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Beyoncé scores a hit for Tidal but business may not ride the wave
Anna Nicolaou and Mamta Badkar in New York

Streaming service launched with fanfare struggles to catch Spotify and Apple

The cover of Beyoncé's album Lemonade, to which Tidal had exclusive streaming rights for the first 24 hours after it was launched

In the week since its surprise release, Beyoncé’s Lemonade has become the most downloaded album of the year, sparked a storm on social media with the politically-charged content of its songs and cemented her reputation as one of the music industry’s biggest stars.

The simultaneous release of the record with a film on HBO earned her plaudits for reviving the
ailing album format, which has been in decline several years.

Her husband, the rapper Jay Z (real name Shawn Carter) wants to have a similar impact in digital music with Tidal, the music streaming service he owns. But despite generating headlines with the Lemonade launch — the album was available exclusively on the service for 24 hours — and being the only streaming service to carry the complete catalogue of the recently deceased Prince, Tidal continues to lag far behind Spotify and Apple Music.

Tidal’s growth was stagnant for most of last year but reached 3m paying subscribers by March 2016. That compares with nearly 30m for Spotify and 13m for Apple Music. The company went through three chief executives in nine months, while a survey by Billboard magazine showed more than two-thirds of music industry executives expected it to fail in less than one year.

Meanwhile, Spotify, the Swedish group which is the market leader in streaming, generated nearly €1.1bn in revenues last year but has yet to make a profit, making the long-term viability of Tidal a “moot point”, according to Larry Miller, professor of music business at NYU Steinhardt.

Tidal had a slow start, despite a splashy launch last year when the likes of Madonna and Coldplay joined Mr Carter on stage to unveil the new service. It had started life in Sweden but was acquired by the musician and producer when he paid $56m for Aspiro, the Swedish group behind Wimp, a music service popular in the Nordic region.
Tidal had 770,000 subscribers shortly after its launch, Mr Carter said, and for the first six months growth was slow, reaching 1m subscribers in October.

Tidal branded itself as an artist-friendly alternative to Apple Music or Spotify and charges users at least $9.99 a month. But it has “artificially boosted” subscribers through “exclusive” content from its artist owners, says Mark Mulligan, music industry analyst at MIDIA Research.

Rihanna and Kanye West initially released their new albums for streaming only on Tidal in January and February.

The “window”, or length, of exclusivity is a key factor to consider in the success of the strategy, says David Bakula at Nielsen, the media research firm.

*Lemonade* was the shortest exclusive window yet for Tidal: the album was available on the service for only 24 hours before it was released on platforms like Apple’s iTunes store.
Rihanna’s album *Anti* was exclusive on Tidal for one week while Kanye West’s *Life of Pablo* was held off rival platforms for six weeks.

Mr West initially said his *Life Of Pablo* album would “never never never be on Apple” but had an apparent change of heart, with the album released on Spotify and Apple Music in April. Tidal and Mr West are now the subject of legal proceedings by a disgruntled fan for “fraudulently inducing consumers to subscribe to Tidal”, alleging that new users acquired as a result boosted the company’s value by between $60m to $84m.

Apple has also waded into exclusives. On Friday, the latest album from Drake — projected to sell 1m copies — was released on Apple’s streaming service for a week. But not everyone believes in the power of exclusive releases: a Spotify spokesman said last week that “long-term exclusives are bad for artists and they’re bad for fans”.

With a roster of stars such as Alicia Keys, who own equity in Tidal alongside Mr Carter, the company has a potential pipeline of exclusive content.

However, Russ Crupnick, managing partner at MusicWatch, a research company, says Tidal's star owners should do more to promote the service. “Instead of talking about exclusive tracks or videos, I’d love to see them . . . talk about why people should pay for music subscriptions,” he says.
Streaming has grown rapidly, overtaking digital downloads as the biggest driver of revenue in the US music industry, with revenues from paid streaming subscriptions climbing 52 per cent in 2015 to $1.2bn, while the number of paid subscriptions rose 40 per cent over the same period to 10.8m.

However, streaming services are saddled with high costs in royalty fees to record labels. This has left cash-rich technology companies such as Apple at an advantage because they subsidise their streaming operations to achieve other goals, such as boosting iPhone sales.

In the long term Tidal faces steep challenges, making the sale of the company to one of the bigger players “a likely option”, says Mr Mulligan.

The so-called “exclusive” model can work to drive up short term signals but is probably not a long-term strategy, he adds.

With the proliferation of streaming sites there is a question of overlap, and whether music listeners will be willing to sign up for new services every time an album comes out. As the NYU’s Mr Miller notes: “Consumers aren’t going to put up with this forever”.

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