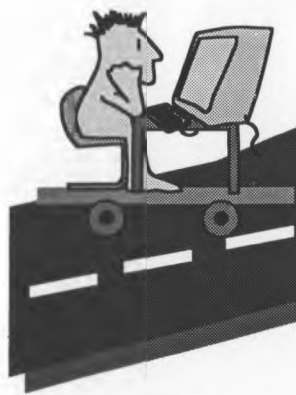




**Partners Affiliated for
Exploring Technology**



Online Services Market Study

March, 1995

Presented by

 **MARITZ MARKETING RESEARCH INC.**

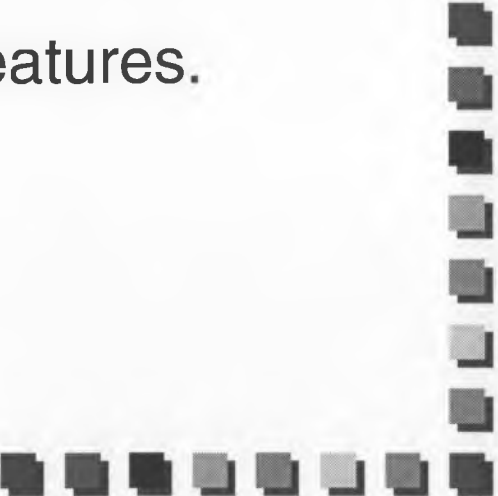
Artesia, California





Background


PAFET requires information to:

- Evaluate opportunities in developing online services for home personal computers
 - Develop picture of marketability
 - Profile target customers and service features.
- 



Objectives

Understand the current status and usage of online services:

- Determine structure of present market
 - Measure overall consumer interest
 - Evaluate product and service options desired
 - Assess level of price sensitivity among potential customers.
- 



Research Approach

- Administered CATI* survey in PAFET markets.
- Cross-sectional sampling with RDD* residential phone sample.
- Augment sampling with targeted lists of self-reported online subscribers and personal computer owners.
- A total of 3493 respondents surveyed:
 - 64% cross-section (n=2240)
 - 36% augment (1153).

*CATI= Computer-Assisted Telephone Interviewing RDD= Random Digit Dial.



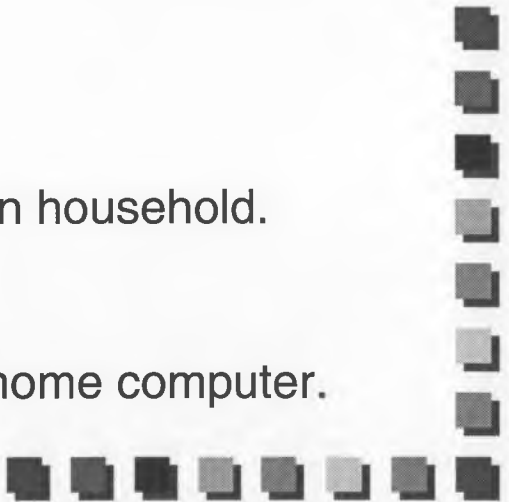
Current Market Structure

Home PC Owner Profile

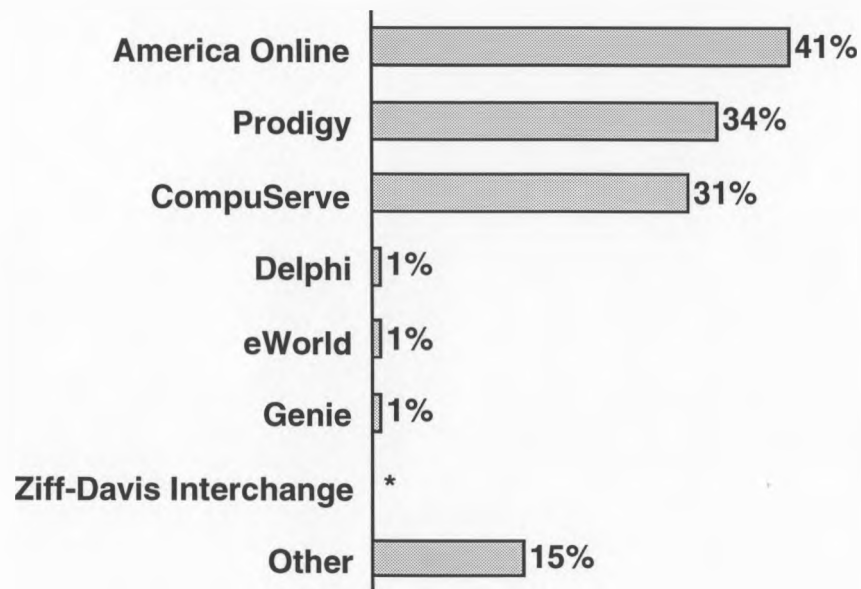
Home computer owners surveyed:

- 57% are males, average age is 39.7 years old
- Average household income = \$58,690
- Well-educated;
 - 26% attend some college
 - 25% obtain undergraduate degree
 - 34% have done postgraduate studies.

Household composition of home computer owners:

- The average household size is 2.10 adults
 - 15% are single-person households
 - 65% have more than one adult computer user in household.
 - Half of the households have no children present.
 - Where children are present, 1.47 children use home computer.
- 

Current Online Subscribers



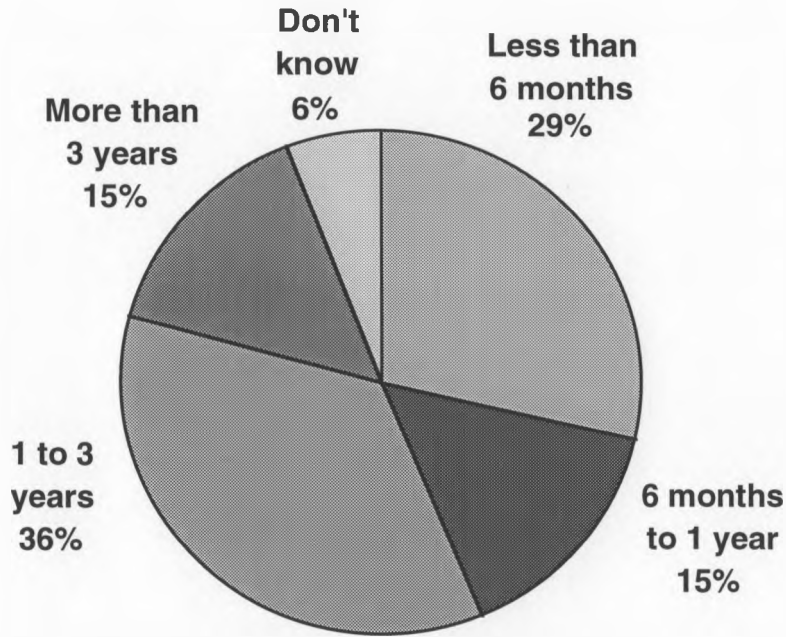
Online Services Currently Subscribe

*Fewer than 0.5% mention

Base: 1736 Online Service Users

Total may exceed 100% due to multiple responses

Current Online Subscribers



Length of Subscription

Base: 1736 Online Service users

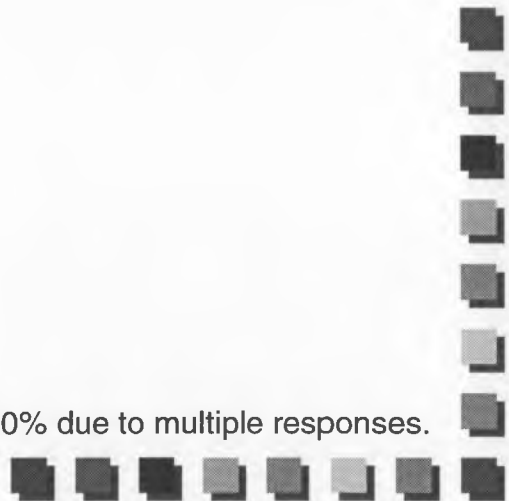


Current Market Structure

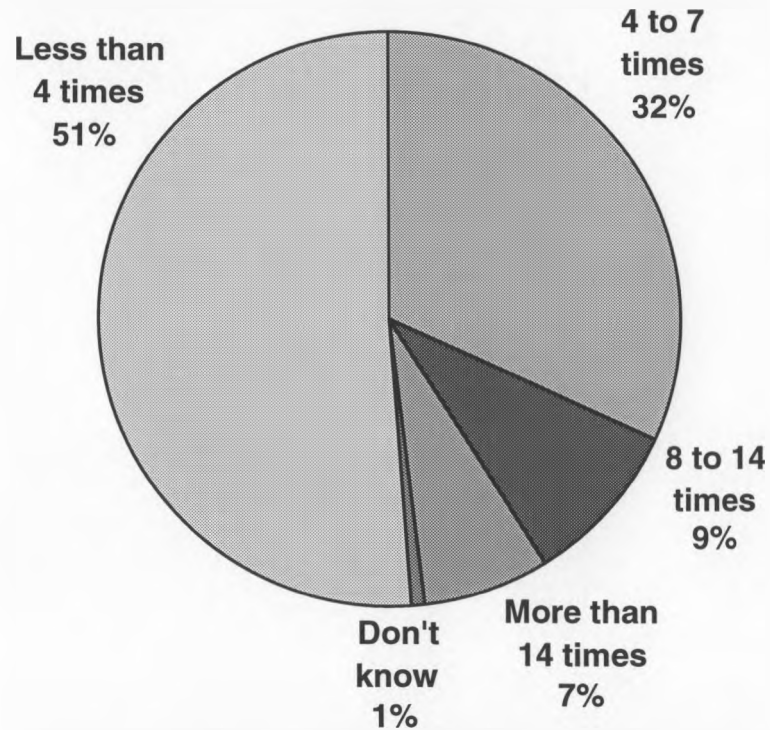
Internet Usage

- One in ten home computer owners regularly embark on the Internet.
- Generally, they access the Internet via*:
 - 34% Online services
 - 29% University or college
 - 16% Dial up Internet provider
 - 13% Local BBS
 - 8% Employer or business
 - 8% Don't know

*May exceed 100% due to multiple responses.



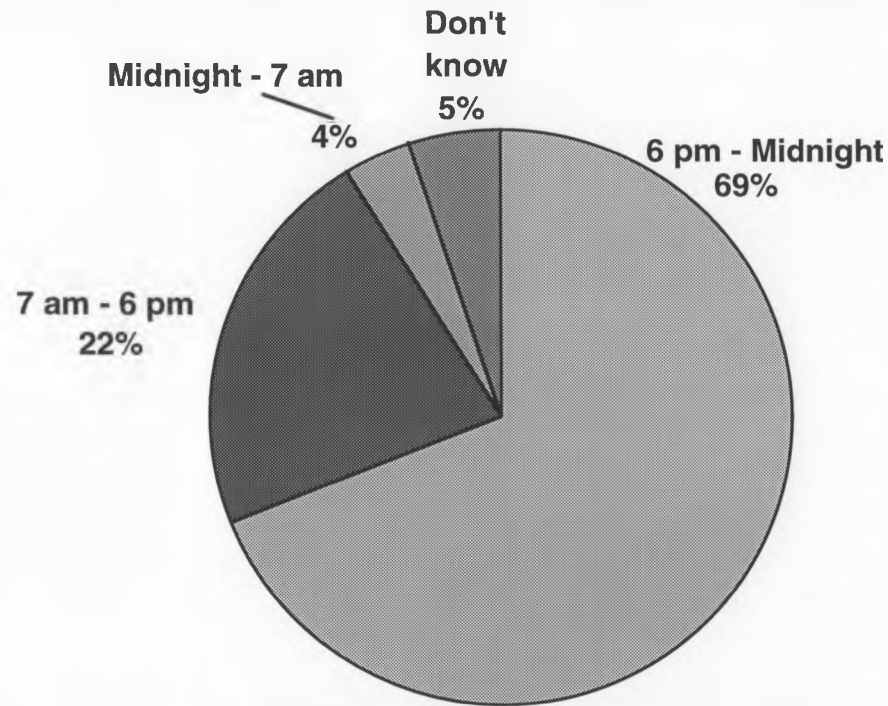
Current Online Subscribers



**Frequency of Access
in an Average Week**

Base: 1736 Online Service Users

Current Online Subscribers



**Time of Day
Normally Access**

Base: 1736 Online Service Users

Current Online Subscribers

Information or Services Usually Access (Key Mention)	<u>First Mention</u>	<u>Total Mentions</u>
	%	%
News	20	33
E-mail	14	23
Financial information	14	22
Travel information	6	13
Software downloads	6	13
Forums or SIGs	6	10
Entertainment & games	5	12
Education	5	8
Internet	4	8
Classified advertising	1	3
All other mentions	12	19
Don't know	6	6

Base: 1736 Online Service Users

Current Online Subscribers

<u>Reason for Particular Online Service</u>	<u>Main</u> %	<u>Total</u> %
News & information	21	32
E-mail	12	19
Price	6	9
Software downloads	5	10
Internet access	5	10
Research	5	9
Features	5	8
Financial information	4	5

- Continued -

Base: 1736 Online Service Users

Current Online Subscribers

<u>Reason for Particular Online Service</u>	<u>Main</u> %	<u>Total</u> %
Chat areas	4	7
Entertainment & games	3	7
Direct dial access	3	5
Education	2	4
Business/work purpose	2	2
Customer service	1	3
Easy user interface	1	2
Travel information	1	2
Classified advertising	1	1
All other mentions	12	16
Don't know	7	7

Base: 1736 Online Service Users

Current Online Subscribers

Current Online Most Often Users of:

<u>Main Reason for Particular Online Service</u>	<u>AOL</u> %	<u>Compu-Serve</u> %	<u>Prodigy</u> %	<u>All Others</u> %
News & information	15	24	26	18
E-mail	15	12	9	11
Price	10	2	4	6
Software download	8	7	2	4
Internet access	7	3	2	13
Research	4	8	4	6
Features	4	7	6	4
Base: Online Service Users	(570)	(441)	(495)	(230)



Recent Online Services Canceled

- One in ten (12%) home computer owners canceled or terminated online services in past six months.
- Of those who have canceled or terminated any online service:

37%	Prodigy
35%	America Online
16%	CompuServe
6%	Delphi
4%	Genie
1%	eWorld



Reasons Online Services Canceled

<u>Total Reasons</u>	<u>Any Service*</u> %	<u>Current Online User</u> %	<u>Former Online User</u> %
Did not use	32	13	53
Price too high	27	23	31
Lack of information	14	24	13
Slow systems speed	9	20	3
Too much advertising	6	2	3
Poor user interface	6	10	1
Prefer other online service	2	10	-
Poor customer service	2	8	3
Lack Internet access	1	1	1
Don't know	15	21	6
Base: Canceled/Switched Online Service	(162)	(333)	(81)

*Cross-section sample

Reasons Online Services Canceled

<u>Total Reasons</u>	<u>Any</u>	<u>Compu-</u>				
	<u>Service*</u>	<u>AOL</u>	<u>Serve</u>	<u>Prodigy</u>	<u>Delphi</u>	<u>Genie</u>
	%	%	%	%	%	%
Did not use	32	22	21	28	22	24
Price too high	27	25	40	27	4	12
Lack of information	14	21	7	13	11	24
Slow systems speed	9	17	7	8	4	6
Too much advertising	6	2	3	16	-	-
Poor user interface	6	11	16	14	37	29
Prefer other online service	2	8	-	2	4	6
Poor customer service	2	7	6	6	11	-
Lack Internet access	1	2	-	1	-	-
Base: Canceled/Switched Online Service	(162)	(151)	(70)	(160)	(27)**	(17)**

*Cross-section sample

**Caution: small base




Market Potential

Plan to Subscribe to Online Service

- In the next six months, 16% of home computer owners surveyed plan to subscribe to a new online service.
- Of those who plan to subscribe to another or new service, America Online holds the largest mindshare:









32%	America Online
19%	CompuServe
17%	Prodigy
3%	Internet
1%	Delphi
1%	eWorld
1%	Genie





Market Potential

Reasons for New Online Service Subscription

- Motives for future online subscriptions are similar to those cited in the selection of current online services.
 - News & information remains among the leading reasons for new subscriptions.
 - More mention Internet access.
 - More current users who are either adding/switching online services are interested in Internet access, as compared with new or returning category entrants.
- 
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Market Potential

Best Reason For Plan to Subscribe in Next 6 Months

Reason	<u>Total</u>	Add/ Switch (Current Users)	New Service (Current Non-Users)	Main Reason for Current <u>Service</u>
				%
Internet access	21	26	16	5
News & information	15	8	21	21
E-mail	9	6	12	12
Research	8	6	10	5
Software downloads	7	7	7	5
Features	5	7	3	5
Price	5	7	4	6
Direct dial access	4	5	2	3
Base:	(534)	(269)	(265)	(1736)

- Continued -



Market Potential

Consumer Interest in Online Newspaper Subscription

Measured at two levels:

- If your daily newspaper was made available as an online service....
- If additional local news information were made available through your newspaper online service, that is more or different information than what would be found in news stand editions....

In terms of the probability of getting a subscription:

- 99 means certainly will subscribe
- Zero means certainly will not subscribe.

Market Potential

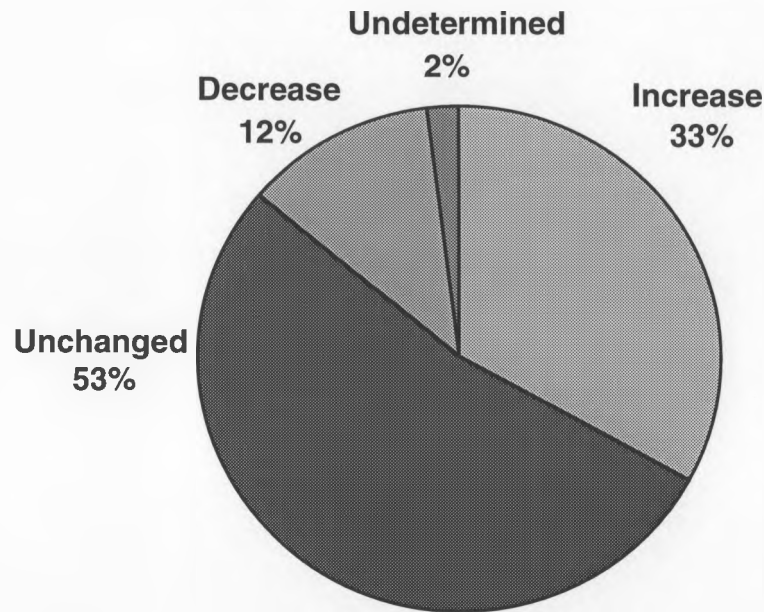
Probability will subscribe (chances in 100):

	<u>Daily Online Newspaper</u>	<u>Additional Local News</u>
99 (Certain)	5%	5%
90	3%	4%
80	10% 21%	12% 25%
70	4%	4%
60	4%	4%
50	16%	17%
40	3%	3%
30	8% 43%	9% 46%
20	4%	5%
10	12%	11%
0 (No chance)	31%	23%

Base: 2240 Cross-section Home Computer Owners

Market Potential

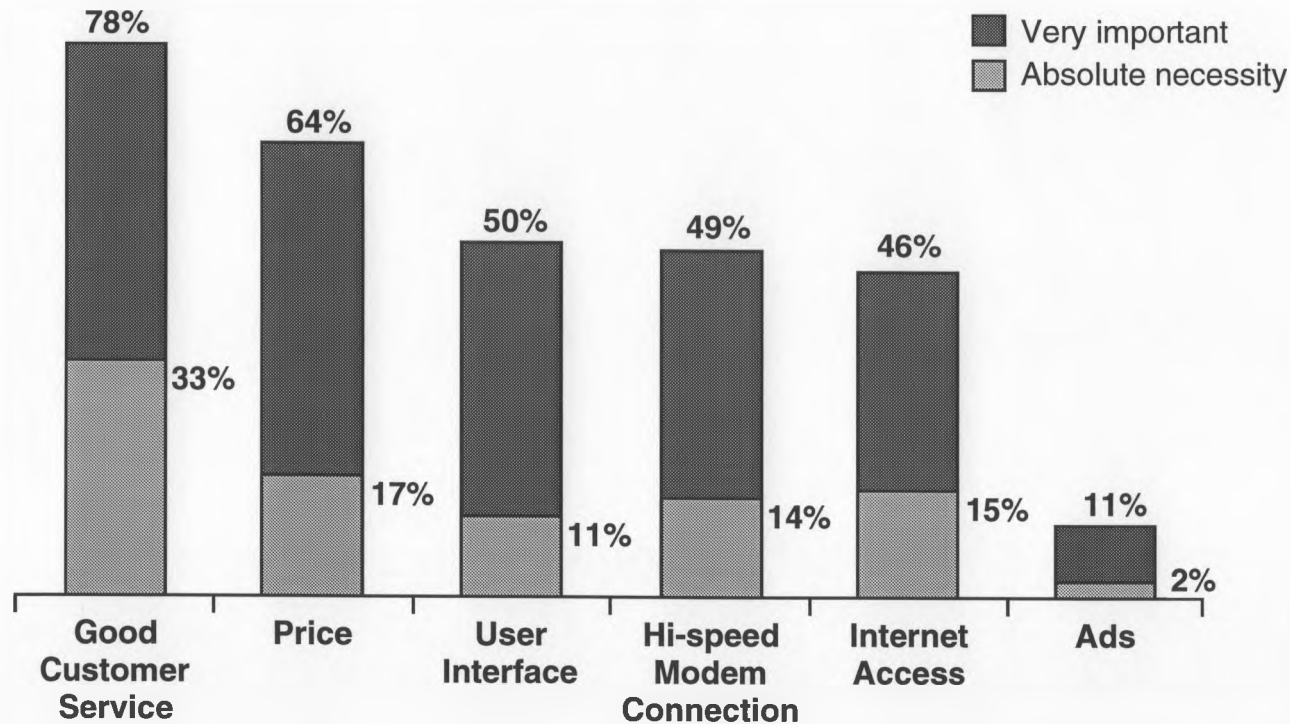
Consumer interest in online newspaper increased somewhat with the additional feature of local news not found in news stand editions.



Base: 2240 Cross-section Home Computer Owners

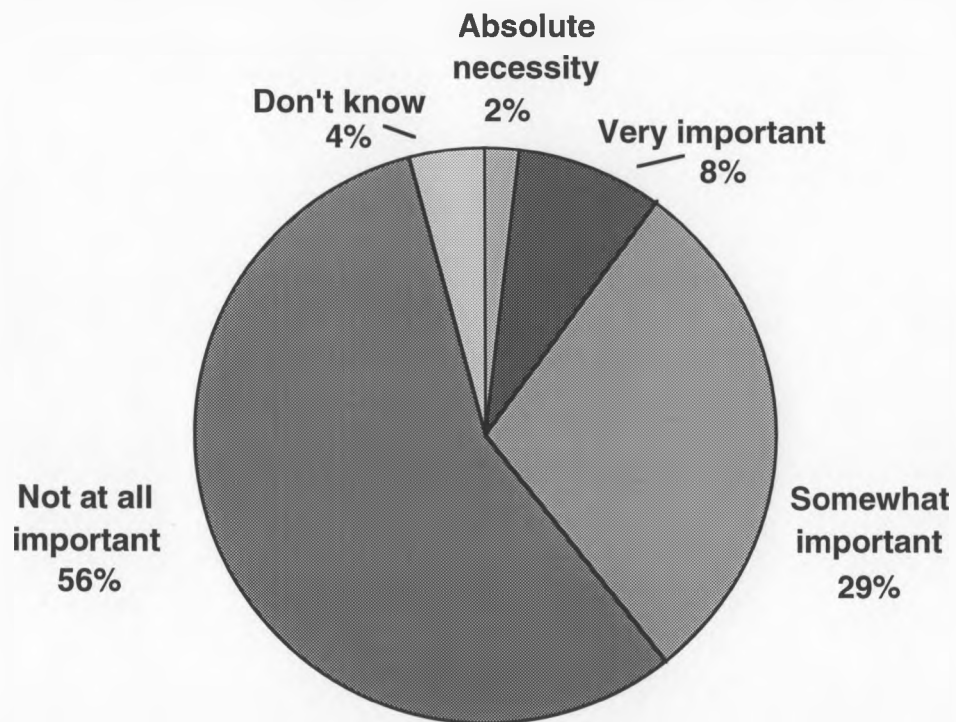
Market Potential

Importance of Feature in New Service Selection



Base: 2240 Cross-section Home Computer Owners

Market Potential



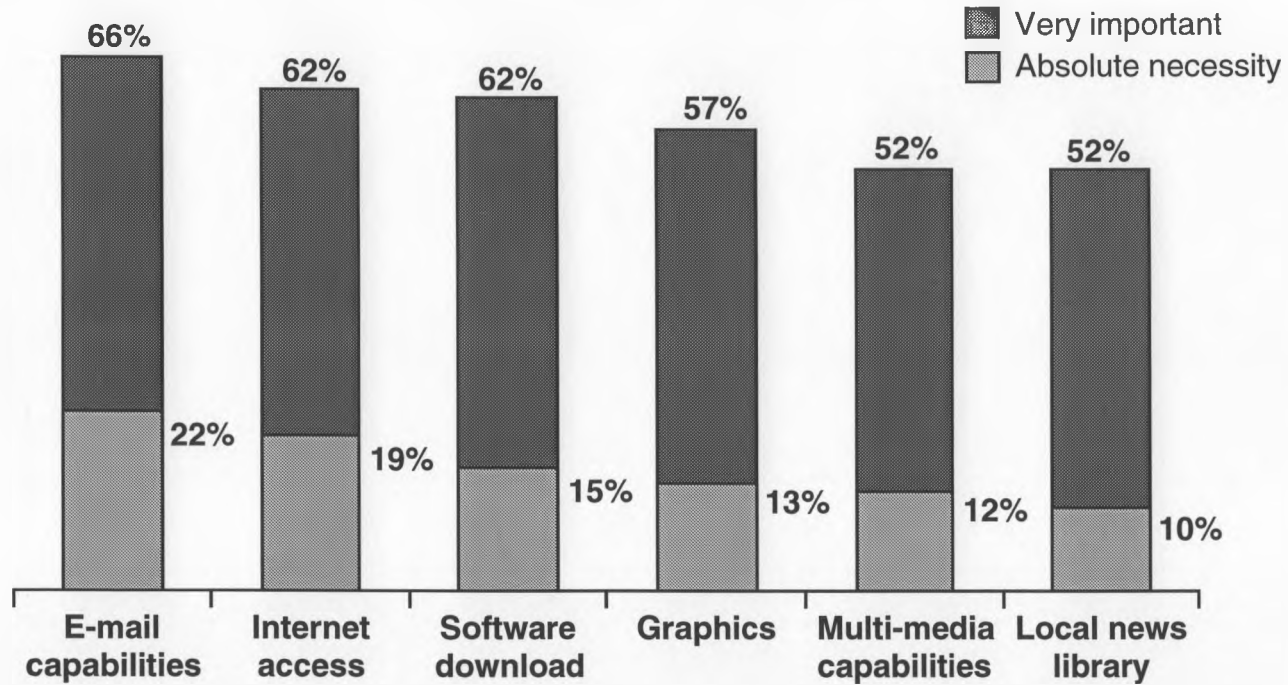
Importance of Advertising in Selection of New Online Service

Base: 2240 Cross-section Home Computer Owners



Market Potential

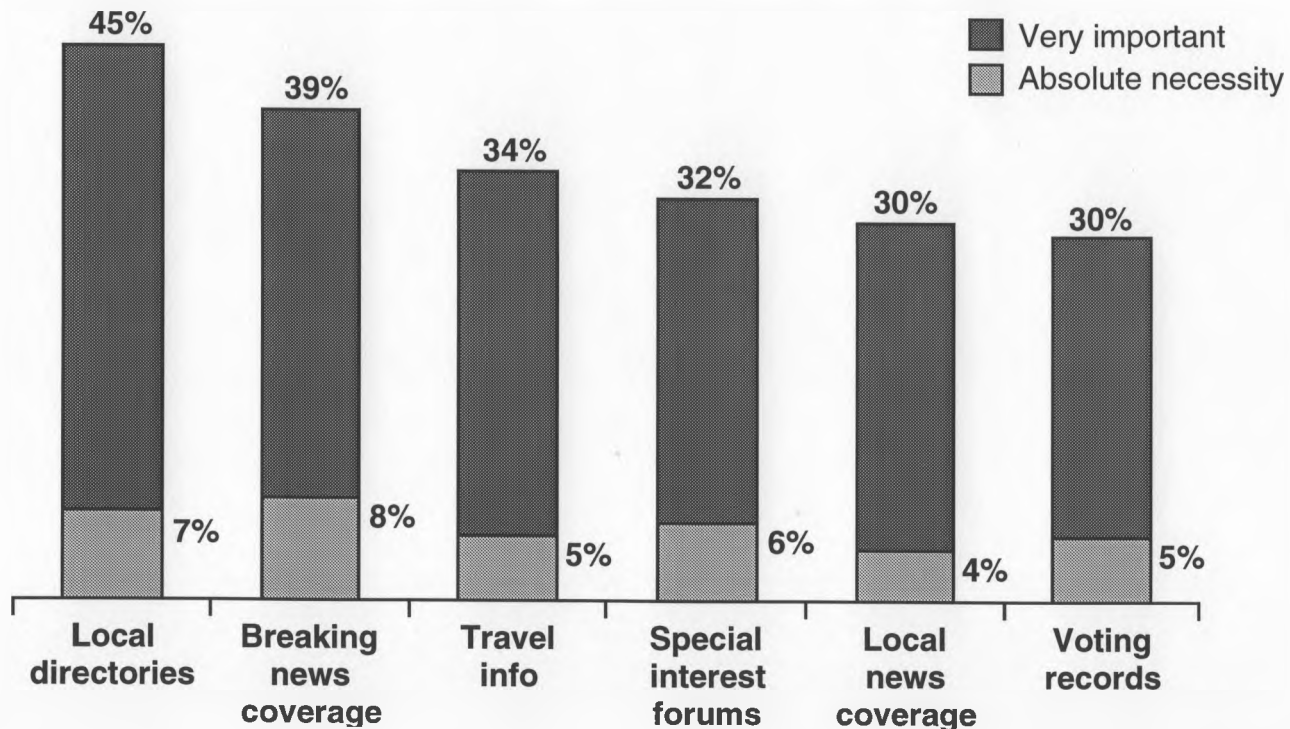
Importance of Feature for "Ideal" Online Service



Base: 1431 Cross-section Home Computer Owners
Familiar with Online Services

Market Potential

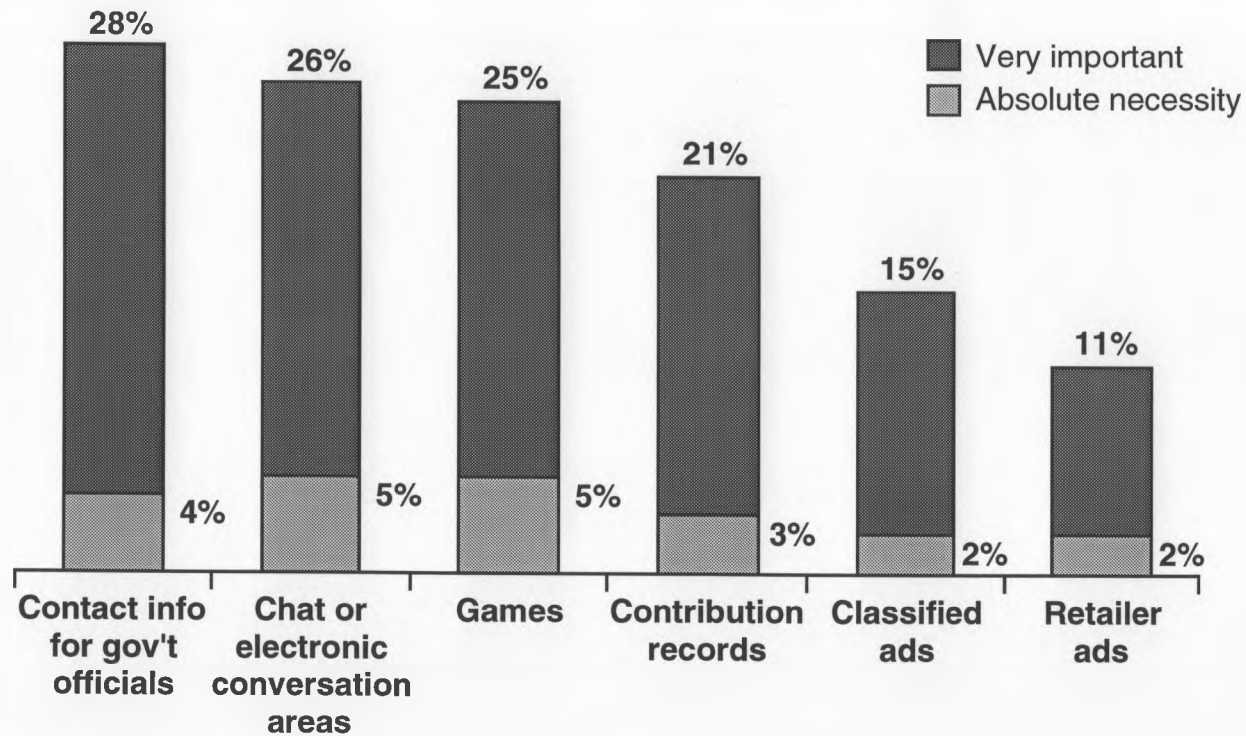
Importance of Feature for "Ideal" Online Service



Base: 1431 Cross-section Home Computer Owners
Familiar with Online Services

Market Potential

Importance of Feature for "Ideal" Online Service




Base: 1431 Cross-section Home Computer Owners
Familiar with Online Services



Market Potential

Best Predictors of Likelihood to Subscribe

Likely= 60% or greater probability to subscribe to additional local news more or different than newsstand.

- Features preferred on “ideal” BBS or online services (Q.40)
 - Age - younger adults (18-30 years and 31-35 years old)
 - More than one adult online user in household
 - Newspaper readership
 - number of issues read per week (2 or more issues)
 - readership of the classified section.
- 

Price Sensitivity



Average Monthly Bill for Current Service

Base: 1736 Online Service Users

Price Sensitivity

Online Most Often Users of:

<u>Current Average Monthly Bill</u>	<u>AOL</u> %	<u>Compu-Serve</u> %	<u>Prodigy</u> %	<u>All Others</u> %
Less than \$10.00	30	32	18	37
\$10 to \$24.99	40	36	54	30
\$25 to \$49.99	9	15	7	12
\$50 to \$99.99	2	5	2	3
\$100 or more	2	2	1	3
Don't know	17	10	18	15
Base: Online Service Users	(570)	(441)	(495)	(230)

Price Sensitivity

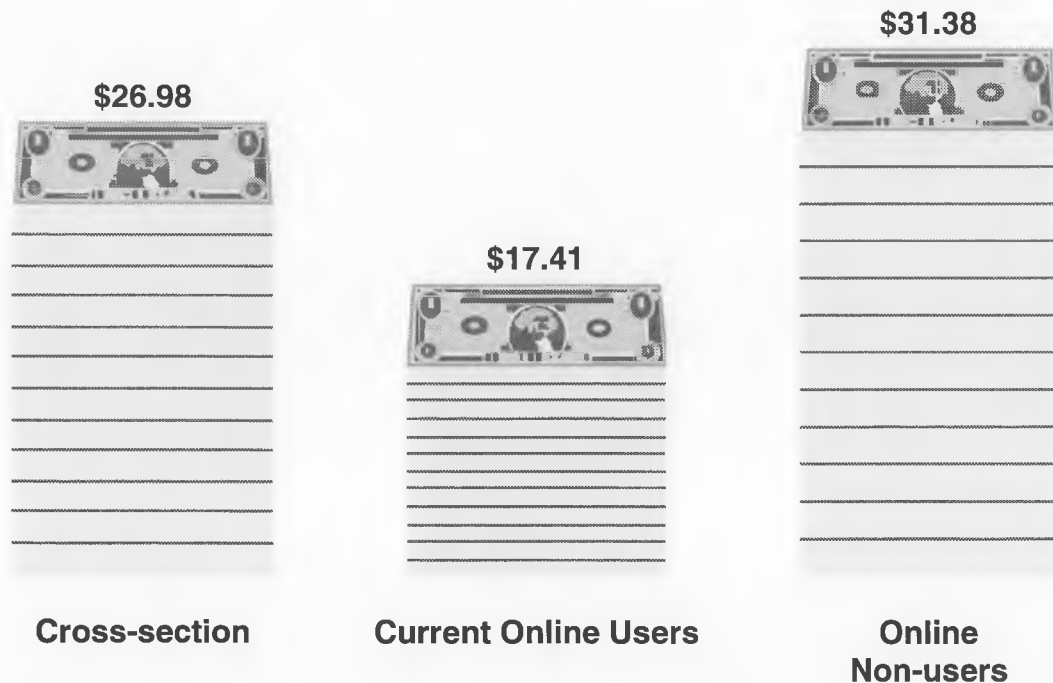


**Expected Cost for
"Ideal" Service**

Base: 1431 Cross-section Familiar with Online Services

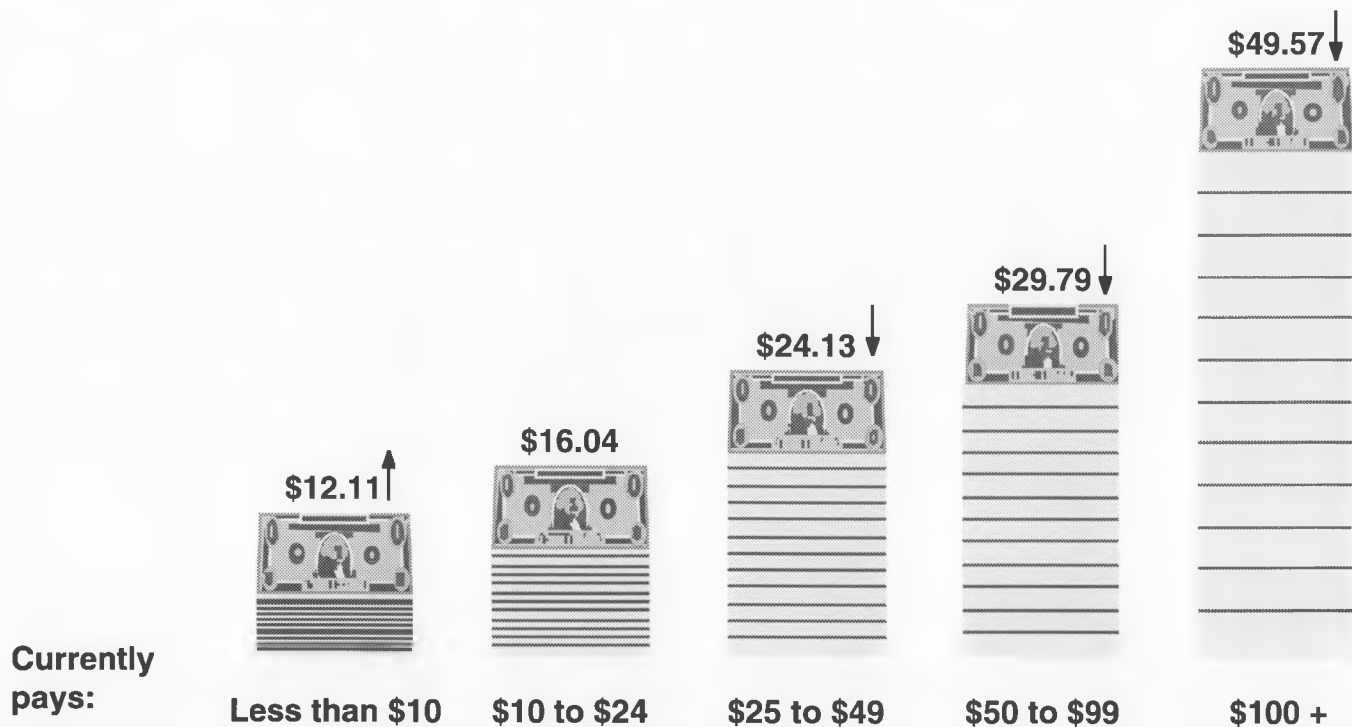
Price Sensitivity

Expected Average Monthly Bill for "Ideal" Service

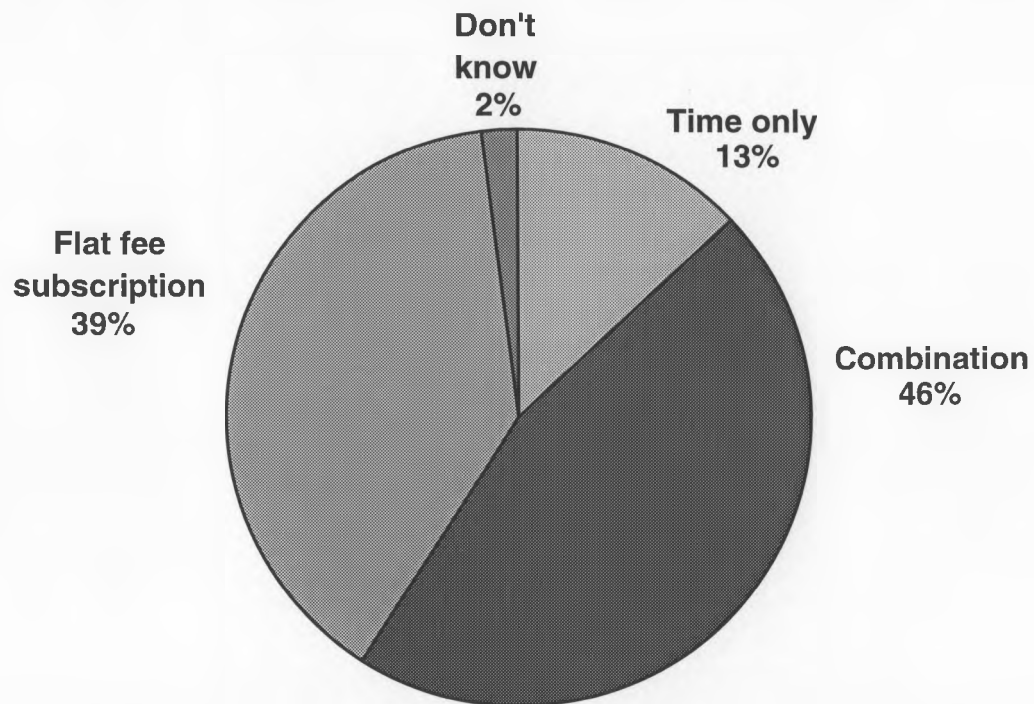


Price Sensitivity

Expected Average Monthly Bill for "Ideal" Service



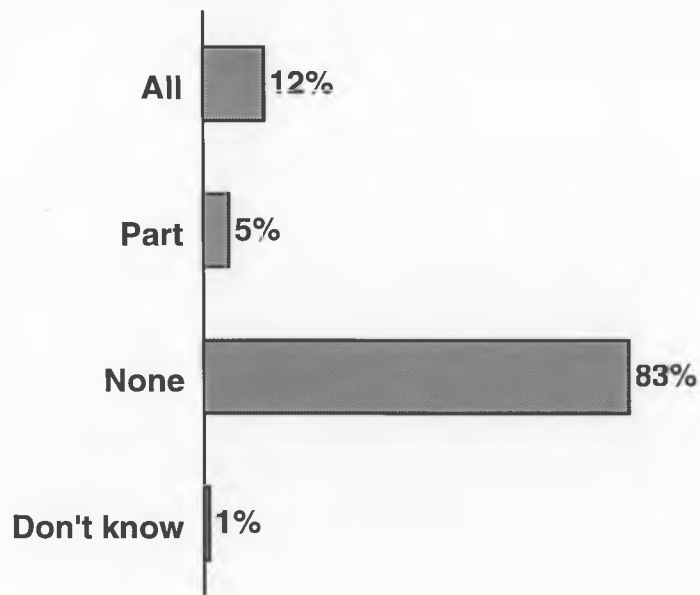
Price Sensitivity



Types of Charges Preferred As a User

Base: 1431 Cross-section Familiar with Online Services

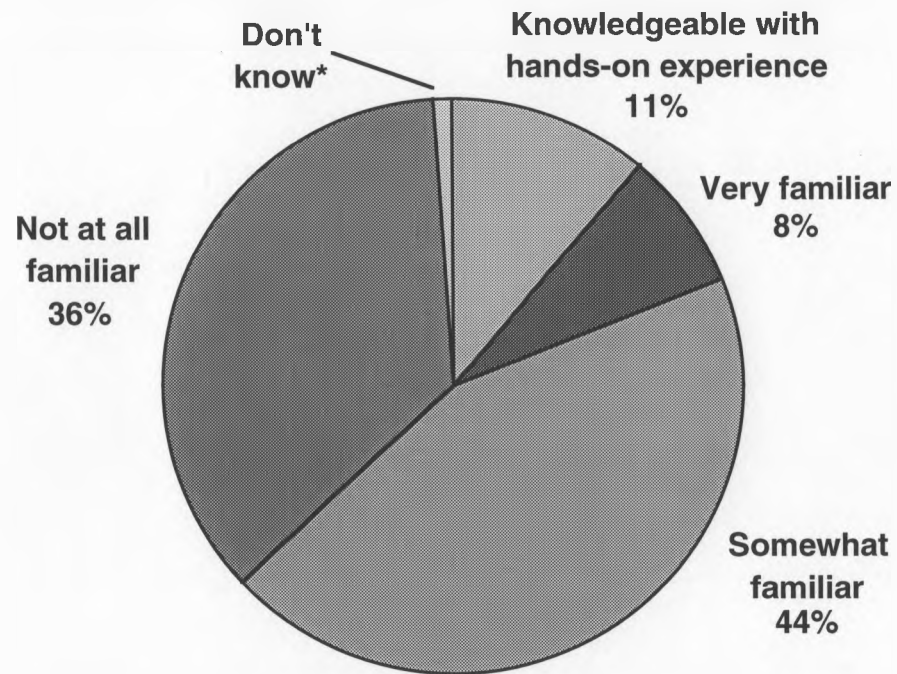
Pricing Sensitivity



**Portion Paid by
Employer/Business**

Base: 1736 Online Service/BBS users

Current Market Structure



Familiarity with Online Services

*Fewer than 0.5%

Base: 2240 Cross-section Home Computer Owners