



# Digital Media Report 2021 – Digital Music

Statista Digital Market Outlook

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December 2021

# Agenda

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- Overview
- Market sizes
- COVID-19 impact
- User numbers
- Average revenue per user
- Key player landscape
- Company profiles
- Deep dives
- Start-up analysis

## 02 Appendix

- Key player landscape
- Market structure
- Product overview
- Author

# Market focus on Digital Music

Overview: market scope

## Music Streaming



- Subscription-based (without any advertising) or ad-supported unlimited access to music streaming services

## Music Download



- Paid downloads of professionally produced single tracks or albums/compilations
- Permanently accessible after purchase

# Customers profit from permanent and unlimited access to music content

Overview: customer benefit and market development

## Customer benefit

Like Video-on-Demand services, Digital Music services free customers from tedious limitations that they had to cope with in past decades.

In general, Digital Music primarily solved the problem of storing huge amounts of music with finite resources. In the past, customers needed to find ways to shelve all their records and cassettes. Even the rise of the compact disc (CD) as the first commercial digital music carrier did not fully solve the storage problem. Now, data drives potentially contain gigabytes or terabytes of data which makes big shelves full of records, cassettes, and CDs a thing of the past.

Also the access to music is much more convenient nowadays. Recording songs off the radio or buying single tracks and albums in music stores in the form of records, cassettes or CDs has become obsolete thanks to music download platforms like Pandora or Apple's iTunes Store.

In addition to that, music streaming services like Spotify, Deezer or Apple Music add yet another benefit. Now, music must not necessarily be stored locally, as such internet services allow users to listen to their music libraries from any device and any place in the world.

Eventually, the plain availability of digital music content is a huge benefit for customers in every way. Music can be listened to everywhere, sharing and enjoying it together is easy, and exploring new artists and genres is as comfortable as never before.

## Market size and future development

The global Digital Music market size is about US\$25.1 billion in 2021 and accounts for 8.5% of the Digital Media market. It is the smallest market in Digital Media. By 2026, the market is expected to reach a global revenue of US\$37.8 billion and is growing at a CAGR<sup>1</sup> of 8.5%.

The **U.S.**, **Europe**, and **China** cover 74.8% of the global Digital Music market with a cumulated amount of US\$18.9 billion. **China** is likely to remain the smallest market of the three regions. Its total revenue is expected to grow from US\$2.2 billion in 2021 to US\$3.7 billion by 2026 as the average revenue per user of US\$6.5 is considerably lower compared to the figures of the **U.S.** (US\$72.7) and **Europe** (US\$43.2).

Two major trends are expected: A growth in Music Streaming and a decline in Music Downloads. The trend towards Music Streaming is likely to continue through 2026, as the **U.S.** market grows at a CAGR<sup>1</sup> of 8.5%, while in **Europe** Music Streaming still grows at a CAGR of 7.9%. However, **China's** Music Streaming market has the highest average annual growth of 10.8% up to 2026.

As already observed in the Video-on-Demand market, **Chinese** users show a very low willingness to pay for digital content. Even though 97.2% of revenues in the **Chinese** Digital Music market is generated by Music Streaming in 2021, the average revenue per user in **China** in 2021 is only US\$12.3. The corresponding average revenue per user in the **U.S.** of US\$86.1 is more than seven times greater.

# Music Streaming services try to win over non-paying subscribers

Overview: assumptions and trends

## Assumptions

In our forecast, we assume that the global Digital Music market is driven by a fast and constant growth of Music Streaming while the Download market is shrinking.

After 15 years of growth since the beginning of commercial music downloads and the start of Apple's iTunes Store in 2003, sales from music download have started to decline. With increased bandwidth, internet speed, the ubiquity of smartphones, and improved mobile internet accessibility, the full potential of music streaming services can today be exhausted and a permanent storage of music files on local data carriers is no longer necessary.

The possibility to choose between different pricing models like family or student plans may also convince more consumers to switch from traditional and download music consumption to streaming services. We can observe such a development especially in formerly rather conservative European markets such as Germany.

## Trends

Traditional music consumption in the form of physical formats is constantly decreasing. Moreover, the music market has been fighting against illegal distribution for years, which caused its sales to decline. Today, it seems that the industry is back on track thanks to new options to monetize music content.

Ad-based and freemium services such as Spotify as well as subscription-based services like Apple Music contribute to the rising popularity of Music Streaming services. Free trials make it more attractive to potential customers to eventually turn from a non-paying into a paying subscriber. Thus, an increasing number of users is willing to pay for this type of music consumption.

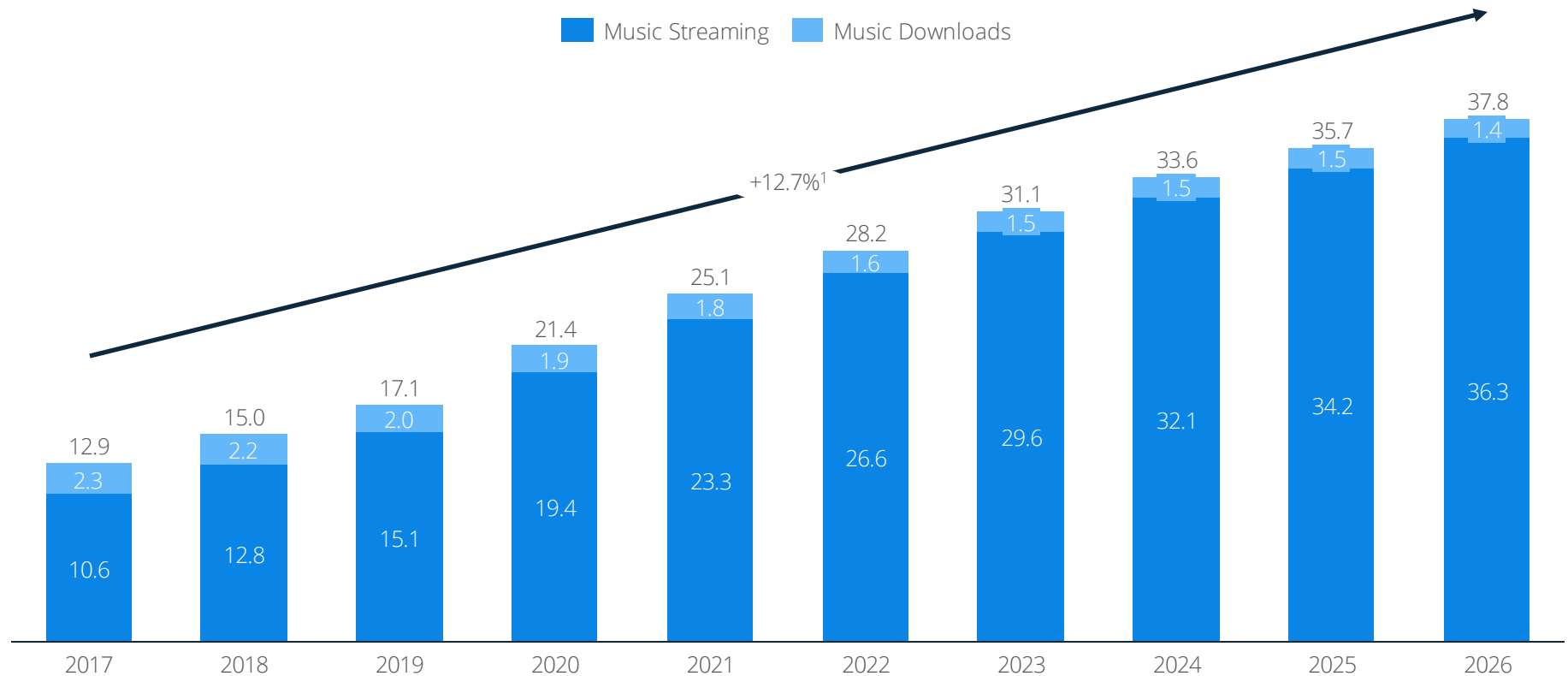
Music Streaming services attempt to gain access to more customer groups by offering different pricing models such as student or family licenses. Moreover, the services seem eager to extend their content constantly by providing access not only to music but also to music videos or exclusive podcasts.

However, the digital music market suffers from a so-called value gap. Ad-based services are the content type that is consumed most, but the generated revenue is much lower compared to the revenue generated by subscription-based services.

# The Digital Music segment shows average growth rates of around 12.7% per year

Market sizes: global

## Global revenue forecast in billion US\$



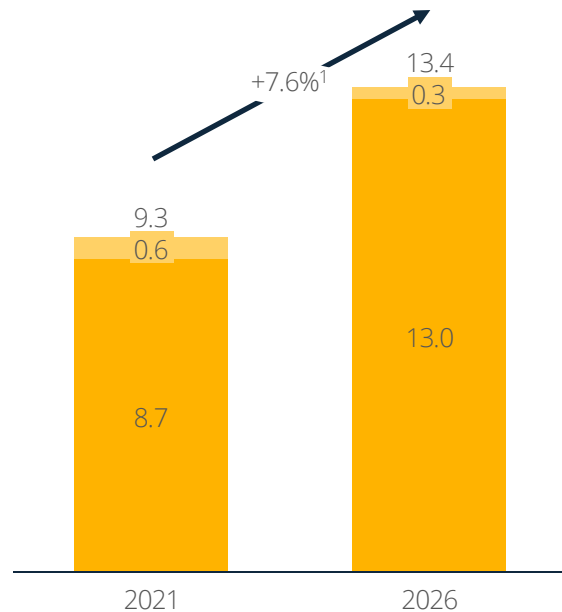
# China shows the biggest growth in Digital Music with a CAGR<sup>1</sup> of over 10.4%

Market sizes: regional comparison (1/2)

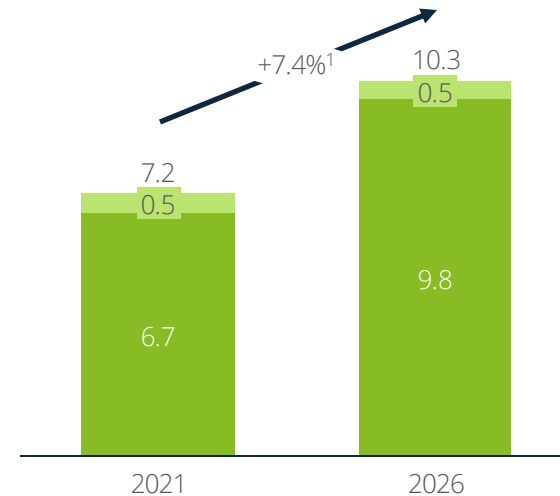
## Revenue forecast in billion US\$

Music Streaming Music Downloads

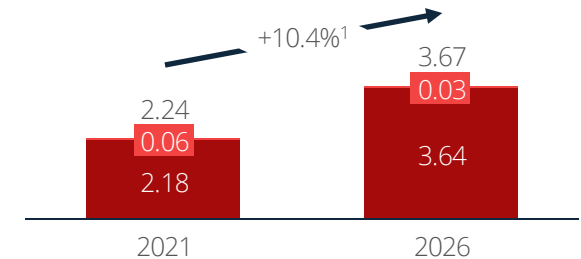
### United States



### Europe



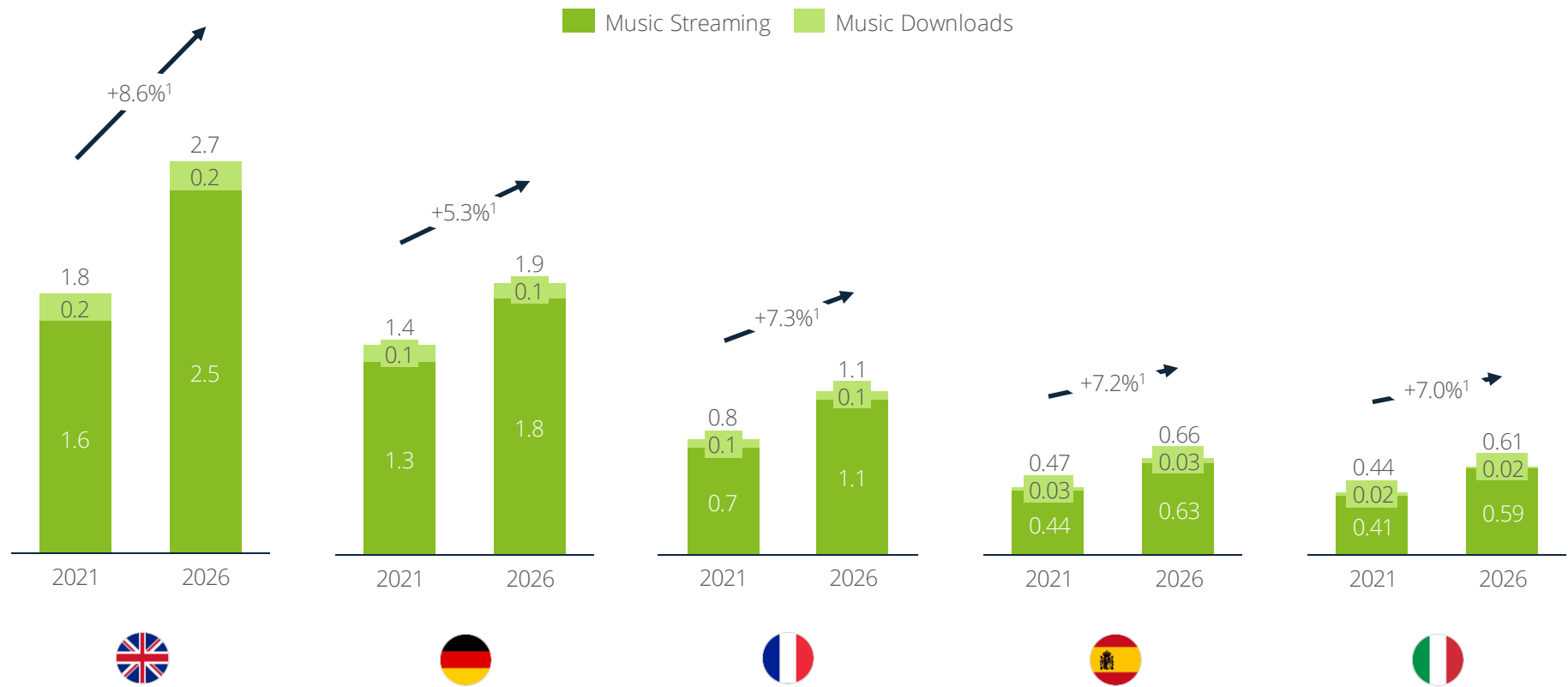
### China



# With revenues of US\$1.8 million, the UK is the biggest market among the EU top 5 in 2021

Market sizes: regional comparison (2/2)

## Revenue forecast in billion US\$

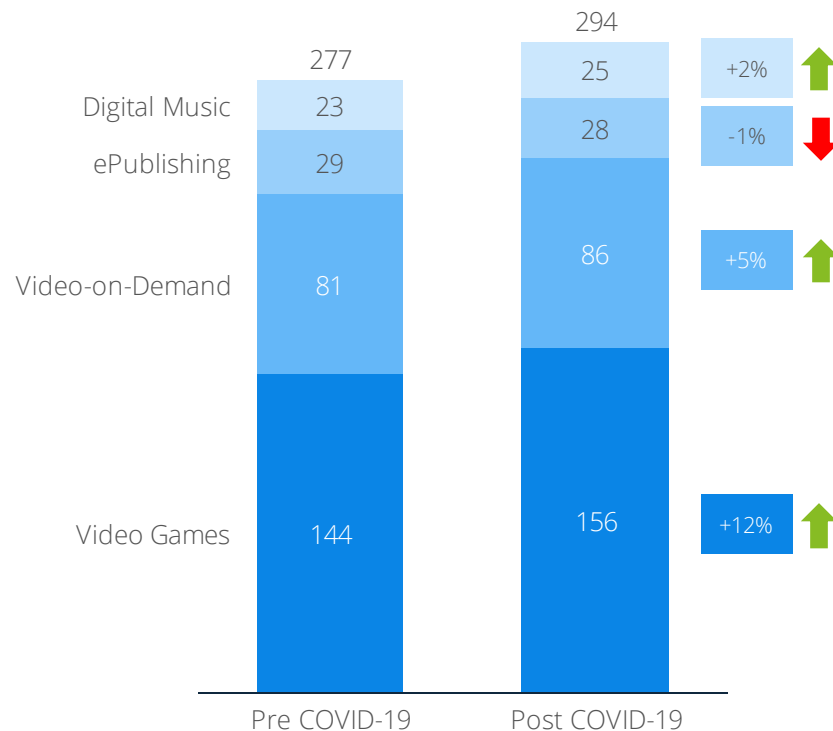




# Digital Music, Video-on-Demand and Video Games significantly benefited from the lockdown

Coronavirus impact<sup>1</sup>: Digital Media forecast (1/2)

## Global Digital Media revenue forecast in billion US\$ in 2021<sup>1</sup>



- Digital Music revenue will increase by additional 2% in 2021 because of the COVID-19 pandemic. Music Streaming providers, such as Spotify, have reported a strong increase in subscriptions during the lockdown. Digital Music Downloads were not impacted by the pandemic.
- The ePublishing market is the only market not expected to benefit from the pandemic. Many local bookstores have opened again, and customers enjoy to read non-digitally after the lockdown year. eMagazines and ePapers were also slightly negatively affected by the lockdown.
- Video-on-Demand showed a strong increase during the COVID-19 pandemic. Customers continue to subscribe to several Video Streaming Services simultaneously and the trend was further accelerated by the release of Disney+ and the lockdown. Other Video-on-Demand services, such as Pay-per-View and Video Downloads were used on an above average level.
- The Video Games market grew significantly during the period of the shutdown. People spend more time at home, which resulted in a peak of Video Games Revenues within all subsegments.

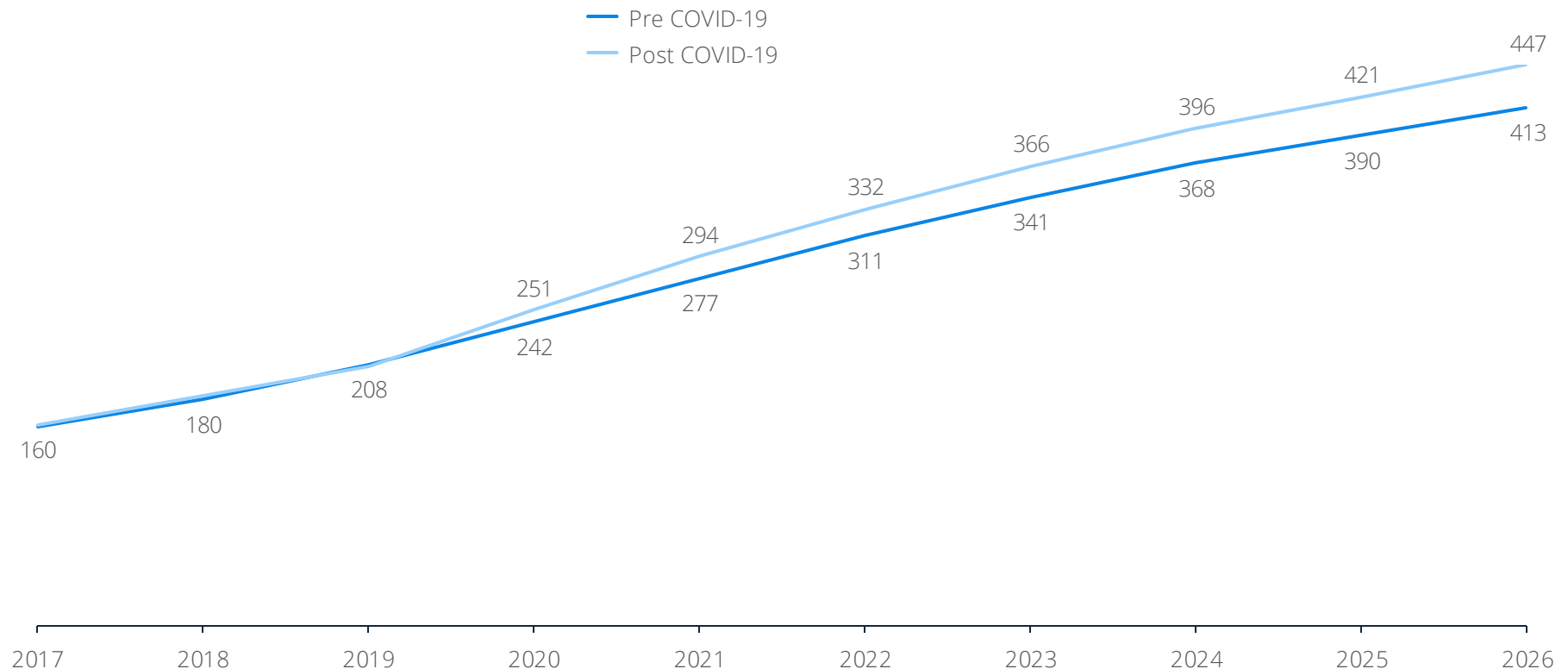
<sup>1</sup>: COVID-19 impact on Digital Media revenue is constantly followed and will be updated regularly; thus, forecast subject to change as conditions are changing rapidly (July 2021)

Source: [Statista Digital Market Outlook](#) 2021

# Digital Media permanently benefited from the lockdown, as many new customers were attracted

Coronavirus impact<sup>1</sup>: Digital Media forecast (2/2)

## Global Digital Media revenue forecast in billion US\$



1: COVID-19 impact on Digital Media revenue is constantly followed and will be updated regularly; thus, forecast subject to change as conditions are changing rapidly (July 2021)

Source: [Statista Digital Market Outlook](#) 2021

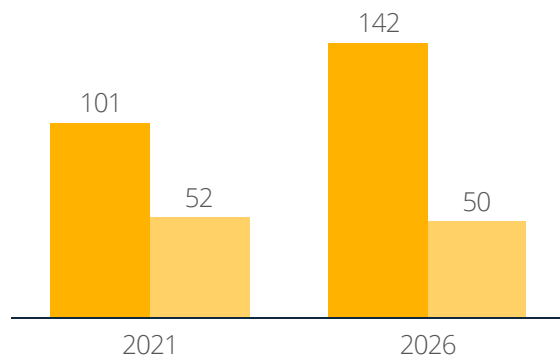
# By 2026, China will still have the highest number of Music Streaming users

User numbers: regional comparison (1/2)

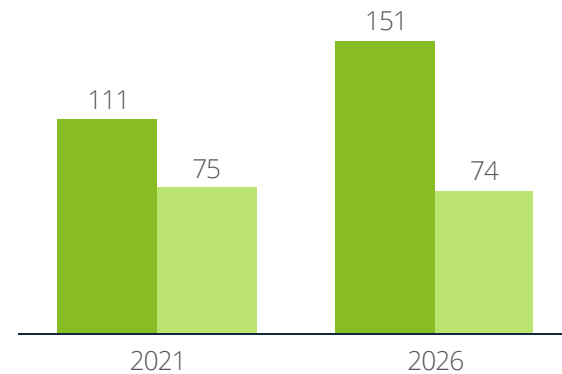
## Number of users forecast in millions

Music Streaming Music Downloads

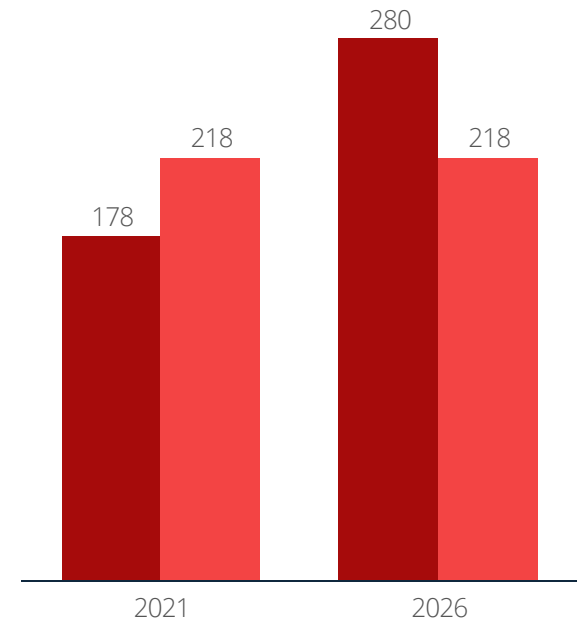
### United States



### Europe



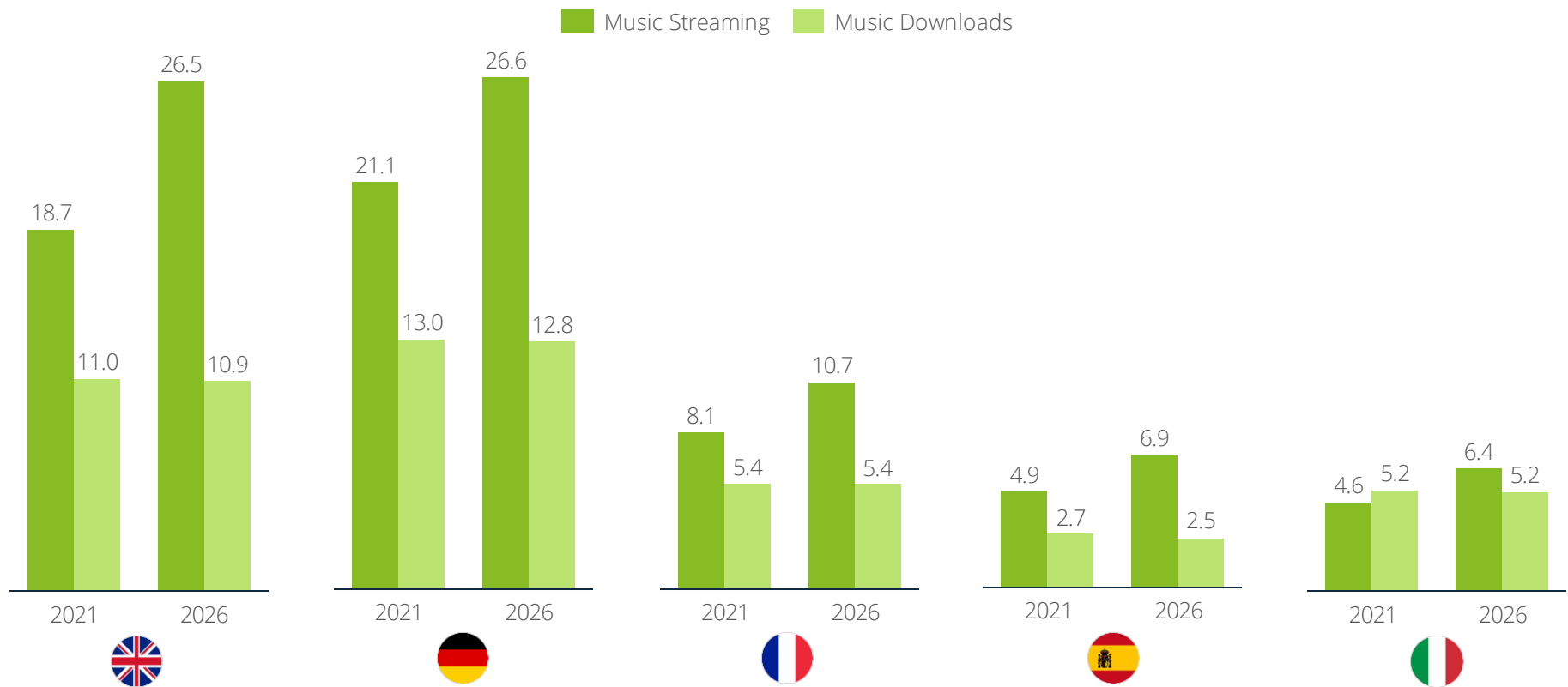
### China



# The UK and Germany show the strongest demand for Music Streaming within Europe in 2021

User numbers: regional comparison (2/2)

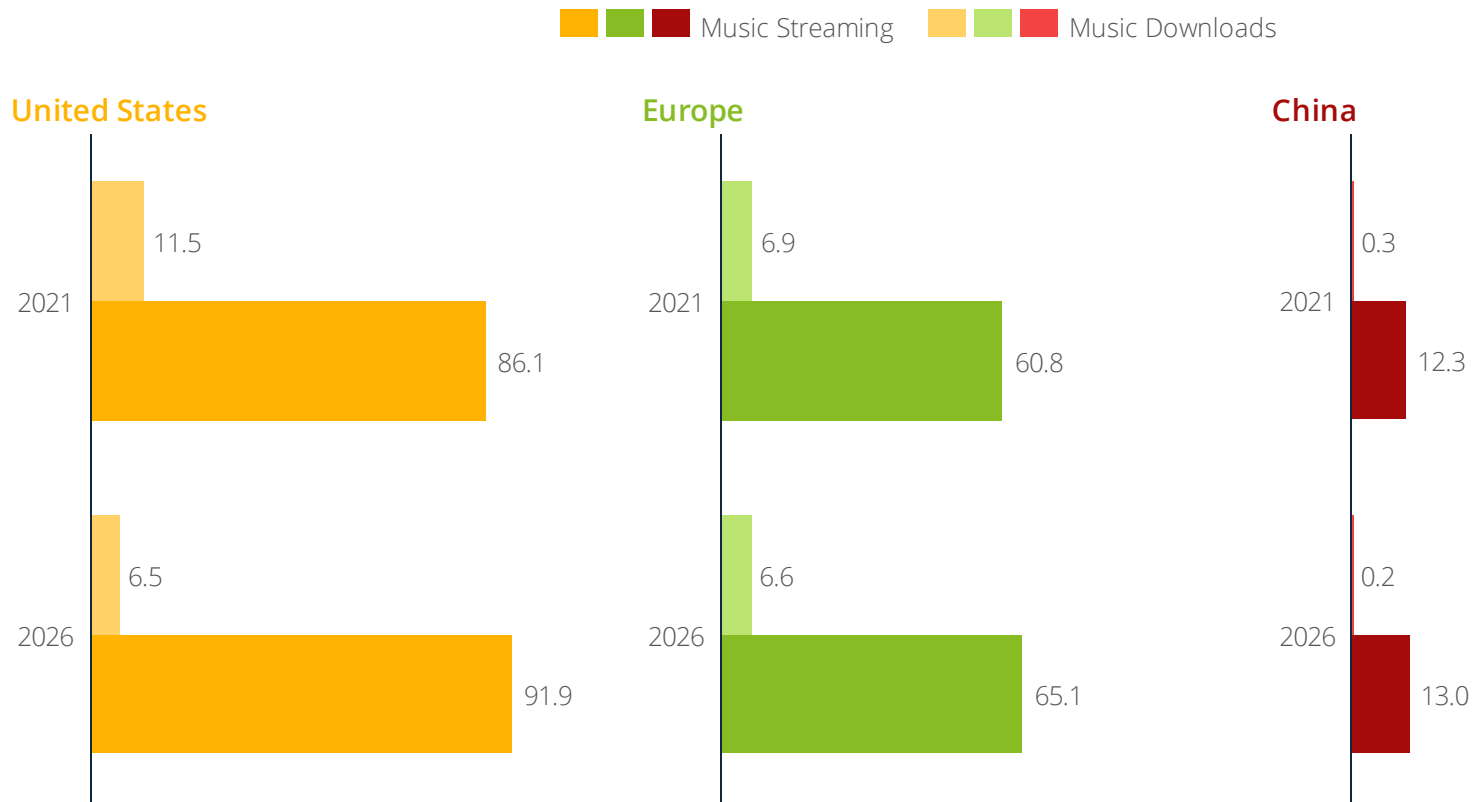
## Number of users forecast in millions



# Out of the three major regions, users in the U.S. spend most on Music Streaming in 2021

Average revenue per user: regional comparison (1/2)

## Average revenue per user forecast in US\$

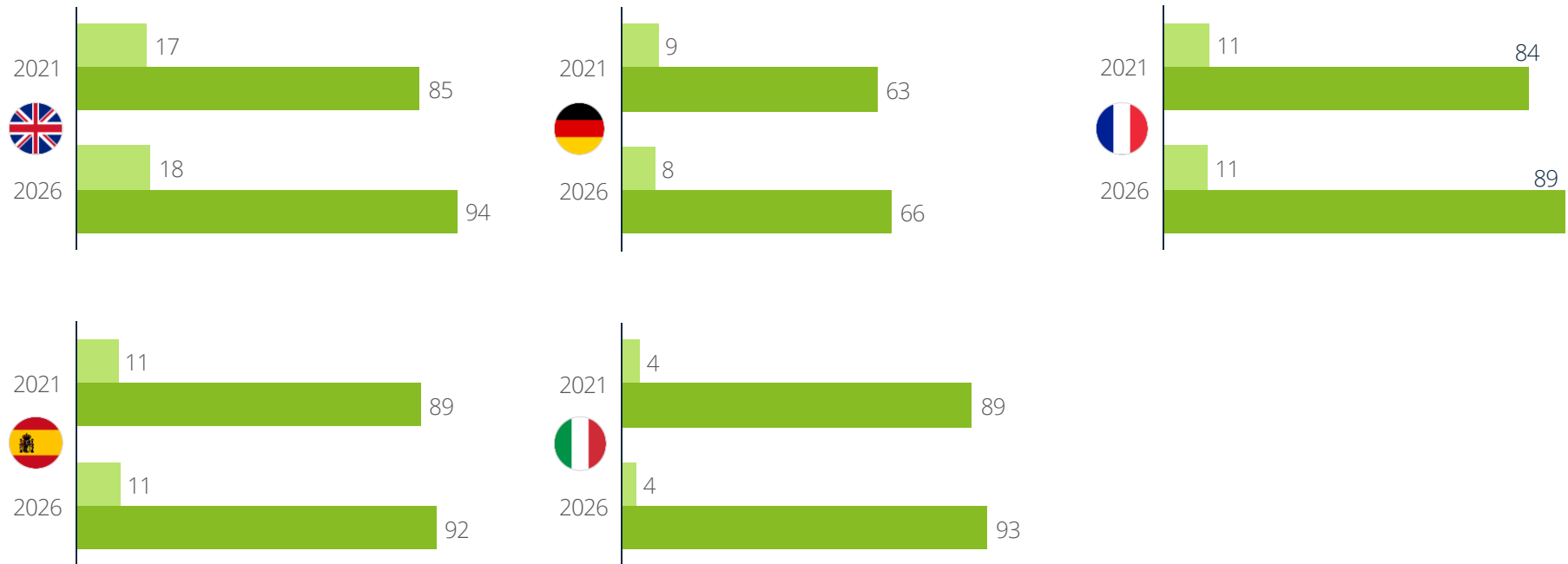


# Music Downloads prices are going to decline in Europe in the future

Average revenue per user: regional comparison (2/2)

## Average revenue per user forecast in US\$

■ Music Streaming ■ Music Downloads

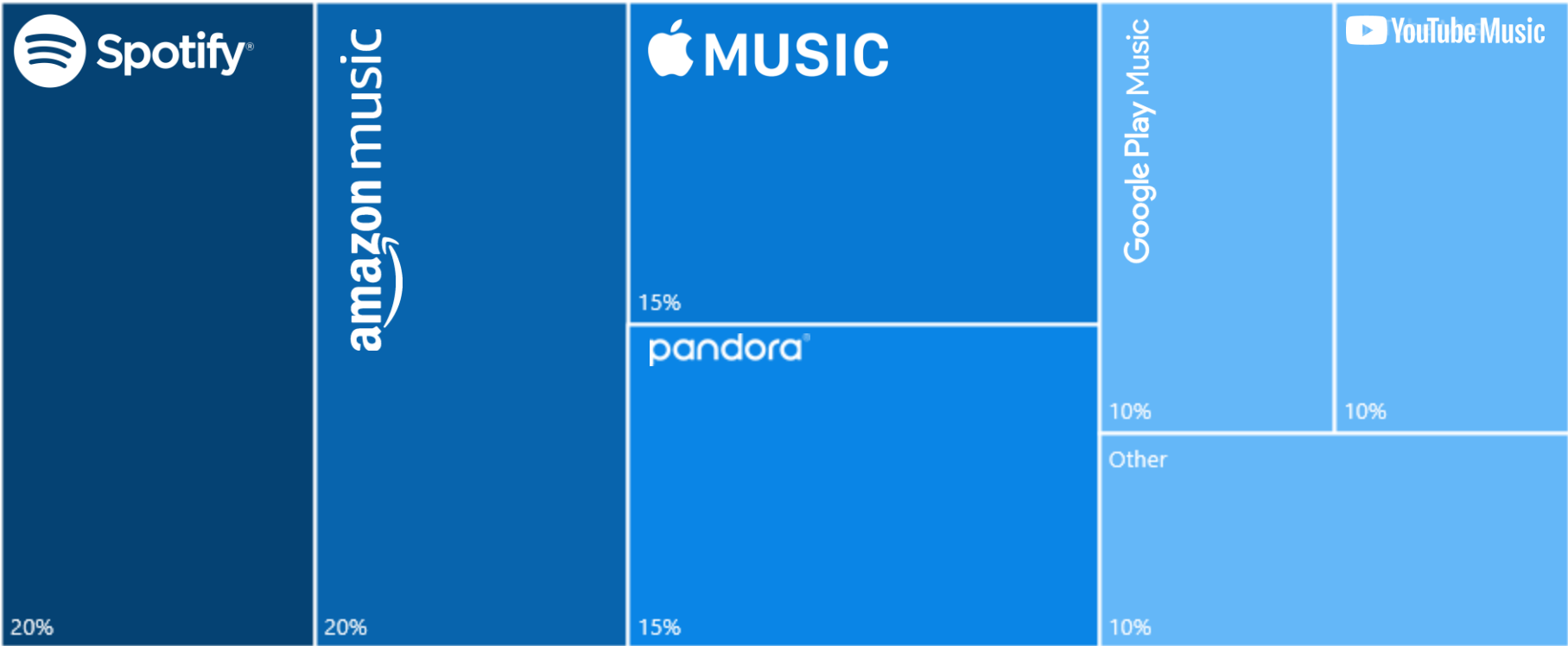


# In the U.S., the Music Streaming market was divided by two main players in 2020

Key player landscape: Music Streaming in the U.S.



Estimated usage share for Music Streaming brands in the U.S. in 2020



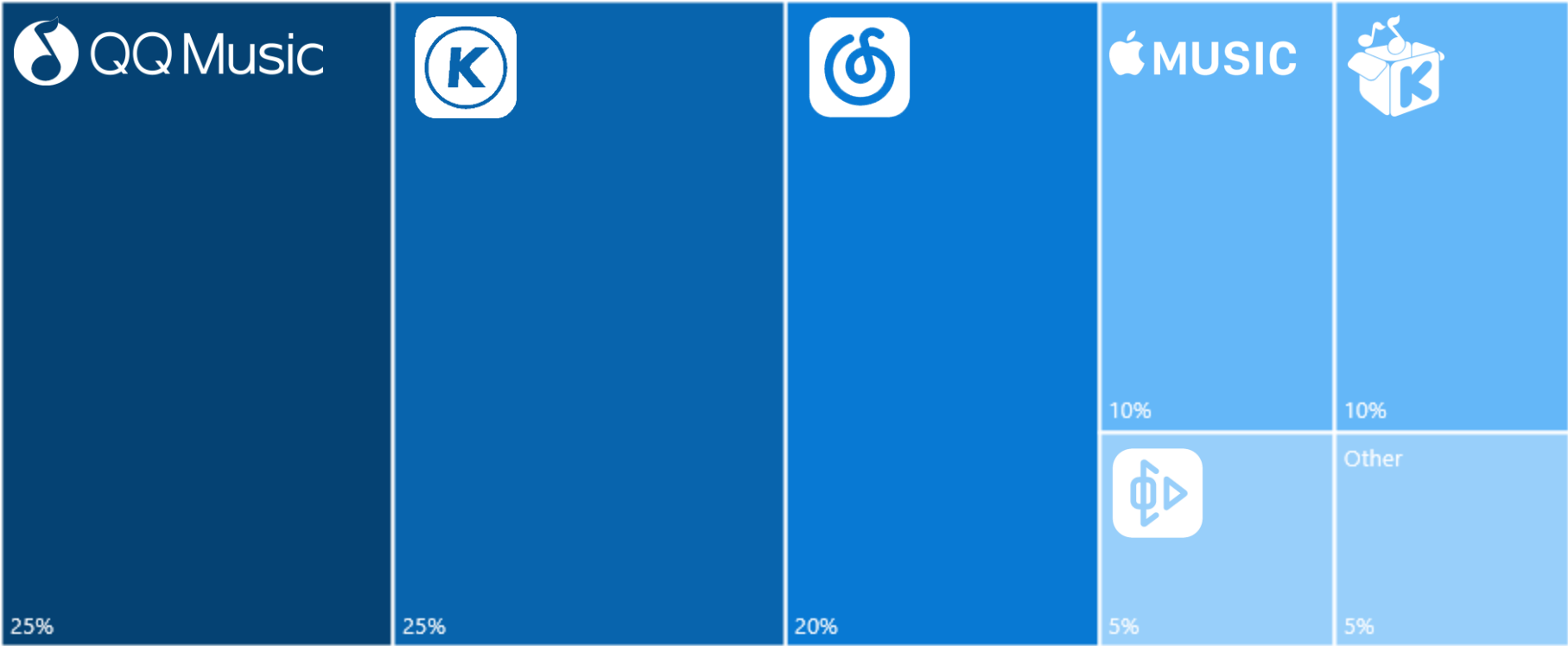
Note: The chart above shows the usage distribution for the most relevant brands in the selected market (100%). Shares are calculated with survey data, app downloads, and web traffic. Values are rounded to the nearest 5% mark. Usage shares below 5% are attributed to the category "Other". Overviews for France, Spain, and Italy can be found in the appendix.  
Source: BeyonData, Priori Data, SimilarWeb, [Statista Global Consumer Survey](#), as of July 2020

# In China, although being fragmented, QQ Music and KuGou slightly dominated the market in 2020

Key player landscape: Music Streaming in China



Estimated usage share for Music Streaming brands in China in 2020



Note: The chart above shows the usage distribution for the most relevant brands in the selected market (100%). Shares are calculated with survey data, app downloads, and web traffic. Values are rounded to the nearest 5% mark. Usage shares below 5% are attributed to the category "Other". Overviews for France, Spain, and Italy can be found in the appendix.  
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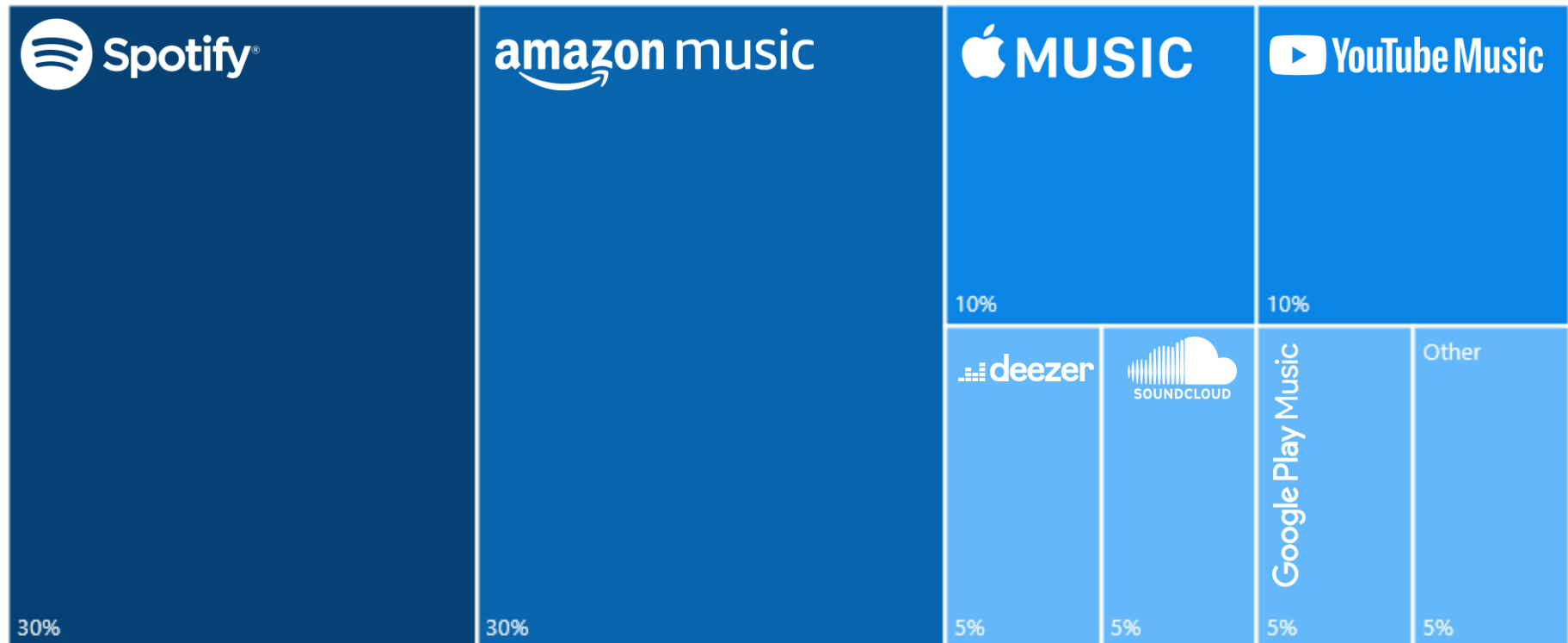


# In Germany, Spotify and Amazon were competing for the lead in the Music Streaming market in 2020

Key player landscape: Music Streaming in Germany



Estimated usage share for Music Streaming brands in Germany in 2020



Note: The chart above shows the usage distribution for the most relevant brands in the selected market (100%). Shares are calculated with survey data, app downloads, and web traffic. Values are rounded to the nearest 5% mark. Usage shares below 5% are attributed to the category "Other". Overviews for France, Spain, and Italy can be found in the appendix.

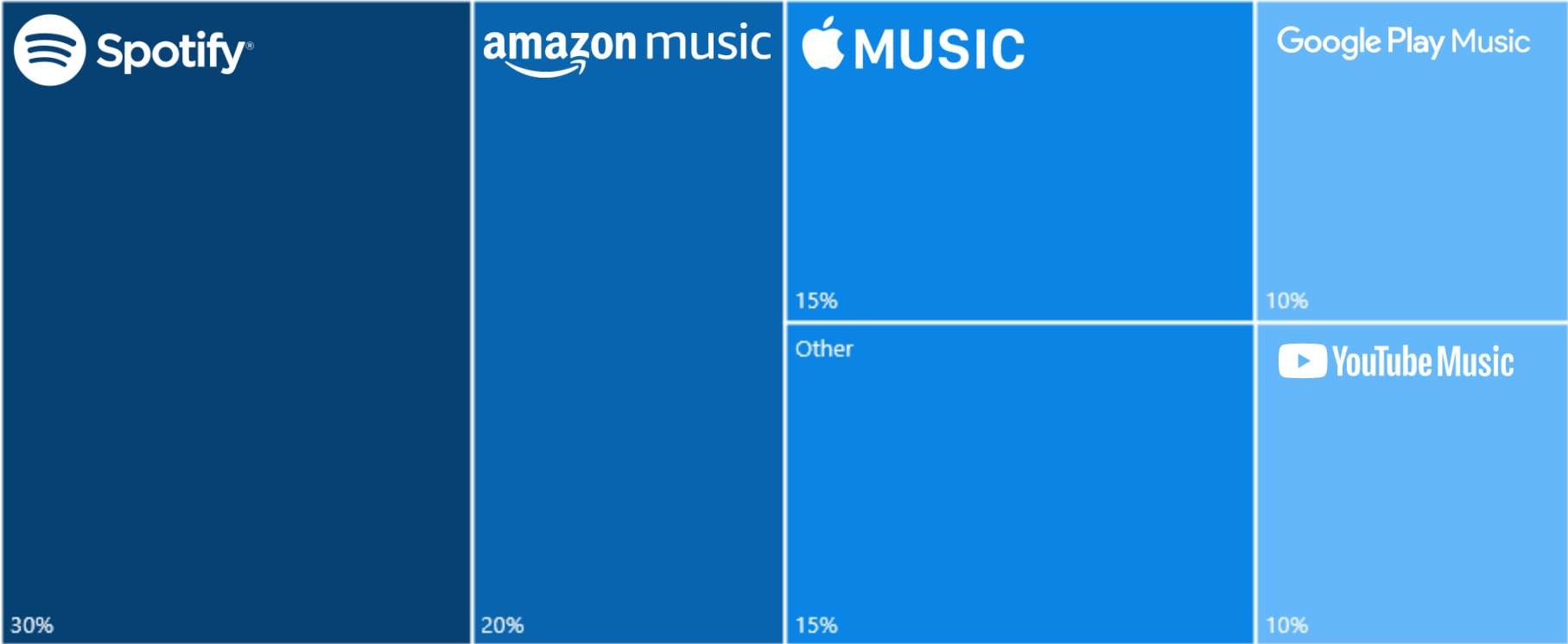
Source: BeyonData, Priori Data, SimilarWeb, [Statista Global Consumer Survey](#), as of July 2020

# In the UK, although being fragmented, Spotify slightly dominated the Music Streaming market in 2020

Key player landscape: Music Streaming in the UK



Estimated usage share for Music Streaming brands in the UK in 2020



Note: The chart above shows the usage distribution for the most relevant brands in the selected market (100%). Shares are calculated with survey data, app downloads, and web traffic. Values are rounded to the nearest 5% mark. Usage shares below 5% are attributed to the category "Other". Overviews for France, Spain, and Italy can be found in the appendix.  
Source: BeyonData, Priori Data, SimilarWeb, [Statista Global Consumer Survey](#), as of July 2020

# In Sweden, Spotify dominated the Music Streaming market by a wide margin in 2020

Key player landscape: Music Streaming in Sweden



Estimated usage share for Music Streaming brands in Sweden in 2020



Note: The chart above shows the usage distribution for the most relevant brands in the selected market (100%). Shares are calculated with survey data, app downloads, and web traffic. Values are rounded to the nearest 5% mark. Usage shares below 5% are attributed to the category "Other". Overviews for France, Spain, and Italy can be found in the appendix.  
Source: BeyonData, Priori Data, SimilarWeb, [Statista Global Consumer Survey](#), as of July 2020

# Spotify is the world's leading Music Streaming service

Company profiles: Spotify (1/2)



## Spotify key facts

Revenue:	US\$7,880 million (2020)
CAGR <sup>1</sup> :	16.5% (2019-2020)
Paid subscribers:	155 million (2020)
Employees:	4,915 (2020)
Headquarters:	Stockholm, Sweden
Founded:	2006
Exchange listing:	NYSE: SPOT

## Availability<sup>2</sup> of Spotify



## Product: streaming service

Spotify takes a pioneering role in music streaming and was one of the first commercial services of this kind. It was founded in 2006 and launched in 2008. Music piracy was very common at that time and Spotify was founded as the first legal alternative to illegal downloads.

For a monthly subscription fee of US\$9.99<sup>3</sup> users gain unlimited access to Spotify's library of over 70 million songs. All tracks can be listened to on a wide range of different devices and can be stored offline. Spotify has recently expanded to new markets and is now present in 170 countries. The company went public on April 3, 2018, with current market cap around US\$47 billion.

## Spotify's digital strategy

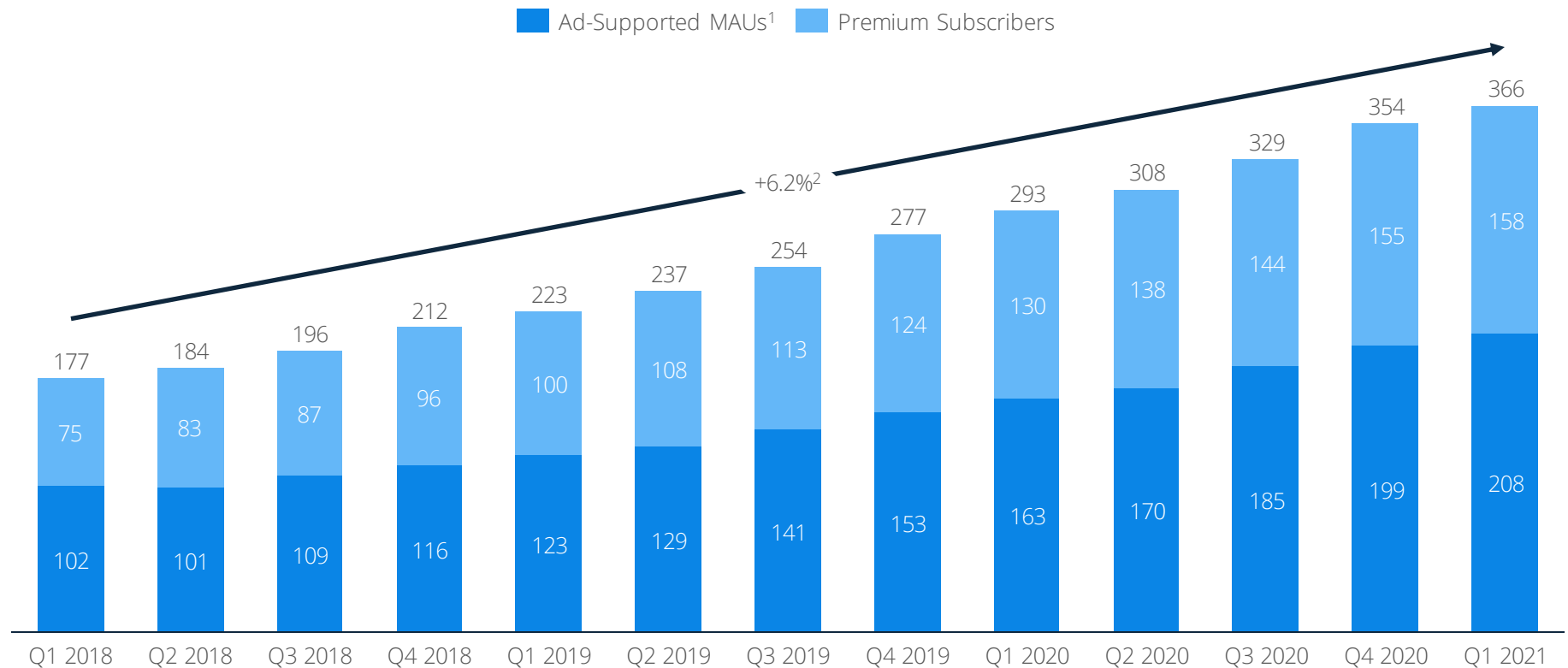
Spotify records a constantly growing revenue and user over the past 10 years, however the company reported first profit in 2018. Moreover, it is facing fierce competition from Amazon Music, Apple Music and Youtube Music which have a large potential customer base from other products and services along with ability to combine music streaming with their existing products and services

Consequently, Spotify is primarily trying to extend the number of its ad-supported users in order to convince them to switch to a subscription plan. Therefore the company is investing strongly in exclusive content like early access to music albums or other content such as podcasts.

# While constantly growing, Spotify still sources the majority of its users from ad-supported plans still

Company profiles: Spotify (2/2)

## Number of premium subscribers and ad-supported MAUs<sup>1</sup> worldwide in million



# Artificial intelligence will play an important role in future music composition

Deep dives: artificial intelligence changes music

## Deep dive: AI in the field of music creation

Using AI for the composition of music sounds like a vision from the far future. In reality, AI is already a part of the professional production of today's music. Compared to the beginning of this development in the 1990s, when software was able to randomly rearrange parts of different lyrics, music-making programs nowadays influence music production on a deeper level.

Apps like Apple's Logic already use AI to automatically detect and mark the tempo of sound tracks. Apart from Apple a bunch of other big companies like IBM and Google have discovered the potential of AI in the field of music creation. The base of AI-supported music software are deep learning networks that analyze large amounts of (music) data in order to find patterns within chords, tempo, length or notes and to eventually write melodies.

Such software often lacks a simple usability. An exception from this is Amper Music, an easy-to-use website which does not request any coding skills nor experience in music composition. Users simply have to set preferences based on prerecorded samples, change tempo and key, and choose which instruments they want to have present in the audio.

From here it is no big step to producing songs or whole albums for the masses. Moreover, the simplicity of software like Amper also enables amateurs to let their creativity and visions run free.



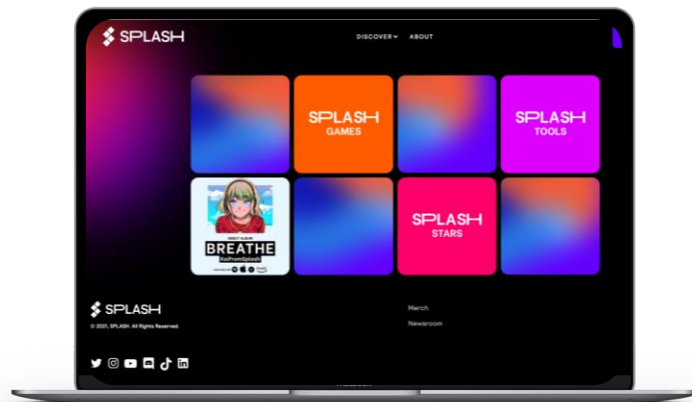
# Splash wants to targeting professional music producer and young generation

Start-up analysis: Splash

# SPLASH

## Overview

Since 2016, the Australian start-up Popgun has been exploring how artificial intelligence can create professional music. In June 2021, Popgun rebranded to Splash to reflect the growth and evolution of the company. The core of Splash's business model is its AI called Kai. Kai's creators see her as a tool that could help producers quickly generate professional music by playing all kinds of instruments together. Only vocals remain man-made. Splash also extended its' product line to gaming. In 2020, Splash launched a music-making game called Roblox and became one of the greatest successes with 21 million players.



## Analysis

### Is the product rare?



Other AI-based music start-ups have aims that are entirely different from Splash's approach. The core of its business model is not only to provide users with AI-based remixes of already existing songs or to help with post-production but to create new songs from scratch.

### Are there advantages compared to imitations?



Given the technical progress, Splash has already made with its AI "Kai" and the support of the giant Silicon Valley-based tech accelerator. Splash has a considerable lead in the race of AI-based music production. In addition, the strategy to expand target users to the younger generation with interactive gaming is unique and engaging.

### Can the product withstand possible constraints?



As with all technological achievements, artificial intelligence music will remain a controversial topic in the coming years. Splash and similar companies have to be aware of the culturally contingent contentiousness of such business models are bearing.

From our view, Splash's present progress is impressive and shows the potential of AI-supported music creation. However, Splash needs to carefully monitor its new business model and ensure that pro version and gaming are not overlapping.

A blue pen with a silver tip is pointing at a bar chart on a document. The chart has three bars with segments in blue, red, and yellow. The document is on a wooden surface. The background of the right side of the image is white.

# APPENDIX

Detailed consumer information is one key factor for describing market developments precisely. In this appendix, we give detailed information on three different user characteristics: the age, income, and gender distribution of users. The data is based on Statista's Global Consumer Survey. Furthermore, we provide usage and market shares for France, Spain, and Italy and an overview of the market structure presented in this report.

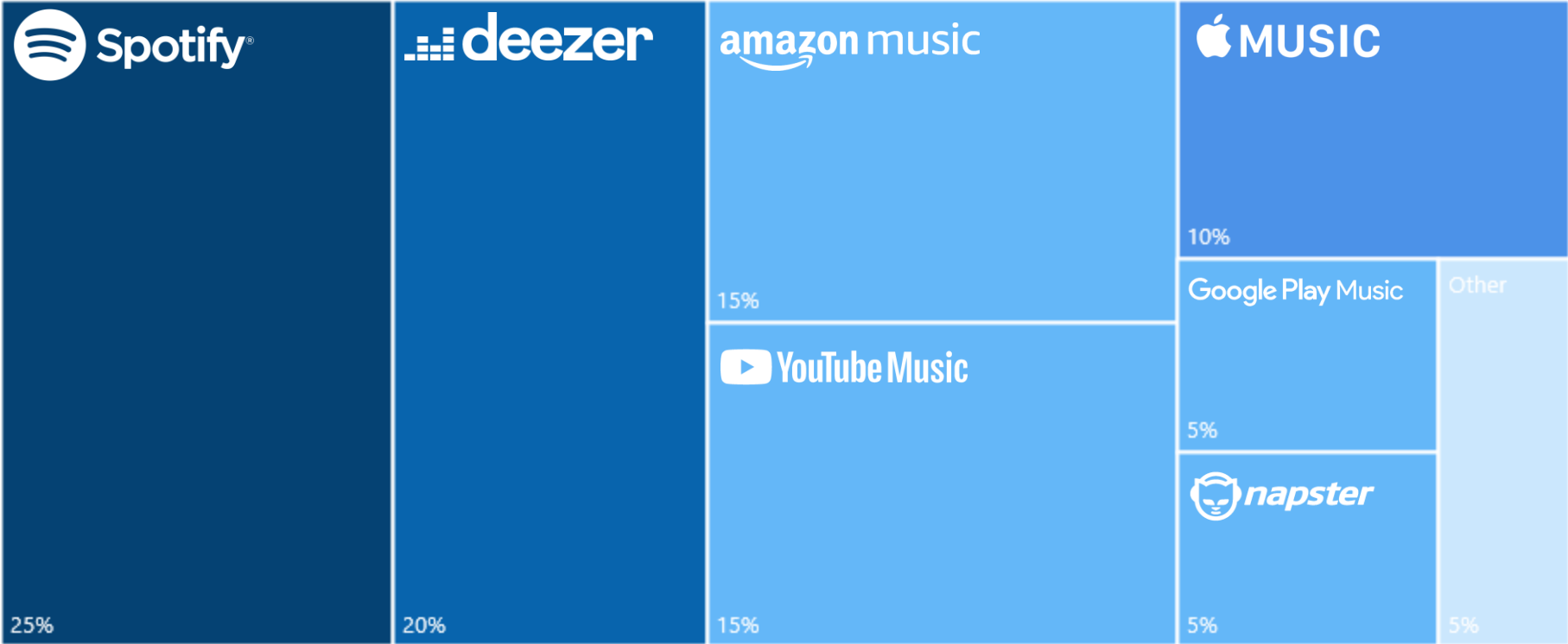


# In France, although being fragmented, Spotify slightly dominated the Music Streaming market in 2020

Key player landscape: Music Streaming in France



Estimated usage share for Music Streaming brands in France in 2020



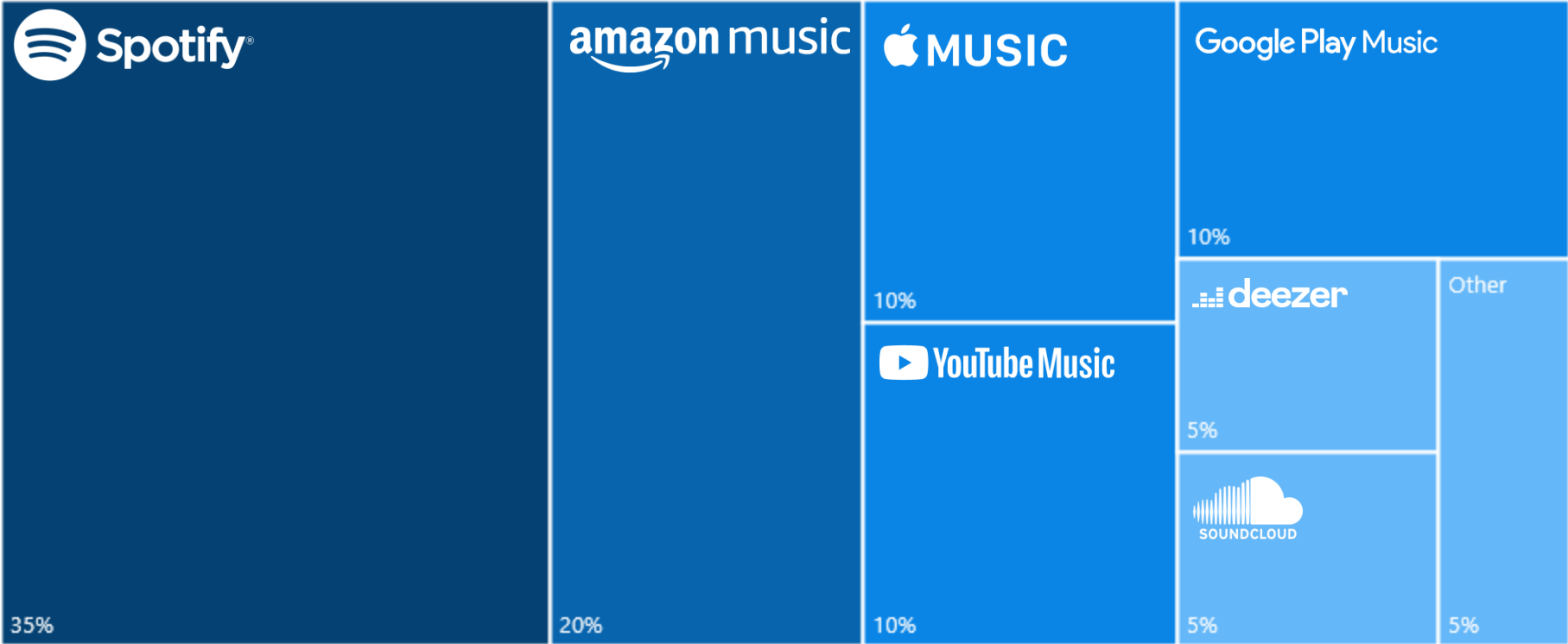
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Source: BeyonData, Priori Data, SimilarWeb, [Statista Global Consumer Survey](#), as of July 2020

# In Spain, Spotify dominated the Music Streaming market in 2020

Key player landscape: Music Streaming in Spain



Estimated usage share for Music Streaming brands in Spain in 2020



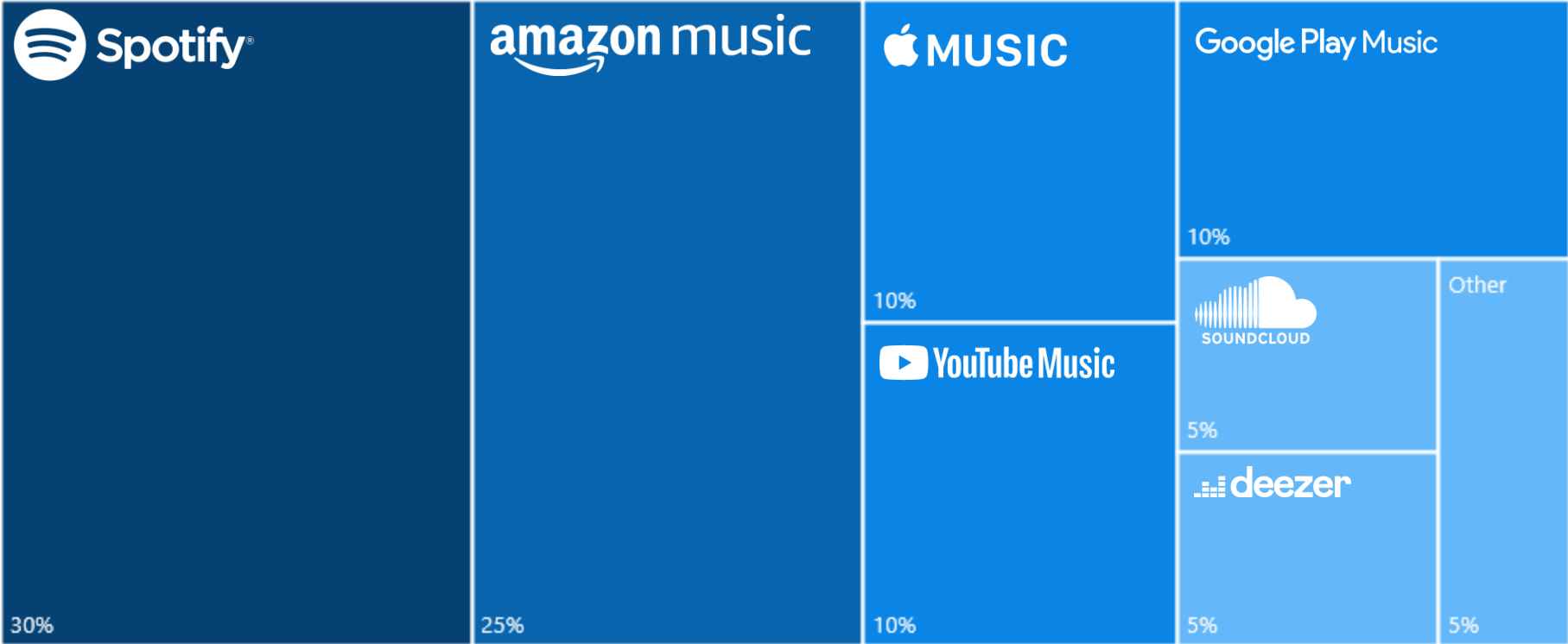
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Source: BeyonData, Priori Data, SimilarWeb, [Statista Global Consumer Survey](#), as of July 2020

# In Italy, although being fragmented, Spotify slightly dominated the Music Streaming market in 2020

Key player landscape: Music Streaming in Italy



Estimated usage share for Music Streaming brands in Italy in 2020



Note: The chart above shows the usage distribution for the most relevant brands in the selected market (100%). Shares are calculated with survey data, app downloads, and web traffic. Values are rounded to the nearest 5% mark. Usage shares below 5% are attributed to the category "Other".  
Source: BeyonData, Priori Data, SimilarWeb, [Statista Global Consumer Survey](#), as of July 2020

# Digital Music market structure

Segment	Sub-segments	Out-of-scope
Digital Music	<p>Music Streaming</p> <p>Digital music streaming services, e.g. Spotify, Deezer or Apple Music, offer unlimited access to their content libraries either for a monthly subscription fee (without any advertising) or ad-supported, with forced commercial breaks between the tracks. Music can be streamed to various connected devices.</p>	<p>Video streaming</p> <p>Internet radios</p>
	<p>Music Downloads</p> <p>Digital music downloads are defined as paid downloads of professionally produced single tracks or albums/compilations. Digital music files, e.g. in the MP3-format, can be purchased per one-time transaction and are then permanently accessible for the user. The most popular digital music download platform is Apple's iTunes.</p>	<p>Audio books</p> <p>Video downloads</p>

# About the Statista Digital Market Outlook

Included  
in the  
Corporate  
Account

60+ markets  
150+ regions  
10 years (2017-2026)  
30,000+ interactive statistics

The **Digital Market Outlook** presents up-to-date figures on markets of the digital economy. The comparable key figures are based on extensive analyses of relevant indicators from the areas of society, economy, and technology.

What is the size of the eCommerce fashion market in Spain?  
How many connected cars are already on the road in China?

The answers to these and many more questions can be found in Statista's Digital Market Outlook. It provides forecasts, detailed market insights, and key indicators for the digital economy.



Seven digital verticals: eCommerce, Smart Home, Digital Media, eServices, FinTech, Digital Advertising, eHealth



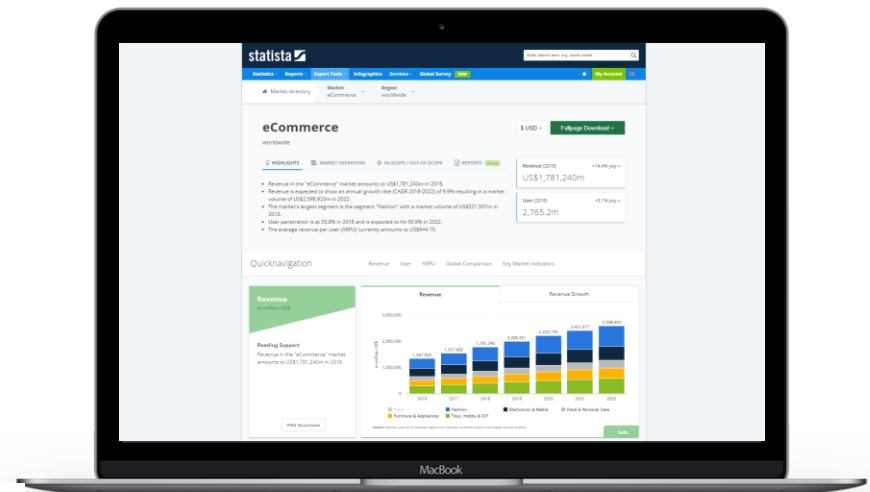
Direct access & downloads, fully integrated into the Statista database



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Outlook reports with segment-specific topics (top companies, trends, deep dives)



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# About the Statista Global Consumer Survey

Included  
in the  
Enterprise  
Account

50+

topics & industries

46

countries

5,000+

int. brands

400,000+

consumers

The **Statista Global Consumer Survey** offers a global perspective on consumption and media usage, covering the offline and online world of the consumer. It is designed to help marketers, planners and product managers understand consumer behavior and consumer interactions with brands.

- Cross-tabulation
- Customized target groups
- Trend and country comparisons
- Export in Excel (CSV) or PowerPoint format



Marketing & social media



Finance & insurance



eCommerce & retail



Health



Food & nutrition



Housing & household equipment



Internet & devices



Travel



Media & digital media



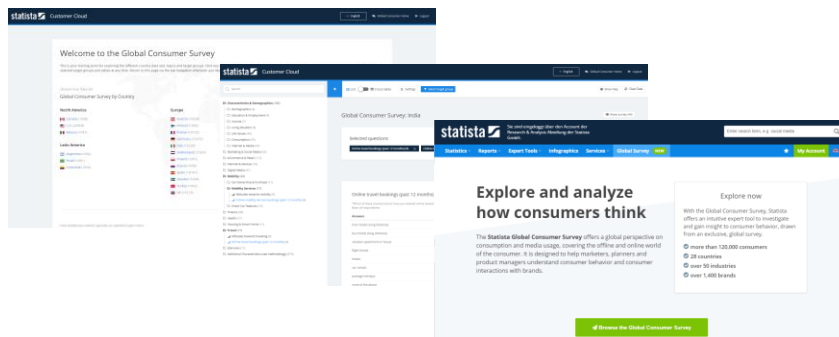
Services & eServices



Mobility



Characteristics & demographics



Find out more on [www.statista.com/customercloud/global-consumer-survey](https://www.statista.com/customercloud/global-consumer-survey)

# About Statista Research & Analysis

Market research – Market Analysis – Data Modeling

**Statista Research & Analysis** is a provider of comprehensive services in the fields of market intelligence. Building upon our experience as one of the world's leading statistics portals, our analyst team can support you in the collection and evaluation of market, client and competitive information – tailored to your individual needs. Our team consists of former top tier management consultants, accomplished market researchers and business analysts.



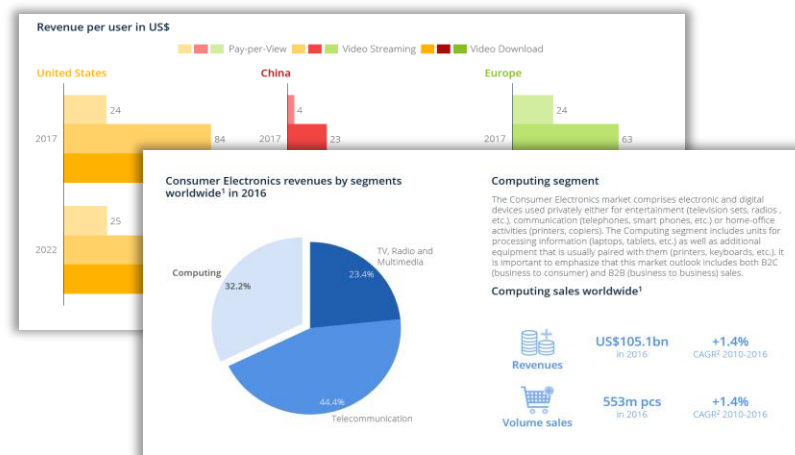
Consumer surveys and expert interviews



Market and competitive intelligence



Market sizing and forecasts



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Sebastian Lindlahr graduated in Hamburg with a focus on international business management. He gained a comprehensive understanding of market structures working as a market strategist and business developer. At Statista he works on projects related to the digital economy.