Agenda

✓ About Spotify
✓ SWOT
✓ Five Forces
✓ Industry Overview
✓ ERRC Grid
✓ Strategy Canvas
✓ Blue Ocean
✓ Recommendations
What is Spotify?

Spotify’s mission was simple: Give people access to all the music they want all the time - in a completely legal & accessible way

Free
Everything you want from music.
Completely free

Premium
Your music is everywhere.
$9.99 a month.

Listen on mobile, tablet & computer
Millions of songs — just hit play
Made possible by ads

Play any song, anywhere
Download music & listen offline in high-quality audio
No ad interruptions & no commitment
Music for everyone.

Spotify is now free on mobile, tablet and computer. Listen to the right music, wherever you are.

DOWNLOAD SPOTIFY

Spotify is the right music for every moment

Easy Personal Fun
How Do People Listen?

146 min

That's how long the average cross-platform user spends listening, dancing or singing along to Spotify every day.

Internal Spotify data based on global average multi-device user, April 2014.

Our listeners want music from morning to night. We're happy to oblige.

We're the talk of the town. Our listeners share tracks, artists, albums and playlists. 2/3 of that sharing extends beyond Spotify, spreading out into social networks.

Source: Spotify, 2014
“My goal is to not just convert the 24 million into buying [a subscription]. My goal is to get 1 billion using streaming services rather than a piracy service.”

- Daniel Ek (Spotify CEO)
How Does It Work?

55% of 18-29 year olds pirate LESS when offered a free, legal alternative.
**STRENGTHS**

- Supports the music industry
- Re-growing the industry
- Ease of use
- Available songs
- Offline listening
- Giving record labels equity

**WEAKNESSES**

- High frequency in audio & visual advertising
- Subscription fee above industry standard
- 70% of Revenue to Royalties
- Artist relationships

**OPPORTUNITY**

- Global Expansion
- Combat Piracy
- More robust free option
- Offline music related projects
- Paying more artists directly

**THREATS**

- Pirated music
- Cannibalizing consumers
- Losing record label support
- Losing artist support
- Prolonged sustainability
- Legislation
Porter’s Five Forces

- Threat of New Entrants
- Industry Rivalry
- Threat of Substitutes
- Bargaining Power of Suppliers
- Bargaining Power of Buyers
Industry – Physical vs. Digital

2013 Physical Format Sales Down 12.3% in US

Digital source sales grew by 7.6%

Source: Billboard, 2014
Industry – Streaming

Proportion of Total Music Industry Revenues From Streaming

Source: RIAA

Streaming Music Services US 2013 ($ Millions)

- Sound-Exchange Distributions $590
- Subscription Services $628
- On-Demand Streaming $220

Source: RIAA, 2014
Who Streams?

Compared to the average U.S. Internet user, on-demand music streamers are:

- 96% more likely to follow a celebrity on a social network
- 75% more likely to follow a brand on a social network
- 91% more likely to post links, articles, videos or web sites on a social network
- 90% more likely to be heavy spenders on music
- 50% more likely to be heavy spenders on event tickets

Source: Nielsen, 2013
Why Stream?

- Ability to skip songs: 52%
- Wider selection: 48%
- Create radio stations: 46%
- Easy to use: 44%
- Available on device: 42%
- Hear favorite songs: 40%

Source: Edison Research, 2013
**Eliminate**
- Limited number of skips
- Need for internet access to use service
- Listening hour limitations

**Reduce**
- Advertisements
- Undesirable or unwanted music
- Buffering times for songs

**Raise**
- Sound quality (especially on mobile)
- The catalogue of accessible music
- Social network integration

**Create**
- Ability to generate playlists
- On-demand song choices
- Ability to rewind and fast-forward music
# Buyer Utility Map: Red Ocean

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♪ = significance level
# Buyer Utility Map: Blue Ocean

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Unique to the Industry

- Price
- User base
- Supported Platforms

Common to the Industry

- Catalogue
- On-demand
- Unlimited Access
- Social Media Integration
- Sound Quality
- Offline capabilities
Path Forward: Ensure Sustainability & Increase Profitability

- Maintain Artist & Label Buy In
- Generate additional revenue streams
- Incentivize advertisers
- Achieve “Lifestyle Brand” Status
Data Analytics

For more than 50% of artists, taking into account the number of visits to their website helped more accurately determine first week album sales.

Source: Next Big Sound, 2012

- Generate additional revenue streams
- Maintain Artist & Label Buy In
Targeted Audiences

2% of a target audience form brand advocates.

Source: Business Standard, 2014

✓ Incentive Advertisers
Music streamers are 50% more likely to be heavy spenders on event tickets.

Source: Nielsen, 2013

- Generate additional revenue streams
- Achieve “Lifestyle Brand” Status
Of the 12% of musicians who earn any income from merch sales, it makes up 16% of their total average income.

Source: Future of Music, 2012

- Generate additional revenue streams
- Maintain Artist & Label Buy In
Sean Parker’s “Hipster International” playlist is attributed to pop singer, Lorde’s breakout success.

Source: Forbes, 2013

✔ Achieve “Lifestyle Brand” Status
More Options for Rights Holders

Spotify Premium Royalties Are 10 Times Greater Than Free, Ad-Supported Royalties

Source: Digital Music News, 2013

✓ Maintain Artist & Label Buy In
Global mobile music revenue is predicted to rise by 1.5% through 2018, driven by countries such as Nigeria (21%), Malaysia (10%) and China (8.5%).

Source: PWC, 2013

- Additional revenue streams
- Achieve “Lifestyle Brand” Status
Questions?