

Ear-It-All: The Booming World of Audio Series

Report on a New Entertainment
Category in the Making



redseer
Strategy Consultants

Dubai. Bangalore. Delhi. Mumbai. Singapore. New York

February 2024

© 2024 Redseer Strategy Consultants Confidential and Proprietary Information

Table of Content

1.0 Story of the Digital Consumer and Media & Entertainment

- 1.1 The global economy is set to grow sustainably on the back of increasing economic activity
- 1.2 Rising urban populations fuel tech adoption and digital literacy
- 1.3 Developing nations are expected to witness a skyrocketing increase in the internet user base
- 1.4 Evolution of the digital user's internet journey

2.0 Rise of Audio Streaming and Disruptive Trends

- 2.1 Digital Media & Entertainment is a sizable and constantly expanding market
- 2.2 The evolving Audio Streaming market is witnessing non-music formats making waves
- 2.3 New trends in non-music audio formats present a significant headroom for user growth
- 2.4 Audio Series is gaining accelerated popularity, with leading players clocking more than 40X growth over the last 2 years
- 2.5 Global streaming giants are experimenting with Audio Series on their platforms

3.0 Audio Series: A New Model Taking Over Entertainment by Storm

- 3.1 Users primarily listen to Audio Series to cater to their unlimited 24x7 entertainment needs
- 3.2 Three user archetypes stream Audio Series, and most are online transactors
- 3.3 Engagement in Audio Series is one of the highest in Media & Entertainment and at par with Video Streaming
- 3.4 Audio Series engagement increases as users mature on the platform
- 3.5 Users are satisfied across experience parameters in the Audio Series
 - 3.5.1 The overall consumer sentiment is positive for Audio Streaming apps
 - 3.5.2 Users across developing and developed markets rate high on recommendations for Audio Series
- 3.6 Ads on digital platforms are discovery routes for Audio Series followed by word of mouth
- 3.7 Though nascent, paid user penetration of Audio Series is at par with other entertainment formats
- 3.8 Existing user base indicates high monetization potential post-product market fit
- 3.9 Globally Audio Series is expected to have a TAM of US\$ 45-50 Bn by 2027

4.0 Ecosystem in Audio Series and Supply-Side Perspective

- 4.1 Audio Streaming ecosystem encompasses several stakeholders on the supply and distribution side
- 4.2 With increasing demand and engagement, supply is quickly catching up
- 4.3 The economy of scale will further improve unit economics

5.0 Market Outlook and Way Forward

Executive Summary

Media & Entertainment (M&E) is the mainstay of online content consumption for billions of internet users worldwide. Most begin their journey into the internet and the digital economy with M&E as an entry point. As Social Media and Video Streaming have matured over the decade, a new frontier in reinventing entertainment has opened in Audio Streaming, specifically Audio Series.

Audio Series shares commonalities with Video Series in terms of entertainment value and has the potential to evolve as a mainstream entertainment format. This can be attributed to various reasons, such as,

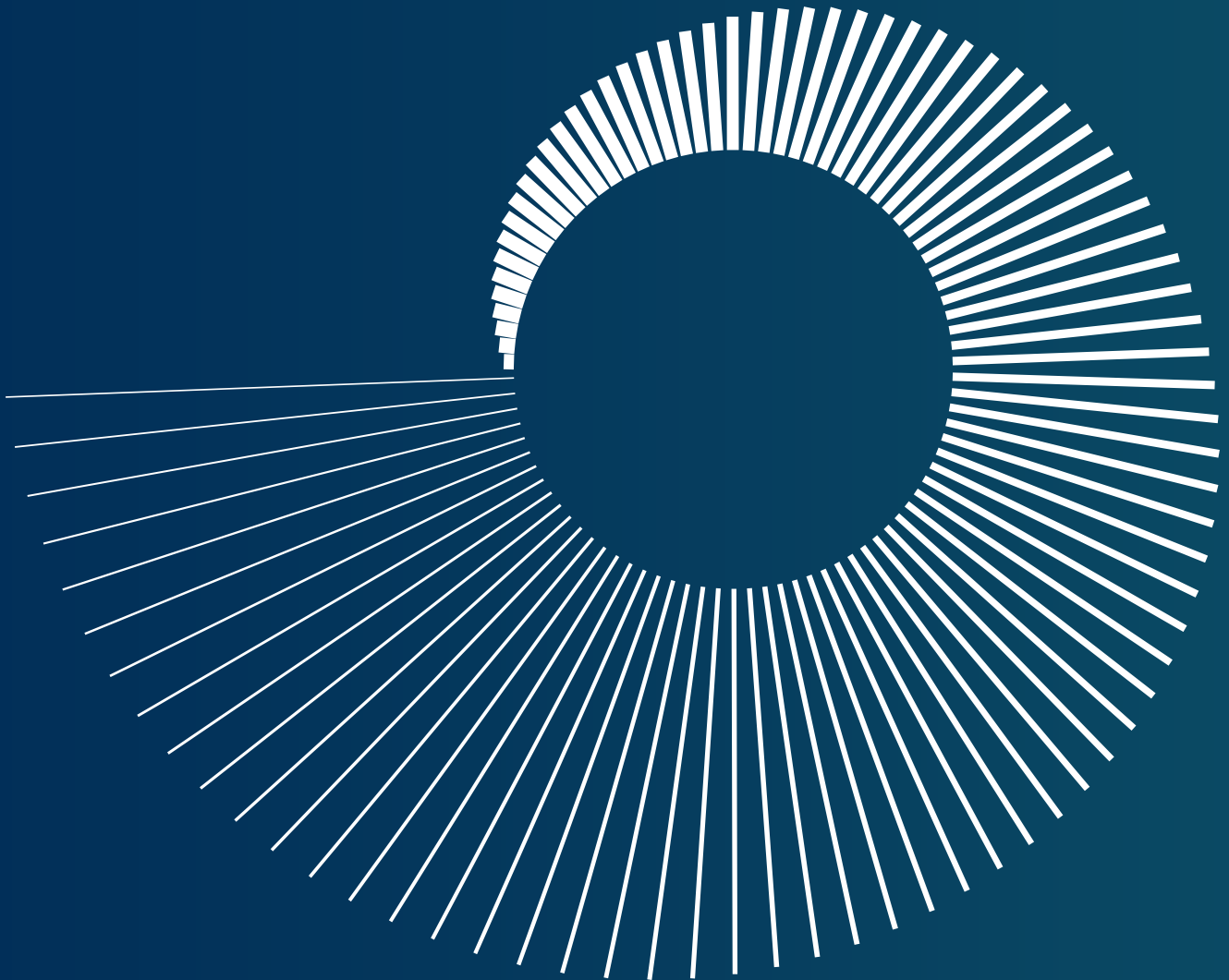
- ▶ Users expressing satisfaction across varied experience parameters such as content quality, content variety, and personalized recommendations, and more.
- ▶ Since serialized audio fiction focuses on immersive storytelling, it drives high engagement globally, and is comparable to top entertainment formats such as Video Streaming.
- ▶ Audio Series also has a higher net promoter score, with more than 50% in early adopting markets such as the USA and India.

Audio Series brings a unique value proposition with flexible, 'Anytime-Anywhere-Immersive' content to meet unlimited 24x7 entertainment needs of internet content consumers.

With ~1.3 Bn addressable users for Audio Series globally, 2023 accounted for a US\$ 21-25 Bn global opportunity, and the value is projected to grow 2X by 2027. Vertical players in the entertainment format lead the way and are leveraging creator communities for content, while horizontal incumbents in the market are experimenting with Audio Series offerings on their platforms.

1.0

Story of the Digital Consumer and Media & Entertainment



Digital M&E has progressed significantly since the Internet became mainstream in the early 2000s. In an evolving global economy, the purchasing power of the population across the globe has expanded, leading to an increase in tech adoption and digital literacy.

1.1 The global economy is set to grow sustainably on the back of increasing economic activity

The GDP of countries globally has shown consistent growth over the last few years, indicating a rise in income levels. The steadily growing GNI per capita indicates the growing buying power of the population, the opportunity for businesses to expand, and disruptive trends to emerge.

1.2 Rising urban populations fuel tech adoption and digital literacy²

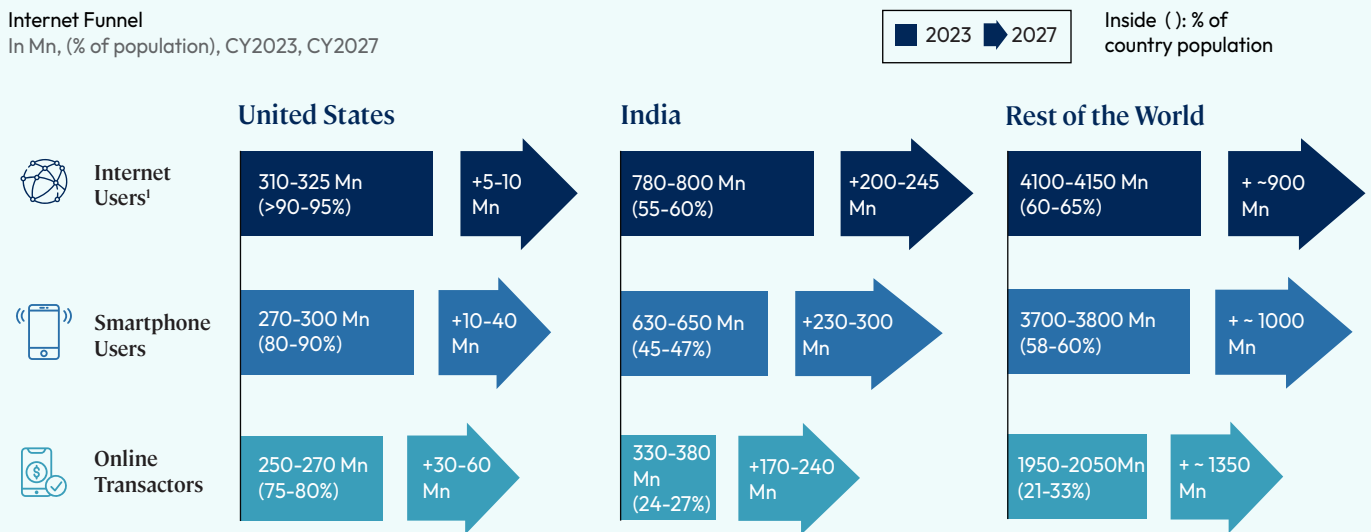
Looking closely at the averages, about 57% of the global population lives in urban centres as of 2022. Urban dwellers are more in tune with digital technologies and display a higher level of digital literacy. With growing urbanization, more people are exposed to newer technologies and trends originating from urban centres. Eventually, it leads to knowledge dissemination from the urban pockets to the rest of the country.

Moreover, with Gen-Z, comprising 28% of the global population and millennials constituting 22%, they play a significant role in driving exploration and experimentation trends. Their sizeable presence in the population (~50% of the global population) contributes to a large demographic that embraces new technologies and trends, supported by their propensity to experiment and their financial capacity. In contrast, Gen-Alpha may lack the financial means, while Gen-X may exhibit lesser inclination towards experimenting.

Finally, the growing availability of affordable smartphones, inexpensive high-speed data, and favourable government policies towards digital infrastructure, has boosted the number of internet users globally. With increasing digital literacy, internet-first businesses have emerged and flourished across sectors.

1.3 Developing nations are expected to witness a skyrocketing increase in the internet user base

Developed nations such as the United States have almost struck the internet ceiling, with more than 90-95% of the population using internet. A similar trend is expected to skyrocket the internet user base in developing countries like India and the rest of the world by 2027.



Note(s): 1.This includes only wireless internet connections.

Source(s): Redseer Research, Redseer Analysis

Reflecting on global numbers, there are currently 5 Bn estimated internet users. M&E is the entry point for most internet users into the digital space - a journey which subsequently leads to the adoption of more mature services and online transactions.

In developing countries such as India, increasing comfort with digital payments, and a sizable population of younger generation attaining financial independence are also set to boost the number of transacting users.

Note(s):

1. Urban population refers to people living in urban areas as defined by national statistical offices. It is calculated using World Bank population estimates and urban ratios from the United Nations World Urbanization Prospects.

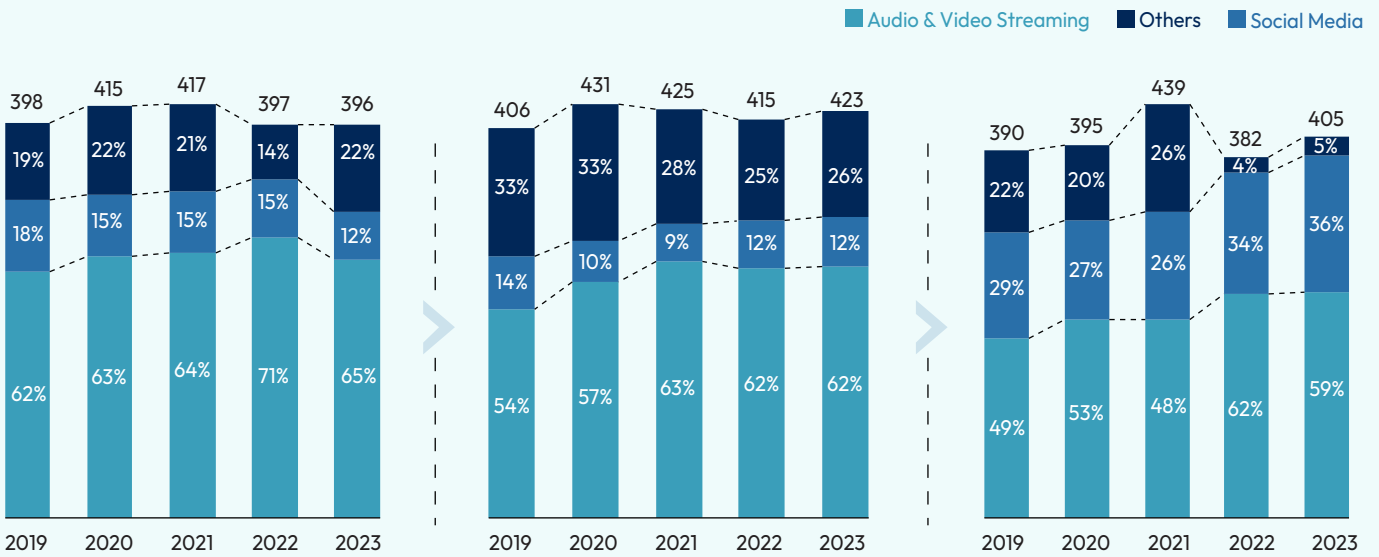
2. Digital literacy refers to the ability to navigate the digital world at least at the entry-level or first touchpoint of internet usage (e.g., online messaging, Social Media, etc.).

1.4 Evolution of the digital user's internet journey

Time Spent on the internet – by activity
(Global)
In Minutes, CY19-23

Time Spent on the internet – by activity
(United States)
In Minutes, CY19-23

Time Spent on the internet – by activity
(India)
In Minutes, CY19-23



- ▶ Largest amount of time spent online is on entertainment activities such as Audio and Video streaming or Social Media. Time spent on these segments has been growing as well.
- ▶ Large increases in time spent online were witnessed during COVID-19 due to lockdowns. We see correction in the same post-covid

Note(s): 1. Others includes activities such as e-commerce, news etc.

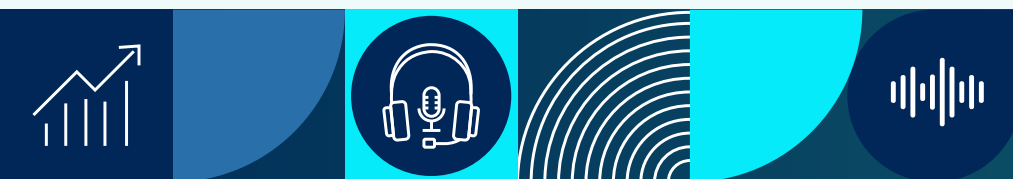
Source(s): Redseer Research, Redseer Analysis

Internet users spend almost 40-50% of their waking hours on the Internet, majorly on online entertainment such as Audio and Video Streaming, or Social Media. From 2019 to 2023, people spent more time on entertainment, gradually shifting their focus from other online activities, even though total time spent on those activities also increased. COVID-19 pandemic saw an incremental time spent online during lockdowns. While we see some corrections post-covid, time spent on entertainment continues to increase.

Media & Entertainment plays a crucial role as a gateway for most internet users in their journey to digital maturity. Starting out as explorers, the users who mostly adhere to Social Media and content, develop into transactors (10-50% of wallet spent online) as they become comfortable with digital payments¹.

Eventually, they become mature¹ users who frequently use advanced mature online services such as FoodTech and spend more than 50% of their wallet online.

Digital entertainment has been an ever-evolving journey for consumers driven by the emergence of new entertainment formats and changing consumer behavior. Over the last few years, digital M&E has branched out with newer formats emerging to occupy consumer-preferred niches. For instance, Short-Form Video now has an increasing demand on Video Streaming, while casual entertainment content such as Audio Series has an increasing demand on Audio Streaming platforms.

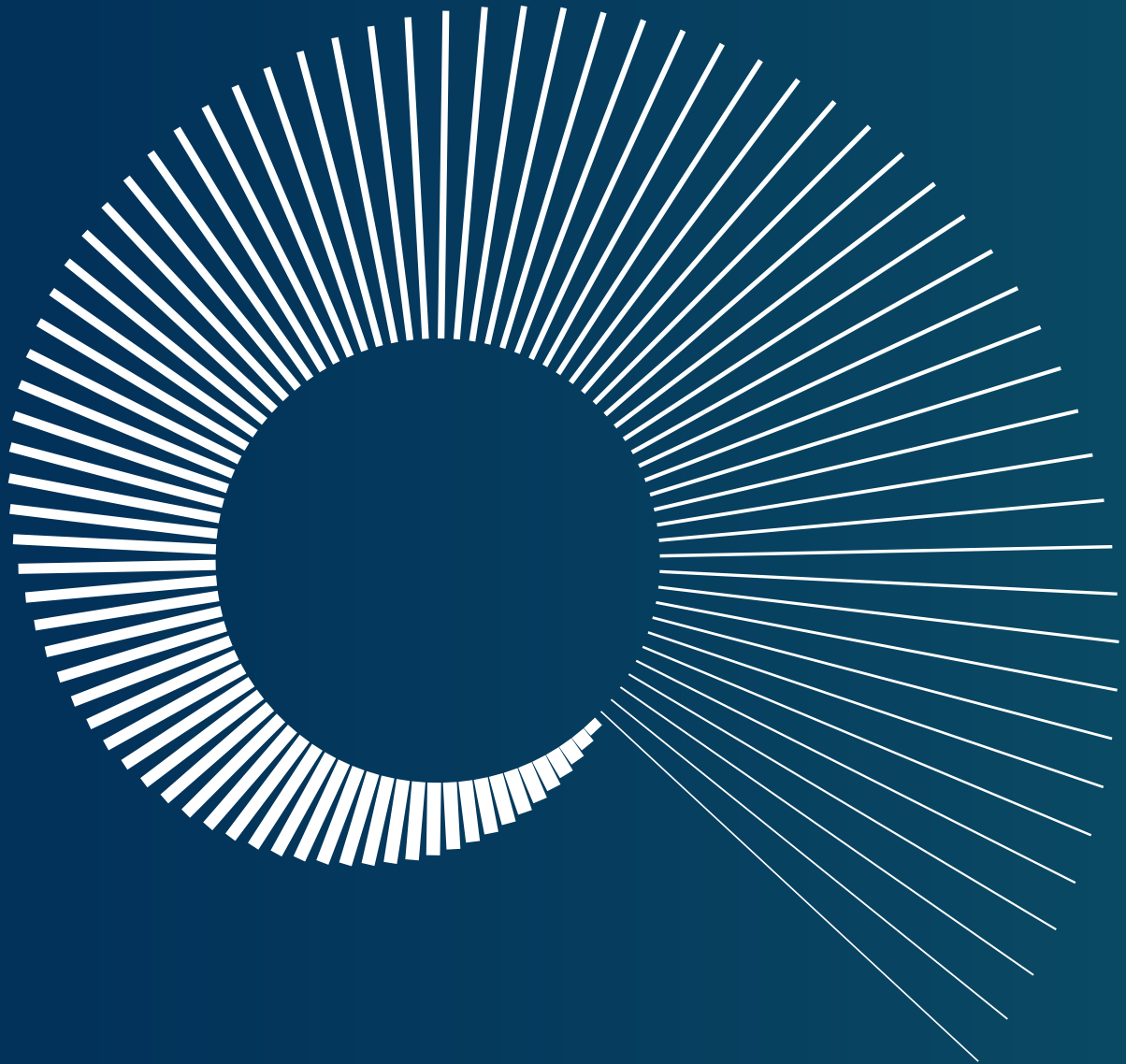


Note(s):

1. Digital Payments include UPI, Online Debit/Credit card payments, net banking etc.

2.0

Rise of Audio Streaming and Disruptive Trends

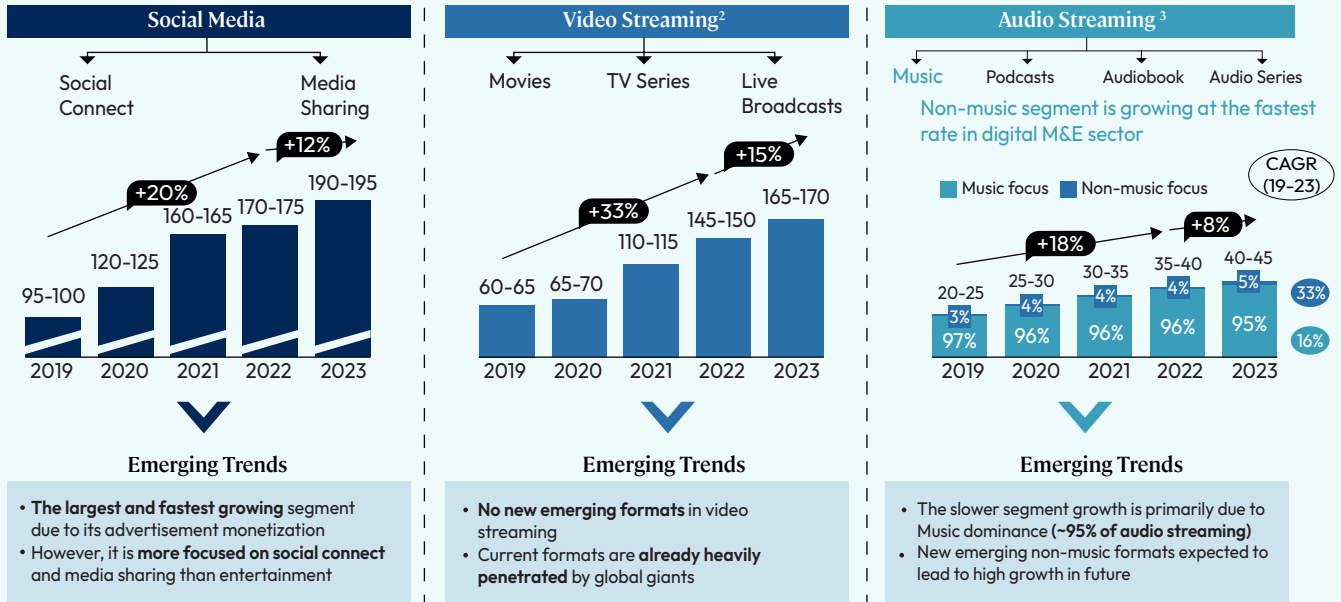


Social Media and Video Streaming experienced their phases of accelerated growth and tipping points over the last decade. While Video Streaming is popular, the existing formats have been considerably penetrated by large players, with limited upcoming innovations in formats.

Audio, on the other hand, is witnessing the emergence of non-music formats such as Audio Series, that are expected to lead to high growth in the future.

2.1 Digital Media & Entertainment is a sizable and constantly expanding market

Digital Media & Entertainment – Market Size¹
In USD Bn, CY19-23



Note(s): 1. Digital Media and Entertainment Market Size excludes Gaming segment. Market Sizing has been done basis revenue of top global players in each segment. 2. Video Streaming includes Shortform video. Video Streaming excludes Amazon Prime Video and includes YouTube. 3. Audio Streaming excludes Amazon Prime Music

Source(s): Redseer Analysis

Digital M&E primarily takes the form of Social Media, Video Streaming, and Audio Streaming.

Social Media, which is focused on social connect and media sharing, is the largest and fastest-growing segment due to high advertisement monetization.

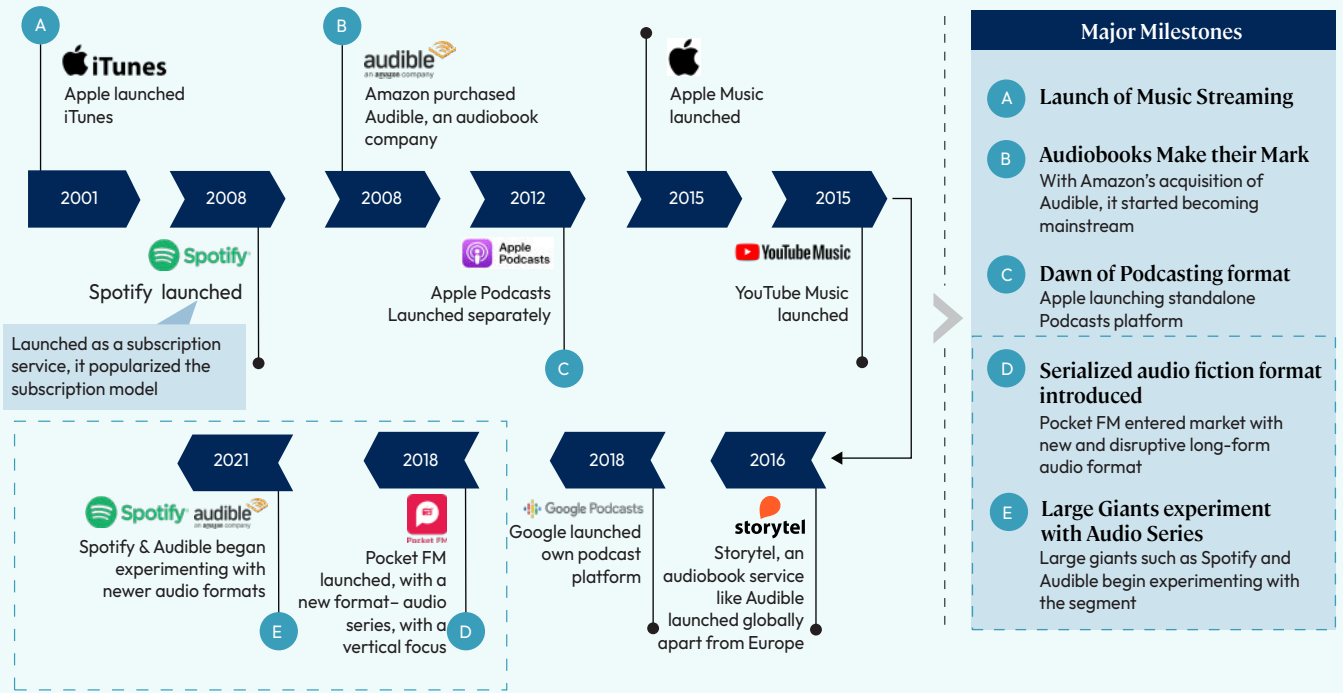
Video Streaming, which has been around for a while, mostly consists of movies, TV series, and live broadcasts. There are almost no new emerging formats, and the existing ones have been penetrated considerably by global incumbents.

Audio Streaming, primarily dominated by music (~95% of Audio Streaming), is witnessing the emergence of non-music formats, which is expected to generate high growth in the future. While podcasts and audiobooks have been around for a while, we see newer formats such as Audio Series which has recently been launched.



2.2 The evolving Audio Streaming market is witnessing non-music formats making waves

Evolution of Audio Streaming



Source(s): Redseer Analysis

Audio Streaming took off with Apple launching iTunes in 2001, and with the launch of Spotify in 2008, paid music streaming became a new norm. It wasn't long before audiobooks became mainstream, being popularized by Amazon's Audible and starting the non-Audio Streaming era. Over the next decade, podcasts became mainstream, allowing people to share their thoughts and experts to share their knowledge.

In 2018, vertical players like Pocket FM introduced Audio Series, a serialized audio fiction. Subsequently, the popularity of the format prompted giants such as Spotify to begin experimenting with the segment.

2.3 New trends in non-music audio formats present a significant headroom for user growth

Audio Streaming – Sub-segments
Descriptive

| | Music | Podcasts | Audiobooks | Audio Series |
|---------------------------------------|--|---|--|---|
| Definition | Songs or instrumentals Record labels typically own the rights to music | Audio shows usually in the format of a conversation between host and a speaker Mostly informational content | Audio recording of published books in a monologue Mostly for audiences who enjoy books | Serialized audio fiction in longform format Focus on immersive³ storytelling |
| Entertainment | Low | Low | High | High |
| Engagement | Low | Low | High | High |
| Headroom for penetration ² | Very low; Global giants dominate this segment | Low, as segment is crowded with horizontal & vertical players | Medium; few large firms have captured select audiences | High; Only handful of audio listeners ¹ have listened to series |
| Low focus requirement | Can be listened to as white noise in the background | Requires some focus as the content is informational | High focus is required as the content is basically a book | Some focus is required, but the content is casual & light |
| Key Use-cases | <ul style="list-style-type: none"> To relate with current mood To serve as white noise while doing day to day activities | <ul style="list-style-type: none"> To get updates about: <ul style="list-style-type: none"> Topics of interest (non-fiction) Personal development | <ul style="list-style-type: none"> To increase per day consumption of books To start habit of book consumption | <ul style="list-style-type: none"> To keep oneself entertained while doing other tasks Fulfil entertainment needs at times other formats cannot |
| Category Leaders | Spotify, Amazon Music, Apple Music, Pandora, Tidal | Spotify, Apple Podcasts, Google Podcasts, iHeartRadio | Audible, Storytel | Pocket FM, Spotify |

Note(s): 1. Listeners refers to monthly active listeners globally 2. Penetration is a percentage of internet users 3. Immersive experience entails voice artists, background music etc.

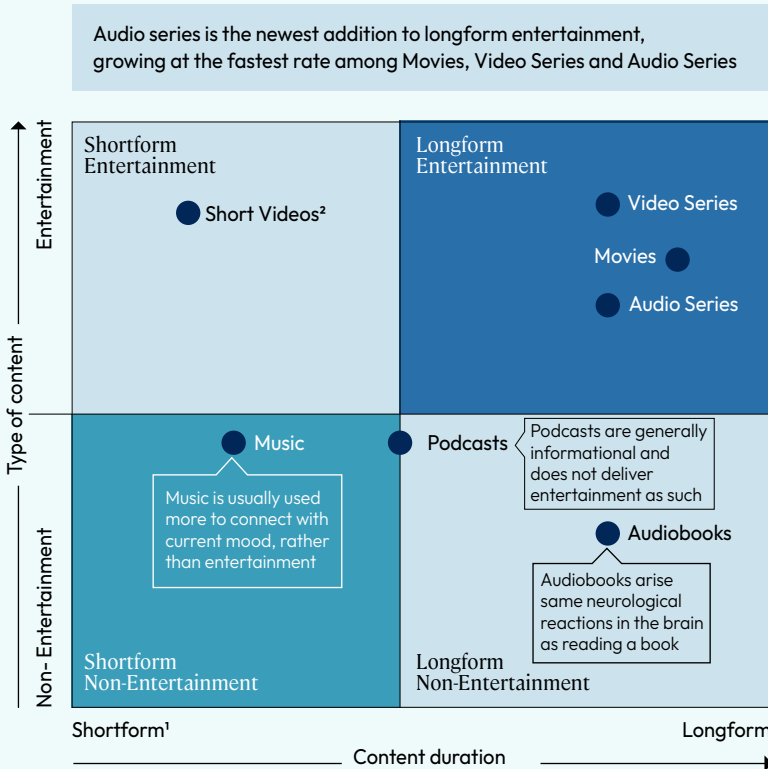
Source(s): Redseer Analysis

Music as a sub-segment of Audio Streaming now has limited headroom for accelerated growth. On the other hand, non-music Audio Streaming formats are fast evolving and have witnessed several milestones in the last 4-5 years.

The non-music audio formats consist of podcasts, audiobooks, and the most recent addition – Audio Series. While podcasts often take on a conversational format between a speaker and host to offer informational content, audiobooks are mostly for audiences who enjoy novels and books.

Audio Series is serialized audio fiction which focuses on immersive storytelling. It fulfills 24x7 entertainment needs with its 'Anytime and Anywhere' flexible consumption characteristic. With mostly casual and light content, it doesn't require active attention and can be played by users to keep themselves entertained while performing other tasks.

Digital Media & Entertainment formats
Content type vs. typical content duration



Audio Series landscape
Descriptive

Audio Series addresses limitations of longform video streaming

Current Entertainment Platforms have...

- Video content which cannot be viewed everywhere (e.g., work)
- Audio content generally used as white noise or non-entertainment use-cases
- Content that requires continued attention, leading to listener's fatigue

...but users need

- Content that offers flexible consumption: anytime, anywhere
- Audio content which is used to satisfy entertainment needs
- Does not need active participation, yet is immersive

Need Gap arises for Audio Series
"Audio Series is just TV Series that you listen instead of viewing"

Note(s): 1. Shortform Content refers to content with duration limit of maximum 2-3 minutes per content 2. Short videos are videos on shortform video platforms such as TikTok

Source(s): Redseer Analysis

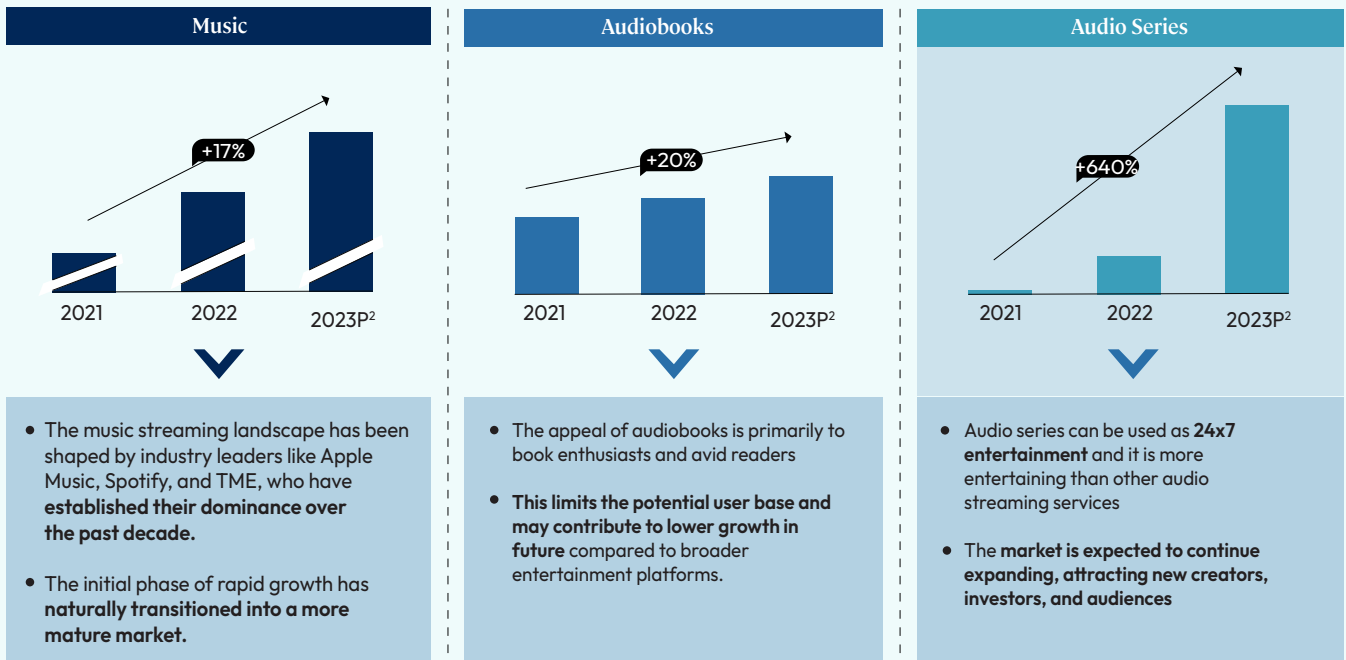
Popular video entertainment formats such as Short-Form Video, movies and Video Series cannot be consumed while performing tasks such as exercise, household chores, commute, etc. While audio formats such as podcasts, audiobooks, or music can be played when executing these tasks, they either require active attention (podcasts and audiobooks) or do not match the level of entertainment provided by their video counterparts (podcasts, audiobooks, and music).

What users need is content that satisfies high entertainment needs and is flexible for consumption anytime and anywhere, while still not requiring active participation. Audio Series effectively addresses this underserved entertainment need gap.



2.4 Audio Series is gaining accelerated popularity, with leading players clocking more than 40X growth over the last 2 years

Audio Streaming Growth– Player wise¹
In USD Mn, CY 21-23



Note(s): 1. Representative players have been taken in each segment i.e., Spotify for Music, Storytel for Audio Books and Pocket FM for Audio Series
2. 2023 figures have been derived by annualising the Quarterly results of respective players 3. All numbers of 2021 have been indexed to 100 and growth is calculated accordingly (audio series is growing on a small base and hence showing exceptional growth)

Source(s): Redseer Analysis

As mentioned earlier, the music streaming landscape has vastly been penetrated and shaped by industry leaders such as Spotify, Apple Music, JioSaavn, and Tencent Music Entertainment, who have established dominance over the last decade. The initial phase of rapid growth has naturally transitioned into a more mature market. Over the last 2 years, music streaming is expected to have grown at a CAGR of ~17%.

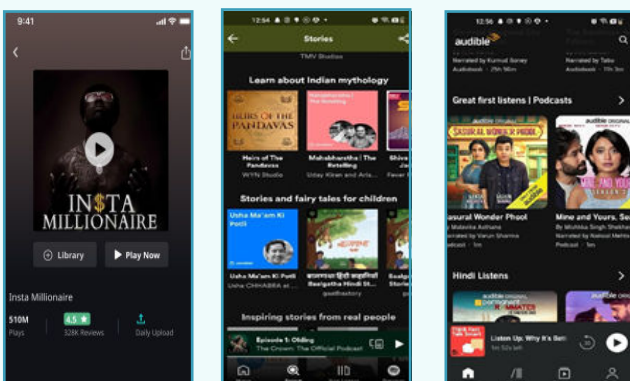
On the other hand, as audiobooks primarily appeal to younger, more educated, employed audiences, who enjoy books, their potential user base is limited.

This can contribute to lesser growth in the future in contrast to other entertainment formats. Over the last 2 years, audiobooks are expected to have grown at a CAGR of ~20%.

Audio Series, with its 24x7 entertainment has a greater engagement potential compared to other Audio Streaming services. With its ability to address untapped use-cases, the market is expected to continue expanding. Over the last 2 years, Audio Series is expected to have grown at a CAGR of ~640% translating to over 40X growth from 2021 to 2023.

2.5 Global incumbent audio players are experimenting with Audio Series on their platforms

The popularity of Audio Series and their long-term potential has prompted incumbents such as Spotify and Audible¹ to experiment with launching Audio Series on their own platforms, while vertical pure-play platforms such as Pocket FM continue to dominate the segment.

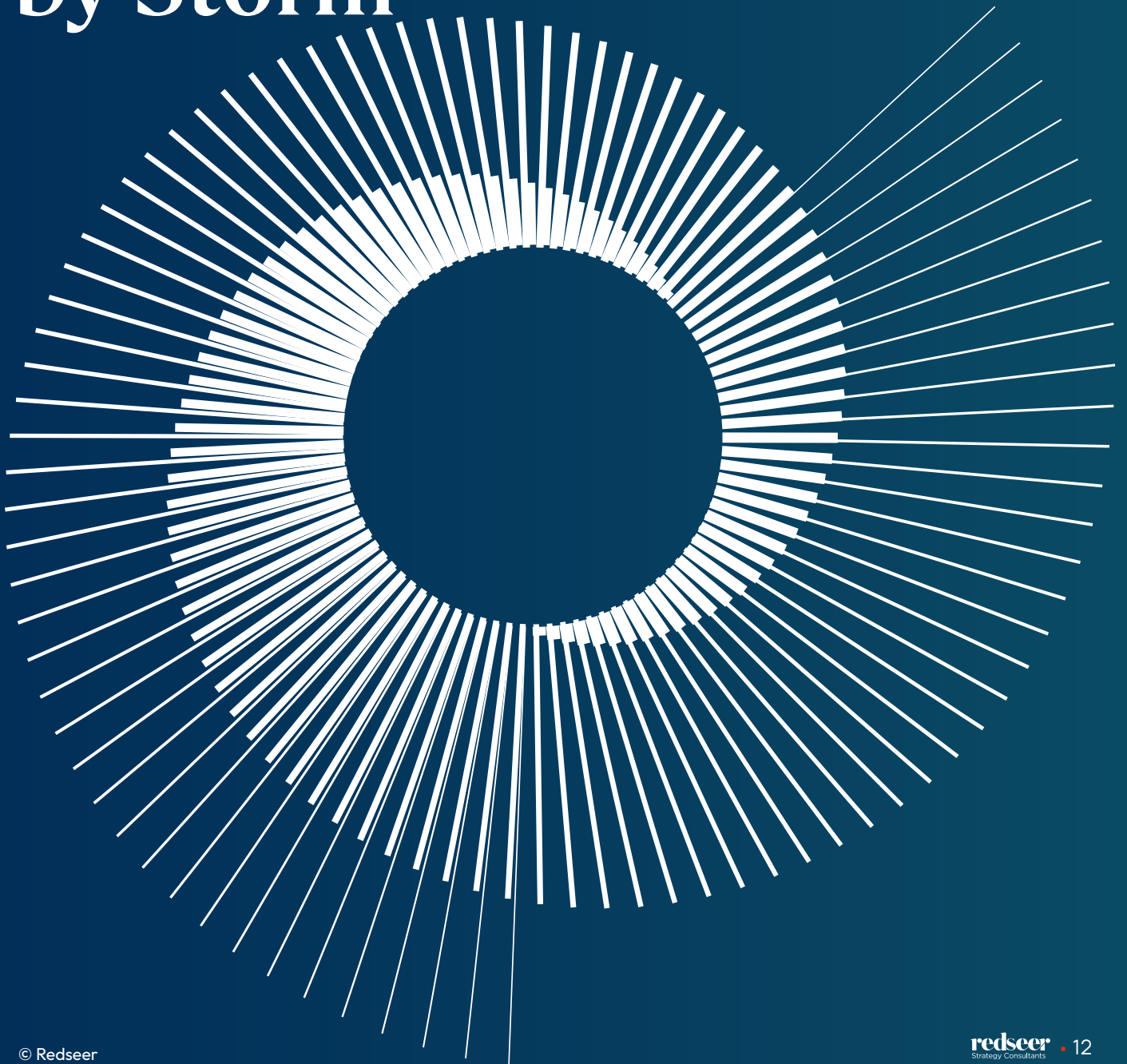


Note(s): 1. Spotify and Audible categorize Audio Series as podcast or podcast series. 2. Picture 1 – Pocket FM. Picture 2 – Spotify. Picture 3 – Audible.



3.0

Audio Series: A New Model Taking Over Entertainment by Storm



Current Audio Series consumers are listening to Audio Series across multiple occasions to cater to their 24x7 entertainment needs. Audio Series is on its way to take over the entertainment industry by storm with multiple positive tailwinds.

Current users showcase a high level of engagement on Audio Series platforms, and project satisfaction across key experience parameters, rate high on recommendation for Audio Series, and demonstrate an overall positive consumer sentiment for Audio Series.

Innovative content monetization models such as Micropayments have helped in paid user penetration and an ARPPU at par with other entertainment formats. Globally, Audio Series demonstrates substantial opportunity with ~1.3 Bn addressable users translating to an opportunity of USD \$21-25 Bn. Overall, while the sector faces several positive tailwinds, there is a demand for better pricing and flexible payment options.

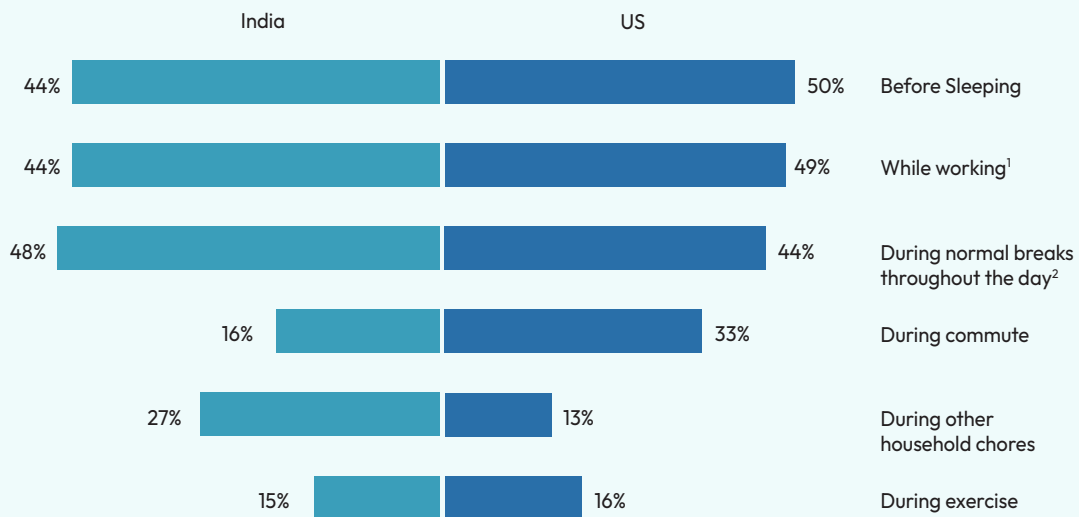
3.1 Users primarily listen to Audio Series to cater to their unlimited 24x7 entertainment needs

Occasions for streaming audio series

Q: When do you mostly listen to the Audio Series?

N= 903 (India), 1121 (US)

Consumption of Audio series can be done throughout the day along with other activities unlike video content, thus catering to 24x7 entertainment needs of people



Note(s): 1. Includes office breaks 2. Includes any time of break(s) throughout the day except for office breaks

Source(s): Primary Research, Redseer Analysis

In early adopting markets such as India and the US, Audio Series users have been streaming the format across multiple occasions to cater to their round-the-clock entertainment needs. Users play it before sleep, while working, during normal breaks throughout the day, during a commute, while working out, and while performing other chores.

“I prefer listening to audio series whenever I have any breaks or when I’m driving to office. It keeps me entertained.”
-US, 36, Female, Working Professional



Unveiling the Driving Factors of Audio Series Popularity – A case study on India

Audio series platforms are predominantly driven by key factors such as content quality, content variety, and the convenience of listening to audio series at any time. This flexibility allows users to engage during various time intervals, such as during work, commute, or before bedtime. Notably, users in early adopting markets like India have also been prioritizing content variety and the convenience of flexible listening.

“Audio series are a crucial part of my routine now. I listen to episodes at the end of the day because it helps me relax and fall asleep.”



India, 22, Male, Student

“The abundant content on audio series platforms keeps me entertained especially during dull working hours.”

-India, 42, Male, Working Professional

3.2 Three user archetypes stream Audio Series, and most are online transactors

Key profile across age groups Descriptive

| Key profile across age groups Descriptive | |  Downtime Maximizers |  Entertainment Explorers |  Lean Listeners |
|--|------------------------|---|---|--|
| Description | | Working professionals, with less time for entertainment, using Audio Series during downtime¹ throughout the day | Younger cohorts using Audio as an additional source of entertainment, or after productive hours for relaxing | Middle aged audience using Audio series during lean work hours or as white noise during work that requires less attention |
| Key use-cases | | Need entertainment during downtime between daily activities like commuting | <ul style="list-style-type: none"> Binge-watchers who enjoy switching between various forms of entertainment May listen to audio series during leisure time e.g. before bedtime | <ul style="list-style-type: none"> Utilize content to complement with their standard, less engaging working hours or during office breaks and downtimes |
| Demo graphics² | Age | 20-35 years | 16-24 years | 40-50 years |
| | City of Residence | Urban, Semi-Urban | Across Urban, Semi-Urban & Rural | Across Urban, Semi-Urban & Rural |
| | Occupation | Entry Level, Desk Jobs, Professionals, Self employed | Students | Service, Self-employed |
| Internet usage behaviour: Type of services used | E-commerce | ✓✓✓ | ✓ | ✗ |
| | Social Media | ✓✓ | ✓✓✓ | ✓ |
| | Messaging | ✓✓ | ✓✓ | ✓ |
| | OTT Video | ✓ | ✓✓ | ✓✓✓ |
| | OTT Audio ³ | ✓ | ✓ | ✓✓ |
| Digital payment | ✓✓✓ | ✓ | ✓ | |
| Internet Usage behaviour: Digital Maturity | | 60-70% (Mature users) Deep understanding of technology due to digitalization in their city | 40-50% (Transactors) Digital-natives are comfortable with digital tools | ~10% (Explorers) Inexperienced with digital space |

Note(s): 1. Downtime is free time throughout the day and gaps between activities 2. Age, and other demographics are for typical ranges and there may be exceptions. 3. This depicts Top OTT Audio platforms used by both current users of audio series and non-users who may use audio series in the future.

Source(s): Primary Research, In-depth-interviews (N=35+). Redseer Analysis

According to our research, Audio Series streamers can be grouped into 3 archetypes: Downtime Maximizers, Entertainment Explorers, and Lean Listeners. The streamers are characterized by the following attributes.

- 1** Most of them are online transactors comfortable with digital tools and digital payments.
- 2** Most of them use mature digital services such as Netflix, Prime Video(OTT Video), or Spotify and Audible (OTT Audio).
- 3** They span across all age cohorts and are spread across urban and rural regions alike.

Key profile across age groups
Descriptive

| | | Downtime Maximizers | Entertainment Explorers | Lean Listeners |
|--|---------------------------------|--|---|---|
| Audio Series usage behavior ² | Genre of choice | Action, Comedy, Romance | Fantasy, Comedy | Thriller, Crime |
| | Usage commencement | Less than a year | 1-2 years | 6-12 months |
| | Avg. Time Spent | 1-2 hours (per day) ~30% of time spent online | 2-3 hours (per session) Irregular sessions across week, ~30-50% of time spent online when used | 2-3 hours (per day) 50% of time spent online |
| | Avg. monthly spend of paid user | 1 USD (India), 21 USD (US) | 2 USD (India), 24 USD (US) | 3 USD (India), 18 USD (US) |

Note(s): 1. Audio Series usage behaviour depicts the usage of current user of audio series

Source(s): Redseer Research, Redseer Analysis

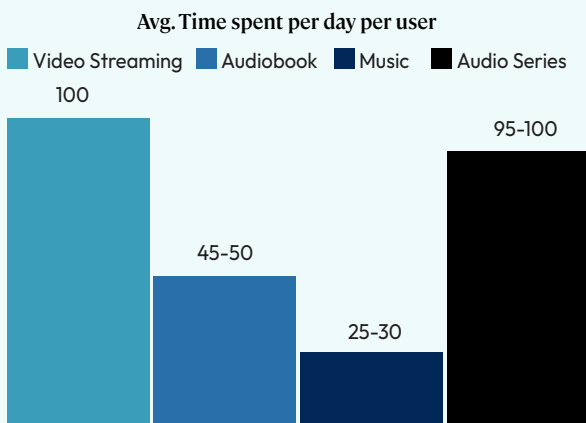
“Lean listeners” spend ~50% of their time spent online streaming audio series, while “Entertainment explorers” spend the most on audio series.

On the other hand, Downtime Maximisers are more digitally matured, with a more spendable wallet share.

3.3 Engagement in Audio Series is one of the highest in Media & Entertainment and at par with Video Streaming

Engagement with various Digital M&E formats¹

Values Indexed, Avg. time spent per day per user on Video streaming=100



Note(s):1. Indicative players have been taken as industry representative across India and US: Video Streaming - Netflix, Audiobook - Audible, Music - Spotify and Audio Series - Pocket FM

Source(s): Redseer Research, Redseer Analysis

The highest level of engagement is driven by Video Streaming which has been around for a long time. Although the Audio Series was launched 2-3 years ago, its engagement levels nearly match that of Video Streaming and are ~2X that of Music. The high engagement levels can be attributed to the untapped use cases and the need gaps filled by Audio Series as opposed to all other entertainment formats.

As users mature on the platform, the engagement levels are expected to go higher.

“I am visually impaired, but I love entertainment. Audio series is a great addition to my limited sources”
-US, 36, Male, Career Explorer

Rising Audio Series Engagement: Trends in India's Early Adopting Landscape

While observing the engagement of users on Audio Series platforms, we see that engagement of a user increases as the user matures on the platform. For example, in early adopting markets like India, users who have spent less than 6 months on the platform were seen to spend about 1.3 hours per day. This went up to 1.5 hours in case of users who had spent more than 1 year on the platform. The growing level of engagement serves as an indication of users' positive experience on Audio Series platforms.

"I love the idea of Audio Series, since I can listen to them and get other things done at the same time. It's a great source of distraction and entertainment from the monotony of work."

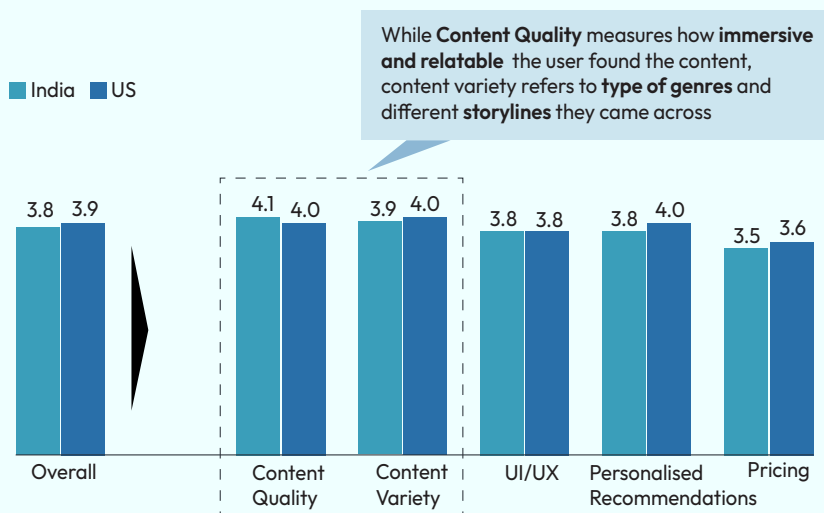
-India, 30, Female, Working Professional

3.5 Users are satisfied across experience parameters in the Audio Series

Audio Series Satisfaction – Average Ratings

Q. On a scale of 1-5 (5 being excellent), how would you rate your audio series experience?

N= 903 (India), 1121 (US)



Note(s): The survey respondents are users from various audio-series platforms who rated their personal experience on those apps across parameters.

Source(s): Redseer Research, Redseer Analysis

Audio Series has a high potential for growth as users from all consumer personas exhibit satisfaction across parameters. Listeners from both developed and developing markets are satisfied.

Users in developed markets also expressed notable satisfaction with personalized recommendations, which have enhanced their overall experience. Overall, although users are satisfied across parameters and highly engaged, there is demand for better pricing and flexible payment options.

We observed highest level of satisfaction in the content quality and variety parameters.

"The app page is convenient and dedicated to audio stories. It displays top rated content in the front, which is helpful, saves time."

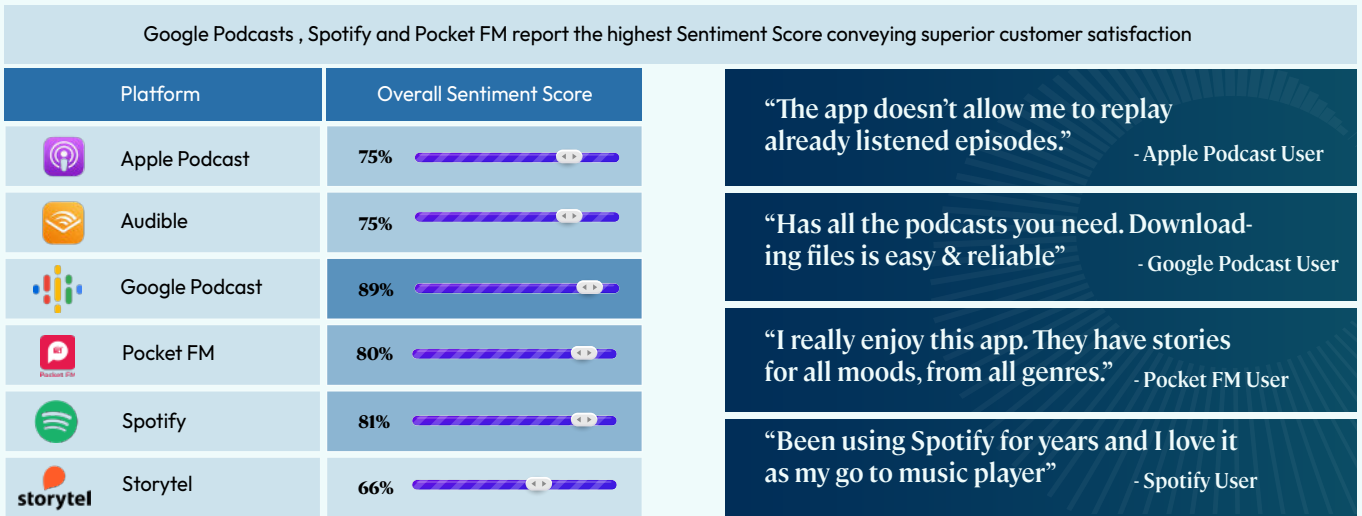
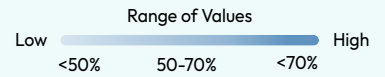
-US, 35, Male, Teacher

"The episodes have started costing more now. I want to be able to access unlimited content at affordable prices."

-India, 22, Male, Student

3.5.1 The overall consumer sentiment is positive for Audio Streaming apps

Consumer Sentiment of Audio Series Apps
Sentiment Score



Note(s): 1. Sentiment scores are based on user reviews from Google Play Store except for Apple Podcast taken from The App Store. 2. Scores are analysed using an AI software that refers to the text-content in customer reviews to determine the overall sentiment of the user towards the app. 3. The overall sentiment score is not a weighted-average of the above listed parameters and involves other satisfaction criteria like trends in review volume and star rating et al.

Source(s): Redseer Research, Redseer Analysis

The high consumer sentiment of major Audio Streaming players paints a positive picture for the entire sector. Among top Audio Streaming apps, Google Podcasts, Spotify, and Pocket FM report the highest sentiment score¹ conveying superior customer satisfaction and a positive experience with newer formats such as Audio Series.

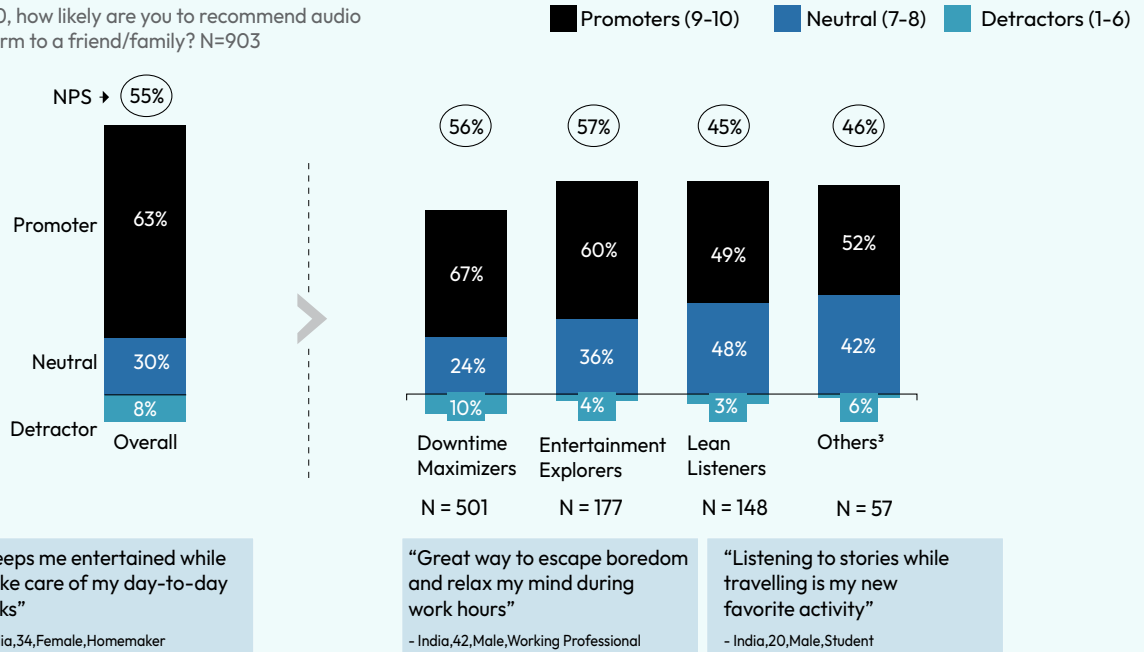
Overall, positive consumer sentiment in top Audio Series platforms indicates that users would not only stick to the format and/or platforms but would also have an increased propensity to recommend them to friends and family, consequently helping to drive increased user acquisition.

Users indicate that better pricing options and more seamless user interface could further improve their consumer sentiment for Audio Series.

3.5.2 Users across developing and developed markets rate high on recommendations for Audio Series

Audio Series willingness to recommend - India

Q: On a scale of 0-10, how likely are you to recommend audio series/ stories platform to a friend/family? N=903



Note(s): 1. Net Promoter Score (NPS) breakdown : Ratings 0-6 = Detractors, 7-8 = Passives, 9-10 = Promoters; Net Promoter Score formula : % total Promoters — % total Detractors
2. NPS for a sector is calculated by taking weighted avg of NPS of top platforms within each sector
3. Others includes Home makers who are using Audio Series as new version of Daily Soap while indulged in routine hours of domestic chores

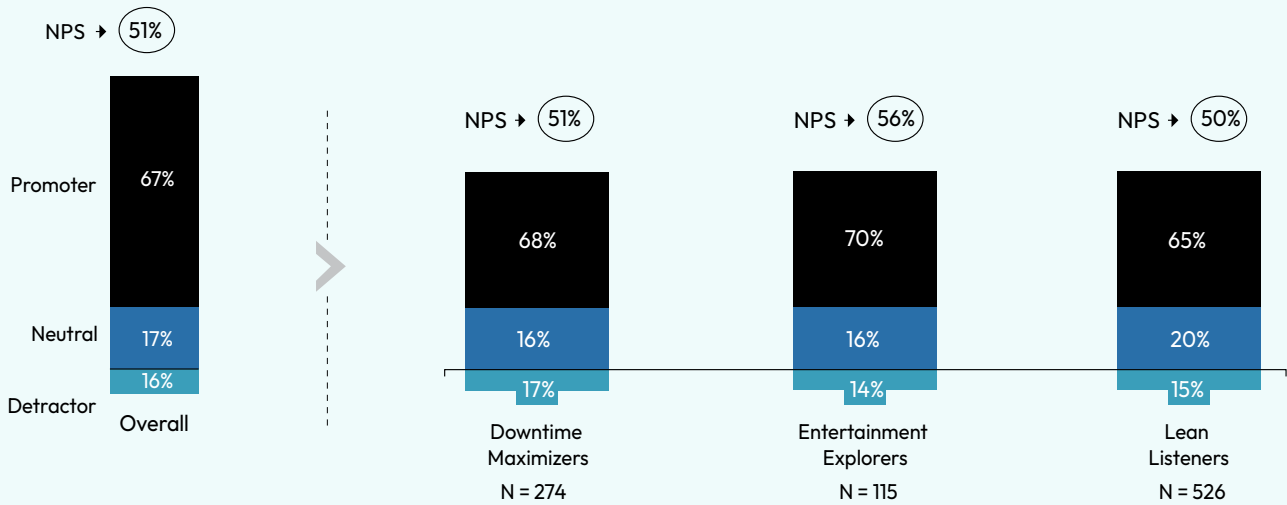
Source(s): Redseer Research, Redseer Analysis

With positive experience across parameters, increasing engagement, and overall positive consumer sentiment, users have shown high willingness to recommend Audio Series to friends and family.

Audio Series willingness to recommend - US

Q: On a scale of 0-10, how likely are you to recommend audio series stories platform to a friend/family? N=1211

■ Promoters (9-10) ■ Neutral (7-8) ■ Detractors (1-6)



Customer experience improves overtime, and they show more willingness to recommend Audio series

"I prefer listening to audio series during my daily public transport commute, as it's difficult to watch videos in the crowded environment."
- US, 26, Male, Working Professional

"I have a low attention span so short content like this is perfect for me."
- US, 20, Male, Student, US

"I run the local general store, It is not always busy with customers, I often listen to audio series as watching videos requires lot of focus"
- US, 33, Male, Business owner

Note(s): 1. Net Promoter Score (NPS) breakdown : Ratings 0-6 = Detractors, 7-8 = Passives, 9-10 = Promoters
2. Net Promoter Score formula : % total Promoters - % total Detractors.

Source(s): Redseer Research, Redseer Analysis

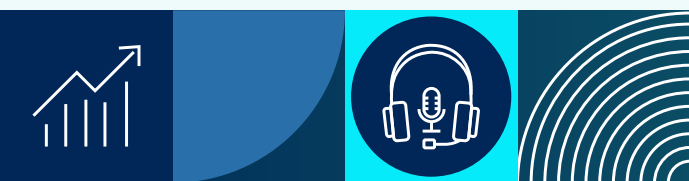
The willingness to recommend Audio Series is similar in developing as well as developed markets. For early adopters like India and the US, the net promoter score is ~55% and ~51% respectively.

Among key Audio Series user archetypes, Downtime Maximisers and Entertainment Explorers have shown the highest willingness to recommend, indicating satisfaction with Audio Series with other cohorts not much behind.

With further improvements across experience parameters and growing level of engagement, Audio Series is expected to create a distinct presence in the users' entertainment palates. This is expected to further increase their willingness to recommend Audio Series to others.

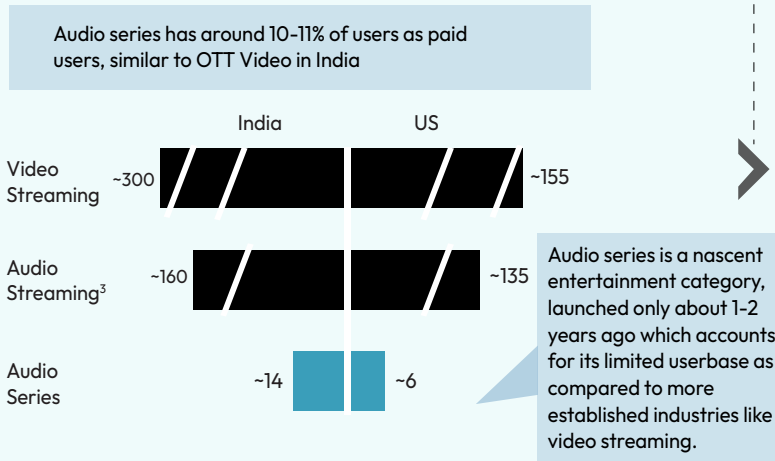
3.6 Ads on digital platforms are discovery routes for Audio Series followed by word of mouth

Audio Series benefit from capturing users right at the entry point of internet usage, with 38% learning about them through YouTube ads and 37% through Social Media ads. Word of mouth and referral constitutes about 17% of user awareness, keeping customer acquisition costs high for platforms. However, with positive trends in NPS, word of mouth is expected to increase.

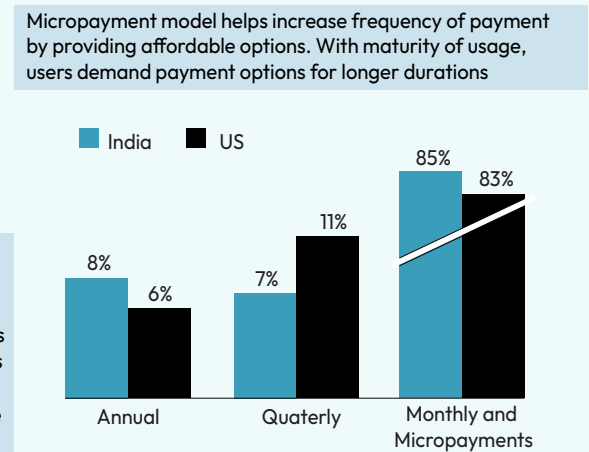


3.7 Though nascent, paid user penetration of Audio Series is at par with other entertainment formats

Monthly active users in Top M&E Formats – India, USA FY23, in Mn



Audio Series Users – Type of Subscription – India, USA
Q:What type of payment do you usually make on audio series stories platforms? N= 903 (India), 1121 (US)



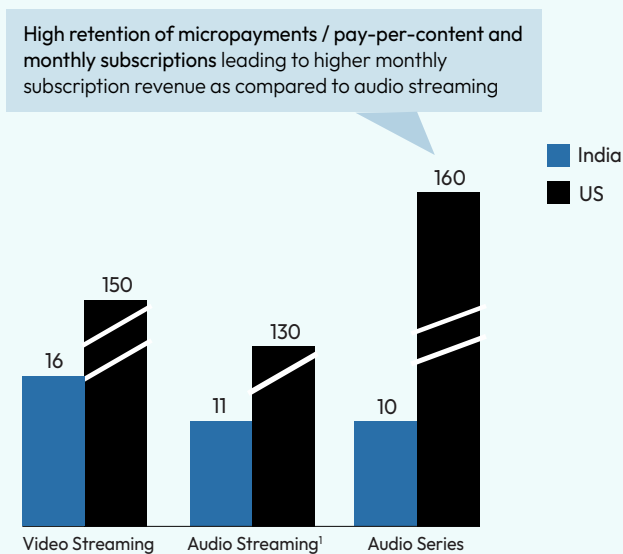
Note(s):1. Micropayments are smaller subscriptions taken for lesser amount of period typically less than a month. This also includes pay-per-content.
2. Other subscriptions include pay per content subscriptions 3. Includes music, podcasts, podcast series and audiobooks

Source(s): Redseer Research, Redseer Analysis

Paid user penetration of Audio Series has reached similar levels as other entertainment formats in developing regions such as India, although the user base is limited on account of its recent launch. Micropayments are one of the key innovations that helped drive paid user penetration in Audio Series. More than 80% of paid users subscribed to 'micropayment packs', allowing them to pay for content they want to consume (pay-per-content), instead of subscribing to the entire library. The micropayment model also helps increase the frequency of payment by providing an affordable option.

Innovative pricing models and high engagement have also led to an ARPPU for Audio Series, that is at par or outperforms other entertainment formats. For example, in the US, Audio Series ARPPU is at par or more than Video Streaming ARPPU, while in India, Audio Series ARPPU is approximately at par with Audio Streaming ARPPU. This is supported by the observation that the Average Revenue Per Paying User (ARPPU) of a pay-per-content subscription is 25% higher than an annual subscription, as users continue to spend on pay-per-content because of the sticky nature of the Audio Series reflecting its high engagement.

Average revenue per paying users (ARPPU)
US\$ per year, CY23



With the maturity of usage, however, users demand payment options for longer durations, and the same is reflected in annual subscriptions that rise from 5% of all subscriptions in the beginning of platform usage to more than 13% by the end of the second year of platform usage.

Moreover, apart from subscriptions and micropayments, Audio Series also has substantial potential for advertisement monetization. This is because subscription/content monetization models contribute to over 90% of the revenue generated by Audio Series, despite paid users comprising only ~10% of the user base, indicating substantial contribution of revenue from a small percentage of users. The high engagement in Audio Series content further enhances ad monetization potential, as the user engagement levels are similar to Video Streaming.

"I like paying small amounts instead of yearly subscriptions; it's cheaper and more flexible for me"

-US, 26, Male, Driver

Note(s):1. Includes music, podcasts, podcast series and audiobooks

Source(s): Redseer Research, Redseer Analysis

3.8 Existing user base indicates high monetization potential post-product market fit

More than 80% of Audio Series users are online transactors or mature internet users indicating monetizable opportunities through direct payment or advertisements.

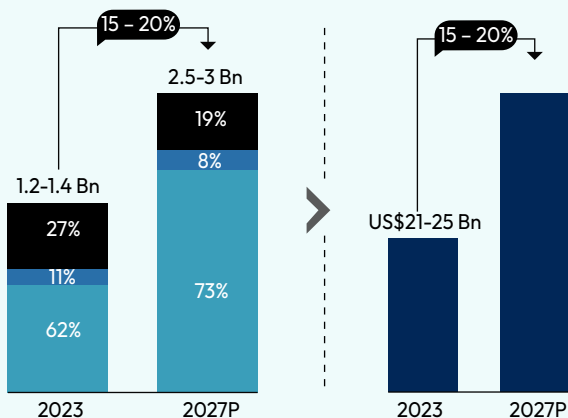
Examining Audio Series users pattern w.r.t internet usage and spend behaviour, few crucial highlights stand out to demonstrate high monetization potential of Audio Series users.

- 1 ~60% of mature users of Audio Series are paid users of mature services such as Netflix.
- 2 Audio Series accounts for a notable ~50% of total M&E spends for users who pay for Audio Series.
- 3 Audio Series' wallet share of M&E spends is lower for mature users as compared to transactors. Survey results indicate that mature users spend significantly more on Video Streaming.

3.9 Globally Audio Series is expected to have a TAM of US\$ 45-50 Bn by 2027

Audio Series - Total Addressable Users
In Bn, 2023, 2027P

■ India ■ US² ■ Rest of the world^{1, 2}



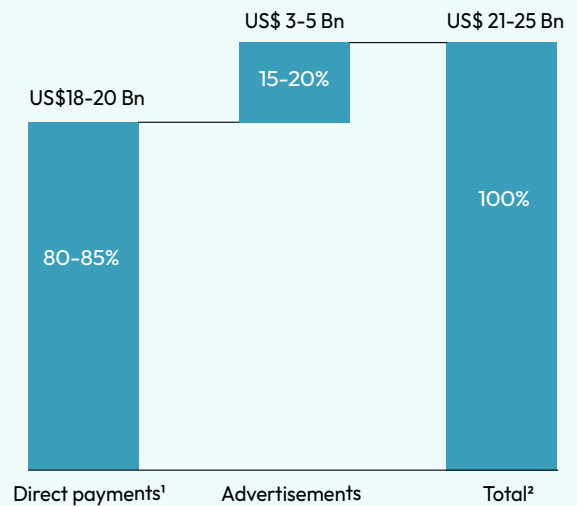
Note(s): 1. Rest of the world includes China, Japan, Russia, SEA, MEA, Africa, Europe, and Central & South America. 2. For US and the rest of the world, Music streaming users are used as a proxy for addressable users for audio series. 3. Market size includes revenue from horizontals as well, which provides audio series as included in their overall platform offerings including other verticals such as music, podcast etc.

Source(s): Redseer Research, Redseer Analysis

The US, India, and the rest of the world, collectively with ~1.3 Bn addressable Audio Series users, present a substantial market opportunity of US\$ 21-25 Bn for Audio Series players. This opportunity is further expected to expand to US\$ 45-50 Bn by 2027, with a larger addressable userbase of 2.5-3 Bn, higher engagement, and more innovative monetization models.

India, as a market individually exhibits a robust growth trajectory in the Audio Series market with a TAM projected to grow from 350 Mn users in 2023 to 540 Mn users by 2027.

Total addressable market for Audio Series
In US\$ Bn, 2023



Note(s): 1. Direct Payments refers to direct content monetization from end consumers in the form of subscriptions, micro-payments et al. 2. Content IP Licensing is not included in TAM for audio series as it was not a monetization model for audio series at that time period

Source(s): Redseer Research, Redseer Analysis

Currently, the Audio Series players are monetizing their users with following primary monetization models:

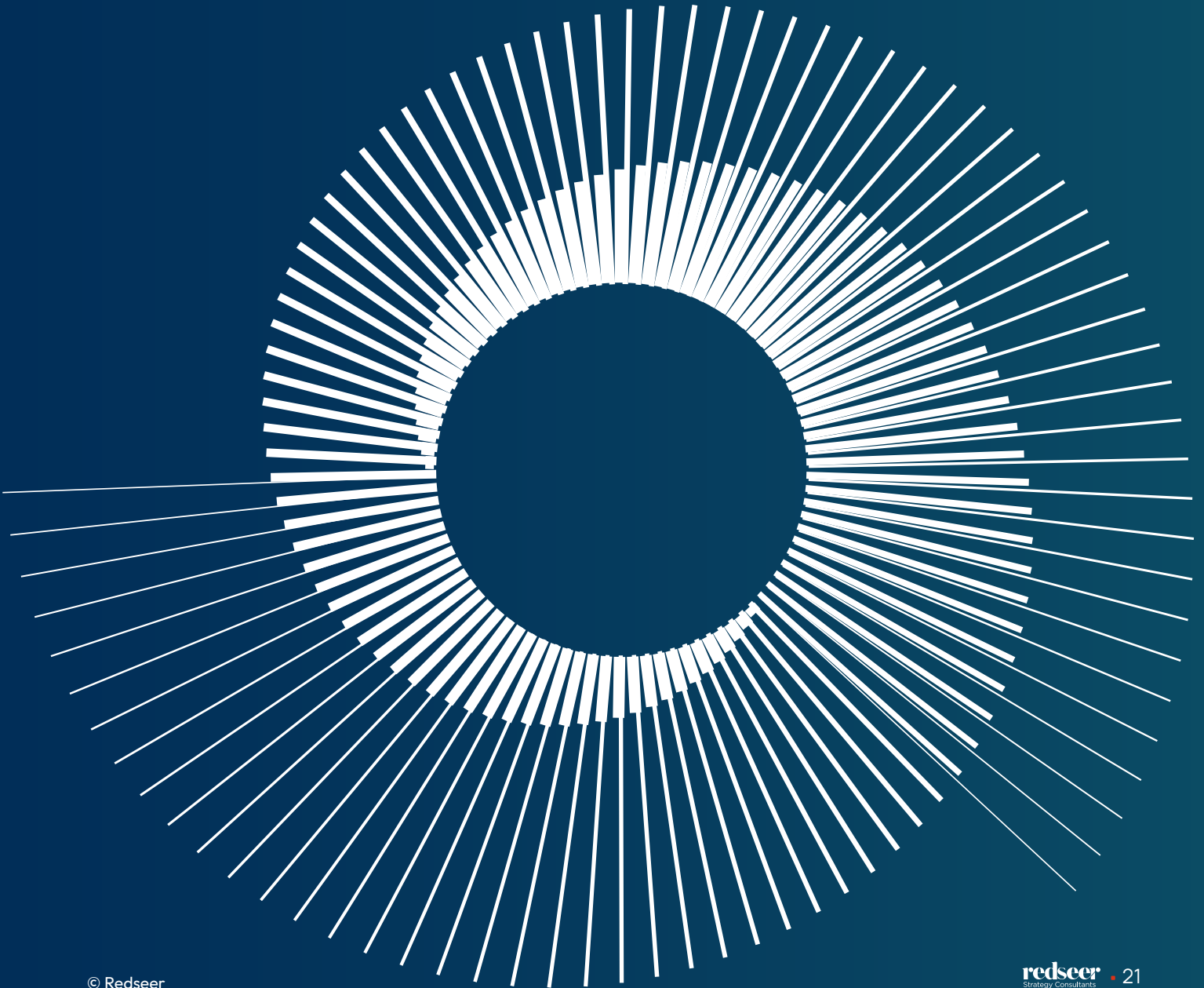
- 1 **Direct Payments:** This refers to direct content monetization from users, through:
 - ▶ Subscriptions: Platform users pay a recurring fee on regular basis in exchange for full ad-free content library access
 - ▶ Micropayments: This model allows for bite-sized/small payments for individual content pieces, giving the user flexibility to access premium content while paying only for what they stream.

With the prevalent Audio Series platform monetization models, it is estimated that the biggest chunk of the TAM (80-85% of US\$ 21-25 Bn) as of 2023, will come from micro-payments and subscriptions.

- 2 **Advertisements:** This model provides free content access to users, while platforms monetize free-to-use users through advertisements. Ads constitute the remaining 15-20% of the global opportunity. With the massive pool of digitally mature and monetizable user base, Audio Series platforms are expected to become an emerging alternative for digital advertisers.

4.0

Ecosystem in Audio Series and Supply-Side Perspective



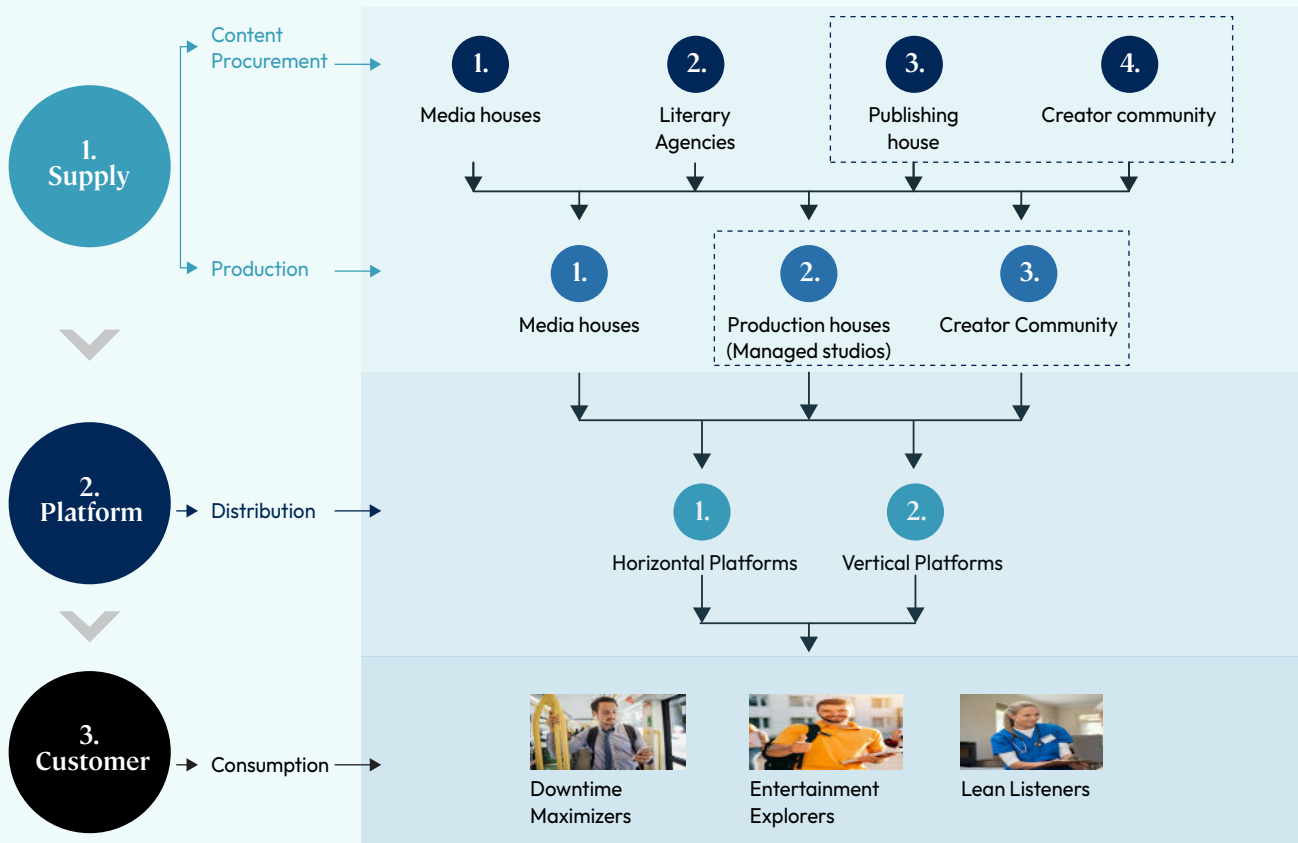
The supply side of Audio Series is catching up to the growing demand for content across different genres. The biggest contributors of content currently are the creator community (with freelancers constituting a large share), publishing houses, and production houses.

Audio Series is becoming a more lucrative vertical for budding creators with higher chances of content being published and lucrative payment options.

4.1 Audio Streaming ecosystem encompasses several stakeholders on the supply and distribution side

Ecosystem of Audio Streaming (and Series)
Descriptive

 Most Prevalent model



Note(s): 1. Vertical platforms refer to companies that offer their services for specific customer needs ; Horizontal platforms offer services to fulfil wide range of customer needs

Source(s): Primary Research, Redseer Analysis

The most prevalent model for Audio Series on the supply (content procurement) side are publishing houses and creator communities (with freelancers constituting a large share) . The publishing houses work on advance (lump sum amount) plus royalties with the share and mix of the two depending on the popularity of the title. The creator community (with freelancers constituting a large share), only gets a lump sum payment¹ which may be before, during, and/or after work.

On the supply (production) side of the Audio Series, the production houses and creator community (with freelancers constituting a large share) are the most prevalent models. Production houses feature studios that handle the process on pay-per-finished hour price, and the audio platform's involvement is limited to finalizing and approval. When working with freelance creators, the audio platform manages the process completely by itself and only rents the studio.

On the distribution end, there are mainly two types of platforms:

- 1 Horizontal platforms: Horizontal platforms such as Spotify and Tencent Music Entertainment offer all audio formats. These platforms usually work on a freemium basis.
- 2 Vertical platforms: Vertical platforms choose one or two formats and build their catalogue in it. Examples include platforms such as Pocket FM, Audible², and Storytel². These platforms usually work on subscription/micropayment models.

Note(s):

1. Some players, such as Pocket FM, also provide revenue sharing model to freelancers.

2. Audible and Storytel mainly serve audiobooks and currently experimenting with a small library of Audio Series, hence classified as vertical platforms.

4.2 With increasing demand and engagement, supply is quickly catching up

Audio Series is fast becoming a lucrative vertical for budding creators. Since creator visibility and selection process are more democratic compared to other formats, the supply is predominantly driven by the creator community.

Moreover, since the category is recently launched and predominantly driven by creator community, platforms do not currently impose strict guidelines or limitations, enabling creators the freedom to experiment with genres and content.

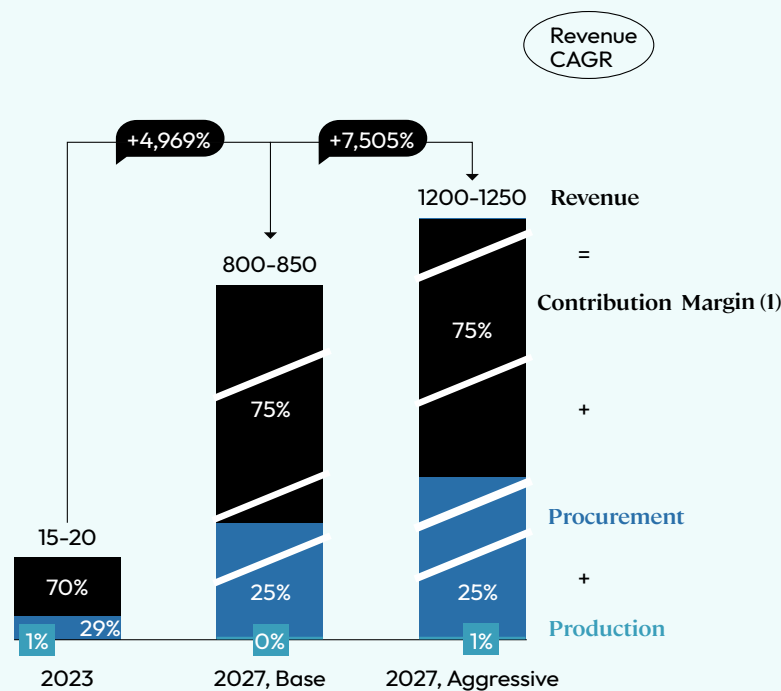
It is also much easier and faster for content creators to launch an Audio Series because of the nature of content as opposed to other entertainment formats such as Video. Creators can reach a large market easily with zero or minimal costs, unlike entertainment formats such as OTT Video, where high reach comes with escalated costs.

Finally, monetization is a key differentiator for creators as they can get lump sum payment, and in some cases, even a revenue sharing model. This business model is unique to Audio Series and not found elsewhere.

4.3 The economy of scale will further improve unit economics

Audio Series – Unit Economics

US \$ ('000s) Per finished hour of content produced



Key Takeaways

- Economies of scale would prevail in the audio series ecosystem:
 - Contribution margins and revenues would have a significant amplification...
 - ...but direct costs would increase only incrementally
 - This is because of the high and increasing dependence on the creator ecosystem/freelancers and publishers for content procurement and production
 - This retains low costs as there is no limitation to supply in freelance ecosystem, hence nothing driving the costs up..
 - ...while revenue continues to increase with increasing time spent per user, and price of content

Note(s):1. Contribution Margin is defined as revenue subtracted by direct supply costs (procurement and production expenses). The margin does not exclude play store/app store commissions
2. Revenue has been calculated by multiplying ARPU per finished hour with number of users. ARPU per finished hour is calculated by multiplying ARPU per episode with number of episodes watched on average per user per hour. ARPU per episode is calculated by dividing ARPU per month by average number of episodes watched per person per month.

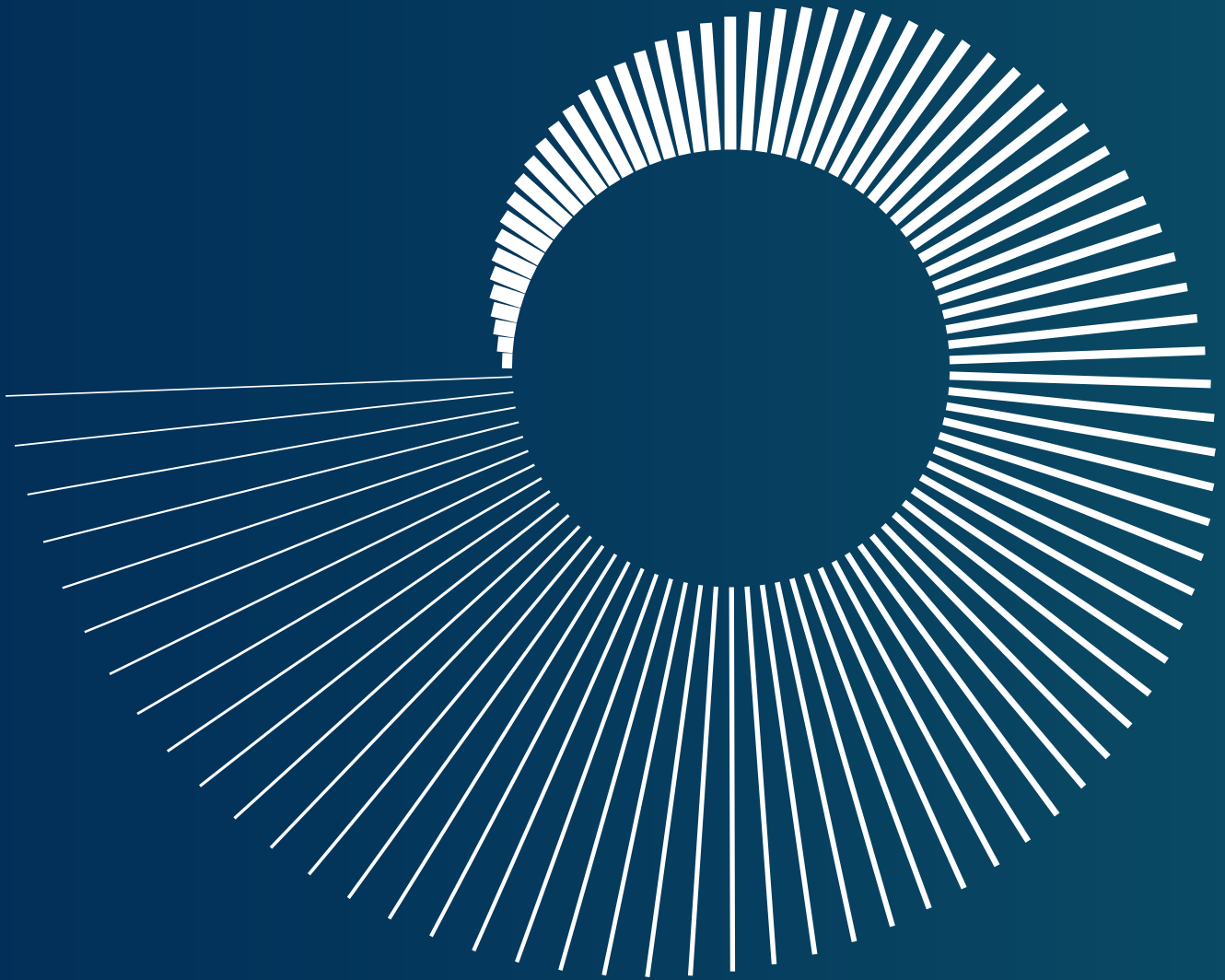
Source(s): Redseer Research, Redseer Analysis

Having no limitation on supply in the freelance ecosystem, there's nothing to drive costs up, leading the economies of scale to prevail. Leveraging the power of the creator community in the content creation process, Audio Series platforms are able to rake in contribution margin up to 70% of the revenue on every finished hour of content, and with wider adoption and increasing monetization per finished hour of Audio Series content, contribution margins are projected to go as high as 75% by 2027.



5.0

Market Outlook and Way Forward



Market Outlook

While Audio Series as a category is experiencing several positive tailwinds, **it would need to continue improvements in current monetization levers**, as well as bring about innovative and newer monetization levers to grow to its potential.

1. Content Monetization

Content Monetization refers to charging consumers directly for platform's content. Since pricing and flexible payment option is a key improvement area for the sector, positive refinements in content monetization becomes valuable. Possible trends that may become mainstream are:

- ▶ **Dynamic pricing:** Targeting, personalization, and differential pricing across user personas can help increase the quantum of paid users for platforms.
- ▶ **Proliferation of innovative subscription models:** This includes sachet payments such as Spotify's weekend pass. Another model which may gain ground includes virtual gifting or pay-what-you-want model. It is already contributing to 70% of Tencent Music Entertainment's revenue. More such innovations and increase in their adoption by players is expected to lead to a boost in ARPPU.

Way forward

| Parameter | Challenges | Solutions |
|------------|--|---|
| Awareness | Low word of mouth which keeps the customer acquisition costs (CAC) high. | Leveraging Social Media influencers, specifically nano and micro-influencers can increase word of mouth. It also has the benefit of lowering CAC and building brand image as the recommendation comes from an associable and relatable influencer. |
| Adoption | <ul style="list-style-type: none"> ▶ Some users just don't find Audio Series immersive enough. ▶ Some do not have the time for another format of entertainment. ▶ Some do not find the content relatable as it is heavily focused on fewer genres | <p>While piquing the interest of some would take adaptations of blockbusters¹, others might be persuaded by celebrity advertising that showcases key use cases for Audio Series (filling down time, lean work hours, etc.). Both solutions attract a new user base and increase engagement and ARPU².</p> <p>Expanding the supply ecosystem to include more agencies, publishing houses, and mass freelancers to create more genres can entice a differentiated audience.</p> |
| Stickiness | <ul style="list-style-type: none"> ▶ Repeated storylines and varying quality across stories ▶ Non-optimal pricing also puts off the general audience as they find it expensive. | <ul style="list-style-type: none"> ▶ Improving quality by incentivizing better-performing freelancers and focusing on differentiated storylines can reduce churn rates or increase time spent on the platform. ▶ Differentiated pricing for different demographics and innovative pricing models can increase ARPPU³ and the number of paid users. |

Note(s):

1. Includes Video shows, books, comics, etc.

2. ARPU refers to Average Revenue per user, both free and paid (inclusive of Advertisement revenues).

3. ARPPU refers to Average revenue per paid user.

2. Advertisements

Audio Series platforms have attractive audiences that are digitally mature with high purchasing power. Making attractive impressions for advertisers, they have a high potential for advertisement. Ximalaya FM, for instance, earns ~25% of their revenue via selling impressions.

Going forward, platforms are expected to work on non-disruptive advertisements to meet the increasing consumer demand for better user experience.

3. Content Licensing

Audio Series platforms are currently licensing content for their own platforms to attract revenue-generating users. However, there is a growing focus on building a creator community that can help generate in-house audio originals. In the long run, the popularity of these audio originals would help Audio Series platforms license their content for Video Streaming or other audio platforms which would help them earn about 10-15% revenue from licensing.

Glossary

| S. no. | Term | Definition |
|--------|-------------------------|--|
| 1. | Streaming | A method of transmitting data (video/audio etc.) over the internet in real-time, allowing users to access and enjoy the content without the need for downloading it to their device. |
| 2. | Explorers | Internet users who don't transact online, simply explore the internet, typically usage is confined to digital media and entertainment. |
| 3. | Transactors | Opportunistic transactors who make offline UPI payment also. Usually spend 10-50% of wallet on online services. |
| 4. | Mature Users | Frequent online services used 50%+ of wallet spent online also use mature online services such as Foodtech etc. |
| 5. | Longform Entertainment | Entertainment content that is typically longer in duration and is designed to engage and entertain audiences for an extended period of time such as TV Series, Podcasts, etc. |
| 6. | Shortform Entertainment | Shortform Content refers to content with duration limit of about 2-3 minutes per content. |
| 7. | ARPPU | The average revenue obtained from per paying user. |
| 8. | CAC | Customer Acquisition Cost – the cost incurred to acquire a new customer to try the platform. |

Authors



Anil Kumar | Founding Partner

Anil Kumar is the Founder of Redseer Consulting. He has been part of engagements in Internet, Private Equity, Retail CPG and Healthcare among others. He specializes in growth and investment strategies. Anil is a believer of the data-driven approach in solving business problems. His consulting approach leverages Data IP, sector expertise and the client's core hypothesis. He holds a B-tech from IIT Delhi. He can be reached at anil@redseer.com



Mukesh Kumar | Associate Partner

Mukesh Kumar is the Associate Partner at Redseer Consulting and has 9+ years of experience in growth strategy engagement across internet, education, healthcare, and consumer products clients across India, MENA, and North America. He holds a B.Tech from IIT Delhi. He can be reached at mukesh@redseerconsulting.com



Shashank Mohan Byrisetty | Senior Consultant

Shashank Mohan has worked in Media & Entertainment, SaaS, & e-grocery space. He brings project experience in index creation, DRHP assistance, long term strategy & benchmarking. His most recent experience in M&E space includes expansion strategy piece for a leading audio streaming platform. He holds an MBA from IIM Ahmedabad and B.tech from IIT Kanpur. Contact: shashank.m@redseerconsulting.com



Khushi Poddar | Associate Consultant

Khushi has worked on engagements in the advertising, digital media and entertainment, Edtech, and Insurtech spaces. She brings project experience in market research, due diligence and benchmarking. She holds an MBA degree from IIM Kozhikode & a B.A in Economics from Hansraj College, Delhi University. She can be reached at khushi.p@redseerconsulting.com



Varsha Santhanam | Associate Consultant

Varsha has worked on engagements in Media & Entertainment, AgriTech, FoodTech and D2C spaces. Her most recent experience in D2C space included a comprehensive understanding of consumer behavior, market trends, & digital marketing techniques, and leveraging data analytics in the Media & Entertainment sector. She has graduated from SRCC and holds B.COM (H). She can be reached at varsha.s@redseerconsulting.com

Disclaimer

Copyright © Redseer Management Consulting Private Limited

("Redseer"). All rights reserved.

While we have made every attempt to ensure that the information contained in this report has been obtained from reliable sources, all data and information provided in this report is intended solely for information purposes and general guidance on matters of interest for the personal use of the reader, who shall accept full responsibility for its use. The names, photographs and consumer quotes used are only for indicative / informational purposes and does not have any significance to a particular person.

Redseer does and seeks to do business with companies covered in its research reports. As a result, readers should be aware that Redseer may have a conflict of interest that could affect the objectivity of the report.

All information in this report is provided "as is", with no guarantee of completeness, accuracy, of the results obtained from the use of this information, and without warranty of any kind, express or implied, including, but not limited to warranties of performance, merchant ability and fitness for a particular purpose. Given the changing nature of laws and the inherent hazards of electronic communication, there may be delays, omissions or inaccuracies in the information contained in this report. Accordingly, the information in this report is provided with the understanding that the authors herein are not engaged in rendering legal, accounting, tax, or other professional advice or services. As such, it should not be used as a substitute for consultation with professional advisers. This report cannot be sold for consideration, within or outside India, without the express written permission of Redseer.

In no event shall Redseer or its partners, employees or agents, be liable to you or anyone else for any decision made or action taken in reliance on the information in this report or for any errors, omissions, or delays in the content of this report or any losses, injuries, or damages including any incidental or any consequential, special or similar loss or damages, arising out of, or in connection with the use of this report.

Thank You

redseer
Strategy Consultants

query@redseer.com

 facebook.com/redseerconsulting

 twitter.com/Redseer

 linkedin.com/company/Redseer-consulting

Solve. New.

Disclaimer and confidentiality notice: This document contains information that may be confidential and proprietary. Unless you are the intended recipient (or authorized to receive this document for the intended recipient), you may not use, copy, disseminate or disclose to anyone the message or information contained in this document.

© 2024 Redseer Strategy Consultants Confidential and Proprietary Information