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Audio and video streaming in focus
The road to any music, anytime, anywhere

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nielsen

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Introduction

Consumers have an unprecedented choice in how they access 26 million tracks digitally: buying on-demand, web-casting services or on-demand streaming (paid subscription or free access combined with advertising). With hundreds of services available globally, digital music now accounts for one-third of recorded music revenues globally, valued at $5.2 billion in 2011 (source IFPI).

In this paper for midem, Nielsen revisits audio and video streaming services and explores the impact of recent developments. As concurrently an active and a passive media, these services provide a convenient place to both ingest already familiar music and to discover new music, the purpose they serve being dictated by the consumer. These facets of streaming services do not contradict one another but are mutually beneficial.

For the music industry, streaming fulfils the dual roles of a marketing tool and a revenue generator by exposing consumers to new music and paying licence fees to the record companies and composers and publishers. These cloud based services anticipate what is increasingly the principle of access to any music, anytime, anywhere, on any device. For the consumer the simplicity is key.

A prior paper for midem, "Is streaming steaming ahead? Exclusive Nielsen white paper", published in July 2011, concluded that audio streaming services showed a potential for growth, but awareness and understanding was a key factor for realising this potential. In the intervening year have streaming services cemented their place in the public consciousness? How aware of streaming services are consumers and how has this changed music consumption patterns? How does this vary across Europe?

[Please note: Nielsen data track online usage on a panel of home and work computers]

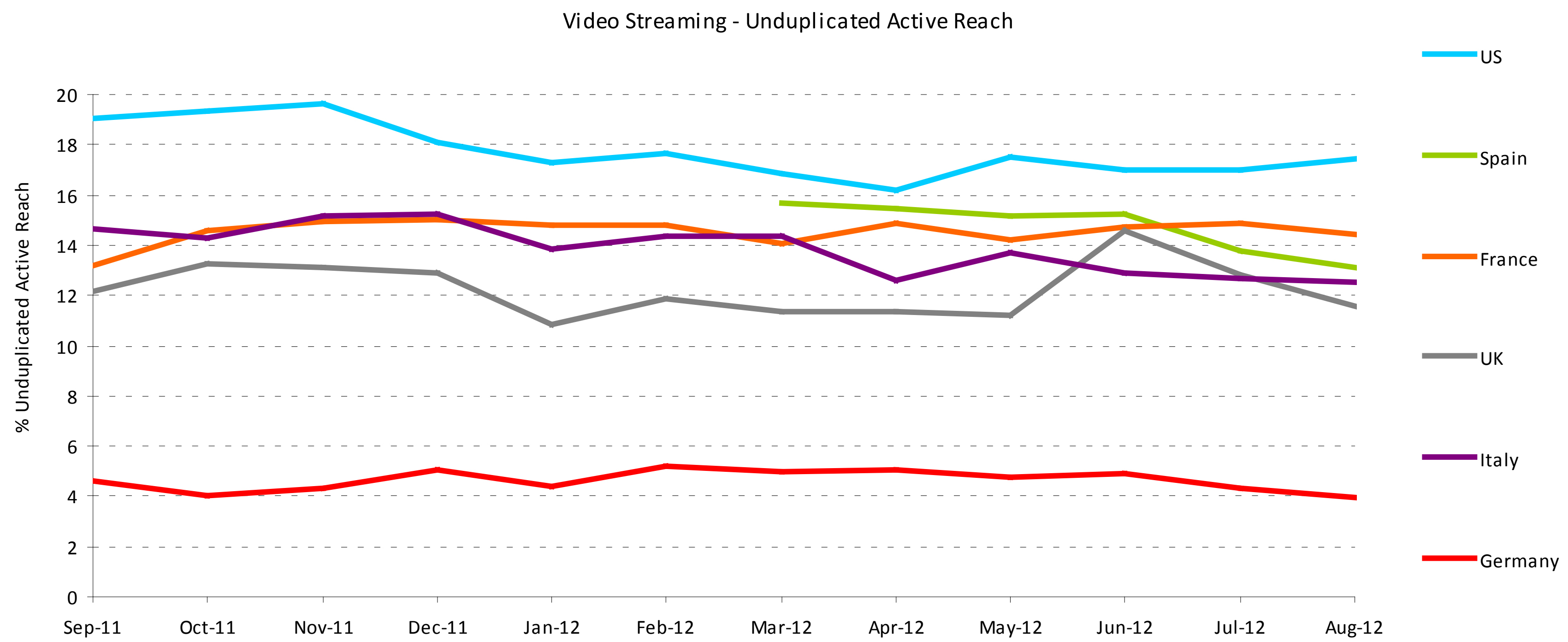
Video streaming: the mainstay of online exposure and consumption

Music videos are a key form of music and artist promotion for the industry, usually a 3 minute visual feast presenting both the song and the artist. They can be hugely popular, as they are free to the consumer and music videos count amongst the most watched videos on YouTube. Initially popularised by specific music video television, they expanded online via audiovisual services such as the Vevo channel on YouTube which serves the highest quality videos from Universal Music Group and Sony.

For this report, Nielsen created a panel of the most popular video streaming sites per country (see appendix for details) and looked at the trend over the last year.

Specific music video streaming sites are used by 12% to 16% of internet users in most countries. Despite small fluctuations month by month, the trend remains stable. The active reach of music video services in the US is greater than in Europe, but it has declined over the last year. This may be related to the increase in popularity (and quantity) of audio streaming services. France, Spain, Italy and the UK show similar levels of engagement, with German active reach much lower due to the ongoing dispute between the German performing right society GEMA and YouTube/Google.

However, if we look at overall video streaming reach (the percentage of internet users accessing online video streaming sites), the numbers are impressive and growing: 58% in France and 57% in the UK in August 2012 (these were 50% a year ago). In addition according to the *Nielsen Music 360* - an extensive survey from Nielsen on US music consumption – YouTube accounts for 50% of all music video views. This metric is also in line with those published in "The Hyper-fragmented World of Music" Nielsen analysis for midem in April 2011.


Video Streaming - Unduplicated Active Reach
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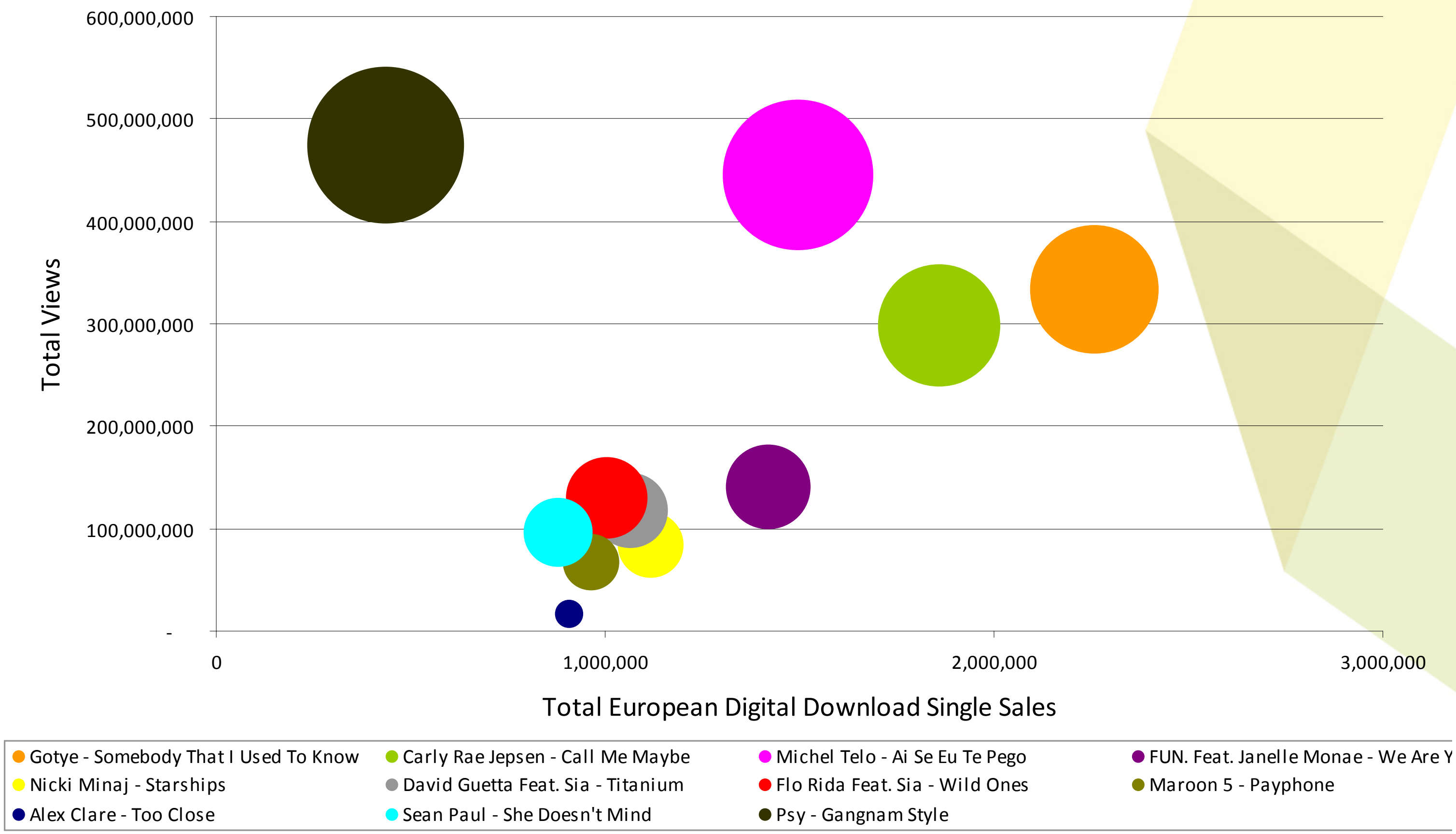
When video streaming translates into sales. Or not...

Measuring engagement with online music videos is much easier than with music videos on television. And engagement metrics are beyond time spent on video streaming platforms and number of views; they also encompasses activity such as liking / disliking / "favouriting" a music video, commenting on it, linking to it or generally talking about it on social media websites. Music video streaming websites give a clear idea of how engaged the online community is with music videos. A high level of engagement can give revenues a boost and provides valuable insight into music fans' opinions.

Nielsen analysed the video views and engagement alongside digital download sales for the Top 10 most downloaded songs in Europe this year to date (plus Gangnam Style!). The results are illustrated in the chart on the next page. The size of the bubbles represents the level of video engagement, defined as a sum of the number of likes, dislikes, favourites, and comments for each particular song.

[Please note: when looking at the graph, it must be kept in mind that songs have differing release dates; this partly explains the much lower figures for sales and views for certain songs].

The Impact of Engagement and Views on Sales
(Engagement reflects the number of likes, dislikes, favorites, and comments on music video streaming channels)



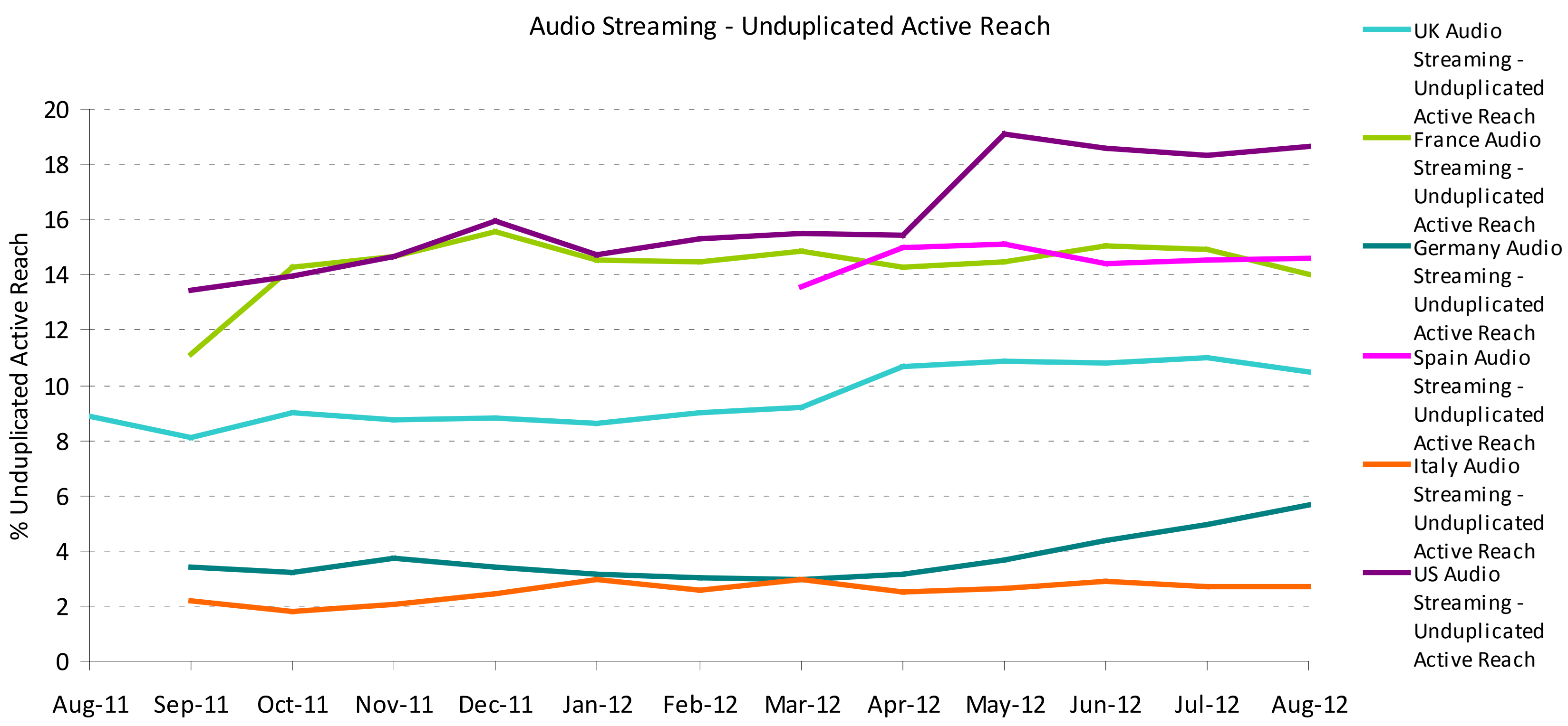
How to read this chart: The further right a bubble is the downloads it has sold, the higher the position the greater the views and the greater the size of the bubble the more engagement it has received from consumers. Therefore, Gotye's "Somebody that I used to know" is the furthest right and the highest selling download, but it hasn't had as many views as "Ai Se Eu Te Pego". Engagement is high, of a similar size to "Call Me Maybe".

The more engagement with the music video, the greater the sales? This year seems to the exception that so far proves the rule. Gotye's "Somebody that I used to know" is the highest selling download, but it hasn't had as many views as "Ai Se Eu Te Pego". Engagement is high, of a similar size to "Call Me Maybe". Psy's "Gangnam Style" surprise buzz is an obvious exception. It has attracted huge online attention (it is a truly global music video), both views and engagement are massive, but sales do lag behind – Nielsen is not accounting for sales in the Asian market. Another example, FUN. Featuring Janelle Monae with "We Are Young" was not the most popular on music video streaming platforms, but the song performed very well in the global digital download sales charts.

Audio streaming reach: a channel reaching a greater audience across Europe

Similarly to the video panel – Nielsen took the most popular audio streaming services and looked at the past year's trend. On fixed platforms (computers), the active reach of audio streaming services (% of active internet users) varies greatly across Europe. At around 15%, France and Spain remain the most active markets for streaming providers. Italy and Germany are on the other end of the scale, with less than 5% of internet audience using audio streaming services. In between these two extremes, and despite a long history and plethora of streaming services, the UK is now slightly above the 10% line.

However, the US surpasses Europe in our chart next page, and the growth in active reach of audio streaming in the US is significant. Over 18% of the active internet population visit an audio streaming site at least once per month. It is worth noting that included in this metric are both web-casting services such as Pandora and on-demand streaming services such as Rdio and Spotify. There is a large increase from April to May 2012 – this can be partly attributed to Spotify launching their iPad app and an embeddable music player for other websites thus sending more traffic to their service.


Audio Streaming - Unduplicated Active Reach
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UK Audio Streaming - Unduplicated Active Reach
France Audio Streaming - Unduplicated Active Reach
Germany Audio Streaming - Unduplicated Active Reach
Spain Audio Streaming - Unduplicated Active Reach
Italy Audio Streaming - Unduplicated Active Reach
US Audio Streaming - Unduplicated Active Reach

This stable growth in streaming services will be augmented by the launch of streaming services in Italy in the coming months and the potential for growth in other new markets. The consumer expectation of all music, anywhere and anytime is underlined by the launch of Amazon's Cloud Player, iTunes Match and Google Play (not all services are availble in all countries), where consumers can access their purchased music from multiple devices.

Smartphones a key path to success: As consumers continue to upgrade their mobile phones to smartphones, (smartphone penetration is now over 50% in the US) – the availability and access of music streaming services via mobile phones becomes more important. Streaming online music on smartphones is as high as 26% in Italy, 20% in the UK, and 16% in Germany (Nielsen Smartphone Insights 2012 Q1).

The geographical breadth of streaming services continues to grow, with Deezer recently presenting its proposal to expand into an unprecedented additional 160 global markets and reaching a potential billion new consumers. Some streaming services have also positioned themselves as another subscription service by bundling themselves with both telecom and internet services.

Demographics – wider audience or stability?

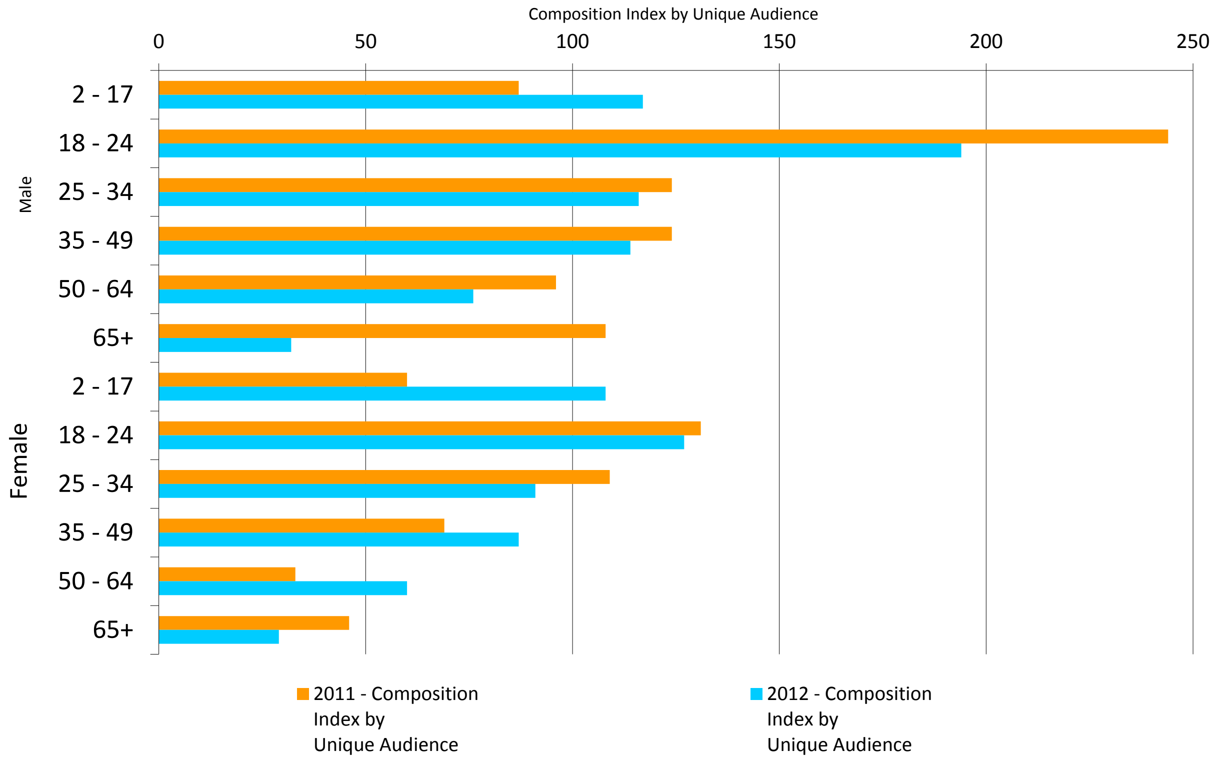
Globally, more consumers are subscribing to streaming services, with this increase in both free and paid subscribers comes a change in the demographic profile of the average user.

The graphics next page show an audio streaming service in the UK and one in Spain. They show the composition index by unique audience. This is the percentage of a site's unique audience from a specific target indexed against the percentage that specific percent represents in the Online Active Universe for that time period.
For example: During September 2012, in the UK, women aged between 18 and 24 index at 127 – this means that a visitor to the audio streaming service is 27% more likely to be a female of that age group than the average online user.

And if you compare this demographic against the prior year, women aged between 18 and 24 were over indexing, therefore more likely than other age groups to visit this streaming site, and then 31% more likely than the average user.

Our research also highlights changes in geo-demography over the last year. The ACORN classification system which segments the UK population using census data and lifestyle surveys is used by Nielsen to further segment our results. Over-indexing their use of the audio streaming service is the ACORN type, "prosperous young professionals" who maintain this position from last year. The most significant increase in composition index is observed by Nielsen in the types, "young educated workers" and "students". These types are now more likely to visit the audio streaming service than the average online user – in 2011, they were less likely. Whilst a decrease in unique audience composition from 2011 to 2012 is seen in the "wealthy, mature professionals" – their prominence as users of this audio streaming service has been tempered by the broadening of streaming services' consumer appeal.

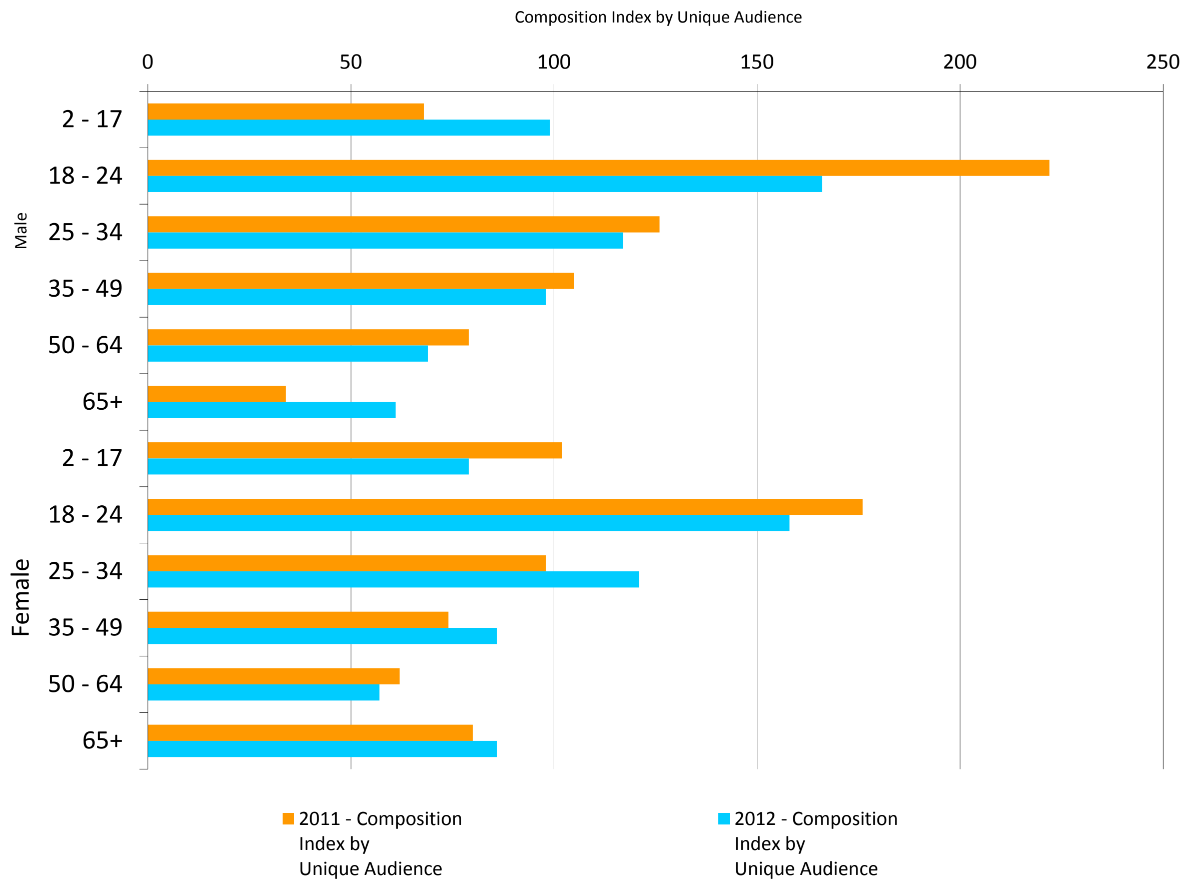
UK - Unique Composition Index



How to read this graph: This shows the percentage of a sit'es unique audience from a specific target indexed against the percentage that specific percentage represents in the Active Universe for that time period.
For example: in 2011 Males aged between 18 and 24 had a unique composition index of 244 which meant that a visitor to this streaming

In Spain, all streaming services enjoy huge success with over 14% of the active internet population visiting at least one audio streaming service per month. Comparing this Spanish audio streaming service usage with that in the UK, the 18-24 year old consumers also over-index. Spanish women in this demographic segment over-index much more than British women. The same can be seen with Spanish women aged between 25-34, in 2012 they are more likely than the average internet user to visit this audio streaming service – the British woman is less likely to.

Spain - Unique Composition Index



How to read this graph: This shows the percentage of a sit'es unique audience from a specific target indexed against the percentage that specific percentage represents in the Active Universe for that time period.
For example: in 2011 Males aged between 18 and 24 had a unique composition index of 244 which meant that a visitor to this streaming service was 144% more likely to be in this demographic.

Conclusions:

For the increasingly more technologically driven consumer, audio and video streaming services have empowered them with more control over the music they consume and the price they pay. And the resultant metrics have empowered the industry in understanding more about who is consuming the music.

Simultaneously, as there is no longer a standard method of music consumption, access to music is fragmented. Streaming services, although hyped, are still a relatively new channel. They are also one of many channels; therefore there is no surprise about the relatively limited reach of streaming services. However, in this mix of music consumption channels which is only slowly reshaping, there is still a promising potential for streaming services, especially considering they are increasingly available on multiple devices.

But the apparent plateau-ing of reach of streaming (on computers) also raises the question of consumer education and awareness. In other words, do we need a broader marketing push? The examples of streaming services being backed-up by major telecom companies show the massive and quite instant gain of being brought to "mainstream".
Ease of use, simplicity, design, comprehensiveness of the services, or the "consumer experience" will be another key element. Competition between services may be seen as positive, as bringing to market a new category of service is more likely to be successful when several companies pass the same message. The flipside being that many customers will be confused by the myriad of consumption models.

The broader picture of accessing music remains incredibly fragmented. How music streaming fits into the digital music consumption mix will be expanded on the following paper published by Nielsen for midem in January 2013.

Sources

- Nielsen NetView panels: custom sector analysis, active reach, total users and average sessions per user of the Internet sites and applications from Nielsen Internet metered panels. The panels cover internet activity on both home and work computers. Our core NetView product is run on our RDD//Online methodology in each market. This is a proprietary methodology and has been designed to marry the representativeness of a gold standard Random Digit Dial (RDD) panel with the depth provided by an online-recruited panel. Our system tracks behaviour for websites and applications in all countries.

- Nielsen SoundScan International: Digital download sales figures from Nielsen SoundScan International. Digital download sales monitored from over 400 digital service providers in 36 countries worldwide.

- Nielsen Music 360 Study is a comprehensive, in-depth study of consumer interaction with music in the United States (3,000 surveys completed during May 2012 using Nielsen's proprietary, high-quality ePanel).

- Nielsen Smartphone Insights: essential reference on the smartphone consumer; research conducted by Nielsen on mobile phones and smartphone users.

Appendix

UK – Audio streaming	deezer.com jango.com last.fm Last.fm (App) napster.co.uk Spotify (App) spotify.com www.btvision.bt.com www.jango.com www.myspace.com
UK – Video streaming	Vevo on YouTube Muzu TV Dailymotion Music
France – Audio streaming	Deezer Myspace.com Spotify Spotify (App) MusicMe Last.fm Jango Music Network
France – Video Streaming	VEVO VEVO on YouTube Dailymotion Music
Germany – Audio Streaming	Jango Music Network Last.fm Last.fm (App) musicstar Napster Simfy Spotify Spotify (App)
Germany – Video Streaming	tape.tv Dailymotion Music VEVO on YouTube
Spain – Audio Streaming	Deezer Last.fm Los40.com Rockola.fm Spotify Spotify (App) VagosMusica.com Yes.fm
Spain – Video Streaming	VEVO on YouTube Dailymotion Music Muzu TV

Italy – Audio Streaming	Cubomusica
	Deezer
	Jango Music Network
	Last.fm
	Play.me.it
Italy – Video Streaming	VEVO on YouTube
	Dailymotion Music
	Muzu TV
US – Audio Streaming	AudioRealm
	Blip.fm
	Goom Radio
	iHeartRadio
	Jango Music Network
	Last.fm
	Last.fm (App)
	Mixcloud
	Mog
	Mog
	Mixcloud
	Mog
	Mog
	Musicplayon
	Napster (App)
	Pandora.com
	Project Playlist
	ReverbNation
	Rhapsody (App)
	Scour
	Slacker
	Spotify
	Spotify (App)
	TuneGenie
US – Video Streaming	Dailymotion Music
	DatPiff
	MTV Networks Music
	RollingStone.com
	SPIN.com
	VEVO
	VEVO on YouTube

About the author

Nielsen Music is the measurement reference of the music industry, and the market data and research partner of choice for the music sector. Our local and international teams of research and music experts bring the best set of comprehensive, robust and quality insights to our music clients. With Nielsen Music, access, understand and interrogate:

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Nielsen Music is successfully working with more than 500 clients representing all elements of the music chain: record companies/music labels (majors and independents), radio and TV stations, music publishers, performing rights organisations, artists and their management, digital media and services, mobile phone companies, retailers, the video game/gaming industry, consultancy firms, and the media. Nielsen Music (www.nielsen-music.com) is a division of Nielsen (www.nielsen.com), the leading global market research company.

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