



TechWatch – Pay to Play?

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I originally began thinking of this article when I read the announcement that Ricky Gervais had “gone paid”. This was very upsetting news to me as I saw Ricky’s podcast as one that could really bring podcasting to the mainstream. Instead, he chose to go with the pay to play model which places a wall around his content, limits his audience and, therefore, limits the relevancy of his content (or “his share of voice”).

I know what some of you are thinking and, no, this is not another rant about how podcasts should not be monetized. I am a podcaster (www.ventureweek.com) and I happen to think that podcasters should be able to make money on the content they work so hard to produce. I just wonder if charging a subscription is the way to go. Scratch that, I don’t think that subscriptions are the way to go. In my opinion, giving away ad supported content is the best method and there are two main reasons for this.

1. Share of voice is preserved and allowed to flourish.
2. People don’t mind ads and, in fact, actually prefer them to paying for content.

The first reason is a no brainer. Since anyone can download your show at any time your show will undoubtedly grow (if you are producing good content of course). Keeping barriers to your content at a minimum makes your content very valuable since it can be easily linked and discussed. For example, we always talked about the latest Ricky Gervais podcast at work every Monday and now none of us listen. Ricky has effectively been erased from our usual office conversation.

The second reason is a bit harder to prove but I, as well as many others, have always felt it was the case because it is how TV and Radio work and we have seen the success there. With that said, Ad Age put out an article recently discussing a study on people and their reaction to ads vs. pay to play for iTunes TV shows. The article shows that ad supported content is preferred to paid (I am assuming podcasts are in the same boat as the iTunes TV shows). Fred Wilson of Union Square Ventures blogged about the Ad Age article and I think he hits the nail right on the head with this comment:

“Sure a paid model will work. But its a niche business. The mass market wants free and ad supported content, the way they get it on TV today.”

It is a niche business. I don't have any numbers on this but I am sure that Gervais' audience has dropped considerably since he went paid. Now, instead of a widely loved and listened to show that could rival radio he has a niche podcast that a handful (possibly still a large handful) of people pay to listen to. I suppose the same could be said for Stern going to Sirius. His audience isn't nearly the size it used to be but he made (and makes) a ton of money so he probably doesn't care. I personally would have loved to see him (Gervais) go the completely ad supported podcast route as it would have definitely legitimized the space quickly while still making him a ton of money and preserving his share of voice.

Back to the Ad Age piece. Here is a snippet of what the article gave for stats so you can see for yourself. It is the same snippet Fred posted on his blog and I think it tells the story well.

“The survey found that 54% of respondents would be more likely to purchase an iPod if TV programs could be downloaded free of charge in exchange for watching a 30-second advertisement.

Among those actually planning to purchase a video iPod, 72% said they would be more likely to download a TV program in exchange for watching an ad. The Magid study surveyed 798 iPod owners between the ages of 12 and 55.

‘It appears that the option to download content of choice for free will dramatically increase interest in purchasing a video iPod, thus potentially increasing video iPod sales and penetration,’ the study concluded.”

Mass media should be free and ad supported. That model works and people are used to it. Even XM Radio is beginning to go partly ad supported. Media wants to be free and it is going to take a lot of work to suppress that urge (if it can even be suppressed). Rather than fighting it we should just embrace it and create the revenue by selling ads. There is no doubt in my mind that there is at least a similar amount of money to be made with ads as opposed to subscriptions (if not more) and, as a bonus, you keep your share of voice by making your content open to anyone who wants to listen.

Caveat: Some podcast subscription models can work especially if there is a value add involved. For example, if the Wall Street Journal put out a podcast version of their daily edition where I could signal the sections I wanted to read and have them sent to me automatically in a nicely packaged personal podcast everyday I would pay for that. It would be a huge time saver and would allow me to listen to the news while standing on the “L” (its hard to read a paper like that). This is a situation where I am now going without the WSJ news because of logistics so the proposed service really eliminates a pain of mine.