AUTOMOTIVE

BEAUTY

COMMERCIAL TECHNOLOGY

CONSUMER TECHNOLOGY

ENTERTAINMENT

FASHION

FOOD & BEVERAGE

FOODSERVICE

HOME

OFFICE SUPPLIES

SOFTWARE

SPORTS

TOYS

WIRELESS

NARM Research Report
Consumers & Music Discovery

November 2011

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Behind Every Business Decision

In 2007 NARM and NPD conducted the first discovery study -- here are a few points worth considering from the 2007 report

- The fan base was fragmented, ranging from "superfans" with multiple sources of discovery, shopping and acquisition to "casual fans" with little interest in learning or collecting
- Conversion was an issue -- e.g. moving consumers from learning to purchase rather than merely re-listening
- If you discovered and bought something from a favorite artist it was most likely a CD (75% vs. 16% for digital download)
- Consumers chose selection over price as the most important shopping motivator
- AM/FM radio was the dominant source of discovery
- Digital music discovery was emerging, especially for teens, but it was experienced at online stores and artist websites and was not as evolved as it is today
- Social networking was a nascent influence -- mostly for new artists
- TV was influential, due to the emergence of American Idol
- Brick-and-mortar retail was competitive as a discovery option, and browsing was influential

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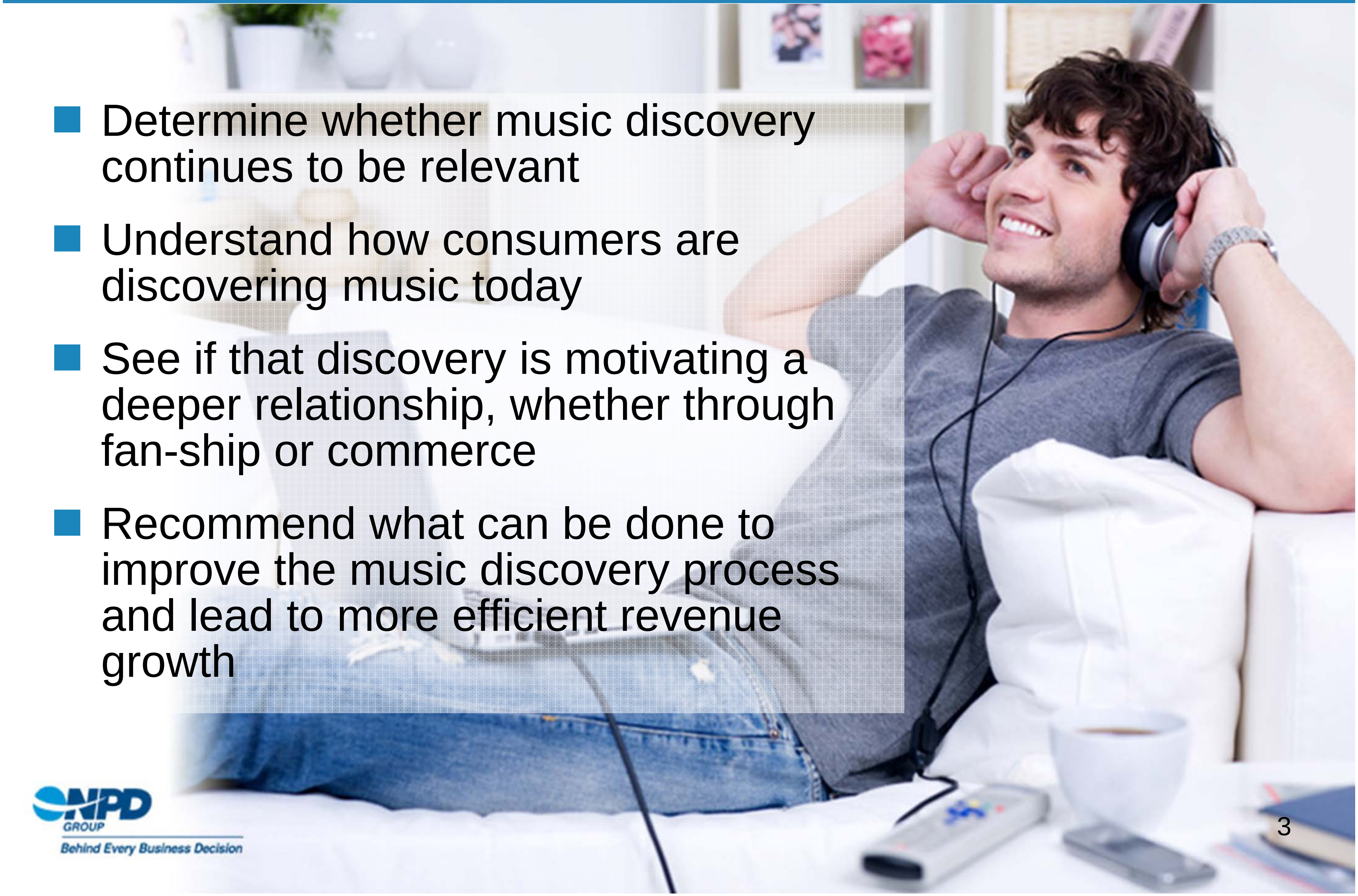
Study objective



- Determine whether music discovery continues to be relevant
- Understand how consumers are discovering music today
- See if that discovery is motivating a deeper relationship, whether through fan-ship or commerce
- Recommend what can be done to improve the music discovery process and lead to more efficient revenue growth

A few notes about this study

- An online survey was fielded to members of NPD's online panel from Thursday, August 11 through Friday, August 26 2011. The study targeted a representative sample of U.S. consumers age 13 and older.
- The report is based on 3,771 completed surveys. Final survey data was weighted to represent U.S. population of individuals age 13 and older.
- The survey examined listening and buying habits, genre preferences, spending levels, attitudes toward music, retailers frequented, sources of discovery, and actions post discovery. A question was also asked to help ascertain interest in a cloud-based music service.
- Field dates coincided with Spotify's launch in the U.S., but preceded more recent Facebook music announcements; however, the results show where these services would fit in, with respect to music discovery and interaction.

A few notes about this study

- Major portions of the study are based on respondents who are “Musically Active” (i.e., they listened or transacted within the prior three months). In some cases this engagement was further clarified by asking that the respondent have interest in at least one genre, as evidenced by purchases or concert attendance. Further definitions are in the appendix.
- All numbers found in data tables, graphs and charts represent percentages (%) unless otherwise indicated.
- Statistical significance testing has been employed at the 95% confidence level, unless otherwise noted.
- NPD reports findings on bases of 200 respondents or more. Any findings based on fewer than 200 are noted as follows:
  - Cases where bases are between 100-199, have been noted with an asterisk: *Low base: Interpret with caution
  - Cases where bases are between 50 and 99, have been noted with a double asterisk: **Very low base: For directional use only

Not surprisingly…

1) Consumers continue to value learning about favorite artists and new music in genres that they like.
2) Technology and methods of distribution are balkanizing the music fan base and causing fragmentation of discovery. This affects both learning and post-discovery behaviors.
3) The primary mission should be to provide consumers with more information about music – not as simple as it sounds.
4) We have to live with the customers that we have. It is unlikely that an average fan will be converted to a “superfan,” or a CD loving Baby Boomer will become “digerati”.
5) Our goal is to influence their behaviors to our best advantage.
6) There are prescriptions that take advantage of traditional media (brick-and-mortar retail, TV) and new ones (apps) -- A diverse set of tools are required to create influence.
7) Retail stores are most likely to translate discovery into sales, but there are issues with conversion from other discovery sources.

Key Learnings

- Music discovery remains as relevant and important as ever
- In general, and it is different for pure plays and independents, the role of brick and mortar retail is changing from a destination shop to a point of impulse purchase. This isn’t necessarily a bad thing but it requires the industry to reimagine marketing and promotion.
- Digital stores have incremental revenue opportunities based on consumer desires for additional and improved recommendation capabilities, and more creative deals; which would probably drive visits.

- The diversity of consumers is a blessing and a challenge. On one hand there are collective needs:
  - INFORMATION: The lack of “back announcing” is a pain point that inhibits consumers of all grades from shopping more -- they don’t know exactly what to shop for.
  - VALUE: Consumers react to an idea similar to iTunes’ “Complete My Album” as a desirable value play, which echoes the appeals for more bundling and special deals.
  - TELEVISION: is a powerful, yet likely underleveraged, medium for discovery. As with radio, TV represents an opportunity to better inform consumers what is being played in shows and on commercials.

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- The diversity of consumers is a blessing and a challenge. On the other hand there are needs that are unique to market segments:
  - The “Committed” super fan is anxious to try new discovery methods; apps are one vehicle that offer discovery and a path to purchase. The cloud also has potential. They share, and use free options, but will also pay.
  - There are some consumers who are taking advantage of the options for listening, probably at the expense of buying. This is a broader industry conversation surrounding windowing, licensing and boundaries for access services.
  - There is a large segment of traditional buyers who value music but are not playing in the “digital” sandbox. They are loyal mass shoppers, radio listeners and enjoy music presented on TV. This segment presents a prime opportunity to improve impulse sales, gifting and the occasional destination purchase for artists that are familiar and beloved.

Consumer profile

Five distinct music segments, based on…

1. Music activities: Past three months
2. Music listening & purchase habits: Past three months
3. Attitudes towards music
4. Time spent on various music activities
5. Money spent on various music activities
6. Interest in learning about new music and artists
7. Influences for learning
8. Actions after discovery

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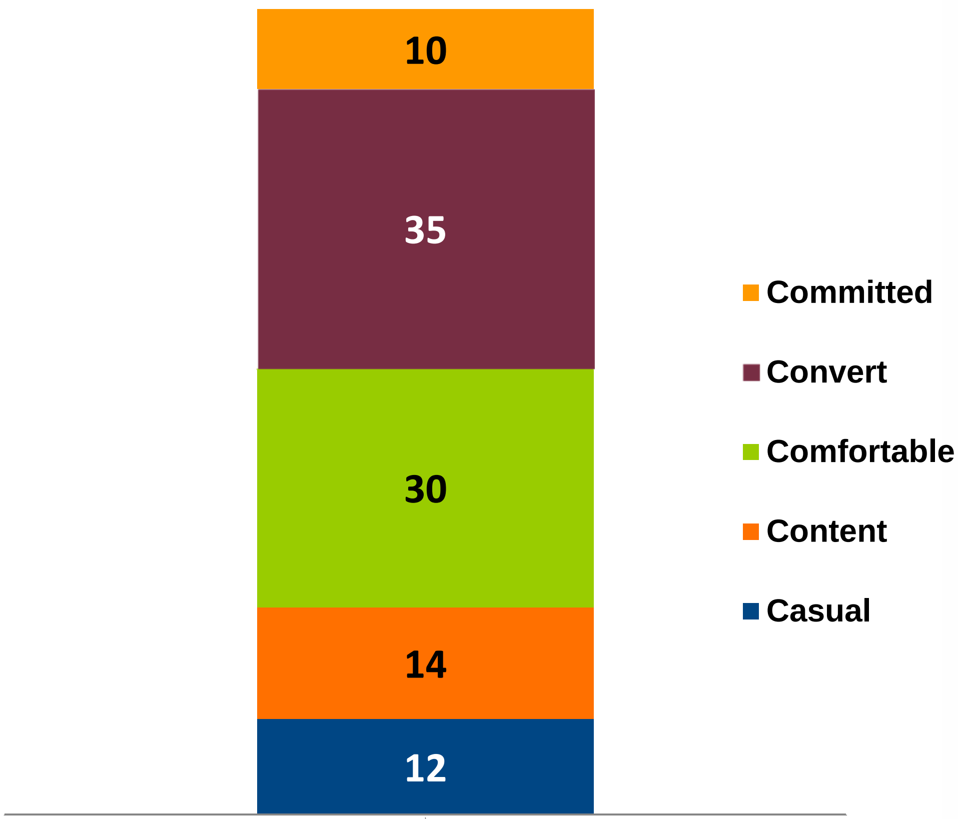
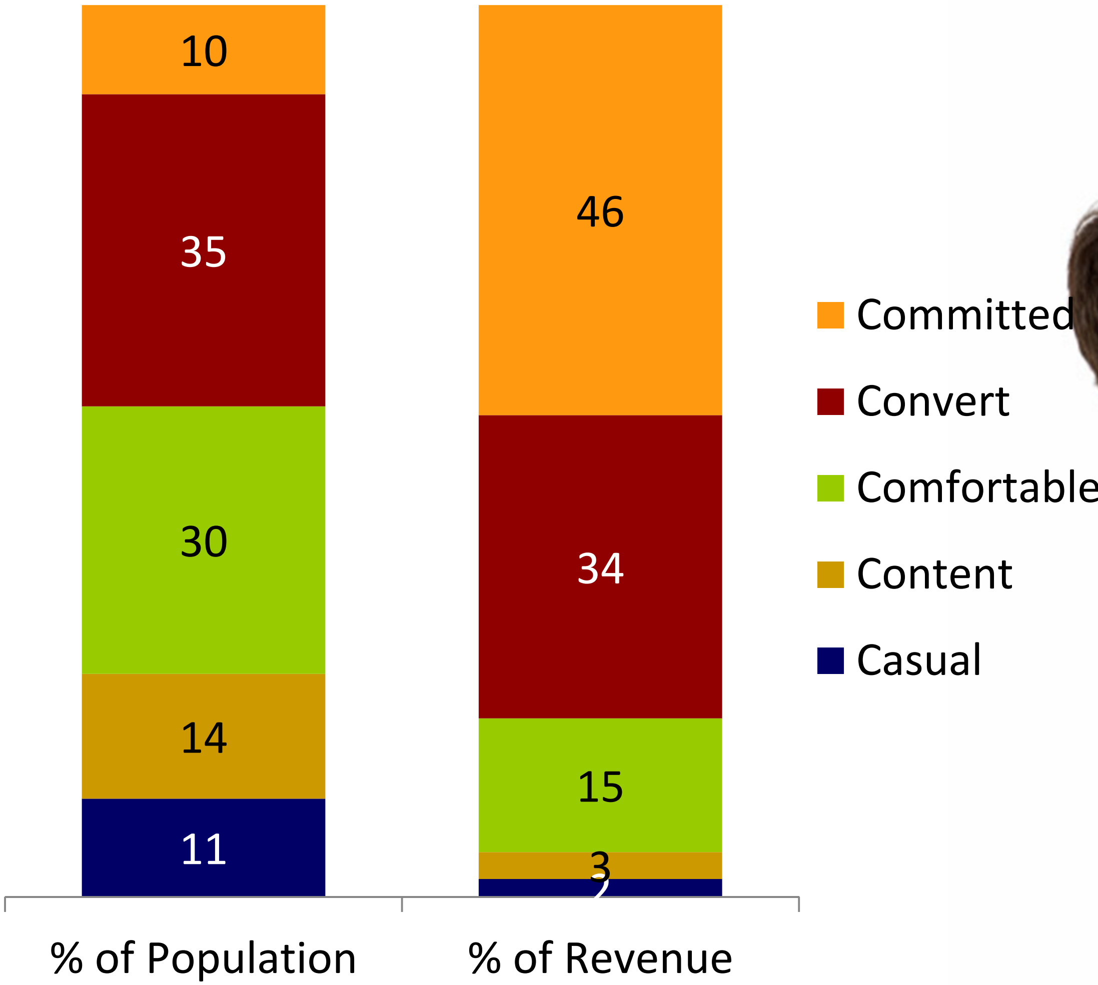
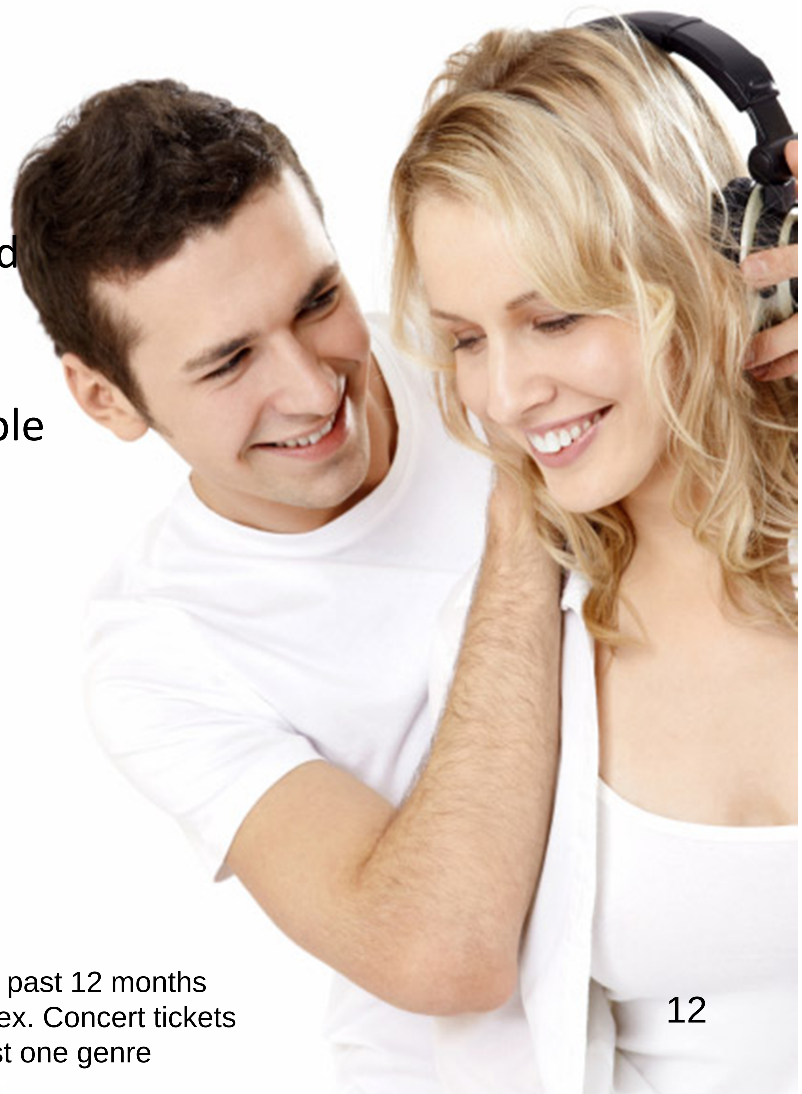
Five music segments

% of Population:



Ten percent of musically active consumers account for nearly half of spend*





*Spend is based on self reported expenditures past 12 months
on physical, digital, merchandise, subscriptions, ex. Concert tickets
Base: musically active/interested in at least one genre

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Segment 1: Committed

- 10% of musically active consumers
- 46% of per capita spend
- Spend* $267 per capita; 4X average
- Plus $139 on concerts
- Mean age: 32 (youngest)
- 20% are age 13 – 17; 42% ages 18-35
- Higher income
- 2/3 qualify as heavy spenders or heavy listeners
- Buy all formats
- Listen all formats
- Explorers/Recommenders/Discoverers
- Access great, but want to own too
- Alt/PopTop40/RapHipHop
- Deconstruction of albums has influenced uberfans to buy music from a greater variety of unfamiliar artists

*Spend includes physical/digital/subscriptions/merchandise/gift cards

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Segment 2: Convert

- 35% of musically active
- 34% of per capita spend
- Spend* $64
- Mean age: 34 (2nd youngest)
- 13% are Teens; 23% 18-25
- Good listeners, but modest spenders
- More likely than average to buy CDs or DDLs
- Listen in variety of ways, but not radical
- Value music, but less need to own
- Variety of genre preferences

*Spend includes physical/digital/subscriptions/merchandise/gift cards

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Segment 3: Comfortable

- 30% of musically active
- 15% of per capita spend
- Spend* $33
- Getting spend to fair share= 6% category revenue growth
- Mean age: 50; 82% are 36 or older
- 60% women
- Lighter buyer/listener
- CD buyers
- Listen on radio, with CDs
- Value music, but it’s familiar over new
- Classic Rock/Country/Oldies

*Spend includes physical/digital/subscriptions/merchandise/gift cards

Segment 4: Casual

- 14% of musically active
- 3% of per capita spend
- Spend* $12
- Mean age: 43
- 55% men
- Lighter buyer/listener
- Low incidence of buying
- Low on digital anything
- Music is modestly important
- Low interest in learning
- Cross-section of genre

*Spend includes physical/digital/subscriptions/merchandise/gift cards

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Segment 5: Content

- 11% of musically active
- 2% of per capita spend
- Spend* $11
- Mean age: 55
- Lightest buyer/listener
- Buy periodic CD
- Current music not engaging
- “I’m good”
- Classical, Classic Rock, Anything Old/Standard

*Spend includes physical/digital/subscriptions/merchandise/gift cards

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The more involved segments spend across a spectrum of options -- and outlays are higher

	Musically Active	Casual	Content	Comfortable	Convert	Committed
INCIDENCE OF BUYING/SUBSCRIBING (% Doing P12 Months)						
Physical Music CDs or music DVDs	32	8	12	32	38	61
Vinyl album/EP/single	3	0	1	1	3	12
Digital Albums	12	1	3	2	17	48
Digital Songs	21	1	9	5	34	63
A music-related 'App'	4	0	1	1	5	20
Ringtone	9	1	2	4	12	29
Online Music Subscriptions	3	0	1	1	4	13
Other Music Subscriptions	8	4	4	7	8	19
Music/artist-related merchandise	12	2	1	6	14	45
Concert Tickets	23	5	8	17	29	55
Gift card to purchase music at an online retailer	16	4	5	10	22	44
Gift card to purchase music at physical retailer	5	1	1	4	5	17
SPEND AMONG BUYERS/SUBSCRIBERS ($ P12 Mos.)						
Physical Music CDs or music DVDs	$ 52	$ 32	$ 30	$ 46	$ 45	$ 82
Vinyl album/EP/single	$ 54	$ -	$ 62	$ 36	$ 26	$ 82
Digital Albums	$ 45	$ 13	$ 24	$ 24	$ 29	$ 70
Digital Songs	$ 37	$ 21	$ 20	$ 14	$ 28	$ 63
A music-related 'App'	$ 23	$ -	$ 4	$ 18	$ 12	$ 35
Ringtone	$ 11	$ 5	$ 6	$ 7	$ 11	$ 13
Online Music Subscriptions	$ 69	$ 50	$ 48	$ 57	$ 59	$ 85
Other Music Subscriptions	$ 114	$ 125	$ 84	$ 98	$ 109	$ 141
Music/artist-related merchandise	$ 65	$ 42	$ 24	$ 35	$ 50	$ 95
Concert Tickets	$ 169	$ 150	$ 101	$ 147	$ 142	$ 251
Gift card to purchase music at an online retailer	$ 52	$ 52	$ 28	$ 45	$ 49	$ 63
Gift card to purchase music at physical retailer	$ 63	$ 57	$ 23	$ 51	$ 39	$ 97

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Note: sample sizes are small for any segment where incidence is less than 10%; shown for illustration only and should be considered directional

Base: Musically active with interest in at least one genre

Per-capita spend

	Total	Casual	Content	Comfortable	Convert	Committed
Physical Music CDs or music DVDs	16.4	2.5	3.5	14.7	17.2	50.4
Vinyl album/EP/single	1.4	0	0.3	0.3	0.8	9.7
Digital Albums	5.5	0.1	0.7	0.4	5.0	33.7
Digital Songs	7.8	0.3	1.9	0.7	9.2	39.5
A music-related 'App'	1.0	0.0	0.0	0.2	0.6	6.8
Ringtone	1.0	0.1	0.1	0.3	1.3	3.9
Online Music Subscriptions	2.2	0.1	0.5	0.5	2.4	11.0
Other Music Subscriptions	8.6	4.4	3.0	6.4	8.4	27.3
Music/artist-related merchandise	7.6	0.8	0.3	2.1	6.8	42.4
Concert Tickets	38.3	8.1	8.1	24.7	41.5	139.3
Gift card to purchase music at an online retailer	8.4	1.9	1.5	4.7	10.6	27.6
Gift card to purchase music at physical retailer	3.1	0.5	0.3	2.2	1.8	16.3

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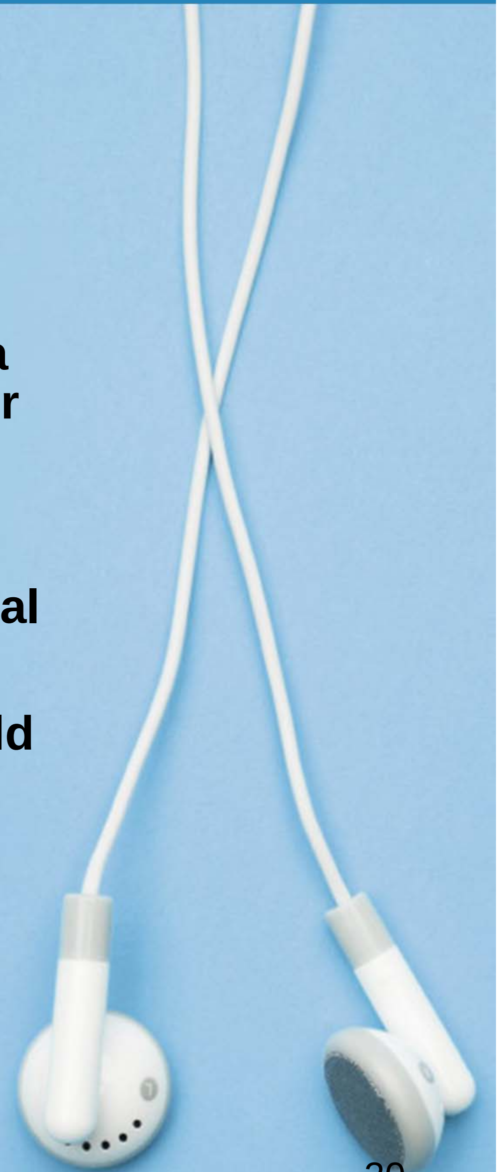
Base: Musically active with interest in at least one genre

Messages from consumer attitudes

- **Music gifting is becoming a niche activity for aficionados, rather than the common practice of earlier days**
- **A large portion of music fans still do not participate in a “digital experience,” whether for buying, discovering, or listening**
- **Many desire familiar music over new music**
- **“Superfans” value ownership, whether physical or digital**
- **There is a desire for more information about releases from favorite artists, and a suggestion providing it would lead to more purchasing**
- **Deconstruction of albums has influenced “uberfans” to buy music from a greater variety of unfamiliar artists**



Thinking about music in general, please indicate how much you agree or disagree with the following statements.

Attitudes Towards Music – Agree Completely or Somewhat	
Music makes life richer - I enjoy listening to music whenever I can	78%
The Internet has allowed me to discover music that I would not have known otherwise	49%
As long as I can listen to music from my favorite artist I don't need to own the CD or digital song/album	40%
Because I have access to specific music wherever I am, I feel less of a need to own it	40%
I am learning about music from people in different age groups	40%
I tend to buy music from artists I'm already familiar with because I'm afraid I won't like music from new artists	37%
Current music is creative, original and authentic	29%
The music I like is hard to find in the stores	25%
I don't always know when artists and bands I like have new music available, otherwise I would probably purchase more music	23%
As I don't have to purchase the entire album, I am buying more music from artists that are new to me	22%
Other's look to me for music recommendations	17%
I am buying more music today than I have bought in the past	16%
I'm growing tired of my existing music collection, but I just don't know what to buy	15%
I buy music as a gift more than in the past	11%
Base: Musically active in the past three months	3,114

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Attitudes Towards Music – Fan Segments Top Two Box Summary (% Agree Completely or Somewhat)	Casual	Content	Comfortable	Convert	Committed
Music makes life richer - I enjoy listening to music whenever I can	50	48	83	92	92
The Internet has allowed me to discover music that I would not have known otherwise	9	31	27	79	83
I am learning about music from people in different age groups	8	21	32	56	71
Because I have access to specific music wherever I am, I feel less of a need to own it	37	30	39	46	37
As long as I can listen to music from my favorite artist, I don't need to own the CD or digital song/album	42	33	39	44	32
I tend to buy music from artists I'm already familiar with, because I'm afraid I won't like music from new artists	26	26	45	40	36
Current music is creative, original, and authentic	9	16	22	41	50
The music I like is hard to find in stores	18	15	22	29	38
I don't always know when artists and bands I like have new music available, otherwise I would probably purchase more music	4	17	17	35	34
As I don't have to purchase the entire album, I am buying more music from artists that are new to me	2	12	6	37	55
Others look to me for music recommendations	0	8	4	27	50
I am buying more music today than I have bought in the past	1	10	5	23	49
I'm growing tired of my existing music collection, but I just don't know what to buy	4	13	9	21	22
I buy music as a gift more than I did in the past	2	8	8	15	20

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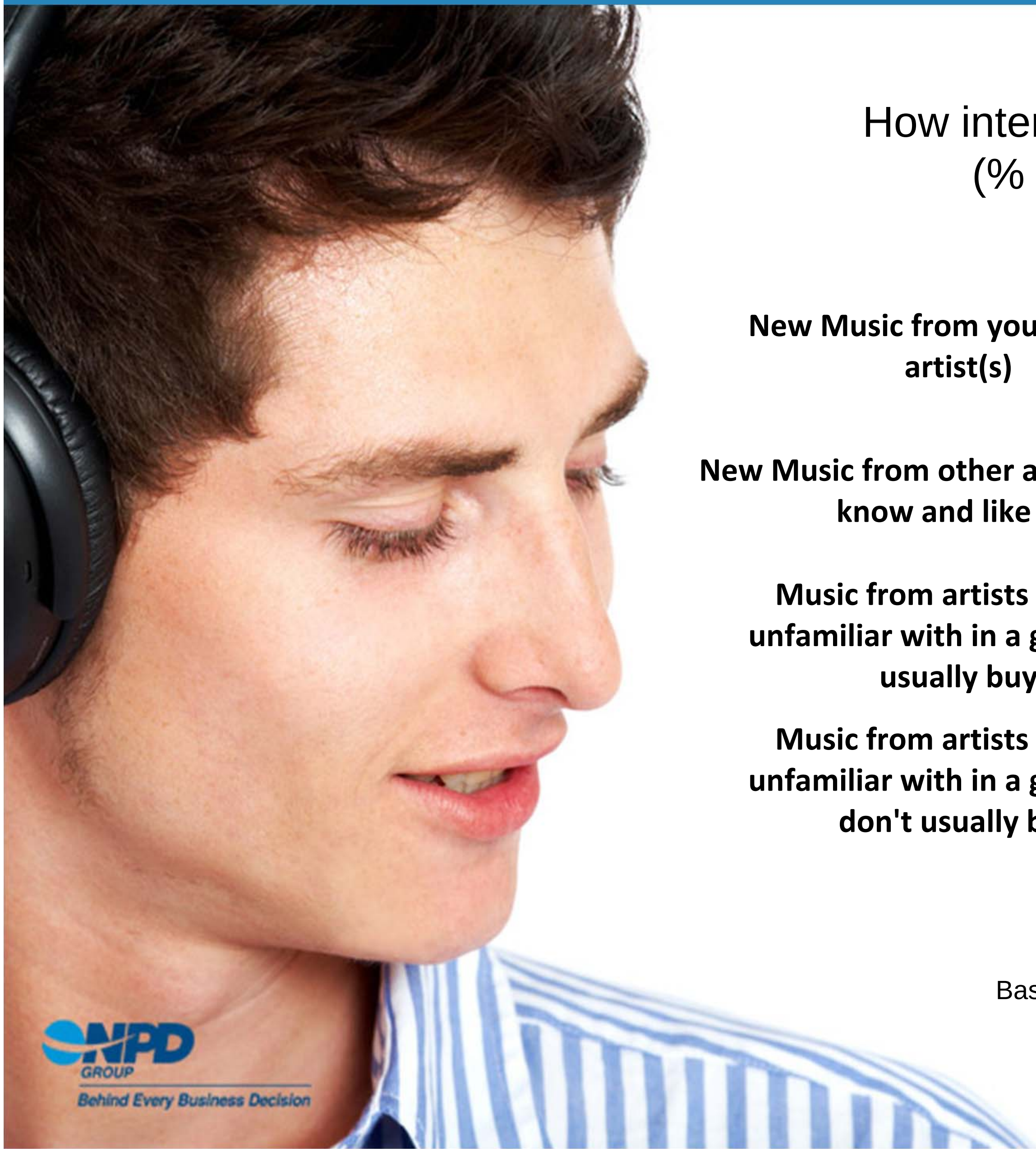
Base: Musically active with interest in at least one genre

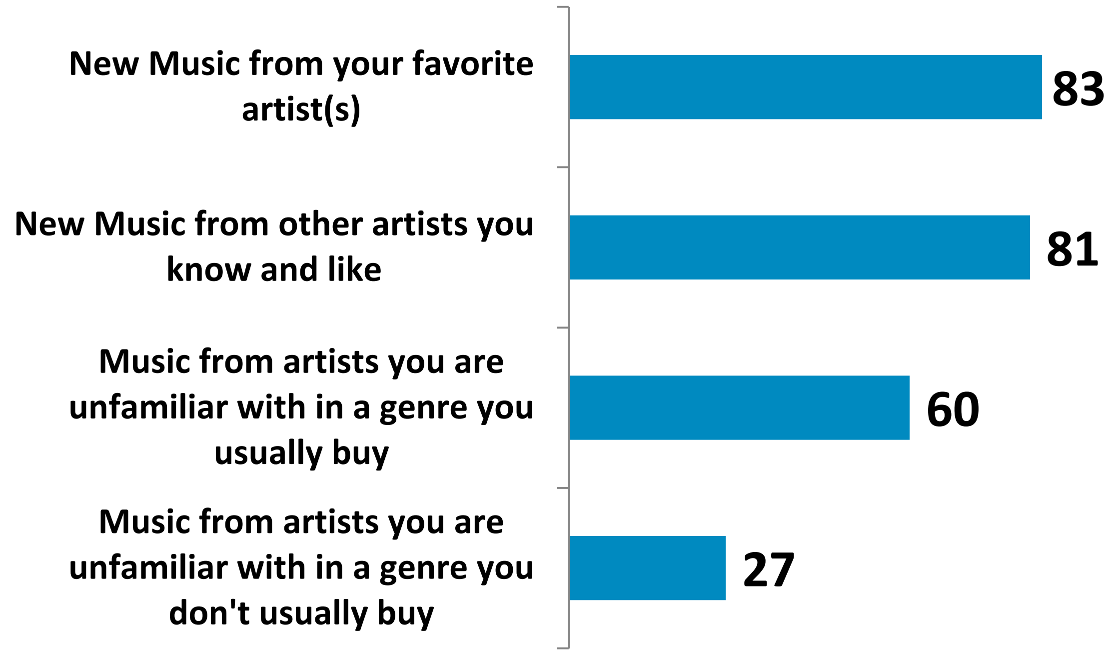
1) Discovery is relevant, and important

- Music consumers have a strong appetite for music discovery.
- Interest in music discovery stays with us, although it changes as we age.

There is strong interest in discovering new music, so long as it is from a familiar artist or genre



How interested are you in learning about:
(% saying Very or Somewhat)



Base: Musically active with interest in at least one genre

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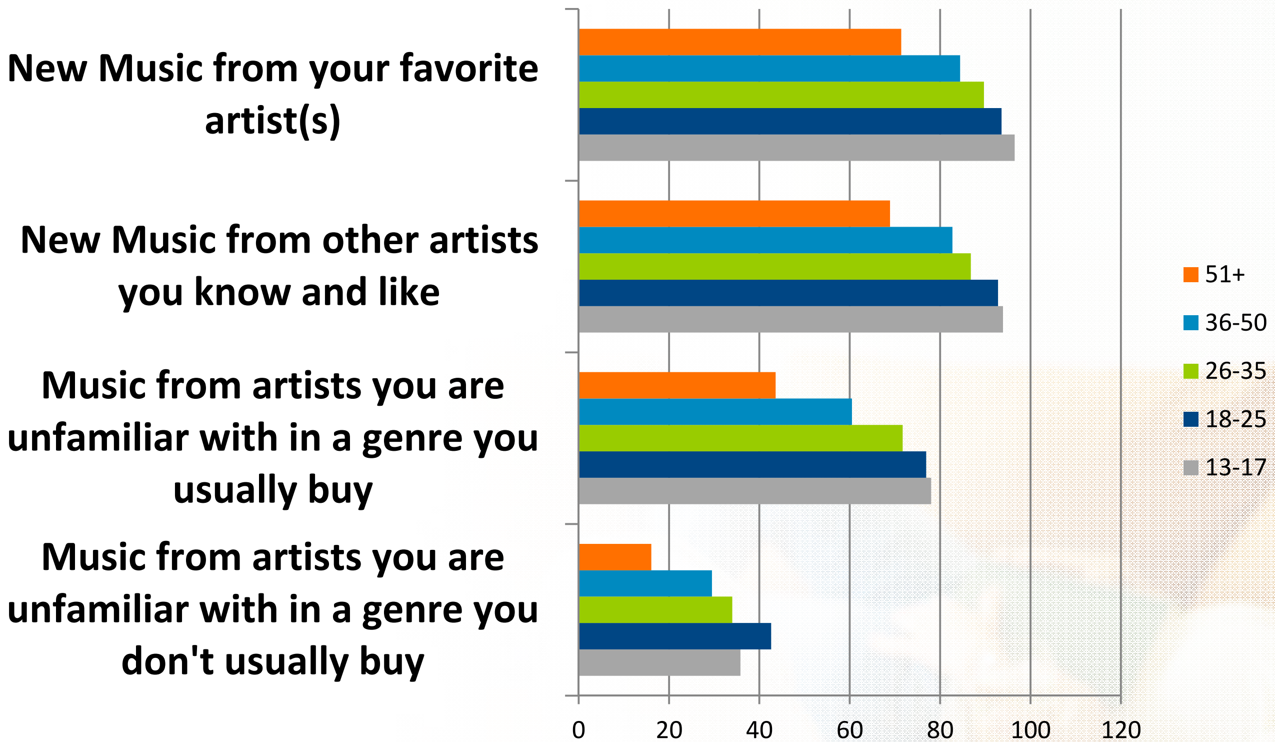
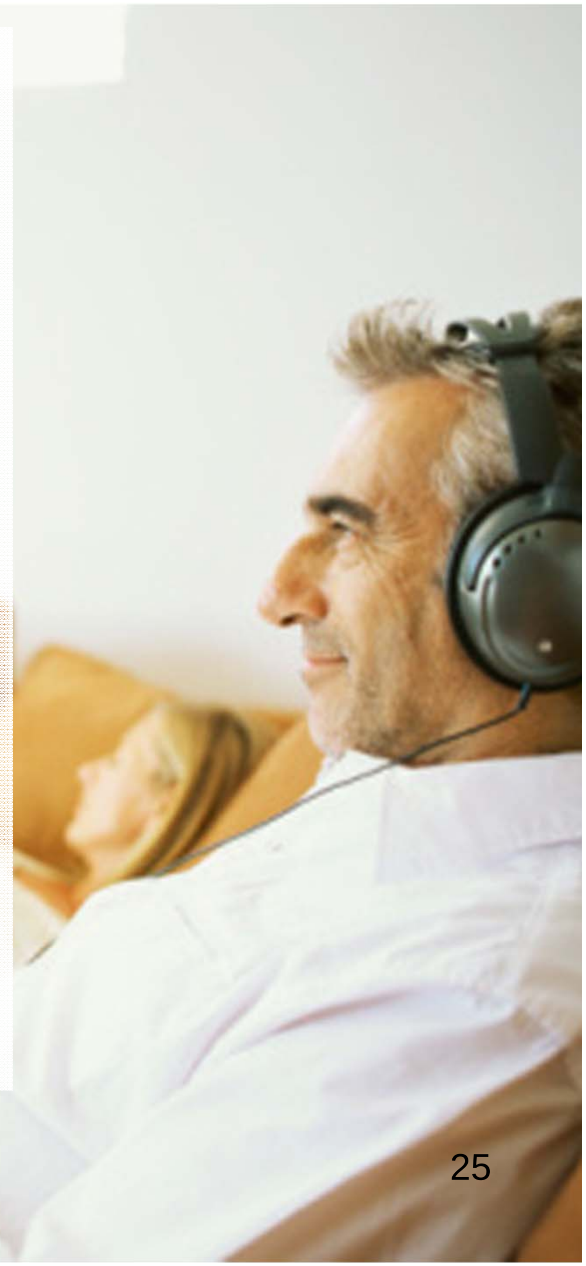
Interest in learning spans age groups, though it diminishes somewhat as we get older

How interested are you in learning about:
(% saying Very or Somewhat)



Base: Musically active with interest in at least one genre



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2) Technology and distribution methods don't permit us to think about "Discovery" in the same way

- An important segment of music customers are "ultra consumers" who are influenced by a variety of sources and will embrace new methods of engagement and learning -- including the cloud, streaming and social network
- There are also mainstream music consumers whose modes of discovery are more traditional

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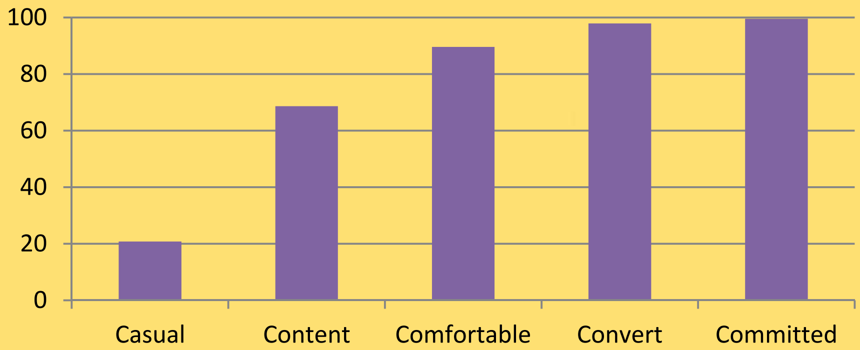
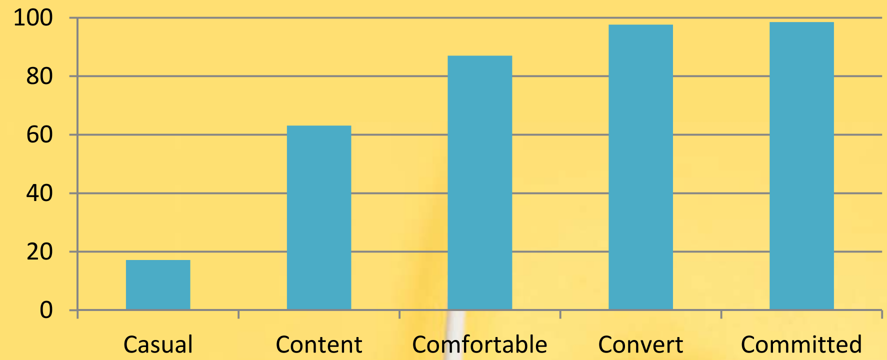
Certain segments are interested in learning about a variety of music, while others aren't interested at all

How interested are you in learning about?

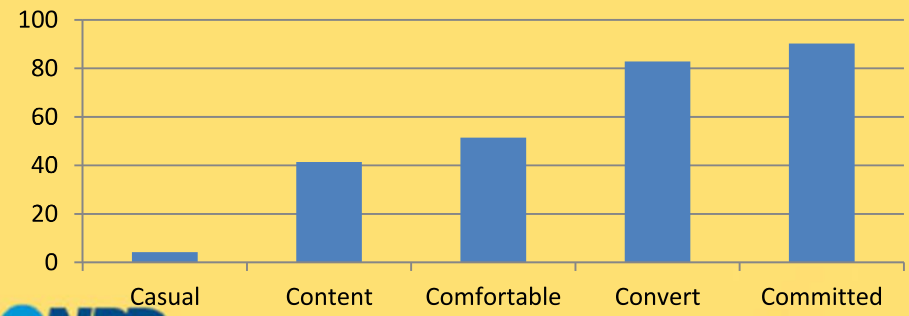
New music from your favorite artist(s)



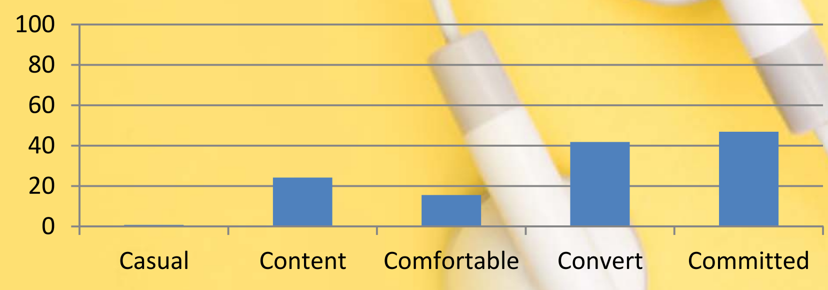
New music from other artists you know and like



Music from artists you are unfamiliar with in a genre you usually buy



Music from artists you are unfamiliar with in a genre you don't usually buy



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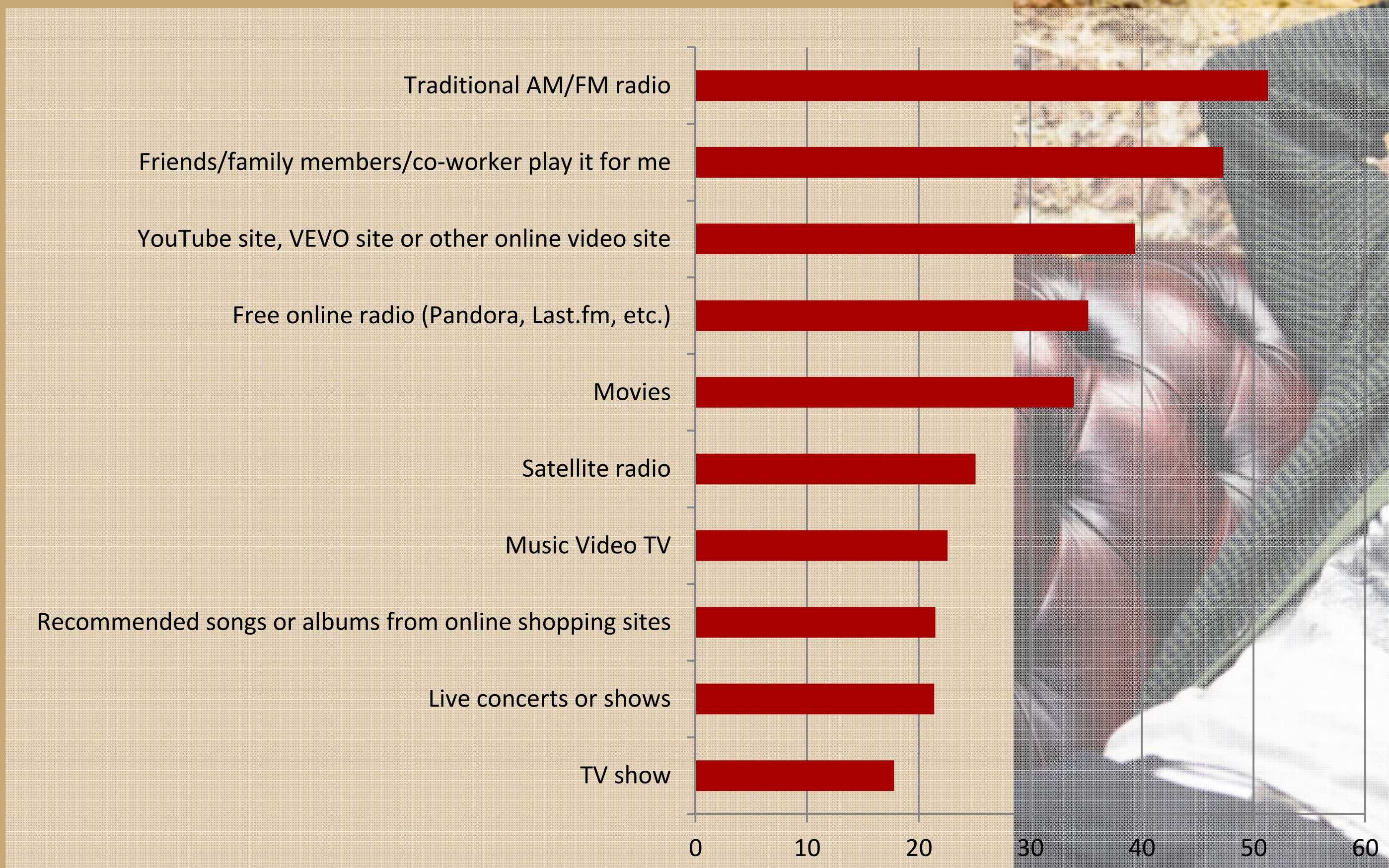
Base: Musically active with interest in at least one genre

The most engaged segment leverages a variety of discovery sources including AM/FM, evangelists, video, streaming, and movies

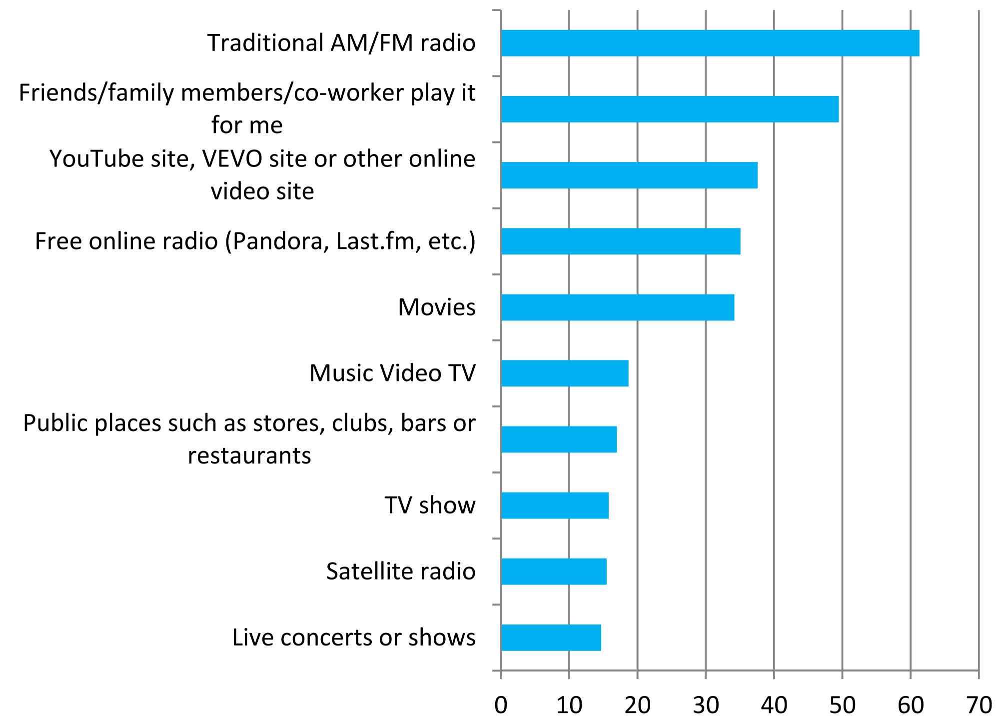
Sources described as influential (top 10)
COMMITTED



Base: Musically active and interested in discovery

The second most involved segment also uses a variety of sources, but AM/FM is somewhat more important

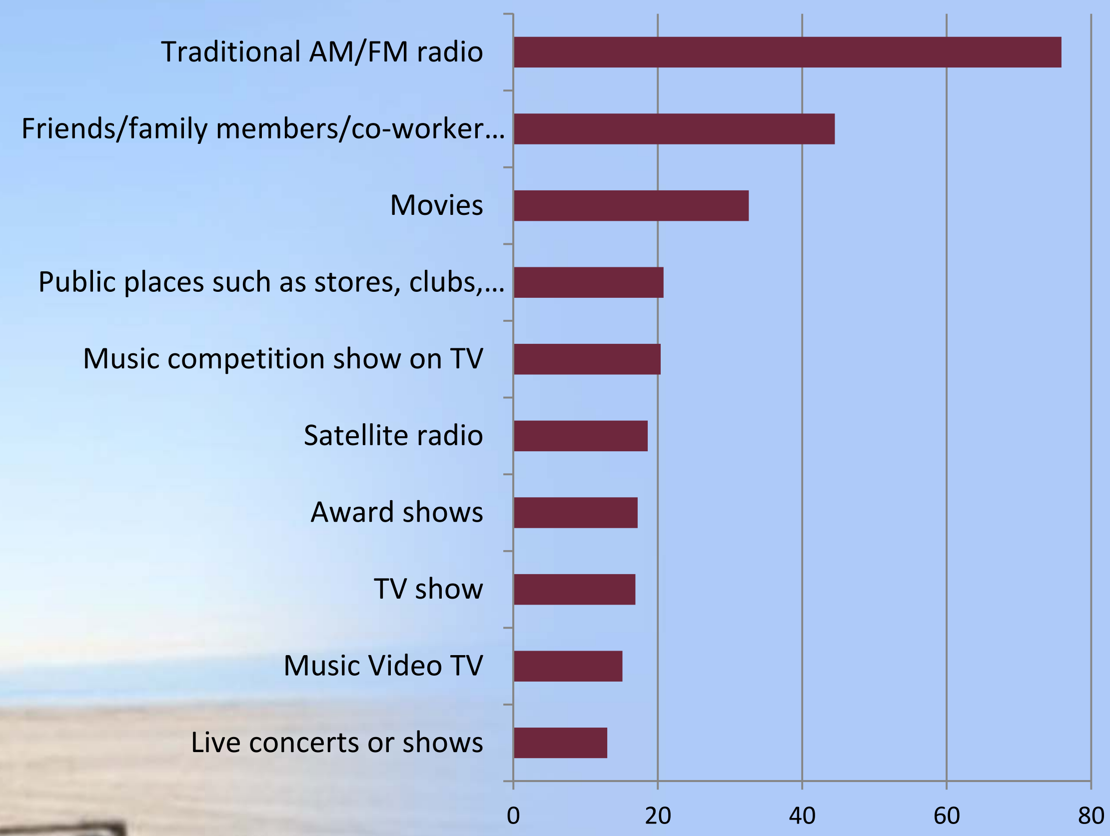
Sources described as influential (top 10)
CONVERTS



Base: Musically active and interested in discovery

The older, more mainstream segment still relies primarily on AM/FM for learning -- a variety of TV options are also important

Sources described as influential (top 10)
COMFORTABLE



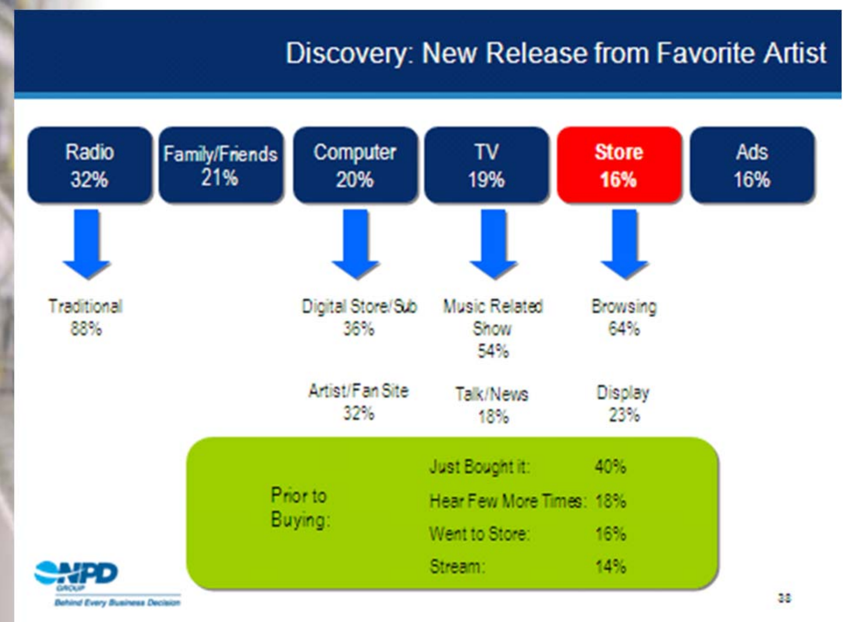
Base: Musically active and interested in discovery

3) Some things are the same, and others are not

- Focusing on two of the 2007 findings “Digital” discovery was emerging, especially for teens, but it was experienced at online stores and artist websites and not as evolved as today
  - Social networking was a nascent influence, mostly for new artists
  - Brick-and-mortar retail was competitive as a discovery source, and browsing was influential….
  - Selection was the most important shopping motivator (more than price)

In 2007 brick and mortar retail was an important source for discovery, but especially for conversion

Brick-and-mortar retail 2007:
50% reported buying
18% waited to hear again before buying
10% streamed it
4% stole it



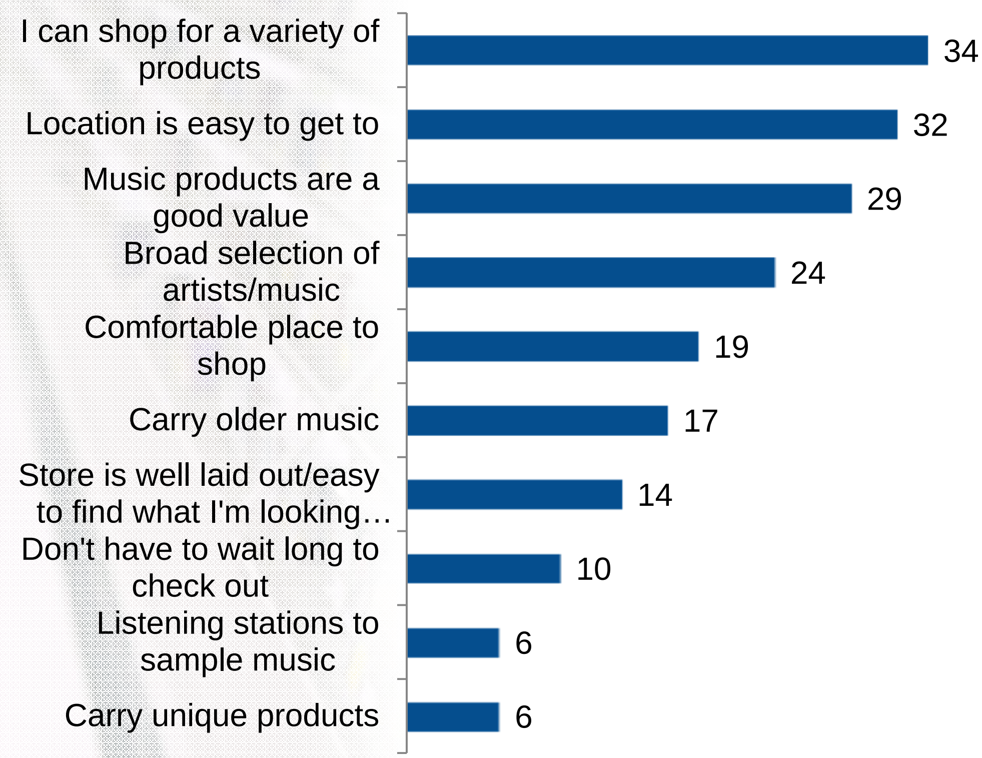
In 2011…

- The importance of traditional retail has declined. Only 8% cited traditional retail as one of the top 5 discovery influences; 13% among physical shoppers*
- Only 9% who selected it also said it was “most influential”
- Conversion remains excellent:
  - 40% bought the CD or music DVD at the store
  - 12% bought the CD or music DVD online
  - 11% bought a digital download of a track
  - 5% bought a digital album
- The average physical shopper is 43. Consistent with the aging of the CD population, those citing brick-and-mortar retail as influential have a mean age of 47.

*indicated purchased from a list of brick-and-mortar stores

With an aging CD population, fewer pure-plays, and changing expectations for brick-and-mortar retail, convenience factors now trump selection as shopping motivators

Top 10 reasons for regularly shopping at a physical store for music



Base: 1,267 Musically active and regularly purchase music from a physical store

Since 2007 new discovery options have emerged, and apps are more likely to lead to acquisition in addition to re-listening

Cited as Discovery Influence:	Free Online Radio	YouTube/VEVO/ Video site	App Phone/Tablet	Song ID App
Mean Age				
Heavy Listener?				
Heavy Buyer?				
Engagement	High	High	Highest	Highest
Actions		Return to video site		
	Stream	Stream	Stream	Stream
				Check out online
			Buy DDL, Dig. Album	Buy DDL, Dig. Album
				DL Free

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4) Discovery from the cloud: an example of the new world

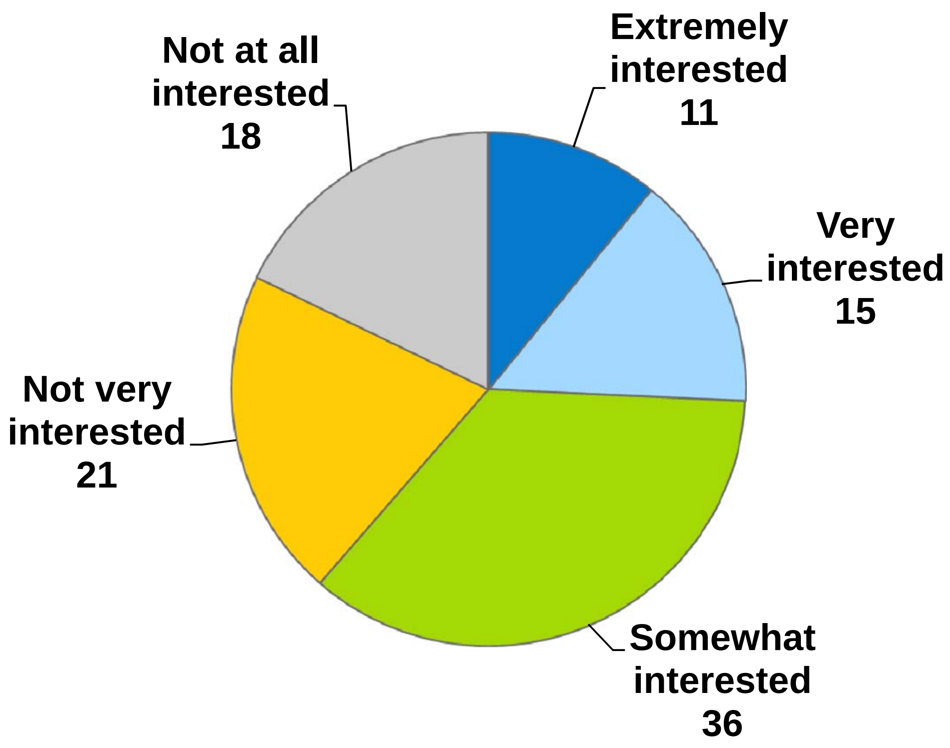
Today you store most of your music on your computer, portable music player or phone. Companies are developing technologies that will allow you to store, access, discover, listen and buy music in a central location on the internet. This location is referred to as the “cloud”.

Some new services are being developed today that take advantage of cloud capabilities to give you new ways to discover and purchase music. For example, you’re at a bar or restaurant and you hear a song you like on a digital jukebox (a device that looks like a sign or even your tabletop, but plays music). You can swipe your mobile device in front of the sign or across the tabletop to download the song, pay for it, and take it with you – with just one movement. Or, imagine being at a concert and an interactive touchscreen, perhaps even at your seat, lets you get more information about the artist, purchase music, and browse and order available merchandise, so you can hit the “fast checkout” line for your new CD, hat or t-shirt after the show or at intermission.

One in four expressed above average interest in the cloud discovery concept

Q27. After reading this description, how interested would you be in using this "cloud" based service for music?

Interest in using the cloud-based service (%)



Base: 2,003 Musically active

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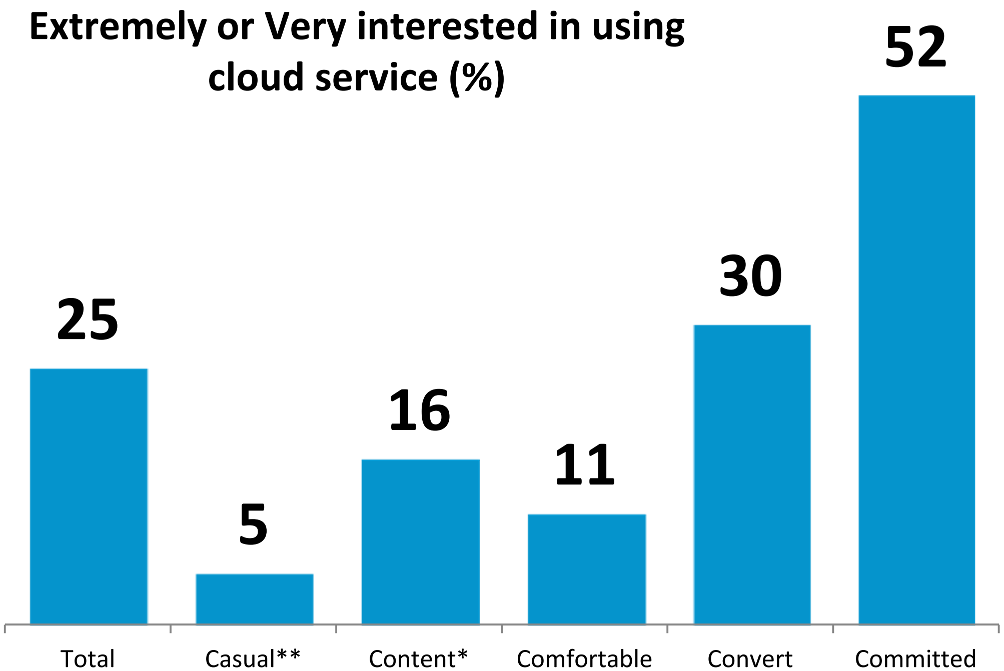
Interest rockets among the most engaged music consumers



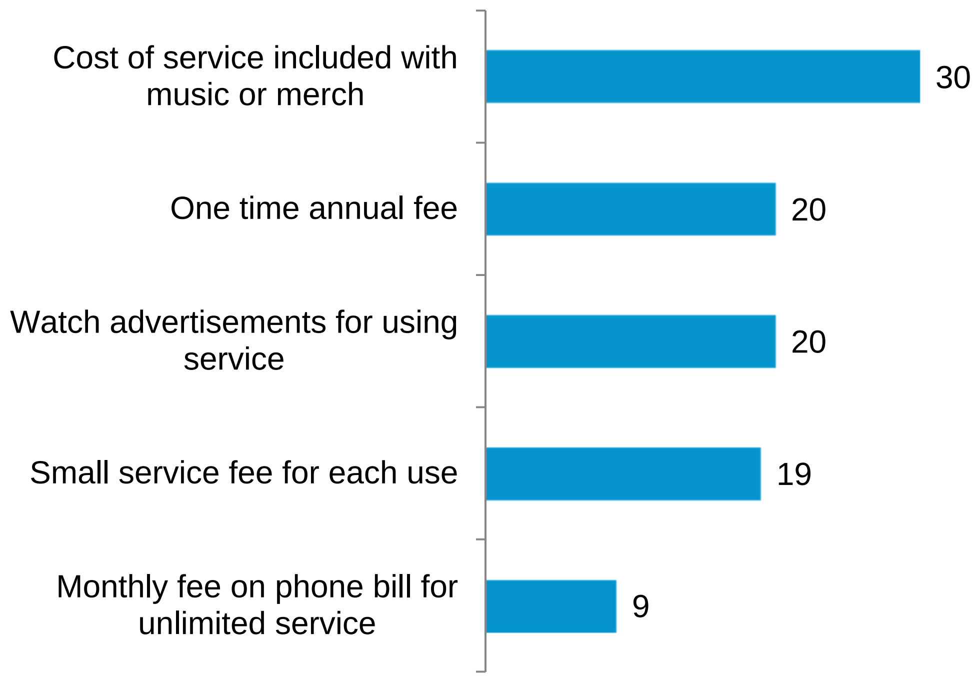
Base: 2,003 Musically active

* Low base; interpret data with caution
* * Very low base; for directional use only

A direct subsidy model is generally preferred over fee-based or ad-supported models…

Assuming there is a small fee associated with this service, which of the following payment methods would you prefer?

Preferred payment method for the cloud-based service



Base: 1,230 Musically active and interested in cloud services

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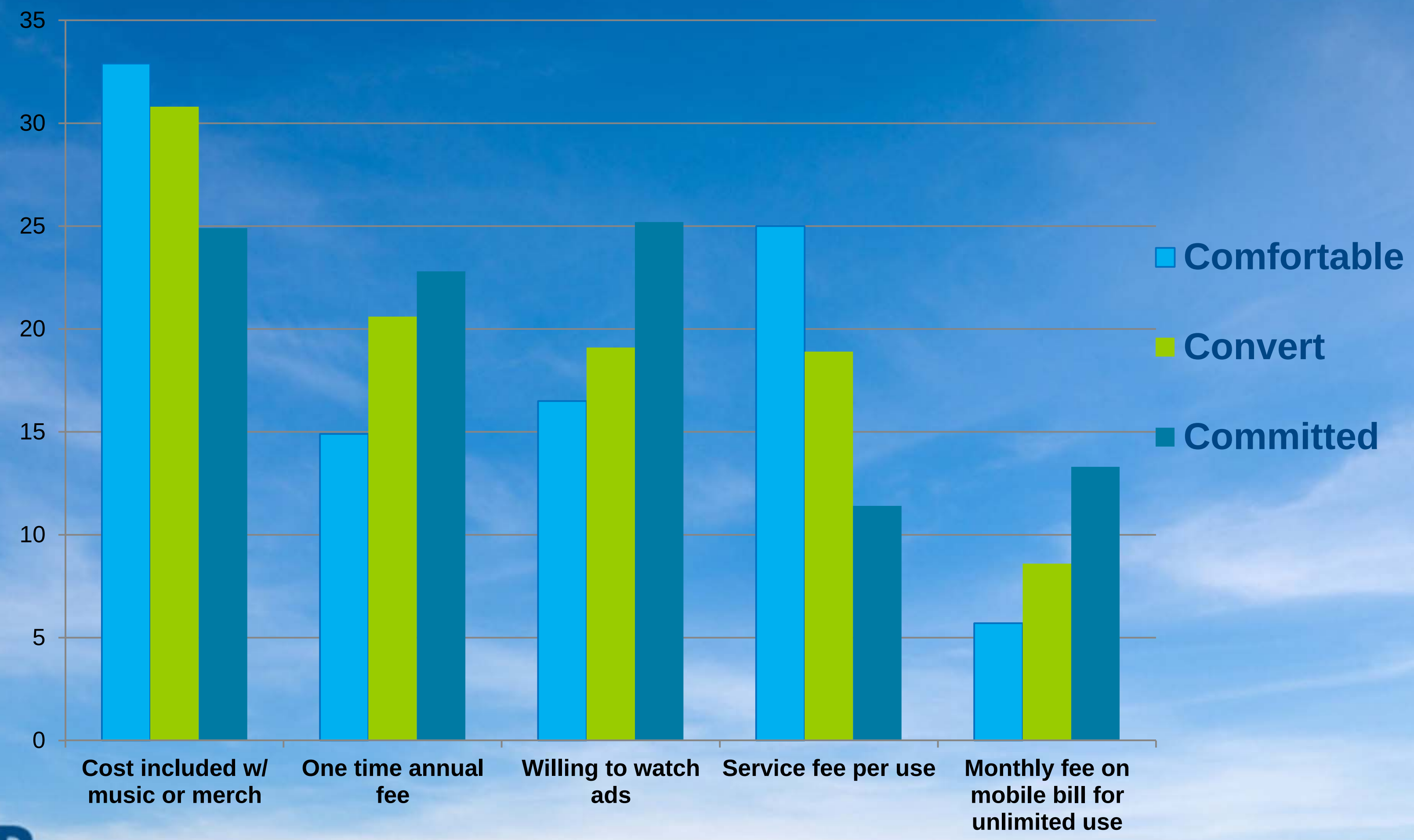
….however the engaged group is more open to other payment or subsidy options

Assuming there is a small fee associated with this service, which of the following payment methods would you prefer?



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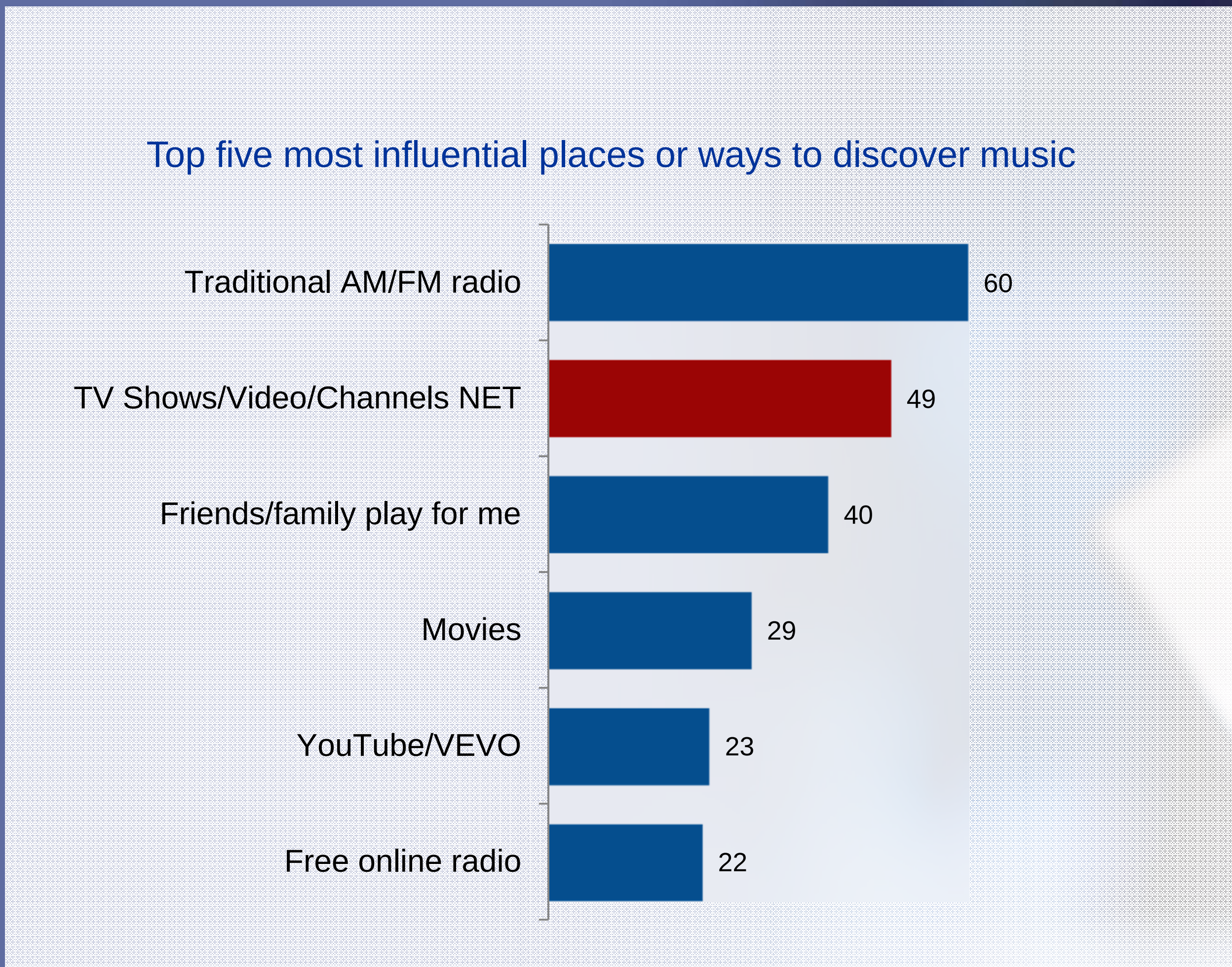
Base: Musically active and interested in cloud services

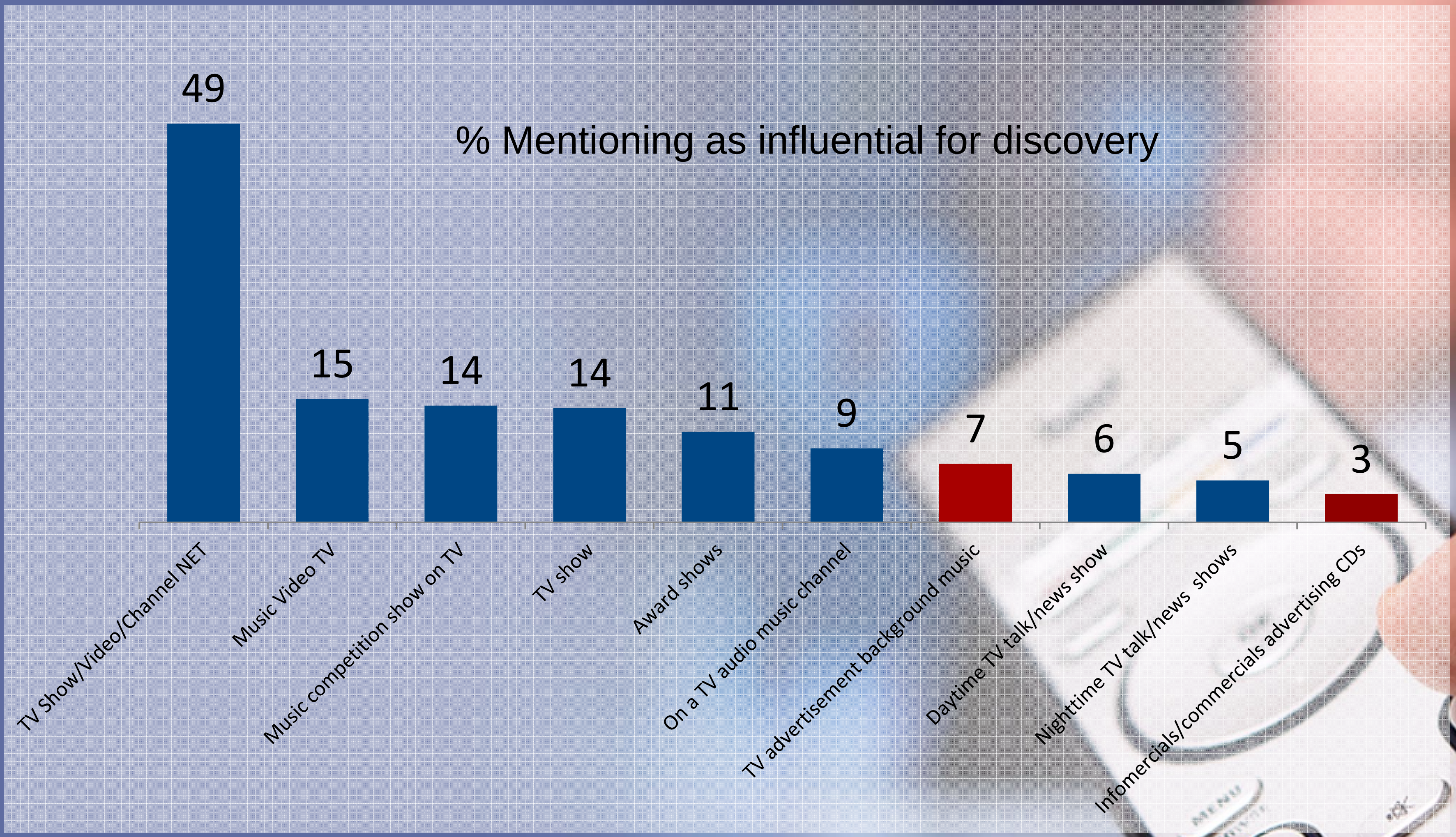
5) Television is a powerful source for music discovery

- No single television outlet comes close to AM/FM, YouTube or friends playing music, in terms of importance to discovery
- In aggregate, however, the TV medium is vital source for learning -- and many who use one format (e.g., nighttime) also use another (e.g., daytime).
- TV is particularly valuable for targeting the mainstream “Comfortable” segment, women, and brick-and-mortar shoppers.

In aggregate, TV shows, music videos on TV and TV music channels would be the #2 influence for discovery (not including ads with music or infomercials)



Base: 2,901 Musically active and interested in discovery

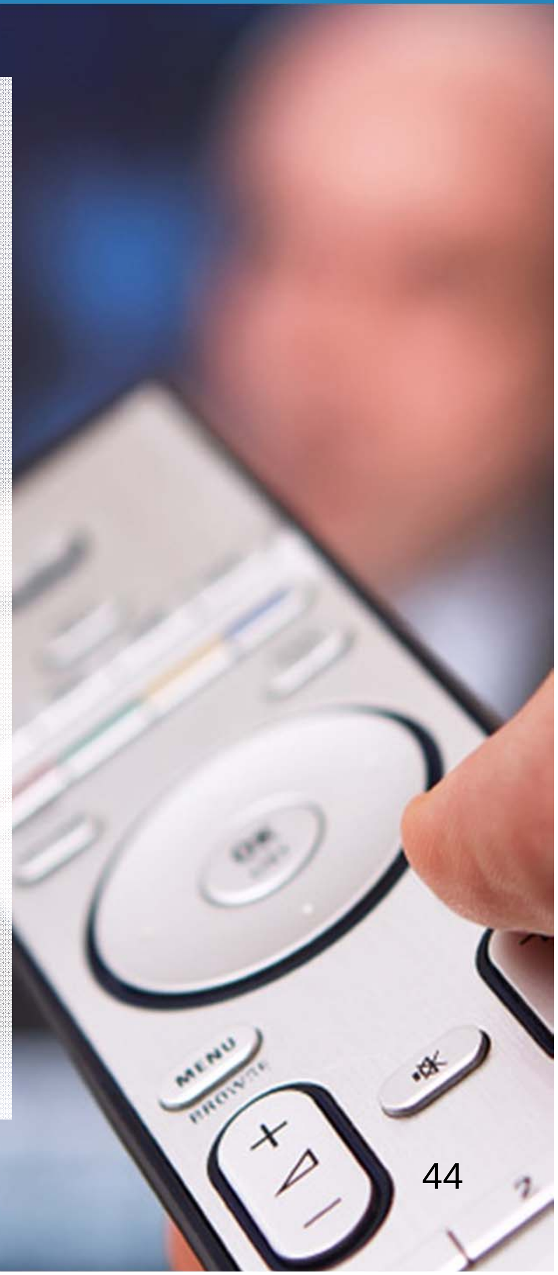


Net does not include background in ads or infomercials

Base: 2,901 Musically active and interested in discovery

Referring to TV options as a discovery influence (not audience measurement)…

- Those citing TV as influential are overwhelmingly women -- for award, music video and competition shows, daytime TV and hearing on a regularly scheduled TV.
- Music-video channels skew younger; daytime, nighttime and award older.
- Over-index for the mainstream segments who are also CD buyers and mass shoppers.
- TV audio channels such as MusicChoice skew younger, equally male and female, and towards heavier buyers, which reflects the multi-platform behavior of those who spend more time listening to music.



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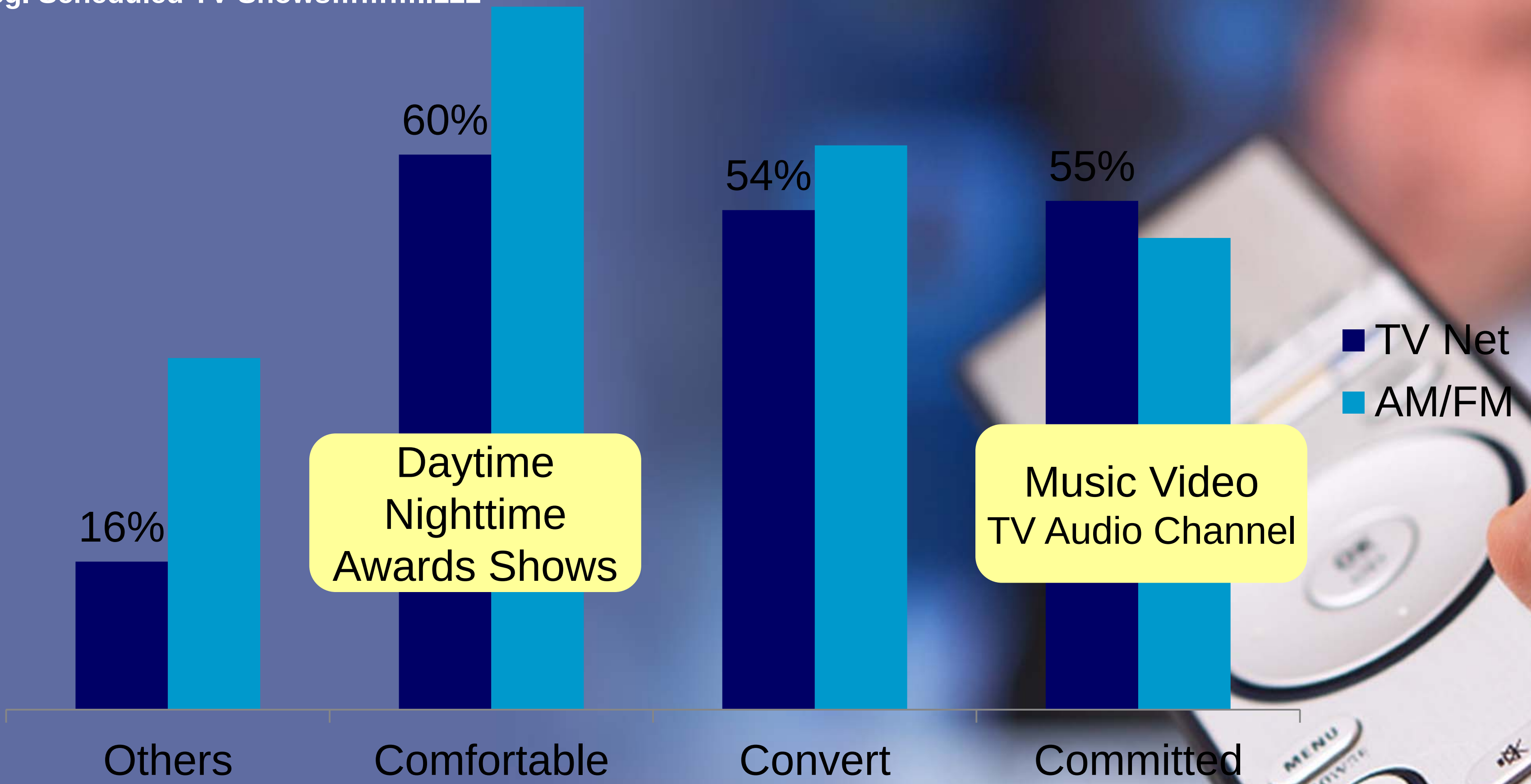
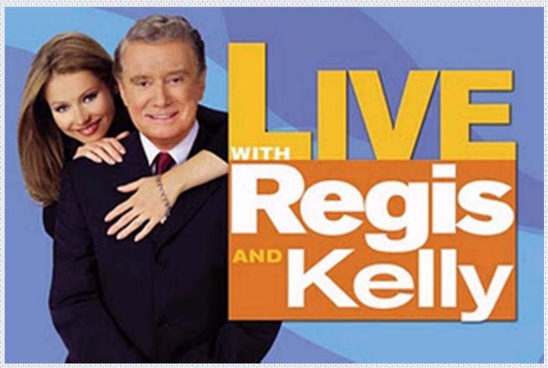
TV is relevant to the mainstream segment

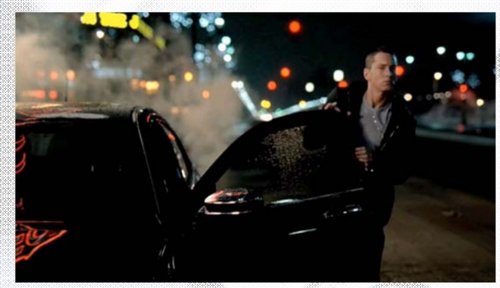
High Indexing TV Options for "Comfortable" Segment

- **Daytime……………………….……..188 index (100= average)**
- **Awards Shows………….………….156**
- **Nighttime……………………….……141**
- **Reg. Scheduled TV Shows………..122**



There are correlations between one TV influence and another





6) Conversion from discovery to purchase was an issue in 2007 and it remains an issue

- **New sources of listening, watching and researching make it even easier for the average music fan to delay or avoid taking "high value" action, e.g. paying whether for a CD, download or subscription**
- **The problem is compounded by the smaller physical footprint**
- **This is not so much as issue for the faithful shopper and fan but it is certainly the case for the average prospect**
- **However we cannot expect conversion to be quite as high given the overwhelming amount of content available to sample via online sources**

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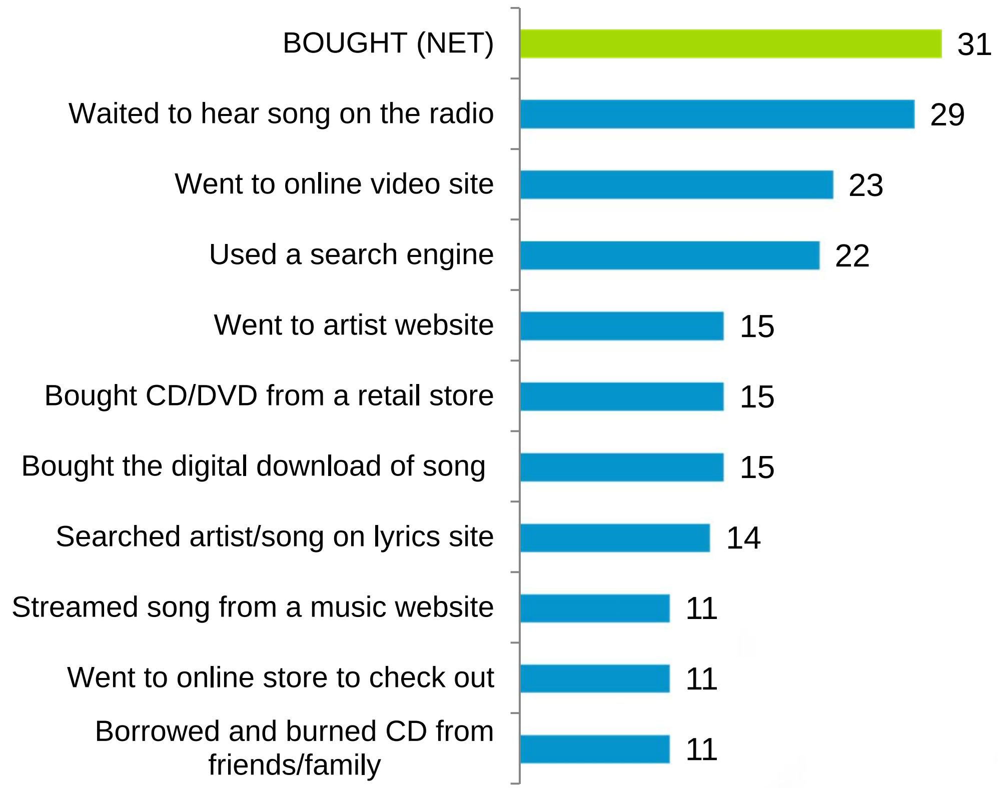
Some buy, some wait -- this is similar to 2007 behavior

*Thinking about the **past 12 months**, when you have discovered new artists or new releases using the sources you just told us about, which of the following, if any, actions did you take?*

Top 10 Actions Taken After Discovery



Base: 2,901 Musically active and interested in discovery
BOUGHT NET = bought CD or Music DVD from retail brick-and-mortar, online, or a digital track or album

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The challenge is that emerging forms of influence tend to inspire more listening than conversion, on average

If you mentioned "this" as a top discovery influence….

	Reco from online shopping site (iTunes, Amazon)	AM/FM	Free Online Radio	Video Site (YouTube, VEVO)	Retail Stores (B&M)	Movies
Mean Age	**36**	**42**	**34**	**32**	**47**	**40**
Gender Skew?		**Female**			**Female**	**Female**
Top 5 Actions	**Buy DDL**	**Wait to hear on radio**	**Search/Review**	**View on video site**	**Buy CD/DVD**	**Search/Review**
	Search/Review	**Search/Review**	**Use App**	**Search/Review**	**Search/Review**	**Wait to hear on radio**
	View on video site	**View on video site**	**View on video site**	**Obtain file for free**	**Wait to hear on radio**	**View on video site**
	Visit online store	**Buy CD/DVD**	**Wait to hear on radio**	**Wait to hear on radio**	**Obtain file for free**	**Buy CD/DVD;Visit artist website**
	Buy CD/DVD	**Obtain file for free**	**Obtain file for free/Buy DDL**	**Visit artist website**		**Obtain file for free**

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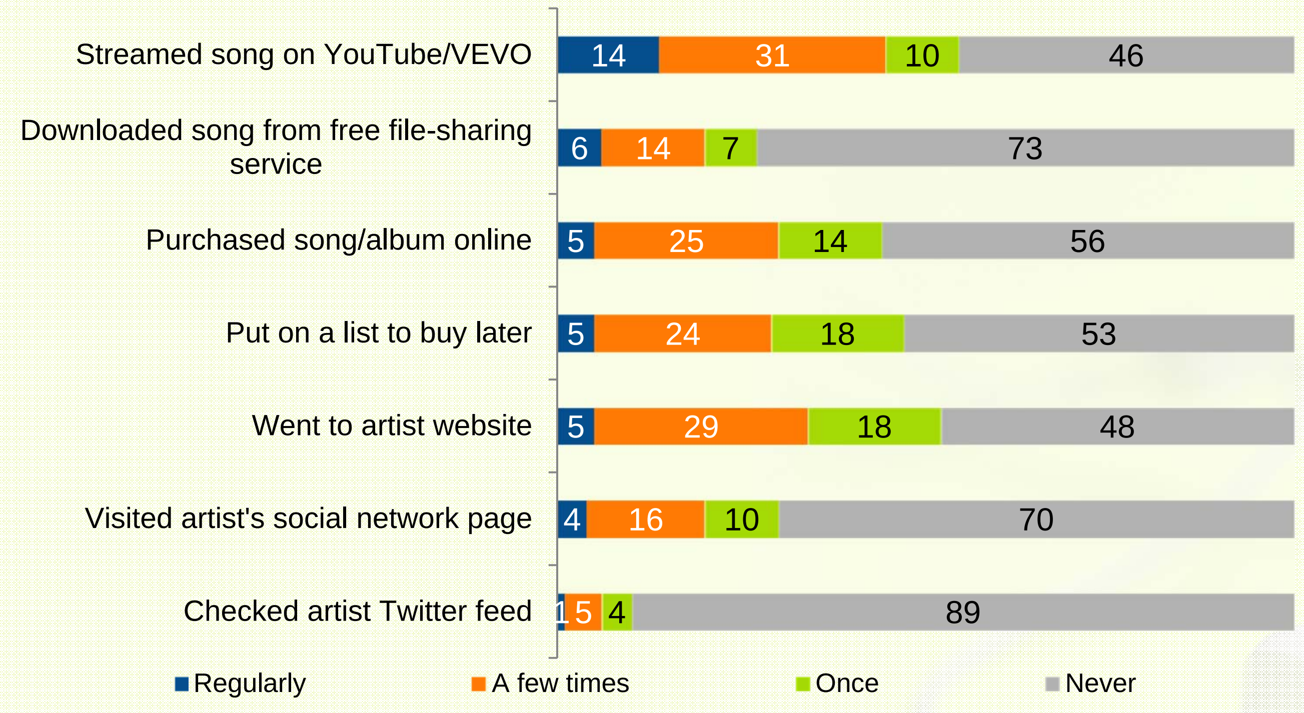
You indicated that you discovered a new song on a television show or commercial in the past 12 months.
How often, if ever, have you taken any of the following actions either during or immediately after discovering music in this way?

Actions taken after discovering music through TV or advertising



Base: 1,277 Influenced by TV/Video/Movie for music discovery

What happens when you hear a specific song….

*For this next series of questions we'd like you to think about the **last time** you discovered a new song that you liked enough to want to hear again.*

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Long & winding road

Heard song like enough to listen to again
Last week…26%
Last week or two…43%

Recall enough to talk about it?
Yes……….61%

Artist was…..
Favorite…………….25%
Know/Like………..28%
Familiar……………….5%
Unfamiliar………….42%

How did you discover?
Listening as usual……….39%
Caught my ear……………24%

Where did you hear it?
AM/FM………….40%
All other options <10%

First thing you did?
Nothing……….22%
YouTube/VEVO/Video……..19%
Bought DDL………..14%
Waited to hear on radio……12%

Anything else you've done?
Nothing……….35%
Waiting to listen again on AM/FM….12%
YouTube/VEVO/Video….12%
Visit artist website……9%
Bought DDL……….8%

Have you acquired since?
No……….80%
Bought DDL…..5%

Intent to acquire
Nothing……47%
Paid DDL…..19%
CD @ retail….15%
Free (P2P/share)….13%
CD online……….5%

Base: 2,901 Musically active and interested in discovery

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Researching is a dynamic activity that in general leads to a higher likelihood of acquiring the song

What was the first thing you did after hearing (song), and what else?

	Researched	Got Free	Went to YouTube/ VEVO/Video Site	Bought (CD, DVD, DDL)	Waited to Hear Again
% Saying…	49%	33%	32%	24%	22%
% Acquiring	33%		20%		16%
% Intending to Acquire (if not yet)	61%		57%		56%

Researching: checked lyrics site, went online to check out, listening station, read reviews, looked up on Pandora, tagged using Shazam, refer to social network/Twitter, visit artist website

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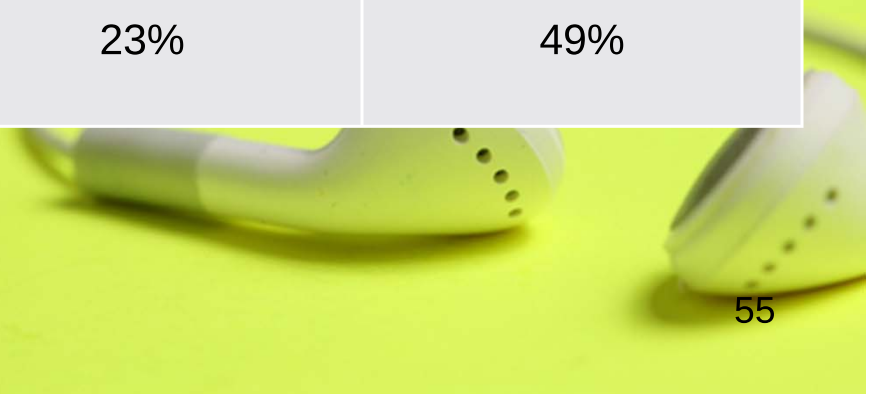
The committed segment is researching and buying…but the average consumer waits

		Committed	Converts	Comfortable
How they Learn		Variety of radio, video, recommendation	Variety of radio, video, recommendation	AM/FM, friends/recos, movies, TV, award shows
What they do next		Engage in listening, research and acquisition	Listening & research; some acquisition	Listen on radio; some buy CD
Discovery experience		Good, but am I missing something?	Satisfied, but would consider new options	Good enough
After hearing song…		Intense research	A bit of everything	Wait to hear again on radio
		37% buy right away		
		Visit video site		
		Get for free		

*Base: Interested in music discovery

Access has provided an alternative to buying among certain segments…

Top Two Box Score (% Completely or Somewhat Agree)		**Converts**	**Committed**
Because I have access to specific music wherever I am, I feel less of a need to own it		46%	37%
As long as I can listen to music from my favorite artist I don't need to own the CD or digital song/album		44%	32%
I am buying more music today than I have bought in the past		23%	49%



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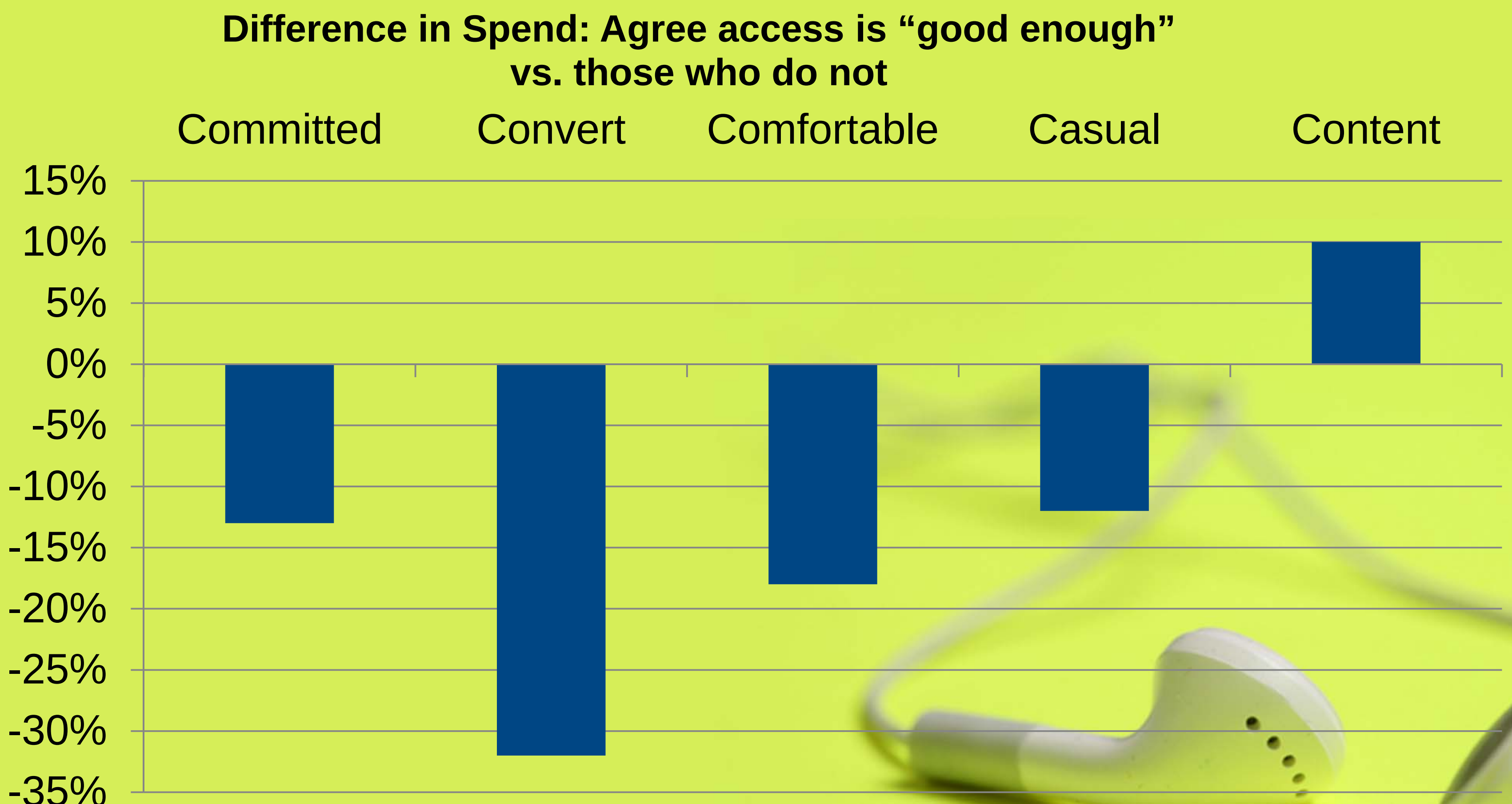
Is there more opportunity to monetize the active listening/modest spending segment? Access is most detrimental to their spend

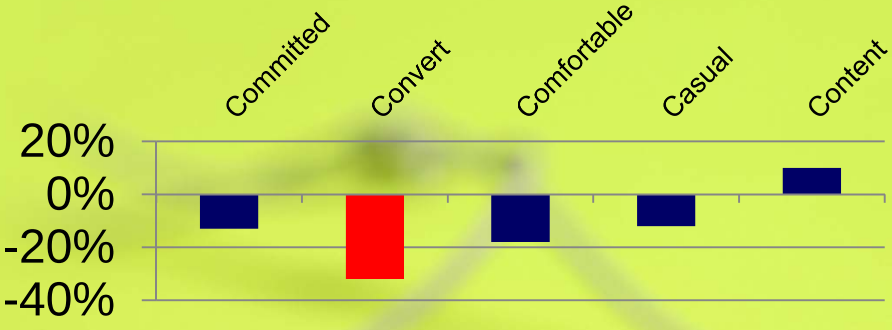


Is there more opportunity to monetize the active listening/modest spending segment? Access is most detrimental to their spend

If we could adjust that attitude for the "Convert" segment, closing the gap to a 10% difference:

- **Per-capita spend rises for that segment from $105 on average to $125 (15%)**
- **Overall revenue would rise by 5%**

Difference in Spend: Agree access is "good enough" vs. those who do not



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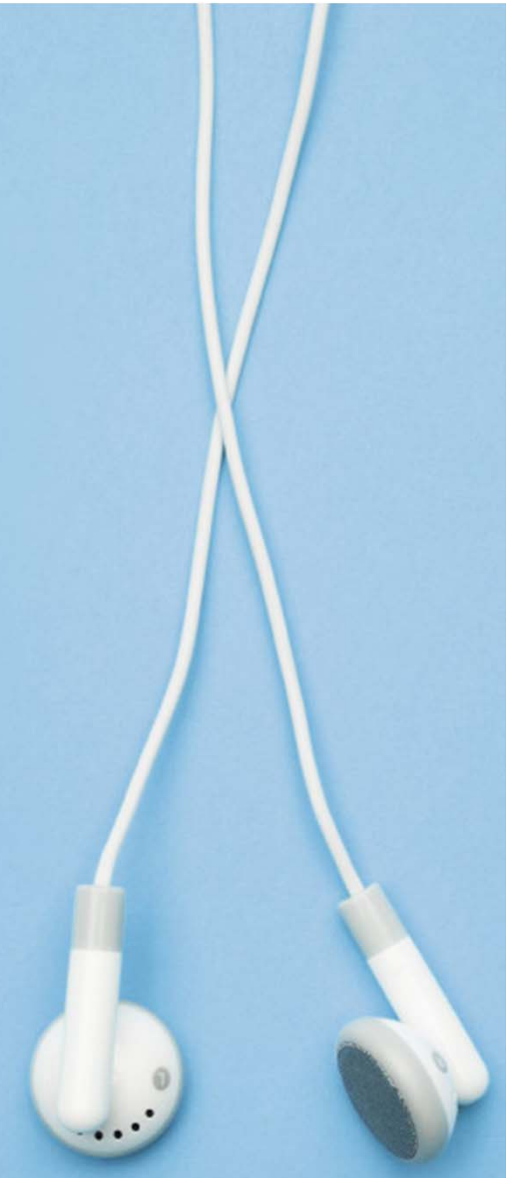
So what moves the needle?



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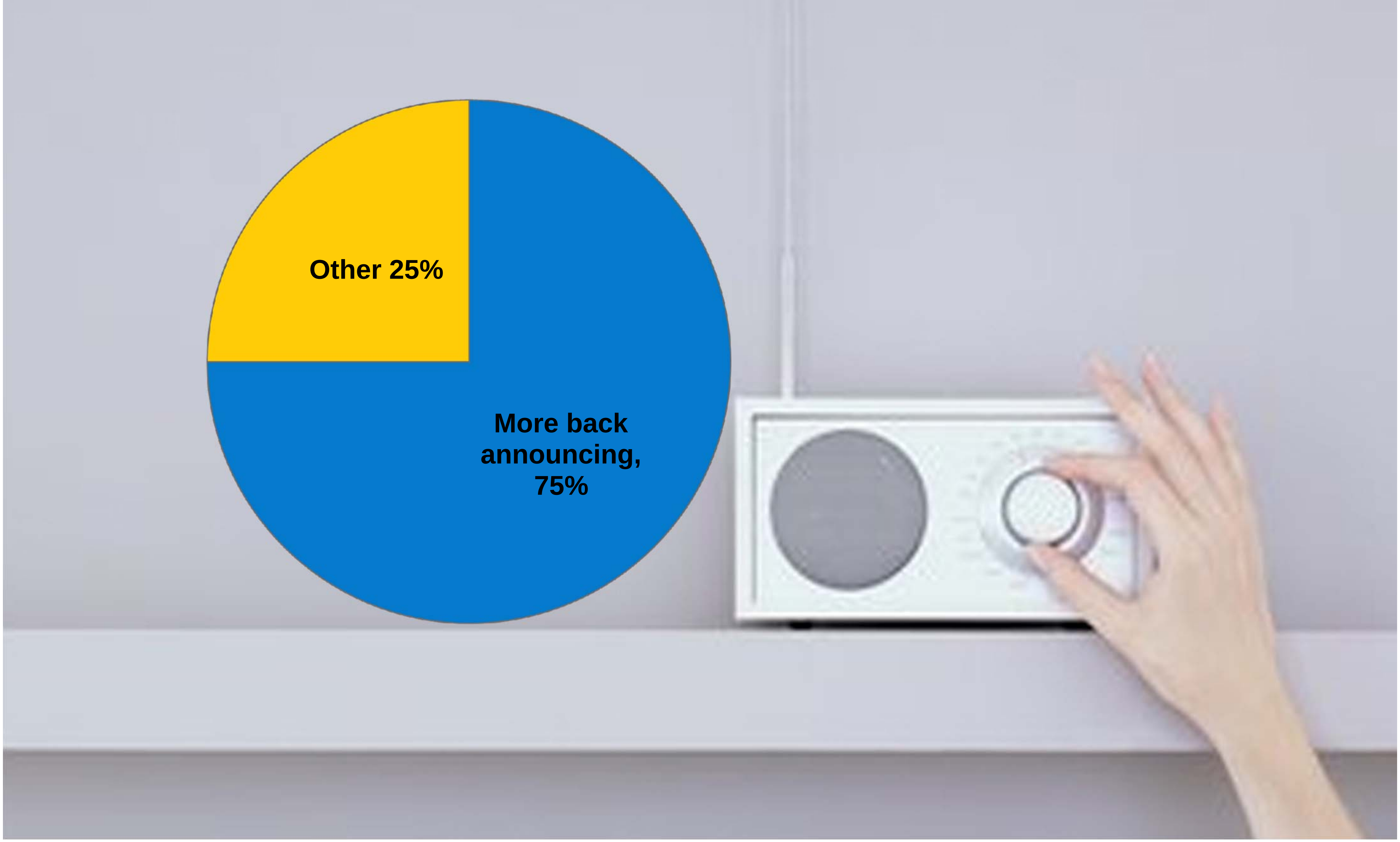
Three out of four who hear a song and then just wait to listen claim they would shop more if there were more announcements providing song/artist information

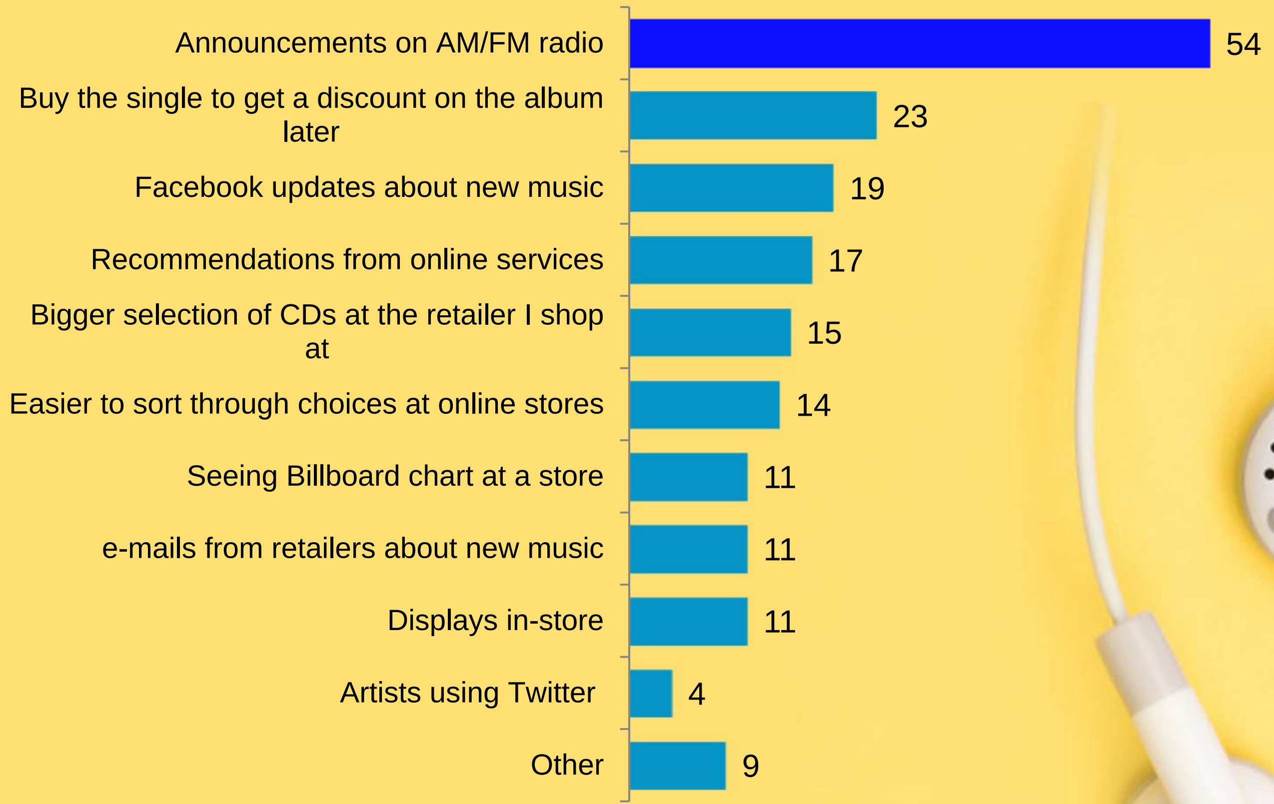
If you heard a song you liked and waited to listen again on the radio, what would get you to shop more? (Base: interested in discovery)



There is an opportunity to provide consumers with more information on what they are listening to, as preparation for the shopping experience

Which of the following might make you shop more often for new music?

Motivators to shop more often for music



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Base: 1,061 Interested in more sources of music discovery

Even voracious music scholars are crying out for more information. Facebook initiatives have potential among younger listeners who are heavier listeners

		Committed	Converts	Comfortable
How They Learn		Variety of radio, video, recommendation	Variety of radio, video, recommendation	AM/FM, friends/recos, Movies, TV, award shows
What they do next		Engage in listening, research and acquisition	Listening & research; some acquisition	Listen on radio; some buy CD
Discovery Experience		Good, but am I missing something?	Satisfied, but would consider new options	Good enough
Get you to shop more often?*		Back Announcing (by far)	Back Announcing (by far)	Back announcing (by far)
What else		• Facebook updates • Discount after buy single • Online reco's • Email re. new music • Easier search online • More CD selection @ retail	• Discount after buying single • Facebook updates • Online reco's	• Discount after buying single • More CD selection @ retail

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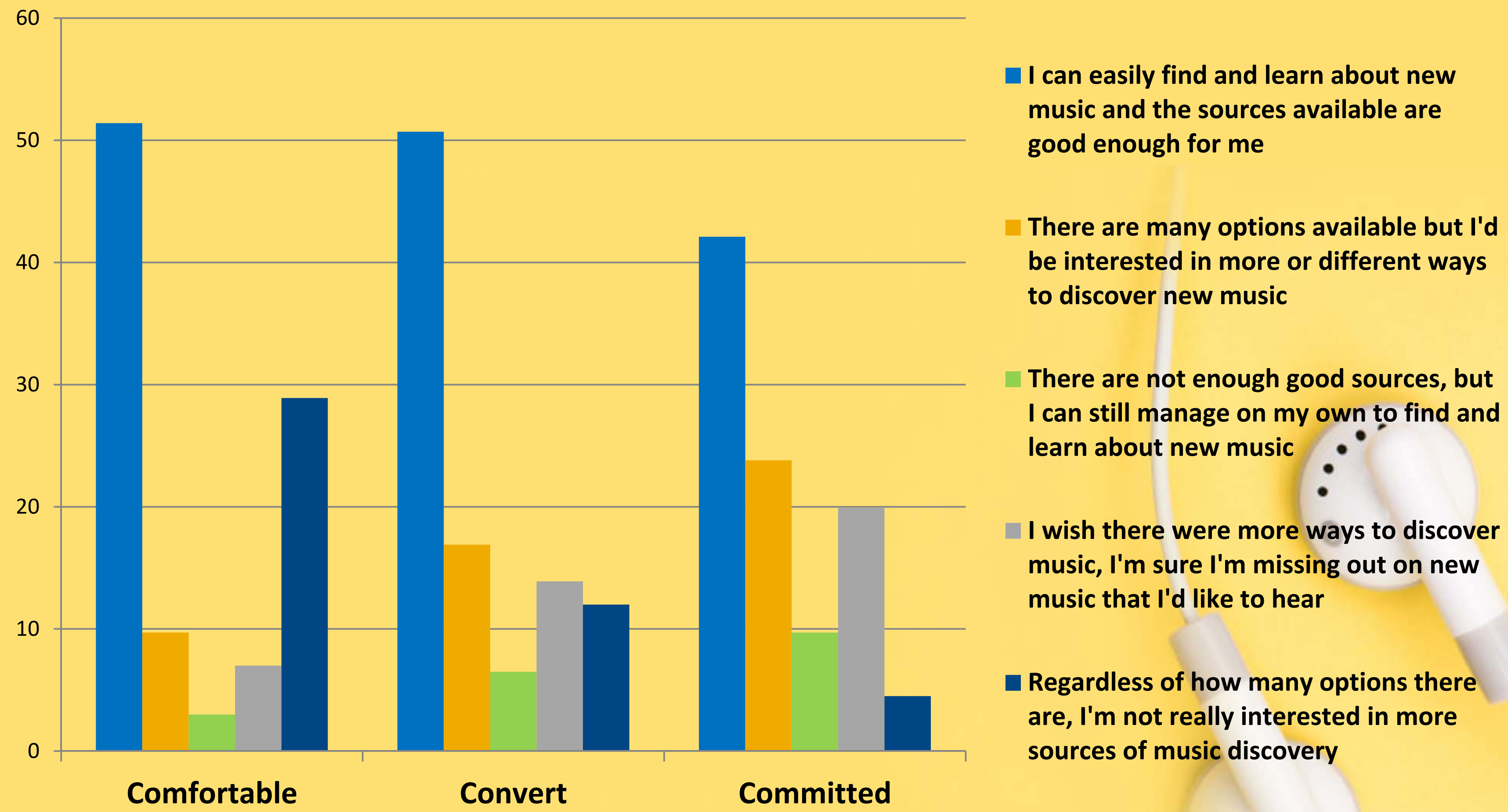
Base: Interested in music discovery

The Committed fan is satisfied with the discovery experience, but willing to try additional alternatives



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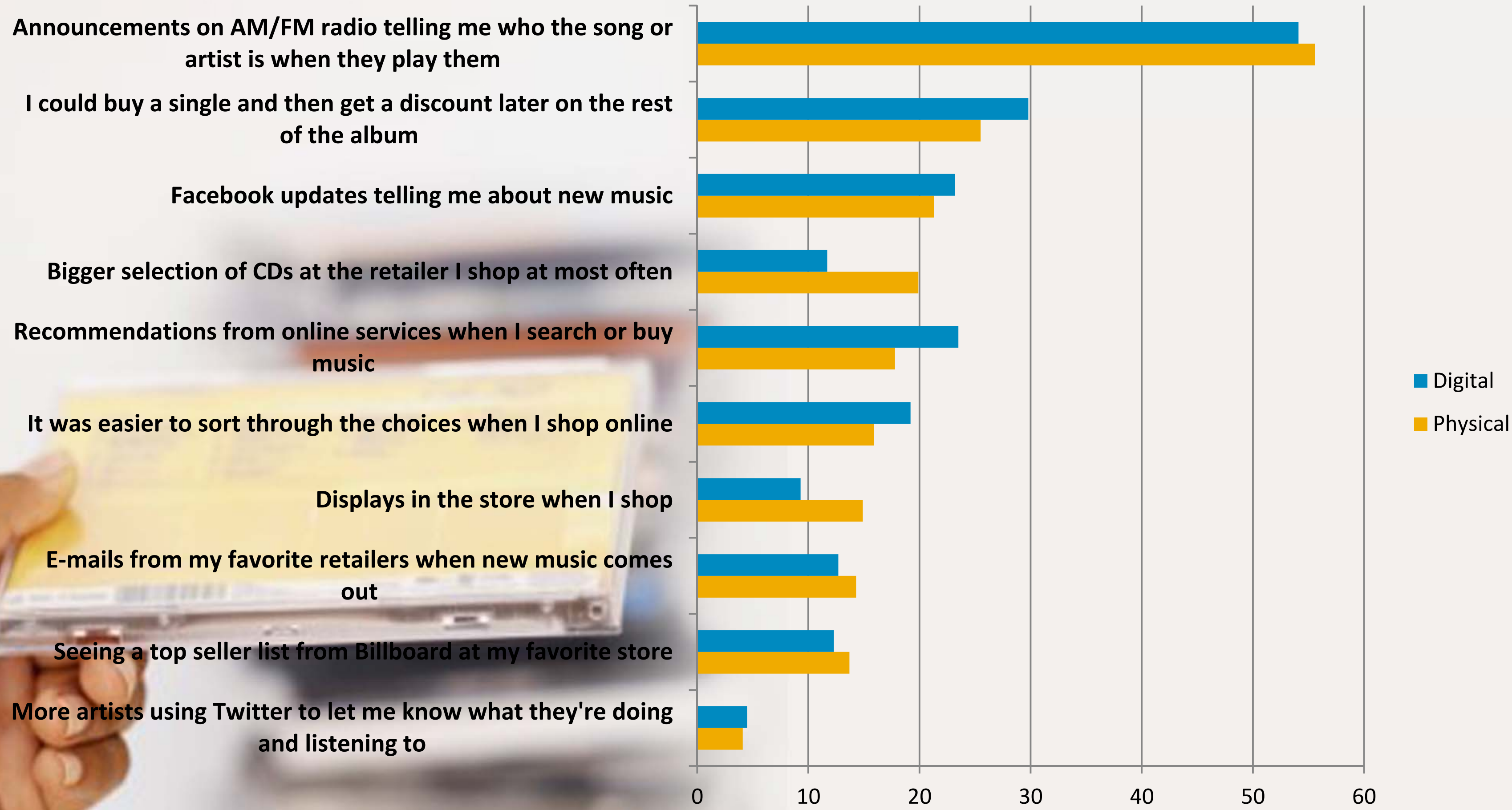
Factors

Which of the following might make you shop more often for new music?



Urban fans have the broadest discovery toolkit

Fans of*:		Rock	Country	Pop	Urban
Hi/Lo Indexing Discovery Factors**					
Online Recommendation			−		
Shopping music on computer			−		+
Free online radio			−		+
Video Site			−		+
Music Competition Show			+		
Music Video on TV					+
Serial TV Show				+	−
Daytime TV			+		−
TV audio music channel					+
Infomercial/Ad for CD		−			+
Apps on phone/tab		−	−		+
Award Show			+		
Video Game			−		+
Music ID App		+	−		+

***Fan; listen, buy, or pay to go to concerts**
**** Factors that were +/- 20% of the average**

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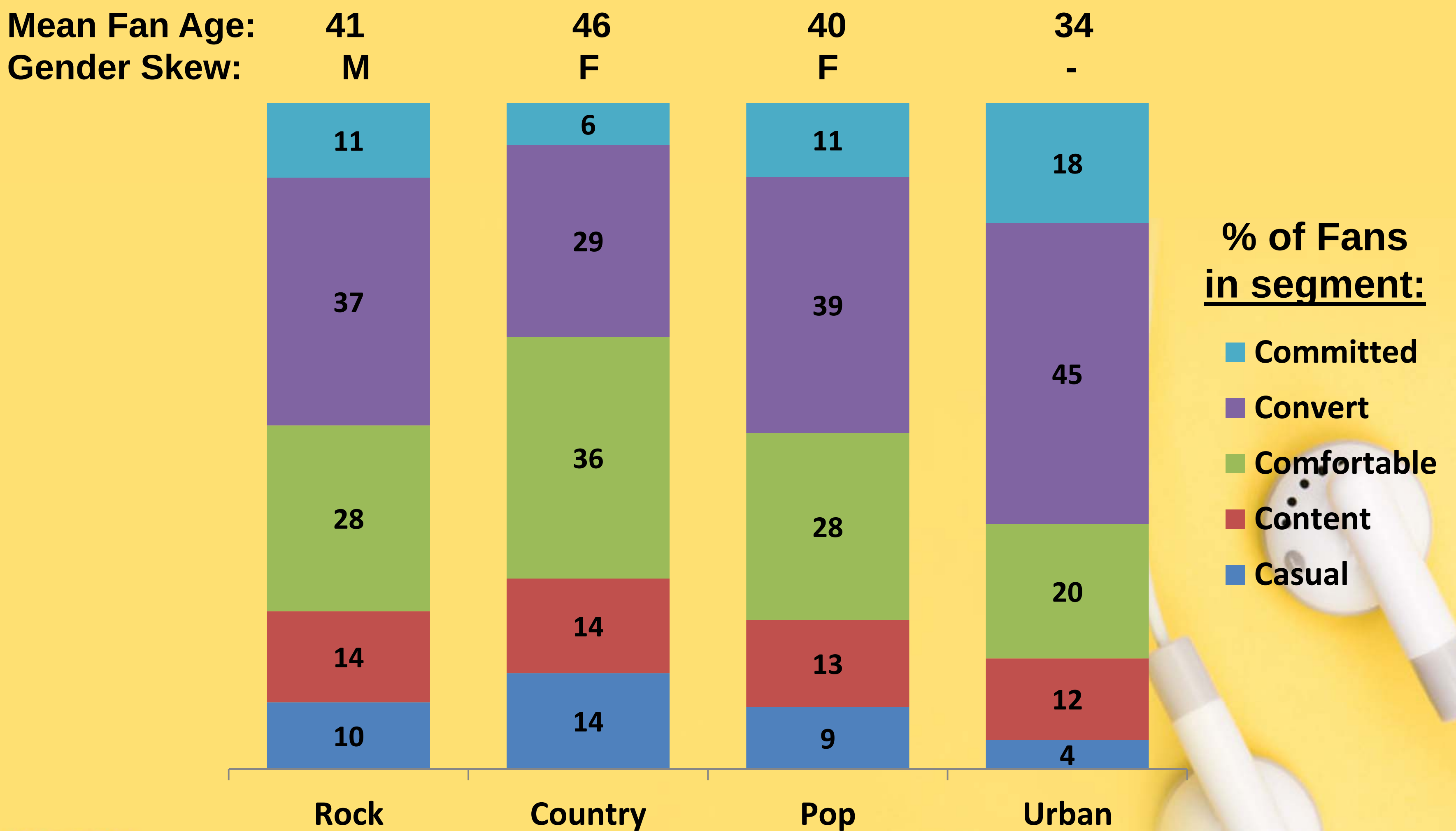
Urban has the most concentration of heavy buyers/listeners whereas Country is more mainstream



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