

 **DataArt**
The background features a stylized microphone with a blue top and purple bottom, set against a dark blue background with circular patterns and a pink wavy line. There are also some UI-like icons, such as a square with a circle inside, connected by lines.

TRADITIONAL MEDIA IN THE PODCASTING ERA

The Challenges and Opportunities
of Switching to the New Digital Audio Space

“Podcasts are transforming the ways people listen to audio content, just as on-demand video is changing how people watch television. It's fantastic to see how UK radio broadcasters as well as newspapers and other media companies are embracing podcasting and offering more choice about what we listen to than we've ever had before.”

Ian Macrae, Ofcom's Director of Market Intelligence

The surging popularity of audio on demand listening has caught the attention of many in the media industry and beyond. The numbers coming from recent studies on the subject are staggering. According to research published by Ofcom¹ in September 2019, around 7.1 million people in the U.K., or one in eight, now listen to podcasts each week. That's an annual increase of 24% and more than double the audience size from five years ago. In the U.S., the numbers are even higher, where more than a third (37%) of Americans age 12 and over listen monthly, according to The Infinite Dial 2020®² from Edison Research and Triton Digital.

As the popularity of audio on-demand content has risen, so has the interest

in this new medium from many traditional media companies. From the New York Times to Vanity Fair, almost every media company now has a podcast. The new audio on demand space offers many opportunities to traditional media players, but it also presents some challenges. In this article, I'll discuss why this medium is so attractive right now, the obstacles facing traditional media companies looking to invest in it, and how they can overcome them.

**Why is traditional
media attracted
to podcasting?**



Why is Traditional Media Attracted to podcasting?

A Flourishing New Medium

The podcast format is believed to have originated around 2004 with Ben Hammersley being the first person to allegedly use the term in his Guardian article³. Many people credit Apple's iPod device for the popularization of podcasts. Since then it has grown to become a ubiquitous digital media format that has been embraced by industry giants across different sectors.

A Way to Capture a Younger Demographic

It's important for media companies to get into podcasting not just for diversification of their content and revenue streams, but also to connect with the next generation of consumers. The average age of podcast listeners

is just 29 years old. In comparison, the average age of radio news listeners is 60 plus. Capturing the attention of younger generations through podcasts can help to expand audiences.

How much time would you say you spend listening to podcasts in typical week?"

% who listen 5+ hours per week

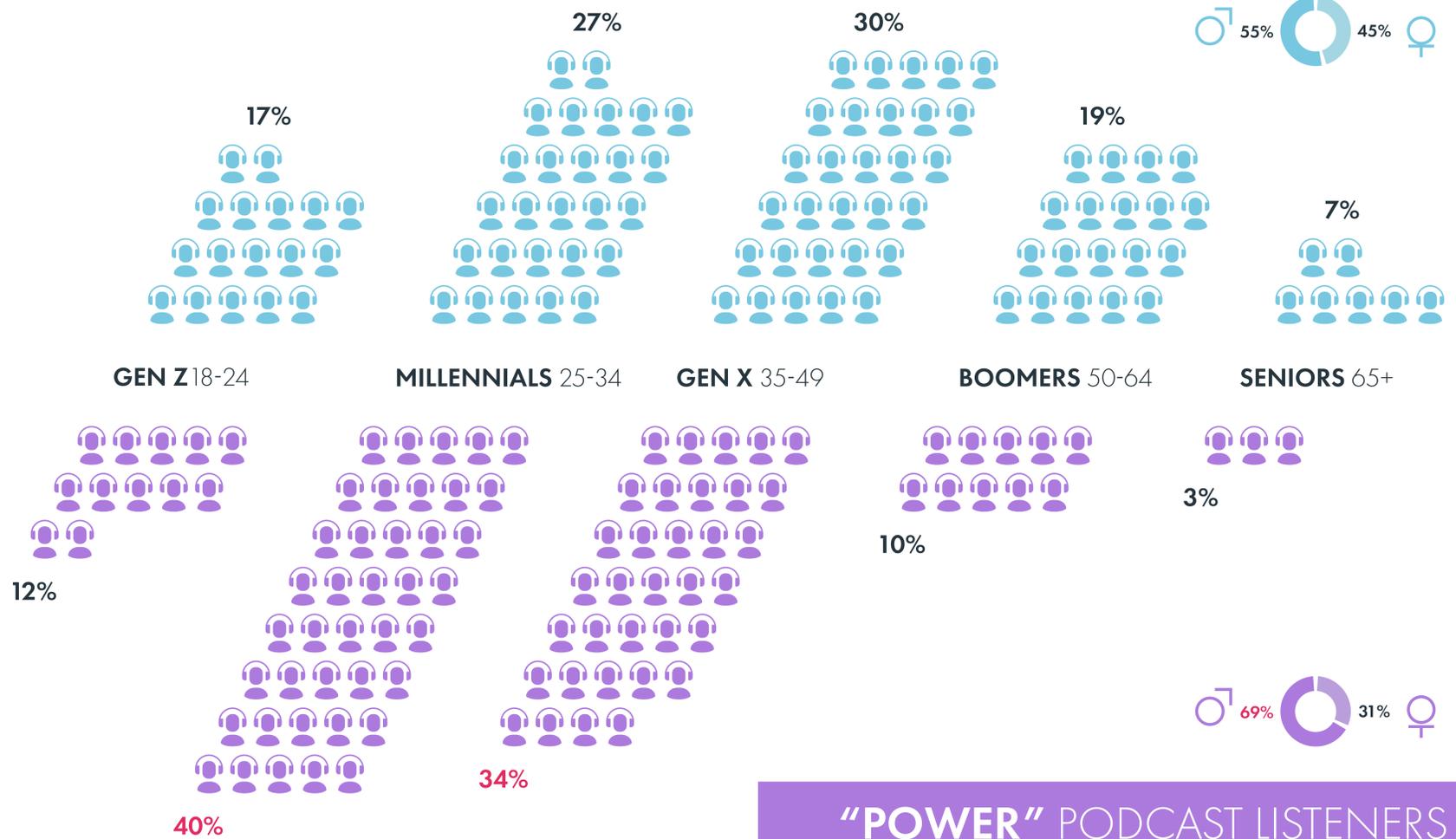
35%

of total monthly podcast listeners are "Power" listeners

“Power” podcast listeners are 25-49, male, affluent and newcomers to podcasting

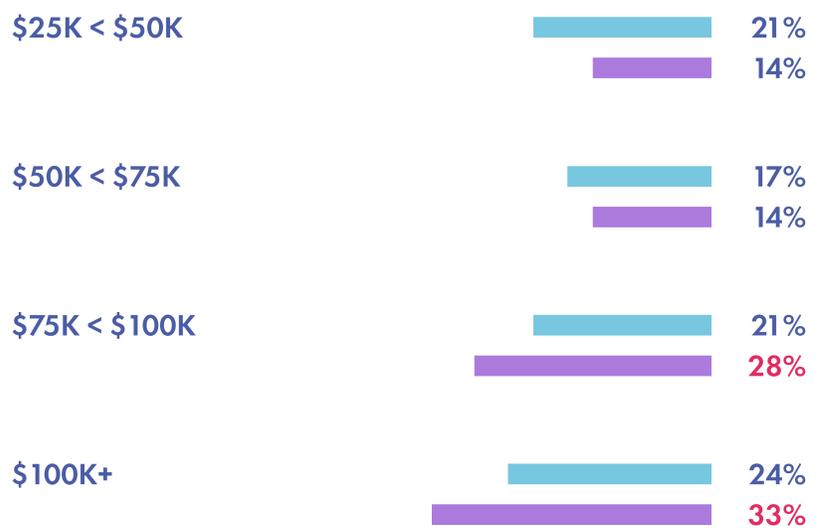
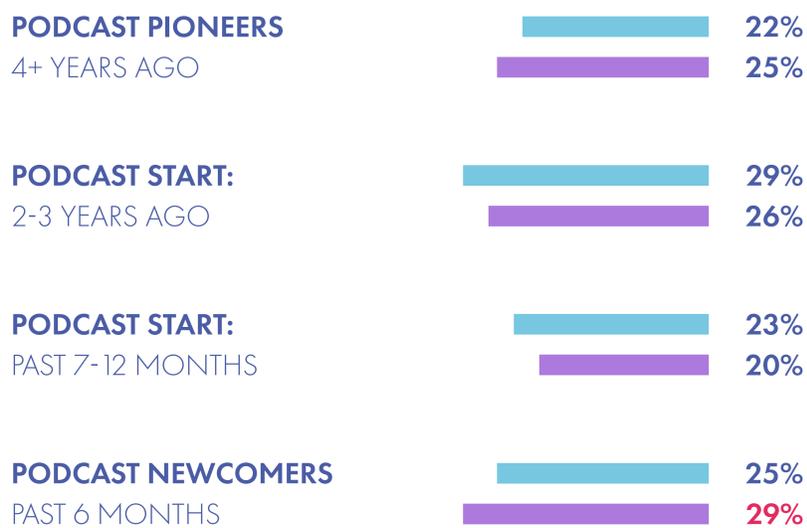
TOTAL PODCAST LISTENERS

MONTHLY PODCAST LISTENERS



“POWER” PODCAST LISTENERS

5+ HRS/WEEK



How to read: 29% of “Power” podcast listeners are Podcast Newcomers.

A good example of this is Texas Standard⁴, a daily news program from Austin's NPR radio station KUT. According to a NiemenLab article⁵, the program extended its audience by about 17 percent thanks to its daily podcast.

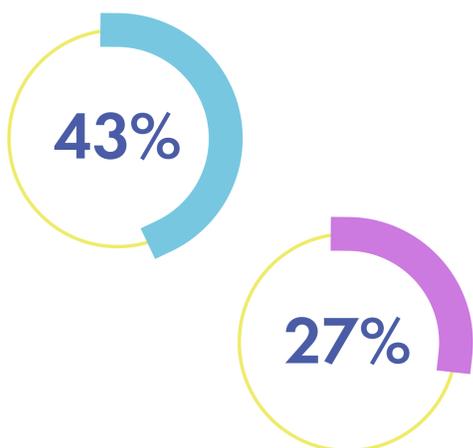
Staying relevant for younger generations is a very important point for the future of traditional radio media. As Cardinal Ventures co-founders Olivia and Justine Moore state in their TechCrunch article⁶,

there is even a demographic split in the global podcast audience between "rookie" listeners, aged 12-34, and "veteran" listeners, aged 35-54. The first group is more likely to be female and the latter, male. The younger listeners favor female-hosted podcasts and more suspenseful audio dramas. Understanding the listening habits and expectations of these two different demographics and how to best cater to them is a key challenge for radio media to successfully make the move into the podcasting space.

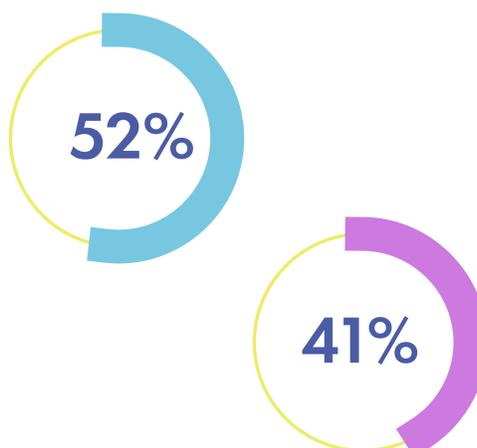
Differences in podcast listening & discovery

ROOKIES

Most often listen on Spotify, Pandora, or SoundCloud



Found podcast from video on social



Found podcast from audio on social



Source: TechCrunch⁷

VETERANS

Convenience and Deeper Listener Engagement

With the overwhelming amount of information on the web, people are more prone to shorten their attention spans when reading articles than listening to podcasts. This has to do with the way podcasts are consumed differently from text-based media. While readers spend an average of two to three minutes scanning an article online, data shows that podcast listeners tend to listen until the end⁸ of episodes. Deeper listener engagement is further driven by the widely common practice of listening to podcasts while commuting or doing chores. According to the Moores' article in TechCrunch mentioned earlier, podcast consumption is also characterized by higher levels of user engagement than social media

consumption and has the advantage of creating more intimate connections between hosts and listeners, which can translate into higher-value ads and more dedicated audiences.

“We’ve pierced whatever membrane there was that kept people from having a deep emotional connection to the news,” says Michael Barbaro, host of the NY Times podcast show The Daily. “Something about audio just ripped that open, and I think it has forever changed how people relate to The Times.” Indeed, the producers of the most popular podcasts told the LA Times⁹ that they are achieving a trifecta that has long eluded publishers of digital media: deep audience engagement, financial profit, and crucial brand-building with young listeners – the next generation of loyal subscribers.

“[Podcasting] is a way to bring people into the public radio system. It’s also a way for us to bring new talents and new voices into public radio.”

NPR COO Loren Mayor told to NiemanLab

New Business Models Could Reinvigorate Local Public Radio

Local public radio derives its power from its control over geography. The old model of licensing NPR- or WNYC-produced shows for local airing will clearly have to be rethought, as more consumers go directly to the shows of their choice whenever they want, and wherever they are situated.

Two potential new business models may revive local radio media:

1 A new model of taking local podcast shows national, as happened with Boston WBUR's *CarTalk*.

2 Investigative, original reporting reflected in podcasts like *Reveal* and *Embedded* offers a useful model to figure out a new paradigm for local news reporting.

Breaking out of the Program Scheduling Wheel

Iris Adler, program director at WBUR, talks about podcasting as a means for the public media leader to “get out of the wheel.” That wheel¹⁰ is the schedule

of the public radio program, national and local, that has long constrained and defined public radio. Now, she says, WBUR can get “younger, more national, and more diverse” via podcasts.

New Revenue Streams

With ever growing audiences consuming podcasts, the medium presents new ways of generating revenue. Media companies can either use podcasts as a means to promote their subscription plan or use sponsorships to bolster revenue.

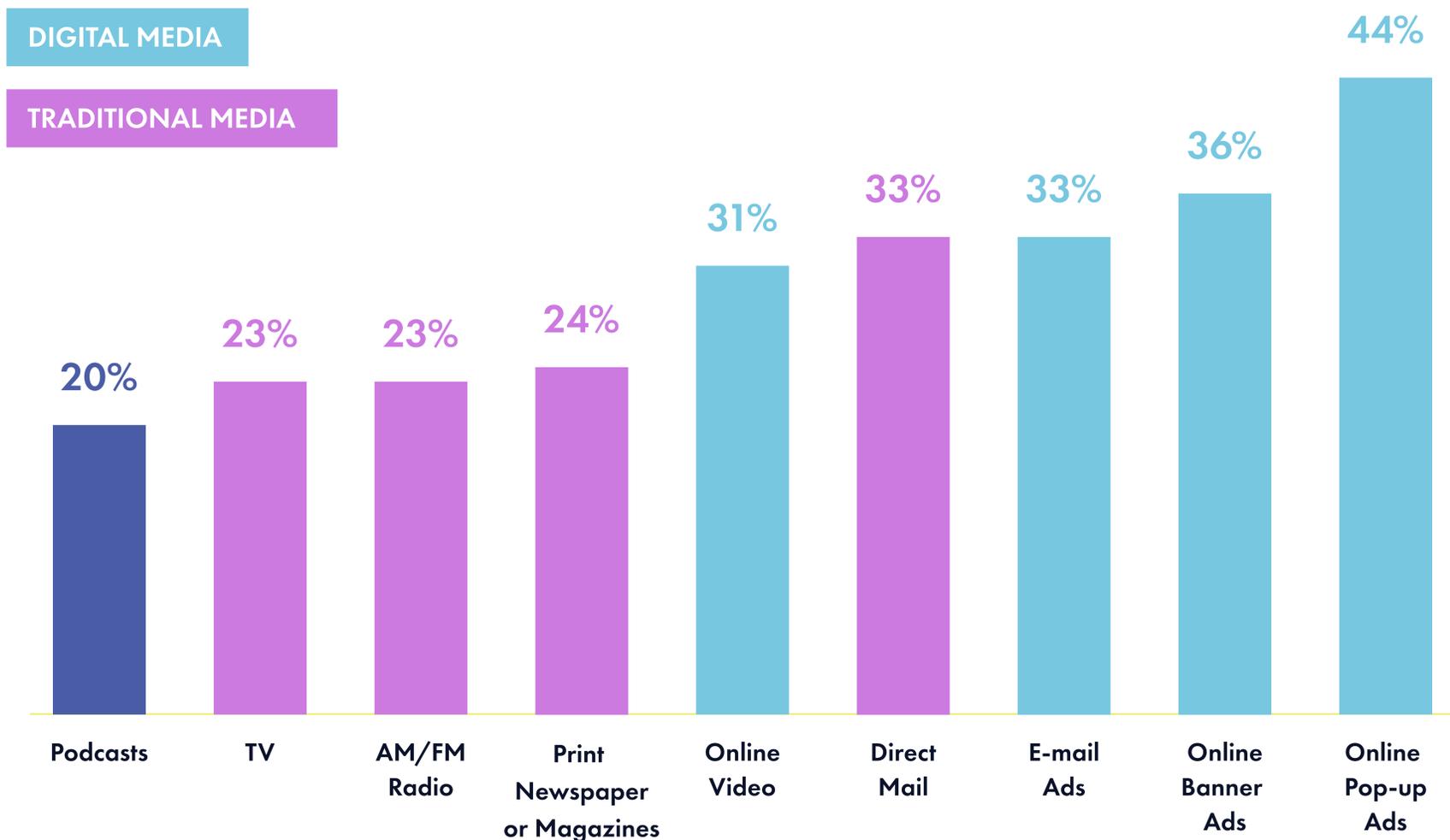
The current industry standard for podcast sponsorship mostly comes down to preroll and midroll sponsor messages. Preroll, which as the name suggests appears at the beginning of the episode and usually has a length of 15 seconds. Midroll, on the other hand, is longer, a 60-second message that appears halfway through the episode.

**When you come
across ads in each
of the following places,
how often do you actively
avoid those ads?**



Podcast ads are least likely to be skipped

Q: "When you come across ads in each of the following places, how often do you actively avoid those ads by skipping, blocking, tuning out, turning away, throwing away or otherwise avoiding the ad?"
(%who answered "all the time") — among total monthly podcast listeners



How to read: 44% of total monthly podcast listeners actively avoid online pop-up ads "all the time"

Source: Westwood One Podcast Network¹²

The sponsor message could be a pre-recorded message provided by the sponsor, or a host-recorded message that can be either pre-recorded or presented as a part of the episode. The latter usually has a higher asking

price compared to the former. As reported by NiemenLab¹¹, leading programs ask as high as \$80 CPM rates for host-read ads. This is almost twice the price for non-host-read ads.

Authenticity and connection to hosts drive increased attention to podcast ads

Q: “Why do you pay more attention to ads you hear on podcasts than to ads you come across in other media?”
(% who pay “a little” or “a lot” more attention to podcast ads) — among total monthly podcast listeners



How to read: Among total monthly podcast listeners who pay “a little” or “a lot” more attention to podcasts ads, 50% do so because the host often talks about brands, products or services they personally like and use.

Source: Westwood One Podcast Network¹²

FireNation¹³ lists the following 3 pricing models, that are considered to be the industry standards:

-  **Cost per mille (CPM):** Cost per thousand listens. The bigger the audience is, the bigger the paycheck. Therefore, this model is profitable for podcasts that have a large audience.
-  **Cost per Acquisition (CPA):** Cost to acquire a single customer. All of us have listened to an episode of a podcast or a YouTube video where the host offers a free trial of Audible or Skillshare if we go to their link. The CPA pricing model is quite effective for podcasts that have small- to mid-sized audiences.
-  **Custom Pricing:** Podcasts agree with sponsors on a custom price. This works for new shows that don't have an established audience just yet and therefore can't guarantee customer acquisition at the inception stage.

Challenges and Obstacles

Monetization

Podcast platforms don't show KPIs for podcasts. The absence of stats on podcast followers and listeners for each episode makes it quite hard for ad buyers to decide which podcast they should run their ads on.

With the blossoming podcast industry, the level of data and reporting¹⁴ that podcasting companies are able to provide has been limited. Finding ad buyers might be a problem if the company is looking to generate revenue from sponsorships, instead of using podcasts primarily as a promotion tool for their subscription service.

Monetization presents other challenges for traditional media companies.

Given the ever-expanding universe of podcasts, surfacing new podcasts can be a challenge; convincing larger advertisers and brands that podcast advertising is worth the trouble¹⁵ is another. Radio media with its broad reach might offer a solution, and a new

venture Podcast Radio launched recently in the U. K. explores whether radio can successfully help to facilitate podcast discoveries.

Public media faces an added complication with the subscription monetization model in that many of the best and most popular podcasts produced by public media double as shows syndicated — free to listeners — across public radio. This American Life¹⁶ could be the audio equivalent of House of Cards, but subscribers are unlikely to pay¹⁷ for something they can get for free on the radio.

Lower ad revenue with the digital audio format is also an issue compared to ad revenue levels for traditional media, and this discrepancy might deter traditional media from the podcasting medium. For example, as reported by Justine and Olivia Moore¹⁸, venture investors at CRV, the average revenue per active user per hour is \$0.11 for radio vs. \$0.01 for podcasts.

The main issue seems to be the fact that until recently, only an estimated 15% of podcasts were able to monetize, largely because there is no ad marketplace on Apple, which has been the dominant distribution platform for some time now. As listeners turn to other distribution platforms like Spotify this might change, and radio offers an established ad marketplace where featured podcasts could find it easier to monetize ad revenue.

Booking Guests

For major media publishing players, booking guests might not be that hard. Regardless of the popularity of the podcast, securing guest bookings is still a hurdle and might require extra effort. Especially when it comes to program scheduling.

Audience Growth Challenges

Promoting podcasts is quite a challenging task. According to TechCrunch¹⁹, 75% of podcasters state that their new listeners learn about new podcasts through word of mouth and social media. Many are dissatisfied with their social media growth.

Podcasts that are backed by major podcasting companies like iHeartRadio or Vox Media have an advantage when it comes to promoting a brand new podcast show. They can just run a preroll about the new show on one of their existing shows.

Meanwhile, just like in any other industry, for independent producers promotion is more challenging. Without a budget to promote the show through other podcasts, the creators will have to rely heavily on social media promotion.

Resource Constraints

For up-and-coming and smaller media companies, getting into podcast production can be challenging. While everyone can record a podcast using just their phones, not every company has the capacity to take care of all the pre- and post-recording activities that go into packaging successful podcasts.

This constraint is especially acute for traditional media companies who lack a strong online presence, such as local radio stations.

For media companies that do have an established online presence and staff who are trained to specialize

in digital promotion, such as major news publications or national public radio stations, the road to podcasting is less daunting in comparison.

Most local radio stations are already short-staffed and lack resources to dedicate staff to podcasting, which is a time- and staff-consuming process not only for recording but for promoting as mentioned above. These stations will have to deal with hurdles of overcoming resource constraints to be able to enter the ever-growing market of podcasting.

Overly Conservative Mindset

A conservative sentiment among traditional radio broadcasters can create resistance to creative, offbeat, out-of-the-box ideas typical of a younger generation of content creators attracted to the freedoms of the new the podcasting world: PRX veteran Jake Shapiro, for example, had to try to convince institutionally conservative station managers that outside-the-box audio production shows were worth airtime.

At the same time, there is increasing demand for shows that don't follow the traditional²⁰ news reporting format of older radio broadcasters.: A rookie

generation of listeners representing a younger, more female demographic, favor suspenseful, audio dramas. Old media needs to produce podcast content that can successfully target this demographic.

Competition From New Entrants Is Growing Fiercer

Strong competition from celebrity podcasters for example comprised 15% of Apple's top 20 most downloaded podcasts in 2017 and jumped to 36% of the top 25 in 2018. Old radio media could find it hard to attract listeners to new evergreen podcast content that they produce in the face of this competition.

The Desire Among Podcasters and Listeners Alike for High-Quality Ads

Big brands interested in podcast ads often expect to reuse radio spots — they aren't used to the process of crafting and approving a host-read ad that may only reach 10,000 listeners. Just like the big brands, traditional media is not accustomed to this new paradigm for advertising and may find adapting to it is a challenge.

More Original Content, Ala the Netflix Business Model

To really build up a strong podcast business, industry analysts say radio stations need to commit to developing programs specifically for digital audio consumption, with original content.

Adapting to New Production Processes

Once stations have ideas, they need to take time to develop and pilot those ideas. The process of developing content by creating pilots and testing concepts is well established in the television industry but is new for radio, an industry that traditionally evaluates the success of shows on audience response to hosts and Nielsen ratings.

Some podcast enthusiasts hold that the journalism industry is in the midst of a major transformation, therefore old media may have no choice but to adapt to this new landscape if it is to even survive. "There is a certain kind of whimsy and emotionality that can only be captured on audio," Malcolm Gladwell told to LA Times²¹.

Gladwell is a prominent figure in today's world of podcasting. His podcast, "Revisionist History" is one of the most popular podcasts right now. Recently, the bestselling author teamed up with the former editor-in-chief of Slate, Jacob Weisberg, to co-found of Pushkin Enterprises, a podcasting network. Both he and Weisberg believe podcasts are spurring another massive transformation in journalism.

The rise of podcasts shows that there's a strong demand for this kind of emotional and more relatable news reporting from younger demographics, and this may be where the future of journalism is headed. The continuous growth in the popularity of podcasts over the last decade and particularly over the past two years shows that the on-demand audio medium is here to stay. Moreover, both statistics and anecdotal evidence show the many ways this medium can bring a breath of fresh air to traditional media. The success stories and opportunities mentioned above show that podcasting is a powerful digital medium that can help traditional media to stay relevant and well connected with younger generations, all they have to do is make the effort to meet the challenge.

Contact the Author

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About DataArt

DataArt is a global software engineering firm that takes a uniquely human approach to solving problems. With over 20 years of experience, teams of highly-trained engineers around the world, and deep industry sector knowledge, we deliver high-value, high-quality solutions that our clients depend on, and lifetime partnerships they believe in.

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