ISCTE ◈ Business School
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MUSIC STREAMING MARKET IN PORTUGAL: THE INTRODUCTION OF A NEW MUSIC STREAMING SERVICE

Cláudia Maria Matias Caramujo

Project submitted as partial requirement to obtain the degree of Master in Management

Advisor:

Prof. Doctor Álvaro Augusto da Rosa, Prof. Auxiliary, Associate Researcher, ISCTE Business School, Department of Marketing, Operation and Management

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Abbreviations Index

AFP – Associação Fonográfica Portuguesa

BCG – Boston Consulting Group

CDADC - Código do Direito de Autor e dos Direitos Conexos

ECB – European Central Bank

EU – European Union

GDP – Gross Domestic Product

GERA Eurpoe - Global Entertainment Retail Association

ICMP – International Confederation of Music Publishers

IFM – International Federation of Musicians

IFPI – International Federation of the Phonographic Industry

IMMF – International Music Managers Forum

IMPA – International Music Publishers Association

IoT – Internet of Things

ITU – International Telecommunications Union

PALOP - Países Africanos de Língua Oficial Portuguesa

UNC – United Nations Census

WCT - WIPO Copyright Treaty

WPPC - WIPO Performances and Phonograms

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Sumário

Este projeto de mestrado é um projeto que procura estudar a viabilidade de um novo serviço inovador de música streaming em Portugal.

Com vista a dar uma resposta adequada, foi feito um estudo generalizado do mercado, no qual foram aprofundados os avanços tecnológicos do setor, como funcionam os negócios de plataformas online, identificadas as necessidades do mercado e do potencial consumidor.

Este estudo deu uma noção geral do mercado, que não foi, no entanto, suficiente para perceber se os consumidores potenciais realmente precisam de uma nova plataforma de música streaming. Para colmatar isto, foi feito um questionário, que foi distribuído pela população Portuguesa, de modo a recolher os seus hábitos de consumo de música online e avaliar se as suas necessidades, enquanto consumidores de música streaming, estão a ser suprimidas.

A conclusão é de que existe uma discrepância entre as plataformas de música streaming existentes no mercado Português e as necessidades da população. Isto representa uma oportunidade. Com base nisto, definida uma estratégia de marketing e foi quantificado o investimento necessário, bem como o retorno financeiro, de um novo serviço de música streaming.

Palavras-Chave:

Music Industry; Streaming Platforms; Market Entrance; Portuguese Music Consumer

JEL Codes:

M3 Marketing

O3 Innovation, Research and Development, Technological Change

Summary

This is a project, conducted within the scope of the Management Master program, that aims to evaluate the viability of a new music streaming service introduction in the Portuguese market.

In order to give an adequate response, a general study of the market was carried out, the technological advances of the sector and how the online platform business operates were exploited. A market characterization was also made and it was identified who the potential consumer is.

This study gave a general notion of the market. However, it was not sufficient to realize if potential consumers indeed need a new music streaming platform. To fill this gap, it was conducted a survey among the Portuguese population. The aim was to collect their habits of music streaming consumption and evaluate if their needs are being answered.

With this project it was possible to conclude that there is a discrepancy between the music streaming platforms existing in the Portuguese market and the needs of its population. This represents an opportunity. Therefore, a marketing plan was defined and the necessary investment was quantified, as well as the financial return, of the introduction of a new streaming music service.

Key Words:

Music Industry; Streaming Platforms; Market Entrance; Portuguese Music Consumer

JEL Codes:

M3 Marketing

O3 Innovation, Research and Development, Technological Change

Executive Summary

Within the scope of Management Master at ISCTE Business School, this thesis was developed as a partial requirement to obtain the degree of Master. This project aims to study the viability of introduction of a new and innovative music streaming service, adapted to the Portuguese reality.

It intends to assert itself as a project that offers a service accessible to all people, easy to relate and use. Its vision will be to constantly innovate in order to provide its end users with a high quality and reliable software service anywhere in the world. Its mission will be to bring to the users new Portuguese artists, new streaming products and the best partnerships for their benefit.

The service intends to differentiate itself from its competitors by the commitment with its consumers, the improved design and service quality, the simplicity of use of the service and by offering the best price. In order to be competitive, this new music streaming service will have a strong brand, based on values such as innovation, excellence and versatility.

In order to evaluate what Portuguese consumers are looking for in a new music streaming service, it was adopted a methodology of surveying the potential target, that gathered 342 responses. It has been concluded that, the Portuguese population would be interested in having new features in their music streaming platforms such as partnerships, the possibility to stream other content such as podcasts, the possibility to purchase festival and concert tickets, the possibility to purchase merchandising from their favorite bands or artists and, the adoption of payments plans (integrated in their phone monthly fees i.e.).

From a financial point of view, the project presents 5 year forecast results, with excellent sales results. More specifically, without foreign investment, the company would only show losses in the investment year (year 0), generating profit in the subsequent years. The evaluation was only made to the internal market, but it is possible to expand to foreign markets, with its potential consumer being the emigrated Portuguese consumers.

Finally, it is important to point out that for this company to achieve the desired success it will have to count on a total of 4 developers (employees) in the first year, and 2 in the remaining years. The project owner shall ensure the part of the project management.

1. Introduction

In the past century we have evolved from the agricultural economy, to the industrial economy and latter to the information technology economy. According to Martin (2006) we have recently transited again and we are now in the Techonomics Age, a concept that includes globalization, mass-customization, virtual companies, wireless reality, world wide web, among others.

The usage of internet by the world population is increasing. According with Internet Live Stats, in the year 2000, 6.8% of the entire world population were using the internet. In 2010, the percentage was of 29.2%. And in 2016, this number grew to 46.1%.

The ITU, the International Telecommunication Union, studied these statistics and in 2016 published a report showing that the use of internet is much higher in the developed countries than in the developing ones. According to the ITU report, Europe is the worldwide region with the highest percentage of individuals online 79.1% of the population is already online. On the other hand, Arab States and Africa are the regions with fewer individuals online.

Eurostat, the Directorate-General of European Commission whose main responsibility is to provide statistical information to the institutions of European Union (EU), also made some interesting findings on the subject. In their report, Culture Statistics 2016, they showed that the majority of EU individuals use the internet to play or download games, images, films or music. It also shows that, from these, 76% are aged 16-24.

In Portugal, the scenario follows the typical of a developed country. According to Internet Live Stats, in 2016 the internet penetration rate was of 67.3%, with a growth of 14 percentage points since 2010. When compared to the European internet penetration rate (which is higher, but with a smaller growth), Portugal shows clearly that still has place to grow in the online field.

United Nations Census showed that in Portugal, the majority of individuals that use the internet are between 16 and 74 years old. This is a big range and there was no evidence of the distribution. However, the report also shows that 49% of the Portuguese population (the majority) is using the internet to play or download games, images, films or music.

As seen before, this is an activity done mainly by youngsters, with ages comprised between 16 and 24 years old.

Technology Businesses Implications

According to Verizon's report, whether it is to play games or to shop online, internet came to connect people who are indeed getting increasingly connected. Forrester (2015) predicted that the volume of online purchasing will grow by an annual average rate of 9.32%, from 2015 to 2020.

Globally, it will impact the way healthcare systems, energy systems and houses are structured. But it will also impact other minor daily things: the way we light up the house, the way we shop and in the last instance the way we listen to music. If before one could only shop in their own town or country, now everyone can shop anywhere in the globe, at any time.

The marketing mix of the several businesses will have to be worked: products will have to consider the sudden changes of consumers' needs, distribution will have to be much faster to reach consumers, price strategies will have to be more competitive and the way communication is made will have to be constantly adapted.

Marketing is important for this matter. To anticipate the market changes and minimize its impacts in the relation with the consumers is part of marketing responsibility. Dionisio et al. (2004) stated that the following behaviors are fundamental to sustain an effective marketing approach:

1. Be consistent;
2. Maintain the critical spirit;
3. Pay constant attention to the competition;
4. Take risks;
5. Introduce the marketing strategy as part of the company's culture;
6. Base decisions in facts;
7. Preserve the contact with the consumer;
8. See behind the product by avoiding marketing myopia.

1.1. **Platform Businesses**

Music streaming platforms exist online. Therefore, they are part of the online market and are considered platform businesses. As a result, they are susceptive of constant growth and disruptive innovation. Levitt (1960) emphasises the importance for companies to have the capacity to adapt and adjust, in order to keep stable in a long-term basis.

In order to build an effective marketing plan, it is essential to develop new market strategies to engage their customers. Porter's five-force model of competition has been dominating the strategy thinking for last decades. However, Alstyne et al. (2016) refer that it only considers competition among the pipeline businesses (traditional businesses), characterized by having a linear flow where value is produced upstream and consumed downstream.

In other words, every business on the internet has some platform business properties and demand platform thinking, Gawer (2002). Platform businesses, unlike pipeline businesses, allow users to create and at consume value. To better be understood it is given the example: TV Channels work on pipeline business models and Uber, Airbnb or OLX for instance, work on a platform business model. Choudary (2017) defines platform businesses as a digitized, open and participative business model that creates commercially connected ecosystems of producers and consumers.

While pipeline businesses struggle for joining assets, platform businesses value themselves by joining networks instead, Manville (2016). So, the value exchanges occur between multiple participants by a centralised infrastructure, where the consumer can be producer and vice-versa, Gawer (2009). According to Evans (2016), there are two main ways to create value in platform businesses: it can either be through transaction platforms, or innovation platforms.

Transaction platforms, are platforms that facilitate transactions between different types of people and organizations, that otherwise would hardly find each other. Examples of this are Google Search, Amazon and eBay. According to Rochet (2003), this type of platform can also be called multi-sided market. The streaming music platforms online are inserted in this type of platform business.

Figure 1

Platform Businesses Ecosystem
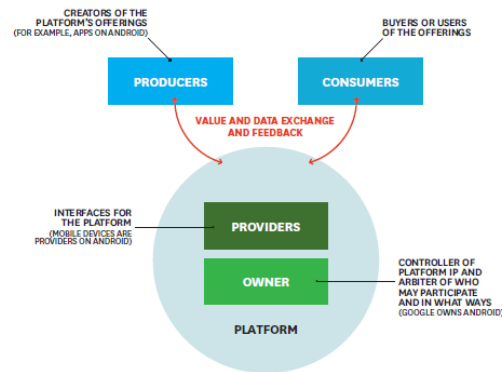
Source: Alstyne et al. (2016)

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Innovation platforms are technological constructions on top of which will be developed complementary services or products. Examples are iPhone or Android, which have hundreds of applications built by innovators around the platform, Evans (2006).

For both types of platforms, these ecosystems with joint consumers and producers, allow them to have an infinite supply in limitless universes. This allied with constant data analyses makes the platform business a winner player in the market, when competing with pipeline businesses, Alstyne et al. (2016).

According to Alstyne et al. (2016), with random community members contributing for business, companies will have to change their focus from controlling resources to coordinate them, ensuring that their new produces actually produce and create value. The aim is to provide value to all their platform participants through a network joined effort. Pipeline businesses tend to end with the rise of the internet. In the future, every company will at least have a strong tech component.

Choudary (2017), identified four pillars essential to managing this platforms business and the ecosystems around it:

1. **Intention:** the platform brings several producers together, with different motivations or mind-sets. There is the need to make sure they keep actively producing good content, and for that, an incentives structure shall be created;

2. **Behaviour:** platforms easily aggregate new markets and its ecosystems, for instance Airbnb created a new behaviour both on gests and hosts;

3. **Culture:** culture is essential to shape trust and implicit contract among the participants, contributing for exchanges of value occur repeatedly. MySpace for instance, that was a successful social network, failed to create a culture of trust and security. The same did not happened with Facebook or Snapchat;

4. **Systems:** digital platforms benefit from externalities and side economies of scale. As so, they need to construct new systems that coordinate the ecosystem behaviours, allowing explicit contracts among users;

1.2. Techonomics: The economy of technology

The increased internet usage and shopping online caused a huge impact in the known supply and demand concepts, given in first place by McCreadie (2009) in the Wealth of Nations. In order to study and understand this new reality, Techonomics arose as a new economy, that considers the technology as the primary driving force of modern business. It studies the impact that technologies' fast advances have on businesses, and in the societies' trends. Techonomics can be defined by three fundamental laws, which have been based on the fundamental economic laws, Dionisio et al. (2004):

First Law of Techonomics: Law of Computational Ubiquity

In 1965, Gordon Moore, co-founder of Intel, observed that in the timeframe of 18 months, the computer ability to process activities duplicated, but its cost was kept the same. With the technology evolution, the computer increasingly acquired more capacity and functionalities, while it got increasingly affordable. The **Law of Computational Ubiquity** is the First Law of Techonomics, and is based on the Moore's Law. According to Martin (2006), this law enunciates that the cost for equivalent computing performance halves every 18 months.

Second Law of Techonomics: Law of the Global Information Network

Metcalfe stated that with the increase of a user's network, the number of potential interconnections increases exponentially, Dionisio et al. (2004). If we combine this with the ability of instantly locate key information related with any topic, we have boundless information at a minimal price. The Second Law of Techonomis is based on the Metcalfe's Law, it is called the **Law of the Global Information Network**. It states that the cost of locating anything on a global network decreases exponentially as the number of users increase, Martin (2006).

Third Law of Techonomics: Law of Innovation Economy

In 1937, Coase found that after the need is identified, many are the elements that compose the transaction cost: price, availability, timeliness, location, quality, multiple sources and switching costs. He gave the concept of transaction costs, Dionisio et al. (2004). The Third Law of Techonomics, is based on Coase Law Modified, and is called **Law of the Innovation Economy**. It enunciates that if the transaction costs diminish, the optimum company size reduces, and therefore the revenues generated per each employee increase. Martin (2006) states that, this theory, is corroborated by the historic job growth statistics. As jobs have steadily dropped, the total employment has increased due to the jobs created by small businesses.

According to Dionisio et al. (2004), these three laws combined accelerate the innovation processes, increasing global competitiveness. Martin (2006) states that, the goal when creating an empirical Techonomical metric is to provide insight of the trends in the marketplace. For that, one must define the following:

1. Which the market of interest is
2. What the key cost element is;
3. What quality measure is;
4. Which the techonomic metric ($/X) is;
5. Track the metric as a function of time.

2. Literature Review

2.1. The Music Streaming Market

2.1.1. Market Definition

Wikström (2010) defines music industry as the aggregate of musicians, composers, producers, labels and music distributors. In this concept it is included the entire value chain, from the creative conception until the final distribution to the consumer.

The music market is considered by the same author as an integrant part, or a subset, of the music industry, being a piece of its value chain. It is the part of the labels, the distribution channels and the economic valuation of the product, being possible to subdivide it into digital music, physical music, performance rights and synchronization music. IFPI (2016), the International Federation of Phonographic Industry, showed evidence that the digital music revenues account for the majority of the music market revenues, with 45% of market share as it can be seen in the chart below.

Chart 1

2015 Global Music Revenues Share by Segment
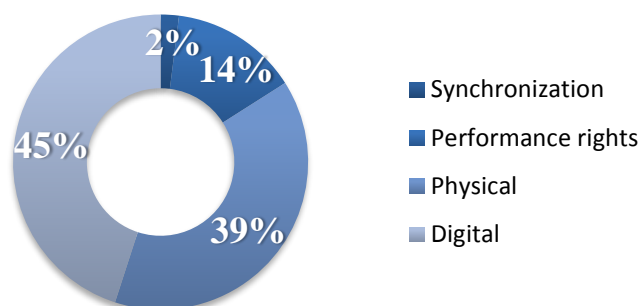
Source: IFPI (2016)

According to IFPI, digital music overtook physical music sales for the first time in the year of 2015, which is an important mark due what is explained above. The digital music market comprises music streaming and music download. IPFI, shows that is the music streaming revenues that are contributing for the growth of the digital music in general. Only in the 2015, music streaming revenues grew worldwide 45.2%.

2.1.2. Digital Music Revenues Mark

Lin et. al (2013) states that with the digital channels arise, the global music market suffered a huge twist in its sales, with a negative impact in its revenues. Music consumers could now access music online in an easier and cheaper manner. In most cases, people

would access to music for free through illegal downloads, Lin et al. (2013), which resulted in huge losses to the music industry, Barros (2010). It was impossible to control or even have complete notion of these illegal operations, Poetsch (2011). For the youngest generations, the concept of paid music was a foreign one Shields (2009). This was an unfair correlation between music consumption and revenue generated for its artists, producers and investors.

According to IFPI, digital music overtook physical music sales for the first time in the year of 2015, which is an important mark due what is explained above. The digital music market comprises music streaming and music download. IPFI, shows that is the music streaming revenues that are contributing for the growth of the digital music in general. Only in the 2015, music streaming revenues grew worldwide 45.2%. After decades of decline in this industry, the record companies finally managed to survive by embracing all forms of digital by licensing digital music services globally.

2.1. Digital Consumer Behaviour

Kotler et al. (2009) stated that it is impossible for a business to connect with all consumers. In order to be effective, they will have to fragment the market and decide for which group of consumers they will supply effectively. This decision requires a careful and deep strategic thinking, with full understanding of each segment's uniqueness. Only then, it can be built a valuable marketing plan.

Consumer behaviour has always been a point of interest to researchers. Economists such as Nicholas Bernoulli, John von Neumann and Oskar Morgenstern, were the first ones to study the consuming behaviour, 300 years ago, Richarme (2005). However, it was only in the 1950's that the notion has grown importance in the marketing activities, Blackwell (2001).

Consumer behaviour studies explore how the consumer does the search, the purchase, uses the good and evaluates it, Schiffman et al. (2004). Kotler et. al (2011) proposed a model for consumer behaviour study, which relates stimulus with the consumer decision process, resulting in the purchase decision.

Table 1

Consumer Decision Making Process

Marketing Stimulus	Other Stimulus		Consumers' Decision		Consumers' Characteristics	Consumers' Decision Making Process
Product Price Place Promotion	Economic Technological Political Cultural	→	Product Choice Brand Choice Purchase Timing Purchase Amount	→	Cultural Social Personal Psychological	Need Info search Evaluation Purchase Post Purchase Behaviour

Source: The author based on Kotler, P. (2011)

However, technology consumer' are a different kind of consumer. They are susceptive of Kotler's model, but that alone is not sufficient to understand them. According to the Diffusion of Innovations Theory, by Rogers E. (2003), these consumers adopt technology in a predictable way, being possible to categorize them into five categories: the Innovators, the Early Adopters, the Early Majority, the Late Majority, and the Laggards.

Chart 2

Diffusion of Innovations Theory
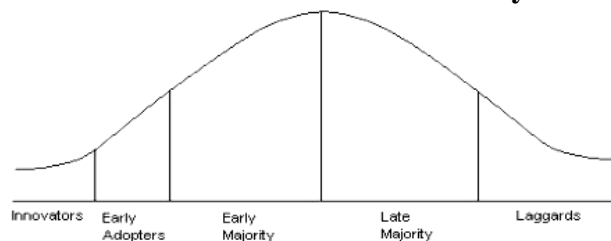
Source: Rogers E. (2003)

The result of these five types of consuming pattern is a curve of product adoption, Rogers E. (2003). It is initiated by a slow growth, triggered by the people constantly looking for the change, the Innovators. Then the curve starts ascending with the ones who like new concepts but are more careful adopting it, the Early Adopters. Only after, the Early Majority, which are the ones who follow the market tendencies, accentuate the curve making it reach its pick. Finally, comes the Late Majority and the curve starts declining until the market has saturated their consumers, remaining only the Laggards which are those who sustain the remaining search.

2.1.1. The Music Streaming Consumer

According the IFPI report, that studied users from 13 of the world's leading music markets, music streaming services popularity is growing especially among individuals under 25 years old. One-third of people with ages between 16 and 24 years old are using music streaming services.

Despite IPFI report conclusion, the young professionals' right above the 25 years old line, with ages comprised between 25 and 35 years old, shall not be disregarded. They are a young generation with disposable income and are characterized by having a high level of familiarity with technology, web-based distribution channels, and digital subscription services.

2.1.1.1. Young Consumers

The nowadays young generation is called the Millennials which, according to the Goldman Sachs' Global Investment Research, are those born between 1980 and 2000 (today with 16 to 37 years old). Millenials, and the generations that follow them, are more conscious about technological advances and its potentialities than the previous generations, as they were the first born in a technological world.

Ordun (2015) evidenced Millennials as a lazy, impatient, selfish, apathetic and lost, yet open minded, social, innovative, confident, ambitious and smart generation, who loves to shop. Cui et al.(2003) states that, Millenials decision to purchase is not driven by brand loyalty, but instead is largely influenced by the products itself and how they will boost their social image and at the same time that will establish a set of values and principles visible to society.

2.1.1.1.1. Consumer Perception

Fiorito et al. (2012) say that perception is a combination of senses, which will impact the way the consumer views, understands and memorizes a company or a product. The memory retention is a conjunct of stimulus.

It is important to be remembered. Companies are aware it and of the importance of capturing and engaging the consumer attention. They recur to all sorts of strategies, among them the perception science. For instance, the strategic use of colors or patterns

that appeal to consumers' visual senses is very common, Gorn et al. (2004). An example is the red color, which suggests power, and Marriott hotel chain, who take profit of it using it strategically in their brand, Renvoise et al. (2007). The color is just a small tip of the innumerous subconscious tools that aim to inspire consumers to engage with the company. The objective is simply to subconsciously impact the consumer perception and influence his buying behavior, regardless if it is online or physical.

2.1.1.1.2. Consumer Recall and Persuasion

Philips et al. (2004) developed a study that related age, persuasion and recall. It showed that for young consumers, the majority of recall influencing factors are emotion related. The authors also exposed that young consumers are better to remember specific information of an advertisement than the older consumers. However, they are also more skeptical to be persuaded.

When searching for persuasion, is inevitable that the "truth effect", a behavior that stands for the effectiveness of repeating some information. Hasher et al. (1977) studied it and found that when information is repeated, people tend to believe it to be true regardless their age. However, this strategy is more effective in the older generations. In the Philips et al. (2004) study, it is shown that persuasion of young consumers is strongly related with convenience of use and novelty.

2.1.1.1.3. Consumer Resistance to Innovation

An important part of technological businesses is innovation. Therefore, it is important to understand how young consumers react to it. Zollo (2004), the president of Teenage Research Unlimited Inc., states that young adults or teenagers tend to behave in hierarchy in innovation adoption. Zollo (2004), divided them in four categories:

1. **Edge teens:** those who are typically rebellious and tend to engage in untraditional activities, creating trends in an unconscious way;

2. **Influencers:** those who focus on the creation of their own trends in a conscious way, carefully evaluating what is associated with themselves. This group has a great deal of influence capacity and others tend to follow them;

3. **Conformers:** these are the majority. They only embrace what has already been proved to be "cool";

4. **Passives:** they lack confidence and ambition, and do not adopt trends until influencers approve them.

According to Noble et al. (2009), young consumers select products and services that help them to define who they are. They like to be considered experts or leaders among peers.

Regardless are being considered younger consumers or older ones, for Ram et al. (1989), innovation adoption is a multi-stage process, delayed by several barriers that put consumers to test. Rogers E. (2003) described the following barriers to product innovation adoption:

1. **Ease of Use** – whether an innovation has minimal expertise needed to adopt, is not complex and has the possibility to be tried out/experimented by the consumer before its adoption

2. **Perceived Value** –whether the novelty is perceived as a clear enhancement of the current product/service offerings, being that the result of its usage will be easily visible to others;

3. **Cost-efficacy**–innovations in which the perceived benefits of the product/service adoption exceed the expected costs of adoption are more likely to be adopted;

4. **Compatibility**–the fit between the innovation and its intended user will determine its adoption, if it is perceived to fit the potential adopter's values, practices, goals and skills it will be easier to be adopted;

5. **Risk** – the adoption of an innovation may represent incurring in risk-taking. The types of risk one may incur are: Physical Risk, when the adoption of the product/service can result in some type of physical injure; Economic Risk, when the intended user perceives that it will require a very significant investment; and, Functional Risk, as there is the risk of the new product/service have a low performance;

2.1.1.1.4. Consumer Purchase Decision

Fowler (2012) stated that the process of decision making, and its entire components, is somewhat unconscious for the consumers. They are not fully aware of all the stages they go through in this process, where decisions can be taken based on feelings instead rational needs, Ambler et al. (2004) and Damasio (1995). The challenge for a business is to be

able to understand which consumers' feelings may drive their purchases, and use it to make products more appealing.

Barton C. et al. (2012), from Boston Consulting Group (BCG), produced an article on the Millennial consumer, were he was defined and it was identified a set of unique attitudes and behaviors that mark this generation. Ordun (2015), identified a set of characteristics that may drive these generation's purchases:

1. **Instant gratification** – there is a sense of emergency. They seek speed, easiness, efficiency and convenience in their purchase. When they want something, they want it fast and now;

2. **Firsthand experience references** – the definition of "expert" for this generation as shifted for someone of have experienced it in firsthand, preferentially a friend or someone close. They trust them more than they trust the adds, reviews or other corporate information;

3. **Social creatures** – despite the previous generations also related with people, this generation use technology to relate to a much bigger number, with much more frequency and in real time. They make more use of social media platforms than the remaining generations and have far larger networks;

4. **Social activists** – they believe they can make the world a better place. They were thought to recycle from a very young age, and to embrace causes that save the planet. They believe that collective action can make difference, and tend to engage more than any other generation in this causes;

2.1.2. Consumer Segmentation Models

The concept of segmentation was first introduced by Smith (1956), who defined market segmentation as the viewing of many smaller homogeneous markets inside a heterogeneous market, each containing different consumers with different preferences and different desires of satisfaction.

Although the basic concept of segmentation has not been greatly changed until nowadays, recent advances in technology are introducing irregular alterations on the adoption and implementation of segmentation strategies. Several were the authors that developed different segmentation models, aiming to respond to this new market's reality.

The Shapiro et al. (1984) segmentation model in which they define five essential criteria: demographics, operating variables, purchasing approach, situational factors and personal characteristics of the consumer; or Flores (1986) segmentation model, where the variables to be considered for a specific business can be changed and adapted according to different markets, industries and situations; were no longer enough.

With resource to technology it is now possible to create powerful databases with great detail of information. Moreover, the internet contributed not only to a more profound research on consumer's habits, tastes and preferences, but also to expand the portfolio of segmentation, making it possible to make segments until the minimum of one individual, as emphasised by Dahan (2000).

Kotler (2009) developed a new segmentation model of segmentation that is considered to be more fit to the new market's reality - a bottom up approach to segmentation, where it is first studied the mass consumer data, only then is tried to find similarities upon the individuals, building the segments upon those similarities. In this model, unlike the others, all individuals are seen differently from the beginning. Only then, one starts to identify possible similarities between that allow one to aggregate them. Freytag (2001) stated that this is a more suitable approach for current online businesses to take in, due the market's volatility nowadays.

Chart 3

Bottom up approach – Kotler Model
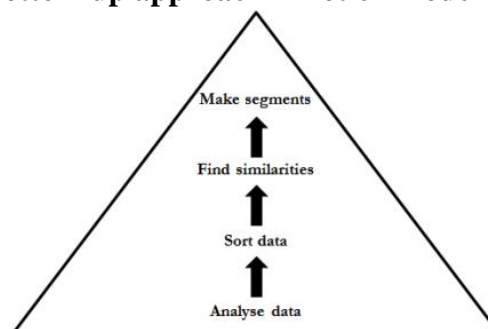
Source: Kotler (2009)

The goal for every business, according to Webster (1991), should be to keep market segmentation scheme as simple as possible while identifying significant differences among current and potential consumers. This will allow the marketer to differentiate prices, programs and solutions in order to take maximum competitive advantage.

2.1.3. Marketing in the Digital World

2.1.3.1. *Markets globalization and consumer's power increase*

The internet appearance broke barriers of time and space in the several international markets, originating a market globalization, Pires et al. (2006). This facilitated the communication and exchanges between companies and consumers of different countries.

The internet expansion, urged by the technology constant evolution and the constant growth of users, lead to the augment of online companies and consequent concurrence intensification, Pires et al. (2006).

Internet, technology and its tools, facilitated the consumers' access to a great amount of information on the products and prices from the several market players, allowing them to make effective comparisons with a minimum effort, Ozuem et al. (2008). This lead companies to have more transparency regarding their offerings and price convergence of their similar products, Srinavasan et al. (2002).

By comparing the several available market's offers, the consumer can reject those that do not interest him and accept the one that has a bigger perceived value to him, Pires et al. (2006). This means that the digital consumer is receptive to accept the companies' imposed values without questioning it.

Internet brought to companies' access to global markets and millions of customers. However, the technologic tools that consumers now have, make companies more exposed, Pires et al. (2006). The digitalization brought consumers with lower tolerance levels and increased levels of exigence, Kucuk (2008). Consequently, the consumers' power over the companies is higher, Pires et al. (2006).

The biggest challenge for companies, is that the internet is also a privileged channel for consumers to share information and recommendations with each other (word-of-mouth), Ozeum et al. (2008). This lead to a diminishing of the power of the companies' messages to clients, Kucuk (2008), and the obligation for companies to adapt their management and marketing strategies.

2.1.3.2. Internet's potential as a marketing tool

Internet is a multidimensional channel that permits to present image, sound and text to consumers in an immediate way, without geographical or temporal barriers, Ozuem et al. (2008). Moreover, the internet tools are easy to use and the contents are usually more detailed and frequently updated.

It is also an interactive and versatile channel, that facilitates marketers' and consumers' communication. Through internet is possible to obtain consumers' feedback, contact directly with them in real time, and increase the company's knowledge about them, Schribrowsky et al. (2007). This is especially important as online communication has a viral potential, which is the ability for a message to propagate among a vast number of people in a small time frame, Dionisio et al. (2009).

Important to refer that the messages online, passed from consumer to his friends' network (word-of-mouth), are usually more trustworthy and effective than the traditional marketing activities, as the individuals know that companies' marketing activities have the single purpose to influence them to purchase, Mazzarol et al. (2007). This can play in both in favour or against the company.

Through internet is also easier to segment messages directly to the target a company wants, making them appear only to the potential interested customers. This guarantees that the messages are relevant for those who receive them, Dionisio et al. (2009). It is also possible to study the effectiveness of a marketing campaign almost in real time, as data is easily extracted from the digital marketing tools, and it is possible to adapt it or cancel it anytime without extra costs, Dionisio et al. (2009).

Summarizing, internet is a powerful marketing tool. However, it is crucial that marketers are fully aware of its risks and potentialities. They will have to integrate their companies' physic marketing strategies with their companies' online marketing strategies, adopting a *blended* strategy, concept introduce by Dionisio et al. (2009).

2.1.3.3. Online consumer's engagement

The concept of *engagement* has been adopted to evaluate consumers' relation with brands, considering their emotional responses in consuming situations, Bowden (2009). Though

it is recognised that the relations between services and consumers evolves over experiences. Currently, the term *engagement* has been largely associated with digital marketing, Mollen et al. (2010). According to the authors, it is the cognitive and affective compromise from the consumer with a brand personified by a website.

The concept involves an emotional connection from the consumer with the brand, that encompass concepts of evolvement, commitment, trust and loyalty, Brodie et al. (2011). It leads consumers to have feelings of integrity, pride and passion, towards the brands, Bowden (2009), and implies active participation and commitment from both brand and consumers.

Summing, it is no more than a sustained and complex mental state, associated to utility and relevance, that involves emotional impact by pleasure and satisfaction, Mollen (2010). It is the results from the interactions with the brand and has an intangible value, as it considers the impact of the experience and implies an emotional evolvement of the consumer.

2.2. Framework of Reference

It is now resumed the main points obtained through the Literature Review, which will be of used to define the forms of implementation of this project. Through these inputs it will be defined the marketing-mix and the best approach to the market. In order to synthesise it, was built the following table:

Table 2

Conceptual Framework of Reference

Subject	Description
Market Framing	It has been seen that population is increasingly living their lives online. According to Levitt (1960) the challenge for companies will be to be able to adapt and constantly provide fast solutions that serve the new consumers' needs. Is this case it may be interpreted as to adapt their businesses to online markets. Forrester (2015) predicts a big growth in the volume of online purchasing.

Technology Businesses Implications	Dionisio et al. (2004) stated that a Marketing Approach strategy shall be used by the companies, in order to effectively approach the consumer. In a first marketing approaching phase, the company will have to deal with the short term business needs such as: market share, market evolution, profitability, economical strengths, among others. In a second marketing approach phase, companies will have to understand their future customers. Due the world's digitalization trend, the costumer of the future it will be increasingly online, Forrester (2015). He will be more demanding and less loyal, Cui et al. (2003). Companies must develop a future business strategies based on the future consumers' needs.
Platform Businesses	Every business on the internet has some platform business properties and demand platform thinking, Gawer (2002). With the digitalization came up the platform businesses, which are the new models that allow consumers to create and consume value, at the same time, Alstyne et al. (2016). The Porter's five-forces model is not the best fit for the platform businesses strategy. Instead, Choudary (2017) identified four pillars essential to managing this platforms business and the ecosystems around it: intention, behaviour, culture and systems. In the future, every company will have at least one tech component and therefore, they will have to move from the current linear dumb network business models (the pipeline businesses models) to intelligent platforms.
Techonomics	Due the technological advances that caused a major impact in the supply/demand concept, the world is now entering in a new economical age, the Techonomics Age, Martin (2006). Technonomics is supported by 3 fundamental laws of economy: Moore's Law, Metcalfe's Law and Coase Law Modified, Dionisio et al. (2004). Technonomics is based on the idea that as technological progress increases, the cost for producing, effectively targeting and transact among markets decrease a lot. This means, that with the technological advances, companies will have the increasing ability to escalate their production capacity, detailed study their costumers 'preferences and be players worldwide, instead of restrict to a single market. In the future, companies will have to define which their market of interest is, what their key cost element is and what their Techonomic metric is, relating price and product, Martin (2006).

Consumer Behaviour	Companies will have to accelerate in order to understand the specific characteristics of the new digital consumer and properly address to it. Many researchers have put their best efforts in trying to understand the magnitude of the young digital consumer. Cui et al. (2003) indicates that Millenials' decision to purchase is highly influenced by their social image and the establishment of a set of values and principles. Philips et al. (2004) indicated that young consumers are less likely to be persuaded by an advert than other consumers, showing that young people care for the convenience, sense of new, and how the acquisition of the product will differentiate them from their peers. They are not conservative when taking a decision, as Noble et al. (2009). In decision making, younger consumers seek for instant gratification, being less risk adverse than older people, Barton C. et al. (2012). They are social creatures and like to search for information when making a decision, as they like to try and have first-hand experiences. Rogers E. (2003) among others stated that, regardless the age of the consumer, when introducing new products in the market, some barriers may come such as cost, perceived value for the costumers, risk of acquisition, incompatibility with the costumers' habits and culture. However, young people are usually among the first consumers to adopt new products as they are open minded, social, innovative and confident, Ordun (2015).
Segmentation Models	With resource to technology, is now possible to create new databases with much detailed information about the consumers, being even possible to expand the portfolio of segmentation making segments of one, Dahan (2000). Several authors such as Freytag (2001) and Kotler (2009) concluded that a bottom up approach to segmentation, where it is first studied the mass consumer data, only then is tried to find similarities upon the individuals, shall be more adequate to the new online consumer reality. But, with such a disruptive market as the online one, it is not yet consensual among marketers which the most effective segmentation model is. In the future, they will have to find an answer to address this matter, in order for their companies to effectively and efficiently be competitive in capturing these new type of consumers.

3. Methodology

As referred in the Literature Review, music streaming services are evolving and increasingly capturing market share. This may represent and opportunity for the launch of a new streaming service.

The internet affirmation as a platform, gave consumers a vast amount of information and access to many new services. Which means that, if a new music streaming player enters the market, it will be effortlessly perceived and it will be easy to have access to it, as it will be available online. On top of that, young consumers, the main users of music streaming platforms, are in constant search for the new, aiming to obtain a sort of identity definition and affirmation as individuals, through their choices as consumers.

In this context, this study will be centred in the possibility of introduction of a new music streaming platform in Portugal. Through the Literature Review, it was possible to identify several variables that relate the consumers and the technological advances:

- Music streaming current consumption habits;
- Consumer's motivations to use music streaming platforms;
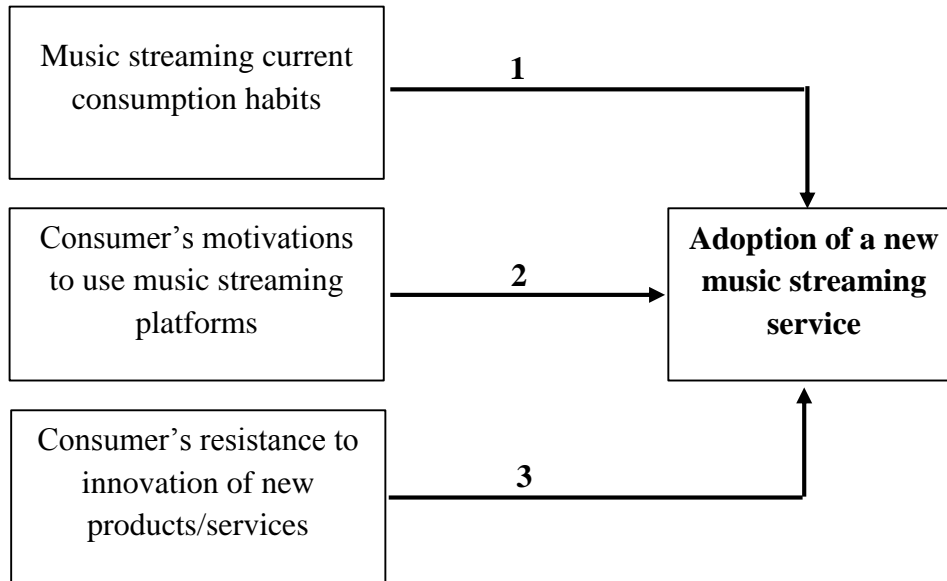- Consumer's resistance to innovation of new products/services;

In order to study the variables mentioned before, it was conducted a survey among the Portuguese population (Annex 6 – The Portuguese Music Streaming Consumer – Survey). The option of doing a questionnaire is justified by the objective of obtain information from a large number of individuals (about 400 respondents) and by the need to process the data collected through a quantitative analysis. The questionnaire was diffused through social networks and was online for a week (7 days).

It was intended to understand in what measure the existing music streaming services' offerings are misfits with the Portuguese population demands. For this it will be taken into account the frequency of use of music streaming, the habits of use, the amount of money people are whiling to spend with the service, the motivations to the use and the satisfaction with several possible features.

After what was exposed above, runs the following model of analysis that will be taken in consideration:

Chart 4

Analysis model – Is it worth to introduce a new music streaming platform in Portugal?

Music streaming current consumption habits	1 →	**Adoption of a new music streaming service**
Consumer's motivations to use music streaming platforms	2 →	
Consumer's resistance to innovation of new products/services	3 →	

Source: The author

The model of analysis presented above, lead to the construction of a survey to analyze the Portuguese population, which are the target for this project. The information was obtained through primary data, which means the author reached directly a sample of the Portuguese population to obtain the data.

As this is a viability study, it was also done a market analysis sustained by secondary data, which is information that was collected by other entity and not by the author. For this, it was used information from several certified entities, specialized in music streaming and market analysis: Eurostat, GfK, IFPI, INE, Marktest, MIDiA, PassMusica and Statista.

The study aims to identify is it worth to introduce a new music streaming platform in Portugal. Through the methods proposed above it will be analysed the viability of this project and if the opportunity exists it will be quantified. The purpose is to contribute for brands and investors, that aim to enter the music streaming Portuguese market, to better understand its consumer's needs, and this way maximize the profit form their investment.

4. Information Analysis

4.1. Market Analysis

4.1.1. Mediate Analysis

4.1.1.1. *Political and Legal Factors*

For each streaming platform it is applied the laws of each country in which it is present. Therefore, in Portugal the Portuguese laws are the ones that shall be applied. A streaming platform and its services must be in accordance with several legal requirements. In Portugal, streaming subscripted services are only allowed at the minimum age of 18, under this age only with tutor authorization.

As this project is about a music streaming platform, it is important to know about music licensing. There is much legislation about licensed copyright music, which protects their owners through exclusive rights of exploration. Copyright laws apply for music on the internet the same way they apply for music in the physical world. In Portugal, it is illegal to copy, distribute, perform publicly, broadcast, record or put online the work of an artist without the permission of the owners of the rights, CDADC.

To protect the author's rights, the CDADC (Código do Direito de Autor e dos Direitos Conexos) is the main artistic regulation operating in Portugal, whose code shall be taken in consideration by an entrepreneur aiming to introduce a new Streaming Service in Portugal.

Other regulations such as WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPC), which are transversal to several countries and have facilitated the global expansion of digital music services, shall be taken into account.

As these kind of streaming platforms can also be considered as platforms of online commerce, as they trade in last instance music for money, in Portugal, it is important to take also in consideration ANACOM, the entity whose UMD-CE (Unidade de Missão e Desenvolvimento para o Comércio Electrónico) is responsible for the operations related with the theme of digital commerce.

4.1.1.2. *Economic Factors*

Portuguese economy has been recovering from a fragile situation. After the Portuguese GDP (Gross Domestic Product) decreasing from 2010 to 2012, hitting the lowest value in 2012, it has now started to grow. Actually, the Portuguese GDP average growth rate is of 1.3%. When comparing to Euro Area, Portugal's situation is very similar to its countries' evolution (Annex 1 – Economical Factors, Chart 1). It is seen that the Euro Area economic variations impact in the Portuguese economy itself.

Regarding inflation (Annex 1 – Economical Factors, Chart 2), the Portuguese inflation rate is not as steady as the Euro Area, despite following its trend. In 2005 the Euro Area and the Portuguese inflations rate were aligning, around 2.1%. But in 2010, the Portuguese inflation rate dropped to 1.4%, while the Euro Area kept around 2.1%. The Portuguese inflation rate rose up again in 2011, to 3.8%, starting then to decline in the following years, resembling the Euro Area inflation rate itself. When the average pricing level falls down is an alert that the economy is presenting signs of not healthiness. If the producers are not able to sell their products, they tend to reduce the prices. This reduction represents a decrease in the company turnover and, consequently, less capacity of investment for the following year. Deflation is usually related with a decrease of consumption and decline of social conditions, consumers become high price sensitive. In 2015, however, the inflation rate showed a lightly increase.

Unemployment is also a conditioning factor for consumption decrease (Annex 1 – Economical Factors, Chart 3). Portuguese unemployment rate is above the Euro Area rate, and it has increased from 11% in 2010 to 14% in 2015, reaching values of 18% in 2013. This may have great impact in technological businesses, as consumers in these circumstances tend to control their impulses and spend their incomes only in the most essential goods. In streaming music subscription business this may be a treat as people can choose to listen their songs for 'free' (advertised paid) instead of subscripted, generating less income for the streaming business. Despite in the recent years of 2014 and 2015, the unemployment rate dropped, it is not yet at the same lower levels as the Euro Area.

4.1.1.3. Social and Cultural Factors

In Portuguese society, music works like social bond and mood influencer. Music is listened in moments of celebration, sharing and introspection, with friends, colleagues, dates or family.

In Portugal, since the introduction of the streaming platforms, the music consumption habits changed. The majority of people dropped the illegal downloads and started to listen legally to music online. People tend to listen to the music they like more, instead of downloading or buying the entire album. Albums are not so usual anymore. It is almost a return to the singles Era, as is the beginnings of the record label industry.

Marktest show that 3.7 million Portuguese people hear music online in Portugal and it is a practice of the youngest, especially of those with ages between 15 and 24 years (92%). This is also evidenced in Bareme Internet, which consists in a Marktest annual study that characterizes the Portuguese population behaviors regarding the internet. The report showed that the music consumption online is increasing in Portugal, with a positive variation of 81% from 2010 to 2016 (Annex 2 – Social and Cultural Factors, Chart 4). The most used devices to hear music in Portugal are the PC, followed by the sell-phone (Annex 2 – Social and Cultural Factors, Chart 5).

Spotify's report evidence that. On the top 50 songs most listened in Portugal, it is evidenced that the majority of the artists that have a song on the top 50, only have one song and no other songs from the album. Moreover, many are those, in this top 50, that are not the common artist or band, but are instead DJs like Avicii or Calvin Harris. Regarding the nationalities most listened: the North American and the British are the winners by far, followed by some Portuguese artists such as D.A.M.A or PALOP artists such as Anselmo Ralph.

4.1.1.4. Technological Factors

Billions of users can now be connected through the internet and their portable devices, using a vast range of apps or other similar communication systems, Newman et al. (2016). All the latest technologies, such as Big Data, Internet of Things, Cloud Computing and others, are now integrated in the Web 3.0, Andersen (2007), Hwang et al. (2013) and Chang (2015). People are now more connected than ever, being able to reach networks

outside their usual ones. Chang (2016), used these set of web connections to analyze the effects of networking in the society, such as comments and content shares.

The globalization of economic activities, network organization, flexibility and virtual culture brings a new reality, capable to enter in every level of society and transforming completely the concepts of time and space, Sousa (2004). For instance, cloud solutions are changing many businesses by its elasticity of capacity for data.

In Portugal, people like to have their things integrated so they don't have to stop and lose time with insignificant actions. This is why Via Verde, MB Way, pre-paid phone tariffs with free calls and messages a month, among others, were revolutionary products created in Portugal.

4.1.2. Immediate Analysis

4.1.2.1. General Sector Overview

As seen in the Literature Review, the digital music market is inside the music market, and it can be subdivided into music downloads and music streaming. For this study it will only be focused the music streaming market.

The streaming is the result of the several transformations in the music industry and its business models, Knopper (2009). Statista describes streaming as a way to deliver files without the need to download it. The music streaming services, that operate inside the music streaming market, use this technology to give the consumer unlimited access to their music libraries.

It is worth to notice that according to Statista and IFPI, the streaming music accounts for 43% entire digital revenue, with a growth rate of 11% Year on Year. IFPI shows that, the world's largest on-demand audience are the ad-supported users, with 900 Million users. According to Statista, it is expected that, in Europe, the music streaming share grows from the current 67% to 86% by 2021.

4.1.2.2. The Portuguese Music Streaming Market

Inside the music streaming market there are two different types of music streaming services: the Subscription Services and the Ad-Based Services.

In order to know exactly which music streaming services are available in Portugal, it was necessary to find an authoritative resource that detailed the music services available in various parts of the world. Pro-Music.org was the most reliable source, as it contains the information updated by the principal stakeholders of the music industry: GERA-Europe, FIM, ICMP, GIART, Impala, IFPI, ICMP, IMMF and IMPA.

With that in mind, the following list presents the music streaming services that are available in Portugal as of today, February 2017: Apple Music, Deezer, Emusic, Google Play Music, Groove Music Pass, MEO Music, Napster, Spotify, Tidal and VidZone (Annex 3 – General Sector Overview – Table 1). But from these, only Deezer, Spotify and VidZone have the possibility for the user to use the platform through ad-based streaming, which means, no costs for the user. For all the other streaming music platforms it is required to subscribe, which evolves the payment of a fee, to hear music online.

These subscription music services are the money makers, responsible for the majority revenues of the music streaming market (Annex 3 – General Sector Overview – Chart 7). Nevertheless, the ad-based services have a huge potential, as what is currently being spent on radio advertising will have tendency to shift towards music streaming advertising.

Globally, the biggest players in the music streaming market are Spotify (leading, with 43.0%), followed by Apple Music (with 20.9%) (Annex 3 – General Sector Overview – Chart 8).

It shall be pointed that YouTube is not considered a music streaming platform, as it is not a platform but a search engine website instead. To compete with music streaming platforms, YouTube launched in 2015 a music streaming platform called YouTube Music. However, this is not yet available for the Portuguese market, meaning it is not available in the Portuguese App Store or Google Play, and it was not yet thought to be a competitive platform in the Portuguese market.

Carretas (2015), the general-manager of AUDIOGEST, states that in Portugal, music streaming accounts for 80% market share in the digital music market. However, this is only 30% market share of the Portuguese music market. When compared to other European countries, the number of music streaming services available in Portugal is low.

This shows that Portugal has still space to grow in this area and consequently, it consists in a great opportunity for new brands arise in this segment.

4.1.2.3. Sector Evolution and Future Trends

According to Titlow (2016), there are five big market trends in music streaming:

- Subscription boom: the number of people willing to spend a few Euros a month to get add-free music is growing. Portugal has approximately 10 Million people, but only 18.1% are paying for subscription music streaming services. It shows that there is space to grow (Annex 7 – The Streaming Market Opportunity). There is also the possibility of expansion through the PALOP and other Portuguese speaking countries (Angola, Mozambique, Guinea, Brazil, etc);

- Family subscription: Family subscription plans are also bringing many consumers to subscription music streaming services, attracted by the cheaper subscriptions and peer pressure;

- Platform-exclusive album releases: this consists in a win-win strategy for the streaming platform and for the artist. As long as this represents competitive value, this trend will increase;

- Concern about the artists: this is an increasing priority for streaming services. The awareness that the artists' work must be paid, is also increasing among consumers;

- Data-power personalized playlists: daily personalized playlists such as Discover Weekly or Your Daily Mix from Spotify, are increasingly engaging consumers, who want to be suggested with new songs in accordance with their tastes.

4.1.3. Competition Analysis

4.1.3.1. Music Streaming Services Positioning

Positioning refers to the place that the service strives to occupy in the mind of the consumers and how they are distinguished in the market from the rest. The aim is to occupy a distinct position, both in the consumer's mind and in the marketplace. For that, it is important to focus on three main things: create awareness, persuasion strategy and continuous reinforcement.

1. Create Awareness

It is essential to be known among the potential consumers in order for them to feel the need for the service. Streaming services must invest in market research, media advertisement, services' development and consumers' engagement.

Nowadays, online competitors have several ways to invest in market research, whether is through website tracking tags, CRM services, cookies tracking or big data acquisition. Companies have now easy access to knowledge on the consumers' behavior strategies and trends, that didn't have before.

Spotify for instance uses partnership strategies with mobile phones operators and online ads to promote their services. The aim is to engage consumers in such way they became loyal to the subscripted service, making that, even when the offer expires, they want to pay for it.

Streaming services, are increasingly dedicating their efforts developing new and improved features, coherent with their core but more suitable for the consumers. An example of that, are new playlists targeted for each consumer according to his preferences.

2. Persuasion Strategy

In this industry, aggregation is a key factor to win market share. Through mobile phone operators for instance, subscription streaming services present solutions in a package format to the customers.

Once costumers have made their first login, the streaming service starts the engagement process. They use techniques such as presenting music the consumer may want to listen, based on his previous choices, or present him with exclusive playlists for each situation/part of the day.

This way the streaming service is creating engagement with its listeners and showing him a need he wasn't aware of. Even though not all consumers are converted in subscription consumers, some of them stay. And the remaining, keep engaged with the streaming service, even if it is ad-based.

3. *Continuous Reinforcement*

Reinforcement is related with the ability to continuously influence the experience and use of the service. The more the product represents an added value proposition to the consumer, more he will feel the need for it in the future, and influence their peers to use it as well.

Streaming platforms are gaining power among the consumers, mostly due the recognition of their extraordinary quantity of songs available without any effort, and the flexibility they give when it comes to create new playlists and listen them anywhere anytime.

The consumer's choice nowadays is based on their commodity and the relation between maximum quality at a minimum price. In these points, ad-based services come to surprise a need most felt, creating a very important statement of their position.

4.1.3.2. *Music Services Business Performance Analysis*

Music streaming has been growing since 2011 (Annex 4 – Sector Evolution and Future Trends – Chart 10). It is now starting to be introduced licensed music into markets where record companies did not participate previously, for instance in countries such as Nigeria, Uganda and Angola.

The volume of recorded music consumption online has never been as higher as it is nowadays. It is estimated that there are more ad-based music services users. However, in ad-based music services, the value gap between the large share of music consumption and generated revenues is huge (Annex 3 – General Sector Overview – Chart 7).

Global numbers show that the ad-supported revenues in 2015 were of ~US$634 million, which currently corresponds to ~591€ according to ECB (European Central Bank). On the other hand, subscription music services, with a smaller user base, generated much more revenue per user. They are estimated to have generated ~US$2 billion which corresponds to ~1.8€ billion; representing 13% of global music revenues (Annex 3 – General Sector Overview – Chart 7).

It can be concluded that the music streaming market growth is mainly sustained by the subscription services. Ad-based music streaming services are a great way to capture new

streaming listeners, but then the strategy, to generate significant revenue, must pass by making interesting for them to be subscribers of the music streaming service.

Spotify is the music streaming service worldwide with most users and therefore, main competitor, (Annex 3 – General Sector Overview – Chart 8). For that reason, this streaming service is the one that will be focused on in the following analysis.

4.1.3.3. Music Streaming Services Market Competition

Ad-based music streaming services grew exponentially in Europe in 2011, IFPI. In Portugal there not as many ad-based streaming music services as there are subscription ones. Spotify is the most used streaming service in Portugal, and is also one of the few that has the modality of ad-based services (Annex 3 – General Sector Overview – Chart 8). Besides Spotify, others that exist in Portugal and are also ad-based services are Deezer and VidZone (Annex 3 – General Sector Overview – Table 1).

Ad-based Music Streaming Services Comparison

Following it will be done a comparison between the ad-based services existing in Portugal, to better understand what distinguish them from each other.

Deezer

Deezer is a streaming platform with more than 20 million songs library. It offers free unlimited streaming on an ad-based service. However, this only lasts one year, as after that, consumers will be restricted to hear only two hours of free music per month. This platform offers the possibility for the users to build their own music libraries or listen to radio stations, as it suits better for them. It has also the subscription version, according to a monthly fee that brings new services along.

Spotify

Spotify is a music streaming service with more than 30 million songs library, providing streaming content of several record music labels including Sony, EMI, Warner Music Group and Universal Music Group. According to Consumer Reports it is recognized by being the best ad-based streaming service for those in search for a versatile service with a vast catalog of tunes. The ad-based model is unlimited. The most appreciated features are the easiness of access through the majority of digital platforms, the large number of

tunes offered, the exclusive live sessions available in the platform, the easiness to find new artists and to create personal playlists.

VidZone

Unlike the ones above, it is a music video streaming service and one of world's largest, with more than 100 thousand music videos library. It also provides full access to the catalogs of record music labels of Sony, EMI, Warner Music Group and Universal Music Group. Users can access a big variety of new song videos and create playlists of their favorites. The negative points however, are the frequency that ads are played, as they are played after almost every song, and the load up time, as it takes too long to stream a video song. Unlike the others, currently it is not available to iOS devices.

Subscription Based Music Streaming Services Comparison

Subscription based music streaming services are re-thinking their services to improve their offerings to clients. Tidal introduced in the beginning of 2017 the Master Quality Authenticated files, or MQA files, which is a new technology that allows to deliver master quality audio in a file small enough to stream. Spotify on the other hand, integrated its services with Uber. Now, Spotify users can connect their accounts with their Uber profiles and, if their Uber rides have music enabled, they can simply tap the music bar and select the music they want to hear in the ride.

Consumer Reports launched a comparison between some of the most popular streaming options based on the consumer opinions. In order to understand why some streaming services, have more users, it will be compared to two subscription services present in Portugal with more subscribers Spotify and Apple Music:

Spotify

The normal fee of the subscription of this music streaming service in Portugal is of 6.99€ month. It also has students fee, with the lower price of 3.49€, and the family fee of 10.99€ for which 6 people can benefit from the subscription. The most appreciated features in the subscription version are the possibility to hear tunes offline, the better sound quality and the lack of importunate ads. What is pointed as a negative point is the lack of music videos, as Spotify does not offer any kind of music videos.

Apple Music

The normal fee is of 6.99€ monthly, and also has the family fee option of 10.99€ for which 6 people can benefit from the subscription. Its most appreciated features are the possibility to download songs that one can latter offline, its endless variety of tunes, exclusive content from some artists, a radio managed by real DJs, Siri's voice commands and the possibility to see videos. It is especially appreciated by those who travel a lot. It is supported in iOS devices and also on Android ones. The less pleasant features pointed, are the app design and the navigation tools, as they are less intuitive than it would be expected from an Apple App.

4.1.3.3.1. The biggest competitor analysis: Spotify

Spotify is originally a Swedish music streaming service, launched in 2008. It is currently present in several digital platforms, providing music to more than 100 million users, with 40 million of them paying for the subscription service. Spotify's core product is the service of ad-based or paid subscription music streams.

4.1.3.3.1.1. Spotify Positioning

The Spotify positioning, as stated in their website is "To help people listen to whatever music they want, whenever they want, wherever they want". Spotify primes by the fact that it has one of the largest song libraries with full access to both subscription users and ad-based users. By offering this with the possibility of no charge fee, this Spotify contributes actively for the restore of value for the music industry. Other way, illegal downloads would keep holding a big share on music industry, generating less monetized methods of music consumption, Lansiti (2014).

It is available on almost every device with online connection and strategically made connections with other platforms, such as Facebook, becoming more than a simple streaming service. It can be considered a social music platform, as it provides users the possibility to interact with their friends and other users, follow not only artists but also playlists and other users, and share tunes and personal playlists. This way the user identifies himself with the platform and its content, creating the sense of identity on the user.

Moreover, if the user wants to upgrade to premium this is a quite cheap service. Spotify also partnered with Portuguese phone companies making it easy to acquire premium

accounts within the mobile communications price. Finally, it also has a modality of subscribing in family, meaning that several people main join together and pay a monthly license for until 6 devices (Annex 5 – The Streaming Market Competition – Table 3). This not only increase the sense of social community of the platform, but also attracts more users to subscripted accounts as it is cheap, easy and they have some peer pressure to do so.

4.1.3.3.1.2. Spotify Business Performance Analysis

This platform operates in an ad-based and subscription based model, with the majority of its users being ad-based users. Spotify's business model, involves to obtain ad-based users and then convert them to subscription based users, as this last one is what is producing more value per listener to the music industry (Annex 3 – General Sector Overview – Chart 7). Spotify artists, state that the subscription based users potentially double the revenues in the music industry.

The last public reported value for Spotify has been launched in 2015, when the company had been evaluated in US$8.5 billion, the equivalent to ~€8 billion as of today.

Spotify is quite aggressive when rolling out new features to capture new users and maintain the existing ones listening to more music than they currently hear. They are launching new on-demand features, machine-learning base for daily playlists personalized for the users which they call the "DailyMix" and personalized playlists for each user based on their recent hearings presenting new music and new artist on top of their usual and already quite popular playlists.

Spotify have acquired several companies now, such as SoundCloud and Preact for instance, enlarging their portfolio of expertise and capacity. In the recent years it acquired founds from about 17 different investors, which believed in the potential of the service. Despite all said before, Spotify struggles with its low margins. Spotify stated a few years ago, that they work on a ~70% payout model, with 55% going to record labels and artists, and the remaining 15% going to music publishers and songwriters. Apple for instance, published that is being able to work on higher margins, with a ~58% payout model, which shows that is possible to work with lower fees for the intervenient.

4.1.3.3.1.3. *Spotify Competitive Advantages*

Spotify has competition from other existing music streaming services such as Dezzer or Apple Music. But given the evolving marketplace, it is expected that other major competitors arise. For instance, not yet available in Portugal, but Amazon is now starting to offering a prime music subscription.

However, Spotify has a variety of things that distinguish it from the remaining platforms:

- **Advertising:** it developed several innovative advertising formats that become less annoying to the user and more rentable for the platform, for instance ads in the audio, ads in the leader board of the display, branded playlists, ads video takeover, homepage takeover and advertiser page which is a microsite integrated into the Spotify player without the user to notice that is a microsite (Annex 5 – The Streaming Market Competition – Image 1).

- **Partnerships:** as referred before Spotify is profiting with its partnerships. It has already partnered with Facebook, Coca-Cola and others. These partnerships not only engage users with the platform, conferring it a more personal issue, but also help to support the Spotify business model. For instance, about 2 years ago Spotify did a campaign for BMW on which Spotify run the launch for 320i BMW. The campaign consisted in enabling the users to choose from five iconic American road trips and based on that, a custom playlist was generated with songs and artists from the regions along the route. The campaign resulted in more than 14K playlists created (Annex 5 – The Streaming Market Competition – Image 1 – Splash Screen Commercial).

- **Marketing:** unlike other startups in the beginning of its appearance, Spotify relied in word-of-mouth and co-marketing rather than big budgets on advertising campaigns. It turned out to result quite well and as it is also somewhat a social platform, with the possibility to follow and to acquire followers, the word-of-mouth strategy fits perfectly.

- **Growing audience:** in order to increase its reach, after its initial stage Spotify started to invest in campaigns to acquire audience beyond its traditional young audience. In Portugal the platform did not entered yet on TV advertising, but in

the USA for instance, it putted ad spots of 30 seconds before the program "The Voice" and the famous talk show "Late Night with Jimmy Fallon". It also created an ad for cinema in US and USA where it shows the interaction of 3 different people through Spotify, Facebook, Instagram and Skype, aiming to show how Spotify can bring people together through its incorporation with social media.

It can be concluded that though Spotify has a stable competitive position in the Portuguese music streaming consumption, it has still much space to grow and to capture audience such as in US and USA. However, the expertise that this company has in the music streaming sector and its strong umbrella brand that covers a wide range of tunes are important competitive advantages when compared with other players in this market and more even when compared to new entrants.

4.1.3.3.2. Music Streaming Platforms created in Portugal

4.1.3.3.2.1. _MEO Music_

MEO is a Portuguese telecommunications operator, with phone, mobile, internet, TV services. Recently, this Portuguese company founded a service of music streaming that can be used on TV, PC and mobile phones. The service is free for the majority of their telecommunications clients, being included in the majority of telecommunications service price packages for the remaining MEO clients by the fee of 4.99€ (Annex 3 – General Sector Overview – Table 3).

For non MEO clients, the service has a monthly fee of 6.99€ and it is possible for its users to hear music on offline mode. The number of songs available on this platform is not public. It was only possible to know that the platform has more than 15 million of songs. As this is a national, it includes in its catalog several Portuguese artists that are less known and not so easy to find on other streaming platforms.
Despite this, the platform is not highly used by the Portuguese community. Analyzing the reviews of its users in the Google play and App store is easily perceived why. This platform is pointed as being slow and very unstable. Most of its music becomes unavailable to listen with every actualization.

4.1.3.3.2.2. _The crowd founded music streaming platform: BeatWhale_

In a different way from the previously approached streaming platforms, André Santos, a Portuguese engineer, created the BeatWhale, an application that allows its users to hear

the music they want totally free and without ads. This streaming platform is crowd funded as it can be seen in its website as of today, March 2017. This platform was built in 2015, after he tried out Spotify but the amount of ads made him dislike the service and realize the gap in the market. So he created a platform of his own.

The platform is still in development phase. It is possible to download on their website, but is not yet available in any app store. BeatWhale is still in tryout version, the so called Alpha version. It works based on the content available on YouTube, which is its primary source of material. It allows users to create personal lists of music that can be played automatically. But the service requires constant internet connection for it to work. It is only available for Windows, MAC and Linux, and it not yet known among the Portuguese community.

4.2. Survey Results Analysis

In order to better understand the consumers for a new Portuguese music streaming platform it was conducted a survey among the community (Annex 6 – The Portuguese Music Streaming Consumer – Survey). Following, it will be next exposed the main findings.

4.2.1. Sample Characterization

The sample is made by 342 individuals, being the majority of female gender (53.5%) and Lisbon district (75.0%). The distribution by ages is reflected in the table below, where it is easily seen that the majority of the respondents had ages between 15-24 years old (57.0%), followed by the age group 25-34 years old (34.0%). Together, these two segments represent 91.2% of the sample.

Table 3

Sample distribution by age group

Age Group	N	%
15-24	195	57.0%
25-34	117	34.2%
35-44	12	3.5%
45-54	6	1.8%
55-64	9	2.6%
65 or more	3	0.9%
Grand Total	**342**	**100.0%**

Regarding to education level, the majority had and advanced level of education such as Masters or PhD (40.4%), followed by Graduated individuals (29.8%) and Barchelor's degree (18.4%). The remaining has secondary school level (11.4%).

Table 4

Sample distribution by level of education

Level of Education	N	%
Secondary school	39	11.4%
Barchelor's degree	63	18.4%
Graduate	102	29.8%
Masters	132	38.6%
PhD	6	1.8%
Grand Total	**342**	**100.0%**

Concerning the current occupation, in the table below it is seen that almost half on the surveyed individuals are non-governmental employees (45.6%):

Table 5

Sample distribution by occupation

Ocupation	N	%
Unemployed	9	2.6%
Student	117	34.2%
Home maker	3	0.9%
Part-time worker	15	4.4%
Self employee	24	7.0%
Government Employee	18	5.3%
Non-government employee	156	45.6%
Grand Total	**342**	**100.0%**

When confronting this sample with the latest provisory Portuguese population data from INE, which was Census 2011, it is evident that this sample is not representative. The Portuguese population distribution presents several differences when compared to the sample in study. For instance, the distribution by gender in which 47.8% is female in contrast to what we observed here (53.5% female).

Another difference is the age of population. In our sample we had a majority of respondents with ages comprised between 15-24 years old (57.0%). In reality, this echelon represents only 10.8% of the Portuguese population, according with the INE source. Even the education level is not in accordance. According with the survey results, the majority of the individuals had advanced education level (40.4%), which is not in accordance with Census 2011 where it is showed that only 12.0% of the Portuguese population has superior level education. Even though the INE statistics information has 6 years' discrepancy from this study, the statistical data would not have a variation delta as high as this.

4.2.2. Music streaming consumption habits

4.2.2.1. Frequency and habits of use

The first two questions in this survey were intended to understand whether the surveyed people are music streaming platform users and, if so, which is the frequency of use of these services. The majority of respondents use a music streaming platform (72.8%). This

represents 249 individuals, which we will be focusing in the following analysis. The majority of users' state that uses the service every day (55.4%).

Table 6

Sample distribution by frequency of use

Frequency of use	N	%
Less than once a week	18	7.2%
Once a week	15	6.0%
Sometimes a week	78	31.3%
Every day	138	55.4%
Total Geral	**249**	**100.0%**

Evaluating if there is any relation between the age and the frequency of use of music streaming platforms, it was observed that the majority of those who listen music every day are people with ages between 15-24 (65.2%), followed by people with ages between 25-34 (28.3%). Together they account for 93.5% of the people listening music every day, and 51.8% of the total sample of 249 individuals.

Moreover, from the respondents that answered that do not use a streaming platform and never used one, the majority had ages between 35-44 and 55-64 (75.0%). This led us to conclude that there is a relation, confirming what was as mentioned in the Chapter of the Literature Review.

Regarding the login session characteristics of each individual, the table below shows that the majority listens between up to 1 hour of music (31.3%) and up to 3 straight hours of music (33.7%) per login session. The percentage of individuals that listens more than straight up 5 hours is only of 7.2%.

Table 7

Sample distribution by hours of use per session

Session	N	%
Less than 1h	33	13.3%
1h	78	31.3%
Up to 3h	84	33.7%
Up to 5h	36	14.5%
More than 5h	18	7.2%
Total Geral	**249**	**100.0%**

As it can be seen in the table below, the most used device to access is the computer (47.0%) and the mobile phone (45.8%), representing together almost 93.0% of the total.

Table 8

Sample distribution by device used

Devices	N	%
Car stereo/radio	6	2.4%
Computer	117	47.0%
Mobile phone	114	45.8%
Tablet	6	2.4%
Wearables (eg. smart watches)	6	2.4%
Total Geral	**249**	**100.0%**

Finally, the majority of the users (81.9%) do not pay a monthly fee for it. This represents 204 individuals. From the ones who do pay (18.1%), the majority pays up to 7 Euros (66.7%). The results are represented in the following table.

Table 9

Sample distribution by monthly fee

Montlhy fee	N	%
Less than 0,99€	3	6.7%
0,99€ - 4,99€	15	33.3%
5,00€ - 6,99€	12	26.7%
7,00€ - 9,99€	6	13.3%
10,00€ - 14,99€	6	13.3%
15,00€ or more	3	6.7%
Total Geral	**45**	**100.0%**

The sample of paying subscribers is not representative; therefore, it was not made a deeper analysis on these individuals. However, it was important to evaluate if the non-paying users would pay for a subscription music streaming service if they recognized some added value. The results are exposed in the table below.

Table 10

Sample distribution by acceptable fee for non-paying music streaming users

Acceptable fee	N	%
Nothing	57	27.9%
Up to 1€	36	17.6%
Up to 5€	72	35.3%
Up to 10€	36	17.6%
Up to 15€	3	1.5%
Total Geral	**204**	**100.0%**

The majority (35.3%) would be willing to pay up to 5 Euros as it can be seen in the table below. From the sample of non-paying music streaming listeners, 27.9% said that would not pay for a music streaming service, even if they recognized some added value to it.

4.2.2.2. Motivations for use

In the third part of the survey, the purpose was to understand which the motivations that lead users to use streaming platforms are.

It was observed that the majority of the individuals uses these platforms due to curiosity and will to discover new songs and artists (80.7%). There were also many individuals pointing other reasons to use music streaming platforms, being those the sense of responsibility to pay for the artists' work (2.4%) and the possibility to have every music whenever and wherever they want (4.8%). The results are shown in the table below.

Table 11

Sample distribution by motivations for use of music streaming platforms

Motivations for use	N	%
Curiosity and will to discover new songs/artists	201	80.7%
Share music and be part of a community	9	3.6%
Personal advantages	15	6.0%
Professional advantages	6	2.4%
Other	18	7.2%
Total Geral	**249**	**100.0%**

It is important to distinguish what are personal advantages and professional advantages. Personal advantages exposed to the surveyed individuals where the possibility to obtain

discounts, promotions, rewards or other type of objectifications that would make the user benefit from using the platform, on top of using it to listen to their music.

The question on the professional advantages was made thinking on those individuals that are musicians or have some kind of artistic interest and try to make money out of it. This could be sharing their personal music portfolio, make contacts in the music business or get to be known among the audience, for instance. The amount of people surveyed with this type of interest was a minority (2.4%).

4.2.2.3. *Global relation of Portuguese people towards music streaming*

Next, it was important to understand the relation of Portuguese individuals with music streaming platforms. For this, it was asked to those who claimed to use music streaming platforms, which platforms do they use. The results showed a clear trend to the exclusive use of Spotify in Portugal (68.7%). To this adds also the people that stated to use Spotify along with other streaming platforms such as Apple Music or MEO Music (21.7%). This represents a total of 90.4% people using Spotify, which is in accordance with the Chapter 5, the Competition Analysis where it was seen that Spotify is the platform with more users worldwide.

The surveyed people that said to use other platforms that not Spotify constitute 9.6% of the sample, with 7.2% saying that use exclusively MEO Music. The fact that this service is included in the telecommunications package for most MEO and Moche clients, as explained above, can be an influencing factor.

Following, the surveyed were questioned if they followed any artist or band and, if they followed any friend or friends' playlists.

According with the collected data, around 2/3 (67.5%) of the surveyed individuals stated that follow artists or bands, and less than half (45.8%) follows friends or friends' playlists. These results are not conclusive as there is not an evident tendency to follow neither artists nor friends, the results are divided.

Finally, the motives that lead Portuguese individuals to use music streaming platforms were rated in a scale from 1 (not important) to 5 (very important), through the several

aspects represented in the graph below. In it, are presented the average values obtained of the surveyed individuals that claimed to use music streaming platforms.

Chart 5

Motivations to use music streaming platforms
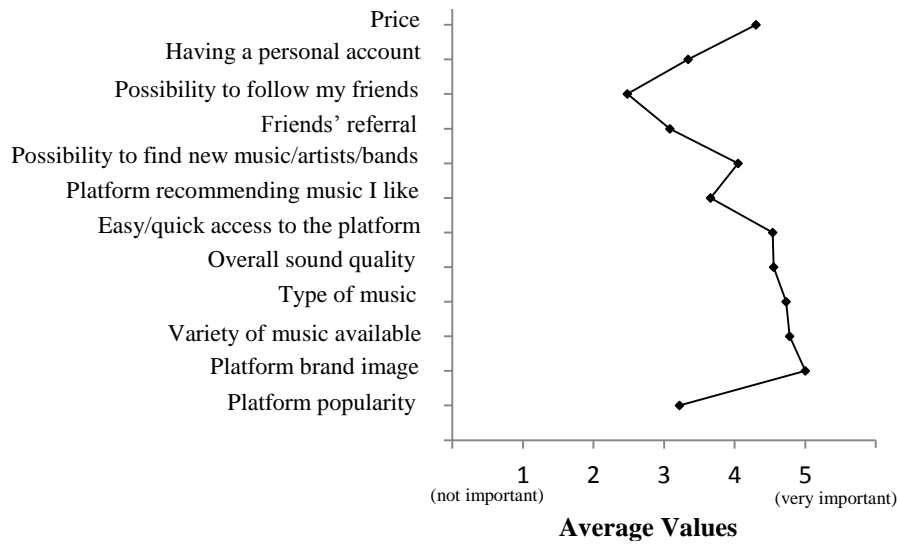
Through this graph analysis is possible to observe that the most important factor for the surveyed sample is the Platform Brand Image with an average value around 5. The following most important aspects were in order the Variety of music available (if the users chooses a platform based on how many different artist, types of music, music nationalities, etc.); Type of music available in the platform (weather the user chooses based on its favourite music style such as country, R&B, soul, etc.); Overall sound quality; Easy and quick access (if the user prefers a platform in which he can access through all devices and with only one login that fits all its social platforms); and, Price. The aspect that revealed to be less important is the Possibility to follow friends, with an average value of 2.5.

4.2.2.4. *Portuguese vision for a music streaming platform*

In order to understand how a new music streaming platform could suppress Portuguese needs, we made a final block of questions. The first one intended to understand whether the users would change music streaming platform if a more appealing one appeared. The results showed that 91.6% (the majority) is willing to change.

Then, it was important to understand what they consider to be a more appealing platform. For that it was asked them what to rate from 1 (not important) to 5 (very important) the several aspects that could make them change platform.

Chart 6

Aspects that make a music streaming platform more appealing
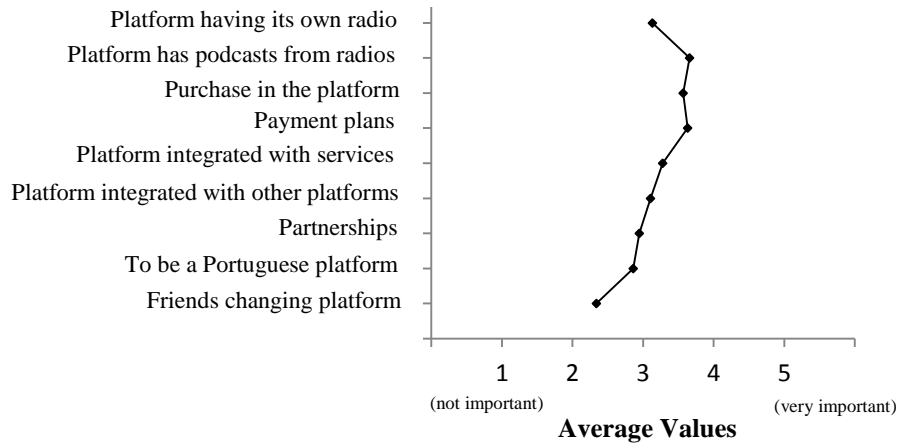
From the analysis it can be concluded that the most appreciated features would be for the platform to have Podcasts, to be possible to Purchase in the platform (merchandising form the bands, concert and festivals tickets, etc.), and for the platform to have Payment plans integrated with the telecommunications operator. All these 3 aspects had the highest average values, all rounding the value 4.

The least relevant aspects are friends changing platform, which is in accordance with Graph 1, where Friends referral and possibility to follow friends were among the least important aspects, and the platform being Portuguese, which shows that there is not a discredit for it being a Portuguese service, but there is neither a patriotic engagement with it.

Finally, in order to see if the BeatWhale is known among the Portuguese community, the surveyed individuals were asked if they knew another Portuguese music streaming platform besides MEO Music, to which 98.3% answered that did not know any other Portuguese streaming platform.

4.3. Competitiveness Analysis

4.3.1. SWOT Analysis

The SWOT analysis is used to evaluate the internal and external factors for each business. To evaluate the internal factors is studied the strengths and weaknesses, which are those who evidence the company's competitive advantages and disadvantages in comparison with the market competitors.

On the other hand, there are the external factors opportunities and threats. From the opportunities can result situations that contribute for the growth of the business. From the threats, can result situations that if not correctly approached, can contribute for the company failure in the market.

The SWOT analysis can for a new Music Streaming Platform launch in the Portuguese market can be explained through the following table:

Table 12

SWOT Analysis

Strengths	Weaknesses
- Easy access to the service - Distribution - Features adapted to Portuguese consumer demands - Brand - patriotic appealing	- Disinterest from the consumer - Customer Loyalty - Consumer active contribute to the social component of the platform
Opportunities	**Threats**
- Digital music streaming market growth - R&D costs – platform development - Portuguese players are not the strongest competitors - Partnerships with Portuguese brands, festivals, and artists - Expansion for Portuguese emigrated communities	- Market niche - Foreign strong existing brands with similar products - Product discredit - Competitiveness

From the internal factors presented in the table above it shall be pointed out that the product presents strengths such as being accessible to everyone and of easy distribution

(as it is done exclusively online). It is also pointed out as strength the brand created around the new music streaming platform. that will be patriotic appealing and with features adapted to the Portuguese population needs.

As weaknesses there the possible lack of interest from the consumers, the difficulty in creating the sense of loyalty among them and the hard prediction whether they will actively contribute for the social part of the platform, which involves that musicians upload their work and users follow each other and artists.

Regarding the external factors, the market offers as opportunities for business growth its growth and the R&D costs, that will be lower in Portugal than in other European countries as, due to its economy and life-cost, Portugal is currently considered a supplier of low cost resources in this field. the pool of specialized assets is well supplied. Portugal has one of the top 20 European engineering schools, the Instituto Superior Técnico, in Lisbon. There is also a lack of strength from the Portuguese music streaming platforms that already exist in the market, and an opportunity of partnership with Portuguese brands. For the future, there is also the possibility of future expansion for emigrated Portuguese communities.

The market also presents several threats, that shall be taken in consideration for the business success. They are the existence of several international players in the market with strong brand awareness. Product discredit, either from the consumers or from the area professionals (artists and labels), as it is a new service and it is national.

4.4. Plan Objectives and Development Strategies

This plan has the objective to evaluate the viability of the implementation of an innovative music streaming platform in Portugal. As seen in the Literature Review, young consumers are constantly looking for something new. They are always curious for the tryout of the new. And according with the survey, music streaming Portuguese consumers' needs are not being completely satisfied.

In order to implement a new music streaming service, it is essential to define the strategy to it. Based on the SWOT build in the previous chapter, it is now constructed a Crossed SWOT. It aims to expose the four possible scenarios for this project and define strategies to adopt for each. In the table below, it is possible to observe that the first scenario aggregates the strengths and opportunities, originating an offensive strategy. The second scenario combines the weaknesses with the opportunities, creating a reinforce strategy. The third scenario compounds the strengths with the threats, instigating a confrontation strategy. Finally, the fourth scenario, combines the weaknesses with the threats, originating a defensive strategy.

Table 13

Crossed SWOT Analysis

Strengths x Opportunities = Offensive Strategy	Weaknesses x Opportunities = Reinforcement Strategy
• Distribution x Strategy • Compatibility x Implementation • Brand x Partnerships	• Expansion x Disinterest • Partnerships x Loyalty
Strengths x Threats = Confrontation Strategy	Weaknesses x Threats = Defensive Strategy
• Layout x Intuition • Substitute products x Differentiation • Brand x Persuasion	• Differentiation x Competitiveness • Communication x Service discredit • Competitiveness

From the table above, it can be concluded the following:

- In an offensive strategy, the existent market opportunities shall be capitalized. For that, shall be focused the strengths of the service. This way, it is essential to evidence the compatibility of this service with all the operative systems, its

easiness accessibility as it will be distributed online, and its brand image associated to interesting events and partnerships.

- In a reinforcement strategy, it shall be fought the disinterest of consumers by engaging them with expansion to emigrated communities' possibility. Regarding the difficulty of acquire loyalty among the consumers, it shall be fought by the partnerships development.

- For the confrontation strategy, it is important to evidence that in order to fight a possible discredit from the consumers and the music community (artists and labels), it may be interesting to reinforce the music streaming platform brand's positioning and its easiness of use.

- Finally, in the defensive strategy, the main points to focus are the strong communication and its differentiation from the market competitors, in an attempt to antagonize the weaknesses and market threats of this new music streaming platform.

4.5. Implementation Definition

4.5.1. Marketing Strategy

4.5.1.1. Business objectives

It is aimed to build a new music streaming platform targeted to the Portuguese consumer, that brings to him Portuguese music, Portuguese podcasts, possibility to purchase concert or festival tickets and merchandising directly in the platform, and that has an accessible price that in in accordance with the Portuguese reality. This platform will not only give the Portuguese music streaming consumer a product that fits his expectations, but will also contribute for an improvement in the Portuguese artistic market.

4.5.1.2. Segmentation and Target

In the Literature Review, it was as been exposed several segmentation models for companies to adopt. Kotler's model was considered by some authors as the best fit for the current market patterns. To start this bottom up approach, it was needed to choose one variable and so it was used the age as the main differentiator criteria for this study. Due to the data presently available, this procedure simplifies this part of the project.

As seen in the Literature Review, IFPI reported that the audio streaming services are increasingly being used, especially among individuals with ages under 25 years old. And, according to Ordun (2015), they can be characterized as open minded, social, innovative and ambitious. This means that they are more open to new experiences and are easily led to experiment new services or products.

According to the Literature Review, the young consumers are:

- **More social** – Noble et al. (2009) indicates that young people are susceptive to products and services that help them to define and show to their peers who they are;
- **More disruptive** – Authors like Zollo (2004) argued that young people are among the first ones to adopt and innovation, with Barton et al (2012) indicating some unique attitudes and behaviors that characterize this generation of consumers;
- **More loyal to convenience** – Philips et al. (2004) and Barton et al. (2012) perceived these consumers as easily persuaded by things that are in their best interest to use, and not as much for the brand of the product or service.

Finally, it has been seen that due to the economic situation the country is living, Portuguese people tend just now starting to spend their income in the considered superfluous things such as adoption of music streaming. As seen in the survey, there is yet a preference for the ad-supported version of music streaming services. With resource to some market inferences (Annex 7 – The Streaming Market Opportunity), it has been seen that there is a vast part of the potential market that is not yet captured by any music streaming service. The percentage of 89.3% of potential consumers aged up to 35 years is not yet using music streaming platforms.

Summarizing, our target is:

- Portuguese people aged up to 35 years' old
- Music lovers
- People who currently do not use music streaming platforms
- People that look for economic solutions for music streaming

It is estimated to reach 1 259 630 new Portuguese music streaming consumers.

4.5.1.3. Positioning

This platform shall be different from the already existing ones by being directly targeted to young Portuguese consumers' needs. It will respond to these individuals' specific needs through adequate payment plans, type of content, convenience in use (unique login), partnerships and brand image.

As Dionisio et al. (2014) describe in Mercator XII, the positioning results from the identification of the characteristics that characterize or identify the service, and from the ones that differentiate it from the competitors (Annex 5 – The Streaming Market Competition – Table 2). As so, this new platform is now characterized.

- **Identification:** Portuguese Music Streaming Platform

- **Differentiation**
  - Portuguese targeted
  - Brand Image
  - Payment plans

- o Type of content (music, podcasts, merchandising)
- o Convenience in use (unique login)
- o Partnerships

The communication message for this new service shall be simple and pragmatic. It shall be communicated clearly for young people and shall be referred as an entirely Portuguese service, emphasizing its advantages, focusing in its cultural identity. For the subscription target, shall also be communicated the easy and simple payment plans, adapted to the Portuguese economy reality. These payment plans shall be integrated in the telecommunications fee; they shall result from a partnership with these companies.

4.5.1.4. Marketing-Mix

To position this new Portuguese Music Streaming platform involves employing marketing-mix strategies, aiming to focus the building of a sense of trust and amity between the Portuguese user and the service. This is special hard for a service such a music streaming platform, which only offers digital content. Nevertheless, the sense of brand loyalty and trust can be built through the marketing-mix methods: product, price, place and promotion.

4.5.1.4.1. Product

In order to respond to the Portuguese consumer needs, including those observed in the survey, it was defined the service intrinsic characteristics that it is believed to make a difference in this market, creating the aimed sense of trust, brand identification and loyalty, and general amity with the service.

Brand Image - Design

- Clean and clean background, representative of the light of the capital – Lisbon. Special highlight for Portuguese artists' image. The covers of playlists shall have Portuguese coffees, streets, beaches, forests, villages, etc.

Playlists

- Playlists thought according to Portuguese daily habits and Portugal spots, examples: Sunset na Caparica, Estudar no Chiado, Para casa com a Carris, Festa das vindimas, Correr na Expo, Cerveja com amigos, Passou no Bliss, etc. These

playlists can even be explored by the companies interested, for instance, CP can take advantage of this as a way to engage with their costumers, the same for Sagres, beach coffees or bars, etc. This would be a form of publicity more efficient and without the annoying ads in the middle of the songs.

- Resembling to Spotify, it can also be created playlists based on moods, for which moods should be described through Portuguese sayings that Portuguese people understand as no-one else. It transmits a sense of identity and almost codification, as it is a cultural thing. Examples of mood playlists: Á sombra da bananeira (for those who want relaxing music); Barata tonta (for those who want party music); Macaquinhos na cabeça (for introspection music); Com os pés de fora (for increasing the good mood in the early mornings and difficult wakes-up); Muitos anos a virar frangos (for timeless classics); among others.

Podcasts

- I shall be made channels of podcasts for Portuguese artists inside the platform. These way users could listen to Mixordia de temáticas or Maluco beleza, among others in the same channel. Premium users could listen in the offline mode, which is very useful for those who have spare time in spots without Wi-Fi.

Others

- The platform shall be integrated with Ticketline to sell festival and concert tickets on it. The method of payment in the platform shall be integrated with another Portuguese platform for payments, the MB Way. This way, users can pay with commodity and trust, contributing for the development and growth of two Portuguese services, our streaming music platform and MB Way.

- The platform shall also be integrated with the bands/artists websites in order to be possible to directly purchase original merchandising from the users' favorite bands.

These last two items, Podcasts and Others, shall only exist in a 3-month trial version for all users, being then available only to subscription users. The aim is to increasingly lead

users to subscribe the service, as this is more profitable (Annex 3 - General Sector Overview, chart 7).

4.5.1.4.2. Price

As seen in the Literature Review, youngsters can be sub-categorized in to those who are up to 24, which are those who are majorly still studying and have a small income, whether it may come from parents' allowance or from internships fees proper from those who are entering in the work market. And young professionals, with age comprised between 25-35, who have disposable income and are characterized by having a high level of familiarity with technology, web-based distribution channels, and digital subscription services. For these two realities the price shall not be applied the same.

The price application strategy was based on the survey analysis and the market price being practiced by the main competitors (Annex 5 – The Streaming Market Competition – Table 3). It was thought to make this a capture point of users, transforming this platform in the most suitable not only for their tastes, but also for their wallets.

Ad-based users

- For these users there will be no fee for the use of the music streaming platform. Their use will be cost supported by advertisements and partnerships that result in a win-win situation both for the music streaming platform and for the partner. These can be transportation entities, radios, night clubs, festivals or drinks targeted to youngers, like Sumol or Compal. The aim is to convert these users in subscription users.

Subscription based users

- Shall be made partnerships with the phone communication operators, aiming to include this service in the monthly fee package of their clients. This will not only work as a promotional channel but also will facilitate the fee payment. It shall also be made family packages with unitary prices per user lower than the normal subscription fee for this streaming platform.

For the remaining, shall be made a division for those who have disposable income, ages comprised between 25-35 years old, and those who have a small income or depend on allowances, ages under 25.

- For those under 25, it shall be made partnerships with Banks for those who have special bank accounts for youngsters and/or Cartão Jovem to have a 50% discount, making the price of 3.50€ a price more suitable to afford according their possibilities. This is expected to cover the majority of this population, even those who are clients of telecommunications operators with a competitor music streaming platforms.

- The remaining, shall pay the market price of 6.99€, which is the same of the biggest competitor identified above, Spotify. It is not aimed to be a low cost platform, nor a Premium one. With the differentiated price structure above, this price only constitutes a complement for those not affected, which are expected to be a minority.

4.5.1.4.3. Place

Following this platform's main competitors, Apple, Spotify and MEO Music, it shall be created a mobile and a web version (Annex 5 – The Streaming Market Competition – Table 2). The web version, to be used in PCs, shall be launched at the same time as the app format. As each operative system requires a different programming language, the app shall be created for Android and iOS devices.

As this is a digital business, it shall be promoted in the usual social media websites, such as Facebook and Instagram, it shall also have its own website which promotes the service and also is a gate of entrance in the platform, providing all the tools to try out, download the apps or hear music online.

Our platform shall also increase its visibility by being the exclusive music streaming app of the majority telecommunications operators, increasing its accessibility to the consumer.

It shall also be made gift cards to sell in retail stores, with one-month subscription fee. This would increase the visibility of the platform and give the possibility to purchase offline.

4.5.1.4.4. Promotion

Communication is crucial for the audience to know that a new service exists and is here to respond specifically to their needs. Therefore, in the launching moment, the service shall be communicated Above the Line, with the objective to be shown to as many consumers as possible, making it known among the community. The campaigns presented here aim to reach the targeted consumer in several ways. It is important to enlighten that there is only one launching momentum and that it is essential to cause an impact in the targeted society.

ATL Promotion

- **TV**

    We will use this, not for an advertising spot, but for influencers' show of. We will promote this platform by showing famous Portuguese people (actors, artists, models) trying it out and giving their feedback in the weekend afternoon pink programs: Curto Circuito, Fama Show and E-Especial. It shall also be adopted the same strategy to show this new platform in the MTV Portugal, the television music channel.

    It shall consist in a limited communication strategy, with the only purpose to mark the launch of the platform. Then the communication shall be sustained through BTL promotion.

- **Radio and Press**

    It shall not be made a Radio nor Press promotion. Press and Radio are very expensive channels and are not used as much as TV or Internet by the generation we aim to reach. Therefore, it will not be made specific ads neither for these channels, as they will not be part of our strategy.

- **Internet**

  Here the platform shall be the most visible possible. For that, shall be produced content such as splash screens, short videos, banners, among others, to be presented as advertising in Facebook and Instagram. They shall be entirely directed for our target and, to make sure this happens, it shall be defined age, interests and occupation.

  Also shall be made partnerships with known personalities, identified as influencers. They shall show casually that they are using the app, not giving an idea of an advertisement, but instead the idea of something they like and they integrated in their life. This will work as a mouth-to-mouth type of promotion.

- **Outdoors**

  This way of communication shall only be used in the momentum of launch and it is important to make the platform known. But this channel reaches more consumers than the ones we aim to conquer. This effort is made in a key point, however, as a mass communication method, it shall be abandoned after the first month.

BTL Promotion

- **Sponsoring**

  This platform shall be present in Portuguese events and festivals. The opportunities to sponsor are Vodafone Paredes de Coura, Rock in Rio, Super Bock Super Rock, Ocean Spirit, NOS Alive among other summer music festivals. By sponsoring these events, our platform gains promotion and visibility.

- **Brochures**

  Brochures can be easily targeted, allow a more descriptive message and the cost is very small when compared to its reach potential, Pittock (1999). They shall be used in the district capitals, where are a bigger concentration of people, and shall be distributed in the universities, social events and technological stores, where is likely for a person to purchase a device where can use the streaming platform, such as FNAC, Phone House, Worten, among others.

5. Implementation Requirements

5.1. Implementation Chronogram

Launching a new product or service in the market requires planning and definition of key deadlines, as a way to ensure that key time opportunities are not lost.

It is a service with a reduced seasonality but, having that in mind, is advisable that the launch happens in the beginning of seasonality. Therefore, the service should be launched in, the plan starting 12 months before.

Table 14

Implementation Chronogram

Action	Year 0		Year 1				Year 2			
	3thQ	4thQ	1stQ	2ndQ	3rdQ	4thQ	1stQ	2ndQ	3rdQ	4thQ
Platform Development	▨	▨								
Stream of Content		▨								
Platform Testing	▨	▨	▨							
Marketing Plan Dev.	▨	▨	▨							
- Partnerships acquisition	▨	▨	░	░	░	░	░	░	░	░
- Communication			▨							
- Coming Soon			▨							
- New identity			▨							
Platform Tests Approval			▨							
Deploy			▨							
Go-Live – Soft Opening				▨						
Go-Live – Grand Opening					▨					
- ATL Promotion					▨	▨	▨			
- BTL Promotion					▨	▨				
- Sales					▨	▨	▨	▨	▨	▨
Results Evaluation									▨	
Continuous M&I			▨	▨	▨	▨	▨	▨	▨	▨

Source: The author

Platform Development

In this phase the platform architecture shall be made and the content for it shall be streamed. It will be needed to acquire a database to store the all the data generated by the platform and its logs. For this development complexity and time schedule, should be recommended to be used a team of 4 developers and then reduce to 2 in the maintenance.

This shall have in consideration the Agile methodology, with sprint planning's of 2 weeks, with deliveries in the end of each to the Project Owner for his evaluation and coordination of the path to follow ahead. As this is a 6-month development, it will evolve around 24 sprint planning, each sprint planning containing its platform features deliveries, according to the user stories defined. Each sprint planning may contain around 30 to 50 user stories, depending on their complexity, of platform features or parts to be built. All features delivered in the end of each sprint planning will be tested, simultaneously with the product development, as it will occur on the flow. If any corrections are to be made due to errors, they will be back on the pipeline of the user stories as an incident.

Marketing Plan Development

Simultaneously occurring as the Platform Development phase occurs, it shall be developed the Marking Plan. In this phase must also be included partnerships acquisition efforts with Portuguese music entities, labels and artists, in a way to provide content to the platform at the same time that promotes it among this community; but also partnerships that may benefit the users, with telecommunications operators, services, festivals, among others.

The communication plan towards the platform's target shall also be made in this phase. In it, shall be defined the entity of the platform and shall be produced the content to be presented to the target in Splash Screen formats, short videos, Banners, among others.

Platform Tests Approval & Deploy

By the end of the last sprint planning, in the 1st quarter of year 1, meaning that shall occur during January until March, the Project Manager must make the final approval towards the battery of tests ran against the platform. Some adjusts may have to be made if there are any programming incidents to solve, but by the end of this quarter the battery of tests shall be considered concluded and approved. The platform shall be deployed from the Devs and Pre Production environments, to the Productive environment, the one with capacity and that shall be used by the future platform users.

Go Live – Soft Opening

In this phase it will be made a small launch of the platform, only to Friends, Family and 'Fools', with the objective to test its reception among a reduced and controlled number

of users. In this phase, shall be identified problems of features, problems of capacity, platform errors, platform needed developments and improvements. All this shall be taken in consideration and in the context of the last point, Maintenance and Improvement, the improvements possible to be made in these 3 months' time shall be made.

Go Live – Grand Opening

This is when the platform is launched to the audience and open for everyone. It shall be available in the App Store, the Google Play and in the Windows App Store. It is proposed to be launched in the 3rd quarter, which is when our identified target comes back from holidays, starts studies again, starts to have welcoming to school parties, catching up boring transportations like subway and bus. All these activities usually evolve music to kill the boredom. This is when they are more awake to new products and services, and are more likely to engage with a new music streaming platform. In this phase, shall be monitored logs of platform activity and measured platform performance in the market through downloads, logins, page views, among other metrics.

ATL Promotion, BTL Promotion and Sales

As long with the Grand Opening, the campaign of the platform shall take place, and shall evolve the following formats: TV promotion in programs such as Curto Circuito, Fama Show and in the music channel MTV Portugal, Outdoors, Local Events such as club parties, among others.

Results Assessment

By the end of one year of activity, it shall be possible to access the first results with confidence. This does not mean that the project is not under constant monitoring. It shall be done in a continuous way and, in the first 5 years, shall be evaluated if it's viable to keep the project running. It will depend on the project cost structure, market volatility and users' reaction to this project.

5.2. Financial Evaluation

5.2.1. Assumptions

In order to obtain an analysis closest to the reality, it had to be assumed the following assumption for the project development:

- **Lifespan: 5 years**

  The development of this project is expected to begin in June 2017. In the following months, until the end of the year, it will be developed al the research and development work, as well as all the marketing and communication preparation for launch in the 2nd quarter of 2018.

- **Average receipt and payment periods**

  The receipt and payment periods considered are of 2 days, because the sales are exclusively made online (Paypal and MB Way) and this is the mean time of receipts and payments online.

- **VAT rate**

  The VAT rate ruling in 2017 is of 23% and it is expected to remain the same in 2018

- **Inflation rate**

  According to the data from the Portuguese Economy Ministry, the inflation rates foreseen for the next years are of 1.5%. As there are no values foreseen until 2022, it will be assumed that it remains the same rate as the previous year, of 1.5%.

5.2.2. Business volume

The business volume for this new music streaming platform will came exclusively from the sales. This will begin in 2018, with two existing products, the Ad-Based and the Subscription Based.

The subscription based market shall be the one to generate the biggest part of recipe, and the users shall be encouraged to use the platform due its exclusivity. Though this is not clear through the data available, the fact is that Spotify presents itself as the most used music streaming platform worldwide, and the most used one in Europe. It is expected that

it is the one most used in Portugal as well. But it does not have the features or the content that the one of this project has, making this last one more appealing.

Table 15

Sales forecast

Market	Opportunity	Results				
		2018	**2019**	**2020**	**2021**	**2022**
Ad-based	677 442€	10% 67 744€	30% 203 233€	80% 541 954€	90% 609 698€	100% 677 442€
Subscription	149 716€	5% 7 486€	50% 74 858€	90% 134 744€	100% 149 716€	100% 149 716€
Portuguese Market Objective/Year	**827 157€**	**75 230€**	**278 091€**	**676 698€**	**759 414€**	**827 158€**

Source: The author, (Annex 7 – The Streaming Market Opportunity)

As it can be observed in the table above, through the percentages, the market will not be capture all in the first year. As exposed in the literature review, by Rogers (2003) in the Diffusion of Innovations Theory and by Zollo (2004) in the adoption patterns of young consumers, the adoption of a new product/service is phased. According to that, it was assumed the percentages of adoption per year that are visible in the table above.

5.2.3. Platform Annual Costs

It is now presented all the incurred and hereafter needed costs for the good functioning and development of the music streaming platform. For the annual forecasted values, it was considered the evolution of the prices according with the inflation rate.

- Server – 178€ - As the platform is online it requires a server to support the entire infrastructure;
- Internet Domain – 11.95€ - As there will be a website to promote the platform this expense is required;
- Marketing and Communication – 500€ - It is expected to spend an initial fee of 500€ in the first year, for music streaming service launch. Then, the value of marketing and communication will be residual, as the communication will be done online. This will cover design agencies and merchandising articles for distribution in festivals and events.

- R&D – 25 000€ - In the first year of product development it is assumed to be spend this amount in developers. In the following years the number of developers will decrease for 2;

- Office supplies – 6 000€ - This will only incur in the first year with the purchase of 4 PCs for the developers' use (4 000€), Office Chairs (400€), Layovers (150€) and other office material. In the following years, it will only be purchased regular office supplies such as paper, writing materials, etc, therefore, the value will be residual;

- Office rental – 6 000€ - This is the estimated cost for the rental of a small office in Lisbon, where it is included the electricity, internet and water;

- Brand register – 214€ - The price for the register of the brand in order to have exclusivity of its use

This results in the following costs forecast:

Table 16

Costs forecast

Market	Year 0	Results				
	2017	2018	2019	2020	2021	2022
Inflation rate	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*
Server	178€	181€	183€	186€	189€	192€
Internet Domain	12€	12€	12€	12€	13€	13€
Marketing and Communication	500€	100€	102€	103€	105€	106€
R&D	25 000€	25 375€	25 756€	26 142€	26 534€	26 932€
Office supplies	6 000€	50€	51€	52€	52€	53€
Office rental	6 000€	6 090€	6 181€	6 274€	6 368€	6 464€
Costs per Year	**37 690€**	**31 808€**	**32 285€**	**32 769€**	**33 261€**	**33 760€**

Source: The author (values approximated to the unit)

5.2.4. Financing

The platform needs an initial investment of approximately 38 000€. It shall be obtained through a Business Angel, who will detain 100% participation of the business.

5.2.5. Results

It is essential to understand the economic and global viability of a project to its approval. In order to define the viability of the introduction of this innovative music streaming platform, it will be evaluated the forecast of the results for the first 5 years of this project.

The table below, shows the costs weight in the sales, and respective results. In the beginning of the project, Year 0, there will be no sales yet. All the costs shall be supported by the investment made by the Business Angel.

Table 17

Results forecast

Market	Year 0 2017	Results				
		2018	2019	2020	2021	2022
Financing	*38 000€*	-	-	-	-	-
Sales	-	75 230€	278 091€	676 698€	759 414€	827 158€
Costs	37 690€	31 808€	32 285€	32 769€	33 261€	33 760€
Results Forecast per Year	**310€**	**43 732€**	**289 538€**	**933 467€**	**1 659 620€**	**2 453 018€**

Source: The author (values approximated to the unit)

As it can be seen in the table above, the results are positive and increasingly bigger each year. Even if there was no initial investment, the sales would overcome the costs in the first year.

Based on the evaluation above, it can be concluded that the business growth is high and the relation of the benefit obtained from the investment made is positive. The financial autonomy of the business is forecasted to be high also, as there is no debt. Therefore, there is viability to introduce a new music streaming service in Portugal.

6. Conclusions

The present project is a viability study on the introduction of a new music streaming service in Portugal, for the Portuguese young population. It aims to contribute in terms market forecasts upon the viability of this project and in terms of know-how for the development of new solutions towards this market.

Due to the increasing digitalization and the growth of the digital music streaming consumption, it was questioned if there was space for a new music streaming platform in the Portuguese market. The opportunity has been identified and the answer is that there is market for the launch of a new music streaming platform in Portugal.

In order to came to this conclusion, it has been made several analyses upon the market and the Portuguese potential consumers. In the external analysis were detailed the legal mandatory requirements for the implementation, the country's economic structure, social characteristics of the Portuguese population, and were given contextualization of the technological factors, that are essential for this project.

Following, it was analysed the ad-based and subscription based music steaming markets and its key players. The main conclusion is that Spotify is the key player in both, and that the audience of ad-based music streaming services is bigger than the subscription based one, not generating as much revenue though.

In addition, were also made surveys among the Portuguese community, to better understand the needs of the targeted population and were it could be market place for the new music streaming platform. Here it was concluded that the majority of users are currently using Spotify. Nevertheless, they are willing to change music streaming platform if a more appealing service would to be presented to them. Was also observed that the features that the targeted population give more importance are the platform having varied content (podcasts and merchandising) and the commode payment plans.

Finally, it was made an evaluation of the competitiveness position for the new music streaming platform in which were identified its strengths, opportunities, weaknesses and the threats it may face. In addition, it was also made a brief financial plan which focus the main aspects for the project viability.

7. Limitations and future research

The present project had several limitations that will be described here, along with some suggestions to future research.

As an academic project, with limitations regarding schedule and means of information gathering, some commitments had to be made in order to accomplish it in time without committing its veracity in this context.

Music streaming platforms are recent realities that still are in development. Therefore, there was some difficulty in the access to relevant information on the theme, especially in terms of actual scientific articles published in journals of reference, that would have allowed a consistent literature review, rich in new lines of undid search and new objectives to accomplish.

Nevertheless, the present project analysed the theme of the music streaming platforms engagement with the young Portuguese consumers. However, it was left space for future investigations to study how to engage with Portuguese older generations, who are yet a segment to explore in regarding of music streaming. It would be also interesting to explore what is the opportunity and how to take advantage of the emigrated Portuguese communities market and the PALOP market with a new Portuguese music streaming platform.

Moreover, this study approached several times the need for the establishment of partnerships between streaming platforms and other brands. However, it was not made an approach on the impact that this would bring on the partner entities. The suggestion for future research would be to observe what is the impact of a partnership between a company and a music streaming platform, focusing on the relation between this brands and consumers.

Finally, there were other constraints regarding the survey construction. It was not made through a surveying model previously tested and validated and its application was not upon a random sample, but a convenience one instead. This means that it cannot be considered representative and invalidates it for any transposition of this results to the population. Nevertheless, the conclusions can be considered as clues to be explored in

future developments. Investors shall fell the need for trustworthy and rigorous information on the topic before investing on it. The necessity must lead to deeper studies and more information available, that today is inexistent or very hard to reach.

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9. Annexes

ANNEX 1 – Economical Factors

Chart 1

Portugal vs. Euro Area GDP Growth Rate Varitation

	2005	2010	2011	2012	2013	2014	2015
Portugal	0,8%	1,9%	-1,8%	-4,0%	-1,1%	0,9%	1,6%
Euro Area	2,1%	2,1%	1,7%	-0,5%	0,2%	1,6%	2,2%
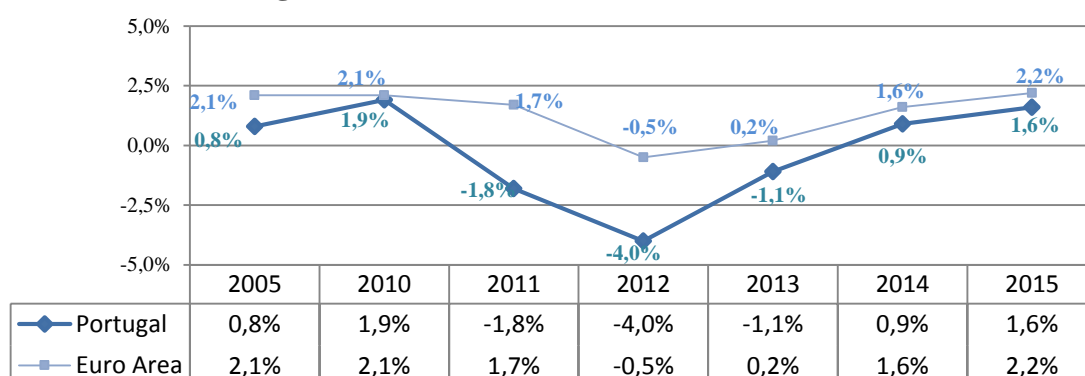
Source: World Bank, Banco de Portugal, Eurostat (2017)

Chart 2

Portugal vs. Euro Area Inflation Rate Variation

	2005	2010	2011	2012	2013	2014	2015
Portugal	2,1%	1,4%	3,6%	2,8%	0,4%	-0,2%	0,5%
Euro Area	2,2%	2,1%	3,1%	2,6%	1,5%	0,5%	0,0%
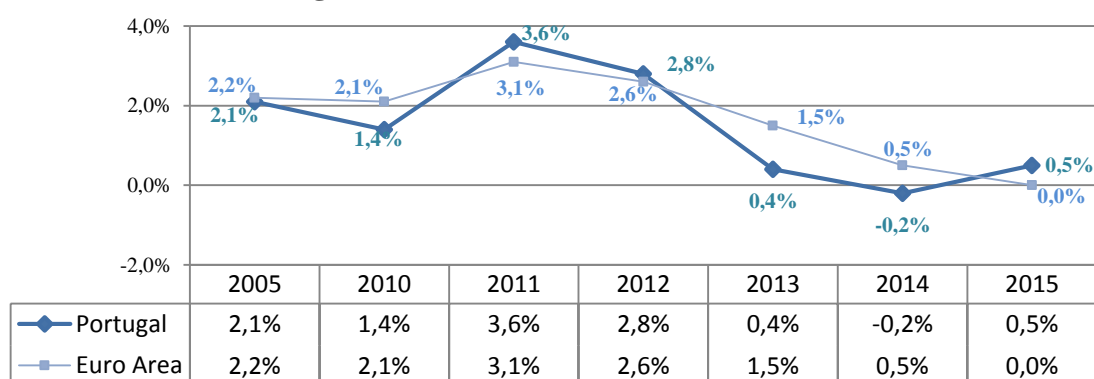
Source: Worldwide Inflation Data, Banco de Portugal, Eurostat (2017)

Chart 3

Portugal vs. Euro Area Unemployment Rate Variation

	2005	2010	2011	2012	2013	2014	2015
Portugal	4%	11%	12%	15%	18%	15%	14%
Euro Area	9%	10%	10%	11%	12%	12%	11%
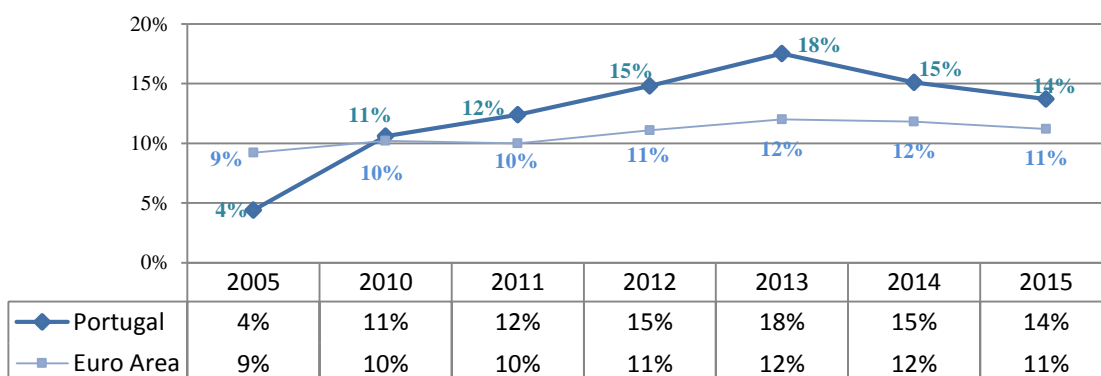
Source: World Bank, Banco de Portugal, Eurostat, INE (2017)

ANNEX 2 – Social and Cultural Factors

Chart 4

Percentage of Portuguese Online Music Consumers
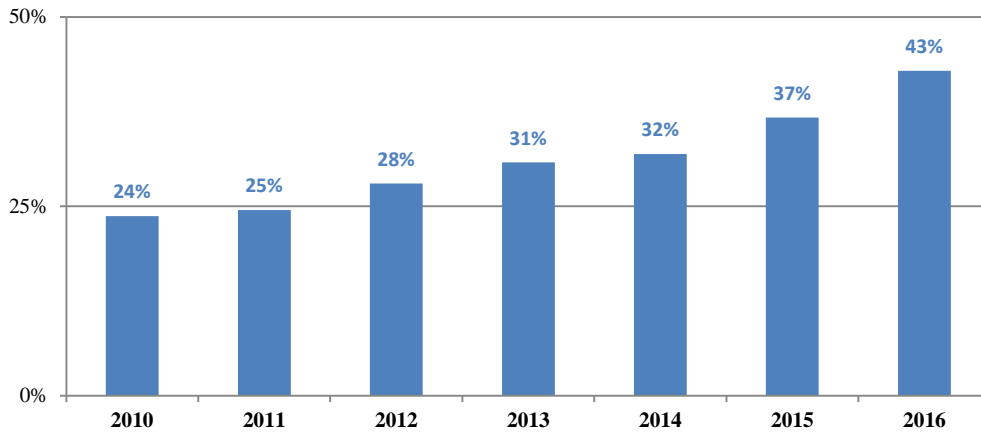
Source: Marktest, Bareme Internet (2016)

Chart 5

Devices used by Portuguese Music Consumers
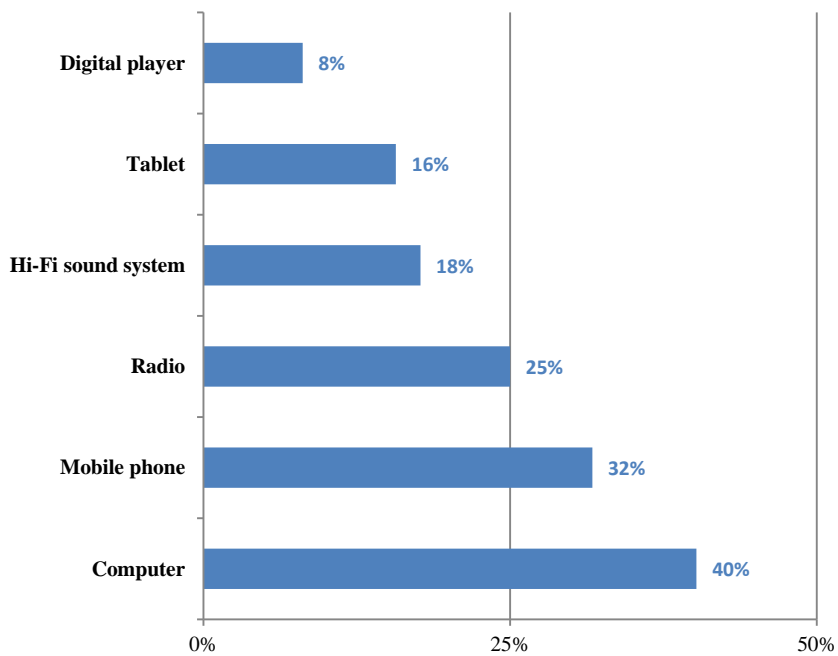
Source: Marktest, Bareme Radio (2016)

Chart 6

Portuguese Age Pyramide Forecast – 2016 – 2050

2016 Portuguese Population (10 304 434**) in %:**
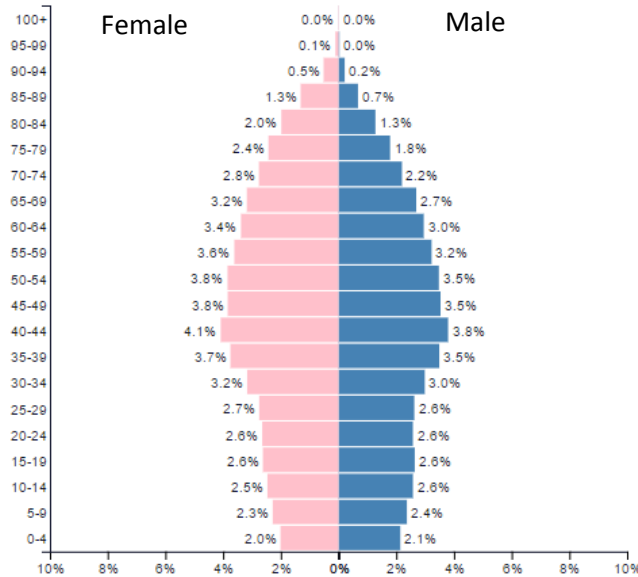
2050 Portuguese Population Forecast (9 215 550) **in %:**
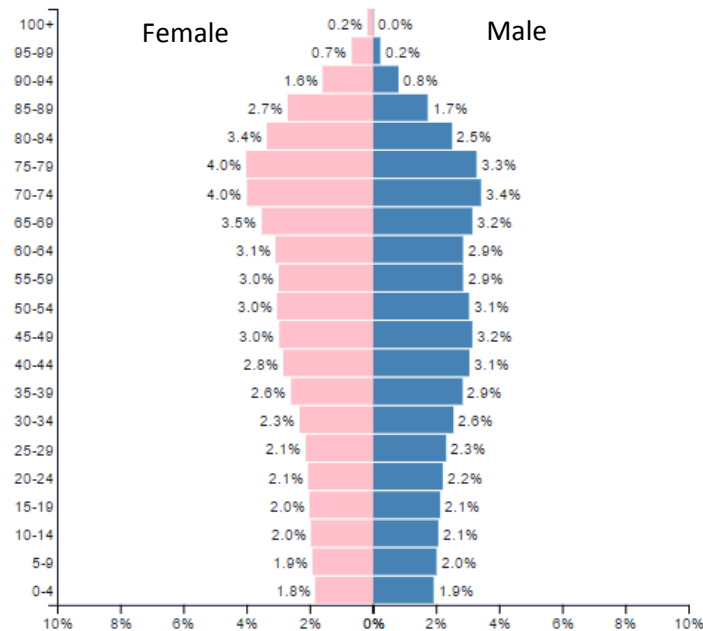
Source: US Census Bureau

ANNEX 3 – General Sector Overview

Chart 7

Worldwide Subscription and Ad-based Supported Users vs. Revenues 2015
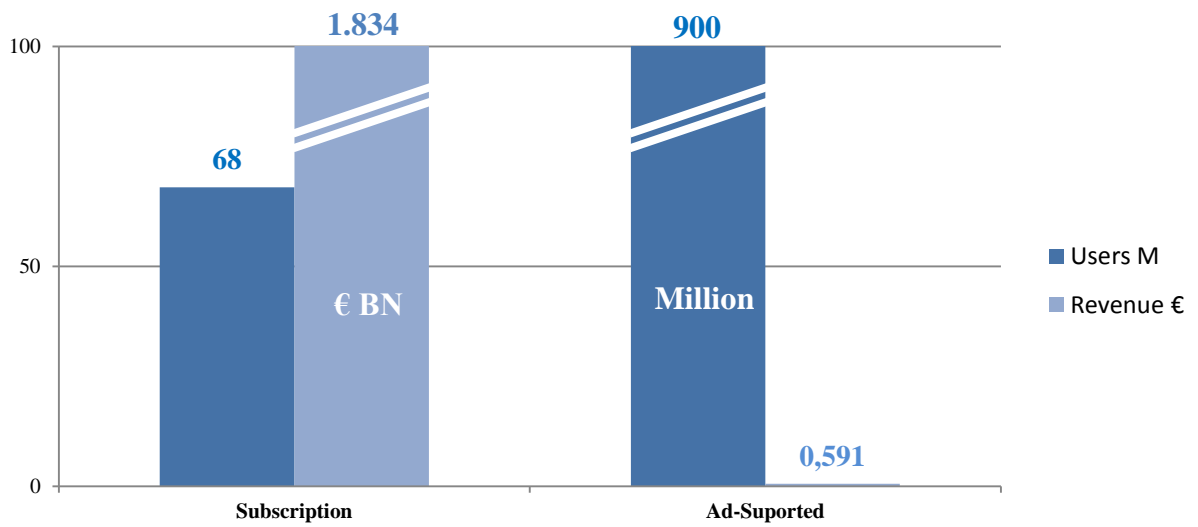
Source: IFPI (2016)

Chart 8

Streaming Music Subscriber Share Worldwide by Service (2016)
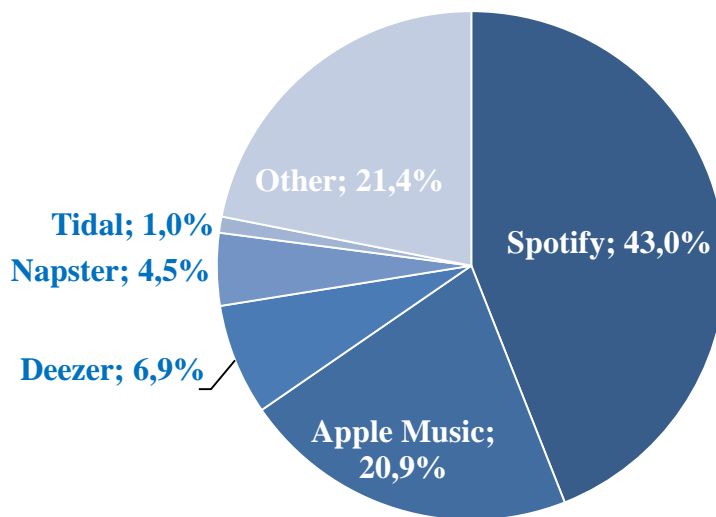
Source: eMarketer, With Streaming, Apple's Music Business Is Growing Again Article, Feb 2017

Table 1

Music Streaming Services Available in Portugal by Type

Music Streaming Services	Subscription Based	Ad-Based
Apple Music	X	
Deezer	X	X
Emusic	X	
Google Play Music	X	
Groove Music Pass	X	
MEO Music	X	
Napster	X	
Spotify	X	X
Tidal	X	
VidZone		X

Source: the author, based on the information of Pro-Music.org as of February 2017

ANNEX 4 – Sector Evolution and Future Trends

Chart 9

Worldwide Digital Music Market Share Evolution by Category (2005-2015) in US$ Billions

	2010	2011	2012	2013	2014	2015
▉ Synchronisation	0,3	0,3	0,3	0,3	0,3	0,4
▉ Performance rights	1,4	1,4	1,6	1,8	2,0	2,1
▉ Digital	4,3	4,9	5,5	5,8	6,1	6,7
▉ Physical	8,9	8,1	7,5	6,7	6,1	5,8
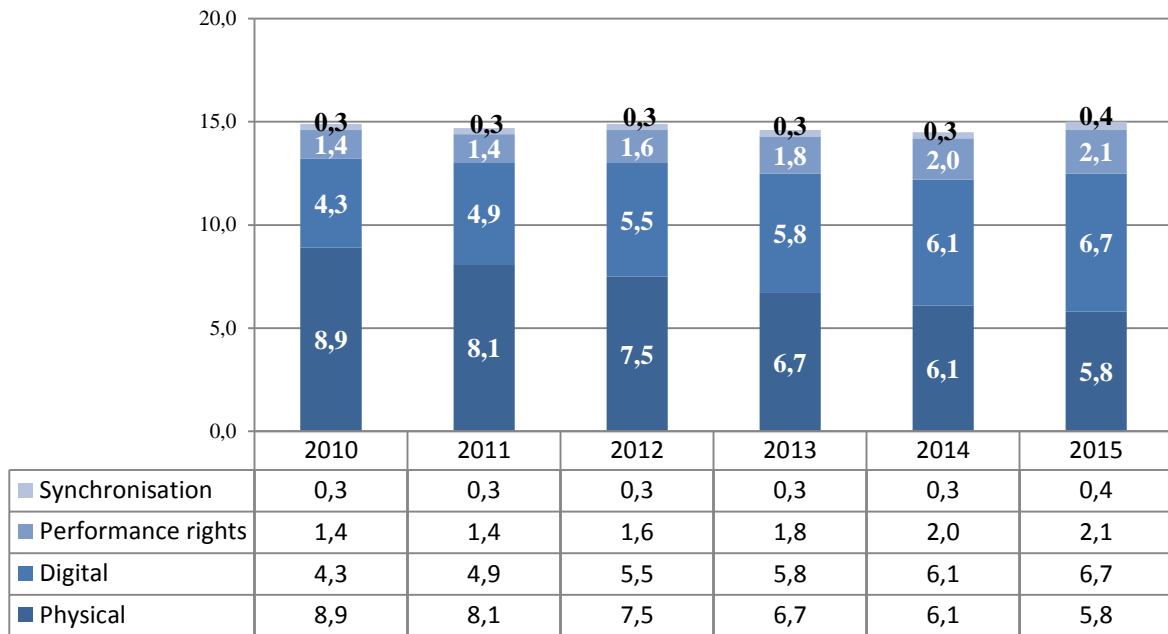
Source: IFPI (2016)

Chart 10

Worldwide Streaming Growth YoY 2011-2015

46.7%   56.0%   40.9%   37.5%   45.2%

2011   2012   2013   2014   2015
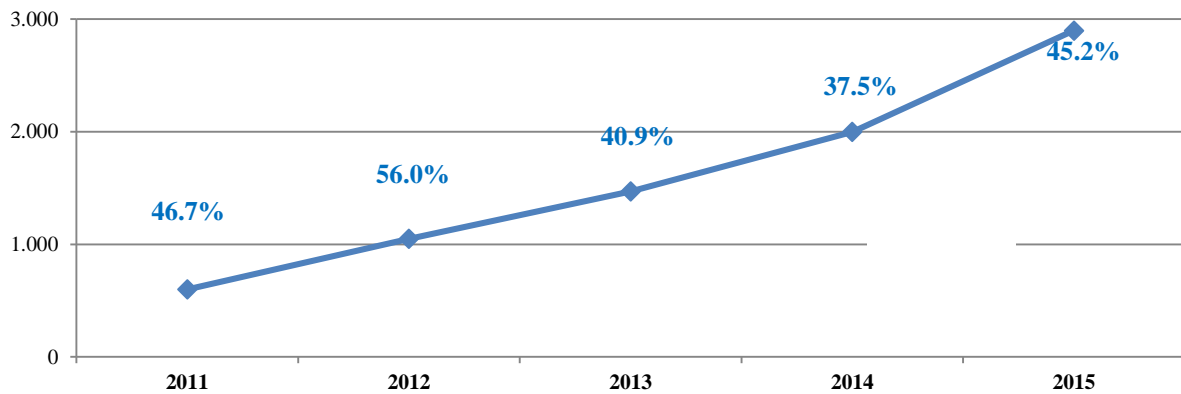
Source: IFPI (2016)

Chart 11

Worldwide Digital Music Share Compared to other Digital Sectors 2015
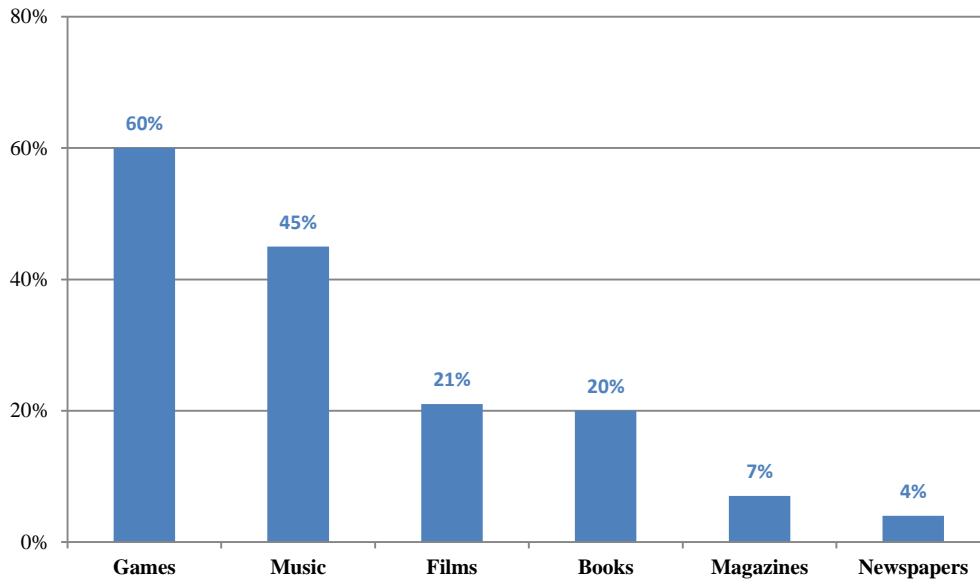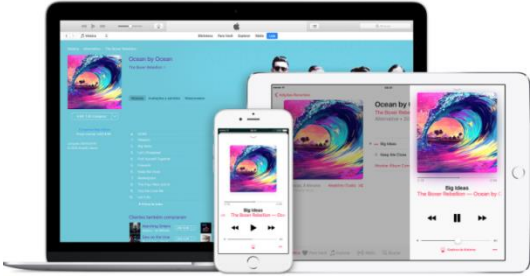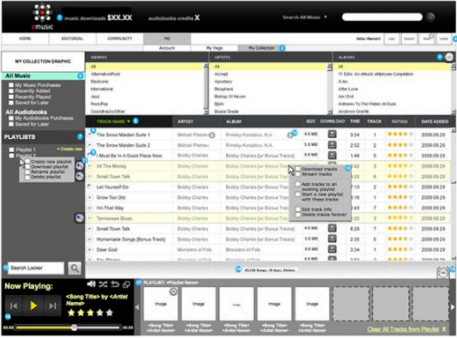
Source: PWC and IFPI (2016)

ANNEX 5 – The Streaming Market Competition

Table 2

Brand Image

Brand	Logo	Image
Apple Music		
Deezer		
Emusic		

Google Play Music		
Groove Music Pass		
MEO Music		
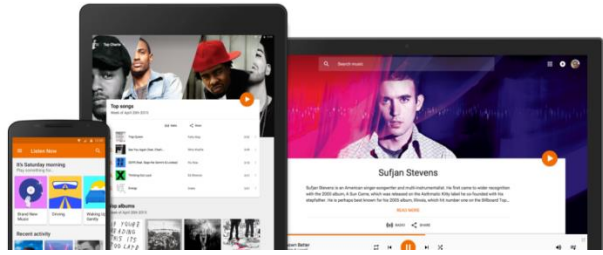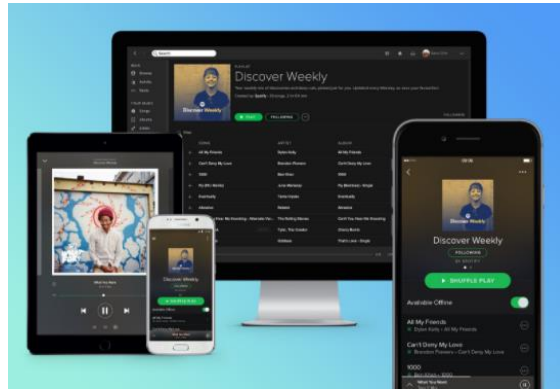
Napster		
Spotify		
Tidal		

VidZone		
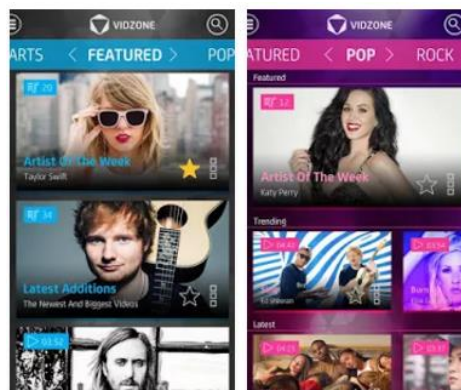
Source: the author, based on the information each music streaming platform, April 2017

Table 3

Music Streaming Services Monthly Price

Streaming Service	Normal subscription fee	Student subscription fee	6 Person Family subscription fee	Free with ads
Apple Music	6.99€		10.99€	
Deezer	6.99€		10.49€	0.00€
Emusic	11.00€			
Google Play Music	9.99€			
Groove Music Pass	9.99€			
MEO Music	6.99€ (MEO clients 4.99€)			Free without ads only for some MEO Clients
Napster	6.95€			
Spotify	6.99€	3.49€	10.99€	0.00€
Tidal	13.99€			
VidZone				0.00€

Source: the author, based on the information each music streaming platform, April 2017

Image 1

Ad-based Streaming Platform Subscriptions – Advertisements in the Platform Examples

Sponsored Playlist
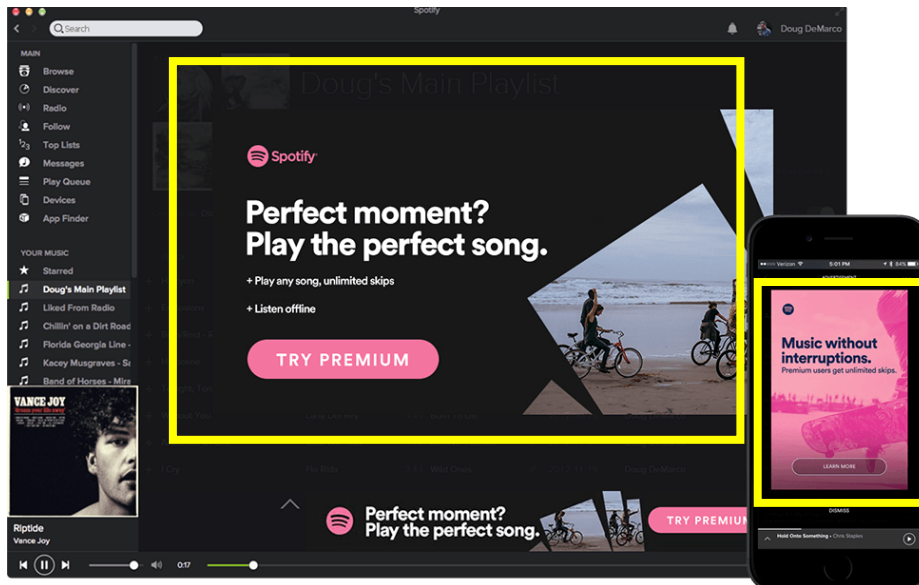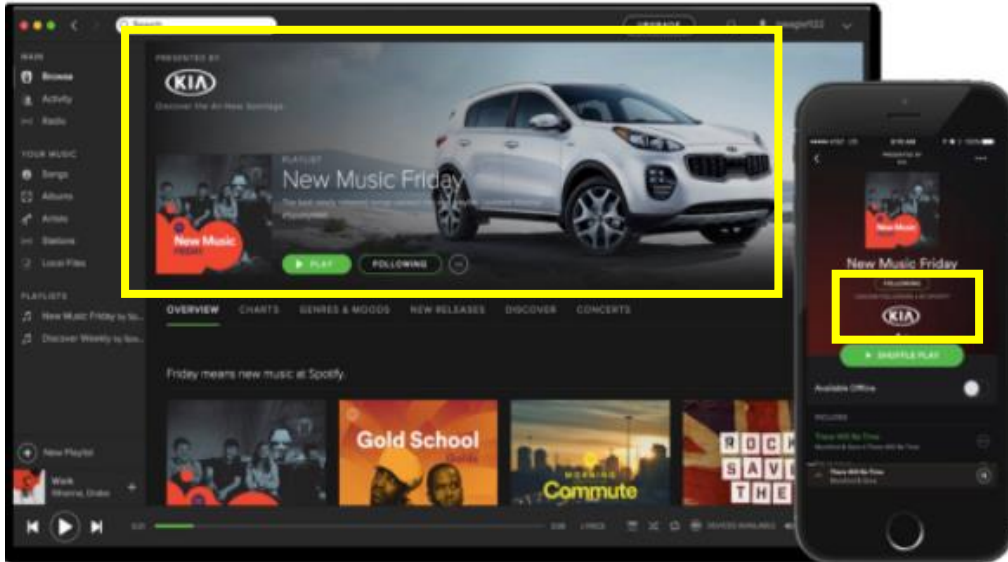
Header Commercial
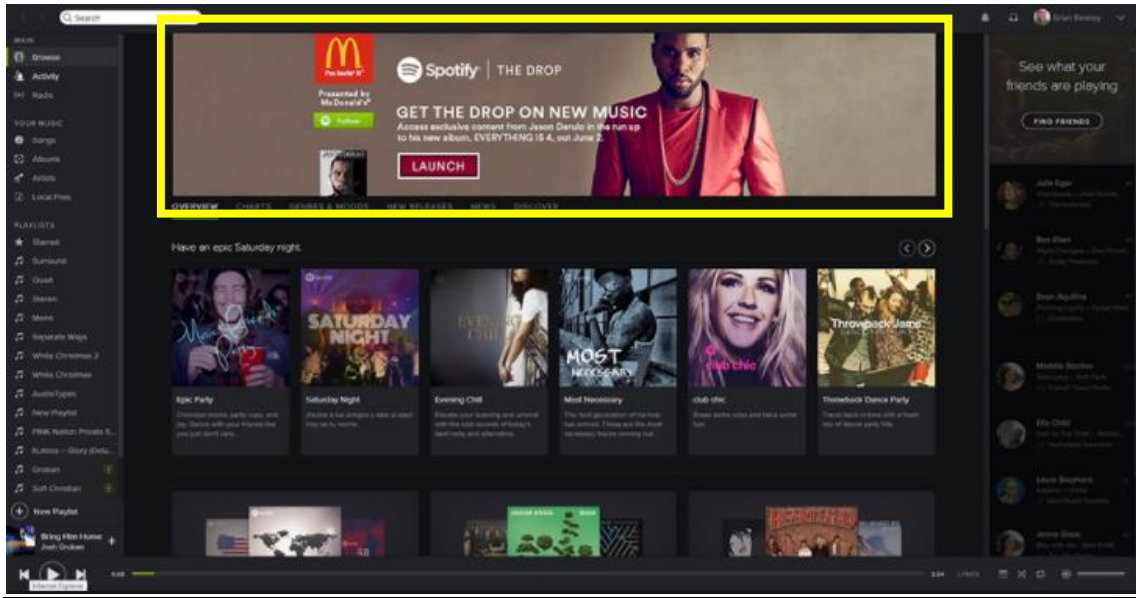
Splash Screen Commercial

ANNEX 6 – The Portuguese Music Streaming Consumer - Survey

Master Thesis Questionnaire - Music Streaming Consumption in Portugal

Hi,

My name is Cláudia Caramujo and I am currently finishing my master in management at ISCTE Business School. My thesis is focused on the music streaming consumption in Portugal, and you can help me finish it by filling this quick survey. The answers you provide are anonymous.

Thank you!

* Required

Age: *
○ Less than 15
○ 15-24
○ 25-34
○ 35-44
○ 45-54
○ 55-64
○ 65 or more

Gender: *
○ Male
○ Female

Current area of residence: *
Choose ▼

Level of education: *
○ Primary school
○ Secondary school
○ Barchelor's degree
○ Graduate
○ Masters
○ PhD

Occupation: *

○ Student

○ Part-time worker

○ Self employee

○ Government Employee

○ Non-government employee

○ Home maker

○ Retired

○ Unemployed

○ Non paid volunteer

Gross monthly salary:

○ Less than 600

○ 600 - 799

○ 800 - 999

○ 1.000 - 1.499

○ 1.500 - 1.999

○ 2.000 - 2.499

○ 2.500 or more

○ No income

Do you currently use a music streaming platform? *

○ Yes

○ No

→ **He uses a music streaming platform:**

1.

Do you pay for it?

*

○ Yes

○ No

1.1.1. He pays

How much do you pay monthly?

*

○ Less than 0,99€

○ 0,99€ - 4,99€

○ 5,00€ - 6,99€

○ 7,00€ - 9,99€

○ 10,00€ - 14,99€

○ 15,00€ or more

Do you have a shared fee with friends or family for a Premium Music Streaming Subscription?

○ Yes

○ No

1.1.2. He does not pay for it:

If you recognized some added value in a music streaming platform, how much would you be willing to pay monthly? *

○ Up to 1€

○ Up to 5€

○ Up to 10€

○ Up to 15€

○ Up to 20€

○ More than 20€

○ Nothing

2. Habits of music consumption

Do you use any of these music streaming platforms? *

☐ Apple Music

☐ Deezer

☐ emusic

☐ Google Play Music

☐ Groove Music

☐ MEO Music

☐ Napster

☐ Spotify

☐ Tidal

☐ VidZone

☐ I do not use any of these

How frequently do you hear music streamed online? *

○ Less than once a week

○ Once a week

○ Sometimes a week

○ Every day

On average, how many hours do you spent hearing music per login session? *
Consider login session each time you access the platform

○ Less than 1h

○ 1h

○ Up to 3h

○ Up to 5h

○ More than 5h

Which device would you say you use the most to hear streamed music? *

○ Mobile phone

○ MP3 device

○ Tablet

○ Computer

○ Car stereo/radio

○ Wearables (eg. smart watches)

○ Other: _____

3. Relation towards the platform music contempt

What would you say that motivates you the most to participate in a music streaming platform: *

○ Curiosity and will to discover new songs/artists

○ Possibility to share music I like and be part of a community for which I contribute

○ Professional advantages (share of my personal music portfolio, make contacts in the business, get to be known among the audience)

○ Personal advantages (discounts, promotions, rewards)

○ Other: _____

Rate from 1 to 5, how important are the following when choosing a specific music streaming platform: *
Being 1 (not important) / 5 (very important)

	1	2	3	4	5
Platform popularity (number of people using it)	○	○	○	○	○
Platform brand image	○	○	○	○	○
Variety of music available (different artists and genrs of music)	○	○	○	○	○
Type of music (the platform has the type of music I like)	○	○	○	○	○
Overall sound quality	○	○	○	○	○
Easy and quick access to the platform (I can access with just one login, on almost every device)	○	○	○	○	○
Platform recommending music I like	○	○	○	○	○
Possibility to find new music/artists/bands	○	○	○	○	○
Friends refferal (word-of-mouth)	○	○	○	○	○
Possibility to follow my friends	○	○	○	○	○
Having a personal account	○	○	○	○	○
Price	○	○	○	○	○

Do you follow any artist and/or playlist in any music streaming platform? *

○ Yes

○ No

Do you follow any friend and/or friend playlist in any music streaming platform? *

○ Yes

○ No

If a more appealing music streaming platform appeared, would you be willing to change? *

○ Yes

○ No

Rate form 1 to 5, what would make you switch from music streaming platform: *

Being 1 (not important) / 5 (very important)

	1	2	3	4	5
All my friends changing for that music streaming platform	○	○	○	○	○
If it was a Portuguese platform	○	○	○	○	○
If it had interesting partnerships (eg. Sumol, Rock in Rio)	○	○	○	○	○
The platform being integrated with my other platforms (eg. facebook, instagram, whatsapp)	○	○	○	○	○
If it was integrated with the services I use (eg. transports, cinema, supermarket)	○	○	○	○	○
Payment planes joint with my phone communications fee	○	○	○	○	○
Possibility to purchase things in the platform (eg. concert and festival tickets, my favourite band merchandising)	○	○	○	○	○
Platform having podcasts from the radios I hear (eg. Acorda de vez, Mixordia de temáticas)	○	○	○	○	○
Platform having its own radio (with proper contempt creation, only available in the platform)	○	○	○	○	○

Besides MEO music, do you know any other Portuguese music streaming platform? *

○ Yes

○ No

Submit survey

→ **He does not use a music streaming platform:**

1.

Have you ever used one? *

○ Yes

○ No

1.1. If No:

Submit survey

1.2. If Yes:

Was it any of these? *

☐ Apple Music

☐ Deezer

☐ emusic

☐ Google Play Music

☐ Groove Music

☐ MEO Music

☐ Napster

☐ Spotify

☐ Tidal

☐ VidZone

☐ No, it was none of these

Submit survey

ANNEX 7 – The Streaming Market Opportunity

MS Ad-based total consumers= 900 / (900+68) * 100 = 93.0%
Source: IFPI (2016)

MS Ad-based consumers aged 15 -24 = 63.2%
MS Ad-based consumers aged 25-34 = 30.8%
Source: Survey

Potential increase consumers aged 15 -24 = 93.0% - 63.2% = 27.1%
Potential increase consumers aged 25 -34 = 93.0% - 30.8% = 62.2%

Portuguese population aged 15-24 = 1 080 097
Portuguese population aged 25-34 = 1 187 992
Source: PORDATA (2016)

New MS Ad-based potential consumers aged 15-24 = 1 080 097 * 27.1% = 292 706
New MS Ad-based potential consumers aged 25-34 = 1 187 992 * 62.2% = 738 931

Total new MS Ad-based potential consumers = 1 031 637

Average revenue/ year per user = Total market value / Total Market volume
Average revenue/ year per user = 591 000 000 / 900 000 000
Average revenue/ year per user = 0.66€ / year
Source: IFPI (2016)

MS young Ad-based market opportunity = 1 031 636 potential consumers * 0.66€/ year
MS young Ad-based market opportunity = 677 442 €/ year
Portuguese MS total market:
MS Ad-based consumers = 81.9%
MS Subscription based = 18.1%
Source: Survey

MS young Ad-based market opportunity = 677 442 €/ year ⟶ 81.9%
MS young Subscription-based market opportunity ⟶ 18.1%

MS young Subscription-based market opportunity = (677 442 * 18.1%) / 81.9%

MS young Subscription-based market opportunity = 149 716€/ year

- Total MS young market opportunity in Portugal = 827 157€/ year

New MS Ad-based potential consumers = 1 031 637

New MS Subscription-based potential consumers = (1 031 637 * 18.1%) / 81.9%

New MS Subscription-based potential consumers = 227 993

- Total new MS young potential consumers in Portugal = 1 259 630