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Locating Power in Platformization: Music Streaming Playlists and Curatorial Power

Robert Prey

Abstract

Where does the "power" of platformization reside? As is widely recognized, platforms are matchmakers which interface between different markets or "sides." This article analyzes platform power dynamics through three of the most important markets that Spotify—the leading audio streaming platform—is embedded within: the music market; the advertising market; and the finance market. It does so through the lens of the playlist. Playlists can be seen as a central example of how platforms like Spotify employ curation or "curatorial power" to mediate markets in the attempt to advance their own interests. At the same time, playlists are an outcome of the conflicting pressures and tensions between these markets. As such, they provide a lens through which to view broader structural dynamics within the platform economy. As this case study of Spotify demonstrates, platform "power" is an always unstable and shifting outcome of the ongoing attempt to coordinate between various markets and actors.

Keywords

platform, music streaming, Spotify, power, playlists

Introduction

In an article entitled "The Changing Sites of Sound," Paul du Gay and Keith Negus detail "the shift in power relations" taking place within the recorded music industry. According to du Gay and Negus (1994), "profound transformations in the distribution system" are introducing tensions between record labels and "those whose expertise is based upon knowledge of (music) consumption" (p. 396).

If it wasn't for the fact that this article appeared over 25 years ago, the reader could be forgiven for assuming that the authors were commenting on contemporary music streaming platforms. However, the "sites of sound" du Gay and Negus are referring to are not platforms like Spotify, but rather music retailers like HMV. As they explain, a system historically characterized by "forward integration"—whereby record labels exerted control over the retailers by controlling the product—was by the early 1990s experiencing a degree of "backward integration," as retailers began to exert greater influence over "the *way* in which music is presented and sold" (du Gay and Negus, p. 409, emphasis in original).

Today, online platforms—rather than offline retailers—appear to be exerting control over content suppliers. While record labels worry about Spotify rather than HMV, book publishers worry about Amazon rather than Barnes & Noble. The content platforms that are the focus of this Special Issue can be understood as mediators that "transform, translate, distort, and modify the meaning or the elements they are supposed to carry" (Latour, 2005, p. 39). One of the ways platforms "transform, translate, distort, and modify" is through their role in organizing and programming the content they carry. While platforms like Facebook, YouTube, or Spotify do not produce—or own—most of the content they circulate, they curate content, and in doing so they "transform" this content. In turn, platforms inaugurate relations of dependency among creators and the industries they draw upon.

Recent academic work has recognized the critical shaping influence platforms have over the industries they enter, and the commodities they exchange (Langley & Leyshon, 2017; Srnicek, 2017). In relation to the cultural industries, the concept of "platformization" is defined by Nieborg and Poell (2018) as "the penetration of *economic, governmental* and *infrastructural extensions* of digital platforms into the web and app ecosystems . . ." (p. 2). This is a process that is seen

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to fundamentally affect—even compromise—cultural producers and the content they create.

But where does the "power" of platformization reside? A seemingly obvious response would be that power is in the platforms themselves. To come to this conclusion, however, would be to ignore the political economy of platforms and their embeddedness in a complex array of markets (Eriksson et al., 2019). As is widely recognized, platforms are "matchmakers" (Evans & Schmalensee, 2016) which interface between different markets or "sides," thus constituting *multi-sided* markets (Nieborg & Poell, 2018, p. 4277). Facebook, for example, does not only match advertisers with users, it also connects "companies, institutions, and content developers, each of which operate in different regions and have different histories, incentives, and business models" (Nieborg & Poell, 2018, p. 4282).

To succeed, platforms must address the "chicken and-egg problem": because the sides are linked, platforms must get all sides on board (Rochet & Tirole, 2003, p. 990). These various markets encompass conflicting interests and power differentials (Rieder & Sire, 2014). Thus, while platforms are certainly not neutral distributors, they are also not inherently "powerful." Power is instead an always unstable and shifting outcome of the ongoing attempt to coordinate between these markets.

To examine this shifting locus of power, this article focuses on Spotify. The leading audio streaming platform in the world, Spotify operates by bringing together various markets, agents, and interests. Music is marketed to listeners who are, in turn, marketed to advertisers. At the same time, Spotify must attract investment within the finance market. Spotify's survival is dependent on its ability to successfully stitch together the various markets it operates within (see Vonderau, 2019).

Through a close reading of press, trade publications, and Securities and Exchange Commission (SEC) filings, Spotify's struggle to "get all sides on board" will be illuminated by shining a spotlight on playlists. Playlists are the central means through which music is organized and presented on Spotify. Curated by either a person or an algorithm (see Bonini & Gandini, 2019), a playlist consists of a collection of songs organized around a common genre, theme, mood, or activity. Research has shown that Spotify has since around 2013 transformed itself from a distributor of music into a producer of a "branded musical experience" (Morris & Powers, 2015) through playlist curation (Eriksson et al., 2019). Scholars have discussed the topic of playlists in relation to the appropriation of fan "labor" (Drew, 2005), platform brand differentiation (Morris & Powers, 2015), user practices (Hagen, 2015), the digital music commodity (Morris, 2015), gatekeeping (Bonini & Gandini, 2019), and as "container technologies" (Eriksson, 2020). However, a key element has yet to be examined: what playlists can reveal about broader structural dynamics within the platform economy. The objective of this article is thus to examine the shifting locus of platform power through a case study of Spotify's curation of playlists.

As a sociotechnical feature common to many platforms, playlists reveal the politics of "selection" (van Dijck et al., 2018)—a key mechanism through which platforms such as Spotify attempt to create platform dependence. This is introducing tensions that recall the battle between labels and retailers in the 1990s. In the first special collection of *Social Media+Society* on the platformization of cultural production, Bonini and Gandini (2019) looked at the "algo-torial power" of platforms, highlighting the "specific intermingling of human and algorithmic processes" as new agents of music gatekeeping. In this contribution, I argue that playlists are not only shaped by a blend of editorial and algorithmic logic, but by pressures and tensions between the various markets that any one platform brings together. Playlists, I will argue, provide a lens through which to view the sometimes conflicted, sometimes complementary, interplay between these multiple markets.

In what follows, three of the most important markets that Spotify coordinates will be examined: the music market; the advertising market; and the finance market. While important work has examined *how* playlist curation works on streaming platforms (Bonini & Gandini, 2019), this article will examine *who* playlists work for.

The Music Market

After many years of steep decline, the recording industry is finally on the rebound. Music streaming has grown to become largest revenue source for the global recording industry and Spotify has been hailed as the savior (Farrell & Steele, 2018). The company represents a full 27% of global recorded music revenues. Even at the peak of the iTunes Music Store, Apple's contribution to the recording industry did not exceed 10% of total revenues (Mulligan, 2018b). Thus, it is clear that Spotify is assuming an increasingly central role in the market for recorded music.

It is therefore not surprising that Spotify has become the focus of promotional efforts across the recording industry. Much of this focus is on playlists. Playlists have been called "the new radio" for the influence they have on breaking new songs and artists (Shah, 2018). However, not all playlists are created equally: influence varies widely and is largely dependent on who owns the playlist.

Upon logging in to Spotify, one immediately encounters a wide selection of playlists. Spotify listeners have created over three billion of their own playlists on Spotify. These user-generated playlists account for approximately 36% of Spotify's monthly content hours (United States Securities and Exchange Commission, 2018, p. 108). Alongside playlists created by Spotify listeners, are playlists created by record labels. The three major record companies each have their own playlist brands through which to promote their roster: Sony has "Filtr," Warner has "Topsify," and Universal has “Digster.” Hundreds of playlists available on Spotify belong to one of these three brands. The top playlist curated by a major label is the Filtr playlist “80s Smash Hits” which has over 2 million followers.

However, while these major label playlists have become essential tools to promote and distribute music by artists signed to these labels, the true hit-makers are the playlists owned and curated by Spotify itself. Spotify has created thousands of its own playlists.[1] The top Spotify-curated playlist—the algorithmically generated “Today’s Top Hits”—counts over 22 million followers.[2] The 35 most followed playlists on Spotify (as of January 2019) were all Spotify-curated playlists; as are 99 of the top 100 playlists. According to a study conducted for the European Commission,

> Spotify’s curated lists have over three quarters of the followers of the top 1,000 playlists; Spotify’s algorithmic lists have another 9.3 percent. The lists operated by the major record labels, Filtr, Digster, and Topsify, have 3.1, 2.7, and 0.9 percent of the top 1000’s cumulative followers. The remaining list owners have negligible shares. (Aguiar & Waldfogel, 2018, p. 8)

It is thus clear, as Aguiar and Waldfogel (2018) conclude, that “Spotify dominates playlists at Spotify” (p. 6).

Spotify claims that the growing centrality of its own playlists is a natural outgrowth of its data-driven, listener-centered model. Critics, however, see it otherwise. While record labels in the 1990s complained about HMV using sales data to take control of “their product” through pricing and display strategies (du Gay and Negus, 1994), online platforms like Spotify marshal their wealth of listener data to create an entirely new product; by unbundling albums and reassembling them into playlists. Critics have interpreted Spotify’s playlist push as a “grab for power and control in music” (Pelly, 2017). Indeed, Spotify founder and CEO Daniel Ek boasted to investors that the growing consumption of Spotify playlists is “a massive transformation” that “puts Spotify in control of the demand curve” (Spotify Investors, 2019).

In recent years, Spotify has been actively demoting third-party playlists in favor of their own Spotify-curated playlists (Packer, 2016). For example, a search on Spotify’s mobile app for the Dutch drum and bass trio “Noisia” returns the group’s profile, immediately followed by a Spotify-curated playlist of Noisia’s releases (“This is Noisia”), Noisia Radio, and several other Spotify-curated playlists featuring Noisia. Albums released by the group finally appear only after scrolling through a list of Noisia’s most popular tracks, a list of artists with similar names, and podcasts. Finally, a list of third-party playlists appears; including one curated by the group—“This is: Noisia”—which still has more followers but is rapidly losing ground to the more recently created and prominently placed Spotify-curated playlist.

It is perhaps unsurprising that Spotify promotes its own playlists, and that in turn, Spotify-curated playlists exert the greatest reach and influence on the platform. The result, however, is that to build and sustain a career in the music industry, musicians and record labels have become increasingly dependent on landing on Spotify-curated playlists (Iqbal, 2019). Research has confirmed the crucial importance of Spotify-curated playlists on artists’ careers (Aguiar & Waldfogel, 2018). The European Commission study determined that a track placement on Spotify’s “Today’s Top Hits” playlist resulted in up to US\$163,000 in additional revenue. Other popular Spotify-curated playlists resulted in an even higher payout: “Viva Latino!” was found to generate between US\$303,047 and US\$424,265 in added revenue per track (Aguiar & Waldfogel, 2018). What is more, location is everything: the track must be positioned near the top of the playlist in order for there to be the greatest impact (Aguiar & Waldfogel, 2018, p. 19).

By leveraging knowledge about the consumption of music to control music curation on its platform, Spotify is instituting a degree of “backward integration” in the market for music.[3] Music artists and record labels are growing increasingly dependent on plum playlist positions—playlists controlled by Spotify. For platforms such as Spotify or YouTube who do not own the rights to their own content, playlists are a key mechanism through which to exert what we can call “curatorial power”: the capacity to advance one’s interests, and affect the interests of others, through the organizing and programming of content.

However, rumblings of discontent are emerging as record labels become increasingly dependent on Spotify playlists. Most frustrating for labels is the opacity around the entire process of getting playlisted. Spotify instructs artists and labels that their tracks first need to perform well on smaller playlists before they are considered for Spotify-curated playlists. However, while a song’s playlist placement is determined in part by engagement, impressions, listening duration, and skip rates (Bonini & Gandini, 2019), there is no way for an artist or their label to know precisely why a particular track was placed, or replaced, on a playlist. As Nick Holmsten—Spotify’s Global Head of Music admitted: “The number one question we get from labels, artists and their teams is: who do I speak to (in order) to get on Rap Caviar, Hot Country, Viva Latino, Ultimate Indie or other Spotify playlists?” (“Spotify Launches New Playlist Consideration Feature for Artists, Labels,” 2018). The opacity and formality of the process makes some industry veterans nostalgic for an era when music promotion relied on personal relationships with contacts at radio stations or record stores. As one anonymous industry source told me in an interview:

> A lot of the older generation are complaining that there’s no personal relationship with the editors . . . it’s like back in the day I knew every radio DJ and if I wanted to promote a record I would just give it to him, play it for him, or invite him out for dinner. And now I send it over to the Spotify editors and I get an automatic reply email saying “I don’t reply to emails.” (Personal communication, 8 November 2018)

According to a report published by Deutsche Bank, the three major labels are also unhappy with the share of major label content that Spotify is including in its curated playlists (Sandoval, 2018). “Algotorial playlists on Spotify have a lower share of major label content,” the report stated. Independent research confirms this general picture: a random selection of 500 Spotify-curated playlists reveals a major label share of just above 50% of all tracks (Prey et al., 2020).[4] Regardless of whether one compares this to the major labels’ traditional dominance of radio (Thomson, 2009), or to their combined 70% market share of global recorded music revenues in 2018 (Mulligan, 2019), it is easy to see why Spotify is considered by some to be “a major thorn in (major) labels’ sides” (Sandoval, 2018).

However, just as record labels are dependent on Spotify, so is Spotify dependent on record labels. Spotify needs the three major labels’ support to facilitate its rapid global expansion. Recently, Sony, Warner, and Universal have begun to express hesitation in licensing Spotify for certain new territories, such as India (Mulligan, 2018c). Although Spotify eventually reached a deal with the major labels to launch in India, and is (at the time of writing) aiming for South Korea, Russia, the Middle East, and Africa, negotiations have been long and difficult. As a senior US-based source at one of the majors was quoted,

> We already have multiple, very strong partners in all of those markets . . . It is up to Spotify to convince us why we should help them compete. And right now, for obvious reasons, we don’t feel very convinced. (Ingham, 2018b)

Moreover, moves to sideline the major labels could end up costing Spotify at the negotiating table when new royalty rates are renegotiated. Another senior US-based major label source told the trade journal *Music Business Worldwide*,

> If Spotify comes in here [during the 2019 re-negotiations] and asks for any sort of margin improvement, we’re going to laugh them out of the room . . . Over the last six months, trust has eroded and they’ve started doing things which seem blatantly out to get us. They’re valued at a multiple which is much higher than any major label today; perhaps it’s now time for us to start clawing that margin back. (Ingham, 2018c)

Thus, while artists and labels are increasingly dependent on gaining access to Spotify playlists, in the market for music, Spotify remains heavily dependent on content providers—in particular the highly consolidated major label groups. While the major labels are happy to let Spotify drive their profits, they recognize the dangers of allowing Spotify to grow too dominant. As another major label source told *Music Business Worldwide*, “Everyone knows it’s really important for us to have maybe four or five globally relevant players in [music streaming] . . . so anything which drives competition and does not advantage Spotify is good thing right now” (Ingham, 2018c).

One way of driving competition is by aiding *the* competition. As Spotify’s closest rival in the West, Apple Music has become a favored challenger. Universal Music Group—the biggest of the three major record companies—recently partnered with Apple to co-create a playlist brand exclusively available on Apple Music (Universal Music, 2018). In another example, Ministry of Sound—the UK dance music label owned by the second largest major, Sony Music Entertainment—removed all its playlists from Spotify when it signed an exclusive playlist deal with Apple (Aswad, 2018).

These examples demonstrate the contingency of “curatorial power.” Platforms like Spotify employ curatorial power to mediate markets in the attempt to advance their own interests, but this power is contingent upon the relative position of a platform in relation to its competitors and to the markets it is dependent on—such as the market for music. As we will see, the field where this struggle is located extends beyond the music industry to include other markets: such as the market for advertising.

The Advertising Market

While advertising generates merely 10% of the company’s total revenues (United States Securities and Exchange Commission, 2018), the importance of Spotify’s ad-supported tier should not be underestimated. Most Spotify users are introduced to the service through its free, ad-supported tier. As Spotify explained to potential investors in their SEC filing: “Our Ad-Supported Service serves as a funnel, driving more than 60% of our total gross added Premium Subscribers . . .” (United States Securities and Exchange Commission, 2018, p. 63). Revenue from advertising is also growing more quickly than revenue from Spotify’s subscription-based Premium tier (Hu, 2018). This trend is predicted to continue as the service further expands across Latin America, Africa, and Asia to countries “where ad-supported experiences remain the dominant norm for digital music consumption” (Hu, 2018). Thus, Spotify is highly dependent on its ad-supported tier to drive both global expansion and revenue.

To advertisers, Spotify promotes itself as the meeting place between brands and highly segmented and engaged listeners (see Prey, 2015). Spotify sells its advertising abilities to potential clients by touting the unique insights music, and data about music behavior, allows access to: “We believe we understand people through music, their mood, mind-set, activities, and tastes, and we can serve them relevant advertising catered specifically to them” (United States Securities and Exchange Commission, 2018, p. 113).

Like other online publishers, Spotify is struggling to combat the use of ad blockers and other means of ad avoidance.[5] Native advertising has been a popular panacea for dealing with this problem (IAB, 2014). On Spotify, playlists provide the best opportunity to employ native ads. In recent years, Spotify has introduced a number of native advertising features that allow brands to reach non-Premium listeners through the playlists Spotify curates. One of these features is "Sponsored Playlists." Launched in the spring of 2016, the "Sponsored Playlist" program allows brands to sponsor a Spotify-curated playlist for 1 week. Along with prominently displaying the brand within the playlist, the sponsoring brand "surrounds listeners with audio or video messages" during every ad break (Spotify for Brands, n.d.-b). As Spotify explains to prospective sponsors,

> We'll help you choose which best aligns with your target audience, whether they're tastemakers tuning into New Music Friday, gym rats listening to Power Workout, students cramming for exams with Brain Food, and more. Our playlists already have a passionate, loyal fan base, ensuring that your brand is amplified and heard. (Spotify for Brands, n.d.-b)

As Eriksson et al. (2019) point out, playlists "occupy a central role in Spotify's strategy for attracting advertisers" (p. 137). Playlists allow Spotify to capitalize on a trend whereby brands "have turned to popular music in order to make marketing communications more inviting and even desirable" (Meier, 2017, p. 12). A particular advantage of playlists is that they offer brands the highly coveted opportunity to follow a listener across their day, providing intimate access to different moments and moods. This helps to contextualize the widely circulated quote by Spotify founder Daniel Ek that his platform operated not in the "music space" but rather in "the moment space" (Seabrook, 2014).[6]

To further exploit the commercial potential of playlists, Spotify launched "Branded Moments," a program which attempts to take advantage of the real-time insights playlists offer into what activities listeners are engaged in. As Spotify's Global VP of Partner Solutions, Danielle Lee put it, "[u]sers create really specific playlists for different moments in their life, whether it be planning for a dinner party or a birthday party, or different types of workouts, [like] yoga or running" (quoted in Weissbrot, 2017). With Branded Moments, brands can target non-premium listeners based on playlist names and music that corresponds with one of seven different "moments": Chill, Dinner, Focus, Party, Sleep, Workout, and Dayparts (Spotify for Brands, n.d.-c). More recently, Spotify has started allowing brands to sponsor its flagship personalized playlist "Discover Weekly." Other personalized playlists, such as "Release Radar" and "Daily Mix" are also being considered for brand sponsorship (Tiffany, 2019).

Liz Pelly (2017) argues that "playlists exist largely to make music more easily commodifiable."[7] From a marketer's perspective, playlists are disembodied contexts, desires, and moods that can be assembled and reassembled around potential consumers. While Spotify has leveraged its vast data set of over 200 petabytes (United States Securities and Exchange Commission, 2018) to build playlists around almost every conceivable mood or moment, brands can now leverage these same playlists to target these very same moods and moments. Reporting on the launch of Spotify's "Branded Moments" program, *Advertising Age* explains how the drink-maker Bacardi is "sponsoring party moments" to introduce its "We Are the Night" campaign. The company will be "trying to hit consumers when they're either 'pre-gaming' or in the Uber on the way to a night out" (Sloane, 2016). "Based on the playlists that they're activating, we know the moments they are in," remarked Spotify's Danielle Lee (quoted in Sloane, 2016). These moments, according to Liberty Kelly, Spotify Head of Sales for the Americas, "are all opportunities now for a brand to come in and own" (BeetTV, 2016). Thus, playlists not only provide Spotify with some control over the music market, they also facilitate the curation of listeners for brands in the advertising market.

However, just as in the music market, "curatorial power" in the market for advertising is both precarious and contingent on many factors that are outside of Spotify's control. One pronounced threat is in attracting brands to Spotify-curated playlists in the first place. Brands must want to target listeners via the "moments" and the playlists Spotify offers instead of opting for reaching listeners through cheaper programmatic ads. As any casual user of Spotify's ad-supported version can attest, marketers have for the most part declined the opportunity to utilize Spotify's wealth of data to target listeners. As Vonderau (2019, p. 11) points out, marketers, "have not generally adopted Spotify's high value, 'premium environment for premium brands' vision at scale so far and are not regularly using the service's targeting features."[8] Instead, most advertisers choose broad reach over micro-targeting (Eriksson et al., 2019, p. 156). Frequent complaints by Spotify users on the Spotify Community forum about the inappropriateness of ads demonstrates this. This presents a problem for Spotify, as the platform can charge a higher CPM for targeted ads. Spotify is struggling to increase the value generated from its ad-supported tier. The service generated an average of just 1.03 euros per free listener in the first quarter of 2018, compared to 13.83 euros per Premium subscriber over the same period (Levy, 2018).

What is more, the very existence of an ad-supported free tier is contingent upon the major record labels; and Universal, Sony, and Warner have long been opposed to Spotify's free tier. The labels are concerned about the monetization of Spotify's free users, as ad-supported streams pay far less in royalties than do streams from a paid subscription. "We're always, always looking at Spotify's free tier," one major label source told the trade journal *Music Business Worldwide*. "If we pulled it completely, we might lose [a nine-figure sum] each year. But would that mean that subscription revenue would actually grow at a stronger rate?" (Ingham, 2018c). Another option is for the major labels to refuse to license their music for Spotify's ad-supported tier in Scandinavia and other mature markets where Spotify has the highest number of subscribers. These markets, however, are also the most lucrative advertising markets and their loss would considerably impede Spotify's efforts to become profitable—thus potentially hurting Spotify in the market we will look at next: the finance market.

Finally, an even cheaper and more widespread form of “native advertising” exists for brands to exploit on Spotify. Just like individual users, brands can build their own third-party editorial playlists on the service. McDonald’s, for example, can share its music taste with Spotify users: it does so through a dozen public playlists, with names such as “Lovin’ is in the Air” and “Freshly Brewed.” “Just like other Spotify users do,” Spotify recommends to its brand clients, “show the world what kind of music your brand likes to listen to while partying, driving, or enjoying a cup of coffee” (cited in Pelly, 2017b). We can understand this as Spotify’s “interpretation of corporate personhood” (Pelly, 2017b)—the legal recognition of corporations as individuals with the same rights, protections, and abilities that are enjoyed by human beings.

In its guidelines, Spotify does warn brands to avoid turning these playlists into “a commercial for your product”. However, the very naming of these playlists (i.e., “Legends of Hip-Hop by BMW”) and the fact that hyperlinks are often included in playlist descriptions demonstrates Spotify’s inability to police such guidelines. Moreover, although Spotify advises brands to “use your own discretion to avoid implying any endorsements”, brands are not required to ask permission of artists, or to pay compensation to align their message with a particular artist on Spotify. Indeed artists often have no idea they have been added to a brand’s playlist. Nevertheless, while the critique of “selling out” may have lost some of its cultural power (Klein et al., 2017), and while most artists will not complain “out of fear of tarnishing their relationship with Spotify or possible brand partnerships in the future” (Meiselman, 2018), some artists will no doubt react negatively to finding out that they have been placed on a brand-sponsored or brand-created playlist (Pelly, 2017). Regardless of how they react, however, there is no way to opt out of such a placement. Since brands are treated as individuals, they have the same right to create and share playlists as any other Spotify user.

This reminds us that curatorial power—the capacity to advance one’s interests through the organizing and programming of content—can also be used by other agents, such as brands.[9] In essence, the content that Spotify licenses from artists and their labels is being used—for free—by major brands like McDonald’s, BMW, and Nike to boost their visibility. Thus, Spotify depends on the curation of content it does not own to attract listeners to brands it cannot control.

The Finance Market

It is the market for financial capital that arguably provides us with the clearest insight into the importance of Spotify-curated playlists for the platform, and the contingency of curatorial power.

While Spotify posted its first profitable quarter in the fourth quarter of 2018, its operating losses have continued to grow (Spotify Investors, 2019). This is in large part a result of following the “Get Big Fast” business model (Crain, 2014); a model that encourages rapid global scaling in a race to first capture market share before focusing on profitability.

To pursue this strategy, Spotify has been highly dependent on finance capital and investors. Spotify raised US$1.6 billion from 2008 to 2015, from Coca-Cola, Goldman Sachs, and other investors (Vonderau, 2019, p. 9). In the spring of 2016, Spotify collected another US$1 billion in debt financing, under terms that were reportedly very favorable to investors, which included TPG Capital and Dragoneer Investment Group (McIntyre, 2016). Before it went public in early 2018, Spotify was the highest valued venture-capital-backed company in Europe (Vonderau, 2019, p. 3) and the only European “unicorn” startup in the global top 50. Upon its direct listing on the New York Stock Exchange in the spring of 2018, Spotify was valued at over US$26 billion.

Finance capital is keeping Spotify afloat under one pretense: that Spotify will one day become profitable. There are two basic strategies that the company could follow to achieve profitability. The first involves both raising subscription rates and increasing advertising revenues. But this strategy does not seem promising as Spotify attempts to move beyond its strongholds in Europe and North America into lower income markets in Asia, Africa, and South America. Therefore, the focus is on a second strategy: disruption through disintermediation.

Since Spotify does not control the rights to the music that it provides on its platform, it must pay copyright holders—including major and independent record labels—for every stream of every track. Reports suggest that the major labels (Universal, Warner, and Sony) receive between 52% and 54% of the net revenue generated by their artists on the platform, while independent record labels are paid between 50% and 52% (Ingham, 2018d; Sandoval, 2018). Once music publishers are also accounted for, roughly 70% of Spotify’s revenue is paid directly to rights holders (Singleton, 2015). As it is unlikely that these rates will ever be substantially reduced through negotiation, Spotify must therefore reduce its reliance on content providers.

A survey of stock analysis and investment publications (Gerber, 2018; Wyatt, 2017) reveals a frequent comparison of Spotify to Netflix; with the music streaming platform often referred to as “the Netflix of Music.” Netflix is touted as a model due to its success in producing its own content and thus reducing its reliance on Hollywood studios. Both implicitly and explicitly, investors are pushing Spotify to “do a Netflix.” As Mark Mulligan (2018b) of MIDiA Research recently explained,

> Speaking from the experience of months of deep conversations with large institutional investors, Wall Street has pumped money into Spotify stock not because of how it will help labels’ businesses, but because they expect it to replace labels, or, at the very least, compete with them at scale . . . They are investing in the potential upside on a future industry changer, not a present-day industry defender.

Spotify-curated playlists are a key mechanism through which the platform can indicate its disruptive potential to investors. The growing importance of such playlists for music discovery and hit-making has allowed Spotify to experiment with attempts to reduce its reliance on record labels. Perhaps the most controversial experiment has been Spotify's use of "fake artists." In the summer of 2016, *Music Business Worldwide* reported that Spotify was paying producers a flat fee to create tracks under fake names (Ingham, 2016). This content was being produced in order to fill out Spotify-curated playlists and thus reduce royalty payments to record labels. All of these tracks were found on Spotify mood playlists such as "Peaceful Piano," "Deep Focus," and "Ambient Chill," where they generated "hundreds of thousands or, in many cases, millions of streams" (Ingham, 2018a). As recently as 2 August 2018, over 90% of the tracks on the Spotify playlist "Ambient Chill" were under the names of these so-called "fake artists" (Ingham, 2018a).

Further evidence for this strategy emerged when *Billboard* reported in the summer of 2018 that the streaming platform was offering significant advances to a number of independent artists if they would license their music directly to Spotify (Karp, 2018b). By paying the artist directly, Spotify would be able to improve its margins, while the artist would receive much more per stream than they would if signed to a major label. More important, however, is the signal that this move sent to investors: Spotify's stock price rose 8% after the news of the direct deals was reported (Karp, 2018a).

While Spotify has to-date made limited moves in this direction—and in July 2019 it discontinued a short-run feature that allowed artists to directly upload music to the service—the writing is clearly on the wall. By entering into direct relationships with artists, Spotify could slowly begin squeezing out intermediaries such as record labels and distributors, thus improving its margins and pleasing investors. Spotify could then potentially fill its popular playlists with these unsigned artists. Indeed, given the aforementioned importance of playlists in an artist's career, the promise—or perhaps the perception—that licensing one's music to Spotify might result in advantageous playlist placements is an attractive offer for many artists. According to *Billboard* "[s]ome acts say they are tempted to sign direct deals with Spotify not just for the advance fee and the higher potential payouts per stream, but for the prospect of better placement on top playlists" (Karp, 2018a).

While these schemes may help Spotify to reduce its content costs, improve its razor thin margins, and in turn appear more attractive to investors, they are not without considerable risk. While Netflix is often cited as a model, the recorded music industry is much more consolidated than the television industry. A small group controls almost all of the content Spotify distributes: The three major music companies combined control about 70% of global recorded music revenues (Mulligan, 2019) and according to Spotify's internal data, approximately 87% of all the music streamed by users in 2017 is licensed either to one of the majors, or to Merlin, the agency representing independent labels (United States Securities and Exchange Commission, 2018). If the largest major—Universal Music Group—decided to remove its content from Spotify, the platform would be in serious trouble. Disintermediation could thus prove deadly if Spotify proceeds too quickly with this strategy. Spotify acknowledges this danger in the company's F-1 filing:

> We have no control over the providers of our content, and our business may be adversely affected if our access to music is limited or delayed. The concentration of control of content by our major providers means that even one entity, or a small number of entities working together, may unilaterally affect our access to music and other content. (United States Securities and Exchange Commission, 2018)

Yet, notwithstanding the risks involved, there is a clear "incentive to bias" the needs of finance (Rieder & Sire, 2014). Spotify is both heavily dependent on record labels for its survival, and unsustainable as a business if it continues to rely on record labels for its content. However, it risks losing investors if it does nothing. According to Eriksson et al. (2019, p. 8) by 2015, finance became "the leading market from which Spotify's other markets and their actors were governed" due to "the dependence of the money-losing company on such capital." Therefore, as Mark Mulligan (2018a) explains, "[t]he challenge for Spotify is whether it can execute on the strategy quickly enough to excite investors (and thus drive up the share price), but slowly enough to keep record labels on board." While this is a highly risky and contentious strategy, it is a strategy that makes sense when we understand platforms within the ecosystem of markets they interface.

While platforms such as Spotify publicly identify as technology companies that distribute content (Napoli & Caplan, 2017), continued financial investment is dependent on strategies that incrementally position themselves as content producers. Spotify's focus on creating and promoting playlists can be argued to be one outcome of its dependence on finance capital. Finance thus influences in no small way the form music takes on streaming platforms. Therefore, even while Spotify exerts curatorial power in creating and promoting playlists, this agency is embedded within larger structural relations. Playlists thus both signal agency and reveal structures within which platforms are embedded.

Conclusion

Spotify is sometimes described as having "the power of retail and radio rolled into one" (Ingham, 2018c). Scholars seem to agree: Research has demonstrated that the platform wields "power to influence consumption decisions" (Aguiar & Waldfogel, 2018, p. 4). As a result, Spotify has become a "new gatekeeper" (Bonini & Gandini, 2019) and "a very powerful intermediary" (quoted in Shah, 2018).

Nevertheless, it is important to ask; where does the power of "platformization" reside? To answer this question, this article analyzed the interlinked set of markets that the leading audio streaming platform—Spotify—is embedded in. As demonstrated, Spotify's survival and success are dependent on its ability to solve the "chicken and-egg problem"—to successfully stitch together various and often conflicting markets or "sides." Music is marketed to listeners who are, in turn, marketed to advertisers. In both the market for music and the market for advertisers, Spotify must promise greater access to a rapidly growing mass of global consumers. But to financially support its "Get Big Fast" business model, Spotify must attract continued investment within the finance market.

This article examined these power dynamics through the lens of the playlist. As predicted by du Gay and Negus (1994), the generation and analysis of user data shifts control to actors whose expertise is in the knowledge of consumption patterns. As music consumption has shifted toward platforms, so has the ability to control the way in which music is presented. If record labels in the 1990s complained about music retailers using sales data to take control of "their product" through pricing and display strategies (du Gay and Negus, 1994), the datafication of user behavior on streaming platforms enables dynamic curation and personalized recommendations (Prey, 2019). By dis-assembling albums and reassembling tracks into playlists, platforms like Spotify transform the content they acquire in the market for music. In doing so, they attempt to attract brands in the advertising market, and investors in the market for finance.

As playlists have emerged as the central means through which music is organized and presented on platforms such as Spotify, they have instantiated relations of dependency and a version of "backward integration." Playlists thus can be seen as a central example of how platforms like Spotify enlist what I refer to as "curatorial power": the capacity to advance one's own interests, and affect the interests of others, through the organizing and programming of content. However, "power" is a dispositional concept that indicates a potentiality (Lukes, 2007), and—as demonstrated in this article—"curatorial power" is a highly contingent form of power. Playlists provide Spotify with a tool through which to gradually reduce its reliance on record labels by slowly increasing the percentage of directly licensed or unsigned content within these playlists. This introduces the potential that Spotify could offer plum playlist positions to artists who eschew the label route and directly license music to the service. While investors (and perhaps select unsigned artists) would benefit, this would cause tensions with record labels: one of the most important "sides" a multisided platform like Spotify must attempt to coordinate. Spotify must therefore exert curatorial power to simultaneously deepen the dependency of record labels on playlist promotion while reducing its own dependency on the content provided by these same labels. At the same time, to appease investors by generating more revenue from advertising, Spotify must ensure the playlists become an even more attractive tool to segment consumers for big brands, while placating demands by the major labels to make the platform's ad-supported tier more restrictive.

It is critically important that we properly conceptualize the "power" of platforms and so-called "platformization." Just as platforms are not merely neutral conduits through which content flows, neither are they empty sites upon which conflicting markets do battle. Platforms exert their own agency in various ways, such as through "curatorial power." However, playlists can be seen as both a mechanism through which a platform may exert curatorial power *and* an outcome of the conflicting pressures and tensions between markets. Platform curation is not only shaped by a blend of editorial and algorithmic logic (Bonini & Gandini, 2019), but by the interplay between the various markets a platform is embedded within. Curatorial power is contingent upon the relative position of a platform in relation to its platform-competitors, the various markets a platform must engage in, and the tensions between these markets.

Thus, one contribution that this article makes is to remind researchers to look beyond the platform to understand the implications of "platformization." While platformization results in cultural producers becoming increasingly platform dependent (Nieborg & Poell, 2018), these platforms are, in turn, dependent on actors "elsewhere" (Vonderau, 2019, p. 15). As researchers this means that to grasp platformization and its implications for content producers and culture, we need to understand the markets and ecosystems platforms are embedded within, and the inter-capitalist struggles that play out through platforms. Platform "power," as this case study of Spotify demonstrates, is an always unstable and shifting outcome of the ongoing attempt to coordinate between these markets and actors.

Platforms are thus not inherently powerful, nor should we conceive of platformization as an instance of power that originates *within* platforms (Eriksson et al., 2019, p. 33). Platformization as "power" is best understood as an effect of certain conflicted processes, for which platforms have varying degrees of control over. From this perspective, what we call "platformization" is one moment within a much longer political-economic process.

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Notes

1. This includes personalized playlists such as "Discover Weekly," "Daily Mix," "Release Radar," and "Your Summer Rewind," which are algorithmically generated for individual users. It also includes playlists created by in-house Spotify editorial teams, curated around specific genres, moods, and contexts, such as "RapCaviar," "Peaceful Piano," and "Summer BBQ."
2. As of 10 January 2019, according to https://www.spotontrack.com/playlists
3. To decide which tracks to add or delete from a playlist, and the order the tracks will appear, Spotify uses playlist performance tracking tools to monitor exactly how often a song is played, saved, and skipped. Such tools also provide demographic data on the playlist's listeners; where they are from, when they listen, and whether they pay for Spotify Premium (see Bonini & Gandini, 2019).
4. However, major labels still dominate on popular playlists such as "Today's Top Hits" and "RapCaviar."
5. Over 2 million Spotify users are blocking ads (United States Securities and Exchange Commission, 2018, p. 25).
6. Spotify's internal data reveal that the "top listening moment is 'chill' with 14% of streams." This may account for the vast number of playlists with the word "chill" in their title (Spotify for Brands, n.d.-a).
7. Here, I simply mean that playlists make it easier for Spotify to sell advertising spots to brands as they act as a proxy for listener desires and contexts. An argument could also be made that curation is the commodity that Spotify trades in, and that playlists are the form that such a commodity increasingly takes on music streaming platforms. However, I do not have the space to develop this argument here (see Eriksson et al., 2019; Fleischer, 2017; Morris & Powers, 2015).
8. Instead, Spotify appears to rely on IP address-based tracking to push geotargeted ad content (see Vonderau, 2019, p. 12).
9. As one reviewer pointed out, artists (and other celebrities) can also exert curatorial power. According to the playlist tracking service Spotontrack.com, the most followed artist-created playlist on 24 July 2019 was "Armin van Buuren Presents." However, this playlist only ranks as Spotify's 324th most followed playlist, with almost entirely Spotify-curated playlists ahead of it.

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