



The Arbitron Retail Media Study

Volume I: The Impact of Retail Audio Broadcasting

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Definition of Terms

Throughout this summary we will refer to the following terms:

Retail audio: Music that is broadcast over the sound system within a grocery store or drugstore.

Retail audio advertising: Spots or promotional announcements that are broadcast during retail audio.

Shopper: Primary household shopper.

How the Study Was Conducted

A total of 1,002 people were interviewed in September 2004 to investigate America's awareness of retail audio broadcasting and the advertising it carries. Telephone interviews were conducted with respondents age 18 and over chosen at random from a national sample of Arbitron's Spring 2004 survey diarykeepers.

Overview

The Arbitron Retail Media Study – Volume I: The Impact of Retail Audio Broadcasting represents the first analysis of consumer awareness and attitudes toward grocery and drugstore music broadcasting (retail audio) and its potential to reach a large cross section of U.S. consumers multiple times each week.

New forms of broadcast media have emerged over the past decade. The advent of online radio, satellite radio and digital place-based audio/video displays are offering advertisers new and exciting ways to reach their target consumers with a traditional broadcast-style message.

Retail audio broadcasting is not new. Supermarkets have been broadcasting “music to shop by” since the 1950s—but now, the consolidation of supermarket chains and advances in technology are allowing individual grocery stores or drugstores to function like radio stations and whole national supermarket chains like broadcast networks.

Advertisers can now place ads on a retail audio broadcast network and reach a local market or national audience that is comparable to traditional network radio.

The goal of *The Arbitron Retail Media Study – Volume I: The Impact of Retail Audio Broadcasting* is to explore the value of retail audio as a national broadcast advertising vehicle and help give advertisers and agencies insight into a new outlet for their radio-style messaging.

This industry study is part of a series examining the power and impact of out-of-home/outdoor advertising:

- 2001: *The Arbitron Outdoor Study*, a comprehensive examination of traditional outdoor advertising, the audience it impacts and its role in the media mix.
- 2003: *The Arbitron Cinema Advertising Study*, a profile of the youthful and affluent moviegoing audience.
- 2003: *The Arbitron National In-Car Study*, a detailed profile of the shopping habits of mobile Americans and their exposure to out-of-home media, including radio and billboards.
- 2004: *The Arbitron Airport Advertising Study*, a profile of the upscale U.S. airline traveler.

Coming Soon:

- 2005: *The Arbitron Retail Media Study – Volume II: The Impact of Retail Video Broadcasting*, examining consumer awareness and attitudes toward in-store video broadcasting.

All reports in the Arbitron Out-of-Home Media series can be downloaded for free at www.arbitron.com.



Significant Highlights

The Audience Potential – U.S. Primary Household Shoppers 18+

- 90% visit a grocery store per week.
- 63% visit the grocery store two or more times per week.
- 69% spend 30 minutes or more in the grocery store during a single visit.

The Retail Audio Audience – U.S. Primary Household Shoppers 18+

- 46% recall hearing retail audio (in-store-broadcast music) during their most recent grocery store visit.
- 57% think ad-supported retail audio is an acceptable form of advertising.
- 18% recall hearing retail audio commercials and promotional announcements in a grocery store.
- 25% think that retail audio advertising would influence their buying decisions.

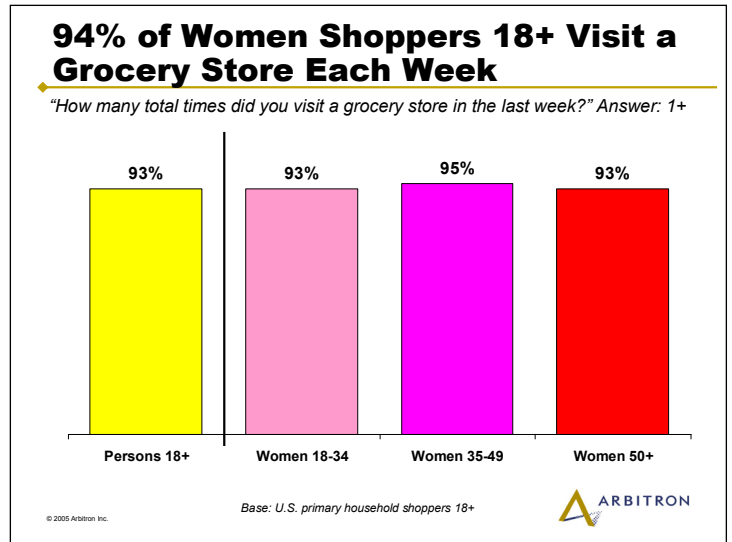
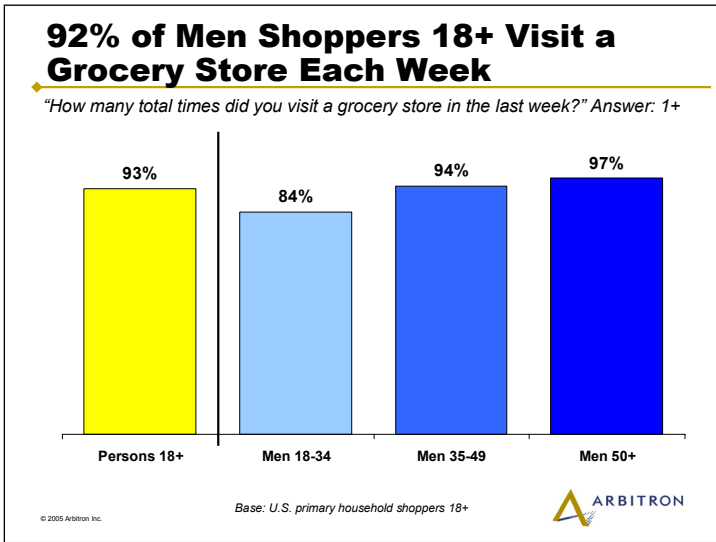
Retail Audio Advertising Receptivity – Among U.S. Primary Household Shoppers Who Recall Hearing Retail Audio Ads (18% of Primary Household Shoppers 18+)

- 41% have made a purchase they were *not planning on making* after hearing a retail audio commercial or promotional announcement.
- 36% have purchased *a different brand from the one they originally intended* after hearing a retail audio commercial or promotional announcement.

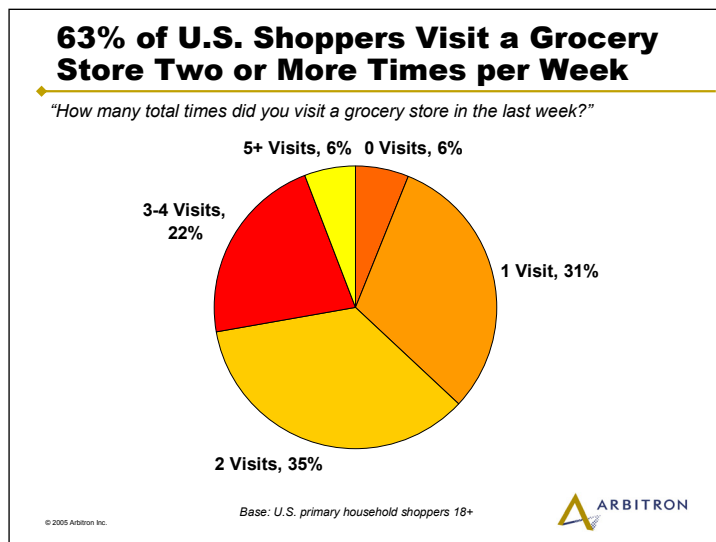
Key Findings

A. The Potential Audience for Retail Audio

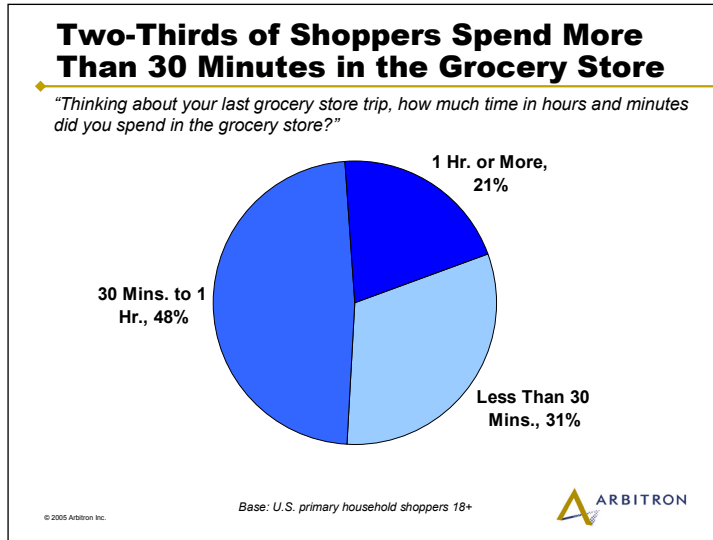
- Ninety-three percent of shoppers age 18+ visit a grocery store each week.** More than nine out of every 10 U.S. shoppers age 18 or older visited a grocery store at last once during the week. The average is steady among men, women and most age groups; only Males 18-34 fall below the 90% mark.



- Two-thirds of shoppers visit the grocery store two or more times per week.** Sixty-three percent of primary household shoppers 18+ visit the grocery store two or more times per week. Six percent of these shoppers visit the grocery store on an almost daily basis.

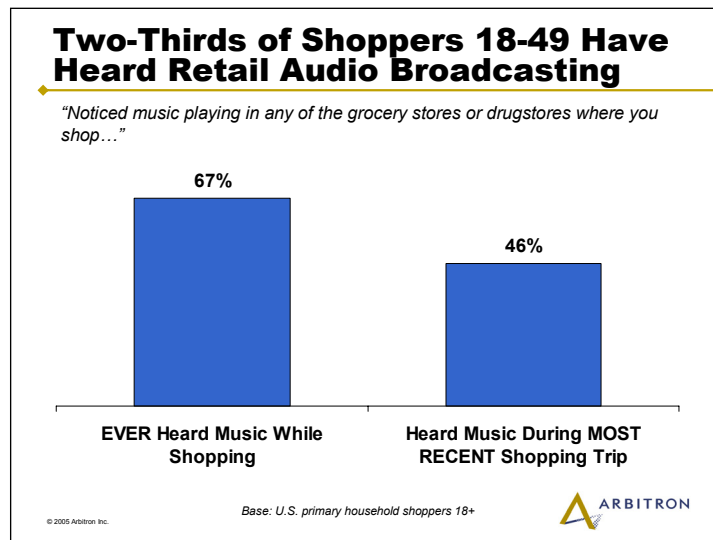


- 3. A majority of shoppers age 18+ spend 30 minutes or more in the grocery store.** Sixty-nine percent of shoppers 18+ spent 30 minutes or more in the grocery store during their most recent shopping trip.

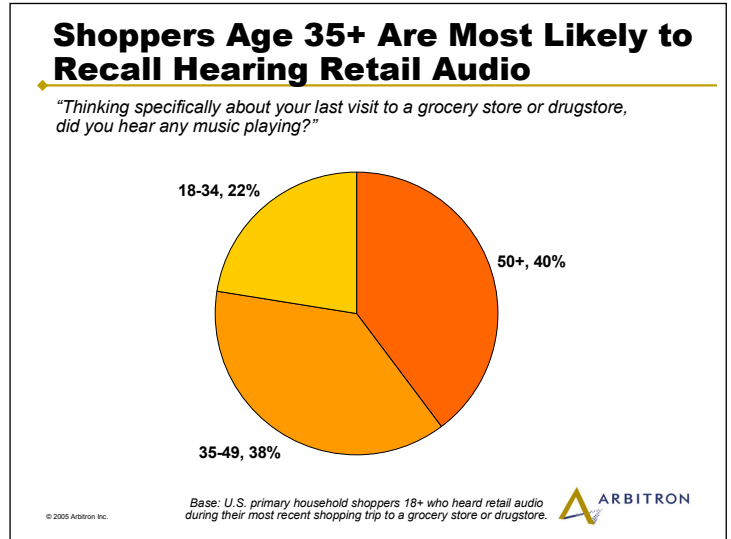
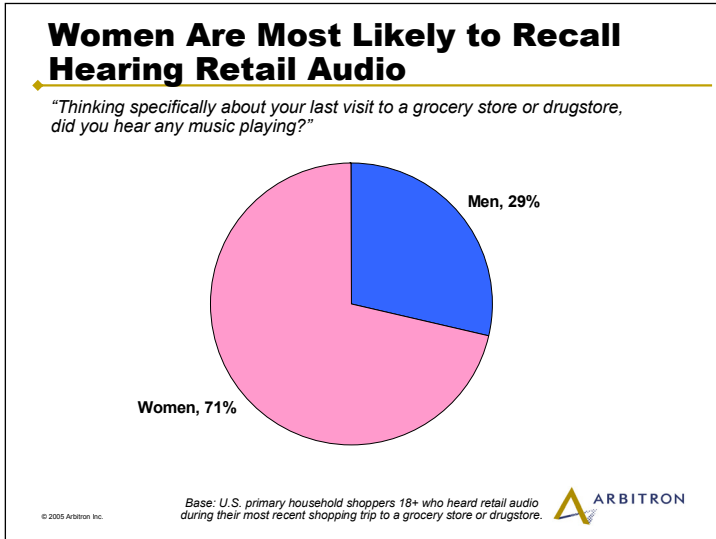


B. Consumer Exposure to Retail Audio

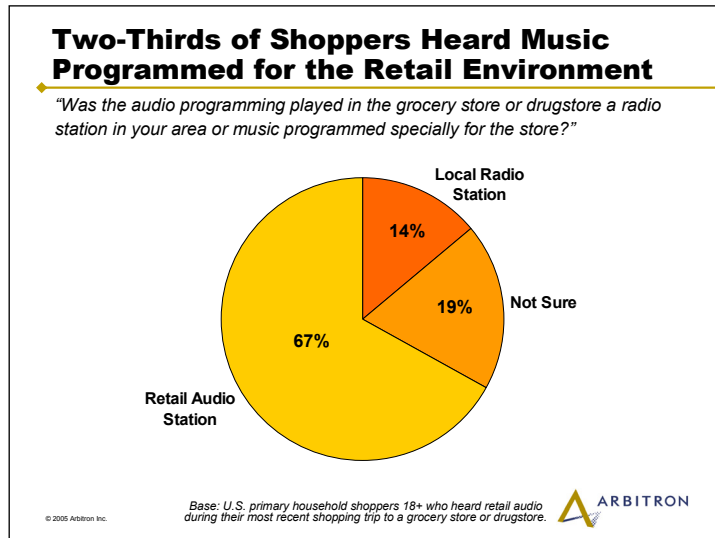
- 4. Two-thirds of all U.S. primary household shoppers age 18-49 recall hearing retail audio broadcasting.** Sixty-seven percent of shoppers in the 18-49 demographic recall having heard music playing in a grocery store or drugstore. Forty-six percent of these shoppers say they heard music during their most recent shopping trip.



5. **Women are the primary audience for retail audio broadcasting.** Women compose 71% of the shoppers who recall hearing retail audio during their most recent trip to the grocery store or drugstore. Women age 35 and over make up 57% of the retail audio broadcast audience.

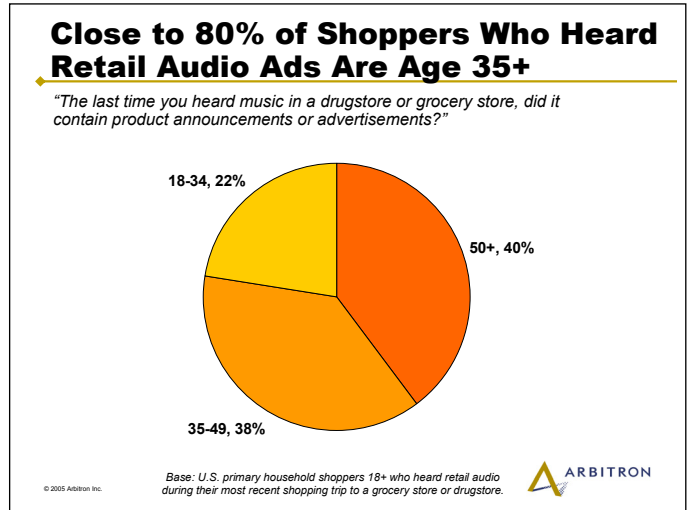
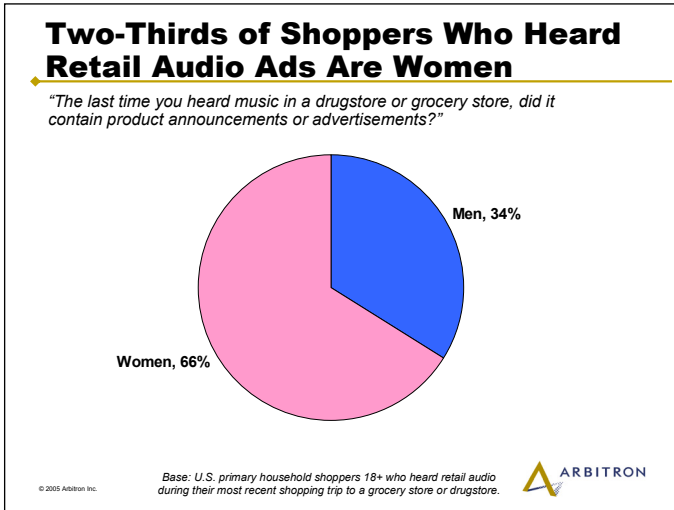


6. **More than two-thirds of retail audio listeners heard music programmed specifically for the retail environment.** Sixty-seven percent of the shoppers who recall hearing music during their most recent shopping trip identified the music as being programmed specifically for the grocery store or drugstore—as opposed to hearing a local radio station.



C. Awareness of Retail Audio Advertising

7. **Eighteen percent of all shoppers recall having heard retail audio advertising.** Close to one in five of all U.S. shoppers 18+ recall having heard commercials or promotional announcements while shopping in a grocery store or drugstore.



8. **Sixty-six percent of the shoppers who recall hearing retail audio advertisements are female.** Women account for two-thirds of the shoppers who recall hearing retail audio advertisements. Close to 80% of the shoppers who have heard retail audio ads are age 35+.
9. **More than half of the retail audio audience recall hearing commercials while shopping.** Fifty-four percent of the shoppers who recall hearing retail audio during their most recent shopping trip also recall hearing commercials or promotional announcements.

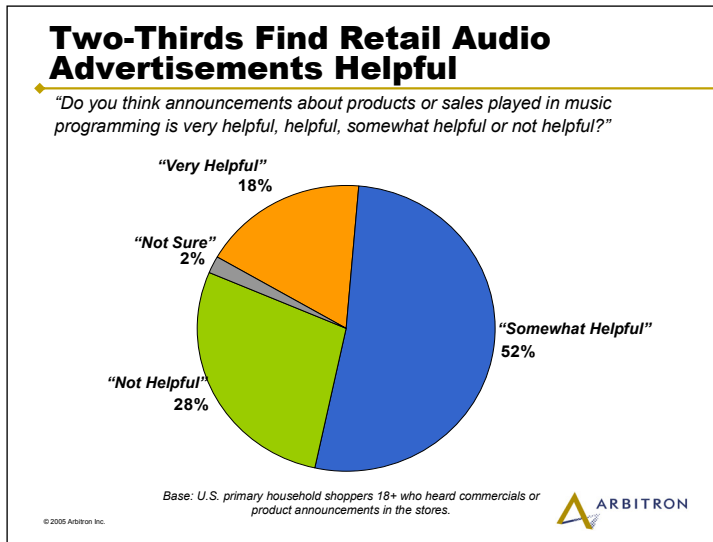
10. Sales and promotions for in-store items are the most common types of retail audio advertisements recalled. Ninety-four percent of the shoppers who recall hearing retail audio commercials say the ads were for sale items available in the grocery store or drugstore. Seventy-two percent of shoppers recall hearing promotions for in-store items that were not necessarily on sale.

Types of Commercials or Announcements Recalled

Base: Primary household shoppers 18+ who have heard commercials or product announcements in a grocery store or drugstore.

Specials or sales for products available in the store.	94%
Promotions for products available in the grocery store or drugstore (but not necessarily on sale).	72%
Promotions for products not sold in the grocery store or drugstore.	3%
Not Sure	17%

11. Seven in 10 shoppers who recall hearing ads have a positive attitude toward retail audio advertising. Seventy percent of shoppers who recall hearing retail audio advertisements find the commercials and announcements to be very or somewhat helpful to their shopping experience.



- 12. More than half of U.S. shoppers find retail audio advertising acceptable.** Fifty-seven percent of shoppers feel that it is acceptable for retail audio to carry commercials.

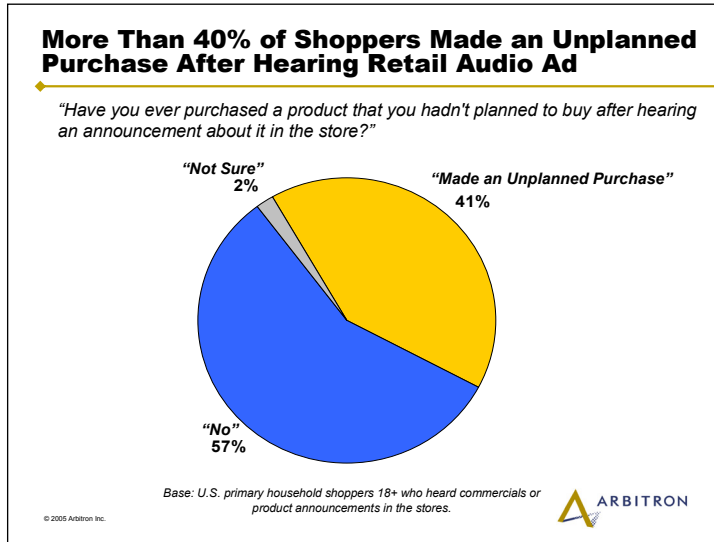
Acceptance of Advertising by Media	
“How acceptable is it that these media have advertising?”	
Base: U.S. primary household shoppers 18+	
Newspapers	86%
Magazines	73%
Television	71%
Radio	70%
Retail Audio	57%
Outdoor (Billboards)	51%
Retail Video	50%
Movie Theaters	32%
Internet	27%

D. Receptivity to Retail Audio Advertising

- 13. One in four shoppers think their purchases are influenced by retail audio advertising.** Twenty-five percent of U.S. shoppers age 18+ believe that their grocery store and drugstore purchases would be influenced by commercials and promotional announcements heard within the grocery store or drugstore.

Media Influence on Purchases	
“When deciding what to buy at a grocery store or drugstore, what types of advertising do you think influence your decisions?”	
Base: U.S. primary household shoppers 18+	
Weekly Circulars	67%
In-Store Signs and Displays	59%
Television	46%
Newspaper - Not Circulars	45%
Radio	31%
Retail Audio	25%
None of the Above	9%
Don't Know	1%

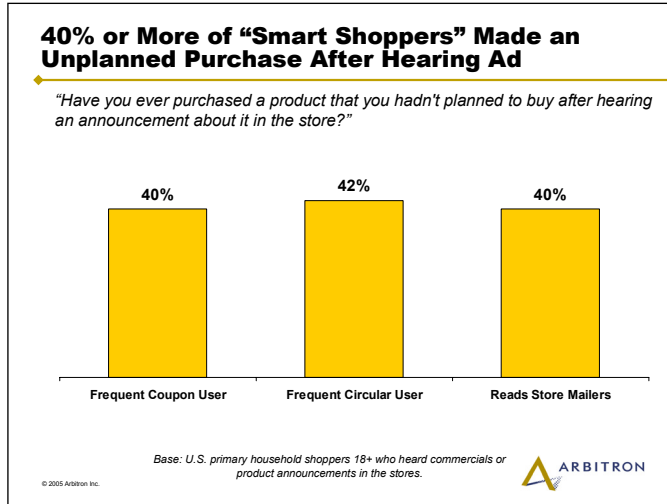
14. More than 40% of the shoppers who heard a retail audio advertisement made an unplanned purchase. Forty-one percent of shoppers who recall hearing retail audio advertisements *made a purchase they were not planning on making* after hearing a commercial or announcement about the product in the grocery store or drugstore.



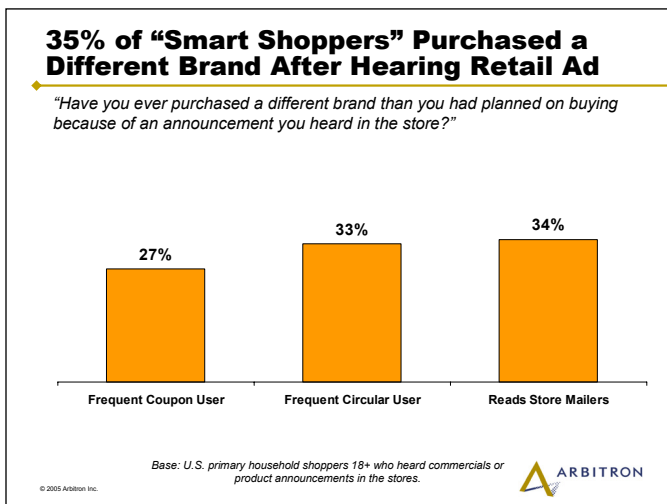
15. More than one-third of the shoppers who heard a retail audio advertisement purchased a different brand. Thirty-seven percent of shoppers who recall hearing retail audio advertisements purchased a brand different from the one they originally intended after hearing a commercial or announcement in the grocery store or drugstore.



16. More than 40% of “smart shoppers” who heard a retail audio advertisement made an unplanned purchase after hearing retail audio ads. Forty-one percent of “proactive” or “smart” shoppers who collect coupons and consult circulars and mailers have *made a purchase they were not planning on making* after hearing a commercial or announcement about the product in the grocery store or drugstore.



17. Thirty-one percent of “smart shoppers” who heard a retail audio advertisement purchased a different brand. One in three “proactive” or “smart” shoppers who collect coupons and consult circulars and mailers purchased a different brand from the one they originally intended after hearing a commercial or announcement in the grocery store or drugstore.



Comments and Recommendations

- 1. Think of retail audio networks as place-based radio.** Retail audio networks are similar to traditional radio networks and offer a new source of advertising inventory. There are local affiliates in each market that carry the network's syndicated programming and the commercial inventory associated with that network. Local advertisers can buy time in affiliate grocery store or drugstores in their market, or national advertisers can purchase the entire network to achieve full U.S. coverage.
- 2. The reach of retail audio networks rivals that of traditional broadcasting.** Supermarket chains and box stores can reach a surprising number of consumers within a market. For example, according to Scarborough Research*, 58% of the households in the Phoenix market have shopped in a Fry's Food Store in the past week. Therefore, commercial time purchased on the Fry's Food Store's retail audio network has the potential to reach more than half of the households in the Phoenix market within a single week.
- 3. Retail audio allows advertisers to reach consumers when they are ready to buy.** Noted media researcher Erwin Ephron has popularized the concept of recency media planning. According to Ephron, recency "is the idea that the advertising media 'sell' those consumers who are ready to buy the product. It is as if there is a window of opportunity for the ad messages preceding each purchase. Advertising's job is to influence the purchase; media's job is to put that message in that window."

Ephron indicates that the three dimensions of recency media planning are "receptivity" (advertising is most effective when a person is in the market to buy a product) and "propinquity" (advertising messages have their greatest effect when they are received close to the purchase). The third element in recency is "continuity," since these are people in the market constantly.

Throughout this research, we see a very strong connection between purchase consideration, actual purchases and the time consumers spend at the grocery store or drugstore. The recency concept can be applied both to media selection and to the scheduling of advertising. The advertising and media industries might debate the concentration and method of scheduling advertising messages. However, as Americans spend more time with nontraditional media, it becomes important to utilize media that can put the advertising messages in the 'window of opportunity preceding each purchase.'"

* Source: Scarborough Release 2, 2004, August '03 - July '04, Adults

About Arbitron Inc.

Arbitron Inc. (NYSE: ARB) is an international media and marketing research firm serving radio broadcasters, cable companies, advertisers, advertising agencies and outdoor advertising companies in the United States, Mexico and Europe. Arbitron's core businesses are measuring network and local market radio audiences across the United States; surveying the retail, media and product patterns of local market consumers; and providing application software used for analyzing media audience and marketing information data. The Company has also developed the Portable People Meter (PPMSM), a new technology for media and marketing research.

Arbitron's marketing and business units are supported by its research and technology organization, located in Columbia, Maryland. Arbitron has approximately 1,700 employees; its executive offices are located in New York City.

Through its Scarborough Research joint venture with VNU, Inc., Arbitron also provides media and marketing research services to the broadcast television, magazine, newspaper and online industries.

Arbitron's Outdoor division provides training, consumer shopping data and audience profiles for out-of-home and outdoor media. Currently, more than 100 outdoor plants, place-based media and thousands of agencies and advertisers utilize Arbitron Outdoor consumer shopping data and software. The company is currently working with the industry to develop an outdoor audience ratings service.

Credible third-party measurement helps advertisers justify their investment in the medium. The company's 50+ years of audience measurement experience help sellers focus on selling the value of their advertising rather than justifying the credibility of their measurement. Arbitron research studies about cinema advertising, the Outdoor industry and traditional and nontraditional media can be found on the company's Web site at www.arbitron.com and can be downloaded free of charge.

About Scarborough Research

Scarborough Research is the gold standard for consumer shopping and media behavior research. The national study of over 200,000 U.S. consumers aged 18+ covering what Americans buy, where they shop and the media they consume. The study is conducted in two waves each year and is updated twice annually to include the two most recent six-month waves. Scarborough is comprised of stand-alone samples in 75 of the largest DMA[®] markets, as well as a balance-U.S. sample, allowing breakouts on local, regional and national bases. For more information on Scarborough, visit www.scarborough.com.

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