

What's going on in audio advertising? Spotify grows, podcasts go global, and radio is a safe bet

Article

This year has been **a tough one for advertisers** as inflation impacts consumer spending, causing ad spending to fall.

Here are three insights about the state of audio advertising and what's in store:

1. Spotify keeps growing, but it isn't unaffected by the advertising downturn

Spotify had a successful third quarter, adding 23 million monthly active users to its platform and growing total revenues 21% year over year.

A running start: Spotify had a head start over other music streaming services, said our analyst Daniel Konstantinovic on a recent **"Behind the Numbers: The Daily"** podcast.

- Spotify **debuted in the US** in 2011 and quickly became the "go-to" platform for streaming music, long before competitors like **Apple Music** and **Amazon Music Unlimited** emerged.

Just for you: Spotify does personalization better than anyone else. The platform's ability to provide personalized experiences for its users (think Spotify Wrapped and recommended playlists) helps it keep subscribers engaged and entice those not on the platform to give it a try.

Not-so-bright spot: Despite a surge in users, Spotify slightly missed the ad revenue mark.

- Last year, third-quarter **ad-supported revenues** grew 75%. **This year**, that number was down to just 19%.
- "[Spotify isn't] immune to a big slowdown that's happening in ad spending overall—it's affecting everyone," said Konstantinovic. "[The company is] going to have to cut through the noise a little bit and show that [it] can still grow after this downturn ends, or emerge from it in a better position."

2. The podcast landscape is shifting

We predict that **worldwide podcast listener** growth will continue to slow as the explosive rise in adoption over the pandemic levels off. Listener growth will mainly come from **France, Germany, and China**, which have some of the largest growth rates in our forecast outside of the US.

US spotlight: The number of US podcast listeners will grow 5.0% this year to reach 124.5 million. Time spent with podcasts is increasing as well, totaling 23 minutes a day this year and growing to 27 minutes by 2024.

Meanwhile, US ad spending on podcasts will increase 30.0% this year and continue to grow by double digits through 2026. Programmatic podcast ad spending will make up an increasing portion of total podcast ad spending, reaching nearly 10% by 2024.

3. Radio's resilience persists

Staying alive: Around 214 million people in the US listen to traditional radio today, down just 3% since 2008.

- Radio ad revenues have decreased (\$11.10 billion this year, compared to \$17.69 billion in 2008), but radio advertising is still in pretty good shape.
- Though radio's share of total media ad spend is shrinking (down to just 3.0% next year), advertisers may not want to count it out just yet. "I think radio stands to benefit a lot, especially right now," said Konstantinovic. "[Its costs per thousand] are lower than other media, and radio has a very dedicated listenership. I think advertisers are very cautious about where to spend right now, and something like radio that's cheap and effective and always there, it's a safe bet for them."

Something to think about: "Most of the country drives, so most of the country listens to radio," observed podcast host Marcus Johnson. As cars evolve to become more connected/autonomous/electric, will that have an impact on radio listenership?

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