Case study Spotify

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Abstract
The physical multimedia shops have been facing a crisis situation. Could crises and opportunities be interconnected to each other? In this paper you get an overview of how this situation folds out to the multimedia market, especially from the viewpoint of the company Spotify. The Cd stores are disappearing from the streets, they go bankrupt. The videostores have been having a hard time, in fact the amount of stores in the Netherlands have diminished from 1300 to 300 in a time of ten years.

Introduction
Spotify had been in development since 2006, by 'Spotify AB', a company in Sweden. With Daniel Ek being the founder of the company. The succes of spotify is adressed to the fact that is solved a big problem. Illegal filesharing was a problem and still is. While the music industry was having a peak at 1999 of $27bn, at 2008 it was below $14bn. Facing this situation, the big major record labels participated in a collaboration with Spotify and agreed to share their catalogs.

Adaptive Cycle
In which state did Spotify enter the market and is going on now? If we look at the adaptive cycle, (see figure 1) we can say that Spotify entered the market when there was a crisis climate in the branche.

Figure 1 Adaptive Cycle.
1.1. Crisis situation

We can say that the situation in the multimedia market was in a big uncertainty and in the crisis phase. This is exactly were Spotify started and entered the market. The physical multimedia resellers were at a loss, because they were seeing that there sales were going down with the popularization of internet. In an uncertain and crisis situation there must be change, you cannot live according to your old manners. The people that were buying physical CD's ditched this idea and started to use content from the internet. This was the root cause for the crisis of the multimedia recorders.

1.2. New combinations

The crisis situation was a good device for Spotify as they gave answer to this problem. And it forms the basis of the business strategy and service they are providing. Spotify made new explorations and invented combinations which lead to an exit, out of the crisis situation. They gave an legal alternative option to consumers to use online media.

1.3. Entrepreneurship

When the service launched in 2008 users could use the service for free. This idea was in tune with the peoples mind and became accepted. The free version was limited on the amount of hours each month for listening to music.

This gave the situation a shift to the entrepreneurship state in the adaptive cycle model. Spotify had closed $100m in funding. With over 13m tracks available to stream, they had over 10m users. One million of them were paying subscribers.

1.4. Equilibrium

Spotify reached an equilibrium state, they gathered big funds. And have a big user database, with paying subscribers. Spotify moved its headquarter from Sweden to London. There are even rumours that Spotify is going to the stock exchange for selling shares.
Conclusion
To give a short summary about the way that Spotify walked down the road, see the
diagram visualization below. The blue part is showing the action that the company did
undertake. The green circle is showing the state in which it stayed. The purple circles
shows in what status the ‘Can’ and ‘Want’ are according to the adaptive cycle.

Future
It is clear that Spotify made big success and has a huge user database now. But there
seems to be some dangers lurking on the path, as there are critics coming up. The
climate of now cannot be compared to the state of when digital audio was newly
invented. The band Atoms for Peace, with the artists Thom Yorke and Nigel Godrich's
decided to remove their albums from streaming services. They criticize them for
making benefit of major labels and artists more than new artists. There are many
artists who are speaking against streaming providers like Spotify. Taylor Swift and
Patrick Carney are also among the artists who refused to release their albums at Spotify
and protested. As there are coming up more rivals like Google music, Deezer, Pandora,
Beats. And public critics of some artists in the media. The position of Spotify is getting
more difficult to keep stable in my eyes. Spotify managed to go uphill, will they
manage to not to go downhill after a while and stay in equilibrium?
References


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