

# Sound investment

What online music services can offer your brand



By Stuart Aitken

## Step right up



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Tom Waits described his track *Step Right Up* from his 1976 album ‘Small Change’ as “an indictment of advertising”. It’s ironic then that a version of it has since been used to advertise Frito Lay – leading Waits to launch a successful lawsuit against the snack food producer.

The relationship between music and advertising is a long – and not always comfortable – one. Think for example of the Janis Joplin track *Mercedes Benz* later appropriated by the German car manufacturer to advert its products, thus subverting the message for its own needs.

However, much has changed since 1976 – indeed, much has changed in just the last few years. In particular, the arrival of digital technologies and their impact on the way people consume music has created a seismic shift in the music industry, and forced all music producers large and small to re-think their business strategies.

Much has been written recently about bands’ increasing inability to make money as a result of the changed musical landscape. With piracy on the rise, the Institute for Policy Innovation recently estimated global losses to be \$12.5bn. In the UK, PRS recently reported that the amount of money made per artist is dropping sharply.

As this trend becomes more pronounced, we’re seeing bands adopt a more pragmatic approach to brand partnerships. Indeed in a recent *Marketing Week* feature ([Let the music do the talking](#)), for example, Lou Cooper argued “with income from music sales falling, bands are increasingly prepared to settle down with brands to take advantage of their financial and marketing clout.”

There is of course a financial imperative behind brands’ choices to get involved in music. As music marketing agency, FRUKT notes, 81% of 16- to 18-year-olds say they “love” music. FRUKT’s research also shows that brand activity in music is a driving force behind purchase preference, with 31% of 16- to 18-year-olds saying that it influences their choice of brand.

So done well, there is a clear reason for brands to get involved in music. But how can they do it?

## The digital revolution

Evidence of a key step change in the way people consume music was the news earlier this month that Panasonic is to cease production of its legendary Technics turntables. If ever we needed a clearer illustration of the move from analogue to digital, the decline of the world’s most popular DJ turntables is it.

A recent report ([Music Experience and Behaviour in Young People](#)) carried out by UK Music and the University of Hertfordshire looked further into this changing behaviour by examining the music consumption habits of 14-24 year-olds. The survey found that music remains the most popular form of entertainment among this group. Most notably, 68% listen to music on their computer every day. By comparison, only 15% use their CD player daily. This demographic also has huge digital music collections with the average computer or hard drive containing over 8,000 tracks.

Furthermore, a study from Accenture ([Mobility Takes Centre Stage: The 2010 Accenture Consumer Electronics Products and Services Usage Report](#)) released in January 2010 showed

that listening to online audio is the seventh most widely adopted internet activity in “mature markets” (France, Germany, Japan, US) and sixth amongst “emerging markets” (China, India, Malaysia, Singapore). This puts listening to music online ahead of activities such as playing video games, watching TV shows and movies and connecting with people on social networking sites.

So how can brands take advantage of this new development?

### The gift of sound and vision

A range of digital audio services are well placed to take advantage of the digitalization of musical consumption habits, whilst at the same time allowing brands to talk directly to this new, more connected audience. A key tool at their disposal is their ability to drive engagement and awareness by harnessing the combined power of audio and visual communication.

Last fm, Spotify, we7 and MySpace are four operators at the heart of this digital revolution offering solutions for brands looking to tap into this new digital audience.

This paper will explore some of the different advertising opportunities available on each platform and show how bringing audio, video, display and sponsorship together can deliver powerful results. Through practical examples and a series of tips from key players in the industry, the paper will also demonstrate what streaming music services can offer your brand as well as showing brands how to go about achieving success in this rapidly evolving sector.

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## MySpace

MySpace is primarily a music brand, providing bands and fans the opportunity to interact, share, listen, watch or participate in music. MySpace’s content can range from a video exclusive to a festival. The site covers 1 million bands in the UK, both major artists and unsigned.

The site has evolved into the UK’s largest music destination. In November 2010, MySpace relaunched with a brand new website.

For advertisers, MySpace offers content from across the musical spectrum. MySpace’s relationship with music brands means it can help brands to build a conversation with the core 16-30 audience through partnerships as well as advertising.

According to commercial director Simon Daghish, “MySpace is powered by the things our users love” – from fans who use the site to engage with music from the bands they love, to the tastemakers who share music they think others will enjoy, to the artists who use MySpace as a platform to connect with their fans. “This creates a plethora of opportunities for brands to build emotional connections with consumers throughout their journey on MySpace,” argues Daghish. “In order to tap into this behaviour however, brands need to provide something that users will love to ensure that they become an engaging, integrated part of that journey.”

For Daghish, a key concern is that users are “excited by the things they’re discovering throughout their journey on Myspace.” This is a principle that he is keen to encourage in brands seeking to advertise on MySpace. “With so many brands trying to compete for users’ attention, it’s important that they create opportunities that offer something valuable to consumers to spark interest and really stand out.”

### MySpace key dates

**January 2004** – Official site launch  
**July 2005** – News Corporation Acquisition announcement (MySpace at 20 million unique users)  
**March 2007** – MySpace hits 100 million monthly unique users worldwide  
**April 2008**– MySpace inks deal with the world’s largest music companies to form the new Joint Venture “MySpace Music”  
**November 2010** – Myspace launches brand new site

Authenticity is another key principle. According to Daghish, if brands can communicate in a genuinely credible way with the MySpace audience that fits with the environment while offering something that will enhance their experience, then they “have the makings of a successful campaign that will not only resonate with our audience but will create genuine, long-term emotional connections with them.”

### Who’s using MySpace effectively? Teen LifeCheck Case study

The NHS worked with MySpace to promote its Teen LifeCheck questionnaire designed to help 12-15 year olds manage their own health. The key objectives were to promote awareness and engagement of Teen LifeCheck; to generate 10,000 Teen LifeCheck completions; and to create an ongoing dialogue with teens.



In order to create maximum impact, the MySpace Bash was conceived, a campaign which invited teenagers to compete to win the party of the year at their school. Students were encouraged to vote and spread the word with the tools on the MySpace profile. Completing the NHS Teen LifeCheck online questionnaire generated extra points.

Highworth Grammar School in Kent won the competition and was treated to performances from Chipmunk and You Me At Six. A hugely impressive 93 million impressions were served with 162,000 page views. Social network seeding and uptake created huge viral impact while the competition itself generated impressive media coverage. Most importantly, the target of 10,000 Teen LifeCheck completions was exceeded with 31,000 completed.

## Spotify

Spotify is an on demand music streaming service offering 10m tracks from a range of record labels. Users register for free use supported by visual and radio-style advertising or for paid subscriptions without ads and with a range of extra features.

The service was founded in Sweden in 2006 by Daniel Ek and launched across Europe in 2008. Towards the end of 2010 Spotify was signing up between 5 and 10 thousand new users per day helping it to sign up its 10 millionth user in October.

### Spotify key dates

**April 2006** – founded by Daniel Ek and Martin Lorentzon

**October 2008** – Launched across European territories

**September 2009** – Mobile iPhone and Android version launched

**April 2010** – Facebook integration

**August 2010** – 9m users and 500,000 paying subscribers



**Jon Mitchell and Guy Phillipson**

A key benefit of the service for users is that it serves only 3 minutes of ads per hour – equating to 1/6 of that in commercial radio. For advertisers, Spotify offers a variety of different options including audio, scrolling text and cover art replacement.

Within this it is able to incorporate traditional display advertising such as banners and skyscrapers, billboards, homepage re-skins with MPUs, sponsored playlists, flash video as well as a range of bespoke packages such as a recent campaign for the band Hurts which was presented as an interactive audio novel.

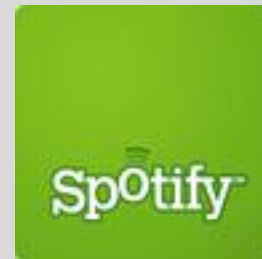
For Spotify’s UK country manager, Jon Mitchell, there are some key principles that brands need to be aware of in the streaming music space. “Understanding that your brand is interrupting

someone's personal music collection and experience means treating it with respect," says Mitchell. "It works so well when done with a little thought. Enhance the user's experience with your offer, engagement and tone and you win."

Brands should also be aware that they are advertising in the digital space. As a result they can take advantage of online media's interactive benefits. "Spotify users are still able to listen to their music whilst visiting all kinds of sites. Take advantage of that behaviour," says Mitchell. "If you want to drive traffic to your website, Facebook or separate hub that is great. Spotify users still listen to their music but we know they visit all kinds of sites too. Take advantage of that."

### Who's using Spotify effectively? BT Case study

Earlier this year, BT worked with Spotify in an attempt to engage with an audience in a new environment to raise awareness of BT Vision. In order to measure the effectiveness of the advertising and to see which ad combination worked best the telecoms giant commissioned Dynamic Logic.



The results showed that Spotify's ability to combine traditional banner advertising with audio can increase effectiveness. Indeed, the combination of audio and banner ads together were by far the most effective placements for the brand - amongst men this led to increased perceptions and consideration for the BT Vision brand.

Those under 25 showed strongest awareness increases from audio ads, whilst those older than 25 responded more strongly to banner placements. The 25+ audience showed the biggest shifts in perceptions of BT Vision, demonstrating that Spotify can be a good way to reach and influence this audience.

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## we7

### we7 key dates

**May 2007** - we7 born - built Outstanding Music Platform

**Sep 2008** - First company to sign ad funded music deal with all 4 majors

**Nov 2008** - Launched full ad funded music service to the Public

**July 2009** - No1 most accessed UK music site

**Dec 2009** - Hit 3m monthly UK users for first time

**Apr 2010** - Won 'Consumer-Facing Digital Music Service of the Year' at the MusicWeek awards

We7 is a free, advertising supported, music streaming service, with over 6 million tracks available for streaming in the UK and Ireland. The service is backed by ex-Genesis star Peter Gabriel.

Standard display advertising, video, homepage re-skins, video re-skins and sponsored playlists are available as well as bespoke packages for those looking for something very creative.

Like Spotify, one of we7's key advertising strengths is the ability to merge the audio and the visual. As well as radio-style 20 to 30 second audio adverts, we7 also serves adverts as short as a few seconds. This limits the interference with the user's listening experience while still increasing the CTR of the campaigns significantly. The audio is combined with a change in

one or more ads on the page - even going as far as triggering a home page re-skin experience.

The we7 technology understands when a user is "sitting forward" and interacting with the site and when they are "sitting back" and using other web sites or applications. The type of advertising and the length of audio served to the user differs depending on how the user is using the site.

The we7 platform also allows you to integrate music off the we7 site. For example, it's possible to add music to Facebook pages and even to standard creatives that run on other sites.

We7's chief technical officer, Gareth Reakes, explains that it's critical to understand what the user is doing in order to give the best value to brands while also giving the user a good experience.

"There is no doubt that using audio increases performance of campaigns - every single campaign we have run shows this. For outstanding results it's important to think how best to communicate with the user. For example, if the user is reading a news article on another site, a longer audio ad with a large veil ad being placed on the site in case the user wants to interact."



**We7's Gareth Reakes**

Earlier this year, we7 announced an exclusive alliance with Yahoo! to provide advertising for the ad-supported music site in the UK. Under the agreement, Yahoo! serves advertising to brands wishing to engage with we7's core music streaming audience.

### Who's using We7 effectively? Lynx case study

Lynx recently recognised a need to connect with consumers' passion for music with its new Music Star product range. In order to do this the brand worked with Yahoo! and We7 to build an integrated campaign.

We7 created a custom-branded playlist including tracks from artists playing at the Lynx "All Nighter" event. Artists included Roll Deep, Wiley and Professor Green. To maximise cut-through, ads were targeted to bespoke artist lists created exclusively for Lynx. Run of site display messaging across We7 and relevant Yahoo! areas also promoted the playlist.



Engagement levels with all elements of the campaign were well above average and the playlist ranked number two on We7 for the two weeks it was live. Click-through rates for the 10 second audio-visual ads were an impressive 0.91%. The results suggest that custom-branded playlists on we7 offer brands an engaging solution, and that audio-visual ads are highly cost-effective.

## Last fm

Last fm is variously described as the largest personal radio and the largest concert notice board in the world. The platform grew out of Richard Jones' "audioscrobbler" music recommendation system in 2002. By integrating the system, Last fm allows users to create a profile based on the music they like which can be shared using a number of social networking features. Owned by CBS Interactive Music Group, Last fm has grown from 1 million users in 2005 to 40 million in 2010 and has worked with 167 brands across 24 countries.

The platform differs from We7 and Spotify in a number of ways – most notably in that it doesn't accept audio advertising. Miles Lewis, senior vice president,

### Last fm key dates

**2002** - Audioscrobbler created by Richard Jones at Southampton University

**2005** - Audioscrobbler and Last fm merge

**2007** - CBS Corporation purchases Last fm and in 2009 launches CBS Interactive Music Group

**2009** - Launch of visual radio, personalized listening data.

**2009** - Last fm launches on XBOX and signs up 2 million new users

international sales, explains: "We do run pre-rolls both on visual radio player and Last fm on XBOX - 15 seconds is standard but we will go longer for the right brand with the right message."

Lewis is keen to highlight the kind of audience brands can reach through his service. "The audience is key here," he says. "We have moved on, the market has moved on from the very techy, very early adopting audience. Spotify, We7 and Last fm have millions and millions of users around Europe. In the UK a typical user is now 18-34 (and not 24), is affluent, average income £38,000, spends on items for him or herself as it's not prevalent to have a family yet."



**Last fm's Patricia Afonso and Spotify's Jon Mitchell**

According to Lewis this audience also enjoys good, creative advertising. "If you engage and create bespoke messaging, the power of music can multiply a brand's buzz score significantly," he says. "The type of user engaging with an online music service is time poor and digitally comfortable. He or she will be an influencer, the Maven in Malcolm Gladwell's world. In a job, earning above average salaries the field for advertisers is smaller than is normal but opportunities are huge. Influence part of the community with well thought out and engaging brand messaging and they will broadcast for you."

### Who's using Last fm effectively? Sony Case study

Earlier this year Last fm was approached by Sony to help develop an interactive idea that would appeal to users of the platform. The solution was Sony's Fantasy Festival which allowed last.fm users to create their ultimate imaginary festival line-up and compete with their friends to see who could build the best.

Participants were given a virtual €1,000,000 to spend on a 15 artist line up for their Fantasy Festival. If their line up ranked highest in Buzz points they could win prizes (each week Buzz points were determined by what artists were getting the most online buzz based on data from Last.fm, Yahoo! and Twitter).

The resulting figures were impressive. Almost half a million people across Europe visited Sony's Fantasy Festival, generating over 4 million page views. Over 80,000 people registered with Sony's Fantasy Festival and more than 47,000 users went on to complete the full line-up. Those who actively played Fantasy Festival were really engaged with 15% of people visiting the site between 9-50 times. Users were willing to spend significant time on Fantasy Festival, spending an average of 4mins per visit and accumulating 2,415 days worth of time spent on the site.



### Conclusion

This is a market that is fast-evolving and consumer interest in it is growing all the time. According to UKOM data for example, in October 2010, 288 million minutes were spent in the music category. The outlook for the future is bright as brands realize the opportunities and look for more creative ways to build their brands in this vibrant space. Having said this however, there is still some work to be done to educate brands and the wider market. We've seen a similar pattern in the online video market which is now one of the fastest growing sectors online. With work, there's no reason why this success should not be mirrored in the online music market.

For Last fm's Miles Lewis there are still issues to be addressed in terms of communication. "Agencies book a campaign and supply the regular, network creative - creative that burned out months ago as it broke the 1.5 billion impression mark. Then the agency gets upset as they have not engaged with the audience, the campaign 'does not work' and the 40% of display revenue that is firmly in networks remains so. *Campaign* keeps talking about the commoditization of media. This is a very real issue. Whilst listening to Spotify, or searching for an event on last fm what is your mindset? This is strategic communications planning."

Spotify's Jon Mitchell has similar concerns and argues that there is still a need for creative education to ensure that brands understand the demands of this new environment. "Make sure your digital and audio creatives know what needs to be achieved," he warns. "Great digital may never be activated if the audio is poor." Another key challenge is creating bespoke audio creative rather than simply repackaging existing radio content – a trap that too many brands still fall into. "Try to avoid local radio commercial style ads," says Mitchell. "They don't work in this environment."

For We7's Gareth Reakes there are some key misconceptions over costings that still need to be communicated to brands looking to advertise on digital music platforms. According to Reakes, brands still believe that the medium is expensive versus traditional broadcast. "This is not the case when you look at engagement and CTR results", says Reakes. According to Reakes there is still a belief that streaming services are seen as "just radio online, so they should be the same price". For Reakes this is not the case as users are in "active digital mode", therefore this is "a digital sell and it should be sold / priced as such".

For MySpace's Daghish there is still a lot of work that needs to be done to encourage brands to think "more laterally" when it comes to advertising in order to get results beyond the 'also ran' range. "The big challenge is for both advertisers and media owners to work closer together to create great engaging advertising that works," he says. "This means that the advertiser has to go beyond pure display, get involved in the passion of the fans – music. Enable, facilitate fans and their bands to get something special courtesy of your brand. This can be as simple as sponsorship of a live event or as complex as enabling a band to break through. There is no one answer or a well trodden path that works best. However if you adhere to the principles of engaging the emotional side of the brain then you will be more successful."

### Key challenges for the future

- Education is needed across the board – especially amongst more senior marketers.
- Piracy is a key issue as Daniel Ek acknowledged during his [interview with the IAB's Guy Phillipson](#) at this year's IAB Engage event (see video in Additional Resources section).
- Agency awareness – agencies still operate cross media teams. Re-shaping of teams is happening but it's still some months off.
- Measurement / effectiveness – it's currently difficult for planners to measure performance. Radio planners don't necessarily understand impressions and metrics.
- Some clients don't use the products so are unaware of exactly what they can do.
- Different formats and media platforms offer greater opportunities and the possibility for growth.
- There is still greater creativity to come as brands understand what's possible and creative agencies embrace the medium.

## Top tips

### Miles Lewis' top tips to success on Last fm

1. Know that the 18-34 year old audience is smart, so think smart and use last fm in a smart way. You will be rewarded. Do not simply use your standard internet banners.
  2. Last fm has been growing for eight years, has 40 developers and terabytes of data. We are open minded and open to ideas. Brief early and the results will be powerful.
  3. Utilise the content that exists – the very reason users are there – enhance it, disseminate it, create additional strands – and your brand will flow around it.
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### Jon Mitchell's top tips to success on Spotify

1. Understand it is a personal environment and not broadcast. The creative needs to adapt. Traditional radio copy does not work as well.
  2. Don't worry about rigid timeframes. If 27 seconds is perfect not 30 seconds, then go with it. Let the message drive the length of copy not the traditional routes of 10/20/30 seconds.
  3. Link your digital creative to audio creative and vice versa - they are intrinsically linked.
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### Gareth Reakes' top tips to success on We7

1. The power of audio increases engagement - use it.
  2. Understand that users are engaging in a different manner to traditional platforms so tweak creatives to maximise impact.
  3. There are no limits – the viral possibilities are endless. An early brief allows us to maximize the impact of your media plan by utilizing the power of music on we7 and across the web.
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### Simon Daghish's top tips to success on MySpace

1. Talk to us! Advertising in music environments is not as simple as it seems, a Duran Duran fan is very different from a Bullet For My Valentine fan. Even in the unlikely case that they are the same person they will be in very different moods when consuming the product..
2. Environment matters. Don't just go with music hubs or networks. Each music site will have its own particular users and ways in which the user will interactive and behave on it.
3. Go beyond the display ad. Display advertising works well on music sites. But music gives a platform for the advertiser to do so much more. MySpace's experience shows that when advertisers get involved in a positive way with the content the results show a minimum of 50% uplift in key brand metrics.

## Additional resources

Read this paper as an online digital edition including video interviews with MySpace's Simon Darglish, Spotify's Jon Mitchell, We7's Steve Purdham and Last fm's Mile Lewis:  
<http://www.iabuk.net/en/1/soundinvestmentdigitaledition.mxs>

Last.fm introduction video: <http://vimeo.com/10091915>

Daniel Ek interviewed by Guy Phillipson at IAB Engage 2010:  
<http://iabplayer.iabuk.net/default.aspx?videoID=3141>

We7 case studies can be accessed on the IAB site:

- [Cornetto](#)
- [Lynx](#)
- [Sony](#)

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