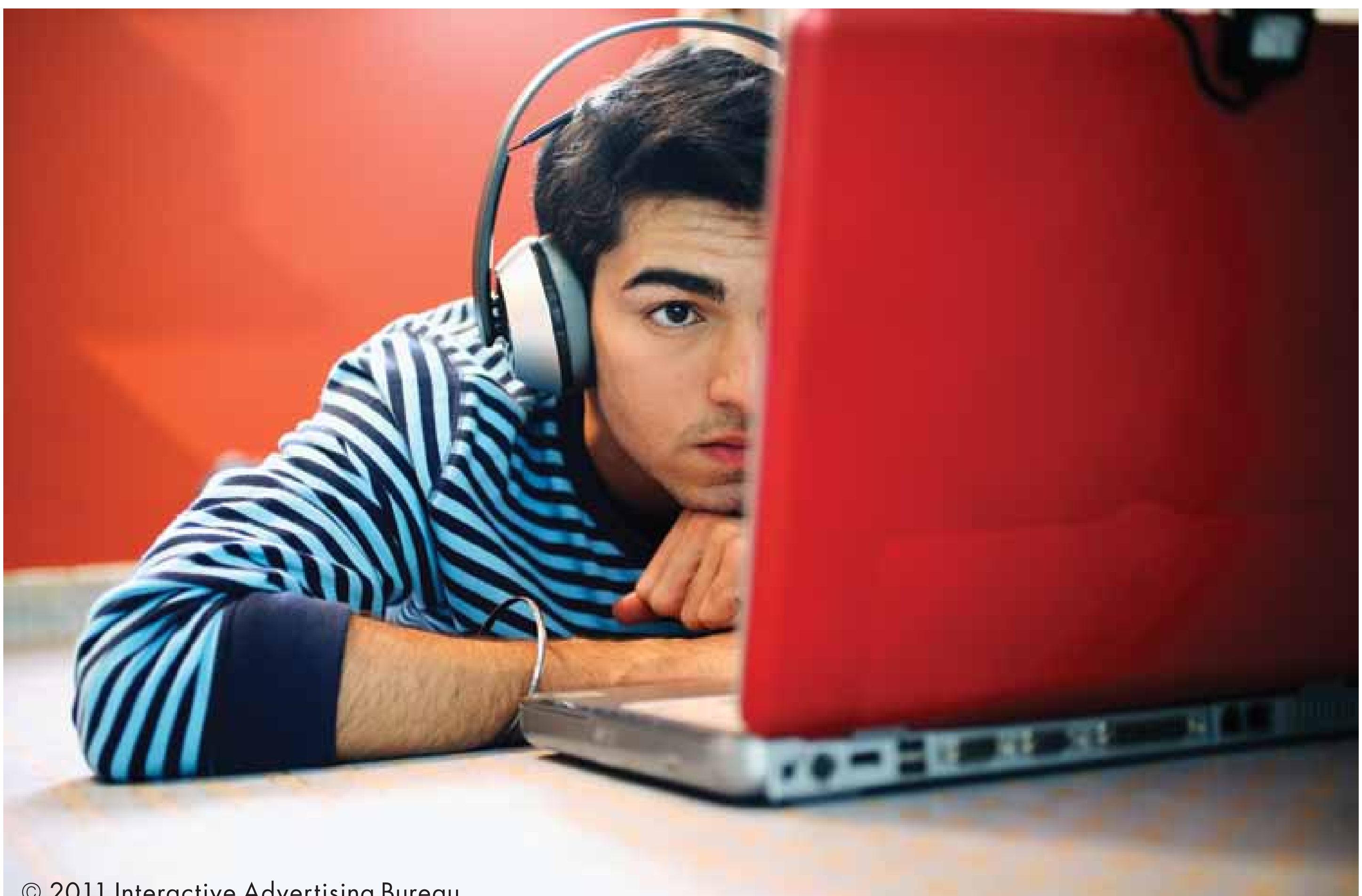
platform status report

A DIGITAL AUDIO ADVERTISING OVERVIEW



Digital Audio Advertising Overview Contents

Introduction

Since the original publication of the IAB Digital Audio Advertising Platform Status Report in September 2010, a lot has changed—for the better. Digital audio ad revenues have increased by about 20% over the past year. More than one in three of all cell phone users now own smartphones. Opportunities for innovative and creative digital ads abound as new streaming audio websites and mobile apps have entered the market. For that reason, the Interactive Advertising Bureau (IAB) Audio Committee has revised and expanded this overview of digital audio advertising as part of its commitment to fostering a vigorous and healthy online audio ecosystem with commonly adopted terminology, practices and standards.

This platform status report:

- Provides an overview of the digital audio advertising market,
- Outlines the main audio ad formats,
- Defines the basic value chain and key players enabling audio advertising,
- Offers an overview of the metrics behind digital audio advertising,
- Discusses opportunities and challenges that face the sector today

After many years of gradual growth, digital audio has accelerated, both as a medium and as a promising online advertising opportunity. The emotional draw of audio in consumers' lives, their familiarity with the radio model from terrestrial broadcast, their adoption of new, streaming-capable portable devices, and the continued evolution of Internet content, capabilities, and consumption have all helped drive the transformation of digital audio.

That high emotional connection translates into an attractive opportunity for marketers. As is the case with other interactive media, digital audio attracts a desirable, affluent audience:

Digital Audio Usage of US Consumers, by Household Income, Fall 2010

% of respondents in each group

	<$25K	$25K-$50K	$50K-$100K	$100K-$150K	$150K+	Total
Download music files	12.4%	16.0%	21.1%	22.0%	27.1%	19.1%
Listen to any radio online	7.5%	12.1%	13.5%	16.6%	19.0%	13.1%
Listen to internet-only radio stations online	5.1%	8.8%	9.5%	10.9%	12.7%	9.1%
Download/listen to podcasts	5.8%	6.2%	9.1%	10.3%	13.0%	8.4%
Listen to traditional radio stations online	4.2%	5.7%	6.0%	7.4%	7.6%	6.0%
Listen to satellite radio online	2.5%	3.1%	4.0%	3.2%	5.3%	3.5%

Note: ages 12+; in the past 30 days
Source: Experian Simmons, "Fall 2010 Teen/Adult Study," April 8, 2011

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In order to nurture and propel digital audio advertising's growth, the IAB and the members of its Digital Audio Committee will pursue a program to educate marketers and agencies about audio advertising opportunities, provide a forum for discussing industry issues, and formulate best practices and guidelines when necessary to reduce operational costs and encourage growth within the sector.

What is Digital Audio?

Definition

Music and other forms of audio content are pervasive as we move through our days, forming the soundtrack to our lives. And, increasingly, that soundtrack is being delivered digitally, often via the Internet. Digital audio covers a broad and dynamic array of different services offered to consumers today. Indeed, the term is so all-encompassing that it may prove easier to define what digital audio is not, than to attempt to define what it is. For the purposes of this IAB report, "digital audio" refers to partially or entirely advertising-supported audio programming available to consumers on a streaming basis, delivered via the wired and mobile Internet. This includes a wide range of services, such as the following:

- Online audio streams of terrestrial radio stations;
- Purely online radio stations, with either professional or amateur DJs;
- Personalized (i.e., without human editors/DJs) and on-demand, streamed audio services that create playlists based on user preferences of artists, tracks, or genres;
- Music or spoken word audio content delivered within a different website or application, e.g., in-game music services.

This definition encompasses a wide array of programming and entertainment for consumers, and a wide array of opportunities for advertisers to reach them. While exhaustively defining the market is a challenge, it is possible to outline some of the key content and technology differentiators that characterize the various sub-segments of the digital audio market.

Digital audio services encompass every audio content genre imaginable. Services can be informative (news, advice, and how-to) or entertaining (music, sports, comedy). They can aim for niche or broad audiences. They can be delivered by traditional or purely Internet-based media brands. And audio programming can be generated editorially (e.g., playlists programmed by a DJ) or via automated systems (e.g., services like Pandora or LastFM that take user preferences and custom generate personalized playlists "on the fly").

While this is a broad definition, it excludes a number of audio content types, such as:

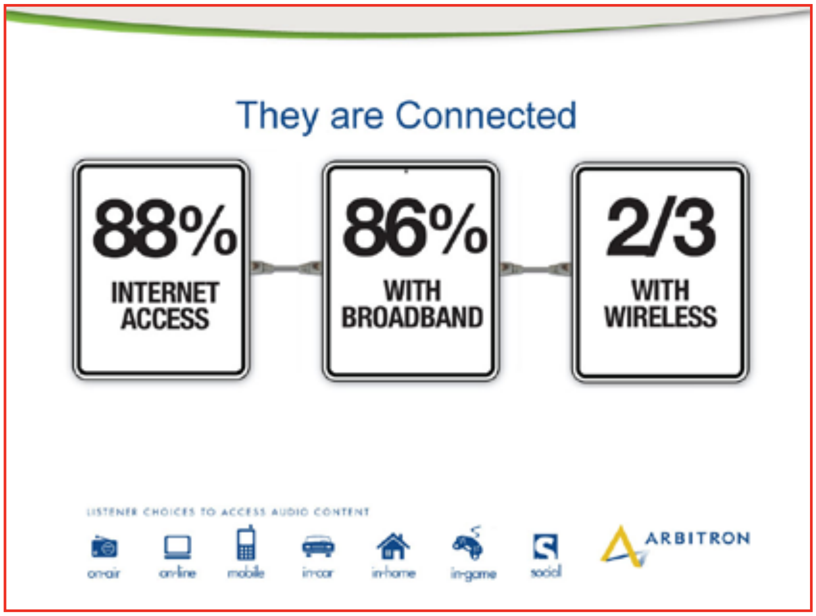
- for-pay downloads, for example from Amazon's MP3 store
- podcasts
- HD Radio

Devices and Applications

Digital audio experiences can be delivered to the consumer in a wide variety of ways, with the potential to impact advertising. For example, digital audio players can take the form of standalone PC music applications; Web-based (e.g., in-browser) players; embedded players in online games or other types of non-browser applications; or embedded players in non-PC devices (e.g. Internet connected TV's, smartphones or other portable media devices). Each of these delivery venues may lead to different user characteristics and advertising opportunities. For example, a standalone PC music application may offer a broad selection of in-player display ad opportunities in conjunction with (or in some cases instead of) streaming audio spots.

Motivations for Listening

In a world with ample offline radio options, to say nothing of iPods and myriad other digital music players, what motivates consumers to listen to digital audio? Edison Research and Arbitron surveyed US consumers about their online radio habits,[1] and found that control over music being played and variety of music were the two most significant motivators, although fewer ads and the ability to access audio content not available offline were also important.



Source: Arbitron

According to Arbitron (2011), consumers are also well-connected to web services in general, with 51% of all households recently surveyed claiming two or more computers, and 45% of respondents indicating that the Internet is "most essential to life".

Source: Arbitron

[1] The Edison/Arbitron study defines "online radio" as including both terrestrial radio streamed online and digital pure players, and aligns well with this report's definition of "digital audio."

What People Listen To

Examining data on total sessions by genre indicates just how diverse the digital audio marketplace is. A recent study by Experian Simmons shows a breakout of top formats across radio formats (online and otherwise), with 60s – 70s pop and Classic Rock being in the top place.

Top 20* Musical Genres Listened to by US Adults, by Channel, Dec 2010

% of respondents

Listen to:	Traditional radio	Any radio online	Satellite radio online	Online-only radio	Total
1. **60s-70s pop, classic rock** (The Beatles, The Eagles)	37.6%	31.5%	28.4%	27.8%	28.2%
2. **Traditional country** (Tim McGraw, Chris Cagle)	18.6%	22.0%	18.6%	22.9%	20.2%
3. **80s pop/rock** (Madonna, Bryan Adams)	28.5%	25.2%	20.1%	24.6%	18.3%
4. **Mainstream/pop country** (Faith Hill, Garth Brooks)	17.9%	20.4%	19.8%	21.1%	16.8%
5. **Easy listening**	14.8%	12.6%	15.5%	11.5%	14.5%
6. **Classical**	18.1%	16.2%	15.3%	15.7%	13.7%
7. **Pop R&B** (Mariah Carey, Chris Brown)	17.2%	20.6%	18.8%	22.0%	13.3%
8. **Pop alternative** (Jewel, Sheryl Crow)	17.7%	19.1%	15.2%	20.5%	11.4%
9. **Album-oriented rock** (Guns N' Roses, AC/DC)	19.4%	15.9%	12.9%	15.3%	10.8%
10. **Pop hip-hop** (Kanye West, Soulja Boy)	13.5%	17.7%	14.4%	20.0%	10.7%
11. **Hip-hop/rap** (Lil Wayne, T.I.)	12.5%	16.8%	18.8%	18.1%	10.6%
12. **Modern adult contemporary** (Staind, Nickelback)	14.6%	15.5%	12.9%	16.2%	10.0%
13. **Adult contemporary pop** (Céline Dion, Elton John)	13.2%	12.3%	11.3%	11.9%	9.9%
14. **Jazz**	14.4%	13.0%	12.9%	12.5%	9.8%
15. **1940s-1950s pop**	10.7%	8.8%	9.3%	8.2%	9.6%
16. **80s old school hip-hop** (Run-DMC, Public Enemy)	12.8%	12.9%	13.4%	13.2%	9.5%
17. **Other**	14.3%	12.8%	7.8%	13.3%	8.9%
18. **Pure pop** (Gwen Stefani, Pussycat Dolls)	14.3%	15.8%	13.4%	17.2%	8.8%
19. **Hard rock** (System of a Down, Slipknot)	13.8%	13.4%	12.9%	13.1%	8.5%
20. **Gospel**	7.9%	6.7%	6.5%	6.5%	8.3%

*Note: ages 18+; in the past 30 days; *ranked by total listeners*
Source: Experian Simmons, "Fall 2010 Adult National Consumer Study," March 4, 2011

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Studies indicate that folks prefer a similar type of content, whether listening to broadcast radio or radio online.

Radio program type preference (or content preference)		
	Broadcast Radio	Internet Radio
Music	71%	71%
Talk	15%	13%
News	8%	8%
Sports	5%	8%

Source: TargetSpot Digital Audio Usage Trends: A Highly Engaged Listenership

Anecdotally, many online radio companies report higher levels of consumer engagement correlated to niche sounds.

Overview of the Digital Audio Marketplace

MARKET OPPORTUNITY

The digital audio market opportunity is large and growing. The Radio Advertising Bureau (RAB) broke out digital revenue for its radio station members for the first time in 2010, although it did so using a definition significantly different than the IAB's definition of digital audio advertising. The RAB defines its digital revenue category as follows:

> ***Digital*** *— All revenue derived from the website including: banner ads, tile ads, pop-up ads, Internet/web streaming and dedicated streaming advertising, e-commerce; text and email messaging, other mobile media, web-affiliate relationships (local or national). Also includes HD, HD 2 and HD 3 stations (Local or National).*
> *(See: http://www.rab.com/public/pr/rev-pr.cfm)*

Based on this definition, the RAB reported that overall digital radio revenues were an estimated 21% higher in the period Q1 2011, compared to Q1 2010.

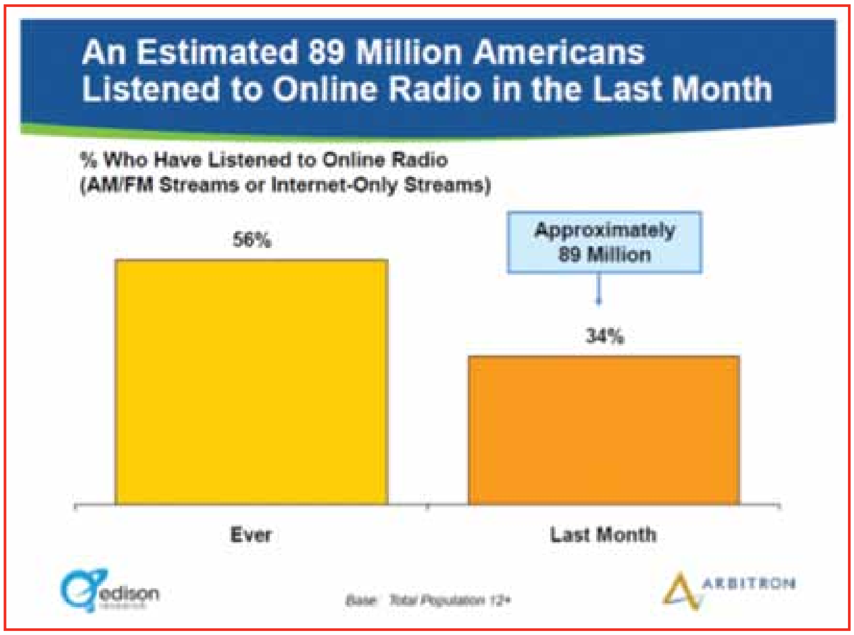
Advertisers have started to take note of this category and medium. Across a number of significant verticals, marketers are incorporating digital audio into their campaigns. Here are a few examples of major marketers running digital audio ads today, as supplied by IAB Audio Committee members:

- **Auto brands:** 9 of the top 10 marketers, including Ford, Chevrolet, Toyota, Honda, Nissan, Hyundai, Lexus, and Dodge.
- **Retailers:** 9 of the top 10 marketers, including Target, Macy's, Wal-Mart, Kroger, Sears, Home Depot, JCPenney, Walgreen's, and Lowe's.
- **Restaurants:** 9 of the top 10 marketers, including Wendy's, Taco Bell, McDonald's, Subway, Burger King, Dunkin' Donuts, and KFC.
- **Financial Services:** 8 of the top 10 marketers, including American Express, Bank of America, Chase, Capital One, U.S. Bancorp, Citigroup, and Wells Fargo.
- **Telecom:** 7 of the top 10 marketers, including RAB's top 2010 spot advertiser, AT&T, as well as Verizon, Sprint/Nextel, T-Mobile, Clearwire, U.S. Cellular, and Metro PCS .

Audience Size And Demographics

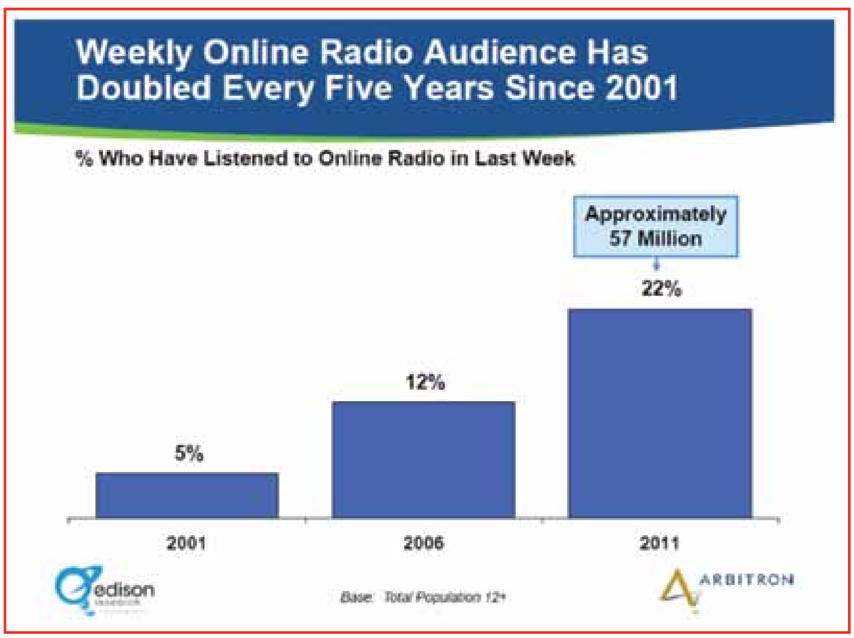
Listening to online audio is extremely popular. An Accenture study released in January 2010 shows that listening to music online is the sixth most widely adopted Internet activity in "mature markets" (France, Germany, Japan, and the US)—about on a par with watching/posting videos online and playing games.

Looking more closely at the US market, an Arbitron and Edison Research study from January 2011 indicates that about 34% of US online users, or roughly 89 million individuals, had listened to online radio in the past month; 22%, or about 57 million people, had listened to online radio in the previous week.



Source: Arbitron

For historical trends, Edison/Arbitron has been tracking weekly online radio listening over the course of the last decade. Their data show substantial growth over time, from just 5% of the US population (12 years old and older) in 2001 to 22% of Americans at the beginning of 2011.



Source: Arbitron

Finally, in terms of where the digital audio audience is going, most forecasts expect robust growth. Research from Experian Simmons indicates that the largest user-group of digital audio is affluent, with 12.7% of users who listen to internet-only radio stations online having a household income of more than $150k. As smart phone adoption steams ahead, the portability of digital audio content will contribute to this growth.

Digital Audio Usage of US Consumers, by Household Income, Fall 2010

% of respondents in each group

	<$25K	$25K-$50K	$50K-$100K	$100K-$150K	$150K+	Total
Download music files	12.4%	16.0%	21.1%	22.0%	27.1%	19.1%
Listen to any radio online	7.5%	12.1%	13.5%	16.6%	19.0%	13.1%
Listen to internet-only radio stations online	5.1%	8.8%	9.5%	10.9%	12.7%	9.1%
Download/listen to podcasts	5.8%	6.2%	9.1%	10.3%	13.0%	8.4%
Listen to traditional radio stations online	4.2%	5.7%	6.0%	7.4%	7.6%	6.0%
Listen to satellite radio online	2.5%	3.1%	4.0%	3.2%	5.3%	3.5%

Note: ages 12+; in the past 30 days
Source: Experian Simmons, "Fall 2010 Teen/Adult Study," April 8, 2011

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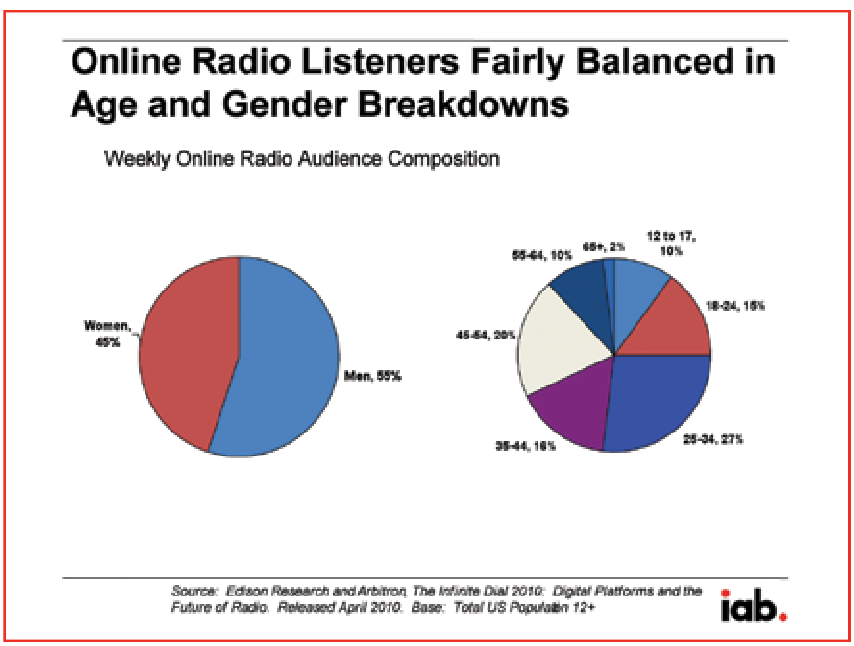
From a demographic perspective, the digital radio audience skews very slightly male: 55% of listeners are males. The age breakdown is fairly evenly split: about one-quarter of the audience is between 12 and 24 years old, and 27% falls in the 25-to-34 age range. Triton Digital has found that intensity of usage is roughly equal across genders: males and females show approximately the same amount of time spent listening (TSL): about 2.5 hours per week. The same holds true, broadly, of younger and mature consumers, although users over the age of 54 spend slightly more time with the medium (2.59 hours per week) than users under 54 (2.49 hours per week).



According to a more recent Edison Research/Arbitron study, 20% of the online population (ages 12 and over) have listened to AM/FM streams or Internet-only station streams in the prior month, one 1 out of 10 users listened to both types of streams. In addition, the same study found that the percentage of listeners who listen most to Internet-only audio has increased by 9% in the past five years, and overall, the weekly online radio audience has doubled every five years since 2001 (Edison/Arbitron Infinite Dial report, 2011).

It is valuable to note that the key venues for listening to digital audio are distinct from the venues for terrestrial radio. Digital audio listening is strongly dominant in the home and also notably at work, with 46% of minutes spent listening taking place in the latter venue. Unsurprisingly, terrestrial radio's largest share of listening minutes take place in cars (44%), followed by home and then other venues. In fact, according to Arbitron, about 89 million people consume Internet radio per month, and 89% of them listen to over-the-air and Internet streaming. In the case of radio, it seems that "streaming" is not stealing share from over-the-air radio; in fact, they are complementary.

The Players

Even by the standards of digital media, the landscape of companies participating in the digital audio sector is diverse. Digital audio encompasses many broadcasters from the traditional radio world, some of whom rely on technology enablers to move their audio streams from offline to online. But it also includes many digital natives, too, which have often built up their own internal systems and capabilities.

In practice, the lines between categories of digital audio companies are fluid, and firms can and do offer more than one component as part of their overall business models. However, for those unfamiliar with the landscape of digital audio, the following chart presents a brief summary of some of the key players in the digital audio ecosystem.

Digital Audio Ecosystem Constituent	Description
Digital Audio Providers	Firms that form a direct relationship with a consumer as branded providers of digital audio content
Aggregator/Distributors	Firms that collect multiple digital audio channels into larger entities, increasing reach and making them of greater interest to advertisers. Aggregators sometimes create direct relationships with consumers, or they can also work with larger Web media entities (e.g., portals) on a wholesale basis to quickly and easily offer a catalog of digital audio content.
Performing Rights Organizations	Companies that license and track performances and broadcasts of copyrighted works. For example, ASCAP, BMI, and SESAC
Ad Serving Technology Vendors	These third-party technology vendors help agencies and/or advertisers manage campaigns across multiple networks and content brands.
Content Distribution Networks (CDNs	Vendors that provide the technical heavy lifting of moving streamed digital audio content around the Internet and ensuring scalability and performance for listeners. Examples include Streamtheworld.
Measurement and Research Vendors	Firms that offer third-party measurement of audiences and other key metrics for digital audio.
Auditing Firms	Firms that examine the technology and/or business processes of companies aggregating and/or selling advertising to ensure transparency and trust within the media marketplace.
Audio Technology Vendors	Enabling companies offering encoding, players, and other key technologies to channels and/or aggregators of digital audio content.
Agencies	Interactive and traditional media buying frms participating in the digital audio marketplace.

Current Ad Product Offerings

The standard audio ad offerings generally mirror the offerings of traditional, terrestrial radio. Namely, there is content (music or talk) interspersed with varying length ad breaks. However, many music streaming services have lower ad loads than traditional, terrestrial radio.

Internet-based content (non-mobile ads)

Audio Ads

The majority of audio ads delivered in-stream are :60, :30 or :15 seconds long. These are standard lengths that mirror what runs terrestrially.

For streams from terrestrial stations, the length of the spot break is generally tied to the spot break on the terrestrial signal and can vary in length. While some stations serve 8 minutes of ads per hour, there is a wide range of spot break lengths. Some broadcast groups are working with commercial free hours throughout the day to create a different listener experience.

It is not uncommon to run the same audio spot terrestrially and online, and there is an opportunity to repurpose or tailor the advertiser message to take advantage of being one click away from an advertiser's site. It is important to note that if the creative in the ad contains the work of human talent, the publisher verifies that the agency talent contract includes streaming rights. In the case of no streaming rights in the contract, audio publishers often produce a generic ad in-house which the agency is not bound by.

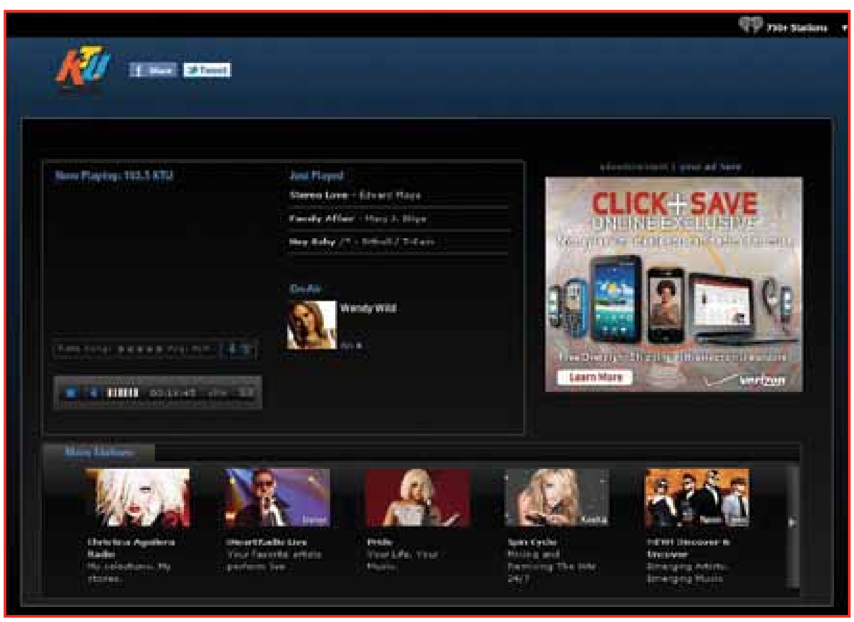
For Internet-only streams, the length of the spot breaks is controlled by each publisher. Some are single spots at a time, called islands, but at present there is no single, widely accepted "standard" length of a spot break.

There are also numerous aspects of the online audio offerings which differ from the terrestrial advertising experience:

Synched Banner

Some digital audio channels can run a synched display banner while a related audio spot is running. The typical size of this synched banner is 300x250, but other sizes are available based on the size of the media player or listening environment. These banners follow the same ad specs as a standard display banner. The synched banner creates a great opportunity for repurposed audio to include a call to action to open the media player and click on a browser. However, it may not be visible if a listener has minimized the player or pulled another window or application to the foreground on their screen.

Synched banner with player; Source: CBS Radio



Companion banner; Source: Clear Channel Media Player

Pre-Roll Audio

In some cases, an audio ad can be delivered before the audio content stream begins to play. These are premium positions because they reach the listener prior to content play, and the user cannot interact with the media player until that pre-roll audio spot has completed.

Pre-Roll Video

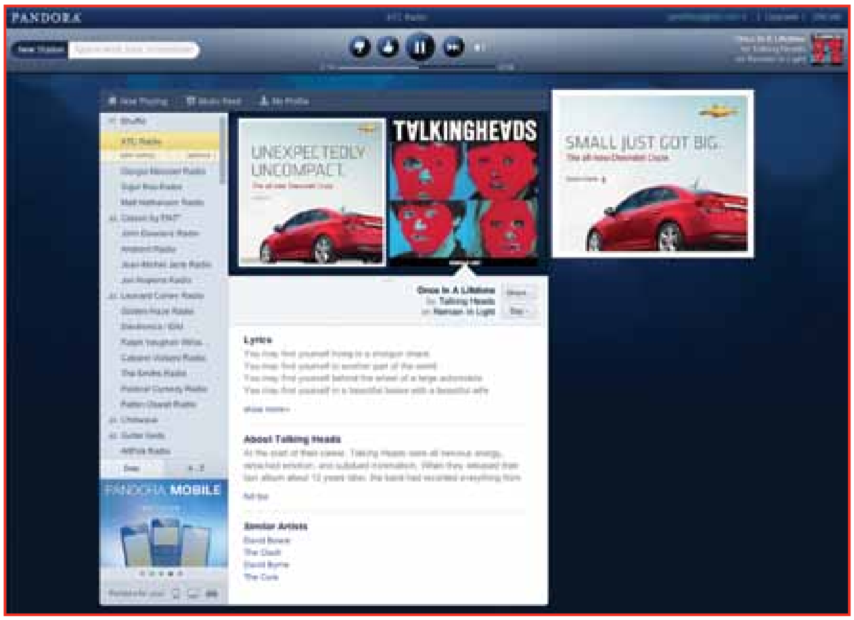
Some publishers may offer to run a digital video ad prior the audio content stream launching and the user cannot interact with the media player until the pre-roll video spot has ended. Pre-roll video ads that precede audio streams follow the same generally accepted rules for pre-roll video in other contexts.

In-player ad, Source: Pandora

In-player

In addition to the advertising that is directly related to the audio stream, there are opportunities that surround the player environment. Stand-alone display ads are available in most media players. The ad size varies from player to player.

Many media players offer the listener opportunities to interact. A listener can choose stations based on genre, cities and call letters. One can access concert information, similar artists, music history and personal favorites. In some cases, listeners can also purchase music through an integrated online music service.



Synched Banner, Source: Pandora

The standard lengths (:15/:30/:60) make up the majority of all audio advertising run in-stream, but there is the opportunity to run longer or shorter lengths, opening up more creative possibilities.

Targeted Advertising

The ability to target users is one of the key drivers of growth in the online world. The digital audio space is no different. There are a variety of ways to target consumers with audio advertising:

- Geographic —Targeting users based on geography can be handled in one of three ways.
  - o IP targeting (based on the Internet Protocol address of the listener);
  - o Registration data (the address supplied by a user in cases where the digital audio service requests or requires registration); and,
  - o Location of terrestrial station.

These vary in accuracy and advertisers should note that a terrestrial station's programming delivered online could find listeners very distant from its home market.

- Demographic – The ability to target a specific demo is generally tied to the type of content that station provides. Additional demographic targeting can be accomplished via registration data, if available.
- Contextual – Similar to demo targeting, the genre of a given digital audio station creates a context that can help determine the audience, and, hence, create avenues to better target customers.

Mobile Content

Music, talk, and other popular content are streamed to mobile devices, including smartphones and tablets. With rapid smartphone adoption, website content and smartphone-specific applications have created new, portable opportunities for leading brands. Audio content can also be accessed through specific applications which act as a type of subscription that the user downloads to their phone or other mobile device, giving them access to the music site the same way they would if they were listening from a computer.

Mobile Audio Ads

The majority of audio ads delivered on mobile devices are :30 or :15 seconds long; and one does not typically find :60 second audio ads delivered via mobile.

Audio spots that air on mobile devices come directly from the stream, so it is not uncommon to run the same audio spot terrestrially, online, and on mobile. Here again, there is an opportunity to repurpose or tailor the advertiser message to take advantage of being one click away from an advertiser's mobile site.

Synched Banner

When an audio ad runs in a mobile stream, some digital audio channels can run a synched display banner while the audio spot is running. Banners are displayed on-screen and offer many options to connect advertisers with listeners:

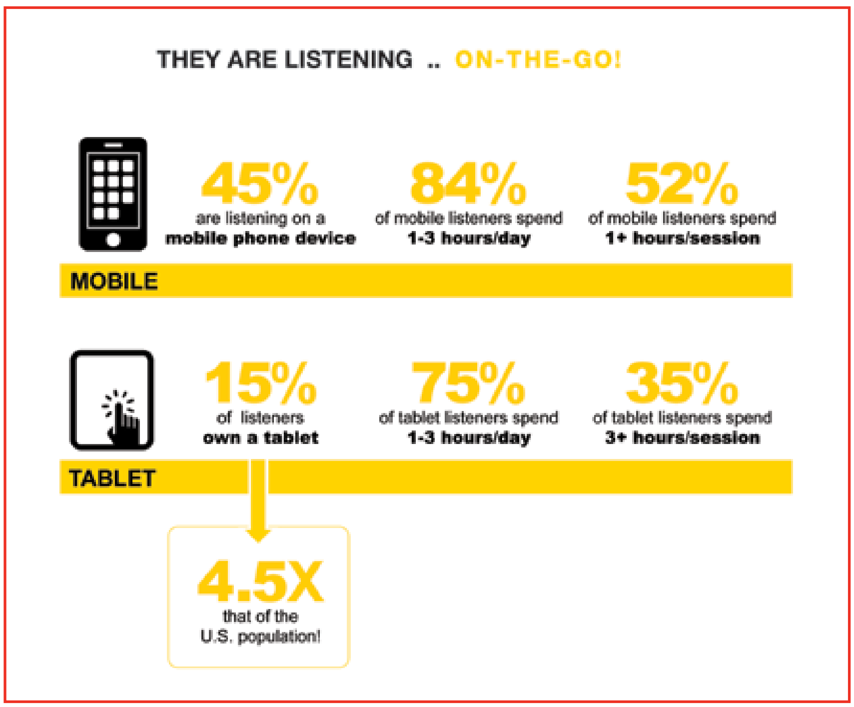
- "Tap to call": When the banner is tapped, a phone number appears on the screen, allowing the listener the ability to immediately contact the advertiser.
- Direct link to the advertiser website: When the banner is tapped, it takes the listener directly to the advertiser website.
- "Tap for email or text": When the banner is tapped, a return email or text from the advertiser can be triggered.

Note: There are currently some limitations on click-through because Flash is not available on all devices.

Mobile ads (national); Source: Pandora

Mobile ads (local); Source: Pandora

As mobile usage grows, the use of tablets as digital audio players increases. A recent study by Parks Associates and TargetSpot revealed that 15% of listeners own a tablet; 75% of tablet listeners listen for 1-3 hours per day; and, 35% of tablet listeners spend 3+ hours listening per session (TargetSpot Internet Radio Advertising Impact Study, 2011).



Source: TargetSpot Digital Audio Usage Trends: A Highly Engaged Listenership

Metrics and Measurement

Audience measurement and campaign management technology available for digital audio provides precise analytical and campaign performance reporting capabilities. This enables digital audio to be as measurable as other online media.

In keeping with the hybrid nature of digital audio, the metrics used to assess the medium are similarly a mix of terrestrial and digital measurements. Both digital native audio companies, as well as the terrestrial audio publishers, are using digital delivery and verification metrics common to Internet advertising.

Either of these types of metrics, or both, can be valid assuming that both buyer and seller are aware of them and understand them.

Currently, the primary type of digital audio measurement and reporting is census-based, where data is obtained on each "stream," including the station, individual start time, individual duration, and listener identifier.

A hybrid model has been suggested by members of the radio planning and buying community as a way of making metrics for audio (terrestrial and online) measurement easier to understand. An ability to place pure play publishers and over-the-air broadcasters side-by-side would allow a single view of the marketplace. Brands and agencies would be able to compare relative size and strength of audience, industry wide, which would advance the cause for all publishers and content creators in the space.

Metrics that have been suggested include TLH, TSL, Impressions, AQH-like metric, and Cume, whichmay play a larger role as our industry gets better at counting it.

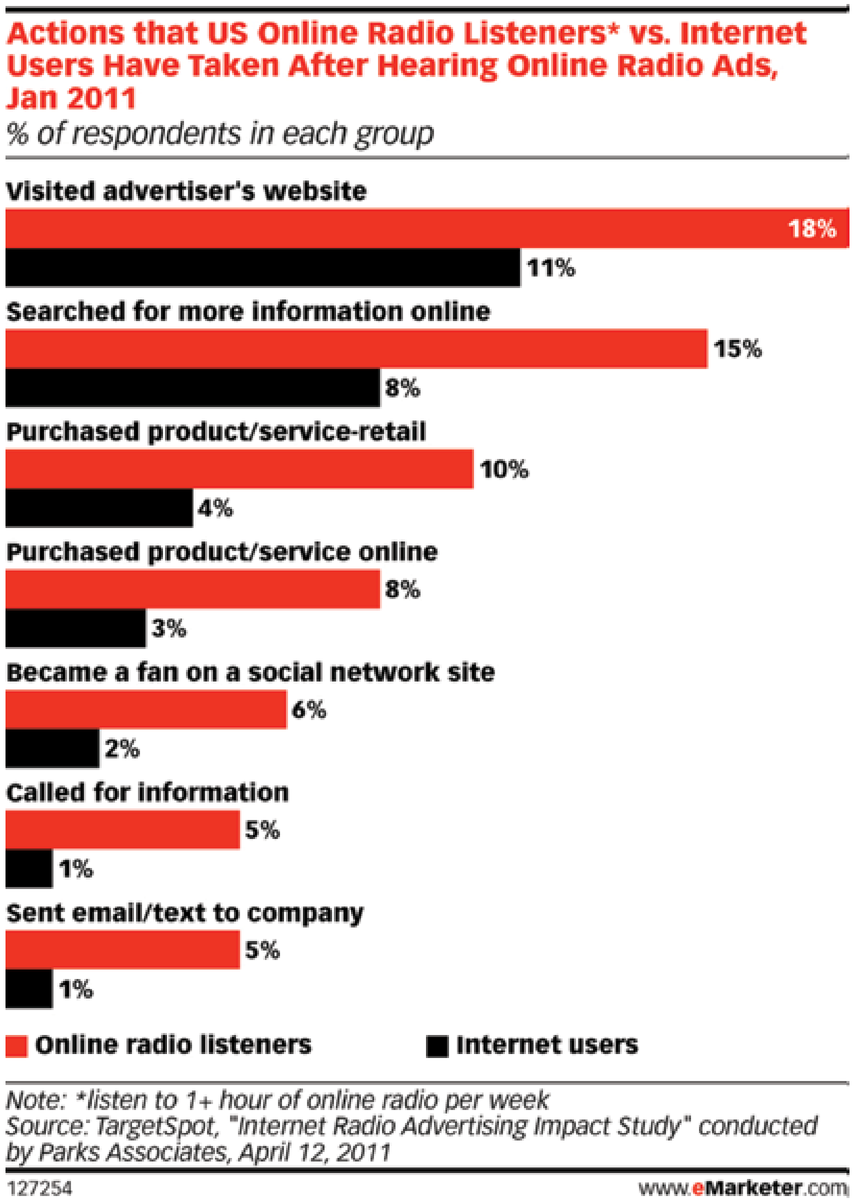
The most important digital audio metrics used today include:

Metric	Definition
Average Quarter Hour (AQH)	The average number of persons listening to a particular station for at least five minutes during a 15-minute period.
Average Active Sessions (AAS)	The average number of streams of one minute or longer that are active within a time period
Session Starts (SS)	The number of streams of one minute or longer that are started within a time period
Cume	The cumulative audience listening during a specific period, typically broken down to "household" or "unduplicated persons".
Average Time Spent Listening (ATSL)	The average number of hours for each session lasting longer than one minute within a time period
Unique Listeners/Streamers	The number of unduplicated people listening to a given online audio program, piece of content, or advertising message. Typically 'listeners' and 'streamers' are interchangeable.
Ad Impressions (potential or actual)	A tally of the number of ad messages delivered to an audience
Impressions	A single display of online content to a user's web-enabled device.
Interactions	Metrics that indicate how many users took an action in response to an ad message, and/or the depth of that interaction
TLH	Total Listening Hours – overall metric for consumption of audio
TSL	The amount of Time Spent Listening before changing the station/stream or closing the online audio program

Sources: Triton Digital, Arbitron, and IAB interviews with industry leaders

Ad Response and Effectiveness

Digital audio advertisers have a number of options for assessing the effectiveness of their campaigns, both branding- and performance-based. Many of these options will be familiar to those with a broader background in online advertising. Studies have shown that adding digital audio to an ad campaign creates value, driving an array of responses well beyond the click. As the graphic below illustrates, samples of users who listened to one hour (or more) of online radio each week responded — via web, telephone, or offline — more often than those who did not listen to any online radio.



A common type of call to action results in a listener clicking on a banner ad displayed within the media player environment. These clicks link listeners to landing pages established by the marketer or agency, allowing consumers to print coupons to redeem at retail, participate in games or sweepstakes, or learn more about the product or service, etc. A click during a digital audio session usually does not interrupt the content session—the listener can usually still hear the program while interacting with the advertisers' content.

Of course, it is impossible to click on an ad that is purely audio in nature. Response-based audio ads may use any of a number of calls to action, including:

- Sending a text message to an SMS shortcode,
- Placing a call to an audio call center,
- Sending an e-mail to request more information,
- Visiting a website named during the audio ad (e.g., "visit www.mysite.com to learn more")

For branding based ads, research has shown that an online audio program activated alongside an offline radio plan increases ad recall by three times. When exposed to online and offline audio marketing efforts, consumers are almost four times more likely to visit an advertiser's website compared with using broadcast radio alone (both recall and site visit research from TargetSpot, research by Parks Associates). Several audio publishers are experimenting creatively with more brand-friendly display ad size canvases.

Of course, marketers can also rely on more traditional metrics such as sales, completed applications, Requests for information (RFIs), and other conversion metrics to verify consumer interaction or follow-through, basing analysis of those actions on total markets, total campaigns, or individual digital stations. These metrics are typically non-proprietary and generally rely on data that only the marketer (or its agency) can access. However, they are also an important means of verifying the success of a digital audio campaign, either alone or in tandem with other media.

Current Digital Audio Opportunities and Challenges

Although digital audio has existed for many years, the opportunities around digital audio advertising have never been greater. Marketers and agencies considering the medium should take the following into account in their planning:

- **Reach.** US high-speed Internet penetration continues to grow, faster networks are being built, and people are spending increasing amounts of time consuming media, including audio, online. Additionally, the digital audio audience for online radio continues to grow, since the audio medium is highly accessible with very few barriers to entry.
- **Familiarity.** Audio creative, embedded in a conversational ad medium, has many advantages. As is frequently observed, voice is the most natural form of human interaction. Moreover, listeners are used to interruptions and accept them as a fair value exchange for their free listening experience.
- **Digital Flexibility.** Like other forms of digital advertising, audio ads offer multiple buy options; for example, section sponsorships and local sponsorships, as well as multiple forms of creative suited to many different types of advertiser and campaign goals. In addition, online audio ads are targeting friendly, delivering access into a wealth of listener information including demographics, reach, and impression guarantees, among others.
- **Evolving Technology.** To highlight just one emerging technology that will expand digital audio advertising, speech recognition technology presents the opportunity for ingenious custom interactive campaigns, as well as branded digital audio content online.
- **Complementary with Other Interactive Media.** Digital audio is highly compatible with other forms of online media, including some of the most significant emerging platforms. For example, mobile represents a significant opportunity, especially as music apps and sports apps on smartphones and tablet devices become mainstream. Audio advertising in the context of social media and user-generated content is a natural as well, as consumers seek ways to share music they love with one another.
- **Social Media Sign-in.** Social media sites like Twitter and Facebook allow for sharing and entertaining options (such as song dedication) for fans of streaming audio sites. The integrated sign-in data gives site owners deeper insights on demographics and preferences of audience.

That said, digital audio advertising is still in its infancy relative to some of the more established forms of online advertising. Marketers and agencies should be particularly aware of the following:

- **Fragmentation.** The digital audio audience is growing and some formats stand out as being highly popular. However, the audience for digital audio programming is tremendously fragmented. Achieving reach in this space can be challenging.
- **Competition.** As consumer choices of audio services continue to expand, including streamed satellite radio and pay-per-programming services, this may limit the reach of ad-supported online audio.
- **Measurement Parity:** At this juncture, digital audio is not measured in the same manner as terrestrial audio, which places a burden on the planning and buying community to conduct manual comparisons.
- **Creative Limitations.** While ads inserted in audio content are familiar to and accepted by consumers, there is also the risk that consumers simply ignore or "tune them out." Additionally, some elements of a digital audio ad execution, like companion banners, may not be noticed by consumers who put the audio player in the background while they do other activities on their PCs or devices. Audio-only creative, with its inherent limitations, can work well in some types of campaigns, but it may also be a challenge given that the Internet is primarily a visual medium.

The next few years will see digital audio services continue to expand beyond PCs to other devices in consumers' increasingly digitally connected lives. Digital audio services have stepped into the spotlight, as both terrestrial brands and online natives build significant audiences, refine and expand their ad offerings, and increase their value propositions to marketers.

Digital audio is now an interactive medium, engaging millions of consumers daily. The myriad devices that can deliver digital audio mean these listeners are taking digital audio with them, whether at home, commuting to work, throughout the work day and beyond. Digital audio offers listeners a wide range of choices in musical genres, talk and sports, and provides advertisers new abilities to target audiences ever more narrowly.

Appendix: Case Study: Katz 360 Boosts OnStar's Reach into Target Audience in Key Daypart

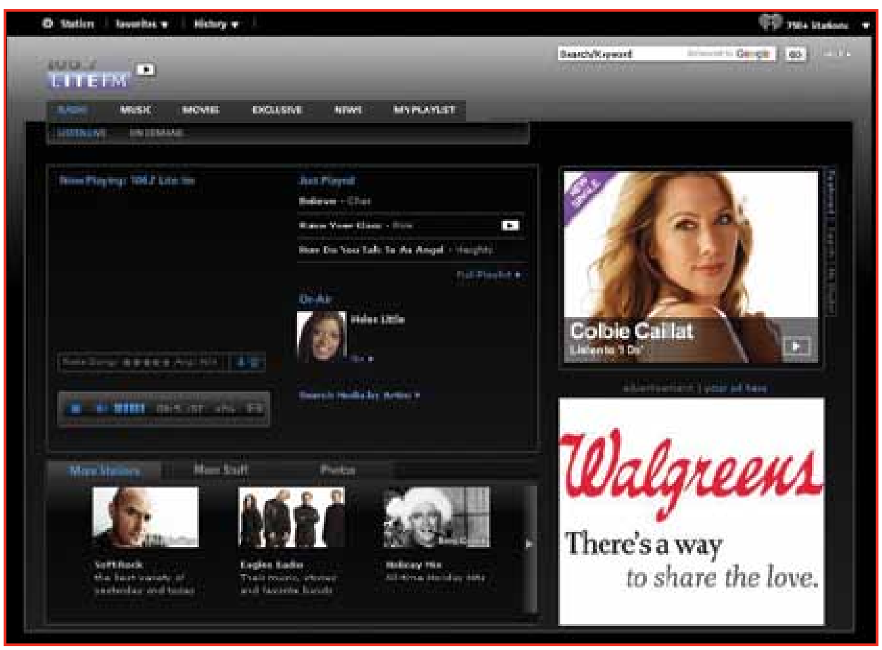
Participants: Marketer: General Motor's OnStar in-vehicle safety, security and communication service. Publisher/Media Company: Katz 360, the digital sales arm of Katz Media Group, which represents and segments audiences for national advertisers through four digital platforms: digital audio, mobile, database and display.

Objective: To reach women with children to increase awareness of OnStar's features during the midday daypart

Execution: This campaign was an early OnStar effort to go beyond their traditional terrestrial radio network buys and utilize digital audio. Typically, OnStar has concentrated heavily on drive time dayparts.

To reach women—specifically moms—Katz 360 assembled a broad-based, demographically targeted network of online audio providers that included Pandora and the majority of the Katz Online Digital (KOL) Audio Network, to enhance and complement OnStar's national terrestrial radio network buy.

Results: OnStar was very pleased with digital audio's ability to extend the reach of their messaging to at-work listeners in their campaign's target demographic. OnStar was also very happy with the website traffic levels that directly resulted from the companion banners accompanying the digital audio spots. OnStar's media agency, Starcom/Mediavest, was pleased with digital audio's ability to show performance quickly and that Katz 360 guaranteed that performance.



Companion Display Ad with Audio; Source: Katz 360

Who is the IAB Audio Committee?

The Audio Committee was formed in December of 2009. Its goal is to establish industry guidance by creating standards and best practices to help bring clarity to the digital audio marketplace. The Committee strives to educate marketers and agencies on the value of audio as a powerful and effective advertising medium.

Co-Chairs: Brian Benedik, Katz 360
Doug Sterne, Pandora

The Committee consists of various players across the audio ecosystem. The Committee will continue to grow as interested players become members of the Interactive Advertising Bureau. The current members of the Committee are:

IAB AUDIO COMMITTEE MEMBERS

Creative/Rich Media
Medialets

Industry Services, Analysis
Audio4cast

Digital Audio Services (consumer, music)
CBS Interactive Music Group
Clear Channel Radio
Cox Cross Media / Cox TV
Google
Grooveshark
Interactive One
Mercury Radio Arts
Pandora Media
Univision Interactive Media
Vevo

Digital Audio Services (talk)
ESPN

Digital Audio Rep Firms, Networks
Katz 360
TargetSpot

Educational
Editorial Projects in Education

Professional Services
Ernst & Young LLP
KPMG
The Center for Sales Strategy

Research and Measurement Firms
Arbitron
comScore
eMarketer
Nielsen
Triton Digital

Who is the IAB?

The Interactive Advertising Bureau (IAB) is comprised of more than 500 leading media and technology companies who are responsible for selling 86% of online advertising in the United States. On behalf of its members, the IAB is dedicated to the growth of the interactive advertising marketplace, of interactive's share of total marketing spend, and of its members' share of total marketing spend. The IAB educates marketers, agencies, media companies and the wider business community about the value of interactive advertising. Working with its member companies, the IAB evaluates and recommends standards and practices and fields critical research on interactive advertising. Founded in 1996, the IAB is headquartered in New York City with a Public Policy office in Washington, D.C. For more information, please visit www.iab.net.

For more information on this report, or the IAB Audio Committee, please contact: reports@iab.net or visit www.iab.net.