Gen Z

Meet The Young Millennials

A MIDiA Research report jointly commissioned by BPI and ERA

Music

Mark Mulligan
June 2017

Media Insights and Decisions In Action

MIDiA

era ENTERTAINMENT RETAILERS ASSOCIATION

bpi PROMOTING BRITISH MUSIC

'If we are going to prepare for the future of music, we need to understand the behaviours of Generation Z. The complex behaviours of these young digital natives are not only important as a key segment of the market, they also unveil trends that will become more widespread among music fans over time.

At the BPI we are committed to providing insight for our members, large and small, into the different ways that fans engage with music and how advancing technology will shape the future of our business. We are delighted to present this Insight Session and report into Gen Z in partnership with our retail partners at ERA.

We would like to thank Mark Mulligan and MiDiA Research and Music Ally's Paul Brindley for their excellent work and our guest presenters and panellists for their valued contribution.'

Geoff Taylor, Chief Executive BPI & BRIT Awards

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'It's not news that entertainment is changing. At ERA we are proud to represent many of the companies who are transforming it - from Spotify to Netflix, Google Play to Amazon Prime and Deezer.

None of us should underestimate the achievement of the streaming revolution. Not only has it helped stop piracy in its tracks, it has created the first real growth in the music industry in more than a decade. It has done so with an unbeatable consumer proposition: 24/7 access to virtually all the music in the world.

To those of us brought up with the limited choice of the Woolworths singles department, it is literally unbelievable.

What we cannot do, however, is rest on our laurels. In the fast-paced digital world nothing is forever and it is vital to stay close to emerging generations of music fans, many of whom were not even born at the dawn of the MP3 age.

ERA is delighted to sponsor, alongside our colleagues at the BPI, this genuinely new piece of research about 'Generation Z', its behaviour and preferences.'

Kim Bayley, Chief Executive ERA

The 20,000 Foot View

Millennials have been around so long now that they are no longer a single generation but in fact 2 separate ones. The new younger Millennials, Gen Z, are those aged up to 19. They have dramatically different behaviours, expectations and attitudes compared to their older Millennial peers. Their use of technology, social media and content consumption are all rewriting the rule books and will catalyse some of the biggest changes in audience behaviour and listening that the music industry has yet seen. If you thought streaming Millennials were re-defining the business of music, wait to see what Gen Z will do.

Key Findings

85%

16-19 year olds say that music is an important part of their life

64%

16-19 year olds use Instagram

- The rate of app innovation is accelerating due to the Millennial feedback loop of older Millennials making app experiences for Gen Z
- A 3rd of 8-11 year olds in the UK use Snapchat, rising to 67% for 16-19 year olds, while 63% of 16-19 year olds use Instagram
- Instagram has built its playground popularity by powering 'digital peacocking', with young users competing to have the best-looking photos
- Messaging apps like Snapchat and Instagram are replacing social networks for Gen Z
- YouTube is the most pervasive entertainment platform for Gen Z, peaking at 94% monthly penetration among 16-19 year olds
- Music is the most widely watched content type among 12-15 year olds on YouTube, though YouTubers like Zoella and KSI are becoming the new pop stars for Gen Z
- However among 16-19 year olds Spotify has overtaken YouTube as the main music app with 53% weekly user penetration compared to 47% for YouTube
- Zoella has 11.8 million subscribers and 0.9 billion cumulative views while KSI has 16.1 million subscribers and 1.2 billion cumulative views
- Among 16-19 year olds YouTube and social media unsurprisingly dominates, with much higher penetration rates than the overall population
- 85% of 16-19 year olds say that music is an important part of their life while 74% say that music for them is about going out and having fun
- Streaming is transforming Gen Z's relationship with music: 74% of all 16-19 year olds say they are mainly listening to single tracks and playlists instead of albums
- 12% of 16-19 year olds use Musical.ly compared to just 2% over 20+ consumers
- Authenticity, relevance, shareability and context are key to Gen Z
- Gen Z has an excess of choice, so music marketers may not get a 2nd shot. Get it right first time as there may not be a second chance
- Record labels need to explore how to build new artist-centric experiences

About MIDIA Research

MIDiA Research is a unique analysis and data service focused on the intersection of technology and content.

MIDiA Research leverages multi-country consumer data, market forecasts and other proprietary data tools to provide unrivalled insight into the rapidly changing global digital content markets. Our coverage includes music, online video, mobile content and paid content strategy.

MIDiA Research gives you online access to our research database as well as regular new research reports that give you the critical insight into the issues that will shape your business and give your company the strategic edge over the competition. We provide different levels of access to suit your requirements and budget. Simply choose which coverage areas you want and then which subscription package is right for you.

For more details visit our website:
www.midiaresearch.com
Or email us at info@midiaresearch.com

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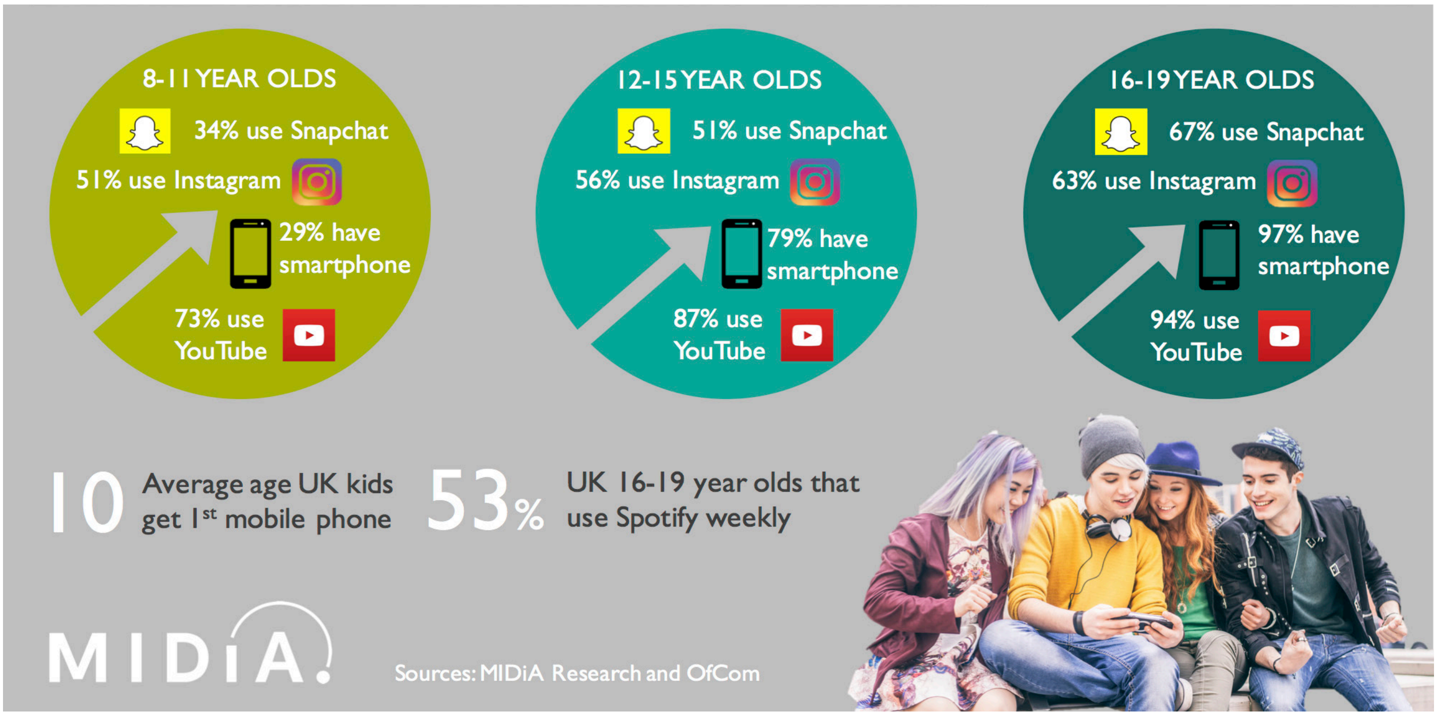
Generation Z: Meet The Young Millenials



Just as everyone had finally got familiar with Millennials it became clear that things had changed all over again. We have been using the term Millennial for so long now that it no longer refers to one but two generations. Now we need to become more precise and thus we see the emergence of a new category, Gen Z, those consumers born in the new millennium. True Millennials if you like.

This generation looks set to prove that they will have some of the most dramatic impact on media consumption we have ever seen, which is already forging exciting new behaviour patterns. While the first generation of Millennials consumed apps made by digital immigrants (eg Netflix, Spotify, Facebook) Gen Z is consuming experiences made by digital natives (eg Snapchat, Instagram, Musical.ly). Digital immigrants come to product development with analogue reference points, even if they try their best to ignore them. Digital natives have no such analogue baggage. The resulting rate of change of this new Millennial feedback loop is already far faster than anything we have seen yet and the pace will only pick up.

In this report we deep dive into the behaviours of Gen Z in the UK, looking at how they engage with digital media, social media and music to explain how they will shape the future digital landscape.

CASE STUDY: CAPITOL RECORDS UK - 5 Seconds of Summer: Girls Talk Boys

Aims:
The main goal for this campaign was to raise awareness and drive streams for the new 5SOS single 'Girls Talk Boys,' a featured song in the Ghostbusters film soundtrack. A key focus was to educate the band's fans about streaming services, and encourage them to migrate from free services like YouTube to subscription services like Spotify.

The Campaign:
The campaign started with the band announcing through their own social channels that they would be releasing a single from the Ghostbusters soundtrack. Advertising content followed the announcement, including fake adverts offering the band's service as "Ghostbusters", videos of the band being 'slimed', behind pictures from the music video (where the band recreated a low budget version of the film). Ghostbusters was a good fit with 5SOS' branding and fan base, since the main cast was all female. This connected with 5SOS' fans, as the majority of the band's fanbase are also female and aged between 13-20.

Playing on the "Who you gonna call?" Ghostbusters tagline, 5SOS partnered with US start-up Superphone, using its service to set up a phone number that fans could call to hear a pre-recorded message from the band, plus an exclusive 30-second snippet of the single.

Once the single was released, the label launched a Spotify 'share-to-unlock' microsite where fans could unlock the music video. The video's release was delayed for a week, to incentivise fans to use Spotify rather than YouTube to listen. Using Spotify as the main partner for the campaign also helped the label to reach a new audience, as well as collecting data on which fans were Spotify users. Its marketing team could then segment their email communications more effectively by prioritising different retail partners based on the services they knew fans were using. Also, each time a track was shared from the microsite, the song was automatically saved to the fan's collection which triggered Spotify's algorithms to recommend the track more.

Given the young fanbase of the band, the label knew that key social platforms for those fans were Snapchat, Instagram, Twitter, Tumblr and Musical.ly, so these platforms were also a key focus for the overall campaign.

Further excitement was generated by partnering with MTV, who were provided with exclusive Behind The Scenes (BTS) content from the video shoot to premiere on MTV's Snapchat channel. The label created a SnapChat Geofilter for the band's Madison Square Garden date.

Post video release, the label continued the theme of media partnerships by offering an exclusive 36-hour premiere of the BTS footage from the video shoot with Tumblr. In exchange for the Tumblr partnership the label was also able to secure a Radar feature (promoted post space), reblogs on the "music" vertical on Tumblr, posts on Tumblr's social channels, push notifications to engage

5SOS followers and other free advertising inventory.

Finally, Capitol partnered with Musical.ly, where the band posted highly personal and engaging videos based on the ‘Girls Talk Boys’ track.

Campaign Results:

Overall
- ‘Girls Talk Boys’ Streams (24 hours): 1.1m
- ‘Girls Talk Boys’ Streams (7 Days): 4.5m
- Email clicks: 70k
- Official video generated 6.5m views in 24 hours

Superphone
- 170,000 minutes of calls logged on the line
- 140,000 phone numbers gathered from fans for future retargeting

Spotify Share-To-Unlock
- Facebook shares: 12,743
- Twitter shares: 116,025
- Visits to the microsite: 1,355,056
- Unique visits: 278,337
- Microsite short URL clicks: 172,375
- ‘Login and Share’ link clicks: 771,957

MTV Snapchat Discovery Takeover
- Most-viewed of all Discover channels on Snapchat that day.

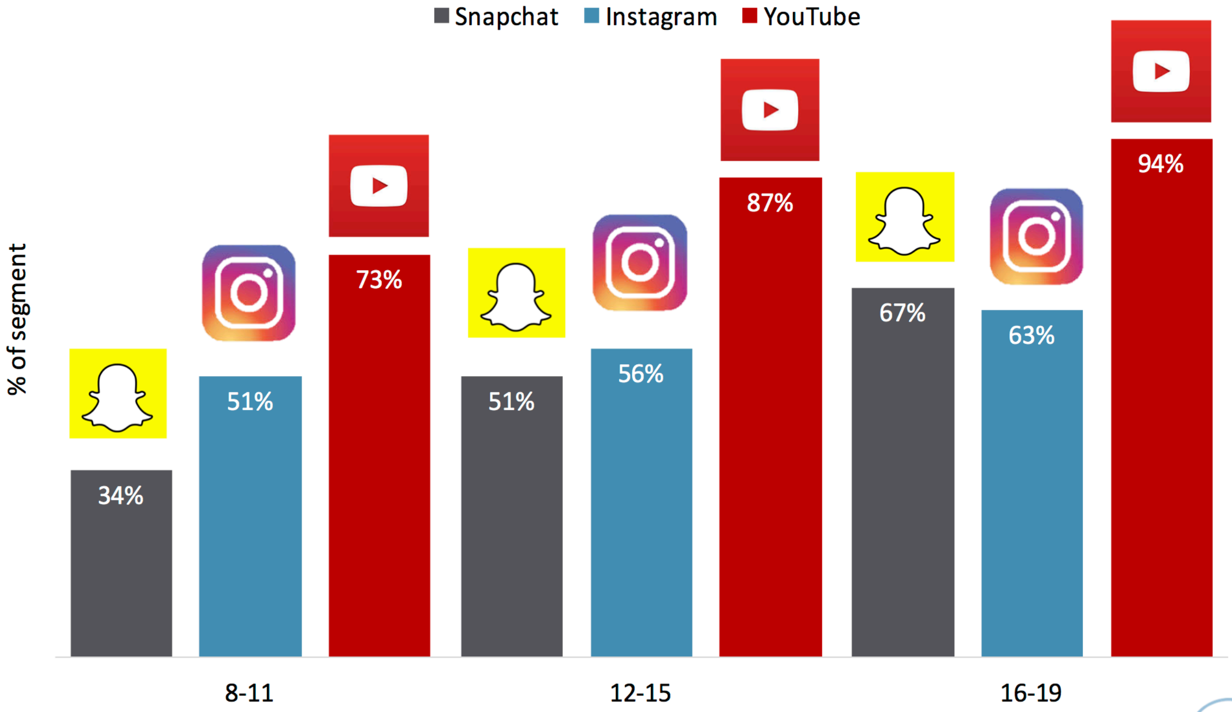
Musical.ly
- 73.6m impressions via Discover page
- 717k impressions on contest page
- 94k videos created
- Reached 263.6K new fans

Tumblr
- 1.7m impressions
- 75k unique engagements
- 100k video views (7k 100% completion views)
- GIFs from video featured in ‘Staff Picks,’ generating an additional 900k impressions
- Tumblr social channel posts reached an additional 7m followers.

This case study was originally covered in the 21st September 2016 edition of Music Ally’s Sandbox Report

SECTION I: Gen Z Overview - Connected, Social And Confident

Figure 1: Gen Z Use Social Media To Define Themselves From An Early Age
Penetration Of Key Social Apps By Age, UK Only



Source: MIDiA Research Consumer Survey 12/16 (UK Only), OfCom

MIDiA Insights & Decisions in Action

Social media has been around for many years but was arguably getting stuck in a rut until the emergence of messaging apps that quickly morphed from apps for messaging into a new, hyper-mobile, multimedia form of social media. The reinvention gave it new context and relevance to younger users who embraced messaging apps with abandon. Generation Z have made messaging apps their own, the technology of choice for their generation. Video, images and filters have replaced words as the main form of communication for these apps that have become the cornerstones of Gen Z's behaviour and digital identity:

- **Snapchat:** Snapchat epitomises the distinctive digital character of Millennials. Snapchat is the most youth focused messaging app, with features such as disappearing messages and stories where users can upload short video clips and photos to tell their networks what they are doing. It also provides filters that enable users to customize their content with overlaid images. Though the majority of its audience is comprised of older Millennials, Gen Z is a major component of its audience. The fact that even a third of UK 8-11 year olds use the app illustrates the strength of its appeal to them. To older audiences, Snapchat can appear inaccessible and confusing, but that is exactly the point. Snapchat shouts 'I belong to my generation' to older audiences. Snapchat users use the app to narrate their lives, from the small to the meaningful, a constant, audio visual account of their daily existence shared with their friends. And with videos restricted to under 10 seconds and never permanent, Snapchat understands the importance Gen Z places on living the moment, in stark contrast to the way older users create a carefully constructed social history on Facebook, something that Facebook panders to with its 'memories' feature. Snapchat's penetration peaks at an impressive 67% for 16-19 year olds, hinting at the more mature, 'grown up' appeal of the app.

- **Instagram:** Instagram is Facebook's image focused messaging app that enables users to upload images with filters, upload videos and to post stories much like Snapchat. Among under 16s Snapchat is out performed by Facebook's Instagram. Instagram has become Snapchat's number one competitor, spending 2016 and 2017 aping the latter's product features, such as Stories, to such an extent that one wag suggested Snapchat's CEO Evan Spiegel has a new job as head of product at Instagram. The blatant mimicry has an important motivation. Messaging apps represent the future of social networking so rather than watch its long-term future dissipate, Facebook opted to disrupt itself before someone else did. Through a combination of acquisitions and product innovation, Facebook is now the leading messaging app company globally via WhatsApp (1.2bn Monthly Average Users ie MAUs), Facebook Messenger (1.2bn MAUs) and Instagram (700m MAUs). Snapchat by contrast has around 348m MAUs and 166m Daily Average Users (DAUs). The fact that penetration rates among UK Gen Z age groups are as close as they are illustrates just how good a job Snapchat does of reaching younger users in western markets (US and UK especially). One key way in which Instagram has built its playground popularity is by powering 'digital peacocking', with young users competing to have the best looking photos with the coolest filters getting the most numbers of likes. Instagram combines gaming dynamics with tweens and teens' overriding to desire to define and identify themselves. Social media is playing a social and cultural role for Gen Z in utterly unprecedented ways.
- **Facebook:** More Gen Z's use Facebook than any of the youth centric messaging apps. 77% of UK 16-19 year olds use Facebook. On the surface this would suggest that Facebook remains the king of social castle. Appearances can be deceptive. Facebook got into messaging because it knew that its younger users just weren't engaging with the platform that way older audiences were. Facebook is where Gen Z's parents, teachers and lecturers are. It is a place for them to behave and keep up appearances like they would at a family occasion. Facebook is the social media equivalent of LinkedIn for Gen Z.
- **YouTube:** Large parts of the recorded music sector have raised issues with the amount of money YouTube returns to artists and creators, but there is little doubting its continuing importance in the musical landscape. Unlike most other streaming services, YouTube is almost entirely ad supported and pays out on a share of ad revenue basis rather than a per stream basis. The effective per stream rates it pays to rights holders are significantly less than those of other streaming services. It might seem like the odd one out, but for Gen Z YouTube is not just a content consumption platform, it is a social platform too. 39% submit comments to music videos on

YouTube while 25% upload music videos, whether they be cover versions, mashups, lyrics videos or simply an unauthorized copy. YouTube's unique mix of features and tech capabilities transform it into a massively social music app for younger audiences in a way that none of its audio competitors (other than perhaps SoundCloud) have yet been able to do so.

CASE STUDY: NETFLIX/GRM DAILY - #TheGhettsDown Campaign

Aims:
The campaign from video-streaming service Netflix promoted the release of its latest original show, The Get Down, and its focus on the birth of hip-hop. The campaign offered the chance to win a studio session with MC Ghetts, as part of a promotion with urban-entertainment site GRM Daily targeting its Gen-Z audience.

The Campaign:
The contest started with GRM Daily creating a hip-hop instrumental track using snippets of music from the show, released on its SoundCloud channel as a free download. GRM Daily invited fans to write lyrics and then rap them over the instrumental, submitting the results as videos through Twitter and Instagram using the hashtag #TheGhettsDown. The entries were then collected on a custom tab on the GRM Daily website.

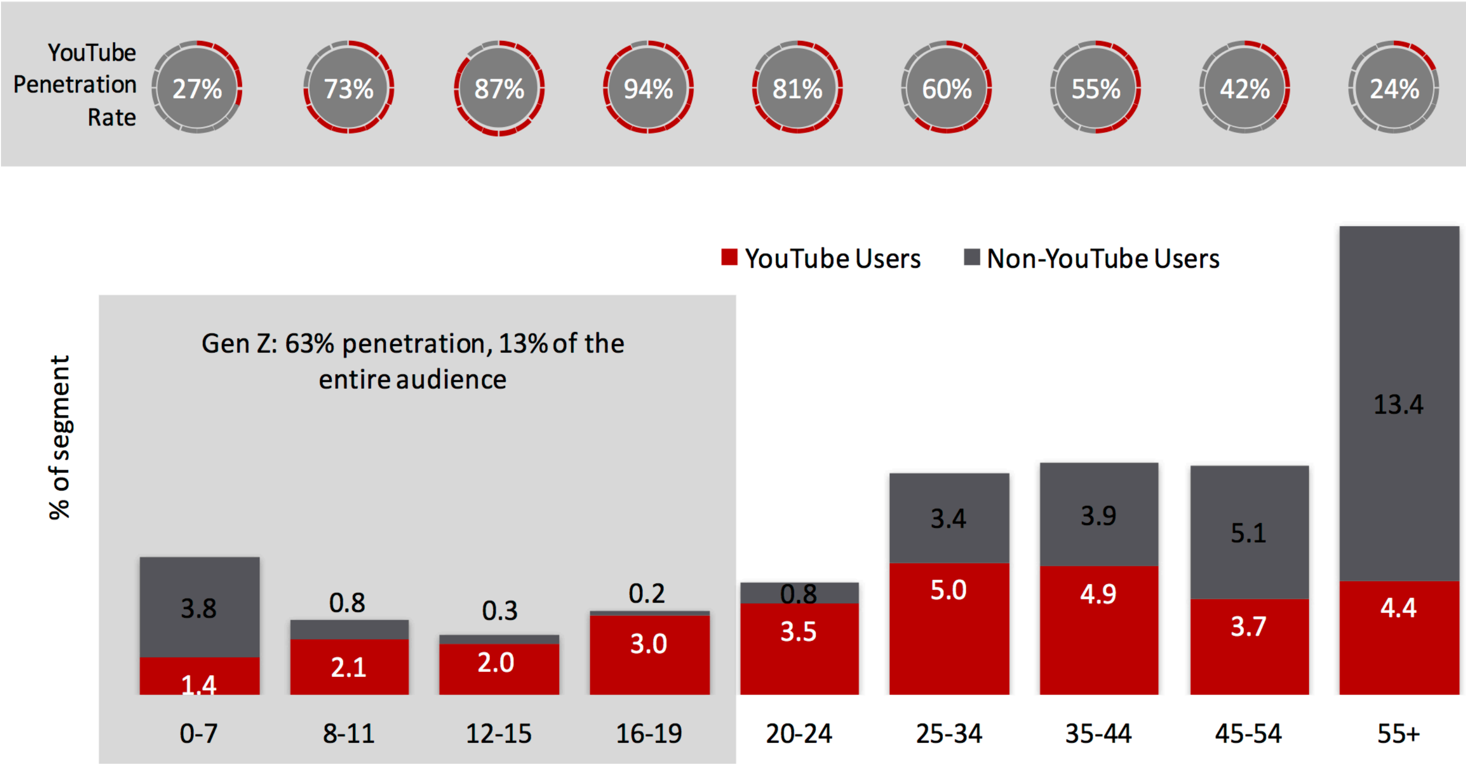
GRM Daily also used secondary influencers like Big Tobz, Mikill Pane and Avelino to spread the word about the competition by creating promotional YouTube videos, maximising exposure and incrementing potential entries. This marketing tactic was carried out across various different social platforms with videos released through Facebook and Instagram. The ages of the participants varied from 16-35 with some entries coming from 12-13 year olds. Almost 75% of GRM Daily's audience falls in the age group 13-24.

Campaign results:

- 2,699 track downloads
- 7,157 clicks
- 22,177 views
- 360,376 total impressions
- 6,690 views on Ghetts Launch Video
- Twitter:
- 2.1m+ Reach
- 49m+ Timeline Deliveries
- Instagram:
- 53.6k+ Reach
- 1.6m+ Impressions

Figure 2: Although YouTube Is Firmly Embedded Across All Demographics It Means Different Things to each Generation

Penetration Of Weekly YouTube Usage By Age, UK



Source: MIDiA Research Consumer Survey 12/16, OfCom

MIDiA Insights & Decisions in Action

YouTube is the most pervasive content platform on the planet, with audiences from cradle to grave. The way in which YouTube has fostered content communities across such a diverse mix of content types ensures that it can be all things to all people in a way no other digital content platform can. For Gen Z in the UK this ranges from parents putting toddlers in front of a tablet playing kids TV content from YouTube, through tweens watching vloggers to teens watching clips and music video.

Penetration accelerates quickly from 27% among under 8s to 73% for 8-11s, 87% for 12-15s and a ubiquitous 94% for 16-19s. What is clear is that from the age of 8 YouTube becomes utterly pervasive among UK Gen Z. By the time audiences turn 20 YouTube penetration drops. In part this reflects kids growing out of much YouTube content and also simply having less spare time to spend in front a screen. But in addition to these life stage factors, there is also a cohort trend as well. Namely that YouTube is embedded in Gen Z's lives to a higher degree than any previous generation. So there is a strong chance that YouTube penetration will increase in older demographics as the Gen Z cohort ages.

The fact that YouTube has such wide reach among Gen Z indicates the amount of influence it has culturally and socially. Gen Z is spending progressively less time with traditional media and traditional media talent, focusing their time instead on social talent. For Gen Z it is the YouTube stars that represent fame and stardom not TV presenters. In fact, for many Gen Z's YouTubers are playing the role that pop stars once did for young adolescents, giving them a voice for their generation. The fact that their parents just don't get YouTubers is exactly the point. Now that music has such strong multi-generational reach, older generations co-opt the hits of younger generations' artists, thus stripping Gen Z of the ability to identify around that music.

And the sheer scale and reach of YouTube talent should not be underestimated. These are the top 5 YouTube stars among UK Gen Z:

1. Zoella: 11.8 million subscribers, 0.9 billion cumulative views
2. Dan DTM: 15.3 million subscribers, 10.1 billion cumulative views
3. Joe Sugg: 7.8 million subscribers, 1 billion cumulative views
4. Stampy: 8.5 million subscribers, 6 billion cumulative views
5. KSI: million 16.1 million subscribers, 1.2 billion cumulative views

The reach of these YouTube stars among their target audiences far exceeds that of any traditional media celebrity, as does their ability to mobilize audiences. For example when Alfie tweeted that he would be at Waterstones on Oxford Street for the launch of his book the next day 10,000 people turned up. Meanwhile Joe Sugg has the best ever selling graphic novel in the UK while his sister Zoe Sugg (Zoella) has one of the best selling make up brush ranges.

CASE STUDY: SONY MUSIC UK/THE BOT PLATFORM

Olly Murs - 24HRS - Ollybot

Aims:
This campaign created a dedicated messaging bot on Facebook Messenger, the ‘Ollybot’, to help fans find out information about and content from Olly Murs’ fifth album ‘24HRS’. The aims were to re-engage Olly’s existing social fanbase, as well as to attract younger Gen-Z chart streamers.

The Campaign:
The main age group targeted for this campaign was 14-20 year olds.
Sony commissioned The Bot Platform agency to create the Ollybot. Fans could message it through Facebook Messenger asking questions, accessing playlists, music, tickets and exclusive content.

The label wanted the bot to be as engaging as possible, and also to feel as ‘real’ as possible. They worked closely with Olly and his management team to make this happen, while also taking pains to explain to fans that the bot was not actually Olly. The responses were personalised with fans’ names, as well as bespoke responses for key international markets, with exclusive content and details about upcoming concerts.

The fans could ask whatever they wanted while a pre-set message for fans to click on with the words “24 hours” elicited a reply where a ten-second teaser for the album appeared with links to iTunes, Amazon and Spotify. An interactive album teaser website was also launched ten days prior to the album’s release. This website allowed fans to engage and play with the music video while at the same time being able to listen to the album. The video showed the aftermath of a party and when fans clicked on it they could “turn back time” and see what had happened the night before, tying into the album’s “24 hour” title. Fans had an opportunity to listen to snippets of six tracks before the release through this interactive video.

The Musical.ly competition was the first one for Sony Music UK, with Olly starring in his own lip-sync video for single ‘Grow Up’, and inviting fans to make their own. The contest attracted 58,000 entries, with Olly choosing the winner.

The label also revamped Olly’s Facebook page and redirected his fans to the bot from other social sites such as Instagram and Twitter by using Instagram Stories and GIFs.

Other Campaign Elements:

Twitter Q&A
- Olly carried out a Twitter Q&A that had 6m impressions and became the third biggest day of the campaign in terms of reach.

Facebook Live
- 7.6m overall views
- 2.6m 10-sec views
- 3m likes

Snapchat Geofilters - You don't know love

- 20 cities
- 24 geo-filters
- 157,559 snap views

Genius Partnership

Where his fans would be engaged by looking more into the creative process behind songwriting and the meaning of the lyrics.

Stream to Unlock Initiatives

- 20k page views
- 10k new streams
- 2k video teaser views

Connection Initiative

If you connected on Spotify you had the chance to get an exclusive personalised video from Olly

- 8k page views
- 5k new Spotify followers in 24hrs

Campaign results:

The interactive video had more than 230k views in 24 hours, and had an average dwell time of 2m 30s. It also resulted in an increase of 30% in album pre-orders on that day. The users were then retargeted through paid digital campaigns, for deluxe albums, which helped to drive pre-orders.

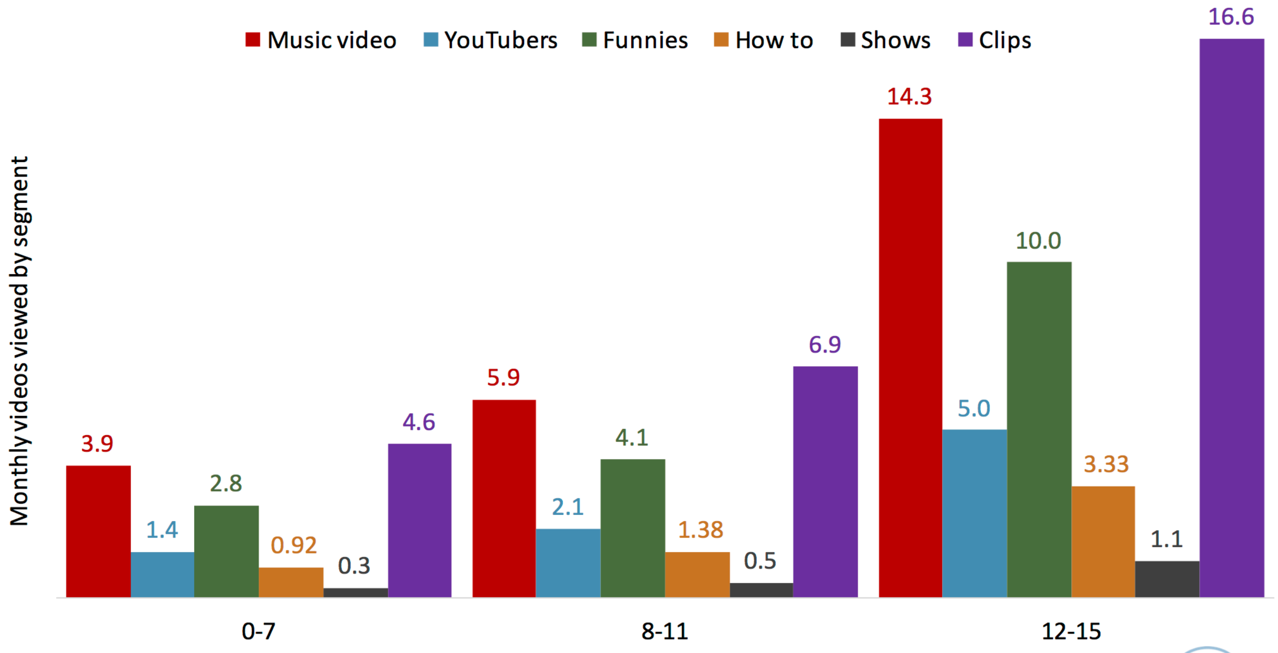
After the first month from launch, the Ollybot had already attracted over 16,000 active conversations, with more than 450k messages received. By that time the bot could serve 500 bespoke responses and contained 150 exclusive photos, videos and GIFs. The average time spent on the bot at the time was 4 minutes. Even today, there are still fans engaged with the bot. Just recently there were still 350 people talking to the bot in the previous week.

The campaign was not only successful in re-engaging the fanbase for a returning artist but it also helped to migrate Olly's young audience, in particular the under 17s, away from YouTube and towards paid streaming services.

More Results:

- 25k Album pre-orders
- 500k overall fanbase growth across socials
- 388m global streams throughout the campaign
- 23m views on Vevo
- 35m views across socials
- Trended on Twitter 6 times in 3 months
- 3.2x Organic Reach & 7.5x Engagement
- On Musical.ly:
- 8m push notifications
- Top trending hashtag

Figure 3: UK Kids Quickly Grow Into Watching Music Videos On YouTube
Monthly YouTube Videos Viewed By Type And Age, UK 2016



Source: OfCom / MIDiA Research

MIDiA Insights & Decisions in Action

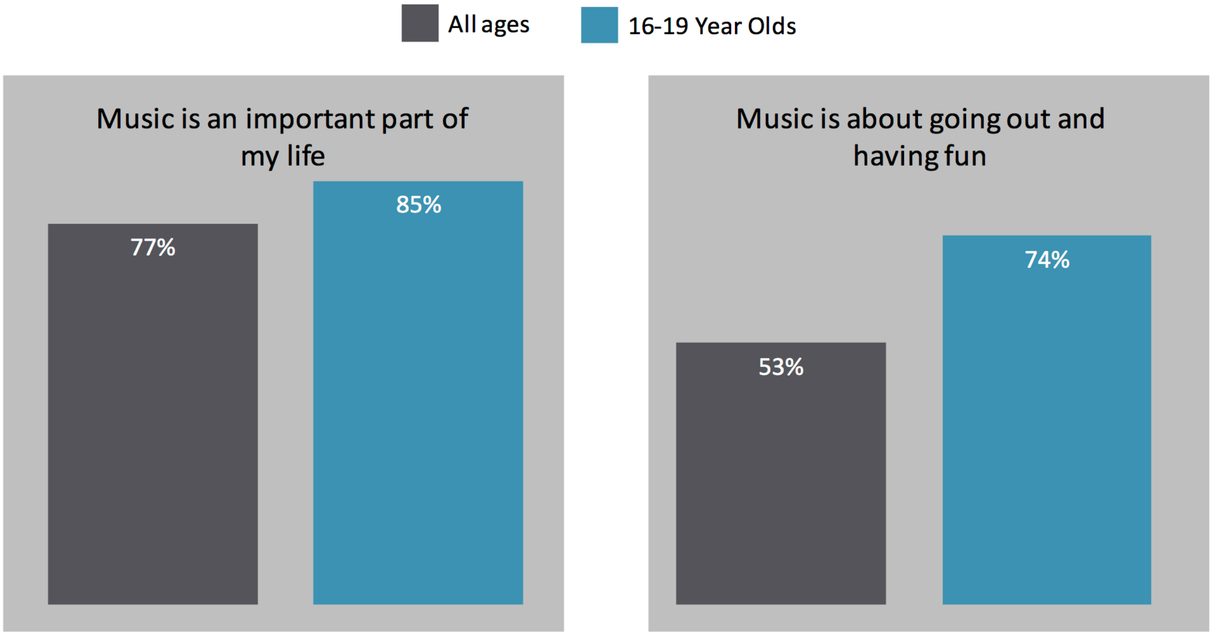
Despite its diverse appeal and content base, YouTube is best known within music industry circles as a music video platform. Music is indeed a major element of the YouTube proposition. According to MIDiA's State Of The YouTube Music Nation report, music accounts for 30% of all YouTube streams although by watch time this is lower (with YouTubers like KSI and Zoella over indexing in time spent due to their much longer average video lengths).

Among younger audiences, of course, music plays an especially important role and this is reflected in how Gen Z's YouTube consumption and how it evolves with age. Music video evolves from being the 3rd most viewed category among 5-7 year olds to the most widely consumed by 12-15 year olds, just edging out 'funnies'. Music slightly increases its share of overall penetration as Gen Z ages but the rest of the field makes up a lot of ground too, albeit at a slightly slower rate than music. As teens get older, for all the new appeal of YouTubers, music continues to have an irresistible pull as they transition to adulthood.

SECTION II: Late Teens Deep Dive: Streaming's Native Generation

Figure 4: Though Music Is More Important To Teens, It Is As Part Of Their Social Lives that Music Comes Alive

Key Attitudes to Music of UK Teens Compared to all Users Average, January 2017



Source: MIDiA Research Consumer Survey 1/17 (UK Only)

MIDiA Insights & Decisions in Action

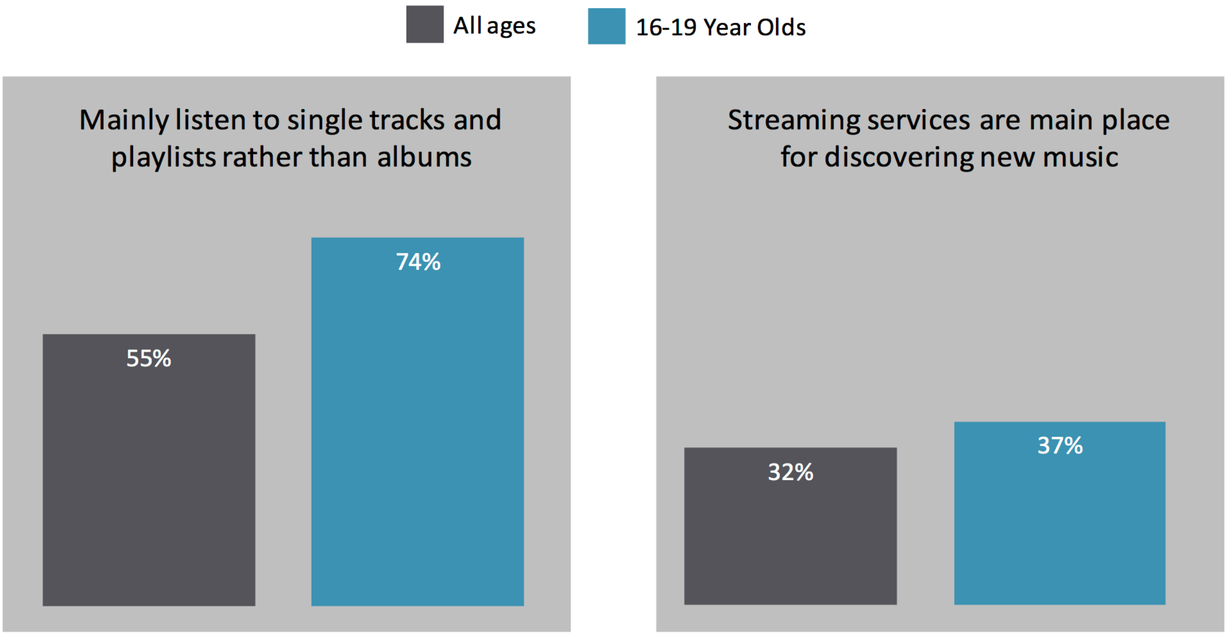
Though we identify via music more when we are young, it plays a central role throughout all our lives. Thus while more 16-19 year olds (85%) say that music is an important part of their lives, that is only 8 percentage points higher than for the all consumers average. Scratching beneath the surface a little, exactly what a 45 year old might mean when she says music is an important part of her life is probably different from what a 16-19 means. Nonethless, what is clear is that music matters to us all and a little more so for teens, despite all of the competition from social media, messaging apps and video services.

Where teen attitudes to music really stand out though are with regards to what it means to them. 74% of UK 16-19 year olds state that music for them is about going out and having fun, compared to just 53% of overall consumers. This isn't all about going out to gigs though. In fact only 15% of UK 16-19 year olds regularly go to gigs, compared to 16% of overall consumers. They'd probably like to be going to plenty more but limited disposable income and home curfews get in the way. Instead this reflects a more general sense of music being the soundtrack to their social lives, when with friends, in bars and clubs (when they can get into them). For older consumers life (mortgage, kids, demand jobs etc) increasingly gets in the way of an active social life. Music becomes more about remembering those teenage nights out.

Despite their demonstrated preference for free music, such as YouTube and Vevo, UK teens are actually more willing, in principle at least, to pay for music. 67% consider music to be something worth paying for regularly compared to 56% of overall consumers (MIDiA Research Consumer Survey 01/17). This is perhaps a keener reflection of just how important music is to them than it is a clear indicator of willingness to pay.

Figure 5: Streaming is Transforming UK Teens' Relationship with Music, away From Artists and Albums

Key Streaming Attitudes of UK Teens Compared to all Users Average, January 2017

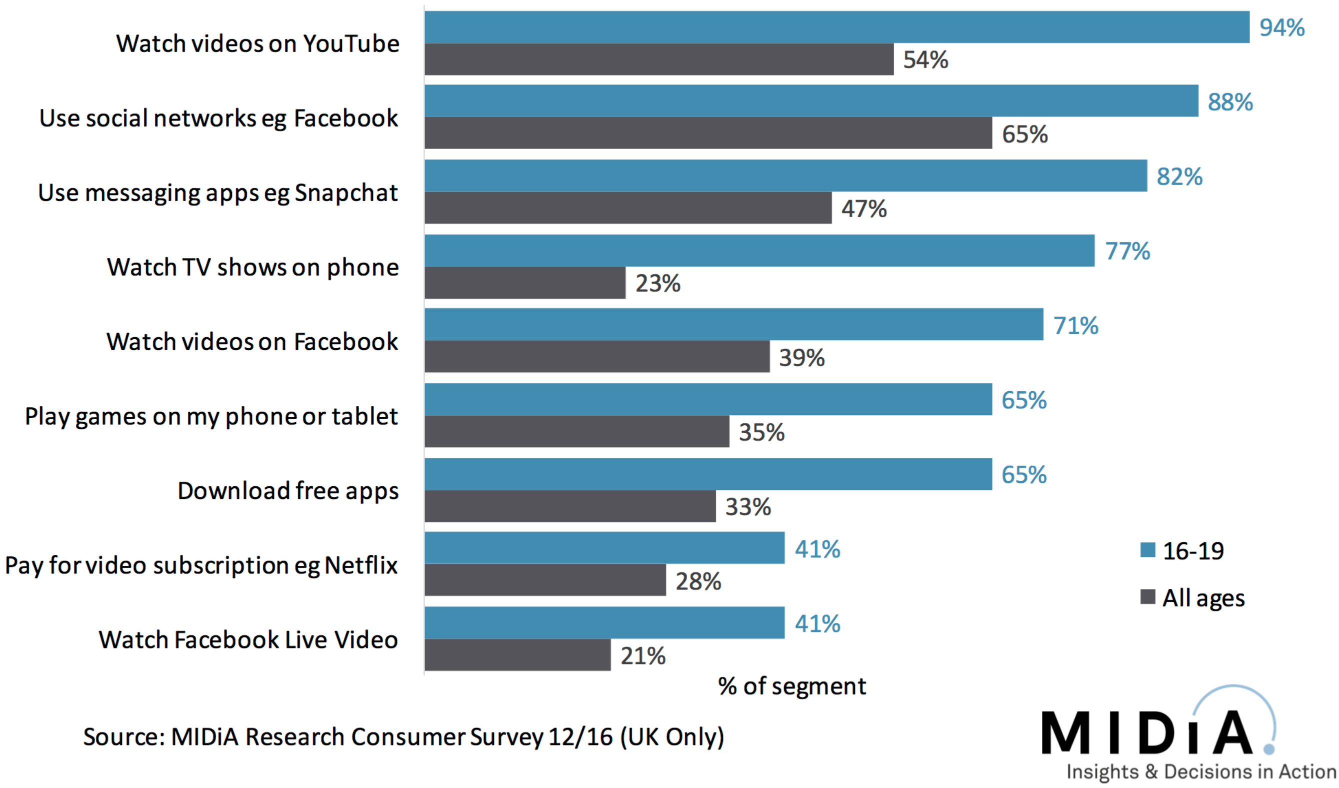


Source: MIDiA Research Consumer Survey 1/17 (UK Only)

Transformational technology meets emerging user needs and catalyses them. This is exactly what streaming is doing to music and the effects are most pronounced among teens who don't already have pre-existing consumption habits to unlearn. Although the fact that 55% of all UK consumers say they are mainly listening to single tracks and playlists instead of albums is significant enough in itself, the corresponding 74% for 16-19 year olds is even more dramatic. Although some argue that this is merely a return to the singles orientated model of the 1950s and 1960s, it is in fact something much bigger and more fundamental. In those early decades of the recorded music business, there was a comparatively scarce supply of content and the focus was on building artist superstars like Elvis, the Rolling Stones and the Beatles. The current shift though is not just away from albums but from artist centric experiences. With so much new music being released every day and that content being pushed into curated playlists, music fans simply don't have the time or the need to dive into album listening sessions. Of course fans will still do that for their favourite artists, and there will continue to be exceptions to prove the rule (eg Ed Sheeran) but it is clear that music consumption for teens is mirroring that of their overall digital experiences. Music is becoming increasingly like the torrent of continually updated and essentially transient content that fills their social feeds. Which raises questions about what the future will look like for the next generation of potential music superstars, and indeed whether the superstar era may be fading.

When it comes to discovering new music, UK 16-19 year olds are only marginally more likely to consider streaming services to be their main way of discovering new music (37% compared to 32% for the all ages average). But what is even more significant is that this is the exact same share that consider radio to be their main discovery platform. While for overall consumers radio comes 1st with 45%. Streaming is thus transforming both how teens consume and discover music.

Figure 6: UK Teens Over-Index For All Digital Activities, Especially Video And Social
Penetration Of Key Monthly Music Activities Of UK Teens
Compared To All Users Average, December 2016



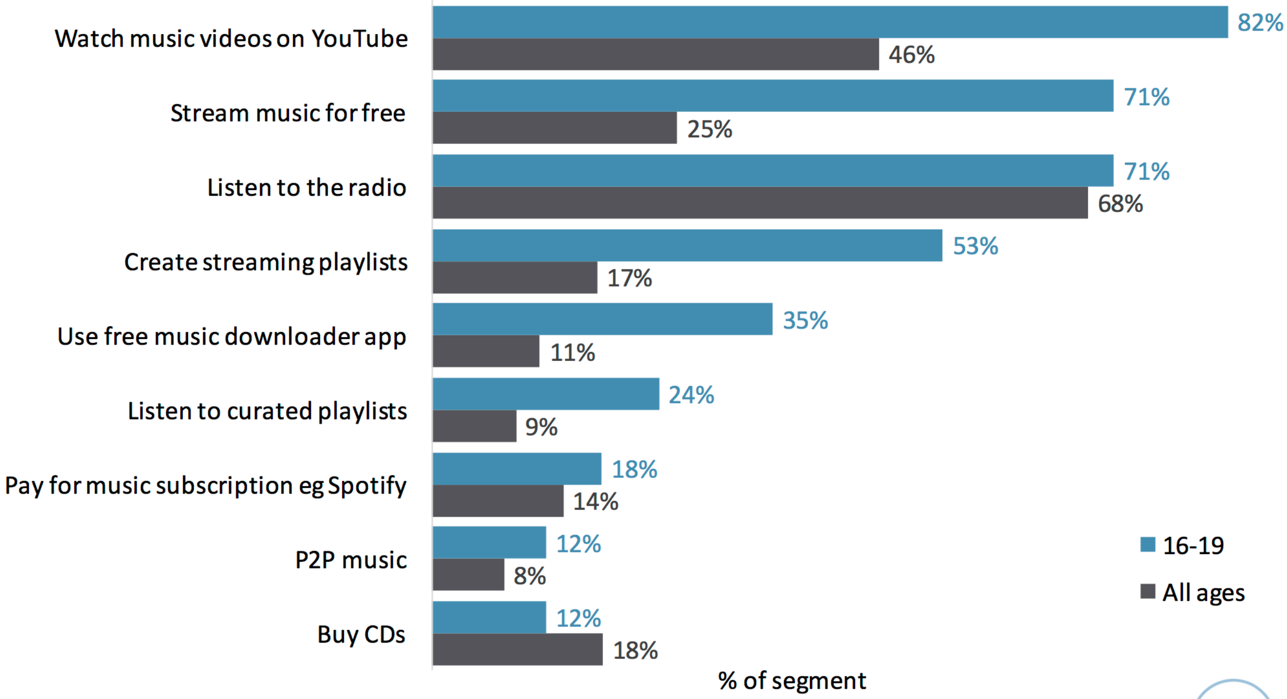
Source: MIDiA Research Consumer Survey 12/16 (UK Only)

The behaviours of young Gen Z consumers will shape the future of the music business and content consumption as a whole but the more immediate impact will be made by the upper end of the Gen Z age bracket: the late teens. Looking at the wider digital behaviour of these consumers in comparison to the overall UK population it is clear that this is a super engaged group that is much more active than average across all forms of digital entertainment and communication. YouTube and social media unsurprisingly dominate, with much higher penetration rates than the overall population even though the overall top 3 rankings are the same for both segments.

Some of the most interesting differences are seen in video. Although subscription video penetration (eg Netflix) only over indexes by 13 percentage points, watching TV shows on phones is 54 percentage points higher for teens. This reflects both the mobile centric worldview of teens but also the fact that it is their personal device which they have more control over than, for example, the TV in the living room.

Figure 7: (Free) Music Plays A Central Role In Gen Z's Behaviour, Including Old Fashioned Radio

Penetration Of Key Digital Activities Of UK Teens Compare
To All Users Average, December 2016



Source: MIDiA Research Consumer Survey 12/16 (UK Only)

MIDiA Insights & Decisions in Action

Young music fans have more consumption options available to the than any previous generation and they are using them to the full:

- **Free dominates:** Whether they be embarking on their first career path or going to university, many 16-19 year olds in the UK are already contributing in a meaningful sense to the UK music business, going to gigs or paying for a discounted £5 a month NUS music subscription. Their main impact though is on free music consumption. In terms of monthly usage YouTube and Vevo lead the way with 82% of older teens watching music video (ie 87% of all 16-19 year old YouTube users). Free audio streaming (SoundCloud, Spotify free etc) comes a reasonably close 2nd with 71% but with a very pronounced deviation from the all consumer average (+46 percentage points ie free audio streaming appeals very strongly to UK teens). Teens are time rich but cash poor so free streaming will always be a strong fit for their life stage.
- **Piracy still there, albeit in a diminished state:** P2P is an old technology that was designed in the age of downloads and ownership. It means much less to Gen Z in a music context, though is still quite useful to many for acquiring movies and TV shows. Thus, just 12% of 16-19 year olds use P2P networks to get music. Free music apps though are part of the modern face of music piracy. Along with stream rippers, free music apps are obtained via the Apple and Google app stores and thus have a veneer of legitimacy that P2P never had.

- **Radio retains reach:** Make no mistake, streaming is slowly but steadily replacing / becoming radio but that transition has many years yet to play out. The fastest change is taking place among younger audiences but in terms of time spent rather than overall reach. This is reflected in the fact that 71% of 16-19 year olds listen to music radio on an at least monthly basis, just 3 percentage points above the all ages average. But in the current mobile app defined era, monthly usage can be a weak measure of genuine activity. Indeed, doing something just once a month is probably a better measure of inactivity than it is activity. In app measurement we are already beginning to see the death of the monthly active user (Snapchat for example has abandoned the metric) but for now it is still a core music industry currency. So by the old world measures radio is doing fine among 16-19 year olds but dig a little deeper and focus on engagement and things start to look very different.

CASE STUDY: DEEZER - Grime Channel

Aims:
Deezer's main aims of this campaign were to give British grime artists a voice on its platform (giving them a single platform from which their content could be accessed), to identify artists whose profiles could be grown on Deezer, and to attract more Gen-Z grime fans to the streaming service.

Campaign and results:

Grime is a genre with a strong Gen-Z audience: more than 50% of fans on Deezer's grime channel are younger than 24. The service's data shows that Stormzy is the biggest grime artist for Gen-Z listeners, followed by Bugzy Malone then Kano.

One of the key campaign strategies was to get Generation Z grime fans to make Deezer their main streaming platform by putting the spotlight and focus on smaller, up and coming grime artists. It was the first example of this kind of channel on a streaming service, which Deezer hoped would help differentiate it from rivals.

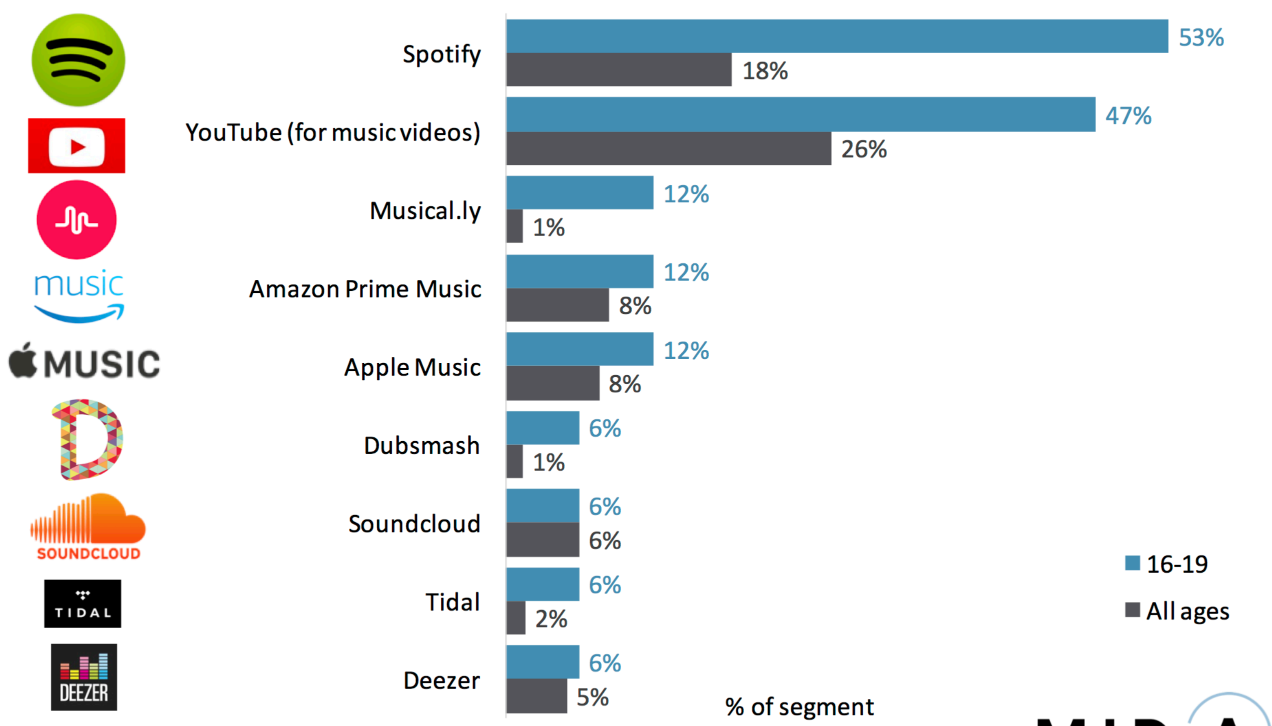
Deezer created two main playlists for the new channel in late October 2016: Godfathers of Grime and Instant Grime. The first, focuses on big names like Stormzy and Skepta. Instant Grime focuses on the biggest current grime tracks in the UK. It's Deezer's most popular Grime playlist and our second most popular playlist in the UK.

Deezer also launched a grassroots program, collaborating with grime artists and associates within the scene to create playlists, podcasts, interviews and videos, as well as album promotions. Deezer also brought grime into its Deezer Next initiative for emerging artists: grime star Lady Leshurr was one of them, and is now the fifth most popular grime artist on Deezer (6th most popular for Gen X, 5th most popular for Gen Y and Gen Z). Her streams increased by 107% in the first week after the release of her new EP.

Deezer also leveraged the popularity of featured artists to increase the popularity of the channel as fans shared news across their own socials. Performances and music releases also contributed to the general increase in popularity of the genre and subsequently the channel and playlists within. When Stormzy released the first single 'Big For Your Boots' from his debut album 'Gang Signs & Prayer' in February this year, there was a user ratio increase of 54% from the previous day and in one month a 330% increase. The biggest peak came after his performance with Ed Sheeran singing "Shape Of You" (Stormzy Remix) at the BRIT Awards.

Figure 8: Spotify And YouTube Dominate Music Behaviours Of UK Teens

Weekly Use Of Music Apps By UK Teens Compared To All Users Average, December 2016



Source: MIDiA Research Consumer Survey 12/16 (UK Only)

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53%

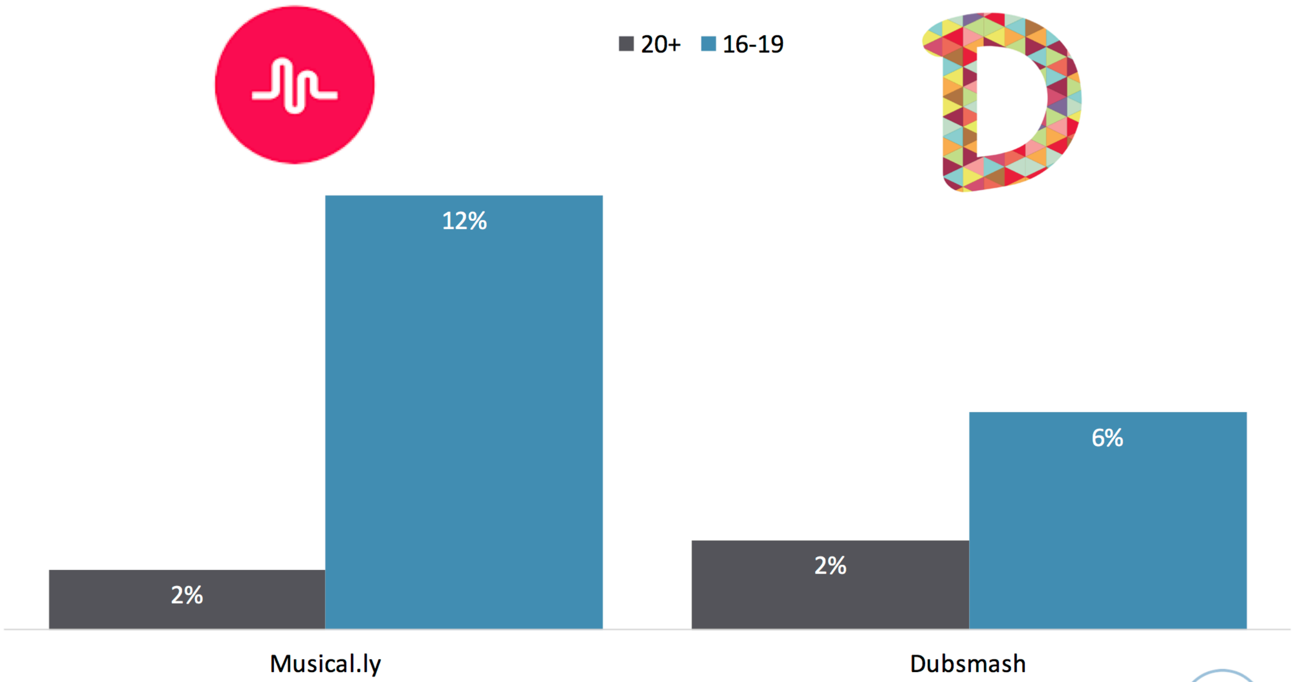
Spotify weekly use by UK teens

Applying the Weekly Active User (WAU) measure to Gen Z music consumption reveals some trends that are as important as they are intriguing. YouTube (for music video) finds itself in 2nd place for 16-19s, behind Spotify. This ranking is the inverse of that for overall consumers and points to one crucial factor: for much of Gen Z, YouTube is a place for relatively casual, infrequent music consumption while Spotify is the place for more engaged consumption. 53% penetration clearly appears high and may well over report to some degree, but this certainly appears to be evidence for Spotify being able to super serve the UK teen audience in a similar way that Snapchat does. Spotify appeals to music super fans among teens while YouTube caters to the more casual teen listener.

By contrast Amazon Prime Music and Apple Music both have just 12% penetration among 16-19s. Spotify's free tier clearly plays a massive role here but that fact that SoundCloud is just 6% penetration illustrates that it is more than just about free. Curation, brand and product all play their role in building appeal among Gen Z, again much in the way that Snapchat does.

Figure 9: Musical.ly And Dubsmash Are A Rare Breed: Music Apps That Play By Gen Z's Rules

Weekly Use Of Music Messaging Apps By UK Teens Compared To Over 20s, December 2016



Source: MIDiA Research Consumer Survey 12/16 (UK Only)

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Two apps that deserve particular attention are the music messaging apps Musical.ly and Dubsmash. These 2 apps are the leading examples of music messaging apps, apps that enable users, among other things, to upload short clips of them lip-synching or dancing to super short music clips. What makes this class of apps so interesting is that they are music apps that have pure Gen Z appeal (the majority of Musical.ly users are females under the age of 16). The success lies in having created an experience that plays to the existing digital behaviours of Gen Z. Rather than trying to repurpose a standard streaming subscription for them Musical.ly instead makes music the soundtrack to the digital peacocking behaviour that Instagram and Snapchat encourage. The fact that outcome (eg 15 second songs on continual loop) is so unlike other music consumption experiences illustrates the supreme importance of this kind of product innovation in further engaging Gen Z.

Their clear, laser-targeted appeal to teens is illustrated by the fact that just 2% of 20+ consumers in the UK use these apps compared to 12% of 16-19 year olds for Musical.ly and 6% for Dubsmash.

CASE STUDY: Musical.ly – The Ultimate Gen Z Music App

Musical.ly key stats

+200m worldwide users
15m daily uploaded Musical.lys
20% worldwide increase in downloads since July 2016
60m Musers in 42 countries in Europe
> 9.5m users in the UK and Ireland
+ 10% increase in new users from January 2017 to April 2017

Musical.ly styles itself variously as a “global video community”, “creative platform” and “entertainment social network”, has attracted more than 200m users worldwide in just three years and has helped to make stars of the likes of Baby Ariel (19.8m fans and counting), Jacob Sartorius (17.3m) and the UK’s Max & Harvey (4.08m). Its audience is very Gen Z – 64% of the app’s US users fall within the 13-24 demographic, according to Vice while 75% are female.

Musical.ly allows the user to record brief videos, which can be paired to songs and then uploaded to Musical.ly itself and other social media platforms. Lip syncing along to the song in question is probably the most common use, although many Musers (as the platform’s users are known) record comedy clips and dance routines – or even perform their own songs.

It is an approach that fits well with – and has even helped to fuel – the meme-friendly video marketing that has made huge hits of the likes of ‘Hotline Bling’, ‘Black Beatles’ and ‘Bad & Boujee’ over the last two years, which makes it little surprise that labels have been quick to embrace Musical.ly as a tool for music promotion and discovery.

The service has attracted the attentions of a host of mainstream music stars over the last 12 months, with Katy Perry, Ariana Grande and Wiz Khalifa among the many artists who have turned to the app for promotional purposes. Warner Music became the first major label to agree a licensing deal with Musical.ly in June 2016, while in February 2017 Apple announced an “integration” with Musical.ly that allowed Apple Music subscribers to stream full-length songs within the app thereby creating a more direct conversion route into streams and sales.

Musical.ly offers opportunities for both established and newer artists in terms of partnerships with label marketers citing tremendous levels of engagement from the app. And while pop is clearly the dominant genre, the top 20 global songs often includes hip-hop, R&B, Latin, dance and rock alongside pop.

There are limitations – notably the brief length of videos (up to one minute) and the inability for Musers to directly monetise their work on the platform. But the launch of sister platform Live.ly in July 2016 may help to address these. Live.ly allows users to stream live video for up to 20 minutes which can be rewarded for their efforts thanks to a system of virtual gifts. The new app has already made quite an impression on Musical.ly users, racing past 2m downloads in just a few weeks, while Max and Harvey attracted 50,000 viewers as they filmed themselves wandering around Alton Towers last summer.

The key to success for music companies seeking to partner with Musical.ly lies in using the platform in the right way. Jacob Sartorius is a particular case in point, releasing an Official Dance Video version of his latest video which helped drive Musical.ly videos of the dance and creating a virtuous cycle between YouTube and Musical.ly.

As for Musical.ly itself, the site has already succeeded in combining the worlds of entertainment and social media to amass a huge youthful audience, but to avoid becoming another MySpace or Vine, the site will need to maintain its pace of constant evolution.

This is an abridged version of an article published by Music Ally in its Sandbox Report of 21st June 2016. For more information and a free trial subscription go to www.MusicAlly.com

Conclusions: Expect The Unexpected

The behaviours and attitudes of Gen Z can look both exhilarating and challenging to music companies. These are young music fans that need winning over and engaging. They are simultaneously in more digital places than any other generation but have so many demands on their time that they will simply not tolerate anything that they may perceive to just not be worth their time. But the intense levels of digital behaviour also mean that they can be some of the most engaged music fans in the digital arena:

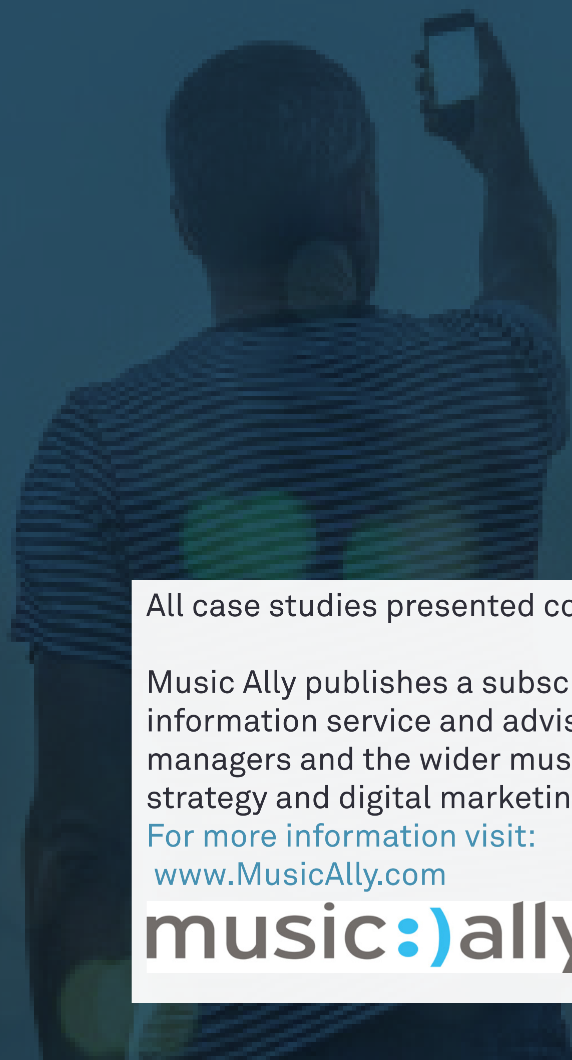
- **Gen Z are the most tech savvy generation yet:** With the Millennial feedback loop accelerating the rate of innovation, Gen Z are not only the most tech savvy generation yet, they are becoming more so with every passing month. Comfortable with managing multiple social footprints, communicating across multiple platforms and engaging in massively social digital experiences, Gen Z's expectations are as high as their behaviour is sophisticated. Authenticity, relevance, shareability and context are key. They are growing up in an environment of content abundance so they not only can be discerning, they have to be.

> The music industry needs more creative start ups to come up with other massively social experiences that can lend themselves to music use cases.

- **YouTube is central:** YouTube is a phenomenally important platform across all age groups, but for Gen Z it is quite simply irreplaceable. It is a video destination, a music app, a social platform and educational resource all rolled into one. YouTube's relevance and importance to Gen Z cannot be exaggerated. At some stage the odds are that YouTube will progressively lose appeal among younger audiences in the way that Facebook did. But that is not happening yet.
- **Music matters to Gen Z but it faces stiff competition:** Gen Z have more competing demands on their time and attention than any previous generation, which means music faces unprecedented competition. The concept of the attention economy has been with us for some time, but for Gen Z it is quite simply how they frame digital life. With so much content being thrown at them from friends, brands, streaming services etc they have to be selective in what they engage with and how much time they spend with it. If you want to Gen Z's attention your message has to be punchy, authentic and contextually relevant to their digital surroundings. This means not only making the content or marketing message fit the platform, it also means

understanding the context in which it will be consumed and how to make it fit that. Gen Z has an excess of choice, so you rarely get a 2nd shot. Nail it first time or not at all.

- **Music companies need to find new ways to build artist-centric experiences:** Whether these are delivered in dedicated apps, in streaming services or via messaging apps almost doesn't matter. What does, is that these experiences give Gen Z a compelling reason to spend time with an artist and their content (which will include music but will not necessarily be exclusively music). The album won't disappear any time soon because older audiences still get the concept, but Gen Z has not adopted it. Now is the time to start using Gen Z as the beta testers for new ways to engage fans around an artist's music.
- **Don't try to make Gen Z fit your rules:** Apps like Snapchat, Instagram and Musical.ly work because they do not play by established rules, neither the rules of digital immigrants nor even those of older Millennials. So far Musical.ly and, to a lesser degree Dubsmash, are the only new music apps that have truly moved the dial for Gen Z, by not playing by the streaming music rule book. There is an opportunity now for music companies to develop a creative developer platform where new emerging apps can get access to small, pre-cleared pools of content to build public betas, generate audience and data and then work with labels to hone the rights model once the concept has been tested at some meaningful scale. Think of its as an industry wide music tech accelerator with rights and investment at its core. BPI's Innovation Hub is an excellent first step in this direction.
- **Music matters most to Gen Z when it has context:** Musical.ly works for many of the same reasons Instagram and Snapchat do. It recognizes Gen Z's need to share, connect and express, to drive personal metrics and forge a digital, social identity. Musical.ly is not a music app. It is a social video app that has built a use case around music. The music industry needs more creative start ups to come up with other massively social experiences that can lend themselves to music use cases. Then it needs to support them to the hilt. Even if Gen Z eventually grows out of many of these behaviours, the next new generation will be waiting in the wings.



Thanks for reading

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All case studies presented courtesy of Music Ally.

Music Ally publishes a subscription business information service and advises and trains labels, managers and the wider music industry on digital strategy and digital marketing.
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