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### Spotify: A Strategic Analysis of its Strengths, Weaknesses, Opportunities, and Threats

Kian Dei Bertin

kb237709@umconnect.umt.edu

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# **A Strategic Analysis of its Strengths, Weaknesses, Opportunities, and Threats**

Kian Bertin

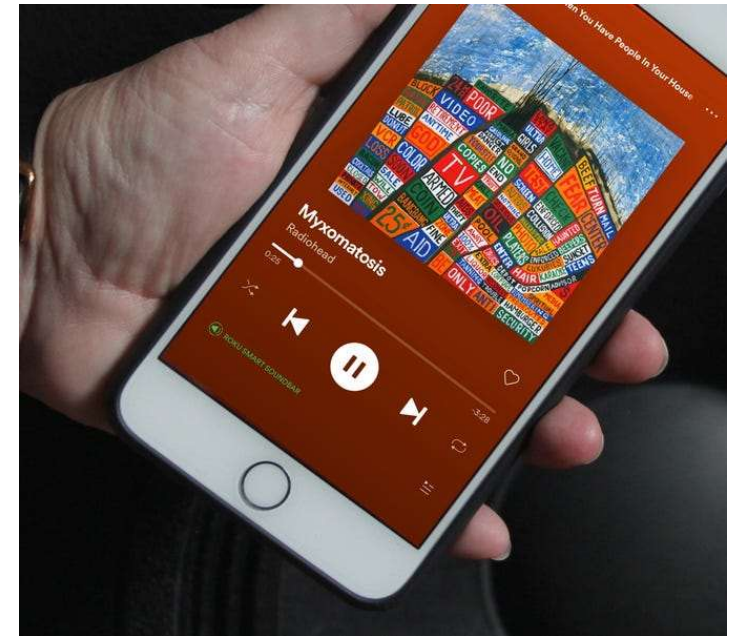
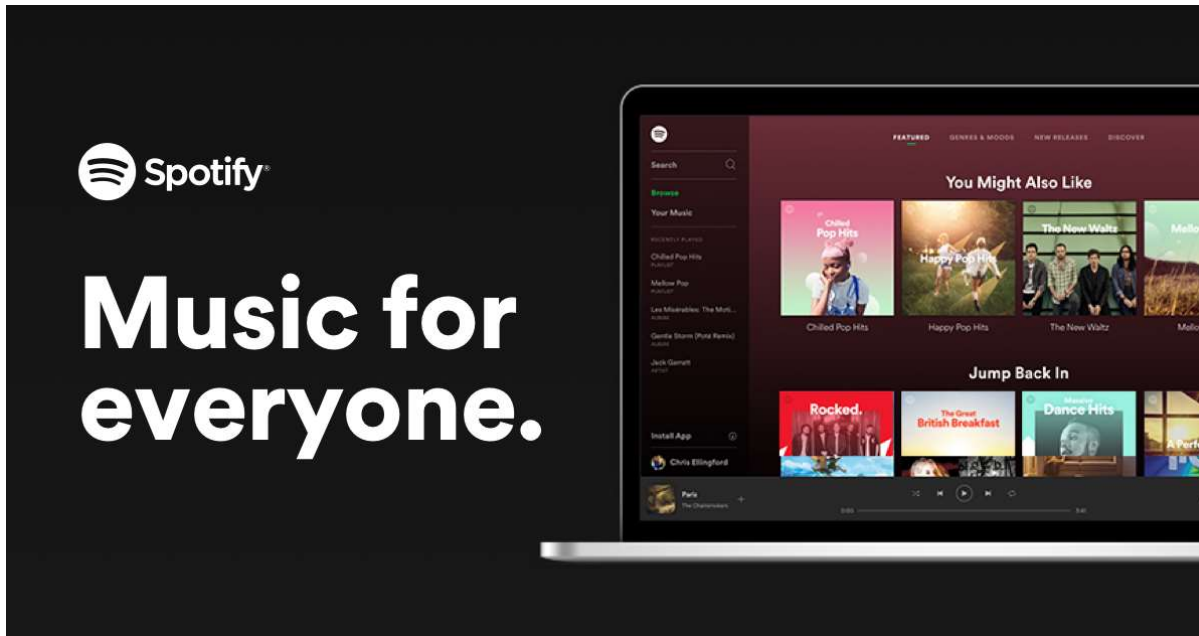
University of Montana School of Business

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# Company Description



# Global Industry Classification Standard

Sector

Communication Services



Industry Group

Media & Entertainment



Industry

Entertainment



Sub-Industry

Movies & Entertainment



**Direct Competitors**

Disney

Netflix

Vivendi

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# Business Model

Freemium Model

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Revenue Sources

\$9.626 Billion  
Revenue CY  
2020

155 million Premium Subscribers \$8.76 billion Premium Revenue (91% of total revenue)	199 Million Ad-Supported Users \$866 million Advertising Revenue (9% of total revenue)
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# Macro Environmental Factors

## Economic

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GDP ●●●

Interest rates ●●●

Inflation rates ●

Euro vs. USD ●

## Social

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Racial equity ●●●

Diversity ●●●

## Political / Legal

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Copyright law ●

Political ads ●

## Global

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Growing developing markets ●●●

COVID-19 ●●●

<b>KEY</b>	●●● Weak force / Opportunity	●● Mixed	● Strong force / Threat
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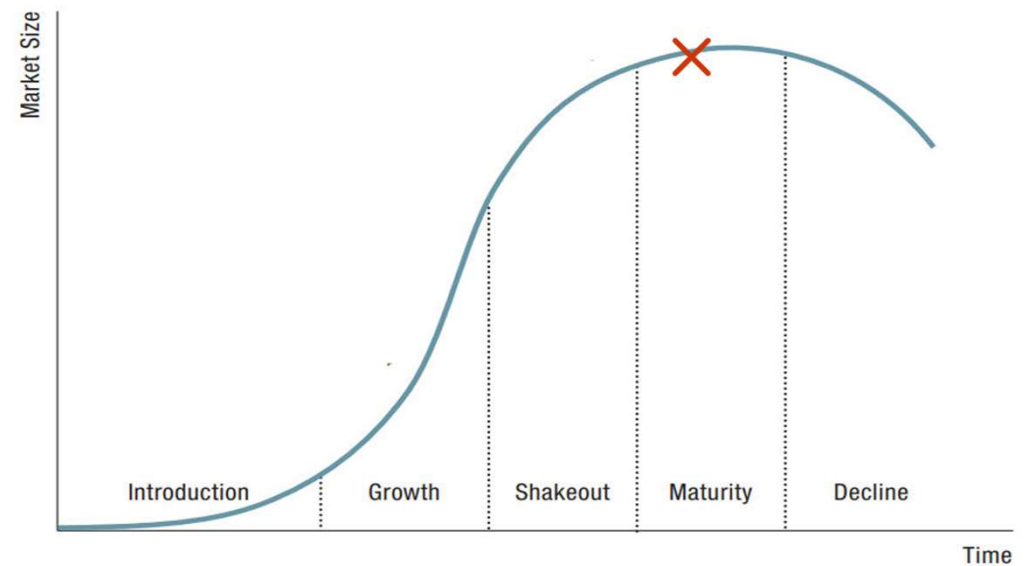
# Life Cycle Analysis

## Movies and Entertainment

3 year CAGR + projected

Industry competitive structure

Barriers to entry





# Porter's Five Forces Analysis

## Risk of Entry



Low risk of entry

## Competitor Rivalry



High Competitor Rivalry

## Buyer Power



Advertisers: Low  
Subscribers: High

## Supplier Power



Music Suppliers: Very High  
Non-music creators: Moderate

## Substitutes



Few alternatives

**KEY**



Weak force / Opportunity



Mixed



Strong force / Threat

# Value Creation and Profitability

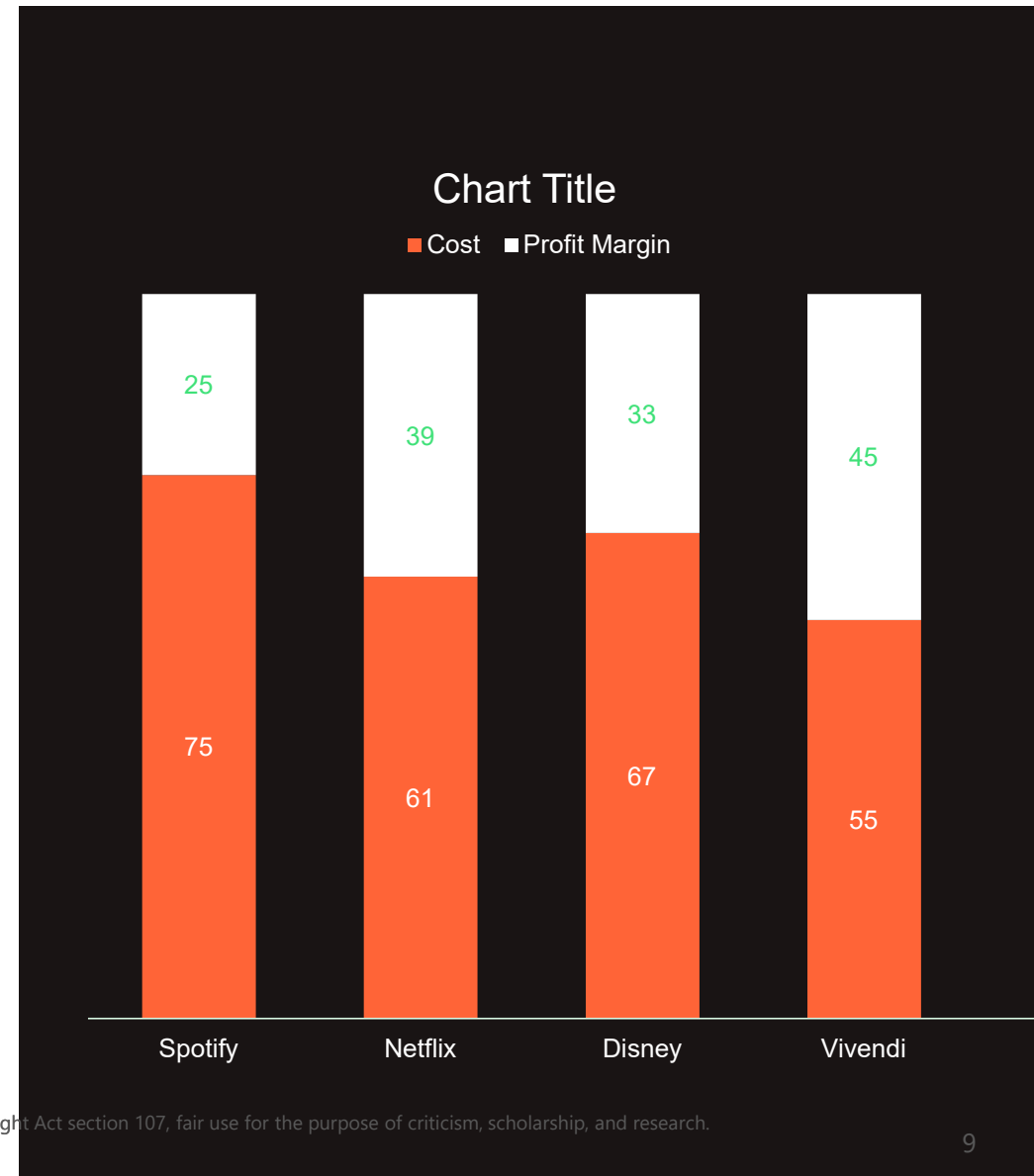
Spotify's Gross Profit Margin for 2020 = 25.6%

Less than competitors

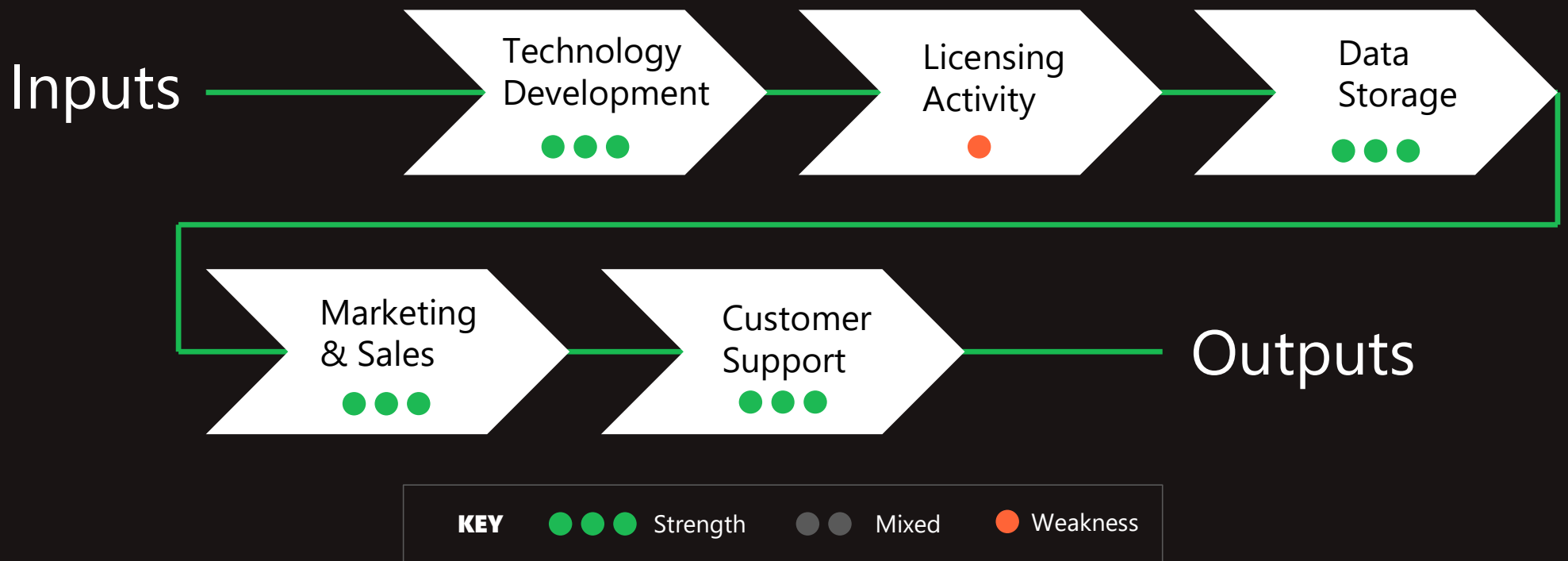
- Netflix = 38.9%
- Disney = 33.1%
- Vivendi = 45.2%

Higher cost due to

- music licensing
- research & development
- streaming delivery costs



# Value Chain



# Functional Level Strategy

**Efficiency**

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**Quality**

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**Innovation**

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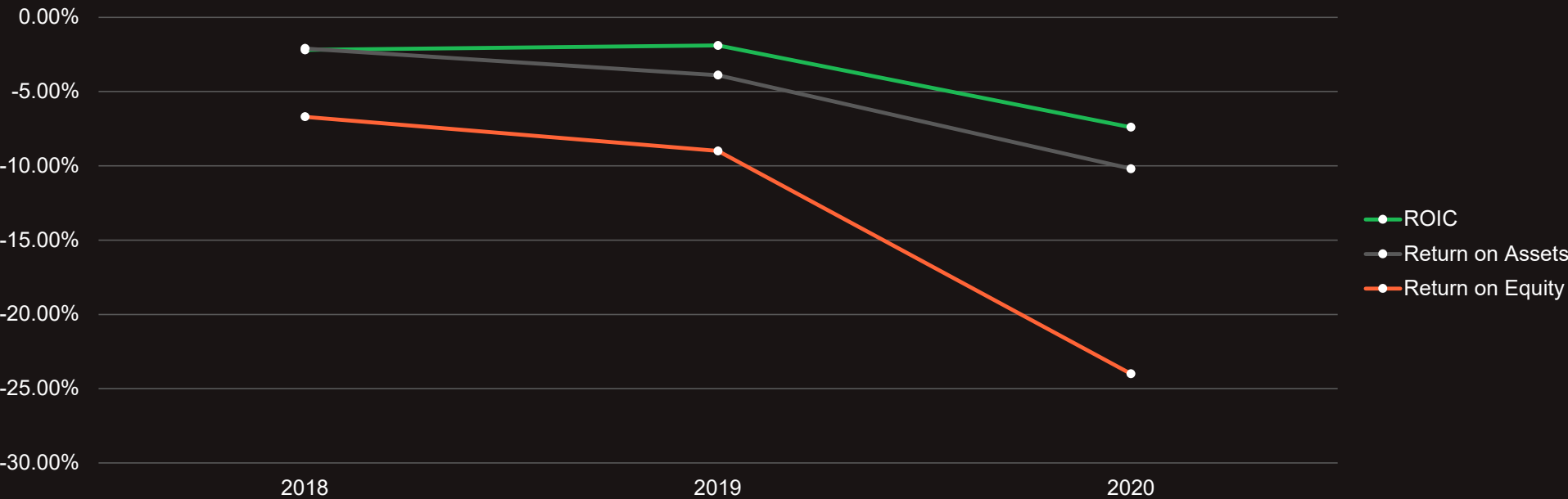


**Customer  
Responsiveness**

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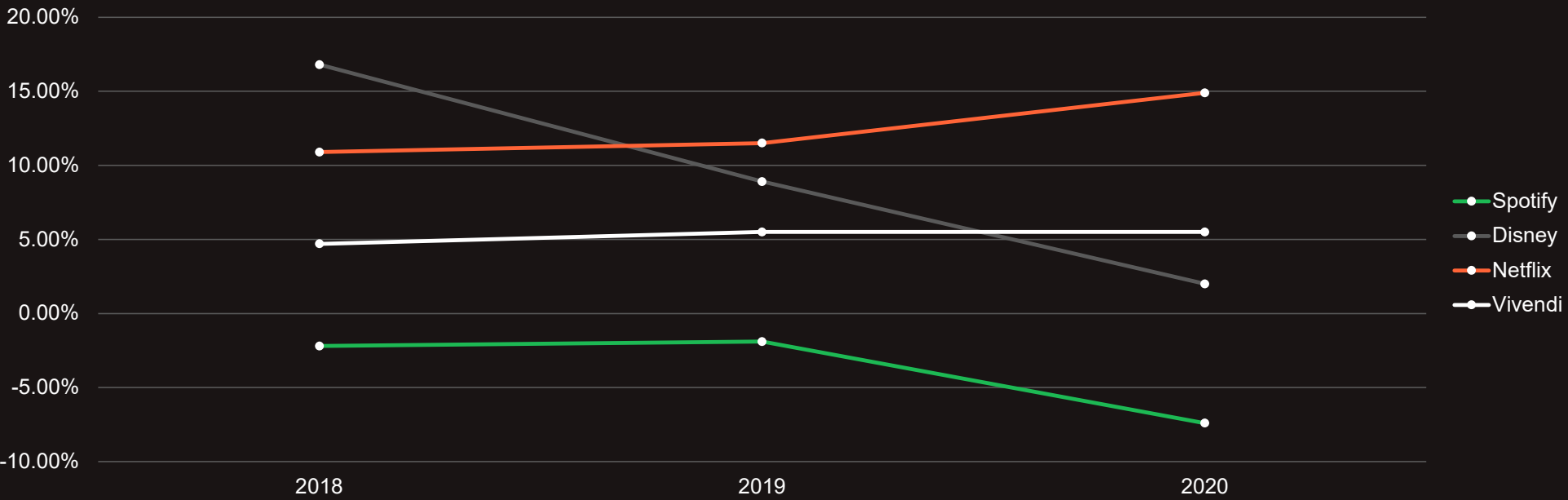


# Financial Corporate Performance



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# Benchmarking Analysis



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# Spotify Strategy

## SWOT Summary

**Strengths**

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**Weaknesses**

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**Opportunities**

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**Threats**

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# Spotify Strategy

## External Analysis

### Macro Environment

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### Porter's Five Forces

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# Spotify Strategy

## Internal Analysis

**Business  
Model**

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**Value Chain**

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**Functional  
Level Strategy**

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**Corporate  
Level Strategy**

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# Questions?

# Thank You