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Spotify analysis

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1. Introduction

This report is aimed at offering an overview of Spotify, the leading streaming music platform, by analysing its financial and economic background. After examining its history and service, the dissertation will focus both on the micro and the macro environment, highlighting Spotify's economic and financial business. The essay will then discuss how the lean business model is applied to this organisation and which implications have been detected by its implementation.

2. Spotify



Figure 1. Spotify logo (Source: Spotify)

Spotify is a music streaming platform that gives access to a vast catalogue of songs, podcasts and – to a lesser extent – videos. The company was founded as a start-up in 2006 by Daniel Ek and Martin Lorentzon in Sweden, with the mission to fight music piracy by offering a legal alternative: a free streaming service that helped people discover new music and rewarded artists. The service was officially launched on 7 October 2008, initially limited to Scandinavia, France and the UK. After the platform hit one million paying users in March 2011, it rapidly continued growing and reached 100 million users in June 2016 and 191 million users in November 2018. 2018 was also the year that saw Spotify debuting on the stock market and purchasing a direct listing. At the end of the year, the company share price hit £160, reaching an all-time high in terms of its market capital. After adding podcasts to its service in 2015, last year Spotify became the world's second biggest podcast provider, with listeners growing by 50%. Since its founding, the service has expanded in sixty-five worldwide regions: mostly focusing on Europe, Spotify is also available in most of the Americas, Australia, New Zealand, South Africa and parts of Asia (Spotify, 2018). As the founders wished to achieve, the company and its competitors have contributed in large scale to the decline of music piracy, which in the last years has dropped by 59% (Routenote, 2020). Instead, music industry revenue has continued to grow, with a global growth of 8.2% recorded in 2019. Music streaming services are heavily responsible for this development, as in 2019 they accounted for over 56% of the total music revenue (IFPI, Industry Data, 2020). With a current amount of 320 million users-144 m of them being premium ones- Spotify affirm itself as the largest subscription music streaming service in the world (Company Info, Spotify, 2020).

3. Economic analysis

3.1 The product, customer base and pricing strategies

Spotify is a digital music, podcast and video streaming service that gives access to millions of songs and creative content all over the world. The platform allows users to browse, listen and save the tracks in their library depending on the type of membership they choose. Being a freemium service, the platform can be accessed for free, but the premium subscription offers various advantages including higher quality music reproduction, a download option for the tracks and the absence of ads. In both cases, users can create playlists or radio stations, browse across new releases and check artists profiles to find information about concerts happening near them. Spotify is available both in a web version and an app version: through the personal account, the music can be played on different devices such as phones, computers, TVs or cars using Spotify Connect, which allows the switch between devices without the interruption of the music. The platform is built in an intuitive and accessible way: the home section features the user's latest listening and similar suggestions, the search section allows consumers to discover new content through the large selection of editorial playlists and podcasts while the library section collects all the tracks and the playlists saved by the user.

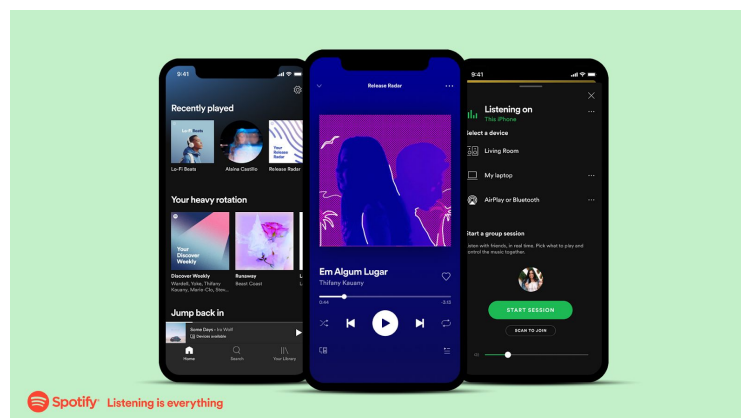


Figure 2: Spotify product (source: Spotify for the record)

In order to analyse the business model adopted by the company, we will take into account different elements into a business model canvas, first introduced by Alex Osterwalder (2008).

Key partners	Key activities	VALUE PROPOSITIONS	Customer relationship	Customer segments
Record labels	Platform maintenance	Users: vast catalogue of songs, personalized service, social sharing	Email	Monthly active users (ad-supported)
Social media (Facebook, Instagram, Snapchat)	Contract negotiations	Artists: promotion and exposition, revenue	Social media channels	Subscribers (premium)
Brands (Starbucks, Uber, Coca cola, Playstation)	Content acquisition	Record labels: royalty revenue, maintaining relevance	Website	
	Partnerships	Advertisers: efficient platform, targeted audience	Community	
	Key resources		Channels	
	Software platform		Website	
	Licensing agreements		Mobile App	
	Brand equity		Social media	
	IP		Community	
	Personalised marketing			

Starting from the key partners, Spotify's main ones consist of record labels, as they are the essentials means in order to deliver content on the platform. In addition to this, the company can count on a prestigious list of worldwide partners, including brands like Coca Cola, Uber, Starbucks or Playstation. Moreover, Spotify incorporates a social side in its service in order to assure that an interactive community between different online platforms can be created and the content can be cross shared. The service presents integrations in various social media such as Instagram, Snapchat and Facebook, with whom it partners since 2011. Spotify allows users to check their friends' listening, send playlist or artist suggestions and share their favourite tracks on social media by using tools like Instagram Stories or Spotify Canvas. Content sharing is very important because it is directly linked to

Spotify's growth. The key activities of Spotify consist of content acquisition and contract negotiation for licenses of the tracks, platform maintenance and partnerships research. In order to deliver its service, Spotify can count on a list of key resources. First of all, the company has a licensing agreement with record labels or publishers, which allows the content to be present and always accessible to users. Strong resources of the company are also in focus brand equity, intellectual property rights that protect the brand and the service itself, and localized teams of work in every country Spotify operates. One of the key elements of Spotify's product is personalisation. From the service itself, to the promotional campaigns and the customer relationship: every aspect of the company is combined to provide users with a personalized experience. Personalisation marketing largely contributed to the success of the platform acting as a differentiation value that distinguished Spotify from its competitors: presenting itself as a discovery platform for new music, Spotify was indeed the first streaming service to introduce algorithm-based playlists such as "Discover Weekly". This playlist, which renovates itself every Monday, features tracks based on the past listening activity of the user using three different recommendation algorithms, assuring in this way that the preferences of every consumer are met with new music offered every week. Given the success of this feature, which generated 1 billion streams in the first three months of activity (FORM F-1 Spotify Financial Statement, 2018) Spotify has continued to include personalisation to its service to a larger level. Users are now provided with many personalized playlists options: Daily Mix features a combination of the user's favourite artists, Time Capsule collects songs the user used to listen to and Release Radar gathers all the new releases from the artists followed by the user.

Spotify's customer base can be firstly divided in two main categories: monthly listeners-namely free subscription users- and premium users. Spotify adopts a freemium business model, meaning that basic services are provided free of charge while more advanced features can be accessed by paying a monthly fee. The free version allows users to listen to music with limitations such as the shuffle mode (users are not able to pick which songs to hear, but only can listen to playlists and albums in a random mode) and advertising showing between some tracks and others, while the premium subscription presents higher audio quality and no music interruption. While the premium segment generates revenue from the subscription fees, the free segment counts on the sale of display, audio and video advertising delivered through advertising impressions (Form F-1, 2018:65). As stated before, currently the platform counts 114 paying users, a number which is growing by over 3 million a month (Music Business Worldwide, T.Ingham, 2020). In terms of the target audience, Spotify focuses mostly on two segments: students and young professionals. 72% of the worldwide Spotify listeners are represented by Millennials (Spotify for Marketers, 2018), which constitute the most lucrative segment for the company, streaming over 1.2 million tracks a week (Spotify, 2018). More specifically, in the US students (aged 18-24 years old) account for the 26% of the total listeners of the platform, while young professionals (aged 25-34) constitute 29% of the users (Statista, 2018). In order to foster the subscription of younger consumers, Spotify has introduced "Spotify for Students", a membership option that applies a reduction to whoever is enrolled at universities or colleges. There are no distinctions in terms

of gender users because the service positions itself as neutral, while in terms of geographic segmentation, the majority of the consumers are based in first-world countries. The service is available across 95 markets, but the biggest ones by now remain Europe and North America (Business of Apps, M.Iqbal, 2020).

The standard price for a Spotify premium subscription is £9.99 per month. Cheaper options are represented by Spotify for Students (£4.99 per month) and Spotify for Families (£24.99 split between four individuals). Spotify also offers a free premium trial of three months in order to attract consumers who then would want to maintain their benefits and subscribe to a premium membership. Even if in most countries the premium fee is a fixed price, the geographical location becomes a relevant factor when considering the pricing strategies of the company. This fee is actually calculated on the average revenue per user (ARPU) and it can therefore vary depending on the country it is issued in.

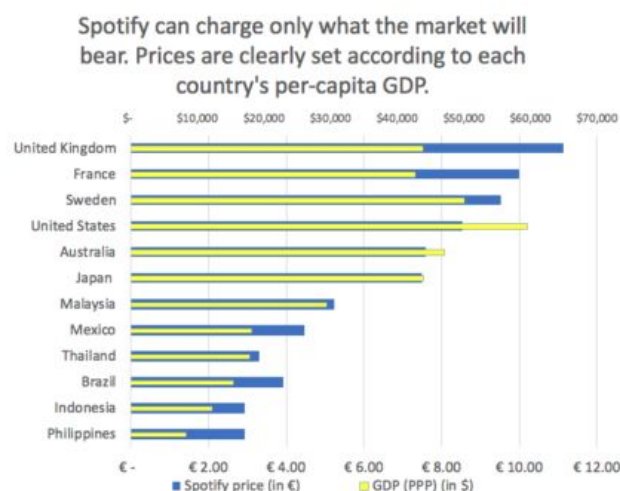


Figure 3. Spotify prices in different countries (Source:Music Business Worldwide)

Emerging markets present a lower fee because they reflect the ARPU of their country. At the same time, those markets have not had the digital revolution that other markets face, and therefore could represent growth opportunities for the company (Music Business Worldwide). In the IPO filing of 2018, Spotify declared that streaming had changed the way people access music, and an untapped global audience with growth potential was waiting to be unlocked. In 2020, an initial growth of users occurred in regions outside Europe and Northamerica such as India, but recent developments saw the numbers decrease, eventually reaching a loss of 800,000 users in the market classified as “Rest of the World” (T.Ingham,2020, Music Business Worldwide).

3.2 The market

Spotify operates in the market of the music industry, an always-changing reality that is heavily affected by the developments of the digital revolution and its implications. Since the advent of Napster in 1999, the music industry landscape has radically changed its models and mechanisms in an irreversible way and all the sectors- recorded music, live music and music licensing- have been shaped by it. The music

industry had to face several challenges that originated from a different perception of music: the high accessibility guaranteed by the internet results in music being perceived as a free product. Music piracy is an expression of this, and it is responsible for billions of losses in the music industry landscape. According to IPI (2020) music piracy leads to the loss of over 70 thousand jobs only in the US and, as a consequence of music theft, the economy faces over \$12 billion of losses every year. Although this phenomenon can not be entirely stopped, the advent of music streaming has brought back the music industry to safer paths. Since 2015, the music industry has indeed been experiencing constant growth with streaming services helping record labels collecting billions of dollars in music royalties that otherwise would have been lost in illegal downloads (The financial times, A.Nicolau, 2017). Today the majority of music is consumed through streaming services that account for 75% of the overall music revenue: in particular, streaming makes more revenue than physical sales, licensing and digital downloads combined (The Verge, 2018). Streaming also represents a more sustainable business model for labels, which have drastically reduced the cost of CD pressings and distribution. In the last five years, the recorded music industry's revenue grew at around 1 billion per year, reaching 21.5 billion in 2019. The trend was expected to grow even more: according to Goldman Sachs (2016), streaming would have helped revenues double to \$130 billions by 2030. The latest developments produced by the COVID pandemic have caused a momentary shift to these positive trends. The music sector which was hit the hardest was obviously live music, which recorded a slump of 85% "with live music's GVA expected to plummet to £300m as touring halts and social distancing keeps most venues shut" (The Guardian, M.Sweney, 2020). The impossibility of gatherings shifted the music industry path to an even more digitized form: festivals and club performances were substituted to online live streaming on apps like Twitch and DICE and artists broadcasted live concerts on their social accounts, but the efforts could not account for the £5.8 billion income which music industry usually contributes to the national economy. Initially, the negative trend also affected music consumption, which saw a significant decrease during the first months of the pandemic. Countries such as Italy or Spain were hit hard, but also the US recorded an 8% decrease in music streaming during the month of March (Forbes, K.W. Grant, 2020). The pandemic has led to a slowdown in traffic from the already registered users, but on the other hand, new consumers have entered the market. Spotify has indeed reported an increase of almost 30% in paying subscribers during the lockdown.

3.3 Macro environment

In order to analyse the macro environment in which Spotify operates, we will conduct a PEST analysis, therefore analysing the political, social, economical and technological forces that shape the company.

Political factors must be considered together with the government's laws that are linked to them. Regarding Spotify, it is necessary to focus on copyright and intellectual property laws, since licensing represents the foundation on which streaming services operate. These laws could represent a threat to streaming services because changing them could potentially mean reducing the profitability of

the company. In this framework, two laws, in particular, are worthy of analysis: the 2018 Music Modernization Act and the 2020 Article 13. In 2018, Trump signed the MMA, which is aimed at helping creators to profit from their work by improving compensation and regulating licensing. It also enables legacy artists to be paid royalties when their music is streamed and access legal advice from studio professionals (MMA, 2018). Despite the good intentions, the law has already been criticized and defined “unconstitutional”: in 2019, Eminem’s publisher sued Spotify for listing the rapper’s tracks under “copyright control” and using the MMA to avoid paying royalties for their license (Klemchuk, P.Keene, 2019). Article 13 focused on the responsibility of online providers regarding the content uploaded on their platform. Spotify usually releases licensed material only, but Article 13 could represent a revolution for the content delivery of many other user-generated platforms, such as Youtube. By being obliged to deliver licensed material, Youtube could indeed become a direct competitor to Spotify, threatening its supremacy in music streaming.

Social factors include culture, demographic, education and behavioural trends. Considering these factors as decisive forces, we can analyse how they can influence buying habits. A first factor to be considered into this spectrum is the impact of the covid virus on social trends and behaviours. The advent of the pandemic drastically changed social activities and individuals’ routine, inevitably having an impact on how users consume music and approach streaming services. However and as we have stated before, Spotify registered an increase of 30% in users subscriptions during this year, representing one of the few music organisations not to register huge losses in relation with the pandemic. Still, streaming trends have registered a change in trends, with music being played mostly from home devices and an increased interest in podcasts (Spotify, 2020). Apart from this, another social factor to consider is local culture and how this affects Spotify delivery and reception. We have already talked about the company’s close attention to personalisation, but it is to be noted that this type of marketing strategy is not only built on users’ preferences (taste) but also on users’ localization. Specifically, Spotify delivers personalised content by focusing on local music trends, delivering “Hyper Localized Advertisements” and recommending personalised playlists. This localization strategy was implemented to conquer the Asiatic markets, where Spotify tailored its service to adapt to the different social trends it faced. Considering the large usage of mobile devices compared to desktop ones, Spotify shifted the attention to its mobile version by partnering with LINE, a Japanese messaging app that allowed exposure through song shares and its established brand awareness. Spotify also committed to deliver personalised content that referred to local events: “Hazed and Confused” playlist was intended as a lighter take on environmental concerns regarding the pollution of some asiatic areas (VICE, M.Navlakha, 2019).

Economical factors to consider are the stability of the market and how it impacts revenue, profit, costs and pricing of the company. Currently, the UK represents one of Spotify’s biggest markets, accounting for 37% of the total monthly users (Pitchspot, 2020). During last year, the UK economy was expected to register a 119,000 drop among employees and 287,000 job losses among self-employed

workers (Oxford Economics, 2020). This growth of unemployment hit especially the creative industries, which largely contributed to the national economy. This could have been translated in a potential drop of spending power and consequently to a decrease of the premium subscriptions of the platform. But although Spotify's ad-supported revenue fell 21% in the second quarter, the company registered an increase of 29% in monthly active users and subscription revenues grew by 17% to £1,76 billion (Musically, 2020), reaching the expected growth that was predicted during the first quarter.

Finally, we take into account technological factors such as recent developments and possible future improvements. The biggest technological trend to be noted is the growth in smartphone's usage. In 2020 the number of smartphone users in the world reached 3.8 billion, a number which is only expected to grow even more during the next few years. Apart from the United States, the highest smartphone users countries are China and India, accounting for 1.6 billions of the total number (Statista, Smartphone users, 2020). This trend could translate to a growth in Spotify's users, as the platform is mostly mobile-based. Possible future improvements could be represented by an increase in the usage of blockchain and AI technology, two innovations that are already partly employed by the company. In 2017 Spotify acquired the blockchain startup Mediachain in order to help solve problems related to copyright attribution and royalties revenue of the company. AI is also already implemented in discovering user behaviour and data collection, for example by "Discover Weekly" algorithms.

4. Competitors

Spotify competes with a large number of streaming platforms. The major competitors are Apple Music, Pandora, Amazon Music, and the recent Youtube Music, which merged with Google play in 2020. Other minor competitors include Soundcloud, Tidal, and Deezer.

4.1 Apple music

Apple music was developed in June 2015 by Apple Inc. and it currently represents Spotify's main competitor. With 60 million subscribers announced in June 2019 (Eddy Cue, interview for Numerama, 2019), it is likely that the number has gone up to around 80 million during 2020. The service is only available by paying a monthly fee of £9.99 and it offers more than 60 million songs, a music video section and Beats 1, a radio broadcasting live to over 100 countries 24 hours a day, usually hosted by big names in the music industry, artists or DJs. Apple Music presents several points in its favour, that makes it a fearsome competitor to Spotify's leadership. First of all, it can count on a well-founded brand awareness among the consumers, who already trust the brand Apple and its quality. Then, the service hosts exclusive contents such as music videos premieres or documentaries like Ed Sheeran's Songwriter or Taylor Swift's 1989 World Tour Live. Another point in its favour is the search functionality, which allows users to search songs by typing the lyrics. In spite of this, overall Apple Music's user interface proves to be less intuitive and organised compared to Spotify, and the high level of personalisation of the leader makes it difficult for Apple to reach the same targeted delivery.

4.2 Pandora

Pandora is a music streaming and internet radio service founded in the United States in January 2000. The service counts 71 million users and it is available in the United States, Australia and New Zealand. Similarly to Spotify, Pandora is a freemium service that offers both an ad-supported option and a premium one at the price of \$9.99 per month. It works like a radio station, playing songs that have similar music traits and taking into account the feedback of the user. The service does not seem to represent a real threat to Spotify's leadership as the users' number has seen a decrease in the last years. The platform has also a different target audience from Spotify, mainly focusing on older groups of age.

4.3 Tidal

Launched in 2014 by the Norwegian company Aspiro and later acquired by British holding company Project Panther Bidco (co-owned by rapper Jay Z), Tidal is a subscription-based streaming service. The service counts 3 million subscribers (2016) and it operates in 52 countries. Tidal offers two subscription plans: Tidal Premium for £9.99 a month and Tidal HiFi for £19.99. Its differentiation factor is identified in the HiFi audio experience, which is delivered through the platform's partnership with Master Quality Authenticated, an audio codec company for high fidelity audio. Tidal can also count on another important factor: the company is co-owned by many big artists like Chris Martin, Rihanna or Nicki Minaj. This artists' ownership is finalized to give back relevance to the question of royalty revenue: Tidal has claimed to pay artists four times the royalty rate of Spotify (The Verge, B.Popper, 2015). Due to this close relationship with the artists, the company can also count on content exclusivity that has many times been used as an attractor for users: in 2016 Kanye West released his album "The Life of Pablo" exclusively on the platform, which generated over 1 million new subscribers to the platform. Considering this trait, the platform could represent a threat to Spotify's leadership, but the high price of the service acts as a deterrent to its popularity among mass listeners.

4.3 Amazon Music

Amazon Music is a music streaming platform operated by Amazon. The service comes as a free benefit from the Amazon Prime subscription or as a separated membership costing \$7.99 a month. It offers a catalogue of 50 million songs, offline playback and curated playlists. It currently counts 55 million users (January 2020) and it can rely on its affiliation with Alexa's voice assistant device and on a highly versatile choice of subscription plans (The Verge, C.Welch, 2020). Fighting controversies regarding its initial launch that did not consider record labels licenses, the platform is steadily growing its numbers, entering the main streaming services league.

4.4 Youtube Music

Youtube Music is another potential competitor to Spotify's supremacy, mostly because it can count on a large number of users coming from Youtube itself, which nowadays remains the primary means of music listening. The platform originally started in 2015 after merging with Google Play, and during 2018 a new version was

officially launched in the US, Canada, UK and rest of Europe. Currently counting 30 million premium users (A.King, 2020, Digital Music News), it offers both tracks and music video streaming, and that also constitutes its advantage. Collecting both videos and music in the same place could facilitate the user's experience and the artists themselves, who could broadcast their vision on a wider, more complete range and gain more traction.

5. Financial analysis

Spotify finds itself in a particular financial position. The company has always declared that its focus is on growing rather than on being profitable: as announced by Vogel (CFO Dive, 2020), Spotify is currently working towards increasing active users and subscribers numbers as well as adding more content, not only limited to music. However, the sustainability of the company is called into question. Despite the huge success of the company and its supremacy in the market of music streaming, the company did not make any profit until the fourth quarter of 2018, when Operating income, Net Income and Cash flow finally resulted all positive with a profit of €94 million (Spotify Financial, 2020). A quarterly operating profit was registered again the next year, when Spotify declared a €54 million profit for the third quarter of 2019 (T.Ingham,RollingStone, 2019), but the positive trend did not match the fourth quarter of 2019, which registered a loss of €77. The previous years have also performed in similar ways: in 2016, the company faced a net loss of €444 million (2016) while in 2017 it registered a loss of €155 million (Statista, 2019). The main reason behind Spotify's lack of profitability are the huge expenses the company has to face: every year Spotify pays billions in royalties to the right holders, and the more the company is successful, the more it has to pay back. That is why the profitability is not predicted to last: for the Q4 of 2020, the company predicted quarterly operating losses to fall between €(112) - €(32) million (Spotify financial, 2020). Regarding revenue, after a quarterly decrease registered in Q1 due to the covid pandemic, for Q3 Spotify generated a revenue of over €1.9 billion, maintaining the positive trend initiated in 2018. Also subscribers and MAU (monthly active users) saw an increase, growing 29% and 27% and reaching respectively 144 and 320 million during the third quarter. In terms of cash flow, Spotify reveals an opposite trend to what shown by the profit: the company has registered high cash-flows for both 2017 and 2018, which amounted to \$253 million (Forbes, 2019), while in the third quarter of 2020 the business registered a Free Cash Flow of €103 million (Spotify Financial Statements, Q3 2020). Reasons behind this trend are identified in the higher Non-Cash expenses of the company, for example finance costs or the growth of liability accounts (Trefis, Spotify cash flow analysis). In terms of assets, the company registered a steady growth: from 2018 €4.23 billion, in 2019 it registered a 12.03% increase with €4.73 billion, and finally in the third quarter of 2020 it saw a 20.32% increase, reaching €5.55 billion of total assets (Macrotrends, 2020). Regarding the fundings, the company started to receive investments in 2010,

when Sean Parkers from Founders Fund joined the company. After a year, the company was valued at \$1 billion. Spotify's value continued to grow as more investors joined the company: after 2012 funding of Goldman Sachs, Coca Cola and Fidelity, the valuation reached \$3 billion (J.Constine, TechCrunch, 2012) and it grew to \$8.53 billion in June 2015. In January 2016, the company raised \$500 million from investors in the form of a loan, where Spotify had to pay 4% on the borrowed money. With this funding, the company had raised a total of \$1 billion from several investors. Two years later, the company debuted at market stock exchange and in June 2019 closed on the NYE with a \$44.9 billion market cap valuation, a doubled value since the one registered in March of the same year (Music Business Worldwide, 2019). This growth is to be attributed to the platform's acquisition of The Joe Rogan Experience podcast, which coincided with the highest market cap valuation of the company in two years (Music Business Worldwide, 2019). Spotify is therefore trying to expand its service to podcasts, also by creating original ones (just as Netflix is doing with films and tv series) in order to reduce expenses from licenses and rights holders royalties. Right now, the company is testing this new approach only through the means of podcasts, but it is not to be excluded that in the near future Spotify could even become a record label or a publishing company.

6. The Lean Model

The Lean model is "a customer-driven business model for organization-wide continuous or ongoing improvement and waste elimination" (Leading and Managing Lean, G.Fliedner, 2015). In other words, the lean model is designed to reduce waste in business processes by making continuous improvements and eliminating unsuccessful practices and products. In order for a company to implement the lean model, it is necessary that a series of processes of change are applied and that a lean culture is created. The first condition is an agreement on the long-term vision and strategies of the company, usually addressed/initiated by the leadership. Then, standardization needs to be implemented: this assures that variability of results is reduced and work is performed according to the company's standards. The standardized company procedure is implemented through the conduction of experiments: after the development of a hypothesis, an experiment is conducted to assess it and the result is then evaluated. Once this method proves to enhance process results, it is then used as the standardized company procedure. The PDCA methodology, which together with hanzei constitutes the third mechanism for the construction of lean culture, is based on this scientific management approach. Indeed, it is constituted by a four-step method articulated in the stages of Plan, Do, Check and Act. After planning the resources and identifying the problems and the best solution to fix them, the second step "Do" is implemented. The results are then checked to ensure they bring improvement and can be used as a standardised process to integrate in the final step, "Act". Similar to the "Check" step of PDCA,

hansei consists of “looking back” and thinking about ways to improve a company process. Another important mechanism on which lean culture is based is participative group planning: this allows motivation and change and develops teamwork. The lean business model is also usually supported by the creation of a learning organization, meaning a work environment where creating, acquiring and transferring knowledge are encouraged and where behaviour is always adapted to new knowledge (Harvard Business Review, D.Collins, 2016). The creation of a learning organization is facilitated when the teams are recognized by the leader as an asset, generating in this way a motivated team building and achievements of results (adapted from Leading and Managing Lean, G.Fliedner, 2015).

6.1 How Spotify applies the Lean Model

In the case of Spotify, by analysing the way in which the company is organized and its culture, it seems that it is currently adopting a combination of lean and agile business models, not completely adopting neither of these models but creating an original and very personal one, the so-called “Spotify Model”.

As explained by Henrik Kniberg (2015), Spotify is organized in autonomous squads, small cross-functional self-organising teams, which are then grouped in tribes. Each squad has a long-term mission, for example building Spotify’s audience or growing engagement. The team works in a collaborative way, and the huge amount of autonomy leads to better motivation and faster results achievements, just as observed in the lean model. Despite this autonomy, every squad is aligned with the company’s goals, following the lean model which requires agreement on the long-term vision and strategies of the company. In particular, Spotify heads towards a high alignment and high autonomy model, which allows the teams to follow a leaderships’ goal by finding autonomous solutions. Also regarding standardization, Spotify follows a similar pattern to the one shown by the lean model: through a process called “Cross-pollination”, when a team finds the best tool or method to approach a problem, that tool becomes “the standard” which is then adopted by all the other squads. The teamwork is also encouraged by the creation of a learning organization that creates motivation within each squad. As stated before, a fundamental principle behind the lean model is the replacement of unsuccessful practices and tools. This can be observed in the case of Spotify’s desktop client: instead of processing new rules to manage the existing one which caused synchronization problems within squads, Spotify completely changed its architecture by creating a new one that enabled decoupled releases. But the company also leaves space to the mistakes, which they value as part of the needed process to improve, and defines itself as a “Fail-Friendly Environment”. Even their product development follows the lean model: starting from an idea and its prototype, the company then builds an MVP (minimum viable product) which is deployed to just a small percentage of users. Following good test results, the product is then released, and waste is reduced because its success has already been tested. As a matter of fact, Spotify refers to itself as a “Waste-Repellent” organisation with an agile mindset which allows the company to stay balanced between “chaos” (meaning completely lack of structure) and “bureaucracy” (no room for experiments and autonomy) (Adapted from “Spotify engineering culture”, Henrik Kniberg, 2015).

7. Conclusion

In summary, Spotify is continuing to affirm itself as the biggest music streaming provider in the world. Its subscribers and monthly active users continue to grow, as well as the number and type of contents featured on the platform. New technologies such as blockchain and AI are being implemented in the service, and users interact with a platform that is every day more personalised. However, the lack of profitability of the company could represent a threat to its supremacy in the long run, even if investors remain well-disposed towards the company that is currently valued at \$44.9 billion. Future improvements could see Spotify integrate more diverse products such as videos, podcasts and other forms of original creative content, while the company could slowly initiate record label or publishing activities.

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