InternetHomeAlliance

Subsidized Media Web Survey Report

April 2006

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Executive Summary
Subsidized Media

Overall, the subsidized media concept is moderately to strongly appealing to tech-savvy consumers and teens, depending on the specific media and the terms of the offer. Mass market consumers have some interest, but in general, require better offers to consider making a purchase.

Movies top the list of media types that target consumers would be interested in receiving as subsidized media–65% of tech-savvy adults, 49% of mass market adults, and 63% of teens are interested in movies on DVD. On-demand movies (62%) and digital music (57%) also have high appeal among tech-savvy consumers. Teens are more likely than tech-savvy and mass market adults to be interested in digital music (71%), digital movies (62%), games (63%) and music 'videos' (62%).

Clearly, the chance to save money is the main driver of interest in subsidized media. Some who mention an interest in cost savings on music say they already download music and are looking for the best deal. For movies, some mention already being accustomed to watching ads or previews, although they caution they don't want the ad to be 'too long.' For consumers who are unlikely to purchase subsidized media, the barrier is more a lack of interest in the specific medium (online music or pay-per-view movies) than an objection to advertising per se. When asked what could make them more interested in subsidized movies, a few report wanting to be able to record it.

Not surprisingly, demand is affected by the discount offered. Looking at target tech-savvy consumers, the maximum total addressable market (TAM) is estimated at 12% for online music offered at a 10% discounted price (the most expensive price tested). Demand increases modestly to 18% TAM when increasing the discount to 20%. Demand rises more dramatically between the 20% and 50% discount levels–bringing TAM to 44%, and then between the 50% and 75% discount levels, TAM maximizes at 61%. A similar phenomenon is seen with other media tested as well.

For online music, running the ads the first two or three times a song is played (rather than just the first time) appears to have a modest negative impact on demand among adults. Increased ad frequency appears to have little to no negative impact on demand for online music among teens. The addition of an intermission commercial to pay-per-view movies appears to exert a modest negative impact on demand among adults. Intermission commercials appear to have little to no negative impact on demand among teens. Teens also are more likely than adults to be influenced positively by the offer of a 'free movie' with purchase.

Executive Summary
Subsidized Media

More than half of target consumers with at least some interest in digital music and satellite radio are expected to buy when ad length is at a minimum – only 10 seconds long. The percentage of those who 'definitely would' buy drops most noticeably between 10 and 15 seconds for both digital music and satellite radio programming. Target consumers are especially opinionated about ad length when it comes to satellite radio.

Within the range tested (10 to 60 seconds), ad length is somewhat less of an issue for TV programming and movies than for digital music and satellite radio. This may be because consumers are already accustomed to having commercials and movie trailers inserted into video content, while digital music and satellite radio are traditionally commercial-free.

Across all target consumer types, a simple one-minute ad at the beginning of the movie or program is favored somewhat over other formats. The next most appealing ad format is 'interactive TV,' which involves scrolling over a scene to get information. The idea of an icon at the bottom of the screen you can click on to pause the movie and get information is somewhat less favorably received than interactive TV. Least popular is the idea of two minutes of commercials midway through the program.

The ability to push a button, click a Web link, or use a voice command to buy music that is playing on a radio or PC has relatively strong appeal among tech-savvy consumers and teens. In general, mass market consumers are least enthusiastic about all ad delivery methods tested. Teens are more enthusiastic than adults about receiving ads while buying online music and via text message or text 'crawl' on a cell phone/PDA.

Entertainment media – in particular, movies – are at the top of the list of preferred advertising content for all types of target consumers. Teens are most enthusiastic about entertainment as well as cell phone service ads. Ads about restaurants also score relatively well with tech-savvy consumers.

Overall, most target consumers are resistant to the idea of providing personal data to ad providers for the purpose of customizing offers to their interests. Mass market consumers are the most resistant to the idea; teens, the least. Among those strongly against the idea of providing personal data, a majority cannot imagine any circumstances that would change their mind. Responses reflect concerns over loss of control over the process once the information is handed over, as well as privacy/security. A very small minority say they would consider sharing information if they were compensated or were already doing business with the company.

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Background

This research effort is designed to yield insights into two frequently-mentioned advertising options that have yet to be realized in a significant way, namely, subsidized media and location-based advertising.

Subsidized Media

- The term ‘subsidized media’ refers to discounted entertainment content such as a digital music file or a Pay-Per-View movie. Consumers would pay a lower price for this content in exchange for ‘forced exposure’ to advertising before and/or after the content. In some cases, the advertising may disappear after a designated number of forced exposures. For instance, consumers of a subsidized digital music track may be exposed to an advertising ‘wrap’ for only the first three times they play the song.

Location-Based Advertising

- Location-based advertising deals with strategically placing messaging near where consumer behavior can be most immediately influenced, and converted into a sale. This most often applies in retail settings, such as shopping malls. For example, consumers might receive a special discount coupon via text message on their cell phone upon entering a retail location.

Objectives & Methodology

We conducted a broad-based Web survey in January and early February 2006 among 920 target consumers, divided into two separate tracks: 1) subsidized media, and 2) location-based advertising.

The survey was designed to address the following objectives:

1. Gauge the appeal of subsidized media and location-based advertising overall and by various factors like media type and point-of-contact.
2. Determine the trade-offs consumers are willing to make in terms of digital rights, giving content providers or some third-party media service provider access to personal information and price in order to access desired content on an on-demand basis or alternately, receive targeted ads/offers.
3. Estimate the total addressable market for the two concepts overall (where 'total addressable market' means the maximum percentage of target consumers who would utilize the service under ideal conditions).
4. Determine the price elasticity associated with various concept configurations and estimate likely take-rates.
5. Profile likely adopters of the concept.

Sample sizes were as follows:

- Subsidized Media total: 444
  - Adults: 392 (288 tech savvy and 104 mass market)
  - Teens: 52
- Location-based Advertising total: 476
  - Adults: 418 (214 tech savvy, 102 vehicle entertainment enthusiasts, and 102 mass market)
  - Teens: 58

Target Respondents

Tech-Savvy Consumers

Household requirements:

- Annual income of at least $40K
- Has broadband Internet access and cell phone(s)
- Subscribes to cable or satellite TV
- No competitive employment

Respondent requirements:

- 18 to 64 years-old
- Drives a vehicle at least 20 hours per month
- Spends 10+ hours per month listening to music while driving
- Has a high interest in music (both at home and in car) and video at home [6-7 on 7-pt. scale]
- Has moderate interest in automobile entertainment system (4+ on 7-pt. scale]
- Meets at least two of the following requirements:
  - Owns a DVR
  - Owns an in-vehicle entertainment system
  - Downloads digital music files
  - Burns/rips CDs
  - Watches Pay-Per-View or Video-on-Demand movies
  - Downloads movies from the Internet
  - Listens to digital music at least 8 hrs/mo
  - Listens to satellite radio at least 8 hrs/mo

Teens

- 13 to 17 years-old
- Has a cell phone
- Adult in HH completes survey and would allow teen to have access to subsidized media or location-based advertising

Vehicle Entertainment Enthusiasts

(Location-Based Advertising track only)

In addition to the qualifications for Tech-Savvy consumers, this group also met the following criteria:

Household requirements:

- Annual income of at least $70K
- Has broadband Internet access and cell phone(s)

Respondent requirements:

- 25 to 54 years-old
- Has a child in the household under 13 years of age
- Drives a vehicle at least 40 hours per month
- Spends 15+ hours per month listening to music while driving
- Has a high interest in entertaining children in the vehicle (5+ on 7-pt. scale]

Mass Market Consumers

Household requirements:

- Annual income of at least $40K
- Has broadband Internet access
- No competitive employment
- Has cell phone (location-based advertising track only)

Respondent requirements:

- Not qualified as tech-savvy or vehicle entertainment enthusiast

Key Findings

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Subsidized Media
General Concept Description

Sponsored media* is discounted entertainment 'content,' such as digital music or a Pay-Per-View movie. You would pay a lower price for this content in exchange for agreeing to watch or listen to advertising before the content actually plays. You might also watch or listen to advertising before the content is done playing, like a movie intermission.

You would select and purchase content such as music and movies in response to specific offers. There is no need to agree up-front to purchase any minimum amount.

*Throughout the survey, the term 'sponsored media' was used rather than the term 'subsidized media.'

See Appendix for concept mock-ups presented.

Subsidized Media
Media of Interest

Movies top the list of media types that targeted adult consumers would be interested in receiving as subsidized media.

- 65% of tech-savvy and 49% of mass market consumers are interested in movies on DVD. Among teens, 63% are interested.

On-demand movies (62%) and digital music (57%) also have high appeal among tech-savvy consumers.

Tech-savvy consumers are more interested in all types of subsidized media than mass market consumers.

Teens are more likely than tech-savvy and mass market adults to be interested in digital music (71%), digital movies (62%), games (63%) and music 'videos' (62%).

	Tech Savvy (n=288)	Mass Market (n=104)	Teens (n=52)
Use of Media Interest	**A**	**B**	**C**
Movies on DVD	**65%** B	49%	63%
On-demand movies	**62%** B	37%	**54%** B
Digital music files (songs or albums)	**57%** B	31%	**71%** AB
Digital movies	**47%** B	26%	**62%** AB
On-demand TV programming	**45%** B	24%	33%
Cable TV service	**44%** B	33%	48%
Games for game consoles or handheld video game players	**40%** B	22%	**63%** AB
Internet radio	**39%** B	21%	**38%** B
Music 'videos'	**35%** B	20%	**62%** AB
Satellite radio programming	**34%** B	16%	**42%** B
Satellite TV service	**34%** B	18%	25%
Broadcast radio programming	**33%** B	16%	25%
Travel information	**31%** B	17%	19%
Information service for movie times, restaurant recommendations, locations of gas stations, etc.	**31%** B	12%	**27%** B
Traffic and w eather reports	**29%** BC	12%	15%
An in-vehicle communication and assistance system such as OnStar or Tel-Aid	**29%** B	9%	**25%** B
Internet new s	**27%** BC	13%	12%
Directory assistance (Such as '411')	**22%** B	11%	17%
Navigation service or screen-based device that provides driving directions using GPS and/or a CD	**20%** B	11%	13%
TV 'infomercials' on products/services of interest	**19%** BC	9%	10%
None of these	9%	**18%** AC	6%

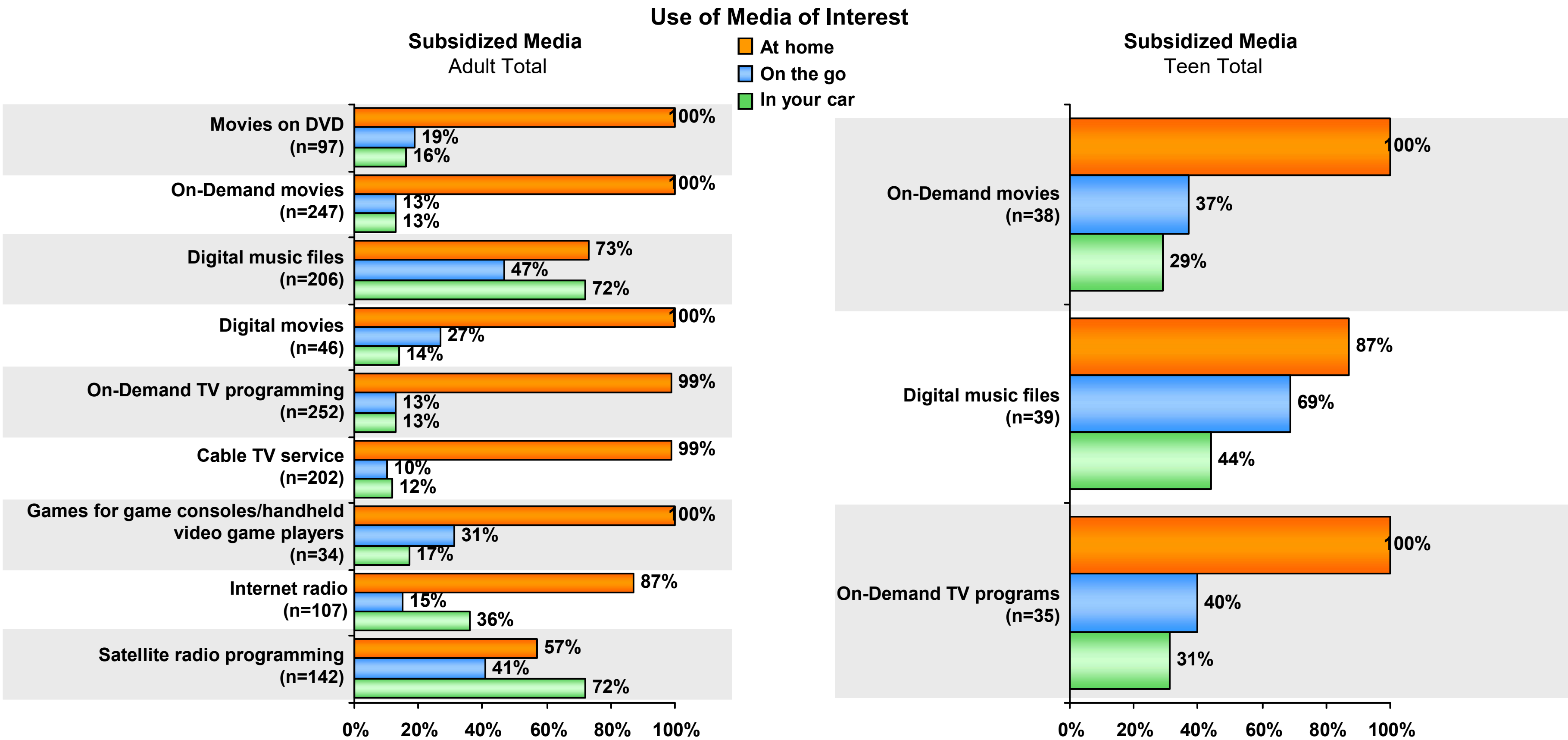
Q21. In general, which of the following types of media would you be interested in receiving as sponsored media?; Letters denote statistically significant differences among segments.

Subsidized Media
Use of Media of Interest

Target consumers expect all top media of interest to be used in the home.

Nearly two-in-three interested target adults expect digital music and satellite radio programming to be consumed in the car.

Teens are more likely than adults to plan to consume the following media types either on-the-go or in the car: digital music, on-demand movies and on-demand TV programs.



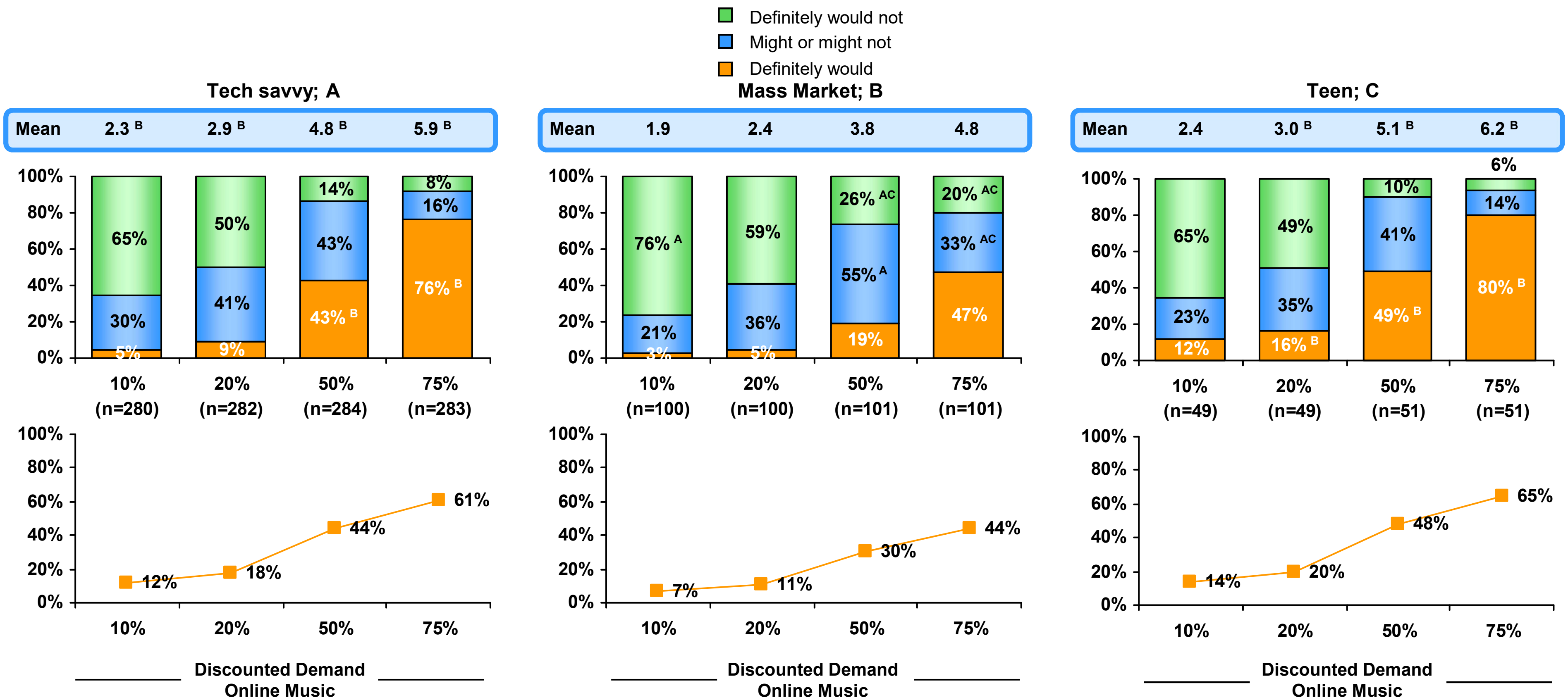
Q21A. If you bought [MEDIA] as sponsored media, where would you use it? Includes top-10 from Q21 with an n of 30+ for Adults and 25+ for Teens at Q21A.

Subsidized Media
Purchase Likelihood by Discount on Price–Online Music

Among target consumers, demand is influenced by the discount offered on the media purchase price, particularly once the discount rises above 20%.

- In the line graphs below, 'discounted demand' refers to the total addressable market–the maximum percentage of target consumers who would buy under 'perfect' conditions (awareness, availability, etc.).

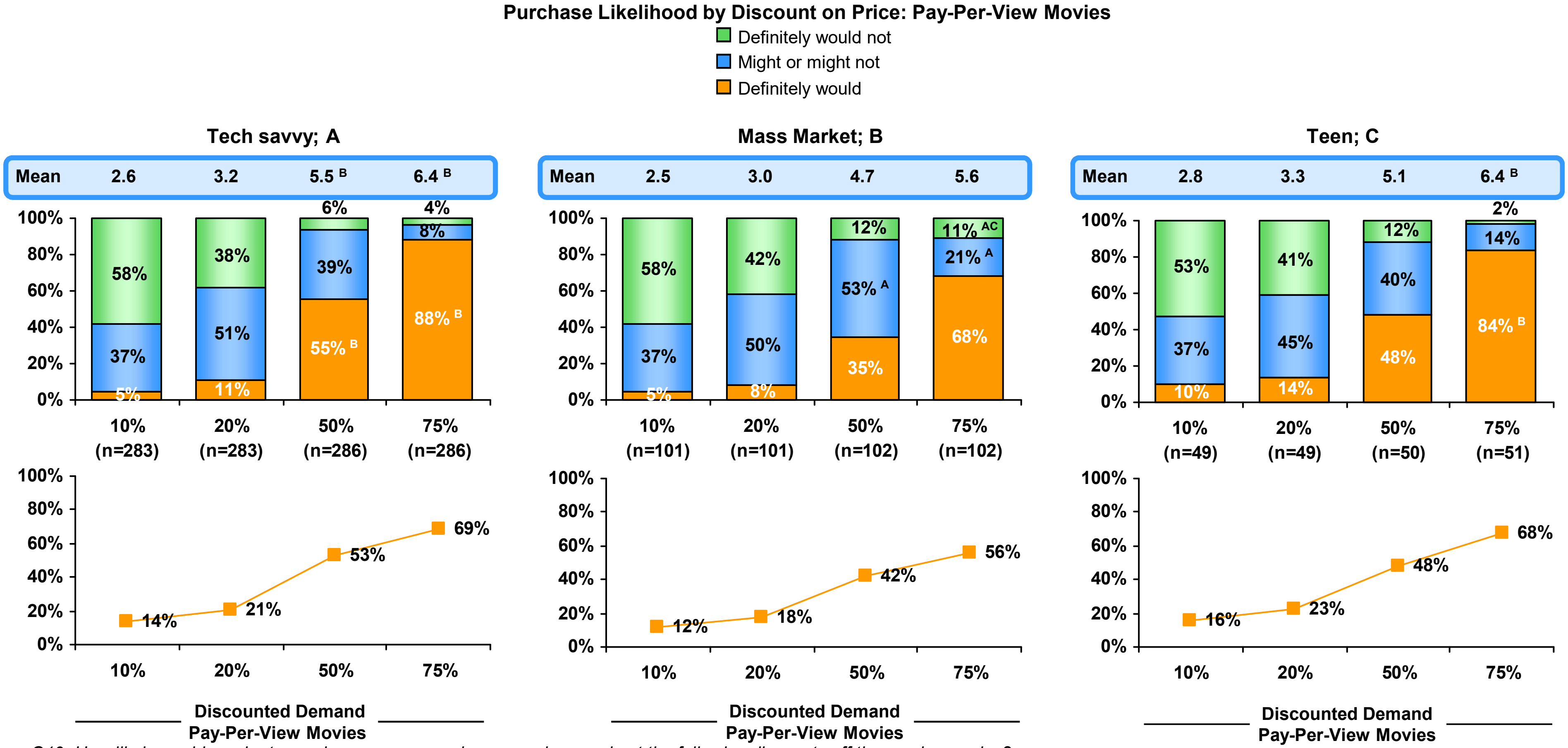
Purchase Likelihood by Discount on Price: Online Music



Q17. How likely would you be to buy sponsored music online at the following Letters denote statistically significant differences among segments.
** Discounted demand: Respondents provided purchase likelihood on a 7-point scale, where 7 is "definitely," 4 is "might or might not," and 1 is "definitely not." Each response was assigned a purchase probability as follows: 7=77%, 6=65%, 5=45%, 4=25%, 3=10%, 2=2%, and 1=0% . Discounted demand is the average purchase probability.*

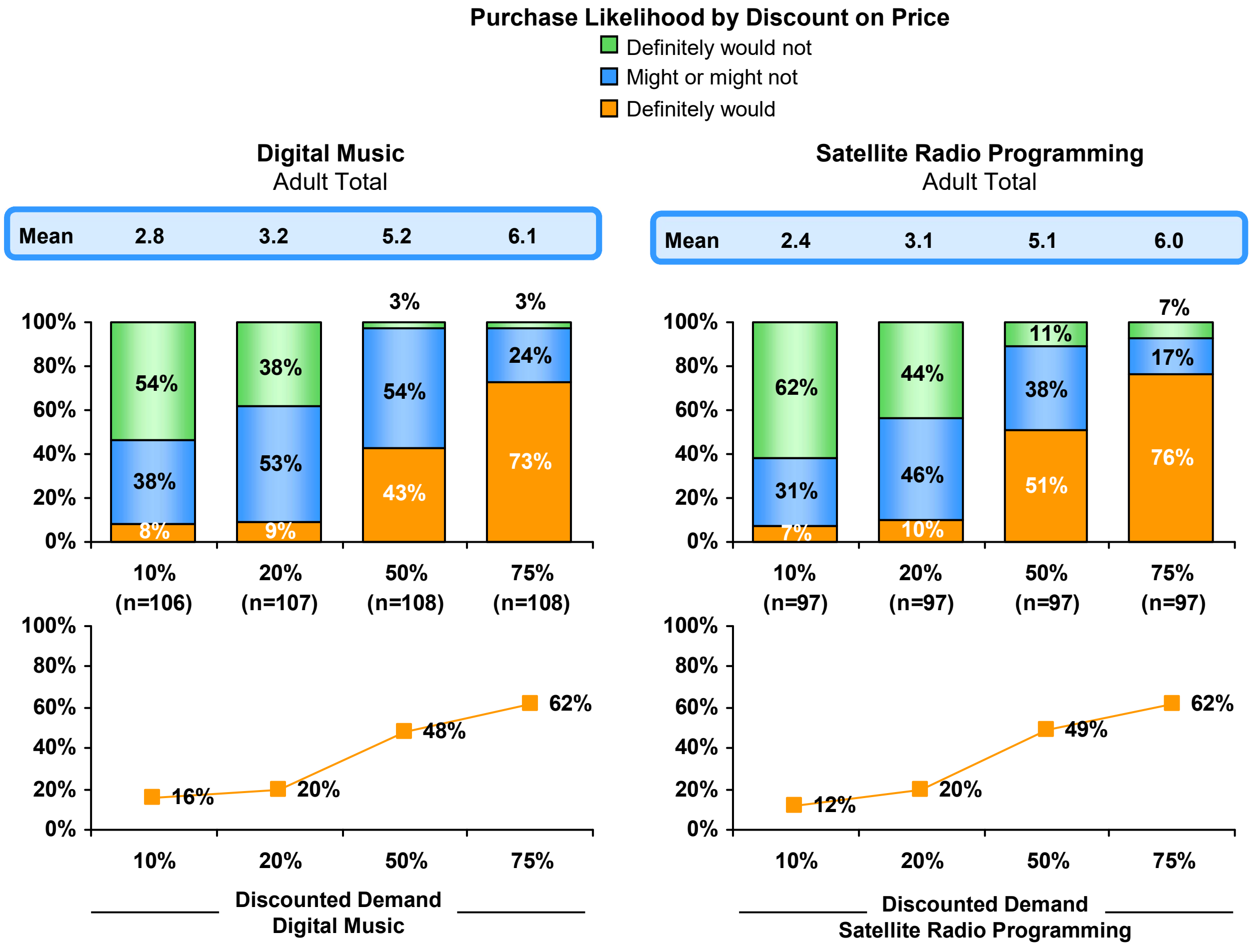
Subsidized Media
Purchase Likelihood by Discount on Price–Pay-Per-View Movies

The effect of discount on demand for pay-per-view movies is similar to the effect shown previously for online music. The rise from 20% to 50% has the strongest influence, particularly on tech-savvy consumers and teens.



Q19. How likely would you be to purchase a sponsored pay-per-view movie at the following discounts off the purchase price?
** Discounted demand: Respondents provided purchase likelihood on a 7-point scale, where 7 is "definitely," 4 is "might or might not," and 1 is "definitely not." Each response was assigned a purchase probability as follows: 7=77%, 6=65%, 5=45%, 4=25%, 3=10%, 2=2%, and 1=0% . Discounted demand is the average purchase probability.*

Subsidized Media
Purchase Likelihood by Discount on Price–Music and Radio



For consumers with some interest in each media type, the demand curves look similar to those shown for tech-savvy consumers on the previous two pages.

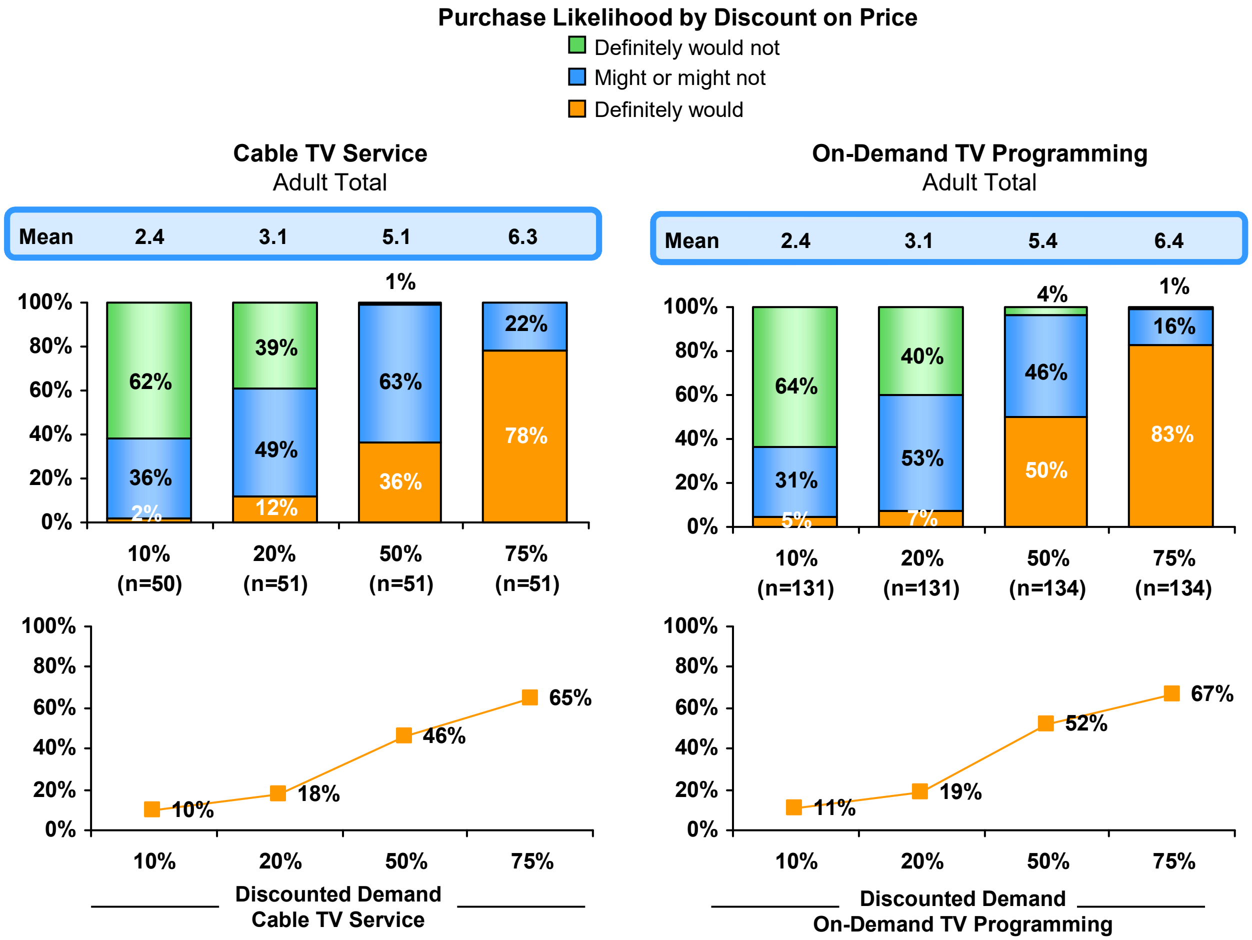
At the 10% discount level, about 16% with some interest would be expected to buy digital music, and about 12% would be expected to buy satellite radio.

- Gain in share when increasing the discount to 20% is relatively modest, rising to 20% of consumers.
- Gain in share is much more dramatic between the 20% and 50% discount levels–up to just under half of consumers.
- Demand continues to increase but flattens out a bit between the 50% and 75% discount levels, winding up at 62%.

Q22. How likely would you be to buy or obtain [MEDIA] at the following prices, assuming it was 'sponsored? Includes top-10 from Q21 with an n of 30+ for Adults and 25+ for Teens at Q22.
** Discounted demand: Respondents provided purchase likelihood on a 7-point scale, where 7 is "definitely," 4 is "might or might not," and 1 is "definitely not." Each response was assigned a purchase probability as follows: 7=77%, 6=65%, 5=45%, 4=25%, 3=10%, 2=2%, and 1=0% . Discounted demand is the average purchase probability.*

Subsided Media

Purchase Likelihood by Discount on Price–TV



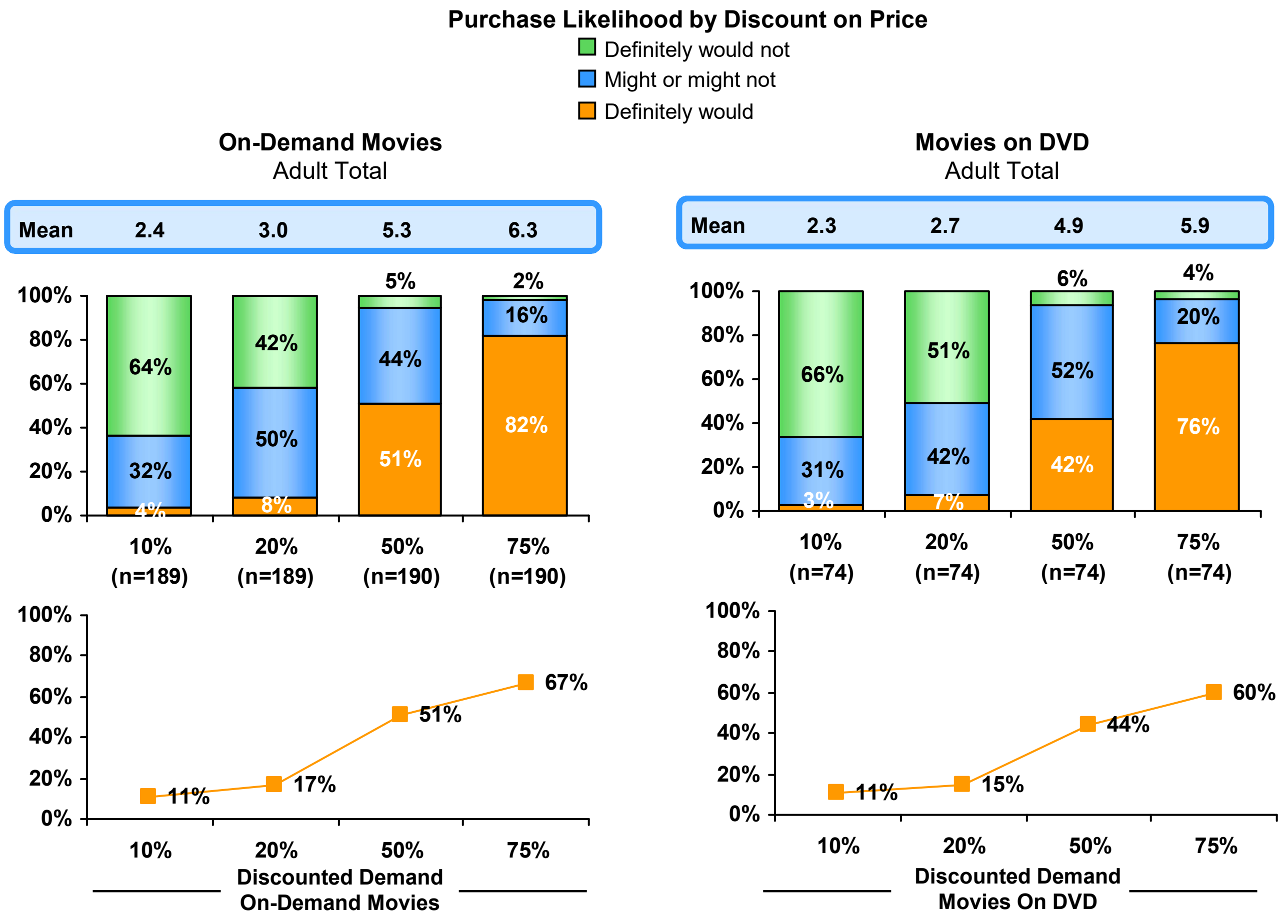
Among target consumers with some interest in cable and on-demand TV, demand at various price levels follows the same pattern as seen for digital music and satellite radio.

The strength of demand at the higher discounted price levels is evident by the extremely low percentage of target consumers who say they 'definitely would not' purchase--nearly zero at the 50% and 75% discount levels.

Conversely, the weakness of demand at the lower discount levels also is striking. The percentage who say they 'definitely would' purchase at the 10% discount level is especially low–2% for cable TV and 5% for on-demand TV.

Q22. How likely would you be to buy or obtain [MEDIA] at the following prices, assuming it was 'sponsored? Includes top-10 from Q21 with an n of 30+ for Adults and 25+ for Teens at Q22.

Subsidized Media
Purchase Likelihood by Discount on Price–Movies



Demand for movies follows the same pattern seen for other media.

Significant savings on price–at least a 50% discount--appears necessary to generate solid purchase intent.

Q22. How likely would you be to buy or obtain [MEDIA] at the following prices, assuming it was 'sponsored? Includes top-10 from Q21 with an n of 30+ for Adults and 25+ for Teens at Q22.

Subsidized Media
Purchase Likelihood by Ad Frequency—Online Music

For online music, running the ads the first two or three times a song is played (rather than just the first time) appears to have a modest impact on demand among adults, although most differences are not statistically significant.

Increased ad frequency appears to have little to no negative impact on demand for online music among teens.

	Tech Savvy Adults (n=281-284)	Mass Market Adults (n=101-102)	Teens (n=51-52)
Discounted Demand by Ad Frequency Online Music	A	B	C
First time song is played	44%	30%	48%
First tw o times the song is played	37%	24%	48%
First 3 times the song is played	31%	22%	41%

Q17. How likely would you be to buy sponsored music online at the following discounts?Q20D. How likely would you be to purchase a sponsored pay-per-view movie at the following discounts off the purchase price?
Q18D. How likely would you be to buy sponsored music online at a 50% discount if the 15-second advertisement played at the beginning of the song .. ?
Letters denote statistically significant differences among segments.

Subsidized Media
Purchase Likelihood by Ad Frequency—Pay-Per-View Movies

The addition of an intermission commercial to pay-per-view movies appears to exert a modest impact on demand among adults, although most differences are not statistically significant.

Intermission commercials appear to have little to no negative impact on demand among teens.

Teens also are more likely than adults to be influenced positively by the offer of a ‘free movie’ with purchase.

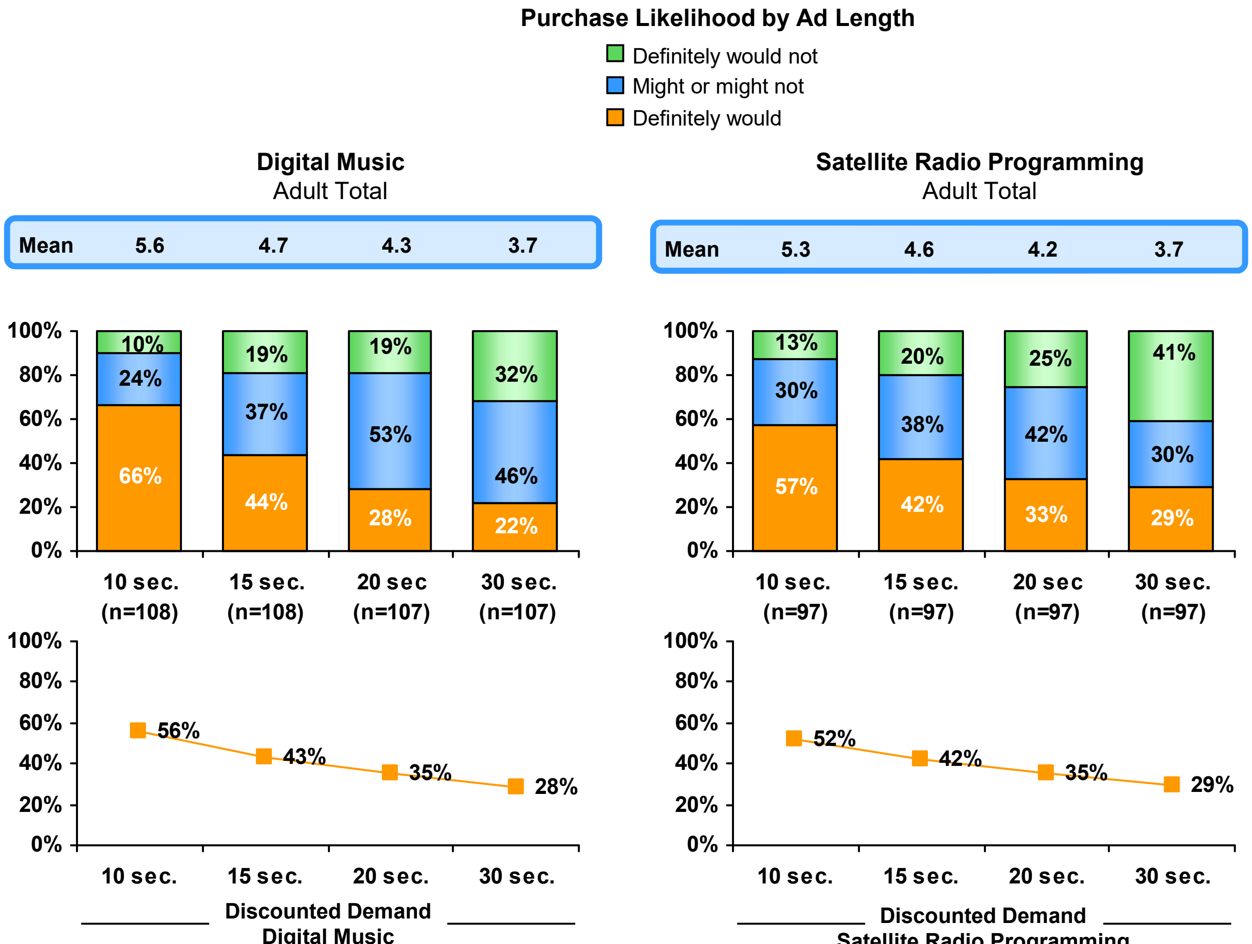
- Among teens, discounted demand at the ‘2 for 1’ price is 65%, compared to 48% at a 50% discount (effectively the same price)*.

	Tech-Savvy Adults		Mass Market Adults		Teens	
	60-second ad at start (n=283)	60-second ad at start & intermission (n=285)	60-second ad at start (n=101)	60-second ad at start & intermission (n=102)	60-second ad at start (n=49)	60-second ad at start & intermission (n=51)
Discounted Demand by Ad Frequency Pay-Per-View Movies	A	B	C	D	E	F
10% discount	14%	11%	12%	9%	16%	13%
20% discount	21%	16%	18%	13%	23%	20%
50% discount	**53%** B	43%	42%	33%	48%	48%
2 for 1' price	60%	NA	45%	NA	65%	NA
75% discount	**69%** B	59%	56%	47%	68%	67%

Q19. How likely would you be to purchase a sponsored pay-per-view movie at the following discounts off the purchase price?
Q20D. How likely would you be to purchase a sponsored pay-per-view movie at the following discounts off the purchase price?
Q20E. How likely would you be to buy sponsored pay-per-view movies if you received one free movie for every movie you buy at the regular price?
*Letters denote statistically significant differences among segments. * Difference significant at the 90% confidence level.*

* Difference significant at the 90% confidence level.

Subsidized Media
Purchase Likelihood by Ad Length–Music and Radio



More than half of target consumers with some interest in digital music and satellite radio are expected to buy when ad length is at a minimum - only 10 seconds long.

- Note the survey instructed respondents to assume a 50% discount when considering ad length for all media types.*

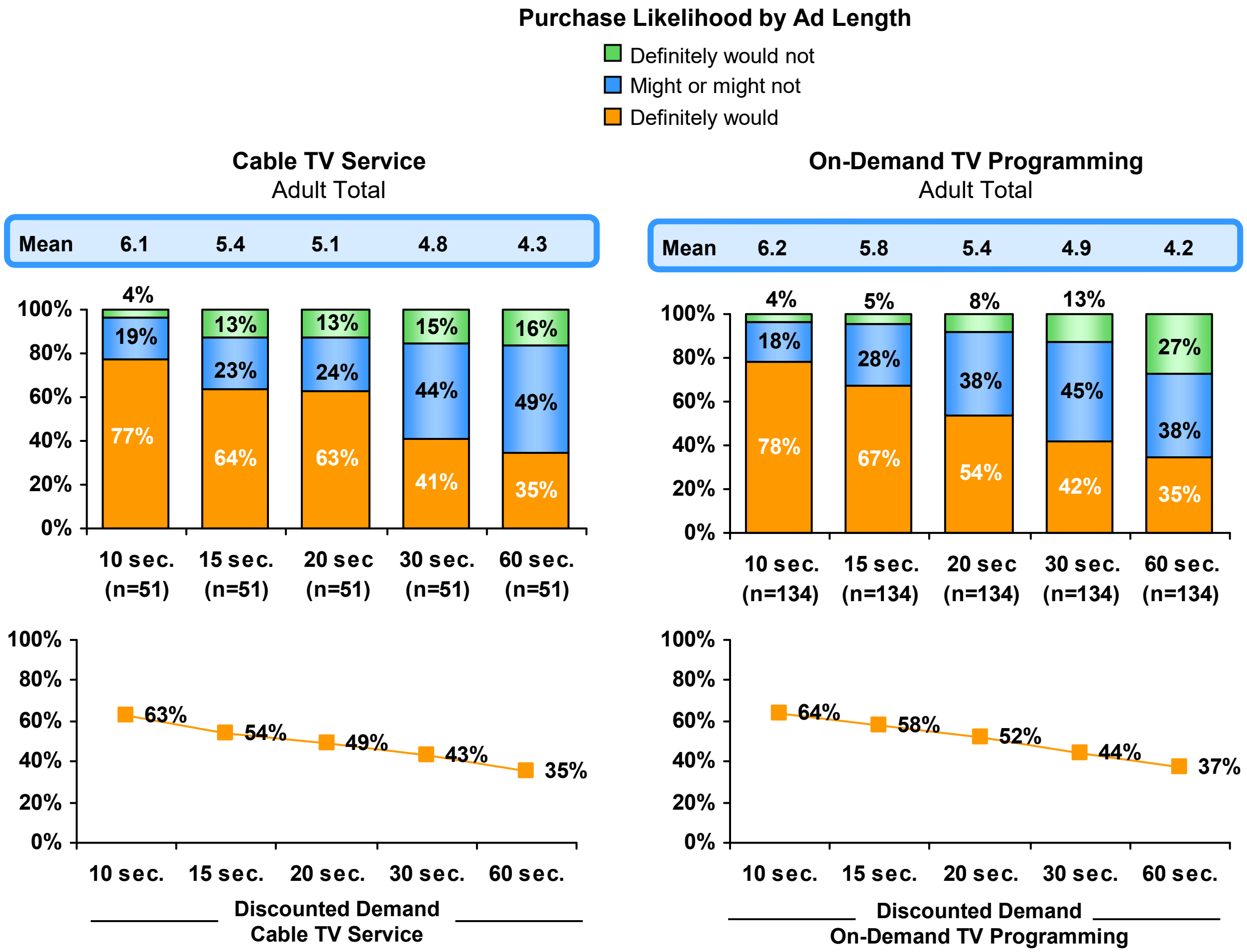
The percentage of those who 'definitely would' buy drops most noticeably between 10 and 15 seconds for both digital music and satellite radio programming.

Target consumers are especially opinionated about ad length when it comes to satellite radio.

- With 30-second ads, only 30% are neutral about purchasing satellite radio programming, compared to 46% for digital music.

Q23. How likely would you be to buy or obtain [MEDIA] at a 50 % discount if the commercial at the beginning was … ? Includes top-10 from Q21 with an n of 30+ for adults and 25+ for teens at Q23.
**For satellite radio programming, the survey indicated ads would air every 15 minutes.*

Subsidized Media
Purchase Likelihood by Ad Length–TV



Ad length is somewhat less of an issue for TV programming than for digital music and satellite radio.

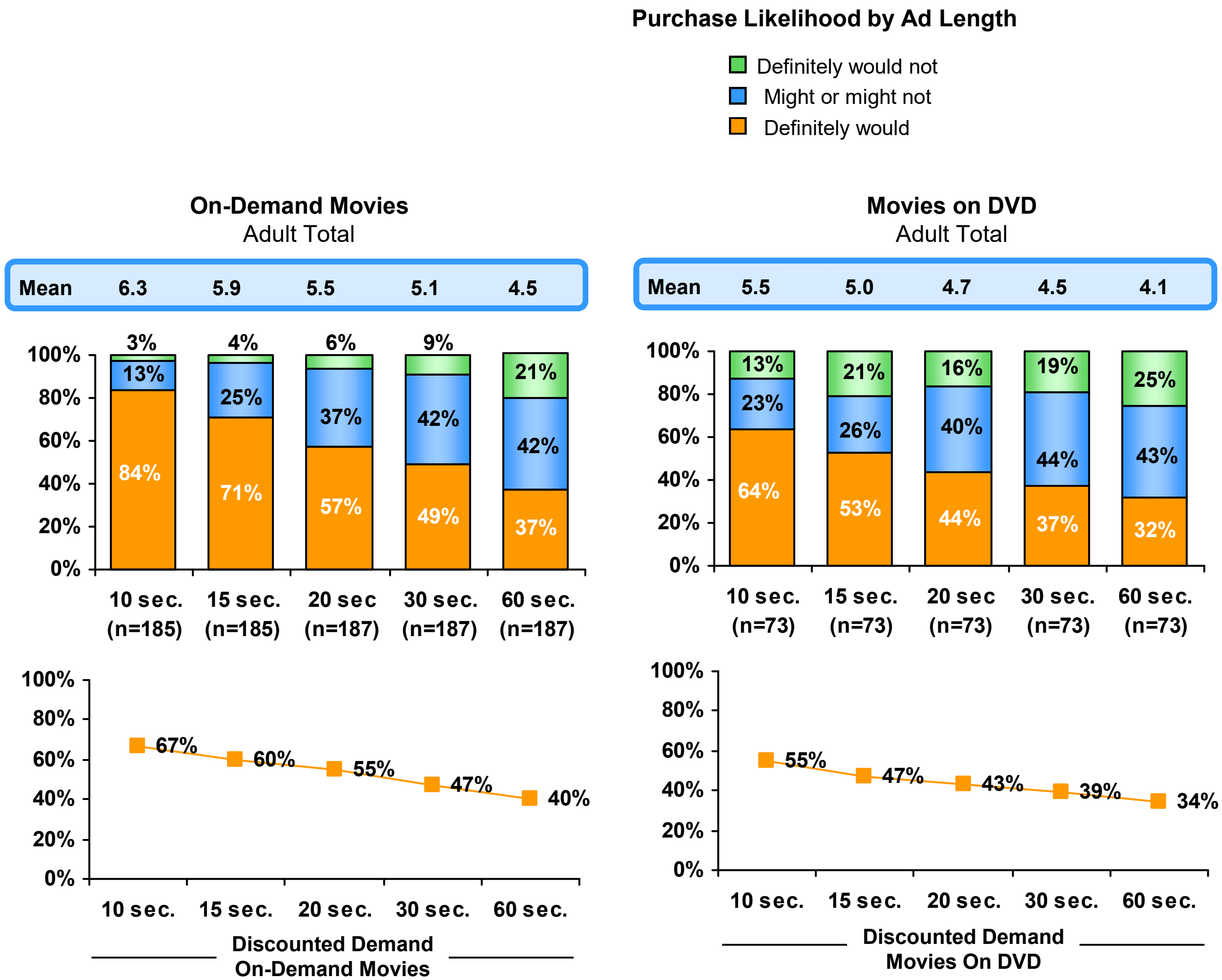
- This may be because consumers are already accustomed to having commercials inserted into TV programming, while digital music and satellite radio are traditionally commercial-free.
- Note the survey specified that fast-forwarding through ads would be disabled.

For example, when ads are 30 seconds long, discounted demand for on-demand TV programming is 44%; for satellite radio programming, it is 29%.

However, discounted demand for cable and on-demand TV still drops as ad length increases. Fewer than half say they ‘definitely would’ buy once ads are 30 seconds long.

Q23. How likely would you be to buy or obtain [MEDIA] at a 50 % discount if the commercial at the beginning was … ? Includes top-10 from Q21 with an n of 30+ for adults and 25+ for teens at Q23.

Subsidized Media
Purchase Likelihood by Ad Length–Movies



Target consumers are about as tolerant of ad length for movies as they are for TV programming.

- This may be because they are already accustomed to watching movie previews before their selected movie begins on DVD.

Q23. How likely would you be to buy or obtain [MEDIA] at a 50 % discount if the commercial at the beginning was … ? Includes top-10 from Q21 with an n of 30+ for adults and 25+ for teens at Q23.
** CAUTION: Small sample size, please view data as directional in nature.*

Subsidized Media
Factors Affecting Interest in Online Music

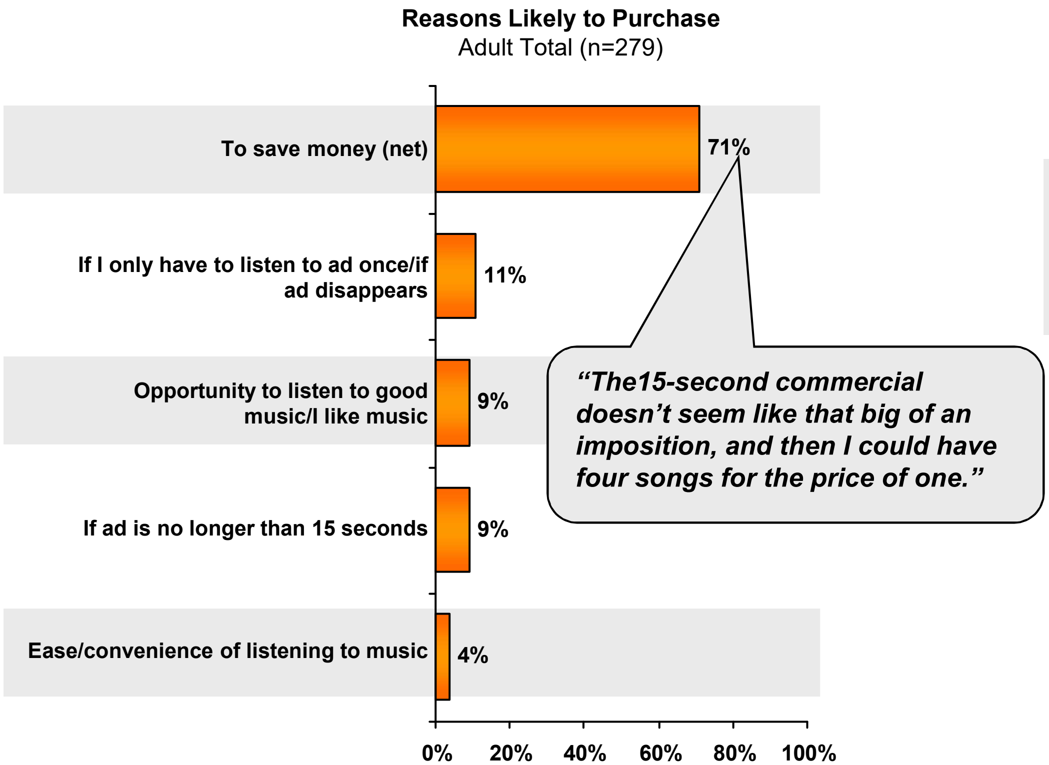
Clearly, the chance to save money is the main driver of interest in subsidized online music.

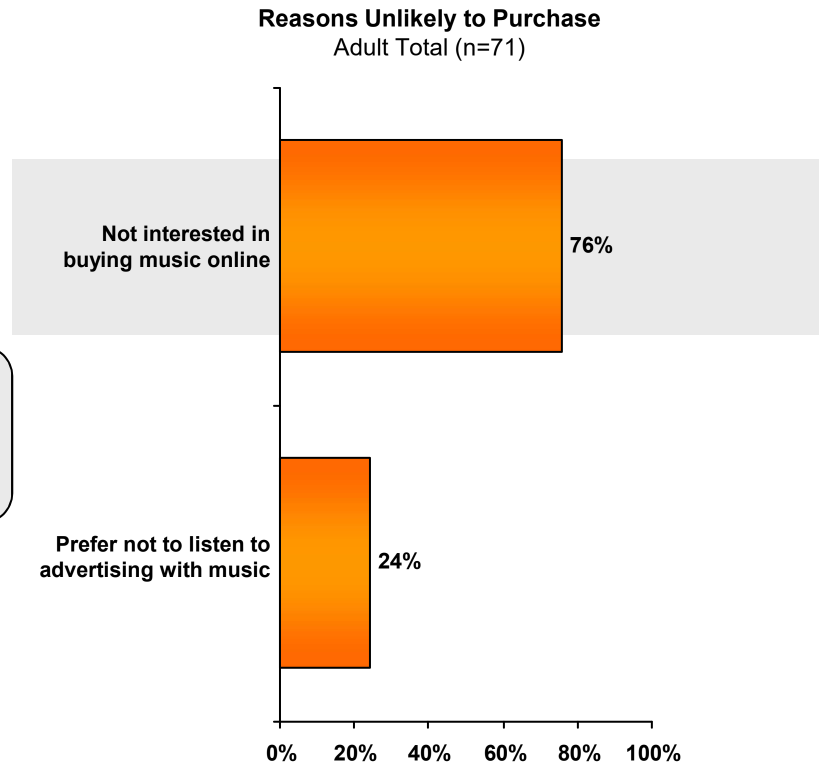
- Many mention being highly motivated at a 50% or higher discount, as long as ad length is short.

Some of those mentioning an interest in cost savings say they already download music and are looking for the best deal.

For those who are unlikely to purchase subsidized online music, the barrier is more a lack of interest in buying music online than an objection to advertising.

When asked what could make them more interested, nearly all simply say "nothing."





Q18A. What are your reasons for indicating you probably or definitely would not buy music at a discount in exchange for accepting one-time ads at the beginning of the songs you buy?
Q18C. What are your reasons for indicating you might or definitely would buy sponsored music online?

Subsidized Media
Preferred Ad Types for Movies or TV

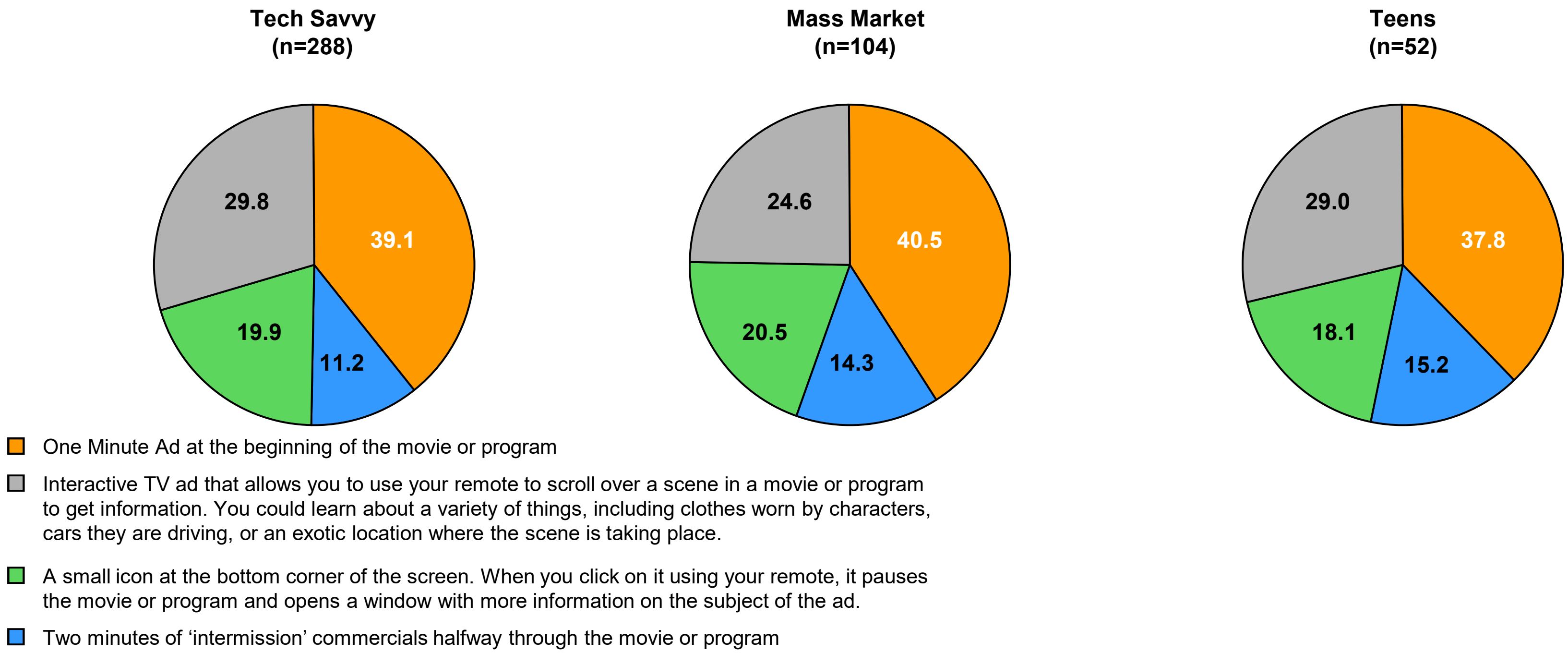
Across all target respondent types, a simple one-minute ad at the beginning of the movie or program is favored somewhat, with a mean rating of about 40 (out of 100 points).

The next most appealing ad format is 'interactive TV,' described as a way to get more information by scrolling over a scene with the remote to get information.

The idea of an icon at the bottom of the screen you can click on to pause the movie and get information is somewhat less favorably received than interactive TV.

Least popular is the idea of two minutes of commercials midway through the program.

Preferred Ad Type for Movies or TV
100-Point Allocation (Mean)



23A. Divide up to 100 points among the types of ads listed below, according to your preferences.

Subsidized Media
Factors Affecting Interest in Pay-Per-View Movies

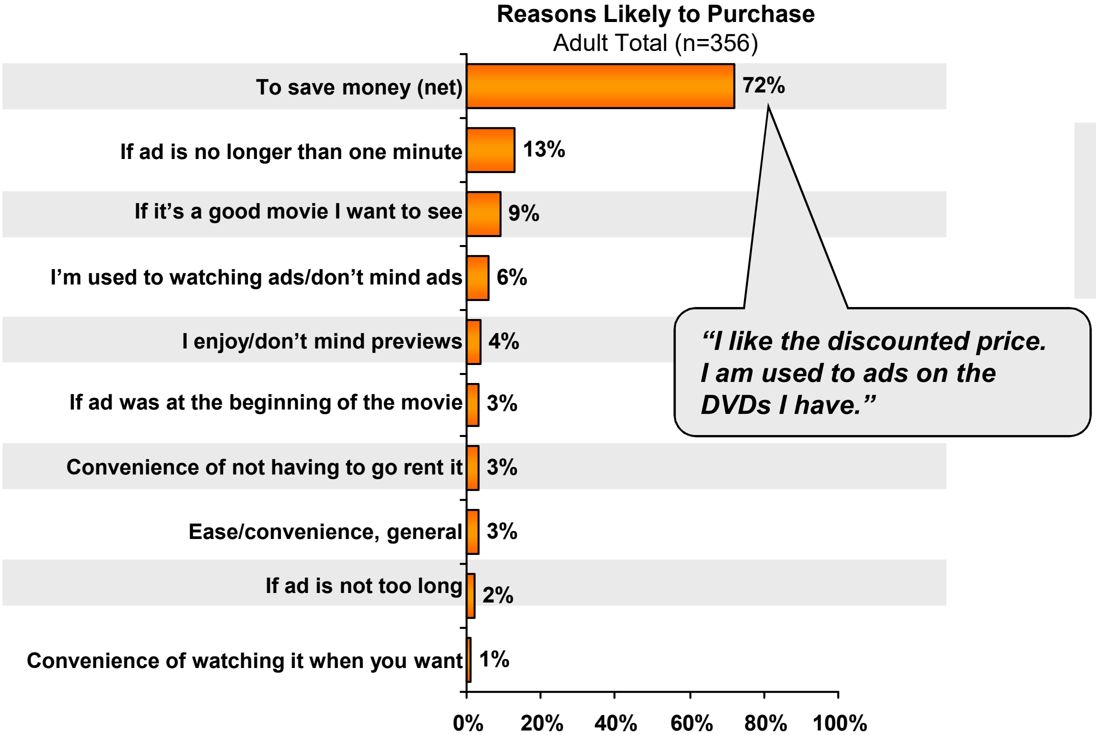
As with music, the chance to save money is the main driver of interest in subsidized pay-per-view movies.

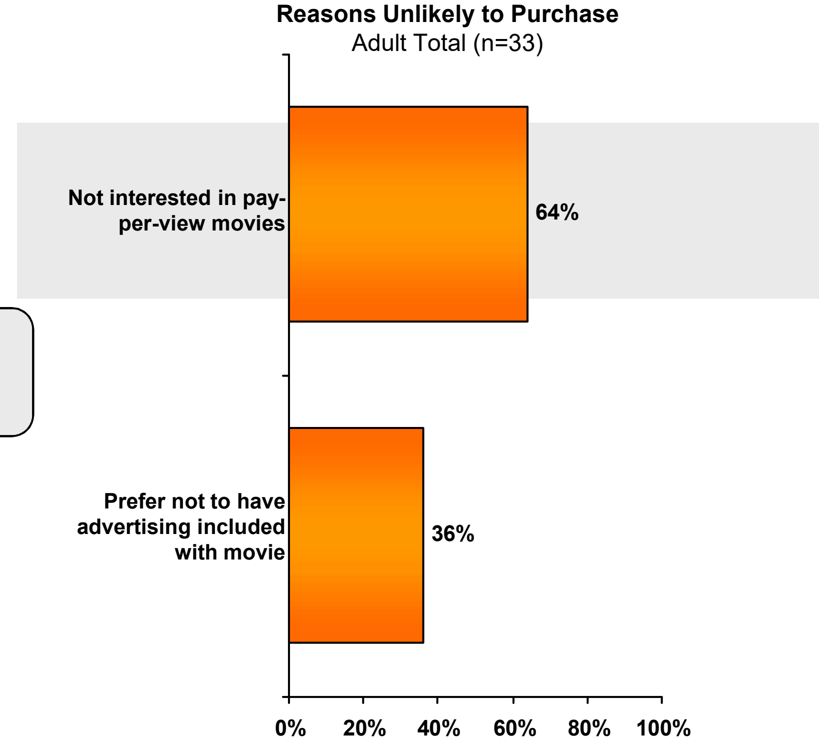
In addition, some say they already are accustomed to watching ads or previews.

- Some caution they don't want the ad to exceed one minute in length, or be 'too long.'

For the few target consumers who are say they are unlikely to purchase subsidized pay-per-view movies, the barrier is more a lack of interest in buying pay-per-view movies than an objection to advertising.

When asked what could make them more interested, a few report wanting to be able to record the movie.





Q20A. What are your reasons for indicating you probably or definitely would not buy sponsored pay-per-view movies?
Q20C. What are your reasons for indicating you might or definitely would buy sponsored pay-per-view movies?

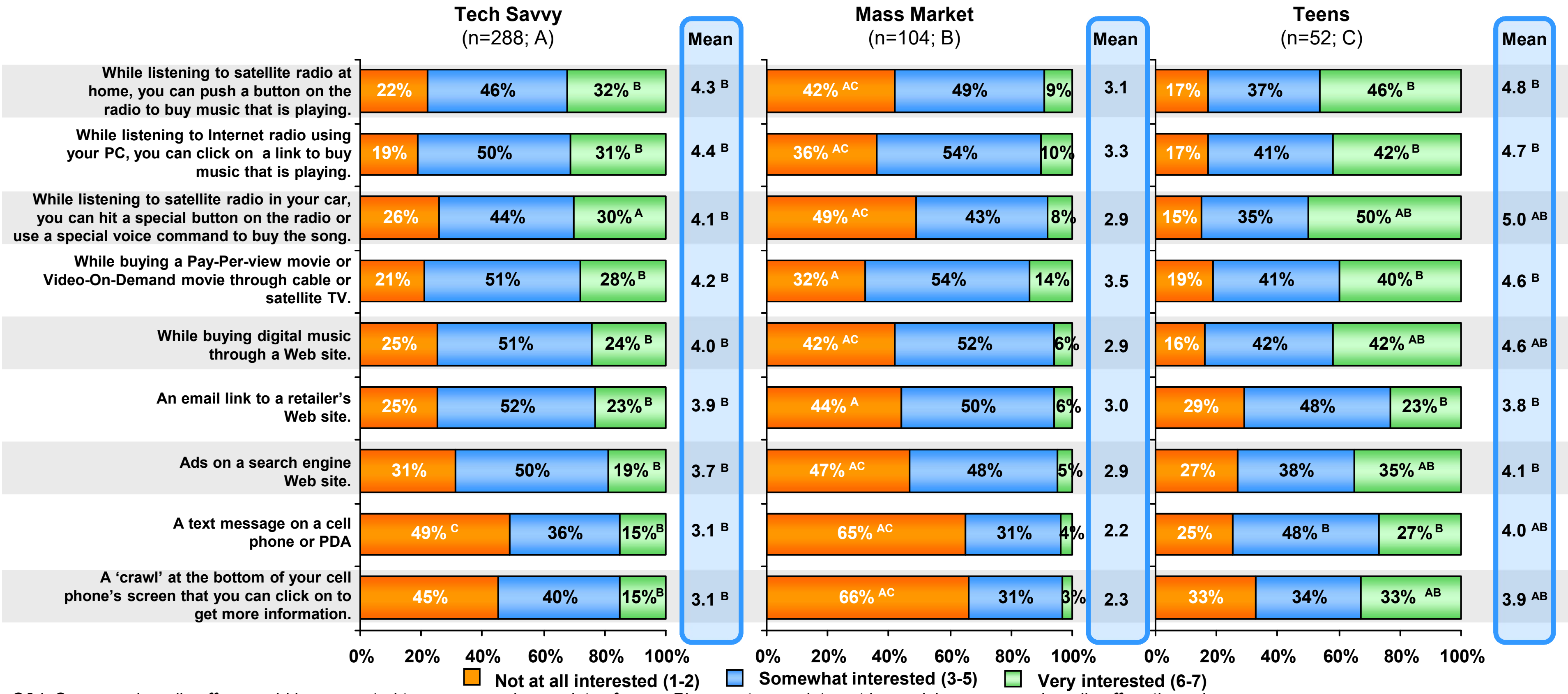
Subsidized Media
Preferred Ad Delivery Method

The ability to push a button, click a Web link, or use a voice command to buy music that is playing on a radio or PC has relatively strong appeal among tech-savvy consumers and teens.

- In general, mass market consumers are least enthusiastic about all ad delivery methods tested.

Teens are more enthusiastic than adults about receiving ads while buying online music, and via text message or text 'crawl' on a cell phone/PDA.

Preferred Ad Delivery Method



Q24. Sponsored media offers could be presented to consumers in a variety of ways. Please rate your interest in receiving sponsored media offers through ….
Letters denote statistically significant differences among segments

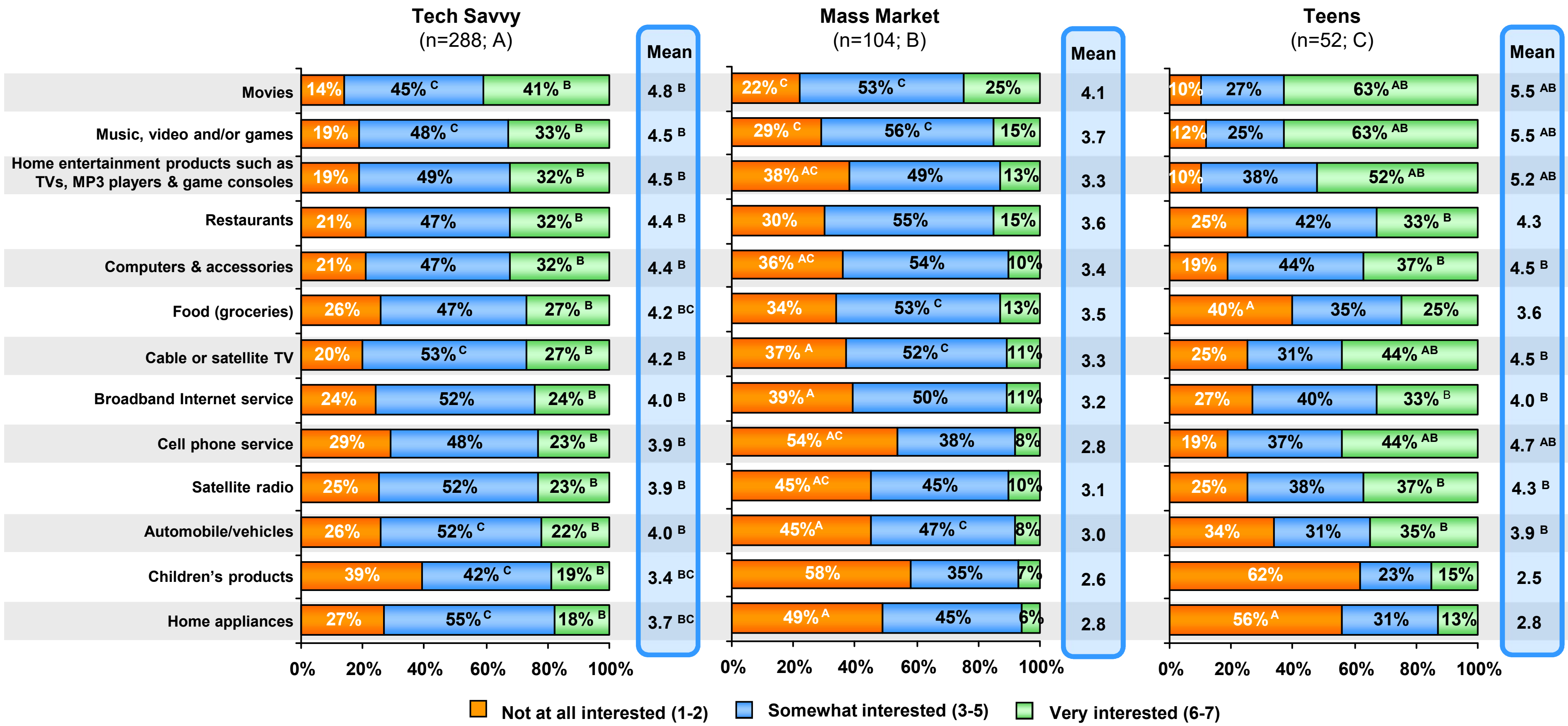
Subsidized Media
Preferred Products/Services in Ads

Entertainment media – in particular, movies – top the list of preferred advertising content among target consumers.

- Teens are most enthusiastic about entertainment as well as cell phone service ads.

Ads about restaurants also score relatively well with tech-savvy consumers.

Preferred Products/Services in Ads

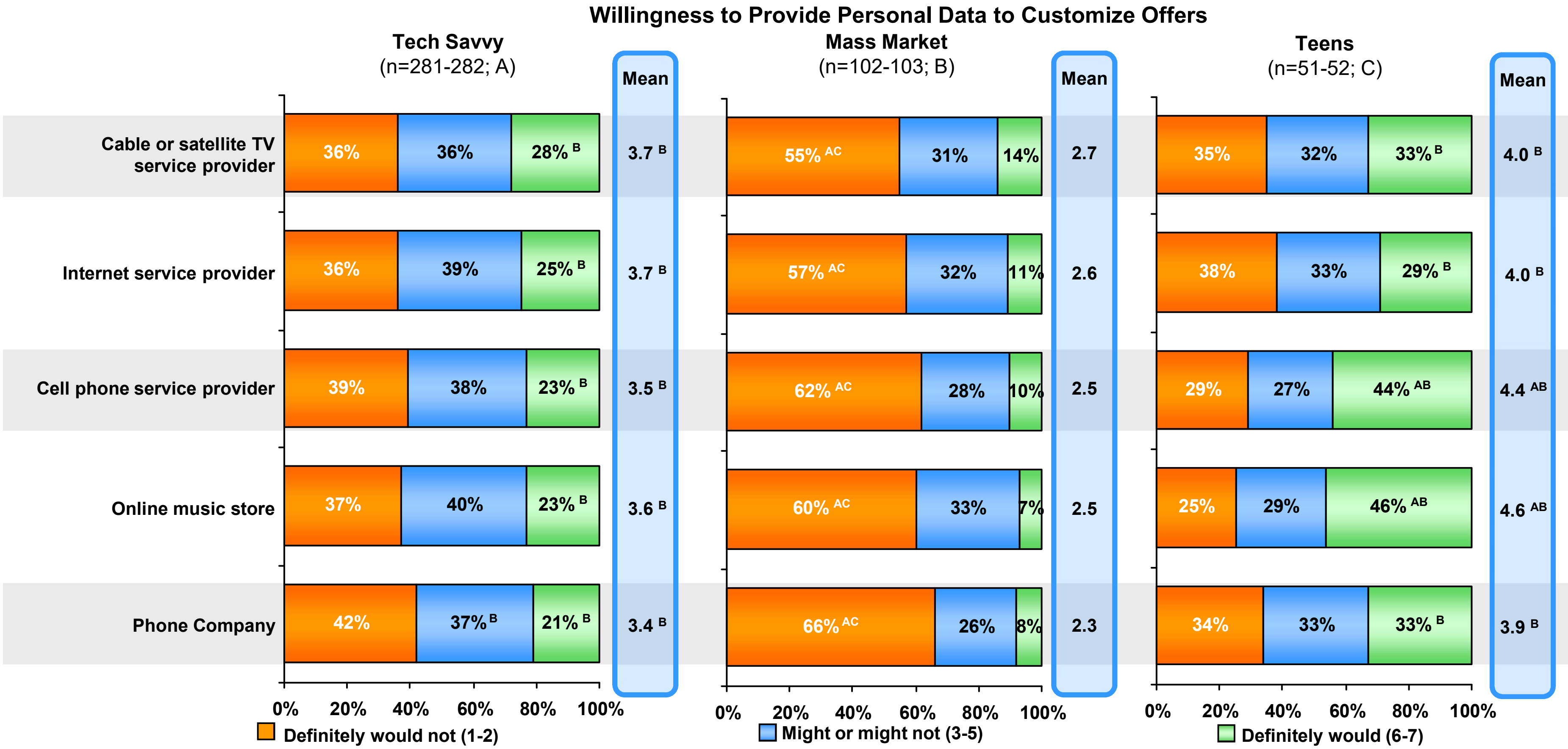


Q25. Please rate your interest in the following potential products or services that could be advertised through sponsored media. Letters denote statistically significant differences among segments.

Subsidized Media
Willingness to Provide Personal Data to Customize Offers

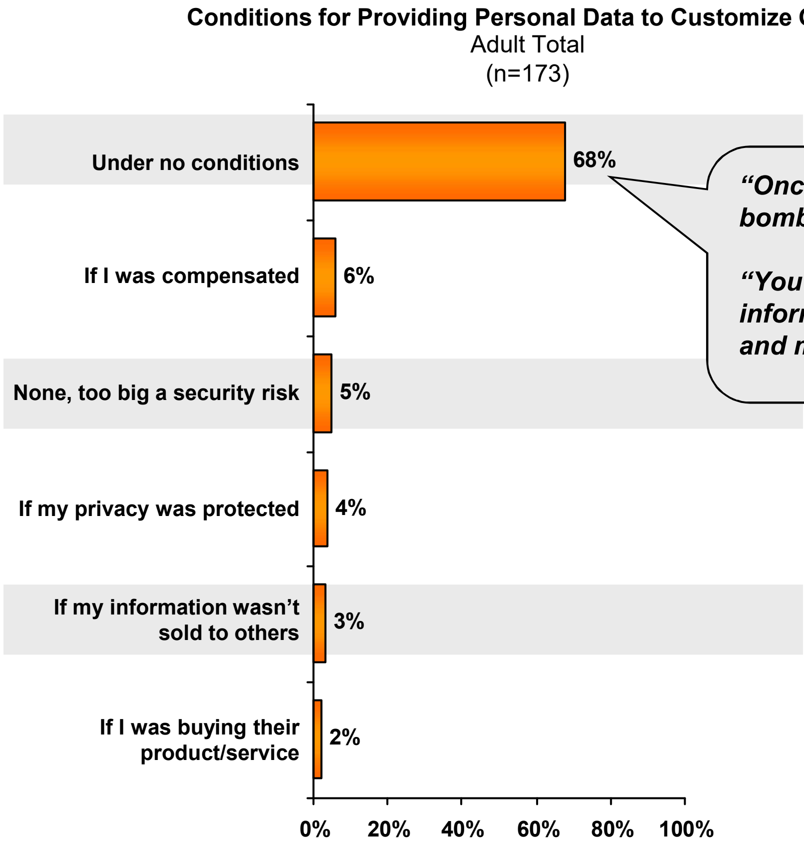
Overall, most target consumers are resistant to the idea of providing personal data to ad providers for the purpose of customizing offers to their interests.

Mass market consumers are the most resistant to the idea; teens, the least.



Q26. How willing would you be to provide personal information to the following third-party providers so that sponsored media advertising could be customized to your interest? Letters denote statistically significant differences among segments.

Subsidized Media
Factors Affecting Willingness to Provide Personal Data



"Once you do that they will be bombarding you for life."

"You don't know what kind of information you will be receiving and most of it is a waste of time."

Among those strongly against the idea of providing personal data so subsidized media offers could be customized, a majority cannot imagine any circumstances that would change their mind.

Responses reflect concerns over loss of control over the process once the information is handed over, as well as privacy/security.

A small minority say they would consider it if they were compensated or were already doing business with the company.

Q27. Under what conditions, if any, would you be willing to provide personal information to a third-party provider so that advertising incorporated into sponsored media could be targeted to your interests?

Subsidized Media
Types of Media Willing to Allow Teens to Buy

Types of Media Willing to Allow Teens to Buy	Any Media (n=97)	Subsidized Media (n=97)
Digital music	62%	50%
Movies	60%	55%
Music 'videos'	49%	45%
TV series programs	40%	36%
Radio music programs	35%	34%
TV sports programs	34%	30%
Internet radio programs	30%	26%
Directory assistance (Such as '411')	30%	21%
Movie trailers	28%	30%
Radio sports programs	25%	21%
Internet news programs	25%	26%
TV news programs	24%	27%
Cable TV service	23%	22%
In-vehicle navigation service	19%	19%
In-vehicle satellite TV programs	18%	17%
Satellite TV service	17%	20%
Satellite radio service	17%	28%
Radio talk show programs	17%	18%
Travel information	15%	18%
'Infomercials' on products/services of interest	15%	14%
Concierge service	15%	21%
OnStar service	12%	18%
None of these	15%	19%

Only minor differences are seen in the percentage of adults who would allow their teen to buy subsidized vs. traditional media.

Q28A. In general, which of the following types of media, if any, would you allow your teenager(s) to buy? Please assume that sponsored media is not available.
Q28B. Which of the following types of media, if any, would you permit your teen to obtain as sponsored media-that is, products or services that are offered at a discount and contain advertising?

Key Findings

- **Executive Summary**
- **Background & Methodology**
- **Key Findings**
  - Subsidized Media
    - Reactions to Concepts
    - Consumer Profile
- Conclusions & Recommendations
- Appendix

Subsidized Media
Technology Profile

	Tech Savvy	Mass Market	Teens
HH Products Owned (Q8)	**A**	**B**	**C**
Cell (wireless) phone(s) for personal use, any type	**100%** B	68%	**100%** B
Home video game console	**81%** B	54%	**90%** AB
Portable MP3 player	**70%** B	34%	**83%** AB
Handheld video game player	**64%** B	31%	**83%** AB
Portable DVD player	**61%** B	33%	**81%** AB
DVR, or digital video recorder	**53%** B	28%	**62%** B
PDA, with NO phone functionality	**33%** B	19%	**46%** B
Permanently installed in-vehicle entertainment system	**27%** B	8%	**35%** B
Portable Multimedia Player (PMP)	**23%** B	6%	**33%** B
PDA with phone functionality	20%	0%	33%
Music phone such as the ROKR or other brand	**12%** B	4%	**19%** B
Base	*(n=288)*	*(n=104)*	*(n=52)*
HH Cell Phone Features (Q8A)			
Text messaging (or SMS)	**87%** B	73%	83%
Calendar	**84%** B	65%	**85%** B
Contacts	**81%** B	66%	75%
Internet access	**76%** B	52%	**81%** B
Email	**72%** B	51%	**79%** B
Still (photo) camera	**69%** B	44%	**77%** B
Video camera	**38%** B	23%	**44%** B
Bluetooth	**31%** B	14%	**29%** B
MP3 player	**28%** B	11%	**40%** B
PC applications like Word/Excel	**24%** B	8%	**33%** B
Base	*(n=288)*	*(n=71)*	*(n=52)*

Q8, Q8A; Letters denote statistically significant differences among segments.

Tech-savvy consumers tend to have multiple entertainment devices in the household.

They also have advanced features on cell phones, as well as a relatively high concentration of music phones.

Subsidized Media
Technology Profile

	Adult Total (n=392)	Tech Savvy (n=288)	Mass Market (n=104)
Planned Product Purchases (Q15)		A	B
Transportation (net)	**64%**	**78%** B	**52%**
Air travel for personal or leisure purposes	48%	**59%** B	38%
New vehicle (not a previously owned one)	30%	**43%** B	18%
Permanently installed in-vehicle entertainment system that plays videos and/or DVDs	11%	**22%** B	1%
Home entertainment (net)	**60%**	**78%** B	**44%**
Television	34%	**45%** B	24%
DVR, or digital video recorder	22%	**31%** B	14%
Digital music through an online music store such as iTunes or Yahoo! Music Unlimited	21%	**32%** B	11%
Home video game console	20%	**32%** B	9%
Portable music (MP3) player such as an Apple iPod, Creative Media Zen or other brand	18%	**26%** B	11%
Portable DVD player	11%	**19%** B	5%
Handheld video game player	8%	**17%** B	1%
Portable Multimedia Player (PMP)	6%	**11%** B	2%
Music phone such as the ROKR or other brand	6%	12%	0%
Other Home Entertainment	1%	2%	0%
Telecommunications (net)	**39%**	**51%** B	**29%**
Cell (wireless) phone or portable device with phone functionality, any type	35%	**45%** B	26%
PDA with Internet access but NO phone functionality	8%	**14%** B	2%
Standard PDA or personal organizer, NO Internet access and No phone functionality	5%	**8%** B	3%
Home appliances (net)	**38%**	**47%** B	**30%**
Microwave oven	18%	**22%** B	13%
Washer and/or dryer	17%	**23%** B	12%
Range, cooktop, or oven	13%	17%	11%
Dishwasher	13%	13%	12%
Refrigerator	13%	**17%** B	9%

Q15; Letters denote statistically significant differences among segments.

Top categories for planned household purchases are transportation and home entertainment.

Top specific planned purchases include air travel, TVs and cell phones.

Subsidized Media
Technology Profile

HH Current Service Subscriptions (Q7)	Tech Savvy (n=288) A	Mass Market (n=104) B	Teens (n=58) C
Cable TV	53%	55%	42%
Digital cable TV	51%	41%	**63%** B
Satellite TV	**34%** B	17%	**33%** B
Mobile speed pass such as EZ Pass for tolls	**29%** B	17%	**37%** B
Satellite radio service (XM or Sirius) for your vehicle	**28%** B	12%	**33%** B
HDTV (High definition TV) for an extra monthly fee	**26%** B	12%	**29%** B
An in-vehicle communication & assistance system such as OnStar or Tele-Aid	**23%** B	2%	**33%** B
Credit card "contactless" pay service such as American Express Express Pay	**15%** B	5%	**27%** B
Satellite TV for your vehicle	5%	4%	4%

Tech savvy consumer households are more likely to have satellite TV and HDTV in the home and satellite radio in the car than mass market households.

Tech savvy consumers are more likely to have OnStar and some type of mobile speed pass.

HH Planned Service Subscription Purchases (Q16)	Adult Total (n=392)
HDTV (High definition TV) for an extra monthly fee	15%
Satellite radio service (XM or Sirius)	13%
Satellite TV	10%
Cell/mobile phone service	8%
Credit card "contactless" pay service such as American Express Express Pay	7%
Mobile speed pass such as EZ Pass for tolls	7%
An in-vehicle communication & assistance system such as OnStar or Tele-Aid	6%
Internet service for a cell phone or PDA	6%
Digital cable TV	5%
Satellite TV for your vehicle	4%
Cable or satellite Internet access	4%
Cable TV	2%
None of these	52%

Primary Type of Internet Acess at Home (Q6)	Tech Savvy (n=288)	Mass Market (n=104)	Teens (n=58)
Cable modem	60%	61%	58%
DSL	38%	38%	38%
Satellite	1%	1%	0%
Other	1%	0%	4%

Q7, Q16, Q6; Letters denote statistically significant differences among segments.

Subsidized Media
Technology Profile

Activities in a Typical Month (Q9)	Tech Savvy (n=288) A	Mass Market (n=104) B
Drive a personal vehicle (includes all types of vehicles that you own or lease)	**100%** B	78%
Listen to music on the radio while driving	**97%** B	78%
Listen to music CDs while driving	**97%** B	73%
Burn or rip CDs	**81%** B	44%
Listen to digital music	**79%** B	40%
Download digital music files	**70%** B	36%
Text message on a cell phone or PDA	**68%** B	28%
Watch a Pay-Per-View or Video-on-Demand movie	**55%** B	30%
Listen to digital music using an MP3 adapter while driving	**41%** B	14%
Surf the Internet on a mobile phone or PDA	**41%** B	11%
Listen to satellite radio	**35%** B	20%
Download a movie from the Internet	**26%** B	13%

Q9; Letters denote statistically significant differences among segments.

By definition, tech savvy consumers engage in more technology-related activities than mass market consumers.

The majority listen to digital music (79%), text message on a cell phone or PDA (68%) and watch Pay-per-View or Video-on-Demand movies (55%) in a typical month.

About two-in-five listen to digital music in the car and surf the Internet on a portable device like a mobile phone or PDA.

About one in three listen to satellite radio.

Subsidized Media
Technology Profile

	Tech Savvy	Mass Market
Hours Per Month by Category (Q10)	**A**	**B**
Drive a personal vehicle (includes all types of vehicles that you own or lease)	(n=288)	(n=81)
Mean	**47.8** [B]	28.6
Median	40	25
Minimum	20	2
Maximum	160	160
Surf the Internet on a mobile phone or PDA	(n=118)	(n=8)
Mean	17.7	NA
Median	10	NA
Minimum	1	NA
Maximum	114	NA
Download digital music files	(n=202)	(n=37)
Mean	7.2	4.7
Median	5	2
Minimum	1	1
Maximum	52	25
Burn or rip CDs	(n=233)	(n=46)
Mean	5.4	3.8
Median	3	2
Minimum	1	1
Maximum	43	25
Listen to digital music	(n=228)	(n=41)
Mean	22.3	19.3
Median	15	10
Minimum	1	1
Maximum	118	100
Watch a Pay-Per-View or Video-on-Demand movie	(n=159)	(n=30)
Mean	9.3	7.1
Median	6	5
Minimum	1	1
Maximum	40	30

Q10; Letters denote statistically significant differences between segments.

Also by definition, tech-savvy consumers spend more time engaged in technology-related activities than mass market consumers.

Subsidized Media
Technology Profile

	Tech Savvy	Mass Market
Hours Per Month by Category (Q10)	**A**	**B**
Download a movie from the Internet	(n=74)	(n=13)
Mean	8.9	NA
Median	5	NA
Minimum	1	NA
Maximum	55	NA
Listen to satellite radio	(n=98)	(n=21)
Mean	27.5	NA
Median	20	NA
Minimum	2	NA
Maximum	116	NA
Listen to music CDs while driving	(n=279)	(n=76)
Mean	**21.4** B	11.2
Median	15	7
Minimum	1	1
Maximum	76	76
Listen to music on the radio while driving	(n=275)	(n=81)
Mean	21.8 B	16.2
Median	15	10
Minimum	1	1
Maximum	84	84
Listen to digital music using an MP3 adapter while driving	(n=112)	(n=14)
Mean	14.1	NA
Median	10	NA
Minimum	1	NA
Maximum	59	NA
Text message on a cell phone or PDA	(n=194)	(n=29)
Mean	8.4	5.5
Median	4	2
Minimum	1	1
Maximum	59	59

Q10; Letters denote statistically significant differences between segments.

Subsidized Media
Technology Profile

Attitude About Technology Adoption (Q50)	Tech Savvy (n=284) A	Mass Market (n=97) B
Wait to buy it until the technology has proven itself	39%	36%
Buy new home technology w ithin the first year	**35%** B	14%
Buy new home technology soon after it's available	**14%** B	7%
Wait to buy it until the technology has become standard	11%	**39%** A
Rarely, if ever, buy new home technology	0%	3%

	Tech Savvy (n=288)		Mass Market (n=104)	
	Top-2-Box	Mean	Top-2-Box	Mean
Interest in EntertainmentTechnology (Q11)	A	B	C	D
Music entertainment AT HOME (includes any type of recorded or broadcast music)	**100%** C	**6.7** D	29%	4.5
Music IN YOUR VEHICLE (includes any type of recorded or broadcast music)	**100%** C	**6.7** D	42%	5.2
Video AT HOME (includes TV programming, movies, games, or other types of video)	**100%** C	**6.7** D	51%	5.3
Audio or video entertainment for children IN YOUR VEHICLE	**66%** C	**5.4** D	19%	3.2
Video IN YOUR VEHICLE (includes TV programming, movies, games or other types of video)	**54%** C	**5.5**D	12%	2.9

Q50, Q11; Letters denote statistically significant differences among segments.

Subsidized Media
Demographics

Gender (Q2)	Tech Savvy (n=288) A	Mass Market (n=104) B
Male	**68%**[B]	52%
Female	32%	**48%**[A]
Age (Q3A/B)		
18-24	8%	14%
25-34	29%	27%
35-44	34%	25%
45-54	23%	20%
55-64	6%	**14%**[A]
Household Income (Q12)		
$40,000 - $69,999	44%	**61%**[A]
$70,000 - $99,999	27%	22%
$100,000 - $119,999	12%	8%
$120,000 - $139,999	4%	3%
$140,000 - $169,999	9%	5%
$170,000 - $199,999	1%	0%
$200,000 or more	3%	1%
Don't know /Prefer not to answ er	1%	1%

Q2, Q3A/B, Q12: Letters denote statistically significant differences between segments.

Men make up two-thirds of tech-savvy consumers.

Mass market consumers include more people in the 55 to 64 year-old category than tech-savvy consumers.

Subsidized Media Demographics

	Tech Savvy (n=288)	Mass Market (n=104)
Education (Q51)	A	B
Completed some high school	1%	2%
High school graduate or equivalent (GED)	9%	14%
Completed some college, but no degree	30%	26%
2-year degree (Associate's degree or technical degree)	14%	9%
College graduate (B.A., A.B., B.S.)	26%	33%
Completed some graduate school, but no degree	6%	7%
Master's degree	11%	7%
Doctoral degree	3%	2%
Ethnicity (Q52)		
Caucasian/White (Non-Hispanic)	**84%**[B]	70%
African American/Black	7%	**16%**[A]
Hispanic/Latino	6%	**14%**[A]
Asian/Pacific Islander	**5%**[B]	1%
Native American/Alaska Native	2%	2%
Other	1%	1%
Household Composition (Q4HH)		
Single person	3%	**11%**[A]
Multiple in HH	**97%**[B]	89%
Spouse in HH	**82%**[B]	68%
No spouse in HH	18%	**32%**[A]
Other in HH	27%	29%
No other in HH	73%	71%
Children in HH	**66%**[B]	48%
No children in HH	34%	**52%**[A]
AGES		
Child less than 13 in HH	48%	38%
Teen (13-17)	**34%**[B]	16%
18-24	22%	20%
25-34	32%	25%
35-44	36%	32%
45-54	24%	28%
55-64	10%	20% [A]
Household Size (Q4A)		
1	3%	**11%**[A]
2+	**97%**[B]	89%
2	20%	26%
3	**77%**[B]	63%
Mean	**2.8**[B]	2.20

Q51, Q52, Q44HH, Q4A: Letters denote statistically significant differences among segments.

Tech-savvy consumers tend to have more people in the household, and are more likely to have children, particularly teens.

Subsidized Media
Demographics

	Teens
Monthly Spending by Category (Q53)	
Music Purchased Online (n=35)	
Mean	$15
Median	$10
Minimum	$5
Maximum	$40
CDs or DVDs (n=41)	
Mean	$29
Median	$20
Minimum	$8
Maximum	$86
Books (n=30)	
Mean	$19
Median	$14
Minimum	$5
Maximum	$56
Movies in Theaters (n=45)	
Mean	$23
Median	$20
Minimum	$8
Maximum	$74

Q53

	Teens
Monthly Spending by Category (Q53)	
Clothes (n=47)	
Mean	$66
Median	$50
Minimum	$10
Maximum	$150
Food, Beverages, and Snacks (n=51)	
Mean	$57
Median	$40
Minimum	$10
Maximum	$310
Games (n=36)	
Mean	$41
Median	$30
Minimum	$10
Maximum	$127
Cell Phone Service (n=43)	
Mean	$36
Median	$30
Minimum	$5
Maximum	$141

Conclusions & Recommendations

Conclusions & Recommendations
Subsidized Media

Tech-savvy consumers and teens seem ready to try out the subsidized media concept.

- The good news is that objections to purchasing subsidized media revolve more around a lack of interest in the specific medium (like online music or pay-per-view movies) than an objection to the advertising itself.

The challenge then is offering the right combination of discount, ad length and ad frequency that will provide a compelling alternative to existing commercial-free media.

- Interest picks up considerably once discounts reach 20% or higher; providers should consider offering 50% discounts off regular media prices if possible.
- While increases in ad length and frequency do depress demand, the effect appears stronger with media that don't traditionally include advertising.

The best initial opportunity will be with media that traditionally incorporate advertising: movies and TV programming.

- Both tech-savvy and mass market consumers find movies to be especially attractive candidates.
- The offer of a 'free movie' with purchase is highly appealing.

Eventually, though, a successful subsidized media program will need to address consumer resistance to incorporating advertising into normally commercial-free media.

- Tailoring messages to individual consumer tastes may help break down barriers to accepting advertising with media such as online music or Internet radio. However, resistance to sharing personal information about tastes and habits is strong. To overcome this obstacle, consumers will require control, and assurance that information is being handled appropriately. Even so, only a minority may cooperate.
- Teens present a potentially lucrative target market, as they have high interest in subsidized media, are not highly concerned about sharing individual information, and are relatively insensitive to the addition of advertising as long as they enjoy a discount.

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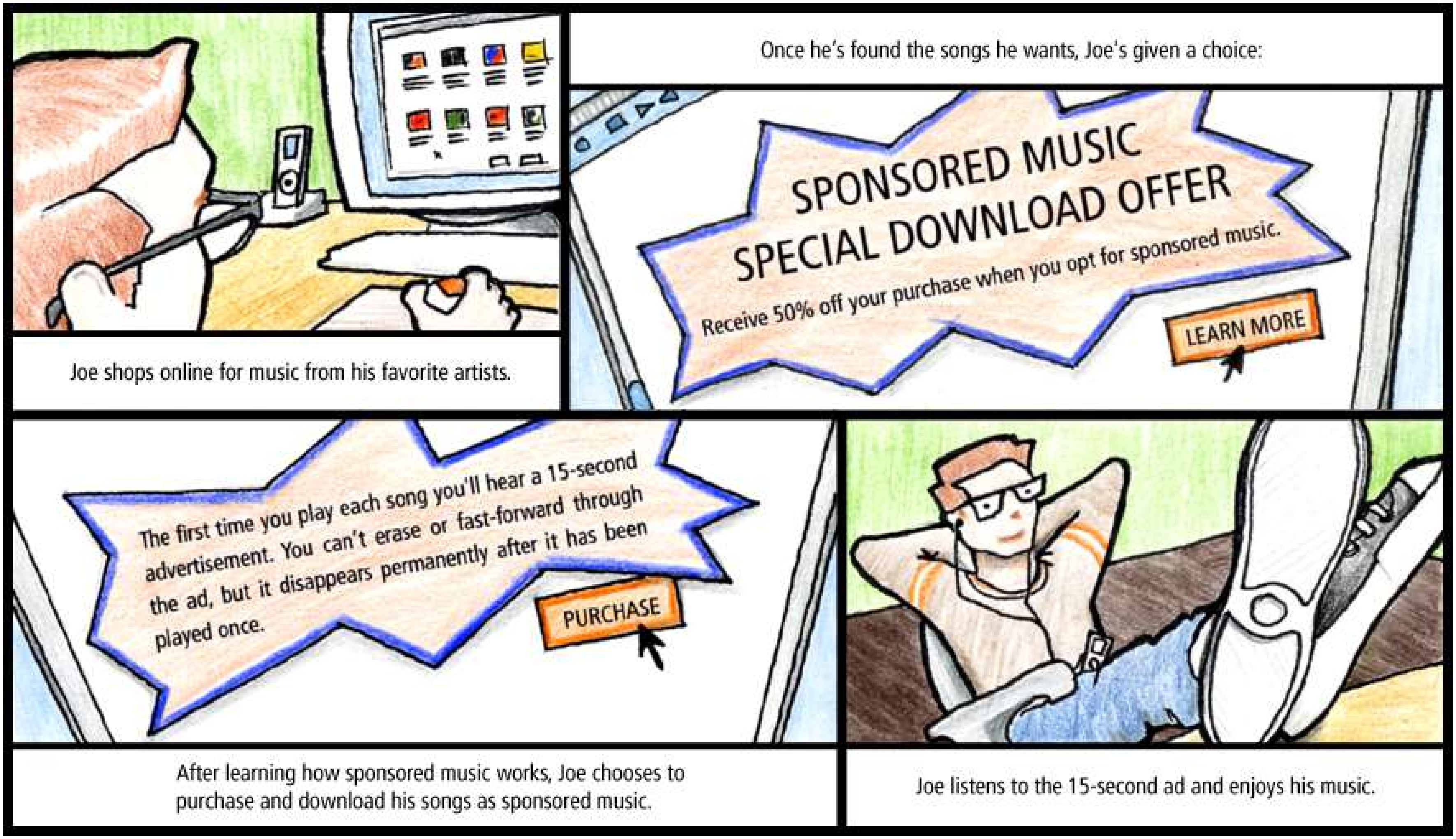
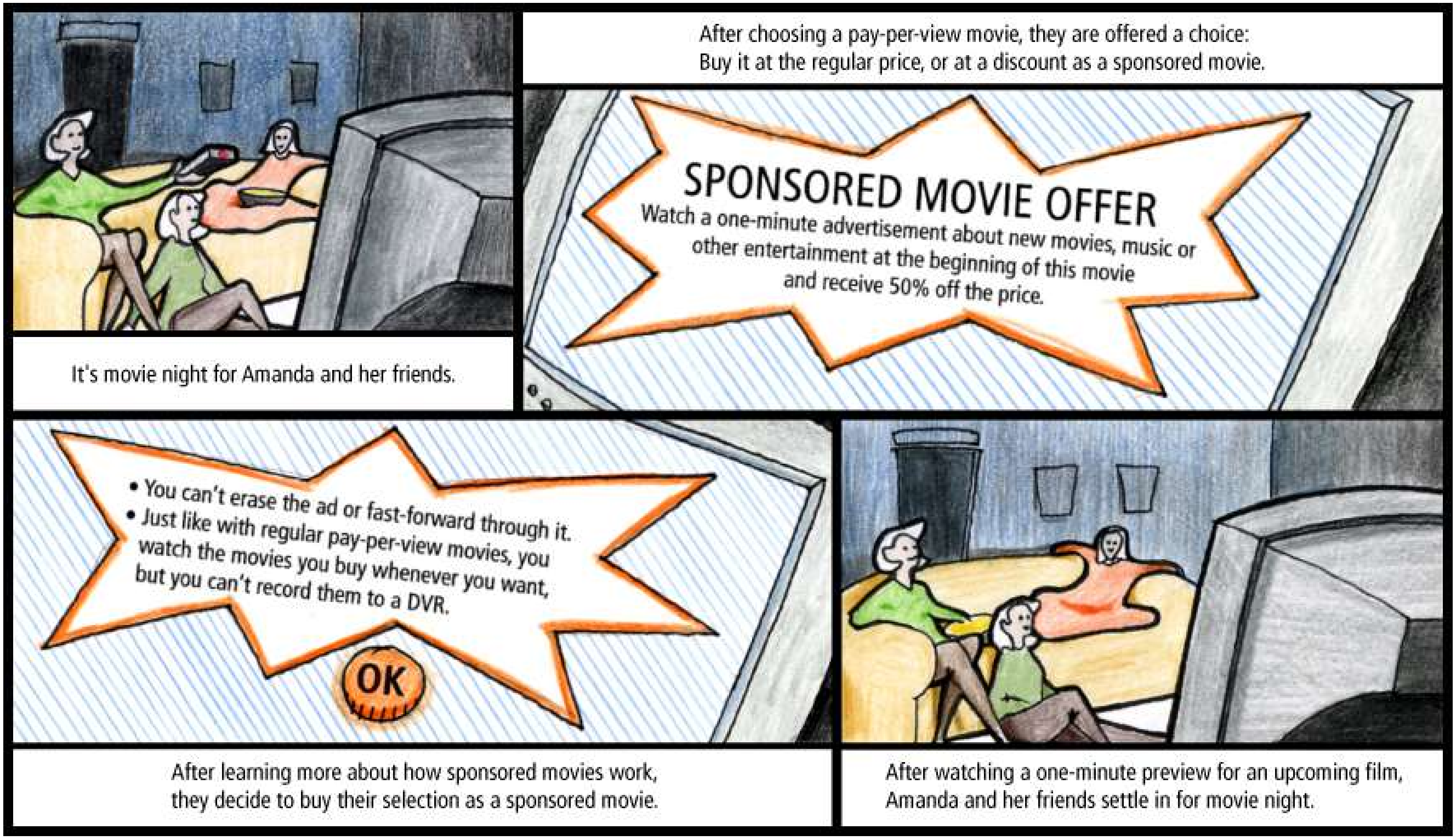
  - Concept Graphics

Concept Graphics
Subsidized Media–Online Music



Concept Graphics
Subsidized Media–Pay-Per-View Movie



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