billboard pro

Charting a Course in the Digital Ocean

September 2019

"Today, companies have to radically revolutionize themselves every few years just to stay relevant. That's because technology and the Internet have transformed the business landscape forever. The fast-paced digital age has accelerated the need for companies to become agile."

– Nolan Bushnell, Founder, Atari, & CEO and Chairman, Global Gaming Technologies Corp.

Introduction

Eighty-nine percent of North Americans use the internet.[1] Digital services are everywhere, and digital devices have become extensions of ourselves. Usage continues to grow year over year. Gen Z may be the first truly digital-native generation, but we're all living in their digital nation, and it's a place where evolution is a permanent feature and change is exponential.

Understanding how consumers engage with technology is crucial if we are to innovate for competitive advantage. We need to know who is using digital services and which services they are using. Why are they using these services, and how? What interests them? Most importantly, what does all of this mean? All the data in the world is as useless as a week-old weather report if it doesn't help you plan for the future.

Comscore provided us with access to their quarterly "State of Digital Services" report, and we worked with them to create a custom analysis and deeper dive into the digital music and audio category.

We took a closer look at the behavior of those aged 18 to 25. This younger cohort, which represents the bleeding edge of future consumer behavior, approaches the digital world from a different perspective than previous generations. They've spent their entire life in an on-demand world, where popular culture is niche and networked rather than mass and centralized. They're more racially and ethnically diverse.[2] They're mobile. Living between headphones and in front of screens, they are explorers who dive down digital rabbit holes, pull in what they want, ignore the rest, and expect to customize the world around them to suit their tastes. They provide cues on how everyone will be using and leveraging technology in a few years' time.

1 Mary Meeker, "Internet Trends", 2019 p.10
2 Pew Research Center, "Nearly Half of Post-Millennials Are Racial or Ethnic Minorities," November 13, 2018.

"What we spend our time on is probably the most important decision we make."

– Ray Kurzweil, author, inventor, futurist, Google

Overview

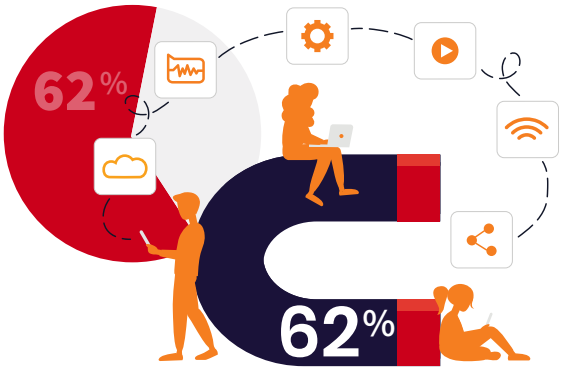
Not only are digital services ubiquitous, they are also fully integrated into our lives. Eighty percent of respondents to Comscore's survey agreed with the statement "digital services are a necessary part of my life." [3] Internet usage is growing: the average time spent online has increased 34% since April 2017.[4] Digital services are integral to modern life and range across many categories, whether people are seeking entertainment (music, video, gaming) or information (news, financial), and whether their searches are personal (networking, health/lifestyle) or work related (productivity, security, cloud storage). There is no aspect of what we do that doesn't have a related digital service. Unsurprisingly, a majority of consumers report regularly using six or more categories of service, and on average, younger consumers (18–25) use more digital services than older generations.[5]

Video streaming is the top personal digital service used by all age groups, followed closely by personal networking and music audio. When broken out by age, the services most widely used by those between 18 and 25 are video streaming, followed by music and then cloud storage.[6]

Not only do four out of five consumers believe that their digital services are a necessary part of their life, they are also intensely loyal.

Consumers have high loyalty to current services, and most see digital services as necessary for daily life.

agreed that **digital services were a necessary part of their daily life.**



stick to their favorite services or brands even if another service might have **more features.**

Source: Comscore Custom Survey, US 18+, "State of Digital Services", March-April 2019.

3 Comscore Custom Survey, US 18+, "State of Digital Services," March–April 2019.
4 Ibid.
5 Ibid.
6 Ibid.

The services that matter the most to consumers vary considerably by age group. Thirty percent of Gen Z (18–22) audio streamers report that it is their most important digital service, whereas only 15% of the audio streamers in other generations feel the same way.[7]

As the number of digital subscription services available for purchase explodes, concerns that consumers may become overwhelmed by their many subscriptions is on the rise. Although currently consumers tend to underestimate their overall subscription spend,[8] businesses are smart to anticipate that this may change or that consumers may seek to winnow their spending within a given category.

One way that organizations are hedging their bets is to bundle their services with those of another digital provider. Bundling in this manner creates differentiation in the mind of the consumer and helps consumers feel that they are managing their subscriptions more efficiently.

Why Do Consumers Bundle?

Comscore asked consumers their main reasons for bundling digital services together.

Primary reason:
(package discounts)

- 41% IT SAVES ME MONEY
- 26% I GET ONE OR MORE SERVICES FREE THIS WAY

Secondary reasons:
(convenience, perks, deals)

- 28% IT MAKES BILLING EASIER
- 26% IT IS MORE CONVENIENT THAN RECEIVING THE SERVICES SEPARATELY
- 23% IT MEANS FEWER PROVIDERS TO DEAL WITH
- 23% I GET ADDITIONAL DEALS, OFFERS, OR PERKS

Other reasons:
(trust and support)

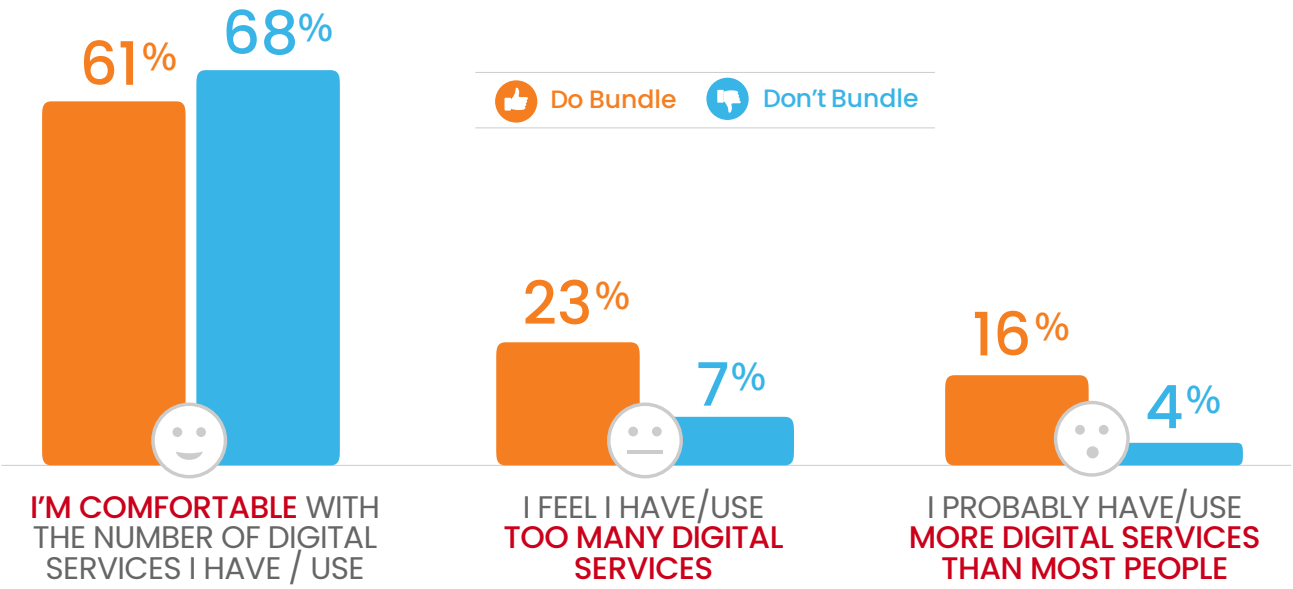
- 25% I TRUST AND/OR SUPPORT THE COMPANY THAT IS PROVIDING ME THE BUNDLE
- 19% NO PARTICULAR REASON, IT JUST CAME WITHSOMETHING I ALREADY PAY FOR

Source: Comscore Custom Survey, US 18+, "State of Digital Services", March-April 2019.

While saving money may be the primary reason consumers sign up for a bundle, a feeling of "too many services" may also be a motivating factor for those who choose bundles: 23% of these consumers think that they have too many, compared to just 7% of those who don't opt for a bundle.

7 Ibid.
8 Nicole Lyn Pesce, "You're Spending More on Your Subscription Services Than You Think," MarketWatch, July 25, 2018.

How do you feel about the number of digital services you use or subscribe to?



Source: Comscore Custom Survey, US 18+, "State of Digital Services", March-April 2019.

Already one-third of all consumers are benefiting from bundling at least two services, with younger consumers being much more likely to combine services. Music and video are the most commonly bundled services. These are also two of the top three digital services people use for their personal enjoyment and provide the highest reported degree of satisfaction. Eighty-four percent of consumers indicate that they are highly satisfied with their streaming music/audio service, and 79% feel the same way about their streaming video service.[9]

Today young people feel that their phones are extensions of themselves. Ninety-four percent of them are using their phones daily, and while 85% of the general population has smartphones, 94% of those 18–24 do.[10] Further, over 50% of Gen Z report that they use their phones for five hours or more each day, and 31% are uncomfortable if they are separated from their phones for even 30 minutes.[11]

This is consistent with the results of Ypulse's recent survey of mobile behavior, which found that young people looked at their phone screens over 150 times during the course of the day.[12] The survey posed an unaided question that asked respondents to list their favorite apps. The unprompted responses led to some interesting results and demonstrated the power of social platforms.

9 Comscore Custom Survey.
10 Deloitte, "2018 Global Mobile Consumer Survey: US Edition," 2018, 3.
11 The Center for Generational Kinetics, "The State of Gen Z 2018," Fall 2018, 8. Deloitte, "2018 Global Mobile
12 Ypulse, "Gen Z & Millennials Favorite Apps Right Now," August 12, 2019,

Top Favorite Apps (13–37)

1. Instagram
2. Facebook
3. Snapchat
4. YouTube
5. Twitter
6. Amazon
7. Reddit
8. Pinterest
9. WhatsApp
10. Spotify

> *"I'm grateful for [social media] because I'm nothing without it."*
>
> **– Billie Eilish, October 19, 2017 Harper's Bazaar**

Ypulse noted that while Facebook is ranked second overall, when older respondents were excluded, Facebook "fell out of the younger group's top five ranking completely."[13]

Instagram is primarily a visual medium, and its ascendancy to the most used app underlines an important way in which communication has shifted away from words and back to images. The app has evolved from photo sharing and filters to image and video-based stories to commerce. It's the wave of the future. Already, more than 50% of day-to-day transaction payments are digital and the importance of in-app commerce is growing.[14] According to Nielsen's 2019 Music 360 report 62% of Instagram users are 'more likely' to stream music from a specific artist after following them on Instagram and 50% are likely to buy merchandise from this specific artist.[15]

Generally speaking, each social media platform has a slightly different purpose for users. Where Facebook is often leveraged for group events, Instagram is for sharing images, identity forming through following influencers, and following brands. Snapchat is for communication with peers, and YouTube is for content discovery. According to the Center for Generational Kinetics, while Gen Z males and females use the platforms for similar purposes, "Gen Z females average 12% more usage in all situations described compared to Gen Z males."[16]

13 Ibid.
14 Mary Meeker, "Internet Trends", 2019, 120.
15 Nielsen US, "Music 360", 2019, 93.
16 The Center for Generational Kinetics, "The State of Gen Z 2018," Fall 2018, 12.

"Without music, life would be a mistake"

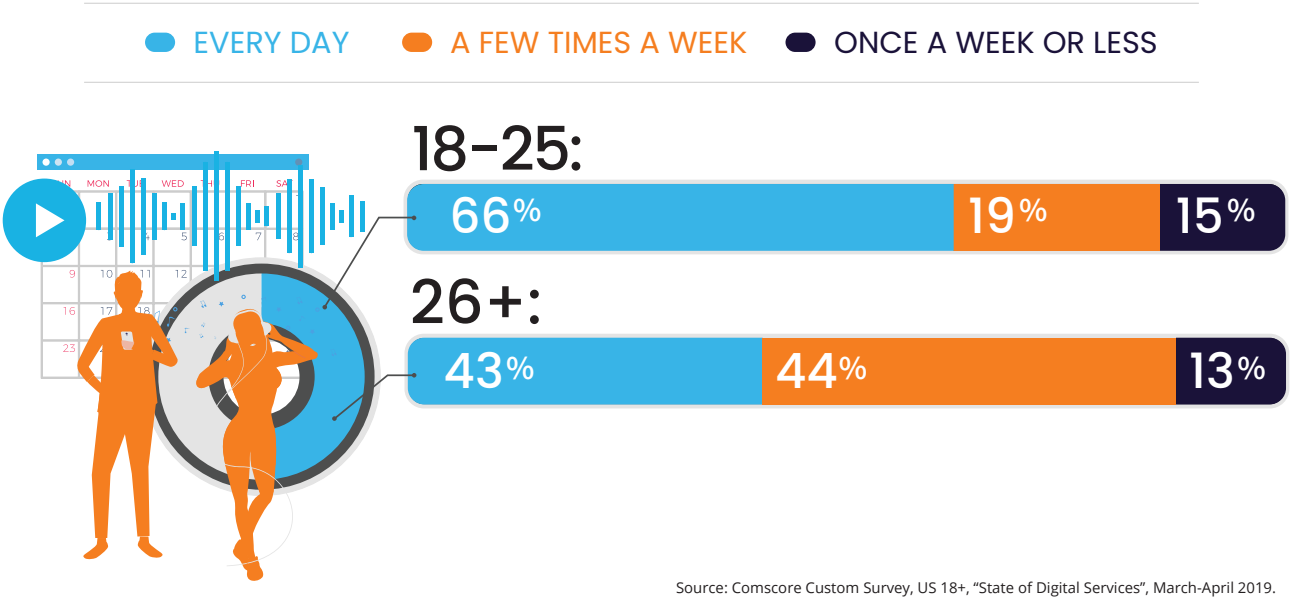
– Friedrich Nietzsche

Diving Deeper: Streaming Audio Services

Audio services are undeniably important to consumers. Eighty-seven percent of the US population listens to music and, of that group, 76% stream music.[17] But it isn't just reach, it's also engagement. Consumers spent 2.8 billion hours listening to streaming audio during the month of May.[18] Over half of those in urban and rural areas indicated that they streamed music every day, which was slightly more than their suburban peers.

Nearly half of all online consumers use streaming audio every day, a statistic that jumps to 66% for those between the ages of 18 and 25 and drops down to 23% for those 55 and older.

While nearly half of all online consumers use streaming audio 'every day,' this jumps to 66% among 18-25.



Source: Comscore Custom Survey, US 18+, "State of Digital Services", March-April 2019.

The high level of streaming among younger people is consistent with other survey research that has reported that 85% of those aged 16–19 say that music is an important part of their life.[19]

Pandora and Spotify have maintained the top spots, by reach, for several years. However, over the course of the past year, Spotify has overtaken Pandora to claim the top spot. Chris Bendtsen, an eMarketer forecasting analyst, explained this: "Pandora lost users last year because of tough competition from other services attracting people to switch. Apple Music has been successful in converting its iPhone user base, Amazon Music has grown with smart speaker adoption and Spotify's partnerships have expanded its presence across all devices."[20] He went on to say that "Spotify's initial growth was driven by its unique combination of music discovery, playlists and

17 Nielsen US, "Music 360", 2019, 7, 26.
18 Comscore Media Metrix Multiplatform Key Measures, Total Digital, U.S. 18+ May 2019
19 MIDiA Research report jointly commissioned by BPI and ERA, "Gen Z Meet the Young Millennials," June 2017.
20 Emarketer, "Spotify to Surpass Pandora Users by 2021, Sooner Than Expected," news release, March 25, 2019.

on-demand features, but now that all music streaming services have the same features, Spotify's future success will rely on partnerships with other companies. It has teamed up with Samsung, Amazon, Google and Hulu to be on all devices and provide bundled offerings. We expect more partnerships to come, leveraging multiple brands, devices and services to drive user growth."[21]

Users of streaming audio services would be hard hit if they lost the service. Fifty-two percent of those who stream audio report that it would have a significant impact on their daily life if they lost it. This level of engagement is generally consistent across urban and suburban areas, with survey evidence indicating that those in rural areas would feel the loss even more keenly than their counterparts in other areas.[22] This may be a reflection of less robust radio coverage in rural areas.

On average, streamers have 1.3 paid audio services, with 17% indicating that they have three or more paid subscriptions. Nearly four in ten audio streamers, however, only use free audio streaming services. Contrary to popular opinion that it is only young who are tightfisted, it turns out that more than half of those over the age of 55—a greater percentage than the overall average—only used a free service. That said, among users of paid services, the older the consumer, the more likely they are to pay for their subscriptions themselves. Those in the 18–25 age bracket are more likely to have more services, but 31% of them are also likely to have someone else pay the bill. The vast majority of both Gen X (86%) and Baby Boomers (94%) pay their own way.[23]

Nearly 4 in 10 audio streamers use only free versions of the service – and on average, streamers have 2+ services.

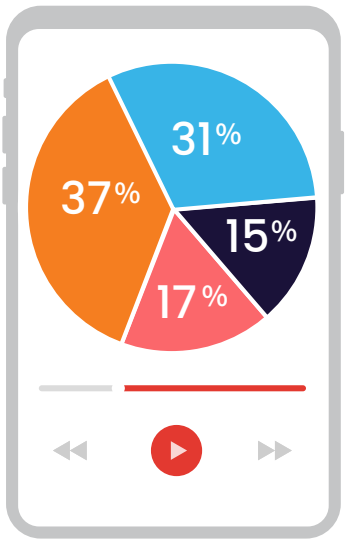
Among streaming music/audio users...

2.4 Average number of services used (including free versions)

1.3 Average number numberof paid services used

Number of paid music services used

None · One · Two · Three +



Source: Comscore Custom Survey, US 18+, "State of Digital Services", March-April 2019.

21 Ibid.
22 Comscore Custom Survey.
23 Ibid.

As for why consumers sign up for services, the top reasons across both geographic regions and age groups are good streaming quality, a wide selection of content, and a convenient-to-use mobile app/website. However, when we drill down more deeply into the secondary reasons for signing up, we see that younger users are significantly more motivated by access to new content/music, curated playlists, and the ability to follow/be followed than older users are. While the social aspect is the least important factor in both age groups' decision matrix, its relevance to younger subscribers is nearly double that of those over 26.

Why did consumers sign up?

reasons were fairly consistent across age groups, with quality #1.

18–25:	26+:
60% Good streaming quality	**55% Good streaming quality**
51% A convenient to use mobile app/website	**54% A wide selection of content**
48% A wide selection of content	**41% A convenient to use mobile app/website**
42% Brand-new content/the latest music	39% A good value for the money
41% A good value for the money	28% Ability to conveniently switch between my device(s)
38% Good personalized recommendations	28% Brand-new content/the latest music
35% Curated playlists	26% No/few advertisements or commercials while streaming
34% No/few advertisements or commercials while streaming	24% Good personalized recommendations
33% Ability to conveniently switch between my device(s)	22% Curated playlists
31% Premium content	21% Ability to listen to live events/broadcasts/podcasts
26% Ability to listen to live events/broadcasts/podcasts	18% Premium content
25% Content I can't find anywhere else	18% Content I can't find anywhere else
20% A family/multi-user account option	17% A family/multi-user account option
17% Ability to follow others & others can follow me	9% Ability to follow others & others can follow me

% Who stated reason

Source: Comscore Custom Survey, US 18+, "State of Digital Services", March-April 2019.

It is notable that curated playlists are not only beneficial from a user acquisition standpoint, they also provide streaming providers the opportunity to sell highly targeted advertising based upon the attributes of listeners of those curated playlists.

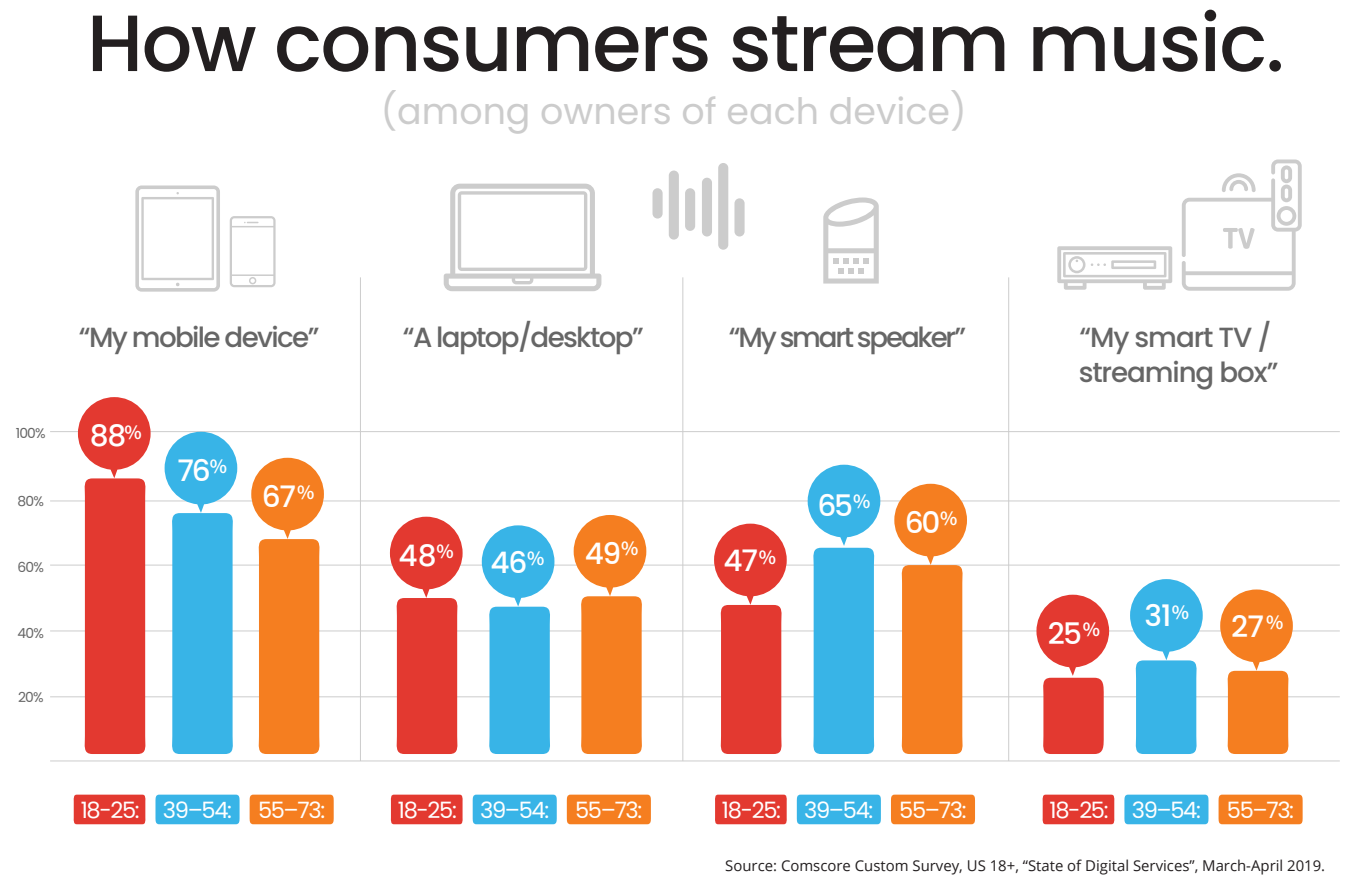
"On street corners everywhere, people are looking at their cell phones, and it's easy to dismiss this as some sort of bad trend in human culture. But the truth is life is being lived there. When they smile—right, you've seen people stop—all of a sudden, life is being lived there, somewhere up in that weird, dense network."

– Ze Frank, former chief research and development officer for BuzzFeed

Music Is Mobile

Across all age groups, mobile is the dominant device for music streaming. Even 67% of those 55 and older are using mobile devices to stream their music. This is especially true for those aged 18–25, where 88% are streaming audio on mobile.

New platforms are, however, making inroads into the way people consume music, and these newcomers should be paid attention to.



Source: Comscore Custom Survey, US 18+, "State of Digital Services", March-April 2019.

An NPR and Edison Research study found ownership of smart speakers has grown 78% year over year, with 14 million people getting their first smart speaker in 2018. They also found that the top reason people gave for using their smart speaker was to play music, and 55% agreed that they were listening to more music since getting a smart speaker.[24] Indeed, 90% of smart-speaker owners reported that listening to music was one of the reasons they had purchased the smart speaker.[25]

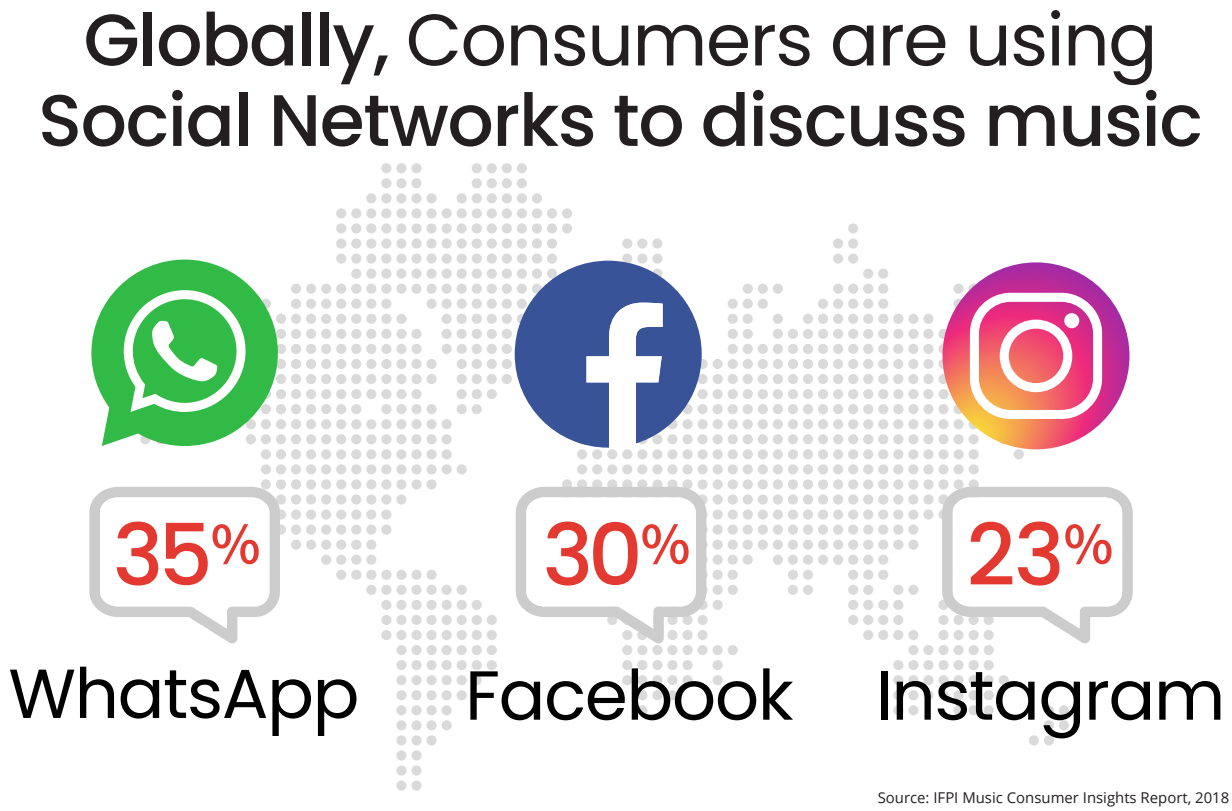
24 NPR/Edison Research, The Smart Audio Report, 2019.
25 NPR /Edison Research, The Smart Audio Report, 2017.

Smart-speaker owners are also 30% more likely to be podcast listeners than those who don't own the device.[26] If people are discovering their music on mobile, then if they have a smart speaker, they are likely using the smart speaker to share it with others. In a recent study, Nielsen found that 29% of smart-speaker users viewed the ability to "set the mood" by streaming music as a key benefit of the smart speaker.[27]

The idea that music can influence moods is not new. In fact, ancient Greek philosophers believed music could be used for medicinal purposes.[28] Today, empowered by the flexibility of music streaming services, Gen Z puts this concept into practice. They use music to both reflect and influence their moods.

According to a survey conducted by Spotify, 59% of Gen Zs and millennials turn to music when they feel sad.[29] This is consistent with a study conducted by Sweety High that found 92% of Gen Z respondents reported that music impacted their mood.[30] Likewise, Nielsen found that among people who stream music, 31% reported that they listen to public playlists based upon moods or genres.

Like video consumers, music consumers today have easy access to nearly unlimited content. Understanding how consumers are discovering content and why they are seeking it out can help connect artists with their audience. Although we think about music as an aural medium, 52% of on-demand music streaming globally is video, with 47% taking place on YouTube.[32] While AI algorithms are helping people to discover musical content, people are also sharing (and discovering) music through social platforms.



Source: IFPI Music Consumer Insights Report, 2018

26 Ibid.
27 Nielsen US "Music 360," 2019, 22.
28 E. Dobrztnska, H. Cesarz, and A.K. Rymaszewska, "Music Therapy: History, Definitions and Application," Archives of Psychiatry and Psychotherapy 8, no. 1(2006), 47–52.
29 Spotify For Brands, "Culture Next," 2019, 14.
30 Brittany Hodak, "New Study Spotlights Gen Z's Unique Music Consumption Habits," Forbes, March 6, 2018.
31 Nielsen US "Music 360", 2019, 37.
32 IFPI Music Insights Report 2018.

Through friends, influencers, the media, someone's playlist, a tech-enabled recommendation, or just exploring on their own, people are finding and embracing a wide array of musical genres. This, according to Sweety High's 2018 Gen Z Music Consumption Report, is particularly true of younger audiences. "Music plays a pivotal role in Gen Z's lives. They have more options than ever to find undiscovered music, and Gen Z embraces that diversity in their music genres (nearly all, 97% say they listen to 5 different genres regularly) and platforms, blending a mix of new and traditional media options for music discovery and consumption." said Frank Simonetti, CEO, Sweety High.[33]

33 PRWeb, "The Gen Z Music Enthusiast: Streamers on Shuffle," news release, March 12, 2018.

"Our intuition about the future is linear. But the reality of information technology is exponential, and that makes a profound difference. If I take 30 steps linearly, I get to 30, If I take 30 steps exponentially, I get to a billion.

– Ray Kurzweil, author, inventor, futurist Google

Key Takeaways

- **Bundling with other digital services is one way to grow reach and secure market share**
- **Music is mobile and visual**
  - Audiences are discovering music on their phones, through videos on YouTube and Instagram.
    - Optimize content for social
      - Work with multiple platforms but be aware that according to a recent study by YPulse, Instagram is the most popular platform for 13-17-year-olds, 18-24-year-olds, 25-37-year-olds, and males and females overall.
      - Understand that each platform has a purpose and design content accordingly
  - Take advantage of social commerce opportunities
    - Leverage short form video to push content awareness of artists and to exploit merchandising opportunities.
  - Exploit the role that mood plays in listening behavior
    - Playlists / brand opportunities
- **Voice devices are becoming increasingly important**
  - Ensure music has the metadata tags to facilitate discovery of music through smart speakers
    - Understand how people listen to music when using a smart speaker
      - Social co-listening, mood setting
- **Young people are mobile, social and digital natives**
  - Leverage data to create experiences that surprise and delight, but be mindful of privacy concerns
    - Facilitate a two-way, bespoke conversation
    - Design for mobile

Background & Data Sources

Data sources referenced in this report include:

- Brittany Hodak, Forbes, "New Study Spotlights Gen Z's Unique Music Consumption Habits," Forbes, article , March 6, 2018
- The Comscore Census Network™, April 2019
- Comscore Connected Home, powered by the Total Home Panel™, 2019
- Comscore Custom Survey, US 18+, "State of Digital Services," March - –April 2019
- Comscore Custom Survey, US, "From Viral to Tribal: The Next Frontier of Publishing,", February 2019
- Comscore Media Metrix Multiplatform Key Measures, Total Digital, U.S. 18+ May 2019
- Comscore OTT Intelligence, powered by the Total Home Panel™, 2019
- Deloitte, "2018 Global Mobile Consumer Survey: US Edition," 2018
- E. Dobrztnska, H.E., Cesarz, and A.K.H., Rymaszewska, A. K. (2006). "Music Therapy: - History, Definitions and Application,". Archives of Psychiatry and Psychotherapy, 8, no. (1(2006)
- Emarketer, "Spotify to Surpass Pandora Users by 2021, Sooner Than Expected," news release, March 25, 2019
- IFPI Music Insights Report 2018
- Mary Meeker, "Internet Trends", 2019
- MIDiA Research report jointly commissioned by BPI and ERA, "Gen Z Meet the Young Millennials," June 2017

- Nicole Lyn Pesce, "You're Spending More on Your Subscription Services Than You Think," MarketWatch, July 25, 2018
- Nielsen US, "Music 360", 2019
- NPR /Edison Research, The Smart Audio Report, 2017
- NPR/Edison Research, The Smart Audio Report, 2019
- Pew Research Center, "Nearly Half of Post-Millennials Are Racial or Ethnic Minorities," November 13, 2018
- PRWeb, "The Gen Z Music Enthusiast: Streamers on Shuffle," news release, March 12, 2018.
- Spotify For Brands, "Culture Next," Volume 1, 2019
- The Center for Generational Kinetics, "The State of Gen Z 2018," Fall 2018
- Ypulse, "Gen Z & Millennials Favorite Apps Right Now," article, August 12, 2019,

Detailed Comscore Survey Methodology

- Comscore's "State of Digital Services" combines various unique and proprietary data sets, including behavioral and survey.

- Comscore has robust experience conducting large-scale surveys in order to represent the attitudes and behavior of broad segments of populations. A survey instrument was designed and implemented by Comscore.

    - Recruitment Methodology: Survey respondents were survey panel members who were contacted via email and invited to participate. Panelists were recruited both from Comscore's own panel as well as from trusted third-party sample providers. The Comscore panel consists of approximately 1 million members who agreed to have their online activities continuously and passively observed.

    - Screening Criteria: Survey respondents were required to be US residents, aged 18+, who own (or regularly use) a computer or mobile device and had used at least one digital service in the past month.

    - Total Respondents: n = 2,374.
      Fielding Dates: March 22–April 2, 2019.
      Balancing: Respondents were balanced on age, gender, income, employment status, and usage of certain devices to reflect the US online population, ages 18+.