



Have you heard?

“Americans’ attention has never been more divided. Consumers, who now expect all media to offer instant access, speed and freedom, have never been so free to search for entertainment and information from so many sources, at any time and increasingly, from anywhere they happen to be.”

source: *Research Alert*



revolutionizing music

Welcome back to Digital America, a series of events scheduled for 2006 designed to immerse GSD&M in the digital world. This time around, our discussions focused on the evolving music industry and the revolution of digital music. While most people know about iPods, MP3 players and mobile phones, there are new devices and ways to get digital music that marketers may know little about.

Music gives people a reason to listen, to relate to others, to share and to be connected with a message. And the digital music age has changed the way we interact with music because now just about anyone can write, remix and share songs with their friends or strangers and then listen to the music anytime, anywhere. With digital music, consumers are no longer just listening to content — they are now content providers creating their own music experience and in doing so, developing a deeper relationship.

So what do marketers need to know about this new age?

- Digital music revenues account for only six percent of all music sold today. Don't think small. Think *huge* opportunities.
- Consumer behavior is changing almost daily to keep up with new options to access music digitally — from iTunes to MySpace to customized radio stations to podcasting.
- Music in digital form is an active experience. Instead of listening to music chosen by a local radio station or buying a CD with only two or three songs that they enjoy, consumers can customize their music experience and form a relationship with music in a way they haven't been able to before.

With more consumers listening to their iPods instead of the radio and downloading music instead of watching TV, marketers must find ways to reach them. And the possibilities are bigger than you might think.

“A long list of high-profile, brand-name merchants and products are participating in the online music scene, including but not limited to the following: Best Buy, McDonald’s, Heineken, Pepsi, Coca-Cola, Starbucks and 7-Eleven stores.”

source: Mintel

music with a message

Ted Cohen, senior VP, digital development and distribution for EMI Music, came to GSD&M to discuss how to harness new technology and find creative ways to reach an in-control consumer. As we continue living in a digital world, marketers need to maximize the opportunities that exist within this world.

- Advertising-supported music allows consumers to connect with music they choose, and in turn, they can then connect to the brand or message promoting this music. Consumer brands are using music to make deeper connections with their consumers. So who's doing it already?
 - iPod your BMW, Heineken music downloads, AT&T Blue Room, Mycokemusic.com
- Digital music is not just about Napster or iTunes. Social networks such as Friendster, Tribe, MySpace and imeem give consumers the opportunity to listen to new music and share that music with their friends. Marketers can tap into the world of these niche music subsegments and discover what else they are interested in.
- Podcasting is one of the newest online additions with huge advertising possibilities. Podcasting allows for customized content for consumers who want to listen on their own terms. While podcasting is not a mass-market venue right now, it is expected to reach 50 million total listeners by 2010. And for advertisers, it is a way to deliver highly specialized messages to a niche target.
- New technology gives the advertising industry opportunities to create cross-media platform strategies. There are a lot of ways to reach consumers besides the traditional forms of media:
 - Mobile TV and video, radio incorporated into mobile devices, mobile magazines, mobile internet, recordings, events, phone advertisements
 - Example: Starbucks' custom kiosks
- There is a new kind of push/pull effect happening. Today consumers pull something in and pass it along to their friends. Advertisers can turn this into a push opportunity by setting up ways for consumers to get "points" to download free music every time they pass a song along to a friend.

“An estimated 67 million internet users visit a music-related website each month.”

source: *Mintel*

the lowdown on downloads

- Downloading songs to mobile phones is popular and presents another advertising opportunity.
 - With almost two billion mobile phone subscriptions worldwide at the end of 2005, mobile phones are the most rapidly growing and widely accepted technology of all time.
 - Mobile phones allow for targeted local distribution. Local and regional trends can also be strategically addressed.
- What many advertisers have been doing already to reach this digital music culture is offering free downloads with the purchase of products — a promotion that is connecting to an audience that wants more and more music for their mobile devices of choice.
- The new technology coming out allows consumers to download and listen to whatever music they want, whenever they want and wherever they want.
- Apple's iPod, Microsoft's Xbox 360, PlayStation's PSP and mobile phones are just some of the new devices that allow consumers to play their downloaded music. And why do consumers prefer downloading music to a device rather than buying CDs?
 - "I want to be able to carry my music with me everywhere I go."
 - "I only want to buy one track to see if I like it."
 - "I want to share music with my friends."
 - "I want the new Joss Stone record the day I hear it on the radio."

The biggest lesson for marketers: Consumers are in control, and you have to turn the control over to them to make your message relevant.

“It could be argued that there is a genre of music out there to fit any brand, but keeping a sponsorship relevant and credible is essential if it is to be successful.”

source: Campaign

the remix masters

With the digital music culture, access is unlimited, but attention is scarce. This highly segmented culture is forming relationships with each other and their music. And music is no longer just content — it's an experience. Ted Cohen was joined by John Perry Barlow, cofounder, Electronic Frontier Foundation; Ian Rogers, developer of product management, Yahoo! Music; and Dennis White, a.k.a. Static Revenger, digital producer and DJ, for a panel discussion on the implications of this new remix culture.

- This culture is taking music, changing it and remixing it to make it their own. The challenge and opportunity for advertisers is to give ownership to this culture with their messages.
- The music lifestyle is creating niche subsegments. Successful niche marketing comes from selling a lifestyle. You are creating familiarity, consistency and a relationship.
 - Example: Toyota Scion has become entrenched in the music scene. They launched a Scion record label to promote underground artists, sponsor concerts and create mix CDs.
- Trust and relationships are the most important elements to this culture. Nontraditional advertising is one of the strongest ways to build relationships and form trust.
 - Example: Red Bull has never done mass marketing. The Red Bull Music Academy is an event that travels the world. Applicants enter by answering what it is that moves them and then making a mix or selection of their own tunes. Those selected are sent to the Academy to talk about all aspects of music for several weeks. The goal? According to Red Bull, it is to advance and inspire at the grass-roots level by staying in the background and giving the gift of an experience to music lovers and in turn, gaining respect from this segment.

“Good advertising is all about renting space in people’s minds. If you go along with this premise, then music is an obvious ally. Who doesn’t have a song buzzing around in their head for most of the day? Who doesn’t — at one level or another — enjoy relaxing or dancing or driving or working to music?”

source: *Campaign*

get engaged

How do marketers and music fans mingle online? George Stewart, national director of sales/category development officer of Yahoo! Music, gave some answers to this question. Today's music consumer is more passionate about music than ever before, and the opportunity for marketers to play a role in music consumers' lives comes by enabling them to have this online music experience.

- When it comes to digital music, there are four engagement pillars:
 - Content (the music itself)
 - Search (finding the music you want)
 - Personalization (choosing the music you want to play when you want)
 - Community (sharing the music)
- When consumers move through these four pillars, they are experiencing and engaging in the music. Marketers can create relationships with the consumers as they move through the pillars as well, in the environments they prefer and the environments they create.
- Consumers are able to move through these pillars through different tools. Marketers can become a part of this environment by enabling or sponsoring the different tools and anchoring their brands around the core engagement pillars. Music providers and marketers are also working together to find new ways to monetize online music. Rather than pay cash per download, payment may be made by spending a prorated number of minutes per download on a sponsor's website or in engaging in a sponsor's online advertising.
- How do you anchor your brand around these pillars? Through sponsorship of different engagement tools such as:
 - Podcasts
 - Personalized radio
 - Web music services (Napster, iTunes, Rhapsody)
 - Music blogs
 - Music widgets (mini desktop applications)
 - Video on demand (music and sports)

By sponsoring these tools and allowing consumers to use them for free, marketers are forming a relationship with consumers that is completely engaged and an online music community that is linked tightly together. Consumers will take control, contribute and teach us.

be on the lookout for digital america 3

Web 2.0 signifies a fundamental shift in people's behavior with and expectations of media. People are no longer "consumers" of media but are active participants in shaping their experiences and the content they are involved with. On a more functional level, the tools now at our disposal due to Web 2.0 can and will have an effect on where, when, how and with whom we do business. Find out the implications this second generation of web services has for marketers in the next Digital America: Web 2.0. For additional information, please contact Ashley Andy at 512-242-4424 or ashley_andy@gsdm.com.

GSD&M

In 1971 six recent college graduates started GSD&M based on the premise that big ideas generate big results. Over the years, we have grown from college kids to a nationally acclaimed agency that is home to more than 700 people. In 1998 we joined the Omnicom Group, one of the world's largest advertising holding companies. Today GSD&M has 25 clients on our roster, including Wal-Mart, Southwest Airlines, AT&T, PGA TOUR and BMW.

CORE PURPOSE

Create visionary ideas that make a difference.

| CORE VALUES | BILLINGS | | IDEA CITY | AGENCY CONTACT |
|--------------------------|----------|----------------|--|--|
| Freedom & Responsibility | 1975 | \$2 million | 828 W. 6th St. | Ashley R. Andy |
| Community | 1985 | \$76 million | Austin, TX 78703 | Director of New Business |
| Curiosity | 1995 | \$396 million | 512.242.4736 | 512.242.4424 |
| Restlessness | 2000 | \$1.15 billion | www.gsdm.com | ashley_andy@gsdm.com |
| Winning | 2005 | \$1.3 billion | | |
| Integrity | | | | |