

Can a profitable business model be applied to podcasting?

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Contents

Abstract

1. Introduction

2. Literature review

- 2.1 Podcasting
 - 2.1.1 Definition
 - 2.1.2 Podcasting vs. radio: key arguments
 - 2.1.3 Popularity and adoption of podcasting
- 2.2 Business models
 - 2.2.1 Definition of “business model”
 - 2.2.2 Definition of “profitable”
 - 2.2.3 “Free” business models
 - 2.2.4 Common internet business models
- 2.3 Podcasting, broadcast and new media business models
 - 2.3.1 How the above business models have been applied to podcasting

3. Methodology

- 3.1 Research philosophy
- 3.2 Research approach and methods
- 3.3 Preparations
- 3.4 Interview style
- 3.5 Analysis and interpretation of data
- 3.6 Which business models should be evaluated?
- 3.7 A framework for research

4. Findings and analysis

- 4.1 General
- 4.2 Merchant model
- 4.3 Labour exchange model
- 4.4 Advertisement-based model
- 4.5 Commission model
- 4.6 Subscription model

5. Conclusions

- 5.1 General
- 5.2 Merchant model
- 5.3 Labour exchange model
- 5.4 Advertisement-based model
- 5.5 Commission model
- 5.6 Subscription model
- 5.7 Summary of conclusions

6. Bibliography

7. Appendices

Abstract

This paper investigates the issue of whether a profitable business model can be applied to the medium of podcasting. It suggests a variety of potential business models that may be appropriate, and evaluates how they be may applied in this new arena.

The literature review explains the parallels between podcasting and other more traditional media, paying particular attention to radio, which is deemed to be the most similar existing medium. The popularity and adoption of podcasting both among the public and media organisations indicate that now is an appropriate time for an investigation into the economics of podcasting. An outline is given of existing business models that have set a precedent both on the Internet and in other forms of media, as well as the wider world. There are a number of examples of how people have previously attempted to apply these business models to podcasting.

The methodology details that the practical research used qualitative research methods. Semi-structured interviews with key producers of podcasts were to be carried out in order to gather data for analysis. Podcast producers were chosen as the most appropriate interviewees from a large potential research base, although the findings indicate that during the course of research it became necessary to also interview podcasting experts from other related fields. The most appropriate business models for investigation are selected from the large number detailed in the literature review.

Key topics in the paper's findings include discussion of whether it is appropriate to monetise podcasts in the first place, as well as whether a single model can be applied to all podcasts across a range of content and contexts. There is rarely full unanimity among interviewees, and although all were aware of many of the issues affecting the medium, it is shown that more thought is necessary on the topic from those in the industry.

In conclusion, details are given of which have been found to be the most appropriate models, and how the negative impact of monetisation on audience figures can be minimised, thus maximising potential profitability.

1. Introduction

I have always been interested, both personally and academically, in business, technology and the world of arts and entertainment. When presented with the opportunity of writing this Management Research Paper, I saw it as a chance to further investigate the relationships between these three disparate fields.

Furthermore, it has come at a time of great and well-documented upheaval in the entertainment industry. It is almost trite to say that digitisation is having a profound effect in the music sector, while new methods of broadcasting and distribution are changing the way arts and entertainment media is consumed in general. One of the ways these phenomena have been most evident in my own life is that a large amount of the performing arts content that I enjoy, be it comedy, music or drama, now comes to me via the relatively new medium of podcasting.

I have become quite an advocate of this medium and have noticed that while many broadcasters, content producers and media organisations have embraced it by launching their own podcasts, few have been able to do so as a commercial venture in its own right. While academics and the press have looked in depth at alternatives to physical music retail, I've come across few who have addressed the question of how the broadcast media business model may be applied in a digital economy, and consequently how performing arts managers and practitioners can continue to make money from the content they produce if it is to be distributed via podcast.

In this Paper I hope to have gone some way to highlighting the issues surrounding this question and begun to move towards a solution that arts and entertainment managers can apply in a real and practical way.

Jonathan Deamer

2. Literature review

It should be acknowledged that much of the available literature on podcasting was written soon after the medium first came to prominence in 2004. The earliest sources relating to podcasting in this Paper's bibliography date from around this time, when the term was first coined by Guardian journalist Ben Hammersley (2004), who is also interviewed as part of this Paper's research. Since then coverage of the topic has been less frequent, so sources for basic definitions and descriptions of podcasting are abundant, while those discussing its development in a commercial context are less so.

2.1 Podcasting

2.1.1 Definition

When the term “podcast” was hailed as Word of the Year 2005 by the New Oxford American Dictionary, it was defined as “a digital recording of a radio broadcast or similar program, made available on the internet for downloading to a personal audio player” (BBC 2005 i). This definition is correct, and suitable for standard use, but needs some important qualifiers to further explain the way in which the term is to be used in this paper.

Many of the podcasts available consist of content that is also distributed via traditional radio broadcast mechanisms, eg. a BBC Five Live show may be made available both in the traditional way via FM broadcast, as well as by podcast for listening at the users' leisure. However, an important factor to remember is that the production and distribution of podcasts is not restricted to those in the traditional radio broadcast arena. Indeed, many of the most popular podcasts are produced by newspapers, media personalities, bands, record labels and similar, all independent of traditional broadcast companies. In terms of the sort of content available in a podcast, however the radio analogy is a good one: speech-only programs, music, news bulletins or any sort of content one may hear on traditional radio are all available via podcast.

Part of the reason for this broad range of content providers is the fact that podcasting is something of a democratic medium - it has fewer barriers to entry than traditional radio. Indeed, the BBC has described it as “DIY radio” that can be “done by anyone who has a microphone, simple software, the net, and something to say” (2005 ii), casting podcasting

in a similar light to the User Generated Content phenomenon seen in areas such as blogging or homemade videos on services like YouTube. However, this Management Research Paper will not look at podcasts in the User Generated Content sense – a whole paper could itself be written on the monetisation of user generated content – but instead non-independent ones, described by the UK Podcasters Association as those affiliated to “national newspapers, mainstream publications or media channels” (2007). Exceptions will be made, however, for particularly noteworthy examples of User Generated Content, such as those already referenced in previous podcasting literature (see section 2.3.1). Furthermore, there is a range of variations on the podcasting formula, including technologies like videocasting and phonecasting. While it is recognised that these are important pieces of the whole new media puzzle, this paper is to concentrate primarily on audio-only podcasting to personal computers (which can then be moved to other devices, as discussed later), as this is the medium that has proved to be most popular so far and, consequently, is most ready for monetisation.

As hinted at previously, an element of podcasting that is not included in the New Oxford American Dictionary definition is that it is an asynchronous medium. Unlike traditional radio, as The Economist explains “podcasting is about 'time-shifting' (listening offline to something at a time of one's own choosing, as opposed to a broadcaster's)” (2006). This effectively provides a form of on-demand radio which, as we shall see later, has an important impact on any proposed business model.

A further misleading element of the definition given above is that it implies a podcast is always downloaded to a personal audio player. This is not the case. A podcast is initially downloaded to a personal computer. It can then be consumed at this computer itself if the user wishes. Indeed, TDG Research has found that “more [than] 80% of podcast downloads never make it to a portable player or another device - they are consumed on the PC [to which they were initially downloaded]” (2006). Alternatively, it can be transferred to a personal media player (MP3 player or similar) for listening away from the computer.

Podcasts are made available to consumers either as a direct download from the website of the content provider (such as the BBC), or via an online portal or directory such as Podshow.com. A popular way to receive podcasts on an automated basis is via what is known as an RSS (Really Simple Syndication) feed in conjunction with a piece of

“podcatcher” software (Apple's iTunes can provide this function). While it is beyond the scope of this paper to go into the technical details behind this, in essence it is a way to notify and automatically deliver to the user a new podcast (eg. a new episode in a series) whenever it is made available. This is similar to the more familiar “series link” function on television hard-disk recorders such as Sky+.

2.1.2 Podcasting vs. radio: key arguments

As a primarily audio-based medium that offers a similar variety of content to radio, it is evident that a number of parallels can be drawn between podcasting and its more traditional counterpart. Furthermore, some have speculated that podcasting may have a profound impact on the audience numbers of traditional radio (Business Week 2005, The Economist 2006, Whitbread in BBC 2007, Wired 2005). The Economist discusses the myriad benefits of podcasting to the listener (some of which are outlined below), including prominently in this list the fact that “podcasts liberate listeners from advertising, and thus put an end to the tedious and dangerous toggling between the car radio's pre-set buttons at 100km an hour” (2006). While it does note that some podcasters are experimenting with putting advertisements into their podcasts, it is worth noting that, while still not widespread this has become a more marked phenomenon in the two years since the article was written. In its conclusion it states that:

“The effects on radio, while not lethal, will therefore be large. Radio broadcasters understand that they need to make commercial radio less disagreeable to listen to, which above all means shorter advertising interruptions”.

“Heard on the street”, The Economist (20th April 2006)

This point of view that much of podcasting's success so far has been due to a lack of adverts will be key to bear in mind when implementing a business model around the medium.

One of the key benefits that podcasts offers to the consumer over traditional radio is that they are available on demand and easily time-shifted, as outlined in section 2.1.1 above. This has been called “the most important aspect of podcasting” by Mary Madden, of the Pew Internet & American Life Project (Knowledge@Wharton [sic] 2005).

However, the fact that it is not a live medium is also described by The Economist as “one of the limiting factors of podcasting” (2006). This negative side of time-shifting is expanded upon by podcasting pioneer Adam Curry in the same article, saying “if they find Osama bin Laden, don't go running to your iPod” (The Economist 2006).

Another characteristic of podcasts is that they are accessible by a wider variety of people than traditional radio. Even with the gradual move from analogue to digital signals, television and radio broadcasts are still very much affected by geography. This is of course not as much of an issue when offering content over the internet. A key benefit of this wider accessibility is that it allows podcasts to cover much more niche topics than would be viable in the traditional media. While a show on quite an obscure subject matter may only be accessible to a handful of interested people if it were broadcast on local FM radio, with podcasting it is made available to potentially all interested parties (with internet access) worldwide .

US broadcaster NBC has also suggested that the availability of radio shows via podcast may make the idea of stations or channels redundant by “bypassing the current structure of radio” (2004). Radio stations have previously operated as a way of grouping similar content together, but podcasts allow users to cherry-pick whatever content they want, regardless on the station it was originally broadcast on or associated to. NBC again says, “think of [a selection of podcasts] as a personalized radio station that you program and change whenever you want” (2004).

2.1.3 Popularity and adoption of podcasting

Although the DIY radio side of podcasting described above is still thriving, since the medium's initial adoption by amateurs it has become more frequently used by traditional broadcasters and media outlets. For example, some of the “Featured Providers” listed in the Podcast section of the iTunes music store are:

- BBC
- Channel 4
- CNN
- Disney Online
- National Geographically

- Sky News
- The Wall Street Journal
(iTunes 2008)

This brief list of some of the organisations involved in podcasting is included as part of this literature review in order to assuage any doubts that podcasting is not yet ready as a medium to be monetised. It is used by a wide variety of commercial, profit-making entities, and so it is an appropriate time in the medium's life for an academic analysis of its potential as a revenue source.

Further, according to Edison Media Research the most recent statistics available showing the uptake of podcasting by consumers suggest that as of mid-2007, 13% of Americans had listened to a podcast (2007). This is a 2% increase on the 2006 statistics. While one must not jump to conclusions about the global uptake of podcasting based on these limited statistics, it does show that podcasting is moving away from the niche interest it once was.

2.2 Business models

It should be noted that in this section, a variety of existing business models as used in various fields and discussed in the available literature will be detailed. While their relevance to podcasting or the wider entertainment economy may not be immediately apparent, they are included here to provide the basis of a framework which will be built upon in this paper's Methodology to ensure that no model that may be applicable to podcasting will be overlooked.

2.2.1 Definition of “business model”

As such a commonly used phrase, “business model” has come to mean a variety of things to a variety of people, and so it is appropriate at this stage to clarify exactly what is meant by the term throughout this Management Research Paper.

In *Internet Business Models and Strategies*, Afuah and Tucci describe a business model as “the method by which a firm builds and uses its resources to offer its customers better value than its competitors and how to make money doing so” (2003). Among the key elements of a complete business model they include such disparate parts as customer value, sustainability, implementation, scope and revenue models. Later in the same book's

“taxonomy of business models” Afuah and Tucci claim that there are seven main types of business model, distinguished primarily by their use of different revenue models (to be detailed later in this literature review). There are then sub-categories within each of those seven main types which are differentiated by the variety of other factors they suggest make a comprehensive business model.

It is obvious from this that there is more to a business model than simply how it makes money. Given the restrictions presented by this paper's deadline and word limit, however, it will concentrate on what Afuah and Tucci have shown to be the main distinguishing factor of different business models: the revenue model.

2.2.2 Definition of “profitable”

The Oxford English dictionary gives two main definitions of profitable:

1. yielding “advantage or benefit”
2. yielding “financial gain”

While it is understood that it may be possible for a podcast to provide non-monetary profit (eg. “advantage or gain”, such as if a podcast were used as a marketing tool), this paper will take profit to mean “financial gain”, ie. providing a revenue stream in its own right, as opposed to solely providing non-monetary value such as promotion or goodwill. It is acknowledged however that some organisations may intend their podcast productions to be both marketing tools and profit making ventures, and so the affect monetisation has on the use of podcasts as promotional tools will have to be considered.

2.2.3 “Free” business models

Chris Anderson suggests in an article in Wired magazine (2008) that recent years have seen a rise in what he calls “free business models”. He explains this concept as providing a product to the consumer at zero cost as a business model in itself, citing the example of search engine Google (free to the end user, but profiting from the business-to-business sale of advertising space alongside its search results) as a key proponent of this idea.

It can be claimed that this is not a new concept, and Anderson admits that this is very similar to the traditional media business model (eg. free to air radio or television funded by advertisements). He does, however, suggest that the web allows the extension of the media

business model to industries of all sorts, in more sophisticated ways than advertisement-funded content alone. The free economy can be broken down into six main broad categories:

- **Advertising** – based on the principle that “free offerings build audiences with distinct interests and expressed needs that advertisers will pay to reach”, this can be as readily applied to new media as old.
- **“Freemium”** - in essence, offering a basic level of service or content for free, with more content-rich or feature-packed versions of the products available on a tiered pricing system (perhaps using one of the revenue models suggested by Afuah and Tucci below).
- **Cross-subsidies** – Anderson describes this as “any product that entices you to pay for something else”, equating it to the concept of loss-leaders in the traditional retail sector. An example of this in the online sector would be Radiohead offering their album for free, in the hope that it will encourage people to buy tickets to their live shows.
- **Zero-marginal cost** - “where the product has become free because of sheer economic gravity, with or without a business model”, such as the way music has become (in many senses) free - legally or not - due to market forces.
- **Labour exchange** – where the act of using a free service or product creates something of value that can be monetised elsewhere. For example, Google offers a free directory enquiries service accessible via a telephone voice recognition system. While using this service, the end user is in fact providing voice data that is used in testing and calibrating further voice-recognition based technologies from Google that can later be monetised in their own right.
- **Gift economy** – according to Anderson, with the growth of the Internet “we are discovering that money isn't the only motivator [...] altruism has always existed, but the web gives it a platform where the actions of individuals can have global impact”, giving examples of websites like Wikipedia as being truly free, with no-one making a direct monetary profit.

2.2.4 Common internet business models

As touched upon above, according to Afuah and Tucci, the seven primary online business models as distinguished by their dominant revenue models are as follows:

- **Commission** – a commission is “a fee levied on a transaction by a third party” (2003), and this revenue model relies on such fees as a main source of income.
- **Advertising** – already discussed and, interestingly, the only model that is repeated from those suggested by Anderson above.
- **Markup** – described by Rappa in *Business Models on the Web* as the “merchant model” (2002) due to its prevalence in wholesale and retail, this refers to value added in sales, eg. buying a finished product from a manufacturer and selling it to the public or another organisation at an increased price.
- **Production** – in which “the company transforms raw materials into a higher-value product” (2003). Although the way that this can be applied to a internet economy may not at first be obvious, Laudon and Traver give the example of manufacturers selling custom-built products directly to end-user customers, in the way Dell does with computers (2006).
- **Referral** – based on collecting a fee for steering potential customers to another company (eg. in the online economy, for following a link to another company's website). This can either be a flat fee per referral, regardless of whether it leads to a sale or not (“pay-per-click”), or a percentage of the revenues from any resulting sale.
- **Subscription** – under a subscription-based model, a flat rate is charged on a periodic basis for a pre-agreed amount of product or service. This revenue model is used in a variety of sectors, from magazine subscriptions to mobile phone tariffs.
- **Fee-for-service** – as with the markup model, the fee-for-service model is given a different name by Rappa: “the utility model” (2002). This is perhaps a more appropriate name given that it is based on metering the amount of a service used by a consumer, and billing them appropriately dependent on the specific customers personal usage patterns.

It should be noted that Afuah and Tucci themselves describe the information above as “a synthesis of the literature on business models” (2003) and acknowledge a debt to the Paul Timmers' “seminal” work *Business Models For Electronic Markets*, and the aforementioned Michael Rappa. The works of Timmers and Rappa have been considered during the writing of this literature review and, given that their most salient ideas are incorporated in the above (both according to Afuah and Tucci and my own observations), Afuah and Tucci's summary will be used as an outline for online business models throughout this paper.

2.3 Podcasting, broadcast and new media business models

2.3.1 Examples of how the above business models have been applied to podcasting

It should be noted that although there are many examples of where some of the models described above have been implemented, the specific examples given below have been chosen as they have attracted an amount of coverage and discussion suitable for this literature review.

Ricky Gervais (subscription model)

In the Guardian's Media Talk podcast (2007), the paper's Media Editor Matt Wells said "Ricky Gervais has been the model that everyone holds up as being successful in terms of subscription-based podcasting". Online music store iTunes does not currently support the purchase of podcasts, instead only offering those available for free, so the show was therefore made available through online retailer Audible.com, whose core business is the sale of downloadable audiobooks. At a cost of \$7/month in the USA and £4/month in the UK, subscribers were able to download one half-hour show per week (Harris 2006).

The Dawn and Drew Show (sponsorship)

An example of where the sponsorship-based podcasting model has been used is in Durex's teaming up with comedy podcast the Dawn and Drew show – a sponsorship which has been said to have lead to a three-fold increase in the number of visitors to the company's website (Restivo 2005).

Marketing strategist and Senior Vice President at Edelman, the world's largest independent PR firm, Steve Rubel says of podcast sponsorships:

"[they are] a throwback to the Golden Age of Radio when a single company would sponsor an entire hour of variety programming. Such sponsorships might closely resemble TV product placements where the ads become part of the content in some meaningful way. For example, it's possible a podcast sponsor might be able to embed a full audio news release right into a program, provided it is consistent with

the show's content."

(Rubel 2004)

Indeed, Crofts et al go so far as to say that "sponsorships tend to be less intrusive than advertising, [which] makes sponsorships of podcasts more acceptable to listeners" and even that "well-matched sponsorships can appear to be quirky, fun, or subversive to listeners" (2005) – perhaps Durex's sponsorship can be seen as an example of a well matched "quirky" sponsorship for a comedy podcast aimed at young people.

Virgin Radio (advertising)

As a model many broadcasters and media sources are already comfortable with, advertising was adopted by some podcasters relatively early in the life of the medium. In 2005, it was announced that "Virgin Radio has become the first commercial radio station to create a podcast, making highlights from the Pete & Geoff breakfast show, along with advertising [...] the Home Office police specials campaign, and online travel agent Expedia are the first two 'podcast' advertisers" (Whitehead 2005).

Although very similar to sponsorship, it is worth making a distinction between sponsorship from straightforward advertising. Compared to the above suggestions that podcast listeners may be receptive and even welcoming of interesting sponsorship arrangements, former IBM media and entertainment consultant Griffith Jones says that "for radio, people are used to advertising, but when it comes to podcasting and they have to go through the trouble of downloading it and uploading it into their mobile device, I tend to think people will be less tolerant" (Logan 2005).

However, there is also the argument that because of the narrowly-focused nature of podcasts and their subject matter as discussed in section 2.1.3 above, advertisements will be better matched to the interests of listeners. This may mean that listeners will therefore be more receptive to adverts in podcasts than in traditional media (Crofts et al 2005). There are further problems though with both the fact that podcasts allow users to skip over adverts by fast-forwarding, and that the initial attraction to podcasts for many (as suggested by The Economist in section 2.1.3) is that they were at first advertisement-free. These criticisms of adverts within podcasts could also be applied to sponsorship.

3. Methodology

3.1 Research philosophy

This Management Research Paper will take a phenomenological approach, as opposed to a positivist one. Phenomenology is described by Swetnam as “an extreme subjectivist, qualitative mode of enquiry” (1997), as opposed to the positivist approach which requires “quantifiable observations that lend themselves to statistical analysis” (Saunders et al 2000). While financial data showing the relative successes of various podcasting revenue models would easily lend itself to a positivist approach, this paper is to deal with ideas for the future that have not yet been fully implemented, and so there is no quantifiable data of this sort that is suited to this sort of statistical analysis.

Phenomenology, on the other hand, allows the examination of social trends and industry thought - what Saunders calls “the details of the situation [in order] to understand the reality [...] working behind them” (2000). Given that this approach is more based on qualitative data it is useful for discussing topics such as whether consumers will be accepting of a particular method of podcast monetisation. It is obvious that a positivist approach is not suitable for this sort of study of consumer thought and behaviour that requires subjective interpretation of the data available. Such an interpretative approach is said by Riley et al to be particularly suited to situations of a “variable rather than fixed nature” (2000). It could be said that consumer preferences – as opposed to something as black and white as financial data – is one of these variable situations.

3.2 Research approach and methods

As there is little academic research about podcasting at present, and very few theories governing the medium, I will be using what is known as an inductive approach. Saunders et al describe this approach as one which “collect[s] data and develop[s] theory as a result of the data analysis” (2000) This is as opposed to the deductive approach commonly used in scientific research, which is governed by pre-existing rules that “provide the basis of explanation” (2000).

Further, as this paper sets out to approach a solution to an issue that exists now, a cross-sectional approach will be used. This will involve, as Saunders et al explain, “the study of a particular phenomenon at a particular time” (2000) compared to a longitudinal approach

that looks at changes and development in the area of study over a period of time. In addition to the obvious time restrictions on this paper due to its deadline, a longitudinal approach is not appropriate as it is hoped that this paper will provide some degree of guidance to podcasters as to how business models may be applied in future. A longitudinal approach may be less useful for this as it would involve watching the organic development of podcast business models, rather than using research to come to quicker conclusions.

As indicated by Swetnam's assertion above regarding the phenomenological approach, this paper's research will be primarily, if not wholly, qualitative. This will take the form of semi-structured interviews with people knowledgeable about podcasts (exactly which people is expanded upon in section 3.6, below). A more quantitative approach was rejected as Corbin and Strauss say that this style of research is too shallow to allow understanding of cultural values and social behaviour which “require interviewing or extensive field observation” (1998) of the sort that occurs with a qualitative approach. This is especially pertinent given the extent to which this paper is to discuss consumer behaviour, as outlined previously.

Regardless of what experts say during interviews, the success of any particular business model will of course be dependent on consumer reaction to and acceptance of it. For this reason, gathering information from lay consumers was considered as part of this Paper's research methodology. Both focus groups and more quantitative methods such as surveys were considered. Eventually though, the idea of using consumers as part of a research base at all was rejected. It was felt that public knowledge of podcasting is not sufficient enough to provide any useful feedback beyond that which any expert might reasonably assume the consumer would make. Furthermore, surveys of any sort would prove somewhat difficult. Given the global nature of podcasting, the range of topics covered by podcasts, and the consequently hugely varied demographics involved (as well as the aforementioned suspected lack of knowledge amongst the public) it would be difficult to create a representative sample for surveys/questionnaires to use in this way.

In addition, a method of direct observation or case study was considered early on in the planning of this Paper. It was felt, however, that podcast business models are at such an early stage of development that a case study could only provide a limited amount of insight into what the future may hold.

3.3 Preparations

The main preparation for the interviews is the research that has been included in the literature review. However, when interviews have been confirmed further preparation will take place by reading up about the interviewee's organisation and any podcasting activities he or she is involved with. Furthermore, interviewees will be prepared so that they fully understand the purpose and aims of the interview by being briefed on my MRP via e-mail before the interview takes place.

3.4 Interview style

Interviews will be conducted in person if possible as this allows for collection of data other than an interviewee's verbal responses to questions, such as body language or facial expressions. However, this may not always be possible for logistical reasons, and so in these cases phone interviews will be conducted. This is of course not ideal as disallows the collection of the above non-verbal responses, but will have to suffice if it is all that is available. E-mail, online messenger and similar will be avoided if at all possible as, in addition to the disadvantages of telephone interviews, they do not even show the subtleties or nuances in tone of the human voice. Further, e-mail is an asynchronous medium, which may allow interviewees too much time to think about their answers. This could result in answers being less truthful or accurate than they would otherwise be as interviewees attempt to be diplomatic or give what they perceive as a correct answer, rather than what they truly believe.

Interviews will be tape recorded in order to ensure accurate transcription, and to allow the interviewers to concentrate on questioning and taking part in the interview. However, notes will also be taken on any particular body language or non-audible factors of the interview that may be relevant. It is recognised however that use of a tape recorder may inhibit the interviewee to some extent, and this will have to be taken into account in this paper's Findings.

The semi-structured interview technique described in section 3.2 will primarily consist of explaining each potential business model to interviewees and discussing their thoughts on and reactions to it. The interviewer will endeavour not to bias the interviewee by discussing the interviewer's own view before having heard the interviewees. Easterby-

Smith et al also suggest that this end can be achieved by asking open questions (1996) although subsequent probing questions will also be asked in follow-up in order to ensure answers of sufficient depth are obtained. Easterby-Smith et al give examples of ways this can be done as simply repeating the initial question, or repeating the interviewee's answer in their own words (1996).

3.5 Analysis and interpretation of data

Main analysis will include transcription and thorough reading and re-reading of interviews, attempting to find patterns in the interviewee's answers and relating any such patterns to the potential business models outlined in framework suggested by the literature review and summarised at the end of this Methodology. This will be based on the summary given by Riley et al (2000) of the seven main stages of the method of working with interview transcriptions put forth by Easterby-Smith et al (1996). These stages include familiarisation (“read and re-read data” (Riley 2000)), reflection (“establishing relationships between your data and previous research” (Riley 2000)) and conceptualisation, as well as the cataloguing and linking of concepts.

It should also be noted that of the two main ways of analysing qualitative data suggested by Easterby-Smith et al (1996) – content analysis and grounded theory – the latter has been chosen. This is because Easterby-Smith et al describe it as using “feel and intuition, aiming to produce common or contradictory themes and patterns from the data which can be used as a basis for interpretation” (1996). Content analysis's reliance on the frequency and recurrence of certain words and phrases is not, it could be argued, well matched to the interpretative phenomenological research philosophy described above that deals in subjects that Riley et al say are “variable rather than fixed nature” (2000).

3.6 Research base

An initial analysis of the research base showed that there were potential interviewees across a range of varied sectors related to podcasting. It was thought that interviews with people from the following areas may be useful:

- **Digital distributors/retailers** – online retailers such as iTunes (Apple) or digital distributors like The Orchard, although not producers of podcasts themselves, could play a key role, and potentially stand to gain from, a profitable podcast business model.

- **Technologists / podcast software developers** – although it is known to many people as an entertainment or information medium, podcasting is at heart a technology. As with much of the music and entertainment industry at the moment, to move forward as a business may require the development of further technologies. For this reason, it may be useful to consult with those that have been involved in the development of podcasting technology in the past, and are likely to be involved in any future developments.
- **Podcast producers** – the people who create the content itself, including those involved with different types of podcast, in order to get a truly representative spectrum of views. Such people could include interviewees from a podcast provider also operating in the traditional broadcast audio sector (eg. radio), a podcast provider from an organisation that has not traditionally worked with audio (eg. newspapers), and the producer of a podcast that has already successfully been monetised.
- **Advertising agencies** – much of the monetisation of media has in the past relied on advertising of some form, as do some of the business models outlined in this Paper's literature review. It may be useful to consult with agencies involved in advertising to gain their view of how it may be applied to this new media form.
- **Advertisement-supported music companies** – organisations such as We7 (UK) and Spiral Frog (US) provide MP3s by big name, major label artists for free to the consumer, with the catch being that these tracks have targeted adverts embedded in them. Do companies already operating under this business model think it could also be applied to podcasting?
- **Writers of previous academic reports into podcasting** – likely to be knowledgeable of a range of issues affecting podcasting, they may be able to contribute some of the thoughts they've had since the publication of their papers.

This is of course a large potential research base. Ideally, a thorough investigation into podcast business models would take into account all the factors involved, and consequently would involve interviews with people from most (or all) of the areas outlined above. Due to the restrictions in place on the writing of this paper, however, (eg. time, money, access to some of the people outlined above) this is not possible, and so this paper will concentrate on the conclusions that can be made based on a narrower research base.

Firstly, I will rule out talking to technology experts or software developers. While their perspective would no doubt be interesting and useful, they are somewhat removed both from this Paper's subject matter (essentially, business), and my own academic discipline of arts management. The input they could provide will be borne in mind, however, when suggesting further research at the end of this Paper.

If it is decided that an advertising-related business model is the best way for podcasting to progress, it may be useful to talk to both advertising agencies and advertisement-supported music companies. At this stage however, it is uncertain as to what role advertising will play in podcasting's future, and so to talk to them during the research of this paper may be premature. Similarly, digital distributors are perhaps an excessively narrow slice of those who will be using or implementing a podcast business model.

For these reasons, the research base will be restricted to those who are involved in the production and provision of podcasts. Unlike distributors, who it could be argued operate as accessories on the periphery of podcasting, content providers are at the core of the medium, and are likely to have a good overview of the various issues involved. However, I must be sure when choosing podcast providers to interview that these have sufficient knowledge of the business/industry side of the medium to be of use, eg. not talking to the “on-air talent”, but instead the management or businesspeople behind them and their productions.

3.7 Which business models should be evaluated?

Having detailed a wide range of existing business models in the Literature Review, it is appropriate to look at which of these could be applied to podcasting and if they are consequently worth evaluating further in the main body of this Management Research Paper.

- **Advertising** – as described in the Literature Review, there are a number of podcasts currently making attempts at monetisation using an advertising-based model. Further, given the similarities between podcasting and other forms of media, particularly radio, this model warrants further discussion.
- **Markup** – information or entertainment products like podcasts are not generally bought from wholesalers and then resold via retail in the way that physical goods

are, and so the markup model is not appropriate for this paper.

- **Production** – this could easily be applied to podcasting by selling the podcast file to the consumer at a one-off fee larger than the cost of producing the recording in the first place.
- **Referral**– it is possible to embed links to webpages within podcasts so that when they are listened to on computer the listener will be told (both audibly and on-screen) that they are able to follow a link, which will be displayed within the audio playback software being used (eg. iTunes etc.). The referral business model could consequently be applied, with purchase links being offered within a podcast to download songs played or purchase products associated with topics of discussion on the show (eg. Amazon affiliate links in a book review podcast).
- **Commission** – in terms of how it may be applied to podcasting, commission differs little from referral. The main difference would be whether funds are collecting for all referrals, or only those resulting in sales. For the purposes of this paper though, they will be treated as a single model.
- **Subscription** – one of the most obvious potential business models, and one that has had a degree of success for podcasting in the past, it is worth evaluating the problems and future this method may have.
- **“Freemium”** - the idea of offering a basic version of a podcast for free, with an enhanced or extended one available for a fee sounds initially as though it may be workable. However, there are obvious weaknesses in this model; people may use only the free version, never upgrading to the paid one. In addition, before this method can be considered one must come to a conclusion as to whether any sort of direct charge to the consumer (such as the merchant model) can form part of a podcasting business model in the first place. For this reason, the feasibility of “freemium” as a business model in itself will not be considered.
- **Fee-for-service** – as this is based on a variable charge to the consumer dependent on their consumption, it could be used as a variant of the subscription model (or others) rather than as a model in itself. Rather than a flat-fee for “all you can eat” access to podcasts, levels of tiered pricing could be introduced. This method of variable pricing may be discussed with interviewees as part of other models, although it will not be discussed as a model in and of itself.
- **Cross-subsidies** – this is a model sometimes used at the moment, with companies producing free podcasts in order to promote sales of their usual product. For

example, Nintendo produced a podcast about the eagerly anticipated Legend of Zelda videogame. However, this Paper is to investigate models that can offer a revenue stream in their own right and so, while it is acknowledged that cross-subsidies are an important part of podcasting as a medium, they do not warrant further investigation here.

- **Zero-marginal cost** – it is true that podcasts currently being given away for free are operating on a zero-marginal costs model. It does not offer an income stream in itself though.
- **Labour exchange** – it is realistic to imagine some podcasts operating on a labour exchange system in future whereby a brief amount of the user's time or efforts are exchanged for access to a podcast, as explained in the Google example above. This is a somewhat new idea, but given the newness of the medium it is worth discussing slightly more innovative business models to gauge the reaction of those working in the field.
- **Gift economy** – as this paper intends to find a financially profitable business model, it is not appropriate to further examine the “gift economy” model as a possibility.

Having now excluded some of the previously examined business models from inclusion in the rest of this Paper, it is worth further simplifying the remaining selection of models in order to provide a framework that can be easily explained to, and discussed with, interviewees. For this reason, referral and commission will be treated as variants on the same model, and referred to simply as the “commission model” throughout the Paper.

Furthermore, it is the opinion of this writer that the use of advertising in a podcast is very similar to having a single company or product sponsor the whole show; both involve a third party paying money for exposure in the podcast. From this point on, “the advertisement-supported model” will refer to the use of sponsorship or traditional “commercial-break” style advertising.

Finally, due to the similarities in how the mark-up model and production model would operate if applied to podcasts, and to prevent confusion with their potentially misleading titles, the production model shall be referred to as the “merchant model”. As explained in the literature review, this was the alternative name Rappa gave to the markup model. It

also makes clear how under this model, each podcast is simply sold for a one of fee, like buying a CD or DVD from a shop in the traditional entertainment economy.

3.8 A framework for research

The following models will be evaluated in pursuit of an answer to the question “can a profitable business model be found for podcasting?”:

Labour exchange

Advertisement-based (sponsorship/traditional ads)

Commission

Subscription

Merchant

4. Findings and analysis

4.1 General

Before any analysis of this paper's findings begins, it should be noted that early on in the research it was found that the proposed methodology of solely interviewing those involved in the actual production of podcasts was too narrow a research base to yield useful results. It proved difficult to secure interviews with a sufficient number of people. For this reason, it was decided to widen the research base to include people in other areas related to podcasting, as defined in the methodology. Including people from separate fields has the added advantage that they may triangulate or corroborate each other's views. Interviews were carried out with the following people:

- **Mark Fox** (Phone interview).
- **Ben Hammersley** (In-person interview).
- **Tony Hughes & Simon Sprince** (In-person interview).
- **Mike Walsh** (In-person interview).
- **Tony Colman** (Interview via e-mail correspondence, as he was unavailable for face-to-face or phone interviews).

Further information on and biographies of the above are available in section 7.1 of this Paper's Appendices.

A number of other people were approached who were either unwilling or unable to participate in the research. None of their responses declining to be involved gave any reason that would prove useful to the research – had they given a response such as “our company is working on an innovative new business model and I am unable to comment publicly”, this would of course have been worth including in these findings.

This Paper attempts to show all findings and opinions in relation to the specific proposed business model that they address (below). However, analysis of all interview transcriptions shows that there were two recurring themes that applied to this Paper's question as a whole rather than any specific business model. These were:

- Whether finding a business model for podcasts defeats the object of many organisations use of them (as promotional tools) in the first place.
- That looking for a single business model to apply to all podcasts in the way there is a

single business model for broadcast radio (ie. advertising) may not be the correct approach.

The first of these was summed up succinctly by Tony Colman, who believes that “in general, as soon as you try to monetise podcasts, you come against 2 massive problems, [one of which is that] you drastically cut your audience which makes it not worthwhile” (Deamer 2008 e).

Mark Fox concurs, stating that:

“I think you'll lose a big proportion of your audience by actually monetising them and you may actually hurt your other revenues through that. It's one of those things where, in a young market, it'll just be trial and error to try to figure out what overall gives the best overall revenue, not short-term revenue but what's best for your fanbase overall”.

(Deamer 2008 b)

There is still not a consensus on this point however, given that Tony Hughes disagrees. When asked if the use of podcasts for promotion or revenue is an either/or proposition, he said, “I don't see why you can't do both. [...] It entirely depends on the context of what you're trying to achieve” (Deamer 2008 c).

He continued this idea about a successful model being dependent on context (the second of the above points) with what I took away as one of the key quotations from my interview with him:

“I don't think there's a definitive [single business model], I think for different niches there's gonna be different markets, and as Si [Simon Sprince] said it's all about the desire of the consumer to get that”.

(Deamer 2008 c)

Hughes also gives examples of this, suggesting that it would be difficult to interrupt a hard-hitting news piece with a light-hearted sponsorship slot, while this may be completely possible on a light entertainment show.

While my initial approach to the question was that podcasting is a new technology and new form of media, Ben Hammersley also says that this is the wrong way to view things. He says that methods of monetising podcasting may be no different to those used in radio, as podcasting is simply time-shifted radio. He says to forget about the technology, as there's nothing particularly special about downloading or RSS feeds – they're just new ways of consuming content that has always existed (Deamer 2008 d).

Tony Hughes sums this idea up very well:

“You can get technology to do anything can't you? It's about finding a niche, and finding a need that someone might have, and that's your opportunity. It's not about the technology a lot of the time, it's about the idea, and the technology comes after. A lot of the worst ideas are technology led”.

(Deamer 2008 c)

I believe this will be a key point to bear in mind when forming conclusions about podcasting business models.

4.2 Merchant model

When first questioned on the viability of this model, Mike Walsh of X-FM says:

“I would like to think [people would pay on a per-podcast basis], because obviously we would like to think that our content is so engaging that people would want to do that! The reality is: would they? Because you are then talking about effectively asking someone to buy something that is actually free-to-air”.

(Deamer 2008 a)

With reference to the merchant model, Tony Hughes takes a different approach. Rather than charging for content that is otherwise available free-to-air, he says the success of a merchant model depends on offering unique content. He gives the example of an NHS specialist who approached his company to produce a podcast demonstrating a little-known surgical technique, saying that although “theirs' wasn't a money making idea – it could be a money-making idea, [and] if they were doctors in the states it probably would be” (Deamer 2008 c). Perhaps this is an example of the sort of engaging content Walsh mentions. It

should be noted, however, that there may be some element of bias in Hughes' response: given his company's involvement in this area, he is likely to view it favourably. However, he does continue to provide an interesting possible answer to Walsh's above question:

“So anyone who's got privileged information, whether it be a thought, a philosophy, a way of doing business, and wants to get it out there, people will pay for”.

(Deamer 2008 a)

This suggests that the successful use of the merchant model may rely on content that is not otherwise available free-to-air. It should be noted that throughout his interview Hughes shows a keenness for the use of micropayments (small payments made automatically upon accessing content) in the media industry. Other interviewees may not have been considering such small sums (he suggests 10p) when discussing the merchant model. The economic viability of the suggestion that such podcasts may be sold for a price of 10p needs to be considered in this paper's conclusions.

Further, while Tony Colman of Hospital Records does suggest that it's too late for a paid-for model because “the model everyone expects is free” (Deamer 2008 e), he agrees with Hughes in conceding that there may be space for the merchant model if “it's for a technical podcast about deep sea cobalt mining etc. - something very specialised” (Deamer 2008 e).

Simon Sprince expands on this idea that niche or unique content is necessary for a merchant-model, giving the example that, as a Led Zeppelin fan it would have to be Jimmy Page (the band's guitarist) doing a podcast every week for him to want to part with cash as opposed to getting content for free via another model (Deamer 2008 c). While this view is useful in triangulating the above points about specialised content, we must remember that Sprince was being interviewed simultaneously with Tony Hughes, and may consequently have been unable to express his own opinions without influence. The fact that they are both part of the same organisation also means that their individual views should not be given the same weight as those of other individuals interviewed for this paper.

Mark Fox concurs with Tony Colman that a culture of free already exists around podcasts:

“I think people largely expect podcasts to be available for free and that might be a

barrier to starting to charge for them, but if you provide something of value, again I think audio tours of cities would be a good example, people are quite happy to pay for that”.

(Deamer 2008 b)

He goes on to explain the importance of differentiating the content from that available elsewhere, saying he feels the merchant model may be successfully applied to his example of audio city tours because they offer numerous benefits over the alternative of following 20 other people and a tour guide – a good example of such differentiation.

4.3 Labour exchange model

This proved to be quite controversial among interviewees, with strong views both for and against. Mark Fox fell into the latter camp, suggesting that:

“it's largely unsustainable and there's other methods that are far more attractive to people. And again, when people are listening to podcasts they're likely to be doing other things, and I think the sort of people who listen to podcasts probably regard themselves as somewhat educated and above those sort of menial tasks”.

(Deamer 2008 b)

It should be borne in mind, however, that as an economist Mark Fox may take a slightly traditional view of the sort of ways people are willing to pay for information goods. I found throughout my interview with him that although, as a PhD graduate, he is of course hugely knowledgeable of the business workings of new media, he had less of an understanding of the technological or user experience sides. In the above quotation he is commenting on the user experience in a way that, I believe, may show a lack of understanding of how people use and consume new media. This may be supported by the fact that Mike Walsh, who in his role as Head of Music is quite involved in the ways consumers access content, was quite enthused in his support for the model:

“I think it's the kind of thing that, as long as the content is engaging enough, then yeah I can see consumers wanting to do. As long as what they're doing for [the content] is in some way rewarding and related to the content, which I guess it would be. So yeah, I can really see that.”

(Deamer 2008 a)

Ben Hammersley simply gave a quite emphatic “No!” at the initial suggestion of a labour exchange model, subsequently explaining that with such a model:

“there's a massive mis-match between the perceived value of the little thing that you've done and the value of a half-hour long program. Mechanical Turk [a similar model currently in use by Amazon] works because it's a game, and you can see your score going up and you might as well. It's like playing Scrabble on Facebook, you just wanna see your score go up. Whereas quality media, you either get it for free, ie. you turn on the radio, or you pay a lot of money for it”.

(Deamer 2008 d)

This is a similar user experience argument to that put forward by Mark Fox, but I believe it has more credibility coming from a technologist who, owing to his work as a technology correspondent for national newspapers, will also have an understanding of how lay people may use such new media.

After some further explanation of how the model would work, with the labour required from the user being presented in a fun and relevant way, he did become less sceptical, but still said that, similarly to some of the suggestions made regarding the merchant model above, “if you charge a premium, whether that's in cash or effort, the thing that you're getting out of it better be awesome” (Deamer 2008 d).

Similarly, Tony Colman believes that similar problems apply to a labour exchange model as a paid-for model, ie. “the reason podcasts are so successful and popular is that people feel like they are getting something for nothing” (Deamer 2008 e).

4.4 Advertisement-based (sponsorship/traditional ads) model

When asked about how the broadcast media model of advertising (a particular area of his expertise) could be applied to podcasting, Mark Fox thought that owing to the specialised nature of many podcasts they allow adverts to be better targeted. He said that the audience

“is more likely to listen to whatever advertising you include in a podcast than they would do if it were on a radio show. [...] The trick is not to make advertising too intrusive or too long. Sponsorship is one way of doing it, like sponsored shows, or like just keeping it brief. 15 seconds can sound like a long time. And if you go beyond that I think you'll start annoying people”.

(Deamer 2008 b)

Other interviewees also showed this leaning towards sponsorship, rather than commercial break style adverts. Mike Walsh was questioned on how the problem of users fast-forwarding through or skipping adverts in podcasts (which they are of course unable to do with radio) could be overcome, and suggested that

“there will be a way in which you can get podcasts sponsored in a clever way. In fact, you know, it happens all the time in this building actually. So we've got some people upstairs called Creation who make a lot of podcasts and they will do like, you know, the Ford Galaxy Guide to Restaurants podcasts [...] So I can see it being one of two things: you know, it's the old sponsorship of a program model where the sponsor is weaved into the content, or you pay a subscription to avoid that”.

(Deamer 2008 a)

Later in the interview Mike and I agreed that this method has many parallels with product placement. Tony Hughes later bought up the idea of product placement-style sponsorship in podcasts, explaining the importance of respecting the audience by marketing products that are suited to a podcast's specific demographic in a way that fits with the content the user is enjoying and potentially offers some form of added value (Deamer 2008 c). He added that he believes the sort of audience that consumes podcasts is media-savvy enough to be aware and understanding of the fact that some form of monetisation is necessary. His colleague Simon Sprince was similarly quite keen that sponsorship, rather than commercial break style advertising was the simple answer to the question of how one can monetise a podcast, saying:

“It's just like when programs used to be sponsored back in the 50s – Brighto toothpaste brings you The Simpsons. And I think that's how you monetise it – you've gotta develop something that fits with a brand. It's knowing your audience

isn't it?".

(Deamer 2008 c)

Hughes also gave some examples of what the “clever way” of avoiding the problems of users skipping adverts (as hinted at by Mike Walsh) may be, drawing parallels to television hard-disk recorders by saying that although they do allow people to skip adverts, people end up consuming more content by using them. They won't always skip the adverts, and will ultimately end up being exposed to more of them. He adds that having the public consume more content also allows the more efficient use of product placement as more people are watching programmes. In essence, Hughes believes that the fact that podcasting allows people to consume more content, even if this is sometimes without the intended advertising, is beneficial to those taking payment for advertising (Deamer 2008 c).

On the same topic, Ben Hammersley proposed that any problems of people skipping over adverts could simply be factored in to the pricing structure of such advertisement-space, suggesting that a similar structure is currently in place for television advertisements, and that much of the answer would lie in making adverts unskippable, not in terms of the technology, but because they are useful or valuable content to the listener. While this is very much in agreement with the sentiments of other interviewees, it should not be taken as gospel on its own. While this is true of any interviewee's views, it is especially true in this case given that, as discussed previously, Hammersley's area of expertise is on technology and user experience, rather than advertising. His opinion is given somewhat more credence by the fact that others more specialised in this side of media (Hughes and Sprince in Deamer 2008 c) offer similar judgements.

Again on the topic of whether users would actually listen to adverts in podcasts, Mark Fox also thought that owing to the different ways people consume podcasts when compared to television via a hard-disk recorder, people skipping through adverts is less likely to be an issue with the former than the latter. He said “intuition tells me that people are less likely to skip forward because of the relative briefness of the ads, and the potential for actually wasting time by misjudging it and having to go back” (Deamer 2008 b). His summary at the end of my interview with him also singled out that he saw a sponsorship-based model as the one with the most potential, although it should be noted that he didn't really think

the medium offered great profit-making opportunities in general.

In addition to his comments above on sponsorship, it is particularly noteworthy that before I had chance to raise the topic Simon Sprince suggested it himself as an alternative to a paid-for model, saying

“you can create a podcast round any subject now, and you just do it because that's what you like doing, there's a global market online, iTunes and so on, and if you can market it well you can get it up there. The business model is around offering a sponsorship opportunity around that, it's not about consumers paying to be part of that podcast”.

(Deamer 2008 c)

4.5 Commission model

There was much discussion of a commission-based model in my interview with Ben Hammersley, in which he voiced 2 main concerns:

- The nature of the model dictates that it will work best with products that can be bought online to satisfy an immediate want (eg. MP3s), as opposed to those where advertising is intended as part of a brand-building exercise, not an immediate call to action. This consequently excludes industries that traditionally spend a large amount on advertising and have high-cost products (which obviously increase the amount of commission available): clothing, cars, perfume, luxury goods. In essence, the revenue streams provided by this model would be very limited.
- If podcast producers were to receive commission based on sales of products advertised during their show, would this affect editorial content? For example, would product reviews remain unbiased?

(Deamer 2008 d)

As mentioned previously, although Hammersley is very knowledgeable about the media as a whole beyond his field of specialisation, advertising is not his area of expertise. It would therefore be difficult to place too much importance in his subjective views on this subject. However, the idea that people are unlikely to buy high-value products through a click-through advertisement, while not backed up by any particular research, does seem logical

enough to believe.

While his second point is reasonable – editorial content may indeed be compromised by financial concerns – this seems to call into question the whole media industry practice of using any sort of advertisement funding. It is acknowledged that there may be more potential or incentive for corruption when the content producer themselves stands to benefit from increased sales on a commission basis, but it is outside of the scope of this paper to evaluate to what extent this is the case. Given Tony Hughes' assertions above that consumers are media-savvy enough to understand and appreciate the commercial need for advertising and similar, Hammersley's second concern will be taken into account, but not viewed as a major issue with the model. Furthermore, while space precludes its inclusion here, this Paper's appendix does include a lengthy discussion (as part of my interview with Hughes, Deamer 2008 d) on how shows such as *Seinfeld* and *Curb Your Enthusiasm* are able to include product placement, advertising and so on unobtrusively without compromising their integrity or alienating their audience, concluding that doing so is indeed possible.

(One should note in addition that, while the topic of how advertising affects consumer trust is also applicable to the sponsorship/advertisement-based model, it is examined here due to its pertinence in evaluating Hammersley's concerns).

Mike Walsh explains that XFM currently operates a limited commission-based model via their website, rather than directly through podcasts, stating “I guess we do it to a degree with iTunes actually; we get a kickback from iTunes for people that we send to iTunes” (Deamer 2008 a). He does however concede that XFM and parent company GCAP would like to further investigate this area. Tony Colman's main criticism of this model, however, is that it would drive both online traffic and attention away from Hospital Records – the opposite of their podcasts' key intention, monetised or not (Deamer 2008 e). Mark Fox also pointed out that “because of the nature of the content people might have it going while they're doing other things, so they're relatively unlikely to click through, and I imagine if you were to try that the click through rate would be very low” (Deamer 2008 b). He believed that even if these podcasts were listened to at a computer, many users would be multi-tasking and so the same affect would be felt.

4.6 Subscription model

Mike Walsh of XFM gives his take on the subscription model follows:

“Something that I do believe is going to become more prevalent, and how XFM fits in to this I've got some ideas that we trying to kind of navigate at the moment, is artists doing business through their own websites. So if you're a fan of, I dunno, Manic Street Preachers, why wouldn't you pay a monthly subscription to their domain that is everything you ever want from them? [...] I do believe that that's how business will be done in future”.

(Deamer 2008 a)

Mark Fox says of the subscription model “I think to a large extent [in order to be a business proposition] it needs to be content that's different to what's offered through other mediums” (Deamer 2008 b), because many of the examples of podcasts in his previous papers have been for content that is already available on radio and “if I can get this content elsewhere for free, why should I pay for it?” (Deamer 2008 b). This ties in very well with what Mike Walsh says on the subscription model above, and his (and Hughes') earlier thoughts on the merchant model that people will not pay for content that is also available free-to-air.

Tony Hughes goes some way to rejecting the idea of a subscription model altogether, saying

“I don't think people would subscribe to [podcasts], I think it works better with a one-off. [...] Why would I pay 20 quid to The Guardian when I don't know if all of those topics are going to be relevant to me? I've got increasingly less time to look at all this stuff...”

(Deamer 2008 c)

Ben Hammersley states that “I would say [subscription's] the business model that's really good” (Deamer 2008 d), for two key reasons:

- “psychologically it's cheaper” (Deamer 2008 d) - it's easier to get the user to pay £20 for 6 months subscription up front than it is to get them to pay 79p per week for 6 months.

- “it just ties in with podcasting, because you want it to be automatic. Y'know, downloaded, you wake up in the morning and it's there” (Deamer 2008 d).

He further expounds on the consumption of the medium in one-off chunks as opposed to serial form, suggesting that some podcast content more readily lends itself to a subscription model. He gives the example of a series of stand-alone programmes like Melvyn Bragg's *In Our Time* (offered via podcast from BBC Radio 4) versus episodic content like Russell Brand's Radio 2 podcast, which requires listening over multiple weeks to get the full enjoyment and is thus well suited to a subscription model. He also adds that people are more likely to want archived previous instalments of shows like *In Our Time* where each instalment is completely self-contained, and these could be offered individually under the merchant model (Deamer 2008 d).

5. Conclusions

5.1 General remarks

A secondary result of the interviews carried out for this Paper is that a lot of opinions have been discovered on the topic of how each proposed model could be implemented, rather than which of them would be best economically. One might conclude from this that those involved in podcasting have more expertise on the user experience and technological sides of the argument than the business side. Much of the development of podcasting in future may therefore be done on a trial-and-error basis of testing consumer response rather than a strategic and systemic approach to increasing revenue – a suggestion also put forward by Mark Fox (Deamer 2008 b).

It must be acknowledged that at this stage in the medium's development, there are few people who are knowledgeable about both podcasting and financial matters. This is reflected in this Paper's selection of interviewees. Further research may benefit from discussions with someone who is au fait with the general media business, even if they lack a specialisation in podcasting. This Paper's methodology could have benefited from targeting such a person to be involved in the research. Otherwise, it is felt that the research methods employed were generally appropriate and successful. However, the previously rejected consumer focus groups or questionnaires could now be employed to further confirm or augment the conclusions.

It can also be concluded that an holistic view of various elements (including podcasting, technology, marketing, business, consumer behaviour) is necessary in analysing this topic. While all interviewees are experts in their respective areas, few had studied the various fields involved in the same depth as the writer of this Paper.

5.2 Merchant model

As is clear from the Findings section of this Paper, it is generally felt that if the merchant model is to be successful, it will need to offer unique and somewhat exclusive content. Furthermore, there will likely be a negative consumer response if podcasts that were once available for free start charging for access.

Based on these two points, it would be very difficult to simply apply the merchant model to

podcasts that are already available in an attempt to monetise the existing content, infrastructure and market (eg. one cannot charge for a podcast of a radio show that is also available free-to-air). It is interesting however that television hard-disk recording systems like Sky+ effectively do this by charging a subscription fee for the right and ability to record previously free-to-air programmes. Further research could be done into why consumers may view this differently to a merchant model.

There is no consensus, however, as to what price the merchant model should charge if it were to be implemented. Many of the discussions with interviewees used 79p as an example price, given that this is the cost of downloading a single track from iTunes. This is a somewhat arbitrary figure however, based on the cost of production for the music industry rather than the broadcast media industry. Further, a markedly different method of charging “micropayments” was also suggested. Simple financial calculations show that this is only likely to bring large revenue streams for content that is consumed by a large number of people; this is in stark contrast to the suggestion that a premium could be charged for exclusive or niche content.

Consequently, this Paper has had a degree of success in suggesting how the merchant model may be applied in a way that is palatable to the consumer. However, further research is necessary into an appropriate pricing structure to be used under this model, given that the costs of producing the unique content demanded may be higher than the costs of podcast production. While the merchant model may be accepted by the consumer, it remains to be seen whether it will be a meaningfully profitable proposition.

5.3 Labour exchange model

The general concerns expressed by most interviewees could be broken down into two main categories:

- Users would not be happy to complete small tasks in return for access to content.
- There would not be enough potential profit in this to make it worthwhile for content providers.

The fact that these concerns were expressed almost uniformly by interviewees from a range of backgrounds does lead one to conclude that the labour exchange model is inappropriate

for podcasting at this stage. It is arguably the best example seen in this paper of the sort of technology-led (as opposed to user or business-led) solution that both Ben Hammersely (Deamer 2008 d) and Tony Hughes (Deamer 2008 c) said should be avoided.

However, Mike Walsh's enthusiasm for this model, and the views on it expressed in the literature review (albeit not specifically related to its use in a podcasting context) do preclude one from ruling out its use altogether in the media industry. Given the reactions seen in this Paper's findings though, it is reasonable to think that it may be some time until both the industry and the consumer is comfortable enough to use this model in quantities large enough to create profitable economies of scale.

5.4 Advertisement-based model

Discussions of this model centred primarily on two topics:

- Whether any sort of advertisement-funded model was appropriate.
- If so, whether it would be better to use sponsorship of whole shows, or commercial-break style adverts.

Most interviewees agreed that an advertisement-funded model is likely to work in some instances, with some interviewees even claiming that they believe it is the model that offers the most potential for profit. While further research and possibly real world testing would be required to see if the latter of these points is true, one can conclude that some form of advertisement-funding may form part of any successful podcasting business model.

It was also agreed that the problem of consumers skipping through adverts is unlikely to be a problem in the way that it has been with time-shifted television. This is especially true if a sponsorship-based model is used as opposed to commercial-break style adverts.

Because of the sometimes niche audiences of podcasts, the success of an advertisement-based model is also dependent on having well targeted adverts that are likely to be of interest to the listener, and actually add value to the content, be it through offering additional entertainment or useful information to the listener. Ads are also likely to be better received by the consumer if they are incorporated unobtrusively and almost seamlessly into the core content.

Consequently, one can conclude that a profitable podcast business model is likely to include some element of sponsorship-based advertising.

5.5 Commission-based model

While opinion is not uniform enough to come to many definite conclusions about this model, it is felt that Hammersley and Fox's concerns about its profitability are legitimate enough to raise serious doubts about its utility as a stand-alone business model in its own right. As seen with XFM's current use of a similar commission model, there is a possible revenue stream here, but it seems to be truly profitable it will require combination with one of the other models discussed.

Despite concerns to the contrary, it is possible to operate a commission-based advertising system while maintaining the trust of the audience and integrity of the content. Any podcast producers who implement this model, however, will want to consider what the priorities of their production are (promotion or profit), as a commission-based model can divert attention, web traffic and interest from the subject of the podcast itself.

5.6 Subscription-based business model

Opinion is almost evenly split on this model. It seems that there is profit potential in a subscription based model, but only in very specific circumstances. Similarly to the merchant model, its success depends on content that is unavailable elsewhere; it will not be possible to offer a paid-for subscription to, for example, a regular free-to-air radio show.

However, for high-quality niche content, a premium subscription fee could be charged.

5.7 Summary of conclusions

- Any method of monetisation may reduce the size of the podcast's audience and detract from its value as a promotional tool for an organisation's other products.
- The negative impact of monetisation in the form of advertising or sponsorship can be minimised by ensuring this is highly targeted to the listener's interests, adds value to the content and is included in an unobtrusive and entertaining way.
- It is not possible to apply the same business model to all podcasts in the same way that an advertising model is applied across all (non-public service) television. The

choice of business model is highly dependent on context, and the type of content (rather than the medium) one wishes to monetise

- There is more crossover between the different models than expected – profitability can be increased by applying multiple models to a single podcast. This is truest in the case of the commission model, which could be applied as an additional revenue stream to a podcast operating primarily under another model.
- The business model that is likely to prove profitable in the widest range of cases is sponsorship.
- Models that require the listener to part with cash (subscription/merchant) will likely only work in the case of high-quality specialised content that is unavailable elsewhere. Their profitability may be limited by the fact that such content may have a limited or niche audience, but as such it may be possible to charge a premium price.
- Further research is necessary into:
 - How consumers may respond to the models that are concluded to be appropriate.
 - What it is that makes the Sky+ method of paying for the convenience of time-shifting acceptable to the consumer, and how this could be applied to the merchant model.
 - An appropriate pricing structure for use in an implementation of the merchant model in podcasting.
 - Exactly how much profit potential there is in the advertising model.

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7. Appendix

7.1 Biographies of interviewees

- **Tony Colman** – founder and A&R of drum and bass label Hospital Records. Produces and hosts the label's popular podcast, which is ninth in the iTunes music podcast chart at the time of writing (iTunes 2008). Also a musician in his own right under the name London Elektriccity. (Interview via e-mail correspondence).
- **Mark Fox** – economics PhD and professor of Management and Entrepreneurship at Indiana University, USA. Has written a number of papers on broadcasting and the music industry, most notably “Podcasting: a new technology in search of viable business models”, discussed in this Paper's literature review. (Phone interview).
- **Ben Hammersley** – author of 3 books on RSS, the underlying technology behind podcasts. Former technology correspondent for The Times and The Guardian, where he coined the term podcasting in 2004. (In-person interview).
- **Tony Hughes** – assistant director of the International Centre for Digital Content, a Liverpool John Moores University media lab, where he works on research and development projects with new media companies. Also established a business centre for digital media start-ups in 2002, and previously worked for Mersey Television. (In-person interview). Fellow assistant director of ICDC, Simon Sprince, also made some contributions to this interview.
- **Mike Walsh** – Head of Music at national radio station X-FM, and heavily involved in the production of their numerous podcasts. X-FM is part of the GCAP Media group which also owns Classic FM amongst others. (In-person interview).