Favourite Product: Spotify

- One of the most favourite product for me personally is spotify. Let's have quick view on what spotify offers that I like it so much :)

Mission statement:

- **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.

How Spotify started?

- Spotify was launched in 2006 by **Daniel Ek** and **Martin Lorentzon**.
- It started with a grand vision of fighting piracy of music and to lower the price to listen to music on an everyday basis. This was evident from the mass utilisation of torrent and online websites to download pirated music. Also, giants like apple used to charge an exorbitant amount of **$2/ song**.
- Spotify started with the goal of **reducing latency of listening to music** to such an extent as if you were hearing directly from a hard drive.

Fig: Founders Daniel Ek and Martin Lorentzon

Who is it for?

- Users tired of downloading pirated music who did not want spend a penny just to listen to a song.
- Users paying $2/ song to apple due to lack of alternative and quality.
- Users who wanted a clutter free experience of listening to music all in a single place with good recommendation.

Current value propositions of Spotify:

- 50 million+ songs at the touch of your hand.
- Convenience of playing music anywhere without any extra storage.
- Discovery of music based on user's preference.
- Easy sharing of playlists with the help of Facebook integration.
- Songs can be downloaded and played offline anywhere.

Current competitors:

Apple music, Amazon prime music, Soundcloud, Youtube music

How Spotify built itself and disrupted the music industry?

- Digital music industry grew due to the following reasons:
  1) Digital streaming adoption.
  2) Access to internet becoming cheaper.
- The convenience and personalization of music streaming, combined with the accessibility afforded by smartphones and smart devices, has recorded music's growth.

Let's see what spotify tried to build in the first five years and what they focused on:

- **Technical solution:**

  1) **Latency:** Built spotify in such a way that users could listen to music instantaneously leading to a beautiful experience.

  2) **Great UI:** In the early stage spotify built a website with such a clean and easy to follow UI that users got hooked to the website. Even today spotify app has been the pioneer in great UI/UX.
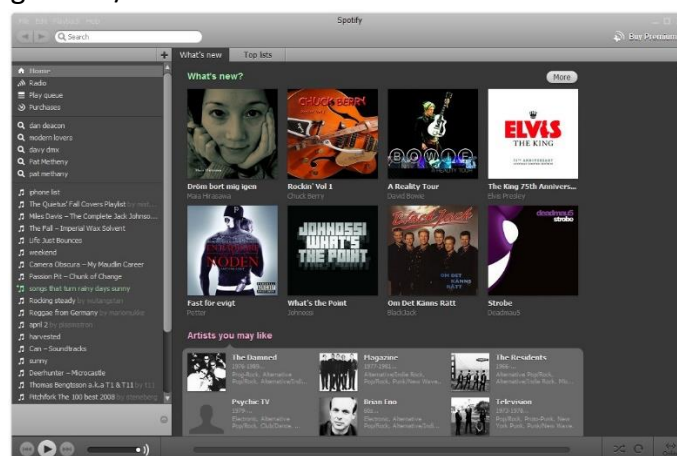

Fig: Spotify website in 2010.

Fig: Spotify android application in 2022.

3) Recommendation engine/ machine learning model:

- Spotify uses a **recommendation algorithm** to recommend songs to each and every user based on their preferences.
- This simply works on **collaborative filtering.**
  Ex: If A listened to 5 songs of 'pop' songs and B also listened to 5 'pop' songs. Let's say both heard 2 common songs. Spotify will recommend 3 other songs heard by B to A and vice versa.
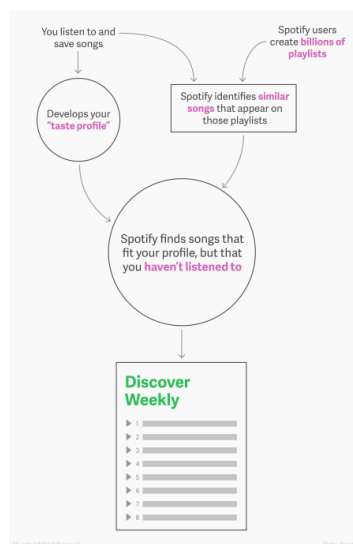

Fig: recommendation engine

- Spotify also uses **Natural language processing (NLP) models** which is used to recommend songs with similar background as the one you are currently searching.
- **Audio ML models** are used to determine the quality of the songs. This enables spotify to have high quality songs.

Business model:

- Spotify follows a **freemium model** where users can listen to music freely with ads.
- **Quick history:** Initially website could consume 20 hours of content and could play a maximum of 5 songs.
- One peculiar thing I noticed with Spotify is that they also **aggressively advertise** after every other song about switching to premium which could frustrate the user to buy it immediately :)
- So the two main avenues through which spotify earns: **Ads and premium subscription.**
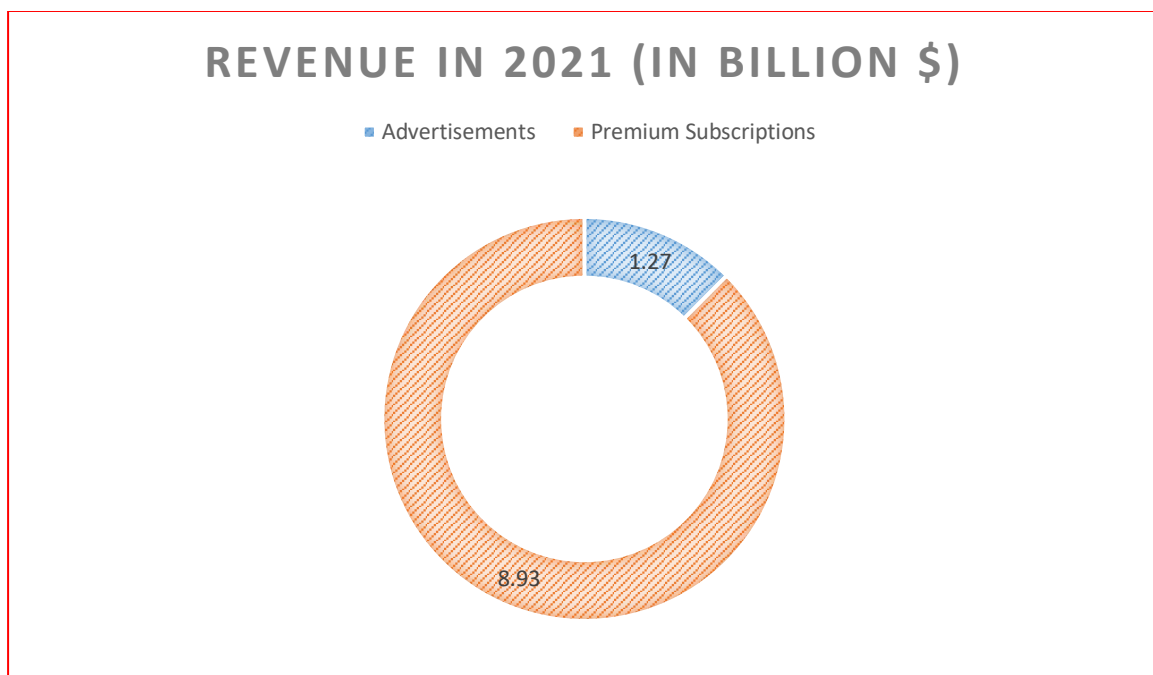

Fig: Revenue of spotify in 2021.

Recommendations:

1. **Daily reward systems for free users** – Spotify can give certain tokens to users who listen to music for at least 10 minutes. These tokens can then be utilised to listen to music without ads for certain period of time. This will also increase engagement of the user with the app.

2. **Bookmyshow like system for music concerts and events** – Spotify can create an ecosystem in the app itself to buy music concerts and events and take small processing fee to increase revenue.