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Daniel Ek, CEO of Spotify: The Future of Audio - Invest Like the Best with Patrick O'Shaughnessy - Podcast Notes

About The Author MMiller

8-9 minutes

HomeInvest Like the BestDaniel Ek, CEO of Spotify: The Future of Audio – Invest Like the Best with Patrick O'Shaughnessy

November 15, 2019

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Key Takeaways

- Innovation comes from a culture of experimentation
    - **Without failure, innovation isn't possible**
- Spotify has tons of room left to grow
    - **If audio is their sole market, and they're looking to win it, they still have to grow 10-15x in size**
- **"We know that discovery is one of the core benefits that we provide to people. If we can get you to discover one new item of content that you absolutely love every single month, we're pretty sure you'll remain a user or customer with us for a very long time."** *– Daniel Ek*
- **If your journey as a company isn't slightly uncomfortable, you're likely not pushing yourself hard enough**
- **"I think the last job to be done by a machine is creativity"** *– Daniel Ek*

Intro

- Daniel Ek (@eldsjal) is the founder and CEO of Spotify
- Host: Patrick O'Shaughnessy (@patrick_oshag)

The Most Important Management Lesson Daniel Ever Learned

- **Growth isn't free – it's hard, expensive, and creates more issues/situations that need to be dealt with**
    - Because of this, you should build processes/systems in *anticipation* of that growth (like a "buffer")
- For reference: Spotify, today, has 5,000 employees and does billions of dollars/year in revenue
    - **For them to continue their growth rate, Daniel is insisting on a culture of experimentation**
        - **"It's about a culture that allows for failure. You can't have a culture of experimentation if you don't allow for failures."** *– Daniel Ek*
        - How exactly does Spotify encourage experimentation?
            - They have regular "hack weeks"

Globalization, Automation, and Digitization

- These are the three strongest macro-trends shaping our world
- With globalization:
    - Goods and products are being sourced from all over the world
    - Companies who support remote work now have access to knowledge workers around the globe
- Automation hasn't entirely played out to its full scale, but it certainly will

- The net effects of these trends in business:
  - **The big are getting bigger**
  - **There are viable niches that never would have been viable in a smaller marketplace**
  - **The middle is being evaporated**

The Future of Spotify

- **"We can't rest on our laurels. We believe the market we're going after is audio. That adds up to 2-3 billion people around the world who want to consume some sort of audio content on a daily or weekly basis. If we're going to win that market, we'd have to be at least a third of it. We have somewhere between 10-15x of where we are now of opportunity left. We're still in the early days of our journey."** – *Daniel Ek*

Results of the Spotify Ecosystem

- Think: Uber created tons of jobs for drivers that no one would have every predicted
- The emerging culture has been totally transformed
  - **Music is radiating across borders and becoming truly global in a way it's never been before, finding its home in a cross-cultural way**

The Intimacy of Audio

- With a film, you know it's not reality (no matter how real it feels)
  - **With a podcast, or something similar, it feels so real, that it's as if you're in the room with the conversation participants**
- On audio:
  - "It's a fascinating medium… It's going to be hard to predict where it lends itself the best. With music, it does very well. With educational content, you can imagine a lot of different vectors that audio would be good for… **We're still early in experimenting with the format of audio.**" – *Daniel Ek*
- Think: Podcasts are based on RSS feed technology (which was pre-Facebook, YouTube, and a whole bunch of other things we take for granted)
  - **"There's no doubt in my mind that we're going to go through a very similar journey where even the concept of what a podcast or audio actually is will become re-imagined."** – *Daniel Ek*

Star vs. Constellation Business Strategies

- This has to do with the idea of breaking up a larger app/platform into multiple apps/platforms, instead of building more features into the main app
  - Ex.: How Facebook created its own Messenger app
  - "The reality is we've seen very few examples where this has worked. The exception is with the large platforms – Apple, Google, and to an extent, Facebook." – *Daniel Ek*
- **On average, people download 1 new app per year**
  - **"Getting distribution on something new is insanely hard in this day in age"** – *Daniel Ek*
- When does breaking up an app make sense?
  - "When you have a very different constituent than your core constituents and the job to be done is materially different than the one you're providing, then it may make sense." – *Daniel Ek*
    - Given this, Spotify just launched Spotify Kids

A Key Metric

- **"We know that discovery is one of the core benefits that we provide to people. If we can get you to discover one new item of content that you absolutely love every single month, we're pretty sure you'll remain a user or customer with us for a very long time."** – *Daniel Ek*

A Lofty Goal

- **One of Spotify's primary goals: Enabling 1 million+ people to live off of their art**

Podcasts as a Driver of Growth

- Luminary raised hundreds of millions to become to the "Netflix of podcasts"
  - But… it's not really working
- **"Every single successful media platform has been built off the back of existing content, even though they're most known for their own things today"** – *Daniel Ek*
  - Take HBO: Before producing their own original programming, they had a library of existing films
  - Netflix first mastered DVD rentals before filming their own originals
- **Spotify has a library of more than 500k podcasts**
  - From a business standpoint, Spotify currently lets any user (free or paid) listen to podcasts on their platform
  - It's possible that eventually, they'll expand into original podcast content

The Role of a CEO in a Startup

- Spotify thinks in terms of "missions":
  - Every 2 years, an employee's role/job will change (even though their job title remains the same)
- Daniel estimates that he's personally on job #6 or #7
  - First, he was a mix of product designer, product manager, and overall handyman
  - Then, he fell into more of an HR role
    - **"That's typically the first function in a company you end up not hiring for when you should. That's one piece of advice for all startup guys – really think about that early, way earlier than I did."** – *Daniel Ek*
  - Next, he took on a finance-based role as the company began focusing on raising money
  - Now: "Spotify runs perfectly well without me, for the most part. What I am is the pace-setter. I'm the person who, whenever we start resting on our laurels, start saying we should pick up the pace." – *Daniel Ek*
    - If your journey as a company isn't slightly uncomfortable, you're likely not pushing yourself hard enough

Your Network is Your Net Worth

- "The amount of people I can call and ask for advice when it comes to different things is simply astounding" – *Daniel Ek*
  - Who specifically? – People like Mark Zuckerberg and Brian Chesky

Additional Notes

- **"I think the last job to be done by a machine is creativity"** – *Daniel Ek*
- "It's so easy to borrow mechanics from people and think that it'll work within your system. The reality is that it almost never does." – *Daniel Ek*
  - Why? – People take the mechanic without understanding the underlying system
- Daniel listens to most of his favorite podcasts at the gym
- ~80% of a music artist's income comes from touring
- **"Don't be afraid of the struggle**… I've learned so much about putting myself in situations where I don't know anything at all and enduring it for a period of time. I know I'll eventually get to the hump where I'll start enjoying it." – *Daniel Ek*