SPOTIFY:
STRATEGIC PLAN



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1. INTRODUCTION TO SPOTIFY

1.1 Who are we and where are we based?

Spotify Technology S.A. was founded in 2006 in Stockholm by Daniel Ek and Martin Lorentzon. Originally conceived as a way to fight piracy, its mission has since expanded to “unlock the potential of human creativity”, building a technology ecosystem that connects artists and listeners around the world.

Financially, in 2025 it generated €17,186 million in revenue, €2,900 million in free cash flow and record gross margins of 33.1%.



In terms of physical presence, although its registered office is in Luxembourg, its global headquarters and its core R&D operations remain in Stockholm, Sweden.

Operationally, it runs a network of 15 major offices worldwide, in cities such as New York, London, Singapore and Mexico City. Barcelona stands out thanks to the sponsorship of the “Spotify Camp Nou” stadium, around which the company has set up an exclusive B2B sales office focused on selling VIP seats, projected to generate €120 million a year in revenue.



1.2 What do we sell?

The offer revolves around a “Freemium” ecosystem that serves as a mass acquisition funnel, feeding subscriptions from a catalogue of 100 million songs and 7 million podcasts.

- **Consumer Services (B2C):** These are built around a Free tier (funded by advertising and with listening restrictions) and an ad-free Premium tier. The latter is split into high-penetration plans (Individual, Family, Duo, Student) and includes “Lossless” audio and monthly allowances of 15 hours of audiobooks. Spotify also offers AI-based products such as “AI DJ” and playlists curated from text prompts, alongside video podcasts.



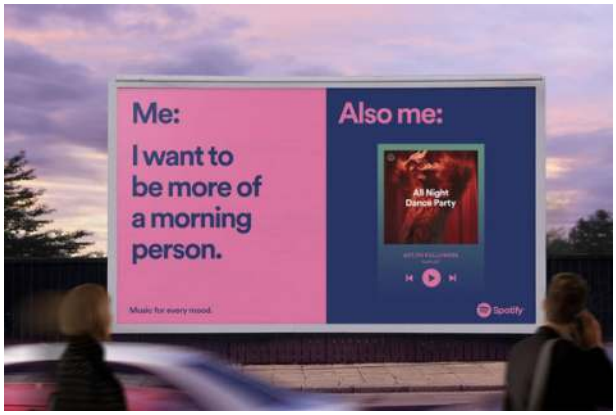
- **Corporate Services and Tools (B2B):** Highly targeted advertising space is sold through tools such as Spotify Ad Exchange, including audio spots, opt-in video and sponsored

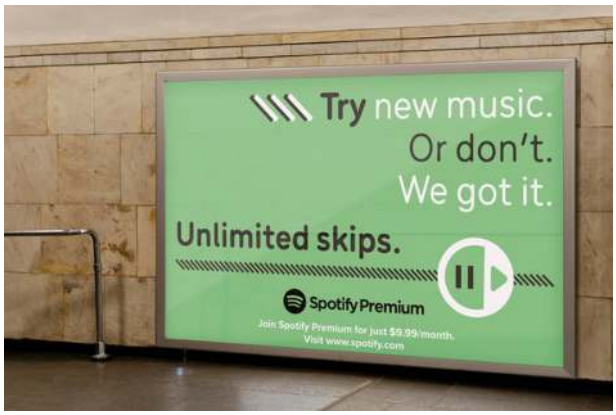
playlists. For creators, it offers “Spotify for Artists”, which provides global metrics, in-app marketing actions (Discovery Mode) and direct merchandise sales solutions.

1.3 What is our current positioning?

The company has consciously moved away from the idea of a simple passive player and now defines itself as a hyper-personalised, AI-powered “discovery business”. Consumers know it as an emotional digital confidant that predicts and curates “the soundtrack of their life”. In the advertising sector, it presents its platform as “the Sound-On Era”, a high-attention environment that offers a refuge from the saturation and visual fatigue of other social networks.



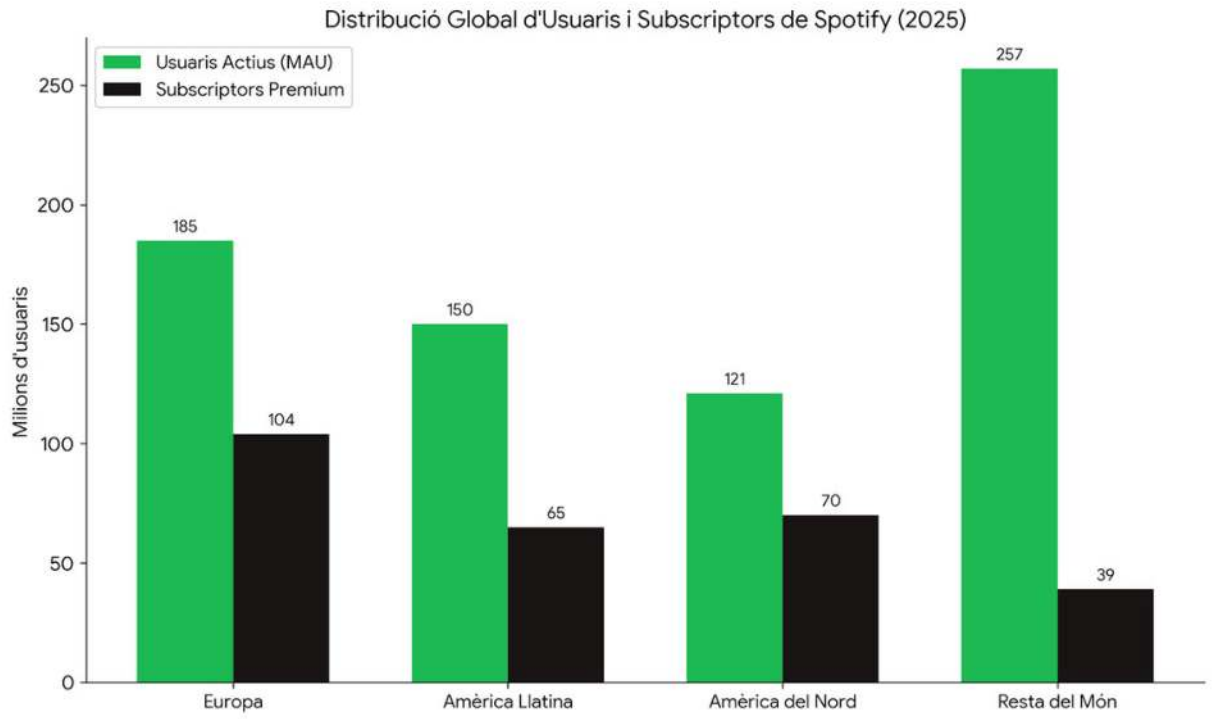




In terms of reputation, Spotify positions itself as an indispensable “Audio Utility” and, thanks to its *Loud & Clear* transparency report, casts itself as the global economic engine that rescued the industry, reporting direct payments to the industry of more than $11,000 million in the 2025 financial year alone.

1.4 What is our distribution area?

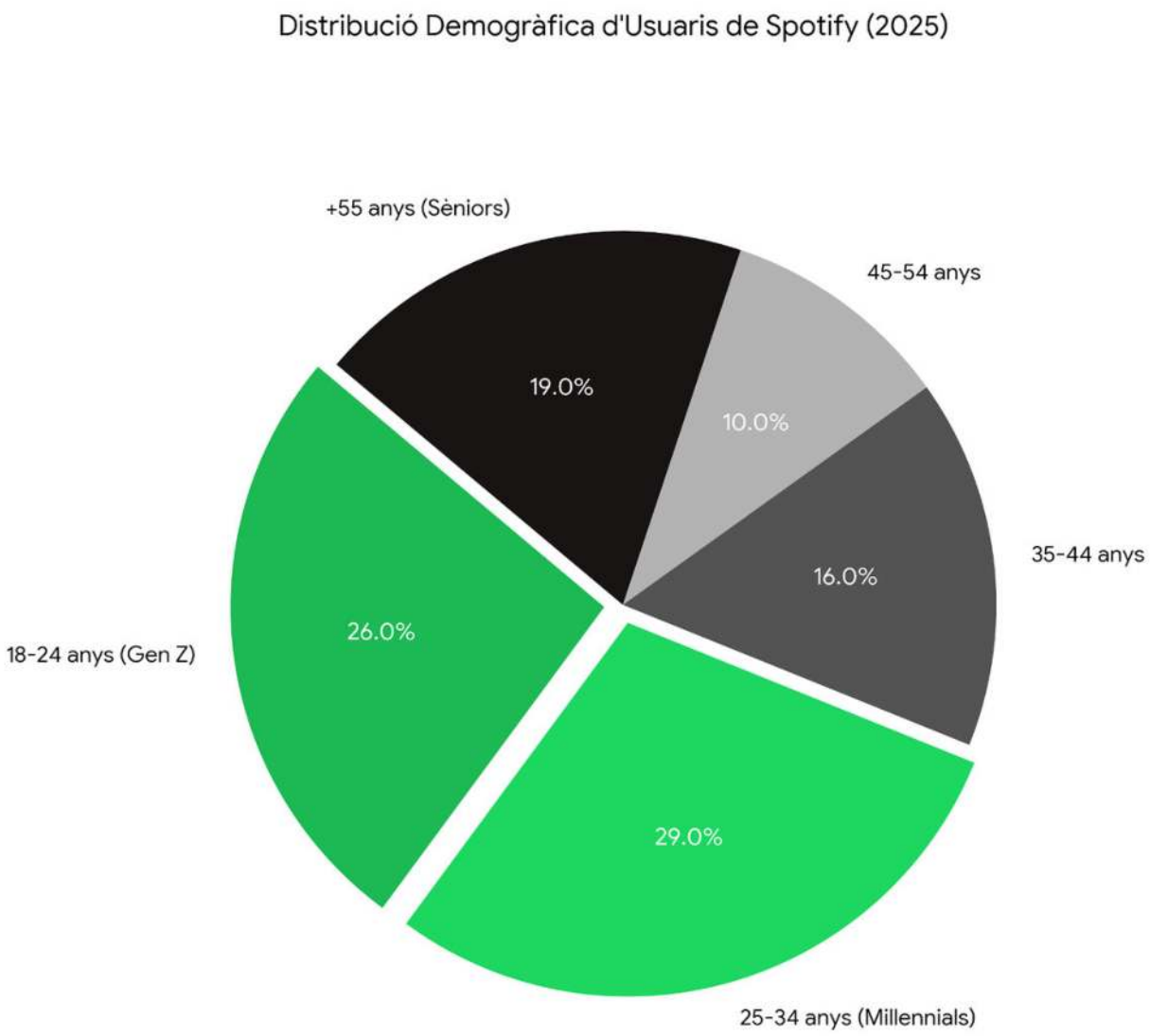
It operates in 184 international markets, giving the company a 31.7% share of global subscribers.



As the chart shows, there is a geographical asymmetry. The large volumes of new traffic come from Asia and Africa (“Rest of the World”), but these markets have low conversion rates to paid plans. By contrast, mature markets such as North America and Europe contribute 62% of monthly net subscription revenue, carrying the bulk of turnover through well-established price-rise policies that sustain ARPU (Average Revenue Per User).

1.5 Who are our main customers and what is their profile?

At consumer level (B2C), the app has 751 million active users (roughly 10% of the world’s population), of whom 290 million pay for Premium. On average they spend around 148 active minutes a day on the app, with the following demographic breakdown:

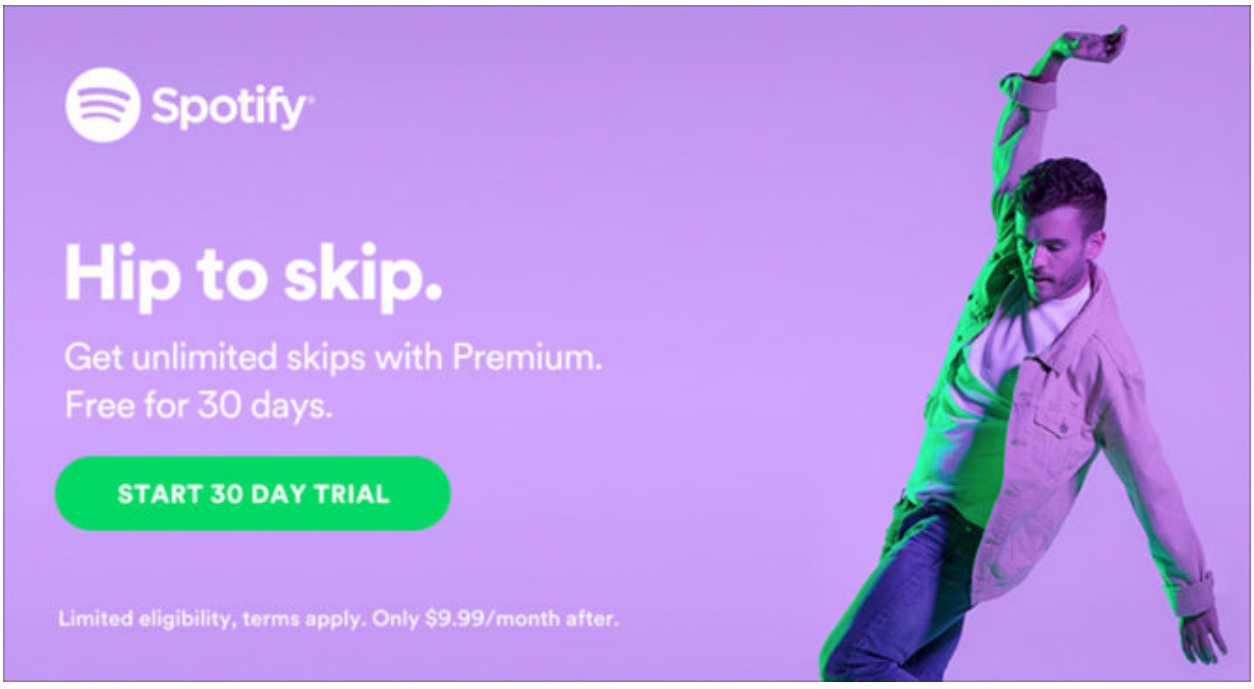


- **Gen Z (18–24):** They make up 26% of the platform and lead the mass adoption of new visual tools and video podcasts.
- **Millennials (25–34):** The largest group (29%), they use audio mainly as a continuous background during work routines and commutes.
- **35- to 44-year-olds:** They account for 16% and are characterised by taking up family plans and channelling their children's listening through Spotify Kids.
- **Seniors (55+):** Making up 19% of the app's users, they turn out to be "late adopter" customers with high commercial stability and strong purchasing power.

On the strategic and advertising side (B2B), the primary customers are large global digital advertisers and the 50 million creator profiles that obtain their core funding through the company's servers.

1.6 What is our sales channel?

- **The App's Direct Funnel:** The main driver of Premium sales is organic acquisition generated within the app's own free tier. Of all Premium customers, 60% originally came in as non-paying users. Payments are increasingly being diverted to the company's own websites to avoid the 30% commission charged by stores such as the App Store.
- **Indirect Multimedia Alliances (Telcos):** Passive subscription acquisition through bundles offered in partnership with large international telecoms companies (Vodafone, Verizon), often built into mobile contracts in which listening does not use up mobile data (zero-rating). There is also a native presence in smart cars, Samsung screens and bundles such as Xbox Game Pass.
- **Automated Integration (B2B):** Sales from advertisers' commercial campaigns arrive automatically through auctions such as SAX, Amazon DSP or Smartly. For creative content, the company receives mass uploads directly from partner B2B aggregators (DistroKid, CD Baby, Amuse).



1.7 What is its corporate image like?

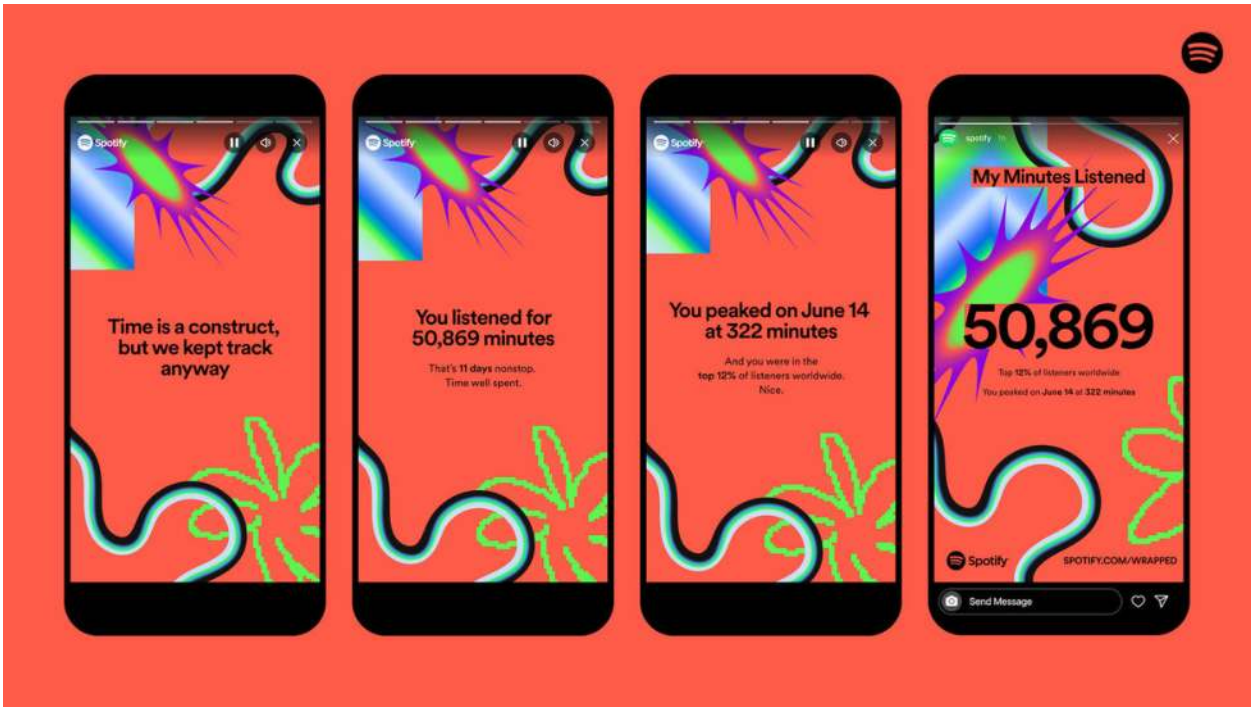
It is formally built on the absolute principles of visual purity, minimal confusion and integration.

- **Iconographic Identity:** This consists of the protected, self-contained symbol of diminishing radiating waves combined with the corporate name; global rules prohibit any

mixing or “co-branding” that would reduce the independence or the visual clear space (a minimum of 70 pixels in digital formats) of the brand mark. Typographically, minimalist sans-serif styles are required.



- **New “Visual Mixtape” Colour Strategy:** The classically recognisable “Spotify Green” now serves only as a general institutional “base”. The modern philosophy exploits radical dynamic combinations (the “Colorway Framework”), creating splashy, disruptive and youthful graphics with strong pop contrast, designed to reflect an urban world in perpetual motion (as seen in the Wrapped phenomenon).

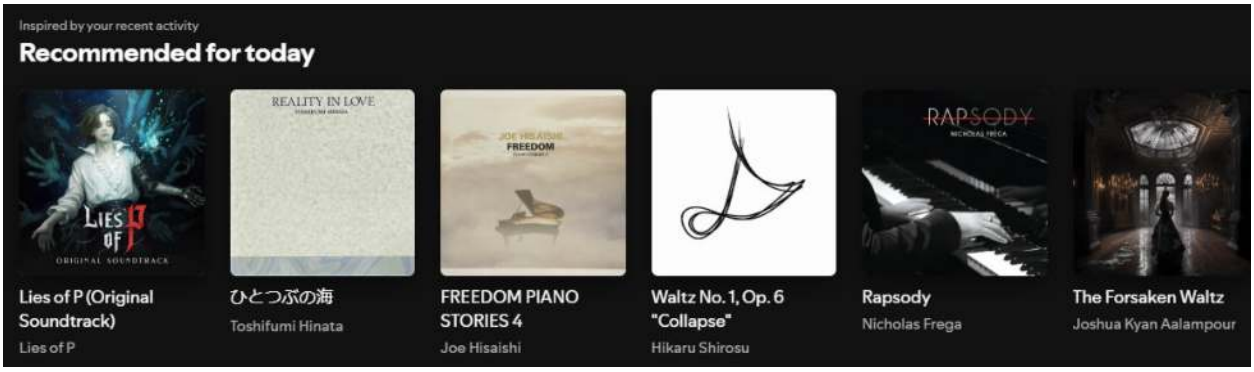


1.8 Which communication channels does it use, and what is its style?

With an annual budget of €1,426 million for marketing and promotion, Spotify builds its verbal tone around personas far removed from software engineering: it speaks as a “Playful, Sincere and Collaborative” ecosystem. It uses a highly personal, hyper-individualised style of communication

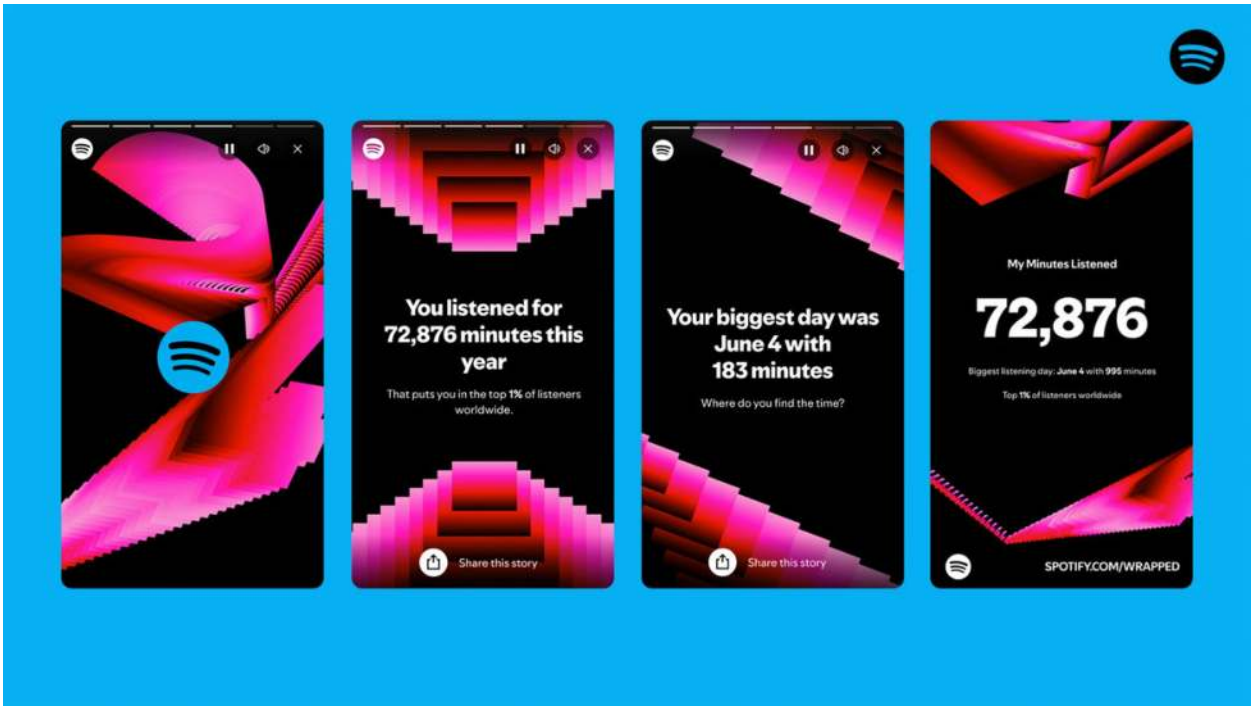
(e.g. “This is how your mornings sounded”) that cements its role as an empathetic, human digital friend, closely tied to “Sonic Branding” strategies of mnemonic insertion before every ad.



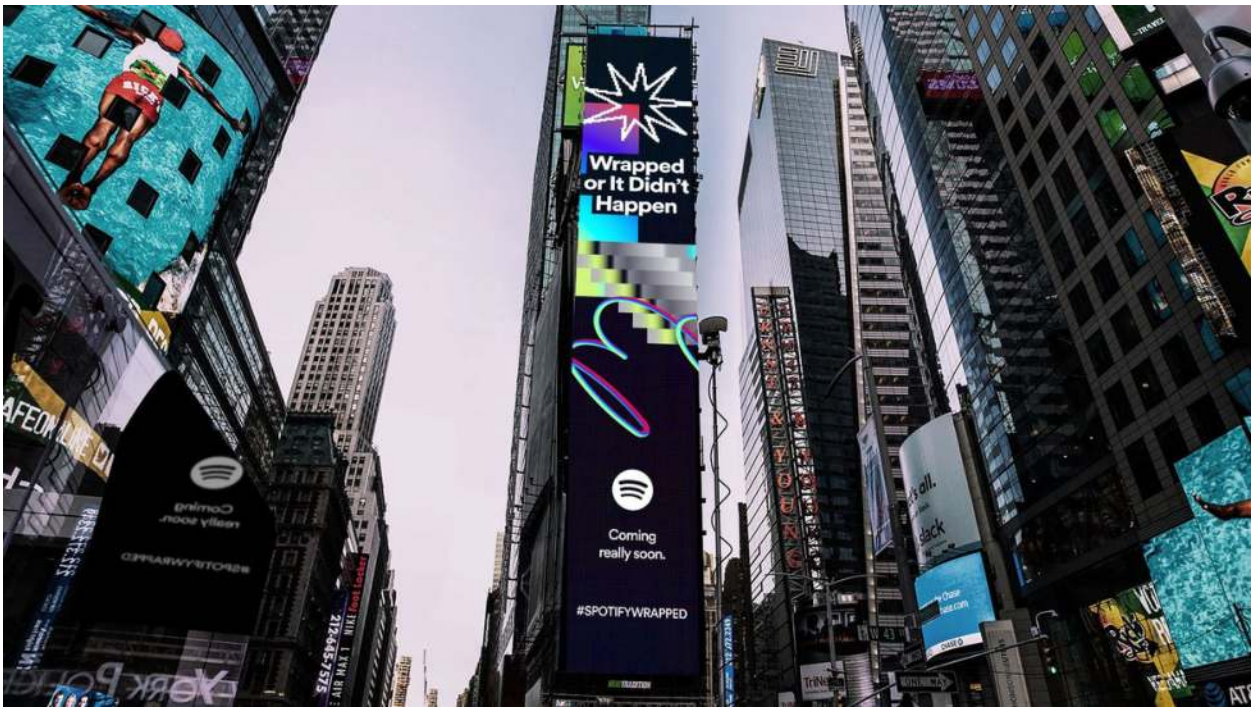


Its three macro-channels of impact are:

- **Social Networks and Native Cultural Virality:** Instagram, TikTok and X (Twitter) are used organically. Above all, *Spotify Wrapped* stands out: an interactive launch that draws more than 300 million participants worldwide every year and that in 2025 generated around 500 million external shares, produced natively by the users themselves within a few days.



- **Monumental Physical "Out of Home" (OOH) Strategy:** Iconic, high-footfall locations such as Times Square or Piccadilly are taken over with hyper-local billboards carrying jokes and cultural messages about listening habits in large, dynamic lettering. The company also runs massive temporary experiential activations, such as "Spotify Beach" in Cannes (with close to 75,000 attendees), and colossal urban installations to promote artists (as on Brazilian beaches or in the New York subway).



- **Analytical B2B Outreach Resources:** These are used at institutional level to win over the top tier of the commercial industry. They include the technical transparency report on royalty payouts, “Loud & Clear”, and, for agencies, major formal publications such as “Culture Next”, which offer behavioural X-rays of young people (Gen Z) to secure reliable investment in the company’s advertising market.



2. ANALYSIS OF INTERNAL DETERMINANTS

2.1 Product-related determinants

The nature of the digital audio service (freemium and premium) imposes several constraints on Spotify's strategy and distribution:

- **Contractual expiry and licence dependence:** Unlike a physical product, audio does not degrade, but it is subject to very strict contractual expiry. The company does not own the intellectual property of the vast majority of the catalogue it offers; it acts as an intermediary. As a result, approximately 70% of gross revenue is automatically handed over to rights holders as cost of goods sold.
- **Dependence on Competitors' Ecosystems:** The service requires the user to have compatible hardware and telecommunications infrastructure. This makes the company dependent on third-party ecosystems, tying its technological fate to updates from companies that are often direct competitors (such as Apple or Google).
- **Asymmetry Between Pre-Sales and After-Sales Services:** The analysis reveals a significant asymmetry in resource allocation. The pre-sales stage is exceptionally well optimised through the *freemium* model, which acts as a mass acquisition tool. By contrast, after-sales service emerges as a critical operational limitation. Because it relies largely on asynchronous community forums, this lack of direct support degenerates into crises of satisfaction and trust when billing errors or double charges occur.
- **Relationship with creators ("Loud & Clear"):** Despite the perceived asymmetry, the model increasingly favours mid-tier and independent artists. In 2025, Spotify paid out more than $11,000 million to the music industry. More than 13,800 performers earned over $100,000, and a third of them come from self-publishing (the *Do-It-Yourself* model).
- **User Experience (UX) Design and Conversion Friction:** The product has been redesigned to make it easier to convert free users into subscribers. As a new development at the end of 2025, Spotify removed the unpopular *shuffle-only* restriction on mobile, allowing free on-demand playback. The aim of this move is to strengthen the user's psychological bond with the platform before interrupting the experience with ad fatigue to push them into paying.



2.2 Economic determinants

The company has reached a decisive turning point, moving beyond the “growth at any cost” phase to establish autonomous and highly profitable financial sovereignty.

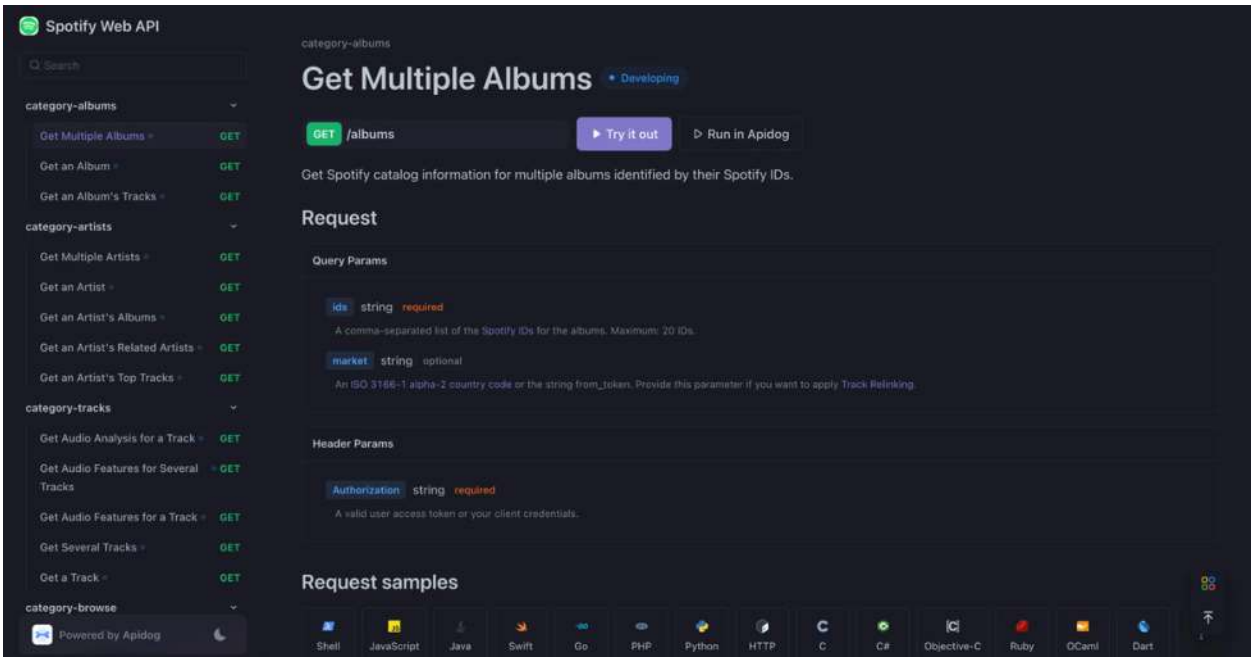
Economic Indicator (Q4 2025, except FCF)	**Result**	**Context and Trend**
Total Revenue	**€4,531 million**	**+13%** year on year (at constant currency). The Premium segment contributes €4,013M (290M paying users).
Total Gross Margin	**33.1%**	Exceptional growth (+83 basis points), driven by podcasts/audiobooks and programmatic ad optimisation.
Operating Income	**€701 million**	Comfortably beats forecasts thanks to severe containment of structural costs (layoffs and AI).
Cash Generation (FCF)	**€2,900 million (2025 financial year)**	Massive liquidity that removes any need for external debt for operations or CAPEX.
Debt-to-Equity Ratio	**0.28**	Optimal capital structure; financing based mainly on equity.

Spain and Catalonia are a market of sharp contrasts. Although audio *streaming* generates almost 100% of the industry’s digital sales (close to €300 million), the market is weighed down by a legacy culture of free consumption. Of the more than 21 million listeners in Spain, only 8 million pay; the free model accounts for 60% of listening time but brings in less than 30% of revenue.

2.3 Technical determinants

The platform's productive horizon depends entirely on its software architecture and its capacity to process data from 751 million users in real time.

- ***Front-end* Technical Debt:** Despite the company's engineering muscle, there are serious user-interface problems, such as endless loading loops ("spinners") when accessing downloaded content. This error is not caused by bandwidth but by a critical shortfall in the implementation of local *caching* in the app. The app forces an unnecessary call to the main servers instead of reading the phone's internal storage, which points to considerable gaps in quality-control processes.



- **Dual algorithmic architecture:** To avoid overloading its systems, Spotify technically separates its "Personalisation" architecture (deep neural networks) from its "Experimentation" architecture (constant A/B testing). Its algorithm seeks not only immediate satisfaction but also stability over time, so as not to overwhelm the listener.
- **"Freshness Scoring":** Because pure mathematical randomness led to complaints about songs by the same artist being repeated, Spotify altered its *Shuffle* mode. The system sets recently played songs aside from the playlist to create an illusion of surprise, improving the experience.

2.4 HR-related determinants

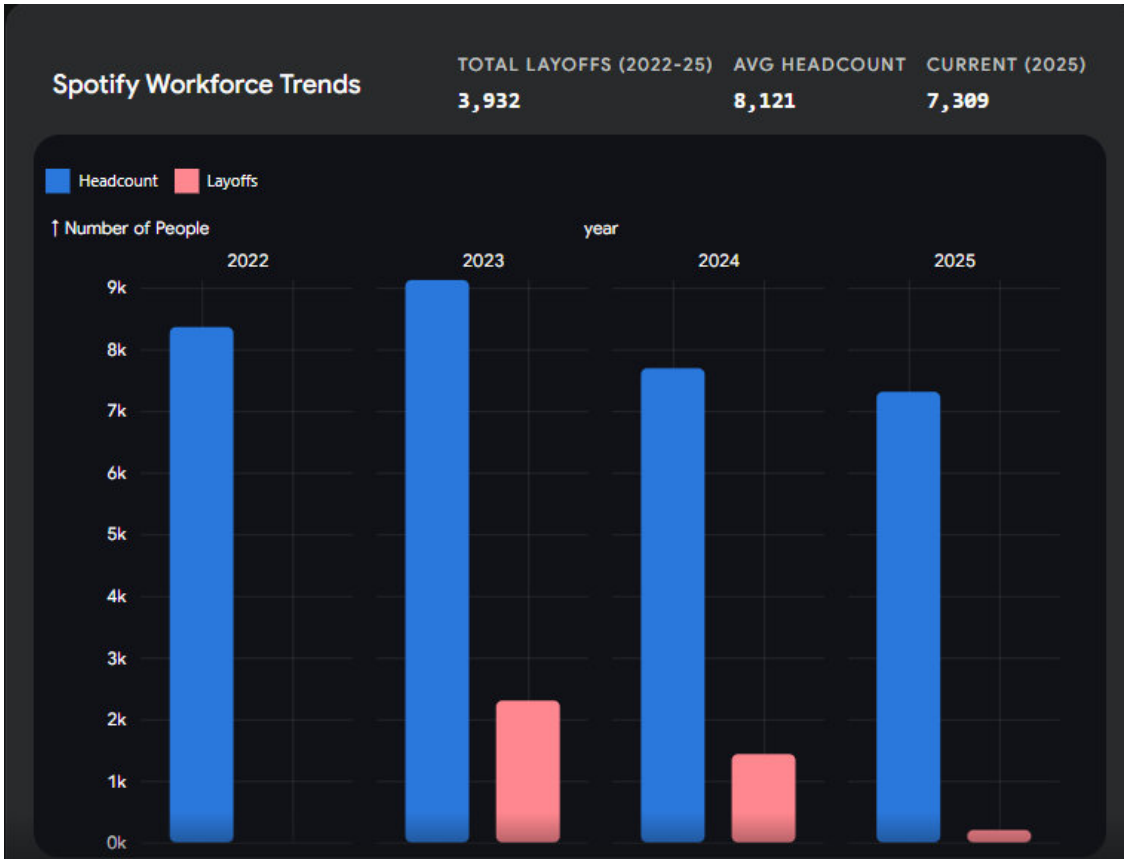
The company's human capital has gone through a traumatic but highly efficient transformation towards greater technical specialisation, while facing deep crises of trust.

After cutting 17% of its global workforce (around 1,500 employees) at the end of 2023, the

company has pivoted aggressively towards generative AI. Traditional developers are being replaced by data engineers and machine-learning experts. Language models now write routine code, and humans act as supervisors.

The chronic demotivation is attributed not only to the layoffs but also to the lavish events and extravagant corporate parties held days before or after cuts were announced, which created a "perceived financial hypocrisy" that has eroded the leadership's authority. The remaining employees suffer from work overload.

- **Retention mechanisms:** The only measure in place to retain talent is HR's non-negotiable "Work-From-Anywhere" policy, although it hampers agility between departments.



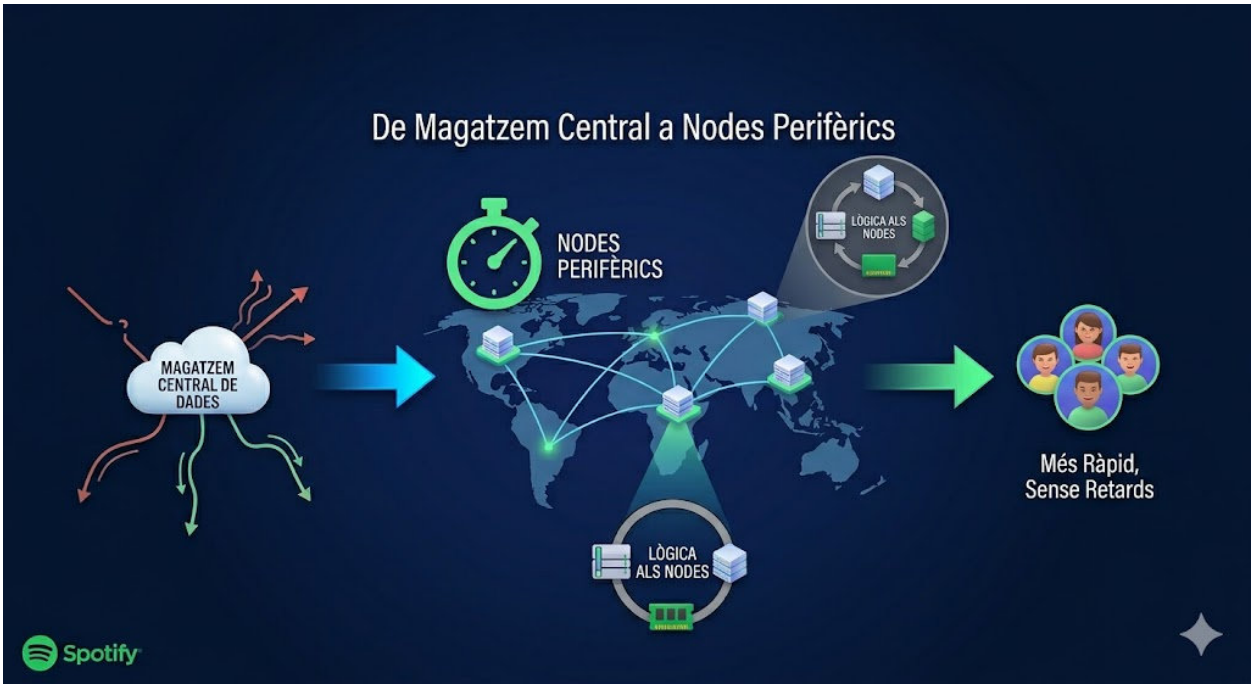
2.5 Logistics analysis (Digital and Data Logistics)

In the digital software sector, logistics means efficiency in processing binary files and delivering them worldwide without interruption.

- **CDN Architecture and *Edge Computing*:** The company left behind the chaos of fragmented providers by adopting a standardised Content Delivery Network (CDN) system

via Fastly.

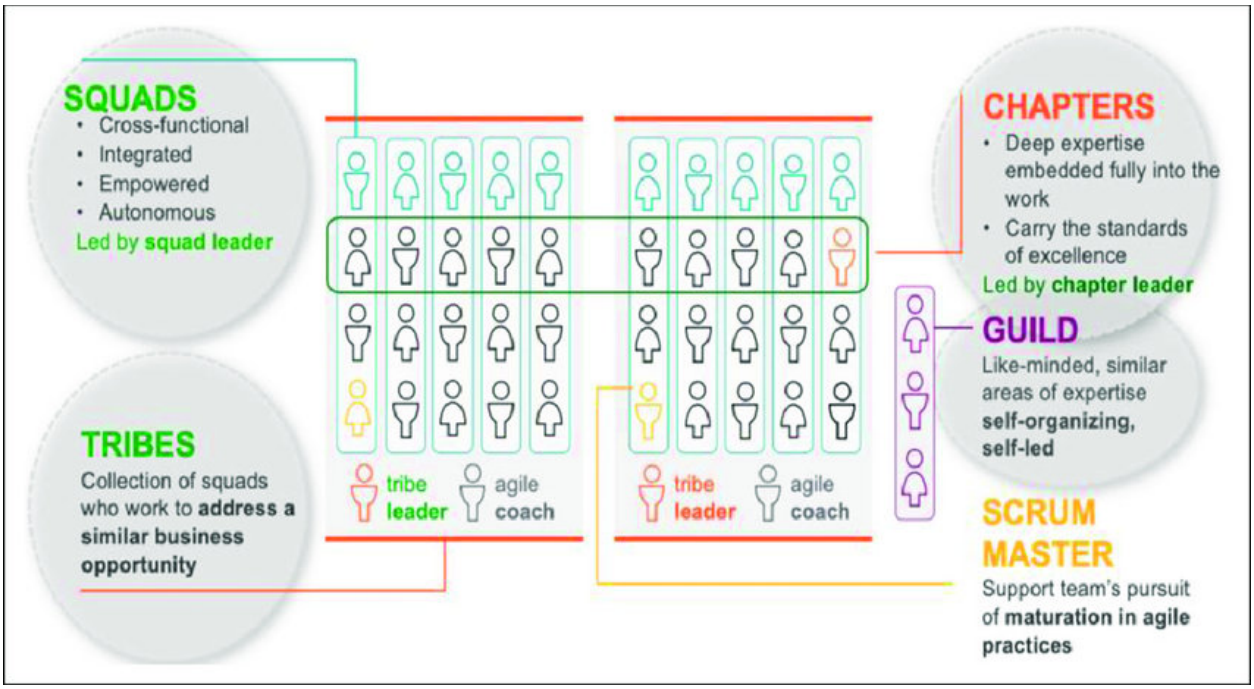
- **Eliminating latency:** When a user plays a song, the request does not travel to a centralised server. It connects automatically to the nearest node, where the audio is cached for delivery with zero delay. This ensures that the network does not collapse during global superstar releases.



2.6 Organisation-related determinants

The internal organisation (the "Spotify Model", based on Squads and Tribes) has gradually become a weak point:

- **Problems created:** It led to matrix disorder, with engineers reporting to multiple managers, which created friction and the need for "bureaucratic triangulation".
- **Redundancy:** Extreme autonomy without standards meant that every group reinvented the wheel, wasting energy on reaching agreement on joint projects.
- **Governance and shareholder protection:** Real power lies exclusively with the founders. It works through a dual-class system: although institutional funds hold the economic capital, Daniel Ek and Martin Lorentzon hold special "beneficiary certificates" that carry no economic value but give extra voting rights. This gives them 69.3% of the combined voting power, shielding them from short-term investors.
- **Solutions under way:** The company has begun dismantling this system to impose a classic, unified and effective structure. One example is the forced merger of studios into "Spotify Studios" (Podcasts) to eliminate overlapping teams.



2.7 Marketing-related determinants

Relational marketing intelligence is an inscrutable pillar that turns the service into part of the cultural conversation.

- **FC Barcelona:** The partnership to name the stadium *Spotify Camp Nou* (until 2034) goes beyond brand visibility. Spotify has allied with Barça because the club connects directly with more than 260 million fans in emerging and key markets (India, Latin America), home to the under-30 audience the platform needs to capture. Putting artists' logos (Drake, Rosalía, the Rolling Stones) on the front of the shirt for El Clásico consolidates this viral strategy.
- **The algorithmic controversy:** Despite the success of campaigns such as *Spotify Wrapped*, some promotional strategies show public-relations weaknesses. "Discovery Mode", in which artists give up part of their royalty margins in exchange for algorithmic promotion, is criticised by parts of the music industry as an extortionate mechanism.
- **Leveraging AI in B2B:** In advertising, the company has launched *Ads AI*, an autonomous virtual agent that automates the sale of ad space and builds campaigns in a matter of seconds, removing the friction of traditional human sales and increasing programmatic revenue.



2.8 Conclusions on internal determinants (Internal SWOT)

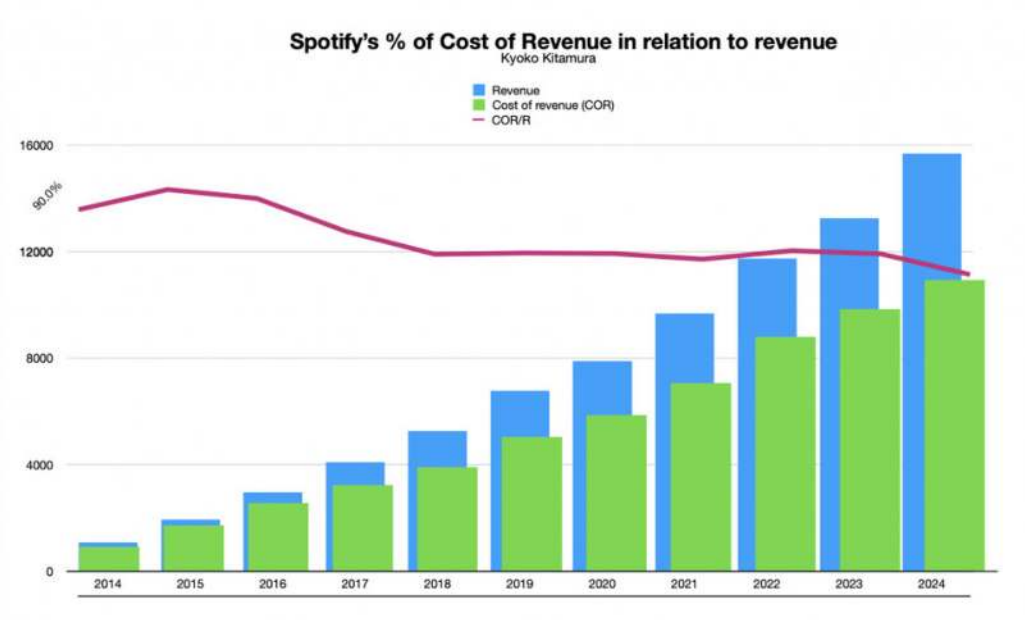
Internal strengths:

- **Financial muscle and zero leverage:** Expanding gross margins (33.1%) and €2,900 million a year in free cash flow, enabling innovation without relying on debt.
- **Algorithmic leadership:** A recommendation ecosystem that anticipates the user, creating an extremely high artificial switching cost compared with rivals such as Apple Music or YouTube Music.
- **Shielded governance:** A dual-class share structure that gives the founders full independence for long-term innovation projects.



Internal weaknesses:

- **Dependence on rival ecosystems:** The app needs hardware and operating systems controlled by companies that are its biggest competitors (Apple and Google).
- **Licensing cost constraint:** The model forces Spotify to hand over, without exception, approximately 70% of gross music revenue to the holders of the sound-recording rights.
- **User-facing technical debt and lack of support:** Front-end errors (such as loading loops caused by poor use of the local cache), combined with an asynchronous after-sales help channel that breaks down when critical billing errors occur.



Imminent internal threats:

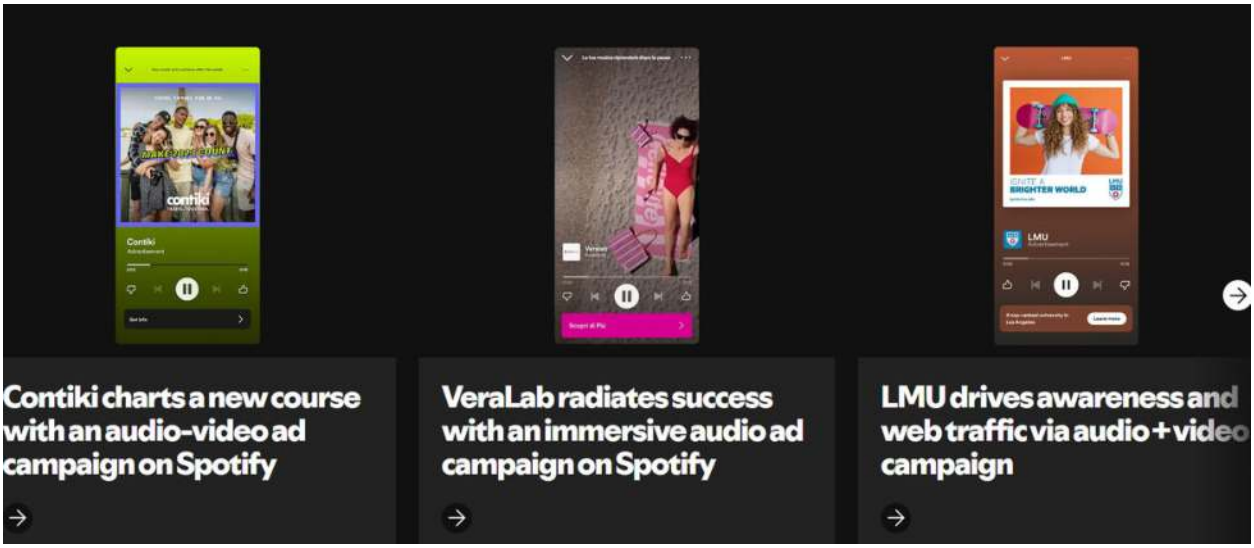
- **Talent drain:** The demoralisation caused by traumatic staff cuts (17%), together with

executives' unjustifiable displays of extravagance, is eroding operational loyalty. Without the "Work-From-Anywhere" perk, technological creativity could come to a sudden halt.

- **Ecosystem isolation:** Closing the data architecture to third-party apps to hold back rival AI alienates creative allies who have historically fed back into the system.

Internal opportunities:

- **Ads AI:** Extracting pure liquidity by closing automated advertising deals with AI, maximising margins on podcast advertising and *freemium* users without increasing music licensing costs.
- **Structural repair of the app:** Fixing the technical debt in on-device local *caching* would free up huge network logistics resources, enabling smooth global adoption of the *Lossless* format.
- **Consolidating the organisational restructuring:** Finally overcoming the disorder of the "Spotify Model" by imposing classic chains of command, to reduce bureaucratic triangulation and the energy wasted on cross-functional projects.



3. ANALYSIS OF THE ENVIRONMENT

3.1. Microenvironment determinants

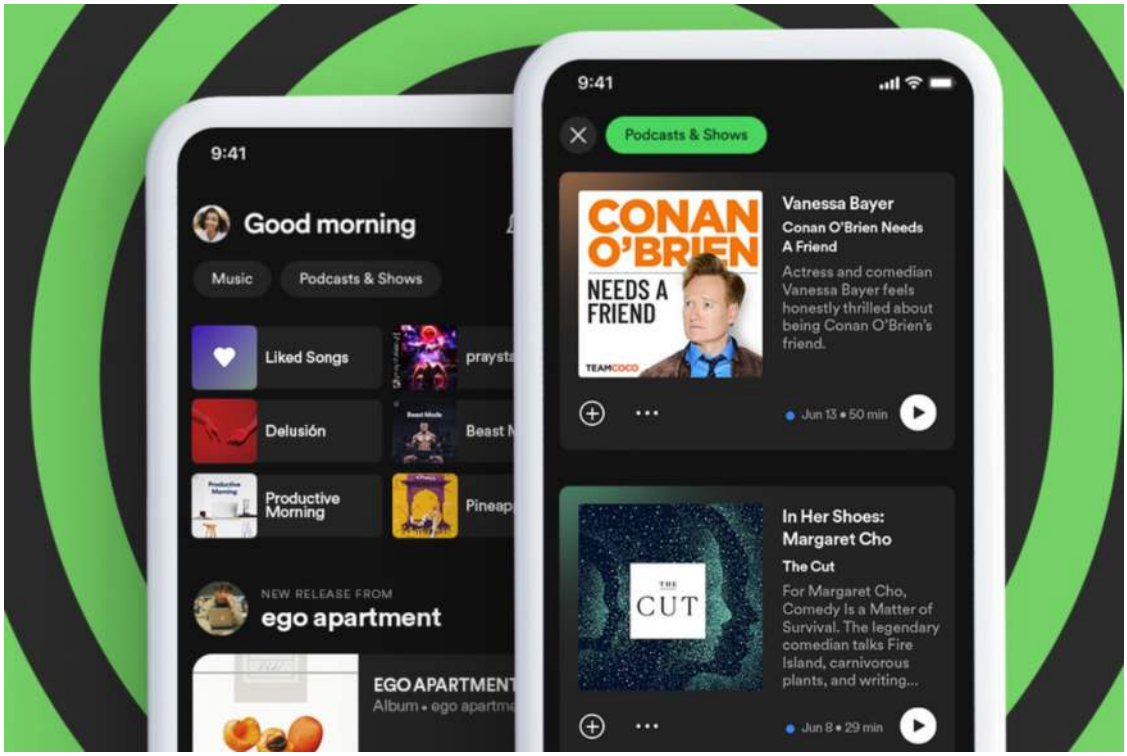
3.1.1 Market opportunities

The company's total addressable market has expanded radically beyond recorded music to cover any form of audio and cultural consumption.

There is currently a massive total user base (between 615 and 713 million), of which only a portion (between 239 and 281 million) are full-paying Premium subscribers. This numerical gap between free and paying users is a major opportunity to refine the conversion funnel of the freemium model and increase profitability.

There is also a clear business opportunity in the segment of highly demanding audiophiles, through the introduction of "Deluxe" or "Supremium" plans with pure high-fidelity audio (24-bit) to push through monthly price increases.

Meanwhile, the video-podcast niche has become a priority avenue for expansion to capture screen time on mobile devices. Monetising these audiovisual creators by opening up video advertising (Spotify Partner Program) offers major investment opportunities.



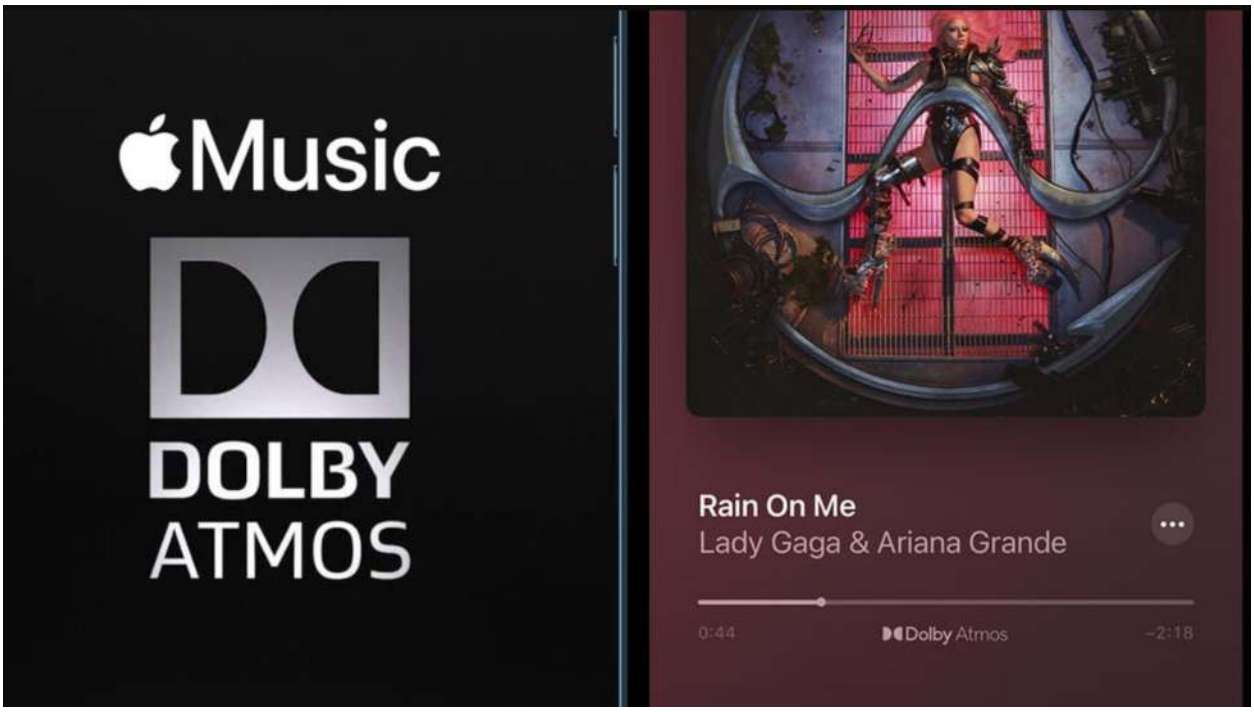
Finally, there are opportunities in active commerce, where the offer goes beyond playback to include physical audiobook sales (such as Bookshop.org) and event ticketing, a segment in which close to a billion dollars has already been transacted.

3.1.2 Competitor analysis

The company operates in a hyper-competitive technology oligopoly in which the main rivals are megacorporations that do not depend solely on audio revenue to survive. The two most critical competitors are:

Apple Music:

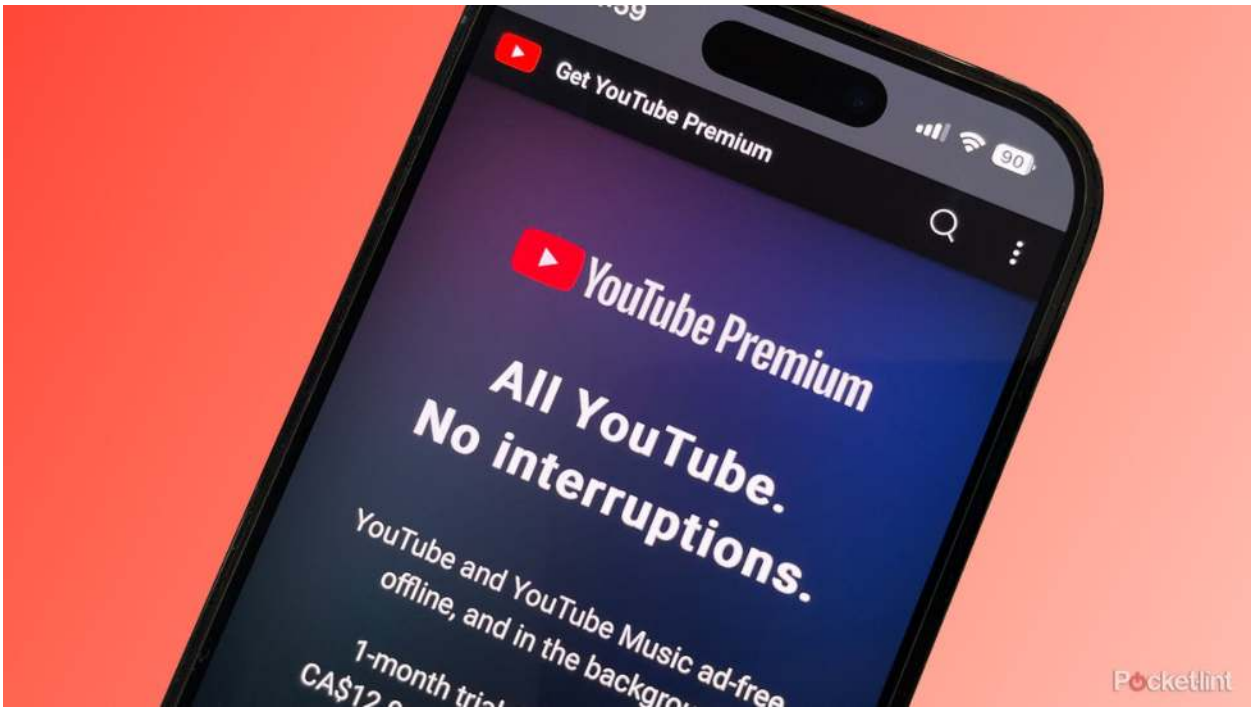
- It markets itself as “the undisputed choice for audiophiles”.
- It communicates a firm decision to prioritise human curation (classic studios, official radio stations) over purely algorithmic discovery.
- Its great strength is its closed, native integration into virtually all of the 1,800 million devices in its ecosystem (iPhones, AirPods, Siri), which brings its customer acquisition costs down to zero.
- It offers superior audio quality (24-bit/192kHz “lossless” and Dolby Atmos spatial audio) without raising its base price of $10.99 a month.
- Its main weakness is the lack of an affordable free tier for underdeveloped markets, together with a music discovery algorithm that is clearly inferior to Spotify’s.



YouTube Music (Alphabet Inc.):

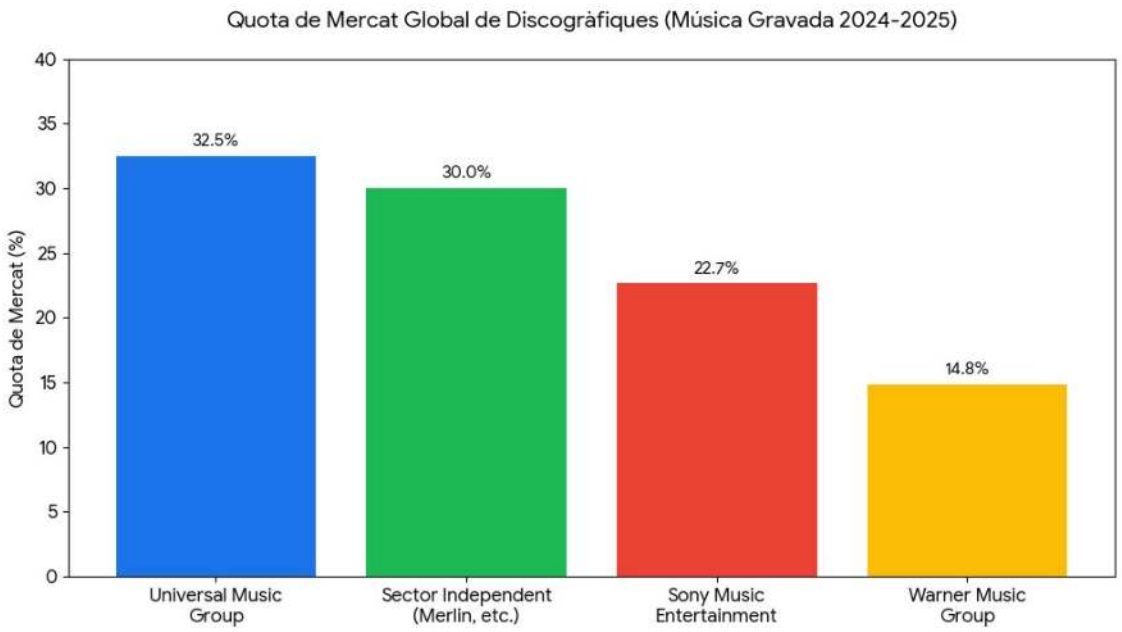
- It leverages the global leadership of its visual parent company as “the supreme global powerhouse of audiovisual content”.
- Its unbeatable advantage is the integration of user-generated content (UGC): official releases sit alongside live concert recordings, informal demos, fan covers and home-made remixes.
- It uses an aggressive value model called “YouTube Premium”, which removes ads both from music on mobile and from videos on the home TV.
- Its vulnerabilities lie in the poor quality of its compressed base audio file and a highly repetitive recommendation algorithm based on classic video history, which makes it hard to find variety.

  Moreover, UGC is also a double-edged sword, often producing multiple search results for the same term (e.g. 20 “identical” songs from 20 different users).



3.1.3 Supplier analysis

The company operates within a global creative oligopoly dominated by three major superpowers (Universal Music Group, Sony Music Entertainment and Warner Music Group), together with the independent-label agency Merlin Network. The degree of dependence is absolute, as these suppliers have historically held more than 70% of the market share of licensed listening. These conglomerates impose ironclad contracts that limit Spotify’s negotiating leverage; as a result, the company is forced to transfer approximately 70% of what it collects, gross, to rights holders, and in 2025 this figure exceeded $11,000 million in absolute terms.



Within this supplier ecosystem there is also serious friction with independent creators: payout rates sit at residual levels of between $0.003 and $0.005 per stream.

In response to this situation, measures have been introduced that reveal Spotify's limited operational power, such as not paying authors until their tracks reach 1,000 individual streams a year, which has caused discontent and accusations of impoverishing the independent segment. Another way of defending itself against this oligopoly has been to strengthen its own algorithms to steer attention towards smaller acts, gradually reducing the hegemony of the major labels.

3.1.4 Sales and distribution channel analysis

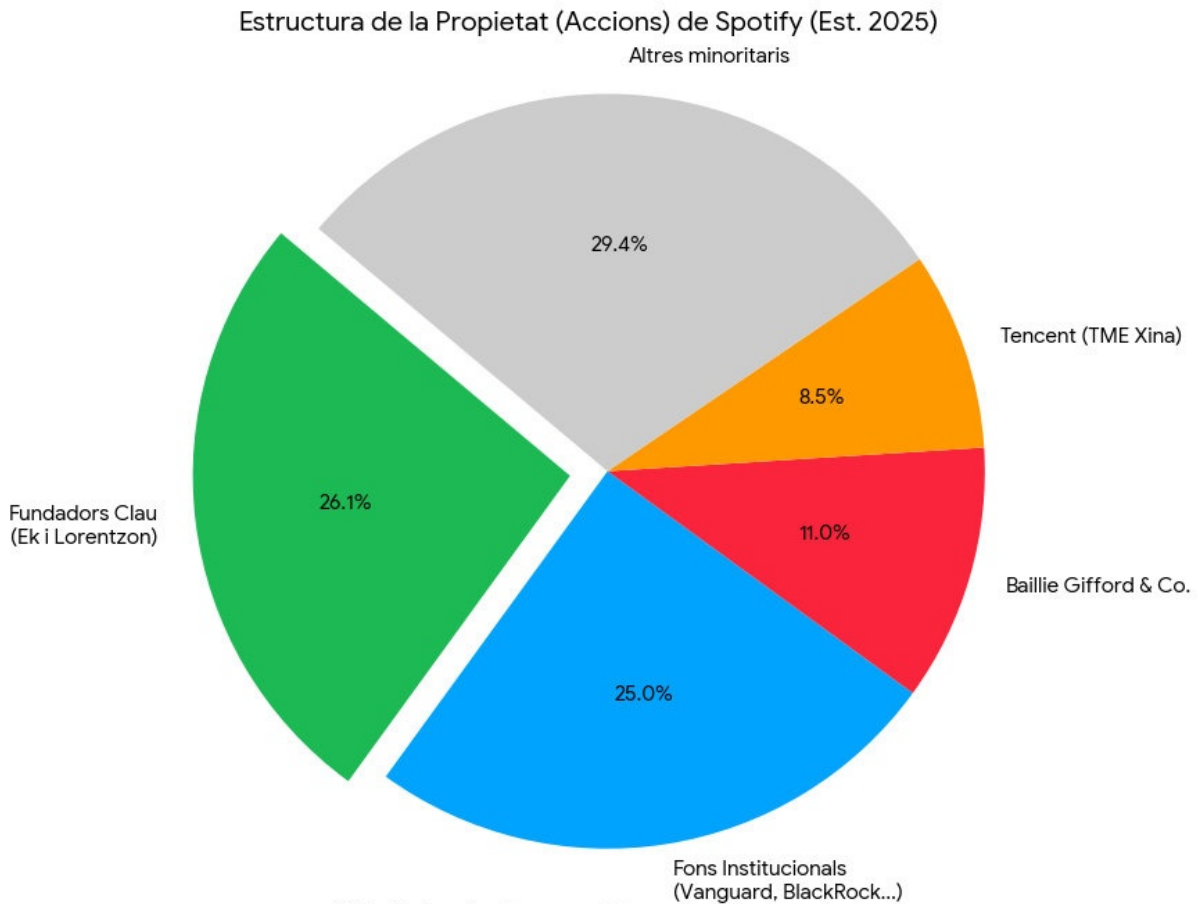
As it has no physical devices of its own, the company forms strategic alliances with the major telecoms networks and uses them as its main distribution channel: operators such as Movistar, Vodafone, Orange (in Spain and Europe), Telia (in the Nordic countries) and Deutsche Telekom offer the app through aggressive joint promotions, including discounts or exemptions from mobile data usage.

A second decisive channel is software integration into third-party hardware through the "Spotify Connect" standard, together with the development of global technical systems (eSDK) licensed specifically to break into home systems.

3.1.5 Other microenvironment actors

- **Payment gateways:** These are essential actors at the administrative core of the business. Multinationals such as Adyen, PayPal and Checkout.com keep subscriptions renewing automatically and without interruption in 180 countries, preventing bank declines.

- **Key shareholders and investors:** The founders (Daniel Ek and Martin Lorentzon) hold a management asymmetry, with about 26.11% of shares carrying entrenched voting rights to prevent takeovers. Institutional funds such as Vanguard and BlackRock (around 25%) bring stability, while the Asian group Tencent (~8.5%) serves to secure a strategic entry route into the closed Chinese market.



- **Unions and activists:** Groups such as UMAW (United Musicians and Allied Workers) or the Sindicat de Músics de Catalunya influence the environment by promoting boycotts or putting pressure on the pay model.

3.2. Macroenvironment determinants

3.2.1 Legal and regulatory environment

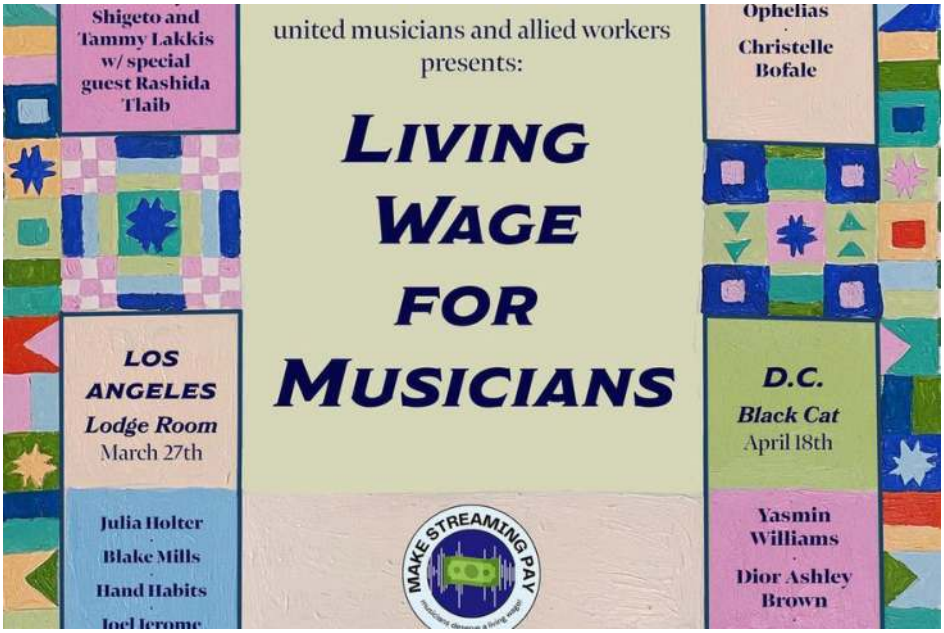
As for the **Digital Markets Act (DMA),** the passing of this law in the European Union represents a massive opportunity. It forces intermediaries such as Apple to open up their ecosystems, allowing

Spotify to avoid the abusive 30% App Store tax and to communicate premium offers and sales directly to European users.

Spotify is vulnerable to **Privacy Laws (GDPR)**, which represent a very serious operational and financial threat. In 2023 the platform was fined €5 million by the Swedish IMY for failing to respond to, and inform users clearly about, requests for access to personal data.

Along the same lines, the **Digital Services Act (DSA)** requires the company to publish regular transparency reports on its internal efforts to label content and remove illegal material in the EU.

Finally, there is growing scrutiny of labour regulation and intellectual property. In the US, the *Living Wage for Musicians Act* is being pushed to impose a new direct royalty for artists. In the UK, the DCMS Committee is pressing for agreements to raise musicians' rates, threatening to hit operating costs directly.



3.2.2 Economic environment

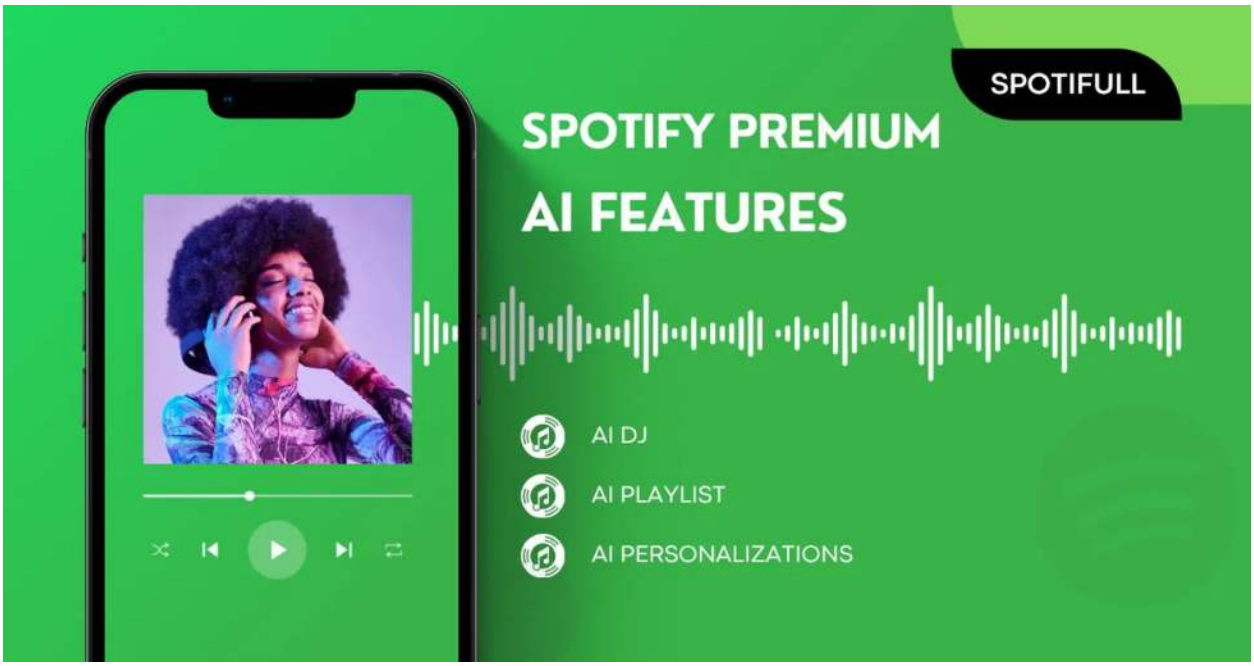
Persistent **inflation** in mature economies is driving up variable costs linked to tech hiring, marketing and servers.

In addition, the gap in purchasing power is the fundamental long-term challenge. While the saturated markets of North America and Europe generate a profitable ARPU of $10–$12 a month, user growth is concentrated in emerging markets, where the return is only $1–$3, creating financial pressure because of low conversion.

With 58% of users on the free tier (generating 11.8% of total revenue in 2024), the company depends on macroeconomic marketing budgets remaining resilient.

3.2.3 Technological environment

Advances in generative artificial intelligence (GAI) represent a major opportunity for value creation (such as the AI DJ, automated translation or voice cloning for podcasts), but they also act as an existential threat. The democratisation of these tools is flooding the market with spam and deepfakes; in 2025 the company had to remove more than 75 million fraudulent tracks, requiring huge investment in countermeasures.

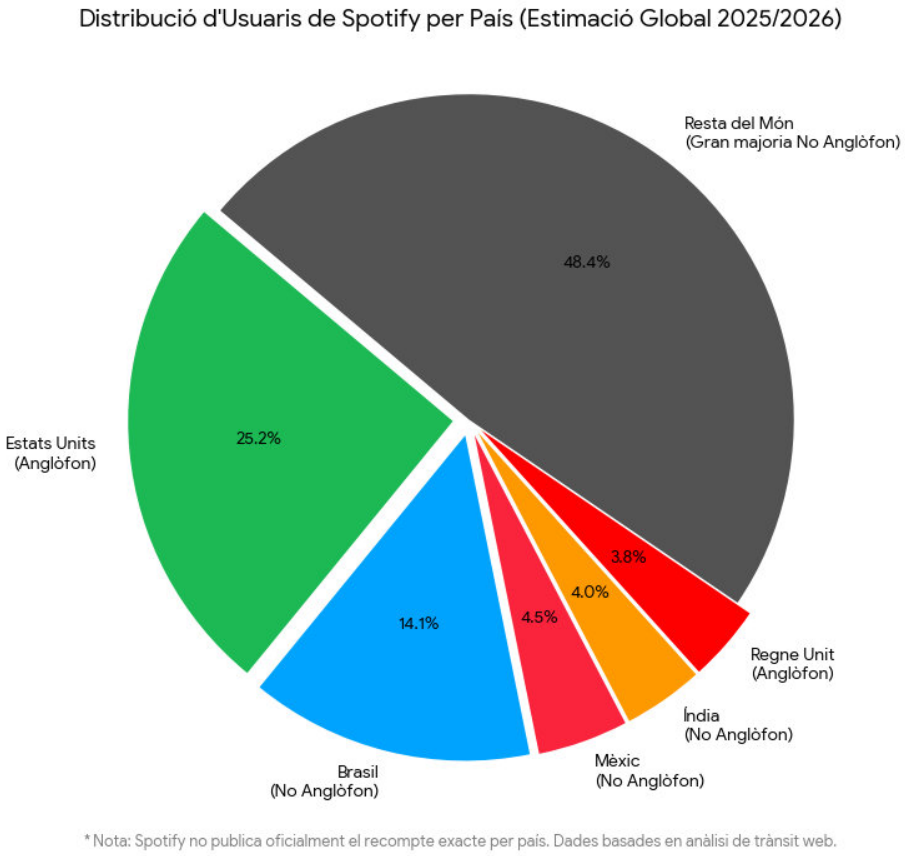


Furthermore, the technical evolution of ad tech has become vital as cookies disappear. Integrating the Spotify Ad Exchange (SPAX) with external buyers, together with digital identity agreements such as ID5, makes it possible to increase advertising conversions by 70% by optimising data despite legal barriers.

3.2.4 Cultural and social environment

Generation Z, which makes up 38% of users, demands a fluid mobile experience and discovery driven by viral TikTok-style videos. Conversely, older age groups (Generation X and Boomers) are shifting demand towards long spoken-word formats such as audiobooks and narrative podcasts.

Meanwhile, in recent years English-language dominance has (largely) disappeared, as more than 70% of listening now comes from non-English content, forcing the platform into hyper-localisation.



In addition, consumers and creators have greater digital awareness and apply more moral scrutiny. Boycotts and catalogue losses have materialised over cultural clashes, such as when the CEO funded military AI companies. There is also more social pressure over the digital carbon footprint of the large data centres that power the cloud service, and over technological waste (e-waste).

3.3. SWOT analysis

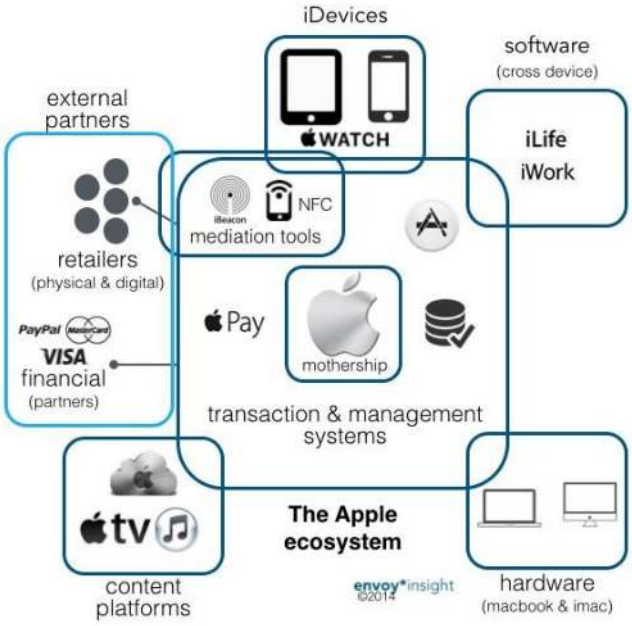
Weaknesses:

- **Operating margins:** The business suffers from the chronic obligation to pay almost 70% of its revenue to the major labels, which leaves it with a gross margin that has historically been stagnant and capped at around 33.11%.
- **External technological dependence:** It operates entirely subject to the device-control ecosystems of direct competitors, especially Apple.

- **Asymmetric geographical returns:** The massive global volume of acquisition in Asia and Latin America generates a loss-making financial return of a few dollars of revenue per user, compared with the high operating cost needed to sustain it.

Threats:

- **Big Tech Bundling:** Competitors such as Apple and Google threaten to absorb users by building music offers at no direct cost into their large operating-system, shipping or television bundles, eroding a user's reasons to pay for a standalone service such as Spotify.

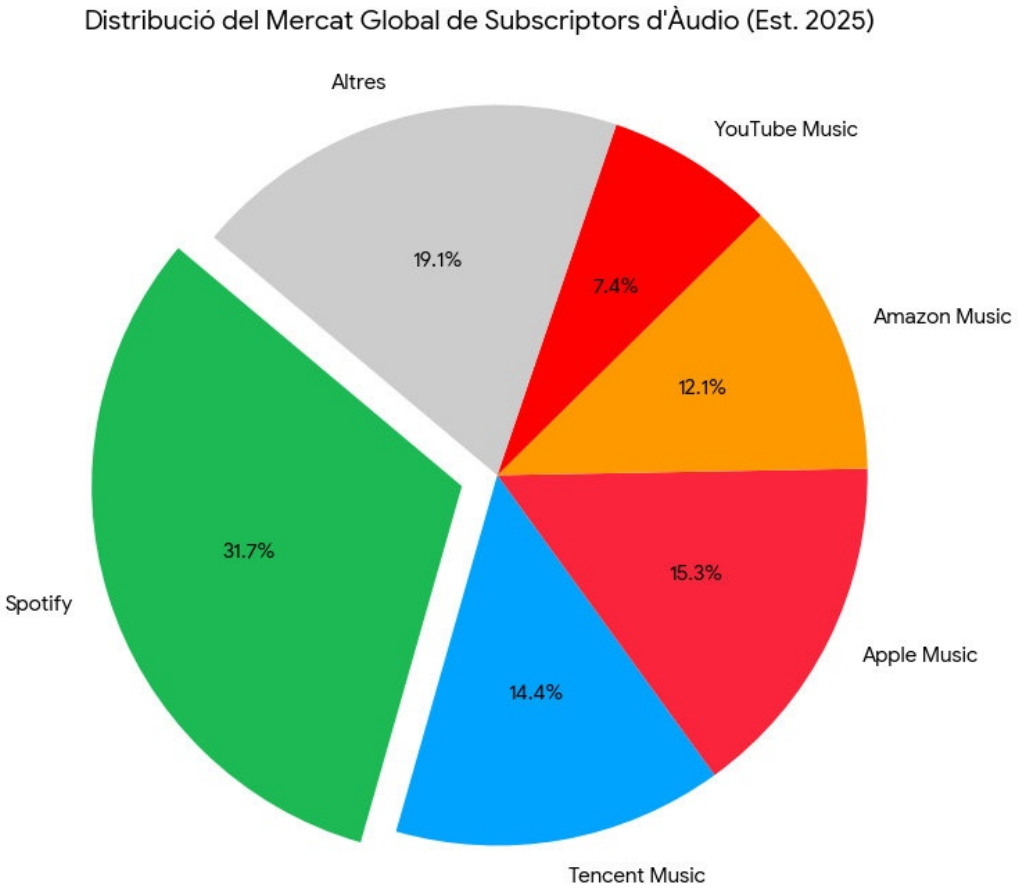


- **Industry regulatory risks:** Union campaigns and decisions by government legislative committees in the United Kingdom and the United States threaten to impose state-mandated increases and statutory rates, undermining the viability of the company's cash position.
- **Boycott activism:** High reputational fragility in the face of constant catalogue withdrawals or user exoduses in response to the board's ideological clashes with national musicians' groups, or to the misuse of AI.

Strengths:

- **Predictive superiority and exit barriers:** The company has a two-decade head start in developing predictive learning software. This creates a strong lock-in effect, in which leaving the service feels like the trauma of losing a personalised history.

- **Global market dominance:** It holds solid, long-standing leadership, with close to 31.71% of the global market of paying active users.



- **Proprietary Ad-Tech infrastructure:** Advanced international tools (such as SPAX and alliances with Amazon) have given the platform ad-exchange capabilities in which the return to buyers can reach up to 70%, a level at which other premium-only competitors have no significant presence.

Opportunities:

- **Audiovisual and spoken-word pivot:** The large-scale opening to video podcasts (through the *Spotify Partner Program*) and the build-out of audiobooks decisively reduce the blackmail and undue weight of the major music labels.

- **European reform (DMA):** Breaking the App Store monopoly under European law eliminates losses of around 30% charged by Apple. It allows revenue to be recovered in full, offers to be communicated freely and opens the door to scaling monetary returns.



- **High-fidelity plan (Supremium):** The strategic launch of a service aimed exclusively at the elite high-resolution niche opens the door to a massive increase in ARPU, offsetting pricing shortfalls in developing markets.
- **Integration of the physical ecosystem:** Spotify has a unique status as the reference point for interaction both online and in person, managing to sell and move billions in concert tickets and acting as a true global hub that does not depend on music.

4. PROPOSED STRATEGY

4.1. Definition and justification of the strategic line

4.1.1 Name of the strategy

“A DIY (Do-It-Yourself) services ecosystem and operational sustainability”

This comprehensive strategy combines a reconfiguration of Spotify’s internal organisational structure with a redesign of its value proposition. The central objective is to move from a simple intermediary music-streaming platform to a **complete technology, logistics and digital and physical services ecosystem for the independent artist**. Through this transformation, the company will organically dilute the power of the record-label oligopoly, resolve its technical debt and open up new high-margin monetisation streams (*Supremium* and *ticketing* services).

4.1.2 Justification of the choice based on the diagnosis (Linkage Matrix)

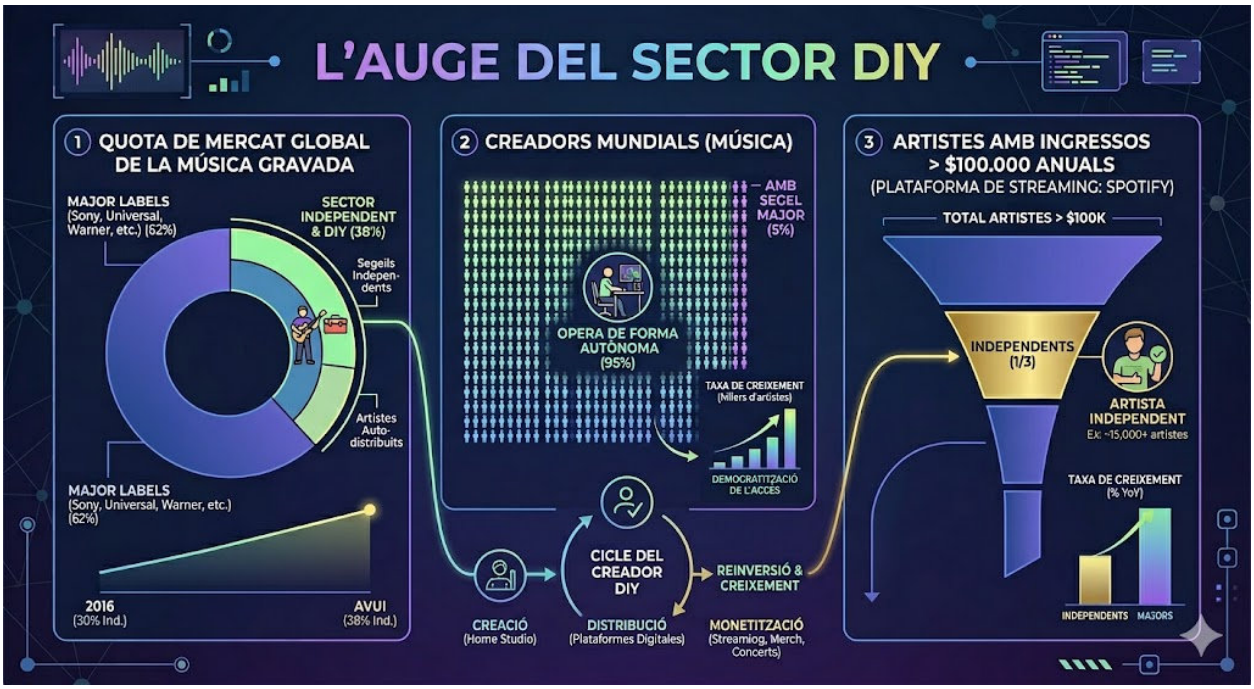
The advantage of this strategic line lies in its ability to respond simultaneously to the critical challenges identified in the analysis of the company’s environment and internal situation:

A) Main problem identified (Financial and Operational)

- **The 70% trap:** Spotify suffers from a chronic squeeze on its gross margin (currently 33.1%) because of its dependence on third-party licences. Approximately 70% of gross revenue is automatically handed over to rights holders. This structure of immutable variable costs limits the scalable profitability of pure software.
- **App bloat and technical debt:** In recent years, *Premium* users have seen their experience deteriorate because of *bloating* (a build-up of unwanted information) and critical *front-end* failures (endless offline loading loops caused by poor management of local *caching*).

B) Opportunities to seize

- **The rise of the DIY sector:** The **independent** sector already accounts for **38% of global market share** in recorded music, and 95% of the world’s creators operate independently. A third of the artists earning more than $100,000 a year on the platform are independent.



- **Niche monetisation and the physical vertical:** There is latent demand from customers willing to pay more for high-fidelity audio (*Lossless* format), as well as the opportunity to capture the live transactions market (concert tickets and merchandise), where Spotify already has the operational capacity to manage sales (moving close to $1,000M in events).
- **The European regulatory framework (DMA):** The implementation of the Digital Markets Act breaks Apple's and Google's mobile distribution monopolies, eliminating losses of nearly 30% in app commissions and opening the door to communicating offers directly.

C) Threats to reduce

- **The singularity of the oligopoly:** The three main record labels (UMG, SME and WMG) control 62% of the global market and are tending towards even greater concentration. This progressively reduces Spotify's bargaining power, increasing the risk of catalogue boycotts or pricing penalties.
- **Pressure from ecosystem-rich competitors:** Apple Music and YouTube Music leverage their corporate hardware structures and service *bundling* to offer high-quality audio at more competitive prices ($10.99 versus the $12.99 that Spotify had to impose in January 2026 to sustain itself).

D) Internal weaknesses that shape the situation

- **The collapse of the "Spotify Model":** The decentralised organisation chart based on *Squads*, *Tribes* and *Guilds* has turned into a bureaucratic matrix structure that duplicates functions, creates product inefficiencies (the constant creation and removal of *features*) and has demoralised the workforce after the **17%** staff cuts.

E) Strengths to draw on for action

- **Financial sovereignty and free cash:** Spotify enjoys excellent financial health, generating **€2,900 million a year in free cash flow (FCF)**, with a very low debt-to-equity ratio (0.28), which allows it to fund long-term projects without relying on external debt.
- **Algorithmic leadership:** Real-time processing of data from its user base (between 615 and 713 million users) gives it predictive power unmatched in the market. The value and recognition of the brand (as with the cultural phenomenon of *Spotify Wrapped*) make it a universal byword for music consumption.

4.1.3 Why is this strategic line the right one?

The **DIY Ecosystem and Operational Sustainability** strategy is the only viable long-term answer to Spotify's problems, for three fundamental reasons:

1. **It avoids mutually assured destruction:** Trying to buy a major record label or create a traditional label that signs artists aggressively would have been blocked by antitrust regulators (DMA/FTC) or would have triggered a mass withdrawal of the *majors*' catalogues. By contrast, empowering the independent sector through technology and services is a move in a **cold war of dilution**.

   If the DIY catalogue grows from 38% to 50–55% of total listening, the oligopoly's power collapses organically and quietly, forcing it to give ground in future royalty renegotiations.

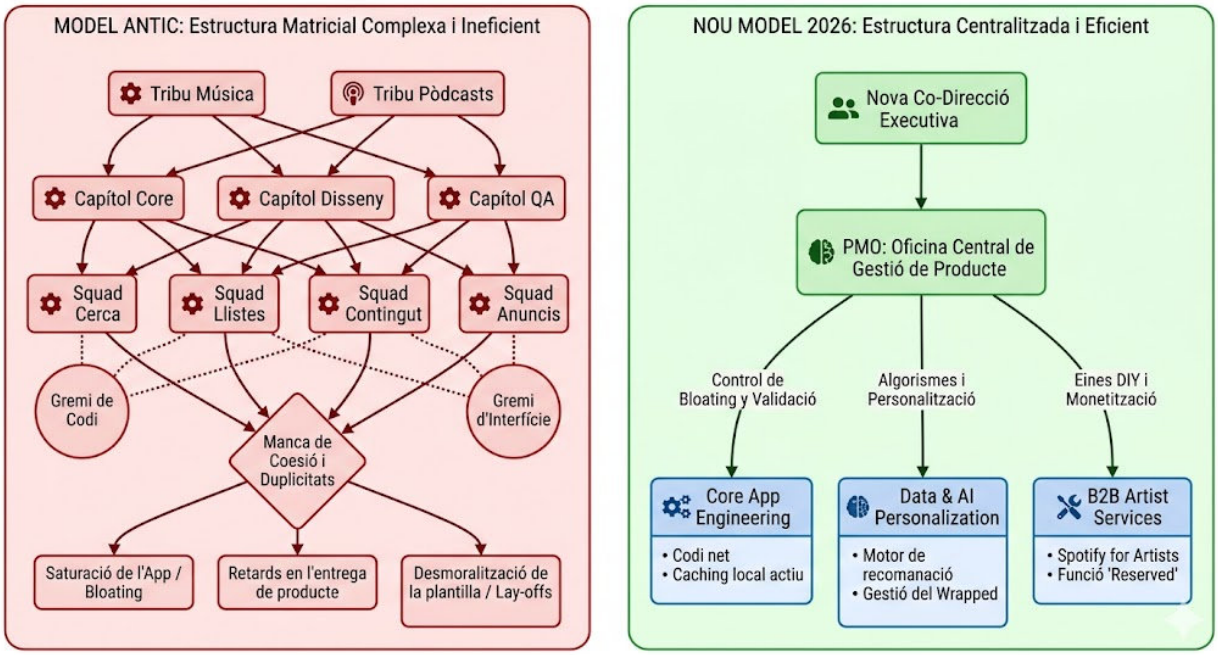
2. **It creates a talent and value retention loop:** Offering exclusive services such as the recently announced (mid-May 2026) ***Reserved*** feature (priority access to tickets based on real listening data and social media interaction, which boosts external virality by 145% through *Canvas*) guarantees that independent artists can fill their concerts at zero risk. Because under this model they keep control of their *masters* and **retain between 80% and 90% of net income** (compared with the 14–16% they receive from traditional labels), our ecosystem will become a magnet for global talent.
3. **It aligns internal efficiency with external monetisation:** Centralising the internal structure and scrapping the outdated squad model resolves employee discontent, stops duplicated work and directs engineers to **structurally fix local *caching***. Clearing the app of front-end loading errors and visual clutter is the mandatory technical prerequisite for launching the ***Supremium / Deluxe*** tier for audiophiles, increasing ARPU and offsetting the price disadvantages against Apple or Amazon.

4.2. Developing the actions in detail

4.2.1 Improving the organisation and internal protocols (from a matrix structure to centralisation)

To resolve staff demoralisation, the loss of creativity caused by the end of the *Work-From-Anywhere* model and the duplication of roles that plagued the "Spotify Model", the following organisational change and its corresponding action protocol are defined.

Redefining roles and centralising the organisation chart



The fully autonomous cells (*Squads*) are discontinued. All engineering and design staff are grouped into just three vertical divisions, coordinated by a **central Product Management Office (PMO)**:

1. **Core App Engineering:** Solely responsible for performance, the app's source code and the *front-end*.
2. **Data & AI Personalisation:** In charge of maintaining the recommendation algorithm, the predictive models and big-data audience analysis.
3. **B2B Artist Services:** A division dedicated exclusively to developing software and services for independent creators (*Spotify for Artists*).

New Feature Deployment Protocol

No team may modify the app's interface on its own. The following mandatory protocol applies:

When it applies: Every Friday, during the weekly closing sprint.

Who applies it: The Chief Product Officer (CPO), in coordination with the heads of the three technical divisions.

Protocol:

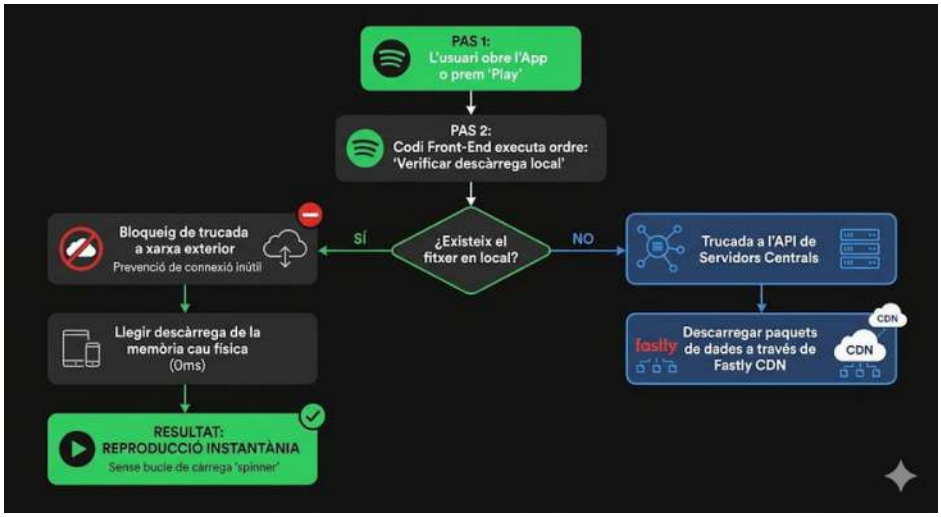
1. **Proposal stage:** Any engineering team that wants to make a change must submit a one-page *Product Brief* justifying the idea's financial return.
2. **Bloating assessment stage:** The PMO assesses whether the new feature clutters the user interface. If it adds noisy visual elements that interfere with music listening, it is automatically rejected.
3. **Technical validation stage:** The *Core App* division certifies that the change does not degrade local *caching* or add pointless requests to the servers.

4.2.2 Cost reduction and technical logistics improvement (*Local Caching* Protocol)

To provide an immediate fix for the technical debt behind the front-end loading errors (endless *spinners*) that Premium users suffer when they try to listen to music in places with no coverage, the logical communication of the mobile app is restructured.

New *caching* management and connection flow protocol

The sequence in which the app handles audio files downloaded to the user's device is changed. The new automated technical procedure is structured as follows:



- **How does this measure reduce the company's costs?** It radically reduces pointless data exchange. Instead of millions of smartphones constantly calling Spotify's servers to ask permission to play a song that is already physically stored on the phone, the app operates autonomously.

  This means a **drastic reduction in the operating costs of data transfer and cloud server maintenance (AWS/Google Cloud)**.

4.2.3 Product improvement: the Supremium / Deluxe plan

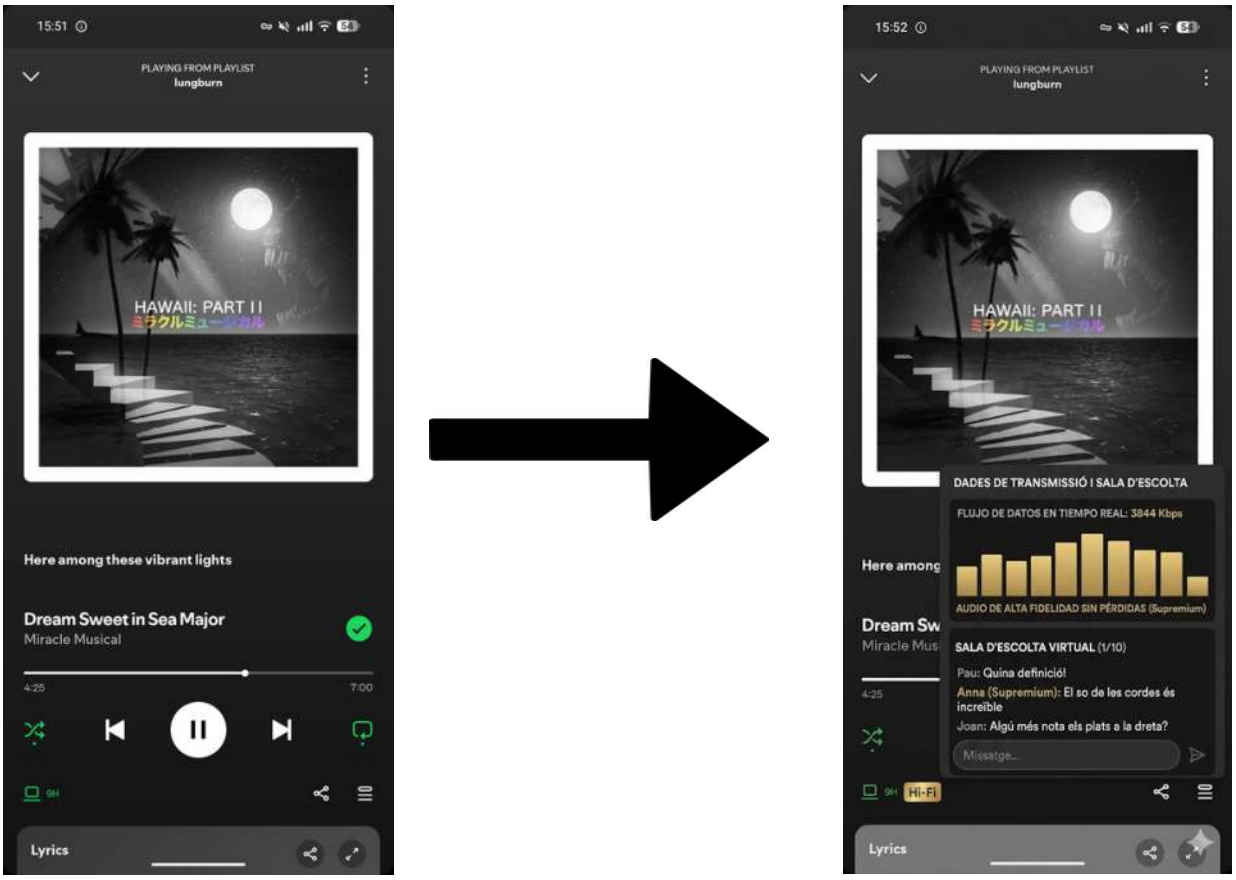
Cleaning up the code and freeing up network resources through the *caching* protocol make it viable to launch maximum-resolution streaming for audiophiles without fear of overloading the system.

Technical specifications and features

Lossless streaming in **24-bit Hi-Res Lossless (FLAC) at up to 192 kHz**, together with spatial audio backed by **Dolby Atmos** laboratory certification.

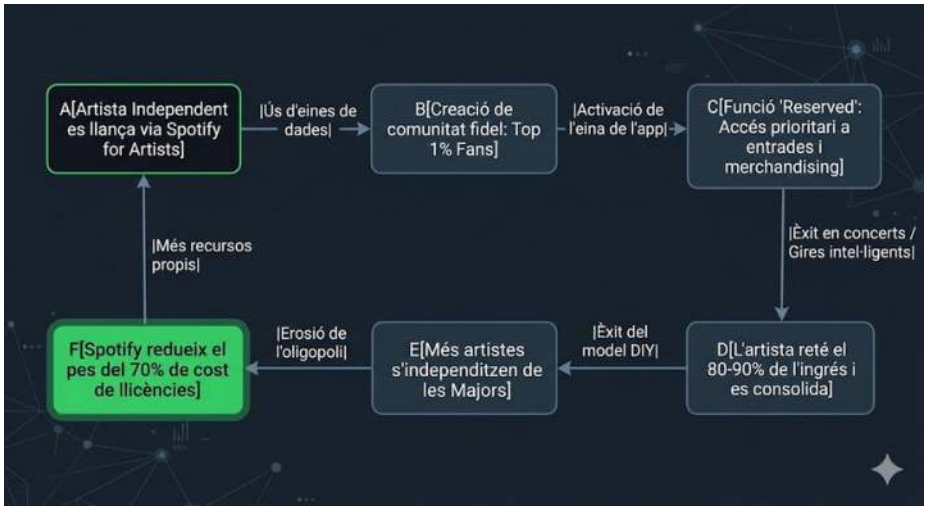
Interface design (what will the playback screen look like?):

- A gold button with the letters **"Hi-Fi"** is added to the bottom-left corner of the current playback screen (next to the device selector).
- Clicking this button opens a small sliding panel with a real-time bar chart that shows the customer the exact data rate (Kbps) being streamed, serving as visual justification for the elite sound quality they are paying for.
- A **"Virtual Listening Rooms"** feature is included, in which up to 10 users on the *Supremium* plan can sync their devices to listen to an album in high fidelity at the same time while discussing the release in a native built-in text chat.



4.2.4 Strengthening product and channels: integrating the official "Reserved" feature for DIY artists

This action sets out how we will leverage, structure and enhance Spotify's official **Reserved** feature to turn it into the central pillar for attracting and retaining the community of independent artists, making Spotify their touring logistics partner.



How the tool works inside the "Spotify for Artists" app (B2B)

A new dedicated tab called **"Tours & Reserved"** is designed within the management software that independent creators use to control their catalogue.

Structure of the B2B interface for the artist:

1. **Campaign settings panel:** The artist enters the cities and dates for their tour.
2. **Algorithmic audience selector:** A slider lets the artist choose which segment of their audience to offer the *Reserved* priority presale to. The tool can narrow down the segment automatically (example: *"Send only to the Top 1% of my most loyal listeners over the past year, according to accumulated Spotify Wrapped data"*).
3. **Sales forecasting module (Predictive):** Before the presale is published, the app's artificial intelligence displays a geographical heat map showing how likely the concert is to succeed. The app shows the artist the following message: *"You have 4,500 active listeners within a 15 km radius of your chosen venue in Barcelona. The algorithm predicts that the 'Reserved' presale will sell 75% of the venue's capacity in the first 6 hours, reducing your operational risk to zero"*.

End-user interface and experience (B2C):

- **The message (Push Notification)**: The listener, selected on the merit of their listening, receives a direct notification on their mobile phone, with a custom design in the colours of the artist's *Wrapped*. The message uses a direct, grateful, community-minded style:

  "You're part of the 1% of the community that keeps [Artist Name]'s music going around the world. Your support pays off: Spotify Reserved gives you 24 hours of exclusive access to buy tickets for their new tour before general sale. Thank you for keeping the music's heart beating."

- **The linked help channel:** To avoid the usual criticism of the app's after-sales failures, a synchronous help channel (an automated, problem-solving chatbot) is built in, resolving issues with the presale code or the payment gateway in under 3 minutes flat.

4.2.5 Improving B2B communication: the "Spotify Artist Launchpad" campaign

So that independent creators learn about these new product features (Reserved, automated Canvas and better terms) and leave traditional labels, a direct institutional communication campaign is designed:

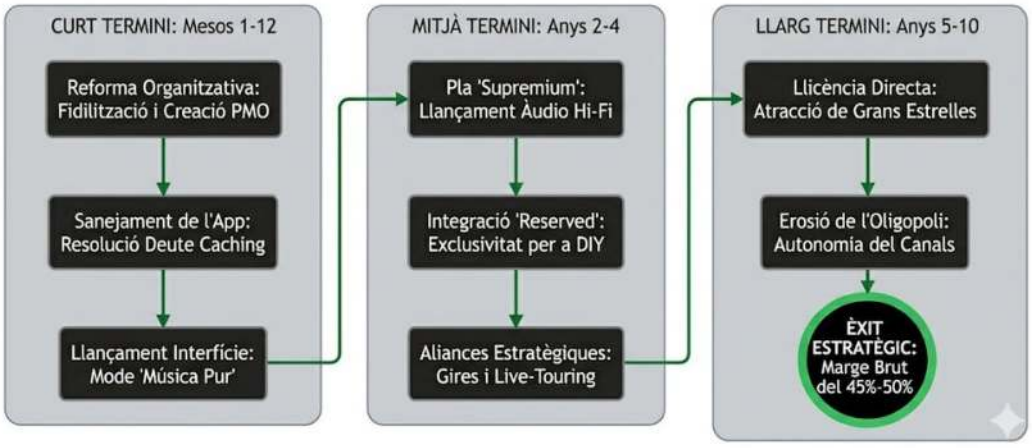
- **Target Audience:** Independent artists without an exclusive distribution deal who exceed the threshold of 10,000 streams a year on the app.

- **Channels used:** Direct notifications in the *Spotify for Artists* dashboard, automated emails every two months and interactive panels at music-industry conferences (such as *Sónar+D* in Barcelona, drawing on our Catalan institutional muscle).
- **Communication Style and Key Messages:** A thoroughly empowering, tech-savvy and transparent tone, directly contrasting our model of freedom with the exploitative contracts of the traditional oligopoly:

> *"Traditional labels ask you to sign over your masters in exchange for 15% of your royalties. At Spotify, we believe control of your work belongs to you. Join our DIY ecosystem: keep 100% of your intellectual property, retain up to 90% of your net digital income and guarantee a full house at your gigs with the algorithmic presale power of the official Reserved feature."*

4.3. Timeline: Short, Medium and Long Term

To implement the **DIY Services Ecosystem and Operational Sustainability** strategy effectively, the actions are organised chronologically over a 5- to 10-year horizon, so that the early phases fund the more disruptive ones and lay the technical groundwork for them.



4.3.1 Short-term actions (Months 1–12)

1: Organisational centralisation and implementation of the new Product Protocol

What will be done: Carry out the transition from the decentralised squad structure to an organisation chart divided into three major functional areas (*Core App Engineering*, *Data & AI Personalisation* and *B2B Artist Services*), coordinated by the central Product Management Office

(PMO). The new *Feature Deployment Protocol* will be run every week to stop the visual clutter in the app.

When it will be done: It will start immediately (Months 1 to 3) and be consolidated during the first half of the year.

Who will do it: The new executive co-leadership appointed in 2026, with direct execution by the Chief Product Officer (CPO) and the Chief Technology Officer (CTO).

What resources will be needed: Internal intellectual and organisational resources; physical space at headquarters for the mandatory in-person sprints; and centralised project management software.

What it might cost: The new cash cost is **€0**, as it relies solely on the existing payroll of the company's current workforce following the 17% staff cuts:

- No external consultants will be hired. Operationally, this centralisation of roles **will generate estimated recurring net savings of 15% of the company's R&D budget** by eliminating the duplication and bureaucratic meetings caused by the old squad-based matrix model.

What result is expected: To halt employee discontent by reducing bureaucracy, to unify the platform's design criteria and to ensure that no tool is introduced if it creates visual or technical overload.

KPIs:

- **KPI 1:** Reduce the average time to launch critical improvements (*Time-to-Market*) from 45 days to a maximum of 14 days.
- **KPI 2:** Reduce internal workplace complaints in the annual organisational climate survey by 30%.

2: Activating the Local *Caching* Protocol and Pure Music Mode

What will be done: Rewrite the mobile app's interface code to force the system to load downloaded audio files directly from the device's physical cache (*caching*), eliminating the pointless asynchronous call to the servers. In parallel, "Pure Music Mode" will be rolled out in the settings menu for Premium users.

When it will be done: Technical development from month 1 to month 6; pilot tests in selected markets from month 7 to 9; global launch in month 12.

Who will do it: The *Core App Engineering* vertical division, in coordination with the technical quality assurance (QA) team.

What resources will be needed: A clean IT testing infrastructure and the reallocation of coding hours from the *front-end* development team.

What it might cost: A **human capital opportunity cost of €4.5 million** is estimated:

- This figure is based on the average total labour cost of a senior *Core* systems software engineer at the European offices (approx. €100,000 a year including gross salary and social security contributions), with a block of 45 engineers working full-time for 12 months to rewrite the app's data code.

  This opportunity cost is offset immediately, as optimising local caching avoids millions of mobile connections every day, resulting in a **direct 8% reduction in the platform's data transfer costs with its cloud server providers (AWS/Google Cloud)**.

What result is expected: The complete elimination of offline screen-freeze errors (loading *spinners*) and an immediate improvement in customer satisfaction thanks to the cleaner Premium interface.

KPIs:

- **KPI 1:** Reduce the global subscription cancellation rate (*Churn Rate*) to below the threshold of 1.8% a month.
- **KPI 2:** A 50% reduction in tickets sent to the after-sales help channel about offline playback failures.

4.3.2 Medium-term actions (Years 2–4)

This second phase requires a progressive roll-out of commercial resources and the exploitation of technological features to open up high-margin business lines.

3: Commercial launch of the Supremium / Deluxe plan

What will be done: Bring high-resolution audio streaming (**24-bit Hi-Res Lossless**) and Dolby Atmos into service for the end user, integrating the visual "Hi-Fi" button and the "Virtual Listening Rooms" into the user interface.

When it will be done: During Year 2 (Months 13 to 24), taking advantage of the fact that the *caching* protocol implemented in Phase 1 can already handle large volumes of data without platform outages.

Who will do it: The *Core App Engineering* division (technical support), together with the B2C Marketing Department and the Commercial Monetisation Division.

What resources will be needed: Expanded bandwidth through Fastly's content delivery network (CDN) and an advertising campaign focused on capturing the segment of demanding audiophiles.

What it might cost: An investment of **€35 million** is budgeted:

- The figure is justified by allocating part of the company's immense internal financing capacity, which generates **€2,900 million a year in free cash flow (FCF)**.

  This €35M represents just **1.2% of a single year's FCF**, with €15M going to data transit contracts with Fastly and €20M to the digital marketing launch campaign, ensuring that the project is paid for with internal funds and without taking on debt.

What result is expected: To strategically justify the service's price rise to **$12.99** (January 2026) against the competition, and to attract users willing to pay a higher rate for elite audio quality.

KPIs:

- **KPI 1:** Conversion of 7% of the total Premium subscriber base to the new *Supremium* plan within the first 18 months after launch.
- **KPI 2:** A 12% increase in global Average Revenue Per User (**ARPU**).

4: Integration of the official "Reserved" feature and the "Artist Launchpad" campaign (B2B)

What will be done: Leverage the official **Reserved** feature to the full, natively within the *Spotify for Artists* software. The AI-based predictive module will be integrated, the system of priority presale notifications based on listener merit (*Wrapped*) will be launched, and the face-to-face institutional communication campaign will be activated to attract independent creators.

When it will be done: Progressive implementation and integration of "seller" APIs during Years 2 and 3 of the plan.

Who will do it: The *B2B Artist Services* vertical division, the *Data & AI Personalisation* team and the Barcelona sales office (drawing on the mass-event expertise of the Spotify Camp Nou office).

What resources will be needed: Technical agreements for exchanging ticketing data (APIs), the listeners' historical streaming database and an institutional presence at music-industry fairs (such as *Sónar+D*).

What it might cost: A budget of **€52 million** will be allocated:

- The justification for this figure comes from adding this action to action 3 above. Combining both investments (35M + 52M = **€87 million**), Spotify is investing exactly **3% of its annual free cash flow (€2,900M)** in transforming its value proposition.

The budget breaks down into €15M for developing the real-time predictive API connection and €37M for a monumental physical *Out-Of-Home* (OOH) advertising campaign in the world's major capitals (replicating Wrapped's culturally striking billboards) to promote the Reserved feature.

What result is expected: To make Spotify the independent artist's indispensable logistics and marketing partner, offering to fill their concerts at zero risk and encouraging them to turn down the contracts of the traditional record-label oligopoly.

KPIs:

- **KPI 1:** Increase the market share of the independent (DIY) catalogue within Spotify from an initial 38% to **45%** by the end of Year 4.
- **KPI 2:** Ensure that 85% of the tours promoted through the official *Reserved* presale channel sell out their priority allocation within the first 12 hours.

4.3.3 Long-term actions (Years 5–10)

This final phase consolidates the whole strategic line, reaping the rewards of diluting the market power of the historical suppliers.

5: Rolling out the full direct licensing model for intellectual property

What will be done: With the oligopoly's market share (UMG, SME, WMG) diluted to below half of global consumption thanks to the growth of the independent sector, Spotify will change course in its decision-making: it will offer **Full Direct Licence** contracts to major global stars whose historical ties are coming to an end, allowing them to retain between **80% and 90% of net digital income** by bypassing the record-label intermediary.

When it will be done: From Year 5 to Year 10 of the strategic plan (full consolidation phase).

Who will do it: Spotify's Board of Directors, politically led by the founders Daniel Ek and Martin Lorentzon, with execution by senior legal and financial management.

What resources will be needed: A massive pool of liquid working capital to offer highly competitive recoupable advances to major international stars.

What it might cost: A fund of **€580 million a year** will be structurally allocated to finance capital advances for these major artists:

- This large figure is justified by a *benchmarking* analysis against the direct competition: we know that the three major labels spend approximately **$11 million a day** (around $4,000 million a year globally) on artist discovery (A&R) and advances.

Therefore, to compete against them, we propose setting aside exactly **20% of our annual free cash flow** (€2,900M of FCF × 20% = €580M). Because it comes from the net cash profits the company itself generates, the project is shown to be fully viable: it does not depend on external debt (keeping the debt-to-equity ratio at an unbeatable 0.28), and the **69.3% voting power of Daniel Ek and Martin Lorentzon** (dual-class shares) is fully shielded against aggressive outside investors.

What result is expected: To structurally change Spotify's financial nature: to break the forced dependence on suppliers that could threaten to pull their catalogue, and to force a drastic reduction in the chronic 70% cost of audio royalties.

KPIs:

- **KPI 1:** Reduce spending on digital licences and royalties from the historical 70% of gross revenue to a range of **48% to 52%** by 2035.
- **KPI 2:** Expand the company's gross margin from the current 33.1% to close to **45–50%**, consolidating a top-tier technological transformation.

4.4. Strategic conclusions and recommendations

4.4.1 Strategic summary and final link to the diagnosis

The **DIY Services Ecosystem and Operational Sustainability** strategic plan is an interconnected solution that tackles, at the same time, the structural weaknesses and the most severe external threats facing Spotify in 2026.

Unlike other aggressive approaches based on traditional vertical integration, such as directly buying one of the three big record-label conglomerates (UMG, SME, WMG), which would have been blocked by antitrust regulators or would have triggered a fatal catalogue withdrawal by the oligopoly, this plan opts for a **corporate cold war fought by diluting market share**.

Empowering the network of independent (DIY) artists, who already make up 38% of the global sector, lets Spotify use its exclusive technological and algorithmic advantage to attract talent on a massive scale. At the same time, exploiting product improvements such as the ***Supremium / Deluxe*** high-resolution tier, and commercially optimising the official ***Reserved*** feature as a logistics lure, ensure that the company progressively changes the rules of the music industry in its favour.

4.4.2 Financial viability and operational safeguards

The economic feasibility analysis shows that Spotify is in an unbeatable position to carry out this roadmap without putting its sovereignty at risk.

- **Self-funding:** All the investments required (from the €4.5M engineering opportunity cost to the €580M annual fund for long-term direct licences) are financed entirely through the strategic allocation of the company's own **€2,900 million a year in free cash flow (FCF)**.
- **Protecting political control:** By completely avoiding issuing external debt or massively diluting shares on the stock market, the company keeps its unbeatable debt-to-equity ratio (0.28) intact and fully protects the **69.3% of the voting power held by the founders Daniel Ek and Martin Lorentzon** through their dual-class share system. This guarantees the stability and continuity of the new executive co-leadership in the face of activist investment funds.

4.4.3 Contingency recommendations (Risk Management)

Although the plan minimises direct legal conflict with the record-label oligopoly, we recommend that Spotify's senior management apply the following three containment measures while the plan is being carried out:

1. **Active monitoring of the algorithm:** Ensure that the teams in the *Data & AI Personalisation* division maintain strict neutrality in the recommendation systems for public playlists, so that the *majors* cannot formally accuse Spotify of monopolistic practices before the European Commission or the FTC under the DMA.
2. **Accelerating the supporting audiovisual pivot:** Continue to cross-promote content that falls outside strict music royalties, such as video podcasts (through the *Spotify Partner Program*) and the audiobook catalogue. This diversification of formats acts as a containment dam that weakens the major labels' power of commercial blackmail during biennial contract negotiations.
3. **Retaining Key Aggregators:** As a priority, strengthen shareholder alliances and technological ties with direct independent distribution platforms (such as DistroKid), ensuring that Spotify keeps its preferred route for reaching and capturing emerging talent from the very moment it first appears online.

4.4.4 Criteria for assessing the plan's success (Target 2035)

The strategy will be considered a success when, on reaching the 2035 horizon, the company has consolidated the following macro-corporate indicators:

- **The app's technical debt has been completely eliminated**, with a rate of user cancellations for product-related reasons close to 0%.
- **The share of streams associated with the independent or direct licensing sector exceeds 55% of the global total** flowing through the app.
- **The operating gross margin has structurally expanded to between 45% and 50%**, establishing Spotify no longer as a mere playback utility stifled by its suppliers, but as one of the most powerful, profitable and influential technology companies in the global digital ecosystem.