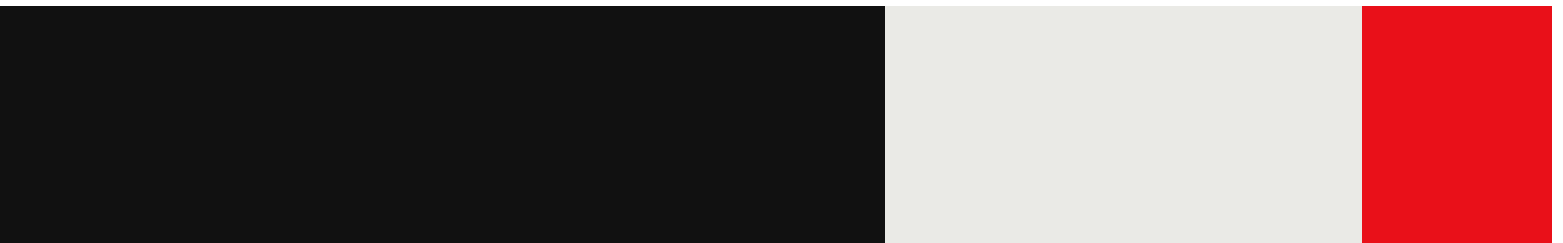


Spotify's ad business is booming, and it owes it all to podcasts

Article

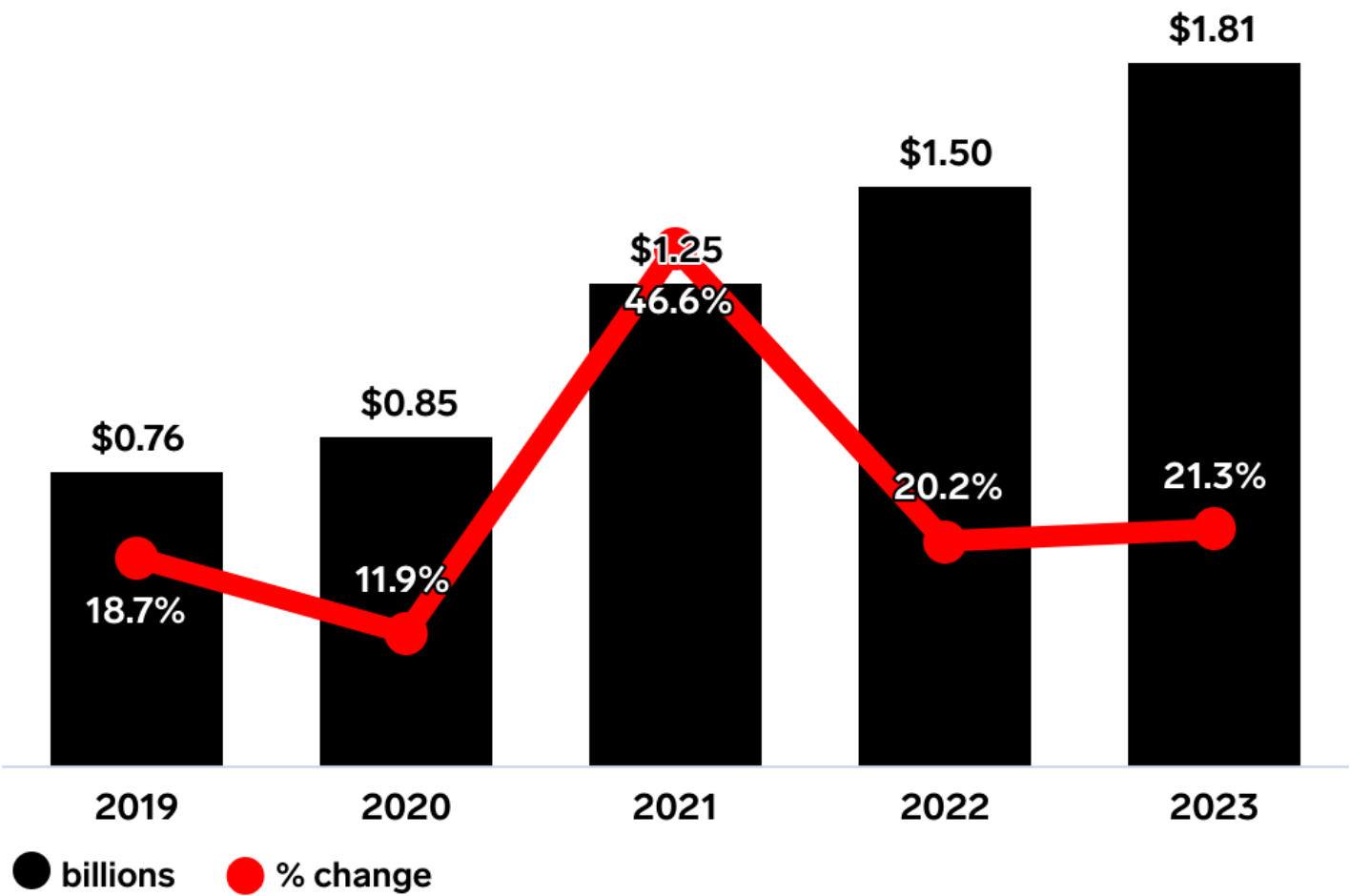


The news: Spotify's ad revenues jumped **75%** year over year (YoY) in Q3 to **€323 million** (\$368.3 million), the company reported in its earnings on Wednesday.

- Ad revenues have typically made up around 10% of Spotify's total revenues.
- This quarter's growth brings advertising's share of total revenues to an all-time high of **13%**.

- Key stats:** The audio giant now expects its total 2021 ad revenues to hit **€1 billion (\$1.16 billion)** for the first time.
- That's in line with our own forecasts, which estimate Spotify will hit **\$1.25 billion** in worldwide ad revenues this year—up **46.6%** from 2020.

Spotify Ad Revenues
Worldwide, 2019-2023



Source: eMarketer, October 2021

eMarketer | InsiderIntelligence.com

What this means: Spotify's massive investments in podcasting are largely responsible for this boom.

- Advertisers' hunger for podcast ads has grown rapidly—in part due to strong **growth** in listenership, but also because podcast listeners tend to be highly **engaged** and more receptive to a brand's message.
- To meet this growing demand, Spotify has rolled out new streaming ad insertion tech, expanded its self-serve **Ad Studio**, and launched **Spotify Audience Network**, an ad marketplace for its original and exclusive content—all in the past **year** alone.
- That's in addition to the hundreds of millions it has spent securing exclusive rights to popular podcasts, like "The Joe Rogan Experience," and inking deals with Kim Kardashian and Michelle Obama.
- We **expect** podcast ad spending in the US to hit **\$1.31 billion** this year, up **51.3%** from 2020. Considering Spotify now **captures** more of the podcast market, and that **Apple** only allows for baked-in, host-read ads on podcasts, Spotify is responsible for the lion's share of that growth.

What's next? Per our forecasts, podcast listeners will keep rising steadily, and Spotify's share of those listeners will keep pace.

- As those metrics grow, so too will Spotify's ad revenues: **CEO Daniel Ek** said he expects ads to make up at least a fifth (**20%**) of Spotify's revenues soon, rising to 30% or even 40% over the next 10 years.
- Given the success of its podcasting strategy so far, advertisers can expect Spotify's investments in new podcast ad products to keep rising. For example, we **wrote** just last week about Spotify's expansion into video podcasting, theorizing that video podcast ads will follow very soon.