

The Role of Digital Audio in the Evolution of Music Discovery

A white paper developed by

 **targetspot**



FOREWORD

The More Things Change...

So much has changed...and yet has it really? I remember when friends would share “mixes” on cassette tapes – that’s how we discovered new music. We obsessed over tape and CD packaging, singing the lyrics, paging through band photos and tracing the cool graphics.

Over the past fifty years, the industry has moved from vinyl records to 8-tracks, from cassette tapes to CDs, and now to digital files.

The musical formats have changed, and so has the way people discover new music...or has it?

Music is Still Personal Yet Social

The physical objects are all but gone, but both the individual aspects of the quest for content and the social elements remain.

The internet and a wide variety of fast-growing digital audio services are catalysts for individuals to both seek and discover new music on their own as well as to share their tastes with friends...and even strangers. Playlists have replaced mixed tapes, serving almost the same purpose – expressing our sentiments, and defining our individual musical style.

Digital Ease

Today, I still spend a significant amount of time exploring and sharing music...I use Spotify to search for songs I like, create playlists featuring one or more artist and genre, and I have the ability to add more music as my music library grows. My friends are able to see, listen, like, and share my Spotify playlists on Facebook, Twitter or anywhere they want. Spotify, Rdio and Last.fm offer free plans of their service, which I access on my desktop and use to discover, listen, and share music – at work and at home.

I admit that I miss the physical packaging, photos, graphics and lyrics that came with my tapes and CDs. But I love the ease of the digital route to music discovery. I can interact more with my favorite artists, get recommendations from like-minded listeners and purchase with just a click.

What’s Next?

I don’t see digital music sharing, ratings, and recommendations going away. I believe music discovery will continue to evolve along with the crowd-sourcing model. Music will always generate both a personal response and a desire to share with others. The internet has widened the path for individuals to explore new sources of musical enjoyment and made it easy for others to be a part of that discovery process.

Brett Petersel

Founder, The Community Manager

1 THE EVOLUTION OF LISTENING AND THE PATH TO MUSIC DISCOVERY

Music discovery has always had the unique distinction of being at once a personal journey and a shared experience. The tactics have changed, but the individual quest for relatable music, and the desire to share findings with others, remains. However, with the advent of digital audio, listeners now have much more control over their discovery experience.

In the past, consumers had to wait in line at the record store and don headphones to sample and discover new releases and artists. When AM radio gave way to FM in the 1970s, DJs brought listeners an entertaining and engaging way to discover new artists. And, until recently, the fate of new artists and music was determined almost exclusively by these tastemakers.

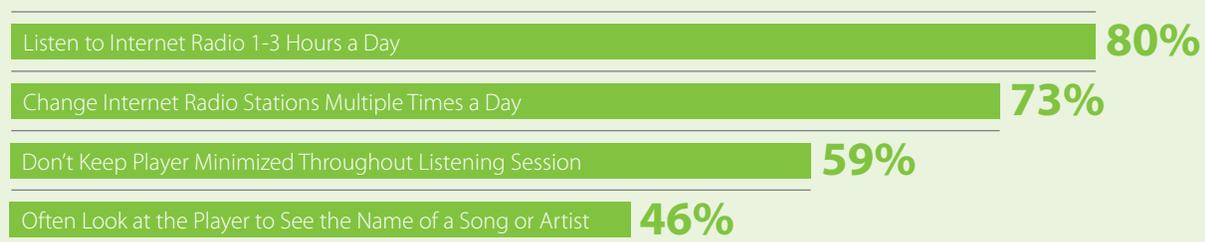
Today, Internet Radio and social media vehicles have passed the taste-making reins to music listeners themselves. From the ability to create their own listening experiences based upon their individual tastes, to the ability to skip songs they don't like and to check the player to see the names of songs and artists they don't recognize – the individual has great power in both the listening to and discovery of new music. Facebook, Twitter, playlists and other digital tools also help to facilitate discovery as well as sharing and purchasing.

The digital listening audience has reached critical mass – with 89 million monthly listeners.¹ We know from earlier findings that this audience is highly engaged, listening for long stretches of time and staying acutely involved in their listening experience.² This level of passion is also seen in this audience's quest to discover and share new music. There are many sources of music content available within the digital universe; however, 88% of digital audio listeners choose to tune in via free, ad-supported services. This makes them a very desirable advertiser target.

Digital audio listeners listen for multiple hours a day, change stations frequently to stay connected to their listening experience and often look at the player to check the name of a song or artist.

Figure 1: Digital Audio Listeners Are an Engaged Listenership

(% of Internet Radio Listeners)



Source: TargetSpot Digital Audio Usage Trends: A Highly Engaged Listenership
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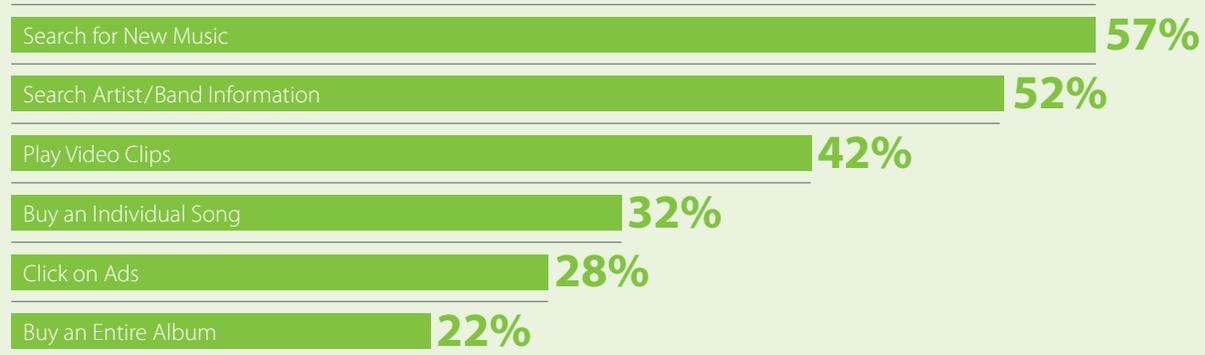
¹ Arbitron Inc./Edison Research, The Infinite Dial 2011: Navigating Digital Platforms

² TargetSpot Digital Audio Usage Trends: A Highly Engaged Listenership, 2011

Digital audio listeners actively seek out information about new music, artists and bands. Their deep connection to the content frequently leads to purchase of both songs and albums, as well as interaction with the advertising.

Figure 2: How They Listen Individually

(% of Internet Radio Listeners; Once a Month to Daily)

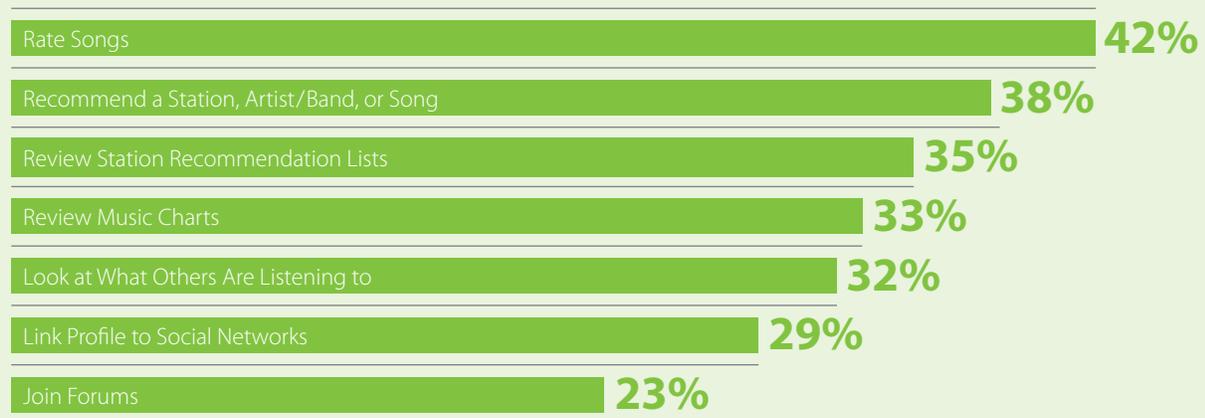


Source: TargetSpot Digital Audio Usage Trends: A Highly Engaged Listenership © 2011 TargetSpot, Inc. — Research by Parks Associates

Digital audio listeners actively share and seek opinions. They rate and recommend songs, stations and artists with great frequency and also often seek out recommendations from others.

Figure 3: How They Give and Receive Musical Recommendations

(% of Internet Radio Listeners; Once a Month to Daily)



Source: TargetSpot Digital Audio Usage Trends: A Highly Engaged Listenership © 2011 TargetSpot, Inc. — Research by Parks Associates

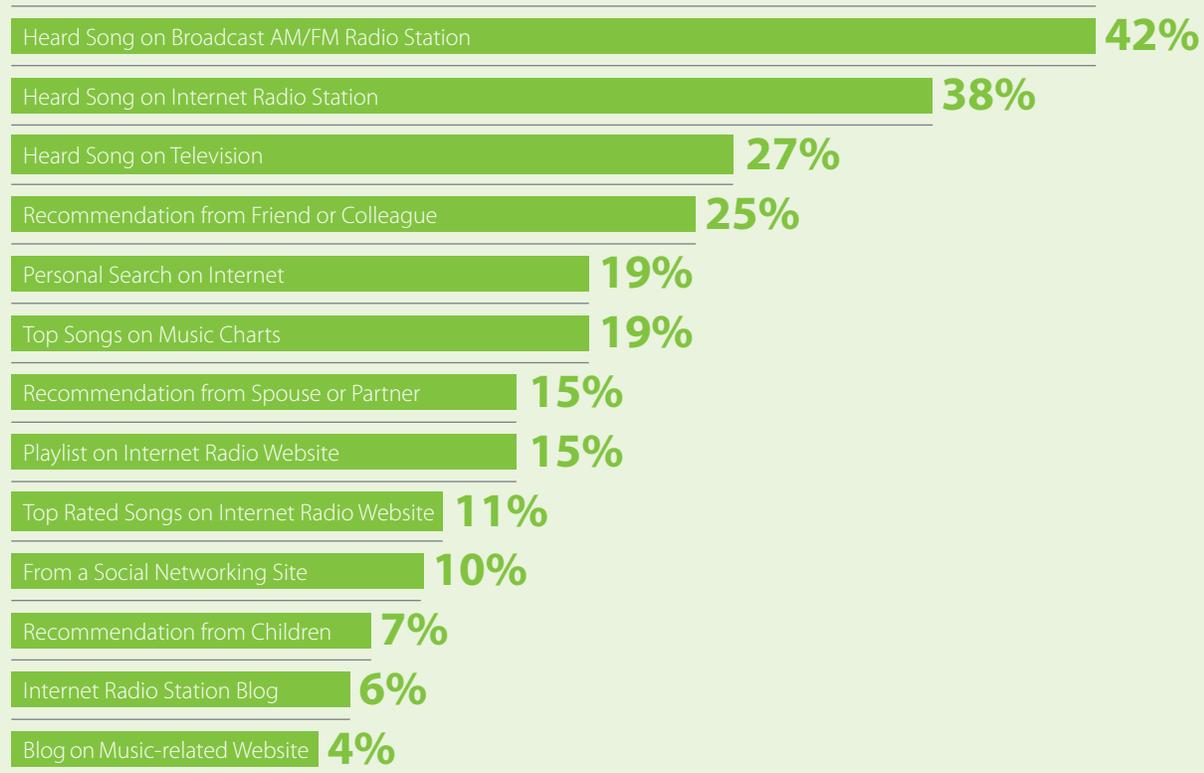
2 MUSIC DISCOVERY REMAINS BOTH AN INDIVIDUAL PURSUIT AND A SHARED ENDEAVOR

Listeners have always shared opinions about music – making music the original social network. Digital media has simply facilitated this behavior, building communities of music lovers that span across devices, time zones and social vehicles. Through a combination of their own listening and discovery efforts, coupled with easy access to crowd-sourced opinions, listeners can source new music content like never before. The internet makes the process immediate, supplying multitudes of opinions from trusted like-minded sources. At the same time, the desire to rate, recommend, share and seek opinions from friends and communities has personalized music discovery and purchasing for listeners in an entirely new way.

Nearly 40 percent of listeners discover music on their own on Internet Radio stations, which is just behind discovery via a Broadcast AM/FM station, and ahead of TV. Socially, recommendations from friends and colleagues are most relied upon, as are music charts, playlists and top rated songs on Internet Radio websites.

Figure 4: How They Discover New Music

(% of Internet Radio Listeners)



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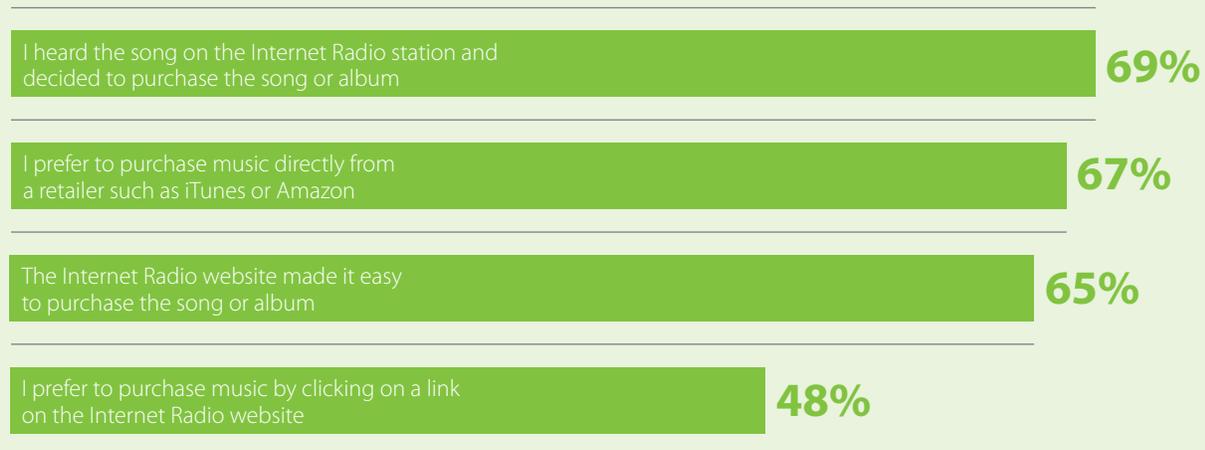
3 DIGITAL AUDIO DRIVES MUSIC PURCHASES

In addition to enabling people to be more active in the music discovery process, digital audio also drives purchase. Removing the barriers between consumer and retailer, digital technology enables consumers to interact with content in new ways. Through various social tools, listeners and content providers become intertwined in the purchase funnel, co-creating playlists, sharing recommendations, and ultimately, facilitating purchase.

Among digital audio listeners who have purchased music, nearly 70 percent did so after hearing the song or album on an Internet Radio station. 65 percent of these listeners said that the Internet Radio website made it easier for them to purchase music.

Figure 5: How They Purchase Music

(% of Internet Radio Listeners Who Have Purchased a Song or Album)



Source: TargetSpot Digital Audio Usage Trends: A Highly Engaged Listenership
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4 CONCLUSION: DIGITAL AUDIO IS THE NEW MUSIC DISCOVERY ENGINE

These findings highlight the role of digital audio in driving the discovery, sharing and purchase of music. Digital audio listeners are a highly engaged audience segment overall, they listen via free, ad-supported services and use the internet to find new artists and purchase music. They share their playlists and make recommendations to their peers instantly, and they interact with social networks and Internet Radio stations to give and receive music-related feedback. The majority listens for hours per day and does not minimize their players while doing so. This engagement in content has also carried over to the advertising surrounding it, with nearly one third of these listeners clicking on ads – making digital audio an ideal vehicle for advertisers.

The content is delivered differently in the digital age, but the results are the same... music discovery is a personal journey, enriched by the ability to interact with others.

SOURCES

TargetSpot Digital Audio Usage Trends: A Highly Engaged Listenership, 2011

TargetSpot Digital Audio Usage Trends: A Highly Engaged Listenership is an online survey of broadband households in the United States. The study fielded December 22-30, 2010. The sample population included 1,000 adults (18+) who listen to Internet Radio at least once a month to daily.

About TargetSpot

TargetSpot is the largest digital audio advertising network. TargetSpot connects top national brands, regional, and local advertisers to highly engaged internet and mobile audiences. Advertisers work with TargetSpot's team or use its self-service platform to create rich media campaigns delivering high-impact audio, display and pre-roll video advertising across thousands of online properties. TargetSpot advertisers can target consumers by demographics, listening preferences, and geography down to zip code level; while benefitting from real time reporting and analytics. TargetSpot has 80 distribution partners, including CBS RADIO, AOL Radio, Entercom, Live 365, Yahoo! Music, and MySpace Music. TargetSpot is based in New York City. For more information, please visit www.targetspot.com.

About Parks Associates

Parks Associates is an internationally recognized market research and consulting company specializing in emerging consumer technology products and services. Founded in 1986, Parks Associates creates research capital for companies ranging from Fortune 500 to small start-ups through market reports, primary studies, consumer research, custom research, workshops, executive conferences, and annual service subscriptions.

The company's expertise includes new media, digital entertainment and gaming, home networks, Internet and television services, digital health, mobile applications and services, consumer electronics, energy management, and home control systems and security.

Each year, Parks Associates hosts executive conferences CONNECTIONS™, with support from the Consumer Electronics Association (CEA)®; CONNECTIONS™ Europe; and Smart Energy Summit.

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About Brett Petersel

Hailed by The Huffington Post as a "visionary," "one of the greatest business minds at Mashable, the bible of Social Media," and named "the king of social" by Samsung at South by SouthWest (SXSW), Brett Petersel is a social innovator and recognized music and technology expert. Brett is a founder of The Community Manager, author of *The Complete Idiot's Guide to Twitter Marketing*, and has worked in the music industry with 16volt and Digital Hardcore Recordings.