

JACKDAW RESEARCH MUSIC SURVEY REPORT

Jan Dawson, October 2015



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APPLE MUSIC SURVEYS

Jan Dawson, October 2015

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Executive Summary

Streaming is becoming the dominant form of music listening

Our survey asked about how users listen to music, and the responses mirror broad trends evident in the industry, in that streaming is now the dominant form of music listening. Owned digital music remains an important secondary method, while some users still prefer physical media, and radio continues to be an important medium too. See pages 5-6 for more details.

Finding familiar music and discovering new music critical

The features that are most important to users of streaming music services are finding the music they already know they like, and discovering new music. Integration of the music they already own is important to a significant subset of users (and is of course a major feature of Apple Music), while making playlists is a minority interest, and social sharing is surprisingly unimportant, being ranked by far the lowest in importance in both our surveys. Ease of use was also highly important for a significant set of users. See pages 6-9 for more details.

Apple Music has decent retention numbers

It's worth noting that our surveys aren't large enough in scope to provide authoritative numbers on signups for Apple Music trials, but they do provide strong evidence that Apple Music trialists are sticking around in decent numbers. Both surveys suggest a significant portion of users who trial the service are opting to become paid subscribers. See pages 12-13 for more details.

Apple Music trialists skew younger, payers skew older

As expected, given the prevalence of music streaming usage among younger people, the rates of signups for Apple Music were higher in both surveys for younger age groups than older ones. However, among those who tried the service, retention rates are higher for older age groups, which likely reflects the fact that older users have always been higher payers for music, even though they spend less time listening, something we predicted back in April. See pages 14-18 for more details.

Users who prioritize discovery like Apple Music

The other big group that shows higher retention rates for Apple Music versus the general population is those users who prioritize discovery as an important feature. Among these users, retention rates were noticeably higher in both surveys, providing important validation for Apple's focus on this aspect of its service. See pages 18-19 for more details.

Conversion from other services is proving tough

In asking users about why they haven't trialled Apple Music, or why they didn't become paid subscribers, it's clear that many users have simply stuck with - or gone back to - existing streaming services. Given that Apple has always said that its main target is people who haven't embraced paid streaming yet, this may not be a huge problem, especially given that Apple Music will come pre-installed on hundreds of millions of devices over the next couple of years. But this is a potential downside to Apple's late entry to the market - many of those who are the likeliest candidates for such a service have already signed up for one, and it's now tough to get them to switch. See pages 20-22 for details.

Discovery, iOS integration, and owned music integration key

For those that have stuck with Apple Music, discovery of new music and the integration of Apple Music into iOS (through Siri and other features) have been the most important factors. The integration of the music that the user already owns was an important factor for a significant subset of users as well, as something Apple Music is uniquely positioned to do because of its integration with iTunes music libraries. See page 23 for more details.

YouTube and Spotify dominate the market

Though Apple Music has got off to a decent start, usage remains far below that of several other streaming music services, with YouTube and Spotify dominating the market today. According to one of our two surveys, YouTube is used entirely in its free version as an ad-based provider, while Spotify has the highest rate of paid subscribers among the major services our respondents cited. In general, free usage continues to dominate this space, providing another significant challenge for Apple Music and its 100% paid model. See pages 24-28 for more details.

Introduction

Jackdaw Research commissioned two surveys recently to better understand music consumption habits, and with a particular focus on understanding how people are using Apple Music. The context for these surveys is the launch of Apple Music in late June 2015, and the subsequent three-month anniversary at the end of September, when some of the earliest subscribers to the service will have had the choice between canceling their subscriptions or becoming paid subscribers. The survey aimed to identify the rates of subscribership among the group that signed up for the free trial, as well as understanding the factors which make users more or less likely to stick with the service.

The surveys were both run with fairly small groups of respondents - one with 200 and one with 500. As such, **the overall findings should not be viewed as being 100% representative of real-world patterns. Specifically, anyone reading this report or re-publishing its findings should be careful not to put too much weight on specific percentages cited in the charts.** However, the patterns in the two sets of survey data are consistent enough to allow some conclusions about some of the trends at work, and a methodology for both surveys is below.

One of the theses we wanted to test with these surveys was that older users were more likely to end up paying for the service than younger users, a theory we first posited in a blog post in April of this year, before Apple Music was announced. One of the key findings of the survey is that this is indeed the case, though there are other interesting findings too, including the propensity of those who consider discovery of new music highly important to stick with Apple Music in higher numbers than the average.

Our Thesis

In April 2015, we published a column on Techpinions entitled "[Reinventing "My Music" - Apple's New Music Service](#)", which attempted to predict what Apple would launch later in the year in this space. In that piece, we speculated both about what Apple Music might look like, and therefore what kind of people it might appeal to. Among other things, the piece said:

When thinking about subscription music services, the starting point has to be the people who pay for music today, because you're unlikely to convert non-payers into people who will pay \$120 a year, but you're much more likely to convert people who buy a few albums a year into subscribers. The reality is the people who spend the most money (but actually the least time) listening to music are more affluent and older than the average. In other words, they're not teens and young adults but more likely to be in their 30s and to have kids of their own than to be kids themselves.

We also talked about the fact that, for this segment, access to their owned music was likely to be an important feature, and that only Apple could really deliver on this goal. But also that, even though this segment likely didn't have a lot of time for discovery, that meant discovery had to be really good. Of course, once the service was released we saw that both discovery and integration of owned music were indeed prominent features.

As we approached the process of running these two surveys, some of the key findings we were expecting to see based on both this initial analysis from April and the subsequent release of Apple Music were:

- Paid Apple Music users would end up skewing older than the general population
- Those that emphasized discovery and integration of their owned music would likely use it in higher numbers than those that emphasized sharing or other features
- Large numbers of trial users would end up canceling rather than becoming paid subscribers because they had previously committed to other music streaming services and wouldn't see enough uniqueness in Apple Music to bother making the switch.

Methodology

This report is based on two separate surveys on the subject of music listening habits and Apple Music in particular, both of which were run in early October 2015.

SURVEY 1: QUALTRICS, OWN AUDIENCE

The first survey we ran was a Qualtrics survey with a fairly sophisticated set of question logic and some quite detailed questions, but with the audience being those people we could drive to the survey ourselves through social networks. We promoted the survey on Twitter, Facebook, and LinkedIn and asked others to share it. We ended up with just over 200 responses. The data set here is the most detailed and in some ways the most insightful, but the data is at best indicative of some trends rather than truly representative. The audience is significantly more tech-savvy and news-aware than most, and also seems to skew more heavily towards using Apple devices. As such, this survey is not that helpful in predicting uptake of Apple Music in the real world, but more helpful in understanding drivers and correlations within the sample.

SURVEY 2: MICROHERO

Having run that survey, and received some really interesting results, we nonetheless wanted to get a set of results that was a bit bigger and more statistically significant. We were recently introduced to a service called MicroHero, which uses a really interesting model for surveys. Essentially, users sign up for an app (iPhone only at present) which allows them to specify a charity and then earn money for that charity as they take surveys. We had previously discussed running a survey with the folks at MicroHero, and this seemed a good opportunity to test the platform, and they were good enough to give us a discount for running a survey with 500 respondents.

The results from this survey feel a lot more representative of the general iPhone population than the Qualtrics survey we ran, but we asked fewer questions and had less access to question logic, and therefore the results are somewhat less sophisticated. We also have relatively little information about the exact composition of the respondent base other than age (which is a question we asked specifically).

The results

MUSIC LISTENING HABITS

As we mentioned above, the Qualtrics survey had more questions, and in that survey we asked respondents several about their music listening habits:

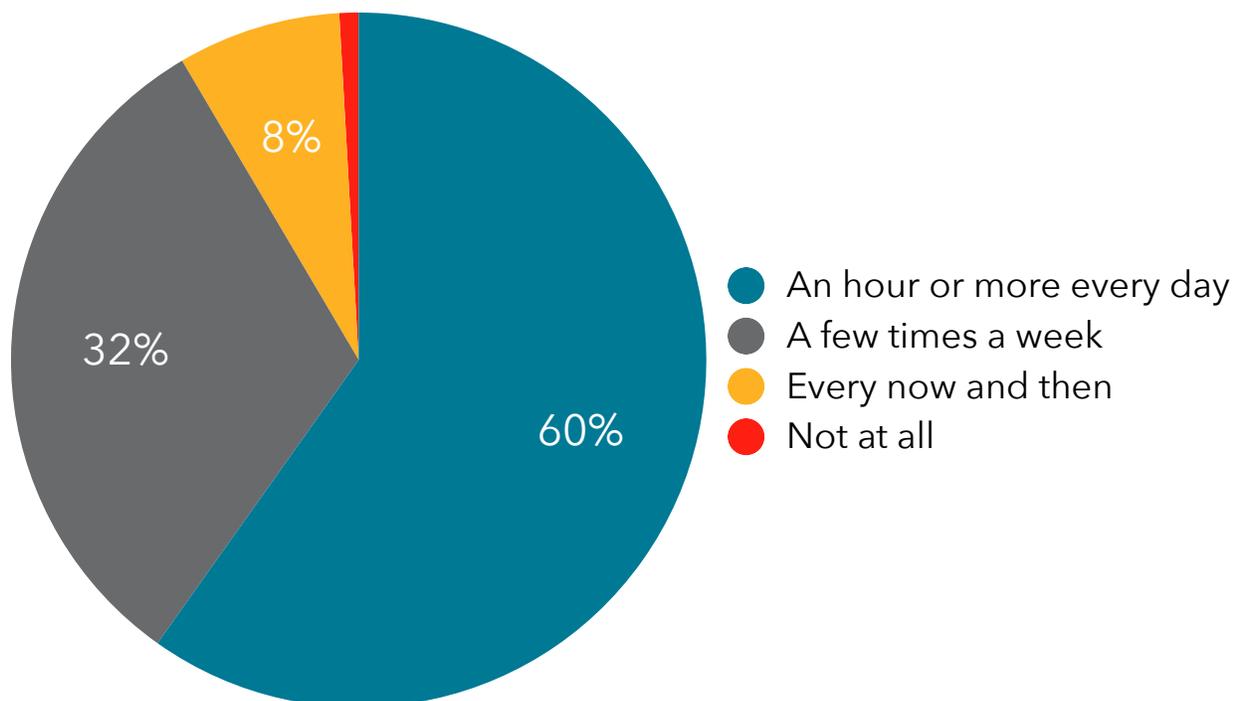
- How much time do you spend listening to music?
- Which of the following formats do you listen to?
- Please rank these selections [from the previous question] in the order you listen to most.

We asked these questions for two reasons: firstly, to get a sense of the audience we were polling; and secondly, to be able to filter later results by these criteria. (In both surveys, we also ascertained age, as a filter for later questions, something we'll come back to).

Here are the results for these questions:

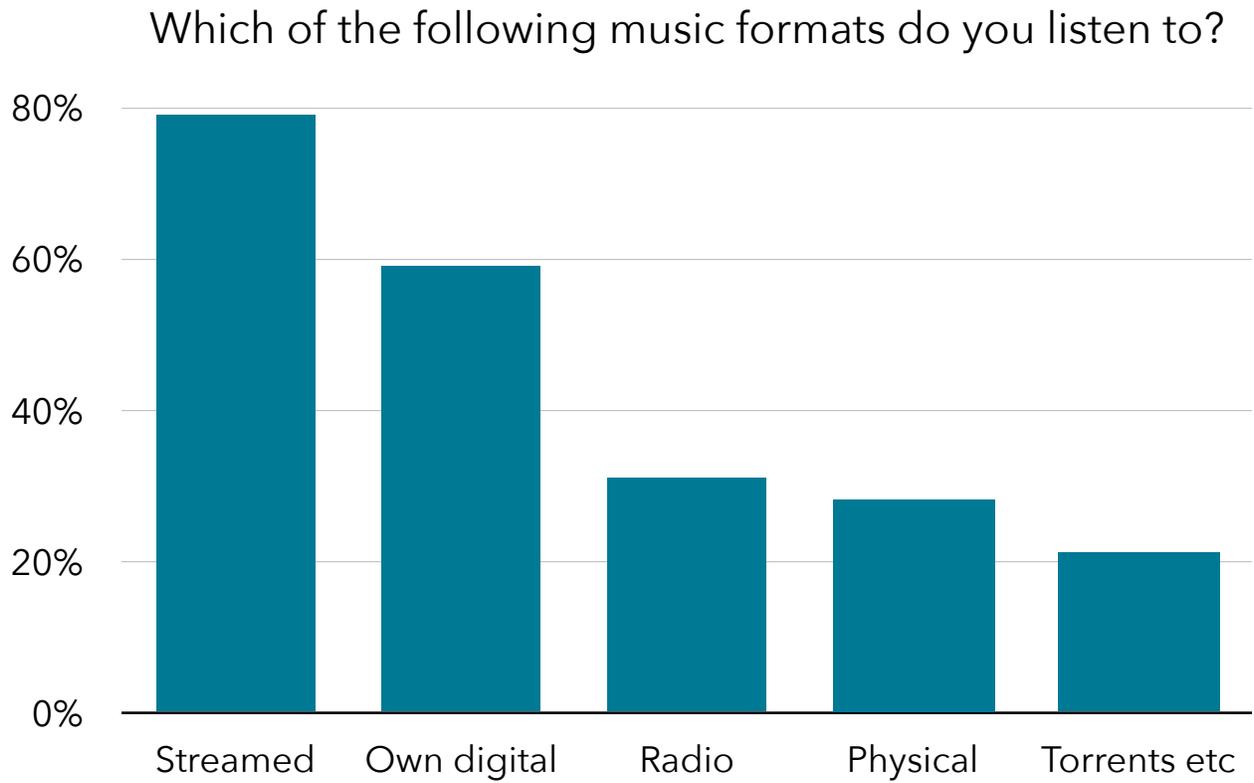
FIGURE 1 TIME SPENT LISTENING TO MUSIC

How much time do you spend listening to music?



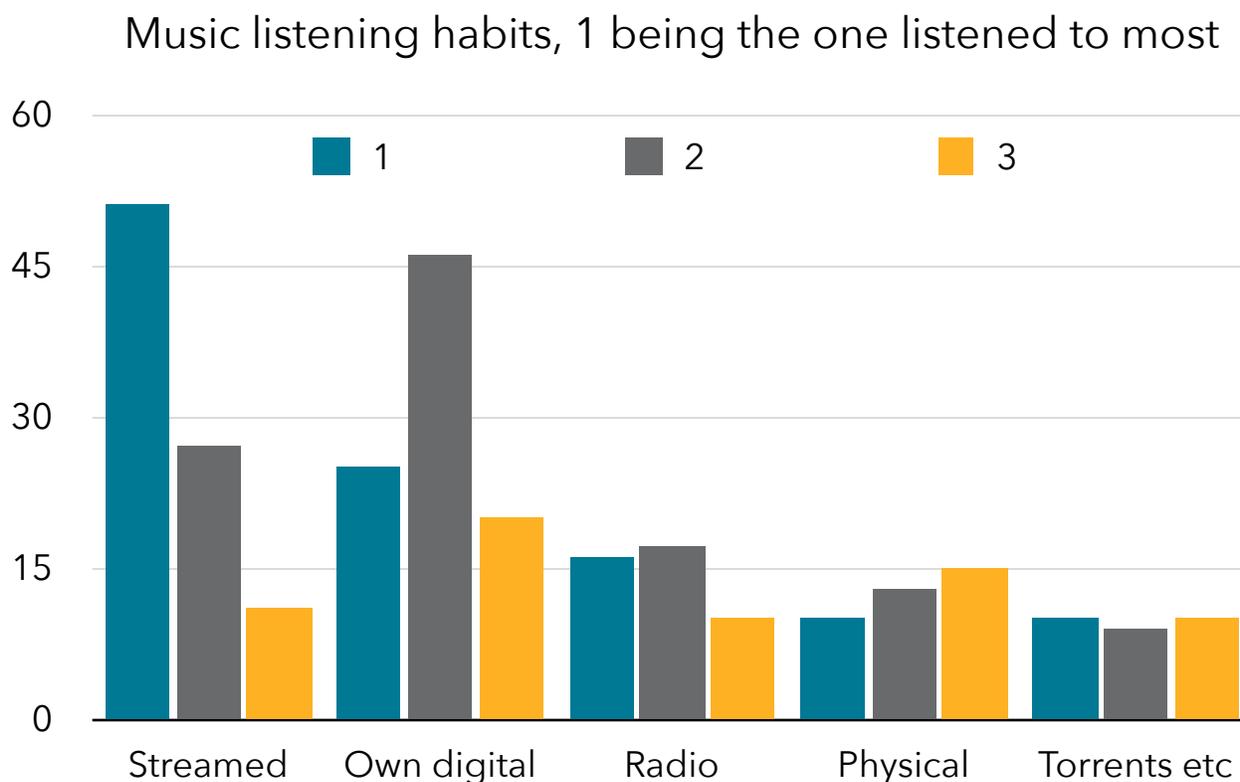
Source: Jackdaw Research Apple Music Survey, via Qualtrics

FIGURE 2 **MUSIC FORMATS LISTENED TO**



Source: Jackdaw Research Apple Music Survey, via Qualtrics

FIGURE 3 MUSIC FORMATS LISTENED TO, RANKED



Source: Jackdaw Research Apple Music Survey, via Qualtrics

The main things to note here are that the vast majority of the respondents in the Qualtrics survey (92%) listen to music at least several times a week, and that streaming and listening to purchased digital music are the two dominant forms of listening.

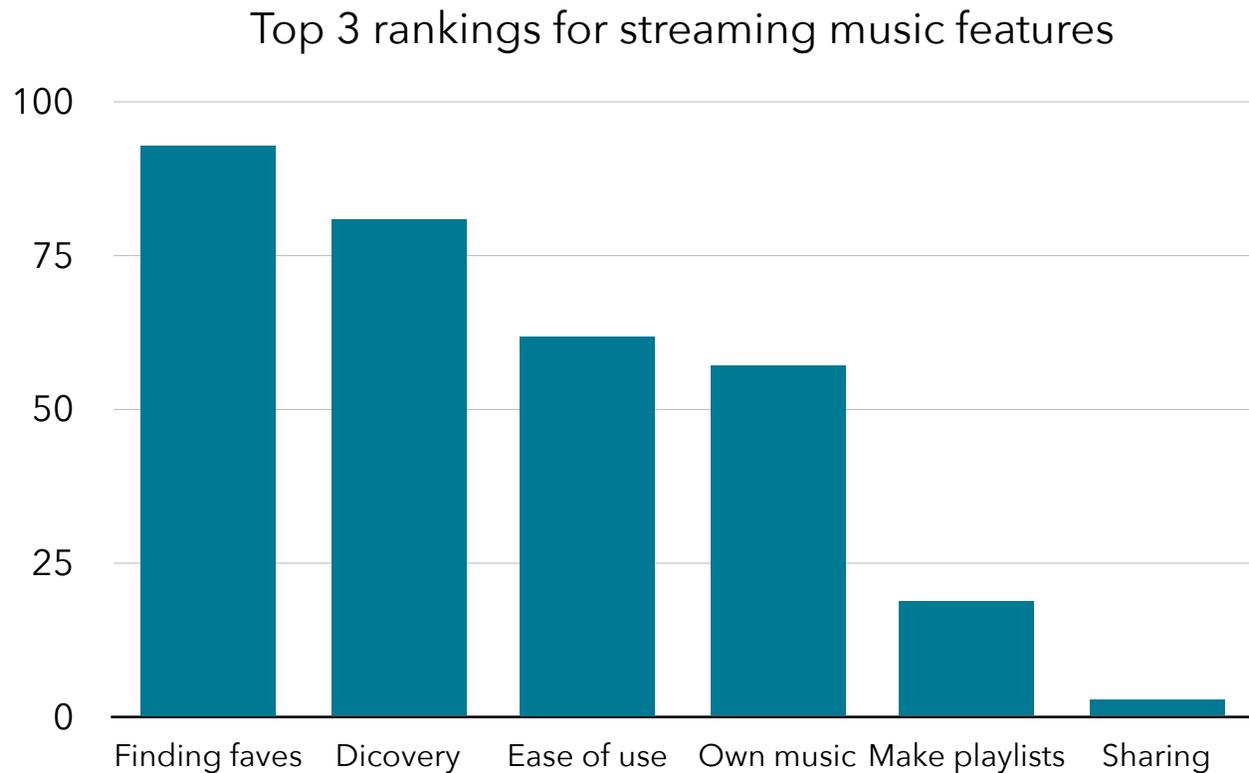
FEATURE RANKING FOR STREAMING SERVICES

In both surveys, we also asked respondents to rank the importance of various features when it comes to streaming music services. We made sure to ask this question before asking about any specific services, so as not to color the responses. Here are the results from the Qualtrics survey, with this chart showing the combined 1st, 2nd, and 3rd place rankings for these features (out of 7). The wording was as follows:

- Discovering new music
- Easily finding the music I already know I like
- Being able to listen to the music I already own
- Being able to easily create playlists

- Being able to easily share music or playlists with other people
- Being easy to use
- Other (please specify).

FIGURE 4 FEATURE RANKING FOR MUSIC STREAMING SERVICES - QUALTRICS SURVEY

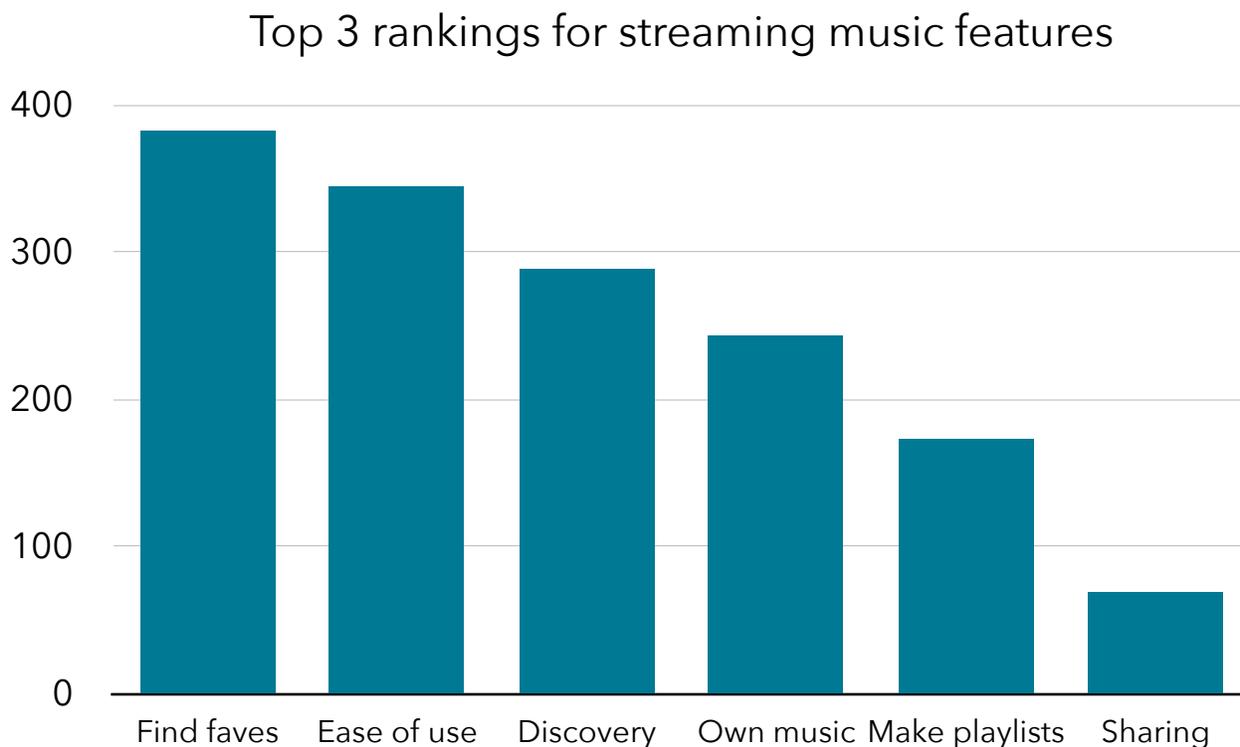


Source: Jackdaw Research Apple Music Survey, via Qualtrics

As you can see, finding music users already know they like, discovery of new music, ease of use, and ability to listen to the music already owned are the top four features. Making playlists and sharing with others garnered very few top three votes.

The MicroHero survey generated very similar results, with finding existing favorites coming top again, ease of use and discovery switching places in second and third, and listening to owned music again fourth, with making playlists and sharing again bringing up the rear:

FIGURE 5 FEATURE RANKING FOR MUSIC STREAMING SERVICES - MICROHERO SURVEY

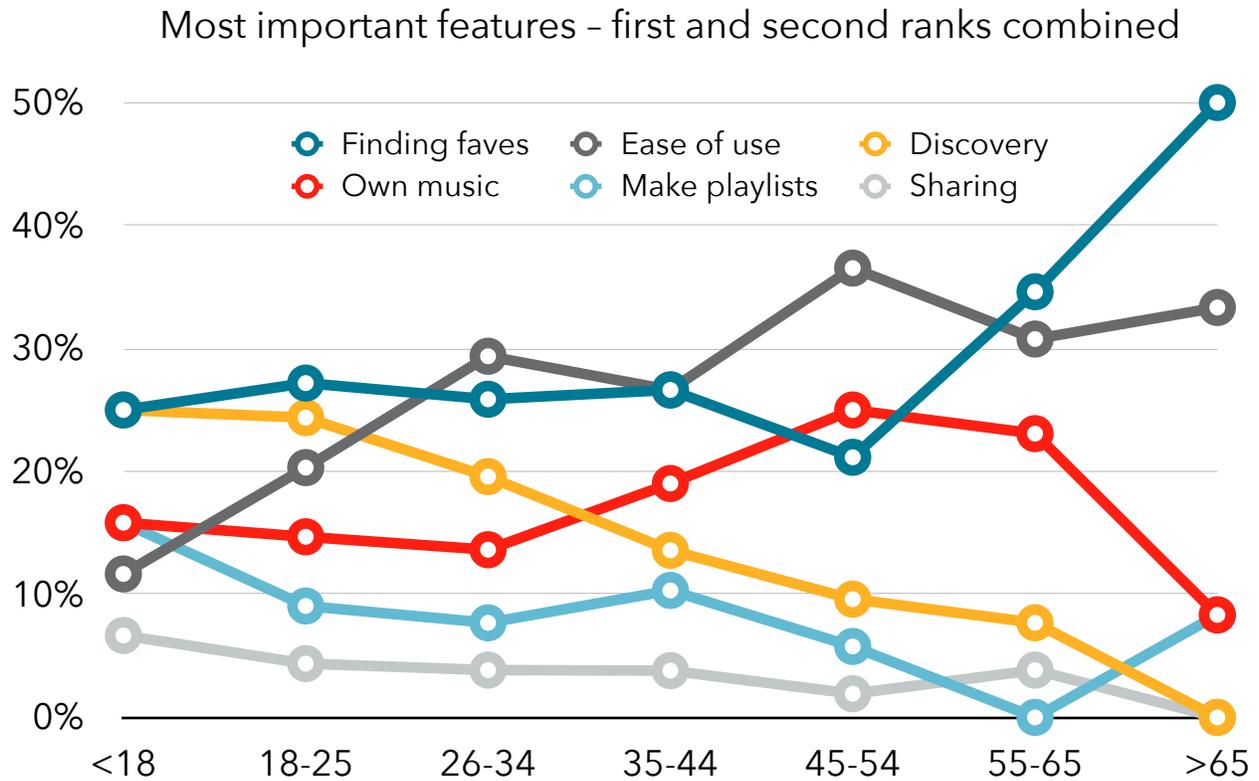


Source: Jackdaw Research Apple Music Survey, via MicroHero

The low ranking of sharing on both services is striking - this is a headline feature of services such as Spotify, and one of the criticisms of Apple Music has been that its sharing features are less sophisticated than those on other music services. But this low ranking bears out the fact that sharing is relatively unimportant compared to other features.

The other thing that's interesting is that feature preferences vary with age, at least in some cases. The chart below shows the combined first-and-second-place ranks for features, filtered by age group from the MicroHero survey:

FIGURE 6 FEATURE PREFERENCES BY AGE - MICROHERO SURVEY



Source: Jackdaw Research Apple Music Survey, via MicroHero

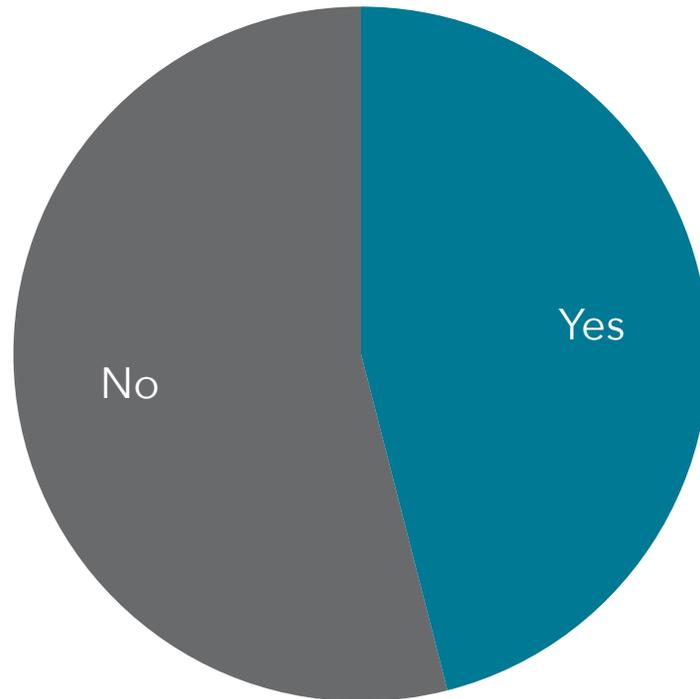
As you can see, sharing is still ranked first or second by relatively few users in the younger age groups, but it is ranked more highly at these ages and its importance steadily declines with age. By contrast, ease of use and being able to listen to one's own music both rise in importance with age, while discovery also gains in importance the older users get.

APPLE MUSIC FREE TRIALS

The first big question relating to Apple Music was the same for both surveys, and it was simply whether people had signed up for the three-month free trial Apple Music offered starting at the end of June. The first set of data is therefore binary, and it highlights the differences between the two audiences pretty dramatically. Here's the data from the Qualtrics survey:

FIGURE 7 SIGNUP RATES FOR APPLE MUSIC FREE TRIAL - QUALTRICS SURVEY

Did you sign up for the three-month free trial for Apple Music?



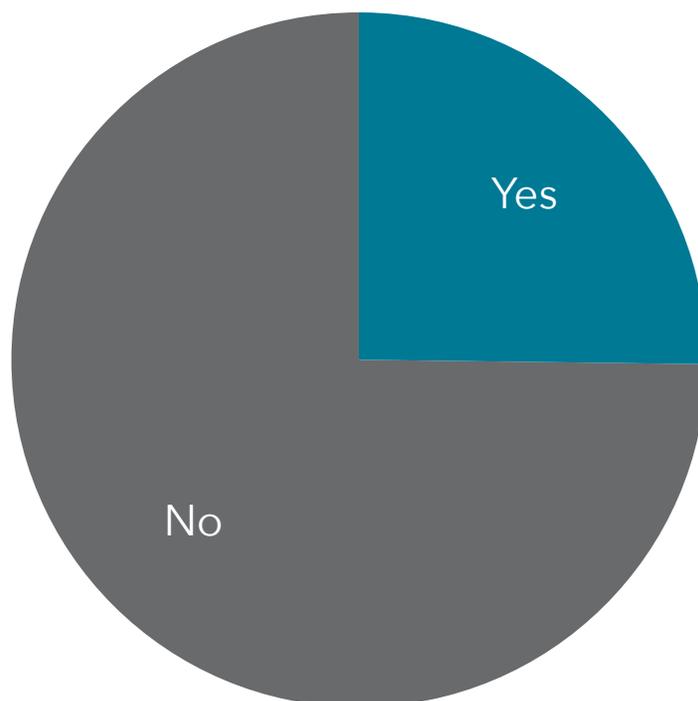
Source: Jackdaw Research Apple Music Survey, via Qualtrics

As you can see, just under half of this base did sign up for the free trial. That's obviously a far higher number than in the general population, and reflects the fact that much of our social network audience is tech-savvy, and skews towards Apple users, rather than being representative of the general population.

The MicroHero survey, on the other hand, is likely much more representative of iPhone owners as a whole (remember that the MicroHero app is currently iOS only):

FIGURE 8 SIGNUP RATES FOR APPLE MUSIC FREE TRIAL - MICROHERO SURVEY

Did you sign up for a three-month free trial of Apple Music?

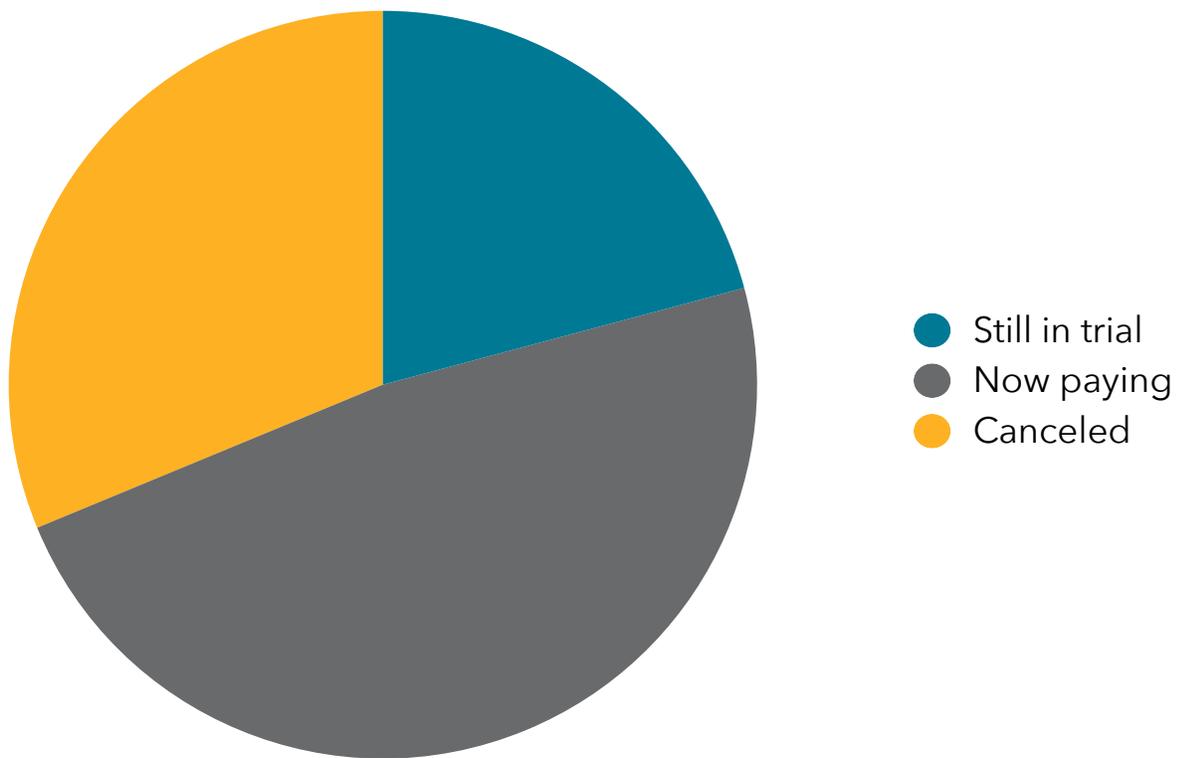


Source: Jackdaw Research Apple Music Survey, via MicroHero

As you can see, these numbers are likely much closer to a true picture, with a quarter of iPhone users signing up for the trial over the last three months or so. This still suggests a much higher number than the only number we have from Apple itself, however, which was 11 million out of a base of almost 500 million a few weeks in. The survey number would suggest something much closer to 100 million people having at least signed up for the free trial. So, we need to take the overall results with something of a pinch of salt still as being representative of the general population.

We next asked both groups about the current status of their Apple Music trials. There are three possible answers here: the user is still in the free trial, they've passed the three month mark and are now paying customers, or they have canceled their subscription. Here's the data on this point from the Qualtrics survey:

FIGURE 9 CURRENT STATUS OF APPLE MUSIC TRIAL - QUALTRICS SURVEY



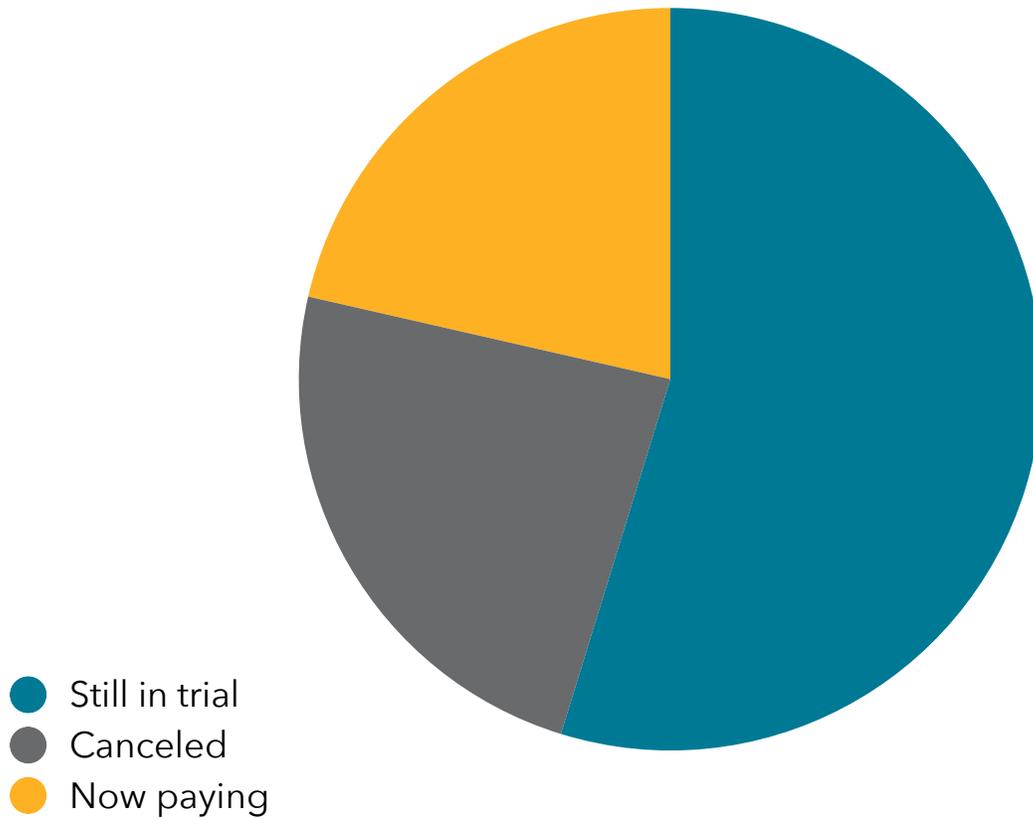
Source: Jackdaw Research Apple Music Survey, via Qualtrics

As you can see, a fairly high percentage (almost half) of the Qualtrics respondents who trialed Apple Music are now paying customers. One fifth are still in the trial, while almost a third have canceled the service. Among other things, this suggests many of these people signed up within the first week or so, which may again suggest a group that's highly tech savvy and aware of tech news.

The MicroHero respondents again look a lot more representative of the general population, with around half of the people who used the trial still in that three-month period, suggesting later signups than the Qualtrics respondents. Of those who have already made a decision about continuing the trial, roughly half have become paying customers, and half have canceled:

FIGURE 10 CURRENT STATUS OF APPLE MUSIC TRIAL - MICROHERO SURVEY

What's the status of your trial?



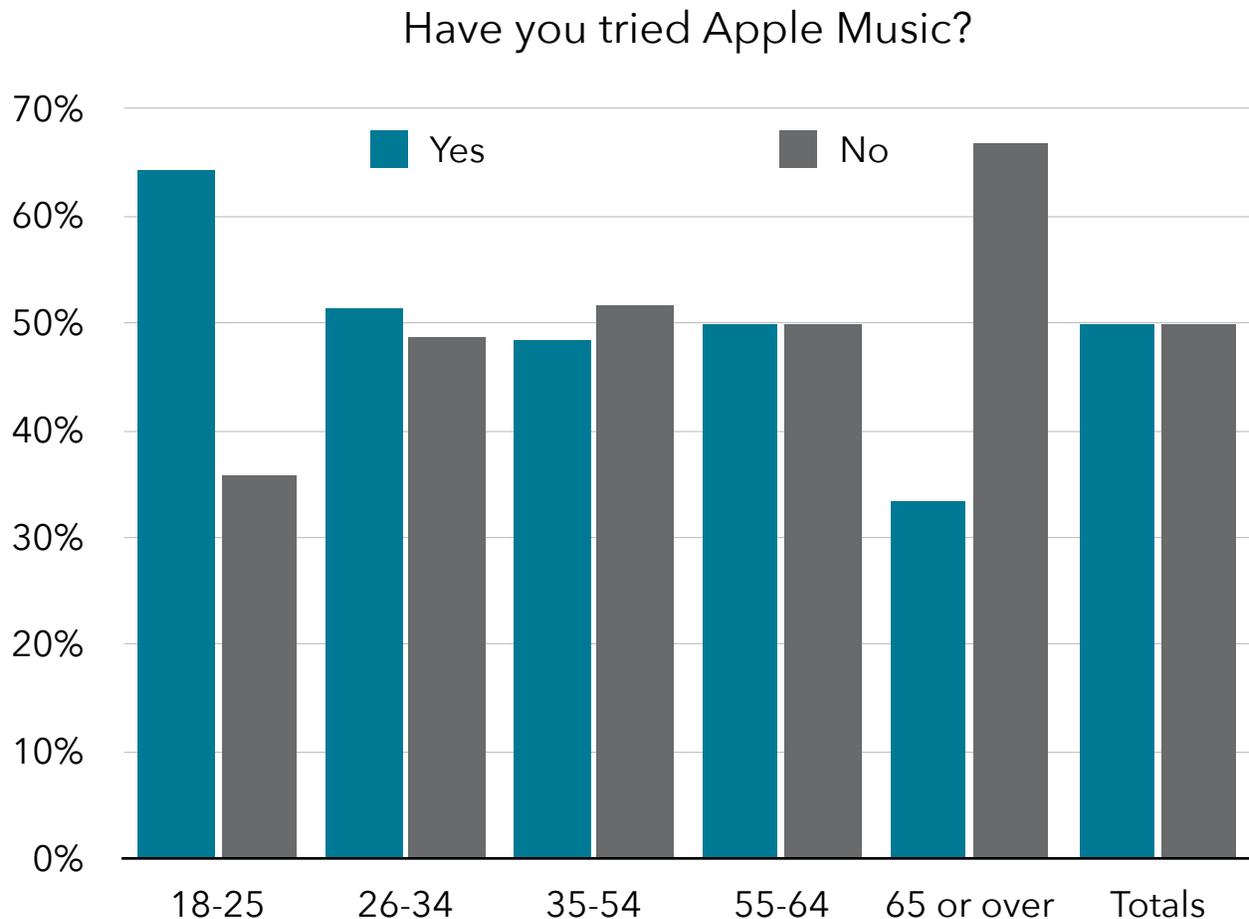
Source: Jackdaw Research Apple Music Survey, via MicroHero

Again, please note that we are not claiming any of the results above are entirely representative of real-world results. We're sharing these stats mostly as context for what follows.

FILTERING APPLE MUSIC RESULTS

When things get really interesting is when you start filtering the Apple Music trial numbers by some of the responses to the earlier questions. First up, here are the splits by age for whether users trialed Apple Music, from the Qualtrics survey:

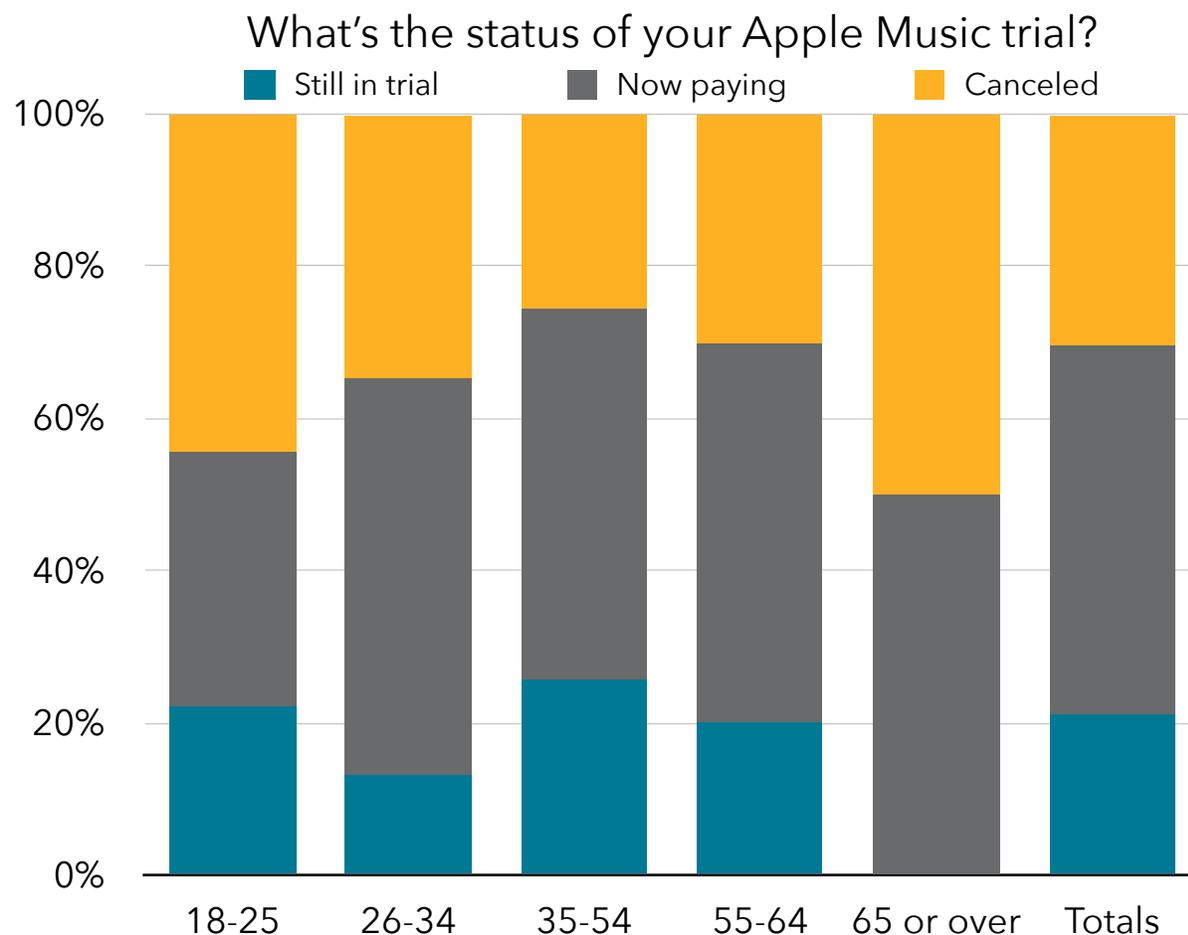
FIGURE 11 APPLE MUSIC TRIALS BY AGE - QUALTRICS SURVEY



Source: Jackdaw Research Apple Music Survey, via Qualtrics

As you can see, there's a slight bias by age, where the youngest and oldest age groups in the Qualtrics survey skew one way or the other, but the sample sizes are too small for the trend to be utterly consistent. However, the youngest users are more likely than the average to have trialed Apple Music, while the oldest are less likely, with all the other age groups being very close to the overall average, none of which should be all that surprising. However, what's interesting is when you look at the current status of those who did trial the service by age:

FIGURE 12 APPLE MUSIC SUBSCRIPTIONS BY AGE - QUALTRICS SURVEY

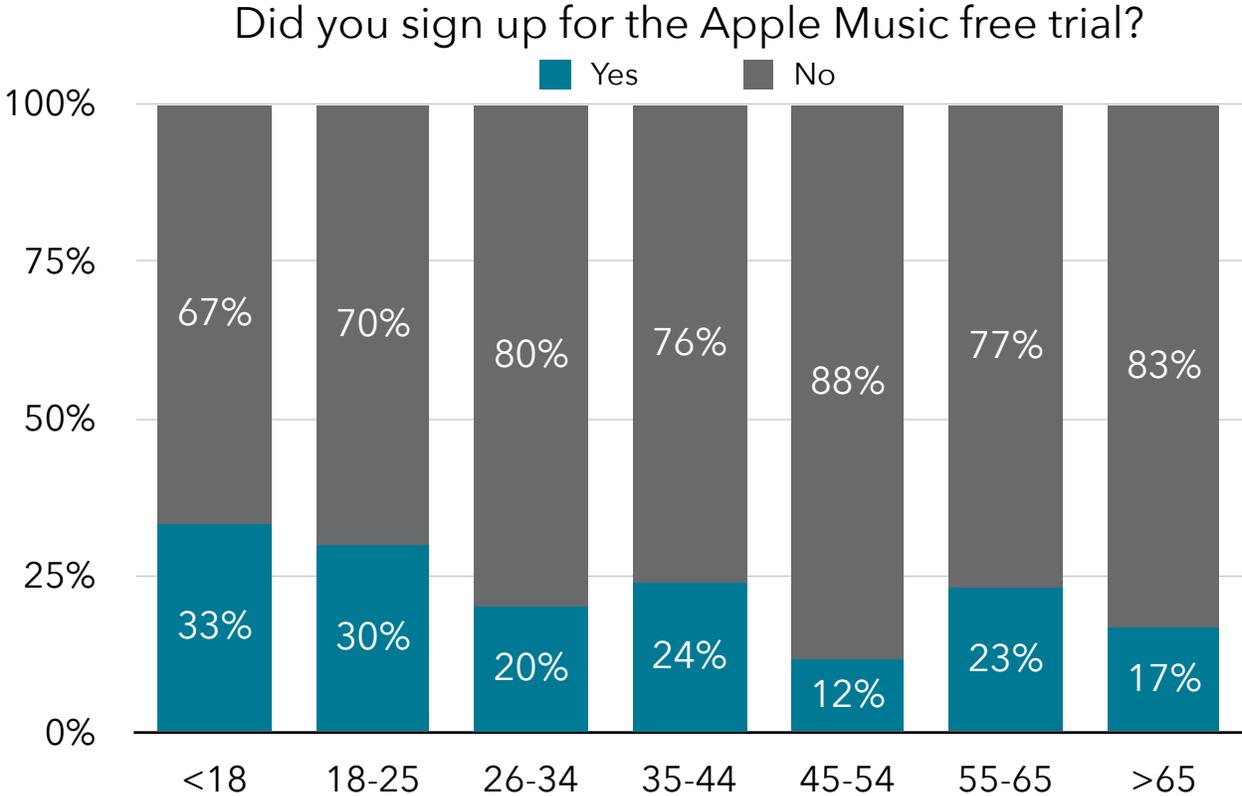


Source: Jackdaw Research Apple Music Survey, via Qualtrics

In this case, the pattern is reversed - the older a user is, the more likely they are to be sticking with the service. And this, of course, fits perfectly with the prediction we made back in April in the quote referenced under "Our Thesis" at the beginning of this report. It's been true for music buying generally, and we expected that it would be true for subscription music too - the heaviest users of paid subscriptions will likely skew older, with the youngest least likely to pay.

The MicroHero survey bears out the same trends as the Qualtrics survey. Once again, the likelihood of having tried Apple Music is higher for younger respondents, and lower for older respondents, in an almost linear fashion, falling from 33% for under 18s to just 17% for over 65s:

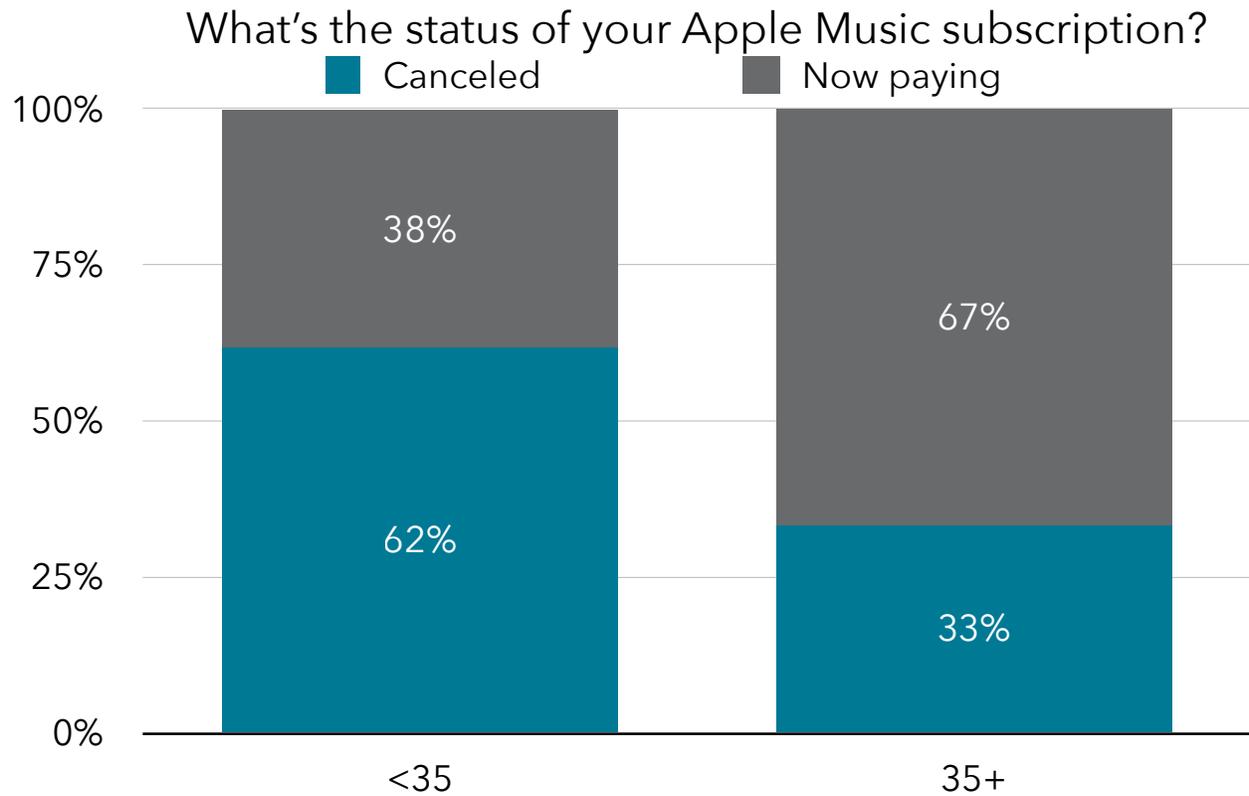
FIGURE 13 APPLE MUSIC TRIALS BY AGE - MICROHERO SURVEY



Source: Jackdaw Research Apple Music Survey, via MicroHero

When it comes to the current status of the Apple Music trials, the situation is reversed, as with the Qualtrics survey. The older respondents are, the more likely they are to have become paying customers, with one of the largest groups of payers at 35-44 years old. Because of the small size of the age groups, we've lumped together the older groups and younger groups in the chart below, where the difference between the two is fairly stark:

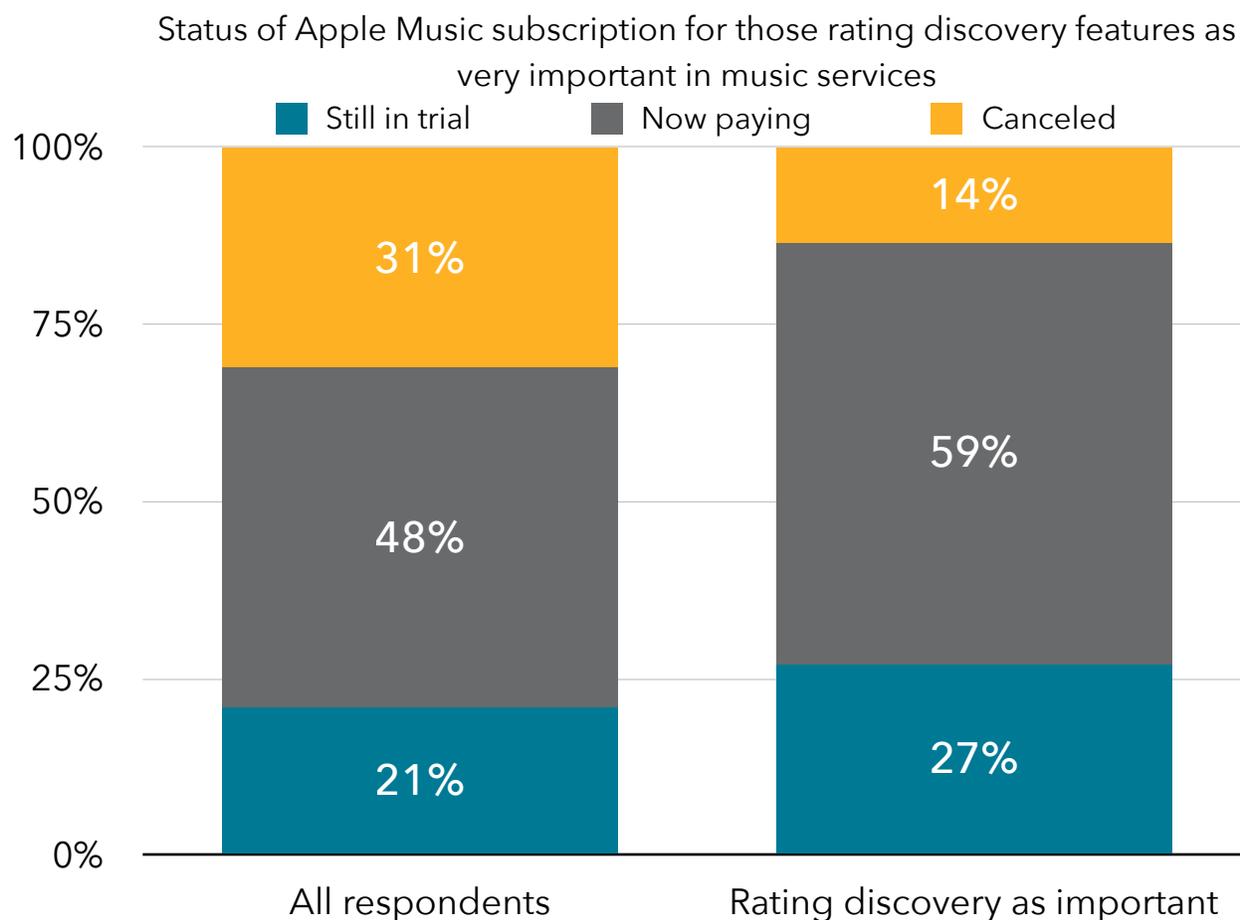
FIGURE 14 **APPLE MUSIC SUBSCRIPTIONS BY AGE - MICROHERO SURVEY**



Source: Jackdaw Research Apple Music Survey, via MicroHero

Another interesting filter is looking at Apple Music trialists by how important they considered discovery. In general, the splits for who's paying versus who's canceled and who's still in the trial are fairly consistent across the groups who ranked various features highest, but the one exception is those who consider discovery particularly important. Those who considered discovering new music one of the most important features in a streaming music service seem to be sticking with Apple Music in somewhat higher numbers than the average, which looks like at least partial validation of Apple's efforts in this area:

FIGURE 15 **APPLE MUSIC SUBSCRIPTIONS BY FEATURE PREFERENCE - QUALTRICS**



Source: Jackdaw Research Apple Music Survey, via Qualtrics

There's no dramatic difference here, but it's enough to be noticeable compared to those who prioritized other features, where the splits are within one or two percentage points of the overall averages, even for features such as integration of owned music, where Apple Music might be expected to be strong (something we mentioned under "Our Thesis". The MicroHero survey shows a similar skew towards paying rather than canceling among those who find music discovery important.

THE "WHYS" OF APPLE MUSIC

The Qualtrics survey had quite a bit of question logic, which routed respondents to particular additional questions based on their responses to earlier ones. This, in turn, allowed us to target particular groups - such as those who had signed up for the Apple Music trial - with specific detailed questions.

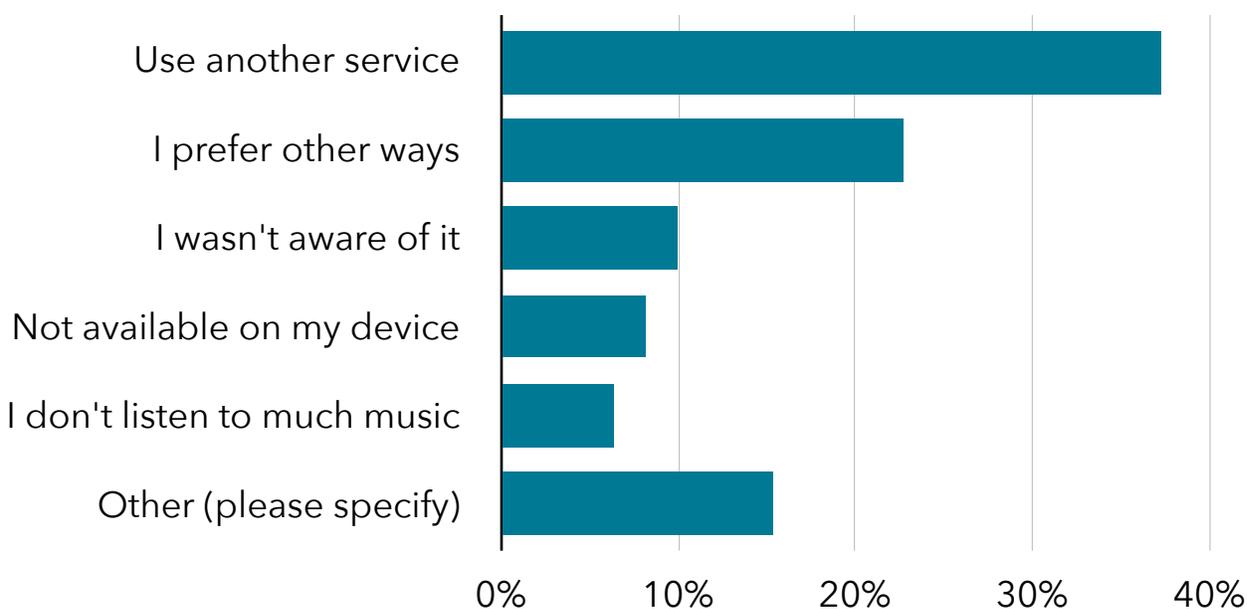
Why people didn't sign up for the free trial

The first question we asked was posed to those who didn't sign up for the free trial of Apple Music, and it was: "Why did you not sign up for the Apple Music free trial? Please select the option that was most significant, even if several apply." The possible responses were:

- I wasn't aware of it
- I already use another streaming music service
- I prefer to listen to music in other ways
- I don't listen to much music
- I don't have a device on which I can use it
- Other (please specify).

The chart below shows the responses to this question:

FIGURE 16 WHY DIDN'T YOU SIGN UP FOR THE APPLE MUSIC FREE TRIAL? - QUALTRICS



Source: Jackdaw Research Apple Music Survey, via Qualtrics

The good news is that neither awareness nor lack of device compatibility were big barriers, which is impressive given how new the service is. However, more problematic are the first two items on the chart above. Almost 40% were already using another service and apparently weren't motivated to find out what might be better in Apple Music, while just over 20% simply prefer other ways of listening to music rather than streaming services. Apple has said that it's expecting to largely gain subscribers from non-consumption of paid music streaming services, but many of those people will either be using free streaming services or consuming music in other ways. If Apple is unable to convince these two groups even to try Apple Music, this strategy will be an uphill battle. It's worth briefly reviewing some of the responses in the "Other" category, which made up 15% of responses. These included poor experiences with iTunes in the past, not wanting to sign up for a trial that would require a credit card, not wanting to put in the effort to get signed up, and others. One or two others also cited specific missing features including the lack of Sonos support.

Why people canceled their subscriptions

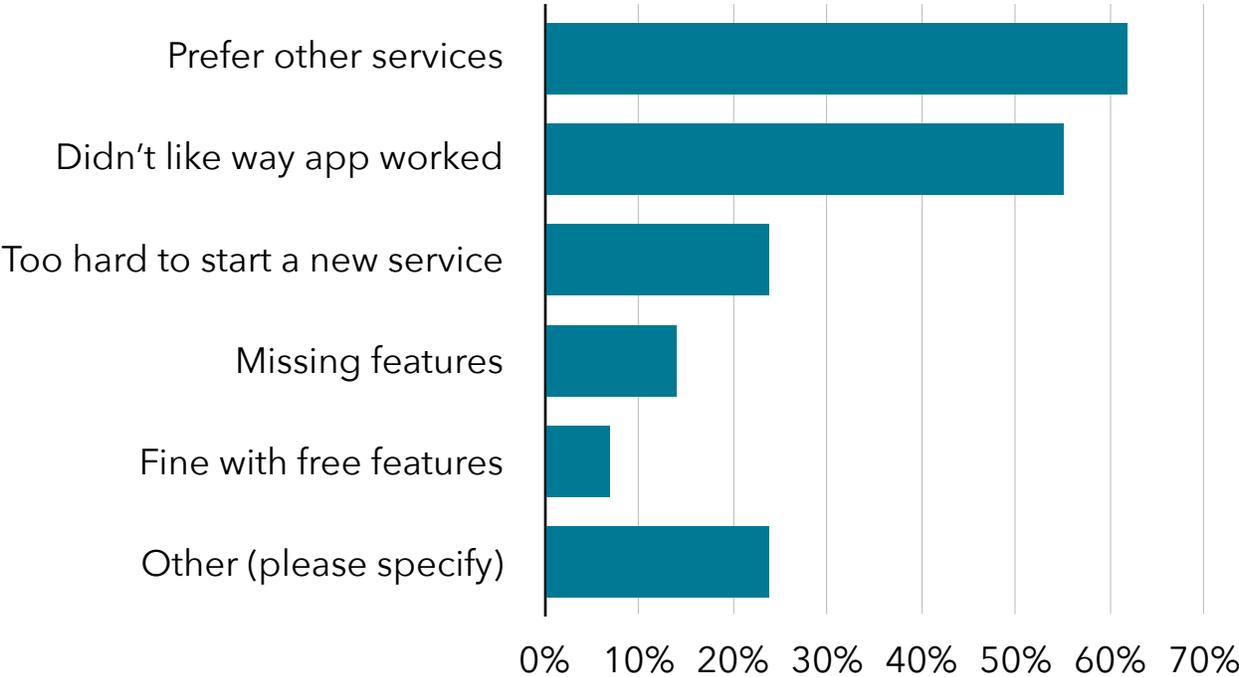
We next asked those who did try Apple Music but canceled rather than becoming paying subscribers why they canceled their subscriptions. The possible responses here were:

- I prefer other services I've used and went back to those
- I didn't like the way the app worked (e.g. it was confusing)

- Too hard to start again with a new service (e.g. I have playlists on other services that I couldn't import)
- There were missing features (please specify which)
- I was fine with just the free features (e.g. Beats 1)
- Other (please specify).

Respondents could select all answers which applied to them. The answers are shown in the chart below:

FIGURE 17 WHY DID YOU CANCEL YOUR APPLE MUSIC SUBSCRIPTION? - QUALTRICS



Source: Jackdaw Research Apple Music Survey, via Qualtrics

As you can see, some 60% or so went back to using other services they'd used previously, or in other words, they didn't find Apple Music a compelling enough alternative to make the switch. Over half didn't like the way the app worked, which echoes complaints from reviewers about the complexity of the new Music app in iOS. Almost a quarter cited the difficulty of transferring from another service, while just 14% cited the lack of features as a barrier to their use of Apple Music. Among the open-ended responses under both the missing features question and "Other" there was no consistent theme, but poor social sharing, bad UI, and a preference for paying for music on an ad hoc basis were all mentioned.

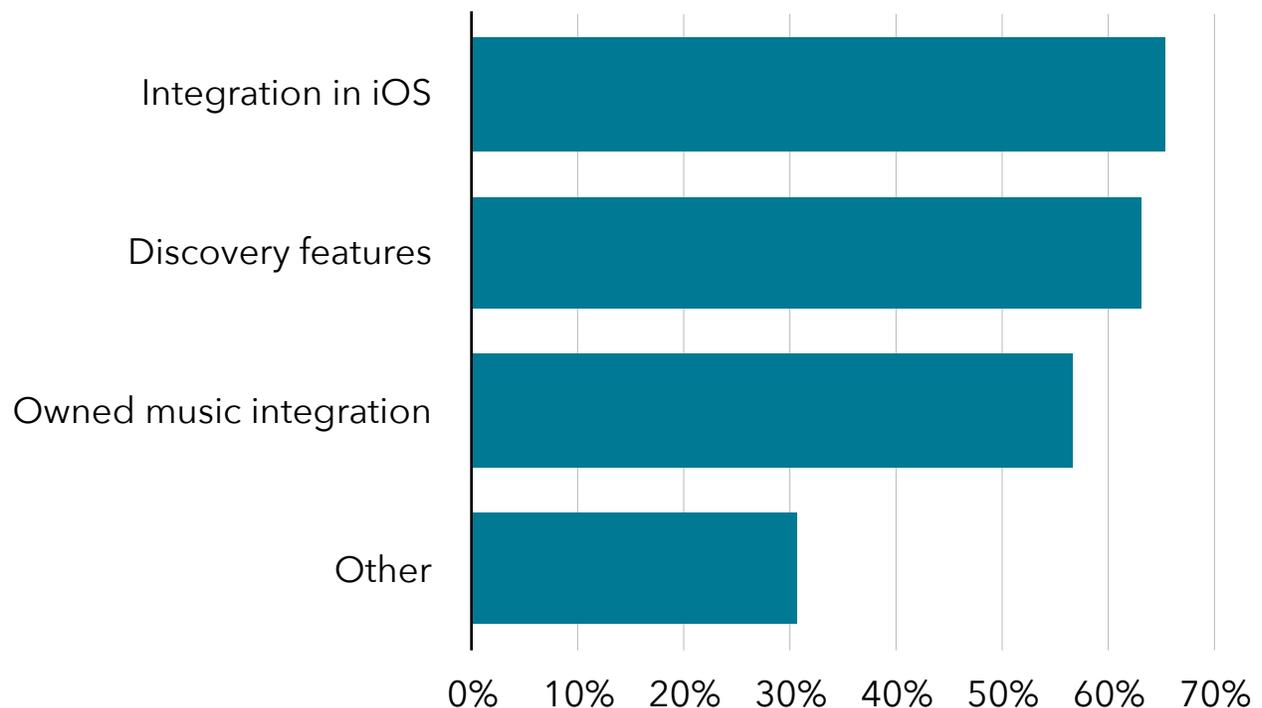
Why people are paying for Apple Music

We next asked those who had chosen to become paying subscribers to Apple Music why they had chosen to do so. The possible responses were:

- I like that Apple Music is built-in with my iPhone (e.g. because I can use Siri to control it)
- I like the discovery features
- I like that streaming is in the same app as the music I already own
- Other (please specify).

The results are shown in the chart below - once again, respondents could select all responses that applied.

FIGURE 18 WHY ARE YOU PAYING FOR APPLE MUSIC? - QUALTRICS



Source: Jackdaw Research Apple Music Survey, via Qualtrics

Two features came out on top, with very similar numbers: the integration of Apple Music into iOS and the related functionality, and the discovery features. The latter reflects the finding we reported earlier about the higher rates of subscribership among those who prioritized discovery as a feature. Owned music integration - in other words, the ability to have owned music alongside music available through the subscription - was another important selling point, and is one of the more distinctive features of Apple Music. Under "Other" several users

did report forgetting to cancel, which is no doubt true for some subset of the user base as a whole for Apple Music - something which will likely change as people get their first billing email. The Family Plan was mentioned several times too, and was seen by several respondents as an important differentiator.

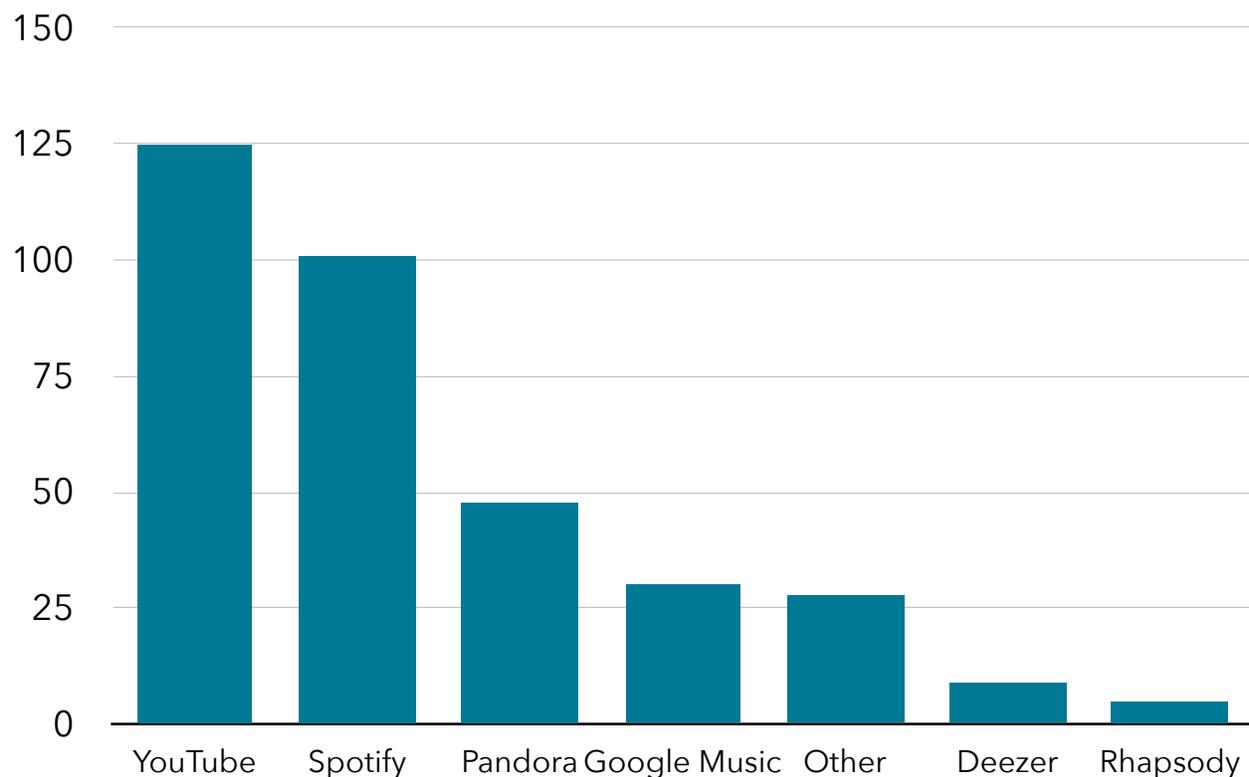
Similar responses were received in answer to a question posed to those who said they were likely to start paying when their trial was up, and the responses were similar too, though this group was too small to present the results in detail here.

USE OF OTHER MUSIC SERVICES

To wrap up both surveys, we asked which other services respondents had used in the past month to listen to music. Here, it's worth noting that the Qualtrics survey was dominated by US-based users, while the MicroHero survey had significant representation from some other countries around the world, including quite a few respondents in China.

The chart below shows the responses from the Qualtrics survey:

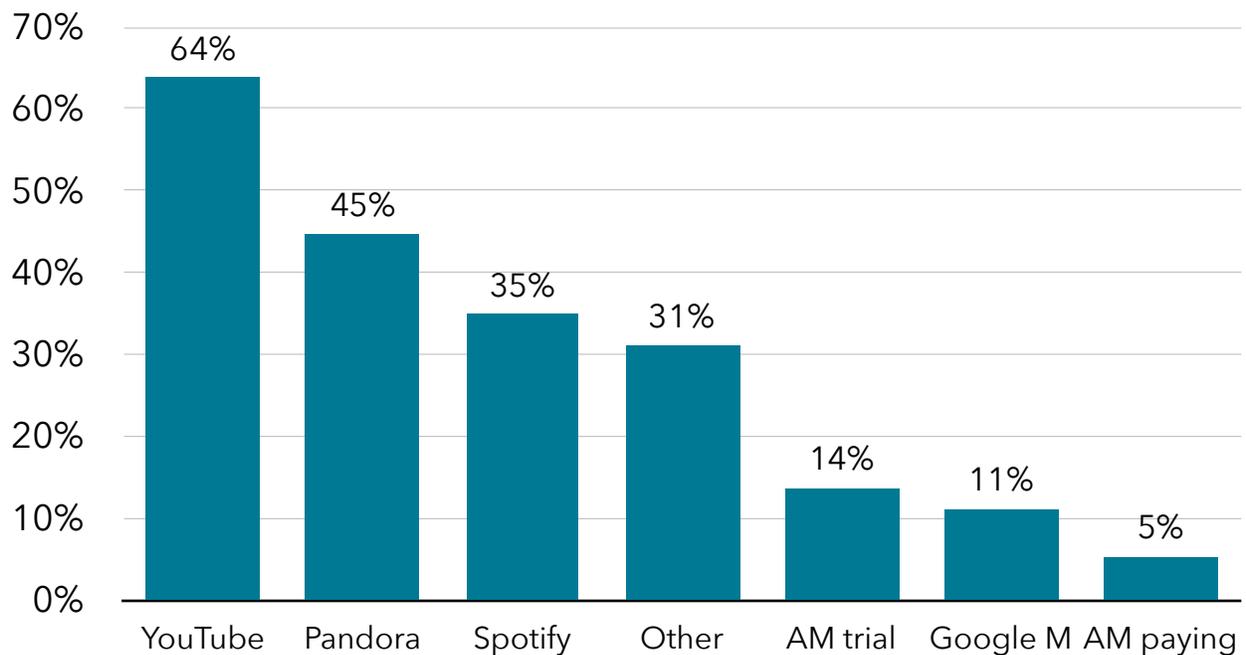
FIGURE 19 WHICH OTHER MUSIC SERVICES HAVE YOU USED? - QUALTRICS SURVEY



Source: Jackdaw Research Apple Music Survey, via Qualtrics

The following chart presents the results from the MicroHero survey:

FIGURE 20 WHICH OTHER MUSIC SERVICES HAVE YOU USED? - MICROHERO SURVEY



Source: Jackdaw Research Apple Music Survey, via MicroHero

In this chart, we included the numbers who were using the paid and trial versions of Apple Music, too, for context.

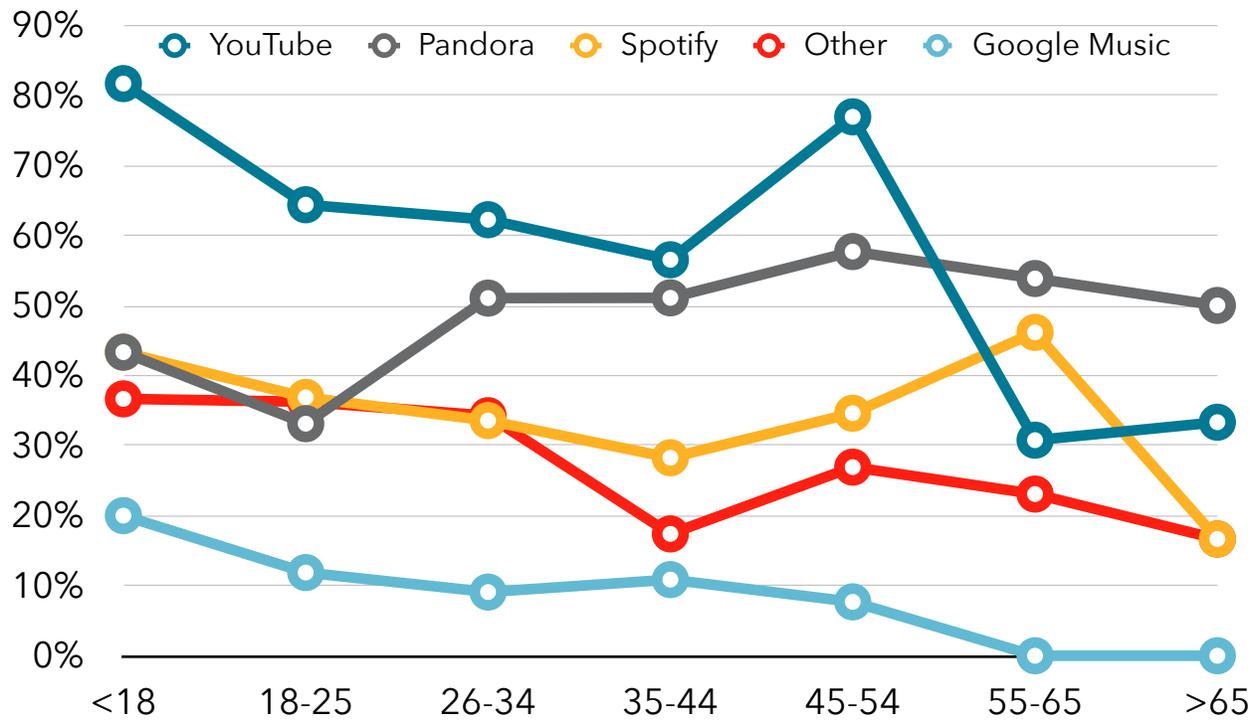
In both surveys, YouTube came out on top, which is notable in that YouTube is the only service here which is not purely a music service, but where music is only a part of what it's used for (indeed, it's not even an audio service). Around two thirds of both sets of respondents claimed to have used YouTube to listen to music in the previous month.

Spotify came out strongly in both services, while Pandora put in an unexpectedly strong showing in the MicroHero survey. Google Music, Rhapsody, Deezer and others came out significantly lower. In the Other category in the MicroHero survey, Chinese services such as QQ Music, Xiami, Baidu, and others each received several votes, while Amazon, Beats, and others were mentioned in both surveys, though in lower numbers than the services shown in the charts.

Usage by age

Because we ascertained ages in both surveys, we can further divide these music service listening patterns by age. The chart below shows usage of the various services by age in the Qualtrics survey:

FIGURE 21 MUSIC SERVICE LISTENING BY AGE - QUALTRICS SURVEY

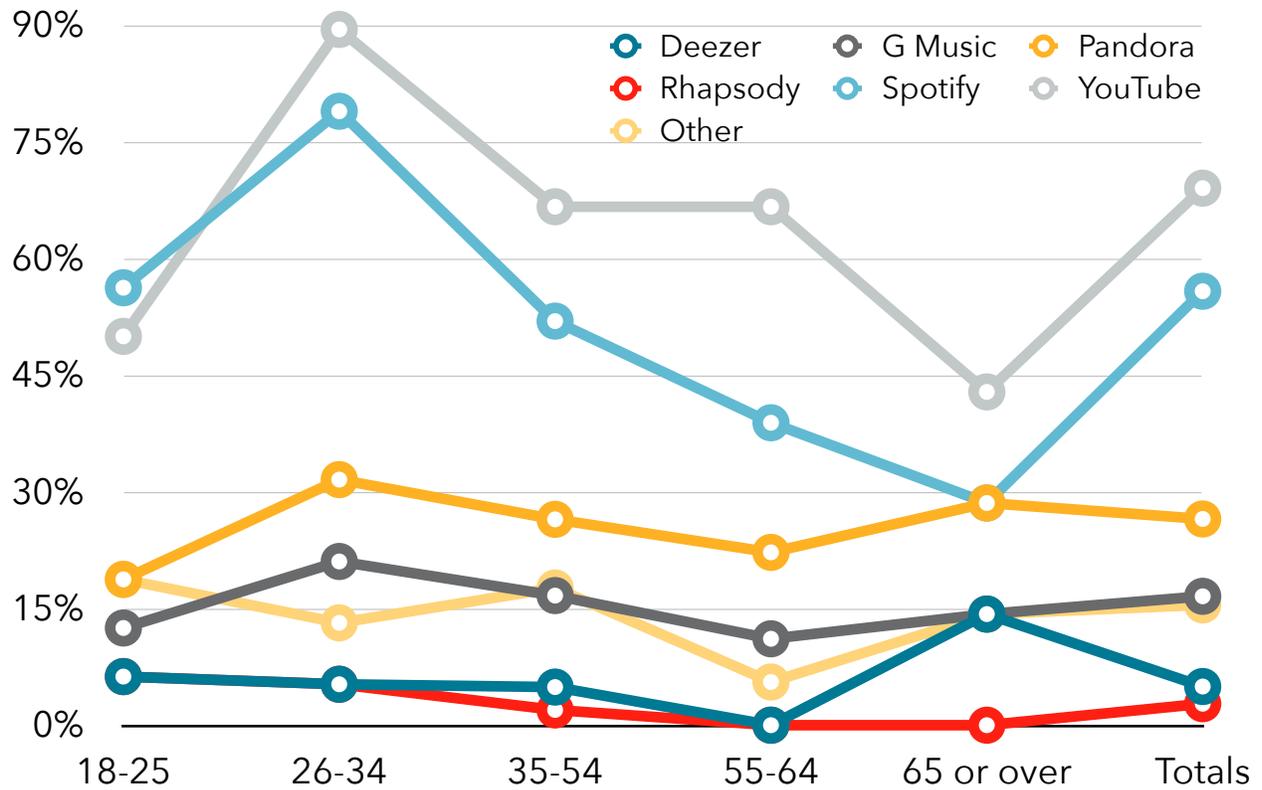


Source: Jackdaw Research Apple Music Survey, via Qualtrics

Several services saw declines with age in the Qualtrics survey, including YouTube and Spotify. Pandora held up reasonably well across age groups, on the other hand.

Similar results from the MicroHero survey are shown below:

FIGURE 22 MUSIC SERVICE LISTENING BY AGE - MICROHERO SURVEY



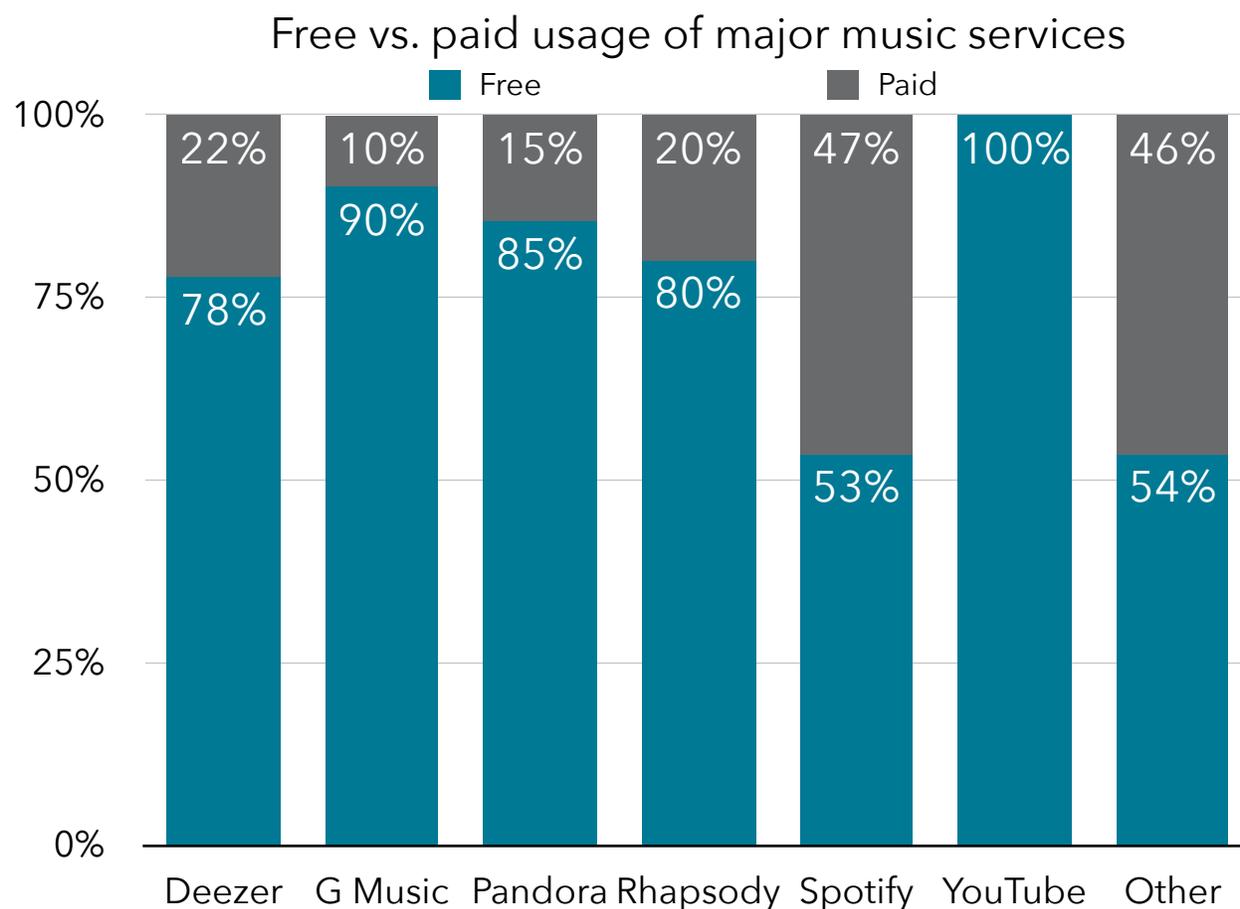
Source: Jackdaw Research Apple Music Survey, via MicroHero

Most of these services saw declines in usage with age in the MicroHero survey, with YouTube seeing the most dramatic declines. Spotify was the service that saw most stable usage with age, while Pandora actually saw higher usage among older respondents.

Paid vs. free usage of streaming music services

Lastly, we asked respondents in the Qualtrics survey about whether they used these services on a free or paid basis - essentially all the services on the list offer both paid and free versions. The resulting split between free and paid usage is shown in the chart below.

FIGURE 23 PAID VS. FREE USAGE OF STREAMING MUSIC SERVICES - QUALTRICS SURVEY



Source: Jackdaw Research Apple Music Survey, via Qualtrics

As you can see, Spotify has the highest percentage of paid users among the respondents, while YouTube is used entirely for free (a paid option was introduced recently, but appears to have had minimal impact). Most of the other services see 20% or fewer of their users paying according to this survey. Apple Music, of course, is a 100% paid service when it comes to the full feature set, with free users receiving only Beats 1 and some other minor features.