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Subject: Influencer marketing as a tool to increase user numbers of subscription-based music streaming services in the German market

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Abstract

This bachelor's thesis examines the relevancy of influencer marketing as a tool for premium audio-streaming services to acquire users. After acknowledging the shift from physical products to digital services in the German music market, brands need to become aware of the possibilities of strategically developed influencer marketing campaigns. By carefully assessing all elements of an influencer cooperation, brands are able to achieve objectives such as increasing conversion rates, brand awareness and more. In order to develop a relevant strategy, a quantitative survey was conducted using Spotify as an exemplary case study. With the aim of increasing user numbers of Spotify's premium service, many conclusions regarding the elements of an influencer marketing strategy were derived. In this scope, the great potential of micro influencers was realized. They are well received and trusted by the audience, simultaneously appearing to have a positive effect on the purchasing decisions of users, as the research and empirical study prove. Demand for informative influencer content combined with discounts and other added values was recognized. If presented these conditions, consumers are willing to trial a service and can thereafter be acquired as paying subscribers through service performance.

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List of abbreviations

AR	Analyst relations
ARD	Arbeitsgemeinschaft der öffentlich-rechtlichen Rundfunkanstalten der Bundesrepublik Deutschland
CD	Compact disk
CEO	Chief executive officer
JIM	Jugend, Information, Medien
GfK	Growth from Knowledge
IGTV	Instagram TV
MP3	MPEG-1 Audio Layer III
PC	Personal computer
PR	Public relations
RstV	Rundfunkstaatsvertrag
S.A.	Société Anonyme
ZDF	Zweites Deutsches Fernsehen

1. Introduction

This thesis commences by introducing the topic and its relevancy to the reader. Based on a formulated problem description, a research question is derived correspondingly. Moreover, in order to limit the perimeter of the work, objectives and delimitations are determined. Lastly, the structure and applied methodology are described.

1.1 Problem description and research question

Due to digitalization, the music industry has shifted into the field of digital services, leading to audio-streaming platforms emerge and establish themselves in the market. With streaming accounting for over half of revenue generated in the German music industry and the future development indicating growth, the market demonstrates a lot of potential.¹ However, foreign platforms such as YouTube are attracting consumers, taking up a share in consumption while contributing as little as 3% to the market's turnover. These circumstances lead to a so-called value gap.² With financial models varying from subscription-based to freemium,³ streaming providers need to ensure a revenue stream and secure market shares in order to close said value gap. This leads to this work's thematic focus, premium music streaming services. With businesses such as Spotify generating roughly 90% of revenue through said chargeable premium subscriptions,⁴ the relevancy of this matter becomes evident. The second focal point which needs to be addressed is influencer marketing. Similar to digital streaming, online marketing and most importantly influencer marketing has established itself in the economy as a crucial part of most businesses. Due to its cost efficiency⁵ and comparatively easy implementation, brands often undergo the mistake of not setting up influencer marketing campaigns strategically, ultimately often leading them to fail.⁶ In order to avoid negatively impacting one's

¹ (cf. Bundesverband Musikindustrie, © 2020, pp. 6.)

² (cf. Bundesverband Musikindustrie, © 2020, pp. 27.)

³ (cf. Schramm, 2019, pp. 233.)

⁴ (cf. Voigt et al., 2017, pp. 149.)

⁵ (cf. Brown, Hayes, 2015, pp. 206.)

⁶ (cf. Lammenett, 2018, pp. 132.)

brand image⁷ and position oneself in the growing market, strategic influencer marketing becomes a valuable tool to music streaming services. In fact, this introduces the research topic: **How can premium music streaming services strategically implement influencer marketing to increase user numbers?**

1.2 Objectives and perimeter

The primary objective of this thesis is to give a qualified recommendation to the above-mentioned research question: **How can music streaming platforms strategically implement influencer marketing to increase user numbers of their premium services?** An influencer marketing campaign will be developed using Spotify as a case example.

In order to achieve this, it is necessary to set a theoretical basis and showcase the development of the German music market in regard to distribution and consumption. Similarly, after putting down a foundation on the topic of influencer marketing and the elements of developing an influencer marketing campaign, both subject areas can be combined and put into relation. An empirical quantitative survey shall be used to gather relevant results to underline the hypotheses.

To ensure an overall understanding of the topic and its surrounding circumstances, giving an overview of the German music market is crucial. However, it is not the aim to elaborate on all subdivided steps of the progression of the industry but simply to demonstrate the rough development in consumption and distribution leading up to the present. For the purpose of limiting the extent of the work, internet-radio, podcasts and audiobooks will not be taken into account in the scope of this work. Music content shall be the focus point of the research. Similarly, it is not the aim of this work to elaborate on the evolution of influencer marketing, but solely to present how it can be used as a tool by audio-streaming services.

⁷ (cf. Lammenett, 2018, pp. 136.)

1.3 Structure and methodology

Starting with a short introduction of the matter and the research question resulting from the problem description, the work continues with specifying the objectives as well as establishing the content framework. To make the thesis more cohesive, the structure and methodology used throughout are described.

To familiarize the reader with the subject and provide a solid theoretical foundation, the influences of digitalization on the German music market are presented. Here, the rough development of distribution of mediums and channels from physical to digital shall be made evident, thereby demonstrating the digitalization of the customer journey. Thereupon, the concept of streaming shall be examined further. In the same matter, the shifted consumer behaviour in the German music industry shall be demonstrated with key figures. The theoretical basics conclude in an overview of the fundamentals of influencer marketing as well as the elements of an influencer marketing campaign.

Based on the information established in the theoretical basis, a quantitative survey in regard to the authors objectives is generated. The aim of said empirical study is to evaluate the effects of influencer marketing on consumers behaviour in regard to Spotify's subscription-based premium service. After combining the findings of the theoretical research with the results of the survey, a qualified recommendation for an influencer marketing strategy shall be derived, therefore answering the research question. A forecast of the music consumption in Germany concludes the thesis.

Methodology

Given as this thesis aims at demonstrating the development and current climate of the German music market, the author is strongly reliant on representative studies. Similarly, influencer marketing is a highly trend-based topic. For this reason, blogs and similar news articles by digital marketing companies and influencer marketing agencies were applied during the research. The theoretical basis is built on literature where possible, however secondary research and the latter primary research are the main sources of information throughout this work.

2. Influence of digitalization on the music market

The digital revolution had impacts on all markets, but “[...] scarcely any segment of the cultural and creative industries was left with such deep traces of the digital transformation as the music industry.”⁸ The music market underwent the influences of digitalization in various stages, from the distributed output formats up until the distribution channels and the consumption. Said transformations shall be elaborated in the following chapters.

2.1 Digitalization of music formats

Recorded audio can be stored and distributed through various different recording mediums, which have evolved visually and improved in quality by means of technological developments.⁹ Throughout the past century, audio carriers such as vinyl records, cassettes, tape recordings and CDs have been replacing each other little by little. Latter largely replacing said old mediums since its introduction into the market in 1982.¹⁰ Despite CDs accounting for a large amount of the music market revenue for years, sales numbers have also undergone a decline since the ultimate invention of a new audio format.¹¹ This downward trend is still visible to this day, with sales of CDs in the German music market experiencing year on year decline of 10.6% in 2019.¹² Arguably the most significant introduction into the world of media was the launch of the MP3 – format in 1997,¹³ leading the way into the era of digital recordings along with the internet as a mass distribution channel, which will be discussed in the following chapter. Though there are many lower-level distinctions between types of recording mediums, the above mentioned are most commonly known and are taken as an example to simply showcase the overall development from analogue recording mediums to digital formats.

⁸ (Bundesverband Musikindustrie, 2012, pp.4.) [translated]

⁹ (cf. Schramm, 2019, pp.22.)

¹⁰ (cf. Britannica Academic, 2018.)

¹¹ (cf. Logan, 2016, pp.230ff.)

¹² (cf. Bundesverband Musikindustrie, © 2020, pp. 10.)

¹³ (cf. Schramm, 2019, pp. 228.)

2.2 The internet as a mass distribution channel

“Edgar Berger, the CEO of Sony Music, speaks of a threefold transition currently underway in the music industry: from physical to digital, from PCs to mobile and from downloads to streaming.”¹⁴ In regards to this statement, the public market entry of the World Wide Web in 1993, but more importantly the mobile internet in 1999, were arguably the most pivotal strides for the music industry.¹⁵ With over 66 million users from the age of 14 in Germany, the online world evidently gained popularity and experienced continuous growth throughout the years. This accounts for 94% of the German population in 2020.¹⁶ Similarly, mobile internet users, which according to recent numbers are made up of 74% of Germans age 14 and up, are increasing in 2019.¹⁷ The upwards trend can be explained “[D]ue to the increasing dissemination of mobile devices and lower mobile service prices [...]”.¹⁸ Moreover, the newly found mobility has a drastic impact on music distribution and listening behaviour of consumers.

2.2.1 Transition from physical products to digital services

The internet as a mass channel paved the way for various distribution channels for digital music. On the one hand, with the invention of the new audio format, MP3, services such as streaming emerged and established themselves in the music industry.¹⁹ With the digitalization of distribution channels, one could say that „[...] record companies were no longer in the “product business” but rather in the “service business” [...]”.²⁰ Simultaneously to the freedom and opportunities of the internet, numerous illegal file-sharing platforms emerged, leading to numerous negative impacts on the music market. Generally, all actions contributing to piracy are considered copyright infringement and therefore require counteractive measures to delimit economic damage. Despite various efforts such as legal prosecutions and the establishment of different *Digital Rights*

¹⁴ (Voigt et al., 2017, pp. 151.)

¹⁵ (cf. Domenichini, 2020, pp. 54f.)

¹⁶ (cf. ARD/ZDF-Forschungskommission, 2021.)

¹⁷ (cf. Initiative D21, 2020, pp. 12.)

¹⁸ (Poleshova, 2020a.)

¹⁹ (cf. Domenichini, 2020, pp. 54.)

²⁰ (Logan, 2016, pp. 235.)

Management Systems,²¹ it is still a present issue in the global music market.²² Alternatively, music download business models developed, with the aim of circumventing said legal violations of piracy.²³ To this day, streaming platforms, especially freemiums such as Spotify, aim to work against these legal violations and music piracy by giving the consumers the option to use their service free of charge.²⁴

One of the pioneers of lawful distribution of digital music online is Apple's iTunes,²⁵ which was introduced to the German market in 2004.²⁶ Consumers were now able to purchase and download single tracks separately, enabling a more customized and convenient listening experience instead of having to purchase a physical medium, which more often than not meant having to buy an entire album. Over time, numerous slightly modified business models entered the market alongside a new business concept called streaming.²⁷

Despite the digitalization of music distribution, digital retail did not replace the sales of physical mediums but rather represents an additional distribution platform. This concludes in a shift from conventional retail to e-commerce.²⁸ These aspects will not be touched upon further in order to keep in line with this thesis' topical limits.

2.2.2 Audio streaming platforms

In contrast to download services, which can be seen as predecessor models of audio streaming, users of streaming platforms are merely allowed access to consume content freely in oppose to being granted ownership of the music.²⁹ By paying royalties to record labels and right holders, streaming platforms gain legal rights to audio content and hereby enable a broad portfolio of on-demand music.³⁰

²¹ (cf. Schramm, 2019, pp. 229ff.)

²² (cf. IFPI, 2019a, pp. 21.)

²³ (cf. Voigt et al., 2017, pp. 143.)

²⁴ (cf. Ek, 2019.)

²⁵ (cf. Voigt et al., 2017, pp. 143.)

²⁶ (cf. Bundesverband Musikindustrie, © 2020, pp. 5.)

²⁷ (cf. Voigt et al., 2017, pp. 143f.)

²⁸ (cf. Klingner, 2018, pp. 40.)

²⁹ (cf. Voigt et al., 2017, pp. 143.)

³⁰ (cf. Nusca et al., 2019.)

The first businesses offering stream-like conditions were online radios.³¹ Since then, new platforms providing streaming services have emerged.

In order to ensure a revenue stream and cover all occurring costs, streaming companies need to decide on a financing model. These can roughly be divided into subscription-based and freemium models. An example of a subscription-based model is Rhapsody, whereas for instance iTunes counts as single item purchasing financing model. The so-called freemium business model (e.g., Spotify) combines free offers with a subscription-based premium service.³² Seeing as this thesis is based around the model of premium audio streaming, it is important to note down platforms with premium offers. Top premium service providers in the German market are Spotify, Amazon Music, Apple Music, Soundcloud and YouTube Music.³³

3. Analysis of consumer behaviour in the German music market

New technological innovations have mobilized the way of living and in regard to the creative industries, have diversified audio consumption.³⁴ The following chapters provide an insight into the availability of audio-enabled technological devices in private households. Particularly, it intends to illustrate the current state of the domestic music market in regard to music consumption.

3.1 Overview of the German music market

Generally, the music market is considered a submarket of the cultural and creative industries.³⁵ Stated in the latest 2019 Cultural and Creative Industries Monitoring Report, the German music submarket constitutes 5.2% of total value added in the cultural and creative industries in 2018.³⁶ As of latest data provided in the Global Music Report 2019, Germany positions itself as the fourth largest music market globally. The global market is currently dominated by the USA, Japan and UK.³⁷ After experiencing a slight decline in revenues in 2017 and 2018,

³¹ (cf. Schramm, 2019, pp. 233.)

³² (cf. Voigt et al., 2017, pp.144.)

³³ (cf. ARD/ZDF-Forschungskommission, 2020, pp. 11.)

³⁴ (cf. Domenichini, 2020, pp. 54.)

³⁵ (cf. Federal Ministry for Economy Affairs and Energy, 2019, pp. 4.)

³⁶ (cf. Federal Ministry for Economy Affairs and Energy, 2019, pp.11)

³⁷ (cf. IFPI, 2019b, pp.13.)

the German music industry recorded 8.2% growth. This upwards trend is due to a 27% increase in audio streaming, improvements in sales decline of CDs and rise in vinyl sales of 13.3%. Combined, sales account for a total of 1.623 billion euros revenue generated in 2019,³⁸ which translates to 6.2% globally.³⁹

3.2 Development of music consumption

The evolution of multimedia systems over the past few decades enhanced consumers' cross-device consumption of audio media, as newly launched devices are being purchased while old stationary equipment is still available.⁴⁰ Recent trends in the industry, for instance the comeback of vinyl recordings, are contributing to the device diversity.⁴¹ Correspondingly, the user behaviour develops and adapts to the changing market dynamics and trends.

The JIM-study 2019 has shown that households with teenagers are highly equipped with smartphones (99%), computers/laptops (98%), Wi-Fi (98%), TVs (96%) radios (85%), mp3 players (50%) and many more additional appliances.⁴² Such variety of available equipment leads to 99% of the population having access to at least one audio-capable device nowadays.⁴³

3.2.1 Consumption of physical medium contents

Since achieving a peak in recorded turnover in 1997 with a total of 2,308.5 million euros, sales of physical mediums have experienced a nearly continuous decrease.⁴⁴ Correlations between the introduction and rise of streaming and the consumption of physical audio mediums are to believe. When observing the proportional decrease in sales from 2001 until the launch of the streaming service Spotify in the German market in 2012, a decline of 30.59% in unit sales is visible. Comparing this with the statistics post launch, a total decrease of 56.9% from 2012 until 2019 is evident,⁴⁵ thus leading to assume a correlation between the

³⁸ (cf. Bundesverband Musikindustrie, © 2020, pp.7f.)

³⁹ (cf. Bundesverband Musikindustrie, © 2020, pp. 54)

⁴⁰ (cf. Domenichini, 2020, pp.55.)

⁴¹ (cf. Klingner, 2018, pp. 41.)

⁴² (cf. MPFS, 2020, pp.5.)

⁴³ (cf. Domenichini, 2020, pp. 55.)

⁴⁴ (cf. Bundesverband Musikindustrie, © 2020, pp. 5.)

⁴⁵ (cf. Weidenbach, 2020.)

introduction of streaming into the German market and the development of physical music consumption. Having said that, physical audio mediums still managed to achieve a total revenue of 577 million euros in 2019, of which 472 million euros are made up of CD sales.⁴⁶ Translated into percentages, these account for 35.6% and 29% of total revenue generated in the German music market in the previous year.⁴⁷

Despite the increasing negligence towards physical mediums, it cannot be presumed that other formats such as streaming will become the sole driver of revenue in the German recorded music industry. Still a large share of people stress the importance of physical mediums, stating that digital music cannot replace physical mediums for them.⁴⁸ In spite of the large listening numbers streaming achieves, physical medium makes up for over one third of total turnover, thus proving the importance of those sales.⁴⁹ However, as the development of consumption of physical recording mediums is not the focal point of the thesis, this paragraph does not go into detail on all variations of physical mediums but observes the development of CD sales as an example. The foregoing information simply aims to showcase the changing dynamics of music consumption.

3.2.2 Digital music consumption

In 2019, the German music industry generated a total of 1.62 billion euros, 64.4% of which were achieved through digital music formats. Namely, 55.1% are accounted for by audio streaming, while the remaining 6.2% can be traced back to downloads. This translates to a total of 1,046 million euros being accomplished digitally.⁵⁰ Digital music downloads have recorded peak performance in 2013, with 258 million euros of revenue being generated. It has since experienced a

⁴⁶ (cf. Bundesverband Musikindustrie, © 2020, pp. 10.)

⁴⁷ (cf. Bundesverband Musikindustrie, © 2020, pp. 6.)

⁴⁸ (cf. Clement et al., 2019, pp. 50.)

⁴⁹ (cf. Bundesverband Musikindustrie, © 2020, pp. 6.)

⁵⁰ (cf. Bundesverband Musikindustrie, © 2020, pp. 5ff.)

continuous decline, accounting for 100 million euros of revenue in 2019.⁵¹ This translates to 5% of Germans having made a music download purchase.⁵²

Of the 1,046 million euros generated through digital mediums, the majority can be allocated to audio streaming, 895 million euros (85.5%) to be exact. To put the growth of music streaming into perspective, the format accounted for merely 61 million euros in 2013. However, it managed to achieve a total of 77% year on year growth the following year and has since been recording continuous increase. Even in 2019, the figures still measure 27% year on year growth.⁵³ Despite the great success and rapid growth, it was not until 2018 when streaming overtook other formats and became the top-driver of revenue.⁵⁴ As the focal point of this thesis is the premium aspect of streaming, it is necessary to observe the corresponding key figures of subscription-based businesses. A statistic carried out by the Federal Music Industry Association shows that in 2019, revenues from streaming subscriptions accounted for 895 million euros of a total of 1.62 billion euros generated in the German music market,⁵⁵ which roughly translates to 55.25%. When observing the consumption of music, it is important to take into account illegal consumption of music and its negative effects on the market, however this factor will not be pointed out further as it would exceed the frame of this work.

After evaluating the revenue shares of digital formats, the consumption in accordance with the population shall be described. According to the *ARD/ZDF Onlinestudie 2020* study, 41% of the German population aged above 14 consume music through streaming services and other audio platforms. When applied to the populace of Germany, this translates to roughly 34 million people. This figure represents an increase of 10% compared to the previous year,⁵⁶ however it is to note that the worldwide pandemic, Covid19, had an effect on the consumption of media in 2020. Namely, a quarter of the studied subject group affirm they are

⁵¹ (cf. Bundesverband Musikindustrie, © 2020, pp. 11.)

⁵² (cf. Bundesverband Musikindustrie, © 2020, pp. 33.)

⁵³ (cf. Bundesverband Musikindustrie, © 2020, pp. 11.)

⁵⁴ (cf. Bundesverband Musikindustrie, © 2020, pp. 5.)

⁵⁵ (cf. Statista, 2020, pp. 40.)

⁵⁶ (cf. Reichow, 2020, pp. 502.)

consuming more music and other audio contents during this period than prior to the pandemic.⁵⁷ In this context, it is of use to break this down further to review the consumption across different music streaming and other audio platforms. Amongst the different audio streaming services, Spotify ranks at first place, with 26% of the surveyed stating they use it at least seldom. Other players in the market such as YouTube Music (18%) and Amazon Music (15%) are runner ups to the top spot, with Soundcloud (8%), Apple Music (7%) and others capturing the rest of the audience.

3.2.3 Reasons for the change in consumption

The shift in audio content consumption can be traced back to multiple factors. Due to digitalization and mobilization of media, listening behaviour has transformed.⁵⁸ The consumption of audio contents is no longer bound to a stationary device but has become entirely flexible and mobile.⁵⁹ Furthermore, the household equipment of audio-enabled devices has increased. Consequently, this facilitates quick access to digital music and even enables cross-device consumption.⁶⁰ Another noteworthy factor affecting the consumption of music are the costs. Physical mediums as well as digital purchases of music contents simply have a worse price-performance-ratio than streaming. With the purchased medium, the consumer only acquires a limited amount of content within that product.⁶¹ Streaming services on the other hand are either free or have an average price of 9.99 euros, as *table 1* demonstrates. Compared to the portfolio a streaming platform offers, the consumer has the advantage of receiving access to a vast assortment of content.⁶² Moreover, streaming platforms such as Spotify often go beyond the service of just providing music. Personalization of content has become a vocal point in the music industry, not only allowing consumers to discover new content but adding benefits to their subscription.⁶³

⁵⁷ (cf. Reichow, 2020, pp. 514.)

⁵⁸ (cf. Domenichini, 2020, pp. 54.)

⁵⁹ (cf. Lepa et al., 2013, pp. 5.)

⁶⁰ (cf. Domenichini, 2020, pp. 55.)

⁶¹ (cf. Hiller, Walter, 2016, pp. 2.)

⁶² (cf. Schramm, 2019, pp. 226.)

⁶³ (cf. Spotify AB, 2019a.)

3.2.4 Willingness to pay for music content

In the context of this work's objective to steer users towards premium streaming offers, it is necessary to review the willingness of consumers to spend money on music. Generally, a total of 29% of the German population showed willingness to pay for music in 2019. These figures include physical mediums, download purchases as well as premium streaming. Though this gives an initial insight into the consumer behaviour, it is particularly relevant in this case to assess the willingness of Germans to pay for chargeable streaming services. Data gathered in the Music Consumer Study 2019 shows, 21% of people in Germany payed for premium streaming services in 2019, whereas on the contrary, 10% of the population opted for free streaming offers. Furthermore, it is necessary to review the commercial relevance of the individual age groups in regard to paying streaming subscribers. By reviewing the statistics, it becomes evident, that 20 to 29-year old's show most willingness to pay for streaming, with them accounting for 26% of premium users. Another 18% are 30 to 39-year old's, closely followed by 10 to 19-year old's, who account for 17%. Combined, consumers from the age of 10 to 39 accumulate a purchasing power of 61%. Lastly, the remaining 39% of premium streaming subscriptions are made up of people aged 40 and higher.⁶⁴

4. Influencer marketing as an element of digital marketing

After setting a theoretical foundation about the development of music distribution and consumption in the German market, building an understanding for influencer marketing is next on the agenda. Only on this basis, a qualified recommendation for an influencer marketing strategy regarding this work's subject can be made.

4.1 Definition of influencer marketing

Before evaluating the different elements of influencer marketing campaigns, it is necessary to define the term *influencer* for basic understanding.

To put it short, an influencer is an opinion-maker who shares their opinions on a topic on social media, influencing people with their statements. According to this definition, every person can act as an influencer on social media, though this term

⁶⁴ (cf. Bundesverband Musikindustrie, © 2020, pp. 32.)

is most commonly used to describe social media users who have a somewhat notable audience.⁶⁵ A more in-depth insight into typology will be given later on in the thesis. Influencer marketing as a tool can be classed as part of digital marketing, under the category of social media.⁶⁶ This marketing concept aims at reaching consumers, by “[...] bringing trustworthy, authentic and credible third parties to openly convey positive messages about a [...] brand [...]”⁶⁷, often with the intent of impacting the consumption behaviour of the subjects.⁶⁸ Generally, it can be equated to a digitalized form of Word-of-Mouth marketing,⁶⁹ with user-generated content being communicated through social media platforms.⁷⁰ The introduction of influencer marketing can roughly be chronologically identified with the rising popularity of blogging websites in 2004 and later the emergence of social media platforms.⁷¹ By reviewing the term influencer marketing on Google Trends, it becomes evident that 2016 marks an important turning point, with users showing increasing interest on the search engine.⁷²

4.2 Why influencer marketing is relevant to digital services

On the one hand, traditional advertisement is becoming less commercially relevant, on the other hand, consumers are being flooded with online advertisements.⁷³ “As consumers overwhelmed by product choices tune out the ever-growing barrage of traditional marketing, word of mouth cuts through the noise quickly and effectively.”⁷⁴ Moreover, with the digitalization of the population’s daily lives and activities, the target market has moved online and has become globally approachable.⁷⁵ This fact paired with the overstimulation of online advertisements clearly showcases the necessity for brands to come up with effective marketing concepts. This is where influencer marketing becomes a

⁶⁵ (cf. Deges, 2018a.)

⁶⁶ (cf. Deges, 2018b.)

⁶⁷ (Lammenett, 2018, pp. 90.) [translated]

⁶⁸ (cf. Deges, 2018b.)

⁶⁹ (cf. De Veirman et al., n.d., pp. 2.)

⁷⁰ (cf. Lammenett, 2018, pp. 129.)

⁷¹ (cf. Freese, 2020a.)

⁷² (cf. Google, © 2020.)

⁷³ (cf. Deges, 2018b.)

⁷⁴ (Bughin et al., 2010.)

⁷⁵ (cf. Brown, Hayes, 2015, pp. 147.)

key resource. To circumvent the digital market, overly saturated with brands advertising their goods, influencers can function as third-party mediators, relieving the perception of just another direct advertisement.⁷⁶ Because there are influencers on practically any niche topic, niche target groups can be addressed effectively. This method of strategic targeting can result in higher return on investment. Apart from having fast implementation,⁷⁷ another advantage of this tool is that „[...] influencer marketing typically costs only 50-80% of the cost of PR and AR.”⁷⁸ Alongside the abovementioned advantages, there are various more arguments speaking for influencer marketing. To keep the frame of this work, these will not be elaborated further.

Referring this shift from traditional to digital advertisement to the music industry, a similar shift from physical audio mediums to music as a digital service was established previously. Digital music has become evidently important over the years, accounting for 64.4% of total revenue in the German music market in 2019.⁷⁹ Though the music market in general does not class as a niche market, there are most certainly niche categories within the market, which can be strategically targeted by utilizing this marketing tool. Furthermore, the *Spotify Brand Report Germany 2020* established that subscribers of the platform demonstrate higher social media consumption.⁸⁰ This goes to show just how relevant influencer marketing is to digital music services.

4.3 Elements of an influencer marketing campaign

A turning point for many brands pursuing influencer marketing is whether that marketing campaign is set up strategically or not. In this manner, companies often fail due to aimless “[...] blind activism [...]”⁸¹. In order to effectively tailor a campaign to a brand and roll it out successfully, a number of factors need to be taken into account during the conception. A brand’s marketing objectives are the core of an influencer campaign, as all following elements are determined on that

⁷⁶ (cf. DeGES, 2018b.)

⁷⁷ (cf. Engaio Digital, © 2020a.)

⁷⁸ (Brown, Hayes, 2015, pp. 206.)

⁷⁹ (cf. Bundesverband Musikindustrie, © 2020, pp. 6.)

⁸⁰ (cf. Statista Global Consumer Survey, 2020, pp. 23.)

⁸¹ (Lammenet, 2018, pp. 132.) [translated]

basis.⁸² Assigning resources to define a suitable target group for the communication is a further key factor. At this stage, another task occurring is allocation of budget, though this aspect will not be taken into account in order to maintain the frame of the thesis.⁸³ Needless to say, a substantial element of an influencer campaign is the selection of suitable influencers. Depending on a brand's objectives and target group, different types of influencers are relevant to reach a specific audience. In the process of creating an influencer marketing campaign, different social media platforms can be used as communication channels to carry out the promotion. Within those channels, a variety of collaborative formats are feasible to mediate the desired message. After successful implementation and execution of the campaign, the performance needs to be monitored and reported. This does not only enable insight into the success rate of a campaign but also provides informational learnings for future activities.⁸⁴ The following chapters aim to provide a better understanding of the individual elements, to enable an appropriate derivation of an influencer campaign for the case of this thesis.

4.3.1 Defining objectives and target groups

The foundation of any marketing strategy are the objectives, which are aspired to be achieved. Depending on which key performance indicators a brand focuses on, influencer marketing campaigns are set up and monitored accordingly. To demonstrate possible goals of online marketing, Lammenett created a pyramid of objectives. He suggests that generally, goals can be categorized in three tiers. The highest objectives are defined as primary goals such as sales, revenue and stakeholder value. The second tier consists of secondary goals including branding, engagement, leads, employer brand, market expansion and distribution support. The last set of objectives are operative.⁸⁵ Lammenett's approach can be transmitted to influencer marketing.⁸⁶ Another noteworthy objective of influencer marketing can be educating the subjects on the brand which can be seen as

⁸² (cf. Engaio Digital, © 2020b.)

⁸³ (cf. Engaio Digital, © 2020b.)

⁸⁴ (cf. Freese, 2020a.)

⁸⁵ (cf. Lammenett, 2018, pp. 165.)

⁸⁶ (cf. Deges, 2018b.)

brand awareness. In the process of setting objectives, a relevant target group needs to be defined in order to ensure effective and efficient marketing.⁸⁷ Criteria which can be taken into account when defining a target group can include sociodemographic (e.g., age, gender, family status, household size), geographic, psychological (e.g., personal interests, lifestyle) factors as well as consumption behaviour.⁸⁸ It can also be of use to analyse the profiles of the existing customers to orientate the target group and further elements of the strategy accordingly.⁸⁹

4.3.2 Influencer identification – influencer typology

Because the choice of influencer does not only reflect on the performance of a campaign but can also have an effect on the company's reputation, identifying the right influencer as a campaign mediator is crucial.⁹⁰ Generally, any person conveying a message or opinion to another individual can be classed as an influencer, no matter the reach. Therefore, friends and family can also act as influencers to whoever they are for example personally recommending a product to. Numerous types of people can be overarched by the common interpretation of the term influencer. Opinion makers such as celebrities, politicians, bloggers and social media influencers amongst several others are often classed as a type of influencer. It is to note that the term influencer is used throughout this work to refer to social-media influencers. Various criteria can be taken into account to distinguish different types. Relevant factors are for instance reach, engagement rate, costs and professionalism.⁹¹

Social-media influencers in particular are usually classified into these 4 different categories, in accordance with abovementioned factors. Keeping in mind that the presented magnitude can vary slightly depending on the source, this classification shall be presumed:

- **Nano influencers** have a reach of under 10,000 followers and manage to maintain a close-knit interactive relationship with the followership.

⁸⁷ (cf. Engaio Digital, © 2020b.)

⁸⁸ (cf. Bieberstein, 2006, pp. 330.)

⁸⁹ (cf. Engaio Digital, © 2020b.)

⁹⁰ (cf. Brown, Hayes, 2015, pp. 166.)

⁹¹ (cf. Freese, 2020a.)

- **Micro influencers** have a rough following between 10,000 and 40,000 and are often experts on broad topics and sectors.
- **Macro influencers** can reach up to one million followers and usually specialize in select topics.
- **Mega influencers** are usually widely known among users and can go as far as being classed as social media celebrities.

Nano influencers are characterized by having a manageable reach on social media, allowing them to interact with their followers regularly and hereby building trust and authenticity. As for the cost factor, nano influencers prove to be cost-effective. Their lack of experience in promotions can lead to low professionalism. The followership of micro influencers is respectable, ranging up to 40,000. Despite the slightly larger audience, they are able to maintain steady engagement with their supporters. This closeness often positively reflects on the authenticity and thus on the credibility. Furthermore, micro influencers can be classed as cost efficient and fairly professional. The reach of macro influencers is significantly larger than micro influencer's, meaning that a close-knit interactive relationship with the community is hard to achieve, preventing a high engagement rate. The audience reach also affects the costs, classing macro influencers as cost intensive. Mega influencers capture a large audience on social media, making it practically impossible to engage with followers on a personal level. Due to the lack of closeness and unattainability, statements are often received as not trustworthy or credible. Similar to macro influencers, mega influencers are intensive in terms of costs. Both macro and mega influencers are generally viewed as highly professional.⁹² Pricing models and compensation of influencers is another crucial task, though it will not be touched upon to delimit the work.⁹³

Given as there is "[...] no off-the-shelf list of influencers [...]"⁹⁴, brands must find ways to acquire relevant influencers for their campaigns. For one, influencer selection can be performed directly by the advertiser through active search. Methods can include searching relevant hashtags on social media and reviewing

⁹² (cf. Freese, 2020a.)

⁹³ (cf. Malzer, 2020a.)

⁹⁴ (Brown, Hayes, 2015, pp. 9.)

search engines for keywords and relevant topics. At this point, quantitative (e.g., growth, engagement) as well as qualitative criteria (e.g., linguistic style, subject area, target group, quality of content) of influencers shall be examined. Alternatively, companies can acquire influencers through marketing tools, agencies or similar influencer networks.⁹⁵

4.3.3 Channel selection – social media typology

The internet offers a broad variety of different highly integrated social media platforms each aiming at a different target group.⁹⁶ An increase of smartphone availability has accelerated the emergence of new social media platforms.⁹⁷ Especially in the context of user-generated content, this presents brands with many opportunities to reach their selected customers in these new digital marketplaces. Selecting the channel where a brand's target group is most likely to be reached is therefore a crucial element of setting up a campaign.⁹⁸

Generally, various services and platforms can be classed as a type of social media. While there are different approaches of categorizing platforms, following clustering shall be presumed throughout this work.

- **Personal networks** serve the purpose of sharing personal content, mostly in the form of written text (e.g., Facebook).
- **Media-sharing platforms** present another way of sharing content, though information is most often text-based and visualized (e.g., Instagram).
- **Social publishing platforms** include blogs of all sorts, aimed at sharing contents of various lengths (e.g., Twitter).
- **Evaluation networks** are sites, aimed at giving recommendations and reviews on a variety of topics (e.g., Yelp).
- **Discussion forums** similarly serve the purpose of exchanging information regarding current or niche topics (e.g., Quora).

⁹⁵ (cf. Malzer, 2020a.)

⁹⁶ (cf. Lammenett, 2018, pp. 131.)

⁹⁷ (cf. Vangelov, 2019, pp. 73.)

⁹⁸ (cf. Martin et al., 2020, pp. 11.)

- **Bookmarking sites** can be described as visualized search engines, gathering content from various websites and compiling them in one site (e.g., Pinterest).
- **Interest-based networks** are platforms aiming to create communities with shared interests (e.g., Last.fm for music enthusiasts).⁹⁹
- **Professional networks** address professional topics (e.g., LinkedIn).
- **Messenger services** are used to exchange private conversations (e.g., WhatsApp).¹⁰⁰

Different social media platforms serve different purposes by offering different functions. On the one hand, certain networks are mostly based around written content. For instance, recommendations on evaluation sites, a written blog post or a post on a personal networking site such as Facebook or LinkedIn fall under that category. On the other hand, applications such as Instagram and other media-sharing platforms are focused on visualized content. These typically include functions to create and share content through text, images or video formats.¹⁰¹ There are different functions within those social media platforms that enable content creation. One way of sharing content is livestreaming, which can either be done through designated sites such as Twitch or through functions of on-demand platforms.¹⁰² Depending on the objectives, a certain type of social media platform is relevant to a brand wanting to market in the digital space.

4.3.3.1 Social media usage in Germany

In order to derive which platforms are the most relevant for an influencer marketing campaign, it is crucial to review the user behaviour on different applications. On the topic of social media usage, ARD/ZDF research commission carried out a representative study to analyse the online behaviour of the German population from the age of 14. Looking at the figures of 2020, it becomes clear that WhatsApp ranks as the most frequently used platform among social media, with 78% of surveyed responding positively to using the app at least once a week.

⁹⁹ (cf. Sackmann, 2016.)

¹⁰⁰ (cf. Kunst, 2020.)

¹⁰¹ (cf. Sackmann, 2016.)

¹⁰² (cf. Freese, 2020a.)

Runner up to WhatsApp is Facebook, with 26% of the respondents utilizing it at least weekly. Comparing this figure with data collected in 2018, a distinctive downwards trend of namely 16.1% can be observed. On the opposite side, Instagram has experienced positive growth of 33.3% since 2018, with a total of 20% of the surveyed stating they use the app minimum once a week. Out of the questioned group, even 15% specified using Instagram every day.¹⁰³ The usage of YouTube in Germany also presents a strong result, with 43% of respondents opting for the service at least once a week. This finding is particularly important when linking it to the overall subject of the thesis, which is digital music. Results show that music ranks on first place amongst the top searched topics on YouTube. Namely 87% of all subjects apply this topic on the platform at least once per month. Within this study, YouTube is viewed as a video-streaming service rather than social media platform.¹⁰⁴ However, in the scope of this work, it is considered a social media platform of the media-sharing type. The newcomer app TikTok¹⁰⁵ has been tracking positive development compared to 2019, achieving a result of 3% in regard to minimum weekly usage in 2020.¹⁰⁶

4.3.3.2 Demographics on social media platforms

Applying the ARD/ZDF study from above, a rough overview into the demographic landscape of different social media platforms can be made. By examining above mentioned statistics in accordance with gender, a slight insignificant trend towards females using social media applications more regularly is to observe. In similar manner, when looking at the demographic age groups, the three platforms show a clear trend towards a certain generation. The responses of the surveyed 14 to 29-year-olds in regard to their social media usage clearly distinguish themselves from the rest. First observing the behaviour on Instagram, a vast share of 65% use it at least weekly, while a total of 53% engage on the app daily. Comparing this to the following age group of 30 to 49-year old's, where only 21% indicate they utilize the app at least once a week, the trend towards younger

¹⁰³ (cf. Beisch, 2020, pp. 467.)

¹⁰⁴ (cf. ARD/ZDF-Forschungskommission, 2020, pp. 8.)

¹⁰⁵ (cf. Martin et al., 2020, pp. 49.)

¹⁰⁶ (cf. Beisch, 2020, pp. 467.)

generations becomes evident. Similar demographics can be observed on Facebook, with 44% of 14 to 29-year old's giving positive response to a regular usage compared to 34% of the 30 to 49-year-old respondents. Comparatively, TikTok presents are distinctively younger audience.¹⁰⁷ YouTube is similarly highly popular among 14 to 29-year old's, coming to a total of 81% of subjects using it at least weekly. Over half of subjects between the ages of 39 and 49 show interest, while older age groups indicate combined weekly usage of 39%.¹⁰⁸ It is important to be mindful of the fact, that these figures display representative results.

4.3.4 Format selection – typology of cooperation

In the context of mediating a message to an audience, another element of building a strategy is the communication format or cooperation type. There are numerous types of influencer collaborations with brands. The following formats are most commonly known and applied in the influencer marketing field:

- **Giveaways, contests and event activations** are a way to stimulate engagement, by providing the audience a chance to receive something for free.
- **Social media takeovers** describe when an influencer produces content on someone else's profile.
- **Affiliate marketing** serves the purpose of promoting a product or service and redirecting the users to the brand's website.
- **Sponsored posts and blogs** are compensated pieces of content showcasing a brand or product.
- **Gifts, unboxing and reviews** include products or services being provided to influencers for free, in the hopes of receiving organic unpaid for promotion (e.g., in form of reviews).
- **Guest blogs** describe sharing blog content on other blogging websites.
- **Brand ambassador programs** are long-term forms of collaboration, usually including several types of promotional formats.

¹⁰⁷ (cf. Beisch, 2020, pp. 467.)

¹⁰⁸ (cf. Koch, Beisch, 2020, pp. 487.)

- **Pre-release campaigns** aim at creating curiosity for new offerings by giving influencers exclusive pre-release insight.¹⁰⁹
- **Discount codes** can be viewed as a call-to-action for conversion, enabling a brand to measure an influencers direct effect on sales.
- **Tutorials** are utilized to demonstrate the application of a product or service
- **Stories** refer to short video formats demonstrating a brand's offer, often using one of the abovementioned tools; a characteristic of story content is that they are usually available for a limited amount of time (24 hours).
- **Video formats** such as IGTV or YouTube are longer pieces of video content, again showcasing a brand using one of the abovementioned cooperation types.
- **Live events** can be used to give an influencer insight into the brand, while sharing it with their audience.¹¹⁰

On this basis, brands need to ascertain which features a platform enables and which format tools are most suitable to fulfil the campaign's objectives. Another factor which needs to be taken into account is the duration of cooperation. Both one-off promotions and long-term partnerships, often referred to as brand ambassador programs, are possible. This decision is highly depended on the allocated budget.¹¹¹ Examining this aspect in view of this work's focal point, the music market, it becomes clear that these measures also need to be adjusted to the market characteristics. Seeing as audio content has experienced a shift from being a product to a digital service, this fact needs to be taken into account during the process of format selection.

4.4 Promotional labelling of influencer cooperation

Lawful regulations regarding the labelling of advertisement are recorded in the Interstate Treaty on Broadcasting and Telemedia (RstV). This legislation states in Article 58, Section 1 that "[A]dvertising shall be clearly recognizable as such and shall be distinctively separate from the other parts of the offers provided."¹¹²

¹⁰⁹ (cf. Engaio Digital, © 2020c.)

¹¹⁰ (cf. Freese, 2020a.)

¹¹¹ (cf. Mediakix, 2021.)

¹¹² (die medienanstalten, 2019, pp. 52.)

Cooperation of any sort must be marked as advertisement for various reasons. Firstly, it aims to prevent misunderstandings, safeguard the freedom of speech and media and most importantly ensure transparency.¹¹³ This consequently has an effect on an influencer's authenticity and credibility.¹¹⁴ Lack of transparency can also lead to doubt, which is aimed to be avoided. Moreover, orderly promotional labelling does not only have an effect on the credibility of an influencer, but also reflects on the brand itself and its reputation.¹¹⁵

4.5 Perception of influencers and promotion on social media

In regard to influencer marketing, it is relevant to observe just how present influencers are to users on social media and how promotional content is received. A survey carried out by the *German Association for the Digital Economy* on the topic of digital trends examined these very factors in 2019. Out of the 1,051 respondents, 13% claimed to come in contact with influencers multiples times per day. At this point, it is important to note that these figures include intentional and unintentional contact. Another 13% stated daily encounters on social media, whereas 10% saw influencers multiple times a week on their feed.¹¹⁶ Breaking it down into age groups, a distinct gap between the number of encounters of 16 to 24-year-olds to other generations can be observed. With 44% seeing influencer content multiple times per day and 88% at least once a week, this age group has most encounters with influencers. To put it in perspective, a total of 63% of the 25 to 34-year-old participants of the survey stated to have come across an influencer once per week or more. 35 to 44-year-olds rarely accumulate to 34% regarding this matter.¹¹⁷

The attitude towards influencer's promotional content is varied. 22% of the questioned individuals expressed a negative perception of influencer promotions, whereas 32% voiced to not have a problem with it.¹¹⁸ Moreover, 40% of the surveyed subjects claimed to be unbothered by advertisement, if it is marked as

¹¹³ (cf. Kreißig, 2020, pp.1.)

¹¹⁴ (cf. Borchers, 2019.)

¹¹⁵ (cf. Brown, Hayes, 2015, pp. 166.)

¹¹⁶ (cf. BVDW, 2019, pp.3.)

¹¹⁷ (cf. BVDW, 2019, pp.5ff.)

¹¹⁸ (cf. BVDW, 2019, pp.14.)

such. This transparency correlates with the users' acceptance towards said influencers and their credibility.¹¹⁹ Especially among the age group of 16 to 34-year-olds, the attitude towards the topic is balanced with over half of the subjects accepting promotions as long they are marked. 27% stated to not mind at all whereas only 14% gave negative feedback.¹²⁰ Though there are other factors affecting the attitude towards cooperation between brands and influencers, this subject will not be elaborated further.

4.6 Influencers effects on users' purchasing decisions

Same study as consulted above monitored the effects influencer promotions have on the buying behaviour of social media users. The results revealed that 19% of all subjects stated their purchasing decisions have been influenced by opinion-makers in the past. When observing the allocation of age groups, a clear trend towards 16 to 24-year-olds is noticeable, with a total of 43% answering in affirmation. This figure decreases with increasing age. Combined, 36.5% of the 16 to 34-year-old participants have successfully been stirred towards a certain brand or product.¹²¹

Additionally, correlations between the regularity of contact with influencers and their impact on buying behaviour have been detected. In further steps, the survey selected the share of people who, in earlier questions, stated they come across influencers on social media at least once a week. These subjects were then reviewed in accordance with the previous question, whether they have been inspired by influencers to purchase a certain product. A total of 43% of the selected group affirmed. Compared to the overall survey result of 19%, this translates to growth of 126%. Similarly, looking at the statistics with regard to age groups, the positive responses are amplified. The subject group of 16 to 34-year-olds now accumulates to 46.5%, translating to an increase of 27.4% in success rate compared to the overall study group.¹²² Thus, these findings prove that

¹¹⁹ (cf. Borchers, 2019.)

¹²⁰ (cf. BVDW, 2019, pp.17.)

¹²¹ (cf. BVDW, 2019, pp.8ff.)

¹²² (cf. BVDW, 2019, pp.11ff.)

higher interaction rates between social media users and influencers positively reflect on the effect of influencer's promotional activities on buying behaviour.

4.7 Parasocial relationships and influencer credibility

On the topic of influencers, a noteworthy aspect is the psychological viewing point regarding the subject. Humans as part of a social system have a longing to belong and be part of a group.¹²³ Influencers often fulfil the role of a trustworthy source of information, acquaintance or even friend. With a “[...] desire to follow influencers for guidance on social expectations and self-assurance [...]”¹²⁴, interpersonal relationships can develop. By openly sharing private and often fairly intimate emotions with their viewers, influencers set ground for so-called self-disclosure. In many cases, this leads the audience to believe in a personal connection or friendship, which can be referred to as parasocial relationships. As a result of the perceived closeness, higher engagement rates and level of authenticity¹²⁵ and credibility of statements can be achieved.¹²⁶ Reviewing this from a marketing perspective, by acknowledging these parasocial relationships, this dependency can be utilized to one's advantage. Correlations between credibility and parasocial interactions in regard to purchasing intentions of users have been observed.¹²⁷ Therefore, by assessing an influencers credibility amongst their following, brands have the opportunity to build customer loyalty through those parasocial relations and stimulating consumer behaviour.¹²⁸

4.8 Criticism towards influencer marketing

When it comes to influencer activities, most criticism falls back to lack of authenticity and transparency. In a space where followers and interactions can be manipulated and staged, brands have difficulties deciding which influencers are suitable for their marketing campaigns. More importantly, same issue goes for regular social media users who lose trust in those opinion-makers, which can

¹²³ (cf. Hoos, 2019.)

¹²⁴ (Hoos, 2019.)

¹²⁵ (cf. Freese, 2020b.)

¹²⁶ (cf. Hoos, 2019.)

¹²⁷ (cf. Sokolova, Kefi, 2020, pp. 7.)

¹²⁸ (cf. Freese, 2020b.)

negatively reflect on the credibility and consequently can lead a campaign to fail.¹²⁹ Another point of critique is often the personal interest of an influencer in the promoted brand or product. As trusted sources, influencers are expected to promote brands out of personal conviction. In this case, they are often accused of promoting a product solely for being money-driven.¹³⁰ Though this may be the case in certain instances, it leads to misconceptions of influencers.

5. Case Study – using influencer marketing to increase user numbers of Spotify Premium

The preceding chapters have set theoretical basis on the German music market and examined influencer marketing, focusing on the elements of developing a campaign strategy. In the scope of this work, an empirical study on the topic of using influencer marketing as a tool for audio streaming platforms is carried out. The freemium streaming platform Spotify was used as a referencing example, in order to derive conclusions for setting up an influencer marketing campaign to increase user numbers of the premium audio streaming service. The findings of said quantitative research shall be evaluated, presented and interpreted for further implementation, to consolidate theoretical hypothesis with factual proof. The subject of said case study, namely Spotify, shall be elaborated in the following chapter to provide the reader a general understanding of the service.

5.1 Case study: Spotify

One major streaming platform which was established in the course of the digital revolution and has since become one of the dominant players in the German music market is Spotify.¹³¹ Spotify Technology S.A. first launched its service in 2008¹³² and was later introduced to the German market in 2012.¹³³ As of most recently published data, Spotify serves a grand total of 320 million monthly active users throughout 92 different markets around the globe. Roughly 45% of the platform's clientele is made up of paying subscribers. The service's portfolio

¹²⁹ (cf. Lamennett, 2018, pp. 91.)

¹³⁰ (cf. Keller, Swaminathan, 2020, pp.319.)

¹³¹ (cf. ARD/ZDF-Forschungskommission, 2020, pp.11.)

¹³² (cf. Spotify AB, © 2021a.)

¹³³ (cf. Domenichini, 2020, pp. 57.)

consists of over 60 million tracks and more than 4 billion playlists. Spotify has also grown its variety of podcast offers to over 1.9 million titles,¹³⁴ including platform exclusive content.¹³⁵ There are no public reports stating how much each individual market contributes to the overall performance, which is why precise insight into Spotify's performance in the German market will stay disclosed.

5.1.1 Spotify's Freemium business model

The audio streaming provider operates on a so-called freemium business model.¹³⁶ The term *freemium* is a neologism combining the two words *free* and *premium*, describing a company which offers both free and chargeable services. Businesses pursuing this model aim to attract consumers with free content and profit by providing premium service to paying customers.¹³⁷ Transmitting this to Spotify, the platform ensures their revenue stream by incorporating advertising for users using the platform for free. The premium ad-free content on the other hand is accessible for subscribers of the chargeable service and is financed through said monthly fees instead of advertisement. At this point it is important to keep the process and occurring costs of licensing in mind.¹³⁸

Free of charge subscription tariff – Spotify Free

One component of Spotify's freemium business model is the free of charge tariff, Spotify Free. This option contains access to the vast audio library of music as well as podcasts and audiobooks, though not providing the best audio quality possible. Similarly, the access is partially limited, as only select playlists allow the user to play songs directly on-demand. Another limitation of this tariff is the fact that the content cannot be used offline but enquires continuous connection to the internet. In order to enable this portfolio of diverse content, this offer is ad-supported.¹³⁹

¹³⁴ (cf. Spotify AB, © 2021a.)

¹³⁵ (cf. Spotify AB, © 2020a.)

¹³⁶ (cf. Voigt et al., 2017, pp. 144.)

¹³⁷ (cf. Kollmann, 2018.)

¹³⁸ (cf. Desai, 2019.)

¹³⁹ (cf. Spotify AB, © 2021b.)

Chargeable subscription tariffs – Spotify Premium

Additionally, the streaming platform provides the Spotify Premium subscription plan, which can be accessed through a monthly fee of 9.99 euros.¹⁴⁰ Besides the contents and services of the free offer, the arguably most appealing advantage of this option is firstly the elimination of advertisement. Secondly, the unrestricted availability of music, which is limited to an extent to Free-tier subscribers, poses a benefit for consumers. Another added value of the premium plan is the ability to use the service offline as well as insurance of highest music quality. Before being charged, customers of all premium subscriptions are given the opportunity to try the premium service for free.

Apart from the general premium plan, Spotify offers three additional subscription tariffs. First of which is Premium Student, a 50% discounted version of the premium service for students. Another tariff is the multi-user plan Premium Family.¹⁴¹ This subscription is also a saver tariff priced at 14.99 euros, allowing the creation of six individual premium profiles, which can be shared by family households. An additional benefit of this plan is the possibility to disable inappropriate content as well as the option to download a separate Spotify Kids app, ensuring family friendly usage.¹⁴² Similarly, the business launched a new subscription plan in July 2020 called Spotify Premium Duo.¹⁴³ For a price of 12.99 euros, it is eligible to be shared by couples living in the same household who wish to make use of the premium features. Another added value both sharing tariffs offer are personalized playlists, which aim to combine the preferred music of all accounts and generate a selection of songs liked by all parties.¹⁴⁴ The topic of personalizing content will become more relevant further on in the thesis.

¹⁴⁰ (cf. Spotify AB, © 2021c.)

¹⁴¹ (cf. Spotify AB, © 2021b.)

¹⁴² (cf. Spotify AB, © 2021c.)

¹⁴³ (cf. Spotify AB, © 2020b.)

¹⁴⁴ (cf. Spotify AB, © 2021c.)

5.1.2 Revenue stream – Spotify

Since its first launch, Spotify managed to achieve exponential growth globally and establish a stable position in the market. This upwards trend is clearly visible in the constant progression of recorded turnover. In 2013, the achieved figures amounted to 746 million euros globally.¹⁴⁵ By 2019, the music streaming service achieved a total of 6,764 million euros. This comparison distinctly shows the revenue increase as well as overall company growth.¹⁴⁶

Recalling the freemium business model, the company's revenue stream runs on advertisement on the one hand, and premium subscription fees on the other. Vaguely 90% of said financials are being generated by premium content users, whereas the remaining 10% are made through ad-supported content.¹⁴⁷ To verify the reliability of this statement, the author observed the total revenue made through the premium plan and ad-supported plan during the third quarter of 2020. In relation to the total revenue of 1,975 million euros generated during this period, earning from the premium plan accounted for 1,790 million euros.¹⁴⁸ This comes to 90.63% of revenue being achieved through premium subscriptions. Consequently, the 185 million euros generated through advertisement featured in the free service account for 9.37%, thus proving the rough estimate above.¹⁴⁹

5.1.3 Spotify's past social media campaigns

To aid the author in developing an innovative exemplary influencer marketing strategy for Spotify's premium service, past digital marketing activities shall be assessed in the frame of this work. Upon researching Spotify's press kit, two designated publications indicating social media promotions in the German market have been found.

A noteworthy initiative is Spotify's annual project called Spotify Wrapped. In the scope of this global project, users of the streaming service receive a personalized year-end recap of their listening habits as well as a number of playlists generated

¹⁴⁵ (cf. Poleshova, 2020b.)

¹⁴⁶ (cf. Spotify Technology, 2020a, pp.8.)

¹⁴⁷ (cf. Voigt et al., 2017, pp. 149.)

¹⁴⁸ (cf. Spotify Technology, 2020b, pp. 1.)

¹⁴⁹ (cf. Spotify Technology, 2020b, pp. 1.)

to one's personal preferences.¹⁵⁰ At the end, users are given the opportunity to share their visualized statistics through social media such as Instagram, creating a lot of organic exposure for the campaign.¹⁵¹ To put it in perspective, in 2019, over 1.2 million posts were made on Twitter about the project, providing the streaming service with global exposure.¹⁵² One could argue that every person partaking in this project by sharing their Spotify Wrapped on their social media profiles effectively acts as an influencer. Similarly, creators such as artists and podcasters can share their statistical recap, also functioning in the role of an influencer.¹⁵³ With this project in mind, both digital and traditional marketing efforts (e.g., billboards) have been put into place as part of Spotify's German leg of the campaign. Alongside communicating the campaign on various social media platforms such as Twitter, Instagram, Facebook and others, additional elements have been developed in 2020. Namely, special formats include a TikTok hashtag challenge, custom filters on Snapchat and Instagram as well as short promotional content on YouTube. Most importantly, the campaign reports utilizing select influencers to communicate the Spotify Wrapped campaign.¹⁵⁴

Another designated marketing campaign for the German market was carried out in October 2020, focusing on Spotify's Premium Family tariff. This was done with the help of one media and one creative agency. For this purpose, a 20 second advertisement was created to be shown on Disney Channel, hereby targeting families directly. Additionally, short videos have been prepared to be integrated on social media and other channels. Despite displaying the videos and other digital motives, influencer marketing appears to not have been used in the scope of this campaign.¹⁵⁵

Additionally, information has been found on Spotify developing a marketing campaign aimed at promoting an original podcast in 2019. With support from external partners, the campaign aimed at using different social media assets to

¹⁵⁰ (cf. Spotify AB, © 2020c.)

¹⁵¹ (cf. Spotify AB, © 2020d.)

¹⁵² (cf. Zhang, 2020.)

¹⁵³ (cf. Spotify AB, © 2020c.)

¹⁵⁴ (cf. Spotify Media, 2020a.)

¹⁵⁵ (cf. Spotify Media, 2020b.)

create interest in the upcoming audio show. The promotion was reported to include cooperation with influencers, though the extent remains unknown.¹⁵⁶ Furthermore, Spotify has been recorded working on a digital and outdoor campaign based around playlists with the same creative agency in the past. Apart from having elements of the campaign run on social media, no further information about the integration of influencers has been found regarding this case.¹⁵⁷ Same applies to another case of Spotify working with a German media agency incorporating social media in select elements of a campaign, seemingly disregarding influencer marketing as a tool.¹⁵⁸

It is to note that not all of Spotify's social media and influencer marketing activities were captured in this chapter. Due to lack of reported and proven initiatives, the author only presents a selection of publicly communicated campaigns. Based on the findings that Spotify has utilized influencer marketing to a small extent, the author seeks the opportunity to create a designated influencer marketing campaign.

5.2 Conducting the empirical study

The following paragraphs serve the purpose of presenting the conduction of the empirical study. This includes clarifying the objectives as well as presenting the hypotheses and how the author aims to consolidate them. Furthermore, the reader will be informed about the methodology applied in this primary research.

5.2.1 Objectives and hypotheses

The research was conducted following clear objectives. On the one side, the empirical study shall aid the author in the process of setting up the different elements of an influencer marketing campaign. On the other hand, hypotheses made by the author regarding the subject shall be proven within this survey.

¹⁵⁶ (cf. Schwegler, 2019a.)

¹⁵⁷ (cf. Schwegler, 2019b.)

¹⁵⁸ (cf. Universal McCann, 2018.)

Elements of setting up an influencer marketing campaign

Previous chapters have established the different elements of setting up an influencer marketing campaign. The survey questions are aimed at gathering information on defining a target group, identifying relevant influencers as well as the most relevant communication channel. Lastly, a recommendation regarding promotional formats in regard to influencer marketing shall be made based on the findings.

Defining a target group on the basis of subject's profiles and consumption

Defining a target group is a crucial aspect of an efficient marketing strategy, therefore adjusting this campaign to target the right subjects is a definite focus of this work. To support this task, subject's profiles as well as consumption behaviour shall be examined and clarified. Following questions have been included to serve this purpose:

- How old are you?
- Which gender do you most identify with?
- How willing are you to pay for music content? (This includes all formats such as physical mediums (e.g., CDs), streaming subscriptions, digital downloads, etc.)
- Generally, how do you feel about cooperation between brands and influencers?
- Have you ever considered a brand or made a specific purchase based on recommendations of an influencer?
- How often do you consume music and other audio contents?
- Do you use streaming services to listen to music? If so, which platform do you use?
- How often do you use social media platforms?
- How often do you come across influencers on social media? Please consider intentional and unintentional encounters.

Influencer identification and channel selection

Another element of building an influencer marketing is the identification of a suitable influencer, as established in previous parts of this bachelor's thesis. Moreover, the allocation of the most relevant communication channel serves an important role which needs to be considered in the strategic planning process. The subsequent questions have been incorporated in order to support the influencer identification as well as the communication channel allocation:

- Which social media platform do you use most often?
- What type of influencers do you mainly follow?
- On which social media platform are you most likely to engage with influencers?
- Would you say, you are more likely to engage and interact with contents of "*smaller influencers*"?
- Do you think an influencer's number of followers has an impact on the credibility and trustworthiness of their recommendations and statements?
- Would you agree that you trust recommendations and statements made by "*smaller influencers*" more than the ones of "*bigger*" mainstream influencers?

Promotional format and engagement

The next element is to establish which format shall be used in the scope of this influencer promotion. The following questions were chosen by the author with the aim of narrowing down, which promotional formats are most suitable to ensure a successful implementation of this exemplary influencer marketing strategy:

- Do you engage with influencers on social media? If so, in which ways do you interact?
- What are you looking for when it comes to influencer promotions?
- Would you say, you are more likely to interact with influencer content when being presented a chance to receive added value? (e.g., discounts, giveaways, etc.)

- How likely are you to consider opting for a free trial month of Spotify Premium, if an influencer informed you about all possible subscription tariffs and benefits of the Premium service?
- How likely are you to engage with influencer contents about Spotify, if you were presented the chance to receive added value? (e.g., temporary free access or a discount for Spotify Premium)
- Assuming you have been given temporary free access to Spotify Premium and you end up being satisfied with the service. How likely are you to consider choosing the best-fitting tariff for you and subscribing to the premium service?

Case Spotify: Brand awareness

This thesis is built on the bases of using Spotify as an exemplary case for developing an influencer marketing strategy, with the aim of increasing user numbers of premium music-streaming services. For this reason, several questions regarding the consumption and brand awareness of Spotify have been incorporated in the survey. The author aims at laying down proof for a practice-oriented influencer marketing campaign by applying the following questions to this case example of Spotify Premium:

- Which Spotify plan are you currently subscribed to?
- Spotify offers 5 different subscription tariffs at different prices: Spotify Free, Spotify Premium, Spotify Student, Spotify Family and Spotify Duo. Are you fully informed about all 5 tariffs and the advantages of Spotify?
- Have you been informed about Spotify's 5 subscription tariffs and advantages by an influencer cooperation?

Hypotheses

Due to the fact that the aim of the primary research is to filter information and findings for developing the campaign, the author developed three hypotheses.

- **Micro influencers are better perceived and more trusted amongst users, achieving higher engagement.**

This hypothesis was established with the aim of consolidating it with findings and interpretations of the survey results. It shall ultimately help lead to the conclusion that micro influencers are a valuable asset to Spotify in the scope of this campaign.

- **On the basis of raising awareness by providing users with information, engagement can be stimulated through various formats presenting added value.**

The author believes that purely informing subjects does not achieve the same campaign results as when presenting added value in form of receiving something for free or discounted. For this reason, users demand regarding influencer content and their perception of these matters shall be assessed to gain insight.

- **Subjects need to be convinced to try a product or service to then be persuaded by the quality and performance.**

With the subscription plans of Spotify in mind, the author wants to discover the subject's willingness to seize the chance to try the premium service for free, allowing themselves to be acquired as subscribers through service performance.

5.2.2 Methodology

This chapter serves the purpose of depicting the structural aspects of the author's primary research. It includes factors such as the applied survey tool, the various ways the questionnaire was delivered to the participants as well as elaborating on the structure of the questions. Moreover, it aims to outline the subsequent handling of the data.

Structural properties and distribution

The author conducted the empirical study by utilizing a quantitative survey, which was originally set up using a platform offered by the *Technische Hochschule Ingolstadt*, namely LimeSurvey. Not only are students granted full access to different tools within the platform, but it also acts as a great opportunity to distribute the questionnaire amongst potential participants.

The survey was activated on the 1st of December 2020, set to expire on the 15th of December 2020. To facilitate distribution and aid the participation rate, the

university provides a service which allows students to share their surveys with all registered students via email. In addition, the questionnaire was distributed amongst private contacts of various age groups, asked to be forwarded to further participants as well as shared on social media.

Overall, the base language of the questionnaire is German, though the content has been translated into English for the purpose of this bachelor thesis. As the research focuses on the German market, it was necessary to have figures and findings represent the current climate in the domestic music market. Consequently, the target group of this empirical study are German speaking subjects, hence why the author carried out the survey in this language.

The scope of the survey contained 24 questions, with all except one being multiple choice. This approach was chosen to facilitate the respondent's understanding of the questions as well as aiding the author in the latter evaluation of the data. After determining the participant's demographic information, the author aims to illustrate the music consumption as well as their activity on social media platforms. Further questions deal with establishing how the participants perceive influencers on social media. Based on these factors, interrelations between the questions are made. As the topics of the questions are connected in most phases of the survey, a topical delimitation into multiple stages of the survey was not necessary. Instead, the author chose to keep the questions a unity, in order to make the content appear cohesive.

Data Handling

After successful distribution and expiration of the survey, a total of 264 participations have been recorded. Out of these, 209 completed the questionnaire to their fullest potential, whereas the remaining 55 exited the study before completion. This includes subjects who have accessed the survey without partaking in the survey, alongside the ones who have exited the questionnaire after completing it partially. Some questions have been partially answered by the subject group, leading to various questions having a different reference value. However, this will be made apparent in the presentation of the results. Though certain data has been collected previously through secondary research, it was

necessary to include certain questions in this primary research, in order to derive interrelated findings.

For further evaluation of the sampled responses, the raw data was extracted from the LimeSurvey platform in excel format, where it was then organized. Invalid data was eliminated and the values converted in percentages to be able to translate the findings to representative figures. Certain matters have been examined and presented in the theoretical basis of this thesis and shall be held accountable for future references. For this reason, results of select questions will not be presented in their full form, as the data gathered during the secondary research is more representative and can be applied to the German population. Nonetheless, said questions of the survey are of importance as they allow the author to discover relations between answers. The relevancy of each question to the cause of substantiating the hypotheses will be made apparent throughout the following paragraph. All data gathered in the course of the survey shall be exploited to the fullest potential and interpreted from different perspectives.

5.2.3 Presentation of the results

In order to substantiate the hypotheses and derive relevant findings for setting up an influencer marketing campaign for Spotify's premium service, the following chapter serves the purpose of presenting the results of the primary research. The orderly structure will be showcased as carried out in the survey. Select data shall be underpinned visually in form of diagrams to enable a better understanding of the findings, while the remaining tables are located in the appendix.

The first two questions of the study review the age and gender of the subjects, to give the author an overview of the respondents' profiles. Of 199 valid responses, an allocation of the subjects into three age groups is made. 12 to-19-year olds represent 14.1% of the total responses. Participants between the ages of 20 and 29 form the majority, accounting for 81.4% of subjects. The remaining 4.52% have been condensed into one age group classed as 30 years and above, with the oldest subjects to complete the survey being 58 years old.

The distribution of subjects into the two biological genders appears to be rather balanced.

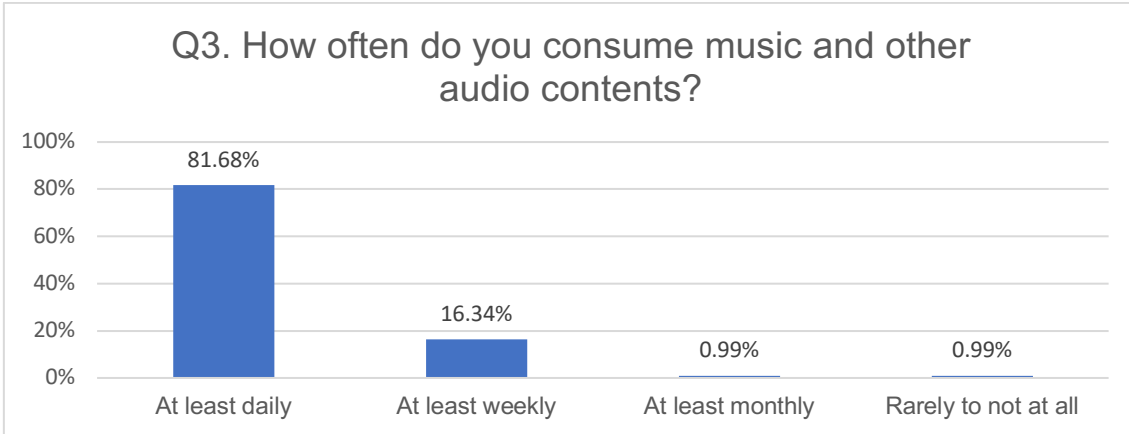


Figure 1: Subject's music consumption

The next question was designed to demonstrate the music consumption of the participants, in order to establish the relevancy of this topic to the subject group. Ultimately, of the 202 respondents, 81.68% claim to consume music and other audio contents at least daily, and another 16.34% at least weekly. The remaining responses distribute evenly among users who consume such contents at least monthly or rarely to not at all. Regardless of this finding, the responses of these participants will be taken into account throughout the course of the survey, as they may still prove to be relevant in regard to other objectives of this research.

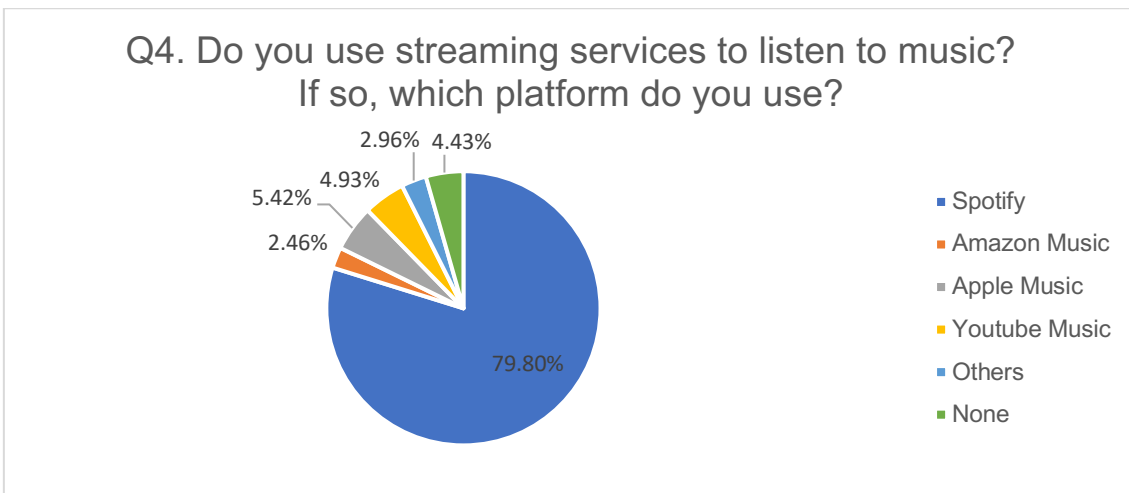


Figure 2: Distribution of users across streaming platforms

To gain a better understanding of the distribution of users across different streaming platforms, especially in regard to non-Spotify users, the participants are asked to state which streaming service they use when consuming music. In total, the 203 results translate to 79.80% using Spotify to stream music, while

15.77% of users are acquired by competitors. In oppose to the 95.57% of participants stating to use any of the listed or other streaming service, 4.43% do not consume music through streaming services at all.

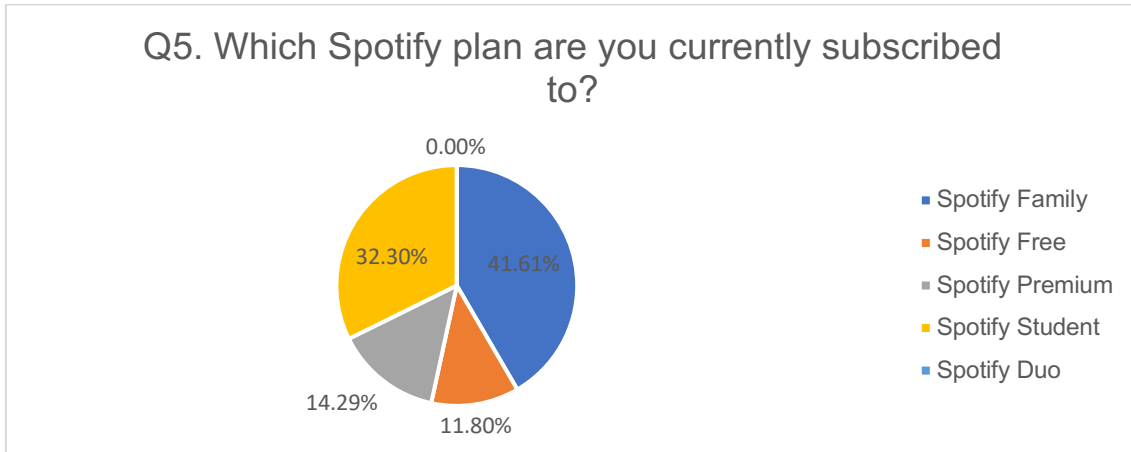


Figure 3: Distribution of users across Spotify's tariffs

Filtered from the previous stage of the study, subjects who stated to use Spotify are led to a conditional question asking to specify which tariff they are subscribed to. A total of 99.38% subjects specified in the following question which plan they are subscribed to. Spotify's freemium platform offers 4 different premium subscription plans to the service.¹⁵⁹ While 11.80% of the subject group use the free of charge service Spotify Free, the remaining 88.2% are subscribers of one of the chargeable tariffs. The proportional distribution of users across the different premium plans shows that Spotify Family and Spotify Student are the most popular amongst the premium subscription plans. Another important finding which has been made in the scope of this question is that none of the participants stated to be subscribed to Spotify's newest addition to the premium portfolio, Spotify Duo.

¹⁵⁹ (cf. Spotify AB, © 2021c.)

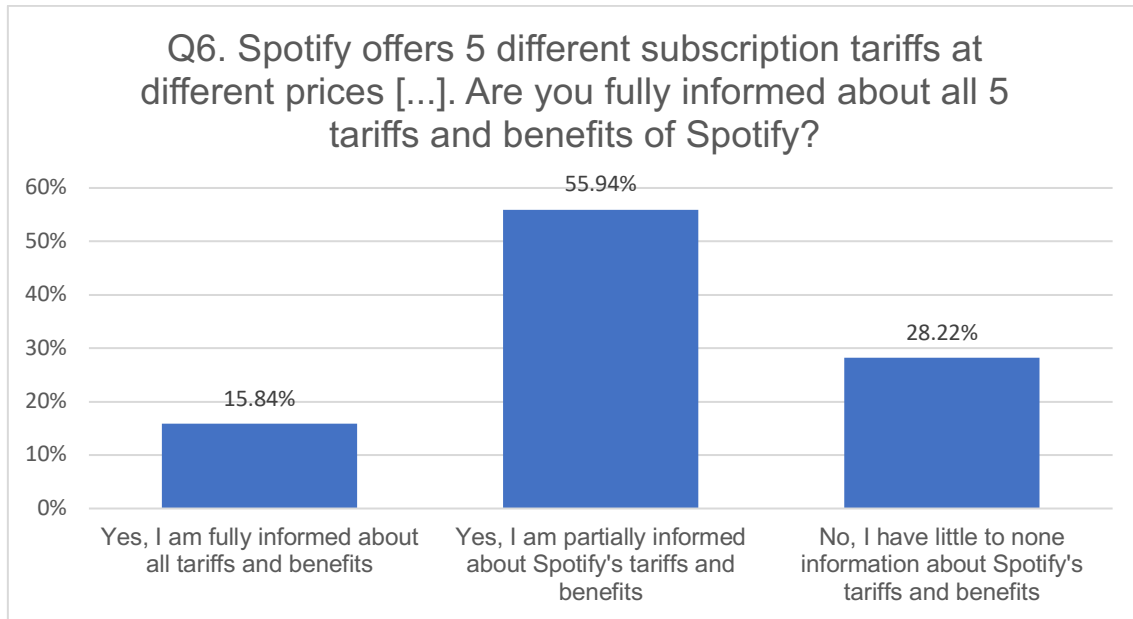


Figure 4: Awareness towards Spotify's tariffs and benefits

On the basis of implementing a strategy aimed at increasing user numbers of Spotify's premium plans, it is important to identify the subjects' awareness towards the brand's services. In this context, the participants were first informed about the 5 offered subscription plans, and then asked, whether they are fully informed about all tariffs and service benefits. Of the 202 respondents, only 15.84% claimed to be fully informed, while the majority (84.16%) are either partially or not at all informed. Most importantly, almost every third person knows little to no information about Spotify's tariffs and benefits. These findings present, that the awareness level of Spotify's services and benefits has yet potential to improve, affirming elements of the hypotheses.

The seventh question evaluates the subject's willingness to pay for music content. Data captured in the scope of this question did not appear to give as significant insight into the consumers of the German population as the representative data elaborated in *Chapter 3.2.4* and is not relevant for the further course of the evaluation. Therefore, the presentation of the results of this question shall not proceed.

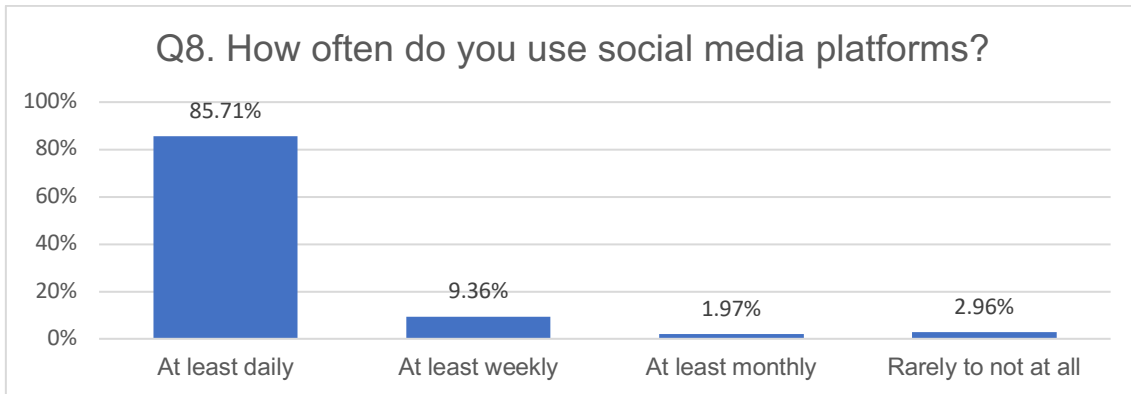


Figure 5: Subject's social media usage

With regard to fulfilling the objectives of this primary research, the participants were asked to describe their social media usage. The majority of the 203 respondents indicated using social media platforms at least daily (85.71%). The author conducted this question in hopes of achieving less homogenous, more significant results, to be able to relate the answers with further findings. Nonetheless, these figures serve as an indicator that social media is being used by the majority and is therefore a relevant marketing space.

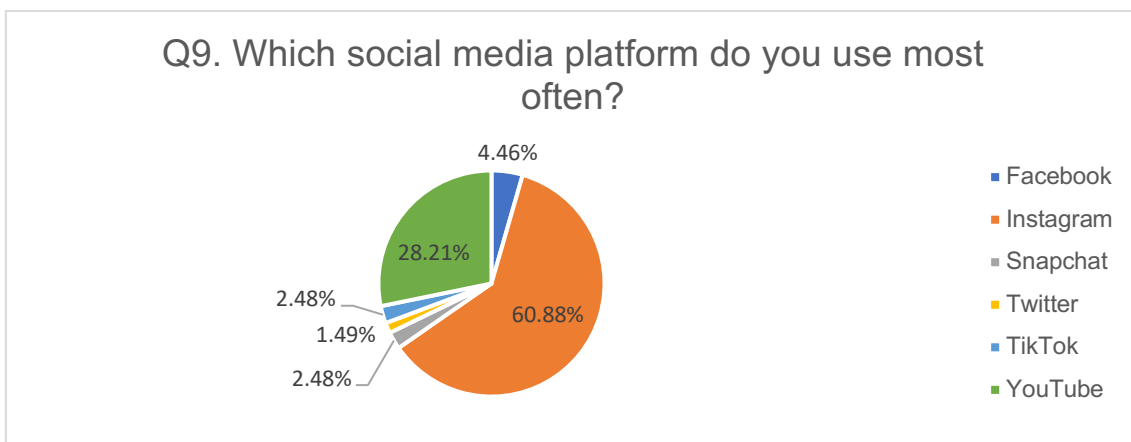


Figure 6: Preference in social media platform

In similar matter, the ninth question consisted of determining which social media platform is used most often amongst the listed options. With 60.88% of the 202 total responses indicating Instagram as the most used social media platform, this finding becomes relevant for the further course of this evaluation. The second most used platform is YouTube, acquiring 28.21%, while the other platforms accumulate to a combined audience of 10.91%. It is important to note that the participants were only given the option to choose one answer. Aim was to have figures represent a preference amongst the listed platforms.

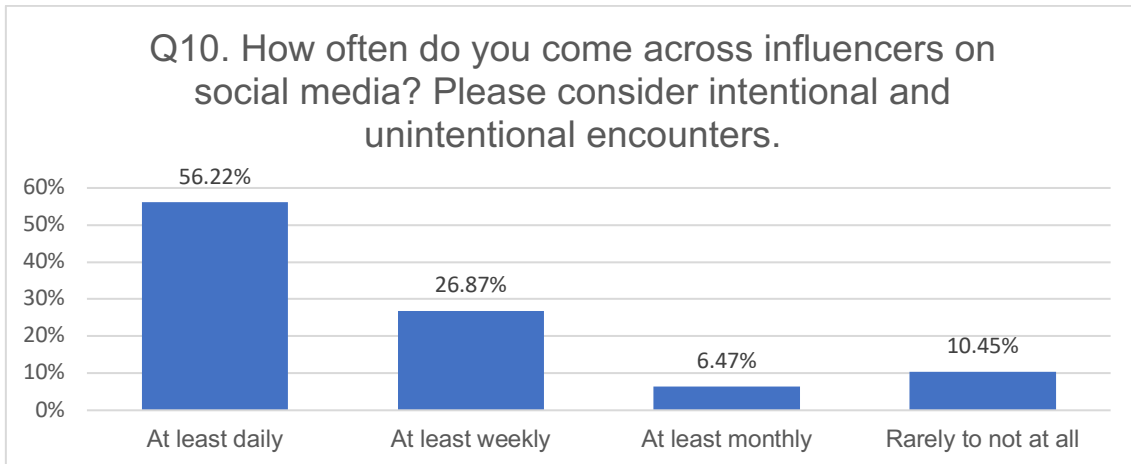


Figure 7: Subject's influencer perception

The core of this bachelor's thesis is influencer marketing; thus, it is of importance to review the visibility of influencers on the feed of social media users. For this reason, the next question aims at examining, how often the subjects encounter influencers on social media. By adding the information to consider intentional and unintentional encounters, the visibility can be determined more precisely. Over half of the 201 results, namely 56.22%, stated that encounters between influencers and social media users happen at least daily. Over a fourth of the participants come in contact with influencers at least weekly. This represents a visibility of 83.08% on at least a weekly basis, proving the potential audience reach this marketing tool holds. The remaining 16.92% indicate encounters at least monthly, rarely or none at all.

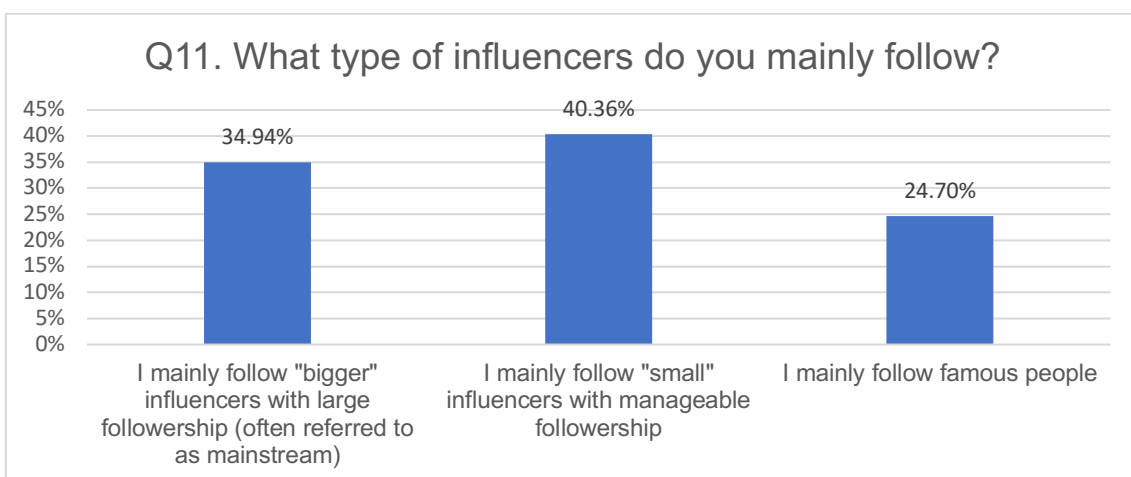


Figure 8: Preference in influencer types

For the purpose of aiding the process of selecting relevant influencers as mediators for a campaign, the surveyed have been asked which type of influencer they mainly follow. Out of the three given options, the majority have selected “*small*” influencers (40.36%), which are classed as nano and micro influencers in the scope of this thesis. The term “*small*” has been utilized in the questionnaire to facilitate the understanding of the question. The term “*bigger*” influencers or “*often referred to as mainstream*” is being used throughout the survey to represent macro and mega influencers. 34.94% of the 166 respondents claim to mainly follow said mega influencers. Roughly a fourth of the votes were received by famous people, so-called celebrities. Again, it is important to note that the participants were only given the option to choose one of the three answers, meaning the figures solely aim to represent a trend in preference. The subject group, who has responded to this question, is distinctively smaller compared to previous questions. This can be explained in relation to the previous question. Subjects who rarely use social media or encounter influencers are not able to make a valid statement on which type of influencer they mainly follow on social media.

Another aspect being taken under consideration is how cooperation between influencers and brands is being received by the audience. Similar to a previous question, the gathered data does not succeed at providing additional significant findings to the ones made in *Chapter 4.5*, which have proven to be more representative of the German population and therefore more relevant to this work.

The next question combines the element of influencer marketing with this work's case study, Spotify. In this context, the subjects have been asked whether they have been informed about Spotify's 5 subscription tariffs and benefits in the scope of an influencer promotion. The results reveal a valuable finding. Out of the 201 participants who have completed this question, a vast total of 98.01% indicate to not have been informed about Spotify's service fully by an influencer. This discovery shall be taken into consideration in the following chapter.

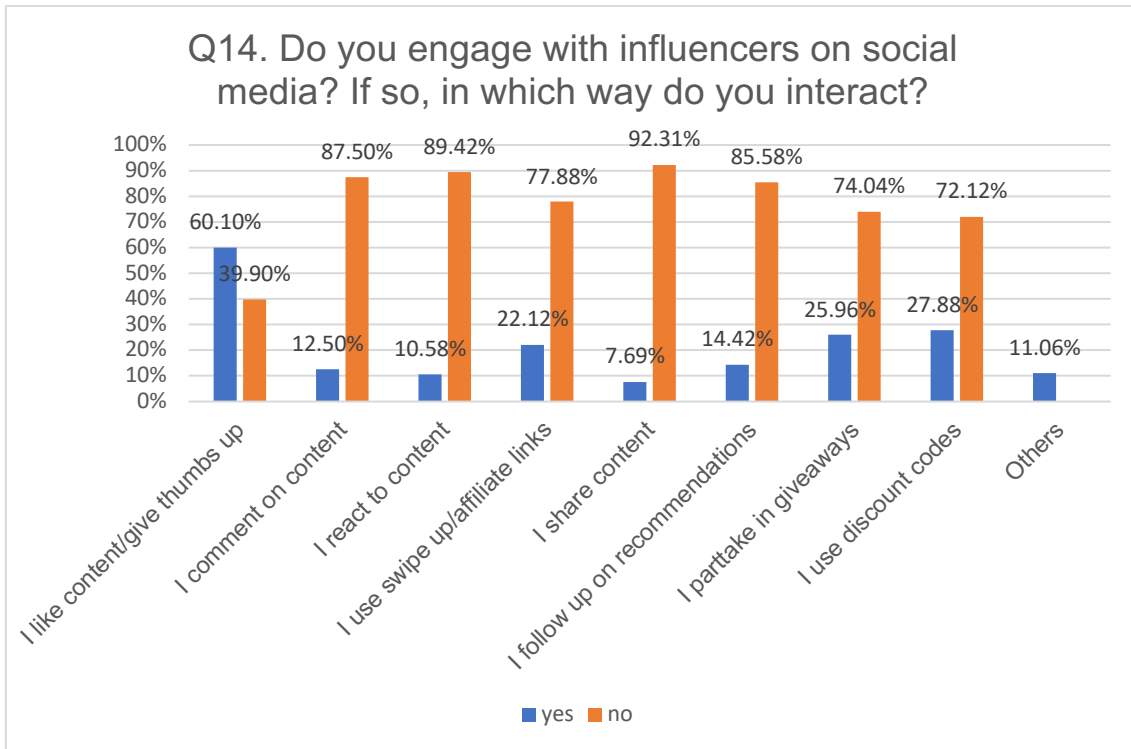


Figure 9: Interaction behaviour with influencers on social media

When examining the visibility of influencers, another important aspect to consider is the engagement between influencers and their followers. This insight can be useful when developing the campaign's promotional format. Thus, the participants were provided a list of options and asked to either affirm or deny the statement. The 208 valid results show that overall, the subjects tend to not engage with influencer contents more than they do. The interaction that managed to achieve a positive balance was *"liking content/giving it thumbs up"*, with 60.10% affirming they engage with influencers in this way. The second and third most mentioned interaction is the application of discount codes and participation in giveaways, with roughly a quarter of the surveyed confirming the statements. 22.12% stated to use swipe up/affiliate links, while the remaining types of interactions are less often mentioned. Moreover, the subjects were given the chance to submit further answers, among which no relevant aspects were named.

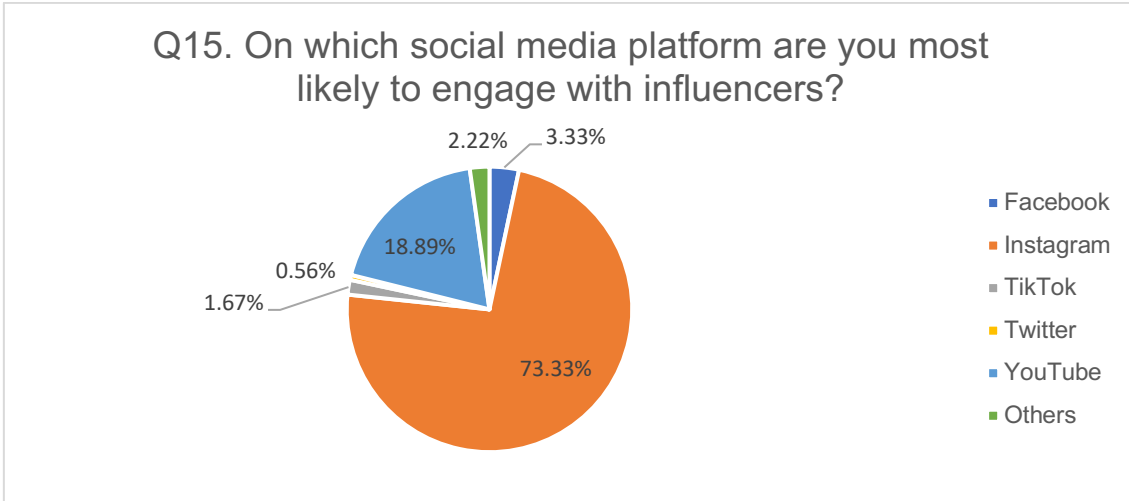


Figure 10: Social media platform likelihood of engagement

A previous question assessed which social media platform is preferred among the subject group. However, the preference in platform does not represent the likelihood of interaction with influencer contents fully. Inspecting this matter is a crucial factor for the latter course of this work. Out of the 180 respondents, a majority of 73.33% indicated they are most likely to engage with influencers on Instagram. To reference back to previous findings, 60.88% stated their preferred platform is Instagram. Keeping in mind that the total number of respondents varied slightly, comparing the absolute values individually demonstrates a relative increase of 7.32%. On the other hand, other platforms experienced an absolute decline in votes when being ranked on the topic of likelihood of interaction compared to usage. Relating all of the above findings to each other it becomes evident that even though Instagram received less votes as the most used social media platform, yet more subjects state to interact on it with influencer contents.

In another question, the author aims at substantiating their hypotheses by asking the participants whether they agree that they are more likely to interact with influencer content when being presented a chance to receive added value. Of the valid 197 responses, 58.88% affirmed the statement, while the remaining 41.12% denied it. This further contributes to affirming the hypothesis regarding formats.

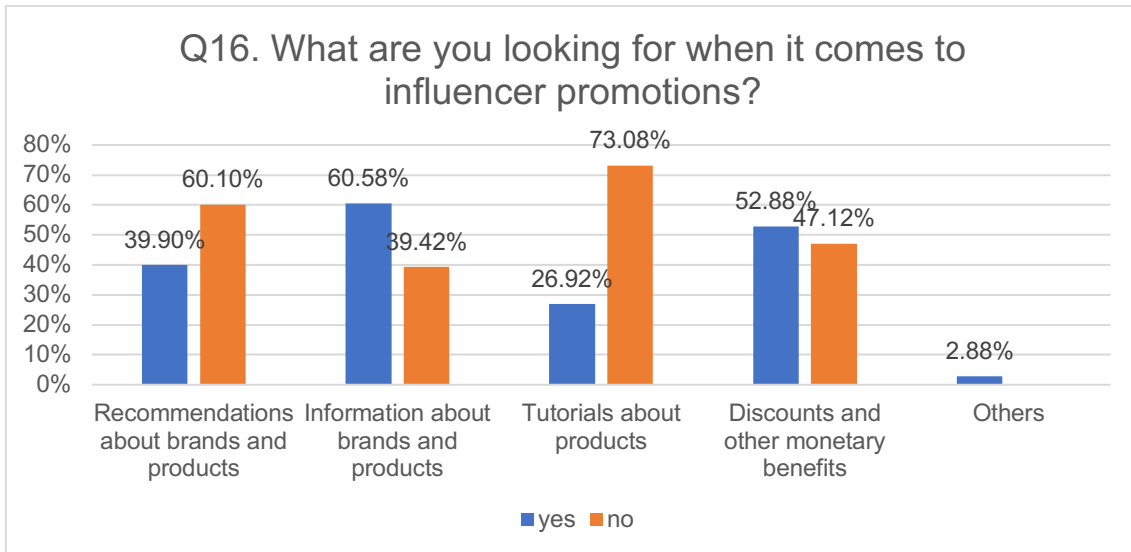


Figure 11: Content expectations of influencer promotions

In order to achieve the best results with an influencer campaign, it is of use to determine the content demand of the target group in regard to influencer promotions. By gathering this information, formats can be adapted to maximize the success rate amongst the target group. Being presented four options, the majority of the 208 subjects, namely 60.58%, affirmed they seek for information about brands and products when it comes to influencer promotions. Similarly, over half of the surveyed voiced their interest in discounts and other monetary benefits. Alongside recommendations, tutorials are the least sought-after formats. Amongst others, authenticity, professionalism and sustainability as a topic were mentioned to be expected from influencers. Alike the previous question, the findings further consolidate the authors hypothesis about the users demand for information.

Similarly, following question is designed to support the author in the latter process of influencer identification. The subjects were asked to agree or disagree on the statement, that the likelihood of engagement with nano and micro influencers increases. The results indicate that 43.43% of the 175 participants are more likely to engage with nano and micro influencers than with other types, confirming the hypothesis of relevancy of micro influencers. The participation rate on this question decreased slightly, leading to believe the subjects neither agree nor disagree with the assertion.

Q19. Have you ever considered a brand or made a specific purchase based on recommendations of influencers?



Figure 12: Effects of influencers on purchases

In order to derive influencers' effects on buying behaviour, the surveyed were asked whether they have ever considered a brand or made a specific purchase based on recommendations of an influencer. The allocation of the 198 responses shows, that over half of the subjects (59.09%) have at least occasionally followed up on influencers' promotions.

To further strengthen the hypothesis that micro influencer's credibility is a crucial aspect needing to be realized in the influencer identification phase, the participants were asked the following question: *Do you think an influencer's number of followers has an impact on the credibility and trustworthiness of their recommendations and statements?* Of the 197 respondents, more than every fourth person (28.43%) agreed with the statement.

Q21. Would you agree that you trust recommendations and statements made by "smaller influencers" more than the ones of "bigger" mainstream influencers?



Figure 13: Increased credibility of smaller influencers

Following up on the previous question, the author tested the hypothesis that nano and micro influencers are more trustworthy or credible, therefore being more valuable mediators to brands than other influencer types. Of the 189 subjects who answered this part of the survey, almost two thirds (64.55%) at least partially agree with the statement. This finding is particularly interesting if put in relation with the preceding question. Though 71.57% stated they disagree that the number of followers of an influencer has an impact on their credibility, still 64.55% affirm that they trust recommendations and statement made by nano and macro influencers more. This finding proves the hypothesis that subjects subconsciously class nano and micro influencers as more credible.

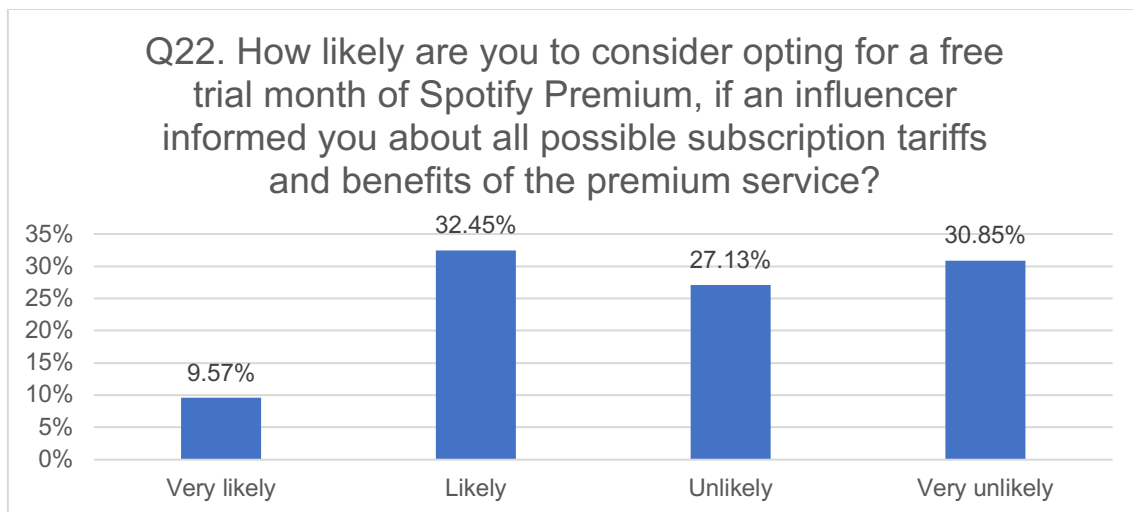


Figure 14: Likelihood of subscription if informed about tariffs and benefits

The last three questions are directly related to the case study, Spotify. Previously, the author set up the theory that if given adequate information about tariffs and benefits of Spotify's service, the brand can achieve greater user numbers of their premium plans. Therefore, the subjects have been asked how likely they are to consider opting for a free trial of Spotify Premium, if an influencer informed them about all possible subscription tariffs and benefits of the premium service. The 188 valid responses show that a success rate of 42.02% is feasible, with over 9% of them rating it as very likely. Looking back on the results of *Question 13*, whether the group has been informed about the 5 tariffs and benefits, a total of 98.01% confirmed to not have been educated on this matter. Keep in mind this hypothesis was developed in combination with presenting added value, which will be examined shortly.

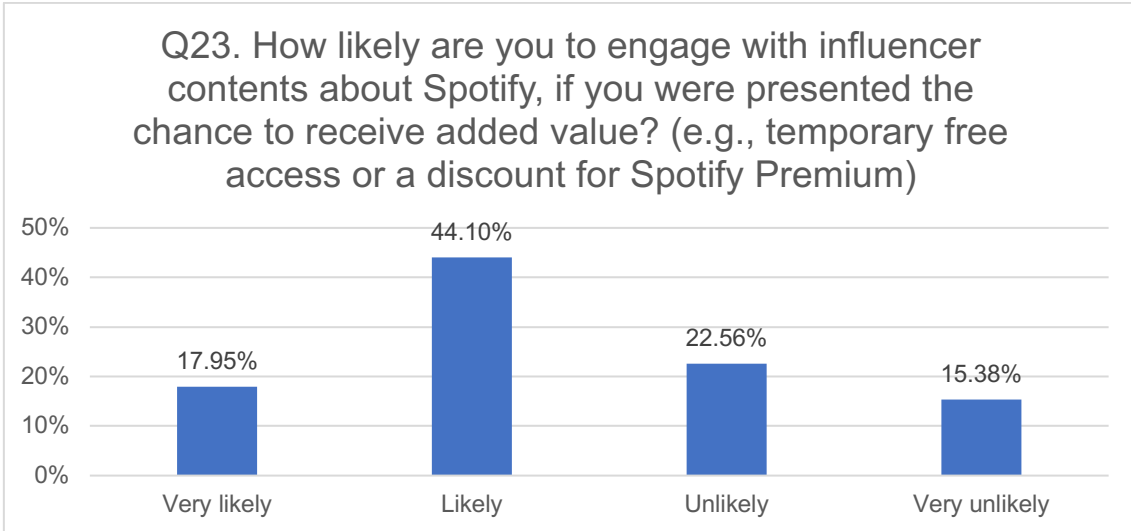


Figure 15: Likelihood of engagement if presented added value

Additionally, the surveyed were asked to rate the likelihood of engagement with influencers content about Spotify, if they were presented the chance to receive added value (e.g., discounts). Of the 195 respondents, 62.5% are at least likely to do so. When observing the results of the subjects who chose “*very unlikely*” as their answer, the value has nearly halved, decreasing from 30.85% to 15.38%. Similarly, the results for the answer “*very likely*” have nearly doubled, going from 9.57% to 17.95%. This presents a crucial finding in regard to one of the hypotheses, proving that a campaign will achieve higher engagement when incorporating added value into informative promotions.

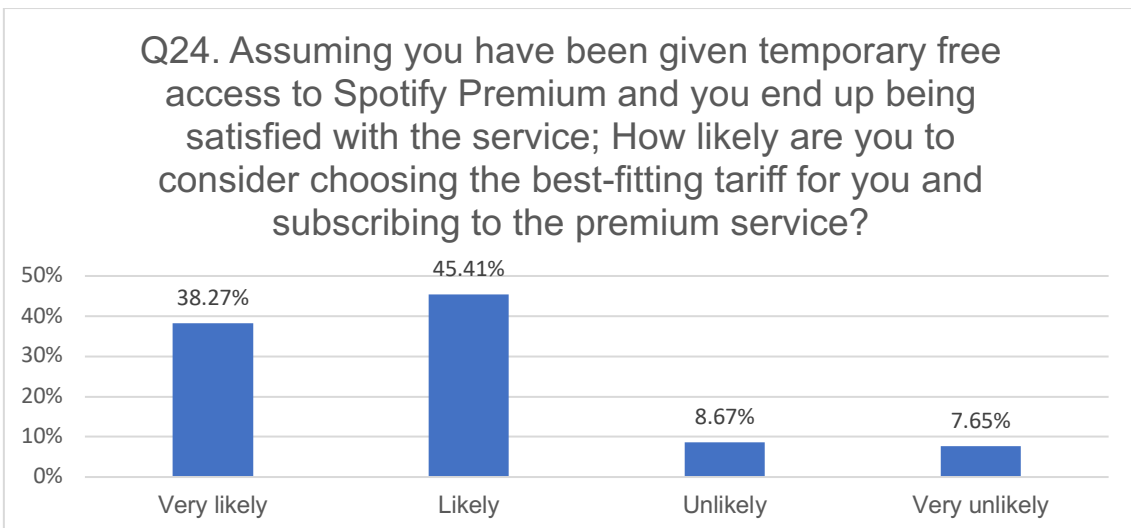


Figure 16: Likelihood of subscription after free trial

The survey concludes with following question: *Assuming you have been given temporary free access to Spotify Premium and you end up being satisfied with the service. How likely are you to consider choosing the best-fitting tariff for you and subscribing to the premium service?* By examining the subjects' willingness to subscribe to the chargeable premium service if given the chance to test the service for free first, the author can derive valuable conclusions from this data. With that being said, the response to this question shows a clear result. Of the 196 respondents, 83.68% of the subjects are at least likely to consider converting to become a paying customer of Spotify after successfully testing the service, with 38.27% even rating it as very likely, consolidating the last. This finding alongside all of the above shall be interpreted in the course of the subsequent chapters.

5.3 Implementing the results into the strategic development of an influencer marketing campaign – case Spotify

Finally, after setting a theoretical basis and presenting the results of the empirical study, the author is able to implement the knowledge to develop a suitable influencer marketing campaign for Spotify's premium service. To maximize the findings from the empirical study, it is of use to review and interpret results of select questions in relation to each other. The content of the following chapters shall not be viewed as a universal method of solving the research question but as a case-specific approach to the subject, using Spotify as an example.

5.3.1 Defining objectives and target groups – case Spotify

The following elements are developed with respect to previously reported marketing activities of Spotify, with the aim of creating an innovative designated influencer marketing campaign for the brand. For this matter, Spotify shall consider analysing their brand positioning, in order to align the content of the influencer marketing campaign to one's competitive advantage.

Objectives

In the context of this work's focal point, core objective of this exemplary case study is to increase user numbers of Spotify's premium service. As discovered

within the primary research, a total of 84.16% subjects are partially or not at all informed about all of Spotify's subscription plans and benefits of the service. Combined with the fact, that none of the subjects are subscribers of Spotify's newest addition to the premium tariffs, Spotify Duo, a clear objective can be derived. Taking into account that the primary research revealed that 98.01% of subjects have not been informed about the entirety of Spotify's offerings through means of an influencer promotion, following goal can be derived. By informing the audience about the different premium subscription tariffs and further benefits of the provider, in combination with raising awareness towards the free trial period of the Premium-tier, targets of different ages, employment and household sizes can be steered towards a suitable offer. This informative core (secondary goal) of the campaign shall serve as a mean, ultimately leading users to subscribe to the premium service (primary goal).

Brand positioning

In order to develop the core content of this influencer marketing campaign, Spotify shall establish their unique selling points in order to position themselves at a competitive advantage amongst other players in the German music market. Assessing the portfolio of the competition in the scope of a competitive analysis can be of use when determining one's unique selling points. Therefore, the author has generated a table to compare Spotify's offers with its main competitors, YouTube Music, Apple Music, Amazon Music Unlimited and SoundCloud.¹⁶⁰

As mentioned in a previous chapter, Spotify offers its users a selection of 5 different subscription plans. To recall, said tariffs are Spotify Free, Spotify Individual, Spotify Family, Spotify Student and Spotify Duo, with the four premium tariffs ranging from a monthly fee of 4.99 euros to 14.99 euros. *Table 1* presents the overlaps in offers as well as the pricings of the designated subscription plans. It is to note that these do not include competitors' advantages but solely aim to demonstrate the ones of Spotify. Due to the overall similarities in tariffs and pricing, highlighting the Spotify Duo subscription plan as a competitive advantage is feasible, as it is a subscription plan targeting a new subject group, couples

¹⁶⁰ (cf. ARD/ZDF-Forschungskommission, 2020, pp. 11.)

living in the same household. Generally, the variety of tariffs covering specific target groups such as students, families and couples who share a living space shall be vocalized within this influencer promotion.

Offers	Spotify	YouTube Music	Apple Music	Amazon Music Unlimited	SoundCloud
Free service	0.00 €	0.00 €	-	0.00 €	0.00 €
Free premium trial	1 month	1 month	3 months	1 month	1 month
Regular premium service	9.99 €	9.99 €	9.99 €	9.99 €	9.99 €
Family premium service	14.99 €	14.99 €	14.99 €	14.99 €	-
Student premium service	4.99 €	4.99 €	4.99 €	4.99 €	4.99 €
Duo premium service	12.99 €	-	-	-	-

Table 1: Tariff comparison of the top audio streaming services¹⁶¹

Furthermore, Spotify provides their users with a wide selection of personalized content. Examples are customized playlists such as “On Repeat” and “Repeat Rewind”, gathering music the user has been favouring recently or in the past in one place. Spotify’s custom-tailored content goes as far as being seasonal, with playlists such as “Your Summer Rewind”.¹⁶² Apart from simply compiling tracks in playlists, Spotify takes pride in recommending content based on the users listening habits. The “[...] personalized recommendations take into account thousands of types of signals [...]”¹⁶³, forming a highly integrated algorithm. While obvious factors such as listening behaviour, genres and language go into consideration, other aspects such as the content consumed by users with similar preferences are being examined as well.¹⁶⁴ Examples are playlists such as “Discover Weekly” and “Release Radar”, aimed at highlighting trends, while maintaining the user’s taste in music.¹⁶⁵ Furthermore, the platform allows its listeners to improve the personalized content by giving them the opportunity to give feedback, for example by favouring or disliking certain music. This

¹⁶¹ (cf. Spotify AB, © 2021c.); (cf. YouTube Music, © 2021.); (cf. SoundCloud, 2021a.); (cf. SoundCloud, 2021b.); (cf. Amazon.com, © 2020a.); (cf. Amazon.com, © 2020b.); (cf. Amazon.com, © 2020c.); (cf. Apple, © 2021.); (cf. Apple Inc., 2020.)

¹⁶² (cf. Spotify AB, 2019a.)

¹⁶³ (cf. Spotify AB, 2020e.)

¹⁶⁴ (cf. Spotify AB, 2020e.)

¹⁶⁵ (cf. Spotify AB, 2019a.)

information is then incorporated by the algorithm to improve the personalized features.¹⁶⁶

Moreover, after conducting a study on the users' relationships with their pets, Spotify acknowledged the great significance animals hold in the lives of their listeners. To support these relationships, the streaming platform launched a feature in January 2020, generating custom playlists based on the pet's characteristics. After being asked about the pets' traits, users can retrieve a personalized playlist synchronizing the data to one's own taste in music.¹⁶⁷ The aforementioned project Spotify Wrapped similarly affirms the key importance of personalized content.¹⁶⁸ This goes to show just how much of a key role personalization holds in Spotify's services. The abovementioned cases are select examples of the customized features of Spotify, naming all will exceed the frame of this work. Though competitors Apple Music,¹⁶⁹ SoundCloud,¹⁷⁰ YouTube Music¹⁷¹ and Amazon Music offer a similar feature of music recommendation and compiling playlists,¹⁷² the levels of personalization realized by Spotify are unmatched and clearly differentiate them from other providers. In conclusion, emphasizing the high degree of personalization provided to the users of Spotify can put the streaming service at a competitive advantage.

Lastly, a feature exclusively offered by Spotify is the so-called Group Session Beta. This function allows groups of up to five premium users to listen to the same audio content simultaneously. Given that none of the competing top music-streaming services record to offer this function, this can be communicated as a unique selling point.¹⁷³ To note, this is where the previously mentioned podcast portfolio can be taken into account, though this topic will not be described further.

¹⁶⁶ (cf. Spotify AB, 2019b.)

¹⁶⁷ (cf. Spotify AB, 2020f.)

¹⁶⁸ (cf. Spotify AB, 2020c.)

¹⁶⁹ (cf. Apple Inc., © 2021.)

¹⁷⁰ (cf. SoundCloud, 2021b.)

¹⁷¹ (cf. Lasche, 2020.)

¹⁷² (cf. Day One Team, n.d.)

¹⁷³ (cf. Spotify AB, 2020g.)

Target group

Music is a universal topic appealing to the majority of the broader masses. Results from the empirical study above confirm, that a total of 98.02% subjects consume music and other audio contents at least weekly. As established in *Chapter 3.2.2*, 26% of Germans above the age of 14 consume Spotify at least seldom, while a total of 48% use competitors services such as Amazon Music, YouTube Music, SoundCloud and Apple Music. Consequently, subjects who shall be acquired in the scope of this campaign are non-Spotify users.¹⁷⁴ Another addition to the target group are subjects above 14 who consume music through the video-streaming platform YouTube. A study confirmed 77% of the surveyed using YouTube to consume music. However, seeing as the platform does not class as a music streaming service, the consumption only contributes to 3% of revenue, forming a value gap. By targeting these subjects, Spotify can aim to close this value gap.¹⁷⁵ Due to the allocation of premium subscriptions (ca. 90%) in the revenue stream, which was elaborated in a previous chapter, Spotify's Free-tier users shall also be interpreted as a target group. Defining a target market according to sociodemographic criteria such as age, employment and household size¹⁷⁶ will allow Spotify to acquire customers for all individual premium plans. Age and employment can highlight student status, making Spotify Student a suitable offer. On the other hand, the household size can indicate subjects who are suitable for Spotify Duo, if said information reveals a small two person living situation. Consumers with bigger households can be targeted to be acquired through Spotify Family.

Analysing Spotify's existing customers

For the purpose of further defining the target market, it is crucial to assess the customer profiles of the existing market. *Figure 17* visualizes the allocation of age groups within Spotify's existing clientele. It is to note that the statistic defines Spotify users as subscribers of the premium service and are representative figures showcasing the customer profiles in 2019. As distinctively apparent, the

¹⁷⁴ (cf. Domenichini, 2020, pp. 54.)

¹⁷⁵ (cf. Bundesverband Musikindustrie, © 2020. pp.27.)

¹⁷⁶ (cf. Bieberstein, 2006, pp. 330.)

largest share of premium users is the age group of 20 to 29-year-olds with a vast 37.7%. It becomes evident that accumulated, 14 to 39-year-olds are the biggest drivers of the business, accounting for 78.2%.

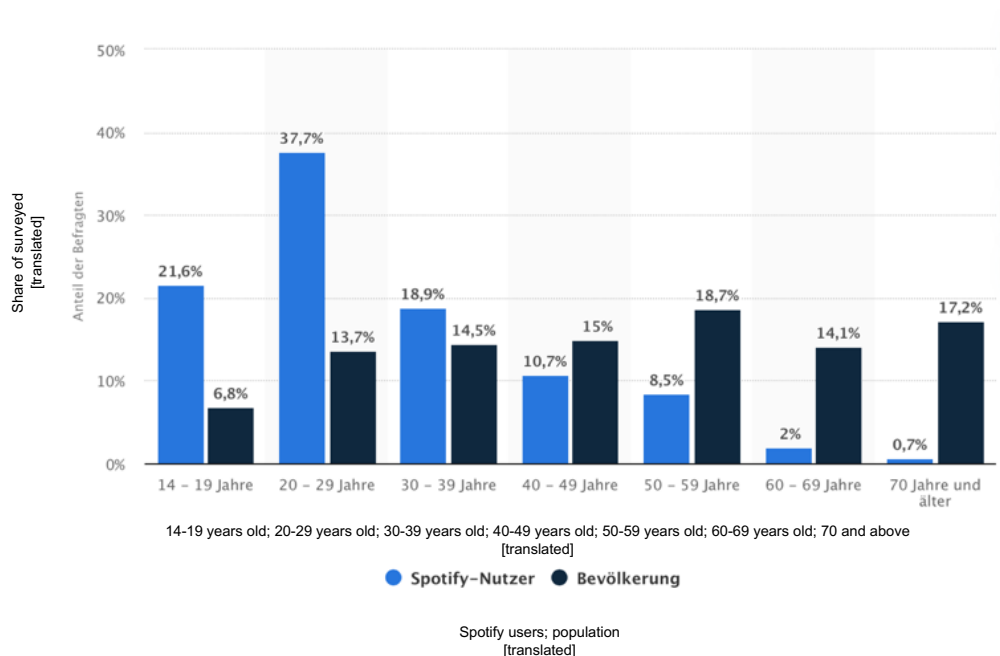


Figure 17: Spotify user profiles¹⁷⁷

Social media usage and user profiles

Nonetheless, these findings only represent the overall target group of Spotify’s service and cannot solely be applied when defining a target group for an influencer marketing campaign. Seeing as the communication shall be implemented on social media, the demographics of the audience online need to be taken into account when defining the target group. These have been evaluated in detail in *Chapter 4.3.3.2*. To recall, 14 to 29-year-olds clearly dominate in respect to social media usage, in both daily and weekly usage on scarcely all platforms apart from professional networks. While the age group 30 to 49 presents moderate relevancy on select platforms, subjects above that age show minor social media usage and are therefore not relevant target for a social media-based campaign.¹⁷⁸ Taking into account data showcased in *Chapter 4.5* it becomes evident that 75.5% of 16 to 34-year-old subjects encounter influencers

¹⁷⁷ (cf. Pawlik, 2020.)

¹⁷⁸ (cf. Beisch, Schäfer, 2020, pp. 467.)

at least weekly. Putting all of the above findings into relation with the prevailing demographics of social media users, it becomes clear that influencer activities targeted at a universal audience will prove to be more successful amongst the age group of 14 to 34-year-olds.

The author chose not to take gender into account when defining a target group, seeing as findings throughout the research and survey have indicated a fairly balanced allocation of genders. Additional findings made throughout the previous chapters on the topic of willingness to pay for music content, the perception of influencers, attitude towards cooperation and the prevailing effects of influencers on the subjects buying behaviour can affirm the established age group of 14 to 34-year-old Germans. Reviewing this in accordance with data gathered from the primary research, figures indicate a campaign to have chances to achieve high visibility amongst the set target market, as namely 80.1% state to come across influencers at least weekly. Linking the established objectives with the presumed target market, all target groups of all premium tariffs are covered within this age range, meaning factors have been brought into agreement.

5.3.2 Influencer identification – case Spotify

To reach the target audience and ensure positive perception of the overall campaign and brand as a whole, it is the more important to convey an authentic message through the right mediators. This can be achieved through careful screening and selection of influencers. *Chapter 4.3.2* has established the theoretical basis of identifying influencers for a marketing campaign. By reviewing the German influencer market, it becomes clear, that it is dominated by nano and micro influencers who account for over three quarters (75.7%) of German influencers. Especially micro influencers, who account for 43.3% alone, are becoming more commercially valuable to brands, according to studies.¹⁷⁹ Similarly, the empirical study verified that the subjects mainly follow smaller influencers (40.36%). To further strengthen the relevancy of micro influencers in this case, the author discovered that 43.43% of the surveyed subjects are more likely to engage with content of smaller influencers, which includes micro as well

¹⁷⁹ (cf. Ali, 2020.)

as nano influencers. Of these subjects, 59.21% have been successfully influenced in their purchasing decisions in the past. A study by Takumi has proven that “[...] huge following has an inverse effect on engagement [...]”¹⁸⁰, affirming that engagement rates outweigh the relevancy of reach. Apart from being cost-efficient, the proximity between micro influencers and their followership positively reflects on their authenticity, credibility and engagement rates.¹⁸¹ To further strengthen this statement, results from this work’s primary study have shown that subjects (64.55%) subconsciously trust recommendations and statements by influencers with small to manageable followings more. Conclusively, by implementing micro influencers as mediators of this campaign. This derivation fully consolidates the first hypothesis.

Normally at this stage, the defined marketing budget is allocated to acquiring select influencers for a campaign.¹⁸² However, the budgeting aspect will not be taken into consideration in this case to not exceed the frame of the work.

To facilitate the selection of influencers, Spotify can make use of marketing tools such as Reachbird, a German influencer marketing agency which provides an influencer network.¹⁸³ By outsourcing this task, Spotify can circumvent resources spent on active search while making use of the well-established network of credible influencers and Reachbird’s expertise in influencer scouting. Apart from having the agency review influencers previous work on quantitative criteria such as engagement, growth and regularity of activity, further qualitative metrics need to be assessed. These can include linguistic style, subject areas, content quality, target groups ¹⁸⁴ and potential past cooperation with competitors.¹⁸⁵ Linking to this, Reachbird shall acquire micro influencers who are already Spotify users, enabling a more authentic promotion. This also allows them to further connect with their followers on a new platform (Spotify) on the topic of music, strengthening the parasocial relationships and stimulating other psychological

¹⁸⁰ (TOM, 2017.)

¹⁸¹ (cf. Ali, 2020.)

¹⁸² (cf. Engaio Digital, © 2020b.)

¹⁸³ (cf. Reachbird, © 2020.)

¹⁸⁴ (cf. Malzer, 2020b.)

¹⁸⁵ (cf. Hintze, 2020.)

factors. By further assessing transparency in regard to promotional labelling, influencer's degree of professionalism shall be examined. Within this process, Spotify shall extensively communicate their objectives, competitive advantages and target group, to give additional input and guidelines. With that in mind, Reachbird shall be given the instruction to provide a selection of influencers who ultimately cater to all individual target groups of each tariff. To achieve coverage of all subscription plans and their designated target markets, the niche specific opportunities of using micro influencers become highly valuable.¹⁸⁶

5.3.3 Channel selection – case Spotify

Next step is determining which communication channel shall be used for Spotify's influencer campaign. In regard to achieving the campaign's objectives, selecting the platform type based on functionality is key. Between live and on-demand content, latter appears more relevant as it enables a larger audience reach and longer campaign duration. Visual functions shall be used to stimulate engagement. By deciding so, personal networks, social publishing platforms and discussion forums become irrelevant to the case. Similarly, bookmarking sites are eliminated from being potential communication channels, as they mainly serve as a visualized search engine rather than a content creation site.¹⁸⁷ Due to lack of subject relevancy, professional networks are also considered unsuitable. Further decisions concerning the formats will be made in the following chapter. All of the above factors indicate media-sharing platforms as most appropriate for the further course of this case study, as they can fulfil the role of being informative as well as visualize content.

Taking to hand the *ARD/ZDF Onlinestudie* study, the determined age group of 14 to 34-year-olds appears to utilize Instagram the most among the top social media platforms. Namely, 65% use it at least weekly and 53% daily. Facebook acquires about 44% of said subjects at least weekly,¹⁸⁸ though the platform has been losing relevancy in the influencer marketing field.¹⁸⁹ Similarly, Snapchat

¹⁸⁶ (cf. Patel, n.d.)

¹⁸⁷ (cf. Sackmann, 2016.)

¹⁸⁸ (cf. Beisch, Schäfer, 2020, pp. 467.)

¹⁸⁹ (cf. Freese, 2020a.)

demonstrates popularity amongst this age group, though using such a short-lived platform¹⁹⁰ is not relevant in perspective of the set objectives. Another platform emerging in the social media scene is TikTok, capturing 9% of 14 to 29-year old's at least weekly.¹⁹¹ Although it holds potential for targeting a younger audience, because the overall core of the campaign is informative, using a platform with short-lived video content¹⁹² is not ideal. Video streaming platform YouTube appears to show high resonance from parts of the target group (14 to 29 years old), with 81% of subjects consuming video contents at least weekly.¹⁹³ Other platforms appear to not be consumed enough by the target groups and/or do not fulfil the desired functions.¹⁹⁴

Same trend towards Instagram has been realized in the primary research. Defining which social media platform the target group mainly uses is not the only factor when it comes to selecting the communication channel. A driving factor in achieving the campaign's objectives is creating engagement. Therefore, in scope of the primary research, the author assessed the platforms in regard to likelihood of engagement. Results indicate that Instagram (73.33%) is the platform with highest chance of engagement. Almost every third person (32.57%) of these stated to mainly follow "*smaller*" influencers. Combined with the findings above, Instagram can be derived as the communication channel of choice.

5.3.4 Format selection – case Spotify

The preceding chapter has established Instagram as the most relevant social media platform to this exemplary case study. In order to proceed with the format selection, Instagram's functions need to be assessed. The platform offers a variety of live and on demand features which can be utilized in the span of an influencer campaign. Apart from the regular profile feed of either images or short videos, the site compiles recommended content on a discovery page. Instagram stories allow users to create content, which is visible to the audience for a limited

¹⁹⁰ (cf. Van der Walt, 2019.)

¹⁹¹ (cf. Beisch, Schäfer, 2020, pp. 467.)

¹⁹² (cf. Freese, 2020a.)

¹⁹³ (cf. Koch, Beisch, 2020, pp. 487.)

¹⁹⁴ (cf. Reichow, Schröter, 2020, pp. 12.)

time of 24 hours, with the option of compiling them in so-called highlights on one's profile. Long-form videos are referred to as IGTV, allowing to create larger pieces of content. Lastly, Instagram introduced so-called reels, a type of short entertainment video format to the platform. The application provides several other features which are not relevant to this case.¹⁹⁵

A study has shown that 72% of 14- to 29-year-old Germans consume video content on social media.¹⁹⁶ In the scope of this campaign, video formats shall be utilized to mediate the content of the campaign and create proximity to the subjects. This leads to the conclusion that cooperation types such as sponsored image posts and other forms of written and still content become less relevant to this campaign. Furthermore, seeing as Spotify is not a tangible product but a service, formats such as unboxings and gift reviews are not suitable. Though pre-release campaigns and live events are great opportunities to be realized by brands, the objective of raising awareness for the existing portfolio cannot be fulfilled authentically with these formats.

On the topic of cooperation types, it is to decide whether a short-term partnership or long-term brand ambassador program will serve to achieve the objectives best. Ultimately, the goal is to acquire premium users long-term, meaning that a degree of brand affinity and loyalty needs to be established. *Chapter 4.6* has proven that regularity of influencer content has a positive effect on buying behaviour, especially in respect to the target group. Additionally, this allows Spotify to incorporate different formats to successfully fulfil the set objectives. Firstly, a concept shall be determined based on accomplishing the informative goal. Reviewing this in accordance with Instagram's in-app functions, this objective can be achieved through IGTV. Benefit of using this format is for one, creators are free to communicate the message in the space of a one- to sixty-minute-long video. Moreover, this content can be spread through the designated IGTV app, shared through Instagram Stories or viewed separately in the profile. The long-lived format content is also integrated in the recommended discovery feed,

¹⁹⁵ (cf. Instagram, 2021.)

¹⁹⁶ (cf. Koch, Beisch, 2020, pp. 487.)

enabling higher chance of visibility.¹⁹⁷ Also, in the scope of this long-term cooperation, Spotify can relieve the need to develop precise content by thoroughly briefing the influencers on the subject and objectives as well as setting content guidelines. The further delivery of the campaign can then thrive off of the creativity and engagement of the influencer, adding to the authenticity.

In order to aid the process of format selection and broaden the understanding of the target group's interactive behaviour on social media, the author established how the subjects of the primary research engage with influencers. Results prove that apart from standard "*liking*" of content, at least every fifth subject interacts with influencers by using affiliate links (22.12%), partaking in giveaways (25.96%) or using discount codes (27.88%). For the purpose of adjusting the format selection to the consumers demands, the author made several relevant discoveries in the scope of the empirical study. Results prove, purely recommending a product or service (39.90%) is not enough, the audience has heightened demand for information (60.58%). This statement affirms the informative core of this strategy. In this regard, findings concerning the likelihood of opting for a free trial of Spotify Premium if being informed become valuable. Namely 42.02% of subjects show positive response to an informative campaign, with 9.57% demonstrating high likelihood to using Spotify's free premium trial on this basis.

Additionally, another finding becomes relevant. Over half of the surveyed subjects (52.88%) indicated to expect influencer promotions to include discounts and other monetary benefits. Transmitting this to the likelihood of engagement with influencer's promotional content, the discovered statistics demonstrate a potential success rate of 58.88%. This figure represents subjects who are at least likely to engage with the promotion on social media if being presented added value. This question was asked in the further course of the survey aimed directly at the case Spotify. Namely 62.5% affirmed likelihood of engagement under these conditions. Subjects who are very likely to respond positively to discount codes and such indicate interest of 17.95%. A short-lived function such as Instagram

¹⁹⁷ (cf. Wick, 2020.)

Story can be used to present the target group with added value such as discounts or giveaways. As the availability of the content is limited to 24 hours, a call-to-action with a sense of urgency can be initiated. By further limiting the expiration period of these influencer-exclusive discounts, Spotify can acquire users directly. The author defines discounts as a free subscription period, unrelated to the offered trial month. Again, it is to note, that the financial effect this initiative has is not being reviewed in the frame of this work.

Based on the abovementioned arguments, following plan of action can be derived. In the scope of a long-term promotional plan, influencers shall fulfil their informative role about Spotify's subscription plans while showcasing service benefits (e.g., personalized content, Group Session Beta) as determined during the competitive analysis. This works towards satisfying the target groups' demand for information. This shall be done by using Instagram's in-app function called IGTV. In order to achieve the ultimate goal of acquiring users, affiliate links shall be incorporated in the video descriptions as means to generate leads, seeing as they appear to be used by every fifth person (22.12%). To further fuel the long-term partnership and cater to the audiences' demand for added value and monetary benefits, influencers shall incorporate discount and giveaway formats with limited expiration. Consequently, Spotify can make use of the high engagement with such content and acquire users directly.

5.4 Monitoring success

After setting up and implementing an influencer campaign according to a brand's objectives, the performance needs to be monitored. This can be executed by means of different tracking methods.¹⁹⁸ When it comes to monitoring success, key performance indicators need to be reviewed. While a report can present many different figures indicating performance, it is crucial to link these figures with precisely defined goals, formulating them into key performance indicators.¹⁹⁹ This enables a brand to reflect on the influencer marketing strategy, derive learnings for future improvements and ultimately measure the return on

¹⁹⁸ (cf. © 2020b.)

¹⁹⁹ (cf. Lammenett, 2018, pp. 214.)

investment of the campaign.²⁰⁰ Criteria which shall be applied to monitor the success of this social media marketing strategy are clicks, impressions, engagement, view and other social media metrics. In regard to the objectives of the campaign, ultimate key performance indicators are leads as well as conversions, which are reflected in the number of free trial subscriptions and other premium subscriptions generated through the influencers.

Both the informative element as well as presentation of added value within this campaign will increase acquisitions of Spotify's free trial subscription of the premium service. This is where Spotify's brand affinity and service performance need to satisfy the trial users to finally secure them as paying premium users. Daniel Ek, CEO of Spotify, reports trial customers more often than not being acquired as premium users,²⁰¹ affirming the success of this work's approach. For the purpose of further testing and monitoring the performance of the established promotional measures, the author examined this case in the primary research. 61.11% of the subjects within the established target group of 14 to 34-year-old non-Spotify Premium users responded affirmingly to consider choosing the best-fitting tariff and subscribe to the premium plan, if they are satisfied with Spotify's premium service during their free trial period. Keeping in mind that the subject group of the study was only made up of 29.56% non-Spotify Premium users, the success of this campaign was yet confirmed. Transmitting this to a larger scale of subjects, the author is certain that similar positive results could be obtained.

6. Conclusion

To summarize the developed recommended plan of action regarding Spotify's influencer marketing campaign, following strategic decisions have been made throughout the thesis, based on primary and secondary research. According to the defined target groups and further qualitative and quantitative criteria, the process of acquiring influencers shall be outsourced to an influencer marketing agency. Instagram shall be the social media platform to present the communication channel of this campaign, due to increased usage by the target

²⁰⁰ (cf. Patel, n.d.)

²⁰¹ (cf. EK, 2020, pp.2.)

groups as well as higher engagement rates. To make use of the variety of in-app functions, the informative core of this strategy shall be combined with discount codes and giveaways, using long-lived video features such as IGTV and short-lived Instagram stories. The campaign shall specifically cater to the designated target groups of the individual premium subscription plans offered by Spotify. To increase the engagement of the promotion and encourage users' trials of Spotify's premium plans, discount codes shall be used to stimulate the consumption of the premium service. Successful customer retention shall be monitored in accordance with the effects of the developed influencer marketing campaign. These learnings will serve as the basis for future strategies.

To give a conclusive outlook into the future of streaming it is to say, despite the worldwide pandemic Covid19 recording to have had a positive effect on the consumption of audio contents, growth rates cannot be presumed due to current exceptionally heightened consumption.²⁰² When observing the forecasted development of demand prior to the pandemic, GfK predicted streaming to account for 79% of revenues in the German Music Market by 2022.²⁰³ Giving a clear forecast into music consumption is not possible under current circumstances. Similarly, social media usage is undergoing unusual conditions. However, the increasing importance and opportunities of influencer marketing are not to be ignored by brands but rather realized and used to one's advantage.

²⁰² (cf. Reichow, Schröter, 2020, pp. 514.)

²⁰³ (cf. Bundesverband Musikindustrie, © 2020, pp. 13.)

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Appendix
Appendix 1: Survey of the empirical study



Sehr geehrte Teilnehmerin, Sehr geehrter Teilnehmer,

Diese Umfrage wird im Rahmen einer Bachelorarbeit um das Thema "Influencer Marketing im Deutschen Musikmarkt" durchgeführt. Hierbei soll erforscht werden, welche Relevanz Influencer für Streaming-Anbieter haben können.

Im Rahmen der Umfrage werden Influencer als sogenannte Meinungsführer verstanden, die auf sozialen Medien aktiv sind.

Die Bearbeitungsdauer dieser Umfrage beträgt ca. 6-9 Minuten und hat einen Umfang von 24 Fragen.

Teil A: Influencer Marketing als Tool für Streamingdienste

A1. Wie alt sind Sie?

A2. Mit welchem Geschlecht identifizieren Sie sich?

weiblich

männlich

A3. Wie oft konsumieren Sie Musik und ähnliche Audio-Inhalte?

Mindestens täglich.

Mindestens wöchentlich.

Mindestens monatlich.

Selten bis nie.



A8. Wie häufig nutzen Sie soziale Medien?

Mindestens täglich.

Mindestens wöchentlich.

Mindestens monatlich.

Selten bis nie.

A9. Welche der unten genannten Plattformen benutzen Sie am häufigsten?

Instagram.

Facebook.

Twitter.

TikTok.

Snapchat.

YouTube.

A10. Wie häufig begegnen Ihnen Influencer in sozialen Medien? Bitte berücksichtigen Sie gewollte und ungewollte Begegnungen.

Mindestens täglich.

Mindestens wöchentlich.

Mindestens monatlich.

Selten bis nie.

A11. Welchem Influencer Typen folgen Sie primär auf sozialen Medien?

Ich folge primär "kleineren Influencern" mit überschaubarer Reichweite.

Ich folge primär "größeren Influencern" mit großer Reichweite (werden auch oft als Mainstream bezeichnet).

Ich folge primär prominenten Personen.

A12. Wie stehen Sie generell zu Kooperationen zwischen Influencern und Unternehmen?

Ich schätze Kooperationen zwischen Influencern und Unternehmen.

Ich fühle mich ungestört von Kooperationen zwischen Influencern und Unternehmen.

Ich fühle mich belästigt von Kooperationen zwischen Influencern und Unternehmen.

A13. Wurden Sie bereits im Rahmen einer Influencer Kooperation über die 5 verschiedenen Angebote und Vorteile von Spotify aufgeklärt?

Ja

Nein



A22. Wie wahrscheinlich würden Sie in Erwägung ziehen, den kostenlosen Probemonat von Spotify Premium zu erwerben, wenn ein Influencer Sie über alle möglichen Abonnement Tarife und Vorteile des Premium Service aufklären würde?

Sehr wahrscheinlich.

Wahrscheinlich.

Unwahrscheinlich.

Sehr unwahrscheinlich.

A23. Wie wahrscheinlich würden Sie mit Influencer Inhalten zum Thema Spotify interagieren, wenn die Möglichkeit besteht, dabei einen Mehrwert zu erhalten? (Beispielsweise temporärer kostenloser Zugang oder Preisnachlass für Spotify Premium)

Sehr wahrscheinlich.

Wahrscheinlich.

Unwahrscheinlich.

Sehr unwahrscheinlich.

A24. Nehmen Sie an, Sie erhalten temporären kostenlosen Zugang zu Spotify Premium und sind zufrieden mit dem Service.

Wie wahrscheinlich würden Sie in Erwägung ziehen, den für Sie am besten passenden Tarif zu wählen und den Premium Service zu abonnieren?

Sehr wahrscheinlich.

Wahrscheinlich.

Unwahrscheinlich.

Sehr unwahrscheinlich.

Vielen Dank für Ihre Teilnahme an der Umfrage!

Für Fragen bezüglich des Themas stehe ich Ihnen gerne zur Verfügung unter folgender E-mail-Adresse: lic3018@thi.de

Appendix 2: Presentation of results of the study

2.1 Subject age group distribution

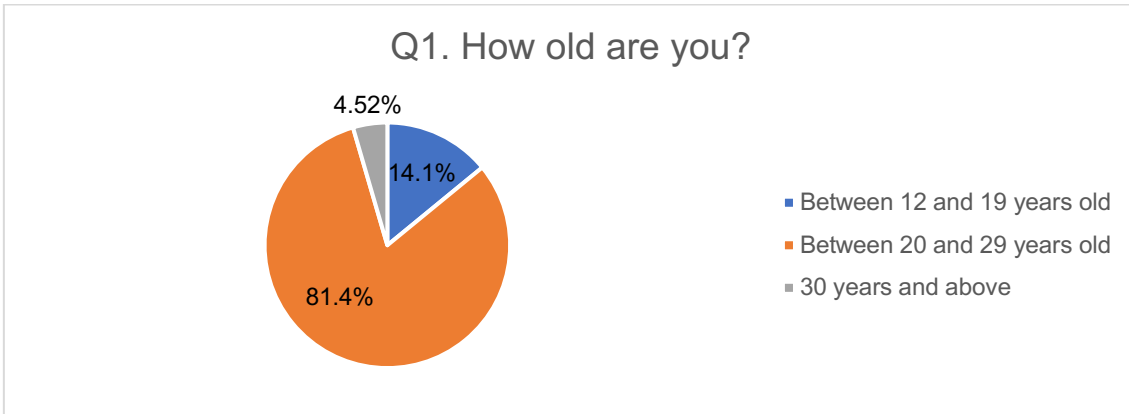


Figure 18: Appendix 2.1 Subject age group distribution

2.2 Subject gender distribution

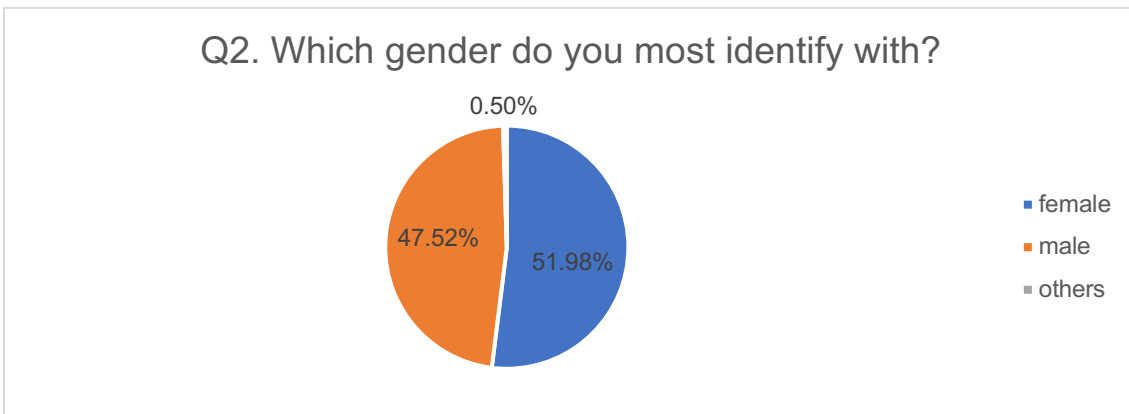


Figure 19: Appendix 2.2 Subject gender distribution

2.3 Willingness to pay for music content

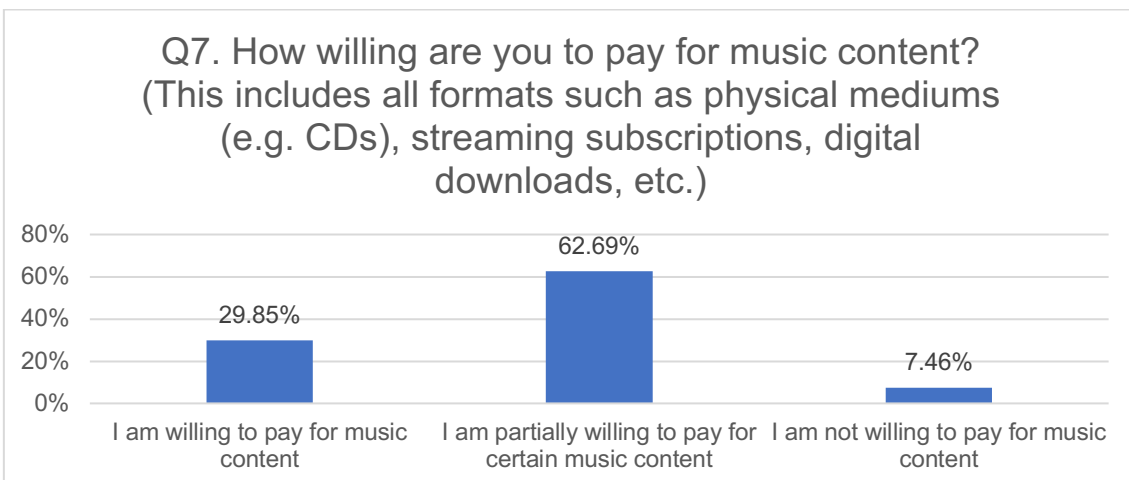


Figure 20: Appendix 2.3 Willingness to pay for music content

2.3 Attitude towards cooperation

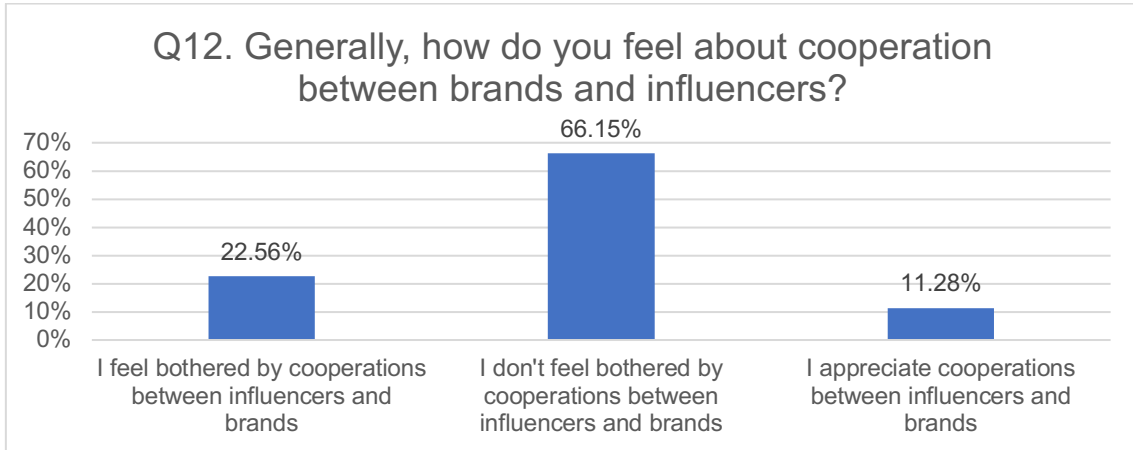


Figure 21: Appendix 2.3 Attitude towards cooperation

2.4 Spotify brand and service awareness

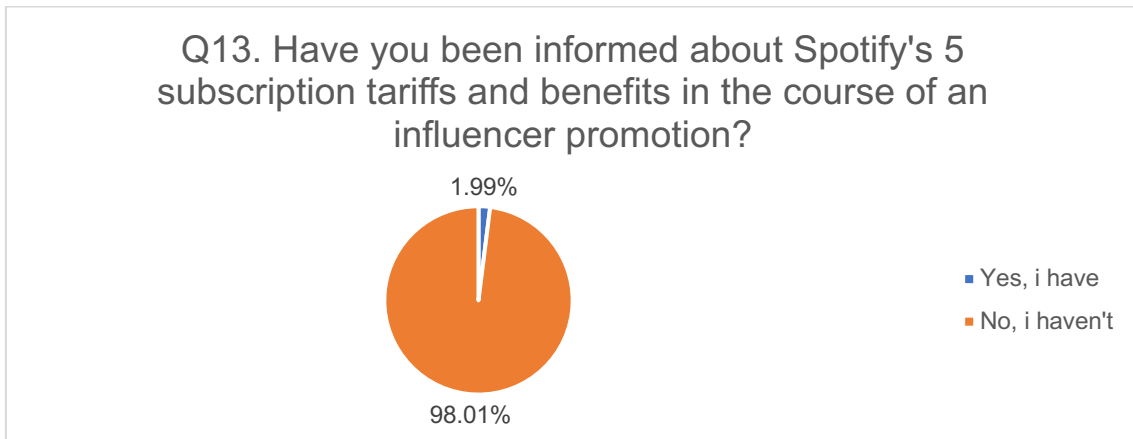


Figure 22: Appendix 2.4 Spotify brand and service awareness

2.5 Likelihood of interaction if presented added value

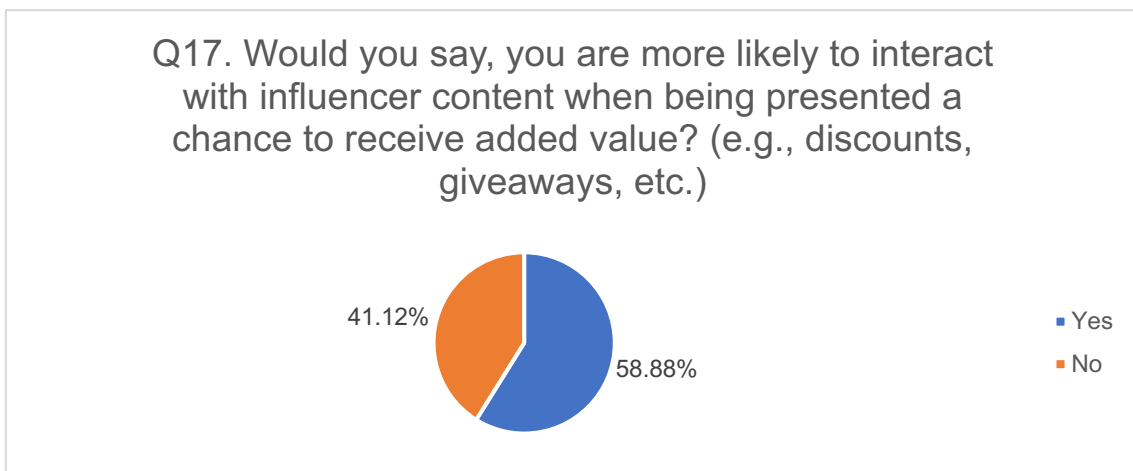


Figure 23: Appendix 2.5 Likelihood of interaction if presented added value

2.6 Likelihood of interaction with “small influencers”

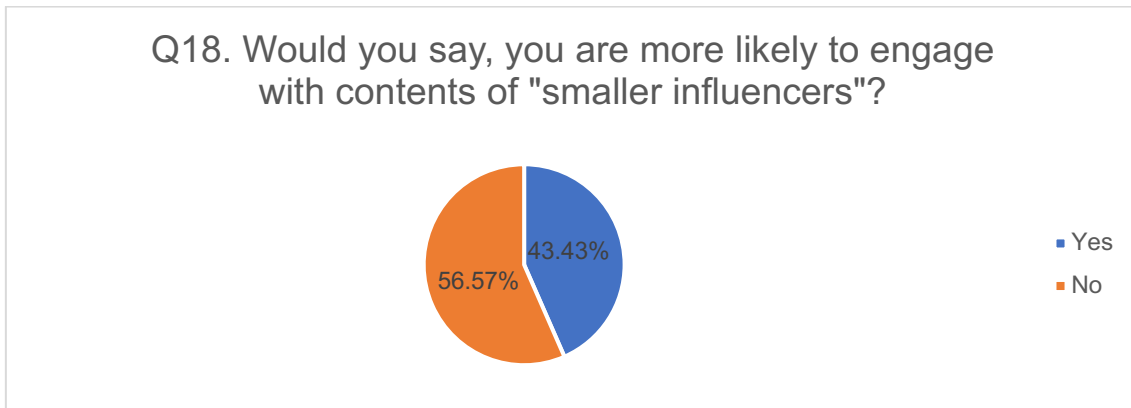


Figure 24: Appendix 2.6 Likelihood of interaction with “small influencers”

2.7 Effect of number of followers on credibility

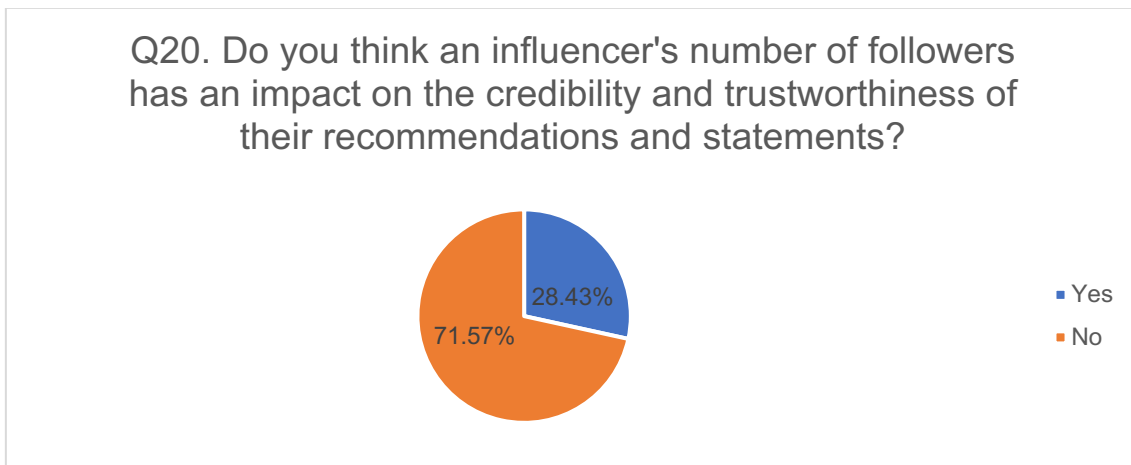


Figure 25: Appendix 2.7 Effect of number of followers on credibility

Specimen for declaration in accordance with § 18 Para. 4 Nr. 7 APO
HI



Technische Hochschule
Ingolstadt

**Declaration in
accordance with § 18 Para. 4 Nr. 7 APO HI**

Declaration

I hereby declare that this thesis is my own work, that I have not presented it elsewhere for examination purposes and that I have not used any sources or aids other than those stated. I have marked verbatim and indirect quotations as such.

Ingolstadt, 19.01.2021

(Signature)

First name, Surname