

TIKTOK AND SPOTIFY: TWO MUSIC INDUSTRY GIANTS

**A QUALITATIVE STUDY ABOUT PLATFORM
COMPLEMENTARITY**

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Bachelor Thesis

Stockholm School of Economics

2022



TikTok and Spotify: Two Music Industry Giants

Abstract:

Platforms have become increasingly important to many industries and the economy in general. Hitherto, most platform literature has focused on network externalities, suggesting a winner-takes-it-all scenario. However, in the music industry, there are two influential platforms to which this scenario seemingly does not apply to – namely TikTok and Spotify. Thus, the purpose of this thesis is to investigate whether complementarity prevails between the TikTok and the Spotify platforms, and how these platforms and their complementors can benefit from this possible complementarity. To conduct the research, a qualitative method was applied, primarily through in-depth interviews. In addition to this, by using a narrative approach, the data sheds light on the platformisation process of the music industry and how TikTok's and Spotify's influential positions within the industry were established. Thus, emphasising the importance of the relationship between the two platforms. Through applying service-dominant logic, the findings suggest that complementarity exists between TikTok and Spotify, and that the platforms have a coopetitive relationship. Furthermore, the findings illustrate how different platform actors can benefit from the prevailing complementarity between the two platforms through value co-creating activities.

Keywords:

TikTok, Spotify, Music industry, Platforms, Network externalities, Complementarity, Coopetition, Service-dominant logic, Value co-creation

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Bachelor Thesis

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Acknowledgements

Firstly, we would like to thank our supervisor, Henrik Glimstedt, for all the invaluable help and feedback we have received during the development of this thesis. Thank you for your patience and guidance, especially during the last weeks of crisis supervisor meetings. Secondly, we would also like to thank all interviewees who participated in the study. Without your wise thoughts and answers, this thesis would not have been possible to write.

In addition, we would like to extend a thank you to everyone who reads this thesis. We hope it is an enjoyable read – we did at least have a lot of fun writing it.

Anna & Estella

Definitions

Platform: A foundation which serves as a technological base from which complementors can create and offer innovations.

Social Media: Umbrella term of communication channels or platforms which allows users to communicate directly with each other through, for example, text, videos, sounds, or images.

Complementary Products: The services or products available on the platform that add value, but are provided from third-party actors, so called complementors.

Complementors: Third-party actors that provide complementary products to the platforms.

Complementarity: When two actors, e.g., two companies, provide more value together compared to what they would do single-handedly.

Network Externalities: A concept which implies that a high number of users and complementors connected to a platform increases the value of the platform.

Coopetition: When two actors, e.g., two companies, combine a cooperative and competitive relationship.

Service-Dominant Logic: A theory which implies that goods are moderators of value, which is created when actors integrate several sources. The theory emphasises that interactions, connections, and relationships between actors, such as corporations and customers, enable value-creation.

Value Co-Creation: A perspective which recognises that value is determined in-use and occurs through the integration of resources.

Streaming Service: Distribution of data files with sounds, pictures, or videos for direct playback on, e.g., a phone or computer, meaning that no downloading of files is needed.

Gen Z: The generation of people born between 1997-2012.

Millennials: The generation of people born between 1981-1996.

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1. Introduction

1.1. Background

The internet has transformed the business landscape and allowed for an increase of competition between platforms, to the point where the term platform economy has been used to describe the economic landscape of today. Research related to platform competition has in recent years focused on different competitive strategies, such as effective platform governance, vertical integration versus the use of complementors, applying an open platform model, and driving network externalities (Rietveld & Schilling, 2021). With the introduction of competitive strategies such as envelopment, meaning that one larger platform gains benefits from including functionalities of smaller platforms, the focus of the platform research has shifted from individual platform competition to cross-market platform competition (Visnjic & Cennamo, 2013). A common theme which stretches across most platform literature is network externalities, which implies that users perceive a higher value from the platform the more users that are connected, and how this creates a winner-takes-it-all outcome with one dominating platform (Rietveld & Schilling, 2021).

Interestingly enough, one can see another trend in the platform landscape, namely that different platforms can complement each other. One example of this is Google's and Apple's collaboration, where Google pays Apple US \$8-14 billion a year and in return Apple have Google as a built-in search engine in their devices (Wakabayashi & Nicas, 2020). A similar movement is taking place within the music industry. The two platforms TikTok and Spotify have both gained impressive user bases during recent years. They have been considered as the two most influential platforms in respective area and have proven to separately, but even more so combined, act as key players within the music industry (Knibbe, 2021). Furthermore, the music industry has transitioned from a linear value creation process into focusing on collaboration and innovation, where value is co-created between several actors, such as record labels, artists, and consumers (Saragih et al., 2017). As literature suggests that the platforms should be competing due to network externalities, and reality depicts another picture, researching whether TikTok and Spotify display complementarity poses an interesting case. Therefore, the aim of the

thesis is to gain a deeper understanding of the music industry and the role of these two platforms. To undertake this aim, a qualitative study analysing the complementarity between the TikTok and the Spotify platforms, whilst researching how the two platforms and their complementors can benefit from this relationship, has been conducted.

1.2. Prior Research and Research Gap

Platforms and platform competition have been highly discussed in prior research, by for example addressing that platformisation leads to new type of strategies for, e.g., platform governance, pricing, and content (e.g., Nieborg & Poell, 2018). Nevertheless, previous literature on platform competition has primarily focused on network externalities, emphasising that the number of users and number of complementors connected to the platform increases the value of the platform, thus creating a competitive advantage (Tavalaei & Cennamo, 2021). Earlier platform competition literature has addressed the perspectives of several industries, for example it has been applied to social media platforms (Lin & Lu, 2011). Research on complementarity has been conducted from many different angles, such as focus on co-created brands and cultural complementarity (e.g., Gyrd-Jones & Kornum, 2013). However, after thorough research in multiple databases the authors have not been able to find any research about complementarity focusing on the relationship between platforms. Thus, a study focusing on the complementarity between the TikTok and the Spotify platforms would contribute to filling this research gap.

In addition to a platform perspective, prior research on social media has also been conducted using the concepts of service-dominant logic and value co-creation. For example, Toscher (2021) displayed that service-dominant logic can be used to describe the relationship between and the value proposition for music providers, users, and TikTok. Toscher (2021) invited others to conduct further research on how platformisation of the music industry could affect music providers and other businesses. Therefore, this thesis will apply a service-dominant logic perspective when addressing complementarity between the TikTok and the Spotify platforms.

1.3. Purpose and Research Questions

The study aims to investigate if there is a prevailing complementarity between the TikTok and the Spotify platforms, as well as what impact the complementarity has. Spotify and TikTok share several elements and characteristics, two of which are exceptionally prominent: the music and the users. As regards to the music, it is not solely the music itself which the platforms share, but also the music producing actors and the marketing actors. This thesis is conducted through a platform perspective, meaning that it will focus on the platforms, and the platform complementors as they have a vital role in the relationship between TikTok and Spotify. Hence, the study investigates the existence of complementarity between Spotify and TikTok, and how these platforms and their shared complementors can benefit from this relationship. As music has been defined as a prominent complementary product, the study is permeated by this in two ways. Firstly, the possible presence of complementarity between the platforms is explored through the lens of music consumption on the platforms. Secondly, the complementors investigated consist of actors from the music industry which are relevant to both platforms. As Spotify and TikTok have gained a significant importance to the music industry, the thesis aims to clarify how the platforms are used within today's music industry for strategic purposes through describing the platformisation process of the music industry.

Thus, the research questions are:

- 1. Is there a prevailing complementarity between the TikTok and the Spotify platforms?*
- 2. How can the platforms and the platform complementors linked to the music industry benefit from the presence of complementarity between the TikTok and the Spotify platforms?*

1.4. Expected Contribution

Little research focuses on platform complementarity. Therefore, this thesis is anticipated to contribute with an understanding of how complementarity literature can be applied to platforms. To explain this, a service-dominant logic perspective is used, thus contributing with a broader understanding to why complementarity occurs and how different actors can benefit from this.

To examine this, the TikTok and the Spotify platforms are analysed. As such, this thesis is expected to contribute with an explanation to whether there exists any type of complementarity between the platforms. Based on this, it is further expected that this study contributes to an understanding of how these platforms mutually can benefit from the complementarity. At the same time, the thesis sheds light on how the complementors can benefit from the possible complementarity between TikTok and Spotify. Thus, the thesis aims to generate strategic implications for the music industry in general.

1.5. Delimitations

During the completion of this thesis, the authors have undertaken delimitations of the study with the purpose of making a deeper analysis of the research questions. The first delimitation is that the study is limited to two platforms, TikTok and Spotify, given the scope of the thesis. Thus, the data collected for the purpose of the thesis is centred around these platforms. A study of all the actors involved in marketing and strategy of music through all viable platforms would not be feasible due to the limitations of time and scope of the thesis. Therefore, some implications of the study are only applicable to the specific investigated platforms, and not platforms in general.

Secondly, there is a multitude of different types of actors within the music industry. However, given the scope and timeline, the thesis is further delimited to the perspectives of actors that are present within the marketing and the strategy branch of the music industry and which are essential to the specific platforms. The purpose of this is to create a more nuanced analysis of how these actors interact with the two platforms and gather empirics from active stakeholders with different roles in the value chain.

There will be no data gathered from platform users, since their activity and reactions to marketing and strategic actions are monitored by the actors included in the study, and thus already accounted for through the interviewees.

2. Literature review

2.1. Platform Literature

2.1.1. Platforms

Cusumano and Gawer (2014) define a platform as:

“A foundation technology around which third-party firms create complementary innovation.”

Furthermore, Kenny and Zysman (2016) describe digital platforms as:

“Multisided digital frameworks that shape the terms on which participants interact with one another”.

The owner of the platform has institutional properties where it channels the complementary products, often referred to as complementors, and facilitates users' interactions. The users can access the complementors' offerings through the platform, meaning that complementors can leverage their offering through the platform. Thus, the platform dynamics facilitate a co-creation process between the complementors and the platform owners, as they together create a valuable offering to the final users, as illustrated in figure 1 (Tavalaei & Cennamo, 2021).

However, despite drawing mutual benefits from the platform, the platform owner holds significant power and can steer the functionalities and transactions of the complementors present on the platform, and thus the competition amongst them. This poses two contradicting complexities for the complementors. Firstly, they must be strategically aligned with the platform and adapt to the intended value proposition of the platform. Secondly, at the same time, they must constantly distinct themselves from other competitors to remain attractive to the users and to the platform itself. This means that when the complementors enters the platform, they must adapt to the will of the platform owners and therefore lose some of their autonomy (Tavalaei & Cennamo, 2021). At the same time, the platforms are highly dependent on the complementors. To succeed within the platform economy, it is necessary for a platform to be open for

complementors and provide economic incentives, such as low or no financial entry barriers (Glimstedt, 2018).

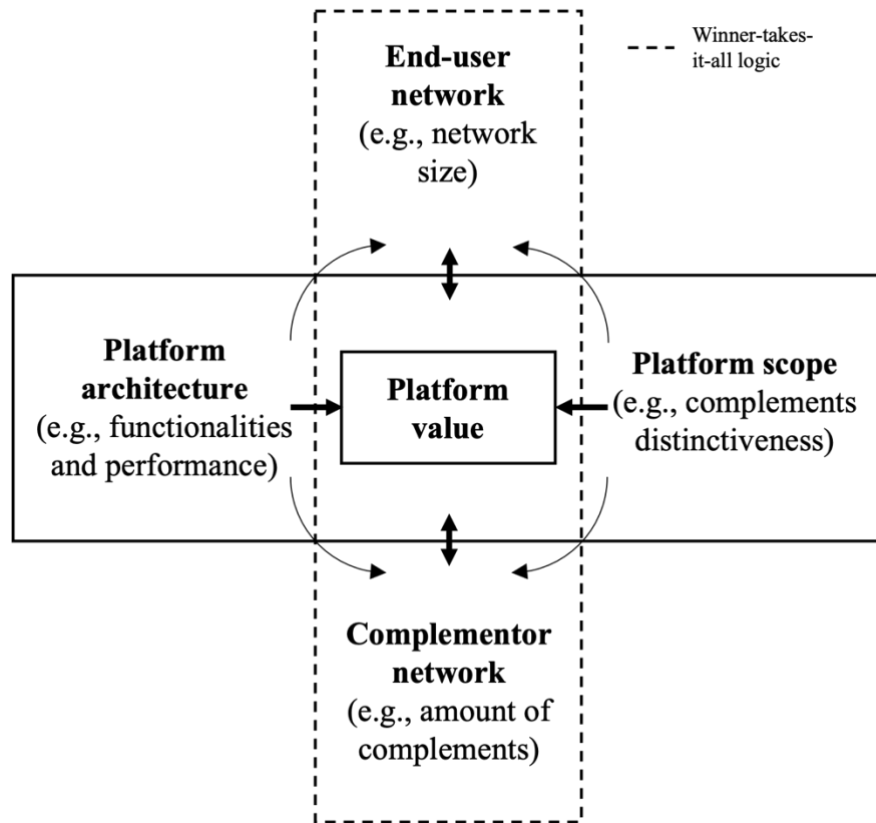


Figure 1. A descriptive model of platform value creation (Cennamo, 2021), edited by Wesslau & Johansson (2022)

2.1.2. Platformisation

An important platform trend which reshapes the digital landscape is platformisation. Nieborg & Poell (2018) describe platformisation as:

“The penetration of economic, governmental, and infrastructural extensions of digital platforms into the web and app ecosystems, fundamentally affecting the operations of the cultural industries.”

Due to platformisation, the trend of social media websites has been exchanged for social media platforms (Helmond, 2015). Social media platforms cannot only be used as a way for users to engage in political, cultural, and socio-economic interactions, but the platforms can also control them and organise them. As society becomes increasingly

dependent on platforms, platformisation is theorised from many different perspectives, e.g., within business, political economics, software, and cultural studies (Nieborg & Poell, 2018).

2.1.3. Network Externalities

The theory of network externalities originates from Katz and Shapiro (1985). They describe the phenomena of network externalities as:

“The utility that a user derives from consumption of the good increases with the number of agents consuming the good.”

This implies that when the size of the network reaches a certain point, positive externalities will occur and attract more actors to attach themselves to the network. The network externalities can be placed into two categories, the first one being direct network externalities. Direct network externalities can be described as how the users benefit from other users joining the network. The second category, indirect network externalities, can be defined as how the user attains a higher perceived value from the offering when more complementors are connected to the platform. Whereas the direct network externalities take place due to the demand of the network, the indirect network externalities are caused by supply to the network (Lin & Lu, 2011).

In most cases, when there are two separate networks connected to two different platforms with similar purposes, this often results in a tipping point where the platform with the stronger network externalities becomes the dominant platform. This leads to a winner-takes-it-all scenario, where essentially only one platform can succeed within each area (Glimstedt, 2018).

2.1.4. Coopetition

The theory about coopetition has its basis in theory about competition and cooperation, whilst at the same time having roots in network theory. Competition refers to inter-firm competitiveness caused by the behaviour of companies and the structure of the industries in which the actors are present. This entails that firms in the industry utilise possible strategic actions to achieve industry dominance, whilst at the same time trying to shape the market into a subjectively favourable state (Bengtsson et al., 2016). To

determine whether two actors are competitors, one can review the following statement from Bengtsson and Kock (2000):

“A player is your competitor if customers value your product less when they have the other player's product than when they have your product alone.”

In contrary, cooperation is used to describe inter-firm relationships with the purpose of acting together for a mutual benefit. Thus, cooperating firms utilise possible strategic actions to shape the industry in a way that is beneficial to the cooperating actors (Bengtsson et al., 2016).

The concept of coopetition refers to the combination of cooperation and competition, meaning that there is a paradoxical relationship between actors. Thus, actors compete and cooperate simultaneously. A requirement for coopetition is that all actors involved in the relationship must benefit due to the structure of the competitiveness within the industry and that they thus gain resources from the cooperation (Bengtsson et al., 2016).

There are multiple reasons to why actors choose to take the coopetition approach. One explanation is that competitors within the same industry are forced to cooperate due to resource scarcity. The resources would otherwise become inaccessible, and cooperating would in this case lead to a competitive advantage (Bengtsson et al., 2016). When looking at the network aspects of coopetition, one can see that competitors within an industry often are rather homogenous due to the usage of similar resources, thus they become dependent upon a business network. Hence, when two firms are coopetitors, they can be seen as having a complementary relationship (Bengtsson & Kock, 2000).

From a business perspective, a coopetitive strategy has proven to be beneficial for both firms and platforms, since it leads to increased innovation (Ritala, 2012; Glimstedt, 2018). However, coopetition in a near- and long-term perspective can result in both benefits and risks. Near-term, coopetitive innovation is favoured over internal, single-handedly developed innovation since internal innovation can lead to a lack of efficiency. In a long-term perspective, internal innovation leads to greater benefits than coopetitive innovation, due to the risk of coopetitive innovation strengthening the competitor relative to the firm itself (Fernandez et al., 2021).

2.1.5. Complementarity

The notion of complementarity stems from the economist Edgeworth. Milgrom & Roberts (1995) describe that:

“Activities are Edgeworth complements if doing (more of) any of them increases the returns to doing (more of) the others.”

What drives complementarity from the stakeholders’ perspective is that the actors involved have complementary capabilities and/or resources which poses an opportunity for creating synergies. Value complementarity is created when the stakeholders combined create more value together compared to what they would achieve single-handedly (Gyrd-Jones & Kornum, 2013).

Complementarity can take different forms depending on whether it is conducted via the internet or offline. The internet gives stakeholders the ability to penetrate a larger group of people, easing the process of engagement, co-creation, and mobilisation of social resources. Subcultures can grow stronger as more people can connect to e.g., social communities and support each other’s interest without the limitations of geography. This poses the possibility of social mobilisation of stakeholders which can lead to innovation and co-creation (Gyrd-Jones & Kornum, 2013).

2.2. Service-Dominant Logic Literature

2.2.1. Service-Dominant Logic

The phenomenon of value creation is in literature commonly investigated using a service-dominant logic. Service-dominant logic shift focus from tangible output and discrete transactions to an emphasis on relationships, exchange processes, and intangibility. Through the lens of service-dominant logic, the goods are not viewed as the primary value, but rather as moderators of value, which is created when actors integrate several resources. Thus, a service-dominant logic emphasises how interactions, connections, and relationships between actors such as corporations and customers enable value-creation (Vargo & Lusch, 2004).

The theory of service-dominant logic is based upon five axioms, as described by Vargo and Lusch (2017):

1	Service is the fundamental basis of exchange.
2	Value is co-created by multiple actors, always including the beneficiary.
3	All social and economic actors are resource integrators.
4	Value is always uniquely and phenomenologically determined by the beneficiary.
5	Value co-creation is coordinated through actor generated institutions and institutional arrangements.

Table 1. The five axioms of service-dominant logic (Vargo & Lusch, 2017).

2.2.2. Value Co-creation

Combined with the paradigm shift from a goods-dominant logic to a service-dominant logic, is the paradigm shift from value creation to value co-creation. The value co-creation perspective recognises that value is fundamentally determined in-use, meaning that the integration of resources in a specific context determines what value is created. Thus, the co-created value can differ depending on the perspective of the actor integrating the resources (Vargo et al., 2008). Hence, the role of the customers in a value co-creation process would be to integrate the resources that the firm provides with other resources and in a specific context, and hence co-create value, (see figure 2). The value of the outcome is thereafter determined by the beneficiary, i.e., the end consumer (Vargo & Lusch, 2004).

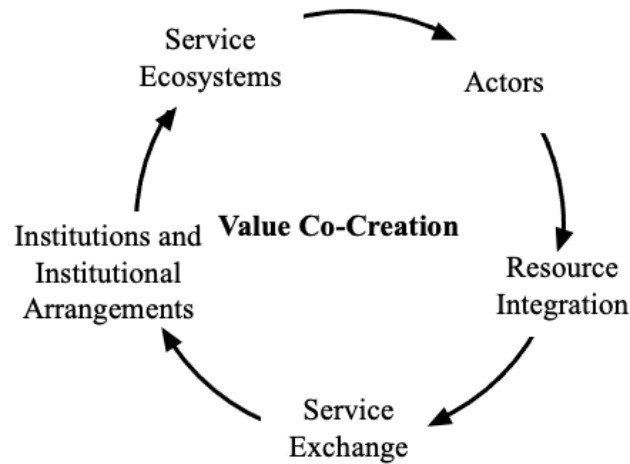


Figure 2. The value co-creation process as illustrated by Vargo & Ng (2018), edited by Wesslau & Johansson (2022)

2.3. Summary of Literature Review

To summarise, platform literature demonstrates that platforms create value for its consumers by integrating complementary products from the platform complementors. Furthermore, the literature emphasises the importance of direct and indirect network externalities, which are needed for a platform to be successful. Nevertheless, network externalities may cause a winner-takes-it-all scenario, meaning that one platform becomes dominating within each area. In contrast to a winner-takes-it-all scenario, literature touches upon complementarity resulting in synergies being created between stakeholders, and the concept of coopetition, i.e., when firms are competing and cooperating simultaneously.

Moreover, literature highlights a transition to a service-dominant logic, emphasising that value is co-created, and that value-co-creation occurs when actors integrate resources. Lastly, literature highlights that value is ultimately determined by the end-user. Thus, value is perspective dependent.

3. Method

3.1. Research Approach

3.1.1. Inductive, Constructivist and Interpretative Approach

An inductive research approach is applied in this thesis, which means that the empirical observations serve as a basis for generalisations of the proposed theory. Furthermore, the thesis assumes a qualitative, constructivist and interpretative research approach. This approach allows for a higher degree of reflection, which was found to be appropriate given that the aim of this thesis is to understand how the TikTok and the Spotify platforms are interconnected. Qualitative methods are appropriate in research which address investigative questions such as how a phenomenon works (Bell et al., 2019). Thus, the observations are subjective in nature and aims to capture the respondents' interpretations of the characteristics of the relationship between TikTok and Spotify and how these can be leveraged, rather than providing a universal truth. By using an interpretative research method, the thesis can therefore capture the complexity of the subject and offer nuanced perspectives on how the music industry uses the platforms.

3.1.2. Narrative Approach

In addition to an inductive research approach, this thesis also applies a narrative approach, meaning that the research questions are examined through a process perspective (Bell et al., 2019). The purpose of using a narrative approach is to identify the causalities occurring in the complex relationship between the platforms, and to understand the platformisation process of the music industry, which is crucial due to the aim of the thesis. As such, the authors illustrate how considerable the effects of complementarity and competition strategy are to the entire music industry. Secondary data is used to depict the platformisation process of the music industry. To analyse the secondary data, a narrative analysis was conducted with the purpose of identifying causal links leading up to the platformisation of the music industry, as well as clarifying the causal links which led to TikTok and Spotify gaining their current positions in the music industry. The causal links were found by identifying key events and how these

affected the music industry actors, consequently resulting in changes within the industry.

3.2. Research Method and Design

The study was conducted in two parts. Firstly, the authors collected primary data through semi-structured interviews, which allowed for the participants to deliberately reason when responding, resulting in nuanced and detail-rich data. Secondly, the authors collected secondary data, which served as a complement to deepen the understanding of the primary data. Given the binary nature of the first research question, i.e., whether complementarity exist between the platforms, it could be argued that a quantitative method would be more appropriate, for example by conducting a survey. However, given that this thesis aims to further explore how different actors can benefit from the complementarity, which is a complex matter requiring deep and nuanced data, a qualitative method was deemed more appropriate to the purpose of the thesis, and thus constituted the chosen research method.

The qualitative research method has been criticised for its ambiguity regarding when theoretical saturation, as described in chapter 3.3.1, have been reached (Rowlands et al., 2015). Thus, the validity of the findings risk being compromised. To circumvent this issue, interview data was cross-referenced to secondary data when deemed appropriate.

3.3. Primary Data Collection

The primary data collection was conducted through primary research in terms of in-depth interviews of music industry professionals, collected both face-to-face and via Zoom. Although interviews conducted via Zoom can obstruct the ability to interpret non-verbal cues, allowing for holding interviews via Zoom when requested was crucial to ensure the multitude of interviewees. The interviews had a semi-structured format, meaning that the interviewers followed the same predetermined interview guide for all interviews. However, to ensure depth, detail, and quality of the interviews, the authors allowed for adaptations and follow-up questions when considered appropriate. The flexibility offered by a semi-structured interview format ensured that the authors gained

a genuine understanding of the interviewees' perspectives while addressing a specific area of investigation. The interview questions were constructed as open questions as to ensure higher quality and reliability of the responses (Bell et al., 2019; Saunders et al., 2000), and was segmented into three different parts focusing on different topics. First, an introductory part focused on obtaining an understanding of the interviewee's profession and their relationship to TikTok and Spotify within their profession. The second part covered platform related questions, and the third part focused on the value creation process. The full interview guide can be found in appendix 2. All eight interviews took place in March and April 2022 and lasted between 35-50 minutes each.

3.3.1. Research Sample

The research sample was chosen using a purposive sampling approach, meaning that the sampling was conducted with reference to the purpose of the research. Thus, all interviewees were chosen based on their previous experience working with the two platforms and their career within the music industry. To obtain a multi-dimensional perspective, the interviewees were chosen considering their different roles and experience from different firms, such as record labels and music marketing firms. The diverse perspectives aimed to capture the complexity of the subject, as well as ensuring reliability of the collected data. The criteria for interviewees was that they had to interact with both TikTok and Spotify in their profession. The full list of interviewees can be found in appendix 1.

The interviewees were either found via LinkedIn, company websites, or through snowball sampling, meaning that some interviewees established contact between the authors and other relevant people to interview. Interviewees were chosen and interviews were conducted with regards to theoretical sampling, meaning that the sampling was ongoing until theoretical saturation had been achieved. In practice, this implied that sampling was ongoing until no new or relevant data seemed to emerge in the interviews (Bell et al., 2019). Given the depth and quality of the interviews, as well as the scope of the thesis, the number of interviews was deemed adequate.

3.4. Secondary Data Collection

Secondary data was collected with two purposes. Firstly, to get a comprehensive overview of the music industry which was deemed necessary to draw conclusions regarding strategic implications for the actors within the industry. Secondly, secondary data was gathered with the purpose of gaining more confidence in the findings from the primary data. The secondary data constituted of research papers, industry reports, magazine articles, podcasts, webpages, and news articles.

3.5. Data Analysis

The primary data was analysed using a thematic analysis approach. A thematic analysis implies that themes related to the focus of the research are identified in the data. The themes enable a theoretical understanding of the data, and hence allows for the research to make a theoretical contribution. The themes build on codes that could be identified in the transcripts of the interviews (Bell et al., 2019). To accommodate to thematic analysis, all eight interviews were recorded and transcribed. After transcription, the transcripts were read and re-read by both authors before codes were identified in the data. By reading and re-reading the transcripts, interpretation bias was avoided to a greater extent. After the codes were generated, different themes emerged from the coded data. The themes were identified through repetitions, metaphors and analogies, similarities and differences, and linguistic connectors (Bell et al., 2019). Repetition in the form of recurring topics across several interviews were used as the primary factor to identify themes in the data.

3.6. Validity and Reliability

It can be challenging to ensure validity and reliability in qualitative research methods, since the sample size is often rather limited, compared to quantitative research methods (Bell et al., 2019). Therefore, the authors have taken the following actions to ensure that the research is both valid and reliable.

3.6.1. Validity

External validity is attained when research results are not limited to the context of the research, but generally applicable. In qualitative research methods, external validity can be difficult to obtain given that the scope of qualitative research often is specific to the situation at hand. Internal validity refers to the match between data and the theoretical ideas that are developed (Bell et al., 2019). To face the challenges of obtaining external and internal validity, the authors used a theoretical sampling approach, as described in chapter 3.3.1. Thus, theoretical saturation was attained, and the thesis thereby minimised issues related to external and internal validity.

3.6.2. Reliability

External reliability refers to the replicability of a research, which can be difficult to obtain in qualitative research. However, by using theoretical sampling and minimising selection bias the authors managed the external reliability challenge (Bell et al., 2019). Furthermore, the thesis takes a triangulation approach. In the case of this thesis, this means that the use of multiple-perspective data from both primary and secondary sources gave several reference points to support the findings.

Internal reliability refers to consistency in data interpretation when there are several observers. To obtain internal reliability, both authors were present in all interviews. Thus, the authors ensured a common interpretation of the data. Hence, the thesis minimised issues related to both external and internal reliability.

3.7. Ethical Considerations

All interviewees were informed with the ethical guidelines of this thesis, regarding what personal data was handled and disclosed. Furthermore, all interviewees signed a consent form prior to their interviews to ensure they were fully informed of the terms and conditions of the thesis. To ensure the privacy of the interviewees as well as aligning with GDPR regulations, no personal data is disclosed. Company names are only mentioned if explicitly approved by the interviewee. Moreover, all quotes used in the thesis were approved by the interviewees prior to publication of the thesis to address

any confidentiality matters as well as ensuring that the quotes were not taken out of context.

4. Empirics

The empirical review covers two parts. First, chapter 4.1 provides a comprehensive overview of the platformisation process of the music industry. The purpose of this is to illustrate which actors are present in the industry, what role(s) they have, and how TikTok and Spotify gained their influential positions. Thus, motivating the significance of the relationship between the platforms and its importance to other actors within the industry.

Second, chapter 4.2-4.3 present the main findings related to the research questions. These findings uncover the nature of the competitive landscape between the two platforms today, as well as depicting how actors in the music industry are affected by the relationship between TikTok and Spotify.

4.1. The Platformisation Process of the Music Industry

4.1.1. From Gramophones to iPods: 1800s – 2003

Although music has been constant all around the world for a very long time, music did not become fully industrialised until the 19th century. This was when the first music corporations took form, resulting in music becoming available to a much larger audience. Music became commoditised through innovations such as the gramophone and the phonograph, as music could be provided without the actual artist being present. During the 20th century, the power of the industry was centralised around the record labels. The focus shifted towards mass sales of albums, making the entire industry heavily dependent on the record labels providing capital to fund the production and reach of the artists' albums. There was also an oversupply of artists present, resulting in record labels being able to sign exploitative contracts with the artists and taking most of the profits from the sales. Only a handful of artists were able to produce and record music, let alone distribute the content and were therefore completely dependent on the record labels. During the 20th century, the music industry became synonymous with the recording industry, as they together formed a multibillion-dollar industry (Alvarez, 2017).

During the 1990s, an emergence of new digital innovations took place. This shift had natural spill over effects within several industries, some of which were unexpected. The music industry was particularly affected by the technological advancements. The availability of computers and the internet transformed the industry through shifts in the way creation, consumption, production, distribution, and marketing of music was conducted. The most obvious market transformation was how the internet, computers and connected technical accessories substantially lowered the entry barriers of the entire industry. For example, production and transaction costs have since then decreased dramatically. During this time, there were four dominating record labels: Warner Music Group, EMI Group Limited, Sony Music, and Universal Music Group (Alvarez, 2017), all of which were experiencing a decline in album unit sales (RIAA, 2022).

Simultaneously with the development of the internet, a development of hardware technology took place (Cant, 2020). The technology took a leap when Apple released the iPod in 2001 (Schedeen, 2012).

To summarise, this chapter describes the dynamics of actors within the industry. It also depicts how the technology needed for the coming platformisation process, i.e., hardware and the internet, was introduced to the music industry. Thus, emphasising the magnitude technological development had for the actors and the industry landscape.

4.1.2. From iTunes to Spotify: 2003 – 2017

In 2003, Apple released the iTunes, a digital music store which was compatible with the iPod hardware. The music store had 200,000 available songs to be bought and downloaded (Fried, 2003). The CEO of Apple, Steve Jobs, had prior to this managed to persuade hesitant artists and record labels to make online distribution of music a possibility (Knopper, 2013). With Apple's launch of the popular iPhone in 2007, iTunes manifested itself as the world's leading retailer of music in 2010 (Griggs & Leopold, 2013). During the 2010s, the market for smart phones developed, which in turn supported the progress into streaming services (Ericsson, 2021). This immediately decreased the level of purchases and downloads of music (Perez, 2020). Before streaming, the music industry was dominated by the ownership model, meaning that consumers had to purchase and own a specific album or song to listen to it. With

streaming services, the business model instead focused on allowing users to access music (Alvarez, 2017).

The popularisation of smartphones backed the growth of Spotify, a Swedish company launched in 2008. Unlike iTunes, Spotify had a two-tiered business model for its music streaming platform, meaning that it offered an ad-free premium version with monthly subscriptions fees and an ad-supported freemium version. Both user memberships allowed for on-demand streaming and Spotify quickly gained the reputation of being the most convenient streaming service (Vonderau, 2019). Although the application seems simple at first, it is built upon a complex system of algorithms predicting user behaviours, a user interface which is dynamically changing, and a large catalogue of music which is constantly expanding. This system allowed Spotify to use a large population data to predict each user's individual behaviour and base content suggestions to the users upon this (Davis & Aggarwal, 2020). The platform's algorithms also facilitated for creating communities. One could now share playlists with friends and follow other people with similar music taste (Content Marketing Manager at Sony Music, 2022).

In response, Apple launched Apple Music, a music streaming subscription service, in 2015 (Dredge, 2015). Despite this, Spotify was declared as the world's biggest streaming platform in 2016, and in the following year, the venture capital backed firm with the highest valuation in Europe. Although applying an aggressive penetration strategy through its freemium version, the company remained unprofitable as the advertisement did not generate sufficient revenues (Vonderau, 2019). Spotify's largest expense was paying royalties to the rights holders (Moon et al., 2021). However, due to the profitability problems of Spotify, record labels agreed to lower these rates in 2017, as by then the streaming platform's health was of importance to the entire music industry (Ingham, 2018).

However, it does not seem like streaming platforms disrupted the music industry in terms of power. The power of the industry was highly centred around three sub-sectors, the record label sector, the publishing sector, and the live music sector, out of which the two first mentioned were heavily dependent upon exploiting copy rights. In turn, this forced publishers and record labels to keep large product portfolios. To achieve this,

these actors were forced to maintain a high level of vertical integration, controlling as much of the value creation process and its inputs as possible. Naturally, this resulted in a concentrated industry, where the record label-backed artists gained most of the streams and royalty revenues from Spotify (Alvarez, 2017).

In summary, during the period between 2003 and 2017, music consumption went through a platformisation process. Since users favoured the access model over the ownership model, Spotify became preferred to iTunes and gained a significant market share. Thus, this chapter explains the functionalities of the Spotify platform and the importance of the platform to the music industry, as well as its relationship to the record labels and their artists.

4.1.3. TikTok – The New Platform: 2017- 2021

In 2017, ByteDance, a Chinese tech company, announced that they had acquired the US-based platform Musical.ly (Reuters, 2022). ByteDance had in 2016 launched a short-video platform in China called Douyin and the international version was called TikTok. These were both similar to Musical.ly, all aimed at facilitating the users' ability to create and share short lip-syncing and dancing videos. Through the acquisition, TikTok could transfer the 200 million users from Musical.ly and gain an international presence overnight (Fannin, 2019).

TikTok was powered by AI, and the algorithms of TikTok determined what content was shown to the users. Over time, the platform's algorithms learned the user's preference and adapted to it. This was different compared to some of its competitors, such as YouTube, Spotify, and Facebook, as they used AI to make recommendations rather than directly show it to the users. In 2019, TikTok surpassed Facebook in number of quarterly downloads (Fannin, 2019). The entry barriers for joining the TikTok platform as a user was low and creators did not need editing skills to create content due to the simplicity of the interface. Furthermore, due to the algorithms, it was easy to gain a follower base (Greenwald, 2021). In practice, content creators could use trending sounds to get attention on TikTok. By doing this, they ran a higher chance of getting discovered by people either via the sound-search function or via the for you-page, which promoted content to the viewer based on popular sounds among other things. By using

certain sounds or songs in their content, a content creator could thereby leverage the popularity of the song and thus achieve higher reach for their content (Strategy Manager at Spotify, 2022).

The revenues that TikTok generated stemmed from the platform acting as a marketing channel. The platform encouraged brands to create advertisements which resonated well with the platform's culture through incorporating humour, creativity and being casual (Previte, 2020). The TikTok algorithm and AI engine proved to display a higher level of accuracy when it came to reaching target groups for campaigns, compared to other social media. Because of this, TikTok became an important component in firms' marketing strategies (Beat, 2019).

To summarise, this chapter illustrates the mechanisms of TikTok and its effectiveness and attractiveness to customers, resulting in the platform's great success. Furthermore, it describes how TikTok has become one of the most important marketing channels.

4.1.4. TikTok and Spotify Facilitating the Democratisation of the Music Industry: 2021 - Present

Spotify has subsequently added more entertaining features to its platform, challenging its competitors. One example of this is its step into the podcast segment, a market previously dominated by Apple. This was done through Spotify signing an exclusivity deal of \$100 million with a famous podcaster called Joe Rogan (Davis & Aggarwal, 2020). Making podcasts available on Spotify led to the company adopting a so-called audio strategy, meaning that they expanded from only supplying users with music to a mix of different types of audios, such as podcasts and audio theatre (Moon et al., 2021). In 2021, Spotify reached 155 million premium paying subscribers, whilst having 355 million users in total (Vroom et al., 2021). It was estimated that Spotify held a 40% market share in the paid streaming market in 2021 (Moon et al., 2021).

Similarly, TikTok has become the fastest growing social media platform in the world and now has now a user base of 755 million monthly users (Perez, 2021). In parallel with the rise of these two platforms, one can see that there are important changes taking place within the music industry. TikTok and Spotify, having been considered as the two most influential platforms in respective area have proven to separately, but even more

so combined, act as key players within the music industry (Knibbe, 2021). TikTok is the one platform which has the most effect on what music becomes popularised and hence what music is streamed on Spotify. Therefore, the TikTok algorithm has a material impact on which songs and what type of music gets the most attention on Spotify (Strategy Manager at Spotify, 2022). Since the TikTok algorithm promotes content based on popularity, a democratisation of what type of music that becomes popular has taken place, as it now is more reliant on the general public's preferences rather than record labels preferences (Business Analyst at a music marketing firm, 2022). Furthermore, TikTok also allows for free distribution of music and has thus been said to make the music industry more meritocratic (Intelligent Music Agency, 2021b).

In summary, this chapter highlights that Spotify and TikTok are two music industry giants with significant power, and that the platformisation of the music industry that these two firms have together contributed to has resulted in the music industry being more easily accessible to more actors. Thus, the music industry is now characterised by democracy and meritocracy to a greater extent.

4.2. Managing the Music Industry Post Platformisation

4.2.1. Converting Views into Streams

TikTok offers much lower royalties to music right owners compared to Spotify (Content Manager at short-video platform, 2022). Thus, music content creators leverage the TikTok and the Spotify platforms for different purposes. While both platforms are used for reach and discovery, aiming at either building a fanbase or generating streams (Former Growth Strategist at Spotify, 2022), record labels and music marketers use TikTok primarily to engage the audience and Spotify mainly as a source of revenue (Marketing Director at music marketing firm, 2022). Furthermore, there is a strong correlation between high exposure of a song on TikTok and streams on Spotify (Intelligent Music Agency, 2021a). Therefore, engaging with TikTok by for example having their music marketed on the platform or producing TikTok content that engages a crowd big enough to create a trend, creates a springboard for music creators to generate streams on Spotify, which essentially is their main source of revenue (Marketing Director at music marketing firm, 2022). However, due to difficulties with

data tracking between the platforms there is no exact way to measure the streaming conversion rate from TikTok to Spotify (Business Analyst at music marketing firm, 2022). Therefore, it is not entirely clear how to best utilise the conversion from TikTok streams to Spotify streams. Also, different intermediaries seem to be necessary, such as a fit between the visual content and the lyrics, or elements of humour among other things (Music Data Strategist at music strategy firm, 2022). An example of this is the artist Charlie Puth who posted a humoristic TikTok video about an idea for a song called Light Switch, which became viral. Subsequently, Puth together with his followers on TikTok developed the song to its entirety, and the song became a hit on the Spotify platform (Strategy Manager at Spotify, 2022).

There are two main reasons to why conversion takes place and is facilitated by the TikTok platform. Firstly, the users are exposed to a lot of music due to the TikTok format. Since much of the music is available on Spotify in its entirety, this naturally leads to conversion. Secondly, TikTok packages the music in a different way through its short-video concept, leading to higher engagement and thus more interest in the music in general. This also leads to a conversion to streams on Spotify (Content Manager at short-video platform, 2022).

4.2.2. Creating the TikTok Moment

To exploit the conversion opportunities that TikTok provides, as well as taking advantage of the platformisation of the music industry, music creators have had to adapt how they create music (Creative Manager at Sony Music, 2022).

The platformisation, and especially the emergence of streaming services, is affecting the music creation process. As a result of the increased accessibility to music provided by the streaming services and the technological design of the platforms, the attention span during which a user decides if they like a song or not has decreased significantly. This affects the process of creating music, which can be seen in the adaptation towards shorter songs and hooks coming in earlier in the musical content. By doing this, the music creators aim to catch the listeners' attention before they swipe to the next song (Music Data Strategist at music strategy firm, 2022).

Furthermore, the emergence of social media in general, and TikTok in particular, also affects the music creation process. TikTok, among other social media platforms, allows for their content creators to use music in their content. Artists and music creators seek to leverage this by adapting the music they create to musical content that better fits into a TikTok context (Content Manager at short-video platform, 2022). In practice, this includes for example using comedy or parody in the lyrics to accommodate for TikTok content creation centred around that lyrics. In the industry this is referred to as the *TikTok moment* of a song, and essentially makes up a moment in the song that aims at being a springboard for creative content creation (Music Data Strategist at music strategy firm, 2022).

Moreover, music creators keep their songs shorter than before for algorithmic purposes as well. Although it is not readily accessible for the public how either of the TikTok or Spotify algorithms work, industry practitioners agree that whether a user reaches a song partly depends on the algorithms steered by the platform owners. Hence, musical content which is better suited for the algorithms is more likely to be effectively promoted by the platforms and thus benefit from this. To leverage this, music creators aim at creating shorter and shorter songs to exploit the design of the algorithms, and hence increasing the reach of their musical content (Music Data Strategist at music strategy firm, 2022).

4.2.3. Considering the Changes in Music Consumption

Furthermore, Gen Z's music consumption differs from previous generations. A digital marketer from Sony Music (2022) explains that:

“What we see in the younger generation is that they are more likely to listen to songs repetitively, rather than listening to a wider range of artists. [...] TikTok users stream very few songs in a given time period, but they do so in high volumes.”

This is different from Spotify's core users who listen to a wider range of artists and songs. Record companies therefore see a momentum when a trend is created on TikTok. When record companies find patterns that indicate that a trend is being created, they go in with strategic actions to convert users' consumption on TikTok to streams on Spotify. These strategic actions may involve the use of marketing resources such as advertising,

working with influencers or collaborations with the TikTok platform itself. This way, a hit can be created, which is the goal for these types of actors (Digital Marketer at Sony Music, 2022).

There are some types of genres that are more popular on TikTok, and hence are consumed to a greater extent. HipHop, is one example, as its core element is the lyrics. The TikTok users leverage this in the content, to make the short-video more engaging. A marketing director at a music marketing firm (2022) explains this as:

“On TikTok there is a lot of the trend behaviour on the platform that is centred around tapping into the lyrical value of specific tracks. So naturally, the tracks with most lyrical value will be the ones that are most frequently used”.

Pop constitutes the other dominating genre, which can be explained through its short hooks which are well suited for the short-video format. Moreover, the TikTok users’ consumption of music on the platform forms the users’ future behaviour related to music. The marketing director (2022) explains that:

“It creates a behaviour, that they [the users] listen to music and have certain expectations with music on TikTok. It is that likely that this will be same way they interact with music on other platforms”.

Since these types of genres and lengths of songs are favoured on TikTok, it will consequently be favoured on streaming platforms. This means that these genres are given an advantage in terms popularity and streams in general (Marketing Director at music marketing firm, 2022). Nevertheless, it seems to be a consensus in the industry that a song can become a hit on other platforms, e.g., Spotify, despite not trending on TikTok (Former Growth Strategist at Spotify, 2022).

4.3. TikTok and Spotify: Friends or Foes?

There are two alternative ways forward for the two platforms. They can choose to expand the platforms into the other platform’s fields of expertise, hence causing cannibalism, or, alternatively, they can choose to leverage each other’s platforms and networks in a collaborative manner (Music Data Strategist at music strategy firm, 2022).

Until now, the platforms have had a rather collaborative relationship, which is showcased through prior partnerships between the platforms. An example of a partnership is Spotify using the TikTok platform to offer TikTok's viewers free premium trial subscriptions. By conducting such partnerships, Spotify get access to TikTok's audience and brand, and TikTok get access to conversion data which can be used to understand streaming services (Content Manager at short-video platform, 2022).

4.3.1. Cannibalising on Each Other's Offerings

The platforms seem to be stepping into each other's areas of expertise. In 2020, TikTok's parent company ByteDance launched the streaming service platform Resso which is currently operating in India, Brazil, and Indonesia among others (Music Data Strategist at music strategy firm, 2022). Similarly, Spotify is tapping into TikTok's business offering by incorporating more visual and engaging content, such as video material, on the platform. By incorporating more elements into the platforms and stepping into each other's areas of expertise, there is an evident risk of cannibalisation between the platforms (Marketing Director at music marketing firm, 2022).

Furthermore, since both platforms essentially have an entertainment purpose, TikTok and Spotify can be seen as competitors since they compete on where people spend their time. Although this does not necessarily lead to direct revenue for the platforms, more time spent leads to greater bargaining power for the platforms. A former growth strategist from Spotify (2022) describes that:

“They [Spotify] have greater negotiation power when they can show businesses that want to show ads on Spotify, that everyone is listening ten hours a day on our platform and only one hour on TikTok.”

Thus, being the platform where people choose to spend their time drives revenue. Furthermore, it is emphasised by the former Spotify growth strategist (2022) that:

“This is why they [TikTok and Spotify] see each other as competitors, because it is always about who gets the most attention from the user.”

4.3.2. Collaborating to Expand

Although there is an evident risk of cannibalisation between the platforms, there is also high potential for the platforms to improve their offerings by leveraging each other's

capabilities. The platforms are currently attracting two different segments; Spotify's target group is mainly millennials, while TikTok is more popular among Gen Z. A Spotify strategy manager (2022) explains that:

“TikTok has been amazing at attracting the Gen Z audience. [...] Spotify is more of a hands-off experience, an audio experience, and I think there is a lot of educational work to do among Gen Z about how different the platforms are and how Spotify as well can be a very relevant platform for them, depending on the situation.”

Furthermore, Spotify is already trying to adapt to the Gen Z audience by leveraging the TikTok brand through for example user-generated playlists with TikTok hits, of which one has 1.2 million followers (Business Analyst at music marketing firm, 2022). To conclude, there is a possibility for the platforms to cooperate and evolve by leveraging each other's resources, without cannibalising on each other. A willingness to cooperate will be needed from both sides however (Strategy Manager at Spotify, 2022).

5. Discussion

To determine if platform literature can be applied to the empirical evidence from the qualitative study, a general discussion about whether TikTok and Spotify qualify as platforms must be held. Upon reviewing the empirics, it is clear that both Spotify and TikTok act as digital platform owners. In practice, this is showcased through the fact that both platforms have users that watch and/or listen to the content on both platforms. In addition, the platforms act as foundations for complementors, e.g., marketing firms, record labels, content creators and music creators, who contribute with value adding complementary assets such as music to the platforms. Moreover, Spotify and TikTok have institutional powers, meaning that they govern the interactions on the platforms and decide what users and complementors can engage with the platforms. This confirms that platform theory is applicable (Cusumano & Gawer, 2014; Tavalaei & Cennamo, 2021).

5.1. Complementarity Prevails Between the TikTok and the Spotify Platforms

Whether the platforms can be seen as competitors or cooperating platforms depends on the perspective the platforms are analysed from. On the one hand, the empirical findings suggest that the platforms themselves view each other as competitors as they are both active in the music entertainment sector, thus competing for people's time and attention. On the other hand, the platform complementors and users utilise the platforms for different purposes, hence not identifying them as competitors but rather complementary platforms.

Both platforms evidently showcase both direct and indirect networks externalities, since the benefit of using the platforms respectively increases by the number of users as well as the number and scope of the complementors tied to the platforms. Considering that the TikTok and the Spotify platforms perceive each other as competitors, platform literature suggests that the network externalities should lead to a winner-takes-it all scenario (Glimstedt, 2018), where either TikTok or Spotify would become the main

entertainment platform for music consumption, and that complementors, i.e., record labels, music creators, and content creators, would favour one of the platforms.

Contrary to this, service-dominant logic literature advocates that the value is determined in-use and depends on the beneficiary (Vargo & Lusch, 2017). Applied to the case of TikTok and Spotify, this implies that while TikTok perceives one type of relational value occurring between the platforms, Spotify, record labels, music creators, and content creators perceive other types of values. As such, the magnitude of the value is beneficiary dependent as well. Thus, service-dominant logic literature suggests that complementors do not necessarily need to favour one of the platforms over the other, but that both platforms can be valuable for the complementors in different ways, as described in chapter 5.2.

In line with service-dominant logic literature (Vargo & Lusch, 2017), empirical findings confirm that the relational value perception differs across the different actors. The platforms themselves perceive the value of the relationship significantly different than their complementors, and even among the platforms the magnitude of the value differs. For example, TikTok values the data obtained through partnerships with Spotify, Spotify values insights from TikTok on how to attract Gen Z, and the complementors value the revenues gained from the conversion process. Thus, the empirical findings add to service-dominant logic literature by adding a platform perspective on value co-creation. The empirical findings showcase that the platforms themselves identify collaboration opportunities which could create synergies for the platform complementors and thereby benefitting the platforms themselves, since synergies lead to increased indirect network externalities. Moreover, the empirical findings imply that the platform complementors create more value by combining and integrating resources from both platforms, than they would have by solely using resources from one of the platforms at a time. The literature findings highlight that value complementarity is created when the stakeholders create more value together compared to what they could achieve single-handedly (Gyrd-Jones & Kornum, 2013). Hence, the research confirms that complementarity exists between the TikTok and the Spotify platforms both from the platforms' perspective and the platform complementors' perspective.

In conclusion, the empirical findings display complementarity between the platforms, although the value of the synergies, i.e., the complementarity, is dependent on what perspective one looks at. This can be explained by applying a service-dominant logic perspective implying that the value of the complementarity is fundamentally determined by the beneficiary.

5.2. How Platforms and Platform Complementors can Benefit from the Presence of Complementarity Between the TikTok and the Spotify Platforms

5.2.1. Platforms Facilitating for Complementors' Interactions

As mentioned above, literature suggests that complementarity occurs in the form of synergies, meaning that stakeholders create more value together than what could be created from each stakeholder single-handedly (Gyrd-Jones & Kornum, 2013). The empirical findings suggest that TikTok and Spotify respectively can benefit from the complementarity between the platforms in several ways. Thus, the findings add to current platform literature by shedding light on the collaborative strategic actions which result in coopetition rather than a winner-takes-it-all scenario, as otherwise common in the presence of network externalities.

Firstly, TikTok is a key player in driving Spotify streams, something that is crucial for the complementors as to gain revenue. Platform literature suggests that complementors are crucial for a platform to succeed (Tavalaei & Cennamo, 2021). It is further suggested that to attract complementors to join the platform, economic incentives are needed (Glimstedt, 2018). Therefore, TikTok is dependent on Spotify, since being able to offer their complementors conversion to Spotify streams acts as an economic incentive for the music creators and record labels to publish their content to TikTok, which is ultimately necessary as to increase the value for the TikTok users. Vice versa, Spotify is dependent on TikTok since TikTok serves as the main marketing channel for music, ultimately leading to users spending more time on the Spotify platform. Thus, by facilitating complementors' interactions between the platforms, the platforms themselves can benefit from the complementarity.

Secondly, Spotify and TikTok can take advantage of each other's capabilities and as such benefit from the complementarity between the platforms. The empirical findings suggest that Spotify can leverage the TikTok brand by for example facilitating TikTok hits playlists. By doing so, Spotify adapts their value proposition to attract a greater audience such as Gen Z, which is currently more present on TikTok. Therefore, Spotify runs a higher chance of TikTok users converting their consumption on TikTok to streams on Spotify. Thus, Spotify benefits from the complementarity between TikTok and Spotify. In contrast, TikTok does not use the Spotify brand but can rather leverage conversion data from partnerships with Spotify and thus gain valuable insights which they can apply to innovations around their own streaming service platform, Resso. Thereby, TikTok benefits from the complementarity between TikTok and Spotify.

Thirdly, coopetition literature can be applied to understand the ambiguous strategic implications for the platforms respectively. The empirical findings confirm that TikTok and Spotify are coopetitive platforms, meaning that the platforms are simultaneously competing and cooperating; they compete for attention and time spent, but they collaborate as to facilitate value co-creation for their complementors, which is crucial to achieve indirect network externalities and hence be an attractive entertainment platform. However, empirical findings indicate that both platforms are internally innovating and consequently moving into each other's niches. The platforms have begun to overlap to some extent. For example, TikTok's parent company ByteDance is developing their own streaming service platform, and Spotify is aiming to make their content more engaging by including visuals similar to short-videos. The literature findings suggest that the platforms are innovating internally to maximise their long-term benefits, and that internal innovation is a competition strategy (Fernandez et al., 2021). Consequently, the platforms' relationship risk transitioning away from coopetition and into competition. Platform literature suggests that such transition may lead to a winner-takes-it-all scenario, where platform complementors will favour the platform that resonates the best with them, which will have effects on the complementarity both for the platforms themselves and for the platform complementors (Glimstedt, 2018). Furthermore, platform literature suggests that such transition may compromise on the enhanced innovation process offered by coopetitive platforms (Ritala 2012; Glimstedt

2018). In a larger sense, TikTok and Spotify remaining coopetitive is therefore in the best interest for the music industry.

Conclusively, in line with literature findings on coopetition in a near- versus long-term perspective (Fernandez et al., 2021), the platforms themselves benefit near-term of the complementarity occurring between them by facilitating for complementors and thus increasing the value proposition of the platforms respectively, as well as by taking advantage of each other's capabilities. Long-term benefits are however dependant on what strategic actions are taken by each platform respectively.

5.2.2. Complementors Adapting Musical Content to the Platforms' Audience, Format, and Algorithms

Platform literature suggests that complementors must distinguish themselves from other complementors to remain attractive to the platform and its users (Tavalaei & Cennamo, 2021). The research findings add to existing platform literature by addressing how platform complementors on TikTok and Spotify distinguish themselves to stay relevant by leveraging the complementarity between the platforms, thus benefitting from the complementarity between the platforms.

Firstly, complementors, such as record labels, music creators, and content creators, integrate resources from both the TikTok and Spotify platforms to create their value propositions. In practice, this occurs for example when music creators adapt their songs to fit the TikTok platform by for example using a so-called TikTok moment in the song. By doing so, the music creators integrate the Spotify resource, i.e., the song, with the TikTok resource, i.e., the engaging video content, hence co-creating value. The music supplied by marketing firms and record labels is used on TikTok to produce creative content, whilst Spotify is used to get the full musical experience. Thus, the complementors benefit from the complementarity by retrieving more total streams of their product, whilst using TikTok as a marketing channel and Spotify as a revenue driving platform. To fully benefit from the conversion and thus the complementarity between the platforms, the empirical findings suggest that platform complementors should co-create their musical content by integrating elements relevant for both the TikTok and the Spotify platforms.

Secondly, TikTok acting as the dominant marketing channel for music forms preconceived notions of how music consumption plays out amongst the users active on TikTok, i.e., Gen Z and younger generations. Taking the user behaviour into account, literature suggests that the complementors benefit to different extents from the TikTok and Spotify complementarity depending on how well they have distinguished themselves on the platforms (Tavalaei & Cennamo, 2021). The empirical findings indicate that complementors niched towards HipHop and Pop are likely to benefit to a greater extent, since these genres resonate the best with the TikTok format and audience, and thus have been popularised. Consequently, these genres will be streamed on Spotify to a greater extent due to the complementarity between the two platforms.

Lastly, complementors should adapt to TikTok's and Spotify's algorithms to best benefit from the complementarity between the platforms. The empirical findings indicate that both Spotify's and TikTok's algorithms favour music with shorter segments, and that songs in general are becoming shorter. This implies that complementors are adapting to this transition to benefit from the complementarity of the platforms' algorithms. Platform literature recognises that platform complementors must strategically align with a platform owner's intended value proposition (Tavalaei & Cennamo, 2021). Thus, the findings add to existing platform literature by addressing that by strategically aligning to two platforms with the same intended value proposition, the platform complementors can benefit from the complementarity between the platforms.

Aside from this, as the algorithms do not solely favour the music marketed by the capital-intensive record labels, but also organically generate views for non-record label-backed music creators on the TikTok platform. The complementarity of TikTok and Spotify, together with the platformisation process of the music industry has thus democratised the music industry to some extent. Consequently, non-record label-backed music creators acting as complementors on the two platforms benefit by the complementarity due to their increased potential of gaining an audience. As such, one can again conclude that benefits are beneficiary dependent.

In summary, to benefit from the complementarity between the TikTok and the Spotify platforms, the platform complementors must strategically align with the platforms'

intended value proposition, as well as distinguish themselves to the audience. This can be done by adapting their musical content to fit the TikTok format and audience, via either content or genre, or by creating shorter songs which are favoured by the algorithms respectively.

6. Conclusion

6.1. Conclusions and Theoretical Implications

6.1.1. Conclusions

This thesis aimed at (1) exploring whether complementarity exists between the TikTok and the Spotify platforms, and (2) investigating the impact of complementarity between the platforms for the platforms themselves and the platform complementors. To achieve the purpose, the following two research questions were used:

1. *Is there a prevailing complementarity between the TikTok and the Spotify platforms?*

The findings conclude that complementarity prevails between the TikTok and the Spotify platforms, both from the perspective of the platforms themselves and the perspective of the platform complementors. Nonetheless, the complementarity takes different forms depending on the perspective of the platforms themselves or the platform complementors. The value of the complementarity is therefore determined by what synergies each individual actor can identify when utilising both platforms.

2. *How can the platforms and the platform complementors linked to the music industry benefit from the presence of complementarity between the TikTok and the Spotify platforms?*

The research revealed that the TikTok and Spotify platforms benefit from the complementarity by facilitating for complementors' interactions between the platforms, and thus increasing the indirect network externalities for both platforms. Nevertheless, the findings highlight that the long-term benefits of the complementarity will depend on whether the platforms' competition and innovation strategy remain in a cooperative state, or if it evolves into pure competition. Furthermore, the findings conclude that for platform complementors to benefit from the complementarity between the TikTok and the Spotify platforms, strategic alignment with the value proposition of each platform and ability to distinguish oneself from other complementors are crucial. This can be achieved by adapting the complementary products, i.e., the musical content, to fit the

TikTok format and audience, whilst at the same time align with both the TikTok and the Spotify algorithms.

6.1.2. Theoretical Implications

Conclusively, the study contributes with two main theoretical implications. It adds to existing platform literature by clarifying: (1) that complementarity prevails between the TikTok and the Spotify platforms, thus confirming that complementarity is a concept which can be applied within platform theory, and (2) that benefits of complementarity can be identified through combining a platform and a service-dominant logic perspective.

6.2. Managerial Implications

Based on the findings of this study, the TikTok and Spotify platforms can best leverage the complementarity by facilitating for complementors' interactions between the platforms. Thus, we suggest that the platforms continuously develop their cooperative relationship, thereby facilitating further interactions. If the platforms choose to transition their competition strategies into purely competitive, the complementarity between the platforms will be compromised and thus risking the complementors' synergies. As such, we emphasise the importance of considering the platform complementors responses to any change in competition strategy.

Furthermore, the results of this study highlight practical implications for how platform complementors, such as music creators, record labels, and content creators, best adapt their musical content to create synergies between the TikTok and the Spotify platforms. Based on the findings, we suggest using a framework (figure 3) which addresses three main adaptations a platform complementor should include in their musical content. First, the musical content should be adapted to the preferences of the TikTok audience, e.g., by including elements of HipHop or Pop. Second, the platform complementors should adapt their musical content to fit the format of the TikTok platform, e.g., by including a TikTok moment in the song. Lastly, the musical content should be adapted to best be favoured by the TikTok and the Spotify algorithm respectively. As such, a song should be short and have a hook early on. By using parts of, or the whole framework, platform

complementors should thereby be able to create synergies between the platforms and gain more exposure of their content on TikTok, subsequently converting into Spotify streams.

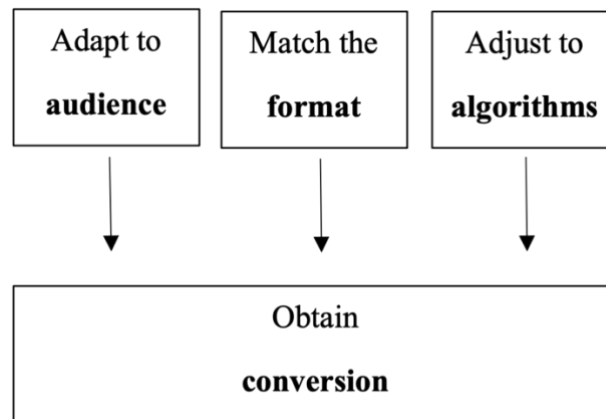


Figure 3. A framework for how complementors can adapt their musical content to create synergies between the TikTok and the Spotify platforms (Wesslau & Johansson, 2022)

Furthermore, an important managerial implication is that the platformisation of the music industry, leading to more democratic and meritocratic promotion of songs, may destabilise the actors' current roles in the industry. As such, record labels may face decreasing power within the industry, whilst non-record label-backed music creators may gain increasing powers within the same industry.

6.3. Limitations and Further Research

Some limitations with this study should be acknowledged. Firstly, since the research founded in a constructivist and interpretivist approach, the interpretation and presentation of empirical data risk being affected by the authors' perceptions and biases.

Secondly, the interview sample consisted of one or two interviewees from each firm. Thus, there is a risk that the findings are not representative of the firms' perspectives, but rather personally subjective. However, for the purpose of this thesis, a multilateral perspective was deemed more important as to capture the complexity of the relationship between the TikTok and the Spotify platforms. Hence, a broader scope of firms was prioritised over an increased number of interviewees per firm.

Thirdly, the research only concerns the complementarity between the TikTok and the Spotify platforms, and the results are therefore specific regarding for example format, audience, and algorithmic conditions of the specific platforms. Thus, generalised conclusions applicable for all short-video or streaming service platforms are limited. We therefore invite other researchers to conduct a qualitative study on platform complementarity from a general music industry perspective.

Lastly, this thesis aims to provide a qualitative and general understanding of how the platforms and platform complementors can benefit from the complementarity between the TikTok and the Spotify platforms. To gain a more intricate understanding of the results, we invite other researchers to use a quantitative approach when investigating the complementarity between the platforms, by quantifying the magnitude of conversion from TikTok exposure to Spotify streams. This would not only add to existing literature, but also provide important managerial implications for actors in the music industry.

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Appendix 1: Interview Participants

Role	Company	Gender	Date	Location	Length
Creative Manager	Sony Music	Female	25 March 2022	Zoom	39 minutes
Content Manager	A short-video platform firm	Male	1 April 2022	Zoom	35 minutes
Digital Marketer	Sony Music	Male	6 April 2022	Face-to-face	40 minutes
Business Analyst	A music marketing firm	Male	6 April 2022	Face-to-face	36 minutes
Former Growth Strategist	Spotify	Male	14 April 2022	Zoom	40 minutes
Music Data Strategist	A music strategy firm	Male	22 April 2022	Zoom	44 minutes
Strategy Manager	Spotify	Male	27 April 2022	Zoom	41 minutes
Marketing Director	A music marketing firm	Male	28 April 2022	Zoom	50 minutes

Appendix 2: Interview Guide

Ethical considerations

- Participating in our study is entirely voluntary.
- You may terminate the interview at any time. Your answers will in that case not be a part of the study if you do not explicitly approve of it.
- The study is completely anonymous, however, given your consent, we will mention the company you work for and the role you have.
- Quotes from the interview will be sent to you upon request for approval in advance of the publication of the thesis.
- Do you consent to the interview being recorded and transcribed?
- Before starting this interview, do you have any questions?

Introduction

- Tell us about your role at the firm you work for
- Do you engage with TikTok in your profession? If yes: in what ways?
- Do you engage with Spotify in your profession? If yes: in what ways?

Platforms

- What are the users' primary reason to engage in the TikTok and/or the Spotify platforms?
- In what ways do TikTok and Spotify exploit each other's platforms through partnerships and/or other strategic operations?
- What is the preferred interaction pattern of active users on both platforms? Is this the typical user behavior?
- Is there any type of interaction that is typically unwanted?
- In what ways can one steer a user's activity to increase the interactions between the platforms?
- In what ways can TikTok and Spotify platforms mutually benefit one another?
- What potential risk of cannibalization can occur between TikTok and Spotify?
- Given TikTok's increasing user base, how has the way of producing/creating music been affected?

- Is there any potential situation where Spotify could be harmed by this?
- Is there any specific genre or type of artist which unproportionally benefits from the increasing popularity of TikTok?

Co-creation

- What is the primary reason for music creators to publish their music on TikTok?
- What is the primary reason for music creators to publish their music on Spotify?
- What is TikTok content creators' primary motivation to include music in their content?
- In what way does music affect the content creator's, meaning the producing user, consumption pattern of a particular piece of music?
- In what ways does music affect the viewer's, meaning the consuming user, consumption pattern on TikTok and Spotify of a particular piece of music?