

MUSIC STREAMING SERVICES MARKET ANALYSIS

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The article is dedicated to the analysis of the main characteristics of the music streaming services market. The demand and supply, the type of competition are considered. Also the main problems (royalty, copyright infringement and profitability) and some ways to solve them are described. The article includes the influence of the COVID-19 pandemic on the market as well.

Keywords: streaming services; music market; music streaming; Spotify; digital music; podcasts.

«Music is a people's need», said Ludwig van Beethoven and was absolutely right. Scientists have found that nowadays people listen to music on average 18 hours a week. Music has been people's companion for thousands of years. And over those years the way we can listen to music has changed a lot. With the development of the Internet and technological progress it became possible to get any music you wish in a few seconds. A lot of apps and websites appeared to provide such services to people. These providers are called music streaming services (Spotify, Apple Music, Yandex Music etc.). And it's the most popular way to listen to music now.

Streaming services appeared in 2004 (the first was iTunes by Apple) and their revenues are growing more and more every year. Now they prevail over other sources of income. Over the last year their income increased by 19.9% and reached \$13.4 billion, or 62.1% of total revenues. Only for 17 years of its existence streaming services have become a key source of industry's income and, moreover, the driver of its growth [1].

It should be noted that the music streaming services market is global. It matches the monopolistic competition. There are a large number of firms (around 300 in the whole world), the product is differentiated which implies non-price competition. Also there are some barriers to enter the market, the main is getting a license from music labels or independent musicians to distribute their music.

The main users of streaming services are people who actively use different gadgets. 64% of music listeners use streaming services at least once a month. More than 443 million people have paid subscription accounts [1].

Let's see how the demand for streaming has risen during the last 4 years at the example of the largest streaming service in the world Spotify (Sweden). Over this time the number of monthly active users became more than 2 times higher and reached 345 million at the end of 2020. The number of users who buy subscriptions has also increased more than 2 times, reaching 155 million. It should be noticed that during the COVID-19 pandemic the demand for music streaming has increased so the growth of both monthly active users and subscribers was the highest during the last year (74 and 31 million respectively) [2].

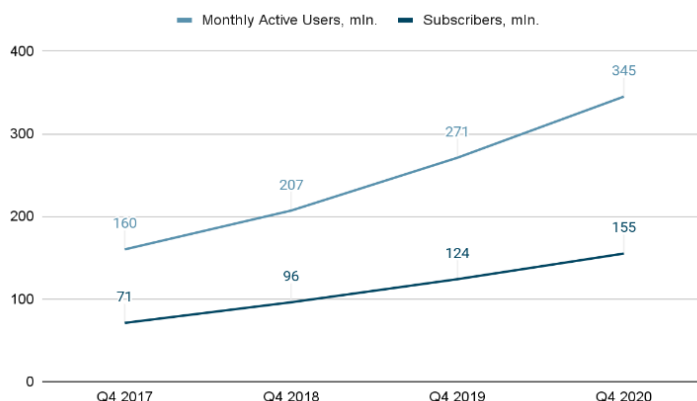


Fig. 1 – Spotify User Growth.

Source: Spotify Q4 2020 financial report [3].

The main reasons for such growth were preventing illegal distribution of music and as a consequence decline in its level, the listener's awareness that they have to pay for the author's content and reasonable prices for subscriptions. For example, in Belarus people can buy a one-month subscription to Apple Music for 5.99\$, to Spotify – for 4.99\$ (both services have a 50% discount for students), the cheapest in our country is Yandex Music – only 2.49\$.

Now let's move on to the supply. Most streaming services work according to the model «try before you buy». That means that new users can enjoy all the benefits of paid subscription for 1 or sometimes 3 months for free. After this period they are suggested to buy it. Most streaming services also have free versions, but it has some limitations like viewing ads. So, at the moment the world leader by the number of paid subscriptions is Spotify, it holds 35% of the market. The second is Apple Music with 19% and the third is Amazon Music (15%). Also quite popular are Tencent Music and YouTube Music, other firms represent only 14% of the global market [4].

The services that firms provide are quite similar: from 30 to 50 million tracks, possibility to save and listen to your favourite music without access to the Internet, making up playlists and sharing them. Also each company has its own algorithms that analyze your preferences in music and make playlists

you'd possibly like based on this research. There're lots of other special benefits that streaming services can offer you. For example, if you're a subscriber of Yandex.Music, you'll get a 10% discount on Yandex.Taxi and a subscription to the video streaming service Kinopoisk.

The next point of the music streaming market is problems. Among them is copyright infringement or illegal distribution of music. In 2008 95% of all music from the Internet was downloaded illegally. Fortunately, streaming services helped a lot with this problem. After they appeared, the level of copyright infringement has started to decrease and now is less than 4% [5].

The second problem is royalty, that is the money authors get from the streaming services. For example, an independent musician gets only 735\$ if his song was listened to 100 thousand times on Apple Music, 437\$ - on Spotify [6]. If the author cooperates with the label, the sum he gets will be even lower. So the authors are not satisfied with the money they earn from streaming services. One of the ways to solve this problem for companies is to cooperate directly with artists, without any labels or other distributors. But it requires a powerful system which can recognize plagiarism and the price of development of such a system is very high.

And the last but not the least is the problem of profitability. Despite the fact that turnover of largest firms is billions of dollars per year they all are unprofitable. The reasons for this are quite high license fees and imperfect monetization models. The first company that got a profit was Spotify. It happened in the 4th quarter of 2018 year. The profit was 442\$ million, but the profit for the year was still negative. The reason for this profit was cost reduction. Then, over a few periods the company got a profit again, but it was quite low and wasn't enough to cover all expenses [2].

Now a lot of firms are trying to solve the problem of profitability by producing podcasts that become more and more popular among listeners and don't require high costs.

By good fortune, during the period of pandemic the demand for podcasts has increased, therefore the companies who follow this business model got one step closer to finally get a profit. The influence of the coronavirus pandemic on the market is quite significant. The music industry suffers a lot as there are no live performances and less new music is released. But the industry has a huge advantage – streaming. During the lockdown the demand for any streaming services, including music services, has increased. But at the same time, streaming is not enough to eliminate the consequences of pandemic fully. Some ways to overcome this crisis are to organize online concerts and provide social interaction between artists and listeners [7].

Thus, despite the fact that the music streaming services market is one of the biggest and developing markets in the entertainment sphere, the existence of

such problems evidences that the market hasn't reached its equilibrium yet. The companies should work effectively and find solutions to problems of copyright infringement, royalty and profitability. Also they have to overcome the financial crisis caused by the corona virus pandemic.

Finally, I'd like to say a few words about market forecasts. The USA analytics assume that by 2025 streaming music will present 90% of music industry revenues. Generally, the music streaming services market has great opportunities in future as it's closely related to the development of modern technologies and the Internet. It's the most popular way to listen to music now and will definitely remain one in the future.

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