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Joe Rogan Got Ripped Off by Spotify

There's only one winner in the deal between the podcaster and the music streaming giant. And it's not Rogan.



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Photo: Vivian Zink/Syfy/NBCUniversal via Getty Images

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Oil companies are famous for approaching hapless farmers and buying drilling rights for their properties for next to nothing.

The farmers don't realize they are sitting on tens of millions of dollars of oil, so they accept a \$50,000 one-time payment.

It feels like a huge win...

Until they realize that they just lost out on tens of millions of dollars of oil riches.

That's Joe Rogan right now.

In September, I wrote a post about how Howard Stern is getting ripped off by Sirius. I made the case that Howard Stern is making \$90 million a year when he could be making 2–3x by cutting out the middle-man and doing a subscription podcast.

In that post, I also speculated that Joe Rogan — the largest podcaster in the world — was likely a billionaire. **Even though he probably didn't realize it.**

Apparently, Joe Rogan didn't read my post. But someone else definitely did:

Daniel Ek, the CEO of Spotify, who just closed an exclusive deal with Rogan to move his show (audio and video) to the Spotify platform.

If the numbers are to be believed, it's a steal of a deal for Spotify: for \$100-\$200mm they secured the largest podcast audience in the world.

I'm not exaggerating. Spotify's market cap jumped by \$3 billion in the 24h after the news of this deal broke.

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WRONG.

Here's why this is a bad deal for Rogan:

1. He lost control over his audience.

The magic of podcasting is that it's free, open, and decentralized. Like email, when you have an audience (subscribers), you can reach them directly at any time, without any middle-man or algorithm (Facebook, Google, etc) getting in the way.

You own the relationship, and this is profoundly valuable. You can't be screwed over by an aggregator getting in your way.

When you're a podcaster, **subscribers are your currency**. They are what make your podcast valuable.

By doing this deal, Rogan gives up control over his subscriber relationship. Any new audience he builds from here on out, he loses. His existing podcast feed will likely die as most people eventually unsubscribe due to inactivity.

If he goes back to being independent and ditches Spotify in three years, he has lost all of his new subscribers during that time, and some of his original subscribers as well.

It's like Disney licensing their Disney+ content to Netflix. It might net a big one-time payout, but it completely erodes the business value that would otherwise accrue to them.

And make no mistake: **Joe Rogan is a business**. As I said in my last post, were he to build the level of advertising and subscription revenue I think

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he is capable of, his corporation would easily be valued at over \$1,000,000,000...

2. Spotify gets Rogan's recurring revenue

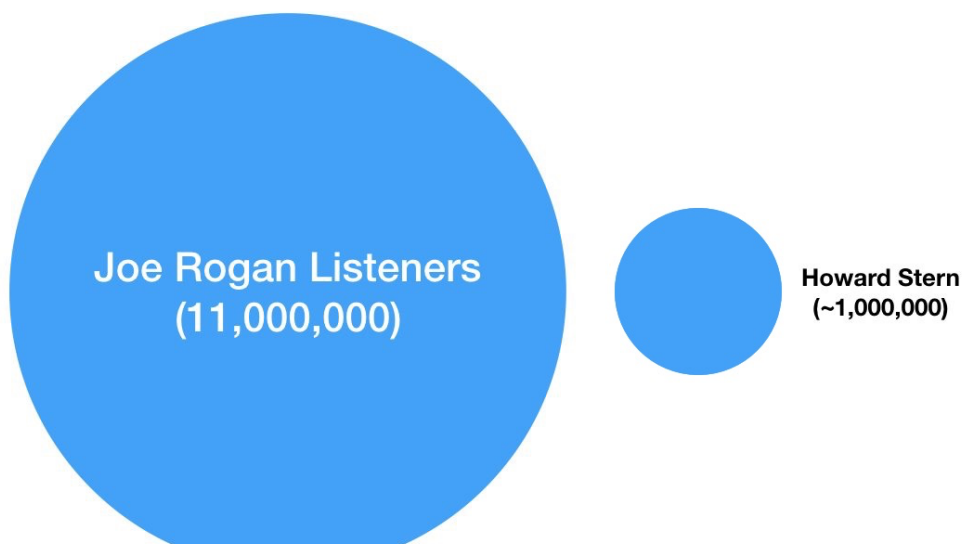
Like the farmer, Rogan didn't realize he was sitting on oil. He didn't value it.

To him, the only way to make money from his farm was by harvesting vegetables (advertising). It's back-breaking labor in the sun (doing ad sales is a pain in the ass).

What he didn't realize was that just under his feet, was a pool of oil so vast that it would immediately catapult him to billionaire status with minimal effort and build tens or maybe hundreds of millions of dollars of recurring revenue.

Let's make something clear: **Joe Rogan is the new Howard Stern.**

His audience is 10–12x larger than Howard Stern's, and Sirius makes an estimated \$290 million in revenue from selling subscriptions to Stern.



The market saw what Rogan missed: **Spotify took his oil.**



Spotify Ticker May 18–22 (Source: Apple Stocks)

To the untrained eye, this looks pretty good for Rogan. His listeners can still access the podcast for free — as long as they use Spotify. Spotify premium subscribers get the podcast without ads, but free users will have to listen to ads (presumably sold by Spotify).

In my last post I estimated Rogan was making around \$64MM/year.

In contrast, the Spotify deal gets him 2–4x what he was making before, and as a bonus he doesn't have to worry about the business side.

Not bad, right?

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Estimated per-episode listener numbers for Joe Rogan vs. Howard Stern

Let's look at **what Rogan's recurring revenue could have looked like...**

When Sirius did the deal with Stern, they took an all or nothing approach: You can only listen to Stern if you subscribe to Sirius.

Full stop. Zero access.

This wouldn't make sense for Rogan. It's too extreme and it would piss off his fans. Instead, a hybrid approach would make the most sense:

Rogan could have kept selling ads in addition to offering an ad-free stream as well as bonus episodes/extended content/video stream for paying subscribers only.

At just a 5% conversion rate, this is worth over \$33mm [1] in annual recurring revenue.

That might not sound like a ton compared to a deal valued at \$100mm+/year, but when you add it to his advertising revenue, it gets him close to \$100mm, fully independent of Spotify.

Most importantly **Rogan would have been building value and recurring revenue in his own business.**

As I pointed out in my last post, if Rogan had added subscription, **he would have owned a company that looked like the world's best SaaS business.** Crazy recurring revenue, with low churn and insanely high

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margins, growing at 25–50% per year as podcasting’s audience grows over time.

This revenue is INSANELY valuable and should be built by him, not Spotify.

Not everyone has their head in the sand...

While deals like this get a lot of press, successful podcasters who understand the value in owning their relationship with their audience are making moves in the space.

Case in point: earlier this month Ben Thompson (Stratechery) and John Gruber (Daring Fireball) launched *Dithering*, a subscription-only podcast.

Ben Thompson underscores the value of staying independent:

“Owning my own destiny as a publisher means avoiding Aggregators and connecting directly with customers.”

Rogan’s friend Sam Harris, who has sworn off advertising and focused on subscription since he started in 2014, just made a much more aggressive push into subscription. In 2019, he started cutting off most episodes halfway through and only letting paying subscribers hear full episodes.

In 2017, *Observer* reported that Harris was getting about 1 million downloads per episode, so let’s estimate that his 2017 audience was around 1 million listeners.

If we do some rough napkin math and assume that his show grew along with global podcast listeners (which grew 54% since 2017), that would mean that he currently has about 1.54 million monthly listeners.

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Applying a 5% conversion rate with a price of \$5/month to this works out to about \$4.6 million in annual recurring revenue.

Applying a 20% conversion rate — which I would expect him to get given his more aggressive push to subscription — works out to \$18.4 million in annual recurring revenue.

With an estimated 12 million monthly listeners, **Rogan's recurring revenue potential is at least 8–12x what Sam Harris has been able to achieve.**

3. He is Massively Shrinking his Audience and Impact

Restricting his listeners to people who use Spotify will dramatically lower his addressable audience, and I have no doubt that Spotify will eventually gate his content to paid Spotify subscribers in some way (extra episodes, video, ad-free, etc).

Make no mistake: Spotify's endgame is to add Spotify subscribers. That's their north star.

For context, Howard Stern — who just before his Sirius deal was one of the most widely listened to radio personalities in the world — now has an audience of less than 1 million per episode. When I tell most people my age (early 30's) that I love Howard Stern, I get a blank stare.

Nobody knows who he is. Stern has lost his impact on culture in exchange for a big upfront payment.

Let's be real: Stern and Rogan are already super rich. The difference between \$50mm/year of profit and \$100mm means zero to their day-to-day lifestyle. What I imagine **does matter to them is the size of their**

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audience and their impact, and both made choices that will limit that forever.

Napkin Math

Let's compare the two paths that Rogan could have gone down:

Sign with Spotify	Stay indie
Pros <ul style="list-style-type: none">• Don't need to sell ads• Less risk• Licensing deal = Joe retains creative freedom in future	Pros <ul style="list-style-type: none">• Retain full control of audience relationship• Largest possible audience• No cap on earning potential• Retain creative freedom• Potential to make more money in the long term• Build equity value and recurring revenue that he controls
Cons <ul style="list-style-type: none">• Loses relationship with subscribers• Much smaller audience/limited growth• Likely less money over time• Spotify builds equity value and recurring revenue instead of Rogan• He WILL lose some audience share as 100% of fans won't transition to Spotify	Cons <ul style="list-style-type: none">• No large upfront \$\$\$ check• Need to operate and run the business (not hard, though)
The Numbers	The Numbers
Spotify Contract = \$100mm	Ad Revenue ² Low = \$50mm High = \$200mm Subscription Revenue ³ At \$5 per month = \$33mm At \$10 per month = \$66mm YouTube Revenue ⁴ Low = \$27mm High = \$68mm
Total Annual Revenue \$100mm (best guess based on WSJ reporting)	Total Annual Revenue Low = \$110mm High = \$334mm

However you run the math, this was a coup for Spotify.

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³ Here's the math: [11,000,000 listeners x 5% conversion x \$5 per month x 12 months] = \$33mm per year.

⁴ The Joe Rogan Experience gets 100mm views per month and on average YouTube runs 6 ads per video. JRE Clips gets 170mm views per month and on average YouTube runs 2 ads per video. YouTube's ad CPM is roughly \$4-\$6.

Low

[100mm x 4 ads x \$4 x 12 months] + [170mm x 1 ad x \$4 x 12 months] = \$27mm

High

[100mm x 6 ads x \$6 x 12 months] + [170mm x 2 ads x \$6 x 12 months] = \$68mm

Disclosure: Andrew Wilkinson is the co-founder of Supercast, a podcast analytics company.

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Joe Rogan Spotify Podcast Business Audience

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I hope that the reported numbers are low, because I don't think even \$100mm/year provides Rogan with enough upside to accommodate the trade-offs:

- 1. Losing his relationship with his subscribers**
- 2. Building someone else's business/recurring revenue instead of his own**
- 3. A smaller audience and less impact**

He's going to be just fine either way. I'm not shedding any tears for Joe, but as a business person I can't help but shake my head at the lost potential.

The world's largest podcasters are sitting on oil. There's a reason Spotify is writing these seemingly insane checks: they've done the geological surveys. They are trying to cut deals with as many hapless farmers as they can before they all catch on. Spotify will spend hundreds of millions to reap billions.

Most people will look at Rogan and think he's a genius living the dream.

I think he's a farmer who just got taken by Daniel Ek.

There Will Be Blood Scene (HD) I Drink Yo...



Read my original post about the opportunity of subscription podcasting here.

PS: If you're a farmer sitting on some oil, the team at Supercast can help. Get in touch.

“We’re not on Spotify and the reason why we’re not on it is because it didn’t make any sense. They were like, “We want to put you on, it’s gonna be great for you.” How is it great? You guys are gonna make money! You guys are making money and you don’t give us any? The whole streaming thing is this weird smoke and mirrors song and dance they put on, “you’re gonna be a part of something big” but what are you selling? All you sell is artists’ work. You don’t have anything to sell and the artists get paid so little, so where is the money going?

They’re traded and they’re worth millions and billions like where’s all that money? Where’s it going?”

– Joe Rogan, May 19, 2018

Footnotes

¹ In an interview with Jordan Peterson, Joe said that he gets over 200 million podcast downloads per month. With 18 episodes per month, that means each episode gets approximately 11MM downloads per episode. $11\text{mm} \times 5\% \times \$5 \times 12 \text{ months} = \$33\text{mm in ARR}.$

² We calculated this in a post I wrote about how Howard Stern is getting ripped off.

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