

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT
Third Year Second Semester Examination in Bachelor of Business
Administration Honours in Marketing Management - 2021/2022
(August/September 2024)

Proper

MKT – 3073 Digital Marketing

Answer all five questions.

Time: 03 Hours

Q1. Read the following case study and answer the questions given below:

Case Study: Spotify streaming develops new revenue models

Spotify is a streaming music service originally developed in 2006 in Sweden and launched in 2008. Spotify Ltd now operates in 17 countries around the world. This case study explores how the online music subscription service use different elements of the mix online and looks into how the company constantly strives to delight its customers with new features and personalised playlists.

Background Context

Spotify was not the only online entrant to online music services. In 1999, Napster™ launched the first widely used service - a 'free' peer-to-peer (P2P) music-sharing channel. But this innovative approach to sharing music became subject to legal challenges from major record companies, and Napster lost revenues on music sales and was eventually forced to close. Napster was a pioneering company as it demonstrated to the world what was possible in terms of sharing digital music, and Spotify benefited. So too did consumers as, today, so long as you have internet access you can freely listen to music (with adverts). This tremendous change in how we listen to music has redefined the product; music no longer has to be delivered on vinyl discs (or compact discs). And many digital music fans think of music as something in the background, which can set the mood, to work or exercise to. Popular music has largely lost its physicality, is digital and is interactive, as huge catalogues of titles can be searched to find your favourite playlist. This shifting behaviour in music listening is where Spotify adds value for its customers; it creates curated playlists around generic themes or tailored to the individual's listening preferences (Beaumont-Thomas and Snapes, 2018). The company is an innovator in marketing approaches, and its use of cutting-edge technology ensures its place as market leader in music subscription.

Value proposition

For its music-loving customers and music producers Spotify has created a global marketplace where they can engage with each other. With over 350 million active users, offering 70 million music tracks, the distinct value that creates competitive and differential advantage for Spotify is derived from offering products (music tracks) that are very

relevant to the customer and enabling artists to deliver to the listening audiences. The company does this through allowing the customization of playlists by the individual (by making suggestions of new music based on customers' listening profiles their choices are extended) and providing listener data for artists.

In addition to the core music listening service, Spotify has developed other features to add to the value of the service, which have also given opportunities to spread awareness of the site through co-marketing. Spotify claims that its users are highly engaged, with the average multiplatform user spending 146 minutes a day using the service. The share of users listening on mobile has tripled. The Spotify for Artists app provides independent artists with details of who is listening to their music, where they are located and their wider listening preferences. By understanding more about listeners, music makers can make data-informed decisions about the markets they serve, the reach of their music, when to release new tracks and how best to develop their fan base (Spotify, 2021b).

Revenue model

Spotify operates a freemium model, with the majority of its users streaming music to their mobile or desktop via apps or web browsers. Free subscribers get adverts between tracks, which are part of the Spotify revenue model. Users of the free service encounter audio adverts every five or six songs, or approximately three minutes of advertising for every hour of listening. Spotify Premium users pay a fixed monthly fee to get additional features, including offline listening and no interruptions from ads, the ability to play any song in the Spotify libraries and unlimited on-demand playback. The company pays roughly 70 per cent of its revenue as royalties to artists and companies that hold the rights to the music. Spotify pays artists and labels per streamed track. In the past, artists have questioned the value that Spotify returns, with some major global artists such as Taylor Swift and AC/DC withdrawing some or all of their music from the platform. Spotify makes the case that it aims to regenerate lost value by converting music fans from poorly monetised formats (e.g. illegal download services) to the paid streaming format, which produces far more value per listener.

Product and innovation

Spotify regularly introduces innovative products and services, to maintain customer interest and to promote engagement with the marketplace. 'On Repeat' playlists give members access to memorable playlists (Spotify, 2019). The 'Car Thing', a 'smart player for your car' (Spotify, 2021c), is another innovation to satisfy listening audiences. While Spotify is not traditionally a hardware developer, it wanted to enable personalised in-car listening. The new device uses voice control to enable fast hands-free access to music while driving, touch screen displays and preset favorite buttons.

Advertising services

Spotify has developed a range of innovative advertising formats to build its revenue, mainly from its free subscribers. Spotify uses data-driven analytics to help determine its ad spend and target markets; users' data insights identify behaviour, which then inform the

ads, the content and the messages that promotional tools and media can use. Spotify offers a range of ad formats that are easy to use and help advertisers get great results (Spotify, 2021d).

- Audio Ads: A cross-platform, unavoidable format comprised of an audio spot, cover art and clickable campaign name.
- Video Ads: Delivered while listeners are browsing music catalogs to maximize opportunities to see.
- Podcast Ads: Designed to aid brand building and more engaging content in ads.
- Display: Leaderboard ads in the Spotify player are served when the user is interacting with Spotify.
- Homepage Takeover: Block out a full day for your brand on the Spotify homepage.
- Branded Playlist: Custom user-generated playlists with brand logo, custom text and an optional link to your campaign.
- Sponsored Session: Users choose to watch a video to receive a 30-minute, ad-free session.
- Overlay: designed to produce strong brand impact.
- Advertiser Page: A microsite seamlessly integrated into the Spotify player. The Advertiser Page can contain practically any content you'd find on a web page, including videos, clickable images, blogs, news, links, and comments.

Competition

Spotify faces competition from existing online music services such as Apple Music™, but given that this is an evolving marketplace, other major competitors can be expected. For example, Google launched YouTube Music, and Apple purchased the Beats™ subscription service to support the launch of Apple Music™. Amazon also now offers the Prime Music™ subscription to customers who are in its loyalty programme. And Tencent Music Entertainment is growing market share in China. Spotify has grown into a significant global brand and has been driving market growth by focusing on delivering more personalized music playlists (Karpis, 2017).

Marketing

Unlike in the 'dot.com era', when startups with global aspirations launched using TV campaigns, Spotify's growth has taken a more modest approach, relying on word of mouth, PR and co-marketing rather than big ad budgets. In the early days the launch of Spotify in the United States used private 'Beta' invites to create a buzz, as those with access shared their use of it on social media (and through word of mouth). The invitation-only element was a vital part of the platform's rise. Not only did it help manage the growth level of Spotify, but it also helped create a viral element to the service, with users each having five invites at first to share with their friends.

Spotify has since used co-marketing and partnerships with publishers to increase its reach, by embedding different formats of widgets on other sites. Other partnership services enable festivals and charities to engage their audience through Spotify playlists. To grow

its audience beyond its traditional younger audience, Spotify today invests more in collaborative campaigns. In 2014 Spotify launched a 'Music takes You Back' ad in the United Kingdom and the United States, which featured in cinemas, on digital signage and online. It centered around three videos that showcase three different people's stories through the medium of Spotify, Facebook, text messages, Skype and Instagram. It aimed to show how Spotify can bring people together through its integration with social media. Spotify decided not to use TV, creating 75- to 90-second videos rather than the typical 30-second TV ad-break slots. More recently, Spotify's annual 'wrapped' campaign (December 2020) celebrated resilience and working together, and the 'listening together' campaign (May 2020) celebrated the power of audio and how it could bring people together ever while in isolation during the global pandemic (Campaign, 2020). This iconic music-streaming service continues to develop its market share by staying connected with the needs of its target audiences with everything it does.

Questions

- a. Explain, how Spotify uses the marketing mix (4Ps) to create differential advantage. (06 Marks)
- b. What is Spotify's core product and what does it add to its extended product as value added? (05 Marks)
- c. How does Spotify's use of data-driven analytics for ad targeting to enhance advertising effectiveness? What additional data-driven strategies could Spotify use to optimize ad performance further? (06 Marks)
- d. How does Spotify's market position stack up against competitors such as Apple Music, YouTube Music, and Amazon Prime Music? What are the key competitive advantages and disadvantages that Spotify faces? (07 Marks)

(Total 24 Marks)

Q2.

- a. **Explain** the 7Ds or Pillars, supporting effective Digital Marketing with suitable examples. (14 Marks)
- b. **What** are the Six key types of Digital Media Channels? (06 Marks)

(Total 20 Marks)

Q3.

- a. "A Modern multichannel buyer behaviour as customers use different media and touchpoints to achieve their goals, including selecting suppliers making purchases and gaining customer support as part of the path to purchase".

Explain the impact of digital media on the consumer buying process. (08 Marks)

- b. **Analyze** how macro-environmental forces such as economic, social, technological, legal, and environmental factors have shaped digital marketing strategies in Sri Lanka during the recent economic crisis. **Evaluate** the effectiveness of these strategies and **suggest** how businesses can adapt their digital marketing efforts in response to such macro-environmental challenges. (10 Marks)

(Total 18 Marks)

Q4.

- a. **Briefly explain** the elements of Digital Branding. (06 Marks)
- b. **Explain** the implications of the internet for products in the digital marketing context. (06 Marks)
- c. **Describe** the series of steps that can be used when taking a structured approach to planning an integrated online campaign. (08 Marks)

(Total 20 Marks)

Q5.

- a. "Search Engine Optimization (SEO) is a structured approach used to increase the position of a company or its products in search engine natural or organic results listings for selected keywords or phrases".

Critically evaluate the above Statement. (06 Marks)

- b. **Discuss** the disadvantages of "Affiliate Marketing". (05 Marks)
- c. **Contrast** email marketing options between customer acquisition and customer retention. (07 Marks)

(Total 18 Marks)