AUDIOMONITOR USA

MAY 2015

The first statistically and demographically representative measure of all US audio, across all formats, genres and devices.

Prepared by AudienceNet
audiencenet.co.uk

Fieldwork conducted February 2015

Sample 3,198 respondents (US nat. rep.)

AUDIENCE NET

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Full report available at:
audiencenet.co.uk/audiomonitor

INTRODUCTION

MAY 2015

A shift in power has occurred over the past decade, from supplier to consumer, as the digitization of music has put consumers in control of how they access and consume music. Historically, in the physical world, it was record labels or radio stations who dictated what music was made available for consumption, and how it was consumed. Music fans would have to wait for their favourite tracks to come on the radio or wait for a CD to be released and pay a price set by the retailer or not receive any music at all. Essentially, because of the digital age, the consumer has shaken off the shackles of conglomerate control and decided to listen to music on their own.

Today, consumers can listen to any music they want, at any time, in any place and in any format, whether it be downloads, illegal downloads, radio, streaming, CD's 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 music industry is becoming consumer driven – it is subject to consumers' consumption habits and no one but the audience dictates what music is popular and successful. As a result, all operating within music, from management to publishing, must keep their finger on the pulse of the constant changes and fluctuations in consumer audio consumption, and how they impact the industry as a whole, in order to find success.

Cutting through the noise of the plethora of individual platform user data and tailored research publications, Audiomonitor is a truly democratic measure of all audio consumption in the US. It allows all facets of the radio and music industries to study and understand the significance and impact of these changes and how they may reshape the music industry's macro-environment. It is, therefore, an invaluable tool necessary for any company or person operating within the music industry, and the US creative industries at large.

ROBERT DELMONTE
Music Industry Analyst

SHARE OF EAR

CHANGING CONSUMER HABITS

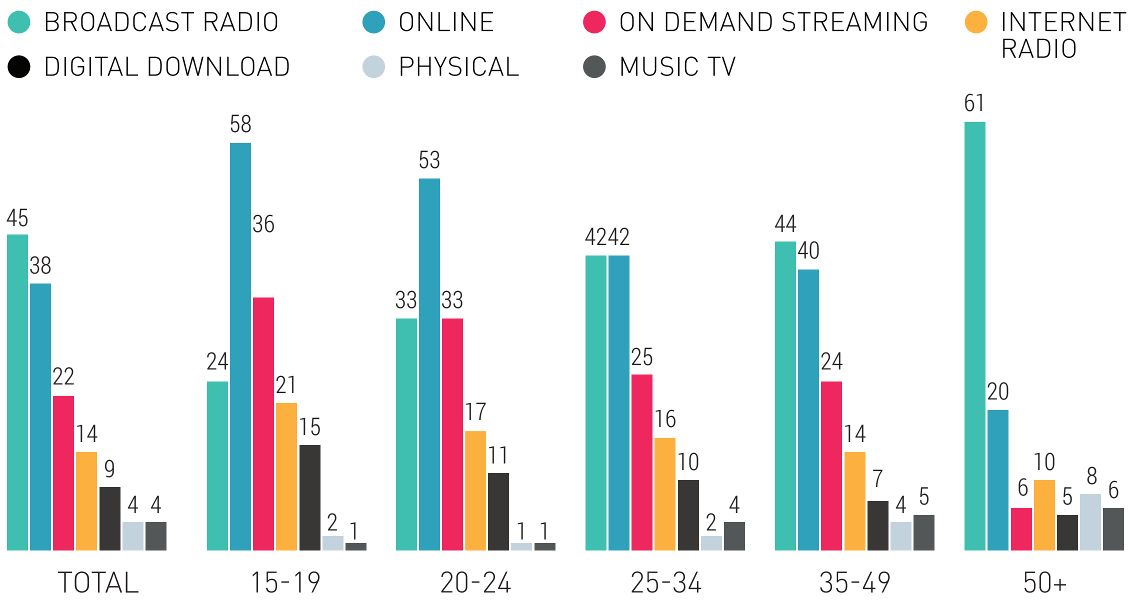
Share of Ear demonstrates the share of time spent listening to different audio sources

Younger generations have readily adopted music streaming, with those aged 15-24 years spending considerably more time listening to audio on a streaming platform than to broadcast radio.

This preference for streaming signifies the coming of a whole new generation of online music consumers, the 'digital natives' who have grown up in a digitized world. Music, for them, is an experience, an omnipresent soundtrack to their daily lives and interactive social environments. This has resulted in the way they consume music, shifting away from traditional methods, thus explaining their significantly greater uptake and usage of streaming services compared to the older age groups.

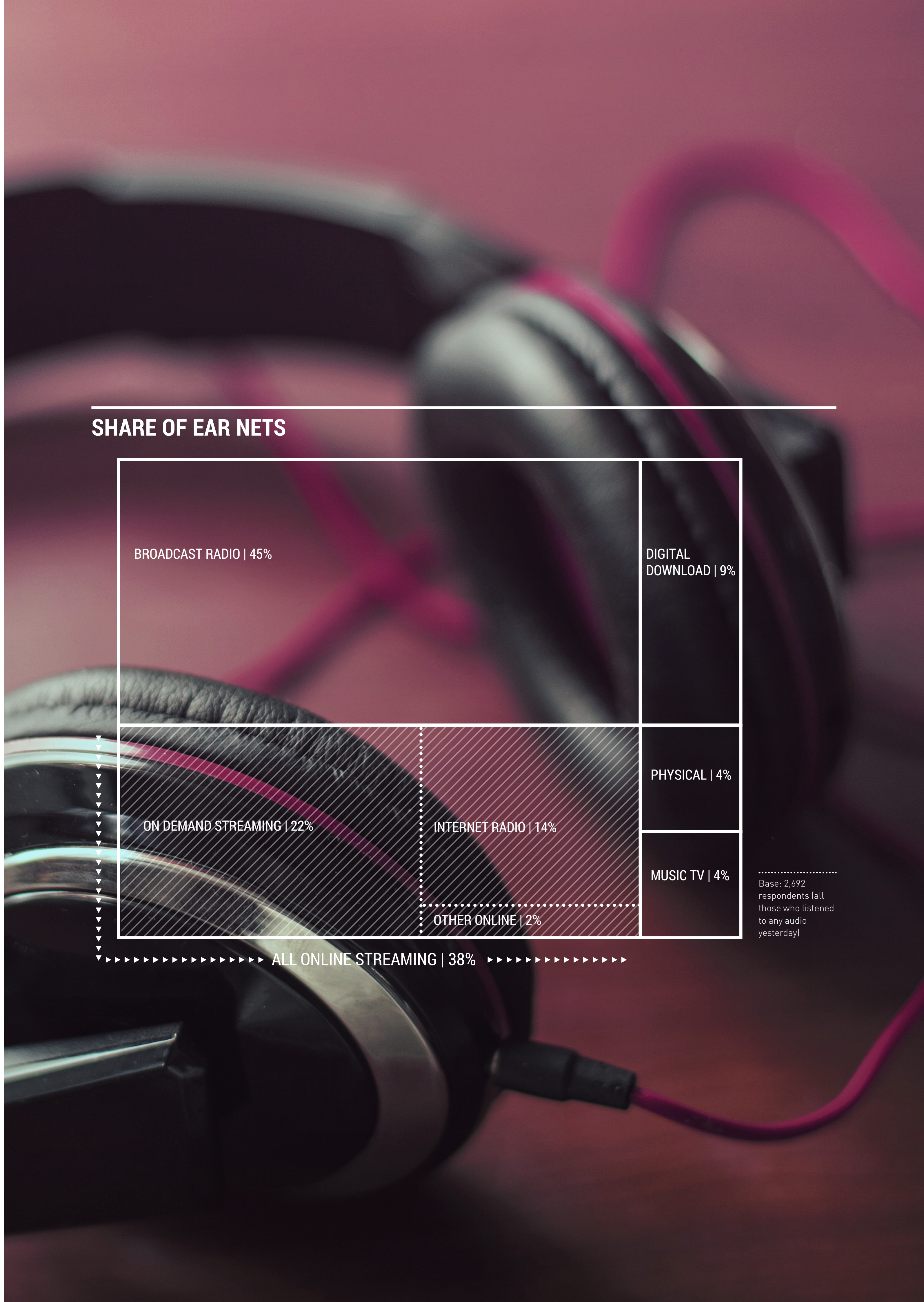
Looking forward, as the 'analogue era' demographic starts to diminish and digital natives begin to make up the majority of the adult population, their preference for music consumption will accompany them. This, consequently, could spell success for music streaming, as a form of consumption, in years to come – the impact this has on the creative industry as a whole, however, remains to be seen.

SHARE OF EAR BY AGE (%)



Base: 2,692 respondents (all those who listened to any audio yesterday)

Broadcast Radio Net = FM, AM, HD & Satellite Radio
Online = All URL Based Listening



Base: 2,692 respondents (all those who listened to any audio yesterday)

TOP PLATFORM SHARE OF EAR

01 • **Pandora** | 6.6%

02 • **YouTube (Audio)** | 4.9%

03 • **CD** | 3.7%

04 • **Spotify** | 3.6%

05 • **Music as digital files** | 3.0%

06 • **iTunes** | 2.6%

07 • **iHeart Radio** | 2.3%

08 • **TV Music Channels** | 1.8%

09 • **Facebook (Audio)** | 1.6%

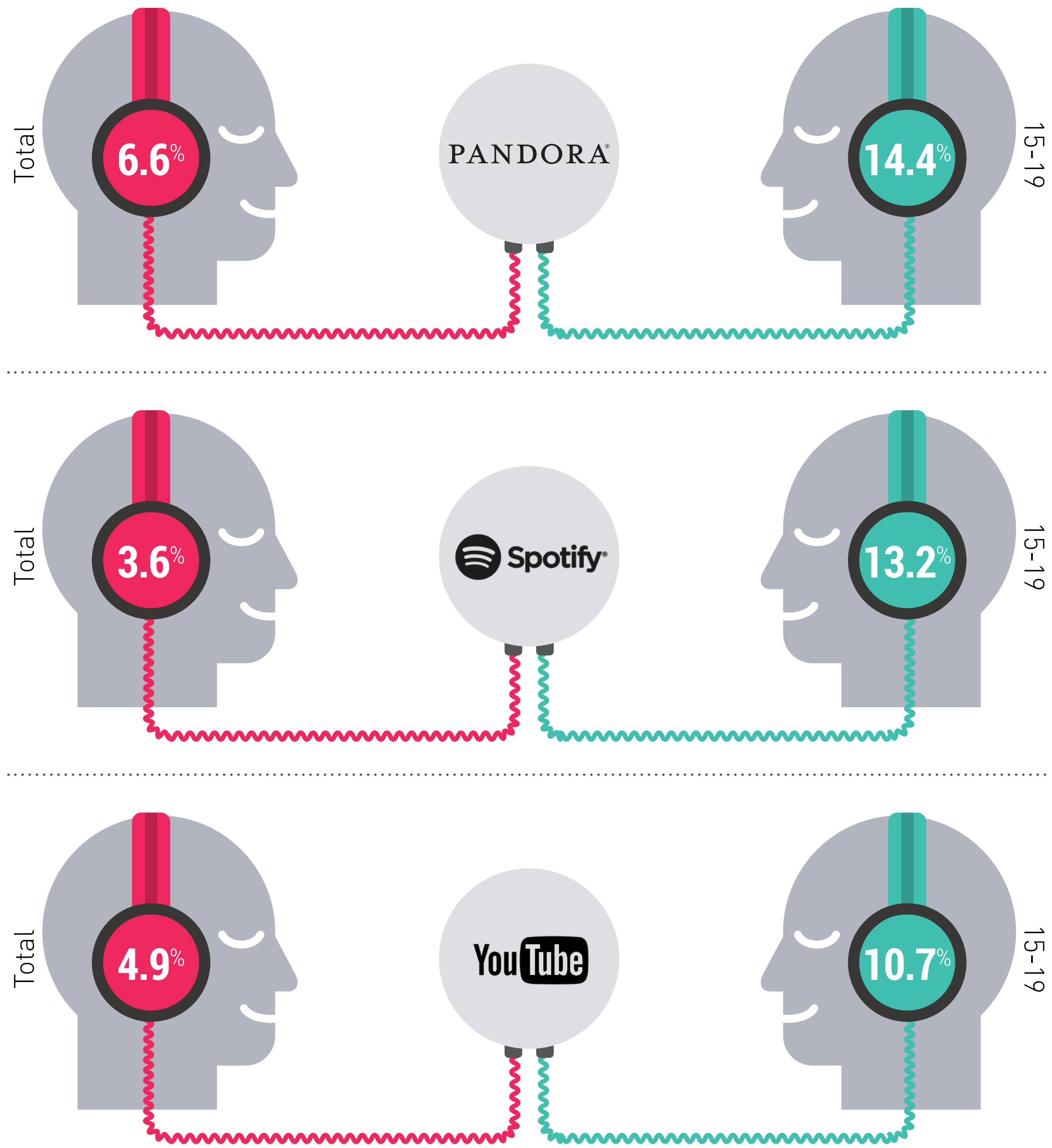
10 • **Amazon Prime** | 1.4%

- ON DEMAND STREAMING
- INTERNET RADIO SERVICE
- DIGITAL DOWNLOAD SERVICE
- PHYSICAL MUSIC
- OTHER

YouTube & Facebook listening was filtered by use for audio only (i.e not watching accompanying video)

Base: 2,692 respondents (all those who listened to any audio yesterday)

PLATFORM SHARE OF EAR: TOTAL VS 15-19 YEAR OLDS



15-19 year olds spent considerably longer listening to Pandora, Spotify and YouTube in comparison to the general population.

Base: 2,692 respondents (all those who listened to any audio yesterday)

REACH

US AUDIO WEEKLY REACH NETS

82% FM/AM RADIO

57% ONLINE LISTENING (TOTAL)

44% ON DEMAND STREAMING

44% INTERNET RADIO

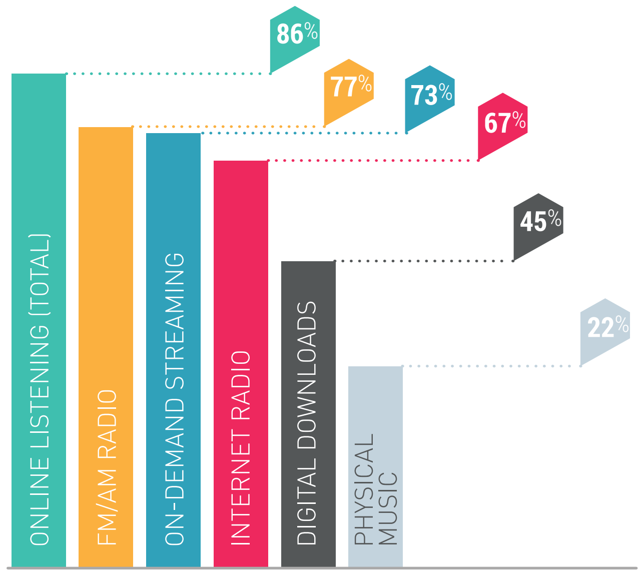
29% DIGITAL DOWNLOAD

24% PHYSICAL MUSIC

WEEKLY REACH: 15-19 YEAR OLDS

Males and the younger generations, particularly the 15-19 and 20-24 year old 'digital natives', recorded significantly higher levels of streaming consumption.

Consumption of physical music was fairly similar across all age groups.



WEEKLY REACH BY PLATFORM

01 • Pandora | 26%

02 • CD | 23%

03 • YouTube (Audio) | 20%

04 • iTunes | 16%

05 • Spotify | 12%

06 • iHeart Radio | 11%

07 • Music as digital files | 11%

08 • Amazon Prime Music | 8%

09 • TV Music Channels | 7%

10 • iTunes Radio | 6%

US AUDIO WEEKLY REACH NETS: Question 1 & 2: 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? (Nets)
Base: 3,198 respondents (US nat. rep. sample)

MUSIC DISCOVERY

MUSIC DISCOVERY TOP 10

01 • **Music played on FM/AM Radio** | 48%

02 • **Recommendations from friends** | 26%

03 • **YouTube** | 23%

04 • **Live performances on TV** | 19%

05 • **Music played on internet radio** | 19%

06 • **Music videos on TV** | 14%

07 • **Music played in films/TV Shows/Games** | 13%

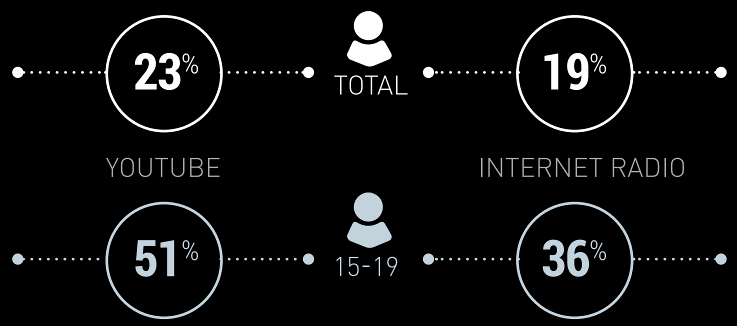
08 • **Live performances on the radio** | 9%

09 • **Live performances at gigs/festivals** | 9%

10 • **Music videos linked from YouTube** | 7%

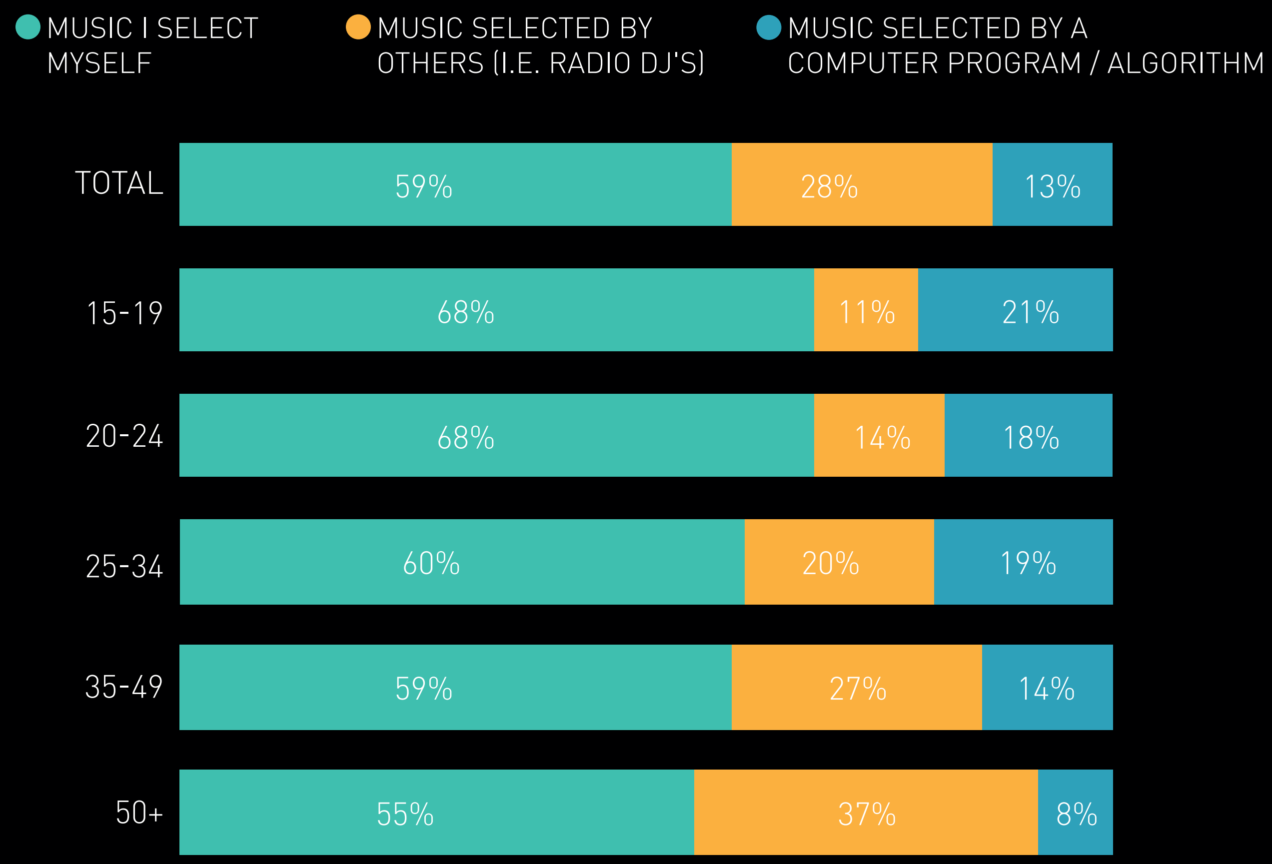
TOP MEANS OF DISCOVERY BY AGE

Younger generations were more likely to discover new music via online sources, with 15-19 year olds significantly over indexing on discovery through YouTube, music linked through YouTube and Music Played on Internet Radio.



CURATED LISTENING

SELF SELECTED VS CURATED LEAN BACK LISTENING



Generally, the older the respondent, the more their music is selected by someone else, i.e a Radio DJ. In contrast, the younger the respondent, the more music they select themselves.

MUSIC DISCOVERY: Question 7: How do you typically discover new music? By 'New music' we mean both hearing about new music from artists you already like, AND hearing about artists that are totally new to you. The music doesn't need to be brand new, just 'new to you'.
Base: 3198 Respondents

CURATED LISTENING: Question Q6: How is your music listening split between the following? (100% question)
Base: 3,198 Respondents (US nat. rep. sample)

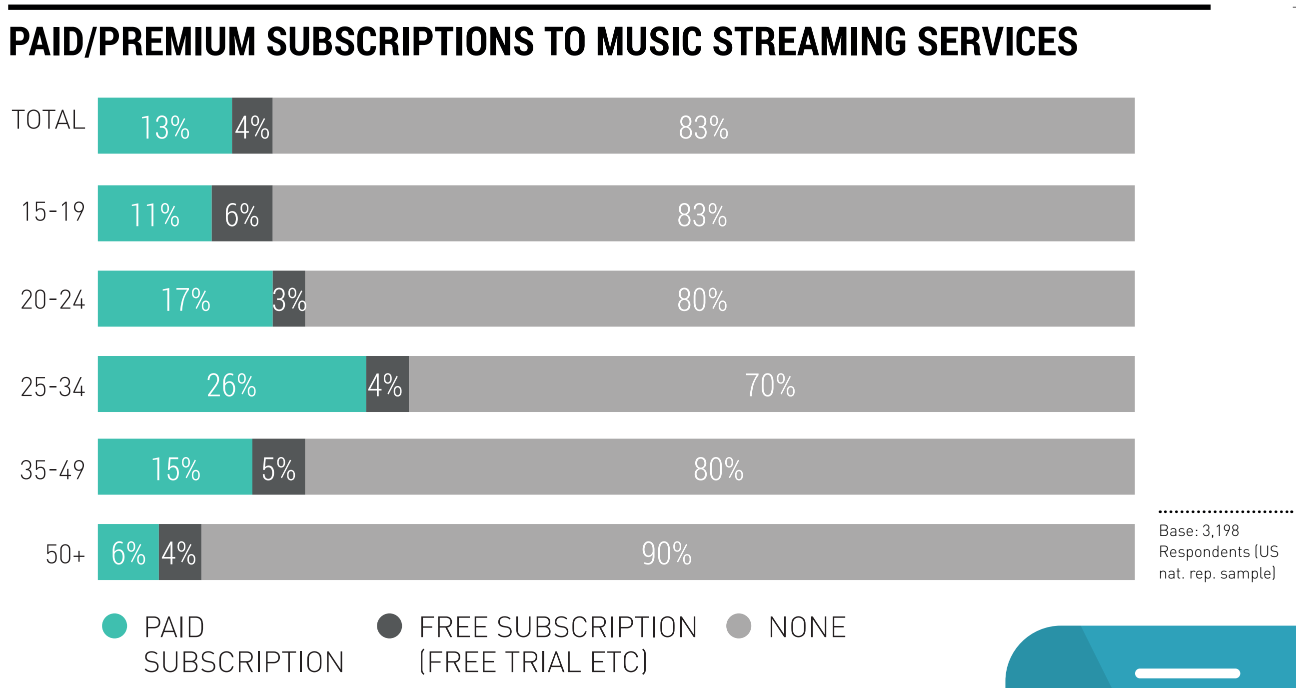
MUSIC SPENDING

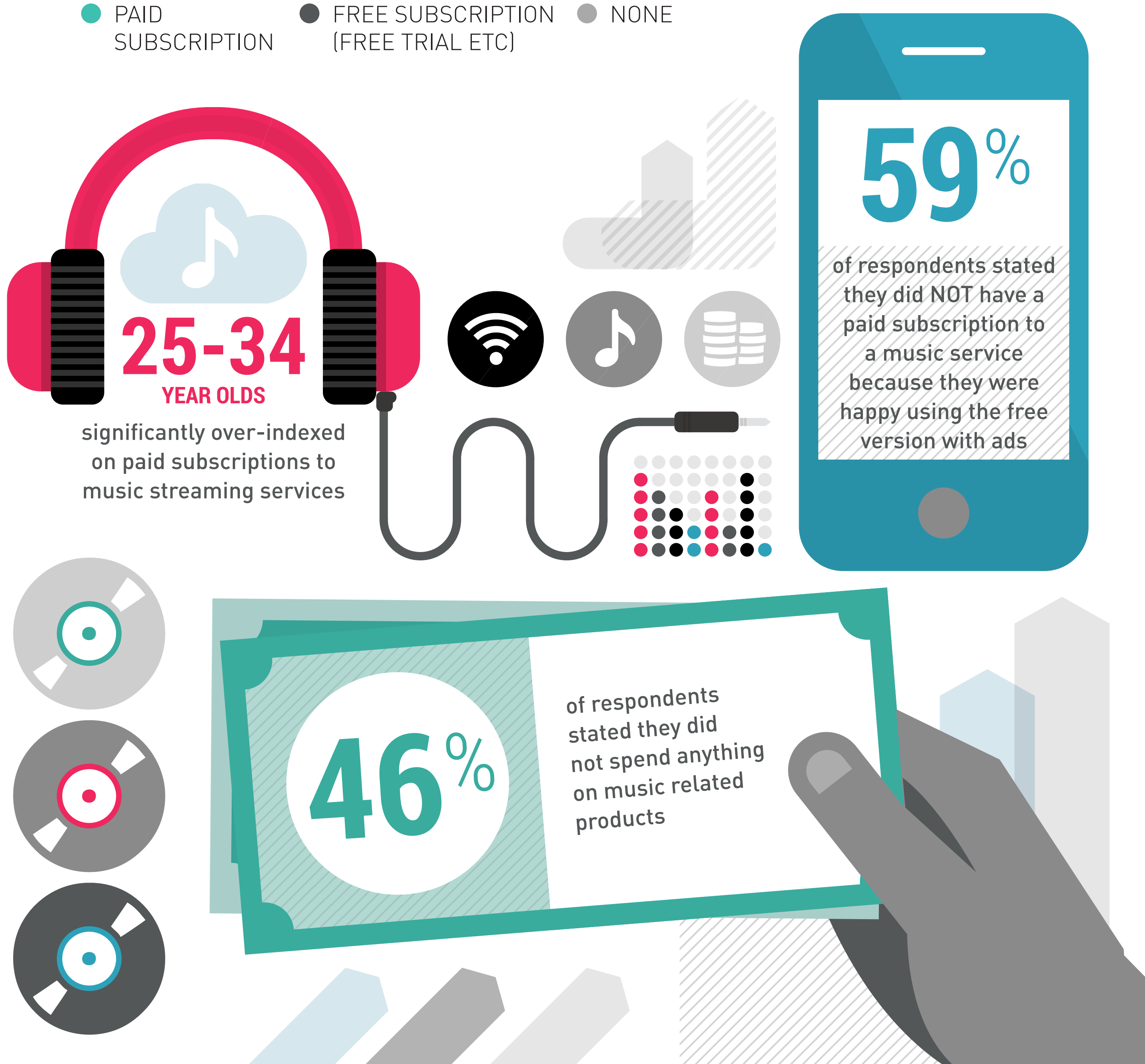
FREEMIUM: IS IT CONVERTING ENOUGH USERS INTO PAYING SUBSCRIBERS?

On-demand streaming services, like Spotify, rely heavily on their free tier to 'funnel' users into paying subscribers – whilst these platforms generated $295M for music labels in the US through ad-supported free tiers last year, nearly $800M was generated by paid subscriptions. This indicates that the proficiency of a platform at this conversion process is not only fundamental to the health of the platform's eco-system, but also to the wider digital music industry as a whole, as it determines how much these services are able to pay rights holders and record labels and thus their artists.

However, in Audiomonitor, when users without a paid subscription (2,654 respondents) were asked why they hadn't paid to subscribe, at 59%, the top reason was because they were 'happy with using the free version with ads'. This was considerably higher than 'it's too expensive' at 39% and 'it doesn't appeal to me' at 23%.

This begs to question whether the freemium model is sufficient in converting free users into paying subscribers. It is evident that the majority of non-paying US consumers are satisfied with, and will continue using, free ad-supported tiers, and in an attention, access driven economy, this is cause for concern. As the uptake for subscription and streaming services increases, consumers are essentially transitioning their listening. Just as the download was a transition from the CD, streaming is a transition from the download. If a casual consumer is content with free streaming, logically, there should be no reason for that user to additionally buy music. As access models become more prominent, and digital sales are challenged, the US music market may start to experience turbulence, as the prospect of consumer transition potentially squeezes revenue margins even further.





DEVICES

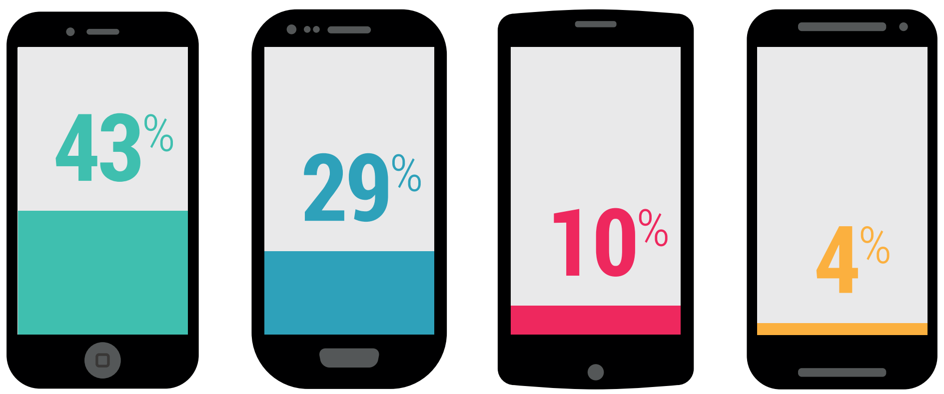
SCREEN-AGERS OPT FOR INTERACTIVE DEVICES

As a rule of thumb, the older the respondents, the less active they were in mobile audio consumption. Significantly, in the 'screen-agers' (15-19 years) age group, the mobile phone has now overtaken the standalone Radio Receiver as the most listened to device.

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 allows them to curate and share their own audio experience.

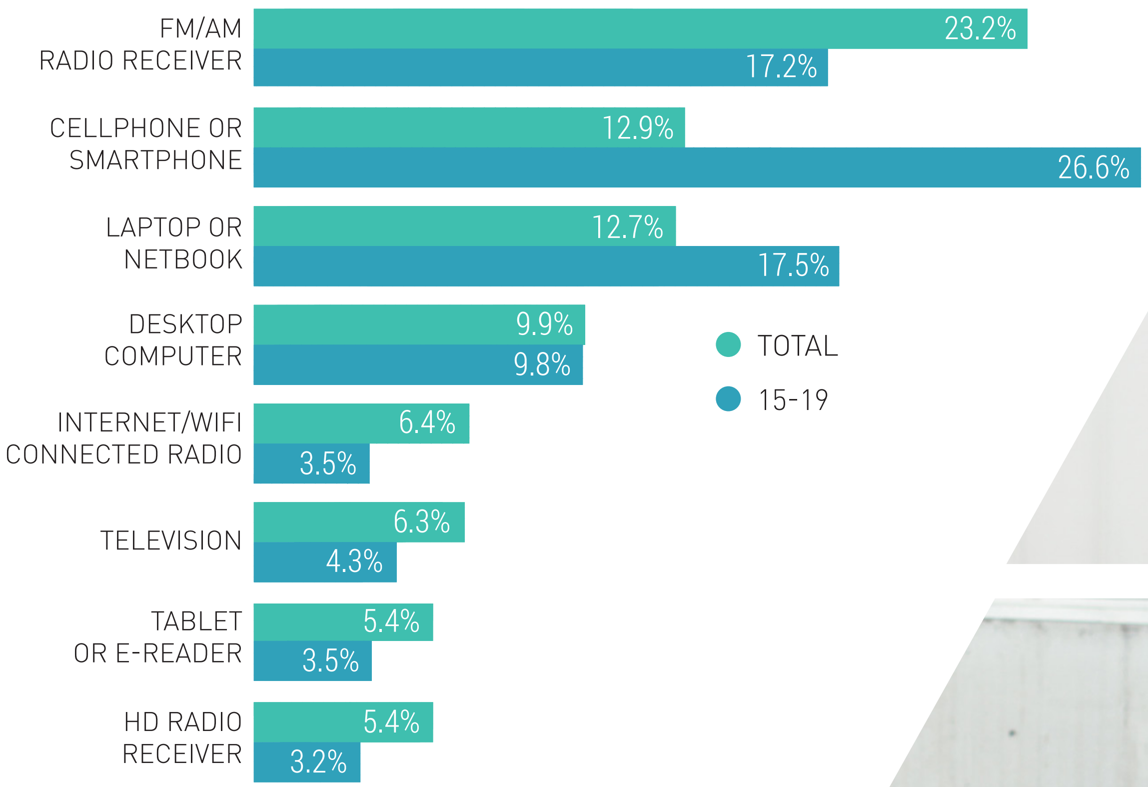
BRAND OF CELLPHONE/SMARTPHONE USED TO LISTEN TO AUDIO



Q4g. You said that you have used a cellphone or smartphone to listen to audio. Please specify its model.
Base: All using a cellphone or smartphone to listen to audio - 688 Respondents

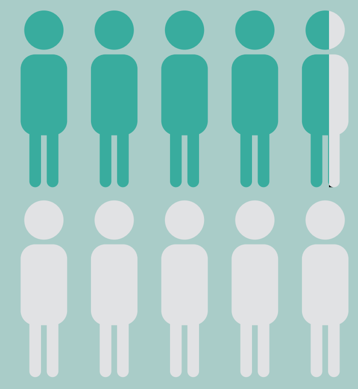
AUDIO CONSUMPTION DEVICES BY SHARE OF EAR

Question Q4b: In which of the following ways did you yesterday listen to – summary
Base: 2,692 respondents (all those who listened to any audio yesterday)



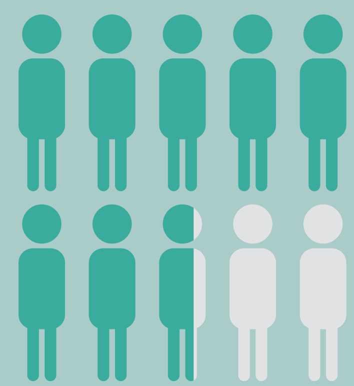
10 additional devices covered in the full report:
audiencenet.co.uk/audiomonitor

ATTITUDES TO SOUND QUALITY



46%

At 46%, almost half of respondents stated they would at least consider paying a premium for music of a superior sound quality.



78%

At 78%, the majority of respondents stated that sound quality was important or extremely important to them.

MUSIC GENRES

THE GENRE AGNOSTIC YOUTH WANT TRACKS, NOT GENRES

Many music consumers today, particularly younger generations (15-25 years), are genre agnostic – they do not care what genre it is; they just want more new music. Social identity (i.e. being a Punk, Goth etc.) is becoming less restrictive musically. For example, today, a punk only listening to punk music and nothing else is becoming increasingly less prevalent. 'Being cool' these days is more about finding the latest, greatest and most interesting new music, no matter the genre or era, and sharing it with friends, before they can share it with you.

The main questions to be asked here are: as consumers are harder to group by genre, does this make audience segmentation more difficult? How do you identify and market to an audience with such diverse tastes and interests? For example, whilst a person is interested in Pop, do they also listen to Indie/Alternative Rock?

Question Q10: Which of the following types of music do you generally like? Base: 3,198 respondents (US nat. rep. sample)

GENRES (% LIKED)

Genre	% liked
CLASSIC ROCK	42%
ROCK'N'ROLL	37%
CLASSIC 80S/90S	36%
POP MUSIC	34%
ROCK MUSIC	31%
COUNTRY & WESTERN	27%
CLASSIC 60S/70S	23%
CLASSICAL MUSIC	21%
HIP-HOP/RAP	20%
JAZZ	17%
CLASSIC 70S DISCO	16%
EASY LISTENING	16%
ALTERNATIVE POP	15%
INDIE/ALTERNATIVE	15%
BLUES	15%
R&B	14%
SINGER/SONGWRITER	14%
SOUNDTRACK	14%
INSTRUMENTAL	14%
CHRISTIAN/GOSPEL	14%

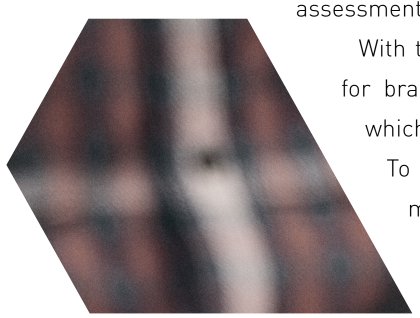
Up to 54 Genres available in the full report:
audiencenet.co.uk/audiomonitor

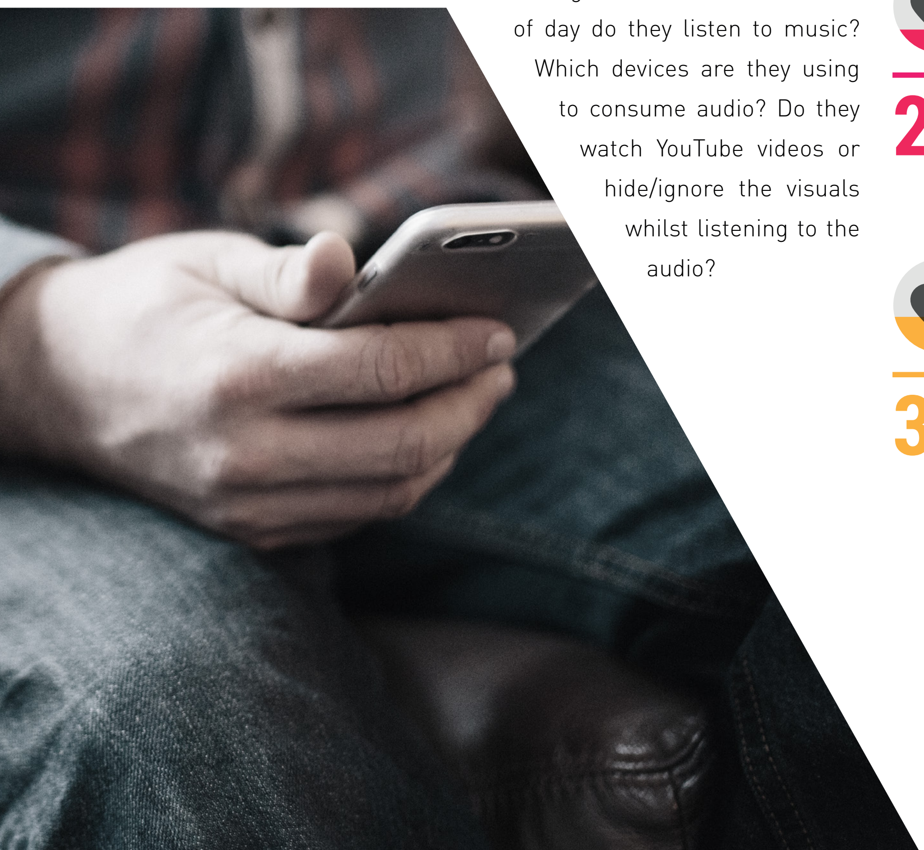
BRAND ADVOCACY

MUSIC AND BRANDS: THE PERFECT MATCH

Where music has a fairly unique and influential position is that it tends to be processed by both sides of the brain equally. As such, it can be the link between the logical and the emotional sides of our being. It is this element that makes music such a powerful ingredient of advertising – unlocking emotional response simultaneously with critical assessment.

With that in mind, it's clearly very important for brands to be associated with the music which best appeals to their target audience. To stay ahead of the competition, brands must also monitor how their target audience is consuming music: are they streaming, downloading or listening to the radio? What time of day do they listen to music? Which devices are they using to consume audio? Do they watch YouTube videos or hide/ignore the visuals whilst listening to the audio?





31% OF HIP-HOP/RAP FANS WERE ADVOCATES OF NIKE

23% OF METAL FANS WERE ADVOCATES OF PLAYSTATION

25% OF INDIE/ALTERNATIVE FANS WERE ADVOCATES OF STARBUCKS

38% OF DANCE FANS WERE ADVOCATES OF APPLE

Up to 74 Brands Advertising Awareness and Advocacy available in the full report:
audiencenet.co.uk/audiomonitor

Question: Which, if any, of the following brands products/services would you recommend to others?
Base: 3198 Respondents (US nat. rep. sample)

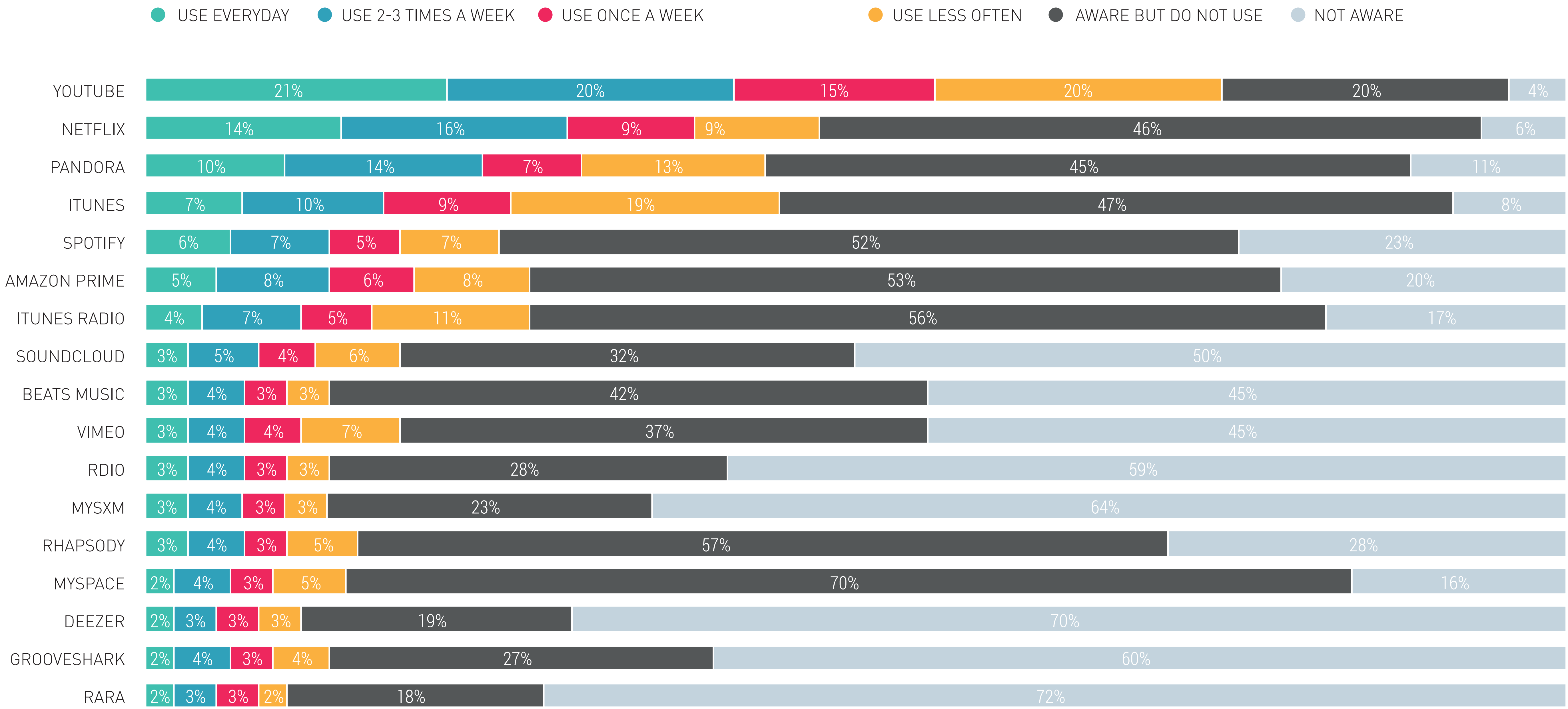
BRAND ADVOCACY

AMAZON	48%
WAL-MART	31%
COCA-COLA	30%
APPLE	29%
TARGET	28%
MICROSOFT	26%
SAMSUNG	26%
MCDONALDS	24%
FORD	24%
GOOGLE	24%
KELLOGGS	24%
PEPSI	23%
PIZZA HUT	23%
FED EX	23%
VISA	22%
NIKE	21%
WALT DISNEY	21%
AT&T	21%
UPS	20%
WINDOWS	20%
BURGER KING	20%
VERIZON	20%
CHEVROLET	19%
TOYOTA	19%
CBS	19%
NBC	19%

MUSIC & VIDEO SERVICES

Question Q11. Which of the following statements best describes you in relation to each of the following web-based services
Base: 3,198 respondents (US nat. rep. sample)

SERVICE USAGE & AWARENESS



CONTACT US

THE FULL AUDIOMONITOR REPORT PROVIDES

18 *devices*

54 *genres*

74 *brands*

For more information about joining the Audiomonitor syndicate, or for personalised genre, brand or service reports, please contact: **robert@audiencenet.co.uk**

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