

Trend of Spotify

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Abstract- *As the way people consume music changes, music streaming companies are getting more attention. Spotify is now one of the biggest music companies and its rapid growth has attracted attention. As market competition becomes more and more intense, Spotify's sole business model is becoming more and more limited. Using a combination of qualitative and quantitative research, this article concludes that the issue with Spotify's current business model are: First, it can't create content. It's not just expensive to get the music right by just buying products from record companies. Money, but there are also uncertainties. Secondly, the revenue generated by relying only on an advertising price and price cannot meet the needs of business management.*

Third, as competition from music streaming services intensifies, Spotify should be able to offer users better music for their taste. Therefore, in the future, Spotify may focus on building its own company data, improving its algorithm, and improving its hardware to support its business model to address these issues.

Keywords- Spotify, financial management, PEST analysis, SWOT analysis, developmentary end

I. INTRODUCTION

Spotify is one of the largest music platforms in the world. The company is primarily responsible for the provision of legal music services. These services are available to many mobile phone users for free or for a fee and rely on custom advertisements to make money. Gimlet Media and Anchor were acquired by Spotify in 2018. Gimlet Media specializes in the podcast industry and creates quality audio products.

Anchor is a platform for creating podcasts and will provide Spotify with the best value in attracting users to podcasting and simplifying the process. With that in mind, the transition from "music to audio" began with Spotify officially opening the podcast market. After digital piracy hampered sales, the business changed the way people listen to music and helped them re-adjust to paying for it. Spotify has also changed the revenue model for artists, providing more opportunities for artists. As the music streaming industry

becomes more competitive and Spotify faces a dwindling customer base and dwindling profits, it's worth examining the future of Spotify.

This research focuses only on the company's business model and financial problems and the impact of the business environment on the company. Currently, the competition in the business music broadcast media is very serious. The current problem of the company is that the revenue model is too much. , lacks content creation capabilities and requires innovation in their algorithms to understand customer needs. Based on these issues, this article suggests its future development. One is that the algorithm can be updated, the other is that it can set its own company information, and the third is that can upgrade hardware and change models.

The importance of this study is divided into four parts. The first section introduces Spotify's background and development, and then analyzes its financial situation.

The second part analyzes the history of the business's macro environment through PEST analysis. The third section describes the challenges of the business with a SWOT analysis and the fourth section offers recommendations for the future development of the business based on research.

II. FIRM DESCRIPTION

Spotify is a music streaming service founded in Sweden in 2006, expanding to Europe in 2008 and the US in 2011. According to Spotify's website and the listed form, the company's mission is to "unlock", "give" the potential of human creativity. millions of creative people, the opportunity to make a living from the art they create" and "for fans around the world. consumers benefit from the digital transformation of the music industry.

Spotify has become one of the three largest music companies in America, including Apple Music and Amazon Music, and has a 70% market share in the U.S. streaming music business.

Spotify does not create original content and only offers content licensed through licensing agreements with major media companies such as Universal Music Group and Sony Music Entertainment. Therefore, the company mainly relies on two sources of revenue: advertising and subscription fees. Spotify has two models for its users: free and paid. Users will get online and offline access to unlimited, ad-free music and better audio quality if they choose to pay for the membership.

There is also a free option that allows users to access over 35 million songs of the platform at any time without paying a membership fee. Either way, the platform allows users to create and share music playlists, send messages, and recommend tracks to other users to improve streaming social features. Spotify's main competitor, Apple Music, uses a pay-per-download model for offline listening. Spotify is free to download, easier to use, and has two experiences. Prior to its 2018 IPO, Spotify appeared in 61 countries and the website has 140 million paid users and 70 million free users.

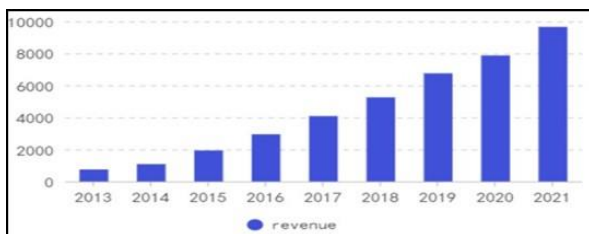


Fig1. Spotify's revenue world wide from 2013 to 2021 (in millionaires)

As can be seen from Figure 1, Spotify has performed well financially over the past seven years. From 2013 to 2021, Spotify will see annual growth, showing that Spotify still has potential to evolve.

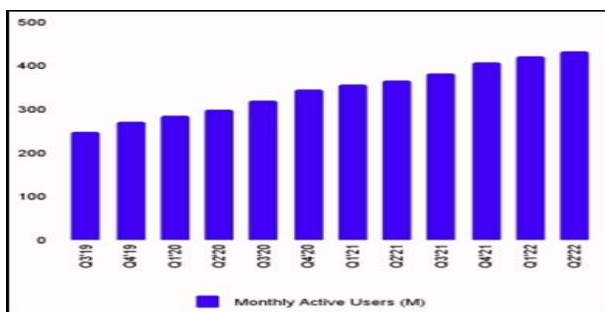


Fig2. Monthly Active Users chart

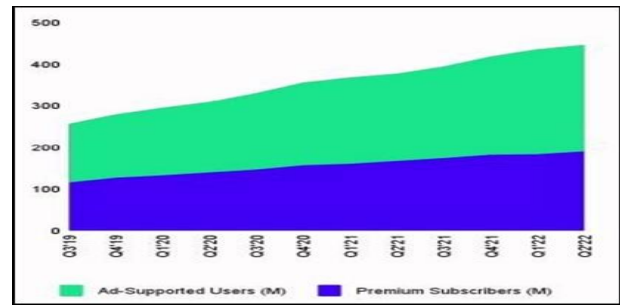


Fig3. Ad-supported users and subscribers growth chart



Figures 2, 3 and 4 show that monthly users are increasing and the growth is increasing overall, though more or less quarter-to-quarter. Thus, revenue increased for both types of users, but support users grew more than customers.

Trending Charts

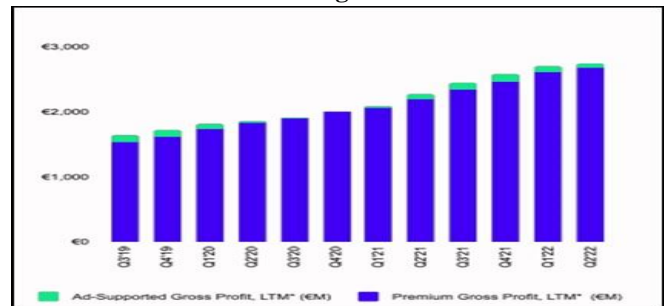


Fig5. Gross Profit By Segment

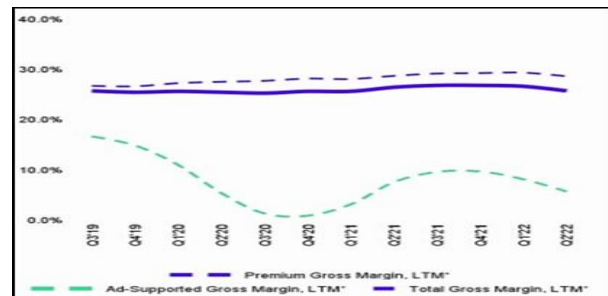


Fig6. Gross Margin By Segment

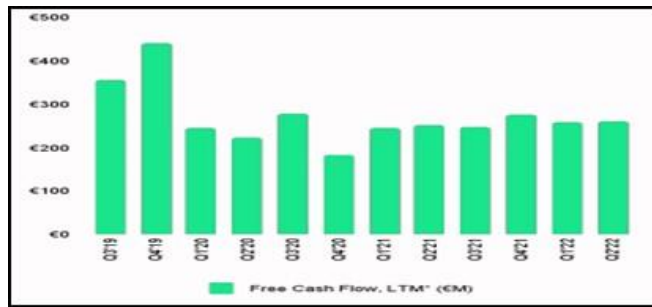


Fig7. Free Cash Flow

Figures 5, 6, and 7 show that total user revenue is growing steadily, but advertising makes total user revenue volatile. The fact that the total profit of the business causes a decrease in users indicates that the company is insufficient in retaining users and attracting new users. It can be seen from the donations made in recent years that the cash flow has not been stable and has generally decreased.

Looking at the chart above, all Spotify has done well financially over the last 7 years. Spotify's global revenue increased from 2013 to 2021. While growth is expected to slow after 2019, ad-supported users can attract potential customers and managing existing users is a bit more flexible, with more users opting for a wider range. more services from paying users.

But the biggest names, the most valuable products, and the biggest companies are still the advantages that set them apart from other similar small companies.

III. PEST ANALYSIS

PEST stands for political, economic, social and technological change, which are the four elements of change. PEST analysis is an effective and popular method for understanding risk. It refers to the changes and effects of the macro environment outside of the firm's position in the competitive market [1].

1 Political

So far Spotify has not entered the Chinese market due to the law, but it should continue to expand in the Chinese market because China has the largest consumer market in the world. Spotify has the lowest price but the most songs in India. So Spotify is very strong in developing the Indian market, but the piracy problem in India is very serious and users are still very few.

2 Economics

As the COVID-19 pandemic continues, the global economy continues to shrink, causing many small and medium-sized businesses to close and unemployment to rise. In addition, the global food supply and labor costs are higher, as the war in Russia and Ukraine has resulted in sanctions from many countries. Therefore, this global economic crisis has reduced people's purchasing power for non-essential goods.

3 Social

Social media sites such as Facebook, Twitter, Instagram, YouTube, and LinkedIn are all places where Spotify exists and is involved. Community elements have been added to music services like Spotify, allowing users to share their playlists with others. So users can share their favorite songs or listen to their own songs. Spotify can also create regional zones and capture different listeners in different regions. Meanwhile, Spotify has become a new age podcast powerhouse.

4 Technology

The popularity of smartphones and the decrease in data rates have increased the use of music [3]. Using intense digital marketing, social media and behavioral advertising, Spotify's development has reduced its dependence on the internet.

IV. SWOT ANALYSIS

SWOT analysis is a technique developed in the 1970s and often used in strategic planning. Strengths, Weaknesses, Opportunities and Threats, or SWOT for short, is a planning process used to evaluate the four aspects of a company, project or business. SWOT analysis is a simple yet effective framework that can be used to strengthen an organization, address weaknesses, mitigate threats, and seize opportunities [Below, a SWOT analysis will be used to understand Spotify's competitive market.

1 Strengths

First of all, Spotify already has a large user base that uses big data to make personalized beauty recommendations and subscription recommendations based on user preferences. Secondly, Spotify's pricing is lower than Apple Music and Amazon Music, and users also have the advantage of enjoying the freemium model. Thirdly, Spotify has the most advanced and accurate system that can recommend music suitable for users' interests, thus attracting new users and collecting old users.

2 Weaknesses

First, since Spotify itself isn't a creator and only takes copyrighted content, it would base a large portion of its revenue on advertising and subscription fees, with results varying. The latter, coupled with Spotify's heavy reliance on internet connectivity, has led to a drop in user numbers. Third, since Spotify has to buy the music rights from artists to play their music, more rights means attracting more users, but this comes at a huge and uncertain cost.

3 Opportunities

First, Spotify will be able to create its own content thanks to artificial intelligence and big data analytics. Second, in the B2B model, it can collaborate with mobile companies and telecommunications companies to reduce mobile data usage when using apps or to offer cheaper plans to attract new users. Third, Spotify is currently only available in 61 countries and there are still ways to expand to more countries in the future. It can focus on entering the busiest markets first so that it can be used more effectively.

4 Threat

First, Spotify will have to compete with local streaming services in other countries as it expands its competition with Apple Music and Amazon Music as it enters other countries. Getting users to give up on traditional music services and sign up for Spotify will also be a big test. Second, Spotify needs artists on board. The more artists join Spotify, the more music rights they get and the more users like it. However, the application process is complex and comes with some risks.

V. SUGGESTION

According to Spotify's SWOT analysis, future development could focus on the following three areas.

1 Innovate algorithms to better understand user needs

Spotify is the world's largest on-demand music streaming company, with over 75 million active listeners choosing what to listen to among tens of millions of songs. Discovery and personalization are key parts of the experience and critical to the success of the creator and consumer ecosystem Spotify clears users' play lists every Monday and suggests songs the company thinks they'll like. While many companies promise to come up with recommendation algorithms that calculate correctly, no near more accurate than Spotify's Discover Weekly. Constantly upgrade the algorithm,

more for users to recommend more music inline with the orientation.

2. Starta record company

Spotify lost \$1.4 billion last year on \$5 billion in revenue. The explanation is simple: Spotify pays huge subscription fees that make up over 70% of the company's total expenses. Spotify may consider streaming to break its own records, similar to how Netflix invests heavily in original programming [6-7]. Spotify advice helps the company decide which artists to sign and what kind of music to create [8-9].

Compared to contract artists, Spotify has all the distributions, which ultimately saves money. The world's largest music company does not require Spotify to pay royalties for songs it already owns, allowing artists to sign up for the service to promote their white work

3. Sellown hardware products

Apple has started releasing the HomePod, a smart speaker with great sound. However, there is one important point for HomePod owners to follow: They can only use Apple Music. In theory, smart speakers from Google or Amazon could support their own music services, as Apple does. So to compete, Spotify will consider building its own hardware. While this is difficult, it is the most efficient way to build hardware [10].

Spotify's smart speakers can add new services to the company that give its users full control over the content provided to them. If Spotify wants to build a smart speaker, it can't keep working with Google because it hasn't developed its own mobile operating system. For now, Spotify's strategy is to improve the service so that users can be on Spotify, whether they're using existing or new devices.

VI. CONCLUSION

Music streaming media has changed the entire original music industry consumption pattern, and Spotify, one of the world's largest streaming companies, still attracts the public to listen to its development. Financial growth has slowed since 2018. Current financial growth model based on registration fees and advertising fees only. It also continues to compete with other music streaming products. Spotify's legal status has become an important issue, this article examines the problems faced by Spotify through the integration of quantitative and qualitative research, and the notes show the future development of Spotify.

found from research that Spotify's rapid development was an anomaly after rapid growth in a short time. The main problem with its development is that its revenue model is too single and cannot create content on its own. It takes a lot of money to offer users a wide range of music to choose from by regularly purchasing from record companies.

Spotify is also vulnerable to competition from other music streaming companies, which gives labels the power to choose who they interact with. So Spotify is focusing on three parts going forward. The first is to improve their algorithms to better understand customer needs. Second, Spotify can launch its own subscription, which can reduce the cost of purchasing rights and create content like Netflix. Third, it can sell its own hardware, which can diversify its revenue model.

This study examines the current development of Spotify with the aim of suggesting its future development model, but there are still limitations. First, there is a lack of information. It focuses on last year's financials without analyzing broader data. Second, this study examines the macro-environmental background Spotify is facing and its own strengths and weaknesses through PEST and SWOT analysis models. Other analysis methods, such as the 4P analysis, can be added to further examine the nature of the work.

In the future, it will focus on the development of media companies that broadcast music. And whether Spotify's direct recording model could serve as a model for other music streaming companies.

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