



MUSIC STREAMING IN THE U.S.

A STATISTA DOSSIERPLUS ON THE U.S. MUSIC
MARKET AND CONSUMER TRENDS

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Music streaming: unravelling its influence on the music industry

Executive summary

With the constant advancements in digitalization, streaming has become an established way of consuming media in general. Music consumption in particular has undergone a noticeable shift away from physical recordings in recent years. Today, music streaming is among the most popular pastimes for U.S. consumers, and major services like Spotify and Apple Music are used by more than 30 percent of music fans every week. But that's not all:

- Streaming now accounts for over 50 percent of the total global music industry, and in the United States the figure is even higher at nearly 80 percent.
- Streaming may have pulled the music industry out of a slump, but the format is now so ubiquitous that it has had a ripple effect on other sectors. The likelihood of physical sales ever truly recovering is extremely slim, and streaming is now essential to the industry's survival.
- When the COVID-19 outbreak hit in early 2020, the global live sector came to a standstill, and worldwide revenue for live music is expected to amount to just ten billion U.S. dollars in 2020, roughly a third of the figure recorded for the previous year. Meanwhile, streaming consumption increased. A survey revealed that close to 20 percent of Gen Z and Millennial consumers in the United States planned to spend more on music streaming services due to the

coronavirus pandemic, proving that consumption growth is still possible even among the keenest streamers.

- Consumers have a surprising penchant for vinyl records. This renewed engagement with a previously near-obsolete format comes at an unusual time, when streaming is the norm for most young music fans.
- Thinking about major music streaming services beyond their revenue and status highlights the creeping competition towards Spotify from services experimenting with new ways to attract a wider audience. Moreover, streaming platforms no longer deal solely in music but also in other popular digital media formats.

This DossierPlus explores the global music streaming market and compares it to the U.S. music industry whilst also looking at how major streaming services operate and how U.S. consumers enjoy streamed music. Finally, it investigates how music streaming services serve and support artists. Although artists gain exposure through featuring their work on streaming platforms, for lesser-known or emerging artists, the world of music streaming can be a challenging place with limited financial rewards. In four detailed chapters, this report questions the value of streaming for artists, considers changes to consumer listening habits, and outlines the different approaches taken by major and minor platforms to increase or maintain their reach.

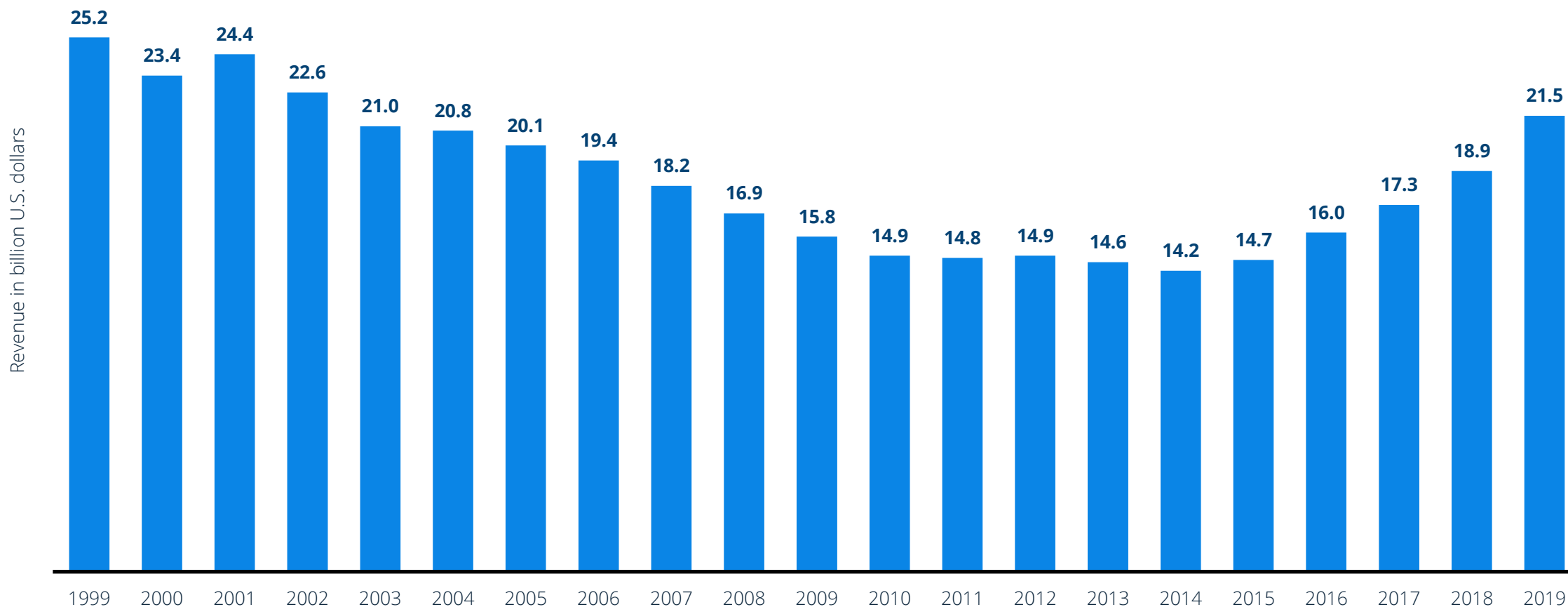


01 Global music industry

- Influence and growth of streaming
- Streaming's strengths and weaknesses
- Coronavirus impact

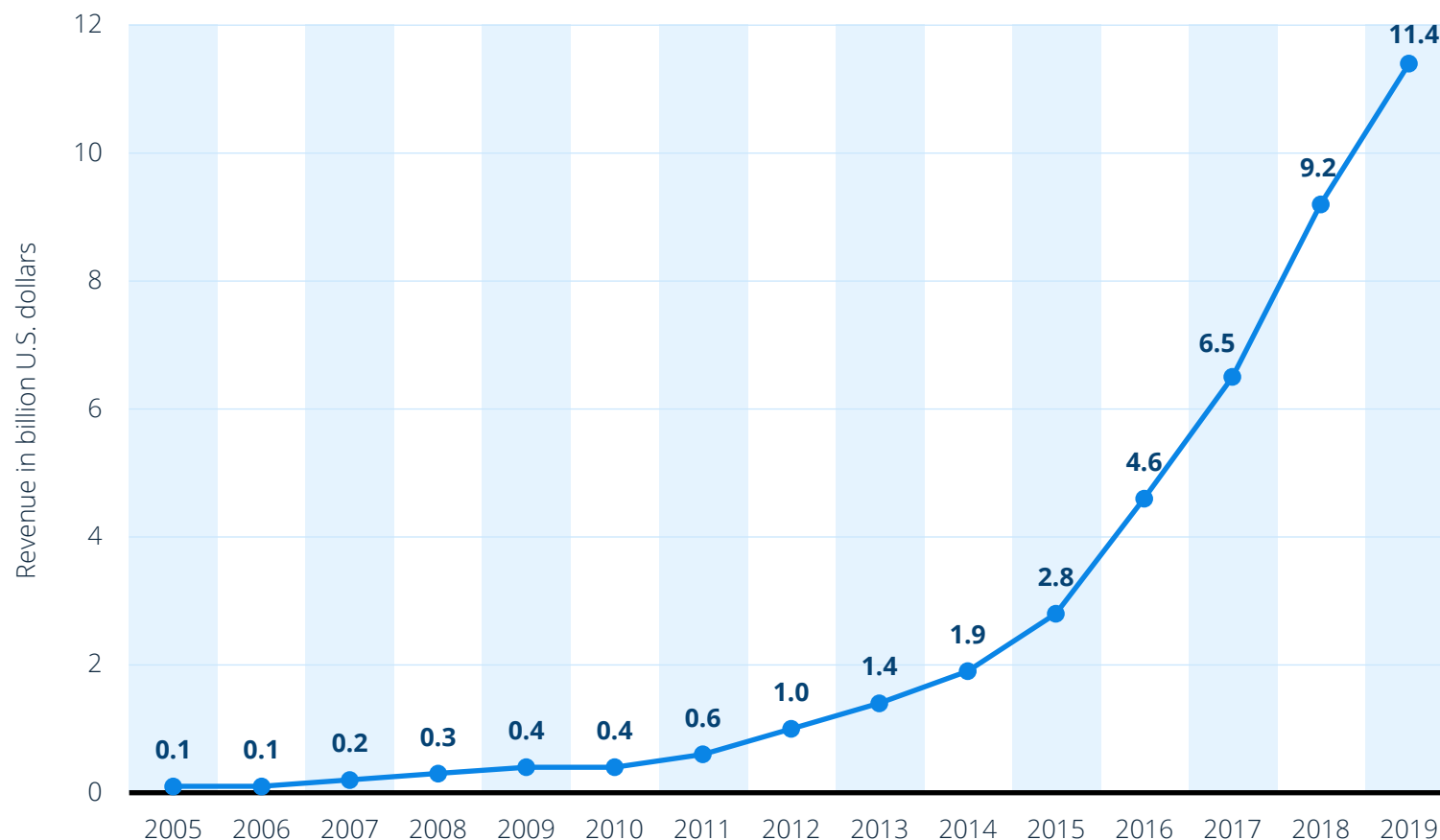
In 2019, global recorded music revenue hit 21.5 billion U.S. dollars

After a worldwide slump, revenue began to climb again in 2015 (but this is no coincidence)



Global music streaming revenue from 2005 to 2019

Streaming revenue growth accelerated in the mid 2010s and breathed new life into the music world



Music streaming revenue boosted overall industry growth

In 2019, music streaming revenue surpassed 11 billion U.S. dollars, more than half of the industry total.*

The first serious instance of annual growth took place between 2014 and 2015, just as global industry revenue was set to fall below 14 billion U.S. dollars after a decade of decline (see previous page). Without the positive impact of streaming on overall revenue, the global music industry may never have recovered and managed to reach previous levels.

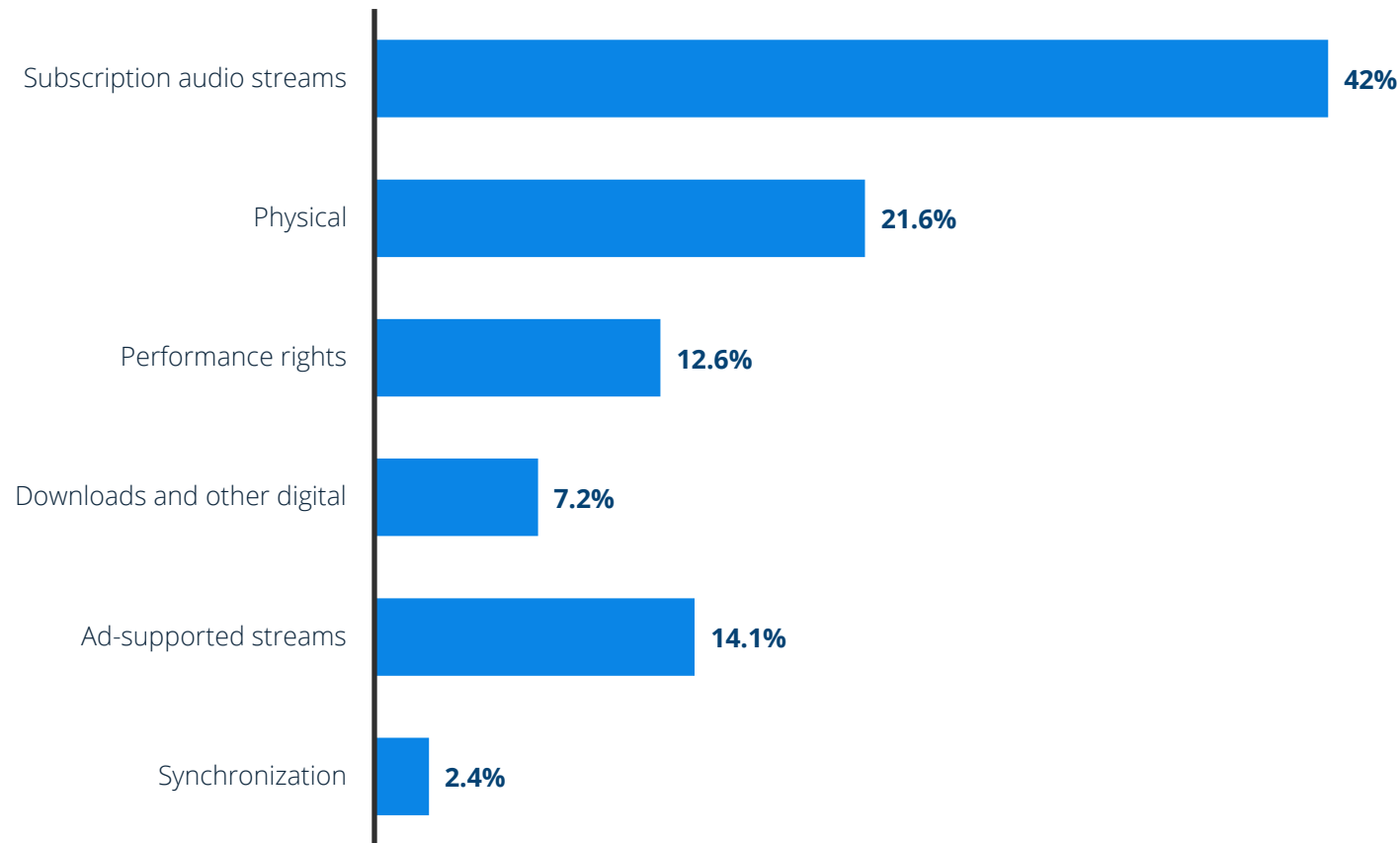
Note: Worldwide; 2005 to 2019.

*It should be noted here that data from MIDiA Research (see previous page) differs slightly from that of IFPI (as used here). IFPI estimated that streaming revenue amounted to 11.4 billion U.S. dollars in 2019, compared to MIDiA's figure of 11.9 billion.

Source(s): IFPI; [ID 587216](#)

Streaming accounted for 56 percent of total industry revenue in 2019

Music industry revenue distribution worldwide 2019, by source



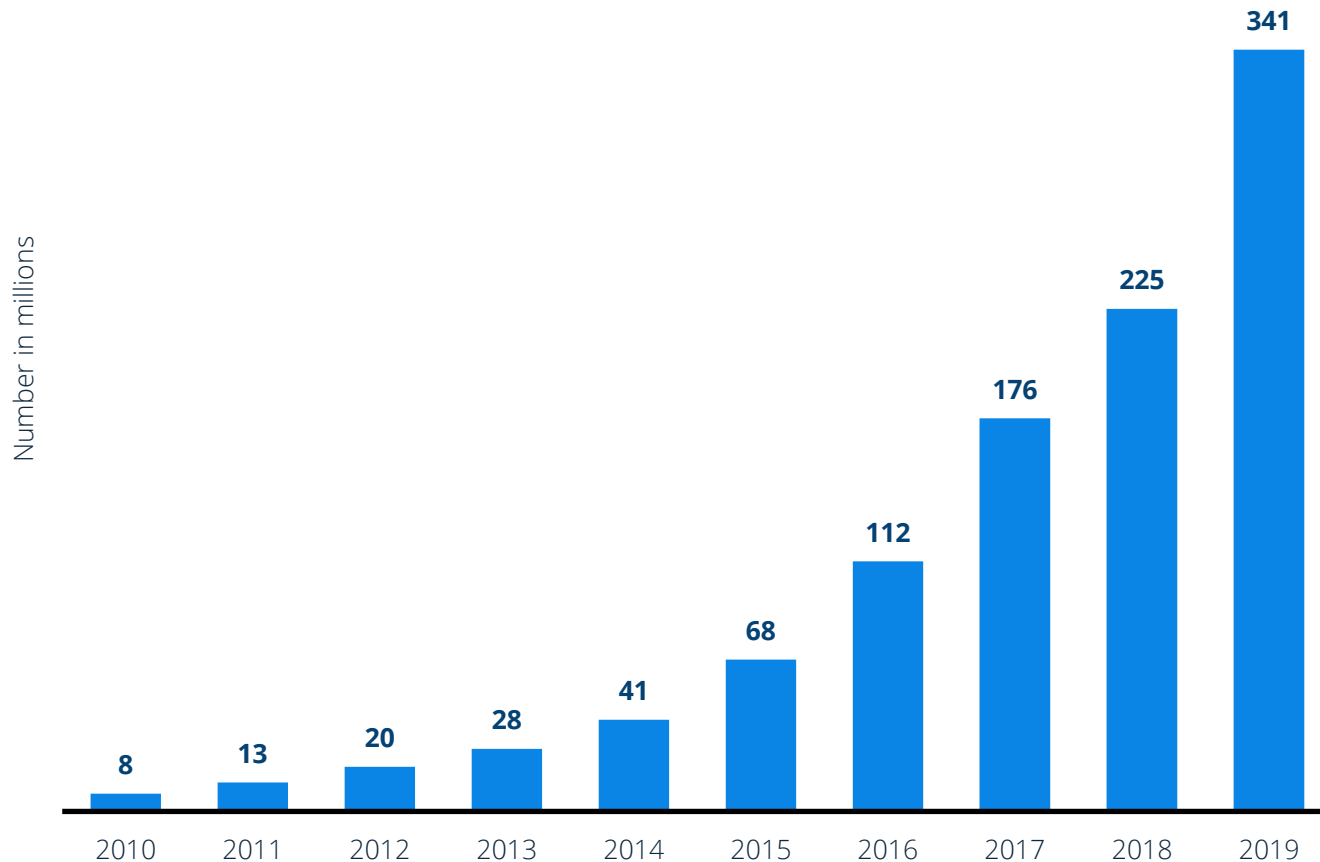
Streaming now dominates the industry

In 2019, it was estimated that subscription and ad-supported streams made up 56.1 percent of total global music revenue. Meanwhile, physical revenue is only marginally higher than that of ad-supported streams and downloads combined.

Had streaming not seen such success, the industry could have slipped into severe decline, but instead the total revenue reached levels last seen pre-2004 (see page 5). The coronavirus pandemic will certainly impact overall revenue for 2020, but once again it will be streaming revenues which make up for shortcomings elsewhere. But what is the streaming market's weak spot?

Music streaming revenue is driven by subscriptions

Number of paying online music service subscribers worldwide 2010-2019



Streaming revenue relies on users paying for their music and ditching ad-supported options

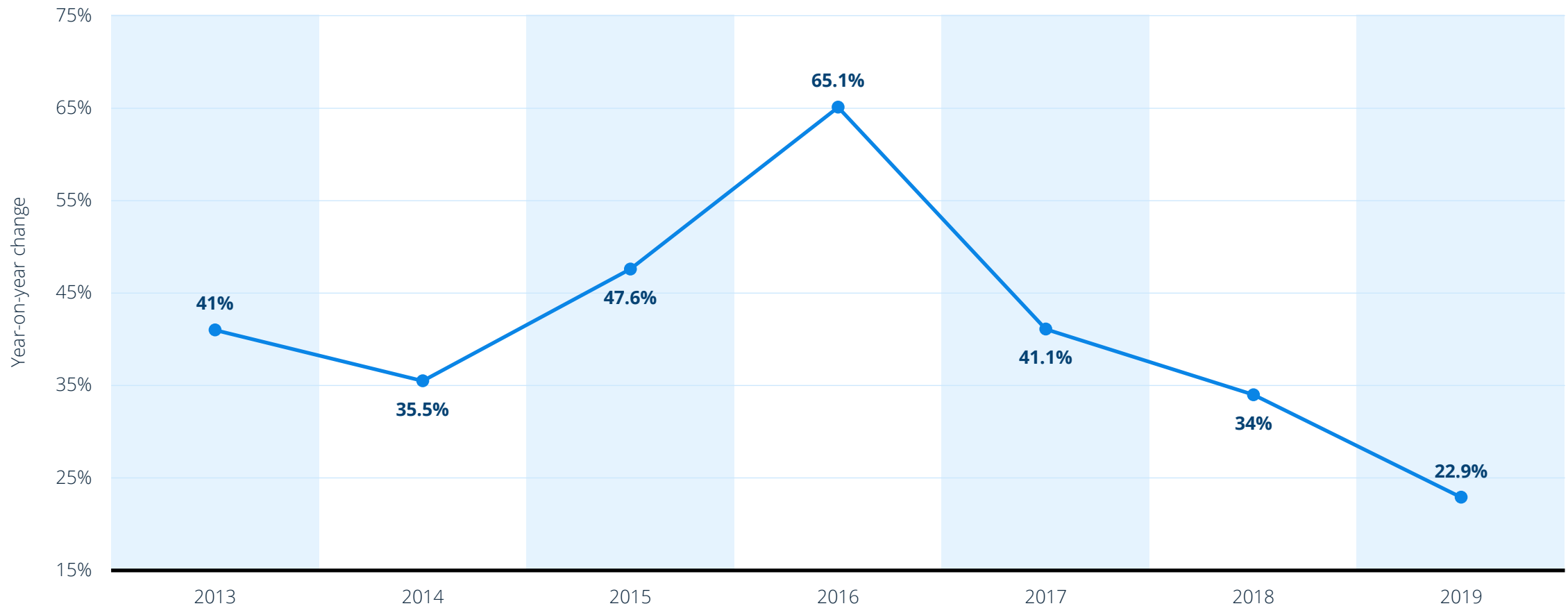
The number of online music service subscribers in 2019 was by far the highest ever recorded, at 341 million worldwide. Most of these subscribers belong to Spotify, which has a global subscriber market share of 35 percent.

However, it is not easy getting consumers to pay for music services. Spotify may be the market leader, but the company has consistently had more ad-supported monthly active users than premium subscribers, and its premium average revenue per user has fallen steadily since 2015 (see chapter 3 for more information on the major players).

If consumers feel the financial pinch and drop their premium subscriptions for ad-supported access, this will jeopardize future revenue growth, which is already slowing (as can be seen on the next page).

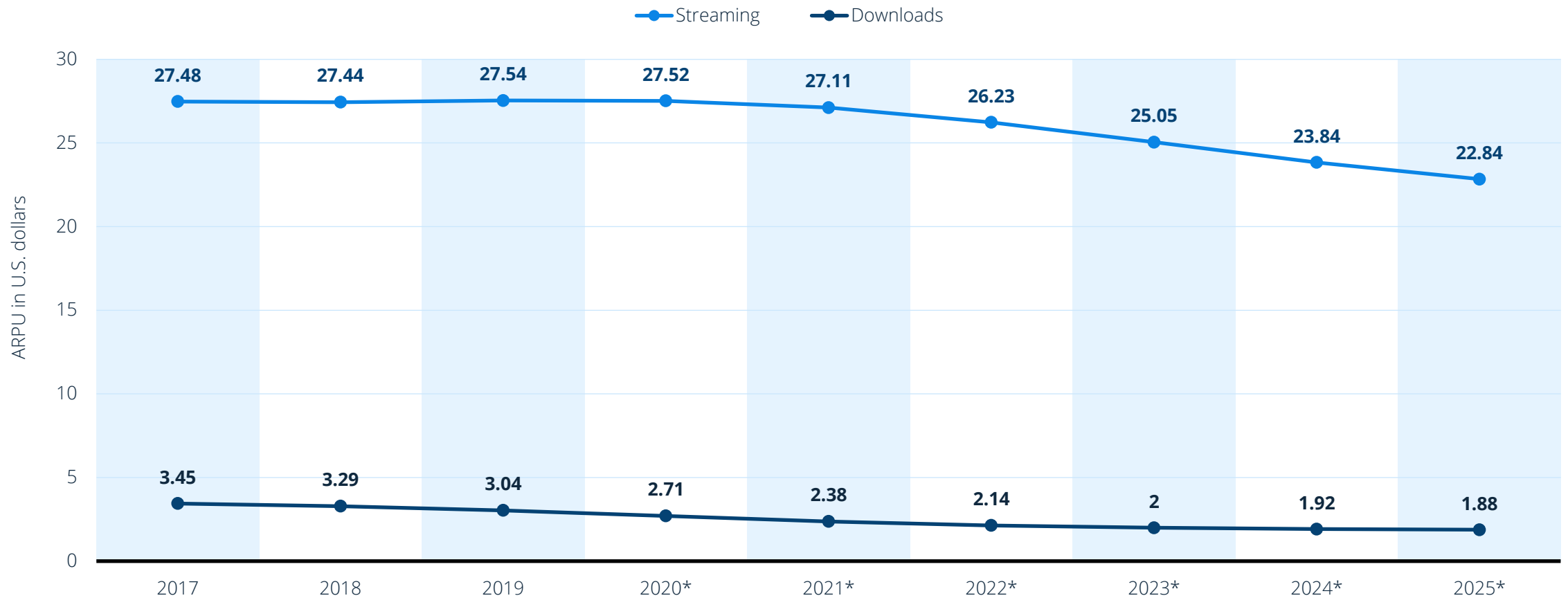
Worldwide music streaming revenue growth has already peaked

Potential subscriber churn and lower average revenue per user could decelerate growth further



Global ARPU from streaming is expected to slide...

...but will remain more than 20 times higher than the average revenue per user from digital downloads

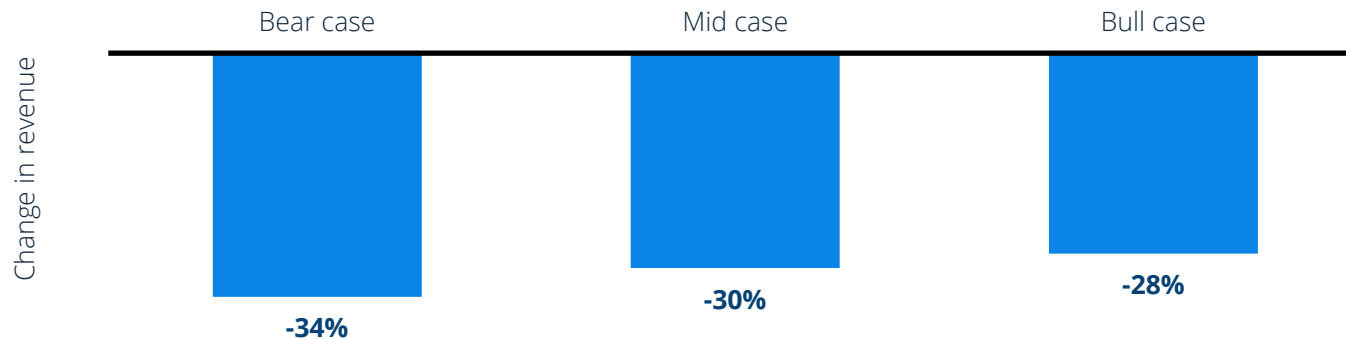


Note: Worldwide; 2017 to 2019; *forecasts adjusted for expected impact of COVID-19

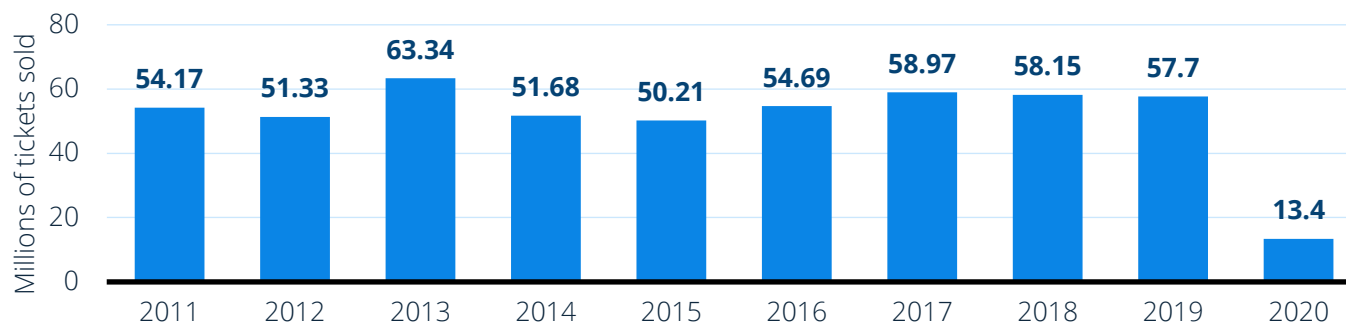
Source(s): Statista; Statista Digital Market Outlook; [ID 1172201](#)

COVID-19: streaming will be affected, but will remain strong

Estimated impact of the coronavirus pandemic on music industry revenue growth worldwide 2019-2020



Number of music tour tickets sold worldwide 2011-2020



Lockdowns and recessions will affect every facet of the industry, but some more than others

Even in a bull market, 2020 music revenue growth will still be down significantly from the previous year, and in the worst-case scenario could decline by as much as 34 percent, or 50.3 billion U.S. dollars.

The repercussions of the pandemic on live music are so severe that it will take years for the sector to fully recover, and the problems faced by the streaming arm of the industry pale in comparison. Although reduced consumer spending, confidence, and income will ultimately lead to subscriber churn and slower growth, this will mainly happen in less developed markets and those hardest hit by the pandemic.

Setbacks aside though, streaming will continue to be the global music industry's main growth driver.

Note: Worldwide; 2020; revenue includes recorded music (retail values), music publishing, live, merchandise, and sponsorship

Source(s): MIDiA Research; [ID 1172357](#)

Note: Worldwide; 2011 to 2020; based on the top 100 worldwide tours in the given period

Source(s): Pollstar; [ID 380115](#)

“

Music streaming will be far less affected by a recession than other sectors. But under no circumstances is it immune, and ad-supported in particular is anything but 'resilient'. When the recession bites, consumers will cut discretionary spending, including subscriptions. We expect the increase in existing music subscriber churn to be relatively modest, but the growth of new subscribers to slow in markets hardest hit by a recession. Unfortunately, millennials – streaming's heartland – are the most vulnerable to job cuts. Ad supported is going to struggle whichever way you look at it.

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Mark Mulligan

Managing Director and Analyst at MIDiA Research



02 U.S. market overview

- Physical music
- Streaming revenue and growth

What is happening in the U.S. music industry?

The U.S. music industry now relies predominantly on streaming to keep afloat. Among physical formats, the only growth area is vinyl, which made a small but surprising comeback in the midst of the digital age. Aside from increases in record sales though, owning music rather than accessing it via subscription services is no longer the norm.

The relationship between consumers and owned music has been steadily breaking down for some time and seems close to being beyond repair. CD album shipments almost halved between 2017 and 2019, and physical music now commands just ten percent of total U.S. music industry revenue – but it is not only physical formats which are affected. Browsing the likes of iTunes for paid downloads, once a popular pastime, has given way to streaming, and digital downloads have dropped in tandem with physical music sales.

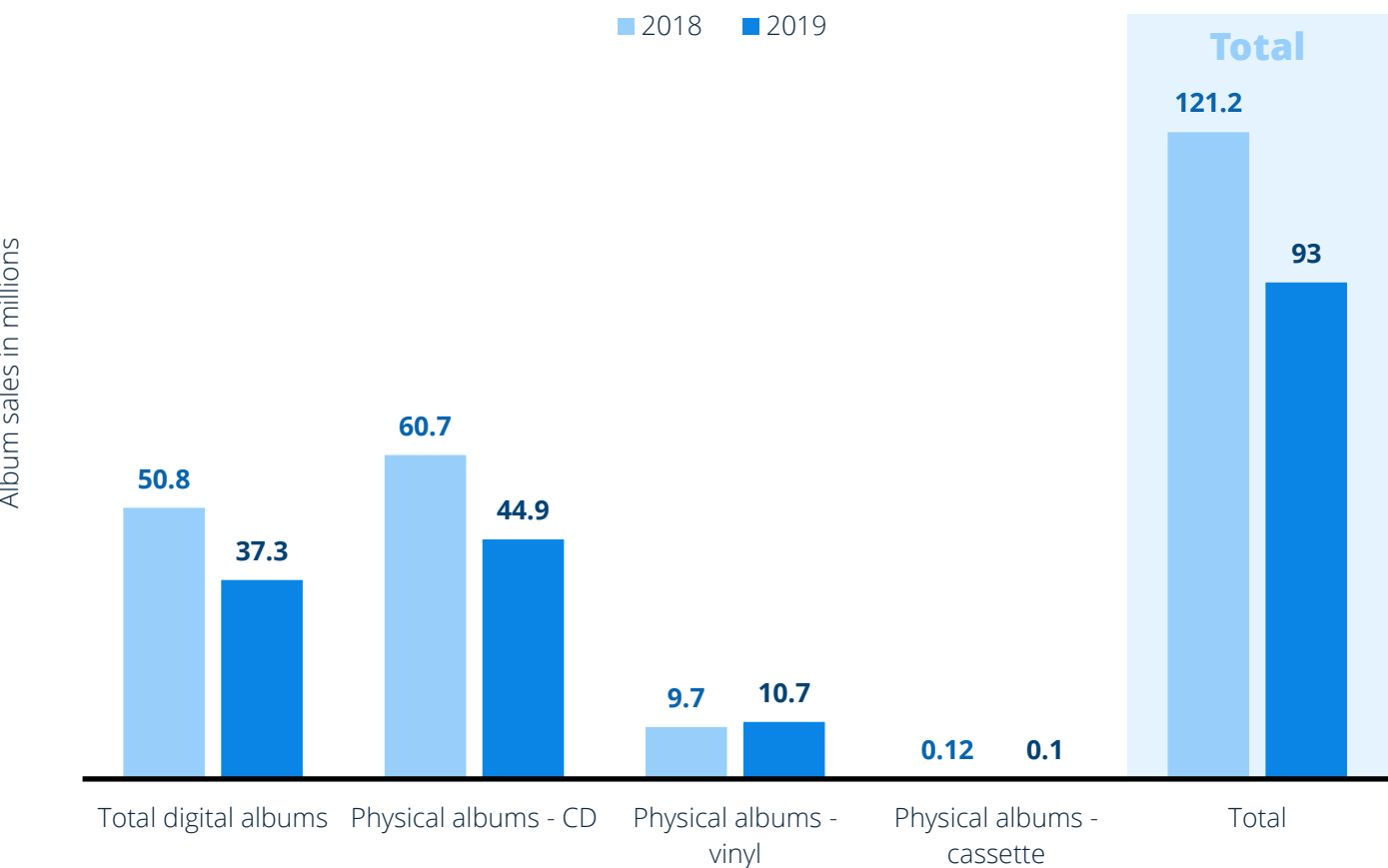
Meanwhile, streaming revenue and subscriptions continue to increase. Growth rates are certainly falling, but streaming revenue does not need to rise exponentially for the sector to survive. Both globally and in the United States, the live music sector of the industry has been unavoidably but seriously damaged due to the COVID-19 outbreak and its regeneration will be a gradual and delicate process, whereas the

streaming segment will flourish with little need for assistance. Light subscriber churn and slower growth are the only real challenges streaming will face, and this is largely thanks to the enormous appeal of music subscriptions for consumers.

Later chapters in this report cover the way U.S. consumers enjoy and listen to music, but first let's look at the state of the U.S. music industry in general. The latter is inextricably linked to the former and the figures speak for themselves – as subscriptions grow, physical and digital music purchasing falls deeper into decline.

Digital and physical album sales are falling annually

Music album sales in the U.S. 2019, by format



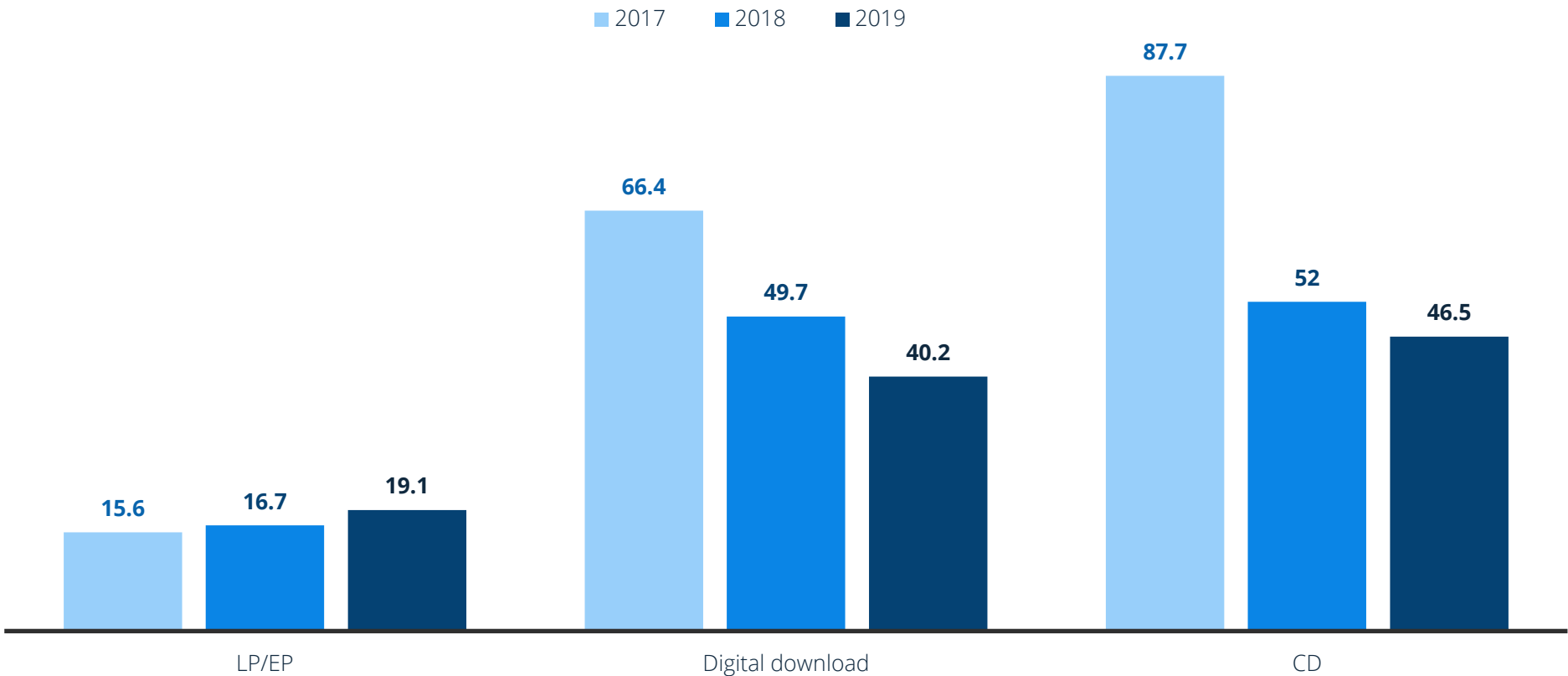
Album sales dropped by almost 30 million year-on-year

Both digital and physical album sales are decreasing each year, and song sales fell by more than 26 percent between 2018 and 2019. Meanwhile, audio and video streams continue to climb.

Streaming has arguably changed how the United States music audience purchases and enjoys music. Fewer consumers are buying full digital or physical albums, and audio and video streams are now the order of the day. With over 700 billion audio streams alone in 2019, streaming is clearly what the people want.

Digital downloads and CD shipments are also on the way out

Music album shipments in the U.S. 2017-2019, by type (in millions)



Spotlight: older consumers and Millennials alike are buying vinyl

Vinyl may not be the most lucrative revenue source, but it has a unique appeal in a digital age

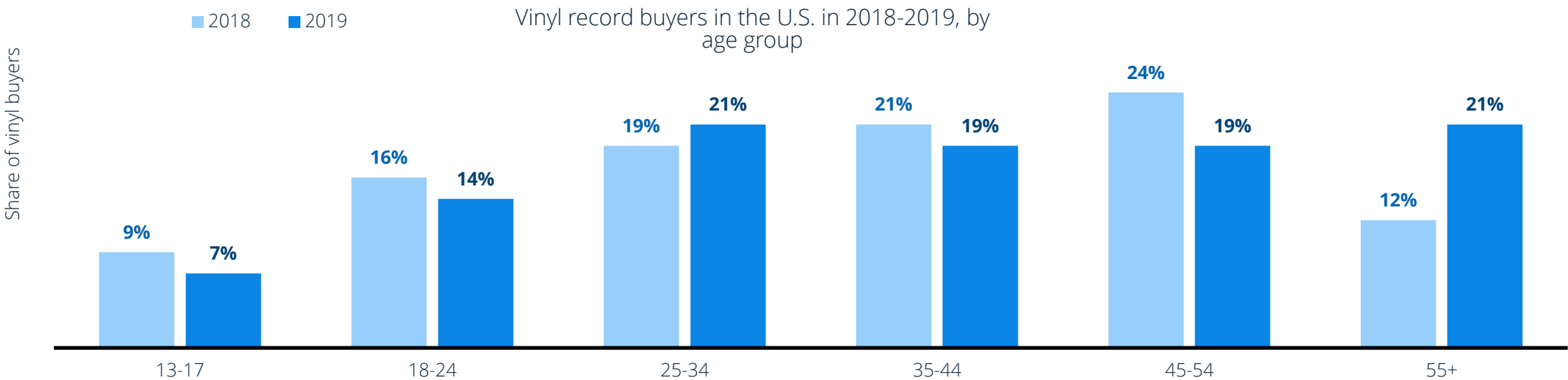
Vinyl's resurgence as a reactionary response to digital music

The resurgence of the vinyl format in a world set on streaming is interesting. Why the sudden return of a medium which could have otherwise become almost obsolete?

Vinyl records offer a tangible and often nostalgic listening experience which streaming cannot provide. Thus, vinyl's return in the age of

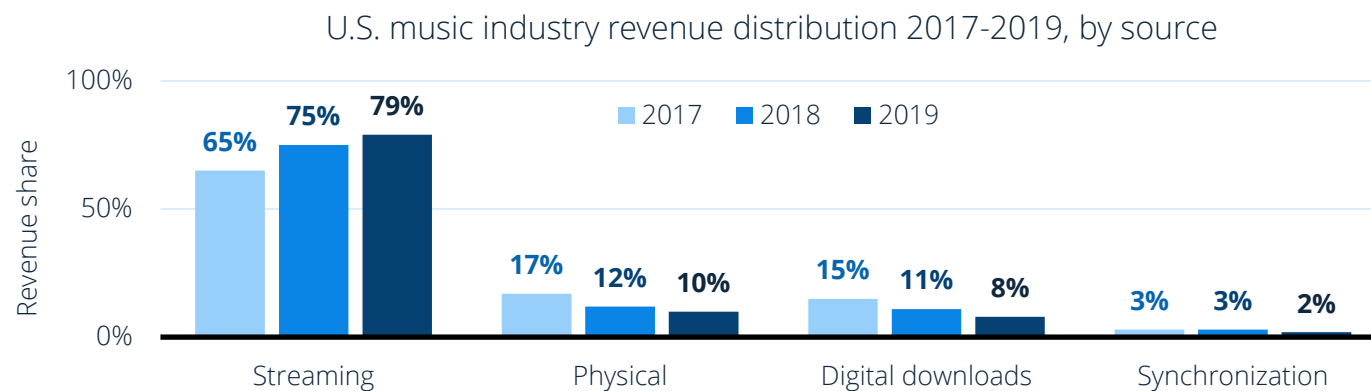
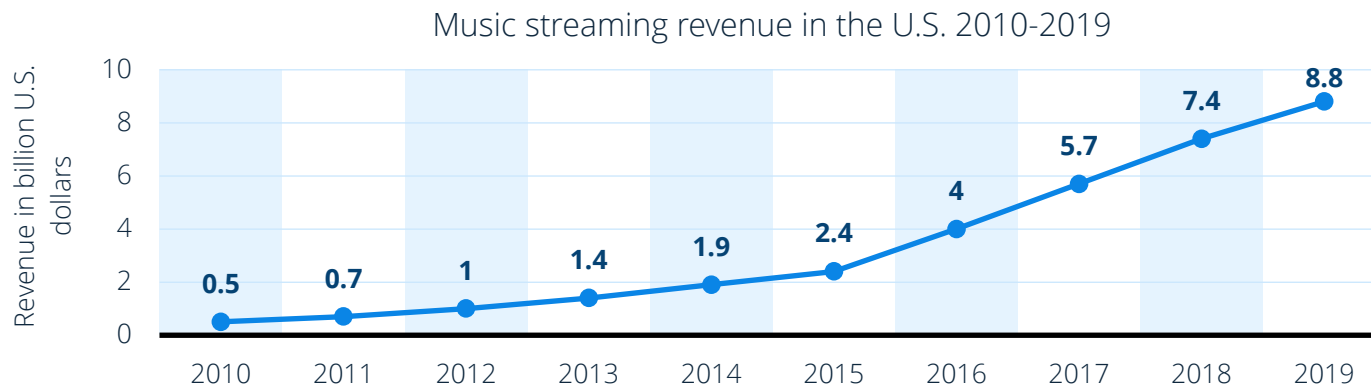
streaming implies a desire to re-engage with traditional media, not only among older consumers who grew up with vinyl but also for younger listeners seeking alternatives to modern music consumption.

Vinyl records have seen small sales increases as a result of this renewed interest in the medium (see previous page), but the figures will never match those of the streaming arm of the industry.



Streaming in the U.S. is now generating the lion's share of revenue for the U.S. music industry

Today, streaming accounts for close to 80 percent of the U.S. music industry revenue



In just two years, the share of revenue attributed to streaming increased by 14 percent

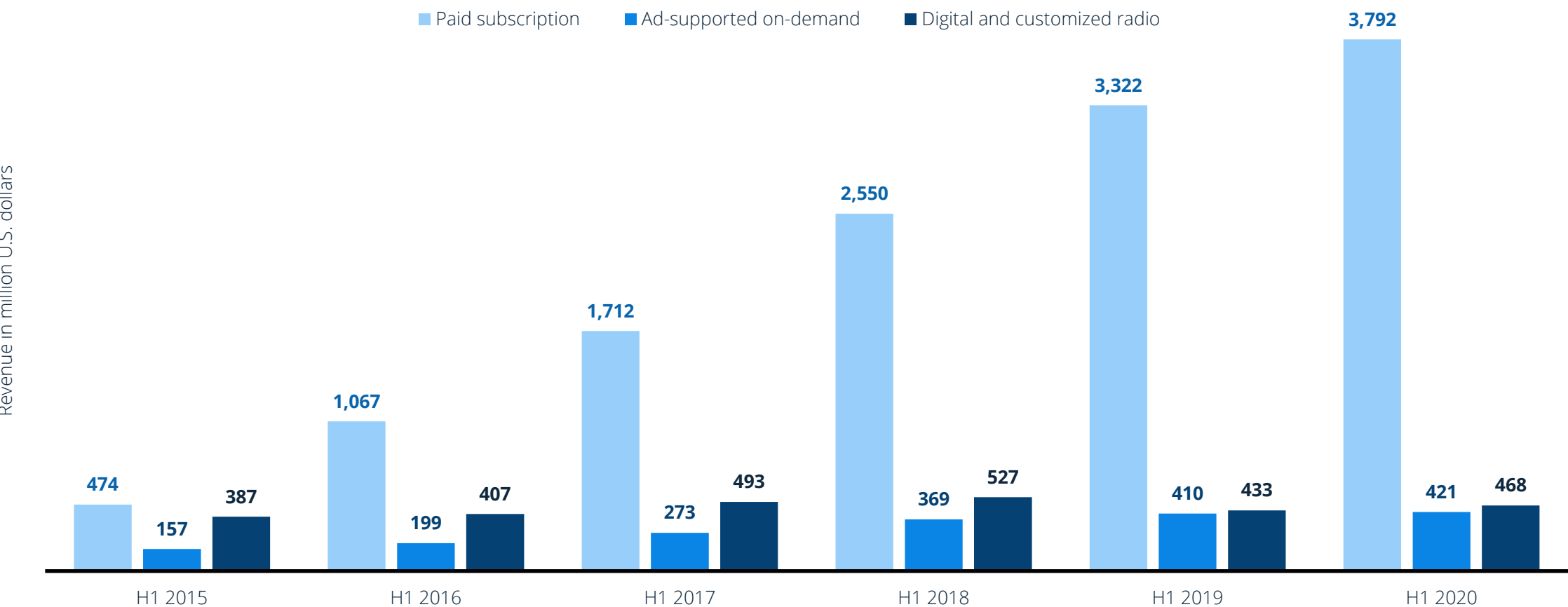
Physical music revenue now makes up just ten percent of all U.S. music revenue, and for digital downloads the figure is even lower. It is now streaming which is the industry's main revenue driver, and trends in the United States are not dissimilar to those which occurred globally.

Streaming generated almost nine billion U.S. dollars in the United States in 2019, more than four and a half times the figure recorded in 2014, the same year in which streaming really began to make its mark on the global music industry.

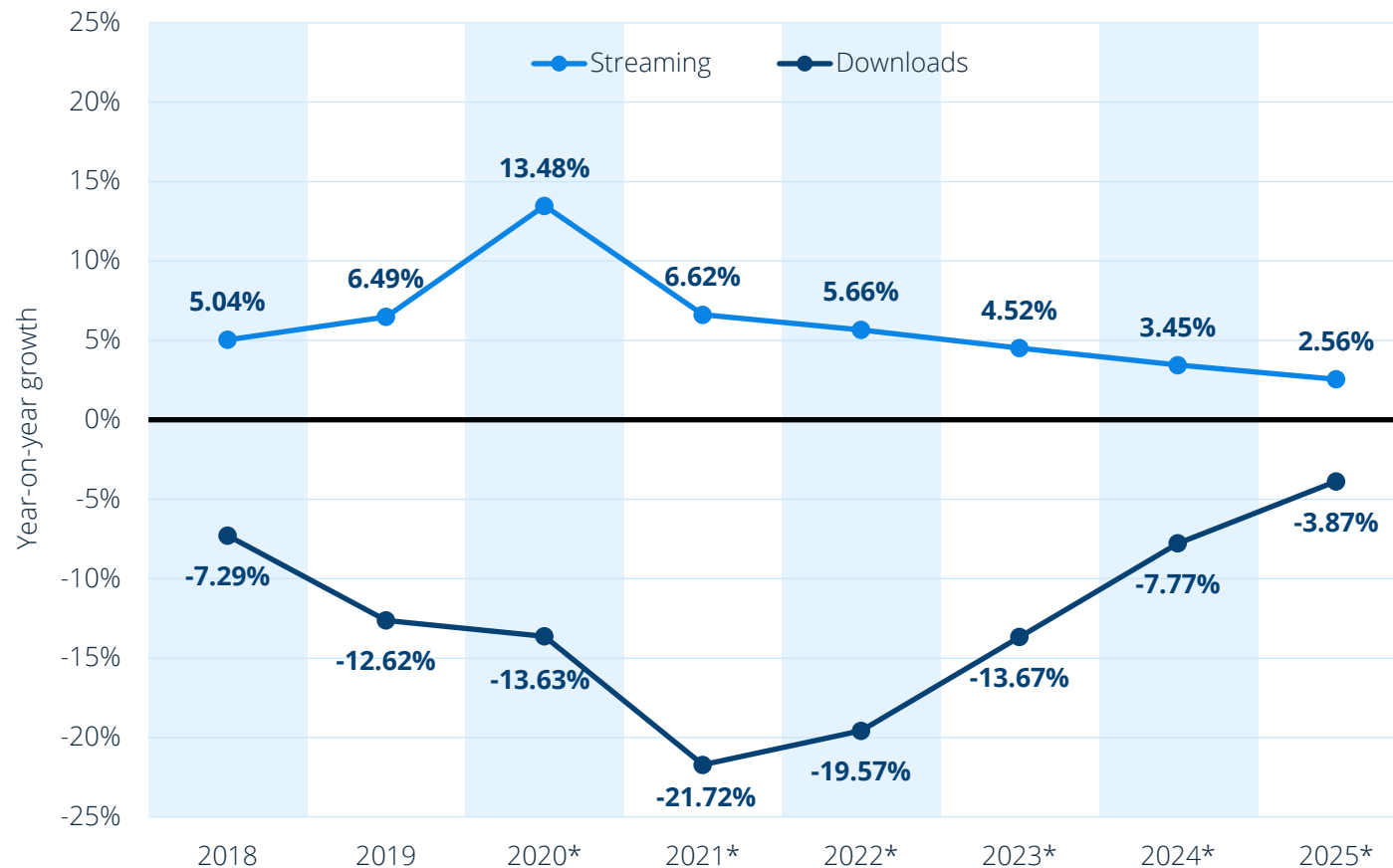
When it comes to the revenue drivers for streaming itself, subscriptions are key to the sector's survival.

Like the global market, U.S. streaming relies on subscriptions

Streaming music revenue in the U.S. by source H1 2015 to H1 2020



Digital Market Outlook: digital music revenue change in the U.S. from 2018 to 2025, by format



Streaming revenue will continue to grow, albeit more slowly

The COVID-19 outbreak led to a sharp increase in in-home media consumption (including music streaming), which explains the spike in revenue growth for 2020. Later though, like in the global market, subscriber churn and lower spending among U.S. consumers could cause revenue to stagnate, and trends suggest that growth could stop entirely sometime after 2025 if this pattern continues.

However, regardless of the rate at which streaming revenue grows, it still makes up more than three quarters of total U.S. music revenue and streaming will remain the glue holding the industry together. Next, we will look at who is who in music streaming and how they contribute to the most lucrative part of the U.S. music business.

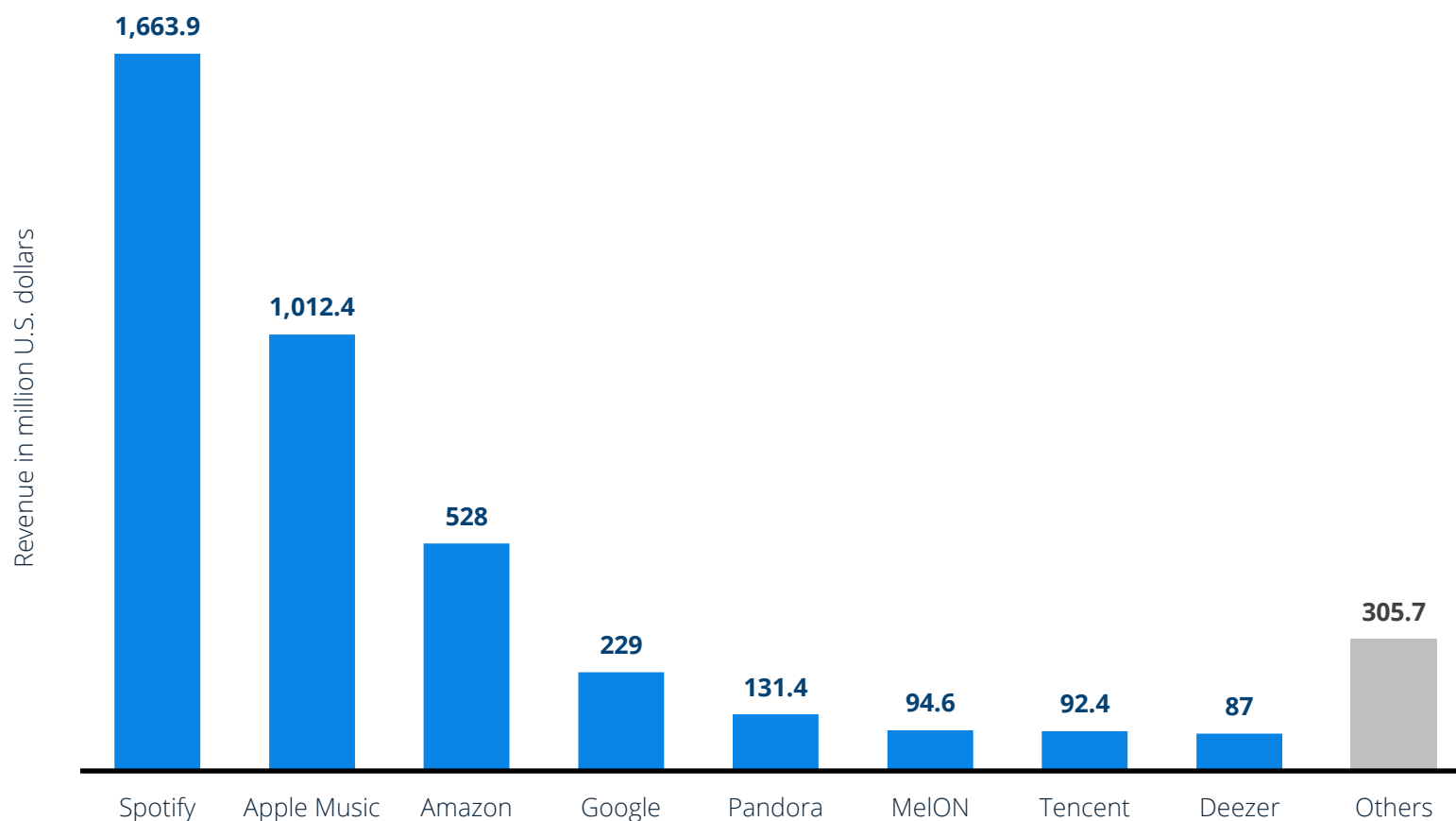


03 Major players

- Comparing major services
- Spotify and competitors
- Hi-fi audio streaming
- The problem of inequality

The only real battle for the top spot exists between Spotify and Apple

Subscription revenue of the largest online music services worldwide as of June 2019



There's limited space for growth in the music streaming market in its current state

Evident here is the disparity in subscription revenue between the two leading services compared to those which lag behind, which emphasizes the top-down nature of the music streaming market.

















Both globally and in the United States, the fight for the top is between Apple and Spotify, and there is little room for other services to seriously compete.

To fully understand each service's market position, it is important to look at users, subscribers, and what each service offers the consumer.

Note: Worldwide; June 2019

Source(s): MIDiA Research; Music Industry Blog; [ID 292481](#)

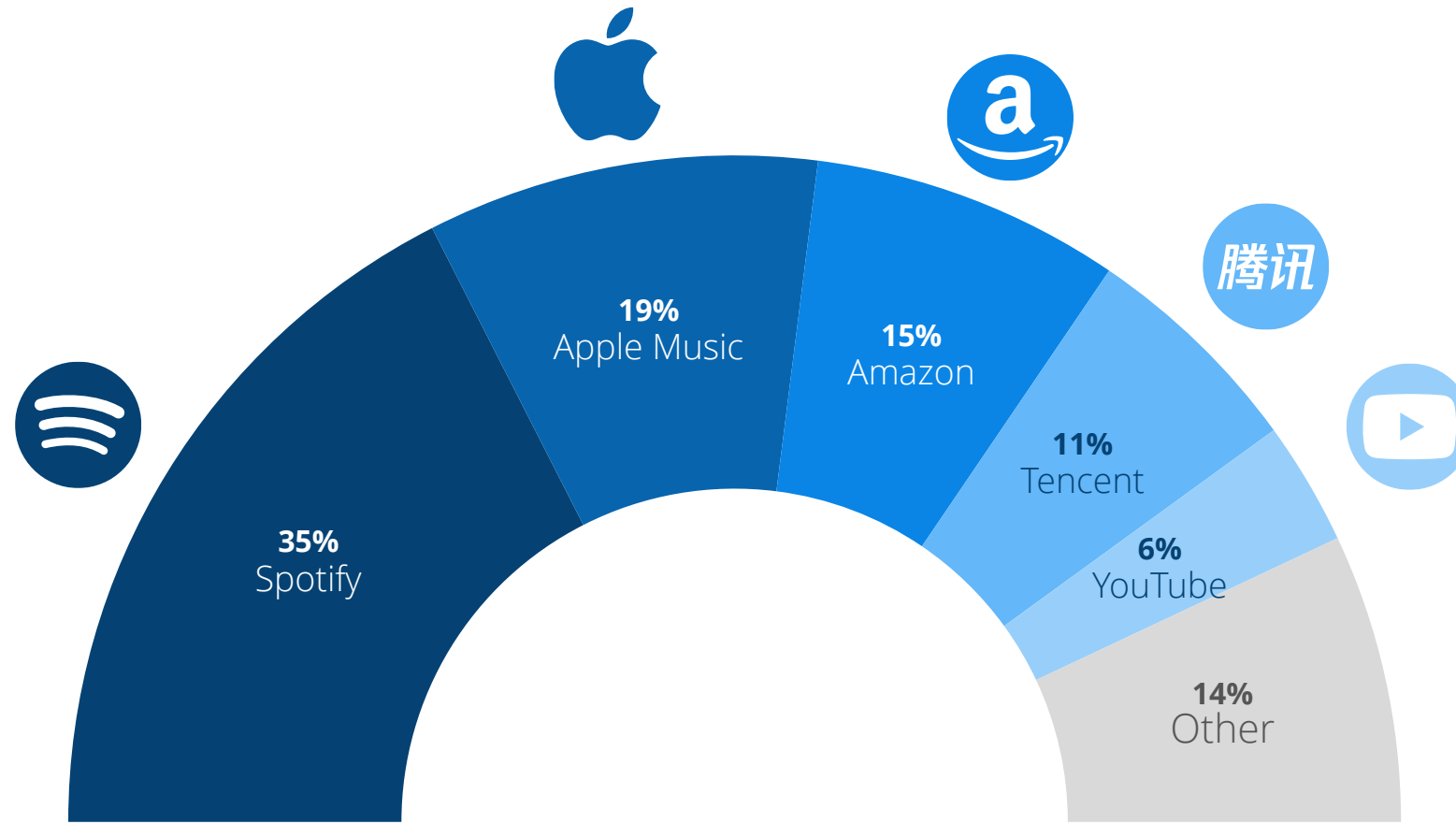
Streaming platforms compared: U.S. market overview

							
	Library size (in millions)	Streaming quality (in kbps)	Monthly subscription price		Library size (in millions)	Streaming quality (in kbps)	Monthly subscription price
 Spotify®	50	320	\$9.99	 TIDAL	25	320	\$10
 Apple Music	60	320	\$9.99	 deezer	56	320	\$9.99
 amazon	50	256	\$9.99	 iHeart RADIO	30	128	\$5.99
 YouTube Music	30	128	\$11.99	 pandora®	30	160	\$9.99
 Google Music	35	320	\$9.99	 SOUNDCLOUD	120	-	\$9.99

Information accurate as of April 2020. Figures refer to premium subscriptions without high resolution audio streaming options.
Library size refers to number of music tracks available.

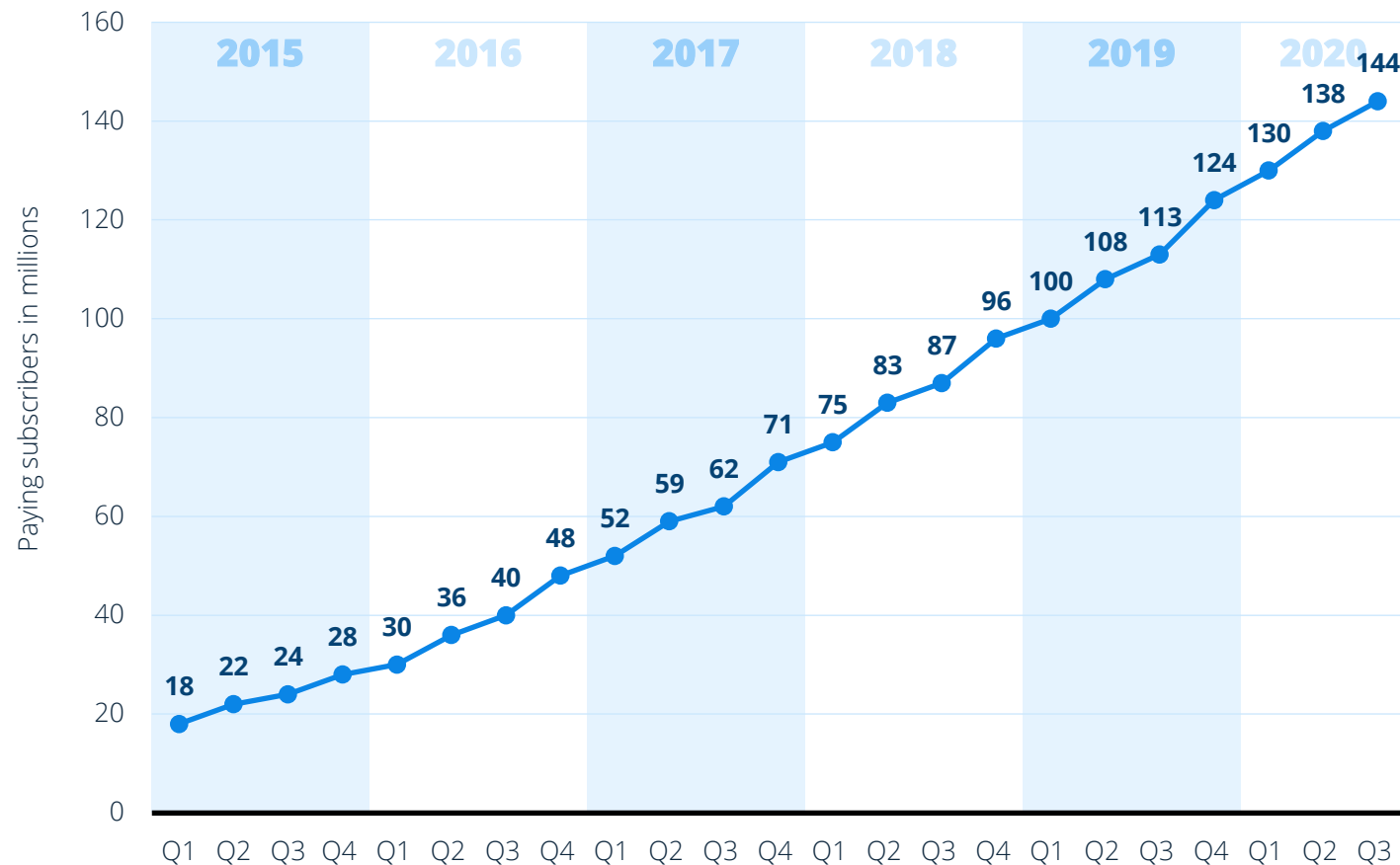
Spotify: the music streaming market leader

Subscriber share of music streaming services worldwide 2019



Spotify's subscriber base has grown sixfold in five years

Spotify's premium subscribers 2015-2020



Spotify's main prerogative is audio

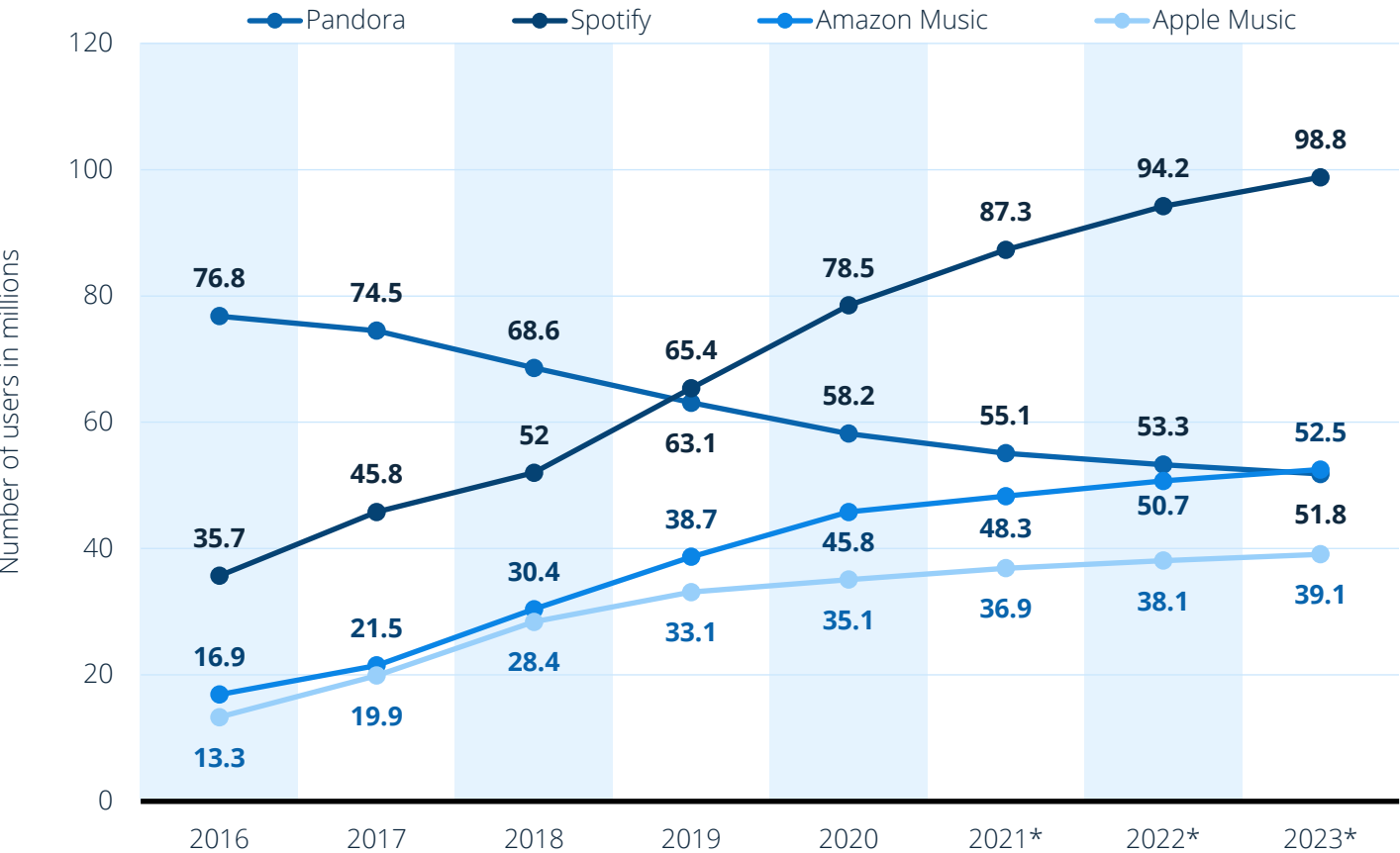
Spotify has the highest number of music streaming subscribers in the world, far outperforming competitors Apple and Amazon.

The latter two companies may eclipse Spotify in terms of size, but neither place their sole focus on online audio the way Spotify does. Unlike several of its peers, Spotify is dedicated to audio without retail, tech, leisure, or telecommunications detracting from that.

Whilst Spotify may not be every streamer's first choice, it certainly accounts for most of the global and U.S. audience. Head to the next pages to see how the numbers compare.

Pandora is struggling against the competition

Music streaming giants: number of active users in the United States 2016-2023



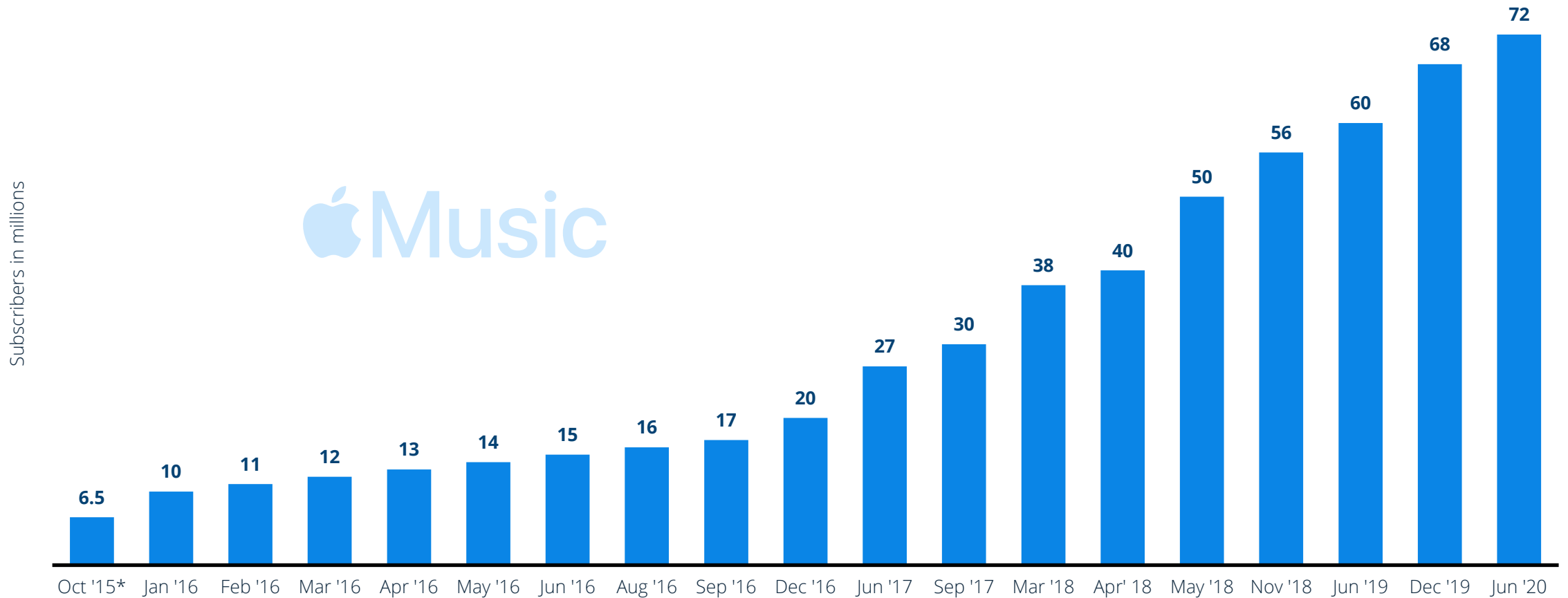
Pandora is losing out to other major platforms

Pandora used to be the most popular music streaming service in the United States, but times have changed, and Spotify's users overtook Pandora's in 2019. Whilst Pandora encourages music discovery by letting users search for what they want and personalize algorithms themselves, Spotify's algorithm 'knows' what its customers want and designs playlists accordingly. Although neither way is necessarily better than the other, Spotify's method is clearly working.

Pandora was also late to offer features now considered the norm, such as offline listening and an ad-free subscription service. Now, Apple and Amazon are taking Pandora's share, and Spotify continues to grow.

Apple: Spotify's closest competitor, but still with roughly half the number of subscribers

Number of Apple Music subscribers worldwide 2015-2020

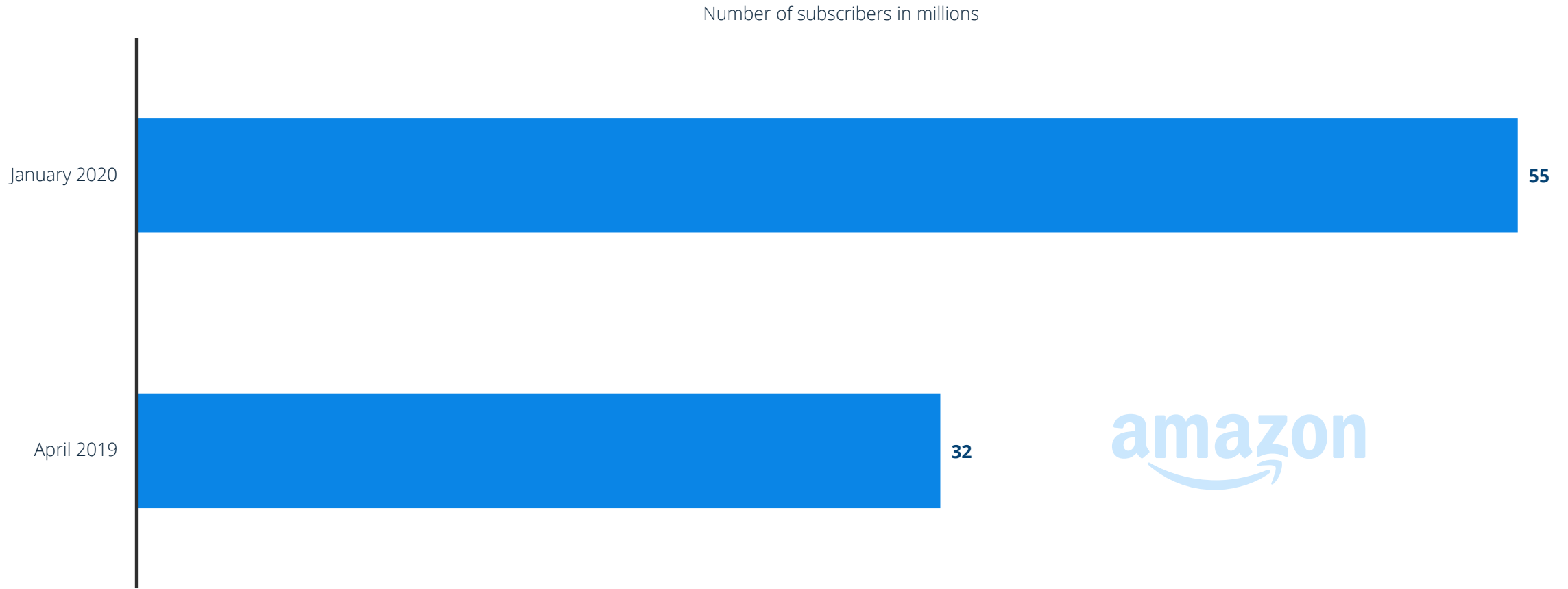


Note: Worldwide; October 2015 to June 2020; includes free and paid subscribers; *October 2015 figures are based on CEO Tim Cook's statement that Apple Music has 6.5 million paid subscribers plus another 8.5 million users who were still in their three-month free trial period.

Source(s): Apple; Music Business Worldwide; Music Ally; Counterpoint Research; [ID 604959](#)

Amazon: recent growth brings its audience size closer to Apple's

Estimated number of Amazon Music subscribers worldwide 2019-2020

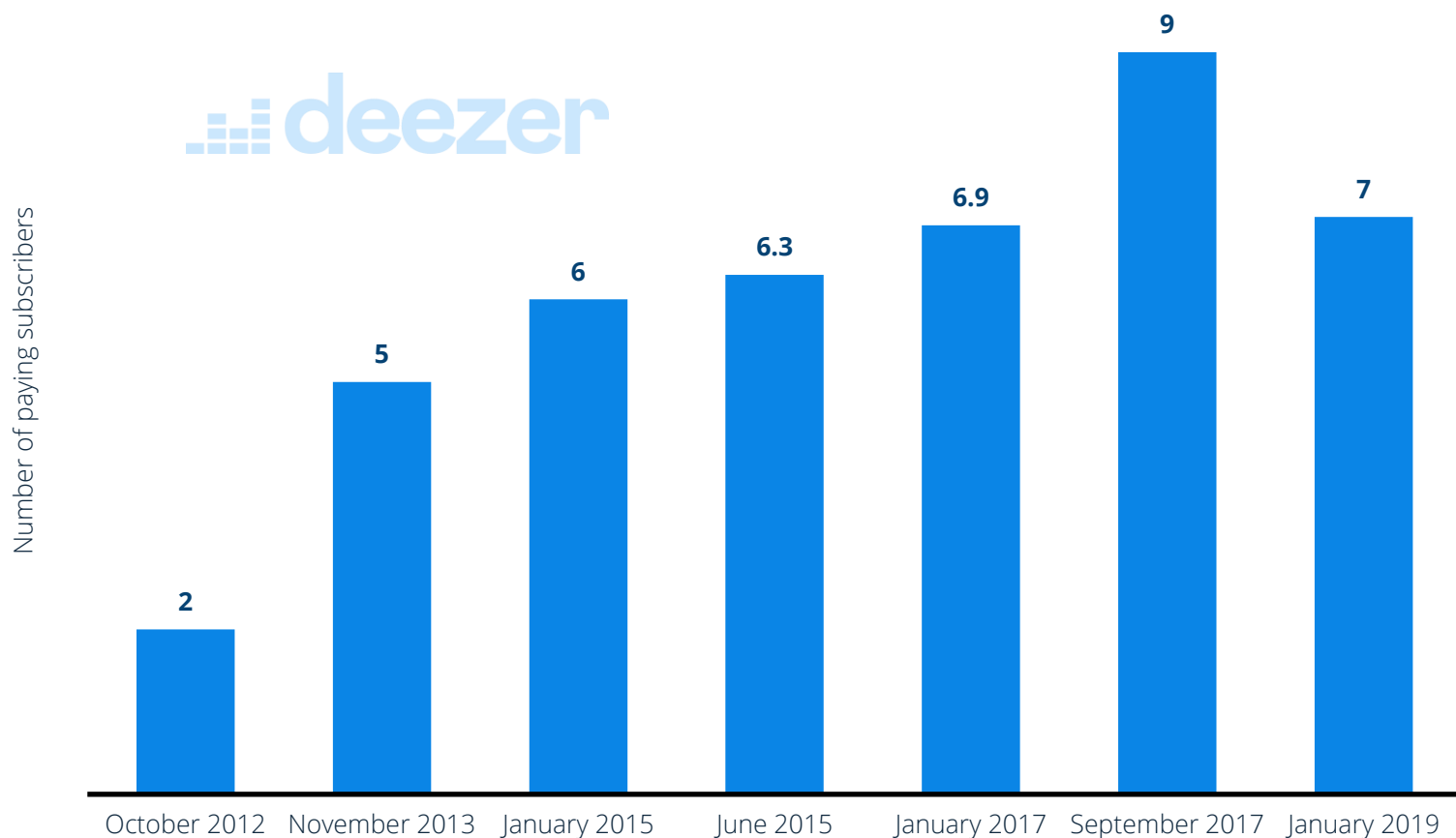


Note: United States; April 2019 and January 2020; all figures are estimates, numbers include all Amazon Music services including HD, Unlimited, Unlimited (single-device plan), Amazon Music for Prime subscribers, and ad-sponsored Amazon Music

Source(s): The Verge; Financial Times; Amazon; [ID 1100542](#)

Deezer: a smaller audience, but a local approach

Number of Deezer's paying subscribers 2012-2019



Deezer's focus is local, not international

Deezer's CEO, Hans-Holger Albrecht, has made it clear that Deezer's focus is not to own 100 percent of the streaming market, but to tackle markets on a case-by-case basis and provide local content from those markets for prospective subscribers to enjoy.

Albrecht also acknowledged that many consumers will skip the process of purchasing physical music or downloads and go straight to streaming – something which is arguably more likely in mobile-first markets. Deezer will likely never 'break' the United States, but that is not the company's MO. Instead, Deezer has focused on expanding into the Middle East and North Africa and working on attracting Arabic speakers to its app.

“

There's a certain target group that wants to be global and international: to go for McDonald's and pizza rather than for local food. Spotify will serve them, I guess, but we have a different approach, we're very local ... We just want a very good part on the local side, and that requires adaptation and humbleness. People want to have local things as well: there is a limit to internationalization.

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Hans-Holger Albrecht

Deezer CEO

Tidal: higher quality audio, but at a price

Following on from Tidal, other services are beginning to offer high-fidelity streaming: but is it worth it?

				
Hi-fi services of		Library size (in millions)	Streaming quality (in kbps)	Monthly subscription price
		>60	1,411	\$20
		52	1,411	\$17.99
	HD	>60	Up to 850 kbps	\$14.99
	Ultra HD	>5	Up to 3,730 kbps	\$14.99

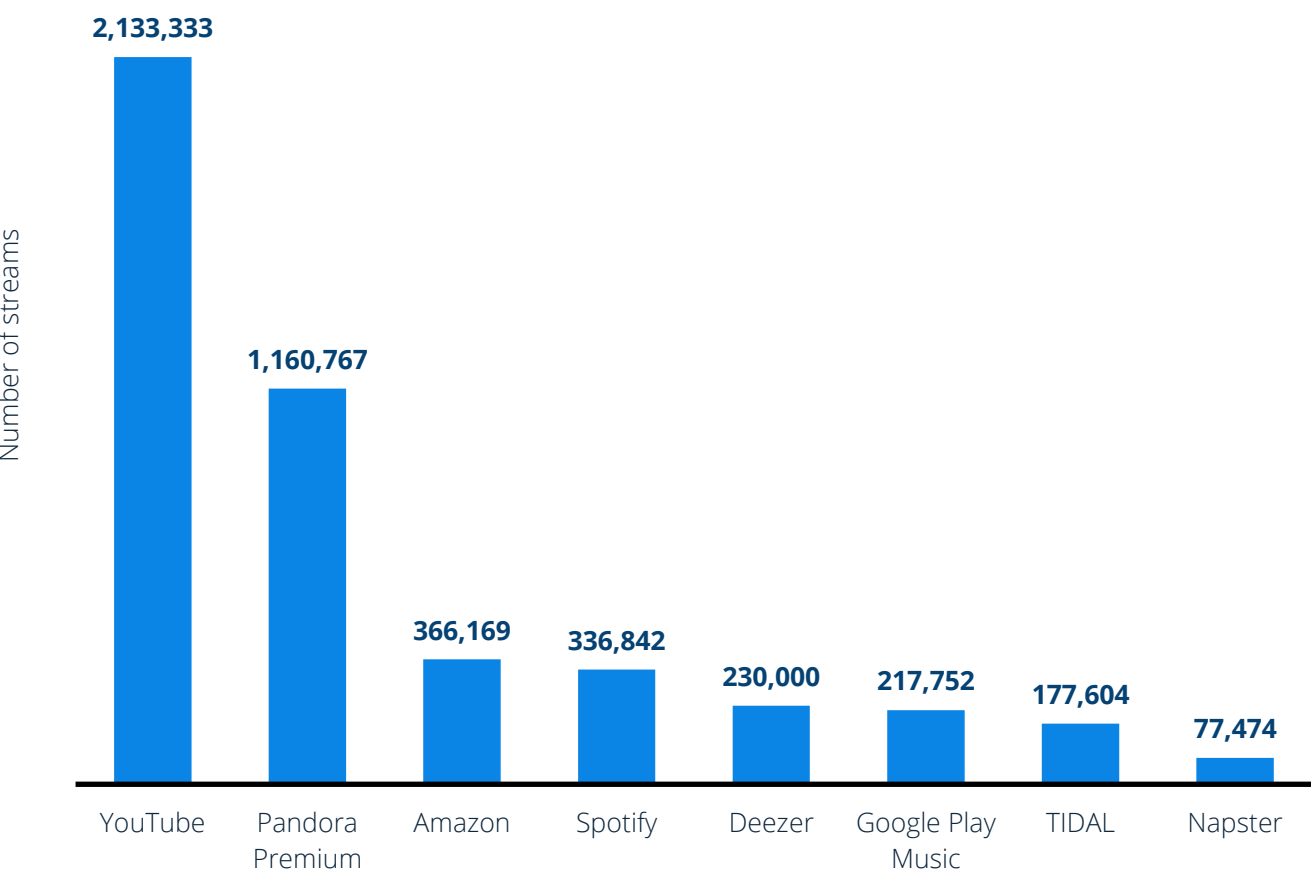
Is hi-fi streaming what consumers want?

Artist-owned Tidal set out to make a change by connecting more with artists and offering higher quality audio – but with limited success. Tidal last published its number of paying users in 2016, reporting a customer base of just three million. The exact state of Tidal's finances and usage is hard to measure, a problem exacerbated by the company's complex ownership history.

A pertinent issue which has kept consumers from committing to Tidal is arguably its price. Now that Amazon and Deezer have made the full move to high-res quality audio for five dollars less than Tidal charges, the latter's future looks uncertain.

One of Tidal's strengths is its connection to artists, something major services need to work on

Number of music streams needed for artists to earn the U.S. monthly minimum wage in the United States in 2019



Tidal and Deezer both outperform major players when it comes to paying artists

Spotify has come under fire more than once for its handling of artist royalty payments, and data shows that it would take over 330,000 streams on Spotify for an artist to earn the monthly minimum wage in the United States. That's 100,000 more than needed on Deezer and almost double what an artist would need to achieve on Tidal.

For companies with a more ethical approach to artist payments to make a real dent in the U.S. market, consumers would need to make a conscious change in terms of how they listen and which service they use. Positive change should not come from the consumer alone, but for artists to win the battle against a system which often devalues their creative labor, it comes down to subscribers to put their money where their morals are.

Music streaming and inequality: what it means for artists and consumers

In 2020, the COVID-19 outbreak brought the live music scene in the United States to its knees, causing thousands of events and tours to be postponed indefinitely. Without live music, artists were forced to rely on streaming, but many independent musicians were at a disadvantage before this process had even begun. Thinking back to the previous graph on page 32, we know that for artists trying to make a living from their work via Spotify, the bar is set extremely high.

Estimates suggest that Spotify pays out between 0.003 and 0.005 U.S. dollars per stream, which for the likes of Ariana Grande (who frequently enjoys millions of streams per week in the United States alone) can lead to tens or even hundreds of thousands of U.S. dollars in streaming income each month. Meanwhile, independent artists, who also lack the kind of support from record labels, distribution companies, and publishers afforded to bigger acts, are left trailing far behind. Spotify's handling of artist payments thus ensures that smaller artists fail to make a fair income from their music whilst major artists prosper.

However, supporting a company like Tidal (who claim to pay artists around 0.0125 U.S. dollars per stream) *and* to enjoy those tracks in high quality format does not come cheap. Not only does Tidal HiFi cost the consumer 20 dollars per month (double the price of Spotify), the 1,411

kbps rate comes with its own ramifications. High-resolution audio streaming comes at a price, and although paying more for better quality is hardly a foreign concept to consumers, it does mean that better audio is less accessible. Streaming at a rate of 1,411 kbps is substantially more data-intensive than streaming at the standard rate, therefore requiring subscribers to have a solid internet connection, higher bandwidth, and faster download speed. Consequently, lower income consumers and those living in rural areas with limited access to high-speed internet will struggle to access such a service.

Amazon Music moved into hi-fi audio streaming in a bid to raise its profile and compete more effectively with Apple Music and Spotify, and if all goes to plan, Amazon could also pull subscribers away from Tidal. Regardless of the trend towards offering higher quality audio though, the simple fact is that hi-fi audio will remain an avenue pursued mainly by serious audiophiles and consumers on a higher income, and a higher quality stream may sound nicer in the consumer's ear but does not necessarily result in increased payments to artists. But how much do consumers really care about what music streaming means for artists and for the industry itself?



04 Consumers

- Music purchasing
- Preferences and habits
- Podcasts

“

In the era of streaming, the public fights always seem to be between the services and the artists. But we never seem to consider the culpability or the role of the listener. Is it inevitable that we'll default to the easiest and cheapest option?

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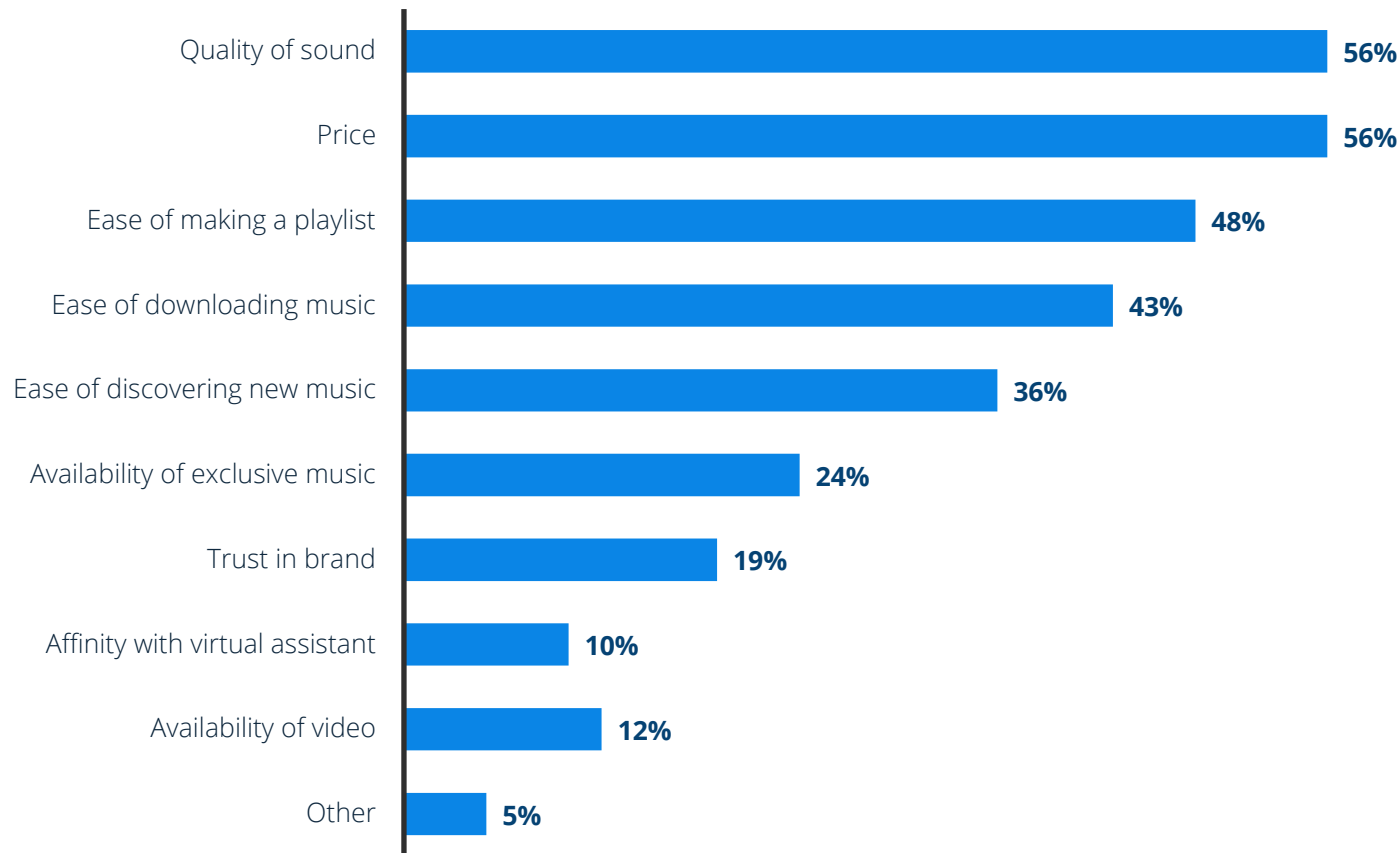
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Dayna Evans

Freelance writer for VICE

Consumers care mostly about sound quality and price

Most important features of music streaming services in the U.S. 2020



Music discovery and brand trust are lower on users' list of priorities

It is easy to see how Spotify's popularity surpassed Pandora's. The latter gives its users more autonomy whilst Spotify deploys its algorithm to 'know' what the listener wants. Ease of music discovery failed to make the top five in this ranking of most important features of music streaming services, suggesting that Spotify's model is better suited to modern listeners.

Users care more about a balance of quality and price, revealing again why Tidal struggled to attract subscribers and why Spotify's approach continues to work. Indeed, according to company financial reports, user numbers for Spotify's ad-supported tier remain higher than its premium subscriber count. Consumers will often more happily endure ads than commit to a monthly subscription.

Streaming consumption is high, but not everyone pays

Weekly music streaming or download services usage in the U.S. 2019-2020

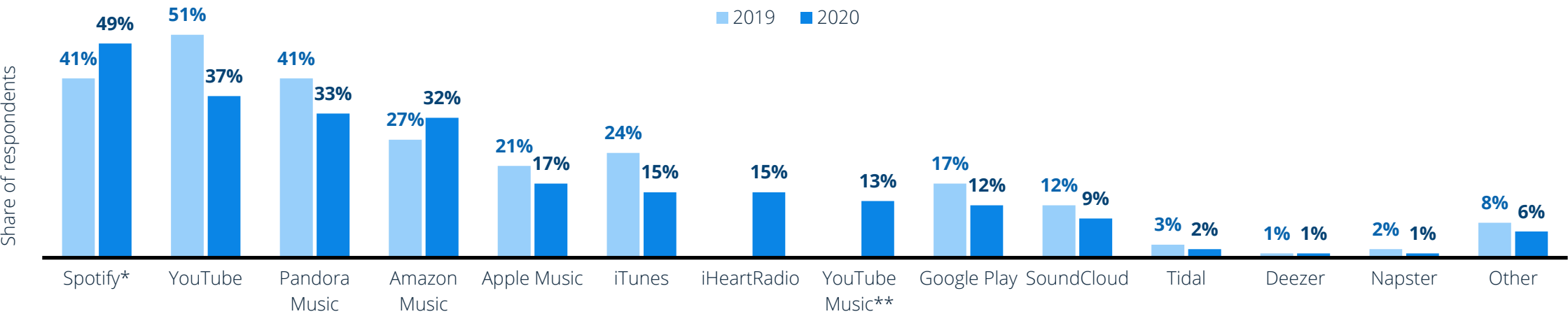
Ad-supported listening is rife among U.S. music streamers

A 2020 survey revealed that almost 50 percent of U.S. respondents had listened to Spotify in the last week – but in fact, just 25 percent of those listeners were premium service users.

YouTube, now very ad-heavy, remains a popular option for free music streaming, and has also improved its ability to suggest new and relevant

content. Although not a music streaming service in the strictest sense, YouTube remains one of the main channels of music discovery, particularly among younger listeners.

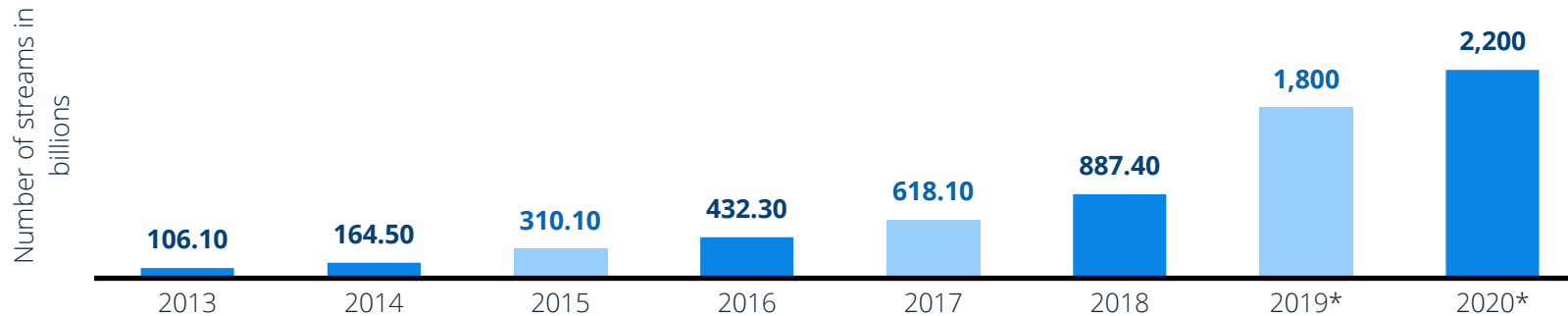
With some consumers unwilling or unable to pay for music streaming subscriptions, there is even less hope for physical formats (which offer less value for money).



Note: United States; 2019 and 2020; 2,005 respondents.
*For Spotify in 2019, the share of listeners who had used the premium service was 19 percent, for the free service the share was 22 percent. Premium service users in 2020 amounted to 25 percent of the total, free users accounted for 24 percent.
**For YouTube Music in 2020, the share of listeners who had used the premium service was three percent, for the free service the share was 10 percent. Data for iHeartRadio and YouTube Music was not provided for 2019.
Source(s): AudienceProject; [ID 758875](#)

On-demand music streams hit two trillion, owned music listening is down

Number of on-demand music streams in the United States from 2013 to 2020 (in billions)

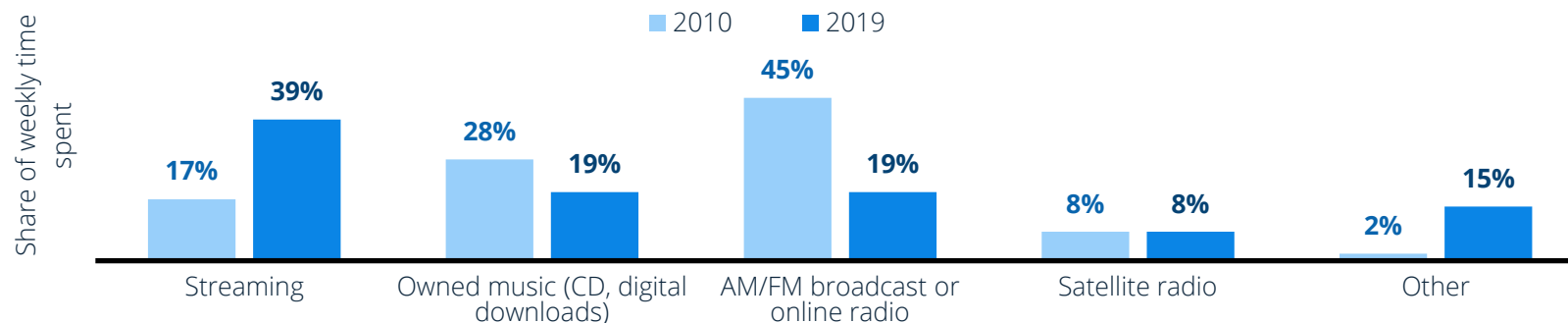


Streaming has changed music purchasing behavior

A decade ago, close to 30 percent of U.S. consumers were listening to owned music each week. Now, the number of annual streams is in the trillions and CD sales have waned so much they may never recover.

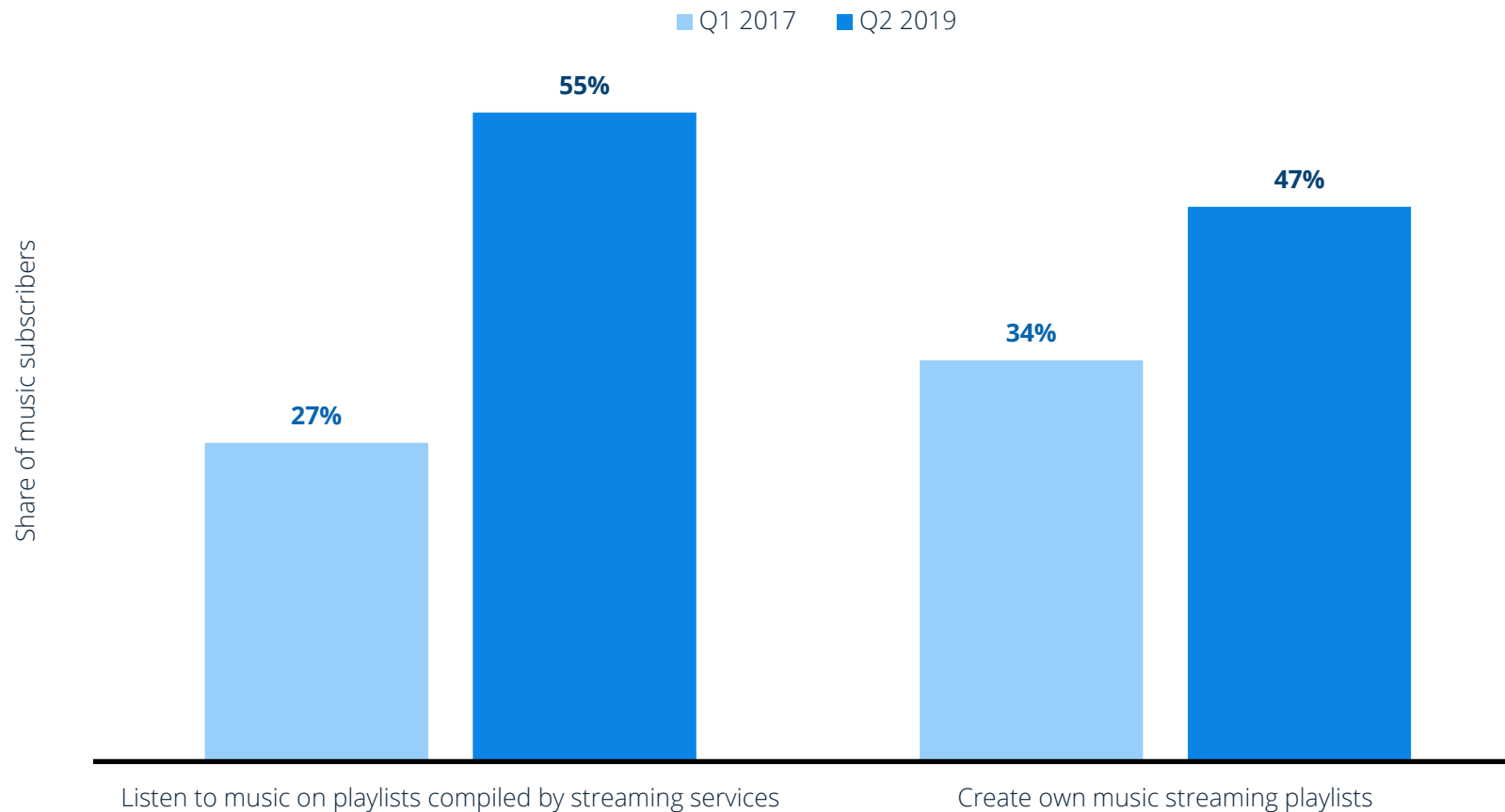
Streaming changed music purchasing forever by giving consumers access to an almost infinite catalog of music for a monthly fee, which reduced the appeal (and value) of physical music. So how has streaming changed the way consumers listen?

Weekly time spent listening to music from selected sources in the United States in 2010 and 2019



Are listeners becoming less curious and more complacent?

Playlist preferences on music streaming services U.S. 2017-2019



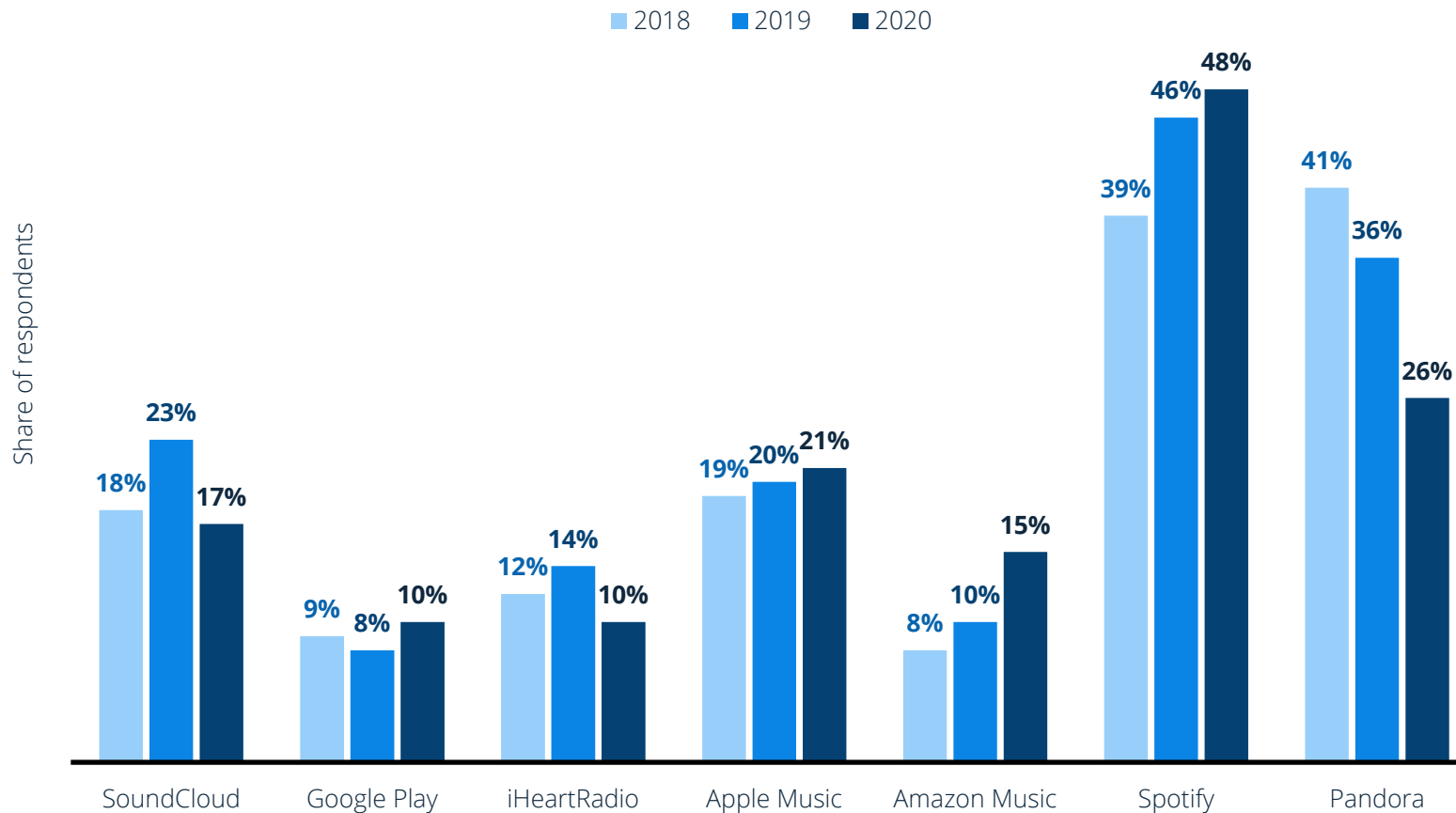
Playlist consumption is growing

The increased availability and improved curation of playlists has led to consumption growth, but most users prefer to listen to ready-made playlists instead of making their own.

With algorithms taking care of music discovery and the growing preference for playlists curated by music services themselves, music streaming is becoming more and more passive.

Young consumers prefer Spotify and Apple: could this be related to podcasts?

Music services young people used most frequently in the U.S. 2018-2020



Spotify wins again – but the market leader still has more tricks up its sleeve

Almost 50 percent of consumers aged between 12 and 34 years (Millennials and Gen Z) use Spotify more than any other service. Amazon also saw an increase in its younger user base, but still fails to match Apple in this regard. Interestingly, there is something else Apple and Spotify have in common other than being the leading music services: podcasts.

Apple Music has been dealing in podcasts for years, but since early 2019 Spotify has invested hundreds of millions of dollars into the format, and it's paying off.

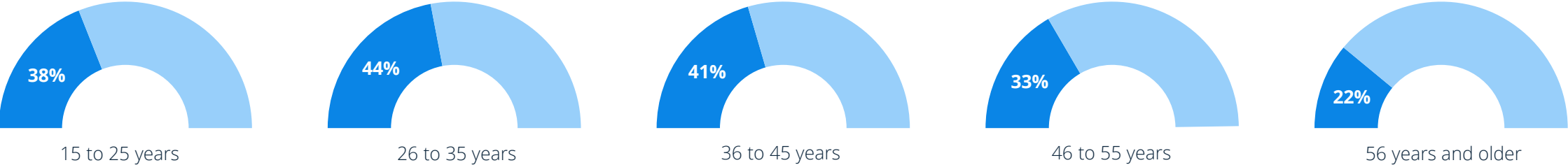
Note: United States; January 2018 to January 2020; 12-34 years; 1,502 respondents; among U.S. population who listened to music on that platform in the last month

Source(s): Edison Research; Triton Digital; Rain News; [ID 475978](#)

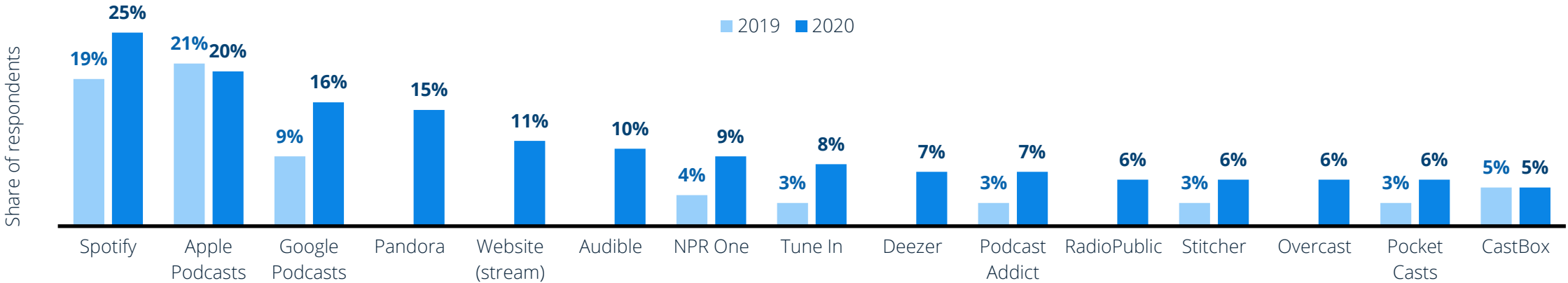
Millennials are the most enthusiastic podcast consumers

Once again, Spotify and Apple are going head-to-head: and Spotify is winning

Share of consumers listening to podcasts weekly in the U.S. 2020, by age group



Most commonly used apps for listening to podcasts in the U.S. 2019-2020



Key takeaways: what does U.S. streaming consumption really look like?



Streaming is more cost-effective, efficient, and convenient than buying physical music, and consumers know this. However, streaming's popularity has had a knock-on effect on music purchasing and ownership.



With millions of tracks available for one set fee per month, streaming is irresistible to consumers. However, getting so much for so little has damaged how listeners perceive music in terms of value.



Whilst paid usage of major platforms is high, consumers still turn to ad-supported options like YouTube for their weekly music fix and ad-supported streaming remains crucial even for market leader Spotify.



Passive listening is a growing trend, with users seeking services which 'know' them best and can organize, curate, and suggest content on their behalf.



Podcasts are becoming a part of the music streaming sphere and helping to attract younger users.



For artists, scale is key: if you have the audience, you make the money. Streaming services provide exposure for smaller artists, but to achieve a sustainable income, an independent act would need listeners to stream their tracks hundreds of thousands or even millions of times to make good money.



05 Future outlook

- Streaming insights: impact and innovation

“
Streaming music services are incentivized to drive consumption. What we need are additional models, incentivized to drive fandom. Streaming is a song economy, and we now need a parallel fan economy.
”

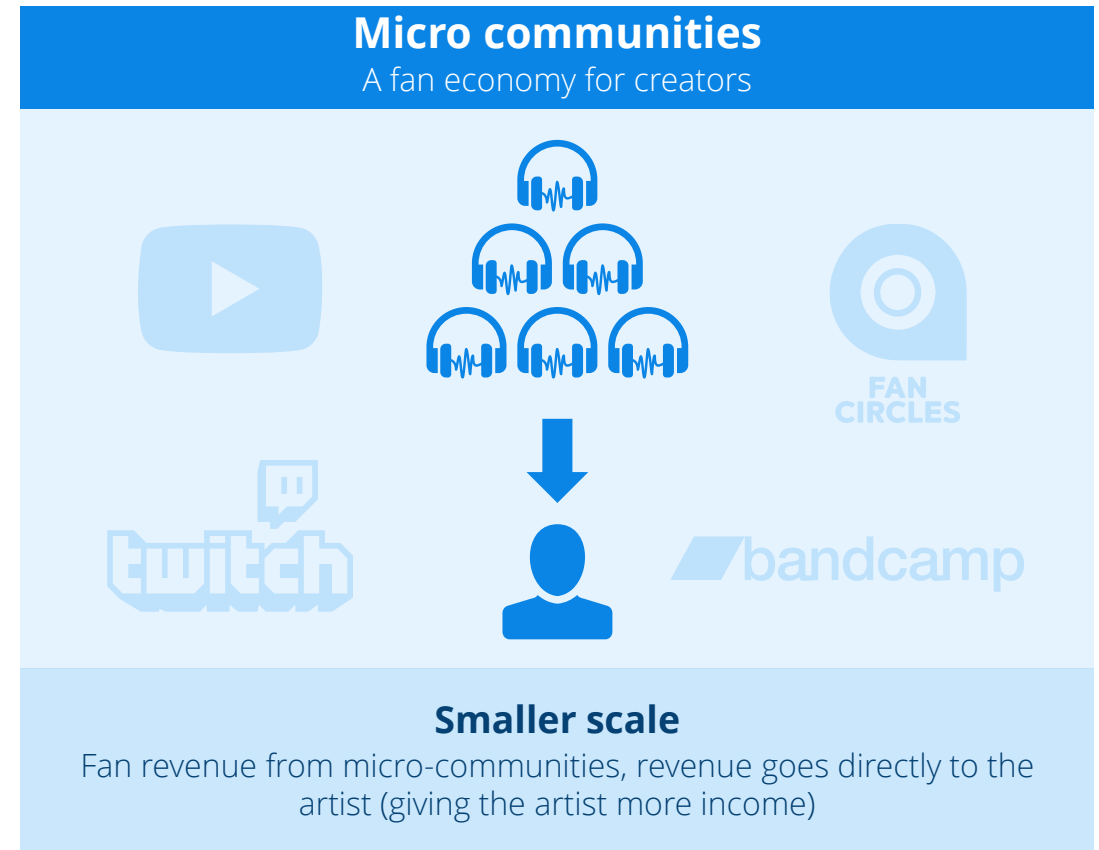
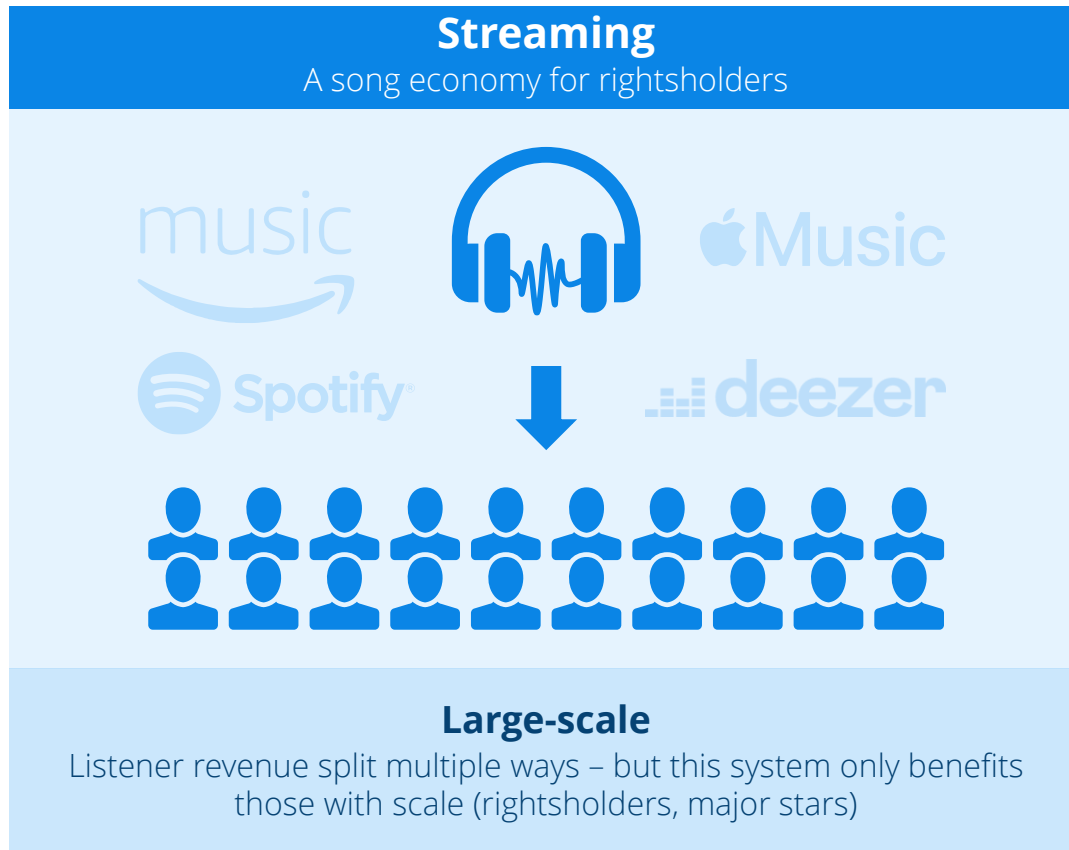
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Mark Mulligan

Managing Director and Analyst at MIDiA Research

The future of streaming: prioritizing creators over rightsholders?

Artists are being heard, record labels have improved their profit margins: but artists need a fairer income and fans must rethink their loyalties



Looking ahead: creativity, accountability, and innovation

For music streaming services to remain profitable, companies must continue to grow their number of paid subscribers. Audience growth and retention can be improved by smart, addictive playlists, exclusive music releases, and higher quality audio, but fierce competition has led music platforms to expand to other audio formats, too. With podcasts, audiobooks, and e-books featuring more and more heavily in the market, music services are heading towards becoming all-encompassing audio platforms and developing their libraries to incorporate content produced in-house.

When it comes to artists, change is needed. Although not yet fully conceptualized, the idea of a fan economy could improve income and equal representation among music creators. A fan economy would reshape the music streaming market by placing greater value on the relationship between artists and fans through what MIDiA Research analyst Mark Mulligan termed 'micro-communities', which are built around artist's most avid fans – fans who drive that artist's revenue.

Therefore, an artist with one thousand subscribers could generate one thousand U.S. dollars per month even if fans paid just one dollar per month, rather than the artist needing hundreds of thousands of streams to make the same amount of money. Record labels make millions of dollars from streaming, and Mulligan argues that the success enjoyed by rightsholders should now be passed on to their artists. This would mean governments supporting companies pursuing the fan

economy model, record labels helping their artists find income streams this way, and streaming services giving artists the opportunity to show their fans where they can find more of their content. Giving fans a more active role could also encourage greater engagement in terms of artist discovery and playlist creation, potentially raising the profile of smaller acts struggling to gain exposure.

Looking at the bigger picture, the COVID-19 pandemic boosted streamed music consumption whilst simultaneously decimating the live music market. Live has always been an integral part of the music industry, and the top acts in North America generated hundreds of millions of U.S. dollars in revenue in 2019 alone. In 2020, everything changed, and the effects will endure for years to come. Live-streamed and virtual reality concerts replaced shows at physical venues, and whilst the technology is impressive, there are concerns that it may continue to replace live events in the future, which would impede the live sector's recovery.

The year 2020 has left the future uncertain for many sectors within the entertainment industry, but what we can be sure of is consumers' love of and commitment to streamed music consumption. The future will see more podcasts, digital books, and further developments in audio quality – but it will come down to fans, artists, and music companies combined to ensure the market's prosperity.

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Recommendations

DossierPlus

[Video streaming in the U.S.: An industry in flux](#)

[Gen Z and the internet in the UK](#)

[Live streaming e-commerce in China](#)

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Dossiers

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[Media use in the U.S.](#)



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