



LIVE CHALLENGE NO.171



Improving Conversion Rate of Spotify Premium



Spotify Overview

Spotify is a Swedish audio streaming and media services provider founded on 23 April 2006. It is one of the largest music streaming service providers, with over 590 million monthly active users, including 226 million paying subscribers, as of September 2023. Spotify's freemium conversion rates are notably high, with a 46% conversion rate globally, significantly surpassing the average conversion rate of 2% to 5% for freemium models. In India, despite implementing restrictions for free users, the conversion rate to paid subscriptions is higher than the local industry average. The success of Spotify's freemium model can be attributed to its agile product development methodology, an "experiment-friendly culture," and a data-driven approach to product development. The platform's integration with social media, such as Facebook, has also contributed to its virality and user acquisition, with every paying user reportedly bringing in three free users. The high conversion rate of Spotify's users into paying subscribers is estimated to be around 45.5%

VALUE PROPOSITION

ACCESSIBILITY **AFFORDABILITY**
PERSONALIZATION **PERFORMANCE**

Revenue Model

PREMIUM SERVICES

- No Advertisements Charge subscription fees
- Unlimited online and offline access to Spotify's entire repertoire of music and podcasts
- In FY 2020, the division generated €7.1 billion in revenue, accounting for around 91% of total revenue
- Segment's gross profit for the year was €2.0 billion, accounting for nearly all of the company's profit.

AD SUPPORTED SERVICES

- Limited on-demand internet access to music library
- Advertisements user's streaming experience which is the main source of revenue
- In FY 2020, the segment generated €745 million in revenue, accounting for nearly 9% of total revenue
- The segment's gross profit was €6 million, a small portion of company's total gross profit

Problem Overview

The conversion rate for Spotify Premium in India is significantly lower than the global average. Despite India being a key market for Spotify's international expansion, the platform faces challenges in converting free users to premium subscribers and wishes to improve on these parameters.

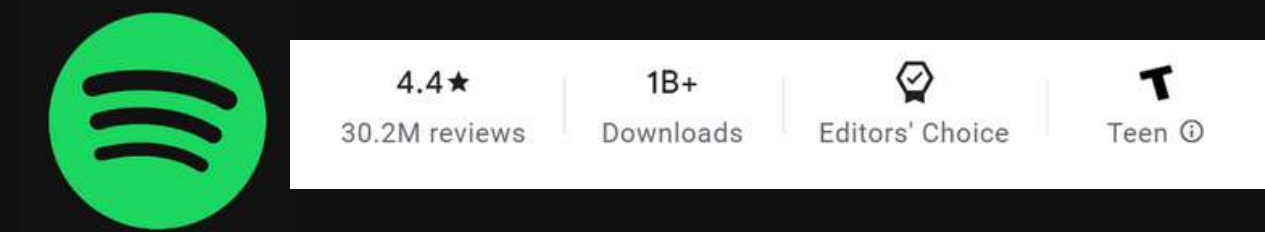
Website Traffic Analysis



Demographics

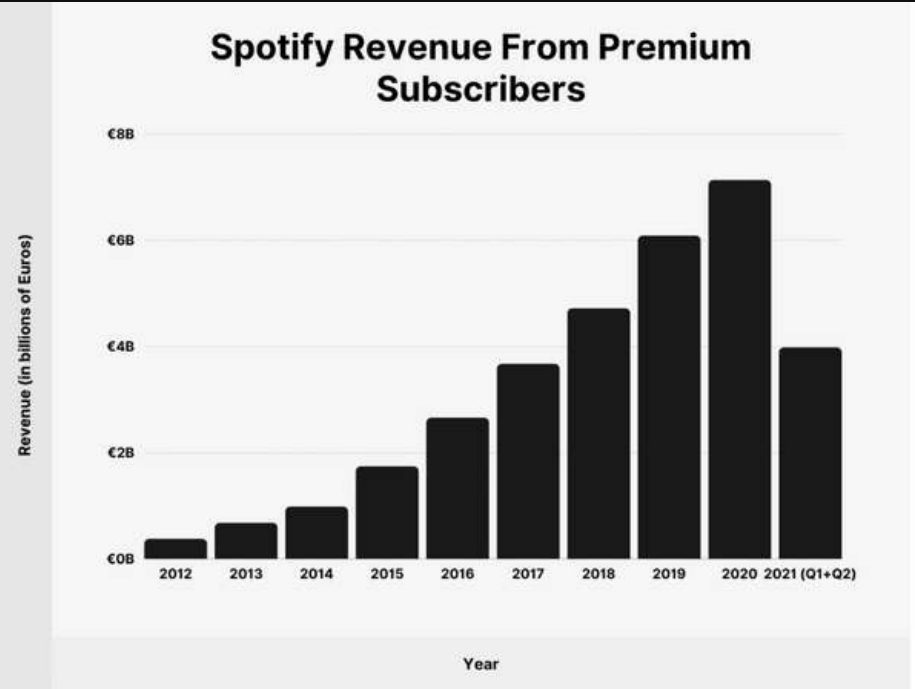
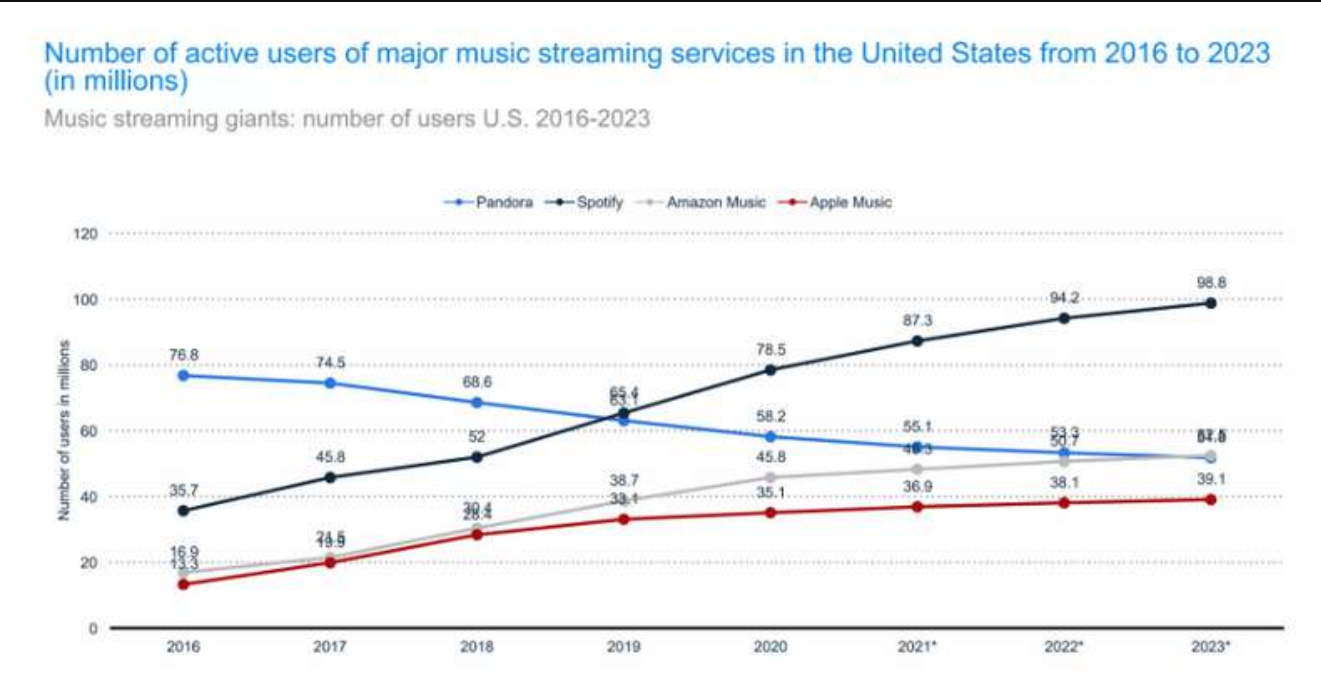
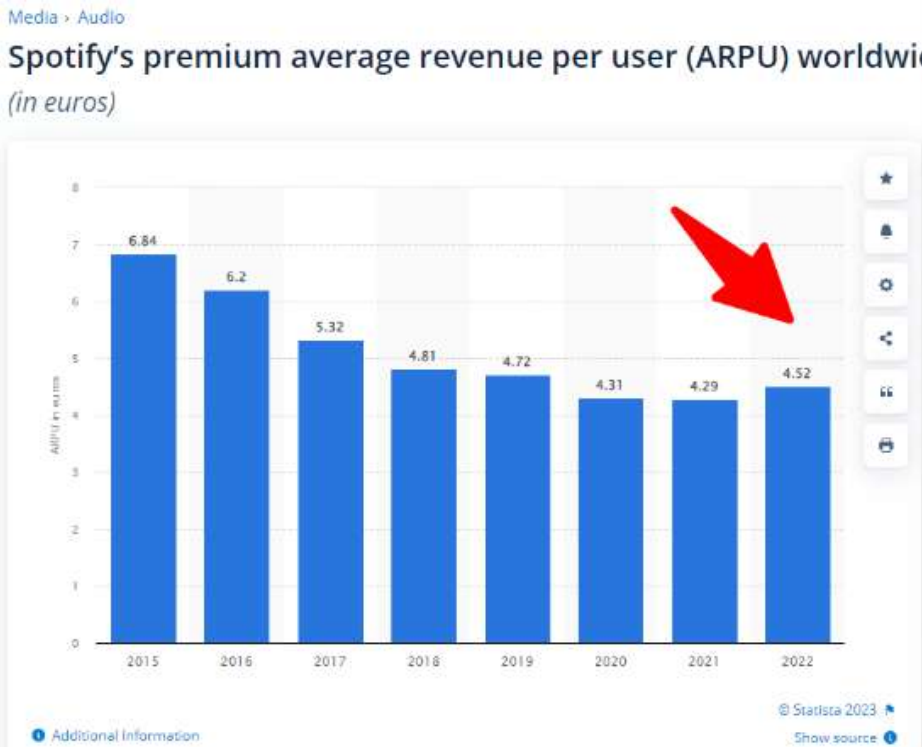
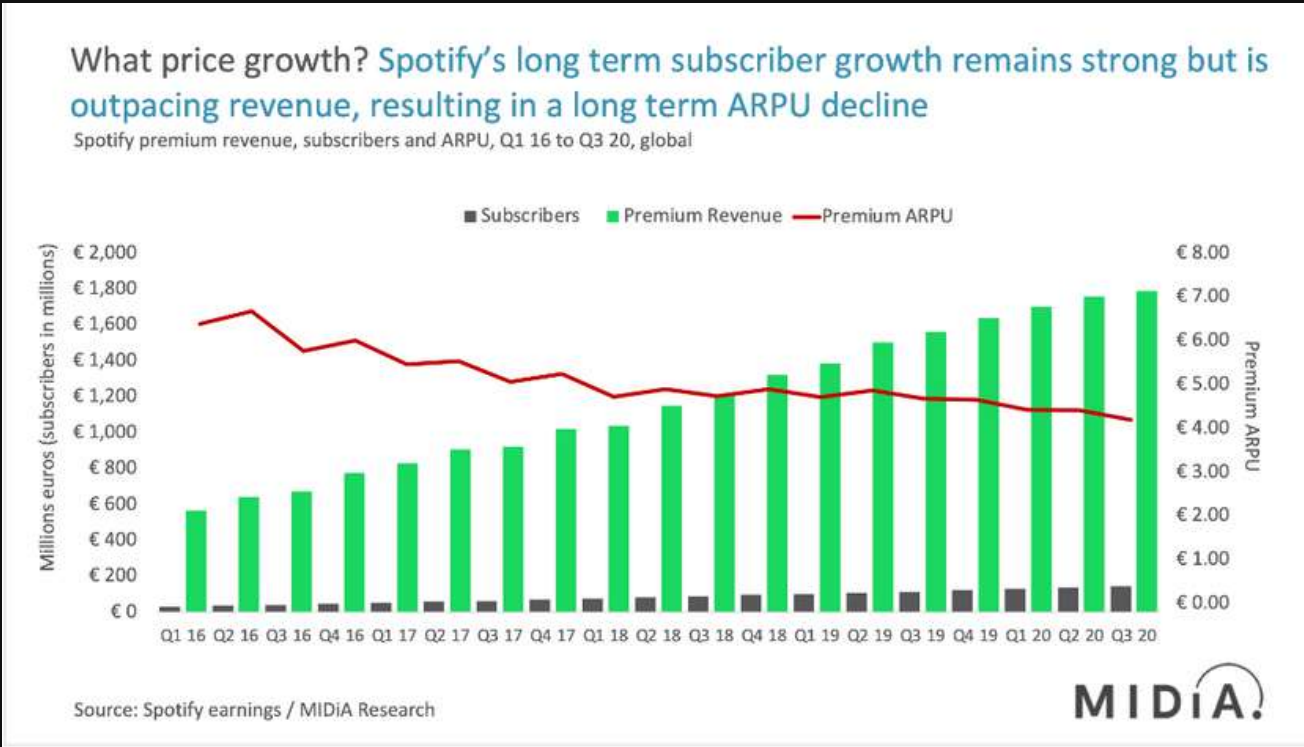
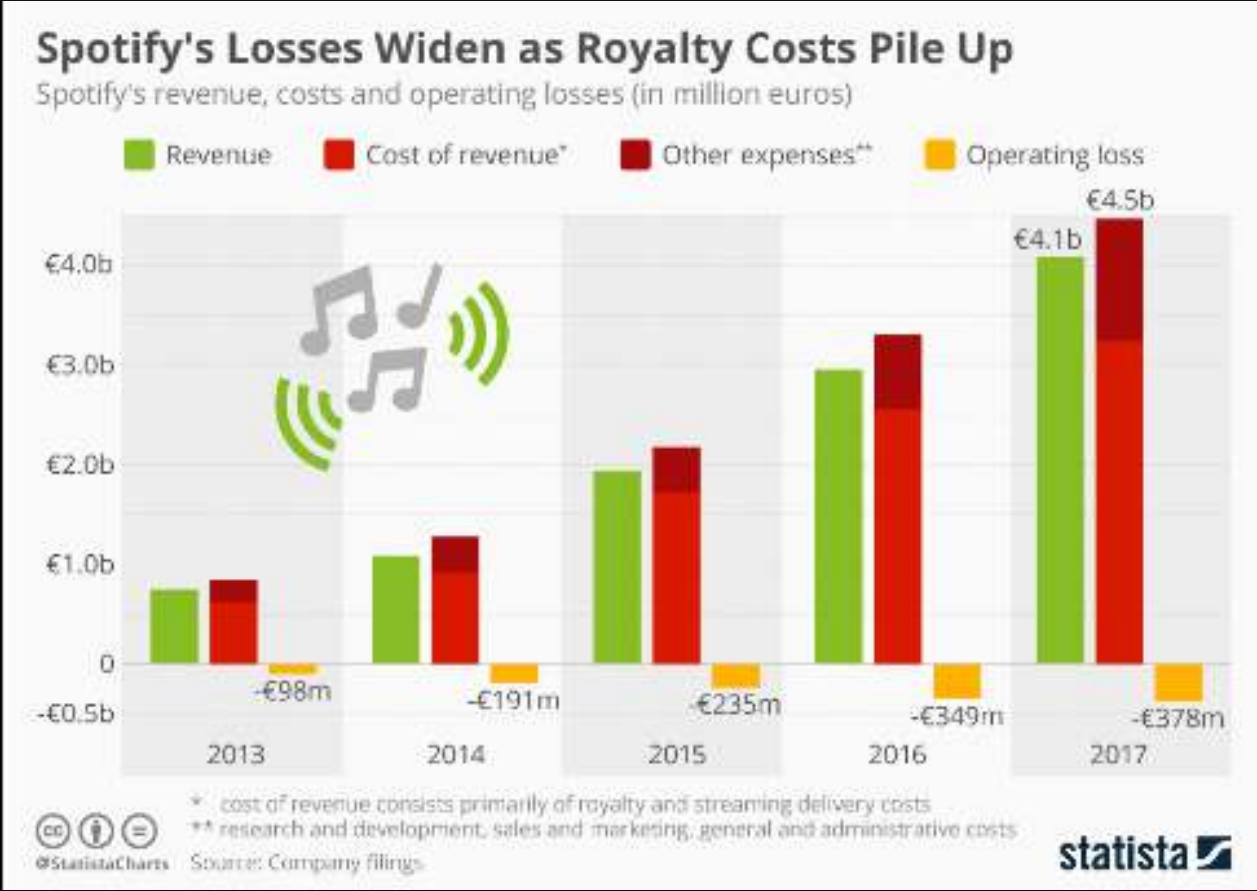


App



Source: SimilarWeb

Market Analysis



USER & FINANCIAL SUMMARY		Q1 2022	Q4 2022	Q1 2023	Y/Y	Q/Q
USERS (M)						
Total Monthly Active Users ("MAUs")		422	489	515	22%	5%
Premium Subscribers		182	205	210	15%	2%
Ad-Supported MAUs		252	295	317	26%	7%
FINANCIALS (€M)						
Premium		2,379	2,717	2,713	14%	0%
Ad-Supported		282	449	329	17%	-27%
Total Revenue		2,661	3,166	3,042	14%	-4%
Gross Profit		671	801	766	14%	-4%
Gross Margin		25.2%	25.3%	25.2%	--	--
Operating (Loss)/Income		(6)	(231)	(156)	--	--
Operating Margin		(0.2%)	(7.3%)	(5.1%)	--	--
Net Cash Flows From Operating Activities		37	(70)	59	--	--
Free Cash Flow¹		22	(73)	57	--	--

Audio streaming and Media Services Industry

The audio streaming and media services industry is expected to grow at a CAGR of 7.86% to reach USD 119.01 billion in 2023 and USD 173.73 billion by 2028. The market is facing challenges such as latency, reliability, and device compatibility, but it also presents opportunities for innovation and growth, particularly in the integration of 5G technology for audio streaming and the increasing use of smartphones and other devices for accessing audio content. The audio streaming and media services industry is a growing and dynamic sector, with companies providing platforms for users to access and enjoy various forms of audio content, such as music, podcasts, and audiobooks. The industry is expected to continue expanding as more people around the world gain access to the internet and mobile devices. Key players in the audio streaming market include Spotify, Apple Music, Tencent Holdings, Deezer, YouTube (Alphabet Inc.), and Pandora Media. The market is highly fragmented, with vendors focusing on providing high-value bundles, innovative features, and high-quality, original content to gain a competitive advantage

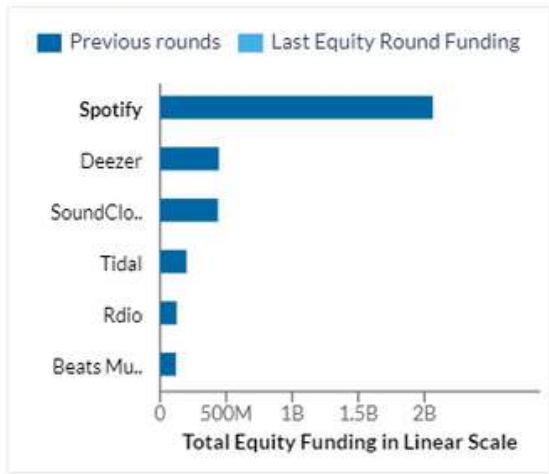
Key Insights

- Music streaming dominates industry revenue, accounting for 84% of the total and experiencing over 10% annual growth
- Over 600 million people subscribe to music streaming platforms, with 78% of music listeners using streaming services
- The industry is heavily reliant on streaming, with paid music streaming making up 23% of all music streaming

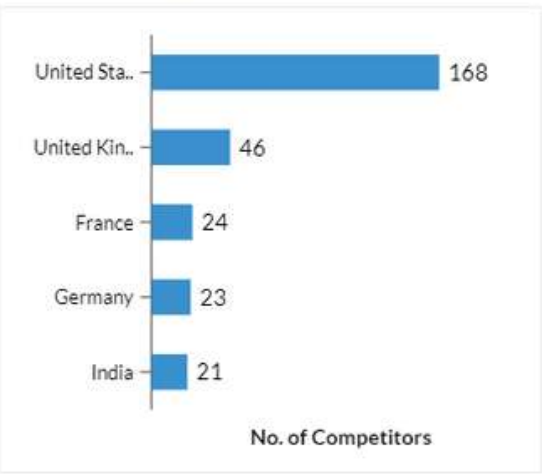


Competitor Analysis

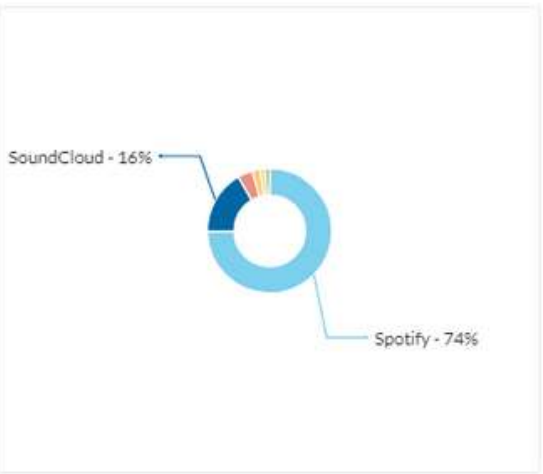
Top Competitors By Funding



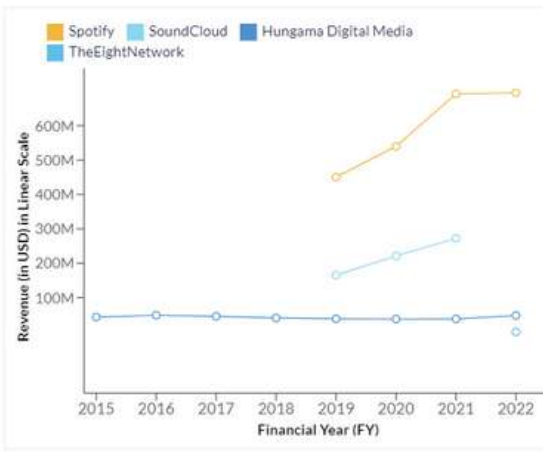
Top active competitors by Location



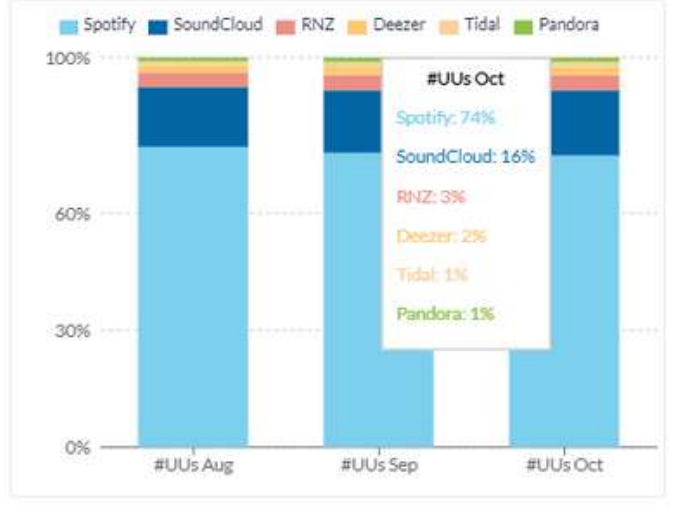
Latest Market Share Beta



Top Competitors by Revenue



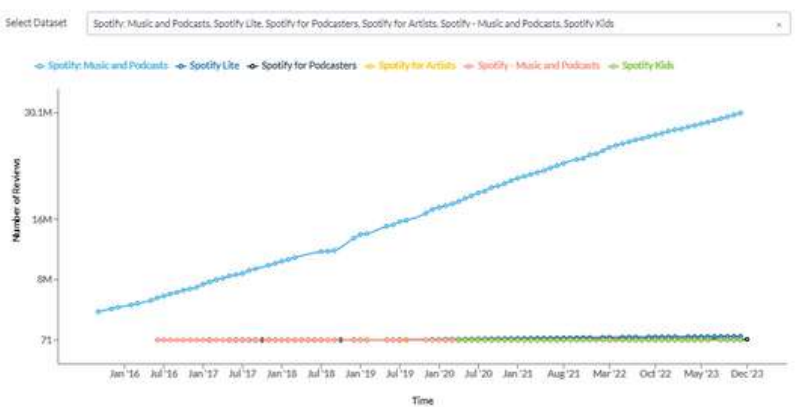
Market Share over time



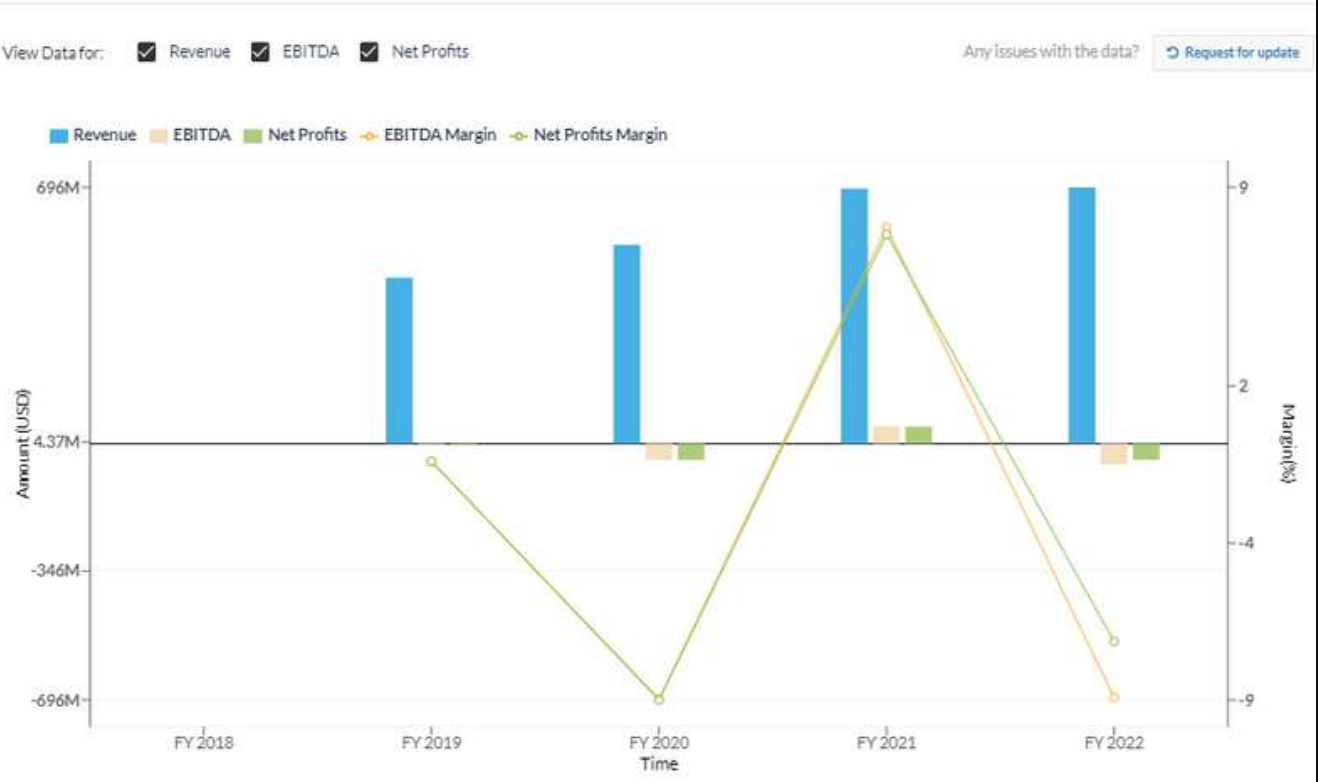
User Retention Analysis of Spotify



Mobile App Reviews Over Time



Financial Summary Over Time



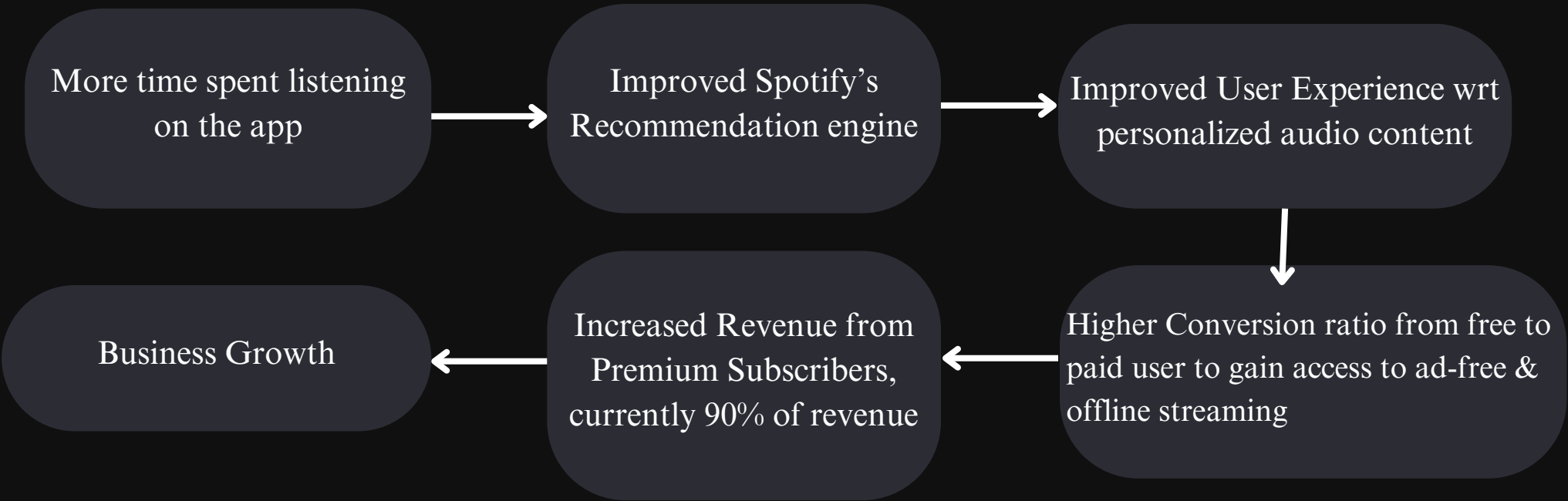
Company Name	Revenue	Social Followers	Mobile Downloads	Mobile Reviews	News Articles (All Time)	Mobile Reviews (N)	Social Followers (N)	News Articles (N)
1. Spotify	13M	3200M	31M	6,247	+1.4M (5.0%)	+4.0M (45.0%)	+0.41 (15.5%)	+3
2. Deezer	300K	305M	3.3M	322	+150K (3.0%)	+10K (4.0%)	+52 (19.3%)	
3. SoundCloud	2.3M	300M	6.5M	443	+300K (5.0%)	+41000 (2.1%)	+20 (4.7%)	+5
4. TREBEL	25K	75M	1.2M	16	+200K (18.0%)		+2 (34.3%)	
5. Opus	20K	750K	15K	40	+5K (16.0%)	+500 (3.0%)	+7 (21.2%)	
6. Pandora	-	-	-	749	+50K (1.0%)		+8 (1.1%)	
7. Boomplay	15K	304M	900K	27	+55K (6.0%)	+2K (14.0%)	+9 (42.1%)	
8. Myspace	250K	30K	100	96	+0 (66.0%)	+4300 (2.0%)	+7 (7.8%)	
9. Audionack	350K	78M	3.7M	27	+650K (20.0%)	+5K (1.0%)	+5 (22.7%)	
10. Napster	50K	38M	150K	110		+700 (2.0%)	+20 (22.2%)	

Journey so far

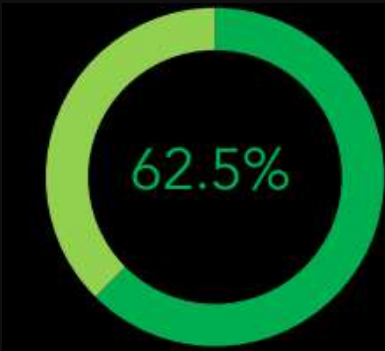


Source: Tracxn

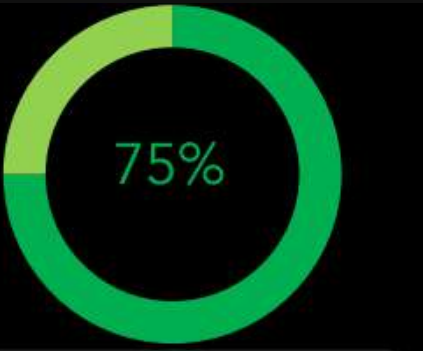
The Goal



Problem Discovery



Surveyed Users Want assistance in more than just music streaming that caters to their taste



Surveyed Users Want streaming platforms to be more interactive



Majority want interactions with artists, Listeners as well as audio content related to Books & live streaming

Problem Discovery

Majority of the users use the audio streaming platforms for music. Though they feel limited by the offerings and suggestions with respect to different kinds of audio as well as the P2P interactions on a singular platform. This limits the user engagement and hence the time spent listening on it.

Redefining the Problem

Upon conducting user interviews further , the problem can be summarized as

- How can the users be incentivized to increase listening time on the platform by addressing evolving user tastes and audio preferences?
- How can users engage with fellow listeners and artists that drives up time spent on the app as well as the value derived?
- How can the user experience be more personalized across different audio content?

Why solve this problem now?

Opportunity to move forward with new product offerings

\$ -39 Mn

Net Income
2021

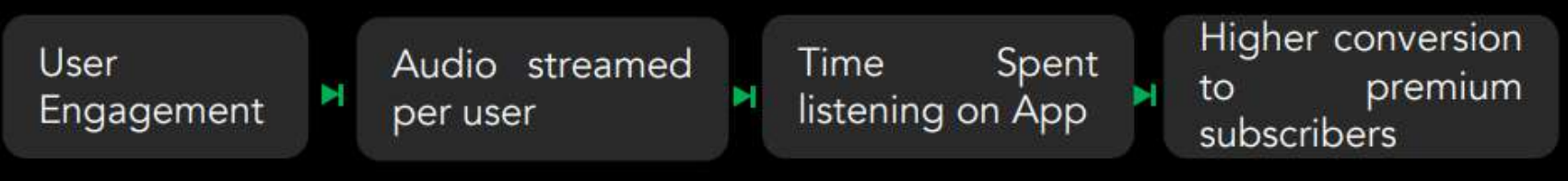
Profitability is a big issue to the business despite growing subscriber base

-12.26%

Decline in Revenue
per user from 2018- 2021

Lack of an interactive audio platform in streaming industry

Value generation for Spotify



Increased

Monthly Active Users
Streaming per user
User Retention
Revenue per user
Profits



Decreased

Bounce Rate
Acquisition Cost

Value generation for Users



Increase in Audio offerings across categories



Value from interactions with artists and listeners



Differentiated service offering



Improved user experience

User Persona



Pooja

Age : 24

Occupation : Architect

She has to commute daily for over 2 hrs on weekdays for work, during which she loves to listen to music/podcasts/audiobook. She loves sharing her views over her favorite music and podcasts with her friends.

Needs and Pain-points:

Finds it frustrating that she needs to use 3 different platforms for audios, where-in she needs to subscribe to the individual platforms to gain access to ad-free streaming

She also wants to discover recommendations not just around music , but also around podcasts and audiobooks according to her interests which she finds difficult as each platform's recommendation engines are different.



Aditya

Age : 26

Occupation : Software Developer


He loves to listen to audio content in his free time, or while doing some chores. He loves to share his audio content and discover recommendations that complement his taste from friends.

Needs and Pain-points:

Finds it tough to come across communities that discuss and share recommendations around podcasts/ books/music Doesn't want to limit his recommendations to his friends /peers Wants easily accessible communities around different audio content that make the experience more enriching.


Ideating Solutions

The below-mentioned solutions have audiobooks as a new audio category integrated within them as Spotify’s expansion plan is oriented in that direction




Spotify Audios

- Users will be able to browse their audios by categories upon opening the app
- The categories would be music, podcast and audiobooks.
- These categories each upon opening, would show the most popular audios by various genres, location and the suggest artists/authors to listen to based on the listening history
- The listener would have the ability to interact on audios on which the creator would be open for feedback/interaction so as to make the platform interactive



Spotify Clubs

- Users will be able to access public audio clubs basis the audio category, which could be created by their artists/authors/ podcasters
- Users would be able to contribute to these clubs regarding their views and recommendations for various audios and hence improve recommendations for other listeners.
- The clubs could be public ,private or restricted. Features would differ as per paid/free member
- These clubs would aim at facilitating interaction around the audio content and be able to discover people who share an interest in similar content/genre/artist etc



Spotify Connect

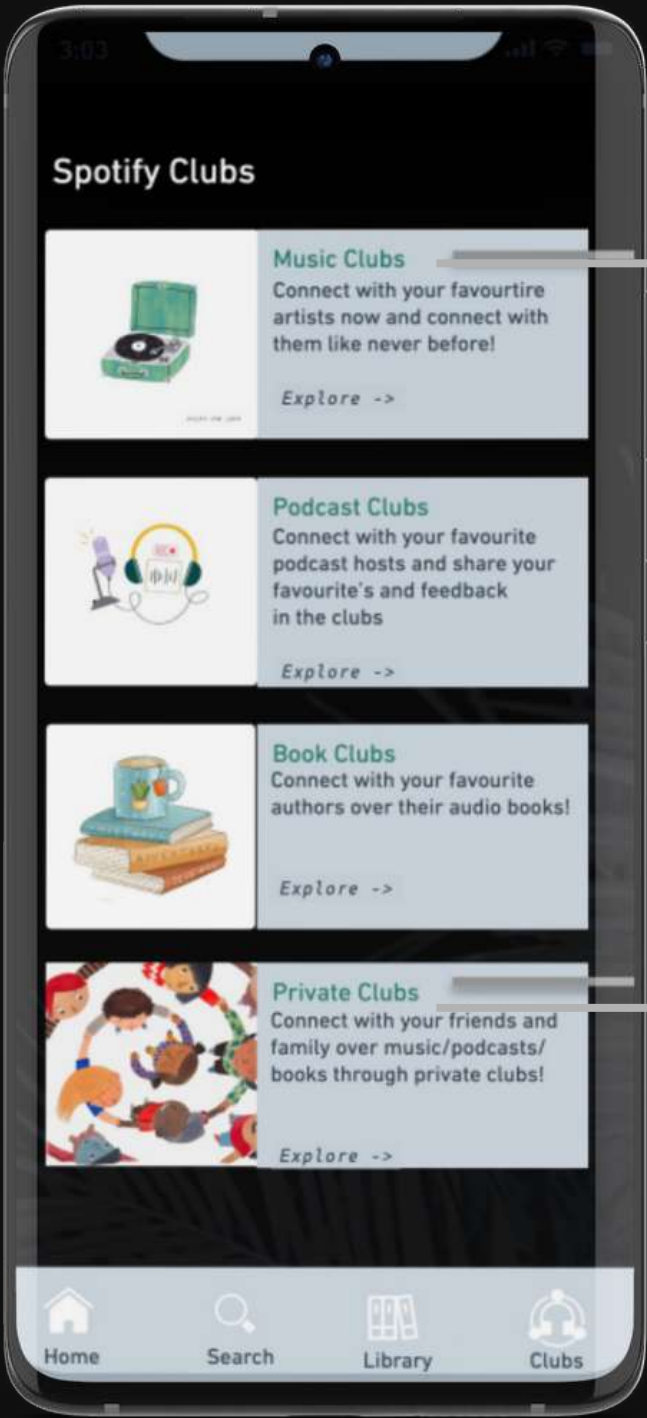
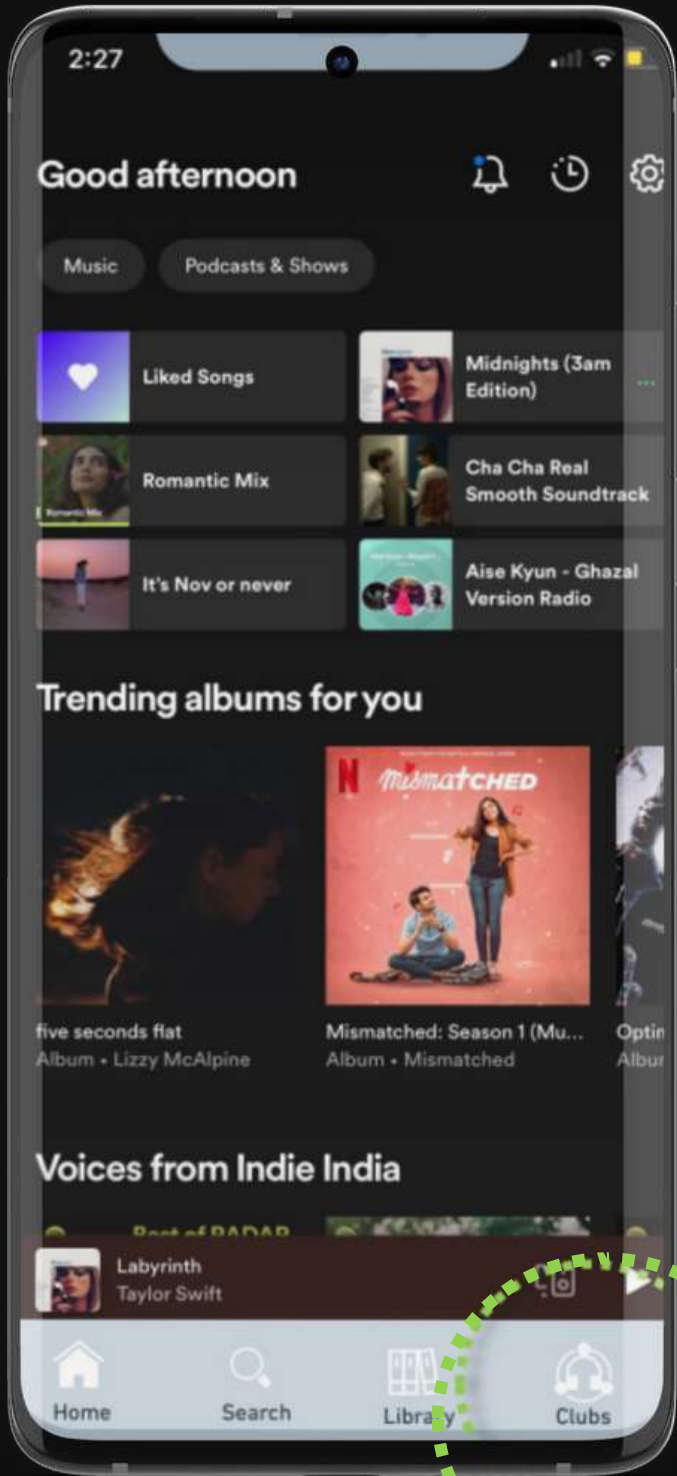
- Users would be allowed to connect to the other listeners on the platform on the basis of their listening interests
- The listeners could connect as per different categories of audio and would be suggested to other users on the basis of their respective listening history
- The listeners would be allowed to post audio clips and supporting content on their wall, which would act as a audio feed for other listeners after they connect on the platform.

Solution	Impact	Engagement	User Adoption	Increasing Listening time	Score
S1	Direct impact on increase in audio offerings and easy discovery (3)	It can increase user engagement as now it would allow more audio categories to be explored as well as the ability to provide feedback/interact.(3)	This would have quick user adoption due to ease in exploring categories for varied audios(5)	+ve Impact on the listening time as integration of audio categories(3.5)	14.5/20
S2	Impact on discovery in audio suggestions as well as p2p , artists, author interactions. Impact on subscriptions as well to gain access to ad-free clubs and full features (5)	Increase in user interactions in the public/private clubs w.r.t audio categories would have an impact on user engagement. User engagement would impact premium membership(5)	The user adoption would also depend on how the clubs are moderated for different audio categories(3.5)	Increasing listening time in audio categories as well and community interactions w.r.t varied audios(4)	17.5/20 ★
S3	Impact on user-based audio suggestions and ability to interact with listeners having similar tastes(4)	The ability to connect with listeners and share their audio interests on their wall would lead to increase in engagement(5)	The user adoption would depend on the recommendation engine for listeners to connect on the basis of listening history as would affect the audio feed for the user(3)	Increase in audio sharing may sometimes not convert directly in increased audio listening while exploring audio feed(3)	15/20

Solutions

Listeners upon opening the app now get the option to explore ‘Clubs’ It aims at offering audio experience across different categories with user interaction in mind

Increasing Listening time spent on the app as well as driving up premium subscription to access clubs by artists/ podcasters/authors to be able to post in it and interact with other users as well as artist . The subscription plan can also be shared among family/friends to make the user adoption easy



Explore the clubs basis interests in different audio categories .

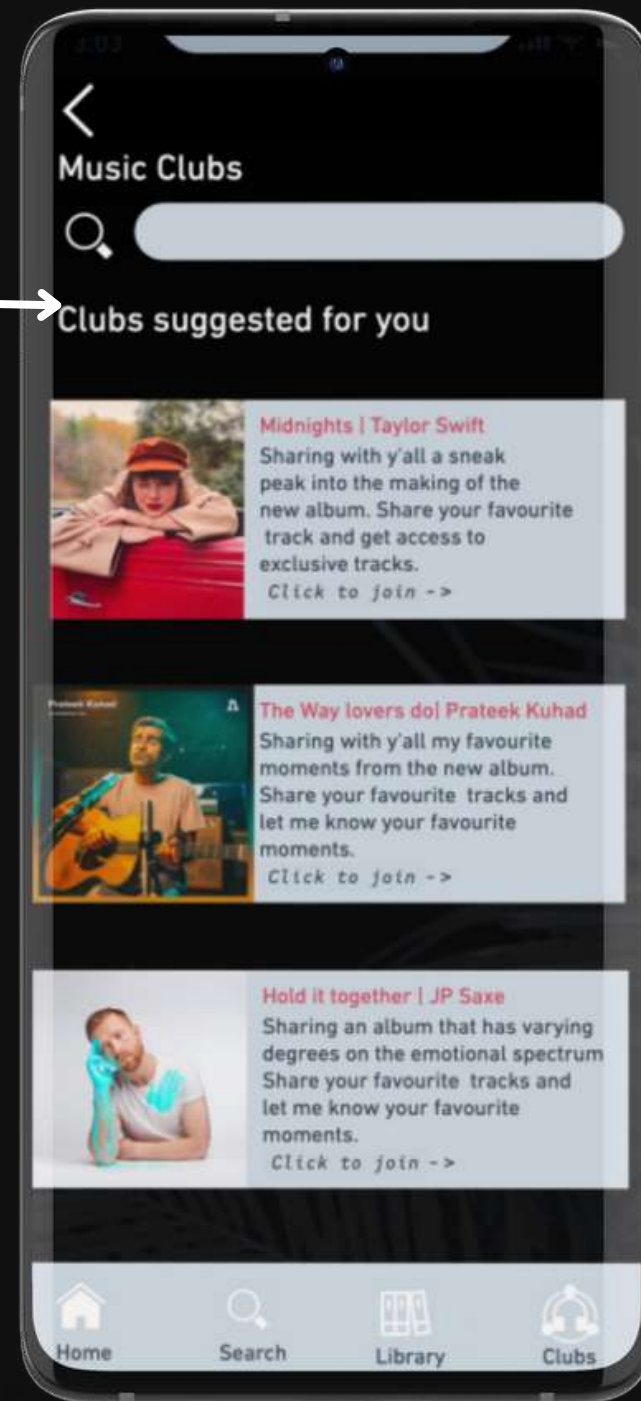
Create clubs with your friends/ peers/family to share audio content which would enrich the user experience by sharing what you are listening too . The audio can be shared from particular minutes as well to only share particular moments from that audio . This feature would be for Spotify premium members .

Detailing out Solutions

The solution has been detailed out by taking the example of Music clubs. Podcast Club would have podcast hosts forming the clubs and use it as a platform to explore podcast and share their thoughts on it the club, and similar would follow for audio book Club.

If the user chooses to explore Music Clubs, it would first show clubs based on listening history and suggest through their recommendation system. The user can also manually discover through search bar, and check if the artist has a club to join . While the free listener can see the club content, only premium listener can post, hence also nudging subscriptions, which drives majority revenue

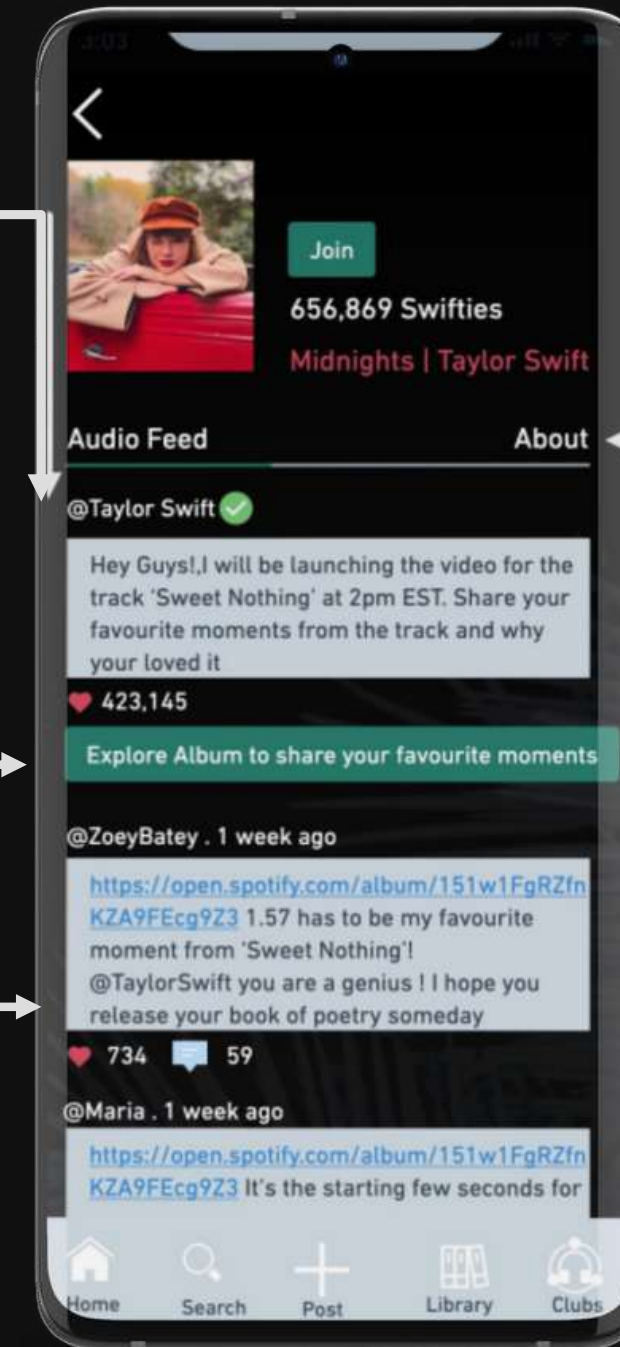
The clubs become space for artists to promote their work and interact with community. The same can be used for podcasts as well as audio books



Artist can choose to make announcements on their new album/host live sessions for listeners/gather feedback on their work

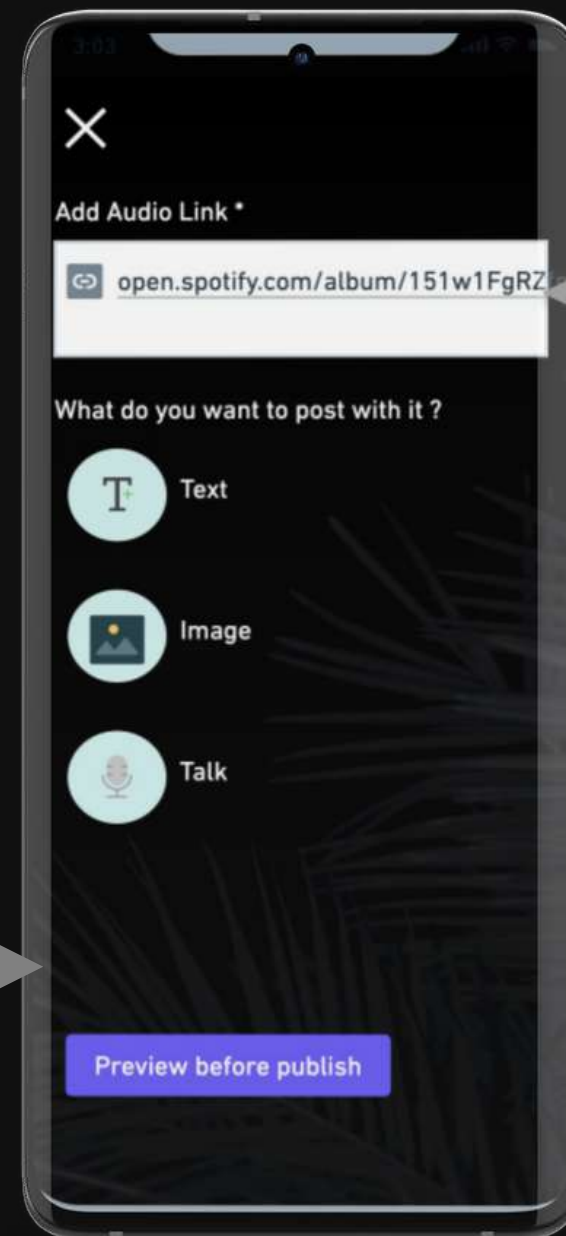
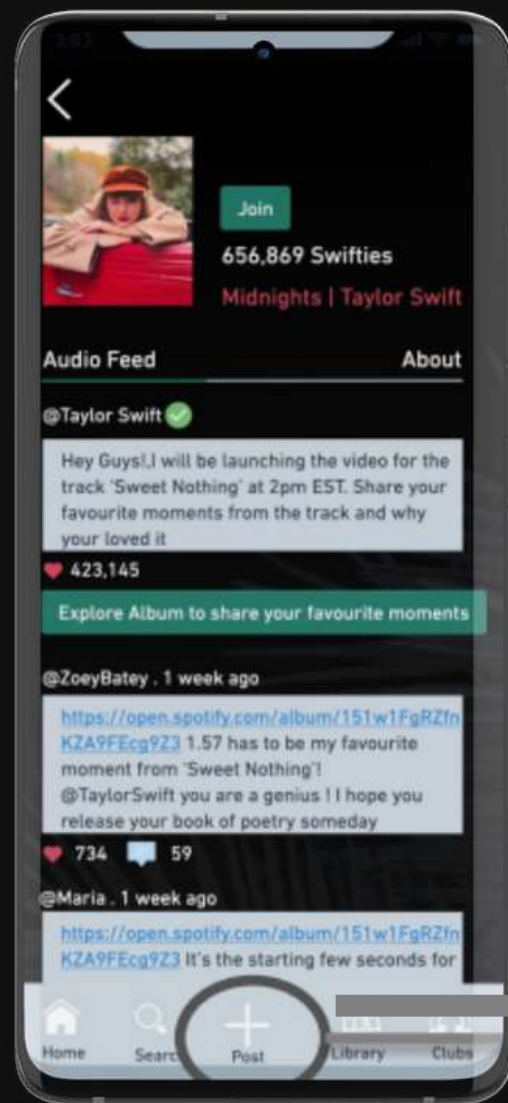
Redirected to explore album/playlist to increase listening time

Listeners can post their thoughts on the audio in the audio feed to make the platform interactive



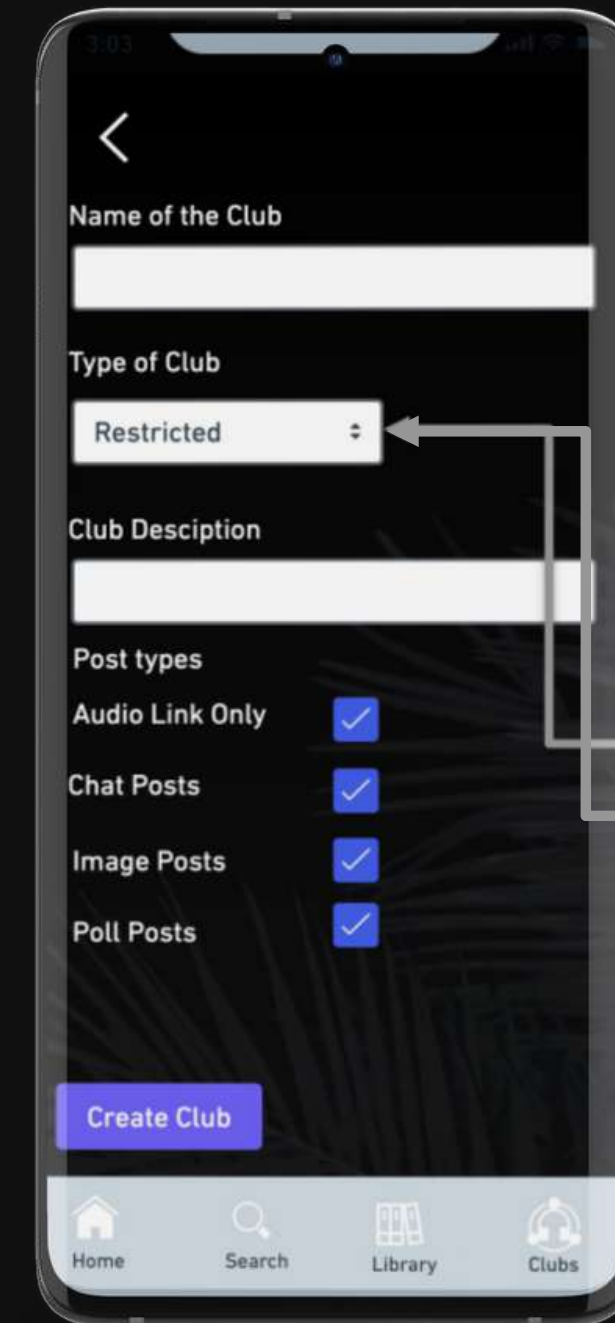
The Club would also be moderated and would have guidelines to prevent spamming, inappropriate content etc. The Details would be in about section

Detailing out Solutions



When a listener wants to post in the club, they would do it via describing the audio link to different audio categories. In the music club, it would be of the song they are talking about. The audio can then be described through text/image/Talking about it

This would encourage other listeners part of the varied audio clubs to check out the audio posted, increasing the listening time on the app



Under Private Clubs, listener gets to create their own clubs to share audios with their peers/ friends/family, thus increasing listener engagement



The type of club can be restricted, meaning the club content can be seen but non-members can't post and private clubs mean that it can only be viewed by members that have been invited to join

Post types give the creator a way to moderate the club content

Feature Prioritization

Persona Score = No of personas catered
Score = **Persona score * Impact * Confidence / Effort**

Scoring-Scale
ranges from 0-2

Solution	Persona Catered	Persona Score	Impact	Confidence	Effort	Score
Spotify Audios	Aditya, Pooja	2	2	1.75	1	7 
Spotify Clubs	Aditya, Pooja	2	1	2	1	4 
Spotify Connect	Aditya	1	1.75	1	1	1.75

Success Metrics



North Star Metric : Time spent listening per user/listener

Reach

- CTR of Clubs per month

Engagement

- #Listeners per audio category
- # private clubs created to share links to music/podcast s/audio books

Acquisition

listeners subscribing to spotify to unlock clubs features to interact with artists/authors/ peers over varied audio content

Activation

- % of users interacting in different audio category clubs
- #Artists/Podcasters /Authors creating clubs per month for interacting with community

System Health Metrics

Error Rates while:

- Posting in Club
- Creating private clubs
- Accessing links shared in audio clubs
- Latency

Active Usage

- Monthly Active Listeners for each club
- # of Posts in clubs generating Audio Feed
- CTR for audio links shared in the club which redirects to streaming

Retention

- Net Promoter Score
- Customer Lifetime Value
- Listening time per user
- Growth rate

Pitfalls and how to solve it using second order thinking

Pitfall 1

Listeners can spam the public clubs that are created by music artists/authors/podcasters with non audio related content



Listeners while posting would have to select audio links that are part of Spotify playlists. Further with AI recognition tool, offensive or/and non artist/podcasts/books related posts would taken off

Pitfall 2

Free Listeners might not subscribe to unlock all features of the clubs



Listeners could be nudged with notifications regarding activities done in the public clubs created by artists. Ex: Prateek Kuhad is hosting live acoustic jam session in his club for his listeners. Don't miss out! The value derived would drive up subscription and engagement



Go-To-Market

TARGET MARKET

Individuals who enjoy listening to music and are looking for a convenient and easy way to access a wide variety of songs and albums.

POSITIONING

The features will be positioned as unique and engaging way for users to join and enjoy listening music and stay connected in the community

DISTRIBUTION

Features will be made available to the users through the Spotify app and are promoted through email marketing and in app notifications to existing users

PROMOTION

Promoted through influencer outreach, social media marketing, and endorsements, also through WOM, referrals, discounts, rewards to reach a wider audience.

MONETIZATION

Available to users for free as part of the overall Spotify offering.

ANALYTICS

Key metrics such as user engagement and listening time and premium subscribers will be tracked to measure the success of the features and use data for future improvements.

PRODUCT DEVELOPMENT

User feedback will be continuously gathered and used to refine and improve the suggested features over time.



THANKYOU