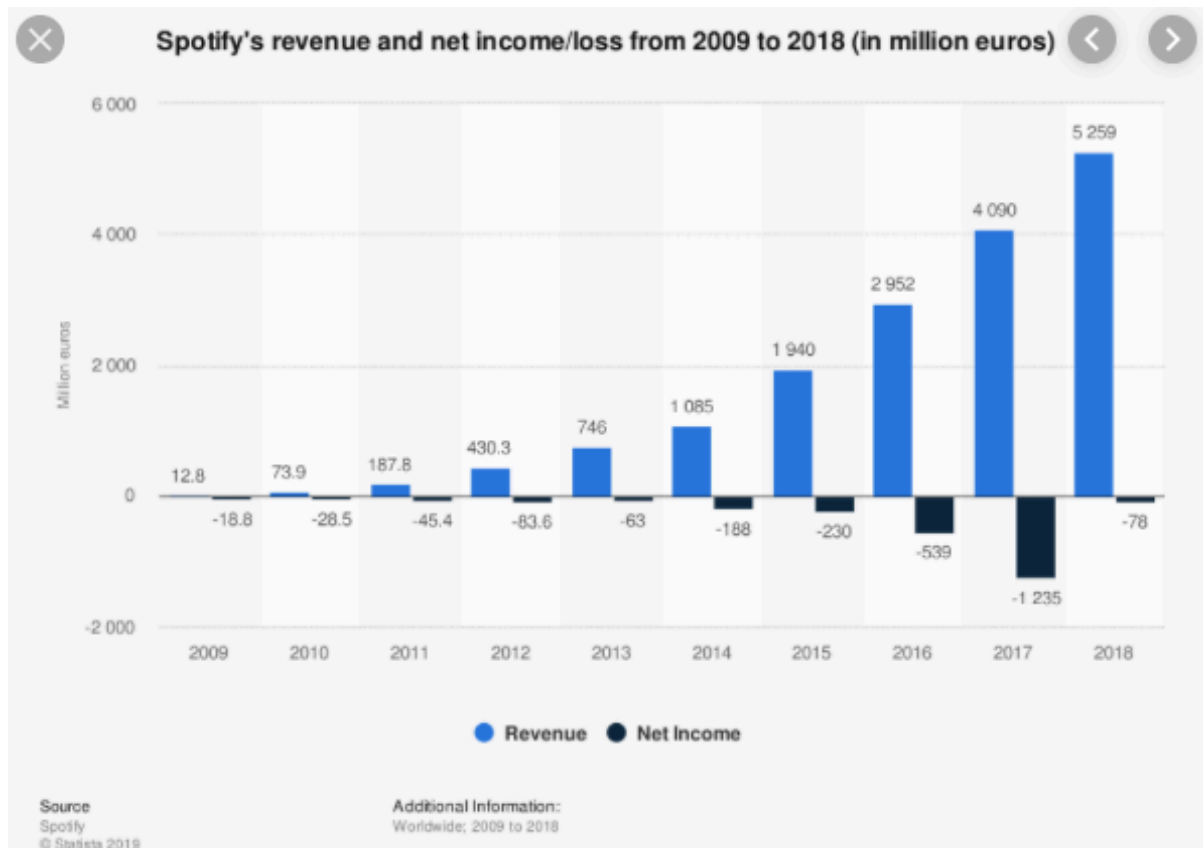


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Report on Spotify Music

Introduction and the history of Spotify:

The company I have chosen to do my report on is Spotify Music. Spotify was founded in 2006 in Stockholm, Sweden by Daniel EK and Martin Lorentzon. The streaming service was released on the 7th October, 2008 to the general public and original started as a Freemium service where users would be able to listen to the music, however downloading songs and listening to them on demand without being an option to be able to play music without any internet availability. Spotify was introduced to the United Kingdom in 2009 and soon after introduced a premium service that allowed listeners to pay for music, download it and hold unlimited tracks and albums. The streaming service was later on introduced to the United States in 2011 where users had a six-month free period that involved adverts. In 2017 Spotify's headquarters moved to Manhattan, New York where they added 1000 new jobs. In 2017 Ed Sheeran managed to have the most streams with over 5 million streams. By 2016 Spotify had over 400 million monthly users paying for the premium service. Statistics show in 2018 the total income Spotify received to that year was 5.259 million dollars.

The chart below shows the revenue and Net income, revenue and loss from 2009 to 2019 and the progression of the income from streaming alone.



Competition

In 2008, when Spotify was released to the public the company entered what is called a 'Red Ocean Strategy'. This means a business or a company is entering an already existing market, making it more difficult to stand out and compete against other similar business'.

Now that Spotify is one of the most successful music streaming services billions of customers are loyal to their streaming service. The competition between Spotify and Apple Music (the other most successful streaming service) lies in the loyalty of the customers. Spotify music was released before Apple Music however Apple already had a loyal customer base as before the release of their streaming site they had the ipod, which yearly released a new and improved generation. To listen to music on the ipod the customers would have to either buy the songs and albums on itunes or download them from CD's.

itunes didn't offer a service in which customers can pay a certain amount and have an unlimited music library. For a long time for Apple, this was a very successful initiative as the only other sites to download music was Napster and Limewire, which a lot of people opted for as it was free, unlike itunes where songs and albums were paid for.

Although itunes worked perfectly with the ipod and Mac products, the music was always individual prices and was not a bundle. Users were spending a lot of money on buying songs and albums.

Once the word about Spotify's service had spread, listeners weren't as interested in itunes as they once were. Not only because Spotify was more convenient, but it was also free with the initiative to provide adverts in between songs on their freemium streaming service which is how they were making money in the first place.

Once they offered their premium service listeners expanded. Unlike the ipod, Spotify offered the options of listening to the service on laptops or phones. Not only did they offer it on two products but also on Apple and Android (PC or Mac). Unlike the itunes, which could only be used on the ipod.

Eventually Apple caught on the decline in itunes users and released their own streaming service, Apple Music. Similar to Spotify, however, can only be used on Apple products (once again). The interesting thing about streaming services in the loyalty users have. For example, if a customer has been using Apple products since they were released, they will most likely stick to using their products like Apple Music, because it is familiar.

However, statistics have now shown that Apple product users are still loyal to the products, for example, Mac computers and iphones.

Although they will only use this brand, Spotify is now also in the App store showing that a lot more users are downloading Spotify onto their mac products.

With so many music streaming services competing in the market, each business are constantly adding new features that other companies don't offer. This initiative is to attract a wider audience who are interested in interesting and interactive features that they don't have on another service.

When purchasing an iphone, the phone will automatically have an Apple Music option, however it is not free. Users can only listen to songs they have already downloaded on itunes. But, once downloaded and paid for the service connects with the phone itself making it more accessible for users. However, after doing some research, the features on Apple Music are very similar to Spotify Premium.

However, even though a lot of other features seem the same, Spotify offer a social add-on for when users are using their laptops. This cannot be used on phones, but it is an equal amount.

In November Taylor Swift and her label, Big Machine, made the decision to remove all of her content on Spotify. Taylor Swift was already making a lot of money from hard copies alone and the decision to remove her content was the intention to make more from hard copy sales. Spotify contacted Taylor Swift and the label to re-negotiate the deal however the decision was made to keep her music off Spotify. Taylor and her label took her all her content off Spotify, with the exception of a track she recorded for the Hunger Games film. Soon after Taylor removed her music from Spotify, Apple Music users noticed her albums had been uploaded to the music library to stream. After a lot of questioning from fans, Taylor stated that she has removed her music from Spotify only, however it was available on Apple Music first, and still on YouTube throughout the removal of songs. In 2017 Taylor allowed all her music to be streamed again.

How Spotify connected with social media

Another feature Spotify offer is connecting with friends which makes it possible to click on friends' profiles and see what they've been listening to and interact with their Spotify profile as well. On their profile it will say what playlists they have created (they can make this private if desired) and their most listened to music recently. There is an option to either follow all Facebook friends or selected friends as Spotify connects with Facebook which also allows users to use the 'share' option on songs, artists and playlists onto their Facebook profile.

In the last four years Spotify added a feature that no other streaming service had created. It makes a personalised playlist with the users most listened to songs. However, in November 2019, Spotify re-released this playlist, but with a slightly different feature. Not only would users be able to see their most listened to songs in a single-playlists, but also albums, songs, and music genre. This made it possible for people to see their most listened to music within the last 10 years Spotify has released this playlist since 2016 however, 2019 was improved.

This feature is presented similar to a power point, where users can watch through it and even share it onto social media. There were options to share onto Instagram stories, Facebook profiles and other social media such as twitter.

This was proven to be a huge success for Spotify as users were sharing their music all over social media, which was great marketing and exposure for Spotify.

The layout was attractive, interactive and tailored for every individual, making it feel personal for the users. The results of the most streamed artists of the decade were Post Malone, Billie Eilish and Ariana Grande. Also resulting the most streamed track of the decade is 'Shape of You' by Ed Sheeran.

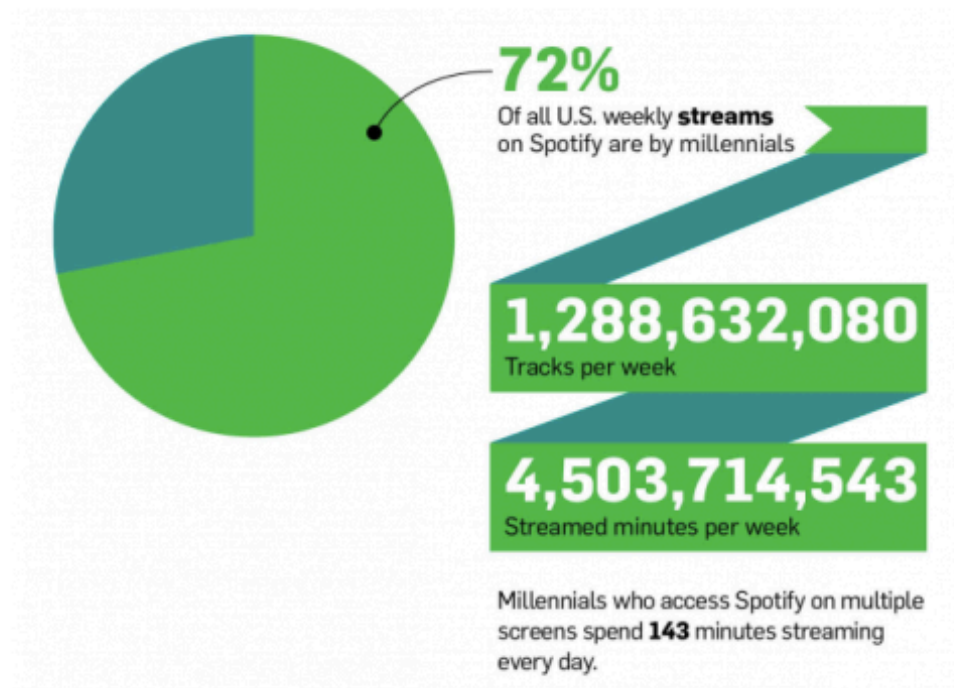
Target Audience and Demographic

Statistics show 26% of users are aged 18-24 whereas 72% are Millennials.

"As the largest global streaming service, we have a deep understanding of millennials from our data on streaming habits... For marketers looking to reach this highly sought-after group, we understand that millennials are listening more frequently and streaming in more places than nonmillennials, including most often on mobile and desktop as they move from home to school to work. We also see that millennials' streaming habits are not as impacted by traditional peak consumption periods like prime time or drive time. They are connected all day from the moment they wake up." -Jeff Rossi, Spotify Business and Marketing Director

As mentioned earlier, the 72% of millennials consist of young people listening to music by streaming it, more often than the older generation. Millennials were brought up in a period of 20-30 years of music where there has been a constant change in the ways of listening to it and in the music industry. Cassette players were what most millennials will remember from childhood, then came the CD's and Walkman, the ipod, phone downloads through Bluetooth and finally streaming music on devices. Although Vinyl has made a comeback and is used a lot to listen to music with, the majority of young people will stream music as it is more convenient.

Check out this infographic from Spotify that provides more detail about the music streaming habits of millennials...



The chart above shows the statistics of young people's streaming. However, Spotify not only targets a certain demographic but also tailor's playlists to the users current and previous genre preferences in which they listen to on a regular basis.

Expanding on that, another reason Spotify is successful with young adults is the Social Media aspects. As mentioned in the information within the subheading 'Social Media' Spotify can be connected with social media, such as Instagram, Facebook and Twitter. All of which are predominantly used by millennials. However, as social media evolves the younger generation are also using social media, however Spotify is not as popular in the younger generation as Instagram is.

For example, once a playlist has been listened to in full, Spotify will continue playing songs that are of a similar genre and sound to the current playlist, even if the playlist has been created by the user and not Spotify itself.

Spotify features that helped make it success

Other than the number of people who use the service, sixty million dollars to be exact. Three Quarters of them claim that that use the

freemium service which will play adverts every 30 minutes. It also restricts to a certain amount of songs that can be streamed an hour. The rest of the sixty million pay £10.00 a month to listen to unlimited songs without adverts and also download the music therefor it can be listened to anywhere without internet.

There are also options for a 'family account' in which multiple users can listen at the same time unlike a personal account. Not only that, but it also has a 'student' account where students can pay half of the premium fee whilst studying. All that needs to be done is proof of university or college and its good to go.

Spotify is accessible and easy to use therefore consumers can use it freely without complications. Everything on the app is simplified which makes the green and black trademark also very recognisable and easy to remember. The younger generation tend to be able to work out and remember technology as it was constantly changing when they were younger therefor are used to adapting to different technology, it has been proven that younger people take in and remember things much easier than those who not so young. However, the elder generation often find themselves having to work out apps and streaming sites as they have not been brought up with it. This does not apply to all adults as it is dependant on how quickly they adapt and learn new things.

Spotify is a streaming service that do not only feature established artists. When Spotify was created and launched the music was very limited as it was more or less and start- up business. But as it has become more popular artists are willing to let Spotify upload and stream their music, with no fee for joining.

This has proven very useful for small bands and artists who have not yet been discovered. Although Justin Bieber was discovered on YouTube, like many other artists, an artist on Spotify can create and whole playlists of their work.

Sometimes acts and artists can be featured on playlists created by Spotify. They have playlists such as 'Summer vibes' or 'Breakup songs' even 'shower songs' are on there. Spotify have created a lot of playlists that are available to all users which can also be downloaded.

However, as well as Spotify offering their own playlists, they also feature artists who are streamed on Spotify. This sometimes includes unknown and undiscovered acts who will be gaining exposure through the Playlists.

Investors and Finance

Below show's all of the shareholders for Spotify music along with their equities.

Shareholders		
Name	Equities	%
Martin Lorentzon	21,287,330	11.9%
Baillie Gifford & Co.	19,130,947	10.7%
Tencent Holdings Limited	16,580,360	9.25%
Daniel Ek	15,192,394	8.48%
TCMI, Inc.	14,710,600	8.21%
Morgan Stanley Investment Management, Inc.	11,949,065	6.67%
Wellington Management Co. LLP	4,211,163	2.35%
Tiger Global Management LLC	4,062,379	2.27%
TPG Group Holdings (SBS) Advisors, Inc.	2,504,124	1.40%
T. Rowe Price Associates, Inc. (Investment Management)	2,141,972	1.19%

When Spotify founders, Daniel EK and Martin Lorentzon first created the company, the first thing they needed to do was find investors for the company. They approached Northzone, an investment company that has been running since 1996. Once they had an agreement of the funding and investment of the company, they worked closely with Par-Jorgen Parson, who joined the company in 2004.

Unlike other streaming business' Spotify don't own or invest in other projects, such as products, TV and film streaming. Spotify solely relies on the revenue of the service they provide.

'Spotify's challenge is also severe price competition in music streaming. The company gets revenue from active users and also sells advertising that brings in revenue on streaming music to users who listen for free. But it has major costs from licensing content and paying royalties. Since it relies on a highly concentrated industry for content, its access and revenue can be easily hurt as well. Music licensed to the firm from Universal Music Group, Sony Music Entertainment, Warner Music Group and Merlin accounts for approximately 87% of streams. Additionally, it is vulnerable to expensive lawsuits from rightholders claiming they haven't been paid enough.'- Chris Ciaccia, Investopedia-2018.

In 2018 Spotify released their financial announcement which showed that, for the first time in company history, Spotify had broken even within their expenditure and revenue.

'It's possibly a good sign for the entire industry, not just Spotify, because Spotify is arguably leading that industry today. Those 96 million paid subscribers add up to nearly double Apple Music's 50 million subscribers, and Spotify announced it had 207 million monthly active users in total this past quarter.' - Sean Hollister, 2019- The Verge

Partnerships

Although Spotify's main source of income is from users paying a subscription fee, Spotify also work and collaborate with other companies.

For example, in January 2015 Spotify teamed up with Sony for the PS4 game console. It allows users to download the Spotify app onto their device and stream music whilst playing.

In March 2019 Spotify teamed up with Samsung as their go-to music provider. Customers who buy Samsung phones will automatically have the Spotify app pre- downloaded on the phone. In the U.S it also provides 6 months free trial of Spotify Premium. This is similar to iPhones having Apple Music already downloaded onto the device.

Marketing and Branding of Spotify

I mentioned earlier that Spotify create playlists for users using certain genre's, moods or soundtracks.

They market their brand by offering a service that other streaming services don't. They have been using their adverts to attract users by offering and demonstrating the 'mood' playlist that they offer. The adverts are short, witty and attractive and also uses the Spotify colour scheme.

It's the 'Music for Every Mood' that really attracts customers. It is well known that music can manipulate people's moods. It affects people in their everyday life, whilst they listen to it on the tube, on the way to work or whilst they're working.

Which is why it was such a successful marketing strategy. Consumers wanted something they could feel nostalgic to or relax to.

Spotify aims to deepen its relationship with millennials and gen Zs, and there's no better way to do that than by using memes. Memes are insanely relatable; they are the kind of pop culture that makes you feel as though the world understands you and you understand the world. Also, they are funny - I am not nerdy enough to forget that.

Finding the right meme, however, isn't enough. Pop-culture marketing is also about understanding your target audience. Spotify chose to highlight how millennials love self-irony, and billboards like that appeared- Alina Gorbach, 2019- Spotify: the masters of marketing campaigns.

Spotify are clever, in the way that they relate to their consumer base. Especially with holiday playlists. Christmas playlists on Spotify are very popular in the Winter, as imagined. Each campaign is meant to connect with each listener and make it personal.

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