



‘Our mission is to unlock the potential of human creativity—by giving a million creative artists the opportunity to live off their art and billions of fans the opportunity to enjoy and be inspired by it’. *Spotify’s Mission Statement*

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1. Introduction

This document will discuss and analyse the micro and macro economics of Spotify. Comparing their business approach and capabilities against some of its competitors. This document will also consider the ways in which the business has grown since its inception in 2008 and how the Lean Start-Up approach can be applied to this business.

2. A Brief History of Spotify

Launched in 2008, Spotify appeared in the industry seven years after the demise of Napster; the file sharing service that had a profound impact on the music industry. Napster fundamentally changed the relationship and understanding of what ownership of music meant to a listening public that had become frustrated with the high cost of CD's and other hard media formats. The creation of iTunes in 2001 had been an attempt to stem the impact of piracy by providing a legitimate online store for purchasing tracks at a much reduced price with single tracks being able to be purchased for 99p, but it can be argued that the ability to buy tracks individually, furthered the impact of this selective approach to listening to and purchasing music and in turn the music industry has suffered as a consequence. (Klienman, 2019)

Spotify was founded by Daniel Ek and Martin Lorentzon who had initially met in 2005. The idea of Spotify came from when the pair were looking for media on Ek's home theatre computer, which the pair found to be difficult and cumbersome to do. Facebook's Mark Zuckerberg was an early adopter and fan of the system and after Ek met with Zuckerberg in his garden a deal was struck to integrate Spotify with Facebook. (Eudaimania , 2017) This was a major step forward in the development of the business and opened the functionality of the system to a world of social platform users who quickly adopted the systems into their social networking environment.

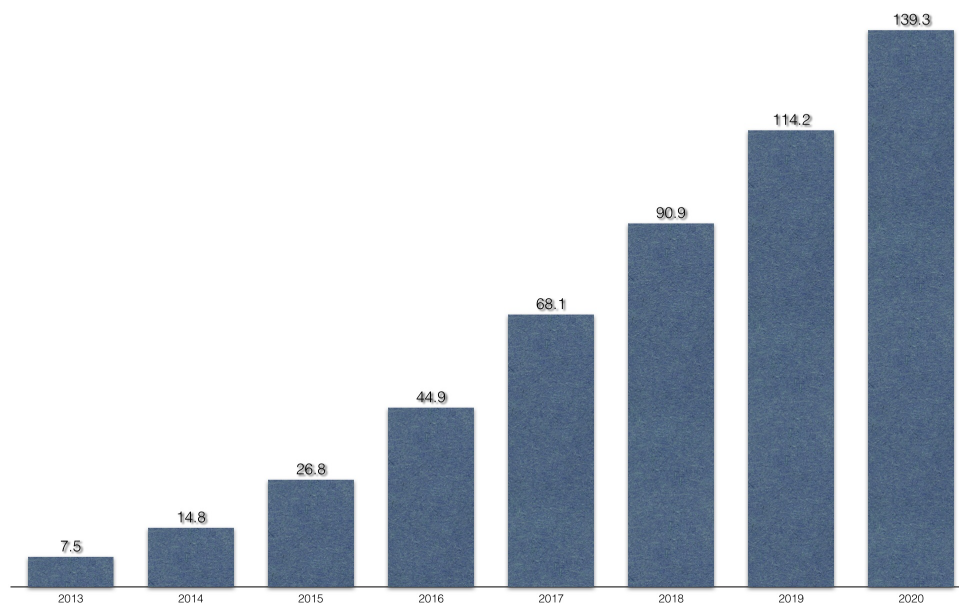
Spotify has made a significant contribution to the transformation of how music is consumed and according to their own website Spotify is now the world's most popular audio streaming service with 345million users, including 155million subscribers, across 178 markets worldwide. (Spotify , 2021). Essentially, Spotify can be described as a platform business model, bringing together music consumers and advertising into one service. Bringing these groups together enables a transaction to take place whereby, subscribers to the service are then targeted directly by advertisers in exchange for accessing a sizeable catalogue of music. This is an established model that has proven to be effective for both advertisers and consumers. The approach of providing a premium service for a subscription fee of £9.99 per month further entrenches the idea that access to millions of songs per month for a relatively modest fee further broadens the appeal of a bespoke and personalised experience free of interruption and distraction from the listening experience.

3. Economics

3.1. The Market

For many, music streaming is seen as the solution to the rejuvenation of the music industry. With music streaming accounting for approximately 80% of UK music consumption in 2020 (BPI, 2020) it is clear to see why. Perhaps an unexpected by-product of the increase in streaming activity is the fact that sales of Vinyl and Cassettes continue to rise. End of year figures released by the British Phonographic Industry (BPI) show that nearly one in five of all albums purchased across 2020 were vinyl with 4.8 million LP's purchased. (Richards, 2020).

Audio streams in the UK (bn)



Source: BPI / Official Charts Company data

Figure 1 (BPI, 2021)

By the end of 2020 the number of audio streams in the UK was topping circa 140bn per annum, a considerable increase since 2013 where streams totalled 7.5bn per annum. (Ingham, 2021) The forecast growth in the music streaming market and the recognition from the music industry that music streaming provides a strong and sustainable model provides certainty for the future of the music industry and will naturally lead to greater investment and increased competition.

Of course, the past year has been a particularly turbulent one and has proven to be the most challenging economic period since the end of World War 2. A recent report issued by Goldman Sachs, *The Show Must Go On*, has stated that the COVID-19 pandemic has had a traumatic effect on the live music industry and has predicted that the industry will be impacted by up to 75% (Goldman Sachs, 2020) which is significant and will have a profound and long reaching impact to the music industry and supply chain.

In order to adapt and evolve with these changing economic demands, a number of Digital Streaming Providers (DSP's) have started to explore ways in which they can evolve their

services and take advantage of some of the challenges presented by the series of “lockdowns” that have been imposed in order to control the spread of coronavirus. Live streaming services for example, are proving to be a viable option under the current challenging circumstances, with Spotify recently completing a deal with Songkick; a live music events company, to promote live streaming in partnership. This could potentially take Spotify into a new era of its service offering. (Nicolaou, 2020) This innovative approach in supplementing this substantial aspect of the market and will ultimately bridge the gap and provide support for many artists who have been impacted by the pandemic.

One of the challenges of the music streaming industry concerns the scepticism and questions raised in relation to fair remuneration to artists and rightsholders in regard to royalty payments. It is irrefutable that Spotify’s mission statement sends a clear message of its *intent* in providing a valuable service to both music consumers and artists. Since its launch Spotify has paid a total of €21+bn (£18bn) to rightsholders. (Spotity , 2021) However, the question remains as to whether the rates paid per stream are fair and equitable. As of January 2019, the rate that an artist or rightsholder receives equates to between \$0.00331 to \$0.00437 per stream (Songtrust , 2021). This places Spotify in 5th place in terms of how much they pay per stream with Napster at 0.00916, Apple Music at 0.00675, Deezer at 0.00562 and Amazon Music at 0.00426. (Atlasvnp, 2020)

In November 2020, concerns raised that artists can be paid as little as 13% of the revenue generated from streaming services such as Spotify led the Government to commence an inquiry into the Economics of Music Streaming in order to ascertain the economic impact music streaming is having to the music industry as a whole. (Economics of music streaming, 2020.) Undertaken by the Department of Digital, Cultural, Media and Sport Committee (DCMS), this inquiry has been far reaching and has heard from an array of industry professionals on both sides of the argument.

Two different views expressed by two artists provide a clear contrast to the varying views within the industry. Nile Rodgers provided evidence to the committee on 8 December 2020. In his interview Nile Rodgers expressed his concern in regard to the lack of streaming revenue generated by streaming companies and that this fact had become more evident during the CoVid 19 pandemic. Rodgers urged the committee to fix the inequality of the music industry, ahead of an [anticipated] explosion in streaming profitability. (UK Parliment, 2020). The concern highlighted by Nile Rodgers in the hearing supports the views of a poll by The Ivors Academy and Musicians’ Union where the following feedback was received:

- **82%** of respondents earned less than **£200 from streaming**, from all of their music across all platforms in 2019. This included members with thousands, hundreds of thousands, and millions of streams.
- **92%** said less than **5%** of their earnings came from streaming last year.
- **50%** said their income from recorded music has declined over the past 10 years.
- **43%** said that insufficient income from streaming caused them to get a job outside of music. (Musicians Union , 2020)

In contrast Guy Garvey of Elbow stated in his statement to the Economics of Music streaming inquiry that ‘Elbow played a concert in Mexico in January as we know we have an audience there, an audience that definitely found us in part through streaming services’. (Garvey, Guy 2020). From this statement it is clear that there is recognition of the power of streaming services such as Spotify and this provides hope that by addressing the remuneration model,

a fair, balanced method of payment for artists will eventually be achieved and solidify Spotify's future as a vital component of the future music industry where artists are fairly remunerated and able to use streaming platforms to build a fanbase that can potentially reach many markets across the globe.

3.2. Products, Services and Customer Base

Spotify's customer base has grown steadily since the business's inception. By the end of Q3 2020 Spotify boasted a total number of 144 million premium subscribers, up from 113 million in the same quarter of 2019. In fact, Spotify's user base has more than doubled since 2017. (Statista , 2020)

Spotify offers an immersive music streaming and sharing platform that allows subscribers to build their own playlist and share them easily with friends either within the system or through other social media platforms such as Twitter or Facebook. However, the system does not allow users to extract music libraries from the system and therefore, it is likely that the more songs that a user adds to their own library the less likely they are to abandon their music and start afresh in a new streaming service such as Apple Music. (Kazakov, 2018). This is a very useful and effective way of retaining customers. However, it could be argued that this approach could potentially build enforced loyalty in that customers feel they have no other choice but to keep using the system. In an evolving market, this approach may actually lead to a level of resentment for its customer base, which may, in the future damage brand loyalty.

In order to remain competitive and to remain focussed on putting the artist at the centre of their business ethos, Spotify has diversified in a number of areas. In 2013 Spotify launched Spotify for Artists. This system allows artists to release music directly through Spotify, get access to data and manage their own promotion activities directly through the system. Opening up the platform in this way allows artists to directly engage with their fanbase and helps them to build their marketing strategies based on direct dashboard driven data. This system provides a significant strengthening position with labels and artists who are able to access industry data and metrics to help drive music catalogues and to understand their performance and therefore adopt their own business plans accordingly. A significant step in building the bridge between consumers and artists.

In addition, Spotify has also made investments into a number of start-up businesses. For example, Soundtrack Your Brand which was founded in 2013 and utilises the Spotify platform to provide background music services to business such as restaurants, bars and hotels. Whilst Soundtrack Your Brand do not disclose specific revenue or customer numbers the company states that revenues and customer numbers have increased by over 400%. (Tech Crunch , 2017). This investment in companies such as Soundtrack Your Brand, paves the way to opening Spotify up to a wide range of joined up services, connecting the dots between business, consumers and artists.

3.3. The Micro and Macro Economics

The current state of the global economy has been drastically impacted by the COVID-19 pandemic over the past year with the long-term impact yet to be fully realised. However, it

is expected, certainly in the UK, that the economic recovery will be reasonably swift according to the governor of The Bank of England, Andrew Bailey. Although this viewpoint is largely based on the success of the UK vaccination programme, this view was caveated with a warning of the need to be cautious in consideration of the risk of new variants. (Elliot, 2021). Overall, according to the Office of National Statistics (ONS) monthly gross domestic product (GDP) grew by 1.2% during December 2020 but remained 6.3% below February 2020 levels. (Office of National Statistics , 2021) The profound impact of locking down the economy and imposing restrictions of travel etc, has seen a surge in the home entertainment sector. For example, the launch of Disney's TV streaming service Disney+ saw subscriptions top 50 million in just five months after its launch with original targets set at between 60-90 million by 2024 when the service first launched in the US. (Harper, 2020). It is therefore perhaps a fortuitous aspect of the portability and flexibility of products that are utilised by DSP's such as Spotify, Netflix, even gaming systems such as Nintendo Switch which offer the flexibility of being able to transfer from device to device that allow such services to thrive and survive within these macro-economics.

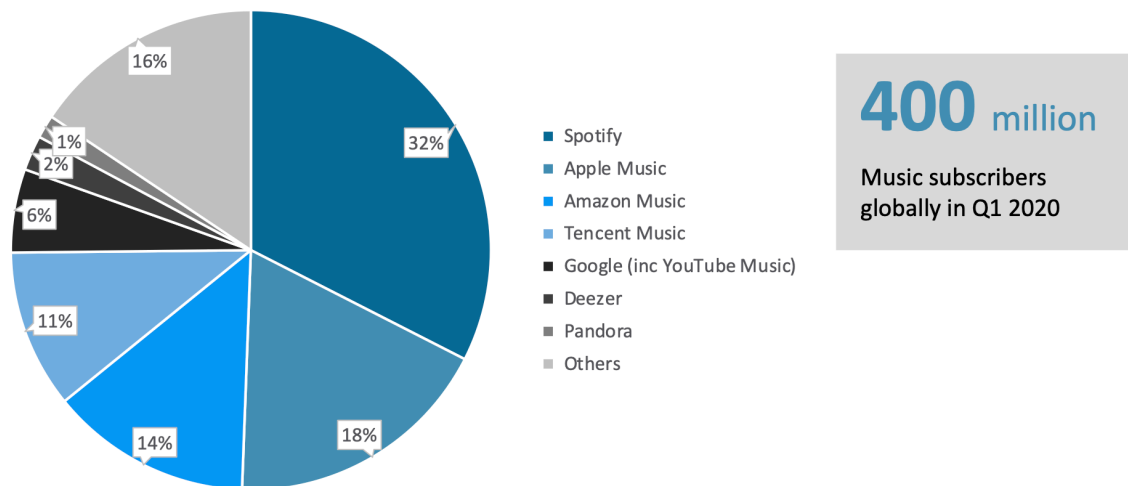
In terms of the metamorphic impact of the economic crisis over the past year the micro-economic considerations for the music streaming industry and specifically Spotify are profound. With music streaming envisaged to be the most resilient aspect of the music industry amid the COVID-19 crisis with c75% of revenue derived from subscriptions to DSP's it is estimated that by 2030 global paid subscriptions will have increased 6% to 1.22bn. Overall, it is estimated that the streaming market will increase at a 12% Compound Annual Growth Rate (CAGR) between 2019-2030 and will reach \$75bn (£53bn) by 2030 (Goldman Sachs, 2020).

Spotify continues to be the largest of the DSP's with a market share of 32% of the total market share. At the start of the music streaming revolution, it could be argued that Spotify held a partial monopoly on the market, with a limited number of suppliers in the marketplace whilst holding the majority of the overall marketplace. However, with an increasing array of streaming services within the industry coupled with the power of the potential ability for the competition such as YouTube or Apple to either capitalise on their strengths as a global video sharing and content platform or hardware company respectively, Spotify need to be ready to evolve in order to retain a dominant presence.

4. Major Competitors

The graph in figure 2 (Mulligan, 2020) provides an illustration of the size of the global streaming market as of 2020. With Spotify retaining a significant lead in terms of market share at 32% it is expected that by the year 2030 Apple Music, Spotify's closest competitor, will fall to 4th place with a market share of 14% by 2030 behind Tencent music at 20% and Amazon Music at 15% (Goldman Sachs , 2020)

Despite strong growth from Amazon and Apple, Spotify retains the same global music subscriber market share in Q1 2020 as Q1 2019



Source: MIDiA Research Subscriber Market Shares Model 06/20

Figure 2 (Mulligan, 2020)

MIDiA.

The following section provides an analysis of Spotify's top four competitors illustrated in Figure 2.

4.1. Apple Music

Replacing the iTunes system in 2019, by 2020 Apple Music had 72 million users. Considerably less than Spotify's 155 million subscribers to its Spotify Premium service. However, Apple Music is a powerful brand with a strong presence in the marketplace, the simplicity of use and the system's ability to work seamlessly with Apple's hardware such as the iPhone, Apple watch, Mac and HomePod as well as Siri; Apple's smart assistant service, provides a strong gateway into integration and builds brand loyalty amongst Apple's customers base. This may prove to be particular appealing when considering Apple's expanding array of services such as Apple Fitness and its hardware.

A subscription fee of £9.99 per month allows subscribers to access any song from the iTunes catalogue as well as music that they may have purchased from the iTunes system, ripped from CD's or downloaded from the internet. For a business that is usually quite closed in regard to allowing third party services and systems to gain access to their products and services, allowing third party devices such as Amazon Echo to be able to interact with their system is a clear sign that Apple are starting to understand the fact that the key to long term success in the music and software industry is to open up their services and that Software as a Service (SaaS) provides a route to a long term sustainable business model.

In November 2020 Apple Music reported record results with its services division reporting \$14.5bn for its fiscal Q4 ending 26 September. (The Music Network , 2020)

As is the case with many service providers, Apple Music offers a three month trial period which is designed to entice subscribers from the completion, such as Spotify. (Techrader, 2020)

4.2. Amazon Music

Launched in September 2007 by the Amazon Company, this service quickly gained a strong following. There are a variety of subscriptions services with an array of services. (Lamb, 2020) Again, one of the advantages of Amazon Music is its relationship with the Amazon Company. Amazon of course is a market leader in the provision of smart speakers with its Amazon Echo product. There are other benefits to using the system, for example when buying hard formats of music such as CD's or vinyl a soft copy is automatically uploaded to an Amazon Music subscribers own music library, therefore, avoiding the need to rip or download a copy onto a device. This provides a very clear advantage and again, builds customer loyalty. This unified cross platform and device compatibility provides a strong differentiator with its competition.

There are three options available for consumers. A subscription to Amazon Prime at £7.99 per month provides access to Amazon Music. This service provides access to over 2 million songs with ad-free streaming and unlimited skips along with offline playback. Amazon Music Unlimited is costed at £9.99 per month provides access to over 70 million songs and allows the listener to experience the system on multiple devices and again ad-free music.

As with a number of Amazon's competitors, Amazon Music offers a high-quality option of its service at £12.99 per month

4.3. Tencent Music Entertainment

"Tencent Music Entertainment (TME) is the leading online music entertainment platform in China, operating four popular and innovative music apps in China: QQ Music, Kugou Music, Kuwo Music and WeSing. TME's mission is to use technology to elevate the role of music in people's lives by enabling them to create, enjoy, share and interact with music. TME's platform comprises online music, online karaoke, and music-centric live streaming services, enabling music fans to discover, listen, sing, watch, perform and socialize around music". (Tencent Music Entertainment , 2021)

Founded in 2016, the business has raised a total of €910m over 4 investment rounds. The company is funded by 3 main investors with Spotify themselves being one of these. This is a fortunate investment for Spotify, providing an opportunity to invest in the Chinese market with future development potential for the business. (Crunchbase, 2021)

4.4. YouTube Music

YouTube Music, an Alphabet owned business, has seen considerable growth since overhauling its service in 2018, growing its user base from less than 8 million users in 2017 to 77 million users by the end of 2019. Much of the success of the service has been attributed to the launch of the service in such markets as such as India and Brazil where the company capitalises on the popularity of its free video streaming platform on mobile services. YouTube is arguably the biggest free music streaming service in the world and has proven to be a formidable contender in the music streaming market place. (The Motley Fool , 2020)

For example, In India the service saw 3 million downloads within its first week of launch and has about 10 million active users as at the end of 2019. Of this figure only approximately 800k pay for the ad-free service. It is this figure that makes YouTube music the most popular

service in the country. (The Motley Fool , 2020). The tactic of providing free streaming services without restrictions places YouTube music at an advantage in such markets where individual budgets are limited. This approach places pressure not only on Spotify, but its competitors.

Of course another benefit YouTube has is its association with YouTube itself, which has over 2 billion users worldwide. During the latter part of 2020 Google made YouTube music its default music player on Android phones, which is an effective approach to pushing the product to consumers of their hardware. For example, Apple has stated that Apple Music is more popular with Apple consumers, however Apple Music has struggled to grow its user base with consumers outside of its loyal hardware driven customer base. (The Motley Fool , 2020)

In terms of revenue YouTube do not provide information for YouTube specifically, however all subscription data for YouTube as a whole increased by 22% year-on-year to \$4.4bn (£3.5bn) (Music Week, 2020)

The support of Google and its ability to promote the service across its platforms make YouTube a serious contender for Spotify.

5. Pricing Strategy

As stated in their 2019 AGM Report, Spotify operate and manage the business in two reportable segments – Premium and Ad-supported. (Spotify, 2019)

The Premium Services provides Premium Subscribers with unlimited online and offline high-quality streaming access to Spotify's catalogue of music and podcasts. The Premium Service offers music streaming without commercial breaks.

Growth of Premium Service subscription is driven by and is heavily reliant upon the conversion of Spotify's Ad-Supported Users to the Premium Service via a number of initiatives and techniques. Direct engagement with end users of the Ad-Supported service by highlighting the benefits of using Premium Services encourage conversion to the Premium Service. Direct marketing in reference to driving the key benefits of Premium Services as well as offering free trial campaigns have proven to be successful methods of tempting end users to commit to a paid subscriptions service.

Within the Premium Services options there are a number of subscription plans that have evolved over the years to provide a range of options to appeal to a range of lifestyles and demographics. For example, the Family Plan £14.99 Consists of one Premium Subscriber and up to five additional sub-accounts. The Student Plan offers the same service as the Premium Subscription at a 50% discount at £4.99 and Premium Duo offers two Premium Subscriptions accounts at £12.00 per month. All packages come with one month free and the ability to listen to as many songs as the user wishes from a catalogue of over 70 million tracks. These prices are set in consideration of local markets with consideration being given to the local market, purchasing power and willingness to pay for such services. This approach presents an elasticity in its pricing structure which in turn demands that Spotify need to be mindful of the music streaming market to ensure that it remains competitive with the other players within the market. It should be noted that Spotify has not lifted the price of its standard premium subscription for a decade. As competition increases, and in addition demand for better quality services, Spotify may be pushed into a position where it will need to offer added value in its premium services which will inevitably impact its baseline costs. In February 2021 Spotify announced the launch of its Hi Resolution music streaming service. The price is yet to be

announced but with its competitors charging between £12.99 and £14.99, it is likely the cost will be set around this price bracket. This enhanced service offer presents an example of how Spotify is addressing the changing demands of the market and consumers.

6. Finance

Daniel Ek the co founder of Spotify owns 9% of the shares but has 37% of voting control for the company. (Forbes, 2021)

According to Spotify's Q4 Quarterly Report in 2020 the business had ended the year with strong performance as the business had delivered a substantial increase in Monthly Active User's (MAU's) that had exceeded expectations, leading to an increase in Average Revenue Per User, (ARPU) better than expected Gross Margin and free cash flow of €74M (£63M). With these considerations taken into accounts Spotify believe that they are well positioned for growth in 2021. Continued long-term investment in the podcast market has led Spotify to purchase Megaphone, one of the worlds most innovative enterprise podcast hosting and monetisation companies. (Spotify, 2021)

In regard to Premium subscriptions there was a 24% Year over Year (Y/Y) increase to 155 million (Spotify , 2021) in Q4 of 2020. This exceeded the top end of the guidance range for Spotify. Net additions accelerated to 30 million compared to 2019 net additions of 28 million. It is interesting to note that in Q4 10 million subscribers were added to the system with all regions contributing to growth. These trends in premium and shared subscription growth allude further to the increase in use of streaming in the home during the COVID-19 pandemic and likewise the evolution of how families interact with the service overall.

As illustrated in the following user and financial metrics from Spotify's fourth quarter report for 2020, a loss was reported of €69 million. This was largely due to social charges (payroll and associated costs) being higher than forecast by circa €56 million. (Spotify, 2021)

SUMMARY USER AND FINANCIAL METRICS					
	Q4 2019	Q3 2020	Q4 2020	% Change	
USERS (M)				Y/Y	Q/Q
Total Monthly Active Users ("MAUs")	271	320	345	27%	8%
Premium Subscribers	124	144	155	24%	7%
Ad-Supported MAUs	153	185	199	30%	8%
FINANCIALS (€M)					
Premium	1,638	1,790	1,887	15%	5%
Ad-Supported	217	185	281	29%	52%
Total Revenue	1,855	1,975	2,168	17%	10%
Gross Profit	474	489	575	21%	18%
Gross Margin	25.6%	24.8%	26.5%	--	--
Operating Income/(Loss)	(77)	(40)	(69)	--	--
Operating Margin	(4.1%)	(2.0%)	(3.2%)	--	--
Net cash flows from operating activities	203	122	107	(47%)	(12%)
Free Cash Flow¹	169	103	74	(56%)	(28%)

Figure 3.

Concise information in regard to ownership Spotify is difficult to fully ascertain, however in 2018 Music Business Worldwide reported that they had gained information from

Luxembourg's equivalent of Companies House and found that in 2008, along with Merlin, the online distribution company, each of the major labels held significant shares in the Spotify. Cumulatively these shares amounted to approximately 18% stake in the business. (Ingham, 2018) Over the next decade this stake would be eroded to approximately 9%. In June 2018 Warner sold its entire 2% stake in the business for \$504 million (£363 million) whilst Sony sold 50% of its holding for \$768 million (£552 million). By the end of 2018 Universal (UMG) had held onto its stake of 3.5%. It is estimated that had UMG sold their stake in the business when the business floated in 2018 their share would have been worth an approximate \$2.4bn (£1.7bn) (Ingham, 2018)

7. Lean Business

7.1. The Lean Start-up: an explanation

The Lean Start-up model first established by Eric Ries in 2011 provided a foundation and method for building a new business from the base level. The phrase Build, Measure, Learn (Ries, 2011) has proven to be a reliable approach to building a new business, certainly within the technology sector. This approach is built largely on the idea of experimenting with ideas and products. It is common practice in today's software and technology driven industries to launch a 'beta' version of a product and effectively evolve that product through constant measurement and then learning how the product can be adapted to evolve and shape the product in an efficient and effective manner.

By following the principles of Ries' method of Innovation Accounting within these three steps, a start-up business is able to establish a baseline to work with, refine the product and arrive at quick decisive actions in order to evolve the product in a structured and co-ordinated manner. (Ries, 2011)

7.1.1. Launch a MVP – Build

Establish a baseline product in order to gain real data. The idea is that without this a business cannot establish where they are going and how they need to develop the product.

7.1.2. Fine Tune the Idea – Measure

This stage of the process may take several attempts to understand how the original idea may be adapted in order to achieve an optimised product. This step of the process is a crucial one and it is vitally important to understand the data in a balanced and pragmatic manner in order that the business adapts the product in such a way that will meet the demands of the market. This will lead to the last stage in the process.

7.1.3. Pivot or Persevere – Learn

If the feedback from the measurement process is positive and supports the original idea, then the answer is clear in that perseverance is the next step. However, it may be the case that the process arrives at a point whereby it is clear that the team need to pivot; change direction and adopt the product based on this feedback.

It is important to be able to understand the results and feedback that may be acquired, by following a combination of data points such as customer feedback, financial performance and product performance the entrepreneur is able to understand whether they should persevere with the product development.

The Lean Start-up model provides a tried and tested formula. One of the most effective and beneficial aspects of this process for the start-up business is the relatively economic value of experimenting with various ideas and theories to understand the viability of pursuing an idea.

7.2. The Negative Aspect of Lean

Starting and building a new business takes an immense amount of determination and dedication. The ability to stay focussed on the end goal is vital to the success of any business. Following the Lean Start-up process can be challenging in that the Build, Measure, Learn cycle can take an entrepreneur into a direction whereby the feedback may present data which may steer the business into a direction which may not necessarily be the right one. In Eric Ries' book *The Lean Start-up*, Ries discussed the point of Analysis Paralysis, (Ries, 2011). There is a fine balance that needs to be struck when listening to and learning from feedback. Whilst it is important to listen and learn from the process and not simply go through the process without learning as is often the case with the 'Just Do It' approach to business, it is equally important not to get to a point where the data becomes a blocker for progression. If the feedback does not resonate; if there is not clarity in the feedback it can be a challenging point in the process to retain the courage and conviction of the original vision. This can be a debilitating stage in building a business. Following the data without retaining the human aspect and understanding of the original vision can prove to be frustrating for a fatigued team and in addition not listening to the feedback can lead a team onto a course to failure.

7.3. Spotify and the Lean Model

In order to remain relevant and innovative in an increasingly crowded and turbulent market Spotify needs to evolve and are seemingly doing so.

Throughout Spotify's development the business has adopted an agile development approach to the further development and scale-up its products and services.

Within Spotify, the business operates a number of teams designed to work autonomously to develop ideas, products and services. The smallest denomination of these teams is known as a squad. Each squad acts like a start-up business in its own right. The focus of these teams is to develop a Minimal Viable Product (MVP), releasing updates often in order to test and develop the product following the Build, Measure, Learn cycle. (Lunden, 2012)

With a large number of these squads within the business, inevitably there will be synergies and interactions between various teams. When this occurs, these squads are then grouped into tribes. These tribes then take on the role of the incubator. The aim is to ensure that these tribes have no more than a 100 people in them in order to ensure that they remain agile and focussed. These groups then themselves, will 'scale-up' to form larger groups, such as scrums, chapters and guilds. The aim is to maintain a flat organisational structure that accommodates autonomous structures that can adapt and remain agile in order to be able to remain focussed on developing new ideas, products and services. (Lunden, 2012)

8. Summary

In conclusion, since its formation in 2008, Spotify has made a significant contribution to the transformation of how consumers listen to and experience music on a global basis.

Currently, it is the biggest music streaming service in the world and continues to expand its products and services by adapting agile and lean start-up principles of management and development. This allows the business to constantly invest in new ideas through experimentation, measuring and learning. This approach has led to the development of such services as Spotify for Artists and investment in businesses such as Soundtrack Your Brand that provide music for businesses such as bars and restaurants.

However, Spotify needs to remain mindful of the changing landscape of the music industry and the DCMS inquiry into the Economics of Streaming in November 2020, aimed at addressing the imbalance in royalty payments across the streaming industry will, in doubt lead to greater governance and legislation in how companies like Spotify pay royalties to rightsholders. Additionally, as the industry develops and companies such as YouTube open their services to markets such as India where their system is accessible in a free and easy to use format, Spotify will need to remain focussed on how they develop their services in a scalable and sustainable manner that will see the business evolve along with the changing landscape of the music industry.

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