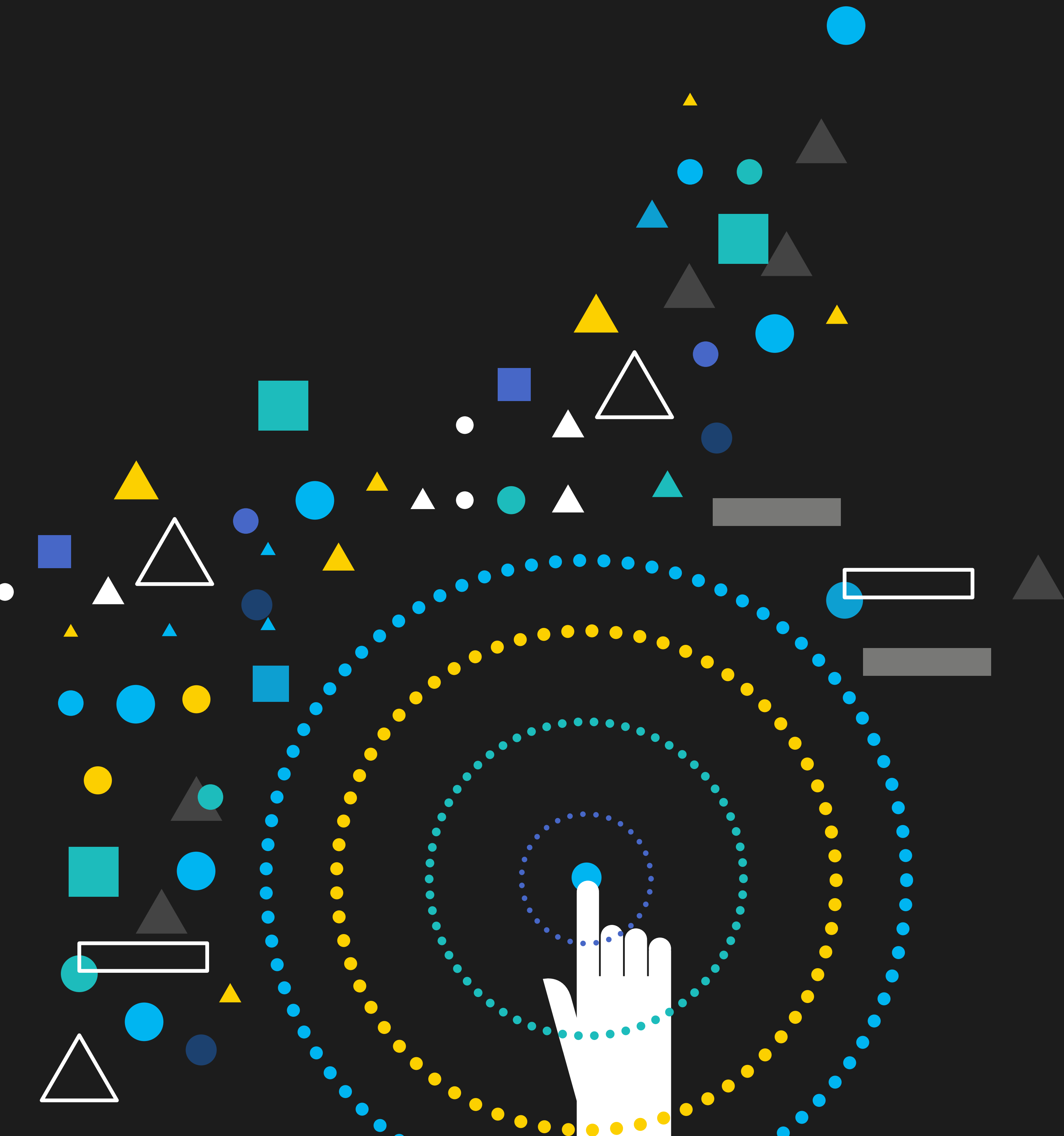
loop music biz consumer insights™

Consumption Landscape

September 2016



Contents

INTRODUCTION

Today, consumers can listen to any music they want, at any time, in any place and in any format, whether it be downloads, radio, streaming, CDs or vinyl and, importantly, that privilege costs far less than it used to, if it costs anything at all.

Crucially, the free reign that consumers have over how they access and consume music means that the radio and music industries are totally consumer driven – no one but the audience dictates what music is popular and successful. As a result, everybody in music management, publishing, broadcasting and streaming must keep their finger on the pulse of the constant changes in consumer audio consumption, and how they impact the industry as a whole.

The report, 'Music Consumption: The Overall Landscape', encapsulates a democratic measure of audio consumption in the US, and saw a statistically and demographically representative sample of the 15+ US population answer a set of general questions about listening habits. These ranged from share of ear between radio to online sources; to device preferences and piracy behavior; to more detailed questions about playlist use; lean forward / lean back selection; music sharing habits; attitude to pricing; exclusive and hi-res audio and much more. As a result, it uncovers the overall music consumption landscape, how it is changing, and how these changes may reshape the music industry's macro-environment. It is, therefore, an invaluable tool for any company or person operating within radio or music, and the creative industries at large.

SECTION 1:
Sample

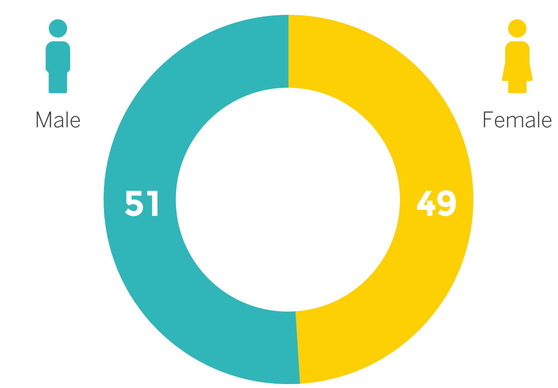
SAMPLE

3014 Respondents

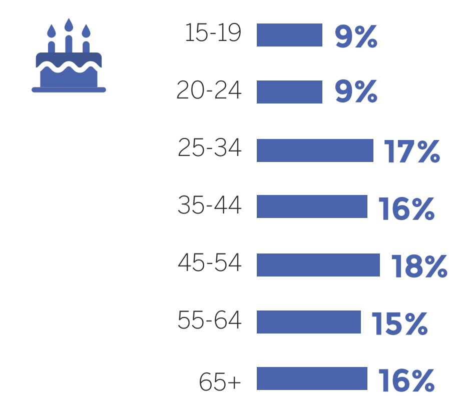
A statistically and demographically representative sample of the US population.

All respondents had online access.

GENDER



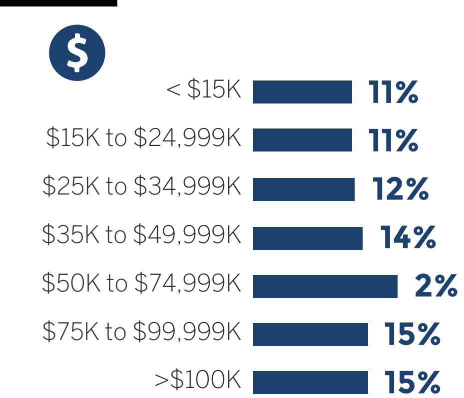
AGE



REGION

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

SOCIAL GRADE



SECTION 2:

Music Consumption

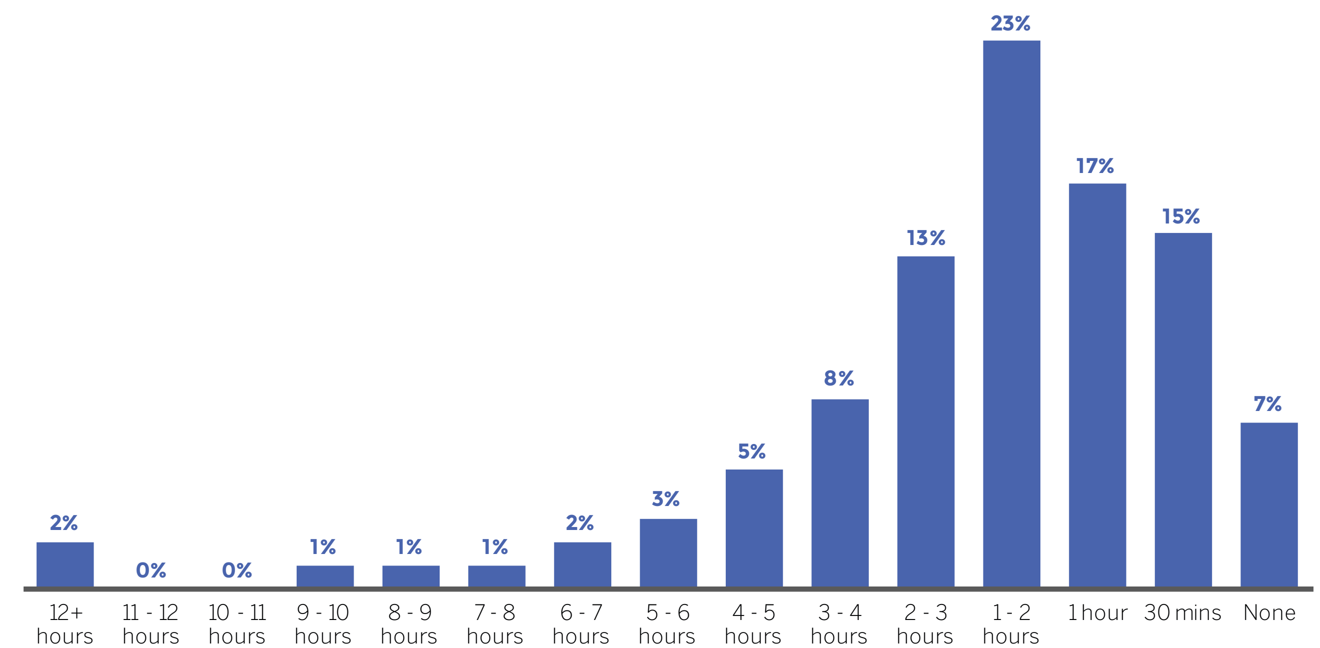
TIME SPENT LISTENING TO MUSIC

Total Sample

At 23%, the most popular listening block was 1 to 2 hours.

68% of respondents listened to music for up to 3 hours on a typical day, whilst 7% didn't listen to any music at all.

On average, the total sample listened to 147 minutes of music on a 'typical day'. Minutes listened dropped as respondents got older, peaking amongst the 15-24 year olds at 187, dropping to 85 minutes amongst the 65+ year olds.



Average minutes listened:

147 MINS	187 MINS	179 MINS	122 MINS	85 MINS
Total Sample	15-24 year olds	25-44 year olds	45-64 year olds	65+

Question: To the nearest half hour, how long do you normally spend listening to music in a typical day?
Base: 3014

RADIO RULES THE LISTENING ROOST

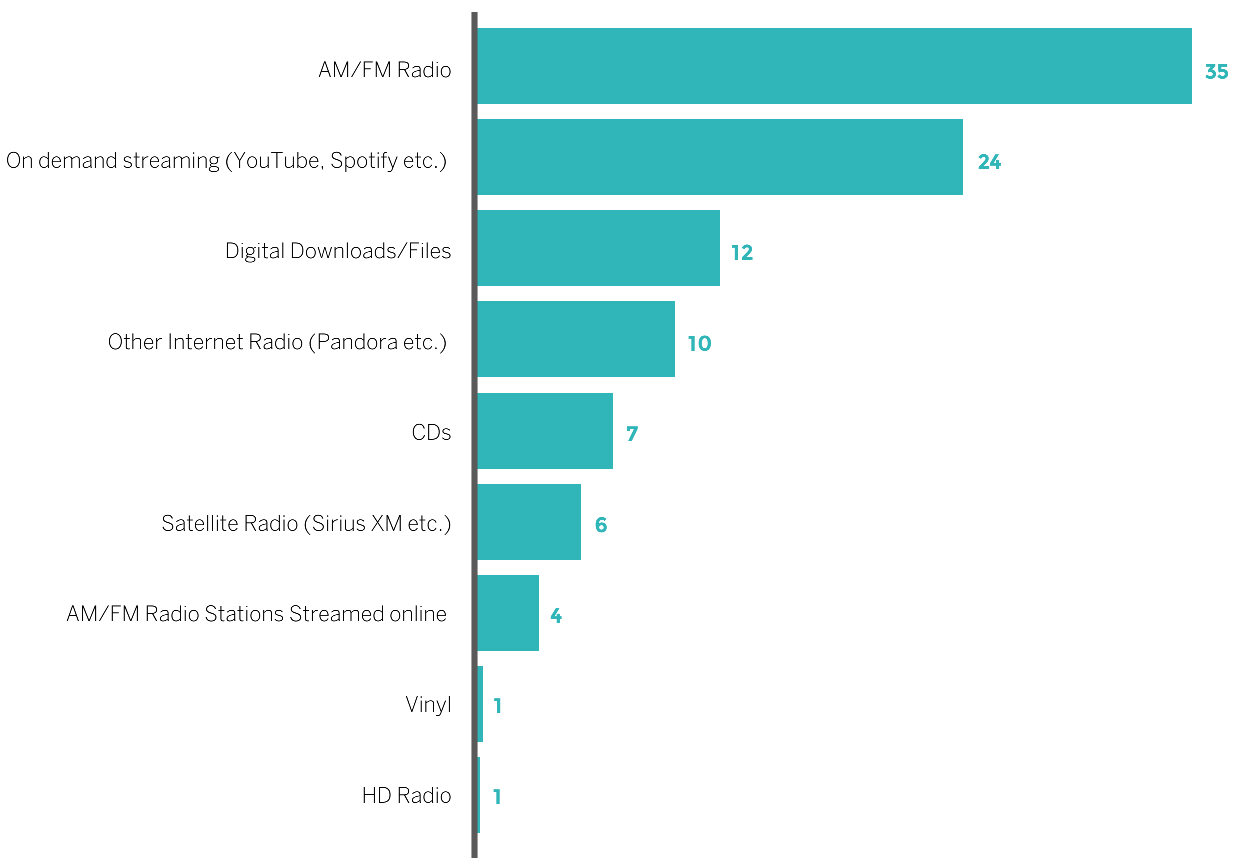
All those who listen to music on a 'typical' day

Radio is still king, capturing 35% of net daily listening.

Mainstream digital content, meanwhile, are comfortably outperforming physical forms of music.

On demand streaming is second with 24% (digital downloads are third with 12% and other internet radio (Pandora etc.) is fourth with 10%; all ahead of CDs at 7%. Share of listening shows the percentage, or share, of time respondents spent on each method of listening – i.e. Broadcast Radio captured 36% of respondents' total listening time.

SHARE OF LISTENING



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

YOUNGER CONSUMERS ARE HEAVY ONLINE LISTENERS

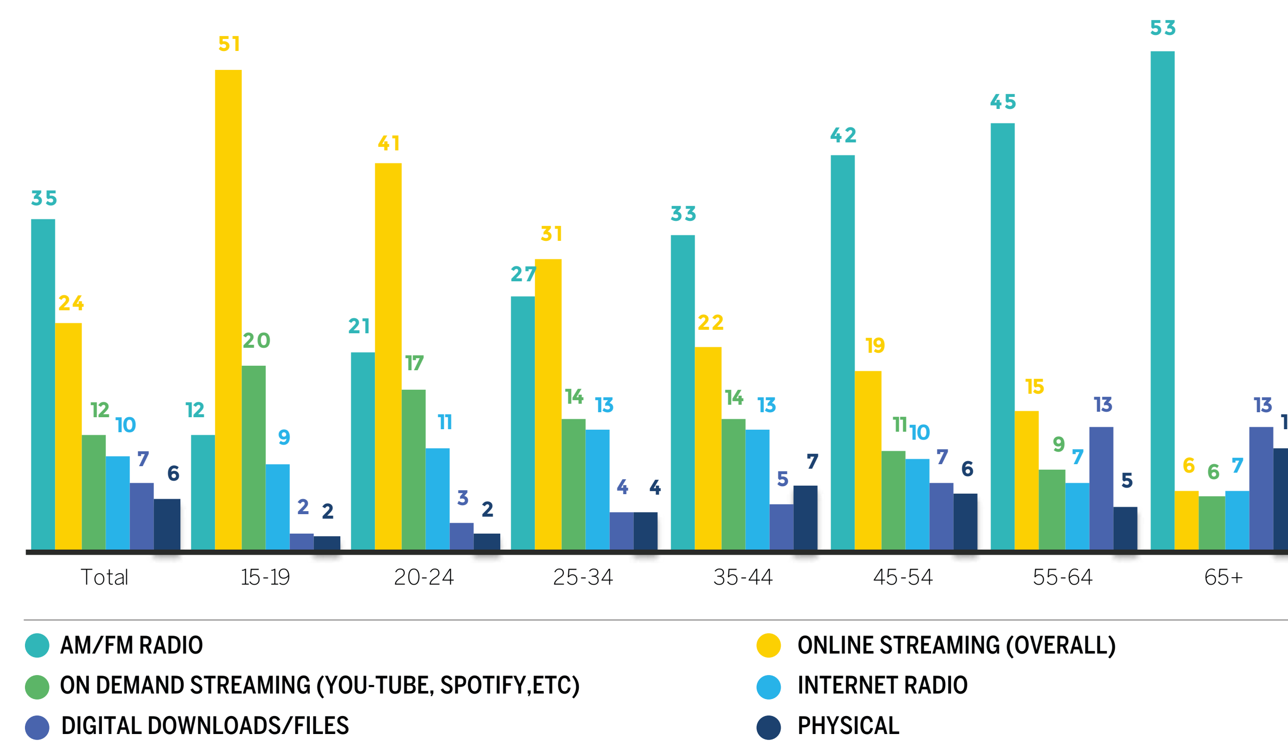
All those who listen to music on a 'typical' day

Younger generations are predominantly listening to on-demand streaming

Whilst 24% of the general population listened to on demand streaming on a 'typical day', 51% of 15-19 year olds and 41% of 20-24 year olds did the same, a significant over-index. Radio trends up in the older age groups with respondents aged 55-64 and 65+ listening to radio most (45% and 53%) followed by downloads (13%).

**Share of listening can be defined as: The portion, or share, of respondent's total listening time each format accounted for.*

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

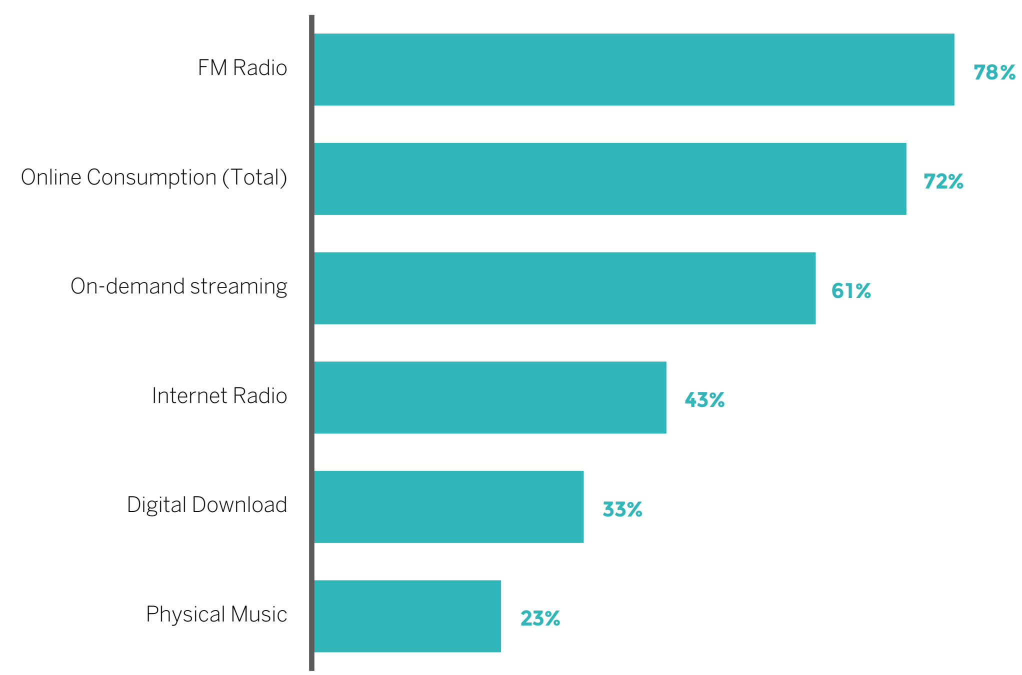
ONLINE SOURCES ARE CATCHING FM RADIO IN WEEKLY REACH

Total Sample

In terms of reach (listened to once for 5 minutes or more over a weekly period) FM Radio came top at 78%. This was then followed by Online Consumption at 72%, on-demand streaming at 61%, internet radio at 43%, digital downloads at 33% and physical music at 23%.

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

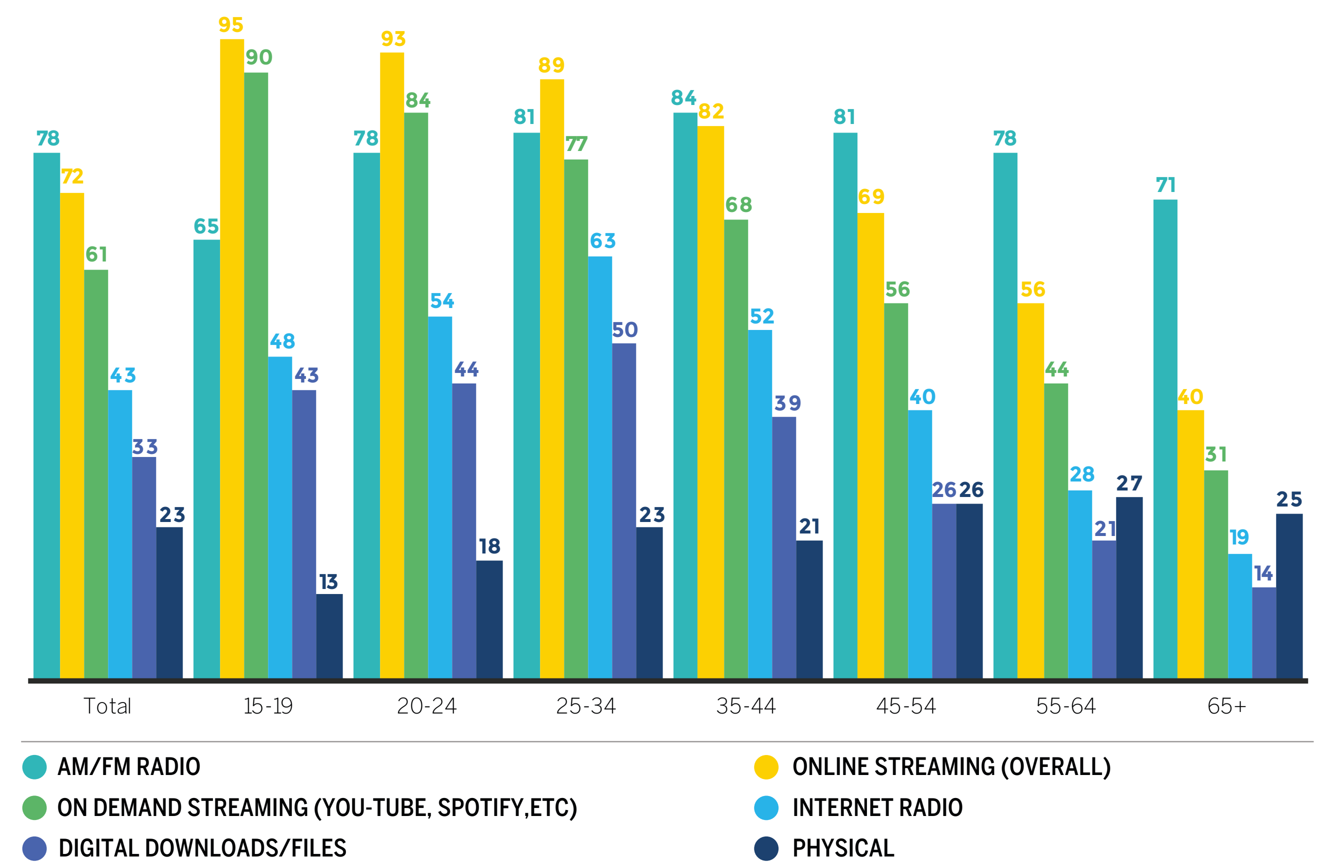
RADIO IS STILL REACHING ALL AGE GROUPS

By Age

On demand streaming vastly over-indexes amongst younger generations, then declined as respondents got older.

AM/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.

US 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 REGULARY USED SOURCE FOR AUDIO CONTENT

42% of respondents said they used YouTube for five minutes or more at least once a week to listen to audio. Pandora follows closely at 31% with CDs lagging behind at 22%. This rose to 67% in 15-24 year-olds.

The YouTube value gap is one of the leading industry topics of 2016. Put in context with an equal 42% of respondents who said they were happy with free tiers of music services enough not to upgrade, it is a gap made to feel even glaringly bigger by the survey results.

According to the survey, YouTube was the key touch point for audio listening across online and offline, especially for the younger generations. It is also the leading point of discovery behind recommendations from friends – 34% of respondents said they discovered music via YouTube, which rose to 54% of 15-24 year olds.

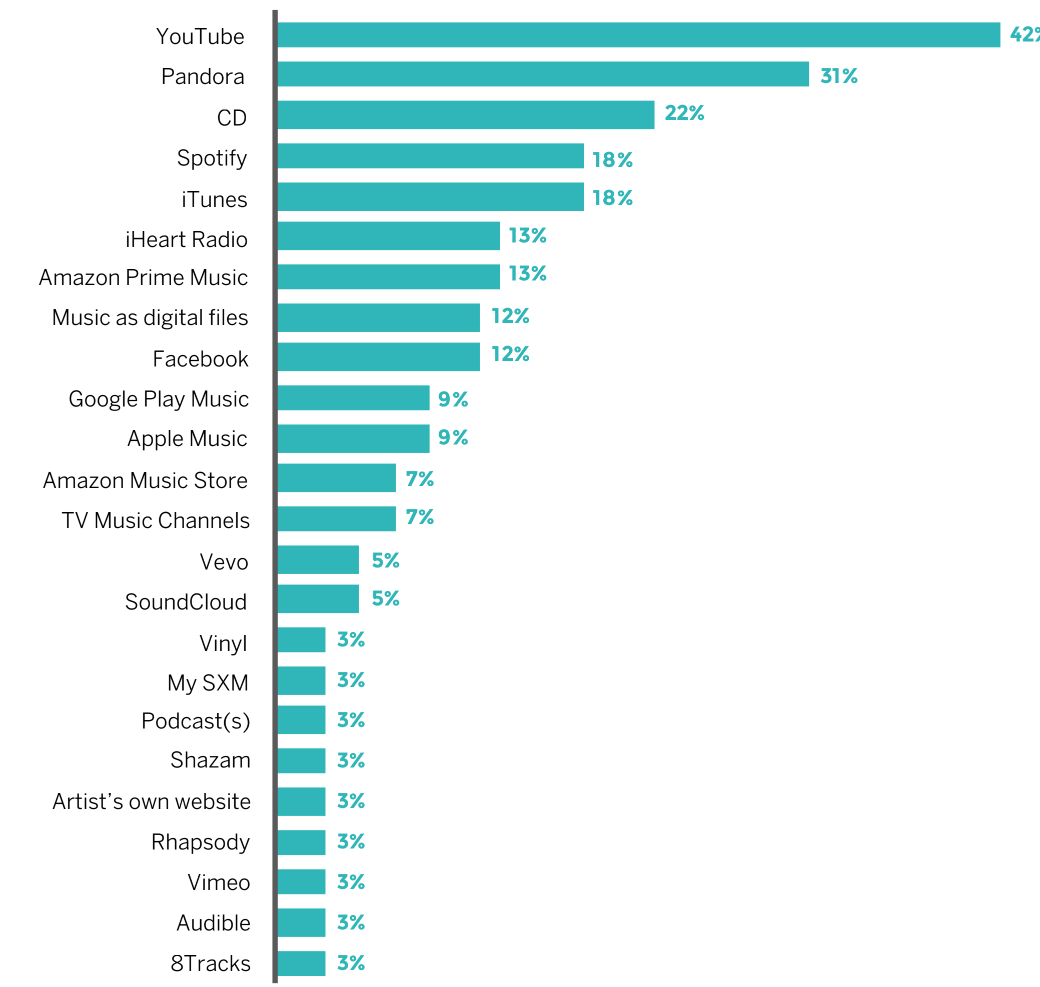
YouTube has long had a fractious relationship with the music industry. Praised by marketers for its reach and ability to launch and stoke the release of new music on a global level, or to create overnight sensations like The Harlem Shake, at the same time it pays out lower royalties to rights holders per stream than dedicated music services and has been criticised consistently at the negotiating table.

It has recently launched its YouTube Red premium subscription service, which covers music and other verticals, and rights holders are starting to see decent pots of revenue slowly emerge from that.

The popularity of on demand music services will grow. But for the world's most accessed streaming service in order to listen to music, the 'free' problem is still a big problem.

The key questions around YouTube for the coming year are whether other music services can attract new listeners and start to fill this value gap and whether YouTube will work to increase its Red user base and payouts to the music industry while finding other ways to generate revenue for rights holders and appease them, something its recent acquisition of D2C commerce Bandpage might help it work towards.

US WEEKLY REACH BY PLATFORM



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

YOUNGER GENERATIONS FAVOUR ONLINE PLATFORMS

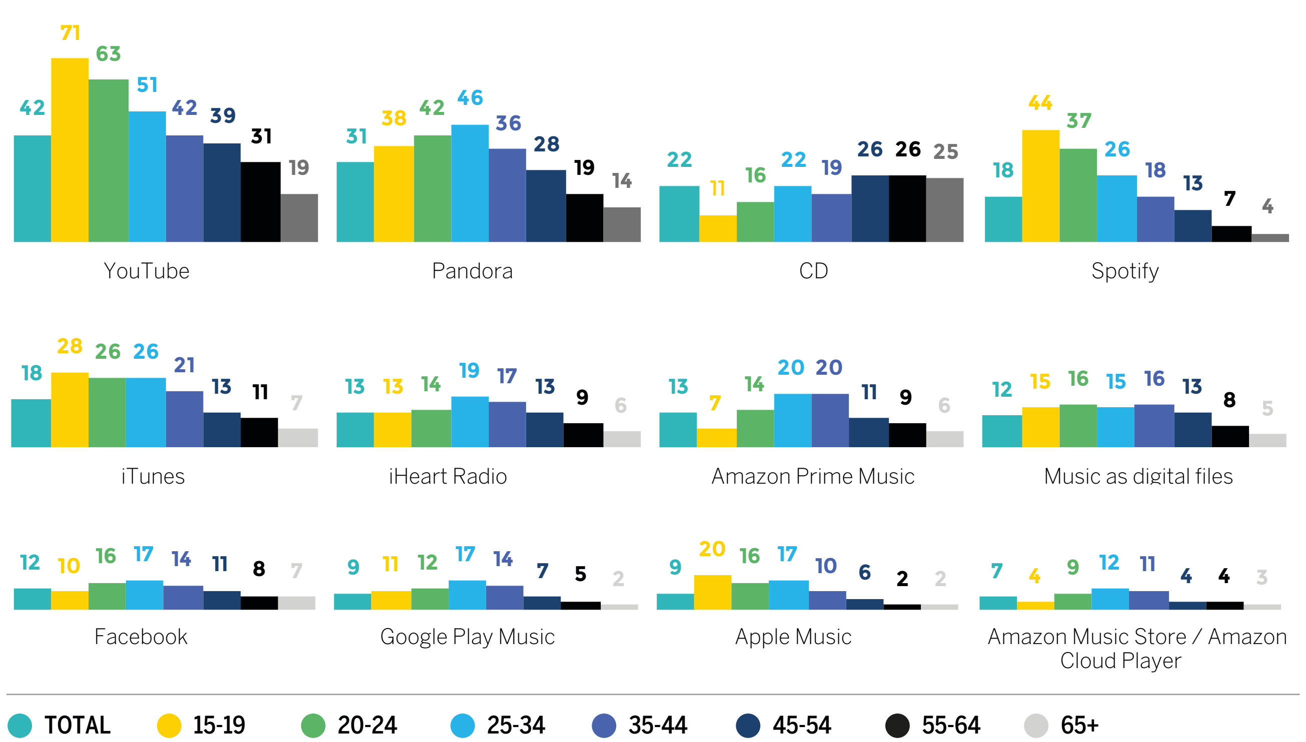
By Age

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

Younger generations under-indexed on listening to CD's in comparison to older users, just 11% of 15-19 year olds listening to a CD over a weekly period.

Here, on-demand streaming services are making up the difference. 71% of 15-19 year olds listening to YouTube, and 44% to Spotify over a weekly period.

PLATFORM WEEKLY 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

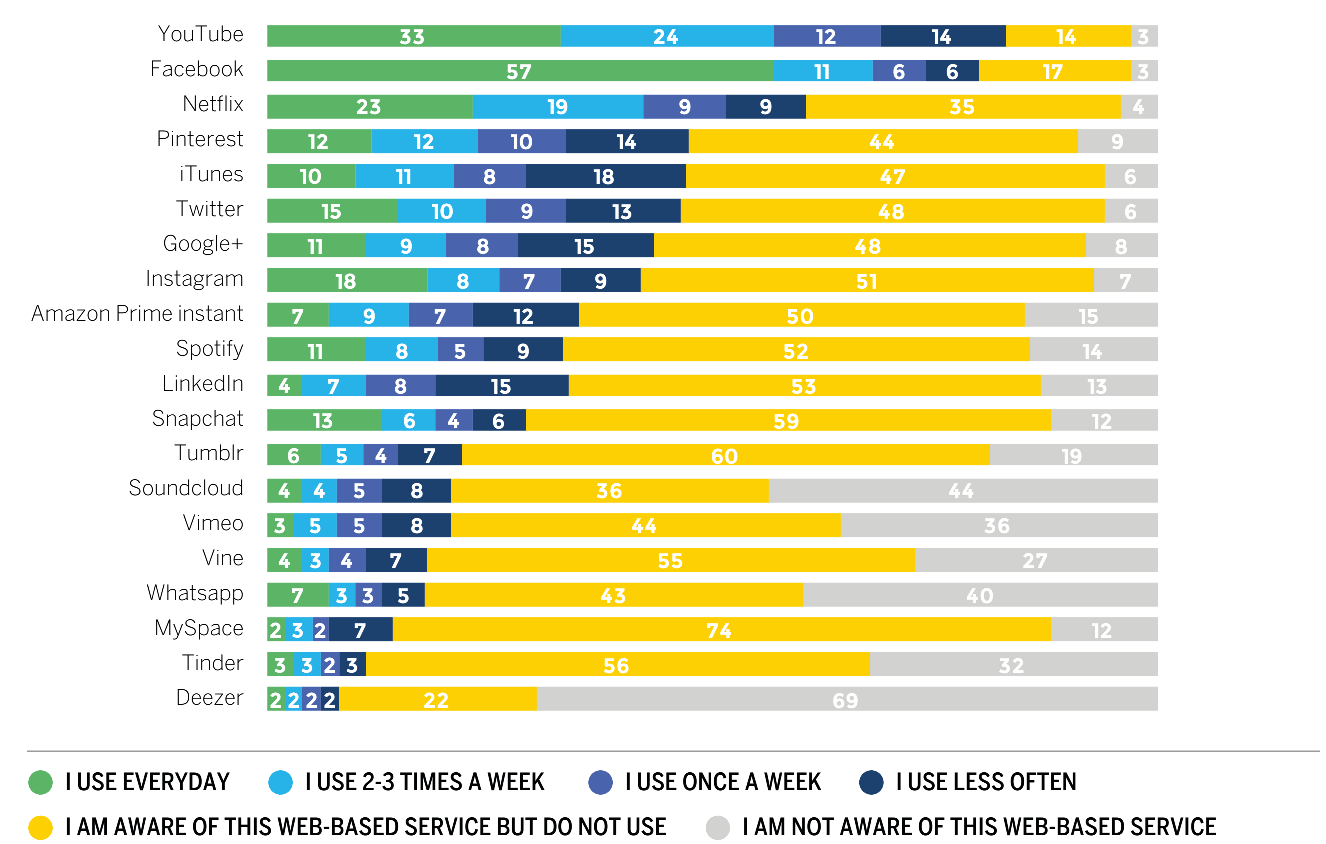
FACEBOOK LEADS SOCIAL MEDIA USAGE

Total Sample

Facebook dominates platform usage while Twitter is weak. 57% of respondents used Facebook everyday, whilst 15% used Twitter.

Despite its buzz Snapchat is still relatively niche, with 30% net usage and only 13% using it everyday. Pinterest is also used more than Instagram, Snapchat and Vine, with 47% net usage.

SERVICE USAGE REGULARITY & AWARENESS



Question: Which of the following statements best describes you in relation to each of the following web-based services? Base: 3014 Respondents

SECTION 3:

Device Usage

FM/AM RADIO IS THE MOST LISTENED TO DEVICE

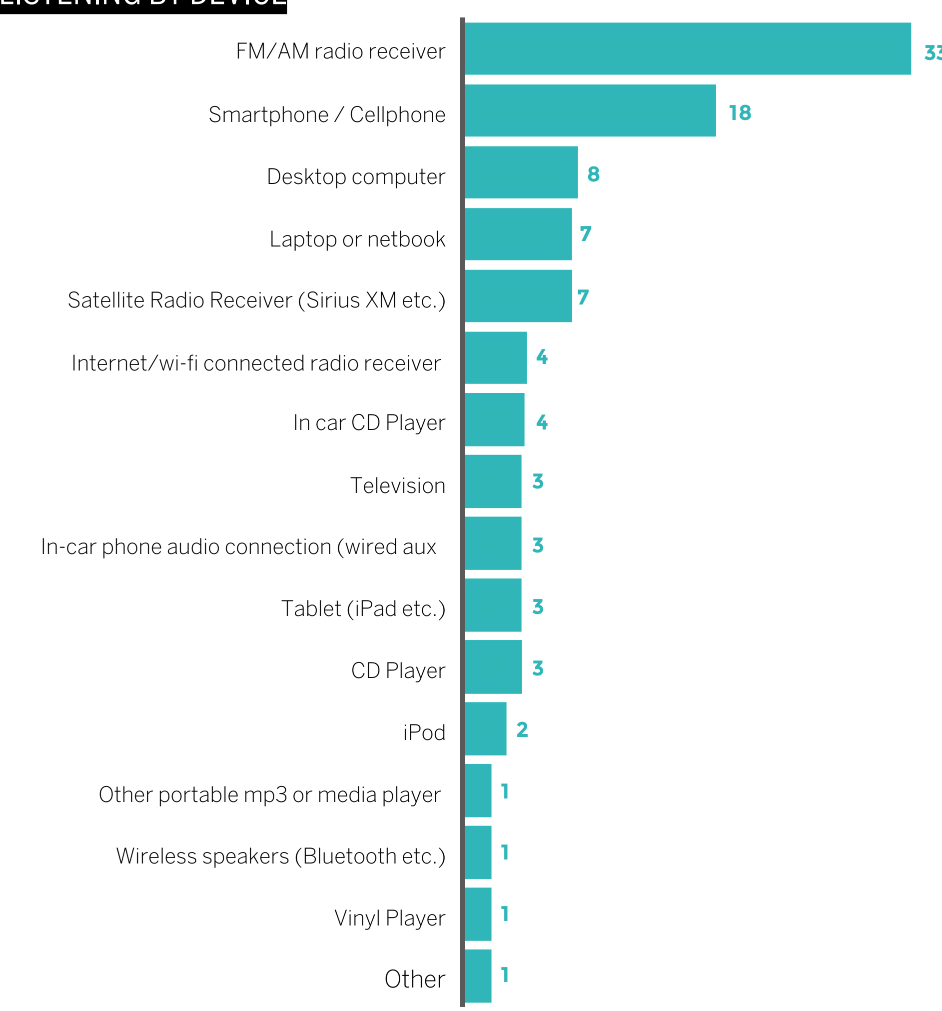
All those who listen to music on a 'typical' day

At 33%, Radio took the majority share as the device listened to the most.

Share of listening can be defined as: The portion, or share, of respondent's total listening time each device accounted for.

Smartphone device gap. Mobile phone listening is 2nd with 18% and roughly equivalent to the combined listening on laptop (7%), desktop (8%) and tablets (3%), which accumulates to (18%).

SHARE OF LISTENING BY DEVICE



To the nearest 15 minutes, how is your music listening normally split between the following devices?
Base: 3014 Respondents

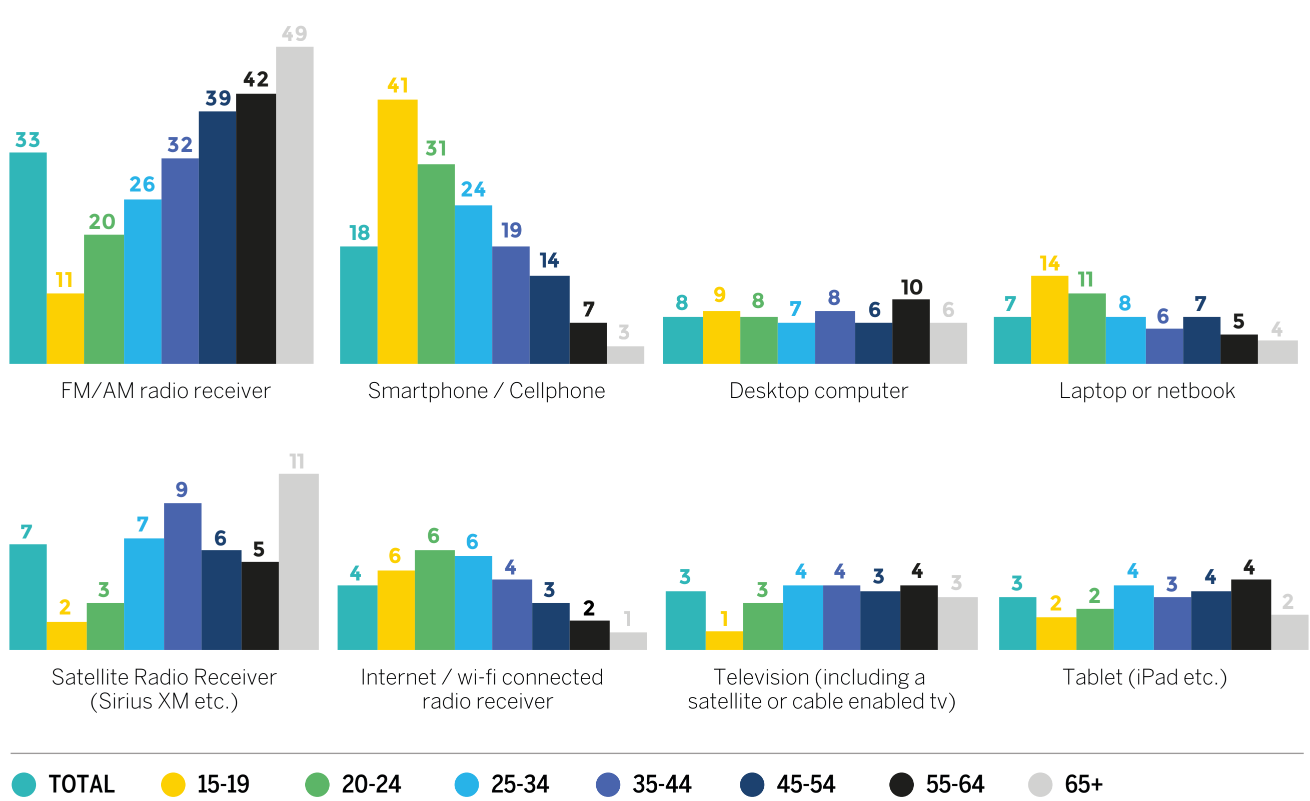
THE SMARTPHONE IS KING AMONGST YOUNGER LISTENERS

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

Age distribution across radio receivers starts low for 15-19 years olds and grows in linear fashion as respondents got older to peak at 49% amongst those aged 65+. The opposite holds for smartphone / cellphone users with a peak at 41% in the 15-19 age bracket, and gradually decreases with age.

Laptop/netbook skews slightly young while satellite radio peaks amongst 35-44 and 65+ year olds.

DEVICE SHARE OF LISTENING BY AGE



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

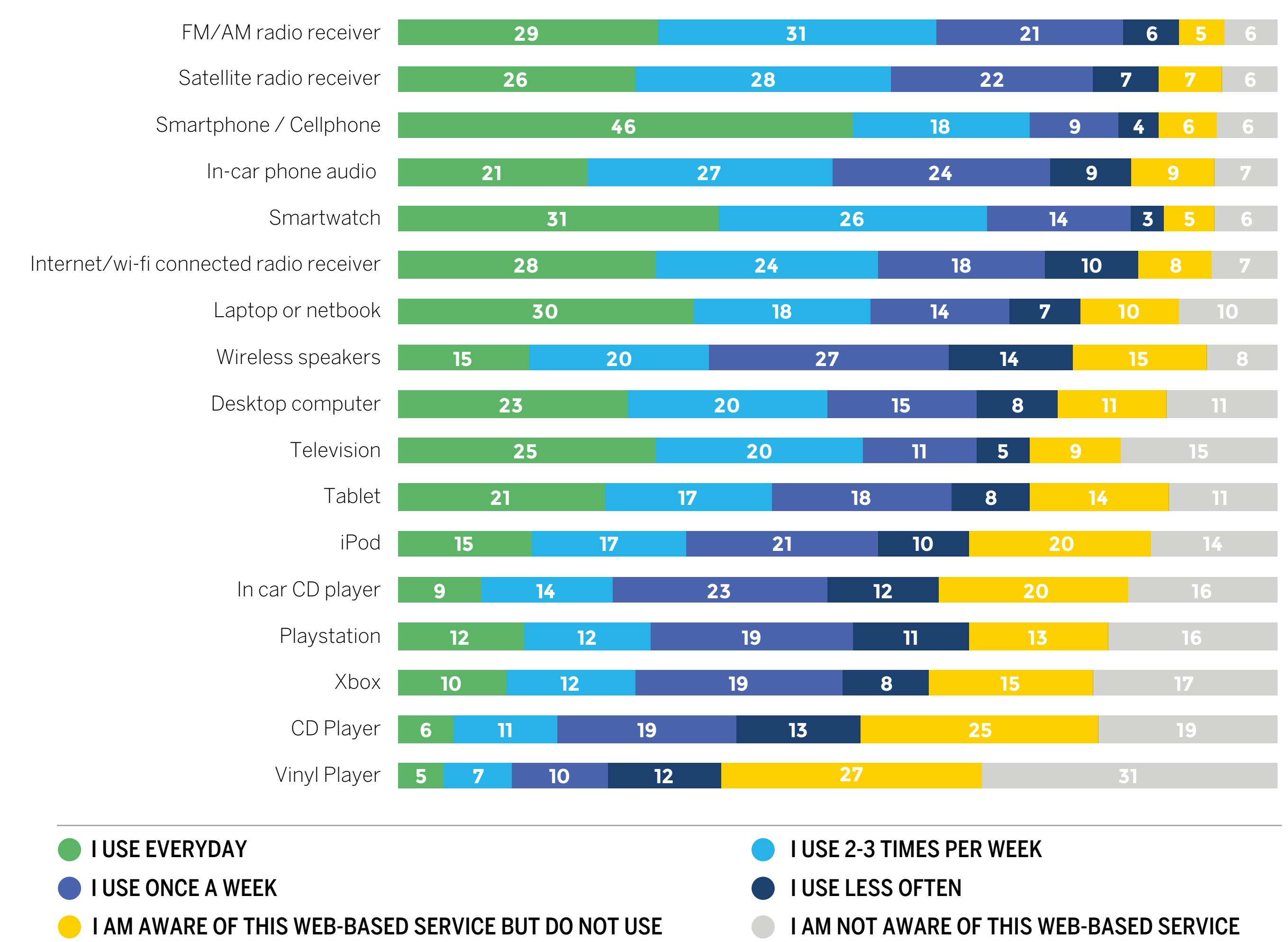
THE SMARTPHONE REIGNS OVER DAILY LISTENING

Total Sample

The smartphone was the most regularly listened to device, daily, out-performing radio receivers with 46% of respondents saying they use it to listen to music every day.

This was then followed by the Smartwatch (31%), Laptop (30%) and FM/AM radio receiver (29%).

DEVICES: REGULARITY OF USAGE TO LISTEN TO MUSIC



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, 2181 Television users etc.)

SECTION 4:

Music Streaming Uptake and Perceptions

17% PAID FOR A PREMIUM SUBSCRIPTION TO A MUSIC STREAMING SERVICE

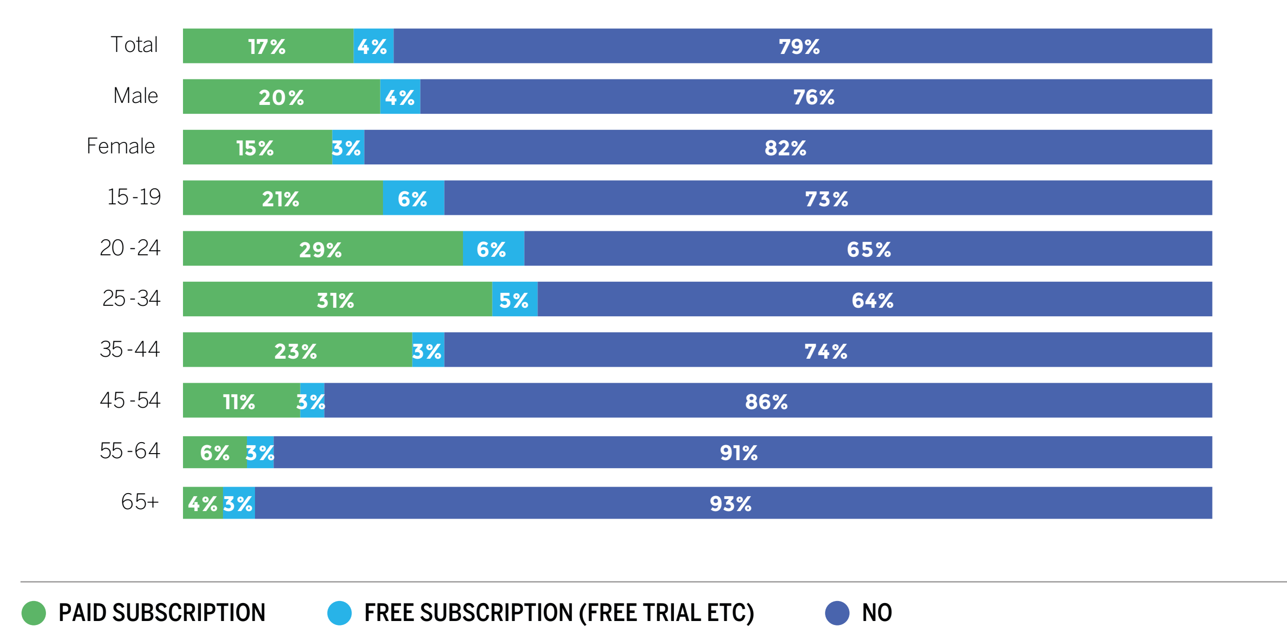
Total Sample

21% of US respondents initially stated that they have a premium subscription to a streaming service. However, upon further investigation, 17% actually paid for the service, whilst 4% used the service on a free subscription, through a free trial, bundle deal, or using through someone else's account.

Last year, in the same annual study, 13% actually paid for a subscription to a music streaming service. This shows a 31% increase YOY.

Paid subscriptions skewed slightly skewed male, with 20-34 year olds over-indexing significantly at 29%, in comparison the the general population (17%).

PAID/PREMIUM MUSIC STREAMING SUBSCRIPTIONS



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

SPOTIFY IS THE MOST PAID FOR MUSIC STREAMING SERVICE

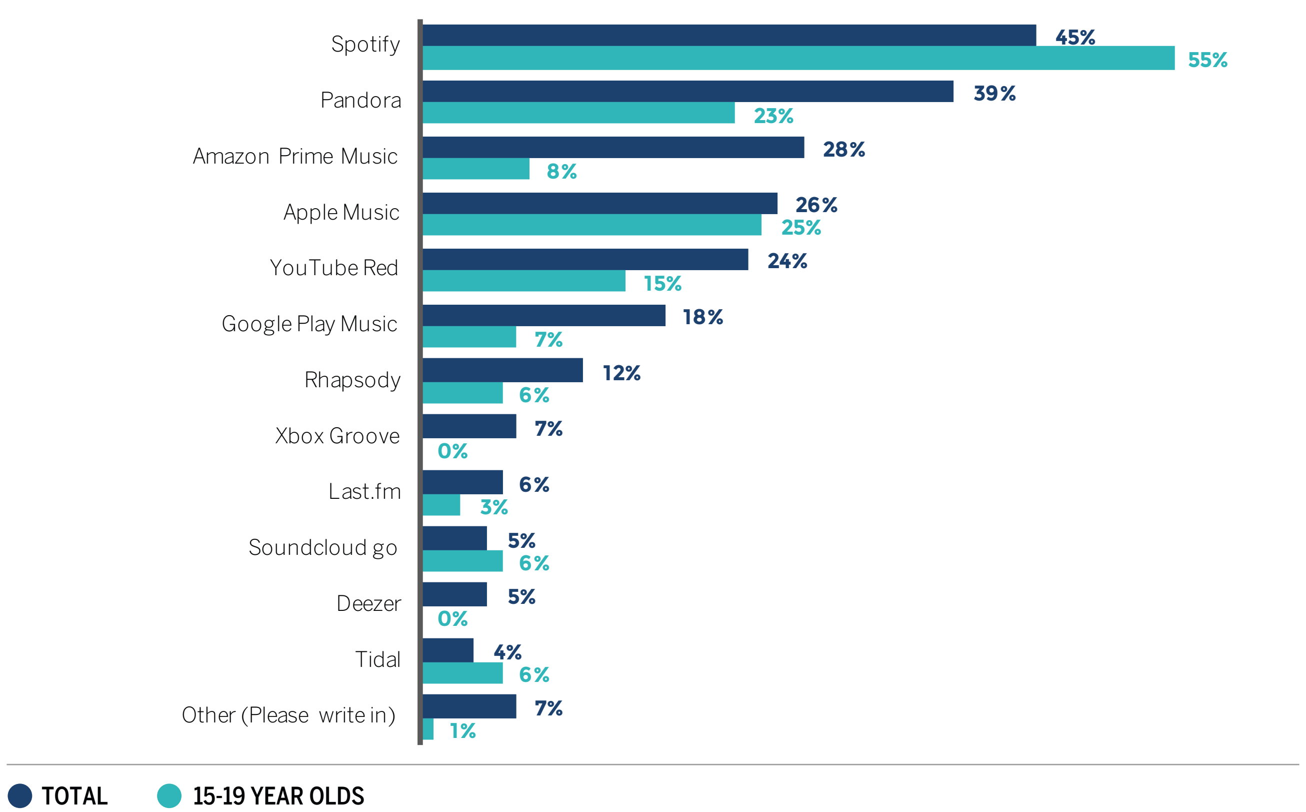
All who have subscribed to a music streaming service

Amongst premium subscribers, Spotify (37%), Pandora (32%), Apple Music (22%) and YouTube Red (19%) are the most paid for services.

Spotify skews to younger users, whereas Pandora, Amazon Prime Music and YouTube Red are less favourable.

55% of 15-19 year olds who have a paid for streaming subscription subscribe to Spotify, a considerable over-index over the general population (45%). Meanwhile, the same age group under-index on paying for Pandora, Amazon Prime Music and YouTube Red.

STREAMING SERVICES SUBSCRIBED TO AMONGST SUBSCRIBERS



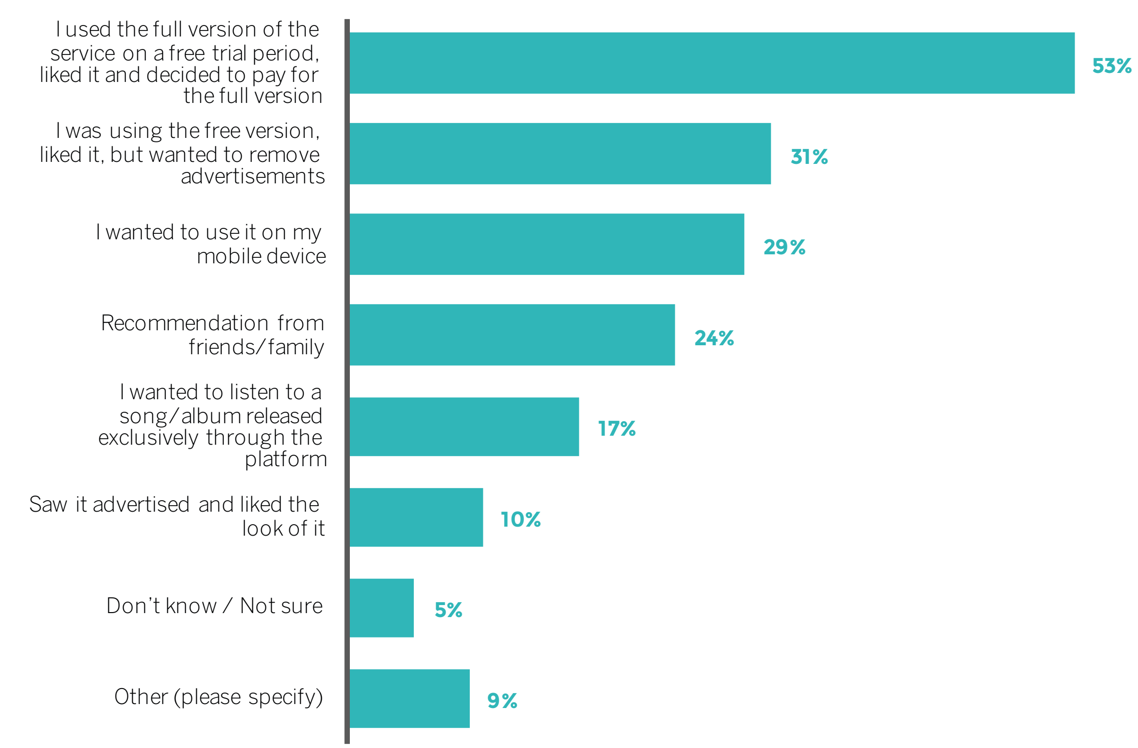
Which of the following do you have a premium subscriptions to?
Base: 607 Respondents

THE FREE TRIAL IS THE MOST EFFECTIVE CONVERSION METHOD

Those who pay for a music streaming subscription

The key driver to paid subscription is a free trial. 53% said that they subscribed in order to continue using the full version after a free trial period. Meanwhile, only 31% of respondents said they decided to pay to remove adverts and and 29% to use service on mobile.

REASONS FOR PAYING FOR A STREAMING SERVICE



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

THE FREEMIUM QUESTION

42% respondents weren't paying for music streaming services because they were happy using freemium tiers with adverts.

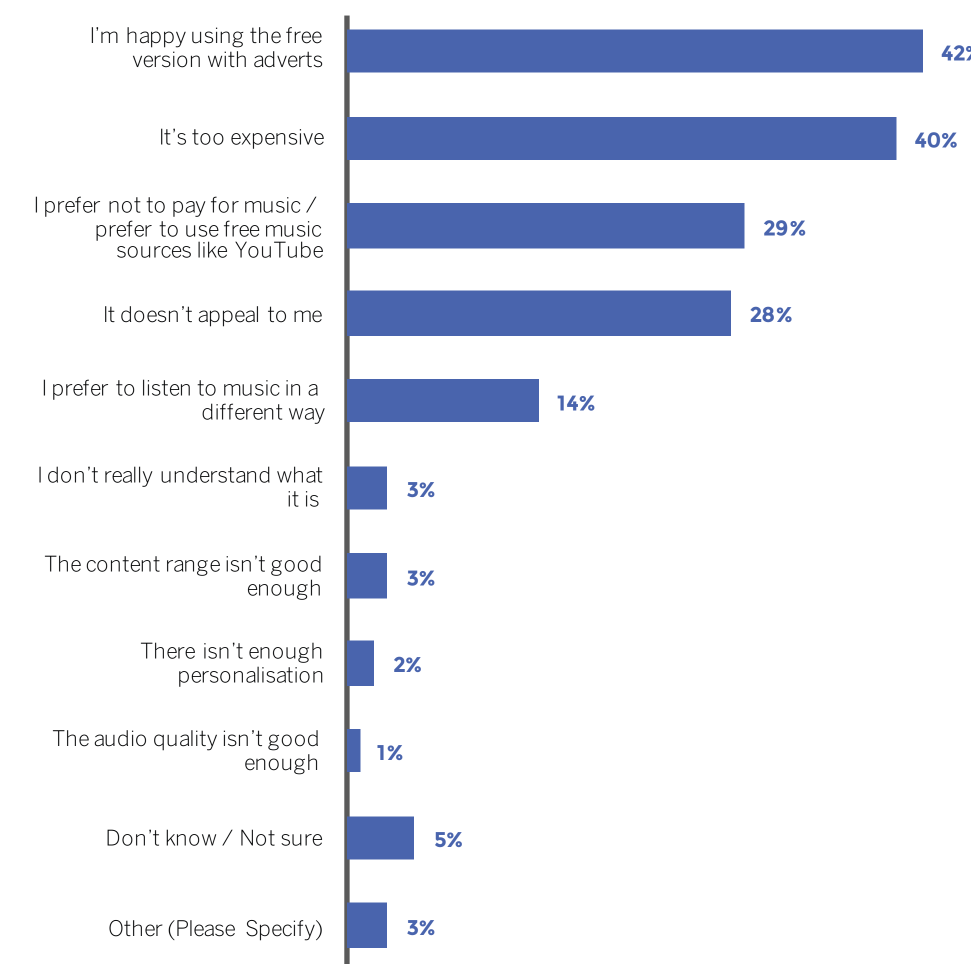
The freemium question is a difficult one. Failed services like Rdio have admitted that lack of a free tier hurt their growth and that once onboard via subscription users did not stick around long enough to become embedded in the service and churned. At the same time the economics of free ad-supported tiers are very difficult to make work.

Free tiers are a funnel to paid subscription not a means to an end in themselves and ad-supported online video platform Muzu.tv recently shut down due to inability to pay rights holders – it was on a 50/50 ad revenue split which is likely a less severe position than most streaming services.

42% of respondents said they were happy using free tiers with adverts, suggesting that it would be very hard for music services to upsell nearly half of respondents to paid subscriptions, leaving them with already tight profit margins made tighter. This rose to 55% of 15-24 year-olds and 47% of 25-44 year olds, suggesting that free tiers may put off the younger generations from paying for premium subscriptions.

So far mid-tier services like Cür Media in the US or Bloom.fm in the UK have failed to get off the ground while existing mid tier options, predominantly premium tiers of interactive radio services, have not been a big draw. This is due to change: Pandora wants to launch a mid-tier on demand offering and Amazon is rumoured to be exploring lower cost options, including bundling with Alexa, for its own on demand music service, In the meantime Spotify and Apple Music are pushing forward with family plans to offset the cost of subscriptions, and may well compete with their own mid-level tiers once these others launch. Will it be enough to lure this 42%?

REASONS FOR NOT PAYING FOR A STREAMING SERVICE



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

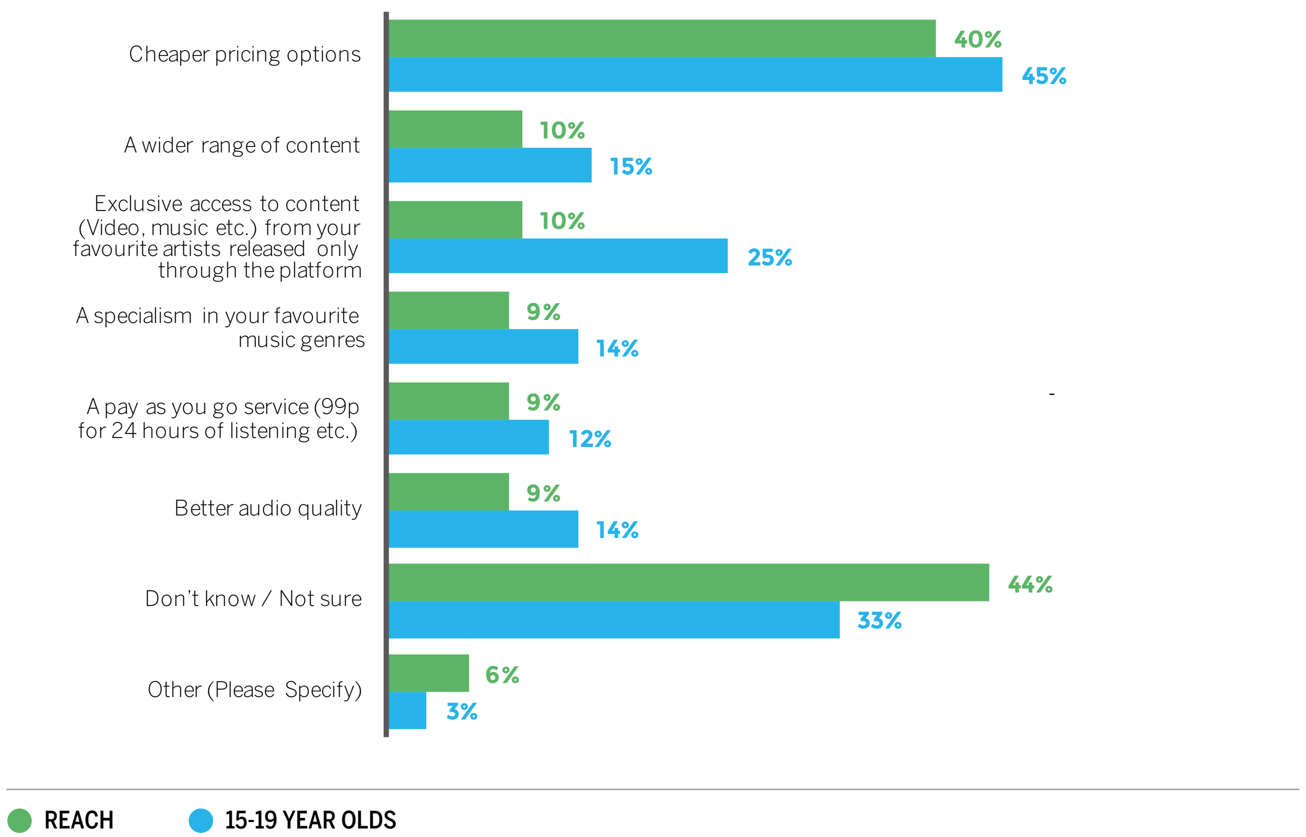
CHEAPER PRICING OPTIONS WOULD PERSUADE LISTENERS TO PAY FOR STREAMING

All who have not subscribed to a music streaming service

40% of those who don't pay for a streaming service said that it was because the service was too expensive, the top option 'a wider range of content' follows, by some margin, at 10%.

Just 10% of respondents said exclusive access to content by their favourite artists would persuade them to pay for music streaming. This did however, rise to 25% amongst 15-19 year olds, a significant over-index.

PAID MUSIC STREAMING DRIVERS



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

SECTION 5:

Music Discovery

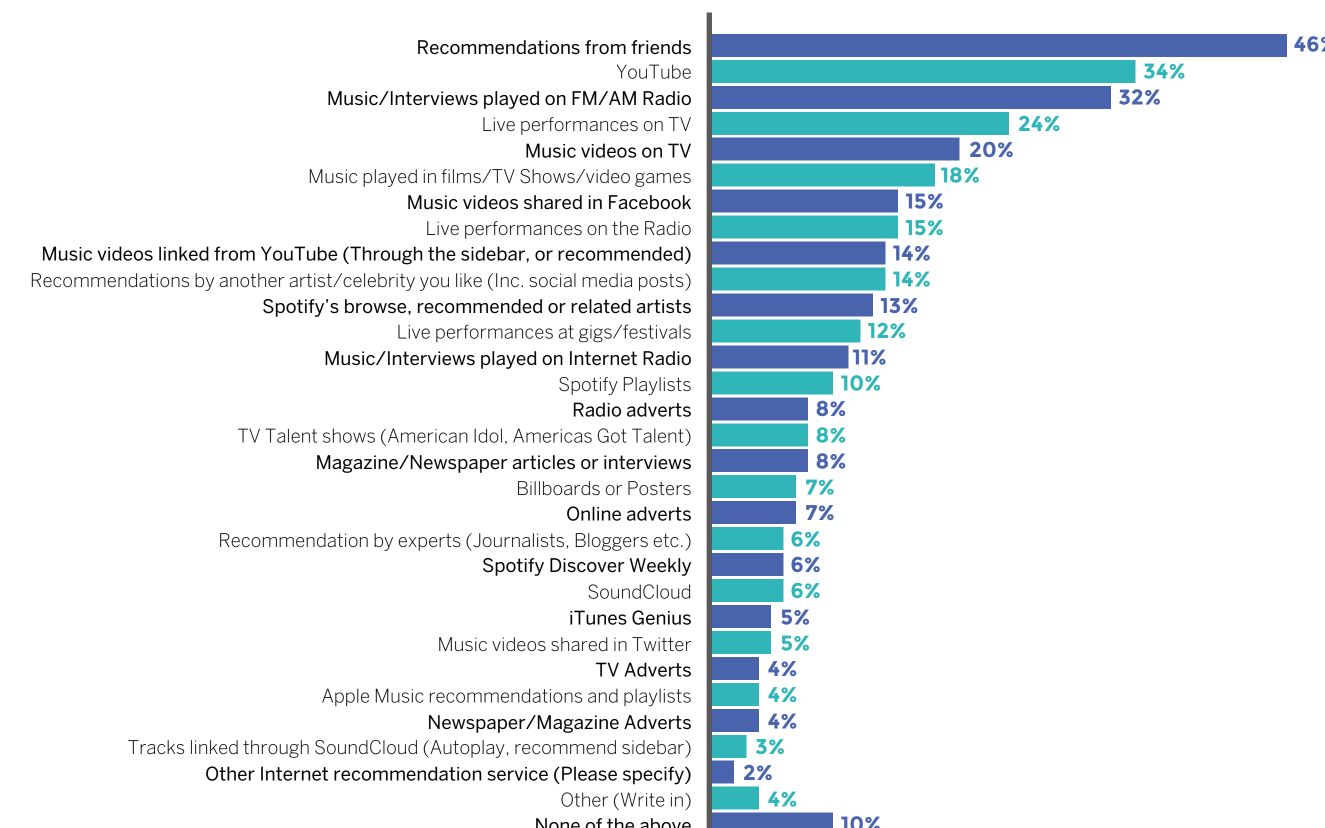
YOUTUBE OVERTAKES RADIO AS A LEADING MUSIC DISCOVERY METHOD

Total Sample

YouTube leads online discovery, while personal recommendations still rule. 34% of respondents said that they discover new music via YouTube. YouTube is second only after recommendations from friends (46%) and ahead of music/interviews played on FM/AM Radio (32%). 13% discovered music through Spotify's browse, recommended or related page, whilst 10% discovered through their playlists, far ahead of Apple Music's recommendation and playlists (4%).

TV is still influential, with live performances in fourth at 24% and music videos in fifth with 20%.

MUSIC DISCOVERY METHODS



How do you typically discover music?
Base: 3014 Respondents

YOUNGER LISTENERS DISCOVER MUSIC ONLINE AND THROUGH FILM, TV & GAMES

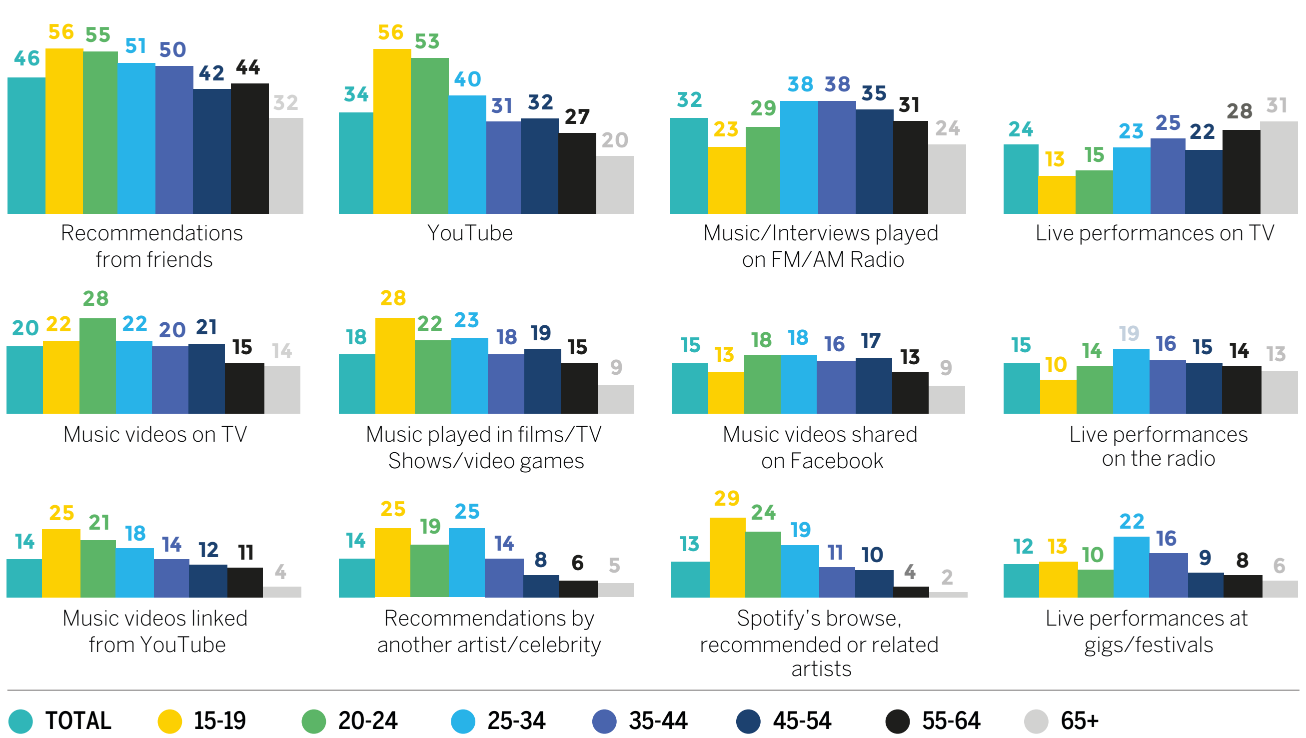
Total Sample

The leading two forms of discovery – recommendations from friends and YouTube – skew young, whereas discovery via live performances on TV skews older, peaking at 65+.

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

Music/interviews played on FM/AM on the influential in the middle ages, with peaks at 25-34 and 45-54.

TOP MEANS OF DISCOVERY BY AGE



How do you typically discover music?
Base: 3014 Respondents

PLAYLISTS OVERTAKE ALBUMS

42% of respondents said Playlists accounted for 31% of total listening, whilst albums accounted for 22%. Single track listening still leads the pack with 46%, but fell 6% YOY from 52% in 2015.

iTunes unbundled the album. Now playlists are further edging out the album format and eating into single tracks' share of listening, as shown by the survey results. Playlists have been lauded as the key new format for some time, and playlist inventory is the new digital shop front and point of discovery for listeners on streaming services.

There is an emergent tension between music services who produce their own playlists and labels vying for playlist market share on music services. Music services see playlists as a key battleground for market share and are creating deep and clever playlist ecosystems based on human expertise and data, for example Spotify with its editorial playlists and its Discover Weekly and Release Radar algorithm-driven playlists.

Meanwhile music services are vying for playlist market share and launching their own brands in order to secure powerful launch points point for new releases and not depend on music services to seed tracks in their own in-house playlists, for example UMG with its Digster or Hits brands; SME with Filtr or WMG with Topsify.

The importance of playlists is further underlined by a move to contextual listening, with users making choices about what they want to listen to according to mood, time of day, or activity for example. In return many popular playlists focus on context, for example Coffee Break listening or songs to work out to, something that will continue to drive the popularity of playlists as a format.

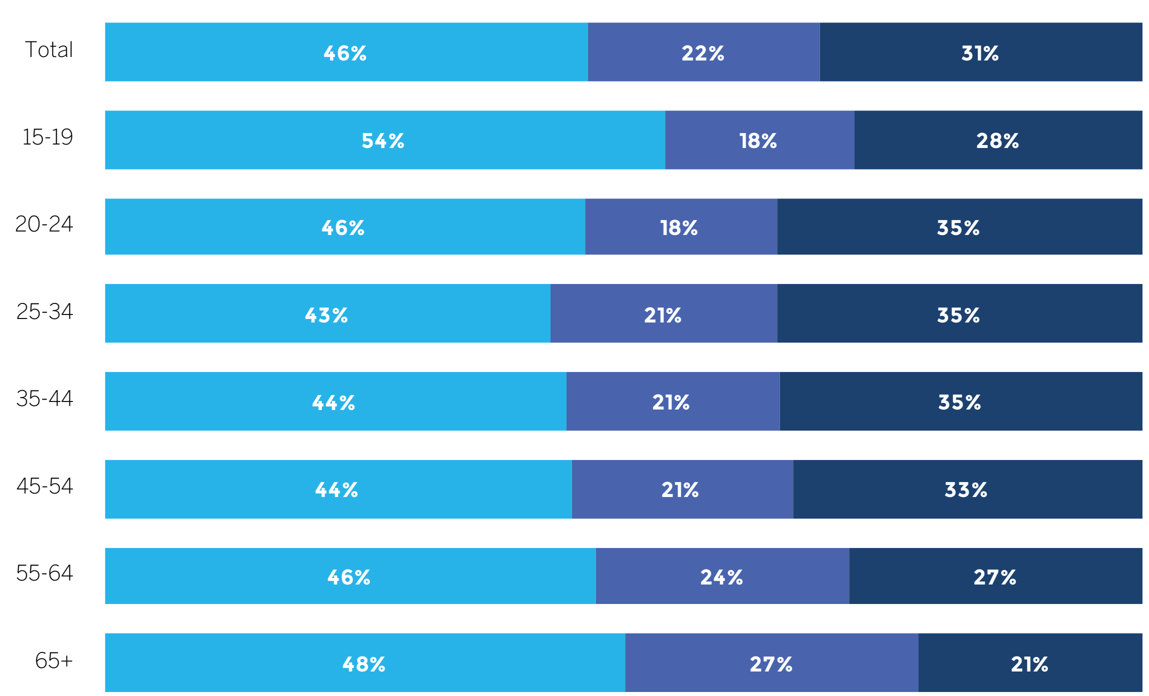
PLAYLISTS OVERTAKE ALBUMS

Total Sample

Playlists are more popular than albums, and single listening is down. Playlists accounted for 31% of total listening, whilst albums accounted for 22%. Single track listening still lead the pack with 46%, but fell 6% YOY from 52% in 2015.

Generally the younger the respondent the less they'd listen to albums, and the more they'd listen to playlists.

SINGLES, ALBUMS OR PLAYLISTS?



SINGLE TRACKS ALBUMS PLAYLISTS

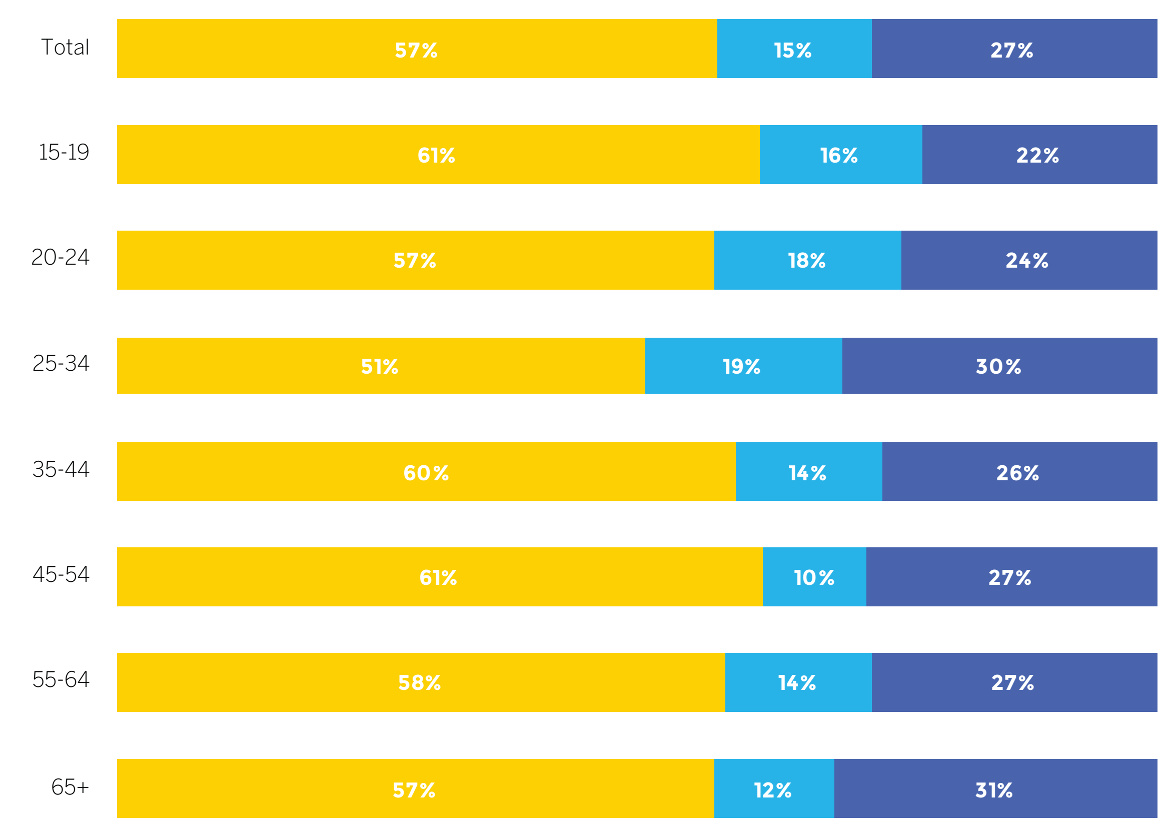
How is your music listening split between the following?Base: 3014 Respondents

MOST PLAYLISTS LISTENED TO ARE USER MADE

All those who listen to playlists

42% of playlists listened to are not created by the listener. Of these, 27% are created by the platform they listen on, and 15% are created by someone else.

WHAT KIND OF PLAYLISTS DO YOU LISTEN TO?



PLAYLISTS CREATED MYSELF PLAYLISTS CREATED BY SOMEONE ELSE
PLAYLISTS CREATED BY THE PLATFORM I LISTEN ON

How do you typically discover music?
Base: 3014 Respondents

SECTION 6:

Music Spending and Piracy

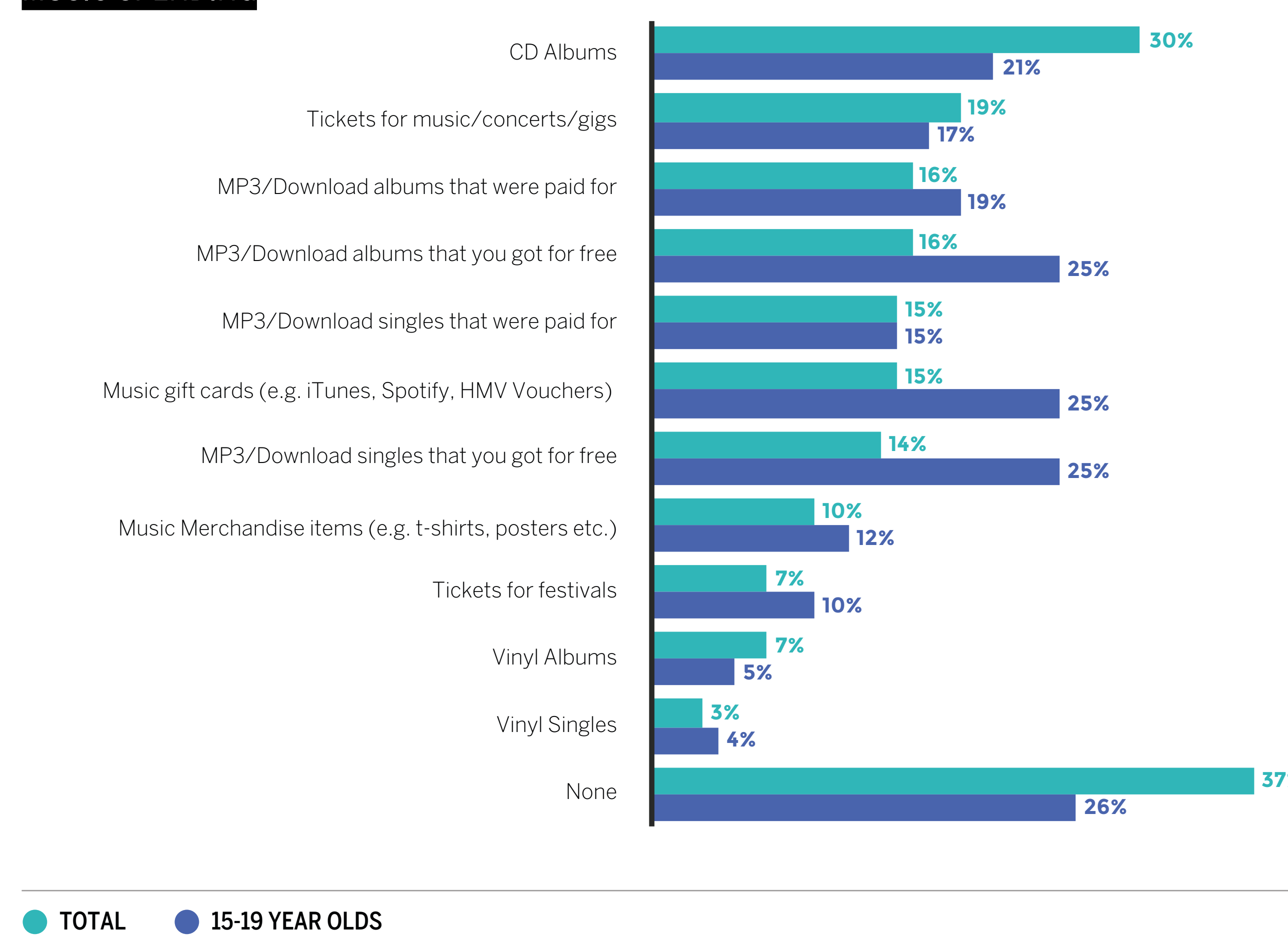
63% PURCHASED A MUSIC RELATED PRODUCT OVER 6 MONTHS

Total Sample

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

63 % of respondents had purchased a music related product over the past 6 months.

MUSIC SPENDING



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

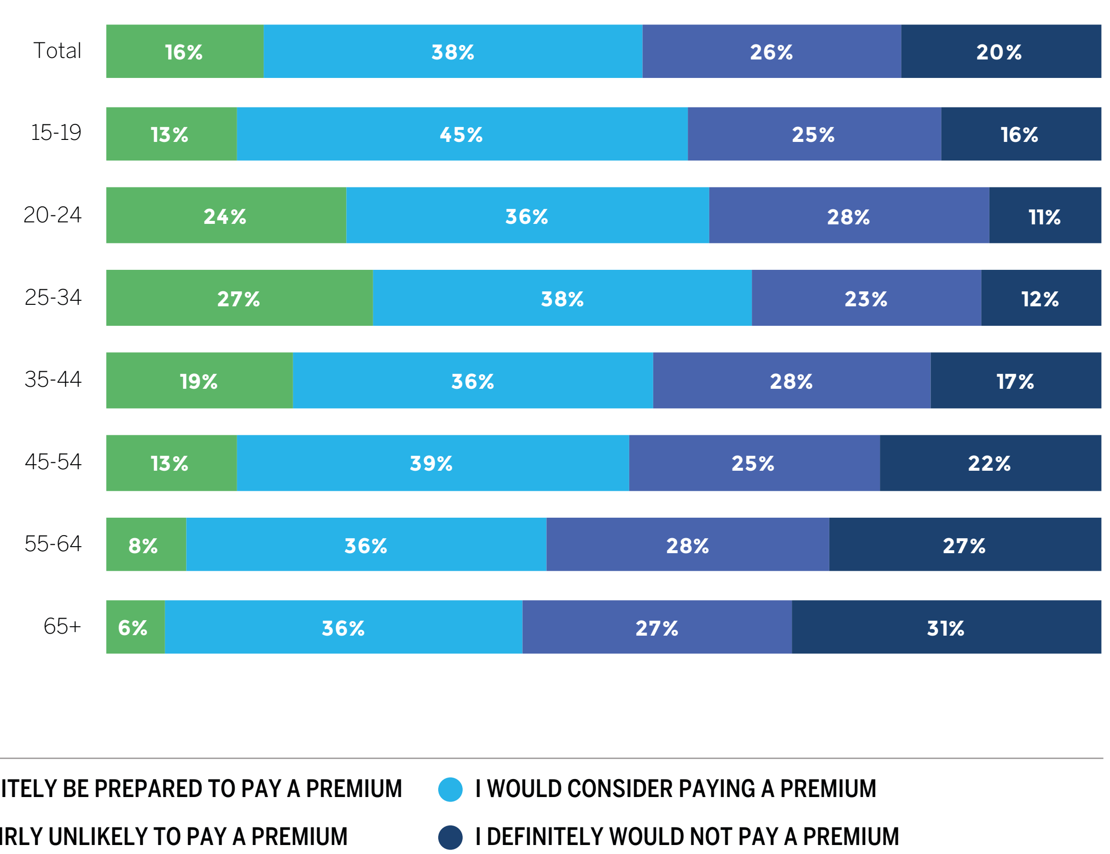
54% WOULD AT LEAST CONSIDER PAYING FOR HI-RES AUDIO

Total Sample

Consumers on the fence about hi-res. 38% would consider paying a premium for Hi-Res audio but only 16% would definitely pay a premium,

Hi-Res is an existing customer upsell opportunity. 43% of those who are already paying for a premium/paid subscription to a music streaming service said they would definitely be prepared to pay a premium and 42% say they would consider paying a premium.

WILLINGNESS TO PAY A PREMIUM FOR MUSIC OF A SUPERIOR SOUND QUALITY



Base: 3014 Respondents

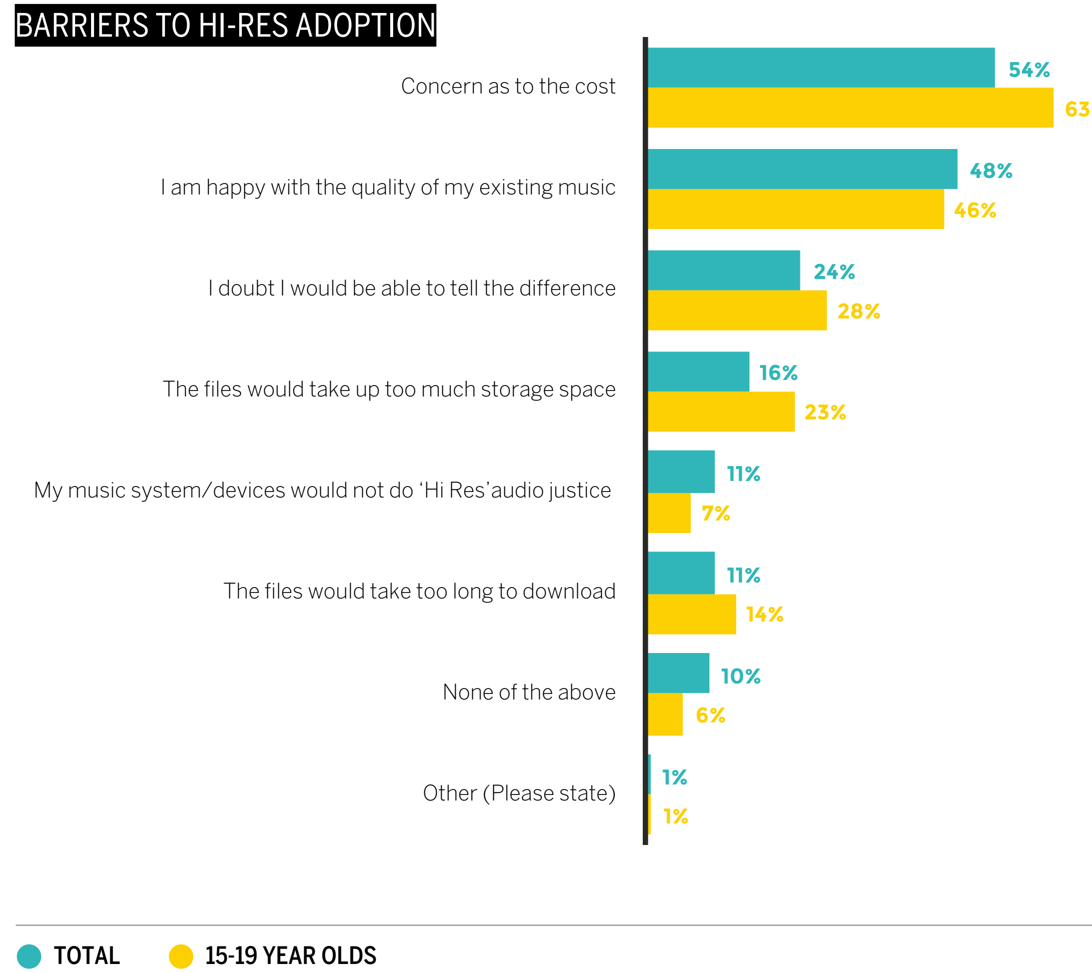
54% SAID THAT THE COST OF HIGH-RES IS A DETERRENT

Total Sample

Cost is the key barrier to hi-res adoption. 54% of respondents said that concern about cost has or might prevent them from purchasing hi-res files, with this rising to 63% of 15-19 year-olds, the same age group that showed increased interest in hi-res in separate questions.

48% are happy with the quality of their existing music and a worrying 24% (rising to 28% amongst 15-19 year olds) said that they doubt they would be able to tell the difference.

BARRIERS TO HI-RES ADOPTION



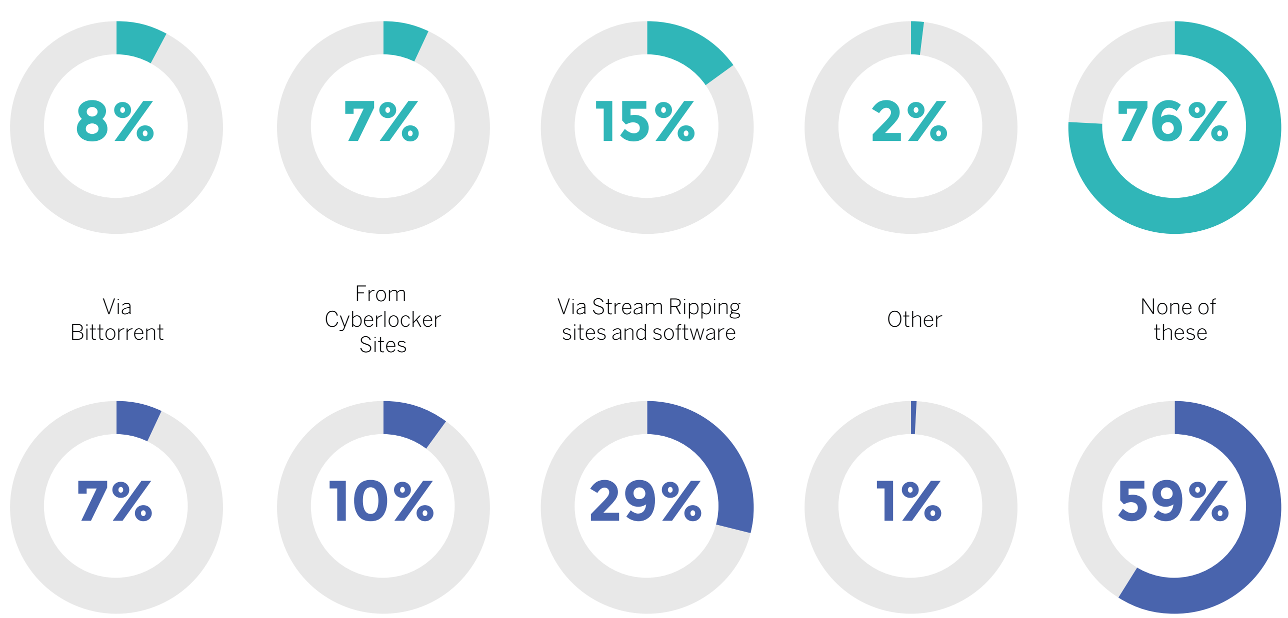
What, if anything, has or might prevent you from purchasing 'Hi-Definition / High Resolution' audio files?Base: 3014 Respondents

24% DOWNLOADED MUSIC VIA AN ILLEGAL SOURCE

Total Sample

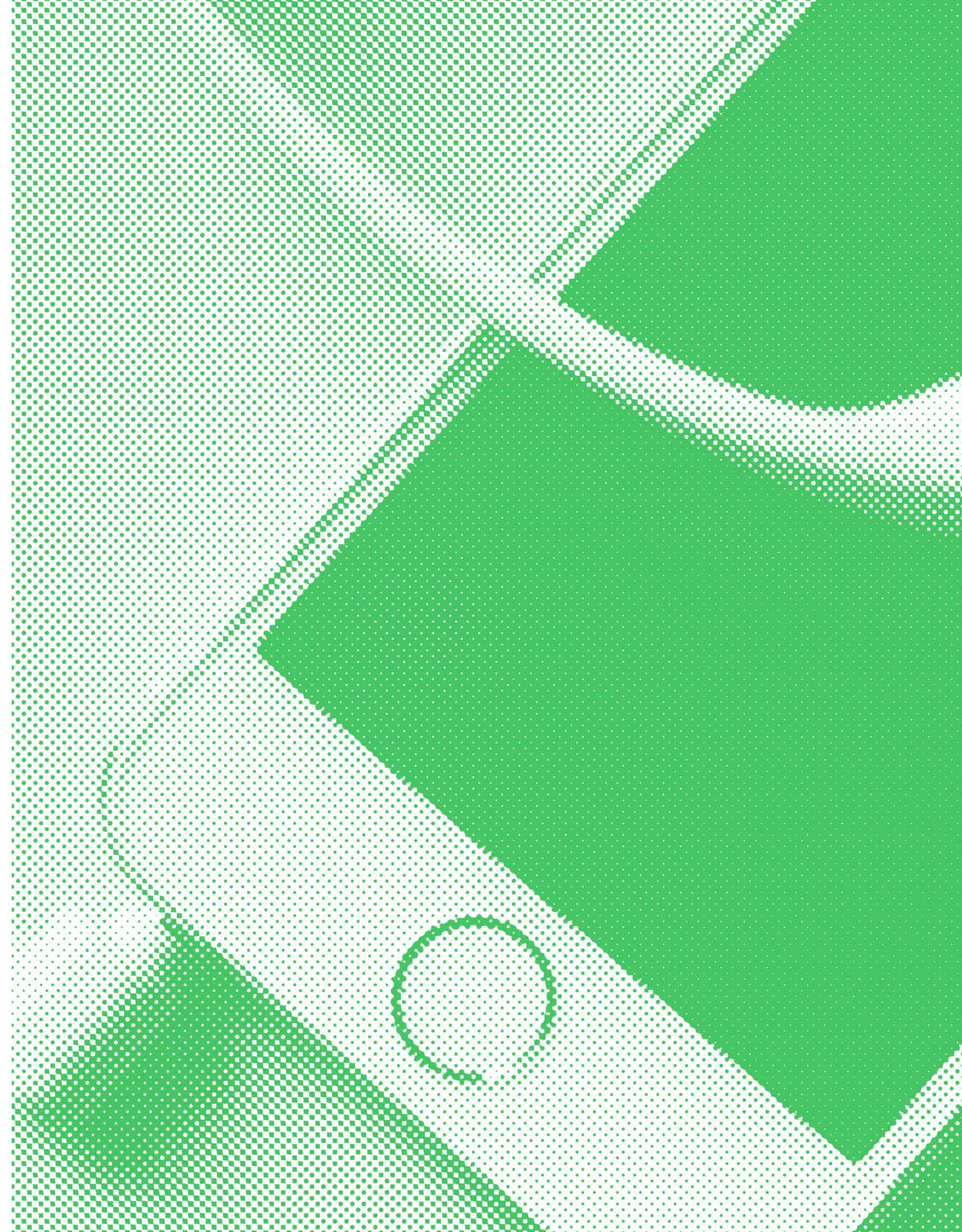
Stream Ripping leads the pirate ship. 15% of respondents have used stream ripping sites or software in the last six months, rising to 29% in 15-19 year olds. This is almost double the use of BitTorrent (8%).

DOWNLOADING MUSIC FROM ILLEGAL SOURCES



TOTAL 15-19 YEAR OLDS

Over the past 6 months, have you download music from any of the following?
Base: 3014 Respondents



SECTION 7:

User-generated Content

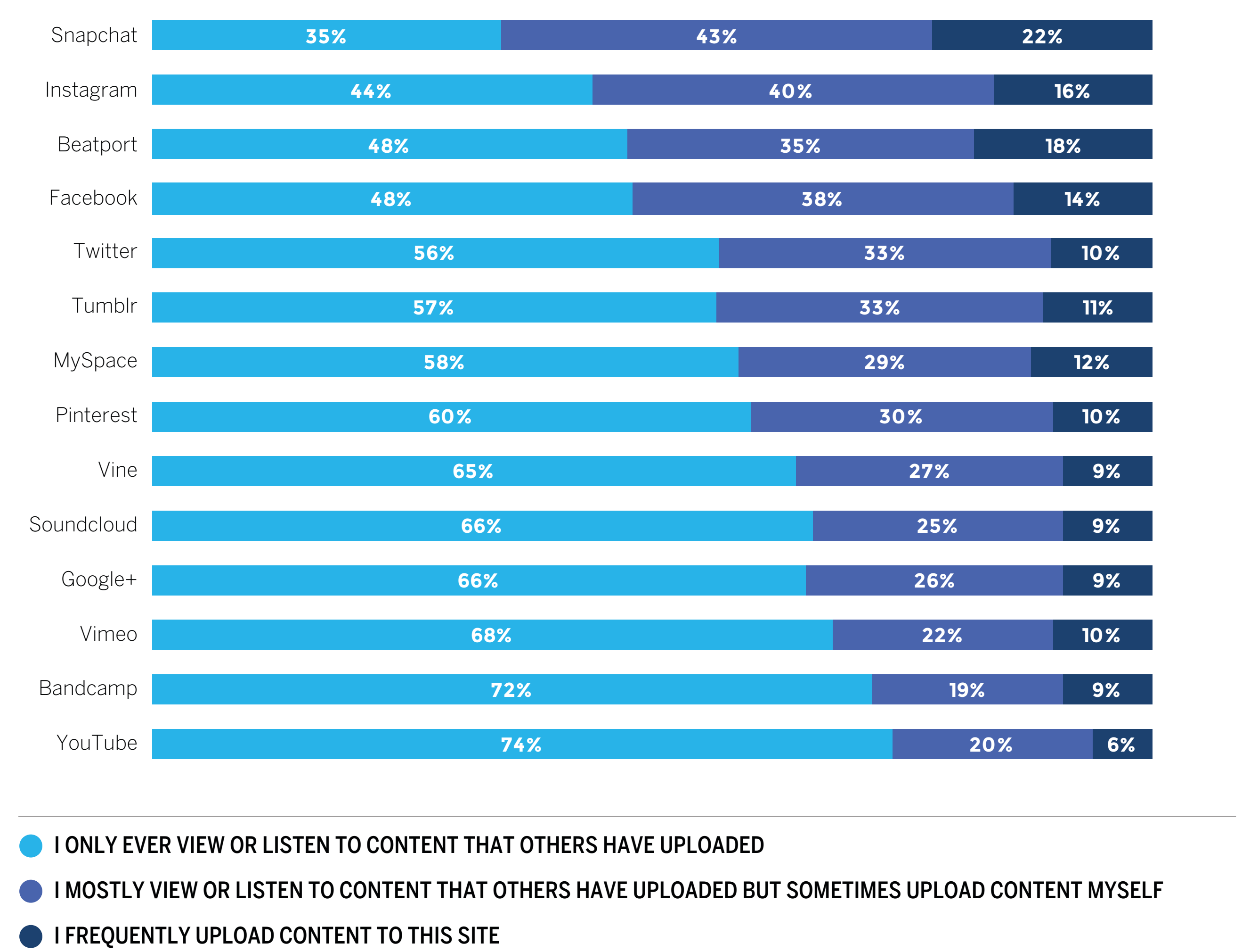
CONTENT UPLOADING

Those who use each service

Snapchat users are the most frequent uploaders and least passive users of these platforms. 22% of those who use Snapchat said that they frequently upload to Snapchat.

YouTube users are mostly passive watchers. Only 6% of those who use YouTube frequently upload to the site and 74% only ever view or listen to content that others have uploaded.

UPLOADING BEHAVIOUR



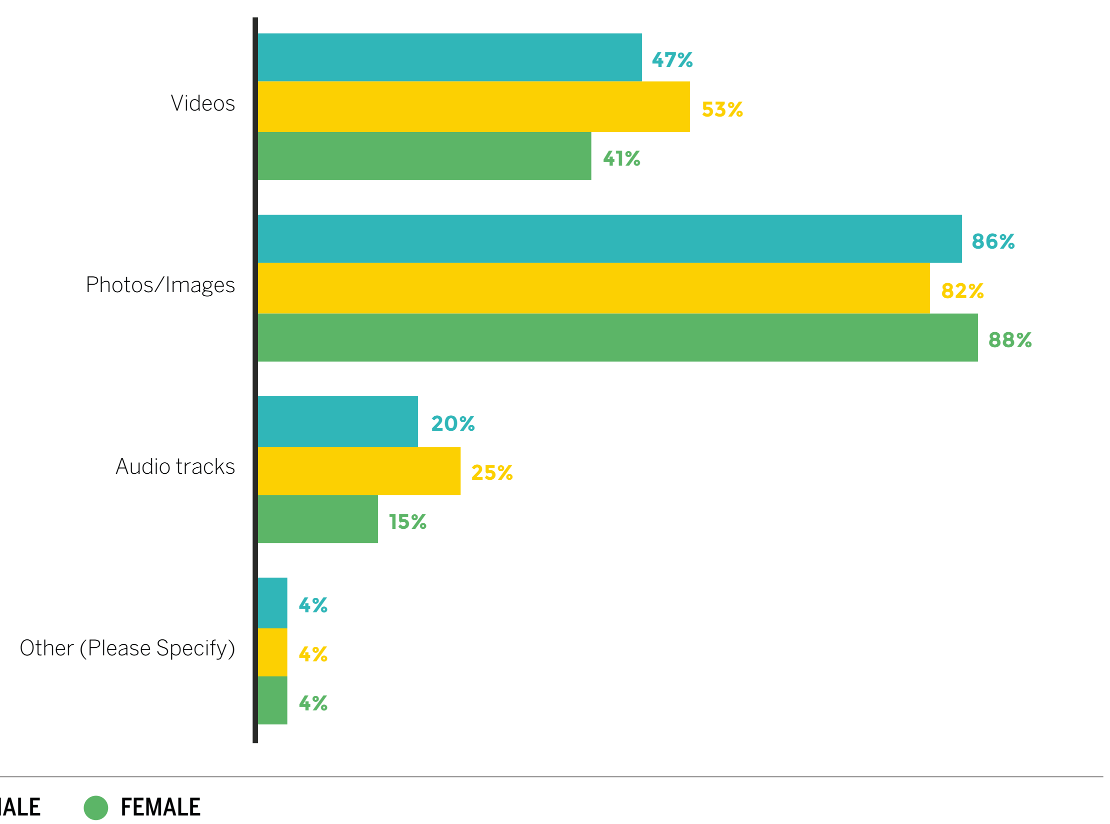
Base: Those who used each service

WHAT KIND OF CONTENT DO YOU UPLOAD?

All who upload content to the web

Photos are still the most popular upload. 86% of respondents upload photos while 47% upload videos and only 20% upload audio. SoundCloud and Vinyl Listeners over-index on audio uploading, with 40% and 41% respectively versus the 20% mean.

CONTENT FORMAT UPLOADED



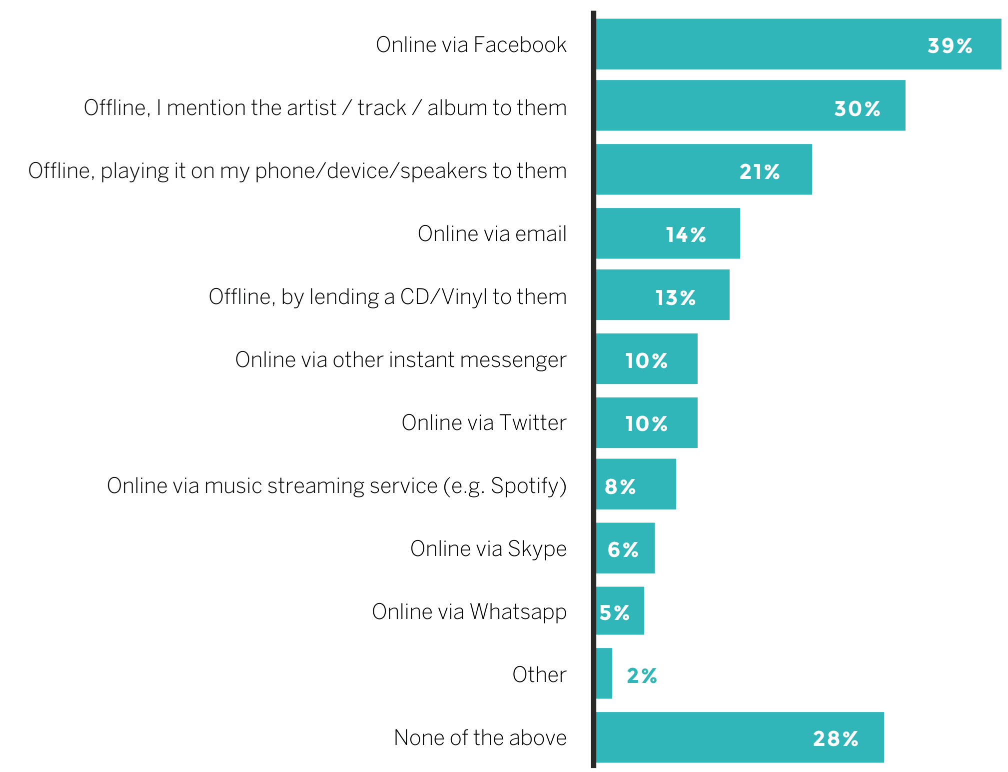
What kind of content do you tend to upload on to the web?
Base: 1736 Respondents

MUSIC SHARED THE MOST OVER FACEBOOK

Total Sample

Facebook is the leading music sharing method. 39% of respondents shared music via Facebook but word of mouth is a strong second with 30% of people saying they mentioned the artist / track / album to them offline and 21% saying they played it to them offline. WhatsApp is low down in the music sharing pecking order at 5%.

MUSIC SHARING METHODS



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

THANK YOU

For any questions about this report please contact our Music Industry Lead:

ROBERT@AUDIENCENET.CO.UK