

# Successful Streaming Audio Strategies

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2010

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## INTRODUCTION

Audio streaming—defined as listening to an online channel or radio station that streams audio content over the Internet or a wireless network—has emerged as a growing new entertainment source. An estimated 43 million Americans, one in six of us, listens to some form of audio stream at least once each week. As the number of households with broadband connections increases along with the proliferation of smartphones and other Internet-connected devices as well as jobs requiring more and more time in front of a computer, streaming usage is likely to increase.

From the consumer's perspective, streaming offers a new form of "radio" delivered through their computer, mobile phone, iPad or other Internet-connected device. These streams are supplied by a variety of producers, including traditional broadcasters extending the delivery of their "over the air" signals to Internet streams, "Internet Only" producers creating content solely for streaming distribution, and satellite radio providing streams of their satellite channels to paid subscribers.

Delivery of "radio" by this new means, in all its varieties—music, talk and entertainment—stands poised to expand over the next decade. The format of that content, however, will certainly evolve to meet the demands of these consumers, taking advantage of the capabilities of this new delivery mechanism and the context in which these streams are enjoyed. Clearly, new streaming radio brands will emerge as winners in this arena, while others will decline in relevance.

As media researchers with great interest in the viability of both traditional "over the air" broadcasting as well as new media, Coleman Insights strives to provide the media and entertainment community with a deeper understanding of this new market. With this purpose in mind, we present this study.

## GOALS OF THIS STUDY

We set out to understand consumer motivations for audio streaming by designing a series of studies to analyze the development of brands in this new entertainment category. We recognize that there has been a good deal published on streaming usage data and how this new media is being consumed. Thus we wanted to go beyond usage patterns and explore why consumers turn to this form of entertainment, what aspects of these services they genuinely value, and perhaps most importantly, whether sustainable brands are emerging.

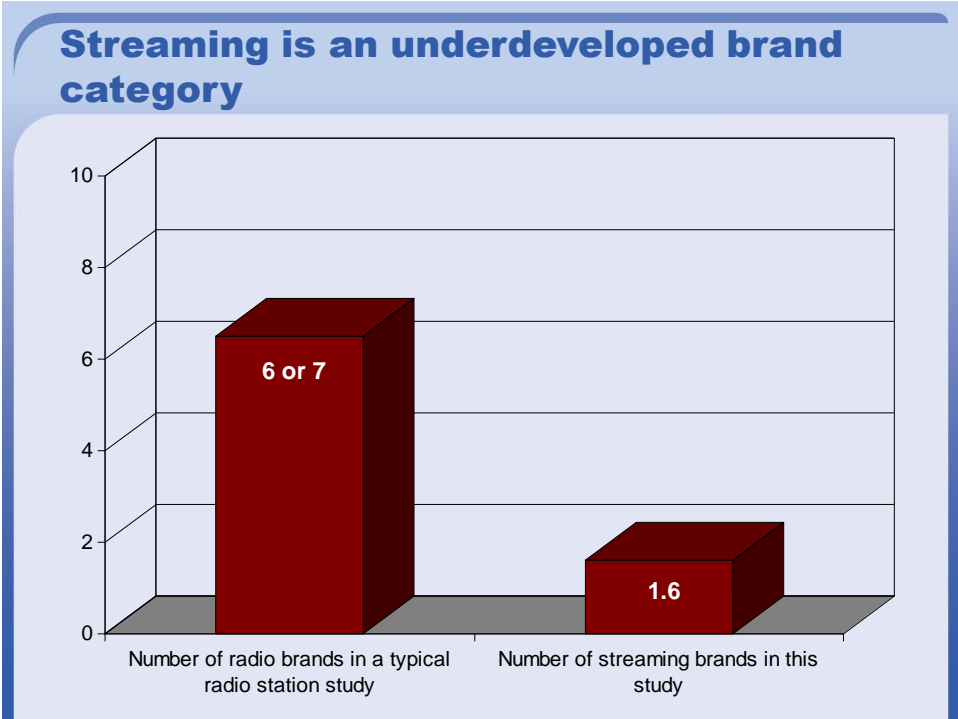
Traditional radio broadcasters have devoted a good deal of their promotional resources to directing listeners to their online streams and smartphone applications. We sought to understand whether existing broadcasters have embarked on effective strategies for finding and maintaining audiences in this new form of distribution.

At the same time, Pandora has clearly grown over the past few years and become a press darling. We question whether this attention is well-earned or gives this Internet radio brand more credit than it deserves. We wanted to assess its brand strength and determine whether there are other strong brands in this segment, or potential brand positions to be captured.

We also wanted to understand the role “over the air” broadcast signals play in the lives of these streaming consumers. Is streaming an extension of the over the air brand experience, or competition? Are consumers choosing streaming out of dissatisfaction with over the air broadcasts, or for other motivations? Do the same product attributes drive interest in streams as over the air radio?

### KEY FINDING: STREAMING IS AN UNDER-DEVELOPED BRAND CATEGORY

On average, streaming consumers have top-of-mind awareness of fewer than two streaming brands, suggesting that a brand “category” has not yet emerged. In their seminal marketing book “Positioning: The Battle for the Mind,” Ries & Trout argue that in any important brand category consumers can name up to seven brands. In a typical radio study at Coleman Insights we find consumers can name six to seven local radio stations. In contrast, streaming radio users struggle to name more than one or two brands.



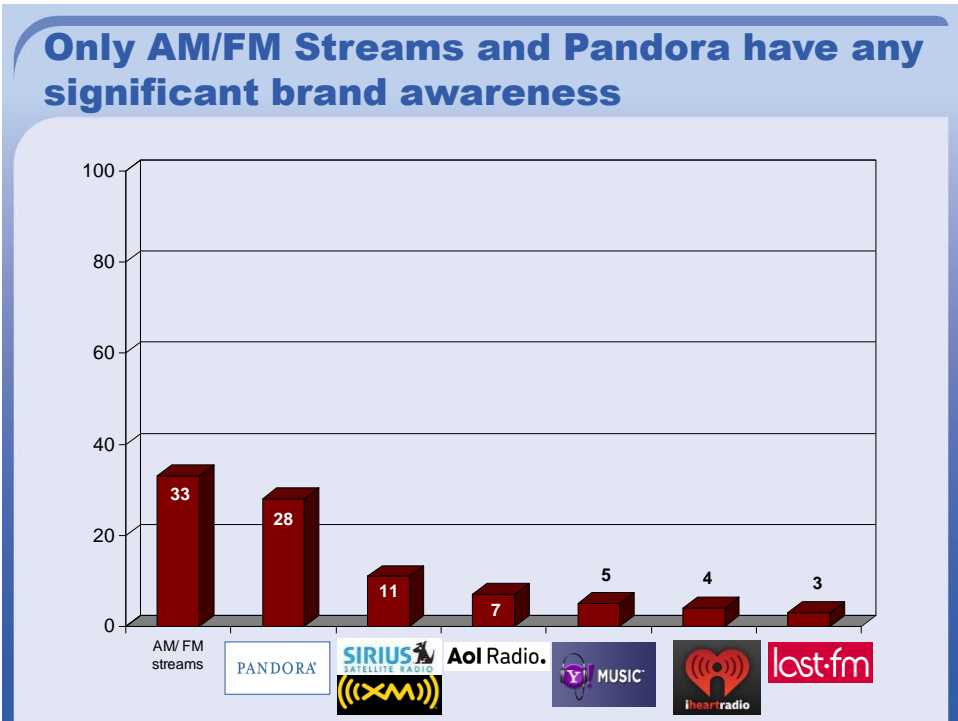
In our two national surveys, streaming consumers called to mind on average only 1.6 streaming brands. It should be emphasized that this low level of brand awareness is among the 17% of consumers who are already streaming at least five minutes each week. Awareness would

clearly be substantially lower among all consumers, 83% of whom are not yet streaming on any regular basis.

This says that a brand category has not yet formed. Perhaps more importantly, it should send a loud message to streaming providers that they are not developing lasting brands.

### KEY FINDING: ONLY AM/FM STREAMS AND PANDORA HAVE ANY MEANINGFUL LEVEL OF BRAND AWARENESS

Consumers are most aware of AM/FM streams, when we view those individual station streams in the aggregate; 33% of streaming consumers are aware of an AM/FM stream. Pandora is the only individual brand that a meaningful number of these consumers can call to mind: 28% of streaming audio users have top-of-mind awareness of Pandora.



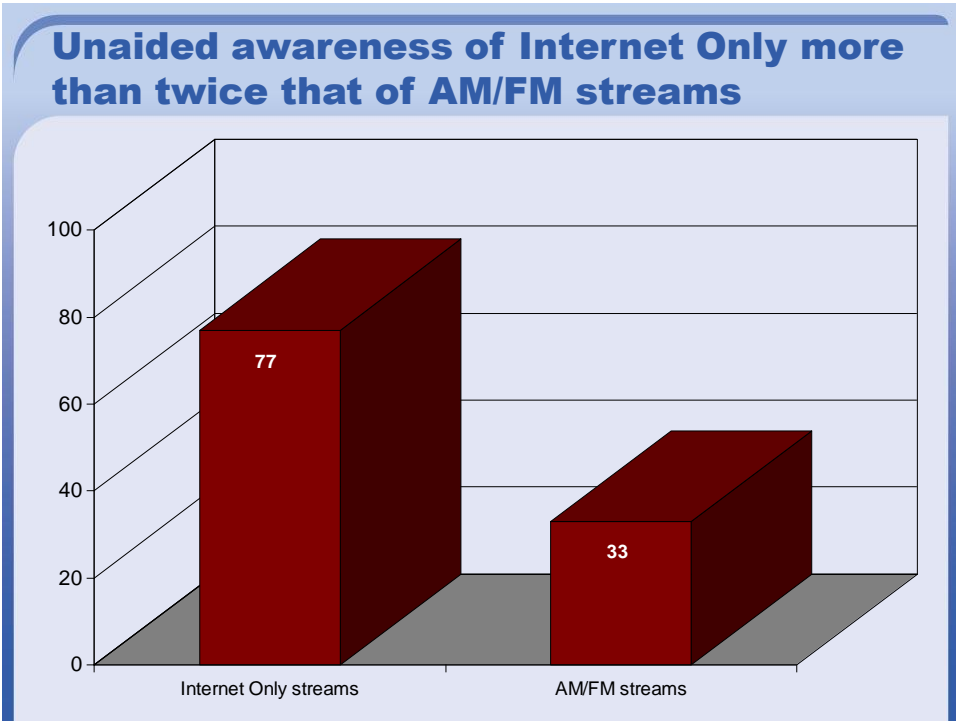
Only one other brand has more than 10% awareness, and that is for the streams of satellite radio service Sirius XM.

The remaining streaming brands are dwarfed by Pandora, including AOL Radio at 7% awareness, Yahoo! Music Radio (Launchcast) at 5%, iHeartRadio at 4% and Last FM at 3%.

### KEY FINDING: UNAIDED AWARENESS OF INTERNET ONLY STREAMS MORE THAN TWICE THAT OF AM/FM STREAMS

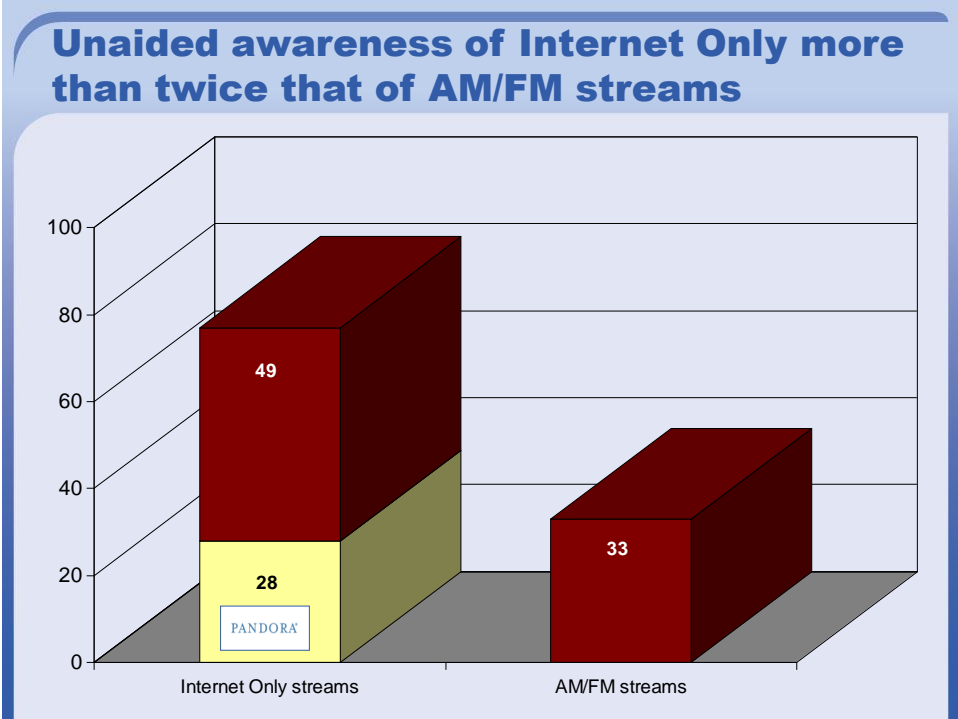
In our discussion to this point, we have aggregated AM/FM streams, but have not done so with other sources of streaming audio. These other categories include Internet Only, Satellite Radio, and Hybrids, the latter of which covering services like AOL Radio that offer both streams of AM/FM radio stations and Internet Only channels. A different picture emerges when we aggregate the individual brands in all of the categories.

Specifically, the Internet Only category looks much stronger in this aggregate view. Seventy-seven percent (77%) of streaming consumers are aware of at least one of these Internet Only brands.



Awareness of Internet Only streams is more than twice that of AM/FM streams, which only 33% of consumers are aware of on an unaided basis.

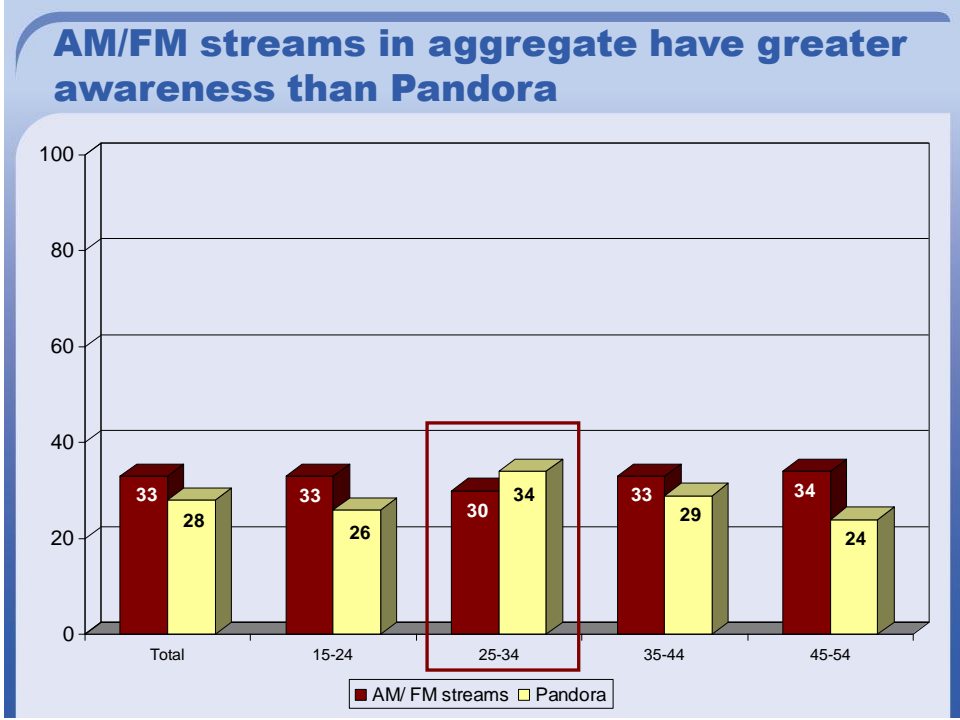
Not surprisingly, Pandora accounts for about a third of the awareness of the Internet Only category.



And as we discussed earlier, 28% of streaming consumers are aware of that brand. Fewer consumers are aware of Pandora than AM/FM streams, but only by a five-point margin.

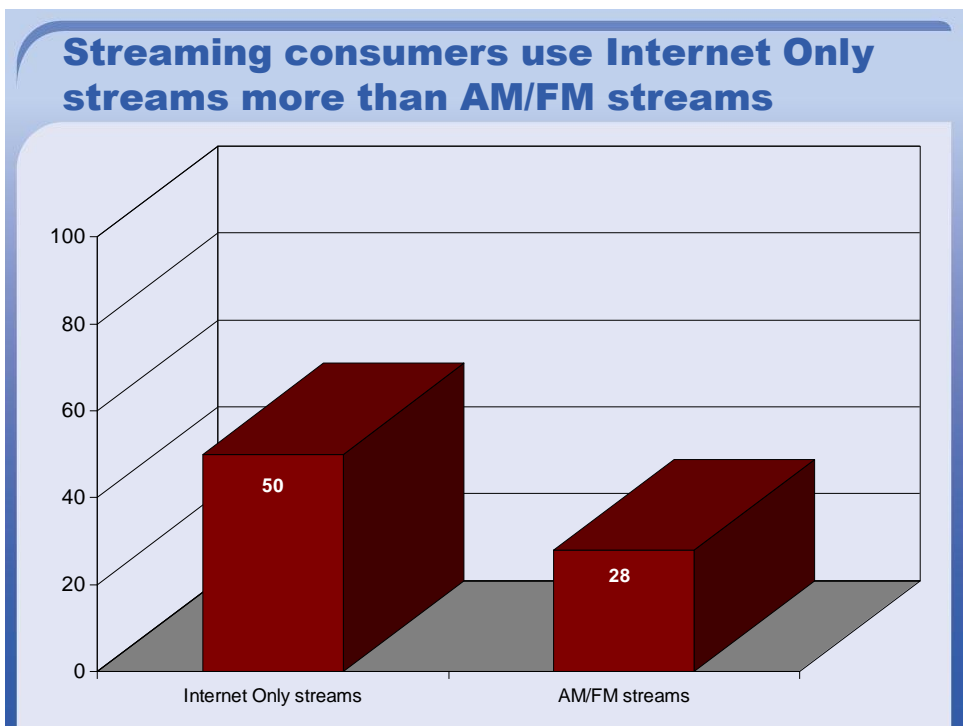


We also find that unaided awareness of streaming audio brands varies by age. While AM/FM streams have higher awareness overall, and among most age groups, among 25- to 34-year-olds Pandora enjoys marginally higher awareness. This is the sweet spot for Pandora.

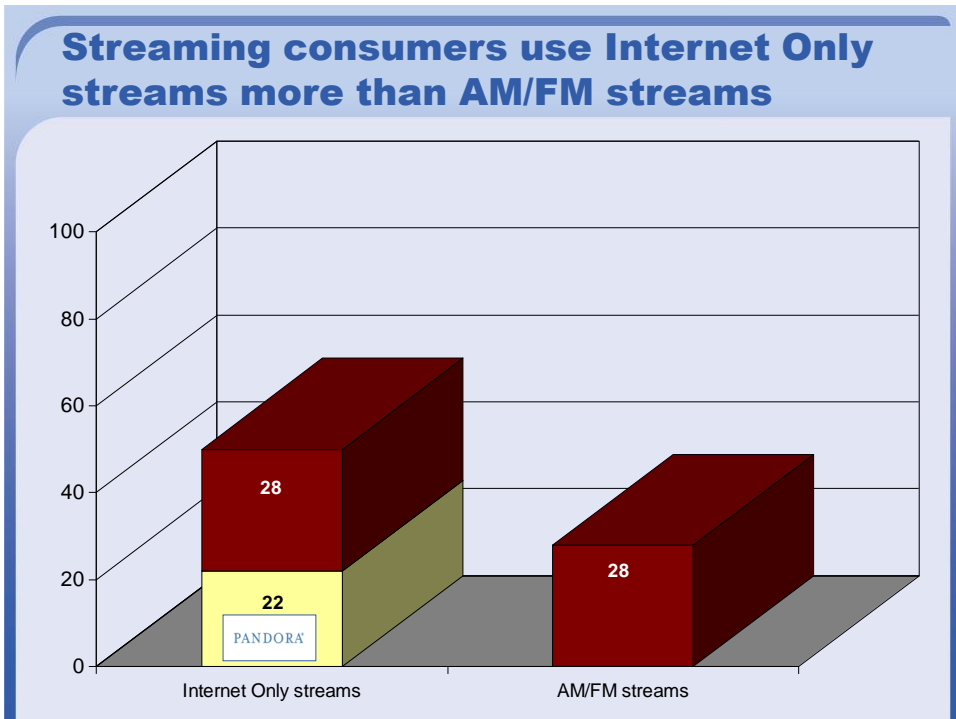


### KEY FINDING: STREAMING CONSUMERS USE INTERNET ONLY STREAMS IN TOTAL MORE THAN AM/FM STREAMS

Turning our attention to the second element of a brand, regular usage, we see a similar pattern: Internet Only brands in the aggregate considerably outpace AM/FM streams in terms of usage. Specifically, 50% of streaming consumers use an Internet Only brand, whereas only 28% of them listen to AM/FM streams.



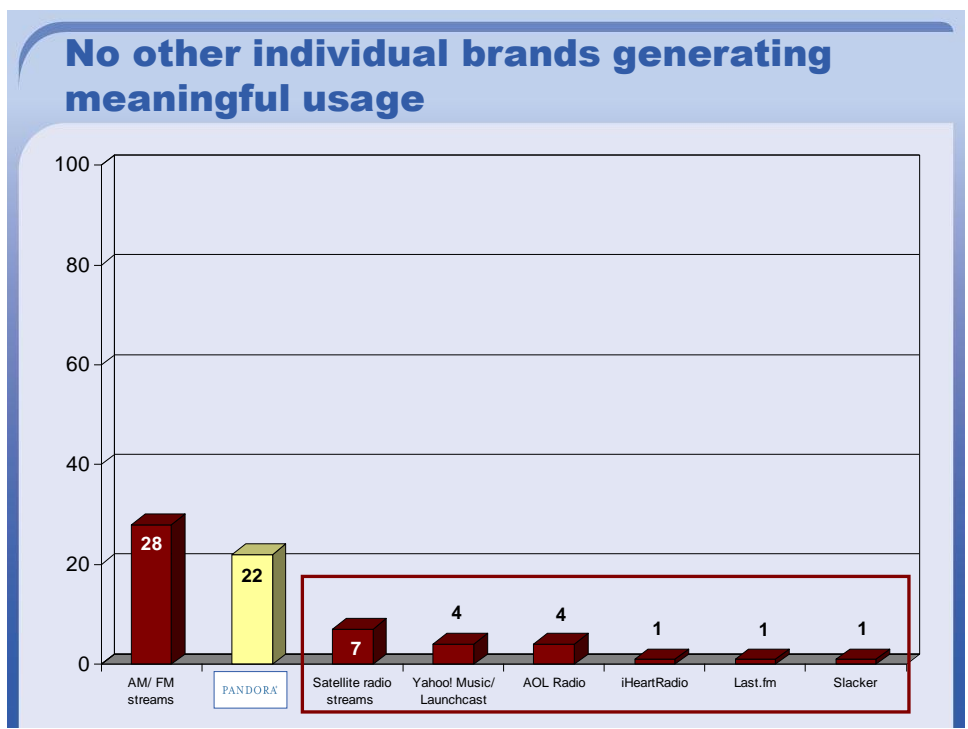
With 22% of all streaming consumers reporting using it, Pandora accounts for almost half of the regular usage of Internet Only streams.



## KEY FINDING: AM/FM STREAM USAGE STILL HIGHER THAN PANDORA

When we compare the regular usage of all AM/FM streams to the individual Internet Only brand Pandora, we see that AM/FM stream usage is higher than Pandora usage, by a margin of 28% to 22%.

Beyond Pandora, no individual brand achieves what we can consider a significant usage level.

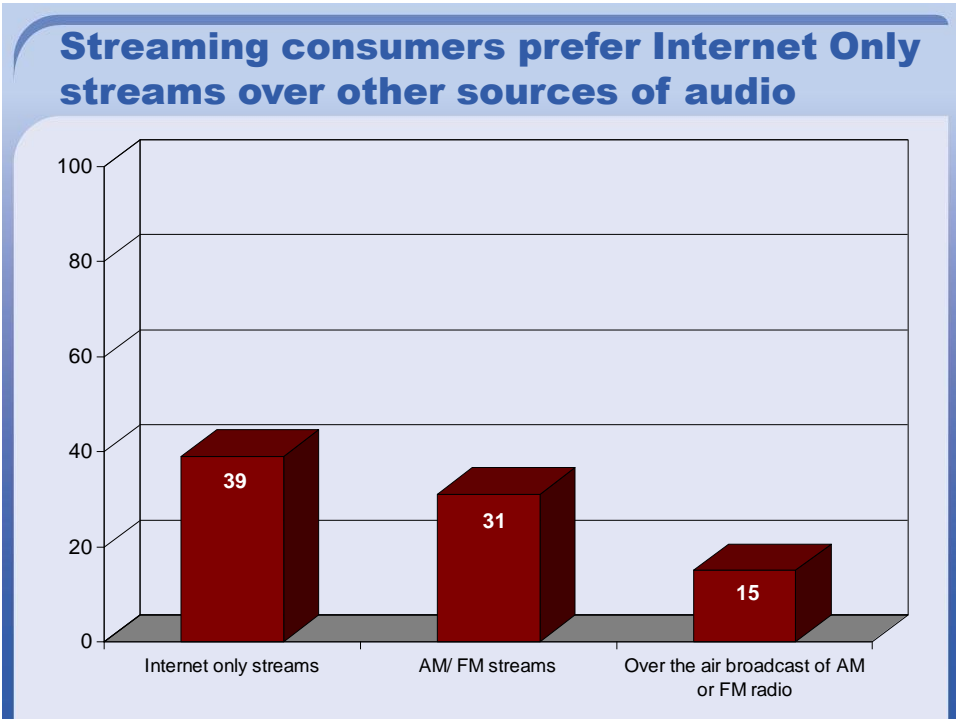


It should be emphasized that actual usage data may disagree with these findings, but our focus here is on brand building and the perceptions of consumers. Coleman Insight’s experience is that usage of a media outlet without unaided consumer recognition of that use will be short-lived and unsustainable.

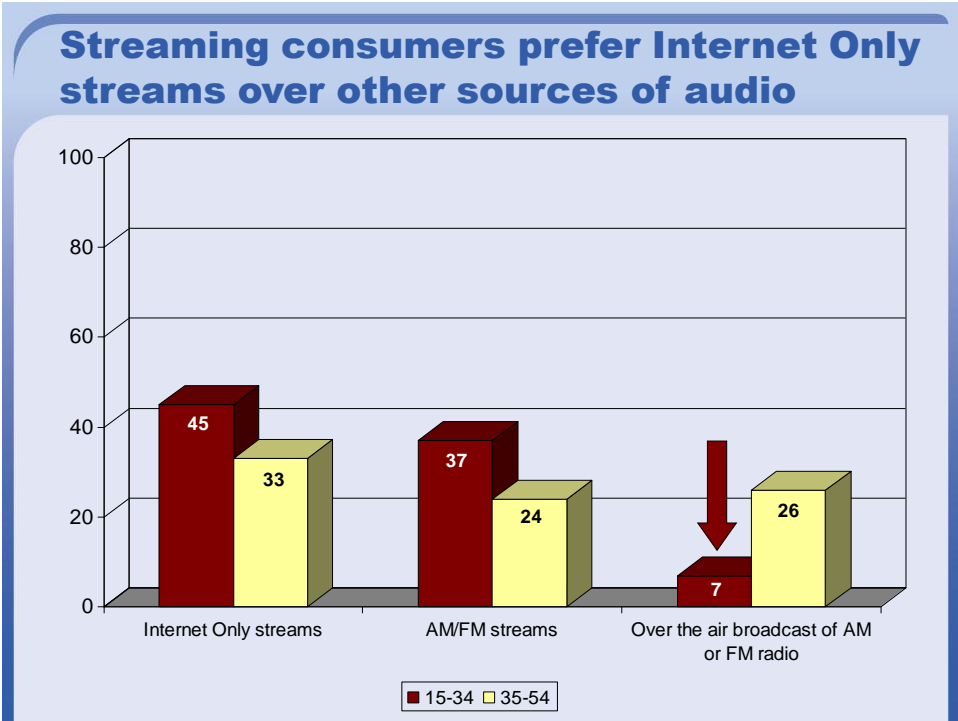
### KEY FINDING: STREAMING CONSUMERS PREFER INTERNET ONLY STREAMS OVER OTHER SOURCES OF AUDIO

Consumers have a variety of sources to choose from when selecting an audio source to enjoy, including Internet Only streams, AM/FM streams, “over the air” broadcasts of AM/FM signals and satellite radio.

Streaming consumers prefer an Internet Only source over any other source. Overall, 39% of these consumers prefer Internet Only sources and 31% prefer AM/FM streams. Most interesting is the low preference level of “over the air” AM/FM broadcasts. Only 15% of streaming consumers prefer “over the air” audio sources. While this preference is among streaming consumers, it is still striking that traditional radio is preferred by such a small percentage of these people.



Moreover, this preference for “over the air” broadcasts is strikingly low among younger consumers. Only 7% of 15- to 34-year-olds prefer “over the air” broadcasts.



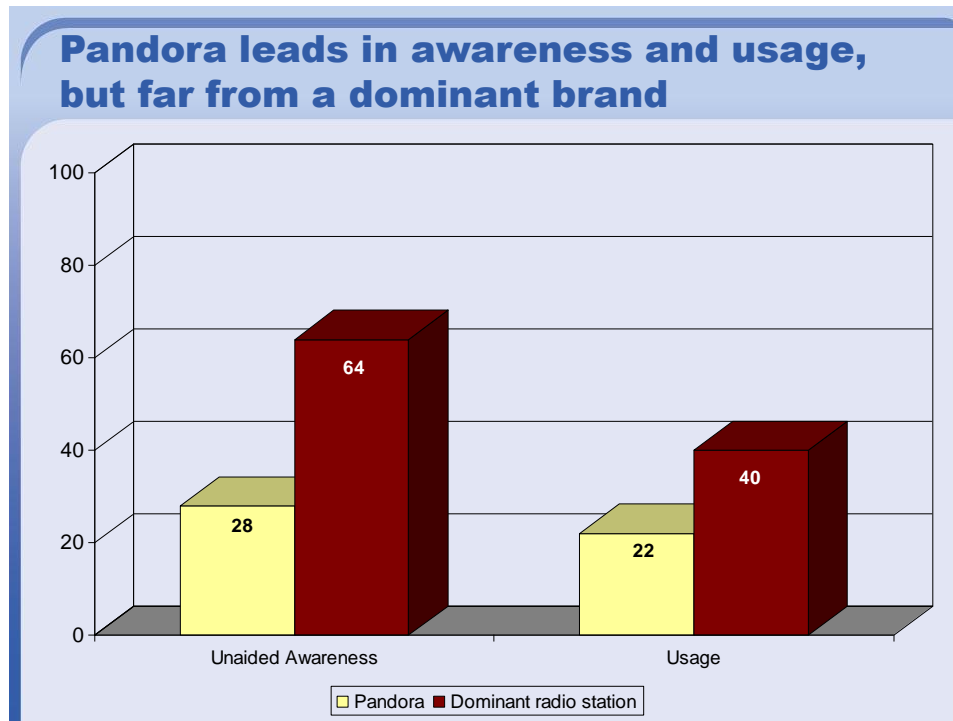
## **KEY FINDING: PANDORA LEADS IN AWARENESS AND USAGE BUT IS FAR FROM A DOMINANT BRAND**

Pandora is certainly the leading brand in the streaming audio category. It leads in both unaided awareness and regular usage. Still, the question remains whether Pandora is a dominant brand, one that truly “owns” this category. A dominant brand has substantial awareness, usage and image association with the attributes most important to consumers in this segment.

When we examine these factors in comparison to dominant radio stations, we see that Pandora has not yet reached the level of a dominant brand.

First, only 28% of all streaming consumers are aware of Pandora. A successful radio station in a typical Coleman Insights study has awareness of about 64% in its market. Pandora has about half the awareness of a successful radio brand.

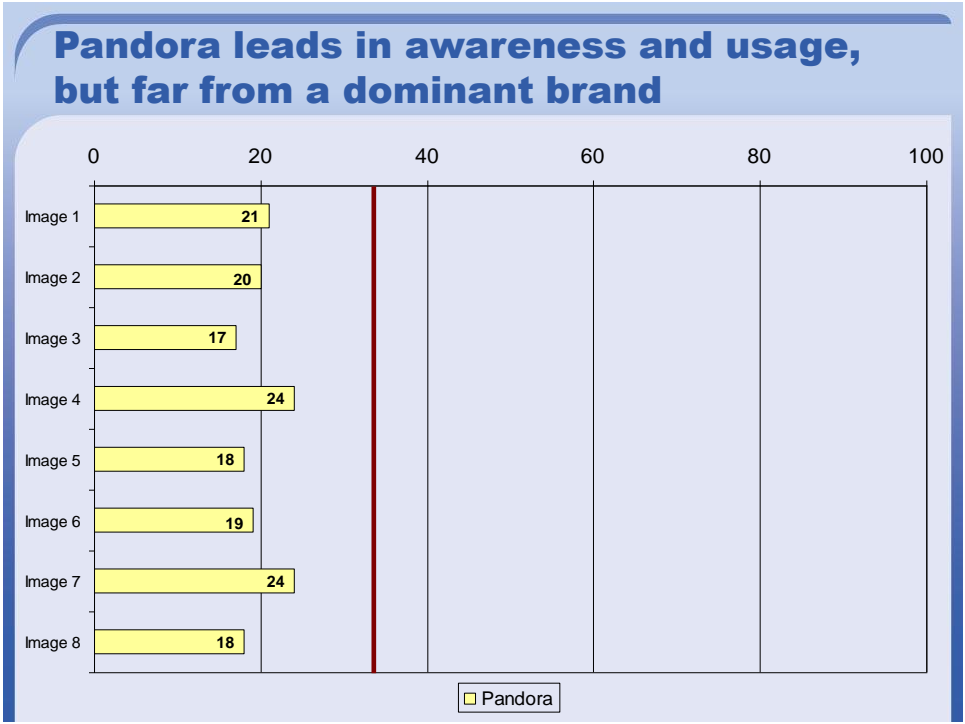
Second, only 22% of streaming consumers regularly use Pandora. Our experience is that roughly 40% of consumers regularly use a successful radio station in its market. Thus, Pandora has about half the regular usage of a successful radio station.



Nor does Pandora enjoy the strong image association that a successful radio station exhibits. In our experience, about 40 to 45% of consumers in a market associate a successful radio station with its critical brand attributes such as “The Rock station” or “The Country station” or “The station that plays the most music with fewest interruptions.” A successful radio station has 30 to 35% association with a number of secondary images like “The station with the most entertaining morning show.”

Pandora does not have strong associations with the critical attributes for streaming consumers. Important attributes in this category include fast buffering, ease of use, few commercials, ability to skip songs and customization. Pandora has mediocre associations with these important images, as it is associated with these attributes by between 17% to 24% of all streaming audio users.

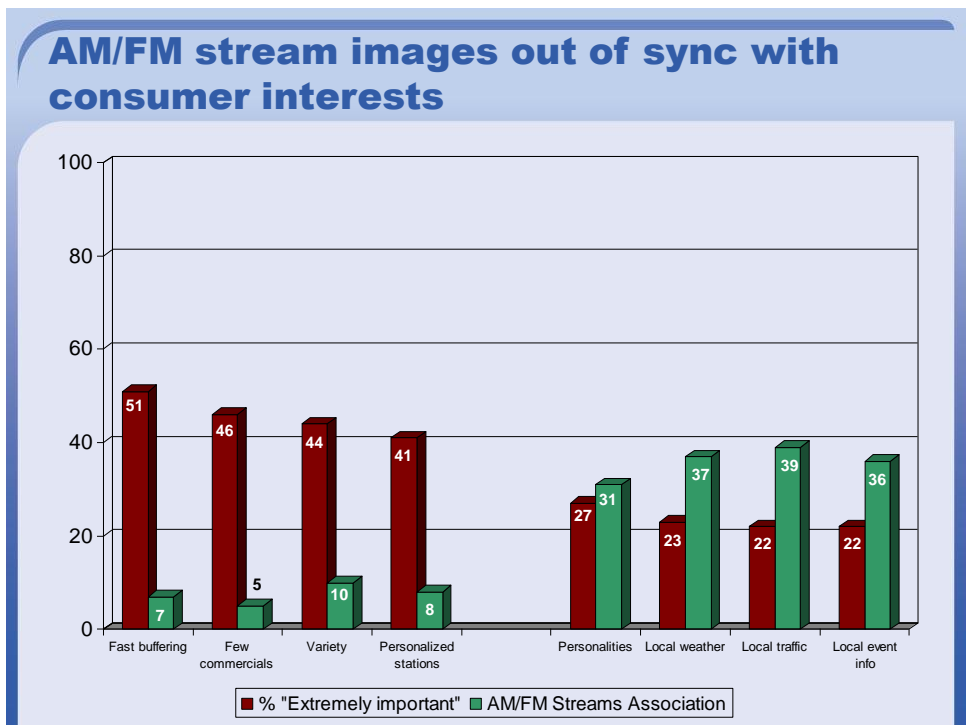




Lack of strong image ownership is another indication that Pandora is not yet a dominant brand in the streaming category.

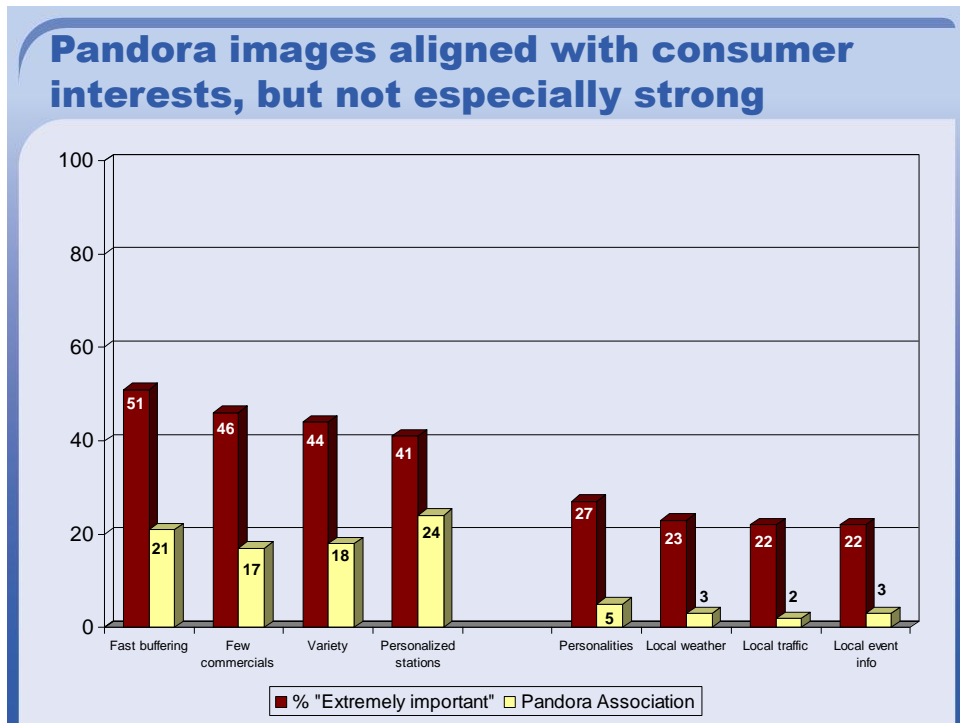
### KEY FINDING: AM/FM STREAMS OUT OF SYNC WITH CONSUMER INTERESTS

Finally, an examination of the images associated with AM/FM streams indicates that these brands are out of sync with the interests of streaming consumers. AM/FM streams have extremely weak association with the most important streaming attributes, including fast buffering, few commercials, variety, and personalized stations. The association levels AM/FM streams achieve with these attributes are weaker than those cited for Pandora in the previous section.



At the same time, consumers strongly associate AM/FM streams with many of the least important product attributes, including personalities, local weather, local traffic, and local event information.

As discussed in the previous section, Pandora lacks strong association with the important brand images such as fast buffering (21% association), few commercials (17%), variety (18%), and personalized stations (24%). It does not, however, have any meaningful associations with the attributes that are not very important to streaming audio users like AM/FM streams do, which explains some of its early success.



## TAKE AWAY POINTS

### **Brand building is of paramount importance in this space.**

A stream offering “compelling” content will not automatically find an audience. The only path to a sustainable streaming service is to have a brand that consumers value and bond with, and this is why we conclude that this brand category is underdeveloped at the moment.

Only one brand has succeeded in establishing a foothold in this category to date. That’s Pandora, but while it is the leading brand, it is not yet a dominant one.

Pandora lacks the requisite awareness, usage and image “ownership” to be considered a dominant brand. Less than a third of streaming consumers know of the Pandora brand, only 20% of them are using the service, and it is only weakly associated with the most important streaming brand attributes. Even Pandora has much more brand building to do.

### **New and existing brands should focus on a singular “position” and or benefit.**

The essence of a strong brand is ownership of a single, important attribute in the minds of consumers. As we have seen, none of the important attributes are “owned” at the moment. To find success, own one of these attributes in the minds of consumers: fast buffering, ease of use, variety, ability to skip songs or personalized stations.

Consider defining your position in contrast to the market leaders, either Pandora or “over the air” radio. Note that Pandora aptly named their service “Internet Radio.” In so doing, it positioned itself against the category consumers already understood: radio. The implication is that Pandora is radio, only better. Successful brands should also position themselves against AM/FM radio, or Pandora.

Some form of marketing and promotion in multiple media channels is also required to build the levels of awareness necessary for these services to be truly competitive.

**Rethink the unique benefits of your service from the perspective of this new delivery form.**

What is valued in “over the air” broadcasts is vastly different than what is important in this context. A new medium creates new opportunity for customer experience. Simply repurposing existing content will not be as successful as creating something new, custom-crafted around the values of streaming consumers and the manner in which they enjoy this product. Instead, design the benefits of your service around the needs of these new consumers and the capabilities of this technology.

This is especially true for brands that are extensions of “over the air” brands. These consumers do not value traffic, weather, and morning shows, for example, at least not in their streaming experience, and the inclusion of these elements will likely hold back the success of these brands.

**AM/FM broadcasters should address the challenges they face with streaming consumers.**

AM/FM broadcasters must acknowledge that the low preference for “over the air” broadcasts among streamers will eventually undermine usage of their “over the air” product. At least the first wave of streaming consumers prefer the offerings of Internet Only streams. While the interests of a broader group of consumers will likely be different, if and when they become streamers, these issues should be addressed before the market matures further.

Specifically, AM/FM broadcasters should incorporate more than just simulcasts of their AM/FM broadcasts in their streaming offerings, including elements that address the interests of streamers in areas such as variety, few commercials and personalization.

## METHODOLOGY

We began this investigation with a series of 30-minute individual interviews with consumers between the ages of 15 and 54 who engaged in at least five minutes of audio streaming in the past week. These interviews revealed in broad strokes potential motivations, brand awareness, as well as the strengths and weakness of particular brands.

Those interviews informed the design of two national surveys, both conducted among 15- to 54-year-olds who had listened to audio streams for at least five minutes in the past week. In excess of 1,300 users of streaming audio completed online quantitative surveys during the second and third quarters of 2010.

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