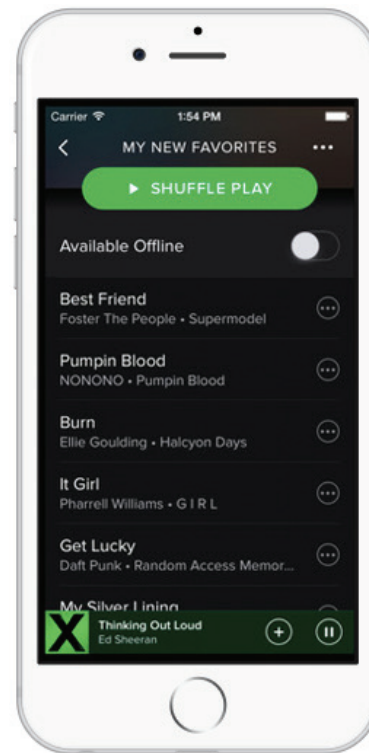




Mobile Music Streaming: Driving the Next Digital Revolution

Report Highlights

- Mobile music streaming is booming, creating huge opportunities for app publishers and marketers. The top streaming¹ apps worldwide saw data consumption per active Android phone user grow by about 25% year-on-year while downloads increased by around 15% and revenue from in-app purchases more than doubled.
- *Spotify* leads the way worldwide in active users, downloads and revenue. However, new opportunities are growing and being served by other players, particularly in APAC markets where local content puts regional players ahead of global giants. *LINE MUSIC* and *AWA Music* have shown enormous potential in Japan while *Saavn* and *Gaana* grow rapidly in India.
- Europe is home to three of the world's biggest streaming apps (*Spotify*, *SoundCloud* and *Deezer*) that dominate the region's landscape. Traditional FM radio networks are also finding some traction with apps, potentially providing a model that networks in other markets can replicate.
- *Pandora Radio* still takes the top spot in the US with its interactive radio service. Mixtape streaming apps are also on the rise, highlighting the value users place in new music discovery, and the potential for genre-specific streaming apps.



¹For the definition of music streaming apps used in this report, please see the [methodology notes](#).

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Introduction

Mobile at the Forefront of the Shift to Streaming Music

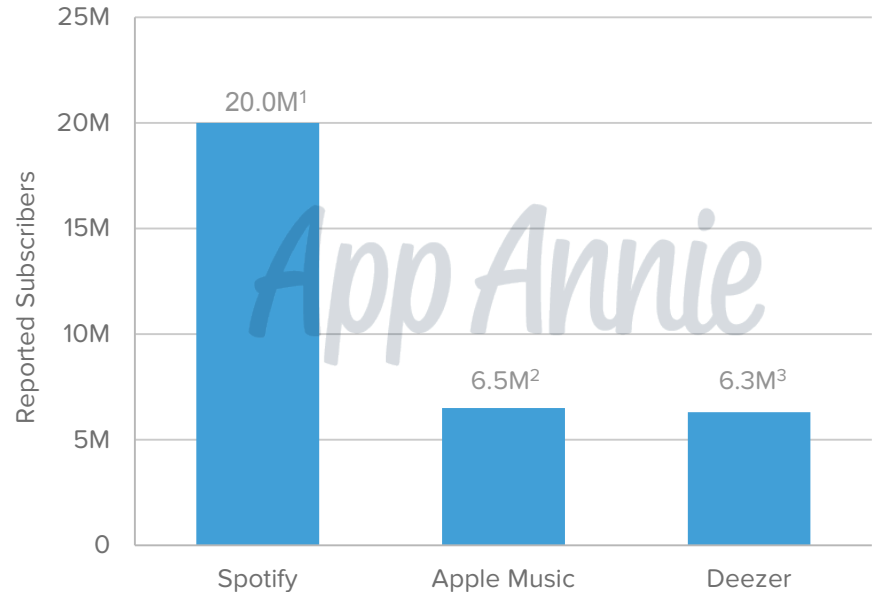
There is little doubt that across the world, the digital music market is moving away from downloads and toward streaming services. In 2014, sales of digital song downloads were [down 12% from the previous year](#). Meanwhile, streaming services are seeing big gains in user and subscriber numbers.

Mobile devices and increasing connectivity provide the momentum driving change in music's consumer market. In January 2015, Spotify noted that [over half of listening time](#) came from mobile devices, with that proportion on the rise. Apps are proving to be the vehicle through which the streaming revolution is delivered.

The enormous potential of the worldwide music industry has attracted some of the biggest names in the tech and mobile spaces — Apple launched its long-awaited streaming service in June 2015 while Google continues to invest in [Google Play Music](#) and expand [YouTube's](#) music capabilities. With much to gain for the winners, competition in the music space is intense.

It's not only the big players in music apps that will be watching developments in the industry closely. Ad-supported free tiers of streaming services have proved popular with listeners, opening up a rapidly developing marketing opportunity that brands and advertisers will be seeking to understand and maximize.

Publicly Reported Music Streaming Subscribers



¹ Spotify blog post, June 2015.

² Apple CEO interview, October 2015.

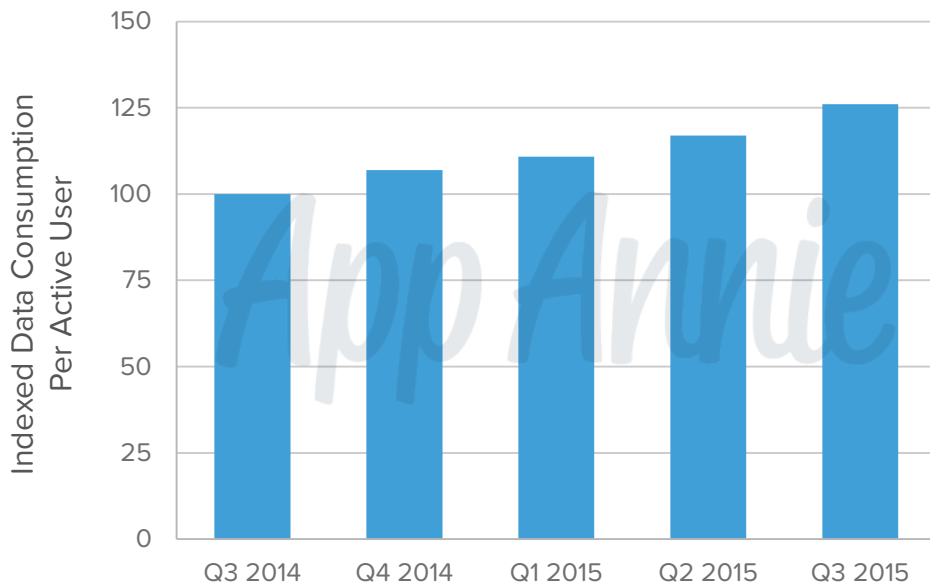
³ Deezer IPO filing, June 2015. Includes bundled subscribers.



Spotify Drives Worldwide Growth

Growth of Mobile Music Streaming Continues to Accelerate

Data Consumption Per Active User
Top 10 Music Streaming Apps by Active Users
Worldwide, Android Phone*



* Worldwide excluding China. Excludes pre-installed apps. Quarterly data calculated as straight average of component months.

Across all Android phone users, data consumption (Wi-Fi + mobile data) within top music streaming apps increased approximately 25% from Q3 2014 to Q3 2015.

Growth in data consumption is generally accelerating. This indicates a growing interest in streaming over options such as digital downloads, pointing to a strong future for the eventual winners. Launches of high-profile services such as Apple Music no doubt helped draw attention to the sector in Q3 2015.

Spotify Cements its Global Leadership in Music Streaming

Top Music Streaming Apps by Active Users, Worldwide, Q3 2015*

iPhone

Rank	App	Change vs Q3 2014
1	 Spotify	▲ 1
2	 Pandora Radio	▼ 1
3	 SoundCloud	-
4	 TuneIn Radio	-
5	 iHeartRadio	-
6	 Deezer	▲ 1
7	 Amazon Music	▲ 1
8	 TuneIn Radio Pro	▼ 2
9	 radiko.jp	-
10	 MelOn	▲ 2

Android Phone

Rank	App	Change vs Q3 2014
1	 Spotify	-
2	 Pandora Radio	▲ 1
3	 TuneIn Radio	▼ 1
4	 SoundCloud	-
5	 Deezer	-
6	 Amazon Music	▲ 1
7	 MelOn	▼ 1
8	 iHeartRadio	-
9	 Saavn	▲ 5
10	 Gaana	▲ 9

* Worldwide excluding China. Excludes pre-installed apps. Quarterly data calculated as straight average of component months.

Music Streaming in India Rises to Join Global Leaders

On its continued quest for global dominance in music streaming, [Spotify](#) took the top spot from [Pandora Radio](#) on iPhone, giving it the highest number of active users in its category across both major smartphone platforms. However, *Pandora Radio's* strength in the US keeps it in the top 2.

Outside the top 2, India has been a strong contributor to the growing global music streaming market. Fueled by [rising smartphone penetration](#), the big winners in Indian music over the past year were [Saavn](#) and [Gaana](#), both climbing into the top 10 streaming music apps by active Android phone users. *Saavn* also found notable traction outside of India, particularly in the US.

South Korea's leading music streaming app, [MelOn](#), climbed into the top 10 by worldwide active iPhone users, despite the market being a traditional stronghold for Android devices. This may be indicative of a rise in iPhone devices in South Korea within certain demographics.

Overall, it's notable that the streaming services moving up the ranks in the past year have primarily been those that offer an on-demand library, rather than interactive or non-interactive radio streaming.

Downloads from the Music & Audio category on Google Play grew 70% in India from Q3 2014 to Q3 2015

LINE MUSIC Pushes Japan Toward a Streaming Norm



Top Music Streaming Apps by Downloads Worldwide, iOS & Google Play Combined, Q3 2015

Rank	App	Change vs Q3 2014
1	 Spotify	-
2	 SoundCloud	▲ 1
3	 Pandora Radio	▼ 1
4	 QQ Music	▲ 1
5	 LINE MUSIC	NEW
6	 Deezer	▲ 3
7	 Kugou Music	▼ 1
8	 TuneIn Radio	▼ 4
9	 Saavn	▲ 5
10	 Google Play Music	-

In Q3 2015, the top 10 music streaming apps combined saw 15% more downloads than the top 10 from the same period in 2014. Rapidly expanding Google Play-dominated markets such as India and Brazil are now at the forefront of growth for music streaming services.

The one exception is Japan, historically slower to adopt such services due to licensing and cultural preferences. However, in its first quarter of availability, on-demand service [LINE MUSIC](#) made a big impact to join the worldwide top 5 by downloads.

Extensive worldwide coverage helped *Spotify* retain the top position by downloads while [SoundCloud](#) moved up to #2. Despite its limited geographic availability, *Pandora Radio* held onto a spot in the top 3.

[Deezer](#) made significant gains to join the top 6. Outside its native France, growth focused on Brazil and Germany.

Store Revenue Doubles for Streaming Services

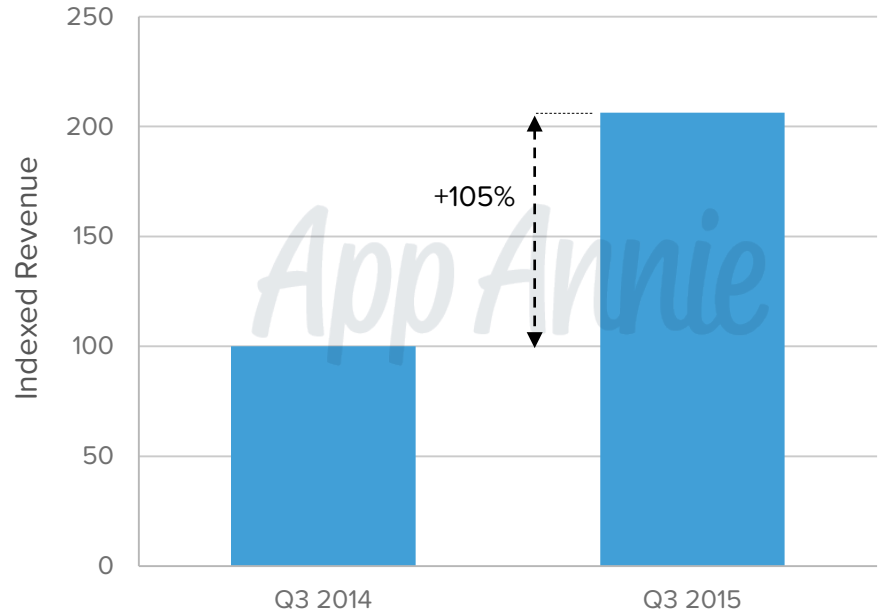
Revenue for streaming services remains a hot topic within the industry. Slim margins and competitive pricing in the music streaming sector mean publishers have often been unwilling to sacrifice a cut of revenue to app stores. As a result, the vast majority of subscription revenue is directed through channels other than in-app purchases.

However, the popularity of mobile devices, the ease of in-app payments for users and limited third-party payment options in the iOS App Store has resulted in publishers seeing in-app purchases as an increasingly viable option for revenue.

From Q3 2014 to Q3 2015, app store revenue for the top 10 music streaming apps more than doubled. Users are clearly embracing the in-app payment option, which may encourage publishers to consider it further.



Combined iOS & Google Play Revenue Top 10 Music Streaming Apps Worldwide



Spotify Converts Users Into Revenue Leadership



Top Music Streaming Apps by Revenue Worldwide, iOS & Google Play Combined, Q3 2015

Rank	App	Change vs Q3 2014
1	 Spotify	▲ 1
2	 Pandora Radio	▼ 1
3	 Deezer	-
4	 Beats Music	▲ 1
5	 TIDAL	NEW
6	 Rhapsody	▲ 1
7	 Rdio	▼ 3
8	 Slacker Radio	▼ 2
9	 LINE MUSIC	NEW
10	 TuneIn Radio	▼ 1

Despite higher pricing than on the web, *Spotify's* iOS in-app purchase option proved popular enough to push it to the top of the combined iOS and Google Play revenue ranks.

[TIDAL](#), one of the streaming services without a free tier, reached the top 5 in revenue despite not appearing in the top 10 worldwide music streaming apps by downloads.

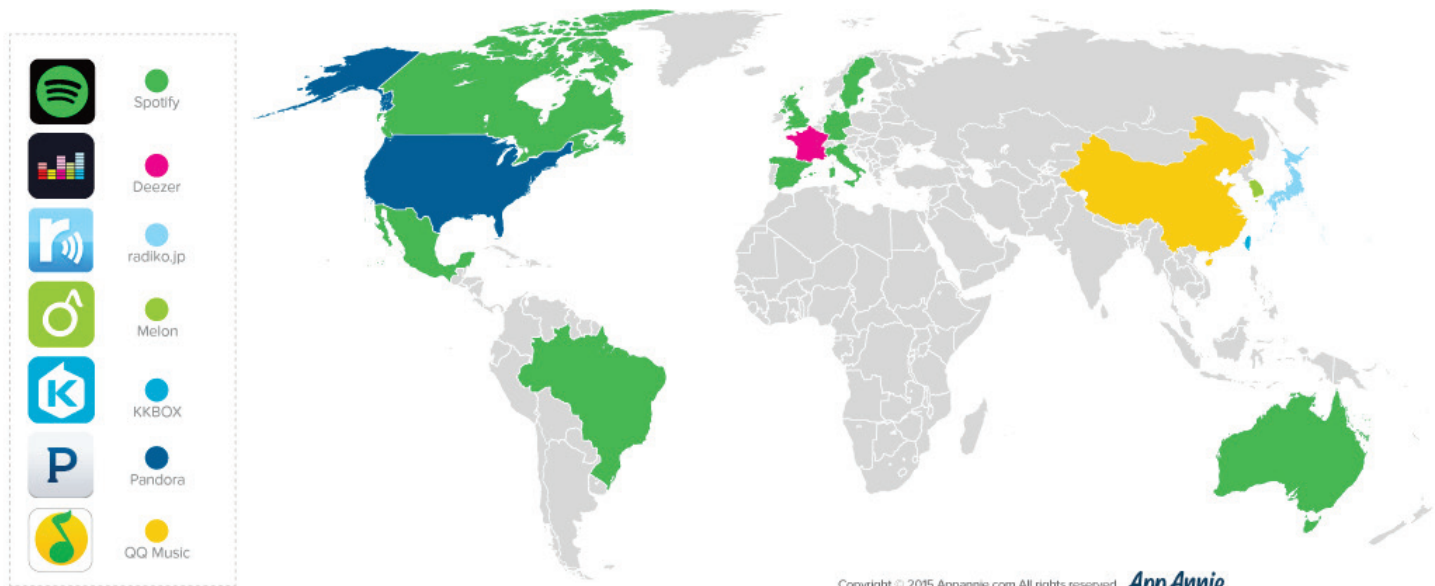
Although new to the scene and lacking the installed base of many other top services, *LINE MUSIC* hit the top 10 on the strength of its performance in Japan.

The top revenue ranks are dominated by on-demand library services, taking up 7 of the top 10 ranks worldwide (with *Pandora Radio*, [Slacker Radio](#) and [TuneIn Radio](#) rounding out the top 10). With Pandora's intended acquisition of tech from Rdio, it seems increasingly likely that on-demand is the future of mobile music streaming.

Local Services Challenge Global Dominance

Local Streaming Services Retain Control of APAC Markets

Top Music Streaming App by Active Users, iPhone and Android Phone, Q3 2015*



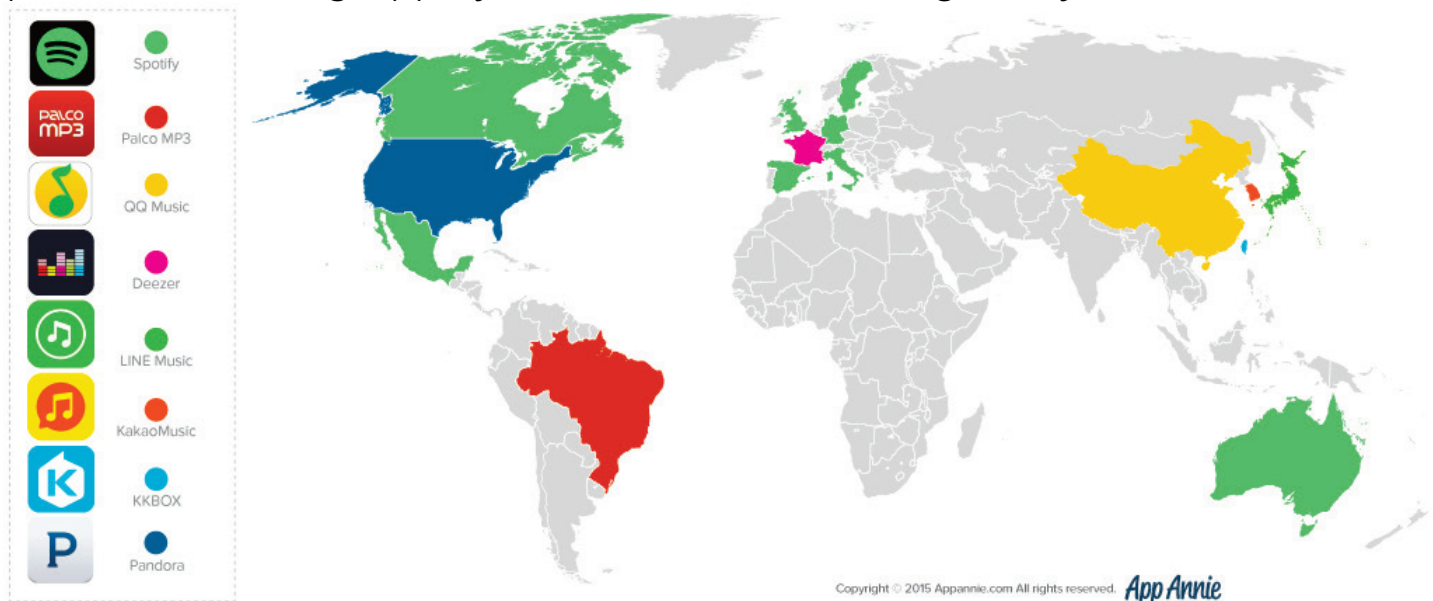
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* Excludes pre-installed apps. Quarterly data calculated as straight average of component months. China data is iPhone only.

Although *Spotify* topped 9 of the 15 markets displayed here, local players hold a key advantage. This is particularly the case in APAC markets, highlighting the importance of local content to acquiring and retaining users in the region. However, local service *Deezer* retains a lead in France, despite *Spotify* dominating much of the rest of Europe.

Downloads Indicate Spotify's Lead in Users May Grow Further

Top Music Streaming App by Downloads, iOS & Google Play Combined, Q3 2015



Spotify's sizeable installed base appears to be growing still, as it leads downloads across much of Europe and in emerging markets such as Mexico. However, it still faces strong competition from *Pandora Radio* in the US and a variety of local services in the APAC region where a boom in smartphone ownership is likely to drive adoption of music streaming services.



Discovery Drives Streaming in the US

Pandora Radio Highlights Demand for Interactive Radio

Top Music Streaming Apps by Active Users, United States, Q3 2015*

iPhone

Rank	App	Change vs Q3 2014	
1	 Pandora Radio	-	
2	 Spotify	-	
3	 SoundCloud	▲	1
4	 iHeartRadio	▼	1
5	 Amazon Music	▲	1
6	 TuneIn Radio	▼	1
7	 SiriusXM	▲	1
8	 Google Play Music	▲	5
9	 Spinrilla	▲	9
10	 Songza	▼	1

Android Phone

Rank	App	Change vs Q3 2014	
1	 Pandora Radio	-	
2	 Spotify Music	-	
3	 Amazon Music	▲	1
4	 iHeartRadio	▼	1
5	 SoundCloud	▲	1
6	 TuneIn Radio	▼	1
7	 Slacker Radio	-	
8	 SiriusXM	▲	2
9	 Beats Music	▼	1
10	 Rhapsody	▲	3

* Excludes pre-installed apps. Quarterly data calculated as straight average of component months.

Mixtape Streaming Apps Rise Rapidly Up the Ranks



Top Music Streaming Apps by Downloads
US, iOS & Google Play Combined, Q3 2015

Rank	App	Change vs Q3 2014
1	 Pandora Radio	-
2	 Spotify	-
3	 SoundCloud	▲ 1
4	 iHeartRadio	▼ 1
5	 TuneIn Radio	▲ 1
6	 Spinrilla	▲ 11
7	 My Mixtapez	▲ 4
8	 Beats Music	▼ 3
9	 Amazon Music	▼ 2
10	 Rhapsody	▲ 3

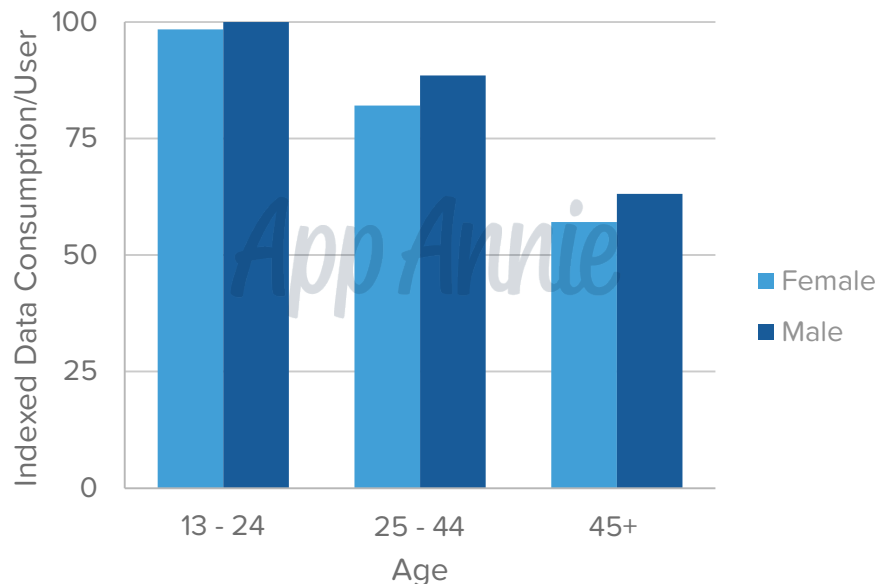
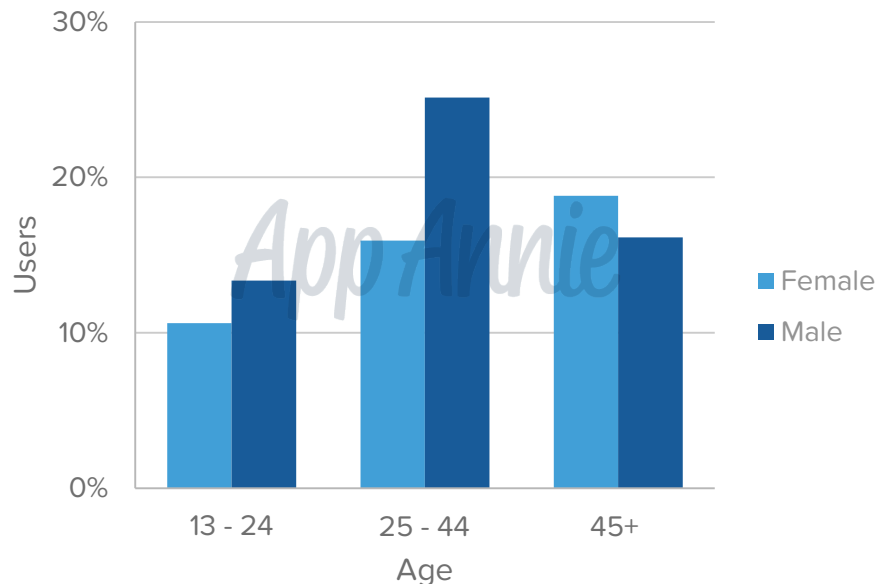
In the US, *Pandora Radio* remains ahead of *Spotify* in both downloads and active users, but *Spotify* has recently moved ahead in revenue.

The most notable change in the rankings of music streaming apps in the US over the past year was the rise of mixtape apps such as [Spinrilla](#) and [My Mixtapez](#). In addition to introducing genre-specific streaming apps, their rise signals to publishers the value of discovery and new music to users. These features have been echoed in other top streaming apps recently, including the addition of Discover Weekly playlists in *Spotify*, *Deezer's* increased focus on radio and Apple's introduction of Beats One radio and the 'For You' feature.

Google Play Music also saw a significant jump in usage, following extensive user acquisition campaigns, as well as the introduction of a free, ad-supported tier in June 2015. Google is now [partnering with established brands](#) to further enhance its position. Other services looking to emulate the success could provide key co-marketing opportunities for major brands.

Younger Users Stream More Music Through Apps

Top 10 Music Streaming Apps by Active Users, United States, Android Phone, Sep 2015*



The top 10 streaming apps for Android phone in the US counted more male users than female users under the age of 45, but this trend reversed in the older age bracket. Judging by data consumption in music streaming apps, younger users appear to be embracing streaming — on average users under 25 consumed 15% more data than those aged between 25 and 45, and 65% more than users over 45.

European Giants Battle For Regional Dominance

Spotify Retains a Commanding Lead in the UK

Top Music Streaming Apps by Active Users, United Kingdom, Q3 2015*

iPhone

Rank	App	Change vs Q3 2014
1	 Spotify	-
2	 SoundCloud	▲ 1
3	 BBC iPlayer Radio	▼ 1
4	 TuneIn Radio	-
5	 Amazon Music	▲ 2
6	 TuneIn Radio Pro	▼ 1
7	 Deezer	▼ 1
8	 Radioplayer	-
9	 Capital FM	-
10	 Google Play Music	▲ 3

Android Phone

Rank	App	Change vs Q3 2014
1	 Spotify	-
2	 BBC iPlayer Radio	▲ 2
3	 TuneIn Radio	▼ 1
4	 SoundCloud	▲ 1
5	 Deezer	▼ 2
6	 Amazon Music	-
7	 Radioplayer	▲ 3
8	 Absolute Radio	▲ 5
9	 Capital FM	▲ 3
10	 blinkbox music	▼ 1

* Excludes pre-installed apps. Quarterly data calculated as straight average of component months.

Traditional Radio Networks Extend Their Reach With Apps



Top Music Streaming Apps by Downloads UK, iOS & Google Play Combined, Q3 2015

Rank	App	Change vs Q3 2014
1	 Spotify	-
2	 SoundCloud	▲ -
3	 BBC iPlayer Radio	▼ -
4	 TuneIn Radio	-
5	 Deezer	▲ 1
6	 Amazon Music	▲ 2
7	 Radioplayer	-
8	 Capital FM	▲ 1
9	 blinkbox music	▼ 4
10	 KISS KUBE	▲ 2

In the UK, *Spotify* holds a strong lead in active users on both iPhone and Android phone. Apps that compete directly with paid subscription services appear considerably lower in the charts. *Spotify's* success was one of the key drivers of a dramatic increase in revenue from streaming services in the last year — from Q3 2014 to Q3 2015, app store revenue from the 5 highest-grossing music streaming apps increased around 3.9x in the UK.

The UK also sees number of apps from local individual FM radio networks (as opposed to the media giant [*iHeartRadio*](#) in the US) performing well. Led by the BBC's [*iPlayer Radio*](#), other stations including [*Capital FM*](#), [*Absolute Radio*](#) and [*KISS KUBE*](#) saw traction for their apps. This emphasizes that apps are a viable complementary medium through which to deliver content and expand reach. Radio networks in other markets could look to invest further in apps to emulate the success of British radio stations.

Deezer Holds Off Spotify in its Home Market



Top Music Streaming Apps by Downloads
France, iOS & Google Play Combined, Q3 2015

Rank	App	Change vs Q3 2014
1	 Deezer	-
2	 Spotify	-
3	 SoundCloud	-
4	 NRJ France	-
5	 Napster	▲ 5
6	 Radios France	▼ 1
7	 Skyrock	▲ 2
8	 Radio FM	▲ 4
9	 TuneIn Radio	▼ 3
10	 Fun Radio	▲ 1

Sweden's *Spotify* and Germany's *SoundCloud* hold the #1 and #2 positions for music streaming apps in most European markets. The landscape in France, however, is somewhat different thanks to the established dominance of local music app *Deezer*, which led downloads, revenue and active users in France in Q3 2015.

Competition in the French market is heating up. *Deezer* and *Spotify* continue to grow while mp3 downloader-turned-streaming app *Napster* has started to make significant moves in France. The extent to which *Deezer* can continue to outpace *Spotify* and similar services in its home market may be a key indicator of its fortunes as it looks to IPO and expand in the global market.

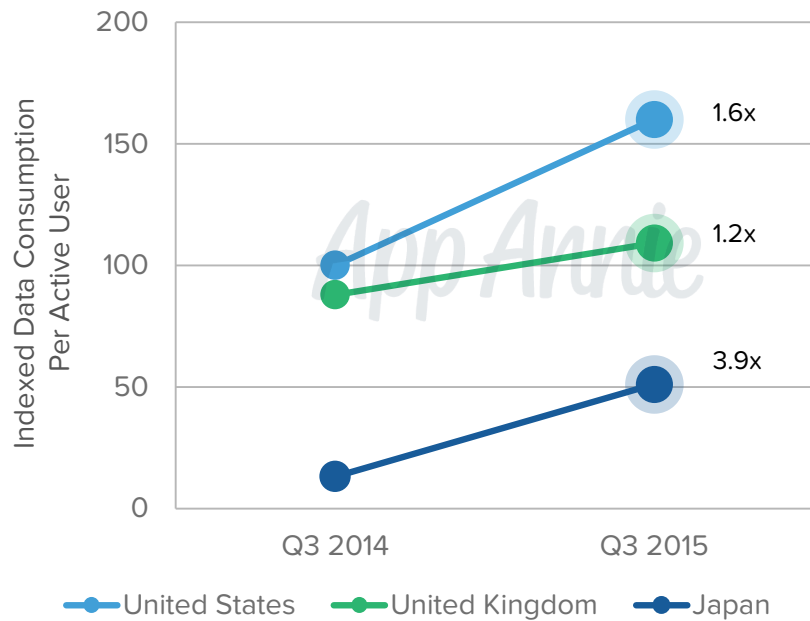
Like the market in the UK, traditional local radio stations have found success in France. In particular, *NRJ France*, *Skyrock* and *Fun Radio* highlight the potential of apps to support traditional radio content distribution.



LINE & AWA Open Japan to Streaming

The World's Second-Largest Music Market Opens to Streaming

Data Consumption Per Active User
Top 5 Music Streaming Apps by Active Users
Android Phone



In 2014, Japan was the world's second-largest music market, but CDs still [accounted for around 85% of sales](#) (compared to about 20% in Sweden). CD rentals have also been common for some time. International streaming services such as Spotify have struggled to launch due to licensing issues, protectionism and a culture that values collectible physical items.

Historically, mobile music streaming was driven by internet radio and services from network operators such as KDDI and NTT DoCoMo, supported by strong carrier billing. However, in Q2 2015, the launch of streaming services from major local mobile companies altered the digital music landscape. Both [AWA Music](#) and [LINE MUSIC](#) have the backing of major record labels, and the latter integrates with the ubiquitous mobile messaging platform.

As a result of these launches, data consumption on streaming apps grew almost 4x from Q3 2014 to Q3 2015 and there is still much room to grow. On-demand streaming took a strong lead in downloads in Q3 2015, and is already challenging [radiko.jp](#), an internet radio streaming service, for the lead in active users.

In a mobile-focused country with an extensive music market, there is clearly a huge opportunity for streaming services that will no doubt attract international players. Securing local content will be the key to such services gaining a foothold in Japan.

LINE and AWA Rise Rapidly to the Top of the Charts



Top Music Streaming Apps by Downloads
Japan, iOS & Google Play Combined, Q3 2015

Rank	App	Change vs Q3 2014
1	LINE MUSIC	NEW
2	AWA Music	NEW
3	radiko.jp	▼ 2
4	NHK Net Radio	▼ 2
5	Uta Pass	▲ 9
6	d hits	▲ 3
7	TuneIn Radio	▼ 4
8	SoundCloud	▼ 2
9	Google Play Music	▲ 4
10	Eggs	NEW

Top Music Streaming Apps by Active Users
Japan, Q3 2015*

Rank	iPhone	Android Phone
1	radiko.jp	radiko.jp
2	LINE MUSIC	LINE MUSIC
3	AWA Music	AWA Music
4	TuneIn Radio	NHK Net Radio
5	SoundCloud	TuneIn Radio

* Excludes pre-installed apps. Quarterly data calculated as straight average of component months.

LINE MUSIC has an early lead over *AWA Music*, but with a huge addressable market, competition is likely to be intense.

Streaming music services from operators KDDI (*Uta Pass*) and NTT DoCoMo (*d hits*) jumped up the ranks and remain among the top downloaded music streaming apps in Japan.

The Future of Music Streaming Apps

Competition Heats Up in a Booming Market

There is no doubt the music streaming market is flourishing, and still has significant headroom for growth. The future of individual apps and services within that depends on their ability to adapt and compete with new and existing challengers.

Apple's music streaming service has already registered 6.5 million paying subscribers and 15 million users, and will no doubt grow as more users move from digital downloads to streaming. Apple's *Music* app has more monthly active users than any music streaming app, and the effectiveness at which Apple can translate these to the streaming service could play a huge role in shaping the market in the future.

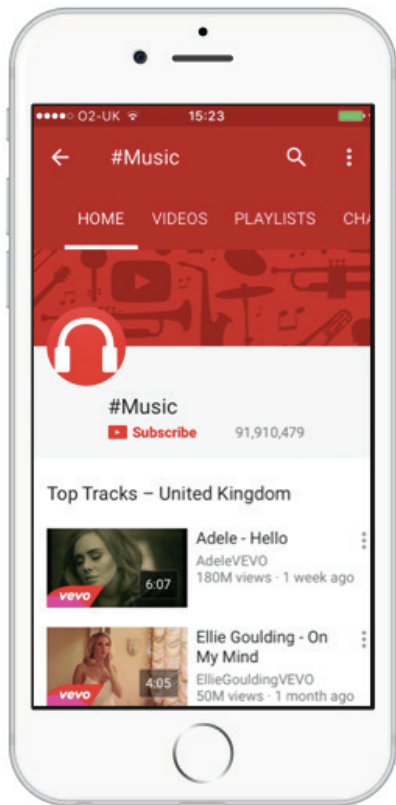
SoundCloud also looks likely to step up into direct competition with on-demand streaming libraries. A major roadblock so far has been licensing agreements with major labels, but it appears [progress is being made](#) on that front. In the meantime, *SoundCloud* continues to build an extensive global user base, sitting near the top of the charts for downloads and active users, providing the perfect base for launching a paid service competitor.

Deezer, already strong in France, is looking to expand in international markets. A major marketing campaign [launched in the UK](#), and its upcoming IPO will provide significant funding to take on the current global leaders.



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YouTube — A Defining Factor in the Streaming Music Sector?



YouTube already has an enormous presence in the music market. Music videos are passing the [one billion views mark](#) with increasing regularity, the sort of numbers that lay down a serious challenge to any music streaming service. The threat may be larger now as the recent launch of YouTube Music in the US formalized the service's move into music streaming.

On top of this, the recent introduction of the YouTube Red service brings tighter integration between YouTube and Google Play Music. It will be an interesting challenge for Google to convert free YouTube users to paid subscribers, but the extent to which they are successful is likely to determine how big an impact this new service has on streaming music services.

As one of [the most downloaded apps of all time](#), *YouTube's* reach is almost unmatched. However, to add to this, a vast array of apps have implemented free music streaming using APIs from YouTube or other free services. Although many of these apps have been removed from app stores over unpaid royalties concerns, they still compete with streaming services for user listening time. In Japan, where streaming services were slower to evolve, such apps have found notable success and represent a challenge to the long-term success of newly established services from LINE and AWA.

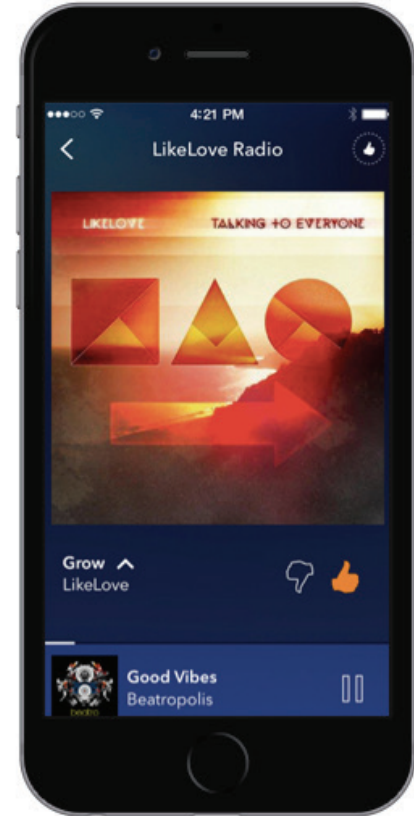
Maximizing Revenue Streams With Supplementary Services

Revenue for music streaming services primarily comes from paying subscribers and advertising within free service tiers. However, some of the major players appear to be making moves to generate revenue through supplementary services.

Extensive distribution of digital music allows companies to leverage their core abundant product (digital music) to drive sales of scarce products. Easier access to digital streaming increases the addressable market and, consequently, demand for live events. Pandora's recent [\\$450 million acquisition](#) of Ticketfly appears to be the first step in this direction. Spotify, too, is rumored to be [considering a similar feature](#).

With the launch of Apple Music, the company provided the 'Connect' feature to allow direct communication between musicians and fans. As well as communication, it is not a stretch to see this extending to ticket or merchandise sales.

Music streaming apps have the potential to expand to full music platforms with associated e-commerce where margins are wider, further heightening the significance of the current battle for listeners.



About App Annie

App Annie is the largest app intelligence platform, delivering powerful market data and insights to succeed in the app economy. Over 500,000 mobile app professionals rely on App Annie to better understand the app market, their app business and the opportunities around them. The company is headquartered in San Francisco with 400+ employees across 15 global offices. App Annie has raised \$94 million in funding from investors such as e.Ventures, Greycroft Partners, IDG Capital Partners, Institutional Venture Partners and Sequoia Capital. Learn more at www.appannie.com.

Report methodology and updates are available [here](#).