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Ipsos Connect

Targeting millennials using music streaming apps



GAME CHANGERS



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A. EXECUTIVE SUMMARY

With the significant improvement in infrastructure and mobile technology proliferation, digital entertainment is increasingly popular in Asia Pacific. And as the average cost of data plans comes down while the respect for the need to pay for music content gradually heightens, demand for digital music entertainment in the region grows.

The music streaming industry in Asia Pacific embraces a strong market outlook, with forecast revenue of US\$1.38 billion by the end of 2018 and the number of users reaching 87 million by 2020.

Asia Pacific also offers another advantage - amongst all regions, it carries the highest proportion of Internet users who have streamed music using mobile, showcasing the enthusiasm of Asians in utilizing mobile as a primary streaming device.

Music streaming apps by default affect youngsters who rely on the platform to pick up their favorite tunes and the latest hits; this segment is highly receptive to advertising and expressing more confidence in purchasing products or using services that have been advertised.

There is considerable amplification power within music streamers. Compared to those who do not stream music, streamers are more likely to speak to friends and family about their purchases; they also believe that paying extra for quality is worthwhile and like to treat themselves with something special even if the item is expensive. This showcases the need to put music streaming apps on the advertising radar when targeting millennials.

Music apps outperform social apps in terms of both click-through rate and install rate. Possessing the potential to combine behavioral data with location granularity, music apps have the potential to become a platform that offers targeted, one-on-one advertising with an engaged, high-value and young audience.

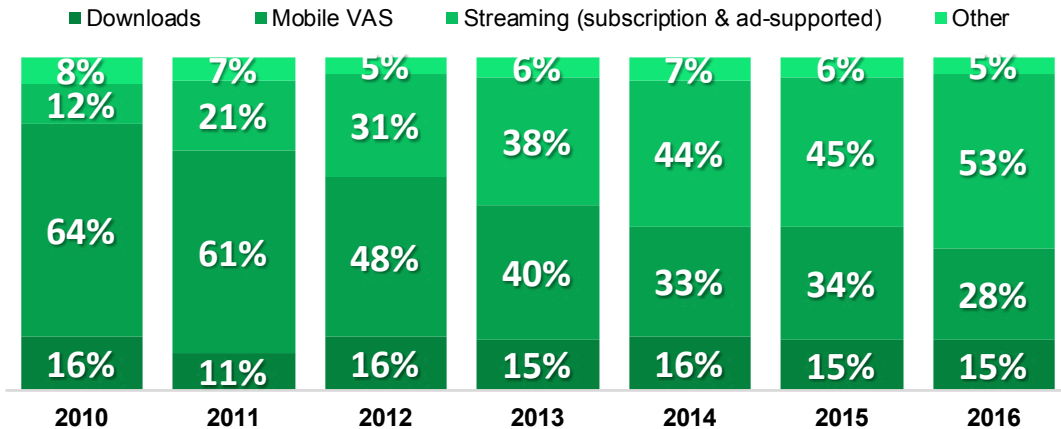
B. EVOLVEMENT AND OUTLOOK OF THE MUSIC MARKET IN ASIA PACIFIC

Asia Pacific Continues to Register High Growth

Asia Pacific's music industry is doing well. Not only did growth return in 2015, revenue also grew further in 2016 by 5.1%. Year-on-year digital revenue increased by 18.7% while streaming income was up by 45.6% (source: IFPI Global Music Report 2017).

Streaming is a key driver behind the growth in digital music revenue. Digital entertainment flourished in many markets in Asia Pacific thanks to substantial improvement in infrastructure and the increase of smartphone penetration. Coupled with the decrease in the cost of data plans and the heightened respect for the need to pay for music content, more and more people in the region are showing enthusiasm for digital music consumption.

Exhibit 1
Split of Asia Pacific Digital Music Revenue by Format



Source: Deloitte. Digital Media: Rise of On-Demand Content.

Strong Market Outlook for the Region

Forecast figures for the music streaming segment indicate that revenue could amount to US\$1.38 billion by the end of 2018.

Meanwhile music streaming penetration is expected to increase annually by 15.3%, with the total number of users hitting the 87 million mark by 2020.

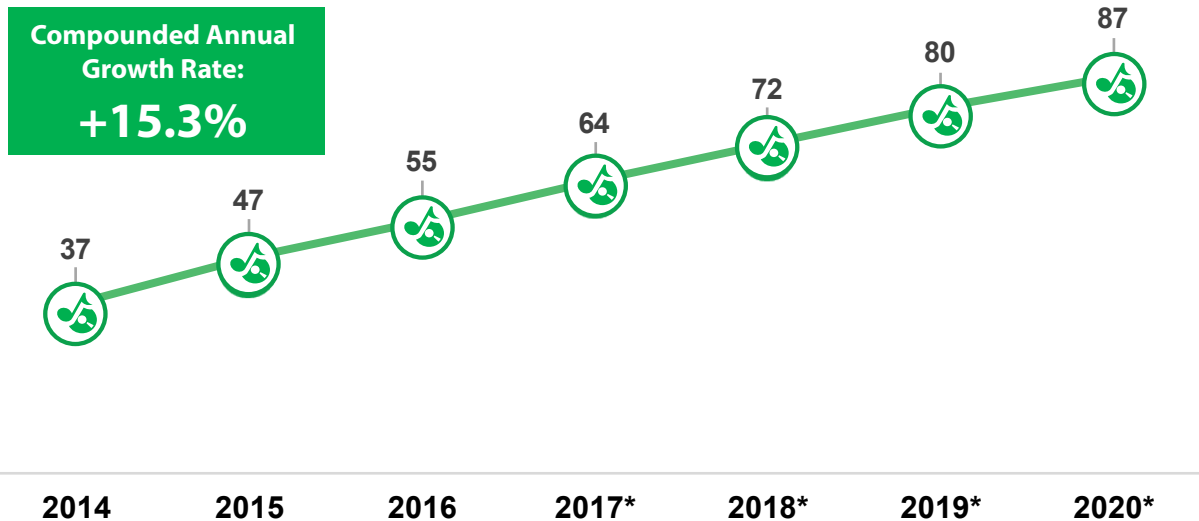
Streaming revenue itself is expected to keep rising and should generate three quarters of digital music profits in Asia Pacific by 2020 (source: Deloitte).

With Asia Pacific currently contributing only 14% to global digital music revenue, many marketers are eyeing on the big opportunity that is being put forward by music streamers in the region.

Many global brands have already leveraged music streaming platforms to advertise in Asia Pacific. Giant brands like Nike, Coca-Cola and Levi's have partnered with music streaming platforms to appeal to the growing audience in the region. Mobile network operators are also incorporating music streaming services into their plan offerings.

Exhibit 2

Music streaming penetration in focus Asian markets (in millions of users)



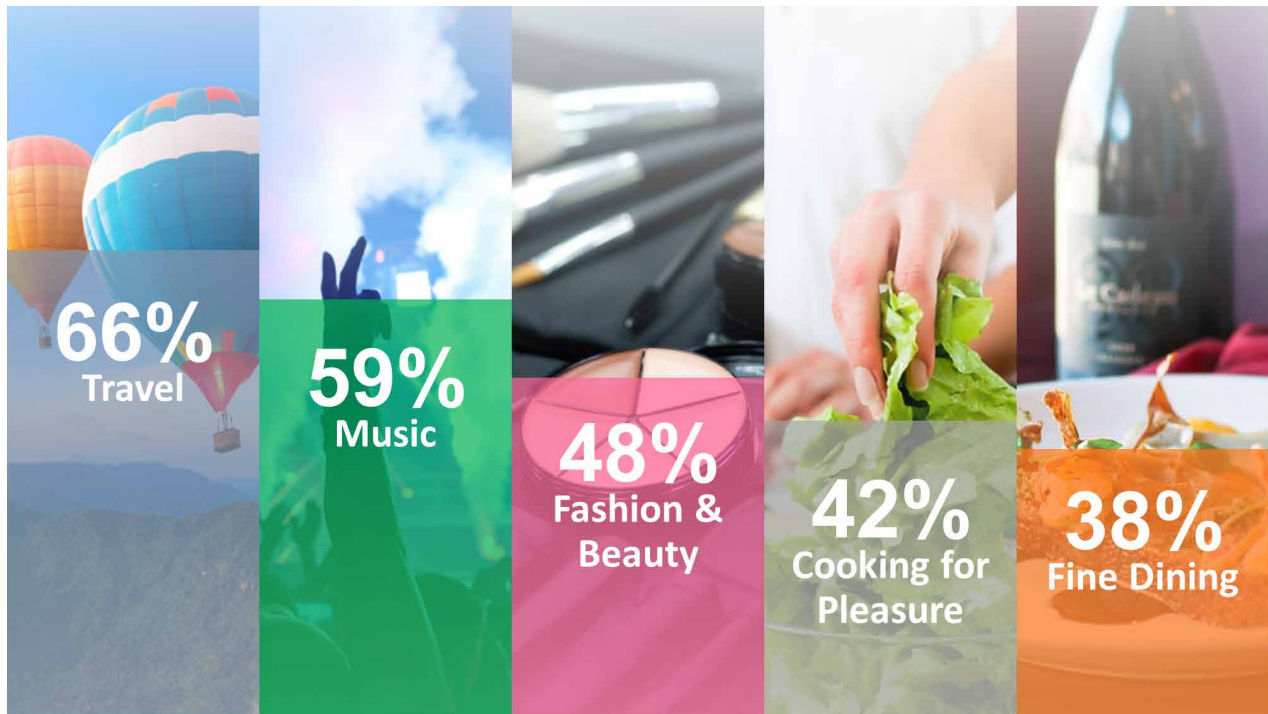
Source: Statista. Markets included are Hong Kong, Singapore, Malaysia, Thailand, The Philippines and Indonesia.

C. DEMAND OF MUSIC IN ASIA PACIFIC

High Demand of Music in APAC

Such a strong outlook is made possible by the intrinsic high demand for music in Asia Pacific. When asked what sorts of topics they are interested in, affluent youngsters across the region rate music second, after travel. It is perhaps not a coincidence for the top two topics to carry similar characteristics - that is, to allow youngsters to explore new horizons, to relax and potentially to connect with others.

Topics of interest to affluent youngsters



Source: Ipsos Affluent Survey Asia Pacific. Annual release up to Q2 2017.
Amongst respondents aged 25 to 29 in the following markets: Hong Kong, Singapore, Malaysia, Thailand, Taiwan, Indonesia, The Philippines, Korea, India and Australia.

Asia Pacific: the no.1 Region for Mobile Streamers

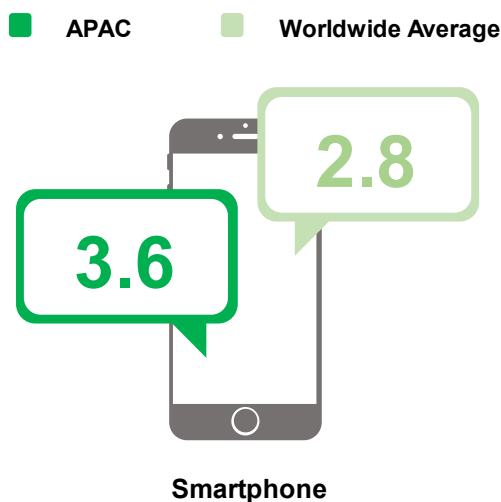
Mobile is increasingly becoming the primary device, if not the only device being used daily by people in the region. With 3.6 hours being spent on mobile per day on average in Asia Pacific (which is 28% higher than the global average), marketers can anticipate a great deal of opportunity in reaching consumers - especially youngsters - using mobile.

Asia Pacific is also embracing another advantage; it leads other regions in terms of proportion of internet users who stream music on their mobile. This showcases the readiness and the level of receptivity of Asians in utilizing mobile as a primary streaming device.

There is no better time for brands to look for in-app advertising to target the right audience at the right time, without the need to fight for their attention and interrupt them while they are enjoying their app.

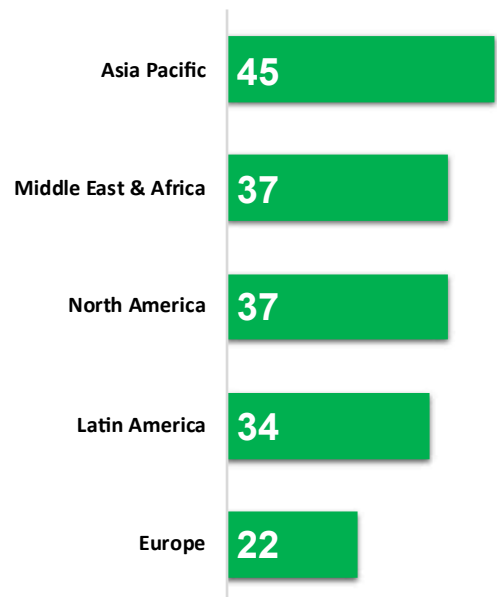
This is all good news to marketers who can now also consider using streaming apps to reach the younger segment – an elusive segment by nature, difficult to reach, hard to please and extremely challenging to keep.

Exhibit 3
Average daily time spent online by teen internet users worldwide (in hours)



Source: GlobalWebIndex

Exhibit 4
Proportion of internet users who have streamed music on mobile in the last month (%)



Source: GlobalWebIndex

D. THE POWER OF THE YOUTH SEGMENT

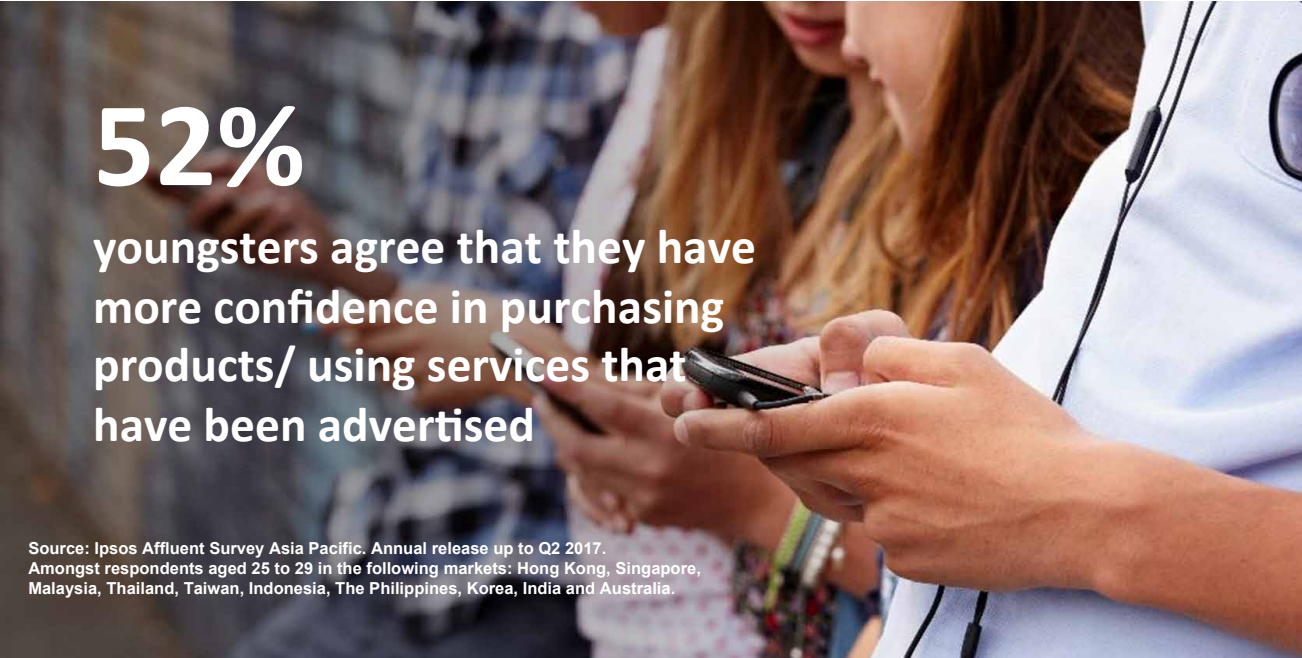
No Doubt about Youth's Receptivity to Advertising

Different consumer segments share varied advertising needs. Millennials, for instance, care less about the product marketers are selling; they are instead more interested in how the brand makes them feel and whether other people are talking positively about it.

Millennials aspire to be seen as 'cool' and as their brand choices must reflect who they are (or aspire to be), their brand repertoire evolves as fast as their tastes and lifestyle preferences change. But as those tastes are often built by opposition to other (understand older) tastes and fashions, brands must showcase their ability to offer them something they deem truly special and unique – and which will not be shared with older age groups. This sort of “hijacking of brands” happens all the time and truly segregates a segment that yearns for opportunities to trial new things, to stand out and to stay unique.

Given how elusive affluent youngsters are, how can marketers ensure that affluent youth are successfully reached? How can marketers be confident that the touchpoints they choose are in fact the right touchpoints to target affluent youngsters?

Results from The Ipsos Affluent Asia survey show that over half of the youth segment aged 25 to 29 are more confident in purchasing products or using services that have been advertised - almost 10% more than the relatively more mature segment of people aged 30 and above.



52%

youngsters agree that they have more confidence in purchasing products/ using services that have been advertised

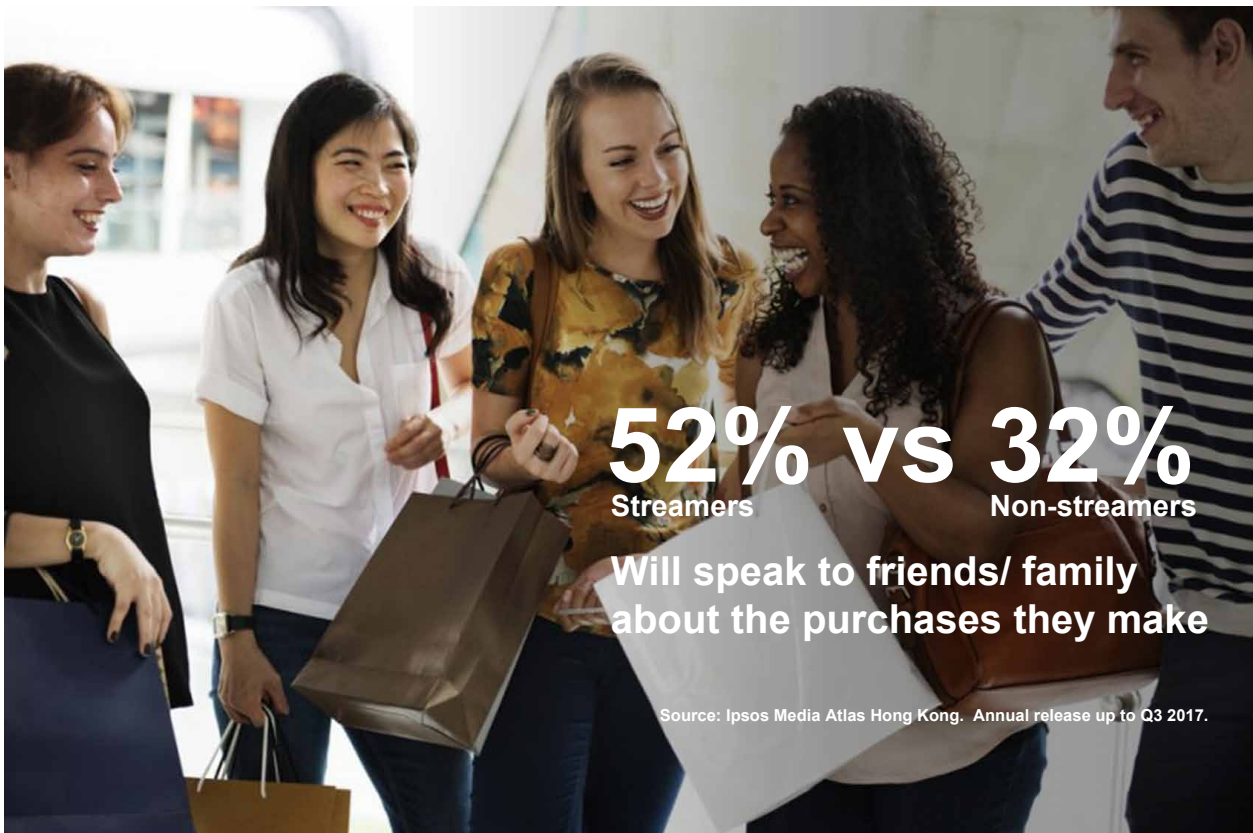
Source: Ipsos Affluent Survey Asia Pacific. Annual release up to Q2 2017. Amongst respondents aged 25 to 29 in the following markets: Hong Kong, Singapore, Malaysia, Thailand, Taiwan, Indonesia, The Philippines, Korea, India and Australia.

Streamers are a unique segment on their own

Music streaming users truly represent a segment on their own.

People who love streaming and live music are by nature younger than those who don't; the 10-year average age difference trigger clear differences in terms of aspirations and mindset between both groups (source: Ipsos Media Atlas Hong Kong).

Most importantly, research shows that music lovers are more likely to tell others about the purchases they make. This "amplification power" is something all marketers would very much welcome. In today's cluttered advertising environment being able to tap into a group of advocates who can help spread brand information to others represents a strong asset.



Quality profile guaranteed

Latest data from Ipsos Media Atlas Hong Kong indicates that compared to non-streamers, music streamers are keener to follow the latest fashion and trends, to take more risks than others and to treat themselves with something special - even if it is expensive.

They also think that paying extra for quality is worthwhile and are prepared to pay more for environmentally friendly products or to stay healthy.

Exhibit 5 Psychographic comparison of music streamers vs. non-streamers



Source: Ipsos Media Atlas Hong Kong. Annual release up to Q3 2017. Amongst respondents aged 12 to 29.

E. YOUTH ACCESSING MUSIC STREAMING APPS BY CHOICE











Engage with consumers through music

Riding on the high demand for music in Asia Pacific, many music apps have entered the regional market and have been growing very well. Amongst all the music streaming service providers, JOOX and Spotify are certainly amongst the successful players.

Sweden player Spotify first launched in Asia about five years ago. Being a global music streaming platform, its most attractive unique selling point is its huge music library, with millions of titles. The flexibility of its subscription plans, including the offering of family plans, allows its subscriber base to continue to grow. To date, it has over 140 million subscribers globally.

Having launched its service just three years ago (in January 2015), JOOX is now the most downloaded music streaming app in Hong Kong, Indonesia, Malaysia and Thailand. Emphasizing the need to stay highly relevant to local consumers, JOOX uses a team of dedicated local experts to monitor trends and broadcast content in the form of curated playlists and live broadcasts. Local broadcast is done from their own studio four days a week - something global players do not necessarily invest in. As a result, JOOX gradually became the default reference point for the industry and for users to understand what is trending.

Exhibit 6
Top Apps across iOS and Google Play

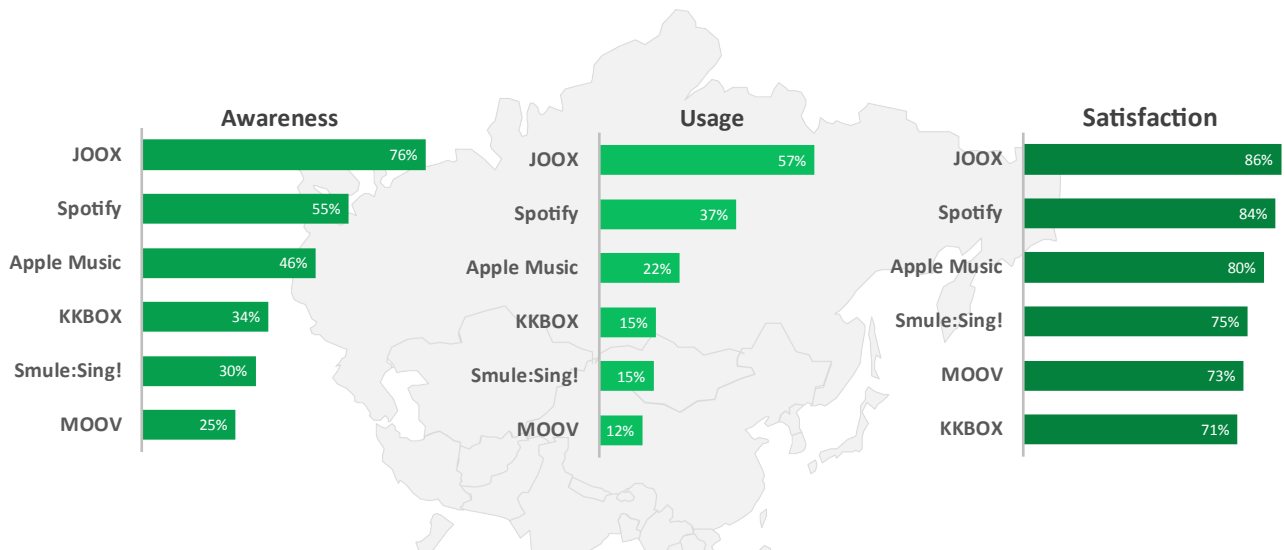
Malaysia			Indonesia		
	JOOX	#9		JOOX	#14
	Sing! by Smule	#16		Sing! by Smule	#15
	Spotify	#35		Spotify	#84
Thailand			Hong Kong		
	JOOX	#5		JOOX	#9
	Sing! by Smule	#54		Spotify	#28

Source: App Annie, annual data up to December 2017.
Figures shown are the rankings (#) for individual music streaming apps that could make it to the top 100 free downloaded apps. Figures in brackets are actual download figures.

JOOX positions itself as a multimedia entertainment app and provides a highly localized user interface to enhance user engagement. For instance, the ability to stream lyrics while listening to music (of any language which is not the case for other music app platforms) allows users to engage further with the content and singers.

Users can also switch on the karaoke function, record their singing and share it with friends via social media or communication apps.

Joox leading other music apps in awareness, usage and satisfaction



Source: Apps Study by Ipsos, Feb 2018. Amongst respondents aged 15 to 29 in Hong Kong, Thailand, Malaysia and Indonesia who have done at least one of the following activities in the past 30 days: listened to live music/ streaming music or watched live/ streamed music videos. Sample size n=1200.

The commitment of JOOX to provide advertisers with package customization has substantially enhanced the brand's positioning in the region. Rather than focusing on the more traditional banner ads, JOOX seemingly focused its efforts into building local expert teams to help advertisers in coming up with advertising concepts and bringing them to life.

As Peter Wang, Brand Director at Vivo, mentioned, "Launching Vivo V7+ back in September 2017 was an amazing experience; with JOOX as our official music partner, we were simply able to offer the perfect musical experience for Vivo's customers".



Providing more than streaming music

Music streaming platforms also aim at generating more customer engagement beyond traditional app offerings.

Spotify On Stage, held in August 2017, was Spotify's first live music event in Asia. The event was open to all members of the music streaming service in the country, for free. The lineup consisted of musicians on the most played playlist by Spotify listeners in 2017 – offering listeners the opportunity to be more involved in the decision over the event's lineup.

As for JOOX, riding on its history of broadcasting local live concerts, it has also focused on streaming overseas concerts. Two recent events in the music industry showcased how it aimed at staying close to international music fans: Live streams of the Mnet Asian Music Awards (MAMA) 2017 in Japan and Hong Kong were brought to JOOX users on November 29, 2017 and December 1, 2017. This was followed in December 2, 2017 with the live broadcast of the 2017 Melon Music Awards (MMA) ceremony.

This focus on the hosting of music events indicates how music streaming apps have transformed into an open and interactive platform for music fans to not only enjoy music but also to share their moments with the ones they care to share with.

Music streaming platforms host events to broaden listener base while enhancing engagement



Spotify:
Spotify On Stage



JOOX:
MAMA 2017 and MMA 2017

Delivering high advertising effectiveness

A comparison of the average mobile video ad click-through rate (CTR) and the install rate of music apps versus that of social apps will showcase that the former provides higher advertising effectiveness.

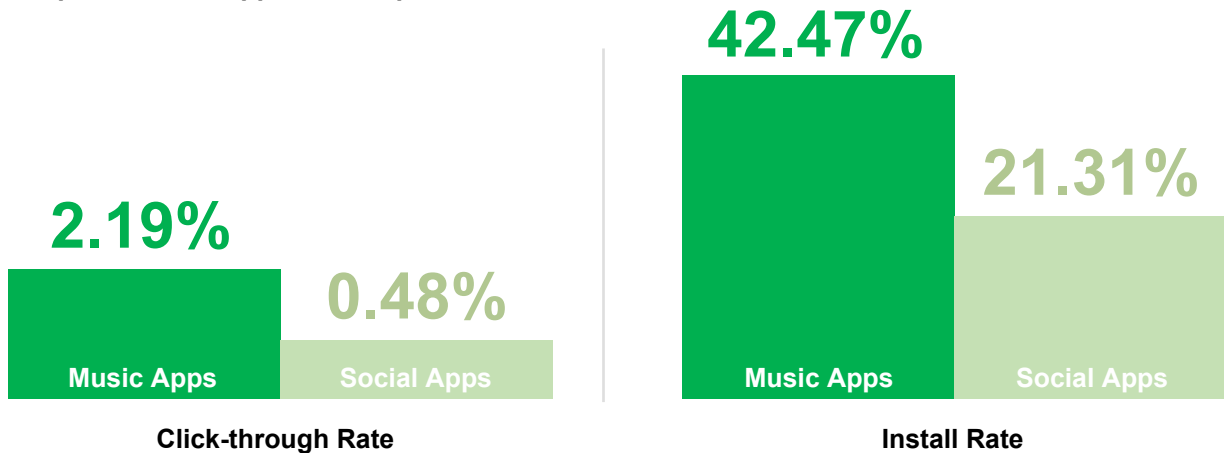
The average CTR of 2.19% reported by all music apps combined is 4.6 times higher than the average CTR reported by social apps.

When all music apps combined report an average install rate of 42.47%, all social apps combined can only deliver an average install rate of 21.31% - which is just about half of music apps' average.

The high click-through and install rates signal that music app users are keen to consume video advertising content. By advertising on music streaming platforms, marketers can maximize the chance of their ad, as well as their advertising products and services, to be noticed by an engaged, high-value audience.

JOOX carries an advantage as it is the only music streaming platform that offers app installation ads. As highlighted by Poshu Yeung, JOOX's Vice President of International Business, "A VIP status can only be obtained as users finish viewing a video ad; and since our video ads are non-skippable, we're essentially delivering 100 percent complete viewability. Even for our splash ads, the click-through rate is typically beyond 10 percent on average across all advertising categories which is far higher than that promised by social apps."

Exhibit 7
Comparison of in-app video ad performance



Source: Mobile Advertising Benchmark Report 2017, Vungle.
Click-through rate (CTR) represents the percentage of users that have clicked on an interactive end card following a video ad.
Install rate refers to the percentage of user that have installed an app after clicking on an interactive end card.

When it comes to targeting millennials, marketers have an alternative

Reaching out to millennials make music apps an on-target platform. As Vicky Ng, Head of GroupM Knowledge, mentioned, “Music apps carry an edge as they are still relatively affordable compared to other digital inventories (except programmatic); also, through organizing concerts or events, they can easily broaden their listener base and award VIP subscriptions.”

Having access to a massive database of behavioral and location data implies that music streaming platforms can potentially do a lot more with targeted advertising.

Music streaming apps can now identify mood differences of users based on their song and playlist choices; with such rich live data, coupled with the location data potentially available from their phones, music streaming platforms in the future should be able push adverts in-the-moment, to specifically targeted users. This can help bring advertising to a new level - one that is targeted, efficient, effective and potentially one-on-one.

When it comes to targeting millennials, marketers evidently have a choice.

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