

The Podcast Value Chain Report

An Overview of the Emerging Podcasting Marketplace

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[Digital Podcast](#)

- Podcasting is growing extremely fast and will drive large markets in many parts of the value chain
- A clear value chain from raw content to listeners is emerging
- Supply and demand for podcasts by content type is still unbalanced and presents opportunities for new breakout podcasts
- Opportunities and issues are developing at each step in the value chain
- New businesses, business models and technologies will be required for full commercialization of podcasting

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The podcasting value chain is made up of nine major steps that move from raw content to the listener, as shown in the table below. Each step along the value chain adds value to the podcast in distinct ways, has its own set of challenges and issues and presents opportunities in the emerging podcast market place.

Value Chain Step	Summary Definitions
Content ▼	Original content of podcasting show
Advertising ▼	Advertising to be included as part of the show
Production ▼	Pre-production set-up, recording and post production editing
Publishing ▼	Developing show notes and publishing via RSS
Hosting/Bandwidth ▼	Website hosting and bandwidth to transmit podcast
Promotion ▼	Marketing of podcast to listeners
Searching ↓	Search tools such as directories and user communities to help listeners find podcasts
Catching ▼	Client side software to catch podcasts
Listening	End user listening devices such as MP3 players

Content

Content for podcasting is growing rapidly as demonstrated by the surging number of new podcasts listed at [Digital Podcast](#) and other podcast directories. The content is taking ever-new forms, as the creative power of individual podcasters is unleashed via this new media form. The format allows anyone to make the equivalent of their own personal radio show on whatever topic they like – music, religion, news, cooking, wine, comedy, movie reviews. The list is as endless as the number of special interest websites.

We will see some of these podcasts emerge as the blockbusters of podcasting – appealing to large audiences with high rates of listening. If other media formats provide any guidance, these blockbusters are likely to number less than 100 podcasts. There will also be a long tail of special interest podcasts, who may not appeal to the mass market, but do have strong, but narrow followings. The blockbusters will prove to have strong commercial potential. And the aggregation

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of the tail into sensible virtual networks will also likely take place to improve the commercial viability of the tail.

An examination of [Digital Podcast's](#) directory information provides interesting insights into demand and supply for podcasts, with some sectors such as erotica and books being potentially underserved from a content perspective.

The following table lists the top ten categories from the home page as ranked by category views. The table shows the categories share of total visits to top level category pages and the share of podcast listings that fall under that category.

Category	Share of Category Visits	Share of Podcasts Listings
Erotica	11.3%	0.8%
Music	8.6%	21.2%
Books	7.0%	1.7%
Comedy and Humor	6.5%	9.5%
Radio	6.0%	7.1%
Science & Technology	5.5%	9.6%
Audio Blogs	4.9%	8.1%
Business and Finance	4.1%	3.5%
Politics and Government	4.0%	5.0%
Education	3.7%	2.9%

Clearly, there is an underserved demand for some of these top-level categories that present opportunities for new breakout podcasts.

Three other formats of content also appear to have strong potential for commercial success. Podcast libraries of time enduring content such as [ITConversations.com](#) should have strong long-term economics as the libraries build over time and result in production scale economies as the content is reused over and over again. Capturing university lectures and speeches will prove to be an enormous source for new audio content that will drive major growth in this type of podcast.

Narrowly focused, but very high value content that is similar to high priced subscription newsletters such as investment research should also have strong commercial potential.

Another format with strong commercial potential will be the podcasting equivalent of the infomercial. Strong ties between compelling content and product for sale that generates strong followings and high purchase conversions.

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Another area for substantial content growth will be in private podcasts that are used as communication tools that enable corporations and other organizations to communicate with stakeholders. While this content may not be available to the general public, servicing this type of podcast may drive other parts of the value chain as they seek to support the unique requirements of this type of podcast. Security and access authorization management may be of unique interest for this type of podcast.

Advertising

Advertising is already emerging throughout the podcasting world. The most recent splash was the promotion of [The Paris Hilton Podcast](#) that got promoted heavily on Adam Curry's podcast and podcast directories. [Reel Reviews Radio](#), a podcast focusing on movie reviews, is sponsored by an insurance brokerage. IT Conversations is being sponsored by a hosting company and has run promotions for GoToMeeting.

The development of advertising based models is inevitable despite the wishes of many in the podcasting community who would like to see it be commercial free. Exactly how this will develop is a question mark. There are some big challenges such as determining the true numbers of listeners and listener demographics, both of which are key information for advertisers.

I speculate that performance based advertising may develop into a major mechanism to bring advertising dollars into the media and yet satisfy advertisers needs for data. The IT Conversations promotion of GoToMeeting may be an example of this. In this example, listeners were urged to register for a free month trial using ITCONVERSATIONS as the registration code.

Two major problems that will need to be solved include how to measure the podcast audience and how advertisers find podcasters and vice versa.

Production

Production includes pre-production set-up, recording and postproduction editing.

Production equipment is one of the primary areas where money is changing hands. Podcasters require equipment to make podcasts. While a podcast can be produced with an inexpensive microphone, many podcasters will opt for more equipment such as mixers and processors. [PodcastRigs.com](#) provides a listing of different podcast setups with costs ranging from \$225 for an entry-level rig, all the way up to \$2,500 for a professional rig. Software will also be required ranging from free open source software up to commercial software costing a few hundred dollars.

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Assuming 50% of podcasts will opt for a simple microphone costing \$25, 30% will go for a basic rig of \$400, and 20% will spend over \$1,000 on podcasting equipment it is not unreasonable to assume average spend on equipment in the \$300-\$400 range.

This average spend translates into a rapidly growing podcast equipment and software market that is estimated to be around \$1-2 million now based on 3,000-6,000 podcasters. If podcasting reaches a 10% penetration with current bloggers the market explodes to \$300-\$400 million.

Other podcast specific software and hardware is also likely to emerge as the market finds ways to tap into latent demand for new ways to make great podcasts. Sound effects may become the new ring tone market.

In addition to hardware and software, there is likely to be a great expansion of the production services market. Editing and mixing a podcast for high sound quality can take as much as 4 to 5 hours for a 1 hour podcast.

As businesses adopt podcasting, podcast sound engineers will be needed in much higher quantities to produce quality podcasts. Job postings for podcast support have already begun to appear on job boards.

Publishing

Publishing is the process of producing and posting show notes, RSS feeds and encoding the audio file's id3 tags. This step is often difficult for new podcasters, but "how to" books and software to support this process have been emerging at a rapid rate. These tools are likely to be integrated into dedicated production software or blog tools in the future.

One area that may emerge is a new form of website designed to support podcasts that are not blog/chronologically oriented. ITConversations.com is an interesting example of this new form. Multiple podcasts streams are available on the site and individual episodes can be merged into a custom RSS feed.

Promotion

Promoting podcasts will become a big market. Current podcasters are putting lots of effort to get known and the market will become increasingly crowded as business starts to embrace podcasting. The most recent example of this may have been the promotion of the Paris Hilton Podcast for the movie House of Wax. The promoters did their best to "own" the available ad space and promote the podcast on highly subscribed podcasts.

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New services will be required to make the market for podcasting promotion efficient. This may lead to the formation of more cooperative podcast “networks” like ITConversations and TechPodcast that cross promote and create critical mass for their podcast constituents.

Hosting and Bandwidth

Hosting and distributing podcasts will be an area that generates significant revenues for hosting companies. Audio and video files are large, creating substantial storage and bandwidth requirements.

ITConversations, one of the most popular podcasts, is reporting that they will need 7.7 terabytes of bandwidth for June 2005. This type of bandwidth probably costs around \$4,000 per month.

While ITConversations may be an exception, a 20-minute podcast requiring 20-30MB of storage will consume 60GB of bandwidth with 70-80 downloads per day. This level of bandwidth will cost the podcaster about \$40 per month.

Solving this bandwidth problem with new technology like bittorrent is going to be one of the community’s highest priorities to enable growth to continue without costs exploding. While bittorrent may work for podcasts that are downloaded and listened to on a time shifted basis, it will not support podcast listening that is based on the streaming model of the podcast being listened to as it its being downloaded. Recent reports suggest that the streaming model of listening may account for 70-80% of downloads.

Maybe the time has come to buy stock in the bandwidth guys.

Search

Searching for podcasts is problematic due to insufficient metadata about the podcast. Standard RSS 2.0 and id3 tags do not support substantial metadata. Yahoo is working to promote Media RSS, a version of RSS 2.0 with greater metadata support. Changing over to Media RSS may be difficult unless this type of RSS feed is supported by Apple’s integration of podcasting into its iTunes player.

Furthermore, unbundling of podcasts into individual episodes may grow as the type of content that is recorded changes. Speeches and lectures may be grouped into a common RSS feed for a podcast, but listeners will want to mix and match episodes from different podcasts into custom RSS feeds.

A possibly interesting development would be a new type of podcast website software that provided a local directory of episodes and shared metadata about the individual episodes with a network of other podcast websites for user search.

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Catching

Podcatching is the process listeners use to get the podcast into their local system for listening. Various podcast aggregators have emerged and Apple has announced that they are integrating this functionality into iTunes. Given Apple's move it is likely that Microsoft will respond at some point.

Apple's integration into iTunes should drive major growth in podcasting. It remains to be seen what effect the iTunes podcast support will have on other podcast aggregator software and podcast directories.

Listening

While podcasting gets part of its name from the iPod, there are reports that a majority of podcast listeners seem to be listening to podcasts via computers. This mix of local listening devices is likely to continue with the mp3 player becoming a portable media server supplementing the main computer.

The impact of listening is likely to be felt positively by hardware manufacturers with the new content driving adoption of new gadgets. Traditional radio however could experience a traumatic unbundling.

This report can be discussed at the Digital Podcast forum. You can find the forum at <http://www.digitalpodcast.com/forum/index.php>