

**PROPOSED MARKETING STRATEGY BASED ON BEHAVIORAL  
INTENTION IN USING SPOTIFY; DIFFERENCES BETWEEN FREE AND  
PREMIUM USERS**

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## Abstract

Digital music revenue, especially paid subscription audio streaming now account for more than half of the global recorded music market. In Indonesia specifically, the market for audio streaming is expected to grow resulting in a market volume of US\$0.9m by 2022. In a growing and competitive music-streaming industry, we need to know the behavioral intention factors in freemium music-streaming service that can keep their current both free and premium users. This applies for Spotify, a freemium music streaming platform launched in 2008, and entered to Indonesia market in 2016. This research aims to find out the factors affecting behavioral intention of premium and free users in using Spotify and to find out on what marketing strategy should be applied to keep their current free and premium users and gain more potential user. The model used for consumer analysis is UTAUT2, which will answer what factors affect the behavioral intention of free and premium user in using Spotify. The data were obtained using questionnaires, to 291 respondents who have already used Spotify before. The findings revealed that there are differences between free and premium users. Free user's behavioral intention in using Spotify is affected by Facilitating Condition (FC) and Habit (H) factors, while premium user's behavioral intention in using Spotify is affected by Hedonic Motive (HM), Price Value (PV), and Habit (H) factors. These findings give several indications, in the way how behavioral intention factor is required to be taken into consideration in order to keep both Spotify's current free and premium users, and gain more potential users.

**Keywords:** *Behavioral Intention, Freemium, Music-Streaming Service, Spotify, UTAUT2.*

## 1. Introduction

Digitization especially in the music industry is the fastest digital adopter and has a high level of digital penetration among the other sectors such as film, book, magazine and newspaper sectors. The music business keeps attracting more users as it continues to grow into new markets and create new business models. It also brings impacts to artists to a broader global audience. In 2017, IFPI, an organization that represents the interests of the recording industry worldwide, concludes that digital revenues, especially paid subscription audio streaming, now make for more than half (54%) of the global recorded music market. Specifically, in Indonesia, the market for audio streaming is expected to grow resulting in a market volume of US\$0.9m by 2022.

### 1.1 *Spotify*

Spotify is a Swedish music streaming platform, first launched on 7 October 2008 and headquartered in Stockholm, Sweden. As of 2018, it is currently accessible in 78 countries and regions in the world.<sup>1</sup> It gives digital rights management-protected content from record labels and media companies. Spotify is a freemium service when users need to pay a certain amount of price for additional features, while basic features are free with advertisements or automatic music videos. Spotify is the number one global music-streaming service in terms of the number of users. In February 2019, Spotify reported 207 million monthly active users, with a total 90 million paid subscribers.<sup>2</sup> Spotify's revenues also increasing year by year. Spotify in 2018 generated over 4.7 billion euros equivalent to around 75 billion rupiah from premium users, and 452 million euros equivalent to around 7.3 billion rupiah from its ad-supported (free) users.<sup>3</sup>

### 1.2 *Spotify in Indonesia*

Spotify first entered the Southeast Asia region in 2013 with launches in Hong Kong, Singapore and Malaysia, and then launched in Indonesia on March 2016. The premium version of Spotify is available for Indonesian for Rp 49.990 which can be paid through a variety of popular payment methods.

### 1.3 *Business Issue*

Spotify is placed number five between its competitors in music-streaming industry in Indonesia with only 9.8% market share. By 2016, Joox has the highest market share among other music application used in Indonesia. In 2018, Joox in Indonesia also wins in terms of usage, awareness, and satisfaction. Globally, Spotify already has 180 million of users, while Joox has only 7 million users. In terms of number of songs, Spotify also has a wider number which is >35 millions, while Joox has only around 5 million songs. This indicates that Spotify has not yet managed to perform fully well in Indonesia. Both free and paid users are important for Spotify, as free users generate revenue for Spotify from advertising, and paid users generate revenue for Spotify from the subscription fee. Being so well-known globally with all the competitive advantages Spotify has, and the rising number of music streaming platforms users, Spotify must be able to keep their current both free and paid users, to be able to compete with other music streaming platforms in Indonesia to increase their number of users.

## 2. Methods

Two analysis were used to generate the proposed marketing strategy. First, analyzing internal condition using STP and Marketing Mix 4p analysis. Second, analyzing external condition using competitor analysis, Porter 5 forces, and consumer condition using UTAUT2.

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<sup>1</sup> <https://support.spotify.com/id/article/full-list-of-territories-where-spotify-is-available/>

<sup>2</sup> <https://www.statista.com/chart/8399/spotify-apple-music-paid-subscribers/>

<sup>3</sup> <https://www.statista.com/statistics/245125/revenue-distribution-of-spotify-by-segment/>

## **2.1 Internal Analysis**

It is anticipated that the analyses would give an understanding of Spotify's current marketing strategy. Further, the results would also help Spotify determine the root cause and get the best solution for Spotify's business issue mentioned in the first chapter. In conducting internal analysis, researcher use secondary data.

### **1. *Segmenting, Targeting, and Positioning Analysis***

- **Segmenting**

Based on the research done by Spotify in November 2017, the demographic segment of Spotify globally is aged between 16-64, both male and female, who are technology-savvy. The use of a music-streaming platform will be related to internet usage. Based on APJII Report 2017, Indonesia's internet users are growing each year. In 2017, Indonesia internet users amounted to 143,26 million. This indicates that Indonesia has a positive behavior towards internet usage.

- **Targeting**

Based on the Spotify Millennial Edition Report 2017, 62% of Spotify audience are millennials. Millennials are those born between 1982 and 2000, number more than 83 million, making up more than a quarter of the U.S. population. Therefore, the main target of Spotify Indonesia would fall into the Millennials category. Geographically, the segment of Spotify in Indonesia is Urban population. BPS data revealed that Indonesia's population is changing from rural communities to urban areas. The psychographic segment of Spotify in Indonesia is middle class population. Based on Asian Development Bank 2010, in Southeast Asia, Indonesia's middle-class population is the largest since 2010.

- **Positioning**

Spotify positions itself as a digital music and podcast music-streaming service that provides access to millions of songs and other content from artists all across the world.

### **2. *Marketing Mix***

- **Product**

Spotify is a digital music and podcast music-streaming service, which gives access to 35 million of songs and other content from artists all over the world in the form of digital music. Users can access Spotify through a range of devices, including computers, phones, tablets, speakers, TVs, and cars, and they can change from one to another device with Spotify Connect, as long as the devices are on the same Wi-Fi network. Spotify provides different account types to users. A premium (subscription) account allows the consumer to download as well as the ability to pick and choose the kind of songs they would like to hear. Free accounts are only able to listen to content online and are only able to listen to content in a 'shuffle' mode.

- **Price**

Spotify gives users the option to listen to their content for free or pay a subscription fee which can be canceled at any point for the premium account. In Indonesia, there are several pricing strategies for users and many choices for payments. Other than basic premium, in Indonesia Spotify also offers Spotify Premium for Students and Spotify Premium for Family. With Premium for Students, users can get a 50% discount from the Premium subscription fee for the full year. Users can renew your

subscription every 12 months (up to 3 times), as long as they are qualified. With Premium for Family, users can add up to 5 family members who live at the same address.

- Place

Spotify is making the content more accessible to access for consumers. Spotify is free on different platforms, such as a mobile, tablet, desktop, speakers, TVs, Cars, Games consoles, smart watches, smart displays, voice assistants, and other devices, and can be downloaded from AppStore, Google Play store, and Microsoft. In terms of payment methods, in Indonesia, Spotify accepts payments via bank transfers, ATM transactions, and Doku Wallet, as well as cash payments at convenience stores and retail chains.

- Promotion

Spotify's sales and marketing costs worldwide in 2018 costs of 620 million euros, up from 567 million in the previous year, equal to around 10 billion rupiah.<sup>4</sup> In Indonesia, Spotify conducted several promotional activities;

### **Email Marketing**

Spotify has a promotional effort through email marketing. Spotify Indonesia usually sends 1 to 8 emails per month. In Spotify's case about sending relevant updates to customers, Spotify lets users set their specific preferences on what types of emails they would like to receive.

### **Social Media Marketing**

Spotify has an active presence social media such as Facebook, Twitter, Instagram, YouTube, and LinkedIn. Spotify specifically in Indonesia has three active social medias, Instagram, Facebook, and Twitter. However, Spotify doesn't have an Instagram account specifically made for Indonesia users. As seen on the @spotifyasia Instagram profile, the account is an Official Instagram account for Spotify Singapore, Indonesia, Malaysia, Thailand, Hong Kong, Philippines, Taiwan, and Vietnam. Instagram account @spotifyasia currently has 79K active followers while Joox as their main competitor in Indonesia only has 113K followers, by January 2019.

Based on Hypeauditor, an Instagram analyzer, followers of @spotifyasia are 68% from Indonesia and 33% are from Jakarta. In fact, Instagram is the 3<sup>rd</sup> most active social network platforms in Indonesia after Youtube and Facebook<sup>5</sup>. In 2018, total number of monthly active Instagram users are 53 million. In conclusion, these great numbers are not well-utilized by Spotify since Spotify doesn't have an Instagram account specifically made for Indonesia users. After analyzing on Spotify's social media accounts in Indonesia, researcher found several Indonesian users' complaints on the posts. It is because Spotify, both on their website and mobile apps, doesn't provide a one-click or direct 24/7 customer service such as chat admins and complaint box like Joox, its main competitor.

### **Bundling Package**

Spotify is collaborating with Indosat Ooredoo, a cellular operator in Indonesia on its payment scheme. The collaboration between Spotify and Indosat Ooredoo was announced at the Spotify launch event in Indonesia on on March 2016 in Jakarta. This cooperation is also a requirement from the Minister of Communication and Information (Menkominfo Indonesia) for Spotify to get permission to operate in Indonesia. This is actually beneficial for Spotify because Spotify through Indosat Ooredoo indirectly raises media coverage and reaches the people of Indonesia, both users and non-users of Indosat Ooredoo.

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<sup>4</sup> <https://www.statista.com/statistics/813757/spotify-sales-marketing-costs/>

<sup>5</sup> Digital in 2018 in Southeast Asia Part 2 - South-East Report by We Are Social

## Seasonal Promotion

Spotify is seasonally offering trials or deals where users can get Spotify Premium for a fraction of the regular price, or even free, for a specified time.<sup>6</sup> For example in June and November 2018, Spotify was offering 3 months Premium for only Rp 49.990, and Rp 49.990/month after that. Other promotional efforts through payment method is from Doku Wallet, Spotify offered an upgrade to Spotify Premium using Doku Wallet mobile application and use a voucher code to get a direct discount of Rp 15.000.

## Spotify on Stage

Spotify On Stage is the inaugural series of 'live' concerts hosted by Spotify in Asia, which present world-class musicians to their fans.<sup>7</sup> Spotify on Stage as an offline activation marketing effort is aimed to build brand image. Launched in 2017, the Spotify On Stage event is inspired by several Spotify playlists that are very influential and are loved by Asian music lovers. There are more than 8.000 photos in Instagram which are tagged with hashtag #spotifyonstage, and more than 3.000 photos with #spotifyonstage2018. In Spotify on Stage 2017 and 2018, there are approximately 9.000<sup>8</sup> and 7.000<sup>9</sup> visitors. The presence of social influencers on the event, and exposure from the media is a good tool in building awareness from Spotify.

### 2.2 External Analysis

It is anticipated that the information gathered through this analysis would show if there exist opportunities for Spotify for growth and expansion which they could exploit and reap the benefits. In conducting external analysis, researcher use secondary data.

#### 1. Competitor Analysis

There are four existing competitors in the music streaming industry in Indonesia based on McKinsey Asian's Music Report in 2016 such as Joox, Musixmatch, SoundCloud, and Langitmusik. Based on the type of services they offer, the direct and major competitor of Spotify which has the same business model is Joox. Globally, Spotify has a wider choice of songs, but unfortunately Spotify fails to personalize their contents to Asian market like Joox.

Spotify is concentrating more on personalization based on listeners' preferred music genres, while JOOX has assigned teams of content curators in each country to personalize playlist recommendations based on current socio-political events and pop-culture phenomenon.

As a focused regional player, JOOX has a more extensive library of local and regional contents than global competitors and successfully customizes curation for every market. JOOX also acknowledges the fame of karaoke in Asia, and it grants the choice for users to stream song lyrics while music plays, and to put the lyrics on customizable "lyrics cards" with pictures of the user's selections to be shared on social media.

#### 2. Porter 5 Forces

Michael Porter in Keller (2016) has identified five forces that determine the intrinsic long-run attractiveness and the profitability potential of a market or market segment.

<sup>6</sup> [https://support.spotify.com/dk/account\\_payment\\_help/subscription\\_information/spotify-new-subscriber-offers/](https://support.spotify.com/dk/account_payment_help/subscription_information/spotify-new-subscriber-offers/)

<sup>7</sup> <https://spotifyonstage.com/>

<sup>8</sup> <https://www.viva.co.id/showbiz/musik/1073938-alan-walker-anne-marie-stray-kids-siap-ramaikan-spotify-on-stage>

<sup>9</sup> <http://hai.grid.id/read/07955773/spotify-on-stage-2018-7000-penonton-beneran-bikin-acara-pecah?page=all>

- **Industry Rivalry**

Based on McKinsey Asian's Music Report in 2016, in Indonesia, there are five big music-streaming service competing in the industry, such as Joox, Musixmatch, SoundCloud, Langitmusik, and Spotify. Each music-streaming service has its function and competitive advantage. Spotify and Joox both provide freemium music streaming services. Joox which has the biggest market share, wins the Asian markets as the most prominent music streaming app in Hong Kong, Indonesia, Malaysia, and Thailand. Joox also ranked first in terms of awareness, usage, and satisfaction. Musixmatch is the world's most extensive compilation of song lyrics used by millions of people to get immediately synchronized lyrics for Youtube, Spotify, Pandora and more. SoundCloud is a music and podcast streaming platform that lets users listen to millions of songs from around the world, or upload your own. Langitmusik is a music service that offers a new way of downloading and streaming songs legally and indefinitely through PC and mobile phone. This indicates that the industry rivalry of music streaming services in Indonesia is high, because there are a few businesses equally selling comparable product or service, which then consumers can effortlessly change to a competitor's offering for small cost.

- **Threat of New Entrants**

The threat of new entrants for music streaming is low. This power reflects how simple or challenging it is for competitors to enter the marketplace in the music industry. The tighter it is for a competitor to enter, the lower the risk for a music streaming service's market share being taken by competitors. There are big barriers to entry an industry that already has big players in it, such as absolute cost advantages, access to distribution channels, and product differentiation. Music-streaming platforms are expected to pay a big amount of royalty fees to artists and labels, new entrants also need to invest in big capital to compete with other music-streaming services' brand awareness. This means that new entrants which want to enter the music streaming industry in Indonesia would have to lead a careful analysis of the business to enter the music streaming market, or otherwise, they will be unsuccessful or only able to obtain a tiny share of the market.

- **Threat of Substitute Product**

The threat of substitute product is moderate. A substitute product is one that may offer the same or similar benefits to a company as a product from another industry. The music streaming platforms substitutes from another industry are legal or illegal download platform and video-streaming service. Yet, the most comparable and impactful alternative available next to music streaming service is video-streaming platforms substitute product. IFPI report suggests that Youtube is the first choice when searching for a song<sup>10</sup>. Youtube has 900 million users, giving a similar experience to on-demand streaming services with an added video. Youtube has the position of being viewed as a service which allows content created by users, voiding the need for spending the same amount of royalties as services which license their content directly with the copyright holder. Because of this, Youtube can provide better dealings (free, no restrictions, no need to register) than other music streaming platforms.

- **Threat of Buyers' Growing Bargaining Power**

Users as consumers in the music-streaming industry can quite effortlessly shift from one music streaming platforms to another's. Therefore, the threat of the buyer's bargaining power in the music-streaming services is high. Services need to give extra value to retain the customers, as the power of buyers boosts significantly. For example, Joox grants free VIPs for one day to its users with the

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<sup>10</sup> M.-E. Tsigkou. The Impact of YouTube on the Music Industry. 26th Twente Student Conference on IT, 26, 2017. Available at <http://referaat.cs.utwente.nl/conference/26/paper/7617/the-impact-of-youtube-on-the-music-industry.pdf>.

requirements of sharing songs to their social media accounts. Once finished, users will get one VIP day for free. Consumer's price sensitivity also increasing their bargaining power. With a high number of competitors in the music streaming industry, as well as other substitute products from other industry, music-streaming platform needs to maintain its competitive price to avoid users shifting to other services.

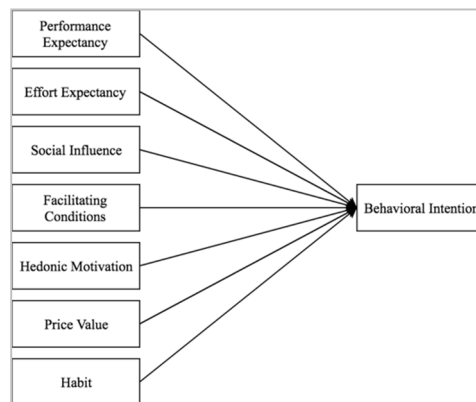
- **Threat of Suppliers' Growing Bargaining Power**

The suppliers for music streaming services are artists and labels, there are a few artists that resist having their music accessible through streaming, but those choices are not specific to one service only. Besides, there are also a lot more artist that are working on mutually advantageous arrangements with music streaming services, suggesting that it is not reasonable for the artists to use their capability to influence Spotify negatively.

The labels also appear to have a positive attitude towards streaming since it recognized an increase in revenue after more than a decade of a dropping revenue in the recording industry. Which means music streaming platforms are in a safer position when there is an abundance of suppliers.

### 3. Consumer Condition Analysis

The consumer condition analysis will be conducted using UTAUT2, the extension of UTAUT model which stands for The Unified Theory of Acceptance and Use of Technology, this method will answer what factors that affect consumer behavioral intention in using Spotify as music-streaming service. Based on a review of the extant literature, Venkatesh et al. (2003) developed UTAUT as a comprehensive synthesis of eight prior technology acceptance research for example TRA, TAM, and TPB. UTAUT2 has seven key constructs, performance expectancy (PE), effort expectancy (EE), social influence (SI), facilitating conditions (FC), hedonic motivations (HM), price value (PV), and habit (H), that influence behavioral intention to use a technology and/or technology use.



**Figure 2.1** The UTAUT2 Model

In this research, the population is the millennial residents of DKI Jakarta and West Java province aged 18-37 with the total amount of around 19 million (Badan Pusat Statistik 2017 and 2018) as a subset of individuals chosen randomly from a larger set using a simple random sampling. This statistic technique is used due to the limited time of conducting the research. Each respondent has the same probability of being chosen at any stage during sampling process<sup>11</sup>, but still has the same standard because all respondents are given the same screening question. The sample in this research will be determined using Slovin formula. With margin of error rate is 10%, and  $N = 19.000.000$ .

<sup>11</sup> Yates, Daniel S.; David S. Moore; Daren S. Starnes (2008). *The Practice of Statistics*, 3rd Ed. Freeman.



Then the number of samples to be examined are  $n = 99.99947$  or equal to 100 samples. The consumer condition research is conducted using questionnaire, the answers will be collected from Google Form. All items of the factors are measured using a seven-point Likert scale.

**Table 2.1** Operational Definitions of Factors

Factors	Type	Items	Survey Items	Definition	Source
<b>Performance Expectancy (PE)</b>	Independent Variable, 7-point Likert Scale	PE1	I find Spotify useful in my daily life.	The extent to which a user perceives that Spotify helps improve their performance.	Venkatesh et al. (2003)
		PE2	Using Spotify helps me accomplish things more quickly.		
		PE3	Using Spotify increases my productivity.		
<b>Effort Expectancy (EE)</b>	Independent Variable, 7-point Likert Scale	EE1	Learning how to use Spotify is easy for me.	The extent to which a user perceives that Spotify are easy to use	Venkatesh et al. (2003)
		EE2	My interaction with Spotify is clear and understandable.		
		EE3	I find Spotify easy to use.		
		EE4	It is easy for me to become skilful at using Spotify.		
<b>Social Influence (SI)</b>	Independent Variable, 7-point Likert Scale	SI1	People who are important to me think that I should use Spotify.	The extent to which a user perceives that important others (e.g., family and friends) believe they should use Spotify	Venkatesh et al. (2003)
		SI2	People who influence my behavior think that I should use Spotify. <input type="checkbox"/>		
		SI3	People whose opinions that I value prefer that I use Spotify.		
<b>Facilitating Conditions (FC)</b>	Independent Variable, 7-point Likert Scale	FC1	I have the resources necessary to use Spotify.	The extent to which a user perceives that resources and support are available to use Spotify	Venkatesh et al. (2003)
		FC2	I have the knowledge necessary to use Spotify. <input type="checkbox"/>		
		FC3	Spotify is compatible with other technologies I use. <input type="checkbox"/>		
		FC4	I can get help from others when I have difficulties using Spotify. <input type="checkbox"/>		
<b>Hedonic Motivation (HM)</b>	Independent Variable, 7-point Likert Scale	HM1	Using Spotify is fun.	The extent to which a user experiences enjoyment and pleasure from using Spotify	Kim et al. (2005)
		HM2	Using Spotify is enjoyable.		
		HM3	Using Spotify is very entertaining.		
<b>Price Value (PV)</b>	Independent Variable, 7-point Likert Scale	PV1	Spotify is reasonably priced. <input type="checkbox"/>	The extent to which a user perceives the cognitive trade-off between the benefits of using Spotify and the monetary costs of using them	Dodds et al. (1991)
		PV2	Spotify is a good value for the money.		
		PV3	At the current price, Spotify provides a good value.		
<b>Habit (H)</b>	Independent Variable, 7-point Likert Scale	H1	The use of Spotify has become a habit for me.	The extent to which a user believes that using Spotify is automatic	Limayem and Hirt (2003)
		H2	I am addicted to using Spotify.		
		H3	I must use Spotify.		
<b>Behavioral Intention (BI)</b>	Dependent Variable, 7-point Likert Scale	BI1	I intend to continue using Spotify in the future.	The extent of a user's willingness to use and continue to use Spotify	Venkatesh et al. (2003)
		BI2	I will always try to use Spotify in my daily life.		

		BI3	I plan to continue to use Spotify frequently.		
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### 3. Findings

Prior to collecting data via questionnaire, a pilot test was conducted to 3 people. The data will be gathered and further examined through SPSS. The respondents of this research consist of all the people that use Spotify. Therefore, there is a screening question asking if they use Spotify or not. If not, they will not receive any further questions. There are initially 415 responses, but the 21 of them are not valid since they didn't pass the screening question. And to reflect the same proportion between Spotify free users (52.3%) and premium users (47.7%)<sup>12</sup>, more 103 respondents are cut, leaving 291 respondents to be analyzed containing of 152 free users' respondents and 139 premium respondents. This number also reflects the sampling calculation that each type of user respondents is equal or more than 100 people to have at least 10% margin of error. The questionnaire analysis of free user respondents and premium user respondents will be done separately, to find whether there are any differences between these two groups and the effect to the research model.

**Table 3.1** Demographic Profile

	Category	Free	Premium	Total
<b>Age Distribution</b>	<17	12.5% (19 respondents)	29% (4 respondents)	23
	18-37	87.5 (133 respondents)	95% (132 respondents)	265
	>37	-	22% (3 respondents)	3
<b>Occupation Distribution</b>	Students	69.7% (106 respondents)	55.4% (77 respondents)	183
	Employee in Public Sector	9.2% (14 respondents)	12.9% (18 respondents)	32
	Employee in Private Sector	7.9% (12 respondents)	13.7% (19 respondents)	31
	Entrepreneur	5.3% (8 respondents)	7.2% (10 respondents)	18
	Freelancer	5.3% (8 respondents)	5% (7 respondents)	15
	Unemployed	2.6% (4 respondents)	5% (7 respondents)	11
	Other	-	0.7% (1 respondent)	1
<b>Domicile Distribution</b>	Jawa Barat	52% (79 respondents)	61.2% (85 respondents)	164
	DKI Jakarta	21.1% (32 respondents)	26.6% (37 respondents)	69
	Other	26.9% (41 respondents)	12.2% (17 respondents)	58
<b>Monthly Spending Distribution</b>	< Rp 2.000.000	52.6% (80 respondents)	25.2% (35 respondents)	115
	Rp 2.000.000 – Rp 3.000.000	19.1% (29 respondents)	29.5% (41 respondents)	70
	Rp 3.000.000 - Rp 5.000.000	19.7% (30 respondents)	25.9% (36 respondents)	66
	Rp 5.000.000 - Rp 7.500.000	5.3% (8 respondents)	14.4% (20 respondents)	28
	> Rp 7.500.000	3.3% (5 respondents)	5% (7 respondents)	12

<sup>12</sup> DailySocial.id Online Music Streaming Survey 2018 Indonesia

**Table 3.2 Behavioral Profile**

	Category	Free	Premium	Total
<b>Last Time using Spotify</b>	Within 1 day	51.3% (78 respondents)	76.3% (106 respondents)	184
	Within 1 week	25.7% (39 respondents)	10.8% (15 respondents)	54
	Within 1 month	8.6% (13 respondents)	5.8% (8 respondents)	21
	Within 6 months	7.9% (12 respondents)	0.7% (1 respondents)	13
	>1 year	6.6% (10 respondents)	6.5% (9 respondents)	19
<b>Devices Used to Stream Music</b>	Mobile	50.7% (77 respondents)	23.7% (33 respondents)	110
	PC/Laptop	11.2% (17 respondents)	5.8% (8 respondents)	25
	Both	38.2% (58 respondents)	70.5% (98 respondents)	156
<b>Experience with Music-Streaming Services</b>	<6 months	24.3% (37 respondents)	8.6% (12 respondents)	49
	6-12 months	26.3% (40 respondents)	15.8% (22 respondents)	62
	12-18 months	11.2% (17 respondents)	20.9% (29 respondents)	46
	18-24 months	12.5% (19 respondents)	15.1% (21 respondents)	40
	>24 months	25.7% (39 respondents)	39.6% (55 respondents)	94
<b>Frequency in Using Music-Streaming Services</b>	<1 hour	19.1% (29 respondents)	7.2% (10 respondents)	39
	1-2 hours	39.5% (60 respondents)	34.5% (48 respondents)	108
	2-3 hours	23% (35 respondents)	26.6% (37 respondents)	72
	>3 hours	18.4% (28 respondents)	31.7% (44 respondents)	72
<b>Music-Streaming Services Preference</b>	Spotify	69.1% (105 respondents)	91.4% (127 respondents)	232
	Joox	24.3% (37 respondents)	2.9% (4 respondents)	41
	Soundcloud	1.3% (2 respondents)	2.2% (3 respondents)	5
	Musicmatch	0.7% (1 respondent)	-	1
	LangitMusik	1.3% (2 respondents)	-	2
	Other	3.3% (5 respondents)	3.5% (5 respondents)	10

Based on the respondents' answer on the questionnaire, there are some similarities and differences of behavior between Spotify free users and premium users. The similarities are, both of their last time using Spotify which is below 1 day, their frequency in using music-streaming services which is 1 to 2 hours, and their preference of music-streaming service which is Spotify. The differences are the devices they use and their experience in using music-streaming service. Most of free user respondents' use mobile to stream their music, while premium user respondents' both use mobile and PC/Laptop. The last difference is, most of free user respondents' experience with music-streaming services is between 6 to 12 months, while most of premium user respondents' experience with music-streaming services is above 24 months.

- **Validity and Reliability Test Result**

In this research, the number of pre-test samples (N) was 40 respondents and the magnitude of df in table r can be calculated as  $df = N - 2$  which means  $40 - 2 = 38$ . With a significance level of 10% then r table is 0.426. Therefore, 26 survey items from 8 factors which are modified to fit the context of the research into Spotify are valid. Based on the reliability test, Cronbach's Alpha result shows that all variables both from free user respondents and premium user respondents are reliable, because the result is above 0,6 and very close to 1.0.

- **Independent Samples T-Test Analysis**

This independent samples T-Test analysis was conducted to the responses between free and premium respondents to test whether these two groups are significantly different. Based on the result, free user and premium user respondents are significantly different because the value in the "Sig. (2-tailed)" row is less than 0.05.

- **Multicollinearity Test Result**

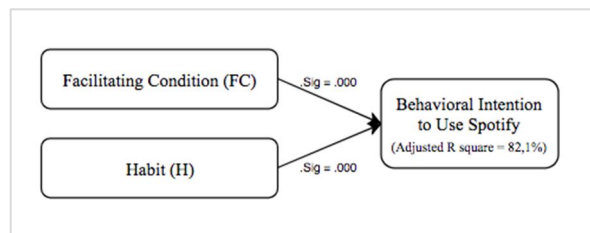
SPSS result shows that 7 independent variables both from free and premium user respondents, have the VIF value less than ten, and tolerance values greater than 0.10, which shows that the data does not have a problem with multicollinearity.

- **Multiple Linear Regression Analysis Test Result**

The aim of doing this analysis is to predict the value of a variable based on the value of two or more other variables.

- **Free User Respondents Multiple Linear Regression Analysis**

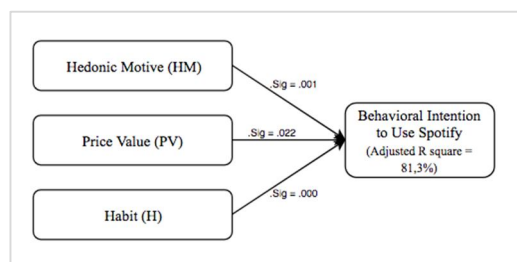
Based on the multiple linear regression analysis, the model of this study is 82.1% useful to explain the factors that affect the behavioral intention of free users in using Spotify. The factors that can predict the dependent variable, which is the behavioral intention, are Facilitating Condition (FC) and Habit (H), where Habit (H) has the strongest impact on the behavioral intention to use Spotify. Therefore, the changes to the framework for free user respondents can be seen in the figure below:



**Figure 3.1** Proposed Research Model for Free User Respondent

- **Premium User Respondents Multiple Linear Regression Analysis**

Based on the multiple linear regression analysis, the model of this study is 81,3% useful to explain the factors that affect the behavioral intention of premium users to use Spotify. The factors that can predict the dependent variable, which is the behavioral intention of Spotify are Hedonic Motive (HM), Price Value (PV), and Habit (H), where Habit (H) has the strongest impact on the behavioral intention to use Spotify. Therefore, the changes to the framework for premium user respondents can be seen in the figure below:



**Figure 3.2** Proposed Research Model for Premium User Respondent

## 4. Proposed Strategy

To generate the alternative solutions, the business tool used in this research is TOWS matrix from SWOT analysis, shown on the Table 4.1 below.

**Table 4.1** Tows Matrix of Spotify

	Strength	Weakness
	<ul style="list-style-type: none"> <li>S1: Spotify is the number one global music-streaming service in terms of the number of free and paid users.</li> <li>S2: Spotify is available across a range of devices.</li> <li>S3: Especially in Indonesia, Spotify provides a lot of payment method alternatives.</li> <li>S4: There are about 2 million artists on Spotify which provides over 35 million songs.</li> <li>S5: Spotify has various premium subscription plan.</li> <li>S6: Spotify takes user personalization to its playlists.</li> </ul>	<ul style="list-style-type: none"> <li>W1: Lack of localized contents or features like lyrics and karaoke feature which are popular in Indonesia.</li> <li>W2: Spotify does not provide a one-click or direct 24/7 customer service specifically for Indonesian users</li> <li>W3: Spotify's social medias mainly contains of interactive designs, more informational and entertaining, rather than product-based promotion.</li> <li>W4: Spotify doesn't have an Instagram account specifically for Indonesia users.</li> </ul>
Opportunity	S-O Strategies	W-O Strategies
<ul style="list-style-type: none"> <li>O1: The rise of streaming, especially paid subscription audio streaming industry.</li> <li>O2: The growth of Indonesia market in the digital music segment, including paid digital downloads and streaming services,</li> <li>O3: High internet penetration rate and internet consumption of Indonesian consumers.</li> <li>O4: Big amount of royalty needed can be a threat for new comer to enter the music-streaming industry.</li> <li>O5: Spotify has the opportunity to expand their services from only music-streaming to other forms of entertainment, for example live audio or video artist interview.</li> <li>O6: Spotify has the opportunity to create a more appropriate strategy, which it is known that Facilitating Condition (FC) and Habit (H) affect free users, and Price Value (PV), Hedonic Motive (HM), and Habit (H) affect premium users.</li> </ul>	<p><b>S-O1:</b> Focusing relentlessly on introducing Spotify about its brand and competitive advantages. (S1, S2, S3, S4, S5, S6, O1, O2, O3, O4, O6)</p>	<p><b>W-O1:</b> Adding more product-based social media promotion. (W3, O2, O3, O6)</p> <p><b>W-O2:</b> Expand other type of services not limited only to music streaming. (W1, O5)</p> <p><b>W-O3:</b> Make an Instagram account and other potential social media specifically for Indonesia user. (W4, O3)</p>
Threat	S-T Strategies	W-T Strategies
<ul style="list-style-type: none"> <li>T1: The industry rivalry of music-streaming services in Indonesia is quite high due to its main competitor</li> </ul>	<p><b>S-T1:</b> Strengthen Spotify's competitive position by applying offensive marketing strategy. (S1,</p>	<p><b>W-T2:</b> Create a one-click or direct 24/7 customer service.</p>

<ul style="list-style-type: none"> <li>• T2: The threat of substitute product is moderate because there is still another strong substitute product in another industry.</li> <li>• T3: The threat of buyers' bargaining power is high, because consumers can easily switch from one music streaming to another. Spotify's major competitor offers some extra value to their music-streaming subscription.</li> </ul>	<p>S2, S3, S4, T1, T2, T3)</p> <p><b>S-T2:</b> Making strategic partnership with potential alliance and sponsorships through events. (S1, S4, T1, T2)</p>	<p>(W2, T1, T2, T3)</p>
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There are seven business solution alternatives generated for Spotify from the TOWS matrix. Each strategy then should be ranked based on the priority based on Spotify's current resources and goals. There are some alike strategies that can be aligned into one comprehensive plan and the priority are respectively as follows:

**1. Social Media Strategy; Make an Instagram account and other potential social media specifically for Indonesia user & Adding more product-based social media promotion. (W-O3 & W-O1)**

These two strategies can be grouped as one social media comprehensive strategy, suitable for both non-user and current user of Spotify, so that Spotify Indonesia would have a better channel to reach the Indonesian market. This strategy can also emphasize the habit (H) and facilitating condition (FC) factors which users can be more familiar behaviourally or technically with the platform through learning, exposed from the social media platforms available. With the total number of monthly active Indonesia Instagram users was 53 million, Instagram is the 3rd most active social network platforms in Indonesia after Youtube and Facebook. By making an Instagram account and other potential social media like Youtube specifically for Indonesia user. Spotify needs to utilize opportunities in the growth of digital music segment and the high internet penetration rate and internet consumption of Indonesian consumers. Spotify has a broad feature, not only to stream music, but Spotify also provides podcasts. Spotify also makes personalized playlists for each of its users. It is important for Spotify to not only focus on entertainment contents such as interactive designs, more informational and entertaining about their artists and songs, but also focused on product-based promotion to promote about their features.

**2. Campaign Strategy; Focusing relentlessly on introducing Spotify about its brand and competitive advantages & Strengthen Spotify's competitive position by applying offensive marketing strategy. (S-O1 & S-T1)**

These two strategies can be grouped as one comprehensive strategy that aim to introducing all about Spotify and strengthen its competitive position in the music-streaming service industry in Indonesia. This strategy is suitable for both non-user and current user of Spotify by conducting campaign to strengthen competitive position in Indonesia. After minimizing its weakness in point one above, and strengthen its social media strategy through point two and three, Spotify is now ready to launch campaigns that is focusing on introducing Spotify about its brand and competitive advantages and strengthen Spotify's competitive position by applying offensive marketing strategy. Spotify has many advantages among other music-streaming services, one of them is the fact that Spotify is globally recognized by being the number one global music-streaming service in terms of the number of free and paid users. This is also backed by the results of consumer analysis where Habit (H) affect both free and premium user, which Limayem et al (2007) said habit is defined as the extent to which people tend to perform behavior automatically because of learning, which also

means that users need to be given exposure and knowledge about Spotify itself. One of offensive marketing strategy could be done by Spotify is to offer an as good or better subscription plan for a lower price with its Spotify for Family and Spotify for Student subscription plan. Spotify may focus on conducting an extensive campaign for their products, Spotify for Family and Spotify for Student subscription plan. Targeting a specific product for a particular market of target enables Spotify to generate a particular marketing plan, stopping Spotify from spending money on ineffective marketing campaigns. With this type of campaign, this strategy can also emphasize the Price Value (PV) factor which users can feel that the benefit of using Spotify are greater than the money cost.

### **3. Making strategic partnership with potential alliance and sponsorships through events. (S-T2)**

This strategy is the third priority for Spotify, because Spotify will have a long-time which business to be suitable for alliance so Spotify could focus on other more feasible strategies first. This strategy is suitable for converting free users to premium user. A strategic alliance will need to enhance Spotify competitive advantages as a music-streaming service. An example of a potential strategic alliance for Spotify is by adding OVO to its payment system, and give promo, discounts, or free trials to OVO users. Other than simplifying user's payment method, the partnership will add potentially 60 million OVO user base to the Spotify user base in Indonesia. With this type of partnership, this strategy can also emphasize the Hedonic Motive (HM) factor which can support users to feel more pleasure and enjoyment through its premium features.

Through event, besides continuing Spotify on Stage, Spotify may give sponsorships to any other university music events. By giving sponsorship, Spotify can get the word out about their services.

### **4. Create a one-click or direct 24/7 customer service. (W-T2)**

WT strategies are the strategies that minimize weakness and avoid the threat. Even though this strategy is urgently needed to be implemented first to accommodate complaints that are flooded in Spotify Indonesia's social media accounts comment section, this strategy also needs a very thorough research and development process from designing to launching, involving not only Spotify Indonesia team, but also Spotify global team. This strategy aims to accommodate complaints, and this strategy is also expected to help Spotify to maintain its brand reputation, especially in Indonesia.

### **5. Expand other type of services not limited only to music streaming. (W-O2)**

This strategy is the last priority for Spotify. To expand Spotify type of services not limited only to music streaming, Spotify needs to consider so many aspects for a long time. This strategy aims to overcome Spotify's weakness compared to its direct competitor in failing to recognize differences in how Asians consume music. To compete with that, Spotify needs to tailor their apps to be able to compete in the Asian market. Spotify has the opportunity to expand its services from only music-streaming to other forms of entertainment, for example, live audio or video artist interview.

## **Conclusions**

There are two research questions in this research, first is "What factors affect free and premium users' behavioral intention in using Spotify?", and the second is "What marketing strategy should be applied to keep their current free and premium users and gain more potential user?". To answer the first research question, there are two analyses conducted, internal analysis using STP and 4Ps, external analysis using competitor analysis and Porter 5 Forces, and consumer condition analysis using factors from UTAUT2 which resulted that there are differences on factors affecting the behavioral intention in using Spotify between free and premium users. For free user respondents, the factors that can predict behavioral intention in using Spotify is Facilitating Condition (FC) and Habit (H). This means that free user respondents are affected by the resources and support are available to

use Spotify and they believe that using Spotify is automatic. For premium user respondents, the factors that can predict behavioral intention in using Spotify is Hedonic Motive (HM), Price Value (PV), and Habit (H). This means that premium user respondents are affected by their experiences, enjoyment, and pleasure from using Spotify. Because they paid some money in exchange of premium features, they are also affected by the price value where they measure the benefits of using Spotify and the monetary costs. Lastly, Habit as the strongest factor affects premium users as they believe that using Spotify is automatic. The results from the analyses are made into a SWOT analysis evaluating Spotify's strengths, weaknesses, opportunities, and threats. After that, TOWS matrix is generated to create the proposed business solution. From 7 alternative strategy from the TOWS matrix, there are some alike strategies that can be aligned into one comprehensive plan resulting in total 5 proposed marketing strategy for Spotify.

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