



Lyrics Take Centre Stage In Streaming Music

A MIDiA Research White Paper
Prepared For LyricFind

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December 2017

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The 20,000 Foot View

Streaming has driven many fundamental changes in music consumption and music fan behaviour, shifting listening from a static, linear activity to one that has consumers leaning forward, looking for more context to their favourite music. Lyrics, now firmly established as a central behaviour of streaming music consumers, have been one of the big winners. In this report commissioned by LyricFind and written and researched by MIDiA Research, we present the findings of an exclusive consumer survey fielded in November 2017 to consumers in the US, UK and Germany.

Key findings

- Streaming is now the second most popular music activity (43% of all consumers), making up ground on radio (63%) fast
- 15% of surveyed consumers are music streaming subscribers
- Spotify has the largest weekly active user base of all audio streaming services (20%), with Amazon and Apple Music in joint second with 12%
- 88% of streaming music subscribers look for lyrics
- 81% of lyrics users look for lyrics because they want to know the words
- The average age of lyrics users is 31, while 60% of consumers that do not use lyrics are aged 55 and over
- The longer consumers have been music subscribers, the more likely they are to use lyrics
- 91% of subscribers with three years or more tenure use lyrics
- Lyrics penetration among churned out subscribers averages just 60%
- The longer that consumers have been subscribed to a music service, the more likely they are to use the streaming service's lyrics features
- Lyrics are considered central to the song for 61% of streaming lyrics users
- 55% of streaming lyrics users say they are more likely to pay for a streaming service that 'has great lyrics features'
- Lyrics features will become an increasingly important differentiation point for streaming services as competition intensifies in 2018

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.

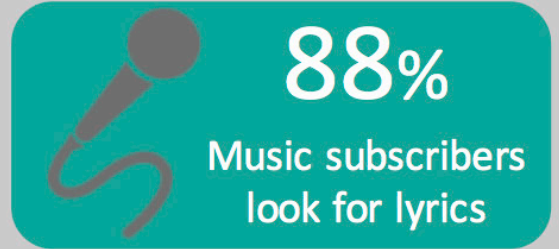
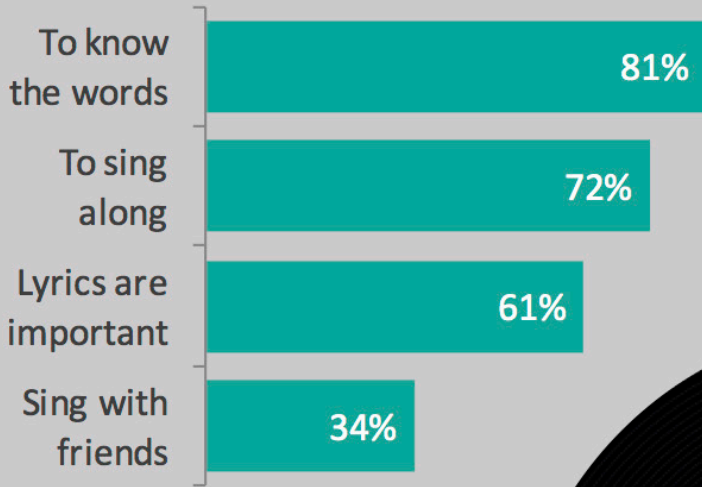
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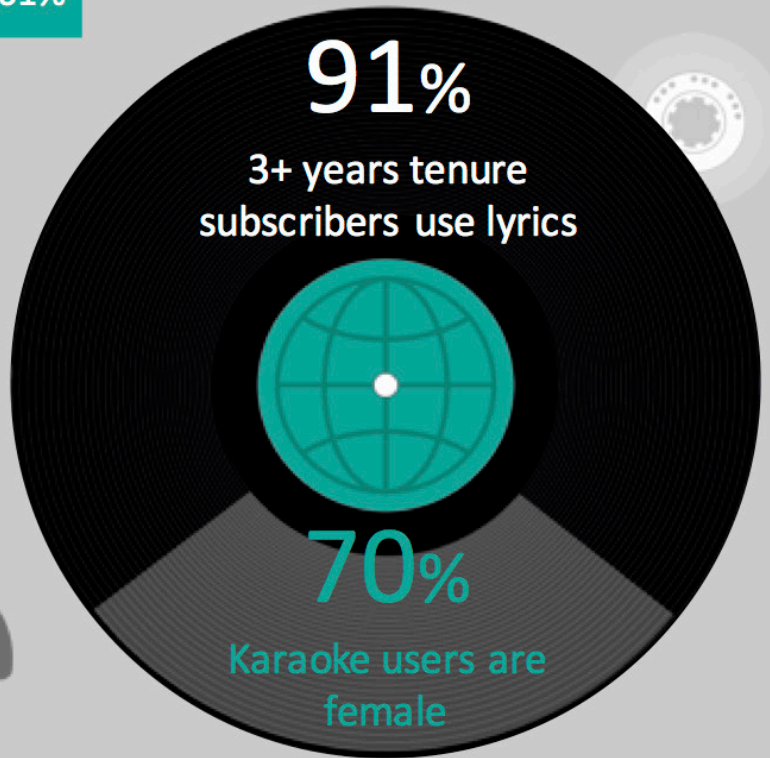
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THE ROLE OF LYRICS IN STREAMING

WHY LYRICS USERS GET LYRICS



56%
Subscribers want lyrics in time with song



31

Average age of streaming lyrics users



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19-24s

Most likely to want new lyrics features on streaming services



25-34s

Most likely to switch streaming service because of lyrics

SOURCE: MIDIA RESEARCH / LYRICFIND

Streaming music has put the audience in control, letting music fans choose what, when and where they listen. One of the most dramatic changes that streaming has enabled is the expansion of music from a lean-back, linear experience into something far more engaging and interactive. Now fans lean forward to choose the songs they want, build playlists, comment and share. Lyrics are centre stage in this shift, transforming from static-print-hidden-away-inside-album-sleeve notes, to a dynamic extension of the music itself.

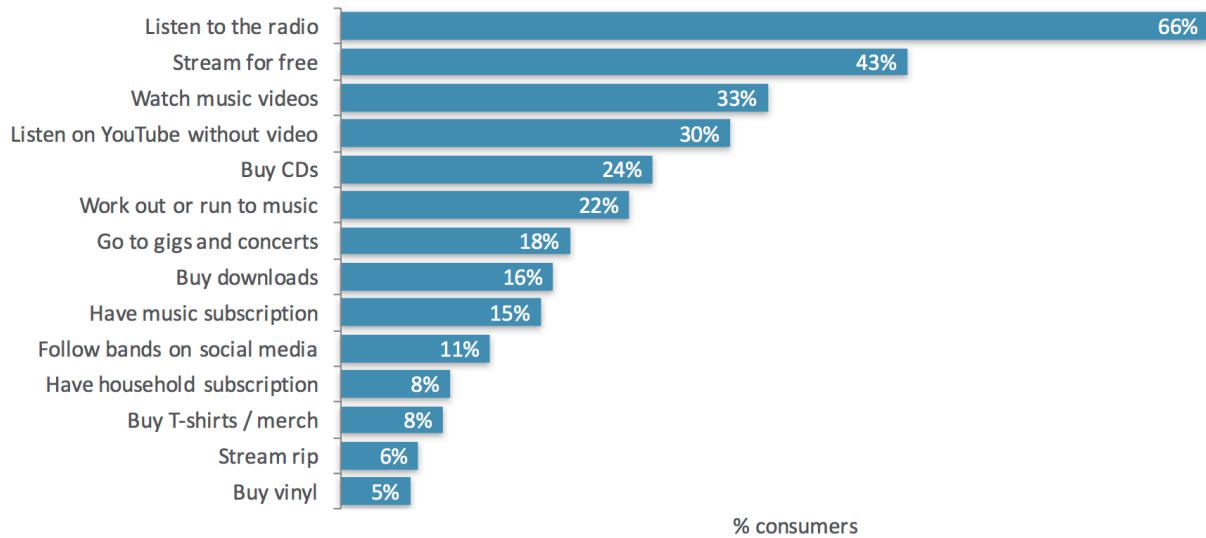
Lyrics permeate the streaming music ecosystem, from websites, through YouTube and Vevo to the streaming services themselves.

Whereas lyrics in the analogue era used to be domain of music aficionados, in the streaming era they are a mainstream behaviour for audiences as diverse as they are widespread. The motivations are similarly varied, with the most cited being to know the words (81%) followed by being able to sing along (72%). Streaming services consumers are particularly active users of lyrics, with penetration rising to 88% among those who are music subscribers. What is more, there is a strong link between lyrics and subscriber loyalty among 91% of all music subscribers who have been using lyrics for more than three years.

Nonetheless, many lyrics users want more out of their lyrics experiences, with 56% of subscribers wanting lyrics to be in time with songs. Younger users, in particular, are raising their expectations, with 16-24s the most likely to want new lyrics features.

Figure 2: Though Radio Still Dominates, Free Streaming Is Making Up Serious Ground In Music Consumption

Key Music Behaviours Of All Consumers, October 2017, US, UK and Germany



Source: MIDiA Research / LyricFind Consumer Survey (10/17) US, UK and Germany n = 2,250

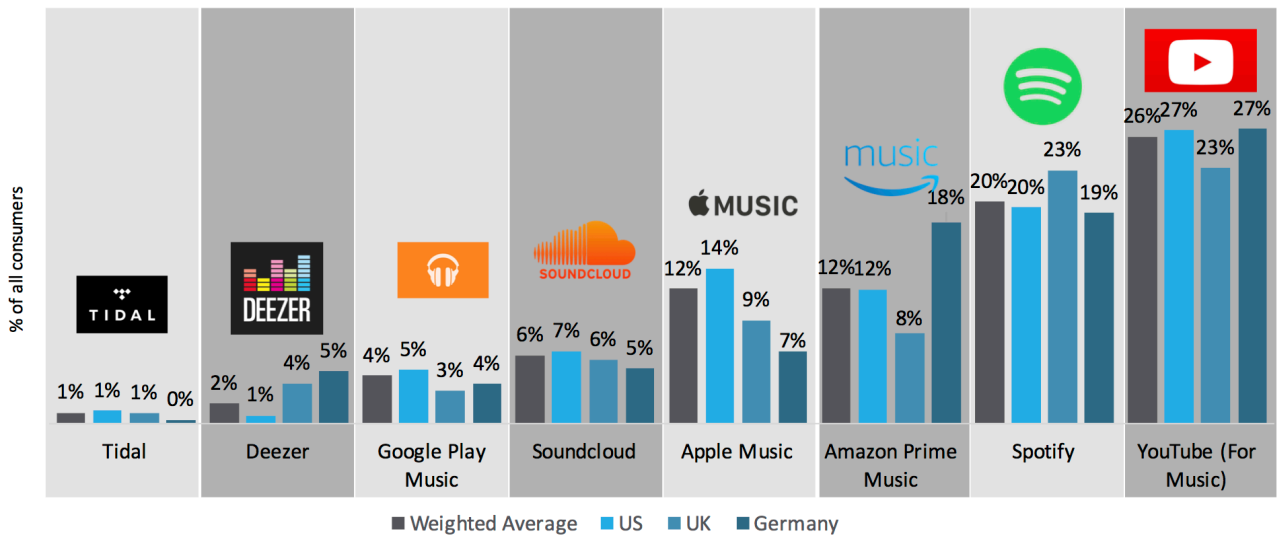


Music consumption is in the midst of a transition period, with streaming rapidly ascending to become the dominant format. As with any transition, the old world coexists with the new due to old habits dying hard and older groups of consumers changing behaviours slower. Thus, we see radio (66%) and free streaming (43%) as the two dominant forms of music consumption. Crucially, a strong overlap exists between the two, with 72% of streamers listening to radio and 47% of radio audiences streaming. This indicates: a) that the transition will pick up pace, as nearly half of radio listeners are already swapping out some of their radio listening time for streaming; and b) that there currently remains enough that is different between radio and streaming for the two to co-exist.

The biggest takeaway however, is that streaming has a massive amount of growth potential ahead of it.

Subscriptions are gaining momentum too, with 15% of surveyed consumers reporting that they are music subscribers. The core demographic for subscriptions are 25-34 year olds, representing 57% of all music subscribers and indicating how much growth remains to be tapped into among older demographics (who also happen to be core radio listeners).

Figure 3: Beyond The Leading Four Players, Streaming Audiences Are Fragmented
Weekly Active Users Of Streaming Music Apps, October 2017, US, UK and Germany



Source: MIDiA Research / LyricFind Consumer Survey (10/17) US, UK and Germany n = 2,250

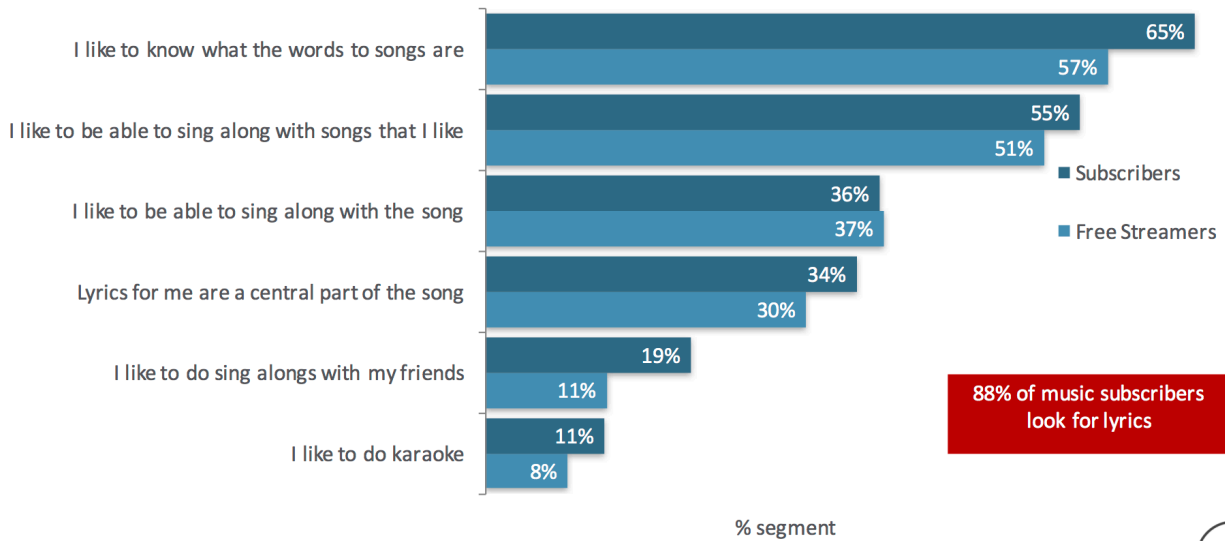
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2017 was characterised by an arms race in streaming metrics, with leading players announcing a steady flow of subscriber counts. However, subscriber numbers only tell part of the story. Active usage provides a more direct measure of how well a streaming service is engaging its user base. Although YouTube continues to dominate streaming behaviour in terms of weekly active users (WAUs) for music, its growth is slowing in mature markets as a music platform. Spotify is a close second with an average of 20% penetration, but is actually equal pegging with YouTube for music in the UK on 23%. Amazon and Apple Music both have a weighted average of 12% penetration but with very different country trends: Amazon is almost level with Spotify in Germany with 18%, while Apple leads Amazon in the US with 14%.

Beyond the leading players, WAU penetration is relatively evenly distributed among the other services. However, a notable trend is Deezer's relatively high penetration rate for Germany. Germany is going to be one of Europe's most important streaming markets in 2018, with a market dominated by CD sales swiftly transitioning to streaming and players such as Amazon and Deezer establishing strong subscriber bases.

Figure 4: Streaming Music Users Strongly Over Index As Lyrics Users, Subscribers Especially

Key Consumer Lyrics Activity By Segment, October 2017, US, UK and Germany



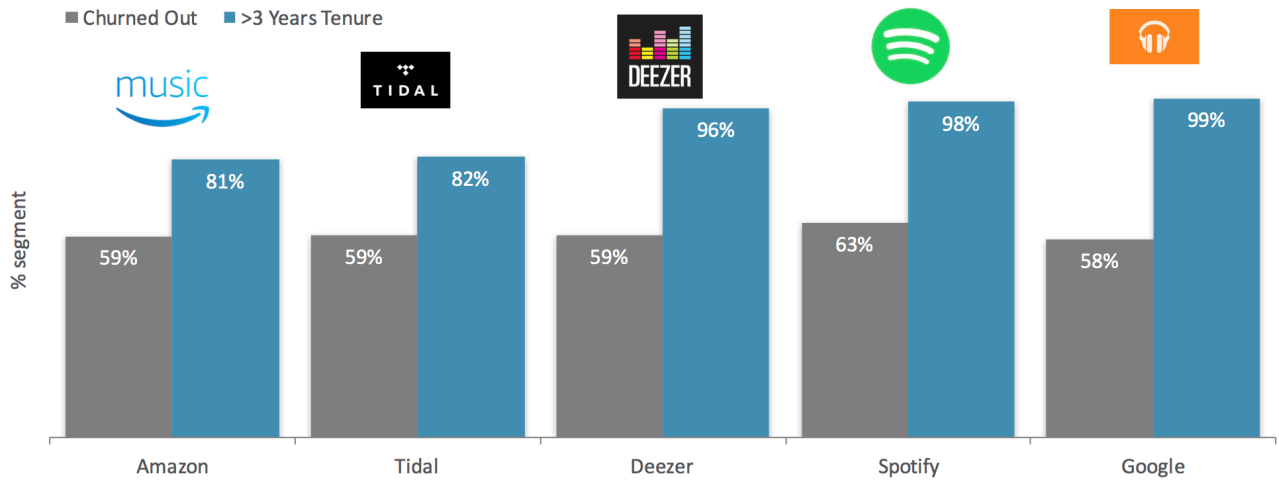
Source: MIDiA Research / LyricFind Consumer Survey (10/17) US, UK and Germany n = 2,250

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Lyrics are at the centre of the streaming music experiences: 79% of all music streamers use lyrics, rising to a comprehensive 88% of music subscribers. Wanting to know the words to songs is the main driver, with 65% of music subscribers stating this as their reason for using lyrics. Next, 55% of subscribers and 51% of free streamers said they wanted to be able to sing along with their favourite song. More social activities like singing with friends and karaoke score relatively lowly, indicating that lyrics are a very personal and integral part of how music fans interact with music.

Broadly speaking, free streamers and music subscribers show a similar level of interest in lyrics and have largely similar preferences. It is fair to say that lyrics and music streaming go hand in hand, especially for younger music fans. In fact, 60% of consumers that do not use lyrics are aged 55 and over. Given that most people of this age are more likely to be less engaged with music, the picture that emerges is one of most music fans using lyrics in some form or another.

Figure 5: Lyrics Are Wanted Most By Streaming's Most Valuable Consumers
Share Of Streaming Users By Service With Less Than Three Years Tenure And That Churned Out That Seek out Lyrics, October 2017, US, UK and Germany



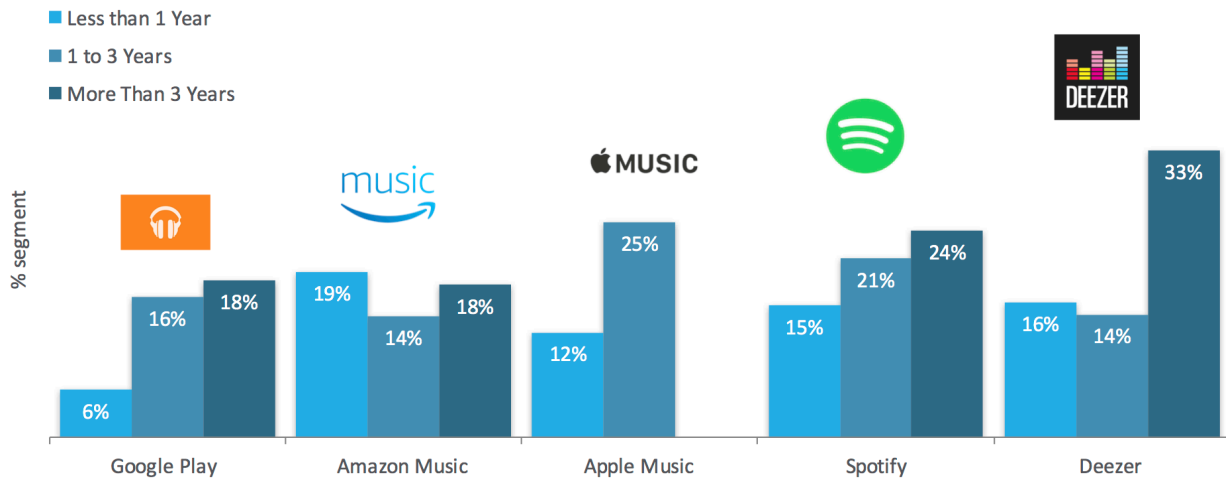
Source: MIDiA Research / LyricFind Consumer Survey (10/17) US, UK and Germany n = 2,250

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Lyrics have a clear correlation with music subscriber tenure and with churn. The longer that consumers have been music subscribers, the more likely they are to use lyrics, while consumers that have cancelled their subscriptions are much less likely to use lyrics. Across Deezer, Spotify and Google Play, an average of 98% of subscribers with three+ years tenure use lyrics. This contrasts with lyrics penetration among churned out subscribers, with an average of just 60% across the same three streaming services.

Once again, the picture that emerges is that the more engaged music fans are, the more likely they are to be lyrics users. Thus, the inference is the more that a streaming service can engage its subscribers with lyrics, the more likely it is to meet their needs and improve its chances of retaining them as subscribers.

Figure 6: Tenured Streaming Subscribers Most Likely To Use Streaming Lyrics Features
Streaming Lyrics Users By Years Spent With Streaming Service October 2017, US, UK and Germany



Source: MIDiA Research / LyricFind Consumer Survey (10/17) US, UK and Germany n = 2,250

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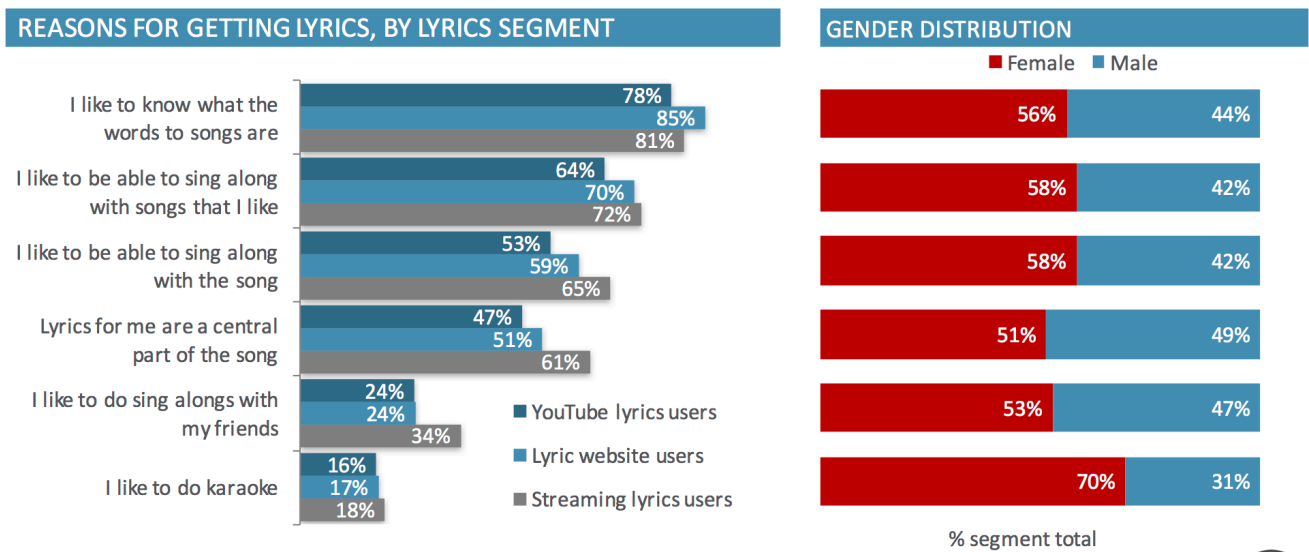
In a similar vein to lyrics use overall, there is a strong correlation between how long people have been subscribed to music services and how likely they are to use the lyrics features of streaming music services. To be clear, this refers to the lyrics features that streaming services have as part of the platform, not other sources such as YouTube or lyrics sites. As a general trend, the longer a consumer has been subscribed to a music service, the more likely that consumer is to use streaming lyrics features:

- **Spotify:** For Spotify subscribers there is a very clear and steady progression from 15% of subscribers with one year or less tenure using lyrics, to 21% of subscribers with one to two-year tenure, to 24% of those with three+ years.
- **Deezer:** For Deezer there is little difference between those who have subscribed to music streaming for less than one year and one to two-years subscribers, but there is a dramatic 34% jump for three+ years music subscribers that use streaming lyrics (the highest from all the subscriber tenure segments).
- **Apple Music:** Though Apple Music has not been in market long enough to have three+ year patrons the early indications are that this group will have a particularly strong lyrics focus, with the one to two-year segment more than doubling the <1 year group, to reach 25% penetration in streaming lyrics use.

As strong as the lyrics and subscriber correlation might be, there is also a degree of untapped opportunity here. 88% of music subscribers use lyrics in some form or another, but only a minority of the most tenured of them use the streaming features provided by streaming services, even though they are more likely than less tenured subscribers to use them. Thus, most streaming subscribers want lyrics but end up getting them somewhere else other than the music service they subscribe to. Therefore, with the right product and feature innovation, streaming music services have a major opportunity to harness more of the current lyrics appetite among their respective subscriber bases.

Figure 7: Lyrics Users Have Diverse Reasons For Wanting To Get Lyrics

Key Reasons For Getting Lyrics By Lyrics Segment, October 2017, US, UK and Germany



Source: MIDiA Research / LyricFind Consumer Survey (10/17) US, UK and Germany n = 2,250

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Users of streaming services' lyrics features are some of the most engaged lyrics consumers and unsurprisingly, strongly over index for lyrics-related attitudes:

- Lyrics are central to the song:** Where streaming lyrics users differ most from other lyrics users is in their belief that lyrics are a central part of the song (61% compared to 51% for lyrics website users and 53% for YouTube lyrics users).
- Strong female adoption:** The fact that 51% of these consumers are female indicates that this is not a group of male-dominated music super fans, but instead a representative of music fans as a whole. Across the board, lyrics users skew female, though in most cases only slightly so. This is significant because paid subscriptions are moving away from an initial male-skewed user base, to a more even gender spread as more females subscribe. Karaoke is the only sector in which females truly dominate, with 70% of the total.
- Lyrics are a loyalty driver:** The importance of lyrics features is further underscored by the fact that 55% of streaming lyrics users say they are more likely to pay for a streaming service that 'has great lyrics features'. For music subscribers overall, the rate is 43%, rising to 48% of Deezer users and 52% of Tidal users.
- Strong demand for new features:** Streaming lyrics users want more from their streaming music providers. 68% want lyrics playing in time with the song, 67% want artist images next to the lyrics while 69% want lyrics videos.

Conclusions

2017 was a year of continued stellar growth for streaming music and 2018 looks set to deliver yet more strong growth. However, the market is approaching maturity in many larger markets and streaming services will find themselves spending an increasing amount of time fending off competition for their existing subscribers. As most music subscription services are fundamentally similar (same catalogue, same pricing, same device support), features will become more important for differentiation and customer retention. Spotify has made a strong initial play around playlists, but competitors like Deezer and Apple are making up ground fast. If playlists were the streaming battle ground for 2017, added value features such as lyrics and video could become similarly important in 2018.

Streaming has broken music listening out of the constraints of static, linear environments and, in doing so, has massively increased the importance of previously ancillary behaviours such as video, social sharing and lyrics. In the analogue era, lyrics were hidden away inside album covers with liner notes for super fans and anxious teenagers. Now, they have been propelled to centre stage, they're a core component of streaming music behaviour. Most streaming services have ticked the lyrics box; over the coming years they will need to innovate to ensure their feature sets place the same level of importance on lyrics that their users do.

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