



Joško Lozić
University North, Koprivnica
e-mail: jlozic@unin.hr

Katerina Fotova Čiković
University North, Koprivnica
e-mail: kcikovic@unin.hr

Ines Lozić
Centar za financijska vještačenja,
Zagreb
e-mail: ilozic@cfv.hr

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STREAMING PLATFORM SPOTIFY ON THE THRESHOLD OF PROFITABILITY

Abstract: *The streaming platform Spotify has become the largest music platform globally by number of subscribers and has played a transformative role in the digitalization of the music industry. This paper investigates Spotify's financial trajectory over the past seven years, examining its journey toward profitability in the context of the platform economy. Specifically, the study addresses three research questions: the overall financial success of the platform, the growth trend in user numbers, and the evolution of share prices. The methodology includes financial trend regression analysis and ANOVA to explore the relationship between operational metrics and stock performance. Data were drawn from Spotify's annual reports and public databases. The findings indicate that Spotify is entering a period of financial stability, with a positive net income achieved for the first time in 2024. These results have practical implications for understanding monetization strategies in digital platforms and theoretical significance in relation to platform economics and disruptive innovation.*

Keywords: *digital transformation; music industry; platform economy; Spotify; streaming*

1. Introduction

The Spotify platform was founded in 2006, but it began operating in 2008. Today it is the most famous music streaming platform, but in the music streaming industry, Pandora was founded before Spotify. Although it was not the first platform to build innovations, it has very consistently followed innovations in technology developments, especially in the streaming platform industry (Fleischer, 2020). The platform was founded as a digital infrastructure and began operations as a digitally transformed organization (Lozić, Fotova Čiković, 2024), and according to its organizational business model, it is part of the platform economy model (Parker et al. 2016; Moazed, Johnson, 2016). Using the effects of digital business transformation within the media industry, the platform had a disruptive effect on the entire music industry (Lozić, 2020), i.e. using the long-tail economy model (Anderson, 2006) and zero marginal cost (Rifkin, 2015), it significantly influenced a fundamental change in the paradigm of monetization of services within the music industry. In 2009, the term "spotifera" appeared, and it determined everything that was related to the culture of life that implied the use of streaming services on various platforms. Such a life model, which implied having access to all services without owning any of them, was most popular among members of Generation Z (Fleischer, 2020). The platform ended 2024 with 15.6 billion Euros in revenue and

1.1 billion Euros in profit. The platform's services are used by more than 626 million users, of which 246 million are subscribers. The largest number of subscribers is from Europe, followed by North America and Asia. The platform has more than 100 million pieces of music content, and five million in podcasts (Iqbal, 2025).

2. Literature review

The beginning of the 21st century marked a turning point in the use of devices for listening to music content. The desktop computer was somewhat neglected, and mobile devices for digital playback such as the Apple iPod came into the spotlight. This way of playing and consuming music became the dominant form (Hesmondhalgh, Meier, 2018). The first Spotify application was developed for desktop computers, but in a very short period of time, applications were developed for all types of gadgets. Very quickly, the largest number of accesses to the application was from mobile phones (Fleischer, 2020). Spotify became known for gaining a competitive advantage by investing in innovation and developing technology, but other platforms responded very quickly to these challenges (Hracs, Webster, 2021). Streaming revenues account for more than 84% of the music industry, and global streaming revenues account for more than \$19.5 billion. More than 78% of people listen to music using a streaming service (Duarte, 2025).



The beginning of the century was marked by very strong competition within the music industry due to the emergence of technologically advanced competitors such as Napster, iTunes, Pandora, Spotify and YouTube (Ryan, 2019). The emergence of new music services meant a development in the storage and distribution of music content that went from gramophone records, cassettes and CDs, to MP3 music formats and finally streaming platforms (Simon, 2019). Each of these phases also meant a reorganization of the socio-economic infrastructure in the music industry, the construction of new models of production and consumption of music content and changes in the use of music technology (Fuentes et.al., 2019). Such a change in habits, based on the development of music infrastructure, marked a complete change in music listening habits (Denegri-Knott, 2015). Analysing the history of the music industry, it is obvious that it has continuously gone through disruptive processes, from the beginning of the printing and distribution of sheet music to the distribution of sound carriers, but in each period, regulatory bodies eventually managed to establish order within the music industry (Hracs, Webster, 2021).

The Spotify platform went through three fundamental development phases. In the first, she focused on podcast content and other non-musical content. In the second, it focused on the generation of human and machine-generated content and the third, which is focused on live streaming concerts and other audio-visual content (Kiberg, Spilker, 2023). The streaming industry has never been fully accepted by record companies because they believe that they are deprived of a part of the income, but also by artists because they believe that they receive too little from copyrights (Spilker, 2017). The modern development of streaming technology implies the use and use of big-data, artificial intelligence and machine learning, which gives an advantage to large performers, and which directly led to what analysts call the “superstar economy” (Maasř, Spilker, 2022). In 2019, for the first time, the platform enabled users to browse the Wrapped role, which enabled viewing of all viewed music content of the user in a given time period. In just seven days after the start of using the Spotify Wrapped option, more than 60 million users joined the use of this option (Swant, 2019). Spotify ended the year 2022 with 150 million users of the Wrapped model. After that, the model was renamed into two new curated stories: “Your Listening Personality” and “Your Audio Day”, as one of the ways to emphasize that we are all unique (Taylor, Vindum Rasmussen, 2024). The platform has built a user community

that now spreads information about the platform itself (Lozić, 2023). In the Spotify Annual Report for 2024, the corporation announced that the use of the Wrapped model is the largest generator of new MAUs on the platform (Haddad, 2025).

Apart from Netflix, which is the untouchable leader of the streaming industry, most streaming platforms, including Spotify, have a problem with converting a large number of monthly users into an increase in profits. Paramount has posted losses of \$200 million in every quarter since the beginning of 2022, while Warner Bros. made \$1.4 billion in cumulative losses in the streaming division over the same time period (Saul, 2024). Spotify has invested more than a billion dollars in building a user base for podcast production (Dempsey, 2024). Streaming platforms, with the exception of Netflix, have not proven to be a particularly profitable business. It just proves that the law of winner-takes-all-markets applies in the platform industry. The paper analyses the business result of the Spotify platform by investigating several different aspects of the business. The research is focused on the analysis of selected financial parameters that are the basis for the analysis of the trend of the number of users and the share price of the corporation. There is not a large number of papers on this subject in the scientific databases, so the results of the work can be used as a basis for future research.

3. Methodology and research questions

The Spotify platform has pioneered a new way of consuming music content and has become the largest music streaming platform by number of users. In its development, it has been one of the leaders of innovation processes in the field of streaming, which required significant financial investments in research and development. Consequently, the research and analysis of the platform’s business results is focused on the period of the last seven years in which the overall business results of the platform are analysed. The research will use financial analysis models from selected financial parameters from the income statement, as well as a statistical trend regression model in order to compare the results of research on individual segments of the business process. The Spotify Annual Report, which is the corporation’s official document for investors on stock exchanges, will be used as the basic document, and scientific papers related to the corporation’s operations will be used in addition to it, as well as publicly published data about the platform on portals that monitor the operations of streaming platforms.



The research is based on three research questions:

1. RQ1 - What is the overall financial success of the platform in the analysed period?
2. RQ2 - What is the trend in the number of users in the analysed period?
3. RQ3 – What is the trend of the corporation's share prices in the analysed period?

The platform announced record profits in 2024, after laying off 17% of its employees and cutting costs in the previous year (Dempsey, 2024). Spotify has invested significantly in machine learning and artificial intelligence, which has greatly affected the corporation's profitability, but it has also improved its data capabilities in such a way that it can now say that it "knows us in new and more intimate ways" (Webster, 2023). Spotify is a constantly changing platform and over the years it has provided more and more audio-visual content of all kinds (Kiberg, Spilker, 2023). The largest number of users of the platform is in the age group between 29 and 35 (Iqbal, 2025), which also corresponds to the structure of Facebook users. According to the structure of the number of users, 31.7% of music streaming platform users use the Spotify platform, while the Tencent Music platform is in second place with 14.3% of the total number of music streaming platform users (Duarte, 2025). The use of Wrapped allowed users to spread information about the content of music playlists on other platforms, making users unpaid influencers of the platform. Users from other platforms, such as Apple Music, began to complain on social media that they did not have this option (Swant, 2019). The platform earns most of its revenue from the Premium subscription, which allows for ad-free streaming. Although it does not compete directly with the video platforms Disney+, Max, and Paramount+, its share prices have followed the share prices of other streaming platforms (Saul, 2024).

4. Data analysis

Research and analysis of the Spotify platform's business results are divided into three basic parts, according to the given research questions. The research includes an analysis of the financial results, the trend in the number of users, and the trend in the corporation's stock prices. The fourth part of the research analysis the impact of changes in financial parameters and the number of users on the value of the corporation's shares.

4.1. Selected financial items analysis

In the analysed seven-year period, the platform's revenues grew by 198%. Revenues grew continuously, and in the last analysed period, the platform generated revenues exceeding 15.6 billion euros. In the same period, Cost of revenue increased by 180.3%, which enabled the corporation to have positive Operating income and Net income in the last analysed period. In the analysed period, the platform's Gross profit increased by 249%. The results of the analysis are presented in Table 1.

The platform's Gross profit did not grow continuously as revenue grew. The platform generates most of its revenue from subscriptions and advertising, while the largest part of the Cost of revenue is the payment of copyrights to owners. The increase in the number of musical content directly affected the growth of Cost of revenue, and the platform had to develop other monetization models to get out of the loss zone. In periods when Gross profit was higher than 26%, the platform was approaching the zone of positive business operations. In 2021, it generated 26.8% Gross profit and had a positive Operating income, while in the last period it generated 30.1% Gross profit and for the first time in the analysed period it generated Net profit. However, it should be emphasized that in the previous period of one year, the platform laid off 1,500 employees, or

Table 1. Selected financial items (2018-2024; Eur bill.)

	2018	2019	2020	2021	2022	2023	2024
Revenue	5.259	6.764	7.880	9.668	11.727	13.247	15.673
Cost of revenue	3.906	5.042	5.865	7.077	8.801	9.850	10.949
Gross profit	1.353	1.722	2.015	2.591	2.926	3.397	4.724
	25,7%	25,5%	25,6%	26,8%	25,0%	25,6%	30,1%
Operative gain/loss	-43	-73	-293	94	-659	-466	1.365
Net gain/loss	-78	-186	-581	-34	-430	-525	1.138

Source: Spotify Annual Report; Own illustration

17% of employees, which directly affected the financial parameters of the corporation (Dempsey, 2024). The results of the analysis are shown in Figure 1.

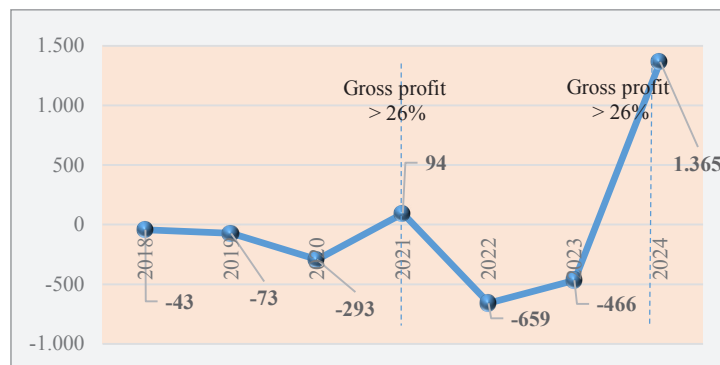
Revenue and Cost of revenue were compared by trend regression analysis in order to analyse trends in the last seven years of business. The Revenue trend is explained by the linear trend equation $y = 1823.8x + 4344.9$, with a coefficient of interpretation of 98% ($R^2 = 0.98$). In the analysed period, Revenue grew at an average annual rate of 18.6% ($s = 18.57$). The Cost of revenue trend is explained by the linear trend equation $y = 1202.9x + 3747$, with an interpretation coefficient of 99.4% ($R^2 = 0.9936$). Cost of revenue grew at an average annual rate of 16.4% ($s = 16.36$). The coefficient of interpretation is very large for both analyzed variables, which can be seen by the inflection points located on the lines of the equation. For a more accurate analysis of the trend movement, a longer time period should be taken. The results of the analysis are shown in Figure 2.

4.2. User's trend analysis

In the analysed period, the number of MAUs on the Spotify platform grew from 207 million at the

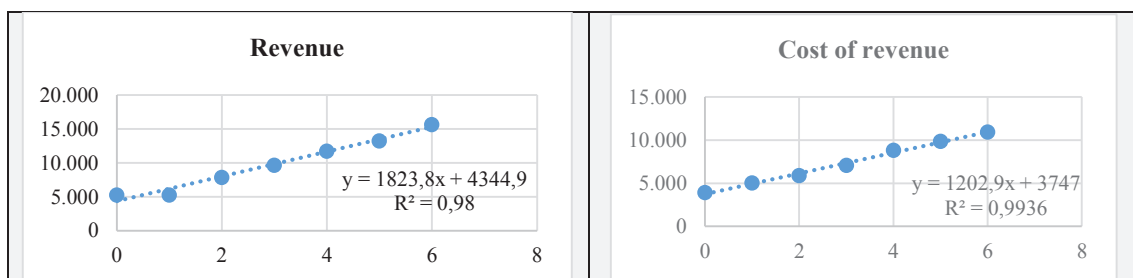
beginning of the period to 675 million in 2024, an increase of 226.1%. The growth in the number of users was continuous, but it oscillated from period to period. The smallest growth of 12.1% was achieved in the last period. In the same period, the number of Premium users grew from 96 million to 263 million, an increase of 174%. The growth in the number of users was digressive, and the smallest growth was achieved in the last period, as was the case with MAU. The research results prove that the number of platform users is approaching the saturation point. The growth of the user base is directly related to the development of podcasts and audio books (Dempsey, 2024). The research results are shown in Table 2.

The growth in the number of users was analysed using a statistical trend regression model to compare the results with the results of the revenue growth survey. The growth in the number of MAUs was explained by a linear trend regression $y = 78.929x + 191.07$, with a coefficient of interpretation of 99.2% ($R^2 = 0.9918$). The number of MAUs grew at an average annual rate of 18.5% ($s = 18.45$). The growth in the number of Premium users was explained by a linear trend regression $y = 27.679x + 96.821$, with a coefficient of interpretation of 99.9% ($R^2 = 0.9993$). The number of



Source: Own illustration

Figure 1 Spotify Gross profit analysis



Source: Own illustration

Figure 2 Selected financial items regression analysis

Table 2. Spotify users (2018-2024; mill.)

	Monthly active users		Premium users	
	Users	Share	Users	Share
2018	207	-	96	-
2019	271	30,9%	124	29,2%
2020	345	27,3%	155	25,0%
2021	406	17,7%	180	16,1%
2022	489	20,4%	205	13,9%
2023	602	23,1%	236	15,1%
2024	675	12,1%	263	11,4%

Source: Spotify Annual Report; Own illustration

Premium users grew at an average annual rate of 15.4% ($s=15.39$). The number of MAUs is growing at an average higher rate than Premium users, which was to be expected. The average growth rate of Premium users is lower than the average growth rate of Revenue, which proves different forms of monetization of services besides the sale of content subscriptions.

4.3. Stock price analysis

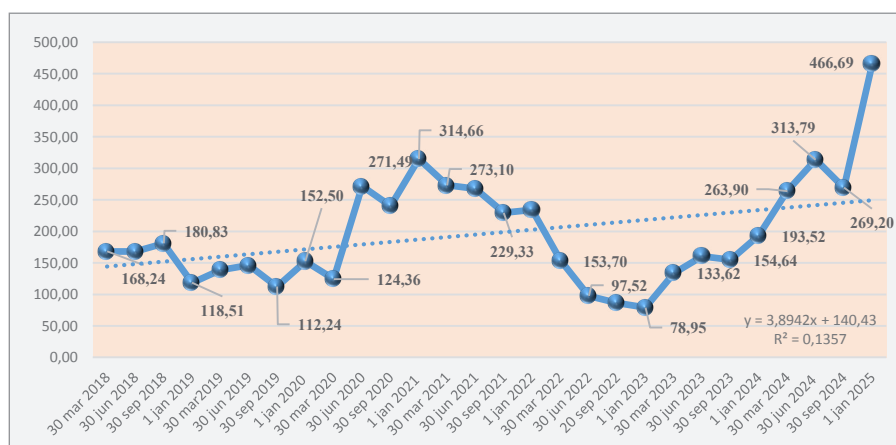
In the analysed seven-year period, the share price increased from \$168.24 to \$466.69, or a share price increase of 177.4%. In the first two years, the share price fell below the regression line to recover by the end of 2021. After that, the price fell again until the second quarter of 2023, when the lowest share price in the analysed period was achieved at \$78.95. After that, the price rose with smaller declines until the end of 2024, when the highest price in the analysed period was achieved at \$466.69. The results of the analysis are shown in Figure 3.

The average share price during the period under review was \$196.89, or 17.3% higher than the initial price. Spotify's share price surged in the third quarter of 2024 after the company reported a profit of \$532 million for the first half of the year (Saul 2024). After reporting a profit of \$1.14 billion for 2024, the share price jumped 13% on the same day (Duarte, 2025). Since the beginning of 2024, the share price has at one point jumped more than 214% (Lee, 2025).

4.4. ANOVA analysis

The platform achieved net profit only in the last analysed period, and share prices reached their highest level. The ANOVA model was used to analyse the influence of the independent variables Revenue, Cost of revenue, MAU and Premium users on the dependent variable Stock price Spotify. The model analysed a period of seven years, as in the analysis of independent variables. The results of the analysis confirmed the strong connection between the variables in the model, that is, the value of Multiple R = 0.980232 proves the strong connection between the analysed variables. The Adjusted R Square coefficient=0.88256, for series of less than 30 frequencies, proves the representativeness of the model, i.e. 88.3% of the values of the dependent variable were interpreted by the values of the independent variables. The results of the analysis are shown in table 3.

The significance of the statistical model was proven based on the Significance Variable F = 0.07676, i.e. the value is less than 0.05, at a risk level of 5%, which means that at least one of the regression variables significantly affects the value of the dependent variable. In the analysed model, the P-value is less than 0.05 only for the



Source: Stock price Spotify; Own illustration

Figure 3. Stok price analysis

Table. 3 ANOVA analysis

SUMMARY OUTPUT								
<i>Regression Statistics</i>								
Multiple R	0,980231856							
R Square	0,960854492							
Adjusted R Square	0,882563477							
Standard Error	45,42319849							
Observations	7							
<i>ANOVA</i>								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	4	101288,7275	25322,18186	12,27285773	0,076758645			
Residual	2	4126,533921	2063,266961					
Total	6	105415,2614						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95,0%</i>	<i>Upper 95,0%</i>
Intercept	107,1690397	121,1843456	0,884347225	0,46980114	-414,2451155	628,583195	-414,2451155	628,583195
Revenue	0,237712969	0,07091639	3,352017341	0,078643837	-0,06741563	0,542841567	-0,06741563	0,542841567
Cost of revenue	-0,590833951	0,100711865	-5,866577379	0,027847652	-1,024162133	-0,15750577	-1,024162133	-0,15750577
MAU	1,145560464	1,552290562	0,737980692	0,537369869	-5,533406761	7,824527689	-5,533406761	7,824527689
Premium users	8,82290231	3,804296357	2,319194269	0,146215396	-7,545663795	25,19146841	-7,545663795	25,19146841

Source: Own illustration

independent regression variable Revenue, which means that only the value of the Revenue variable has a statistically significant effect on the value of the dependent variable. The other independent variables have a value greater than 0.05, which means that they do not have a statistically significant effect on the value of the independent variable. The P-value in the regression analysis of the impact of Revenue on Spotify’s stock price is close to the threshold value, which proves that the value and trend of the share price are affected by very different parameters and that the price also depends significantly on parameters that are not directly related to the platform’s business results.

5. Conclusion

This study analyzed Spotify’s business performance through the lens of platform economics, focusing on financial outcomes, user trends, and stock price movements. In response to the first research question, the findings demonstrate that Spotify is transitioning into a profitable business model. Revenue increased at an average annual rate of 18.6%, surpassing the growth of cost of revenue (16.4%). The platform recorded positive operating income twice during the period, with a net profit achieved in 2024, corresponding with a gross profit margin exceeding 30%.

Regarding the second research question, user growth was consistent but showed signs of deceleration. Monthly active users (MAUs) increased

by 226% over the seven-year period, while premium user growth was more modest at 174%. The slower growth in premium subscriptions relative to revenue suggests diversification in monetization strategies, such as podcasting and advertising, which could support long-term profitability even as user growth plateaus.

For the third research question, share prices fluctuated independently of user and revenue trends, suggesting a complex interaction between investor sentiment and financial performance. While stock prices spiked in 2024 following reported profitability, earlier periods of user and revenue growth did not always correspond to stock appreciation.

The ANOVA model revealed a statistically significant relationship between revenue and stock price, while other variables, such as MAUs and premium users, did not show a significant direct impact. This underscores the importance of revenue growth as a key performance indicator for investors.

Limitations of this study include its reliance on secondary data and the relatively short seven-year time frame. **Future research** could compare Spotify’s performance with other streaming platforms, examine user behavior patterns, or explore the regulatory environment’s influence on profitability. Overall, the study contributes to a better understanding of financial sustainability and strategic positioning in the digital platform economy.



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