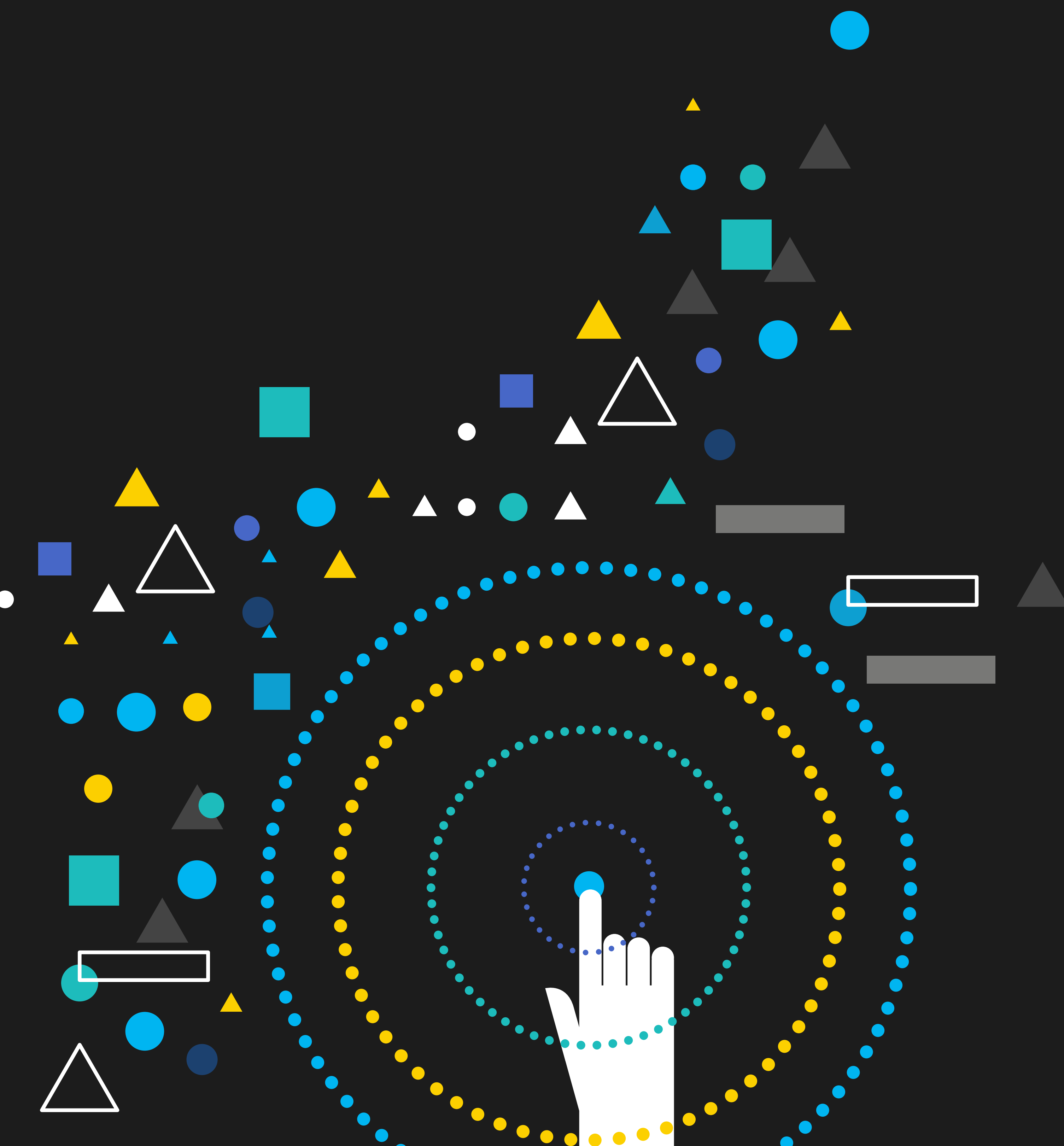
loop music biz consumer insights™

# Music & Millennials

July 2016



# Contents

# MILLENNIALS - THE DRIVING SEAT GENERATION

Millennials are the future of the music industry, with 15-19 year olds showing next generation digital native behavior and 20-24 year olds making the transition from dependent digital natives to young professionals with disposable income.

Their preference for music streaming, in particular, signifies the coming of a whole new generation of online music consumers. For this generation, music is an experience, an omnipresent soundtrack to their daily lives and interactive social environments.

These consumers have never experienced a world without high-speed broadband, connected devices, mobile data and instantaneous access to almost every piece of media in existence for little cost, if there is any cost involved at all, and this has led to their cultural and lifestyle values being redefined and reshaped.

The result of this harmonious relationship between new technology and the ubiquity of content is that 'digital natives' don't harbor any analogue era influence like older generations, and this has resulted in the way they consume music shifting away from traditional methods - all of which are detailed in this report – alongside analysis of how these shifts in music and media may reshape the listening landscape and thus the creative industries at large.

BY ROBERT DELMONTE | MUSIC INSIGHT LEAD

# SECTION 1: Sample



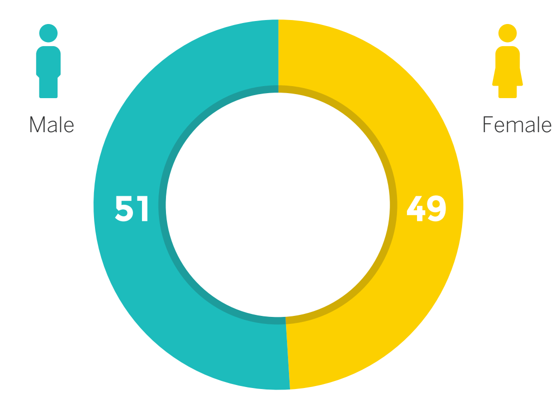
# SAMPLE

## 3014 Respondents

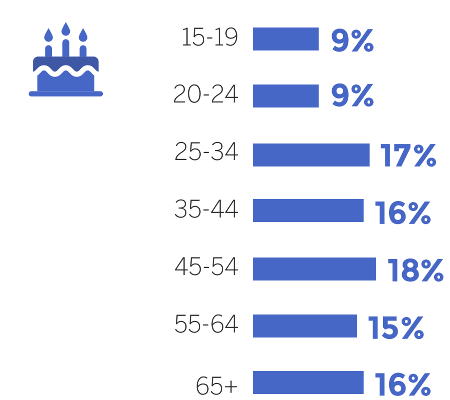
A statistically and demographically representative sample of the US population.

All respondents had online access.

### GENDER



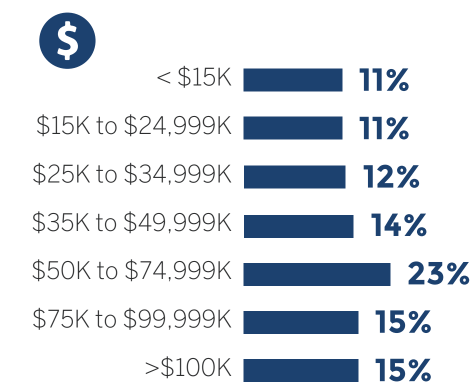

### AGE




### REGION

| | |
|---|---|
| NORTHEAST | 20% |
| MIDWEST | 24% |
| SOUTH | 35% |
| WEST | 21% |

### INCOME



SECTION 2:

# Music Consumption

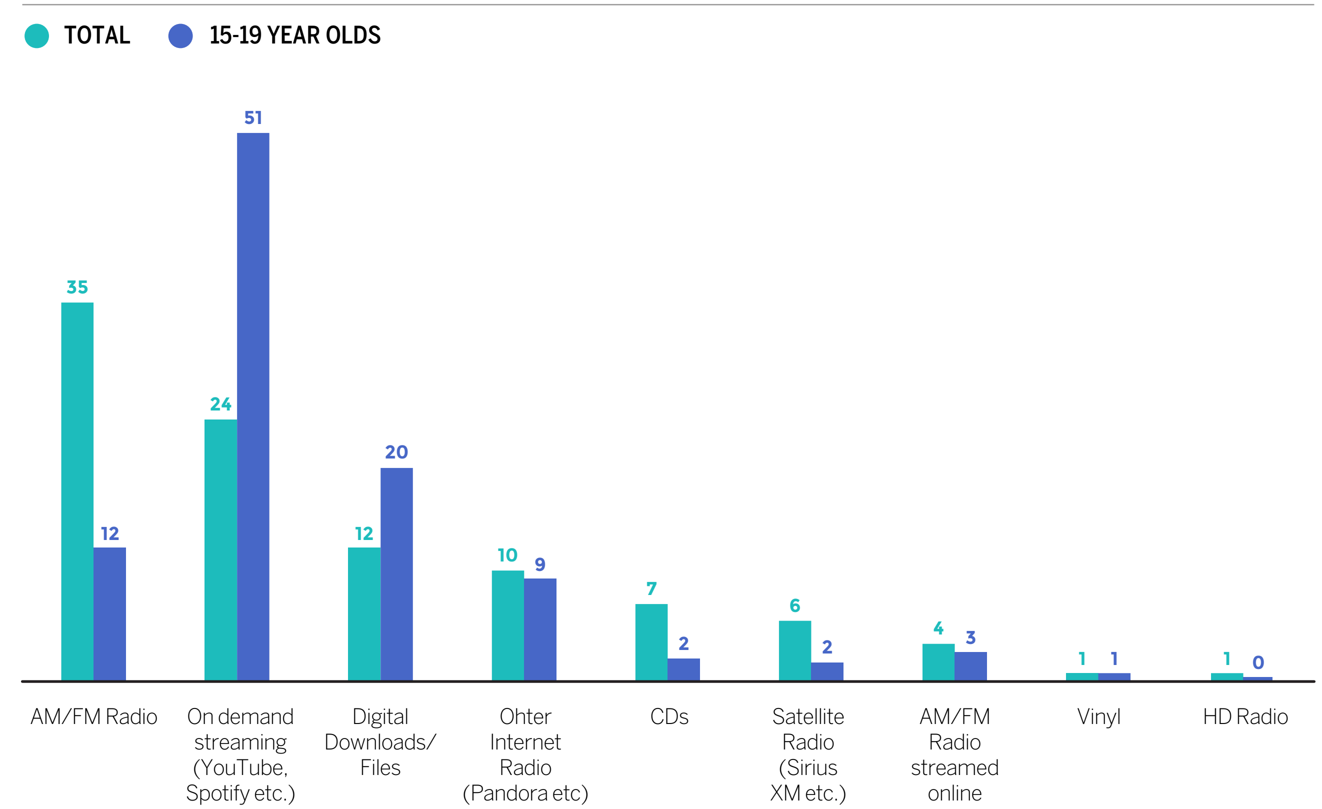
# RADIO IS STILL KING OF NET DAILY LISTENING

## All those who listen to music on a 'typical' day

Radio is still king accounting for 35% of daily listening. Meanwhile, mainstream digital content sources are comfortably outperforming physical in US share of listening. On demand streaming is second with 24% (bolstered by YouTube), digital downloads are third with 12% and other internet radio (Pandora etc.) is fourth with 10%; all ahead of CDs at 7%.

Millennials, particularly the 15-19 year olds, recorded significantly higher levels of streaming consumption, at the expense of more traditional forms of media such as Broadcast Radio and Physical music.

SHARE OF LISTENING (%)




Question: To the nearest 15 minutes, how is your music listening time normally split between the following sources?
Base: 2808 Respondents

# MILLENNIALS - DRIVERS OF CHANGE

A real preference for streaming amongst younger age groups, particularly the 'digital natives', means the industry is under greater pressure to ensure that this new form of consumption is sufficiently well monetised.

As users start using subscription and streaming services, they are essentially transitioning their attention and/or spending. Just as the download was a transition from the CD, streaming is a transition from  downloads. If a consumer is content with a music subscription or free streaming, logically, there is less of a reason for a subscriber to additionally buy music. As access models become more prominent, and digital sales are affected, the industry needs to learn how to maintain sufficient margins from a streaming business model which can often generate much smaller margins.

Millennial behaviors and expectations are different to those of past generations. With free on-demand access to so much music, concern has been expressed as to whether this generation will ultimately value the music in the same way as older generations. While previous generations have known a sense of the monetary value of music, through having to buy singles and albums or not receive music at all, music has always been as ubiquitous as it is free to access for millennials.

Ultimately more millennials need to be pulled in to paid subscription models where the margins for rights owners are much higher than on free ad funded services like YouTube or non existent – ie piracy. But there are encouraging signs of progress in that regard. Older millennials - 20-34s - are over-indexing on having a premium subscription with mobile devices helping to drive such usage.

Looking forward, as the 'analogue era' demographic diminishes and millennials begin to make up the majority of the adult population, their preference for music consumption will inevitably accompany them. This, consequently, could spell success for music streaming in years to come. The effect this has on the wider music industry however, depends on how well these consumers can be converted onto paying options.

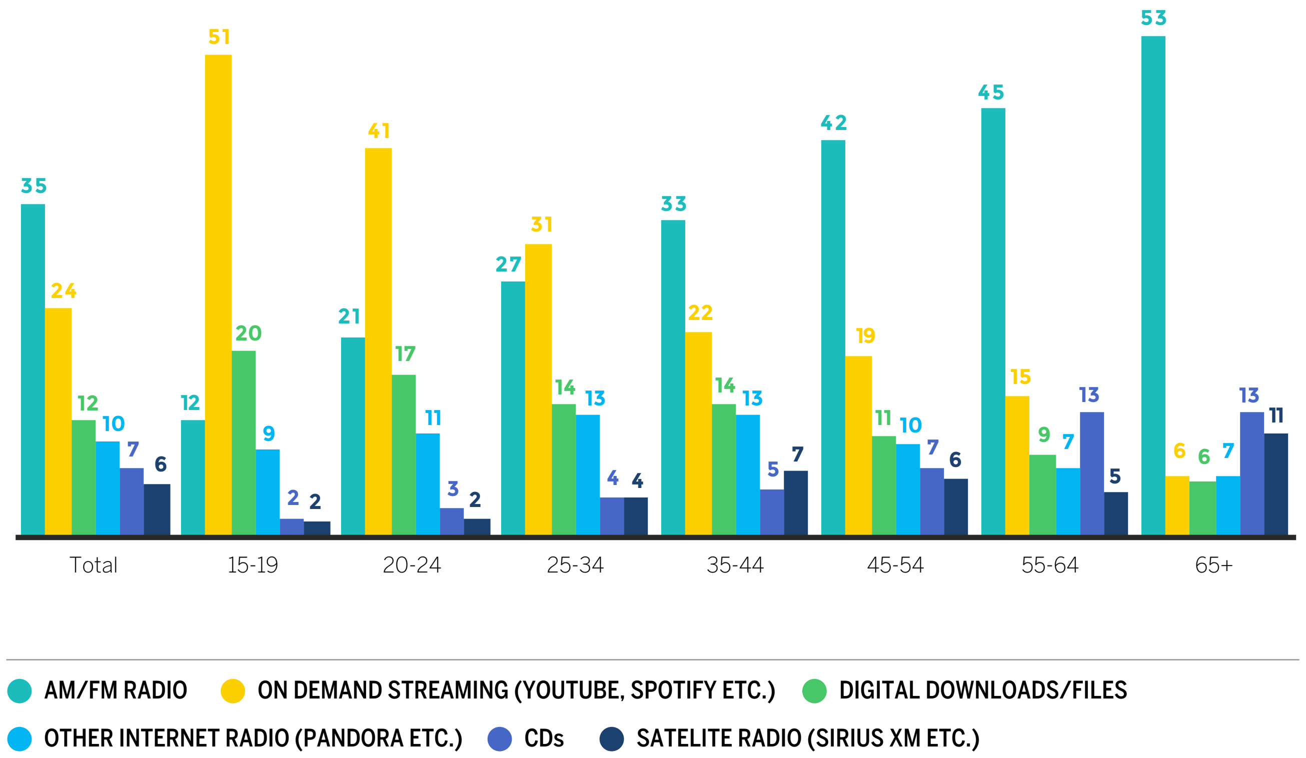
# MILLENNIALS VASTLY OVER-INDEX ON ON-DEMAND STREAMING

## All those who listen to music on a ‘typical’ day

Millennials vastly over-index on ‘on-demand streaming’, with 15-19 year olds at 51% (more than double the survey mean of 24%) and 20-24 year olds at 41%.

Radio, meanwhile, trends up as respondents get older, with the format accounting for just 12% of 15-19 year olds’ listening time. Again, traditional forms of media (Broadcast Radio and Physical Music) seem to be falling at the expense of higher levels of online forms of consumption.

SHARE OF LISTENING BY AGE (%)




Question: To the nearest 15 minutes, how is your music listening time normally split between the following sources?
Base 2808 Respondents

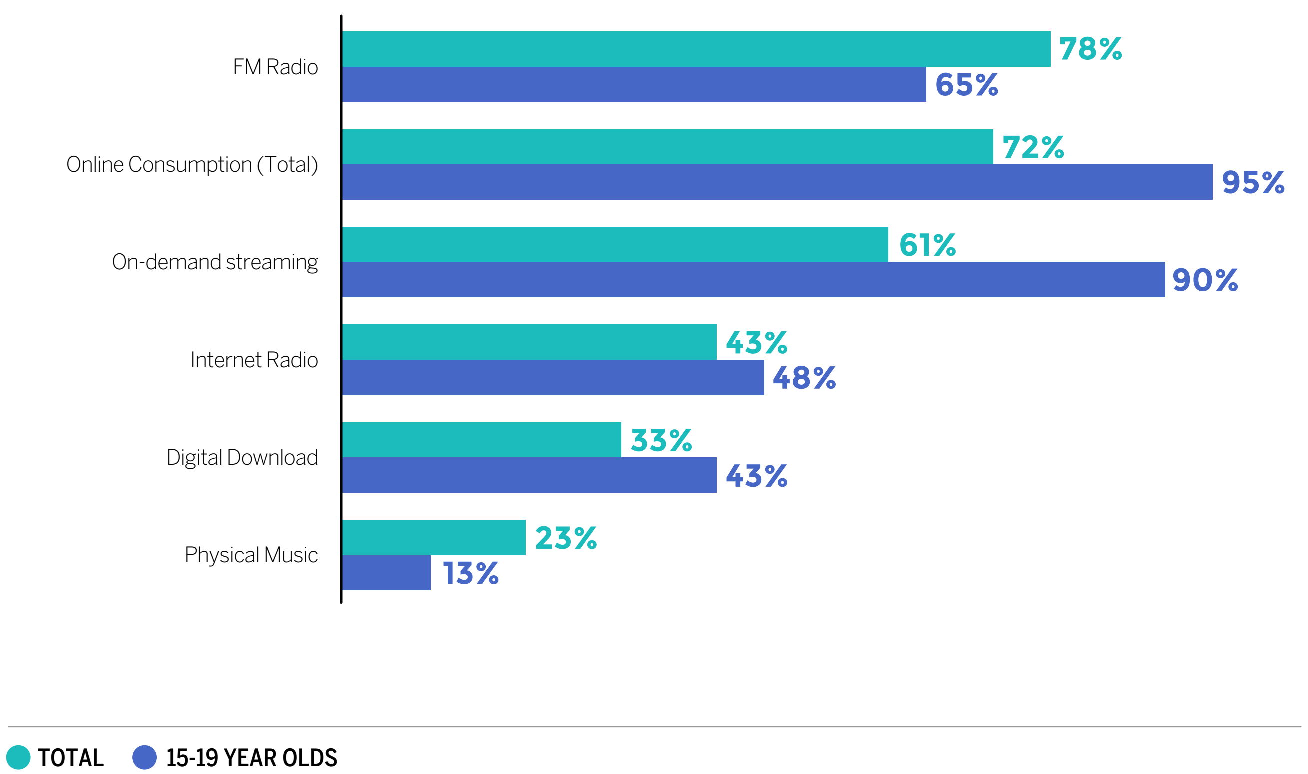
# WEEKLY REACH IN THE US

## Total Sample

In terms of weekly reach, young millennials over indexed on digital forms of consumption, in particular on-demand streaming, while under-indexing on FM Radio.

Please note – 'Online Consumption' (Total) is the net of On-demand streaming and internet radio.

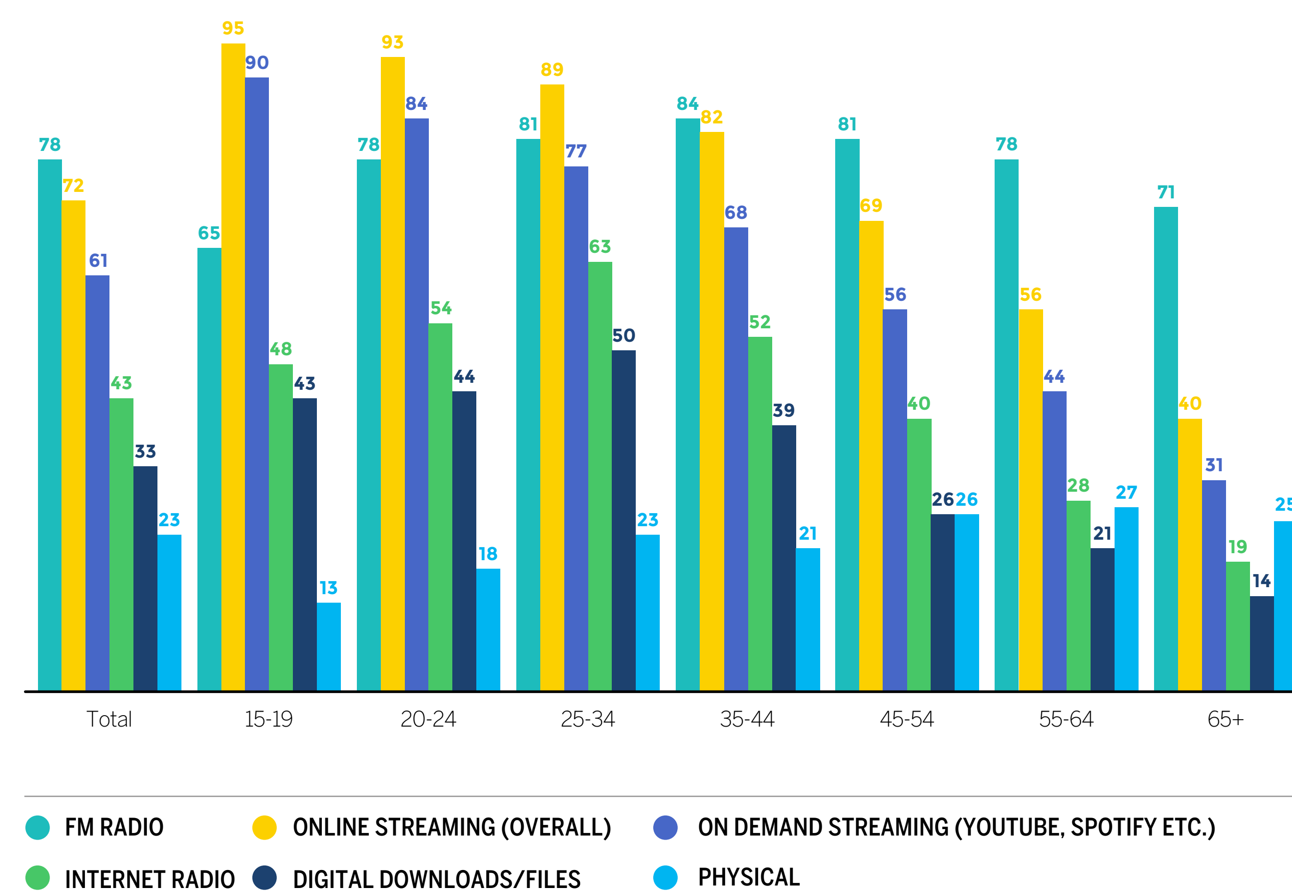
### US WEEKLY REACH - NETS




Which, if any, of the following have you used in order to listen to audio content (music or speech) for five minutes or more at any one time during the last seven days? Base: 3014 Respondents

On demand streaming vastly over-indexes amongst millennials, then declines as respondents get older. FM Radio listening, meanwhile, peaked amongst 35-44 year olds at 84%. Physical listening rose with age, before dropping slightly amongst the 65+ year olds.

### WEEKLY REACH BY AGE (%)




Question: Which, if any, of the following have you used in order to listen to audio content (music or speech) for five minutes or more at any one time during the last seven days? Online Streaming (Overall) = On demand streaming + Internet radio (NET)
Base: 3014 Respondents

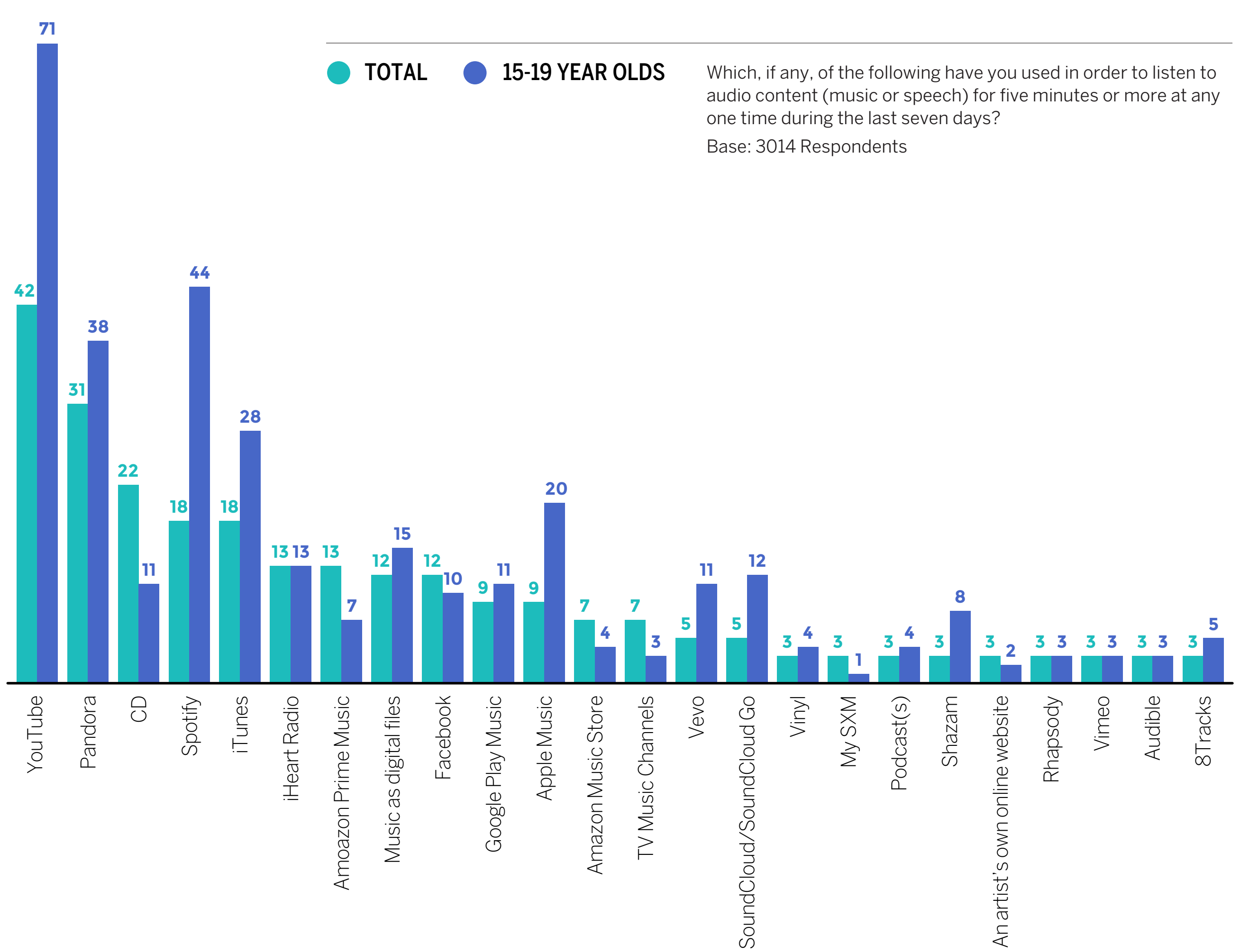
# YOUTUBE IS THE MOST POPULAR AUDIO PLATFORM

## Total Sample

At 42%, YouTube is the most popular audio platform.

Young millennials over-indexed on most online platforms (Spotify, Apple Music etc.) YouTube in particular was listened to by 71% of 15-19 year olds over a weekly period.

### US WEEKLY REACH BY PLATFORM

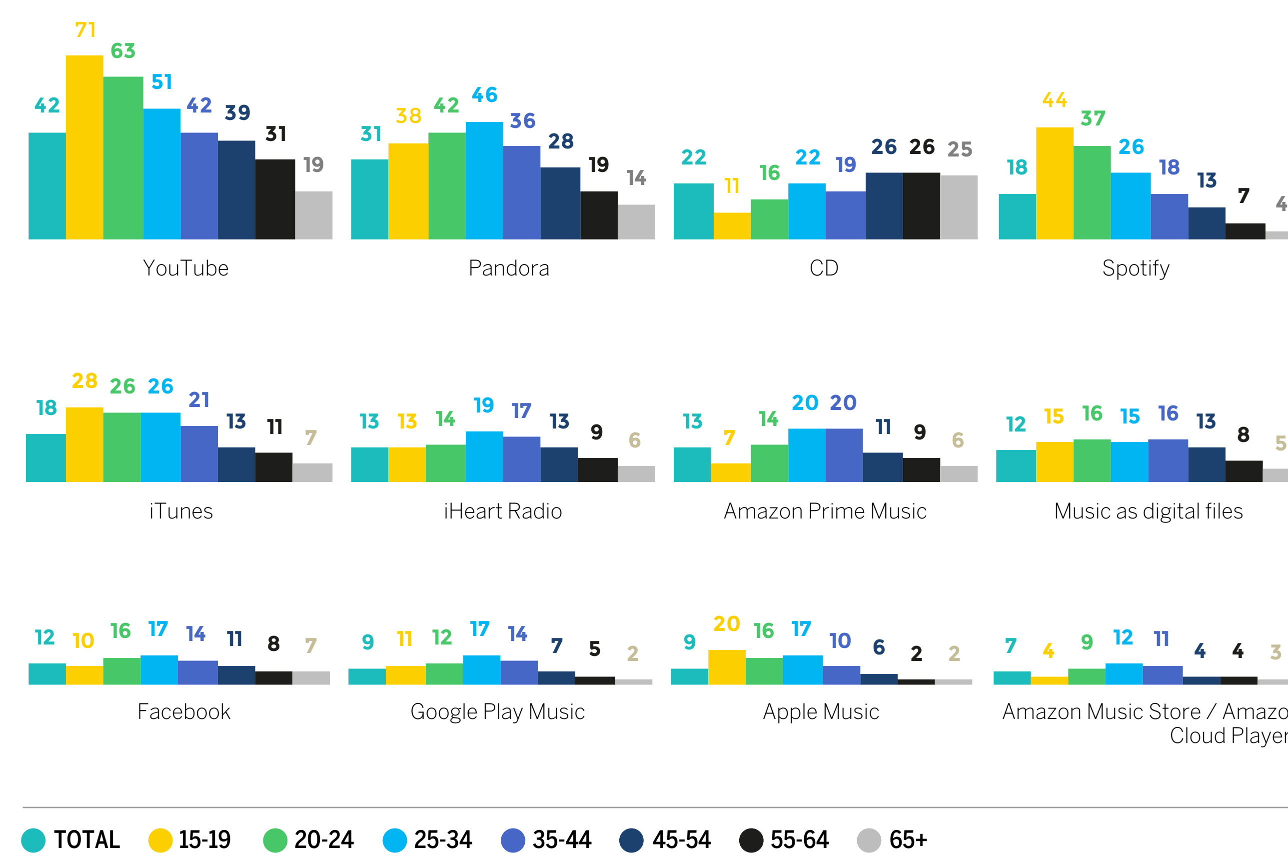



## Total Sample

YouTube usage again is high amongst millennials, before decreasing consistently with age. Pandora has a fairly even spread, before dropping amongst the oldest age groups.

Younger millennials aren't using CDs as much as older users, reflecting their preference for digital means of consumption over traditional methods.

### TOP PLATFORM REACH BY AGE (%)




Which, if any, of the following have you used in order to listen to audio content (music or speech) for five minutes or more at any one time during the last seven days? Base: 3014 Respondents

SECTION 3:
Device Usage



# THE RADIO RECEIVER STRUGGLES AMONGST MILLENNIALS

## All those who listen to music on a 'typical' day

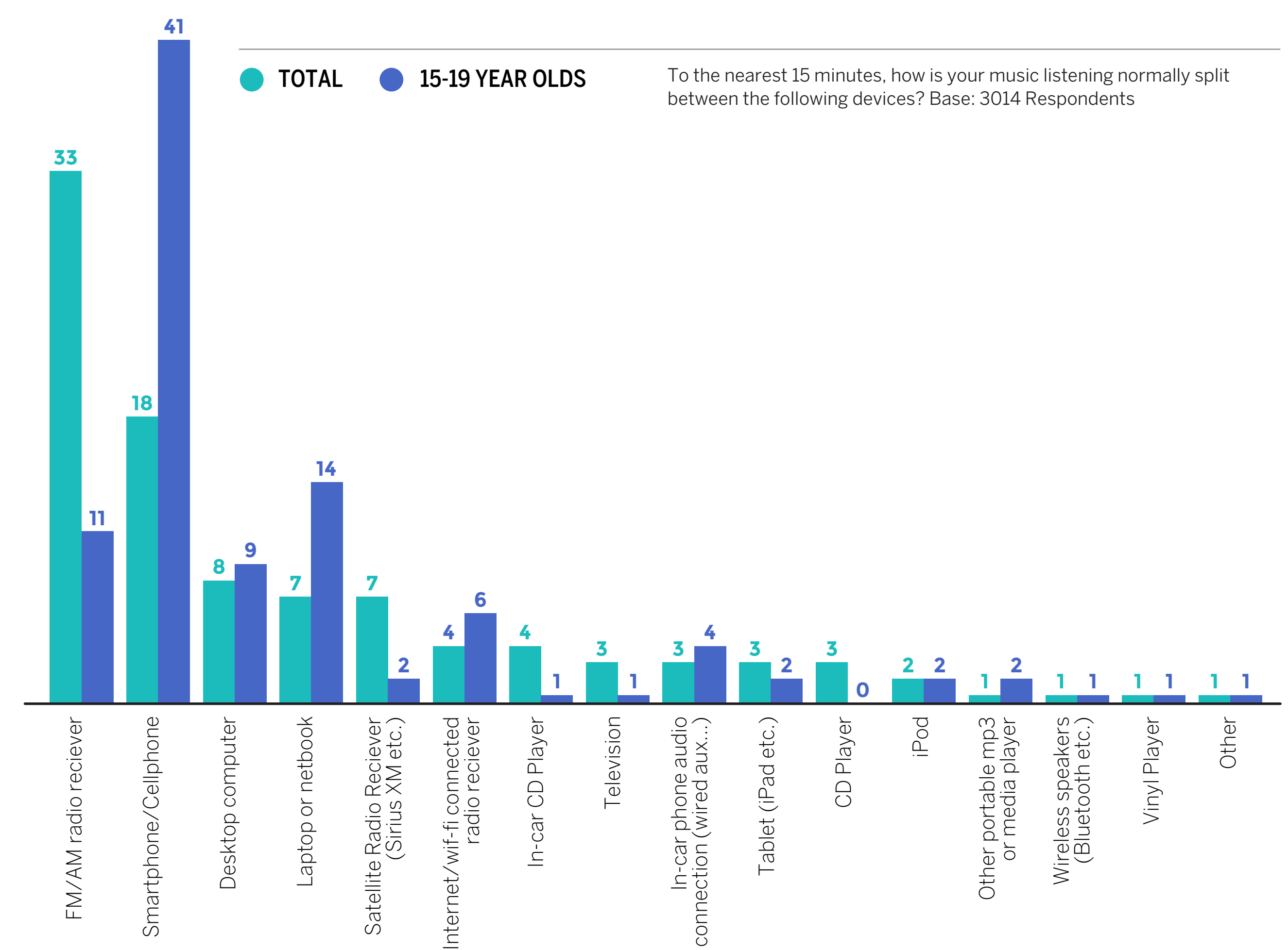
The FM/AM radio receiver leads the device pack accounting for a 33% share of total listening time.

When it comes to young millennials however, the device accounts for just 11% of listening time.

Meanwhile, mobile phone listening is second at 18%, and is the favored listening device amongst young millennials, accounting for a 41% of their listening time.

Clearly there is a significant disconnect between the devices used for audio consumption by older generations compared to teenagers who have started to shun broadcast radio receivers in favor of connected devices like laptops and mobile internet devices.

SHARE OF LISTENING BY DEVICE (%)



# MILLENNIALS OPT FOR INTERACTIVE DEVICES

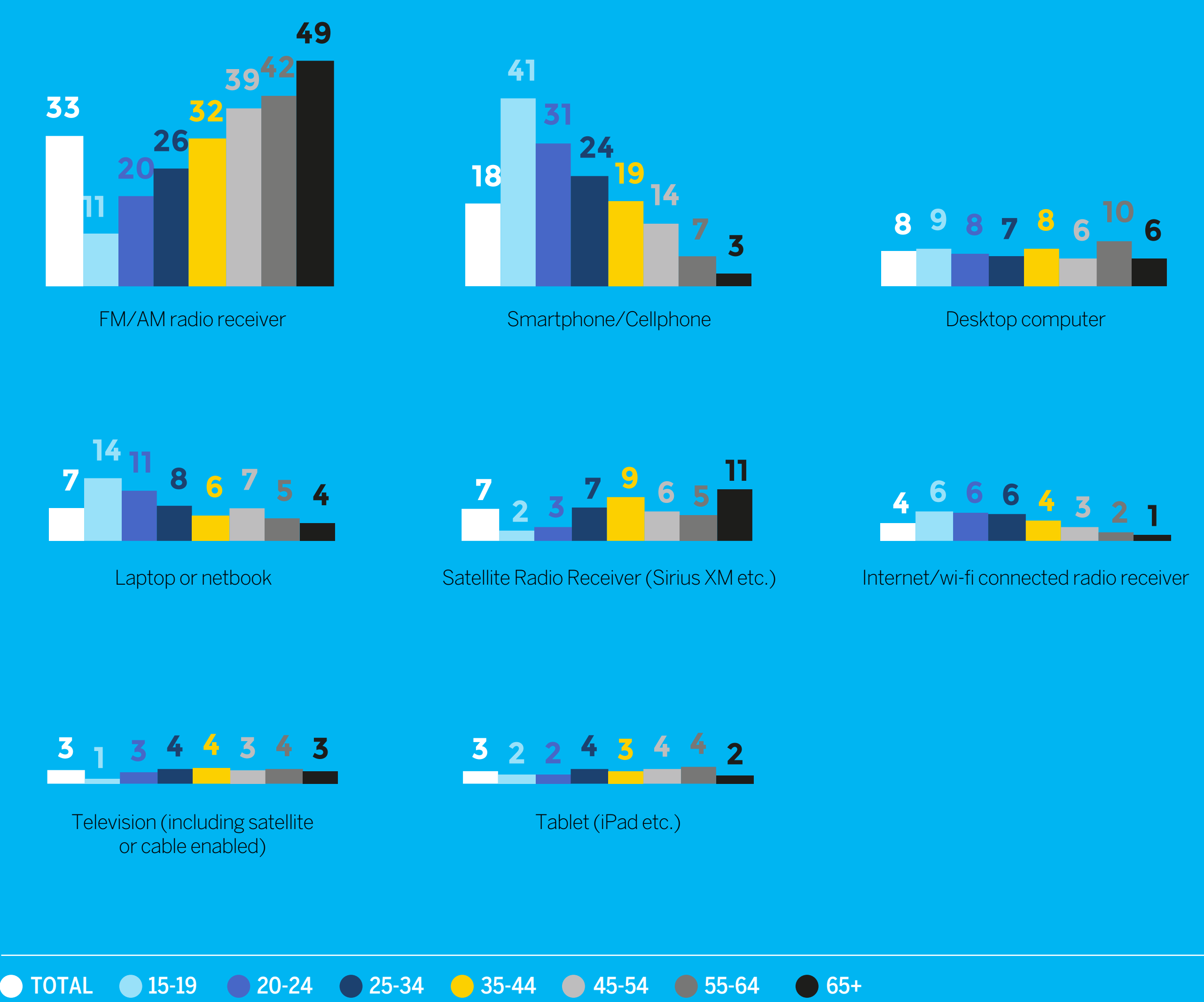
Clearly there is a significant disconnect between the devices used for audio consumption by older generations compared to teenagers who have started to shun broadcast radio receivers in favor of connected devices like laptops and mobile internet devices.

As a rule of thumb, the older the respondents, the less active they were in mobile audio consumption. In the young millennial age group (15-24) the mobile phone is now listened to more than the standalone Radio Receiver.

With better portability, ease of use and the 'always-on' connection to mass catalogues of music, mobile devices offer greater simplicity than traditional devices in joining up discovery to consumption. Additionally, 15-19 year olds do not share their mobile devices with their parents or siblings - it is theirs, and that makes it a very personal object. If music is a reflection of identity, then these devices become a powerful trigger for consuming music.

This all fits neatly into the more general trend away from traditional 'broadcaster to audience' media and towards a more social and interactive media environment. Younger audio consumers have opted for devices with screens and internet access, which allow them to curate and share their own audio experience.

SHARE OF LISTENING OF TOP DEVICES BY AGE (%)



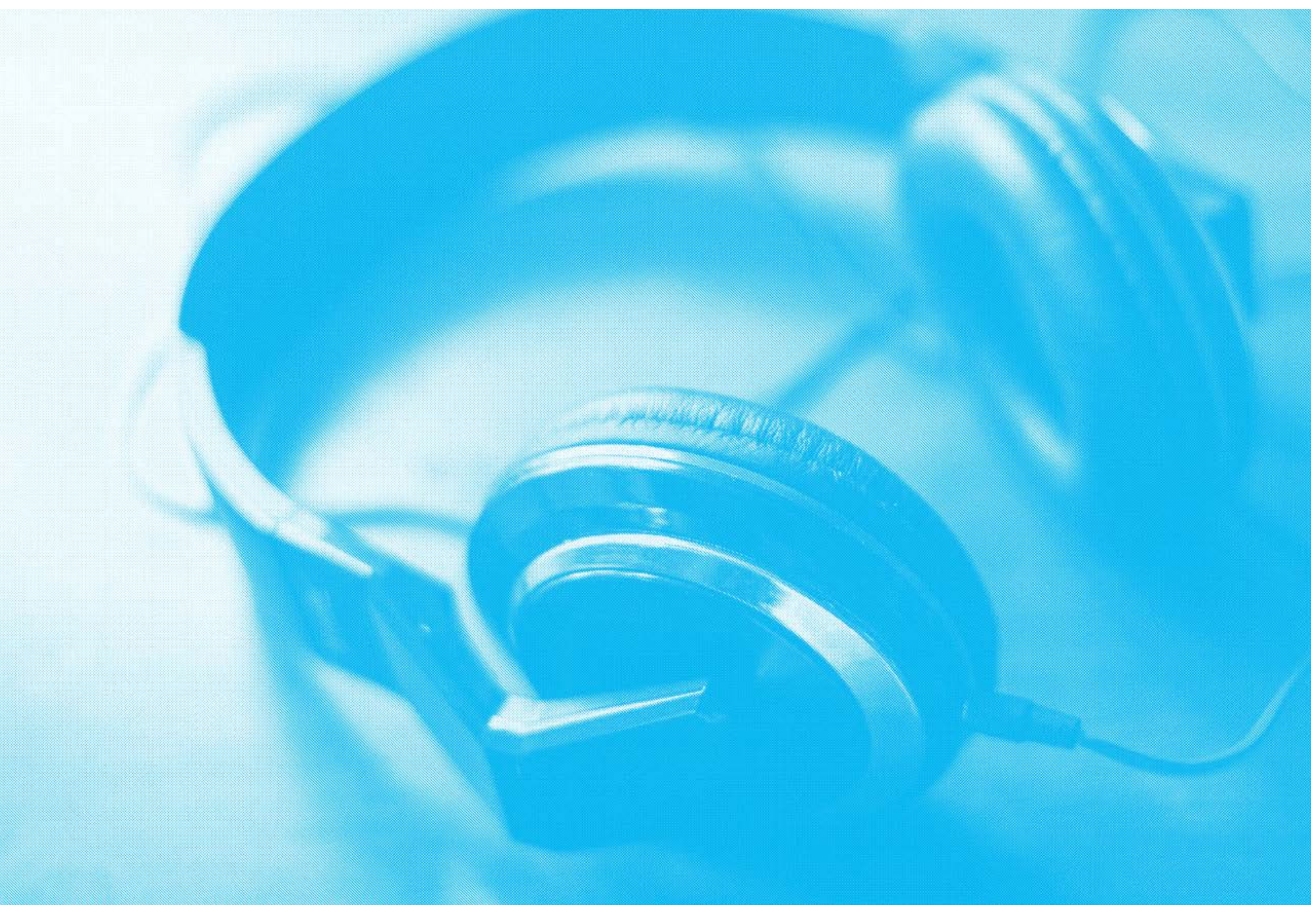

To the nearest 15 minutes, how is your music split between the following devices?
Base: 2808 Respondents

# CONNECTED DEVICES ARE LISTENED TO MORE REGULARLY BY MILLENNIALS

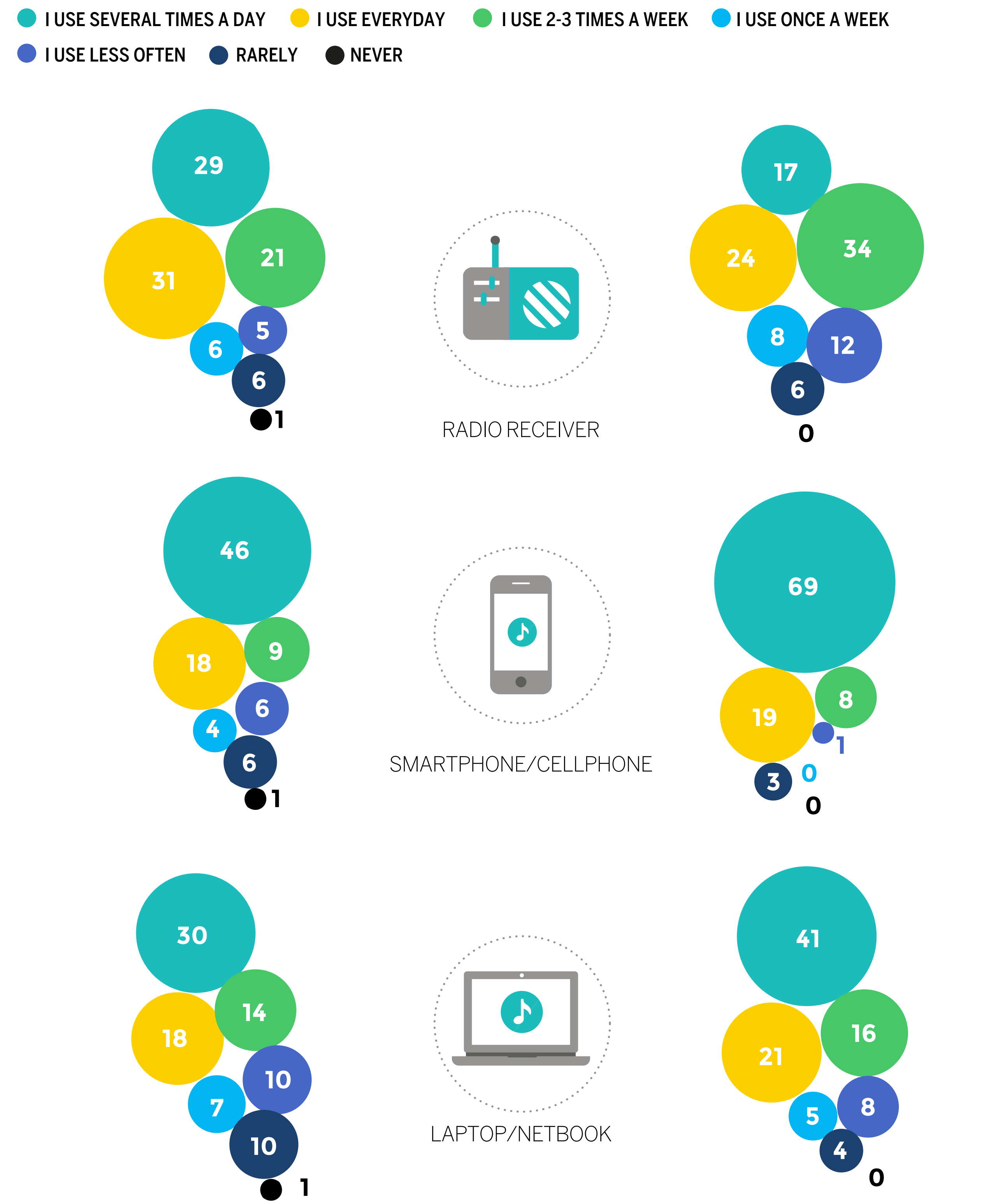
## Total Sample

Connected devices, such as the smartphone and laptop, were used much more regularly by young millennials to listen to music.

Meanwhile, the radio receiver was used much less frequently amongst young millennials, reflective of their preference for online methods of consumption.



REGULARITY OF USAGE OF TOP DEVICES (%)




Question: Approximately, how often do you use each of the following to listen to music?
Base: Users of each device (2168 FM/AM Radio Receiver users etc.)

SECTION 4:

# Music Streaming Uptake & Perceptions

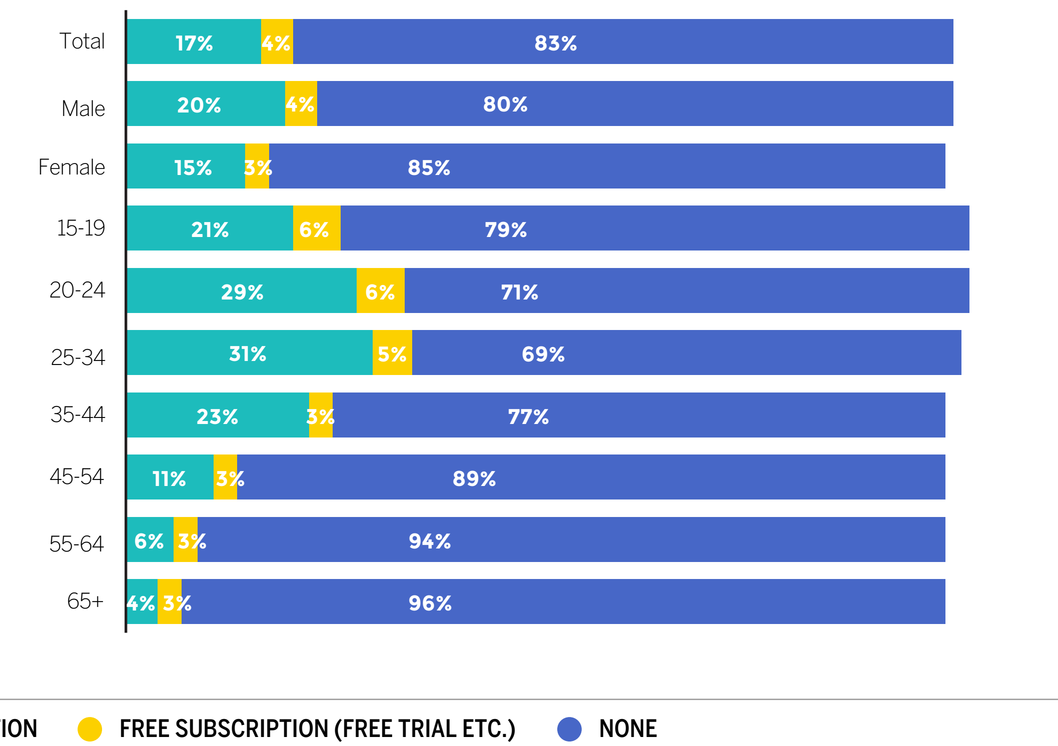


# MILLENNIALS OVER INDEX ON PAID SUBSPRIPTIONS

## Total Sample

17% of US respondents said that they have a paid subscription to a streaming service, while millennials (particularly older millennials, 25-34) over indexed on paid subscriptions at 31%.

PAID/PREMIUM MUSIC STREAMING SUBSCRIPTIONS




Do you have a paid/premium subscription to a music streaming service?
Base: 3014 Respondents

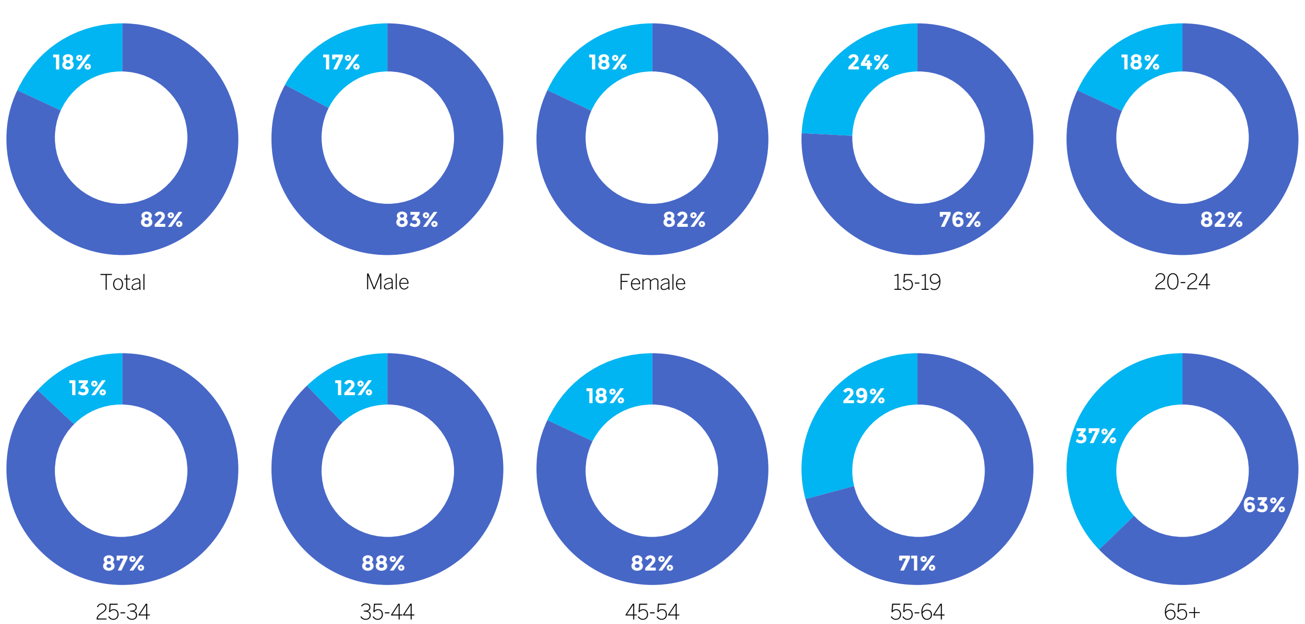
# 82% OF PREMIUM SUBSCRIPTIONS ARE PAID

## All those who claim to have a premium/paid subscription

Of those who stated in the previous question they had a premium/paid subscription to a music streaming service, 82% actually paid money when asked a filter question. The remaining 18% either had a subscription through a free trial, a bundle with another product/service or used someone else's account (this was integrated into the previous page).

Those premium subscribers who don't pay anything themselves skew young. 24% of younger millennials (15-19 year olds) have a premium subscription but don't pay for it – of this group, 11% said that it came with a purchase and 10% say they use someone else's account.

### PAID & FREE PREMIUM SUBSCRIBERS BY GENDER & AGE




How much do you pay for your music streaming subscription?
Base: 607 Respondents

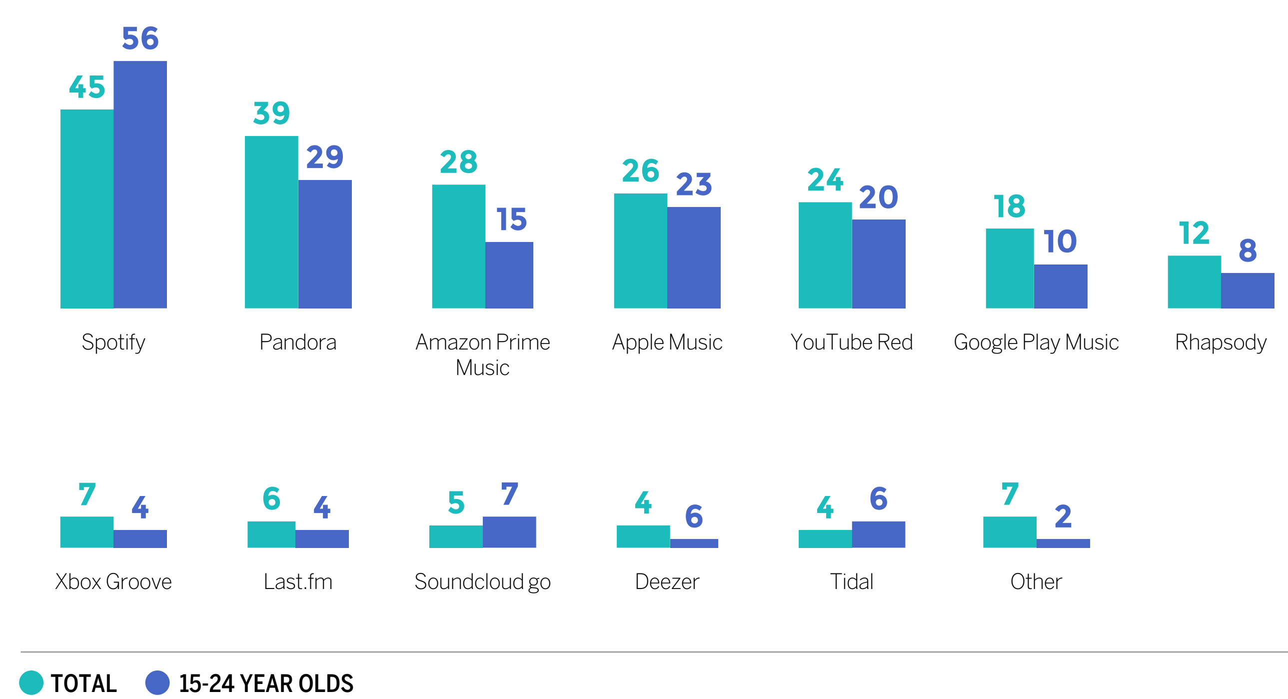
# SPOTIFY IS THE MOST PAID FOR STREAMING SERVICE

## All who had subscribed to a music streaming service

Whilst Pandora (32%), Apple Music (22%) and YouTube Red (19%) lead the rest of the pack.

Spotify skews to young millennials, whilst Pandora and Amazon Prime Music are less favorable - 56% of 15-19 year olds who have a paid for streaming subscription stated they subscribe to Spotify.

### STREAMING SERVICES SUBSCRIBED TO (%)




Which of the following do you have a premium subscriptions to?
Base: 607 Respondents

# MILLENNIALS PAY FOR STREAMING TO USE IT ON THEIR PHONE

## Those who pay for a music streaming subscription

53% said that they subscribed in order to continue using the full version after a free trial period (this was down from 61% last year). Meanwhile, only 31% of respondents said they decided to pay to remove adverts and and 29% to use service on mobile.

Millennials particularly over-indexed on paying in order to use streaming services on their mobile device, showing it was a main driver in leading them to purchase a subscription.

| REASONS FOR PAYING FOR A STREAMING SERVICE | TOTAL | 15-24 YEAR OLDS |
|---|---|---|
| I used the full version of the service on a free trial period, liked it and decided to pay for the full version | 53% | 48% |
| I was using the free version, liked it, but wanted to remove advertisements | 31% | 33% |
| I wanted to use it on my mobile device | 29% | 40% |
| Recommendation from friends/family | 24% | 23% |
| I wanted to listen to a song/album release exclusively through the platform | 17% | 18% |
| Saw it advertised and liked the look of it | 10% | 6% |
| Don't know / not sure | 5% | 3% |
| Other (please specify) | 9% | 4% |

Why did you decide to pay for a music streaming subscription?
Base: 607 Respondents

# NON-PAYING MILLENNIALS ARE HAPPY WITH FREE TIER STREAMING

## Those without a premium subscription to a streaming service

42% said that the reason for not paying was that they were happy to use the free service with adverts, this rose to 55% amongst millennials.

| REASONS FOR NOT PAYING FOR A STREAMING SERVICE | TOTAL | 15-24 YEAR OLDS |
|---|---|---|
| I'm happy using the free version with adverts | 42% | 55% |
| It's too expensive | 40% | 39% |
| I prefer not to pay for music / prefer to use free music sources like YouTube | 29% | 34% |
| It doesn't appeal to me | 28% | 26% |
| I prefer to listen to music in a different way | 14% | 13% |
| I don't really understand what it is | 3% | 2% |
| The content range isn't good enough | 3% | 4% |
| There isn't enough personalisation | 2% | 3% |
| The audio quality isn't good enough | 1% | 1% |
| Don't know / not sure | 5% | 4% |
| Other (please specify) | 3% | 1% |

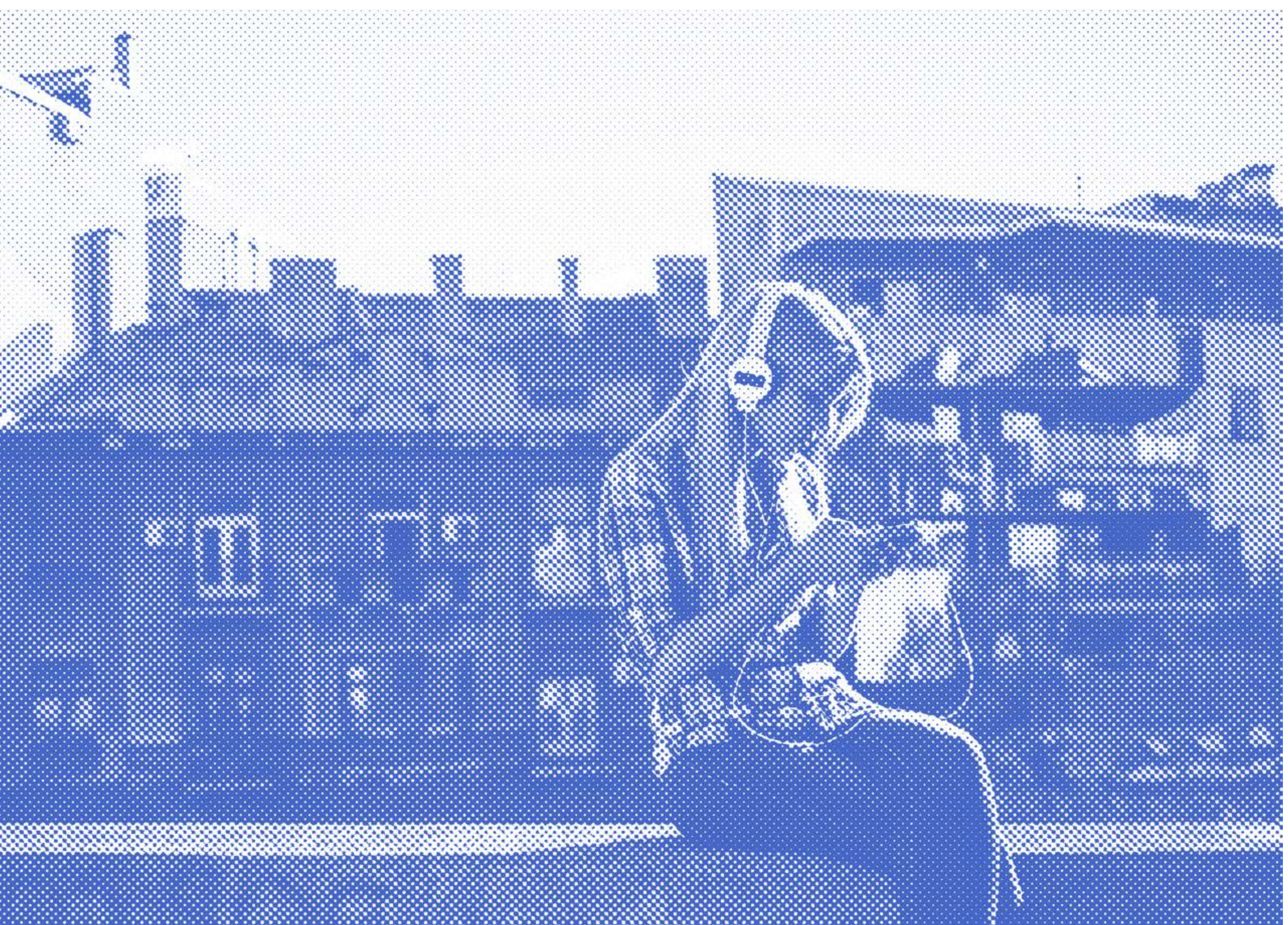
Why have you not subscribed to a music streaming service? Base: 2276 Respondents

# 40% WOULD PAY FOR A STREAMING SERVICE IF THEY WERE CHEAPER

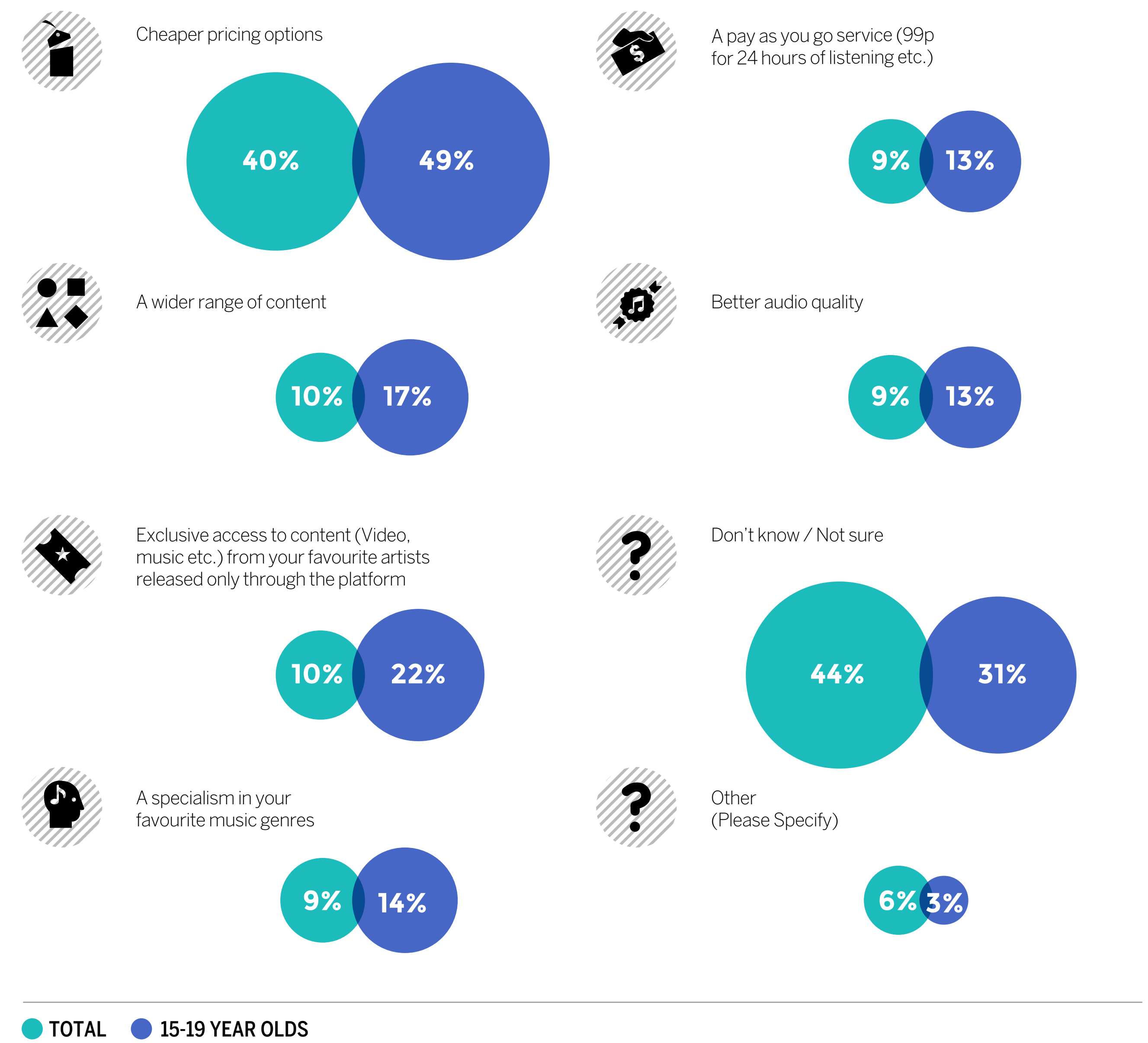
## All who have not subscribed to a music streaming service

40% of those who don't pay for a streaming service said that cheaper pricing could convince them to pay for a subscription.

Millennials over index on most options, particularly on 'cheaper pricing options' and 'exclusive access to certain content'.



DRIVERS TO PAYING FOR A MUSIC STREAMING SUBSCRIPTION




What would convince you to pay for a subscription to a music streaming service?
Base: 2276 Respondents

SECTION 5:
# Music Discovery



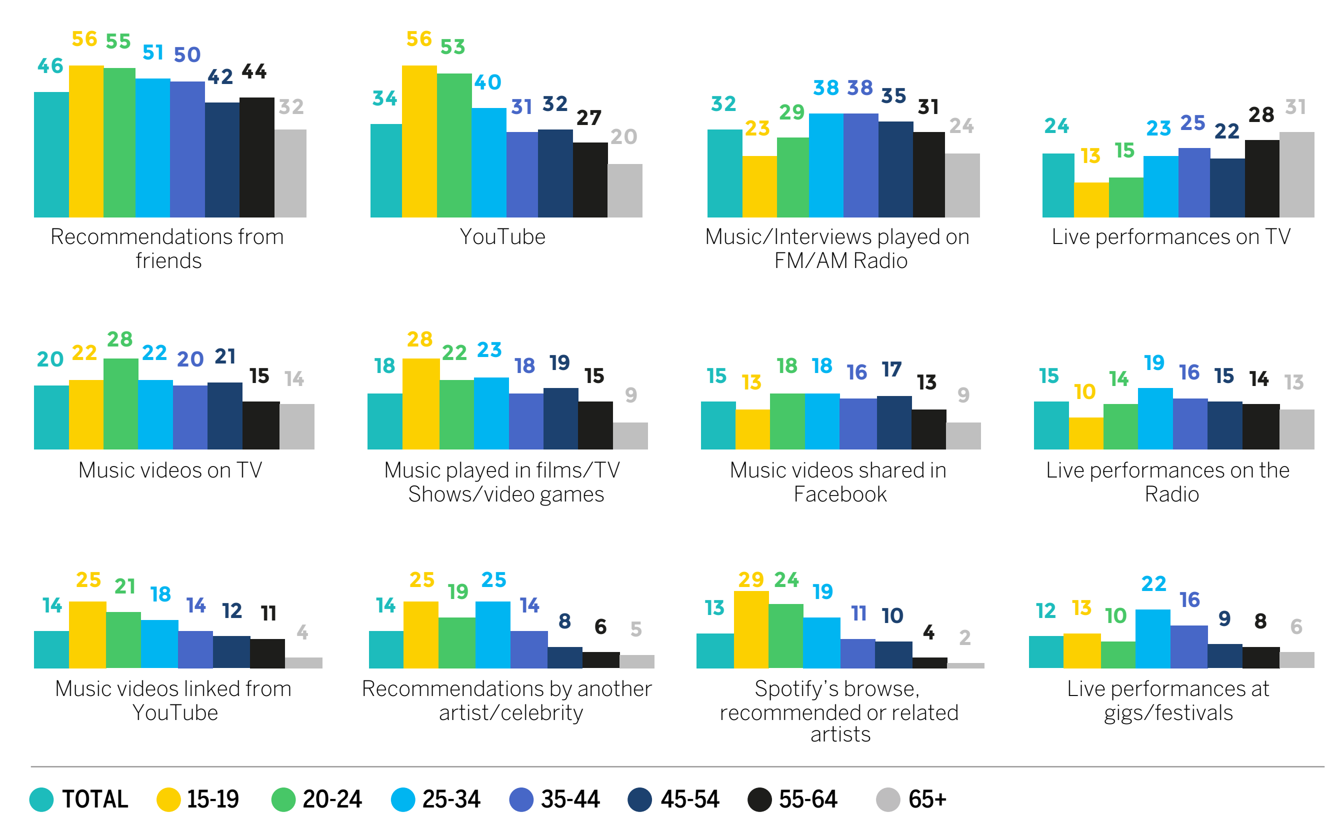
# MILLENNIALS DISCOVER MOST OF THEIR MUSIC ON YOUTUBE

## Total Sample

Millennials discover the majority of their music on YouTube (54% of 15-24 year olds said that they discover new music via YouTube versus the 34% average). YouTube discovery is neck and neck with recommendations from friends (55%) amongst 15-19 year olds, which was the survey leader across the whole sample.

Spotify's browse, recommended or related artists features skew heavily amongst millennials with peaks in the 15-19 (29%) and 20-24 (24%) age groups. Music videos linked from YouTube show a similar but less pronounced pattern.

TOP MEANS OF DISCOVERY BY AGE



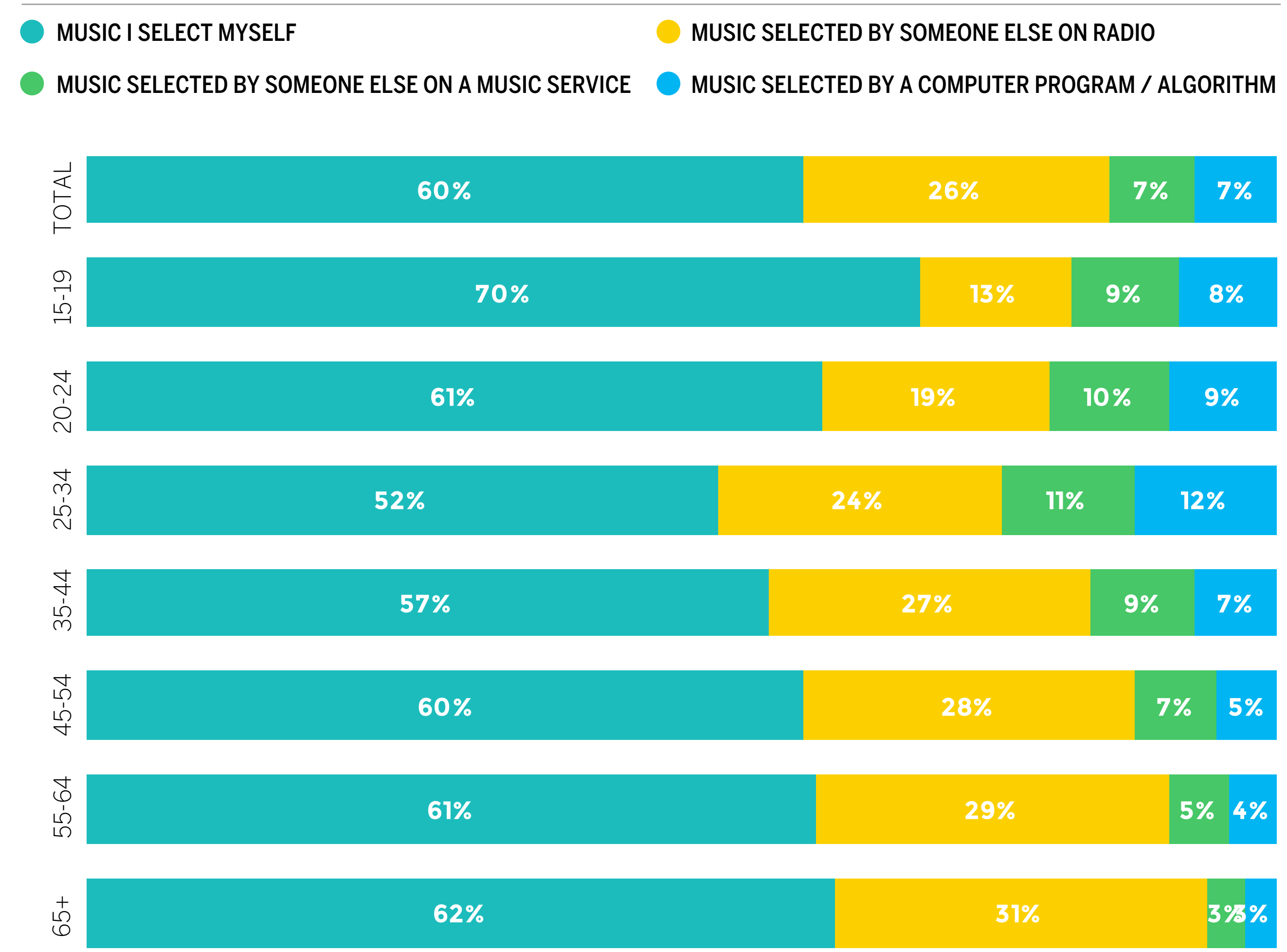

How do you typically discover music?
Base: 3014 Respondents

# LEAN FORWARD SELECTION IS STILL KING

## Total Sample

Lean forward selection is still king while playlists and algorithms are niche. 60% of the time respondents select music themselves, with a peak of 70% amongst young millennials (15-19 year olds). After this traditional radio dominates, with respondents saying that 26% of the music is selected for them by a radio DJ. A total of 14% of their listening is fuelled by playlists and algorithmic recommendations (7% each). 25 to 34 year olds are the most lean back age segment with just 52% of their music being music they select themselves, the lowest amongst all the age segments.

### SELF-SELECTED VS. CURATED, LEAN-BACK LISTENING




How do you typically discover music?
Base: 3014 Respondents

**SECTION 6:**

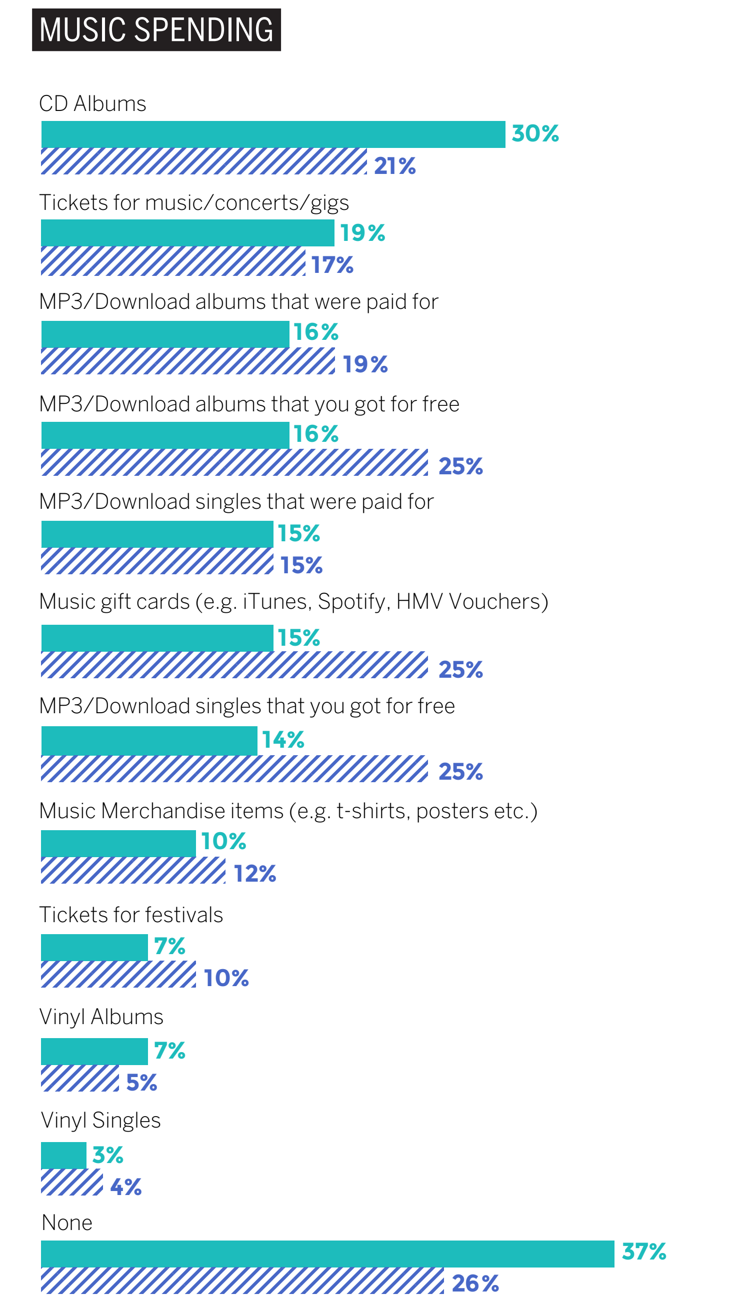
# Music Spending, Sharing & Genres



# MILLENNIALS UNDER INDEX ON MUSIC SPENDING

## Total Sample

CDs are still the most common music product purchase at 30%, followed by live tickets (19%) and MP3 downloads (16%). Young millennials (15-19 year olds) under-index significantly on purchasing CD albums and over-index on free MP3 album downloads, music gift cards and free MP3 single downloads.




Which of the following music products have you acquired for yourself or have been given as a present in the past 6 months?
Base: 3014 Respondents

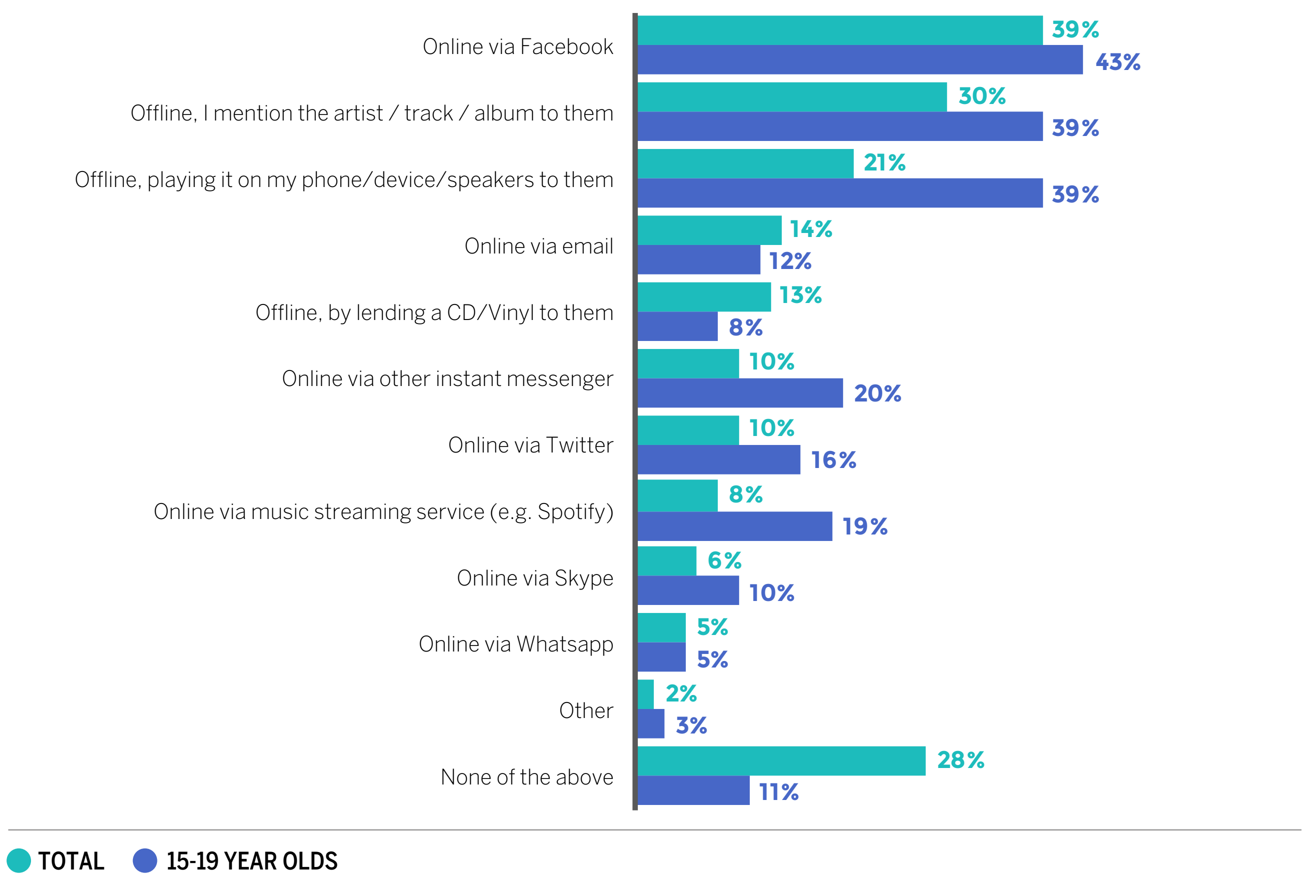
# FACEBOOK IS THE LEADING MUSIC SHARING METHOD

## Total Sample

At 39%, Facebook was the leading music sharing platform. After this word of mouth was a strong second, with 30% of respondents saying they mentioned an artist/track/album to friends offline.

Young millennials (15-19 year olds) over-indexed on sharing via offline methods (mentioning/playing track), instant messenger, online via Twitter and through a music streaming service.

MUSIC SHARING METHODS



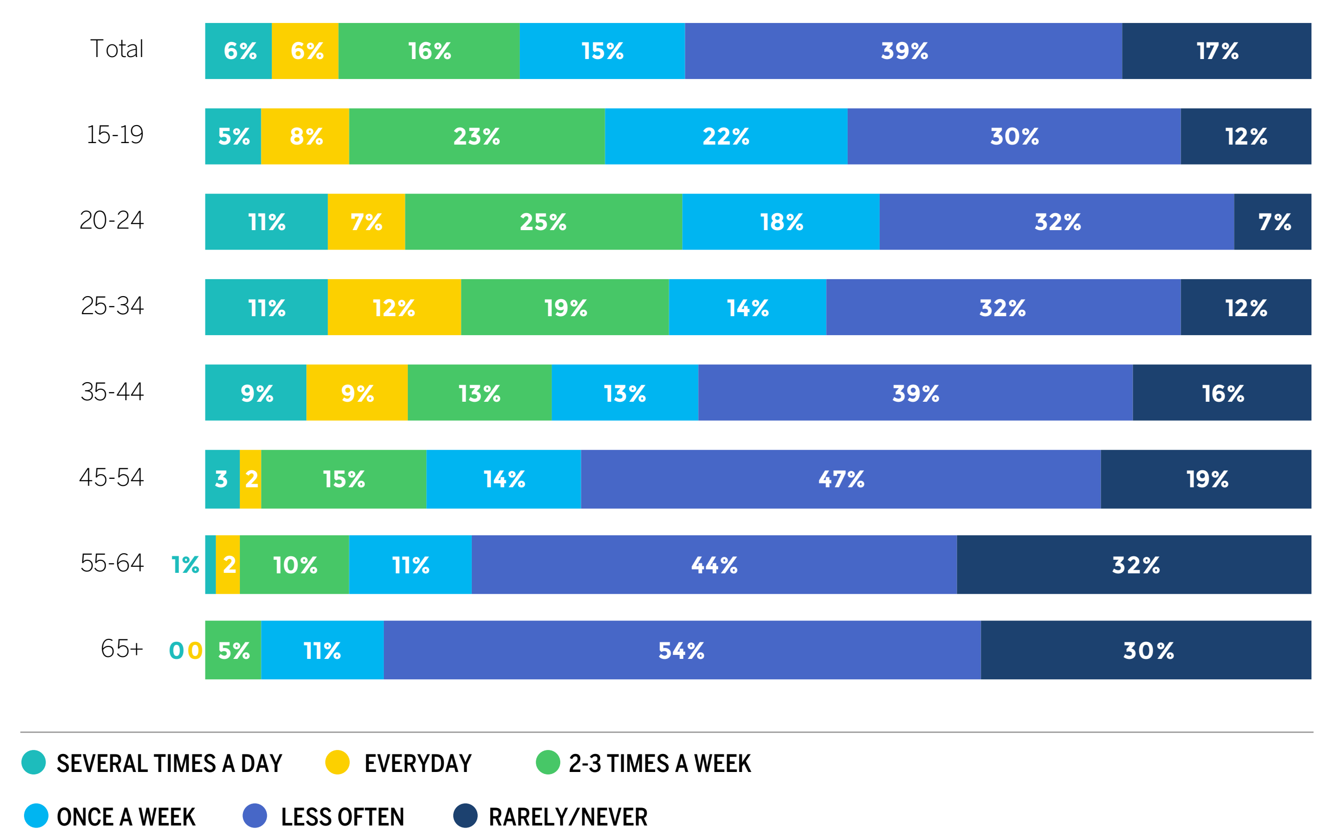

How do you usually share music you like with friends and/or others?
Base: 3014 Respondents

# MILLENNIALS SHARE MUSIC MORE THAN OLDER GENERATIONS

## Total Sample

20-24 year olds shared music the most, with 61% sharing music at least once a week. This was followed by 15-19 year olds (58%), and 25-34 (56%), before tailing off amongst the older generations.

REGULARITY OF SHARING



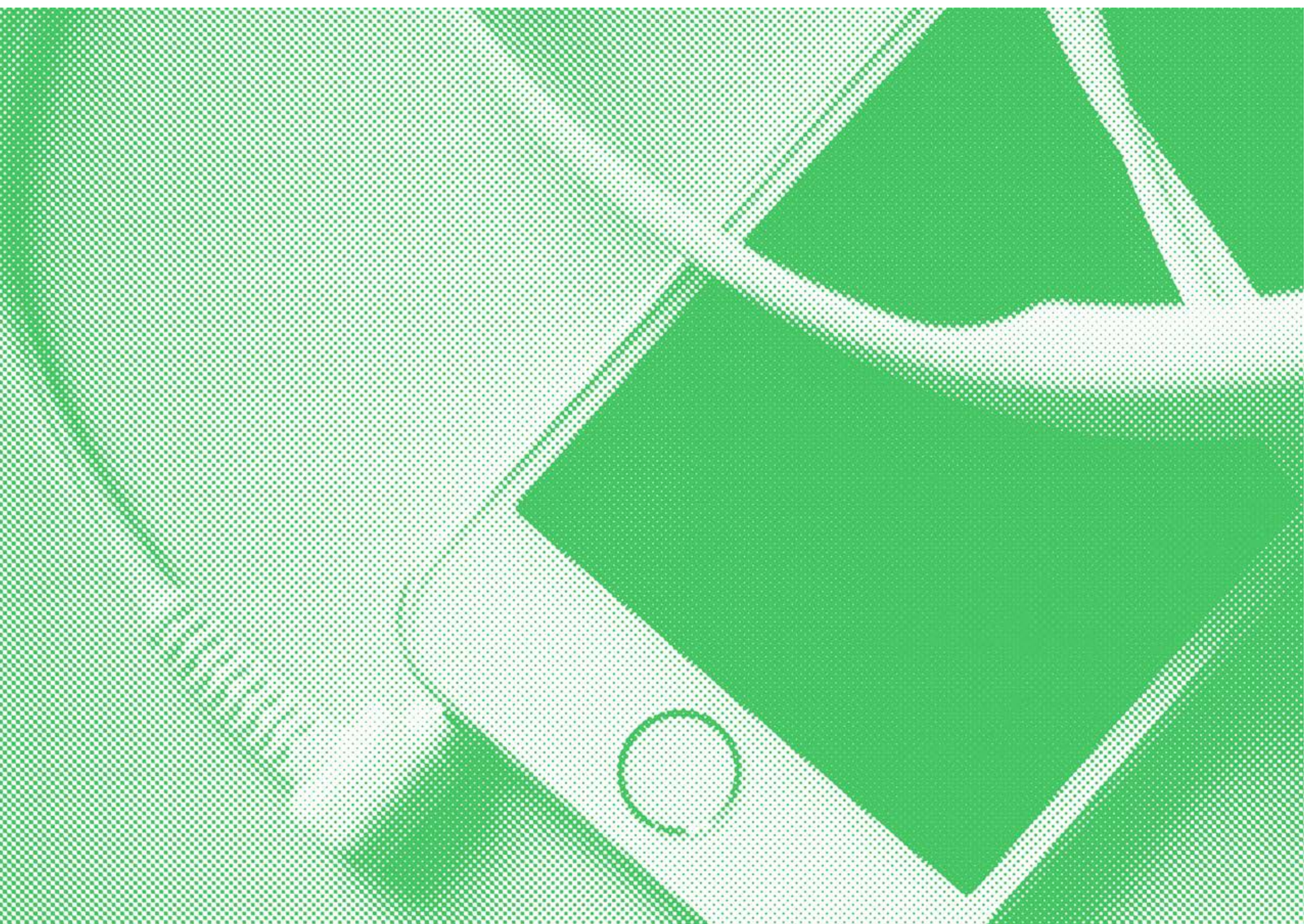

Base: How often do you share music with your friends//others?
Base: 3014 Respondents

# MILLENNIALS LIKE POP AND HIP HOP

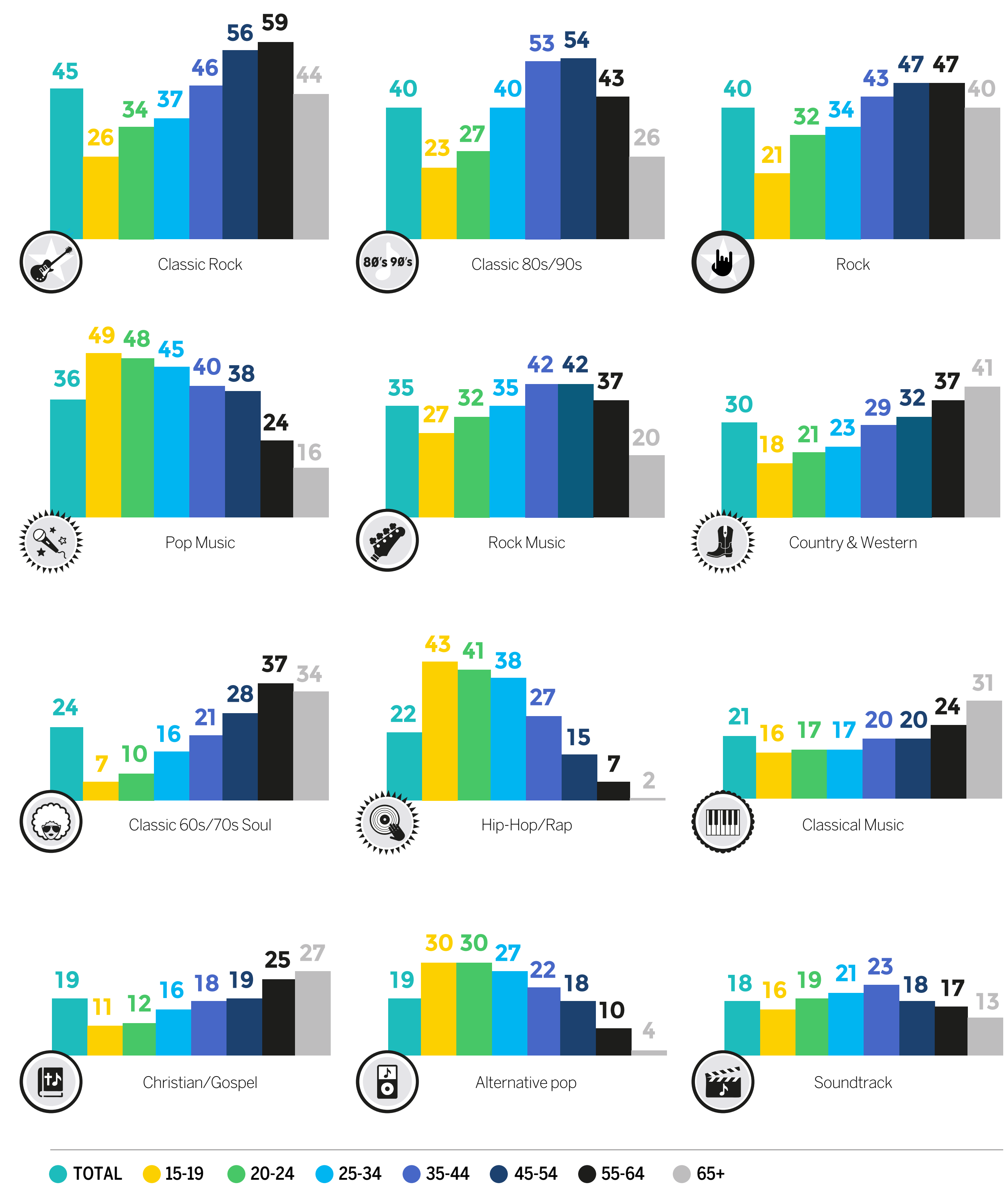
## Total Sample

With Classic Rock, popularity under-indexes amongst Millennials and grows with age, over-indexing heavily for 45-64 year-olds. For Classic 80s/90s and Rock, these two genres also under-index amongst millennials with popularity increasing and over-indexing in the 45-64 category.

By contrast, Pop and Hip-Hop/Rap show the opposite patterns, over-indexing amongst millennials before subsequently decreasing with age, with a very heavy dip in the 45-64 age group for Hip-Hop/Rap.



MUSIC SHARING METHODS




Which of the following types of music do you generally like?
Base: 3014 Respondents