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# Spotify's Purchase Of The Ringer Won't Be Cheap, But The Payoff Could Be Huge

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Spotify's Spot: Lil Nas X performs at the streaming service's "Best New Artist" Party in Los ... [+] GETTY IMAGES FOR SPO

This week, Spotify plunged deeper into podcasting with the purchase of Bill Simmons' sports media business, The Ringer, and although terms of the deal were not disclosed, the streaming giant's recent history suggests the price tag was considerable. Spotify has already spent \$400 million beefing up its podcasting presence, [shelling out \\$56 million for Parcast](#) and [more than \\$190 million for Gimlet](#) even before its latest purchase. With

The Ringer's expansive portfolio, [Simmons' deal could be worth even more than Gimlet's](#).

The moves are pushing the company into new areas, but make no mistake: These actions have as much to do with economics as they do with expansion. The streaming service now has 124 million subscribers on the strength of its nearly unlimited buffet of tunes, but that buffet requires Spotify to pay rights holders 70% of revenues just to serve it up which limits its margins.

Sure, podcasts come with costs—talent, production, licensing and more—but without the bulk of the pie already promised to others, as is the case with music, there's more room for Spotify to spend freely. A high-quality podcast can be produced for as little as \$10,000 an episode. A representative for Spotify did not respond to a request for comment.

"Since podcasting isn't a mature business like music, I'd expect Spotify to have a little more flexibility in negotiating terms with content creators," says Ben Arnold, an analyst at NPD Group.

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Another factor: Major record labels have massive leverage over streaming platforms like Spotify, which depend on their vast catalogs. That leverage has allowed music companies to [grab](#) billions of dollars worth of equity from companies like Spotify in exchange for all-important access to the music.

The irony, of course, is that even with such big numbers being passed around, the musicians who create all that content don't feel adequately compensated, with many looking to the service not so much for its profits, but for the exposure it offers.

"It makes sense that Spotify and other companies are getting into podcasting if they can attract listeners, including new audiences, especially if they can also lessen their costs," says Priscilla Mattison, counsel at entertainment law firm Bernard M. Resnick PC.

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