Spotify cuts more than 1,500 jobs amid rising costs

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Author: Jasper Jolly

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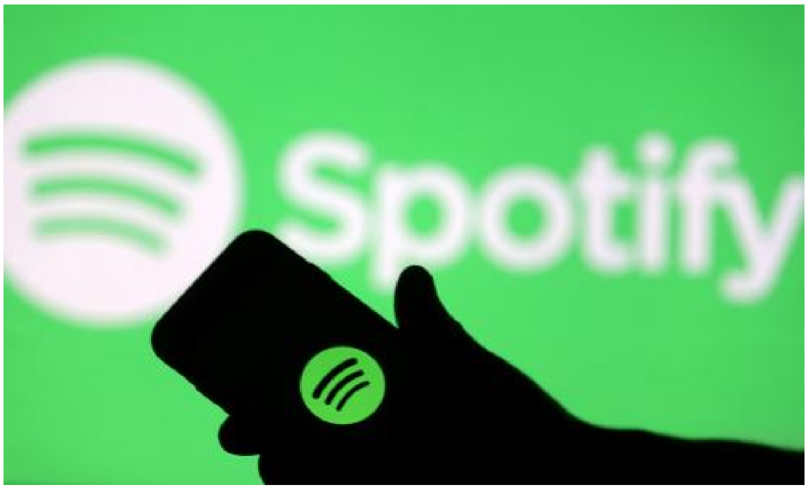

Spotify is cutting more than 1,500 jobs as the music streaming service blamed a slowing economy and higher borrowing costs in the latest round of redundancies at big tech companies. Daniel Ek, Spotify's billionaire founder and chief executive, said it had decided to cut 17% of its workforce, the third and steepest round of redundancies of 2023, as the company faces pressure from an activist investor. Ek told employees they would receive a calendar invitation "within the next two hours from HR for a one-on-one conversation" if they were affected by the cuts, in a message to staff published on Spotify's website on Monday. Big tech companies ranging from Meta and Microsoft to Amazon and Alphabet have retrenched and made large-scale redundancies during 2023 after interest rates rose and investors focused on their ability to cut costs to protect profits. Stockholm-based Spotify is the dominant player in global music streaming and is one of the few European companies to take on US rivals. Yet as the global economy's momentum has waned, it has held back from its previous heavy investment in podcasting. That investment included backing a podcast from Prince Harry and the Duchess of Sussex in a deal that ended in apparent acrimony this year. Spotify continues to maintain high-value podcasting tie-ups, including a controversial deal with Joe Rogan and others with the influencer Emma Chamberlain and the comedian Trevor Noah. The company said in October it would start to offer up to 15 hours of audiobooks a month to customers, adding another potential source of revenues while going up directly against the likes of the Amazon-owned Audible. Ek said Spotify had taken advantage of cheap borrowing during 2020 and 2021, when central bankers cut interest rates sharply in response to coronavirus pandemic lockdowns, but that "we now find ourselves in a very different environment". "Despite our efforts to reduce costs this past year, our cost structure for where we need to be is still too big," he wrote. The company, which is valued at more than $35bn (£28bn) on the New York stock exchange, has been targeted by the San Francisco-based activist investor ValueAct, which has built up a $220m stake. ValueAct's chief executive, Mason Morfit, said Spotify's costs had "exploded" and that it was "built for the bubble". The big spending has helped Spotify to keep attracting new customers, but in July it raised its prices to try to capitalise on increased subscriber numbers. The price increase helped the company to make a profit of €65m in the third quarter of 2023, and €3.4bn in revenue during that period. Spotify's share price gained 7% in pre-market trading to above $180. The company's market value has more than doubled during this year, although it remains well short of its level at the start of 2022, or its record above $360 in February 2021 as the pandemic rate cuts helped tech companies to soar. Spotify reported it had 9,400 employees at the end of the third quarter of 2023. It had already cut back employee numbers by 6% in January and by a further 2% in June. Redundant employees would receive an average of five months of severance pay plus unused holiday pay, Ek said. "Embracing this leaner structure will also allow us to invest our profits more strategically back into the business," he added. "Today is a difficult but important day for the company."