

 **DataArt**
The background features a stylized microphone with a blue top and purple bottom, a white and blue striped body, and a pink cord. It is surrounded by various digital icons like a camera, a screen, and a microphone, all connected by lines and circles, suggesting a networked or digital environment.

TRADITIONAL MEDIA IN THE PODCASTING ERA

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



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

Ian Macrae, Ofcom's Director of Market Intelligence

The digital podcast medium has continued to grow and flourish in recent years from several perspectives.

According to the latest figures, worldwide podcast listenership is estimated to grow to over 420 million in 2022. ¹

The number of people listening to podcasts increased by 9.4% from 2021 to 2022. By 2025, the number of global listeners is expected to surpass 500 million — around 23.5% of all internet users. ¹

In large part, the podcast sector owes its recent growth to three key factors: 1) deeper worldwide internet penetration due to the ubiquity of mobile devices with internet connectivity; 2) the way human communication over the internet has changed; and 3) the social ramifications of the COVID 19 global pandemic.

In the face of widespread lockdown restrictions during the pandemic — especially during its early phases — large numbers of people spent more time online for the purposes of networking and socializing, and for entertainment, e-learning, podcast listening, and other activities. Greater

and easier access to the internet, both domestically and globally, has contributed to higher demand for podcasts as a growing branch of online learning and a form of entertainment. The stark impact of these trends on consumers numbers is evident in the data: Nielsen reports that the U.S. podcast listener base alone has grown by 40% over the past three years. ²

A parallel trend in revenue growth has accompanied the rise in podcast listenership. The popularity and the engagement power of podcasts combined with the strength of programmatic advertising has allowed advertisers to reach their target audiences — and increase revenues generated via the podcast medium.

The evolving podcast audio on-demand space offers many opportunities to traditional media players whose legacy radio platforms have long been in decline, a trend exacerbated by the pandemic. ³ But it also presents them with some challenges. In this whitepaper, we'll explore why the podcast medium has become so attractive to the media sector, the obstacles traditional media companies can expect to face as they explore ways to invest in podcasts, and possible future trends for the podcast industry.

Opportunities in Podcasting for Traditional Media Firms

A Flourishing Medium

The podcast format is believed to have originated around 2004 with Ben Hammersley being the first person to allegedly use the term in his Guardian article ⁴. Many people credit Apple's iPod device for the popularization of podcasts. Since then, it has grown to become a ubiquitous digital media format that industry giants across multiple sectors have chosen to embrace.

Podcasting was already advancing as a popular learning and entertainment medium even before the pandemic struck in 2020 and has proved to be a very resilient one since. Unlike some other learning and entertainment mediums, podcasts adapted well to the shift to remote work, attracting further attention from media companies and creators, and leading to an influx of new content and a flurry of industry deals. ⁵

Connecting With Younger Consumers

It's important for legacy media companies to invest in the podcasting business not just to diversify their content and revenue streams, but also to connect with the next generation of media consumers

who account for a disproportionately large share of podcast listeners.

Thus, according to the Cumulus Media and Signal Hill Insights' Podcast Download report for 2022, Gen Z and Millennials (age of 18-34) form the biggest group of podcast listeners – 46%. ⁶

Additionally, today one third of adult U.S. podcast listeners have at least one child under 12. Of these parents with children under 12, 30% say their kids also listen to podcasts. ⁶ Creating podcasts tailored to this subset of younger listeners is an investment that should pay itself forward.

As Gabriel Soto, Senior Director of Research at Edison Research put, "If Gen Z is the future audience, Generation Alpha is the future **future** audience. ⁷" Hence, media companies that haven't yet begun producing podcasts targeting these younger generations of the future, should get prepared to strike while the iron is hot.

How much time
do you spend
listening to podcasts
in typical week?



? In the past week, approximately how many hours did you spend listening to podcasts?

% who listened to 6+ hours

27%

of total weekly podcast listeners are heavy podcast listeners

Average weekly time spent with podcasts (hours):

11

2.5X greater than total

Average number of podcast episodes listened to in the past week:

9.6

1.7X greater than total

WEEKLY PODCAST LISTENERS

TOTAL PODCAST LISTENERS

HEAVY PODCAST LISTENERS (6+ HOURS/WEEK)

46%



18-34

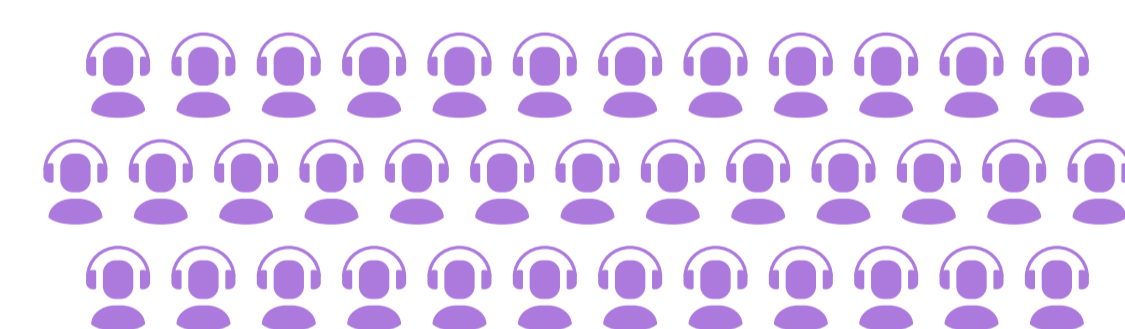


43%

34%



35-49



37%

20%



50+



20%

WHEN DID YOU FIRST START LISTENING TO PODCASTS?

34%



PODCAST PIONEERS
(4+ YEARS AGO)

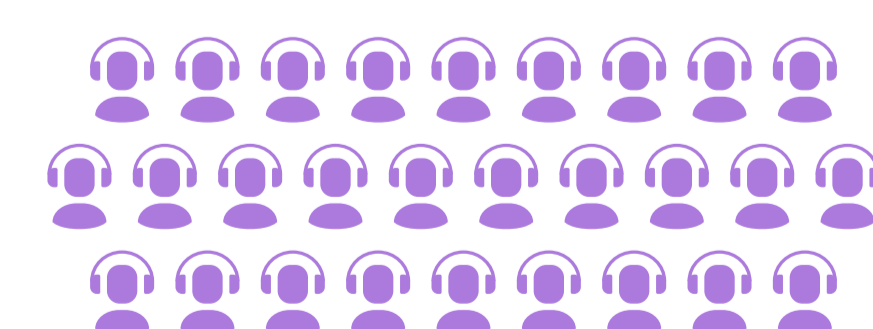


48%

33%



PODCAST START
(2-3 YEARS AGO)



28%

34%



PODCAST NEWCOMERS
(PAST YEARS)



24%

Staying relevant for younger generations is a very important consideration for the future business of traditional media firms because they don't share the same listening habits as older generations. Studies have shown that younger generations overwhelmingly use the internet and their phones instead of radio to listen to audio. This had become apparent to some working in legacy media before the eruption of the pandemic sharpened the trend. For example, NPR's head of digital strategy, Tamar Charney, stated in August 2020 that: "It was so clear people's behaviors were changing...You'd look at the demographic trends and young people were not listening to radio like older people." ³

Fortunately for legacy media firms, the data shows that podcasting serves as an excellent medium to engage younger listeners.

As stated in the Cumulus Media and Signal Hill Insights Podcast Download report, the younger segment of listeners (18-34 years old) makes up 46% of the total number of weekly podcast listeners, in contrast to 34% for 35-49-year-olds and just 20% for those 50 and over. The same goes for heavy podcast listeners – those who spend at least 6 hours per week listening to podcasts: 43% of such listeners are 18-34, versus only 37% in the 35-49-year group and 20% in the 50+ group. ⁶

Besides, more than half of podcast newcomers — those who started listening just in 2021 — are 18-34 and more than half of them are women. Understanding the listening habits and expectations of these demographic groups

and how to best cater to them is a key challenge for legacy media to successfully transition into the podcasting space.

The Growth of Video Podcasts

The video podcast format, and video highlights of podcasts, is another area of opportunity to explore, considering how many people now listen to podcasts with a video component. A substantial 72% of the U.S. weekly podcast audience now listens to podcasts with video. ⁷

While the video podcast format might not be for every podcaster, it should not be ignored given its appeal to the listener base and its ability to increase the likelihood of podcast discovery by people who use visual-first platforms like YouTube for content.

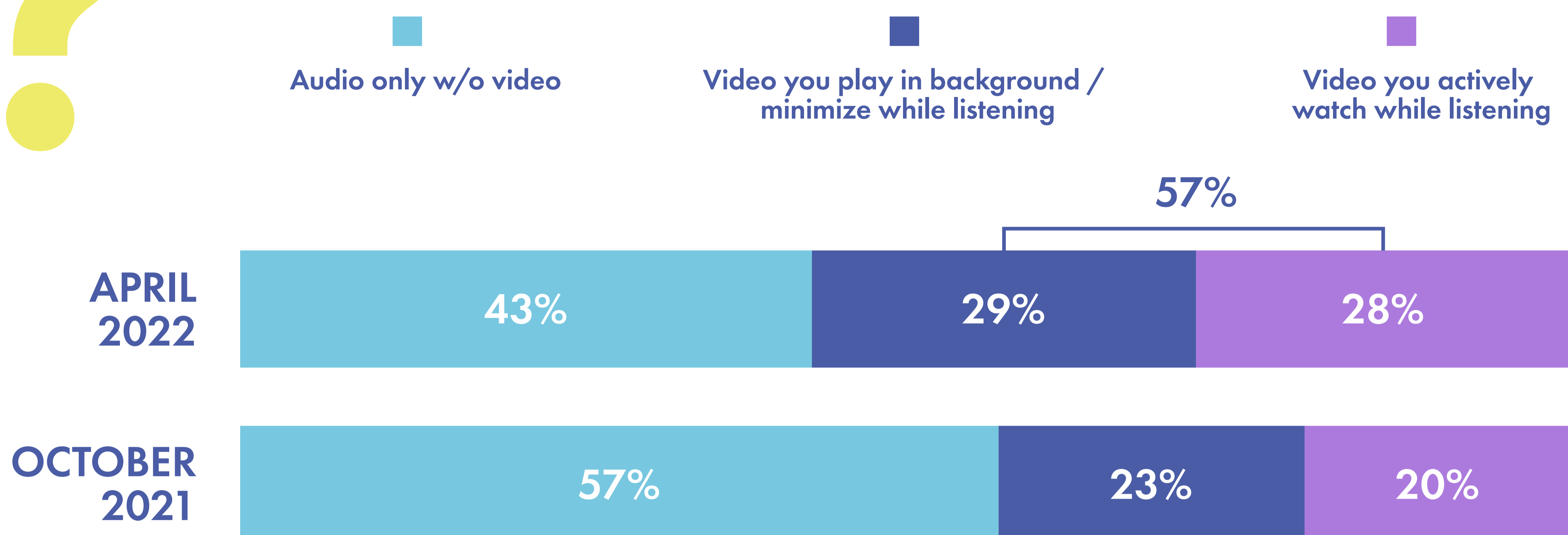
In fact, growing interest in video podcasts has helped YouTube to edge out Spotify as the platform used the most by podcast listeners. In April 2022 number of listeners who prefer YouTube (25%) exceeded the number who opted for Spotify (23%) as their primary platform for podcast access. ⁶

**How do you prefer
to listen to podcasts?**





How do you prefer to listen to podcasts?



Source: Cumulus Media and Signal Hill Insights' Podcast Download — Spring 2022 Report

Convenience and Deeper Listener Engagement

Given the overwhelming amount of news and information available to us on the web, people today are more prone to have shorter attention spans when reading articles, in contrast to their podcast listening habits.

This has to do with the way podcasts are consumed differently from text-based media. While readers spend an average of two to three minutes scanning an article online, data shows that podcast listeners tend to listen to the very end of podcast episodes. Deeper listener engagement is further driven by the widely common practice of listening to podcasts while commuting or doing chores.

Especially in 2020 and 2021, when many of us were confined to our homes due to pandemic-induced social restrictions,

many people were using their free time at home not only to watch Netflix and other streaming services, but to listen to podcasts as well. Like Netflix consumption patterns, podcast listening occurred most often during this time period at home.

The Potential to Revive Local Public Radio

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

NPR COO Loren Mayor told to NiemanLab ⁸

Since U.S. local public radio has traditionally been understood to derive its power from its control over geography, the on-demand, listen from anywhere nature of the podcast medium presented a challenge to the old model of licensing NPR- or WNYC-produced shows specifically for local airing. Podcasts have essentially taken listener market share away from radio and forced legacy radio media firms to rethink past business models.

Two alternative business models suggest that the podcast medium could in fact spur a revival in local public radio: 1) a focus on investigative, original reporting with a storytelling bent and 2) memberships and paid subscriptions

The potential for investigative reporting and audio storytelling to counter news coverage that overemphasized crime and violence has emerged as appealing to many interviewed in local communities. Eric Dhan, a PRX community manager involved in the Gateway Cities Audio Project, shares insights from their research, and explains that “these different ways of telling stories through a different medium and without this need to look at it from a journalistic lens is something that’s exciting to the community and that they find to be helpful.”⁹

This suggests podcasting as a storytelling medium has broad appeal from a local public radio perspective and that community partners interested in the medium can help podcasters to create connections in their communities and help raise awareness of local issues. The storytelling aspect of podcasting could very well represent the digital future of local public radio.

It’s increasingly evident that loyal listeners are willing to support local public radio stations through podcasts membership tiers and paid subscriptions. Thus, hoping to convert a national audience into local donors, NPR launched a paid podcast bundle in November 2022. Using this model as a part of its strategy, NPR aims to double the number of people who support their local member stations directly and double the total annual revenue in the public radio system by 2030.¹⁰

New Revenue Streams

With ever-growing audiences consuming podcasts, the medium offers new ways of generating revenue outside of podcast memberships and subscriptions.

Initiatives media companies may leverage to bolster their revenue may include launching their own digital audio ad exchanges, creating cross-promotional podcast networks, using advertising sponsorships and sales of branded merchandise.

The potential of podcasts to build brand image, establish credibility, and ultimately stimulate business growth is immense. For instance, leveraging ad-based podcast revenue alone definitely pays off. For the first time ever, the podcast advertising market surpassed \$1B in 2021. Revenues increased 72% YoY to \$1.4B, are forecasted to exceed \$2B by the end of 2022 and almost triple by 2024 to over \$4B.¹¹

Podcast Ads are Least Likely to be Skipped

Podcast listeners remain uniquely receptive to podcast ads and less likely to avoid them than other types of digital media ads.

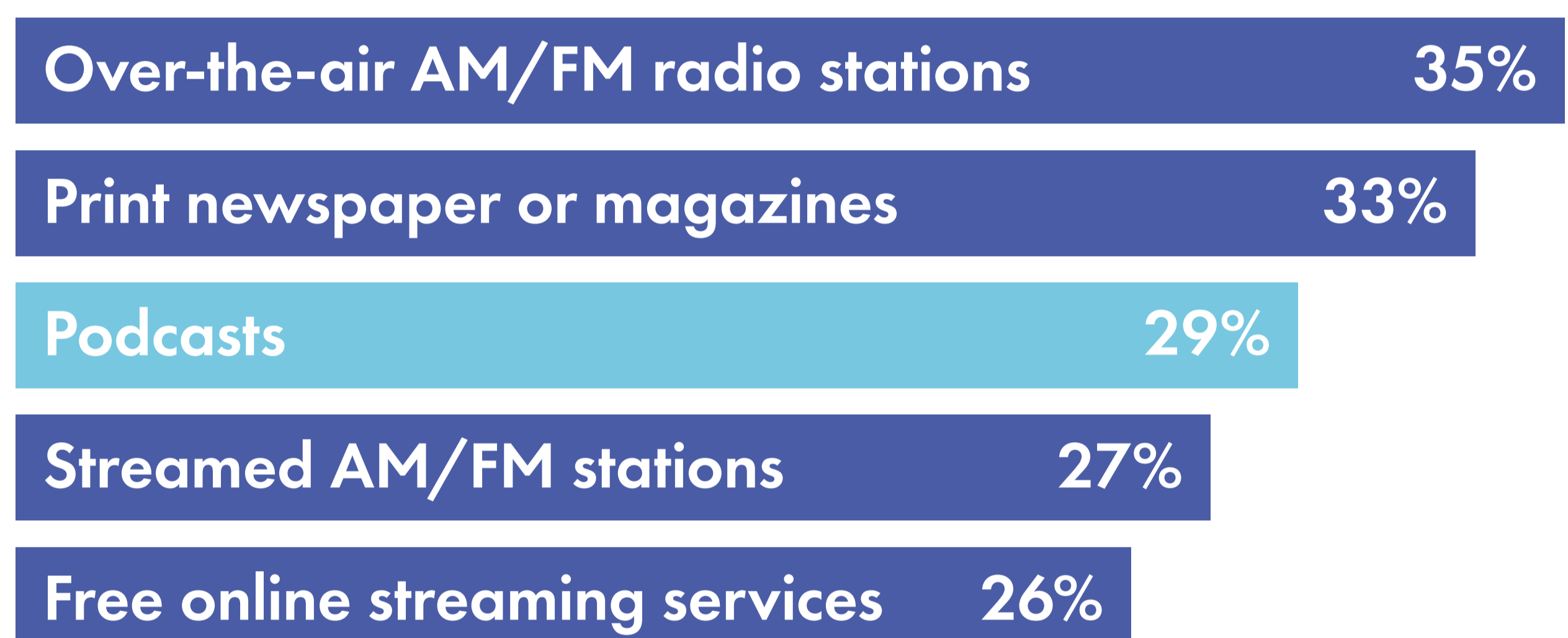
Podcast listeners also say they prefer funny and entertaining podcast ads to the more

traditional branded ads they are likely to hear more often on a radio ad slot, which explains why host-read ads are especially popular among them.

Among listeners who watch video podcasts, more say their eyes are on the screen when ads are playing compared to linear TV viewers; according to Nielsen studies, TV ads aren't seen 61% of the time. ⁵

Podcast ads less likely to be avoided than other digital media

% of who never / rarely skips or blocks ads



Source: Cumulus Media and Signal Hill Insights' Podcast Download — Spring 2022 Report

Branded Merchandise Sales

Podcast merchandise is a great way to advertise and build up excitement about a show — and bring in additional revenue.

It may work great when branded merchandise goes beyond generic "swag" like coffee mugs and offers something unique instead. For example, Critical Role, a Dungeons & Dragons podcast and YouTube stream, offers custom dice.

Not only is this a unique type of merch, it's also something their fans will regularly use with other potential listeners, simultaneously nurturing their community and promoting the show. ¹²

According to the Luminate Podcast 360 Report ¹³, 40% of podcast consumers have purchased podcast merchandise and 35% of them intend on purchasing a product or service they hear about or see on a podcast in the future. Legacy media podcasts with a devoted, loyal fan base are therefore well positioned to capitalise not only on ad-tech and paid subscription revenues, but additional income from sales of branded merchandise.

Challenges and Obstacles

Monetization Through Audience Building

About 80M Americans listen to podcasts ¹⁴, and the venture capital and technology communities are taking note, funnelling vast sums of money into the space. However, podcasts have been fundamentally under-monetized. ¹⁵

Some shows survive on user donations and subscriptions and, in many cases, thrive. (The top podcast on Patreon, True Crime Obsessed, earns between \$139k and \$364k each month ¹⁶). Not everyone reaches these starry heights, however. Building a dedicated audience takes time and perseverance.

As an advertising vehicle, podcasts have yet to reach their full potential due to a limited array of advertising formats, a relatively small volume of ad slot inventory and ad performance data, though statistics and measurement opportunities have evolved a lot in the last three years.

For example, Spotify alone has invested heavily in expanding its podcast offerings over the past couple of years, particularly by offering podcast advertisers more value for their ad dollars with more detailed analytics. ¹⁷

With podcasting still being a relatively young industry, the level of data and reporting that podcasters have had access to has been somewhat limited. We are likely to see greater investment in the coming years in tools and data platforms to help podcasters get standardized metrics and consumer data for their shows. This should allow podcasters to better demonstrate audience growth and therefore attract more interest from ad buyers and sponsors in podcast ad slots. At the same time, competition for ad-tech revenue dollars among podcasters with dedicated or growing audiences will also stiffen over the next few years.

Organic Discovery

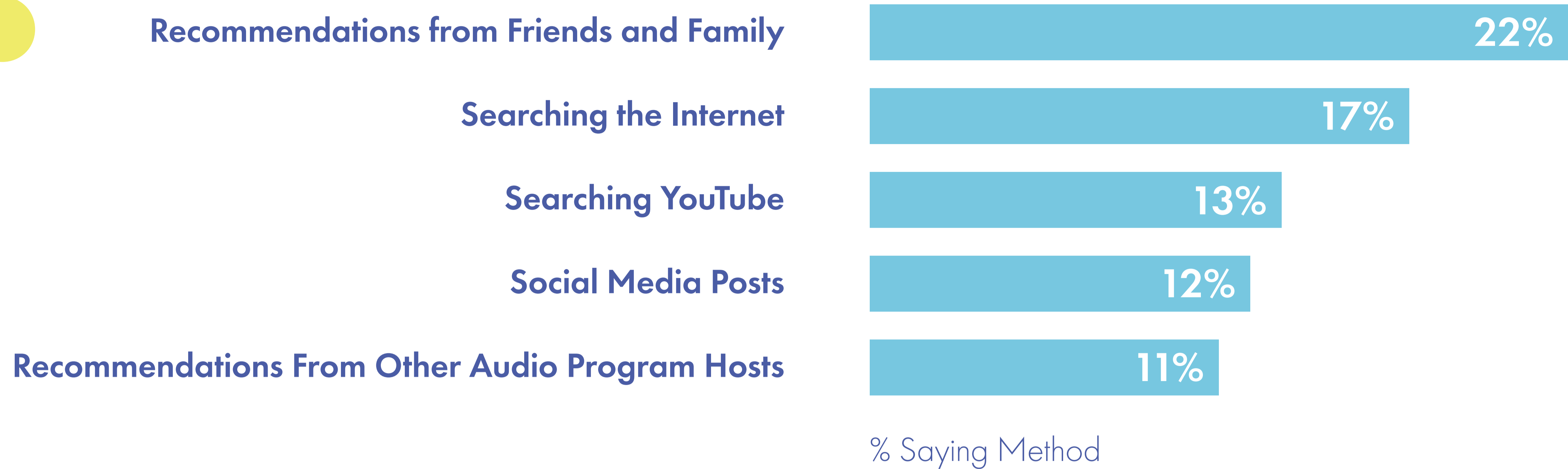
Currently, there are two main ways for listeners to discover podcasts ¹⁸: to search through top-ranking podcasts by genre, or to get recommendations based on what you have previously listened to.

There are also several other ways that podcast listeners discover new podcasts as illustrated by the Edison survey results below:



How do you discover podcasts most often?

U.S. WEEKLY PODCAST LISTENERS 18+



Source: Edison Research

Despite the various paths to discovery, organic discovery remains a struggle for lesser-known or brand-new shows, even those produced by top-tier media companies.

New shows also typically struggle to break into the top echelon of popular podcasts. Here are "heavyweights" with a solid listenership:

US Top 10 Shows

WEEKLY PODCAST LISTENERS Q3 2021-Q2 2022

	TITLE	PRODUCER
1	The Joe Rogan Experience	Joe Rogan
2	Crime Junkie	audiohuck
3	The Daily	The New York Times
4	This American Life	This American Life
5	My Favorite Murder	Exactly Right
6	Stuff You Should Know	iHeartPodcast
7	The Ben Shapiro Show	The Daily Wire
8	Call Her Daddy	Alex Cooper
9	Morbid: A True Crime Podcast	Wondery
10	Office Ladies	Earwolf

Source: Edison Research

To tackle the discoverability issue and increase audience exposure to a podcast show, traditional media firms can leverage their existing listener audience and their ad inventory, plus do cross-posting on multiple media channels and focus on building a social media presence for their stable of shows.

On social media channels discovery might be much easier. Legacy media firms can market their podcasts on social media platforms to harness a community of potential listeners, and direct social network traffic to their shows.

In fact, developing a social media presence is one of the best ways for podcast hosts to grow a community of active listeners and to promote discoverability. Podcast listeners are eager to interact and engage with their favourite podcasts.

⁶ Most listeners actively follow hosts on social media and plan to attend live podcast events.

Subscriber Growth

One of the challenges related to the discoverability issue is how to grow an audience and convert that audience into a base of subscribers.

As the earlier example of NPR's paid podcast bundle launch in November 2022 demonstrates, podcasters are keen to offer subscriptions as a way to grow revenue and provide listeners with exclusive content, a more valuable ad-free experience, or other extra bonuses. ¹⁰

Podcast subscriptions can in fact, in some cases, help with discoverability by distinguishing them as a separate category of premium podcasts.

Apple Podcasts did exactly this with the introduction of two new subscription-focused podcast charts in August 2022: "Top Subscriber Shows" and "Top Subscriber Channels."

A week after Dateline NBC began offering a subscription across its podcast channel, it became the No. 1 subscriber show on the Apple Podcasts Charts and the No. 3 subscriber channel on Apple's Top Shows chart, for example.

Since June 2021, the number of Apple Podcasts subscribers has gone up by more than 300%, and over 25% of the top 100 shows in Apple's Top Shows chart offer a subscription ¹⁹.

Yet, platforms like Apple or Spotify don't offer podcasters enough flexibility or features to help expose listeners to a company's broader podcast portfolio and grow subscriptions through that natural discovery process.

In fact, according to Digiday ¹⁹, these platforms can themselves pose challenges for growing subscriptions. Show-level subscriptions are hard to find, and the platforms lack the ability to connect a subscriber from another platform to their apps. Another big draw lacking from these platforms is the ability to build first-party data, which is not possible with podcast platforms like Apple Podcasts.

Fierce Competition for Listeners Attention

With the plethora of podcast-based audio shows available today, traditional radio media could find it hard to attract listeners to new evergreen podcast content that they produce in the face of this competition.

One way to win over listeners and differentiate themselves from other shows is to offer listeners exclusive member-only content via a paywall. By leveraging this strategy, podcast producers can make their content more valuable and coveted by the audience.

Yet, podcasters can still find themselves caught amidst podcasting wars between the giant digital platforms and need to decide which platform offers the most lucrative opportunities.

For instance, as interest in video podcasts gathers pace, audio-first platforms are responding to this trend. Thus, Spotify recently expanded access to video ⁶ for all creators and will provide more choice for listeners who want podcasts which they can either listen or watch. With such shifts in the market, podcasters and publishers need to consider including video content in their podcast production planning.

The Appeal of High-Quality Ads

Big brands interested in podcast ads often expect to reuse radio spots — they aren't used

to the process of crafting and approving a higher-quality host-read ad that may only reach 10,000 listeners. Just like the big brands, traditional media groups not accustomed to this relatively new paradigm for advertising and may find adapting to it a challenge.

At the same time, listeners' receptiveness to podcast ads makes podcasts a highly attractive ad spot for the big brand ad sponsors and yet another reason for legacy media to invest in the podcast medium.

Resource Constraints

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

This constraint is especially acute for traditional media companies who lack a strong online presence, such as local radio stations. For media companies that do have an established online presence and staff who are trained to specialize in digital promotion, such as major news publications or national public radio stations, the road to podcast production is less daunting in comparison.

Most local radio stations are already short-staffed and lack resources to dedicate staff to podcasting, which is a time- and staff-consuming process not

only for recording but for promotion as mentioned above. These stations will have to find smart and innovative ways to overcome resource constraints to successfully enter the ever-growing market of podcasts.

Adapting to New Production Processes

Once stations have ideas for new podcast shows, they need to take time to develop and pilot those ideas. The process of developing content by creating pilots and testing concepts is well established in the television industry but is new for radio, an industry that traditionally evaluates the success of shows on audience response to hosts and Nielsen ratings. Adjusting to the need to nurture, develop and test-pilot new podcast ideas is another challenge that legacy radio stations must factor into any podcasting strategies as they move forward.

Conclusion

As a medium capable of establishing deeper audience engagement and greater levels of intimacy with consumers than legacy radio or print media, podcasts offer some very significant benefits to the traditional media world. It also possesses the potential to reshape traditional media in unprecedented ways. In the last few years, as interest in podcasts has risen further and podcast production has proliferated to meet

growing demand, the impact on traditional media journalism may be lasting and irrevocable.

Malcolm Gladwell and Jacob Weisberg, who founded podcast company Pushkin Industries, have argued that podcasts are driving a massive transformation in journalism akin to the early days of the Internet.²⁰ The scale of the recent investments in podcasts from major digital giants like Spotify, Amazon and Apple suggests belief in the power and bright future of the podcast medium is healthy and widespread.

Understanding the potential benefits that the podcast medium can offer in terms of audience engagement and relationship building with future generations of listeners, grasping the concomitant challenges of the digital audio space, and recognizing that podcasts have an essential role to play in the future of journalism, is crucial to the future wellbeing and success of legacy media companies.

Contact the Author

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About DataArt

DataArt is a global software engineering firm that takes a uniquely human approach to solving problems. With over 25 years of experience, teams of highly-trained engineers around the world, and deep industry sector knowledge, we deliver high-value, high-quality solutions that our clients depend on, and lifetime partnerships they believe in.

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Resources

1. [Number of Podcast Listeners \(2022\). Exploding Topics](#)
2. [U.S. podcast listenership continues to grow, and audiences are resuming many pre-pandemic spending behavior. Nielsen](#)
3. [Radio listening has plummeted. NPR is reaching a bigger audience than ever. What gives? NiemanLab](#)
4. [Audible revolution. The Guardian](#)
5. [Spotify gets serious about podcasts with two acquisitions](#)
6. [Cumulus Media and Signal Hill Insights' Podcast Download — Spring 2022 Report](#)
7. [Podcast movement 2022: opportunities in podcasting. Edison Research](#)
8. [So what kind of a show does podcasting have in store for us?](#)
9. [With Gateway Cities project, PRX brought podcasting to Massachusetts cities ready to tell a new story. NiemanLab](#)
10. [NPR launches a paid podcast bundle, hoping to convert a national audience into local donors. NiemanLab](#)
11. [U.S. Podcast Advertising Revenue Study. IAB](#)
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20. [Op-Ed: Why the podcast revolution is here to stay. LA Times](#)