

Spotify rebrands ad platform to capture more advertising dollars

Article

The news: Spotify recently rebranded its self-serve ad platform from **Spotify Ad Studio** to **Spotify Ads Manager**, per Ad Age, part of a strategic move to enhance its advertising capabilities and attract more programmatic ad buyers.

- The new platform includes expanded features such as video ad units and a more robust targeting system, with audience segments quadrupling to over 100.
- This change is designed to make the platform more accessible and effective for advertisers, particularly as Spotify seeks to diversify its revenue streams.

In 2018, 15.63% of Spotify's revenues came from ads. That percentage declined in 2019 and 2020 but has since grown annually. We forecast that 21.45% of Spotify's revenues will come from ads in 2025.

The programmatic push: The rebranded platform is not just about a name change; it reflects Spotify's commitment to simplifying the advertising process.

- Spotify Ads Manager offers a more user-friendly interface and advanced tools that let advertisers target specific audiences with both audio and video ads.
- By expanding its targeting capabilities, Spotify aims to attract a broader range of advertisers, from small businesses to larger enterprises seeking more precise ad placements.
- A recent partnership with **Yahoo's** demand-side platform (DSP) opens Spotify's ad inventory to programmatic buyers outside its self-serve system; the move is part of a broader industry trend of emerging ad platforms like Spotify, **Netflix**, and **Uber** turning to programmatic channels to drive ad revenues.

Empowering clientele: Spotify recently launched its **first in-house creative agency**, **Spotify Creative Lab**, to offer custom marketing solutions for brands.

Additionally, Spotify is testing a generative AI tool called **Quick Audio**, which allows brands to produce voice-overs and audio scripts, streamlining ad creation.

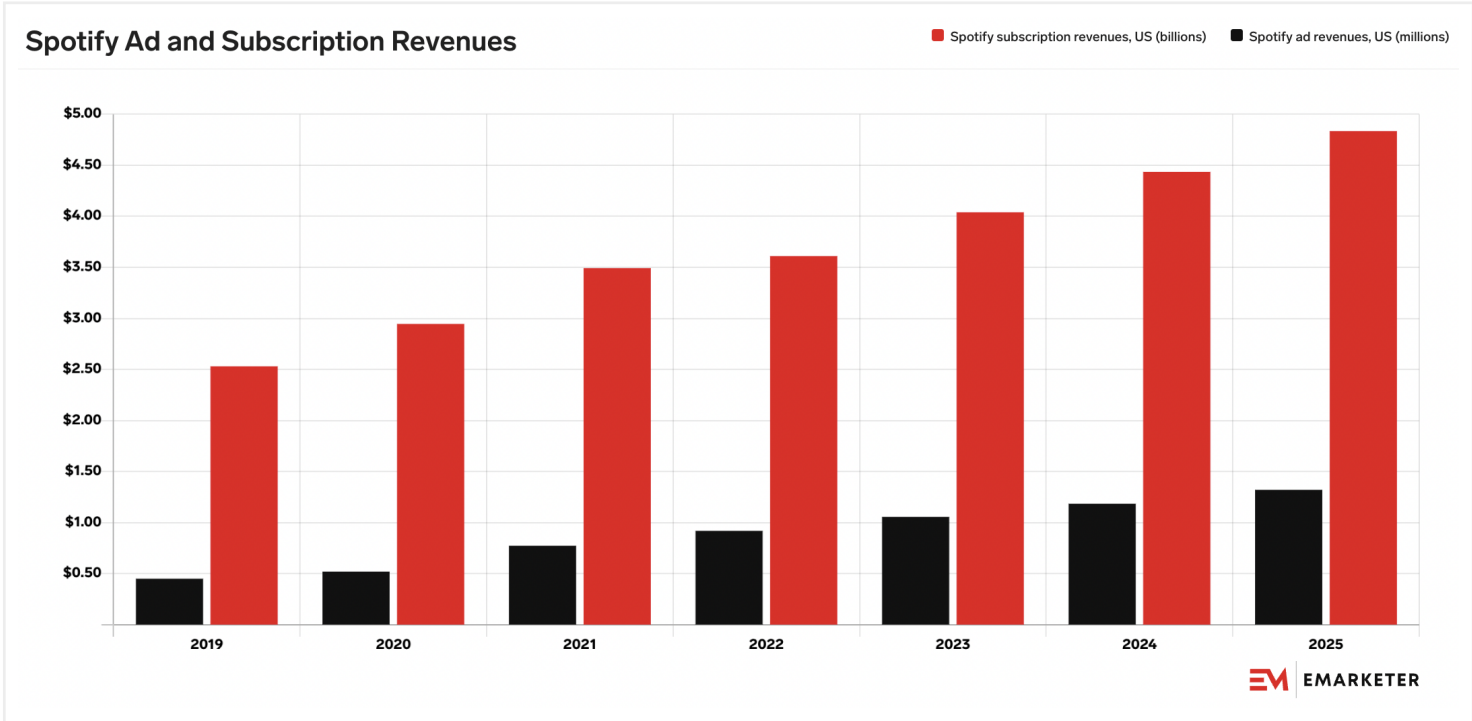
Revenues over subs: Spotify has traditionally relied on premium subscriptions as its primary revenue source but faces pressure from investors to boost its advertising income. Its **18% ad revenue growth in Q2** pales in comparison to subscription revenues. To address this, Spotify is focusing on **attracting small and midsize advertisers** with its revamped platform and creative offerings.

Yes, but: Spotify faces challenges in fully capitalizing on its ad space. Since nearly 40% of its users subscribe to ad-free premium accounts, that limits Spotify's ad reach.

Moreover, the platform's user behavior—with the app often running in the background—poses challenges for visual ad formats. **That makes it crucial for Spotify to continue innovating in audio advertising**, where its users are most engaged.

Our take: The success of Spotify's advertising business depends on how well it can balance the needs of advertisers with user expectations.

Spotify will need to ensure its fresh initiatives drive meaningful growth in ad revenues without compromising the user experience.



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