



Daniel Ek Remarks International Conference on Competition

Berlin, Germany | March 14, 2019

Note: Remarks below are as prepared

- Good morning. Thanks for welcoming me here today.
- I would also like to thank Mr. Mundt for the kind invitation to join you.
- At Spotify, we believe consumers win when competition is not only encouraged, but guaranteed.
- That is why the work of the competition authorities in Brussels and in the Member States, including here in Germany, is so vital.
- When I was first invited to address this group, I accepted in hopes that I could share my views about the importance of a level playing field -- and the impact of restricting true choice on business, consumers and the economy.
- Today, that conversation is more timely, and I'd like to share with you why.
- After months of careful consideration, Spotify has decided to file a complaint with the European Commission against Apple, for anti-competitive behavior and abuse of dominance.
- Taking on a company of Apple's scale, influence and financial means was not an easy decision.
- But I want to explain why we feel that we have no other choice than to pursue this path.
- As you are aware, Apple is both the owner of the iOS platform and its App Store and a competitor to services like Spotify.
- In theory, this is fine.
- But in Apple's case, they continue to give themselves an unfair advantage at every turn -- setting themselves up to be both referee and player in the world of audio streaming.
- This deliberately hurts Apple's competitors... like Spotify.
- But even more importantly, it harms consumers.
- This isn't the first time this issue has been raised...and it likely won't be the last.
- I believe we are approaching an important time in history where we have to make a choice...
- Do we want a few, select dominant platforms to have the power to strong arm others and tax the rest of the ecosystem, taking away the ability for smaller companies to effectively compete?
- Or...do we want a healthy ecosystem where real competition flourishes and where consumer choice wins?



- We must decide if we want to hold all players in our industry accountable, or continue to stand back and watch as a small group of dominant platforms control the process...
- I am sure many in the audience are wondering, if you didn't like Apple's terms why did you agree to them in the first place?
- Well, when the Spotify app launched on Apple, we were one of hundreds of apps who were excited to sign on.
- But it was a very different opportunity then.
- It was only after Apple got all these apps in the App Store, that they unilaterally decided to change the rules.
- Once Apple reached critical mass with a large number of apps on their platform, and grew in popularity with consumers, they tilted the playing field to disadvantage others in favor of their own services. It was a classic "bait and switch."
- Today, I will share some of the ways they have manipulated the game - and the ramifications of their actions.
- But it's important to note that for several years, we've tried to seek reasonable and rational resolutions directly through Apple...using pretty much every means possible.
- Rather than responding by adjusting their approach and demonstrating a commitment to fairness and transparency, the situation only continues to deteriorate. From dictating how we communicate with our own customers to imposing an unjustified tax, Apple isn't playing fair.
- Let me be clear: We have no desire to step into the spotlight on this issue. But we also believe we have no other choice.
- This is about protecting competition for businesses and for consumers, because Apple's actions are in violation of the law and will hurt innovation and consumer choice.
- Competition fundamentally does not work unless everyone has a fair and equal chance of succeeding on the merits.
- The anti-competitive environment created by some platform providers who are effectively now a "gateway" to the internet is a problem today... But left unchecked, it will be a far more serious problem in the future.

- I am often asked, "how do we create more successful start-ups?" Not just here in Europe but around the world. And that question is part of the reason I'm standing here today.
- When we founded Spotify more than 10 years ago, we had a simple vision. To give consumers something they couldn't get — music anytime, anywhere, and at the right price.
- At that time, music was dominated by piracy and the entire industry was crumbling under its grip. Most were skeptical at best that Spotify even stood a chance in finding success.
- So, to fight piracy and reimagine the way the music business operated, we built an even better experience than consumers had ever had before. That meant innovating at every turn and finding solutions that most couldn't even imagine -- let alone buy into. And ten years later, with more than 200 million users around the globe, Spotify is one of the world's most-used apps.



- We predicted then, what has become obvious now – which is that people would want the opportunity to listen to music wherever they are – on the train, in the car, at the park or at home.
- While Spotify was born and initially took root on the desktop, there's no question that the mobile device revolutionized the listening experience. And changed the future trajectory of many companies like ours.
- It's fairly widely known that Steve Jobs initially wanted only Apple content on the App Store. But his reversal just a year later to invite outside partners in, increased consumer demand and altered the fate of the app market overall. And in turn, redefined the way Apple drives revenue growth.
- And as a result of his decision, Apple has grown its services into a multi-billion dollar business -- so this choice serves as a testament to the power and importance of innovation as well as competition.

- Our relationship with Apple started really as a symbiotic one.
- People increasingly spent time using our app and therefore spent more time using their iPhone. In fact, Spotify has been one of Apple's most popular apps since its earliest days.
- The result was quite simple -- user affinity for both products went up and consumer demand increased. Everyone won.
- There's no question the iPhone put a world of possibilities at users' fingertips.
- We recognize that Apple invested in quality devices and a platform that enabled app developers to offer our service to customers seamlessly through multiple Apple products.
- We know that millions of people love Apple's products – and the reality is, we do too.
- So, we worked hard to meet their rules and guidelines, even though, over time, they became more and more extreme - to the point of being ridiculous. What initially felt like a mutually beneficial partnership, increasingly felt very one-sided. And it's now become completely unsustainable.

- Let me provide a few examples to illustrate the issue for Spotify and others.
- As I previously shared, when we first joined the App Store, things were dramatically different -- Apple was not in the music streaming market and it did not impose a 30% revenue-share fee on third party services.
- Let's call this 30% revenue-share exactly what it is - a competitor tax. And given their recent expansions into applying this tax to other businesses -- it's become a tax for the internet.
- Importantly, Apple's posture towards Spotify became increasingly hostile after Apple acquired a rival music streaming service and launched Apple Music.
- But until now, we felt like we didn't have much of a choice. As we all know, iOS and the App Store is the only way to offer our service to anyone with an iPhone or iPad. That's over a billion people around the world.



- So not being on their platform is just not an option for us -- or really for any competing internet service in this day and age.
- Apple knows this.
- If we wish to use Apple's payment system to allow our customers to upgrade to our Premium service, we must pay that 30% tax.
- This means we cannot be price competitive because we are forced to increase our cost to consumers. While Apple avoids the tax all together and can offer Apple Music at a much lower, more attractive rate.
- This is especially damaging to a company like ours who already pays out a significant portion of our revenues to record labels and music publishers.
- We even tried it their way. At one point, to cover the Apple tax, we increased our price on the iOS app from €9.99 per month to €12.99 per month.
- It shouldn't come as any surprise to you that because Apple wasn't subject to the same requirements, Apple Music was offered to consumers at €9.99 per month.
- You can easily imagine that from a consumer acquisition perspective, this situation was untenable.
- Now, I would argue that our service is superior to theirs, but a 30% price difference really matters when considering what consumers are willing to pay.
- So, Spotify, like other companies, has decided not to use Apple's payment system to avoid this tax.
- I am not here to argue for the removal - or even reduction - of this tax. Instead, I want to focus on what happens when we choose not to pay it, and how the decision we've made creates the real issue for Spotify and ultimately, for consumers.
- Based on our choice not to pay the tax -- the result is that our customers must upgrade to Premium elsewhere, such as on their desktop.
- The catch 22 is that we are not allowed to tell users how to upgrade. We are essentially faced with a "gag order" that prevents us from communicating with our own users about our service.
- Yes, you heard right. Apple doesn't even allow us to let consumers using our app know HOW to upgrade their service. And that's where the real problem begins.
- So, for fans using our App, for them to be able to upgrade to Premium, they must leave the app -- an extra step they have no patience for and don't understand. And yet, Apple bars us from helping them figure it out.
- So, our customers are left feeling frustrated and disappointed in Spotify -- for something that is really out of our control.
- And we are punished for choosing the path that not only best aligns with our mission, but really the only one that our business can actually sustain.
- These punishments harm our fans and limit their ability to enjoy the audio content they want from Spotify...with the ease they expect. While these communications restrictions were initially limited in scope, they have become increasingly harsh.



- Take, for example, the way they censor our sharing discounts or promotions with Spotify fans on Apple's platform.
- Like our offer for three months of our Premium service for only 99 cents -- this is a limited time opportunity to upgrade at a significantly lower cost. That's a consumer savings of 97%.
- We aren't allowed to share this offer with our iOS users. In fact, many had no idea this deal even existed. Their ability to choose this offer -- or not -- was denied them by Apple.
- Apple's self-serving explanation of its own biased rules has become so ridiculous that now Spotify cannot even say "Get Premium" nor can consumers ask us to send them details about the product or specific offers.
- But here is the most absurd part: just a few weeks ago, Apple promoted its own offer for a free month of Apple Music via a push notification.
- This is a clear violation of their own policy and a practice they prohibit for services like Spotify. But once again, Apple doesn't believe they should have to abide by the same rules that they insist others follow.
- They've consistently moved the goalposts of compliance during key business moments for us, such as when we run promotional campaigns.
- In other instances, through its one-sided interpretation of its rules, Apple has routinely blocked Spotify from making upgrades and bug fixes that we develop to improve functionality and our customers' experience.
- This leaves our customers frustrated and operating under the misguided assumption that we aren't doing all we can to deliver a great experience for them.
- Apple also makes it impossible for consumers to access Spotify on their devices like Siri or HomePod. Try to ask Siri to play your favorite artist from Spotify - you can't. And it's not because we don't have the technology or the desire for this capability.
- And let me repeat -- Apple puts none of these obstacles in front of its own music service ensuring their own offerings keep a competitive edge.
- So, to recap - we choose not to pay the 30% tax and rather than accept this fact with no consequence, Apple subjects us to a series of unreasonable and anti-competitive punishments.
- Punishments that don't just harm Spotify, but harm our fans and limit their ability to enjoy the audio content they want from Spotify with the ease they expect.
- Apple will likely assert that their actions are not about targeting competitors, but the reality is that the rules are not applied evenly across the board.
- None of the restrictions that Spotify experiences apply to many other services who use the App Store.
- There is no 30% tax on Uber, GrubHub or Deliveroo, or countless other apps available on iPhone, iPad, Apple TV or even the Apple Watch. These services also aren't subject to a gag order.
- To be very clear, we are not advocating that all apps must be charged this tax or all apps have the same communications restrictions as Spotify. This is not the case at all. But we should not be disadvantaged because we compete with Apple.



- Over time, Apple has put its interest as a competitor ahead of its role as a neutral platform provider.
- And this is increasingly true with Apple's recent comments that its future growth will be far more reliant on services offered on its platform.

- At Spotify, we love to compete. And when it comes to winning consumers, we want to compete fiercely.
- We have ping pong tables in every major office for this very reason. It's really in our DNA.
- We are very proud of the business success that we've achieved. That success is the result of a lot of hard work, innovation and strategic risks we've taken over time.
- If it is a level playing field, we truly believe we will bring consumers the many benefits they deserve. And they will choose Spotify as their preferred streaming service.
- If you go back to that decision by Steve Jobs so many years ago...Inherent to the App Store was the notion that Apple had to give up some element of control by allowing other creators to share their innovations with the world.
- Cashing in on the creativity outside of its own ecosystem allowed Apple to sell even more iPhones and get more consumers to download apps.
- But in allowing this access to their platform, it meant that others had the opportunity to win the hearts, minds – and wallets – of consumers. That was the tradeoff.
- Yes, Apple should be able to impose certain restrictions on the apps that can be purchased for use on its devices. Ensuring key levels of quality, safety and security is a legitimate objective for any platform provider.
- That is acceptable and understandable.
- But they shouldn't be permitted to impose restrictions that break the law and cause consumers harm in the process, for the sole purpose of disadvantaging competitors.
- It's like inviting you to a match on our ping pong table and then forcing you to play blindfolded while we change the rules throughout the game. No one here would think that's fair.

- The internet has brought untold benefits that we cannot imagine living without.
- But I go back to that question I am often asked. How do we nurture other start-ups and support an environment that fosters creativity and innovation? And where are the future Spotifys?
- This complaint isn't about two companies -- Apple or Spotify. It's about the companies just getting off the ground, the ones fighting for a shot, the ones that are still an idea in some young person's mind.
- We are early in the process of building this new digital economy that has no borders, whose virtues are real and whose potential is limitless.
- To some extent, the rules remain somewhat loosely defined.



- So, to use Commissioner Vestager's sports analogy, by fielding a team as well as acting as referee, Apple has designed privileges that they alone can benefit from.
- Thankfully, and as all of you in this room well know, we have laws that protect us from behavior like this.
- So, I hope you will join me in agreeing that we must all be held accountable to playing fairly and letting competition work. Because today, the way Spotify is treated is inconsistent from platform to platform.
- In closing, where do we go from here? I recommend three things:
- First, apps should be able to compete fairly on their merits, and not on who owns the App Store. We should all be subjected to the same fair set of rules and restrictions - including Apple Music.
- Second, consumers should have a real choice of payment systems, and not be 'locked-in' or forced to use systems with unfair tariffs such as Apple's.
- If Apple's payment system is good enough to justify a 30% commission, companies will use it.
- If not, then users should be offered a choice of payment system. Apple will say that they have invested in building IOS and deserve that 30% tax and if we aren't happy we shouldn't use an app.
- But let's be honest... no digital consumer business can operate without an app in today's environment so we are left with no choice but to suffer the consequences.
- Finally, app stores should be prohibited from controlling the communications between services and consumers, including unfair restrictions on marketing and promotions that benefit consumers.
- In our world, we operate at 'internet speed'. The harm caused by Apple's anti-competitive behavior can become irreversible if swift action is not taken.
- We are confident the Commission will carefully examine the facts we have presented and do what's in the best interest of consumers.
- There is still time to create a level playing field in which competition happens on the merits of the service. Businesses big and small are counting on the Commission.... Consumers are counting on the Commission. And I am looking to you for guidance as we navigate this uncharted territory.
- Thank you