Strategic Marketing Analysis: A Case Study of Spotify

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สารนิพนธ์ฉบับนี้นี้จะสำรวจและอภิปรายเกี่ยวกับแง่มุมขององค์กรและการตลาดที่เกี่ยวข้องกับการสร้างกรอบการจัดการของ Spotify การวิจัยประกอบด้วยการศึกษาสองเรื่อง 1) ศึกษาประวัติของบริษัท ประสิทธิภาพ และความคิดริเริ่มทางการตลาด และ 2) การวิเคราะห์สถานการณ์ตลาด

ผลการศึกษาพบว่า Spotify ยังมีข้อจำกัดในด้านต่าง ๆ อาทิ ค่าลิขสิทธิ์ Unique Selling Proposition (USP) และข้อตกลงการอนุญาตให้ใช้สิทธิในปัจจุบันกับผู้ถือสิทธิ์ด้านดนตรี นอกจากนี้ภัยคุกคามต่อ Spotify ยังรวมถึงความขัดแย้งทางกฎหมายกับหลายฝ่ายในเรื่องสัญญา และ Spotify ขาดความแข็งแกร่งของระบบนิเวศ (Ecosystem) ที่บริษัทคู่แข่ง เช่น Apple และ Amazon สามารถเชื่อมโยงผลิตภัณฑ์และบริการต่าง ๆ เข้าด้วยกัน ข้อเสนอแนะจากการศึกษาฉบับนี้มุ่งเน้นให้ Spotify ใช้ประโยชน์จากการที่บริษัทผลิตเนื้อหาที่เป็นเอกลักษณ์ และสามารถเข้าถึงได้จากแพลตฟอร์มของ Spotify เท่านั้น ซึ่งจะสามารถลดโครงสร้างต้นทุนของบริษัทได้

สาขาวิชา	เศรษฐศาสตร์ธุรกิจและการจัดการ	ลายมือชื่อนิสิต ....
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Thanawat Chatsri : Strategic Marketing Analysis: A Case Study of Spotify. Advisor: Ass. Prof. NIPIT WONGPUNYA, Ph.D.

This individual study explores and discusses the organizational and market aspects connected with creating a management framework that has enabled Spotify to have a disproportionate share of the music streaming industry's total earnings, Therefore, Spotify can continue dominate the market.

The research comprises of two studies : one investigates the company's history, performance, and marketing initiatives, and another analyzes the market situation. The paper finds that the company's present shortcomings include its high royalty costs, unique selling proposition, payment to music owners, and current licensing agreements with music rights holders. Apart from that, the threats to Spotify include legal conflicts with multiple parties over contracts and also the fact that Spotify lacks the vast ecosystem strength that Apple and Amazon now possess.

In order to move forward, Spotify can make the most of its strong brand recognition and position as the leading audio streaming service based on the number of users to gain customers in both new and established areas by potentially offering unique material that might reduce its cost structure and enhance its distinction by producing unique music content that is only accessible on Spotify, much as the company does now with podcasts.

Field of Study:	Business and Managerial Economics	Student's Signature ....
Academic Year:	2021	Advisor's Signature ....

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Thanawat Chatsri

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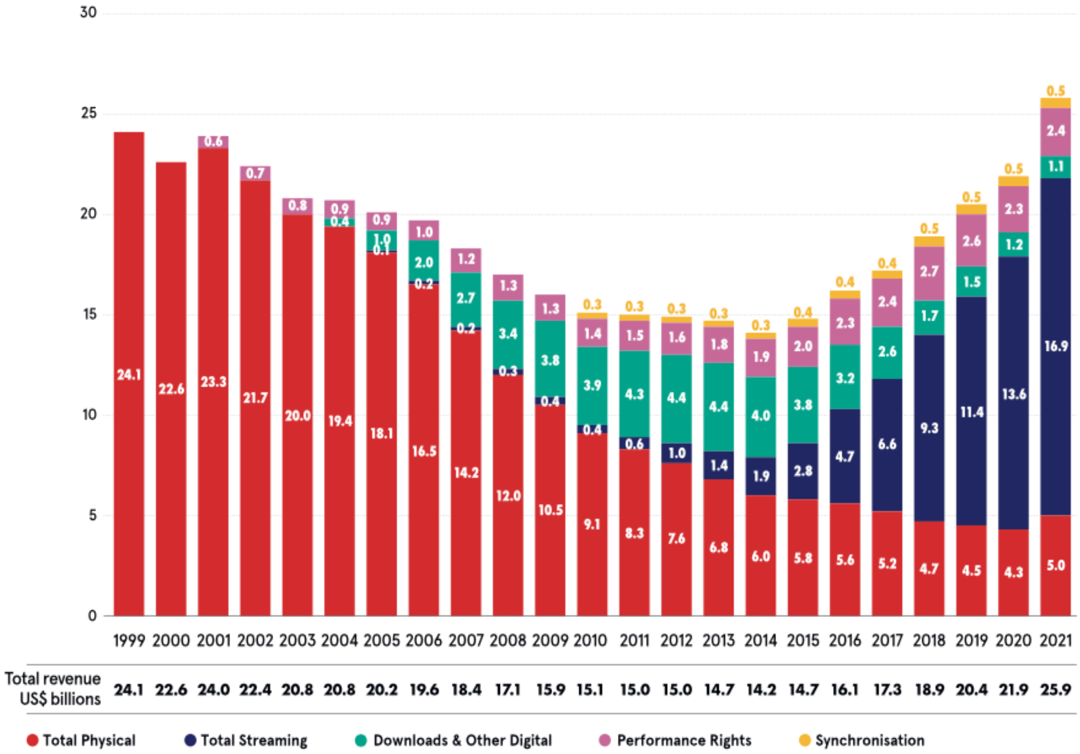
1. Introduction

Music consumption has changed as a result of the proliferation of streaming services. IFPI[1] (International Federation of the Phonographic Business) statistics shows that the global recorded music industry grew by 18.5 percent in 2021, driven by the growth of paid subscription streaming, with total sales of $25.9 billion (IFPI, 2022)

Figure 1: Recorded Music Industry Worldwide 1999-2021 Income (US$ Billions)



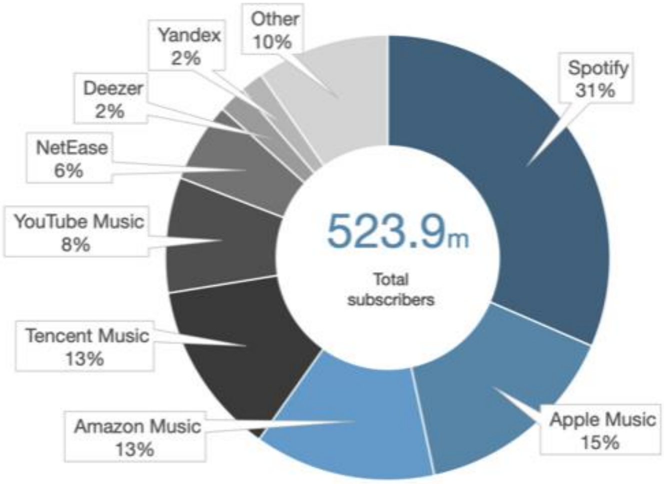
Source: IFPI Global Music Report 2022 - State of the industry

In addition, according to a recent MiDiA report[2], By the end of June 2021, there will be 523.9 million music subscribers in the world. When compared to last year, this is a 26.4 percent increase (or 109.5 million people).

Spotify, a Swedish provider of free audio streaming and video services, has a strong 31 percent lead over Apple Music, which has 15 percent of the global music subscription market. (See Figure 2)

Figure 2: Global Streaming Music Subscription Market, Q2 2021

[1] Global Music Report 2022 - State of the industry, IFPI,
[2] Music market subscriber shares 2021, MiDiA research



Source: MiDiA Research Music Subscriber Market Share Model 11/21

In the year leading up to Q2 2021, Spotify gained more clients than any other single Digital Service Provider (DSP), but its dominance is steadily decreasing; it had 33% of the market in 2020 and 34% in 2019.

Between 2022 and 2030, the music streaming sector is expected to increase at a CAGR of 14.7 percent. Spotify, Apple Music, Tencent Music, and Amazon Music are all focusing on increasing their market share. Massive revenue and data streams about how, when, and why people consume recorded music are now available to platforms that may successfully compete with one other. This integration has the potential to be lucrative. Competitors are forced to create and communicate new sorts of uniqueness and value as streaming platform competition grows in order to attract and keep current consumers.

As the music streaming industry diversifies at a fast pace and other services cut into its market share, significant questions arise: What is the external context that Spotify operates within? What does Spotify's current business growth plan entail? And how can Spotify expand given modern intense competition? The purpose of this research is to analyze and characterize the reasons connected with Spotify's market dominance, as well as assess the market position, business development strategy, its rivals, and the opportunity for Spotify to grow in an era of intense competition.

This paper's material is laid out as follows. As a first step, we provide a theoretical framework for music streaming services that includes an industry overview and a history of Spotify. Following that, we'll go into the research design, data collection, and analysis, and finally, a summary of the findings. Then, we provide the findings of our study and our suggestions for marketing strategy.

2. Theoretical Background

2.1 Music Streaming Services and Industry Overview

In 1983, compact discs heralded the beginning of widespread digitization of music (Hopewell, 2012). Despite its diminutive size compared to its predecessor, this format was notable for storing music digitally rather than analogically. According to Swanson (2013), the MP3 format was introduced in the early 1990s. Because MP3 files are so much smaller than their predecessors, they may easily be sent through email or downloaded. Files may now be sent and received through email and the internet. Thus, music may be taken wherever. Peer to peer (P2P) services were initially widely available in 1999 when Napster was launched. Founded by Shawn Fanning at the age of 18, Napster was a music file-sharing network. At its height, Napster had over fifty-seven million users. For copyright infringement, the service was shut down. However, the service's effects may continue to be felt. From $14.6 billion to $7.7 billion, "music sales in the United States have plummeted by 47 percent since the debut of Napster."

Apple unveiled their first MP3 player, the iPod, only a few months later, in October of the same year. The iPod, instead of a clunky CD player, allowed people to access all of their MP3s in a handy, trendy, and economical way. Apple's iTunes music store has sold more than 500 million recordings in its first two years of operation (Takebayashi, 2005). iTunes accounted for 60% of all digital music sales worldwide in 2012. (Wolfe, 2013).

In recent years, the approach we enjoy music has changed significantly. It's been a while since digital music distribution models have evolved. For example, Music as a Service (or MaaS) offers internet-based streaming music without handing up control of the material. MaaS is one such option. Download to Own, the most extensively explored theory in academic literature on music download sites, is distinguished from Music as a Service by this (Doerr et al., 2010).

As much as $27 billion was earned digitally in 2009 by over 400 licensed music businesses across the world. However, between 2004 and 2009, the worldwide revenues of the music business fell by 30 percent (IFPI, 2010). We now know for sure that there are two possible causes for this. Just in the five biggest EU markets, 29.8 million people regularly utilize file-sharing programs (Zentner, 2006). As a result of the digitization of music, albums may be unbundled and singles can be purchased digitally. Downloads are less lucrative than CD sales, as seen by this (Elberse, 2010). Innovative distribution methods, such as Music as a Service (MaaS), have evolved to address these two challenges (MaaS). Spotify, Grooveshark, Deezer, and Steereo are among the first music services to use MaaS. (Doerr et al., 2010).

A music streaming service's main goal is to give access to large song and album libraries through a broadband connection (Zimmer, 2018). In the present day, these services are the fastest-growing option for listening to music (Cesareo and Pastore, 2014). Both free and paid streaming service subscribers have two types of accounts: those that are financed by advertising and don't have any usufruct expenses, and those with features that need a monthly fee (Thomes, 2013). Free, ad-supported, music streaming services, according to Thomes (2013), may actually benefit the fight against piracy rather than hurt it. As a result, these services earn income by combining a freemium financial model with a premium model, where the customer pays a monthly subscription for access to more capabilities (Doerr et al., 2010). Premium features and functionality should outweigh the free version's shortcomings (Ye et al., 2004).

Platforms like Spotify and Apple Music, which used to be considered a niche alternative to traditional modes of music distribution and a source of revenue for the industry, have quickly emerged as the de facto standard (Webster, 2019). To better understand the challenges of attracting and engaging users, Hracs et al. (2021) observed that these platforms not only give a wonderful lens through which to better understand how rival platforms compete and the methods they take to promote distinction, value and loyalty. The music streaming industry is seeing fierce competition as a result of what is known as "platform parity." Because all of the major platforms provide similar content at comparable rates and minimal curation, these firms must come up with new strategies for attracting and retaining consumers. As a result of listening to music while driving, at work or out with friends, individuals are able to 'sound-track' their everyday routines (Fuentes et al. 2019)

The expansion and accessibility of the internet were critical for all of these transformations, from the analog to the digital eras. Smartphones are a major factor in the expansion of information and content (in this case, musical) (Johansson et al., 2019). In light of the ubiquity of music streaming services, as well as the growing cultural significance attached to it, it is critical to have a deeper understanding of this digital phenomenon and the factors that influence its use (Molteni and Ordanini, 2003; Wang et al., 2013b).

2.2 History of Spotify

When Daniel Ek and Martin Lorentzon created Spotify in 2006 it was not an effort to defend music from piracy as the official narrative now maintains despite Ek's deep interest in music and his love of playing the guitar, as the company's CEO says (Bertoni, 2012). Original idea for Spotify was to create a peer-to-peer media distribution platform over the internet. Spotify was first presented as a company in Sweden's press as creating a new distribution infrastructure for films. Spotify's early trials and implementations relied on music files as distributing material since video needed a large amount of bandwidth (Akesson, 2007; Johansson, 2015).

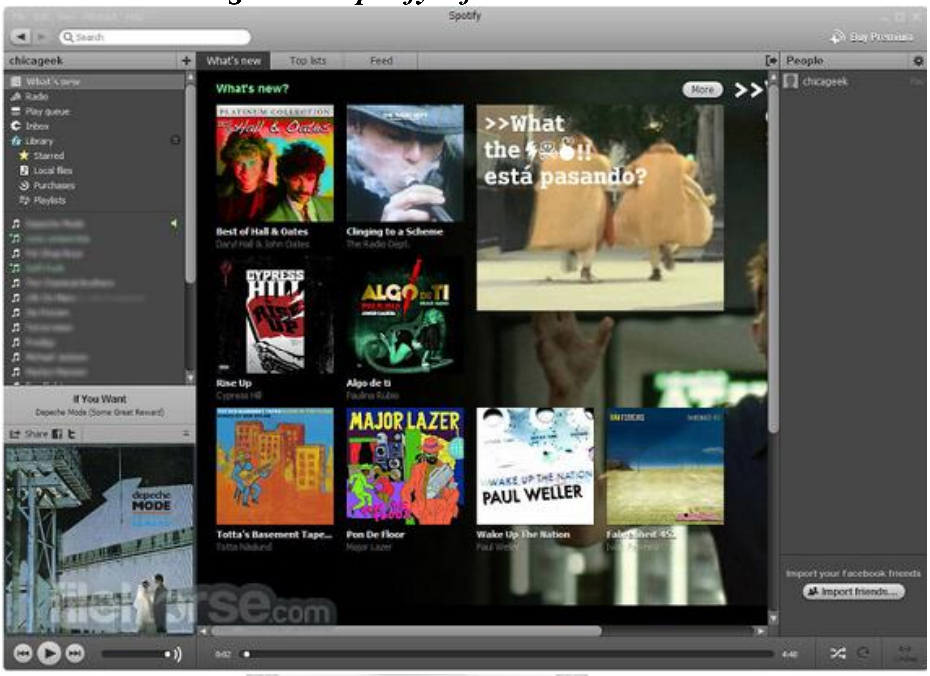
It was discovered that early versions of Spotify featured music that had been downloaded illegally from file-sharing websites like The Pirate Bay by the company's employees (Andersson Schwarz, 2013, p. 149). Soon after, Ek and Lorentzon came up with a business model for music that was clearly informed by Sweden's experience with illicit file-sharing. Spotify's mission was to provide its users with access to free, legal music via an advertising-supported model.

Since its 2006 inception in Stockholm, Sweden, Spotify has grown into the world's most popular music streaming service. Rapid growth of this platform demonstrates the platform's economic and cultural relevance in today's society (Vonderau, 2017).

As of 2008, Spotify's official version was made available in eight countries throughout Europe: the United Kingdom; Germany; France; Italy; Spain; Finland; Norway; Sweden. Two million people in the United Kingdom signed up for Spotify within the first year of its existence (Bradshaw et al. 2009) For further information, go to (Graphic 3). Spotify debuted in the United States in 2012, following a two-and-a-half-year battle.

By transforming a mindset that it was preferable to steal rather than buy digital music into a location where people paid for digital music on a vast scale, Spotify established that it was possible to do so in the digital age, according to Sun (2019). Streaming music service Spotify has made and continues to make major contributions to the development of digital music. Decreased piracy and an increasing number of individuals paying for music are two aspects that should be discussed in depth.

Figure 3: Spotify's first version in 2008



Source: Vator.tv

Digital recording companies increasingly see the subscription-based Spotify streaming service as a way to battle and eliminate piracy. A growing body of evidence shows a link between the rise of streaming services and a drop in piracy. (Page, 2013; Aguiar and Waldfogel, 2015; Wlömert and Papies, 2016; IFPI, 2017).

Halmenschlager and Waelbroeck (2014) refer to this strategy as "fighting piracy with free," and their major goal is to increase the likelihood that consumers who have been exposed to free music would pay for it. It was clear Spotify had a major edge over P2P here. It made it more easier to download and transfer files to mobile devices than it had been before. As a result of this functionality and affordable price, premium customers were more likely to upgrade. IFPI rated Spotify's streaming-based business model to be "the single most important breakthrough" only one year after Spotify's official debut in 2009. (IFPI, 2009, p. 4)

As a result of the necessity of appealing to smartphone users, in December 2013, Spotify extended its limited-feature free mobile listening. It's (Katz, 2013). At $13 billion in valuation, Spotify is Europe's most valuable private equity startup, thanks to its 60 million paying subscribers as of July 2017 (Spotify, 2017). (e.g., Murgia 2016). While Apple, Amazon, and Google, all of whom have enormous financial resources at their disposal, have attempted to challenge Spotify's supremacy in the music streaming business, the latter three have been unable to accomplish so.

No question, Spotify's rapid expansion represents a shift marked as much by negative as by positive externalities. Monitoring and personal data brokering; precarious creativity; platform capitalism; and the unfettered global growth of intermediaries are today's most extensively discussed negative externalities of the social web (e.g., Duffy 2017; Srnicek 2016). Music consumption is now more closely linked with moods and actions, thanks to playlists and inspirational quotes that change six times per day in Spotify's interaction design. Instead of being organized around tracks, the service's interface is now more closely tied to search and community features like user-created playlists. Now that music has become data and data has become context for user tracking at scale, it's time to rethink how we currently make music, movies, and books readily available to everyone. The major tech oligopoly can exploit cultural content as a result of long term and promotional medium in ways to boost sales elsewhere in a digital economy that favors "free" or advertising-subsidized content, which is now perceived as undermining the music sector (Meier 2017, 162).

Platform business or two-sided market: Spotify today is commonly described as a service that connects and profited from two or more diverse set of consumers (such as marketers and customers), bringing them together. Towse and Handke (2013), Wikström and DeFilippi (2016), and Wikström and DeFilippi (2017) claim that the company has effected market forces by supplying more music to more listeners, reducing each marginal costs, and exploiting that a so indirect externalities between different sides of the market. To put it another way, Spotify has made it possible for businesses to gain exposure to a large number of potential customers, while simultaneously allowing those customers to discover new products and services. Of the 100 million active monthly Spotify customers in 2016, and over seventy percent agreed to allow adverts in order to listen to the service for free (Murgia 2016).

2.3 Freemium Business Model

Digital content providers including audio, video, and magazines, cloud storage, social media, and entertainment have all adopted the freemium business model. Consumers may use a free version of a service, but under a freemium model, those who want more features must pay a fee to access the premium version. (Anderson, 2009; Liu, Au, & Choi, 2014).

According to Mäntymäki et al. (2020), From the perspective of the operator of a freemium business, premium memberships are the principal source of revenue. This free edition is meant to attract as many users as possible and increase the number of paid subscribers. When it comes to subscriptions, there are two main types of users: those who pay for a premium membership and those who pay for a free one (ie, premium users).

Non-paying users (often referred to as free users) benefit from a value-providing service under the freemium business model, while paying customers benefit from an increased value offer for a charge (Gassman et al., 2015).

Using freemium marketing, a company gives things out for free before collecting a price for more services. "Premium" and "free" are used interchangeably in this context, and it implies that a firm distributes a portion of its services to certain customers forever for free (Bekkelund, 2011, p. 1). In order for a company to grow quickly and cheaply, Freemium's most important strategic value is its ability to make the client acquisition process more efficient and effective.

2.4 Strategic Marketing

To put it another way, strategic marketing is about ensuring that marketing activities are aligned with overall business goals and aimed at generating a long-term competitive advantage over rivals (Burk Wood, 2004; Wilson and Gilligan, 1997). Managing value-creating resources more effectively than competitors is one way for firms to maintain a competitive edge (Johnson and Scholes, 2001).

Because they are firm-specific, legally protected, and unique, brands are seen as essential value-creating assets and sources of sustainable competitive advantage (Barney, 1991; Urde, 1999; Teece, 2000). Consequently, the capacity to undertake successful brand management operations is a significant problem for modern strategic marketers (Doyle, 2001).

3. Research Methodology

The secondary research technique is used in conjunction with a deductive research methodology in this study. The proposed marketing strategy was based on two separate studies. First, a look at the inner workings of the organization, including an overview, business model, 4V framework, marketing mix, STP analysis, campaigns, and partnership agreements. Second, an external analysis using SWOT, competitive analysis, and Porter's 5 forces analysis. After that, we'll go through our findings and provide some suggestions.

4. Spotify Internal Analysis

4.1 Company overview

Daniel Ek and Martin Lorentzon founded Spotify on April 23, 2006, as a music streaming and media services firm in Sweden. With over 422 million active monthly users and 182 million paying members by March 2022, it will be one of the leading music streaming service providers (Spotify, 2022). The American depositary receipts reflect Spotify's New York Stock Exchange listing (through a Luxembourg Town private equity firm, Spotify Technology S.A.).

Over 82 million songs from record labels and media companies are available on Spotify's digital platform, all of which are copyright-restricted (Spotify, 2022). There are no ads and limited control while using a freemium service; additional features like offline listening or commercial-free listening may be purchased. Until the end of October 2021, Spotify will be accessible in more than 180 countries. It is possible to create playlists that can be updated and shared with others, as well as to search for music based on artist or album.

With Spotify, you can stream music in 184 countries across the globe, including most of Europe and the Americas. You may use it on almost any device that runs one of these operating systems or a digital media player like a Roku or an Echo since it is compatible with so many different types of hardware. 182 million paid Spotify subscribers were counted in the first quarter of 2022, 39 percent European, 29 percent North American, 21 percent Latin American, and 11 percent from other parts of the globe, according to statistics released by Spotify in the first quarter of 2022. (Spotify, 2022). As reported by the same source, over the same time, MAU grew by 19 percent year-over-year to 422 million users, first-quarter revenue was €2.6 billion, and revenues from ad-supported services grew by 31 percent.

4.2 Business Model

Spotify has a freemium business model. For Spotify, the money comes from charging subscribers for premium streaming services and from selling advertising space to other companies. Some of the premium options available to customers include individual, couple, family, and student.

When Spotify for Artists was launched in December 2013, the company explained its business model and income figures in further detail. From huge record labels to indie artists, Spotify receives its music and pays copyright fees for streaming music. As much as 70 per cent of the firm's total income goes to rights holders For artists, Spotify doesn't have a set per-play fee, but instead considers factors including the user's place of origin and the artist's royalty rate (Spotify, 2014)

Digital Media Association's (DMA)[3] research on subscription on-demand streaming services reveals a convoluted chain of payments from subscribers to services, from services to rightsholders, and from rightsholders to the artists and their partners. Recording artists and composers, mechanical and performance rights organizations (MRROs), publishers and record labels are only some of the entities shown in Figure 3.

Figure 4: Who gets paid and how much?

Source: DMA

4.3 The 4V business model framework

Using the 4V framework, there are four core components: value proposition, value creation, value delivery, and value capture. According to Baden-Fuller and Haefliger (2013), the business model framework is built on the study of other economic

[3] [3] U.S. on-demand subscription audio streaming revenue: Who gets paid and how much? 2020, DMA.

model experts (Teece, 2010; Gassmann et al., 2015; Baden-Fuller and Mangematin, 2013). Using the 4V framework enables for high-level talks at the corporate level. Spotify's freemium business model is characterized as follows by Anna et al. (2020) using the 4V paradigm.

4.3.1 Value proposition: Non-paying customers may take use of this fully functioning and technologically sophisticated product, but there are some restrictions.

4.3.2 Value creation: Development and maintenance of the platform Continuous product development and innovation Integration with other goods and services

4.3.3 Value delivery: To reach a broad audience, Web and application-based delivery, as well as delivery via a variety of third-party channels.

4.3.4 Value capture: Costs incurred as a result of free users and paid subscribers, Costs incurred by the content suppliers themselves. Revenues generated by premium clients

4.4 Marketing Mix

In order to implement their marketing plan, businesses frequently employ the marketing mix. McCarthy invented this marketing instrument in 1960. McCarthy (1975) states that the framework incorporates four Ps: product, price, place and promotion.

4.4.1 Product

In addition to the free account, Spotify offers a premium membership that removes adverts and provides access to even more music and podcasts. In addition, the service has a user-friendly interface, and it has a visually pleasing design. As the whole user experience is focused on the capacity to make playlists to fit any mood, personalization is a fundamental premise of Spotify. These playlists may be customized by the user, and algorithm-driven radio can be used to connect with friends. Only shuffle mode and internet listening are permitted on free accounts (Amalina, 2019)

4.4.2 Price

Spotify comes in two forms: a free edition and a paid version. Commercials and inability to listen offline restrict the free account, which has access to the same music as the premium version. 129 Baht ($3.90 USD) per month is the monthly Spotify Premium subscription price in Thailand.

4.4.3 Place

As a digitally powered application, Spotify is accessible on any digital device with Wi-Fi. This makes Spotify an easily accessible application and enables a vast user base. Anyone with a smartphone, laptop, or tablet may stream music using the service. Spotify is also compatible with the Android and iOS operating systems. Access to the Internet is the most important need for using Spotify. This also makes the service portable and adaptable for those who desire music on the go. With this level of accessibility, one would anticipate a substantial number of users.

4.4.4 Promotion

When it comes to promotion, Spotify takes a unique approach. The company has a close connection with Facebook and uses paid advertising in the user's feeds as well as in the sidebar to promote its products. Spotify's growth was also aided by word of mouth. As part of the product's launch in the U. S., free beta testing was conducted available to interested users.

4.5 Segmentation, Targeting and Positioning (STP)

Different people have different ideas on what "positioning" means (Aaker & Shansby, 1982). For Savary and Elberse, positioning is described as "the marketer's attempts to determine the unique selling proposition (USP) of a product." It's all about "making a product stand out from the competition in the thoughts of potential buyers" (2006, p. 3). Using market segmentation, one may break prospective customers into groups based on their distinct wants and needs (Savary & Elberse, 2006). It is the goal of this approach to bring together potential customers who are similar in many ways, but who can also be distinguished from other types of customers.

4.5.1 Segmentation

A primary objective of Spotify is to draw in music fans who are also active on the internet. Adolescents (12-18 years old), young adults (18-25 years old), and adults account for the bulk of the market (25-65). Spotify splits the market into segments based on demographics and behavioral characteristics in order to efficiently target this audience. Market segmentation based on personality, lifestyle, and values are referred to as behavioral markets. It is important to note that a person's lifestyle and musical choices are closely linked.

4.5.2 Targeting

According to Ikuforiji (2022), Spotify's target population is not determined by age or geography but by behavior and value system: They are world citizens who see music as a way to discover new things and interact with others. Spotify users Spotify is aimed towards people of all ages, incomes, and backgrounds who want to find themselves and the world via music.

4.5.3 Positioning

According to Ikuforiji (2022), Spotify is the global audio Entertainment platform that best customizes relevant content to empire individuals and fosters communal engagement for audio-lovers of all ages who value discovery, community, and personalized experiences due to its highly effective audio discovery tools, opportunity for collaboration, and curated playlists that allow its users to experience audio rather than simply hear it. The brand personality of Spotify is inventive, vivacious, emotionally savvy, sociable, adventurous, determined, and tailored to life's events.

4.6 Campaigns

There are remarkable campaigns for each year, demonstrating the consistency of Spotify's marketing efforts.

4.6.1 2016 campaign: Embracing a strange year

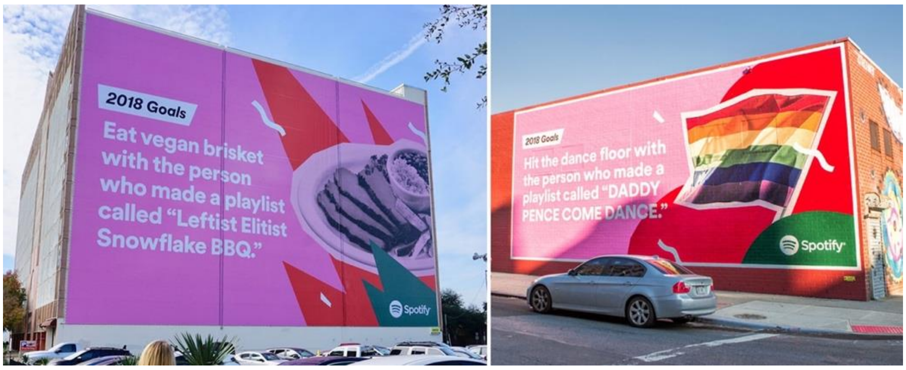
Figure 5: 2016 campaign: Embracing a strange year

Source: Spotify

Spotify's first year of data-driven marketing occurred in 2016. As a result of the promotion, Spotify users were able to listen to new music. In other words, it shows that Spotify's employees care about their customers' choices and are attentive to their needs. Unlike other companies that gather data and then sell it to a third party. As for the year 2016, Spotify also admitted to its users that it was an odd one. It turned out that you weren't the only one who thought it was odd. The audience was brought along with Spotify and other fans as a result of this message.

4.6.2 2017 campaign: Setting goals for 2018

Figure 6: 2017 campaign: Setting goals for 2018



Source: Spotify

Spotify had a great year in 2017. Due to a 40 percent increase in revenue, Spotify had the perfect chance to get more worldwide attention and establish a stronger global footprint. Spotify ran a campaign throughout the Christmas season of 2017 that focused on the company's plans for 2018. This is all about music, and once again, the listening patterns of Spotify users were revealed in a humorous manner. As a consequence, subscriptions and brand recognition soared, while Spotify demonstrated a real care for customer privacy and anonymity via the ad. As a result, customers are more likely to go deeper into their music library since they are aware that they may be featured on tailored content in the future.

4.6.3 2018 campaign: Wrapping up the year

Figure 7: 2018 campaign: Wrapping up the year

Source: Spotify

Spotify is aware of the music you listen to while you are happy, sad, or taking a shower. They decided to use this data in a new marketing plan in 2018 based on it. Learning about other people's habits is intriguing and captivating. Spotify also appreciates playlist creation as a result of the advertising. Spotify became a champion of pop culture as a result of these promotions, and its target audience was encouraged to partake in the fun by using the music streaming service.

4.6.4 2019 campaign: Streaming content for every mood

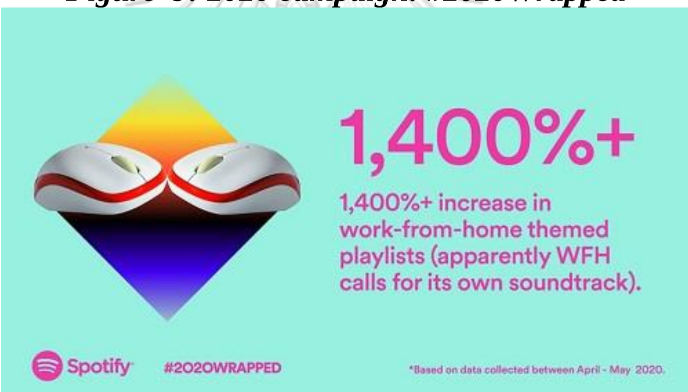
Figure 8: 2019 campaign: Streaming content for every mood

Source: Spotify

Memes were a great way for Spotify to connect with millennials and younger generations. Pop culture memes make you feel as if the world knows you and you comprehend the world via visuals that are incredibly relevant.

4.6.5 2020 campaign: #2020Wrapped

Figure 9: 2020 campaign: #2020Wrapped



Source: Spotify

In 2020, Spotify launched a multi-channel campaign to promote a new feature that analyzes a user's listening patterns over the course of the year. Musicians and podcasters who "kept us all entertained, grounded, and informed" throughout the global health crisis were honored in the #2020Wrapped campaign. Thus, the campaign became a succinct summation of that chaotic year via the worldwide population's musical preferences.

4.6.6 2021 campaign: Only You

Figure 10: 2021 campaign: Only You

Source: Spotify

Since its launch in 2008, Spotify has developed a deep understanding of its users. It gives the organization the ability to tailor its advertising to the specific preferences of its customers. Only You was released in June to celebrate those who listen to music in unconventional ways. Spotify utilized the in-app experience of its consumers to distinguish itself from the competition. "You are unique, but you are not alone" was the ad slogan on the flip side of the campaign.

4.7 Partnerships

Combining and integrating items may help you reach a wider range of prospective customers. In order to reach a broader audience of potential customers, it is advisable to look into product combining and merging with the offerings of big and well-established industry rivals.

4.7.1 Facebook

Spotify encourages its customers to link up with a Facebook profile so that they may more easily connect with other users who share their musical preferences (Irene, 2014; Parker et al., 2016; Shilds, 2017). By storing music tracks on existing servers and distributing them online, they employ a cost approach known as zero marginal cost. (Rifkin, 2015; Lozić, 2019). The complete embodiment of the zero marginal cost concept is applied to firms who distribute digital information containing a product of their own development.

4.7.2 Starbucks

Music streaming provider Spotify has partnered with Starbucks. F&b marketers' mobile loyalty programs could benefit from incorporating music into their programs, as younger demographic characteristics place smartphones at the heart of their media consumption and may well be intrigued to join programs with merge benefits. Spotify illustrates this potential. Starbucks has a partnership with Spotify that allows Starbucks reward program members to pick the music that is played in-store using a smartphone app (Voigt et al., 2017) My Starbucks Rewards, Starbucks' popular smartphone loyalty program, will enable customers to create personalized playlists for their favorite coffee shops thanks to Spotify's integration.

4.7.3 FC Barcelona

FC Barcelona announced on March 15, 2022, that Spotify would be the club's principal sponsor for the next season. Barcelona's home stadium, the Camp Nou, will be named "Spotify Camp Nou" in conjunction with the agreement — the first renaming of the stadium in its history. In addition, Spotify plans to use the partnership to promote artists from all around the world. As a result, sportsmen and singers from throughout the globe will have a worldwide stage at Spotify Camp Nou.

Listening to music and sports is all about "connecting fans with artists of every sort," according to Spotify's Chief Freemium Business Officer Alex Norström[4]. Music and football enthusiasts from all around the globe will join forces to create a large, worldwide community that combines the two. The partnership's goal is to develop a new platform for artists to communicate with Barcelona's worldwide network of fans.

Figure 11: Spotify and FC Barcelona partnership

Source: Spotify

5. Spotify External Analysis

[4] Spotify and FC Barcelona Announce a First-of-Its-Kind Partnership To Bring Music and Football Together (2022). For the record. Spotify

5.1 SWOT Analysis

A SWOT analysis may be used to examine and analyze a firm, its resources, and its environment. It is a strategic planning tool that helps identify the competitive strengths, weaknesses, opportunities, and threats of an organization (Kotler & Armstrong, 2013). Table 1 provides a summary assessment of Spotify's strengths and weaknesses, in addition to its opportunities and threats.

Table 1: Spotify's SWOT Analysis

Strengths	• *Brand Reputation*: Spotify has established itself as the dominant player in the music industry and has a strong brand identity. Customers, market share, catalogue quality, and long-term stability all play a role. Spotify is a formidable opponent in a number of ways. • *Early Mover: Spotify is one of the few companies that joined the music streaming industry in its origins. This provided them a tremendous edge over newcomers in this industry. Nobody knows the market better than them. It has only achieved this position through providing highly rated music services. It has a significant market share.* • *Personalized Music Selection*: Spotify employs a variety of algorithms, including data-sifting technology, artificial intelligence, and machine learning, to comprehend client preferences, gain important knowledge, and suggest new artists and songs. • *Incredible Playlist*: Spotify's discover technology gives you 30 new music that you enjoy every week. Every Friday, the platform gives you the freshest tracks. At the end of the year, you will receive a complete playlist. It enables you to share your music playlist with your acquaintances and friends. • *User Friendly*: In the music industry, Spotify is known for its user-friendly nature. Spotify's appeal is largely due to the sheer volume of music, album information, and song lyrics that it offers. Useful algorithms and AIs have been included into its design. Based on this information, it customizes the playlists and suggests new songs, playlists, and artists. Approximately one-third of people's time is spent listening to Spotify playlists.

	• *Simple Pricing*: Spotify's pricing approach is fairly basic. As with any other site, the initial listing consists of free users. You may purchase a membership to access the site without advertisements. Thirdly, there is unrestricted access to the music library.
Weaknesses	• *High Royalty Cost*: The expenses of running Spotify are astronomical. Copyright holders, writers, producers, labels and artists must be paid a substantial amount of money for the songs and content that are presented on the music streaming platform's playlists. According to Statista, Spotify paid out 75% of their revenue in royalties. • *Depending on Internet Connectivity*: The free version of Spotify is significantly internet dependent. If a user is offline, they cannot navigate the platform. However, users with a premium subscription may effortlessly download their favorite tracks for offline listening. However, even they cannot navigate the platform. • *No specific USP*: In spite of Spotify's commanding position in the streaming music market, the company lacks anything that might be termed a differentiating feature. Spotify's services, platform structure, and other characteristics are almost same; the company does not provide anything unique or different. The only differentiating traits are brand reputation and premium features, which may change at any moment. • *Agreement with a copyright owner*: potentially hinder Spotify's ability to provide unique content • *Less Payment to Music Owners*: Spotify pays artists a relatively little proportion. Spotify pays consumers a few cents for streaming music, and the song must be played thousands of times for the artist to earn money. As a result, several artists are either disinterested or removing their works from this site. • *Focus on Paid Subscribers*: The platform's expenditures may be covered by an advertisement-based revenue model, but the primary goal of Spotify is to increase the number of paid customers. Some music listeners are extremely cost-conscious, and the platform must do considerable effort to convert them to premium subscribers.

Opportunities	• *Expanding the Market:* As Spotify operates its business globally, there are several markets that the firm has not yet entered. If the firm want to increase its profitability, it must continue to push the boundaries. Spotify should also accommodate various types of music listeners. The elder generation is similarly passionate about music. • *Podcasting:* In recent years, podcasting has become more popular among the general public. They're doing it on their own own. There is a huge commercial possibility because of the growing number of podcast listeners. As a result, Spotify has started to gear itself for when the opportunity arises. As a result, they've added podcasts to their collection. • *Endorsement from Influencers:* Many celebrities have a significant impact on internet phenomena and goods because of their big fan bases or followings. Spotify's performance may be enhanced as a result of this. When celebrities join the app, engagement rises by around 4% each time. There should be more endorsements from notable persons given the heightened competition in the music streaming business. • *Partnerships:* Consumers may receive a premium package for a limited time via a variety of cooperative initiatives offered by tech companies, mobile telecommunications providers, and network operators. Luiza, Vodafone, Magazine, Bouygues Telecommunications, Facebook and Xbox are among the companies who have collaborated with the music streaming service. It's important for the company to maintain its network of business contacts.
Threats	• *Legal Disputes:* Labels, artists, and copyright holders are always transferring their music to new platforms and signing new contracts. When there is a change in platform, the previous platform cannot retain its playlist. Consequently, Spotify has been involved in legal conflicts with multiple parties over contracts, which is driving up operational expenses. It becomes extremely difficult for the brand to keep these licenses in the absence of major conflicts of interest among all partners. • *Power of a copyright owner:* who is in a position to raise the streaming music license fees

	• *High Competition:* The music streaming business has been more competitive over the last several years. Amazon Music, YouTube Music, and Apple Music are some of Spotify's main competitors. They have made it difficult for the company to grow its market share because of their existence on the market. Even while Spotify is now the market leader, they face some very stiff competition to hold that position. The two of them aren't far apart either. • *Vulnerable to Piracy:* Second only to YouTube, Spotify is vulnerable to piracy. When consumers can download listen to it later, however neither musicians nor the platform are going to be able to profit from it. In order to ensure the safety of their tunes, they'd move them to other, more secure locations.

5.2 Competitor Analysis

According to Bernhardt (1994), competitor analysis is the analytic procedure that converts data into actionable strategic information regarding rivals' capabilities, intentions, performance, and situations. Table 2 provides a summary assessment of Spotify's competitors analysis

Table 2: Spotify Competitors Analysis

Services	Amazon Music	Apple Music	Spotify
Advantages	• Amazon Prime members Discounts • many options • Alexa • Compatibility • HD music	• Live radio with more than 90 million songs • compatibility with Apple products • Curated music collections • six-month Best Buy reduced trial is available. • Apple services in the package • Audio that is both lossless and spatial	• Hundreds of thousands of music, podcasts, and more. • Allows for the use of a wide range of devices. • free plan • Playlists for collaboration, listening in groups, and a live audio platform

Disadvantages	The Unlimited library does not have a free version.	There is no free version of this software.	Lossless audio isn't supported (coming soon)
Price Range ($)	1 - 4	5 - 15	0 - 16
Direct and Unrestricted Access	Partial	No	Yes
Loseless (hi-fi)	Yes	Yes	No (Coming Soon)
Tracks Download	Yes	Partial	Yes
Podcasts	Yes	Yes	Yes
Tracks (millions)	75 (Unlimited) 2 (Prime Music)	90+	82+
Active users (millions)	55	72	422
Paying users (millions)	55	72	182

A small number of big, international organizations dominate the music streaming market, while a number of smaller, regionally focused competitors have found success
1) a music streaming service's enormous music library attracts a wide range of customers since it appeals to a wide variety of tastes. 2) The streaming music service adds value by giving podcasting in the same application as music. 3) Customization of the music experience via the usage of playlists tailored to the listener's preferences 4) Complimentary merchandise provided by the music streaming company to enhance their services 5) Exclusive material for subscribers, as well as exclusive deals and discounts 6) Basic Membership

Spotify utilizes a thorough approach for differentiation. Spotify aims to differentiate itself from its competitors by giving personalized mixes and exclusive podcasts to a broad range of users. In the music streaming industry, Spotify has the most market share. In addition, Apple Music includes a wide range of options for customization. In addition, they want to set their product apart from the competition by offering the largest music library and seamless integration with other Apple devices and services. By concentrating on existing Amazon customers and Amazon Prime members, Amazon Music has carved out a unique niche for itself in the music streaming market. Music and podcasts that are accessible with Amazon smart devices are a way for Amazon to stand out from its competitors.

5.3 Porter’s 5 Forces Analysis

In 1980, Michael E. Porter devised the Five Forces model to illustrate how a school should be positioned. Framework for industry and corporate strategy building is often used. Primarily it's based on the idea that an organization has to adapt its business plan to take advantage of new possibilities and mitigate risks in the external environment. Every business and marketplace is shaped by Porter's five competitive forces. These factors have a direct impact on an industry's profitability and attractiveness. According to this theory, the goal of corporate strategy is to maintain a firm's competitive edge by addressing these issues. According to Porter, these five forces were referred to as the following

5.3.1 Bargaining power of customers

Spotify's ability to meet its business goals is directly impacted by this issue. A strong negotiating stance reduces profitability and raises competitiveness in the industry. Spotify's profitability and growth potential keeps increasing when the sector's buying power is low.

Customer negotiating power is small in the music streaming business. This has no impact on the industry's appeal, since businesses choose clients with the least amount of clout possible. First and foremost, the low cost of switching gives buyers more clout in negotiations. Due to the monthly subscription model used by streaming services, customers have the option to discontinue their service or switch to another one. A lack of brand loyalty in the online streaming market means that consumers have more negotiation power. If a service provider provides better service than their current provider, customers are inclined to transfer providers. A small number of customers switching services does not, however, constitute a substantial threat for the main businesses in the market owing to their large subscriber bases. In the end, there is no negotiation power that an individual consumer possesses.

5.3.2 Bargaining power of suppliers

Supplier negotiating power indicates the pressure suppliers put on corporate organizations via different techniques such as limiting product availability, decreasing product quality or raising cost. It is expensive for firms when their suppliers have a lot of negotiation power. A strong supplier negotiating power can also increase industry competitiveness and limit Spotify's profit and growth prospects. Alternatively, the sector's great profitability and expansion potential might make low supplier negotiating strength more tempting.

Suppliers in the music streaming sector have a lot of leverage, but it's starting to fade. Due to firms preferring suppliers with less bargaining strength over those with more negotiating power, the industry's attraction is diminished. Labels, distributors, and artists who own the recording copyright are the ones who provide the sound and music streaming services. In order to stream music, companies must buy a license from the copyright holder to do so. In addition, when a user chooses to play a song, the streaming service pays royalties to the composer, and other payments are made when the songs are played in any other manner than via the streaming service (Pastukhov, 2019). The vast bulk of an audio streaming service's costs are incurred in the form of licensing fees to the copyright holder. Two-thirds of the streaming rights in the music industry are held by Universal Music Group, Warner Music Group, and Sony (Pastukhov, 2019). As music distributors, record corporations have a lot of negotiation power because of their large size. The negotiating power of music subscription service providers has dwindled as the number of subscribers has risen. For huge record corporations, streaming services are the only way to get their music out into the world.

5.3.3 Existing competitive rivalry intensity

According to the current state of business, there are a plethora of competitors to Spotify. Due to the high rivalry, Spotify is vulnerable to the pressures placed on it by its rivals, limiting each other's ability to grow. Profitability is low in many sectors because of corporations' aggressive pricing and targeting strategies.

In the music streaming industry, the degree of rivalry is moderate to high, which reduces the market's attractiveness. Rivals in the field of sound and music streaming provide services and rates that are similar. Music and podcasts are available on all major competitors. The ease with which consumers may move service providers increases industry competitiveness in addition to lowering switching costs. While the vital services of streaming music are similar, the main competitors in the business are competing to distinguish themselves via the listening experience and simplicity of use. Ecosystem integration, smart speaker and wearable compatibility, and subscription packages are some of the ways audio streaming companies distinguish themselves from their rivals. Firms are trying to attract new consumers by providing these additional services at similar costs in response to the growing demand for music streaming. Competition is reduced since there are no significant physical assets to depart.

5.3.4 Threat of new entrants

A new entrant's danger to the market shows how new competitors provide difficulties to the market's established participants. There is a substantial risk of new entrants entering the market if the industry is lucrative and the entry barriers are low.

Audio and music streaming is more appealing because of the low threat presented by new rivals. In order to compete with established music and podcast streaming providers, a new company needs spend a large amount of money in acquiring streaming rights. In order to join the market, new entrants will probably need financial aid from an established business, such as Amazon or Apple in recent years. It would be difficult for new service providers to compete with established ones in the music streaming market due to a lack of variety. Despite the low level of brand loyalty in the industry, it would be hard to persuade customers to switch music streaming services without a distinctive product.

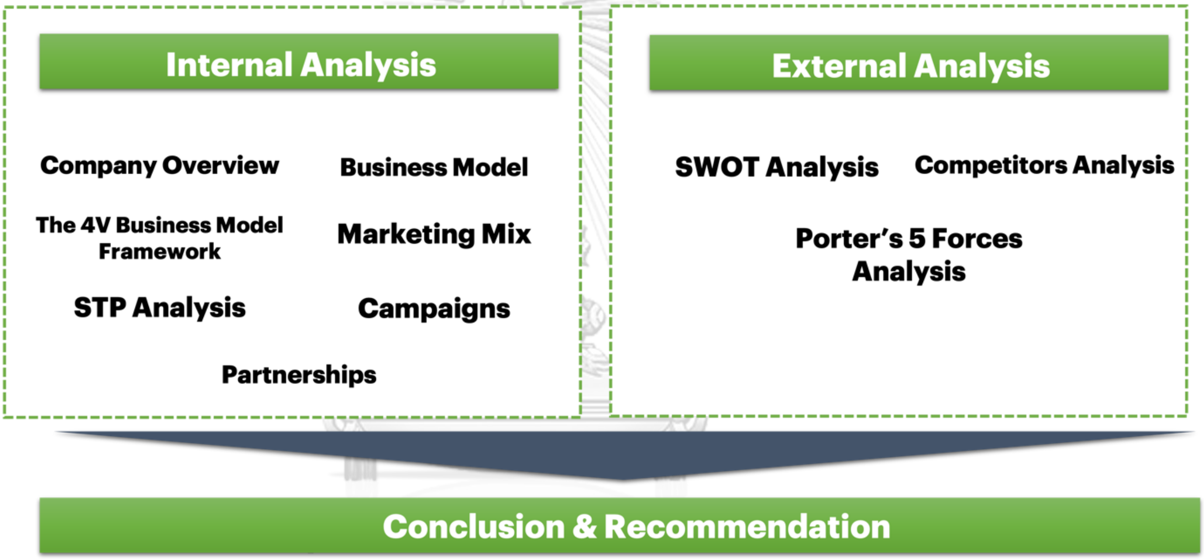
5.3.5 Threat from substitute products

Spotify and other long-standing businesses face stiff competition as a result of the wide range of substitute products and services available. When the danger of alternatives is significant, customers might satisfy their needs with services or goods from other sectors. The intensity of this threat to Spotify depends on a variety of variables.

In the music streaming sector, the danger of alternatives is small. Consequently, this boosts the industry's popularity. Customers may easily access a large music library via the music and audio streaming industry. Music downloads, CDs/records, and the radio are all alternatives to online music services like Spotify and Deezer. It is feasible to get a library as large as those supplied by music streaming services by downloading or buying individual tracks or a CD or vinyl. The listener can't even choose a song from the station's on-demand library while listening to radio.

Spotify has established itself as one of the top competitors in the audio streaming sector. It has also shown that it is financially capable of executing major concepts while still being able to innovate. In order to construct a strategic recommendation, we summarize the analysis process into a diagram (See Figure 12)

Figure 12: Constructing a strategic recommendation



Source: Own Illustration

6. Conclusion

Music streaming services have had a major impact on the industry. With over a million subscribers to most services, it's clear that people's listening habits have shifted. Music distribution has changed throughout time, from vinyl to cassettes to CDs to digital in the current day.

However, with the rise of digital music, a new kind of music piracy emerged, one that the industry had to battle. When MP3 music players first came out, it was necessary for CDs to be transferred to a computer so that they could be played on a player. The music business started keeping tabs on websites that circulated MP3 files as soon as the internet came into existence. Because MP3 files had to be converted to computer formats before they could be streamed, on-demand streaming services grew out of necessity. Streaming made it possible for people to listen to the song they wanted whenever they wanted. Data usage or Wi-Fi and the streaming company's app were the only prerequisites. The music business has been forever changed by streaming services' capacity to provide clients with instant access to music.

Since its 2006 inception in Stockholm, Sweden, Spotify has grown into the biggest and most popular streaming music service. Rapid growth of this platform demonstrates the platform's economic and cultural relevance in today's society (Vonderau, 2017). With its strong brand name, flexible organizational structure, large user base, and analytics that allow for personalized listening experiences, Spotify has established itself as one of the top competitors in the audio streaming sector. It has also shown that it is financially capable of executing major concepts while still being able to innovate. The company may be able to take use of these skills to find new ways to differentiate its audio streaming services. Both current and emerging markets may benefit from Spotify's potential for unique content that might save costs and boost differentiation. A few of Spotify's current issues include high royalty fees and a lack of original material because of licensing deals with music copyright owners and the company's unique selling proposition. Music rights holders' power to raise the price of streaming music licensing, industry competition, and Spotify's vulnerability to piracy are all dangers that must be addressed if the company is to survive. These risks may be countered by Spotify's tremendous brand recognition and its position as the most popular audio streaming service by number of users. Spotify has developed consumer trust and considerable negotiation power with music copyright owners. Nevertheless, Spotify lacks Apple and Amazon's massive ecosystem power.

In conclusion, we knew from the internal analysis that Spotify has positioned itself as one of the leading players in the audio streaming business by using its strong brand name, nimble organizational structure, vast user base, and algorithms that provide consumers with a tailored listening experience. Additionally, the company has shown it has the ability to innovate and financially capable of implementing key ideas

However, the external analysis reflected that the company's present shortcomings include its high royalty costs, unique selling proposition, payment to music owners, and current licensing agreements with music rights holders, which might hinder Spotify from developing exclusive content. Apart from that, the threats to Spotify include legal conflicts with multiple parties over contracts and also the fact that Spotify lacks the vast ecosystem strength that Apple and Amazon now possess.

In order to move forward, Spotify can make the most of its strong brand recognition and position as the leading audio streaming service based on the number of users to gain customers in both new and established areas by potentially offering unique material that might reduce its cost structure and enhance its distinction

7. Recommendation

Online distribution channels are seeing a surge in interactions between content providers and consumers due to the rapid growth of digital technologies. Asymmetric product lines identify such platforms, in which certain things (content) are promoted only on a single system while others are available on several platforms. Around 70% of video game titles are console-specific, according to Corts and Lederman (2009).

Spotify has to improve its performance and stand out in the audio streaming industry in order to succeed. The way I see it, Spotify should produce unique music content that is only accessible on Spotify, much as the company does now with podcasts.

Spotify started licensing podcasts solely for its platform a few years ago. This year's Spotify deal for the Joe Budden Show was among the most important ones. To kick things off, Spotify signed a two-year, $100 million deal to provide The Joe Rogan Experience exclusively to Spotify. Additionally, Prince Harry and Meghan Markle, Kim Kardashian and the Obamas have collaborated on podcasts with the company. In the long run, Spotify's advertising revenue potential is significantly greater than that of a single individual show, particularly if it can persuade consumers to listen to all of their podcasts on Spotify. Spotify's ad-free music membership, which now provides the bulk of the company's revenue, would benefit from this as well. The more free consumers that listen to podcasts on the platform, the more likely they are to upgrade to a monthly subscription.

Spotify should use this idea for its music-related business, in my opinion. The company's goal of broad differentiation in the music streaming sector would be strengthened by this decision. Spotify might benefit from this strategy for a variety of reasons. Due to the fact that most music can be found on all of the major music streaming services, all of the primary competitors in this market provide a product that is nearly similar.

Ishihara and Oki (2021) claim that unique music material causes a distribution channel bottleneck. Platforms may effectively dominate distribution channels, which means they can take advantage of the transaction benefits that content providers have gained. As a result, the platform has more leverage in negotiations with content providers over exclusive content on the platform. Multihoming customers are often drawn to unique content since they are unable to get it on the other platform. There is a pricing war between the platforms unless there are multihoming customers since the content supplier has two options for accessing these consumers. As a result, the content provider's negotiating strength against platforms is derived from the presence of multihoming users.

If Spotify is able to produce unique, high-quality content for its platform, this approach might provide them a huge competitive advantage. This method can be successfully implemented thanks to Spotify's capabilities. Spotify's flexible organization culture, vast user base, and analytics would allow it to create content that is tailored to the interests of its listeners. Customers are already confident in Spotify's ability to provide quality content. Spotify's main music rights providers would be less vulnerable and less likely to pose a danger as a result. As previously said, fresh content and music videos serve as major drawcards for potential customers. Spotify would become the most popular media platform in the ecosystem if it adds more unique content and collaborates with artists from different genres

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