

TargetSpot Digital Audio Benchmark and Trend Study, 2012

A Parks Associates white paper developed for



Foreword By



Research By



FOREWORD

The explosive growth in Digital Audio over the past year is matched only by an increased interest in understanding its impact on consumer behavior. For that reason, the Interactive Advertising Bureau is always excited when a new, solid research study comes along that sheds light on this nascent interactive medium. Even more so when the research is conducted by one of our members.



TargetSpot's *Digital Audio Benchmark and Trend* studies provide valuable insights about consumers' interaction with the Digital Audio medium: how it fits into their media consumption day, the devices they favor for listening, the types of activities they engage in while listening—not to mention the increasingly social nature of them—and the engagement levels of this important audience segment. The studies also look at the impact of advertising in the Digital Audio space. This valuable combination of insights makes it easier for agencies, marketers and media companies to understand the interplay of media, technology, advertising and listeners.

TargetSpot has made significant contributions to the IAB Digital Audio Committee over the past few years by expanding the knowledge of its members and stimulating the conversation about online and mobile advertising. I am certain that as you review the findings of this latest research you will find much that not only increases your understanding of Digital Audio but also enhances your appreciation for what this dynamic medium has to offer.

Michael Theodore, Vice President, Interactive Advertising Bureau

RESEARCH OBJECTIVES

In early 2011, TargetSpot published *Digital Audio Usage Trends: A Highly Engaged Listenership*, a report showcasing key Digital Audio market insights and demonstrating the value of Internet Radio as a medium for consumers. The report also illustrates the effectiveness of the platform for brand advertisers to reach and engage audiences.

With the goal of establishing industry benchmarks through trending data, TargetSpot commissioned Parks Associates to conduct a follow-up study in 2012 incorporating the core elements of last year's study as well as building upon those to derive new insights about emerging Internet Radio behaviors.

Internet Radio is a form of Digital Audio, which includes both pureplay streaming music and audio services and streamed Broadcast Radio stations on any Internet-connected device.

SUMMARY OF KEY INSIGHTS

Along with new Internet Radio user insights, the study reveals remarkable year-to-year Internet Radio market trends. Here is what we learned...one year later:

Digital Audio listening is NOT a TREND—it's a BEHAVIOR

- **INTERNET RADIO USE IS FIRMLY ESTABLISHED.** The audience is growing, and listening day and time spent are consistent and lengthy.
- **CONNECTED DEVICES DRIVE INCREASED TIME SPENT LISTENING.** Listeners are device agnostic and simply want access to content via the most convenient delivery option.
- **LISTENERS ARE MORE ENGAGED THAN EVER BEFORE.** Engagement has grown as consumers become more comfortable with the medium and functionality of Digital Audio content sites.
- **INTERNET RADIO AND SOCIAL MEDIA ARE DEEPLY INTERTWINED.** There is a significant increase in social interactions while listening.
- **DIGITAL AUDIO ADVERTISING WORKS.** New consumer access points and high engagement levels have led to notable increases in both ad recall and response.

Digital Audio is firmly established

Internet Radio listenership has reached 42% of adult U.S. broadband households—up 8% versus a year ago. While Internet Radio use grows, Broadcast Radio listening is holding strong—65% of Broadcast Radio listeners spend the same amount of time listening. This is evidence that access to content is facilitating listening and that listeners are not unilaterally choosing digital over Broadcast Radio, but rather the device that works best for them at a particular time and place. However, the findings reveal a notable exception—47% of adults 18-24 spend less time listening to Broadcast Radio than they did a year ago.

A VALUABLE LISTENERSHIP. Internet Radio has a highly desirable audience, which is becoming increasingly mainstream. Not surprisingly, the male/female split is fairly even. Of note, however, is that this audience is far more established than one would think (Figure 1). Half of Digital Audio listeners are married, 42% have households with children, 64% own their own home and 22% have a household income of \$100K+ —which increased 29% over last year, showing the purchasing power of Digital Audio listeners is on the rise.

THE DIGITAL AUDIO AUDIENCE IS MAINSTREAM AND PURCHASING POWER HAS INCREASED SIGNIFICANTLY.

THE DIGITAL AUDIO AUDIENCE

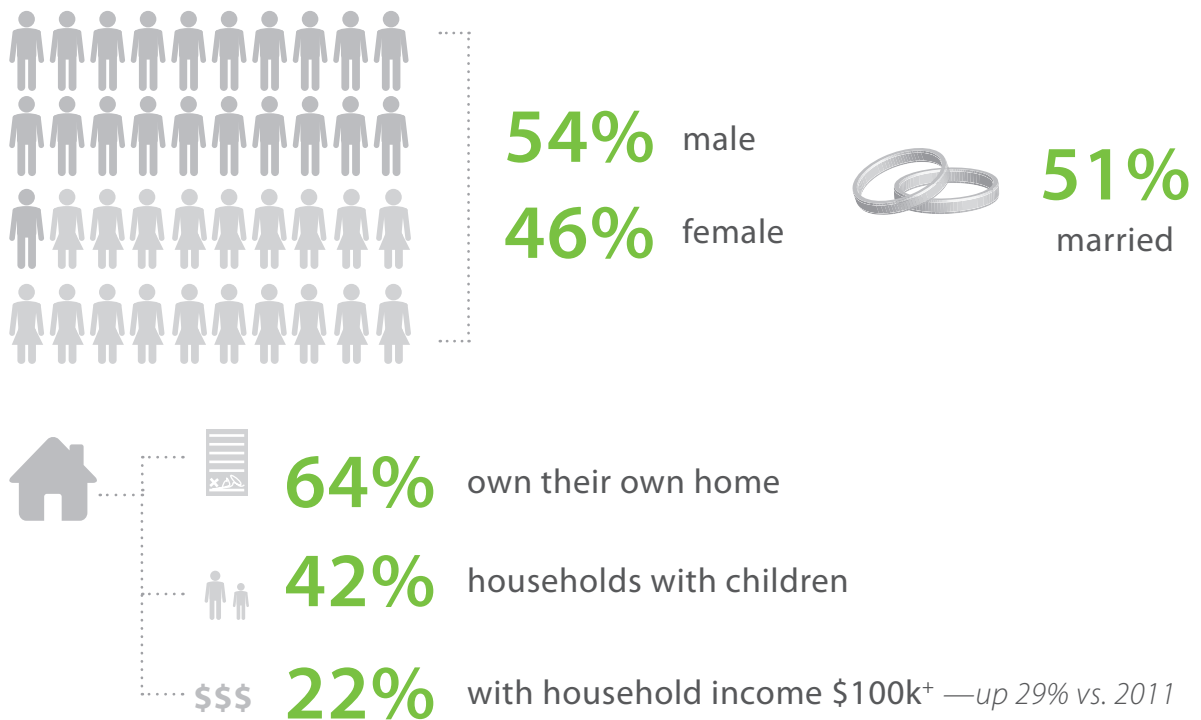


Figure 1

Source: TargetSpot Digital Audio Benchmark and Trend Study, 2012 | © 2012 TargetSpot, Inc. — Research by Parks Associates

THE INTERNET RADIO LISTENING DAY IS HOLDING STRONG with listeners tuning in between 10 a.m. and 10 p.m. The study finds consistent digital usage patterns throughout the entire listening day—the only exception is the 6 a.m. – 10 a.m. morning drive period, which is still owned by Broadcast Radio. However, as in-car Internet connectivity increases, Internet Radio listening may extend here as well.

The amount of time consumers spend listening to Internet Radio daily is significant and consistent with last year's numbers (Figure 2):



80%

are listening for
1-3 hours
per day

40%

are listening for
1-2 hours
each session*

*Session is defined as the duration of an individual listening period

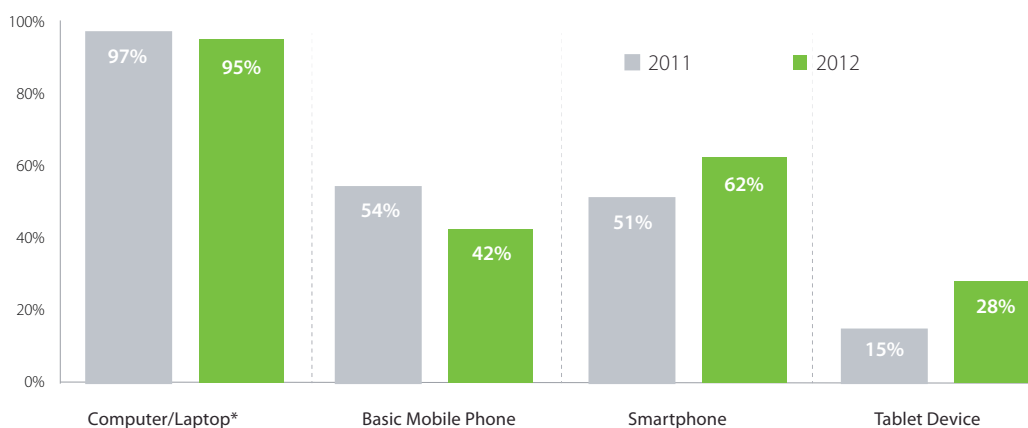
Source: TargetSpot Digital Audio Benchmark and Trend Study, 2012 | © 2012 TargetSpot, Inc. — Research by Parks Associates

Figure 2

Connected devices drive increased listening

In 2012, trends in device ownership and usage emerged. The study reveals an 87% ownership increase for tablets and a 22% jump for smartphones among Internet Radio listeners. Computer ownership remained flat and basic phone ownership declined (Figure 3).

Computer, Basic Mobile Phone, and Smartphone Ownership Among Internet Radio Listeners

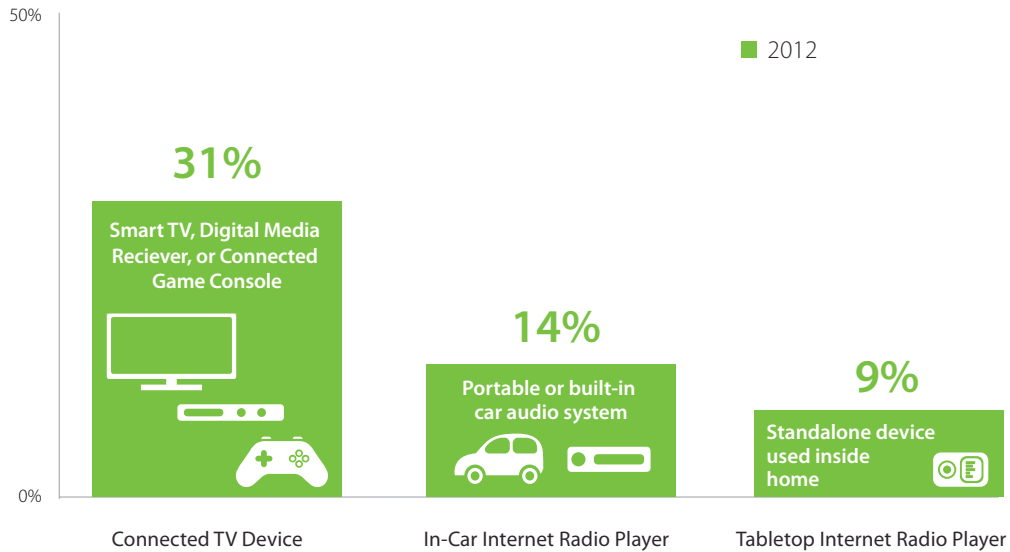


Source: TargetSpot Digital Audio Usage Trends, 2011 | TargetSpot Digital Audio Benchmark and Trend Study, 2012
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Figure 3

Newer, alternative Internet Radio listening device ownership shows that connected TV devices and in-car and tabletop Internet Radio player use is **on the rise** and are important market segments to watch moving forward. Over one-third of Internet Radio listeners regularly listen to Digital Audio on a connected TV device (Figure 4).

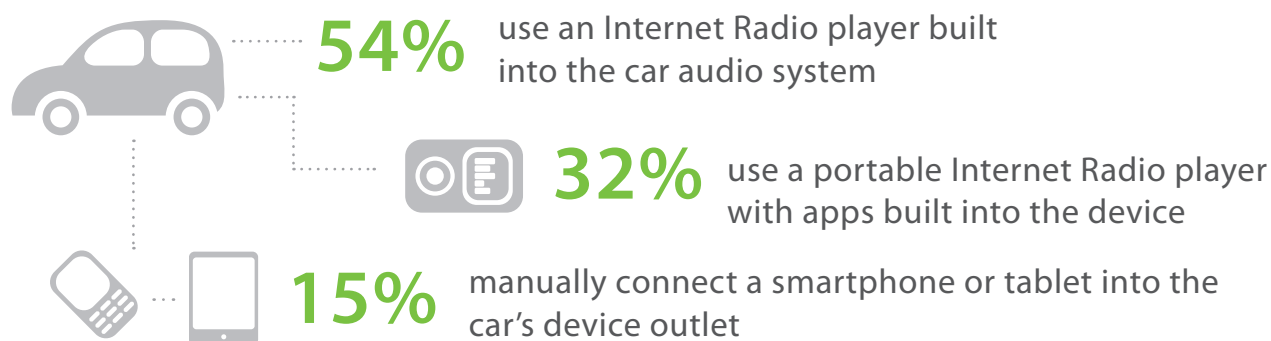
Connected TV, In-Car and Tabletop Internet Radio Device Ownership Among Internet Radio Listeners



Source: TargetSpot Digital Audio Benchmark and Trend Study, 2012 | © 2012 TargetSpot, Inc. — Research by Parks Associates

Figure 4

IN-CAR CONNECTIVITY is of particular interest as this is the newest frontier for Digital Audio. This segment is still small; however, it is certainly one that TargetSpot will monitor in the future, as it will be pivotal to the growth of the Digital Audio industry. Among in-car Internet Radio users, 23% state their reason for purchasing an in-car radio player is a desire to listen to Internet Radio while driving—for the most part this was not a spontaneous decision or a gift, but a thoughtful and willful purchase (Figure 5). Additionally...



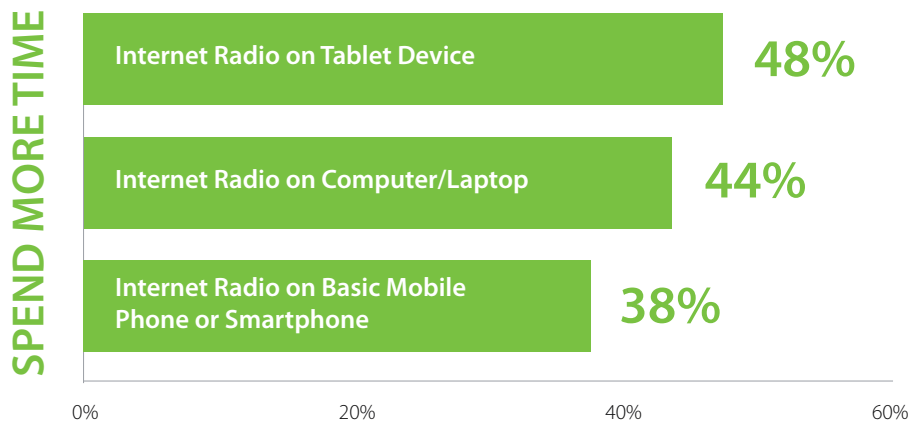
Source: TargetSpot Digital Audio Benchmark and Trend Study, 2012 | © 2012 TargetSpot, Inc. — Research by Parks Associates

Figure 5

CONNECTED DEVICE OWNERSHIP FACILITATES DIGITAL AUDIO USE. Consumers spend more time listening through multiple devices compared to a year ago. Tablet listening experienced exceptional growth with nearly half, 48%, of Internet Radio users increasing use on this device compared to 2011 (Figure 6).

2012 Time Spent Listening versus One Year Ago

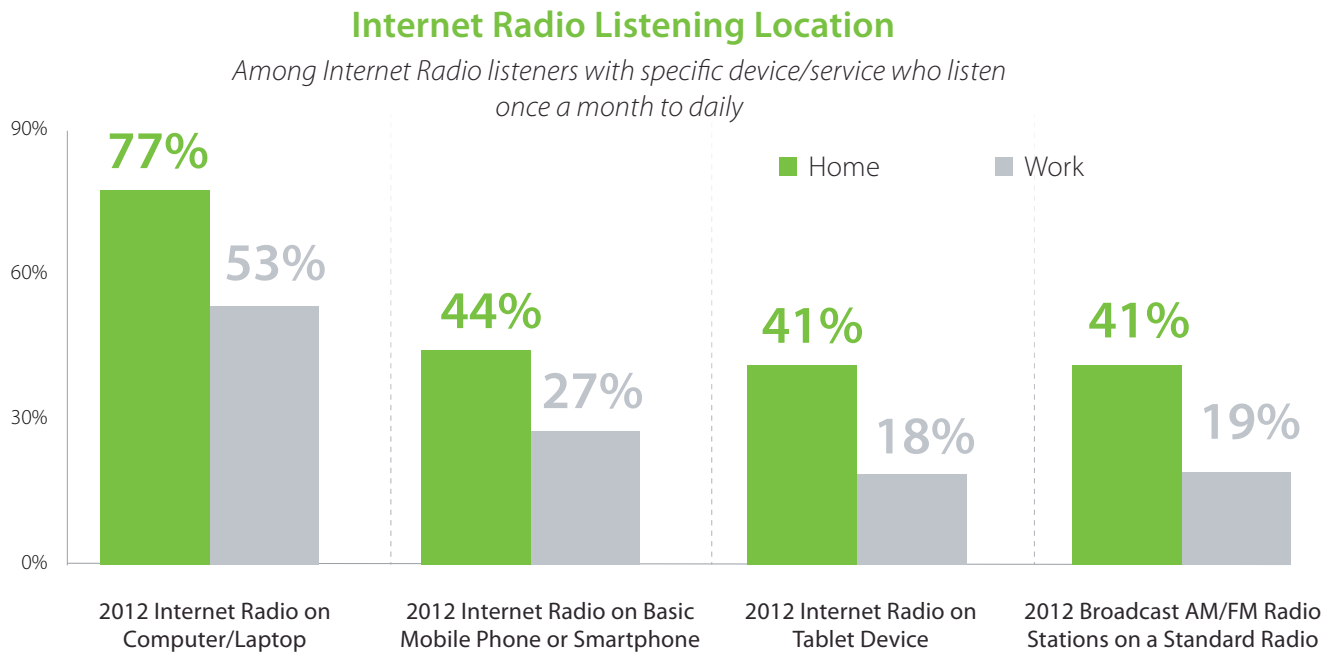
Among all Internet Radio listeners with specific device/service who listen once a month to daily



Source: TargetSpot Digital Audio Benchmark and Trend Study, 2012 | © 2012 TargetSpot, Inc. — Research by Parks Associates

Figure 6

CONSUMERS ARE LISTENING DIGITALLY ON MULTIPLE DEVICES, both at home and while at work (Figure 7), with digital listening matching or surpassing traditional radio in both locations.



Source: TargetSpot Digital Audio Usage Trends, 2011 | TargetSpot Digital Audio Benchmark and Trend Study, 2012
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Figure 7

Internet Radio listeners are more engaged than ever before

An evaluation of trends for key engagement metrics shows Internet Radio listeners are even more “tuned-in” compared to a year ago. Consumer comfort levels along with increased familiarity with Digital Audio content options and features are driving higher interactivity with the medium.

STATION SWITCHING IS PREVALENT. Listeners are highly involved in their listening experience. As evidence, most users change stations multiple times a day to remain connected to their preferred content. This year’s data reveals not only that 75% of listeners change stations on the same Internet Radio service at least once a day, but also that **nearly two thirds of listeners change to different Internet Radio websites at least once a day** (Figure 8). This is a critical finding, especially as advertisers assess how to best leverage the Digital Audio medium to reach and impact target audiences.

75% change **Internet Radio Stations** at least 1x daily
—on the same service

64% change **Internet Radio Websites** at least 1x daily—to different services

Figure 8

Source: TargetSpot Digital Audio Usage Trends, 2011 | TargetSpot Digital Audio Benchmark and Trend Study, 2012 | © 2012 TargetSpot, Inc. — Research by Parks Associates

USE OF PLAYER FEATURES IS ON THE RISE. Interaction with the player, another telling indicator of engagement, also grew, with the number of listeners who often look at the player to check the name of a song or artist hitting 67% —a 46% increase over last year.

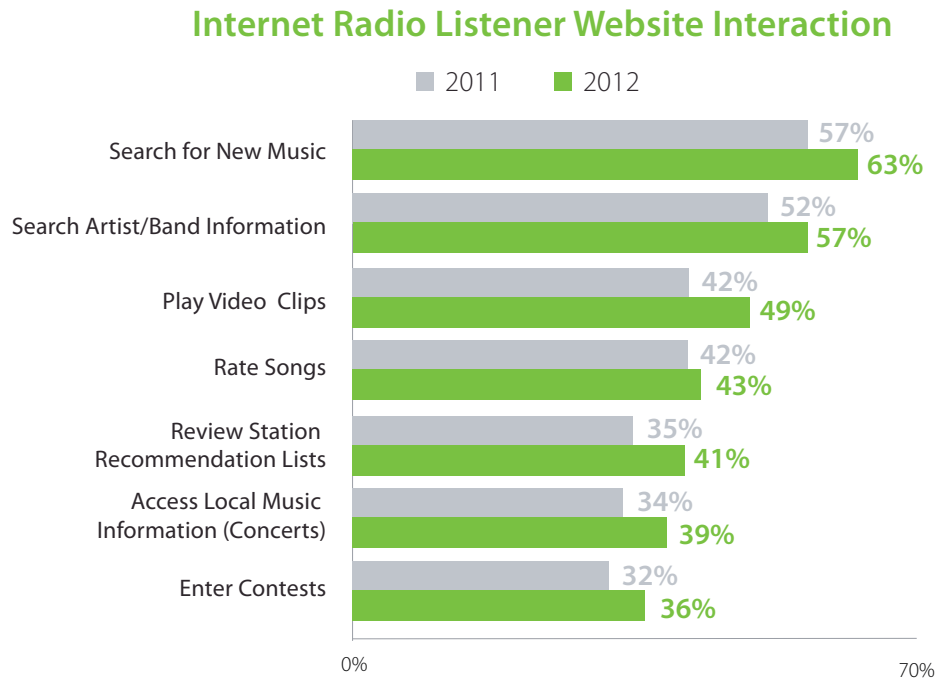
67% often look at the player to check the name of a song or artist
—a 46% increase vs. 2011

61% do not keep the player minimized throughout their listening session
—a 3% increase vs. 2011

Source: TargetSpot Digital Audio Usage Trends, 2011 | TargetSpot Digital Audio Benchmark and Trend Study, 2012 | © 2012 TargetSpot, Inc. — Research by Parks Associates

Figure 9

Engagement with Digital Audio carries through to Internet Radio websites as listeners interact more than ever with site features. The quest for new music, searching for artist or band information, and playing video clips top the list as the most common Internet Radio website activities (Figure 10).



Source: TargetSpot Digital Audio Usage Trends, 2011 | TargetSpot Digital Audio Benchmark and Trend Study, 2012 | © 2012 TargetSpot, Inc. — Research by Parks Associates

Figure 10

Internet Radio listening has become more social

Internet Radio listeners are more socially engaged with Digital Audio than a year ago. Internet Radio listeners continue to listen to the medium while emailing, conducting online searches, and shopping (Figure 11). Additionally, new consumer insight uncovers notable growth in social media activities performed in tandem with Internet Radio use. This further highlights the evolution of the ever-present social connection to music, a category of content that is both very personal and one that nearly all like to share with others.

Social Preferences of Internet Radio Consumers

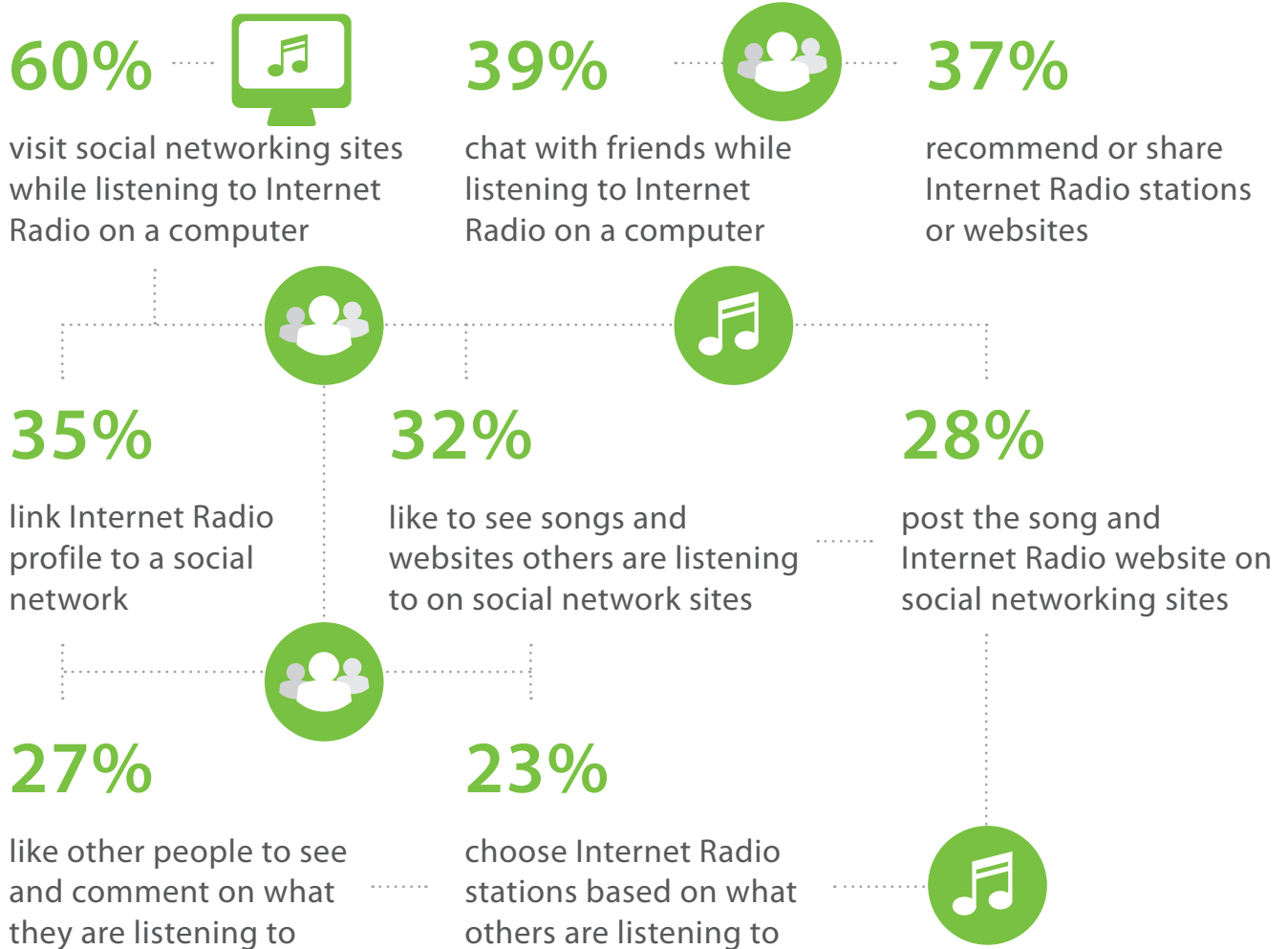


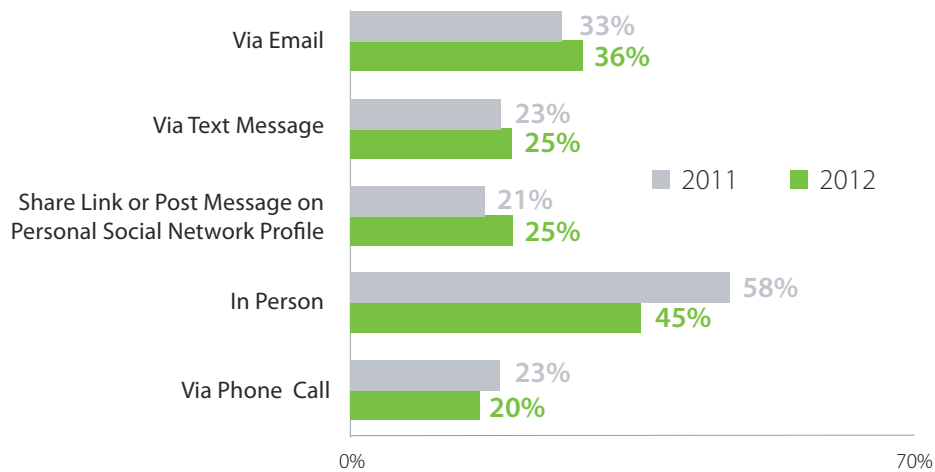
Figure 11

Source: TargetSpot Digital Audio Usage Trends, 2011 | TargetSpot Digital Audio Benchmark and Trend Study, 2012 | © 2012 TargetSpot, Inc. — Research by Parks Associates

A DIGITAL SHIFT IN SHARING. Not surprisingly, the ways Internet Radio users share music and Internet Radio preferences are moving away from word-of-mouth recommendations and towards digital means. In-person recommendations actually decreased 29% while email, texting and links on social network sites all experienced increases (Figure 12).

Internet Radio Website/Station Recommendations

Among all Internet Radio listeners



Source: TargetSpot Digital Audio Usage Trends, 2011 | TargetSpot Digital Audio Benchmark and Trend Study, 2012 | © 2012 TargetSpot, Inc. — Research by Parks Associates

Figure 12

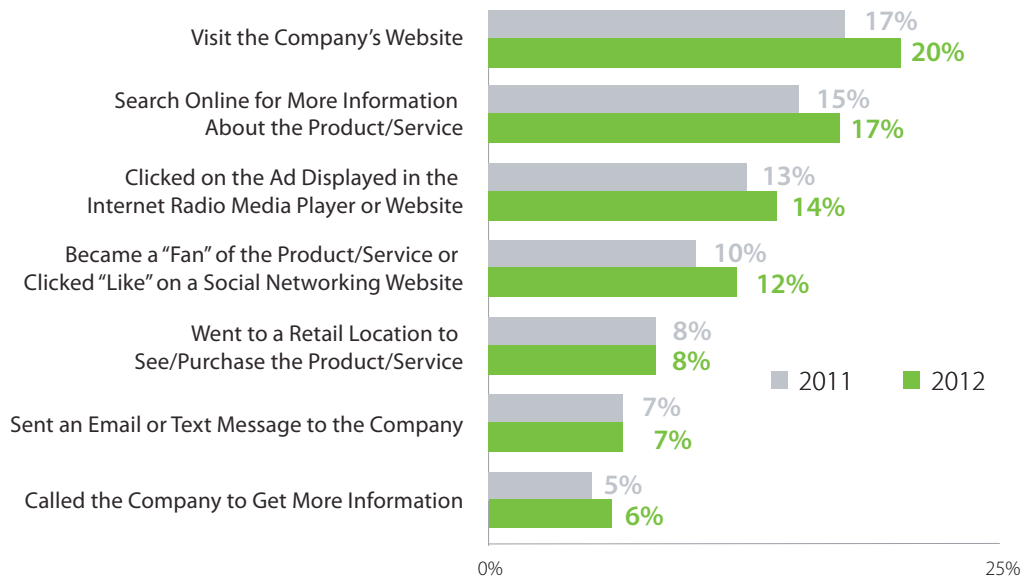
Digital Audio advertising works

What does this all mean for advertisers? As the Digital Audio space evolves, so does its consumption patterns. The audience is large and growing; with connected devices facilitating increased listening. Listeners easily move from device to device to best suit their listening needs. They also frequently change stations and services to maintain a connection with their content experiences.

At the same time, the Digital Audio listening audience has become more valuable—the increased engagement levels and interaction with listening experiences individually and socially has translated to higher effectiveness for Internet Radio advertising compared to one year ago (Figure 13). Both ad recall and response rates increased—**58% recall having seen or heard an Internet Radio ad** within the last 30 days compared to 52% in 2011, an 11% increase. Of those listeners, **44% responded** to an Internet Radio ad in one way or another compared to 40% in 2011, a 10% increase versus last year.

Internet Radio Ad Response

Among all Internet Radio listeners



Source: TargetSpot Digital Audio Usage Trends, 2011 | TargetSpot Digital Audio Benchmark and Trend Study, 2012
 © 2012 TargetSpot, Inc. — Research by Parks Associates

Figure 13

OPTING-IN FOR ADS. While more consumers listen to Digital Audio than ever before, they are not paying for this content. In fact, 86% of Internet Radio users **do not pay a fee** for access to premium Digital Audio services. This means the vast majority of listeners prefer free ad-supported services—in essence they are choosing to receive ads.

CONCLUSION

Digital Audio listening is **NOT** a TREND—it's a BEHAVIOR

ONE THAT SHOULD CAUSE ADVERTISERS TO TAKE NOTICE AND ADAPT ACCORDINGLY. TargetSpot's Digital Audio Benchmark and Trend Study 2012 highlights the value of the Digital Audio listener, and confirms that leveraging this audience is critical to advertisers, by illustrating:

- **INTERNET RADIO USE IS FIRMLY ESTABLISHED.** The audience is growing fast, and listening day and time spent are consistent and lengthy.
- **CONNECTED DEVICES DRIVE INCREASED TIME SPENT LISTENING.** Listeners are device agnostic and simply want access to content via the most convenient delivery option.
- **LISTENERS ARE MORE ENGAGED THAN EVER BEFORE.** Engagement has increased as consumers become more comfortable with the medium and the functionality of Internet Radio websites.
- **INTERNET RADIO AND SOCIAL MEDIA ARE DEEPLY INTERTWINED.** There is significant growth in social interactions while listening.
- **DIGITAL AUDIO ADVERTISING WORKS.** Increased access and engagement have led to notable increases in both ad recall and response. Most Internet Radio users, 86%, "opt-in" to receive ads on free, ad-supported services, AND they recall these ads and respond to them in many important ways—**WELL BEYOND THE CLICK!**

ABOUT THE RESEARCH

TargetSpot Digital Audio Benchmark and Trend Study, 2012

Research 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 includes 1,000 adult U.S. Internet Radio listeners in broadband households who listen to the medium once a month to daily.

Trending data based on *TargetSpot Digital Audio Usage Trends: A Highly Engaged Listenership*, 2011, an online survey of Internet Radio listeners in the United States (U.S.). The study fielded December 22, 2010 through December 30, 2010. The sample population included 1,000 adult U.S. Internet Radio listeners in broadband households who listen to the medium once a month to daily. The trending studies measure Digital Audio consumption trends among the main content delivery forms with a focus on the following elements of Internet Radio listenership:

- Advertising recall, response, and attitudes
- Attitudinal insight
- Audience segmentation
- Consumer engagement
- Content delivery preference
- Device ownership
- Internet Radio listener segments
- Location of use
- Time spent listening
- Usage trends

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, Yahoo! Music, Slacker and Grooveshark. TargetSpot is based in New York City. For more information, please visit www.targetspot.com.

ABOUT PARKS ASSOCIATES

Research and Analysis for the digital living technologies

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