

## Spotify Market Research Group 2

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# 01

## Introduction to Spotify



# Introduction

## Key Facts

- Founded in 2006
- The world's largest music streaming service
- Operating on a freemium business model
- Expanding beyond music
- 2024 is Spotify's first profitable year

## Main Competitors



## Recent News

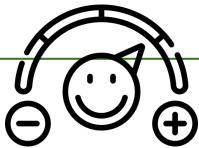
- Global music streaming growth
- Podcasts and audiobooks are getting more popular
- Integration of AI
- Live-streaming and virtual concerts have become increasingly prevalent

# 02

## Research and Design



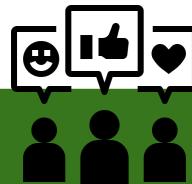
# Research Aims



## Aim 1

Understand consumer attitudes towards current services and new initiatives

Quant + Qual



## Aim 2

Identify factors leading to higher customer satisfaction

Quant + Qual



## Aim 3

Analyse user consumption patterns across different audio formats

Quant

# Research Methods – Qualitative (Focus Group)

## Our Reasons:



### Synergy + Snowballing

Group setting sparks idea-sharing, leading to richer discussions



### Serendipity

Group dynamics can generate unexpected but valuable new ideas



### Structure + Speed

Guided but Flexible discussion format; Rapid collection of diverse perspectives

# Research Methods – Quantitative (Electronic Survey)

## Our Reasons:



### Accessibility

Collecting responses from a large and geographically diverse audience



### Cost-Effectiveness

Reducing costs by removing printing, mailing, and staffing needs



### No Interviewer Bias

No direct interaction with a researcher, responses are not influenced by interviewer presence

# 03

## Focus Group Findings



# Focus Group Plan

## Experience Recalling

## Feature Ranking

## Perception of Brand Extension

- Participants were asked to think of the first words or phrases that first came to mind
- Created a digital mood board, while the host asked each person to expand on their ideas where needed
- Participants ranked 8 different aspects from most to least important
- Asked for the reasons each person had for ranking their top and bottom features
- "How would you view the creation of a new concert live-streaming service?"
- Asked their suggestions that would make them willing to try the new service.

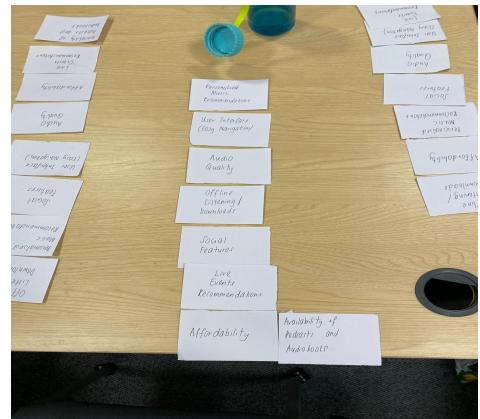
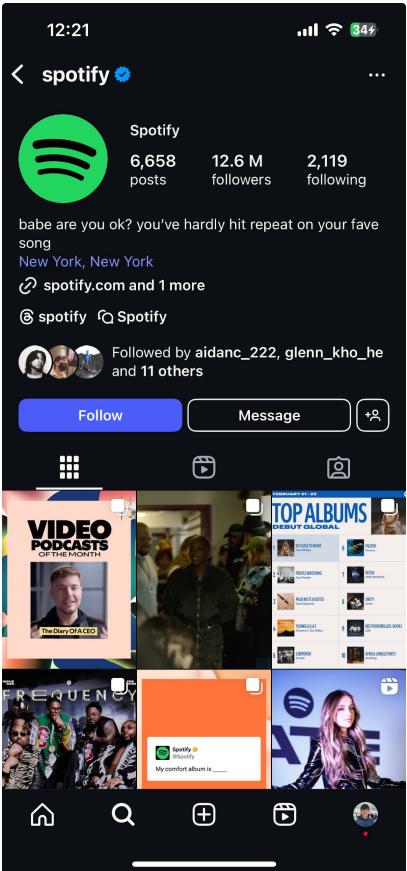
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**Research Aim 2+3**



**Research Aim 1**



# Findings from Experience Recalling

What are your first words that come to mind when I say 'Spotify'?

9 responses

personalised  
start a jam  
**music**  
wrapped  
jam relax  
daily

Feature Ranking	
Features of Spotify	Ranking
Offline listening/downloads	1
Personalised music recommendations	2
Audio quality	3
User interface (easy navigation)	4
Social features	5
Affordability	6
Live events recommendation	7
Availability of podcasts and audiobooks	8

# Perception of Brand Extension

## Opinions on live concert streaming

**"How interested are you in watching a live concert stream of your favourite music artist?"**

“

I wouldn't be as excited compared to actually being there in person. Watching it through a screen just lacks the vibe and atmosphere.

”

**"If Spotify were to introduce this new feature, would you rather pay for each concert or pay a premium on top of your subscription"**

“

I'm not sure I would be willing to pay much for these live-streams myself. The maximum I would pay to watch a livestream is around 5 pounds.

”

“

If I'm watching a live-stream on Spotify, the improved quality would not really matter that much so I would rather just watch it on youtube.

”

# Focus Group Challenges

## Challenges



Homogenous focus group with limited representation



Participants have very limited experiences



Only one focus group was run

## Solutions

- We utilise Generative AI to loosen the limited scope of our focus group
- The idea is to extend the demographic of our focus group as though it is extended to the general population

# 04

## Questionnaire Findings



# Questionnaire design and pilot test

Conducting Electronic Surveys with **Google Forms**

## Original Design

### Type of Questions

- Multiple Choice Questions
- Dichotomous Questions
- Likert Scale Questions
- Ranking Questions
- Open-Ended Questions

After pilot test

## Changes

### What we implemented

- Adjusted Frequency Questions
- Refined Question Types
- Separated Price & Features
- Added Relevant Options
- Revised Hypotheticals

Questionnaire is shared with friends and family after changes made → **26 responses overall**

# Questionnaire Key Results Summary

## Demographics

- **26** Online Respondents
- **18** respondents (**75%**) are students, 8 respondents (**25%**) are non-students
- Keeping the non-students data to compare with the synthetic data for adults **in London**
- **21** respondents (**81%**) are 18-23, **4** respondents (**15%**) are 24-29, **1** respondent (**4%**) is 30-35

## Brand Perception

**38.5%** rated overall perception of Spotify as a streaming platform as Excellent, **46.2%** as Good and **15.4%** as Neutral

## Public Values

**21%** chose Spotify over others because Larger Music Library and **17%** for both Better Music Recommendations and More Affordable Pricing

## Potential New Services

**44%** are very or somewhat interested would you be in using a live-streaming feature on Spotify while **56%** are neutral or somewhat uninterested

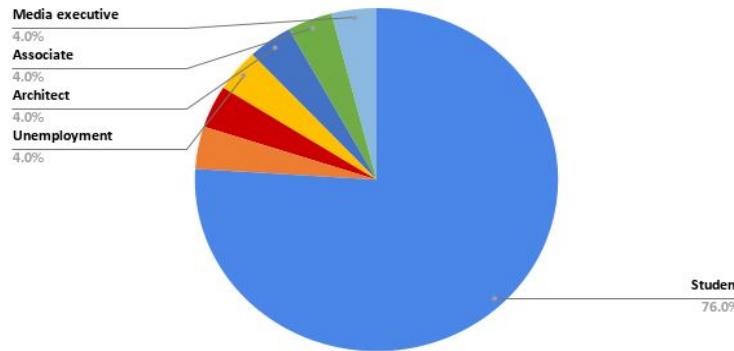
# Realistic User Interface: Based off Insights From Study



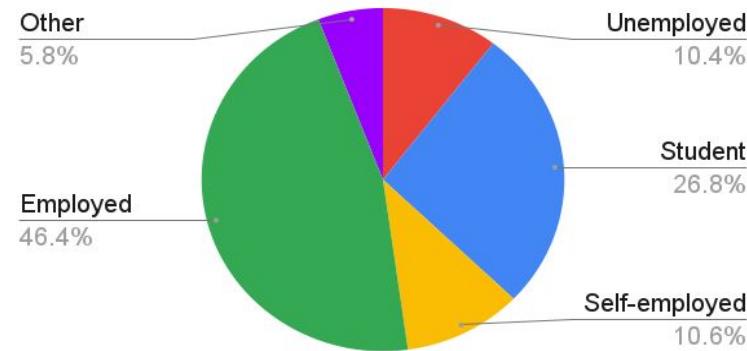
# Limitations to The Questionnaire

The initial dataset was restricted to individuals within our immediate network, particularly those from LSE, leading to an occupational distribution that was **not representative** of the broader population. This limitation could **introduce biases** and reduce the **generalisability** of our findings.

Occupation



Occupation

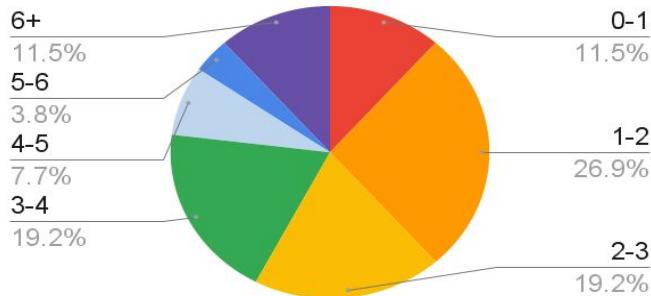


To address this, we utilised **synthetic data generation** to create a more **diverse and realistic** occupational distribution. By leveraging generative AI, we ensured that the dataset better reflects real-world demographics, **reducing bias** and improving the **validity** of our analysis.

# Comparison of Real Results to Synthetic Performance

**REAL**

Hours Per Day Music



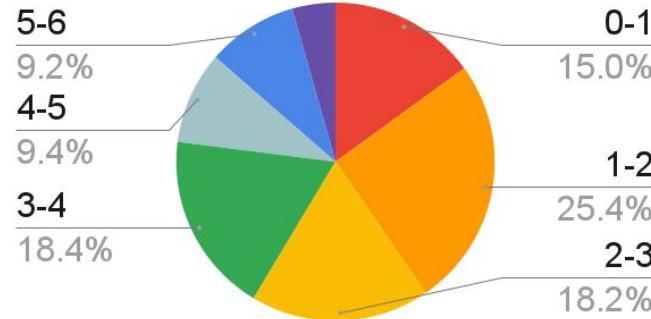
**Usage Level**

Fair Pricing Live Events



**Willingness  
to pay for  
new ideas**

Hours Per Day Music



Fair Pricing Live Events

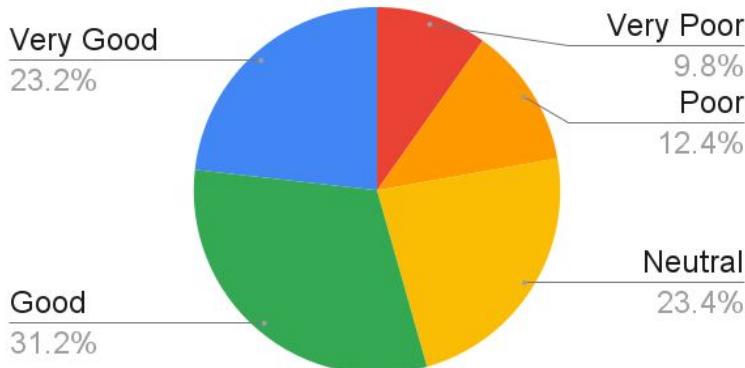


**SYNTHETIC**

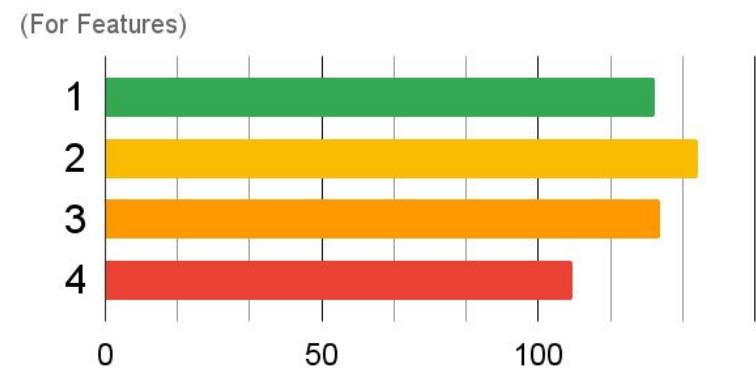
# How do people perceive the brand ?

- **How would you rate your overall perception of Spotify as a streaming platform? (Q4)**
  - This measures how **Spotify is perceived** in terms of **reputation and quality**.
- **How does Spotify compare to other streaming platforms in terms of features? (Q11)**
  - This highlights how respondents **rank Spotify's features** against competitors.

Overall Spotify Perception



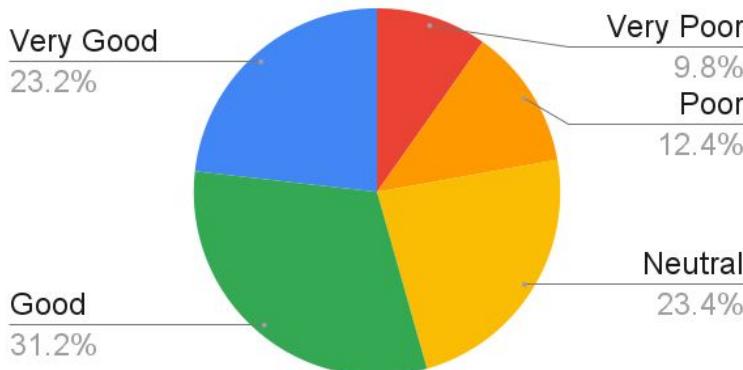
Spotify Rank Against Competitors



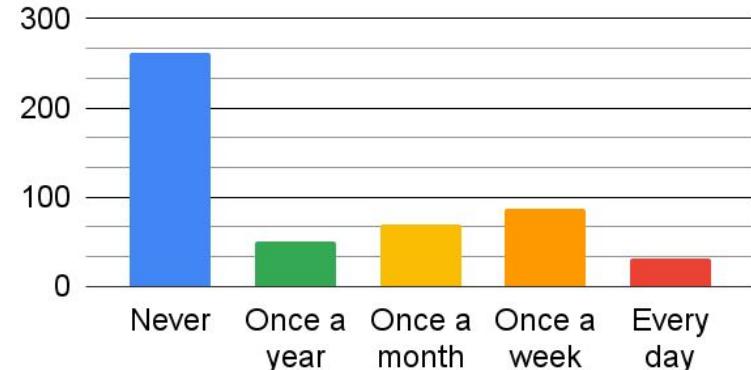
# What are users experience with spotify ?

- **How likely are you to recommend Spotify to others? (Q16)**
  - This acts as a proxy for **customer satisfaction** and loyalty (Net Promoter Score concept).
- **How often do you have bad experiences due to technical issues using Spotify? (Q17)**
  - This provides insights into **service reliability and potential pain points**.

Overall Spotify Perception



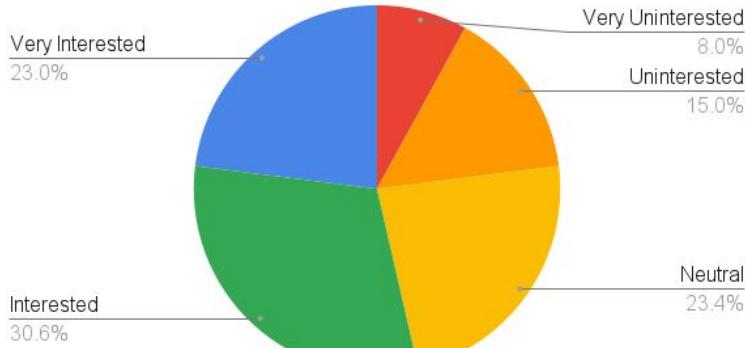
Spotify Technical Issues Frequency



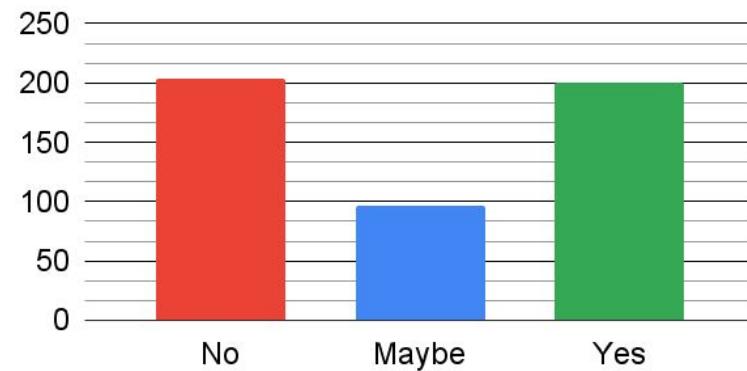
# Potential new initiatives ?

- How interested would you be in using a live-streaming feature on Spotify for events like live concerts, exclusive interviews, or virtual festivals? (Q22)
  - This measures potential interest in a **new feature**.
- Would you be willing to pay for access to exclusive live-streaming events on Spotify? (Q24)
  - This explores **monetisation** potential for **new services**.

Interest In Live Streaming



Willingness To Pay (Live Events)

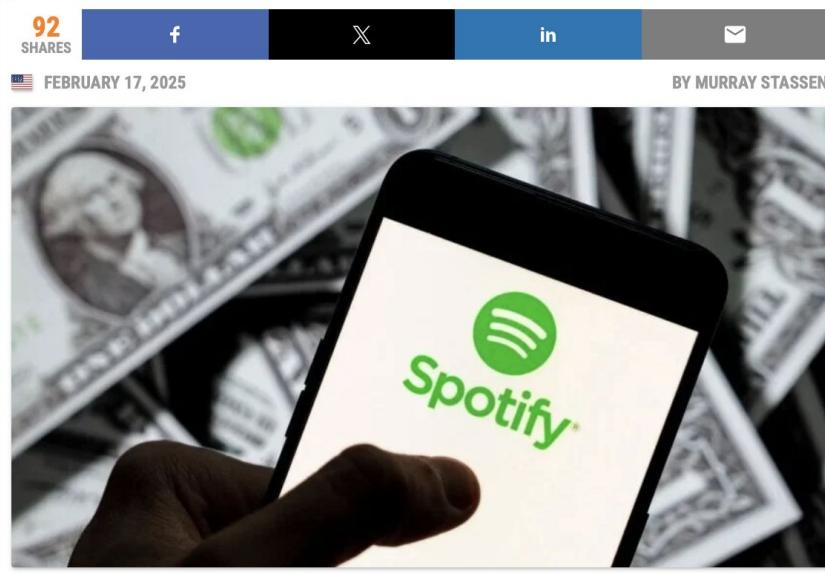


# Spotify's new launch !

Spotify is set to launch **"Music Pro"**

- a premium add-on offering superfan perks
    - **early-access tickets**
    - **an AI remix tool**
  - additional \$5.99 per month
- => Aligning with Our Findings

SPOTIFY TO LAUNCH 'MUSIC PRO' SERVICE WITH SUPERFAN PERKS LIKE EARLY-ACCESS TICKETS AND AI REMIX TOOL... FOR UP TO \$5.99 MORE PER MONTH (REPORT)



# 05

## Multivariate Analysis

- Regression
- Cluster analysis



# Why Ordinal Regression?

- 01** To determine if our independent variables explain significant variations in the dependent variable, Overall Satisfaction
- 02** To determine how much of the variance of the dependent variable is explained by our independent variables
- 03** Our data consists largely of Likert scales and other **ordinal** data, including our target variable “Overall Satisfaction” which should reveal insights about aim 2, Customer Satisfaction
- 04** Relatively easy to do on SPSS

# Finding the key drivers influencing Users overall satisfaction

Model	Coefficients <sup>a</sup>						Model	Coefficients <sup>a</sup>			
	Unstandardized Coefficients		Standardized Coefficients		t	Sig.		Collinearity Statistics			
	B	Std. Error	Beta	t				Tolerance	VIF		
1	(Constant)	3.610	.674		5.355	<.001	1	(Constant)			
	Affordability	.023	.048	.022	.485	.628		Affordability	.949	1.054	
	Subscription_Plans	.022	.046	.022	.475	.635		Subscription_Plans	.952	1.051	
	Library_Size	-.051	.047	-.051	-1.099	.272		Library_Size	.953	1.050	
	Audiobook_Satisfaction	-.077	.046	-.077	-1.669	.096		Audiobook_Satisfaction	.959	1.043	
	Hours_Yesterday_Music	-.024	.019	-.056	-1.216	.225		Hours_Yesterday_Music	.949	1.054	
	Spotify_Issue_Resolution	.039	.047	.039	.831	.406		Spotify_Issue_Resolution	.940	1.064	
	Podcast_Audio_Quality	-.043	.046	-.043	-.945	.345		Podcast_Audio_Quality	.964	1.037	
	Audiobook_Audio_Quality	.098	.048	.095	2.058	.040		Audiobook_Audio_Quality	.942	1.062	
	Music_Audio_Quality	.021	.046	.021	.450	.653		Music_Audio_Quality	.937	1.067	
	Sustainability_Importance	.006	.048	.006	.127	.899		Sustainability_Importance	.943	1.060	
	Spotify_Feature_Rank	-.025	.052	-.022	-1.487	.627		Spotify_Feature_Rank	.974	1.027	
	Hours_Yesterday_Audiobooks	.068	.068	.046	.998	.319		Hours_Yesterday_Audiobooks	.969	1.032	
	Hours_Yesterday_Podcasts	-.004	.039	-.005	-.113	.910		Hours_Yesterday_Podcasts	.958	1.044	
	Spotify_Pricing_Rank	-.009	.052	-.008	-.174	.862		Spotify_Pricing_Rank	.934	1.071	
	Podcast_Satisfaction	-.058	.045	-.058	-1.274	.203		Podcast_Satisfaction	.963	1.039	
	User_Interface	-.024	.046	-.024	-.523	.601		User_Interface	.931	1.074	
	Music_Satisfaction	-.054	.045	-.055	-1.193	.234		Music_Satisfaction	.947	1.056	
	Customer_Support	.005	.048	.005	.100	.920		Customer_Support	.934	1.071	
	Music_Selection	-.050	.048	-.048	-1.028	.305		Music_Selection	.941	1.063	
	Social_Features	.024	.046	.024	.531	.596		Social_Features	.977	1.024	
	Offline_Listening	.038	.048	.037	.795	.427		Offline_Listening	.929	1.076	
	Podcasts_Audiobooks	.040	.047	.039	.848	.397		Podcasts_Audiobooks	.961	1.041	
	Playlists_Recommendations	.032	.047	.032	.687	.492		Playlists_Recommendations	.934	1.071	

## Pseudo R-Square

Cox and Snell	.234
Nagelkerke	.246
McFadden	.087

Link function: Logit.

## 01 Objective

Identify key drivers of Spotify user satisfaction using logistic regression

## 02 Regression Results

Audiobook Audio Quality ( $p = 0.04$ ) is statistically significant at 5% level; Audiobook Satisfaction ( $p= 0.096$ ) is statistically significant at 10% level

## 03 Multicollinearity & Model Challenges

VIF values  $< 5$ , indicating no severe multicollinearity  
Likely overlap in Music Satisfaction, Music Selection, and Music Audio Quality may dilute individual significance

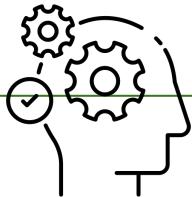
## 04 Future Improvements

Refine variable selection to reduce redundancy  
Expand data collection to increase statistical power  
Explore interaction effects (e.g., Music Selection  $\times$  Music Satisfaction)

## 05 Key Takeaways

Audiobook related factors is a confirmed driver of satisfaction, improving this should be a priority.

# Limitations of Ordinal Regression



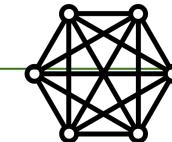
**01**

Difficulty in interpreting coefficients due to the logit scale



**02**

Assuming equal intervals between ordinal categories



**03**

Limited ability to analyse complex interactions between variables

# Why Cluster Analysis?

**Useful for segmenting respondents based on their behavior, preferences, and demographic characteristics**

Our **research aim 1** is to understand consumers' attitudes and behaviours towards the new service of live streaming, our survey covered aspects like:

- 1.) Listening habits (frequency, hours per week, platforms used)
- 2.) Feature satisfaction (perceived importance of features, willingness to pay)
- 3.) Demographics (age, gender, etc.)

**These clusters will help in personalising marketing strategies and feature development for spotify live events**

# How does it work?

## 01 Select Key Variables

Hours listened per week, Ratings on curated playlists, affordability, live event recommendations, Content Preferences, Willingness to Pay

## 02 Determine Number of Clusters

Start with 2 clusters (Basic vs. Premium users) then increase to 3-4 clusters for deeper segmentation

## 03 Standardize Data

Use Z-score normalization ( $\text{mean} = 0, \text{std} = 1$ ) to balance variables

## 04 Apply Clustering Method

Use K-Means Clustering (suitable for large user data)  
Measure similarity using Euclidean distance

## 05 Interpret & Label Clusters

Examine cluster centroids to define groups, eg: Casual Listeners

## 06 Validate the Clusters

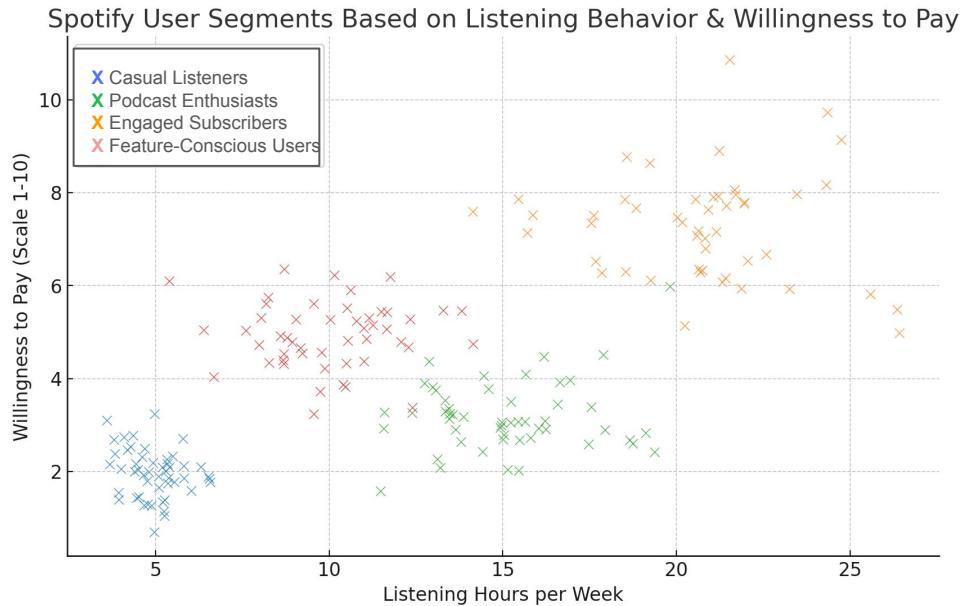
Silhouette Score: Measures how well users fit into clusters  
Cross-tabulation: Compare clusters with Premium vs. Free users to check alignment

# How Cluster Analysis will look like?

Cluster analysis graph showing different Spotify user segments based on listening hours and willingness to pay

## Potential Market Segments:

- 1.) Casual Listeners (Low listening hours, low willingness to pay)
- 2.) Podcast Enthusiasts (Moderate listening hours, low willingness to pay)
- 3.) Engaged Subscribers (High listening hours, high willingness to pay)
- 4.) Feature-Conscious Users (Moderate listening hours, high satisfaction with features and willingness to pay)



# Limitations and Challenges of Cluster Analysis

**01**

## Choice of the Number of Clusters

- Deciding the optimal number of clusters
- Methods like the elbow method or silhouette score

**02**

## Scalability

- Analysis can be computationally intensive, especially with large datasets

**03**

## Interpretability

- Results may not always be easy to interpret

**04**

## Noise and Outliers

- Clustering algorithms can be sensitive to noise and outliers
- Outliers may be assigned to their own cluster, or incorrectly placed within other clusters

# 06

## Summary and Conclusion



# Summary of findings

## Real Data Findings

### Feature Priorities

- Top Priority: Offline listening/downloads
- Strong Secondary Priorities: Personalized recommendations, audio quality
- Medium Importance: User interface, social features
- Lowest Priority: Live events recommendations, podcasts/audiobooks

### Live Concert Streaming Perceptions

- Users skeptical about virtual concert experience
- "Lacks the vibe and atmosphere" of in-person attendance
- Maximum willingness to pay: ~£5 per livestream
- YouTube perceived as adequate alternative regardless of quality

## Synthetic Data Findings

### Usage Patterns

- 15% use Spotify 0-1 hours daily (vs. 11.5% in real data)
- 25.4% use Spotify 1-2 hours daily
- Similar distribution to real data but with broader demographic representation

### Willingness to Pay (Live Events)

- Largest segments prefer £1-£5 and £6-£10 price points
- More granular segmentation across all price categories
- Higher representation in £11-£20 bracket than real data
- Small segments willing to pay over £20 (not present in real data)

# Recommendations For Spotify



## Questionnaire Findings

17% of users cited “better music recommendations” as a key reason for choosing Spotify, highlighting the importance of accurate, engaging playlists in user retention



## Focus Group Findings

Offline listening ranked as the most important feature in Spotify’s feature ranking

## Enhance Personalisation with AI

- Improve playlist curation and song discovery by refining AI-driven personalisation.
- Increase algorithm transparency (e.g., explaining why songs are recommended) to enhance user trust and satisfaction.

## Improve Offline Listening Features

- Enhance compression technology to allow for higher-quality downloads while reducing storage use.
- Introduce smart offline playlists that automatically update based on recent listening habits, providing users with fresh content even when offline.

# Recommendations For Spotify (cont.)



## Focus Group Findings

44% of respondents were interested in live-streamed concerts, but most were unwilling to pay more than £5 per event

## Refine Live-Streaming Monetisation Strategy

- Instead of a pay-per-event model, integrate live-streaming into an upgraded Premium tier to drive subscriptions.
- Create exclusive artist collaborations with behind-the-scenes content or interactive live events to enhance user engagement.



## Spotify Announcement

Spotify recently launched 'Music Pro', a \$5.99/month premium add-on, featuring AI-powered remixes and early-access concert tickets

## Leverage Recent Releases

- Market 'Music Pro' as a value-enhancing feature rather than an isolated add-on, showcasing its unique AI-powered music tools.
- Test bundled pricing strategies, such as including AI remix tools within the regular Premium plan, to boost Premium adoption.

# Supplementary data

01

## Enhanced Customer Segmentation & Demand Prediction for Live Streaming for Cluster Analysis

- ▶ Allow for more **personalized live event recommendations** and **targeted marketing**

02

## Validation of Regression Findings & Satisfaction Drivers

- ▶ Historical churn data to pinpoint factors influencing **retention** and **cancellation**
- ▶ **Customer support interactions** and **app store reviews** to complement findings on user preferences and pain points

03

## Granular Insights into Subscription Behavior

- ▶ Past adoption rates of new features to reveal **user openness** to **premium offerings** and **live-streamed content**
- ▶ Understanding **cross-platform behavior** to provide insights into **loyalty drivers** and **areas for competitive differentiation**



# THANK YOU

