Broadband Revolution 2 –

The Media World of Speedies

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Overview

Welcome to *Broadband Revolution 2 – The Media World of Speedies,* the second in-depth examination of Americans with superfast broadband Internet access.

When Arbitron and Coleman collaborated on the first Broadband Revolution study—fielded in mid-2000 and presented at the National Association of Broadcasters' Radio 2000 convention on September 21, 2000—it provided dramatic insights into the different media usage habits of those with dial-up Internet access and those with broadband Internet access at home. The study found that compared to dial-up users, consumers with broadband access spent an average of 22% more time each day with electronic media, devoted much more of their daily electronic media time spent to the Internet, and were far more likely to use downloaded and streamed audio and video content.

Broadband Revolution 1 revealed widespread satisfaction with residential broadband service among both digital subscriber line (DSL) and cable modem users. The satisfaction levels were so high that Arbitron and Coleman confirmed the many optimistic projections about residential broadband adoption.

Today's Broadband Consumers = Tomorrow's Mass Market

We have elected to focus this study exclusively on those with broadband access, in the belief that this segment of the Internet user marketplace best represents what the entire marketplace will look like in a few years. Currently, one-third of Internet users representing one out five Americans are broadband users, or "speedies."

While residential broadband access continues to grow at a robust rate, there are many signs that other segments of the broadband marketplace may be more important to the future success of traditional and Internet media companies.

First, the sheer number of Internet users who access the Internet via broadband connections away from home is substantially larger than the residential broadband segment. Second, most streaming media companies report significantly higher usage levels on weekdays, during business hours, when most users are at work. This suggests that speedies at work are a sizeable target audience for entertainment and information. Third, the large corporate broadband market offers many firms the opportunity to pursue enterprise-based business models.

Copies of this report are available free of charge on our respective Web sites, www.arbitron.com and www.colemaninsights.com.

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How the Study Was Conducted

Broadband Revolution 2 contains findings based on interviews with a segment of the Internet user population we call "speedies." Simply defined, speedies are those who have high-speed, broadband access to the Internet at home, work or school.

To complete this study, Arbitron and Coleman spoke with a national sample of roughly 2,000 respondents and then conducted in-depth, 20-minute telephone interviews with 800 speedies aged 12 or older in May 2001. In addition, a small supplementary sample of interviews was completed with residential broadband users. This was to ensure a large enough sample of home users so that reliable comparisons could be made to *Broadband Revolution 1*.

Many of the issues and concepts covered in these telephone interviews were derived from focus groups conducted in April 2001 with speedies who had used streaming media. This report will refer to streaming media users as "streamies."

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Key Findings

Subsequent sections of this report contain extensive details of these key findings:

- The majority of American consumers are aware of broadband connections.
- Nearly a third of American Internet users have broadband access, with the workplace being the most common source of those connections.
- Residential broadband satisfaction levels remain exceptionally high.
- Those with broadband access spend as much time using the Internet as they do with radio or television.
- Media multitasking is common, but is more likely to involve a combination of online and offline media than multiple online media.
- The longer the time spent with a medium, the greater the amount of media multitasking.
- Entertainment—and not just speed—can potentially fuel future residential broadband adoption.
- Nonusers are the best source of growth for the streaming media industry.
- Streaming media show little potential for "hurting" traditional broadcast media and will more likely complement radio and television.
- Downloaded music and streaming audio usage is motivated by very different factors and represents two significantly different media.
- Heavy downloaders of music share many similarities with heavy consumers of prerecorded music. Those who listen to a lot of streaming audio share many traits with heavy radio listeners.
- Recent restrictions on audio downloading are having an impact.
- Awareness of the halting of streams due to the rights controversies is high, and many of those who have encountered discontinued streams have easily found other sources of streaming audio that deliver similar programming.
- Even among those who have broadband access, technical limitations continue to present a significant usage obstacle for streaming video.
- Speedies who have watched streaming video at work say that industry-specific news reports and training are the enterprise-oriented content that holds the greatest interest for them.
- Video downloading has achieved little more than novelty status thus far.

We will now explore these conclusions in greater detail.

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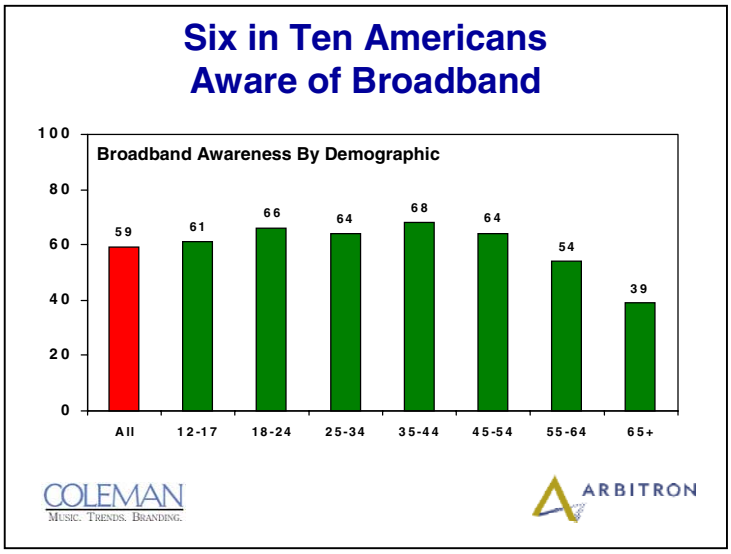
Profiling Speedies

Much attention has been paid to the residential broadband marketplace, as projections have called for as many as a third of American households having broadband Internet access by the middle of this decade. This study paints a positive picture for the residential broadband marketplace, but also reveals the opportunity of tapping into the large outside-the-home speedie market.

Nearly six in ten Americans are aware of broadband. After hearing a description of broadband access to the Internet, 59% of all consumers report having heard of such high-speed Internet access. This figure is relatively stable by demographic with consumers between the ages of 12 and 54 but declines with older respondents. Broadband awareness peaks with 35- to 44-year-olds—68% of them are aware of broadband connections—and drops as low as 39% with consumers above the age of 64.



Half of Internet dial-up users are aware of broadband. Not surprisingly, Internet users are even more aware of broadband than is the total American population, with 70% saying that they have heard of it before. This awareness, however, is bolstered by those who already have broadband access, as only 50% of consumers with dial-up access are aware of broadband. Broadband providers have an ongoing education and marketing task, as one out of two dial-up Internet consumers are not yet familiar with the concept of broadband.

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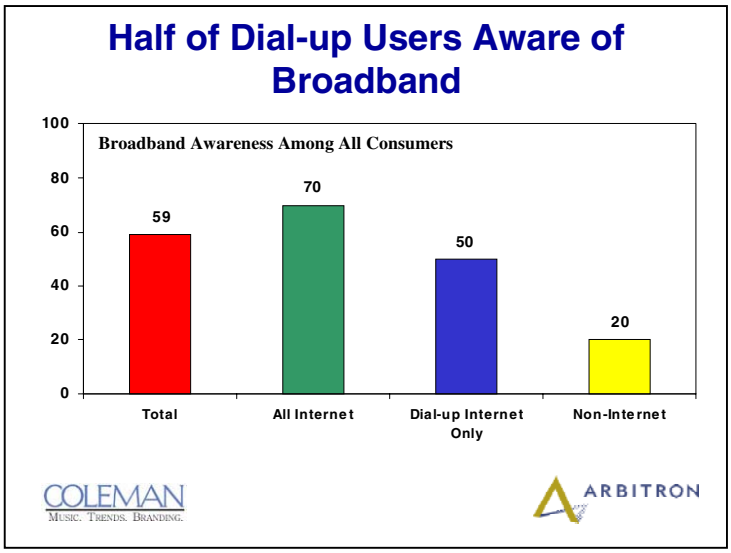
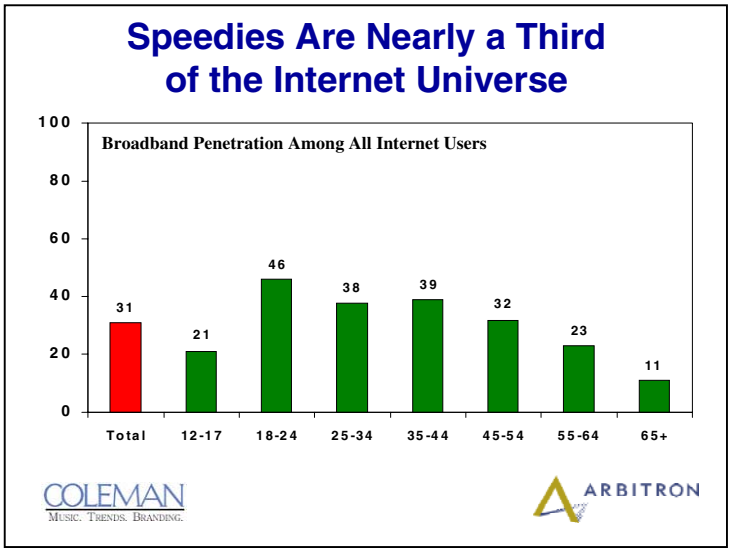


Nearly a third of Internet users are speedies. 31% of those who access the Internet do so from a broadband connection at home, work or school. (Given other estimates that approximately 60% of all Americans are online, the speedie "universe" represents about a fifth of American consumers.) Much like with awareness, broadband penetration declines precipitously with older consumers, as only 23% of 55- to 64-year-olds and 11% of those aged 65 and above are speedies.



Two-thirds of speedies are between the ages of 25 and 54. More than a quarter—26%—of speedies are between the ages of 35 and 44, while 45- to 54-year-olds and 25- to 34-year-olds make up 21% and 20% of the speedie universe, respectively.

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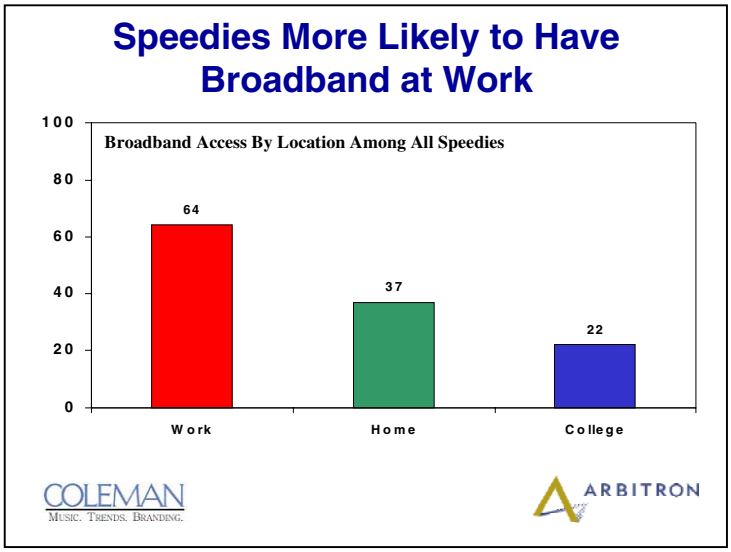
The speedie universe is also equally balanced between male and female users and has a distinctly nonethnic nature. Eighty-six percent (86%) of speedies are Caucasian Americans, with African Americans (5%), Hispanic Americans (3%) and Others (5%) accounting for the rest of the speedie universe.

Nearly 60% of speedies got broadband within the last year. 33% indicate receiving broadband access within the last six months. 26% got broadband between 6 and 12 months ago. 37% say they've had broadband Internet access between one and three years.

Speedies are most likely to have their broadband access at work. Nearly two-thirds—64%—of speedies have broadband access at work, versus only 37% who have it at home. Another 22% of the speedie universe consists of college broadband users. (These figures add up to more than 100% because some speedies have broadband access in multiple locations.)



There is little overlap between residential and work broadband markets. When we examine the universe of speedies who access either at home or at work, 58% have broadband exclusively at work, not at home. 27% only have broadband at home, not at work. Only 15% have broadband both at home and at work.

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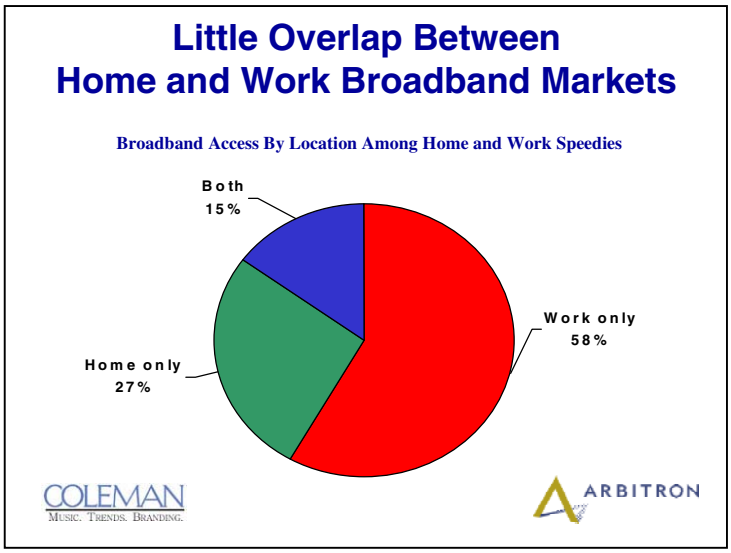
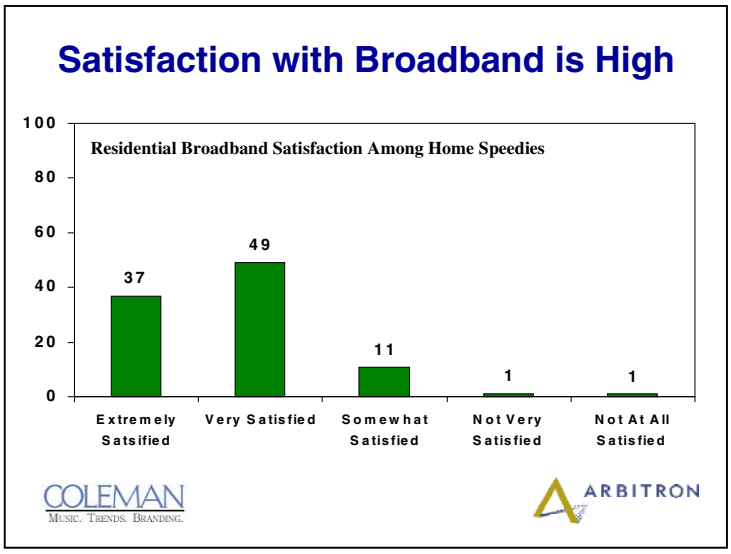


Speedies remain highly satisfied with residential broadband. It is clear that those who have broadband at home are highly satisfied with it. When we combine "extremely satisfied" and "very satisfied" figures from both Broadband Revolution studies, we find that this year's 86% figure is virtually unchanged from the 85% measured last year.



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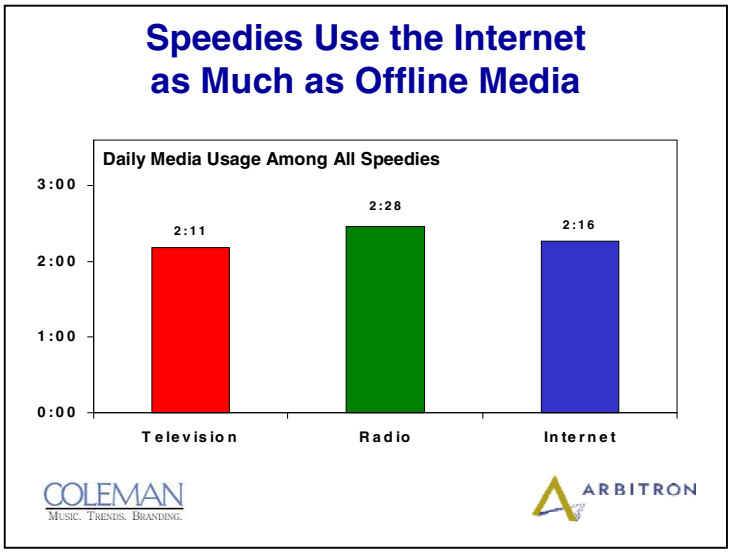
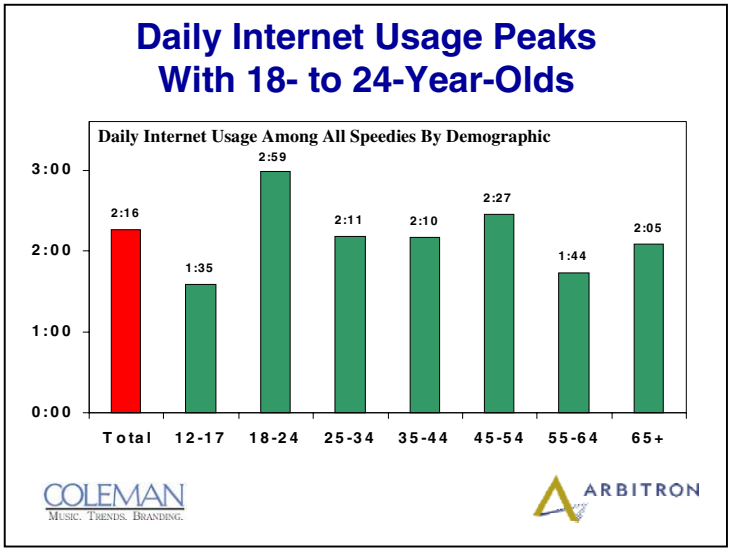
The Media Usage of Speedies

Speedies use the Internet as much as either radio or TV. As revealed in Broadband Revolution 1, Internet usage plays just as large a role in the media usage habits of speedies as do radio, television and prerecorded music. On average, speedies report using the Internet for 2 hours and 16 minutes in a typical day.



18- to 24-year-olds spend most time online. Speedies between the ages of 18 and 24 report the highest daily Internet usage level, at 2 hours and 59 minutes. At the other end of the spectrum are 12- to 17-year-olds, who spend an average of 1 hour and 35 minutes each day online.



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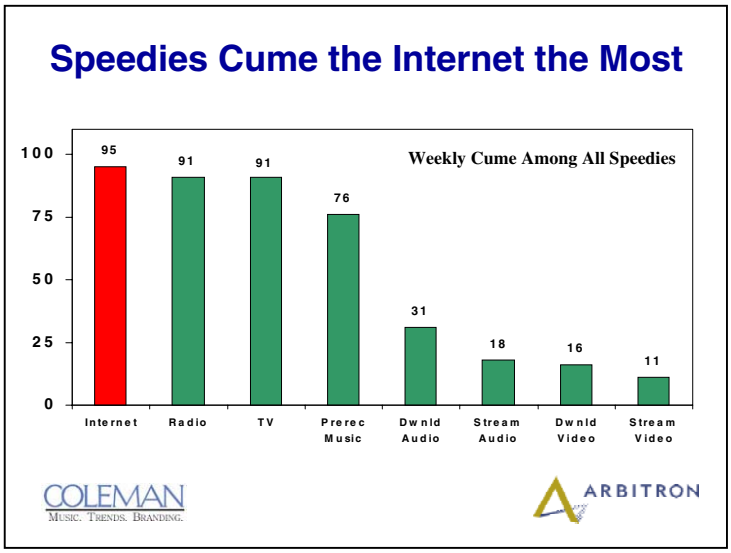
Internet nudges out radio and television in terms of Weekly Reach among speedies. Consumers with broadband indicate which media they use in a typical week. Ninety-five percent (95%) of all speedies report using the Internet in a typical week. That Weekly Cume level is higher than for both radio and television, each of which is used in a typical week by 91% of all speedies.



Among online media, downloaded audio has the highest Weekly Cume at 31%. Nearly one in five speedies—18%—report listening to streaming audio in a typical week.

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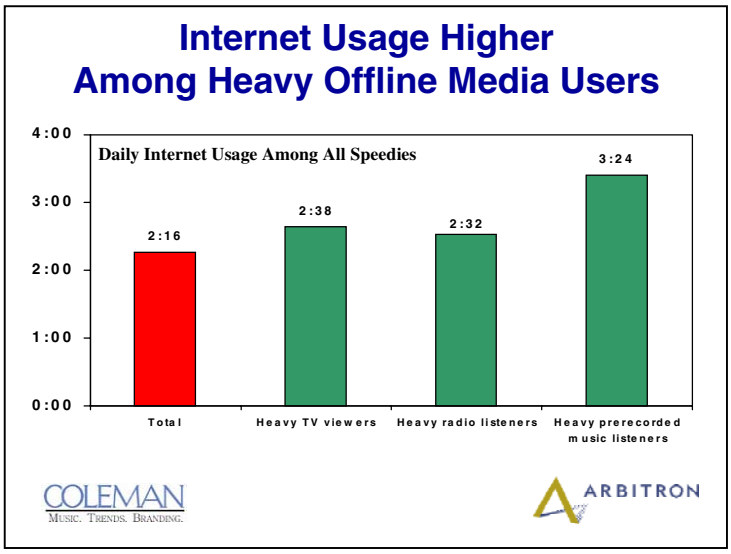
The Media Multitasking Phenomenon

Internet usage is generally much higher among speedies who consume television, radio and prerecorded music in large quantities. Regardless of the media, the higher the time spent, the more time spend online with the Internet. While the average speedie spends 2 hours and 16 minutes online each day…

- Heavy television viewers report 2 hours and 38 minutes of daily Internet usage.
- Heavy radio listeners use the Internet for 2 hours and 32 minutes each day.
- Heavy prerecorded-music listeners report daily online usage of 3 hours and 24 minutes.

Similarly, the heaviest Internet users spend more time with offline media than the average speedie.



Media time spent is a "zero sum game" because there are only so many hours in a day. How do consumers cram in more time with media? They media multitask by using several media at the same time.

It is not surprising that media multitasking is common among speedies. Overall, 45% of all speedies report at least some instances of media multitasking, including 20% who say that they frequently use more than one medium at the same time.

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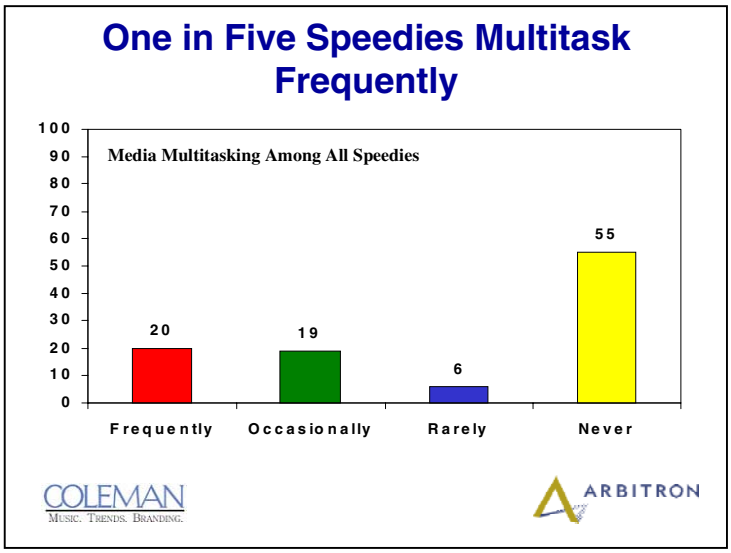

Heavy media consumers do more media multitasking. The more time spent with media, the more media multitasking occurs. While 20% of speedies overall say they "frequently" media multitask…

- 25% of heavy TV viewers multitask "frequently"
- 26% of heavy radio listeners media multitask "frequently"
- 32% of heavy Internet users "frequently" multitask
- 38% of heavy audio streamies "frequently" multitask

It is interesting to note that heavy consumers of online media are even more likely to multitask. Speedies at home (24%) and at college (23%) are more likely to be "frequent" media multitaskers than those at work (19%). Media multitaskers tend to be younger, more likely to be single, have higher incomes and are among some of the most experienced Internet users.

Media multitasking involves combination of online and offline media.
Given the heavy time spent with offline media among heavy Internet users, media multitasking usually involves a combination of online and offline media. Twenty-nine percent (29%) of speedies who report some degree of media multitasking say that they "frequently" listen to prerecorded music on CDs, tapes or records when at a computer. This is the highest score of seven media options offered to respondents as potential media multitasking activities. (A good benchmark is the 57% of speedies who report "frequently" surfing the Web when at a computer.) At least one in five speedies "frequently" listen to AM or FM radio (23%) or watch television (21%) when at a computer, demonstrating how speedies often combine "traditional," offline media with their computer usage.

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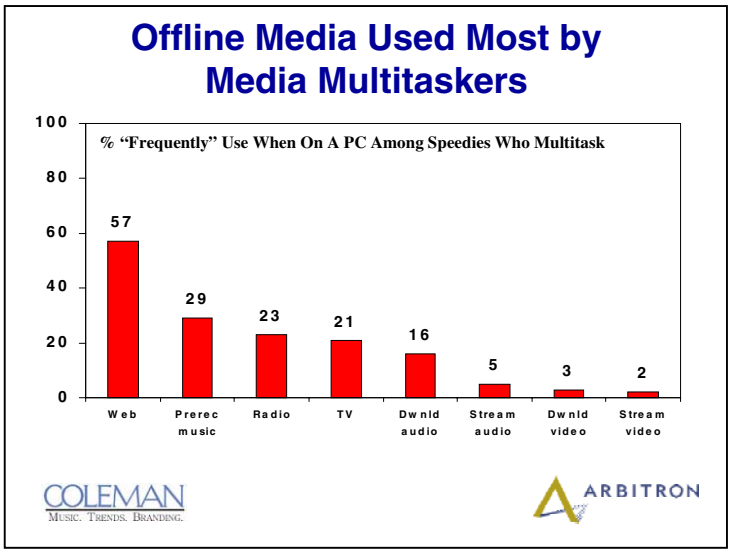
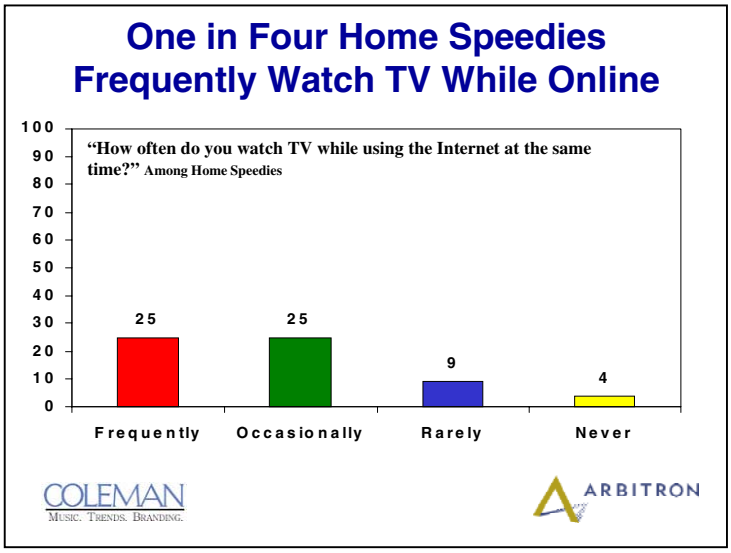


By comparison, online media options are less likely to be utilized by speedies when at a computer. The 16% who report "frequently" listening to audio files downloaded from the Internet when at a computer represents the high-water mark for downloaded or streamed Internet content. No more than 5% of speedies report listening to streaming audio, watching downloaded video files or watching streaming video frequently when at a computer.

One in four speedies frequently watch television and surf at the same time.
The often-discussed phenomenon of watching television while surfing the Web is revealed in our findings as well. Among speedies with broadband at home, 63% report having a television in the same room as their broadband connection. And 25% report that they "frequently" watch television while using the Internet.



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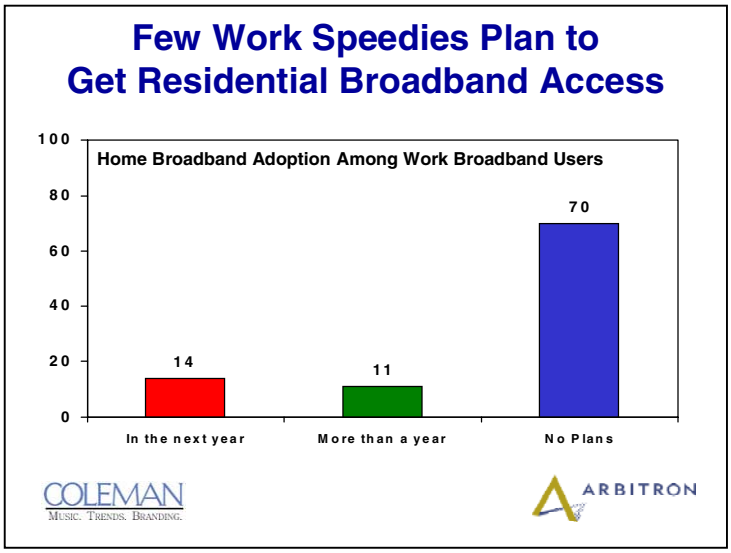
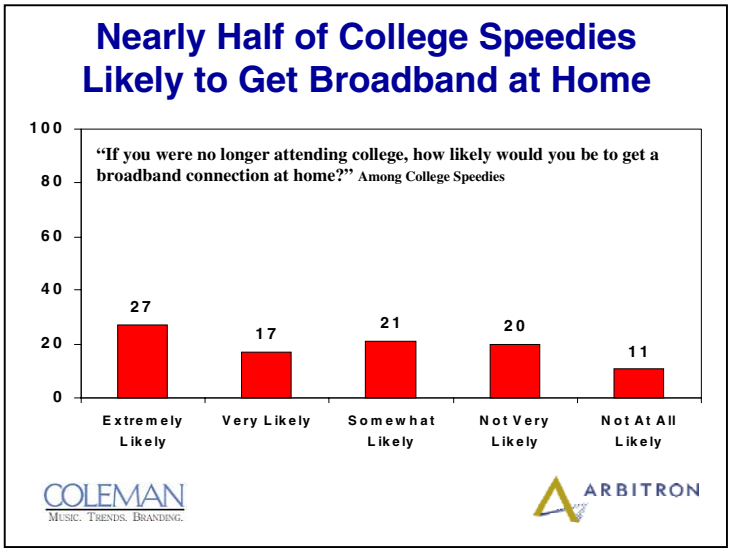
Entertainment as a Potential Source for Broadband Growth

One of the most striking findings in this study is that 70% of at-work speedies (those with broadband at work) have no plans for getting a broadband connection at home. Only 25% say they will be getting a broadband connection at home. Convincing a large proportion of work speedies to adopt broadband at home will be a real marketing challenge.



College speedies are more likely than work speedies to get residential broadband. A larger proportion of college students indicate they would get broadband connections at work if they were no longer in school. Twenty-seven percent (27%) of college speedies say that it is "extremely likely" that they would get broadband at home if they were no longer at school, while another 38% say that it is either "very likely" or "somewhat likely" that they would do so. Only 11% say that getting broadband at home was "not at all likely."



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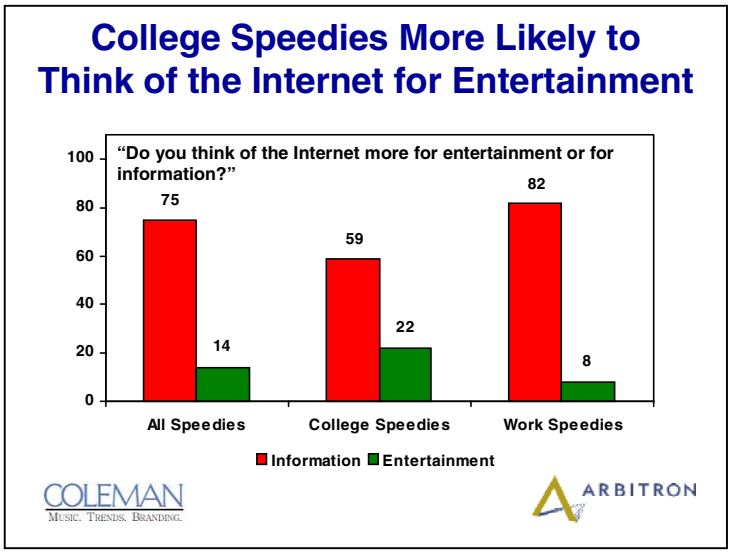
The Internet is most commonly thought of as an information medium. Speedies overwhelmingly think of the Internet as an information- rather than an entertainment-based medium. When asked "Do you think of the Internet more for entertainment or for information?" 75% of speedies choose information, versus 14% for entertainment.

College speedies are more likely to look to the Internet for entertainment.
This greater image for the Internet as an entertainment medium among college students potentially increases the likelihood that they would get broadband at home when they no longer attended school. Twenty-two percent (22%) of college speedies think of the Internet more for entertainment, as compared to only 8% among work speedies and 16% among at home speedies.

Fifty-nine percent (59%) of college speedies think of the Internet more for information, versus 82% among work speedies. Thus, work speedies view the Internet most for information, as a tool to help them do their job. The first marketer of residential broadband service to find that compelling reason to convert the huge at-work broadband marketplace will have a significant opportunity.



Thus, while the "need for speed" has certainly been the catalyst for residential broadband adoption thus far, we believe that the dichotomy between work and college speedies regarding their plans for getting broadband at home provides insight into the growth of the residential broadband marketplace. The evidence that college speedies are far more likely to get broadband after they leave school and that they consume more of the Internet's entertainment offerings strikes us as more than coincidental. It suggests that to keep the residential broadband penetration rate growing, broadband will need to promote content as well as superfast access to the Internet.

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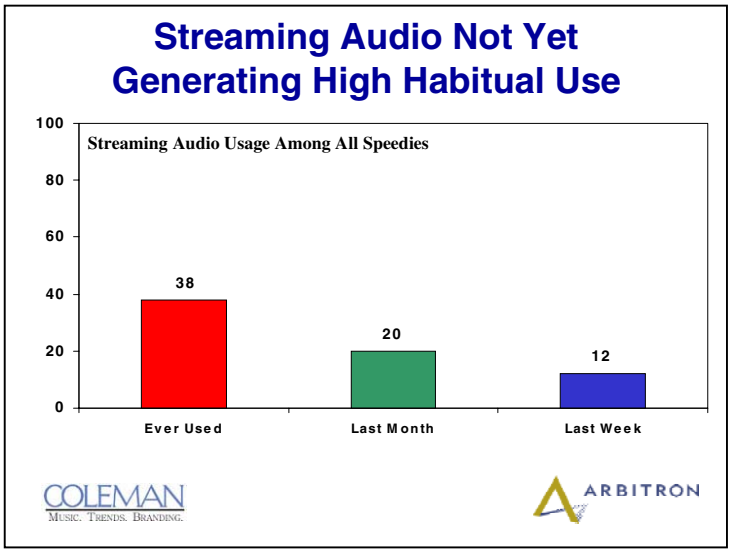
Nonusers: The Key to Future Growth for Streaming Media

A crucial milestone in the growth of all new media occurs when consumers transition from trial to habitual usage. At this early stage of streaming media's development, there are still many speedies who have tried it but do not consume it on a regular basis.

There are also large numbers of speedies who have never even tried audio or video streaming. Speedies are the perfect group to try streaming, as they have the fastest connections to the Internet and the most audio/video sound quality to enjoy streaming. Currently, 63% of speedies have never tried audio streaming and 76% have never tried video streaming.

Streaming audio is yet to generate high habitual use. While 38% of all speedies have listened to streaming audio, roughly half of them—20% overall—report doing so in the past month. Only 12% of speedies have listened to streaming audio in the past week. Fewer than a third of those who have ever listened to streaming audio are being converted to habitual users.



Higher awareness, stronger branding, greater ease of use and more compelling content will help increase streaming media usage. Our focus groups with speedies reveal a lack of awareness of streaming media content providers, even among those who stream on a regular basis. There are few brands that are currently strong enough to "break through" and get into people's consciousness.

Making the streaming experience easier is another factor to future growth of streaming media, as one of the most cited reasons for not listening more frequently to streaming audio was that it was "too time consuming." Portability is a good example of something that will assist in making streaming easier to use.

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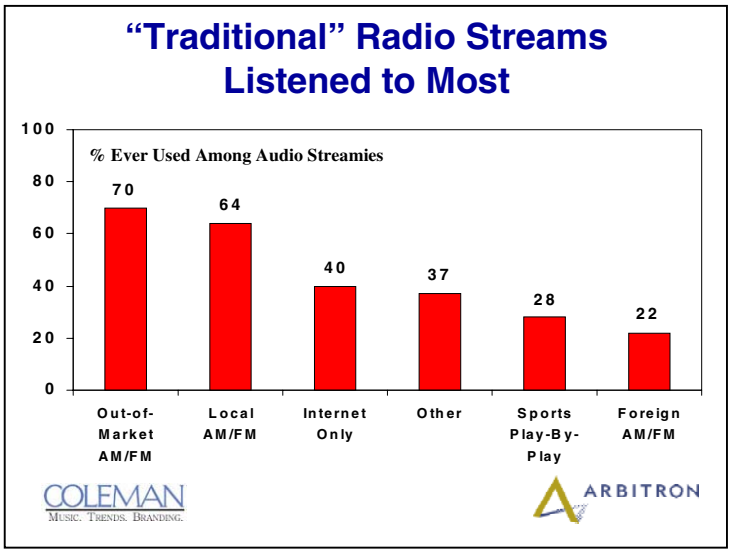
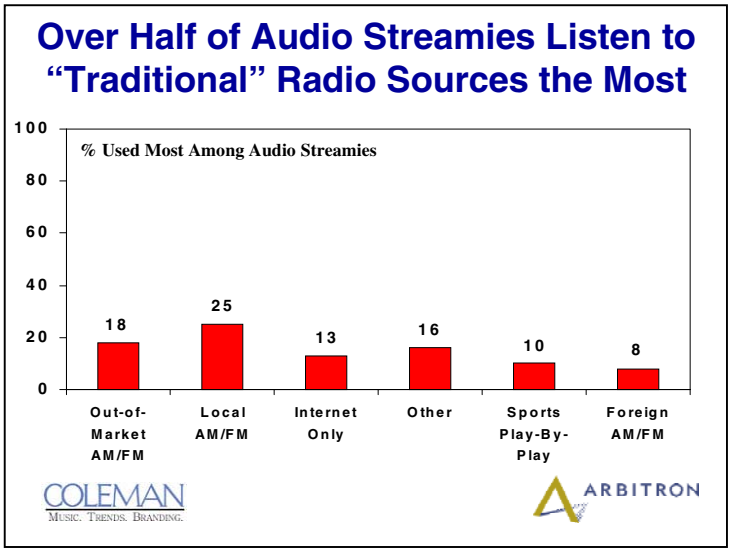
Streams of "traditional" radio are listened to most. A clear illustration of the importance of awareness and branding is that "traditional" AM and FM stations are some of the most listened to audio sources on the Internet. Seventy percent (70%) of speedies who have listened to streaming audio name "out-of-market" American AM or FM stations as a source that they have listened to online, followed by 64% of streamies who listen to local "in-market" AM or FM stations that stream their audio signals. Forty percent (40%) of streamies report ever listening to Internet-only radio stations or audio channels.



Audio streamies indicate the one type of audio they listen to the most. Twenty-five percent (25%) say they listen most to in-market AM/FM stations, followed by out-of-market AM/FM stations (18%), "Other" (16%) and Internet-only sources (13%).



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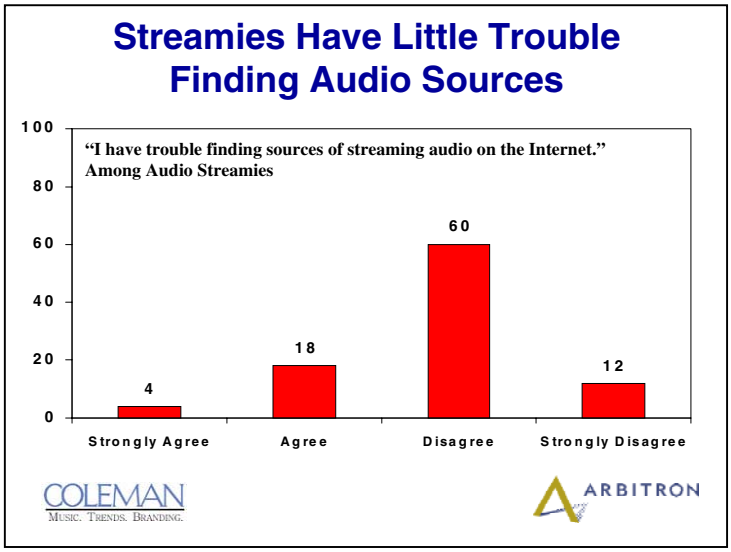
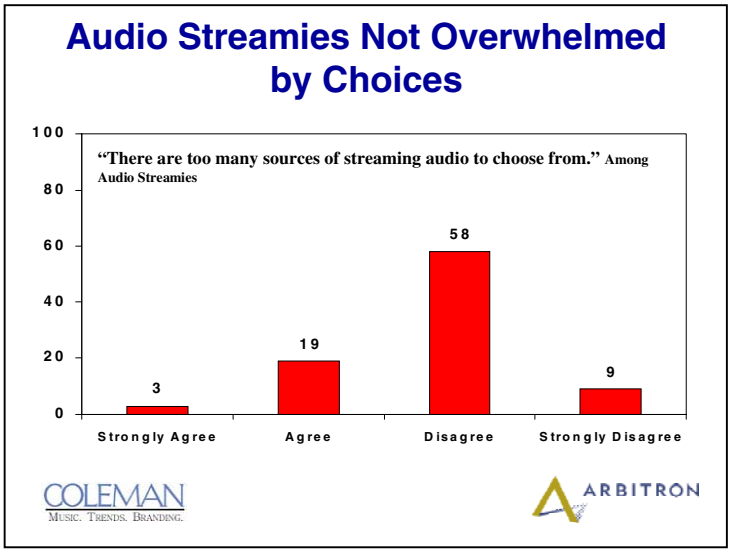
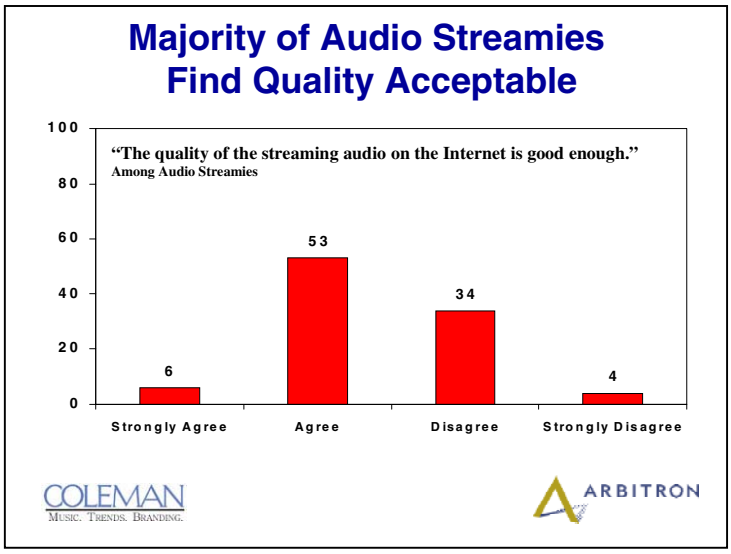
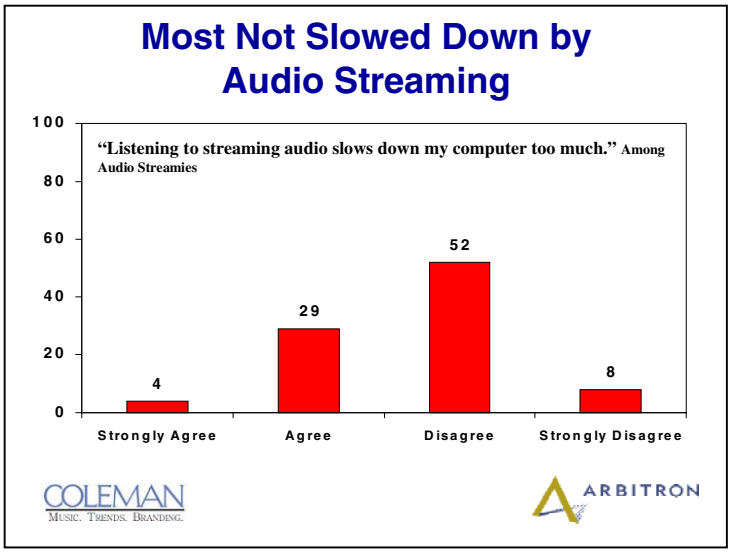
Few speedies are overwhelmed by audio streaming choices, and most can find what they want. The good news is that obstacles to streaming audio usage cited by pundits do not resonate with users of the medium.





Technical issues are also not creating major obstacles to habitual use of streaming audio. Most feel the quality of streaming is good enough. The majority feel that streaming does not slow their computer.





Online media are not yet generating habitual use. The challenge of converting streaming audio trial into habitual use is not unique. It is also true for other Internet media, as 37% of speedies have ever used downloaded audio, 24% have ever watched streaming video, and 46% have ever used downloaded video. The "used in last week" levels for each of these media are 12%, 5% and 3%, respectively.

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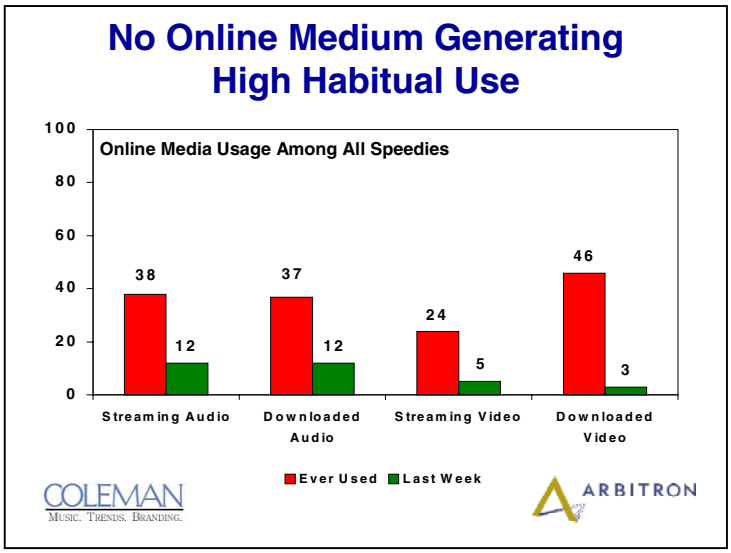

Online media have two types of growth opportunities. First, get the huge numbers of consumers who have never tried streaming media to just sample it. Next, streaming media needs to convert those that sample the media into more habitual consumers.

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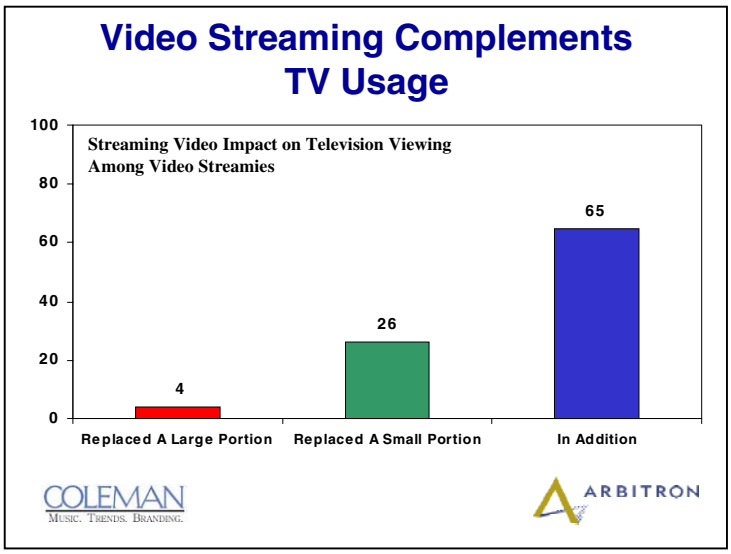
Streaming: No Threat to Broadcast Media

There is ample evidence in this study that streaming media is not having a detrimental effect on broadcast media. Heavy users of such streaming media are generally among the heaviest users of broadcast media.

Heavy streaming users use more "traditional" radio and television. For example, heavy streaming audio users spend an average of 3 hours and 16 minutes listening to traditional radio each day, as compared to 2 hours and 26 minutes a day among those who have never listened to streaming audio. Heavy users of streaming video watch an average of 3 hours and 54 minutes of television each day, as compared to 2 hours and 11 minutes a day among those who do not watch streaming video.

Streaming video is also no serious threat to broadcast television. Only 4% of streaming video users say that such usage has replaced a large portion of their television viewing. Another 26% say that it has replaced a small portion of such viewing, while 65% say that streaming video viewing has been in addition to the amount of broadcast television they watch.



Streaming audio usage is generally seen as additive to radio listening. Only 6% of audio streamies say that their usage of streaming audio has replaced a large portion of their AM or FM radio listening, and 20% say that it has replaced a small portion. Two-thirds—67%—of streamies say that their usage of streaming audio has been in addition to their AM and FM radio listening.

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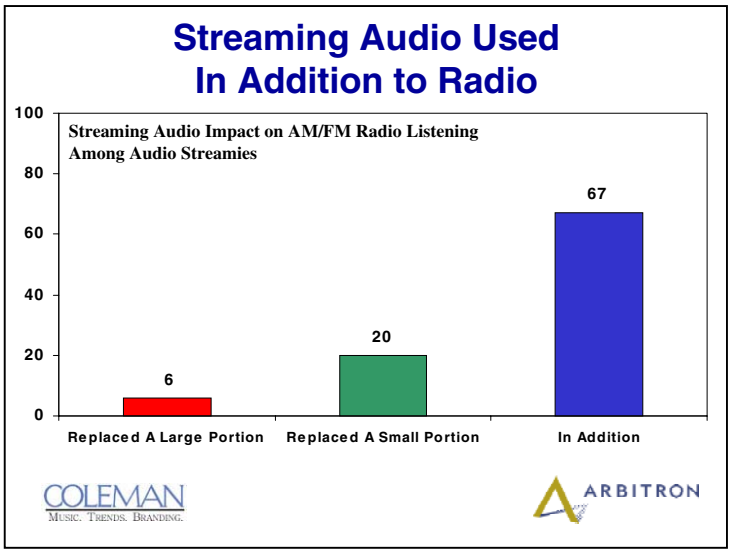
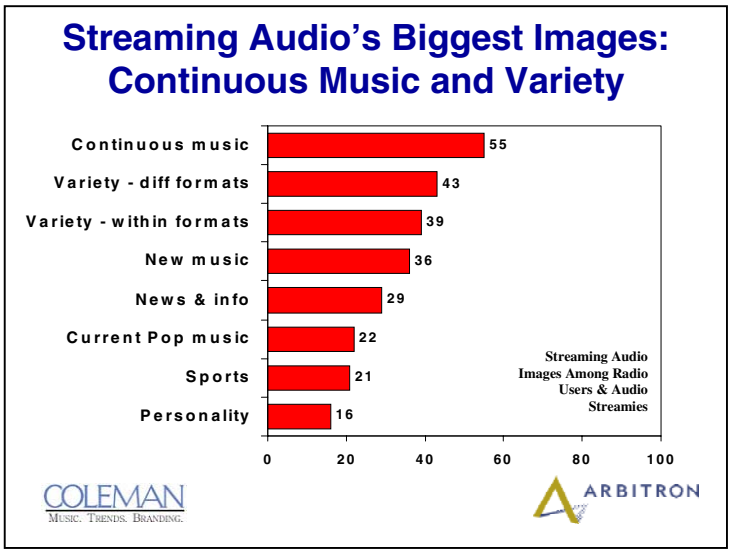


Continuous music and variety are Internet audio's biggest images. The Internet's strongest audio images are for continuous music and variety. It leads radio for "continuous music without interruptions" by a 55% to 40% margin. Internet audio's second biggest image is for variety—with 43% choosing it for "a wide variety of different radio formats" and 39% selecting it for "a wide variety of songs within a specific music format."

When asked whether radio or the Internet is better for a number of audio attributes, most Internet audio users selected radio—not surprising, as Internet audio has yet to build brands and thus strong images for this content. This is especially true for nonmusical imagery, given the music-intensive nature of most Internet-only streaming audio channels.



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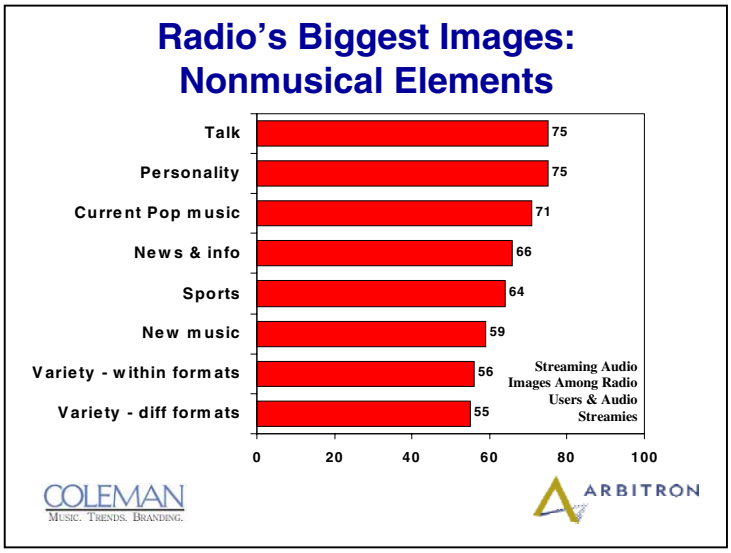
Speedies perceive radio most for nonmusical elements. Speedies who listen to streaming audio perceive radio more for its nonmusical elements: "talk shows" (75 %), "entertaining personalities" (75%) and "the most popular current music" (71%). Radio has a strong image for delivering "news, weather and local information" (66%). Hearing "news, weather and local information" was rated among the highest in terms of importance of the audio programming attributes measured.



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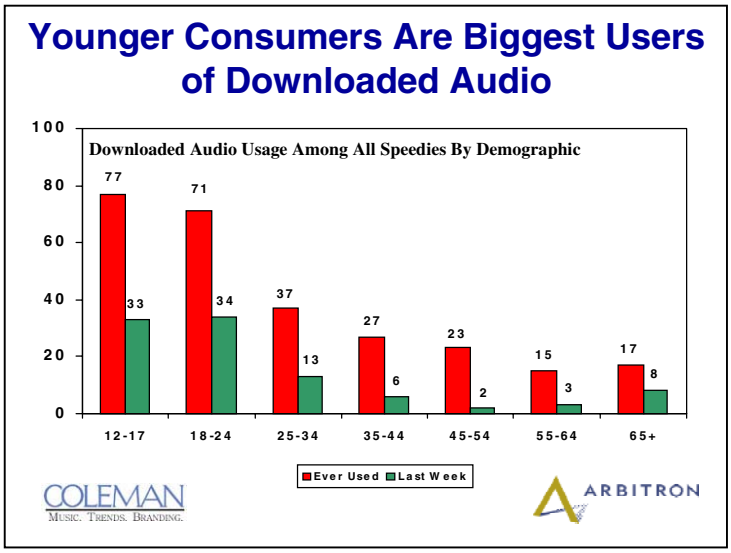
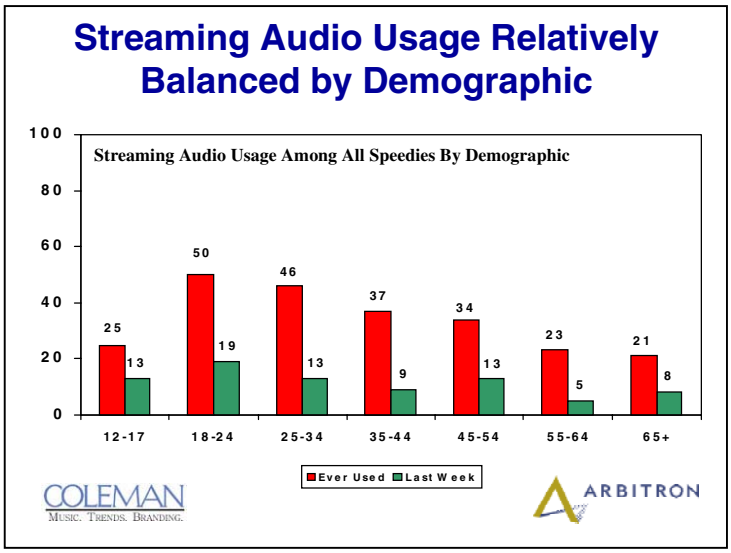
Streaming and Downloaded Audio: Two Different Worlds

The Internet has substantially increased the audio entertainment options available to consumers. There are substantial differences between streaming audio listeners and downloaded audio listeners. Understanding these differences is important for anyone planning on delivering Internet audio entertainment.

Downloaded audio usage is concentrated among the young. Whether we look at "ever used" or "last week" data, downloaded audio usage is very clearly concentrated among the young, 12 to 24-year-olds.





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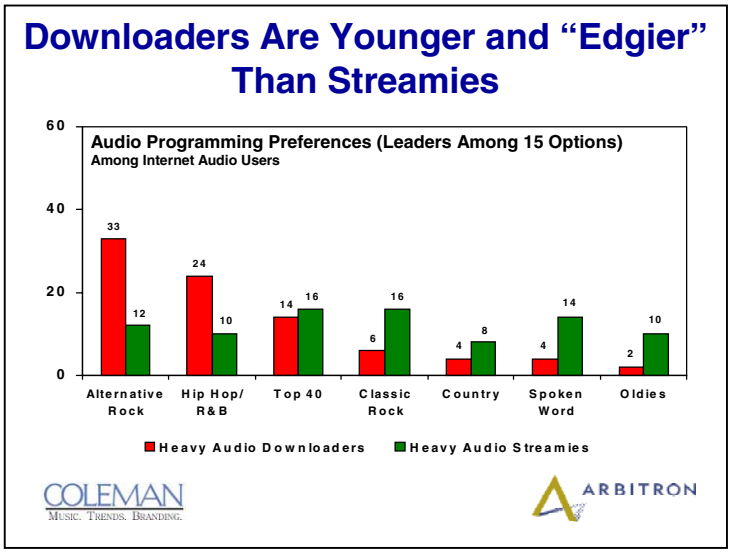
Streamies are older than audio downloaders. When we look at habitual streaming use, the pattern "flattens" out somewhat. While there is a "peak" with 18- to 24-year-old speedies—19% of whom report listening to streaming audio in the past week—demographic cells as far apart as 12-17, 25-34 and 45-54 report nearly comparable habitual use levels.

Tastes of downloaders are more focused on newer, "edgier" music styles; audio streamies are more likely to prefer older formats. Alternative/New Rock is the music style preferred by a third—33%—of heavy downloaded audio listeners, followed by Hip Hop/R&B at 24%. Classic Rock and Pop/Top 40 emerge in a tie as the most preferred styles among streamies at 16% each. Spoken-word formats such as News/Talk/Sports are preferred by 14% of heavy audio streamies and only 4% of heavy audio downloaders.



Heavy downloaders are more likely than streamies to be aware of new music. Consumers indicate their awareness of new music. Those who are really "cutting edge" define themselves as "among the first" to be aware of new music. Next are those who identify themselves as "ahead of most people" in new music awareness.

When we combine both these groups, 27% of all speedies fall into these top two tiers of new music awareness. These two segments combined represent a huge proportion (55%) of heavy audio downloaders, followed by heavy prerecorded music listeners (46%). Thus, prerecorded music listeners and heavy audio downloaders are most similar in their high degree of new music awareness.

Next in new music awareness are heavy audio streamers (40%) and heavy radio listeners (32%). Thus, the more passive radio and streaming consumer groups' have similar new music awareness.

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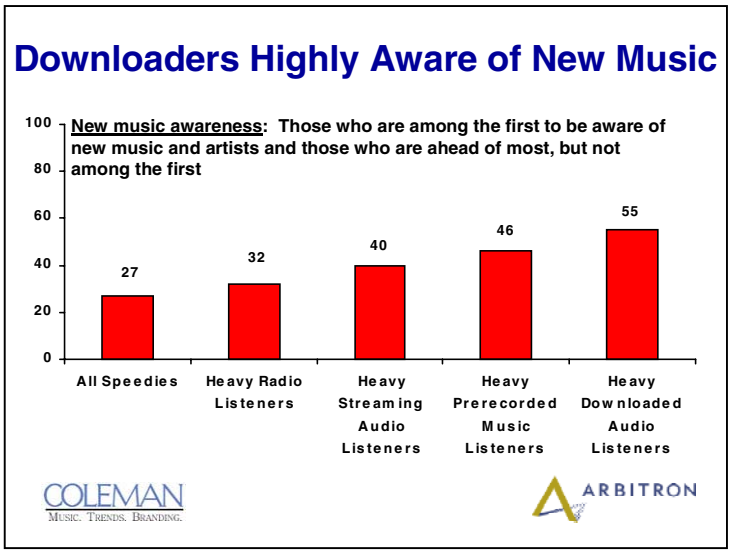

Heavy audio streamies are more like heavy radio listeners. The orientation of audio streamies and radio listeners is very similar when it comes to new music awareness. The new music awareness orientation among audio downloaders and consumers of prerecorded music is very similar. Marketers targeting streamies should consider the profile of radio listeners. Those targeting audio downloaders can draw inspiration from those heavy consumers of prerecorded music.

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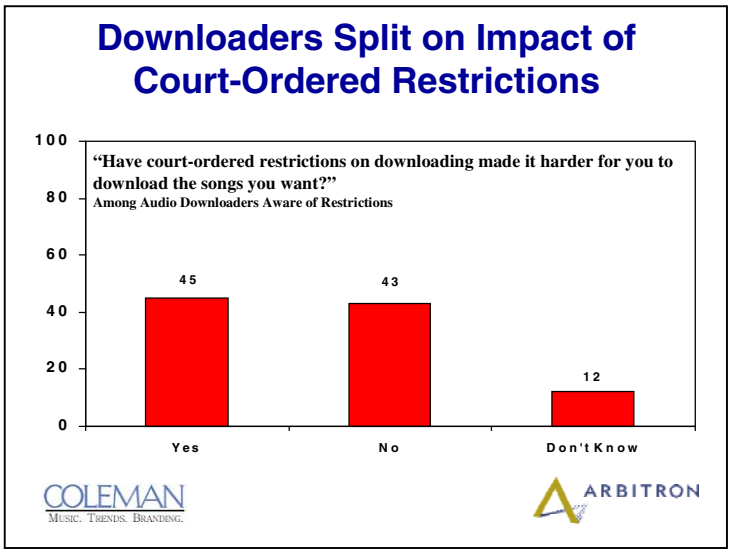
Digital Rights: Downloading and Streaming

Downloading restrictions are having an impact. The overwhelming majority—88%—of downloaded audio users are aware that services like Napster are being forced to restrict access to copyrighted material. It does appear that such court-ordered restrictions are having an impact. Of those aware of such restrictions, virtually the same percentage of downloaders say such restrictions have made it harder to download the songs as those who say downloading songs has not gotten any harder.



The restrictions that have been put in place thus far are apparently spurring downloaders to gorge themselves on material. Only 6% of those aware of such restrictions say that they are downloading less often as a result. By comparison, 38% say that these restrictions have caused them to download more.

Many streamies switched to other sources when confronted with discontinued streams due to rights controversy. Streamies exhibit a high degree of loyalty to programming sources. The majority of them—59%—report returning to the same sources of streaming audio over and over again, while only 24% say that they seek out a new streaming audio source each time they listen. More than two-thirds—69%—of speedies who have ever used streaming audio are aware of rights controversies, and 33% have encountered streaming audio sources that have been discontinued.

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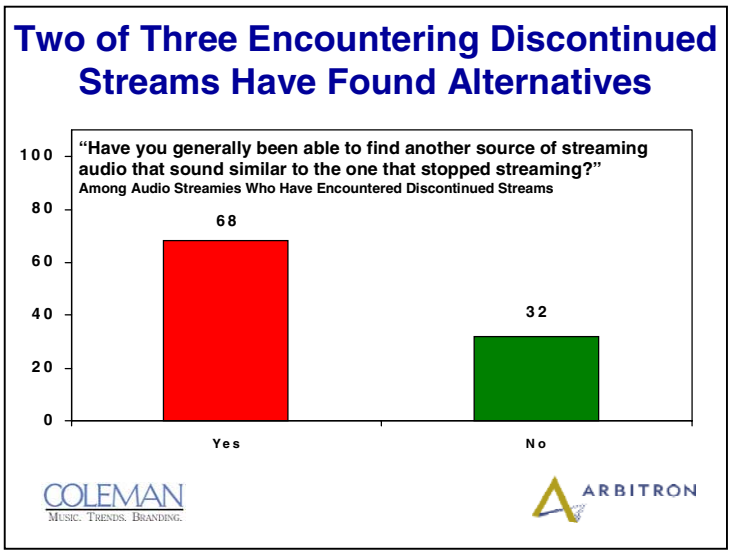
The recent discontinuation of many streaming audio sources due to rights controversies reveals a harsh truth: Listeners are not loyal to a discontinued stream. When these users encounter discontinued streams, 68% of them report being able to find another source of streaming audio that sounded similar to the discontinued one. Thus, the proliferation of streaming audio sources online makes it easy for users of the medium to find replacements when their "regular" sources are not available. No doubt, those terrestrial radio broadcasters who stopped streaming have lost online listeners to other streams.



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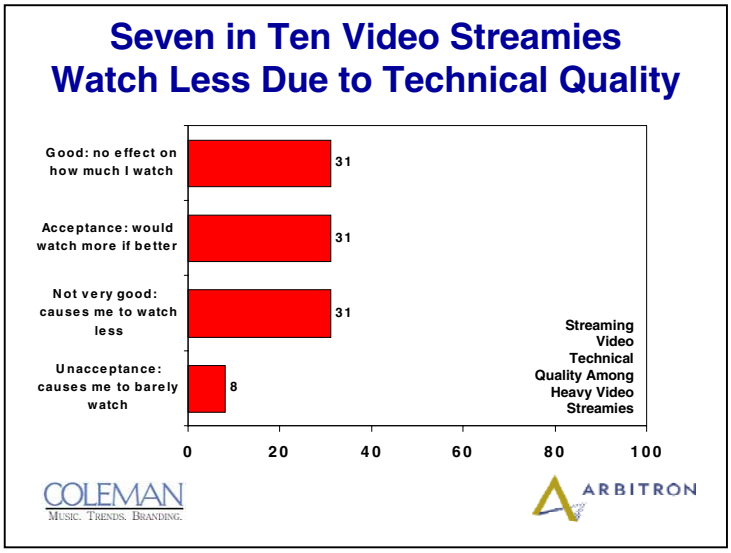
Speedies and Their Use of Online Video

Streaming video is used far more by college and home speedies than work speedies. The proportion of those who have "ever" tried video streaming is highest among college speedies (34%), closely followed by home speedies (30%). Only 21% of at-work speedies, the largest group of broadband users, have ever tried video streaming. Those who have watched video streaming in the past month are home speedies (18%), college speedies (15%) and distantly following work speedies (9%). Those who used video streaming in the past week tend to be aged 25-54, highly educated and upscale.

Technical obstacles limit streaming video, even among speedies. Even with their fast connections, roughly three-quarters of speedies who have ever watched streaming video acknowledge that the poor technical quality limits their use. Even among heavy streaming video users, 8% deem the technical quality "unacceptable," 31% say it is "not very good" and another 31% describe it as "acceptable but would watch it more if it was better."



Many analysts have predicted that broadband connections would make the streaming video experience fast and easy. Consumers with broadband beg to differ.

More streaming video users disagree with the statement "The quality of streaming video on the Internet is good enough" than agree with it. A greater number agree that streaming video (48%) slows down their PC than streaming audio (33%).

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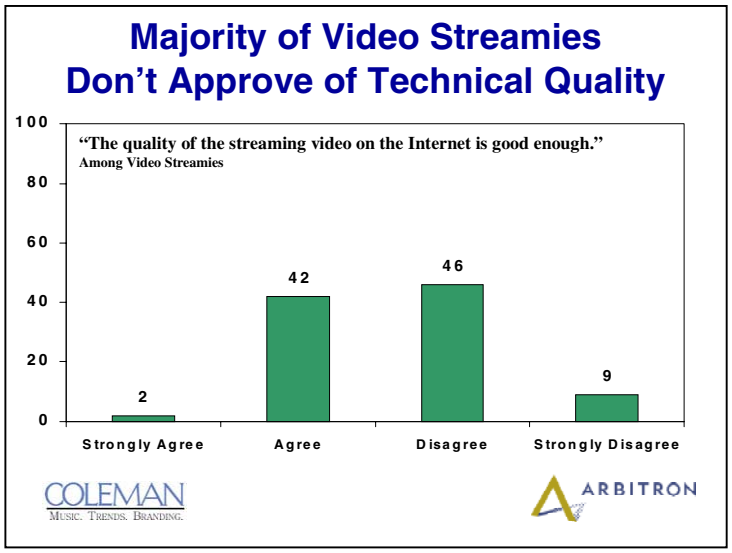

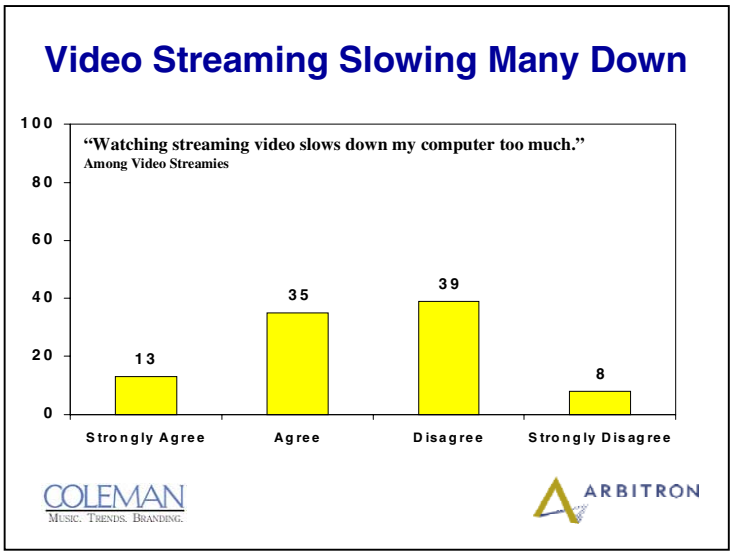

Short, highly informational and entertaining segments are watched most. Video streamies indicate that the types of video segments they watch most online are news reports (28%), movie trailers (18%) and music videos (15%). Similar to audio streamies, most video streamies say they usually return to the same sources of streaming (62%) while 27% say they seek out a new source of video entertainment most times they watch online. Video streamies have no trouble finding sources of streaming video, nor do they feel there are too many sources of video to choose from.

Industry-specific news reports and training videos are of most interest to speedies at work. Assuming that video streaming technical issues can eventually be addressed, there is potential for reaching speedies at work, the largest segment of the broadband marketplace. Among those who have watched streaming video at work, 41% say such video pertained to their jobs.

What job-related content would those at work be most likely to watch in the future? Of five options offered to these speedies, news reports about their company or industry and training videos emerge as the most popular. More than half—53%—of work speedies who have watched streaming video while on the job say that they would be "very likely" to watch news reports about their company or industry if available via streaming video. Forty-four percent (44%) of them demonstrate a strong interest in watching training videos via streaming as well.

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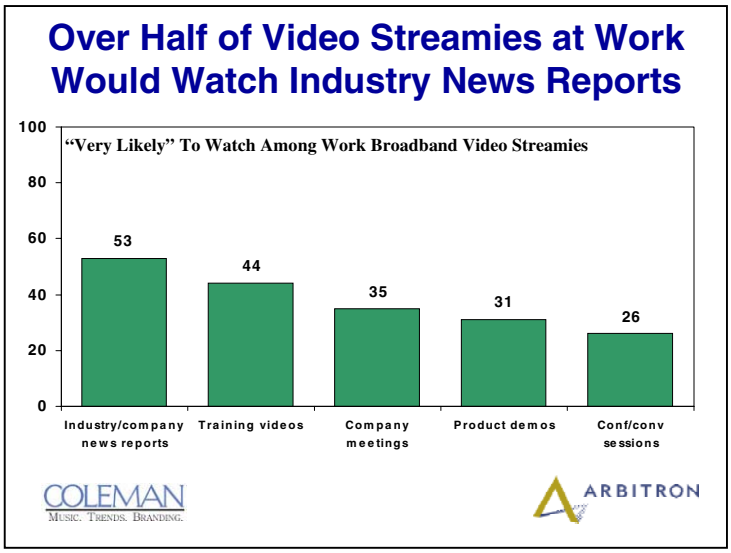

Downloaded video has not progressed from the novelty stage. Many speedies have tried downloading video perhaps for the novelty of the experience, but few have found the results compelling enough to make a habit of doing so.

While enterprise-based offerings have potential for streaming video, the news—as of today—for downloaded video is less hopeful. We discussed earlier how all of the online media measured in this study do a poor job at converting those speedies who have tried them into habitual users. Such poor conversion is an even more serious problem for downloaded video. More speedies—46%—have used downloaded video than any of the four online media measured in this study. However, only 3% of all speedies report using downloaded video in the past week, by far the lowest rate of habitual use of the four media.

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Recommendations

Based on our findings, Arbitron and Coleman offer the following recommendations:

1. **Recognize and exploit the potential of the at-work broadband marketplace.** While much attention has been focused on the strong growth of the residential broadband marketplace, the majority of speedies get their high-speed access to the Internet at work. Reversing the old baseball adage, perhaps the best suggestion we can make is "hit 'em where they are."

   Companies delivering content to speedies should tailor both their content and their marketing to the large at-work market. Radio stations, for example, should consider streaming "side channels" with content that would be conducive to a work environment. Streaming audio channels could position some of their offerings as being specifically tailored for listening at work.

   The large at-work marketplace also suggests that many should consider enterprise-based business models. Such models could potentially include delivery of content that helps companies and their employees "work smarter," through the delivery of industry-specific news or training materials. This plays to the strong information orientation of the at-work speedie.

2. **Online media must work to "grow the category."** With the majority of speedies having yet to sample offerings such as streaming audio and video, there is clearly a great deal of untapped potential for online media. To tap that potential, however, will require greater coordination among players in the field. For example, online media companies should work together to raise awareness of their offerings and to develop marketing messages that will communicate reasons for using them that speedies will find compelling. Such companies must also work together to address ease-of-use issues for online media, including the maintenance of technical standards and the development of greater portability.

   The need for online media's profile to be strengthened also offers some perspective for individual outlets. It suggests that rather than being concerned with—for example—the look of your player's "skin," online media outlets should focus first on letting more speedies know that they exist. This also speaks to the need for most online media outlets to developing brand identities.

3. **Understand the different market segments.** This study sheds light on the fact that the speedie market is diverse, covering many different types of users with different tastes in different locations. We observe significant differences in the motivations of streamies and downloaders. We also observe differences in how the Internet is viewed as an information- or entertainment-based medium between college and work speedies.

   Thus, it is imperative that anyone trying to get speedies to sample and use their offerings online must be as knowledgeable as possible about which segments of the speedie marketplace are their best target—whether it is a streaming video producer attempting to draw users to its site or a "traditional" radio station trying to get speedies to listen to the

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audio side channels it streams. Such knowledge must include measurement of the tastes of the target and also who wins the image for offering that content.

4. **Streaming audio channels should consider delivering other product attributes.** We have consistently observed that consumers are far more likely to habitually use sources of audio programming that are perceived as more than "jukeboxes." Radio stations that are perceived as offering entertaining personalities, news, information and other programming elements in addition to the music they play consistently generate higher ratings than those stations that are just imaged for their music.

   Streaming audio has made some solid gains in terms of getting credit for the continuous nature and the variety of music the medium offers. We believe some streaming audio channels will need to consider programming elements beyond music for consumers to find them to be highly compelling.

5. **Internet audio providers should pursue different revenue models.** The striking differences between the tastes and motivations of audio streamies versus audio downloaders suggest that different means should be employed for generating revenue from the users of these services. For streaming audio, the advertising-supported model appears the most appropriate, as many streamies are looking for a "radio-like" experience.

   Downloaders, however, exhibit a tremendous level of passion for music, and therefore are likely targets to buy music and music-related items online. We envision sites offering music downloads generating revenue through the sales of music, concert tickets, music memorabilia, etc.

6. **Consider the implications of media multitasking.** The high number of speedies who use offline media while at a personal computer has a number of ramifications. For online media companies, it repeats our earlier recommendation regarding "not sweating the small stuff." With many of the consumers unable to pay attention to the details of your offering because they are consuming other media at the same time, you must focus on "bigger-picture" issues like developing a brand identity and occupying a perceptual position with your target audience.

   For advertisers, the pervasiveness of media multitasking suggests that the best way to reach speedies is by using a combination of "traditional" and online media. Reliance on one over the other could potentially limit the impact of your advertising messages with speedies, especially if this glimpse of approximately 20% of American consumers is a good predictor of future media consumption patterns. With 25% of home speedies who frequently watch TV while using the Internet—and a greater number of heavy media consumers who frequently media-multitask—you should begin to address this coming "tsunami of inattentiveness."

7. **Residential broadband providers should explore an expansion of marketing messages beyond speed.** While *Broadband Revolution 1* and other studies have documented that speed is by far the number one reason why speedies have installed broadband access at home, it seems clear that a more compelling reason for getting broadband will need to be

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communicated and delivered. We believe that the ability to access unique, entertaining content can be such a reason, and should be included in the marketing messages sent out by DSL and cable modem service providers.

Early on, cable marketed itself as a method to improve poor TV reception and picture quality. At some point, cable marketing began to focus on the unique and compelling cable programming content. Providers owned by entertainment conglomerates should consider packaging such unique content together with their broadband access package.

Those who have had broadband access at college are already more likely to be consuming online entertainment. Residential broadband service providers should specifically target the college market as a source of future growth.

8. **Make sure your stream is always available.** Consumers who encountered discontinued streams due to the rights controversies quickly found suitable alternatives. When streamies cannot get what they want from your offering, they will search for another option that if reliably available can secure their loyalty.

   We caution streaming audio providers from discontinuing their streams, although we recognize that providers must consider the legal and financial implications of such issues on a regular basis. From a technical standpoint, we urge providers to ensure that their streams can be delivered reliably at all times.

9. **Video streamers must find better technical options to enhance the consumer experience.** It is clear that online video's potential is severely limited by users' dissatisfaction with its technical quality. Whether it is through greater compression technologies, faster networks, or other developments, the online video industry must work together to bring a better technical product to its users. We fear that without such advances, the medium's ability to generate habitual use will be severely restrained.

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About Arbitron Webcast Services

Arbitron has 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. The company debuted the world's first webcast ratings in October 1999 and it now provides monthly ratings for more than 2,300 channels. In the summer of 2001, Arbitron introduced a new service called Webcast Audience Profiles. Webcast Audience Profiles demonstrate the "buying power of streamies" by gathering the demographic, socioeconomic and Internet usage profiles of people who tune to individual streaming media channels. The company also has a strategic alliance with Lariat Software that combines Lariat's market-leading data collection and reporting solutions with Arbitron's expertise in the compiling and marketing of credible third-party ratings.

Arbitron also conducts regular industry studies to help webcasters, advertisers and agencies understand the Internet and streaming media. In addition to its annual broadband studies with Coleman Research, Arbitron conducts twice-yearly Internet studies with Edison Media Research. Arbitron also publishes periodic studies such as its landmark findings on how key webcasting decision-makers perceive their industry ("Webcasters Speak Out"). All of Arbitron's industry studies can be found on the company's Web site at www.arbitron.com and can be downloaded free of charge.

About Coleman Research

Coleman (www.ColemanInsights.com), headquartered in Research Triangle Park, NC, with offices in Los Angeles and Hamburg, Germany, is a media research firm that has provided deep insights into music trends and branding opportunities to its clients since 1978. Its client base includes MTV, VH1, CMT and hundreds of radio stations in North America and Europe, including those owned by Infinity Broadcasting, Emmis Communications, Jefferson-Pilot Communications, Citadel Broadcasting, Susquehanna Radio Corporation, Entravision Communications Corporation, Sandusky Radio, Inner City Broadcasting, Mid-West Family Broadcast Group, Hubbard Broadcasting and Capitol Broadcasting.

Among the services offered by Coleman are Plan Developer perceptual studies, which provide strategic planning tools for media outlets. Coleman FACT® studies provide radio stations with the most advanced strategic approach to music testing available.

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