Spotify

European Music Streaming Services Spread Around the Globe

Today, streaming music is one of the fastest growing types of online media services. Spotify and Deezer are two prime examples of this type of service.

Spotify, founded in Sweden by Daniel Ek and Martin Lorentzon, allows users to stream the music they want on the platform of their choice. Spotify launched in Europe in 2008 and soon became the leading streaming music service in Europe and around the world. It is currently available in 184 countries. Spotify uses a freemium revenue model: consumers can listen to up to a certain number of hours of advertising-supported free music each month or pay for an ad-free premium subscription. It offers access to more than 100 million music tracks. Spotify is also actively investing in podcasts and other forms of spoken word content. Its podcast library now exceeds 5 million podcasts, and in 2022, it launched an audiobook service in certain markets with an initial database of more than 300,000 audiobooks. Although Spotify’s revenues and user base continue to grow, it has struggled to show a profit. In 2022, despite generating €11.7 billion in revenue, it recorded a net loss of €430 million. Many analysts are skeptical that Spotify’s business model can work over the long term, but Spotify believes that as it grows, its margins will improve.

Spotify had almost 490 mil-lion monthly active users worldwide in 2022, an increase of 30% compared to 2021. About 205 million of its monthly active users are paid subscribers. One of its key metrics, average revenue per paying user (ARPU), rose by 5% in 2022 to €4.52. In pursuit of profitability, Spotify has begun to more aggressively pursue new advertis-ing formats. In 2022, subscriptions accounted for 87% of Spotify’s revenue, so there is room for advertising to grow significantly as a share of Spotify’s overall business. Ad-supported revenue was almost €1.5 billion in 2022, an increase of 22% compared to 2021.

Spotify launched an initial public offering in 2018 that used the rarely-seen technique of a direct listing, as opposed to selling shares to institutional investors first. In April 2023, Spotify’s shares were trading in the $130 per share range on the New York Stock Exchange, giving it a market capitalization of about $24 billion. Spotify faces strong competition: In addition to long-time competitors such as Deezer (discussed below) and Pandora, Apple, Google, Amazon, and Chinese giant Tencent all now have music streaming services. Spotify has also had to deal with some prominent art-ists withholding their music from the service to protest what they believe to be inadequate compensation. In March 2021, artists and other workers in the music industry participated in coordinated protests at Spotify offices around the world, calling for increased transpar-ency in the company’s business practices and increased payments to artists. For example, while Spotify’s stated mission is to enable a million artists the opportunity to live off their art, in 2022, only 10,100 artists of the estimated 11 million on its platform generated more than $100,000 in payments. Spotify has countered that as its platform continues to grow, payouts to artists will improve. In 2023, it announced that it had paid more than €34 billion in royalties to various record labels, music publishers, and other rights holders since launch. However, music labels and artists believe that they would be better served if Spotify increased the cost of its subscriptions. For example, in 2023 Warner Music CEO Robert Kyncl noted that the price that a U.S. user pays per half hour of consumption of music is half what they pay for movies and TV shows on streaming services.

IS GEN Z REALLY ALL THAT DIFFERENT?Every generation gets a nickname that is supposed to help set the people born within that generation apart from those who came beforethem and those who will come after them. The Silent/Greatest Generation(those born before 1946) came of age during the Great Depression and served in World War II. The Baby Boomers (1946–1964) grew up with the civil rights movement, political unrest, and rock and roll. Generation X (1965–1980) continued the trends of the Baby Boomers, except more so. Generation Xers were the first generation since the Depression to experience a slowdown in living standards and a growing sense that they might not earn as much as their parents did. Those born between 1981 and 1996 are called Millennials, as a nod to the fact that most of them began to come of age as the twentieth century turned into the twenty-first century. The newest generation is referred to as Generation Z, or just Gen Z for short. These are today’s kids, teens, and young adults born between 1997 and 2012, with the oldest of the cohort in their mid-20s in 2022. Gen Z is just the latest in a long line of generations to have generalizations made about them.

Gen Z is the first generation of true digital natives. While older generations may perceive the Internet, Web, mobile platform, and social media as something that was “new” at some point in their lives, this is not true of Gen Z. For them, all these things have always been part of life. They have grown up in an environment that provides on-demand information, streaming entertainment, and instantaneous communication, and as a result, they have come to expect it as a matter of course. Nearly all of Gen Z (more than 90%), even the youngest members, are online, where they spend, on average, more than four hours a day.

Most use smartphones as the gateway to online content. They like entertainment and typically use their smartphones to access it. For instance, they are more likely to listen to audio, particularly streaming audio from services such as Spotify, Pandora, and YouTube Music, on a smartphone rather than on a traditional device, but 55% also listen to AM/FM radio every day, most frequently when they are in cars but also in other places. Gen Z-ers also listen to podcasts, with a recent survey finding that they are just as likely as Millennials to do so. As they mature, Gen Z-ers are likely to engage with podcasts even more frequently.

For instance, a recent Google survey found that 50% of Gen Z-ers surveyed said they didn’t know how they would get through life without video. In addition, according to a joint study conducted by Snap (the parent company of Snapchat) and Omnicom Media Group, mobile and social media video consumption grew among Gen Z-ers during the pandemic, with experts predicting that this trend is here to stay. Snap surveyed 1,000 people ages 13 to 34 and found that 56% of them watched videos on streaming apps and platforms such as Netflix and Hulu. More than 60% watched videos on social media apps, with more than half watching these videos on a smartphone. Netflix and Amazon Prime are popular “binge” targets for Gen Z-ers. In assessing Gen Z’s post-quarantine media habits and content consump-tion, marketing research firm YPulse predicts that Netflix will be their TV platform of choice but notes that social media content could begin cannibalizing the time that Gen Z-ers spend on treaming services. Gen Z-ers appreciate short, action-packed videos such as webisodes, tuto-rials, and video clips from both professional and amateur creators. But that’s not to say that Gen Z-ers do not read books: They do, but they are spending less time doing so than previous generations and are more likely to discover books by using social media.

As more and more members of the Gen Z generation reach their teenage years, their participation in social networks is increasing. TikTok, Instagram, and Snapchat are the social networks that are the most popular with this generation. (They are not as fond of Facebook.) Social networks are also where Gen Z primarily gets its news, often tuning in the first thing each morning on their smartphones. According to one study, only 12% of Gen Z-ers get most of their news from television, compared to 43% of all other adults. The Reuters Institute for the Study of Journalism found that Gen Z-ers expressed strong interest in news formats that were more visual and easier to consume than a long, text-based news article. Gen Z-ers also value authenticity and individuality when it comes to news consumption and expect brands to match their personal values and to exhibit an honest commitment to corporate responsibility. For example, Gen Z readers are the ones leading the charge for more inclusive news-rooms and for more representative leadership. In a recent DoSomething survey, 75% of Gen Z-ers said that the top action they wanted to see from brands was ensuring employee and consumer safety, with 73% wanting brands to protect their employees financially. Brands that share positive messages on social media while failing to support their staff are being noticed by this generation. If a brand is not being authentic, Gen Z-ers will be the first to raise a red flag. Gen Z possesses a passion for social change that has earned them the nicknames “philanthrokids” and “philanthro-teens.” They display a remarkable awareness of all the latest issues. Social media apps are helping to leverage this hyper-awareness to bring about change through the use of hashtags, challenges, viral videos, and fundraisers.

Finally, gaming plays a central role in many Gen Z-ers’ lives, which includes not only playing games themselves but also watching others play games on livestreaming channels such as Twitch and in e-sports tournaments. In some cases, these activities have supplanted Gen Z’s interest in traditional live sports. In addition, Gen Z is likely to be much more receptive to participating in the metaverse, as they are already among the most interested in, and among the most avid adopters of, augmented and virtual reality technologies. Having grown up in a hybrid online-offline envi-ronment, they are likely to see this environment as a much more natural experience than older generations do.

As with all oversimplified characterizations of entire generations, it’s a mistake to think of Gen Z as a single group. The Gen Z population is actually many different communities, each with different tastes and consumption patterns. Gen-Zers are indeed different, but not so dif-ferent that we don’t recognize them. They are inheritors of very powerful digital technologies, to be sure, but also inheritors of several thousand years’ worth of literature, history, and culture, which they continue to find of enduring value.