Music Gifting

THE TOPLINER SERIES October 2016

music biz consumer insights™ loop AUDIENCE NET

Introduction

Gifting has always been an important driver of sales, particularly in the run up to the busiest sales season of all, Christmas

But the transition to digital has presented the industry with a challenge in how to migrate the gifting of physical products into the digital equivalents.

This report will present a detailed overview of the music gift market, broken down by consumer demographics, format, and other music related products, quantifying and comparing the relative size of each gifting product and detailed profiles of gifters and recipients for each.

The availability of this data at the beginning of Q4 will be particularly timely for all involved in music marketing.

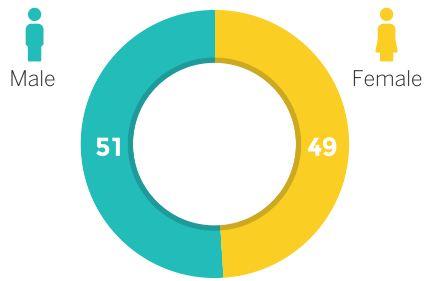
This topline report accumulates two separate studies, named Survey 1 & Survey 2. Both surveys investigated nationally representative samples of US respondents (aged 15-54 in Survey 2), recruited through AudienceNet's network of professionally managed consumer panels.

To achieve a demographically representative sample of the US population, quotas were set for: Gender, Age and Geographic Region.

Fieldwork was conducted in May 2016 for Survey 1 and September 2016 for Survey 2. The demographic profile of those who responded was as follows:

SURVEY 1 | 3,014 RESPONDENTS

GENDER



AGE

15-19	9%
20-24	9%
25-34	17%
35-44	16%
45-54	18%
55-64	15%
65+	16%

REGION

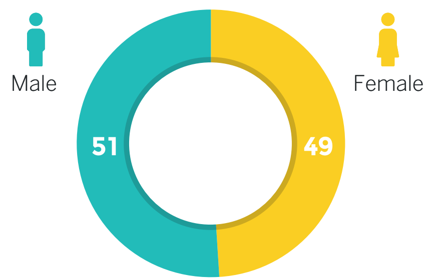
NORTHEAST	20%
MIDWEST	24%
SOUTH	35%
WEST	21%

SOCIAL GRADE

< $15K	11%
$15K to $24,999K	11%
$25K to $34,999K	12%
$35K to $49,999K	14%
$50K to $74,999K	22%
$75K to $99,999K	15%
>$100K	15%

SURVEY 2 | 1,515 RESPONDENTS

GENDER



AGE

15-19	11%
20-24	15%
25-34	26%
35-44	24%
45-54	24%

REGION

NORTHEAST	18%
MIDWEST	22%
SOUTH	37%
WEST	24%

SURVEY 1: Bought or been given

CDs are still the most common music product purchase.

30% of respondents had bought or been given a CD in the last six months, followed by live tickets (19%) and MP3 downloads (16%).

Vinyl albums and singles linger in last place. While many have lauded increased revenues coming from the vinyl format in recent years, its balloon may be about to burst: the RIAA reported that in the first half of the year vinyl shipments were down 6% to a value of US $40.

30%

Bought or were given a CD over 6 months

3%

Bought or were given a Vinyl over 6 months

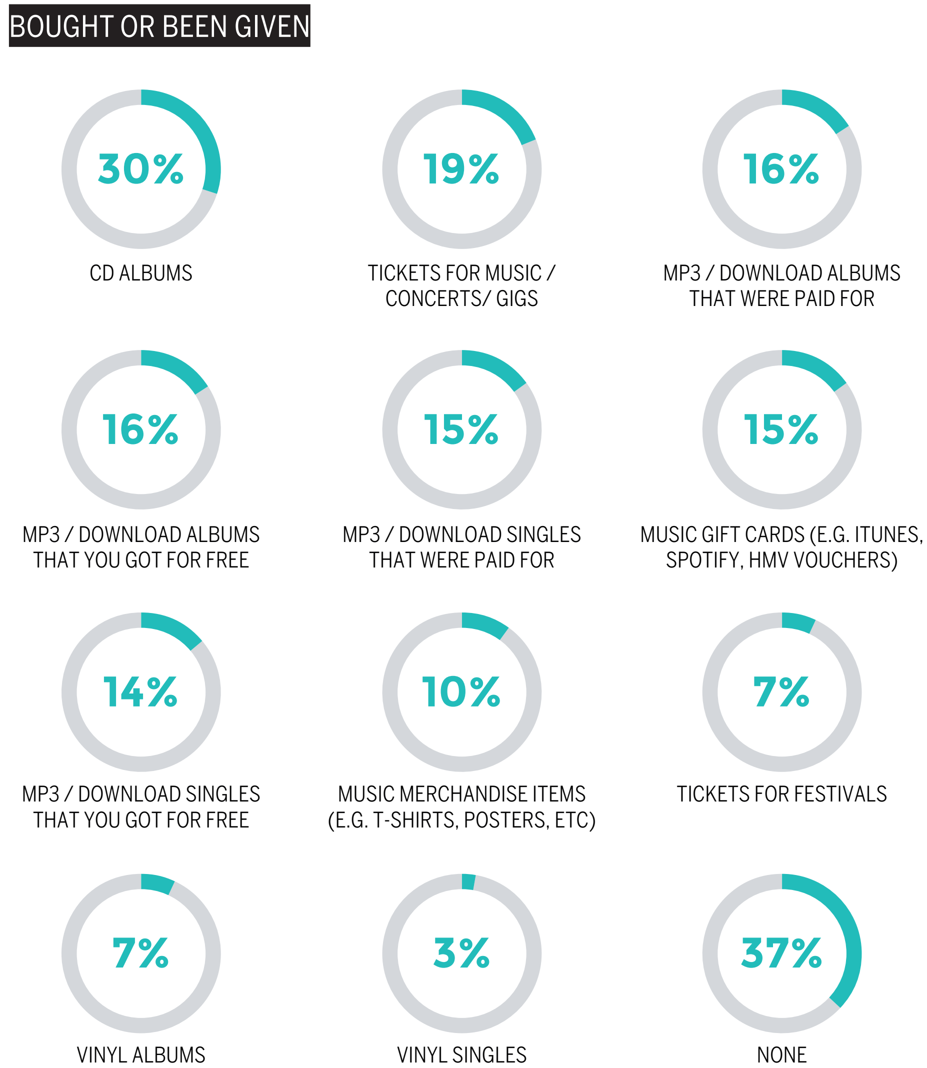
GROWTH POTENTIAL FOR MUSIC PURCHASES

Nearly Two Thirds of the US population had bought or been given music products

Meaning 37% had not bought or been given any of the most common music products, including: Concert Tickets, CDs, and downloads. However, that 37% who haven't engaged with such music products represents a huge opportunity for the music business as it continues to turn itself around. Opportunity knocks.

That growth in an 80% digital market is being driven by the continued growth in streaming revenues led by the more hardcore music fans – first half 2016 streaming music revenues totaled $1.6 billion, up 57% year-over-year accounting for 47% of all industry revenues according to the RIAA – but the music business should also be looking to drive more revenues from more casual music consumers.

The 37% skews old, so as younger consumers turn to new digital products, the music industry will have to tailor products and marketing to convert this older demographic.



Question: Which of the following music products have you acquired for yourself or have been given as a present in the past 6 months? **Base:** Survey 1 - 3014 Respondents

THE DIGITAL TRANSITION

The last bastion of the CD versus multi-format gift cards

CDs and music gift cards are at opposite ends of the demographic scale and represent old vs. new and a closed versus open music industry.

CDs skew older and male, peaking in the 55-64 year-old age bracket, while Music Gift Cards skew female overall and peak young in the 15-19 year old demographic.

This represents the transition away from traditional CD purchasing/gifting and 'tunnel-vision' in the music product marketplace to the more open nature of the product and access-based digital world.

It's easier to buy a gift card for someone than to chose their digital product for them, whether that be music video, download or subscription; and it also gives them the recipient the choice between old (CD) and new (digital product/subscription).

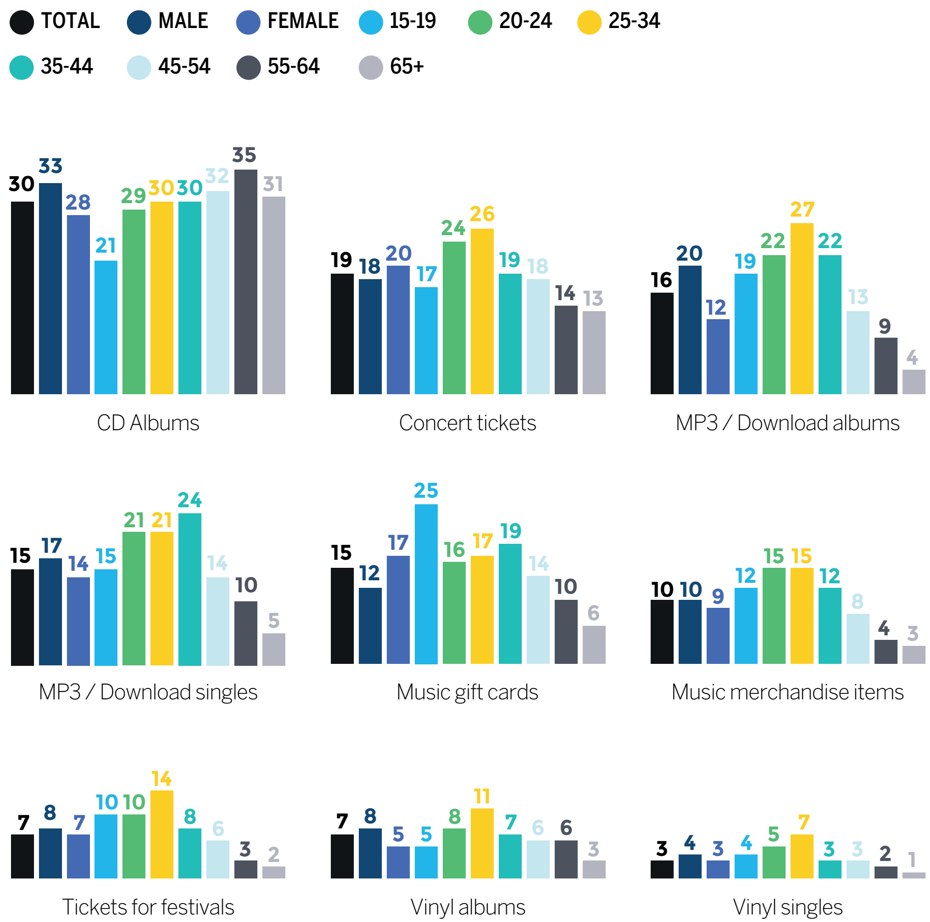
25-34 year olds are the sweet-spot for live music

25-34 year olds lead the pack in terms of buying concert tickets (26%) and tickets for festivals (14%). Indeed 25-34s also lead in merchandise and Vinyl – high value items, while ranking highly in other product categories too.

Females and 15-19 year olds are the ideal Music Gift Card audience.

Gift Cards and concert tickets were the only categories that skewed towards females. Gift Cards also skewed heavily to 15-19 year olds with 25% buying or being given music gift cards compared with the survey average of 15%.

BOUGHT FOR THEMSELVES OR GIVEN AS A GIFT, BY AGE & GENDER



Question: Which of the following music products have you acquired for yourself or have been given as a present in the past 6 months? **Base:** Survey 1 - 3014 Respondents

SURVEY 2:

Music Giving and Receiving

Amongst 1515 US respondents:

53%

Gave a music gift in the last 12 months

55%

Recieved a music gift in the last 12 months

GIVEN AS GIFT

The majority of the US population has given or received a music gift in the last 12 months.

53% of our survey had given a music gift in the last 12 months, whilst 55% had received one. Indicating music remains an extremely popular gift for Americans, which is good news for the music industry, particularly approaching Black Friday and the busy Christmas season.

This bodes well for the US market. The RIAA announced that the recorded music market grew by 8.1% in the first half of 2016. This growth will not only be sustained by but likely added to by gifting in the holiday season – especially with the expected boom in CD sales as gifts.

The gifting market product gap: CDs were still the most popular type of gift to give, and MP3/Download Albums were ahead of Music Gift Cards and Pre-Paid Subscription To A Music Service.

22% of the survey had gifted a CD Album in the last 12 months, ahead of MP3/Download albums (19%), Music Gift Cards (19%), and Tickets for music/concerts/gigs (15%). 21% had received a CD as a gift in the last 12 months.

A pre-paid subscription to music was a less popular choice, with only 8% of the survey having gifted one in the last 12 months. As CDs give way to streaming, the gifting sector will need to manage this transition well, in an attempt to increase the gifting of pre-paid subscriptions.

While the wider music market manages the transition to subscription and ad-supported streaming, there may be a gifting 'product gap' if the gifting market continues to hang on to older formats.

GIVEN AS A GIFT

22%	CD ALBUMS
19%	MP3 / DOWNLOAD ALBUMS
19%	MUSIC GIFT CARDS (ITUNES, SPOTIFY VOUCHERS, ETC)
15%	TICKETS FOR MUSIC / CONCERTS / GIGS
14%	MP3 / DOWNLOAD SINGLES
12%	MUSIC MERCHANDISE ITEMS
10%	CD SINGLES
10%	VINYL ALBUMS
10%	TICKETS FOR FESTIVALS
9%	COMPILATION ALBUMS
8%	LIMITED EDITION / SPECIAL EDITION ALBUMS
8%	LIVE PERFORMANCE CD / VINYLS
8%	LIVE PERFORMANCE DVDS
8%	PRE-PAID SUBSCRIPTION TO A MUSIC STREAMING SERVICE
7%	VINYL SINGLES
22%	MUSIC MAGAZINE / PUBLICATION
47%	NONE OF THE ABOVE

Question: Which of the following music products have you given as a gift/present in the past 12 months?
Base: Survey 2 - 1515 Respondents

GIFT GIVING BY AGE

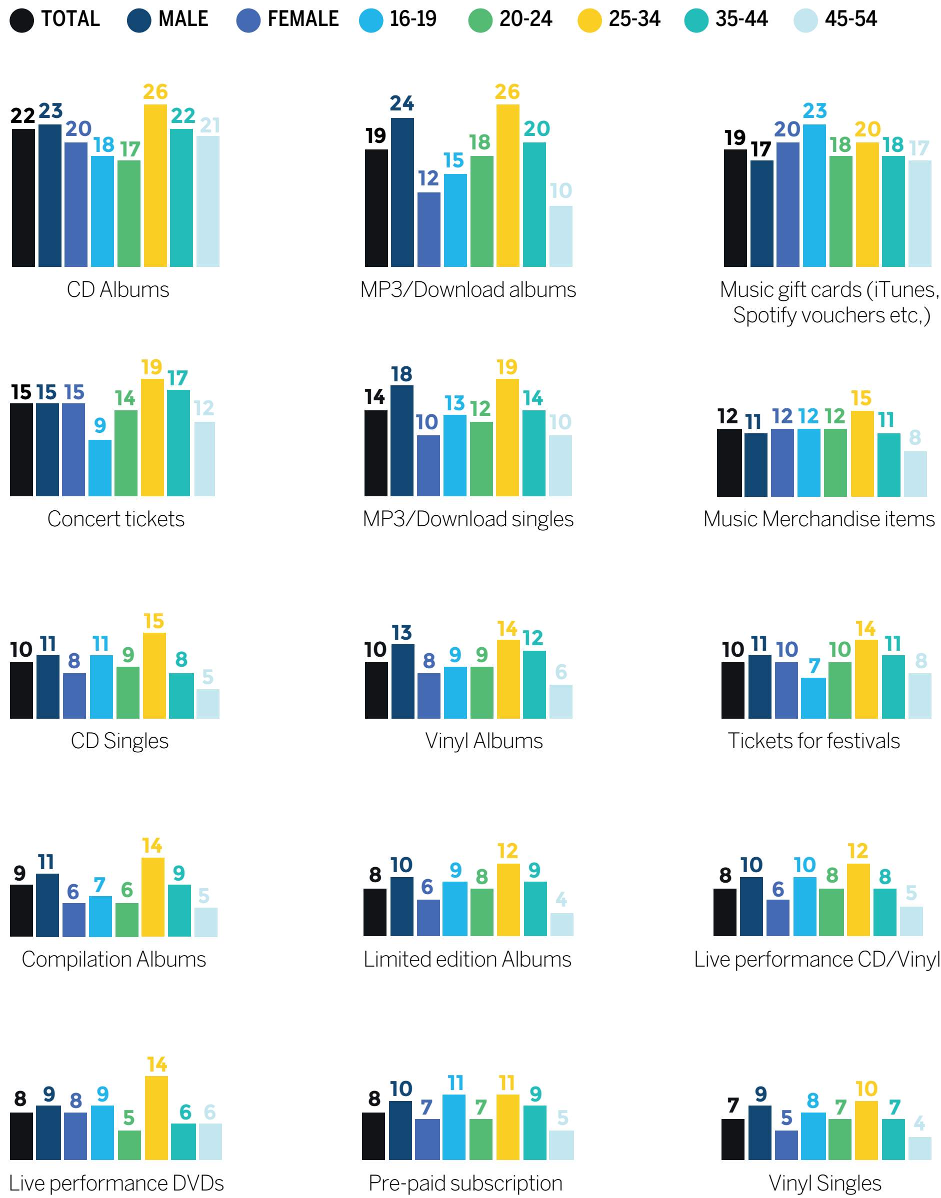
25-34 year olds are the biggest music gifters with MP3/Download albums just as popular as CDs for gifts

Across all the tested products, 25-34 year olds had given consistently more gifts in the last 12 months than any other age groups, except for pre-paid subscriptions where 25-34s tie with the 16-19 year olds.

MP3/Download albums were the most popular gift item given by 25-34 year olds alongside CDs at 26% closely followed by Music Gift Cards.

Looking at the gender categories, Males were more likely to gift MP3 downloads and Vinyl Albums, whilst Females were likely to gift Music Gift Cards.

GIVEN AS A GIFT BY AGE



Question: Which of the following music products have you given as a gift/present in the past 12 months?
Base: Survey 2 - 1515 Respondents

RECEIVED AS A GIFT

When flipping the data to investigate which gifts had been received in the last 12 months, it shows CDs, yet again, at the top of the rankings at 21%.

Music Gift Cards were the second most popular received products (18%), followed by Tickets for Music/Concerts/Gigs (16%) and MP3/Download Singles (14%) behind MP3/Download Albums in fifth (13%).

This strengthens the CD Album's position as the lead gift, whether given or received.

RECEIVED AS A GIFT

21%	CD ALBUMS
18%	MUSIC GIFT CARDS
16%	TICKETS FOR MUSIC / CONCERTS / GIGS
14%	MP3 / DOWNLOAD SINGLES
13%	MP3 / DOWNLOAD ALBUMS
13%	MUSIC MERCHANDISE ITEMS
12%	TICKETS FOR FESTIVALS
10%	CD SINGLES
9%	VINYL ALBUMS
9%	LIMITED EDITION / SPECIAL EDITION ALBUMS
8%	PRE-PAID SUBSCRIPTION TO A MUSIC STREAMING SERVICE
8%	LIVE PERFORMANCE DVDS
7%	VINYL SINGLES
7%	COMPILATION ALBUMS
7%	LIVE PERFORMANCE CD / VINYLS
6%	MUSIC MAGAZINE / PUBLICATION
45%	NONE OF THE ABOVE

Question: Which of the following music products have you received as a gift/present in the past 12 months?
Base: Survey 2 - 1515 Respondents

RECEIVED AS A GIFT BY AGE

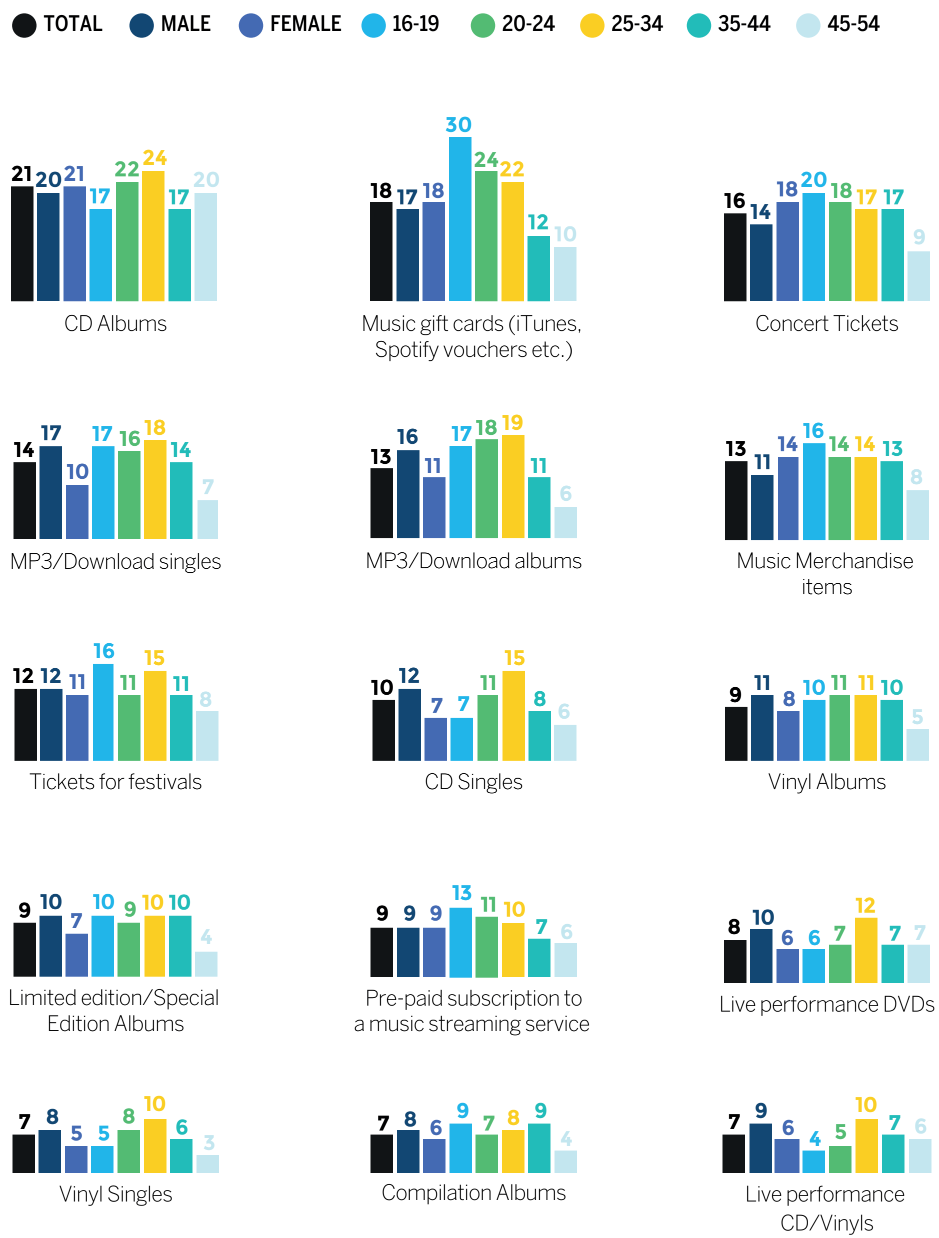
Music gift cards are the most popular music gifts for 16-19 year olds

Reflecting the transitional nature of music consumption, especially amongst the youngest demographic, music gift cards, defined openly as 'Music Gift Cards (e.g. iTunes, Spotify, HMV Vouchers)', were ahead of CD Albums and the most consistently given gift to 16-19 year olds, at 30% versus 18%.

This is reflective of this age groups music consumption habits, as they begin to shun traditional forms of media. Instead of being gifted CD's, they instead recieve pre-paid Gift Cards, most likely to use to purchase music downloads, or subscriptions to online streaming services. This a perfect representation of a connected generation preferring gifts that provide access over ownership - ie. gifts that exist within their connected, online world.

The percentages of those receiving pre-paid subscriptions to streaming services is low across the board for all age groups with a slight peak at 13% for 16-19s. The industry will therefore need to do more to specifically encourage more pre-paid subscription gifts as the market moves more definitively to streaming models.

RECEIVED AS A GIFT BY AGE



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For more information about this
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