

Spotify struggles to balance podcasts, AI, and user engagement

Article

The news: Spotify's push into podcasts and visual content could be spreading resources thin, evident in the underwhelming launch of [Wrapped](#), its annual user-activity recap.

- [Many users criticized Wrapped](#) for relying too heavily on generative AI (genAI) designs and omitting the detailed metrics that many users look forward to.

- In its efforts to give creators and users a one-stop content platform, Spotify may be failing to prioritize its most popular features.

Creator services: In the past year, the company has shifted its focus to tools for creators and visual content to increase user engagement. This effort to diversify revenue streams stems from [investor pressures](#) and the need to maximize its audiobook and podcast investments.

- Spotify pays “hundreds of millions” to audio publishers each year, per Axios, and CEO Daniel Ek said that getting returns for its [audiobook investments](#) are a top priority.
- Last month, it launched a [revenue-sharing program for video podcasters](#) to grow its video content library and better compete with YouTube.

The downside: Some of those efforts may be requiring more time or effort than Spotify had anticipated.

- It took over approving podcast comments after realizing creators found [moderating comment sections](#) to be a burden, potentially reducing engagement.
- Although it announced its in-house ad agency, [Spotify Creative Lab](#), in June, mentions of it were absent from Q3 earnings results and discussions, suggesting the project hasn’t taken off yet.

What’s the AI plan? Spotify has been vague about how it plans to use AI for revenue or engagement, though Ek said it doesn’t plan to spend “recklessly.”

- There aren’t many initiatives that can move Spotify’s engagement figures on a broad level, according to Ek, with the exception of [Spotify’s AI DJ](#) and music video offerings.
- He said that the effects of AI are “both thrilling and humbling” and that if an initiative can boost usage, engagement, or retention, the company will pursue that.

The opacity suggests Spotify hasn't fully decided how far to push AI and may be testing its application based on user feedback.

Our take: Customization has been key to Spotify’s success, and while podcast contracts and ad revenue are important to investors, a lackluster Wrapped coupled with a growing [library of AI-generated music](#) could alienate its most valuable asset: listeners.

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