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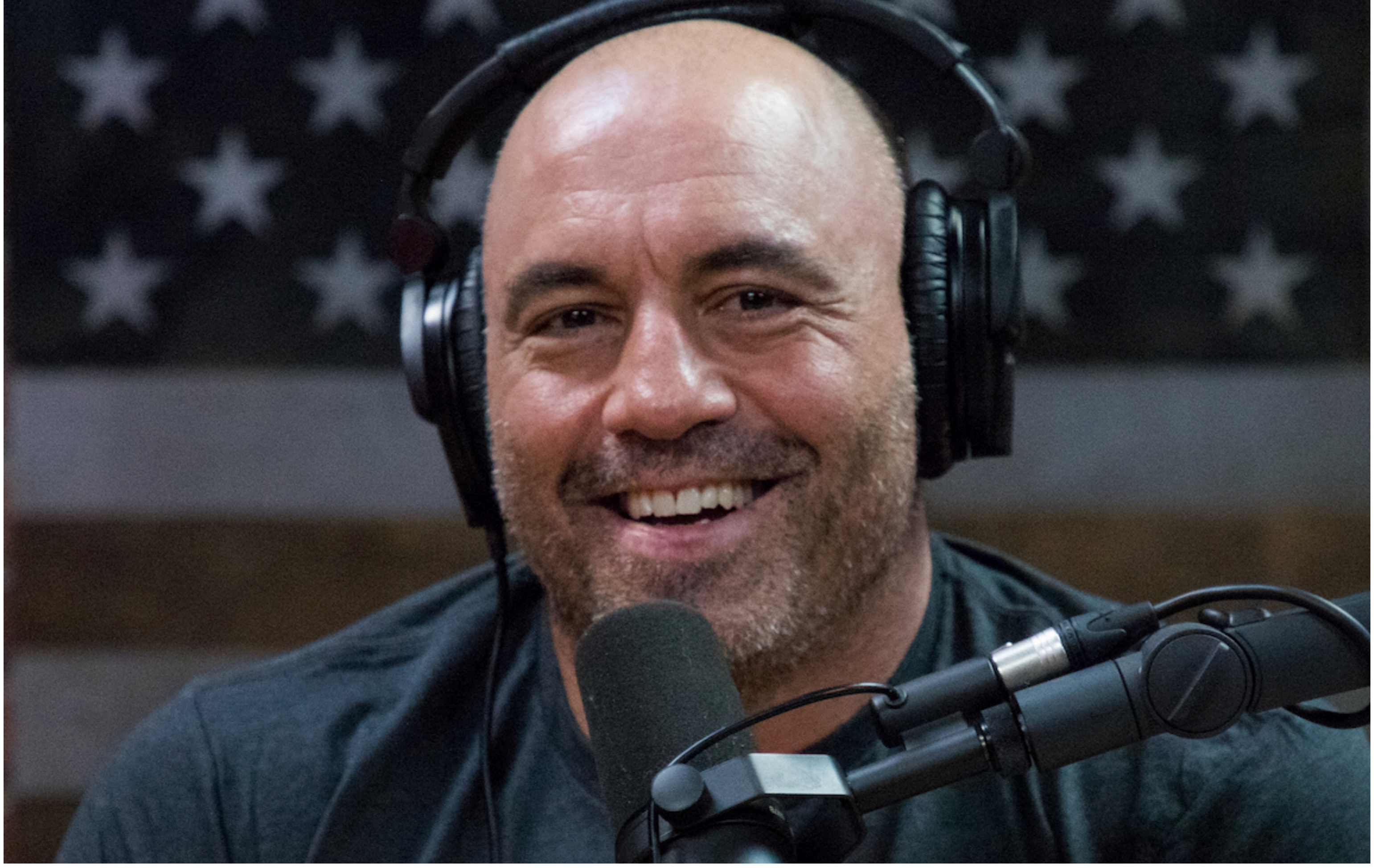


spotify.com

Why Spotify's $100-Million Deal with Joe Rogan is "Game, Set, Match" in its Battle with Apple

Mark Bunting, publisher, Capital Ideas Media

Tectonically big.

That's how Nick Quah, the publisher of podcast industry newsletter Hot Pod, described Spotify Technology SA's exclusive, multi-year deal with Joe Rogan. Quah also said a podcast executive texted him and declared Spotify's competition with Apple, "Game, set, match".

In the still young and growing podcast world, the music streaming company's decision to buy the licensing rights to The Joe Rogan Experience for an estimated US$100-million is a transformational, game-changing development on a number of levels.

First off, Joe Rogan is an unlikely phenomenon. In terms of scale and listener engagement, the comedian, UFC announcer and cultural commentator is the most popular podcaster in the world with an estimated 190 million downloads per month, and roughly more than 350 million downloads and views per month if YouTube is counted, where Rogan has nearly nine million subscribers.

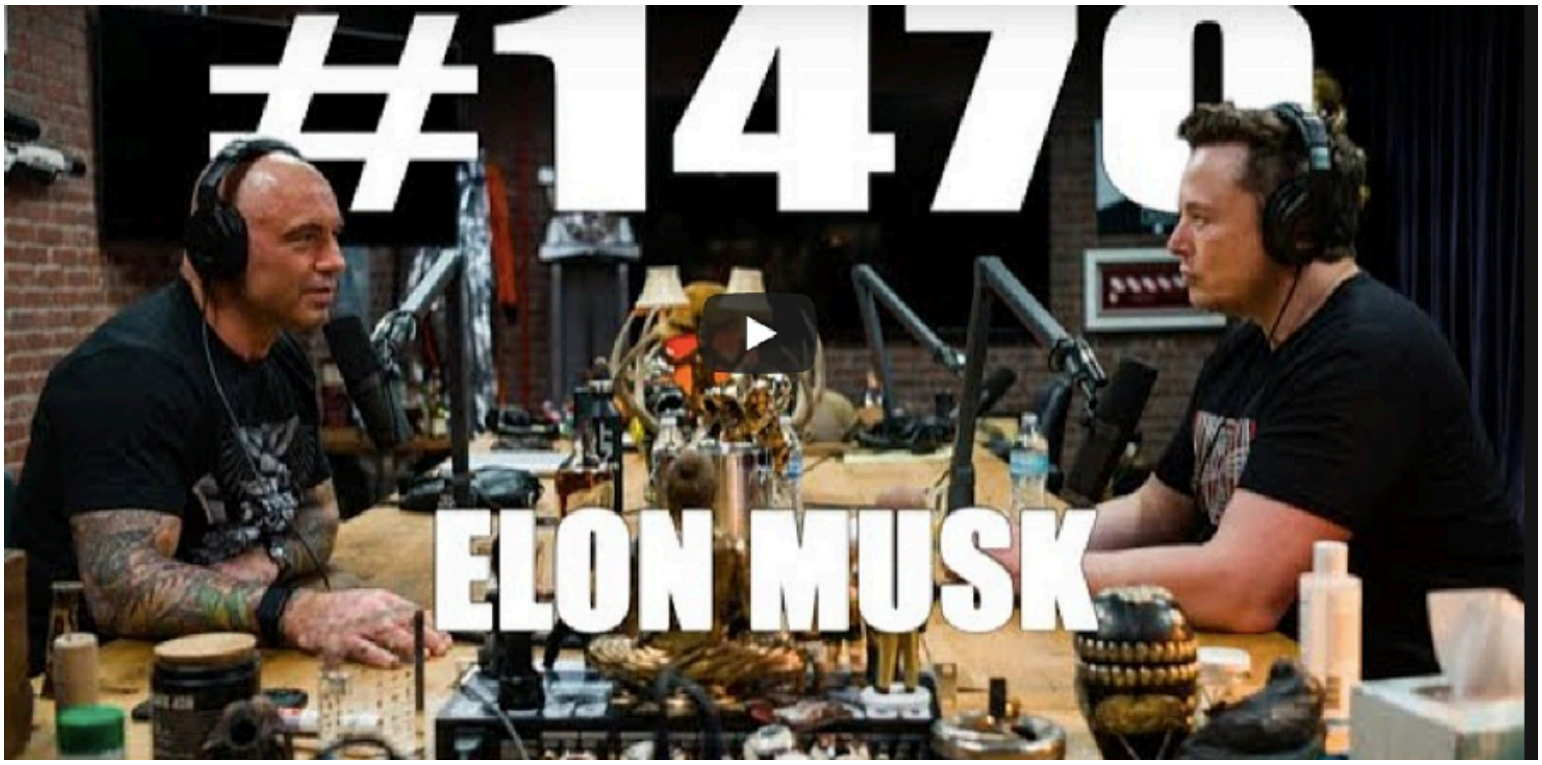
That attention allowed Rogan to pull in what's believed to be $30 million plus last year in advertising dollars where the podcasting pool is relatively small compared to other mediums at an estimated $680 million in 2019.

Rogan has built his massive following over the last eleven years his way, independent of any major media company. He says he's never promoted the show, aside from social media, and never appeared on a talk show or in a magazine, for example, to plug it.

The Spotify arrangement for Rogan is the culmination of what entrepreneur, author and social media guru Gary Vaynerchuk called perfectly last October by predicting he would sign exclusively with a podcast company for $100 million.

Vaynerchuk said in a recent post:

“...when tens of millions of people are paying attention to something, inevitably there’s an opportunity to monetize. It’s how platforms work – you build up traction in all platforms and if you’re at the top like Joe Rogan, you then have the leverage to go exclusive somewhere and extract big dollars.”



Elon Musk on The Joe Rogan Experience

Rogan’s eye-popping cumulative numbers are naturally the main reason why Spotify (NYSE:SPOT) wants those eyeballs, earholes and ad dollars exclusively on its platform. Like most consumer-facing services in technology, it’s all about scale.

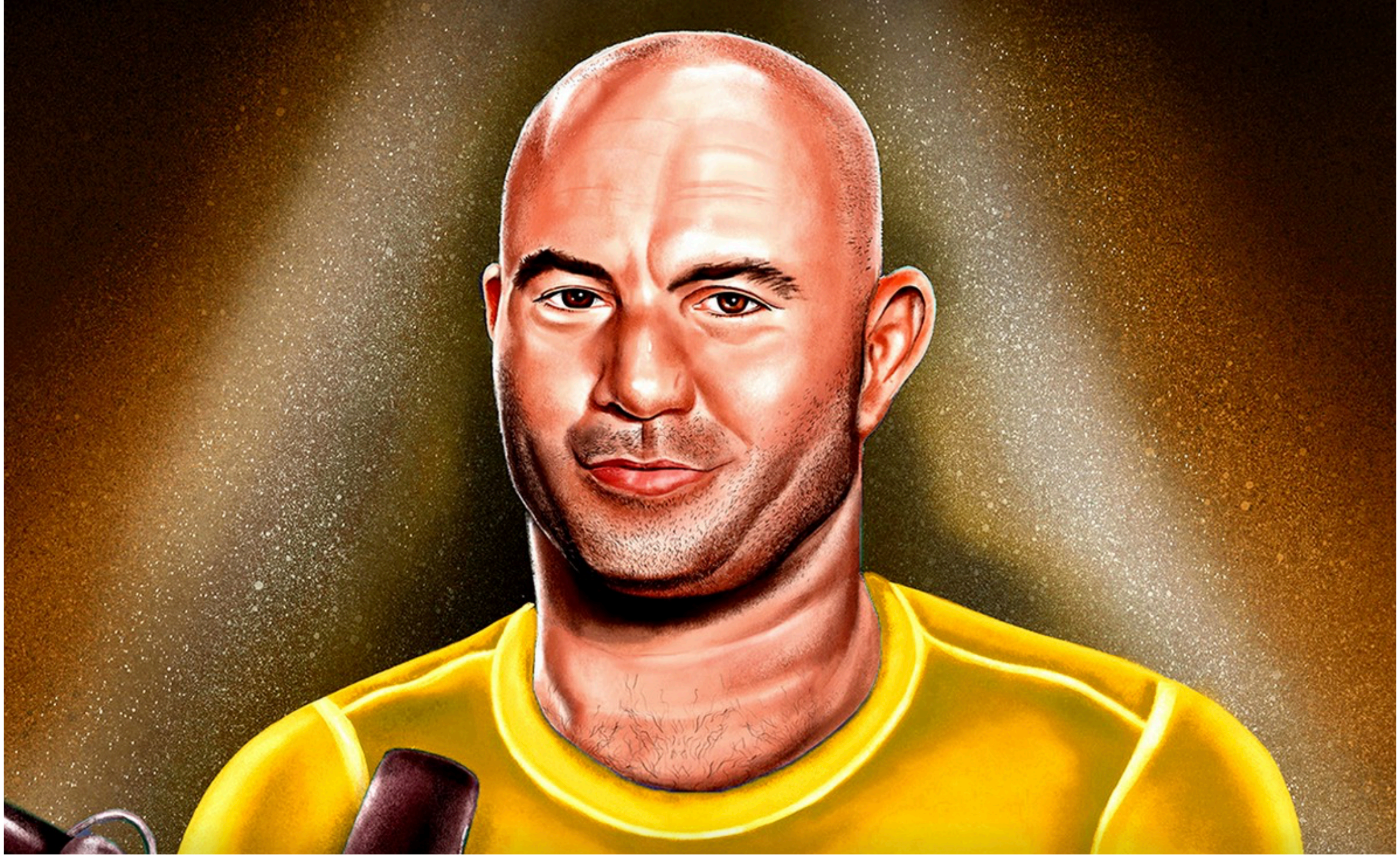
Spotify’s coup is also game-changing because it’s a bold extension of a push into podcasting through a consolidation strategy which has seen the music streamer make about $600 million in acquisitions over the last 18 months, including the purchase of highly-ranked podcasters Gimlet Media and The Ringer.

The Rogan deal puts the cherry on top of Spotify’s plan to control the podcast experience from start to finish - streaming distribution platform, content creation, advertising, and data.

Apple is still number one in podcasting in market share at about 45 per cent with Spotify gaining at number two. The plucky upstart, founded in 2009, says it has 286 million active free and subscription users.

But Apple has never shown any interest in leveraging its hefty status by creating podcast content or selling advertising, primarily because of privacy issues, leaving the door open for competitors.

Spotify has no such qualms and earlier this year launched Streaming Ad Insertion, which allows for ads to be inserted into podcasts in real time and targeted to the listener based on their profile, which provides advertisers much better targeting and more detailed analytics than what are currently available.



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Up until now, no one company had taken charge of the podcast sector by aggregating a strong stable of content creators thus attracting large audiences that would be appealing to advertisers.

Spotify's strategy is a path that well-followed technology publisher Ben Thompson has advocated since at least 2017, arguing in his subscription service Stratechery that the podcast space was “ripe for an Aggregator”. On the Rogan/Spotify deal, Thompson said, “It’s about time”.

Spotify shares jumped to nearly a two year high on the Rogan news but the jury’s out on whether the unprofitable company is a good investment and can parlay this transaction into meaningful growth and profitability.

“Spotify has lost a cumulative $800 million in the past five years," said John O'Connell, Chairman and CEO of Davis Rea Investment Counsel.

"This is an interesting headline grabbing deal but it is highly uncertain the headlines will generate the results to justify the present valuation of about $35 billion," he said.

I'll leave the last word to Quah of Hot Pod, who's very well-connected and closely followed by industry heavyweights and is looking at the podcast landscape instead of Spotify's future profitability:

"Honestly, by securing this deal, Spotify has effectively rounded out what has turned out to be a near-comprehensive invasion of the podcast space - it's genuinely hard to see how Apple, the ecosystem's incumbent facilitator and rival for podcast dominance by default, can match up against this...or anyone else, for that matter."

Mark Bunting
Publisher,
Capital Ideas Media

www.capitalideasmedia.com