SOUNDCLOUD'S BUSINESS STRATEGY

Introduction

Soundcloud organisation was chosen as a case study for business strategy analysis. On its official website, it is described as "a social sound platform that gives users unprecedented access to the world's largest community of music and audio creator". It was founded in 2007 by two Swedish engineers Alexander Ljung and Eric Wahlforss. A short while upon beginning, website had 175 millions of unique listeners monthly. It made Soundcloud to be considered as a successful startup. During 2014, Soundcloud has raised $60 million. The whole business was valued at $700 million. Nowadays, Soundcloud's offices are slocated in Berlin, London, and New York.

As a social network, Soundcloud has a specific design allowing such options as likes, reposts, and sharing tracks. It is organised in the way to help users with common shared tracks be united under one dedicated theme. It is valued for common access on social basis of world's community. Soundcloud has allowed being aware of latest original records, connection between its members, and sharing music among them.

Subscription to Soundcloud is organised in the following way. There are three types of subscription: partner, pro and premier. Partner plan is a free one, and it covers approximately 95% of all users. Pro and premier plans differ in storage space, statistics, and flexibility options. However, this summer, the implementation of advertising and payment for listening to the most popular artists' songs were announced. This decision was made under investors' and record labels' pressure. It leads to a question whether Soundcloud will succeed in saving its top position. However, it is also interesting how exactly the company is going to work. For now, the premier access is available only by invitation. Soundcloud explains its new strategy as "every time users see or hear an ad, artists get paid". Proposed model is going to work on premium users. Majority share of revenue will be delivered to premium partners as well as creators. This option will be available for United States listeners only. It is explained by fact that the largest users' segment consists mainly of Americans. For users who are expected to listen 15 or 30-second advertisement before the song, another option will be available. They may pay for not listening advertising.

The paper will discuss Soundcloud's business strategy which is based on criteria of rhetorical devices of resource-based theory.

From a narrative perspective, the strategy itself is a fight between two opposite alternatives which will figure future direction of an organisation. Resource-based theory treat knowledge as a process. In this theory, knowledge is presented as a source of competitive advantage supported with design of rhetorics. According to Silence, competitive advantage is determined by the value, rarity, non-imitation and non-substitutability of its resources or capabilities.

First of all, while trying to analyse company strategy within music industry, it is important to remember that developments in this industry are happening before a strategy was formed. Music consumption is associated with streaming, downloading, file sharing, and updating social media applications.

The value of knowledge

It would be correct to start with the rhetorical construction of the value of knowledge in Soundcloud organisation. The value of firm's knowledge is a socially constructed definition; this issue is always problematic and contestable. The ability to increase competitive advantage

can help to define it. Even when knowledge is demonstrated, rhetoric can increase its value. When Soundcloud appeared, other audio exchanging networks already existed. The principle proposed by Soundcloud organisation was easier to use. This made it popular; however, the fact of using valuable knowledge construction cannot be denied. Thus, in business development section on Soundcloud's web-site, the next description can be seen as "Soundcloud is the world's leading social sound platform where anyone can create sounds and share them everywhere". Definitely, this statement cannot be argued in general, but the formulation does not leave a choice to customer. When user reads the statement planned in such a way, he treats information as unquestionable truth.

Another example of the rhetorical construction of the knowledge value in Soundcloud strategy is discussing successful stories and avoiding speaking about fails. In such a way, marketing and quality management support innovation process. For example, signing of licenses with record labels was described as success despite the fact that only one of three has been agreed. Therefore, the agreement with Warner Music was treated as a huge victory; meanwhile, Universal and Sony groups still need to be persuaded.

Stakeholders-oriented approach

Naturally, product's reputation and identification in society depends on its original characteristics and objective assessments. Nevertheless, being used in marketing, rhetoric involves going beyond brand measures by justifying unique abilities of interested stakeholders.

Soundcloud's business strategy is not limited only to big record labels but also to more than 40 small record companies. Such decision helps to balance between stakeholders' interests. For example, this summer, Taylor Swift has removed her songs from Spotify, the Swedish digital music site. After calculations, she decided that she could make more money from sales of CDs than from downloading tracks on the streaming services. Meanwhile, one of creators of Soundcloud, Mr. Wahlforss, is persuaded their organisation cannot face such difficulties. "We have a lot of creators on the platform and only a tiny fraction of them are signed to major labels. We have a much broader content base. It's really the depth of the content that differentiates the platform".

In such a way, Soundcloud earns double profit. It offers ways for promoting unknown mixed music. As a result, an artist gets extra way to draw revenue. At the same time, a customer gets updated product range.

Observed honesty is also included in the rhetoric schemes of business strategy. It increases clarity and visibility and minimizes frames. Quoted piece of interview shows commitment to external stakeholders, but, at the same time, customers' interests are counted. Big record labels, small recording companies, and users get all possible variety of choices.

Furthermore, having external borders as described with leading stakeholders establishing requirements, leads to flexibility loosing. As a consequence, Soundcloud has faced conflict between small artists' interests and record labels' demands. Actually, Soundcloud is especially popular among DJs as if it is a beneficial platform for beginners. Nevertheless, their mix are often based on music which is already protected by copyright. Thus, it was agreed thar Soundcloud may remove the content of DJs and young producers if it violates ownership. Last licence agreements include right of Universal Music Group to expose materials considered to be label's property. Although this issue may confuse artists, it is better to insure users in finding downloaded records without permission.

Since Soundcloud's direct priority is maintaining copyright, they have developed new identification options. It will recognise the part of content which include "stolen" materials. Thus a user trying to upload track without copyright will be deleted.

Rarity of knowledge

The next rhetorical figure is demonstration of the proposed knowledge's rarity. This criterion is possible since human, financial, and physical resources are limited. In resource-based theory, competitive advantage is caused by valuable, rare, non-imitating, and non-substitutable resources. Therefore, the main reason of Soundcloud to be chosen by customers is its reputation based on its uniqueness. Moreover, being rare increases product chances of attention and, therefore, chances on competitive advantage.

Originally, Soundcloud was created as an alternative service for sharing audio between computers of Berlin's electronic community for musicians and DJs. Ljung and Wahlforss were motivated and dissatisfied with available options. Hence, the appeal to non-imitation has appeared as an outcome. Even though the option of YouTube still existed at the moment of its appearing, Soundcloud managed to find its place. It was recognized as iTunes, and some people considered it as YouTube where anyone can join. The bottom-up approach was used for that.

Non-substitutability of knowledge

It is difficult to find out whether the primacy belongs to competence or success. It includes protects from competitors. The rhetorical construction of the knowledge non-imitation in resource-based theory takes its place which cannot be replaced or duplicated. The other way to avoid having any idea imitated is announcing social importance and describing above causal ambiguity. This tool is also used in Soundcloud's strategy model. In such conditions, the described situation may be characterised as improvisation. In this context, it will mean "the conception of action as it unfolds".

Speaking about strategy in digital innovations, attention to design must be paid. In this market, customer's choice depends not only on usability of product but also on aesthetic properties. Users get used to choose beauty appeared as if they are surrounded with lots of common options. Soundcloud is designed in minimalistic manner: "Everything you see and touch on SoundCloud is down to design. We love simplicity and elegance, and we focus on what really matters: the user". Soundcloud's founders are persuaded that being an artist includes usage of business approaches. Thus, Soundcloud stands in a position of respectfulness either for artist or industry's role in artist's incipience.

The following feature of Soundcloud's strategy correlates with non-substitutability of knowledge. It means that producing should propose not only some innovation but also something that was not offered before. In digital filing, it is important to offer not only distribution of content but also its producing. For example, Soundcloud appeared in market with garage band software, which enabled cheaper and mobile access to music. Meanwhile, iTunes and Spotify could propose only gateways.

Ability to control the knowledge

The next step in analysing resource-based theory point of view is exploring Soundcloud for the purpose of ability to control knowledge. According to it, employees are expected to be trusted. The policy of positive attitude management is also used in Soundcloud's strategy. The strategy suggests evaluating the whole team in perspective instead of considering it on individual level.

On Soundcloud's official website, it is announced that sending an application to any vacancy in Soundcloud team is a challenge. It's important for employee as well as for employer to ensure themselves that the chosen position satisfies both of them.

Soundcloud's model also includes charismatic leadership and a formal planning system. It involves constant improvement of workers' competence. This method is efficient not only

for employee work process but also for showing potential competitors the level of quality. Soundcloud's team credo sounds as "Level up". It is treated as constantly seeking for improvement. The main features the worker must have are self-motivation and a habit to challenge each other at every moment. Team members are not judged by gender, sexual orientation, marital status, race, age, creed, national origin, or the presence of some disabilities. Soundcloud's workers are in the constant process of development. "Each week a different member of our team gives a fun and educational lunchtime presentation on anything from web frameworks to the history of jeans".

In knowledge-oriented system, the cooperation between employees and their skills' improvement is achieved multidisciplinary. In context of a business strategy, it is necessary to evaluate the level of disruption in Soundcloud's case. Discussed above rhetoric concepts lead to either external or internal audience covered with one communicative situation. If the customer is situated in the centre of Soundcloud's marketing policy, traditional treating of the organisation will be lost. "We reach out to and inspire sound lovers everywhere, engaging them with SoundCloud. And we build campaigns, offers, and product improvements to grow our user base and make them happy".

The second bias which Soundcloud's marketing decision faces is treating internal customers as external ones. It means that the situation with employees become the measure of product's evaluation. "Product — the product team knows. We're developing new ideas that will create a simpler, faster, more social platform, web app, and mobile experience".

The third misunderstanding is about displacement of external components of marketing. It leads to incorrect organisation borders. Thus, Soundcloud is influenced by record label groups. The company is valued for free access not only in terms of a listener but also in terms of a young artist. From the beginning, Soundcloud was organized for exchanging music among musicians. Continuing to be a platform for mixes' sharing among young artists, it acts in order to cover the primary option. The desire for growth led afterwards to the necessity of putting up with big record labels' requirements.

Thereby, Soundcloud tries to unite its internal and external communication needs into one option. Such approach leads to closed circle as if there is no exchange of information. It looks much like organisation communicating with itself.

Conclusion

To conclude, Soundcloud is "the world's leading audio platform, allowing everyone to discover unique content anywhere, anytime on the web and on mobile". It is difficult to analyse its business strategy because it is always not easy in case of a digital technologies area. It is hard to understand whether the appearance of organisation has happened according to the strategy or the strategy appeared later.

Finally, Soundcloud is positioned as application for everyone. Key words in which Soundcloud can be described are: diversity, expression, social platform, discovery, and sharing sounds. Three steps of constructing a business model may be extracted as: focusing on strategy as a combination of knowledge, focusing on organisation level, and focusing on everyday social interactions. The kombination of knowledges approach is expressed in showing the value, rarity, non-substitutability, ability to control the knowledges and stakeholders-oriented approach. The value of knowledges is presented in as easiness of Soundloud's of access. Originally the rarity of Soundcloud's proposition is the creation of alternative service for sharing audio between musians. The ability to control the knowledges in Soundcloud's business strategy is realized through iplemention of harismatic leadership and formal planning system. Definetly, it is hard to realize, whether meaning with which Soundcloud was created is still present

in today's terms. At last, rhetoric is a useful step to the increase in competitive advantage. It has direct influence on internal and external producer's audience.