

## 1. History

- [Community research](#)
- [Literature study](#)
- [SWOT analysis](#)
- [Document analysis](#)

Daniel Ek, founder of Spotify, was a man in his early twenties who just sold his advertising business - Vertigo and already had enough money to retire. Daniel is no ordinary man, not even an ordinary workaholic - he started his first company while he was still thirteen years old! Throughout the years, his ambition pushed him in creating many new companies with different strategies, but the one he found his biggest success was when **he wanted to revolutionise the music industry.**

## 2. Revolutionise but how exactly?

- [Problem analysis](#)
- [Data analytics](#)
- [Community research](#)

Around the early two thousands, a new service called Napster was becoming more and more popular by the day. With the popularisation of the Internet and the growth of the numbers of personal machines, services like it were essential for obtaining music over the web. Napster allowed a peer-to-peer communication which on its own made file sharing extremely easy. Here, Daniel had the idea “**What if listening to music online was legal and profitable?**”. Since services like Napster couldn't be stopped, because they were becoming more and more by the day and record sales were at all time low due to the massive mp3 sharing online, this idea was just brilliant!

## 3. How did Spotify begin?

- [Observation](#)
- [Focus group](#)
- [Expert interview](#)

The music industry wasn't going to be able to stop music file sharing and also in the music industry labels and artists weren't able to earn money. Daniel's idea from the beginning was to build a platform with which a

user will be able to access the whole music all around the globe while it will be legal and funded by ads, then a percentage of ad revenue would go to the artists. This plan was a win-win because it was providing a way to save the music industry from the threat of piracy and was overall a better experience for users. But there was one big problem: **labels weren't on board** with Daniel's plan.

#### 4. The illegal rise

- [Best good and bad practices](#)
- [Literature study](#)
- [Community research](#)

Daniel and one of his good friends: Martin, began working on the platform in the summer of two thousand and six. Directly from the beginning they knew that they first needed a working version of their product in order to make a deal with the labels for the music. But that placed them in a pickle they faced with a problem similar to the: the egg and the chicken - they needed a working prototype of their application in order to get the rights for the music but they also needed the music to make the prototype. So the solution was obvious but illegal - Daniel and Martin told their programmers to obtain the music which was done by **illegally downloading hundreds of thousands of songs from the web**. This move is really ironic because Spotify did the very thing it was supposed to prevent.

#### 5. The brilliant Spotify

- [Data analytics](#)
- [Usability testing](#)
- [Product review](#)

Over the summer of two thousand and six ended the prototype was done. **It still has one of the smoothest, cleanest user interfaces by far**, which for an app developed before seventeen is just breathtaking. Outside of its amazing UI Spotify upon release had even more jaw dropping features: brilliant search engine, cool playlist options but the most innovative was the fast load of the songs - seconds after a song was selected to be played it just started playing. This doesn't sound like much but back then internet speeds weren't high at all, so the engineers

had thought of a way that just a small portion of the song has been downloaded and as the track continues so does its download. This change by itself removed almost any wait time for a song to play.

## 6. The path is set, now is the walking

- [Business case exploration](#)
- [Problem analysis](#)
- [Expert interview](#)

At first negotiations with the record companies to legally use their music weren't going well at all. The major record labels that dominate the music industry are known as the big three: Sony, Warner and Universal. Getting all three on board was crucial to Spotify's success. Daniel wasn't going to quit and kept on pushing and pushing his idea: free music funded by ads and to be fair labels we expected to get a large percentage of all the ad revenue generated. Labels were furious with the word "free", to them **the whole idea of not buying the music itself seemed like a joke.**

## 7. The settlement of the deal

- [Stakeholder analysis](#)
- [Community research](#)
- [SWOT analysis](#)

At last labels said that they wanted a fixed price when a song was streamed, but for Spotify this was crucial because it wasn't guaranteed that ad revenue will cover the costs. But here is where Spotify will continue to amaze the world with its technological ideas. Daniel managed to make a deal that was **a compromise for both sides - when the app is launched there will also be a paid version for a fixed monthly fee.** The deal also included that labels and artists will get 70% of revenue created, leaving Spotify with only 30%! This move didn't ensure a safe business model, so it was quite a risky move.

## 8. The official launch

- [Available product analysis](#)
- [Data analytics](#)

- [Product review](#)

Finally, in October two thousand and eight Spotify was accessible to the public, immediately after that a process called “The Big Clean” launched which removed all of the illegally pirated music since they already had the right for it. Throughout the years, labels weren’t always happy with the numbers of premium subscribers paying every month, so in order not to lose their licences Spotify knew it needed to make changes to the free tier of their app. By using data science Daniel’s team managed to cut the features of the free tier in a way that a user will be pushed to make a choice: change the app or change the plan. And here Spotify’s brilliance strikes again - **the free plan was perfectly designed in a way that gave users a taste of the premium version and pushed them into upgrading rather than turning off the app.**

## 9. Artists are enraged

- [Survey](#)
- [Focus group](#)
- [Expert interview](#)

As the years passed the popularity of the platform increased but so did the problems, **artists were claiming that that Spotify is devaluing their work** and pulled out completely out of the platform, but funnily enough Spotify had nothing to do with that how much an artist was getting - **the money that artists are getting are managed by their one dials with the labels - not the platform.** So eventually everyone came back on the app.

## 10. Spotify isn’t profitable and will it ever be?

- [Model evaluation \(ML\)](#)
- [Usability testing](#)
- [Data analytics](#)

“Is Spotify a viable business?” and “What makes it unique from newer platforms?” were questions meant to tear Daniel apart. So he gave two of the best solution ever possible:

-First Spotify started to buy the rights for the podcast industry which meant they finally started to own their own content

-Second, this was the step that gave Spotify more leverage than the records and other competitors, it was **the changed focus of offering much more personalised music experience**. Initially, that meant that Spotify helped you easily find new music similar to the one that you already liked. **This rather small move is done by machine learning and opened the gates for Spotify to become THE threat in the music industry.**

## 11. Spotify THE threat in the music industry

- [Observation](#)
- [Expert interview](#)
- [Available product analysis](#)

The personalised playlist turned out to be a hit and people loved Spotify's new song recommendations. Soon after the first playlist "Discover Quickly", newer playlists were popping from nowhere, continuing the easy way of discovering new music. **Suddenly Spotify had a lot more POWER than ever - because by initially controlling the playlists, they got to control who would be on them.** This meant they would also eventually change to which label's music to be more recommended and which to be ignored at all. **Personalised music algorithms became biased to choose cheaper music to licence** or music from which Spotify kept a higher revenue share. This all meant that the algorithm was giving away the spots on playlists to artists that didn't deserve their spot there as much as others. Labels started paying for artists to have a spot on these playlists, because from one point on more and more of the artists there were artificial. Now people are scared because Spotify could want to replace every real artist with AI generated music.

## 12. Conclusion

The idea that **hit songs will be able to be created through AI** is extremely possible. If this happens Spotify will have rights for all that music themselves and they won't have to pay real artists so much and this will massively increase their profits. Nowadays, one third of the

music played everyday comes from this playlist which is only to show how much Spotify has power over the music industry.

**Spotify moved from being just a DISTRIBUTOR of music to a platform that CONTROLS the music.**

### Sources

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