Spotify Live Product Proposal

Outside-in Product Strategy and Proposal for Spotify

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Agenda

Hey there!

1. Context

Purpose of this presentation and other contexts

2. Objective

Definition and outline of goals

3. Outside-in Insights & Strategy

Analyses of insights

4. Problems + Opportunities

Assessment and prioritization of problems and opportunities

5. Solution + Product

Product hypothesis and solution proposal

6. Go Forward Strategy

Recommendation, roadmap, and ideal outcome

Context

The purpose of this slide deck is to provide — from an outside perspective — a high-level analysis of Spotify's strategy, a product proposal, and a tactical execution plan for "Spotify Live" given Spotify's recent acquisition of Locker Room

Given the outside-in nature of this proposal, this presentation contains key assumptions as appropriate where high definition information and insights are unavailable

Key assumptions that serve as foundations for this proposal

1

With its acquisition of Locker Room, Spotify will launch "Spotify Live" to tap into the Live Audio space

Analysis regarding this strategy is touched upon in the following Insights & Strategy section. Live Audio is defined as Clubhouse-like experience where hosts and users can discuss topics live together

2

Spotify will offer Live Audio via Locker Room to start; however, this proposal assumes there are no platform restrictions

As stated by Gustav Söderström, Locker Room and Spotify will remain separate for the time being, though he remarked that "*who knows, maybe we'll integrate some of these features, or all of these features in the future*"[1]

3

Dependencies and approval from potential roadblocks are abstracted from this proposal given the lack of input and data

Nuanced considerations (e.g. the availability of Live Audio on Spotify for Artists) or approval (e.g. any required approval from legal / compliance team) are only considered on a high level given the outside-in nature of this proposal

1. The Verge

Insights & Strategy

The explosion of Live Audio[1]

Clubhouse has **10 million weekly active users**, up from 600,000 in December 2020

Clubhouse is evaluated above **$1B** as of February 2021, indicating significant tailwind for its Live Audio platform

Driven by the success of Clubhouse, **Facebook, LinkedIn, and Twitter acquired** platforms that compete with Clubhouse to enter the Live Audio space

1. Clubhouse's success is illustrative of the recent commercial success of Live Audio

Spotify acquires Locker Room

CEO Daniel Ek delineated the difference between creation and listening in the Stream On event, outlining the importance of keeping the creators engaged.

"*Creators find interesting ways to interact with their audience that's definitely something that we're paying a lot of attention to and looking at and experimenting with as well.*"[1]

At a high level, Live Audio is a play to engage and retain both Spotify's 350M listeners and 8M Creators[3]

"*The danger [for Spotify] is losing creators, for whom the Clubhouse experience is often markedly better — it certainly is drastically easier. That, by extension, is how Spotify would lose out on consumption: listeners follow creators.*"[2]

1. Spotify Stream On event
2. Ben Thompson's Stratechery
3. Creators is defined as artists creators or podcast creators

Spotify's Competitive Advantage in Live Audio

Spotify's **well-established mindshare among listeners as an audio first platform** will enable quicker adoption of Live Audio for listeners in comparison to competitors

Spotify's experience and continued emphasis on **improving monetization for Creators** will bring more Creators to create unique content

Spotify can surface creators and content to listener's based on their preferences by leveraging **Spotify's understanding of its 350M users** and significant investment in **machine learning-based recommendation algorithms**

Objectives

North Star Objectives[1]

1. **Increase engagement for both listeners and Creators**[2]
2. **(In the long-run) Increase creator satisfaction and increase revenue per creator**[3]

Relevant Key Metrics

- DAU and MAU for Spotify Live
- Number of sessions hosted per month
- Week #1 engagement rate
- Churn / user retention
- Length of session
- Relevant feature usage
- NPS for Spotify Live

1. No specific target number is specified for any of these metrics given the lack of data regarding current usage to act as an anchor/benchmark; these objectives are assumptions based off of available data
2. As detailed in the Strategy slide, Live Audio is a play to keep both Spotify's 350M listeners and 8M Creators
3. This North Star goal aligns with Spotify's extended efforts pertaining to sustainability and better monetization for creator/artist (e.g. Marketplace's recent pivot and emphasis on Artist Sustainability), increasing creator's engagement and loyalty to Spotify in the long-run

Problems + Opportunities

Assumption for Listeners

For understanding listeners, identifying target audience and user persona is key to cater live audio for needs and requirements of that persona

This will lead to adoption early on and enable Spotify to expand live audio offerings to a wider audience

Assumption for Creators

Live Audio will be **targeted for specific creators** depending on the listener user persona, as prolific and experimentative creators will likely adopt live audio first, followed by established creators:

"As platforms mature and features on platform mature, usually the features in the beginning tend to be creators that are experimenting a lot more are probably not the most successful creators that jump on the platform. And then as more people start engaging with feature in a medium, you start seeing more and more professional creators jump on board" - Daniel Ek[1]

There are four main *listener* user personas, who are not mutually exclusive, collectively exhaustive

1

Casual podcast and mixed content listeners

Users who engage with spoken word content casually, through occasional podcast or mixed content (podcast + music playlist)

Users are on Spotify

2

Users with high affinity to a creator

Users with high affinity to a creator (e.g. Dua Lipa super fan, "How I Built This" super listener) who may want to engage with their favorite creators more dynamically

3

Avid podcast listeners

Engaged podcast listeners who are familiar with spoken content but want to further engage with most up-to-date content and news

Users are on Spotify and other platforms

4

"Reactionary content" listeners

Users who want to engage with the most relevant and up-to-date events (e.g. politics, sports, world news, etc) via live audio (Locker Room's persona)

Users are not on Spotify

1. These user personas are assumptions based off of available data; there personas can further be segmented into specific groups

User Persona Prioritization and Evaluation Matrix[1]

User Persona	Market Opportunity[2]	Business Impact[3]	User Complexity[4]
Avid podcast listeners	**B** - Users love and are very familiar with Spotify's spoken word content so may be likely to adopt Live Audio	**C** - Podcast listeners value availability of asynchronous spoken audio content more so than live content; the impact of Live Audio is unclear	**C** - The needs of this user group may be complex given the level of effort required to engage users who are used to asynchronous listening
Users with high affinity to creator(s)	**A** - Users are likely to adopt a new way to engage with their favorite creators	**A** - With a new avenue and fresh content to engage with their favorite creators, these users may be willing to spend for Premium content and stay on Spotify as their go-to platform	**B** - The level of effort (LOE) required will vary depending on the extensiveness of the experience
Casual podcast and mixed content listeners	**C** - Users may passively listen to Live Audio but adoption may be limited given their preference for passive consumption	**D** - The long-term impact of Live Audio to passive listeners is likely low	**A** - A simple Live Audio experience may be easy to implement, as only basic features/functionality are required to support these users
"Reactionary content" listeners	**A** - Users are very likely to adopt ways to discuss live sports, news, interviews, etc	**B** - Users are likely to engage with live content frequently and choose Spotify as the go-to platform for live content, though their willingness to spend on new content is unclear	**B** - A simple implementation will require low LOE; however, creating extensive support of multiple genres, with robust recommendation technology, will be high LOE

1. These estimations are completed only on a very high level. In-depth market and user research, as well as product insights, will be required for a more accurate assessment. The objective of this exercise is to provide a more scientific, thoughtful, and objective approach to evaluating these tradeoffs
2. Market Opportunity is defined as "how much of this user persona would adopt Spotify Live?" ("A" = high potential for adoption; "F" = low possibility of adoption)
3. Business Impact is defined as "how much impact would the delta in engagement lead impact Spotify's short and long-term business?" ("A" = users who adopt Live Audio stays with Spotify for longer, is willing to pay for premium content, less likely to churn from Spotify, etc; "F" = low value and low impact)
4. User Complexity is defined as "how complex and variable are the needs of this user persona?" ("A" = the needs of the user are complex and variable; "F" = needs are relatively straightforward, easy to address, and generally consistent across users)

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"Reactionary content" listeners	**A** - Users are very likely t[...] adopt ways to discuss live [...] sports, news, interviews, e[...]		

"Users with high affinity to creators" scores slightly higher than "Reactionary content" listeners in the business impact category; in addition, addressing the "high affinity" persona plays into Spotify's current efforts in Fans First and Creator Sustainability; pre-existing groundwork (e.g. Fans First) may be leveraged for a quicker launch

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Spotify Live 1.0 **will be geared for** *users with high affinity to creators*

Spotify Live will be an offering on the Spotify Platform

Unlike Spotify's standalone apps, such as Stations or Spotify Kids, Spotify Live is in-app because it will enable:

- surfacing of Spotify Live more seamlessly
- drive higher adoption for the chosen user persona

Hypothesis + Solution

North Star Objectives

1. **Increase engagement for both listeners and Creators**
2. **(In the long-run) Increase creator satisfaction and increase revenue per creator**

Spotify Live 1.0

1.0 HYPOTHESIS

"We believe that **introducing Spotify Live 1.0** that is targeted for **Spotify users with high affinity to creator(s)** and **respective creators - both artists and podcasters -** will provide new opportunities and content for users and creators to interact with, driving **further engagement** for both users and creators"

Hypothesis Validation

We will know our launch is successful and the hypothesis is true when we see[1]:

Short Term

Engagement from listeners
- Consistent MAU, DAU, CTR, and number of sessions per week/month that meet expected target, low churn

Engagement from artists
- Consistent MAU, DAU, number of hosted sessions per month, low churn

Long Term

Increase in DAU, MAU, and number of sessions per week/month

High customer satisfaction from both users and creators

Increase in overall Spotify consumption and longer average session per user across the Spotify platform

1. No specific target number is specified for any of these metrics given the lack of data regarding current usage to act as an anchor/benchmark; these objectives are assumptions based off of available data

1.0 PROPOSAL

Spotify Live 1.0 is a Spotify in-app experience where Creators can host live audio content to engage and interact with users to discuss a variety of topics live

North Star Objectives

1. **Increase engagement for both listeners and Creators**
2. **(In the long-run) Increase creator satisfaction and increase revenue per creator**

Spotify Live 2.0

1. Much of 2.0's functionality, roadmap, and experience will depend on learnings from Spotify Live 1.0; as a result, only long-term vision is provided for 2.0

2.0 HYPOTHESIS

"We believe that introducing Spotify Live 2.0,

assuming the success of Spotify Live 1.0, will provide

new monetization avenues and strategies for

creators, driving engagement and satisfaction for

Spotify users"

1. Much of 2.0's functionality, roadmap, and experience will depend
on learnings from Spotify Live 1.0; as a result, only long-term vision is
provided for 2.0

2.0 PROPOSAL

Spotify Live 2.0 will provide new monetization features for creators, such as exclusive live content and "premium access to creators", driving additional source of income for Creators while driving further engagement on Spotify

1. Much of 2.0's functionality, roadmap, and experience will depend on learnings from Spotify Live 1.0; as a result, only long-term vision is provided for 2.0

Product

Spotify Live 1.0

The in-app experience is optimized for a simple live-listening experience

Listeners can engage with host / moderating creator by raising hands

Users will need to opt-in to use this feature. Considerations, such as privacy concerns, are addressed here
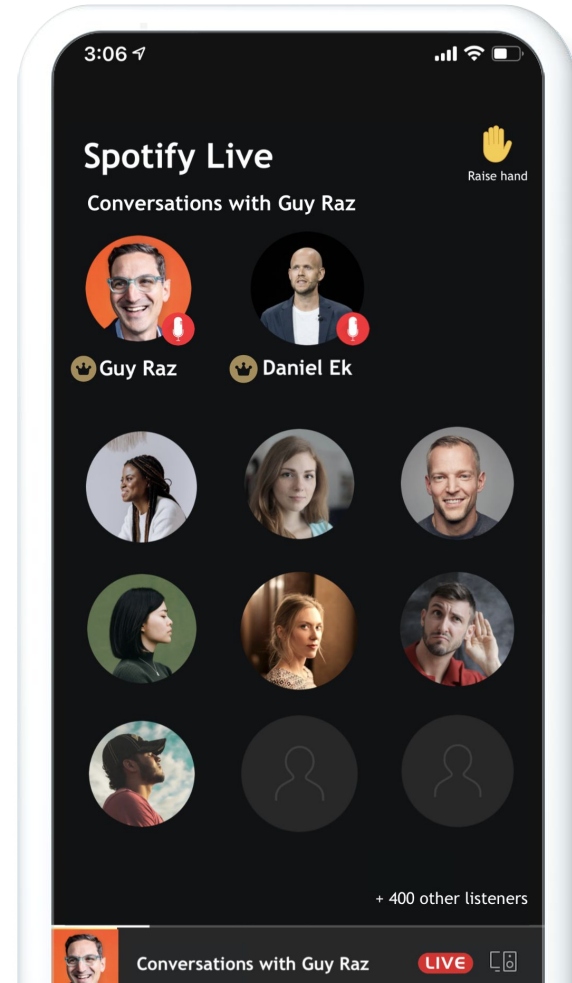
Personalized Display of Spotify Live 1.0

The display for *Spotify Live* content can be added to the Home page on a new shelf, surfacing creators who rank highly on a given user's affinity to that Creator
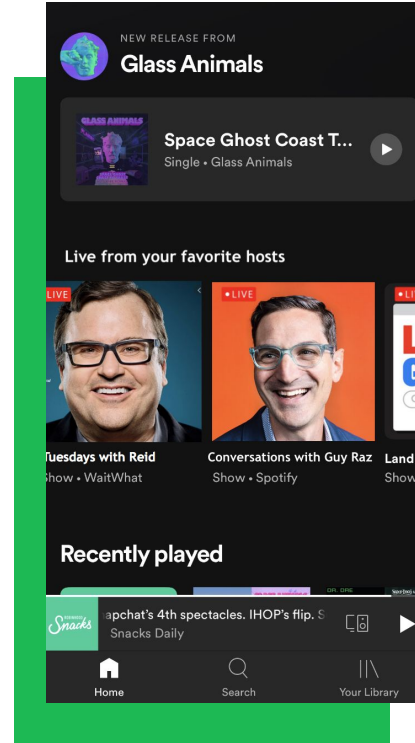
Podcast creator Live Audio shelf
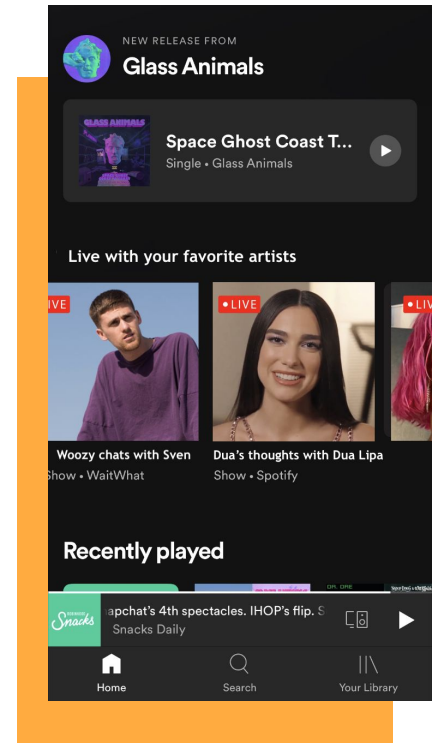
Artist Live Audio shelf

Surfacing Spotify Live 1.0 with Marquee

Pop-up notifications can be leveraged to notify and surface upcoming Live Audio if the user has specifically high affinity to the creator / host of the live audio
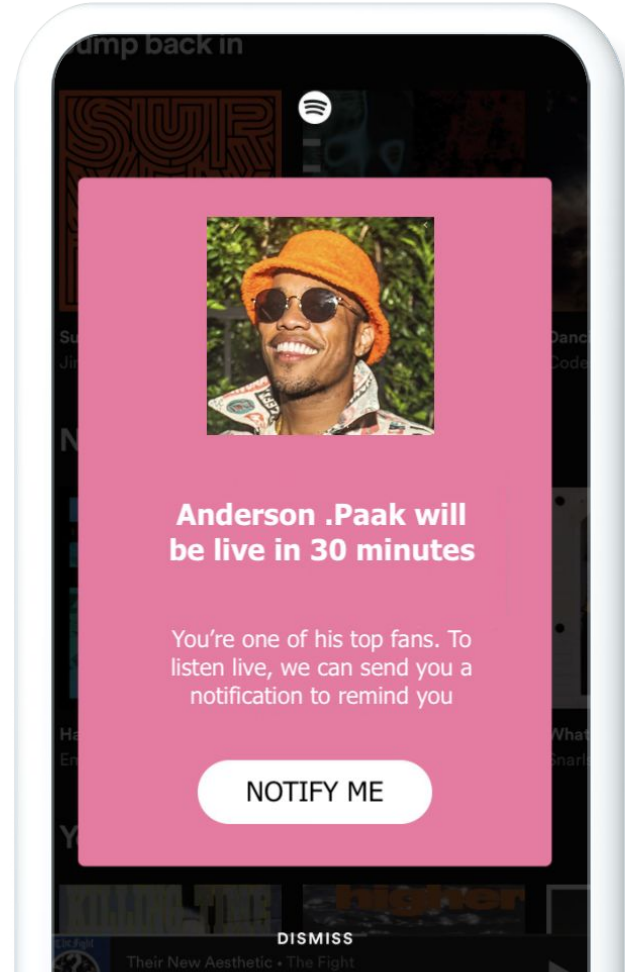
General key considerations[1]

Platform Availability

Feature should only be available on Spotify's mobile app to start, expanding to Desktop and Web Browser in 2.0

Podcast Offering

Recording live audio sessions, offering the recording as podcast shows for asynchronous listening

Integrations

Creator's experience should be driven by Spotify for Artist and Anchor; Live Audio's integration with these standalone platforms depends on execution timeline given the additional overhead and effort required[2]

Cold start problem key consideration

Given the focus on users with high affinity to creators, recommending and surfacing the best creators to each user is key to Spotify Live 1.0, which, however, will be difficult for new users

Content based solution

Live Audio created by renowned artists or podcast creators or Live Audio created in special partnership with Spotify can be surfaced to users

Onboarding data based solution

Despite not being the most extensive set of data points, new user's response to onboarding questions (e.g. top 3 artists and podcasts) can be used to provide basic recommendation for users

Privacy and Compliance Roadblock Considerations

Spotify users must opt-in to use or participate in Live Audio, **requiring users to consent to a Terms and Conditions**[1] specific to Live Audio

For users to opt-in, users will need to consent to sharing basic information (e.g. name and profile image) with other Live Audio listeners

Given the nature of Spotify's current privacy settings, users may be required to create a Live Audio profile on top of their current profiles; further investigation is required

1. GDPR compliance should also be a vital item in the privacy related roadmap items for Spotify Live 1.0

Algorithmic responsibility

Recommendation of Live Audio contents must ensure high quality data decisions and equitable algorithmic outcomes

Representation of creators including but not limited to gender, race, sexual preference, socioeconomic background must be accounted for

However, the focus on *users with high affinity to creators* will inevitably have biases towards Live Audio content that are created by larger profile artists and creators

Go Forward Strategy

Go Forward Strategy – Rough Roadmap

Milestone 1: MVP / MVE

- Technical validation
- Gather Qualitative Data & Validate Assumptions
- Align all relevant stakeholders and stakeholder teams
  - Feature teams, such as Spotify for Artist team, depending on the scope
  - Other function teams, including but not limited to product, UX writing, marketing, legal, labels partnership, etc
- Communicate with creators regarding roll-out
- Plan for MVP / MVE

Milestone 2: Live Audio 1.0

- Experiment with features that provide Creators with more opportunity to experiment and plan for Live Audio 2.0 targeted for supporting exclusive content or features specifically for monetization for Creators
- Launch on desktop and browser

Milestone 3: Live Audio 2.0

- Largely TBD (iterate upon learnings from Milestone 2)

Trade-offs of Live Audio Minimum Viable Experiment (MVEs)

MVEs provide data points to **validate assumptions and central premise** of Live Audio

There are, however, minor risks to MVEs, such as the potential delay in product launch and MVE feature leaking to the press (if the idea in question is in stealth mode)

That said, the value from learnings driven by MVEs, as well as the already publicized nature of Spotify's Locker Room acquisition, greatly outweighs and mitigates any concerns for MVEs

As a result, **this deck assumes that MVEs are required for moving forward with Spotify Live 1.0** before dedicating significant resources to the initiative; two MVE options, fake door test and Locker Room revamp, are considered

Fake door test

For the first iteration of Live Audio MVE, fake door testing can be utilized, exposing Live Audio shelf to limited number of users (e.g. randomly selected 1% of users)[1]
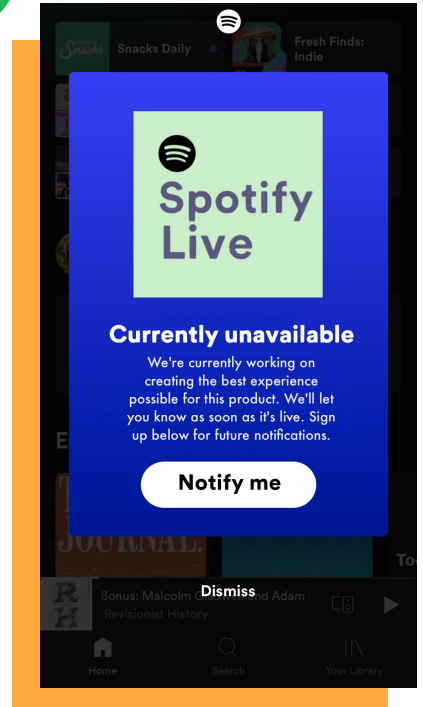
Insights from this MVE provide data points that validate potential value of this feature to users and provide **more confidence regarding the level of investment required for this feature**[2]

However, to account for novelty effect, this must be exposed new and returning users[3]
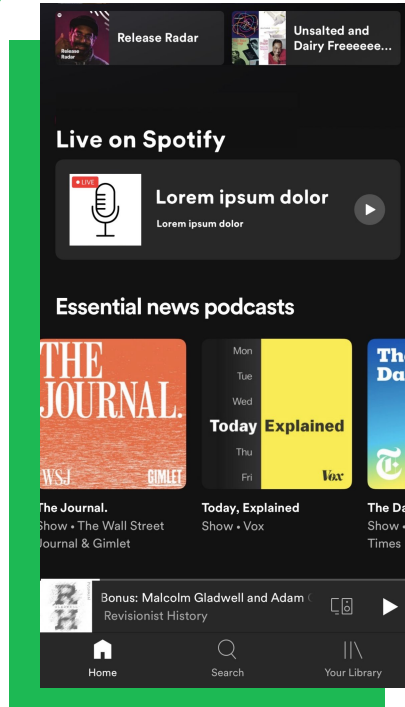
1. There are minor risks associated with this experiment; even if this fake door is shown to only 1% of users, the 1% of users who engage with this fake door functionality may be disappointed by the feature not being offered
2. High CTR for this feature would indicate users are genuinely interested in Live Audio
3. If returning users show significant engagement with this MVE but not for new users, that indicates strong novelty effect dynamics

Spotify Live 0.0

Relaunch Locker Room, revamping and reskinning Locker Room to fit with Spotify color

Sustained high usage and engagement from listeners, as well as high engagement from Creators on Spotify, will provide additional confidence about introducing this feature into Spotify app

This MVP **facilitates opportunities for more experiments**, given the separate nature of live audio. Example experiments to test is monetization feature enabling token gifting from users to creators which then can be redeemed
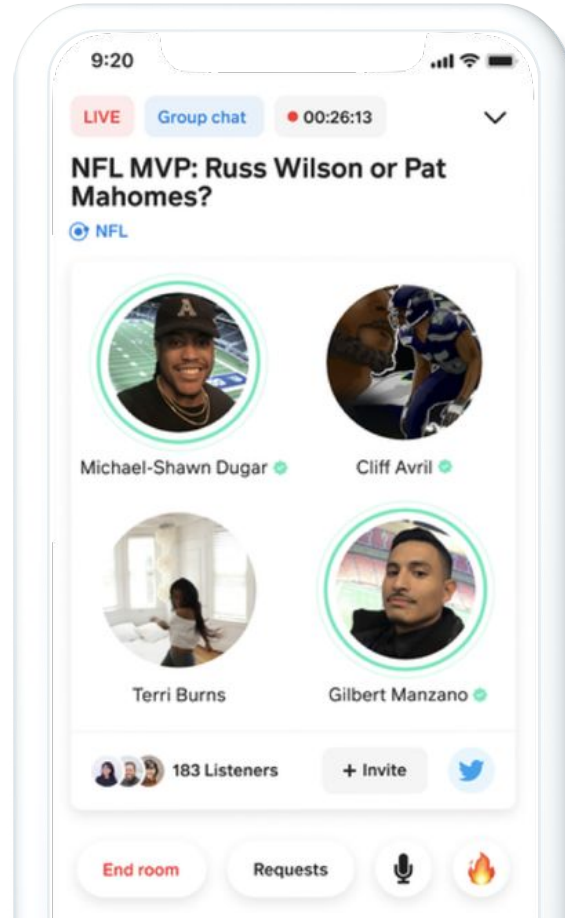
Questions?

Reach out to Barry @ bari.eom@gmail.com