CONNECTING WITH MUSIC

MUSIC CONSUMER INSIGHT REPORT

SEPTEMBER 2017

INTRODUCTION

“RECORD COMPANIES UNDERSTAND THAT AT THE HEART OF THIS ENGAGEMENT IS GREAT MUSIC - SOMETHING THEY CONTINUE TO BELIEVE IN, INVEST IN, DEVELOP AND FIGHT TO PROTECT.”

FRANCES MOORE, CEO, IFPI

AN EXCITING WORLD FOR MUSIC FANS

This report provides a snapshot of how fans around the world are connecting with recorded music. The nature of this engagement continues to grow and evolve, reflecting the enormously rich and exciting opportunities today’s fans have to listen to music in multiple ways, whenever and wherever they wish to do so.

Streaming continues to be embraced by music fans around the world who are increasingly engaged with these on-demand licensed digital services. We also see fans accessing music in multiple formats, with this varying across countries and cultures.

THE NEXT GENERATION ARE ENGAGING WITH MUSIC

Young fans are also showing high levels of engagement with music. Despite having enormous amounts of media content competing for their time and attention, they are taking music to their hearts and recognising its value. As they emerge as the next generation of music fans this is an encouraging sign.

RECORD COMPANIES ARE AT THE HEART OF THIS ENGAGEMENT

Record companies and their partners are at the heart of this exciting world of music engagement. They have invested in and built out the systems that have enabled the licensing of over 40 million tracks and the existence of hundreds of digital services. Perhaps even more fundamentally, record companies are there at the very start of music’s journey to fans; discovering, nurturing and promoting artists and their music.

BUT CHALLENGES REMAIN FOR THE MUSIC COMMUNITY

This report also provides a window into the challenges facing today’s global music community. Research on video streaming and the dominance of YouTube is instructive for the ongoing debate on the Value Gap. User upload services, such as YouTube, are heavily used by music consumers and yet do not return fair value to those who are investing in and creating the music. The Value Gap remains the single biggest threat facing the music world today and we are campaigning for a legislative solution.

Furthermore, the report also highlights the challenge of the availability of unlicensed music. Copyright infringement is still growing and evolving, with stream ripping the dominant method. The industry is taking action against these sites and fighting for the rights of those creating music. With the wealth of licensed music available to fans, these types of illegal sites have no justifiable place in the music world.

As the recorded music industry grows and adapts, fans around the world are listening to and engaging with music in many exciting ways. Record companies understand that at the heart of this engagement is great music - something they continue to believe in, invest in, develop and fight to protect.

FRANCES MOORE, CEO, IFPI

~~MUSIC CONSUMPTION IN 2017~~

45%

~~ENGAGE IN LICENSED AUDIO STREAMING (UP FROM 37% IN 2016)~~

~~ON AVERAGE, CONSUMERS LISTEN TO MUSIC IN~~

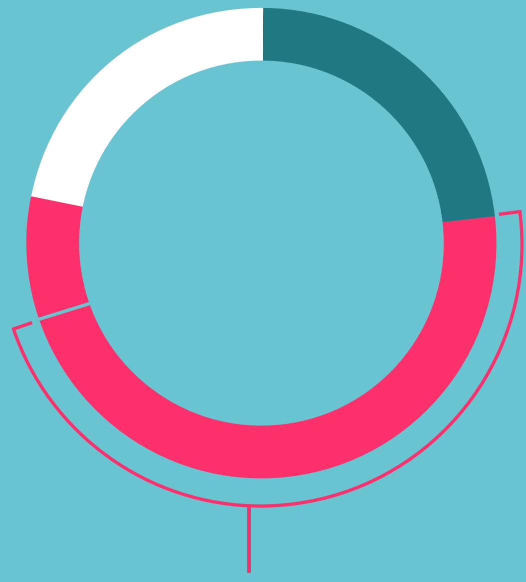
4

~~DIFFERENT LICENSED WAYS~~

85%

OF 13-15 YEAR-OLDS ARE STREAMING MUSIC (AUDIO/VIDEO)

~~VIDEO STREAMING MAKES UP MORE THAN HALF OF ON-DEMAND MUSIC STREAMING TIME...~~



22% FREE AUDIO STREAMING

23% PAID AUDIO STREAMING

55% VIDEO STREAMING (INCLUDING USER UPLOAD SERVICES SUCH AS YOUTUBE)

46%

YOUTUBE

USER UPLOAD SERVICES ARE THE DOMINANT FORM OF VIDEO STREAMING. YOUTUBE ALONE ACCOUNTS FOR 46% OF ALL TIME SPENT LISTENING TO ON-DEMAND MUSIC.

HOWEVER, USER UPLOAD SERVICES ARE NOT RETURNING FAIR VALUE TO THE MUSIC COMMUNITY.

40%

OF CONSUMERS ACCESS UNLICENSED MUSIC

01

MUSIC CONSUMPTION

MUSIC CONSUMERS ARE HIGHLY ENGAGED WITH LICENSED MUSIC

RECORD COMPANIES AND PARTNERS HAVE INVESTED IN AND BUILT OUT THE SYSTEMS THAT HAVE ENABLED THE LICENSING OF

OVER 40 MILLION TRACKS

AND THE EXISTENCE OF HUNDREDS OF DIGITAL SERVICES.

IFPI data

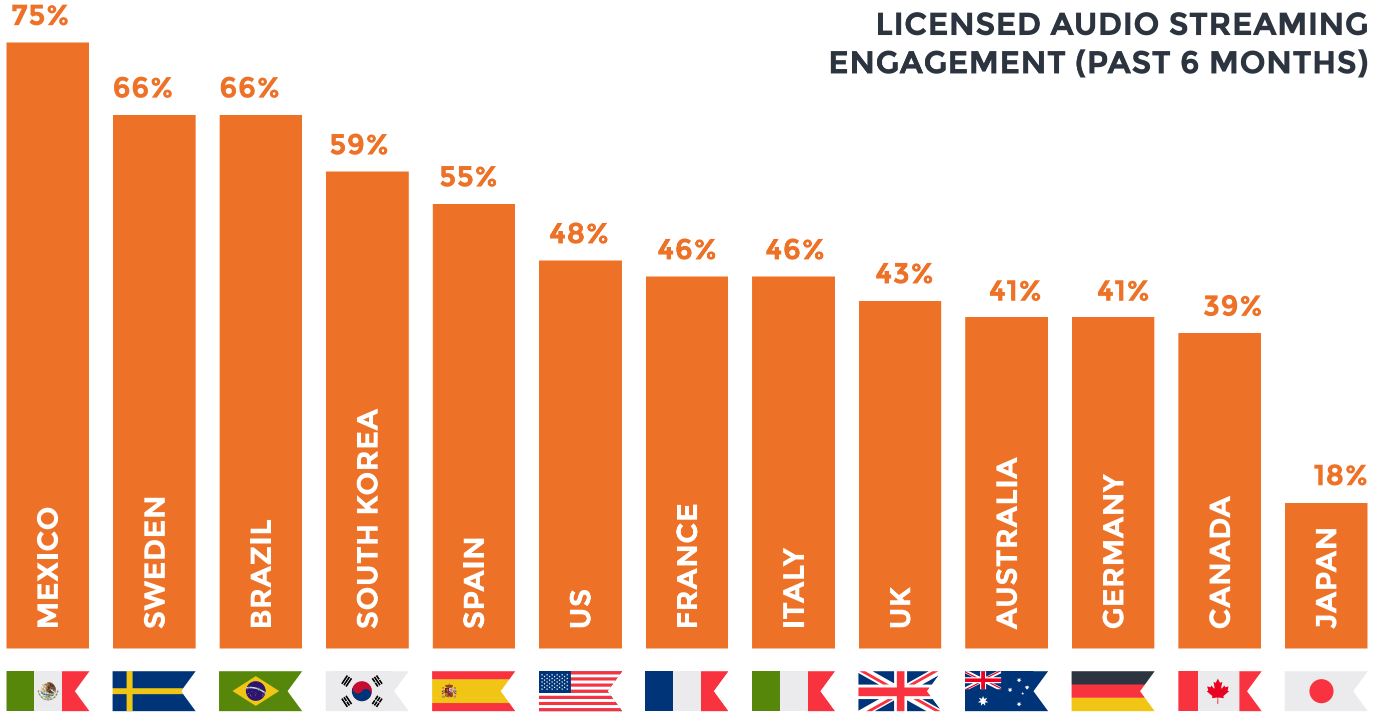
96% OF INTERNET USERS CONSUME LICENSED MUSIC*

INCLUDES: AUDIO STREAMING, VIDEO STREAMING, PHYSICAL PURCHASE, DIGITAL DOWNLOADS, AND RADIO

98% AMONG 16-24s

45% ENGAGE IN LICENSED AUDIO STREAMING (UP FROM 37% IN 2016)

LICENSED AUDIO STREAMING ENGAGEMENT (PAST 6 MONTHS)



50% OF INTERNET USERS HAVE PAID FOR LICENSED MUSIC IN THE LAST SIX MONTHS.**

Base: All Respondents accessing licensed music in the past 6 months (n=11,776) 2016: (n=11,710)

*Consumption of licensed music includes radio

** Includes those paying for physical, downloads and paid audio streaming

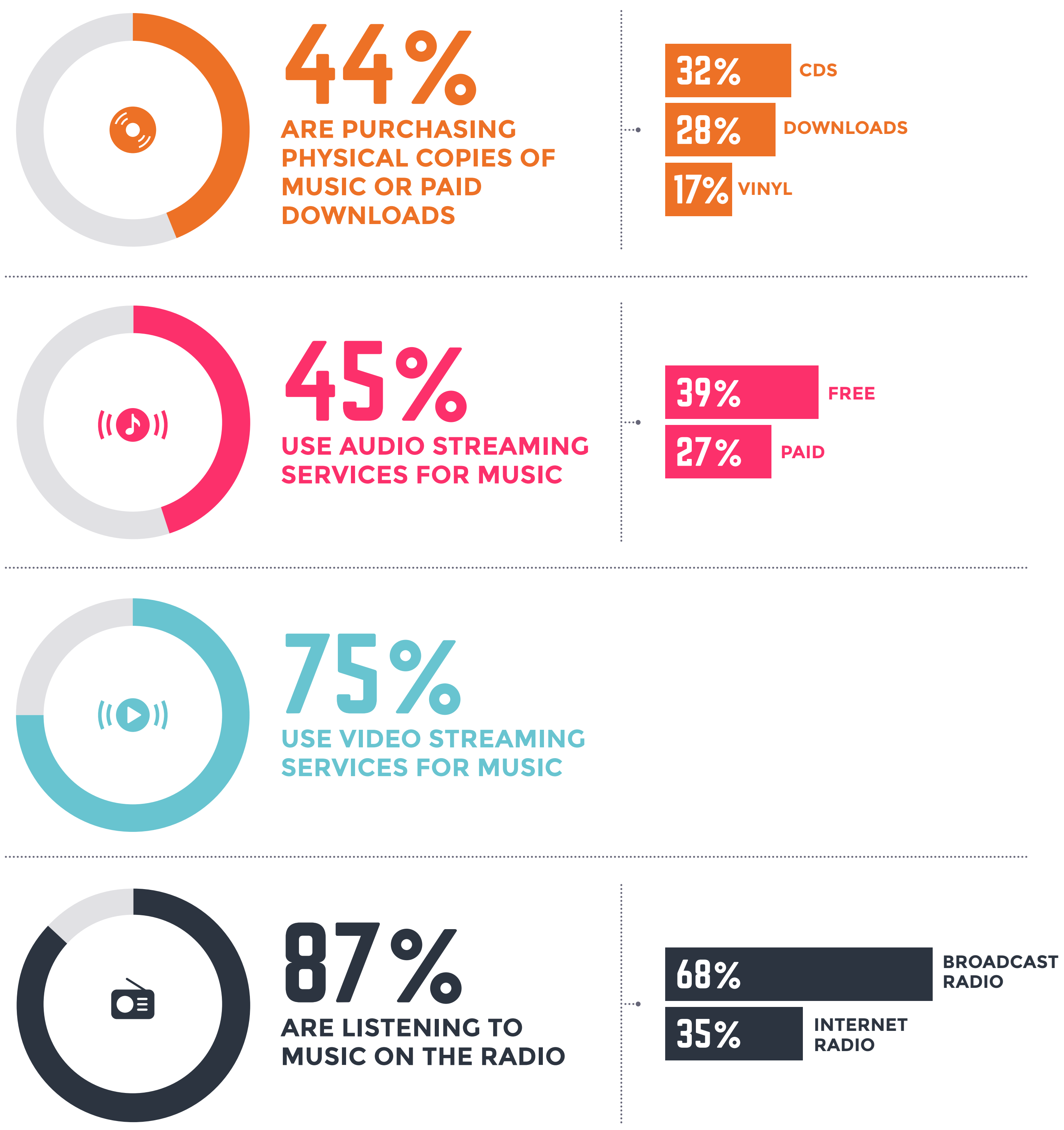
02

GLOBAL MUSIC LISTENING METHODS 2017

MUSIC CONSUMERS ARE ENGAGED WITH MULTIPLE METHODS OF LISTENING TO LICENSED MUSIC

ON AVERAGE, CONSUMERS LISTEN TO MUSIC IN 4 DIFFERENT LICENSED WAYS

METHODS OF MUSIC CONSUMPTION
METHODS USED BY INTERNET USERS IN THE LAST SIX MONTHS



03

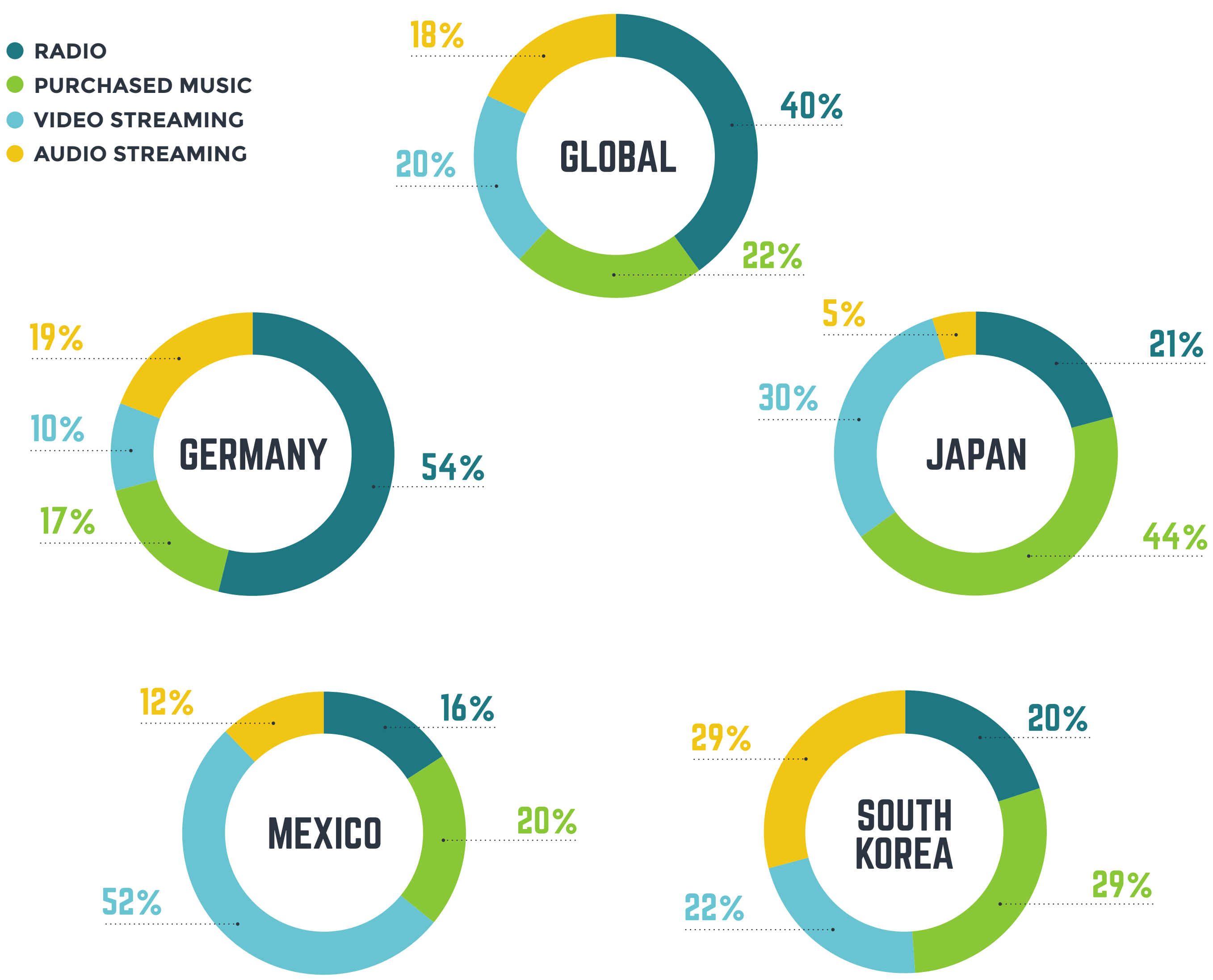
MUSIC CONSUMERS AROUND THE WORLD

HIGHLY ENGAGED MUSIC CONSUMERS AROUND THE WORLD ARE LISTENING TO MUSIC IN DIFFERENT WAYS

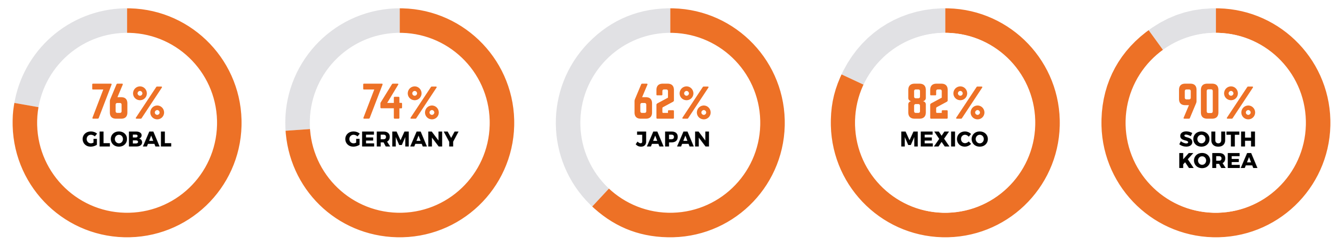
We took the top 10% of music consumers from each of the thirteen countries to see how music listening changed from country to country. The charts show the distribution in four selected countries as well as a global snapshot taken from all thirteen.

TOP 10% OF MUSIC CONSUMERS AROUND THE WORLD:

SHARE OF TIME SPENT LISTENING TO LICENSED MUSIC SOURCES IN A TYPICAL WEEK



PROPORTION LISTENING TO MUSIC ON SMARTPHONES



Base: Heavy music consumers defined as the top 10% of music consumers in terms of the amount of hours listened to in a typical week

04

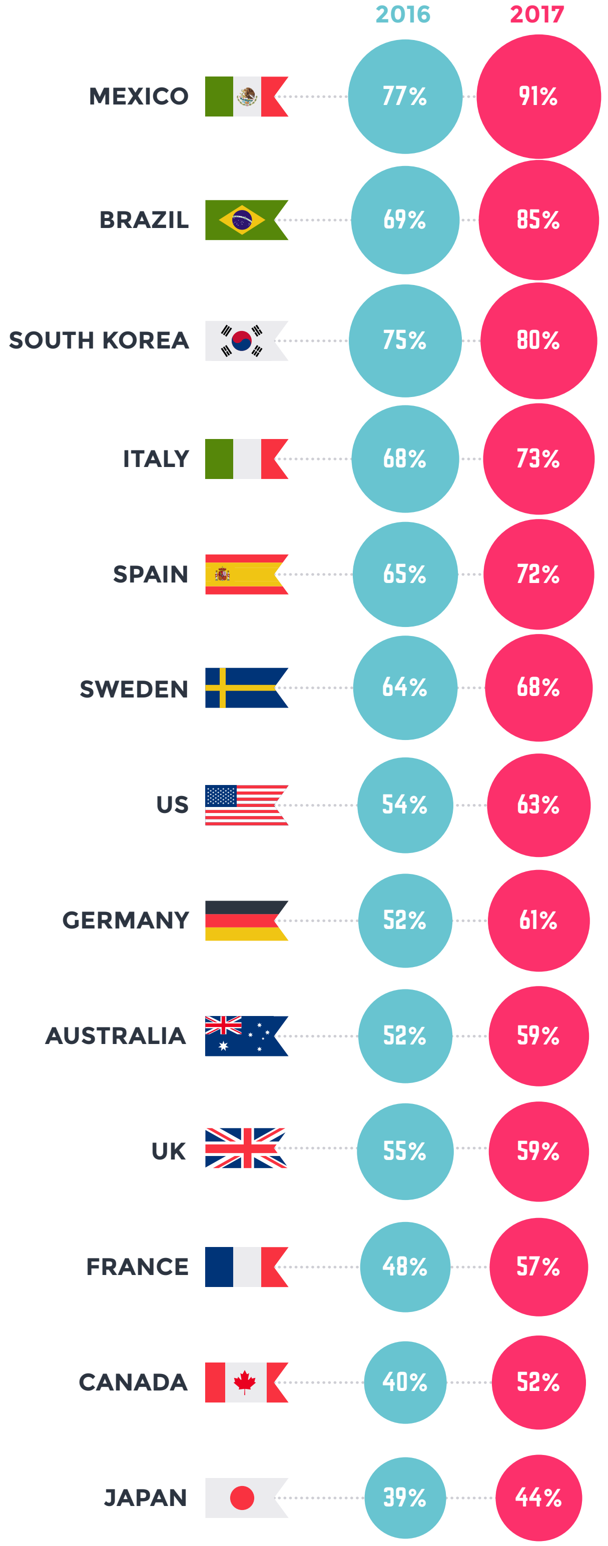
MUSIC CONSUMPTION: SMARTPHONE

USING A SMARTPHONE TO LISTEN TO MUSIC IS INCREASING RAPIDLY WORLDWIDE

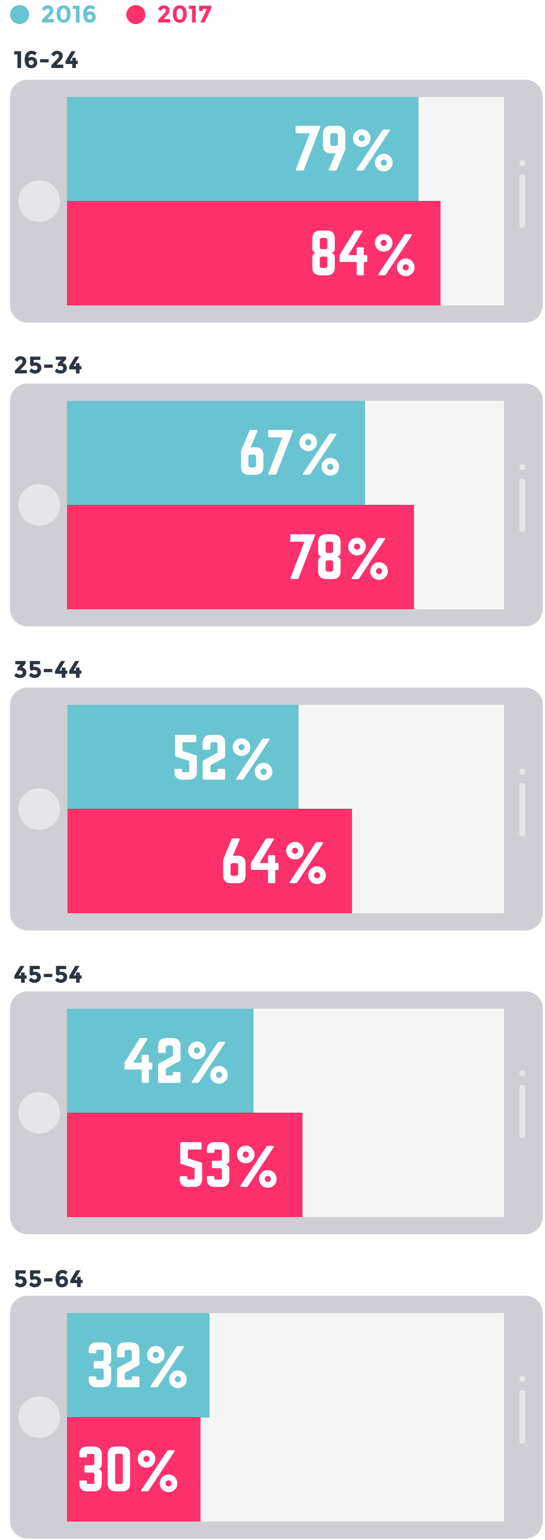
The increase in smartphone usage for music in 2017 is seen across all age groups from 16-54

90% OF PAID AUDIO STREAMERS USE A SMARTPHONE FOR MUSIC LISTENING

SMARTPHONE USAGE FOR MUSIC WORLDWIDE



SMARTPHONE USAGE FOR MUSIC ACROSS AGE RANGE



Base: All Respondents using a smartphone to listen to music in the past 6 months (n=11,776) from all 13 countries surveyed (US, Canada, GB, France, Germany, Spain, Italy, Sweden, Australia, Japan, South Korea, Brazil, Mexico)

05

YOUNG MUSIC CONSUMERS

YOUNG PEOPLE WORLDWIDE ARE HIGHLY ENGAGED WITH LICENSED MUSIC

13 – 15 year-old internet users are demonstrating high levels of music engagement - giving an insight into the 'next generation' of music consumer

"MUSIC IS IMPORTANT TO ME"

71% OF 13-15 YEAR OLDS AGREE
(70% OF 16-24)

YOUNG MUSIC CONSUMERS

85%
ARE STREAMING MUSIC (AUDIO/VIDEO)

OF 13-15 YEAR OLDS STREAMING MUSIC...

79% VIDEO

67% AUDIO

UP FROM 54% IN 2016

OF THE AUDIO STREAMERS...

37%
PAID

62%
FREE

53%
OF 13-15 YEAR OLDS ARE PURCHASING PHYSICAL OR PAID MUSIC DOWNLOADS

38% DOWNLOADS

37% CDS

19% VINYL

OF THE PAID AUDIO STREAMERS...

33%
PAY FOR THEIR OWN MUSIC STREAMING SUBSCRIPTION
63% FOR 16-64 YEAR OLDS

36%
ARE PART OF A FAMILY SUBSCRIPTION PLAN
22% FOR 16-64 YEAR OLDS

06

VIDEO STREAMING

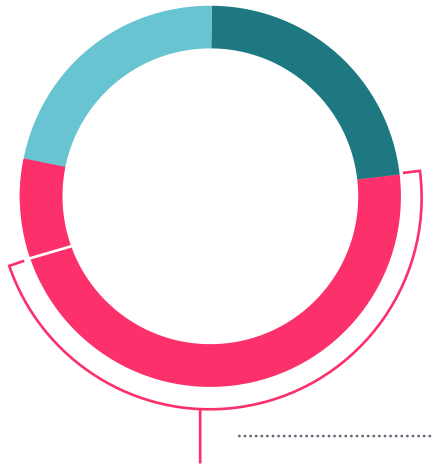
THE VALUE GAP

USER UPLOAD SERVICES, SUCH AS YOUTUBE, ARE HEAVILY USED FOR MUSIC, YET DO NOT RETURN FAIR VALUE FOR THIS MUSIC TO THOSE INVESTING IN AND CREATING IT. THIS IS A FUNDAMENTAL CHALLENGE FOR THE MUSIC COMMUNITY WHICH IS CAMPAIGNING FOR A LEGISLATIVE SOLUTION TO THIS ISSUE KNOWN AS THE 'VALUE GAP'.

IFPI DATA – FOR MORE INFORMATION VISIT WWW.IFPI.ORG/VALUEGAP

85% OF YOUTUBE USERS USED THE SITE FOR MUSIC IN THE LAST MONTH, TRANSLATING TO AN ESTIMATED 1.3BN USERS

VIDEO STREAMING MAKES UP MORE THAN HALF OF ON-DEMAND MUSIC STREAMING TIME...



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HOWEVER, USER UPLOAD SERVICES ARE NOT RETURNING FAIR VALUE TO THE MUSIC COMMUNITY.

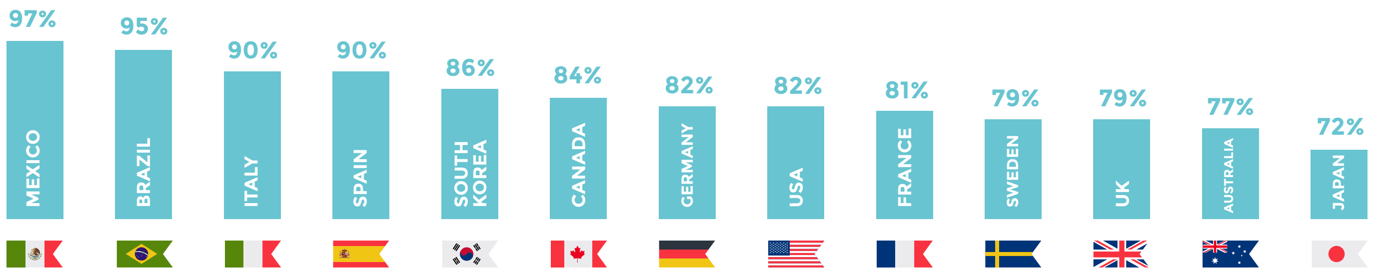
ESTIMATED ANNUAL REVENUE PER USER:

YouTube <US$1

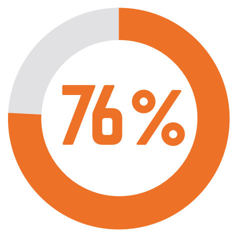
Spotify US$20

Source: IFPI Data – ifpi.org/valuegap

YOUTUBE USAGE FOR MUSIC BY COUNTRY



WHILST SOME USE YOUTUBE FOR DISCOVERING MUSIC



OF YOUTUBE MUSIC USERS LISTEN TO MUSIC THEY ALREADY KNOW.

Estimated users calculated using figures published stating 1.5 billion logged in viewers visit YouTube every single month. https://youtube.googleblog.com/2017/06/updates-from-vidcon-more-users-more.html#gpluscomments
Base: All past month YouTube users (n=8220) from all 13 countries surveyed (Mexico, Brazil, Italy, Spain, South Korea, Canada, Germany, US, France, Sweden, GB, Australia, Japan).

07

UNLICENSED MUSIC

COPYRIGHT INFRINGEMENT CONTINUES TO BE A MAJOR ISSUE FOR THE MUSIC COMMUNITY

With the wealth of licensed music available to fans, these types of illegal sites have no justifiable place in the music world.

40% OF CONSUMERS ACCESS UNLICENSED MUSIC

COPYRIGHT INFRINGEMENT IS EVOLVING RAPIDLY

STREAM RIPPING IS THE DOMINANT METHOD AND CONTINUES TO RISE

35% OF ALL INTERNET USERS ARE STREAM RIPPING (UP FROM 30% IN 2016)

RISING TO **53%** AMONG 16-24s

WHO IS STREAM RIPPING?

Stream rippers are more likely to be young, male, and frequently engage in other piracy methods such as bittorrent and cyberlockers. They commonly use stream ripping to obtain individual tracks.

MALE	40%
FEMALE	30%

16-24	53%
25-34	45%
35-44	32%
45-54	25%
55-64	18%

SEARCH ENGINES PLAY A KEY ROLE IN COPYRIGHT INFRINGEMENTS

54% OF THOSE DOWNLOADING UNLICENSED MUSIC ALSO USE GOOGLE TO FIND UNLICENSED MUSIC

Base: All Respondents (n=11,776) from all 13 countries surveyed (US, Canada, GB, France, Germany, Spain, Italy, Sweden, Australia, Japan, South Korea, Brazil, Mexico)

08

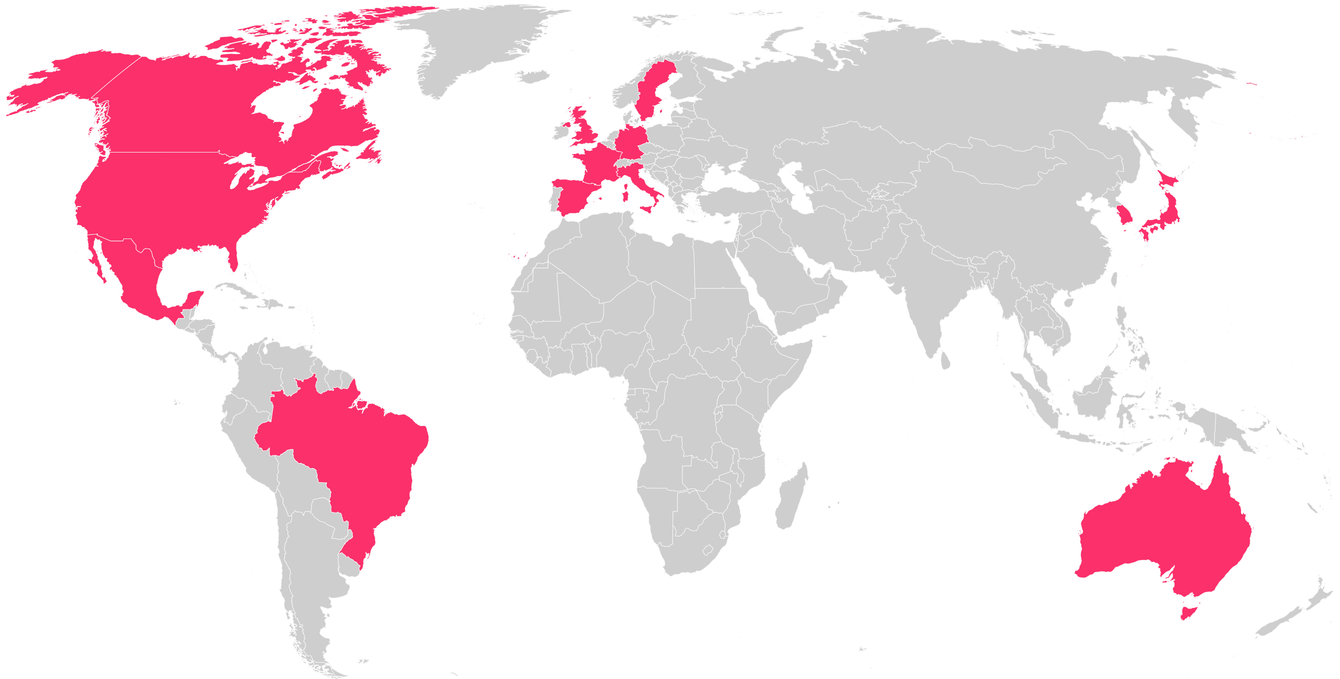
OVERVIEW & METHODOLOGY

IFPI COMMISSIONED IPSOS CONNECT TO CARRY OUT GLOBAL RESEARCH INTO THE BEHAVIOUR OF TODAY'S MUSIC CONSUMERS.

Ipsos Connect

This report is based on research that was conducted with internet users predominantly aged 16 – 64 in 13 of the world's leading music markets (Australia, Brazil, Canada, France, Germany, Italy, Japan, Mexico, South Korea, Spain, Sweden, United Kingdom, and United States). These territories account for 85% of the global recorded music market [Source: IFPI].

The research builds on similar work conducted by Ipsos Connect in previous years, allowing patterns of growth to be established and key trends identified.



NOTES ON THE SURVEY

The internet penetration across the countries surveyed averages around 90% of the national population with the exceptions Brazil (67.5%) and Mexico (56.0%). In countries with a lower internet penetration, it is generally considered that online surveys are less typical of the wider internet user population – survey participants are thought more likely to be early adopters of digital services. This is reflected in this study where these countries show high levels of usage for various digital music services compared to other markets. In addition, the younger age profile of survey participants in Mexico (aged 16-50) compared to other countries (aged 16-64) will increase service usage levels in Mexico as younger people are more likely to be users. In addition, the surveys in Mexico and Brazil only represent urban internet users, which is also likely to increase usage levels.

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