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September 4, 2024

Chapter 12

Customers' Roles in Service

How Spotify Delivers a Unique Customer Experience with Personalized Music Recommendations



Jake Fitzpatrick, Medha Kumar, Olivia Smith

December 2, 2024

Author: Aslan Patov



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Customers' Roles in Service

Agenda

Article Summary

- Analyzing User Data
- Machine Learning Algorithms
- Voice Control & Interactivity
- Social Features
- Personalized Wrapped Experiences
- Artist/User Interaction through Direct Messaging

Chapter 12 Connections

- Partial Employee Concept
- Customers as Contributors
- Influence of Other Customers
- Reward Customer Contributors
- Customers as Competitors

Conclusion + Thank You

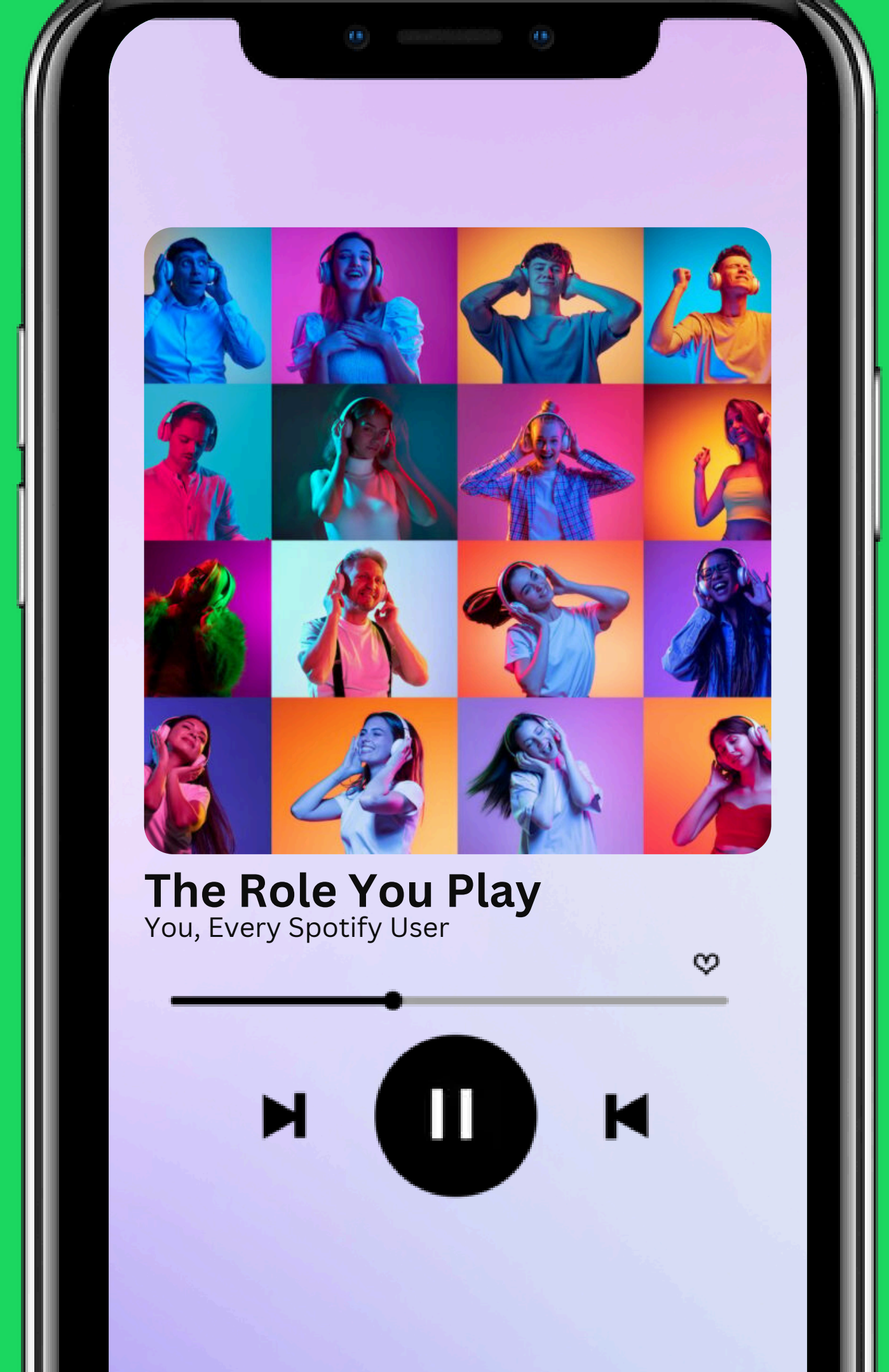
Article Summary

Spotify users' role has evolved over time from being a passive music listener to an active creator and even an advertiser.

Think of traditional media like TV or radio. They create all the content, you just sit and experience.

Today's Spotify customers

- Create content for themselves
- Create content with and for others
- Promote the platform
- Connect directly with artists





Level of Customer Involvement: **Low**

The Casual Listener

- **Spotify-generated playlists**
 - **Today's Top Hits**
 - **New Music Friday**
 - **This is _____ (Artist)**
- **NLP Playlist curation**
 - **Daylists**
 - **On Repeat**
 - **Repeat Rewind**
 - **Daily Drive**

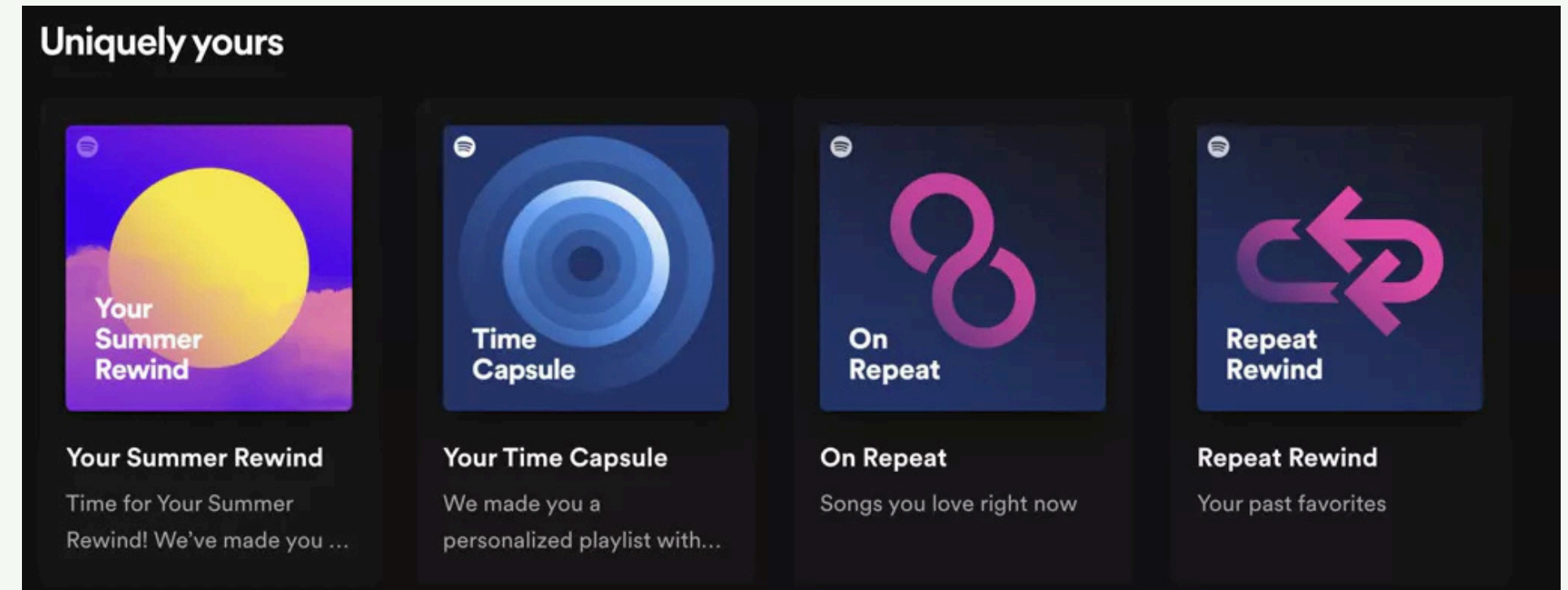




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Spotify Uses Data Analytics to Understand User Preferences



Collecting and Analyzing User Behavior

- Spotify collects data on user behavior
 - listening habits
 - search history
 - playlist creation
 - song skips
- Personalized playlists account for over 30% of users' total listening time

Spotify's Internal Data

Creating Personalized Playlists

- Spotify generates personalized playlists based on their listening habits and preferences
 - Discover Weekly
 - Daily Drive & Daylist
 - On Repeat & Repeat Rewind
- Over 40 million users have discovered new music through Spotify's personalized playlists

The Verge



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Spotify Implements Machine Learning Algorithms for Dynamic Recommendations

Collaborative Filtering Techniques

- Collaborative filtering: A machine learning technique that analyzes the behavior of users with similar tastes to recommend new songs and artists
 - Can increase user engagement by 60%

MIT Technology Review

Natural Language Processing for Playlist Curation

- Used to analyze song lyrics, album reviews, and social media mentions
 - helps understand the context/sentiment behind each track
- NLP-enhanced playlists have a 45% higher engagement rate than those created without NLP





Level of Customer Involvement: **Medium**

The Super Fans

- **Collaborative Playlists**
- **Spotify Blends**
- **Spotify Wrapped**





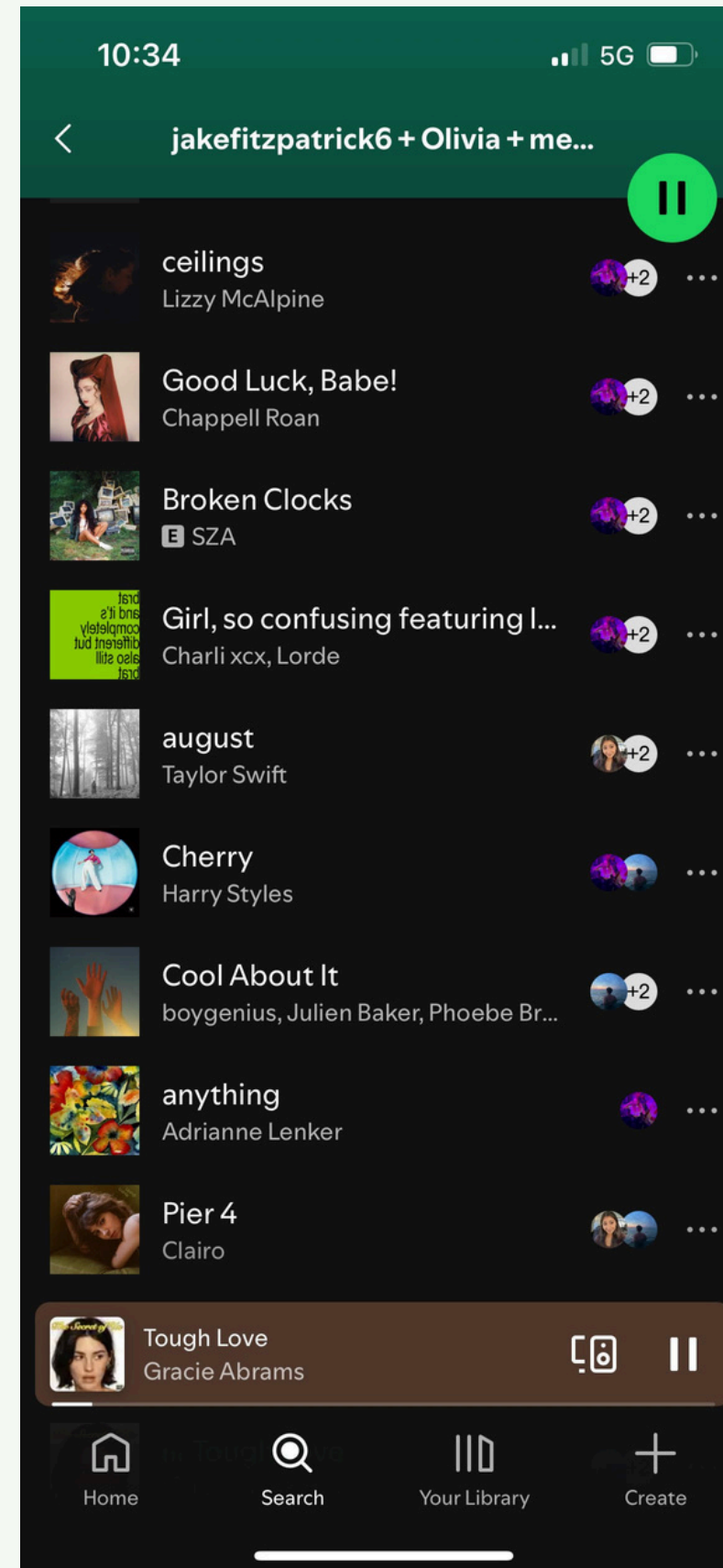
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Spotify Utilizes Social Features to Enhance Customer Experience

Collaborative Playlists

- Utilized by friends and family, enhancing shared music experiences and social connections
- Collaborative playlists have led to a 20% increase in user engagement



Spotify Blend

- Combines the listening habits of up to 10 users to create a personalized playlist that reflects their collective music tastes

Spotify's User Data

- Adds a social element to music discovery & enhances personalization
- 56% of users feel more connected to brands that offer social features

Social Media Today



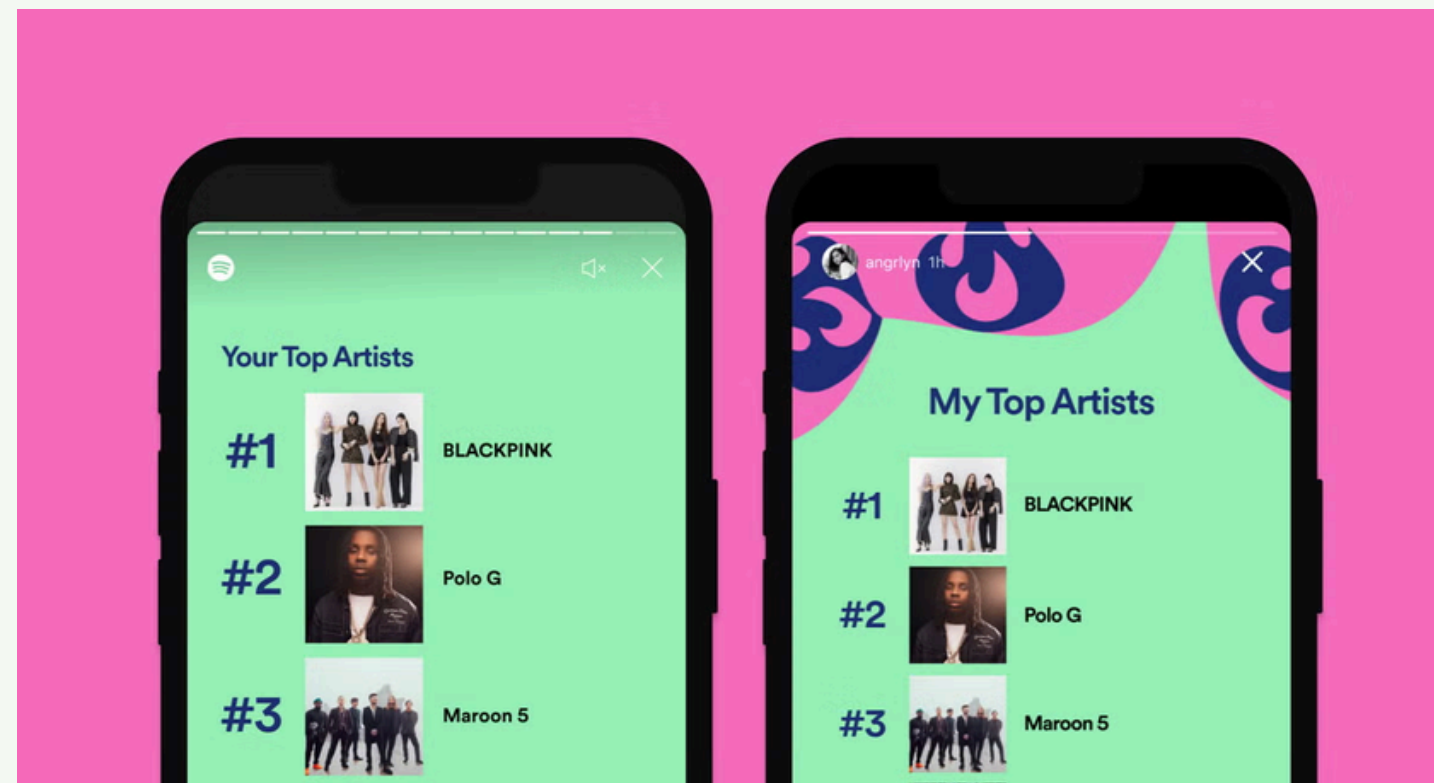
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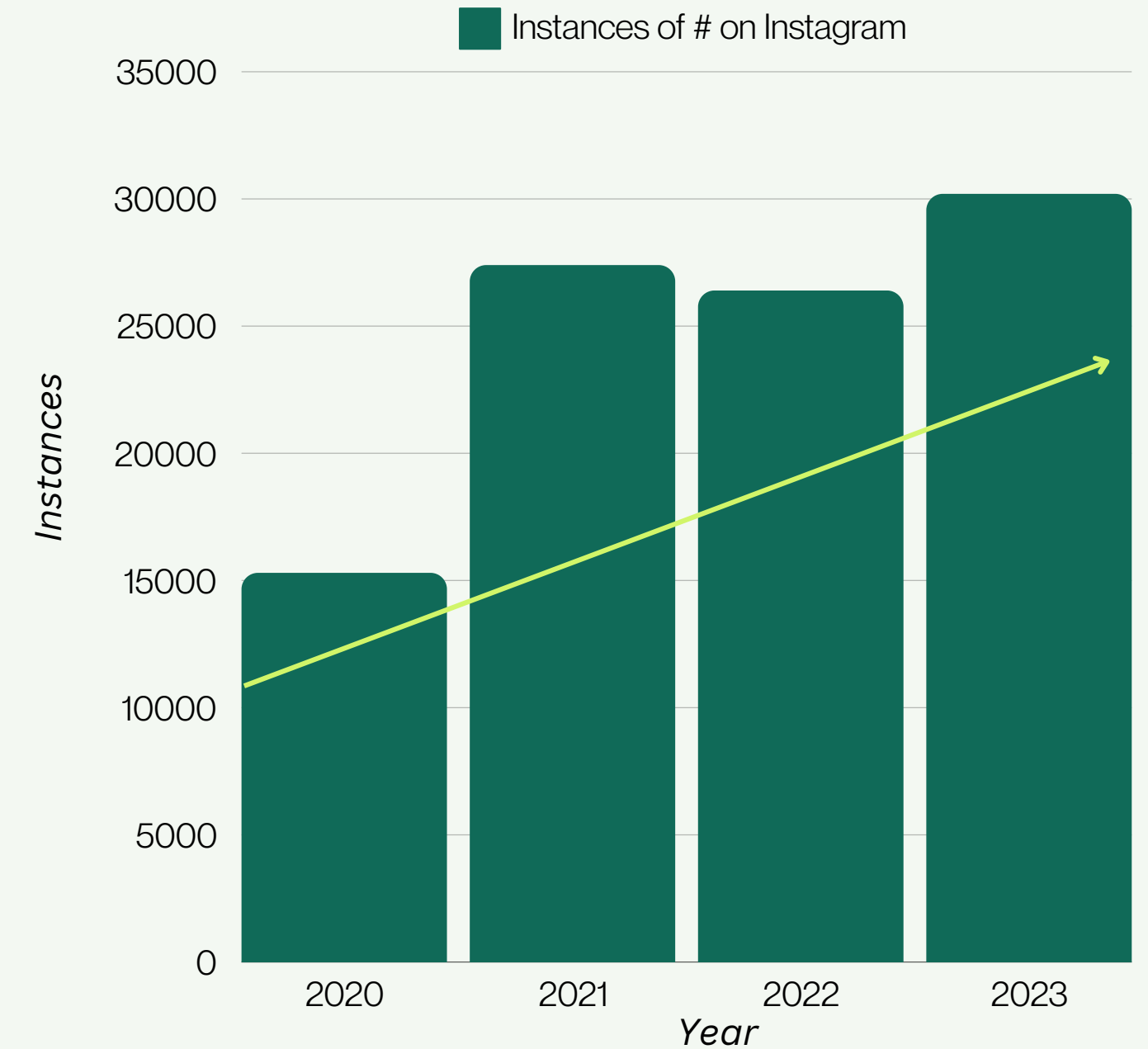
Spotify Wrapped

- Provides a personalized recap of your listening habits
 - Most-played songs, artists, and genres
- Encourages users to share their results and interact with others on social media
- Generates over 1.5 billion social media impressions annually

Spotify Data



Wrapped Shows Up Big on Social



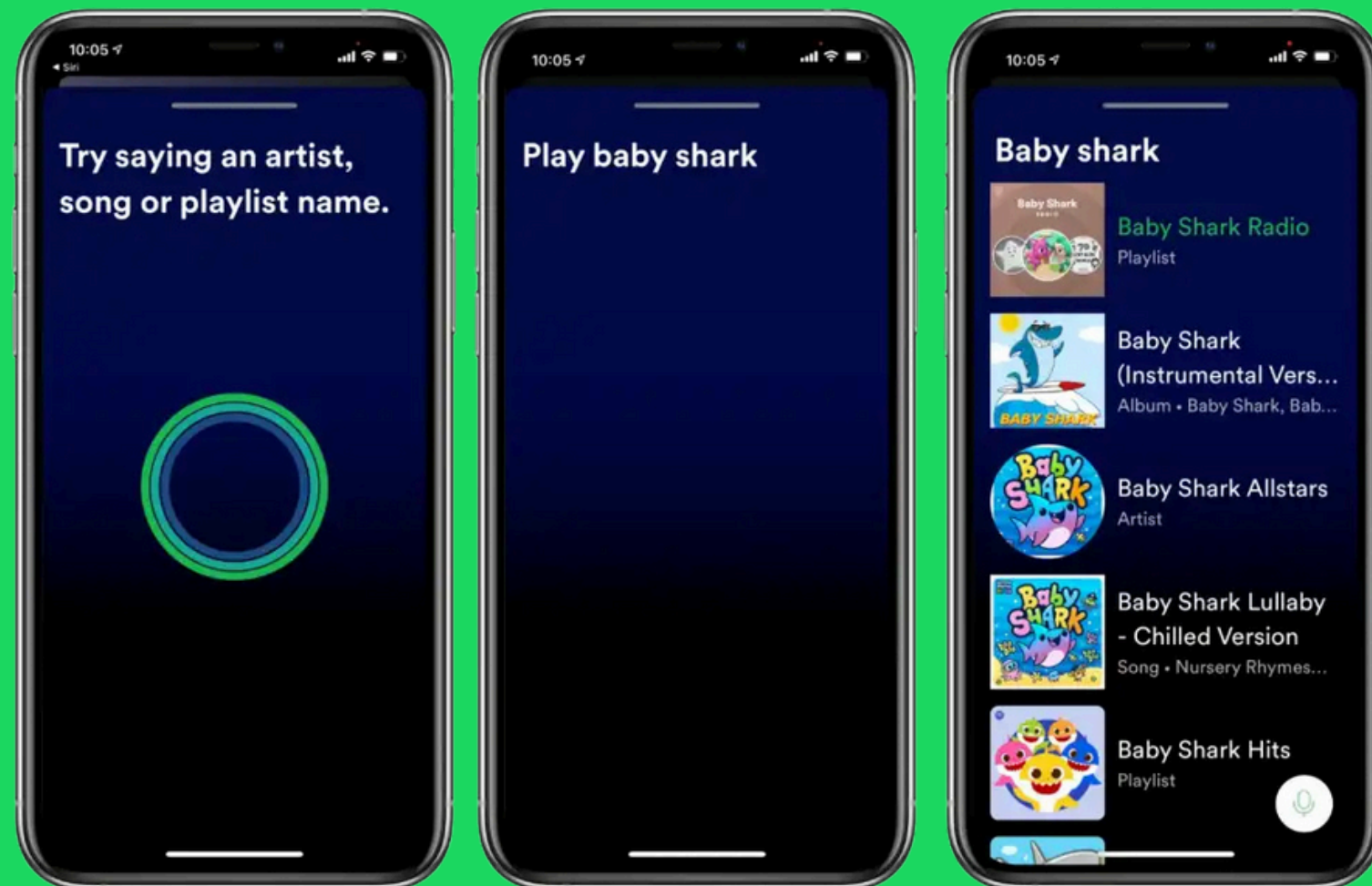
*Source: Instagram
Collected 12/1/2024*



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Spotify Innovates with Voice Control and Interactivity



Voice-Activated Commands

- Voice-activated commands allows users to control playback, search for songs, and manage playlists using voice commands
- 45% of smart speaker owners use voice commands to control music

Survey by Voicebot.ai

Interactive Listening Experiences

- Interactive podcasts and music playlists have allowed users to influence the direction of content through choices and feedback
- Interactive content has a 50% higher completion rate than traditional formats

Spotify's Internal Studies



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Spotify Encourages Artist-User Interaction through Direct Messaging

Artist Messaging Features

- Artists can send direct messages to their top listeners, thanking them for their support or sharing exclusive content with them
- 80% of music fans are more likely to support artists who engage with them directly

Music Business Worldwide



*Artist Messages from 2023 Spotify Wrapped
Taylor Swift, Bad Bunny, SZA*

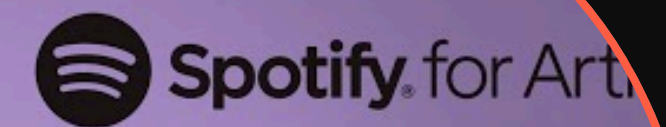


Level of Customer Involvement: **High**

When fans become artists

Spotify for Artists Platform

- Empowers artists as active participants
- Provides artists with data & insights
- Encourages Customization
- Enables Direct Interaction with Fans
 - Concert Listings



**How to
Sell Merch**



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Spotify Encourages Artist-User Interaction through Direct Messaging

Spotify for Artists (platform)

These features target the highest levels of customers, true co-creators.

Spotify customers from major artists to indie garage bands who create and share original music on the platform.

- Artists share their music to Spotify's platform
 - Can sell merchandise and tickets directly
- Provides tools and analytics understand their audience better
- Artists who actively use the Spotify for Artists platform see a 30% increase in fan engagement

Spotify's Data





Chapter 12

Customers' Roles in Services

Authors: Valarie Zeithaml, Mary Jo Bitner, Dwayne D. Gremler, Martin Mende

This chapter emphasizes the importance of customers in services, the roles they play, and strategies to best involve customers.

- **Partial Employee Concept**
- **Customers as Contributors to Quality, Satisfaction, and Value**
- **Influence of Other Customers**
- **Reward Customers Contributions**
- **Customers as Competitors**



Chapter 12 Connections + Definitions

Partial Employee Concept

⇒ Human resources who contribute to the organization's productive capacity.

Customers as Contributors to Quality, Satisfaction, and Value

⇒ Role of customers where their involvement contributes to their satisfaction and the ultimate quality and value of the services they experience.

Influence of Other Customers

⇒ Fellow customers can enhance or detract from customer satisfaction and perceptions of quality.

Reward Customers Contributions

⇒ Customers are more likely to perform their roles effectively, or to participate actively, if they are rewarded for doing so.

Customers as Competitors

⇒ If customers can be viewed as resources of the firm, or as "partial employees," they can also partially or entirely perform the service for themselves and not need the provider at all.



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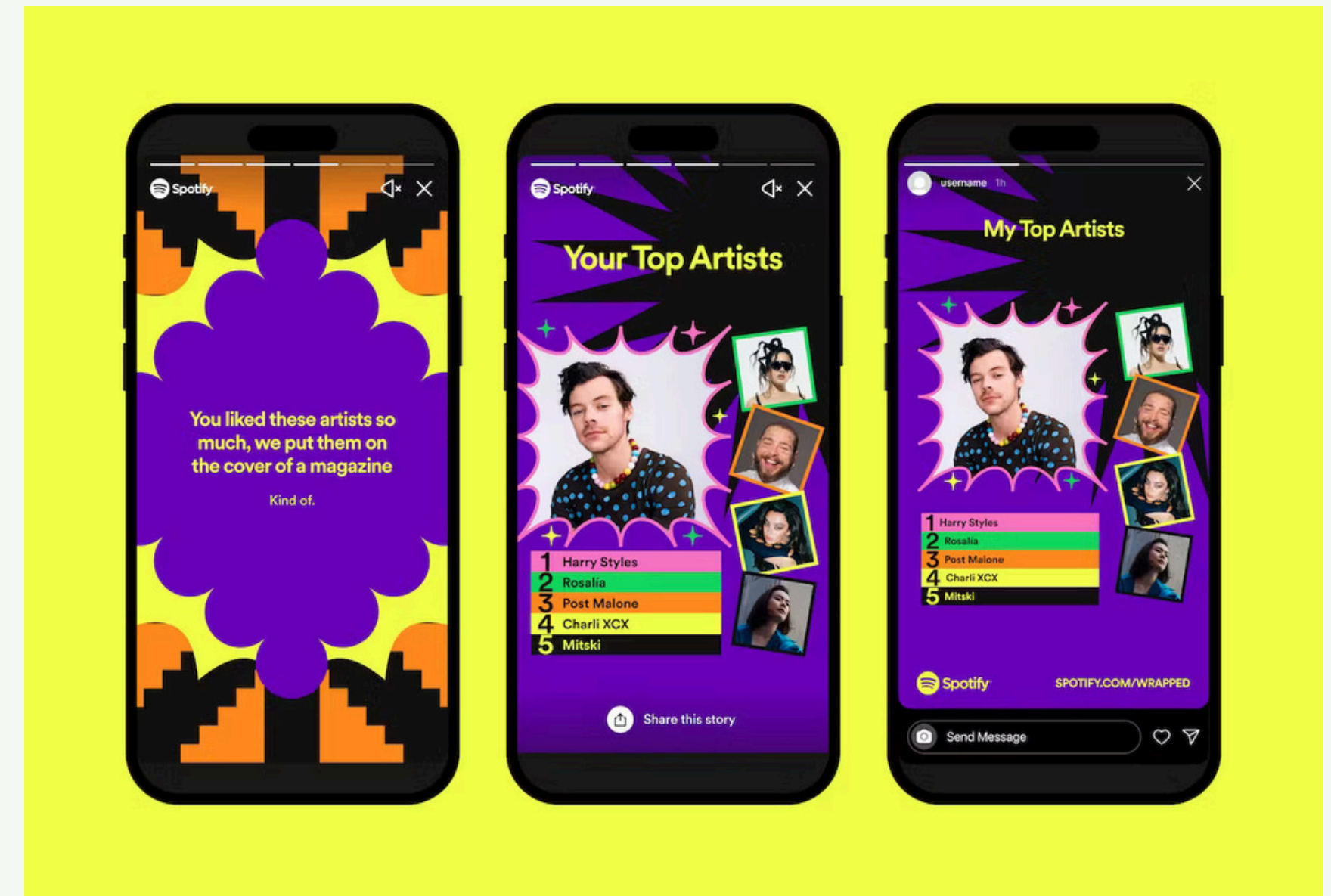
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Chapter 12 Connections

Partial Employee Concept

Spotify Wrapped, Generated Playlists

- Marketing efforts
 - Spotify users share their Spotify-user-curated playlists on social media
 - Started with “Spotify Wrapped”
- Creation of Wrapped through their listening efforts





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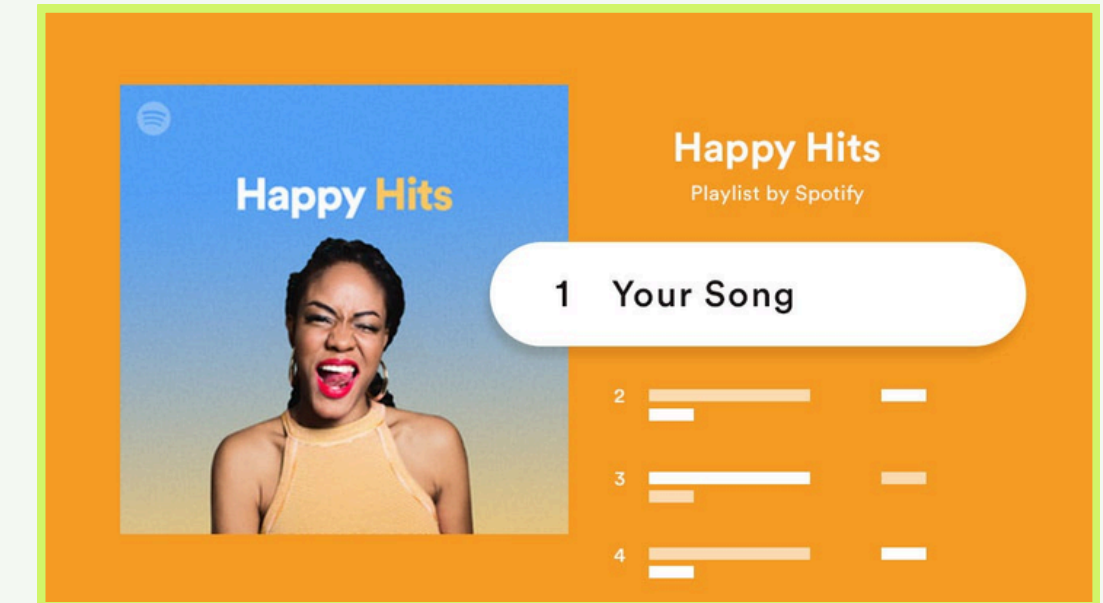
Chapter 12 Connections

Customers as Contributors to Quality, Satisfaction, and Value

Personalized Playlists, NLP Filtering

- Customers creating playlists using the Spotify music library or playlist-building features exemplifies service creation participation
- User data in the form of listens, reviews and social media activity tailors their listening experience to them

The more you listen, the more specific your recommendations.





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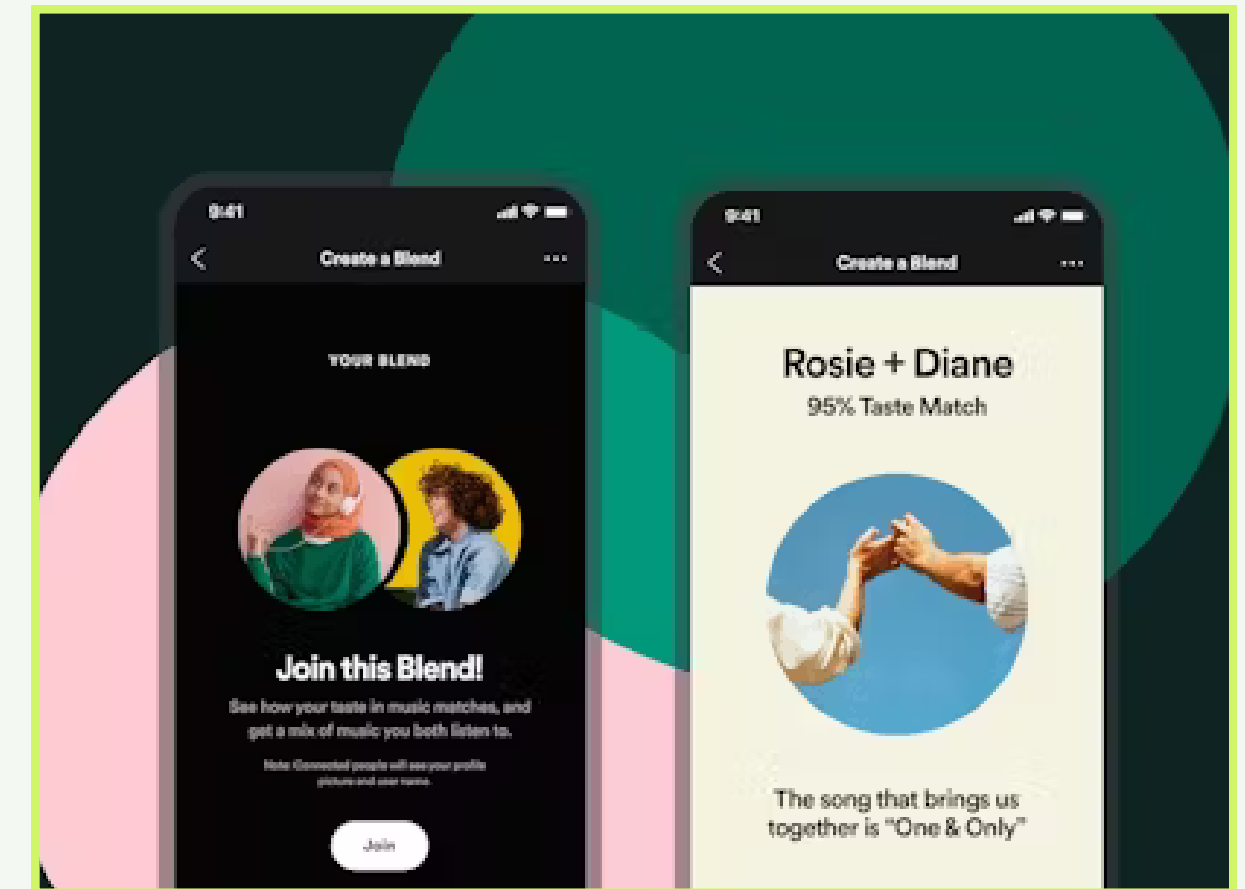
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Influence of Other Customers

Spotify Blends, Collaborative Playlists

- Customers co-create services by curating 'blended' playlists, joining together the preferences and tastes of both users.
- Provides a social dimension to the service experience as users are able to compare their listening habits and see their 'taste match'.

Blends can contain up to 10 customers, who can directly enhance satisfaction





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Chapter 12 Connections

Reward Customer Contributions

Spotify Wrapped, Artist Messages

- Psychological rewards: Only Spotify users get a Spotify Wrapped
 - Social benefits, community, exclusive data access
 - Artist messages make users feel connected

Most importantly, making benefits plain to see!
And tailoring these to individuals.





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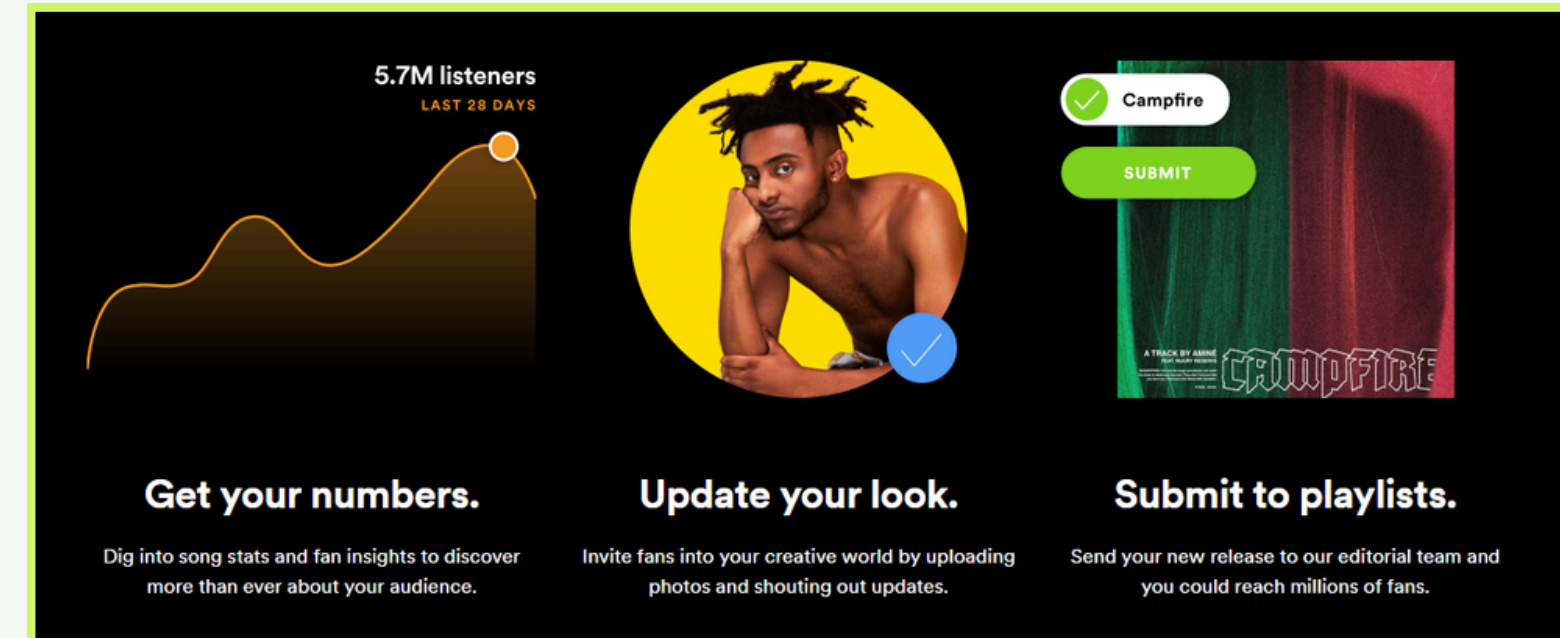
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Chapter 12 Connections

Customers as Competitors

Spotify For Artists Platform

- Create music for the platform, could go independent or choose to use Spotify
- Artists have famously pulled their music from services
- Artists have an external exchange with Spotify
 - Resource capacity
 - Economic rewards
 - Trust





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Conclusion

Spotify Has an Innovative Approach to Customer Experience

Personalized Recommendations

Social Features

Exclusive Content

Interactive Technology

Artist-Listener Relationships

Partial Employee Concept --> Social Media Marketing (Earned Media)

Customers as Contributors --> Personalized Playlists

Influence of Other Customers --> Blends/Collaborative Playlists

Reward Customer Contributions --> Spotify Wrapped: Artist Messages

Customers as Competitors --> Spotify for Artists Platform



Spotify 2024 Wrapped

RELEASE DATE: December 4th