

# FINANCIAL POST

## ENTREPRENEUR

### Entrepreneur behind Galaxie music is betting on TV's survival



NICOLAS VAN PRAET | January 24, 2014 2:46 PM ET  
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Eric Boyko, co-founder and CEO of Stingray Digital, one of the world's largest suppliers of digital music — think Galaxie on your cable or satellite menu.

Christinne Muschi for National Post

Montreal – *Music for the Masses* is the sixth studio album by English post-punk synth-pop group Depeche Mode. It could also be the title of Montreal millionaire Eric Boyko's game plan for conquering the world.

You've probably never heard of the guy. And for now anyway, that doesn't seem to bother him.

The forty-something serial entrepreneur, who got rich by selling his online fundraising firm at the peak of the internet boom, is founder and part owner of privately held Stingray Digital Group. The company is best known for its flagship product, Galaxie, a continuous music service that's become a staple on pay television channel lineups across Canada. It pours out a steady dose of commercial-free country, classical, rock and everything in between – largely to lazy home owners who prefer a curated mix of music to their own predictable iPod playlists. It's also a lot more popular than you may realize.

Consider this: The company says that in December, 20 million Canadians listened to Galaxie on an estimated seven million TVs, each for up to five hours a week. Who's listening most? Eighteen to 34 years olds, the very people most likely to ditch their TV sets.

Internationally, the numbers are even bigger: Galaxie is in 45 million homes globally, including 20 million subscriptions added this month as Stingray bought Mood Media's residential digital music service in Latin America for \$16-million. Music is being delivered locally in English, French, Spanish and Mandarin.

Seven years after founding Stingray, Mr. Boyko has done 19 acquisitions to bulk up his business, most of it funded with bank debt. Almost all of them, he says, have generated immediate returns. And while some pundits continue to predict the demise of television at the hands of the personal computer or smartphone, Mr. Boyko is making an all-in bet they're wrong.

He says in North America and other developed economies, TVs are claiming their place as the centrepieces of the home media system. People are using them to binge-watch shows, play video games, and yes, listen to music. Meanwhile, in emerging economies such as China and Eastern Europe, incomes are rising and many people are buying their first flatscreens.

That means Stingray – with some 200 employees now and annual revenue approaching \$100-million – has plenty of upside. Mr. Boyko says it's already the

biggest broadcaster in Canadian history as measured by global listeners. But he's set his sights much higher.

"Our mission is to be the biggest music provider for TV subscribers in the world," Mr. Boyko said in an interview this past week at Stingray's Montreal headquarters. More specifically, he's aiming to nail one-third of the global pay-TV market by 2020. In all, that would be 400 million subscribers. Right now, he's got 105 million.

"We cater to the masses. The 5% of people that love their music, they do their own playlists. We're really for the average person who wants to discover music."

Stingray is largely a business-to-business company. It buys the licences to songs and then sells the music as pre-programmed packages to cable, satellite operators or IPTV service providers such as Bell, Comcast and Virgin Media — getting paid for every TV subscriber. It also has a smaller unit that develops customized audio for commercial clients such as retailers. Other assets include ConcertTV and the Karaoke channel, both on-demand services.

The most popular channel on Galaxie by far is Hit List, which is a rendition of the Billboard's current top 100 songs in any particular country. Canadians also love the soothing sounds of the spa music channel, Mr. Boyko says, while Western Canadians crave hot country. Stingray has also begun selling ambiance video to pair with its music. Think beach scene channel and firelogs.

Two things could derail his plans.

One, that he's completely wrong about cord-cutting and traditional TV dies. Recent statistics suggest that's not happening with any stampede-like speed. Out of some 12 million TV subscribers in Canada, about 3.5% have dumped traditional TV for the internet since 2011, Toronto-based consultancy Convergence Group reported. Numbers in the United States suggest even less bleeding.

Two, that venture capitalists continue to plow money into free music services, including Songza and Pandora, keeping them alive artificially and promoting the fantasy that music is free — which of course, it's not, Mr. Boyko says. Songza and others have already begun introducing advertising, he notes, and he's convinced the entire market will eventually settle on a pay model.

Stingray's focus on music came largely by accident.

After selling eFundraising.com for nearly \$30-million (a business he launched with a \$2,000 loan), Mr. Boyko was looking for another magic idea. First, he thought he could make something big out of a U.S. birdwatching website (“43 million Americans do bird watching,” he says) and the related seed sales. That didn’t pan out and he tried to buy Trivial Pursuit and You Don’t know Jack, two of the world’s top names in the trivia space, but the owners didn’t want to sell.

When two brothers in South Carolina — each going through a divorce — were forced to sell their karaoke business to pay their bills, Mr. Boyko snapped it up and used it to form the bones of a new music service. Perhaps not coincidentally, the party-going Montrealer remains a committed bachelor to this day, frequently gracing the society pages of his hometown’s newspapers.

Quebec, he laments, is one of the best places in the world to start a new business in terms of available funding but young Quebecers still haven’t caught the entrepreneurial bug as much as their counterparts elsewhere in Canada. The most recent research shows Quebec has 1.7 times fewer business owners among its adult population than the rest of the country. Worse, business startup intention rates remain much lower here.

Mr. Boyko, an accountant by training, blames the lack of basic business education in the province’s high school curriculum, together with a lack of public understanding about how entrepreneurs achieve success. But there may be more cultural reasons, too, he says, including less of a risk-taking mentality among French-Canadians.

As Stingray’s marketing chief, Mathieu Péroquin, puts it: Fear of failure is “ingrained.”

The sheer size of government in Quebec and its influence on life also plays a role, Mr. Boyko says. The province has a strong social safety net, stronger than in other provinces and certainly stronger than the United States. And this may be preventing the kind of restlessness that typically stokes entrepreneurship.

It’s an interesting theory, coming from someone who’s clearly thought a lot about the subject.

“I started my first company at 20,” Mr. Boyko says. “And I had 50 employees when I was 28. [Still, my mom], she said ‘Look, one day you’re going to get married and have kids and have a real job.’ “

His mother has come to understand that he is doing fairly well for himself job-wise. As for the rest, she's probably not holding her breath.

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[nvanpraet@nationalpost.com](mailto:nvanpraet@nationalpost.com)