

***FY 2018 Podcast Ad Revenue Study:
A Detailed Analysis of the US Podcast
Advertising Industry***

June 2019

Prepared by PwC



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Background

About the Podcast Advertising Revenue Study

Prepared by PricewaterhouseCoopers LLP (“PwC”) on an ongoing basis, with results released annually, the Podcast Advertising Revenue Study was initiated by the Interactive Advertising Bureau’s (IAB) Audio Industry Working Group in 2017. This study utilizes data and information reported directly to PwC from companies selling advertising on podcast platforms. The results reported are considered to be a reasonable measurement of podcast advertising revenues because much of the data is compiled directly from the revenue generating companies.

PwC does not audit the information and provides no opinion or other form of assurance with respect to the accuracy of the information collected or presented. Only aggregate results are published and individual company information is held with PwC. Further details regarding scope and methodology are provided in this report.

Thank you to our sponsors!

The sponsors for the FY 2018 Podcast Ad Revenue Study include:

- ABC Radio
- AdsWizz
- Audioboom
- Authentic
- ESPN
- Gimlet
- iHeartMedia
- Market Engineuity
- National Public Media
- Megaphone LLC
- PodcastOne
- Public Media Marketing
- RawVoice
- Stitcher
- WarnerMedia
- Westwood One
- Wondery

Study Scope & Methodology

Study scope

The Podcast Advertising Revenue Study is part of an ongoing IAB mission to provide a barometer of podcast advertising growth in the US.

To achieve differentiation from existing estimates and accomplish industry-wide acceptance, key aspects of the study include:

- Obtaining revenue data directly from companies generating podcast (publishers and advertising networks) advertising revenues;
- Designing the process to maintain participant anonymity and only release aggregate data;
- Podcast Advertising Revenues generated outside of the United States are out of the scope for this study.



Methodology

The methodology employed here is similar to the methodology that has been used to conduct the half-year and full-year internet advertising revenue report since 1996.

The reporting process includes:

- Compiling a database of the largest podcast advertising revenue generators, which are believed to make up a significant portion of the overall market;
- Conducting a quantitative mailing survey with leading industry players, including podcast publishers and ad networks;
- Requesting and compiling several specific data items, including quarterly net commissionable advertising revenue by delivery mechanism, advertisement type, campaign type, buy type, pricing model, podcast program genre, and advertising business category;
- Performing a podcast advertising market sizing to deliver a reasonable estimate of the market in the United States, inclusive of non-survey participating companies;
- Analyzing the findings, identifying and reporting key trends.

Executive Summary

2018 full year highlights

Self-reported podcast advertising revenues (“revenues”) by 22 reporting companies in the United States totaled \$344.7 million for the full year (“FY”) of 2018, in a market estimated to total \$479.1 million.

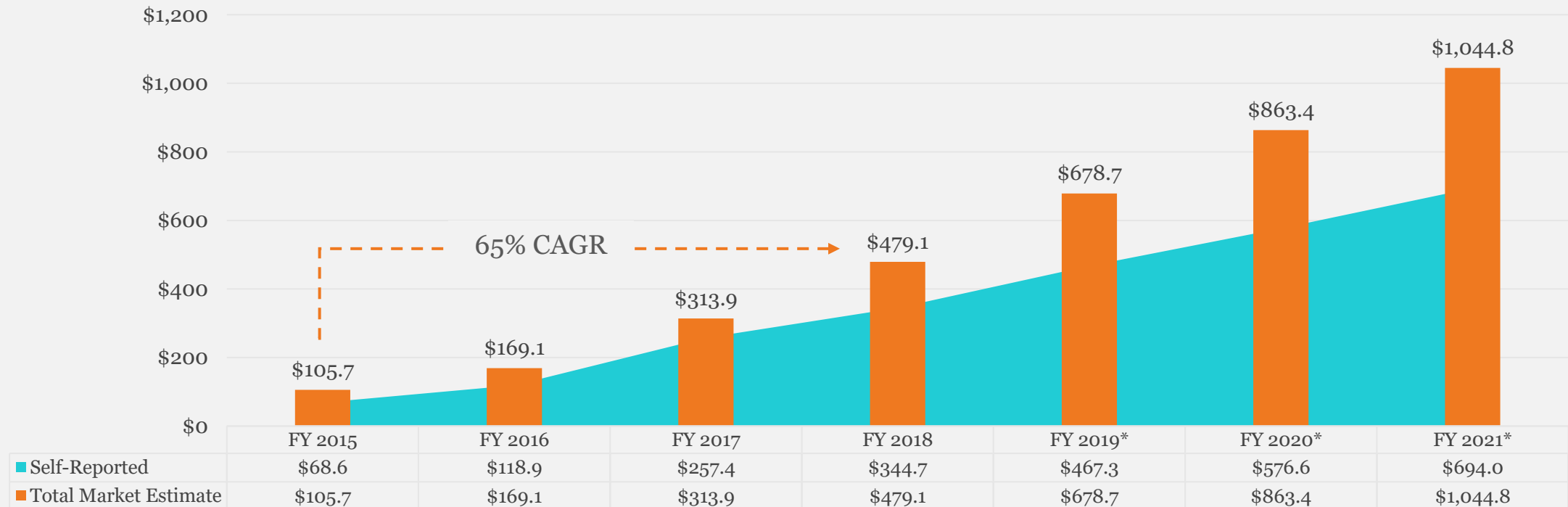
Key trends underlying FY 2018 results

- FY 2018 results are comprised of self-reported data from 22 companies that generate revenue from podcast advertising in the US, versus 19 companies in 2017.
- Self-reported year-over-year revenue increased 34% in 2018, from FY 2017’s self-reported revenue of \$257.4 million.
- Total market year-over-year revenue estimate increased 53% in 2018, from FY 2017’s total market estimate of \$313.9 million.
- Total market year-over-year revenue is estimated to grow by 42% in 2019, from FY 2018’s total market estimate of \$313.9 million.



Podcast advertising revenue is forecasted to exceed \$1B by 2021.

Podcast Advertising Revenue, 2015 - 2021 (in millions)

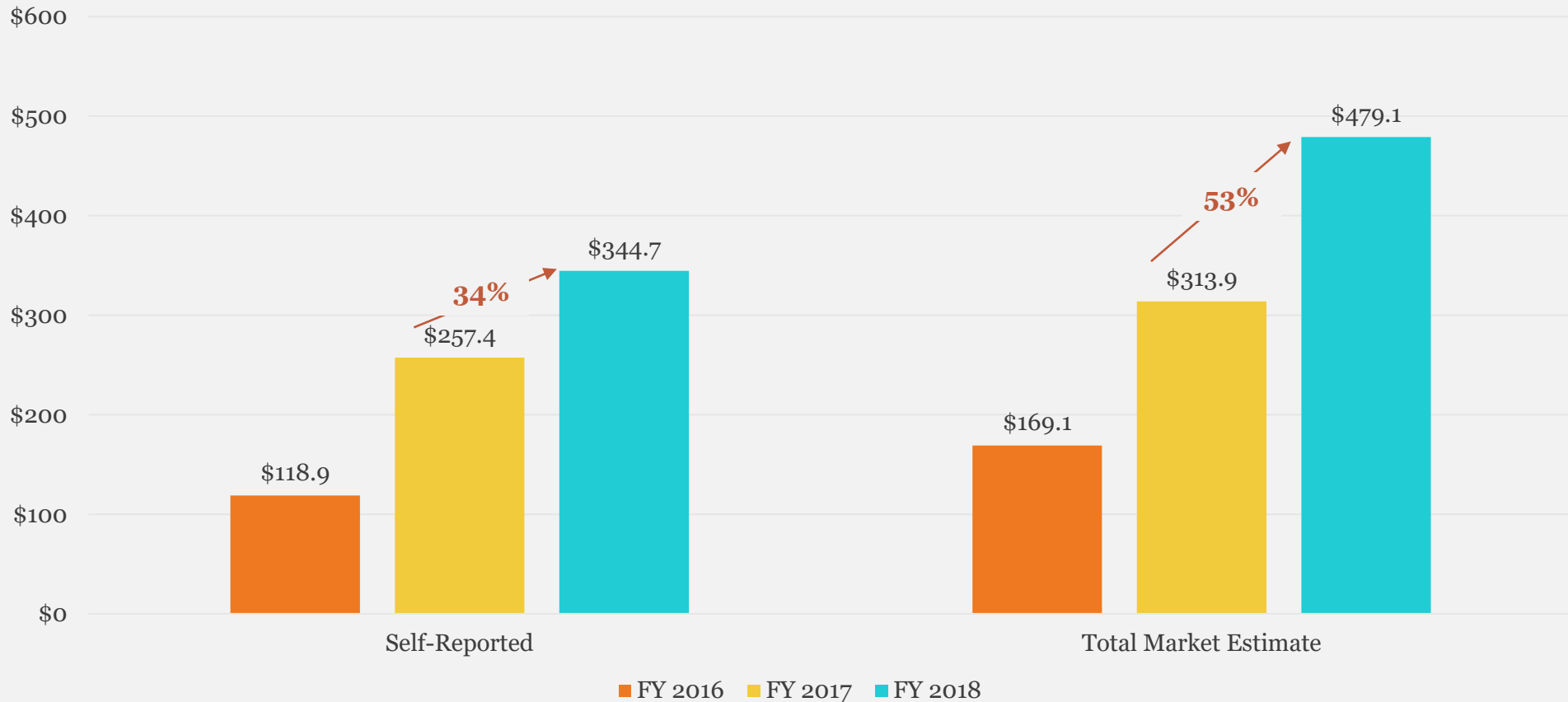


2018 self-reported advertising revenues represent the 22 companies surveyed, less than 100% of the podcast advertising market.

*2019 - 2021 revenues are a forecast based upon self-reported estimates and projected market sizing.

Year-over-year growth from 2016 to 2018 was significant for both self-reported revenues and the total market estimate.

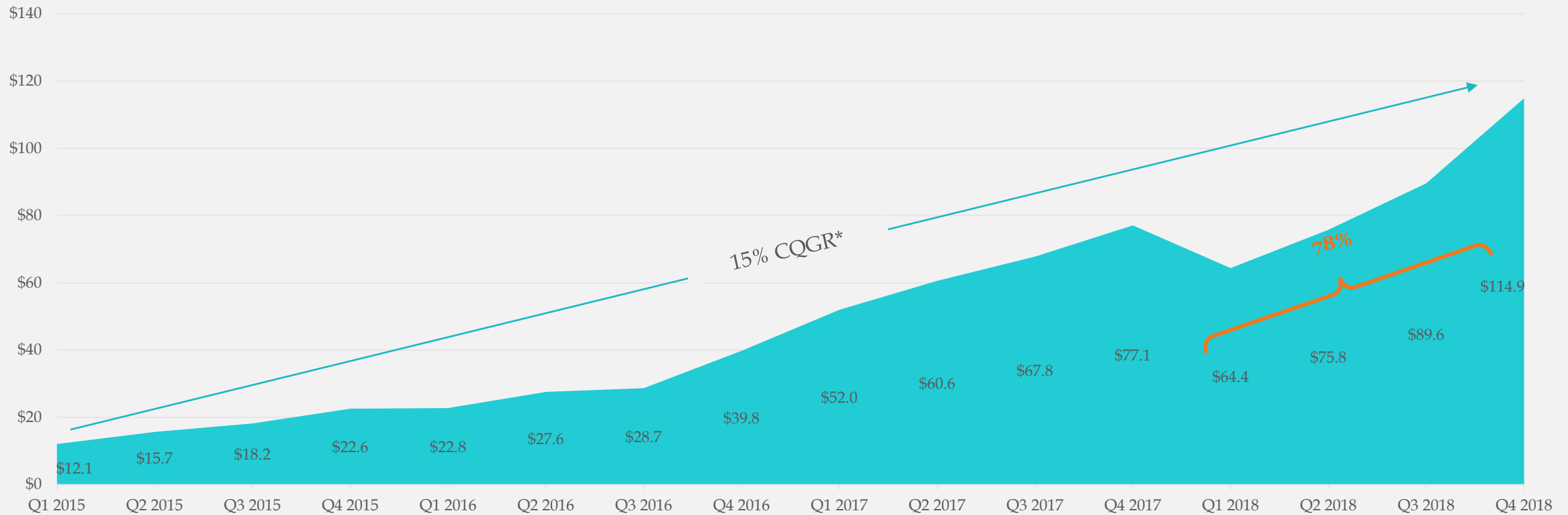
Self-reported revenues and total market estimates, 2016 - 2018 (in millions)



Self-reported advertising revenues represent the companies surveyed, less than 100% of the total podcast advertising market. Total Market Estimate represents 100% of the US total podcast advertising market.

In 2018, self-reported podcast advertising revenues grew, increasing 49% between Q4 2017 and Q4 2018, and yielding a 15% compound quarterly growth rate.

Self-reported podcast advertising revenue, by Quarter, 2015 – 2018 (in millions)

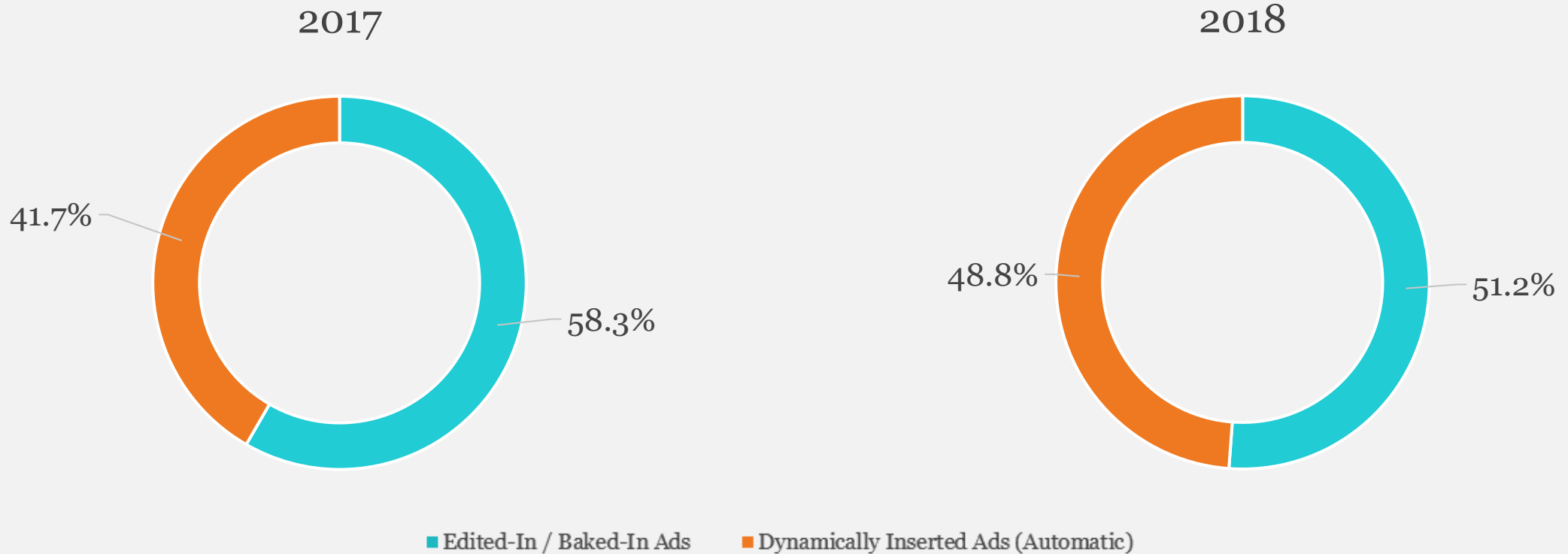


Self-reported advertising revenues represent the 22 companies surveyed, less than 100% of the total podcast advertising market

* CQGR: Compound Quarterly Growth Rate

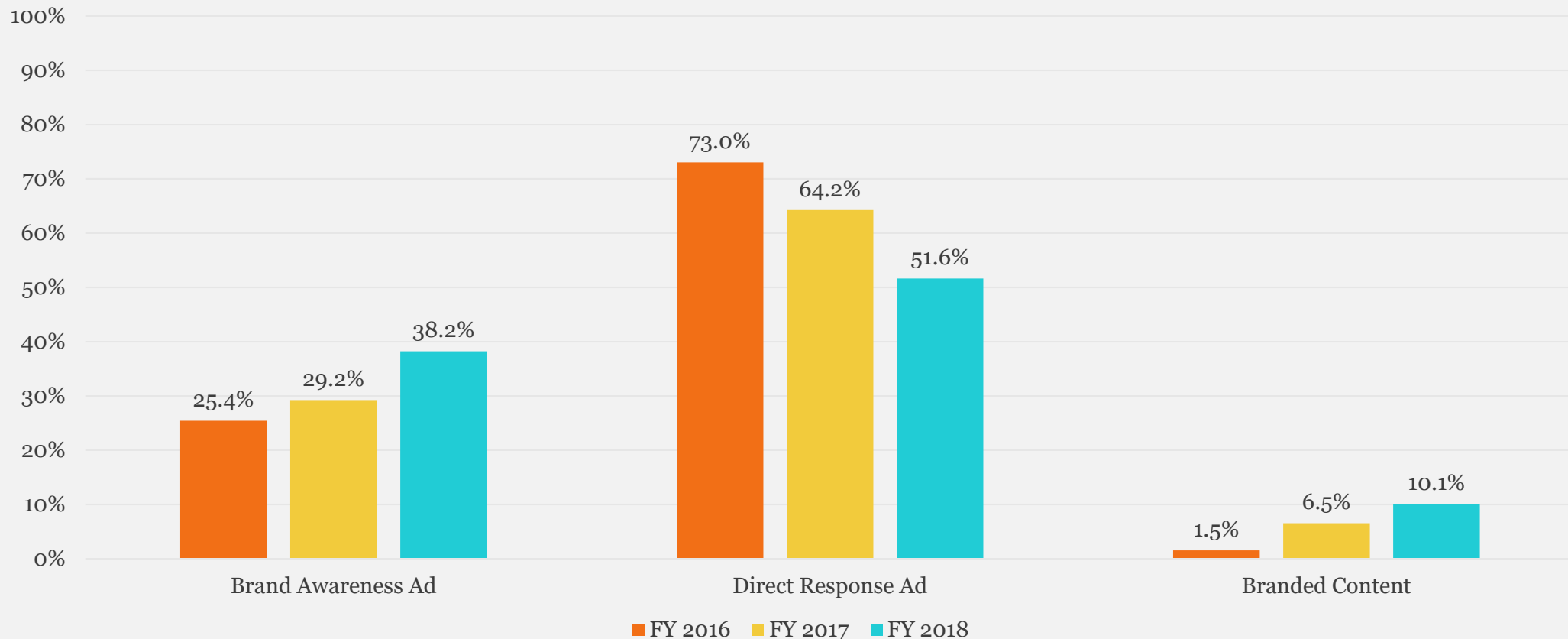
Revenue by Delivery Mechanism – 2017 to 2018

Dynamically Inserted Ads increased from 41.7% to 48.8%; Edited-in / Baked-in ads still represent the majority of podcast ads delivered in 2018.



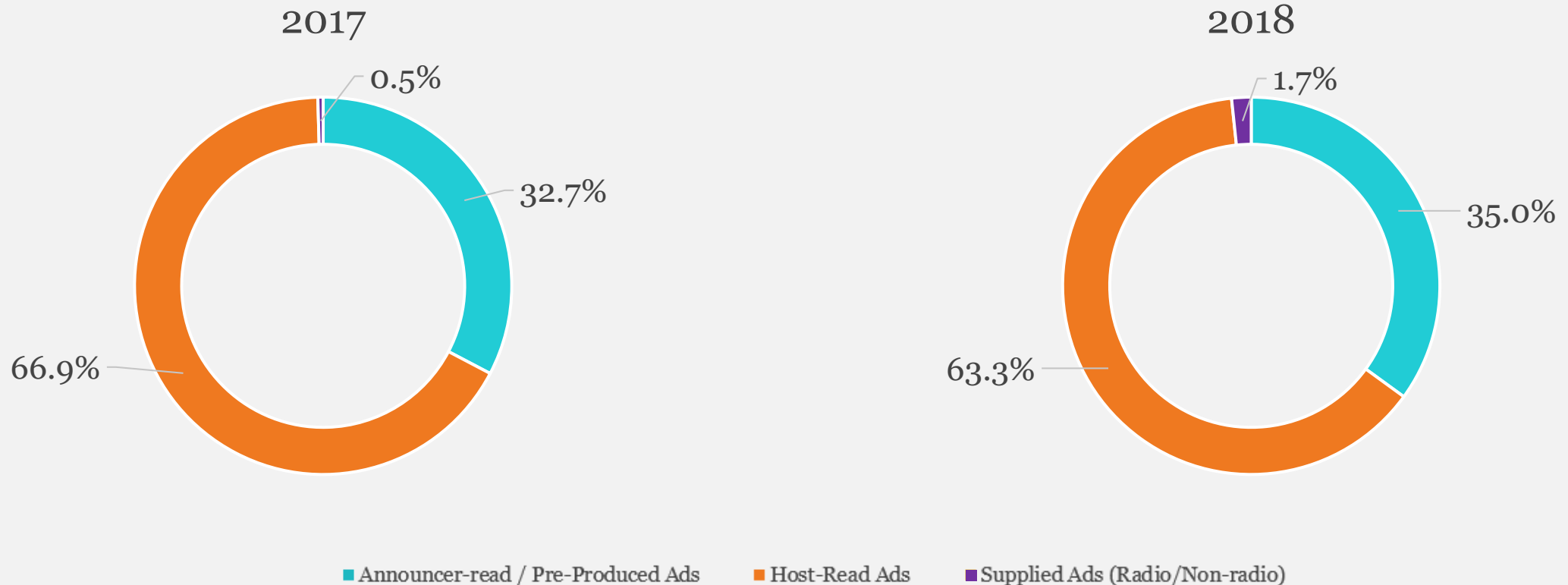
Revenue by Campaign Type – 2016 to 2018

Brand Awareness and Branded Content campaigns continue to make up a larger part of how advertisers choose to reach their audience.



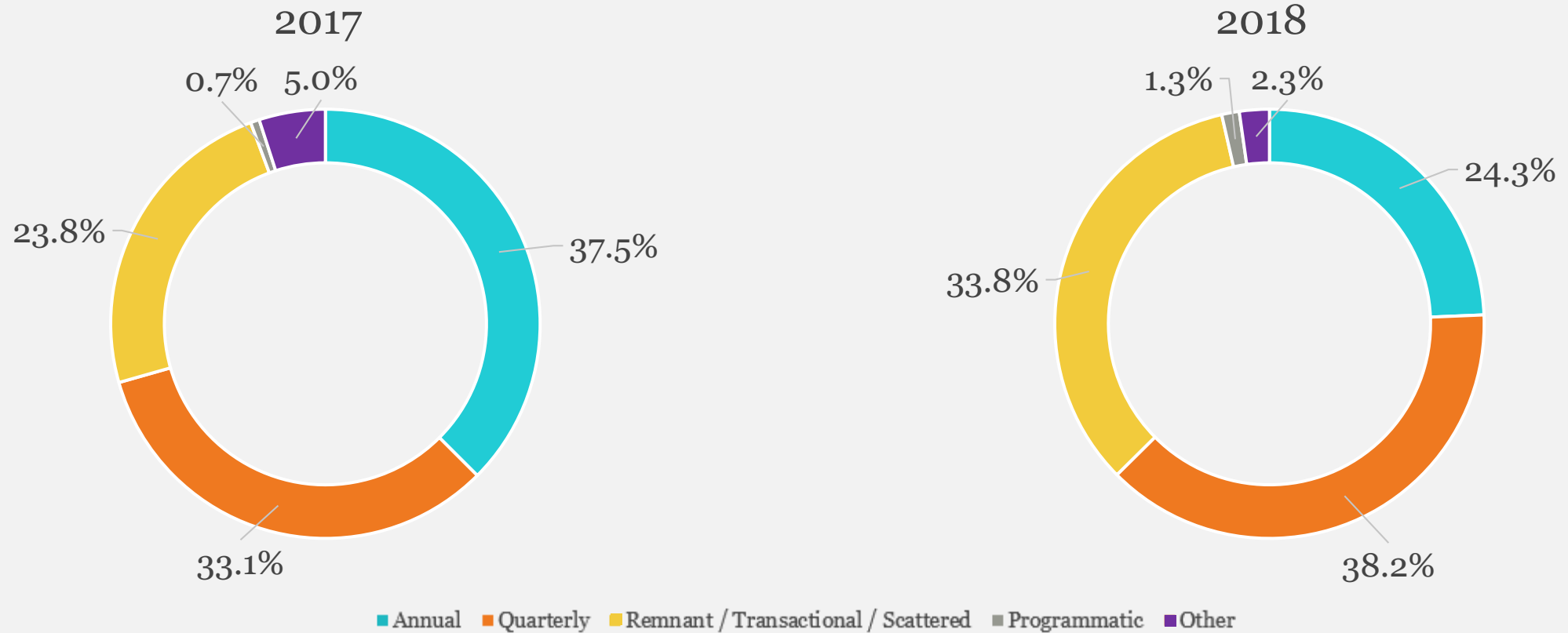
Revenue by Ad Type – 2017 to 2018

Host-Reads Ads continue to be the preferred Ad Type, representing a little less than two-thirds of Ad Types in 2018. Announcer-Read / Pre-Produced Ads make up most of the other one-third.



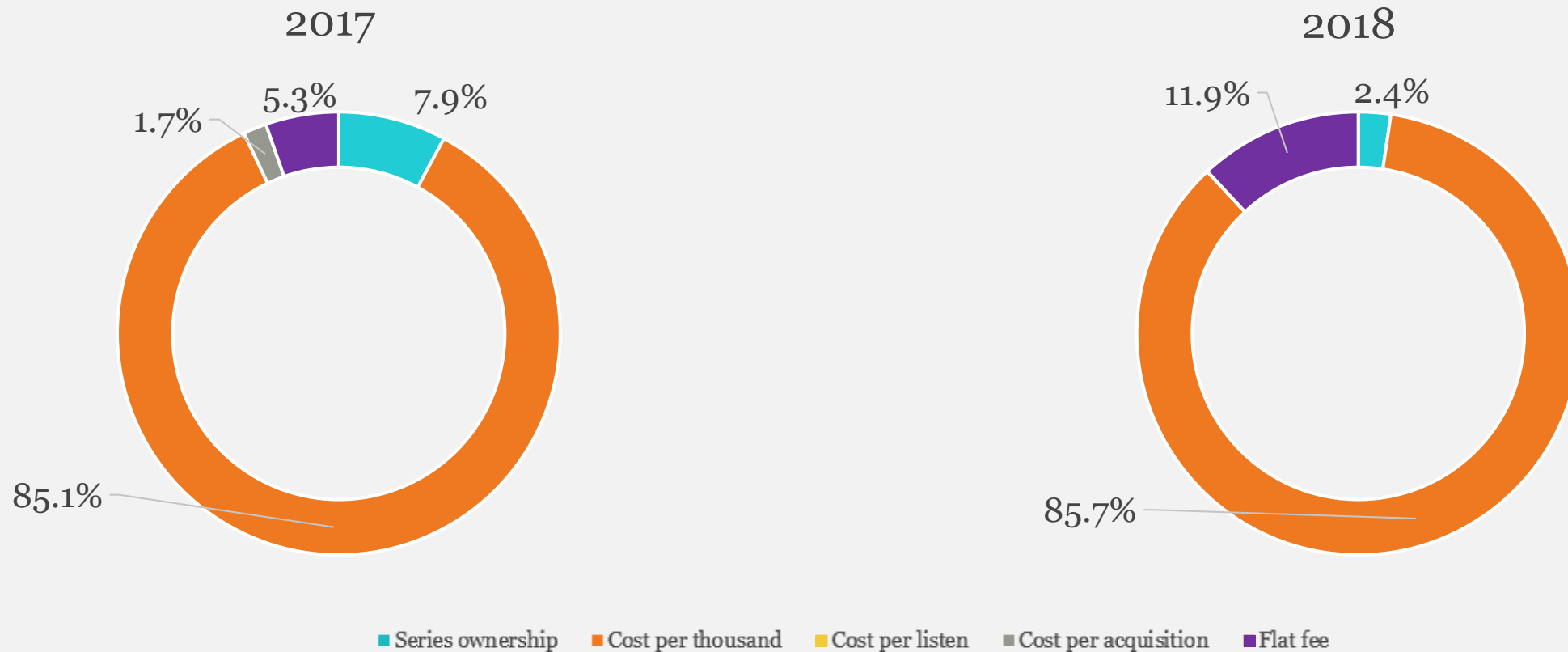
Revenue by Buy Type – 2017 to 2018

The majority of ads are purchased / sold on a quarterly basis. Programmatic activity is increasing.



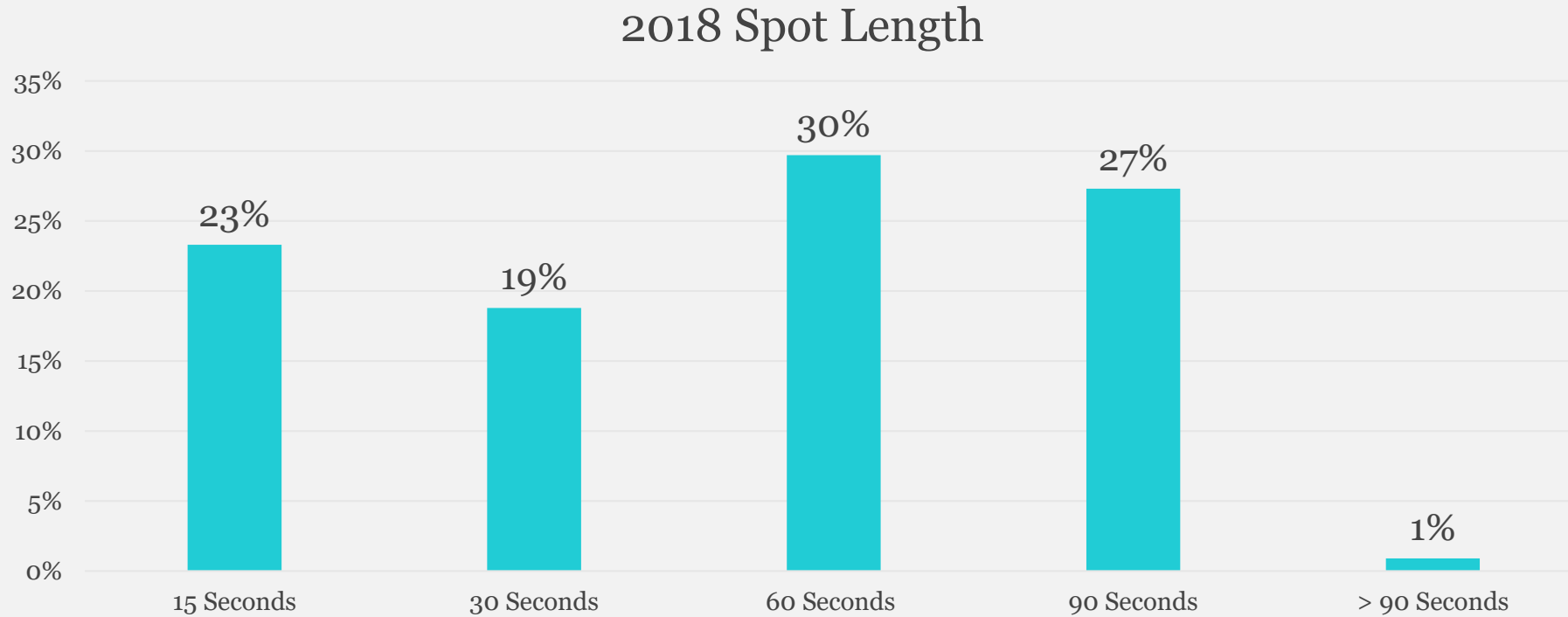
Revenue by Pricing Model – 2017 to 2018

Cost per thousand continues to be the dominant pricing method in 2018. Cost per acquisition is no longer significant.



Advertising Inventory Sold by Spot Length* – 2018

60 second advertising spots were the most popular spot length in 2018. 90 second advertising spots were not far behind.



*Revised question asked on the FY 2018 study survey; data was not significant enough in FY 2017.

Revenue by Program Genre – 2017 to 2018

Of the 14 program genres measured, the top five constituted more than 65% of advertising revenue captured.

Revenue (by Program Genre)	2017	2018	% Change
News / Politics / Current Events	13.3%	18.4%	38.3%
Comedy	10.6%	13.9%	31.1%
Business	11.1%	12.8%	15.3%
Education	9.6%	10.6%	10.4%
Arts & Entertainment	16.8%	10.0%	-40.8%
True Crime	7.2%	9.1%	26.4%
Technology	14.6%	8.8%	-39.7%
Lifestyle	6.2%	7.3%	17.7%
Scripted Fiction	0.9%	4.0%	344.4%
Games & Hobbies	0.7%	3.4%	385.7%
Children's Programming	0.1%	0.6%	500%
Sports	3.8%	1.0%	-73.7%
Health & Medicine	1.3%	0.0%	-100%
Other	3.8%	0.0%	-100%

65.7% ad revenue captured in 2018

Revenue by Business Category – 2017 to 2018

Of the 13 business categories measured, the top five represented nearly 75% of advertising revenue captured, with Direct-to-Consumer Retail serving as the category leader.

Revenue (by Business Category)	2017	2018	% Change
Retail (Direct to Consumer)	16.2%	22.2%	37.0%
Financial Services	18.1%	20.7%	14.4%
Business-to-Business	12.3%	14.1%	14.6%
Arts & Entertainment	12.5%	9.6%	-23.2%
Telecommunications	4.0%	7.1%	77.5%
Retail (Brick & Mortar / eCommerce)	6.3%	5.9%	-6.3%
Corporate	3.6%	4.7%	30.6%
Other	12.2%	4.3%	-64.8%
Consumer Packaged Goods	3.1%	2.5%	-19.4%
Travel and Tourism	1.2%	2.4%	100%
Pharmaceuticals, Healthcare, Drugs, and Remedies	0.7%	2.3%	228.6%
Automotive / Automotive Services	6.4%	2.1%	-67.2%
Beverage / Restaurants	3.3%	2.1%	-36.4%

73.7% ad revenue captured in 2018

Definitions of Relevant Advertising Terminology

Terminology	Definition	Survey Options
Delivery Mechanism	Means by which podcast advertising is inserted into the audience ready audio content	<ul style="list-style-type: none"> • Dynamically Inserted Ads (Automatic) - Ads inserted at the time of file request - download or stream • Edited-In / Baked-In Ads - Ads that are edited into the edited podcast file, as part of the episode content
Campaign Type	Category of marketing effort that coordinates messaging presented to the podcast audience	<ul style="list-style-type: none"> • Direct Response Ad - An ad that proposes a specific action that is tracked and measured by the advertiser using a unique code or URL • Brand Awareness Ad - An ad that attempts to generate brand awareness. Includes ads which propose a general action that is not tracked using a unique code or URL (e.g. Tune-In Ads) • Branded Content - Podcast content that is paid for by an advertiser and identified as an advertisement • Product Placement - A paid mention of a brand in a podcast program, presented as part of the podcast content, but which does not disturb the flow of the dialogue. Advertiser disclaimer is often presented separate and apart from the paid brand mention
Ad Type	Method of podcast advertising content presentation	<ul style="list-style-type: none"> • Host-read Ads - Host read ads that are native to the podcast's content • Announcer-read / Producer-read Ads - Pre-recorded ads that are incorporated into the podcast's content • Supplied Ads (Radio) - Pre-recorded ads that were specifically created for radio broadcast and are also incorporated into the podcast's content • Supplied Ads (Non-Radio) - Pre-recorded ads over which the podcast team had no creative or production control; but, were not created specifically for radio broadcast
Buy Type	Means by which podcast advertising inventory is procured by the advertiser	<ul style="list-style-type: none"> • RFP-Driven - the purchase of advertising through a formal bidding process • Annual - the purchase of advertising based on annual rates / rate card • Quarterly - the purchase of advertising based on quarterly rates / rate card • Remnant / Transactional / Scattered - the purchase of advertising that is availed on an as-needed basis • Programmatic - the purchase of advertising that is facilitated via an automated bidding system • Other - the purchase of advertising not covered by one of the Buy Types listed above
Pricing Model	Purchase options available to advertisers to accommodate various budgeting strategies	<ul style="list-style-type: none"> • Series Ownership - Price determined based upon cost to exclusively advertise during a series • Cost per Thousand - Price determined based on verifiable podcast downloads • Cost per Listen - Price determined based on verifiable podcast listens • Cost per Acquisition - Price determined based upon pre-defined, verifiable listener action(s) • Flat fee - Price determined based upon pre-defined, static value

Definitions of Relevant Advertising Terminology

Terminology	Definition	Survey Options
Program Genre	Categories of thematic subject matter into which podcast programming may be assigned	<ul style="list-style-type: none"> • Arts & Entertainment (Streaming Services, Movies, Dance, Theater, Concerts, Opera, Amusement Parks, Games, Books - Audio and Bound, Music, Magazines, Newspapers, Websites, Apps, DVDs, Radio and Television Networks / Stations / Programming) • Business • Children's Programming • Comedy • Education (History, Sciences, Mathematics) • Games & Hobbies (DIY, Video games, Board Games, Cooking) • Health & Medicine • Lifestyle (Travel, Pets, Self-Help, Relationships, Religion, Spirituality) • News / Politics / Current Events • Scripted Fiction • Sports • Technology • True Crime • Other (please specify: _____)
Business Category	Business categories into which podcast advertisers may be grouped	<ul style="list-style-type: none"> • Arts & Entertainment (Streaming Services, Movies, Dance, Theater, Concerts, Opera, Amusement Parks, Games, Books - Audio and Bound, Music, Magazines, Newspapers, Websites, Apps, DVDs, Radio and Television Networks/Stations/Programming) • Automotive / Automotive Services • Beverage / Restaurants • Business-to-Business (B2B) • Consumer Packaged Goods (CPG) • Corporate • Financial Services (Banks, Insurance, Securities, Mortgages, Financial Services Software) • Pharmaceuticals, Healthcare, Drugs, and Remedies • Retail (Brick & Mortar / ecommerce) • Retail (Direct to Consumer) • Telecommunications (Telephony, Mobile Service Providers, Cable/Satellite TV services, ISPs, Wireless) • Travel and Tourism (Resorts/Hotels/Airlines) • Other (please specify: _____)

About...

IAB

The Interactive Advertising Bureau (IAB) empowers the media and marketing industries to thrive in the digital economy. Its membership is comprised of more than 650 leading media and technology companies that are responsible for selling, delivering, and optimizing digital advertising or marketing campaigns. The trade group fields critical research on interactive advertising, while also educating brands, agencies, and the wider business community on the importance of digital marketing.

In affiliation with the IAB Tech Lab, it develops technical standards and best practices. IAB and the IAB Education Foundation are committed to professional development and elevating the knowledge, skills, expertise, and diversity of the workforce across the industry.

Through the work of its public policy office in Washington, D.C., IAB advocates for its members and promotes the value of the interactive advertising industry to legislators and policymakers. Founded in 1996, the IAB is headquartered in New York City and has a San Francisco office.

PwC

As business, accounting, and tax advisors to many of the world's leading technology, media, and telecommunications (TMT) companies, PwC (www.pwc.com/us/tmt) has an insider's view of trends and developments driving the industry. With approximately 1,200 practitioners serving TMT clients in the United States, PwC is deeply committed to providing clients with industry experience and resources. In recent years, our work in TMT has included developing strategies to leverage digital technology, identifying new sources of financing, and marketplace positioning in industries characterized by consolidation and transformation. Our experience reaches across all geographies and segments, including broadband, wireless, film, television, music, publishing, advertising, gaming, sports, theme parks, computers and networking, software and technology services. With thousands of practitioners around the world, we're always close at hand to provide deep industry knowledge and resources.

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