CHAPTER II
SPOTIFY PROFILE, SPOTIY AD-SUPPORTED USERS AND PREMIUM SUBSCRIBER COMPARISON, GENERATION Z IN USING STREAMING MUSIC APPLICATION, PERCEIVED IN-APP ADVERTISING, BRAND ASSSOCIATION, AND RESPONDENT'S IDENTITY

By observing subject's profile first will improves reader's comprehension. There is also further observation regarding Spotify freemium business model as a foundational to how Spotify operates and observation of Spotify subscription growth. Moreover, observing Generation Z's habits as Spotify user demography in using streaming music application is crucial to understanding their decision-making process and preferences. Furthermore, the extended form of every variable of factor which are perceived in-app advertising and brand association that correlating with consumer purchasing decision of Spotify premium services is examined in this chapter. Finally, the demographic data results of the 100 respondents are used to take an overview information about the respondents.

2.1 Spotify Profile

The Spotify platform was first launched in 2008. Apart from offering music streaming services, as an initiation to introducing innovative concepts and a new generation of listeners to the platform, Spotify has entered the podcasting market and the next audio market in 2022 primed for growth with the addition of audiobooks. These days, Spotify allows users to discover, manage, and enjoy more than 100 million music, 6 million podcasts, and 350.000 on-demand audiobooks. Spotify by far is the most popular audio streaming subscription service in the world with over than 615 million users per Quarter 1 of 2024. Spotify has a mission to unleash people's potential of creativity. In accomplishing that way, it provides a million artists the chance to make a living from their artistic endeavours and the opportunity for billions of fans to appreciate and be inspired by it (About Spotify, 2024).

Spotify offers the perfect music or podcast for any kind of situation on computer, tablet, smartphone, and more. Spotify has millions of tracks and episodes released. As a result, users always have access to the music or podcast users want to listen to whether driving, exercising, having fun, or just recharging. Users have the option of selecting their preferred music to listen to or letting Spotify surprise them. Along with creating a radio station and just sit back, users can also browse the collections of friends, musicians, and celebrities. Spotify can enhance daily experiences by providing a personalized music experience (About Us - Spotify, 2024).

2.2 Spotify freemium business model and premium subscription growth

Spotify is a music streaming application that implement the ''freemium'' business model. The freemium model aimed to assist the company in accomplishing its objective. When consumers are exposed to the freemium business model, consumers can evaluate the quality and advantages of the premium versions compared to the free versions. As stated in Gu et al., (2018) the phrase ''freemium'' is the combination of two terms ''free'' and ''premium'', it refers to a business model strategy where consumers can utilize a free, basic product or service and then upgrade to a version with greater functionality by paying on an additional cost. Freemium models are occasionally utilized by businesses as a ''foot-in-the-door'' tactic to get people in their business. This involves by offering free products or services and cross-promoting other products or services. The freemium model is the foundation of Spotify's strategy to attract new subscriber. Consumers can enjoy the free service with ads as part of this freemium experience. Frequent ads in the free version can be a major impulse for users to subscribe Spotify Premium.

Spotify streaming music application has grown over the years despite the fluctuating Year over Year (YoY) percentage, the company shows a quite huge number of monthly active users and premium subscribers in the first

quarter of 2024. In line with Stassen (2024) the total of monthly active users is 615 million users with this fact the company produces 389 million euros, meanwhile there are 239 million people who have subscribed to Spotify that generates up to 3,247 billion euros revenue in the first quarter of 2024. Spotify breaks down the premium subscriber based by region, it reports that in the first quarter of 2024, the most premium subscriber in the world is in Europe that accounted for 38%, then followed by North America with 27%, Latin America ranked third place with 22%, and the rest of the world by 13%.

2.3 Generation Z in using streaming music application

Due to the era of streaming, sharing music these days is as simple as sending a text, and Generation Z's listening habits reflect to this. Unlike the days where burning CDs allowed people to share music. Social listening is a new era for the society where streaming music application and social media is work together to create a way in sharing content much easier. All of this is a part of the transition from an isolated listening to an era of a sharing music that is projected after the social media itself. Spotify is undoubtedly as the largest and most significant streaming music platform that has adopted social media features, as well as having ''followers'' similar to Instagram, users have the ability to enable public friend activity which allows them to put their listening habit to the follower song-by-song. Hence, this has caused a secondary market for the web application to arise, by enabling users to share their musical preferences to significant others (For Gen Z, Music Is Its Own Social Media, 2024).

Furthermore, Generation Z expresses musical identities through streaming music applications. In line with For Gen Z, Music Is Its Own Social Media (2024) as a senior product director at Spotify, Natasa Soltic states that although streaming platform does not perceive itself as a social media, yet it does recognize that social features are becoming more and more vital in

helping users engage socially with friends and family. Spotify wrapped, the colourful data analysis that can be found on Instagram feeds in the first week of December is the most obvious example. Spotify aims to encourage its listeners to express who they are and share their taste of music widely across many platforms, such as Instagram, Snapchat or iMessage. Spotify examined that users are share more than just a playlist; they are also sharing statistics, obscurity scores, and even self-roast. The users are markers of identity that is articulated through music.

In accordance with Larkin (2023), audience demographics depicts that the Spotify audience that is primarily consist of young adults between the age of 18-24 years old both male and female, had 85% higher likelihood of visiting the platform than the typical user in January 2023. Therefore, it is included in Generation Z classification, confirming to Mahmoud et al (2020) following Generation Y (Millennials) in terms of demographic cohort, Generation Z (Post-Millennials) refers to individuals born between 1997 and 2012. It is showing that as such for Gen Z, music streaming is intrinsically linked to social interaction, reflecting their broader digital and social media habits.

2.4 Perceived In-App Advertising

Advertisement that is appear within the application targeting consumers or end-users is known as In-app advertising. In-app ads are another strategy to apps monetization where developers enable advertisers to put advertisements within their mobile applications. When users interact with the in-app ads while using the app, the developer receives revenue that is converted from the generating impressions and clicks (Raymond, 2024).

To create a good in-app advertising, marketer should implement an exact type of in-app advertising according to the needs and usage of the application itself. In order to create an efficient marketing strategy, there are

numerous in-app advertising types that can be used with different kinds of application as well (Raymond, 2024):

- Instream video ads, the most popular type of ads that pay alongside other video content. It can be one of the three following types:
    a. Pre-roll, it appears at the beginning of a video.

    b. Mid-roll, it is displayed in the middle of video content and tends to be shorter than pre-roll ad.

    c. Post-roll, it is played at the end of a video and is typically deemed as insufficient given that viewers are more likely to close the ad.

- Banner ads, appear at the top or bottom of the application. This is one of the older forms of in-app advertising, however it is still a popular option since it can be used in a wide range of application, from games to entertainment and lifestyle.

- Interstitial ads, it is similar with pop-up ads, the only difference between it and pop-up advertising is that they take up the whole screen of the hosting app. There are among the most widely used forms of advertising that come in a variety of ways including text, picture, videos, and rich media. Users can have two options in this kind of ad; click on the ad or close the ad to return to the destination app.

- Native ads, it is carefully chosen to match the style and feel of the mobile app in which it is published and is placed in an app conveniently without bothering the user experience at all. Native advertising can take many different forms:
    a. in-Feed ads that can appear resemble to social media posts and can be found when user scrolling news feeds.

    b. Search ads that appear at right at the top of search engine result and are constructed similarly to the search results.

c. Recommend widgets that functions as content recommendations that users discover when perusing articles or other type of content.

d. Promoted listings that are sponsored product recommendations that commonly encountered on eCommerce websites

- Rewarded video, allow users to interact with the advertisements in exchange for a reward or incentive. When a user needs a reward such as extra lives in a game app or a clue in a puzzle game, users are more likely to keep watching the video advertisements. It is essential to achieve a high level of user engagement and impressive number of in-app purchases.

- Programmatic advertising, it simplifies the ad-buying process and helps business more successfully reach their target the target audience by automating the buying process and selling of ad space to display advertising that are chosen for the targeted customer.

Moreover, how consumer perceive an industry will impacting on the growth on the industry itself. Therefore, what audiences think about the ads will influencing on the success of the in-app advertising initial purposes. In accordance with Raymond (2024) about 52.8% mobile app users agree that in-app advertisement useful which indicating a potential high conversion rate. Approximately 56.7% respondents also agree that in-app advertisements are informative and asserting as these advertisements inform users about the other information of the products and any available discounts. Therefore, in-app advertisement is effective to retarget consumers who have previously indicated shown interest towards certain product or service. Nevertheless, even though offer numerous benefits, in-app advertisement may still be perceived negatively by the users, about 46.3% respondents termed in-app advertising are unwanted, about 36,7% respondents also believe that in-app ads are annoying and often irrelevant. The high frequency and inappropriate placements, too high frequency of displaying ads, users may find ad formats

such as interstitial advertisements or instreaming video to be disruptive and annoying. Therefore, according to Timothy Mcknight, CEO of Multitechverse, since advertising also can be intrusive and annoying despite its informativeness and assertation which can lead into users removing the application completely, users may choose to opt out of advertisements if marketers make sure that the ad is relevant to user and not overly intrusive. In conclude, if the introduction of advertisement by the advertiser can blend with the app's contents it would boost user engagement and leads lead the likelihood of conversions. Consequently, an informative and assertive format of conveying information in ads is salient. Nevertheless, in order to prevent irritation and annoyance, the advertiser needs to learn how to balance the frequency and placement of advertisement.

The top in-app advertising industry stats may be a sign of how consumers perceive about in-app advertisements. In compliance with Thomas (2024) approximately 59% of smartphone user believe that in-app advertising is less intrusive than other advertisement format, it indicates that the majority of smartphone user are more comfortable with the advertising that shows up when they using an application owing to the relevancy and more integrated with user experiences. Moreover, approximately 94% of mobile ad revenue is generated through data-driven, targeted in-app advertising. On that count, information collected about users, such as their habits, preferences, location, and other relevant data can help to display more relevant and interesting in-app ads to users. Thus, increasing the effectiveness of ads and, ultimately, generating more revenue. To sum up, in-app advertising sector continues to grow due to the fact that consumers interacting more positively with in-app ads.

2.5 Brand Association

Brand association is the comprehensive set of mental connections, including thoughts, feelings, perceptions, images, experiences, beliefs, attitudes that customers link to a brand node which collectively define its meaning and significance to the customers. In conformity to (Kotler & Keller (2016) any kind of brand-related thoughts, feelings, perceptions, images, experiences, beliefs, attitudes and so forth that are connected to the brand node can be referred as brand association. Brand association are the other informational nodes that customers associate with the brand node in customers memory which communicates the meaning of a brand. Associations can represent the characteristics of a product or something completely unrelated to it, it can take a variety of forms (Keller, 2013).

In order to establish differential response and creating brand awareness that helps in building customer-based brand equity, it necessarily needs strength, favourability, and uniqueness of brand association. In confirmity to Keller (2013) customer-based brand equity arises from customers having and elevated level of brand awareness and familiarity as well as holding some strong, favourable, and unique brand associations in their memory. In addition, building brand familiarity by doing repetitive exposure (for brand recognition) and establishing strong association with relevant product category or other relevant cues that related to purchases or consumption (for brand recall), these two will support the establishment of brand equity. Marketers can concentrate more on developing brand image once there is a sufficiently high level of brand awareness.

Therefore, in order to generate the differential response leading to customer-based brand equity, it is imperative for marketers to guarantee that some strongly held brand association are not just merely favourable but also unique and not shared with other competitors (Keller, 2013):

- Strength of Brand associations, when the customers give the product information with more deeply thought and linking it to prior brand knowledge, then strong brand association will be established. Moreover, personal relevance and consistency in which it is presented over time are the two elements that will strengthen association towards any kind of information. The particular associations that a customer will recall and their importance not just determined by the strength of association, but also on the retrieval cues (visual/verbal information uniquely identified within an ad) that are presents and the context in which customer consider the brand.

- Favourability of Brand associations, by persuading customers that the brand offers relevant attributes and benefits that will fulfil their needs and want will lead the customers to form positive overall brand judgements, thusfavourable brand associations are created. Customers will not value all of the brand associations to be equally significant, neither customers will perceive all of the association favourably or value them all equally across different purchase or consumption situations. Depending on the situation or context, brand association might differ depending on the goals what customers have in mind when making a purchase or consumption decision. For instance, the association that shows up into customers mind of FedEx can be ''fast'', ''reliable'', and ''convenient'', however the colour of packaging such as ''purple and orange packages'' might not be a major factor to majority of customers when selecting an overnight delivery service although it plays important brand awareness function. On the other side, fast, reliable, and convenient may be more helpful, but they may only be effective in specific circumstances, if the customers who just need a normal delivery will consider less expensive options of brand even though it takes several days.

- Uniqueness of Brand associations, the most important component of brand positioning is the brand's ''unique selling proposition,'' or sustain competitive advantage which provides a strong persuasion why customers

should purchase it. Marketers can emphasize this unique difference clearly express by drawing comparisons between themselves and their rival which pegged based on attributes or benefits that are either performance-related or not.

Therefore, if the brand promoting the highlights the personal relevance and consistency in the promotion/ads over time will eventually strengthen the consumer association to any kind of information. A stronger brand association will arise when consumer think thoroughly about the product information and leads consumer linking it to their prior brand knowledge. Moreover, by promoting a compelling message that offering beneficial attributes and benefits that will fulfil consumer's needs and wants of the consumers will lead consumer to form a favourable overall brand judgement. Lastly, by delivering the brand's unique selling proposition as a strong persuasion why is that consumers should purchase the product or service also essential. Therefore, users that repeatedly see the promotion of a brand's product or services will generates into a positive perception towards the brand. Thus, in turn, helps the consumers begin to associate the brand with favourable image.

2.6 Respondent's Identity

The demographic data in this study includes respondent's gender, age, occupation, and domicile. Below are the identities results of the 100 respondents:

2.6.1 Gender
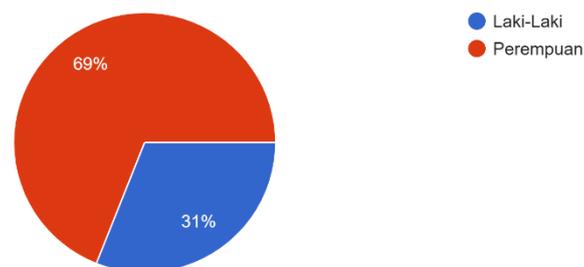
Graphic 2.6.1 Respondent's Gender

The audience gender demographic is both male and female, as shown on previous study that the young adults both male and female who are Spotify music streaming application user were more likely to visit Spotify in January 2023 (Larkin, 2023)**.** The graphic 2.6.1 shows that the according to the research, female dominates the majority of respondents with 69%, meanwhile male accounting for 31%.

2.6.2 Age
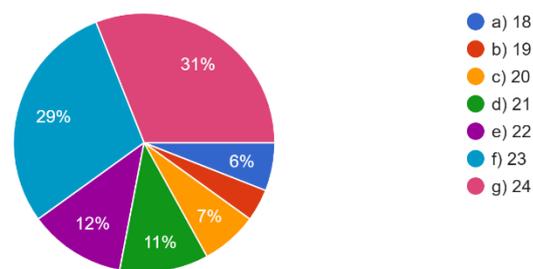
Graphic 2.6.2 Respondent's Age

The audience age demographic of Spotify consumers is between the ages of young adults from 18 to 24 years old (Larkin, 2023). In accordance to the research in graphic 2.6.2 that is participated by 100 respondents, the age variation that has been collected was varied, which dominated by respondents age of 24 years old with the highest number of percentages with 31% and age of 23 with 29%, followed by respondents age 22 with 12 % and age 21 with 11%. The smallest percentage are respondents with age of 20 with 7%, followed by age of 18 with 6%, and respondents age of 19 with only 4%.
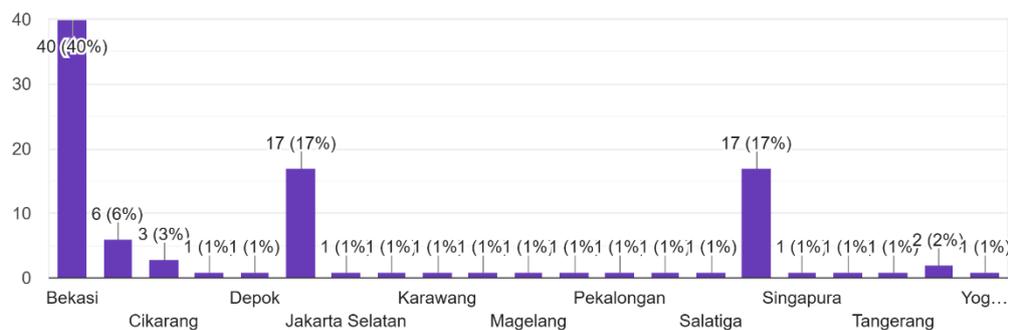
2.6.3 Occupation
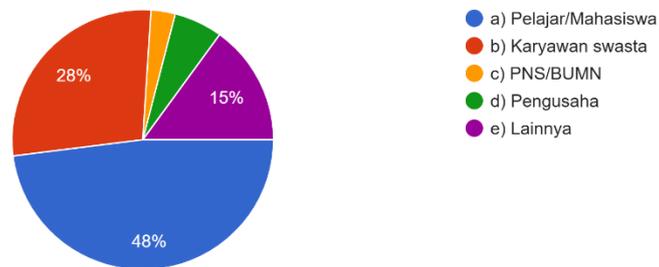
Graphic 2.6.3 Respondent's Occupation

The graphic 2.6.3. above indicates that the college students make up the majority of respondent's occupations with 48%, followed by private sector employee with 28%, others (unknown) by 18%, and the rest are entrepreneur with 6%, and government employee with only 3%.

2.6.4 Domicile

Graphic 2.6.4 Respondent's Domicile

The domiciles of the respondents are spread across several Indonesian cities. The domination is come from Bekasi with 40%, Semarang and Jakarta both accounted as 17%, and followed by Bogor with 6%, Cikarang with 3%, Tegal with 2%, and the rest is from other

big cities such as Cilacap, Depok, Karawang, Magelang, Pekalongan, Salatiga, Yogyakarta, and one online interviewee that live live in singapore for a while.