



SPOTIFY'S MARKET ENTRY INTO INDIA: A STRATEGIC ANALYSIS OF ADAPTATION AND SUCCESS IN A DYNAMIC MARKET

To what extent has Spotify's market entry into India been a success?

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Abstract

Spotify is the world's most popular music streaming platform, but entering a new market - especially one as dynamic and complex as India - requires a deep understanding of local conditions and strategic considerations. This paper examines Spotify's market entry into India, utilizing a combination of Porter's Five Forces and PEST analysis to assess the strategic factors that influenced its launch. By adapting its offerings to local needs, leveraging India's growing digital infrastructure, and addressing cultural and price sensitivities, Spotify has achieved significant success. This analysis explores how Spotify tailored its content to diverse linguistic and regional preferences and capitalized on affordable internet access to cater to a rapidly expanding consumer base.

Introduction

Has Spotify been able to dance to the tunes of India?

When Spotify began in 2008, the platform completely changed how people listened to music. The company has innovated and diversified time and again. For instance, they introduced podcasting to the public in a new light, and in 2022, they ventured into the audiobook business, which was poised for expansion. Today, Spotify offers over 100 million song tracks, 6 million podcast items, and 350,000 audiobooks for a wider audience than before (Spotify, 2024). With over 640 million users, including 252 million customers in over 180 markets, Spotify is the most widely used audio streaming subscription service globally (Spotify, 2024).

In line with their global presence, one of the countries that Spotify launched in 2019 was India. Many factors make India an interesting choice for expansion for a company like Spotify. Firstly, India was the world's second most populous country when they were considering entry. Furthermore, it had and continues to have an extraordinarily rich music culture played across various languages, such as Hindi, Punjabi, and Telugu. This expansion was, therefore, seen as a great step in "Spotify's overall global growth strategy," according to Cecilia Qvist, Spotify's Global Head of Markets (Spotify, 2019).

Spotify's expansion into a country like India certainly brings several opportunities; however, it does not come without its challenges. To succeed, brands need to consider the landscape of their respective industry and target audiences in detail before customizing their offerings and designing their strategies. The same was true for Spotify, whereby the company would have to enable local adaptation while maintaining a connection to the global culture

they had created if they wished to be successful in India. In line with the aforementioned, the research question for this paper is: **‘To what extent has Spotify's market entry into India been a success?’**

This paper argues that Spotify has successfully catered to the Indian market by adapting its offerings and strategies in the five years since its launch in India and by gaining a good understanding of the market and target audience prior to expanding.

Porter's Five Forces Analysis of the Indian Music Streaming Industry

Michael E. Porter's Five Forces framework is a highly respected company planning tool. This framework, which arose from his work in 1979, gives organizations a methodical way to evaluate their competitive environment and make strategic decisions that can affect their long-term performance (Danao, 2024). Porter's Five Forces would be relevant to this research paper as it would help understand and contextualize the state of the music streaming industry in India while Spotify was considering entering it (therefore, before 2019).

Industry rivalry

The first force, “industry rivalry,” focuses on the level of competition within the Indian music streaming industry and evaluates, using evidence from market reports or user growth statistics, whether the industry was characterized by high or low rivalry.

In the years 2017-2018, just before Spotify entered the Indian market in 2019, India, “the global music industry's sleeping giant,” finally woke up (Hu, 2017). Before Spotify entered the Indian market, the music streaming landscape was marked by intense rivalry among various players, including local platforms like JioSaavn and Gaana and international competitors like Apple Music. JioSaavn and Gaana were leading the Indian music streaming market - JioSaavn, for instance, managed to gain a significant user base by forming alliances with telecom companies, particularly Reliance Jio.

The level of industry rivalry in the Indian music streaming market before Spotify's entry in 2019 was, therefore, high. If Spotify wished to be successful, the biggest consideration would have been to carve out a niche in this competitive landscape.

Threat of New Entrants

The second force, “threat of new entrants,” assesses the barriers to entry in the Indian music streaming market, analyzing how these barriers might have influenced Spotify's entry strategy and the likelihood of new competitors entering the market after Spotify.

Before Spotify entered the market in 2019, several significant barriers to entry existed that new competitors needed to navigate. Understanding these barriers would have been essential to Spotify's entry strategy. Firstly, launching a music streaming service requires a significant investment in technology infrastructure, such as servers, cloud storage, and content delivery networks. Based on research, the average cost of developing a music streaming app ranges from \$50,000 to \$1,000,000 in the USA, India, and the UK, depending on several factors, including the complexity of the application and the content (Prajapati, 2022). Furthermore, there are continuing costs associated with running a reliable and high-quality streaming service; scalability is essential for a market as dynamic as India's, requiring extra investments to manage varying demands.

Other than the high capital requirement, popular local musicians and albums often secured exclusive streaming rights with Indian platforms, attracting users by creating a sense of exclusivity. This would have signified an increased barrier for a newcomer such as Spotify, who would have to negotiate for these exclusive rights or risk losing a significant market share. Moreover, many streaming services work in revenue-sharing partnerships with record labels, and it can be difficult for newcomers to handle the compensation schedule. Since well-established companies like Gaana and JioSaavn had previously negotiated advantageous agreements, it was more difficult for newcomers to compete on an equal footing.

More importantly, leading companies like Gaana, Wynk Music, and JioSaavn had all already developed a devoted following among Indian customers. For example, as of early 2019, Gaana reported over 150 million monthly active users, indicating a significant market share that new entrants would need to overcome (Times of India, 2020). Overall, local players better understood regional preferences, providing carefully crafted playlists catering to different languages and genres.

The market would likely have changed, but any new players wishing to enter at that time would have faced relatively high barriers to entry and would have had to overcome these obstacles carefully before they could compete.

Bargaining power of buyers

The third force, “bargaining power of buyers,” examines the bargaining power of consumers in India, focusing on their price sensitivity, access to alternative services, and preferences for regional content.

The country is a price-sensitive market since a sizable section of India's population lives on meager incomes. Due to their high price sensitivity, customers are frequently unwilling to pay premium fees for subscription services, which immediately impacts platforms like Spotify. Because there was already competition, customers had the advantage because it was simple for them to move between services according to factors like cost, content availability, and user experience. Therefore, most of the local platforms offered a freemium model, where a free tier with advertisements was accessible to consumers. This was essential for rapidly building a sizable user base. JioSaavn and Gaana ensured that their annual subscriptions were priced much lower than their international competitors, like Apple Music, creating further competition and pressure for Spotify.

Based on the above, it is evident that price sensitivity significantly shaped the bargaining power of consumers in India prior to Spotify's entry in 2019, and to be successful, the company would have to consider this in its service pricing.

PEST Analysis: Key Factors Impacting Spotify's Market Entry

Other than the industrial factors, it is also vital to understand the macroeconomic and environmental landscape that Spotify encountered when entering the Indian market. The PEST analysis (political, economic, social, and technological) is a management technique that enables a business to evaluate the key outside influences on its operations in order to increase its competitiveness in the market (Kenton, 2024). This section analyzes each of these factors in relation to how they influenced Spotify's strategies and challenges during market entry.

Political factors

Firstly, Spotify would have had to have been prepared to encounter some difficulties controlling user data as a result of the Indian government's emphasis on data localization and the upcoming Personal Data Protection Bill (Srivastava, 2021). Spotify would have to modify its data handling and storage procedures to comply with these requirements, which would influence its capacity to efficiently personalize user content.

Additionally, India's complicated music licensing system would present further challenges for Spotify (Joshi, 2019). It was necessary to carefully navigate Indian intellectual property regulations, which frequently have less enforcement than Western standards when negotiating deals with powerful local labels like T-Series and Saregama. Spotify's catalog selection and revenue-sharing schemes could have been impacted by this.

Spotify's other regulatory challenges included adhering to India's Goods and Services Tax (GST) and foreign direct investment (FDI) regulations. India's strict rules for international businesses made its operating structure more difficult, which could have affected pricing and market entry strategies.

These elements would have produced a difficult environment for Spotify, requiring customized approaches to guarantee a successful launch into the Indian market.

Economic factors

India's GDP rose by almost 7% between 2018 and 2019 (PTI, 2018). This economic growth, coupled with rising per capita incomes, encouraged consumers to spend more on leisure activities. Furthermore, the middle class was expected to almost double to 583 million by 2025 (RADHAKRISHNAN, 2014), leading to an anticipated increase in disposable income available for digital services. These factors likely played a significant role in Spotify's decision to launch in India, especially with its offering of Spotify Premium, viewing the growing market as a key opportunity. That being said, regardless of the growing per capita income, Spotify still needed to be mindful of the price-conscious nature of the Indian populace. This would imply continuing with its freemium business model and potentially tailoring the subscription tiers to align with local affordability standards. According to reports, Indian customers prefer inexpensive solutions; hence, flexible pricing is necessary to gain market share.

India's digital economy, particularly the rise of online advertising opportunities, further reinforced the economic feasibility of Spotify's ad-supported business model. Reports highlighted that India's digital advertising market was growing consistently prior to the music streaming company's launch in the country. For instance, digital ad spending on video and mobile accounted for around 19%, with ad spending being INR 1,779 crore and INR 1,761 crore, respectively (Allirajan, 2018). By leveraging the growing digital advertising market, Spotify could effectively monetize its free-tier users, attract advertisers eager to reach a burgeoning online audience, and ensure a steady revenue stream in a price-sensitive market.

Social factors

When designing the launch strategy for entering a new market, it is vital to consider social factors pertaining to customers and their preferences.

According to a report, a "typical music pirate" in India is a man between the ages of 25 and 34 with a smartphone. He listens to music on YouTube, free audio streaming services, and short-form video apps (Jain, 2022). The age bracket of 25 to 34 typically falls under the generation known as 'millennials.' Between 2015 and 2018, India's millennial population experienced significant growth. In 2018, millennials accounted for approximately 34% of India's total population, equating to about 440 million individuals (Ahluwalia, 2018). The exponential growth of their target audience in the country could have been a large trigger for Spotify's launch in the country during this time.

Another important demographic factor when launching a music streaming app in India is the diversity of Indian languages. With more than 20 official languages and hundreds of dialects, Spotify would need to adopt a multilingual strategy to compete properly in India. Since localized material had already gained popularity thanks to regional platforms like JioSaavn and Gaana, it would have become all the more vital for Spotify to provide its service in many Indian languages and curate content for different linguistic groups.

The country's growing digital culture could have further supported Spotify's decision to join the Indian market. Digital media consumption, especially among urban youth, was on the rise due to factors like affordable mobile data, high smartphone penetration rates, and changing leisure tastes. By the end of 2018, it was reported that there were 255 million users of paid streaming services (Lata Jha, 2019). Streaming was, therefore, quickly taking over as a popular form of entertainment.

Technological factors

The introduction of Reliance Jio in 2016, which upended the market by providing reasonably priced 4G data, marked a revolutionary change in India's telecom industry. As a result, millions of people were able to get high-speed internet for the first time, lowering the cost of data by more than 90%. Thanks to the increased internet connectivity, this new generation of mobile internet users could be greatly leveraged by music streaming services like Spotify.

India's upgraded digital infrastructure, which included cloud computing and Content Delivery Networks (CDNs), further boosted streaming dependability and accessibility. These developments would have enabled applications such as Spotify to provide consumers with high-quality streaming - even in areas with constrained bandwidth. The

aforementioned would have great implications for Spotify's eventual and rapid expansion across India if it launched successfully.

Assessing Spotify's Success in India: Five Years of Growth

Spotify's expansion into India represents a strategic approach to one of the most complex consumer markets in the world. Just five years ago, in 2019, Spotify made its debut in India, and it has since grown to become one of the most popular music streaming services. It is now the background music for late-night jam sessions, road trips, and DJs, with over 100 million songs and podcasts for over 55 million active Indian listeners each month (Mandaliya, 2023).

As established in the earlier analysis, to be successful in the Indian market, one of the key considerations would be that of the localized approach due to the linguistic and musical variety of the country. Spotify provided content that was suited to local tastes in order to handle this complexity. Spotify created playlists in Hindi, Tamil, Telugu, Punjabi, Kannada, Bengali, and other languages because it understands that regional languages and customs have a significant impact on Indian music tastes. Playlists like Punjabi 101 and Top Hits Tamil gave users access to material that spoke to their language and culture. This tactic guaranteed Spotify's applicability to India's dispersed customer base.

Spotify used its advanced data analytics to drive personalization, which further increased its appeal (Spotify, 2022). In order to suggest pertinent songs and playlists, features like Discover Weekly, Daily Mixes, and Top Songs examined user behavior. By catering to personal interests, this data-driven strategy fostered a feeling of community between the platform and its users. Spotify also tapped into a crucial cultural pillar by partnering with Bollywood, the center of Indian entertainment. Film-based playlists and partnerships with Bollywood musicians took advantage of India's passion for movies and their soundtracks. Spotify, therefore, successfully positioned itself as a relatable and culturally entrenched service.

Building its brand identification among Indian consumers was made possible in large part by Spotify's marketing campaigns. Campaigns like "Sunte Ja" and "There's a Playlist for That" made use of relevant stories that resonated with young Indians' experiences (Sharma, 2018). These advertisements emphasized Spotify's capacity to accommodate users' various demands while honoring the universal importance that music plays in day-to-day living. For example, "Sunte Ja" tapped into the sentimental and practical elements of music, presenting it as a companion at different stages of life (www.ETBrandEquity.com, 2022). These ads' emphasis on humor and storytelling connected with Spotify's target demographic, which consists of Gen Z and tech-savvy urban millennials. Spotify's reach was further increased by the campaigns' success on digital platforms, which are becoming India's most popular marketing channel.

The success of the campaigns was also largely a result of Spotify's collaborations with regional artists, Bollywood celebrities, and local influencers - as can be seen in the image below. These partnerships positioned the platform as a culturally sensitive brand and increased its visibility. Because of its regional appeal, influencers have enabled Spotify to establish meaningful and genuine connections with particular audiences.

Research Through Innovation



Price sensitivity is a defining feature of the Indian customer base, particularly in the technology and entertainment industries. In order to address this issue, Spotify implemented a flexible pricing structure that reduced entrance barriers. The platform was widely adopted since users could test it out without having to pay for it, thanks to the free, ad-supported tier. Spotify launched competitively priced premium plans catered to Indian buying habits for those looking for an ad-free experience (Bhanawat, 2024). These were customizable subscription periods that accommodated different budgets, like daily, weekly, and monthly plans. Spotify makes its premium service available to young professionals, students, and other budget-conscious groups by providing reasonably priced premium options. Additionally, India's inexpensive mobile data market supported Spotify's price plan. Jio and other telecom companies transformed data accessibility, making it possible to stream music easily and affordably. Adoption was greatly aided by the mutually beneficial link between Spotify's pricing strategy and India's telecom infrastructure, especially among younger urban users.

Although Spotify's early development base was in metropolitan India, the company soon saw the unrealized potential of rural areas. Spotify Lite, a smaller version of the software designed for low-end smartphones and slower internet connections, was released to meet the technological constraints in these areas (Perez, 2019). By lowering storage and data consumption, Spotify Lite made it possible for users in semi-urban and rural areas to enjoy music without taxing their resources. This invention helped Spotify expand its presence throughout India by breaking into less connected markets. Moreover, Spotify's emphasis on accessibility and ease of use attracted new streaming users to its platform. The platform's usability for people with different linguistic and technological backgrounds was further guaranteed with the addition of regional language interfaces and localized recommendations.

Conclusion

In order to be successful, brands must carefully analyze the target consumers and the state of their particular industries before developing their strategies and tailoring their products. Aligned with this principle, this paper aimed to decode how Spotify has successfully catered to the Indian market by adapting its offerings and strategies in the five years since its launch in India and by gaining a good understanding of the market and target audience prior to expanding.

Spotify's successful entry into the Indian music streaming market in 2019 was driven by a highly localized and strategic approach to one of the world's most diverse and price-sensitive markets. Recognizing India's linguistic and cultural diversity, Spotify curated regional playlists in multiple languages, partnered with Bollywood for film-based content, and engaged local influencers to build cultural relevance. Its data-driven personalization features like *Discover Weekly* and targeted marketing campaigns, such as "Sunte Ja," resonated with India's growing Gen Z and millennial user base. Addressing price sensitivity, Spotify adopted a freemium model and introduced

flexible, affordable premium plans tailored to Indian consumption habits, supported by India's inexpensive mobile data infrastructure. To expand beyond urban markets, Spotify launched *Spotify Lite*, a lightweight app designed for lower-end devices and slower networks, which enabled access to rural and semi-urban areas.

Together, these initiatives allowed Spotify to rapidly scale its user base, positioning itself as a culturally embedded and widely accessible platform in India.

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