

Spotify Analysis Report

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Abstract

Picking Spotify for this study comes from its big impact on music and audio worldwide. As a well-known and widely used platform, Spotify makes an interesting example to look at choices, market position and leadership styles in a fast-changing industry. By studying Spotify's growth marketplace, plans and leadership, this study will show the main reasons behind the company's huge success while looking at its chance for ongoing growth in a more competitive digital market.

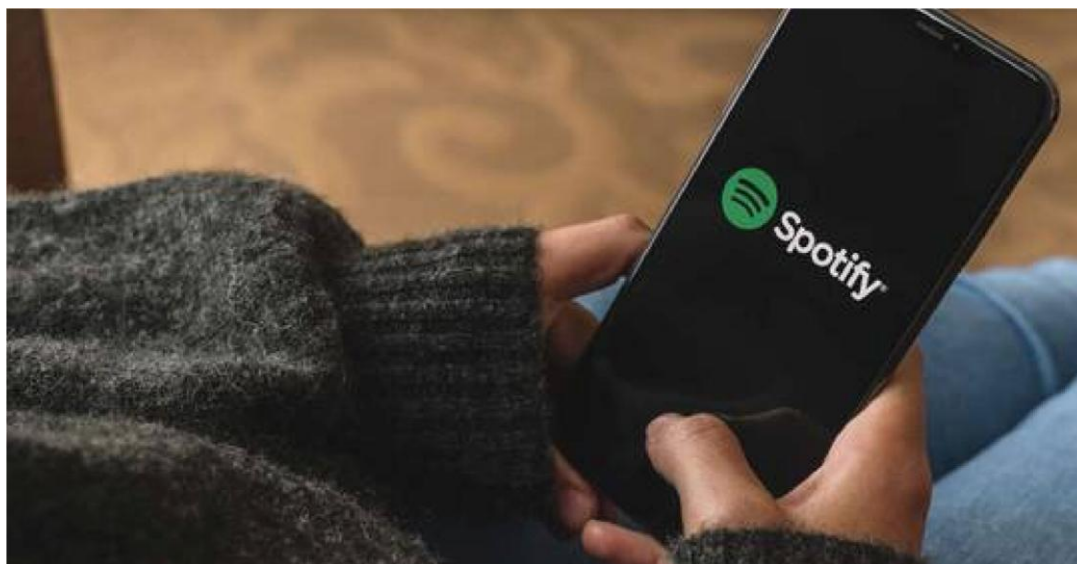
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I. Introduction

Spotify, the leading audio streaming service, uses a creative way to deliver content, changing how people enjoy media everywhere. It not only shifts how people listen to music but also how it transforms the digital entertainment scene. With a huge collection of content, personalization choices and advanced technologies, Spotify – founded in 2006 – reshapes the audio world. It started as a groundbreaking company and now stands as a top figure in audio creativity and music streaming.



II. The Company - History

Spotify started in 2006 by two Swedish men Daniel Ek and Martin Lorentzon. It lets people listen to music, podcasts and more by paying a subscription. In 2008, Spotify changed how people enjoy music. Over 15 years, it led to the move to streaming and added podcasts, audiobooks and other things.

In the early 2000s, platforms like Napster and Kazaa caused trouble for the music business. Daniel Ek and Martin Lorentzon wanted a legal way to stop music piracy. Ek dreamed of a place where people could legally enjoy music, share files and connect. After Ek's startup was bought by Tradedoubler – a company Lorentzon helped start – the two teamed up. Ek shared his idea for a streaming service with Lorentzon and Spotify began in 2006 opening two years later.

Napster showed people wanted to download and share music without breaking copyright laws. By 2001, Napster had over 26.4 million users before closing. Ek wanted to fill this need by getting music from labels and giving it to users. The name “Spotify” came by accident when Ek misheard Lorentzon. Spotify's freemium model lets free users listen with ads, while paid users got no ads, offline downloads and full access.

The service first appeared in the UK in 2009. By 2011, Spotify had 2 million paying users in Europe and after long talks with American music companies, started in the U.S. later that year. A month after its U.S. start, Spotify had 1.4% of the U.S. music streaming market and reached 5 million users by the end of the year.

Current Position

The company grew worldwide in steps, each focusing on important places:

2012: Germany a big music market.

2013: Mexico Hong Kong Malaysia Singapore and more.

2016: Japan another large music industry.

2018: South Africa Vietnam and the Middle East.

By 2018, Spotify worked in 65 countries offering its music collection to millions globally.

As smartphones changed how people use media in the 2010s, Spotify quickly adapted:

2008: One of the first apps on the iOS App Store.

2014: Started Spotify Running for music that matches running speed.

2015: Launched Spotify Car View for cars and Discover Weekly for custom playlists.

This smart growth led to 2017 when Spotify passed Pandora to become America's top music streaming service – a big step in the company's journey.

Spotify started its podcast adventure in 2015 by buying companies like Seed Scientific Gimlet Media Anchor and Parcast. By 2020, it had a special podcast platform with exclusive shows from people like Joe Rogan and Kim Kardashian. The company also gave creators tools like the Spotify for Artists analytics dashboard (2017) and the Anchor podcast creation tool (2019). These new ideas attracted creators and grew Spotify's content world.

In a big stock market move, Spotify listed directly on the New York Stock Exchange in 2018, with shares starting at \$165.90 valuing the company at 30 billion. This showed Spotify's fresh approach to the stock market. By 2022, Spotify's value reached \$100 billion making it one of the few European companies to achieve this.

Spotify constantly improved its services:

Better Personalisation:

2017: Suggested songs feature.

2020: Customised playlists like Spotify Mixes and Daily Wellness.

Social Listening:

2011: Real-time shared listening with Facebook.

2021: Group Session for listening with friends.

Unique Content:

2015: RapCaviar playlist series.

2016: Original video series for artists.

2018: Car Thing music player for cars.

New Platforms:

2015: PlayStation consoles.

2018: Wear OS smartwatches.

2022: TV platform with Spotify Canvas visuals.

Spotify expanded into:

Podcasts: Hosting over 5 million shows including exclusives like The Joe Rogan Experience.

Audiobooks: Started in late 2022 with books from publishers like Storytel.

Live Events: Streaming concerts through Ticketmaster partnerships.

AI Audio: Looking into AI-generated voices by buying companies like Sonantic.

III. SWOT Analysis

Strengths

- Most used music app.
- Personalised recommendations (By analysing listening habits, playlists, and user-created content, the algorithm provides personalised song recommendations and playlists that match each user's preferences.)
- Continuous innovation (allows the platform to stay ahead of the competition and meet evolving user expectations, by introducing features like Spotify Wrapped, where Spotify helps users reflect and feel nostalgic, building a stronger bond with the platform.) Present on Social Media
- Brand Name

- Vast Content Library (Spotify provides an extensive collection of millions of songs, podcasts, and other audio content, serving a wide range of user tastes.)

Weaknesses

- Relying on platform rules and country specific limits.
- Ad-supported free tier limits might deter some users.
- Opportunities
- Growing in new markets.
- Increasing exclusive content through original podcasts and audiobooks.
- Improving user experience with new subscription models like Spotify Kids.
- Building a stronger connection with users through features like Spotify Wrapped.

Opportunities

- Loyal consumers
- Product Differentiation (creating original content that is exclusively accessible on the Spotify platform)
- Attract users in both emerging and established markets in the music streaming industry. Diverse types of subscription (Individual, Student, Duo, Family) and Spotify Kids.

Threats

- Strong competition from Apple Music Amazon Music and YouTube Music.
- Rising content licensing costs, which grew by 20% between 2019-2021 threatening profit margins and sustainable growth.
- The ongoing threat of digital piracy and unauthorised streaming services costing the music industry an estimated \$12.5 billion yearly according to IFPI reports.

IV. Current Strategy

When Spotify went public in 2018, it was a music-streaming platform. However, over the past four years, the company has undergone significant transformation, expanding its reach to become a major player in the broader audio industry.

The three core pillars that set Spotify apart and guide its long-term strategy are:

- a) Ubiquity: Spotify has long aimed to be accessible to anyone on any device. Over the past four years, the company has expanded its partnerships from around 250 to more than 2,000, integrating devices ranging from wearables, like smartwatches, to connected technologies in cars and home appliances. This widespread accessibility has significantly contributed to user growth, with 28% of new registrations now originating from these partnerships, compared to 14% in 2018.
- b) Personalization: Spotify's personalization and discoverability features are highly valued by its users, with more than 81% citing these as their favorite aspects of the platform. This capability to help users discover their next favorite song or artist is a key factor in both attracting and retaining subscribers.
- c) Freemium Model: Spotify's business model combines a free, ad-supported tier with a premium subscription option. This approach allows potential users to explore the platform risk-free, creating a pipeline for converting them into paying customers. The freemium model has also enabled Spotify to expand into new markets, increasing its reach from sixty-five countries to 183 over the past four years.

The CEO of Spotify shared in an interview "We are really investing in building a fantastic multisided platform that has all the ingredients to become one of the totally unique creative platforms in the world," "And based on what we see, we are accelerating our moves to seize that opportunity in the near term. And the value creation opportunity is remarkably high."

Spotify's beginnings are rooted in music, but its future focuses on supporting creators across the audio spectrum. The company has used insights from its success in music to advance its podcast business. Dawn Ostroff (EX- Chief Content & Advertising Business Officer) highlighted four ways Spotify's exclusive and original content adds value:

Spotify leverages exclusive programming to attract podcast listeners from other platforms while also introducing non-podcast listeners to the medium for the first time. Additionally, the company engages its music-only audience, converting them into both music and podcast listeners.

High-profile podcasts such as Call Her Daddy and Armchair Expert provide Spotify with significant leverage when working with hardware platforms, including direct competitors.

The appeal of Spotify's premium content also draws major advertisers, many of whom try podcast advertising for the first time and continue to invest.

Successful original content creates a cultural impact that keeps Spotify at the forefront for audiences and creators alike. Examples include *Batman Unburied*, *Caso 63*, and *Gemischtes Hack*, with more anticipated releases such as Kim Kardashian's debut series, *Archetypes* by Meghan Markle, *The Duchess of Sussex*, and an upcoming series from Jordan Peele's Monkeypaw Productions.

This strategy has proven successful. According to Dawn, Spotify's original and exclusive shows make up fifteen of the top one hundred podcasts on the platform, which is a notable achievement considering the company produces or licenses only 1,000 out of the more than 4 million podcasts available. Furthermore, six of the top ten podcasts are exclusive to Spotify.

V. Leadership

Daniel Ek, Spotify's co-founder and CEO, stands as one of the most influential figures in modern tech and media. Born in Stockholm, Sweden, in 1983, Ek exhibited entrepreneurial drive from a young age, developing websites as a teenager and founding his first company, Advertigo, at just 23. His vision for Spotify emerged in the mid-2000s as he grappled with the challenges of widespread music piracy and the decline of traditional music distribution models.

Recognising the need for a user-friendly, legal alternative, Ek co-founded Spotify in 2006 alongside Martin Lorentzon. Under Ek's guidance, Spotify has transformed not only the way people consume music but also, the business models that underpin the global audio industry. His commitment to a user-centric, technology-driven approach has driven the company's evolution into a platform offering music, podcasts, audiobooks, and other audio formats.

Key Leadership Decisions and Their Impact

Ek's tenure as CEO has been defined by pivotal decisions that reshaped Spotify and the broader audio landscape: The Freemium Model

Ek's decision to launch Spotify with a freemium business model was a game-changer. The approach allowed users to access Spotify for free with advertisements while offering premium subscriptions for an enhanced, ad-free experience. This model solved the dual challenges of attracting a large user base and generating revenue. It also fostered a shift in consumer behaviour from piracy to legal streaming, a change that bolstered Spotify's relationships with music labels and artists.

Investments in Personalisation

One of Ek's most impactful decisions was prioritising personalised user experiences. By leveraging machine learning and data analytics, Spotify introduced features like *Discover Weekly* and *Daily Mix*, which use algorithms to curate music based on individual preferences. These innovations have been instrumental in enhancing user engagement and loyalty, distinguishing Spotify in a highly competitive market.

Expansion into Podcasts and Audiobooks

Recognizing the potential beyond music, Ek spearheaded Spotify's entry into podcasting and audiobooks. Between 2017 and 2019, the company acquired podcasting giants Gimlet Media, Parcast, and Anchor, securing exclusive content and tools for creators. Spotify further amplified its offerings with deals involving high-profile creators like Joe Rogan and Michelle Obama. This diversification has reduced Spotify's reliance on music licensing while capturing new revenue streams.

Going Public with a Direct Listing

Ek's decision to pursue a direct listing rather than a traditional IPO in 2018 reflected his innovative mindset. The move allowed Spotify to avoid underwriter fees and provided greater transparency in determining its market value. The successful debut valued Spotify at nearly \$30 billion, establishing it as a trailblazer for other tech companies considering direct listings.

Global Expansion Strategy

Ek has been a relentless advocate for Spotify's global growth. From entering Europe's largest music markets to expanding into Asia, Africa, and the Middle East, his efforts have brought Spotify's services to over 180 countries. This expansion strategy not only increased the platform's user base but also diversified its audience, paving the way for sustained revenue growth.

Focus on Creator Tools

Starting in 2017, Ek emphasised empowering content creators through tools like *Spotify for Artists*, which provides data insights to musicians, and *Anchor*, which simplifies podcast creation. These initiatives have made Spotify an attractive platform for creators, ensuring a steady flow of exclusive content.

Leadership Style

Ek's leadership style is often described as visionary, innovative, and pragmatic. He combines a deep understanding of technology with a commitment to solving complex problems creatively.

Core Traits:

- **Strategic Thinker:** Ek's ability to anticipate industry trends and position Spotify ahead of competitors has been a defining strength. His early recognition of the podcasting boom exemplifies his foresight~
- **Collaborative and Inclusive:** Spotify's culture emphasizes diversity and inclusion, reflecting Ek's belief in empowering teams to achieve their full potential. The company's HR blog highlights its investment in leadership development, showcasing Ek's commitment to fostering talent across all levels.
- **Resilient and Adaptive:** Ek has faced criticism over issues like artist compensation and content moderation. However, his ability to learn from challenges and adjust strategies has reinforced Spotify's standing as an industry leader.

The Broader Leadership Team

Spotify's success is also attributed to its robust leadership team, which complements Ek's vision with diverse expertise:

- **Paul Vogel (CFO):** Overseeing financial operations, Vogel has played a critical role in managing Spotify's profitability while supporting its global expansion.
- **Gustav Söderström (Co-President & Chief Product Officer):** Söderström drives innovation across Spotify's product offerings, ensuring seamless user experiences.
- **Dawn Ostroff (Chief Content & Advertising Business Officer):** With her expertise in content and advertising, Ostroff has been pivotal in expanding Spotify's podcast and advertising businesses.

Potential Areas for Growth in Leadership

While Ek's leadership has been transformative, there are opportunities for further evolution:

Enhanced Transparency

Spotify has faced scrutiny over its handling of controversial content and artist compensation. Greater transparency and proactive communication with stakeholders could strengthen trust and mitigate criticism.

Strengthening Employee Engagement

Despite Spotify's strong emphasis on culture, the highly competitive tech industry poses retention challenges. Ek could deepen investments in workforce well-being, mentorship programs, and career development, aligning with Spotify's People Strategy.

Sustainable Growth

As Spotify expands into new markets and formats, balancing growth with sustainability will be critical. Strategic partnerships and innovations in content delivery could help ensure long-term success.

VI. Conclusion

Spotify transformed from a small, disruptive company to a big audio streaming leader – this shows its creative plans and forward-thinking leaders. By focusing on easy access, personal choices and varied content, Spotify grew its users and became stronger. Its spending on special podcasts worked well setting it apart and helping it grow. With attention on new ideas and helping creators, Spotify looks ready to keep winning in the audio field.

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