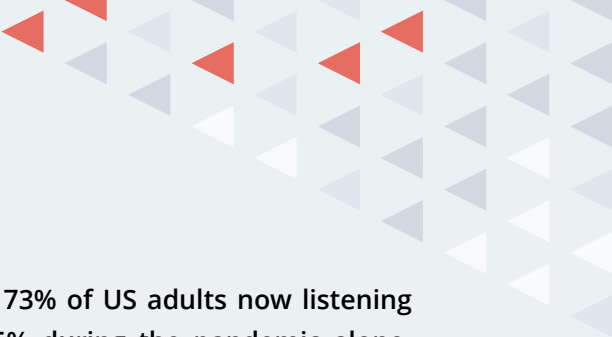


Digital Audio

**A Buyer's Guide to Navigating
the Digital Audio Landscape**



Digital audio has experienced a surge in recent years with 73% of US adults now listening to online audio on a monthly basis. Listenership surged 5% during the pandemic alone. Advertisers are taking note and quickly buying into this accelerating channel. In 2021, digital audio ad spending soared 57.9% to \$4.9 billion, making it the fastest growing online segment, with gains twice that of display advertising.

Music streaming platforms and podcasts have proliferated to meet the growing digital audio needs and preferences of consumers, which in turn creates a highly personalized and measurable opportunity for advertisers. This guide on the burgeoning digital audio space is designed to help BidSwitch buyers navigate this fast growing channel, understand its creative and technical nuances, and identify suppliers for trading activation.

What is Digital Audio Advertising?

Digital audio advertising is the placement and delivery of audio format ads via online streaming platforms, such as digital radio shows, podcasts, audiobooks or music streaming services. This growing form of digital advertising is allowing advertisers to connect with engaged audiences in environments they know and trust, with low ad loads and minimal risk to brand safety and fraud.

The most popular types of digital audio ads are podcast ads, streaming audio ads and voice-activated ads:

- ▶ **Podcast ads** vary in length, between 15 to 60 seconds and typically appear at different points of the podcast streaming session. The two primary types of podcast ads are:
 - *pre-produced ads*, which are pre-recorded by the sponsor, or read from a script by the host, then dropped into an episode during post production. These can be bought programmatically and appear to a user based on their listening behavior.
 - *native ads*, which are transacted via direct deal, are inserted live during the recording of an episode in an 'off-script' or host-read delivery.
- ▶ **Streaming audio ads** are pre-recorded audio ads delivered between songs via streaming audio services like Pandora and Spotify. Different from traditional ads heard on the radio which rely on a one-to-many approach, audio ads today leverage first-party data to zero in on users at the right time, on the right device, with the right context for maximum personalization.
- ▶ **Voice-activated ads** transform the passive act of listening to an ad placed between music or podcasts into an interactive experience. Listeners can engage with an ad using a specific voice command to learn more, add a product to cart, or jump to a new podcast.

The Rise of Digital Audio

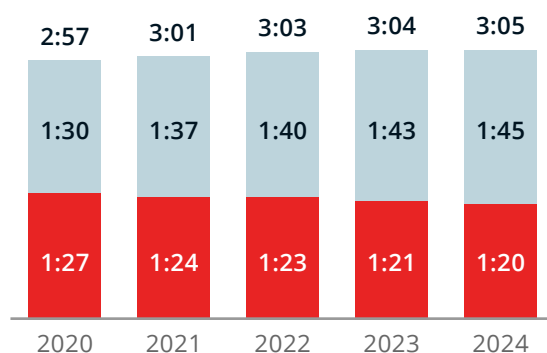
One of the biggest changes in the audio entertainment space during the pandemic has been the adoption of digital audio into people's daily routines. Fears that this massive growth in audio was a temporary by-product have been unfounded as listenership continues to rise.

- ▶ In Q2 2020, audio listened to in the car dropped from an estimated one-third to just 20% with consumers stuck at home.
- ▶ This shrinkage of in-car listening, and the subsequent growth of at-home listening, drove more listeners from traditional radio to digital audio options, which surpassed the former in time spent for the first time in 2020.
- ▶ This year, US adults will consume 1 hour and 40 minutes of digital audio every day.
- ▶ Overall, 67% of US adults (or 192 million people!) are now weekly listeners, up from 62% in 2021. Over the past decade, that share has grown by 38%.

Radio vs. Digital Audio: Average Time Spent in the US, 2020-2024

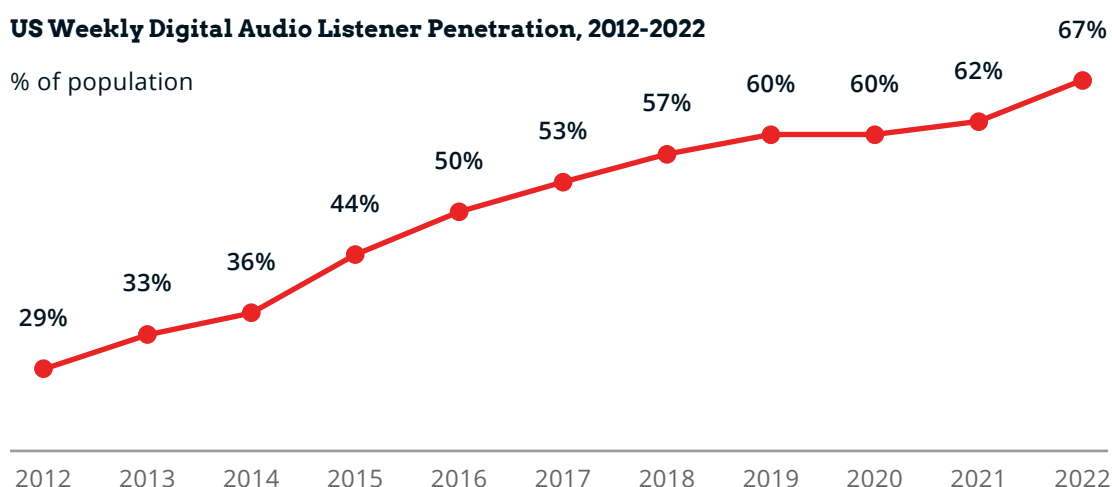
Hrs:mins per day among population

- Radio (excludes digital radio)
- Digital Audio



US Weekly Digital Audio Listener Penetration, 2012-2022

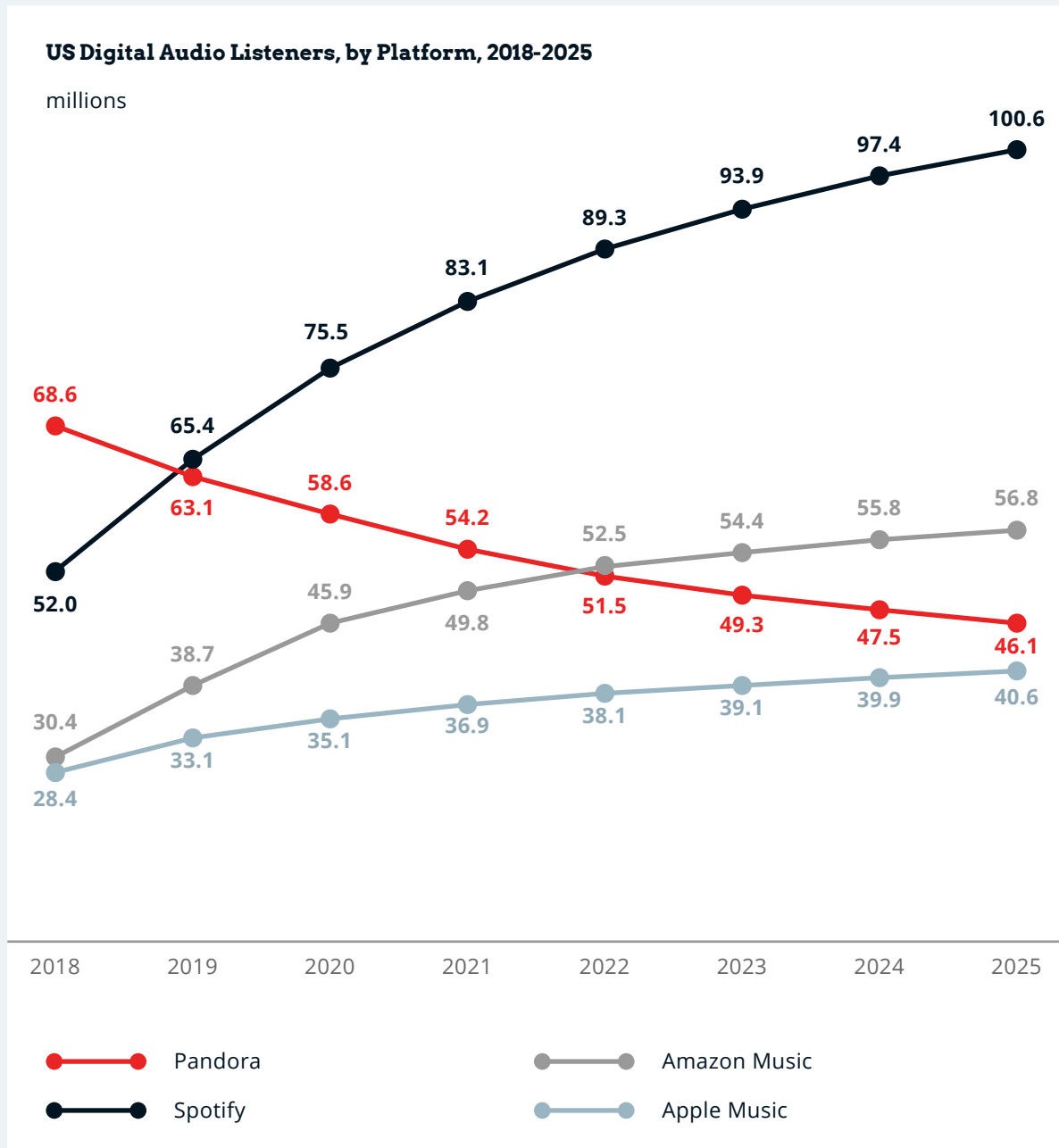
% of population



Source: eMarketer Mar, 2022

Digital Audio Key Players

- ▶ Spotify is the No. 1 digital audio service among US teens and adults, with 35% of digital audio listeners aged 12 and older using that platform the most.
- ▶ A large makeup of Spotify's listenership is attributed to podcasts, which are forecasted to make up 20% of its ad revenues by 2024.



Note: internet users of any age who listen to each service on any device at least once per month

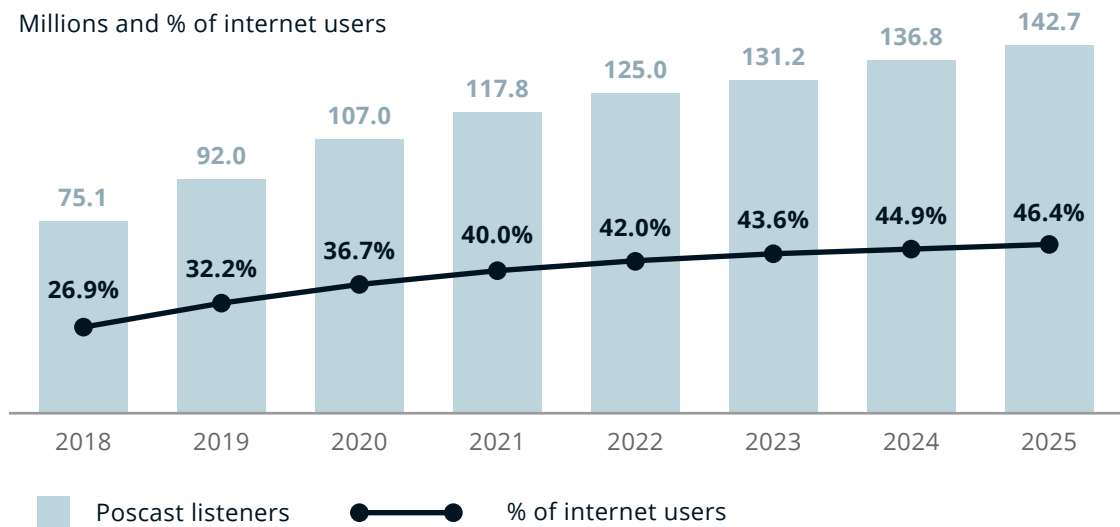
Source: eMarketer, Aug 2021

Podcast is Becoming a Standout Subcategory

- ▶ US adult time spent with podcasts will grow 15% this year, reaching just over 23 minutes per day, or 23% of total digital audio time. Five years ago, podcasts only accounted for 9.1% of digital audio time.
- ▶ Only 37% of the US population will be podcast listeners this year, but within this cohort, time spent with podcasts will reach nearly 53 minutes per day.

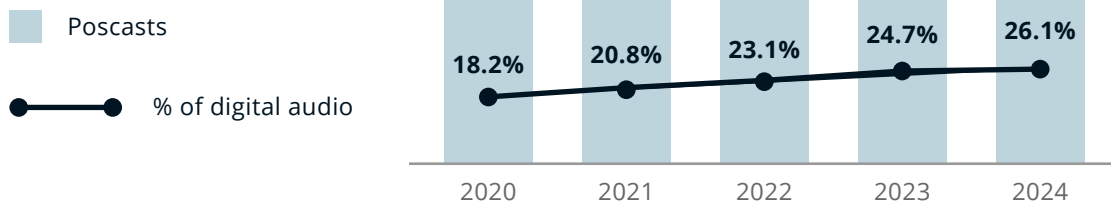
US Podcast Listeners, 2018-2025

Millions and % of internet users



Podcasts: Average Time Spent in the US, 2020-2024

Hrs:mins per day among population and % of total time spent with digital audio



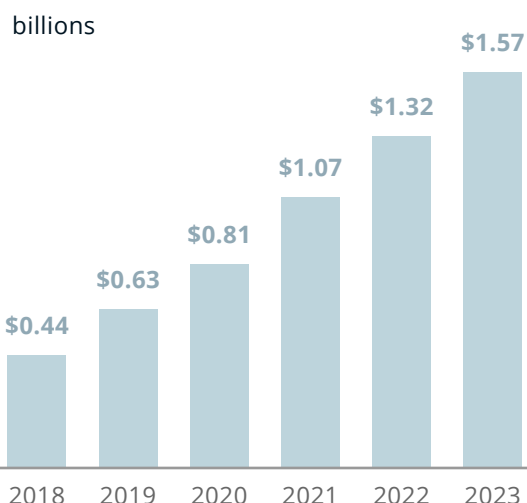
Source: eMarketer, Aug 2021 & April 2022

Digital Audio Moves into Programmatic

Programmatic adoption, which has seen slower implementation in audio compared to other media, gained momentum in 2021 and shows no signs of slowing.

- ▶ Programmatic audio opens the door to premium targeting of digital audiences across geography, day-part or format.
- ▶ Programmatic digital audio services are expected to continue to see healthy growth through 2023 with an anticipated total ad spend of \$1.57 billion.
- ▶ Podcasts will account for just 7.4% of all programmatic digital audio services ad spending this year.

US Programmatic Digital Audio Services Ad Spending, 2018-2023

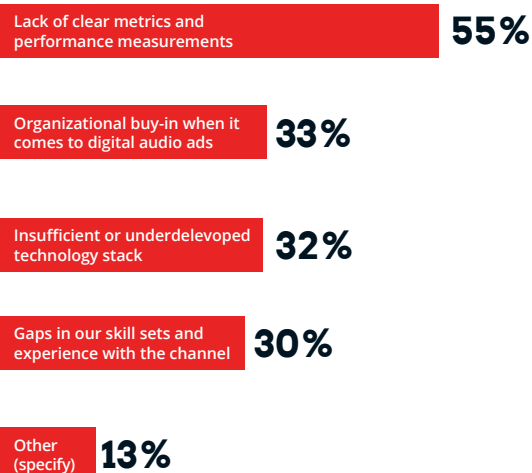


Digital Audio Challenges

Digital audio is continuing to grow its stake in the advertising mix but faces challenges not commonly traversed by other new and emerging channels.

- ▶ Lack of clear and cohesive metrics tops the list of challenges when considering digital audio in the marketing mix.
- ▶ Advertisers are looking to publishers and agencies to play a role in educating and defining a common language around the process of digital audio measurement.
- ▶ By contrast to radio, digital audio sees a massive surplus in data and analytics. Some marketers who lack the skills and resources to process and implement these massive amounts of data consider the channel to be “too measurable.”

What are the primary challenges you encounter that affect how large a role digital audio plays in your advertising mix? Select all that apply

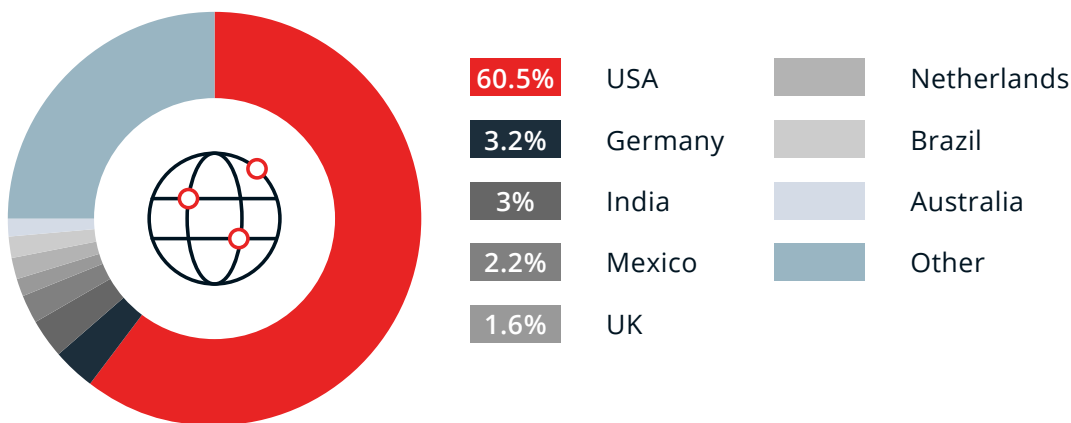


Source: Digiday, State of Digital Audio, 2021

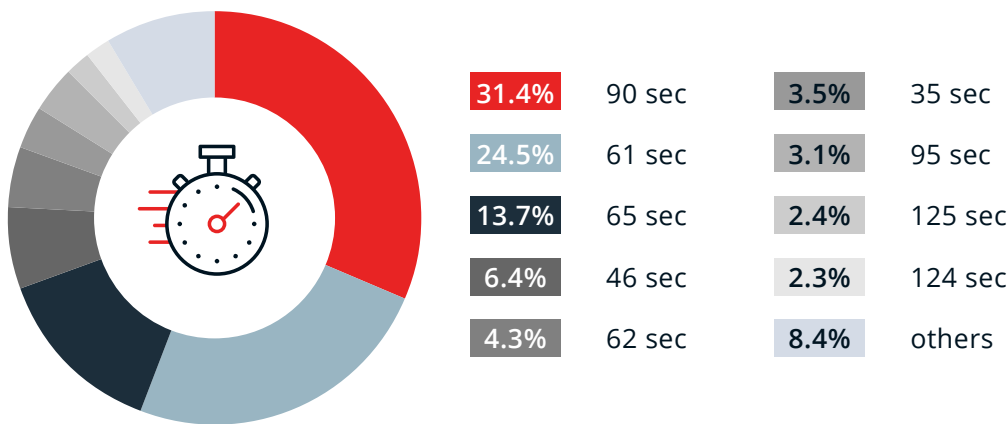
Global Audio Stats through BidSwitch

Average Weekly Audio Bid Requests: **172.8B**

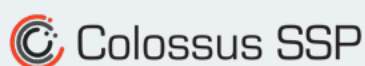
Request Volume by Country



Request Volume by Max Duration



Top SSPs for Audio Supply



Buying audio through BidSwitch: Considerations and communication

Overall communication is critical when trading programmatically, regardless of format. This is especially true for audio, given the nuances of how it has been traded historically, and how that is shifting with various protocol upgrades. Below are some tips to keep in mind when dipping your toe into the audio pool:

- ▶ Many audio SSPs work and accept audio via the video object. This is a workaround method that was introduced prior to OpenRTB 2.4 in which the audio object did not yet exist.
- ▶ Through BidSwitch, these types of requests can only be traded via private deals ("private_auction": 1).
- ▶ In many cases, if requests were open auction, the video object (for audio in this case) would confuse buyers attempting to bid on inventory with standard video when the inventory would actually only be for audio buys.
- ▶ Audio via audio object or "True Audio" can also be traded via BidSwitch connected SSPs & DSPs. This can be traded via open auction, open auction deal, or private deal.
- ▶ Before trading, though, ensure the SSP is able and open to receiving true audio demand (audio enabled).

Reach out to your Account Manager if you are interested in setting up Audio deals or have questions about buying audio through BidSwitch.