Arbitron Radio Listening Report

The Infinite Dial 2006: 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: Radio's Digital Platforms*. In it, we explore the world of radio in 2006 as it 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

Over the past decade, developments in technology have dramatically broadened options for audio programming. This revolution began to take hold in the mid-1990s with the newfound ability to listen to audio being "streamed" over the Internet. During this same period, the FCC approved the launch of two new radio satellites, and by the end of the 1990s XM Satellite Radio and Sirius Satellite Radio were born.

Since then, digital radio has continued to expand with the advent of podcasting, which offers radio programming on demand, and HD Digital Radio, which provides superior sound quality and additional, digital frequencies along the AM and FM dials.

Indeed, the radio dial, which was once limited to what was sanctioned by the FCC and available only on AM and FM, is now entirely unbound. That's why we are referring to this new world as the "infinite dial." One can now "tune" to an unlimited 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 new media, such as Internet streaming and satellite radio, and now add new information on the burgeoning worlds of podcasting and HD Radio. We look at who is using these new kinds of radio and the implications for advertisers and media planners.

How the Study Was Conducted

A total of 1,925 people were interviewed to investigate Americans' use of various forms of traditional, online and satellite media. From January 13 to February 12, 2006, telephone interviews were conducted with respondents age 12 and older chosen at random from a national sample of Arbitron's Fall 2005 survey diarykeepers. In certain geographic areas (representing 5% of the national population), a sample of Arbitron diarykeepers was not available for the survey, and a supplemental sample was interviewed through random digit dialing.

Definition of Terms

Internet 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 Internet radio audience has increased 50% over the past year.** Twelve percent of the U.S. population age 12+ has listened to Internet radio in the past week. This is a 50% increase over the 2005 estimate of 8%.

- **Nineteen percent of persons age 18-34 have listened to Internet radio in the past week.** Internet radio also reaches 16% of adults 18-49 in an average week.

- **Awareness of both satellite radio companies is over 60%.** For several years, the XM Satellite Radio brand had greater public recognition. Both XM and Sirius have reached an awareness level of 61% among those age 12 and older.

- **Satellite radio subscribers are twice as likely to live in $100K+ households.** To date, satellite radio has attracted an upscale audience. More than one in four (27%) have an annual household income of $100K or more, almost twice the national average of 14%.

- **The public's understanding of podcasting is mixed.** When asked to define podcasting, a majority of Americans mention downloading radio and/or television programming to iPod®s, but there still seems to be some confusion about the differences among podcasting, Internet broadcasting and downloadable music.

- **Podcasting attracts a youthful audience.** One out of five who have ever listened to an audio podcast are 12-17 years old, and more than half (53%) are under the age of 35.

- **More than one-third of Americans are interested in HD Radio.** When read a description of HD Radio, 8% said they are "very" interested, and another 27% said they are "somewhat" interested. Those who subscribe to satellite radio are more likely to be "very" interested (10%) or "somewhat" interested (33%) in HD digital radio.

- **Most people who said they were interested in HD digital radio said they would be likely to purchase at a price between $50 and $100.** Of the 35% of respondents who said they are interested in HD digital radio, nearly half (47%) said they would only be likely to purchase models that cost $100 or less.

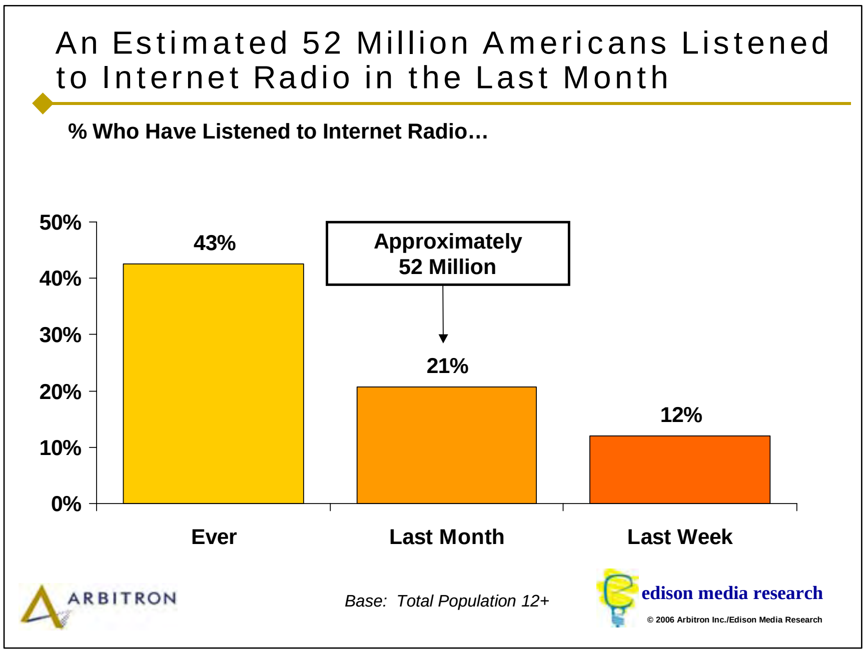
- **Three-quarters of the "digital radio" audience predict they will continue listening the same amount to AM/FM radio.** Seventy-seven percent of Americans said they expect to listen to AM/FM radio as much as they do now despite increasing advancements in technology. The same holds true for Internet radio listeners and those who have tried audio podcasting. Satellite radio subscribers showed slightly less dedication to traditional broadcasting, with 64% saying they plan to continue listening to the same amount of AM/FM radio.

- **AM/FM radio does not appear to be losing Time Spent Listening to the new digital radio platforms.** Those who listen to digital radio (have listened to Internet radio in the past month or subscribe to satellite radio or have ever listened to an audio podcast) tune to AM/FM radio for the same amount of time per day as the average listener.

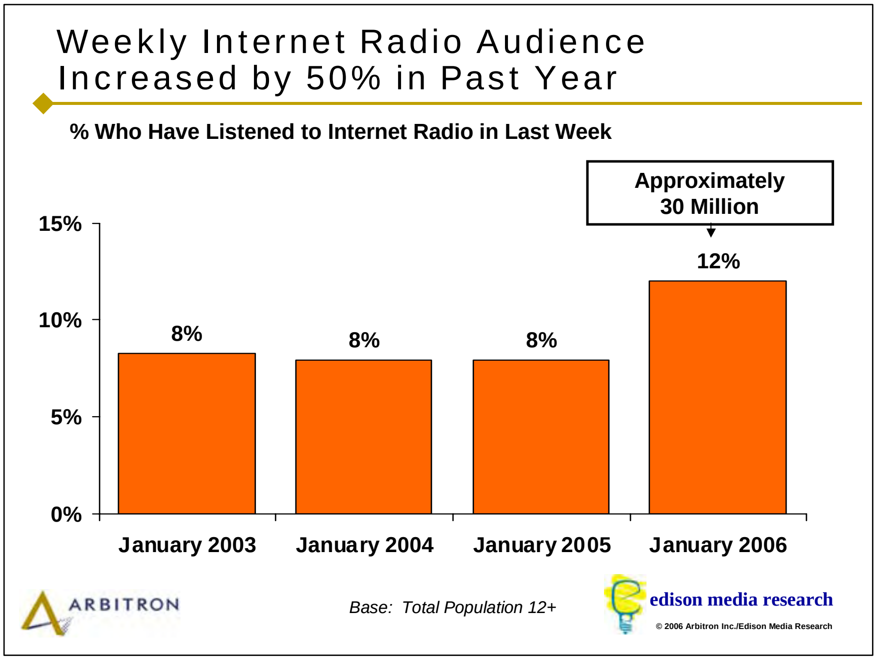
Key Findings

A. Internet Radio

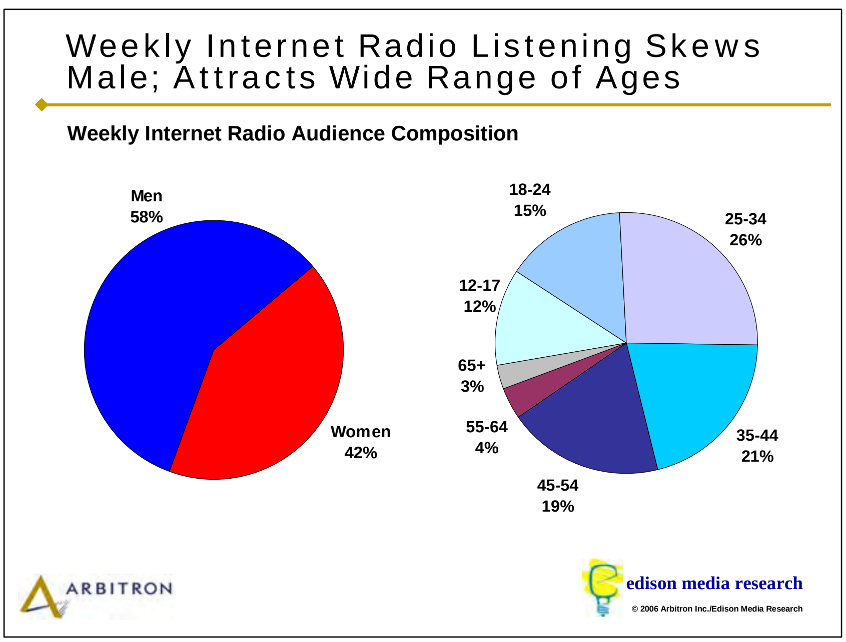
1. **More than one in five have listened to Internet radio in the past month.** Twenty-one percent of the U.S. population age 12 and older have listened to Internet radio in the past month. The estimated monthly audience for Internet radio is more than 52 million.



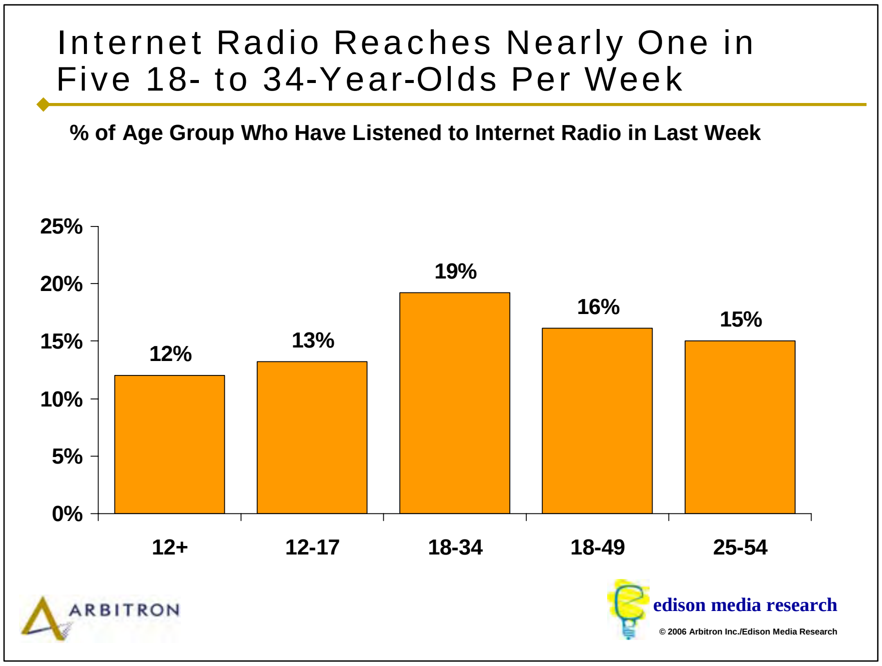
2. **The weekly Internet radio audience has increased 50% over the last year.** Twelve percent of Americans age 12+ have listened to Internet radio in the past week; a 50% increase over the 2005 estimate of 8%.



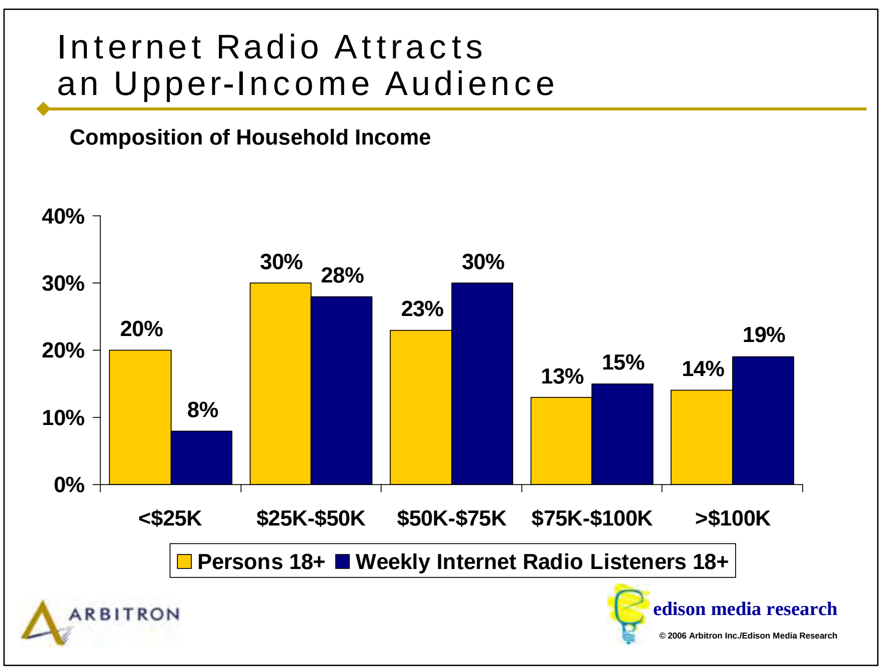
3. **The weekly Internet radio audience skews male and attracts young adults.** Fifty-eight percent of weekly Internet radio listeners are men. The weekly audience delivers a high concentration of young adults, with 41% of listeners between the ages of 18 and 34.



4. **Nearly one in five 18- to 34-year-olds listened to Internet radio in the last week.** Nineteen percent of Americans age 18-34 listen to Internet radio during an average week. Internet radio delivers 16% of persons in the prime 18-49 radio buying demo.

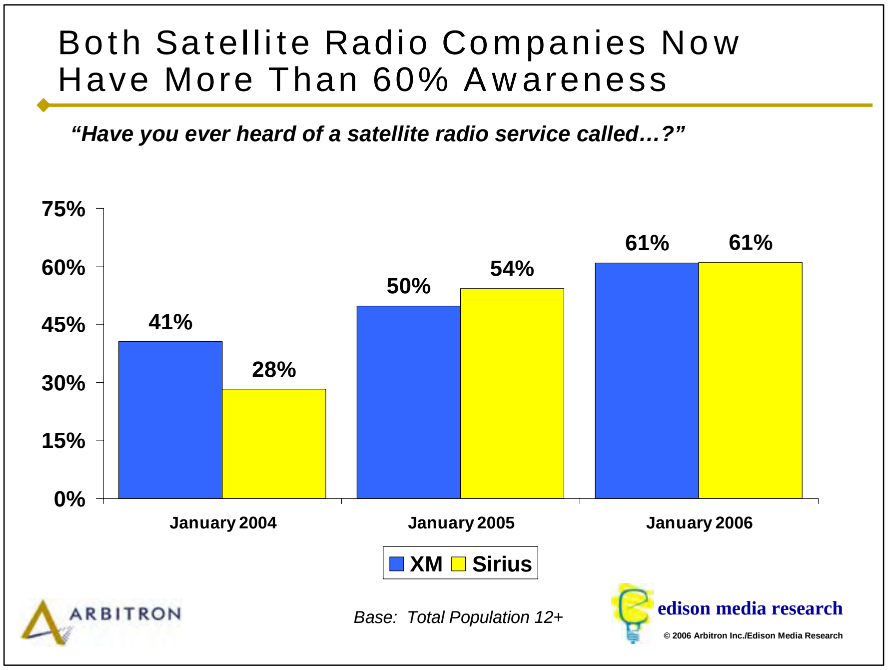


5. **Internet radio attracts an upper-income audience.** Weekly Internet radio listeners are 36% more likely to live in a household with an annual income of $100K or higher when compared to the general U.S. population age 18 and older.

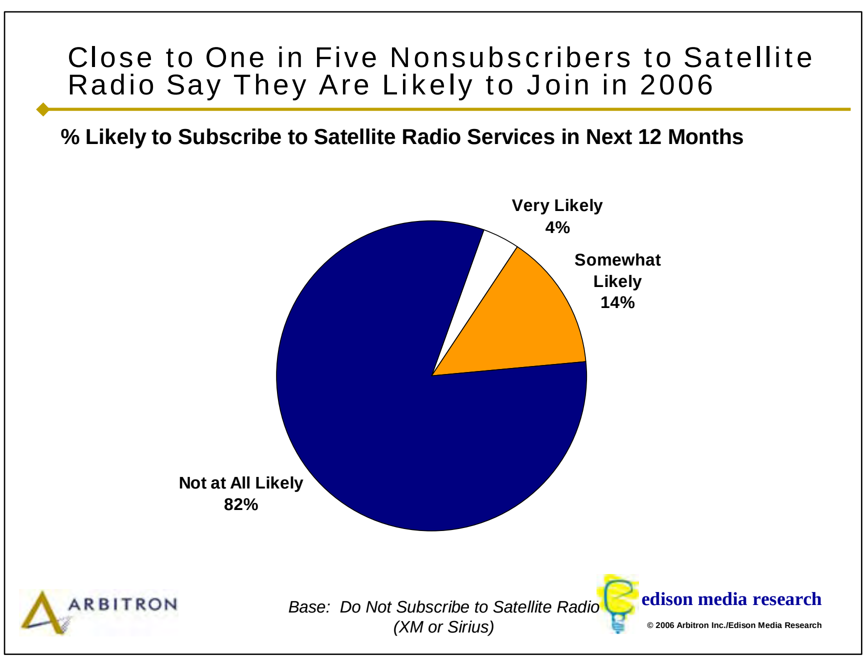


B. Satellite Radio

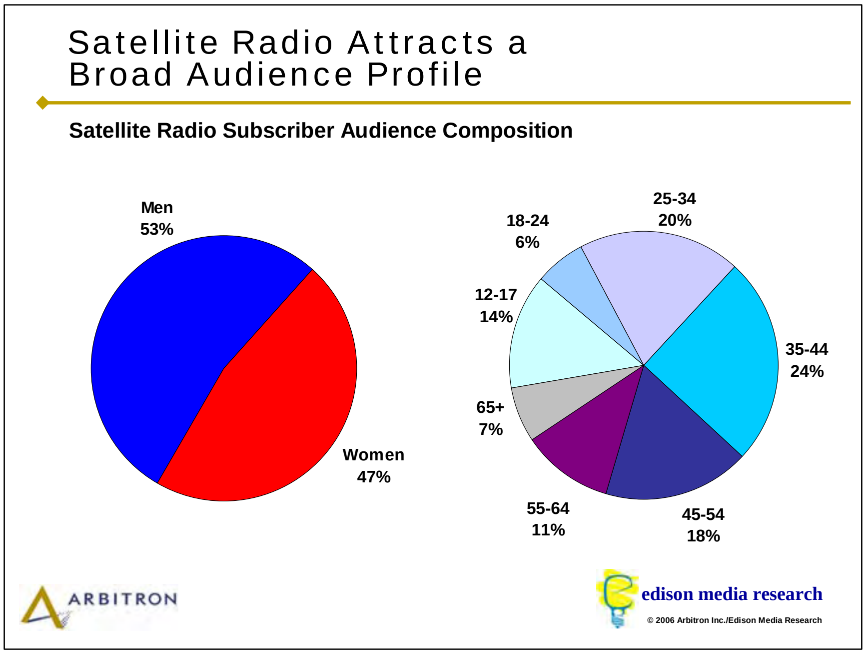
6. **Awareness of both satellite radio companies is over 60%.** XM Satellite Radio had greater public recognition than Sirius Satellite Radio in the early years of the medium. In 2006, both XM and Sirius have reached an awareness level of 61% among those age 12 and older.



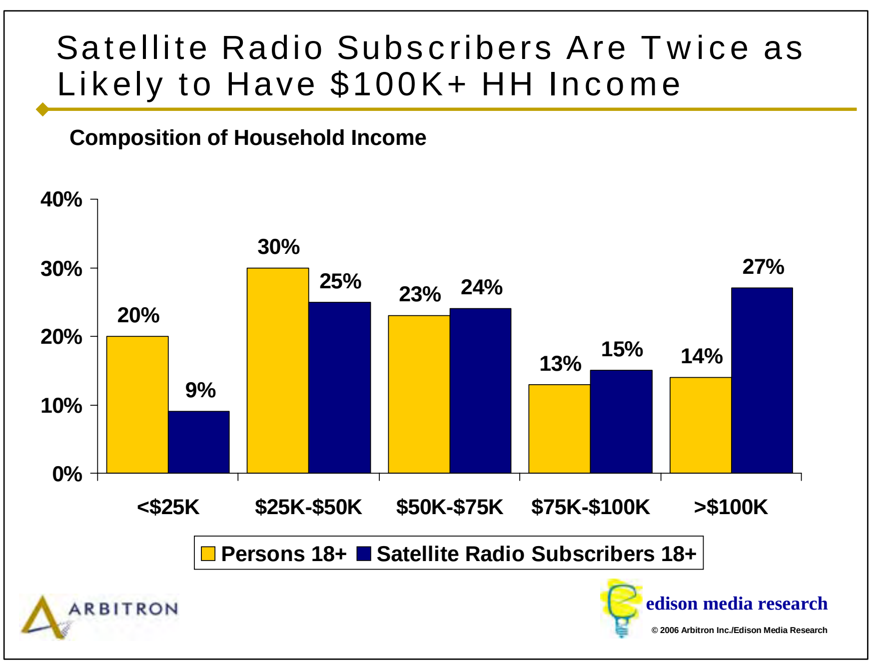
7. **Eighteen percent of those who do not currently subscribe to satellite radio (XM or Sirius) say they are likely to subscribe in the next 12 months.** Only 4% of non-subscribers to satellite radio said they were "very" likely to subscribe in the next 12 months, while 82% said they were "not at all" likely to subscribe to satellite radio 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. Fifty-three percent of satellite radio subscribers are male, and 18% are age 55 and older.



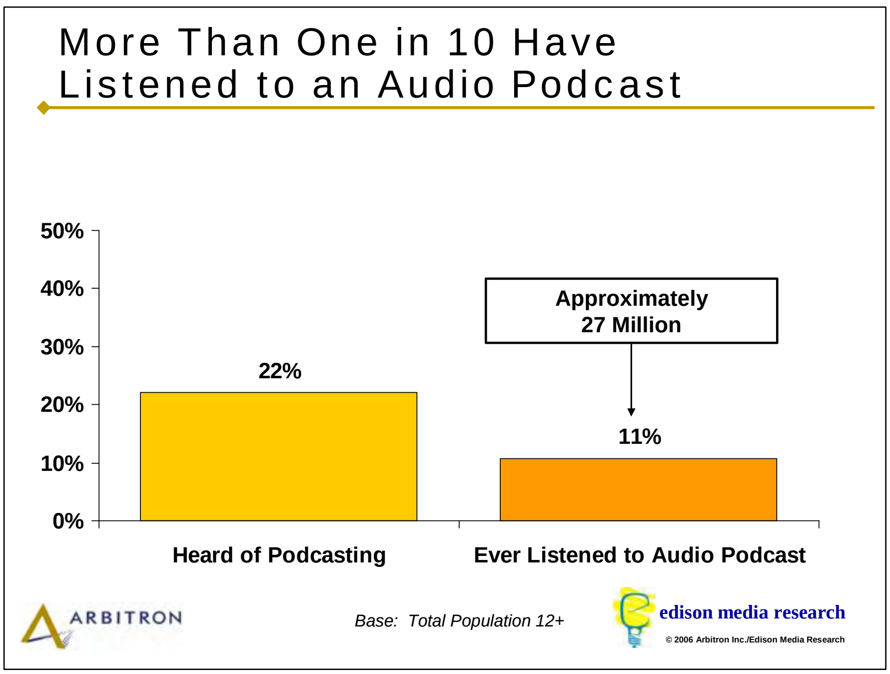
9. **Satellite radio subscribers are twice as likely to live in $100K+ households.** To date, satellite radio has attracted an upscale audience. More than one in four (27%) have an annual household income of $100K or more, almost twice the national average of 14%.



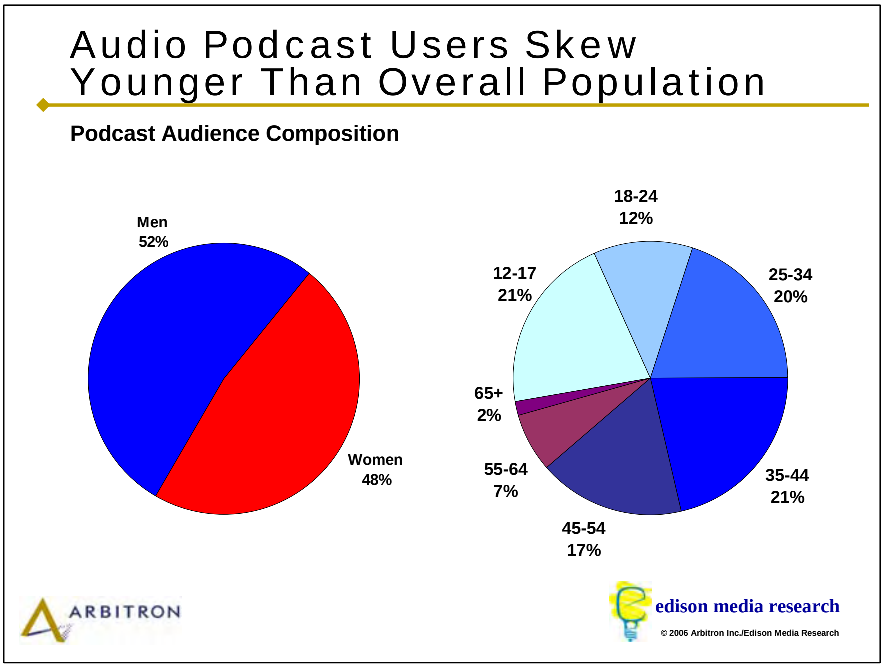
C. Podcasting

10. **The public's understanding of podcasting is still somewhat mixed.** When asked to define what a podcast is in their own words, a majority of Americans mention "file transfer," "downloading," "iPods," "radio and/or television programming" most often. There still seems to be some confusion about the differences among podcasting, Internet broadcasting and downloadable music. Some people include streaming, real-time programming or MP3 music in their descriptions.

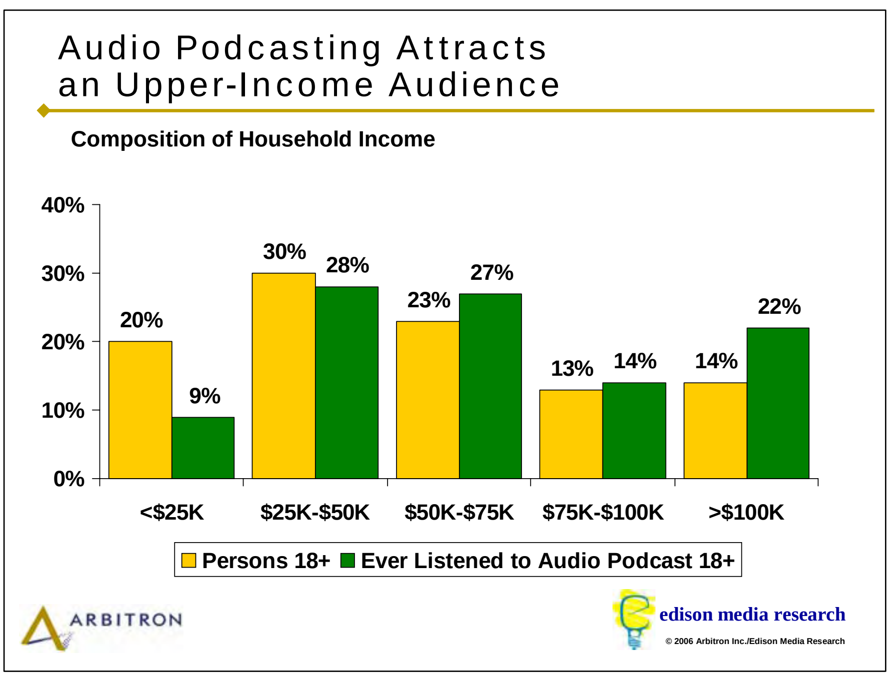
11. **Eleven percent of Americans have listened to an audio podcast.** When given a detailed description of podcasting, more than one in 10 people age 12 and over said they have ever listened to an audio podcast. That translates to approximately 27 million Americans who have already tried this new form of radio.



12. **Podcasting attracts a youthful audience.** One out of five Americans who have ever listened to an audio podcast are 12-17 years old, and more than half (53%) are under the age of 35.

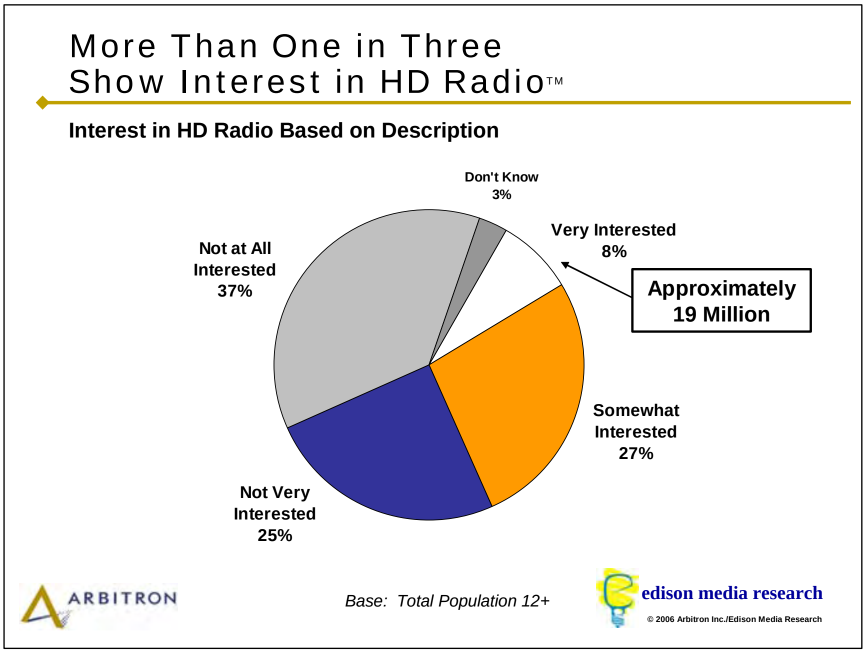


13. **Upper-income Americans are also more likely to have tried an audio podcast.** Typical of these digital forms of radio, podcasting attracts a higher concentration of upper-income households, with 22% earning more than $100K per year compared to 14% of the average U.S. population age 18 and older.

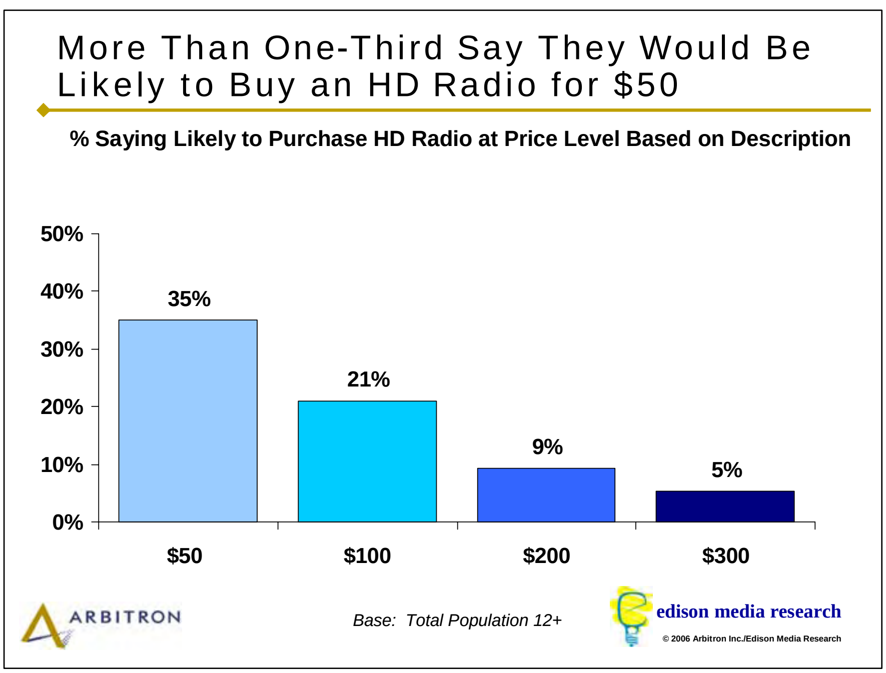


D. HD Radio

14. **More than one-third of respondents are interested in HD Radio.** When read a description of HD Radio, 8% said they were "very" interested, and another 27% said they were "somewhat" interested.



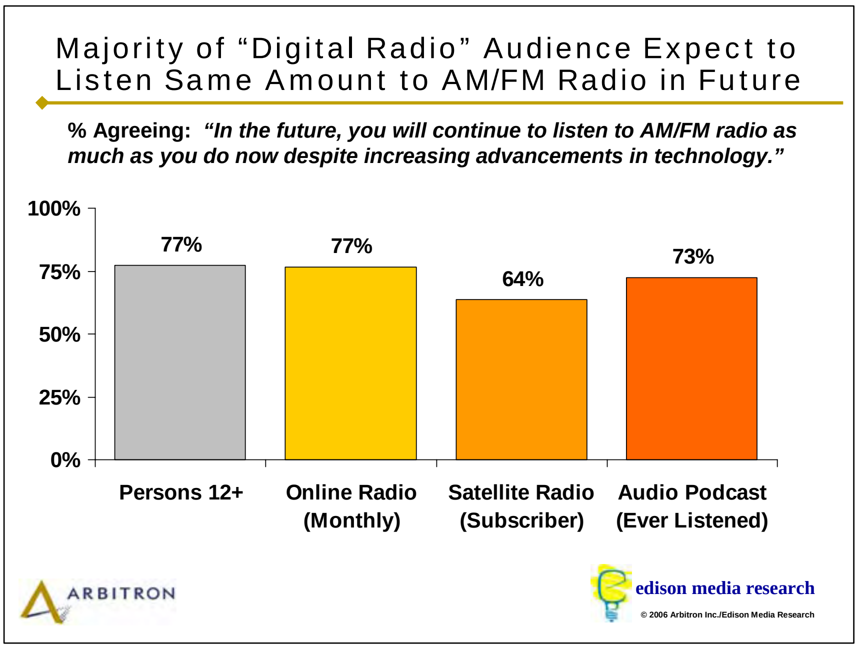
15. **Thirty-five percent of Americans are willing to pay $50 on an HD Radio.** More than one-third of Americans said they would be likely to purchase an HD Radio if the cost was $50**.** Nine percent of all consumers would be likely to pay $200 or more for an HD Radio receiver; 5% said they would be likely to purchase at a price of $300.



16. **More than four in 10 satellite radio subscribers are either "very" interested or "somewhat" interested in HD Radio**. Ten percent of satellite radio subscribers said they were "very" interested in HD Radio, and 33% said they were "somewhat" interested in HD Radio.

E. AM/FM Radio

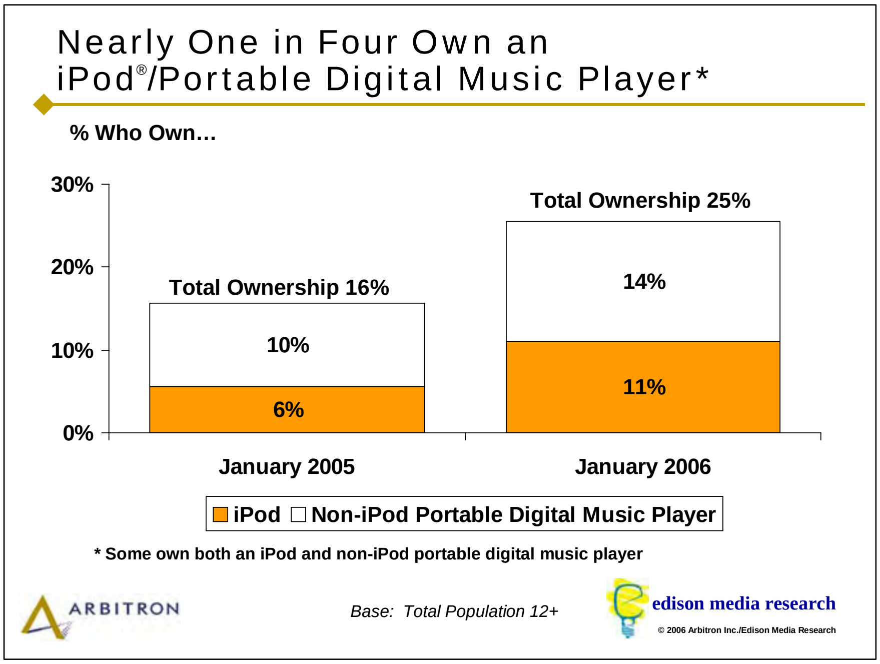
17. **Three-quarters of the "digital radio" audience predict they will continue listening the same amount to AM/FM radio.** Seventy-seven percent said they expect to listen to AM/FM radio as much as they do now despite increasing advancements in technology. The same holds true for Internet radio listeners and those who have tried audio podcasting. Satellite radio subscribers showed slightly less dedication to traditional broadcasting, with 64% saying they plan to continue listening to the same amount of AM/FM radio.



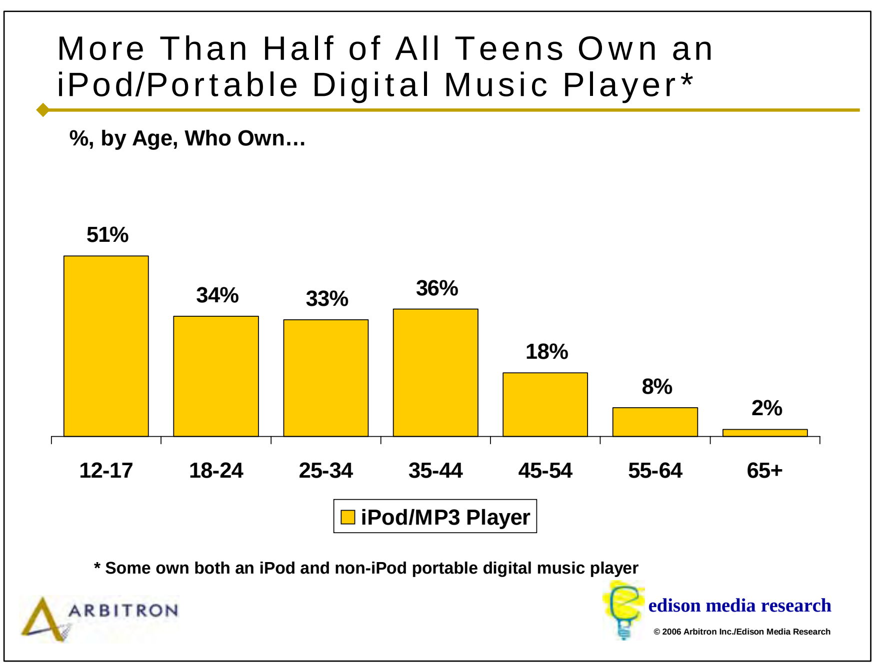
18. **AM/FM radio does not appear to be losing Time Spent Listening to the new digital radio platforms.** This research does not support the belief that AM/FM radio is losing a significant portion of its audience to these new digital radio choices. The average consumer spends 2 hours 45 minutes per day listening to AM/FM radio, compared with 2 hours 48 minutes per day among those who listen to digital radio (have listened to Internet radio in the past month or subscribe to satellite radio or have ever listened to an audio podcast).

F. Digital Music

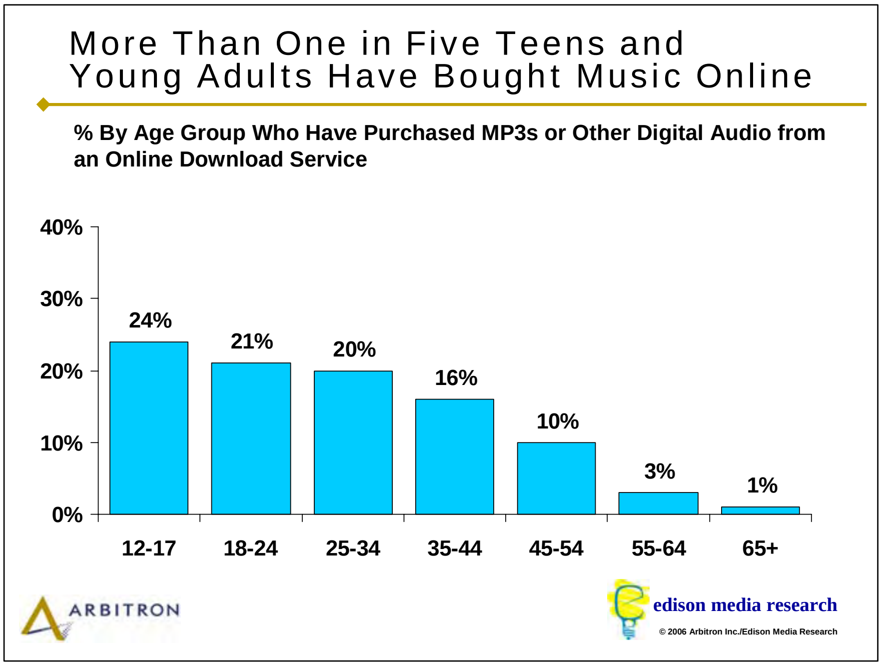
19. Close to one in four Americans currently own a portable digital music player. Approximately 25% of consumers age 12 and over own either an iPod or other brand of portable digital music player.



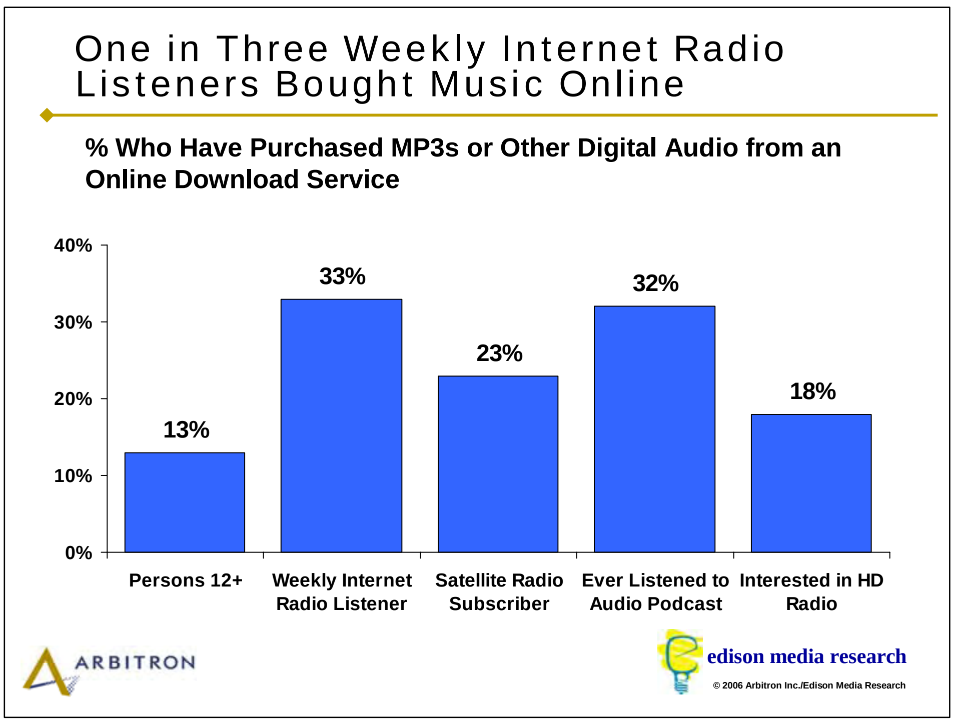
20. Roughly half of teenagers own an iPod or other portable digital music player. Fifty-one percent of respondents age 12-17 currently own a portable digital music player. Approximately one-third of adults age 18-34 own an iPod or other brand of portable digital music player.



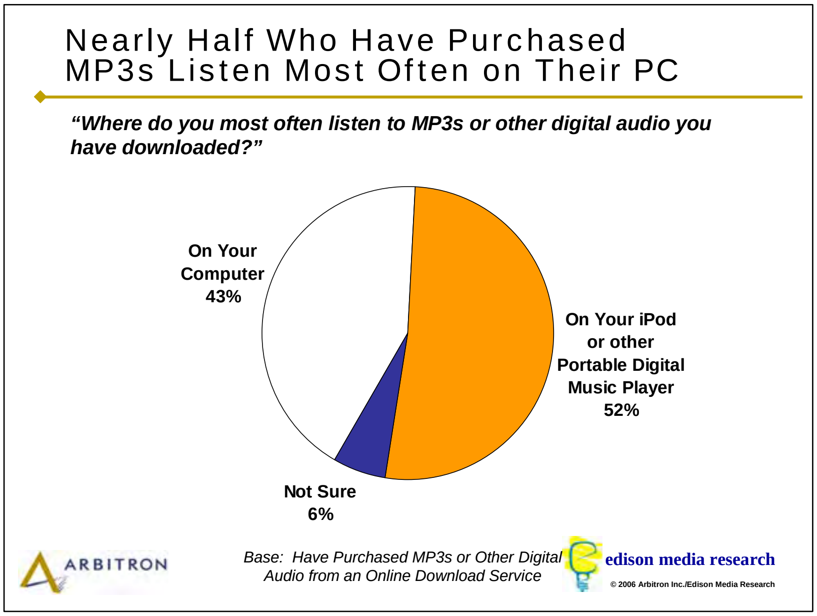
21. One in four teens have purchased downloadable music. Twenty-one percent of 18- to 24-year-olds and 20 percent of 25- to 34-year-olds also have bought downloadable music online.



22. One-third of weekly online radio listeners have purchased music from an online music download store. Those who listen to online radio platforms such as Internet radio or podcasting are much more likely to have purchased downloadable music than the average American.



23. **More than four in 10 people who purchase MP3s from an online store do not listen to that audio most often on a portable digital music player.** Forty-three percent of consumers who have downloaded audio files they bought from an online store listen to the audio more often on their computer than on a portable digital music player.



The State of Digital Radio 2006

Internet Radio (Streaming)

Those who have listened in the past month

- 52 million Americans
- 21% of U.S. population 12+

Those who have listened online in the last week

- 30 million Americans
- 12% of U.S. population 12+
- 19% of Adults 18-34
- 16% of Adults 18-49

Satellite Radio (XM and Sirius)

- 61% of Americans have heard of XM Satellite Radio
- 61% of Americans have heard of Sirius Satellite Radio
- 11% of total sample 12+ subscribe
- 27% have a household income of $100K or more

Audio Podcasting

- 22% of U.S. population 12+ are familiar with podcasting
- 11% of U.S. population 12+ have ever listened
- 21% of Persons 12-17 have ever listened

HD Radio

- 14% of U.S. population 12+ have recently read or heard about HD Radio
- 35% of U.S. population 12+ are very/somewhat interested
- 52% of Persons 12-17 are very/somewhat interested

Media Planning Implications

- As media continue to fragment, advertisers are looking for new ways to extend media dollars and to achieve results with consumers. Innovation and experimentation will lead to insights into how to leverage these new digital radio platforms for more effective media plans.

- Radio in 2006 is more than just AM/FM terrestrial signals. Online radio, HD Radio, satellite, podcasting and radio station Web sites provide myriad opportunities to get the client's message out to consumers.

- Weekly usage of Internet radio has nearly crossed the 20% threshold among young adults age 18-34 and should be considered as part of any media plan targeting this hard-to-reach group.

- Accountability is paramount. Online radio and XM Satellite Radio are now measured and accountable.

- Radio's new digital platforms deliver a highly desirable target comprised of "early adopters" who are young, upscale and technologically savvy.

About Arbitron

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

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

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

About Edison Media Research

Edison Media Research conducts survey research and provides strategic information to radio stations, television stations, newspapers, cable networks, record labels, Internet companies and other media organizations. Edison Media Research works with many of the largest American radio ownership groups, including Entercom, ABC Radio, Infinity, Bonneville and Westwood One; and also conducts strategic and perceptual research for a broad array of companies including AOL/Time Warner, Yahoo!, Sony Music, Princeton University, Northwestern University, Universal Music Group, Time-Life Music and the Voice of America. Edison Media Research also conducts research for successful radio stations in South America, Africa, Asia, Canada and Europe. Edison Media Research designed and operated the CNN RealVote election projection system in 2002; and 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 and can be downloaded free of charge.

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