

Up have the luxury of  
accessing millions of



Up until recent years, collecting music and having an array of genres to choose from was an expensive luxury that very few had.

However, with the rise of music streaming services like Spotify, people now have the luxury of accessing millions of tracks legally and free of charge.

Spotify is currently the largest growing digital music streaming service. It allows users to browse through a catalogue of songs, podcasts, and videos from various artists all around the world and share playlists with friends.

Daniel EK launched Spotify in 2008 following his vision of using technology to create a platform better than piracy. This is because it doesn't sell music, it sells access to it. Now, users can either listen to music for free with advertisements or purchase a subscription for ad-free, offline access music.

The all-you-can-eat access model boosts free users to become paying users (Swanson, 2013). Since its launch, Spotify has been growing at a staggering rate. When subscriptions hit ten million after five and a half years, Daniel EK humbly commented, " Ten million subscribers is an important milestone for both Spotify and the entire music industry. We're widening our lead in the digital music space and will continue to focus on getting everyone in the world to listen to more music" (Dredge, 2014).

In less than a year, that number turned into thirty-million paying subscribers.

In March 2016, Spotify had thirty-million paying subscribers. As of January 2018, Spotify has gone up to 70 million subscribers worldwide and is now available in 58 countries (statista , 2018). The music streaming model has become a game-changer for the future of the music industry and the parties involved: Artists, shareholders, consumers, etc.

Daniel EK believes his company is a force for good in the revolutionizing global music industry. In his words, Spotify is “salvation in the form of fully licensed-streaming music service” (Seabrook, 2014). History (Julius) Spotify was founded in 2006. After 2 years of programming and writing Spotify, Daniel Ek and Martin Lorentzon launched the App on the 07. 10. 2008 after signing with the first big music labels like Universal Music Group, Sony BMG, EMI Music, Warner Music Group, Merlin, The Orchard and Bonnier Amigo (Streatfield, 2015). In 2011, Spotify has hit 6. 67 million unsubscribed users, with this and they also became the second largest digital revenue generator in Europe.

Also, entering the US market in 2011 (Grove, 2011). Just a year later, in August 2012, 15 million unsubscribed users are being recorded from which 4 million are full subscribers of Spotify. Today, Spotify counts more than 140 million active users from which 70 million pay for the full subscription (Sanburn, 2012). Spotify works under a business model called freemium. Freemium means offering the consumer a free non-subscriber option and a Spotify premium option. With the non-subscriber option, the listener can have access to Spotify, however, has a commercial break in between every third song. With the Spotify premium, the listener has full access to Spotify without any commercial interference. This is exactly how Spotify makes its revenue, selling premium subscriptions and selling advertisement spots to third parties (official, 2014).

When Spotify was launched in 2008, it didn't have the power to get enough listeners, to pay off the labels. In the first few years, Spotify had to raise over 180 million US Dollars to pay off their partner labels. Spotify even had to sell <https://assignbuster.com/up-have-the-luxury-of-accessing-millions-of/>

the labels equity so even if they would succeed that they were financially protected (Constine, 2017) Financials (Julius) In 2015, Spotify stated on their website " Spotify Artists" their exact revenue and how they divide up their profits to artists. Stating that 70% of their total revenue goes to the rights holder, meaning that for every play, the right holder receives between \$.

006 and \$. 0084. Now that Spotify has grown over 60 million paying subscriber it has lifted itself up from the streaming pack like YouTube/ Google Play/ Pandora and others.

Due to the famous playlists " discover weekly" or " Release radar", Spotify has gained power to decide what artist will be heard and which won't. So, in this case Spotify can influence and demand which artist they make or which one they will break, so Spotify also has the power to make a better deal with labels. Labels that show a high royalty rate to Spotify, have a better chance that their artist land in a successful playlist or even get a re-recorded Spotify session which helps the artist boom. The labels that don't play after Spotify's whistle show, that their artists don't have a as high success rate. Spotify has been accused for that and even though Spotify has denied the accusation, lots of labels suffer under those " unfair" actions (Constine, 2017). So, everything is looking good for the streaming service. From 2016 to 2017, Spotify grew in an immense clip.

Talking immense we talk about a sales rise of \$1. 054 billion US dollars. That is a rise from \$1. 93 billion US dollars to \$2. 93 billion US dollars (Christman, 2017 ).

Spotify is said to be worth more than \$16 billion US dollars and insiders say it could be worth more than \$20 billion US dollars if they would go public as its revenue base is getting bigger the growth rate of the company is in a slow decline, going from 77.8 percent in 2016 to a down-fall of 52.1 percent in 2017. Writing in red ink, Spotify's operating loss increased by 47.8 percent. That is a loss going from \$246.8 million US dollar of last year to \$349.

4 million US dollar this year (Spotify , 2008 ).