Pandora Gains Access to $14 Billion Radio Ad-Sales Market

By Andy Fitzmer - Mar 5, 2013

Pandora Media Inc. (P), the music-streaming service, will compete directly with radio stations for the first time on the industry’s biggest advertising services, gaining better access to the $14 billion annual ad-sales market.

By May, advertisers will be able to compare Pandora’s audience ratings alongside those of radio stations through services that account for 80 percent of local ad sales, Chief Executive Officer Joe Kennedy said in an interview.

The change eliminates a hurdle for ad buyers and Pandora, which is opening sales offices in the 25 biggest U.S. media markets, Kennedy said. Buyers previously had to manually research Pandora ratings. While early adopters made the effort, the change simplifies the process and will expose Pandora to a larger group of marketers, he said.

“Pandora will now be there side by side, apples to apples, in the same systems used every day to purchase radio advertising,” Kennedy said. “We get terrific visibility on these systems.”

Strata Marketing Inc. began including Pandora ratings on its network in January, Kennedy said. Mediaocean is in testing and plans to add Pandora ratings by the end of April. Chicago-based Strata, with about 1,000 ad agencies, and New York-based Mediaocean have nearly equal market share, he said.

Pandora, based in Oakland, California, fell 2.4 percent to $12 yesterday in New York. The stock has climbed 31 percent this year.

Investors will get their first peek at how ad sales fared on Strata on March 7, when Pandora reports results for the quarter ended Jan. 31. Excluding some items, analysts forecast a loss of 6 cents a share, the average of 20 estimates compiled by Bloomberg, on revenue of $122.6 million.

Pandora drew 65.6 million listeners and commanded an 8 percent share of the U.S. radio audience in January.

The company’s costs to stream music are rising faster than its ad sales. Music expenses jumped 81 percent in nine months ended Oct. 31, while ad sales gained 59 percent. Starting this month, the
company capped mobile listening at 40 hours a month to contain costs.

To contact the reporter on this story: Andy Fixmer in Los Angeles at afixmer@bloomberg.net

To contact the editor responsible for this story: Anthony Palazzo at apalazzo@bloomberg.net