

Hi everyone. I'm Jenny Barish and welcome to module number 5 sales and commercial viability. Last week you learned all about audience engagement and analytics. And this week we'll be learning about all kinds of revenue and podcasting from advertising to subscription revenue to crowdfunding.

I've worked in multiple media companies and podcast companies so I can tell you what it takes to buy and sell podcasts. Whether you are an independent podcaster, or you are part of a larger organization looking to build out a more complicated revenue strategy around podcasting. This course can give you a bird's eye view of what the current state of the podcast industry looks like. Stay with me. So let's get started: The Wild World of Podcast Ads: Past, Present & Future.

Now before we start and go into the current podcast industry and the landscape, I think it's important to think about relationship between podcast and radio. A lot of people think that public radio invented podcasts, but it's really a medium of its own and came out of the digital age. In fact, the first podcast advertisers were looking to target early adopters or people who are tech-savvy, developers, other kinds of engineers. These distinctions are important because it really affects how advertisers view the medium.

Public radio may not have invented podcast, but they were incredibly influential and making them a cultural phenomenon. They really figured out how to captivate audiences and build community around podcasts. And they found an audience of engage listeners that were ready to buy and didn't really mind listening to the ads. And in fact, they enjoyed the ads. The most obvious example of this is Serial the podcast. It came from WBEZ's This American Life. It was a spinoff and the most iconic ad that we probably know of in podcast history is the MailChimp ad. You can take a listen to the podcast ad that I provided in the resources section. So take a pause.

Not only did it become one of the most downloaded podcast in history. It became a meme and people kind of latched onto the playful mispronunciation of Mail Kimp as you heard in the ad. Mail Kimp and Serial it all became culturally resonant, which really was a win-win for both the advertiser and the podcast.

What's important to know that this wasn't the first podcast ad in the history of podcasts, but it was an important moment for the industry. The critical acclaim and scale and visibility really provided the credibility that the industry needed to thrive. It now became a viable mass medium and everyone started to take notice, especially advertisers. That's why at this time more and more podcast companies started to pop up. Companies like Wondery and Parcast. Even Silicon Valley started to take notice. Companies like Gimlet probably benefited from the buzz around the podcast industry and their funding rounds. So at this time the industry as we know it started to organize and formalize and that's kind of where we are today.

So today what we're seeing is massive growth. In fact the Total Market Revenue grew 86% from 2016 to 2017. So when we talk about this boom, this is what we're talking about. Despite this growth, we still have ways to go. According to Edison Research, podcasts only make up 4% of the total share of year. This is a total share of time spent listening to audio. Terrestrial radio and streaming music still make up the majority of that time for listeners. And as a result, those are where advertisers are spending the majority of their advertising budgets.

So this is kind of a gift and a curse. There is huge potential for growth, a really active listener base, people who are really passionate about the medium, and advertisers who are hungry to get involved and are interested in learning more. But there's still an audience that needs to grow at scale to get the kinds of budgets that we have traditionally seen in terrestrial radio. So this is the kind of the conundrum that we face as an industry. And this is one of the challenges that we currently face today.

Now, there are some advertisers like Squarespace and Casper who from the beginning they understood why podcasts were a special medium. But we still have a lot of convincing to do and we have to really pitch the medium and why it's important. So this is what my pitch kind of looks like.

Podcasts are an intimate and opt-in medium. People have to actively seek out the podcast they want to listen to and they're mostly listening with headphones on. This means that there's little room for distraction and they are completely focused and locked in to the podcast itself. That creates a perfect environment for an advertiser to deliver their message.

Podcasts are inherently mobile. They can take the podcast wherever they go, which means they can take the message and the advertisers message wherever they go.

Especially in the U.S., podcast listeners' over index in affluence and education, which means that they have disposable income to spend. Podcast listeners are incredibly loyal and engaged. They go to live tapings of podcast episodes and the most engaged podcast listeners listen to about 7 podcasts per week. And podcasts work. And when they hear their favorite host endorse a product. They're really likely to purchase that product. There are numerous studies that show how podcast ads are far more preferred and effective than other forms of digital media.

As of May 2018, these are the top spenders in podcasting. Some of these are likely suspects and if you listen to podcasts you've probably heard these ads before from Squarespace, Casper, Zip Recuriter and Audible. They look fairly different in terms of product and service, but they share a common goal which is to drive sales. This is called direct response advertising. These kinds of marketers make up the majority of podcast buys.

So what is the skeleton structure of these common direct response ads in podcast advertising. They begin with a brief description of the product or service. Then there are two key points here. The first is a personal endorsement or experience. Lots of these advertisers really want the host to give a personal recommendation and say something like I use product X and it's been a really great experience so far. I use it on vacation or I use it at home with my family and this delivers that authenticity and credibility that advertisers are looking for in this medium. And finally there is that call to action. I'm sure you've heard this before. Go to Vanity URL and enter code podcast to get 10 percent off your next order. And that promo code that I just referenced that's really important in helping advertisers track the performance of the podcast advertisement. They can look at how many people used it at the point of purchase. And this is really influential in determining whether the advertiser decides to renew the buy with the podcaster. So pause this video and take a second to read over this script and familiarize yourself with how these advertisements are written and preferred by most advertisers.

According to a 2017 study conducted by the Interactive Advertising Bureau and PWC, direct response ads still make up the majority of podcast revenue. But we're seeing different kinds of campaigns come into the market. For example what we call a brand awareness ad. In 2017 brand awareness ads made up 29% of the total market. Unlike direct response ads brand awareness ads do not have an offer code and the primary goal is not to necessarily drive sales. Generally, these are not as data-driven. They are mostly interested in increasing positive sentiment for their brand. Now, this is a little bit tougher to measure and there are studies that are conducted before and after a survey to measure how that ad affected the attitude towards a brand, but advertisers are mostly interested in scale or aligning with a podcast that really reflects the advertisers values.

There has also been a surge in branded content campaign types. Branded content is any kind of advertising that uses articles, infographics, videos to tell a story about a brand and advertised in a more organic or native way. ED companies like BuzzFeed have built their entire revenue strategy around branded content. Brand essentially borrows the credibility and unique sensibilities of the publisher to increase positive sentiment of

their company. And podcasts are an incredible way to do this. With storytelling and audience engagement at its core. It's a really powerful way for a brand to align with a subject matter or value. And with the current fandom and cultural resonance that podcast currently have it's something that brands really want to be a part of. And branded podcasts are incredibly lucrative.

There are whole companies now that are dedicated to creating branded podcasts for advertisers. Companies like Gatorade and Tinder have gotten involved where an entire show about 30 minutes long six or ten episodes. It is dedicated to telling the story of a brand or aligning it really closely with a certain kind of sensibility, personality or value system. Take a second to look at the shows created by Gimlet Creative or Pacific Content and start to look at the kinds of shows that these creators are making on behalf of brands.

Another way to categorize podcast ads is by creative type. So the direct response ads that we went over in the previous slides are mostly host read, which means that the host reads the podcast ad and delivers some kind of personal endorsement. Now there are other kinds of creative types that are becoming more and more common. There are pre-recorded spots read by producers or professional announcers. There are also supplied radio ads that are coming in. These types of creative are circular or circulating in Spotify and other Digital streaming audio. Or terrestrial radio.

Now this is fairly uncommon since since the podcast advertising environment is incredibly specific and we want to retain that. We want to make sure that that still that intimate clutter-free environment that makes it such a powerful medium for advertisers. But as industry scales, this is becoming more and more common. Advertisers want to invest in one type of creative format and spread that as far and wide as possible.

So what is the future of podcast advertising look like? A lot of analysts say it's going to grow by over a hundred percent by 2020. But what does that actually going to look like? It's really hard to scale up this kind of medium because, like I mentioned before, the host read which is kind of the cornerstone of the podcast industry. It's pretty manual to create and requires a lot of people to execute from start to finish. It's inherently native and itself even though host reads are not branded content per se but there's a lot of care and individual attention that is put into each host read spot, which makes up the majority of the advertisements in podcasting. And there's a lot of debate whether these supplied radio ads or pre-recorded spots are going to become more and more prevalent and whether they'll be as effective as that host read advertisement. And as we grow we're going to have to find a way to be more and more competitive with other forms of digital media. That means that our tracking has to be just as sophisticated. The process for advertisers and publishers need to be needs to be streamlined. And these are some of the kinks that were working out currently in the industry. But the future is incredibly exciting and with the advent of more smart speakers and voice technology. This space is only going to continue to grow and increase the distribution platforms and ease-of-use across the world.