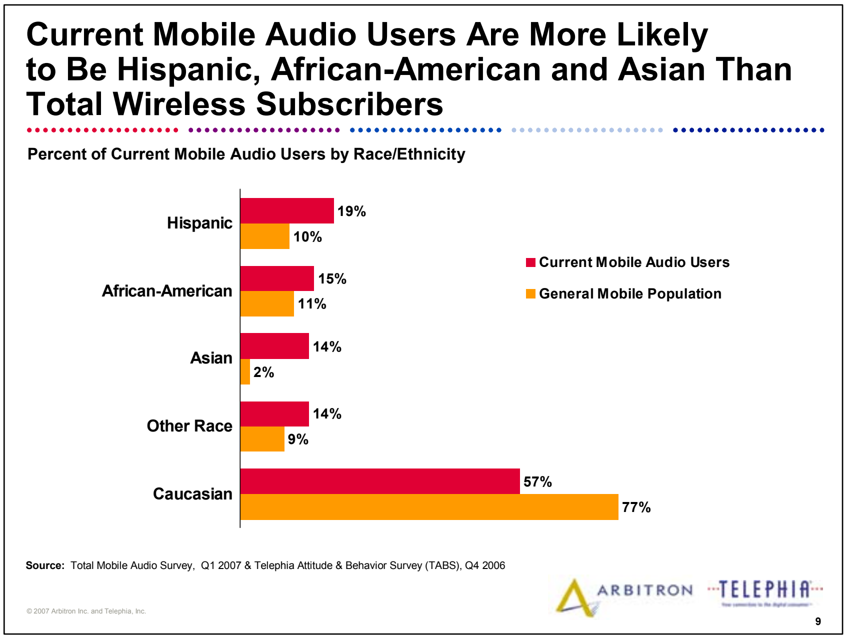


7. **Current Mobile Audio users are concentrated among men and people in the 25 to 44 age range**. Nearly two-thirds (63%) of current Mobile Audio users are male. People aged 25 to 44 represent 71% of all current Mobile Audio users, compared with 40% among all wireless subscribers.

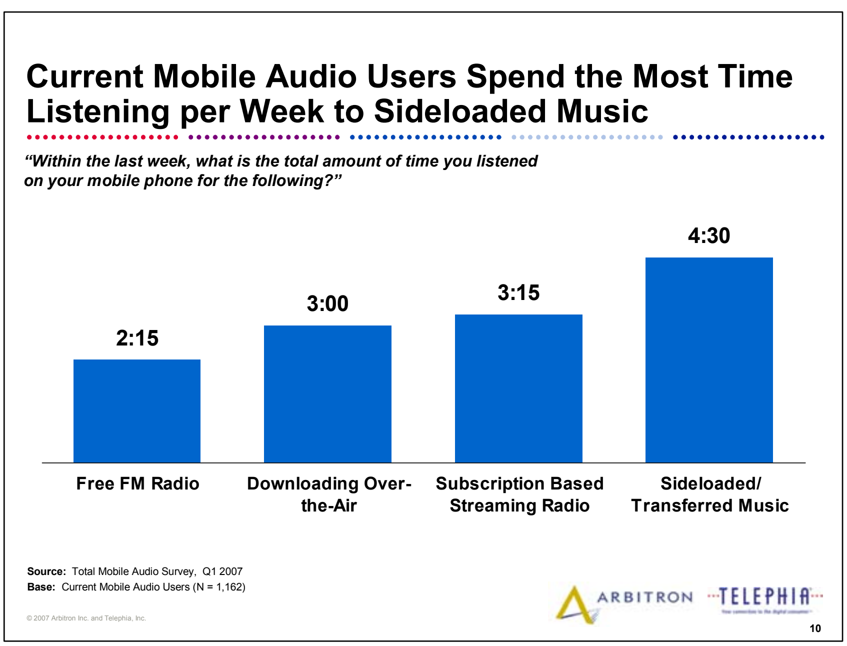




8. **African-Americans, Asians and Hispanics make up a higher proportion of current Mobile Audio users than they do of the general mobile population. Hispanics represent 19% of current Mobile Audio users and 10% of the general mobile population**. African-Americans account for 15% of current Mobile Audio users and 11% of the general mobile population. Asians' proportion of current Mobile Users (14%) far exceeds their respective share of the general mobile population (2%).



9. **Current Mobile Audio users spent the most time listening per week to sideloaded music**. Current Mobile Audio users spend the most time per week (4h:30m) listening to sideloaded music transferred to their mobile phone from another device. They spend less time listening to subscription radio (3h:15m), or to music they downloaded over-the-air from their wireless network (3h), and spend 2h:15m a week listening to free FM radio on their mobile phone.



10. **Afternoon is the weekday daypart where most listening occurs among current Mobile Audio users**. More than half (52%) of current Mobile Audio users typically listen on their phones on Monday-Friday from 3PM-7PM. Slightly more than one in three (35%) of current Mobile Audio listeners typically listen during the morning drive Monday-Friday (6AM-10AM).

PM Drive Is the Top Weekday Daypart for Typical Listening Among Current Mobile Audio Users

"Which of the following times do you typically listen to music on your mobile phone?"

Times of Day Listening to Mobile Audio	
Monday-Friday Morning (6AM-10AM)	35%
Monday-Friday Midday (10AM-3PM)	22%
Monday-Friday Afternoon (3PM-7PM)	52%
Monday-Friday Night (7PM-Midnight)	20%

Source: Total Mobile Audio Survey, Q1 2007
Base: Current Mobile Audio Users (N = 1,162)

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11. **The predominant location for listening to Mobile Audio is at home**. Nearly one third (31%) of current Mobile Audio users listen while at home, reflecting the tendency for the mobile phone to play a growing role in the home, both for voice communication and as a personal "third screen" entertainment platform.

Home Is the Predominant Location for Listening to Mobile Audio

"Thinking of all the different ways you can listen to music and other audio, on your cell phone, what percentage of the time are you…while listening in these locations?"

Location When Listening To Mobile Audio	
At Home	31%
In Office/At School	17%
Commuting	17%
Shopping/Running Errands	13%
Traveling Away From Home	13%

Source: Total Mobile Audio Survey, Q1 2007
Base: Current Mobile Audio Users (N = 1,162)

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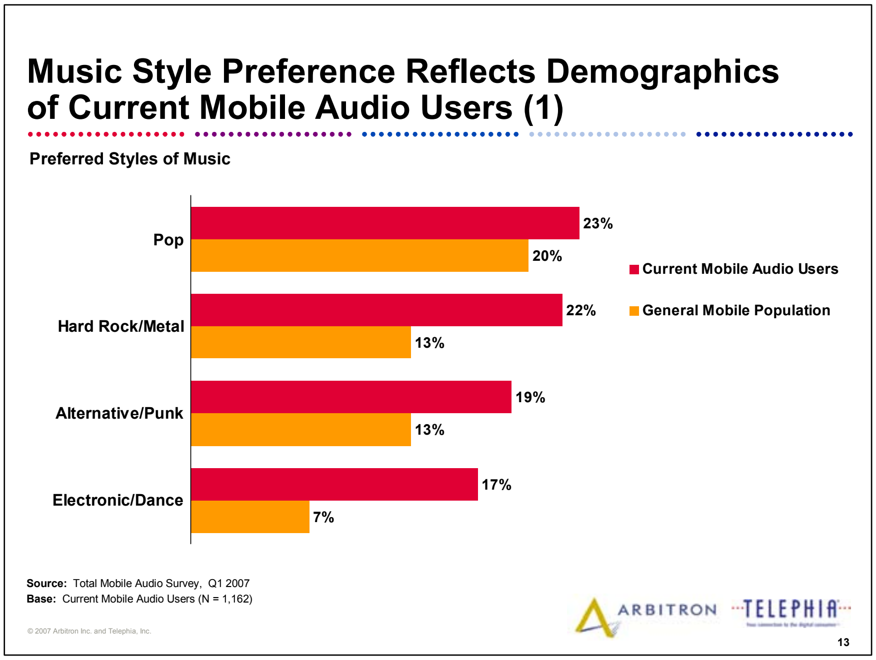
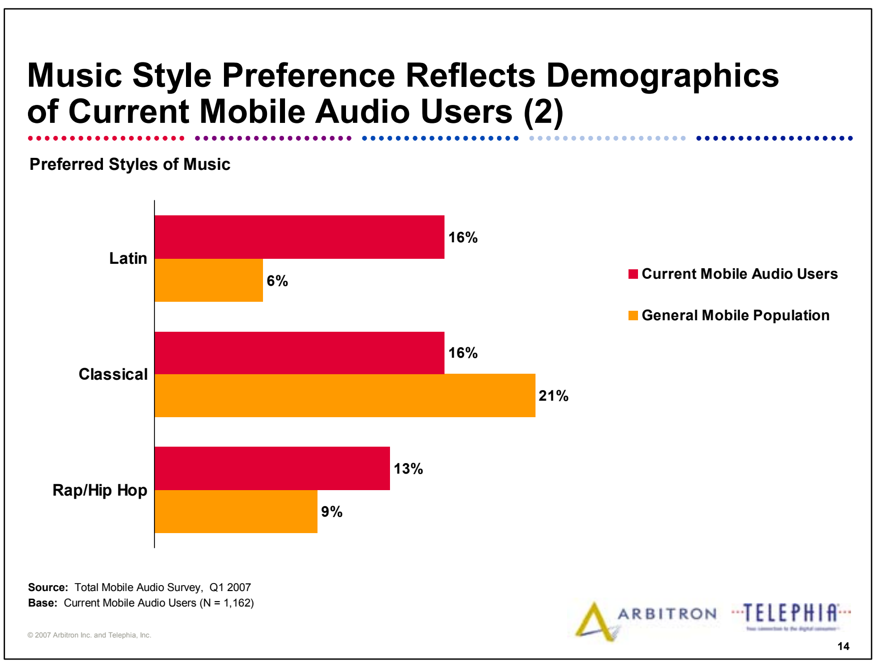
12. The music styles preferred by current Mobile Audio users reflect their demographic characteristics. Current Mobile Audio users were asked to identify their top three music styles. Pop music is the leading music style of current Mobile Audio users. The preference for Hard Rock/Metal and Alternative music reflects the male demographic skew among current Mobile Audio users. It far outpaces the preference for these styles among the general mobile population. The popularity of Latin and Rap/Hip Hop music also mirrors the race/ethnic characteristics of Mobile Audio users.





13. **Current Mobile Audio users are media and entertainment enthusiasts**. Current Mobile Audio users spend more time than the general mobile population on nearly every media and entertainment activity. They spend 22 minutes more a day listening to FM radio and nearly an hour (58 minutes) a day more on the Internet than the general mobile population. The exception: current Mobile Audio users report spending approximately 45 minutes LESS a day watching TV than the general mobile population does.

Current Mobile Audio Users Are Media and Entertainment Fanatics (Except for TV)

"In the last 24 hours, approximately how much time, in hours and minutes, did you spend…?"

	General Mobile Population	Current Mobile Audio Users
On the Internet	2:47	3:45
Watching TV	3:17	2:33
Listening to FM Radio	1:31	1:53
Watching DVDs and Videos	0:55	1:24
Listening to Music on iPod/MP3 Player	0:31	1:06
Reading Magazines	0:46	1:04
Playing Video Games	0:33	1:01
Listening to Streaming on Computer	0:23	1:00
Reading Newspapers	0:43	0:57
Listening to Music on Cell Phone	0:10	0:47

Source: Total Mobile Audio Survey, Q1 2007
Base: Current Mobile Audio Users (N = 1,162)

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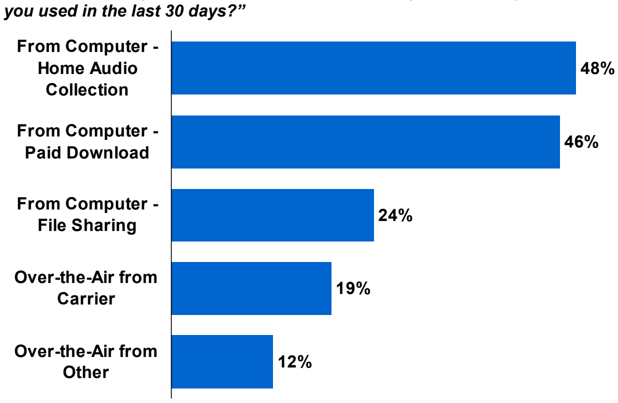
14. **Over-the-air downloaders and sideloaders transfer content to their phones primarily from a home audio collection or through paid content download sites.** Nearly half of current Mobile Audio users transfer music/audio to the mobile device from their home collection (48%), or via a paid download service such as iTunes (46%).

Most Transfer Content Primarily from Home Collection or Paid Download Sites

"What methods of transferring music and other audio (such as podcasts) to your mobile phone have you used in the last 30 days?"



Source: Total Mobile Audio Survey, Q1 2007
Base: Current Downloaders and/or Sideloaders (N = 899)

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15. **Current Mobile Audio users maintain a large library of songs on their MP3 players and spend more on music for their portable devices.** Current Mobile Audio users have almost twice the average number of songs on their MP3 players (1,827) than the general mobile population (962). Current Mobile Audio users also spend two and a half times more a month ($33) on music for MP3 players than the general mobile population does ($13).

Mobile Audio Users Have More Songs and Spend More Money on Music for Their Portable Devices

	General Mobile Population	Current Mobile Audio Users
Average Number of Songs on MP3 Player	962	1,827
Number of Songs Downloaded in Average Month to MP3 Player	22	51
Dollars Spent on Music for MP3 During Average Month	$13	$33

Source: Total Mobile Audio Survey, Q1 2007
Base: Current Mobile Audio Users (N = 1,162)

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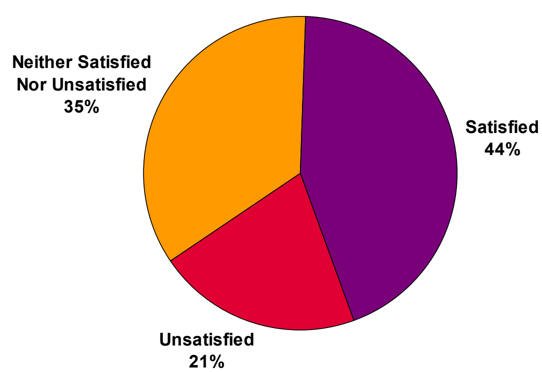
16. **Current Mobile Audio users who are satisfied with Mobile Audio outnumber dissatisfied users by two to one**. Some 44% of current Mobile Audio users report being satisfied with the experience of listening to audio on their mobile phone versus 21% who say they are dissatisfied.

Twice as Many Are Satisfied with Mobile Audio vs. Those Who Are Dissatisfied

"Overall, how satisfied are you with the music and other audio that you listened to on your mobile phone?"



Source: Total Mobile Audio Survey, Q1 2007
Base: Current Mobile Audio Users (N = 1,162)

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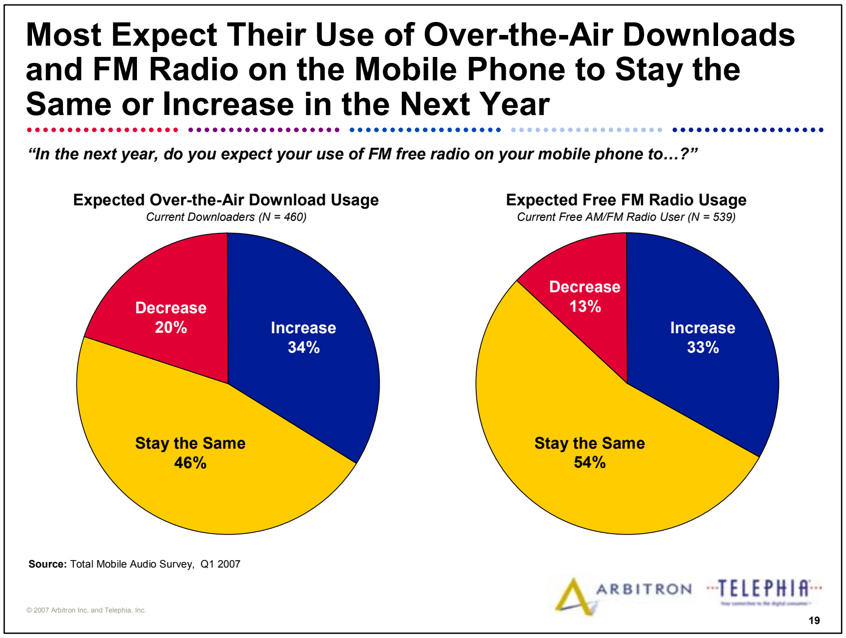
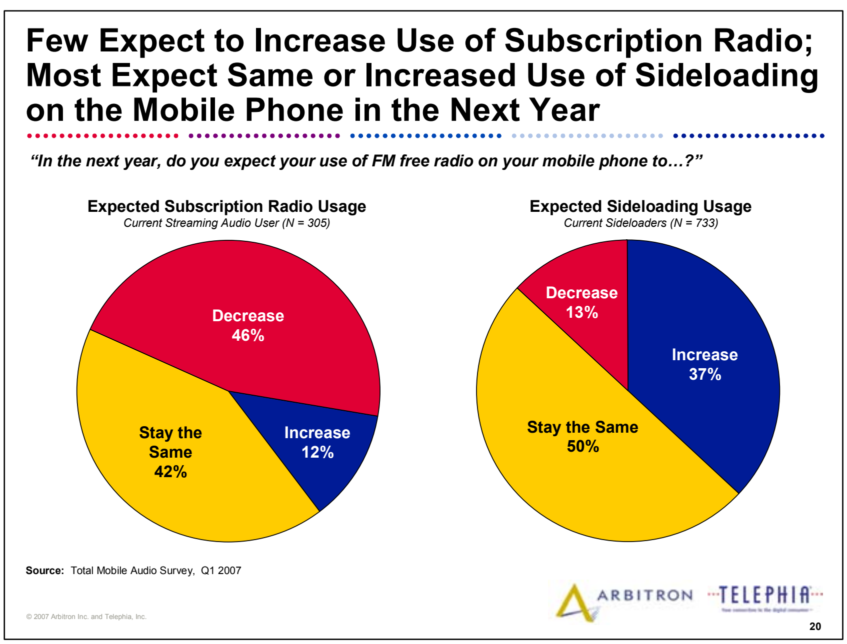
17. **Half of current Mobile Audio users expect their use of these features to stay the same in the next year**. Approximately one-third of current downloaders (34%), current free FM radio users (33%) and current sideloaders (37%) intend to increase the use of the respective application over the next year. The exception: nearly half (46%) of current subscription radio users expect their use of this feature to decrease in the next twelve months.





18. **Current and past Mobile Audio users say that lower prices, faster transfer speeds and better sound quality may increase their listening.** The top three factors that would increase mobile listening for both current and former Mobile Audio users are lower prices (36%), faster transfer speeds (35%) and better sound quality (33%).

Lower Prices, Faster Speeds and Better Sound Are Top Reasons to Listen More to Mobile Audio

"What would cause you to listen to Mobile Music/Radio on your cell phone more?"

Factors That Would Cause More Listening to Mobile Music	
Lower Prices and Fees	36%
Faster Speed of Transfer	35%
Better Sound Quality	33%
Longer Battery Life	25%
Make Listening Easier	23%
Wider Variety of Tracks Available	22%
Fewer Dropped Connections	20%
Nothing	20%
Wider Variety of Channels	18%
Larger Device Screen	17%

Source: Total Mobile Audio Survey, Q1 2007
Base: Current & Former Mobile Audio User (N = 1,434)

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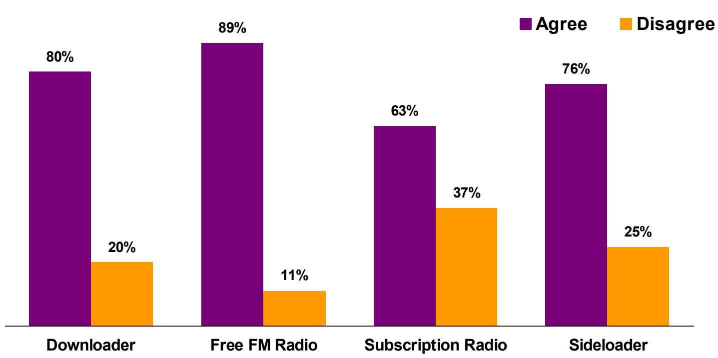
19. **Most current Mobile Audio users agree that commercials are a fair price to pay for free content**. More than three quarters of downloaders and free FM radio listeners agree that commercials are a fair price to pay for free content. Two out of three subscription radio users also agree that commercials are a fair price to pay for free programming.

Most Mobile Audio Users Agree That "Commercials Are a Fair Price to Pay for Free Content"

"Do you agree or disagree that hearing commercials in the audio content on your mobile phone is a fair price to pay for free content?"



Source: Total Mobile Audio Survey, Q1 2007
Base: Current Mobile Audio Users (N = 1,162)

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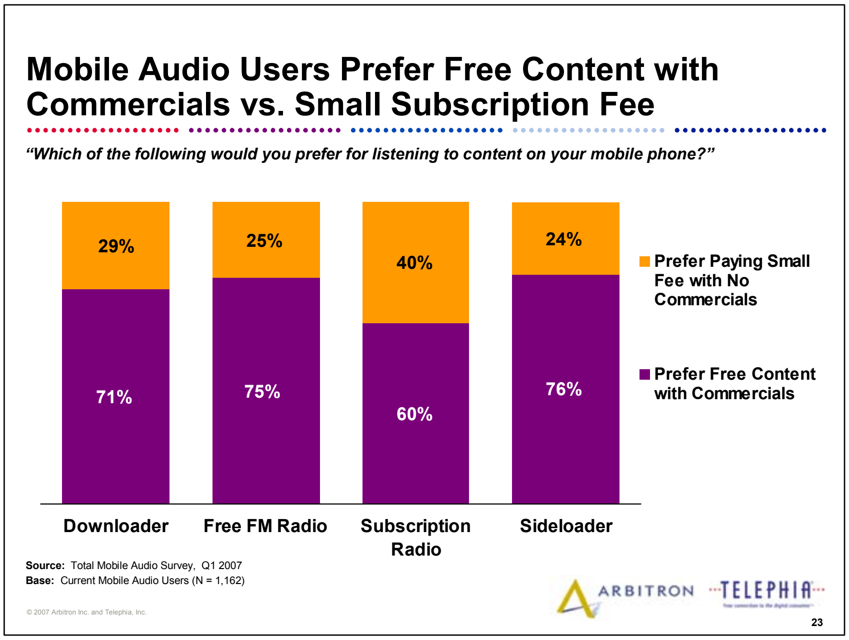
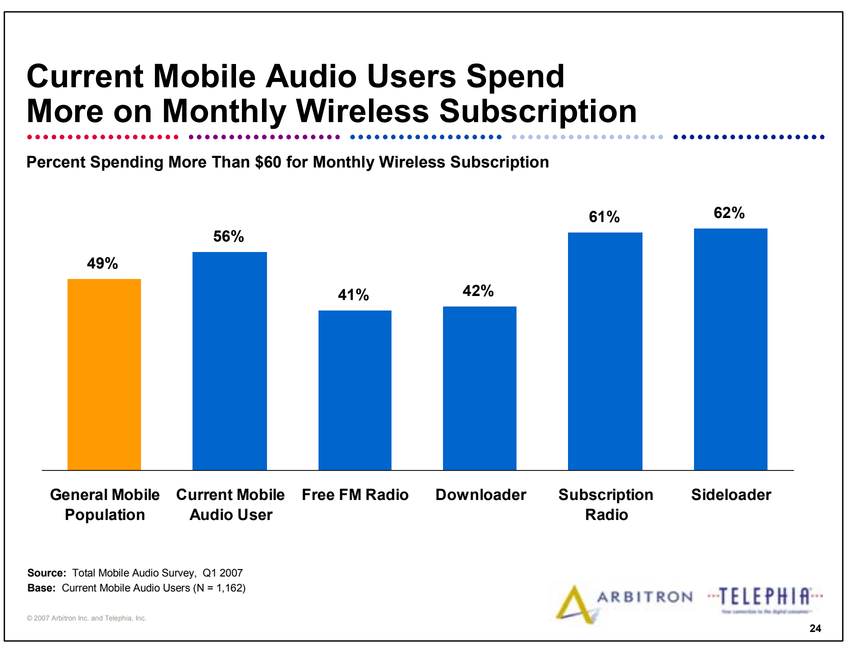
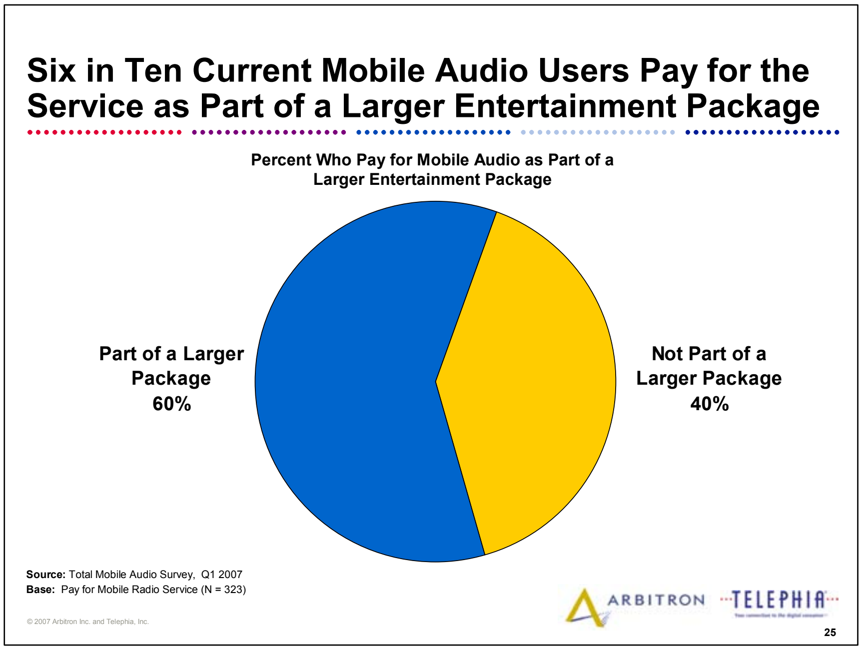
20. **Mobile audio users prefer free content with commercials over paying a small subscription fee.** Nearly three-quarters of current Mobile Audio users who download audio over the air; listen to free FM radio on their phone; or transfer audio files to their phone prefer free content with commercials to paid subscription models. Some 60% of those who currently subscribe to a streaming radio service on their mobile phone would also prefer to get free content supported by commercials.



21. **Current Mobile Audio users are likely to spend more than the general mobile population does for its mobile phone service**. More than half (56%) of current Mobile Audio users spend more than $60 on monthly wireless fees, compared with 49% of the general mobile population. Each type of user is not created equal, however. Just over 60% of sideloaders and subscription radio users say that they spend more than $60 a month for their mobile service, but only around 40% of over-the-air downloaders and FM radio users say that they do this.



22. **Most current Mobile Audio users pay for their Mobile Audio service as part of a larger entertainment package**. Six in ten Mobile Audio users pay for the feature as part of a larger entertainment package such as MobiTV®.



23. **Attracting new consumers to the Mobile Audio marketplace will be challenging**. Approximately two-thirds of mobile phone subscribers, who are not currently using mobile audio, say that they are "not interested at all" in Mobile Audio services. Among those who say they are interested, free FM radio is the most popular, with 37% of non-users expressing interest.

Implications

1. **Marketers need to persuade non-users about the benefits of Mobile Audio**. There are many choices other than Mobile Audio for consumers interested in music and audio entertainment. While awareness of these services is relatively strong among the general mobile population, a significant portion of those who have not used them say that they are not interested in trying them. Therefore, wireless providers and programmers need to communicate clear and compelling benefits in their marketing messages. Advertising, free trials or other promotions, such as referring a friend, could help stimulate usage.

2. **Wireless providers, programmers and advertisers should be open to advertising on the Mobile Audio platform**. Mobile Audio users are an attractive advertising target comprising tech-savvy early adopters. Plus, most current Mobile Audio users believe that advertising is a fair price to pay for free content, and most prefer ad-supported models to paying a modest subscription fee.

3. **Success of subscription services will require that consumers consider the content be "purchase and subscription worthy."** Subscription radio offers direct opportunities for increased revenue from content sales. However, only a small proportion of current Mobile Audio users expect their use of subscription radio to increase in the coming year, which may indicate that the content is not yet "subscription worthy." In addition, the finding that Mobile Audio users prefer free content with commercials over paying a small subscription fee suggests that the paid content needs to be truly compelling.

4. **Business model experimentation with Mobile Audio, especially as it relates to over-the-air downloads, will be critical to success in this space.** Carriers that have taken the lead in the deployment of 3G networks have an opportunity to become leading players in the Mobile Audio market. Likewise, continued improvements in battery life and network performance will have positive implications for Mobile Audio usage.

5. **Marketers should use microtargeting strategies to reach early adopters of Mobile Audio.** Current Mobile Audio Users are highly concentrated among men between the age of 25 and 44, and are more likely to be Hispanic, African-American or Asian.

6. **Advertisers and broadcasters need to beware of assuming that listening to Mobile Audio is a substitute for using other media**. Current Mobile Audio users are heavy consumers of all media. It appears that this activity serves as a complement to other media and entertainment options at this early stage of its development.

7. **Radio broadcasters have an opportunity to strike deals with mobile carriers to deliver their audio content to more mobile subscribers.** Among mobile subscribers who have not used Mobile Audio in the last 30 days, the highest proportion expressed interest in free FM radio. However, consumer awareness of this capability is relatively low.

8. **Because Current Mobile Audio users tend to use the Internet and FM radio more than the average wireless subscriber, marketers should consider these vehicles to promote the new features**.

Appendix
Profile of Current Mobile Audio Users

	General Mobile Population	Current Mobile Audio Users
Gender		
Male	47%	63%
Female	53%	37%
Age		
18-24 Years Old	11%	12%
25-34 Years Old	19%	36%
35-44 Years Old	21%	35%
45-54 Years Old	20%	13%
55-64 Years Old	18%	3%
65+ Years Old	11%	1%
Income		
Households Earning $150k+ per Year	5%	10%
Race/Ethnicity		
Caucasian	77%	57%
Hispanic	10%	19%
African-American	11%	15%
Asian	2%	14%
Other Race	9%	14%
Spending Wireless Service		
High Monthly Spender on Wireless Service (>$60 per Month)	50%	56%
Electronic Device Ownership		
MP3 Player	32%	43%
Laptop	26%	46%
Portable CD Player	18%	23%
Portable AM/FM Player	17%	25%
Portable DVD Player	11%	21%
Portable Gaming Device	5%	14%

How to read: Forty-seven percent of the general mobile population is male. Sixty-three percent of current Mobile Audio users are male.

About Telephia

Telephia is the world's largest provider of syndicated consumer research to the telecom and mobile media markets. Telephia is your connection to the digital consumer. Since 1998, executives at service providers, device manufacturers, content providers, media owners and retailers have relied on Telephia data to make confident competitive strategy, marketing and resource allocation decisions. Telephia uses its unique measurement tools and large-scale consumer panels to completely understand the digital consumer's behavior, attitudes and experience.

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.

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