Spotify

Brand Strategy Plan Report

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EXECUTIVE SUMMARY

The report provides an analysis of the music streaming industry and Spotify's current position within it. Spotify holds the dominant market share of 30.5% globally, with over 406 million subscribers. However, it faces growing competition from other streaming platforms. The report starts off with understanding Spotify's journey till this point, getting a real idea about the identity of the brand, what the brand does right and where the brand can improve when it comes to connecting with its users and creating a deeper identity. The report then recommends Spotify pivot to become more of a social, community-focused platform to stand out.

The current Spotify brand is known for its large music library, free streaming tier, and personalized playlists. But users are increasingly frustrated with the limited functionality of the free tier.

The report recommends enhancing the sense of community and connection between users in three categories:

1. Among users themselves
2. Between artists and fans
3. Community in music ecosystems

After analyzing the current state, the report details the big idea we propose for the brand going forward, the five sources of connectivity that will help connect the idea with the users, details on how the big idea will be implemented, and finally the financial impact we foresee from implementing our recommendations. Financial forecasts estimate revenue growing to $15.1B in 2024 in a base case scenario. With the proposed changes, revenue could reach $16.2B but with higher marketing costs. The goal is to achieve 500M users and $15B in revenue by the end of 2024 through the expanded brand community.

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INDUSTRY ANALYSIS

Music Streaming Market Analysis

Music Streaming Market size was valued at USD 29.45 billion in 2021 and is poised to grow from USD 35.53 billion in 2022 to USD 103.07 billion by 2030, at a CAGR of 14.7% during the forecast period (2023-2030).

The implementation of smart devices is projected to grow during the predicted time period, along with the adoption of digital platforms. Websites that enable users to view music videos, hear to audio, & subscribe to podcasts are considered music streaming services. These platforms are growing in popularity as a result of features like automatic playlist customization, song recommendations, and simple connectivity on apps & browsers. The market is also growing as a result of the expanding podcast genres available on these platforms.

One of the greatest developments in the global industry is the increasing adoption of 5G connectivity. Amazon has seized this chance by introducing a new music HD service that promises lossless audio streams & downloads to music lovers in the United States, the United Kingdom, Germany, and Japan. Companies are going to be able to provide high-fidelity musical streams when 5G becomes more commonly used since it can deliver data several times quicker than 4G can. Hologram concerts, virtual reality (VR), augmented reality (AR), and other emerging technologies are predicted to become quite popular for live streaming music videos. Such changes are accelerating the market's expansion.

To enhance the user experience, music streaming providers are concentrating on adding podcasts, song lyrics, or music videos to their platforms. For instance, Spotify AB and Netflix, Inc., an American subscriber streaming service and film production company, teamed in November 2021 to provide Spotify customers with access to exclusive music, playlists, and material on the music streaming platform. In order to give innovative creators access to Repost Network's invite-only services and tools, including content security, analytics dashboards, streaming shipping, and more, SoundCloud Limited also purchased Report Network, a SoundCloud-focused music distributor.

Additionally, new licensing opportunities are beginning to materialize for owners of musical IP. In order to potentially create new revenue streams, platforms like e-fitness, short films, and others are concentrating on gaining IP rights from music publishers and creators. For instance, the Tok-tok platform, which has around 100 million U.S. monthly active users and 700 million monthly active users worldwide, and the Nation's Music Publishers Association (NMPA) signed a licensing agreement. These days, there is a lot of regulation in the music business, with a particular emphasis on the publication rights of the songs. Additionally, a number of legal changes have been enacted to acknowledge music creators' rights in the digital era. Even if these changes are hurting music streaming companies' profits, they will probably gain from recurring income for the long-term.

Technological Issues

1. **Content Delivery and Scalability**: As one of the largest streaming platforms in the world, Spotify has to deal with the technical challenges of delivering audio content to millions of users simultaneously. Maintaining scalability and reliability is a constant concern.

2. **Ad Targeting**: For users on the free, ad-supported tier, targeted advertising is essential. Developing and improving ad-targeting technology while respecting user privacy is a constant concern.

3. **Bandwidth constraints**: Spotify regularly adds sophisticated features to its application, an example being video integration. While these features are great for consumers who have access to 5G and WiFi, a major portion of Spotify customers are using the product in geographies with lesser technical infrastructure.[1]

Legal & Regulatory Issues

1. Controversies with artist's over fair play.
2. Controversies over false information amidst COVID-19 pandemic
3. **Music Licensing and Royalties**: Spotify has consistently grappled with the challenge of negotiating fair licensing agreements with record labels, music publishers, and artists. This is a core issue for Spotify, as it directly impacts its operational costs and the experience it can offer to its users.
4. **Antitrust and Competition Concerns**: As one of the leading players in the music streaming industry, Spotify has faced antitrust scrutiny. Allegations of anti-competitive behavior, particularly in how it treats competitors and promotes its own services, have been a significant concern.
5. **Privacy and Data Protection**: Handling vast amounts of user data and providing personalized content while ensuring compliance with privacy regulations, such as GDPR, is an ongoing challenge. Spotify needs to balance user privacy with its data-driven business model. Especially as we are recommending a move to collaborative experiences on the application.

Company Overview

Spotify is a Swedish audio streaming service started by co-founders Daniel Ek and Martin Lorentzon in 2006. Daniel Ek saw the sequential ascendence of various illegal music downloading services despite regulations in place, leading him to believe that the only way to combat piracy was to create a better product with more ease of use, while paying the music industry for copyrights and digital use. With its hybrid model, Spotify offers a free ad-tier with limited features that allows users to stream music through occasional ad consumption. It also offers paid subscription tiers such as the Individual Plan, the Student Plan, the Duo Plan, and the Family Plan to allow various users to subscribe for unlimited streams both online and offline.

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[1] Spotify Community: Ongoing Issues, https://community.spotify.com/t5/Ongoing-Issues/idb-p/ongoing_issues

Since its inception, Spotify has grown to become one of the biggest audio streaming services, with over 551 million monthly active users and an industry-best 220 million subscription users as of Q2 of 2023, signifying a 17% increase year over year. Its growth over the years have coincided with its growth in service territories, which now encompass 184 markets, and its expansion in product portfolio from music streaming to the incorporations of podcasts and audiobooks. Today, it boasts over 100 million tracks, 5 million podcasts, and 350 thousand audiobooks. Its algorithmic playlists and social media-popular "Spotify Wrapped" have also cemented its brand value in pop culture.

However, with more growth comes a bigger target on its back. Spotify has been accused numerous times of paying the artists an unfair split. In 2014, Taylor Swift famously left the platform to make a stand and didn't return until 2017. More recently, Spotify has been criticized for their endorsement of famous podcaster Joe Rogan and his anti-vaccine stance amidst the COVID-19 pandemic. An ensuing exodus by musicians followed, and Spotify addressed it by taking episodes off its offering while offering discretionary links.
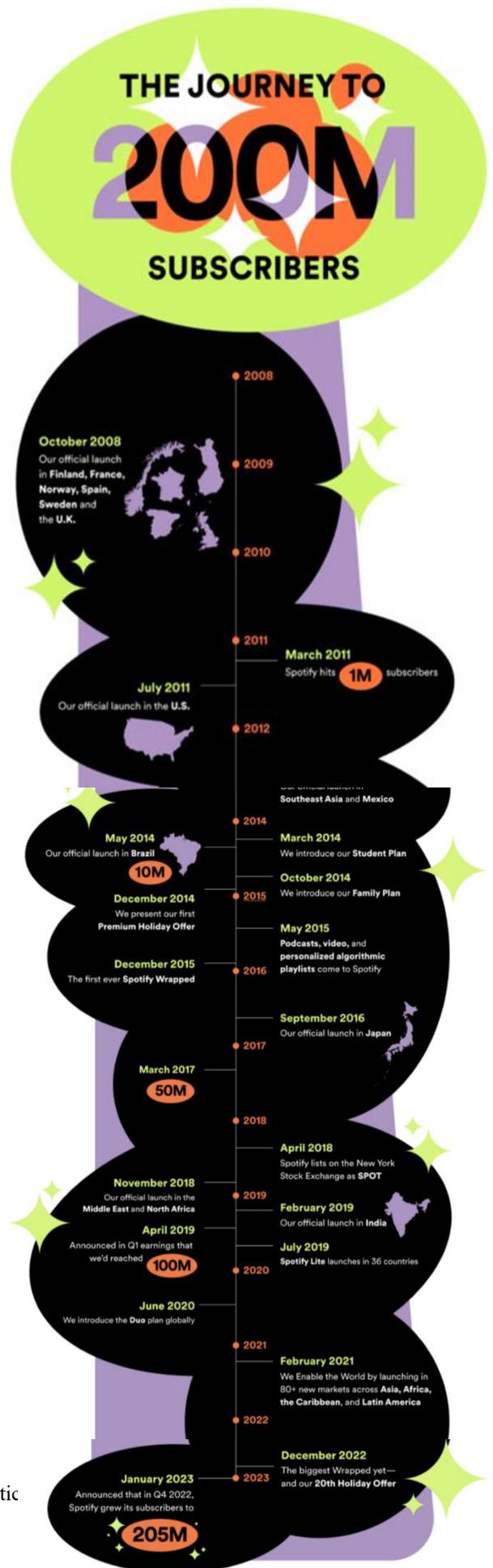
COMPETITIVE ANALYSIS

Current market share

Spotify dominates the competitive landscape of the Global Music Streaming industry. Spotify holds a 30.5% market share and over 406 million subscribers globally, as seen in Exhibit 11[2]. The second largest competitor, Apple Music, hold a 13.7% market share with 78 million subscribers. The third largest is Tencent Music (China's music streaming platform) followed by Amazon Music.

Spotify holds a dominant share of the market, but continues to face pressure from new streaming companies, social media platforms like Instagram and TikTok, and podcast platforms.

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2 SXM Business. (n.d.). Music streaming market share and revenue statistic
streaming-market-share-and-revenue-statistics/

THE JOURNEY TO 200M SUBSCRIBERS

2008

October 2008
Our official launch in **Finland, France, Norway, Spain, Sweden** and the **U.K.**

2009

2010

2011

March 2011
Spotify hits **1M** subscribers

July 2011
Our official launch in the **U.S.**

2012

Our official launch in **Southeast Asia** and **Mexico**

2014

May 2014
Our official launch in **Brazil**
10M

March 2014
We introduce our **Student Plan**

October 2014
We introduce our **Family Plan**

December 2014
We present our first **Premium Holiday Offer**

2015

May 2015
Podcasts, video, and personalized algorithmic playlists come to Spotify

December 2015
The first ever **Spotify Wrapped**

2016

September 2016
Our official launch in **Japan**

2017

March 2017
50M

2018

April 2018
Spotify lists on the New York Stock Exchange as SPOT

November 2018
Our official launch in the **Middle East** and **North Africa**

2019

February 2019
Our official launch in **India**

April 2019
Announced in Q1 earnings that we'd reached
100M

July 2019
Spotify Lite launches in 36 countries

2020

June 2020
We introduce the **Duo** plan globally

2021

February 2021
We Enable the World by launching in 80+ new markets across **Asia, Africa, the Caribbean, and Latin America**

2022

December 2022
The biggest Wrapped yet—and our **20th Holiday Offer**

January 2023
Announced that in Q4 2022, Spotify grew its subscribers to
205M

2023

Spotify, while directly in the music streaming business, competes at a wider scale against a variety of entertainment and social media companies.

Spotify is the dominant player for 3 main reasons:

1. **Early Market Entry:** Spotify essentially created music streaming in 2006 and has since been able to amass a massive user base. Spotify builds personalized experiences for its users, which makes it more difficult for a user to switch from Spotify streaming to Apple Music.

2. **Vast Music Library:** Due to Spotify's early entry, it has been able to amass a music library of over 100 million songs.[3] In streaming, usually whoever has the most content wins.

3. **Personalization Algorithms:** Features like "Discover Weekly" or "Release Radar" are massive hits with Spotify users. Spotify can enhance its brand perception with these personalization aspects and make it harder for users to switch to another provider.
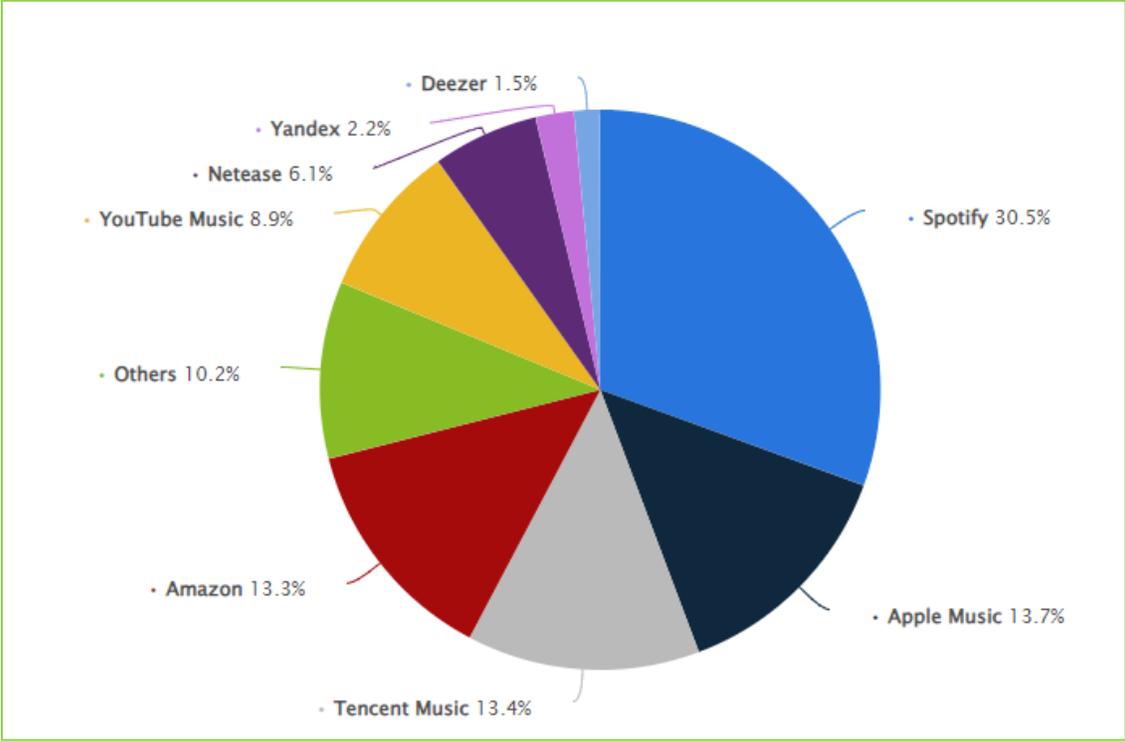

Exhibit 1 – Global Music Streaming Market Share

Source: SXM Business. (n.d.). Music streaming market share and revenue statistics.
https://sxmbusiness.com/music-streaming-market-share-and-revenue-statistics/

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[3] Spotify. (n.d.). Company Info. Spotify Newsroom. https://newsroom.spotify.com/company-info/

Major Industry Trends

Three trends are to shape the music streaming industry for the next 5 years.

1. **App for Everything:** Lately, successful music streaming providers have been expanding into different media forms to enable growth. For example. Spotify has expanded into podcasts, videos, and audiobooks. Google has built YouTube from a video streaming platform into a music streaming platform. There seems to be a desire from the market for a media streaming platform that provides all types of media. We will see companies continue to grow their media forms in order to further grow their customer bases. Furthermore, 57% of those aged 18-34 use multiple music apps for streaming.[4] This signals that there is room for further consolidation of music streaming apps.

2. **Growth of 5G:** 5G wireless technology offers significantly faster speeds than other types of connectivity allowing for music streaming platforms to stream higher-quality sound and videos. The growth of 5G implies that more people from around the world will be able to stream music, it'll be easier to download music, and there will be a higher demand for higher-quality sound and video. Successful music streaming platforms will provide higher-quality sounds and more downloadable content with the growth of 5G. In fact, 36% of music streaming users stated that their intention to download more music grew as a result of 5G connection.[5]

3. **Personalized Experiences:** Successful streaming companies will leverage artificial intelligence to build personalized and localized experiences for its user bases. Spotify has invested heavily into AI by building out their AI DJ feature. Spotify produces over 320 million 'Discover Weekly' playlists each week.[6] Spotify's 'Home' and Apple's 'For You' are personalized pages presenting content based on past learning and contextual factors. Often, these pages update based on time of day and year. These personalized experiences can enhance a consumer's connection to the brand and the company that is able to provide the best personalization aspects will win in the future.

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[4] Younger consumers use two or more apps for streaming music, mobile messaging, says Nielsen. (2017, August 21). TechCrunch. https://techcrunch.com/2017/08/21/younger-consumers-use-two-or-more-apps-for-streaming-music-mobile-messaging-says-nielsen/

[5] Bludov, A. (Year, Month Day of publication). Music Industry Ready for 5G: Embracing the Future Beyond Streaming. LinkedIn. https://www.linkedin.com/pulse/music-industry-ready-5g-embracing-future-beyond-streaming-bludov/

[6] Webster, J. (2021). The promise of personalization: Exploring how music streaming platforms are shaping the performance of class identities and distinction

Competitor Comparisons

Exhibit 2

Brand	Year	# Of Users	Revenue	Pricing Model	Level of Personalization	Level of Exclusive Content	Music Library	Global Reach
(Spotify)	2006	406M	$11.4B	**Freemium:** Free (ad-supported) and Paid Services ($10.99/mo.)	High	High	100M songs	High
Music	2015	78M	$5.0B	Free Trials through Apple product purchases Paid plan: $9.99/mo.	Medium	High	75M songs	High
TME TENCENT MUSIC ENTERTAINMENT	2016	55M	$7.3B	**Freemium:** Free (ad-supported) and Paid Services	High	Low	60M	Low
amazon music	2007	55M	NA	**Freemium:** Free (ad-supported), Amazon Prime Music (free w/ prime membership, Amazon Music Unlimited ($9.99/mo.)	Low	Medium	2M songs	Medium

Sources: SXM Business. (n.d.). Music streaming market share and revenue statistics. https://sxmbusiness.com/music-streaming-market-share-and-revenue-statistics/, Company Websites

Brand Perception Map

Brand Perception Map radar chart comparing Spotify, Apple Music, Amazon Music, and Tencent Music across Library Size, User-Friendliness, Personalization, Podcast Selection, Social Media Integration, Sound Quality, Offline Listening, and Price.
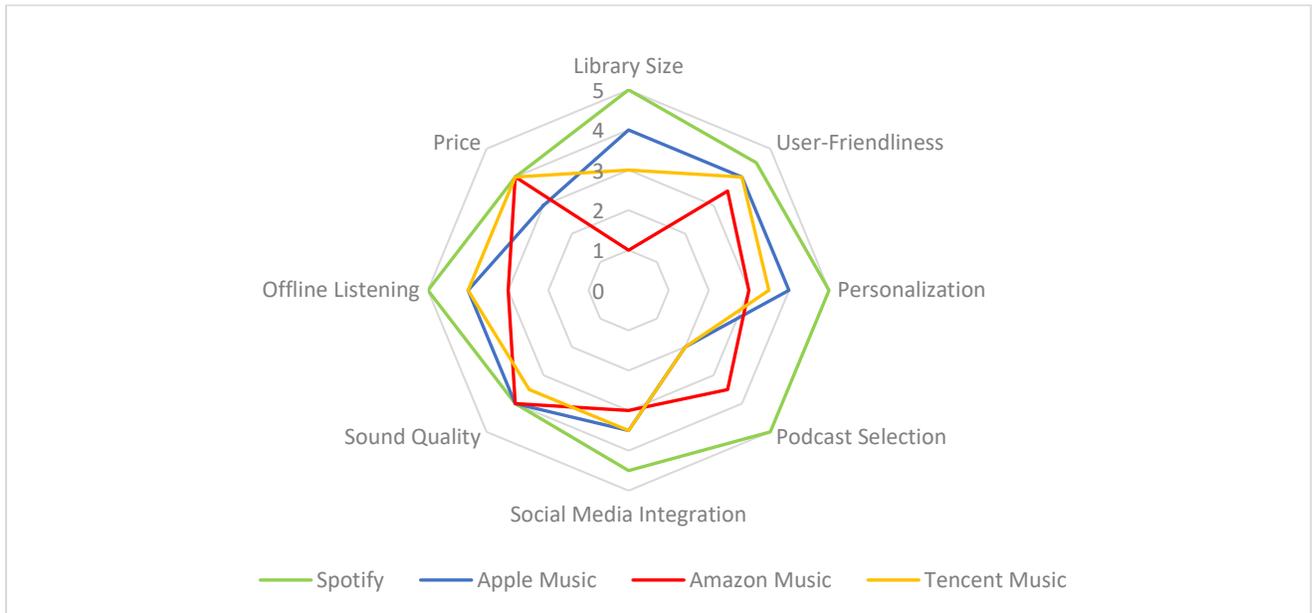
Exhibit 3

	Spotify	Apple Music	Amazon Music	Tencent Music
Library Size	5	4	1	3
User-Friendliness	4.5	4	3.5	4
Personalization	5	4	3	3.5
Podcast Selection	5	2	3.5	2
Social Media Integration	4.5	3.5	3	3.5
Sound Quality	4	4	4	3.5
Offline Listening	5	4	3	4
Price	4	3	4	4

Spotify's Competitive Advantage: Spotify holds a formidable competitive advantage led by their vast library size, user-friendliness, personalization, and competitive price. Spotify has the largest library size amongst competitors, which allows users to find any song they want. The platform is ranked highly by users on its user experience. Furthermore, it has the best-in-class personalization features like Discover Weekly and the AI-DJ feature. On sound quality, Spotify ranks at par with its competitors with an average Kbps of 160. Spotify also ranks at par with competitors in terms of price but does offer a free version that can entice users to join the platform. Spotify outperforms competitors on important brand attributes allowing them to build a large competitive advantage in the marketplace.

The attributes of library size, user-friendliness, personalization, podcast selection, social media integration, sound quality, offline listening, and price are what the brands in the music streaming industry primarily compete on. Please see below for an explanation on why these attributes are important and how Spotify has positioned themselves in this competitive industry.

1. **Library Size:**
   a. **Definition:** Library size is the total number of songs are on a music streaming platforms library.
   b. **Why is it important?:** A larger library can attract users who want access to an extensive collection of songs.
   c. **Spotify's Ranking and Reasoning:** 5/5. Spotify has the largest library of all music streaming providers at 100M songs, and it continues to grow daily. This gives them a large competitive advantage over other players.
2. **User-Friendliness:**
   a. **Definition:** User-friendliness is how easy is it for users to navigate the streaming platforms interface and get to the content they want.
   b. **Why is it important?:** An easy-to-use interface gives users a better experience and they are more likely to spend more time on the app. Easy to use interfaces can retain users better and entice them to explore the services further, increasing their connection to the brand.
   c. **Spotify's Ranking and Reasoning:** 4.5/5. Spotify's app is very easy to use and is considered best-in-class by users. Users can easily find the content they are looking for, download songs, and share them with friends. Spotify has the best user interface in the industry.
3. **Personalization:**
   a. **Definition:** Personalization is how is one user's experience on the platform different from the next and how well does the user experience meet the user's needs. It is measured by number of unique attributes per user like personalized playlists and song recommendations.
   b. **Why is it important?:** Personalized playlists and recommendations enhance the user experience and helps users stay engaged with the platform.
   c. **Spotify's Ranking and Reasoning:** 5/5. Spotify is best-in-class in personalization through their innovative use of AI to develop "Discover Weekly" playlists and recommended songs in the "Home" section.
4. **Podcast Selection:**
   a. **Definition:** Podcast selection is the number of podcasts available on the platform and how easy is it for users to find podcasts that meet their needs.
   b. **Why is it important?:** Podcasts are the new radio, and 41% of American's aged 13 to 49 say they have listened to podcasts in the last 3 months.[7] Furthermore, many listeners like to flip between podcasts and music. Having a robust podcast selection is necessary to retain and engage users.

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[7] Paramount Pictures. (n.d.). Americans Are Listening to More Podcasts Than Ever. Paramount Pictures. https://www.paramount.com/news/audience-insights/americans-are-listening-to-more-podcasts-than-ever

c. **Spotify's Ranking and Reasoning:** 5/5. Spotify claims to have 4.7M podcasts on its platform and many of them are exclusive to its platform. It is known to have the largest podcast selection in the industry.

5. **Social Media Integration:**
   a. **Definition:** Social media integration is how well does the platform integrate with social media platforms like Facebook, Instagram, and TikTok so users can share what they are listening to.
   b. **Why is it important?:** Music is social and meant to be shared. Integration with social media platforms allows users to promote their own music tastes as well as the brand of the streaming provider.
   c. **Spotify's Ranking and Reasoning:** 4.5/5. Spotify users can easily connect their accounts to Facebook, Instagram, and Snapchat. Spotify also created the "Year in Review" feature allowing users to share a summary of what they listened to at the end of each calendar year, which promotes more brand connection. Many competitors have since copied the feature.

6. **Sound Quality:**
   a. **Definition:** Sound quality is how clean is the sound of audio transmitted on the music streaming platform. It is measured in Kbps (kilobits per second). It is a measure of bandwidth (or the amount of data flow).
   b. **Why is it important?:** While not the most important attribute, sound quality is key for users to have an enjoyable experience listening to music on the platform. Sound quality became less important over the early years of music streaming as users would rather have access to millions of songs with a click of a button rather than elite sound quality. As the technology becomes more cemented in society, industry players are more likely to start competing on sound quality.
   c. **Spotify's Ranking and Reasoning:** 4/5. Spotify Premium users can enjoy sound quality up to 320 kbps; however, Amazon Music offers the Ultra HD feature that can provide audio up to 3,730 kbps. Spotify provides a decent sound quality experience, but nothing exceptional.

7. **Offline Listening:**
   a. **Definition:** Offline listening is how easily are users able to download songs to listen to offline and how many songs they can download to listen to offline.
   b. **Why is it important?:** More users are on the go these days and endure long commutes where there might be poor connectivity. Offline listening capabilities might also be lured over users' heads to upgrade to get more access to download capacity.

      c. **Spotify's Ranking and Reasoning:** 4.5/5. Spotify Premium users can download songs, albums, playlists, and podcasts for offline listening. The content remains accessible as long as you remain your subscription, which is best-in-class.

8. **Price:**
      a. **Definition:** Price is the amount users pay per month to use the music streaming platform's service.
      b. **Why is it important?:** Price is key in influencing a user's decision to subscribe. Competitive pricing or tiered pricing with free tiers, can lure in budget-conscious users.
      c. **Spotify's Ranking and Reasoning:** 4/5. Spotify stands in the middle of the pack in terms of pricing. It offers a free tier as well as a premium tier. Its premium tier is about the same cost as other provider premium tiers.

CUSTOMER ANALYSIS

Spotify's customer base is divided into two major areas – the companies that advertise on the platform and the end users that stream content on the platform. Spotify's major revenue stream (about 88% of total revenue) comes from the premium subscribing customers, which also accounts for 95% of the generated profits.[8]

Target market category and brand specific

The Spotify target market consists of the millennial and Gen-Z population that is active on social media and regularly streams content, as shown by their marketing strategies over the years. Their target customers can be segmented as described below:

1. **Demographic Analysis**
      a. Age – Millennials and Gen Z account for over 62% of Spotify's customer base, with the largest group being between the ages of 18 and 24.[9]
      b. Gender – Spotify has more male users than female users, with men accounting for more than 58% of their audience.[10]

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[8] Johnston, M. (n.d.). *How Spotify makes money: Premium Service generates the biggest share of revenue*. Investopedia. https://www.investopedia.com/articles/investing/120314/spotify-makes-internet-music-make-money.asp

[9] Sukhanova, K. (2023, May 23). *Spotify Statistics 2023: User demographics, growth rate, and revenue breakdown*. The Tech Report. https://techreport.com/statistics/spotify

[10] 3 Sukhanova, K. (2023, May 23). *Spotify Statistics 2023: User demographics, growth rate, and revenue breakdown*. The Tech Report. https://techreport.com/statistics/spotify

c. Location – Spotify has the largest user base in Europe, closely followed by North America and then Latin America.[11]
d. Income – Spotify users tend to have a higher income than other internet and streaming platform users as shown in Appendix 2.
e. Educational Qualifications – About 50% of Spotify users have at least a college degree, and the average Spotify user is more likely to have a higher level of education as compared to an average streaming service user as shown in Appendix 3.

2. **Psychographic Analysis**
a. Genre preferences – music and podcast genre categories most popular among Spotify users are rap, hip hop, RnB and rock, alternative and indie; while among the entire category the most popular genres are comedy and country music as shown in Appendix 4.
b. Lifestyle and values – Spotify users are more likely to live in nuclear families as compared to other streaming service users, as shown in Appendix 5
c. Other interests – Spotify users are likely to be active within the streaming world and are 91% more likely than other internet users to stream more than 50 pieces of content within a day, and are likely to be more interested in movies, games and TV shows than other digital music buyers. They are also more likely to spend money for discretionary expenses, such as shopping at Barnes and Nobles. This information is shown in Appendix 6.
d. Innovations – Spotify users are more likely to be early adopters of new technologies as compared to users of other streaming services, as shown in Appendix 7. This implies that Spotify users are more likely to use new and innovative features released by the brand, or may seek out such features in other brands if Spotify fails to provide them.

3. **Behavioral Analysis**
a. Usage Patterns – Users subscribe to Spotify for the following purposes: easy access to content, sound quality, variety and access to different forms of content – including podcasts, as shown in Appendix 8.
b. Devices – 71% of Spotify users feel it is important that they can access their media easily across all their devices, and tend to access the internet through gaming consoles more often than an average digital music buyer.[12]
c. User engagement – Spotify users report remembering the ads they hear over streaming services more than their counterparts, and often share their 'Spotify Wrapped' - showing that they are engaged with the advertising and PR efforts put in by the brand, as seen in Appendix 9.

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[11] 4 Samanta, O. (2023, April 9). *Spotify stats: Users, Revenue & Demographics 2023*. Priori Data. https://prioridata.com/data/spotify-stats/#Spotify_Subscribers_by_Region

[12] Statista. (2023). (rep.). *Digital Music: Spotify users in the US*.

COMPANY STRATEGIC DIRECTION

Strategic Turns Taken

The following five trends demonstrate the monumental changes in Spotify internally, among the music industry, and as perceived by consumers.

Access	→	Ownership

Spotify was and is proudly Swedish. A country that was at the forefront of the debate of free access to information vs ownership and monetization of said information. This was a country where leading newspapers would print guides on pirating content and one of the popular political parties was the 'Pirate Party' that was represented in congress.

Amidst all this, Spotify emerged as the solution to everyone's problems. They offered users a lovable experience in discovering and listening to songs while pioneering the freemium model that earned revenue for rights holders too. Spotify's business model innovation, particularly contracts with labels, was as influential in its success as was its revolutionary engineering.

Desktop	→	Mobile

In 2008, when Spotify launched it built its technology stack on a peer-to-peer, fat client model that was very well designed for the desktop. Once the iPhone came out along with the spread of 3G and WiFi, Spotify faced an existential challenge. No one wanted to listen on desktop anymore. Thus, they redesigned their technology to be mobile first and provide synchronization and audio quality with the experience that users had come to love on desktop.

Higher on a smaller hill	→	Lower on a bigger mountain

The highest conversion from free to premium occurred when users were given access to Spotify's *entire* catalog. However, rights holders would not license this since they were afraid of cannibalization of paid users. So, Spotify redesigned its platform to create a finite playlist of *recommended* songs which let them satisfy both users and right holders. Since then, playlists like RADAR and Discover Weekly have become trusted defaults for millions across the world.

Sunk Cost Fallacy	→	More they play, the more they pay

Spotify's business model of the time was one where users invested time in building their playlists on the desktop app, which was a free service. Users would pay mor the freedom of mobility, i.e. to listen to these playlists on their mobile device. When the iPhone came out, and with it came the roll out of 3G and WiFi in cities, Spotify had to transform to a business model where users were offered the entire catalog on songs on their mobile devices and they'd pay to upgrade to an ad-free experience. This marked the beginning of Spotify's transformation to providing the best in class user experience for more music play time which translated to more subscription customers.

Business Model

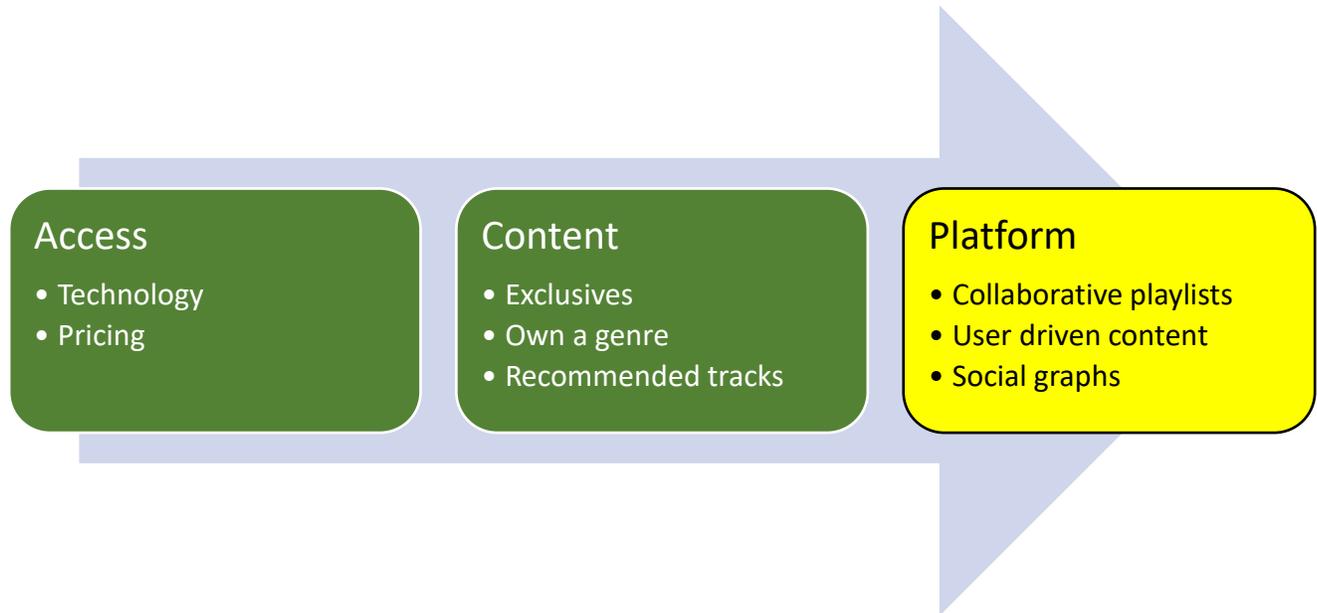| Type	Remove ads	Mobile listening	Sound quality	Listen offline	Spotify Connect (Interoperability)
Spotify Free	No	Limited (shuffle-only mode)	Up to 160 kbit/s Vorbis or 128 kbit/s Advanced Audio Coding for the web player	No	Limited
Spotify Premium	Yes	Yes	Up to 320 kbit/s Vorbis or 256 kbit/s AAC for the web player	Yes	Yes
Spotify HiFi (planned)	Yes	Yes	Compact Disc Digital Audio quality lossless	Yes	Yes

Key Alliances

Acquisitions

Broad Category	App Types	Company Names
Music-Related	Music Discovery and Intelligence, Online Music Studio, Music Licensing Platform, Music Production Marketplace	Tunigo, The Echo Nest, Soundtrap, Loudr, SoundBetter
Data and Analytics	Data Science and Analytics, Social and Audience Analytics, Subscription Model Platform	Seed Scientific, Cord Project, Soundwave, CrowdAlbum, Preact
Content Recommendation and Personalization	Audio Detection and Advertising, Blockchain and AI for Personalization	Sonalytic, MightyTV, Mediachain, Niland
Podcast and Audio Content	Podcast Networks, Exclusive Podcast Rights, Audiobook Company, Podcast Tech Company, Podcast Advertising Companies, Podcast Management & Monetization, AI generated	Gimlet Media, **Anchor FM**, Parcast, The Last Podcast on the Left, The **Joe Rogan Experience**, Calspol Her Daddy, Findaway, Whooshkaa, Chartable, Podsights, Anchor (Merged into Spotify for Podcasters), Sonantic (voice mimicry)
Other	Live Audio Streaming App (Rebranded), Synthetic Voice and Video Development, Music Trivia Game, Content Moderation Startup	**Spotify Greenroom** (later rebranded as Spotify Live), Sonantic, Heardle, Kinzen

Partnerships

Broad Category	App Types	Company Names	Partnership Information
Music-Related	Music Discovery and Intelligence, Online Music Studio, Music Licensing Platform, Music Production Marketplace	Tunigo, The Echo Nest, Soundtrap, Loudr, SoundBetter	Sony PlayStation Music, PlayStation Music is an exclusive partnership with Spotify.
Data and Analytics	Data Science and Analytics, Social and Audience Analytics, Subscription Model Platform	Seed Scientific, Cord Project, Soundwave, CrowdAlbum, Preact	-
Content Recommendation and Personalization	Audio Detection and Advertising, Blockchain and AI for Personalization, WPP	Sonalytic, MightyTV, Mediachain, Niland	South by Southwest (**SXSW**) partnership. Partnerships with WNYC Studios and Waze. WPP will deliver scaled training programmes for its clients that focus on audio creativity and Spotify's innovative ad products.
Podcast and Audio Content	Podcast Networks, Exclusive Podcast Rights, Audiobook Company, Podcast Tech Company, Podcast Advertising Companies, Podcast Management & Monetization	Gimlet Media, Anchor FM, Parcast, The Last Podcast on the Left, The Joe Rogan Experience, Call Her Daddy, Findaway, Whooshkaa, Chartable, Podsights, Anchor (Merged into Spotify for Podcasters)	Partnerships with WNYC Studios, Waze, and SXSW in March 2017. Hulu entertainment bundle partnership in April 2018. Partnerships with ESPN, Netflix, Chernin Entertainment in 2020-2021. **Deals with DC comics** in 2020-2021. Became the official streaming partner of **FC Barcelona** in 2022. Partnership with **Roblox** Corporation in May 2022. Partnership with **Patreon** in March 2023.
Discovery and Integrations	Social media, Subscription bundling, Lifestyle	Instagram, Peloton, Hulu, Walmart, NPR, Starbucks, Uber, Samsung	Share music to Instagram, custom album art and snipping for stories. Bundling Hulu/Walmart+/Samsung and Spotify subscriptions. Add your music to the space around you such ass a coffee shop or a cab. For the first time you could earn Starbucks rewards outside of Starbucks purchases (by purchasing Spotify packages).

Strategic implications for Spotify

Maththew Ball, a leading media strategist, identifies three techniques of differentiation that a media organization can take. These are Access, Content, and Platform, illustrated in the diagram below. Our observation has been that Spotify has already made their mark on revolutionizing access. They are currently working on new and exclusive content (bringing video format content to the platform, Joe Rogan exclusive etc). This leaves platform as the next differentiation that Spotify can create for itself. Indeed, there have already been press releases and feature launches that are building for this future.

Access
- Technology
- Pricing

Content
- Exclusives
- Own a genre
- Recommended tracks

Platform
- Collaborative playlists
- User driven content
- Social graphs

CURRENT BRAND STRATEGY

This section provides an assessment of the current brand image, brand strategy, brand building and brand growth strategies.

Brand Image and Strategy

Spotify is known for streaming music legally, freemium model, breadth of content, and customized recommendations making new music discovery easier and accessible.
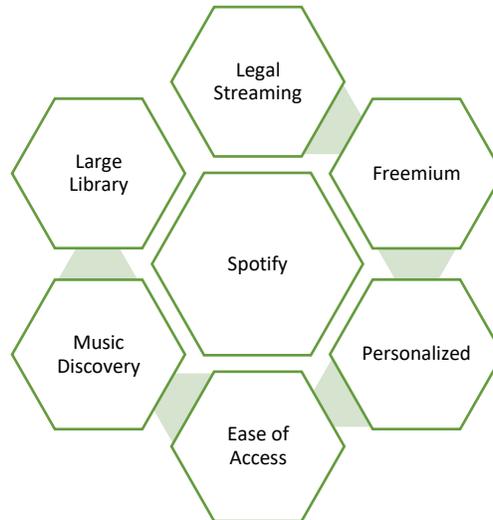
Perceived brand image, perceived quality and brand personality

Data points showcasing Spotify's perceived quality:

- Rated 4.8/5 by 28 million reviewers on the Apple AppStore.
- Ranked the #1 app in the Music category on the Apple AppStore.
- Rated 4.4/5 by 29.6 million reviewers on the Google Play Store, having over 1 billion downloads.
- Ranked the #1 app in the Free Music and Podcast category on the Google Play Store.

The drop in rating on Google Plat Store is not surprising as Spotify executives have spoken about in the past about how it is easier to optimize features given the centralized nature of iOS for all Apple products, whereas in Android, every company has its own version of the Operating System and differing levels of hardware capability for good song quality, leading to greater difficulty in optimizing features and user experience.

As part of our data point research, we also wanted to do a customer sentiment analysis and looked at analysis results from over 58 thousand reviews on the Play Store and then vectorize the results to create a word cloud. While around 60% of the reviews fell under the positive sentiment analysis, and around half of the remaining were neutral, the rest had a negative sentiment attached. Attached below are the word clouds from the positive sentiment reviews and the word clouds from the negative sentiment reviews.

Fig. Word Cloud from Spotify's positive sentiment user reviews

Fig. Word Cloud from Spotify's negative sentiment user reviews

These word clouds helped validate our hypothesis that Spotify users like the massive selection of content, the freemium model, the playlist recommendations and the user-friendly interface. However, on the flip side it reinforced the fact that users don't like the updates being made to the freemium model – particularly the limited number of skips available per hour, the narrow selection of ads that are played repeatedly, and less helpful song recommendation for free users to further differentiate the premium segment.

Therefore, if Spotify doubles down on its current trajectory of differentiating the premium segment by reducing the experience quality for the free segment, could seriously jeopardize its own sales funnel where the free model was historically a way for them to wow potential premium users with the level of service, intriguing them with the potential of having even better service in the premium offering.

Now having a look at Spotify's brand personality, the following values jump out and are consistent in any communications that are released:

- Adaptable
- Diverse
- Quality Driven
- Warm and Friendly
- Human Centered

We have seen this personality in the brand right from its inception and its logo design. We felt this was best captured in a quote from Spotify's logo designer (WeAreCollins):

"Our answer emerged directly from our strategic platform — when an individual makes a personal connection with a song, their reaction is to cry, cheer, scream, sing, jump, or get chills — or, as we phrased it, "burst" with emotion. Our identity graphically captured that moment.

We created a visual system to accurately reflect the soul of the Spotify brand, and extended that across all touchpoints — from the product, to communications, to environments, to a full-scale digital ecosystem.

We developed a consistent brand architecture and transformed the conceptual orientation of the organization from a technology platform to a music company, optimizing the Spotify customer experience at every step of their journey."

"Research showed 75% of Millennials value meaning over wealth. Historically, music has been the go to source for it. But as the Internet made music more abundant, that emotional connection decayed. No longer sitting in their room captivated by an album, most people use music as background noise while doing chores. Spotify wanted to restore that deeper, more meaningful connection – or as the strategy declared, "Make music personal, again." When a song profoundly resonates with you, what happens? You cry. You cheer. You scream. You laugh. Or, as we put it, you burst with emotion. Our brand identity system aimed to be the visual corollary to this "bursting" experience."

Brand Heritage

Spotify was founded in 2006 by Daniel Ek and Martin Lorentzon in Stockholm, Sweden, and launched in October 2008. The free model of Spotify was invite only in the initial days, and a paid subscription model was also available. Spotify launched on the AppStore in 2009, and on the Google Play store in 2012.

The original Spotify logo embodied a fun spirit and featured a bouncy 'o', representing the fun spirit of the brand and the lines above which look like the Wi-fi symbol or sound waves. The logo also looked like a button, indicating that the services provided by the brand were just a click away.

Fig. Spotify's original logo

Source: How Spotify's brand became a future-forward phenomenon. (2023, July). Fast Company. https://www.fastcompany.com/90917233/how-spotifys-brand-became-a-future-forward-phenomenon

Brand Elements Associated with Spotify

- The Spotify logo is an instantly recognizable bright green, symbolizing the fun nature of the brand. It also emphasizes simplicity and minimalism. While the exact shade of green has evolved over the years as the company has evolved, it still has maintained its green color scheme. Green reveals a positive and modern feel. Black is used to convey power or authority as well as elegance and the future. White is used as a contrasting tool, with green and black. This directs attention to the text and important messages.

Fig. Current Spotify logo

Source: Spotify's bright green trademark symbolizes modern streaming technology. (n.d.). DesignRush.
https://www.designrush.com/best-designs/logo/spotify-logo

- Elements such as bright colors, hand drawn highlights, bursts and action lines
- Color photography combined with bright backgrounds and fun highlights
- The Spotify logo through its minimalist approach and in-sync elements like shapes, text, and color allows the company to make the logo adaptable to any medium and any channel, making it ubiquitous and memorable.

Fig. Design elements selected during the brand redesign

Source: https://spotify.design/article/making-the-brand-redesigning-spotify-design

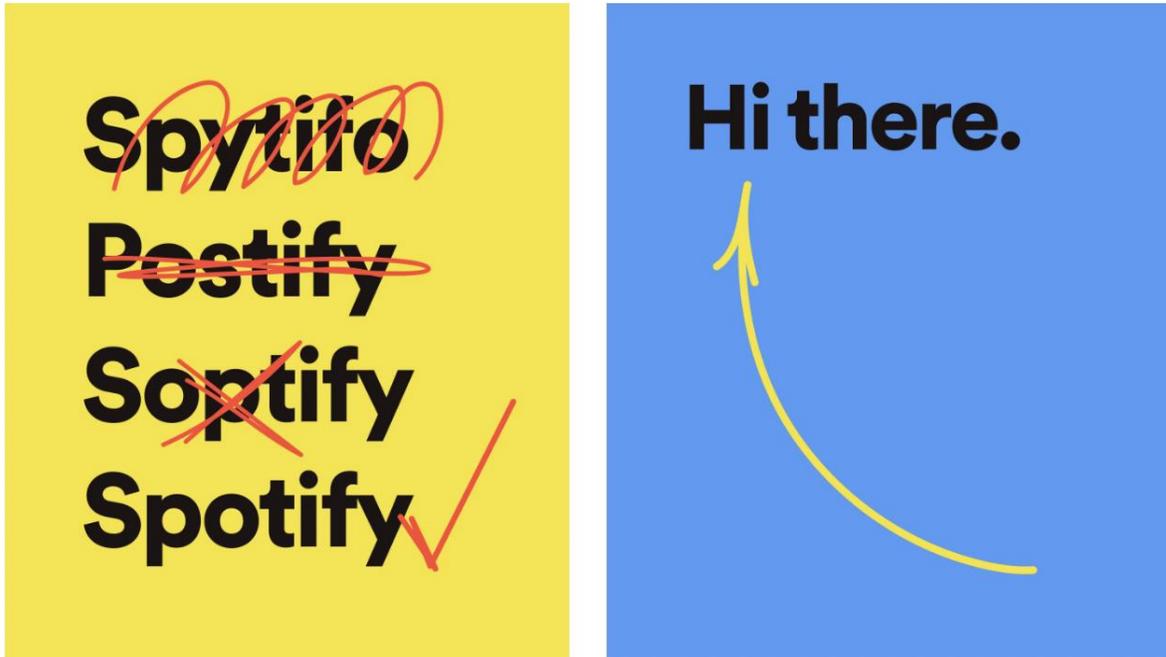- Playfulness and creativity is also a huge part of the brand image that Spotify has

Fig. Spotify Design (Copyright © Spotify, 2021)

Source: A visual identity designed to spark joy: Behind the scenes of Spotify Design's new look. (09/10/23)
https://www.itsnicethat.com/articles/spotify-design-graphic-design-sponsored-content-290121

Brand attributes/customer associations

Playful squiggles, bright colors, modern look and feel

Points of parity/points of difference versus the competition

- Sophisticated recommendation engine
- Personalized playlists curated everyday (Daily Mixes, Mood Mix)
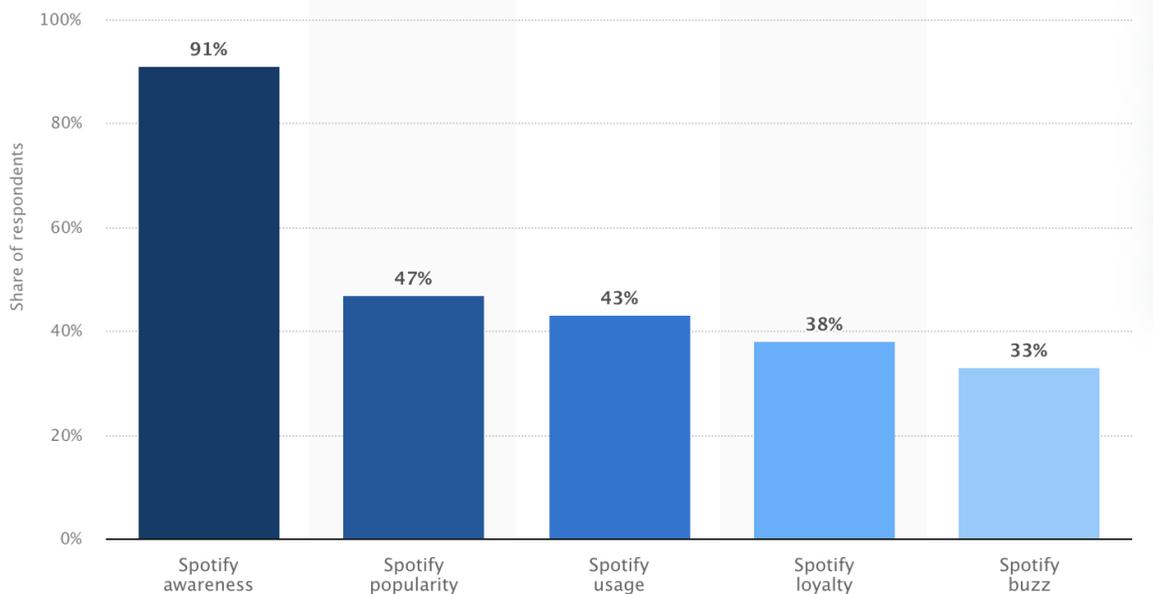- Spotify Wrapped

Brand awareness level

Fig. Graph plotting the brand awareness levels for Spotify

Source: Statista. (2023). (rep.). Digital Music: Spotify users in the US.

Region - US, Survey time period - 18 March 2022 to 26 July 2022, Number of respondents - 1,090 respondents, Age group - 18-64 years

Brand awareness level - building activities

- Creating personalized playlists for each user based on their music choices and listening habits
- Localizing content and features to suit different markets
- Targeted advertising, social media trends, campaigns, and partnerships with artists and music festivals
- Creating regional playlists, podcasts, and original shows
- Using social media for promotion
- Creating a special mix for each musician in a campaign

Current positioning taglines, brand visuals/symbols, current advertising, and promotional campaigns
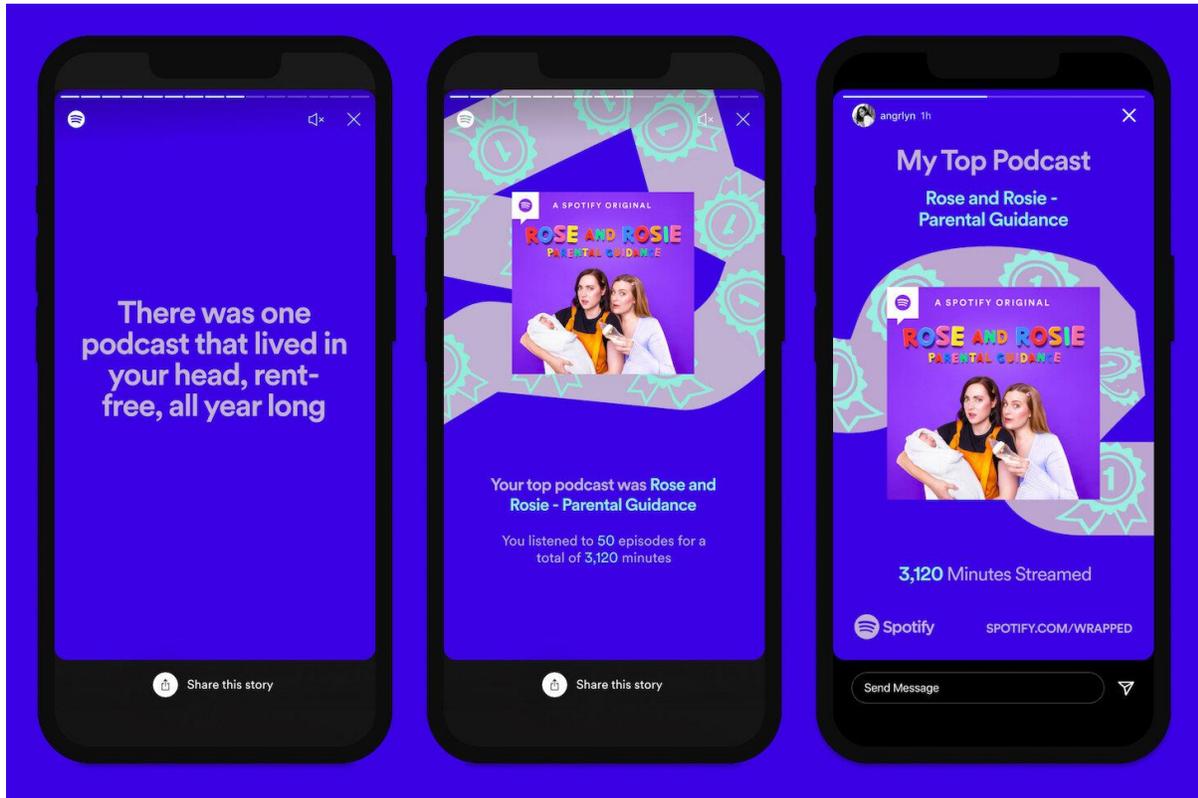
- Spotify Wrapped, a year in music

Fig. Screen grabs of Spotify's Wrapped Campaign

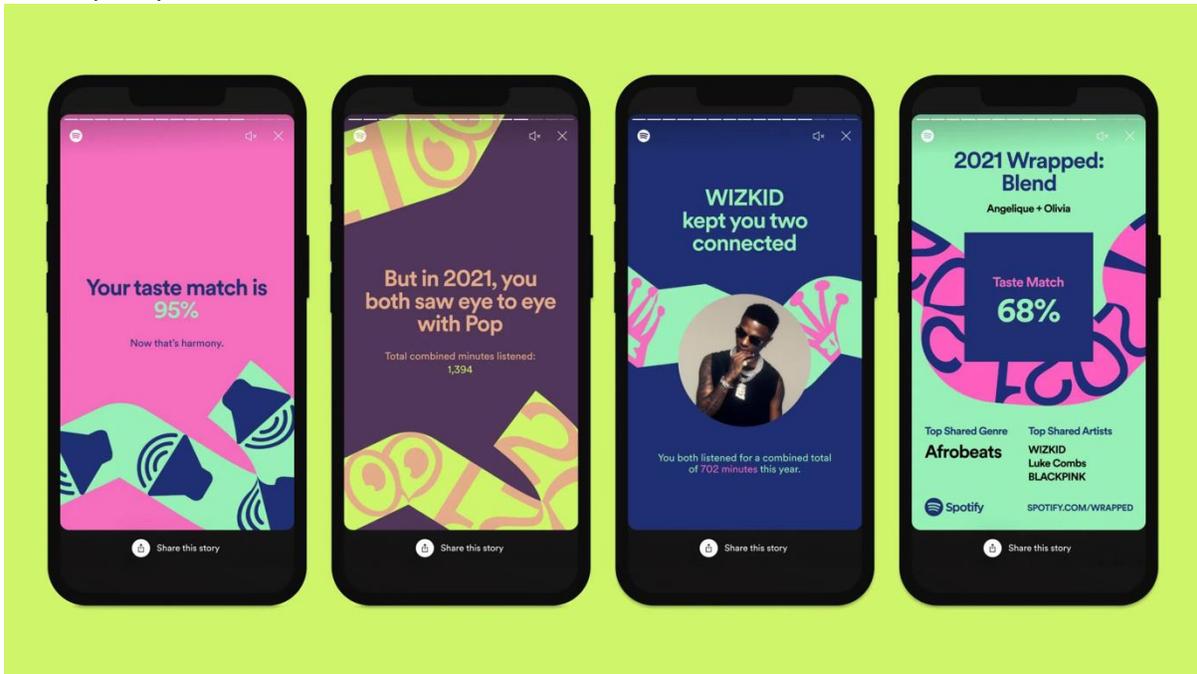*Source: Cherelus, G. (2021, December 4). When Did Spotify Wrapped Get So Chatty? The New York Times.*
https://www.nytimes.com/2021/12/04/style/spotify-wrapped-memes.html

- Spotify Blend

Fig. Spotify Blend feature screen grabs

- Campaigns resonating with GenZ and millennials quoting pop culture references

Fig. Spotify billboard campaign

Source: Spotify gamifies its "Wrapped" billboards looking back at 2022. (n.d.). Muse by Clio. https://musebycl.io/music/spotify-gamefies-its-wrapped-billboards-looking-back-2022

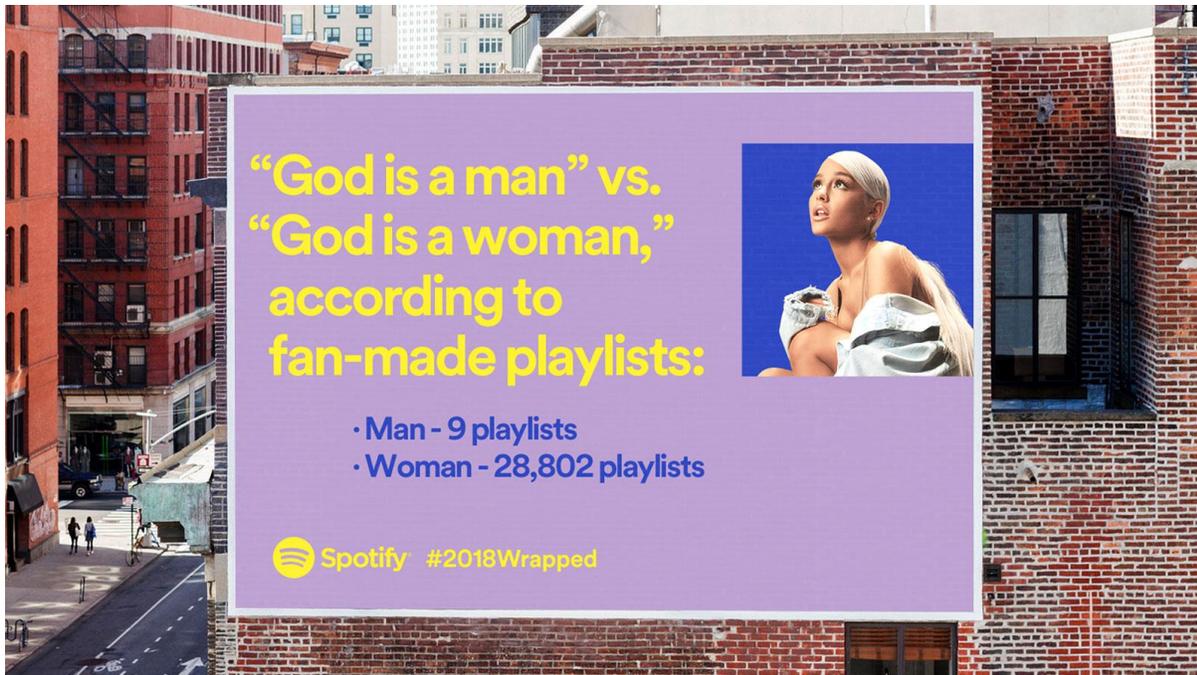- Utilizing data it collects for tongue in cheek advertisements

Fig. Spotify billboards gamifying data analytics

Brand Growth Assessment

Spotify, like in most other aspects of its business, seems to depart from a traditional brand architecture setup and focuses on just one product. It does everything through the same platform/app and provides services such as – stream content, advertise, get published as an artist, collaboration with ticket master, and merchandise shop. Therefore, this is neither a branded house, nor a house of brands, it is just one Spotify brand that requires one account for all its services which are bundled in one pack.

Strengths and weaknesses about the brand architecture

1. Strengths of one brand bundling everything approach:
   o Brand equity is transferred across all services, brand design works for all aspects and allows the brand to create recognition for many of its services irrespective of which service introduced the customer to the brand, thus enabling major up-selling opportunities.
   o In a world where the growing application number on devices is a real concern for users, not having to download extra apps is a big draw to incentivize consumer behavior and engagement.
   o Communicating new features or capabilities becomes much easier as users on one part of the platform can easily be redirected to another or shown communications that make them aware of new developments.

2. Weaknesses of this approach:
   - Hit to any one aspect would affect revenues across all services as there is no separation between the different revenue streams, we saw this when the Joe Rogan controversy took place and all of Spotify's revenue streams were impacted by it.
   - Users who have a strong negative feeling for one particular service or part of the app will stay away from the platform and look for alternatives for services that they might have wanted.
   - From a technical architecture perspective, the application can get quite heavy, complex, and thus buggy, as we saw in the negative sentiment word cloud as well, people are starting to notice some performance issues with the platform.

Extent of Brand Expansion

1. **Content forms** – music, podcasts, parallel video streams, short videos, music with lyrics (enabling users to enjoy music in various languages)

2. **Regional expansion** – launched in 80 new markets, added 36 languages to platform.
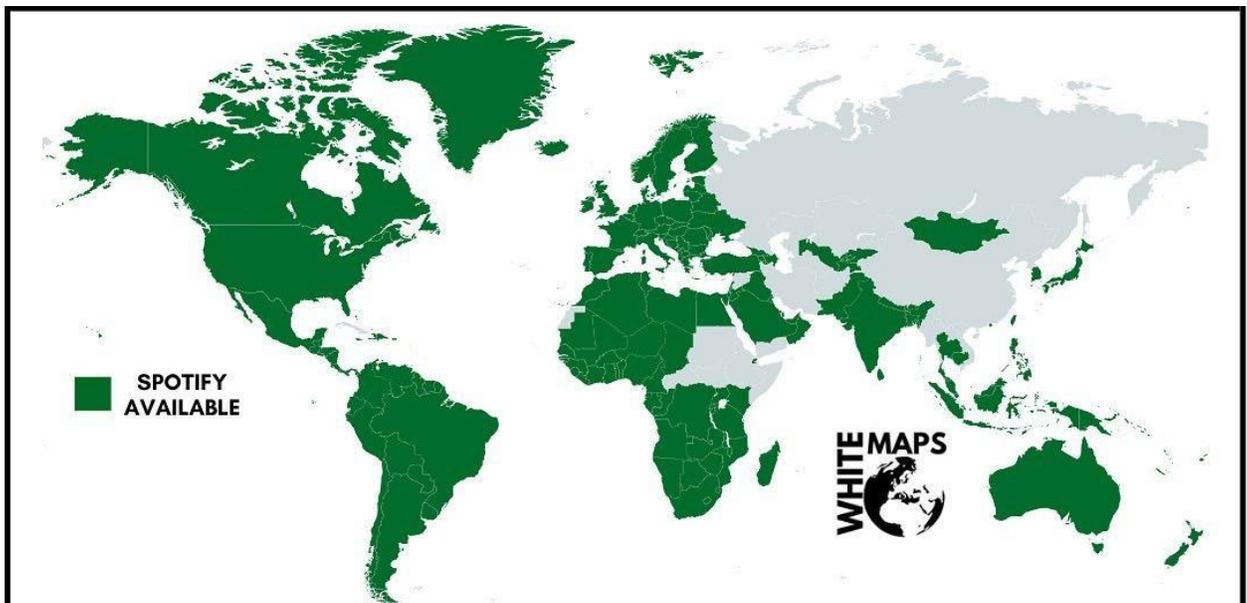
Spotify's availability across the world, 2022

Source: Spotify Availability of Spotify, 2022. mapsontheweb.zoom-maps.com/post/700571516263415808/availability-of-spotify-2022-by-mapswhite

3. **Channel expansion** – Spotify has a dedicated app for iOS, Android, Mac, and Windows. It has web player capabilities for browsers like Edge, Chrome, FireFox, Safari, and Opera. Spotify is also available on various SmartTVs, gaming consoles, smart watches, and cars through dedicated apps.

Assessment of current growth strategy

The current growth strategy looks precariously positioned. While the brand has some great things going for it and one can confidently assume it has built economies of scale in the music and audio content space, it is reaching a certain saturation in terms of the number of new users added per month. In order to combat that, the brand is adding multiple new features to attract newer demographics and expand its target market, however, given its current architecture of having everything in one app, under the Spotify name is starting to put pressure on the app's performance and hence, the unparalleled customer experience, the "burst" of emotions feeling the brand is trying to provide its users.

Therefore, we believe the growth strategy going forward must address two key areas while further leveraging its current strengths. These areas are:

- ✓ Cater to current customers by creating stickiness so that customers can overlook the slight performance trade-offs for the large value created in their life by the brand.
- ✓ Build new customers by broadening the horizon of possibility on the Spotify app, thus attracting new groups with different interest areas.

RECOMMENDED BRAND STRATEGY

Current Mission and Purpose

Spotify's mission is to unlock the potential of human creativity

by giving a million creative artists the opportunity to live off their art

and billions of fans the opportunity to enjoy and be inspired by these creators.

Source: Spotify's current mission statement[13]

Big Idea

At Spotify, we envision a future where our platform transcends its role as a mere audio streaming service to become a vibrant and inclusive community, deeply connecting people through the power of music and audio content. Our promise is to understand our users and their ever-evolving sentiments, enabling them to forge deeper, more meaningful connections with others.

With a focus on personalization, social interaction, and recognition of our most dedicated users, we aim to transform Spotify into a dynamic and ever-engaging space that empowers our community to

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[13] Mission statement, https://investors.spotify.com/about/

build relationships, share experiences, and fight feelings of loneliness through the universal language of music.

We will continually refresh the Spotify experience by partnering with cultural events, artists, and local talents, creating a consistent and scalable sense of belonging, so that Spotify truly becomes the go-to destination for people looking to connect, express themselves, and experience the world through the magic of audio.

Five sources of connectivity

Spotify has created a personalized relationship with their users, to the extent that the most used app on many of their users' phones and devices in terms of hours spent is Spotify. They can further solidify this relationship if they look at our big idea of transforming Spotify into a community platform and implementing it through these five elements.

Promise

Spotify's current value proposition is fairly simplistic, they are their users one stop shop for all forms of audio content, it started with music, but they were able to capture a large chunk of the podcast market as that space grew and they have since become the go-to space for both music and podcast content.

Now that they have the network effects and a large mass on board, the updated promise has to be that Spotify knows their users and their evolving sentiments, so it is the perfectly positioned platform to help them find a new musical way to connect with their current network or help them find an entirely new network based on the kind of audio content and artists they resonate with at that stage of their life. *Given the constantly moving lifestyle and loneliness epidemic we keep hearing about in the younger generations, Spotify's evolved promise based on our recommended strategy will be, we will enable you to build deeper, more meaningful connections with more people.*

Strategy

Our recommended strategy for Spotify is for them to evolve into a music and audio content-based community platform by adding more social interaction features based on people's taste in music, more personalization features enabling people to make the app look, sound, and feel like their own and express themselves through their Spotify app and to their Spotify community. The final piece of the puzzle will be to highlight the most die-hard users who listen to the newest content, spend more amounts of time on the app, are dedicated fans of certain artists, or create great playlist content by recognizing them at events like packed soccer stadia, giving them access to tour shows of their favorite artists among other things.

Story

Spotify is a brand that has massively skewed towards the younger generations when we break down their user base by age, interestingly the age demographic that dominates Spotify's user base also dominates the loneliness epidemic. Let's have a look at the numbers, Spotify in 2022 in the US had 31.51% of its users

in the 18-24 age bracket and had almost an equal proportion of 31.41% in the 25-34 age bracket[14], when we compare that with Harvard's post pandemic study of people who have felt seriously lonely in the US the age group that had the largest number of people reporting a feeling of loneliness was between 18-25 with 61% of them feeling lonely[15] [16], whereas the national average was around 36%. We have seen numerous studies (the most interesting being "Music May Reduce Loneliness and Act as Social Surrogate for a Friend: Evidence from an Experimental Listening Study" by Schaefer et al., cited below) that show music's impact on mood and feeling of loneliness and large parts of people already turn to music when feeling lonely[17].

When Spotify's largest user base has already made that connection between fighting the feeling of loneliness and the service that the company provides, the brand acknowledging the trend, making the consumers feel heard and re-imagining their platform around this pain point as per our recommendation will not just be an easy pivot but rather a welcome evolution and will deeply resonate with their user base, creating a deeper bond between Spotify and Spotifiers.

Freshness

Spotify continually stays relevant by capitalizing on pop culture trends and making it more personalized. Our recommendations build further on this image of the brand, as of now music listening is a one way interaction where the users interact with the different features and resources Spotify has built for them but when we say Spotify must transform into a community platform then the brand has to engage back with its users and we recommend doing that through new and innovative ways like using the sponsorship of FC Barcelona's Nou Camp stadium and then creating a digital spotlight, highlighting some users in the stadium who listened tuned in to Spotify for longest, or who created the best playlist as adjudged by a celebrated music artist and the artists can keep rotating for every game, thus allowing people with different musical tasted to be highlighted. This can be taken a step further by partnering with the tours of famous artists like Beyonce, Taylor Swift, Ed Sheeran, and Coldplay and giving their biggest fans exclusive access to tour tickets, thus enabling the brand to communicate and connect with its fans and creating a community of fans and artists beyond just the year-end "Spotify Wrapped", which people can share on their social media platforms, generating buzz for the brand.

Experience

Our proposed strategy for Spotify will be scalable and consistent because they can keep organizing pop-up music festivals in different cities based on the local artists that are popular, similarly the game in stadia like Barcelona's Nou Camp are regular throughout the year and thus can have regular spotlights

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[14] Sukhanova, K. (2023). Spotify Statistics 2023: User demographics, growth rate, and revenue breakdown. *The Tech Report*. https://techreport.com/statistics/spotify/

[15] Cashin, A. (2022). Loneliness in America: How the pandemic has deepened an epidemic of loneliness — making caring common. *Making Caring Common*. https://mcc.gse.harvard.edu/reports/loneliness-in-america

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[17] Schäfer, K., Saarikallio, S., & Eerola, T. (2020). Music May Reduce Loneliness and Act as Social Surrogate for Friend: Evidence from an Experimental Listening Study. *Music & Science*, *3*, 205920432093570. https://doi.org/10.1177/2059204320935709

and winners, the artists access for tours can keep rotating as some artists or the other keep touring at all times during the year.

Therefore, all of these different touchpoints will make the community experience consistent and scalable, giving people a sense of belonging all year round.

Values

Spotify has 5 values listed on their website that guides their brand strategy. They are:

1. Innovative: We move fast and take big risks
2. Sincere: We have no time for internal politics
3. Passionate: We revel in what we do
4. Collaborative: We recognize that we're all in this together
5. Playful: We don't take ourselves too seriously

We propose adding a 6th brand value of _community_ to guide Spotify. Spotify is poised to become a community platform, so community should be added.

Goals

- **User Growth:** Through our recommendations, we hope to achieve **500M users** by the end of 2024.
- **Increased monetization:** Through adding product extensions, we hope to achieve $15B in revenue by the end of 2024.
- **Awareness:** Grow awareness of brand by 50% through in-person brand activations.

Strategies

Essential choices made on how to get to the vision.

Community: Among Users

Spotify Herd, social features, JAM

Spotify has 551 million users. Building an experience where users are an asset and can create a network effect allows Spotify to distinguish itself and create a moat from emerging players in music streaming and entertainment.

Features that Spotify already has:

- **User profiles** - Users can create profiles with info about their music tastes, location, etc. Users can follow each other.

- **Enhanced social features** - Spotify has features to share playlists, songs etc. with friends. You can also comment on playlists.
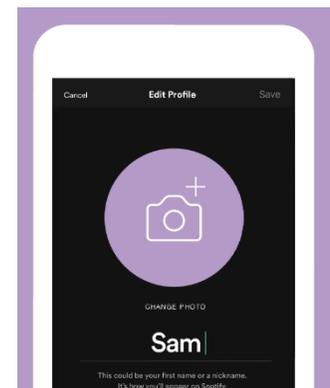
- **Song tagging** - Spotify lets you share songs with friends by tagging them. The other user gets a notification.

- **Live listening parties** - Spotify has a feature called Group Session that lets you listen to music in real time with friends online.

Features that Spotify can build to support this strategy:

- **Music forums** - There are unofficial Spotify community forums where users discuss Spotify, music, etc. But no official in-app forum from Spotify.

- **Local listening parties** - Facilitate in-person listening parties/events for Spotify users to get together and listen to music in their local areas. Could be organized by genre or other interests.

- **Song dedications** - Let users dedicate songs to other users' profiles for special occasions, as messages, etc.

- **User Q&As** - Host live and virtual Q&A sessions for users to engage with music artists, each other, Spotify staff.

Community: Artists and Fans

artist video introductions, ticketmaster integration

Community: Music Ecosystems

Spotify recognizes that their users are complex, multi-faceted people and music is only one form of expression and entertainment for them. They have many other interests and for Spotify to truly feel like a platform that understands them and brings together all of their different interests in one seamless way while no forgetting the roots and competencies of the Spotify brand, then it must create a bridge between different music ecosystems.

The way we envision that is Spotify collaborating with various sports stakeholders, like teams, leagues, central sports administration authorities (they have already started this by sponsoring FC Barcelona and renaming the stadium from Nou Camp to Spotify Nou Camp), tv shows where they can compile the music used and created in different tv shows across the world, games including different versions of the games that use different background scores and songs to depict various phases, levels, and stages of the game adding to the experience and creating a deep connection between the game experience and that musical sound.

The way we see this coming to life is through:

Spotify theme parties: Having a page for different tv shows, sports franchises, games etc and identifying which cities have the greatest number of fans engaging with that interest and then throwing a Spotify theme party of that interest in that city, bringing together people who are passionate about and have interest in the same area.
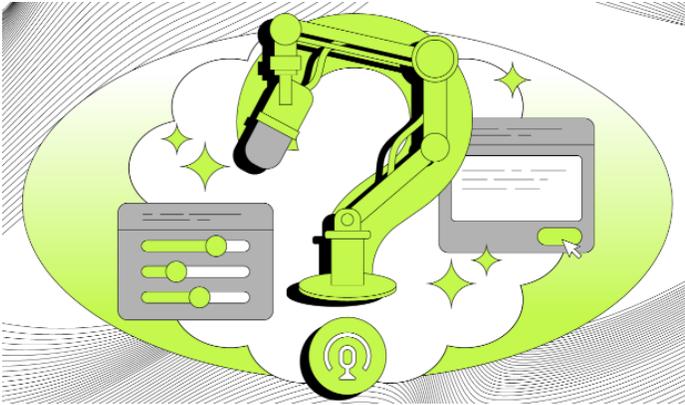
Theme trivia bringing added marketing revenue: Spotify platform can host themed trivia of certain Intellectual Properties (IPs) and the winners of the trivia, the biggest fans, can then win prizes which are directly sponsored by the owners of the property and Spotify can build a revenue stream from this as the IP owners can use this as an engagement marketing channel for which they will pay Spotify.

Allow users the chance to be the DJ at major live events: Once Spotify identifies and creates a 360 profile on their users, identifying their adjacent interests, they can create collaborations with the most popular live events and run events that allow their most ardent users to have their playlists used during a live football match or at a LA Lakers basketball game creating a much more engaged user base while enabling a unique audience experience for those who attend these events.

Tactics

- Strategy 1: Build a community between Spotify users themselves
    - o Product extensions: add features such as music forums, local listening parties, and song dedications to enhance connectivity between users
    - o Advertisements: in print / video advertisements, highlight stories that show how Spotify brings people together
- Strategy 2: Build a community between Spotify users and artists
    - o Product extensions: add integration with Ticketmaster so that users can purchase concert tickets directly through Spotify. Add video biographies to each artist page where the artist can explain their influences and style of their music
    - o Advertisements: in print / video / digital advertisements, highlight stories that show how Spotify has helped artists build an audience and grow their careers
- Strategy 3: Build a community between Spotify users and the broader music ecosystem
    - o Product extensions: expand into live events for music, TV, and broader culture to show that Spotify is a platform that brings the community together
    - o Advertisements: highlight stories in print / video / digital advertisements that show how Spotify allows users to engage with the broader music ecosystem, such as receiving tickets to their favorite artist's concert

Projected Profit-And-Loss Statements

Most likely P&L statement for 2024

The expected case scenario is one where Spotify does not make any of the recommended changes in the branding strategy. The brand is in a healthy position to sustain the current rates of growth due to excellent customer experience and a sticky customer base. Revenue can still be expected to grow at around 12.0% as it did in the last 3 years, and cost of revenue will remain about 74.1% of revenue. The expected case scenario would result in revenue amounting to just over $15.1B in 2024, up from $13.5B in 2023. Spotify is expected to have a net loss of $301M in 2024, but is on the path to achieving profitability.

Best case scenario

The best-case scenario is one there all recommendations are implemented bringing our revenue growth rate to 20.0% due to the launch of new product lines and better social features on the app. Cost of revenue will remain the same and marketing costs will go up to promote our new product lines (i.e. Spotify Herd). If the recommended changes are implemented, we expect revenue to jump to $16.2B in 2024, but profit to decrease from an expected loss of $301M to an expected loss of $430M, due to the increasing marketing expenses.

Worst case scenario

The worst-case scenario is one in which Spotify makes the necessary investments towards improving the brand but does not yield additional revenue growth as a result. In this case, net revenue grows at only 7.0% per year, and marketing costs increase. A worst-case scenario would mean that our new products like Spotify Herd are poorly perceived by our consumers. If our new product extensions and marking plans do not catch on, revenue will only grow to $14.5B in 2024.

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[6]Paramount Pictures. (n.d.). Americans Are Listening to More Podcasts Than Ever. Paramount Pictures. https://www.paramount.com/news/audience-insights/americans-are-listening-to-more-podcasts-than-ever

Appendix

Appendix 1 – Financial Forecasts for Spotify

US $ in Millions	FY '20	FY '21	FY '22	LTM '23	FY '24 Expected Case	FY '24 Best Case	FY '23 Worst Case
Revenue	$9,639	$10,995	$12,533	$13,560	$15,194	$16,272	$14,509
Cost of Revenue	$7,174	$8,048	$9,406	$10,134	$11,252	$12,051	$10,745
Gross Profit	$2,465	$2,947	$3,127	$3,426	$3,942	$4,221	$3,764
Operating Expenses	$2,823	$2,840	$3,822	$4,152	$4,135	$4,537	$4,045
Sales & Marketing	$1,259	$1,291	$1,680 -		$1,874	$2,115	$1,886
General & Administrative	$541	$512	$669 -		$785	$841	$750
R&D Expense	$1,024	$1,037	$1,482	$1,767	$1,476	$1,581	$1,410
Operating Income	($358)	$107	($695)	($726)	($194)	($315)	($281)
Net Interest Expense	($45)	($66)	($12)	$38	$0	$0	$0
Income before Taxes	($867)	$283	($395)	($963)	($194)	($315)	($281)
Income Tax Provision	($157)	$322	$64	$88	$107	$115	$102
Net (loss) Income	($711)	($39)	($460)	($1,051)	($301)	($430)	($384)

Compared to the average onliner, Spotify users are more likely to have a high income

Demographic profile: income
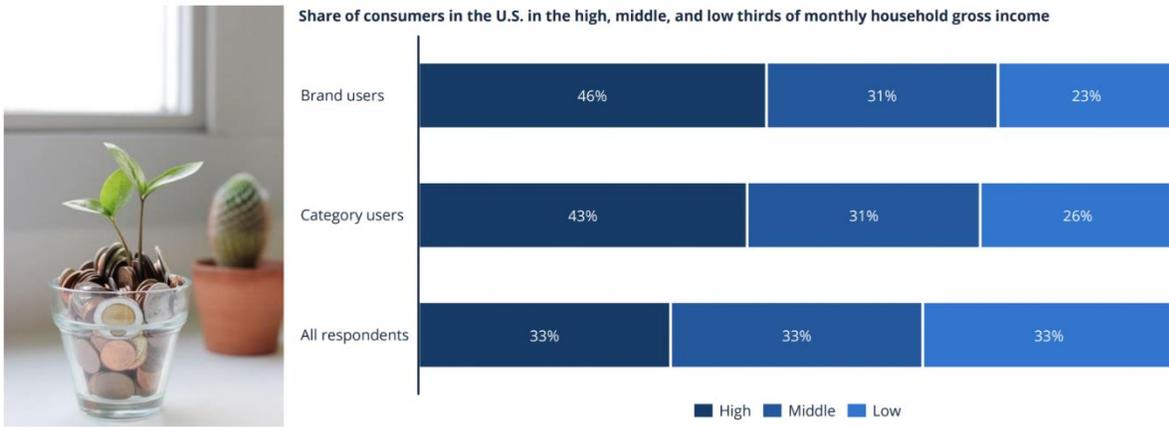
Share of consumers in the U.S. in the high, middle, and low thirds of monthly household gross income

	High	Middle	Low
Brand users	46%	31%	23%
Category users	43%	31%	26%
All respondents	33%	33%	33%

■ High ■ Middle ■ Low

Source: Statista. (2023). (rep.). *Digital Music: Spotify users in the US*.

50% of Spotify users have a college degree

Demographic profile: education

Consumer's level of education in the U.S.
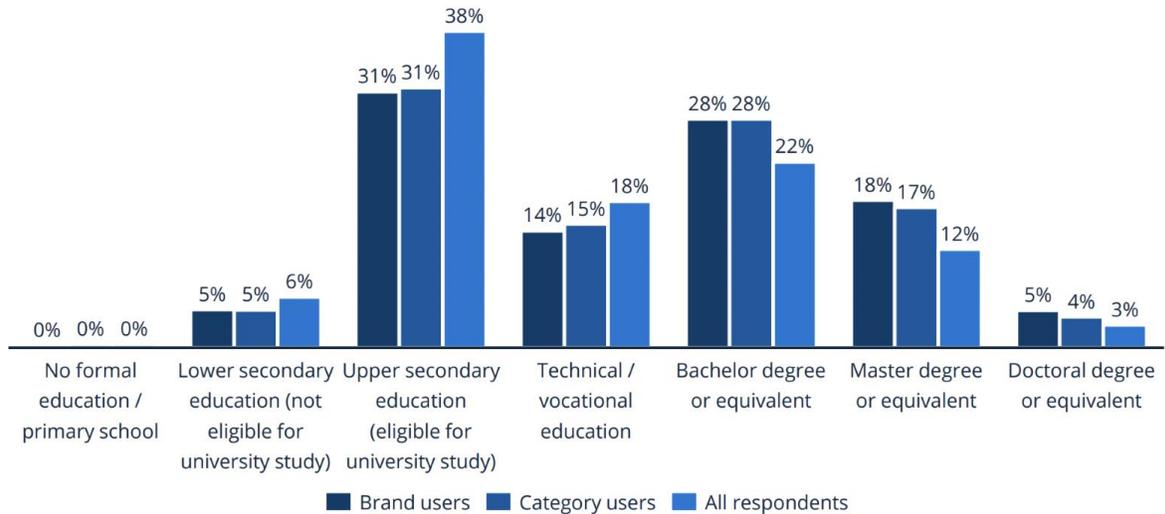
Education level	Brand users	Category users	All respondents
No formal education / primary school	0%	0%	0%
Lower secondary education (not eligible for university study)	5%	5%	6%
Upper secondary education (eligible for university study)	31%	31%	38%
Technical / vocational education	14%	15%	18%
Bachelor degree or equivalent	28%	28%	22%
Master degree or equivalent	18%	17%	12%
Doctoral degree or equivalent	5%	4%	3%

■ Brand users ■ Category users ■ All respondents

Source: Statista. (2023). (rep.). *Digital Music: Spotify users in the US*.

47% of Spotify users like to listen to rap, hip hop, and R&B

Digital music: genre and podcast preferences

Top 10 favorite music and podcast genres of Spotify users in the U.S.
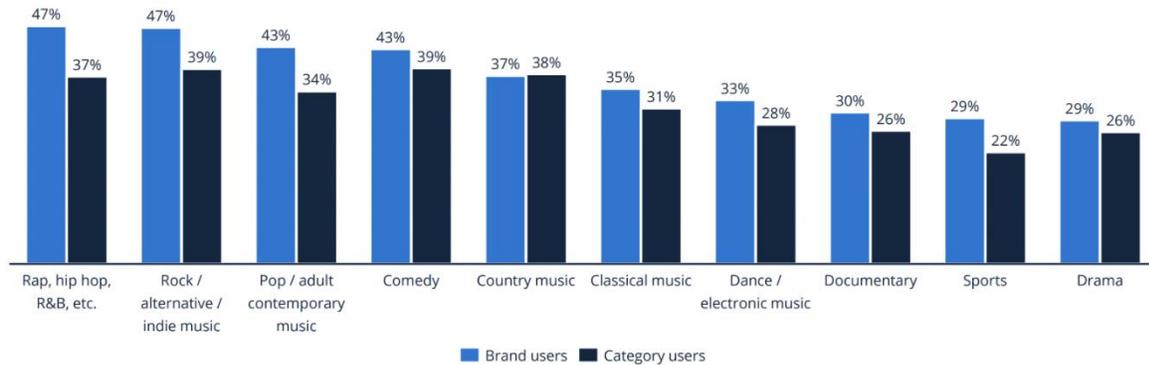
	Brand users	Category users
Rap, hip hop, R&B, etc.	47%	37%
Rock / alternative / indie music	47%	39%
Pop / adult contemporary music	43%	34%
Comedy	43%	39%
Country music	37%	38%
Classical music	35%	31%
Dance / electronic music	33%	28%
Documentary	30%	26%
Sports	29%	22%
Drama	29%	26%

■ Brand users ■ Category users

Source: Statista. (2023). (rep.). *Digital Music: Spotify users in the US*.

Compared to other digital music buyers, Spotify users are relatively likely to live in a nuclear family

Demographic profile: household classification

Type of households in which consumers in the U.S. live

	Brand users	Category users	All respondents
Single household	13%	16%	19%
Couple household	14%	16%	20%
Single parent household	10%	11%	10%
Partners and children	35%	31%	24%
Multi-generational family	4%	5%	4%
Two or more related adults	16%	15%	15%
Other household types	7%	6%	8%

■ Brand users ■ Category users ■ All respondents
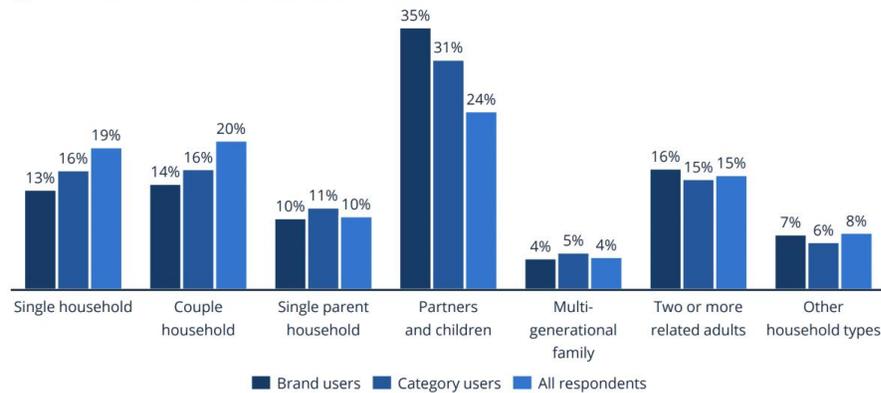
Source: Statista. (2023). (rep.). *Digital Music: Spotify users in the US*.

How else are Spotify listeners spending their time?

46% MORE LIKELY TO PURCHASE A BOOK OFFLINE IN THE PAST SIX MONTHS THAN THE AVERAGE CONSUMER

114% MORE LIKELY TO SHOP AT BARNES AND NOBLES IN THE LAST 30 DAYS

91% MORE LIKELY TO STREAM MORE THAN 50 PIECES OF VIDEO CONTENT PER DAY

comscore   Source: Comscore Plan metrix Audience Profile, Spotify, Total Audience, Nov/Dec 2022

Source: *Who is Today's Spotify Consumer?* Comscore, Inc. (n.d.)
https://www.comscore.com/Insights/Blog/Who-is-today-s-Spotify-Consumer

Spotify users are more interested in movies, TV shows and music than other digital music buyers

Consumer lifestyle: main interests

Top 10 interests of Spotify users in the U.S.

	Movies, TV shows & music	Food & dining	Health & fitness	Travel	Sports	Science & technology	Fashion & beauty	History	Finance & economy	Home & garden
Brand users	58%	45%	41%	41%	37%	37%	34%	33%	32%	30%
Category users	50%	40%	35%	34%	33%	31%	27%	31%	27%	27%
All respondents	50%	41%	33%	31%	28%	29%	25%	31%	25%	26%

■ Brand users   ■ Category users   ■ All respondents
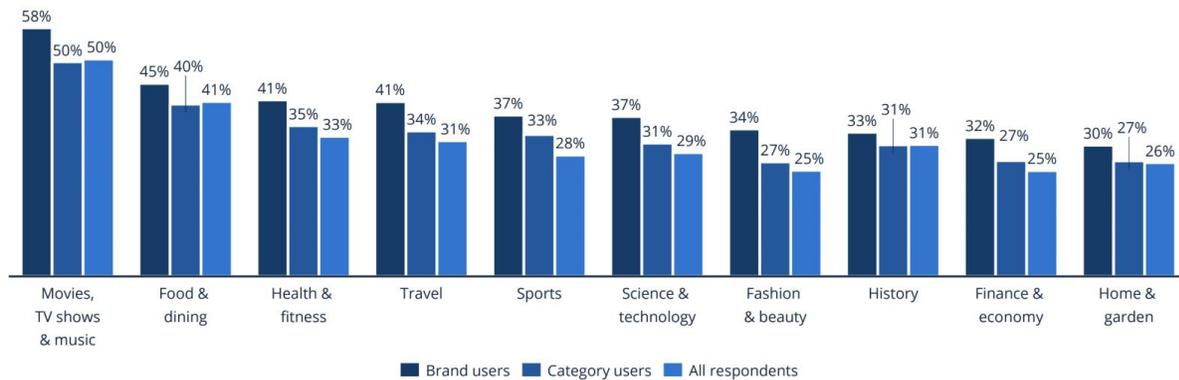
Source: Statista. (2023). (rep.). *Digital Music: Spotify users in the US*.

Video gaming is a relatively popular hobby among Spotify users

Consumer lifestyle: hobbies & leisure activities

Top 10 hobbies and leisure activities of Spotify users in the U.S.

Legend: ■ Brand users ■ Category users ■ All respondents

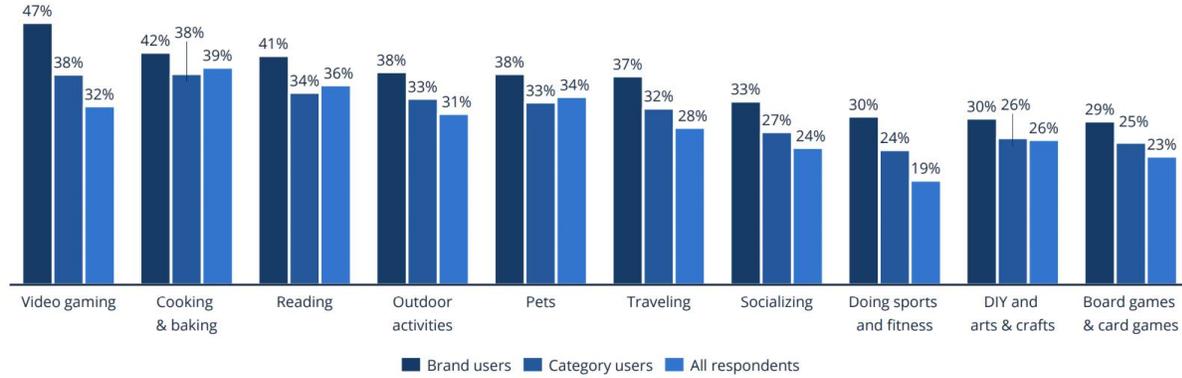| Category	Brand users	Category users	All respondents
Video gaming	47%	38%	32%
Cooking & baking	42%	38%	39%
Reading	41%	34%	36%
Outdoor activities	38%	33%	31%
Pets	38%	33%	34%
Traveling	37%	32%	28%
Socializing	33%	27%	24%
Doing sports and fitness	30%	24%	19%
DIY and arts & crafts	30%	26%	26%
Board games & card games	29%	25%	23%

Source: Statista. (2023). (rep.). *Digital Music: Spotify users in the US*.

Appendix 7 – Spotify users segmented on time taken to adopt new technology

23% of Spotify users are innovators or early adopters of new products

Consumer attitudes: innovation adoption

Innovation adopter types based on statements towards innovation by consumers in the U.S.

Legend: ■ Brand users ■ Category users ■ All respondents

Category	Brand users	Category users	All respondents
Innovators	3%	2%	1%
Early adopters	20%	17%	11%
Early majority	41%	43%	37%
Late majority	17%	18%	26%
Laggards	19%	21%	25%
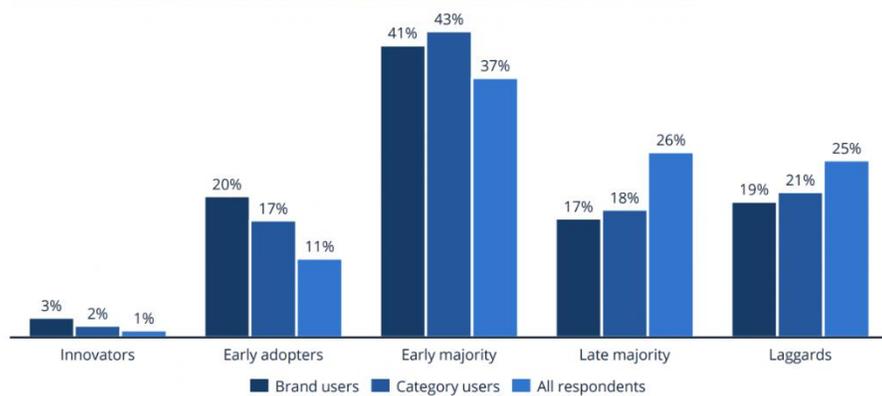
Source: Statista. (2023). (rep.). *Digital Music: Spotify users in the US*.

Appendix 8 – Usage of Spotify app

A relatively large share of Spotify users pay for digital music to access a great variety of content

Digital music: purchase drivers

Most important drivers of digital music purchases for Spotify users in the U.S.

Driver	Brand users	Category users
To listen to what I want, when I want	64%	56%
High sound quality	52%	45%
To access a great variety of content	51%	43%
Good value for money	49%	42%
Less advertising	42%	35%
To access original / exclusive content	39%	33%
To access specific music or shows	39%	34%
To avoid illegal downloading / streaming	28%	24%

■ Brand users ■ Category users

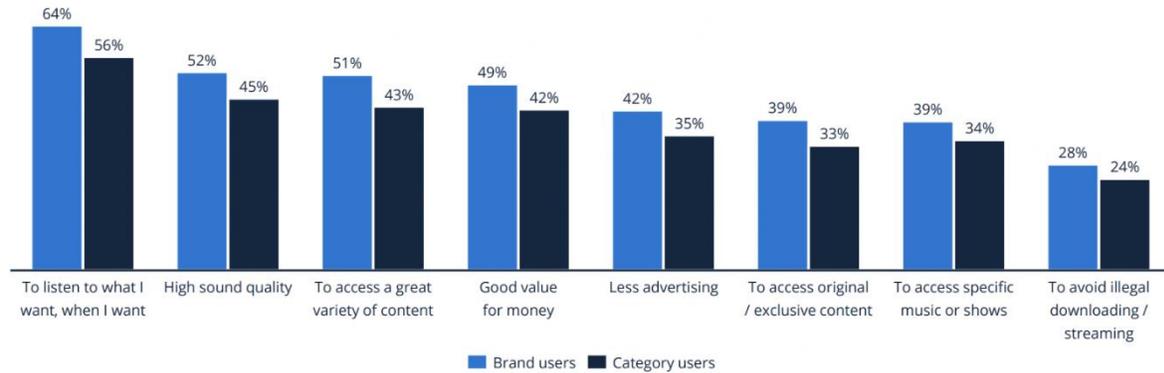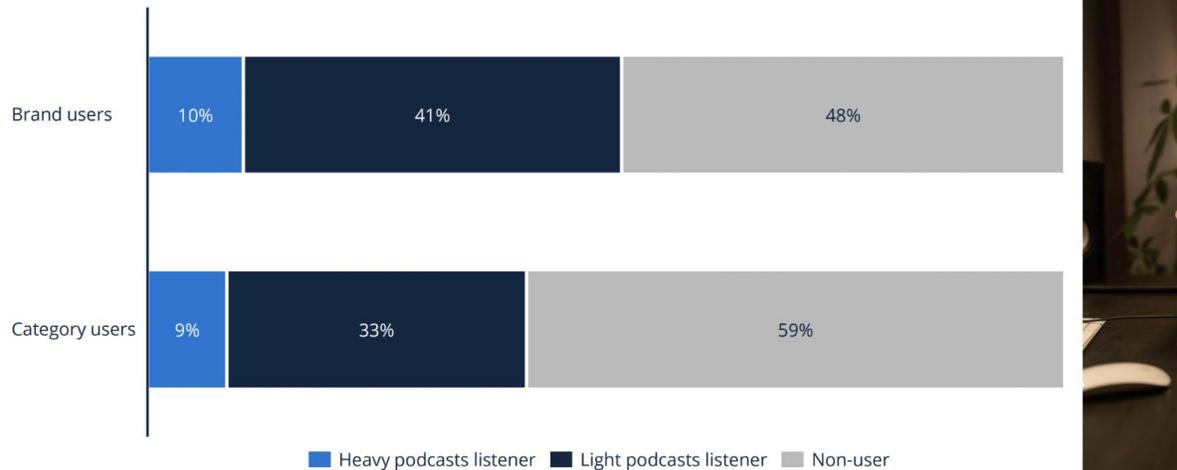Source: Statista. (2023). (rep.). *Digital Music: Spotify users in the US*.

Spotify has a relatively large share of users that listens to podcasts

Digital music: podcast listening intensity

Frequency of podcast usage by Spotify users in the U.S.

	Heavy podcasts listener	Light podcasts listener	Non-user
Brand users	10%	41%	48%
Category users	9%	33%	59%

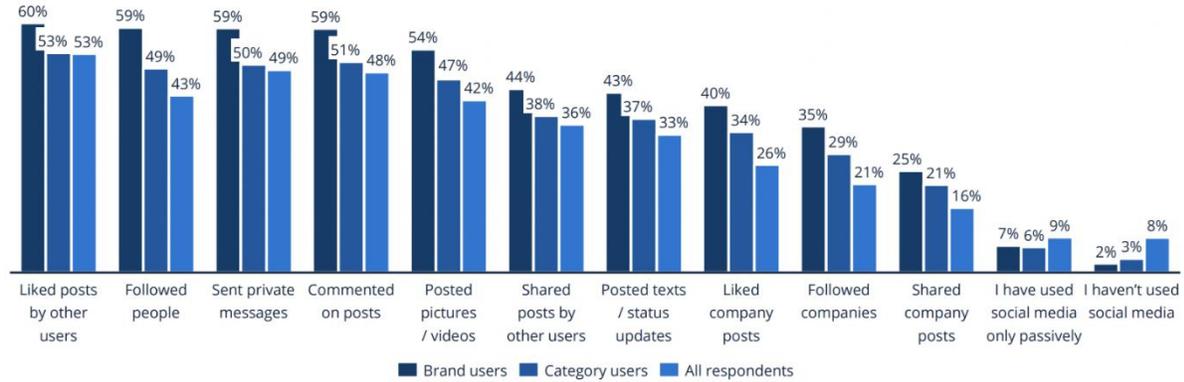■ Heavy podcasts listener ■ Light podcasts listener ■ Non-user

Source: Statista. (2023). (rep.). *Digital Music: Spotify users in the US*.

Appendix 9 – Spotify user engagement

On social media, Spotify users interact with companies more often than other digital music buyers

Marketing touchpoints: social media usage
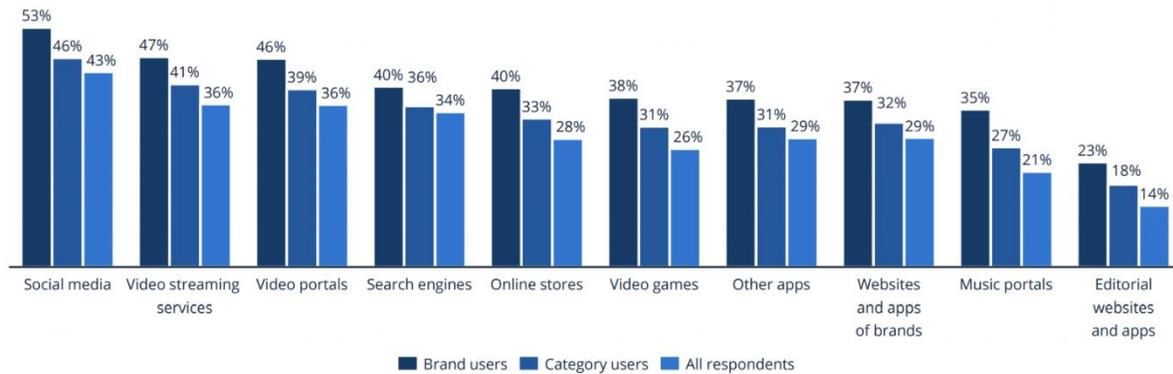
Social media activities in the U.S. by type

Legend: Brand users, Category users, All respondents

Source: Statista. (2023). (rep.). *Digital Music: Spotify users in the US*.

Spotify users remember hearing ads on music portals and streaming services more often than other digital music buyers

Marketing touchpoints: digital advertising touchpoints
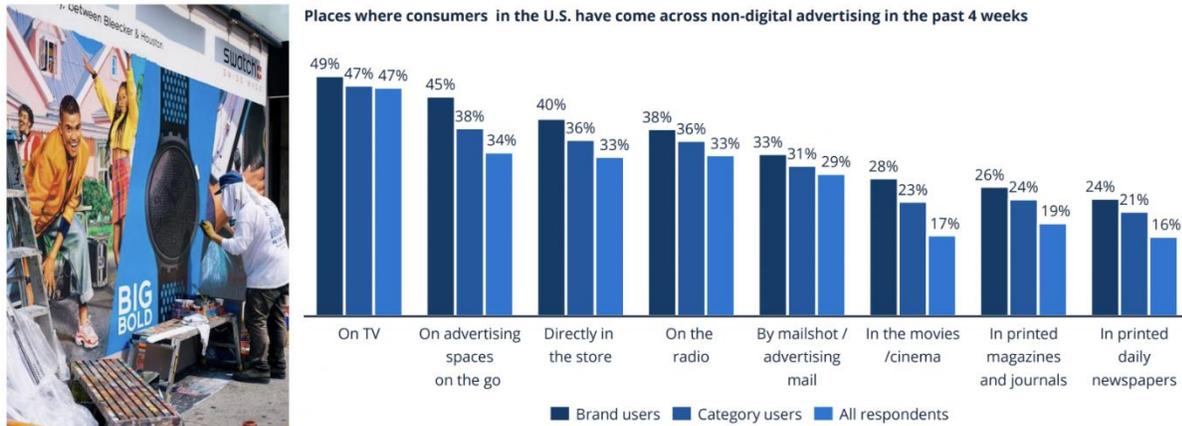
Top 10 places where Spotify users in the U.S. have come across digital advertising in the past 4 weeks

Legend: Brand users, Category users, All respondents

Source: Statista. (2023). (rep.). *Digital Music: Spotify users in the US*.
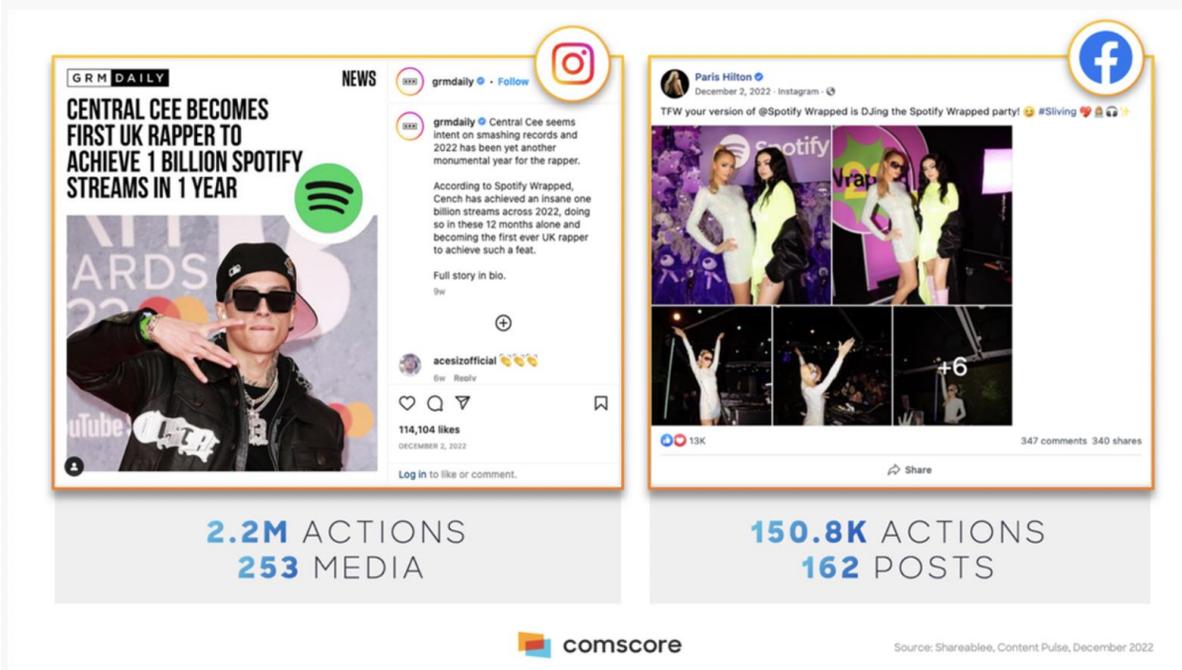
Spotify users remember ads they saw out-of-home more often than other digital music buyers

Marketing touchpoints: non-digital advertising touchpoints

Places where consumers in the U.S. have come across non-digital advertising in the past 4 weeks

	On TV	On advertising spaces on the go	Directly in the store	On the radio	By mailshot / advertising mail	In the movies /cinema	In printed magazines and journals	In printed daily newspapers
Brand users	49%	45%	40%	38%	33%	28%	26%	24%
Category users	47%	38%	36%	36%	31%	23%	24%	21%
All respondents	47%	34%	33%	33%	29%	17%	19%	16%

■ Brand users ■ Category users ■ All respondents

Source: Statista. (2023). (rep.). *Digital Music: Spotify users in the US*.

Social media saw over **1000 pieces** of content shared that contained the words "Spotify Wrapped" in December 2022. These posts generated over **2.7 million** likes across all social platforms.[5]

Source: *Who is Today's Spotify Consumer?* Comscore, Inc. (n.d.)
https://www.comscore.com/Insights/Blog/Who-is-today-s-Spotify-Consumer

Spotlight on Music and Sport

Spotify continues to build its ecosystem and expand its audience through sponsorships. A strong example is how it effectively bridges the fans of music and sports.
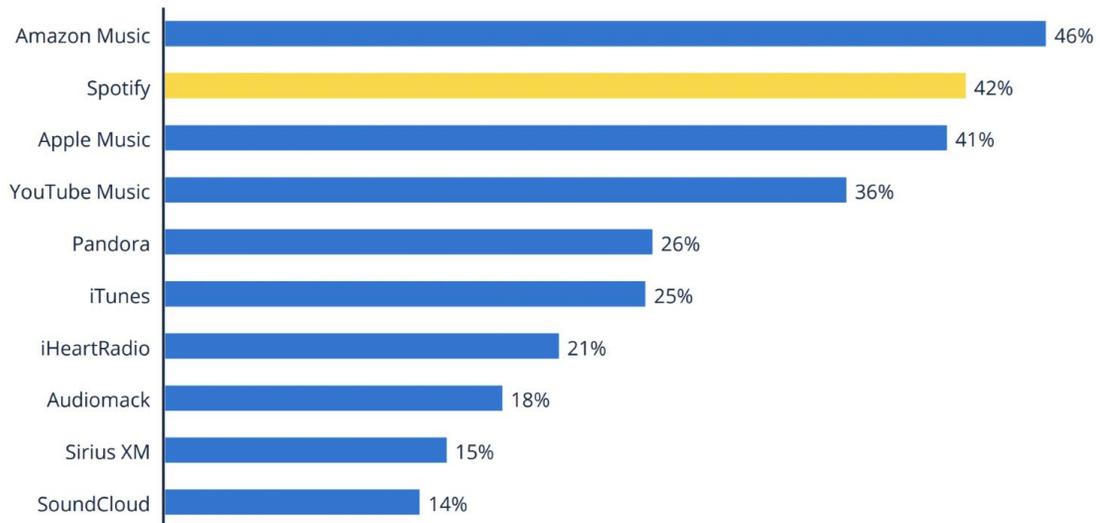
In 2022, Spotify partnered with FC Barcelona, releasing over 60 pieces of sponsored content with FC Barcelona on Instagram throughout 2022, accumulating about 32 million actions. Sponsored posts with FC Barcelona received about 516k actions per post, 16 times more actions than Spotify receives on unsponsored content.[7] It's one to watch throughout 2023 to see how they will continue to leverage this audience.

Source: *Who is Today's Spotify Consumer?* Comscore, Inc. (n.d.)
https://www.comscore.com/Insights/Blog/Who-is-today-s-Spotify-Consumer

Top 10 most used digital music services in the U.S.

Service	Percentage
Amazon Music	46%
Spotify	42%
Apple Music	41%
YouTube Music	36%
Pandora	26%
iTunes	25%
iHeartRadio	21%
Audiomack	18%
Sirius XM	15%
SoundCloud	14%

Spotify users in the United States

Management summary: key insights

Demographic profile

Spotify is more popular among Generation Z than other digital music services.

54% of Spotify users are male.

Compared to the average onliner, Spotify users are more likely to have a high income.

Digital music buyers in general and Spotify users specifically, live in similar type of communities.

Consumer lifestyle

An honest and respectable life is less important to Spotify users and digital music buyers than to the average onliner.

Spotify users are more interested in movies, TV shows and music than other digital music buyers.

Video gaming is a relatively popular hobby among Spotify users.

Consumer attitudes

It stands out that 71% of Spotify users want to access their media on all their devices.

23% of Spotify users are innovators or early adopters of new products.

A relatively high share of Spotify users think that climate change is an issue that needs to be addressed.

Marketing touchpoints

Spotify users access the internet via a gaming console more often than the average digital music buyer.

On social media, Spotify users interact with companies more often than other digital music buyers.

Spotify users remember hearing ads on music portals and streaming services more often than other digital music buyers.

Spotify is more popular among Generation Z than other digital music services

Demographic profile: life stages

Age of consumers in the U.S.

	Generation Z	Millennials	Generation X	Baby Boomers
Brand users	31%	47%	19%	3%
Category users	26%	46%	22%	6%
All respondents	22%	36%	29%	13%