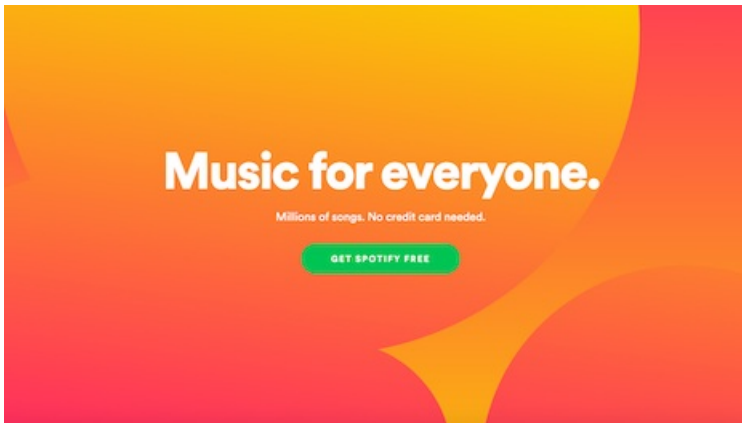


MARKETING

What digital advertising players can learn from Spotify

April 28, 2020



Spotify has revolutionized music consumption with ad-supported and ad-free streaming with a monthly subscription. Image credit: Spotify

By [Thomas Pasquet](#)

Younger generations probably do not recall, but it was not that long ago that people thought the Internet would destroy the music industry.

At first it did. Music industry revenues fell off a cliff after they hit their peak in 2000, due to the advent of Napster and other peer-to-peer services that enabled mass piracy. Sales **rebounded in 2014**, however, and have grown every year since and this mostly was due to Spotify.

Streaming services now **account for the vast majority of music industry revenues**.

Spotify is the clear leader in this category. It has the largest share of the global streaming market (**at 36 percent**) with **217 million** monthly active users and a market capitalization of more than \$25 billion.

What is perhaps most notable, though, is that Spotify has achieved this success by adopting a model that most publishers and brands either overlook or do not think is possible: giving users choice and control over how they access content and, in turn, choice and control over their digital advertising experience.

While I have never worked with Spotify, I have always admired their model. It has set a standard for consumer expectations. It is a model that the entire digital media industry should use as we transition into an era of digital integrity.

Understanding the value exchange with ads

Spotify gives members a simple, clear and reasonable choice: Either they can access musical content for free and receive audio ads in between songs, or they can pay a subscription and enjoy a richer, ad-free experience with tons of additional features.

Consumers understand that if they are not paying a monetary fee to access content, they are going to receive some advertising, as well.

So, when ads are served between songs on Spotify, consumers perceive them as a fair price to pay for access to such a rich catalog of free content. It is a choice they have made, and the value-exchange is clear.

This stands in stark contrast to the rest of the digital media ecosystem.

Consumers are led to believe that most of the content on the Internet is free.

So, when they arrive on a Web site or open an app and are pummeled with ads, they perceive these ads as annoying **90 percent of consumers agree.**

Spammy and intrusive ads damage the perception of both the publisher serving the ads, and the brand being advertised. The consumer has no choice, and there is nothing to help them understand these ads are enabling them to access free content.

Consumers today are also very cynical about the way their data is collected and used across the media for advertising purposes. But with Spotify, it is different.

Understanding the value exchange of sharing data

When users sign up to Spotify, they create an account, provide Spotify with certain data about themselves, and consent to their privacy policy. It is a very clear and straightforward process.

If they choose Spotify Premium, they understand that their data will not be used to serve them ads. If they choose the free option, they understand they will receive ads that are personalized, relevant and based on their behavioral and contextual data.

Brands can target consumers based on demographics including location, age, gender and language **and their musical taste.** It is a clear tradeoff.

Consumers might not understand the ad-targeting process that serves them the commercials they hear, but they trust that if they change their mind and decide to pay for content and turn off ads, at any point, this request will be respected.

Revenue from Spotify's advertising arm has increased by **41 percent** since 2016, and is deemed to be a "**considerable long-term opportunity for growth.**" according to the company.

When users are given a fair choice, monetizing free content works for publishers, advertisers and users alike. Indeed, Spotify ads convert at an astonishingly high **rate of 38 percent in some cases.**

This harmony is rare on the Internet.

A troubling number of ad-tech intermediaries collect and use consumer data indiscriminately, not even bothering to ask for users' consent.

Others essentially force users into data collection agreements, by preventing them from consuming content until they "agree" to the site's terms. And that is not much of a choice at all.

Spotify, meanwhile, is transparent with users: They can either have an ad-supported version of the service for free, or they can pay with money to access content in an ad-free environment.

Whereas other publishers have previously had no choice but to rely on technology that deceives users, Spotify communicates its value exchange clearly and openly. This fair choice has engendered a tremendous amount of trust and brand equity among Spotify consumers, not to mention revenue.

Choices, consent and education of value exchange

It is time that the rest of the industry use Spotify as a template and adopt a similar choice-driven approach to digital advertising, data privacy and user consent.

Every publisher, should provide users with something similar to the following options:

1. They can pay a monetary fee to access content, ad-free
2. They opt-in to share certain data sharing and access content for free, and receive useful, relevant ads.
3. They can opt-out of data sharing, still access content for free, but receive ads that are less relevant to their interests.

IT IS A shame Spotify's approach is considered exceptional.

For years, the digital advertising industry has gotten by on playing fast and loose with consumer data. But as consumers become more privacy conscious and grow to expect more from both advertisers and publishers, they are less likely to tolerate such behavior.

What if we could take GDPR, CCPA and other privacy laws and apply them to the entire digital advertising industry?

What is more, with GDPR, CCPA and similar regulations being passed around the world, data safety is a legal imperative. It is companies such as Spotify that offer consumers a genuine choice over their data and digital advertising experience, that will be successful.



Thomas Pasquet is founder/CEO of Ogury

*Thomas Pasquet is founder/CEO of **Ogury**, New York.*

MOST POPULAR

1. [How luxury transformed from opulence to populace, and what it means for brands](#)
2. [12-step pre-recovery checklist for CEOs](#)
3. [Coronavirus impact on marketing budgets](#)
4. [Simone Gibertoni on Clinique La Prairie: "We want to be part of a customer's life journey"](#)
5. [Beauty marketer Leonard A. Lauder to spill it all in upcoming autobiography](#)
6. [US advertiser lobby ANA drafts media buyer's guide for picking data providers](#)
7. [What to look for when buying your first luxury watch](#)
8. [Three reasons why Google's Android is succeeding](#)
9. [Book excerpt: Rethinking Prestige Branding: Secrets of the Ueber-Brands](#)
10. [Using celebrities as luxury brand ambassadors – for better or worse](#)