

URL: <https://stvp.stanford.edu/clips/when-to-accelerate>

Luminary Media co-founder and CEO Matthew Sacks presents some of the data that convinced him that podcasting was moving from niche to mainstream, and that suggested a viable new business model. He explains that, once an opportunity checks out, it's imperative to get into a hiring process as fast as you can. In his case, that meant bringing a people operations expert, Lauren Perkins, onto the founding team.



Transcript

- Why podcasting, why build a business in the category? This is today.. Today we're you know, Spotify has invested about \$500 million into podcasting.. iHeartRadio talks about beating one of the leading podcast companies.. As far as how they are describing themselves.. The podcast market is big, and growing, and very exciting today.. Two to Three years ago people didn't necessarily have that perspective.. I think they thought of it as kinda niche, it's kind of off to the side.. It's not the same type of content as TV.. It's not the same type of content as publishing.. But, knowing sort of what I knew as a fan..

And having interactions I did, with my friends who all loved the space.. I knew the content was special.. And, as the last couple of years have gone on, it's become very clear that podcasts is a big deal.. 62 million people today listen every week.. On average they listen for about an hour a day.. And 144 million people in America, have listened to a podcast.. It's growing really rapidly.. The challenge with podcasting from an investor perspective, was that, the economic model was lagging the consumer adoption and the consumer engagement.. So what this chart shows here.. The average hour of listening from a podcast listener, generates two cent's of revenue..

You look at radio, Spotify, and sat- or radio, streaming, and satellite radio, and its significantly more, revenue then the podcast space, for a very similar type of content.. When we were looking at investing in this space, we tried to figure out why that is.. And our business, which we mentioned before.. Is really about great, podcast content, and how to build a business and monetize around it.. And so, we landed on the subscription model, because, due to this.. Podcast ad rates, are actually pretty good.. You know \$35 CPM, which is a cost per thousands impressions of an ad.. Compared to \$13 on radio.. But the ad load in podcasts is very low.. Three minutes of ad's per hour on average..

Radio is about 18.. So in order for, podcasting, to catch up to these other businesses.. Either you have to introduce a new model, and you have to introduce a new revenue stream.. Or, ad load would have to go from three minutes per hour, up significantly.. Which would of been a negative for the user, and ultimately would have led to the cost per ad's coming down, similar to radio.. We got very excited about the opportunity to build a subscription business in the space.. And as Lauren mentioned, did some extensive research about the viability of a subscription business.. And ultimately came to the conclusion after talking to thousands of users, thousands of listeners.. That podcast content was no different then TV, or film, or music, or publishing.. And that if you have great premium content, there was an audience that would pay for it..

There was an appetite to pay.. And so, we set out to build a business.. We found a luminary in January of '18.. And in the fall of 2017 is when I went to Lauren, I said you know "This feels like a really big opportunity, we've been able to raise some capital, from a few different investment firms, including my own firm to go after it.. And it's very clear to me that the most important thing that we're going to need to do, is hire a great team, and move really fast." And as a result, having a head of talent, a partner who's running the people operations function on the co fronting team, who's really important to me...