

## **Daniel Ek: Reinventing the Music Industry**

Growing up at the turn of the millennium, Daniel Ek benefitted from the breakdown of the traditional music industry. Napster, and the many file-sharing platforms that followed it, effectively ended the era where the music industry giants could control their product. Where making tapes or burning cds produced inferior copies, digital sharing effectively allowed anyone to access music for free at commercial quality.

It's this idea that Ek, together with his co-founder Martin Lorentzon, used to create Spotify. The combination of his and Lorentzon's entrepreneurial experience, programming skills, and innovative outlook allowed them to patch together a badly disrupted music industry. Since its founding in 2006, Spotify has grown into a media giant worth over \$26.5 billion, and Ek himself has amassed a fortune of over \$2.8 billion. In 2017, he was named by Billboard as the world's most powerful person in the music industry.

### **Early Career**

While Ek's current wealth and success are largely a result of his work with Spotify, his earlier career clearly shows what made such an achievement possible for him. His entrepreneurial ambitions became obvious at an early age. As a teenager, while he was still attending school, Ek began programming, and employed his fellow students to build websites for \$5000 per site. By age 18, he ran a team of 25, and earned over \$50,000 per month.

As an adult, he moved on to serve in senior roles at Tradera, a company that was eventually bought up by Ebay. Later he moved on to launch Advertigo, an online advertising company which he sold in 2006. After this, he briefly took on a role at µTorrent, which lasted only until the company was sold to BitTorrent in December of the same year.

### **Using Spotify to reimagine how music is sold**

In the early 2000s, Ek knew that the music industry needed to evolve. Revenues had gone into freefall, and record labels were beginning to panic. Apple offered a legal alternative for digital downloading through iTunes in 2003, but, while it did recapture some of the market, it wasn't enough. After all, it offered the same product as free illegal downloads, but with added costs and no additional utility. While listeners didn't want to break the law, many simply weren't willing to spend money on music anymore.

Spotify solved this problem elegantly. In Ek's view it isn't possible to "legislate away" music piracy. Laws can help, but ultimately only a service that was better than piracy could displace it. So, instead of demanding payment from end consumers, he decided to offer music for free. To use the platform, however, users would need to listen to sponsor advertisements, who would then pay for the music. Like iTunes, Spotify offered artists a revenue stream. Unlike iTunes, however, Spotify didn't force users to buy music anymore, opting to substitute the purchase for the inconvenience of occasional ads.

While this business model was purposely designed to help the music industry deal with the disruption that internet piracy had caused, it looked suspiciously like Napster to those same businesses at first glance. It likely didn't help that Spotify was backed by Napster founder Sean Parker. Because of this distrust, it took several years for Ek to negotiate his first major deals, which, in Parker's words, Ek did with "Zen-like patience." In the years since, Spotify has grown rapidly, and has tweaked its model repeatedly, offering music purchases until 2013, and monthly subscriptions since 2010. Today, the company boasts 83 million subscribers, with over 140 million active users in 78 countries.

### **What we can learn from Daniel Ek**

While most entrepreneurs look for opportunities to disrupt their industries, Ek entered an industry that had already been disrupted by an out-of-control technology. The internet made music piracy simple and easy, and, in the early 2000s, virtually untraceable. The impact was severe, and effective solutions to the loss of revenue that music creators and publishers were nonexistent. Rather than being any kind of disruptor himself, Ek essentially made it his mission to help music labels to recover. He did this by providing them with a measure of control over their product, allowing them to collect revenues from them again. For entrepreneurs, this offers an important reminder. Innovative success isn't inherently about disruption, but rather about providing solutions.

Along with its competitors iTunes and Pandora, Spotify shored up the instability that emergent technologies had caused in what was previously an enormously profitable mass-market industry. 15 years later, the music industry's revenues are climbing again for the first time this century. Ek's innovative approach to delivering music to users, and generating income for artists and labels has made him one of the world's most successful people, and potentially the most important person in the music industry.

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