

European Media Markets

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The European Podcast Market:

A Case Study of Germany

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In 2005 the word “podcast” was elected as word of the year by the New Oxford American Dictionary. This White Paper analyses the current state and the future potential of the podcast industry in Europe using the US and German markets as a focal point for understanding this growing sector of the media landscape.

Highlights

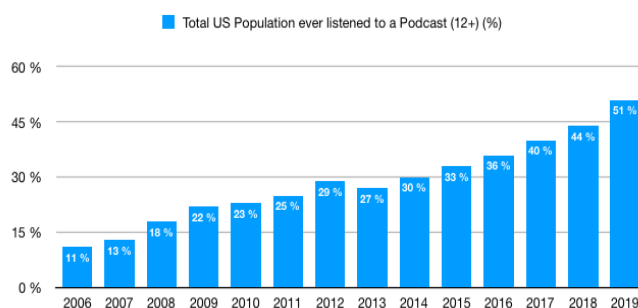
The financial backbone of the podcast market is advertising, and although there are potential market failures emerging with this model, this predominant revenue model is unlikely to change.

Although scalability of non-English language podcasts has been seen as a challenge for the European market, this may be an opportunity for targeted advertising without impeding on audiences' data privacy rights.

High cost per 1,000 impressions (CPM) rates characterizes the podcast market across Europe and has limited the growth of ad revenue in the European podcast market compared to its US counterpart.

Although the pandemic changed the behaviour of podcast listeners — the US has shown a 20% decline in growth and Europe, conversely, experienced a 53% growth — there are no guarantees that this trend will continue post-pandemic.

1. Introduction



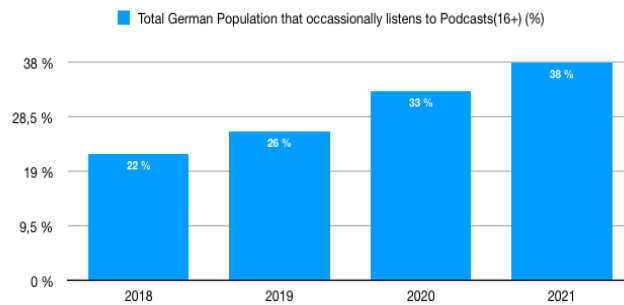
In the early 2000s, podcasts were just emerging as a medium and were often produced without commercial interest. However, it wouldn't be long before podcasts became a common media service regularly consumed in average US households. By 2016 the podcast market grew significantly and was professionalized.¹

A 2019 study by Edison Research and Triton Digital² found that within three years, from 2016 until 2019, the share of the US

¹ Lammenett, E. (2021). Podcast-Marketing. In Praxiswissen Online-Marketing (pp. 437-443). Springer Gabler, Wiesbaden.

² Edison Research and Triton Digital. *The podcast consumer 2019*. Edison Research. Retrieved May 20, 2022 from <https://www.edisonresearch.com/the-podcast-consumer-2019/>

population over 12 years old that had listened to a podcast increased by 15%. In 2022, more than 1,000,000 active podcasts can be found solely on Apple's podcast platform³. This massive growth may be credited to podcasts' compatibility with entertainment preferences and technology habits of modern consumers allowing on-demand consumption.



In Germany, podcasts are slightly less popular than in the US. However, the number of Germans listening to podcasts is steadily increasing. In 2021, 38% of Germans 16 years and older listened to podcasts at least occasionally.⁴ The growth trend in Germany is remarkably similar to the trend in the US in previous years. However, as will be later discussed, the COVID-19

pandemic has contributed to this growth. In 2021, 73% of the German podcast audience listened to podcasts about COVID 19, 65% to podcasts that contained news and 49% to comedy.

2. Major players in the podcast market

The podcast industry encompasses many players from conceptualisation to streaming. The main players, however, are publishers, i.e. the streaming services, and the hosting services. Podcast publishers can be either independent creators or established companies. Generally, established media companies are the publishers that can invest the most, and thus reach more listeners. In the US, the top three podcast publishers in April 2022 were iHeartRadio, NPR, and Wondery⁵. iHeartRadio and NPR were well-established players in audio content before expanding to podcasts, while Wondery is a native podcast publisher. However, it was founded with the backing of 20th Century Fox and is now owned by Amazon Music. In Germany, top podcast producers are also well-established media companies. Several podcasts topping the charts are produced by ARD, the German Association of Public Broadcasters, and its members such as Deutsche Welle.⁶

Podcast streaming services are either exclusive podcast streaming platforms such as Google Podcasts and Apple Podcasts, or media streaming platforms such as Spotify, Youtube, or Deezer. Podcasts are uploaded and distributed via these streaming platforms where the hosting platform creates an RSS feed for the podcast and can either be paid or free to use. Some of the most used podcast hosting platforms globally are Anchor by Spotify, Buzzsprout and CaptivatePlatform⁷. Preferences among listeners differ greatly across countries and age groups. In the US, the top three streaming platforms in according to a study by Reuters Institute are Youtube (26% of respondents), Apple Podcasts (22%), and Spotify (17%). While in Germany, the top three are Spotify (29%), Youtube (22%), and then ARD Audiotek (15%).⁸

3. Revenue models for podcasts

Successful podcasts are often hosted by individuals or brands that already have a significant public reach.⁹ Podcasts are today a defined audio medium and advertising quickly established itself as primary mean of revenue (with sponsorships, or merchandise), following the model of television and radio broadcasting. In 2005, Podtrac launched as one of the first advertising services exclusively catering to podcasts, primarily in the United States, and in doing so, specified two types of ad promotions which define the advertising landscape for podcasts. These are produced-spot ads and host-read ads. The former resembles conventional advertising – produced out of the house and inserted into ad space. The latter capitalises on the bond

³ Casares Jr, D. R. (2022). Embracing the podcast era: Trends, opportunities, & implications for counselors. *Journal of Creativity in Mental Health*, 17(1), 123-138.

⁴ Bitkom. (2021). Factsheet Podcasts 2021/2022. Bitkom. <https://www.podcastinsights.com/podcast-statistics/>

⁵ Podtrac (April 2022). *Top Podcast Publishers*. <http://analytics.podtrac.com/podcast-publisher-rankings>

⁶ Chartable (2022). Spotify — Germany — Top Podcasts. <https://chartable.com/charts/spotify/germany-top-podcasts>

⁷ G2 (2022). Best Podcast Hosting Platforms. G2.com <https://www.g2.com/categories/podcast-hosting>

⁸ Reuters Institute (2021). *Digital News Report 2021*. <https://reutersinstitute.politics.ox.ac.uk/digital-news-report/2021>

⁹ Lammenett, E. (2021). Podcast-Marketing. In *Praxiswissen Online-Marketing* (pp. 437-443). Springer Gabler, Wiesbaden.

between host and audience by having the host integrate the ad directly into the podcast; it is highly debated among experts which style is more effective.¹⁰ While some believe host-read ads give a more natural feel, others feel this may cause distrust and confusion over whether the ad is an endorsement or simply a source of financial means (see also below).

Ads in podcasts are influenced by several factors that affect their profitability. These include pricing mechanisms such as CPM (cost per 1,000 impressions), CPA (cost per acquisition), and CPC (cost per click), with CPM being the most popular.¹¹ The attribution window, or the time between placing an ad and receiving credit for an acquisition or impression, is an important consideration for CPM and CPA pricing. CPC is used when the ad is placed in the description as an affiliate link. Pricing is also affected by the ad's placement and length, which can be pre-roll, mid-roll, or post-roll and typically last 30-60 seconds. Mid-roll ads are the most expensive as they capture the audience's highest engagement, while pre-roll and post-roll are typically set at a lower price.

Podcast producers use direct monetization alongside advertising to increase revenue. This involves selling the content directly to the audience through platforms like Patreon, which offers access to exclusive content and products in exchange for a subscription fee. Other platforms with built-in monetization mechanisms as an add on to free content may also be used, this is known as a freemium model.

4. Market Overview: is Germany lagging behind?

Despite Germany having a culture attuned to listening to audio recordings for decades, the lack of money in the podcast industry does not allow it to generate revenues as high as in the US. The case in point is the 2019 study conducted by PwC and Interactive Advertising Bureau highlighting that podcast ad spending in Europe reached merely \$43 million (\$0.51 per capita) versus \$600+ million in the US (\$1.8+ per capita).¹² Germany, and Europe as a whole, have fewer opportunities in podcast advertising due to the almost non-existent ad infrastructure. While the US has AdvertiseCast, Earwolf, Midroll, and many more platforms for connecting advertisers and independent podcasts, Europe is deprived of any equivalent.

Another determinant of the monetary success in the European podcast market is the number of languages spoken on the continent. This leads to localized podcasts with limited audiences that, in turn, negatively affect ad revenue scalability. As per Reuters and WARC, it is, therefore, easy to conclude why the top European markets for podcasts are concentrated in countries like France, Spain, and Ireland along with Nordic countries (high fluency in English) whose official languages are widespread across the world. Even a couple of major US actors have decided to dip their toes into the UK podcast market. Just a few years ago Stitchers and Wonderly, who are among the leading podcasting companies in the US¹³ proclaimed that they would join forces to create Podfront UK, a one-of-a-kind podcast marketplace that enables brands and advertisers to purchase premium advertising inventory for certain podcasts shows in the country.

5. Market Failures & Industry Shift

Despite growth in the podcast industry, challenges have recently emerged signalling potential market failures. The financial growth of the global podcast industry is often attributed to the host-read advertising model with ad revenue being used as the marker for success. Consequently, low ad revenue in the European market relative to the US market has become a point of concern. Low ad revenue in the European market has been credited to a lack of ad infrastructure and in turn, used as reason for the failure of the ad revenue model in Europe.¹⁴ However, a lack of ad infrastructure is not the cause of low ad revenue, but rather the consequence of other market characteristics which have resulted in low demand for ad slots in European podcasts.

¹⁰ Hutton, C. Podcasting embraces native advertising. (2015, August 6). *Digiday*. <https://digiday.com/media/podcasting-native-advertising/>

¹¹ Sterba, T. (2017). Exploring the viability of independent podcasting as an advertising channel. <https://twut.nd.edu/PDF/GreatPodcastRenaissance.pdf>

¹² Knapp, D. D. (2019). Listen Up! The Rise of Digital Audio Advertising. *IAB Europe Economic Trends Forum*, 37.

¹³ Adgate, B. (2023, January 25). 2022 Was Another Record Year For Podcasts. *Forbes*.

¹⁴ <https://www.forbes.com/sites/bradadgate/2023/01/25/2022-was-another-record-year-for-podcasts/>

¹⁴ Allen, P. (2021, November 24). *Copenhagen-founded audio subscription service Podimo secures €69 million to expand original content on a global scale*. EU-Startups. <https://www.eu-startups.com/2021/11/copenhagen-founded-audio-subscription-service-podimo-secures-e69-million-to-expand-original-content-on-a-global-scale/>

While a high CPM may signal a high value placed on podcast advertising, the high price drives marketers to choose ad space on platforms which grant a wider reach for a lower price. Podcast CPM in Germany ranks among the highest compared both to other platforms and other national markets. In Germany, podcast CPM outranks YouTube, TV, Twitter, Radio, and Facebook. A 30-second podcast ad has an average CPM of €55 and a 60-second ad averages €80, even reaching as high as €120 for top podcasts. While in the US, the former costs on average \$18 (€16.84) and the latter costs \$25 (€23.39)¹⁵. With such a major price discrepancy, this market characteristic could lead to lower ad revenue in general.

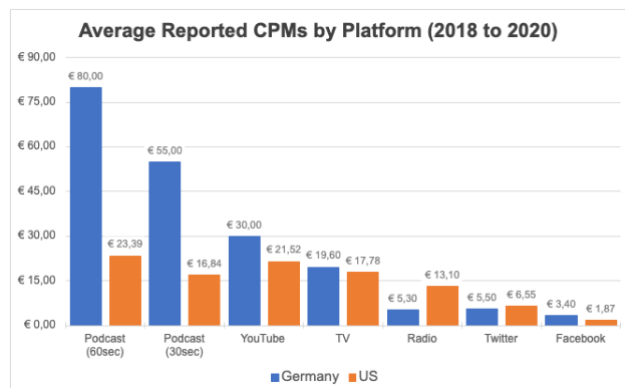


Figure: Data Source: Altman Solon Research Note: USD values were converted to EUR for the sake of continuity and comparison. In the original report, US statistics were reported in USD. Values were converted based on the 23 May 2022 exchange rate.

Host-read ads have resulted in several negative externalities. Firstly, confusion over what is and is not an advertisement. And second, there can be uneasiness regarding the authenticity of endorsements. Podcasts ads often have a high degree of textual integration contrasting conventional advertising, which is cordoned outside of a media's primary text.¹⁶ Conventional ads are clearly distinct from the programme. The stylistic elements make it unlikely that a commercial be mistaken for the main programme, nor is the viewer likely to view it as an endorsement by the network. However, host-read podcast ads are so highly integrated that this distinction dissolves. This scepticism is a threat to the industries primary means of revenue. However, in this case, the delayed entrance of podcasts into the media landscape in Europe may be beneficial.

6. Outlook

Based on these findings, the European podcast market is expected to grow in the coming years with creative monetization techniques and alternate revenue models emerging. Such shifts are unlikely to lead the industry in its entirety away from the ad-based model. Rather, it is likely that new creative approaches will improve or add to the current model.

Potential in Targeted Ads

Due to the localized nature of podcasts in Europe, there is potential for targeted advertising. Podcasts in English are listened to on a global scale, which may appeal to some advertisers who require large reach, but podcasts in German, Swedish, Czech, or any other of the dozens of languages in Europe are likely to target an audience in a specific geographic location. This, combined with a curated niche audience, has potential for a high return of investment (ROI) for many local SMEs.

Creativity & Innovation

With high CPM rates in Europe causing hesitation from advertisers, it is likely that new entrants must be creative with their monetisation techniques, especially among small indie podcasts. The growth of the platform Podimo suggests that a subscription-based freemium model may gain traction in Europe.¹⁷ The platform's revenue-sharing ecosystem offers an incentive for producers to join the platform. However, with so many free options currently available, a wide scale shift is unlikely. Moreover, in recent years, social media platforms have been launching "creator funds" which pay creators for posting content based on the number of interactions.

¹⁵ Rivet et al. (2021, February 16) *Global consumers' – and media companies' – appetite for podcasting is increasing* (Global Podcasting Industry Perspectives). [Insight]. Altman Solon. <https://www.altmansolon.com/de/insights/global-appetite-for-podcasting-is-increasing/>

¹⁶ BErsch, J. J. (2021). *fiVE* | Howling into a Megaphone. *Saving New Sounds: Podcast Preservation and Historiography*, 92.

¹⁷ Allen, P. (2021, November 24). *Copenhagen-founded audio subscription service Podimo secures €69 million to expand original content on a global scale*. EU-Startups. <https://www.eu-startups.com/2021/11/copenhagen-founded-audio-subscription-service-podimo-secures-e69-million-to-expand-original-content-on-a-global-scale/>

Impact of COVID-19

The podcast industry experienced growth during the pandemic, as evidenced by a 42% increase in worldwide listenership and a 53% increase in Europe, according to data from Voxnest. However, the US saw a 20% decline in growth, with some categories still peaking due to the popularity of listening during commutes. In contrast, Europeans discovered podcasts as a new form of entertainment while staying home. It remains unclear if these trends will continue, but the growth in Europe during the quarantine may result in a loyal audience for podcasts.

7. Conclusion & Recommendations

Although podcasts remain most popular in the US, Germany is also seeing growth, due in part to COVID-19. Europe is still struggling with monetizing podcasts, attributable to the lack of proper infrastructure, fewer ad networks and plurality of languages spoken across Europe. Ad monetization remains the primary revenue model of podcasts and host-read ads especially provide interesting opportunities due to the parasocial relationship between host and listener. But, contextual integration may also pose new problems concerning authenticity and trust.

Recommendation 1 – More transparency from podcasting platforms

Official statistics from platforms are helpful to understand the demographics and whether the subscription-based model is working for podcasts. However, more transparency is needed from podcasting platforms like Podimo.

Recommendation 2 – Creation and integration of ad networks

Ad networks that link advertisers with independent podcasters should be introduced and integrated in Europe. This would mean podcasters do not have to manually reach out to advertisers, and visa versa.

Recommendation 3 – Creating more diverse podcasts

Diversifying content into different languages outside of just the more widely spoken ones would create more inclusivity, tackling the unique European challenge of language diversity.

Recommendation 4 – Feedback from podcasters

Feedback from experienced European podcasters and content creators would be useful in determining how podcasting can become a more lucrative industry and what steps need to be taken next.

**This White Paper is part of the Student White Paper Series on European Media Markets.*



This White Paper Series is part of the European Media Markets course at the VUB. The course was headed in 2022 by Prof. Dr. Marlen Komorowski (marlen.komorowski@vub.be).