The Cloud Brings Advertisers Into Music Market

Contributed by eMarketer
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New opportunities arise to sponsor content and artists as streaming services gain users and listening hours

A battery of disruptions have roiled the US recording industry and shrunk it in half in just over a decade. The industryâ€™s past experiments with digital media seemed promising at first but have not generated enough revenue to stem losses from sagging sales of compact discs. Against this backdrop, can a new generation of cloud-based streaming models revive the industry?

â€œThe short answer is maybe,â€• said Paul Verna, eMarketer senior analyst and author of the new report, â€œCloud-Based M Streaming: Emerging Opportunities for Brands.â€• â€œKey trends are pointing in the right direction, including positive technology adoption forecasts, a profusion of social sharing activity connected to music, video channels that are generating revenue and expanded marketing opportunities around music content.â€•

In a sign of how important online streaming and subscription music services have become to the recording industry, trade publication Billboard recently updated its weekly Hot 100 song chart to include data from Spotify, Slacker, Rhapsody, Cricket/Muve, Rdio and MOG. The revamped methodology went live in March 2012, after several months of testing that showed a rising curve for audio streams, from 320.5 million in the first week of 2012 to 494 million during the week of March 4, 2012. By comparison, digital track sales during that period decreased from 46.4 million to 27.1 million, according to Nielsen.

Another indicator of the popularity of cloud-based streaming was a 50.5% increase in online music listening hours in 2011. According to a February 2012 report from AccuStream Research, US consumers spent 1.3 billion hours listening to music through internet radio and other streaming services in 2011, up from 865 million hours in 2010.

The media spend associated with US internet radio and on-demand streaming services amounted to $293.7 million in 2011, according to AccuStream Research. This compares with $171.7 million spent on subscriptions to those services. AccuStream forecast that the total market would grow by 78% in 2012.

Ad monetization is expected to grow at a healthy clip on the mobile side as well. eMarketer expects US mobile music advertising revenues to hit $591.5 million in 2015, more than doubling 2012â€™s total of $264.5 million.

According to eMarketer estimates, the advertising component of mobile revenue is much higher with music than with gaming or video, largely because of the popularity of Pandora and Spotify on mobile devices.

The full report, â€œCloud-Based Music Streaming: Emerging Opportunities for Brands,â€• also answers these key questions:
- What business models are emerging around cloud-based streaming of music content?
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- What opportunities exist for marketers to capture revenue associated with this content?
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- What role will social media play in the music streaming ecosystem?

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