
S&P TEST

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SPOTIFY SWOT & PESTLE ANALYSIS

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Company Name : Spotify

Company Sector : Online Music streaming service

Operating Geography : Sweden, Europe, Global

About the Company :

Spotify was founded in 2006 and officially launched on October 7th, 2008. The name Spotify was coined by the combination of words “spot” and “identify”. It followed a freemium model wherein users were initially provided with a free service and allowed them with an upgrade to premium features. The premium feature was based on drawing a monthly or yearly subscription, majorly concentrated towards ad-free music. Legally domiciled in Luxembourg, this audio streaming platform is headquartered in Stockholm, Sweden and provides DRM-protected music, videos and podcasts from record labels and media houses. The Company witnessed a massive growth in the premium subscribers as well. In Europe itself, it doubled the number of premium subscribers to 2 million in just six months after its introduction. With a “direct listing” on NYSE, it went public on April 3rd 2018. It was a huge success with the opening price fairly above the reference price of \$132. The brand value among the public and the institutional community made this success possible. The audio streaming czar competes with major distribution services like Google Play Music, Pandora, Apple Music, and Amazon Music. As of early 2022, Spotify employed over 6600 people.

Spotify’s USP or unique selling proposition lies in being the most popular global audio streaming subscription service with 271m users, including 124m subscribers, across 79 markets. They take pride in being the largest driver of revenue to the music industry presently. Spotify’s mission statement reads “Our mission is to unlock the potential of human creativity—by giving a million creative artists the opportunity to live off their art and billions of fans the opportunity to enjoy and be inspired by it.”

Revenue :

Euros 9,668 million– FY ending 31st Dec 2021 (y-o-y growth 22.6%)

Euros 7880 million– FY ending 31st Dec 2020

SWOT Analysis :

The SWOT Analysis for Spotify is given below:

Strengths	Weaknesses
<ol style="list-style-type: none"> 1.Competitive advantage of massive subscriber base 2.Music personalization and recommended feeds based on user preferences through machine learning 3.Minimal payment for rights 4.Enjoys advantage of Freemium model 5.Strengthening foothold, especially in the podcast segment, through a series of acquisitions 	<ol style="list-style-type: none"> 1.Conventionally running on zero profits 2.Huge dependence on internet connectivity 3.Complex royalty payment scheme making it difficult to forecast amount payable under license agreements
Opportunities	Threats
<ol style="list-style-type: none"> 1.Producing own music using AI and data 2.B2B model, forge partnerships with mobile companies or telecom companies 3.Entry into markets with high population density 4.Music streaming services coming preloaded on devices 5.Tapping on the emerging trend of Metaverse 	<ol style="list-style-type: none"> 1.Competing with established biggies 2.Arduous licensing pre-requisitions to get artists on board

PESTLE Analysis :

The PESTLE Analysis for Spotify is given below:

<p style="text-align: center;">Political</p> <p>1. Growing piracy issues in India</p>	<p style="text-align: center;">Economical</p> <p>1. Global economic slowdown slackening consumer spending on non-essential items</p>
<p style="text-align: center;">Social</p> <p>1. Capturing local flavours with customized offerings</p> <p>2. Becoming the new age podcasting giant</p> <p>3. Expansion into the Chinese market</p>	<p style="text-align: center;">Technological</p> <p>1. Growth of smartphones and cheap data rates</p> <p>2. Adoption of 5G services globally</p> <p>3. Digital marketing, social media and behavioural advertisements</p> <p>4. Voice technology taking centre stage</p> <p>5. Emerging industry trends in digital advertising may pose challenges to the company</p>
<p style="text-align: center;">Legal</p> <p>1. Regulations across different countries</p> <p>2. Regulations set by US federal and state agencies</p>	<p style="text-align: center;">Environmental</p> <p>1. Evaluating environmental impact from operations</p> <p>2. Implementation of reduce, reuse and recycle</p>

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