



## Individual Coursework Submission Form

### Specialist Masters Programme

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<p><b>Declaration:</b></p> <p>By submitting this work, I declare that this work is entirely my own except those parts duly identified and referenced in my submission. It complies with any specified word limits and the requirements and regulations detailed in the coursework instructions and any other relevant programme and module documentation. In submitting this work, I acknowledge that I have read and understood the regulations and code regarding academic misconduct, including that relating to plagiarism, as specified in the Programme Handbook. I also acknowledge that this work will be subject to a variety of checks for academic misconduct.</p> <p>We acknowledge that work submitted late without a granted extension will be subject to penalties, as outlined in the Programme Handbook. Penalties will be applied for a maximum of five days lateness, after which a mark of zero will be awarded.</p>	
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**Final Mark:**

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# Consultancy Report on Spotify

## Introduction:

The year 2006 marked the beginning of Spotify, and ever since then, it has been providing its users with a buffet of podcasts, videos, and music. Spotify is a Swedish online music and audio streaming service that was established by Daniel Ek and Martin Lorentzon. Spotify, which has its headquarters in Stockholm, Sweden, offers a huge selection of more than 70 million songs from a variety of different record labels and media organisations. The company helps its consumers access the basic functionalities and enjoy the restricted contents while providing them with digital, copyright-protected podcasts and musical content. These limited contents are defined as freemium since they contain adverts. However, Spotify also offers user-friendly membership plans that allow people to access its vast library of music. With 381 million active users (monthly), 172 million of them are paying users as of September 2021, Spotify has a significant fan base.

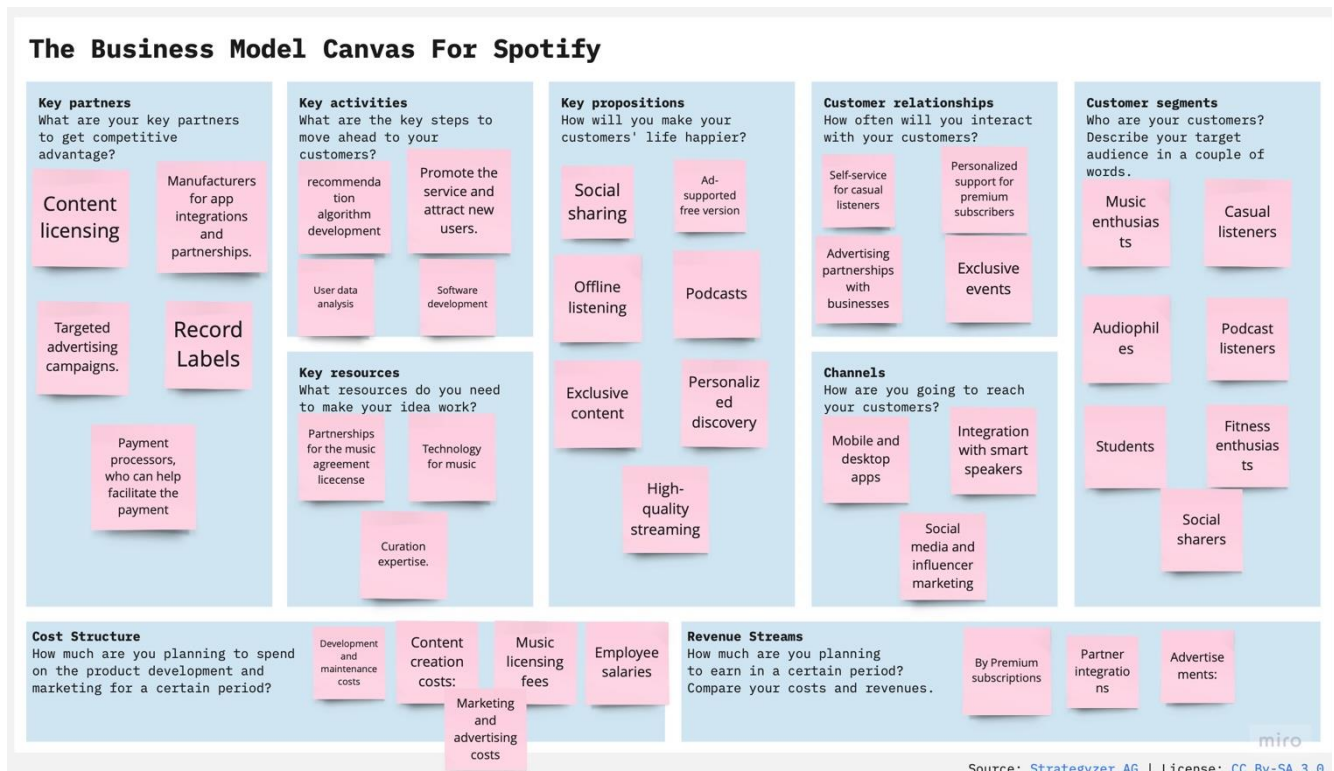
**Spotify's Mission Statement:** "Our mission is to unlock the potential of human creativity – by giving a million creative artists the opportunity to live off their art and billions of fans the opportunity to enjoy and be inspired by it."

The global market for music streaming was last estimated to be worth \$20.9 billion in 2019. According to estimates, from 2020 to 2027, this will increase at a CAGR of 17.8%. It is anticipated that the music industry will continue to grow quickly, as will online music streaming, as a result of rising smartphone adoption, fast digitization, and the expansion of digital platforms. According to reports from November 2021, Spotify is said to have a market share of around 32% in this area.

## Current business model for the customer business area:

Spotify's current business model for its customer business area is a subscription-based model, where users pay a monthly fee to access the platform's premium features. The company offers two tiers of subscriptions: a free, ad-supported version, and a premium version that offers additional features like ad-free listening, offline playback, and higher audio quality. Spotify generates revenue primarily through these subscriptions, as well as through advertising for the free version of the platform. The company also partners with other businesses, such as hardware manufacturers and telecom companies, to offer bundled subscription packages to their customers. Overall, the core of Spotify's business strategy is to give its users a comprehensive audio streaming experience while generating income via premium subscriptions and ad-supported services. The company's user-centric approach, strategic alliances, and compelling value offer all contribute to its competitive advantage and success in the market.

## Business Model Canvas For Spotify

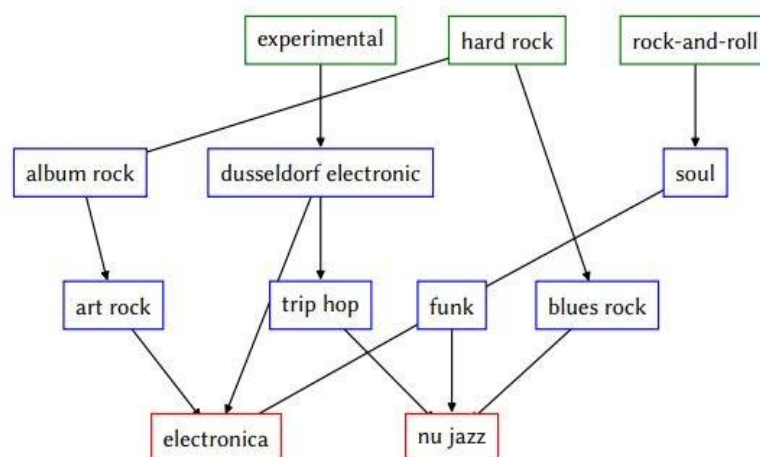


## Problem Statement 1:

Difficulty in predicting user preferences and behaviour accurately: Because there are cognitive behaviours as well as statistical approaches, forecasting consumers' choices appears to be challenging. According to recent research by Spotify, customers' preferences change over time, and helping them expand their horizons is essential to maintaining their interest. The majority of models used to analyse user preferences aim to capture concurrent preferences: "Users who like A also tend to like B. However, a study by Spotify researchers found that "the model frequently fails to recognise and adapt to changing preferences".

## Solution:

Preference Transition Model (PTM), a dynamic model for user preferences towards classes of objects, was created by them. Additionally, the model enables the computation of transition probabilities between object classes over time, which can be used to forecast how users' tastes will change based on their past actions. PTM, a dynamic preferences model that can forecast how users will move around music items. Its fundamental component is a transition matrix, which records the probability of interacting with a certain item at time  $t + 1$  given all prior interactions. This transition matrix offers a rich representation of the underlying preference dynamics and is simple to understand.



The PTM automatically determines the most probable paths from source genres (in green) to destination genres (in red) given a dataset of music consumption traces.

## **Problem Statement 2:**

The fierce rivalry in the music streaming sector has presented Spotify with many difficulties. Among the top competitors to Spotify in the market are Tidal, Apple Music, and Amazon Music. These businesses have a competitive advantage over Spotify thanks to their sizable user bases, well-known brands, and ample financial resources.

## **Solution:**

Spotify has made a number of actions to solve this issue, such as extending its market reach by entering new areas and providing localised content. The business has also distinguished itself by providing distinctive services like algorithm-driven podcasts and playlists, which have assisted in drawing in and keeping people. Focusing on establishing solid connections with musicians and record companies has also been one of Spotify's strategies for offering its consumers unique content. Additionally, Spotify has been making investments in data analytics and technology to enhance its user interface and product selection. As a result, the business has been able to provide more individualised playlists and recommendations by better understanding customer preferences and behaviour. Spotify has been able to keep ahead of the competition and expand its user base by utilising data and technology.

## **Proposed Action Plan:**

### **For Challenge 1:**

Spotify may gather more user information from a variety of sources, such as social media activity, user demographics, and music streaming habits. In order to foresee user preferences and behaviour, this data can be used to create more precise prediction models. To process the enormous quantity of user data it gathers, Spotify should make better use of machine learning techniques. These algorithms may recognise patterns in user behaviour and make personalised content recommendations to users, increasing user satisfaction and engagement. Spotify can track user comments to spot recurring topics and potential areas for development. This input can be utilised to boost customer engagement and retention while also improving product features.

### **For Challenge 2:**

Spotify may broaden its services beyond music streaming to set itself apart from rivals. This can include audiobooks, podcasts, and other audio content that has the potential to reach a larger audience and foster greater user involvement. Utilise data analytics to create targeted retention strategies and increase user engagement by determining the elements that influence user loyalty. Make data-driven decisions about product development and strategic alliances by using predictive analytics models to predict future trends. To improve its value proposition, Spotify can join up with other businesses in strategic ways. For instance, it can collaborate with fitness providers to promote its playlists for staying active or with telecom firms to provide bundles of services.

## Conclusion:

In conclusion, Spotify's ground-breaking business strategy has revolutionised the music streaming sector while also spurring new developments in both technology and user experience. Spotify has attracted a sizable user base and generated significant advertising revenue by providing an ad-supported freemium service. The organization's dedication to supporting and promoting artists, as well as its strategic alliances with important actors in the sector, all contribute to its continued success and expansion. Spotify must continue to adjust to the constantly changing digital music industry while keeping its emphasis on user satisfaction and artist recognition if it is to remain viable over the long term. In the end, Spotify's success story demonstrates the transforming potential of creativity, teamwork, and forward-thinking in the commercial world.

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