

Spotify stays strong through a rocky 2022, but podcasts have a rough road ahead

Article

The news: Spotify exceeded investor expectations in Q4, reaching a landmark 489 million monthly users, up by 33 million, and 205 million premium subscribers. Revenues came to

€3.17 billion (\$3.33 billion), just above expectations, but losses widened to €1.40 per share as its podcasting business continues the long road toward its stated [\\$20 billion goal](#).

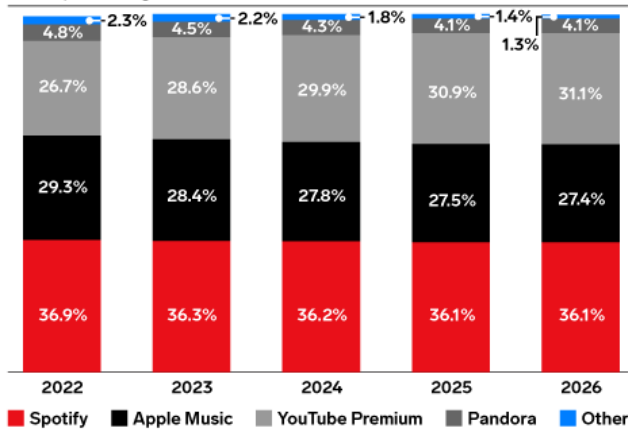
- Advertising revenues grew 14% year over year and made up 14% of total revenues, which fell 1% from Q4 2021. The company's stock soared Tuesday as other companies like social media and streaming services struggle to keep ad revenues in check.

How to look at Spotify: If your knowledge of Spotify was based on headlines alone, you'd assume the company's primary business is podcasting. But despite its long-term podcasting ambitions, Spotify is still a music app first.

- Spotify is the leader in audio streaming. With free options, a relatively cheap premium subscription, and an extreme degree of personalization, Spotify has carved out a powerful presence not just in audio but in broader culture. Easy and constant access to music has become an expectation for consumers—something they're willing to pay for even as other subscription services get cut.
- Q4 is the timing of its largest annual marketing project, **Spotify Wrapped**, which carefully catalogs a listener's user habits in a shareable deck that's been mimicked not just by audio competitors, but streaming services, gaming platforms, and more.

US Paid Digital Audio Subscriber Market Share, by Company, 2022-2026

% of paid digital audio subscribers



Source: eMarketer, Sep 2022

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Podcasts are Spotify's frontier: While its success with music is nearly guaranteed (even though competitors like **Apple Music** are [attempting to find](#) a similar place in pop culture) it

makes sense that all eyes are focused on its podcasting business.

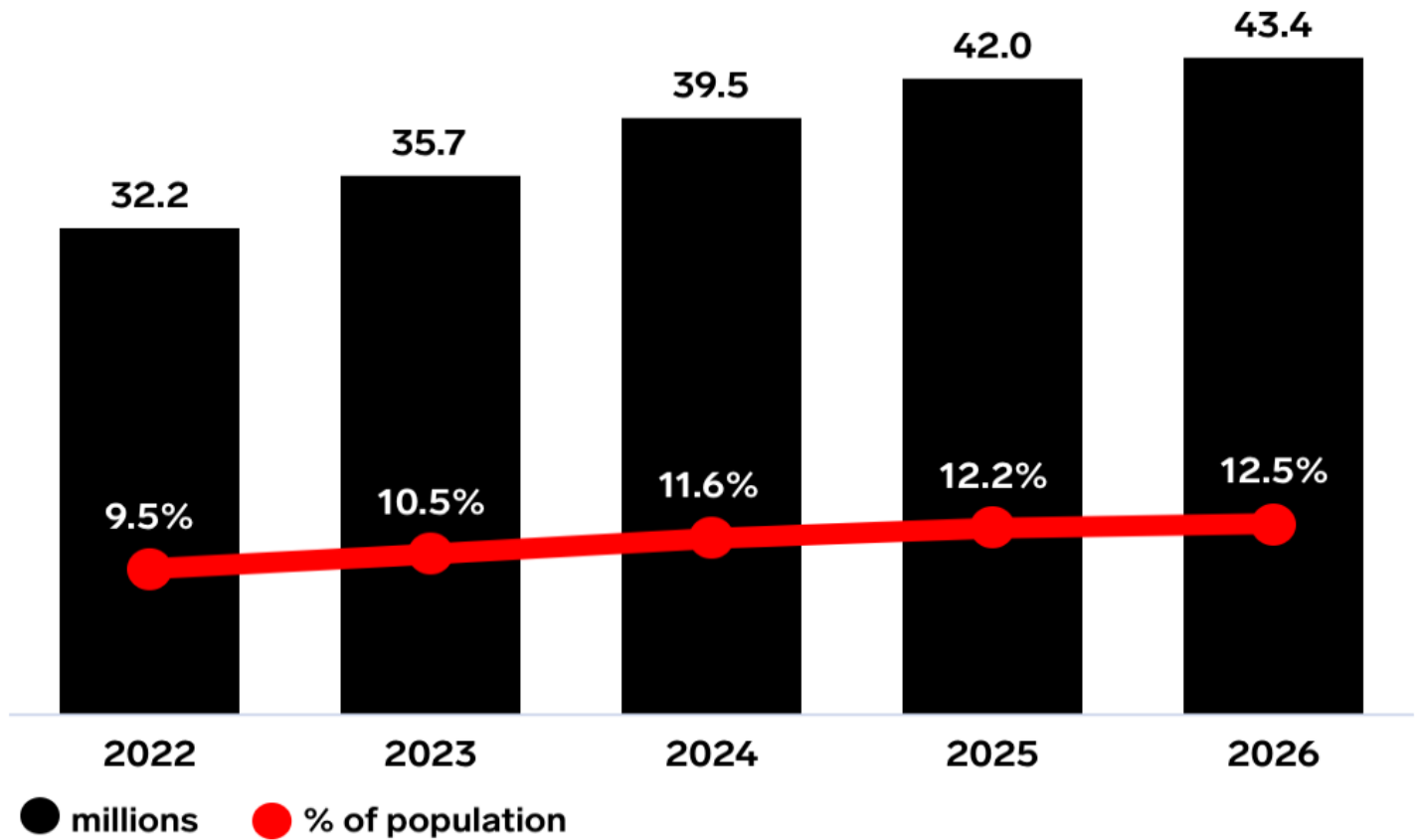
- Spotify has spent more than \$1 billion acquiring podcast networks, individual shows, and tech to create podcasts in the last year or so, and it's the sector driving the company's advertising revenue growth.
- With interest rates on the rise and advertising spending slowing, Spotify has cooled off its M&A streak and laid off employees with overlapping positions. Days before the earnings call, Spotify **idled 6% of its workforce [in an effort to go lean](#)**.

What lies ahead? For now, Spotify seems to be steadily coasting through tough times for the economy and advertising industry and prepping for rough waters. But those same issues are making the road to its \$20 billion podcasting goal stretch out farther and farther.

- Podcast growth in key markets like the US has **[slowed significantly](#)**, marking a saturation point for the medium. If Spotify wants to continue the rate of growth that's sustained it in recent years, it will have to expand to markets like China and Argentina where listeners are still rising in the double-digits.
- The rate of new shows being produced is also **[falling dramatically](#)**. Spotify itself froze its budget for new US podcasts, per Bloomberg, partially because slow listener growth and content saturation have made it hard for new shows to find an audience.
- Acquiring popular shows also isn't a surefire strategy: **Gimlet's** union has said that since it was acquired by Spotify, **[listenership has fallen by 75%](#)**.

Spotify Podcast Listeners

US, 2022-2026



Note: internet users of any age who listen to podcasts via direct download or live stream on Spotify on any device at least once per month

Source: eMarketer, September 2022

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