Spotify CEO: Upping User Engagement and Expanding AI Use Paid Off

BY **PYMNTS**
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For Spotify founder and CEO Daniel Ek, the company's third-quarter results reflect the momentum it's built over the past year and the realization of long-term strategic goals.

"Back at our 2022 Investor Day, we set clear goals for Spotify's growth and this quarter marks a key point where we successfully achieved and even surpassed those targets, doing so slightly ahead of schedule," Ek said Tuesday (Nov. 12) during the firm's third-quarter earnings call. "This demonstrates what we've been saying over the past year. Spotify is not just a great product, but well on its way to becoming a great business."

Strong performance across key metrics drove growth for Spotify, as monthly active users increased 11%, to 640 million; subscribers grew 12%, to 252 million; and total revenue rose 19%, to 4 billion euros ($4.2 billion).

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As the macro environment changed, Ek said, "we made the difficult but necessary decision to adjust and focus our efforts on cost efficiency. We did this while continuing to transform our business, which included expanding into audiobooks in Europe, launching new subscription tiers, and bringing more video onto the platform, just to name a few. Today's results demonstrate what we've consistently seen, the importance of finding the right balance between growth and reinvestment. We've never been in a stronger position, thanks to the outstanding execution by our team."

A key driver of Spotify's third-quarter success has been its focus on elevating user engagement, Ek noted. Recently, the company rolled out several new features aimed at improving the listening experience, including the addition of music videos for Premium users across 97 markets. Early data, he added, shows that users who interact with music videos have notably higher retention rates than those who don't. This move supports Spotify's strategy of integrating video content with its core audio offerings, deepening user immersion on the platform.

Another important development is the expansion of artificial intelligence (AI)-powered features, Ek said. The introduction of the AI Playlist, which uses generative AI to curate personalized playlists, has been rolled out across the U.S. and Canada, with plans to expand further. Similarly, the daylist feature, available to both free and Premium users, provides a daily mix tailored to individual preferences, and it's now supported in over 14 languages. Ek said these innovations enhance the way users discover and interact with music, while showcasing Spotify's commitment to using artificial intelligence to drive deeper personalization.

Last year Spotify expanded its partnership with Google Cloud to leverage advanced AI tools aimed at enhancing the user experience. Building on their partnership since 2016, Spotify uses AI to enhance personalized recommendations by analyzing spoken content, such as audiobooks and podcasts, and refine its content metadata. An example of this is Spotify's AI DJ.

"Spotify keeps bringing up engagement and keeps bringing down churn," Ek said. "That is the story we've been on. And whenever someone thinks we've reached a ceiling, it turns out that we're finding more ways to drive up the engagement and driving down the churn. And AI is one of those ways. We are very excited about driving our usage of Spotify up over the

coming years. AI is a huge unlocking technology that can enable transformational new ways where people want to soundtrack their lives in even more ways than they've done in the past."

Meanwhile, podcasting remains a priority for Spotify, Ek said, and the company continues to look for new ways to engage listeners. More than 9 million Spotify users have participated in Q&As and polls on podcasts this year, he said, underscoring the growing interactivity of the platform. Features like direct comments on podcasts allow listeners to engage more directly with creators.

While podcasting remains a key priority for Spotify, Ek said, optimizing marketing efforts is another.

"We have spent a little bit more on marketing," Ek said. "It's important to add why I didn't do that prior. We didn't do that because we weren't seeing efficiency. As we're seeing more efficiency, then we are happy to spend. If we see great opportunities with great CAC [customer acquisition cost]-to-LTV [lifetime value] ratios, we will pursue them. If nothing else, the core will be about improving engagement on the product, improving efficiency on marketing."

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Charm Your Chatbot: Magic Words That Boost AI Responsiveness

BY **PYMNTS**

Being nice to your chatbot turns out to be more than just digital decorum. According to a recent research, users who mind their manners with artificial intelligence (AI) assistants get faster, more accurate help, while their ruder counterparts face frustration.

For businesses investing heavily in AI customer service, the findings suggest a critical shift in strategy: promoting courteous customer-bot interactions could boost satisfaction rates and sales while reducing the need for human intervention, potentially saving companies millions in support costs.

"When customers interact politely with AI assistants, they're unknowingly activating more thorough and careful response patterns, similar to how "think step by step" prompting improves problem-solving accuracy," Dev Nag, CEO of QueryPal, a support automation company, told PYMNTS. "This isn't just about being nice — it's about triggering more reliable cognitive patterns in the AI."

Politeness Counts

Large language models (LLMs) show significant performance variations based on how politely they're asked to complete tasks, according to a study from researchers at Waseda University and RIKEN AIP. The team found that while rudeness generally leads to poor results across English, Chinese and Japanese prompts, excessive politeness doesn't necessarily improve performance, with optimal levels varying by language and cultural context.

The study, which evaluated tasks including summarization, language understanding and bias detection, revealed that models trained primarily in one language are particularly sensitive to politeness in that language. Researchers also discovered that reinforcement learning from human feedback (RLHF) and supervised fine-tuning influence how models respond to different politeness levels. The findings suggest that developers should consider cultural nuances when training and deploying LLMs.

"For businesses, this creates a powerful opportunity to improve both AI performance and customer satisfaction simultaneously," Nag said. "When companies encourage polite interaction with their AI systems, they're not just promoting better social norms — they're actually optimizing their AI's performance in real time. The data shows that polite queries tend to receive more detailed, accurate and helpful responses, leading to higher resolution rates and customer satisfaction. Think of it as similar to how a skilled customer service manager might coach their team to maintain professionalism even with difficult customers — it creates a virtuous cycle where better interaction patterns lead to better outcomes."

Respect Your Bots

Nag said that from a customer experience perspective, encouraging polite interaction subtly guides customers toward interactions that will serve them better while maintaining their agency.

"Companies like Apple have already seen that when customers engage more respectfully with their AI assistants, they tend to provide clearer information about their needs and are more receptive to the AI's suggestions and solutions," he said. "This creates a win-win situation where the technical limitations of AI systems are partially mitigated by better interaction patterns, while customers receive more satisfying and effective service. The key is to make this feel natural and beneficial rather than forced or artificial."

Studies show that a polite approach to chatbots isn't just good manners — it actually improves the interaction. Research from Stanford reveals that polite users often experience fewer misunderstandings, as chatbots respond more accurately to courteous language. Meanwhile, a University of Cambridge study

found that respectful phrasing prompts better responses, making exchanges smoother and more efficient.

There's more at stake than just getting answers, though. Experts say that politeness to digital agents fosters empathy and reinforces positive communication habits, impacting how we interact offline. In workplaces and schools, modeling politeness with AI helps create a respectful digital culture that extends into real-world conversations.

"What these studies seem to indicate is that when it comes to chatbots, as with most anything else, a user-friendly interaction is most easily attained when the user plays nicely," Zack Kim, founder and CEO of mental health platform Cartha AI, told PYMNTS.

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