

## NOW & NEXT SEASON 2 EPISODE 4 ENGLISH-LANGUAGE TRANSCRIPT

- Leora Kornfeld: [00:08](#) Welcome to Now & Next, a podcast brought to you by the Canada Media Fund that looks at the ways technology is changing media and entertainment. I'm Leora Kornfeld. On this episode, we're journeying into the machine of podcasting as an industry. You probably already heard that podcasting is a rapidly growing space, but you may not know there's close to a million shows in total. They're not all actively publishing of course, but that's about twice as many as they were this time last year and new ones are coming on stream at a rate of tens of thousands per month. Even though we did an episode on the podcasting industry in our first season of Now & Next a lot has changed since then.
- Leora Kornfeld: [00:55](#) In the past six months or so, Spotify has dropped hundreds of millions of dollars acquiring a small handful of companies. Gimlet Media, Anchor and Parcast and Rogers Media acquired Pacific Content, the company we talked to last season. This is likely just the beginning as this new industry take shape because it's not the same as radio. It's not the same as other online content and really there's nobody better to talk to you about all these dramatic changes with than Nicholas Quah.
- Leora Kornfeld: [01:25](#) He's a veteran of a bunch of online media companies that you probably know like Business Insider and BuzzFeed. He's also a contributing writer to New York magazine. He's been a Nieman Journalism Fellow at Harvard and he's also the founder of Hot Pod, the leading newsletter about podcasts. Hot Pod is where everyone in the know goes for the most insight-filled coverage of the industry.
- Leora Kornfeld: [02:19](#) And in just a second we'll get into my conversation with Nicholas Quah to help us all better understand what's going on at this everyone and their grandmother has a podcast moment, but not everyone and their grandmother is going to be the next Joe Rogan. Last season we did an episode with two of the people from the podcasting company, Pacific Content, which I'm guessing you're familiar with and we talked about all the different ways podcasting feeds into content ecosystems. Whether it's as a test bed for TV and film content like Dirty John or Homecoming or for companion audio content for things like documentaries or branded podcasts. And since that time, some really big things have happened, Pacific Content got acquired by Rogers Media here in Canada. And then of course Gimlet Media got acquired by Spotify for something like \$230 million and they spent another hundred and something million in another company. So there's definitely a gold rush going on here. Did you see this coming?

## NOW & NEXT SEASON 2 EPISODE 4 ENGLISH-LANGUAGE TRANSCRIPT

- Nicholas Quah: [03:21](#) Yeah, I didn't see the prices coming, but I thought that mergers and acquisitions would happen sooner or later and it turned out much sooner than we thought.
- Leora Kornfeld: [03:30](#) And when you say that you didn't see the prices coming, because for me I was really surprised too because this was an area, and we talked about this on the episode last year where traditionally there wasn't that kind of investment because there wasn't that kind of return on investment available. So what do you think changed?
- Nicholas Quah: [03:46](#) So let's lay about the two various sort of structural reasons for the change. One is that has been a commensurate increase in both general audience listening and also a general increase in advertising revenue flowing in. So you had the sense that that was a market really forming but a question is sort of like if you were to invest in it, how would that look like? And that leads us to the second structural piece of this equation, which is we have a buying market for podcasts companies and companies that work in podcasting.
- Nicholas Quah: [04:18](#) So the principal buyer here being Rogers Media for Pacific Content and for Gimlet it's Spotify, we're seeing the larger corporate strategic thinking of we are really good at traditional media skillsets. We need to either invest or straight acquire into this growing market, which is growing at a much higher rate than other relative businesses. And so the need of that buying layer switched up. And so you had the combination of effects where you had the Gimlet acquisition that really, really triggered a watershed moment because the \$230 million price tag that is significant and that creates a lot of social and economic dynamics that wasn't that before. Namely a certain sense of like FOMOism, but also a validation of that market.
- Leora Kornfeld: [05:04](#) That's fear of missing out for those acronym challenged. So the FOMOisms on the part of a legacy media organizations, that's what you see as behind a lot of this.
- Nicholas Quah: [05:13](#) That's behind the acquisitions definitely. And it's what you get from a startup rich environment, is that you get a couple of actors that validate the market and then you get the value priced out.
- Leora Kornfeld: [05:27](#) For Spotify though wasn't a big part of it the fact that although they have what 200 million users and half of them pay, which is phenomenal for a subscription business to have half the people paying. They have 70% of the money going out the door to the

music labels who own the rights. And by acquiring a company like Gimlet, they now have the rights in-house so they can retain more of their earnings.

Speaker 2: [05:50](#) Precisely. But there's also a larger narrative question here, because and you're absolutely right that the challenge for music streaming platforms in general and Spotify in specific is that the music industry and the labels defines the upper limit of the music streaming market pretty aggressively and pretty comprehensively. So if you were Spotify and you're now a public listed company, you kind of look around and going, "Okay, can we expand the value narrative of this company in the public markets? How do we do that?"

Speaker 2: [06:20](#) And you do that by changing the conversation if you don't like what you're hearing you sort of switch up the game and so they're no longer just a music streaming platform they aspire to be an all consuming audio platform. Distributing different kinds of audio assets, music, podcast and whatever it comes up to that. And so Gimlet is one piece of this larger strategic puzzle. They've also made a ton of investments in partnerships and they brought on people who will be defining what kinds of shows they want to bring on to the platform moving forward.

Leora Kornfeld: [06:50](#) Now I'm not sure if this is something you said or something that was said to you. I've been listening to other interviews that you did that there's two types of podcasts. There's, the "because I can" sort of the passion projects and then there's, the "because I want to build a business" type of podcast. So how do you think the infusion of this, let's admit it, it's serious money coming into the game. How will this affect the industry?

Nicholas Quah: [07:15](#) I want to preface by saying that division, that dichotomy is true for just about every creative medium, right? Or just about every entrepreneurial medium. Having incentives for money like if you're going to actually start a podcast business knowing that there's a possibility that you could get picked up and or you could actually build a real serious business here. That becomes a real entrenched part of the incentive structure for creatives, if they want to get into this medium and make podcasts.

Nicholas Quah: [07:46](#) And so you introduce that psychological incentive and you introduce that economic incentive and so we're definitely going to see certain kinds of projects pop up and we're probably also going to see more money, media organizations and more celebrities with platforms or personalities with followings begin to invest in this space significantly. The downside is the

possibility of crowding out people who have previously used the space for creative experimentation.

- Nicholas Quah: [08:17](#) The hope is that you can get a dialectic going. That you have an economic structure that can compensate and reward creatives working in this space that have executed very, very, very good shows and good experiences. But the hope is that you balance that out with not too many cynical projects flooding the marketplace.
- Leora Kornfeld: [08:40](#) Did you see this figure the other week? I'm guessing you did because you're basically the foremost podcasting industry guy, the analyst of the whole scene. It had to do with Joe Rogan who, between the podcast and the video podcast on YouTube, he gets like hundreds of millions of streams or downloads a month. But the story that I read was that somebody did an estimate of how much he makes versus how much Howard Stern makes.
- Leora Kornfeld: [09:04](#) And Howard Stern went from radio to satellite radio and I think Howard Stern makes like a hundred million dollars a year. Just a crazy amount that he could never make in radio because radio was constrained by geographies. But then they said that they estimated that Joe Rogan is like a billion dollar business and that Howard Stern is like 10% of that or not even 10% did you see that number?
- Nicholas Quah: [09:28](#) I'm familiar with that write-up and in many ways it makes a ton of assumptions that aren't necessarily true.
- Leora Kornfeld: [09:34](#) Okay. Break them down for me because I really want to know.
- Nicholas Quah: [09:36](#) Making comparison between Joe Rogan and Howard Stern is making comparison between two rather unique situations. If you take the Howard Stern's situation, the contract that he was given, it comes from the fact that Sirius XM needed a blue chip asset in their business when they were building out the satellite radio business. They needed a big star that people would say yes and I would like to subscribe to Sirius XM. Something that previously we would have thought about subscribing to. And so the value of those plays on his contract is probably significantly greater than he could've gotten radio largely because a lot of it's not just core to how many listens he gets or how big his audiences is. It's also a statement of how much Sirius XM values him as a competitive advantage in a general content marketplace.

## NOW & NEXT SEASON 2 EPISODE 4 ENGLISH-LANGUAGE TRANSCRIPT

- Nicholas Quah: [10:27](#) When it comes to Joe Rogan, fact of the matter is, is that it's really, really hard to get a good sense of his overall listenership because, yes, you can combine his YouTube audience and you can combine his podcast audience, but it's also worth remembering that as many audiences as you have, you still need to get a validated pool of advertisers. And just because you have X amount of podcast listeners doesn't mean you're really going to translate to X amount of advertising revenue on the other end of it. There are sales cycles and there's also ups and downs when it comes to the market. And my guess is that Joe Rogan makes a ton of money. He makes millions and millions of dollars probably, but \$1 billion not yet. Probably not for awhile.
- Leora Kornfeld: [11:08](#) But his value, well you know how they do like the value of a company is a multiple of the revenues or something. But I like you're still skeptical. You've got the healthy skepticism about those numbers. So is there still an opportunity for people to more or less come out of nowhere like a guy like Marc Maron did 10 years ago? He just started doing this thing in his garage after his comedy career was kind of faltering. Is that still possible?
- Nicholas Quah: [11:33](#) That's the million dollar question when it comes to this transitioning period. My gut feeling is the answer is still very much, yes. And I think this has largely to do with the fact that a lot of the creative aspects of this market is yet undefined. And there's no reason why a really well done podcast that is able to hit the culture at the right time can't breakout. If you look at the internet largely we sort of think about platforms like YouTube and platforms like Twitter as being relatively closed ecosystems and there's like an understanding that it's pretty well defined. But people can still break out fairly easily if they just hit the right alchemy of things.
- Nicholas Quah: [12:25](#) And I think that's still true. And I also think I would further argue that this is also true for something as classical as television. Because with the proliferation of streaming platforms, you have more of an opportunity for people who are a little bit outside of the mainstream to make something that really pushes the culture and crawls outwards. I still think that's possible in all of these mediums, including podcasting.
- Leora Kornfeld: [12:49](#) I'm glad you brought that up because when you talk about the closed system versus the open system, there's a lot of articles that talk about what we really need is the Netflix of audio. Because it's just overwhelming to deal with podcasts and how

many there are. And you don't really have a lot of background on them. But if there's a Netflix of audio that means that it's going to be centralized, that it's going to be a pre-curated platform with the strong data and analytics backbone. What's your opinion of that?

Nicholas Quah: [13:19](#)

It's only true in so far as whoever creates the supposed Netflix of podcasts actually wins their market and actually builds a product that people want. I think it's always worth unpacking why people are asking that question and people are asking that question on one hand because it's a market opportunity. It's an opportunity to make money, but it's also because it's a possible solution to a problem. The problem being that revenue and making money through podcasting is still very much an irregular and difficult process. It's a difficult equation. You need to first of all get a hit that's recurring. You need an inventory for advertising to be able to be sold into and you also need a validated pool of advertisers that you're in constant contact with. Or maybe the person who sells your advertising is in constant contact with to buy spots on the inventory.

Nicholas Quah: [14:06](#)

And so the supposed idea of a Netflix for audio is one in which it's able to guarantee if they're able to build a paid user base, a pool of money that can be spent on creators. And so you have this potential solution to monetization problem that is somewhat maligned in the broader ecosystem because podcasting came up from this ideological understanding that you will win generally when listenership is open, when submissions of new shows are open, where the market can dictate itself.

Nicholas Quah: [14:39](#)

I think there is a future in which we'll have some paywall paid podcasting platforms. I'm not sure if it's going to be Luminary. I'm not sure if it's even going to look like it. But I think we're generally trending to a direction in which a multiplicity of business models could be possible. And I think you kind of want diversification with any market or ecosystem that you have and hopefully we'll see a lot of that when we move forward.

Leora Kornfeld: [15:04](#)

How do you see the business models developing? If you look at a company like Luminary, so they're working very much with a paywalled business model. Is there a future for the companies doing the paywalled content?

Nicholas Quah: [15:18](#)

Yeah, it's interesting if you differentiate or spell out differences between something like Luminary, which is more traditionally in the whole metaphor of the Netflix for audio versus things like

Spotify, which is mostly free. And then if you become a paid premium user, you get a bunch of benefits on top of that. So it's functionally still available. Most of that content still available for most people. With a company like Luminary, you have the problem of user acquisition, which is to say you have to convince people to pay X amount of money every month or every year to the access to content that you have.

- Nicholas Quah: [15:51](#) The traditional comparison Netflix kind of breaks down because if there's a historical forgetting with and when it comes to remembering why Netflix became what they are today. Which is they didn't start with the production of original content. They didn't start with the licensing of original content. They started with syndication essentially they let people rent DVDs and they made it easier for people to follow through with consumption of media and content that has largely gone through its marketing cycles and its audience development cycles elsewhere, which is to say that the film business and the film theater circuit.
- Leora Kornfeld: [16:22](#) But it was also cheaper than the existing option. That was a big part and people were already used to paying for video entertainment.
- Nicholas Quah: [16:31](#) Absolutely. And you also have an already validated product, right? People are using this service to pay lower prices for something that they know that they already want. Luminary is in a position where they have to create a catalog themselves. They have to validate a market of people that would be willing to pay money for that content that they collect and curate and pay for. And then they have to do it over and over again every month, every quarter, every year to the point in which they've, I don't know, become acquired or hit the public markers or full because they ran out of money. And so that is very, very difficult if you are unable to define specifically the value proposition of the collection that you've curated and the kinds of people that'll pay for it.
- Nicholas Quah: [17:14](#) Which isn't to say that I don't think that a paid podcasting platform is possible for the future. I think there's a lane for niche and more specific genre-oriented platforms. Right now you can get comedy podcasts pretty easily. You can get public radio program pretty easily as podcasts. What kinds of shows can you not get that much of? What kinds of shows aren't really well served, with the way that the podcast business works right now? I would argue fiction and I would argue something like a six part limited run series, pretty genre-oriented. I think if you're

## NOW & NEXT SEASON 2 EPISODE 4 ENGLISH-LANGUAGE TRANSCRIPT

very specific with your identity in the marketplace, you can have a lane to win.

- Leora Kornfeld: [17:54](#) I wonder if you just gave away the next hundred million dollar idea.
- Nicholas Quah: [17:57](#) Ideas are cheap.
- Leora Kornfeld: [18:05](#) If you had to pick out the top one, two, maybe even three bottlenecks or barriers in the ecosystem of podcasting what would you say they are?
- Nicholas Quah: [18:16](#) The traditional way that people tend to talk about podcasting is to talk about in terms of it's lower barriers to entry, which is to say that anybody can publish a podcast. Just because you can publish it doesn't mean that you don't have to do a lot of work in it. So that's number one. The second is talent. I think one thing that we've seen over the past four or five years. Which I think is pretty interesting actually, is the sense that the really, really talented people who know how to produce really good talk podcasting or really, really good narrative podcasting, that has been a vanishing small number of people. Largely because the larger like radio and narrative radio and labor market and infrastructure traditionally didn't really support them very well. So there's an entire middle-class of radio producers who are really talented who basically driven out of media because they could previously not make a ton of money out of it.
- Nicholas Quah: [19:08](#) And so now we have a situation in which people who are talented enough to create shows, to develop shows, to run shows, to cut really good tape to think about the medium at a high level. That's not a lot of people. And as a result, the quality barrier is tremendous both for upstarts and existing big podcast publishers. So that's number two and if you want to have a real sort of like round this out to a number three here. I do think marketing is an issue. There's this dictum that gets uttered a lot in podcasting, which is to say that podcasting discovery is broken.
- Nicholas Quah: [19:43](#) I generally don't think that's true. I just feel that podcast creators haven't really thought a lot about or invested quite enough into marketing their shows. The notion of spending money to make sure that the awareness of the show pops up among people who'd be interested in it. I haven't seen a ton of that yet and that I think is probably the next big wave of something that we should be seeing over the next couple of years.

## NOW & NEXT SEASON 2 EPISODE 4 ENGLISH-LANGUAGE TRANSCRIPT

- Leora Kornfeld: [20:07](#) Any predictions on upcoming mergers and acquisitions? Not necessarily names of companies or if you want you can do that, but types of companies that you think might get acquired as the ecosystem builds out?
- Nicholas Quah: [20:18](#) That's a very good question. I think there will always be a lane for really good and reliable and buzzy content companies. I would always put a bet down on starting your own podcast studio and giving it a shot. But I still think there are a tons of secondary non-content, oriented businesses that's ripe for creation and acquisition. I think we're probably going to see a lot of analytics-oriented podcast companies start up and get bought up by Spotify or maybe an Apple or whatever in the future. I think there's always going to be a market for more content and creative people and there's always going to be a market for improving the lanes of monetization. So that's kind of the lanes that I see into it.
- Nicholas Quah: [21:06](#) But we should also have a conversation about the timeline of these things. I think it's going to be quiet for a while, maybe a year or so. And then once the market resettles and everybody kind of figures out what the new lanes are, then we'll probably see another round of acquisitions and mergers two, three years down the line.
- Leora Kornfeld: [21:22](#) Thank you very much. This has been a great overview of what's happening now and who knows what may be happening one to two years. We're going to hold you to that and then maybe we'll call you back then.
- Nicholas Quah: [21:32](#) Yeah, I hope this isn't too wonky.
- Leora Kornfeld: [21:34](#) Okay, thanks a lot Nicholas Quah of Hot Pod.
- Nicholas Quah: [21:37](#) Thank you.
- Leora Kornfeld: [21:41](#) And that's it for another episode of Now & Next brought to you by the Canada Media Fund. As you probably know, if you're listening to this, the CMF funds television and digital projects in Canada. And now podcasts connected to an existing television show are eligible for funding. The best way to learn more about this new opportunity is to go to the show notes for this episode, which you can find on the CMF Trends website and there's going to be a link there with more information. Just google C-M-F as in Canada Media Fund and Trends and I'm pretty sure it's the first search return.

## NOW & NEXT SEASON 2 EPISODE 4 ENGLISH-LANGUAGE TRANSCRIPT

Leora Kornfeld:

[22:17](#)

Also thanks to those who have rated and reviewed this show wherever you get your podcasts. It's really, really helpful, but we can always use more, so I'll just throw that in one more time. Thanks for listening and I hope you'll come back next time. For more Now & Next. I'm Leora Kornfeld.