

Spotify Acquires Gimlet and Anchor, Signaling Broader Ambitions

By David Kim, J.D. Candidate 2021 | February 13, 2019

Music streaming behemoth Spotify has acquired two leading podcast firms, Gimlet and Anchor, in an attempt to branch out for new growth opportunities. Though the Swedish company had over 96 million active subscribers at the close of 2018, operating a music streaming platform has long been a low-margin business with heavy market competition by mainstays such as Apple Music, Tidal, and Amazon Music. Similar to the recent revival of the record player by modern audiophiles, Spotify is betting on the reinvention of radio as a means to further personalize the ad experience. The exact numbers remain undisclosed, but sources estimate that the Gimlet deal was worth in [excess of \\$230 million](#).

Spotify has dominated the music streaming platform ever since its inception, currently holding roughly 36% market share compared to the 19% of its leading competitor, Apple Music. While the numbers have remained relatively stagnant, head of Spotify Studios Courtney Holt found that there seemed to be an untapped synergy between podcasts and music—those who listened to podcasts consumed more of Spotify, including music. Therefore, increasing the company’s podcast catalog will allow for users to enjoy a more tailored and streamlined experience, matching their music tastes to podcasts that resonate with like-minded communities.

As young professionals flock into cities and their congested highways, this younger generation will undoubtedly demand more from their daily commutes than music alone. Podcasts offer a unique product to fill such a gap: long-form passive engagement for listening while tending to other tasks—driving, exercising, cooking—when there’s no time to waste. Listening and learning through podcasts give listeners and advertisers an opportunity to kill two birds with one stone.

With this in mind, these acquisitions are just the beginning, according to chief executive Daniel Ek. While Spotify posted its [first ever quarterly profit](#), the company expects to slip back into the red as it doubles down on ventures outside of its core business. Further, the company has announced that it anticipates spending an additional \$400-\$500 million throughout the year to expand its podcast catalog. Investors seem unfazed, however. Even though the company is poised to be in the red for the foreseeable future, subscriber numbers are expected to continue rising. The company saw a jump in subscriber numbers at an annualized rate of 36%, and in an



era where garnering the attention of every eye and every ear is becoming increasingly difficult, Spotify seems to be laying the groundwork for doing just that.

Even with its foray into podcasts, Spotify isn't willing to rest on its laurels. The company has [recently announced](#) that it will begin offering news and political coverage to battle similar offerings from competitor Apple Music. Called *Spotlight*, the new initiative has signed on eight companies, including BuzzFeed and Refinery29, to create unique programming that caters to young listeners. Whether the initiative succeeds is yet to be seen, but one thing is certain: the spotlight's on Spotify—let's hope they deliver.