

25th Hour Media – Nick Sehn, Simon Li, Sanjay Krishnamurthy, Adam Zwecker

For the on-the-go news consumer who wants to make the most out of his commute, 25th Hour Media is an online service that creates value by delivering high quality, human-narrated streaming audio of existing online text content to internet-enabled mobile devices like iPhones and Blackberries. While end consumers can increase efficient utilization of their commute times, 25th Hour Media also represents an additional distribution channel for current content providers and an attractive feature through which content providers can convert their customers to premium paid content.

There are 144 million daily commuters in the U.S., 75% of whom drive to work alone. The average commute is 24 minutes each way, and that time is generally taken up listening to music or to talk radio. However, once at work, Americans spend a significant amount of time online visiting traditional news websites like Wall Street Journal or ESPN and blogs like The Huffington Post or TechCrunch. If they are going to consume their favorite web content anyways, why not consume it on the road?

The only safe way to consume media during the commute is through audio – but not just any audio. If a commuter is to listen to 24 minutes of audio both to and from work, the experience must be high-quality and engaging. 25th Hour Media solves this problem by creating human-narrated streaming audio for articles published by its content provider partners. 25th Hour Media's newscasters will be prescreened and highly qualified, and our benchmark for audio quality is NPR. End users will be able to easily access the streaming audio from the content providers' websites, and in future iterations of our service, they will be able to create customized playlists of their favorite articles. While clearly an attractive solution for commuters with internet-enabled mobile devices, our service is also financially appealing for content providers. First of all, the content provider will be able to expand its customer base by effectively reaching its customers in a setting that is currently off limits, i.e. in the car. Second, offering such a high-value service can increase content providers' conversion rates for shifting customers from free content to premium paid content. These subscriptions result in higher revenues per customer with lower variability, so 25th Hour Media can play a vital role in the content provider's quest to improve its revenue model.

The most promising segment of potential end-customers consists of those who are daily commuters, smartphone owners, and NPR/podcast listeners. This segment represents a total addressable market of 15.7 million customers and \$188 million per year. 25th Hour Media aims to attract around 25 content provider partners composed of high-value traditional news outlets and premium blogs. Commoditized news outlets and blogs with insufficient customer bases will not be targeted.

The competitive advantage of 25th Hour Media is the assembly of an on-demand workforce composed of pre-qualified newscasters who can skillfully present the news. The current competition in the text-to-audio market utilizes software technology which generates lower quality audio with imperfect tonal qualities and unnatural speech styles. Our research clearly demonstrates a statistically significant preference for a real human voice as compared to a computer-generated voice. The

formation of this newscaster network will provide 25th Hour Media with a resource that is valuable to the end consumers and content providers and difficult to imitate through technology.

25th Hour Media will charge content providers for the opportunity to utilize this service. The audio service will be positioned as an additional feature that can be used by content providers to attract users to their premium or paid content. For example, websites like ESPN Insider or Wall Street Journal can offer an audio version of their content as part of their paid subscriptions. 25th Hour Media will take a portion of the subscription fee paid by the end consumer to the content provider. As content providers try to find new ways to entice consumers to switch from free content to paid content, the 25th Hour Media service will help by providing a new channel in which news can be consumed.

This revenue model piggybacks on the brands that have been built by the content providers with their consumers. Therefore, 25th Hour Media can be the service provider for audio content without the difficult task of building a direct-to-consumer brand. In addition, it is capital efficient because 25th Hour Media will only record expenses when creating new audio content. Because these content providers have established premium brands, there will be revenue in the beginning stages to cover the marginal costs. However, the risk of negative margins will arise in working with content providers to establish new paid subscription services. This risk will be mitigated by 25th Hour Media taking a larger share of revenues from content providers that do not have established paid services.

The core team is composed of 4 MBA students. Three of the students have extensive prior experience as software engineers, developing systems for the defense, online advertising, and software markets. The 4th team member is pursuing a joint JD/MBA degree and will provide legal support and new business development. The team is currently being advised by David Samuel, a very successful Internet entrepreneur who has founded and sold multiple start-up businesses.

Based on the market research conducted, there is a target market of 15.7 million consumers who would find value in this service. An expected price offered to content providers for this service would be \$1/month/subscriber. At \$12/year/subscriber, this represents an annual opportunity of \$188 million. After 3 years, 25th Hour Media expects to achieve 10% of the target market, for annual revenues of about \$19 million. While the top line revenue number is moderate, the profit margins will be high. There are limited fixed costs required to operate the service and the marginal cost of each additional subscriber will be close to \$0.

25th Hour Media is currently launching a prototype of the service, creating an audio version of the Fuqua Times. We expect after this prototype to continue by launching an audio version of the Duke Chronicle. In order to launch an official version of the service, the company requires \$25,000 in funding. This funding will cover expenses related to Internet bandwidth, newscaster compensation, and consumer marketing. After this initial funding round, the service is expected to grow organically without requiring additional rounds of investment.

By combining high quality audio with streaming delivery, 25th Hour Media will create a new mobile internet. This new information channel will strengthen the relationship between end-consumers and the providers of the content they love.