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Spotify Ad Campaign Plan
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Executive Summary

In 2006, Spotify was founded in Sweden during the first wave of internet-based music services and their main goal was to transform how consumers experienced music while also reducing illegal music distribution (Hinsen, 2019). In recent years Spotify has shifted their goals as the world has become increasingly digital, and to stay on track with other well-known competitors they must create a unique program that integrates popular trends. To do so, Spotify will create a strategic advertising plan that targets one of their main sources of revenue and most active subscribers. Of Spotify's 165 million annual subscribers, 55% represent users under the age of 35 with a majority stemming from Generation Z ("Spotify Revenue and Usage Statistics 2021"). As one of Spotify's largest sources of revenue comes from their subscription services, we plan on targeting college students by rebranding Spotify's student subscription service. We plan to attract more younger individuals with our unique student program, SpotifyU, and hope to enhance the student experience both scholarly and socially by implementing exclusive features that encourage student interaction through music while also promoting wellness and personal development.

Competition Analysis

As the world has become extremely digital, people have shifted away from CDs and records to using online music-streaming programs which have created fierce competition for Spotify due to the industry's popularity and high demand.

SPOTIFY SWOT ANALYSIS

<i>STRENGTHS</i> <ul style="list-style-type: none"> • Free version can be used before upgrading to premium • Very personable and creates customized playlists tailored to each user's unique listening history 	<i>WEAKNESSES</i> <ul style="list-style-type: none"> • No other product lines so decreased brand loyalty • Not many differentiated premium features that stand out according to other services
<i>OPPORTUNITIES</i> <ul style="list-style-type: none"> • Diversification in new services such as podcasts which have come to be very popular • Growth through new partnerships 	<i>THREATS</i> <ul style="list-style-type: none"> • Competition with other music streaming services • Legal disputes and challenges

APPLE MUSIC SWOT ANALYSIS

<i>STRENGTHS</i> <ul style="list-style-type: none"> • Brand loyalty • Competitive and vast music library • 3-month free trial version 	<i>WEAKNESSES</i> <ul style="list-style-type: none"> • No perks for existing customers • No free version • Not many exclusive features for premium members
<i>OPPORTUNITIES</i> <ul style="list-style-type: none"> • Integration within other apps (Ex: TikTok) • Popular brand image and strong relationship with social media companies 	<i>THREATS</i> <ul style="list-style-type: none"> • Intense competition • Unique features of other music services • Obtaining legal permission from artists

("Apple Music vs Spotify. – SWOT Analysis").

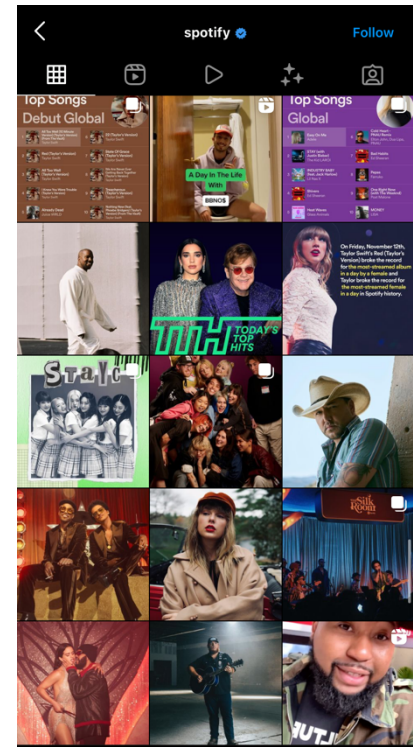
In recent years, Apple Music has grown in popularity and has shown to act as Spotify's #1 competitor. Apple Music is more competitive in their robust variety of songs to choose from in their music library in addition to a feature that allows users to integrate any personal song into their iTunes library. Additionally, Apple has many other products in their line so they have already established a strong sense of brand loyalty in the sense that some customers will only want to continue using Apple products. Another benefit of Apple Music is their student discount of \$4.99/month; however, Spotify also offers this in addition to a free Hulu subscription. Apple also does not offer an option for people to use a free version of their service, whereas Spotify does and their business model revolves around the hope that users will upgrade to the premium version based on their prior experience with the free version. Apple Music is very competitive because they are very opportunistic and are always looking for creative ways to grow their brand, with an example being that they often try to integrate their music service through other apps (i.e., TikTok allows users to select audio from their Apple Music Library). If Apple Music continues to find new opportunities and audiences to connect with, they will continue to act as Spotify's top competitor due to their increased brand loyalty and technological innovation.

Previous Advertising Strategy

Spotify's successful business model can be attributed to its strategy that encourages users to upgrade from their free version to premium, which contains benefits such as no ads, offline playlists, and enhanced sound quality (Brown, 2019). Spotify gains revenue primarily from two

categories: advertising and subscription services. In terms of advertising, they have been focusing on key markets as well as improving their brand image through social media marketing.

Their largest following is on Facebook (22 million likes) where they also promote exclusive deals with major artists to entice users to use their service as a primary music source. Through their social media platforms, their large user base uses the “network effect” to attract new users and provide value for existing ones. In doing so, Spotify hopes to deliver a differentiated product to a large group of customers through personalized features such as their “Discover Weekly” playlists that are generated for users to find new songs based on their previous activity, as well as “Daily Mixes” that are uniquely made for each user and incorporate specific genres of music that they often listen to (*University of Montana ScholarWorks at University of Montana*). To increase revenue, Spotify must focus on advertising features of the rebranded student subscription plan on social media and take on partnerships, because their previous strategy solely focused on advertising celebrities and songs on their social media outlets rather than making the benefits of premium well-known.



Pictured above: Screenshot from Spotify's Instagram feed that showcases many celebrities rather than advertising premium features and consumer benefits which would help to boost revenue.

As Spotify has been deemed successful in the music industry, there is always room for improvement as they still face flaws with their current strategy. The competition among music services is extremely high, so Spotify must work on addressing their weaknesses such as their lack in unique features for premium users. Since 2017, Spotify has shown

Table 1: Spotify and Media Streaming Industry Key Financial Ratios

	2017		2018		2019		2020	
	Spotify	Industry	Spotify	Industry	Spotify	Industry	Spotify	Industry
Revenue Growth	38.6%	0.2%	28.6%	9.1%	28.6%	25.1%	16.5%	(13.6%)
Gross Margin %	20.8%	47.8%	25.7%	56.8%	25.5%	50.9%	25.6%	24%
Net Income Margin %	(30.2%)	(12.5%)	(1.5%)	7.8%	(2.7%)	(0.9%)	(7.4%)	(9.3%)
ROA	(9.1%)	6.0%	(0.7%)	6.5%	(0.7%)	2.9%	(3.0%)	(0.1%)
ROE	NM	11.0%	(6.7%)	13.3%	(9.0%)	5.9%	(24%)	(6.6%)
Asset Turnover	1.6x	0.6x	1.4x	0.6x	1.4x	0.4x	1.4x	0.3x
Current Ratio	1.0x	0.8x	1.0x	1.3x	0.9x	3.3x	0.8x	1.2x
Debt/Equity	396.6%	43.1%	NA	26.1%	30.5%	14.3%	21.7%	69.6%

Source: (Standard & Poor's, 2021)

success in reaching profitability, however, 2020 resulted in a larger loss than the previous two years with their average revenue-per-user decreasing by 8% year-over-year (Porter, 2021). Additionally, their current ratio has been worsening through the years as their current liabilities have been increasing at a faster rate than their current assets. Spotify is in a spot where they can expect to see more revenue and growth as long as they focus on rebranding their subscription service, specifically for students, which has consistently acted as their primary source of revenue. To do so, they must focus on implementing a strategy that differentiates their student subscription plan from other music services in order to receive more attention from their desired target market.

Target Audience

Spotify targets their service toward a younger audience as the majority of users are either millennials or members of Generation Z. This age range is typically very active, productive, driven, and constantly on the go. Spotify understands this as users tend to stream in multiple places, most often on mobile and desktop platforms as they move from home to school to work. Individuals in this demographic are also the most tech savvy, so having technologically advanced features that allow users to connect with friends in unique ways is how Spotify attempts to cater to this age group. For example, Spotify allows users to add friends, create playlists, share playlists with others, and follow playlists which are all very important to this younger audience because they constantly want to keep up with others and be social. The average millennial that uses Spotify spends 143 minutes per day streaming music on the platform, which accounts to over 2 hours each day (“Spotify Target Audience: Millennials”). This statistic shows how impactful Spotify has been on millennials, which is why we plan to take an approach to target the other most popular demographic, Generation Z. In doing so we hope that rebranding our student

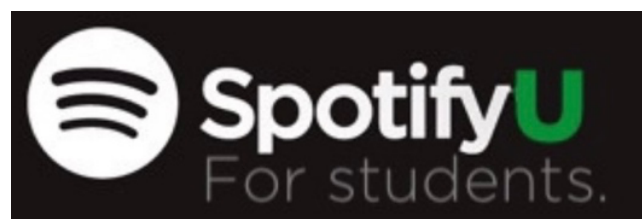
subscription service creates a need for our platform as more members of Generation Z will be using it, and our goal is to make them our largest user demographic because they are the age group that is most likely to continue using our service in years to come.

Ad Objective

Out of the 165 million active Spotify subscribers, more than half of them are under the age of 35 with 26% being in the age range of 18-24 which is a very active group since many are full-time students (Hlebowitsh, 2021). Our advertising objective is to target college students with our student subscription service, SpotifyU, where we hope to integrate many unique features that enhance the student experience both scholarly and socially. This demographic loves to be social and are constantly creating new relationships so SpotifyU will aim for students to create deeper connections through music. We hope that this unique service will encourage existing student users to upgrade to SpotifyU, and for new students to abandon other music streaming platforms and make the switch to Spotify.

Ad Creative Strategy

Spotify will launch an online campaign across all of its social media platforms as well as partner with various universities to promote their new student subscription service. There will be many unique



SpotifyU Logo

features of this subscription service that competitors do not typically offer, which will motivate students to make the switch. Previously, Spotify's student subscription discount offered them a reduced price (\$4.99/month) in addition to a free subscription of Hulu and SHOWTIME ("Premium Student"). With this rebranded student subscription, students will still receive these

benefits but also much more that will enhance not only their experience with Spotify, but their experience as a student.

Firstly, there will be a feature that allows students to link their SpotifyU account to their university so a user will be able to see what artists and genres other students are listening to. Students will also be able to create SpotifyU groups for clubs, social organizations, and friend-groups where they can post their favorite songs and create collaborative playlists for upcoming events so that members of the group can add their own songs. This aspect of SpotifyU will be promoted on a local scale through club meetings and socially through word-of-mouth marketing because students will not want to miss out on the opportunity to be a part of their respective SpotifyU groups. Similar to Spotify's popular "Discover Weekly" feature, there will be a playlist posted on each Friday with each school's top 50 songs of the week which will also be promoted on each university's individual Instagram accounts.

Another section of the SpotifyU platform will focus on the career and personal development of students. There will be a specific "Wellness & Personal Development" section where students can log their mental health, find podcasts and articles about mindfulness and advice (personal health, academic, or career-related), and also find pre-generated playlists that can be used for physical activity, meditation, or studying. According to a recent study, 94.4 percent of students said that they listen to music while doing homework, and 83.3 percent said that music benefits them while studying so this feature has much potential to help students scholarly while also focusing on their wellbeing ("In a Tiger Hi-Line Survey, over Half of Students Listen to Music When Studying"). Additionally, students will have access to all professional events at their university which will be uploaded as podcasts that they can revisit (i.e., Blue Hen Marketing Club Guest Speaker Podcast Series, Lerner College of Business and

Economics Career

“How To” Event

Podcasts). There will

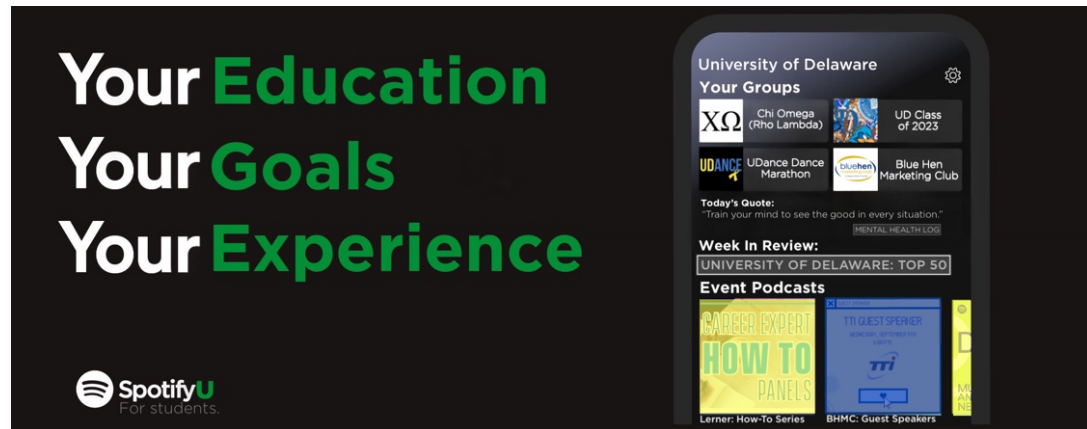
also be a daily quote

that is displayed on

each user’s Spotify

interface which is shown in

the graphic to the right.



SpotifyU user interface

Media Plan

The media that will be used to promote Spotify and their rebranded student subscription plan, SpotifyU, will be advertised through television, YouTube, and social media campaigns. The plan will begin in early August because that is when students are thinking about heading back to school. The main messages that will be conveyed are that this new service emphasizes personal development both scholarly and socially. We plan to advertise the personal wellness portion through television ads, the scholarly portion through YouTube ads, and the social portion through social media. Personal development and wellness are hot topics in today’s society, so advertising this aspect of SpotifyU in a more vulnerable way through television ads would be the most beneficial. This method would create brand loyalty because many people will respect the fact that Spotify is not just focused on making a profit and that they genuinely care about their student users by wanting them to succeed and benefit from SpotifyU as well. The advertisement be promoted on prime-time television because that is when students are finished with their work and can relax. It does not matter which program the advertisement is aired during, because no matter who sees it there will most likely be someone that they know who can benefit from

SpotifyU (i.e., a cousin, daughter, niece, grandson). Additionally, if it is aired during the evening the advertisement will be played during shows like the Bachelor/Bachelorette which many college women watch, or sporting events which are very popular among college men. The commercial would take a more emotional approach and begin with statistics about college students and stress levels, and then show features of SpotifyU that will assist them with this such as the mental health log, meditation playlists, and mindfulness and de-stress podcasts. Next, the scholarly advertisements will be promoted before YouTube videos that most college students watch, such as videos that assist with homework/a topic that the student may be struggling with or videos that contain tips on how to ace an interview. These ads will show a college student preparing for an internship interview and getting ready by listening to a playlist on SpotifyU where it is easily seen that the account is linked to their university. Then, the advertisement will show them walking into the interview but before they enter, they look down at a SpotifyU podcast from a previous guest speaker event at their school that discusses how to perfect an interview and secure the job (this will show that the student used SpotifyU's services to prepare and will ultimately get the job). Lastly, the social aspects of SpotifyU will be promoted on Spotify & the universities' Instagram accounts since most students are very active on this app. There will be a contest where the university with the most subscribed students will win an exclusive concert hosted by Spotify in the Spring Semester as well as a scholarship that will be provided to the university. The winning school will also be featured on Spotify's official Instagram account. Additionally, as previously mentioned there will be a playlist posted on every Friday with each university's top 50 songs. This will be promoted on each specific university's Instagram that Spotify is partnered with, and the idea behind this is that it will be a popular topic

and students will be eager for each Friday to see the top songs for the weekend which will also encourage them to repost the campaign.

Advertising Budget

Based on the article, “Spotify’s Advertising Business Is Booming Thanks to Podcasts”, Chef Executive Officer Daniel Ek stated that projected advertising would one day account for more than 20% of its total sales (“Spotify’s Advertising Business Is Booming Thanks to Podcasts”). The numbers in our advertising budget reflect Spotify’s future success, and we hope to spend a decent amount on advertising because it is the component that brings in the most revenue right behind subscription services. To break down the budget, the average cost-per-view on YouTube is between \$0.10 and \$0.30, so if we take the average (\$.20) and want to target one million viewers, we will need to spend \$200,000 on YouTube advertisements. (“How Much Does YouTube Advertising Cost?”). In terms of television advertising, the cost for a 30-second ad on national television is \$115,000, however, we plan to make a 15-second advertisement because viewers will be more attentive, and we can split the cost in half while saving more money for additional funds to have the advertisement aired during prime time (“Best Video Producers Share Their...”).

	<u>YouTube Ads</u>	<u>Television Ads</u>	<u>Social Media</u>
<i>August 2021</i>	\$100,000 (500,000 viewers; campaign just starting out)	\$57,500	\$50,000 (For updating all of their content, messages, and rebranding; just starting out)
<i>September-December 2021 (Fall Semester)</i>	\$200,000 (1,000,000 viewers is estimated at \$200,000)	\$172,500 (allocate more money here because more prime-time attention, i.e., Sports & The Bachelor/Bachelorette)	\$150,000 (already had a month to push rebranded subscription out but still increased)
<i>January-May 2021 (Spring Semester)</i>	\$200,000	\$120,000	\$200,000 (spend most money here; longest portion because 5 months and final stretch to motivate students and Spring Semester Concert competition)

NOTE: Word-of-Mouth Advertising will also be used via students and groups which is effective and free of charge

Overall, the budget for the SpotifyU campaign could be about 1,250,000 dollars but it will be well worth the investment.

Research Methods

To test out SpotifyU's mission statement, Spotify will send out an in-app survey to student users. They will first send out a survey when a student first signs up with the subscription service as a Pretest that measures how well they feel as though their prior streaming service assisted them with social aspects, academics, and personal wellness, as well as where they first heard about the program to see the effectiveness of each advertisement. After a student uses SpotifyU for a set period of time (most likely after their fall semester ends which is the most ideal time), Spotify will track the students' usage and which services in the program they tend to use the most and for how long (i.e., how active a student is in their respective groups, how often they listen to their university's event podcasts, how many times they write in their mental health log), and will also determine if they should adapt the advertising plan based on the majority of where users first heard about the new subscription program. Finally, in the middle of a student's spring semester, Spotify will send out an in-app survey that prompts users to answer how effective the program was in the three major categories that were asked when a student first made their account and will also ask a follow-up question to graduating seniors to determine whether or not they will continue using Spotify to measure if brand loyalty was established. This Posttest is to see how effective Spotify was in implementing their mission points, and if the overall SpotifyU campaign was successful according to the target market.

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