

build your playlist for your dinner party or your workout. That is very different from Pandora.

And iTunes? Is that a competitor?

iTunes is more of a competitor because it is "your music" for a lot of people. But it is so obvious that Spotify is much better because you can put more than 20 million songs in your pocket and access at any moment. You just pay your \$10 per month or even use it for free. The benefit of being on Spotify as opposed to iTunes is huge.

Beats Music has big names such as Jimmy Iovine, Dr. Dre and Trent Reznor attached. Is that a concern?

It's a competitor, for sure, but my way of looking at it is, if it gets people to understand the value of streaming, it is ultimately good. Our way of doing this is not just slapping some celebrity brand on it and hoping it will be good. We are a social service; we are a product company. People have tried to put a brand on it and thought that's enough, and they have failed: Microsoft, Nokia -- many big companies.

When will Spotify be profitable? And aren't you lagging a bit in the U.S.?

We're a young company, and this journey is just starting. If you ask an average American how they get their music, none of them are really streaming. People here have just figured out Pandora in the last 12 months, and that service has been around for 13 years.

Is there a user number you need to become profitable?

We must be one of the most transparent companies that is not public. We have paid out over \$1 billion to artists -- we pay out 70 percent of the money we make. I think that's fair. [Editor's note: Artist payouts are determined by an algorithm involving Spotify's monthly revenue, the number of total streams and streams of a specific artist during a given month and artists' and publishers' royalty rates.] So why are we not making a profit? It's very simple: We are growing. We are putting Spotify in more places, on more devices and in more countries. We have been in 35 countries, and as of December we are in 55. We don't care about profitability short-term; we care about long-term. I look at what's happening with the Internet now as the single biggest thing since the industrial revolution. When in history have you had this opportunity, with 1.6 billion people now connected to the Internet?

Related

- Spotify Predicts Grammy Winners
- Johnny Marr On Spotify: 'I'm Not A Supporter'
- Billboard Playlists Are Spotify's Most Played in 2013

Thom Yorke and others have criticized you for not paying artists enough. How do you respond?

This is the single biggest shift since the inception of recorded music, so it is naturally going to draw criticism and speculation. [Yorke] looks at this and says over a million streams gives me a few thousand dollars, and he says if I had a million downloads

[which pay higher royalty rates], that would mean \$1 million -- so Spotify is not good. But the difference is, he would not have had a million downloads because they are not comparable. In fact, with 24 million users -- and Apple has 500 million users -- we already have billions of streams today.

So it comes down to scale?

In my home country, Sweden, Spotify is 70 percent of not just digital music revenue but all music revenue, including physical [album sales]. That's what happens when you get to scale. One-third of the population uses Spotify -- but people still use iTunes, too. This isn't about which one you are supporting. An artist today should do everything [because] different consumers want different things.

Digital music remains a fragmented business. Are you thinking about acquisition opportunities?

It's not just one company that will control all your music; there are going to be many players that will do different things. But eventually, is it better to have a few consolidated players? Probably.

What's next for Spotify? Could you see launching a TV or film streaming service?

This is my fifth or sixth company, and the problem I had with all my previous companies was I did too much at once. It never worked. When we started Spotify, I said I will focus all my energy and attention on this to see how far I can go. I think that is why we have been so successful. I don't rule out anything because we are the kind of company that will say, "Why does the world look like this?" And if we can figure out a way to do better, we should.

This article was first published by The Hollywood Reporter

© 2014 Billboard. All Rights Reserved.