



## **NO. 9 ENTER AUDIO – TEN QUESTIONS THAT BRANDS SHOULD NOW BE ASKING THEMSELVES**      **DECEMBER 02, 2020**

**IN PART ONE, WE SHOWED HOW VERSATILE PODCASTS CAN BE, EVEN FOR BRANDS. IN PART TWO, WE WILL NOW BE TALKING ABOUT PLAYERS, PROMOTION, AND STRATEGY. OUR AIM IS NOT TO COVER THE TOPIC EXHAUSTIVELY, BUT RATHER TO START A DISCUSSION. TEN ANSWERS TO QUESTIONS ON BRANDED AUDIO THAT BRANDS SHOULD NOW BE ASKING THEMSELVES.**

The audio market continues to grow, and became mainstream in 2020. Streaming services have finally thrown down the gauntlet to TV and radio: For the first time, online audio is reaching over 70 percent of Germans,<sup>1</sup> 32 percent of all households pay for an audio subscription,<sup>2</sup> 25 percent own at least one smart speaker,<sup>3</sup> and 22 percent regularly listen to podcasts.<sup>4</sup> In the process, the number of German podcasts on Spotify increased sixfold<sup>5</sup> between 2018 and 2019. The pandemic has ensured a further upswing.

People listen to audio content everywhere: while doing exercise, when going to sleep, and especially in the car. There are hardly any devices nowadays that don't come with voice control – and almost all users have special headphones and loudspeakers. The fact is that the audio market is worth billions;<sup>6</sup> there is no longer any way around audio marketing. The time has come for brands to develop their own audio strategies that go beyond the commercial slot on the radio. Podcasts can be the perfect way in. What should be considered here?

### **I. THE PODCAST MARKET: WHERE IS GROWTH LEADING?**

Coronavirus has made things possible that didn't work before: Digital services like Zoom video conferencing or HelloFresh meal kits became industry leaders overnight. The Disney+ streaming service achieved its four-year objective in just a few weeks.<sup>7</sup> One in three Germans listen to podcasts – in 2019, it was still one in four.<sup>8</sup> Among the giants in audio content, Spotify was able to pull ahead of Apple and now has the largest global podcast listenership.<sup>9</sup>

While Spotify has invested several hundred million in in-house productions and exclusive titles,<sup>10</sup> Apple had been holding back until now, but it looks like it's changing its strategy.<sup>11</sup> By contrast, Amazon quickly followed suit and integrated podcasts into its music offering.<sup>12</sup> An interesting question: Will it position itself apart from audio subsidiary Audible, or will it be integrated in the future?

And platforms like FYEO, Podimo, and BookBeat are edging into the market with new concepts and in-house productions.

**The audio landscape is fragmented. Brands need a multipronged approach and must use the peculiarities of the various platforms to decide where relevant content lies for them.**

## **II. THE AUDIO ADVERTISING MARKET: LOTS OF PLAYERS — LOTS OF PLANS?**

Alongside the considerable proportion of advertising stock in (digital) radio, a number of new advertising spaces have opened up with Spotify and the like. However, financing for audio services varies greatly. While large players like Apple or Amazon cross-finance their services, Spotify and Deezer combine subscription and advertising revenue. In addition, there are pure subscription services like FYEO and Podimo.

Alongside the various possibilities of advertising around audio content, an attractive advertising market has developed within podcasts. Around the world, turnover in 2019 was almost 900 million US dollars.<sup>13</sup>

Streaming services that are financed by subscriptions AND advertising play a special role. Where advertising customers do not make up the main revenue source, there is a conflict of interests. In the battle for podcast listenership, streaming services rely on exclusive shows and well-known hosts, and attract people with established names like Jan Böhmermann or Joe Rogan.

This also results in additional sponsorship revenue, which not only alleviates these kinds of investments, but is also symbolic of the fact that streaming services are dependent on brands. Further proof of this is the collaboration between Spotify and Omnicom. Their latest 20 million US dollar advertising deal<sup>14</sup> for the second half of the year indicates an attempt at a price advantage — because digital audio advertising is often more expensive than conventional channels such as social media.<sup>15</sup>

**The balancing act between subscription and advertising customers makes it clear that brands are dependent on streaming services as hosts — but not necessarily as advertising partners.**

## **III. AUDIO COSTS: THE GREAT LITTLE BENEFIT?**

In podcasts, content creators of all kinds and audio hosts have found a cost-effective medium to reach people.

The streaming giants are relying less and less on music, which is complex to license and rarely lucrative. After battling with the music industry for years regarding remuneration and licenses, the podcast hype suits the platforms. Producers often provide the content online free of charge — providing they don't have an exclusive deal — because podcast producers finance themselves solely via sponsorship and advertising.

Because costs are low, new producers can easily try it out. But just like with successful YouTubers, the DIY principle alone stops being enough at a certain point.

The demands of producers and consumers are increasing: A professional dialogue podcast requires a setup with an editorial team, hosting, sound engineering, marketing, and PR. Should the trend continue its shift to fictional subject matter, creative staff will be required in the areas of script and sound design, along with score productions and voice artists. Music libraries and voice-over agencies now focus on fixed podcast rates — production costs are, however, still negotiable.

**For business, this means that, compared with conventional advertising films or video content, brands get off lightly — in a time of decreasing marketing budgets, this is a benefit.**

#### **IV. OLD MEDIA — NEW PARTNERS?**

Talk, documentary, and info formats are excellently suited to use as audio content. TV and radio broadcasters, along with publishers, are now a permanent feature in the podcast charts. The Audio Alliance (Bertelsmann) and FYEO (ProSiebenSat.1) have also gone on the offensive.

And the music industry is following suit. This year, Sony Music will release around 40 new podcasts,<sup>16</sup> and Universal is founding an audio label.<sup>17</sup> Although music and the spoken word took separate paths until now, Spotify has brought about real movement of late with the automated integration of songs into podcasts.<sup>18</sup> This pleases music labels and puts pressure on radio stations.

What does this mean for brands? If they collaborate with established media partners, they gain access to editorial, market, and distribution structures, as well as to exclusive content. In addition, they can benefit from the profile of well-known protagonists and make media deals part of the collaboration.

Media companies currently take a multipronged approach in the field of audio — they develop their own portfolios, produce to order (e.g. for brands), and market third parties.

**Independent branded podcasts compete with the shows of stations and publishing houses for listeners. However, exciting collaborations between brands and media companies can develop.**

#### **V. CAUTION: DEPTH. WHAT DO BRANDS THINK?**

Consumers listen to podcasts because they expect depth and exclusivity. This was demonstrated by surveys by the Online Audio Monitor in 2020.<sup>19</sup> Although conversational talk formats with well-known guests were popular for a long time in Germany, listening interest has since shifted to categories with substantive content — politics and social issues, for example. And even subjects like sensuality or self-optimization achieve 25 million<sup>20</sup> and 100 million downloads<sup>21</sup> respectively in shows like “Happy, Holy & Confident” and “Optimal Living Daily.”

Brands have, sadly, barely used this development to their advantage. Unlike condensed advertising campaigns, podcasts can establish greater proximity. For the first time, brands can place not just product themes, but also complex topics relevant to society:<sup>22</sup> Subtopics that, until now, were only conveyed subliminally in campaigns can finally be expressed openly in podcasts.

However, it is important to note that real advantage is only gained through concepts that don't just interest employees and fans, but that also bring in skeptical target groups.

**Podcasts open up new narrative spaces for brands. Because the young listenership expects honesty, responsibility, and sustainability from brands.<sup>23</sup>**

## **VI. PROMOTION: RELEASE! AND THEN?**

Podcast promotion is still largely uncharted territory for German productions. For brand podcasts in particular, however, it is an important aspect. Many shows that are successful today have built up their audience over the course of years. Only a handful were seriously promoted.

This means that those who want to publicize a new show have to be bold enough to try something different. While PR is still developing for this sector, advertising within other podcasts can be booked at fixed rates – with providers such as Julep, Seven.One AdFactory, or Podstars. The advantage here is that you are sure to encounter the podcast audience and fans of the subject. So-called “native” ads are read out by the presenters – which does, however, limit the creative aspect of the ad.

Spotify and Deezer offer various formats for audio advertising slots: For Spotify's exclusive titles, ads can be booked as pre-rolls or mid-rolls via streaming ad insertion,<sup>24</sup> just like with YouTube. In a sense, they are the opposite of the native ads mentioned above, which are permanently embedded as part of the program.

**Alongside audio advertising, online videos, social media, and PR are important in the promotion of a brand podcast. This always results in two effects: the image-forming impact of the campaign and a considerably strengthened form of this among the podcast listenership.**

## **VII. DISCOVER: THOSE WHO SEEK SHALL FIND?**

There were 12,000 German-language shows at the beginning of the year (2020) on Spotify alone.<sup>25</sup> That is an enormous number. How do those interested find the right show? Categories and charts control the flow of content. While, on the one hand, “explore” functions help users to find interesting content, Apple, Spotify,<sup>26</sup> and others release weekly charts for genres such as “society & culture,” “business,” and “fiction.” It would be attractive for brands to be listed in these charts too.

But those looking for audio content are often overwhelmed. Users find podcasts in a wide variety of ways. It is not only discovery tools<sup>27</sup> and promotion that are important; precise titles and descriptive text are also helpful when users are searching for content. For this reason, the following rule applies: The more precise the description and the more succinct the title, the better.

Internet radio services now also offer more customization and guidance. SWR and DasDing do the same as Spotify: They have kitted their apps out with artificial intelligence and on-demand streaming.<sup>28</sup>

**Brands could also offer guidance. And those who are purposefully active in a subject area and promote themselves cleverly can also make it into the category charts as a brand podcast.**

## VIII. BRANDING: HOW DOES THE BRAND SOUND IN THE PODCAST?

The boom in sound systems, smart speakers, and headphones makes “sonic branding” more relevant — including in branded podcasting. What started with iconic sound logos has developed into a new discipline.

Mastercard is today continuing down the path where BMW and Deutsche Telekom were long seen as role models: The financial service provider estimates that, by 2022, 40 billion US dollars a year will be transacted via voice commerce. Mastercard therefore followed the renewal of its visual identity with sonic branding, which was rolled out across all channels in 2020 to ensure that the brand would remain recognizable in future media environments.

Brands should consider the question of sonic branding prior to developing a podcast — because sound logos, sound design, title tracks, and (brand) voices are key elements in podcast shows and can — if not yet present — also be used in other areas of the brand environment.

**Those looking to fully exploit the advantages of sonic branding should see this as a component of their brand identity. The podcast can serve as a starting point for this.**

## IX. EFFECTIVENESS: HOW SUCCESSFUL IS AUDIO?

Those who equate podcasts with campaigns will likely be dissatisfied with the result: Short formats generally generate a higher click count than long formats. It is hard to achieve a million hits, but a million minutes is easy. Achieving a million-strong audience as quickly as possible should therefore not necessarily be the aim, but rather building a community. If this listenership has been established, it should be mobilized over the long term. Because successful podcasts are regularly consumed despite long play times.

Brand podcasts should have both quality and reach. Thanks to the double strategy of subscription and advertising customers mentioned above, audio hosts are not interested in shortening the reach that previously brought entire industries to Facebook, Instagram, and YouTube. In marketing, this is a clear benefit.

**The growth in communities, interaction, and listening duration are the immediate performance indicators. Over the long term, image value, purchase intention, and recommendations are what constitute business success. The medium thereby taps into strategically significant target groups.**

## X. STRATEGY: IS AUDIO THE SAME AS PODCASTS?

No. Audio is more than that. Even if podcasts facilitate entry into the market, there is more to audio marketing. For brands, there are four significant pillars:

- 1. Sonic branding**
- 2. Audio advertising**
- 3. Podcasts**
- 4. Voice**

Brands who want to use podcasts as a tool should consider the audio strategy as a whole. Sonic branding, audio advertising, and voice can play an important role in podcast development and promotion in the future.

But all this requires proficiency: Anyone bringing in audio experts needs to build internal expertise to manage them and support them with marketing measures. Responsibilities need to be identified and assigned, and new job titles need to be created. At BMW, there is a “Digital Audio & Voice Manager,” for example. The US trade publication Adweek named the car manufacturer’s podcast “Hypnopolis” its 2020 “Branded Podcast of the Year.”

**However, if social media and performance were by no means havens of bliss, then audio is even less so. User centering can only be achieved with holistic marketing measures.**

**We will consider how audio is integrated into people’s lives and how audio strategy is planned in the third and final part of this series.**

**At the **JVM AUDIO ROUND TABLE** in January 2021, we will bring together brands, media companies, and producers to debate the significance of audio in everyday life and to discuss the role that brands can play in this.**

**Secure your place at the digital event now – you will then receive the latest information in good time. **Register now.****

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