



REPORT

egta. RADIO STUDY TRIP TO
NEW YORK

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ABOUT THE PROJECT

In October 2019 egta organised its fourth US radio study trip, on this occasion to New York. The objective was to gain a better understanding of how the audio industry operates and is digitally transforming in the US. The egta delegation met with 25 American executives and experts representing the leading companies in the following categories: (1) industry experts, research & insights, (2) radio companies & sales houses, (3) on-demand audio, music streaming & podcasts, and (4) ad tech & innovations. This report is an overview of the key learnings and insights per category and per company.

INDUSTRY EXPERTS, RESEARCH & INSIGHTS

EDISON RESEARCH



Edison Research is the leading provider of information on trends in audio usage in the US and throughout the world.

Overview of the American radio and audio landscape: main challenges and recent developments

The four major current themes in the US radio industry are: (1) reach, (2) time spent listening, (3) debt, as well as (4) streaming and podcasts. All the major business initiatives, PR narratives and forward-looking development strategies on the market are either based on or influenced by these areas.

Broadcast radio

Due to the way radio is measured and reported in the US, its cumulative audience and weekly reach numbers demonstrate a very slow decline (about 1% a year), and remain above 90% of Americans weekly. Although weekly reach tells a success story for broadcast radio, the medium's actual consumption (i.e. frequency and time spent listening) has been declining much faster, up to 10% year-on-year. The resulting decline of available broadcast advertising inventory, in combination with the crushing amounts of corporate debt of major radio groups and the intensified competition with digital for ad budgets of local businesses, put significant pressure on traditional radio ad revenues. To address the stagnation of the broadcast part of the business, the major US radio groups invest in an ad sales and pricing optimisation system to maintain traditional radio revenues by increasing efficiency and yield management.

Online radio

Online audio continues to grow by about 5% year-on-year with 60% of 12+ Americans listening on average for 16 hours 43 minutes per week. This is already 20% longer than the average TSL for broadcast radio. Up to one-third of listening to radio online takes place on smart speakers, but the total radio listening online is not growing proportionately. What happens is that some radio listeners shift their listening from mobile and desktop to smart speakers, rather than smart speakers attracting new radio audiences. The main focus of online radio product development is to give listeners a convenient way to keep listening to their favourite radio brands online (on mobile, in car, on a smart speaker) and to provide a sense of personalisation whenever possible (including the ability to skip songs, offering radio shows on-demand, curating playlists, etc.).

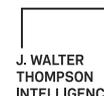
Podcasting

Podcasting is the hottest topic for all audio industry stakeholders in 2019, and radio companies are not an exception. Both the awareness and consumption of podcasts keep growing. However, compared to other media formats, podcasts remain quite niche both in terms of audience size and advertising revenues – just 22% of adult Americans listen to podcasts weekly, while the estimated podcast ad investment comes to approximately \$600 million in 2019 which represents less than 5% of the total audio ad market in the US. Nevertheless, as the “new thing in audio”, podcasts are capturing the attention of the business and tech press, the Wall Street and the Venture Capital investors community, on the one hand, and marketers who want to reach out to an engaged, young and affluent podcast audience, on the other. Unsurprisingly, American radio broadcasters are trying to ride this wave by investing in their own podcast production, acquiring existing podcasting companies and exploring

cooperation opportunities with creators. After *Spotify*, the major radio broadcasters such as *iHeartMedia*, *Cumulus* and *Entercom* are the biggest investors in podcast production, distribution and marketing, collectively spending about \$100 million on the format in 2019. But it is still too early to evaluate the ROI of this move for the radio industry.

The broadcast radio spot advertising sales remain by far the main source of revenue for commercial radio broadcasters in the US. The numbers vary from company to company, but a general split is comparable to what we can observe in Europe: 90% of radio advertising revenue comes from broadcast, 6% from digital and about 4% from other sources (including events, marketing and other initiatives).

JWT INNOVATION GROUP



The Innovation Group is J. Walter Thompson's in-house creative think tank for the future. It charts emerging and future global trends, consumer change and innovation patterns – translating these into insights for brands.

The Future 100: Trends and Change to Watch in 2019

“The Future 100: Trends and Change to Watch in 2019” report highlights emerging consumer behaviours with one hundred trend predictions from the Innovation Group. Trends covered in the report span culture, tech and innovation, travel and hospitality, brands and marketing, food and drink, beauty, retail, health, lifestyle and luxury. In terms of how these new patterns are changing marketing, media and user behaviour in particular, the following trends can be identified:

- **Brand therapists** – brands are moving beyond their products to offer services and experiences that encourage self-reflection. For example, *Lidl* hosted a series of pop-ups encouraging young people to speak openly about mental health issues.
- **Cultural programmers** – brands are positioning themselves as social hubs and community centers. Events run at *Hoxton* hotels range from mood-enhancing dance classes to yoga to salons on the future of finance.
- **Silicon Valleywood** – tech brands are making their mark in highbrow film-making disrupting the established studio model, an example of which is *Amazon Studio's* “Manchester By The Sea” nomination for a Best Picture Academy Award in 2017.
- **New entertainment formats** – multi-layered media experiences where audiences are invited to be a part of the story, e.g. *Netflix* released a suite of interactive shows, one of which – “Bandersnatch”, was awarded an Emmy at the 2019 awards.
- **Generative formats** – creators are finding new ways to engage with audiences through non-linear narratives that allow users to generate their own story.
- **Voice-activated world** – as voice is less cognitively draining, it will become an increasingly attractive proposition for consumers who feel overwhelmed by technology. Combined with the rise of voice-activated devices, brands will be presented with new and exciting opportunities to engage with consumers, whether that be voice-activated outdoor sites or even embedded brand content in IoT connected devices. With more capacity to “look up” people may become more open to interaction with brand communications in the world around them.

DRIVE TIME METRICS (DTM)



Drive Time Metrics (DTM) provides cross channel, in-vehicle media consumption measurement and analytics.

Smart car as a rich source of data

Audio is – and will remain in the near future – the main media format consumed in the car. On top of this the car will remain a crucial distribution channel for radio. Currently, in-vehicle listening represents more than 50% of linear radio consumption in the US and in Europe. However, traditional audience measurement systems can only indicate a total share of radio listening in car (as a

“place of listening” category beside “in home” or “at work”), but no holistic in-vehicle audio consumption measurement tool that would encompass other audio formats and listener data exist.

An increasing number of connected cars on the roads provides an opportunity to use this mobile computer to collect, analyse and monetise data related to media consumption, advertising and user (drivers) activity, ultimately adding the car as another smart device to the existing media and advertising ecosystem. The challenge though is that there is no unified standard operating system (OS) similar to what exists with the web, mobile, desktop or smart speakers. Both media and car landscapes remain very fragmented and in order to activate the available data, it would require an industry-wide unification approach on both sides. This is what Drive Time Metrics has been working on for the last 5 years – to develop a business model, to build cross-industry connections and to design a tech solution needed to launch such a global in-vehicle analytical platform.

The solution is based on tech integrations to collect data from built-in computers and automotive OSs, OEMs devices, connected smartphones and – in the future – from new types of in-car connected devices. The technology enables the collection of location data, data from a vehicle infotainment system as well as data from embedded cellular modem. The potential applications of such platforms for radio publishers are numerous – from providing data sets to enrich measurement and ad currency systems, building custom audience segments and advanced in-vehicle targeting options, to delivering music and audio programming intelligence.

Pilot: five million hours of in-vehicle listening

In 2017 DTM ran a pilot project with one of the major OEMs involving fifty thousand cars in Los Angeles and Chicago capturing a total of five million hours of listening. The collected data provided a holistic view on radio channels listened as well as moments of switching the stations or switching from radio to alternative audio sources (i.e. online streaming, streaming from a phone).

Attribution tool

Another pilot ran together with *iHeartMedia* was dedicated to analysing the impact of radio commercials on the drivers' visits to *McDonald's* restaurants. The data from two groups of drivers – one that was exposed to the commercials and a control group – showed that those who listened to an ad were more likely to drive into one of the 39 *McDonalds* restaurants in Chicago. The same approach can be applied to other businesses which need to drive traffic to their brick and mortar stores, retail and entertainment locations.

Other use cases of Drive Time Metrics technology

A holistic view on in-vehicle audio and advertising data enables new applications which are currently either impossible or extremely resource-intensive to execute. Examples can include granular ad exposure and performance analysis among drivers (whether the entire audio ad was listened to or for what duration, point of tune out, A/B ad testing, etc.) as well as analysis of additional layers of data for audience measurement and audio listening patterns. The traditional audience measurement samples data can be complemented by the capture of in-vehicle data. For example, the twelve million people Los Angeles radio advertising market worth \$1 billion of radio ads a year is measured with only 3000 Nielsen's PPM devices, while during the aforementioned pilot project DTM collected granular listening data from 30,000 cars.

RADIO COMPANIES & SALES HOUSES

CUMULUS MEDIA & WESTWOOD ONE



Cumulus reaches over 245 million people each week through 434 owned-and-operated stations in 89 US media markets. Westwood One is the advertising sales arm of Cumulus Media and a multi-platform provider of sports, music, news, spoken word and digital audio content.

The state of audio in the media mix

Mass reach media like AM/FM radio and broadcast TV have shown the greatest growth in spend optimism among advertisers in recent years. AM/FM radio represents a safe alternative for brands weary of digital fraud, third-party data control, and unregulated social media channels. Digital fraud and alarming TV audience erosion has caused *P&G* to return to radio with their 2018 and 2019 ads

skyrocketing. *P&G* is using AM/FM radio to augment media buys and to reach audiences unreachable through TV. According to *Nielsen*, AM/FM radio reaches 92% of Americans weekly, outreaching live + time shifted TV (88%), pay TV (81%), and social media on a smartphone (73%). With the growing number of cord-cutters and cord-nevers, AM/FM radio also reaches the light TV viewer. By shifting a percentage of a TV budget to AM/FM radio, brands add significant incremental reach to their campaigns.

Automation of radio sales

With 750 network vehicles and a complex matrix of various inventory sources, centralisation and automation of sales is a priority for Westwood One. A unified inventory management system in place ensures that the sales forces remain lean (i.e. Westwood One: a team of 32 sellers for \$365 million in revenue and Cumulus Media: a team of 60 sellers for \$800 million in revenue). The system also guarantees that all sellers have access to relevant information (i.e. sell out rates, year-to-year comparisons, price indexes), which further increases efficiency and allows for smart pricing decisions.

Acquiring and retaining talent

Despite advances in automation, the radio sales business and the complex US network business in particular, require senior sales staff. Therefore, acquiring, incentivising and retaining talent remains both a priority and a challenge for the industry.

Agency deals

With agency commissions shrinking, the pressure on deals and discounts increases. Smart inventory analysis combined with the gut feeling of an experienced sales force helps to address this radio sales challenge.

Cooperation with DAX

Cumulus Media has inked a deal with *DAX*, Global's digital audio advertising branch. Under this multi-year arrangement, *DAX* is the exclusive third-party sales representative for network radio streaming and national programmatic advertising alongside Cumulus' in-house sales teams. The model revolves around selling impressions on a guaranteed CPM.

Dive into podcasting

According to the *IAB* and *Price Waterhouse Cooper* report, podcast advertising revenue is forecasted to exceed \$1 billion by 2021. While performance and direct response agencies and clients were the early adopters – given the podcasting medium's ability to deliver four times the ROI of radio campaigns, podcast brand advertising is now catching up and growing fast. Up to 2018 podcast advertising revenues were dominated by direct response with 70% of spend, in 2019 approximately 40% comes from brands, while next year the split is expected to be 50:50.

In terms of formats, *IAB PWC* reports that half of podcast ads are dynamically inserted (49%) and half are “baked into” the podcast (51%). Host-read ads continue to be the preferred ad type and podcast transactions now happen faster with less annuals and more scatter. From an ad length standpoint, longer formats prevail with 60-seconds and 90-seconds used most often. DTC retail, financial, B-to-B and entertainment lead in the podcast space and represent 75% of the ad revenue. According to *Advertisers Perceptions*, podcast funding is primarily sourced from general digital budgets.

Cost per thousand continues to be the dominant podcast pricing method. The podcast CPM is on average around \$25 for native live read and \$8-15 for dynamic insertion compared to a \$15-20 average CPM in the radio spot market and a \$4-7 average CPM in the radio network market.

Westwood One has partnered with podcast technology company *Megaphone* and takes advantage of their services in hosting, publishing, dynamic ad insertion, campaign management and analytics. In terms of data capabilities, challenges remain but new products are being developed, including the "Podcast Listener Buying Power Service" by *Nielsen Scarborough*.

From podcast revenue of only \$100,000 in 2016, Westwood One ended 2018 having generated over \$12.5 million from podcasts. The company remains excited about the future growth prospects. Podcasts also help to win over new clients, who might not have the budgets required to get involved in network radio. Furthermore, thanks to the podcasting boom radio has a new "solution" to talk about with agencies and their clients. With discovery remaining the biggest challenge in the space, it is radio that has a significant advantage by being able to promote podcasts on-air. However, the podcast market is becoming increasingly competitive so broadcasters need to be proactive and make sure to make the most of these synergies.

Embracing smart speakers

With 19% of audio listening in the US happening on smart speakers, Cumulus Media developed custom *Amazon Alexa* skills and *Google Home* integrations for 450 of their own stations and continue to promote them on-air. The company continues to explore best monetisation avenues in this space but there is no doubt that smart speakers are bringing radio back into the home, while brand awareness studies of pre-rolls on these devices show impressive results.

Smart speakers are also experiencing an increased brand and agency interest. In March 2019, *Advertiser Perceptions* surveyed 301 marketers and agencies on their perceptions on advertising with smart speakers and 36% have already begun using smart speaker advertising, twice the amount in the January 2018 edition of the study.

Trends in attribution and measurement

Clients continue to request campaign effect studies measuring the brand equity impact of their radio investments along with *Nielsen* sales effect studies. Brands also seek cross media measurement research to determine how radio and TV work together to build incremental reach and sales lift.

Agencies sign on for the *Nielsen* media optimisation platform "Nielsen Media Impact", which adds radio for the first time. The first media agency to secure full client access is *Spark*, while *Carat* has access just for P&G.

After a series of pilots and tests, national brands also seek broader roll out of site and search attribution measurement of radio campaigns. In the retail sector, there is also a growing demand for location attribution, connecting radio ad exposure at the market level to store visits. Westwood One partners with *NinthDecimal*, *cuebiq*, *PlaceIQ* and *Placed* for location-based attribution, and with *LeadsRx* and *C3 Metrics* for search and site attribution for AM/FM radio campaigns.

Audio creative testing has seen its biggest usage in the past year and 2020 will be even more robust. Westwood One partners with *Maru/Matchbox*, *Vision Critical*, *Veritonic* and *Advertising Benchmark Index* to provide insights on what makes creative effective.

Westwood One ROI Guarantee combine these various attribution solutions to provide advertisers with actionable insights to make better-informed creative and media decisions.

As brand spend growth in podcasts is five times that of direct response, there is also a bigger demand for *Nielsen* podcast brand effect studies.



Entercom is a leading American media and entertainment company reaching over 170 million people each month through its premier collection of radio stations, digital platforms and live events.

Drive a share shift from other media

One of Entercom’s growth strategies is to drive a share shift from other media. *Nielsen* tools now allow clients to determine the best combination of media for optimal reach and the best ROI, and thus radio can demonstrate how it helps clients to make their TV and digital campaigns work harder. While the radio reach argument remains important in promoting the medium as an advertising platform,

it could prove to be a double-edged sword as certain clients might equate ‘reach’ with ‘waste’. Therefore, the mix optimisation narrative behind radio sales becomes increasingly important.

Radio.com explodes into a top digital audio app

Entercom owns the platform Radio.com, which is a single aggregation point for all of the company’s digital assets with over 300 streaming stations and 3,000-plus podcasts. Radio.com provided Entercom with a foundational platform for digital expansion across music, news, entertainment, sports and other categories, and became the main driver of growth in digital audio sales. It is the only home for local live content: both Entercom’s and that of other players. In 2019 Radio.com was the fastest-growing digital audio app in the US according to *comScore*.

In 2018 Entercom pulled its stations streams off the radio aggregation platform *TuneIn* and aggregated them on Radio.com. To prepare for this move, Entercom promoted the platform on-air and within their streams. They also launched Radio.com on *Amazon Alexa* and *Google Home*. Taking a 20% hit immediately after pulling out, Radio.com got the audience back within a three month period.

Dive into podcasting

In 2019 Entercom acquired two podcast businesses: *Cadence13* – podcast creation and distribution company in which Entercom already owned a 45% share, and *Pineapple Street Media* – an independent podcast producer with a portfolio that includes several noteworthy shows and partners from across the podcast industry. *Cadence13* kept its existing name and also became a unit of Radio.com, where it offers a full slate of services for audio creators including audience development, production and monetisation.

Grow audiences by making content line up and listener experience better

The Hulu model has been instructive for Entercom’s growth strategy in terms of innovating with new ways to package content as well as delivering a less intrusive and more impactful advertising experience.

Become fully competitive in data, analytics and attribution

In order to compete in today’s ad-supported marketplace, data, analytics and attribution are the core competencies and the radio industry needs to catch up with *Google*, *Amazon* and *Facebook* who trade on data and make every ad addressable. Entercom’s objective is to make their linear inventory digital like and programmatically available. Radio.com currently has 40 million users and thus constitute a significant digital sample – the collected data can be applied to broadcast to enrich linear inventory. Additionally, audio usage in the car and data collected from the dashboard can serve as another attribution engine. Radio.com does not currently force registration, but thanks to the aggressive promotion of voluntary registration, 40% of users are registered. This, combined with behavioural data, makes the resulting sample significant, particularly when compared to the AM/FM data collection reality with 77 thousand Nielsen meters for a population of 300 million people. Additionally, the self-reported data can be problematic in terms of accuracy and it is the behavioural data matching that proves more valuable.

Build excellent local sales organisational effectiveness

The data and technology led marketplace brings discipline to the audio sales process, enforces rigour in prospecting and client matching and increases the importance of advanced sales training. In terms of sales force structure, Entercom continues to explore the best avenues with national digital only sellers and a ‘four legged – two sellers’ structure for local direct: one broadcast and brand activation-oriented seller and another one with more local digital expertise.



iHeartMedia is a media and entertainment company specialising in radio, digital, outdoor, mobile, social, live events and on-demand entertainment. The company is the largest radio broadcaster in the US. It owns and operates 858 broadcast radio stations, serving more than 150 local markets. iHeartMedia's digital assets include thousands of stations and show websites, 146 million social media followers and 130 million registered iHeartRadio users.

Investment in ad tech and data infrastructure

The main difference between iHeartMedia and other US broadcasters is that the former invests heavily not only in the development of broadcast and online radio, but also in audio entertainment and monetisation infrastructure as a whole. Recent iHeartMedia's acquisitions include a podcast production, distribution and data company *Stuff Media*, a broadcast radio ad sales tech company *Jelli* as well as investments in rich data infrastructure to support broadcast radio.

In 2015 iHeartMedia launched its programmatic and automated ad buying solution for its broadcast radio stations powered by *Jelli*. The company's programmatic solution – branded *SoundPoint* – now features the *SmartAudio* product and aims at offering iHeart's ad inventory to advertisers and agencies looking to leverage programmatic and automated technology. Such sales automation systems are aimed not so much at significantly growing the share of budgets from traditional radio advertisers, but rather to increase the probability of purchase by digitally oriented advertisers who are used to programmatic tools and data driven buys.

Data infused sales and custom audiences

Unlike its main competitors, iHeartMedia has a substantial complement to traditional audience measurement research data – the data from its online audiences. With *SmartAudio*, iHeartMedia can mine its unparalleled digital data from more than 100 million registered iHeartRadio listeners, along with second- and third-party digital data, consumer and behavioural data as well as insights from social networks, to create audience segment profiles. Advertisers are able to utilise these enhanced profiles to select the best broadcasting schedules and methods to reach their target consumers. Thus, brands benefit from the massive scale of broadcast radio and the targetability of digital.

By combining the automated sales system of *Jelli* with data infused audiences from its online assets, iHeartMedia can attract digital native buyers to broadcast radio. It is still the one-to-many broadcast offer rather than a digital programmatic buy, but it provides a more understandable way to plan and buy for not-radio buyers. In fact, many digital buyers do not care that much about the one-to-one targeting but rather focus on the relevant audience segmentation and the data enriched radio broadcast campaigns, which are not traditionally delivered by radio brands and ratings-based spot buying systems. Even the very definition of prime-time is changing when using the custom audience segmentation approach. When data shows that the audience that is most likely to buy *brand A* is listening the most after 8pm, the conventionally low value off-time slots become the most valuable for that particular advertiser. Digital advertisers understand such a tailored approach better than customary radio concepts such as drive-time.

With this tech and data infrastructure, a broadcaster can go after advertisers that would not previously consider buying broadcast radio. For example, in the case of political campaigns in the US, typically about 10% of the ad budget gets allocated to radio. Without its data platform, iHeartMedia would compete for the share of this 10% with other radio groups. Instead the company's sales forces can now talk directly to campaign strategists about various options to target custom audiences via radio and stand a chance to win the entire radio budget or to also win a share of the non-radio ad budget.

Advances in attribution

In addition to employing the conventional broadcast radio attribution solutions, iHeartRadio – being by far the biggest online audio platform owned by a radio group in the US – can cross verify its listeners across its broadcast and online assets. That link between surveyed broadcast listeners and online IDs enables various attribution and audience insights tools to be deployed. Starting from audience segmentation based on purchase behaviour and other attributes beyond standard *Nielsen's* age and gender metrics, to its own version of ad exposure panel and offline footprint tracking, these new tools and methodologies prove that radio works. Particularly for clients with rich first party data sets, these new solutions work very well. Radio continues to perform and examples of big brands such as *P&G* growing their share of radio in the media mix is the best proof of radio's ability to deliver high ROI. Without innovation, including advances in attribution, broadcast revenues will decrease and the industry will become commoditised.

iHeartRadio and digital product development strategy

iHeartMedia has been steadily redefining itself as an integrated digital entity and continues to extend the reach of its traditional radio brands. iHeartRadio is at the centre of the process. The habitual nature of radio listening is what makes radio a resilient medium. The success of iHeartRadio app is based on the notion that it is necessary to provide people with a platform to continue their radio habit on new devices, rather than to let them form new habits and fill in the “broadcast radio gap” with something else. Therefore, the objective behind iHeartRadio was to build a safety net to catch people before they ‘fall off’ radio while also giving those who have a strong reflex to listen to radio a reason to tune in on other occasions - during their car commute, in the office, in the gym, at home. Contradicting the common fear among radio broadcasters in early 2010s that the aggressive marketing of online radio platforms will lure listeners away from broadcast and as a result accelerate the adoption of streaming, iHeartMedia executives saw an opportunity to build on the listeners’ loyalty to their favourite radio brands to promote the iHeartRadio platform and to reinforce the habit of listening to radio as a medium instead of a hardware device. This approach is a part of a long-term strategy to prepare for the time when hardware radio will disappear from people’s lives. This tactic is already paying off as iHeartRadio has 128 million registered users and more than five times the active monthly sessions than its closest competitor Radio.com (as per *Webcast* ranking, July 2019). Initially, the promotion of iHeartRadio on air was based on the radio brands and it was listeners’ affinity to a radio station that was driving app usage. Currently, it is the stations that benefit from their affiliation with iHeartRadio. About 60% of iHeartRadio usage is to stream broadcast radio brands. The remaining 40% is devoted to listening to podcasts, curated playlists and on-demand.

Smart speakers and cars

In terms of smart speakers’ distribution strategy, iHeartRadio have had big enough scale to be by default a native radio skill for *Amazon’s Alexa* from the beginning. However, iHeartRadio also opted for its own skill “Ask iHeart” to avoid becoming fully dependent on its current relationship with *Amazon*. In terms of opportunity for the radio industry, in-home listening had been a lost battle for American radios and it was the proliferation of smart speakers that brought radio back to the home.

Currently, the major challenge is to secure radio’s place on the car dashboards as in-car listening is tremendously important for the business. Hitherto, music streaming services like *Spotify* and *Apple Music* have been growing their share of in-car listening predominantly at the expense of fading formats of owned music consumption (i.e. CDs, cassettes, mp3), while radio as a companion, dynamic, live, music discovery vehicle remained resilient. However, music streaming services have been increasingly working on transforming themselves to offer dynamic music collections and to serve as a new music discovery vehicle as well as embracing the spoken word with podcasts and news. As soon as they figure out the personality and companionship aspects of radio multiplied by their unprecedented personalisation opportunities, radio in the car will be seriously challenged.

Dive into podcasting

In 2018 iHeartMedia acquired *Stuff Media*, the publisher behind *HowStuffWorks* and other premium podcast content. The company have also announced plans to translate and distribute a slate of its hit podcasts across the globe by the first quarter of 2020. iHeart joined the launch of the “Podcast Listener Buying Power Service” by *Nielsen Scarborough* with *Cadence13*, *Midroll*, *Westwood One* and *Cabana* as charter clients. In August 2019 iHeart announced “Sunday Night Podcasts”, in which 270 stations will play a pre-recorded podcast episode in between music or talk radio. The initiative will bring podcasts to the airwaves in every one of iHeart’s markets. This comes after some successful experiments with broadcasting podcast content.

Project Listen

In 2019 iHeartMedia and *WPP* announced the launch of *Project Listen* – a partnership that will drive innovation and learning in creative and media strategies across all audio platforms: broadcast radio, digital streaming, podcasts, smart speakers and live events.



Katz Media Group is a media sales organisation. With over 200 million weekly consumers across the country through its two companies — Katz Radio Group and Katz Television Group, Katz Media collectively represents more than 4000 radio stations, 800 television stations and their digital platforms.

Evolution of Katz Radio Group

Following the evolution of the radio advertising marketplace, Katz Radio Group has evolved over the past years:

- from being a purely transactional business to fostering relationships and partnerships;
- from a terrestrial and linear offer to providing multi-channel solutions;
- from focusing on broadcast partners to spending much more resources on the buy side;
- from processing orders to delivering business outcomes;
- from employing basic technology to advancing integration, automation, programmatic and data infrastructures;
- from internal marketing to advocacy and thought leadership in the area of audio solutions;
- from fixed to dynamic compensation plans.

Audio industry: challenges to opportunities

Radio ad spending in the US is rising – accounted for by growth in national spot, network and digital markets – with \$17.89 billion in 2019 and an estimated \$18.39 billion by 2022. The main radio industry challenges include perception, technology and data. They can be turned into opportunities in the current audio renaissance climate and thanks to parallel developments in automation and data infrastructures.

Automation

In terms of automation, buyers can now connect directly to premium audio inventory from major radio groups represented by Katz including *Alpha Media*, *Beasley Media Group*, *CBS Radio*, *Cumulus & Westwood One*, *Emmis Communications*, *Entercom Communications*, *Radio One*, *Townsquare* and others through *Expressway* from Katz. This industry-wide programmatic ad buying solution for broadcast radio, powered by *Jelli* technology, improves the efficiency of the buying process, enables targeting, and delivers real-time monitoring and reporting capabilities.

Making radio more measurable

In order to prove the ROI of radio and audio, Katz is working with an array of research and technology partners including *Nielsen*, *Ipsos*, *AnalyticOwl*, *Elytics*, *OurMedia*, *Nielsen Catalina Solutions*, *Maru/Matchbox*, *Veritonic*, *Placed*, *Foursquare*, and *Veritone* to offer digital and location-based attribution, return on ad spend analyses, consumer insights and brand effects studies, as well as creative diagnostics.

Radio industry and Katz revenue streams

The US radio advertising market operates across the following revenue sectors:

- *Local* (radio broadcasters selling time to local agencies and local advertisers in their in-home markets) – the local radio market, representing 65%-70% of all US radio ad spend, has been challenged by *Amazon*, *Google*, *Facebook* and is experiencing two years of declines with the largest markets suffering from greater attrition;
- *National Spot* (selling spot campaigns to a national advertiser across selected markets/dayparts/formats) – the national spot sector shows two years of growth with large markets driving increases and with both new and returning advertisers including big national brands;
- *Network* (national campaigns across radio networks sold on impressions) – the network market has been growing moderately with new advertisers and stronger scatter (scatter – purchasing commercial time during the year as opposed to being part of a year-long plan as in the case of upfronts);
- *Digital* – the digital market has been growing strongly in all areas: national and local streaming (+30-40% growth), programmatic and podcasts.

In terms of Katz revenue streams, *spot* represents the multi-market and transactional business with premium CPMs, *network* is sold on impressions with lower CPMs, while *digital* represents local, national and large network audio impressions. Digital revenue is growing fast for Katz, from 3% share of the company's revenue in 2016 to 22% share projected for 2020.

Katz Digital

Technology is driving the audio renaissance enabling streaming, smartphone audio listening and smart speakers bringing audio back into the home and on the connected audio dashboards. Seventy nine percent of American adults 25-54 stream digital audio, 62% of these digital streamers use AM/FM digital stations, 80% stream pureplays and 30% listen to podcasts. Listeners seamlessly switch back and forth between broadcast and streaming.

PodKatz – the Katz Podcasting Network offers access to over 3,000 podcasts from numerous publishers with both a large enough scale and the technical capability to geo-target to local markets. Through the network of publishers, *PodKatz* offers both national and locally targeted dynamically inserted advertising to reach the hyper engaged podcast consumer.

In August 2019, Katz announced the opening of *Audiology* – a new programmatic sales division for digital audio. Combining scale and technology enables audience targeting with addressable impressions, in a brand safe and fraud free environment. *Audiology* is integrated with multiple demand side platforms (DSPs) and offer both self-serve and managed solutions.

Future of audio sales

The next steps for Katz include: further automation, advancing data, attribution and analytics capabilities and building a unified platform enabling buying audiences across channels (video and audio).

NATIONAL PUBLIC MEDIA

NATIONALPUBLICMEDIA



National Public Media (NPM) is a full-service corporate sponsorship organisation and the exclusive sponsorship representative for National Public Radio (NPR). NPR reaches 105 million monthly audience across platforms and has 28.5 million weekly on-air listeners. NPR is also first ranked among podcast publishers in the US.

Corporate sponsorship: on-air and digital

Corporate sponsorship represents 29% of NPR revenues. While sponsorship on-air across NPR radio stations is subject to strict legal restrictions (i.e. 15-second mentions voiced by hosts, no promotional messages), digital assets are not subject to the same regulatory framework. However, audience expectations related to the mission of public media remain and guide sponsorship across both broadcast and digital assets.

NPR Podcasts: ad formats, targeting capabilities, measurement & attribution

NPR continues to be an industry leader in top podcast programming content, being home to 8 of the top 20 podcasts, and offering brands over 175 million monthly downloads.

NPR podcast sponsorship formats include: dynamic pre-roll and post-roll, baked-in mid-roll, dynamic mid-roll, as well as soundscapes and spotlights produced by NPM Creative in collaboration with the client for longer-form storytelling. In terms of targeting capabilities, the possibilities include demographic (age, gender, household income) and behavioural (over 100 segments incl. education, profession, purchase intent and interests) targeting. NPR can also target first-party client data segments from *LiveRamp*, *Lotame*, *Exelate*, and *Adobe*. Creative targeting is possible by geography, day of the week and device/platform. NPR tags each episode based on the specific content covered, allowing sponsors to align granularly at the episode level across categories such as Business Finance, Tech, Cars, Health & Fitness, Science, etc. Listeners of a specific show or ad can also be targeted while they listen to other shows within the NPR network.

NPR is leading in terms of podcast measurement and metrics, being the first publisher to be IAB "Podcast Measurement Guidelines 2.0" certified, and developing RAD (Remote Audio Data) – a ping-back technology that reports actual listening to a podcast file as opposed to merely downloading that file, the framework of which was released as an open source mobile SDK.

NPR also works with attribution partners *Barometric* and *Podsights* to track true campaign impact beyond promo codes or vanity URLs. Pixels are placed on the client's site and dynamic ads, user IP addresses are matched to cookies and mobile ad IDs, and download activity, sortable by creative/program/episode, is graphed against site traffic and conversions.

NPR.org

41.6 million influential and digital savvy users turn to NPR.org each month. NPR has always prioritised user experience on digital platforms and hence it integrates sponsors in a native, transparent and non-disruptive way, which drive performance for brands in terms of viewability, time in view, CTR and interaction.

NPR One

NPR One, with the objective to power on-demand listening, reaches half a million unique users monthly. The app combines an algorithm that learns from listener behavior with a dedicated editorial team that curates stories from national NPR shows, local newscasts and podcasts. From brand names to brand stories, content alignment and curation, NPR One offers audio-first messaging formats.

Smart speakers

As an early partner of manufacturers like *Amazon*, *Google* and *Apple*, NPR's audio content is easily accessed across smart speakers. Every month, NPR delivers 10.7 million on-demand downloads on smart speakers through: Smart Speaker flash briefings, live station streaming for local news, NPR Podcasts, NPR One skill, etc. The sponsorship formats on smart speakers include: 15-second post rolls and interactive voice experiences with brand's custom audio.

Audio creative consulting

Working with *Veritonic*, NPM offers audio consulting services throughout a sponsor's campaign. User testing can inform a sponsor's creative before launch, or allow sponsors to adjust their creative mid-campaign based on real-time analytics. Post-campaign, sponsors have access to an interactive reporting dashboard to run custom reports filtered by desired audience demographics.

Future of on-demand listening

On-demand listening is growing fast and moving from the leisure to utility to need phase, which informs NPR's and NPM's developments in the area.

SIRIUS XM



SiriusXM, the satellite radio company, creates and offers commercial-free music, premier sports talk and live events, comedy, news and exclusive talk and entertainment. The service is available in vehicles from every major car company, on smartphones and other connected devices as well as online.

Ad-free subscription-based model for radio

Sirius XM represents a unique to the US radio business model which does not exist in Europe – ad-free subscription-based satellite radio. Historically, the main USP of Sirius XM's subscription offer has been its ubiquitous distribution channel – satellite that enables high quality of signal and coverage across the whole territory of the US, especially appealing to long-distance drivers. Other benefits include the variety of unique talk content, including shows from the biggest names in entertainment like Howard Stern, lots of music genres to choose from and partnerships with all of the major sports rights' owners.

Thanks to an extensive cooperation with car manufacturers (there are more than 120 million Sirius XM enabled cars on the US roads) as well as the company's sophisticated marketing strategy, Sirius XM experienced a stable growth of subscribers during the last decade in contrast to most of the ad-supported radios that remain flat at best. Currently, Sirius XM has more than 35 million paying subscribers, which makes it the third-largest subscription service behind *Netflix* and *HBO*.

According to Sirius XM data, their audience consists predominantly of drivers, who are spending on average a total of 3 hours and 45 minutes daily in their vehicles, 71% of which is spent listening to Sirius XM.

The biggest threat for Sirius XM is the growing penetration of online streaming services available by default in new cars. To secure its future in the car and to win a share of streaming audiences, Sirius XM focuses on developing partnerships with car OEMs to enable players with a hybrid “satellite + streaming” functionality as well as on launching own OTT audio streaming versions available on mobile, smart speakers and other audio devices.

Joining forces with Pandora

In 2019 Sirius XM acquired *Pandora*, the biggest ad-supported online audio streaming service in the US. The rationale behind this move is to activate synergies between the big online audio ad-supported business and the broadcast premium subscription business and to take advantage of combined reach, cost effectiveness, data sharing and cross selling opportunities. Together Sirius XM and Pandora becomes one of the biggest American audio entertainment companies with 2019 revenue approaching \$8 billion dollars and 100 million listeners monthly combined (41 million premium subscribers and 65 million listeners to the ad-supported service).

DAX



DAX (part of Global Media, UK) is the largest audio advertising network in the US. It represents an inventory of premium audio brands and aggregates about 100 million monthly uniques across various demographics, markets, music genres, formats and devices.

The state of audio in the US

Online audio is growing fast in the US. In 2020 the average American will spend more time listening to online audio than to radio. Mobile is the main device to listen to online audio and people spend more time listening to online audio than any other activity on mobile (i.e. social media, videos, messaging, etc). Probably due to its lean back background mode of consumption, AM/FM radio simulcast is the most popular way to listen to music on smart speakers. On mobile devices, however, streaming services like *Spotify*, *Pandora*, *Apple Music* have a higher share of listening because of their interactivity.

DAX and the US audio market sales structure

One of the key USPs of DAX is that within the framework of its partnerships with publishers such as *Cumulus Media*, *TuneIn*, *Accuradio* and others, the network offers access to the exclusive and non-duplicated audience – a scalable alternative to the two main ad-supported players on the market – *Spotify* and *Pandora*. When DAX represents a publisher, it sells their inventory on a national level and via programmatic tools in conjunction with inventory of other publishers in the network. The publishers themselves take care of selling their inventory locally and to direct clients.

Client structure in the audio space

Initially stages, typical DAX advertisers were the same ones that traditionally use radio and audio (e.g. clients from automotive, restaurants, finance, grocery, entertainment, telecom sectors). However, after DAX made its platform available programmatically, it attracted new to audio categories of clients, the move which brings new dollars and new opportunities to the audio industry. Currently, the share of programmatic sales of audio advertising represents just 10% (from 3% two years ago), which is still significantly lower than in case of other digital formats so there is a lot of room for audio to grow in this domain.

Advances in attribution & ad products expansion

DAX goes beyond just audio delivery, honing in on targeting, engagement and reporting. It deploys proprietary data management and tracking tools (such as *Listener ID* tag), location and cross-device attribution tools, as well as technologies such as dynamic audio creative and voice interactive ads.

To build and target various audience segments, DAX uses *Nielsen's* DMP, allowing for data management (first-, second- and third-party data), audience customisation, multi-channel activation, and campaign analysis. DAX can also onboard clients' data to match customers with listeners and to target accordingly.

In regards to online audio attribution, there are two “wrong ways” to measure campaign performance. On one side of the spectrum, there are clients who get used to broadcast radio and are only interested in the number of impressions/reach delivered by the campaign. These are undoubtedly important metrics but the online audio environment opens up many more data sources. On the other end of the spectrum, clients try to measure online audio in the same manner that they measure video or display, employing click-through rates, viewability rates and other metrics, which are irrelevant in the context of digital audio. Therefore, the premise of *ListenerID* is to measure exposure to audio ads specifically (instead of exposure to a companion banner) and to track listeners behaviour across DAX’s and advertisers’ online properties to accurately evaluate the effect of the campaign, reaction to various creatives, actions and engagement.

DAX also partners with *Cuebiq*, a consumer insights and measurement company that helps brands understand their customers by providing tools to map and measure their journey offline. Such a combination of *ListenerID* with offline attribution tools provides advertisers with a holistic view of the actions of their customers.

However, the biggest challenge, to be able to track one listener across several devices and publishers remains. To address it, DAX is currently testing a cross-device attribution tool which will be launched in the UK during the last quarter of 2019 and in the US during the first quarter of 2020.

Audio CPM averages around \$4 for network radio, \$2 for “dumb” online audio inventory, while audio inventory enriched with basic data (i.e. gender, age, genre, interests) ranges between \$6 and \$7.

To raise the profile of audio advertising and to attract more budgets to the format, DAX partners with ad tech companies which offer innovative audio advertising solutions, such as dynamic audio & sequential messaging (in partnership with *Frequency*), smart speakers’ skills (enabled by *XAPPmedia*) and voice-enabled ads (powered by *Instreamatic*).

Content expansion and dive into podcasting

For the moment, there is no transactional market for podcasts in the US as brands are still figuring out how to make the most of this new premium content format. However, there is a strong demand for premium podcasts and hence DAX is expanding its podcast division by partnering with one of the world’s largest talent agencies – United Talent Agency to co-produce celebrity-studded original podcasts. Such cooperation generates additional source of revenues beyond mere ad representation, but also provide an opportunity to integrate brand clients on a deeper level.

ON-DEMAND AUDIO, MUSIC STREAMING & PODCASTS

PANDORA



Pandora is a personalised music streaming and recommendation service, as well as a pioneer and leading music streaming business in the US. It provides a highly-personalised listening experience with its proprietary *Music Genome Project*® and *Podcast Genome Project*® technology – whether at home or on the go – through its mobile app, the web, and integrations with more than 2,000 connected products. Using first-, second-, and third-party data, Pandora listeners are classified into over 2,000 audience segments. Despite the launch of Pandora Premium, ad supported listening remains the biggest part of the business. Pandora had 66 million monthly active users in the first quarter of 2019.

Audio can no longer be ignored

Pandora’s main message to advertisers in 2019 is that audio can no longer be ignored. The question from advertisers about audio should not be “why now?” but rather “why not now?” – audio content offer is booming, consumption is growing and comes to 17 hours a week for streaming alone, voice interfaces are becoming mainstream. This combined with an oversaturation of visual advertising with more than 5,000 ads per day for an average city dweller, drives audio usage and growth.

Addressable audience concept

Despite the proliferation of new channels, reaching audience at scale is increasingly challenging for modern marketers due to the media landscape fragmentation, on the one hand, and the growing share of ad free options, on the other. Ad-supported TV consumption is declining, especially among so-called “cord-cutters” and “cord-nevers”. While video usage is growing overall, an increasing part of this consumption takes place within the ad-free premium environment. The same is true for streaming audio – the combined audience of major streaming services in the US is above 100 million users, yet at least half of this audience is behind a paywall. Pandora uses the concept of an addressable audience – the audience which can be targeted with ads – to present its audience numbers to advertisers and thus to offer a fair comparison to its main competitor in the ad-supported space – Spotify. Within this paradigm of an addressable audience, Pandora has the largest share of daily time spent with streaming audio – 25%, followed by Spotify (ad-supported free version) with 17% and iHeartRadio with 7%.

Educating clients

Good audio creative remains a challenge for certain clients and agencies. To address this, publishers are using their in-house talent to develop a client’s sonic branding assets or to produce an effective campaign for them. An example of such an effort is *Studio Resonate* from Pandora - an in-house consultancy that provides advertisers with assistance in audio creative development, sonic branding, strategy, visual design, rich media production, web and mobile experiences, as well as live activations. Pandora also hired an audio branding expert Steve Keller and offers his services to their clients as part of the package.

Personalisation

Streaming services like Pandora focus heavily on personalisation, giving listeners control and easy access to a wide range of on-demand music, podcasts, tailored content. The goal is to make their apps stickier and to keep the listener on the platform when they switch between music and podcasts. The advantage for podcast publishers is that ads on Pandora cannot be skipped (unlike on *Apple* for example). Pandora also continues to invest in their *Podcast Genome Project* – a recommendation engine based on topics, content and listeners’ behaviour.

Relevancy = receptivity

The company’s objective is to make the advertising experience as personalised as the listening one. Pandora’s data and research show that people are generally not against advertising, they are in most cases bothered by irrelevant interruptions. To address this Pandora offers reward-based experiences tailored to the on-demand generation. The listener actively opts-in for an ad and is rewarded with tangible benefits – ad-free listening, replaying tracks, more skips, etc. The model is beneficial both for a user and a client. A user has control over his streaming experience and clients benefit from a high engagement with their advertising.

Contextually relevant and mood targeted audio ads increase ad recall. The *Music Genome Project* maps two hundred moods across music genres and combined with the massive set of listener data and attribution tools, Pandora can offer advertisers this additional very powerful targeting attribute – mood.

Another example of the personalised ad experience is sequential audio ads where the algorithm adapts the ad based on which commercials were served and heard before. This works well with narrative ads that tell a bigger story. Pandora also uses dynamic audio to serve personalised ad copies.

From publisher to platform

Originally Pandora has been focused on a “radio like” experience where users can search by artist, song and genre to get corresponding playlists created by the *Music Genome* algorithm. Now Pandora (also in light of the acquisition by Sirius XM) is shifting its focus and positions itself as an audio entertainment platform offering users all kinds of audio experiences – lean back personalised playlists, radio stations, new music discovery sessions and on-demand music collections, live concert experiences as well as podcasts. Additionally, by integrating *Adswizz* as the ad tech stack for programmatic solutions and *SoundCloud* as a youth-oriented audio distribution platform for emerging artist and podcasters, Pandora essentially transformed from a publisher to a platform.

Voice

Pandora is encouraging users to use voice and teaches them about the mechanics behind it by offering special content as a reward for interacting with an ad. Listeners can also interact with the app via voice and ask for music of their choice. The

company has recently rolled out a personalised voice mode customised to the platform's listeners. Pandora is also a pioneer in voice-activated advertising.

International expansion

Pandora does not plan to expand outside of the US. The company evaluated challenges and opportunities behind an international expansion and considered approximately twenty markets globally with sufficient advertising and premium music streaming revenues potential. However, preliminary cost and benefits analysis of launching the service, establishing sales teams and dealing with local music royalties showed that for the moment international moves do not make sense from a business perspective.

STITCHER & MIDROLL



Stitcher (owned by The E.W. Scripps Company) is one of the industry leaders in podcast content creation, distribution and monetisation, a true end-to-end podcasting company. Stitcher is the parent company of Midroll – the podcast advertising network representing over 250 of the world's largest podcasts.

Podcasts consumption, content offer and ad investments are booming

Podcast consumption is booming, with 27 million monthly US podcast listeners in 2008 compared with 90 million in 2019, and with more time spent listening as reported by *Edison Media*. Podcast audience includes the 'unreachables' – the digital savvy consumers who often ignore advertising on other media and/or use ad blockers. The content offer is following suit with an increasing number of titles across diverse genres including documentary, comedy, sports, news and politics, lifestyle, true crime and scripted fiction.

According to an *IAB PWC* study, podcast advertising revenue is growing fast with \$70 million in 2015, \$400 million in 2018 and \$515 million forecasted for 2019. Podcast advertising effectiveness is also reaching mainstream with industry reports showing 81% of listeners being likely or very likely to pay attention to a podcast ad compared to 41% in case of radio commercials, 37% - for TV commercials and 34% - for digital ads as per *eMarketer* 2019 data. In terms of pricing, cost per thousand for a podcast ad ranges between \$15-45 compared to radio commercials with an average CPM of \$5-10. Initially dominated by D2C clients, established brands such as *P&G*, *Microsoft*, *PepsiCo* have been steadily adding podcasting to their media plans.

Revenue streams

Stitcher's mission is to bring together creators, listeners and advertisers and connect all the parts of the podcast universe offering services ranging from talent development, research, audience development and ad sales. In terms of revenue split, currently ad sales represent 82% of the company's revenue, while only 8% comes from premium subscriptions. The benefits of premium offering include ad free versions of all shows, bonus episodes, early access to favourite podcasts and exclusive content. The subscription fee to Stitcher Premium is \$5 a month.

Advertising formats and brand integrations

Midroll's podcast advertising formats include:

- Host reads – the signature podcast ad that can now also be inserted. Given the premium nature of the format with beloved hosts' voice endorsing the brand and listeners being more likely to pay attention and act, host reads are becoming more of an exclusive inventory that can be accompanied by regular spots or announcer-read endorsements.
- Branded segments – customised segments that are longer than traditional mid-rolls and that organically fit into the show. These segments tend to be co-developed with the producers and the talent.
- Branded episodes/takeover episodes – usually presented as a bonus episode, these are also co-developed with the producers and the talent, while the main advantage for the brand is 100% share of voice.
- Branded series/custom podcasts – custom series produced for brands using Midroll's talent, expertise, content and audience.

Ad load, sales methods & ad tech

An average ad load for a Stitcher podcast episode include two pre-rolls and two mid-rolls each 30 seconds to 1 minute long with a maximum of six ads per hour. Dynamic ad insertion in podcasts will be the dominant method in the future, which in turn will unlock new inventory and jump start the ad tech ecosystem for podcasts.

Data, metrics & attribution

To enrich its listener and consumer insights, Midroll uses *Podsurvey* to survey their own listeners and collect demographic data from 825,000 listeners on over 250 podcasts. Partnering with *Nielsen Scarborough*, the company can also analyse podcast listener buying power across seventeen major consumer verticals. *Nielsen* and *Comscore* deliver brand lift and ad effectiveness podcast studies, while *Podsights* solutions help with attribution from download to site visit and *Barometric* is used for site visit, purchase and physical visit attribution.

Non-advertising revenue streams

The most common non-advertising revenue streams are donations via *Patreon* or *Kickstarter* as well as live events and tours of the popular podcast hosts.

The valuable new podcast listener

According to *Podsurvey* data, new listeners get hooked on podcasts right away and listen on average for 9.14 hours per week (just 1.4 hours fewer than veteran listeners of 5+ year) with 21 shows on their Stitcher favourite playlists (only 1 show less than veteran listeners). In terms of demographics, the new listeners tend to be more Gen Z, female and diverse with the true crime genre dominating their top 10 favoured shows.

International expansion

Recently Stitcher partnered with *Wondery* for a joint venture named *Podfront UK* that will make both companies' podcasts available to advertisers in the UK and beyond. Stitcher also cooperates with *whooshkaa* in Australia and *TPX – the Podcast Exchange* in Canada. The company is also exploring other international opportunities including: selling their podcasts in other countries, making international podcasts available on the Stitcher app, promoting podcast listening on the Stitcher app internationally, content creation partnerships aimed at international audiences, and co-operation in the areas of data and insight.

WONDERY



Wondery is both the largest independent and fastest growing company on *Podtrac's* ranking of top podcast publishers.

Podcast engagement

According to the "Podcast Consumer" report by *Edison Media* and *Triton*, podcasts keep listeners engaged from start to finish with 93% of people who start a podcast listening to most of the episode. Podcast listeners also report positive ad experiences, especially with host read ads with 69% of listeners claiming that podcast ads made them aware of new products or services.

Originals and immersive approach to sonic storytelling

With 82 shows, 13.1 million monthly global uniques and 50 million downloads monthly, Wondery has had more originals at #1 than any other network – holding the #1 spot on *Podtrac's* ranking for 20% of 2018 and 30% of 2019 so far. The company and its original shows are acclaimed for their immersive and highly produced storytelling in a serialised format. Although Wondery's strategy is to be audio first, it is not audio only as top podcast hits become thrilling TV.

Advertising formats and brand integrations

Focusing on immersive rather than interruptive ads, Wondery's ad formats and brand integrations include: host reads, producer reads, experiential endorsements, creative segments, takeover episodes, and custom podcasts. For their dynamic ad

insertion capabilities, geographic targeting, control over timing, pre-approved messaging and weekly impressions pacing reports are available. Embedded ads offer global delivery, episode-specific placement, longer delivery tail and delivery based on listening patterns for specific episodes.

Podcast measurement & attribution

Wondery adheres to the new IAB “Podcast Measurement Guidelines 2.0”. The main adaptation from the first version is the 24-hour filtering window – if the same file is requested more than once in the last 24 hours, it counts as one listen – which provides a more accurate measurement picture.

Wondery has partnered with *PodSights* to offer brands a data intelligence platform with a dashboard to view their campaign delivery, aircheck, and attributed visitors in real-time. Wondery supplies ad impression data from each episode and conversion data to improve the flight of the campaign. *PodSights* performs household level attribution utilising IP matching, cross-device graphs, custom URLs, and discount codes, while a brand installs a pixel to capture on-site events. Direct response podcast advertisers have historically used a promo-code based attribution methodology, but according to the tests done by Wondery, cross-device pixel methodology registered 44% more conversions than was previously being attributed from promo code redemptions.

On the branding capabilities front, Wondery and *Nielsen* conducted a brand lift study for a major streaming service in 2019 demonstrating that Wondery podcast ads positively impact key brand metrics such as intent to seek information, brand recall and brand awareness. The podcast ads also helped solidify alignment with brand attributes, while 78% of the exposed group felt the ads fit well with the podcast content.

Wondery and *Mindshare* cooperated on a study “Your Brain on Podcasts”, which demonstrated how audio storytelling outperforms visual storytelling for emotional impact across categories with podcast ads growing subconscious brand trust, as well as increasing memory encoding and emotional intensity.

Multi touchpoints marketing

Wondery heavily invests in the marketing of their podcasts with impactful artwork, promoting podcasts on social media, sending email newsletters, using micro influencers, publishing PR articles, organising live events and selling merchandise. Some of their most successful podcasts such as *Dr. Death* were adapted for TV which brought additional publicity and attention to the podcast format.

International expansion

Wondery is investing in international audiences at a time when interest in the podcast industry is beginning to grow internationally. They are taking their hit podcasts and translating them into local languages and dialects. The second phase of its global expansion focuses on the launch of Wondery’s own IP (intellectual properties) for the local language markets. Recently Wondery partnered with *Stitcher* for a joint venture named *Podfront UK* that will make both companies’ podcasts available to advertisers in the UK and beyond.

Business model challenges

The main challenges for the ad supported podcast business model include: discovery of content in a cluttered and clumsy ecosystem, an increasing demand for the programmatic market as well as data intensity of scale competitors.



Instreamatic is a voice dialogue platform that enables spoken-word conversation between brands and consumers in mass marketing channels.

A race to the bottom of advertising experience

Despite the recent unprecedented advances in ad delivery and targeting technologies, the essence of advertising remains pretty much the same – the main objective is to deliver the ad message to a listener/viewer/reader/user. Regardless of the format, the distribution channel and the targeting opportunities, the advertising experience from the perspective of the user has not changed that much. People are overwhelmed with ads and as a result ad engagement continues

to decrease. Lack of engagement results in lower ROI for advertisers, which in turn puts pressure on publishers and increases ad clutter even further. As a result, the industry ends up trapped in a race to the bottom.

Voice AI reinventing advertising experience

Instreamatic believes that voice AI enables a total reinvention of the advertising experience by offering listeners an opportunity to seamlessly react to an ad with their voice – the most natural way for people to communicate. The US voice-based ad market is estimated to grow to \$19 billion by 2022 and audio publishers have a chance to take advantage of this growing market by deploying voice-enabled technologies within their advertising offer.

Benefits for brands

The voice-enabled ads provide brands with an opportunity not only to disseminate their message but also to engage with the audience in real-time. Interested customers can be simultaneously converted to make a purchase, to visit an advertiser's website, etc. Feedback from those who are not interested at a given moment and express so can be equally valuable. Based on their reactions, advertisers can adjust their targeting sets, re-activate this contact later when appropriate or simply say "Thank you, and now back to the music" which will be appreciated and reflect positively on the brand.

Voice-enabled ad campaigns delivers thirty times the engagement of a traditional mobile ad. As an example, the case with *Ikea* showed 3.1% interest rate, 7.68% engagement and 30% higher ad recall over non-interactive audio ads. Furthermore, a continuous dialogue with ads also creates an opportunity for brands to convince those users who were not interested during the first interaction by reaching out to them later with an alternative message. The case with the brand *Infinity* demonstrates that among 19.3% of engaged listeners, 14.1% initially said that they are not interested in a test drive, but when reached out later with an alternative offer - 5.5% changed their minds.

Benefits for publishers

Dialogue advertising proves beneficial for publishers as well. The pilot with *101 Radio* platform (part of *GMP Radio's* portfolio in Russia) showed that voice-enabled ads generated 10% of digital revenue while utilising only 1% of the inventory and were responsible for unprecedented listener engagement of 40%.



XAPPmedia delivers interactive voice experiences for brands and media that create direct consumer connections through voice assistants such as *Amazon Alexa*, *Google Assistant* and *Microsoft Cortana*.

Voice transforms audio and video

Finding new ways to monetise radio content online is extremely important in the light of the irreversible decrease of broadcast media ad market shares. TV's market share has dropped 21% since 2007 and radio's market share has decreased 41%. Meanwhile, the internet advertising market share, dominated by *Google* and *Facebook*, has grown 550% over the same period.

Voice transforms audio and video media in the same way the web transformed the print industry – it makes it interactive and measurable. At the same time, it brings more competition than ever into the car, the living room and everywhere else. The automotive industry is moving aggressively to bring *Amazon Alexa* and *Google Assistant* into vehicles — broadcast radio's key remaining stronghold and therefore it is time for radio broadcasters to double down on voice presence and on-air promotion.

Smart speakers and interactive voice-activated audio ads represent a big opportunity for radio publishers. Marketers are increasingly searching for ways to have their brands represented on smart speakers and to interact with the users. The number of marketers and agencies utilising smart speaker opportunities doubled from 18% in January 2018 to 36% in March 2019.

Radio brands on smart speakers

For now, the majority of radio brands are represented on smart speakers via aggregators such as TuneIn or iHeartRadio skills, but a radio brand needs a custom skill of their own to own its invocation name, branding, user experience and eventually monetisation. It is important to actively promote and guide the broadcast audience on how they can find a radio brand on a smart speaker, to form a habit to listen to radio not only on broadcast but also to easily find it on smart speakers. Otherwise, listeners will find an alternative as the current offer is literally unlimited. The case of a radio group promoting its Alexa skill on air showed 5.4 times increase of unique users during a six week long on-air campaign.



RAIN helps brands innovate at the intersection of marketing and technology, including defining voice strategies, designing conversational experiences, and building voice technology software.

Technology applications in China: a distorted crystal ball

There is a lot of confusion, hyper hysteria and misunderstanding about AI in the media. It is easy to look at it as just another fad like chatbots or QR-codes or – from another extremum – to visualise robots who are going to destroy humans. To understand where big tech is going, we do not need to look further than to China. The way this technology is deployed in China provides a perspective on AI's

possible economic and societal impact; it serves as a “distorted crystal ball” for the rest of the world.

Systems win

System thinking, optimisation of the processes, standardisation and speed are key. Ideas and intellectual property (IP) can be easily cloned, while to build up and maintain a system that works, is integrated vertically and spread horizontally is not an easy task. In the modern world, systems secure stronger competitive advantage than IP or brands.

Go heavy

It is important to never stop asking what is next and to expand horizontally and integrate vertically. An example of this principle is the *Meituan Dianping* company which has originated as a service for consumer restaurant reviews (like *Yelp* or *TripAdvisor*) and a group-buying site similar to *Groupon*, but unlike its American analogues, the Chinese equivalent has successfully transformed itself into the one of super-apps that offers hundreds of millions of its users access to a variety of services offline – from food delivery to hotel booking. It has been going further and further from online to offline by developing a payment system, a food delivery fleet and even reshaping city infrastructures to align them better with the company's systems and user convenience.

Voice and AI

To win in the area of voice and AI, one has to think in (eco)systems and go heavy. Voice provides an end-to-end technology. It simplifies many user experiences and makes interactions much easier and simpler – for example, one sentence instead of eight taps in an app is enough to order coffee from Starbucks.

RAIN was the agency behind the first-of-its-kind voice-activated sneaker drop for the *Nike Adapt BB*. During a live NBA broadcast, viewers were prompted to ask their *Google Assistant* about the new sneaker model worn by the players and how to buy it. The campaign had generated tonnes of engagement, while frictionless voice orders brought more than one million dollars in sales of the sneaker model in less than 30 seconds during a live TV broadcast.

Voice leads

The share of voice communication is steadily increasing and e-commerce has been adjusting to this trend. Share of voice search on mobile devices has doubled in the US during the last 18 months to reach 30%. In the case of voice search unlike with text, one simply cannot offer a user a set of options. Instead, one has to provide a specific answer to the request. Therefore, it is challenging for brands to win in such single reply environment and to further reinforce the positive image of a brand. Within the *Starbucks* app, for example, voice mode gives users an option to tap much fewer buttons while selecting drinks and ingredients. As a result, a voice shopper purchases about two times more than a non-voice customer.

Shoppable media are an interesting opportunity but the evergreen marketing challenges remain – how to do above the line awareness with below the line conversion, and how to make an ad with traceability and attribution mechanisms embedded in it. Voice can offer solutions. For the moment, audio ads are the only format available on smart speakers, and the lion's share of these are actually radio ads. This constitutes a huge opportunity for radio to turn their one-way non-interactive audio ads into shoppable and interactive formats. Therefore, the radio industry resources should focus on developing ad tech and strategies to take advantage of this space.

RCS & MEDIA MONITORS



RCS software provides broadcasters and webcasters tools and expertise and also develops real-time audio recognition technology. Media Monitors – a subsidiary of RCS – is the leader in local media monitoring and delivers tracking data for broadcast, internet, cable, newspaper, media research firms and advertising agencies around the world.

Why radio needs a cloud-native technology

Like many other services and tech solutions nowadays, radio also needs to embrace cloud computing across its broadcasting and advertising divisions. The key advantages of cloud technologies include: scalability, reactivity and flexibility in terms of resources needed, smaller investment in hardware (its installation and upgrades), less real estate (no engineering room is needed), and almost unlimited mobility. The cloud also offers a more secure and protected solution as all content and logs are backed up and in case of any problem, it can be restored relatively fast.

Advances in attribution and importance of web lift for radio

Attribution has the potential to replace ratings for the media currency purposes because it measures an actual advertising effect. And as media consumption in the US becomes more and more fragmented, it is increasingly important for marketers to be able to attribute an ad effect to a specific channel. Analytics and marktech now account for one third of marketing budgets, an increase from 22% in 2017.

Digital advertising has a wider set of technology to track, measure and evaluate the online behaviour of users exposed to advertising, while for broadcast media, such as radio, additional steps are required to prove such effects. One of the easiest and straightforward ways to prove radio's impact is to measure web uplift following an ad campaign on radio. To enable this, it is necessary to get access to client's Google Analytics data and match them with corresponding radio spots on air. It is advised to report results on an aggregated daily basis as search triggered by radio ads takes place across a full day, not within eight minute window like some of the attribution companies suggest.

The aggregated data across top radio groups and various advertising categories show that the average web lift attributed to radio ads is 12%. Another interesting observation is that clients who use the web lift tool tend to increase their radio ad budgets by 29% on average.

SUPER HI-FI



Super Hi-Fi creates powerful artificial intelligence tools to help music experience providers of all kinds create personalised, branded, and scaled audio experiences.

The space between the songs

Looking at any music streaming service from its core service point of view – to provide users access to music, it is hard to find a fundamental differentiative factor between the existing brands. Taking listening to music on smart speakers as an example of “pure music streaming experience” – no apps, no interfaces, no preloaded playlists, no images, no lyrics, no banners, no videos – just music, it literary does not matter to a user which streaming service (*Apple Music, Amazon*

Music, Spotify, Pandora, or YouTube) plays a song. Music is a commodity in this case, like electricity, water or broadband internet itself and brand loyalty to a provider almost does not exist. The experience depends on convenience and access. The challenge for digital music services is to build the so-called "brand loyalty beyond reason" in the area where digital playlists are pretty much the same. Super Hi-Fi founders took the broadcast radio experience as an inspiration to identify such differentiation factors for streaming services. If it is not about songs themselves, it should be about the space between the songs. The space between the songs is the next frontier for music services to elevate the experience and win with consumers. Super Hi-Fi's AI-driven, cloud-based solution connects directly with the music service, delivering real-time instructions on song placement, volume level, custom content, ad stitching, etc. to deliver a fluid and personalised transition and listening experience as a whole. It replaces work which has been done by programming experts for radio and powers almost unlimited scalability to a personalised on-demand music environment.

Experiments with iHeartRadio

iHeartRadio has tested Super Hi-Fi technology within its custom radio playlists on the platform and saw an immediate increase in time spent listening within the app. A/B testing further proved that such an experience is much better perceived by listeners. *iHeartRadio* is going to roll out the feature across all playlists later this year as part of the product improvement process and also in order to differentiate the listening experience from other streaming services which play in a “song-gap-song” mode.

Other use cases

Another case of Super Hi-Fi technology implementation is with *Peloton* – the world's fastest-growing fitness brand whose main service is real-time training advice and guidance, an experience where the right music background plays an important role. *Peloton* uses Super Hi-Fi to deliver more energy to their customers' workout experiences with an AI driven selection of songs based on tracks bit points match. It eliminates moments of silence during a workout that could break the energy.

Applications of this technology are not limited to music services. For example, *Associated Press* uses a combination of text-to-speech and music technology by Super Hi-Fi to enable production of personalised, on-demand news reports for their users.

Unlimited personalisation at scale

AI technology in the areas of music, voice, text-to-speech and speech-to-text, context analysis is developing very fast. What was once possible only in one-to-many broadcast way (i.e. song stitching, playlists curation, audio news reports recording or even a complete radio clock compilation of music, talk and advertising) is now available in one-to-one mode enabling almost unlimited personalisation at scale: from context, content and presentation/delivery points of view.