Welcome to the

FUTURE OF DIGITAL AUDIO

National Research Group

A STAGWELL COMPANY

Fueled by more high-quality content, conversation and competition than ever before, digital audio is experiencing a renaissance.

Historically, innovation in audio was driven by new technological capabilities: from the advent of radio that blanketed everything in audio, to digital stores serving up instant, infinite music streaming. Now, innovation in the content itself is king, from community-driven podcast subscriptions to the emergence of social audio and an entirely new breed of audio-first creator.

Digital audio is taking advantage of some of the headwinds facing video entertainment, from consumers' Zoom fatigue to their hindered trust in video and print media...

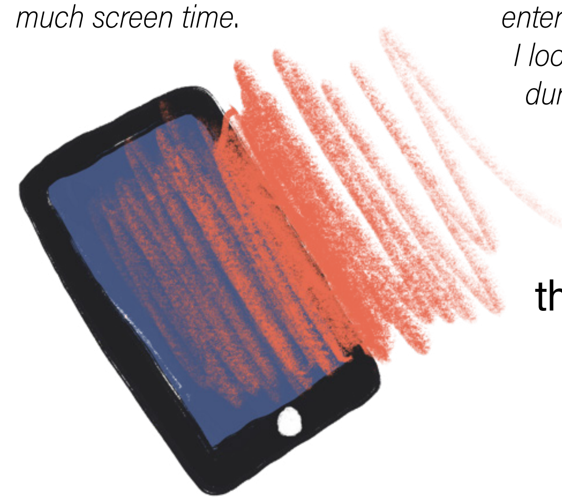
1 in 2 consumers say *I'm feeling burnt out because of too much screen time.*

~7 in 10 Gen Zs and Millennials say *audio is my preferred entertainment format because I look at screens too much during the day.*

83% of consumers say they trust audio brands.

+10% above social media brands, and on par with tech brands

~6 in 10 Gen Zs and Millennials get their news primarily through audio formats, and agree that when it comes to news, *I trust audio formats more than print or video media.*



...while also riding the wave of, and riffing on, key trends that started in video—from the popularization of cross-cultural content to the proliferation of creator-led platforms.

1 in 2 consumers say *I'm engaging with more audio since C-19 hit.*

7 in 10 consumers identify as audiophiles, and agree *the audio content that's available to me is getting better than before.*

Digital audio as a category is getting stickier and making a meaningful impact on consumers' lives.

78% of consumers say *I have music always on*, no matter what they're doing.

95% of consumers say music improves their day-to-day life.

1 in 3 Gen Zs say *audio is indispensable as the one entertainment medium I can't live without.*

Half of Millennials say they will use more audio in the future.

3 in 5 Millennials turn to audio to learn something new.

We set out to uncover what consumers want the near future of audio to really look like, and three key forces rise to the fore: **SOCIAL + GLOBAL + CREATOR**

SOCIAL

2021 saw a new kind of social network based on voice become mainstream: social audio environments for networking, expressing ideas and connecting with new friends in an immersive virtual way.

Facing a surplus of unstructured time, barriers to social gatherings, and Zoom burnout, consumers were first drawn to the audio-only concept while stuck at home during the pandemic and the market for it has been booming ever since. With Clubhouse, Twitter Spaces, Facebook Live Audio Rooms, Spotify Greenroom and other leaders (see analyst Jermiah Owyang's "Social Audio Landscape" list of 43 players) vying to own this boom, one question remains: will it bust?

77% of consumers say

social audio experiences are here to stay

and will continue to grow in the future.

led by 90% of social audio users

POSITIVE SIGNALS

1 Consumers are ready for audio to become increasingly social. **62% of audiences think social media companies should offer audio content** like podcasts, audiobooks, streaming music or social audio experiences.

2 2 in 3 consumers want future audio experiences to integrate more seamlessly with their personal brand, seeking enhanced capabilities to **show off music listening choices** among their social media followers.

POTENTIAL SETBACKS

1 **Only 1 in 10 Gen Zs say they will use more social audio in the future, compared to 1 in 2 Millennials.** Gen Zs cite not being interested in the discussion topics as a primary holdback, suggesting a need to rethink the content mix in these spaces to appeal to future audiences.

2 A number of platforms are considering more rigorous moderation requirements to ensure a safe community experience. Doing so risks alienating the 36% of Republicans who say more moderation requirements make them less interested in social audio platforms, and who are more likely to feel that their opinions are not welcome in these environments.

WHAT'S NEXT?

We're eyeing the ascent of user-generated audio, such as Facebook's Soundbites, a forthcoming product built around shareable, short audio clips. We're also anticipating further innovation around monetizing social audio content, such as Twitter's forthcoming SpaceCasts.

GLOBAL

Throughout the pandemic, we saw a marked shift towards audiences seeking out international content, with half of global audiences saying they started watching more video content from other parts of the world.

Look no further than Squid Game taking Netflix by storm as the number one show in ninety countries. And as Oscar-winning Parasite director Bong Joon-ho says, "If you can conquer a one-inch subtitle, then entire worlds of storytelling will open up to you."

And they certainly have—not only in video, but in audio entertainment, too. When the world went on pause, consumers turned to audio as a way to travel from the comfort of their homes and connect to culture, driven by younger audiences.

1 in 2 Americans

use podcasts to travel to new places and hear new perspectives.

led by 7 in 10 Gen Zs and Millennials

POSITIVE SIGNALS

1 84% of consumers express demand for personalized content recommendations or playlists, with the primary goal being to expose myself to different topics and voices that expand my worldview.

2 **In the past year, 42% of audiences say I've started listening to cross-cultural podcasts**. And once consumers discover and tune in to new content, they are very likely to re-engage: 2 in 5 consumers say they re-listen to podcasts they've already listened to before.

POTENTIAL SETBACKS

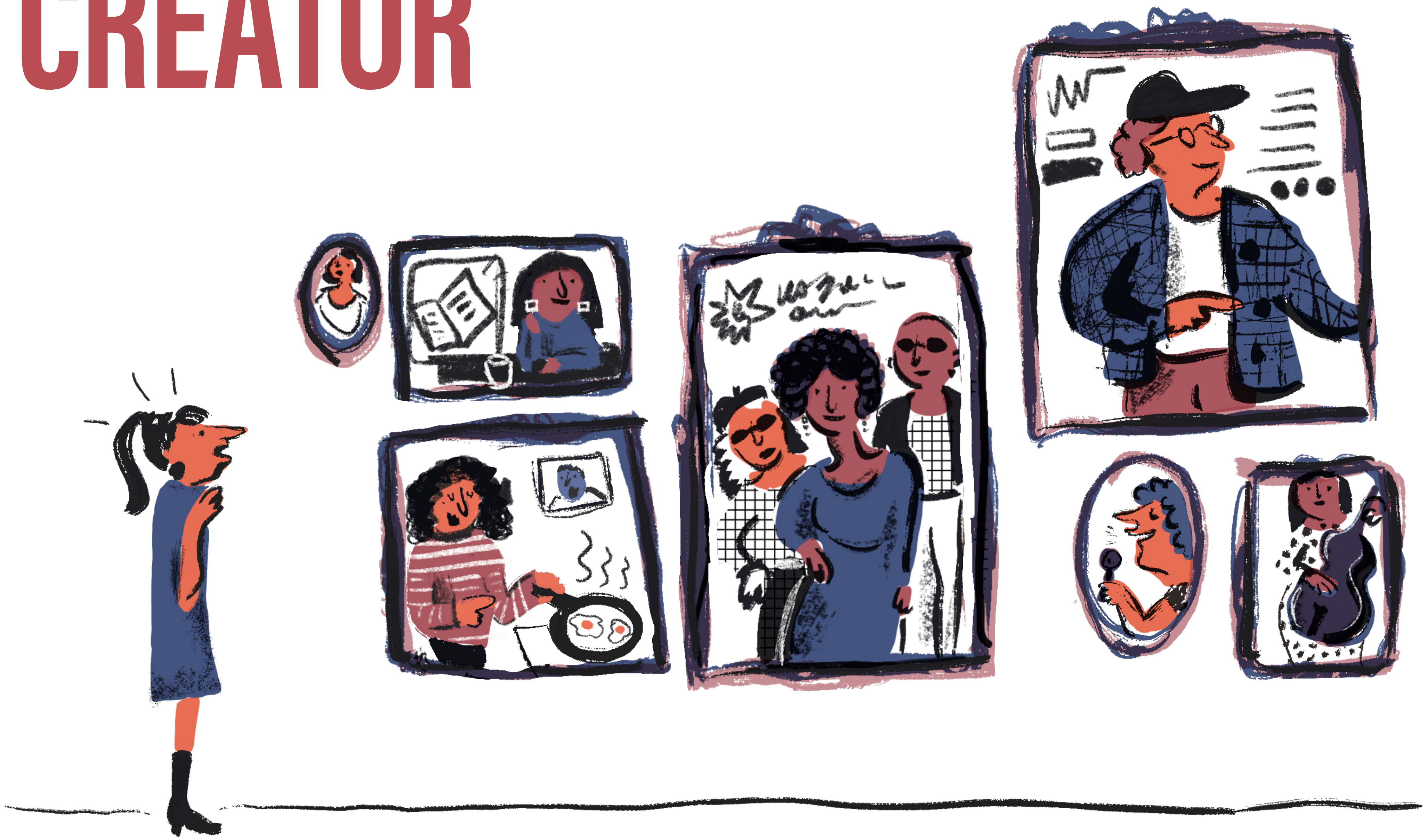
1 Access to great global content comes down to platform curation. 83% of consumers agree they prefer turning to a single audio app to satisfy all their listening needs, which may limit the discovery of new, unheard stories and voices.

2 Though creators may increasingly look to capture global audiences, audio deserts are already cropping up in America, where certain overlooked audiences are simply not connecting. **Black audiences and lower income audiences earning under $75,000/annum are the least interested in current audio offerings on the marketplace.**

WHAT'S NEXT?

Despite demand for global audio content, translation remains a holdback. We're keeping a pulse on how Google is using emerging AI techniques to improve translation, so that audio can benefit from the same wave of innovation that video is experiencing now.

CREATOR



Audio creators are experiencing a meteoric rise, and platforms are racing to catch up with a host of new offerings to support their growth.

From TikTok Top Moments accelerating the popularity of creator NFTs, to Roblox's listening parties connecting small circles of fans to their favorite artists, and virtual concerts now bringing together music fans from over 160 countries, innovation in the audio creator economy is at an all-time high.

69% of consumers want to

support their favorite creators

more in the future,

helping them thrive by subscribing to their content, engaging in micro-payments such as tipping or gifting, or buying merch.

POSITIVE SIGNALS

1 **Beyond finding ways to connect with and support their favorite creators, 2 in 3 consumers want to learn how to be an audio creator (musician, podcaster, etc.) themselves.**

2 **75% of audiences are excited about the possibility to experience live concerts anywhere,** directly through streaming apps, social media, or VR/AR—led by 4 in 5 Millennials.

POTENTIAL SETBACKS

1 Despite interest in embracing new spaces for connecting with creators beyond smartphones (e.g. VR/AR, smart speakers), the vast majority of consumers stream audio primarily through their smartphones. Consumer demand outpaces device utility, suggesting an unmet need.

WHAT'S NEXT?

We're watching how creator communities like Audio Collective are shaping and transforming the audio category, leveraging audio-first platforms like Clubhouse to produce a broad array of content. One of their founding members produced a performance of the Disney musical "The Lion King" on Clubhouse, while another hosts a popular dinner party variety show room.

An all or nothing battle for the future of audio

The audio wars are more of a zero sum battle than the streaming wars. Unlike video streaming where consumers average 5 subscriptions, 83% of Americans agree they prefer turning to a single audio app to satisfy all of their listening needs.

And consumers expect to continue satisfying audio needs from a single source: 86% of consumers agree they are not very likely to add a new paid audio service in the next six months, contributing to stiff competition for new entrants into the paid space.

Within such a competitive environment, the pace of consolidation and deal making should continue to be aggressive as barriers to entry for newcomers will be high.

Only a handful of brands can deliver on the future of audio consumers are looking for. YouTube and Spotify are currently in the pull position, leading for "brand love" or platform affinity, and likelihood to continue using. These platforms are consumers' first stop on the path to listening, due to the utility they provide in being a one-stop shop for a variety of content. They are also best known for their discovery algorithms, suggesting that audio brands "earn" brand love and loyalty through repeated relevant recommendations which build trust as well. Beyond these table stakes, our research suggests that the future of audio will belong to the platforms that best combine unparalleled access to global stories and creators consumers care about, with a user experience that empowers consumers to participate in the listening experience, to their liking.

Continue the conversation with NRG about what's next for the near future of audio: **Contact Lauren.Xandra@nrgmr.com**

National Research Group: A leading global insights and strategy firm at the intersection of content, culture and technology. The world's most powerful marketers turn to us for insights into growth and strategy for any content, anywhere, on any device.

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