SPOTIFY FREEMIUM+

"Enhancing the freemium experience with smarter skips, downloads, and reduced ad interruptions to drive engagement and premium conversions"

Problem Definition

Young professionals using Spotify's free version experience significant friction points, such as frequent ads, limited skips, and lack of offline listening. These disruptions negatively impact their listening experience, leading to reduced engagement and lower average listening time.

Target Users: Spotify's has "Young Professionals" as the largest user segment (63.8%) and it is important to have premium conversions.

Benefits the solution will bring to the business:
- It will increase **user engagement, retention, and revenue growth**.
- A better listening experience will encourage users to spend more time on the platform, leading to **higher revenue and reduced churn**.
- Improved user satisfaction will also strengthen **brand loyalty and word-of-mouth referrals**.
- Additionally, expanding monetization opportunities within this segment will help Spotify **capture a wider audience and maintain a competitive edge** in the streaming industry.

Benefits the solution will bring to the target users:
Once the problem is solved, users will enjoy a smoother and more personalized listening experience with fewer disruptions, more control over their content, and greater engagement with podcasts. This will lead to higher satisfaction and increased time spent on the platform.

The urgency to solve the problem: The urgency arises because the competitors are swiftly advancing their products as consumption continues to surge, we might lose the market share to other competitors.

Goals

Goal	Metrics	Importance
- Increasing Average listening time - Encouraging Freemium conversion into Premium - Reduce Friction points in the Freemium model - Stay Competitive in the market	- Average Listening Time per User - Premium Conversion Rate - Churn Rate - Ad Engagement Rate - Feature Adoption Rate	- Tracks Business Growth - Measures User Engagement & Satisfaction. - Ensures Competitive Edge - Improves Product Decisions.

Non-Goals

- **Providing Unlimited Premium Features in Freemium** – The free version will be improved, but key Premium benefits will remain exclusive to drive conversions.
- **Forcing All Users into Premium** – The goal is to encourage upgrades, not to make the free tier unusable.

Validation of the problem

On analyzing the 61,594 Playstore reviews the most popular review phrases identified were.

The most common negative comments that users have used are related to ads.

Understanding the Target Audience

Target Segment: Young working professionals using Spotify free version.

Segment Size: MAU of Spotify India is 80Million,

Young Professionals constitute 63.8% of the total Spotify userbase = 51.04Million

Free versions users are approximately 90-95% = **45.9 - 48.48Million**

User Personas:

Shikha Apte: The Podcast Lover

👤 25   📍 Mumbai, India   💼 Digital Marketer

Subscription Status: Free Spotify User
Daily Listening Time: 1-1.5 hours

Pain points:
- No Live Podcast Feature – Wants real-time discussions, Q&A, and direct host interaction.
- No Comment Section – Frustrated that she cannot ask questions or share opinions on episodes.
- Monotonous Experience – Feels that pre-recorded content lacks engagement.
- Frequent Ad Interruptions – Ads disrupt the flow of long podcasts, making it hard to stay focused.

Goal: Wants a more interactive and personalized podcast experience on Spotify, one where she can engage with the host and other listeners, and easily discover podcasts that she likes

Vaibhav Sharma: The Music Lover

👤 27   📍 Delhi, India   💼 Product Manager

Subscription Status: Free Spotify User
Daily Listening Time: 1-1.5 hours

Pain points:

- Continuous Ad Interruptions – Ads break the flow of both music & long podcasts, making it hard to stay engaged.
- No Skips, No Offline Downloads – Stuck with songs he does not like and cannot listen offline while traveling.
- Does not Need Full Premium Features – Finds it too expensive when he will not use even 50% of the features.
- Podcast Experience Feels Static – No live sessions with hosts or engagement features like comments.
- Limited Regional Language Podcasts – Struggles to find Hindi and Marathi content in his favorite genres.

Goal: Wants a seamless listening experience without committing to a full Premium plan. He seeks fewer ads, more skips, offline downloads, and interactive podcast features. However, he does not find full Premium worth it and prefers a flexible model where he can pay for only the features he needs.

Solution

1) **Mini-Forum for Podcast:** Create an interactive space for podcast listeners to engage, discuss, and connect — turning passive listening into an active, community-driven experience.
2) **Personalized Podcast Recommendations:** Discovering Podcast based on one's unique listening behavior, instead of getting stuck with irrelevant content.
3) **Enhanced Freemium Experience**: Improve the free tier listening experience for users by reducing interruptions and offering more control without fully giving away Premium perks i.e.
   a) 5 skips in a day
   b) Longer but fewer ad breaks – replacing 3 interruptions with a single 90-second ad per session for a smoother experience
4) **Live Sessions with Hosts***: Podcast hosts and artists can schedule live interactive sessions where Premium users can participate in Q&As, behind-the-scenes talks, and exclusive discussions. This creates a FOMO effect for free users, pushing them toward Premium upgrades.
5) **À La Carte Pricing Model***: Instead of a fixed monthly Premium subscription, users can pick features they want and pay accordingly.
   a) Ad-Free Weekend Pass, b) Unlimited Skips Pack, c) Unlimited Download packs, d) Podcast-Only Premium

*Prioritization of the "Solutions": **RICE Framework**

| Solution Name	Reach (R)	Impact (I)	Confidence (C)	Effort (E)	R.I.C.E Score (R×I×C)/E
Enhanced Freemium Experience	9	8	7	4	126
A- La Carte Pricing Model	9	9	8	8	81
Live Sessions with Hosts	8	8	7	6	74.6
Personalized Podcast Recommendations	7	7	6	5	58.8
Mini-Forum for Podcast	7	6	6	6	42

Based on **"RICE Framework"**, the **"Enhanced Freemium Experience"** is being prioritized.

The Solution: Enhanced Freemium Experience

Key Features: It will increase user satisfaction by reducing the friction points and converting the users to premium which is the main purpose. This will increase the average listening time and encourage switch to premium and hence will increase the average listening time.
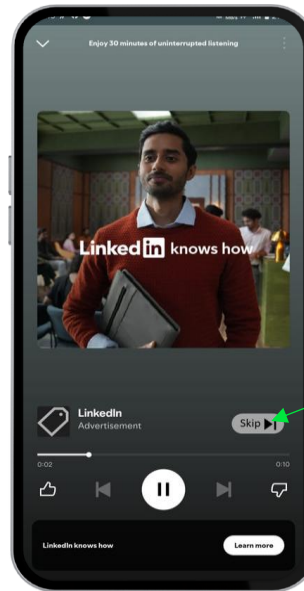
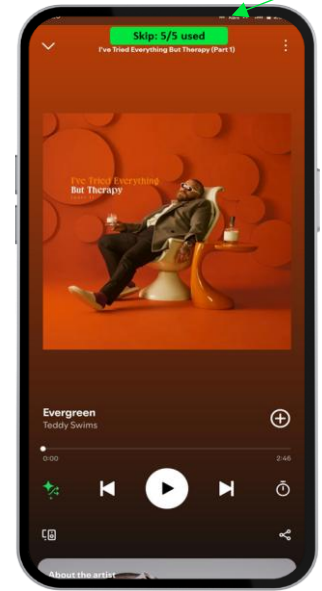1. **5 Skips in a Day:** Reduces user frustration and keeps them engaged.
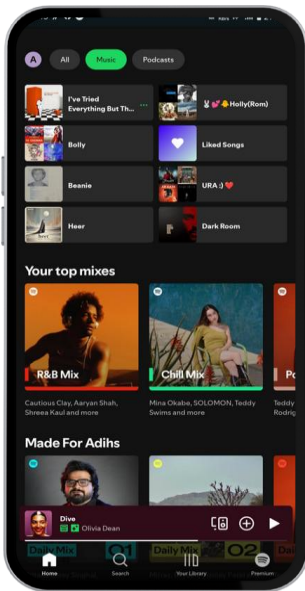
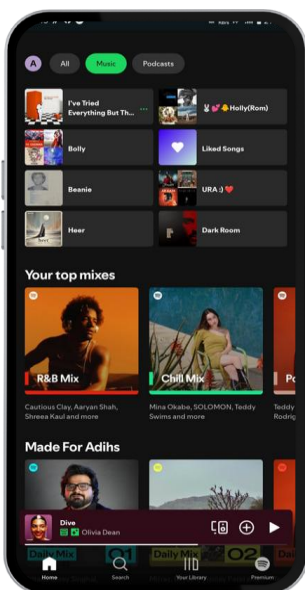**Step 1:** Freemium user launch the Spotify app
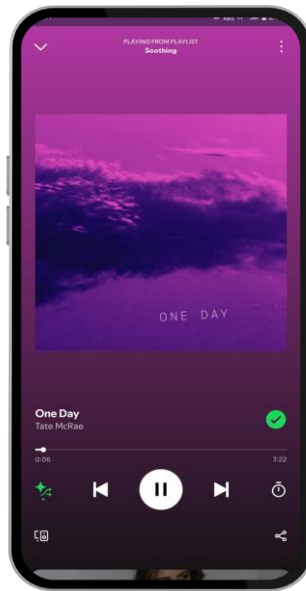
Step 2: User play the song

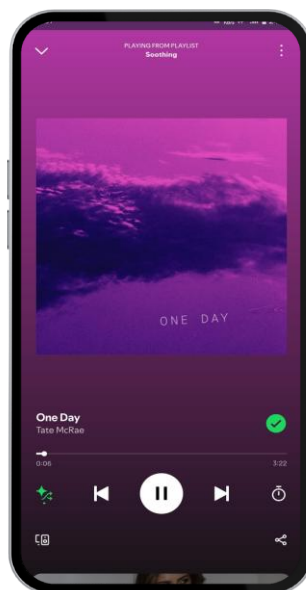**Step 3:** User see ad break with Skip Button

Step 4: User has used all the daily skips. A pop will appear showing 5/5 skips used.
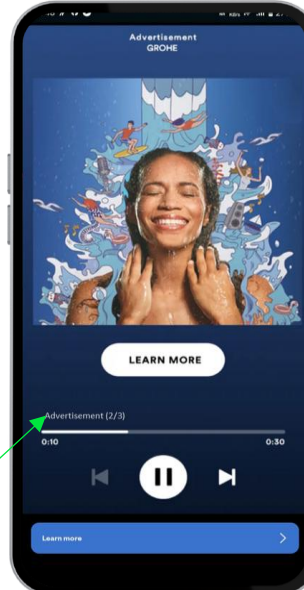
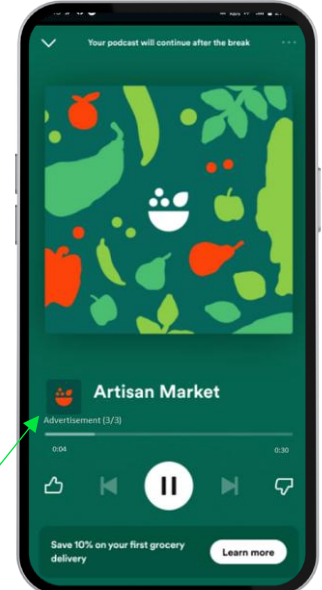2. **Longer but Fewer Ad breaks:** Creates a smoother experience, reducing fatigue.

Step 1: Freemium user launch the Spotify app

Step 2: User play the song

Step3: Instead, of 3ad breaks of 30sec each. User receives 1 ad break with 3 ads 30 sec each

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Technical Requirements: Key Logic

Algorithm Changes:
- **Skip Counter Logic:** Implement a daily reset counter to track the number of skips per user.
- **Ad Placement Optimization:** Modify the ad-serving algorithm to replace multiple short ads with one longer ad per session.

Schema Changes:
- **User Preferences:** Add fields *"daily_skips_used", "last_skip_timestamp"*
- **Ad Experience Table**: Add fields *"last_ad_served_timestamp", "ad_session_duration"*

New Data Types & Tracking:
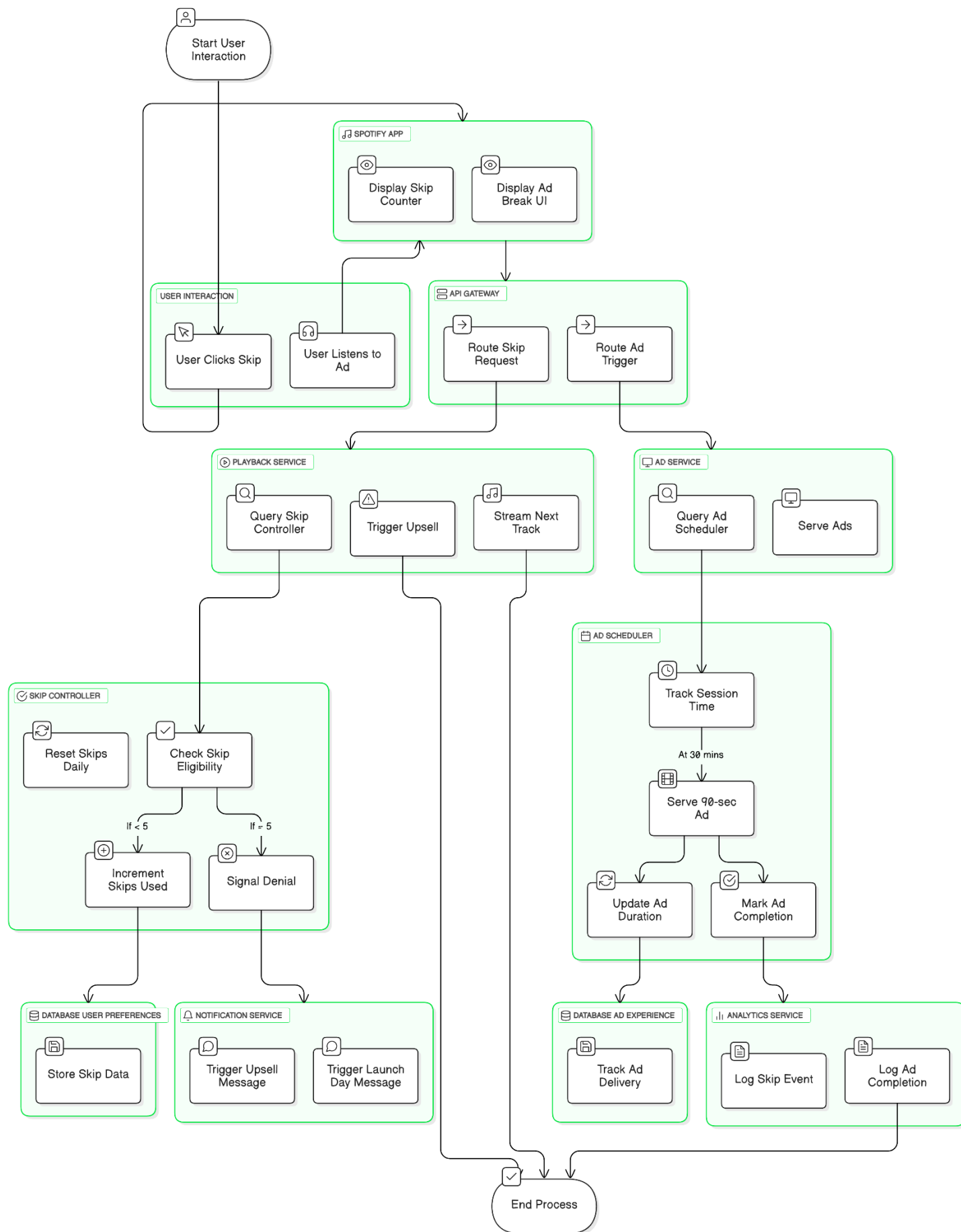- Capture *"skip_event", "ad_completion_event"* for better tracking.

Design Requirements

- **Skip Button**:
  - Show "Skips: X/5" counter in playback UI.
  - Post-5 skips: Grey out button, show "Upgrade for Unlimited Skips" CTA.

- **Ad Break UI**:
  - Pre-ad notification: "Ad break in 10 sec (90 sec total)."
  - During ad: Progress bar with "Listening ad-free? Upgrade now" CTA.

- **Wireframes**:
  - Playback screen with skip counter.
  - Ad break transition with upsell nudge.

System Design

- **Playback Service**: Manages song/podcast playback and skip requests.

- **Ad Service**: Schedules and serves ads based on session duration.

- **Skip Counter**: Tracks daily skips, resets at midnight UTC.

- **Ad Scheduler**: Optimizes ad placement (1x 90-sec vs. 3x 30-sec).

- **Databases**: Store user skip/ad data for real-time tracking.

Note: See Appendix A.1 for detailed system design flow

Spotify

Start User
Interaction

SPOTIFY APP

Display Skip
Counter

Display Ad
Break UI

USER INTERACTION

User Clicks Skip

User Listens to
Ad

API GATEWAY

Route Skip
Request

Route Ad
Trigger

PLAYBACK SERVICE

Query Skip
Controller

Trigger Upsell

Stream Next
Track

AD SERVICE

Query Ad
Scheduler

Serve Ads

SKIP CONTROLLER

Reset Skips
Daily

Check Skip
Eligibility

If < 5

If = 5

Increment
Skips Used

Signal Denial

AD SCHEDULER

Track Session
Time

At 30 mins

Serve 90-sec
Ad

Update Ad
Duration

Mark Ad
Completion

DATABASE USER PREFERENCES

Store Skip Data

NOTIFICATION SERVICE

Trigger Upsell
Message

Trigger Launch
Day Message

DATABASE AD EXPERIENCE

Track Ad
Delivery

ANALYTICS SERVICE

Log Skip Event

Log Ad
Completion

End Process

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Launch Readiness

- **Key Milestones**

Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16	Week 17
Product Requirement Finalization																
	Design Completion															
		Backend & Algorithm updates														
				Frontend Development												
						Internal Testing										
								Beta Testing								
										Soft Launch						
												Full Rollout				

- **Launch Checklist**
  - Backend, API, and database changes are deployed.
  - Ad-serving algorithm and user tracking are tested.
  - UI/UX validated with user testing.
  - Freemium experience enhancements integrated.
  - Customer support teams trained in new features.
  - Announcements planned for premium upsell strategy.
  - Internal stakeholders (Engineering, Product, Marketing, Customer Support) aligned on launch

- **User Communication**

  - **Pre-Launch (Week 15–16):**
    - In-app teaser: "Big update coming: More skips, fewer ads!"
    - Email to free users: "Get ready for a better Spotify."

  - **Launch Day:**
    - Push notification: "Now live: 5 skips/day + smoother ad breaks!"
    - Social media (X, Instagram): "Freemium just got better—try it now."

  - **Post-Launch (Week 18–20):**
    - Survey: "How's the new experience? Tell us!"
    - Upsell nudge: "Love your 5 skips? Go unlimited with Premium."

Note: See Appendix A.3 for detailed Go-to-Market Strategy covering rollout, awareness, and upsell tactics

Future Iterations

- **Phase 2 (Q3 2025):**
  - À la carte pricing (e.g., $1 for 10 skips/week, $2 for ad-free weekends).
  - Test with 5% of users; scale if conversion rate rises >15%.

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- **Phase 3 (Q4 2025)**:
  - Podcast mini-forum: Comment sections, host Q&As for top shows.
  - Personalized podcast recs based on listening habits.
- **Long-Term (2026)**:
  - Offline mode lite (e.g., 5 downloadable songs/month).
  - Regional language podcast expansion (Hindi, Marathi).

Risk & Mitigation

Risk	Impact	Mitigation
Ad revenue drops >10% from fewer breaks	High	A/B test ad lengths (60-sec vs. 90-sec); adjust if revenue dips >5%.
Users hoard skips, skewing usage	Medium	Cap skips/hour (e.g., 2/hr max) if data shows abuse.
Low adoption (<50% use skips)	Medium	Promote via in-app tutorials; tweak UI visibility.
Tech delays push past Mar 23	High	Buffer 2 weeks in timeline; prioritize skip feature over ad changes if needed.
Premium cannibalization	Low	Monitor conversion rates; gate key perks (offline, unlimited skips) behind paywall.

Open Questions

- **Ad Length Trade-Off**: Is 90-sec optimal, or should we test 60-sec/120-sec? (Plan: A/B test in Week 13–14.)

- **Skip Sweet Spot**: Is 5 skips/day ideal, or do users need 3 or 7? (Plan: User survey + A/B test.)

- **Revenue Impact**: How much ad revenue loss is acceptable short-term for long-term gains? (Plan: Model with finance team.)

- **Podcast Fit**: Should we fast-track mini-forum for podcast lovers like Shikha? (Plan: Assess post-launch feedback.)

- **Competitor Response**: Will Apple Music counter with a similar freemium tweak? (Plan: Monitor competitor updates weekly.)

APPENDIX

A.1: Detailed System flow

1. **Spotify Mobile/Web App**
   - o **Role**: User interface for playback, skip actions, and ad viewing.
   - o **Input**: User clicks "skip" or listens through ads.
   - o **Output**: Sends requests to API Gateway, displays skip counter (e.g., "Skips: 3/5") and ad break UI.

2. **API Gateway**
   - o **Role**: Central router for requests between app, playback, ad, and analytics services.
   - o **Flow**: Receives skip requests → Routes to Playback Service; receives ad triggers → Routes to Ad Service.

3. **Playback Service**
   - o **Role**: Core service for song/podcast streaming and skip handling.
   - o **Interaction**: Queries Skip Controller for skip eligibility → Streams next track or triggers upsell.

4. **Skip Controller** (New Component)
   - o **Role**: Manages skip logic and enforces 5/day limit.
   - o **Logic**:
     - Check daily_skips_used < 5.
     - If true, increment daily_skips_used, update last_skip_timestamp.
     - If false, signal Playback Service to show upsell.
     - Reset daily_skips_used to 0 daily at midnight UTC (skip_reset_timestamp).
   - o **Output**: Skip approval/denial to Playback Service; event to Analytics.

5. **Ad Service**
   - o **Role**: Delivers ads during playback sessions.
   - o **Interaction**: Queries Ad Scheduler for timing and format → Serves ads to app via API Gateway.

6. **Ad Scheduler** (New Component)
   - o **Role**: Optimizes ad placement for fewer interruptions.
   - o **Logic**:
     - Track session time since last_ad_served_timestamp.
     - At 30 mins, serve 90-sec ad (3x 30-sec combined).
     - Update ad_session_duration, reset timer.
     - Mark ad_completion_status on finish.
   - o **Output**: Ad schedule to Ad Service; event to Analytics.

7. **Database: User Preferences**
   - o **Role**: Stores skip-related data per user.
   - o **Schema**:
     - user_id: Unique identifier.
     - daily_skips_used: Current skip count (0–5).
     - last_skip_timestamp: Time of last skip.
     - skip_reset_timestamp: Next reset time (midnight UTC).

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8. **Database: Ad Experience**
   - o **Role**: Tracks ad delivery and completion.
   - o **Schema**:
     - ▪ user_id: Unique identifier.
     - ▪ last_ad_served_timestamp: Time of last ad.
     - ▪ ad_session_duration: Length of uninterrupted listening (seconds).
   - ▪ ad_completion_status: Did user finish ad (true/false)?

9. **Analytics Service**
   - o **Role**: Logs events for performance tracking.
   - o **Events**:
     - ▪ skip_event: {user_id, timestamp, skips_used}.
     - ▪ ad_completion_event: {user_id, timestamp, ad_length, completed}.
   - o **Metrics**: Skip usage rate, ad skip rate, avg. session length.
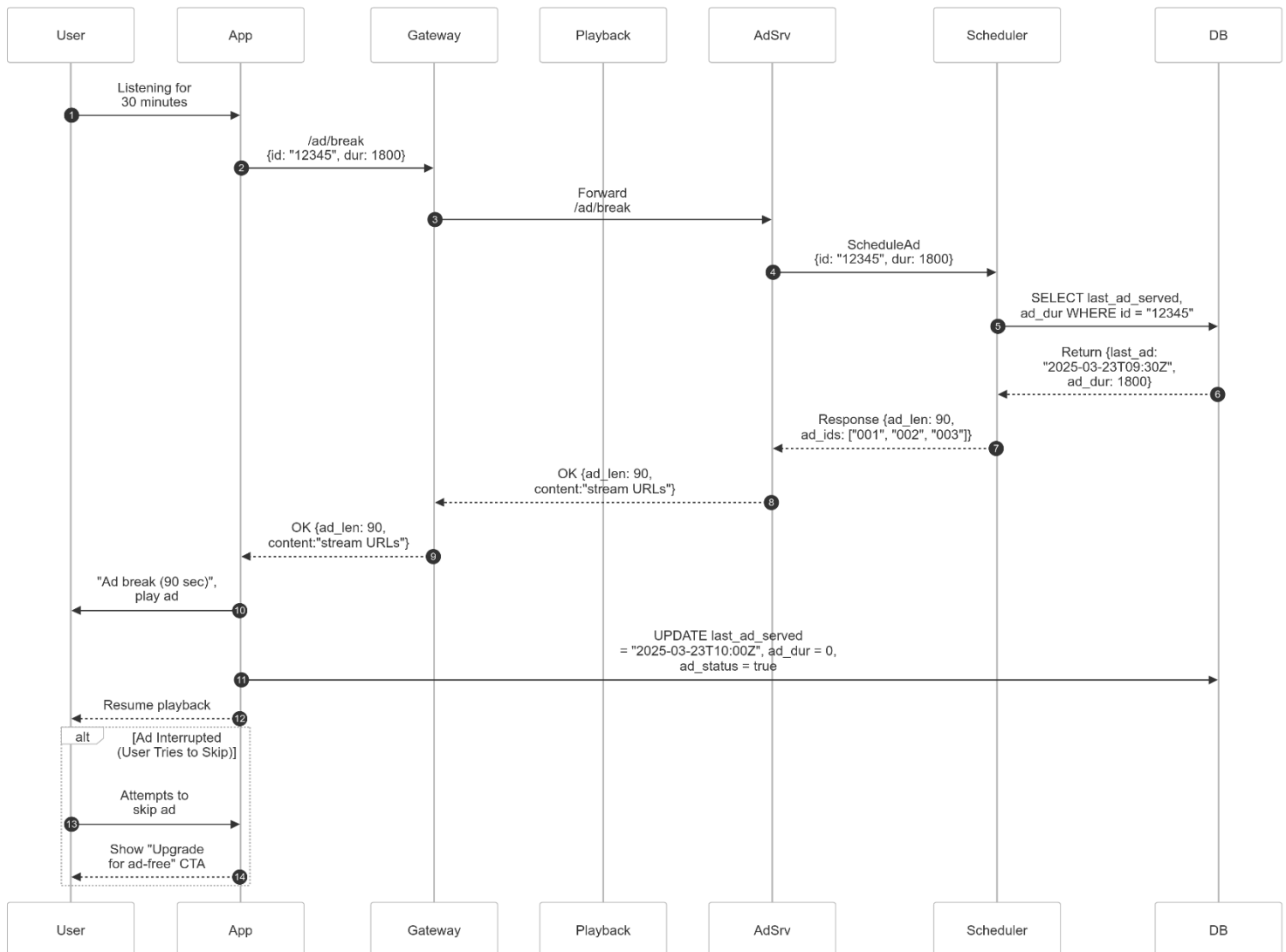
10. **Notification Service**
    - o **Role**: Delivers in-app messages and push notifications.
    - o **Triggers**:
      - ▪ Post-5 skips: "Upgrade for unlimited skips!"
      - ▪ Launch day: "New: 5 skips/day + fewer ads!"

A.2: API Sequence Diagram:

1. **User Skips a Song**
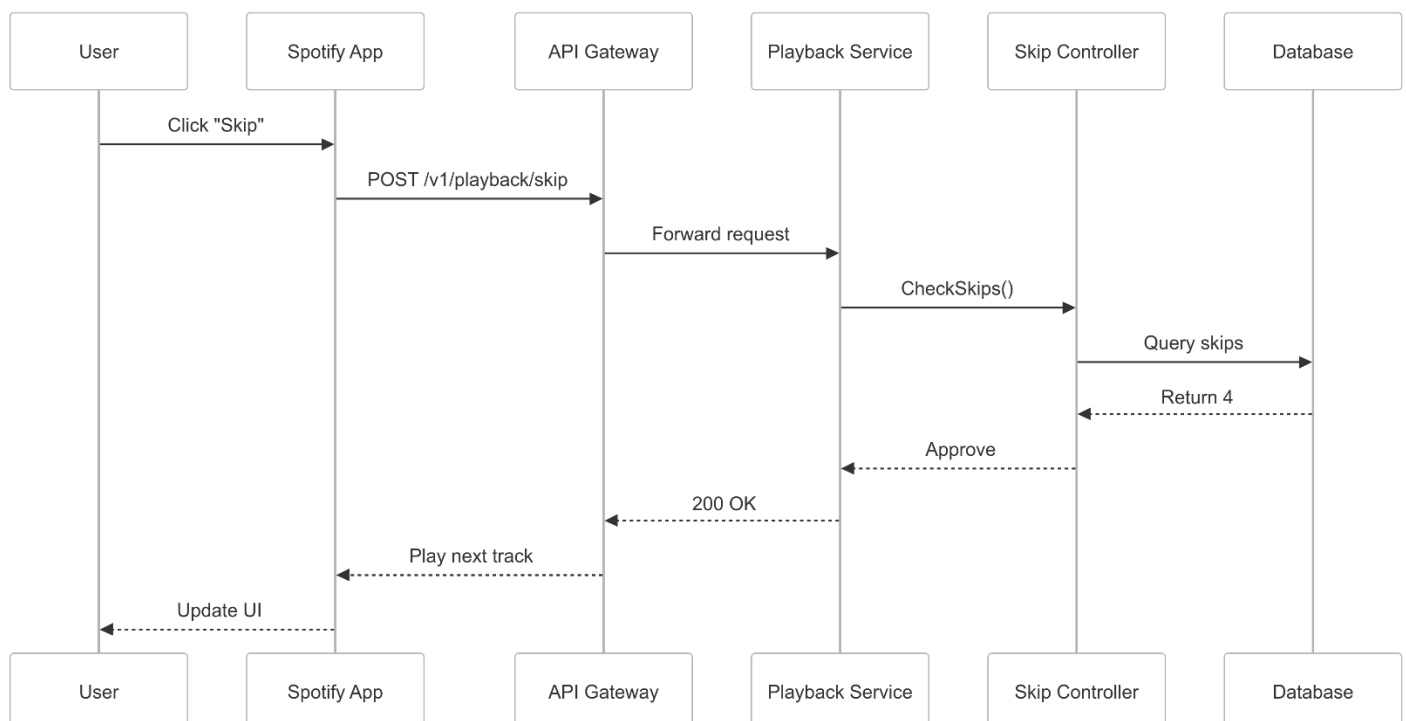
2. Ad Break Trigger

A.3: Go-to-Market Strategy

Objective:
Launch "Spotify Freemium+" to boost engagement (target: +20% average listening time) and premium conversions (target: +10%) among young professionals using the free tier, while maintaining Spotify's competitive edge in the streaming market.

Target Audience:
- **Segment**: Young professionals (25–35), 63.8% of Spotify's India user base (~51M of 80M MAU).
- **Free-Tier Users**: 90–95% of segment (~45.9–48.48M in India).

Strategy:

1. **Phased Rollout**:
   - **Phase 1 (Week 17, Mar 23, 2025)**: Launch to 10% of India free users (4.5M) to test stability and adoption.
   - **Phase 2 (Week 19, Apr 6, 2025)**: Expand to 50% (22.5M) if key metrics improve (e.g., +15% listening time, <5% bug reports).
   - **Phase 3 (Week 21, Apr 20, 2025)**: Full rollout to all free users if no major issues.
2. **User Awareness Campaign**:
   - **Pre-Launch (Week 15–16)**:
     - In-app teaser: "Big update coming: More skips, fewer ads—Mar 23!"
     - Email to free users: "Get ready for a better Spotify experience."
   - **Launch Day (Mar 23)**:
     - Push notification: "Now live: 5 skips/day + smoother ad breaks!"
     - Social media (X, Instagram): "Freemium just got better—try it now."
   - **Post-Launch (Week 18–20)**:
     - In-app survey: "How's the new experience? Tell us!"
     - Follow-up email: "Loving your skips? Go Premium for more."
3. **Premium Upsell Tactics**:
   - **In-App Nudges**:
     - After 5 skips: Pop-up with "Upgrade for unlimited skips" CTA.
     - During ad breaks: "Enjoy ad-free listening? Upgrade now" button.
   - **À La Carte Teaser**: Promote "Ad-Free Weekend Pass" (Phase 2) to test flexible pricing interest.
   - **FOMO Driver**: Highlight live podcast sessions (future iteration) as a Premium perk in messaging.
4. **Partnerships (Optional)**:
   - Collaborate with podcast creators to promote the enhanced experience in top shows (e.g., "Brought to you by Spotify Freemium+").

Key Metrics:

Metric	Target	Purpose
Skip Adoption Rate	80% of users	Measures feature usage
Avg. Listening Time	+20% (1.8 hrs)	Tracks engagement growth
Premium Conversion	+10%	Gauges revenue impact
Ad Skip Rate	-20%	Balances UX vs. ad revenue
Churn Rate	-15%	Assesses retention

Risks & Mitigation:
- **Low Adoption**: If <50% use skips, increase visibility via tutorials or UI tweaks (e.g., larger skip counter).
- **Ad Revenue Dip**: If revenue drops >10%, adjust ad length (e.g., 60-sec vs. 90-sec) post-Phase 1.
- **User Confusion**: If feedback shows misunderstanding (e.g., "Why only 5 skips?"), refine messaging to emphasize value.

Dependencies:
- Engineering: Notification Service for in-app nudges, analytics tracking for metrics.
- Design: UI for skip counter and ad break CTA.
- Marketing: Execution of email, social, and survey campaigns (Week 15–20).

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