

PANDORA

FINAL STRATEGIC PLAN

Abstract

A Strategic Plan devised on the metrics of Pandora's current situation, industry environment, and competitors would aid the company to focus on its implementation.

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1. Summary

1.1. Current Situation

Pandora is a popular music streaming service, first launched in 2000. Once considered as first-mover in the category (Blue Ocean category brand), the company has seen its market share decline over time, while their competitors like Spotify's market share has exploded. Pandora's team consists of highly trained musicologists, including CEO Tim Westergren, a trained pianist and composer. He created Pandora to circumvent challenges he and other musicians faced getting discovered.

The core of the music platform is its **Music Genome project**, musicologists who listen to songs and tag them with upto 450 characteristics to create a robust recommendation engine.

However, based on their "radio station" model, a lot of competitors have occupied the market with varying degree of success. A myriad of factors such as continuous drop in music sales in the past decade, licensing fees, a human intensive engine, and losses at the stock market, the company has been facing competition externally as well as internally.

1.2. Competitive Environment

Music streaming service is officially the lifeblood of US music industry. (Howe, n.d.). Streaming has generated 75 percent of industry revenue in 2018, which was up 10 percent points from 2017. This growth in demand can be attributed to generational changes, with more millennials willing to pay for music streaming. With this surge in popularity, the number of companies fashioning to service has also increased.

Amongst Pandora's rivals are Spotify, Apple Music, Youtube Music, Amazon Music, Tidal, Slacker Radio, etc, just for starters.

Some of these services focuses on radio while others on on-demand streaming. All of them provide free listening with ads and a similarly structured paid service which

consists of unlimited streaming, skips, creating playlists or radio stations. However, each of them stand out in their core offering. YouTube like Pandora, claim the best recommendation engines, Spotify plays on the widest variety of devices and focuses on social features like sharing playlists with friends, Tidal beats everyone at offering the best audio quality, and Amazon and Apple make it easy for listeners who own their hardware. Pandora also lacks when compared in regards to its global presence. With most of its competitors already present on a global scale, Pandora is still highly a US located service, with the exception of Australia and New Zealand (Levi, n.d.).

1.3. Factors critical for success

The radio giant invested very appropriately in its Music Genome project, a convergence of music, science, and data. The algorithms correlates different things like time of day to a user's listening preference, along with user actions on the listening device. The musicologists' contribute by segmenting songs on 450 or so attributes, in addition to Machine Learning Algorithms and recommendation engine, makes the platform highly data intensive. As appropriately claimed by its founder and CEO, data is the foundation of every part of their business. Competitive advantages like personalization, effortless discovery, monetization, scale and data – are the driving forces for the company's growth (Jacob, n.d.).

Rising artists frequent the company office to collaborate with this platform which has had likes of Mumford and Sons partnering to livestream concerts.

With a data intensive framework already in place, Pandora can gain momentum with the right mix of strategy developed for artists, and a marketing campaign which can target both content creators and consumers alike.

2. Strategic Frameworks

2.1. Usefulness of various frameworks

Pandora had started in the Blue Ocean category, however, with the rapid growth in competition it is currently in the Red Ocean category. Amongst the strategic evaluation frameworks that have covered in this course, a combination Porter's Five Forces and SWOT Analysis frameworks can help in creating a ERRC Grid.

Porter's Five Forces can help identify the competitive intensity and attractiveness of the market. Considering the highly competitive market of music streaming, this framework can help in understanding whether new services or product offering can be profitable. Blue Ocean's ERRC Grid can help Pandora to focus simultaneously on eliminating and reducing, plus raising and creating a new Blue Ocean strategy.

2.2. Comparison

Porter's Five Forces:

- I. **Suppliers Power - Low:** Musicians can make money from the platform only when fans listen to their songs, and even then, it is quite low. Although Pandora has the highest per-play royalty rate, it is still at \$0.01682 per play. Factors like popularity of the song and artist plays a big role in converting it into a substantial pay, with entry level musicians being least advantaged.
- II. **Buyers Power - High:** Music listeners can stream music on multiple platforms for free. Pandora's ability to convert listeners to subscription enrolled customers, is dependent on its product offerings and marketing efforts. The option for multiple customizable radio stations based on the music genre, on the platform is lucrative bargaining power for the company to lure the free listeners to subscribe. Counteractive designs like ad placement for the free account also targets the same.

- III. **Competitive Rivalry - Medium:** Pandora was the first to offer customizable radio streaming service. They gained in amount of users quickly and still have loyal listeners to claim. However, competitors have moved this once blue ocean startup to the red zone. Drop in market share and operating profits have managed to increase competitive rivalry.
- IV. **Threat of Substitution - High:** A multitude of substitutes, with Spotify at the helm, it is difficult for Pandora to incentivize their customer loyalty.
- V. **Threat of New Entry - High:** A internet radio startup is easy. The requirements for it is merely receiving rights to play music from musicians/studios, and an online platform. These efforts are neither time nor capital intensive.

SWOT analysis of Pandora is noted below:

Strength:

- Music Genome project which is data intensive
- Customization of radio stations based on genre or mood
- Free as well as paid subscription plans
- Strong brand recognition
- Platform to find new and obscure artists based solely on user's listening preferences
- Over 66 Million monthly active users

Weakness:

- Very limited global presence: Only present in USA, Australia and New Zealand
- Strong competition in the industry
- Loss of Market share and high operation costs which can be tied to analyzing songs by teams of musicologists

Opportunities:

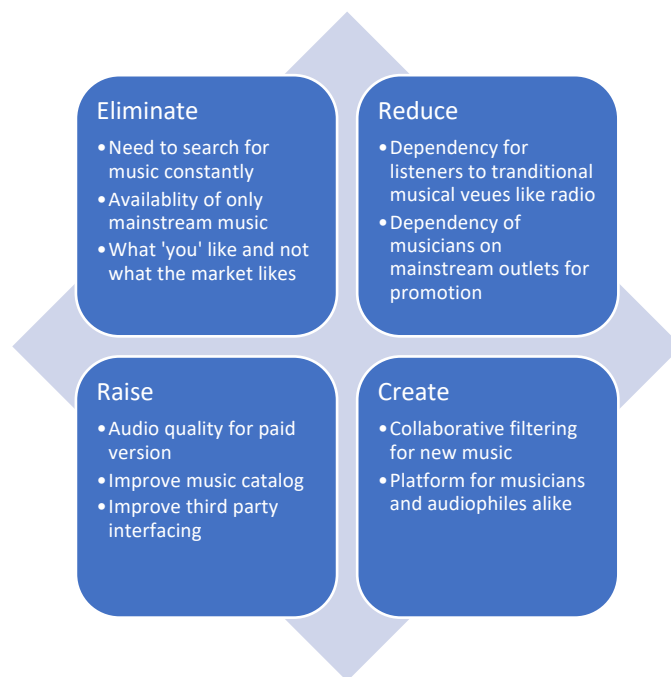
- Ever increasing tech-savvy millennial users who are open to pay for music
- Popularity amongst new music seeking users
- Popularity amongst new artists to broadcast themselves
- Advertising opportunity which can lead to ad-generating revenues

Threats:

- More popular and widely preferred competitors like Spotify and Apple Music
- New rival entrants

2.3. Applicable Framework

ERRC Grid mentioned in the figure below identifies factors Pandora can focus upon.



3. Recommended Strategy

Based on the above mentioned frameworks, my recommendation to Pandora would be to offer a new service which allow artists to communicate and collaborate with each other to create new music/concerts/jamming sessions; and make it accessible to users in multi-staged manner. Paid subscriber listeners can attend these virtual musical events in real-time and free subscribers to be able to stream them after recording is published.

Modeling a strategy around online music collaboration, Pandora can aim to be a successful platform for musicians, producers, and listeners. It can be community based collaboration as well as a service offering collaboration in which Pandora can be staged as the marketplace for all music related demands. In-house advertising opportunity can be structured to invite in listeners and sponsors, which will translate to generating revenue for the collaborating artists.

By implementing such a strategy, Pandora can venture into Blue Ocean Category dynamically, with its rivals still focused on increasing listeners on static music content. With its already high volume of users, a brand loyalty amongst listeners, and opportunity seeking musicians, this strategy could create a culture of music creation. Pivoting to be a marketplace instead of a service provider can also ease their cost of operations in terms of paying for music rights for static content.

There could be a significant challenge in reaching and encroaching new users from its rivals. A strategic reorganization fueled by Product Development, Marketing and Analytics can deliver efficient and scalable processes.

4. Roadmap



5. Analytics

The roadmap proposed above is structured to introduce a new product line:

Collaboration Venue on the platform. Each milestone can be checked against specified timelines to check for performance.

Data Science is very expensive and efficient at Pandora. Industrially revered for their recommendation engine, they can now afford to diversify their analytics efforts to monitor metrics for each corresponding milestone.

6. Potential Roadblocks and Contingency Plans

In the fast changing music streaming industry, Spotify and Apple Music has managed to stay ahead at the trend curve. With this new strategy, Pandora can up the ante by introducing a feature that is still untested by these two giants. With the current world status after Coronavirus, the world has appreciated the joy and importance of virtual collaborative music through phone shot videos and a highly covered 'The One World' concert on YouTube, when musicians all across the globe performed. This feature on the platform can target this innate willingness to collaborate and witness and come out a success.

However, it is highly recommended to devise contingency plans. Key Stakeholders from the roadmap, should continuously monitor and adapt to changing circumstances.

The greatest risk to this strategy would be if users don't use the platform. This can be proactively countered by marketing campaigns launched at national scale. Utilizing the advantage of brand recognition, they should target millennial demographics to avail of free trial based promotions. This effort should be furthered by their data science team by correctly predicting on musicians/bands that can convert free subscribers to paid subscribers.

References

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