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HOW EFFECTIVE IS SPOTIFY´S DIGITAL MARKETING STRATEGY IN RETAINING USERS IN COMPETITIVE MARKETS? TRABAJO FIN DE GRADO

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RESUMEN

Este Trabajo de Fin de Grado analiza la eficacia de la estrategia de marketing digital de Spotify en la retención de usuarios en el mercado competitivo de la industria musical. Utilizando la metodología de investigación y revisión de documentos junto con una encuesta (n=205) se analizan las principales herramientas de marketing digital usadas para retención de usuarios (email marketing, marketing de contenidos y marketing de redes sociales). Los resultados tanto de la investigación como de la encuesta indican que la estrategia de marketing digital de Spotify es altamente efectiva, principalmente debido a su personalización en todos sus canales, especialmente con la campaña de Spotify Wrapped. Sin embargo, herramientas como email marketing o redes sociales no son determinantes para la retención, lo cual supone una oportunidad de mejora para Spotify. Finalmente, entre las recomendaciones se sugiere que Spotify explore más el área de streaming en vivo y explore más ese tipo de contenidos con artistas.

Palabras clave: Spotify, marketing digital, retención, personalización, streaming musical

ABSTRACT

This Final Undergraduate Degree Project analyzes the effectiveness of Spotify's digital marketing strategy in user retention within the competitive market of the music industry. Using research and document review methodology along with a survey (n=205) the main digital marketing tools used for user retention (email marketing, content marketing and social media marketing) are analyzed. The results of both the research and the survey indicate that Spotify's digital marketing strategy is highly effective, mainly due to its personalization in all its channels, especially with the Spotify Wrapped campaign. However, tools such as email marketing or social media are not determinant for retention, which is an opportunity for Spotify to improve. Finally, among the recommendations, it is suggested that Spotify explores further the live streaming area and creates more of this type of content with artists.

Keywords: Spotify, digital marketing, user retention, personalization, music streaming

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1. INTRODUCTION

1.1. Objectives

The objective of this thesis is to analyze and comprehend Spotify's digital marketing strategy, examining how the company has successfully reinvented and differentiated itself, and competed in the music streaming market against bigger companies like *Apple* or *Amazon*, focusing on its effectiveness when it comes to user retention. The study will focus on the marketing tools and tactics used by Spotify to connect with users, its use of data analysis to personalize the user experience, and how these strategies have contributed to its leadership position in the industry, enhancing user retention and loyalty.

Regarding specific objectives, the goal is to analyze the comparative effectiveness of different digital marketing channels (email, social networks, personalized content) on user loyalty, as well as investigate the role of emotions and user identity (e.g. through Spotify Wrapped) as a tool to foster loyalty and explore opportunities for improvement in current strategies (e.g., the low perceived value of email marketing, as indicated in your survey) and propose new ways to optimize retention.

1.2. Hypothesis

Based on these objectives, the following hypotheses are proposed, which we intend to confirm or disprove throughout this paper: Spotify's greatest advantage and the reason why it has remained a leader is the high personalization of its content and continuous innovation in features, always maintaining consistency between channels and a personalized approach. Likewise, the interaction of users in networks contributes to their loyalty, as well as the email marketing campaigns for premium users, as they are also highly personalized.

1.3. Methodology

As for the methodology to be carried out for the analysis of Spotify's digital marketing strategy, this will include documentary research: Spotify case studies, academic papers related to the music and streaming industry, and digital marketing, as well as official data sources like Statista.

In addition, a quantitative analysis will be carried out through a survey in Qualtrics, in which the objective is to find out how many people use Spotify, compared to other platforms within a sample size, the image that Spotify users have of the application, and the marketing it carries out, as well as the differences in preferences with respect to users of other applications such as *Apple Music*. People will be asked about how often they listen to music, preferred genres, factors that are most valued on a music streaming platform, etc. Moreover, the main KPIs for digital marketing strategies will be analyzed based on industry metrics and Spotify's performance numbers. As for the qualitative analysis, this will be focused on analyzing the content of Spotify's digital marketing strategies and comparing them with the strategies of its competitors.

This comprehensive methodology will provide a complete and detailed view of Spotify's digital marketing strategy, combining quantitative and qualitative data with strategic analysis from a marketing perspective.

1.4. State of the question

In a market as saturated and competitive as the music streaming market, differentiating through digital marketing has become essential for platforms and a way to gain a competitive advantage, as it is a tool that is continually growing and evolving. Spotify has maintained its leadership in the market practically since it was launched, in large part thanks to highly personalized digital strategies such as its email marketing or content strategy such as Spotify Wrapped.

This undergraduate research project aims to analyze, from both a qualitative and quantitative approach, the impact that these strategies have on user retention and how Spotify manages to keep its users, and generate conversions to its premium version, in such a competitive market, since few works focus specifically on the role of digital marketing as a driver of loyalty in the context of music streaming.

Finally, with the rise of new platforms and tools such as artificial intelligence, it is necessary to investigate how current strategies should be adapted to new trends, and it is intended to provide an updated perspective from the consumer's point of view.

1.5. Main Parts of The Thesis

This dissertation is divided into four main parts:

The first one is a theoretical framework, in which the topic is contextualized, and explains in depth what digital marketing is and the different channels and strategies that it includes. Moreover, the current situation of the music streaming industry will be analyzed by using the PESTEL model, and more specifically Spotify´s current situation in terms of number of users and subscribers. Lastly, a brief explanation of the customer journey is included, in order to understand the part of customer retention within this framework.

The second part is an analysis of the literature on the most effective digital marketing strategies for user retention, applying the findings to the specific strategies that Spotify carries out and analyzing the main KPIs in the three main tools used for user retention: email marketing, content marketing and social media marketing.

Following that, the results of the survey that was carried out are presented, with the main findings displayed in graphs, showing respondents' preferences in terms of digital marketing, perception and use of Spotify and other music streaming platforms.

Lastly, the conclusions which we get from this work and the answer to the investigation question will be stated.

2. THEORETICAL FRAMEWORK

2.1. Digital Marketing

According to Investopedia (2024), "*Digital marketing is the use of websites, apps, mobile devices, social media, search engines, and other digital means to promote and sell products and services.*" It seeks some kind of conversion from the user, whether it is a purchase, a subscription to a service, or sending contact information (*Marketing Digital*, n.d.-b [translated]). Unlike traditional marketing, which uses print advertisements, television commercials, or salespersons, digital marketing includes a range of online tools and platforms, including websites, search engines, social media, email, mobile applications, and digital content (Chaffey & Smith, 2021).

With the rapid technological advancements in recent years, digital marketing has become a fundamental part of every company´s business strategy: the widespread availability of the internet, the rise of smartphones, and, therefore, changing consumer behavior, have favored online platforms. The growth of social media, e-commerce, and the integration of cutting-edge technologies like Artificial Intelligence and machine learning have increased its significance (*Digital Marketing*, n.d.). These tools have allowed companies to target specific segments with personalized and data-driven strategies, which is part of the essence and the advantage of digital marketing (Duralia, 2024).

As previously mentioned, the growth of digital marketing has been driven by swift technological progress and shifting consumer habits. According to Statista, in 2024, the number of internet users exceeded 5.5 billion, resulting in a vast market for digital marketing.

Figure I: Number of Internet users worldwide from 2005 to 2024 (in million)
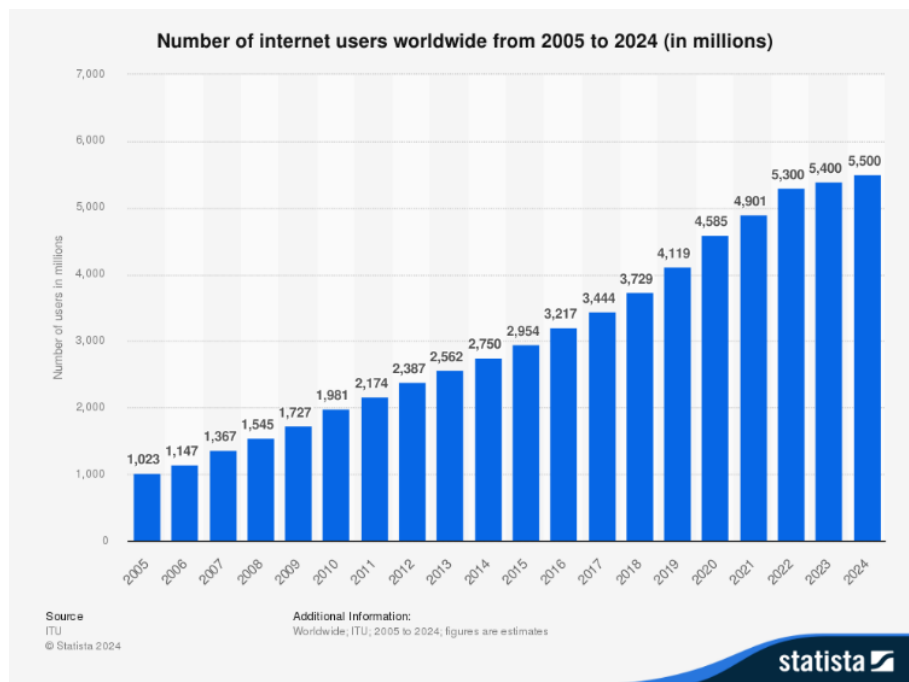
Source: Statista. (2024b, December 12). *Global number of internet users 2005-2024*.
Retrieved from: https://www.statista.com/statistics/273018/number-of-internet-users-worldwide/

With this increasing number of people interacting with digital platforms, companies have had to modify their marketing approaches to connect with consumers. This has led to different types of channels of digital marketing being used, each of which has a function and is more or less effective, depending on the type of message that the brand wants to convey, the customer segment, or the phase of the custom funnel in which the consumer is (Team, 2024). Some of the main digital marketing strategies used today are:

- **Content marketing**: according to the Content Marketing Institute, it is the "*creation and distribution of valuable and relevant content to attract and retain a clearly defined audience — and, ultimately, to drive profitable customer action*." Such content can be from blog posts, photos or videos in social networks, etc.

- **Display ads**: it is the promotion of brands, products or services through advertisements that are displayed on digital platforms such as websites, apps or social media platforms (Adobe, 2023). The main goals of display ads are to create

awareness and encourage specific actions like clicking on the ad or conversions, like making a purchase (Paendong et al., 2023).

- **Email marketing**: it is a strategy that uses email as a direct means of communication, to advertise products, services or to foster relationships with clients. It is one of the cheapest and commonly used types of digital marketing, because it delivers personalized and specific messages straight to the customer´s inbox.

- **Social media marketing** is a tool used to communicate and promote products or services through social networks, and search engine marketing, such as Facebook, Instagram, TikTok or Reddit, among other platforms (E. S. M. Fernández et al., 2008).
Social Media Marketing differs from other areas of digital marketing, such as email marketing in its ability to foster two-way communication. Social Networks allow brands to interact directly with their consumers and establish more personal relationships (Claro et al., 2020).

- **Affiliate marketing**: It is based on a pay-for-performance model, where affiliates promote products or services in exchange for a commission for each conversion generated. Its main focus is on partnering with third parties (affiliates) who have access to a specific audience (Paendong et al., 2023). It can be a complementary strategy within social media marketing, in which case, affiliates are influencers, who share and promote the product to their community of followers.

- **Search Engine Marketing (SEM)**: according to Moran and Hunt, it "*consists of a variety of tactics to promote your business by increasing visibility of your content to searchers*" (Clarke, 2014, p. 10). The way it works is by pay-per-click (PPC), that is, the advertiser only pays when users click on their ad, and they pay according to the cost per click (CPC), which depends on an auction of keywords, that are relevant to appear in the first search results (SERPs – Search Engine Results Page) (Clarke, 2014).

- **Search Engine Optimization (SEO)**: a set of techniques and strategies aimed at improving the visibility and positioning of a website in organic search engine results. It has several components such as on-page and off-page optimization, technical factors, and the web content itself (Iglesias-García & Codina, 2016 [translated]). Similar to SEO, App Store Optimization (ASO) is the process of improving the visibility, reach, and conversion rates of mobile applications on platforms such as Google Play and Apple's App Store. *"In 2024, ASO and paid user acquisition must work hand in hand, as it's impossible to attain financially feasible results through advertising without the app's product page optimization".* (Kuriata, 2024). Therefore, making good use of ASO enhances tap-through and conversion rates and raises organic rankings. (Kuriata, 2024).

A strategic channel that is becoming more popular is live streaming e-commerce, which *"utilizes video content on digital platforms to promote or sell products and services in real-time"* (Statista, n.d.), allowing two-way communication between the buyer and the seller, without the need of being physically present to make the purchase. This relates to the importance of streaming in the music industry, as this trend allows artists not only to promote their music in real time but also to sell exclusive products, concert tickets or premium content directly to their fans. Moreover, according to the Forbes Agency Council, streaming has changed the dynamics of digital marketing in the music industry by providing an interactive and personalized experience, leading to increased fan loyalty and revenue generation through live events and digital platforms (Quin, 2021).

All the previously mentioned strategies and channels can be included or distributed via mobile marketing, which has become an advertising medium of vital importance for digital marketing in recent years: *"It is any advertising activity that promotes products and services via mobile devices, such as tablets and smartphones"* (Kenton, 2024). To make the most out of mobile marketing, companies should focus on the user (making it easy for them to engage with the ads/notifications/websites, etc) when building their strategies, as this approach has a significant positive impact and has been proven to be more likely to capture the user´s attention and lead to purchase or conversions (Daoud et al., 2023). A lot of these conversions are started through micro-moments: short times when a person turns to his or her mobile device to immediately satisfy an information, discovery, or purchasing need. In the context of digital marketing, its relevance lies in the

opportunity to impact the consumer in a personalized way and at the exact moment in which the intention to purchase or search for information arises. (Chowdhury et al., 2024).

Artificial intelligence is one of the factors that is most influencing the evolution of digital marketing and streaming content. Artificial intelligence enables companies to gain deeper insights from large datasets and develop more sophisticated, flexible strategies, therefore transforming the way digital marketing is made and distributed. Additionally, AI-driven tools like chatbots and automated messaging systems improve customer interactions and personalize content across various platforms. Ultimately, incorporating AI into marketing practices creates a more data-centric environment, allowing brands to quickly adapt to consumer demands and remain agile in a constantly changing digital landscape (D. . E. Kumar, 2021).

Finally, when it comes to measuring the impact or effectiveness of a digital marketing strategy, there are different KPIs that we can use, several of which are different from those we would use in traditional marketing, and that vary depending on the goals of the marketing campaign. We can look at total visits to a website, traffic sources (where the people visiting the website come from), click-through rates, conversion rates bounce rates, among other metrics (Kotler et al., 2021).

2.2. Streaming Content

Streaming is a model of real-time data transmission over the Internet, allowing access to multimedia content without the need for prior downloading (Van Dijck, 2019 [translated]).

The main characteristics of streaming are the following: real-time content transmission, dependence on a stable Internet connection (unless the content is downloaded beforehand), and consumption based on access, not ownership (Fernández, 2016 [translated]).

In the past years, streaming media services have developed as fresh and inherently digital methods of content distribution. This technology has transformed the way users interact with digital media by prioritizing immediate and seamless access (Özgün & Treske, 2021).

This growth has been mainly due to rapid technological development and changing consumer habits and preferences, preferring content access models over physical media purchases (International Federation of the Phonographic Industry, 2022).

There are several types of streaming content, for which there are also numerous platforms:

- Streaming Video: This type of content includes movies, series, user-generated content, and live broadcasts. Platforms such as Netflix, YouTube, or Disney+ lead this sector (González Marqués, 2022 [translated]).

- Gaming and eSports Streaming: Twitch and YouTube Gaming are leaders in this field, allowing players to broadcast their sessions and viewers to interact in real time (González Marqués, 2022 [translated]).

- Live Event Streaming: platforms such as YouTube Live or TikTok have become the most popular platforms for people to follow and participate in concerts, conferences and sports events form anywhere in the world (González Marqués, 2022 [translated]).

- Audio Streaming: Includes music, podcasts and audiobooks. The leading platforms in this sector are Spotify and Apple Music for music and podcasts (González Marqués, 2022 [translated]) and Audible for audiobooks.

In addition, streaming can be classified into two main categories according to its temporality: live streaming, which is the real-time transmission of events or content and allows real-time interactions between users; and on-demand streaming, which consists of pre-recorded content that the user can access at any time, such as Netflix or Amazon Prime Video and Spotify (Kumar et al., 2024).

Nowadays, live streaming has transcended the scope of entertainment to become a key cultural phenomenon. Not having a live-streaming strategy today can be compared to ignoring the rise of social media a decade ago. In 2024, users consumed 20 billion hours of live content on Twitch alone, cementing it as an essential space for brands and content creators (The Drum, 2025).

Over the years brands have aimed to connect with their audience through trending platforms. In the 1980s, television dominated households; in the 2000s, social media

became the center of digital marketing. The new cultural area that businesses need to be present in today is live streaming (The Drum, 2025).

From a marketing perspective, the appeal of live streaming lies in its ability to generate genuine and honest interactions. Unlike traditional advertising, on Twitch and similar platforms brands can engage and participate in the conversation without interrupting it, taking advantage of the immediacy and transparency that characterize this medium (Twitch, 2024). According to Delphin, Twitch's chief marketing officer, *"Twitch connects advertisers and marketers with a hard-to-reach audience composed largely of millennials and Gen Z adults (...) That dynamic holds a unique benefit for brands – the testimonials are more authentic, questions get answered, and there's no edit or any kind of manipulation, which builds greater influence and trust."* (The Drum, 2025).

2.2.1 Music Streaming

The introduction of streaming platforms has brought about a profound transformation in the production, consumption, and reception of music, going beyond just a change in format or medium.

Thanks to the digital era, artists can now create and share their work more easily and effectively than ever before. Similarly, music lovers have access to unlimited music for free, something unthinkable just a few years ago unless they resorted to pirated websites to download music, which posed risks to consumers and threats to artists and record labels (Guo, 2023).

With the shift from traditional physical media to digital formats and streaming services, the music industry has undergone a significant transformation in the digital age (Guo, 2023).

The global music streaming market is projected to grow from USD 36.7 billion in 2023 to USD 125.70 billion by 2032, expanding at a compound annual growth rate (CAGR) of 15.10% during the forecast period (Market.us, 2024). Additionally, music and podcast streaming were the most streamed type of content in the US across all generations and will continue to be so (*Mintel*, n.d.).

Figure II: US, Streaming Audio Content by Generation, 2023

US: streaming audio content, by generation, 2023

● Music ● Podcasts ● Audiobooks ● Live-stream speeches/presentations ● Live-stream concerts ● Online therapy apps ● Audio blogs

^ *small sample (<100)*
Base: *2,000 internet users aged 18+*
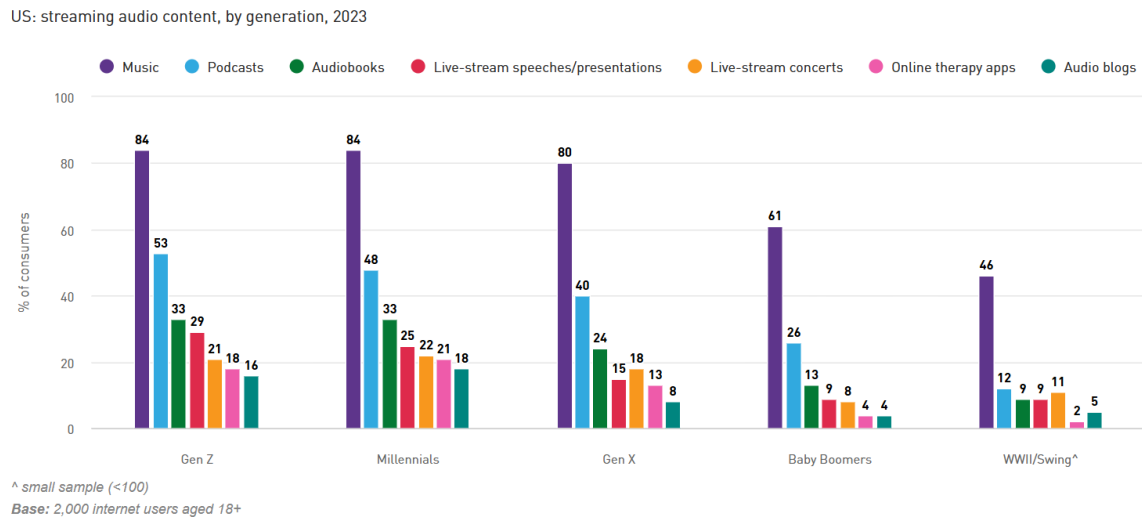
Source: *Mintel*. (n.d.). Retrieved on March 2, 2025 from:

Regarding the factors that shape the music streaming industry, a PESTEL analysis will help us understand the external macro-environmental factors influencing Spotify's success, and that affect all the competitors within the industry:

- Political factors:
  - Government policies and restrictions: digital services are subject to certain restrictions and policies which affect the use of the platform. For example, in countries such as China or Indonesia, there are several regulations regarding the censorship of some content, as well as data localization requirements (Daza Jaller, Gaillard, & Molinuevo, 2020).

  - Royalties and compensations for artists: *"...the royalty payments that artists receive might vary according to differences in how their music is streamed or the agreements they have with labels or distributors*" (*Royalties - Spotify*, n. d.). There is a lot of debate on whether royalties should be higher, because a large part of the money earned is given not to the artist but to the record label, which a lot of people consider to be unfair (Marshall, 2015b).

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- Economic factors:
  - Consumer spending: this aspect is related to global economic conditions and variations in disposable income, as this is a key factor for people to decide whether they are willing to pay for a premium subscription to a service (Aguiar & Waldfogel, 2018).

  - Freemium and subscription-based models: the freemium-based model[1] attracts new consumers and people who, as mentioned in the previous point, are not willing to spend money on a subscription, while the subscription-based model keeps customer loyalty on the platform. Therefore, it is a good strategy to have both models, like Spotify, whose revenue comes mainly from its freemium model. (Muff, 2017)

- Social factors:
  - Changes in music consumption habits: culture, language, and social trends affect music consumption, so platforms must adapt to the changes in preferences and make the recommendations as personalized as possible so that users keep using the platform and engage with it (Murphy, 2020).

  - Social Media integration and influence: music streaming platforms are becoming more social due to the option that a lot of platforms include, of sharing playlists or songs in your social media profile. Moreover, a lot of songs and music discoveries are made through social media (Barata & Coelho, n.d.), to which both platforms and artists should adapt.

- Technological factors:
  - Growth of artificial intelligence: AI is impacting not only digital platforms, but all businesses. The integration of artificial intelligence in music streaming platforms is allowing said platforms to collect more accurate data, and suggest more personalized content, based on the users´

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[1] A business model in which users can access the basic features of a service or product and pay for advanced or supplementary features

listening history, preferences and behavior. However, artificial intelligence advancements are growing exponentially, so it may be a challenge to adapt quickly to these changes (Arenal et al., 2024).

Additionally, AI has facilitated the creation of tools that enable efficient video generation, significantly impacting the promotion and distribution of music. Some programs that can be used to do this are Sora, Viggle, Suno or FlexClip, all of which enable users to edit and create personalized images, music or/and videos (FlexClip, n.d.; OpenAI, n.d.; Suno, n.d.; Viggle, n.d.).

- Environmental factors: the main issue within environmental factors is sustainability concerns. The consumption of digital content implies large emissions of carbon dioxide, due to data centers that support streaming services consuming significant energy. The push for implementing sustainable practices, like carbon-neutral servers, is becoming ever more essential (Istrate et al., 2024).

- Legal factors:
  - Data privacy laws: one of the main concerns regarding this aspect is the sharing of information with third parties. In some cases, platforms share users´ data with advertisers, or other companies (Tsaaro Consulting, 2023), which benefit both the music streaming service and the advertiser. Nowadays, platforms must comply with the GDPR (General Data Protection Regulation) in Europe and the CCPA (California Consumer Privacy Act) in the United States; both of which were made to protect users and to dictate how data should be collected, and monetized (Spalević & Vićentijević, 2022)

  - Copyright and streaming rights: Frith and Marshall (2004, p.7) explain that *"For anyone with any interest in music, copyright is vitally important, more important than any other concept in making sense of the variety of social practices that make up 'the music industry'. Copyright provides the framework for every business decision in the industry. (...) Copyright, one might say, is the currency in which all sectors of the industry trade"*. As

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for streaming, it ensures that creators retain control over their works and receive remuneration for them (Frith & Marshall, 2004).

The factors that have the greatest impact on the platforms that compete in the market, and more specifically on Spotify, are copyright and streaming rights. As previously stated, copyright is the backbone of the music industry, which means that all business decisions must be based on those laws. Music streaming platforms function in a market in which licensing and copyright contracts determine their catalog capacity, content accessibility and geographic scope. Said conditions frequently entail significant expenses, which affects the companies´ finances (Nordgård & Society of Media researchers In Denmark, n.d.).

In addition to copyright and licensing rights, the economic factor also has a high impact on music streaming, as it is the one that most affects consumers and, therefore, the company's revenues, because it depends on whether subscribers will opt for the premium model, paying a monthly fee. (Murphy, 2020)

Lastly, regarding technological advancements and the role of AI and its integration in the platforms, although it is a factor that does affect the platforms because they make use of it and must adapt to the rapid innovations, for now it is more an enabler and enhancer of the user experience, although this might change in the upcoming months or years. (Tencer & Tencer, 2024).

The music streaming market is very competitive. Apart from the main streaming platforms, some social networks, such as TikTok, are entering this sector to compete and take power away from Spotify, which is the main platform. An example of a recent strategy that TikTok is following to compete in the music streaming industry is the launch of SoundOn: a music marketing and distribution platform designed to help emerging artists distribute their music directly on TikTok and other platforms, while retaining royalties (*SoundOn*, n.d.).

On the other hand, the main companies (actual music streaming platforms) operating in this sector are the following:

- Apple Music: it is a streaming service, developed by Apple, which offers an extensive library of songs, curated playlists and live radio stations. Since its launch in 2015, it has evolved significantly, integrating features such as spatial audio and lossless audio, and providing advanced analytical tools for artists and record labels. Apple Music has stood out for integrating radio into its online content offering (Cazalla, 2019, [translated]). Moreover, the integration of advanced analytics tools into Apple Music enables artists and labels to gain detailed insights into the performance of their music, facilitating strategic decision-making in their careers (Sánchez Lorenzo, 2015, [translated]).

- Amazon Music: introduced by Amazon in 2016, it has implemented several strategies to differentiate itself in the competitive music streaming market. One of them is the integration with Amazon's ecosystem of services, offering additional benefits to Amazon Prime subscribers, such as access to an extensive music library at no additional cost (Johnson, 2023). However, according to Statista, the number of Amazon Prime members is over 200 million; and according to Business of Apps only 80 million people subscribe to Amazon Music, which means that the company should improve or change their strategy, in a way that they send a clearer message, to attract more users into its music streaming platform.

- YouTube Music: YouTube Music, as a standalone music streaming service, was officially launched in November 2015. This launch occurred in the context of YouTube's evolution as an audiovisual content platform and its expansion into specialized services. YouTube Music distinguishes itself by offering a rich user experience with audiovisual content, social interaction and free access, allowing it to compete effectively in the music streaming service market (Choi et al., 2023).

- Tencent: "*Tencent Music Entertainment is the leading online music entertainment platform in China. We offer online music and music-centric social entertainment services with the four famous music mobile apps in China - QQ Music, Kugou Music, Kuwo Music and WeSing.*" (*Tencent Music (TME)*, n.d.), Each of them has a different function, such as karaoke or specific for popular artists and focused on a young audience. It also offers live streaming, long-form audio and online concert

services. Overall, it is a company that, while operating in the music sector, is diversified. Among all these platforms, Tencent accumulates more than 800 million users (Zhong & Changsha University of Science and Technology, 2022).

- Spotify: founded in 2006 and launched in Europe in 2008 by Daniel Ek and Martin Lorentzon in Stockholm, Sweden, Spotify has become the undisputed leader in the streaming music market (Giacomo, 2024b). It was born as a response to the growing problem of music piracy in the 2000s, with platforms such as Napster or LimeWire (Pagnin, 2016). It currently offers access to an extensive library of different genres and creators: over 100 million songs, 6 million podcasts titles, and 350,000 audiobooks (*Spotify — About Spotify*, 2025).

Spotify's business model stands out for the following elements:

*Figure III: Growth of Spotify users from 2011 to 2024*
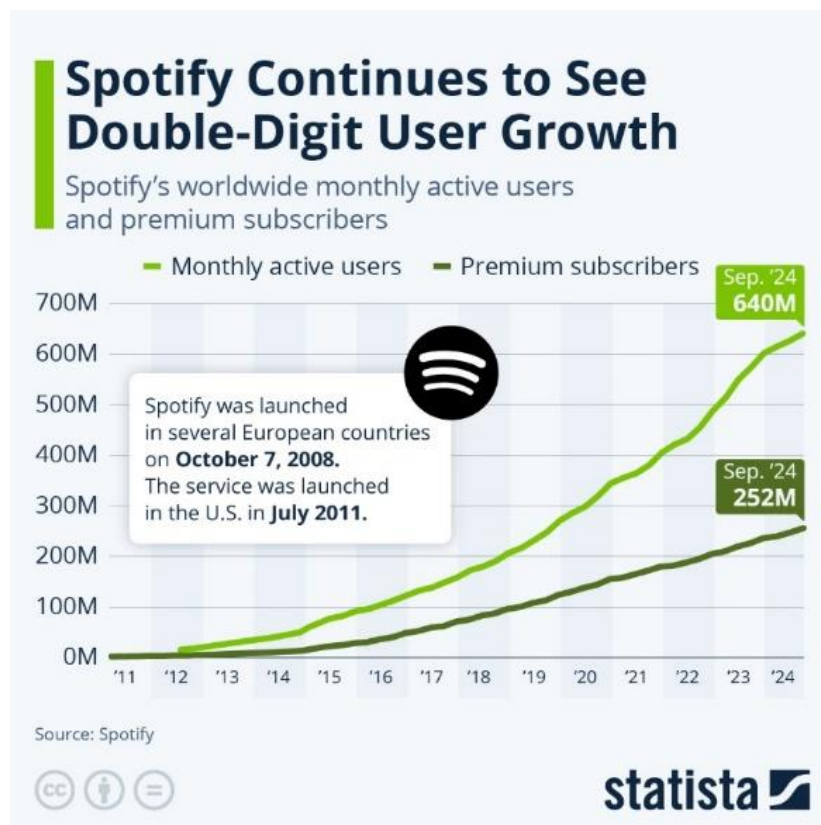
Source: Richter, F. (2025, February 7). Spotify Closes in on 700M Active Users. *Statista Daily Data*. Retrieved from: https://www.statista.com/chart/15697/spotify-user-growth/

Freemium Model: Spotify offers a free, ad-supported tier alongside premium subscriptions. This allows them to attract a large user base and then convert free users to paid subscribers (Spotify, n.d.).

- **Personalization**: as mentioned in the PESTEL analysis, Spotify is one of the platforms that leverages AI and machine learning to provide personalized recommendations and playlists, enhancing user engagement (Spotify, n.d.).
- **Content Diversity**: Beyond music, Spotify has expanded into podcasts and audiobooks, diversifying its content offerings (Spotify, n.d.).
- **Artist Tools**: Spotify provides analytics and promotion tools for artists, fostering a creator-friendly ecosystem (Spotify, n.d.).
- **Partnerships**: Strategic alliances with different companies have expanded its market access and strengthened its competitive position (Spotify, n.d.).
- **Continuous Innovation**: Spotify regularly introduces new features and experiments with formats like its recently added *Spotify DJ* AI generated feature to stay ahead of competitors and continue to evolve along with the market (Spotify, n.d.).

Figure IV: Subscriber share of music streaming services worldwide, Q3 2023
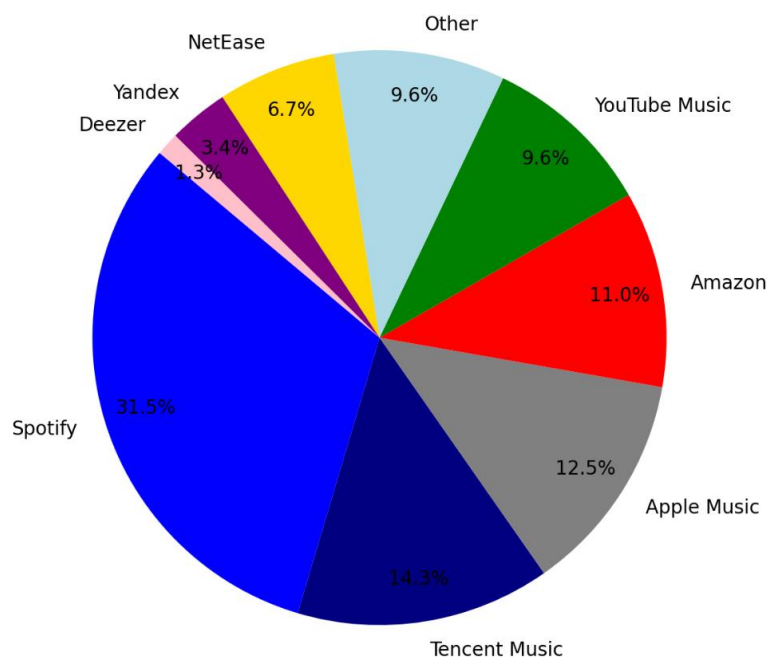
Source: Statista. (2024, 29 may). *Subscriber share of music streaming services worldwide Q3 2023*.
    Retrieved on Jan 10, 2025 from: https://www.statista.com/statistics/653926/music-
        streaming-service-subscriber-share/

As we can see from the graph, there is a wide diversity of platforms with relevant presence, and Spotify is the market leader with a 31.7% subscriber share, indicating its dominance in the music streaming industry

2.3 Customer Journey

In the dynamic music streaming market, the companies that were just mentioned compete not only in terms of catalog and pricing, but also in their ability to attract, retain and engage their users. To better understand how companies in this sector structure their customer acquisition and loyalty strategy, it is essential to analyze the customer journey concept.

Customer journey is the path that the consumer makes from the moment in which they first take consciousness of a product or brand (awareness), all the way until they become advocates of said product or brand (advocacy). Some scholars pair the customer journey hand in hand with the customer experience, as they consider both a tool, not only to know consumers´ thoughts and insights, but also as an insight of their experiences and behavior while buying and using the product. The customer journey can be divided into four main stages (Aretz, 2016):

- **Awareness**: in this stage, the consumer gets knowledge of the product and of the problem that it solves. The company or brand tries to effectively communicate the main characteristics of its product or service and the utility it has, or how it can solve and meet the customer´s needs (Aretz, 2016).

- **Consideration**: at this stage, the consumer is aware of the problem and begins to investigate different solutions (products or services) to the problem, and to compare the benefits offered by each (Aretz, 2016).

- **Purchase decision (or conversion)**: the consumer makes the decision of buying the product or taking some kind of action, like subscribing to a service or giving out contact information, etc. (Aretz, 2016).

- **Engagement**: this last stage of the customer journey includes **retention and advocacy**. The consumer becomes a loyal and perhaps recurring buyer and engages with the brand, recommending it to his or her peers. Therefore, a consumer who is an advocate for the brand will not only keep purchasing but will influence others´ purchasing decisions (Aretz, 2016). According to Homburg et al. (2015), loyal customers are more likely to generate word-of-mouth advertising, which reduces new customer acquisition costs and increases competitiveness.

3. ANALYSIS

Now that we have the theoretical framework well defined, we will proceed with the practical analysis to answer the research question and come to a conclusion on how effective Spotify's digital marketing strategy is in retaining users in competitive markets.

For this analysis, several tools have been used: first, a questionnaire was conducted, with a total of 25 questions: eleven of which are generic, which all participants answered: gender, age, music streaming service usage, opinions about Spotify's digital marketing strategies, frequency with which they view Spotify online campaigns or ads, and questions about which type of content would make them engage more with a music streaming platform. The remaining questions were divided so that Spotify users answered about their platform usage habits and opinions about the application, while non-Spotify users answered questions about their reasons for choosing another platform and opinion of the Spotify platform as non-Spotify users.

Figure V: Online survey technical specifications

Technical specifications	Online survey
Population	Population over 18 years old
Geographic área	Spain (Madrid) and United States (North Carolina)
Sample size	205 answers
Type of sampling	Simple random sampling
Type of survey	Personal, distributed by email and social media platforms (LikedIn, WhatsApp, Instagram)
Confidence level	95% in the most unfavorable condition p=q=0,5
Sampling error	± 6,84%
Measuring instrument	Digital survey using Qualtrics
Period of fieldwork	From January 4th to February 7th
Results presentation	Descriptive statistics using charts and brief explanatory texts.

Source: own ellaboration

In addition to the survey, research has been done on what has been written about digital marketing, using other studies on what is effective, what has worked and what hasn't in

other cases, for user retention, and what are the best ways to connect and engage with the consumer.

As we previously saw, this market is dominated by large competitors such as Spotify, Apple Music, Amazon Music or YouTube Music, so with all platforms having similar prices and services, one of the key elements to differentiate, stand out and emphasize the value proposition in such a competitive industry is digital marketing. (Sánchez-Saritama et al., 2021).

Drawing conclusions from across the reviewed literature, these findings were compared with the strategy followed by Spotify and some of its competitors (mainly Apple Music, Amazon Music and YouTube Music), as we are analyzing the effectiveness of Spotify's digital marketing within the competitive market in which the company operates.

As we are analyzing the effectiveness on customer retention, we will focus on Email Marketing, Content Marketing and Social Media Marketing, as these 3 tools are particularly effective when enhancing the engagement and relationships with customers than other tools (Display Ads, SEO, SEM, etc), which are more effective for earlier stages of the customer journey, because they focus on visibility, and acquisition rather than providing personalized content and building a connection with the user (Ilyas et al., 2021).

Spotify´s digital marketing strategy, overall, is characterized by being highly personalized and connecting artists with their audience. This is a huge competitive advantage for Spotify because neuromarketing research has demonstrated that personalization engages specific brain regions associated with attention, memory, and emotional processing, making marketing efforts more impactful and therefore enhancing consumer engagement: according to Song et al. (2025), personalized content increases activity in the prefrontal cortex, which is responsible for decision-making and rational thought, and in the limbic system, that plays an important role in emotional responses. It also engages the hippocampus, the brain's center for memory formation, making personalized experiences more memorable (Song et al., 2025).

Given this, the customer develops an emotional attachment to the brand, and a sense of belonging, making it more likely to stay loyal and increasing customer retention for the brand (Song et al., 2025). "*The impact of personalization on customer satisfaction is*
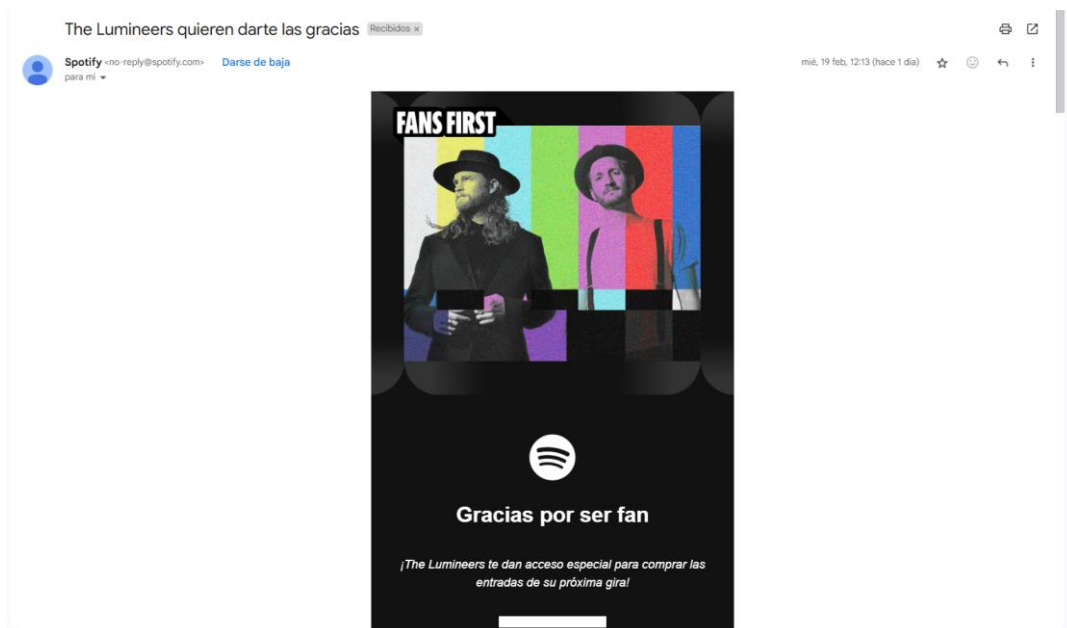
profound, leading to enhanced customer experiences, increased engagement, higher conversion rates, improved customer retention, and the building of trust and credibility" (Casaca & Miguel, 2024, *Abstract*).

3.1. Spotify´s Email Marketing Strategy Analysis

Spotify's email marketing strategy varies depending on the type of user:

- **Premium Users:**

  - Spotify sends a variety of personalized emails tailored to each user's listening habits.

  - A good example is the following email with the subject line: **"The Lumineers want to thank you"**. That hook catches the attention as the recipient feels exclusivity and that the artist wants to connect with the person. Moreover, the value of the email lies on the fact that The Lumineers' core listeners have exclusive access to tickets for their tour: *"This not only creates a sense of excitement and anticipation but also reinforces the bond between Spotify and its customers, showing that they genuinely care about enhancing the fan experience."* (Burke, 2023)
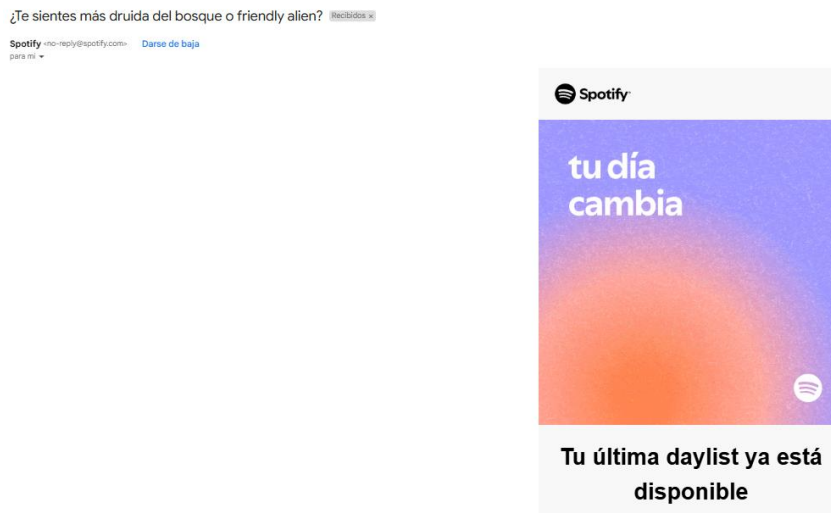
Figure VI: Spotify email with special access to purchase tickets for fans of The Lumineers

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- o Spotify also advertises personalized playlists through attention-grabbing subject lines, such as: **"Do you feel more like a forest druid or a friendly alien?" and** calling to action indirectly by stating "your latest playlist is ready".

Figure VII: Spotify email promoting Daylist

- o The platform utilizes additional user data (e.g., location) for making emails, not only emails but their user interface, more relevant and targeted for users, like: **"Myles Smith recently announced a concert near you."** This approach enhances personalization and connects artists with fans (Spotify Design, 2022), enhancing the user experience.
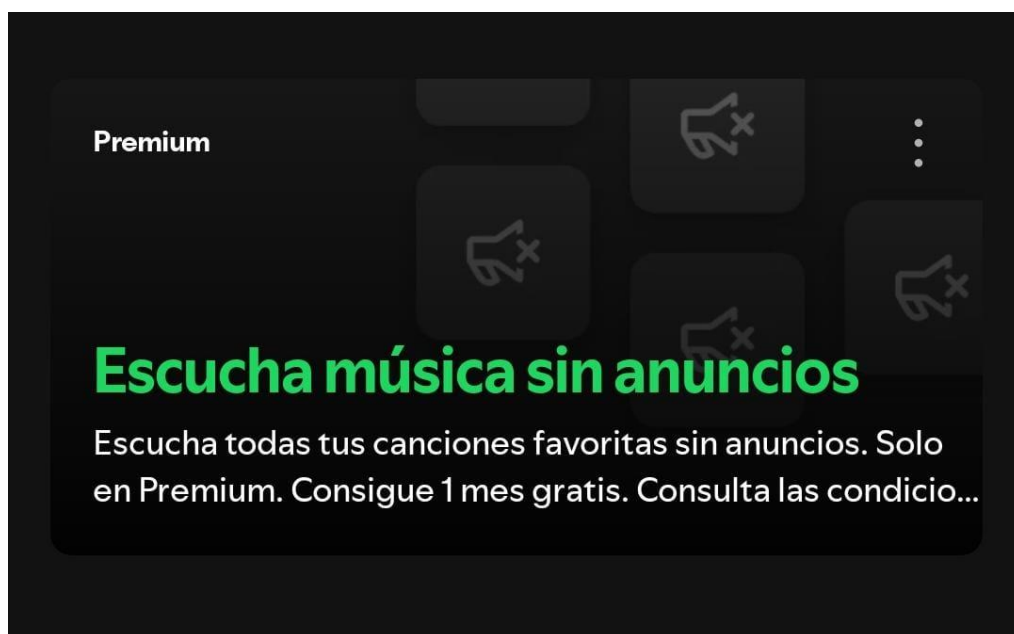
Figure VIII: Example of a personalized Spotify email about local concerts
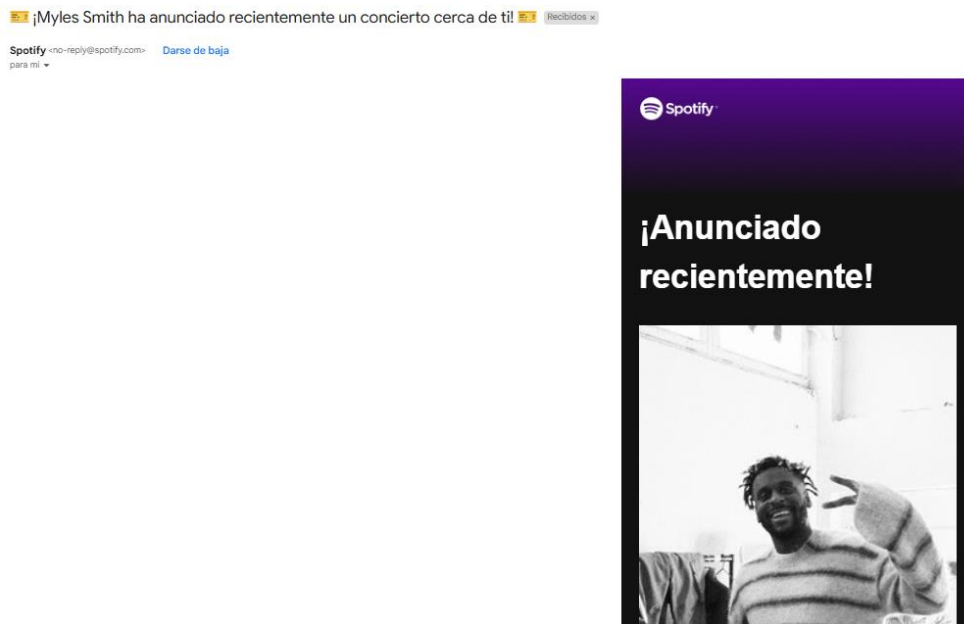
Source: Spotify, personal communication, August 21, 2024.

- **Non-Premium Users:**

  - The focus shifts towards conversion, with emails promoting Spotify Premium and its benefits, like the following one "Listen to music without ads":

Figure IX: Spotify Premium promotional ad: listen without ads

Figure X: Spotify promotional campaign: 3 months of Premium for free
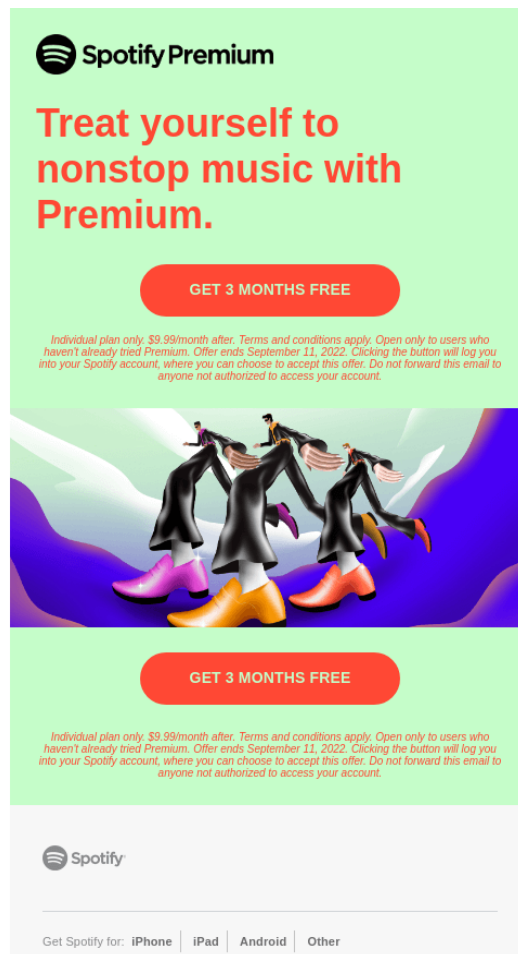
Source: Spotify. (n.d.). *Groove to 3 free months of Premium* [Email]. Retrieved March 3, 2025, from
https://reallygoodemails.com/emails/groove-to-3-free-months-of-premium

- o These emails often resemble Spotify's in-app ads and include a strong CTA, typically offering a free one-month trial.

- o Although emails for non-premium users are not as targeted, personalization is also present, using phrases like **"treat yourself"** to make the offer feel more user-centric. Moreover, as shown in the following example, the CTA is to subscribe to Spotify Premium, which they encourage with a free three-month trial first.

Comparison with Competitors

- Amazon Music also utilizes personalized emails that recommend new artists and albums based on individual user preferences and listening habits. This approach enhances user engagement by tailoring content to each listener's unique tastes demonstrating a similar data-driven approach (Movable Ink, n.d.).

- Apple Music, on the other hand, does not emphasize personalization in its emails. Instead, Apple focuses on cross-promoting its brand and product line, highlighting device compatibility and bundling offers like a 3-month free trial with new Apple devices:

Figure XI: Apple Informational emails about the Family Sharing service
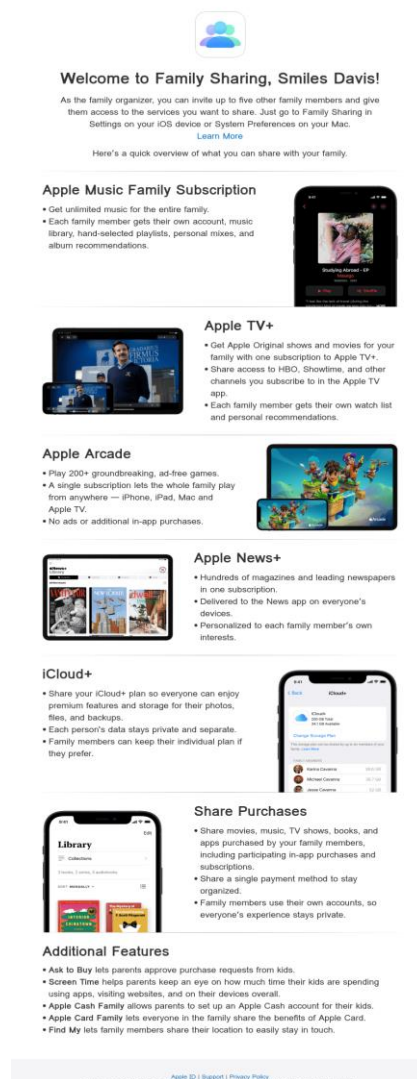
Source: Apple. (n.d.). *Welcome to Family Sharing* [Email]. Retrieved March 3, 2025, from

Figure XII: Free three-month trial offering email
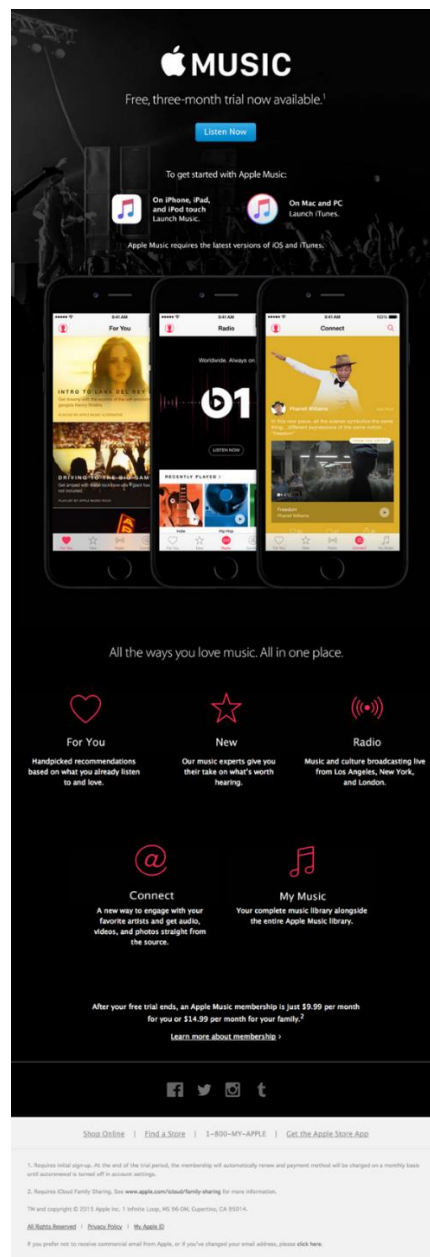
Source: Apple. (n.d.). *Apple Music is here* [Email]. Retrieved March 3, 2025, from

https://reallygoodemails.com/emails/apple-music-is-here

Evaluating Email Marketing Effectiveness

The main Key Performance Indicators for Email Marketing, when measuring customer retention, are the following:

- **Open Rate**: Measures how many users open an email (Salesforce, n.d.).
- **Click-Through Rate (CTR)**: Indicates engagement by tracking the number

of link clicks (Baker, 2023).

- **Click To Open Rate**: refers to the number of clicks relative to the number of mails open. This is a good indication of engagement and how attractive or effective is the email´s Call To Action (Salesforce, n.d.).
- **Unsubscribe Rate**: Reflects user dissatisfaction with email content or frequency, as it indicates the percentage of people who unsubscribe from the mailing list (Salesforce, n.d.)

Although exact performance data is private, we can analyze Spotify's email marketing effectiveness by using some of the industry trends and metrics as benchmarks and considering what type of emails are the most engaging, as well as the fact that email marketing provides one of the highest ROIs, as seen before:

According to the platform MoEngage´s (2023) email marketing study, email open rates vary across industries, with the average open rate being 28,6%. More specifically, in the Entertainment and Media Industry, it is 25,78% (Falguni, 2025). Other relevant metrics in this same industry are: Average click-through rate (CTR),15.25%, and Average Unsubscribe rate: 1,98%, with 0,15% being the lowest rate.

The same study found that the unsubscribe rate within the Media and Entertainment Industry varies the most out of all, which means that it really depends on the type of email and whether it is relevant for them or not. Some of the main factors affecting Email Marketing Metrics are:

1. Content & Personalization: More personalized emails lead to higher engagement. "*Behavior-based personalization significantly increased open rates (39.7%) and CTORs (26.5%)*" (Falguni, 2025).

2. Design & Call-to-Action (CTA): An attractive design and a clear structure can make the difference between an ignored email and one that generates action. Including visible and well-designed CTAs increases interaction and click-through rates. (*Email Marketing Benchmarks &Amp; Industry Statistics | Mailchimp*, n.d.).

3. Frequency & Timing: Sending emails at the optimal times can make a big difference. Sending too many emails can lead to user fatigue, while sending too few can cause them

to lose interest. Analyzing data and optimizing sending schedules helps to improve campaign performance. (*Email Marketing Benchmarks &Amp; Industry Statistics | Mailchimp*, n.d.).

Another study, from Statista, shows what type of content and messages users prefer when engaging with a brand. The main preferences were consistent user experience, rewards for loyalty and mindful usage of consumers´ data.

Figure XIII: Favorite types of brand messaging among consumers worldwide as of November 2023
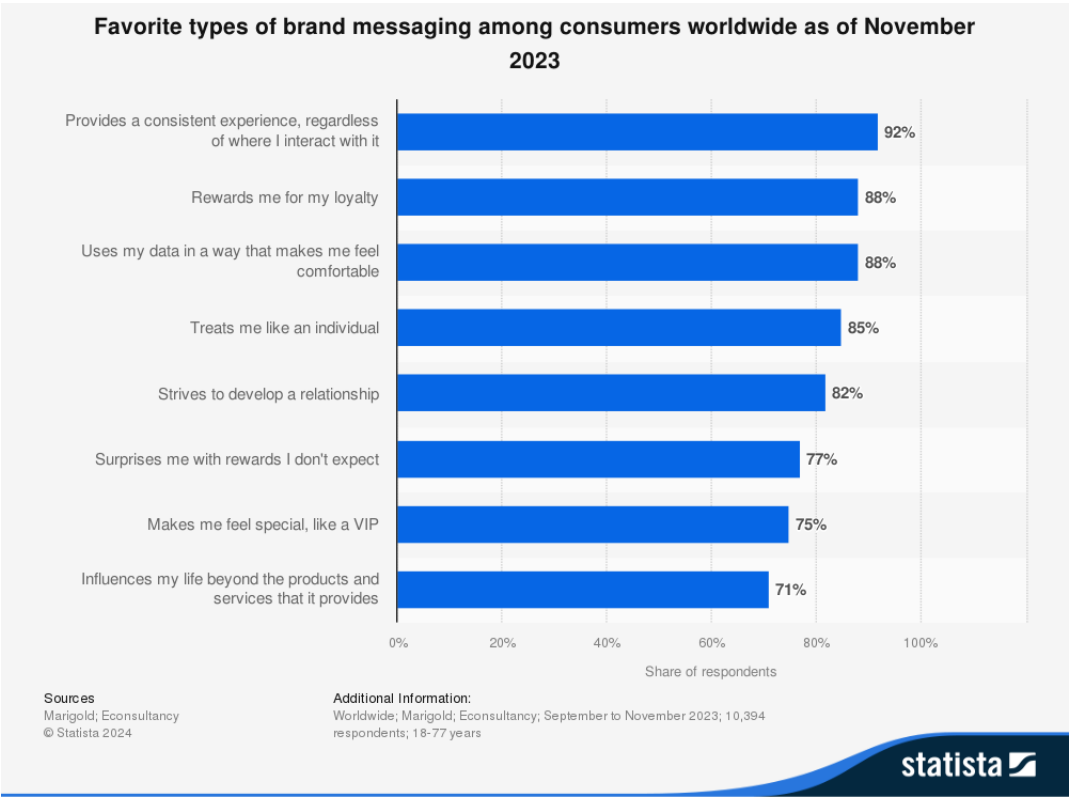
Source: Statista. (2023). *Most popular types of brand messages among consumers in the United States as of November 2023*. Statista. https://www.statista.com/statistics/1368955/favorite-brand-messaging-consumers/

The effectiveness of their strategy can be evaluated through industry metrics, which were obtained from MoEngage (2023), as mentioned before. Applying these values to a hypothetical estimate where Spotify sends 10 million mailings in a campaign, and taking into account that due to personalization and content Spotify´s email marketing rates would be above the average, we can do an estimation or assumption on the effectiveness, based on actual numbers:

Estimated opens: 2,7 million users would open the mailing.

Estimated clicks: 1,6 million users would interact with the content.

Given this, we can calculate the estimated CTR (Click Through Rate) and CTOR (Click to Open Rate):

$$CTR = \frac{1,6 \, M \, clicks}{10 \, M \, emails} \, x \, 100 = 16\%$$

$$CTOR = \frac{1,6 \, M \, clicks}{2,7 \, M \, opens} \, x \, 100 = 59,25\%$$

Estimated unsubscribes: Between 15,000 and 198,000 users could unsubscribe from the mailing list. Closely towards 15,000, as Spotify´s emails are based on behavior and user data, which would imply a lower unsubscribe rate.

Overall, Spotify's data-driven strategy places it as a leader in efficiently utilizing email marketing, which continues to be one of the most effective channels for creating return on investment (Araújo et al., 2022). Spotify makes sure its email marketing stays not just competitive but also better than its competitors in the media and entertainment sector by maximizing elements like content personalization, well-structured calls to action, and strategic timing.

3.2. Spotify's Content Marketing Strategy Analysis

In the case of Spotify, and other music streaming platforms, their content marketing ranges from collaborations with artists and videos uploaded to social networks, to personalized playlists and content shown to users on the platform itself. This connects directly to email marketing: in one of the examples that we have seen above, the email announces that "your latest playlist is now available", inviting the user to access the platform and interact with the content, in this case playlist, customized by Spotify for them.

In the case of Spotify, thanks to data analysis, its content marketing provides a highly personalized user experience. Unique and tailored playlist names make the consumer feel that the playlist is indeed made exclusively for them. Indeed, surely no one else in the

world has exactly the same playlist (*Types of Spotify Playlists - Spotify*, n.d.).

The more you use the platform, the more data the platform collects about your usage habits and music tastes, and therefore the more personalized the content it shows you, thanks to deep learning algorithms that filter and recommend music (Maheshwari, 2023).

Spotify tracks actions like song plays, skips, and playlist additions, then data is aggregated to understand user preferences and improve recommendations. Spotify's AI and algorithms power its personalized playlists (e.g., Discover Weekly). These playlists serve not only to improve user experience, but they also allow Spotify to gather more implicit data on users' moods and activities. Additionally, Spotify not only recommends music based on previous tastes, but also uses collective intelligence to improve recommendations: Users' taste profiles are compared with those of others with similar patterns; metadata such as an artist's "popularity" or the description of the music on the web is analyzed (Maheshwari, 2023). Personalized recommendations not only simplify navigation of a massive music library but also create a sense of exclusivity. This approach increases loyalty and conversion to premium. (Adenuga, 2022).

Comparison with Competitors

Spotify's approach to content marketing through personalization is shared by other music streaming services, with some variations:

- Apple Music also generates personalized playlists according to the tastes of each user, such as daily or weekly mixes. In that sense, it is very similar to Spotify (Apple, n. d.). Additionally, another area of content marketing in which it is very present is YouTube content: Apple music has a wide variety of videos of interviews with artists but also with people outside the music industry, such as Leo Messi (*Apple Music*, n.d.), which attracts a different kind of audience and makes people who might not be as interested in music engage with the brand and its videos. While Spotify also does this (Spotify, n.d.), Apple is a lot more consistent with the content they upload, both in timing terms and type of content, which helps keep the fans engaged.

- Tencent Music has started to leverage AI to create viral content, including its own

music, showcasing the potential of automated content marketing in the streaming industry (Music Business Worldwide, 2024).

- Amazon Music employs a similar subscription model and provides personalized playlists to its users, based on user behavior, and also introduced AI in their recommendation system (Amazon, n.d.).

Spotify Wrapped

Figure XIV: Spotify Wrapped Layout
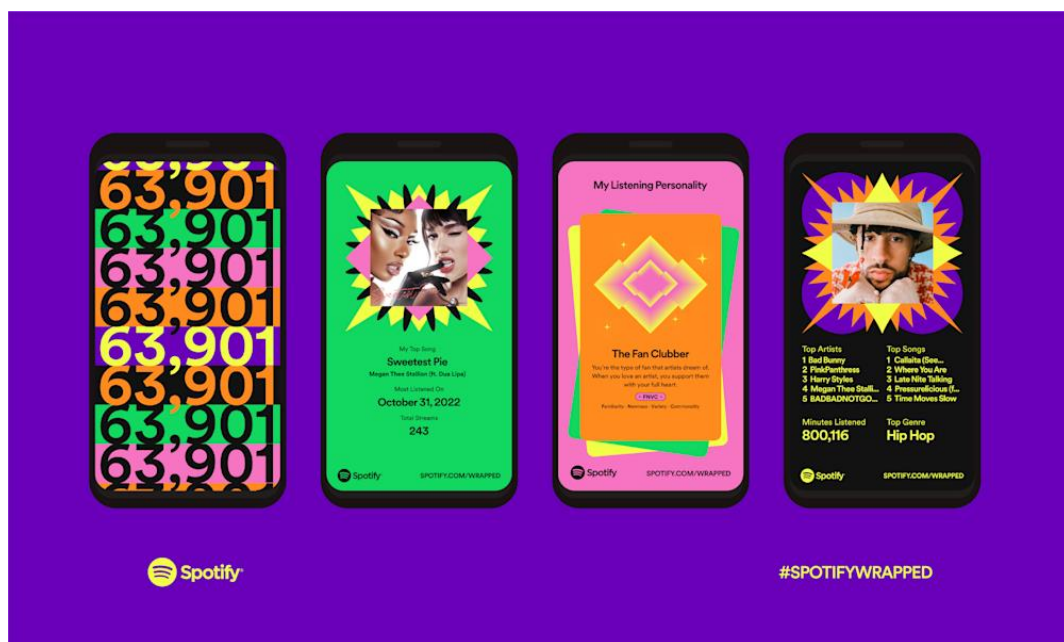
Source: *Making Moves: Designing Motion for 2022 Wrapped.* (n. d.). Spotify Design. Retrieved from:
https://spotify.design/article/making-moves-designing-motion-for-2022-wrapped

Spotify's Senior Director of Personalization, Molly Holder explains that *"as you add songs to a playlist, listen to an entire song, skip a song, or engage with an artist, it sends us clear signals that help us tailor our programming to your taste."* (Spotify, 2024).

First launched in 2015 under the name *"Year in Music"*, it is one of Spotify´s most successful campaigns. It consists of a compilation of statistics on the listening habits of each user, among which are the songs most listened to, minutes of listening, total number of artists listened to, personality according to the type of music genre you have listened to most, etc (Spotify, 2024).

Spotify Wrapped is more than a marketing campaign: it is a reflection of the user's

personality, which is why users enjoy sharing it: because it reflects who they are through their musical tastes and listening habits (Gartner, 2023).

After Spotify launched this campaign, its competitors have also launched something similar: Apple Replay, Amazon Music Delievered, Youtube Music Recap, which compete directly with Spotify.

In conclusion, Spotify Wrapped has become a highly anticipated annual event that transforms personal data into an entertaining and shareable experience. This reinforces user loyalty, drives their continued usage and helps cement the service as part of their musical identity. The data analytics and personalization techniques underlying Wrapped have been shown, generally in the literature, to be effective in customer retention and generating deep engagement.

Evaluating Content Marketing Effectiveness

To assess the effectiveness of content marketing strategies, the following KPIs are essential:

- **Customer Lifetime Value (CLTV):** Measures the total expected value a consumer will generate throughout their usage of the service. It is calculated with the following formula:

$$CVTL = \frac{ARPU\ x\ Gross\ Margin}{Churn\ Rate}$$

ARPU = Average Revenue Per User. By year end in 2024 it was 4,69 € (*Spotify Technology S.A., 2024, p. 43*).

Gross Margin (for premium) = 33% (*Spotify Technology S.A., 2024, p. 48*).

- **Churn rate:** while we do not have the exact data directly from Spotify, a Bloomberg report stated that Spotify´s churn rate (percentage of people who unsubscribe from the service) was only 2% in 2024 (Shaw, 2024).

With this data, we can compute the Customer Lifetime Value:

$$\text{CVTL} = \frac{4,69 \times 0,33}{0,02} = \mathbf{77,385 \text{ €} \text{ per premium customer in 2024}}$$

Given that this can fluctuate, depending on the churn rate, pricing strategies, etc, this number indicates that even small improvements in retention (i.e., reducing churn even further) or increases in subscription pricing could significantly impact revenue per user. Considering Spotify's churn rate is relatively low (2%), the company is in a strong position in terms of user retention.

- **Customer Retention Rate:** Research estimates a retention rate of 96% for Spotify users, based on projections of a customer life of 20 years and extending until 2040 (Martenstyn, J., 2022), which is one of the best indicators of how effective Spotify´s digital marketing strategy is, especially when it comes to providing valuable, relevant and personalized content to its users to keep them engaged and loyal to the platform.

3.3. Spotify´s Social Media Marketing Strategy Analysis

There are different elements within social media that we can analyze in order to get a complete view of Spotify´s social media marketing effectiveness, like collaborations, paid ads or campaigns and social media organic content. Although Spotify adapts its content to the different platforms that it is present on, it keeps a consistent brand image throughout the different platforms.

Earned Media/User Generated Content

An important aspect of this social media marketing strategy is earned or user generated content, which is achieved by allowing people to share songs, playlists or podcasts directly from Spotify to their social media profiles especially during the Spotify wrapped time: this is another example of how Spotify´s digital marketing strategy is consistent throughout channels. As people feel an emotional connection to Spotify Wrapped because they feel it goes beyond data and is something that defines them, people share it as part of their identity and showcase their personalities. That is how a content marketing strategy becomes a viral social media strategy, and all through user generated content, for which Spotify does not pay, as it is earned media. In addition, what this sharing of everyone´s Wrapped results provoke is a fear of missing out on the part of other users, which incites

more people to share it, because of the desire to be part of something (Moltó Moltó, 2023).

Paid Media

Paid media, including advertisements in social media, is an important part of Spotify´s growth Strategy. The company utilizes paid campaigns to promote premium subscriptions, artist collaborations and exclusive releases. Again, some of these ads transmit the same message that some of the emails the platform sends to non-premium users, highlighting the benefits of Spotify Premium, for non-premium users, as well as promoting artist collaborations and exclusive releases, that way keeping the advertisements consistent along platforms.

Figure XV: Example of Spotify Instagram ad
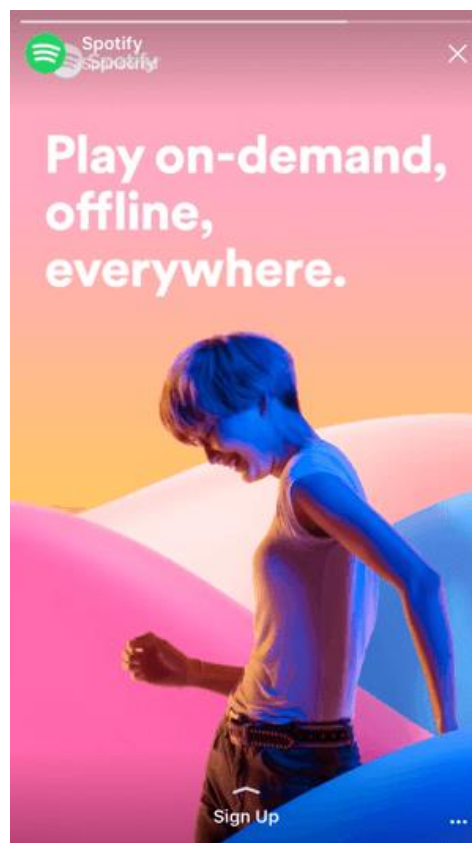
Source: Gotter, A. (2017, July 3). *How to create Instagram Stories ads for traffic and conversions*. Social
  Media Examiner. https://www.socialmediaexaminer.com/how-to-create-instagram-   stories-
      ads-for-traffic-and-conversions/

Influencer marketing

Influencer marketing is becoming more relevant as influencers generate parasocial relationships with their followers, which means that users feel a personal connection with them. This increases the credibility of the message and the likelihood that followers will trust the influencers' recommendations (Cinjakov, 2021). However, it has been proven that micro and nano influencers generate more trust and engagement than macro influencers. According to Cinjakov´s (2021) thesis, 64,55% of respondents to the survey trust influencers with a smaller audience more, suggesting that these profiles may be more effective for Spotify campaigns; not only referring to social media content creators, but to smaller artists as well.

Once again connecting different digital marketing channels (in this case, content and influencer marketing), one of Spotify's features is Blend: this allows users to see what music they have in common with their favorite artists, influencers or even athletes. In this area, Spotify also differentiates itself from its competitors, making collaborations with both influencers and artists, of which, YouTube Music or Amazon Music are less frequently seen. In this regard, Spotify has a great advantage over its competitors because, while many have something similar to Spotify Wrapped, no other platform has something like Blend. In this way, Spotify goes a step beyond influencer marketing and allows users not only to connect with them through digital platforms, but also to connect with them on a deeper level, in terms of musical tastes, thanks to this feature, that allows you to create a playlist, combining the songs that two people have in common (Spotify, 2021). This enhances user engagement with the brand by turning music into a social and personalized experience.

Here is an overview of the different social media and the approach that Spotify takes for each of them:

Platform	Number of followers	Strategy	Effectiveness
Instagram	**12,7 M**	Visual-heavy content, artist promotions, interactive stories, polls	High engagement, but not so much relative to competitors
Twitter (X)	**19,4 M**	Meme culture, witty responses, real-time music discussions	Creates viral moments, increases brand personality
TikTok	**3,7 M**	Music trends, influencer collaborations, user-generated content	Highly effective, drives music discovery
YouTube	**1,99 M**	Artist interviews, live sessions, podcast content	Complements audio with video, which is great for storytelling
Facebook	**24 M**	Ads for premium subscriptions, official announcements	Less interactive but still effective for paid campaigns

Sources: (Spotify, 2025a, 2025b, 2025c, 2025d, 2025e).

Comparison With Competitors

If we compare Spotify's social media presence with its direct competitors, the closest in number of followers is Apple Music, with 22,71 followers among all the platforms mentioned above (Apple Music, 2025a, 2025b, 2025c, 2025d, 2025e), but it is still far behind Spotify's total of 61,79M followers.

The main differences between both profiles are that Apple Music posts content with very relevant people who also act as influencers, both within and outside the music world, such as King Charles of England, Elton John or Lady Gaga, whereas Spotify´s content is not as relevant, or features smaller artists or less famous figures. In that sense, Apple Music has a stronger influencer marketing strategy than Spotify; however, there is a lack of user generated content and people sharing music and playlists from the apple music platform.

Evaluating Spotify´s Social Media Marketing Effectiveness

If we compare it in general terms with the social media presence of other streaming music platforms, Spotify leads in number of followers. However, if we compare some of the KPIs to measure the effectiveness of social media marketing, between KPIs and Apple Music, which is its direct competitor in terms of followers, we can see that Spotify is inferior in this case:

- **Engagement rate**: although engagement can mean both click, likes, comments, and shares, to make the calculations and the comparison, we will use only Instagram comments from both platforms' accounts as a reference; as comments indicate that people have taken the time to tell their opinions and engage with the brand, which is a great indicator of loyalty as well as satisfaction with the content. If we take both brand´s 12 last Instagram posts (which in both cases are very varied) and compute the comments rate for both (dividing by number of followers), we see that Apple Music is clearly superior (as per March 2025):

  - Apple Music: Engagement rate (comments) $= \frac{8.390}{5,1 \text{ M}}$ x 100 $= \mathbf{0,164}$ %

  - Spotify: Engagement rate (comments) $= \frac{9.978}{12,7 \text{ M}}$ x 100 $= \mathbf{0,0785}$ %

  - Apple Music: Engagement rate (likes) $= \frac{763.534}{5,1 \text{ M}}$ x 100 $= \mathbf{14,44}$ %

- Spotify: Engagement rate (likes) $= \frac{108.999}{12,7 \text{ M}}$ x $100 = \mathbf{0,85}$ %

(Spotify, 2025a, Apple Music, 2025a)

As we can see, the engagement rate measured in Instagram comments is more than double for Apple Music than for Spotify, and a lot higher for Apple Music´s engagement rate measured in likes. This means that Apple Music´s Instagram content (and extrapolated to other social media platforms) is a lot more engaging and appealing for users than Spotify´s, taking into account that, overall, the comments in both profiles are positive; or that Apple Music users tend to be more active and engaging in social media.
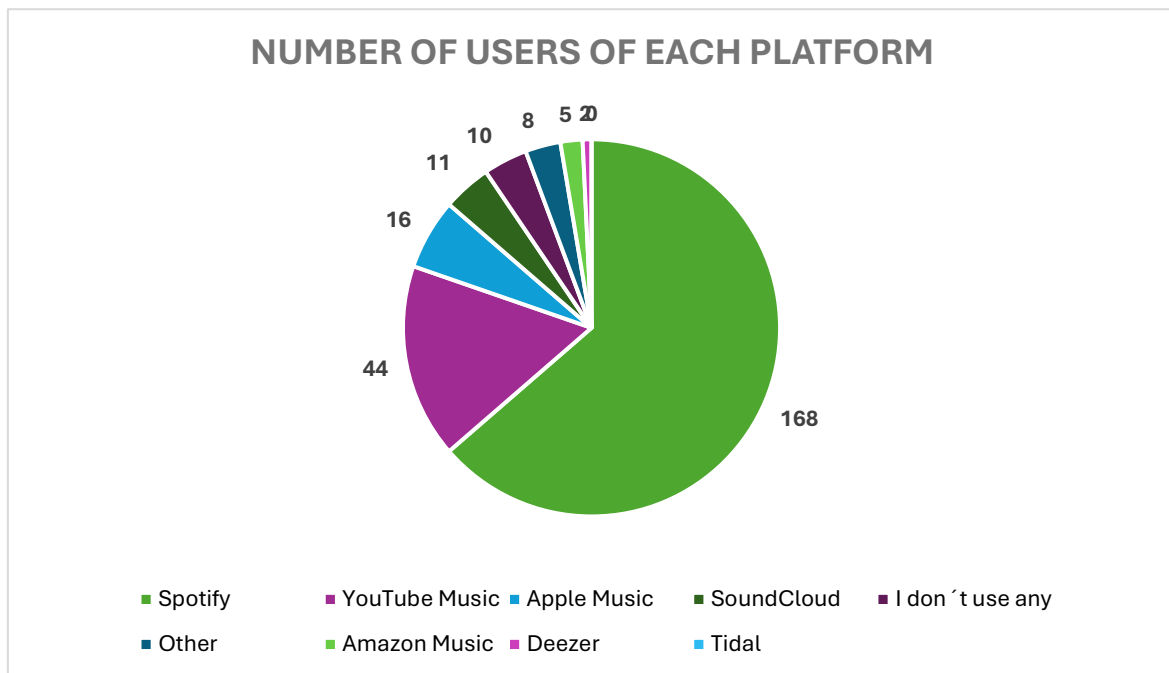
- **Follower growth**:

Data from Social Blade (n.d.) indicates that Spotify has grown by 222K followers on Instagram, 20K on YouTube and 100K on TikTok, while other competitors have remained more static or have not grown as much as Spotify. This sustained growth across platforms suggests that Spotify is generating engaging and relevant content that is capturing users' attention and loyalty.

3.4. Survey results

A total of 205 people has participated in the study, responding to the survey on usage habits of music streaming platforms and perception of Spotify's digital marketing, although only 165 people completed it all the way until the end. Therefore, some of the questions only have 165 answers. Most of the responses are from people between 18 and 25 years old. In terms of demographics, there have been no significant differences in responses from one age or gender to another, as well as number of hours per week that people use Spotify.

Research from Statista (2024) suggests that, at the end of 2024, more than 700 million people used music streaming platforms. Therefore, as our sample size is only 205, the population can be considered infinite, for statistical and calculation purposes.

Figure XVI: Number of users of each platform, based on survey results (n = 205)

NUMBER OF USERS OF EACH PLATFORM

- ■ Spotify ■ YouTube Music ■ Apple Music ■ SoundCloud ■ I don´t use any
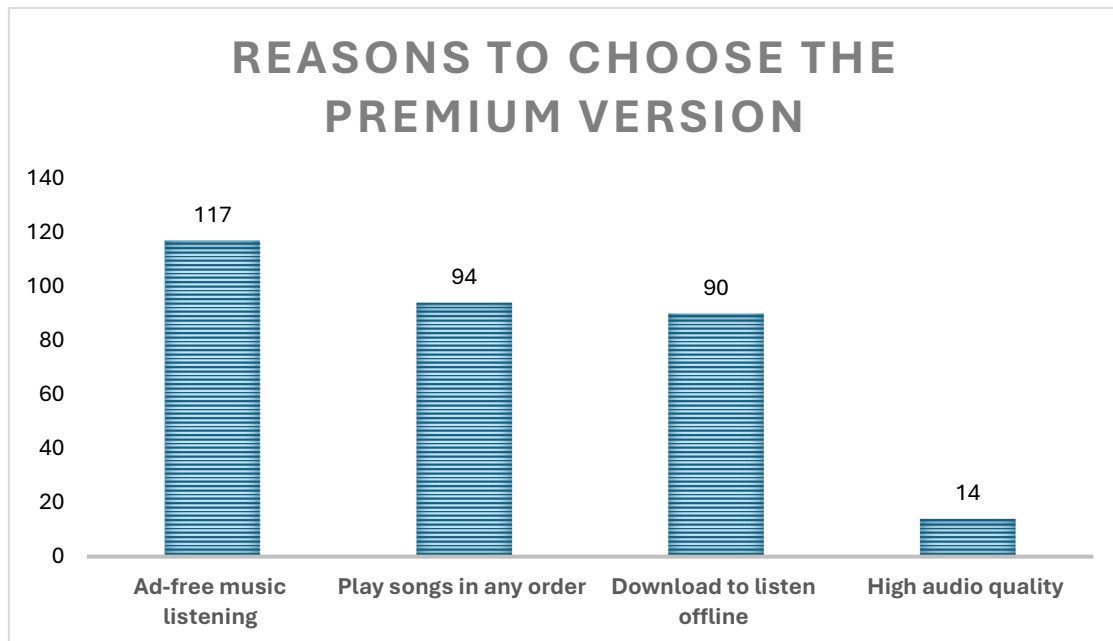- ■ Other ■ Amazon Music ■ Deezer ■ Tidal

Source: own elaboration

Spotify is the most used platform among participants, with a total of 168, followed by YouTube Music (44) and Apple Music (16). 10 people answered that they do not use any. These numbers indicate that some people use more than one platform, as the total number of answers is 264.

Although similar, this graph differs somewhat from the official Statista data shown above, especially because this data is based on Spain and the US, while Statista's data is worldwide, and platform preferences differ from country to country. What is consistent is the fact that Spotify leads in number of users by a wide margin.

Figure XVII: Main reasons for people to use Spotify Premium, based on survey results (n = 168)

REASONS TO CHOOSE THE PREMIUM VERSION

Category	Value
Ad-free music listening	117
Play songs in any order	94
Download to listen offline	90
High audio quality	14

Source: own elaboration

Of the people who subscribe to Spotify, most of them (106 people) are premium users who previously used the free version, so in that respect we can say that retention strategies are working well for Spotify. However, the main reason why people choose to subscribe to a premium plan is to be able to listen to music without ads, as well as to listen to songs in any order. Therefore, digital marketing strategies are not so decisive in order for people to switch to a premium plan, but the features of the application and the advantages of premium itself are.

Figure XVIII: Preferred digital marketing strategies for people to engage with platforms, based on survey results (n = 165)
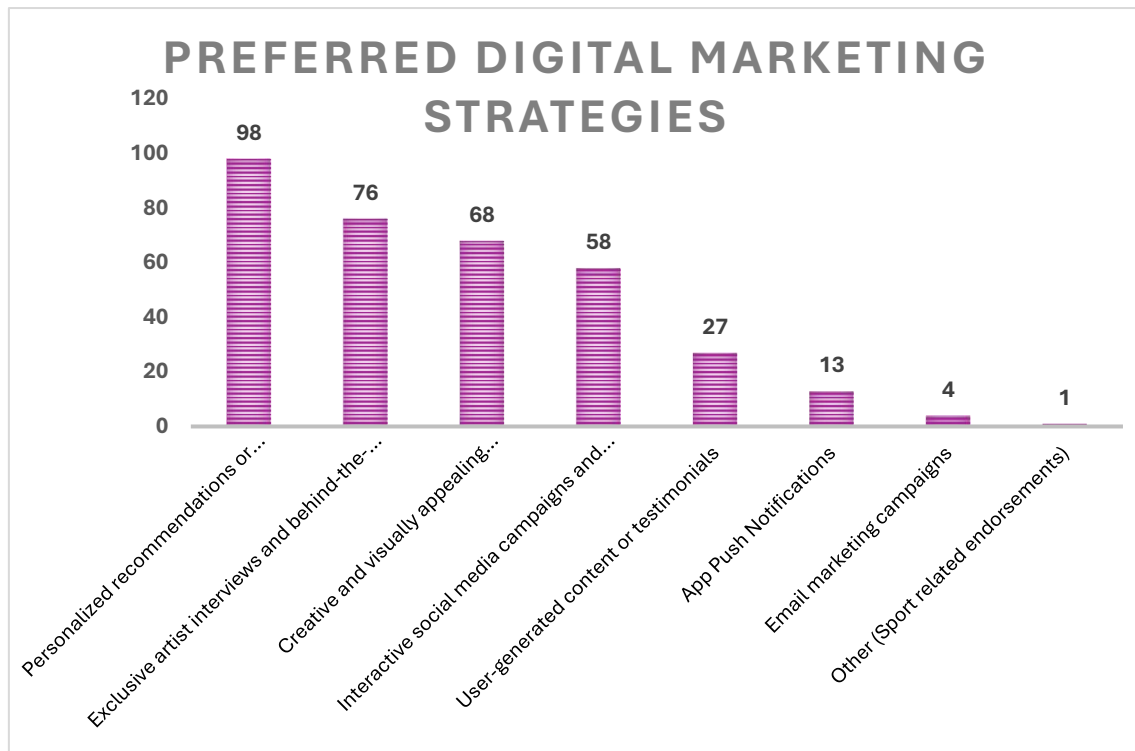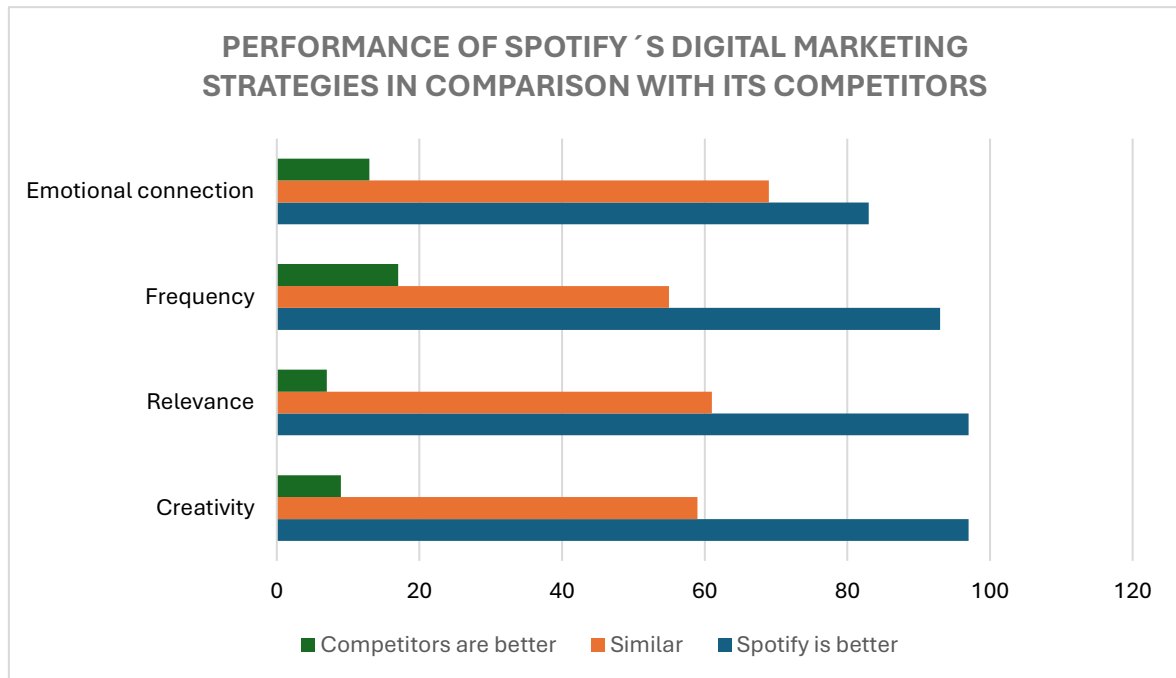
Source: own elaboration

People were also asked what type of digital marketing content would make them engage most with the platform, to find out what aspects Spotify should maintain or improve, and the results were as follows: personalized recommendations or campaigns and exclusive artist interviews and behind-the-scenes were the most voted options, which means that Spotify is doing a great job with their personalized playlists and marketing content but, as mentioned before, could improve their content marketing by posting YouTube videos or adding exclusive videos in their platform only for premium users, that way adding an extra motivation for users to pay the premium fee.

Reinforcing this, the response to the question "What do you think of Spotify Wrapped as a marketing campaign?" was **"I look forward to it every year"** with a total of 64 responses out of 168 **(41,46%)**, demonstrating once again the value users place on emotional connection and tailored experiences. Additionally, the most repeated response to Spotify Wrapped from non-Spotify users has been **"It's creative and fun"**.

These results help confirm the first hypothesis and disprove the other two: Spotify has a strong competitive advantage thanks to its personalized content. However, users are not

as interested in connecting with the platform on social media, and email marketing is not very engaging, so it has no effect on most users in terms of retention.

Figure XIX: Perception of Spotify´s digital marketing performance in comparison to competitors, based on survey results (n = 165)
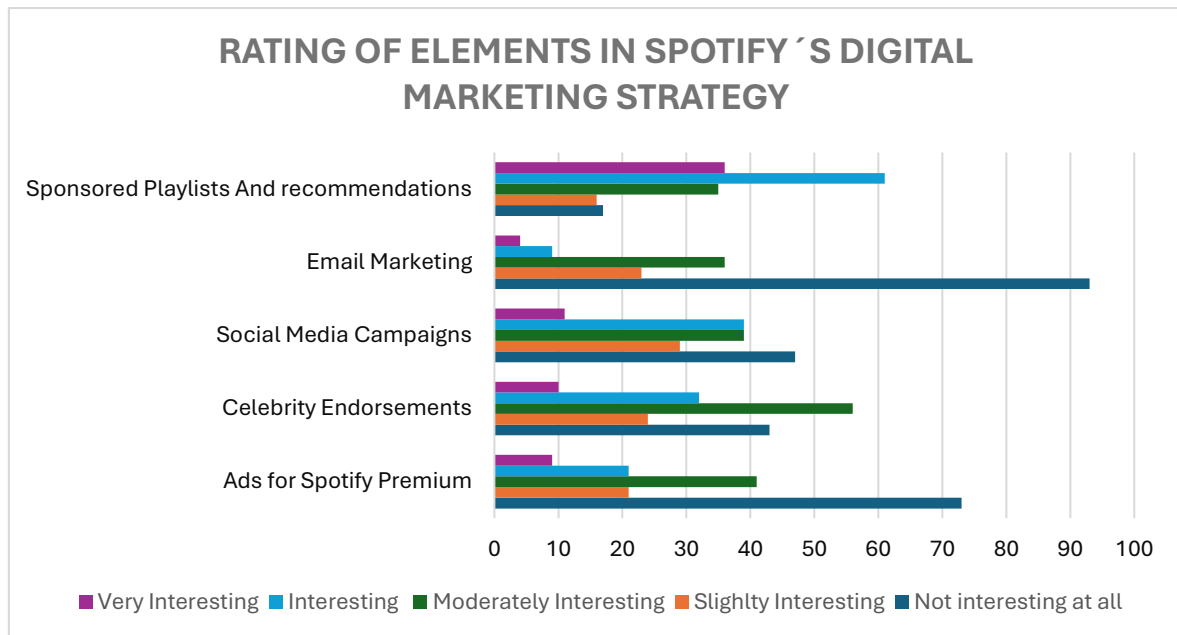

Source: own elaboration

Regarding the perceptions of people in terms of the performance of Spotify´s digital marketing strategies based on different aspects (Emotional connection, frequency, relevance, and creativity), most people answered that Spotify is better in all of these aspects in relation to its competitors, with the emotional connection aspect being the most voted for "similar". Again, we can see how Spotify outperforms its competitors by far.

Although Spotify leads overall, these results together with the social media performance KPIs disprove the hypothesis that social media engagement increases and enhances loyalty. As we have seen previously, Spotify has a higher engagement rate than Apple Music and yet has a higher follower growth and continues to grow in subscribers. Therefore, user retention is not related to the level of engagement on social networks.

RATING OF ELEMENTS IN SPOTIFY´S DIGITAL MARKETING STRATEGY

Source: own elaboration

The graph shows respondents' perceptions of different elements of Spotify's digital marketing strategy. Overall, the results indicate that the least interesting elements for the majority are ads for Spotify Premium and email marketing, where "Not interesting at all" responses predominate (more than 70 responses in both cases), despite having the personalized approach that we analyzed before.

On the other hand, sponsored playlists and personalized recommendations stand out as the highest rated element, with a notable combination of "Very interesting," "Interesting" and "Moderately interesting" responses, suggesting that users find more value in personalized, user experience-oriented strategies. These results also reinforce the hypothesis that Spotify's biggest advantage is in its personalized user experience and ability to innovate with tools, as this is what people value most in a platform. Social media campaigns also receive a medium level of interest, while celebrity usage gets more split responses, with some dislike but also some moderate interest. Moreover, they again disprove the hypothesis that email marketing enhances user retention and it is something people want to engage with.

Regarding Spotify´s marketing effectiveness at highlighting its features, the most voted answer was "3 – moderately effective". This indicates that Spotify may want to focus

more on promoting its tools and features of the platform, which as we saw are the most important and the most compelling reasons why people switch to a premium plan.

Other responses less related to digital marketing, but that help us to understand the reasons why users are loyal to Spotify, are the reasons why they choose this platform over others, with the most voted answer being "Playlist options and other features", followed by "User interface".

Lastly, in terms of qualitative insights from the participants, some of the responses obtained about the perception of Spotify's digital marketing and the platform in general are the following: "I wish they had higher quality music and focused their marketing on that as well". Some respondents suggested that the brand should reduce its focus on artificial intelligence and bet on more creative strategies, including greater support for emerging and independent talents. Finally, there is a perceived low investment in digital brand awareness from some people, so it is proposed to increase the marketing budget and focus campaigns on the integration of Spotify's functionalities in the daily lives of users, which is consistent with the "moderately effective" rating on the question "How effective is Spotify's marketing at highlighting its features?".

3.5. Recommendations for Spotify

Seeing the rise of live streaming, I believe that a great opportunity for Spotify is to start broadcasting live content more often, either on YouTube or on Spotify's own platform for premium users, which could increase premium subscription rates. These videos could be Q&A with artists, live in the recording studios, among other types of content. With this type of content, fans could connect more with their favorite artists, making Spotify a bridge between that emotional connection, which would benefit the brand and would keep users on the lookout for more content from them, as this was one of the most voted responses as preferred content to engage with a platform.

Additionally, despite the personalized approach, survey data suggests that 91 users find Spotify's email marketing "not interesting at all." This indicates potential areas for improvement in email content, frequency, or personalization tactics.

Lastly, although Spotify has a strong presence in social media and leads in number of followers, it is recommended to diversify formats (e.g., mini-documentaries of artists or

user-generated content) and create more emotional and narrative campaigns that connect with the values and vital moments of its users, as well as collaborate more with big artists and relevant people, both inside and outside the music industry.

4. CONCLUSION

To conclude and to answer the investigation question, given all the results we have come to, we can state that Spotify´s digital marketing strategy is highly effective in retaining users in competitive markets, as it is the music streaming one. Most of its success is thanks to its personalized campaigns, such as Spotify Wrapped, which generate a very strong emotional connection between the user, the platform and the artist. However, tools such as email marketing and social media campaigns have not proven to be determinant in retention, suggesting opportunities for improvement, perhaps to focus more on the features of the application itself and the advantages of it, especially the premium subscription.

The main weakness of the work is the fact that the sample size of the survey (205 participants) is very limited and therefore may reduce the generalizability of the results. To reduce the error, a larger and more demographically heterogeneous sample should be taken. Also, the study focuses on the user's perspective without taking into account that of the artist.

This may lead to other lines of research: a study could be carried out from the artist's perspective and how artists perceive that their music is promoted through Spotify's digital marketing. Likewise, this research has focused on effectiveness when it comes to user retention, but other lines of research, on which other work could be done, could focus on other phases of the customer journey such as awareness or consideration.

In terms of practical implications, the results suggest that platforms should prioritize personalization as a core element of their strategy and rethink the use of certain channels such as email or traditional advertising to better adapt to current user preferences.

The findings of this work can be applied in areas such as experiential marketing, personalized communication on digital platforms, and loyalty in subscription services, especially in streaming, creative or content-based industries such as film, podcasts or video games.

5.   STATEMENT OF USE OF ARTIFICIAL INTELLIGENCE TOOLS

Declaración de Uso de Herramientas de Inteligencia Artificial Generativa en Trabajos Fin de Grado

Por la presente, yo, María de los Ángeles Romero Achón, estudiante de E2 Bilingüe – Doble Titulación de la Universidad Pontificia Comillas al presentar mi Trabajo Fin de Grado titulado "How Effective Is Spotify´s Digital Marketing Strategy in Retaining Users In Competitive Markets?", declaro que he utilizado la herramienta de Inteligencia Artificial Generativa ChatGPT u otras similares de IAG de código sólo en el contexto de las actividades descritas a continuación:

1. **Referencias:** Usado conjuntamente con otras herramientas, como Science, para identificar referencias preliminares que luego he contrastado y validado.

2. **Interpretador de código:** Para realizar análisis de datos preliminares.

3. **Constructor de plantillas:** Para diseñar formatos específicos para secciones del trabajo.

4. **Generador de encuestas:** Para diseñar cuestionarios preliminares.

Afirmo que toda la información y contenido presentados en este trabajo son producto de mi investigación y esfuerzo individual, excepto donde se ha indicado lo contrario y se han dado los créditos correspondientes (he incluido las referencias adecuadas en el TFG y he explicitado para que se ha usado ChatGPT u otras herramientas similares). Soy consciente de las implicaciones académicas y éticas de presentar un trabajo no original y acepto las consecuencias de cualquier violación a esta declaración.

Fecha: 25 de marzo de 2025

Firma:

María De Los Ángeles Romero Achón

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7.   ANNEX

Survey Questions

How old are you?

○ Under 18 (1)

○ 18 - 24 (2)

○ 25 - 34 (3)

○ 35 - 44 (4)

○ 45 or over (5)

What is your gender?

○ Male (1)

○ Female (2)

○ Other (3)

○ Prefer not to say (4)

What music streaming platform(s) do you use? Select all that apply

☐　　Spotify (1)

☐　　Apple Music (2)

☐　　YouTube Music (3)

☐　　Amazon Music (4)

☐　　Tidal (5)

☐　　Sound Cloud (6)

☐　　Deezer (7)

☐　　Other (Please Specify) (8)

_____

☐　　I don´t use any (9)

Display this question:

　If What music streaming platform(s) do you use? Select all that apply = Spotify

Do you have a Spotify Premium subscription?

○ Yes (1)

○ No (2)

If you do have a Spotify Premium subscription, did you first use the free version?

    ○ Yes, I tried the free version first and then switched to premium (1)

    ○ No, I subscribed to Spotify Premium since the beginning (2)

✱

What were your main reasons for choosing the premium subscription? (Please select 1 to 4 options)

- ☐ Ad-free music listening (1)

- ☐ Download to listen offline (2)

- ☐ Play songs in any order (3)

- ☐ High audio quality (4)

- ☐ Listen with friends in real time (5)

- ☐ Organize listening queue (17)

- ☐ Other (please specify) (18)

_____

Page Break

How many hours a week do you use Spotify?

○ 0 - 1 (1)

○ 1 - 5 (2)

○ 5 - 10 (3)

○ 10 - 15 (4)

○ More than 15 (5)

Display this question:

If What music streaming platform(s) do you use? Select all that apply = Spotify

✳

Which features of Spotify do you use most frequently? (Please select 1 to 4 options)

☐   Playlists (1)

☐   Podcasts (2)

☐   Daily Mix/Discover Weekly (3)

☐   Offline mode (5)

☐   Spotify DJ (6)

☐   Jam (7)

☐   Collaborative playlists (8)

☐   Spotify radio (9)

☐   Other (please specify) (10)

_____

- -

Display this question:

> *If What music streaming platform(s) do you use? Select all that apply = Spotify*

What is your opinion of Spotify Wrapped as a marketing campaign?

○ I look forward to it every year (1)

○ It´s interesting but not a big deal (2)

○ I rarely pay attention to it (3)

○ I don´t like it (4)

○ I don´t know what it is (5)

Display this question:

   If What music streaming platform(s) do you use? Select all that apply = Spotify

On a scale from 1 to 5, what do you think of the following elements in Spotify´s marketing?

	1 - Not interesting at all (1)	2- Slightly interesting (2)	3 - Neutral/Moderately interesting (6)	4 - Interesting (7)	5 - Very interesting (8)
Ads for Spotify Premium (1)	○	○	○	○	○
Celebrity endorsements (2)	○	○	○	○	○
Social media campaigns (3)	○	○	○	○	○
Email marketing (4)	○	○	○	○	○
Sponsored playlists and recommendations (5)	○	○	○	○	○

✳

What are your primary reasons for choosing Spotify over other services? (Please select 1 to 4 options)

☐   Price   (1)

☐   Sound quality   (2)

☐   User interface   (3)

☐   Exclusive content   (4)

☐   Playlist options and other features   (5)

☐   Other (please specify)   (9)

_____

Display this question:

    If What music streaming platform(s) do you use? Select all that apply != Spotify

    And What music streaming platform(s) do you use? Select all that apply != I don´t use any

✱

If you do not use Spotify, what is your primary reason for choosing another service? (Please select 1 to 3 options)

☐   Price (1)

☐   Sound quality (2)

☐   Exclusive content (3)

☐   User interface (4)

☐   Playlist options (5)

☐   Other (Please Specify) (6)

_____

Display this question:

    If What music streaming platform(s) do you use? Select all that apply != Spotify

Are you familiar with Spotify Wrapped?

◯ Yes, I have seen/heard of it (1)

◯ No, I am not familiar with it (2)

Skip To: QID7 If Are you familiar with Spotify Wrapped? = No, I am not familiar with it

If yes, what do you think about Spotify Wrapped as a campaign?

○ It´s creative and fun (1)

○ It´s overhyped (2)

○ It doesn´t appeal to me (3)

○ I have no opinion (4)

How likely are you to consider switching to Spotify in the future?

	Extremely unlikely	Somewhat unlikely	Neither likely nor unlikely	Somewhat likely	Extremely likely
	1	2	3	4	5
Likeliness of switching ()					

Have Spotify´s ads ever made you consider trying the platform?

○ Yes, but I didn't follow through (1)

○ Yes, and I tried it but didn't stick with it (2)

○ No (3)

What would make you use Spotify in the future, if anything?

_____

End of Block: For Non-users

Start of Block: General questions for everyone

On a scale from 1 to 5, how important is the marketing of a music streaming platform in influencing your choice of which platform to use?

	Not at all important	Slightly important	Moderately important	Very important	Extremely important
	1	2	3	4	5
Importance of the platform´s marketing ()					

9. How often do you see Spotify advertisements or sponsored posts on social media?

○ Very frequently (1)

○ Frequently (2)

○ Occasionally (3)

○ Rarely (4)

○ Never (5)

Which platforms do you most often see Spotify's ads or marketing? (Select all that apply)

☐   Social media (e.g Instagram, TikTok, Youtube, etc) (1)

☐   TV or streaming services (2)

☐   Websites or online ads (3)

☐   Podcasts (4)

☐   Other (please specify) (5)

_____

On a scale from 1 to 5, how effective do you think Spotify´s digital marketing is at highlighting its features?

	Not effective at all	Slightly effective	Moderately effective	Very effective	Extremely effective
	1	2	3	4	5
Effectiveness rating ()					

On a scale from 1 to 5, how effective do you think Spotify´s digital marketing is at connecting artists with their audience?

	Not effective at all	Slightly effective	Moderately effective	Very effective	Extremely effective
	1	2	3	4	5

Efectiveness rating ()	——————●——————————

How does Spotify's digital marketing compare to other music streaming services?

	Spotify is better (1)	Spotify is similar (2)	Competitors are better (3)
Creativity (1)	○	○	○
Relevance (2)	○	○	○
Frequency (3)	○	○	○
Emotional connection (4)	○	○	○

What kind of digital marketing content would make you engage more with a music streaming platform? (Select all that apply)

☐ Creative and visually appealing advertisements (1)

☐ Interactive social media campaigns and challenges (2)

☐ Personalized recommendations or campaigns (3)

☐ Exclusive artist interviews and behind-the-scenes content (4)

☐ User-generated content or testimonials (5)

☐ Email marketing campaigns (6)

☐ App push notifications (7)

☐ Other (please specify) (8)

_____

Do you have any additional feedback or comments about Spotify's digital marketing strategy?

_____

End of Block: General questions for everyone