



Spotify

# Spotify



# Listening is everything

Get started



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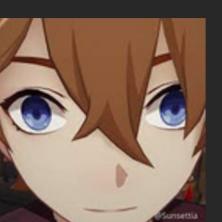
**Aditya Vemparala**  
**MS ITM**



**Vishal Kumar**  
**MS ITM**



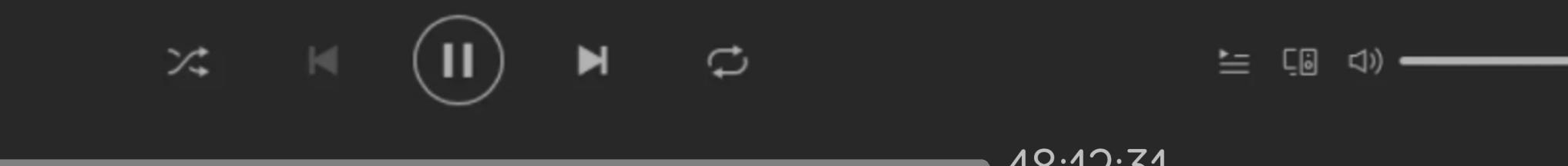
**Pavana Pishe**  
**MS BA**



About us

By Product Pioneers

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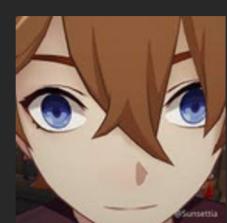
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Why Spotify?

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***To unlock the potential of human creativity by giving a million creative artists the opportunity to live off their art and billions of fans the opportunity to enjoy and be inspired by it.***

***To create a platform that makes audio content accessible to all people and promote a sense of community between the artist and the listener.***



Product Pioneers

By Group 6

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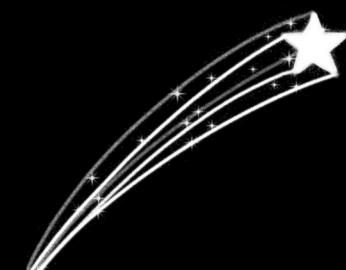
Make music more  
accessible at a  
reasonable price

Combat piracy and  
ensure artists are paid  
fairly

Deliver “audio content”  
including music,  
podcasts, audiobooks  
etc.

Technology-oriented to  
deliver personalized  
audio content

Support creators to  
distribute their content  
directly to users



North Star Metric

**“Time spent Listening...”**



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### VISION



- Create a platform that makes audio content accessible to all people
- Promote a sense of community between artist and listener

### UNIQUE ACTIVITIES



- Personalized Playlists - Discover Weekly
- Podcast and Playlist sharing & collaboration
- Spotify tools for Creators
- Ad Analytics & Serving systems
- Cross-Device Integration

### MARKET



- Music Streaming Market
- Podcasts Market
- Audio Books Market
- Business Partnerships
- Global Scope: 184 countries with 626 million users including 246 million subscribers
- 30.5% Market Share & \$ 4.24 billion as of Q2 2024

### RELATIVE COSTS



- Licensing Costs
- Per stream costs
- Technology costs
- Marketing and Growth costs
- Product Development costs

### CONSTRAINTS



- Freemium Model and Subscription Costs
- Licensing Agreements
- Content Regulation across countries
- Technology Infrastructure Costs

### KEY METRICS



- Monthly Active Users (MAU)
- Conversion, Churn & Retention Rate
- Engagement Rate
- Average Revenue Per User (ARPU)

### GROWTH & MARKETING



- Freemium-to-Premium conversion
- Creator Collaborations and Marketing
- Exclusive content from creators at good deals
- Spotify integration

### REQUIRED SYSTEMS



- Microservices architecture
- Cloud Provider (GCP)
- Content Delivery Network (CDN)
- AI & Machine Learning Models
- Analytics Tools
- Real Time Streaming Platforms
- Databases and Cloud Storage

### VALUE PROPOSITION



#### Individual Listeners:

- Unlimited access to exclusive audio content at a subscription fee
- Audio content based on user preferences
- Seamless integration across various platforms and services

#### Content Creators:

- Spotify for Artists to maintain artist profile and interact with fans
- Utilizing technology to understand users and build brand identity.
- Revenue stream as Spotify pays artists on a per stream basis

#### Advertisers and Business Brands:

- Targeted ads to promote advertiser's brand
- Advertising Analytics tools to track ads and performance
- Curated audio content aligning with a brand's identity for Spotify brand partners. Ex: Nike & Spotify, Starbucks & Spotify etc

### TRADE-OFFS



- Proprietary device vs Multiple device integration
- Freemium vs Fully Premium
- Technology Innovation vs Operational Costs
- User Privacy vs Personalization
- User Experience vs Feature Richness
- User Experience vs Ad-Supported model

### ASK YOURSELF



- Is the UI engaging the users and simpler to use? How can it be improved with AI/ML?
- How can pricing strategies and features of competitors affect Spotify?
- What other audio content markets are present to utilize for expansion?
- How can Spotify assist creators to improve their brand identity?



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## 2006-2011: Foundation and Initial Growth

- Introduced mobile apps and offline listening feature.
- Expanded to European Markets.
- Launched in U.S - added FB integration

\$259M

## 2012-2014: Social Features and Recommendations

- Introduced Follow feature, Spotify Radio and expanded Globally.
- Rolled out Discover Weekly.
- Added Family plans and Spotify connect

\$1.5B

## 2015-2017: Podcast and New Streaming Models

- Introduced Podcast and Spotify Running
- Launched Daily Mix, improved Spotify Connect
- Acquired Gimlet Media and launching Spotify Wrapped

\$5.6B

## 2018-2020: Podcasting and New Features

- Acquired Anchor and Parcast.
- Launched Music & Talk
- Introduced Group Sessions and launched Spotify Live

\$9.2B

## 2021-2023: AI and Creator Tools

- Introduced Discovery Mode and Spotify HiFi.
- Launched Blend, expanded Spotify Live
- Focused on AI DJ and monetization tools for creators

\$15.3B

## 2024: Continued Expansion and AI Innovation

- Focused on AI DJ, Video Podcast and features like direct merchandise sales and concert ticketing.

\$17.9B



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## THE SPOTIFY MODEL

The Spotify model is a people-driven, autonomous approach for scaling agile.

It emphasizes the importance of culture and networking.

Key benefits include increased innovation and productivity.

Focus areas are autonomy, communication, accountability, and quality.





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## KEY ELEMENTS IN SPOTIFY MODEL

### Squads

- Cross-functional, autonomous teams (6-12 individuals) focused on a specific feature area.
- Each Squad has a unique mission, an agile coach for support, and a product owner for guidance.
- Squads choose their agile methodology/framework.

### Tribes

- Formed when multiple Squads work on the same feature area.
- Typically consist of 40-150 people to maintain alignment (following Dunbar's Number).
- Each Tribe has a Tribe Lead responsible for coordination and collaboration among Squads.

### Chapters

- Consist of members from different squads working on related problems
- Enhanced collaboration among squads and other autonomous teams
- Meet regularly to share knowledge, discuss work, and solve common challenges, promoting communication and innovation across teams.



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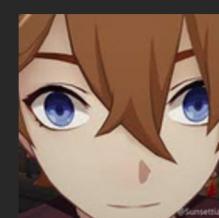
## KEY ELEMENTS IN SPOTIFY MODEL

### Guild

- A community of interest for team members passionate about a topic.
- Open for anyone to join and completely voluntary.
- Guilds can span across different Tribes, unlike Chapters, which belong to a Tribe.
- There is no formal leader; a Guild Coordinator is chosen to facilitate gatherings.

### Trio (TPD Trio)

- Comprises a Tribe Lead, product lead, and design lead.
- Each Tribe has a Trio to maintain continuous alignment among these three perspectives while working on feature areas.



Product Execution

By Product Pioneers

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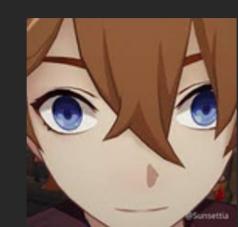
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## USER-CENTERED RESEARCH AND FEEDBACK LOOPS

**Process:** Spotify invests heavily in user research to understand listening habits, preferences, and pain points. This includes surveys, interviews, and usage data analysis.

**Execution:** Product teams regularly test new features with focus groups, perform A/B testing, and gather feedback from users to inform design decisions and improve functionality.



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# Competitor Landscape

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Company	Sub Fee	User Base	Market Share	Revenue as of 2023	Unique Features	Global Scope (countries)	Creator Payout per stream	Growth Strategy
	\$11.99	626 mil	30.5 %	\$ 14.34 billion	<ul style="list-style-type: none"> <li>Personalization and collaboration in playlists</li> <li>Spotify for Artists</li> <li>Spotify Ad Analytics</li> <li>Robust Integration</li> </ul>	184 countries	\$0.003 to 0.005	Leverage AI and machine learning for recommendations, boost freemium-to-premium conversions, and provide exclusive podcast content.
	\$10.99	90 mil	13.7 %	\$ 9.2 billion	<ul style="list-style-type: none"> <li>Apple ecosystem integration, Live Radio</li> <li>Spatial Audio with Dolby Atmos</li> </ul>	167 countries	\$0.01	Apple Music boosts its appeal through integration with the Apple ecosystem, exclusive content deals, and a focus on superior audio quality
	\$ 10.99	70 mil	13.0 %	\$ 5 billion	<ul style="list-style-type: none"> <li>Alexa integration</li> <li>Included in Prime bundle</li> </ul>	50+	\$ 0.004	Smart home device integration
	\$13.99	28 mil	9 %	\$ 1.07 billion	<ul style="list-style-type: none"> <li>Integration with YouTube videos, Background play for videos</li> </ul>	95+	\$0.002	Leverage YouTube to focus on music discovery and video features



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# SWOT ANALYSIS

- Large user base:
- Personalized algorithms
- Extensive music library
- Strong brand recognition

## STRENGTHS

- High royalty costs
- Limited profitability
- Dependency on record labels

## WEAKNESS

- Podcast industry growth
- International expansion
- Partnerships and collaborations

- Intense competition
- Changing consumer preferences
- Regulatory challenges
- Technological advancements

## OPPORTUNITIES

## THREATS



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# Funding and Monetization

- **May 2006: \$1.5 million Seed Round**
- **October 2008: \$21.6 million Series A**
- **February 2009: \$50 million Series B**
- **June 2011: \$100 million Series C**
- **November 2012: \$100 million Series D**
- **November 2013: \$250 million Series E**
- **June 2015: \$526 million Series F**
- **April 2018: Direct Public Offering (DPO)**

FUNDING ROUNDS

## Advertising

- **Ad-Supported Tier:** Free tier with adsRevenue from audio and video ads
- **Partnerships with brands for targeted advertising**

## Subscriptions

- **Premium Plans:** Individual: \$11.99/month

## Shares

- **Public Offering:** Direct Public Offering (DPO) in April 2018
- **Initial trading price:** \$132 per share
- **Market Capitalization:** Approximately \$64 billion as of 2024

ADVERTISING & SHARES

## 2023 Financials Revenue:

\$12.4 billion (20% YoY growth)

## Net Income:

Loss of \$430 million (improved from previous years)

## Adjusted EBITDA:

\$1.5 billion (12% margin)

Operating Profit Margin: 3.8%

Net Profit Margin: -3.5%

## 2024 Financials:

Revenue: \$4.2 billion (20% YoY growth)

Net Income: \$293.18 million

Operating Profit Margin: Approximately 3.8%

2023/2024 FINANCIALS



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## Premium Subscriptions

- It accounted for about 88% of total revenue in Q2 2024

## Ad-Supported Services:

- This is the second major revenue stream.
- It accounted for about 12% of total revenue in Q2 2024

## Future Projections:

- 2024 Expected Revenue Growth: 14.06%
- 2024 Projected Earnings Per Share (EPS): \$5.02
- 2025 Projected EPS: \$7.21
- 2026 Projected EPS: \$9.58

## KEY MESSAGES

- Spotify saw strong growth in Q2 2024
- Premium subscriptions growing 21% year-over-year, contributing \$3.59 billion (88% of total revenue).
- Ad-supported revenue added \$487.92 million (12% of revenue).
- 14% revenue growth in 2024 and rising EPS
- 7-8% annual growth in retail sales and income through 2028.



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## VALUATION

**Market Cap:** \$64.81 billion as of September 9, 2024

**Enterprise Value:** \$61.51 billion

## REVENUE

**Q2 2024 Revenue:** €3.807 billion (20% Y/Y increase)

**2023 Annual Revenue:** €13.2 billion

## PROFITABILITY AND GROSS MARGIN

### Gross Margin Q2 2024:

29.2% (record high, up from 24.1% in Q2 2023)

### Net Income Q2 2024:

€274 million (compared to a loss of €302 million in Q2 2023)

**Operating Income Q2 2024:** €266 million (compared to a loss of €247 million in Q2 2023)

## USER GROWTH AND ENGAGEMENT

**User Base:** Total Monthly Active Users (MAUs): 626 million (14% Y/Y increase)

**Premium Subscribers:** 246 million (12% Y/Y increase)

**Retention:** Reduced Churn Rate



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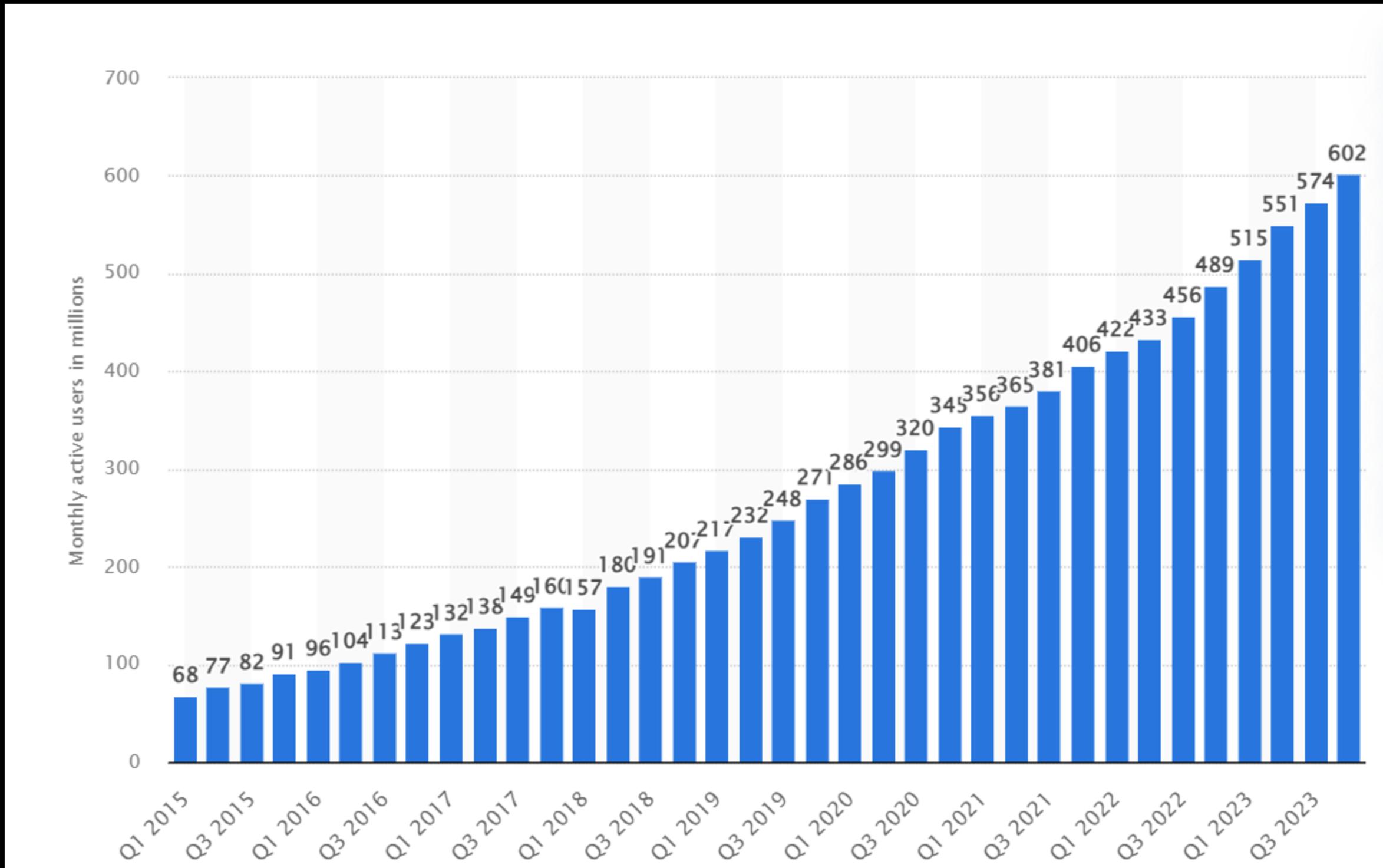
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Growth of MAUs in millions from 2015 till the end of Q4 2023



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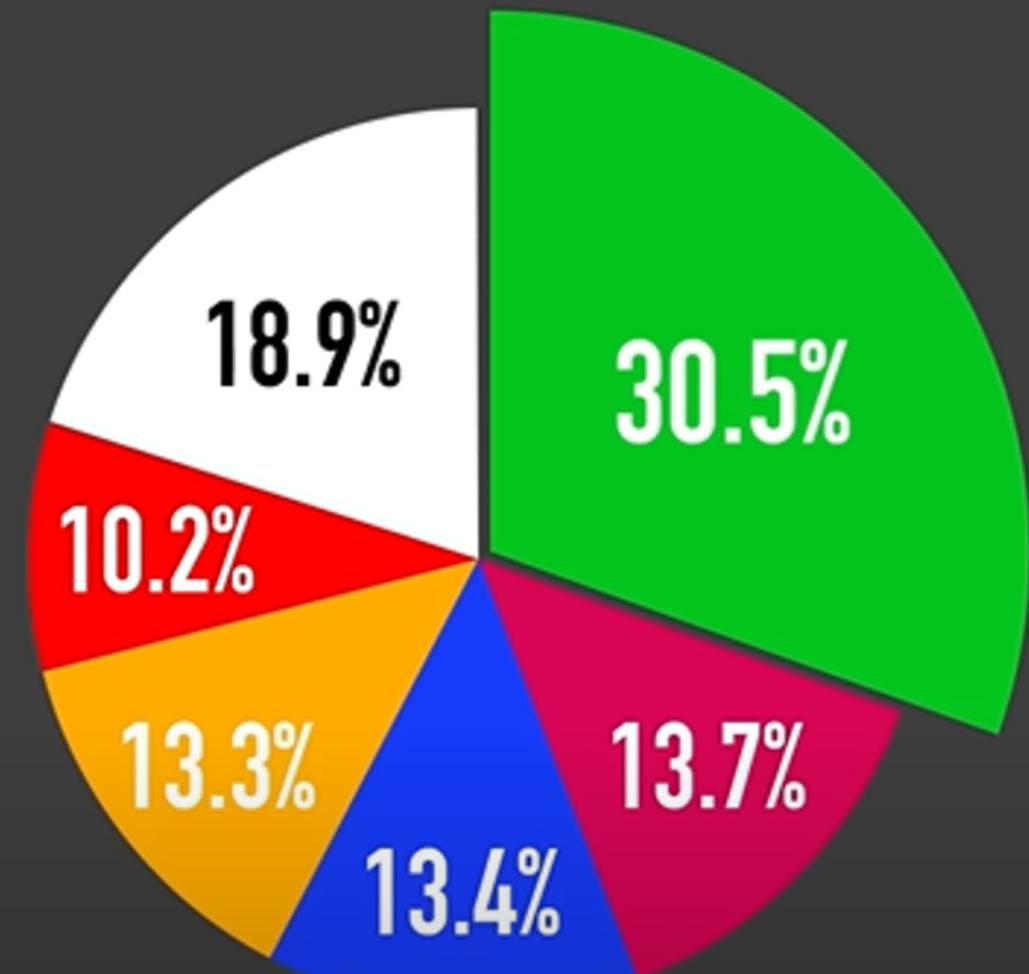
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### Music Streaming Service Market Share



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Apple Music

Tencent Music

Amazon Music

YouTube Music

Other



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# Why We Picked This Product?

## Global Market Leader in Music Streaming

over 600 million users and 246 million premium subscribers

## Innovative and Data-Driven Product Development

Create personalized user experiences, such as Discover Weekly, Release Radar, and AI DJ

## Powerful Creator Economy and Platform

It's a platform for creators, enabling them to build sustainable careers through merchandise sales, ticketing, and fan engagement tools.

## Impressive Growth and Financial Success

Spotify's consistent revenue growth,

## Cultural Relevance and Brand Power

Spotify Wrapped, for example, is a cultural phenomenon, widely anticipated each year.

## Innovation in Features and Partnerships

Spotify's partnerships with companies like Facebook, Google, and Shopify have



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## Impressive Growth and Financial Success

Spotify's consistent revenue growth, reaching over \$15 billion in 2023

## Cultural Relevance and Brand Power

Spotify Wrapped, for example, is a cultural phenomenon, widely shared and celebrated at the end of each year.

## Innovation in Features and Partnerships

Spotify's partnerships with companies like Facebook, Google, and Shopify have also allowed it to create more opportunities for user engagement and creator monetization.



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**Leverage AI and machine learning to auto-select the best subscription plan for users.**

**Introduce a lower-cost subscription plan with fewer ads, balancing affordability and reduced interruptions.**

**Add gamification to boost engagement, letting users earn points for discounts on future subscriptions.**

**Enhance the UI to improve the user's experience in accessing personalized content**

**Expand further into the video content delivery space to deliver curated video content by leveraging the AI/ML recommendation models**



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- <https://tearthemdown.medium.com/product-teardown-spotify-7-product-lessons-from-the-app-6f192b1fe3f4>



Thank you