

Telia-Spotify Music Service Partnership



Challenge/Opportunity

EXECUTIVE SUMMARY

COMPANY PROFILE

TeliaSonera, headquartered in Stockholm, provides telecommunication services in 20 markets in the Nordic and Baltic countries, the emerging markets of Eurasia, including Russian and Turkey, and Spain. TeliaSonera's operations are organized into three business areas: Mobility Services, Broadband Services, and Eurasia.

COMPANY HISTORY

TeliaSonera is the result of a 2002 merger between the Swedish and Finnish telecommunications companies, Telia and Sonera. Telia was a Swedish state telephone monopoly, before privatization. Sonera, on the other hand, used to have a monopoly only on trunk network calls. The separate brand names, Telia and Sonera, have continued to be used in the Swedish and Finnish markets, respectively.

Telia partnered with Spotify, the leading music-streaming service to create an exclusive Spotify music service on Telia's TV set-top box (STB) launched in June 2010. Telia launched this service in face of the following challenges:

- Competition, particularly in broadband and TV, was pushing prices down and slowing average revenue per user (ARPU) growth in Sweden, so Telia needed new services to grow subscriber numbers and ARPU.
- Challenge to outpace rivals in Sweden with new and superior services. Telenor, a key competitor, has launched a Spotify-like music service called WiMP in Norway in partnership with local music chains, but it is not available yet in Sweden.
- Upgraded STBs compatible with the Spotify application would lead to increased STB cost base, putting pressure on return

on investment (ROI).

On the other hand, Spotify service also provided the following opportunities for Telia:

- Telia's main driver for the Spotify service is to attract new customers and retain existing customers for its mobile broadband, broadband, and TV services. By making Spotify available on different platforms, Telia can provide a more compelling proposition for customers to purchase bundled services.
- The new Spotify service can also help up-sell subscribers to higher-value packages, driving up ARPU.
- Spotify has a strong brand presence in Sweden, especially with younger market segments, that Telia can leverage.
- Telia also has an opportunity to use Spotify to differentiate itself in the TV market by enabling Spotify on TV.

Alliances/Partnerships

- To offer this music-streaming service, Telia has partnered with Spotify. This partnership allows Telia to use Spotify's brand to strengthen and promote the perception of Telia as a more innovative company, thus attracting new subscribers and reducing turnover.
- Spotify's Premium subscription is being bundled with Telia's mobile and broadband packages and offered as an exclusive streamlined Spotify service on the TV, via the set-top box. The service will include features: mobile app, offline mode for playlists, no ads, and unlimited streaming.
- Although the partnership does not extend the addressable market, it does strengthen the Telia brand by association and by upgrading its multiscreen offering.
- Spotify demographics fulfills the challenge of targeting the young. Over 50 percent of Spotify users are under 30 years old, with the majority of these between 20 and 29 years old. This means the Spotify service should be a strong attraction to first-time broadband and TV subscribers.

"People in Sweden love music. Although we usually take our favorite music with us everywhere on portable devices, we still listen to a lot of our music at home, and especially in our living rooms. When people can log on to Spotify right on their television set and enjoy music from the entire world, we believe it will attract new groups to the world's hottest music service today and what is probably Sweden's best digital television service."

— Stefan Trampus, Head of Broadband Services, Telia

[See quote source](#)

Experience/Innovation

Telia-Spotify provides the following features to the subscribers:

- Telia's Spotify service is the first music service in the world offering unlimited music streaming on all three key devices; mobile, PC, and TV. This helps Spotify to differentiate the service from Apple iTunes.
- New features such as Spotify Library allow users to smoothly import their iTunes collection into Spotify. This capability turns Spotify into a central location for all of a user's music collection, including free and paid-for content purchased through iTunes. This capability also enables users to more easily manage their entire music collection and preferences.
- Spotify is available via applications on iPhones as well as phones with the latest Android or Symbian OS. In July 2010, an important new functionality was added. Spotify released an updated application that enables Spotify to stream in the background, while other applications are being used: this is only available for users with Spotify Premium.

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- Spotify on the TV is operated by the normal TV remote control. A mobile and/or computer can add or edit a playlist, and this playlist will automatically synch with the TV. The service includes up to five different accounts; account holders can easily switch between the accounts on the TV, which are password protected.
 - There is significant competition in the Swedish TV market. By turning the TV into an entertainment hub that easily and exclusively delivers unlimited music streaming to living room sound systems, Telia is able to differentiate itself from competing TV offerings. Regardless of the customers' location or device, they can have access to Spotify.

Success Factors/Metrics/Monetization

Telia plans to monetize Spotify services through reducing turnover, up-selling subscribers to higher-value packages such as their TV package, and attracting new subscribers to Telia services. The details for the revenue share model with Spotify are not known.

Telia currently offers Spotify Premium (mobile, offline mode for playlists, no ads, unlimited streaming) for 99 K (approximately €10) per month on the mobile, computer, and TV. The company is also considering the introduction of Spotify Unlimited (no ads, unlimited streaming) for 49 K (approximately €5), which will be particularly attractive for broadband customers.

Company Background

- Read [TeliaSonera overview](#)



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