

Introduction and Objectives

Spotify, the world's largest music streaming service, operates on a freemium model and is expanding beyond music. Despite its dominance, it remained unprofitable until 2024. This research examines consumer attitudes towards current and new services, satisfaction drivers, and consumption patterns across audio formats, using qualitative (focus group) and quantitative (electronic survey) methods to uncover key insights related to Spotify's future profitability.

Methodology

Our research employed a mixed-methods approach, primarily combining qualitative focus groups and quantitative surveys to assess Spotify user experiences. Our focus group explored brand perception, feature preferences, and live streaming interest through experience recalling, feature ranking, and discussions about their willingness to pay for virtual concerts. However, considering the homogenous nature of the focus group (group of students) with limited representation of other consumer demographics, we needed a broader range of data to consolidate our findings. Furthermore, we created a survey with multiple-choice, Likert scale, ranking, and open-ended questions administered to 26 respondents (predominantly students aged 18-23). To address sample limitations, synthetic data was incorporated to represent better diverse age groups, working professionals, and varied consumer behaviours beyond the student-heavy initial sample. Analysis methods included theoretical applications of cluster analysis and regression to address the research objectives.

Focus Group Findings

Focus group findings reveal a clear hierarchy of Spotify feature preferences, with offline listening ranking as the most valued feature, followed by personalized music recommendations and audio quality. Live event recommendations and podcasts/audiobooks ranked notably lower in positions 7 and 8, respectively. Regarding potential live concert streaming, participants expressed significant reservations. Users demonstrated scepticism about the virtual concert experience, noting it lacks the atmosphere of in-person attendance. Price sensitivity was evident, with a maximum willingness to pay around £5 per livestream. Some questioned the fundamental value proposition, suggesting they would default to YouTube regardless of potential quality improvements on Spotify.

Real Data Findings

Our questionnaire, which was responded to by mostly students, revealed that 58% of our sample listens to music for up to 3 hours a day and that Spotify has a 73% market share - largely due to the music library size and variety - in our sample, and that most of them would only be interested in our idea of live streamed events if it was either free or less than £5. The open-answer questions section gave us an insight into consumer thoughts on improving the Spotify user experience, such as improved audio quality and a user interface similar to TikTok. Also, we found that consumers care a lot about the video and audio quality of live-streamed performances.

Synthetic Data Findings

Given our time constraints, we used ChatGPT-generated synthetic data to create a representative dataset of 500 London-based individuals. Since generative models can produce overly random or inconsistent outputs, we carefully structured our prompts to include key demographic attributes such as age, occupation, and income to ensure relevance and reduce biases. This approach allowed us to generate a dataset aligned with real-world patterns while maintaining flexibility for our research needs. We should note that synthetic data is not a perfect substitute for real-world observations. However, It enabled us to conduct exploratory analysis efficiently without the logistical challenges of conducting a real survey.

Recommendations

Based on our research and findings, we recommend improving AI-driven personalisation by refining playlist curation and algorithms to enhance Spotify's user experience, engagement, and monetisation. Enhancing offline listening through better compression and smart offline playlists will address a key user priority. To capitalise on live-streaming interest, we propose that Spotify integrate concerts into a premium tier and offer exclusive artist collaborations. Finally, to drive the adoption of "Music Pro," strategic marketing, bundled pricing, and AI remix integration into Premium could enhance its perceived value.

Conclusion

This research into Spotify's user preferences and opportunities revealed critical insights for strategic decision-making. Research combining real student data (26) and synthetic diverse data (500) confirmed offline listening, personalization, and audio quality as Spotify's most valued features, with live streaming facing adoption barriers due to price sensitivity (£5 maximum) and perceived experiential limitations. Despite Spotify's 73% market share among respondents, strategic priorities should include enhancing core functionality, bundling live streaming within existing premium tiers rather than charging separately, and strategically positioning the "Music Pro" add-on to maintain competitive advantage and drive profitability.