

# Spotify ad business has room to grow—if it can capitalize

Article

Ahead of Spotify reporting its third-quarter earnings this afternoon, here's a little recap of what the platform has been up to over the past few months. Plus, our thoughts on the moves.

**Listen in:** Last month, [Spotify launched audiobooks](#) in the US, making more than 300,000 audiobook titles available to users for purchase.

- CEO Daniel Ek estimated that **audiobooks represent a \$70 billion a year opportunity** for Spotify.
- Currently, the books are available a la carte, but according to Nir Zicherman, vice president and global head of audiobooks and gated content, **the company is actively exploring other business models.**

**Our take:** It's a smart move for Spotify to wait and see how popular audiobooks will be before bringing advertisers on board. But if the service resonates with consumers, it won't be long before Spotify tries to monetize it.

**A step up:** Spotify may soon add a **Platinum tier** to its subscription options, according to a survey sent to a user after they canceled their Premium subscription.

- The tier would include hi-fi audio, a headphone tuner, and limited-ad Spotify podcasts, among other features, for \$19.99 a month.

**Our take:** Spotify's subscriptions represent a large majority of its business, so adding an option that caters to its most music-obsessed users makes sense. But at \$10 more than the Premium subscription, does the Platinum option offer enough features to get consumers to trade up?

**Ad wars:** **Ad revenues grew 31% in the second quarter, making up 13%** of Spotify's total revenues, a record high for the company.

- Despite an "up and down" ad business in the third quarter, the company remains **bullish on its advertising opportunities.**
- CFO Paul Vogel also hinted that Spotify may build out measurement and attribution tools to help make advertising on the platform easier.

**Our take:** There's money in audio advertising, and Spotify has its eye on the ball. We forecast that Spotify's ad revenues will increase nearly 50% this year, totaling \$1.15 billion this year and \$2.13 billion by the end of 2024.

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