

# The Effectiveness of Brand Culture on Customer Engagement

## A Case Study of Spotify in the U.S.

Shukun Yin<sup>1,†</sup>, Lintong Fu<sup>2,\*</sup>, †

<sup>1</sup> *Management and Marketing, Dulwich International High School Suzhou, Suzhou, Jiangsu Province, China*

<sup>2</sup> *Bishop Alemany High School, Shenyang, Liaoning Province, China*

\**Corresponding author Email: guanghua.ren@gecademy.cn*

†*These authors contributed equally.*

### ABSTRACT

Spotify is a Swedish digital music streaming service and technology company founded in 2006 by Daniel Ek. In the US market, Spotify is the most predominant audio streaming service among its competitors. The primary purpose of this research was to explore how Spotify took advantage of its branding culture to deliberately orient or mediate its customer engagement. This research would develop preceding case studies related to customer engagement and Spotify's branding strategies to draw a general correlation. Although psychological factors of the consumers might affect their engagement to a certain extent, the research concludes the personalized customer experience of Spotify has strengthened the relationship between the application and consumers, attracting more non-members to subscribe to the premium service offered by Spotify. From Spotify's data-driven service, a particular customized playlist would be recommended to the users. People tend to be touched by music and such emotional interactions, leading to a sense of resonance and inspiration to them. Besides, artists and other music content creators could better comprehend the streaming media data of their works through the analytic database from Spotify. The adhesiveness of users would be valued. Thus, Spotify's brand culture and marketing tactics have to render part of its consumers become advocates, extensively spreading word-of-mouth recommendations of Spotify's benefits. In short, this research aims to provide an enlightening indication of Spotify's prospective developing orientation, which might be facilitated customer-oriented innovativeness.

**Keywords:** *Spotify, music social platform, brand culture, customer engagement, case study, SWOT*

### 1. Introduction

In the past two decades, the era of music streaming service has been dramatically modified and improved due to digitalization [1]. Essentially speaking, the advent of Spotify in the twenty-first century coincides with the broader need than ever for quality and serviceable music streaming service. More people incrementally devoted their time to aesthetic audio creation, and music, videos, and podcasts seem beneficial in diversifying the majority's cultural life. Under such an urgent demand by the epoch, Spotify succeeded in appealing to uncountable new users with their utilitarian functions and abundant music library. As

a result, Spotify, with the awareness of copyrights for audio resources, incepted in 2008 and totalled over 200 million users worldwide [1].

The successful story of Spotify intrigues people about Spotify's business model. It is noticeable that Spotify adopted a membership subscription model for its customers, with the price 9.99/12.99 dollars per month and after. Although its premium service has provided a mass of outstanding functions (Figure 1), there have always been continuous critiques about this initiative business model. People would complain about the payment is unfair or might affect the sale of physical albums [1].

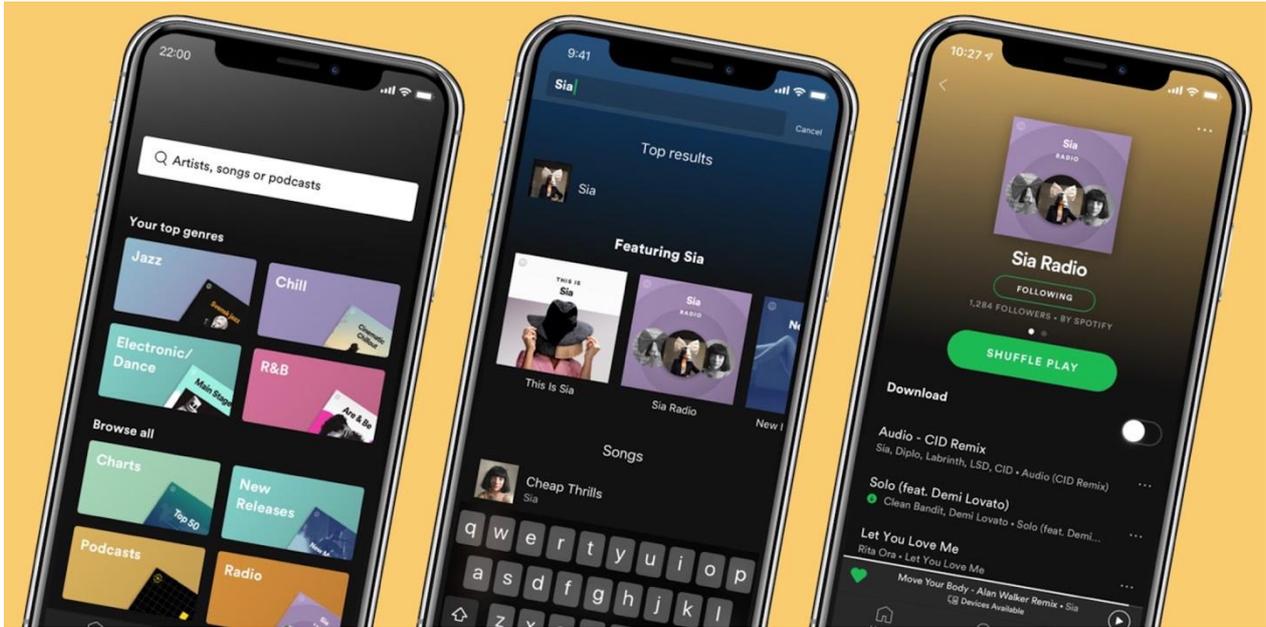


Figure 1 What's New with Spotify Premium

Although criticism remains, artists, musicians, and music amateurs are immersed in Spotify's marketing concepts. They seek interaction and protection on their copyrights, leading to the phenomenal success of Spotify in the technology industry. Undoubtedly, some aspects of Spotify have already been examined and analyzed. For instance, Spotify's innovativeness is based on the data collected from their consumers' preferences [2], and Spotify's long-term goals of not just being a music provider but also a data broker is not just a streaming service but a technical institution [3]. Also, studies focus on Spotify's core tactic: Personalization and Customization, which show support for a relationship between personalization marketing and customer loyalty/customer satisfaction [2]. This research on day-to-day bases and subsequent consequences has enabled scholars to draw out various conclusions on the relationship between customer engagement and innovation and the prominent traits and attributions of Spotify, which attracted abundant artists and induced plentiful customers.

Despite the past years have seen increasingly rapid advances in the field of data-analyzed innovations, as the introduction of Spotify has helped countless people to enjoy immersed music experience and indulge in creating new music content [5], there is further confusion about the influence of brand culture itself instead of its business model. There are no better cases than Spotify to be analyzed based on its brand culture because a critical number of consumers of Spotify are millennials aged 19 to 28. These young consumers highly value the perceptions of branding and customized experiences since previous studies have shown young customers were attracted by personalized advertising conducted by the video streaming platform YouTube

[6]. Nevertheless, other studies have failed to evaluate the factor of brand culture, which resembles digitalization trends. Thus, this research based on evaluating the relationship between Spotify's brand culture and customer engagement would effectively cover the gaps of the aforementioned case studies. This research investigated a number of certain correlated research focused on the relation between the independent variable --- brand culture and the dependent variable --- customer engagement. Through those case studies, we would conclude rational assumptions and suitable models for that specific relation. These discoveries would facilitate prospective research on how artistic creation being affected by Spotify's brand culture [5] and how Spotify's brand culture would give the public a better awareness of their perspective direction of innovativeness and data-collecting.

In the following context, this research would firstly contribute a literature review on some particular keywords, e.g., Customer Engagement. Then, it will mention the basic methods of analysis and evaluation of previous case studies. Based on those findings, there will be a further understanding of Spotify's branding strategies, factors affecting Spotify's brand positioning, and a conclusion and interpretation. Also, pictures and tables, including essential information, will be shown. After paragraphs on results and discussion, this research paper will end with a general conclusion of its evaluation and importance. The conclusion will indicate suggestions for future expectations on Spotify's brand culture and its customer engagement.

## 2. LITERATURE REVIEW

Literature review research on customer engagement and brand culture. Based on the research question, how Spotify's brand culture affects its customer engagement in the US online market, the article will explore the relevant theory between Spotify and customers, and their relationship.

### 2.1 Customer Engagement

Customer engagement (CE) has become a hot topic among researchers because it has proven to keep customers engaged. Many researchers have associated consumer interaction with mobile phone apps and digital media, because modern and alternative marketing mediums have gained traction compared to conventional marketing strategies [3]. The extended domain of relational marketing (RM) theory is generally recognized as the philosophical roots of CE; however, much of the RM literature focuses on current consumer habits that represent positive interactions and, eventually, customer loyalty [7]. Therefore, CE is becoming more widely accepted as a favorable condition, with businesses employing a variety of mechanisms to influence customer perceptions in the absence of actual experience with the company's service or product offering [8]. CE represents the cognitive, emotional, and behavioral outcomes linked to an immersive experience, and this may express itself in a positive susceptibility to the company's offering. Engagement has been defined as "task behaviors that promote connections to work and to others," which increase consumers' motivation, physically, cognitively, emotionally [9].

The process of CE includes the establishment of a state of guarantee for new customers, which is thought to be a primarily cognitive basis for purchase. Then, increased levels of participation are accompanied by increased levels of success among consumers who make repeat purchases [10]. Consequently, the evolution of affective attachment to the service brand, which is thought, will be a more emotionally charged reason for buying and can eventually result in sustained brand loyalty [11]. Bowden considers "CE" to be a "psychological mechanism" that includes both cognitive and emotional elements [12]. In 2011, the engagement definition tended to be typified by a "who engages with what" viewpoint, which focuses on the engagement subject/object. Engagement may also be formed over time as a mechanism reflecting a sequence of aggregated states [13].

### 2.2 Brand Culture

Brand culture refers to the combination of various elements such as logo, design, background, and equality. These cultural characters and phenomena are

composed of interest understanding, cultural traditions, emotional qualities, and personal images [14]. More recent attention has focused on engagement, as the future concept related to a brand's reputation, which considers consumption power, expected to predict a brand's future, also including loyalty [15]. Customer experience can be gained by social media information technology as a way to enable and promote the customer experience. We know CE is largely based upon empirical studies investigating how customers obtain different experiences through engagement. Whether it is satisfied or disappointing, it is always an important component of CE. Personality, honesty, and a brand's spirit are all factors that influence the service and the number of customers; the affective loyalty relationship with the business online will show the degree of CE, and building relationships with consumers necessitates data on the customer [16].

Based on the reviews, the article considered that CE is customer understands of psychological dedication to an active relationship with the brand, as embodied by the website or other computer-mediated sources that convey brand value as the support to consider Spotify move on the case study.

## 3. METHOD

### 3.1 History of Spotify

Spotify is a digital music service that offers music from major and independent music companies. Users of Spotify have the option of subscribing to a "Freemium" model with advertising or paying a fee to gain access to additional features without advertisements. Spotify expects sales of \$10.8 billion in 2020, with a \$696 million operating loss. Daniel Ek and Martin Lorentzon formed Spotify in Stockholm, Sweden, in 2006. According to Ek, Lorentzon's name was shouted, and the company's name was misheard. Later, they devised an etymology based on the words "spot" and "identify."

Spotify was launched on October 7, 2008, with a free service for its music listeners. Still, with advertisements, it collaborated with Universal Music Group, Sony BMG, Warner Music Group, and others in the same year [17]. Apple had already approved Spotify's inclusion in the App Store at this stage; the year 2010 was a significant moment for Spotify, like Mark Zuckerberg, the founder of Facebook, committed to a Facebook-Spotify collaboration [18]. Also, Sean Parker, the co-founder of Napster, joined Spotify's board of directors in 2011 and raised \$100 million to help the company launch in the United States, and they've finally released an app for Android smartphones this year [19]. Spotify continued to grow, and by 2015, it had amassed a total of 25 billion hours of music that the business rebranded to include more music and clips among its offerings. It launched in 13 new markets in the Middle

East and South Africa in 2018, and the Arabic area playlist was added to the app [20].

### **3.2 Research Design**

This paper will use a qualitative research method based on the SWOT, which comprises strength, weakness, opportunity, and threat. SWOT often appears in the case study because researchers used SWOT analysis. After all, utilized SWOT analysis can understand Spotify completely from its positive section to its negative, and it often shows readers a clear purpose.

### **3.3 Strength of Spotify**

Researchers considered that Spotify is the pioneer of the streaming music service because of its durability, consistency, and a large range of music material and audiobooks and podcasts. It has a majority of the current market share and the largest share of music streaming subscribers worldwide. Spotify had 155 million premium subscribers worldwide in the fourth quarter of 2020, up from 124 million in the fourth quarter of 2019 [21]. In the United States, online music services account for 80% of music sales, and Spotify has a 36% share of the global music streaming market.

Also, Spotify is always a leader of the future in this field of the market; however, from its logo design, colorway chooses or functions. Spotify can be accessed via a number of devices. Many people listen to music on their phones or computers, but Spotify can also be used on game consoles, Bluetooth speakers, smartwatches, and other devices. About 20% of Americans listen to Spotify at least once a week.

### **3.4 Weakness of Spotify**

Spotify must pay a number of entities in addition to its own operational costs to be able to include songs on its website, and these fees are made to a variety of entities. A part of the money goes to the artists, but most go to their labels, distributors, publishers, copyright holders, and others. Royalty fees accounted for 74.54 percent of Spotify's sales in 2019 [22].

Spotify, at its roots, isn't all that different from other related services. They all have a catalog of material that they make accessible to their users in exchange for a fee. The gap is in the premium features and brand image, and while Spotify appears to have cracked the customer loyalty code, the pattern may change over time. When any time a song is downloaded, streaming music services pay a small amount of money, which means that thousands of streams are needed to equal any significant payout. Spotify pays less than many of its competitors, leading to removing certain artists' music from the website, such as Taylor Swift.

### **3.5 Opportunities of Spotify**

Spotify has Spotify for Podcasters, which gives Spotify users reports, marketing promo cards, podcasting tools, and advanced tips. The number of people listening to Spotify podcasts increased by 200 percent year over year in 2019. In 2020, Spotify was the most popular app for listening to podcasts in the United States; there were approximately 88 million podcast listeners in the United States in 2019, with listeners expected to exceed 160 million in 2023 [23]. Spotify started experimenting with video podcasts in July 2020. A stronger drive into this type of media could open up a whole new product and revenue. Spotify will depend on its brand and popularity to gain access to this coveted spot in the video streaming industry, which is already a competitive market.

Many networks have wrapped with the mobile phone, Internet, and other technology providers, usually in the form of free or discounted premium tier access for a limited period. Spotify has already established agreements with Samsung, Facebook, Xbox, and Vodafone, among others, and will benefit from continuing to do so.

### **3.6 Threats of Spotify**

The business has put growth ahead of profits, and it has been losing money year after year. Although it made a profit at one stage in 2019, it lost money at the end of the year. From 2016 to 2019, Spotify's net losses were USD 660 million, USD 1,513 million, USD 96 million, and USD 228 million, respectively [24].

Spotify competes with a variety of companies, some of which are great companies. Apple Music and YouTube Music, which had previously concentrated on other fields, have joined the music streaming market. Pandora, Google Play Music, and SoundCloud, among others, are competitors of Spotify.

Spotify has been chastised by several musicians, who have removed their music from the website due to unsatisfactory payouts. Spotify's licensing deals with artists including Neil Young, Taylor Swift, and Radiohead have been terminated due to disagreements about the size of their payouts. Users may perceive this as an unfair business practice, despite their preference for Spotify's other artists and features.

## **4. RESULTS**

Through artificial intelligence, Spotify would collect day-to-day data from users' listening habits and provide a personalized playlist including music, podcasts suitable for different users.

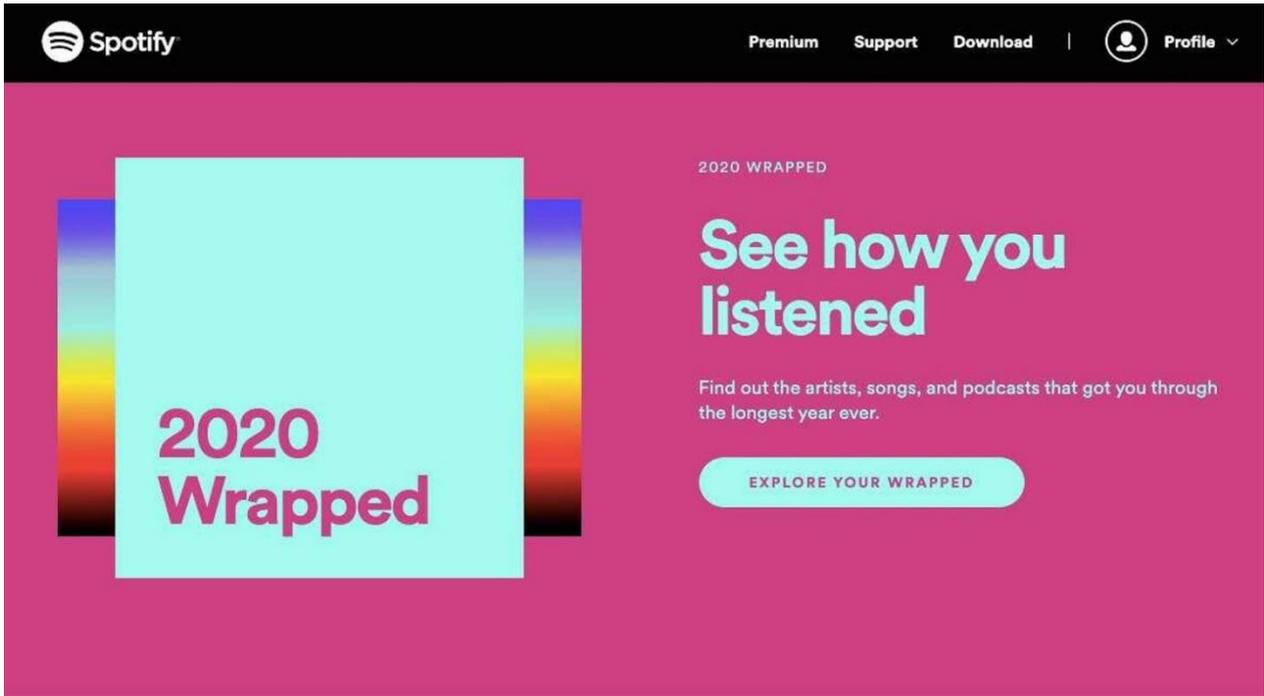


Figure 2: Spotify 2020 Wrapped

Spotify introduced 2020 Wrapped in December 2020 (Figure 2), a yearly conclusive list of songs including most streamed songs of specific consumers and top trendy songs played worldwide, Spotify has managed to set the highly acclaimed features on behalf of consumer's preferences. Spotify has emphasized a deeper dive for its consumers into podcasts listening and listeners in different regions to explore their Missed Hits and their top artists of 2020 in On Record [24]. (Figure3)



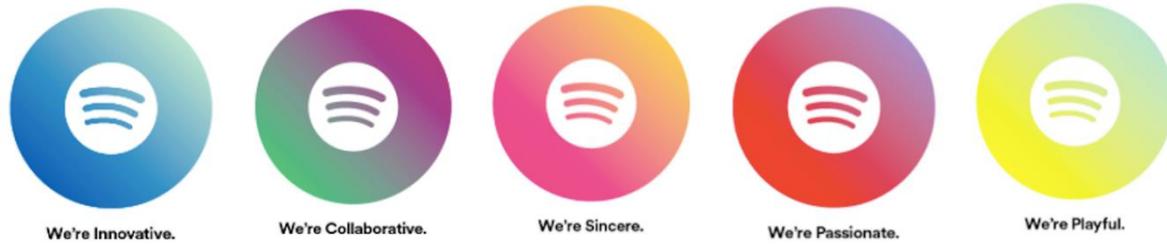
Figure 3: Spotify: For the Record

Like aforementioned, a great proportion of Spotify's successful brand perceptions from its consumers is its customized listening experience. Besides, Spotify has successfully moulded its brand culture of innovation and collaboration by setting strategic branding tactics for customers to materialize their emotions and feelings about music. Take Spotify's tagline, "Music for Every Mood," as an example. This piece of sentence illustrates the primary specialty of Spotify, relating to mood, a sentimental statement, to an audio existence, which tends to be expressive. This unique brand culture has

positively affected customer's emotional engagement with the content of Spotify. Apart from cognitive thinking, another factor that helps determine the final decision to purchase Spotify's premium service is customers' emotional thinking, explaining why Spotify would achieve tremendous success among American youngsters. Referring to Maslow's hierarchy of needs, the researchers reckon that the case of Spotify could set an complementary idea of brand positioning for the need of self-actualization, leave alone their high quality of music content and promise of authentic music copyrights,

In short, all these customized branding strategies and listening models are superior experiences for Spotify's listeners. The users could have predicted their recommended songs from Spotify's analytic model [23], and non-users of Spotify could still discover the latest in Spotify's global listening trends from the 2020 Wrapped. The special personalization part of Spotify's brand culture has benefitted non-users at the same time and amplified the potential to attract those non-users to subscribe to a premium membership.

Apart from the listener, referring to people who mainly consume music content instead of contributing output, artists and musicians are also benefited by Spotify's brand culture. They are therefore better engaged with the platform to help with their creating innovativeness [1]. Artists could find data about the streams and sales of their music content straightforward through Spotify's data-based service. They would make sensible predictions about consumer's inclination and improve a better innovative way of creating audios.



**Figure 4:** Spotify's core values

Furthermore, Spotify has acclaimed its brand core values as innovative, collaborative, sincere, passionate, and playful. All the crew and employers behind Spotify's branding have dedicated their mobility of innovativeness to the streaming service market [25], and people see them as pioneers in the industry. As a result, more listeners and artists can find resonations between them individuals with the branding perceptions. This is the way of spiritual and psychological interaction between Spotify's brand culture and its users. Spotify has succeeded positioned itself to help fulfil people's self-actualization, the top layer of Maslow's needs hierarchy [26]. That explains one thing that also makes an actual impact on customer engagement, which is Spotify's tagline "Music for every Mood".

## 5. CONCLUSION

Researchers have presented Spotify based on the SWOT analysis that how Spotify's brand culture affects its customer engagement in the US online market. Researchers identified that brand culture affects customer engagement depend on Spotify's strong reputation. Spotify has more control in setting listener standards and shaping the music streaming experience alone with the more subscribers it has. Spotify has the market share to control how people listen to music and what features are available, with new users joining every day. While Spotify was not the first to market with a music streaming service, it rapidly gained market share in the US due to its superior quality. CE can be influenced by brand culture by brand culture is composed of little pieces such as logo, design, symbol, among others, and CE is anything that customer relates to the brand. No matter what customers do with the brand. Therefore, brand culture and CE happens together. Moreover, Spotify is not the only one that can offer special functions; its competitors have the same service as well. Spotify is not perfect right now. There are still many countries that Spotify is not available such as China. Due to the different cultures and traditions background, whether Spotify will fit these unexploited countries' environment is still questionable.

## REFERENCES

- [1] Swanson, K. (2013). A Case Study on Spotify: Exploring Perceptions of the Music Streaming Service. *MEIEA Journal*, 13(1).
- [2] Shahid, S., & Ayaz, R. (2018). Practicing Market Orientation for Customer Engagement: The Mediating Effect of Personalization and Multi-Channel Marketing.
- [3] Eriksson, M., Fleischer, R., Johansson, A., Snickars, P., & Vonderau, P. (2019). Spotify teardown: Inside the black box of streaming music. *Mit Press*.
- [4] Perron-Brault, A., Dantas, D., & Legoux, R. (2020). Customer Engagement and New Product Adoption in the Music Industry: The Importance of Fit Between Brand and New Product Innovativeness. *International Journal of Arts Management*, 23(1), 44-60.
- [5] Ramos, E. F., & Blind, K. (2020). Data portability effects on data-driven innovation of online platforms: Analyzing Spotify. *Telecommunications Policy*, 44(9), 102026.
- [6] Dehghani, M., Niaki, M. K., Ramezani, I., & Sali, R. (2016). Evaluating the influence of YouTube advertising for attraction of young customers. *Computers in human behavior*, 59, 165-172.
- [7] Harwood, Tracy, and Tony Garry. "An investigation into gamification as a customer engagement experience environment." *Journal of Services Marketing* (2015).
- [8] Eriksson, Maria, et al. Spotify teardown: Inside the black box of streaming music. *Mit Press*, 2019.
- [9] Harwood, Tracy, and Tony Garry. "An investigation into gamification as a customer engagement experience environment." *Journal of Services Marketing* (2015).
- [10] Kahn, William A. "Psychological conditions of personal engagement and disengagement at work." *Academy of management journal* 33.4 (1990): 692-724.

- [11] Bowden, Jana Lay-Hwa. "The process of customer engagement: A conceptual framework." *Journal of marketing theory and practice* 17.1 (2009): 63-74.
- [12] Bowden, Jana Lay-Hwa. "The process of customer engagement: A conceptual framework." *Journal of marketing theory and practice* 17.1 (2009): 63-74.
- [13] Brodie, Roderick J., et al. "Consumer engagement in a virtual brand community: An exploratory analysis." *Journal of business research* 66.1 (2013): 105-114.
- [14] Hollebeek, Linda D. "The customer engagement/value interface: An exploratory investigation." *Australasian Marketing Journal (AMJ)* 21.1 (2013): 17-24.
- [15] Yang, Yuekun. "The construction of brand culture based on corporate culture." *International Journal of Business and Management* 5.4 (2010): 223.
- [16] Hollebeek, Linda D., Mark S. Glynn, and Roderick J. Brodie. "Consumer brand engagement in social media: Conceptualization, scale development and validation." *Journal of interactive marketing* 28.2 (2014): 149-165.
- [17] Hendriyani, Chandra, and Sam'un Jaja Raharja. "Analysis building customer engagement through e-CRM in the era of digital banking in Indonesia." *International Journal of Economic Policy in Emerging Economies* 11.5 (2018): 479-486.
- [18] Gizelle Labay, "How was Spotify Developed," <https://wiredelta.com/how-was-spotify-developed/>, September 23, 2020
- [19] Gizelle Labay, "How was Spotify Developed," <https://wiredelta.com/how-was-spotify-developed/>, September 23, 2020
- [20] Gizelle Labay, "How was Spotify Developed," <https://wiredelta.com/how-was-spotify-developed/>, September 23, 2020
- [21] Gizelle Labay, "How was Spotify Developed," <https://wiredelta.com/how-was-spotify-developed/>, September 23, 2020
- [22] Statista Research Department, "Number of Spotify premium subscribers worldwide from 1st quarter 2015 to 4th quarter 2020,"
- [23] Brandon Gaille, "Spotify SWOT Analysis for 2021: 26 Strengths and Weaknesses," <https://brandongaille.com/spotify-swot-analysis/>, Jan 11, 2021
- [24] Brandon Gaille, "Spotify SWOT Analysis for 2021: 26 Strengths and Weaknesses," <https://brandongaille.com/spotify-swot-analysis/>, Jan 11, 2021
- [25] Brandon Gaille, "Spotify SWOT Analysis for 2021: 26 Strengths and Weaknesses," <https://brandongaille.com/spotify-swot-analysis/>, Jan 11, 2021
- [26] Whatley, S. (2016). Spotify's core values. HR Blog. Retrieved 20 April 2021, from <https://hrblog.spotify.com/2016/09/02/spotify-core-values/>.