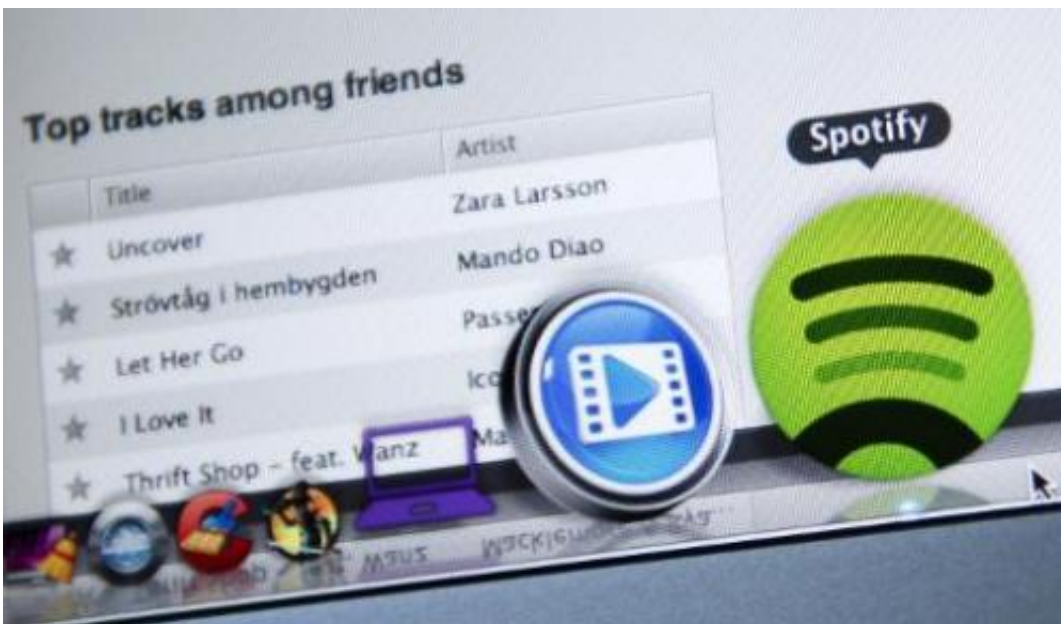


Spotify rockets to 15 million paying users (Update)

January 13 2015, by Sven Carlsson



At the end of 2014, Spotify said it had 60 million users of whom 15 million were paying subscribers, compared to 40 million active users and 10 million subscribers in May

Swedish music streaming service Spotify said it now has 15 million paying subscribers in what analysts on Tuesday called a timely boost to the company's revolutionary and controversial model.

The expanding startup revealed late Monday it had added 2.5 million subscribers since November amid widespread reports that the unlisted

company plans to go public.

"It's been an astronomic amount of growth in a short period of time," Mark Mulligan, a music industry analyst, told AFP.

He said various discount packages explained the surge, adding that the company will struggle to keep a majority of the new subscribers.

"They won't retain them all, but they will have more subscribers at the end than if they had not done the pricing (deals)," Mulligan said.

At the end of 2014, Spotify said it had 60 million users of whom 15 million were paying subscribers, compared to 40 million active users and 10 million subscribers in May.

The streaming service has become a major powerbroker in the music industry since its US launch in 2011, drawing criticism from stars like American pop star Taylor Swift and propelling lesser-known artists into the spotlight.

Spotify has pioneered a two-tier service—called "freemium" by the music industry—that lets users stream an extensive catalogue for free with advertising, while subscribers pay eight to 11 euros (nine to 12 dollars) a month for ad-free music listening.

Mobile and smartphone users, however, do not have a free option.



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Spotify's surge in subscribers is timely according to Mulligan.

"At the moment, all the (recording) labels are having a big reassessment of what role freemium should play. Spotify's contract is in the renewal stage, so it did everything it could to get the right growth at the right time," he said.

Spotify declined to make any media comments on Monday's figures.

Snubbed by Swift, ACDC

Although the company says 70 percent of its revenue goes to the music industry, it has come under fire for the share that ends up in artists' pockets.

Radiohead frontman Thom Yorke has said Spotify is part of a "last gasp of the old industry," while stars ranging from ACDC to US country music giant Garth Brooks have snubbed the streaming provider.

In November, Taylor Swift pulled her catalogue from the service, citing low compensation.

"It's not something (artist payments) Spotify can directly influence, but they get the blame," Mulligan said. "Most of it lies with the rights holders, who have a big responsibility to be more transparent."

Spotify founder Daniel Ek replied to Swift's criticism on the company's blog, saying that his company provides an alternative to listeners downloading music online for free.

Monday's figures confirm previous reports that one in four Spotify users is a paying subscriber—although the company reported \$80 million (68 million euros) in losses in 2013.

There has been widespread speculation that the streaming provider is preparing to go public even though the company has yet to turn an overall profit.

"They wouldn't be the first loss-making music service to go public," music startup consultant Bas Grasmayer told AFP in an email, referring to US Internet radio service Pandora which went public in 2011.

With Google's YouTube Music Key on the market since November and Apple making no secret of its music plans, strong competitors are emerging for the Swedish startup.

"May last year might have been the perfect time (to go public), when they hit 10 million subscribers. They had the market largely to themselves," Mulligan said.

"Spotify already have challenged economics, can they compete with Google and Apple? That's what potential investors will ask themselves."

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