

Is streaming steaming ahead?

Music Audio Streaming Services – reaching saturation or still trying to find their user base?

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1. INTRODUCTION

Music audio streaming services are beginning to flourish in Europe. This panoply of services agree on one thing: providing an internet stream of music to consumers, despite utilising slightly different business models and displaying assorted end products. Developed over the last couple of years, streaming is slowly becoming embedded in public consciousness as one of the channels on which to consume music. With increasing broadband penetration and internet speeds the entertainment industry can be committed to furthering streaming services, whether it be music, film, television or live events.

Nielsen will examine music audio services, stripping away any hype, and objectively analysing the raw numbers to ascertain the true popularity of music streaming services amongst the internet populations internationally. Complex and varied licensing regulations in countries have meant that there is a fragmentation of audio streaming services and variety in the services they offer. Music streaming services are both complementing and competing with other sources and channels of music consumption.

In Nielsen's precedent paper for midem - [The Hyperfragmented World of Music](http://tinyurl.com/6foykye) (tinyurl.com/6foykye), Nielsen noted that audio streaming services were just one part of the fragmenting music consumption ecosystem. With more men than women aware and interested, and most popular with 21-24 year olds.

In this follow up paper for midem, Nielsen has taken the opportunity to take a deeper look on music audio streaming, scrutinizing the user habits in key European territories (UK, France, Germany, Italy, Spain and the US) – to understand whether the consumer attitude to audio streaming translates to actual numbers – how behaviours are changing and to analyse the potential for these services.

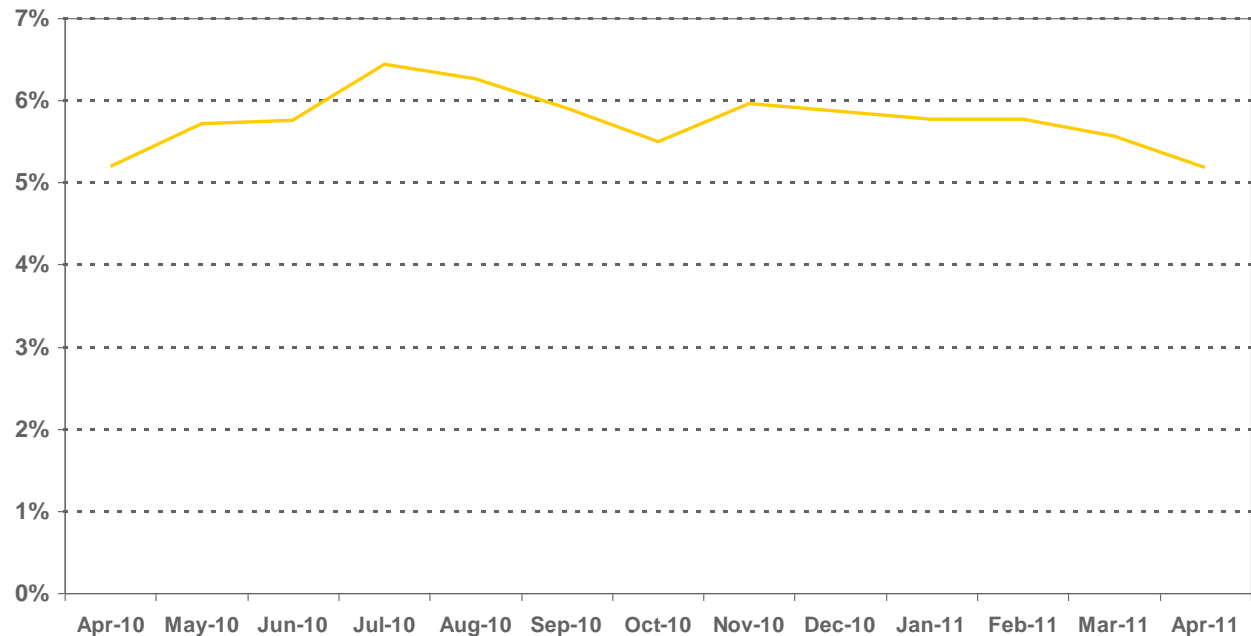


2. UK

The **UK**, Europe's largest music market, is a good starting point. For this analysis audio streaming services in the UK are made up of Spotify, We7 and Last.fm. Active reach, the percentage of unique users active on the internet has not changed year-on-year. (5.2% April 2010 and 5.2% April 2011).

To give a perspective to the numbers, Google was the number one visited brand in the UK in April 2011, with an active reach of 84%, whilst a brand with the equivalent reach of music audio streaming services in the UK was *The Independent* (5.1% - April 2011).

Active reach of audio streaming services in the UK



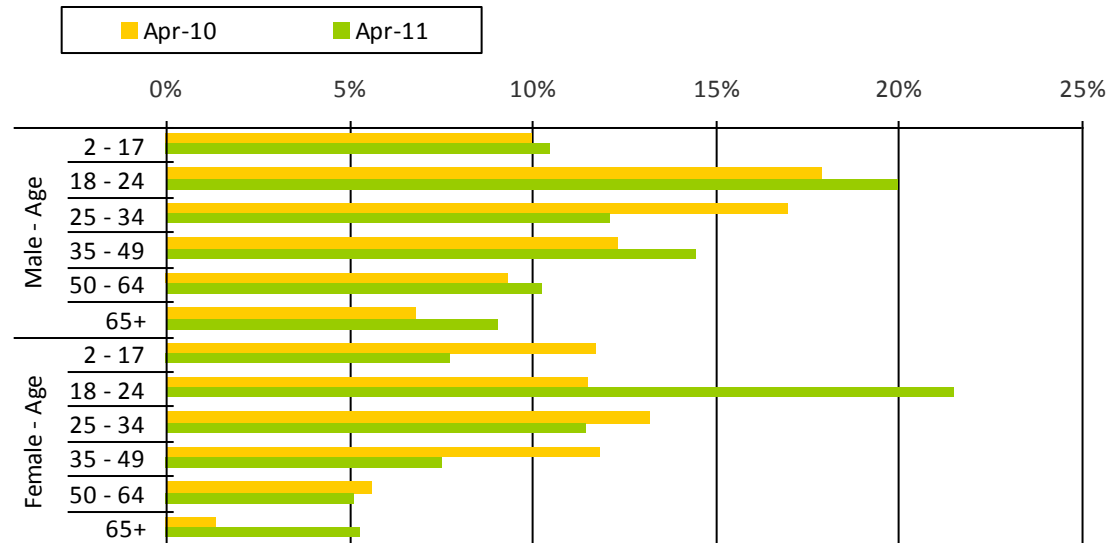
Source: UKOM/Nielsen

Analysing the UK audio streaming figure alone could suggest that audio streaming services have either not taken off, or have reached a saturation point in the UK. But actually, the positive news is that whilst the active reach is somewhat static, users are transient.



Apparent in the year-on-year demographic changes is that audio streaming is now catching the attention of young women. During April 2010 the most popular users of the site were male and aged 18-24 (18%); a year later, in April 2011, the most popular users of the site are women aged between 18-24 (22%). This is a jump of 10 points from 12% in the previous year.

Percentage of demographic using audio streaming services in the UK



Source: UKOM/Nielsen

Audio streaming services in the UK (like in most other countries) are appealing more to younger age groups. Overall in April 2011, more men than women used the sites – and the most popular users (of combined genders) are those between 18-24 (21% in April 2011) whilst last year the most popular audio streaming services demographic were users between 25-34 (15% in April 2010). However, it is worth noticing that other demographic segments are embracing these services more.

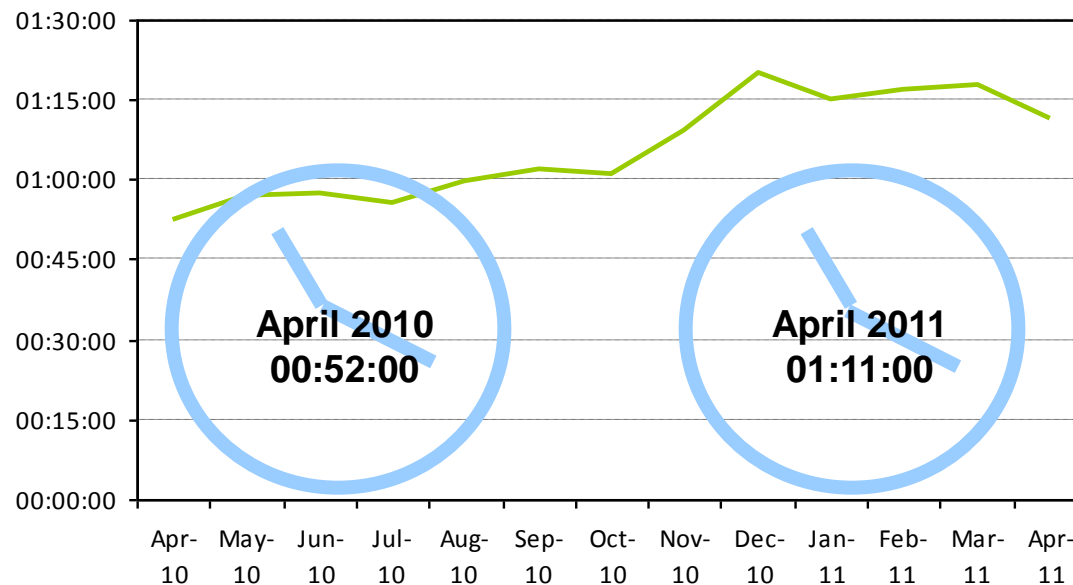


In the UK, although the unique users accessing the website has not increased, alongside the change in the demographic profile of the user, the average time spent on these sites over the month has altered.

Audio streaming sites have increased their retention rates across the year, crossing the 1 hour barrier in September 2010 – and with a steep rise and peak in December 2010 at 1 hour and 20 minutes (potentially driven by a combination of the Christmas break and the music industry promotional activity and associated music events such as the X Factor finals).

And on isolating Spotify from this mix of audio streaming services, users on Spotify reached a 2 hour average in Feb 2011.

Average monthly time spent by unique persons on audio streaming services in the UK



Source: UKOM/Nielsen

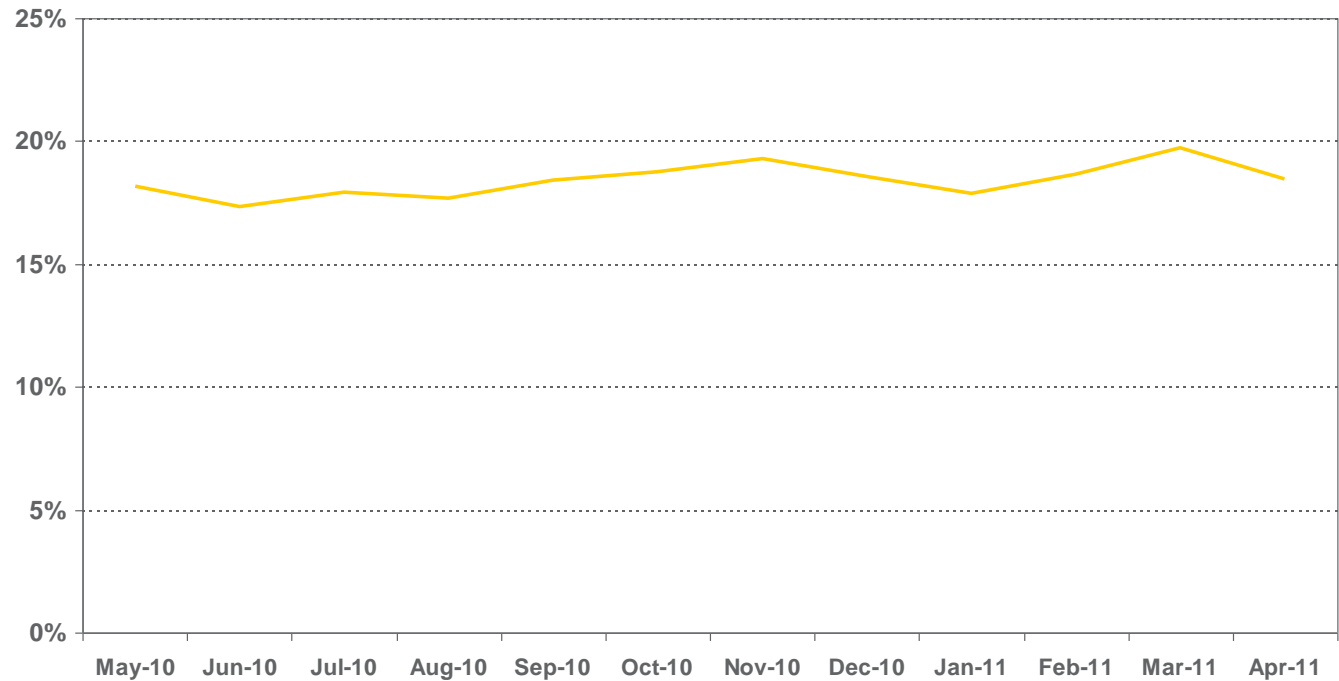
Audio streaming services continue to bed down in the UK, despite a reasonably static active reach. Figures suggest that the user base fluctuates and listening to streaming services grows.



3. SPAIN

In Spain, a country with a well documented music download piracy problem, the reach of audio streaming services (Myspace.com, Los40.com, Last.fm, Rockola.fm, Yes.fm, Vagos.fm, Last.fm and Spotify) was 18% of the active population, 13 points higher than the UK.

Active reach of audio streaming services in Spain

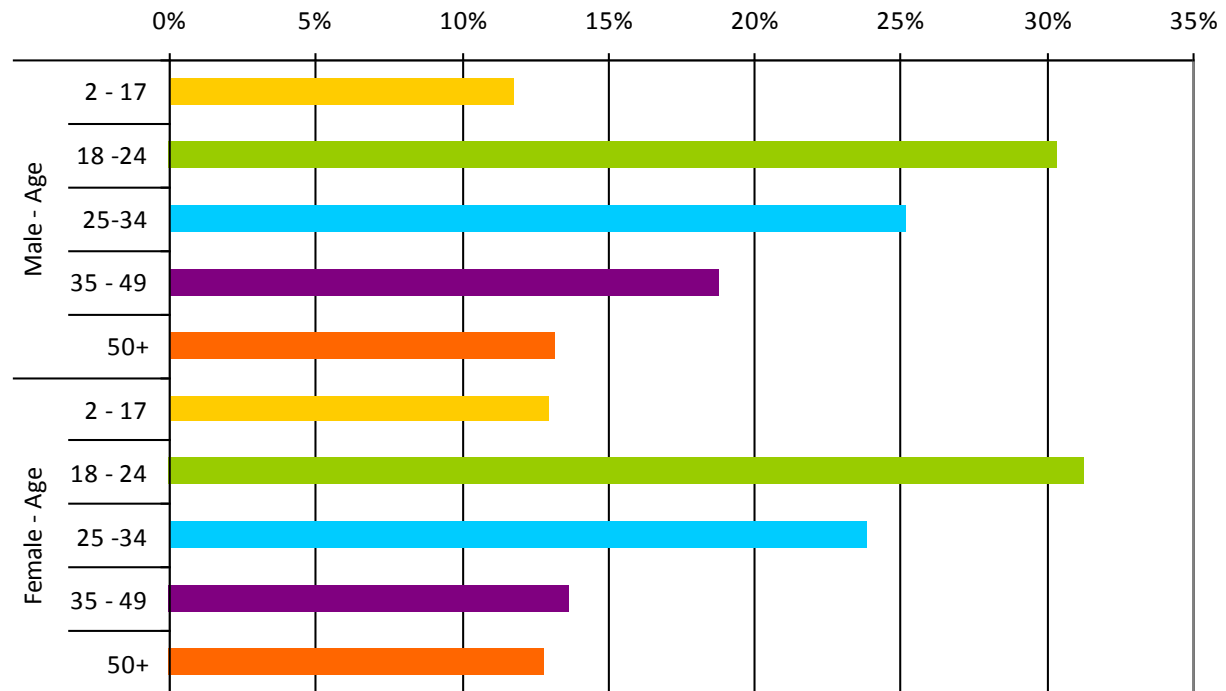


Source: Nielsen



Again, similarly to the UK, it is the 18 - 34 year olds who are the most popular users of the site (at 31%), with women showing a greater predilection in the younger age groups than men.

Percentage of demographic using audio streaming services in Spain - April 2011



Source: Nielsen

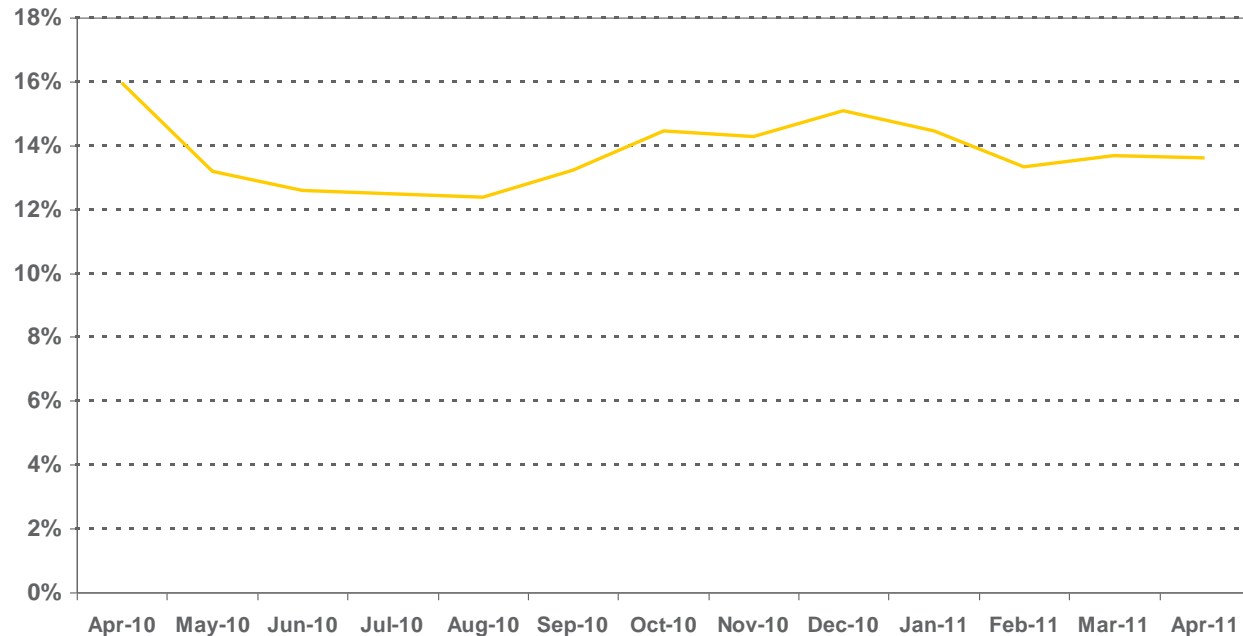
Audio streaming services have gained a strong foothold with young Spaniards: Spain's adoption of audio streaming services amongst the young mirrors its online population; more 25-39 year olds are online in Spain than in the other countries surveyed. But with a drop in active reach over the last year for some services – the potential is there for Spotify to continue to increase its market share of audio streaming.



4. FRANCE

In France, there is a dynamic audio streaming scene. The audio streaming services (Deezer, MusicMe, Last.fm and Spotify) have a bigger active reach than the UK although they have experienced a small drop year-on-year.

Active reach of audio streaming services in France



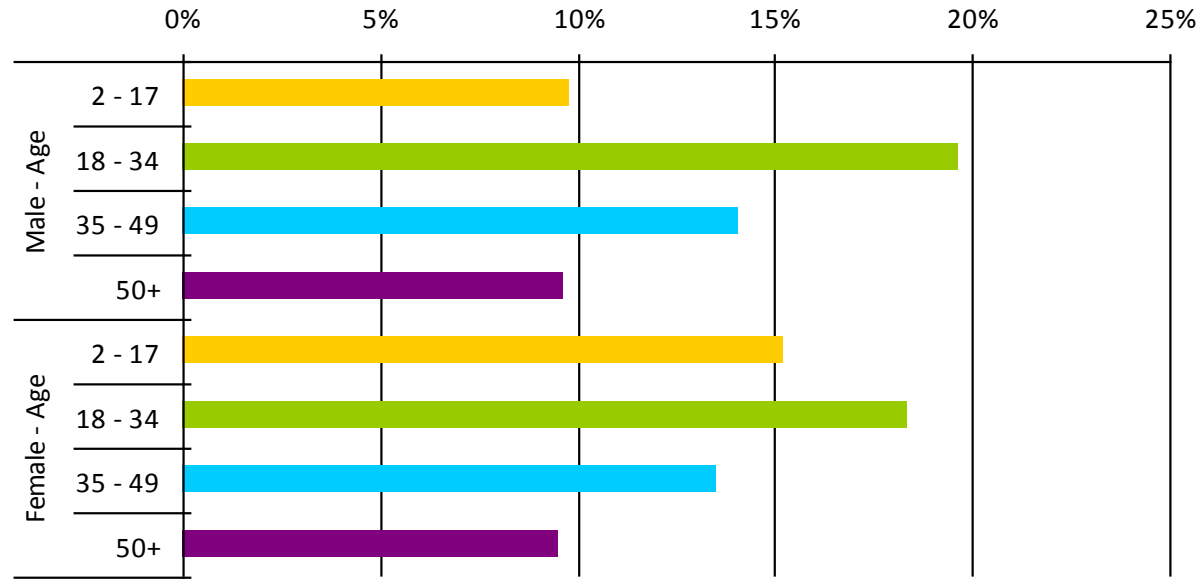
Source: Nielsen

Discussion about the French music industry rarely fails to mention the HADOPI law, which was passed to protect creators' works on the internet. Years of discussion, deliberation and a high media profile on the HADOPI law may have been one of the contributing factors to initial high adoption of audio streaming sites, but Nielsen now calculates a year-on-year drop in active reach.



From a segmentation standpoint, the services are appealing most to the younger generations, equally across gender to adults but almost doubly popular with girls than boys (aged 2-17).

Percentage of demographic using audio streaming services in France - April 2011



Source: Nielsen

Usage of audio streaming services differs by country - the average French user, whilst more likely than a Brit or a Spaniard to be an adopter does not stay on an audio streaming site for as long – spending an average of 17 minutes on audio streaming sites in April 2011. As an average, the 17 minutes is undoubtedly made up of a broad mix of light users and those who spend hours streaming music.

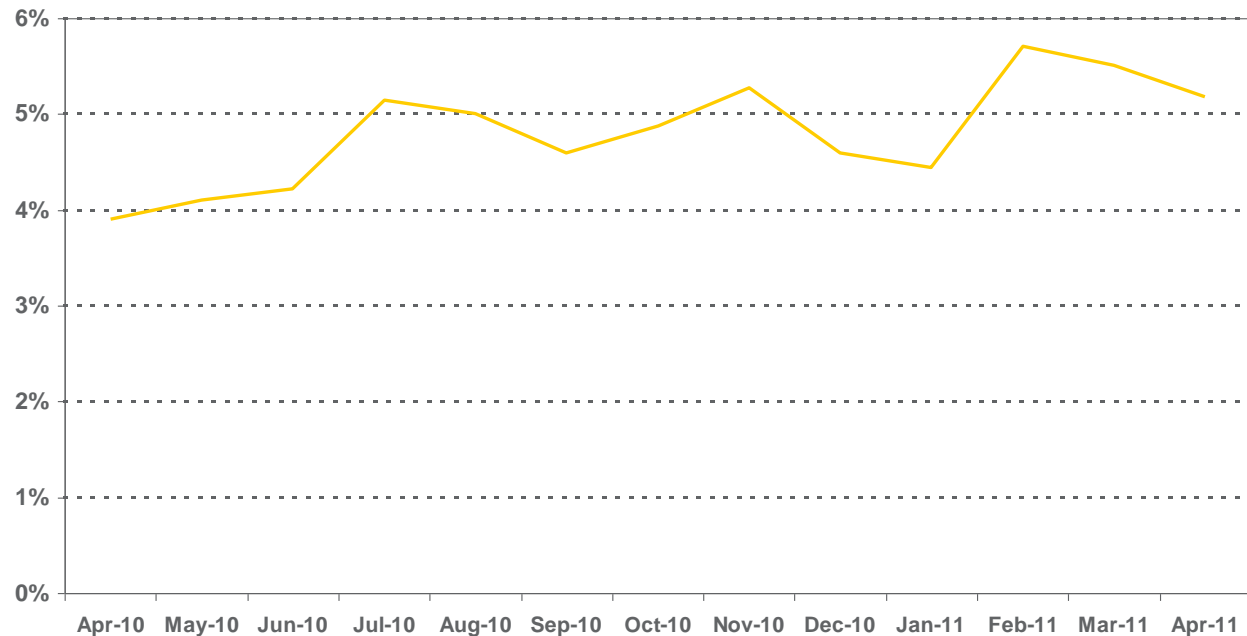


5. GERMANY

In Germany, the active reach of streaming services exhibits an increasing trend (growing from 3.9% in May 2010 to 5.5% in April 2011), but remains lower than the active reach in the other large European countries. The streaming services currently available in Germany are tape.tv, Last.fm and Simfy.

Unsurprisingly, in Germany as in the rest of the European markets considered, streaming services are most popular among the younger users (18-34). In stark contrast to the UK, Spain and France though, there appears to be a very significant gender difference: streaming services are accessed predominantly by men across all age groups. Specifically, male users aged 35-49 and 50+ are over double the female users. While this difference is smaller in the younger users' groups, it is still very substantial. Males aged 18-34 constitute 8.3% of streaming services' users, whereas females in the same age group are at 6%.

Active reach of audio streaming services in Germany



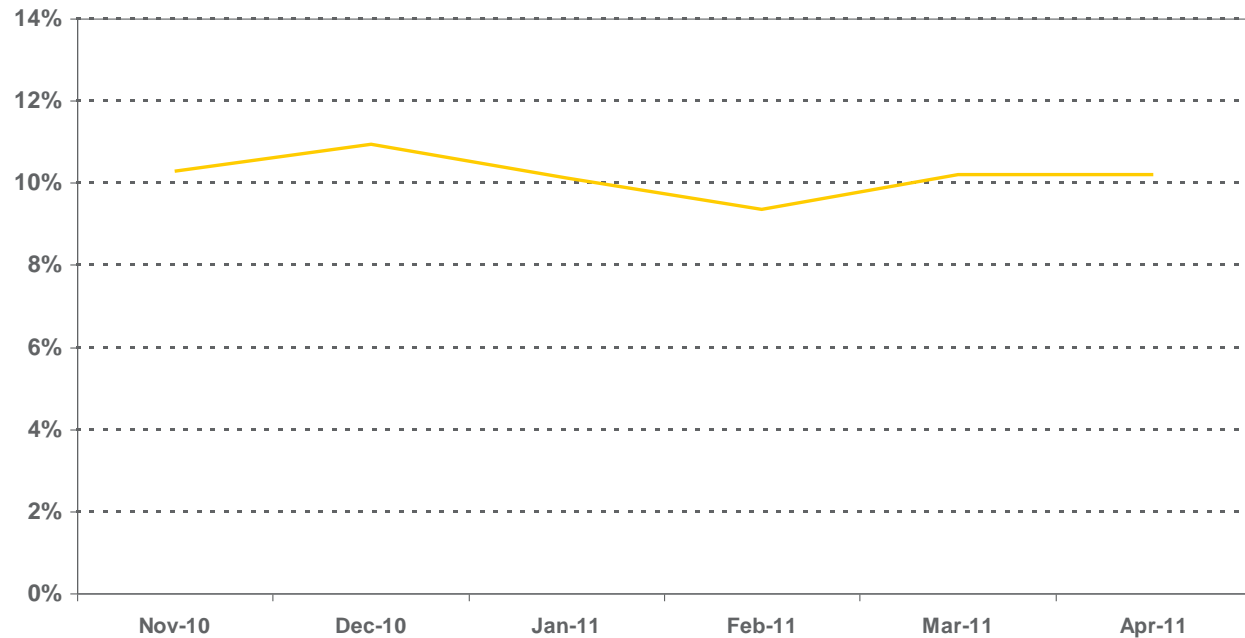
Source: Nielsen



6. USA

In contrast to the rather concentrated European market for streaming services (but servicing a fragmented European market), in the **USA** streaming service websites and applications abound (owing to being able to service a large and consistent market), with Pandora, Last.fm, Rhapsody, Jango, Napster, Project Playlist, Slacker, Mog, ReverbNation, Scour, TuneGenie, AudioRealm, iHeartRadio, Goom Radio, Mixcloud, Blip.fm, LiveMixtapes.com). Pandora, however, is undisputedly the dominant streaming service in the States.

Active reach of audio streaming services in the USA



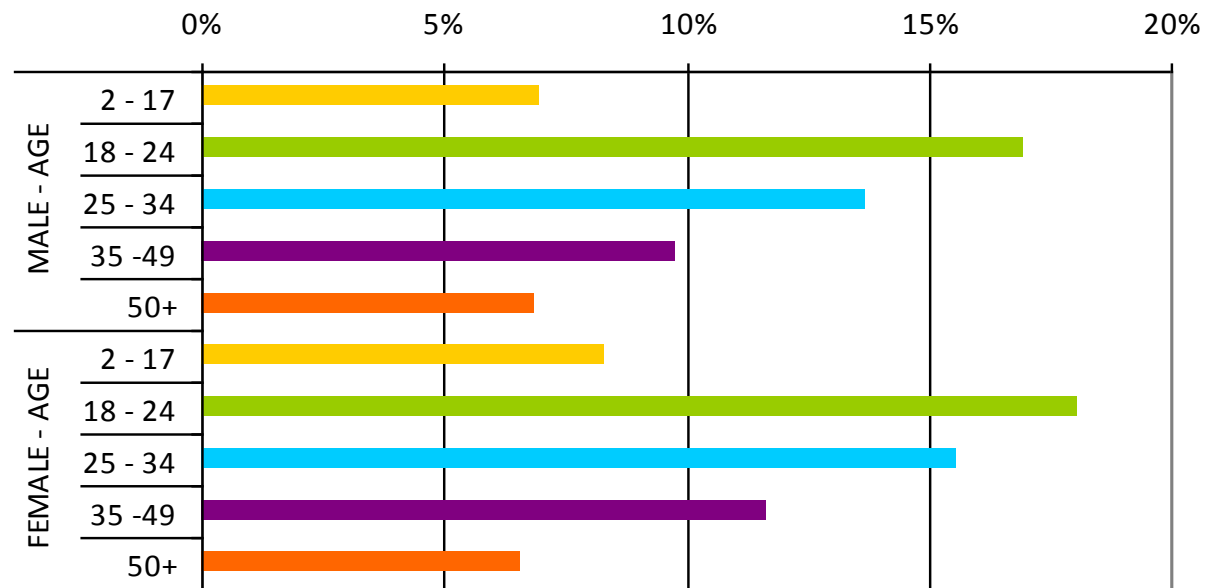
Source: Nielsen

Music audio streaming services' active reach was 10.2% in April 2011, rebounding after a small dip in February 2011. Overall, the active reach in the USA remains unchanged from November 2010, when it was 10.3%.



Similarly to Europe, streaming services in the USA appeal the most to younger users. The largest group of streaming service consumers are females aged 18-24 (18%). And overall, streaming services appear to be slightly more popular among women across all age groups.

Percentage of demographic using audio streaming services in the USA - April 2011



7. CONCLUSION

Streaming services have been garnering a lot of attention from the industry over the last few years (although slightly overshadowed by the cloud in recent months). If on occasion discussion is sceptical regarding audio streaming's possible contribution to an ever more fragmented revenue generation picture, most comment is positive: services are viewed as an opportunity to tackle piracy and to requisition revenue lost via an uncontrollable acquisition processes, or even predicting what future access to music could become.

Our analysis has shown that the UK, Germany, and also Italy (which lags behind its European neighbours) have a lower active reach of audio streaming services than France or Spain. In some cases, this is certainly due to licensing issues and the subsequent release of such services; in other cases a lack of understanding of what these services offer and the time taken to shift from the culture of music ownership within these countries. Let's not forget either that music streaming services are also competing with other sources and channels of music consumption (in the share of consumer's time and money).

These services are showing potential for growth, as they may still not benefit from an huge awareness amongst the larger audience (a fact that music industry professionals have tendency to forget). Whether its an audio streaming service finding its feet or finding its user, music consumers are slowly becoming more familiar with these services. To corroborate this adoption rate, when Nielsen asked online users in September 2010 whether they used streaming services and whether they understood the concept – the results showed that comprehension is still a key factor in adoption, with Spain the best informed country. In the UK, despite a high understanding, there is a lower take up of the services.

But our results show that following education, the potential for adoption of streaming services is there, and that is true for any segments. From a gender perspective, the huge increase in young female users in the UK shows that there is a move away from the standard male early adopter and a possible shift to the mainstream. From an age perspective, looking at the older demographic, none of the countries had a penetration of over 10% in the over 50 demographic (other than Spain). This is however an age group which is usually seen as having more free time and expendable income than younger users, and one which the music industry also works to attract. The saturation point has not yet been reached.



Real benefits can be obtained as we observe more partnerships with ISPs, telecom providers or entertainment industry players (as with Orange and Deezer in France, between Spotify and Virgin Media in the UK, and existing or future agreements with major social networking services). These relationships provide the marketing clout required to develop services to a real mass market product.

Finally, as European internet and Smartphone penetration continue to rise, the adoption and prevalence of new methods of consuming music will rise alongside it. New technologies, new features on existing streaming services, and new services contribute to providing a smoother and integrated access to music anytime and everywhere.

In addition to audio streaming services, music video consumption has moved online. The prevalence of YouTube, and now Vevo has made an impact on consumers in all these markets. In the next article for midem, Nielsen will cover the impact of video streaming services across key territories in Europe.



About the author

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