

STREAMING AUDIO TRENDS – US – 2023

Streaming audio services risk commoditization and need to show subscribers how they are different and provide a better value to get them to stay longer, spend more.



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Streaming Audio Trends - US - 2023

This report looks at the following areas:

- Market and forecast of consumer spending on audio streaming services (including satellite radio)
- Innovations, launch activity, marketing and advertising trends from key players in streaming audio
- Consumer use of free and paid streaming audio, top platforms used and preferred content types
- Companion activities to listening to streaming audio content and listening frequency
- Pricing perceptions of streaming audio services
- Attitudes toward streaming audio music, podcasts/audiobooks, discovery and engagement



Streaming audio services risk commoditization and need to show subscribers how they are different and provide a better value to get them to stay longer, spend more.

Overview

More people are turning to streaming audio services to listen to music and other content. From 2020-23 the share of adults who use streaming audio has averaged about a 10 percentage point annual increase. All of the top platforms show a gain in users over the last year and most listeners are paying subscribers.

Despite market maturity in the US there is still opportunity for growth in transitioning free users into paying subscribers and increasing spend among current subscribers with options for additional content (eg audiobooks) or access to live-stream concerts or interactivity with featured artists/creators. While consumer spend on streaming audio services in the US is forecast to nearly triple over the 10 years 2018-23, spending growth over the next five years is

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expected to slow since the majority of consumers already subscribe to a service, meaning growth will come more from service upgrades rather than new user acquisition.

Consumers listen to music far more than any other audio content type; podcasts are a distant second followed by audiobooks. However, these two less popular formats are growth opportunities. Podcasts are more popular than ever and marketers are taking note – podcasting ad revenue is the fastest growing sector of any US media category. Meanwhile, audiobooks may be an emerging battleground.

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Report Content

EXECUTIVE SUMMARY

- What you Need to Know
- Consumer Trends: Key Takeaways
- Market size and forecast for streaming audio services
- The five-year outlook for streaming audio
- Opportunities
- Transition free listeners into paying subscribers, entice audiophiles with higher-quality services

CONSUMER INSIGHTS

Consumer Fast Facts

Audio services used and content types

- Streaming audio reaches more consumers than streaming video, social media video
 - Graph 1: count of streaming audio content types, 2023
 - Graph 2: streaming audio, streaming video, social media video use, 2023
- Easy access, desire for variety leads use of multiple types of audio services
 - Graph 3: count of audio entertainment services used, by generation, 2023
- While audio streaming is gaining in popularity, radio can still be an effective means of reaching consumers - even Gen Z
 - Graph 4: traditional radio vs streaming audio, by generation, 2023
- Consumers have not completely moved to digital audio formats
 - Graph 5: physical music media purchased in the past three months, 2023
- Music is, by far, the most popular type of streaming audio content
 - Graph 6: streaming audio content types, 2023
- Not just for entertainment, music has meaning
- Streaming platforms impact how listeners perceive music, potential for more satisfying listening experience through active music collection
- Younger generations see podcasting as a source of entertainment, humor or leisure while older see it as a news medium
 - Graph 7: streaming audio content, by generation, 2023

Streaming audio services used

- Use of streaming audio services has averaged a 10 percentage point gain each year since 2020
- Even two thirds of the oldest consumers (aged 65+) listen to streaming audio
 - Graph 8: listens to streaming audio services, by key demographics, 2023
- YouTube and Spotify lead for overall use

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- YouTube and Spotify jockey for the top position; formerly dominant Pandora shares third place with Amazon
 - Graph 9: streaming audio services used, 2023 vs 2022
- Generational preferences provide insight into drivers of streaming services popularity
 - Graph 10: select streaming audio services used, by generation, 2023
- SoundCloud's open platform makes it a destination for a new generation of music listeners and content creators
 - Graph 11: audio service used – SoundCloud, by generation, 2023
- Entice a receptive audience with options to control song lineup and ad-free listening
- Young adults with upper-middle household income who work and live in urban areas are the key audience for paid streaming audio
 - Graph 12: pays for streaming audio services, by key demographics, 2023
- Subscriber share increases for all paid streaming audio services, still room for growth
 - Graph 13: paid streaming audio services used, 2023 vs 2022
- Spotify subscribers see less of a need to supplement with other services
 - Graph 14: paid streaming audio services used, by paid audio streaming services used, 2023
- Mobile device + services ecosystems drive greater adoption
- Smart speakers, other household devices can play a bigger role in audio streaming

Streaming audio service pricing

- The benchmark for optimal price point shifts on the heels of streaming services' price increases
- Lack of pricing differentiation in streaming services
- The price is right: streaming audio listeners identify \$11.00 as the optimal monthly price point for their ideal streaming audio service
- Services may have success by targeting competitors' paying users to add a new platform, or upgrading current users, rather than hold-outs
 - Graph 15: monthly household spend on streaming audio and % annual change, 2018-23
- Younger generations less price sensitive, higher-quality audio options could prompt an upgrade
 - Graph 16: price sensitivity – perceptions of pricing for the ideal streaming audio service – means, by generation, 2023

Activities and audio streaming

- Audio streaming is the perfect medium for multitaskers, including key consumer groups like Millennials and Gen Z
 - Graph 17: activities interested in doing when listening to streaming audio – music, podcasts, audiobooks, other audio, 2023
- Popularity of listening solo creates opportunity for audio wearables
- When the pandemic shut down driving commutes, analysts predicted podcasts would be a casualty. But the opposite happened.
 - Graph 18: activities interested in doing when listening to podcasts, by generation, 2023
- Podcasting ad revenue is the fastest growing sector of any US media category
 - Graph 19: podcast advertising revenue and forecast, at current prices, 2018-28
- Expand podcasts beyond audio only for a stronger connection between hosts and listeners

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- Inject fun into everyday routines with audiobooks
 - Graph 20: select activities interested in doing when listening to audiobooks, by gender, 2023
- Highlight ease of gifting audiobook titles, subscriptions for the hard-to-buy-for

Streaming audio frequency

- Majority of streaming audio users listen daily
- Reach consumers throughout the day and via multiple touchpoints with streaming audio ads
 - Graph 21: frequency of listening to streaming audio content, by any listeners and paying subscribers, 2023
- Potential to increase daily use of streaming audio among Millennials and Gen X
 - Graph 22: daily listeners of streaming audio content – any listeners and paying subscribers, by generation, 2023
- Platforms should take a page from Spotify's playbook – its Premium users are the most engaged
 - Graph 23: daily listeners of streaming audio content, by paid audio streaming service used, 2023

Attitudes toward audio

- Passion for music doesn't necessarily translate to a desire to own physical music or subscribe to higher quality audio services
 - Graph 24: attitudes toward audio streaming – music, 2023
- Algorithms work: personalized experiences are well-received, but listeners still enjoy discovery on their own terms
 - Graph 25: attitudes toward audio streaming – discovery, 2023
- Podcast listeners want a more immersive experience
 - Graph 26: attitudes toward audio streaming – podcasts/audiobooks, 2023
- Life has a soundtrack that listeners want to share with others
 - Graph 27: attitudes toward audio streaming – engagement, 2023

COMPETITIVE STRATEGIES

Launch activity and innovation

- TikTok beta testing subscription-only music app
- Spotify introduces hyper-personalized AI DJ aimed to change the way we listen to music
- Introducing DJ | Spotify
- Win-win: auto insurer offers safe drivers free location-based audio streaming subscription as a loyalty perk
- Autio – audio for travel
- Samsung embeds Spotify in its smart home Family Hub
- Spotify and Patreon partner up, new integration means podcasters have opportunity to expand reach
- Audiobooks may be the newest battleground: Audible's lead will be challenged by Spotify's launch

Marketing and advertising

- Spotify and Amazon are top spenders in strong acquisition mode; audiobooks look to be a new field of competition
 - Graph 28: streaming audio service online ad impressions, 2022-23

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- Graph 29: streaming audio service online ad spend* in the past 12 months, 2022-23
- Online ad spend peaks in December aligning with winter holiday gift season and hits a low point in May
 - Graph 30: streaming audio service online ad spend* in the past 12 months, by month, 2022-23
- The biggest spenders – Spotify, Amazon Music and Audible – focus ad dollars on Facebook and Instagram
 - Graph 31: streaming audio service online ad spend in the past 12 months, by platform, 2022-23
- Streaming audio services spend more than eight in 10 online advertising dollars on social media sites
 - Graph 32: streaming audio service online ad spend distribution in the past 12 months, by platform, 2022-23
- Spotify & Apple Music: share of online ad spend, by platform
 - Graph 33: Apple Music online ad spend distribution, by platform, 2022-23
 - Graph 34: Spotify online ad spend distribution, by platform, 2022-23
- Pandora Media & YouTube Music: share of online ad spend, by platform
 - Graph 35: YouTube Music online ad spend distribution, by platform, 2022-23
 - Graph 36: Pandora Media online ad spend distribution, by platform, 2022-23
- Amazon Music & Audible: share of online ad spend, by platform
 - Graph 37: Amazon Music online ad spend distribution, by platform, 2022-23
 - Graph 38: Audible online ad spend distribution, by platform, 2022-23
- Tidal & Deezer: share of online ad spend, by platform
 - Graph 39: Tidal online ad spend distribution, by platform, 2022-23
 - Graph 40: Deezer online ad spend distribution, by platform, 2022-23
- Free/low-cost limited-time introductory offers are a mainstay in new customer acquisition
- Direct communication: streaming services give creators a platform to speak directly to fans
- SoundCloud for Artists targets creators and listeners and promotes connection and community
- Apple Music gets a boost from iPhone ownership
- Amazon incentivizes streaming music subscriptions with practically-free smart speaker

Challenges & opportunities

- Challenges
- Opportunities

THE MARKET

Market context

- US economic indicators continue to trend positive even as costs remain high

Market Drivers

- Inflation continues to cool but remains above the target rate, driving up personal consumption expenditures
 - Graph 41: PCE change from previous period, 2020-23
 - Graph 42: CPI change from previous period, 2020-23
- Instant access and high-speed data transmission allow for listening anytime, anywhere

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- "Social audio" loses its appeal in a post-pandemic world
- AI and ML to improve recommendations, enhance streaming experience, increase engagement

Market Size and Forecast

- Slower growth ahead for mature audio streaming market
- Spending on streaming audio forecast to nearly triple over a decade
- Consumer spending and forecast of streaming audio - current prices table
- Consumer spending and forecast of streaming audio - inflation-adjusted table

Market share/brand share

- Spotify is the undisputed global leader in terms of users, Apple Music, YouTube Music, Amazon Music also making gains
 - Graph 43: audio streaming service users (millions), 2018-22
- YouTube Music and Spotify attract more general users; Apple's purely ad-free subscription strategy puts it in the second spot for paid services
 - Graph 44: paid streaming audio services used, 2023
 - Graph 45: streaming audio services used in the past three months, 2023
- Pandora continues to shed users

APPENDIX

- Market definition
- Consumer research methodology
- Generations
- Abbreviations and terms
- Forecast
- Forecast fan chart

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