



Attitudes Towards Digital Audio Advertising

A white paper developed by TargetSpot



FOREWORD

By now everyone realizes that listeners embrace Internet Radio. It's not a trend, but rather a fundamental shift in the way we consume music, news, sports and talk content. What isn't as widely recognized is that listeners are accepting—even enjoying—online advertising as well. Think of it this way: traditional, terrestrial radio has always been a high-engagement medium. Digital Audio cranks up the volume of engagement, so to speak, and as a result the audience becomes even more involved and engaged. And when content is customized and advertising is targeted, consumer attitudes and behaviors can change dramatically.

TargetSpot's latest white paper on *Attitudes Towards Digital Audio Advertising* is a welcome addition to the growing body of research that TargetSpot has commissioned and compiled over the past several years, contributing to the recognition that Digital Audio is more than just a platform, it is an entirely new medium in its own right.

The IAB is proud to have TargetSpot as a member and is appreciative of its many contributions to the IAB Digital Audio Committee.

Michael Theodore
Vice President, IAB

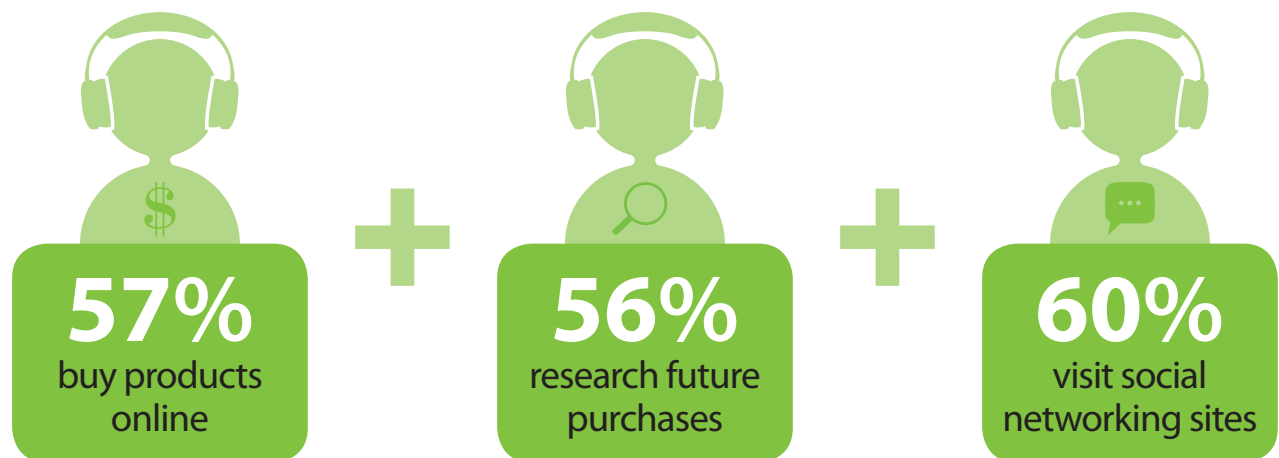
INTRODUCTION

Internet Radio has grown exponentially and so has its audience. More than 42% of the population is listening to Internet Radio, which is up 8% from 2011. This audience has numerous significant traits: many are married and have kids, they own their own homes, have high levels of disposable income and they are also highly engaged with Digital Audio content. In fact, 75% change stations at least one time daily and 64% change websites multiple times a day in order to remain connected with their listening experience. Another key indication of engagement is that these listeners regularly interact with the player – 61% don't keep the player minimized and 67% often check the player to see the name of a song or artist.

With key metrics such as these, it's not surprising that this audience's engagement with content translates to their interaction with Digital Audio advertising. Given the importance of this major media segment, there is a growing need to understand Digital Audio listeners' viewpoints on advertising and to leverage these findings to best communicate with them.

Additionally, it is worth noting that while listening, 57% of Digital Audio listeners actually buy products online and 56% research products for future purchase. This, coupled with the fact that 60% of Digital Audio listeners also visit social networking sites while listening, means that the effects of properly messaging to this audience while they listen are quite profound; they are both in the purchasing funnel and creating a ripple effect by sharing with their friends.

Digital Audio's Advertising Trifecta – Consumer behaviors while listening:

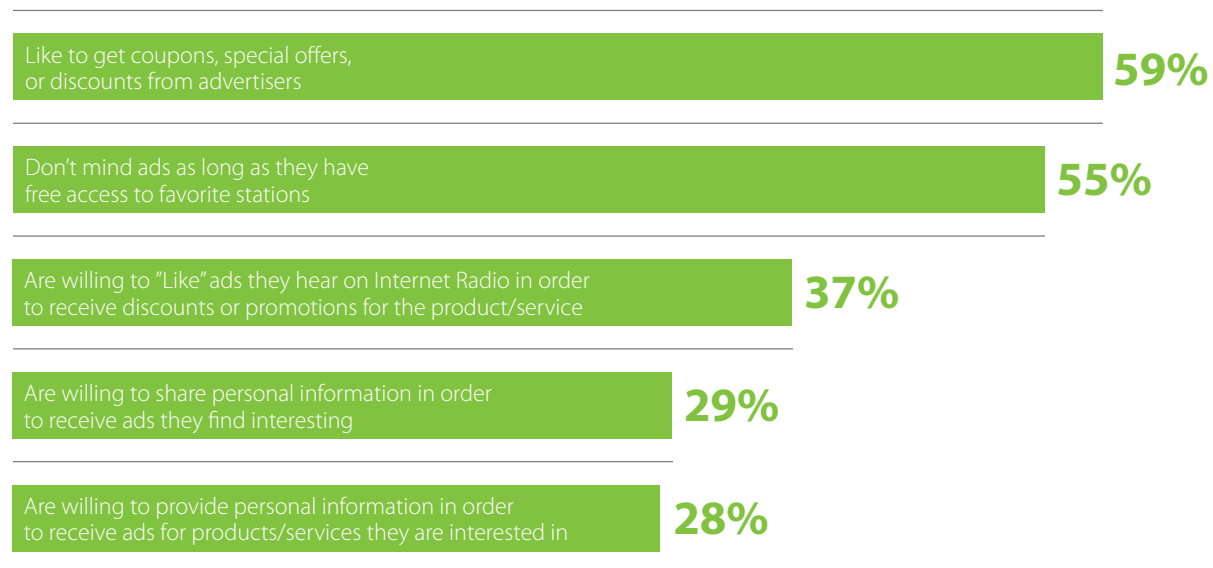


1 LISTENERS HAVE FAVORABLE ATTITUDES TOWARDS ADVERTISING WHEN THEY PERCEIVE THEY ARE RECEIVING VALUE IN RETURN

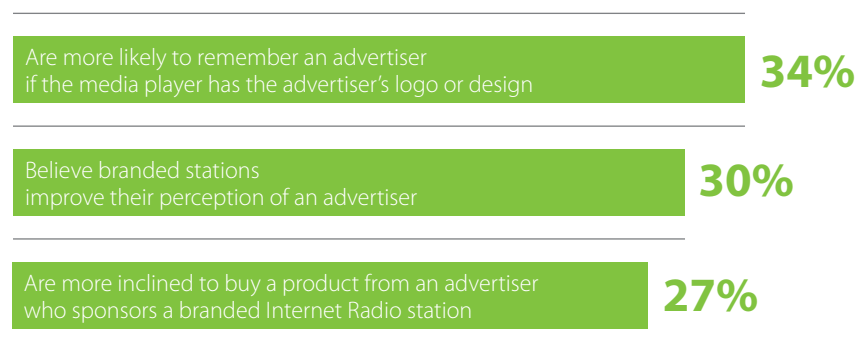
Digital Audio listeners already derive additional value from their listening experience through the interactive elements the medium provides. They interact regularly with both the player and Internet Radio websites to gain additional insights about content, artists, and events and add meaningful layers to their listening experiences.

The same expectation applies to Digital Audio advertising – listeners like to receive more value... they appreciate special offers and branded stations, and are increasingly comfortable sharing personal information to receive messaging they feel is relevant to them.

Listeners don't mind ads if they perceive they will receive something of interest in return:



Branded stations and playlists enhance advertisers' image among listeners because they are providing valued content:



Mobile is the next frontier, providing a whole new platform for advertisers to reach a receptive audience, as Digital Audio listeners are already showing they are amenable to ads they receive via this channel:

Don't mind getting ads on their mobile device for products/ services they are interested in

27%

Don't mind getting ads on a mobile device for products/ services they are interested in based on their physical location

27%

2 TARGETING DRIVES RESPONSE

Targeted advertising content resonates with Digital Audio listeners because it speaks directly to specific audiences and appeals to their individual interests. Correctly targeting the listener is critical, as is the creative messaging, since 35% of consumers who responded to a Digital Audio ad believe they were personally targeted.

Additionally, Internet Radio listeners who listen across multiple Internet Radio sites are even more likely to feel ads are specifically speaking to them as compared to single-site listeners. Nearly 39% of respondents to Internet Radio ads who listen to multiple stations daily believe they are being targeted by ads, versus 21% of those who listen to only one Internet Radio station.

DIGITAL AUDIO LISTENERS ARE HIGHLY ACCEPTING OF TARGETED ADVERTISING:

- **65%** are comfortable receiving ads based on their personal profiles
- **70%** are comfortable receiving ads based on their Internet Radio usage and/or content preference.

Among listeners who responded to an Internet Radio ad, key demographic groups are more likely to believe ads were specifically targeted to them:

 **39%**
A 18-24

 **41%**
A 25-34

 **38%**
A 35-44

 **44%**
HH w/ KIDS

 **43%**
HHI \$100K+

Further, listeners to multiple Internet Radio stations are even more comfortable being targeted than those who listen to one Internet Radio station. Multi-site listeners are:

More comfortable being targeted based on their profile compared to single-site listeners

+65%

More comfortable being targeted based on their Internet Radio usage or content preference compared to single-site listeners

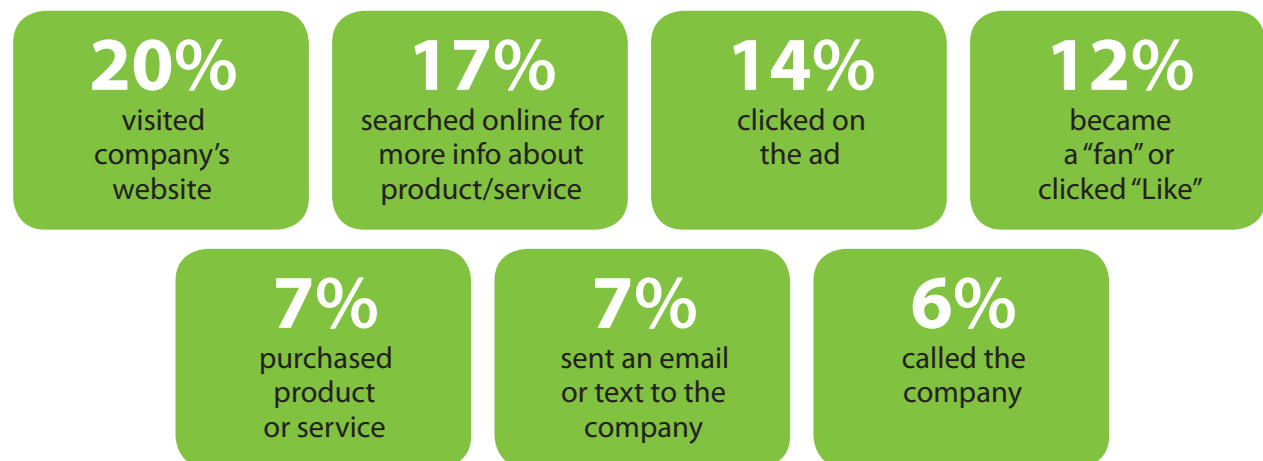
+52%

3 HIGH ENGAGEMENT LEVELS, COUPLED WITH THE PERCEIVED VALUE OF ADVERTISING, HAS LED TO SIGNIFICANT RECALL AND RESPONSE

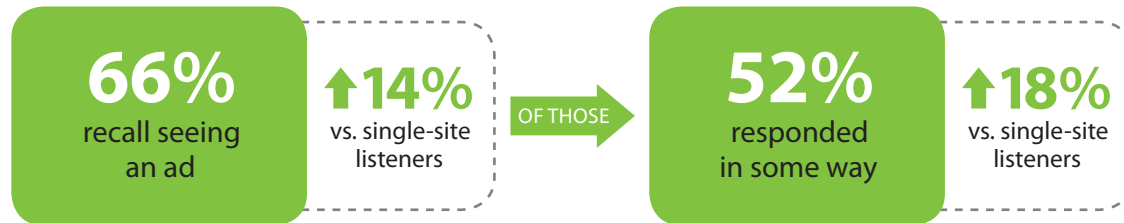
Digital Audio advertising effectiveness metrics indicate that recall and response are high, and increasing year over year.

58% of Internet Radio listeners recall having seen or heard an Internet Radio ad in the last 30 days; up 12% from last year. Of those who recalled an Internet Radio ad, 44% responded to it in some way, up 10% from last year.

Responses span well beyond the click:



Digital Audio listeners maintain a connection to their listening experience by changing stations, and as a result, multi-site listeners are even more responsive to advertising:



Why Digital Audio listeners respond to ads:



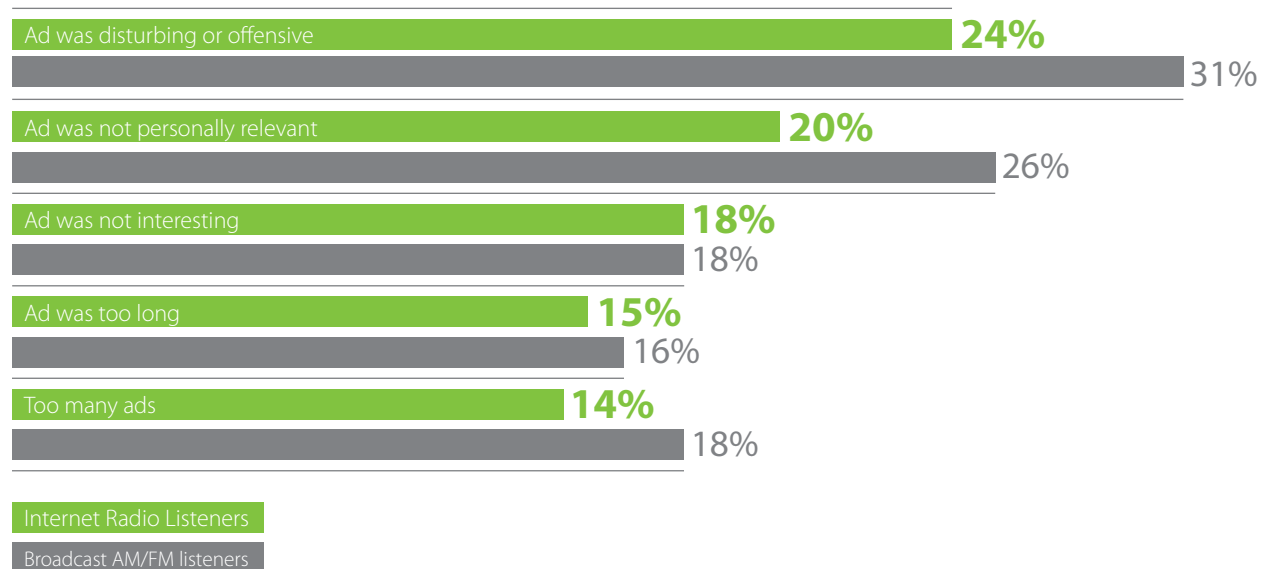
WHAT ENCOURAGES RESPONSE:

- **52%** of listeners who don't normally click on ads say a relevant ad might lead them to visit an advertiser's website later
- **30%** are more likely to respond to an audio ad on an Internet Radio site if there is an accompanying display ad on the web page

4 INTERNET RADIO LISTENERS ARE MORE ACCEPTING OF AUDIO ADS THAN BROADCAST AM/FM RADIO LISTENERS

Personally relevant ads appeal to Digital Audio listeners and drive high response rates. However, even when Digital Audio listeners do not perceive ads to be particularly pertinent to them, they are more accepting of them and less likely to stop listening than are listeners to traditional Broadcast AM/FM Radio.

Reasons Digital Audio audience stopped listening, as compared to Broadcast AM/FM audience:



CONCLUSION

Advertisers have a massive opportunity to connect with a receptive audience via the Digital Audio medium. This study emphasizes the importance of understanding what Digital Audio consumers find valuable in order to maximize response to campaign efforts.

Internet Radio listeners have favorable attitudes towards advertising when they perceive they are receiving value in return. They are also more accepting of ads than Broadcast AM/FM Radio listeners and less likely to stop listening because of them. This audience responds well to messages they believe are targeted towards them, including ads on mobile devices and ads based on their physical location, and they have extremely high ad recall and response rates. Additionally, listeners to multiple stations are even more engaged with content and more responsive to ads.

Understanding these attitudes and perceptions can help advertisers maximize their campaign impact with effective, relevant messaging. As long as advertisers are mindful of these findings, the ever growing Digital Audio listenership will be of great value to marketers.

SOURCES

TargetSpot Digital Audio Benchmark and Trend Study, 2012

TargetSpot Digital Audio Benchmark and Trend Study, 2012 is based on an online survey of Internet Radio listeners in the United States (U.S.). The study fielded January 7, 2012 through January 17, 2012. The sample population included 1,000 U.S. Internet Radio listeners (ages 18+) in broadband households who listen to the medium once a month to daily.

About TargetSpot

TargetSpot is the largest Digital Audio advertising network. TargetSpot connects top national brands, regional, and local advertisers to highly engaged internet and mobile audiences. Advertisers work with TargetSpot's team or use its self-service platform to create rich media campaigns delivering high-impact audio, display and pre-roll video advertising across thousands of online properties. TargetSpot advertisers can target consumers by demographics, listening preferences, and geography down to zip code level; while benefitting from real time reporting and analytics. TargetSpot has more than 85 distribution partners, including CBS RADIO, ABC News Radio, Univision, AOL Radio, Entercom, Live 365, and Slacker. TargetSpot is based in New York City. For more information, please visit www.targetspot.com.

About Parks Associates

Parks Associates is an internationally recognized market research and consulting company specializing in emerging consumer technology products and services. Founded in 1986, Parks Associates creates research capital for companies ranging from Fortune 500 to small start-ups through market reports, primary studies, consumer research, custom research, workshops, executive conferences, and annual service subscriptions.

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