

Podcast Advertising

**Case Study:
Podcast Companies
Look to Break
Through to Major
Brand Advertisers**

**PODCAST
ADVERTISING
GROWS UP**

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PODCAST ADVERTISING GROWS UP

Will major brands look beyond the measurement gaps and other drawbacks of the nascent medium?

Category:

Direct to consumer, digital

Vertical market:

Podcast advertising

Timing:

October 2014-March 2019

Earlier this month, Dropps CEO Jonathan Propper recalled the first time he heard the company's podcast ad from a recent episode of "Pod Save the World." The banter between the Crooked Media co-hosts perfectly captures why advertisers like Dropps, the direct-to-consumer provider of eco-friendly laundry products and makers of the original detergent pod, are drawn to the podcast medium.

"The hosts [Tommy Vietor, Ben Rhodes] were talking about the company name and one of them said, Well, they could probably get the Dropps domain for \$10,000 and Drops with one 'p' was probably \$2 million, so they said let's go with the two 'p's. It's better than Dropz with a 'z,'" says Propper, laughing. "We didn't tell them to say that. It was all unscripted. They just went with it and had fun."

For brands like Dropps, this isn't just a feel-good story about earned media. Advertisers with limited budgets and many digital channels from which to choose would not be betting on podcasts if they weren't getting a clear return on investment. Still, these sorts of off-the-cuff exchanges help create an authentic personal connection to brands that often seems missing from celebrity endorsements and other forms of influencer marketing.

"There's a level of intimacy with a podcast that you're never going to get from a traditional ad," says Kristen Meinzer, co-host of the "By the Book" podcast and author of the upcoming book "So You Want to Start a Podcast" (HarperCollins/William Morrow). "When the host talks about why they like or use a product, people tend to believe that message. It's an



endorsement that comes from personal experience by someone that the audience knows and feels like they can trust.”

Where is the tipping point?

The idea that podcasting could become a mainstream advertising vehicle is not new. Back in 2014, Sarah Koenig’s hit podcast “Serial” helped put the category on the map. One of its sponsors—the email marketing service MailChimp—became an instant cultural phenomenon when an endearing prerecorded spot with the show’s producer caught people on the street struggling to pronounce the company’s name and other ad copy. “Mail ... Kimp?” became a meme, and the marketers who created the ad were hailed as geniuses. Around the same time, Apple embedded its podcast app into all new iPhones, introducing the technology platform to a wider audience.

Since then, podcasts have attracted a growing share of listeners and advertising dollars. In the U.S., podcast ad revenues are expected to more than double from 2017 to 2020, reaching \$659 million, according to the Interactive Advertising Bureau and PricewaterhouseCoopers. Nearly one in every three U.S. citizens has listened to a podcast in the last month, up from one in four in 2018, according to a March 2019 report from Edison Research. Per eMarketer, the total number of podcast listeners in the U.S. will rise steadily from 73 million in 2018 to 83.8 million in 2022.

The question is, Will podcast advertising remain the purview of digital startups like ZipRecruiter and Stamps.com and insurgent DTC brands with cult-like followings such as Quip and Casper? Or will major brands look beyond the measurement gaps and other drawbacks of podcasting and put their weight behind the platform?

Jacob Weisberg, former chairman and editor in chief of the Slate Group (parent company of the Panoply Media podcast network) who formed the audio venture Pushkin Industries with author and podcast host Malcolm Gladwell last September, says that podcast advertising has not yet reached a tipping point. “Until you start to bring in major corporate brand advertisers, it will remain in a phase of development,” he says. “There are signs of that

happening, but it’s been a trickle rather than a flood.”

The biggest hurdle, according to Weisberg and others, is the rudimentary nature and general lack of scale of podcast media buys (CPMs are based on downloads, not listeners, and many advertisers still buy ads on individual shows) as well as the limits on reporting data and attribution compared with more mature digital channels. For some marketers, giving up a certain amount of message control may also be an issue.

“Part of what’s great about the medium is that people make shows how they want. The show lengths are not standard and the ad lengths are not standard,” notes Weisberg. “If you say to a big brand advertiser, ‘Every episode of this show is going to have a non-standardized reading of your message that’s going to involve improvisation by the host,’ that’s when they start to get a little queasy about the lack of consistency.”

Spencer Brown, CEO of Cadence13, a podcast company that partnered with Pushkin Industries in December, says that it is not unusual for bigger brands to wait for an evolving advertising ecosystem such as podcasting to mature and follow competitors into the space. “Each year we’ve seen more and more big brands get involved,

The top 15 podcast advertisers

- 1. ZipRecruiter
- 2. Geico
- 3. Indeed
- 4. Squarespace
- 5. SimpliSafe
- 6. Quip
- 7. Robinhood
- 8. Zenni Optical
- 9. Madison Reed
- 10. Casper
- 11. Skillshare
- 12. ThirdLove
- 13. Care/of
- 14. Stamps.com
- 15. Progressive

Source: Magellan, January 2019

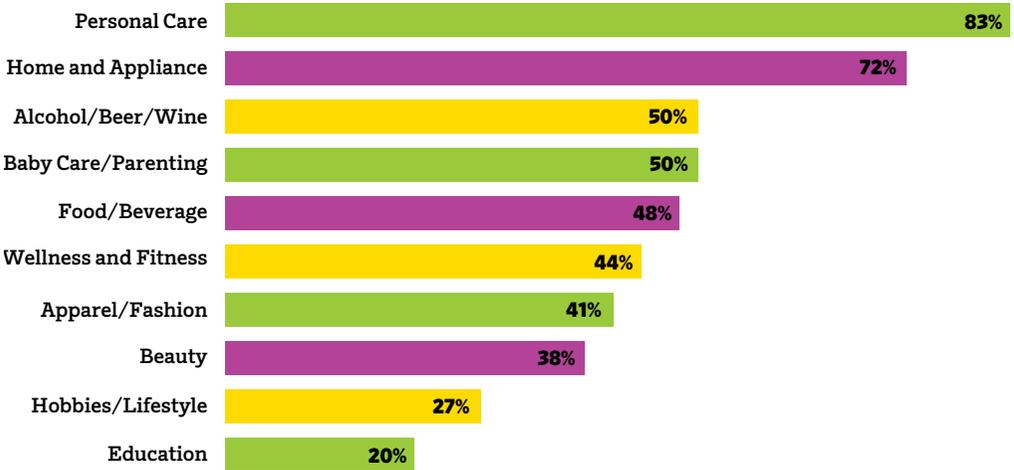


Podcast Advertising Grows Up

Look who's talking

Out of its database of 4,000 advertisers, analytics firm Magellan found 109 of the DTC 250 brands advertising on podcasts dating back to 2017.

Percentage brands advertising on podcasts



Source: Magellan, March 2019

but they're still in the minority," he says. "It's still early. We're seeing a lot of entertainment brands—movies, TV shows—as well as some financial services companies making more investments. We've got a good pipeline of brands that are interested, but it's going to take time to reach critical mass."

Resolving the measurement question

Over the past two years, efforts to improve the data transparency of podcast advertising have had incremental success. Much of the decision-making falls on Apple, which still controls most of the podcast listening platform through its app and iTunes software, though increased competition from Spotify, Google and others has brought its share of distribution down from 80 to 85 percent a few years ago to somewhere closer to 60 percent today, according to industry experts. In December 2017, Apple introduced a new analytics platform that many hoped would open up the "black box" of podcast audience data. It proved to be a more modest step in that direction.

"It allows us, in the aggregate, to figure out how far into the podcast people are listening and when they drop off, and to be more precise with where we place our ads," explains Brown. "We still don't know exactly who is listening or

their reference points—meaning where they came from or where they go after listening to the podcast."

From a technical standpoint, the crux of the data problem is that ad servers and podcast listening platforms are two separate systems. "They are not synced up and don't talk to each other, so data cannot be synced on an anonymized basis," explains Sarah Greenfield, a former media director at Neo@Ogilvy who is now executive director of strategy at the boutique creative shop Episode Four. "To this point, measurement in the space has been a workaround."

Increased demand for more granular platform-level targeting has given rise to solutions like Targeted Marketplace from Megaphone (formerly Panopoly Media), introduced in 2017, and the newer Smart Audiences tool from the podcast hosting platform Art19. Both use independent data sources (Megaphone works with the Nielsen Data Management platform) to anonymously connect listeners to their devices and households, allowing marketers to tailor their messages to specific podcast audiences by purchasing ads across multiple programs or networks. "It makes it easier for brands to buy at scale, almost like an exchange," notes Brown.

Korri Kolesa, chief operating officer at Art19, says that the ability to segment podcast

MASTER CLASS: SKILLSHARE SCHOOLS MARKETERS ON ROI

Skillshare is one of the most prolific advertisers in the entire podcast universe. In 2018, the online learning community planted its no-nonsense “Learn a new skill” testimonial-style ads across nearly 100 different podcasts. “Many of our top podcast performers are topics/categories that align particularly well with our user base: design, entrepreneurship, freelancing and side hustles,” says Cam Lay, VP of marketing at Skillshare.

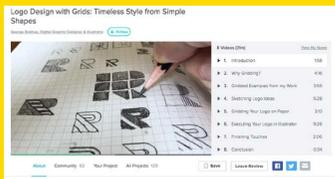
For heavy direct-response marketers like Skillshare, investing in

podcasts can be a no-brainer. “We all tend to think of ROI in the same way: Give me a dollar and I’ll give you back five,” says Lay. “I feel pretty comfortable with the ROI measurement that we have and the decisions we make based on those numbers. It’s not perfect, but it is much better than many other channels.”

In typical fashion, Skillshare concludes its podcast ads with the host reading a URL with a promotional code (typically the show’s name) that consumers can enter on its website for a free two-month trial. The company measures the number of people who take the trial as well as the number of those trials that convert. “Not everyone is going to type in the URL or use that code, so we also include a checkout survey [on our site] and ask how they heard about us,” Lay explains. “If they say podcast, we take a proportional amount, create a multiplier for the channel

and multiply by direct conversions. It’s pretty reliable and directionally correct. We engage with customers in several digital channels, and we try to be as precise as we can with the direct piece.”

Lay reports that podcast audiences typically convert from the trial to its paid membership at a much higher rate than many other channels, a fact he says may stem from the more-affluent listenership. Skillshare’s core customer group consists of millennials, and its fastest-growing audience is 18-24—which makes the podcast medium a natural fit for its message. Says Lay, “Millennials don’t want to be advertised to in the traditional way. They want to have a conversation with the brand, and they want to do that with someone they respect.” **AA**



Skillshare’s educational brand is geared toward entrepreneurs and is a good fit for podcasts.



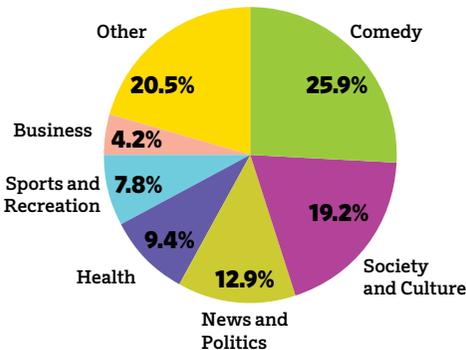
audiences by factors such as age, income and region is helping to attract more brand advertisers into the space. “There’s more optionality for publishers, now that the technology is catching up to the content,” she says. “With the combination of DAI [dynamic ad insertion] technology and the Smart Audiences tool, we can customize ads by inserting a prerecorded spot that is targeted to a specific group of listeners. It allows us to do A/B testing and figure out which ad is working best for which audiences.”

Another potential game changer is NPR’s Remote Audio Data (RAD). Stacy Goers, NPR’s product manager of podcasts, says the open-sourced podcast analytics technology is “designed to collect minimal data so that publishers can figure out answers to questions like how many users actively listened as opposed to who just downloaded it, and whether listeners tend to listen to the whole podcast or just certain parts of it.” With widespread industry support, RAD could go a long way toward improving standardization of measurement techniques, says Greenfield. “Nearly 15 top podcast companies have announced that they would implement RAD in their platforms in 2019,” says Goers, “with more committed to furthering its growth throughout the industry.”

What kinds of podcasts are DTC brands advertising on?

More than half of the brands advertised on comedy, society and culture, and news and politics podcasts.

Mix of ads by show category on Apple Podcasts



Source: Magellan, March 2019

Next up: Paid content

The advertising-only podcast monetization model is hardly the only game in town. Both Spotify and Stitcher offer ad-free listening to premium subscribers, though Spotify has been running its own ads in podcasts that feature its exclusive original programming. The company plans to spend up to \$500 million on podcast deals this year, having purchased the Gimlet Media podcast network for a reported \$230 million and Anchor FM, the podcasting app and web tool, for a reported \$110 million in 2018.

Spotify is also experimenting with ways to pay content developers that go beyond advertising, none of which will deter new advertisers from jumping in, says Weisberg. “We now have live events and sponsorships bundled into sales of direct-response ads,” he says. “There are lots of ways to monetize the business.”

For Weisberg, ensuring success in the podcast business for the long haul is a matter of making sure that history doesn’t repeat itself. “I do not want to see podcasting make the same mistake as digital news, where collectively we waited too long to develop a sustainable model around paid content,” he says. “I’m very keen on podcast advertising, but I’d like to see audiences pay for content both directly and indirectly.”

As the podcast medium continues to evolve, there is plenty for advertisers to like. “For brands, it’s not always a one-to-one relationship with attribution and ROI,” notes Kolesa. “Podcast audiences skew more affluent and highly educated. They tend to be cord cutters, so they are hard to reach elsewhere. On top of that, ad completion rates are north of 85 percent and skip rates are in the single digits.”

Others say podcast advertising is experiencing the normal growing pains of any evolving media platform. “This is not much different than other emerging media channels over the last 15 years,” says Greenfield. “It’s mostly driven by publishers at the beginning, but I believe we’ll see a shift in ownership where agencies and brands will say, ‘There’s a better way to do this creatively and speak to our audiences.’”

Adds Brown, “Right now, podcast advertising lives somewhere between digital and audio at the agencies, so until one of those two takes charge and really owns it, there’s going to be some question about how things get done.” **AA**

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