

Digital Audio's Impact on Radio


Research Studies Concur – Digital Audio Listening Is In Addition To, Not Replacing AM/FM Radio Listening

- More consumers - including consumers under 35 - would be "very disappointed" to lose their favorite radio station than to lose Facebook Burns/Triton Study October 2012
- Radio listening is not decreasing, it's just changing devices. July 2012
- Target Spot White Paper May 2012
- Jacobs Tech Survey 8 April 2012
- The Infinite Dial: 2012* ARBITRON
- iHeart poll Clear Channel iHeartRadio Study released April 3, 2012
- U.S.A. Touchpoints February 29, 2012
- NPD's Ben Arnold quoted in Audio4cast February 27, 2012

"Terrestrial radio is just one of many music alternatives for Pandora listeners, and Pandora listening is not coming at terrestrial radio's expense."

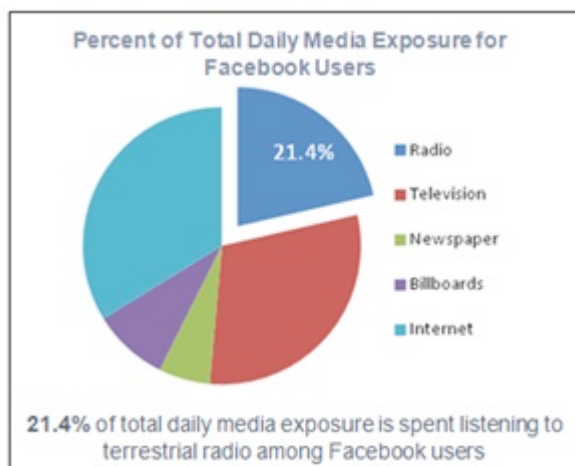
- Mark Kassof & Co February 2012 Survey of 349 people 18-64 who listened to Pandora in past 2 days Burns/Triton

▪ Digital Users Are More Likely to Be Heavier Users of Radio*



1/3/12: The Media Audit report confirms that radio's relationship with the web and social media is a synergistic one. Not "either/or".

Internet "power users" still listen to a good amount of **on-air radio**. The research company reported highlights from its National Radio Format Report last week.



The study indicates that radio listening is more than 22% of the average U.S. consumer's total daily media exposure (USA Touchpoints has it @ 23%), for the average consumer. For "heavy" Internet users (3 or more hours online a day), radio is **still nearly 19%** of their total daily media exposure. And for Facebook users, radio **tops 21% of total daily media exposure**.

ALAN BURNS AND ASSOCIATES CEO ALAN BURNS has added additional insight to this week's findings, exclusively for ALL ACCESS. BURNS notes:

I think when it comes to music streaming services versus radio, this data is the equivalent of turning on the night light, dragging the Boogie Man out from under the bed, and discovering he's not so scary after all. The heavy users of PANDORA even tell us they're listening to more radio lately.

But the popularity of PANDORA, etc., should make us more attentive to something listeners have been telling us for decades, which is that they'd like to be able to influence the music we play.

For the second year in a row we've asked women to score the music on their favorite radio station on a 1-10 scale and, if they use PANDORA, to rate the music they get on PANDORA on the same scale. **Both years, PANDORA's music was rated exactly -- and only -- 5% better. That's not a very big gap for something that's causing so much commotion.**

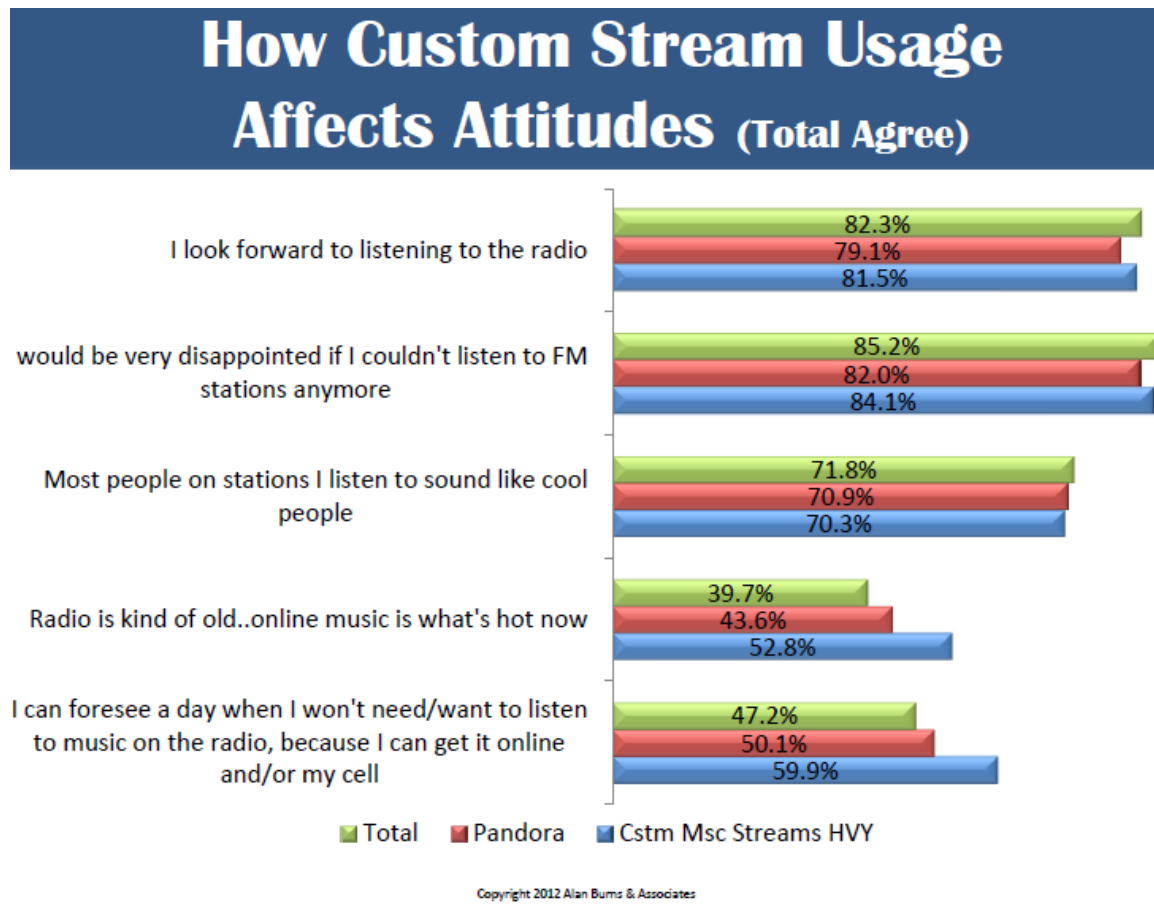
So if the ability to customize the music you hear only results in only a 5% better music product, what's the big deal? I think it's this: the knowledge that you can control the music may be more important than the actual control. Consumers are all about control, customization, and convenience, and PANDORA, etc., give them two or more of those (not to mention fewer commercials and the ability to skip songs

7/12 Burns says research shows Pandora having "minimal impact" on CHR and AC formats. Women who tune into Pandora as well as top 40 and adult contemporary radio spend less time with radio overall. **That's according to**

an Alan Burns and Associates survey which finds Pandora users' daily Time Spent Listening is up to 5% lower than the all-women average.

7/12 The Echo Nest updates offer a hint of where iHeartRadio and streaming is heading. The Echo Nest's Fanalytics software is what powers the song choice for listeners who create their own stations on Clear Channel's iHeartRadio applications. Updates to the technology offers a hint of where iHeartRadio and other music apps are heading — turning toward more social interaction and more intelligent advertising sales. The first update is a new data service called Taste Profile Similarity, which gives a music service the ability to connect like-minded fans by determining their overall musical compatibility within a larger group. It takes into account a users' music collection, listening behavior and other factors for "social discovery" of music. "To create this app, we identified a whole bunch of internet memes and personas and made some predictions about the type of music each of these personas would listen to," Echo Next director of development Paul Lamere. "We then look at the music taste similarity between you and each of the personas." The resulting analytics, he says on a company blog, create a "musical stereotype" for each listener that can connect those types of people. The second update involves "affinity prediction" or how music preference is predictive of other media preferences and psychographic attributes. It's a back-end tool that will help webcasters connect content with advertiser messages. The Echo Nest is demonstrating the technology through a predictive correlation between musical taste and political affiliation. "We use all of this data to recommend you music on MTV.com or play you a great station on iHeartRadio, and here we're going to use it to see if you like big government," CTO Brian Whitman writes in a blog post. For instance EchoNest researchers discovered Kenny Chesney listeners were most solidly Republican, while Rihanna fans were most reliably Democratic. Separately The Echo Nest has just raised \$17.3 million in new financing. The money will be used to continue development of "Fanalytics" software and expand its reach into the international market. The cash comes from Norwest Venture Partners, and brings the total the tech company has raised to \$27 million. Norwest CEO Jim Lucchese says it sees an "enormous opportunity" around applying a "big data" approach to music. He says the firm believes Echo Nest technology can be used to

create a distinct “musical identity” for consumers in a way that can be used to develop new personalized and social media.



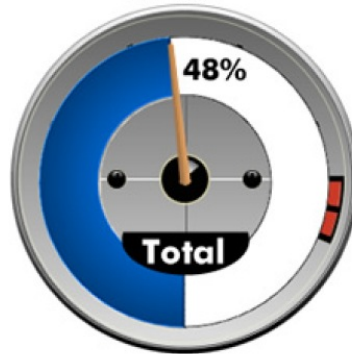
COMMENT: The automobile plays an important role in radio listening. Jacobs Tech Survey 8 findings supports the 2012 USA Touchpoints data (39%). But important to note that 47% of respondents “All/Most/Almost All” radio listening occurs in places other than the automobile.)

Car Wars

All/Almost All/Most
AM/FM Listening
Occurs In Cars



Able To Connect
iPod/Smartphone
In Car



Own In-Car
Entertainment System
(ex: Ford Sync)



(COMMENT: THIS COULD BECOME A REAL ISSUE. EVEN WITH VOICE CONTROL IT DOES EAT UP OUR COGNITIVE RESOURCES AND MAKES US LESS AWARE OF OUR SURROUNDINGS)

7/12 Burns says research shows Pandora having “minimal impact” on CHR and AC formats. Women who tune into Pandora as well as top 40 and adult contemporary radio spend less time with radio overall. That’s according to an Alan Burns and Associates survey which finds Pandora users’ daily Time Spent Listening is up to 5% lower than the all-women average.

Alan Burns Study 2012

How Much Do You Like the Music

iHeart vs Pandora

	Total	Radio on Radio HVY	Cstm Music Streams HVY	Pandora Users
iHeart Radio	8.4	8.7	8.9	8.4
Pandora	8.4	8.6	8.8	8.4

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7/12 Burns study: Online listening “exploding.” A quarter of women surveyed by Alan Burns & Associates say they’ve listened to internet radio, with younger demos even more digitally-focused. One-third of 18-34 year old females said their listening habits take them online, compared to 16% among 35-54 year olds. “Online listening TSL has exploded in the past year,” Alan Burns & Associates SVP Jeff Johnson says. A single app may deserve the credit, he says. “A large part of this online radio increase is coming from iHeartRadio,” Johnson says, pointing out their survey of CHR and AC listeners shows women are not only more aware of the app, but are also listening to it more. “Usage has more than doubled for iHeartRadio — it kind of shows what radio can do when we put our mind to it,” he continues. Another big growth story for radio is cell phone listening, which Johnson says has seen “significant growth” since the programming consultancy’s 2011 research was done. Nine-in-ten women with a smartphone reported downloading at least one application. “Even Pandora users are listening on the cell phone to a radio app,” Johnson says. While the new platforms are seeing growth, the Burns survey was less rosy about on-air listening. It shows declines in Time Spent Listening to radio on the radio, as well as a drop in weekly cume. Johnson says when digital listening is factored in radio listening hasn’t declined — in fact it’s up 1.9%. While that is within the margin of error, at worst he believes listening is flat.

“Radio really is resilient, but we’re just in that transition mode of shifting devices,” he says.

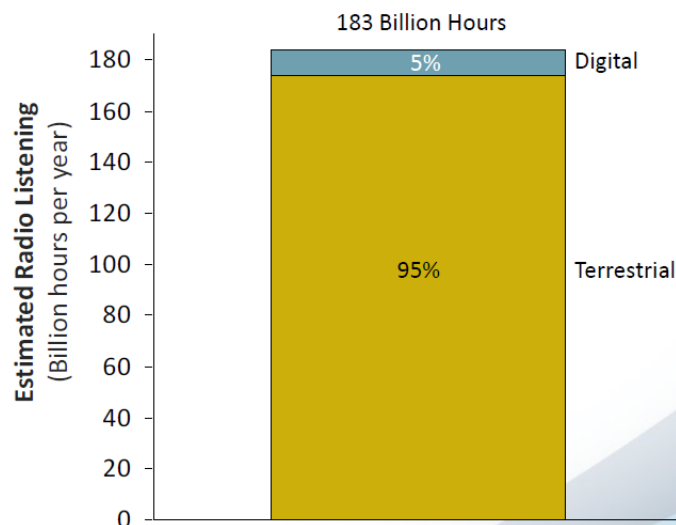
Weekly/Daily Media Usage				
	Weekly %		TSL	
	2011	2012	2011	2012
Listen to Online Stream of a Radio Station	33.9%	42.7%	:30	1:30
Listen to Radio on a Cell Phone	15.4%	26.2%	:15	1:15
Listen to Radio on a Radio	94.6%	86.9%	2:00	1:45

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(COMMENT: It is still top of the first inning in the online listening competition. Remember, Yahoo once was the lead internet company a decade ago and is no longer)

Digital Is Just Beginning

Digital Is “In Addition To” Not “Instead Of” Broadcast Radio...



Source: Arbitron National Regional Database Spring 2011, Ando Media “Internet Audio Top 20 Ranked” August 2010, Clear Channel Analysis

(Comment: Several recent studies (knowDigital, NPD, Alan Burns, ARB Edison, Fitch Ratings, Media Audit) confirm that digital audio alternatives are having not impacting the time people are spending with broadcast radio. These digital listening alternatives are acting as “supplements” rather than “substitutes” as the time American’s are spending with “audio” in total is increasing, not shrinking.)

We have seen the sky is falling scenario before most recently with the imagined satellite threat of ten years ago.

It soon became clear that satellite radio is really a niche player and that niche has proved to be much smaller than initially thought. It also became clear to some that broadcast radio was not doomed.

In October 2008, Alex Mindlin wrote an article in the New York Times titled, *“Perhaps iPods Aren’t Replacing Radio”* and in February of 2010 David Hinckley of the New York Dailey News wrote the article, *“Time to face music: Radio beats MTV as fans still tune in to get their new pop music.”*

Fast forward to 2011, insert Pandora, Slacker, etc., in place of satellite radio and the headlines and sentiments are virtually interchangeable. Once again, broadcast radio will outlast its latest challenger for a couple of very important reasons:

First, and this might come as a surprise to technophiles that a lot of people genuinely like the product broadcast radio delivers.

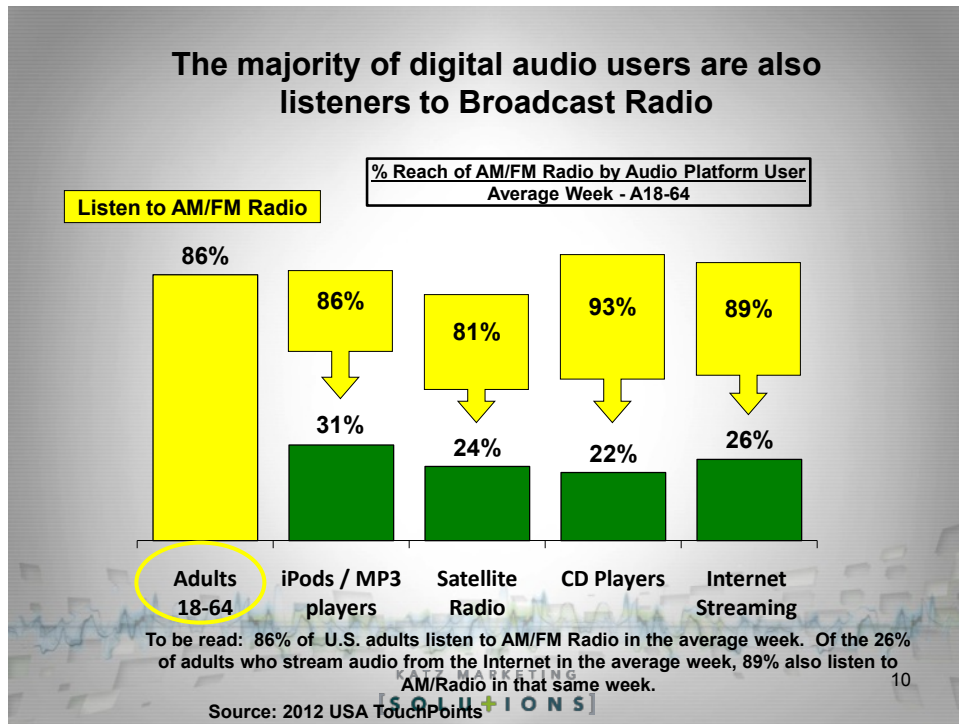
And second, while radio was excluded from competing with satellite on its own turf or “space,” broadcast radio is competing aggressively online against these new streaming challengers. Broadcasters are providing listeners with a broadcast audio option, a streaming option and, in Clear Channel’s and CBS’s case, a custom option via iHeartradio and last.FM. CBS further expanded Radio.com and its MP3.com site.

The battle for digital audio supremacy is in its infancy and broadcasters are not on the sidelines.

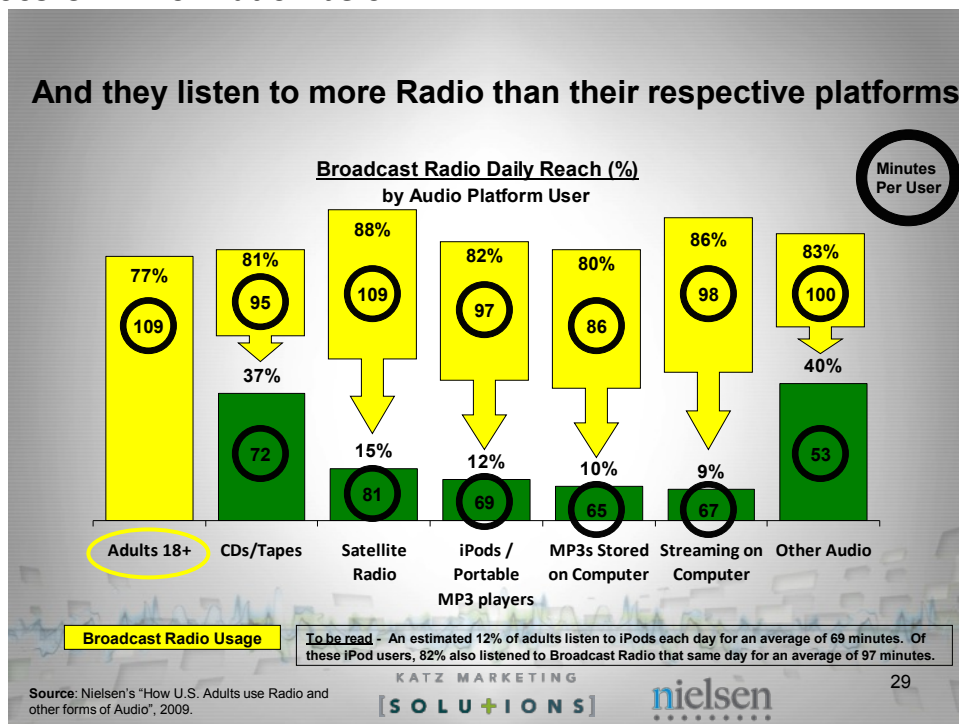
In addition, several recently published studies, conducted by knowDigital and 2011Targetspot/Park Associates, and the 2011 Arbitron/Edison Infinite Dial study, Fitch Ratings 2012 and 2012's NPD Auto study have reached similar conclusions—that broadcast radio's popularity is not at risk. Even though each of these studies used different methodology, all were in agreement that many people who stream, chose to stream broadcast radio AM/FM offerings and that much streaming listening does not come at the expense of radio.

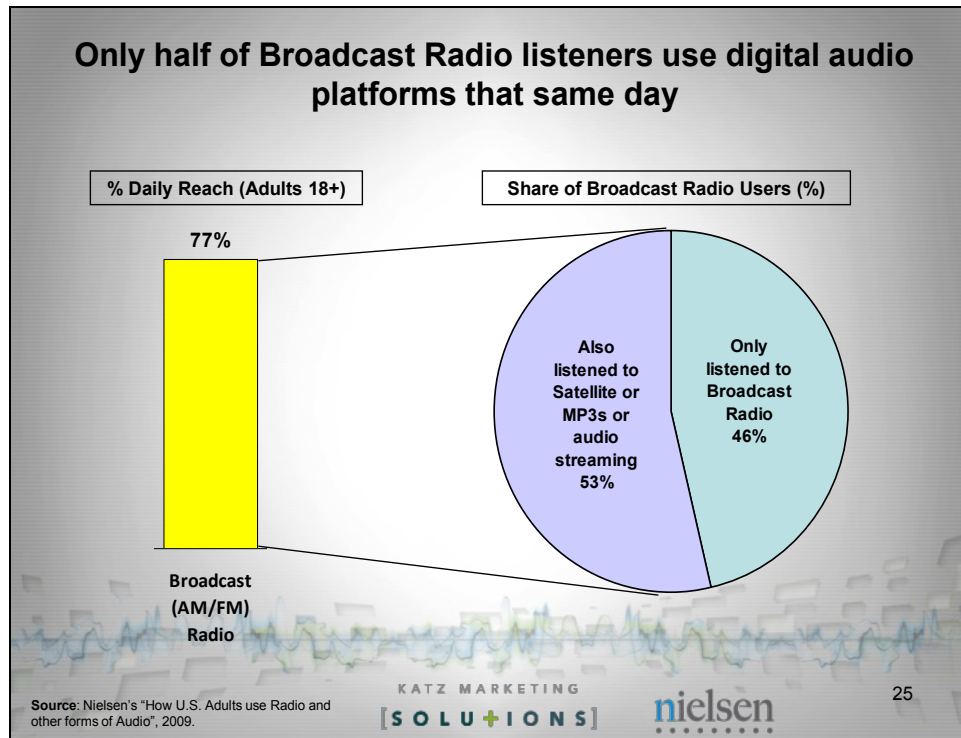
The reason for this we believe is simple, more audio platforms leads to more audio listening and the smartphone is fast becoming this generation's transistor radio. We've seen this supplement/substitute phenomenon before, most recently with television viewership and the explosion of video choices. It's not an "either or" situation, it's an "and" situation.

Comment: The information below from 2012 USA Touchpoints confirms the above assertion. It's also supported by the 2009 CRE Audio Study. While there might be more people using some of the digital options below, there's no reason to believe that the way they use them would differ. If anything the early majority and late majority who might begin to use these digital options have historically proven to be at a less level than the innovators and early adopters)



The 2011 Arbitron/Edison report also supports the 2012 USA Touchpoints and 2009 CRE information below:

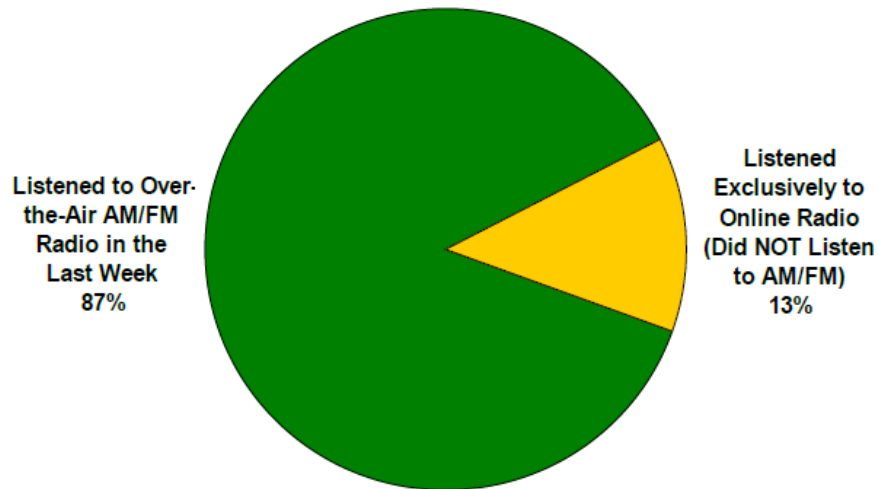




(COMMENT: Note that 29% of the population streams and 87% of them listen to broadcast radio with 13% not listening to broadcast radio. While this 13% might sound large, this equates to only 3.7% ($29\% \times .13$) of the total U.S. population who stream each week but do NOT tune to broadcast radio each week.)

Vast Majority of Online Radio Listeners Also Listen to Over-the-Air Radio

% of Weekly Online Radio Listeners Who...



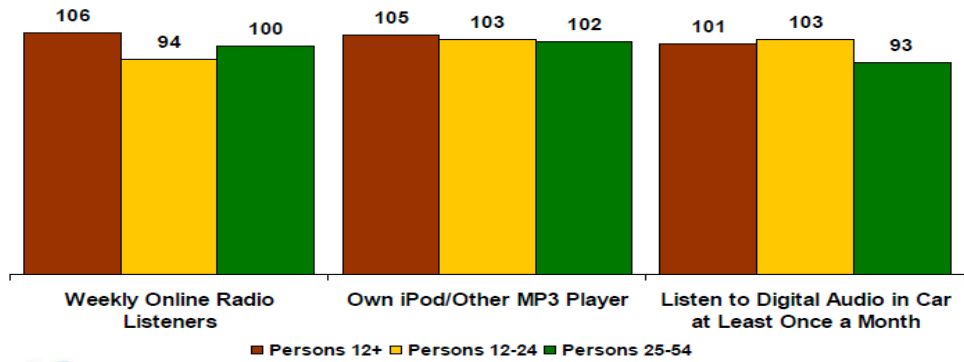
Base: Weekly Online Radio Listeners



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Digital Audio Users Spend As Much Time With Radio As the Average (Not Less)

Index of Self-Reported Time Spent Listening to Radio per Day



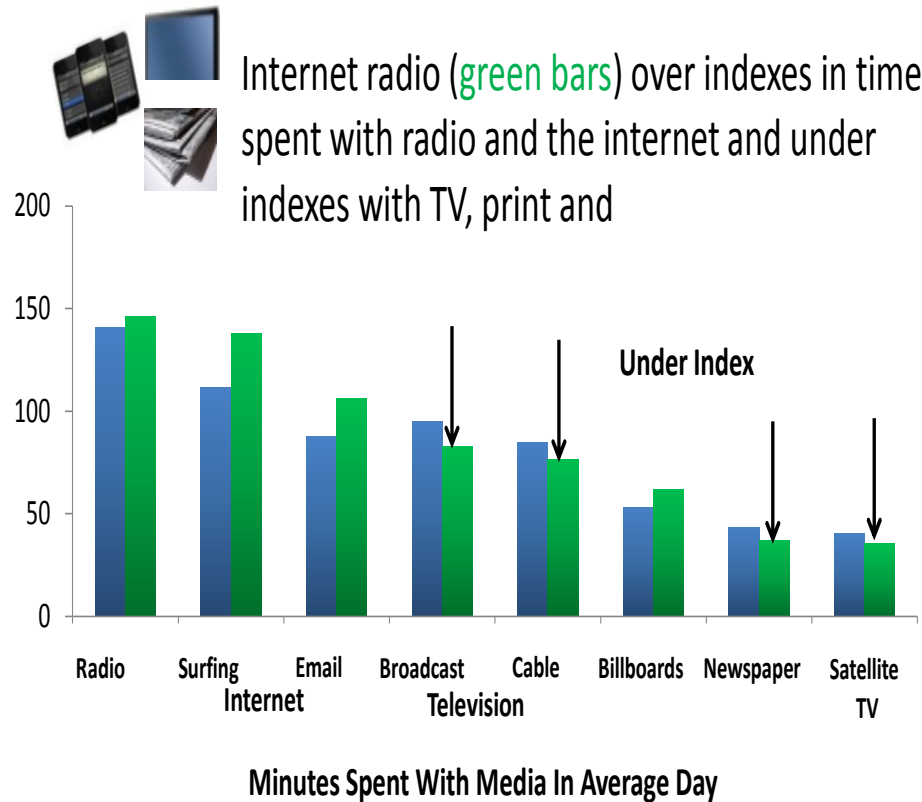
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(COMMENT: USE OF OTHER AUDIO OPTIONS DOES NOT NEGATIVELY IMPACT RADIO USAGE)

(COMMENT: Media Audit also confirms that online listening does not negatively impact on-air listening)



(COMMENT: The 2011 Alan Burns & Associates study of female CHR and AC listeners also confirms the “supplement” not “substitute” assertion. Note that early adopters clearly appear to be heavy audio consumers (audiophiles), listening 45 minutes more than the average. Streamers tuned to radio as often as the average listener (79.9%) and listened as long as the average listener)

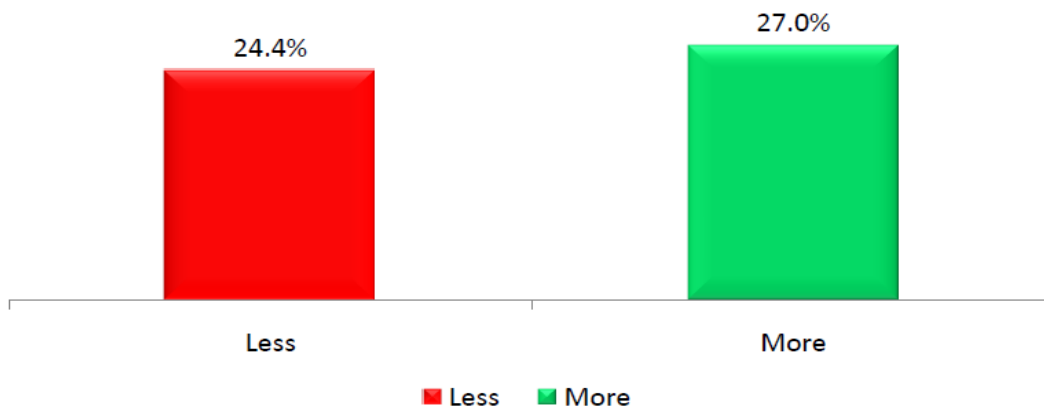
Streaming Music Usage is Not Eroding Radio

	Total	Free Streamers	Pay Streamers	Early Adopters
Radio Daily Usage	80%	79.9%	85.9%	87.4%
TSL to Radio...				
On a radio	2:00	2:00	2:00	2:15
Online	:30	:30	:30	:45
On cell phone	:15	:15	:30	:30
Total Radio TSL	2:45	2:45	3:00	3:30

The study also concluded that even Pandora listeners as a whole are listening slightly longer to AM/FM:

Listening to AM/FM radio stations on a radio: Compared to a year or two ago

Pandora Users



And even those with broadband in the car still listen to a lot of radio—more than the average listener

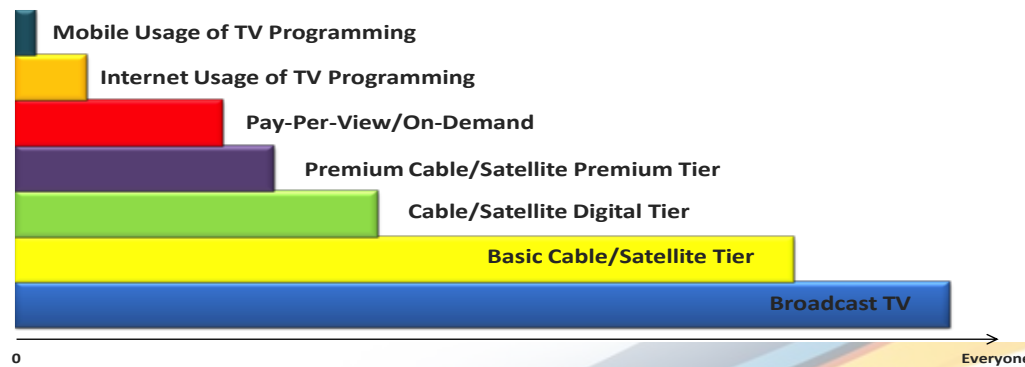
Daily TSL to Radio

	Total Sample	Broadband in Car
On a Radio	2:00	1:45
Online	:30	:45
On Phone	:15	:30
Total	2:45	3:00

Digital options have not negatively impacted broadcast TV, why should radio be different?

Digital is Additive to Broadcast TV, Not a Replacement

Relative Reach of Medium

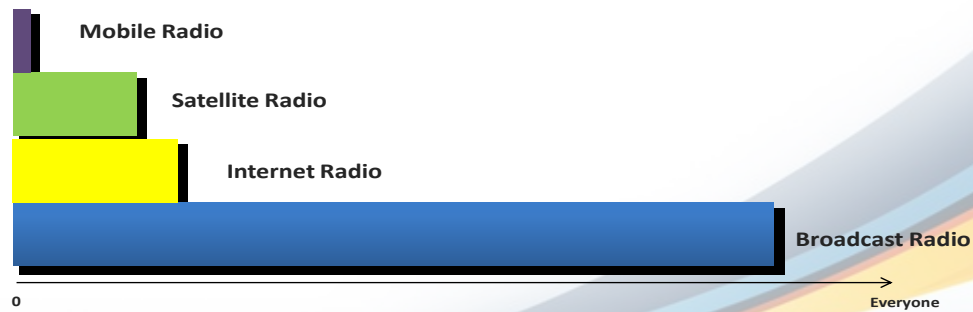


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CLEARCHANNEL 22

Like Broadcast TV, Digital Audio Media Provides More Choice In Addition To Broadcast Radio

Relative Reach of Medium



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CLEARCHANNEL 23

Broadcast Radio has very different characteristics than music collections

Examine Radio's Place In The Mix

Radio

Terrestrial Radio

Satellite Radio

- Clear Channel
- Cumulus / Citadel
- CBS Radio
- Sirius / XM

Online Radio Streams

- Clear Channel / iHeartRadio
- Cumulus / Citadel
- CBS / Radio.com
- AOL Radio
- Yahoo Radio

Music Collection

Auto Playlist Creator/ Custom Radio

- Pandora
- Lastfm
- New Feature of iHeartRadio
- Slacker

Manual Playlist Creator

- Spotify
- iTunes
- Rhapsody
- Rdio

Music Locker

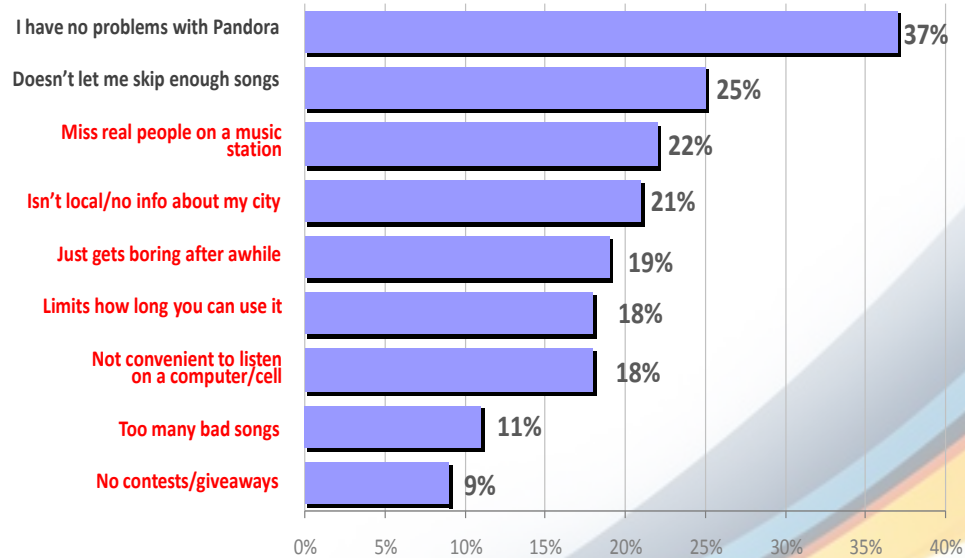
- Amazon
- Google
- iTunes
- Spotify

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CLEARCHANNEL 30

Elements Of Traditional Radio Are Missed When Listening To A Jukebox

Pandora Listening Barriers



Source: 2010 Jacobs Tech Survey



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CLEARCHANNEL 34

As wireless penetrates the automobile over the next decade people will still utilize radio for the following reasons per the 2011 Alan Burns study:

Why choose radio over music streams in the car?

	Wireless in Car
I listen for energy, or excitement	2.56
I listen for information about what's going on locally	2.48
I listen for local road and traffic reports	2.44
I listen for local weather forecasts	2.38
I listen to find out what music is popular	2.35
I listen for local news	2.31
I listen to AM/FM radio only when and where I can't get an internet or broadband connection	2.23
I listen to hear one or more of the people on the radio	2.19
I listen to hear other voices for companionship or entertainment	2.17
I listen to hear what other people say and think	2.17

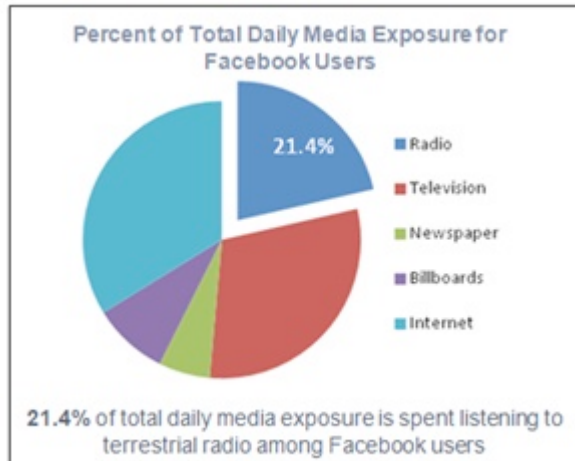
3 = Very Important

2 = Somewhat Important

1 = Not Important

(COMMENT: The Media Audit report confirms that radio's relationship with the web and social media is a synergistic one. Not "either/or")

1/3/12 Internet "power users" still listen to a good amount of **on-air radio**. The research company reported highlights from its National Radio Format Report last week.



The study indicates that radio listening is more than 22% of the average U.S. consumer's total daily media exposure (USA Touchpoints has it @ 23%), for the average consumer. For "heavy" Internet users (3 or more hours online a day), radio is **still nearly 19%** of their total daily media exposure. And for Facebook users, radio **tops 21% of total daily media exposure**.

Consumers That Stream Also Listen To FM In Cars

By Jennifer Lane on February 27, 2012

Nearly 40% of smartphone owners have used their device to listen to a streaming music service while in their car, according to new research by NPD Group on automotive connectivity. Devices and ways to connect them have become a serious focus for the auto industry. 79% of car owners are using a digital device in their cars.

It appears at this point that streaming in the car is used to supplement listening to traditional radio – according to NPD's Ben Arnold, seventy three percent of drivers report still using their FM radio "always" or "most of the time" during car trips while more than half (57 percent) of vehicle owners say a CD player is vital in their decision to buy a car stereo or entertainment system.