

Challenges & Opportunities For In-Car Streaming Radio

2011

INTRODUCTION

Coleman Insights is conducting a series of “Quick Look” research studies designed to investigate new media issues of interest through interviews of “real people” in individual sessions. Our goal is to quickly develop an understanding of perceptions and level of usage and engagement of various new media offerings.

In this particular investigation, we set out to study “in-car streaming radio,” that is, listening to an audio stream of music or talk content over an internet connection in a motor vehicle. About 22% of Americans are currently listening to some streaming radio. It is thought that most of that listening occurs at home or at work on computers connected to the internet because of the perceived difficulties related to connecting to the internet in the car.

For these reasons, in-car streaming radio has been described as “the next frontier”—the next area of streaming radio usage to develop. To better understand this realm, we interviewed dozens of “streamers,” consumers who engaged in at least 20 minutes of streaming in the past week on any device and in any location. We did not require that these participants stream in the car. Our goal is to shed light on a number of industry perceptions—or misperceptions—about in-car streaming at this point in its development.

PERCEPTION #1: STREAMING IS NOT YET HAPPENING IN THE CAR

Most commentators believe that consumers are not listening to streaming radio in the car as yet, at least not in any significant fashion. When we interviewed these streaming consumers, however, we were struck by how many of them had already found a way to stream in the car. The majority explained they are streaming through wired connections to a factory-installed USB port or other dashboard plug, or through an after-market accessory connected to their FM radio, cassette deck or CD player.

This finding is corroborated by our nationwide study of streaming radio consumption in September 2010, where 71% of streamers indicated they streamed in the car at least five minutes in the past week.

That is not to say there are not obstacles preventing these consumers from streaming more in the car. Many cited technical hurdles. Others suggested they consider streaming too much of a hassle for short trips. A few consumers pointed out safety concerns associated with adjusting the channel or skipping songs via a smartphone loosely housed in their cupholders. Other streamers expressed concern about running down the battery on their smartphone, and avoided or curtailed streaming in the car for that reason. Still others expressed concern over data usage cost and limitations of their data plan.

Despite these challenges, it appears that in-car streaming radio is far from the “next frontier.” It is taking place in the car today, although maybe not at the levels it might be if not for these inhibiting factors. In any case, the future is now.

PERCEPTION #2: ONCE STREAMING BECOMES WIDELY AVAILABLE IN THE CAR, TERRESTRIAL RADIO WILL BE DEAD

We have heard other critics suggest that once in-car streaming radio is embraced by the mainstream, over-the-air or terrestrial radio will be severely threatened; that in-car streaming will sound the death-knell for terrestrial radio. Looking back at our September 2010 national study, we are again reminded that about 90% of all streamers still use terrestrial radio on a daily basis. It also should be emphasized that the streamers we interviewed in this study generally turn on AM/FM radio first when they get in their cars.

They continue to enjoy over-the-air radio out of habit, ease of use, and because of unique content including news, traffic, weather, sports and morning shows. Terrestrial broadcasters should continue to focus on these services as they brace for the future wave of in-car streaming.

PERCEPTION #3: PEOPLE WON'T PAY FOR AN IN-DASH SOLUTION

Another common perception we read is that consumers will not pay for a better in-dash solution. We found that was not the case with these early streaming radio adopters. Indeed, 95% of the consumers we spoke to said they are very likely to buy a new solution that makes in-car streaming easier, either an after-market device or a factory-installed option priced around \$400.

A good number of these streamers are already aware of one factory-installed option, the Ford SYNC. About 40% of them are familiar with this brand whereas no other auto manufacturer brands have any awareness at all.

PERCEPTION #4: CONSUMERS WILL WANT MORE PRE-SETS WITH IN-DASH SYSTEMS

Finally, we addressed the common perception that consumers will want to program many more channels on their dashboard as more and more choices are made available there. To test this proposition, we presented streamers with a mock dashboard that might appear on a new factory-installed system. It provided ten “slots” to be programmed. We asked them to select the ten inputs they would program if they had this system installed in their car.

The choices presented included a phone input, a dozen or so local radio stations, a continuous traffic channel, a continuous weather channel, input for your iPod or digital music library, Pandora, iHeart radio and a Facebook feed.

Interestingly, most selected only about five options. That is, when presented with ten positions to program, most only cared about enough sources to fill five of those positions. These findings are consistent with research conducted on consumer interest in programming FM pre-sets in the 1980s concluding that most consumers only had interest in programming five FM stations.

When we aggregate the selections of today’s streaming radio users, we see that the most common choice is the phone and one FM radio station. That’s followed by an input for the consumer’s digital music library, a second FM station and Pandora.

The picture that emerges is that consumers are only likely to program five positions on a new in-dash system, despite the availability of many more choices and programmable positions. Furthermore, there only appears to be interest in one or two FM radio stations. Terrestrial broadcasters who do not want to be crowded out of the new connected dashboard should work extra hard at building their brands now and fight for position. © Copyright 2011, COLEMAN INSIGHTS