

# *The Analysis of the Future Hold of Spotify Technology S.A.*

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**Abstract:** Spotify Technology S.A. is a leading music streaming service that boasts over 200 million users worldwide. Hence, this study is aiming to address the question of why Spotify can dominate in such scale of users. This paper first explores the company's background, it will analyze its current strategies, and why it is poised to dominate the market in the future. Moreover, it will elaborate Spotify's unique resources, capabilities, and commitment to innovation that set it apart in the highly competitive music streaming industry. This paper has found three factors that contribute to Spotify's success through an approach of market research: collaborating with many artists to attract new users, offering users both free and paid services to allow users to choose the right program for them, and Spotify's choice of algorithms to push songs to users to improve the quality of the service. The article points out that Spotify's success isn't just in its strategy, but that its diverse content such as podcasts and high cross-platform compatibility are also essential to continued success.

**Keywords:** Spotify, music streaming, future dominance, personalized recommendations, innovation

## 1. Introduction

With more than 200 million people use Spotify, a popular music streaming service, because it offers a variety of musical content and personalised recommendations [1]. The company is competitive for its variety of contents, data-based personalised recommendations, and cutting-edge technology platforms, according to information on their website [1]. It is widely believed that Spotify will continue to be successful in the future due to its distinct resources, capacities, and abilities to respond to market changes and innovate moving forward.

The company was established by Daniel Ek and Martin Lorentzon in 2006, providing the most significant streaming service nowadays [1]. With over 551 million monthly active users and 220 million of subscribers, it provides over 100 million songs and 5 million podcasts from music labels and media companies that are recorded to digital rights. The company offers two plans for users: the freemium and the premium plan. Although both offer the ability to listen to a vast number of songs, the premium allows you to enjoy unlimited skipping of adverts and unlimited cutting of songs with better acoustic quality. Now Spotify dominates 184 different markets, including The United States and Europe, which account for about 53% of the number of households and 67% of the revenue [2].

## 2. Current Strategy

By presenting the summary of Daniel Ek's opening remarks, Spotify is aiming to be built as an outstanding multilateral platform incorporating all the ingredients to be unique and creative among the world [2]. Here are some perspectives to analyze the Spotify marketing mix:

To reach a sizable and engaged target audience and broaden brand exposure, collaborations online and offline are an important part of Spotify's promotional strategy [3]. A good way to increase offline exposure is by working with major events like concerts and tours. The use of online platforms, such as the well-known social media sites Facebook, Instagram, and Twitter to connect with users and promote content, is also a crucial component of Spotify's marketing strategy. It's also important to point out that email is a personalised marketing tool for connecting with users and promoting playlists and new content all the time. In addition to establishing connections with potential customers both online and offline, Spotify's product strategy places a strong emphasis on integration and collaboration. In order to increase the amount of content on the platform, the business has formed partnerships with a number of record labels, paid artists, music festivals, and other businesses in the tech sector. This has helped Spotify grow its user base, offer users richer content, and both attract and keep current customers.

In terms of product, the freemium model is one of the core strategies of Spotify. This model provides users with two options: one is the free version, whose version supports subscribers to listen to songs for free access to a portion of the song with limitation of ads. The other is a premium version that offers subscribers an ad-free experience and additional add-ons. By providing a free service, Spotify has attracted a broad user base, giving listeners access to a vast music library without any upfront costs. Depending on the subscription interface of the Spotify platform, more personalized subscription programs such as Home and Student have been developed, which are more tailored to the user's situation and needs and thus increase the chances of free subscribers switching to paid subscribers. Over time, many of these free subscribers have converted to premium subscribers, generating significant revenue for the company. According to the research [4], Spotify currently has 515 million monthly active users, up 5 percent from the previous quarter and 22 percent from the same period last year. This is the first time Spotify has claimed a more than 500 million user base, including 210 million premium subscribers.

Finally, Spotify focuses on utilising data to enhance its services and better serve its customers in order to keep its current clientele while growing its potential clientele in order to remain relevant and competitive. Spotify uses data analytics to understand what users are listening to and when they are listening to it in order to gain insights into user behaviours and industry trends. In order to make recommendations, create targeted marketing campaigns, pinpoint emerging music trends, and Spotify can modify its content [5]. More specifically, Spotify uses sophisticated algorithms to gather information about users' listening preferences and habits in order to create specialised playlists and recommendations. The "Weekly Discoveries" feature, for example, creates fresh playlists of pertinent music for each user. This keeps users interested and promotes music discovery, which improves their experience overall. Fleischer and Snickars claim that Spotify's expert curation and algorithmic recommendation systems have enabled the company to offer users customised music experiences, which has assisted in attracting and keeping users [6].

## 3. What is the strategy for future dominant?

First, data drive and personalization are significant reasons why Spotify will dominate in the future. The Spotify company pushes music through the collection of users' personal preferences through the collection of users' listening history, which is an important competitive advantage. users' listening history, which is a major competitive advantage. Algorithms collect the types of music each user

listens to, the number of music comments they like or the number of times they share music to infer user preferences. The algorithm filters out the types of music that the user likes and adds more songs to the playlist, which prevents the user from being exposed to too many songs that they don't like and at the same time pushes music related to their preferences to stimulate their curiosity to listen to new songs. The on-demand system proffers artists associating with the platform a sustainable and continued income model. It prevents the taper trend of income and revenue since 2002, which had long disturbed the release of physical records. What's more, Spotify constrained the circulated means of pirated songs, therefore, effectively combats unauthorized (or pirated) forms of file-sharing [7].

Second, a comparison with competitors also shows the future trend, Spotify's main competitors include Apple Music, Amazon Music and other streaming platforms. Spotify has a larger subscriber base and market share globally than these competitors. According to Media Research music streaming platform statistics, Spotify holds 31% of the music streaming market share and is the streaming platform with the highest share [8]. Therefore, from past data, the market will be dominated by Spotify in the future as well.

#### **4. Spotify vs. Apple Music**

Comparing Spotify to other streaming software can help us better analyze why Spotify is successful. Spotify overlaps a wide range of artist rights as other streaming platforms do, but the resources available to users differ. Three factors distinguish Spotify from Apple Music.

##### **4.1. Differences in pricing and access**

The comparison of pricing and access between Spotify and Apple Music is also a reason to analyze why Spotify can be successful. Spotify introduced a free model with some restrictions, which allows users to access music with ads for free, create personal playlists, play random songs, and share song lists, although free users are not allowed to play music offline and skip ads [9]. Apple Music, however, does not offer users the option of permanent use. Still, users can access the full functionality of Apple Music during the trial period, including listening, downloading music, and creating lists. At the end of the trial period, users can continue to use Apple Music only if they pay for it. therefore, Spotify has a head start in attracting a large group of users who can access Spotify's music library without paying for it [10]. Thus, these large numbers of free users can potentially convert into paying users and generate revenue for the company. Moreover, free users are often interrupted by advertisements when they experience the free version of Spotify, which makes them realize the advantages of a premium account and convert them to paying users [11]. This will make users realize the benefits of premium accounts and turn them into paying users. In contrast, Apple Music's trial period is shorter, three months, according to their official website, which prevents users from exploring more features.

##### **4.2. Different cross-platform compatibility**

Spotify and Apple Music have different cross-platform compatibility, leading to Spotify's continued dominance. It has realized comprehensive cross-platform support, which can be easily used on major operating systems such as Windows, Android, macOS, and iOS [12]. In addition, Spotify provides a web player that allows users to listen to music anytime, anywhere through a browser. This convenience improves user retention and enables hassle-free playback, where listening to music is not limited by location [12]. However, Apple Music's support for cross-platform content is more limited, and it mainly supports devices within the Apple ecosystem, such as iOS, macOS, and Apple Watch. Therefore, this results in users not being able to run the Apple Music software on non-Apple systems seamlessly, and this limitation of not being able to run it everywhere results in users turning to other music service platforms when faced with the need for cross-platform, which also results in

users not choosing to pay for things like Apple Music [13]. Therefore, this high level of cross-platform compatibility is one of the reasons why Spotify is a highly competitive music streaming platform.

### **4.3. Different Exclusive Content and Multimedia Experiences**

Spotify and Apple Music's different exclusive content and multimedia experience can also be one of the ways to analyze why Spotify is successful in the market. First, Spotify has chosen to sign many well-known bloggers and creators, completing the transition from its own music streaming platform to a multimedia entertainment platform [14]. This exclusive content encompasses audio from podcast authors from around the globe, which allows users to enjoy a wide range of genres in addition to music on the same platform [15]. For example, Spotify partnered with globally renowned creator Steven Barlette to sign up for a well-received audio show, *The Diary of A CEO*. The program is known for its in-depth discussions on a variety of topics and has attracted a large audience. A few years ago, a young college dropout living in a tiny apartment in a dangerous neighborhood, at the age of 18, he founded "Social Chain," a company that would eventually become a market leader and, by the age of 26, a company with annual revenues of \$600 million, and, at the age of 27, he stepped down as CEO and launched "The Diary Of A CEO," a podcast designed to share success stories and provide the knowledge needed to create the life you want. The story emphasizes resilience, entrepreneurship, and determination on the road to success. By bringing programs like this exclusively to the Spotify platform, users can get a unique content experience on Spotify without having to turn to other platforms [16]. Unlike Apple Music, which also offers music and some podcasts, Apple Music doesn't have compelling exclusives like *The Diary of A CEO* with Steven Barlette, making it a less multimedia-rich experience than Spotify.

On the contrary, Apple Music offers less content, focusing on collaborations with well-known artists, and doesn't do as much multimedia entertainment as Spotify does. For instance, Taylor Swift's 1989 World Tour Live was originally released exclusively on Apple Music. However, this still leads to a lack of variety in Apple Music compared to Spotify, as users are attracted to Spotify's multimedia content and therefore prefer Spotify as their software, resulting in a higher retention rate.

## **5. Recommendation to Success**

First, the company should encourage the creation of more functions for the platform. Besides streaming services and podcasting, more entertaining sections should be designed to adjust to the rapid changes in culture, which can increase the number of subscribers and users [17]. For example, Spotify can enhance user interaction, and creating playlists for friends allows users to spend more time on the platform. Second, Spotify can improve its algorithm to promote personal playlists more precisely [18]. This will lead to increased user loyalty to the forum.

## **6. Conclusion**

In conclusion, Spotify has been one of the most dominant streaming companies for its multiple contents, personalized recommendations, and advanced algorithm. It provides customized plans for people who have different needs. Spotify aims to become a platform with its uniqueness and creativity, which maximizes the involvement of people both online and offline with high-quality user experience. However, to maintain future success, it should expand its functions and be more precise in promoting quality content to its user base. In future research, several aspects will be focused and analyzed. To dig deeper, take Spotify or other music software, for example, how the pushed songs affect the interaction between users and the company. In addition, studying algorithms in detail is key to understanding song recommendations and enhancing the user experience. In conclusion, studying

algorithms and pushes can help us better understand how media platforms work and the public's preferences for choosing these platforms.

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