SPOTIFY

STRATEGIC PLAN

A DIY services ecosystem and operational sustainability

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CONTEXT · WHO WE ARE

Spotify

Stockholm, 2006 – **freemium** – catalogue of **100M songs** – **184 markets**

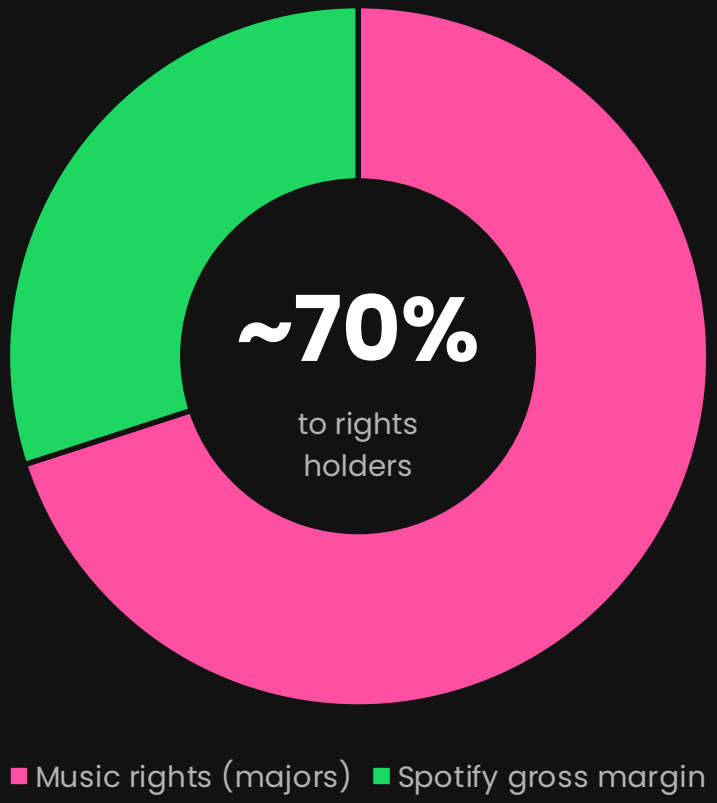
Global leader in **music discovery** through **AI**

751M	290M	€17,186M	33.1%	€2,900M
active users	Premium subscribers	2025 revenue	record gross margin	free cash flow

148 min/day on average · 31.7% global subscriber share

CONTEXT · SUPPLIERS

The root problem: the 70% trap



The margin reality

UMG · Sony · Warner

The three majors control 62% of the global market and impose ironclad contracts.

Locked-in licences

Spotify automatically hands over ~70% of gross revenue: >$11,000M paid out in 2025.

Squeezed margin

Licensing's fixed variable cost keeps gross margin stuck at 33.1%.

CONTEXT · COMPETITORS

Competitors and ecosystems

Apple Music

Closed integration

Built into 1,800M devices → acquisition cost ~0.

Hi-Fi included · $10.99

24-bit and Dolby Atmos without raising the base price.

Weaker algorithm

Prioritises human curation; no free tier.

YouTube Music

User-generated content (UGC)

Live sets, demos and remixes beside the official tracks.

Aggressive bundling

YouTube Premium removes ads on music and video alike.

Weak audio and search

Low-bitrate audio and duplicated, repetitive results.

Spotify's edge: *a superior discovery algorithm + a free tier no rival matches.*

CONTEXT · SYNTHESIS

Diagnosis: the SWOT analysis

Weaknesses

- Margin hemmed in by ~70% royalties
- Dependence on Apple and Google (hardware)
- Low returns in emerging markets

Threats

- Big Tech bundling
- Regulatory risk and statutory rates
- Activism and catalogue boycotts

Strengths

- Predictive superiority (2 decades)
- Global market leadership (31.71% | 751M users)
- Ad/Tech infrastructure (SPAX, Amazon)

Opportunities

- DIY sector boom (38% of the market)
- DMA: end of the 30% commission
- High-fidelity plan (Supremium)
- Physical/ticketing integration (Reserved)

SECTION 4 · THE STRATEGY

A DIY services ecosystem and operational sustainability

From an intermediary streaming platform → **a complete technology, logistics and services ecosystem for the independent artist.**

- **Dilutes the oligopoly**
- **Fixes the technical debt**
- **Opens high margins**

“A corporate cold war fought by diluting market share”

Why it works

01



Avoids mutual destruction

Buying a major or launching an aggressive in-house label would face antitrust blocks or catalogue withdrawals. Growing DIY from 38% to 55% sinks the oligopoly organically.

02



Talent and value magnet

Artists keep 80–90% of net income (vs 14–16% with record labels) and own their masters. The Reserved feature fills concerts at reduced risk.

03



Efficiency → monetisation

Centralising the structure ends the discontent and frees engineers to fix local caching: the technical prerequisite for launching Supremium and raising ARPU.

Fixing the operating model

ORGANISATION

From Squads to centralisation

Autonomous cells are eliminated. All engineering is grouped into 3 divisions (Core App · Data & AI · B2B Artist Services) under a central PMO, with a weekly anti-bloating protocol.

Cash cost: €0 (current staff)

Savings: -15% of the R&D budget

TECHNICAL LOGISTICS

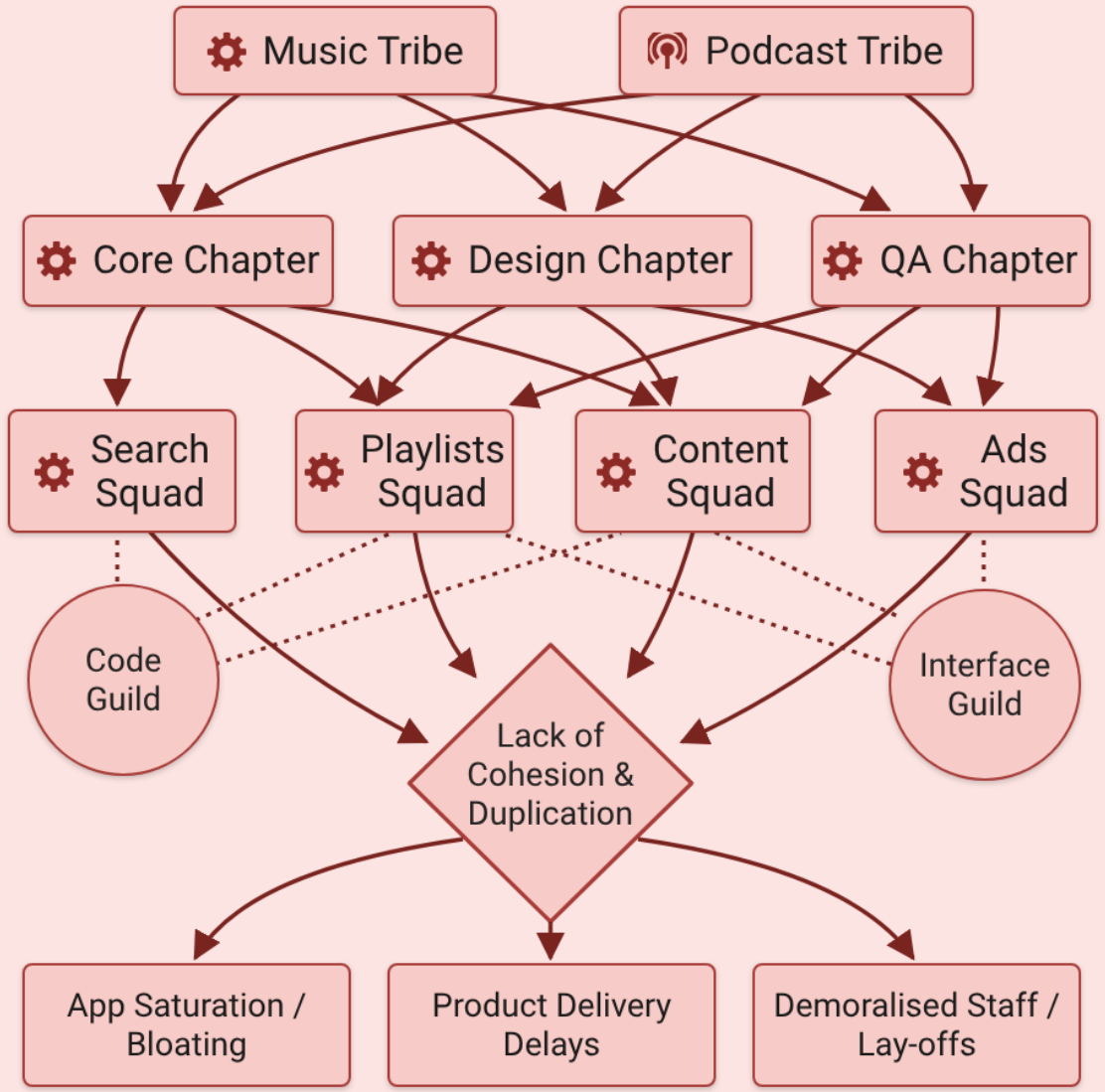
Local Caching Protocol

The app is rewritten to read downloaded audio from the phone's own storage instead of calling the servers. No more endless spinners offline.

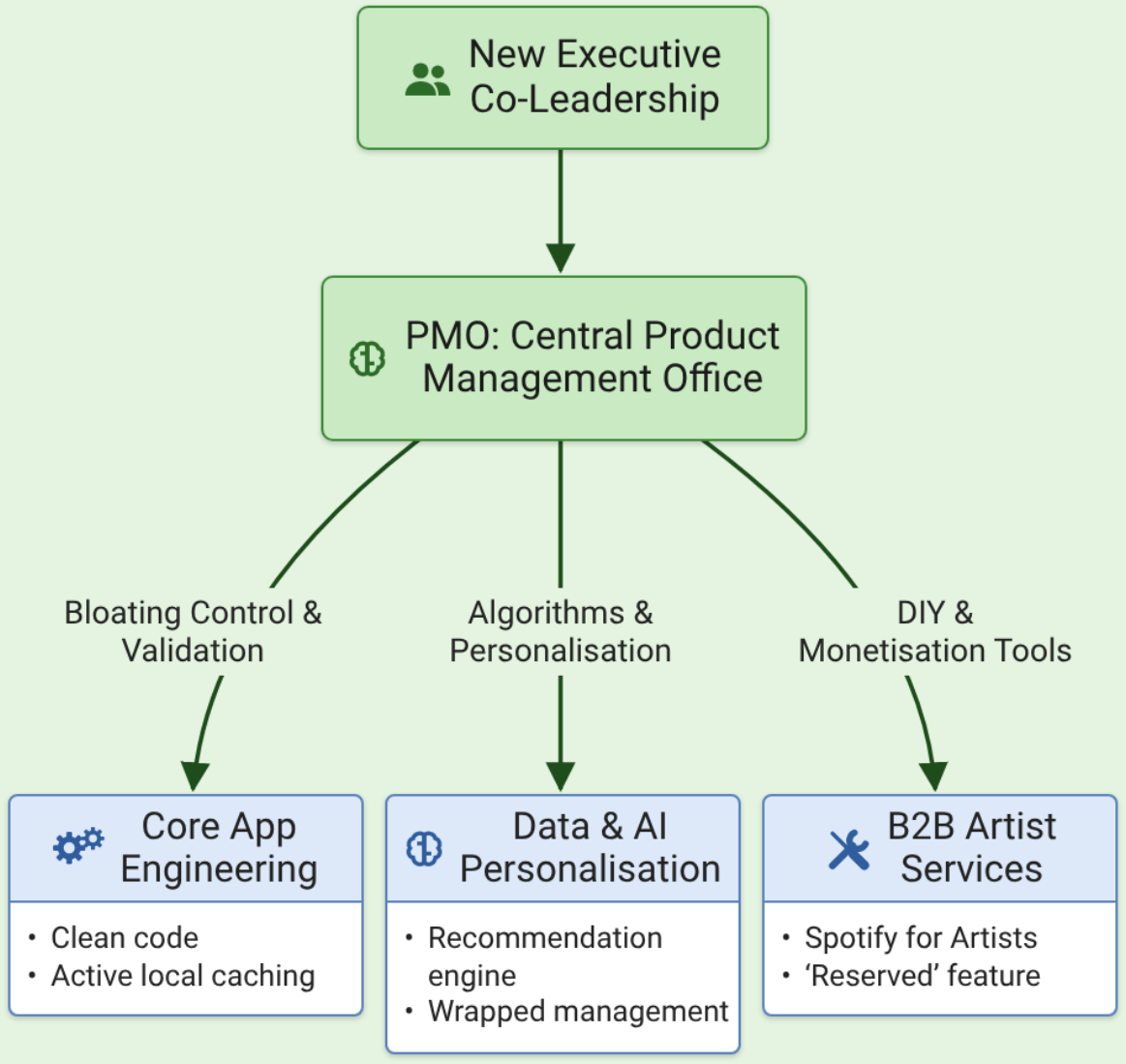
Investment: €4.5M (opportunity cost)

Savings: -8% in cloud costs (AWS/GCP)

OLD MODEL: Complex, Inefficient Matrix Structure



NEW 2026 MODEL: Centralised, Efficient Structure



Supremium / Deluxe: high fidelity

Hi-Fi

Gold button on the playback screen

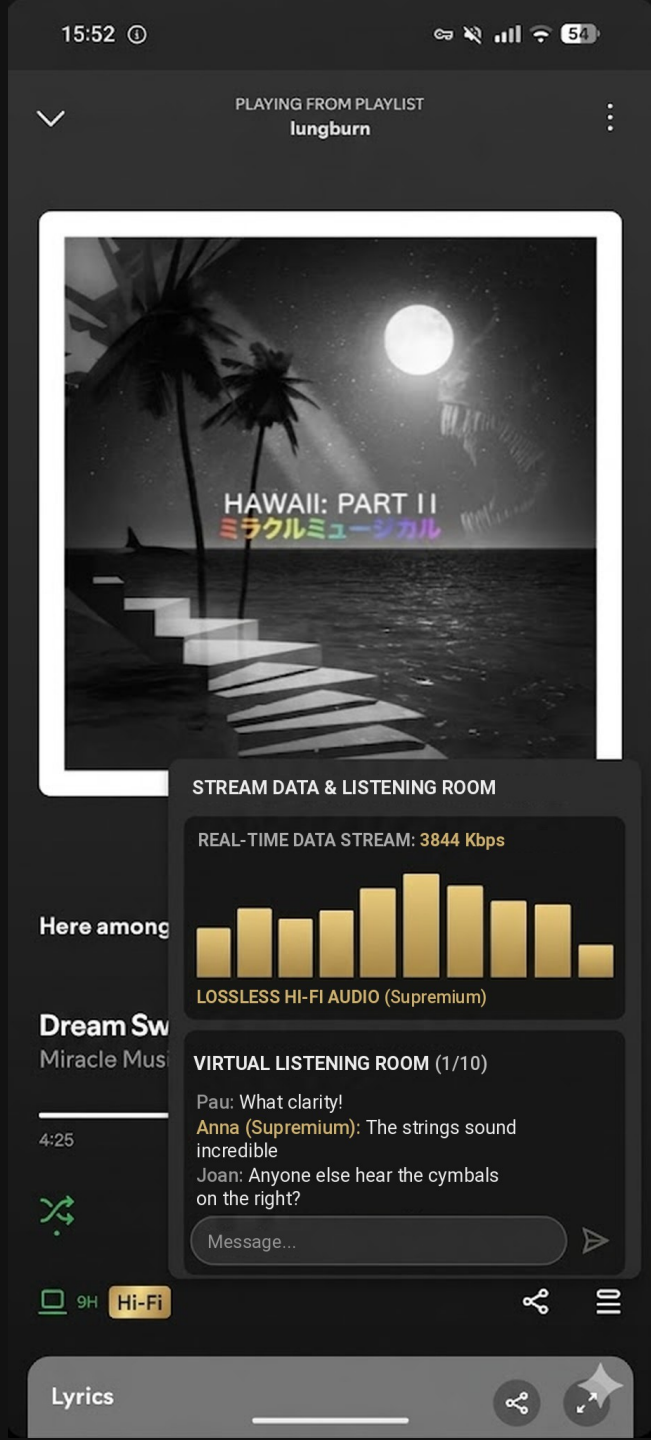
24-bit
Lossless FLAC

192 kHz
Dolby Atmos

Visual proof of the sound
A panel shows, in real time, the exact data stream (Kbps) the high-end listener receives.

Virtual listening rooms
Up to 10 Supremium users play an album in sync, in high fidelity, with built-in chat.

Justifies the $12.99 price
Captures the audiophile niche and offsets the price disadvantage against Apple.



“Reserved”: the DIY artist’s touring partner

A tool inside Spotify for Artists that turns listening data into ticket presales at drastically reduced risk.

1

Algorithmic targeting

The artist picks the segment: e.g. the top 1% most loyal listeners according to Wrapped.

2

Turnout forecast

A heat map predicts success: “4,500 listeners within 15 km → 75% sold in 6 h”.

3

Priority presale

Listeners get a Wrapped-style push and 24 h of exclusive early access.

4

Real-time after-sales

A chatbot resolves ticket-code or payment issues in under 3 min.

“Artist Launchpad” campaign: *“Keep 100% of your work and up to 90% of your income” — direct messaging against exploitative contracts.*

Roadmap: 1 year → 10 years

SHORT · months 1–12

- **Centralisation + product protocol**
  €0 · -15% R&D
- **Local caching + Pure Music Mode**
  €4.5M · -8% cloud

Time-to-market 45→14 days · Churn <1.8%

MEDIUM · years 2–4

- **Launch of Supremium / Deluxe**
  €35M · ARPU +12%
- **Reserved + Artist Launchpad (B2B)**
  €52M · DIY 38→45%

7% conversion to Supremium · 85% of tours sold out

LONG · years 5–10

- **Full direct licensing of star artists**
  €580M/year (20% free cash flow)

Royalties 70%→48–52% · Gross margin →45–50%

Fully self-funded: zero debt

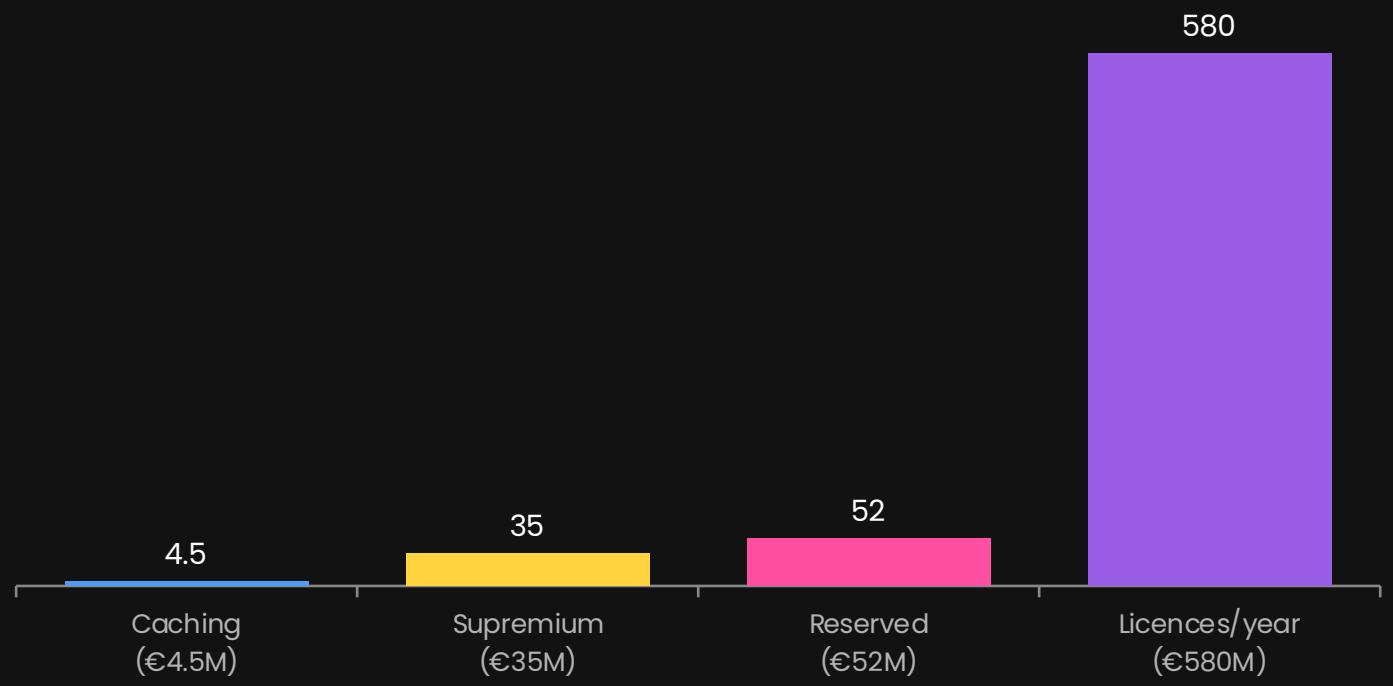
€2,900M

of annual free cash flow
fund the entire plan

Control locked in

Founders hold 69.3% of the vote · debt-to-equity ratio 0.28

Investment by phase vs €2,900M annual FCF



TARGET · 2035

KPIs

45–50%

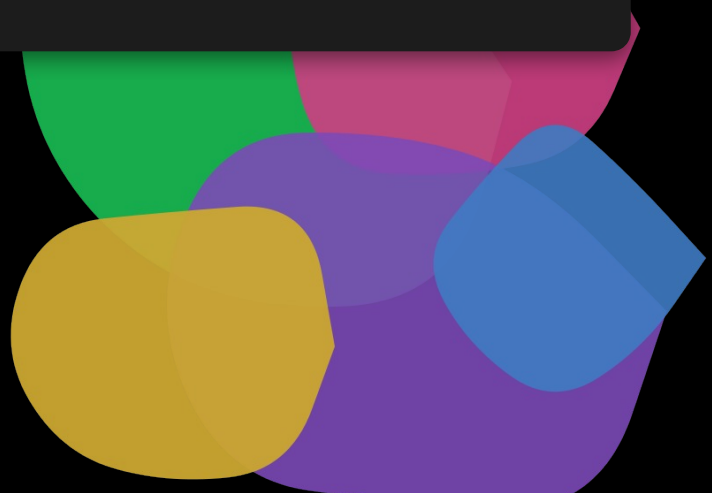
structural gross margin
(up from 33.1% today)

55%+

of streams from
DIY / direct deals

≈0%

cancellations due to
the app's technical debt



From a simple playback utility to one of the most profitable tech companies in the world.

Thank you