Masters of Scale Episode Transcript: Daniel Ek

> **MILES DAISHER**: It's a new sport called skyaking. It's super fun. I've landed a skyak in front of about 60,000 people in Pittsburgh once, doing about 65, 70 miles an hour. Coming in about to touch the water going, "It's too fast. It's too fast. Just keep the nose up," – and skip, skip, skip, skip – "Yeah." My name is Miles Daisher, I'm a professional parachutist, Eagle Scout, BASE jumper, and friend of the community.

REID HOFFMAN: I hope you've had your coffee today. Because Miles is high energy. In fact, his idea of an early morning pick-me-up is to climb to the top of a really high place… and then leap right off it.

> **DAISHER:** In our sport, we're all a little type A. We're all a little hungry and just kind of running around like, "I want to jump off this. I'm ready to do this." That's pretty much all we think about when we drive around tall objects: "We could jump off of it. Over there on the corner is perfect. Look at this landing area, it's great."

HOFFMAN: Miles has done over 8,500 skydives and 5,000 BASE jumps. But unlike the ancient greek tale of Icarus, Miles is humble when it comes to his own knowledge. He knows that hubris can lead to a downfall that could be literally deadly.

> **DAISHER:** When you're flying a parachute, you're just dust in the wind. If you've got a bad gut feeling about something, that gut feeling got you here. That's what made you survive your whole life until now. Trust your instincts. Trust your gut. Sometimes it's good to just back away from jumps.

HOFFMAN: It's not just his own abilities that Miles needs to have absolute trust in, but those of his jump partners. In one episode of his web series called Miles Above, Miles and his teammates jump from a plane in wingsuits. They then criss-cross each other's paths as the Earth hurtles towards them. The stakes are sky high. One wrong move, one error of judgment, would cause calamity.

> **DAISHER:** We're basically trying to take the sports that we do to the next level. Like we'll we'll change things up to where we take our pilot, Kirby Chambliss, he's an Edge 540 world champion pilot. He loves to come skydive with us too. We'll take him and put him on the back with Luke Aikins with his wingsuit and we come up next to them and we're high fiving Kirby. It may look like it's all fun and games one the videos where we come in and we're just laughing and high fiving but it took a lot to get to that place, and not just skills that we have developed, but an immense level of trust where you're trusting each teammate to make the right decision and to not basically fly into you and kill you.

HOFFMAN: How do they develop that cast-iron level of trust? In the fast-paced world of skydiving, there's not always the luxury of time. So Miles has to rely on shortcuts.

> **DAISHER:** you've got to make judgment call at a moment's notice when you just meet somebody and, "Okay, you're going to fly your airplane around me while I'm flying a wingsuit, and I've got to trust you not to hit me with the spinny part of the front of your

airplane so but you know they're world champions, you know their background is good. But then if I don't trust their eyes, I'm going to say, "Yeah, give me some space." And that's life, that's for everybody, that's not just skydiving and flying.

HOFFMAN: Well, as I always say, trust equals consistency plus time.

DAISHER: Lee Hoffman said, "Trust is the consistency of…" What was that again?

HOFFMAN: The name's Reid, not Lee. And it was trust equals consistency plus time.

DAISHER: Consistency plus time? That is a good formula. Lee Hoffman, man, he's an analyst. He can figure that stuff out. I thought I analyze stuff too much. My wife Nikki says, "You always over analyze stuff!" Well ask Lee Hoffman about that formula, honey, I think he's figured it out. Good job, man.

HOFFMAN: Thanks Miles.

DAISHER: Cool, man.

HOFFMAN: Whether you're spinning through the sky at 10,000 feet, or trying to do something more grounded, there will be times when you need to build trust. That's because trust is a fundamental component of any functional relationship. But it is also one of the most difficult to build. I believe that to quickly build the foundations of a long-term relationship, you have to find shortcuts to trust.

[THEME MUSIC]

HOFFMAN: I'm Reid Hoffman. Founder of LinkedIn, investor at Greylock, and your host. And I believe that to quickly build the foundations of a long-term relationship, you have to find shortcuts to trust. This is especially true if the relationship in question is wracked with suspicion.

Trust is normally based upon a simple foundation: consistency over time. But this is a problem for anyone who hopes to blitzscale. A slow-moving blitz is an oxymoron. You often can't wait for trust to develop at its natural rate. So how do you remove time from the establishment of trust? You have to find a shortcut.

It's like the tentative first dance at the beginning of a relationship. You have to transition from an awkward slow dance to a self-assured quickstep — without putting off your suitor. Neither of you is sure of the other's intent. Is your potential partner in it for the long term? Or will they take you for everything you've got as soon as your guard is down?

When companies partner, they go through the same kind of courtship. But it's hard to even get on the dancefloor when your partner sees you as a mortal enemy. In these cases, you need to be bold. Make a sweeping gesture to win that first dance. Dazzle them — not just with your own innovative moves, but by making them look great.

To test this theory, I talked to Daniel Ek, founder and CEO of Spotify. When Daniel founded Spotify in 2006, online music piracy was at its peak and the record industry was losing the fight.

Daniel had a vision for a free, legal streaming service that would put the world's music at listener's fingertips. It would triumph over piracy. And it would set the music industry on a fairer course that would give record companies and artists their fair share of online music revenues. But to win, Daniel would have to lure users away from pirated music, which they already had for free. He'd have to persuade record companies to set aside their inherent mistrust of all things digital, and give his free service their blessing. In both cases, he had to find shortcuts to win their trust.

For Daniel, trust is more than a five-letter word. It's a concept rooted deep in the culture he grew up in.

> **DANIEL EK:**There's something called the allemansrätten and its literally translation is "everyman's right" and this comes at the core of Swedish. For instance, if you own a piece of property in Sweden, people are allowed to walk your property. If the property is large enough, they're actually even allowed to tent at your property for 24 hours.

HOFFMAN: "Everyman's right" is a very Nordic notion of the social contract. One that sounds kind of crazy to American ears. Try to imagine yourself walking onto someone's property in the US, pitching a tent, and proclaiming it's your allemansrätten as you roast marshmallows over an open fire. You know how that story ends.

But Swedes have a totally different conceptual framework. You have to grow up in it to fully understand it. And this is lesson one about trust: It has different baselines across different cultures. In Sweden, for example, everyone's tax returns are publicly available.

> **EK:** This notion of "private versus public" just doesn't exist to the same extent. Like all income is public in Sweden, like every single one. I think that, plus the fact that it's such a small society, means that the number one thing the whole society is built on is trust, like you can't screw people over. You have to honor your agreements.

HOFFMAN: Daniel sees this deep, Swedish concept of trust as an advantage. And it's fair to say we have Sweden to thank for Daniel's lifelong love affair with music. It started with his family.

> **EK:** It's one of those weird families, like in normal families, you would get a college degree and that would be the important thing, not really in our family. In fact, no one had a college degree, but having a music education was super important.

HOFFMAN: But his country made sure that no child left music behind.

> **EK:** In Sweden, where I grew up, there's actually free music education, which I think explains a lot about how music is so big in that country and why it's such a big export for us as well. You get taken to this place when you're about four or five years old, and you walk around and you get to sample every instrument you can imagine. I walked around and I saw people playing piano, I saw people doing the flute, I saw people doing all sorts of things. In one of the rooms was this person who was playing the drums. I saw that and I was like, "Holy shit, this is amazing. I really want to play the drums."

HOFFMAN: Five-year-old Daniel was blown away by the possibilities. But there was one inescapable reality.

EK: My parents, because I wasn't really that into music at that time and nor did I really want to do it, they said you can pick any instrument you want. "I want to play the drums." They said, "Well any instrument you want… but the drums, because we were living in an apartment and we didn't want to get evicted."

HOFFMAN: Daniel turned to a cool, older cousin for advice.

EK: He had told me that I should pick the guitar because if I pick the guitar, I could actually have a shot with the girls. As a five-year-old, I didn't know what "have a shot with the girls" actually meant, but I thought he was a pretty cool guy, so I ended up playing guitar. That's the story of how I started picking up the guitar.

HOFFMAN: When did you start picking up programming, and then was there any connection between music and programming at that time?

EK: No, it wasn't really any connection between the two. It was a C64.

COMPUTER VOICE: The C64 is also known as the Commodore 64. It was an 8-bit home computer popular in the 1980s.

HOFFMAN: With a cassette?

EK: Yes, with a cassette, indeed. Then one day, the cassette broke. The actual player broke down. I started deconstructing the player and figured out how to fix it. Next time the computer broke down, I took it apart, and then put it back together again and fixed it. Got a bit overconfident so at one point, I asked someone who was an engineer, "What's the hardest thing to learn?" The person said, "Well, C++ is probably the hardest thing to learn."

COMPUTER VOICE: C++ is a computer programming language. It is indeed one of the hardest things to learn.

EK: By age nine, probably I thought, "Hey, I'm going to learn how to program C++." And about 40 pages of code later, I could construct the mouse cursor that moved around, which felt like a lot of work for something relatively simple.

HOFFMAN: Let's talk about your first entrepreneurial venture.

EK: Yeah, about 1997, people had started talking about web pages. And in Sweden at least, it was kind of the craze that everyone should have a web page. So one day, there was someone who asked me if I could create a web page for them. I didn't know how to do HTML and I certainly didn't know how to do anything in design. My instinct was to say no. The person kept coming back and asking me again if I can do it. About the third time the person asked, I decided to just take an absurd number that I can think of just to

make sure I get rid of the person. I said, "Well, sure I'll do it, but I want $5,000 to do it." The person said, "Done." I'm like, "Oh, holy shit, I now actually have to learn how to do this."

HOFFMAN: Daniel built those web pages, and he built them well. Word spread. More people sought him out. He raised his price to $10,000. And they agreed to pay. What happened next is one of the most audacious examples of scale I know of, especially for a teenager.

> **EK:** Fast forward, I'm now like in later stages in elementary school. I had all the people in my class that were good at math and I taught them how to do HTML for me and the people that were really good at design, I taught them Photoshop. I was basically running an illegal sweatshop, when I was 14. That was the start of my entrepreneurial career.

> **HOFFMAN:** It wasn't so much as a sweatshop, because unlike classic child labor things, which is like, "Oh, they're working 12 hours a day..." and so forth. This is very high price goods with skills that help them have entire careers later and so forth. The entrepreneurial side of this is cool. One would normally think that when you experience this much success early, you would just keep doing it. What caused you to go like, "This is great. I've got a huge income coming in. I did that, time to move on"? What was the thinking?

> **EK:** What I started off doing was I bought the TV I wanted, I bought the guitars that I wanted, and I even got the computer that I wanted. Eventually, I ran out of things to buy.

HOFFMAN: Notice that among all the material possessions he lists, Daniel the music fan doesn't mention buying records or CDs. It's not because his love of music had died. Quite the opposite. Daniel was listening to more music than ever. But like most people across Sweden, he was buying less of it.

The age of music piracy had begun. And Sweden was leading the way. Thanks to government-mandated broadband, the country was way ahead of the rest of the world in terms of internet speeds. Music files that took hours to download in other countries could be downloaded in Sweden in seconds. People became used to fast, free access to stolen music. And Daniel was no exception.

But piracy did more than super-size his music library. It gave him a calling.

> **EK:** The pivotal moment when I realized that I wanted to work with the internet specifically, not just as a software developer, was the first time I tried Napster.

> **SIRI:** Napster was a file sharing service launched in 1999. It was infamous for allowing people to illegally share huge amounts of copyrighted music.

> **EK:** For me, it was like really an epiphany because up until that point, the internet was mostly about text and maybe some blinking GIFs. All of a sudden came this Napster thing, which enabled you to get access to the entire world's music. For someone who's really into music, it was phenomenal. I've discovered so much great music from it. When

it got shut down, I figured that you can't put the genie back in the bottle, so something like it must exist.

HOFFMAN: Daniel was right. The genie was out, and there was no going back, despite the best efforts of record companies. Napster may have been sunk by a legal broadside in 2001. But others sprung up to take its place. The genie had granted every music fan their wildest dream: No less than every piece of music ever recorded. For free.

The record companies went to desperate extremes to stop it. They sued piracy services, and even private individuals. Meanwhile, artists from Britney Spears to Metallica railed against the illegal downloaders, saying it was as bad as shoplifting CDs. Musicians had lost trust in their fans. And fans lost trust in musicians. Trust was at an all-time low across the board.

And this was Daniel's opportunity.

> **EK:** I thought long and hard about what I was passionate about and what made me get into technology to begin with. Funnily enough, I took a stint off for a few months and just played guitar, like on the road with various Swedish artists. I was doing more soul searching than anything else.
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> What came back to me was I had these two passions in life: music and technology. It started dawning upon myself: why haven't anyone fixed this? Why haven't anyone made the Napster thing work, both for consumers and work for artists as well?

HOFFMAN: From his outsider perspective, Daniel saw that music consumption had become a zero sum game. A war between music fans and music companies where one side had to win and the other side had to lose. Daniel believed this could be fixed — but he'd have to both sides to trust each other — or at least, to trust him. I asked Daniel about his strategy, when he set out to build Spotify, and bring both musicians and fans to the table.

> **HOFFMAN:** What was your theory about that inclusion? Was that like, "Oh god, this is going to be really hard?" Or actually, in fact, "No, no, we should be able to do this because this helps all of them get to the internet age as well."
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> **EK:** Yeah. I was just really naive to be honest then. Like many other entrepreneurs, I didn't understand nearly enough what it would take to get this to work. It really started with just being your own customer in the sense that I had this idea of the kind of product that I wanted to see in the world. The way I articulated that to my team was: what if we can build something that makes it feel like we had all the world's music on your hard drive? If we can create that feeling, we would have built something that's much better than piracy, so we're going to get people to consume it. The second part of that equation, in order to not get shut down is obviously, it has to work for artists.

HOFFMAN: Daniel was clear about what his product needed to deliver. But he had misjudged the depths of mistrust and acrimony that were coursing through the music industry. And he was about to dive head first into this treacherous riptide. To avoid being pulled under, he realized he needed to win the trust of the consumers and the record companies.

And it would be an Olympic effort. Remember what Daniel just said:

> **EK:** If we can create that feeling, we would have built something that's much better than piracy.

HOFFMAN: Daniel wasn't just going to build something great. He had to build something better than piracy. Music lovers already had the world's music at their fingertips. Daniel would have to build something so compelling that it was better than free. How do you create something better than free? One word: Speed.

> **EK:** The speed thing was something that I obsessively focused on.

HOFFMAN: Although illegal downloads were free, they could be slow. So Daniel would offer something faster than piracy. But he wasn't satisfied by just being fast. What he knew — and focused on relentlessly — is that music lovers would be won or lost in the first few seconds of trying his product. No, scratch that. In the first milliseconds. Two hundred milliseconds, to be exact. Daniel wanted the gap between a user hitting play, and the music hitting the user's eardrums, to be imperceptible.

> **EK:** I read in this book that the human brain takes about 200 milliseconds to perceive anything, like at all. I said to the engineering team, we gotta get this down to 200 milliseconds. At that time, that was 2006, that was considered crazy.

HOFFMAN: Daniel never gave up his so-called crazy emphasis on speed. He pushed his product team relentlessly. Until they made Spotify so fast, it seemed like magic. And like any good magic trick, it relied on some timely misdirection.

> **EK:** We never got it down to 200 milliseconds consistently. We got it down to about half a second but when you play then with things such as the throbber...

HOFFMAN: ...The throbber is the animated symbol that indicates a piece of software is working on something...

> **EK:** …and you actually, cognitively make it move even before there's sound, the human brain perceives it to be instant even though technically, it wasn't. There's a lot of things that you could do, and I got really into the details there of just creating an amazing experience that solved the end goal. I think I was very clear from the beginning that this needed to feel like you had all the world's music on your hard drive. Meeting entrepreneurs today, I would say, it's very rare that I hear someone who can articulate what the end status of that product that they're trying to build, we realized if you do solve that, that's going to be a huge thing.

HOFFMAN: One music lover who immediately fell under Spotify's spell was Gustav Söderström. He's now Spotify's chief R&D Officer. But when he first saw Spotify in 2009, he hadn't yet joined the company. He became an instant fan.

GUSTAV SÖDERSTRÖM: So for me, it was really this illusion of how did they download the entire internet to my computer? This is amazing. It must be a trick. I thought it was a trick. I was trying to look behind the computer, like they have this huge hard drive somewhere, right?

HOFFMAN: Gustav joined Spotify to lead the roll-out of its mobile version. He's now overseeing all design, technology, data, and engineering. He believes the illusion of a fast download was what set Spotify apart from the free music that was already available.

SÖDERSTRÖM: The offering that consumers had, it wasn't legal, and it was horrible for creators. But from a consumer perspective, it was fantastic. And to this day, the piracy catalogue was and is bigger than any streaming music service has. So the right question is :why on earth did Spotify work at all when people already had this?

Spotify had a very distinct magic trick, the magic trick was the illusion of actually having all of Pirate Bay downloaded to your hard drive.

SIRI: Pirate Bay is a website that allows people find and share media. Founded in Sweden in 2003 by an anti-copyright organization.

SÖDERSTRÖM: So whatever song you clicked, it started playing immediately. That was the magic trick.

HOFFMAN: The science-fiction author, Arthur C Clarke put it best when he said, "Any sufficiently advanced technology is indistinguishable from magic." And every truly great consumer product has had one magical feature that gave it the "wow" factor. With the Tesla, it was the unbelievable acceleration, which they call "ludicrous" mode. With the iPhone, it was the multi-touch screen. And with Spotify, for its initial users in Sweden who gave it its start, it was the speed that made them believe. Speed was Daniel's shortcut to his user's trust.

But to cement a long-term relationship with users, speed was not enough. Spotify would have to prove its worth, day after day. And for hard-core music fans and casual listeners alike, this meant helping them discover and share music. Playlists would be key.

SÖDERSTRÖM: If you think about the original Spotify, it really was a fantastic product for music lovers, but all it really was, it was a search box and this playlisting tool. You could literally soundtrack your entire life with these playlists, but you had to be a music aficionado. A few years later, there was this company called Tunigo that wrote an app that you could use inside Spotify.

What they had is a set of editors who actually created playlists for different occasions. They had playlists for dinner with friends, for barbecuing, for running. Back then, most users playlisted along genres, but they playlisted along use cases, and for the masses.

Now we on the inside, we actually saw the data, and we saw, "Wow. These playlists are doing great. These people are really good at playlisting." We ended up acquiring this company, putting them on the inside, and giving them access to the actual data where they could see the number of skips per song and how the music playlists perform. They

became very quickly, the world's, by far, most data-driven editorial team who could really optimize for engagement.

What then happened was, the whole machine learning wave started to happen. If you asked someone who loved music, they said, "A machine could never curate for me." It wouldn't happen, but actually the opposite happened

HOFFMAN: By analyzing massive amounts of data, and by keeping human curation at its core, Spotify created an approach to playlists that users grew to trust. Casual listeners tuned in for playlists of workout music or tunes for a summer barbecue. Hardcore music lovers were shocked by how well Spotify predicted their taste. They came to trust Spotify. If Spotify was going to succeed over the long term, users would have to trust them with more and more of their time over the short-term, before they made a long-term commitment. Instead of pushing them to pay, Spotify used a great free product as a shortcut to trust.

SÖDERSTRÖM: We give you a free product and the better that free product is, the more you use it, the more you're going to convert. It's the most engaged people. They want additional features. They want offline mode. They don't want the ads. They want speakers. All these things right? When you think about it, it's kind of obvious, but it says something. It says that your free products should be as good as possible to capture as many people as possible, and make them as engaged as possible.

We got someone in who was using music maybe once a week. They clearly didn't think it was worth $9.99. Then we gave them this great free product, and they started using music more and more and more. At some point they hit, "I use this thing everyday, it's easily worth $9.99." Instead of assuming a finite world of people who are already convinced, we have this machine that creates music lovers, whereas most of the rest of the industry have the opposite. They're saying, "What if we frustrate the free users as much as possible? Surely we're going to push them over." What happens is they push them out.

HOFFMAN: Daniel found shortcuts to trust with his users. And he kept building and building on those long-term relationships. But there was still an important hurdle he needed to cross. One that would be fatal to his plans if he failed to clear it. He needed the music industry on board. And for this, they'd need to trust him too.

Daniel decided to shortcut the time it would take to get the industry to trust him by offering something the pirates hadn't: money. If he offered the record companies some revenue, he was sure they would jump on board.

EK: My thinking was, well, up until that point, Napster and everyone else just haven't shared any of the revenues, so I'm sure we can figure out a fairly straightforward revenue share deal with the music industry, and they'll be happy because they get more than what they're getting now. Obviously, it turned out that it wasn't that easy.

HOFFMAN: A straightforward deal doesn't cut it, when you're negotiating with someone who believes you're a mortal enemy. And that's what's so interesting and unusual about Daniel's story. Daniel is a disruptor. But most disruptors don't actually work with the industries they're

disrupting. Most of these disruptors just reinvent, push things aside, create their own closed loop. Uber doesn't work with taxi companies. Airbnb doesn't work with hotels. They just kind of go, "We're doing our own thing. And you have to adapt around us."

But Daniel's plan depended upon the industry's involvement. He had to get the rights to their back catalogue. He needed the record industry's trust. And he needed it quickly. In the relationship prom, Daniel had to make a first-dance gesture that would sweep the record companies off their feet. Offering a revenue share was not enough. I asked him how he ultimately got them on board.

> **HOFFMAN:** Go into that a little bit because, without getting the licensing, the buying from labels, or buying from the artists, scale not possible.

> **EK:** Yeah. It was really, really tough. I essentially told them, "Hey, you should really give away all your music for free over here and make it legal because eventually, people will start paying for the product." Not very surprisingly that wasn't a very convincing story to tell.

HOFFMAN: Record companies had been fighting this new technology tooth and claw. It was a tactic they had used previously in the 80s, when they claimed home taping was killing music.

> **ANNOUNCER:** Is your teenager spending all day in their bedroom as they try to record the grooviest new sounds off the radio? Do you realise that this kind of aberrant behavior is CRIMINAL and is a direct cause of low school grades, drug use, devil worship and even MURDER. That's right, MURDER. Because by home taping, your teen is K-K-K-KILLING MUSIC.

HOFFMAN: Record companies were being assailed from all sides by services like Kazaa, BitTorrent, and Pirate Bay. They saw all streaming as a deathly threat. And Spotify, with its free subscriptions, was no different. Daniel had a lot of convincing to do. First, that he wasn't trying to kill the music business. And second, that he could save it. Clearly, it was not going to be easy to win the trust of the record industry. So Daniel came up with a short cut.

> **EK:** If you looked at Sweden, at that time, I think, it had lost more than 80% of its entire revenue base. It was really in shambles. Going from the beginning where I try to get everything in all markets and realizing that that wasn't going to work, I decided to shift strategy and instead take a very narrow market, where they lost most of it and said, "Look, why don't I prove this to you and take it to my own home country?" I essentially told them like, "I guarantee you one years' worth of revenue in that market if you enable this business model."

HOFFMAN: Daniel was de-risking the deal for the record industry. He'd take a painful short term loss in exchange for the possibility of a long term win. This is exactly the kind of short cut that wins trust. The kind that puts your partner's self-interest decidedly and dramatically ahead of your own. This reminds me of a very similar conversation I had recently with Marissa Mayer. Marissa was most recently the CEO of Yahoo, and has now started a new venture, Lumi Labs. But she's best known for her role at Google, where she intensively analyzed user behavior to improve products. She told me a story that happened her first week at Google, when she joined

as employee #20. Google was a teeny up-start then. And they had just partnered with Netscape, the industry giant.

> **MARISSA MAYER:** I walked in and Heather, the office manager, said, "We're down. Google's offline." It turned out that Netscape, we thought they were going to send us one fifth of their queries, but for a period of time they sent us all of their queries, and it was more capacity than we could handle. It knocked us offline.

HOFFMAN: They had to decide: Keep their own website up and disappoint their partner? Or service their partner and take their own site down?

> **MAYER:** They actually took our site down and put up a line saying, "In service to our partners, Google.com will be off service," basically until further notice. It was a really, really chaotic day. I remember it was not very confidence-inspiring, because we had this little kitchenette for snacks and there was a little cranny, and I walked in there, I think I found Larry in the cranny.

HOFFMAN: That's Larry Page, Google's Co-Founder.

> **MAYER:** I was kind of surprised, I turned around and saw him there. I was like, "Hi," and he was like, "I just needed a minute to think about what to do."

> **HOFFMAN**: "This is my private moment."

> **MAYER**: I was like, "Okay."

HOFFMAN: By putting Netscape's interest squarely ahead of his own, Larry was making a strategic short-cut to gain their trust, and build the foundation for a long-term relationship. But it wasn't an easy decision. It's exactly the kind of decision that would send you straight to the cranny in the kitchen. But Larry made the right call. And, well, it has worked out pretty well for Google.

And it's worked for Spotify as well. Daniel earned the trust of the music industry. He had the trust of listeners. And that got him the attention of investors, who now trusted him enough to put real money into Spotify.

Daniel was on a roll. Surely, now that he had proven himself, it would be a simple matter to extend Spotify's reach out of the Nordic countries and into the rest of Europe, and then the US. After all, the music rights were owned by the same record labels. Even, in a lot of cases, the very same record executives that Daniel had already proven himself to.

> **EK:** I kept being really surprised by how lukewarm everyone ended up being on the other side. I was starting to second guess my own enthusiasm about the space. And I remember, specifically, I was on one of these major label's retreats and my pitch was "We're entering the golden age of music." And there wasn't a single person applauding anything I said. They just looked completely shocked. I walked off stage and there was like this one guy that came up and said, "Oh, it was a really interesting speech. This is

the first time anyone said anything positive today." There had been in such a long sequential decline that anyone seeing anything different was just unbelievable.

HOFFMAN: Outsiders tend to stay on the outside a long time. It wasn't until 2015, almost a decade since Spotify had been established and seven years since the Nordic experiment, that Daniel says he started to feel like he was a part of the conversation.

> **EK:** This is a community where people have known each other for 20 plus years. If you'd only been there for like 10 or 15, you're kind of a newcomer, like maybe you'll be around, maybe you won't. I'm still a bit considered the outsider, but what I realized was when I started getting included in the conversations that they were having, that's when the general acceptance started happening. And that's where we could build mutual trust and start working together on what I think will be kind of the next level of growth for the company, where music in and of itself will change.

HOFFMAN: They may have hacked trust to get the initial buy in. But Spotify is still working toward the long-term relationship they want with the record companies.

> **EK:** At the end of the day, it's about trust and if you say that what you're going to do and then keep on doing that, you will do pretty well. If you think about what we're now trying to do as a public company, it's exactly that. I didn't realize it but it's been quite a cultural shock for even Wall Street to start realizing, and I'm hoping that they'll get to it and eventually start trusting us.

> **HOFFMAN:** Well, consistency over time is part of trust.

> **EK:** Indeed.

HOFFMAN: I'm Reid Hoffman. Thank you for listening.