

Apple Music Continues to Grow, Should Marketers Be Worried?

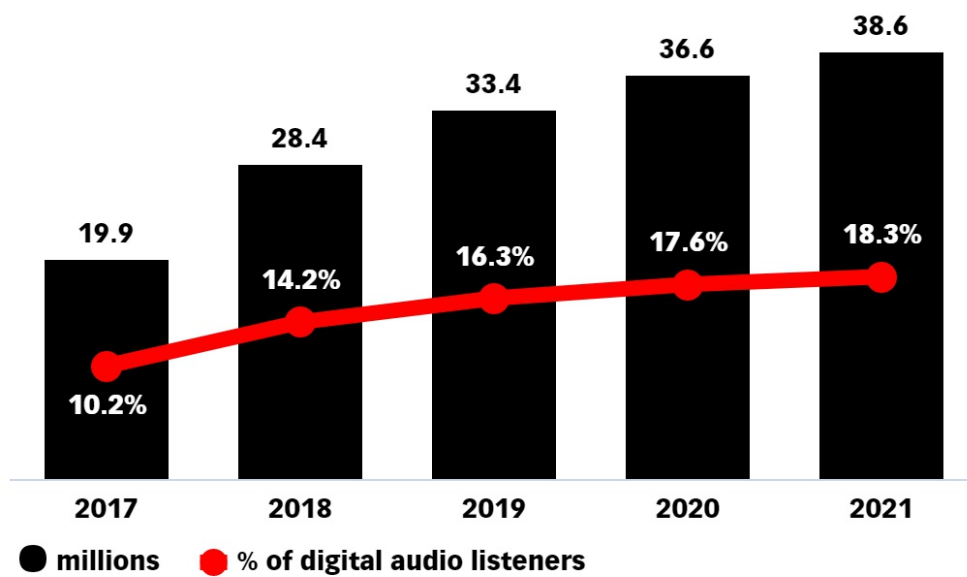
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Apple Music will gain an additional 5 million monthly active users (MAUs) in the US this year, reaching a total of 33.4 million. We expect the streaming service will continue to grow and take an 18.3% share of US digital audio MAUs by 2021.

Apple Music Listeners

US, 2017-2021



Source: eMarketer, March 2019

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Like Amazon Music, Apple's audio streaming platform isn't supported by advertising at any subscription level. If Apple Music and platforms like it continue to take a larger share of the audio streaming market, it could have an adverse effect on advertisers who are trying to reach this segment of music listeners.

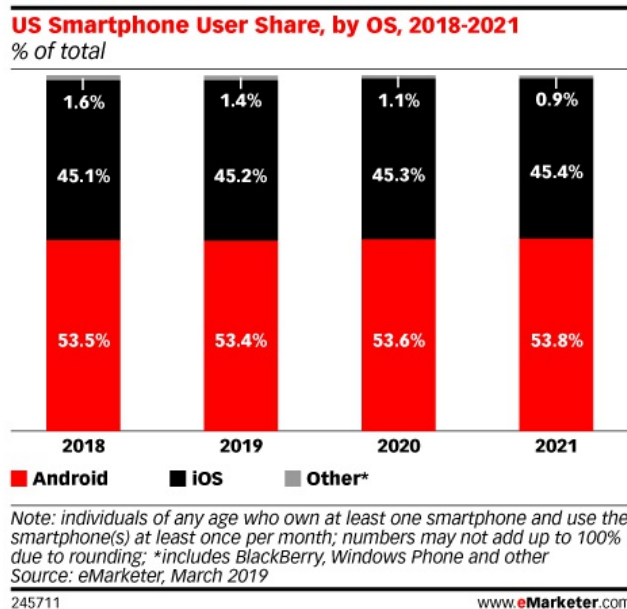
But the strategies that Apple has implemented to bolster user growth are contingent upon the success of its other products, particularly the iPhone. And through the end of our forecast window in 2023, we do not expect Apple Music's US user share will exceed 20% of digital audio listeners.

"Growth has been exceptional the past two years," said eMarketer forecasting analyst Chris Bendtsen. "It's been driven by a combination of things: Apple Music being pre-installed on new iPhones, free trials converting to subscriptions, loyalty to the Apple brand, and smartphone audio as an activity growing overall."

This strategy has succeeded thanks to a **modest increase of iPhone**

users in the US. But that growth has already begun to slow down and it's expected to decline significantly in the coming years. This should prevent Apple from taking a larger share of US smartphone users.

We estimate that 45.2% of US monthly active smartphone users will be iOS users in 2019. While still a massive chunk of US smartphone users, that number isn't expected to grow by more than 0.3% between 2018 and 2021.



In a similar respect, Apple's streaming competitors have leveraged the rise of smart speakers to help bring in users. But Apple Music, though compatible with Amazon Echo and soon Google Home devices, probably won't be able to get the same promotional mileage out of smart speakers as it has with smartphones.

There are far fewer smart speaker users compared to smartphone users in the US. And of those smart speaker users, just 2.7% use Apple's HomePod, according to January 2019 data from a Voicebot survey. The overwhelming majority opt for Amazon or Google devices.

US Smart Speaker User Share, by Brand/Model, Jan 2019

% of respondents

Amazon	61.1%
—Echo Dot	31.4%
—Echo/Echo Plus	23.2%
—Echo Spot	3.5%
—Echo Show	3.0%
Google	23.9%
—Home Mini	11.2%
—Home	11.2%
—Home Hub	1.2%
—Home Max	0.2%
Other	15.0%
—Apple HomePod	2.7%
—Sonos One	2.2%
—Other	10.0%

Note: ages 18+; numbers may not add up to total due to rounding
Source: Voicebot, "Smart Speaker Consumer Adoption Report" sponsored by Voicify, March 7, 2019

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Exclusivity and limited subscription options should assure marketers that Apple Music won't be able to sway a significantly larger percentage away from services that provide ad-supported options. But that doesn't negate the fact that paid music subscriptions are on the rise in the US. According to data collected by the Recording Industry Association of America, sales from paid music subscriptions grew 33% in 2018, more than double the growth of ad-supported, on-demand streaming.

US Digital Music Industry Sales, by Segment, 2018

millions and % change

	Digital music industry sales	% change
Subscription & streaming	\$7,366.8	30.1%
Paid subscription	\$4,656.0	33.0%
Limited tier paid subscription	\$747.1	26.3%
On-demand streaming (ad-supported)	\$759.5	15.3%
SoundExchange distributions	\$952.8	46.1%
Other ad-supported streaming	\$251.4	-4.0%
Permanent download	\$1,039.1	-26.0%
Download single	\$490.4	-27.7%
Download album	\$499.7	-25.3%
Ringtones & ringbacks	\$24.9	-29.8%
Other digital*	\$24.1	-9.7%
Total	\$8,405.8	18.9%

Note: numbers may not add up to total due to rounding; *includes kiosks, music video downloads and other music licensing
Source: Recording Industry Association of America (RIAA), "2018 Year-End Music Industry Revenue Report," Feb 28, 2019

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