REPORT OF FINDINGS FROM THE NARM COLLEGE-AGED CONSUMER PANEL

Conducted During the June 2009 NARM Conference

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Background

As part of the recent **NARM** conference in San Diego, CA (June 7-10, 2009), **Colen Research & Consulting** conducted a live panel discussion among college-aged music consumers. This serves as a report of the key findings from the panel.

Objective

The two-part objective of the panel was to: A) Better understand how college-aged consumers are currently discovering, managing and listening to music; B) Obtain feedback on various new business models—both physical and digital.

Methodology

Eleven consumers from the San Diego area participated in the panel. The discussion took place on June 8, 2009 and lasted approximately 1 hour and 45 minutes.

Before coming to the panel discussion, each consumer was sent various new music products and was asked to experience the products in the context of their own lives and music habits. They were given a little over one week to use the products, during which time they were asked to keep a written log of their experiences. The survey that accompanied the products covered their current music behaviors and questions related to their reactions to the new products they were sent. Consumers' behavior, initial reactions to the products, actual usage and final impressions were recorded and explored during the panel discussion.

The respondent specifications were:

✓ Ages 18-21 (mix of full-time and part-time college students and full-time workers; college students were from multiple institutions—not all concentrated in one school)

✓ 6 males; 5 females

✓ A mix of ethnicities, representative of the local market

✓ A mix of those who typically listen to digital-only and both digital and physical music formats

✓ A mix of those who purchase most of their music and those who obtain their music primarily via file-sharing

✓ All regularly used a mp3 player (mix of *iPod* and other brands)

✓ All but two had a mobile phone with a microSD slot

Detailed Findings

Music Discovery

These young consumers are still listening to traditional radio stations and CDs in the car.

➢ However, when it comes to discovering new music and digging deeper into artists they know they like, they go online to sample music.

MySpace is a 'go to' sampling source.

➢ All of the panelists knew that they could easily go there to sample an artist's music.

> *"A lot of artists have MySspace now so if I'm looking for their songs I go there and they have a player with free songs." (Female, 19)*

Even though it's primarily known for video, YouTube is also a source for sampling new artists.

➢ Any successful artist has a few videos on YouTube and consumers know and expect this.

> *"I use YouTube too because it's so on demand. It's like instantaneous. You just type in a name and you don't have to download anything... it's right there." (Male, 18)*

Some of the more music-savvy panelists reported using smaller, more niche sites, commonly referred to as "music blogs."

➢ Specific examples of these included *Flavorpill, Indiepassion* and *Hypemachine*.

  o Others were mentioned, but they were small, independent blogs only mentioned by one panelist.

➢ Independent music fans are finding like-minded people with small blogs so that they can share information about music with one another.

- The primary benefit of music blogging is that users post files for sharing.

  - Once you tap into a user whose tastes are similar to yours, you have instant access to new music that is likely to match your interests.

  - When these blogs get too popular, they get *"shut down,"* and the hunt to find the next good one is back on.

  - There is something enjoyable and prideful about finding a new music blog—as if it's a diamond in the rough.

  > *"I go to Indiepassion.com. They have like 10 albums uploaded each day. When these small sites get too big, they get shut down."* (Male, 20)

Viewers go to the "official" artist or label websites less for the sake of discovery and more to get the latest news and concert dates for an artist they like.

- Consumers said that they sometimes sign up at the artist's label website with the hopes of getting free sale codes (coupons) or being privy to ticket sales before a concert is announced to the general public.

  > *"Sometimes I'll sign up for a record company's website so that they'll send me a newsletter and special announcements."* (Male, 19)

Piracy

File-sharing is extremely prevalent among this age group.

- In fact, virtually all of the panelists had participated in file-sharing before, and about half of them say it is their primary method for obtaining music.

- More than half of the panel said that they had gotten hold of a digital copy of an album before its official release at least once in the past!

Consumers in this digital generation expect to be able to sample every song on an album before making the decision whether or not to pay.

- These consumers only know of a world with this option, so they feel as though it is their right.

  - Not surprisingly, the "transaction" often stops there, with no follow through on paying.

  > *"You're not just going to the store and purchase all of a CD from an artist if you haven't heard at least 2 or 3 songs that you know you like."* (Female, 18)

There were a few music purists on the panel who recognized the difference between listening to an album and hearing individual tracks.

➤ They explained that artists release entire albums or a collection of songs as a sort of work of art. If you want to hear what they intended, you have to listen to the whole album.

> *"It's more of an experience when you're listening to a CD. Like when you're listening to Pink Floyd, like Dark Side of the Moon, you can't just listen to one song." (Male, 20)*

   o However, these consumers were the exception, not the rule. Most music fans are happy continually sampling free tracks.

There is still the perception that purchased music files are less versatile than pirated ones.

➤ About one half of the respondents were not aware that *iTunes* had recently lifted DRM restrictions.

   o The perception is that you can only transfer a purchased song to one or two sources (your computer and an iPod, for example).

Most of these consumers don't even think about the moral aspect of pirating files.

➤ Whether or not they stop to think about it, they aren't talking about it with their friends too often.

   o Only one or two mentioned engaging in this type of conversation with friends.

However, close to half of these college-aged consumers said that they've discussed it with their parents.

➤ However, those conversations are varied and don't necessarily center on what is *"right"* and *"wrong."* The parents are hardly laying down the gauntlet with regard to illegal activities.

   o In fact, about one-third of the 11 respondents mentioned that their parents ask them to go out and get files for them!

> *"My father just thinks it's amazing that you can download any CD. He's a really big fan of that.* [Does he do it himself?] *No, he has me do it!" (Female, 18)*

If there is anything that slows consumers down when it comes to file-sharing, it is a fear of getting viruses.

➢ Limewire is known to be the biggest culprit of this.

> *"My computer crashed 2 or 3 times and Limewire was a big issue with that." (Male, 20)*

    o It is partly for this reason that consumers have sought out other file-sharing options, like *Frostwire*, *Rapidshare* and *Mediafire*, to name a few.

Music Purchasing

When a consumer considers him or herself to be *"really into"* an artist, that is when they are likely to purchase products.

> *"I bought a Led Zeppelin CD the other day and it came with all of these crazy videos. It was $64. But I'm really into that band." (Male, 18)*

➢ The idea is that consumers who love a band or artist want to own a physical piece of the artist, like the CD itself, the booklet insert, *"album art"* and oftentimes extra tracks or videos.

> *"I feel like a lot of my file-sharing comes from hearing it on the radio and wanting to hear a little bit more from the artist but not wanting to buy a whole CD and not like it. I will buy a CD if the artist means a lot to me and I want to own something from them and have the album artwork and stuff." (Female, 18)*

➢ There is also the idea that an artist doesn't *"deserve"* the consumer's money until they've proved their worth via free sampling.

> *"If I really like a band, I'll buy their CD because I think they deserve the money. But otherwise I'll just go look for files [on file-sharing websites] of one or two songs." (Male, 19)*

There was a lot of discussion about music being bought and sold at small concerts.

➢ Consumers feel better about purchasing a CD at a small concert. They feel that the money is going straight to the artist.

The Appeal of Vinyl

Out of the 11 panelists, three of them were vinyl purchasers and one more listened to vinyl on her parents' turntable.

➢ A large part of the appeal is the *"vintage"* feeling that the consumer gets when shopping for and listening to vinyl.

> *"They have a vintage feeling about it. I buy them like 3 times a month. They cost like 50-60 bucks each time I shop." (Male, 20)*

➢ One young woman liked to scour used record stores to try to find a gem.

   o She talked just as positively about the hunting aspect as she did about actually making the purchase.

> *"I am one of these people that loves to shop but I don't have a lot of money. So I go to used places hunting for a good find. I spend like $3 for it and I bring it home and, oh, it feels so good." (Female, 18)*

➢ The third vinyl purchaser mentioned discovering older music as if it were new.

   o The *"classic"* bands she buys on vinyl are, in fact, new to her.

> *"I just like buying vinyl in the stores. I have a nice needle for it and it sounds good. I buy things that are like classics to my dad but they're new to me. (Female, 18)*

➢ Some of the other panelists who were not involved with vinyl said they know people that buy vinyl and they, themselves, are intrigued by the idea.

   o However, they say they don't have either the time or the money to invest in starting a collection.

   o It's not the turntable that is considered to be a big investment, but rather the idea of building a new collection of music in another format.

Reactions to the New Products

slotMusic

Some panelists were aware of the *slotMusic* before this research, having seen it in big box retailers, like *Best Buy* and *WalMart*.

➢ A couple of the panelists had even purchased a card at one point in the past.

➢ One young woman was in the habit of using a blank slot card to store music that she puts onto it.

These young consumers reacted positively to *slotMusic*.

➢ This reaction was different from the reaction we got the last time we conducted this type of research

  o The older consumers (25-34) at the March *New Formats Summit* had a more reserved reaction to this product.

  o Those consumers focused on the cards' small size, the difficulty slotting them into a phone. They also felt they would lose the cards too easily.

Younger consumers found the product to be *"convenient," "simple"* and easily portable.

➢ They thought it would be good to have them in your phone because *"you always have your phone on you."*

  o Therefore, you would always have music with you without having to carry something extra (like an iPod or other mp3 player).

There were <u>some</u> complaints that the cards were too small.

➢ Some consumers were concerned that they would lose them or drop them often.

  o However, the concern was not as great as it was among the older consumers.

Consumers did not like that the individual cards were not labeled with the name of the artist and the album.

➤ There was concern that if you had a bunch of these cards out of their cases, they would easily get mixed up.

  o A couple of panelists suggested putting a small sticker with the album art on each card.

➤ Some also complained that the cards don't fit well into the little plastic case that comes with the product.

Most did not realize that there was usable space on the card.

➤ Once they were told this they liked the idea and considered the product to be more valuable as a result.

Finally, there was one suggestion to add ringtones and wallpaper options to the card.

➤ In fact, any bonus content that takes advantage of the card's use in mobile phones would be a good fit.

Connected CDs

When they first saw these products, most consumers did not know how they were different from any other CDs they would buy in a store.

➤ Once they were made aware of the content that they could connect to via the CDs, most spoke positively of it.

  o They liked the way that all of the information about the artist is housed in one spot.

➤ After experiencing the product, one panelist put it this way: *"The package didn't emphasize how good the bonus material was."*

➤ Many said they would be very interested in seeing the interface for their favorite artists.

QR Codes

Unfortunately, many panelists had problems with the *QR Code* that was sent to them. Therefore, only 2 or 3 of the panelists actually had the chance to try it out.

➢ Apparently, the application did not work with some mobile phone browsers.

➢ There were a few panelists who did not get to the point of trying the application because they were confused as to how the application was supposed to work.

➢ Finally, one respondent did not want to download the application onto his phone for fear that it would *"mess it up."*

The few that tried it thought it was *"cool"* how their phone could be used to easily connect to an artist.

➢ One male panelist suggested giving away prizes to some of the people that connected via the app to provoke people to use it.

➢ Another female panelist thought the *QR Codes* would be particularly effective posted at a concert.

Fanbase

Consumers liked the amount of information that was immediately available via the *Fanbase* software.

➢ The expectation was that the information would be constantly updated and that the material would be *"fresh"* and *"up-to-date."*

➢ The biggest complaint was that the existing database of artists was too small, indicating that consumers would likely use it for their favorite artists or bands.

➢ Of all features, the social or chat ability was of limited interest.

This product's biggest barrier to entry is the way in, as many consumers are hesitant to download third-party software on their computers.

➢ The fact that *Fanbase* requires an email address to sign in also turns consumers off, since they expect that providing their address will lead to even more spam than they currently receive.

Deluxe CDs

Many people had seen these products before and had a positive perception of these products going in.

➢ The one issue that commonly arose was that of cost. Most felt that these products would be prohibitively expensive.

➢ The feeling was that these products were primarily for the core fans of an artist.

The most motivating material on the CDs were clips of live concert footage.

➢ Many music fans liked seeing this footage as well as pictures of the band or artist.

➢ There was really no downside to these products, other than their expected cost.

Conclusions & Implications

This generation of young consumers has only known the reality of being able to sample individual tracks off of albums before making the decision to buy an album.

➢ As such, they consider it their right as a part of their music discovery process.

➢ Since file-sharing is such an integral part of their discovery process, they feel justified in doing it and they don't even stop to think about it being morally "wrong."

   o More than one half of the panelists reported getting a hold of a new album before its official release date!

   o A few were in the habit of finding and downloading pirated files for their parents.

Many consumers remain under the impression that purchased music is not as versatile as pirated music.

➢ Only a few of the panelists knew that DRMs had been lifted and that purchased music can now be transported and shared freely.

The following implications were drawn directly from the consumer panel:

1. **Communicate the value of paid music.** The fact is that the quality is better than pirated files, the download process is safer and the files are now just as transportable as pirated music. Some consumers get frustrated with the quality of some of the pirated files they find. Others are afraid to load sharing software onto their computers. Apparently, many consumers need to be told that the music can be used in the same way they are using pirated files.

2. **Play up the value of purchasing and becoming a "real" fan.** There were frequent comments that consumers will pay for music if they are *"really into"* an artist or band. Consideration might be given to a campaign that plays into this identity promise and positions the paying customer as a "real" or "core" fan.

3. **Fans also want to know that the artist is directly benefiting from their purchase.** There is a perception that major corporations are benefiting more than the individual artist and consumers don't like this idea. They report being more likely to purchase music from small or independent artists at small concerts, since they feel that the money is directly supporting the music. Consider ways of giving a "buy local" feel to some of the product offerings.

4. **Try to get users to link from popular "sampling" websites to the artist's "official" site by promising "inside access" to the talent.** Many consumers are using sites like *MySpace* and *YouTube* to sample free tracks. While they are there, they might be lured to the official website with the promise of being the first to know about tour dates, the first to be able to purchase concert tickets or the first to own selected merchandise. Other than the latest news and concert information, these are offers that fans hope to find at official sites.

5. **Consider the record club model for LPs.** Many young consumers are intrigued by the vintage feel of vinyl, but only a few actually buy LPs. There is hesitancy to getting started on building a collection due to a lack of money. If there was a way for consumers to get a good start on a collection, without spending too much money, more music fans might make the leap to vinyl.

Implications for the New Products

Regarding slotMusic:

✓ **Communicate the simplicity of slotMusic.** Once consumers had the chance to try the product, they liked it for its ease and convenience. However, when they had seen it in stores or when they first saw the package that was sent to them, they were not entirely clear on what it was or how to use it. An ad campaign and/or the packaging might work harder by showing the card being inserted into a mobile phone and mentioning that most new phones have these SD slots.

✓ **Label the cards themselves and re-consider the cases.** Both sets of consumers (the college-aged panelists here and the 23- to 34-year-old consumers at the March 2009 *New Formats Summit* in New York) complained that if they were to have several of these products, the cards would get mixed up too easily. Some requested small stickers with the album art and others said that just the name of the album and artist would suffice. There were also complaints that the cards did not fit well into the provided cases. Consider selling an SD card "wallet" or other type of holder for multiple cards.

✓ **Supplement the music with mobile phone accessories.** Given that the usage environment is likely to be mobile, consideration should be given to offering bonus material like ringtones, wallpapers, mobile games, etc., along with the music.

Regarding <u>Connected CDs</u>:

- ✓ **Clearly identify *Connected CDs* so they stick out in stores and online.** The biggest issue with this product is the fact that consumers are not aware that it is any different than a normal CD when they first see it. Consider developing an easily recognizable sticker and icon that would immediately identify a *Connected CD* in both buying environments (in store and online).

Regarding <u>QR Codes</u>:

- ✓ **Look into possible technical issues with the *QR Codes*.** Too many panelists had trouble using this product. It might be that some mobile browser software is not handling the image transfer correctly.

- ✓ **In addition to information, offer products that fit in well with the mobile environment.** The chance to get a free coupon code right on your phone or other similar benefits might work well to provoke consumers to go through the effort to download the software onto their phones (which is a real barrier for some consumers). Mobile games, ringtones, wallpaper, concert tickets, etc. might also provoke use of this product.

Regarding <u>Fanbase</u>:

- ✓ **Try to make the *Fanbase* entry way less intimidating.** Between having to download software onto your computer and having to enter your email address to get access, many consumers were hesitant to get started with this product. At the very least, allow users to sample the experience without having to input an email address, since the fear of spam is real. Once they are in and they see the value of the content, then you can solicit their email address with the promise of giving them "inside access" to the artist or a chance to win free products.

Regarding <u>Deluxe Products</u>:

- ✓ **Position and market deluxe products for "super fans."** Consumers love the material on these deluxe products, but most do not want to spend the extra money for it. It is the core fans of an artist or band who are most likely to buy them and/or feel the need to own a part of the band's history. Think of ways to play up the positive identity of being a fan (as in Implication #3)— almost as if owning a deluxe product is a badge showing one's commitment to the music.

APPENDIX