

A DJ is shown from the side, wearing a black cap and a black t-shirt, performing at a turntable. The scene is dramatically lit with warm, golden-yellow and green light, creating a hazy, atmospheric effect. The DJ's hand is visible on the turntable's controls.

# Spotify: Challenges of an Online Music Service

Alison Amrit Deep Junaid





Spotify has **revolutionized** music.



\*Based on 2013 values

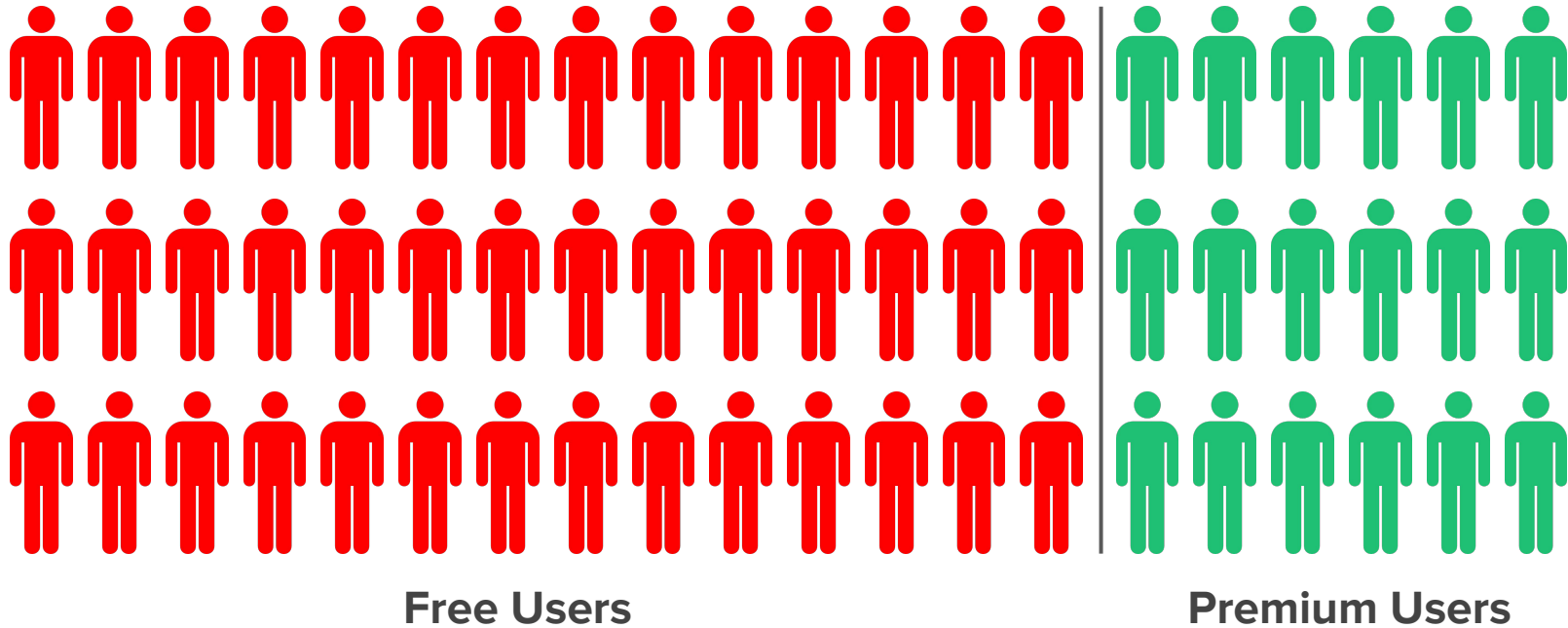
Revenue  
€747M

<

Costs  
€840M



# Spotify Users



\*Based on 2013 values

# Spotify Users



Free Users

€-0.67/month

Premium Users

€1.39/month



\*Based on 2013 values





**Spotify Connect**



ARTIST

# Zoë Keating



PLAY

FOLLOW



OVERVIEW

RELATED ARTISTS

POPULAR



- |   |   |               |           |
|---|---|---------------|-----------|
| 1 | + | Sun Will Set  | 1,624,220 |
| 2 | + | Legions (War) | 1,773,332 |
| 3 | + | Fern          | 344,288   |
| 4 | + | Tetrishead    | 281,830   |
| 5 | + | We Insist     | 306,498   |

SHOW 5 MORE

ALBUMS

RELATED ARTISTS



Julia Kent



Max Richter



Jóhann Jóhannsson



Dustin O'Halloran



ARTIST

# Zoë Keating



PLAY

FOLLOW

CONNECT



OVERVIEW

RELATED ARTISTS

POPULAR



1	+	Sun Will Set	1,624,220
2	+	Legions (War)	1,773,332
3	+	Fern	344,288
4	+	Tetrishead	281,830
5	+	We Insist	306,498

SHOW 5 MORE

ALBUMS

RELATED ARTISTS



Julia Kent



Max Richter



Jóhann Jóhannsson



Dustin O'Halloran





ARTIST

# Zoë Keating

▶ PLAY

FOLLOW

CONNECT

...

OVERVIEW

RELATED ARTISTS

CONNECT

POPULAR

**\$1.00+ per month**

You'll get access to the Spotify Connect feed, where the cellist enthusiasts Spotify community can prosper!

**\$5.00+ per month (5/30)**

Monthly google hangouts where we can all chat and hear unreleased music!

**\$30.00+**

Receive a signed cello bow from yours truly!

SHOW 5 MORE

ALBUMS

TOP CONTRIBUTORS



Julia Kent



Max Richter



Jóhann Jóhannsson



Dustin O'Halloran



ARTIST

# Zoë Keating

▶ PLAY

FOLLOW

CONNECT

...

OVERVIEW

RELATED ARTISTS

CONNECT

**\$1.00+ per month**

You'll get access to the Spotify Connect feed, where the cellist enthusiasts Spotify community can prosper!

**\$5.00+ per month (5/30)**

Monthly google hangouts where we can all chat and hear unreleased music!

**\$30.00+**

Receive a signed cello bow from yours truly!

SHOW 5 MORE

## TOP CONTRIBUTORS



Julia Kent



Max Richter



Jóhann Jóhannsson



Dustin O'Halloran

ALBUMS



ARTIST

# Zoë Keating

▶ PLAY

FOLLOW

CONNECT

...

OVERVIEW

RELATED ARTISTS

CONNECT

POPULAR

**\$1.00+ per month**

You'll get access to the Spotify Connect feed, where the cellist enthusiasts Spotify community can prosper!

**\$5.00+ per month (5/30)**

Monthly google hangouts where we can all chat and hear unreleased music!

**\$30.00+**

Receive a signed cello bow from yours truly!

SHOW 5 MORE

ALBUMS

## TOP CONTRIBUTORS



Julia Kent



Max Richter



Jóhann Jóhannsson



Dustin O'Halloran



ARTIST

# Zoë Keating

▶ PLAY

FOLLOW

CONNECT

...

OVERVIEW

RELATED ARTISTS

CONNECT

POPULAR

**\$1.00+ per month**

You'll get access to the Spotify Connect feed, where the cellist enthusiasts Spotify community can prosper!

**\$5.00+ per month (5/30)**

Monthly google hangouts where we all chat and hear unreleased music

**\$200.00**

Julia says:

*"Hey Zoë! I'm so glad that you're growing so quickly and that I'm able to personally support you! #FanSinceDayOne"*

TOP CONTRIBUTORS



Julia Kent



Max Richter



Jóhann Jóhannsson



Dustin O'Halloran

SHOW 5 MORE

ALBUMS





**Spotify Connect**

# Timeline

**Develop**

**Demonstrate**

**Deliver**

**6 Months**

**9 Months**



# Develop



Build “Connect” feature

Select 100 artists spanning  
Spotify’s music offerings

Optimize each artist’s  
“Connect” page



# Demonstrate

Fans have the opportunity to “connect” with select 100 Artists

Data on interaction between artists and fans will be analyzed

Create package for future Artists using trial “Connect” data



# Deliver

All Artists can now make a  
“Connect” page

Spotify takes 8% cut





\*Based on 2013 values

Revenue  
€747M

<

Costs  
€840M



\*Based on 2013 values

**€2.69 / user / month**



\*Based on 2013 values

€2.69 / user / month

Artists

+€1,069M

Spotify

+€93M



\*Based on 2013 values

**€9.00 / user / month**





\*Based on 2013 values

€9.00 / user / month

Artists  
+€3,577M

Spotify  
€216M



# Spotify Users



Free Users

€-0.67/month

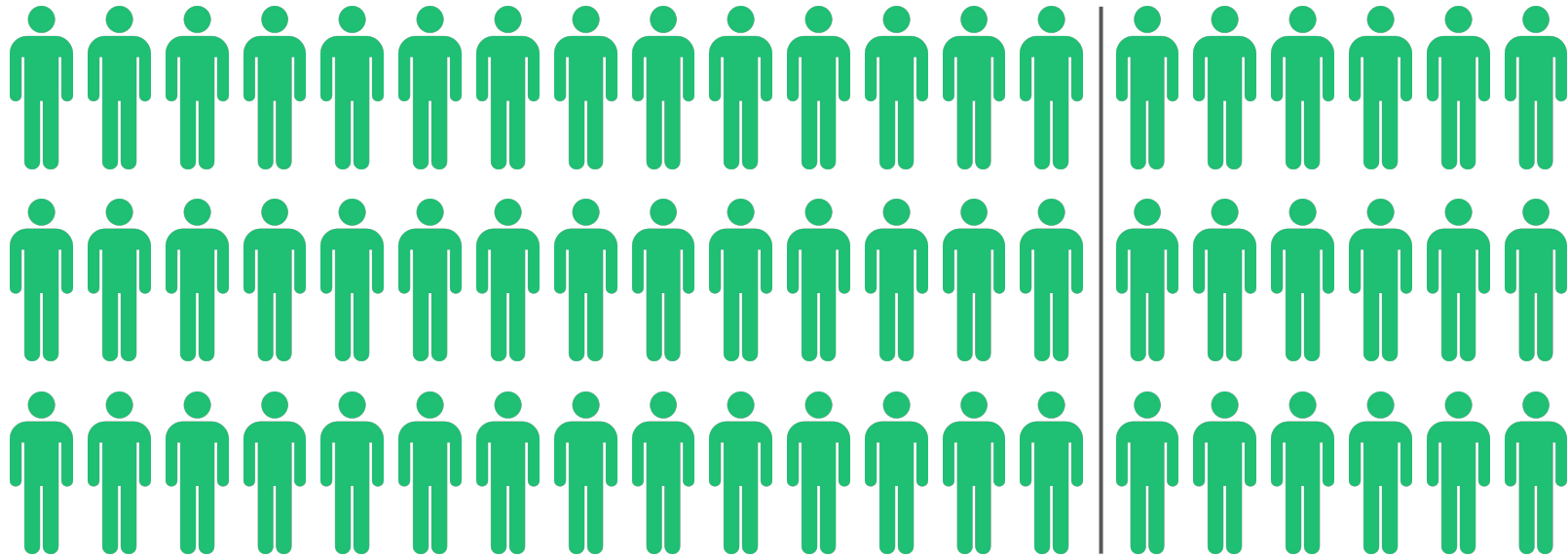
Premium Users

€1.39/month



\*Based on 2013 values

# Spotify Users



Free Users

€0.05/month

Premium Users

€2.11/month



\*Based on 2013 values

# Positioned to Win

## Fans

Connect  
with artists

Contribute to  
artist success





# Positioned to Win

## Fans

Connect  
with artists

Contribute to  
artist success

## Artists

Connect  
with fans

New source of  
income



# Positioned to Win

## Fans

Connect  
with artists

Contribute to  
artist success

## Artists

Connect  
with fans

New source of  
income

## Spotify

Increased per  
user value

Competitive  
advantage





**Spotify Connect**

A close-up, slightly blurred photograph of a person's hands playing an acoustic guitar. The guitar has a light-colored body and a dark fretboard. The person is wearing a dark blue shirt. The background is dark and out of focus.

# Appendix A: User Value Calculations

- **Free users**

- Revenue = €68M / 28M users / 12 months = €0.20
- Paid to artist = Revenue \* 0.7 = €0.14

- **Premium users**

- Revenue = €679M / 8M users / 12 months = €7.07
- Paid to artist = Revenue \* 0.7 = €4.95

Other costs / user = (€840M - €747M \* 0.7) / 36M users / 12 months = €0.73

Free users = 0.20 - 0.14 - 0.73 = €-0.67

Premium users = 7.07 - 4.95 - 0.73 = €1.39

A close-up, slightly blurred image of a person's hands playing a guitar. The guitar has a light-colored body and a dark fretboard. The person is wearing a dark blue shirt. The background is dark and out of focus.

## Appendix B: Implementation Costs

- Software development: 10 SDEs \* 6 months \*  
€100,000/year = **€500,000**
- Connect team: 20 BD reps \* 6 months \*  
€50,000/year = **€500,000**
- Marketing costs + Miscellaneous = **€1,000,000**