How Artificial Intelligence is changing The Relationship between The Consumer and Brand in The Music Industry

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Abstract

Purpose – This paper aims to analyse Artificial Intelligence in the music industry in order to provide an indication of how Artificial Intelligence is expected to continue impacting the connection between the consumer and the brand.

Design/methodology/approach – The study is based on a qualitative single case study method and it discusses how Spotify has incorporated Artificial Intelligence into its practices supportive of its branding strategy.

Findings – This paper analyses the transformations Spotify has undergone to implement high levels of Artificial Intelligence into its practices. Driven by Artificial Intelligence, its personalized services compliment the connection between the brand and the consumer and is expected to continue influencing, potentially even strengthen this relationship in the future.

Research limitations/implications – The case study approach may limit the generalizability of the findings to other industries without further analysis. The newness of the topic limits the peer-reviewed research available, the potential to base research on past practices, and the number of literature models applicable to the study.

Originality/value – Although some studies have discussed the practices of Artificial Intelligence based music discovery, no studies have analysed how Artificial Intelligence is expected to continue impacting the connection between the consumer and the brand in the music industry.

Keywords Artificial Intelligence, Spotify, Music Industry, Brand and Market Orientation Matrix, STP model.

Paper type Conceptual paper

1. Introduction

In today's society, technology is playing a major role and has become an integrated part of people's lives by revolutionizing the world. Artificial Intelligence, often referred to as AI, sounds rather futuristic. What many do not know, is that it is already living with most of us, and it is very likely to become an integrated part of our lives in the future.

The field of Artificial Intelligence is in many ways in the beginning of its potential, meaning the technology is still undergoing a lot of development in terms of technological composition and data feeding. What the future brings for technology and vice versa, is still unknown, although highly speculated. Nonetheless, there is little to no doubt Artificial Intelligence will become dominant in the future, as it can already replace jobs and is likely to do an even better. Most people have noticed online advertisements, movies and music suggestions are becoming very accurate, as companies are gathering data from every technological footprint we leave behind.

Many corporations, such as Spotify, have integrated data to learn more about their consumers, to personalize and predict possible matches. By using Artificial Intelligence, they are crossing the line separating them from being a purely market-driven firm, adapting to current needs and wants, to becoming a more market driving firm by creating new behavioural patterns for the consumers. Meaning, the way in which

Spotify is branding itself is currently highly impacted by its incorporation of Artificial Intelligence, influencing the connection between the consumer and the brand.

There is no question Artificial Intelligence will increase its relevance into our daily lives, impacting the current relationship between its consumers and Spotify. Therefore, it has been decided to further explore 'How Artificial Intelligence is expected to continue impacting the connection between the consumer and the brand in the music industry?'

Thus, this paper aims to analyse Artificial Intelligence in the music industry in order to provide an indication of how Artificial Intelligence is expected to continue impacting the connection between the consumer and the brand. This question will be addressed through an empirical study by adopting a single case study method focused on the Swedish music streaming service, Spotify. The paper analyses how Spotify's practices have transformed over time by including higher levels of Artificial Intelligence, impacting its relationship between the two parties within the music industry. The paper is structured as follows: the first two sections discuss the aforementioned existing theories that can be related to the subjects covered in the empirical study. Subsequently, an empirical case study based on Spotify will be presented, followed by a discussion and conclusions.

2. Theoretical Frameworks

2.1 Brand Orientation and Market Orientation

An organization can choose from two different strategic orientations when encountering brands and the market: a market-oriented approach and a brand-oriented approach (Urde, Baumgarth & Merrilees, 2011). Market orientation is characterized by an outside-in approach, key elements are brand image, customer needs and wants (Urde, Baumgarth & Merrilees, 2011). This orientation view is closely linked to i.e. segmentation, targeting, customer relationship management and customer satisfaction. Brand orientation on the other hand, is an inside-out approach that emphasizes brand identity, including mission, vision and values. The aim of this approach is to generate a long-term competitive advantage for a brand. Moreover, the brand oriented approach has been defined as "a guiding light and hub for organizational culture, behaviour, and strategy" (Urde, Baumgarth & Merrilees, 2011). The organization uses this approach as a strategic platform for value creation.

In the article about market and brand orientation, Urde, Baumgarth and Merrilees (2011) have incorporated two new views of approaching brands and the market: the brand and market orientation view as well as the market and brand orientation view. Figure 1 illustrates the model adapted by Urde, Baumgarth & Merrilees (2011).

Figure 1. The brand and market orientation matrix (Urde, Baumgarth & Merrilees, 2011)

The two approaches differ in a way that one is being more related to brand orientation whereas the other is more related to the market orientation. In the brand and market orientated approach the dominating feature is an outside-in view, but it is also influenced by inside-out view, meaning that "brand identity comes first, but both the brand image and the needs and wants of consumers play an important role in the strategy and culture of the organization" (Urde, Baumgarth & Merrilees, 2011). On the contrary, in the market and brand oriented approach, the brand identity is influencing the organization: culture, behaviour and strategy. Yet, this approach values the consumer preference more significantly (Urde, Baumgarth & Merrilees, 2011). Meaning, inside-out view is the dominating feature but still influenced by the outside-in view.

2.2. Market Driving and Market Driven Strategy

Market orientation has been the dominating area in marketing research for several decades (Urde, Baumgarth & Merrilees, 2011). According to Tarnovskaya, Elg and Burt (2008) the goal with the market orientation approach is the understanding and development of solutions for customer needs and wants by collecting and evaluating market information. Previous research on the subject has divided market orientation further into two separate approaches when encountering the market: market driving orientation and market driven orientation (Tarnovskaya, Elg & Burt, 2008; Filieri, 2015; Ghauri, Wang, Elg & Rosendo-Ríos, 2016).

Market driving orientation educates the customer and influence on their values norms and behaviours (Ghauri et al. 2016). The marketing driving orientation is a proactive approach (Tarnovskaya, Elg & Burt, 2008; Ghauri et al. 2016), which means that it changes consumer behaviour by forming previous unmet needs and wants by the consumer. Market driving orientation coalesces around vision rather than traditional marketing (Filieri, 2015), which corresponds well with the inflicted level of innovative behavioural change. "Marketing driven strategy is according to a proactively influencing change in a firm's marketing environment including customers, competitors and marketing structure" (Ghauri et al. 2016). The market driven behaviour is a responsive approach as it adapts to the existing needs and wants among consumers, making e.g. product development revolving around meeting those requirements. They generate and disseminate market intelligence across the different levels of an organization (Filieri, 2015). Furthermore, according to (Filieri, 2015) this orientation is strongly linked with thorough market research by acquiring information and knowledge about customers and competitors.

2.3. Segmentation, Targeting, and Positioning Model

The Segmentation, Targeting, and Positioning (STP) model can be defined as a strategic model supporting the understanding of an organization's strategy, within a specific market, focused on driving a long-term competitive advantage (Li, Zhau & Shao, 2008). The model has a three-step approach (figure 2), starting with the aim to segment the market by subdividing different groups present in a market, out of which the company selects the most attractive segments, on which a strategy is formulated to appeal to the minds of these consumer groups.

Figure 2. Visualization of the STP model

2.3.1 Segmentation

In the first stage, an organization is analysing one or more markets with the aim to segment groups of consumers based on a certain set of characteristics (Foedermayr & Diamantopolous, 2008). For a segment to be valuable to an organization, it must be aligned with four criteria. Firstly, the segment must be measurable, meaning the availability of basic information for the formation of the segment. Secondly, the segment must be accessible, referring to the company's ability to communicate with this group. Thirdly, the segment must be substantial, to ensure the identified group of customers is sizable and profitable enough. Fourthly, the segment must be actionable, allowing organizations to formulate a strategy accordingly (Ghauri & Cateora, 2014). Cross-market segmentation can be used by an organization as a mode of international macro-level segmentation. Here, the organization starts with the perception of every market being heterogeneous and captures segments by analysing economic, cultural, geographic, and technological characteristics (Ghauri & Cateora, 2014). A more detailed manner of segmenting focuses on segmenting groups within a specific country, allowing the organization to deepen its understanding of the presence of micro-level groups within a given homogenous country by focusing on comparable characteristics referred to in macro-level segmentation (Ghauri & Cateora, 2014). Lately, psychographic factors and

behavioural aspects are gaining traction in both levels of segmentation (Hassan & Craft, 2011). This resulted in segmentation mainly focused on 4 characteristics within a certain market, known as psychographic, behavioural, demographic, and geographic factors (Ghauri & Cateora, 2014). The first two factors are harder to measure compared to the demographic and geographic factors. Demographic factors are linked to variables such as gender, age, income, and education, whereas geographic factors focus more on an individuals' residence by analysing the country of origin, cities, and regions (Ghauri & Cateora, 2014). Where psychographic segmentation focuses on grouping consumers based on their personality, including values, attitudes, lifestyle, and hobbies, behavioural segmentation is more focused on the relationship between product and user and focuses on factors such as benefits sought, brand loyalty, and product usage (Ghauri & Cateora, 2014).

2.3.2 Targeting

The second stage is concerned with the selection of segments most suitable to an organization's practices. Multiple factors, such as the segments' needs and wants, size, the potential for growth as well as the geopolitical environment, cultural influences, industry conditions, and competition present in the market, are taking into account to conclude on a segments' attractiveness (Chipman, 2016; Ghauri & Cateora, 2014).

2.3.3 Positioning

The last stage focuses on the creation of a strategy fit to the targeted segment by "creating a unique perception of their product in the customers' minds with respect to price, quality, durability, and credibility" (Ghauri & Cateora, 2014), compared to that of its competitors (Foedermayr & Diamantopolous, 2008).

3. Methodology

Due to the newness and complexity of the topic, the limited number of research available in the field, and the topic being subject to temporal changes over the short-term, a case study method has been adopted, aiming to increase understanding of how Artificial Intelligence is expected to continue impacting the connection between the consumer and the brand (Yin, 2003).

According to Verhoeven (2011), a case study can be defined as "research that involves one organization or one group". Meaning, a real-world context will be researched by "investigating a contemporary phenomenon in depth" (Yin, 2003) in the form of an empirical inquiry acting as a basis for discussion. Contradictory to Verhoeven's definition, stressing the study of only one organization or one group, Yin (2003) states that a researcher can choose between either a single of multiple case study. This paper conducts a single case study by selecting Spotify, the pioneer in the music-streaming space heavily relying its company practices on the phenomenon of Artificial Intelligence. Its strong commitment over time to technological advancements has resulted in Spotify keeping the first and the highest position in the market of music streaming (Pendlebury & Blanco, 2019). Yin (2003), stresses there are three applications of case studies: as part of a larger evaluation, as part of a dual-level evaluation, and as the primary evaluation. The latter applies to the current case study focused on Spotify, where the "initiative being evaluated is becoming the main case" (Yin, 2003). A case study is a form of qualitative research, which can be defined as "research methods that use virtually no numerical information" (Verhoeven, 2011). Secondary research is conducted through the help of online databases, peer-reviewed articles, books, and online data sources. Examples of other organizations are included to increase understanding of the technology as well as the competitive scenario.

Artificial Intelligence being a highly complex technological innovation in combination with the researchers majoring in International Marketing and Brand Management, has impacted how the technology has been described. Rather than this report deepening understanding of the technological aspects, the technology is described in a way relevant and understandable for business practitioners. The composition of the group of researchers practicing in the field of business administration, and not in technological sciences,

may have an impact on the different conclusions drawn (Keller, 2006).

The analysis based on a single case study within a specialized industry, limits the generalization of findings to other industries without further analysis, resulting in low levels of external validity (Verhoeven, 2011; Filieri, 2015). A case study research based on a technologically driven organization, such as Spotify, is expected to be subject to change within a short time span, due to the considerable amount of risk present in information being outdated. The newness of the innovation in combination with the case study review, limits the peer-reviewed research available, the potential to base research on past practises, and the number of literature models applicable to the study.

At first, the research was aimed at conducting a triangulated design of data collection (Verhoeven, 2011). However, time restrictions as well as a limited number of experts knowledgeable in the field, impacted this mode of research, resulting in the researchers focusing on a mode of secondary research rather than conducting both primary and secondary research. Research primarily conducted based on sources of secondary data available, may have an impact on the analysis, discussion, and conclusions.

4. Empirical Results

4.1 Spotify

Spotify Technology S.A is a service provider for streaming music and podcasts, it enables music and podcast enthusiasts to use its service for listening to music and podcasts on demand. Spotify has gained worldwide recognition over the past few years and in April 2018 it decided to go public. How did the Swedish music streaming company end up gaining so much popularity?

Spotify was founded in Stockholm in 2006, by Daniel Ek and Martin Lorenzo and before the time of Spotify people were purchasing and downloading individual songs and albums (Seiz, 2019). Spotify pioneered the market by introducing an innovative idea customers could pay a flat monthly subscription fee to have access to a huge library content (Seiz, 2019).

The company revolutionized the music industry by providing a better way for both artists and consumers to benefit from the digital transformation of the music industry (Cuofuano, 2019). Spotify gives its users the best possible experience to ensure that it can be enjoyed today, tomorrow and in the future. In order to achieve this, Spotify needs to constantly understand users' listening habits, so they can deliver an exceptional and personalized service that is customized for the specific user (Spotify, 2018). Furthermore, for the company to stay contented with today's competitive landscape, it has to keep innovating and improving its technical features and capabilities and this is where artificial intelligence plays a key role in Spotify's core function.

4.1.1 Features

Spotify's main and original feature is to browse through an extensive music library with a vast amount of songs on demand. Spotify makes it easy for the platform users to find suitable for every moment, on different interfaces such as a phone, computer or tablet (Spotify, 2019).

The platform possesses a feature called discovering music via friends, artists, celebrities or radio stations (Spotify, 2019). This enables users to collect songs in playlists and share these with peer users. A more targeted manner of exploring music is offered by Spotify's "Discover Weekly" playlist, where they incorporated Artificial Intelligence to create personalized music suggestions. Spotify introduced new features, such as: podcasts, video streaming, and radio, to its users in 2015. (Lidsky, 2018). The platform has also many other features, i.e. share music on social media, discover concerts near oneself, mute artist one does not like, and switch devices with a tap (Eleverson 2018).

4.1.2 Business Model

Spotify applies a two-sided marketplace where artists and music fans meet on the same platform (Cuofano 2019). It offers its users two options: a free, ad-supported service and a premium service, based on a pay-per-month subscription (Dornig, 2018; Cuofano 2019). In other words, Spotify implements a freemium business model: first users try the service for free and once the users are convinced, they can choose to pay for the

premium version. This model has proven to have a positive effect on the number of premium subscribers over the long-run (Dornig, 2018). Similarly, Cuofano (2019) found that 90 percent of the platform users are premium subscribers, which supports Dornig's (2018) claim that the freemium model is sustainable for the company.

4.1.3 Acquisitions

Over the past years, Spotify has acquired several organizations. The first acquisition was made in 2013 with Tunigo. The acquisition added new features to the platform: users could now find, create and share new music and playlists on Spotify (Lidsky, 2018). In 2014, Spotify acquired a machine learning company, The Echo Nest. This enabled Spotify to use machine learning as a tool to make recommendations, to predict consumer behavior and to predict preferences on the platform (Lidsky, 2018).

Spotify introduced podcasts to its users in 2015 (Lidsky, 2018), but it took a few years for the company to gain popularity among podcast streamers. Nevertheless, the company has managed to claim a significant share of the podcast streaming market, resulting in Spotify now being the second-largest streaming platform for podcasts (Warren, 2019). The risen popularity within podcast streaming is an outcome of the acquisitions made with podcast companies. The acquisitions enabled Spotify users to listen to an extensive library of various podcast genres. Still today, the company continues to develop its podcast streaming features, so far in 2019, Spotify has acquired three companies to enhance these features (Ingham, 2019).

According to Warren (2019), podcast listeners spend twice the time on Spotify and listen to music more than non-podcast listeners. The more time a user spends on a platform, the more accurate knowledge of the user will be collected by Spotify as a result of the artificial intelligence platform implementation. In other words, algorithms can predict users' consumer behaviour. This will enable Spotify to give its a more personalized experience, which in term will result in a higher rate of customer satisfaction and customer loyalty.

4.1.4 Transformation over time

As mentioned earlier in this paper, Spotify revolutionized the music industry by providing an extensive library of music on a platform for listening to songs on demand. Spotify changed the way people listen to music, meaning Spotify influenced consumer behaviour by fulfilling consumer's latent needs. Still today, the company keeps innovating and uses artificial intelligence to maintain its competitive position in today's environment. An example of Spotify's relatively recent innovation is "Discovered weekly", driven by the introduction of Artificial Intelligence. This new feature bases recommendations on an individuals' profile, based on other user's profiles having similar listening habits and music preferences (Pasick, 2015). Ultimately, it can be stated that when Spotify began its operations it was clearly a market driving company. Still today, the company keeps improving and providing new features to its users and changing consumer patterns on a smaller scale.

In the early years, Spotify put a lot of focus on teaching how to use the platform and why using it is beneficial for the consumer. Today, Spotify's strategy focuses on fulfilling the needs and wants of the consumers, therefore Spotify's focus has shifted from only being a market driving company to also implement features through a market driven approach. The company understands that consumers are looking for self-actualization needs that are categorized at the top of Maslow's pyramid (Kapferer, 2012). People want services that provide depth to their lives. Spotify does this by doing continuous innovations, meaning that it keeps adding and adapting new features based on current and future trends. One example of this kind of innovation is the podcast streaming feature that was applied to the platform in 2015 (Lidsky, 2018). The popularity of podcast streaming has increased rapidly; according to Carman (2019) the revenues of podcast streaming generated an estimated 479.1 million dollars in 2018 and it is expected to exceed 1 billion dollars by 2021.

Another market-driven characteristic that Spotify applies is its agile working model. Some main characteristics of this model is that it is value-driven and highly consumer-oriented, meaning

that it prioritizes work that brings the most value to the consumers and stakeholders. This model supports rapid feedback at the end of each interaction, allowing the possibility of continuous improvements (Smartsheet, 2019).

Today Spotify puts its consumer in the central focus with its market-oriented approach. Nevertheless, the company also emphasizes its core values and that they are an important part of Spotify's company culture, these core values are: innovative, playful, collaborative, sincere and passionate (Whately, 2016). The core values give guidelines to their employees: "Spotify understands that people do best when they engage in what they love most. In fact, this is exactly what fuels creativity that leads to new designs and approaches as expected in the presence of the first and second values" (Mission Statement Academy, 2019). This means that Spotify puts great importance on the company's core values in an aim to keep its employees motivated and innovative. Emphasizing on the core value as a motivational factor for the employees can be translated into a brand-oriented approach. Implementing mainly a market-oriented strategy but highlighting the importance of a brand oriented approach is according to Urde, Baumgarth & Merrilees (2011) described as a market and brand oriented approach and it can be stated that Spotify applies this strategy.

In conclusion, Spotify applies a mixed strategy of both market driven and driving approach. The company aims to fulfil the consumer needs and requirements, while at the same time it is essential for the company to keep innovating new features to the platform that gives its customers the option to fulfil their latent needs, with the help of artificial intelligence. Not only does the company apply market-oriented strategy, but it also recognizes the weight of a brand-oriented strategy, where the company's core values as well as mission and vision are influencing the company's way of doing business. Ultimately, it can be stated that Spotify applies a market and brand oriented business strategy.

4.2. What is Artificial Intelligence?

Artificial intelligence often referred to as AI, sounds rather futuristic. In fact, it is already living with most of us, as it has become part of our daily lives; take for instance Siri, Alexa and Google Assistant – suddenly the future is here.

So what is artificial intelligence? It is defined as an area of computer science emphasizing the creation of intelligent machines that work and react like humans (Techopedia, 2019). Often artificial intelligence is designed with the purpose of complex problem solving, planning and recognition (Cynober, 2019). Through algorithms, they can learn, predict and advise based on huge amounts of data (Techopedia, 2019). Even though most people are living with artificial intelligence to a certain extent, we are likely to meet it much more often in the future – inside and outside of the home. The field of artificial intelligence is in many ways in the beginning of its potential, as technology has not finished developing, meaning the technology is still undergoing a lot of change in terms of technological composition and data feeding. The core area of artificial intelligence is usually (1) knowledge (2) reasoning (3) problem solving (4) learning (5) planning (6) ability to manipulate and move objects (Techopedia, 2019).

To mimic human behaviour, it needs to be fed a vast amount of data to analyse. This part is difficult to imitate, because the human brain in itself has not been fully mapped, and happens to be very complex (Human Brain Project, 2019). When talking about the human brain, we separate between the conscious and unconscious parts, the conscious part only accounting for 2-5%. The conscious part is not the part making decisions, the unconscious part is, and that part takes into account our past experiences and feelings (Grönholm, 2019). Therefore, it will most likely take time for machines to learn and predict human behaviour, at least on a larger scale, and we still do not know how accurately it will be possible to mimic human behaviour. However, there is little to no doubt it will become dominant in the future, as artificial intelligence could replace many jobs and likely do an even better job. In 2018, the European Commission announced a €20 billion AI strategy for Europe (Cynober, 2019).

Artificial intelligence is closely linked to big data that has been developing fast with technological advances. Most people have probably noticed

online advertisements, movie suggestions as well as music suggestions are becoming very accurate because companies are gathering data from every technological footprint we leave behind. Many corporations, such as Spotify, have integrated the inputted data to learn more about their consumers, to personalize and predict possible matches. By using Artificial Intelligence, they are crossing the line separating them from being a purely market driven firm, adapting to current needs and wants, to becoming a more market driving firm by creating new behavioural patterns for the consumers.

The reason for doing so is that previously, products were pushed to the consumer, whereby both companies and manufacturers had the power. Today, the consumer is very much in power, according to a recent guest lecturer from P&G (2019). Consumers have become much more individualized, and they set high demands combined with little to no loyalty. Meaning, companies have to be much more innovative and work harder to satisfy consumers' ever-changing needs and wants. This is where the step between data and artificial intelligence comes into place. With machines supplied with highly complex algorithms capable of studying and learning our behavioural patterns, it can use this intel to create personalized an adapted content for each specific user.

Every minute of the day, Spotify has tens of million people listening to music through their streaming service (Marr, 2017). That means they have access to a huge amount of intel, such as what songs are played most, where they are listening from as well as what device is being used. Spotify is most definitely a data-driven company, so if they already know what we like, and we have access to it, why would they need to incorporate artificial intelligence in their business model?

4.3. How is Spotify incorporating Artificial Intelligence?

Spotify is known for its innovations by driving technological development. Figure 3, illustrates Spotify's technological practices by applying the Segmentation, Targeting and Positioning (STP) model (Ghauri & Cateora, 2014).

First, a big set of data is gathered, acting as the source for formulating consumer profiles. These profiles are defined based on a certain set of characteristics mapping the numerous segment groups using Spotify's service. These groups are targeted by applying Artificial Intelligence, such as machine learning algorithms, to develop personalized services for the selected sets of segments (Marr, 2017). Spotify aims to generate loyal consumers by creating a unique value proposition in the minds of its users, driving business performance over the long-run.

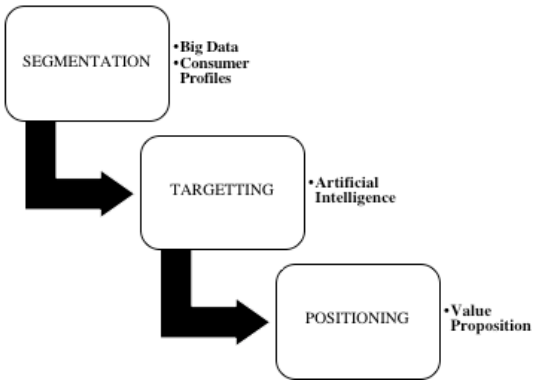

Figure 3. STP model applied to Spotify case

4.3.1. Segmentation

Spotify's acquisitions with multiple tech companies, such as Echo nest, increased the firms' ability to capture smaller fragments of data (Pasick, 2015; Lidsky, 2018). This allowed Spotify to strengthen its segmentation processes fuelled by big data, resulting in its ability to define highly detailed consumer profiles.

Research has indicated, Spotify is currently segmenting its uses on both macro- and micro-level by analysing characteristics, such as psychographics, geographics, demographics, and behavioural aspects (figure 4) (Ghauri & Cateora, 2014; Hanlon, 2019).

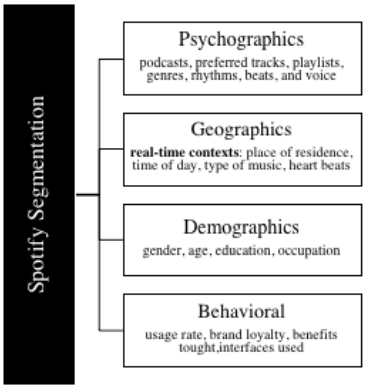

Figure 4. Factors influencing Spotify's segmentation

Psychographics can be analysed through the identification of music-related aspects such as podcasts, preferred tracks, playlists, genres, rhythms, beats, and voice (Ghauri & Cateora, 2014; Dornig, 2018). Geographics can be captured through the use of a smartwatch, supporting Spotify in the formulation of real-time contexts (Marr, 2017). Spotify is capable of locating ones' presence by researching the relation between the place of residence, time of day, type of music consumed, and heartbeats per minute (Marr, 2017). For instance, Spotify is able to locate a person in the gym by analysing factors, such as their location, increasing heartbeat, and the selection of upbeat music. Through the connection of multiple social media platforms, providing personal data, and having a family or student account, Spotify can capture data regarding demographics. Behavioural aspects such as usage rate, brand loyalty, benefits sought, and the use of interfaces can be tracked by analysing the application usage.

4.3.2. Targeting

Spotify's targeting goal is defined as: "to reach the audiences that matter most with effective targeting solutions fuelled by our streaming intelligence" (Spotify Ad Studio, 2019). As mentioned before, Spotify's freemium business model allows people to listen to and discover music before subscribing (Dornig, 2018). Specific segments are seen as more valuable than others, due to multiple factors related to psychographics, geographics, demographics, and behavioural aspects. However, as Spotify aims to respond to the needs of all its segments, it has been decided to not go into further detail regarding its preferred segments. Therefore, the following part focuses on how Spotify targets its segments, ranging from macro- to micro. User experiences are enhanced through the organizations' targeting and retargeting strategy, driven by Artificial Intelligence. Aforementioned, this technology supports people in discovering music in an efficient manner by endorsing songs based on the segmented user profile.

In addition to formulating suggestions based on an individual's profile, Spotify applies additional methods of Artificial Intelligence to create personalized recommendations, known as Collaborative Filtering, Natural Language Processes, and Audio Models (Sen, 2018). Firstly, Collaborative Filtering segments and suggests music to users having a comparable set of habits and music preferences (Sen, 2018). Similar to Spotify, Netflix and Amazon are strongly relying on its targeting mechanism on this mode of machine-learning, driving suggestions based on preferences of similar consumer profiles. Secondly, Natural Language Processes, analyse metadata connected to specific tracks, such as title, subject, genre, author, release date, as well as other written communication shared via shared online platforms, to identify common keywords related to a certain set of customers, and formulates recommendations accordingly (Sen, 2018). Thirdly, Audio Models support in analysing tracks based on raw data, thus capture statistics of tracks, allowing for segmentation within the catalogue, used to formulate endorsements (Sen, 2018).

One of Spotify's most well-known playlists driven by Artificial Intelligence is 'Discover Weekly'. The music list, consisting of 30 songs, allows users to discover music at the start of every week. The main driver behind this algorithm is the use of Collaborative Filtering. Rather than basing recommendations on an individuals' profile, they are derived from analysing music lists of users having a comparable set of habits and music preferences (Pasick, 2015). Besides, Spotify is offering other music discovery lists, such as 'Your Summer Rewind', 'Your Release Radar', 'More like X (your preferred playlist)', 'Stay up-to-date!', 'Podcasts for you', 'Keep up the vibe', and 'Good music for X (time of day)' (Spotify, 2019). Increased usage of the service allows Spotify to strengthen its machine learning practices, resulting in increased performance of its personalized targeting.

4.3.3. Positioning

In developed countries, the fulfilment of consumer needs, represented by Maslow's hierarchy of needs, shifted from fulfilling basic needs, such as physiological and safety needs, towards self-fulfilment needs (Kapferer, 2012). Demands grow for meaningfulness, resulting in consumers increasingly looking for experiential

benefits, having a positive impact on the importance of services (Kapferer, 2012).

Rather than competitors, such as Apple Music, Tidal, Google Play, and Pandora offering music streaming apps, Spotify is tapping into this experiential demand by tailoring its music services to the needs and wants of the customers, aiming to generate a loyal base of consumers through the creation of a unique value proposition (Ghauri & Cateora, 2014; Pendlebury & Blanco, 2019). Spotify's practises driven by a technologically advanced system, allow the organization to target the needs and wants of the smallest segments.

Spotify is breaking down the physical distance between the consumer and the service by humanizing the platform. Melin (2019), stressed consumers perceive brands as friends, resulting in consumers seeking to surround themselves with brands that portray or extend ones' identity. Spotify is befriending its users by talking to them as if they were standing right next to them. Sentences such as, "you should check this out", "we found something we believe fits you", "good music for a Thursday afternoon" makes users feel as if they are involved in a two-way conversation (Spotify, 2019).

The human and personalized aspect of the service are two factors making the service stand out from its competitors in the minds' of consumers, expecting to create brand loyalty over the long-term (Ghauri & Cateora, 2014)

4.4. How is Artificial Intelligence influencing Spotify's Branding Strategy?

Previously discussed, the business environment has changed, and the power has shifted from the manufacturer, to retailer, to the consumer, known as the push-pull effect (Kapferer, 2012). These altered market conditions have required adaption to Spotify's service to stay competitive.

Spotify started by driving the market by introducing a disruptive innovation creating the need for music streaming on demand. This approach revolutionized the way music was listened to, changing the behavioural pattern of consumers. Spotify gained massive popularity and was followed by competitors shortly after.

But what makes Spotify so different from its competitors that makes the firm is keeping its number one position? Spotify went from having to 'simply' supply the market with music on demand to having to re-position themselves. Consumers are, as mentioned earlier, increasingly looking for experiential benefits impacting the level of brand loyalty as well as needs and wants (Kapferer, 2012).

Spotify having tens of millions of users has access to a vast amount of consumer data related to both demographics and geography (Sen, 2019). Digitalization and the use of big data resulted in Spotify able to formulate user segments that could be targeted. By applying this specific content based targeting driven by consumer insights, Spotify enabled itself to become closer to its consumers, changing the connection between the brand and its users.

However, using collected consumer data to target and retarget consumers was a technology and competence competitors also gained access to, resulting in Spotify having to rethink its branding strategy. There are clear indications of a shift in its brand strategy to become even closer to its consumers, as personalization becomes apparent through campaigns, such as "There's a playlist for that" (Spotify, 2019). The campaign focused on creating an appropriate playlist for different scenarios in life, such as lists created for a workout, diner, and party. By acquiring several companies over the years in possession of technological know-how not yet known to Spotify, they were able to build competitive advantages. Spotify has heavily invested (Lidsky, 2018), particularly in companies with specific knowledge in Artificial Intelligence. The reason behind this is a strategically well-considered move in terms of its branding strategy. As already established, consumers want to be in control and are continuously looking for new experiential benefits. To influence their behavioural pattern, more insights on behavioural patterns needed to be gathered. By investing in Artificial Intelligence Spotify was able to use the gathered data to target consumers not only based on location and demographic factors, but on the

smallest and most individual factors related to psychographics and behavioural factors. For instance, the 'Discover Weekly' playlist allowed Spotify to become personal with its users by creating a 1-1 relationship.

Artificial Intelligence has made it possible for Spotify to use a mixed market orientation focused on building a strong connection between the brand and its consumers through modes of micro-targeting while emphasizing its core values fuelling creativity leading to new designs and approaches. By using this combined market orientation, their branding strategy of befriending its consumers and adding to the product portfolio keeps them top-of-mind and encourages loyalty (Kapferer, 2012).

5. Discussion and Conclusion

The connection between consumers and Spotify has changed throughout time. This has mainly to do with the pre-existing market conditions that took a dominant stand in the revolution of the music industry by Spotify. Spotify is seen as a pioneer in the market, fulfilling latent needs by introducing a disruptive innovation of offering music on demand.

Currently, Spotify is seen as a firm operating according to the market and brand oriented approach, putting the consumer central while emphasizing its core values. The latter including values, such as innovation, collaboration, and passion, is seen as highly valuable in the formation of future strategies, aimed at generating loyal consumers by creating a unique value proposition in the minds of its users, driving business performance over the long-run.

Before, Spotify was only able to individualize the platform to a certain extent, simply due to the non-existence of technology. Through multiple acquisitions with other technologically-driven organizations, Spotify was able to strengthen its segmenting, targeting, and positioning mechanism. The smallest micro-segments can be captured and targeted with the support of Artificial Intelligence, driving the personalization of the platform.

This personalized feature makes Spotify stand out from its competition, by creating a direct connection between the consumer and the brand. This strong connection focused on meeting the needs of consumers as well as giving the option to explore new tracks, allows Spotify to tap into the demand for meaningfulness by providing experiential benefits. It can be said, Spotify's brand is mainly driven by the technology allowing it to break down the physical distance between the consumer and the service by humanizing the platform. Spotify befriending its users, providing consumers with a personal touch drives brand loyalty and makes the service stand out from its competitors in the minds' of consumers. It is expected, Artificial Intelligence, or any other newly introduced technology supporting Spotify in translating data into a strong targeting mechanism, will continue impacting the connection between the consumer and the brand.

The algorithm, currently capable of locating ones' presence by researching the relation between the place of residence, time of day, type of music consumed, and heart beats per minute, is expected to improve over time. Technological advancements are expected to drive levels of personalization to a higher extent, recognizing patterns to adapt to consumer needs with extreme accuracy. Adding features driven by higher levels of machine learning can result in Spotify entering the area of Google Home and Alexa, being able to fully automate the music service with limited physical interaction. For instance, Spotify offering music on demand: perfectly fit the location, time of day, and its users' mood, without having the consumer to select a specific playlist. By continue innovating the service, Spotify is increasing its value proposition and stays ahead of its competitors.

Also, Artificial Intelligence has proven to be able to create tracks based on an individual's music preferences. This shows that rather than offering 'music on demand', the technology can 'compose music on demand' (Livneh, 2018). This would allow for discontinuous innovation establishing new consumption patterns by completely shifting the music industry. It is assumed this would highly impact the relationship between the artists and the consumer, and at the same time expecting

to cause a shift between consumers and a brand such as Spotify.

To conclude, Artificial Intelligence has had a major impact on the way in which people consume and discover music. Technological advancements, and Artificial Intelligence in particular, are expected to continue influencing, potentially even strengthen the connection between the consumer and the brand in the future.

6. Managerial Implications

From a managerial perspective, this study is expected to add value as it provides an understanding of the importance of incorporating Artificial Intelligence in the business models of firms operating within the music industry to stay competitive. It is essential for a company operating within this industry, currently highly connected to the fast-paced environment of technology, to stick with its core values. In parallel, to survive in today's competitive environment, it is important to meet the needs of the consumers, highly likely to be supported by its innovative core values.

7. Suggestions for further research

Increasing the sample size from a single case to a multiple case study is assumed to strengthen results with the potential of being referred to by other industries, thus increasing external validity (Yin, 2003; Filieri, 2015). It is advised to apply a triangulated design of data collection, collecting both primary and secondary research (Verhoeven, 2011). It is advised to conduct primary research through interviews with experts in the technological field, ideally, a practitioner working inside the organization, as well as experts operating in the field of psychology and neuroscience to increase understanding of how Artificial Intelligence is imitating the human brain and how this affects the manner in which organizations operating within the music industry communicate with its consumers. In addition, as the technology is still being developed, conducting expert interviews is expected to be beneficial to the research, as it could have indicated what Artificial Intelligence is going to look like within a given time period, and also the full extent of its capabilities. Gathering these expert interviews is expected to increase both reliability and validity.

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