



Spotify

USER REFERRAL PROGRAM

Assignment for PM School

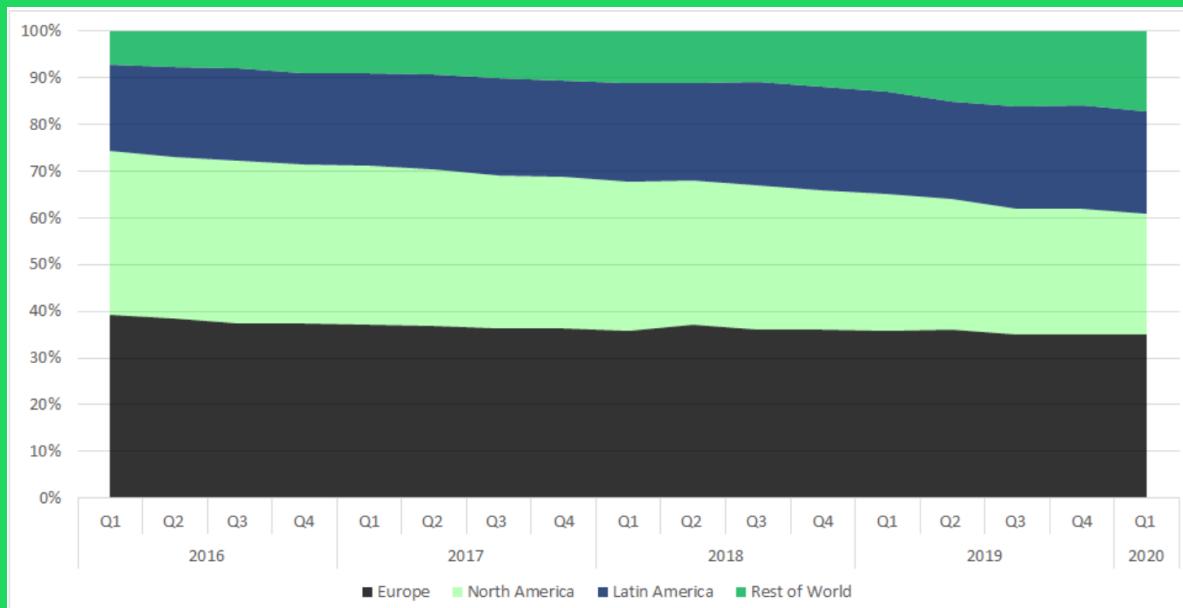
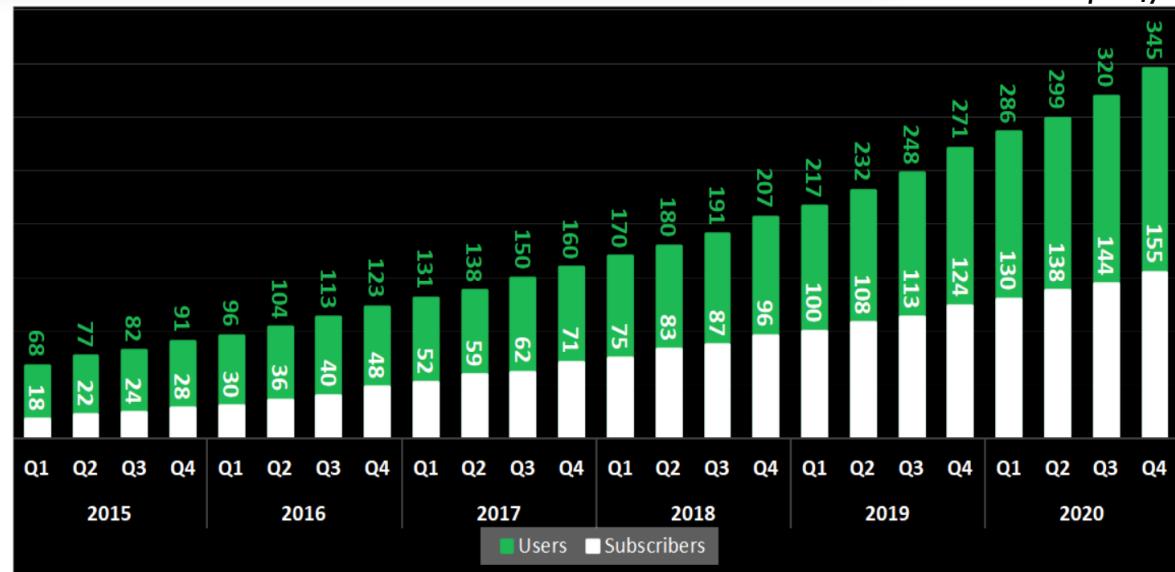
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SPOTIFY USER ACQUISITION ANALYSIS AND SCOPE

Source: Spotify

- Owing to situation we are living in, virtual music experiences have taken over concerts/gigs and has had listeners and artists worldwide switch to virtual streaming platforms. This can be confirmed by the steepness in user/subscriber curve in the past couple of years- 74mn new users in 2020 vs 64mn in 2019.
- A slower rate of growth is expected in 2021, following pandemic-related growth in 2020.
- Given artists have petitions for Spotify to increase pay-outs(owing to loss of public gigs), which could lead to increased costs and lower subscriber conversion in the given year.



- Europe is the biggest market of Spotify, followed by North America (40% European and 29% North American).
- Spotify reports that the fastest growth is occurring in less-established 'rest of world' segment (which encompasses Asia). Indeed, Spotify picked up 2 million users in India within two months of its February 2019 launch here.
- Both of these markets, be it fast expanding market in Asian countries or stagnant market in Europe and North America could use a catalyst to boost up the number of users.

Source: Spotify

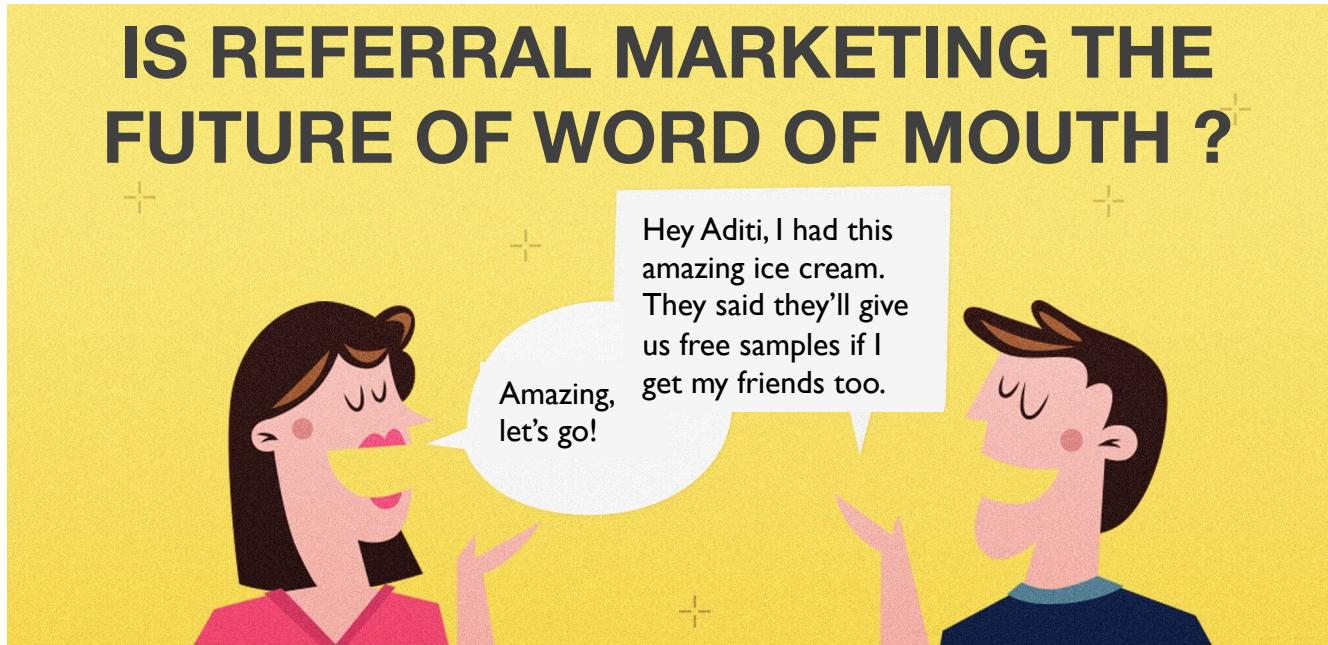
REFERRAL MARKETING – GENERAL SURVEY

92%

Of B2C customers trust recommendations from friends and family over other advertisements, as per the [Nielsen report](#).

100%

Lower costs than paid advertising as it is our customers evangelizing about the brand to their friends and family.



25%

Of referred customers are more loyal, and bring higher profit margins, according to a study published in the [AMA Journal of Marketing](#).

50%

Of ALL purchasing decisions are influenced by referrals, according to [McKinsey](#). Not only that, but referrals also generates more than **2** times the sales of paid advertising.

If we had a good experience, we are wired intuitively to tell all our friends about it. Why wouldn't we! We want our family and friends to enjoy the great things that we've experienced.

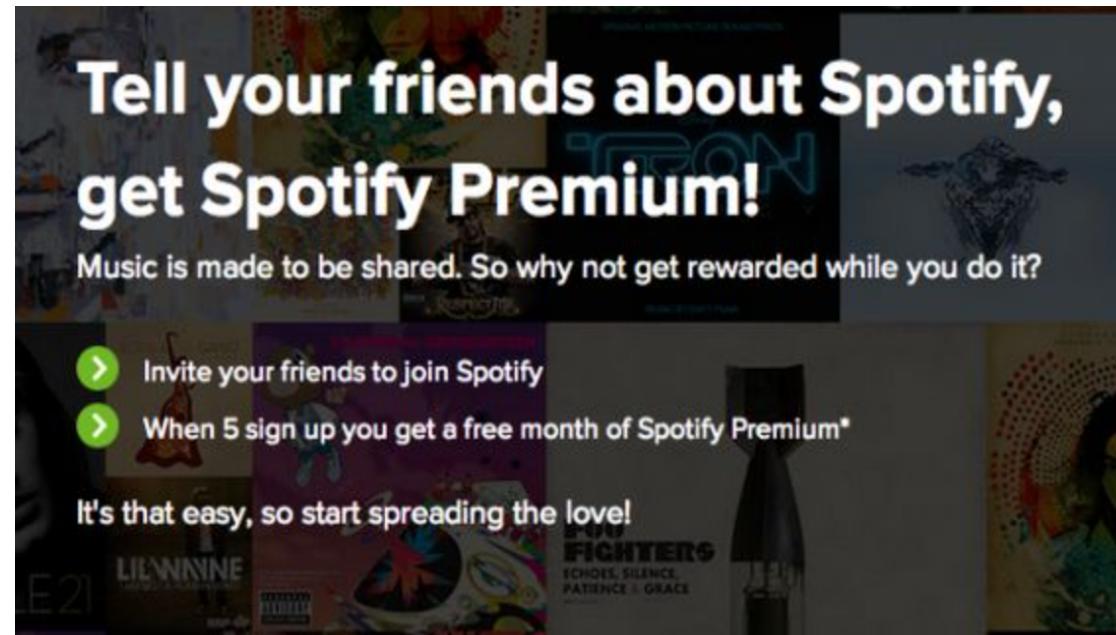
- Word-Of-Mouth (WOM) has always been the most reliable methods for product marketing, given that it is general human psychology to trust the opinion of people they know in real life.
- The goal of WOM is to have people talking about the product/brand. This could be through online reviews, social media posts/blogs, influencers or referrals.
- Out of these, **REFERRAL MARKETING** is a pathway to direct customer acquisition. Sure, we might need to prepare some assets upfront to seed the initial referrals, but when it kicks off, it'll be like a virus. Our own same-old **pyramid** scheme.

PAST ANALYSIS AND PROBLEM STATEMENT

I'm sure this was done before!

In 2014, Spotify launched a referral program for its users, which was discontinued soon after. While this program did create some traction, there were a couple of shortcomings that prevented it from creating the noise it was capable of -

- **Biased** - Only one party (Referrers) were getting the incentive (free month of Spotify Premium), while there were nothing for the referees in the deal.
- **5 is a stretch!** - While the incentive is solid, the task was too tedious (5 sign ups) for the referrer. It could increase the chance of them losing interest in the process midway or in the very beginning.
- **I didn't see you there!** - The referral option was not prominently visible to the users throughout their journey in the application, and specially not catering to the **mood** the user would be in.



We need to come up with an **INVITE A FRIEND** plan on Spotify that ensures the following-

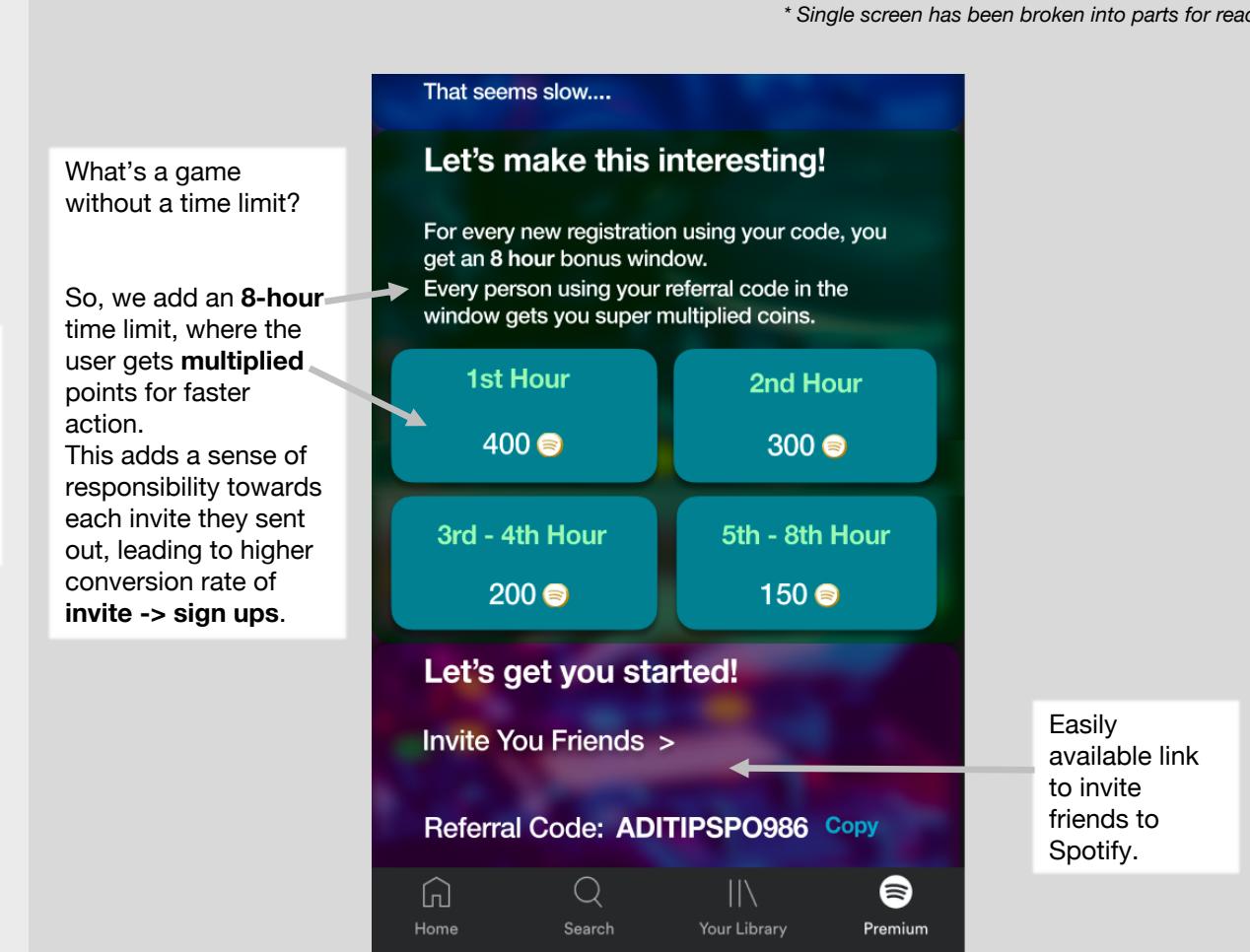
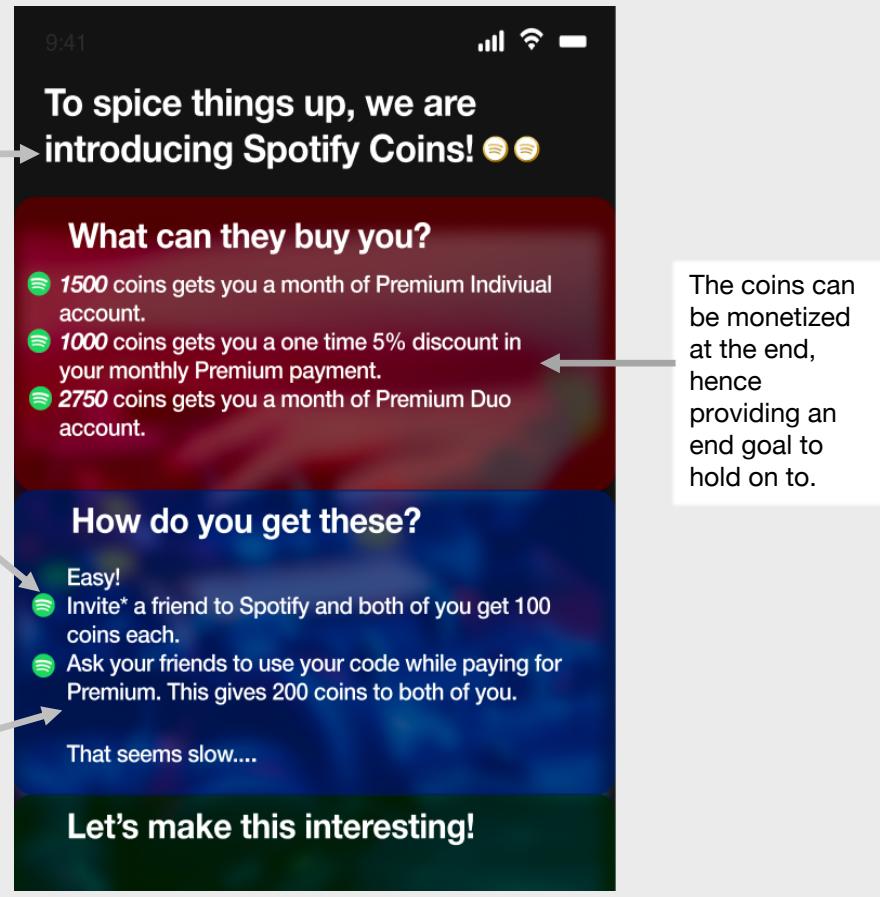
- Easy invitation and smooth onboarding of new users to the application.
- A tremendous increase in new Spotify users.
- Conversion of regular users (both existing and newly onboarded) to Premium members.
- Improved user loyalty / retention on the application.
- The ultimate goal is to increase paying users on the application, and not just users.
- The plan should not affect already paying Premium members.

REFERRAL PLAN RE-LAUNCH – SOLUTION AND PRODUCT

Let's solve for all the problems that existed in the last referral launch in Spotify.

1. *It only rewarded one party*- So we will reward both parties, simple!
2. *5 sign ups for one reward, with no in between tracking or follow-up once the user sends out invites to his/her friends* – Involve the user to bit more to work towards their reward. In other words, **Gamify**!

* Single screen has been broken into parts for readability



Catchy suggestion pop-ups based on user's app high*, to attract attention.

Psychological fact: Rhetorical questions increase person's tendency to agree

A preview of number of coins in user's account for continuous reminder

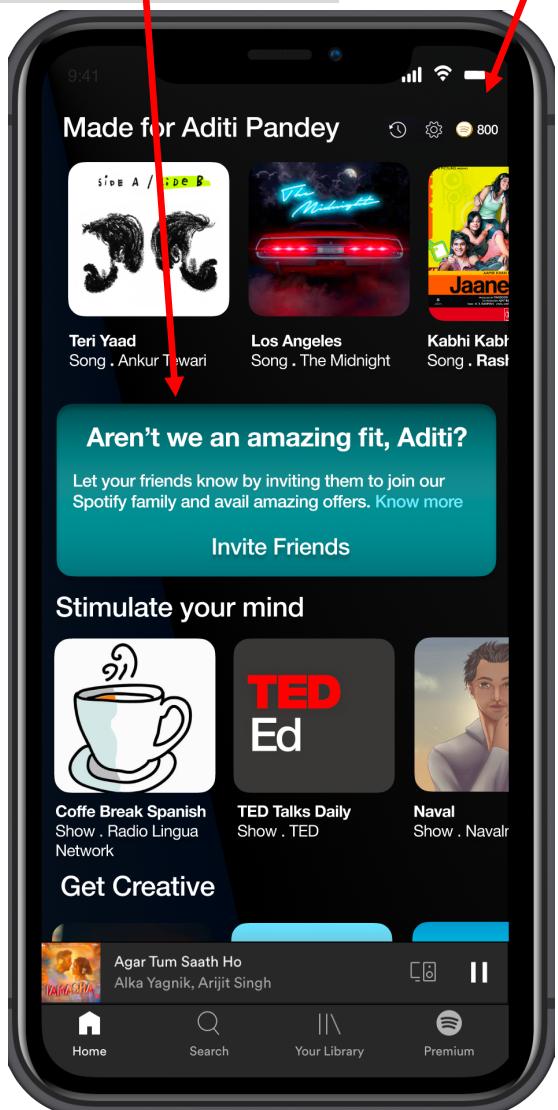
FEATURE DETAILS

Another encountered problem that needs tackling is **Visibility** of the feature.

It should not be something a user stumbles upon on diving deep into an app.

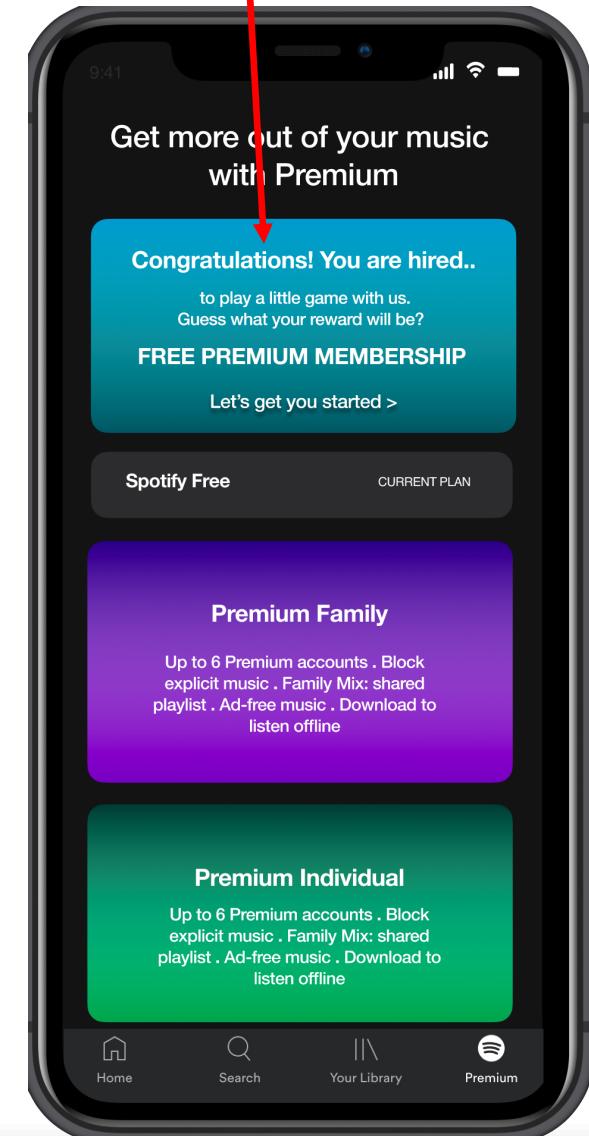
3 things to be kept in mind –

- It should be intriguing enough to catch and retain user's attention.
- It shouldn't hinder with an ongoing activity of the user.
- The aim is to reach a user when they are in an APPLICATION HIGH – most impressed/satisfied with its performance.



Home Screen

Catchy phrase to attract attention of users towards the game and rewards.



Premium Screen

CHASING THE APPLICATION HIGH

How do we find a time when the user is the most likely (in the right MOOD) to refer us to a friend?

Few options-

- **Long-term relationship** - When they have been streaming from Spotify in the background for a while.
- **In love with recommendations** - When they have been listening to content recommended by us for a prolonged period.

FEATURE DETAILS

THE MAGIC OF NOTIFICATIONS

One of the easiest (and now mandatory) ways to retain user's attention is using timely notifications.

It is however important to avoid over-using notifications, to prevent users from muting them.

Here are some suggestions-

1. When the user is in the middle of their 8-hour bonus window-

50 min to go! Let's keep up the streak
Invite a friend in the next 50 minutes and get 400 bonus points.
Come on! Let's get you closer to your goal.

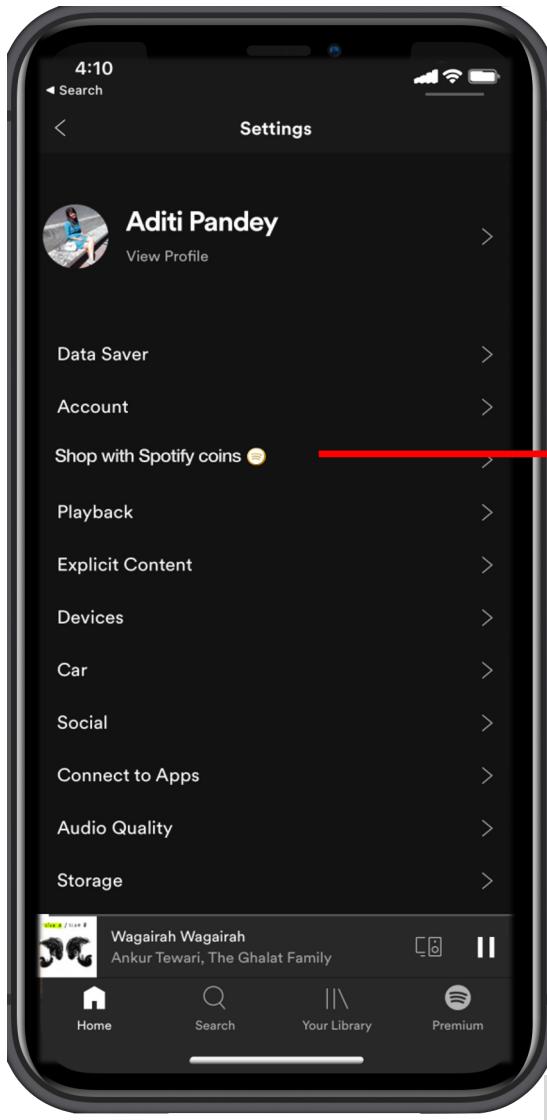
2. When the user is not so far away from their goal coins-

We are almost there, Aditi!
You just need 300 more coins and you have a free Premium account waiting for you.
Let's check up on your friends.

3. When the user is in an **Application High** (impressed with app's performance)-

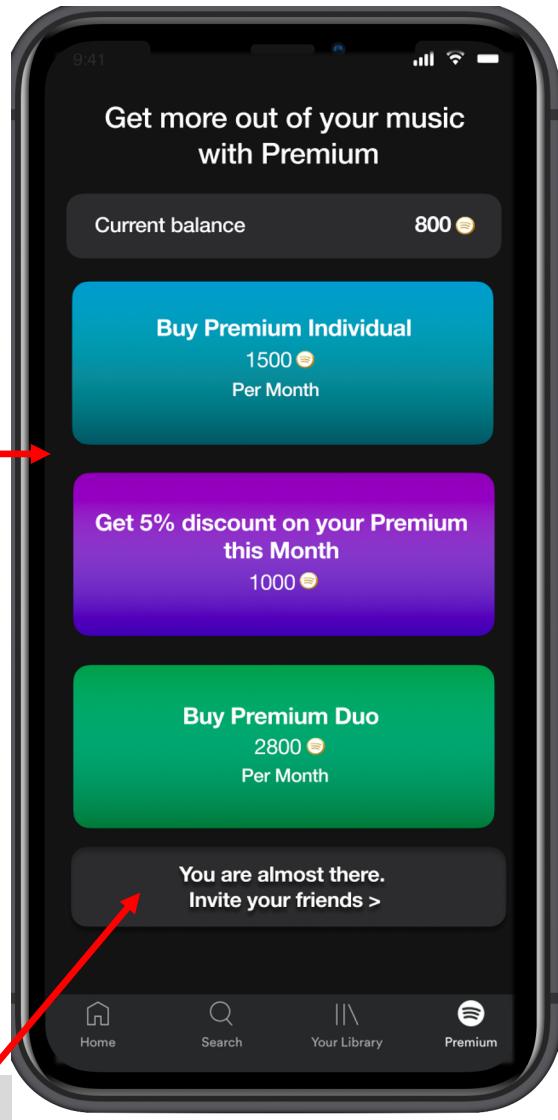
Sharing brings joy, doesn't it?
Aditi, you seem to be enjoying our company.
Share with your friends and get amazing rewards and offers.

REDEEMING OF COIN REWARD



Settings Screen

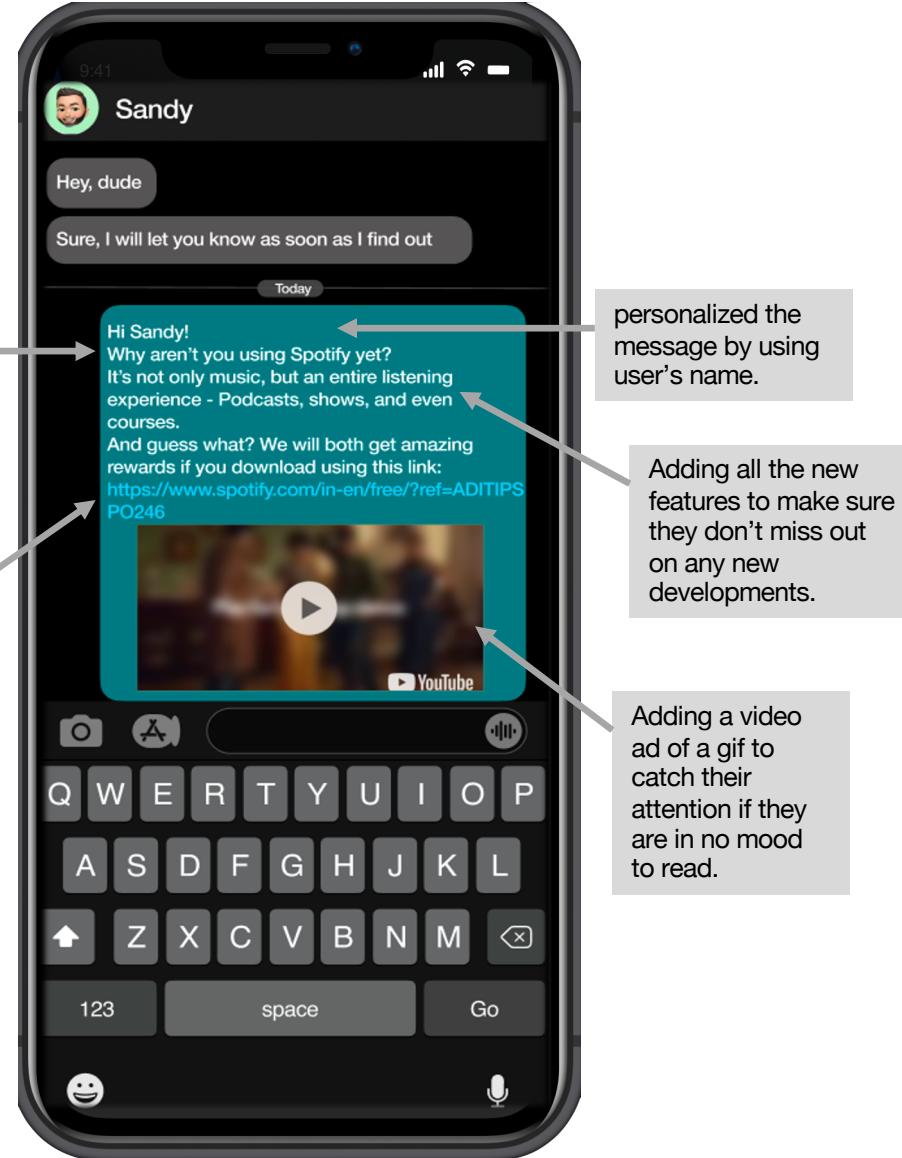
A push for user to invite friends



Shop with Spotify Coins Screen

GOING THE EXTRA MILE

What will push the user to go ahead and install? Yet another 'Hey, Check out this app' won't do it for sure. We'd need to spice it up a bit, while keeping it concise.



WHAT THE FUTURE HOLDS

VERSION-1

1. Introduction of new virtual currency - *Spotify coins*.
2. Offers for Premium Individual and Premium Duo - both for one-month free premium account and one time discount.
3. Referral game with its governing rules working on Time Scarcity Principle but revolving majorly around new customer sign up on app.
4. User targeted notification for referral promotion.
5. Personalized invitation messages.

UPCOMING VERSIONS

1. Use of Spotify Coins to increase user engagement, by rewarding users with coins on completing an activity, like a course.
2. Understand the user response and introduce new offers and discounts, like on Premium Family.
3. Introduce new reward systems for paid subscription referral, can be availed as discount during payment.

FEATURE TESTING

While our testing is scheduled once the development is complete, we will also have simultaneous design testing to ensure our development team is constantly on the same page.

Unit testing and QA testing-

To find and fix development bugs and make sure our product meets the Entry criteria.

Beta testing

- **User Acceptance Testing -**

We need to test the performance of the application to make sure it is fit for user, meeting the Exit criteria.

User set for feedback :

Different stakeholders, Business Analysts, Product Analyst, and/or End-user Specialists within Spotify, or on contract.

- **A/B Testing -**

We gather two sets of users (say, 100) within organisation or a set of end users to analyse for 7 days.

Group-I is given the new gamified version of the app.

Group-II is given the older version of referral feature (launched in 2014).

Analysis Metrics -

1. Referral invitation sent per user.
2. Sign-ups per referral code (unique for each referee).
3. Sign-ups in 8-hour bonus window per referral code.
4. Premium subscriptions per referral code.

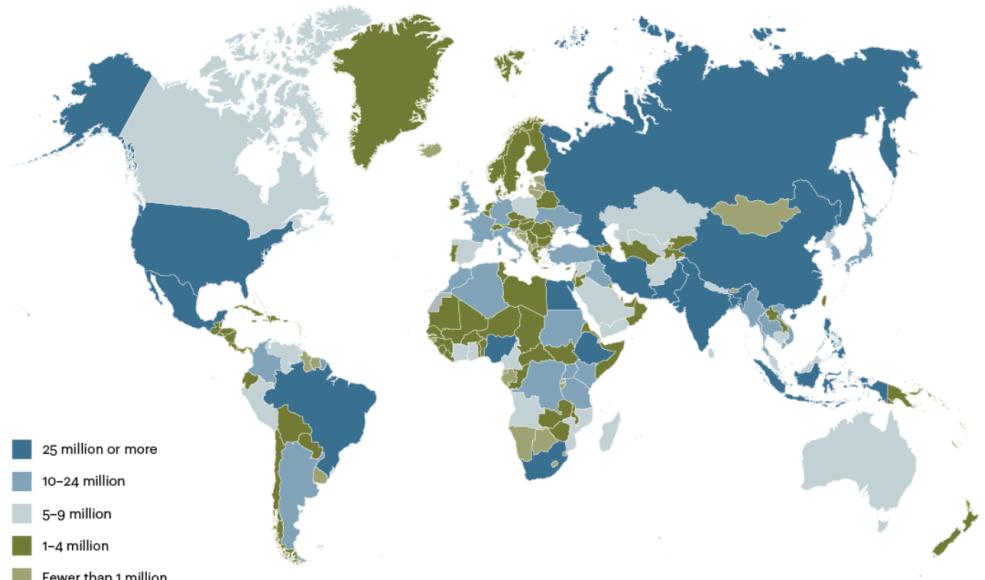
ROUGH TIMELINE

ACTION	START	END
1. Research & Feature planning	23/04/2021	30/05/2021
2. UX Design/Prototyping	30/04/2021	05/05/2021
3. Pricing strategy	06/05/2021	10/05/2021
4. Roll-out strategy planning	12/05/2021	18/05/2021
5. Development + Design testing	06/05/2021	24/05/2021
6. Unit testing and QA	25/05/2021	29/06/2021
7. UAT or A/B testing	30/05/2021	06/06/2021
8. Changes based on feedback	07/06/2021	13/06/2021
9. Pilot rollout on key users	15/06/2021	-
10. Simultaneous Performance eval	15/06/2021	29/06/2021
11. Global roll-out	03/07/2021	-

FEATURE ROLL-OUT PLAN

Spotify's market varies in its size and scope across the globe. Here are some facts to consider while creating a roll-out plan-

- As of March 2018 (latest available), Spotify's user base was dominated by Millennials and Gen-Z, with 29% of its users aged 25 to 34 and 26% aged between 18 and 24 years old.
- While Spotify's market has been slowly expanding and has almost attained monopoly in European and North American market, it still falls far behind in one of the biggest and fast-growing markets worldwide- *South-East Asia*.
- Fast Developing countries like **India** and **China** have the largest millennial population world-wide. They have seen a steady growth in Spotify userbase in the past 2 years since its launch. At the same time, these markets offer scope for tremendous expansion.



Sources: UN World Population Prospects 2015; A.T. Kearney analysis

What's the plan?

Latest App version will be launched world-wide with a Feature Flag to allow scaled roll-out.

- Based on our research, the feature will first be launched for users across South-East Asia.
- We will review the performance of our feature based on metrics described before.
- People with apps without the feature would still be able to receive invites and use them for downloading, but the incentives of *Spotify coins* would not be available for the ones with it.
- Post this, the feature can be launched globally.

Why the scaled approach?

As the South Asian market hold a greater scope for expansion, Spotify referral could do wonders here.

However, there is a chance that the feature usage would be relatively low in European or other prominent Spotify market.

Given the high percentage of users that already exist, the other group would of users would be harder to persuade to switch to Spotify.

By allowing a buffer time before we expand to these areas, we would be able to create a buzz around the feature before it is actually launched, further amplified because of its absence (**Scarcity effect**).

KEY TRADE OFFS & DECISIONS

Instead of using a virtual currency of Spotify Coins, we considered giving direct incentives of Premium membership, with the same multiplier concept, but like that of PVR- giving a much better deal for slightly greater cost. For example-

Within a 4-hour time limit,

Number of people who sign up	Free premium
1	1 day
2	4 days
3	2 weeks
4	1 month

Spotify coins was the way to go, as it achieved the same thing without hurting our revenue, using psychological incentives.

RISKS AND MIGATIONS

RISK	MITIGATION
1. User set for UAT testing might end up being biased given they are from one organization with similar mindset.	1. Diversifying the dataset by making sure people from different geographies, demographics are covered.
2. During the pilot launch, the we end up getting negative feedback from users.	2. Use of feature flags will make it possible to disable the entire capability or parts of it from backend without launching a new application version.
3. On being used at a vast scale, we understand that it has a negative effect it has on our revenue, i.e., the subscriber to user ratio.	3. Pricing can be altered and handled on our end.

OPEN QUESTIONS

1. What other incentives can be offered to both the parties?
2. Can we make onboarding smoother for users signing up through invite?
3. What are other areas where we can deploy Spotify coins?
4. Can we further phase out global release?
5. Can we partner with other payment companies to provide Spotify coins as cashback?
6. What other activities on app can be gamified to further expand our feature?
7. What incentives can be added for existing Premium members?
8. Can we curate a streak-based system like Snapchat, and use it for subsidized costs?