



The curious case of Soundcloud

Popularity
Divorced



From
Profitability



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INTRO

Soundcloud is a
Remote-server
Streaming format
Open-source, online
Communal music library
And broadcasting platform

Popularized streaming as primary
consumption form of music
Did so without thinking of sustaining
profits
To Its quasi demise



Soundcloud milestones

A tumultuous timeline





Its launch was met by high and consistently-growing user volume, retention, reach, and engagement rates and over time disrupted the tech and music industries

Despite monetization initiatives such as ads and licensing music from record labels, the company needed \$159 million in investment to avoid bankruptcy.

Never going offline, the cloud-based library diversified its offerings, went into distribution, and reported profits for the 1st time in 2021 totaling \$97million, proving its viability in the market.

2007

2008
-2014

2015
2016

2017

2018
2019

2020
Present

Two amateur musicians built an open-source, cloud-based audio sharing and storage website to facilitate streaming and to make indie artists' material widely accessible.

Acquisition offers from Twitter and Spotify fell through, due to persistent abysmal profit. Copyright infringement issues and loss of public trust ensued.

Investors The Raine Group and Temasek imposed restructuring of the organization, mass layoffs, & swapped founders with industry veterans to lead the entity.





Revenue streams

- I. Tiered subscription plans for Listeners and Artists with extra features
- II. Graphic & audio advertisements
- III. Production tools and mastering service to submitted tracks
- IV. Distribution & promotion unto sites like Instagram, Spotify & radio
- V. Streaming monetized user-generated content
- VI. Streaming licensed music from record labels and third-party distributors
- VII. Tiered data analytics and insight dashboard plans for Artists



SoundCloud Business Model

Brand's Mission Statement

- Building the world's largest social sound platform.



Customer Segment

- Music artists who want to distribute their music
- Consumers who want to hear it



Value Proposition For Artists

- Accessibility: By letting them find people to share their work
- Share songs privately or publicly with blogs or social networks
- Get real-time feedback from listeners and improve tracks
- Check stats to measure success



Value Proposition For Listeners

- Listen to unlimited/undiscovered music tracks cost-effectively
- Discover new music through functions like Charts and Featured
- Build playlists of music they like and listen anytime
- See their favorite artists perform live
- Give feedback on the music



Key Channels

- Website
- Mobile apps
- Social media pages



Key Resources

- Proprietary software platform serving users in millions
- Engineering employees and customer service staff
- Investors



Key Activities

- Maintenance of the platform
- Maintaining partnerships
- Marketing



Key Partners

- Brands that help them market their offerings
- Amazon
- HBO
- Microsoft
- Netflix



Revenue Streams

- Advertising
- SoundCloud Go and Go+
- SoundCloud Pro and Pro Unlimited
- Track Mastering



Cost Structure

- Customer support
- Operations
- Sales and marketing expenses



Business Model



Strengths

- Popularity and engagement
- Free, immediate access to content and functions
- Artist-centric and user-friendly
- Positive brand image as trusty ally to indie artists and unbiased, organic distributor
- Most interactive
- Longevity in the market (viability, relevancy, trendsetting, credibility, benchmark)
- Possible download of some audio

Weaknesses

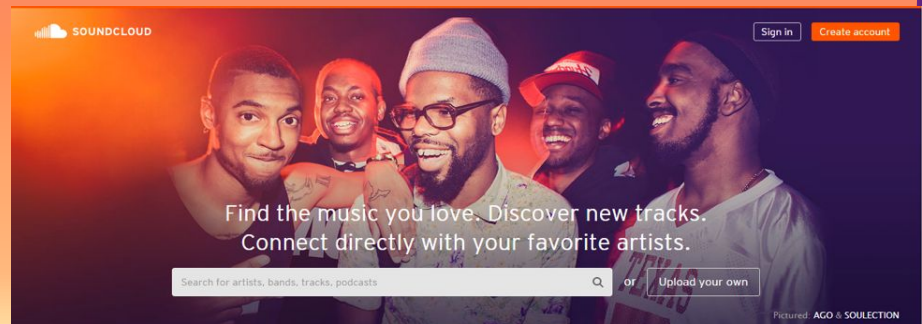
- Unfair compensation: second lowest paying platform, conflicts with messaging
- Copyright infringement issues
- Pursuit of licensing music has damaged their positioning/differentiation as the indie music/dj's haven
- Low sound quality
- Long-term financial woes
- Little to no barrier of entry means no quality assurance

Opportunities

- Projected growth in market size
- Consistent profits inspires confidence in new direction
- Collaborations (cut costs, increase brand awareness, grow offerings, and tap into new segments)
- Licensing deals with all 3 major labels threatens competitors and boosts competitiveness of Soundcloud.

Threats

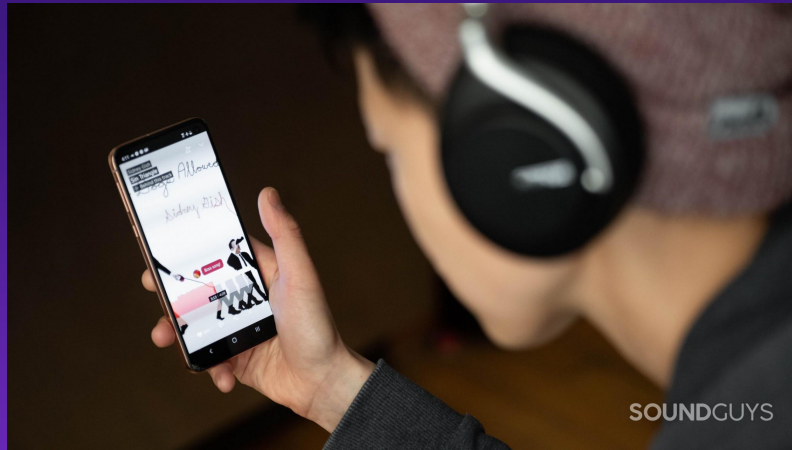
- Fiercely competitive industry
- Pending copyright issues
- Financial dependency
- Debt-driven objectives for a company that primarily deals in art.



Market analysis

Environment

- Technological advancements
- Rising digital consumption
- Easy global reach
- Success of independent artists
- Proliferation of partnerships



Competitors



Comparison of leading alternatives using key indicators such as user base and market share

Customers

Pain points, demographic and psychographic characteristics of make up target segments profiles:

1. Creators
2. Listeners
3. Advertisers
4. Records labels and rights holders



Competitors

Service	Launch	Reach (countries)	USP	Content	Users (in millions)	Market share
Soundcloud	2007	Global 30 for paid	Indie and new artists	300m. songs	175	28%
Spotify	2006	184	Industry leader	82m.+ podcasts	406, 106 paying	31%
Apple	2015	167	Pairs with Apple devices	90m. songs	72 paying	13.7%
Amazon	2016	40+	Discounted for Prime users	90m. songs	82.2 paying	13.3%
Youtube	2018	122	Most users	100m. songs	100 paying	8.9%
Pandora	2000	US only	Longest running	1.5m. songs	52.3 paying	1.3%
Deezer	2006	180	High sound quality	73m. songs	16 active	1.5%
Tidal	2014	61	Adjustable sound quality	80m. songs + 350,000 videos	5	1.54%

Environment

1. **Advent of new technologies:** improved audio compression algorithms and faster internet speed have enhanced the streaming experience for users.
2. **Rise in digital consumption:** streaming platforms became the primary mode of music consumption for many listeners, surpassing physical sales and downloads.
3. **Global reach:** sufficient customer base sourced globally for any product, no matter how niche it might be. Music production today is more diverse and collaborative, encapsulating multiple influences, as unlikely hybrids quickly replacing conventional genres.
4. **Success of independent artists:** The democratization of production and distribution enabled unsigned artists to reach audiences directly through streaming platforms like SoundCloud, bypassing traditional gatekeepers such as record labels.



... And Customers!

	Psychographic	Demographic	Pain Points
Creators	seeks creative freedom, audience engagement, and growth opportunities	Millennials & Gen Z majority Spanning diverse backgrounds & music tastes	Visibility, content monetization, reaching fans and collaborators
Listeners	Entertainment, self-expression seeks personalized recommendations, compiling tools, and networking features	Wide-ranging demographics age, backgrounds & musical preferences	overwhelming choice intrusive ads limited offline access.
Advertiser Partners	Reaching targeted audiences, building brand awareness, & driving engagement	Labels, consumer brands & media companies Businesses of diverse industries and sizes	Limited targeting, Ad fraud Wants better reporting & measurement tools
Record labels	Prioritize property rights & fair revenue-sharing, seeks platform with same values	Record labels Music publishers & Rights management organizations	Piracy & copyright infringement, content tracking & monetization

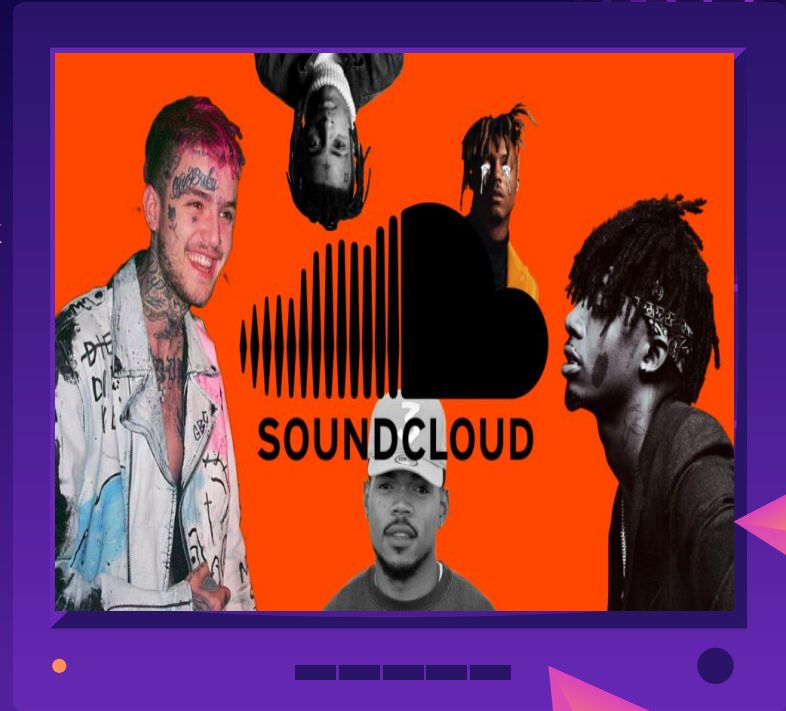
Messaging:

Value proposition

Its official value proposition is centered around 6 attributes it unequivocally excels in :
Accessibility, Pricing, Customization, Performance, Risk reduction, Brand/Status.

However, its positioning has persisted as:

- Indie artists' publishing apparatus
- DJs and other professionals like MCs and radio hosts' channel and tool to online promotion, recognition
- The best conduit for independent and organic collaborations and user feedback
- Launching pad for starting artists and amateur musicians (Billie Eilish, Soundcloud rappers Chance, Lil Yachty, Juice WRLD, etc.)
- Benchmark for everything trending or cutting-edge in music (lofi trend)



Marketing mix

Product

Broadcasting channel, streaming platform, cloud-based storage, distributor & promoter of submitted audio, production, recording & mastering tool, social networking site, user data analytics tool

Pricing

Freemium model:

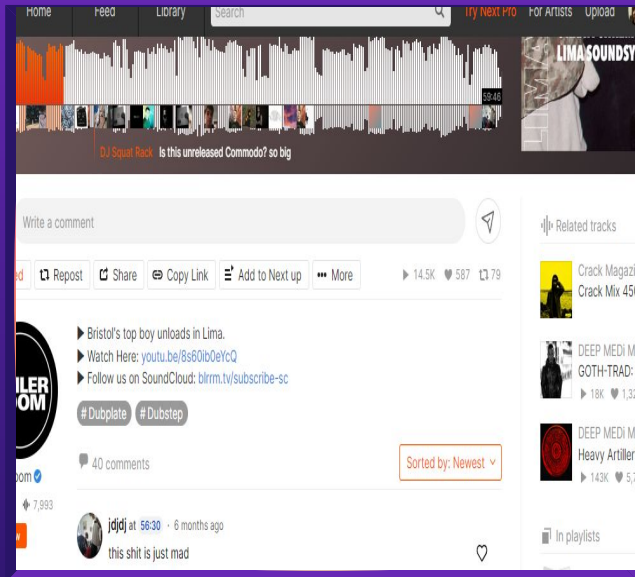
- Free subscription plans for Users and Artists, (Go & Next respectively) with basic features
- Go+ & DJ for Listeners
- Next Pro for Artists

Place

- Website and mobile app
- Available worldwide
- Access to content on social media platforms thanks to embedding option
- Open access

Promotion

Adopted grassroots marketing, which is a passive, word-of-mouth, and hands-off approach
Minimal press, No ad campaigns
No paid ambassadors
Itself a promotional tool for emerging artists



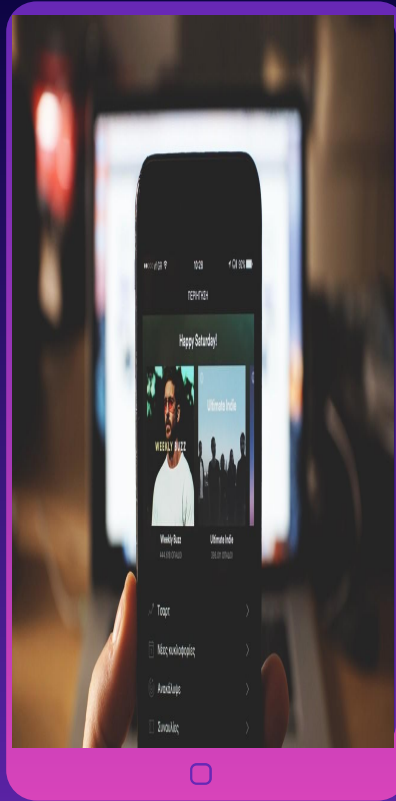
Digital Channels

Their revamped promotional strategy relies on e-tools & channels.

content marketing: artist interviews, industry insights, and updates, for user engagement & thought leadership.

social media marketing: sharing user-generated content, artist spotlights, SC news, & promotional campaigns on Twitter, FB, IG, & Youtube.

email marketing: newsletters, product updates, personalized recommendations, & offers sent directly to users



in-app promotion: recommending featured tracks, playlists, & artists to users based on their preferences & behavior on the platform. This Fosters engagement, usage, and retention.

SEO: optimizing metadata, content tags, & internal linking structures within website & app to improve visibility in organic search results.

user engagement features: prioritizing interactive features like comments, likes reposts, & playlists to drive engagement, & social sharing, to amplify the reach of content within domain.

mobile marketing: now that most users access SC via their mobiles, strategies such as push notifications, in-app messages, and mobile app advertising are a key part of promotion plan, aiming to grow app engagement & usage.

Criticisms

Unfair compensation

Its new Fan-Powered Royalty rate purports to be user-centric, rewarding fan loyalty. Deviating from the industry norm, its obscure functioning, and failure to provide more revenue or benefit more contributors has raised suspicions & distrust. When distributing unto other platforms and sites, Souncloud takes a whopping 20% of gains.

Copyright issues & Licensing Deals

Sony pulling its catalog from the platform and it pursuing licensed music streaming has dissolved the brand image and alienated its base



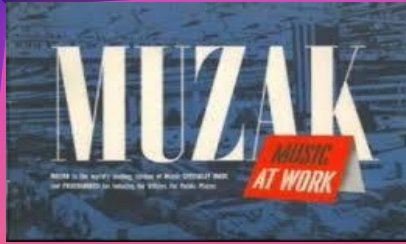
Financial struggles And Dependency

For more than 16 years, the company couldn't sustain profits despite receiving repeated rounds of investment.

Its final one saw it change ownership and leadership, and many see it now as a pure money-making venture.

Low sound quality

Compared to its competitors



Recommendations

01

Fix sound quality

Introduce adjustable sound quality feature with MP3 320 kbps, WAV, FLAC, and lossless formats.

02

Enhance PR & MKT

Do more press, stress on differentiation and unique features, take control of the narrative, calm the public, sponsor events and consolidate

03

Amend royalty rate

Through portfolio analysis & thinning, award more money to more contributors, focus on niche, stop pursuing licensed music

04

Music for business

Service asking users and artists to compile and create in-store music, Muzak, and jingles commissioned by restaurants, retailers, ad agencies

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REEL

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