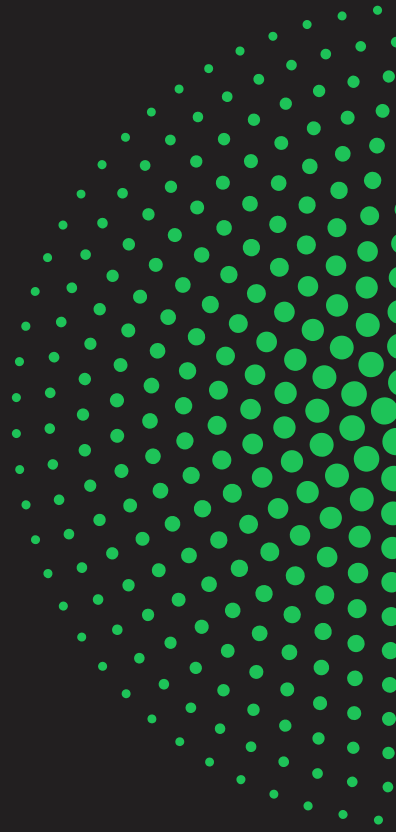
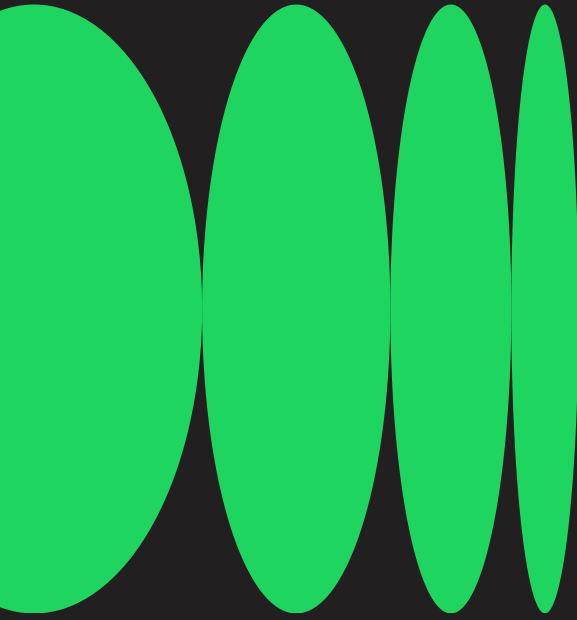




Spotify

Strategic Management Report

April 21, 2025

Prof. Boris Nikolaev

BUS479 | Colorado State University

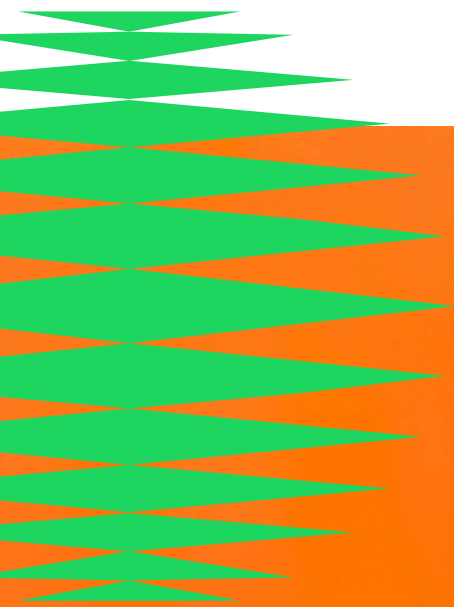
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Executive Summary

Spotify has emerged as the global leader in audio streaming, reaching 675 million monthly users and achieving its first full-year profit in 2024. With a differentiated value proposition rooted in AI-powered personalization, platform accessibility, and exclusive content, Spotify has set itself apart in a highly competitive industry. Its freemium model continues to drive user acquisition, while premium subscriptions and strategic content expansion power its growing revenue streams.

Despite its success, Spotify faces key challenges, including high royalty payouts, lack of hardware integration, and growing competition from tech giants like Apple, Amazon, and YouTube. To remain at the forefront of the streaming landscape, Spotify must adapt to evolving consumer behavior—especially the shift toward short-form, interactive, and visual content—and address artist concerns around compensation and platform support.

To support long-term growth and profitability, our team recommends five strategies: enhance the Premium subscription with social and exclusive features, expand short-form and visual content, reduce royalty dependence through direct artist partnerships, improve AI playlist and queue functionality, and pursue hardware and platform integrations. These recommendations are supported by market research, survey data, expert interviews, and online user feedback—ensuring they are both innovative and feasible for Spotify's next phase of evolution.

Spotify: An Overview

Who is Spotify?

Spotify is a Swedish audio streaming service founded in 2006 by Daniel Ek and Martin Lorentzon. It offers users access to a vast library of over 100 million music tracks, 6.5 million podcast titles, and 350,000 audiobooks. Operating on a freemium model, Spotify provides free, ad-supported access with limited features, while premium subscriptions offer enhanced functionalities such as offline listening and an ad-free experience. As of December 2024, the platform boasts 675 million monthly active users, including 263 million paying subscribers, making it the world's most popular audio streaming subscription service. In 2024 alone, Spotify paid out a record \$10 billion to the music industry, totaling nearly \$60 billion since its inception.

Current Leaders



Daniel Ek - Current CEO, Founder & Chairman of the Board

Having founded the successful ad company Advertigo and held multiple senior roles at the Nordic auction company & Stardoll, Ek guides the vision and strategy of Spotify. He also serves on boards of directors at many private companies.



Martin Lorentzon - Co-Founder & Director

Martin has been a member of the board of directors since 2008. He previously had senior roles in Sweden's main telecom operators Telia and Cell Ventures. He also founded international marketing company Tradedoubler.

Recent Updates:

Looking at Spotify from its humble origins in 2006, recent updates include evolving internal culture to prioritize diversity, inclusivity, employee well-being, and remote work flexibility, while managing challenges such as layoffs in 2023 during a major restructuring effort. This could have decreased employee morale and productivity, but it also could have increased productivity, creating a lean workforce that is focused on distinct strategy and creating high-quality innovation, including AI features

Timeline of Major Events

2006

Spotify is founded in Stockholm, Sweden by Daniel Ek and Martin Lorentzon as a response to music piracy. Ek believed that “piracy couldn’t be stopped by laws alone,” so Spotify was created to offer a legal, convenient, and attractive alternative.

2008

Spotify launched across Europe with both free and premium subscription tiers.

2009

UK expansion introduced free services to the public.

2011

Spotify entered the U.S. market.

2018

Spotify went public on the New York Stock Exchange.

2019

Entered the podcast space by acquiring Gimlet Media and Anchor for \$340M—pivoting from just music streaming to full audio content.

2024

Achieved its first full-year profit, driven by record user growth and cost optimization initiatives.

2025

Planning release of “Music Pro,” a premium audio service aimed at enhancing user experience.

Mission

“Our mission is to unlock the potential of human creativity—by giving a million creative artists the opportunity to live off their art and giving billions of fans the opportunity to enjoy and be inspired by it.”

Vision

“To be the world’s leading audio platform.”

Values

- Transparency for Artist
- Maintaining Healthy Competition
- Sustainability
- Collaboration & Passion
- Innovation

Target Market

- **Core audience:** Tech-savvy Millennials and Gen Z who value personalized, on-demand audio.
- **User behavior:** Highly engaged with curated playlists and smart recommendations.
- **Developed markets:** Focus on converting free users to Premium with ad-free and offline features.
- **Emerging markets:** Attract cost-sensitive users with mobile-only plans and localized pricing.
- **Expanded reach:** Target podcast and audiobook listeners to go beyond just music streaming.

Growth Strategy

Recognizing that Spotify’s growth is dependent on capturing new users, its growth strategy includes expanding its global user base, increasing premium subscriptions, and diversifying content offerings. Spotify enters new markets with localized pricing and mobile-friendly plans, especially in emerging regions. Spotify also invests heavily in podcasts, audiobooks, and exclusive content to boost engagement and attract new audiences (focusing on younger generations), while leveraging data-driven personalization to retain users and encourage upgrades to paid plans. With this strategy in place, Spotify prepares itself to become the world’s leading audio platform.

Business Model

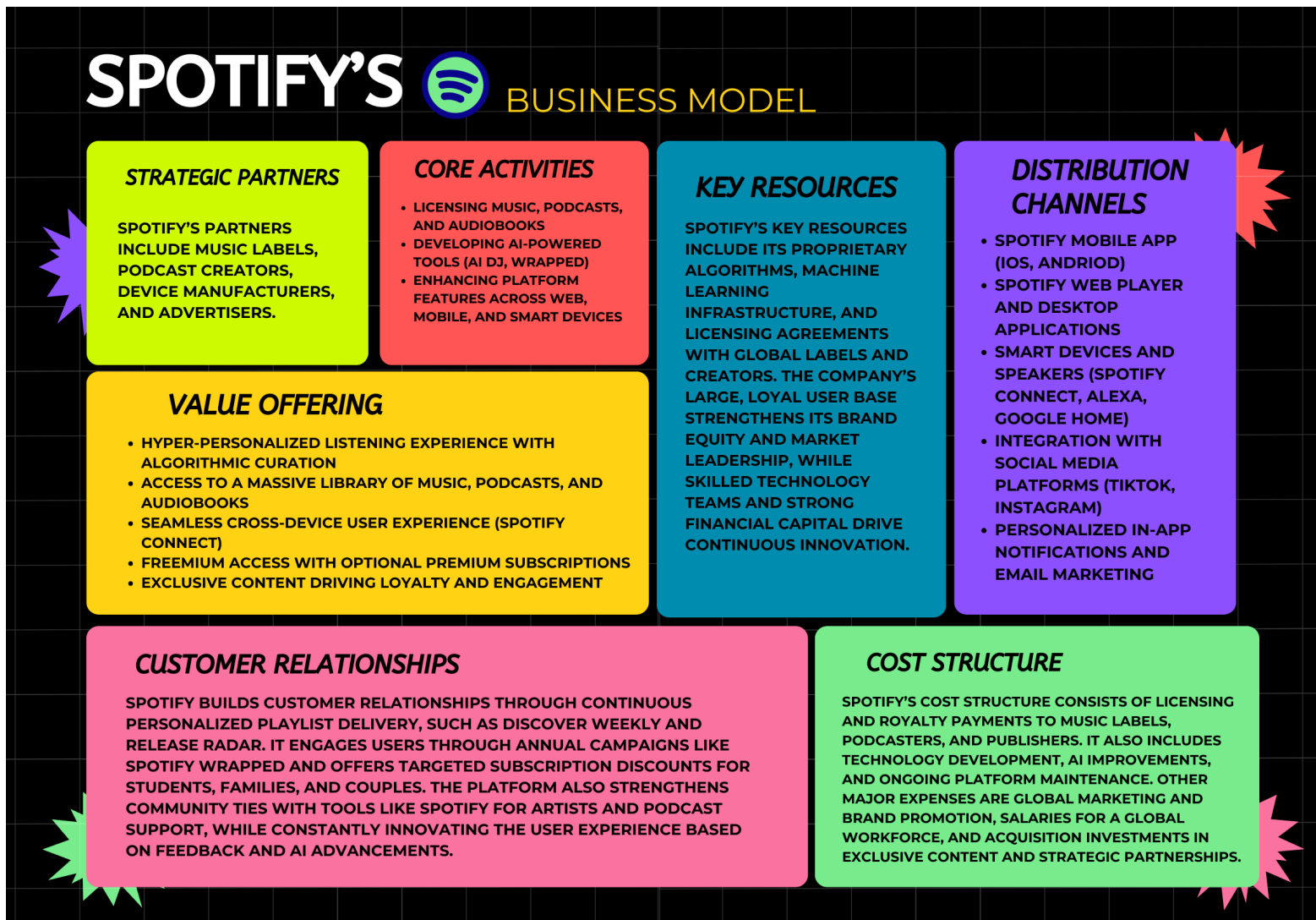
Based on our research, it's become increasingly clear Spotify is already a global powerhouse in the global music streaming industry – and the company is thriving on its main value proposition: personalization. The streaming service uses many powerful algorithms to deliver customized playlists and services tailored to users' listening habits. This personalization builds ownership and emotional attachment with users, driving brand loyalty and satisfaction. Spotify also makes its platform accessible with a freemium and more exclusive with a premium subscription model, again using personalization to fit consumer needs but this time, while driving profitability. As a competitor, Spotify differentiates itself by creating seamless, personalized, and accessible experiences across devices.

Business-Level Strategy

Building on this strong foundation of personalization and accessibility, Spotify's business-level strategy centers around differentiation. By leveraging advanced data analytics and machine learning, Spotify creates tailored experiences that set it apart from competitors. The platform's curated playlists, intuitive interface, and seamless cross-device integration enhance user satisfaction and retention through various customer segments, allowing Spotify to compete not on price, but on the unique value it provides to listeners.

Corporate-Level Strategy

Expanding beyond its core music streaming service, Spotify's corporate-level strategy focuses on diversification and global expansion. The company has strategically entered the podcasting space through acquisitions, positioning itself as a broader audio platform. Additionally, Spotify continues to expand its reach into emerging markets, aiming to capture new audiences, while leveraging its personalization technology across all verticals.



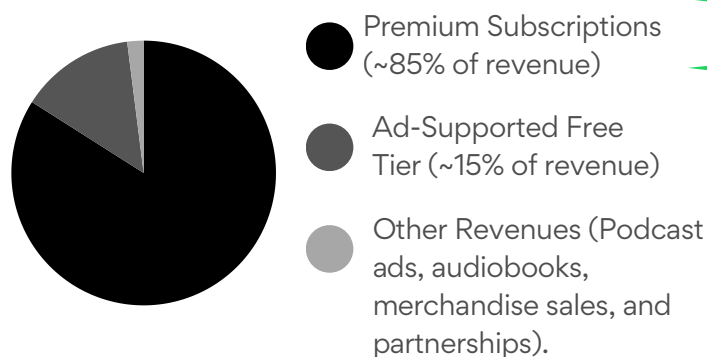
Key Past Innovations

- **Algorithmic playlists** (Discover Weekly, Release Radar)
- **Exclusive podcast deals** (like Joe Rogan Experience)
- **Integration with smart devices** (Spotify Connect)

Recent Developments

As we've mentioned, recent developments include audiobook streaming for premium users, but it also includes personalized AI DJs, a "Supremium" subscription that includes high-fidelity audio, and leaning into creator monetization tools. These seem to be exciting foundations for further innovation, creating a platform that feels different for everyone and their needs, in the best way. Additionally, creators and consumers can connect to build stronger relationships.

Revenue Stream & Market Share



Spotify has an estimated 30–32% market share as of 2024, solidifying its role as the global leader in its industry. Intense competition (such as Amazon Music, and YouTube Music) and regional players (e.g., Tencent Music in China or Gaana in India) challenge growth in specific markets, but Spotify's revenue sources remain consistent while growing its user base and thus market share.

Pricing Strategy

Spotify uses market-penetration pricing with competitive monthly rates and frequent student/family discounts. The company also adjusts prices regionally (lower prices in emerging markets like India and Latin America). Ultimately, Spotify has a freemium pricing strategy, which leverages accessibility.

- **Free Tier:** Supported by ads, this tier helps attract users who may convert to paid subscribers later.
- **Premium Tier:** Monthly pricing varies by region but generally includes:
 - *Individual Plan* (~\$11.99/month in the U.S.)
 - *Family Plan* (~\$19.99/month for up to 6 accounts)
 - *Student Plan* (~\$5.99/month with additional perks)
 - *Duo Plan* (~\$16.99/month for two users)

Spotify's pricing continues its mission of personalization and appeal to various household and lifestyle segments while maintaining flexibility across international markets with different spending power.

Looking at the Future: New Innovative Business Models

As evidenced by recent developments, Spotify has moved from just focusing on music streaming to a podcast-first strategy, hybrid audiobook offerings, and AI-driven personalization. Additionally, Spotify has begun building a creator-focused marketplace, marketing Spotify as an essential infrastructure for audio content, not just a platform. These have boosted engagement and revenue while capturing new audiences.

Podcast First Strategy:

Spotify boosts margins and engagement through exclusive podcasts and its own ad tech platform.

AI Innovations:

Spotify's AI DJ and advanced personalization tools deliver a tailored listening experience at scale, boosting brand loyalty and differentiation.

Audiobook Strategy:

The audiobook model combines pay-per-title and subscription options, offering users more flexibility than competitors like Audible.

Two-Sided Marketplace for Creators:

Expand tools help artists and podcasters grow and monetize their audiences. Spotify becomes a platform with essential infrastructure for creators.

External Analysis

Spotify is navigating a fast-evolving landscape shaped by technological advancements, shifting consumer preferences, and intense competition, but is still coming out on top. To understand the company's sustained growth and challenges, it is essential to examine both external and internal factors influencing its operations and strategy. To start, external factors.

Industry Trends Driving Growth

- **Pandemic-driven growth** – The absence of live events during COVID-19 led to a surge in demand for digital audio content.
- **Diversification beyond music** – Consumers increasingly turned to podcasts and other non-music formats.
- **Rise of subscription models** – Steady, recurring revenue from subscriptions is a core business strategy.
- **Social media integration** – Features like sharing listening activities have increased user engagement and content discoverability.

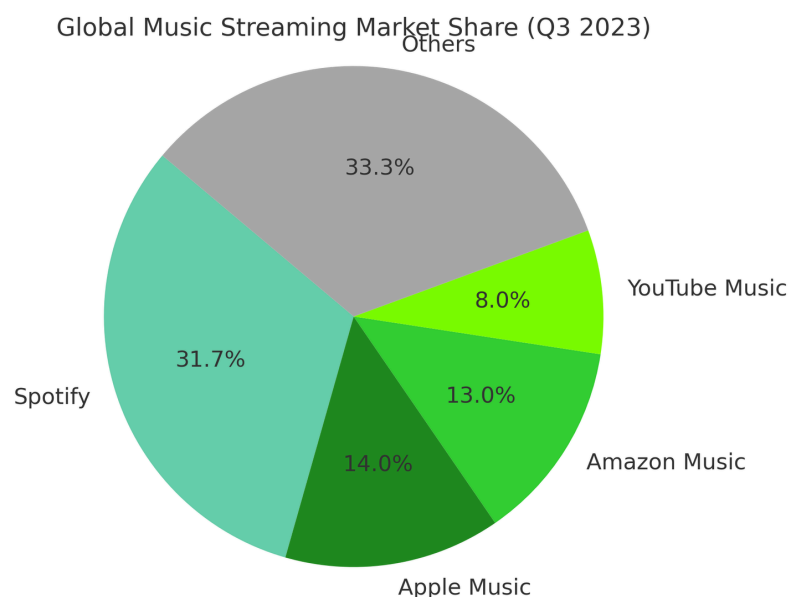
Industry Dynamics

Spotify operates in a highly competitive environment. Key dynamics shaping the industry include:

- **Platform competition:** Major players such as Apple Music, Amazon Music, and YouTube Music (Google) compete for user retention and expansion.
- **Revenue models:** Monetization relies heavily on subscriptions and ad revenue, with many companies offering free tiers to attract users.
- **Global expansion and localization:** Growth increasingly depends on entering new international markets with tailored offerings.
- **AI and personalization:** Platforms are investing heavily in AI-driven recommendation engines to personalize content and improve user experience.
- **Regulatory and legal pressures:** Ongoing debates around royalty reform and artist payouts present challenges, as Spotify pays out approximately 70% of its revenue in royalties.

Competition

The streaming market is substantial and still growing. The four dominant players—Spotify, YouTube music (Google), Apple music, and Amazon music—have each seen their revenues more than double over the past five years. Despite Spotify's early mover advantage, competition remains fierce, especially as these tech giants bundle their streaming services into broader digital ecosystems.

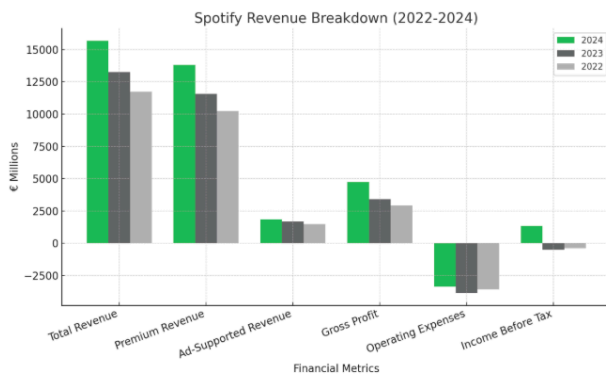


Internal Analysis

Financial Breakdown

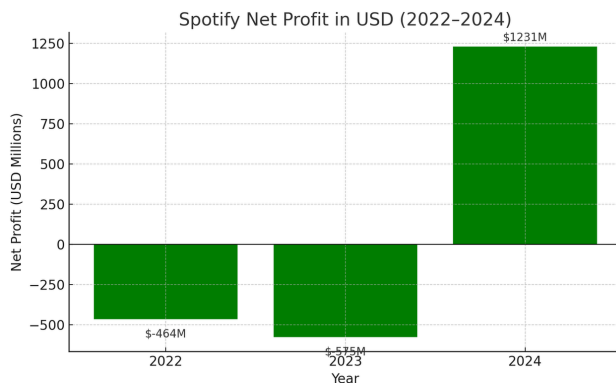
Spotify's financials show impressive growth and a turnaround in profitability. Some key metrics include:

- **Revenue:** Grew from \$12.9 billion in 2022 to \$14.6 billion in 2023, and reached \$17.2 billion in 2024.
- **Net Profit:** Marked a significant improvement, jumping from losses of \$498 million in 2022 and \$633 million in 2023 to a profit of \$1.25 billion in 2024.
- **Operating Margin:** Rose from -5.62% in 2022 to 8.70% in 2024, indicating improved operational efficiency.
- **Gross Margin:** Increased to 29% in 2024, highlighting enhanced profitability despite the high cost structure.



With the highest revenue amongst competitors and a user base of 675 million monthly listeners and 263 million premium subscribers, Spotify's success is tangible. The company added 11 million new users in Q4 of 2024 alone, reflecting effective growth strategies, operational efficiency, product-market fit, and the strength of its freemium-to-premium conversion model, all of which contribute to its sustained competitive advantage.

Profitability and Operating Costs



By the end of the 2024 fiscal year, Spotify turned its first profitable year. This was a product of key strategic decisions including raising the monthly membership rate from \$9.99 to \$11.99, reducing their workforce by 16.5%, and growing premium subscriber base by 11%, all resulting in an astounding 29% gross margin. Spotify has become more lean and is progressively increasing their revenues, showing great financial health.

Strengths:

- Market leader with 675M total subscribers and strong brand recognition.
- AI-powered personalization features.
- Freemium model drives user acquisition.
- Broad content offerings, including exclusive podcasts.
- Platform agnostic: available across devices and operating systems.

Weaknesses:

- Heavy reliance on third-party content licensing and high royalty payouts (70% of revenue).
- No hardware or OS ecosystem integration, unlike Apple or Amazon.
- Only recently became profitable.
- High costs to maintain and produce exclusive content.

Internal Resources and Capabilities

Spotify's strong financial momentum, strong brand recognition, and technological innovation using AI for customization have positioned it as a global leader in the streaming space. However, the company must continue to address intense competition, high supplier power, and evolving consumer expectations. By leveraging its strengths in personalization, exclusive content, and global reach, and by mitigating its weaknesses through vertical integration and diversified offerings, Spotify can maintain and expand its market dominance in an increasingly competitive audio landscape. We will now move on to the Strategic Opportunities and Threats we have discovered after the analysis above.

Strategic Opportunities & Threats

Opportunities

Vertical Integration with Artists: Developing direct relationships with artists through tools like "Spotify for Artists" to reduce dependency on record labels.

- Feasibility = Medium
- Potential Impact = margins/financial improvement, brand reputation
- Resources Required = Artist services platform, legal resources
- Business Opportunities = Building a full-scale "Spotify Studio" platform for indie artists with monetization and promotion tools.

Sourced from: internal capability, VRIO framework, Spotify for Artists tools

Expanding features: Launching a "Platinum" plan offering exclusive content, social opportunities, and audiobook credits like their competitor (Audible)

- Feasibility = High
- Potential Impact = Revenue growth, higher ARPU
- Resources Required = Product deviation services, marketing strategies
- Business Opportunity = Spotify's profitability & margin growth (specifically profitable in 2024) supports the launch of higher-priced premium tiers like "Platinum"

Sourced from: Financial performance, gross margin growth, improved operating margin.

Targeting Emerging Markets: Target underpenetrated regions with localized experiences and pricing strategies

- Feasibility = High
- Potential Impact = user acquisition and revenue growth
- Resources Required = Localization, marketing, partnerships
- Business Opportunities = Roll out "Spotify Lite" with tailored pricing and local playlists/algorithm-based listening suggestions per country/city/town

Sourced from: Market growth, industry trends, global expansion

Growth in Non-Music Audio (Podcasts & Audiobooks): Leverage rising demand for podcasts and audiobooks to diversify.

- Feasibility = Medium
- Potential Impact = Diversified revenue streams, deeper user engagement
- Resources Required = Licensing, exclusive content deals, internal development
- Business Opportunities = Add audiobooks and podcasts to a new tier / bundle them with family plans, make a points scheme for specific books like audible

Sourced from: external trends, industry dynamics, consumer behavior

Threats

Platform Dependency / Lack of Hardware Ecosystem

- Lacking native ecosystem reduces control and limits cross-selling opportunities.
- Potential Impact: Medium
- Mitigation: Partner with hardware brands or revive a next-gen “Car Thing” device or app-integrated tech solution

Sourced from: Competitive positioning vs. Apple/Amazon.

Intense Industry Rivalry

- Competitors have grown revenue > 100% and offer tightly integrated ecosystems
- Potential Impact: High – loss of market share
- Mitigation: Double down on platform-agnostic experience, invest in exclusive content, emphasize the importance of humanism and persona

Sourced from: Porter’s Five Forces, market competition (Apple, Amazon, Youtube)

Changing Consumer Behavior (Short-form / Visual Content)

- Shift away from long-form audio could reduce engagement.
- Potential Impact: Medium-High
- Mitigation: Integrate visual clips, social media compatibility (e.g., song previews, visual podcast reels)

Sourced from: external trends, consumer behavior shifts

High Royalty and Artist Demands

- Spotify pays ~70% of revenue in royalties; increasing artist pressure adds more risk.
- Potential Impact: High — margin pressure
- Mitigation: Advocate for reform, explore direct artist partnerships

Sourced from: External (regulatory/legal), bargaining power of suppliers

Problem & Solution Validation

We believe recommendations are not just built on extensive market research, financial analysis, consumer trends, and company considerations, but also surveys with customers, a brief analysis of customer reviews online, and expert interviews. Below outlines how our methods of research lead us to recommendations. They are solutions built on consumer pain points.

Methods used to validate problems:

Surveys

Our survey received 36 responses from people with varying demographics. Highlighting our diverse age range, 78.9% of respondents were 18-24, 15.5% were 25-34, and 5.3% were 35-44. This means that most of our data will be applicable to validating recommendations to Generation Z, who according to our analysis, are growing consumers and determine the success of Spotify’s future. 94.1% used Spotify daily and all owned premium or family accounts and they were asked about how they use Spotify and any pain points within the Spotify experience. Respondants were not guided toward answering these questions one way.

Online Reviews

Online reviews of Spotify highlight its strong personalization, vast music library, and intuitive interface. However, users often critique the shuffle function, lack of queue control, and limited artist compensation transparency.

Expert Interviews

We interviewed three music industry professionals to gain diverse perspectives on streaming and Spotify's role in the evolving landscape. Eric Griffin, Associate Director of the CSU Music Business Program, brought over 20 years of experience as an artist manager and attorney. Chuck Morris, longtime concert promoter and former President/CEO of AEG Presents Rocky Mountains, offered insights from decades in live music and artist management. Caleb Rockenbach, a Denver-based musician and Spotify user, provided a current artist's viewpoint on the platform's opportunities and challenges. Key findings from these interviews are outlined in our recommendation validations and in the Appendix.

Key Findings:

Spotify should try to enhance the Premium Subscription with Social & Exclusive Features

Market Research and Trend Analysis: Spotify is in a strong financial position (with rising revenue, first-ever net profit of \$1.25B, and improved operating margins) to reinvest in value-added features that make the Premium subscription more compelling. A comment section aligns with growing consumer interest in interactive, community-driven platforms like TikTok and Reddit—especially among younger users. This fosters deeper engagement, builds loyalty, and differentiates Spotify from competitors like Apple Music, which lacks robust social features.

Meanwhile, exclusive content such as live performance recordings or behind-the-scenes access provides value that competitors don't offer. It also opens up opportunities for direct artist partnerships, which can reduce Spotify's high royalty costs while giving users unique, immersive experiences that keep them on-platform.

Surveys & Reviews:

- Many users engage with music, podcasts, and audiobooks, showing cross-genre interest.
- Several responses say Spotify helps them “discover new artists” and want more ways to interact with content.
- Frustrations include limited playlist tools and difficulty finding or saving content, which social features like comment sections could ease by fostering community tips and track sharing.
- Users love features like lyrics, curated playlists, and the ability to talk about music—commenting enhances these.

Expert Analysis:

Caleb supported adding interactive features like a comment section to boost artist-fan engagement. Chuck and Eric emphasized Spotify's success through social media integration, making this a logical next step. Exclusive content and behind-the-scenes material also align with their point that streaming supports a “middle class” of artists seeking new income streams.

There are Opportunities in Expanding Short-Form & Visual Content

Market Research and Trend Analysis: Spotify operates in an industry where consumer preferences are rapidly shifting toward short-form, visually shareable content. By adding short-form video reels, previews, and artist storytelling tools, Spotify can better compete with platforms like YouTube and TikTok, who are grabbing attention spans through visual entertainment. This move taps into younger generations' habits, who are Spotify's best bet for future profitability and platform loyalty.

These features also serve as organic marketing tools—if clips are easily shareable, they can drive word-of-mouth and social media growth without the need for expensive ad campaigns, supporting a more cost-effective acquisition strategy. These tools also differentiate Spotify from traditional audio-only competitors by creating an engaging, hybrid media experience. As a bonus, this content is easily shareable on social media, giving Spotify a low-cost, viral marketing edge compared to ad-heavy strategies from Apple or Amazon.

Surveys & Reviews:

- Some users discover new music through TikTok, Instagram, and visual suggestions, highlighting a trend toward social-video-based discovery.
- Users like Spotify's Daylist, AI DJ, and mood-based curation—short-form visuals could make these experiences more engaging and shareable.
- Younger users want fun, snackable content. Spotify reels, song previews, or artist facts could keep listeners hooked and make Spotify feel more like a social platform.

Expert Analysis:

Chuck and Eric noted how social media and short-form content have changed music discovery. This supports adding song previews, video clips, and shareable features to engage younger users. These elements also help emerging artists gain visibility—responding to Caleb's concerns about limited support for smaller creators.

Royalty Dependence Through Direct Artist Partnerships is a Problem

Market Research and Trend Analysis: Spotify's biggest internal challenge is its dependency on costly licensing deals—about 70% of revenue is paid out in royalties. By forging direct partnerships with artists, especially independent ones, Spotify can negotiate better terms and gain more control over distribution, content, and user engagement formats.

Shifting some focus to these direct partnerships, as well as more data-backed and performance-based podcast investments, would allow Spotify to reduce overspending on large exclusivity deals and allocate capital more wisely—supporting financial discipline while preserving unique content offerings. This move also aligns with industry trends toward artist empowerment and independent distribution, which is growing rapidly. Spotify can position itself as a platform that not only pays artists but promotes them directly—unlike Apple and Amazon, which often focus on legacy label deals or ecosystem bundling over artist visibility.

Surveys & Reviews

- Users express frustration with songs disappearing or audiobook listening limits, showing dissatisfaction tied to licensing issues.
- Users also mentioned Spotify being better than Apple Music—direct artist partnerships (especially with smaller, rising artists) could reinforce that competitive edge and reduce reliance on third-party licensing.

Expert Analysis:

Caleb criticized the current royalty model and encouraged alternative approaches. Direct partnerships with independent artists address this while also offering more control over content. Chuck and Eric highlighted how streaming empowers smaller artists, supporting this move away from major label dependence.

There needs to be Improvement with User Interface – Too Many Issues

Market Research and Trend Analysis: Spotify has built its competitive advantage on AI-driven personalization features like Wrapped, Discover Weekly, and the AI DJ. However, survey feedback reveals common frustrations around shuffle accuracy, limited playlist suggestions, and buggy queue behavior. With improved gross margins (29%) and strong profitability, Spotify is in a position to refine core features without overspending, offering better music discovery, more responsive playlists, and queue stability. Enhancing these foundational tools will directly increase daily app engagement, strengthen personalization leadership, and differentiate Spotify through superior AI utility, not just content variety.

Surveys & Reviews:

- Personalization feels repetitive
- Queue functionality lacks reliability
- Shuffle mode does not meet expectations
- Playlist building tools are limited
- Personalization is a strength, but not developed enough

Expert Analysis:

Chuck and Eric praised Spotify's personalization but noted issues with generic AI features. Upgrading AI to adapt in real time and improving playlist tools would enhance user control and reinforce Spotify's competitive edge in personalization.

Expansion of Strategic Hardware & Platform Integrations could be Valuable

Market Research and Trend Analysis: Competitors like Apple Music and Amazon Music have leveraged device ecosystems to boost subscriber stickiness and default app usage. Spotify, while platform-neutral, can gain similar advantages by partnering with device makers, car manufacturers, and smart home brands to become the default music or audio app. These integrations would reduce reliance on traditional marketing and lower customer acquisition costs. Additionally, Spotify could gather more usage data, which supports improved AI personalization and helps them target content and ads more efficiently. This also supports the company's need to scale smartly without overspending, especially as it adjusts to more ROI-focused innovation strategies.

Surveys & Reviews:

- One user notes Spotify has trouble with Alexa, and others mentioned app glitches or bugs.
- Improved device integration and default settings on hardware (phones, cars, smart speakers) could reduce these problems while increasing ease of access and user loyalty.

Expert Analysis:

Experts emphasized accessibility as key to Spotify's growth. Embedding Spotify into phones, cars, and smart devices would expand reach and deepen everyday use. These integrations also align with Caleb's call for better data use and more strategic distribution.

Recommendations

After conducting a thorough analysis, it is clear Spotify has firmly positioned itself as a global leader in the audio streaming sector. The financial success continues to grow in recent strategic efforts and operational efficiency including Spotify's AI-powered personalization (such as Spotify Wrapped and Discover Weekly), platform-neutral accessibility, exclusive creator partnerships, and other features that make it difficult for competitors to beat. However, Spotify suffers some internal issues and externally, Spotify works in a rapidly changing and widely competitive market with quick innovation. Regulatory and legal pressures surrounding royalty reform and artist payouts continue to pose significant challenges as well, and consumer preferences are shifting to short-form visuals, and socially shareable content, particularly among younger generations who will be Spotify's best chance at maintaining reputation, and profit. Finally, surveys and reviews show opportunities for Spotify to fix annoying software user interface issues and expand it's platform socially. This, as well as further insight from expert interviews, informs our final recommendations aimed to assist Spotify in cutting costs in some sectors and investing in profitable innovations.

Rec. 1: Enhance the Premium Subscription with Social & Exclusive Features

Objective: Increase subscriber growth and retention by improving the value proposition of Premium.

- Introduce a comment section for songs, podcasts, and audiobooks, allowing users to interact with content and each other—building a music-centered community like TikTok, Reddit, or SoundCloud.
- Add a "Live Performance" tab with exclusive concert recordings or behind-the-scenes artist content to deepen user engagement and provide more direct compensation opportunities for artists.
- Include higher sound quality and interactive lyric features to further justify subscription upgrades.

Rec. 2: Expand Short-Form & Visual Content Integration

Objective: Compete with emerging platforms and attract younger demographics.

- Incorporate short-form, visual content like song previews, video podcast reels, and artist “fun fact” clips.
- Reintroduce and enhance song profiles and lyric storytelling features, offering something unique while giving users a reason to spend more time on the platform.
- Make this content shareable on social media to organically drive new traffic.

Rec. 3: Reduce Royalty Dependence Through Direct Artist Partnerships

Objective: Reduce long-term costs and gain more control over content.

- Explore label-alternative models where Spotify partners directly with independent or emerging artists, offering distribution and exposure in exchange for more favorable royalty terms.
- Promote these artists via Spotify-exclusive playlists and events, shifting some user listening habits away from high-payout mainstream content.
- Consider revamping exclusive podcast strategies to be lower-cost, ROI-focused, and more data-driven in acquisition.

Rec. 4: Improve AI Playlist & Queue Functionality

Objective: Enhance user experience and reduce frustration by making playlists, shuffle, and queues smarter and more reliable—boosting satisfaction and strengthening Spotify's edge in personalization.

- Introduce a smarter AI that adapts to current mood, skips, likes, and listens in real time (not just past behavior).
- Add a playlist builder assistant that asks users what they're feeling or doing and builds full lists accordingly.
- Make the queue visually editable and savable, reducing the chance of accidental resets or song loss.

Rec. 5: Expand Strategic Hardware & Platform Integrations

Objective: Increase market presence and lower customer acquisition costs.

- Form partnerships with phone manufacturers, car brands, and smart home device makers to make Spotify the default audio app on new devices.
- Prioritize integrations that provide real-time data on listening habits and product engagement to support future monetization strategies.
- These partnerships can also offset marketing spend by delivering built-in distribution to high-value demographics.

All in all, these recommendations, drawn from real consumers and artist, will help Spotify optimize its business to users through social integration. It will expand non-music offers, competing with short-form entertainment while preserving the Spotify identity as a music-streaming service. This will maximize profit without cutting costs to the point that the company loses its greatest attraction, its exclusivity. Spotify's ability to sustain and grow its leadership in the music-streaming industry will depend on how well it balances innovation with financial discipline, content expansion with strategic partnerships, and technological advancements with user-centric experiences. By addressing its cost structure, embracing differentiated content formats, and enhancing artist-listener engagement, Spotify can continue to evolve as a global hub for audio and potentially, visual entertainment.

Appendix

How We Used AI

Our team relied heavily on AI tools—primarily ChatGPT—to write this report from start to finish. While AI handled the bulk of the drafting, every section was developed through a collaborative process of brainstorming, analysis, and refinement led by our team. We began by using ChatGPT to gather preliminary sources and background information on Spotify, and combined that with our own critical thinking to assess the company's current position. For financial analysis, FinChat was particularly useful in interpreting Spotify's reports, allowing us to identify potential opportunities, threats, and informed recommendations. Throughout, we also consulted other AI tools like Claude and Perplexity to cross-reference insights and ensure accuracy.

Rather than relying on AI outputs at face value, we took an active role in reviewing and editing the outputs. After inputting raw data, stats, and fragmented ideas, we used ChatGPT (and occasionally Claude or Gemini) to turn them into cohesive, well-structured sections. Each team member reviewed the content for clarity, accuracy, and purpose, ensuring it aligned with our vision and communicated key points effectively. It was our team who read through the report to make sure it had a logical flow, and it was AI who helped us ensure that logical flow by reviewing our whole report and providing suggestions as to where we should make changes.

AI also played a significant creative role in shaping our final presentation. It helped us develop and refine the concept of a "Spotify Wrapped"-inspired framework to make our findings engaging and visually compelling. We used AI brainstorming tools to explore ideas, generate relevant song lyrics, and even create a Spotify-themed soundscape using Suna.ai—adding a thoughtful, on-brand touch to our strategic analysis.

To reiterate, we used ChatGPT to revise and polish our own writing, ensuring clarity and conciseness throughout the report. Although AI wrote the majority of this paper, every word was shaped under our direction—guided by our prompts, analysis, and editing. This report is a product of human insight powered by AI collaboration.

Experts Interviewed



Eric Griffin - Associate Director, CSU Music Business Program

Eric has over 20+ years in the music industry as an artist manager and attorney, and is the owner of an entertainment consulting company called “Music City Counsel.” Eric understands what it’s like to be an artist on Spotify’s streaming service, providing plentiful insight about the music streaming industry.



Chuck Morris - Director, Music Business Program

Chuck is a long-time, concert promoter and prolific artist manager. He was former President and CEO of AEG Presents Rocky Mountains and ran legendary rock clubs around Colorado. He has vast experience in the business music world, which helped validate our recommendations for Spotify and get a better understanding of the industry to more effectively conduct analysis.

Key takeaways from Chuck and Eric:

Music Industry Evolution

- Physical sales (CDs) were the primary revenue source until late 1990s
- MP3s and file sharing dramatically disrupted traditional music distribution
- Napster introduced peer-to-peer file sharing, challenging music industry economics

Key Challenges in Music Distribution

- Record labels initially fought digital sharing through lawsuits
- Artists struggled with revenue loss from illegal downloads
- Streaming platforms solved accessibility and convenience issues

Spotify's Success Factors

- First-mover advantage in streaming
- User-friendly interface
- Comprehensive music library
- Social media integration
- Freemium business model

Industry Insights

- Music exploration costs are now essentially zero
- Physical music products have become novelty items
- Social media and streaming platforms transformed music consumption

Spotify's Impact on Music Consumption:

- Increased diversity in music listening, with people exploring more genres
- Lowered barrier to entry for discovering new music (no cost to try a song)
- Created a "middle class" of musicians who can make a living from streaming

Spotify's Challenges:

- Controversial decision to require 1,000 plays to earn money
- Struggles with equitable payment to artists
- Issues with AI-generated content and generic features like Spotify Wrapped

Music Industry Changes:

- More artists can now make money through streaming
- Shift from album-focused to single-focused consumption
- Touring has become more expensive and less profitable
- Artist royalties have improved (now around 50% compared to previous 15%)

Positive Aspects of Streaming:

- Accessibility of music
- Low exploration cost for consumers
- Reduced middlemen in music distribution
- More transparent and direct revenue paths for artists

Future Challenges:

- Ensuring equitable distribution of streaming revenue
- Maintaining transparency in how money is split between artists, labels, and songwriters



Caleb Rockenbach - Denver-Based Musician

Caleb Rockenbach, a Spotify user and local Denver artist, discussed his experiences with Spotify as an artist on the platform.

Key Takeaways from Caleb:

Caleb highlighted the user-friendly nature of Spotify for Artists but criticized the platform's lack of direct artist support and low royalty payouts, noting that only a small percentage of artists benefit significantly.

Caleb suggested that Spotify could improve by restructuring royalty distribution and potentially offering more interactive features like comment sections, which could enhance artist-fan engagement. He also cautioned against Spotify undermining the record label industry, as it could backfire.

Action Items:

- Explore the feasibility of implementing a comment section feature on Spotify's premium subscription model.
- Investigate ways for Spotify to restructure its royalty and revenue distribution to better support smaller artists.
- Consider forming partnerships with artists that could provide more exclusive content and minimize Spotify's dependence on record labels.

Porter's 5 Forces Analysis

Porter's Five Forces analysis highlights the intense competition Spotify faces.

- Threat of new entrants (Moderate): While high barriers to entry like licensing and scale limit new competitors, tech giants can still disrupt the market.
- Bargaining power of suppliers (High): Music rights holders and artists command significant influence, as evidenced by Spotify's high royalty payouts.
- Bargaining power of buyers (Moderate to High): Low switching costs make user loyalty difficult to maintain, prompting Spotify to innovate constantly.
- Threat of substitutes (High): Consumers have ample alternatives, including short-form video, satellite radio, or even pirated content.
- Industry rivalry (Very High): All major platforms are investing aggressively in exclusive content and platform innovation to capture market share.

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