



## The International Communications Market 2017

### **Radio and audio**

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## 6.1 Radio and audio: overview and key market developments

Figure 76 Key metrics

	UK	FRA	GER	ITA	USA	JPN	AUS	ESP	NED	SWE	POL	KOR	BRA	RUS	IND	CHN	NGA
Total radio industry revenue (£bn) <sup>1</sup>	1.2	1.1	2.9	0.4	16.3	0.9	0.7	0.4	0.2	0.3	0.1	0.2	0.3	0.1	0.3	1.7	0.0
Radio revenue per capita (£) <sup>2</sup>	19.0	17.5	34.7	6.7	50.4	7.0	27.8	8.4	10.6	29.5	2.7	3.7	1.2	1.0	0.2	1.3	0.3
Radio revenue per listener (£) <sup>2</sup>	50.6	47.5	105.0	18.6	178.7	44.6	116.3	29.5	26.8	66.6	8.1	-	5.0	3.8	-	3.6	7.5
Total music industry revenue (£bn) <sup>1</sup>	2.8	1.5	3.0	0.7	12.7	4.4	0.8	0.4	0.7	0.5	0.2	0.6	0.3	0.4	0.2	0.4	0.0
Music revenue per capita (£) <sup>2</sup>	43.0	23.1	36.4	12.3	39.4	35.1	33.7	9.3	41.7	53.5	5.6	12.6	1.6	2.8	0.2	0.3	0.2
% income from public licence fees <sup>1</sup>	60	48	78	22	N/A	5	N/A	N/A	N/A	77	5	21	N/A	N/A	N/A	N/A	N/A
Weekly reach of radio (% households) <sup>3</sup>	90	82	68	85	77	38	65	71	88	94	94	-	84	63	-	98	20
DAB digital radio coverage (% population) <sup>4</sup>	97	19	96	75	-	-	65	20	95	35	56	90	-	-	-	-	-
DAB digital radio set take-up (% population) <sup>5</sup>	35	7	21	13	11	4	16	17	-	11	-	-	-	-	-	-	-

Sources: 1. PwC Global Entertainment and Media Outlook 2017-2021 (N.B. UK data from Ofcom's Communications Market Report 2017)

2. Average annual revenue per capita: PwC, IHS Markit (N.B. UK data from Ofcom's Communications Market Report 2017)

3. IHS Markit

4. WorldDAB (N.B. reporting periods vary; latest reported figures to October 2017)

5. Ofcom consumer research, September 2017

### 6.1.1 The UK in context

The UK radio industry was the fourth largest across our comparator countries in 2016, with revenues of £1.2bn, of which 60% were derived from public licence fees. Only in Germany and Sweden did public licence fees contribute a greater proportion of overall radio revenue in 2016 (78% and 77% respectively).

Despite increases in the popularity of music streaming services such as Spotify and Apple Music, the reach of radio across the 17 comparator countries has remained relatively stable over recent years. At least 90% of households listened to radio at least once a week in the UK, Sweden, Poland and China.

In addition to listening via analogue platforms (FM/AM), consumers across the world are listening to digital radio, including via DAB, via digital television platforms and on the internet through connected devices. Of the comparator countries, the UK led the way in the proportion of its population that can now receive DAB digital radio (at 97%, followed by 96% in Germany and 75% in Italy) and also in how many people listen to radio through any digital platform (40% in the UK, followed by 30% in the US and Germany).

### 6.1.2 Key market development: the UK leads the way in digital radio

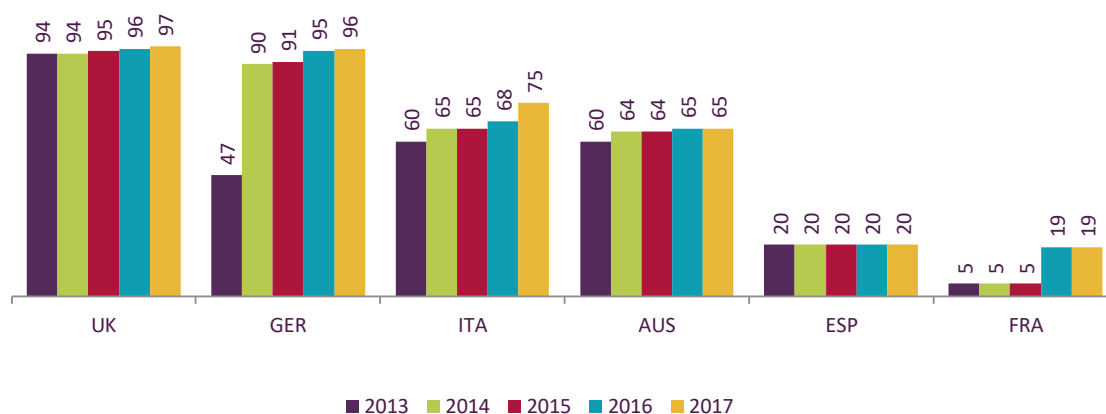
#### DAB coverage was highest in the UK among the comparator countries in 2017

DAB coverage was available to 97% of the UK population in 2017<sup>132</sup>. The launch of the second national commercial network, Sound Digital, early in 2016, contributed to an increase in UK digital listening. The role of in-car listening is high on the agenda for the UK radio industry, with 87.5% of new cars now fitted with DAB as standard<sup>133</sup>.

Germany continues to increase its coverage of DAB, which in 2017 reached 96% of its population. In contrast to the UK, however, just 13% of new cars in Germany come fitted with a digital receiver. The DAB roll-out in Italy also continues, with coverage now at 75% of the population. In France, the digital radio market is still in its infancy, with DAB covering 19% of the population.

Although it is not one of our comparator countries, we note that at the start of 2017 Norway began its radio switchover, with all national stations scheduled to switch off their analogue transmissions by mid-December 2017. Smaller local stations will continue to be available on FM until 2022, after which the state will no longer support this network.

**Figure 77 Population coverage of DAB/ DAB+ digital radio (%): 2012-2017**



Source: WorldDAB

Note: Regular DAB+ services were launched in France in June 2014. All figures have been rounded to the nearest whole percentage.

#### UK consumers are the most likely to own a digital radio set

When asked about devices in their households, respondents in Italy and Spain were more likely than any of the other countries surveyed (both at 75%) to say that they owned any type of radio set (not including digital televisions or any other connected devices).

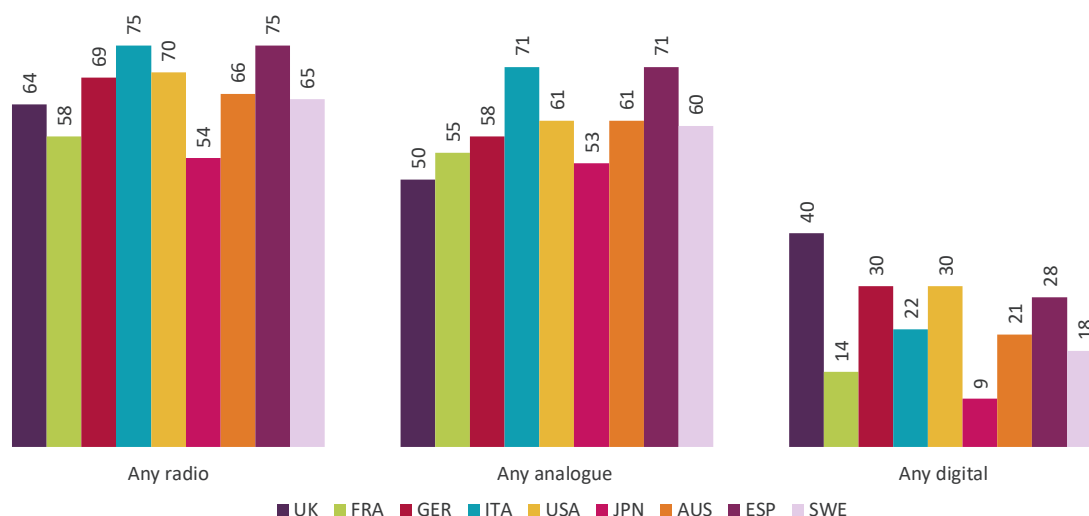
While half of respondents in the UK claimed to own an analogue radio, 40% said they had a digital radio set, the highest proportion among the countries we surveyed.

<sup>132</sup> WorldDAB, October 2017

<sup>133</sup> Society of Motor Vehicle Manufacturers and Traders (SMMT)

**Figure 78 Ownership of radio devices: 2017**

Proportion of all respondents (%)



Source: Ofcom consumer research, September 2017

Base: All respondents UK=1000, FRA=1008, GER=1010, ITA=1032, USA=1016, JPN=1011, AUS=1007, ESP=1016, SWE=1000

Q3a. Which of the following devices do you have in your home, whether or not you use it personally?

## 6.2 The radio and audio industry

### 6.2.1 Radio industry

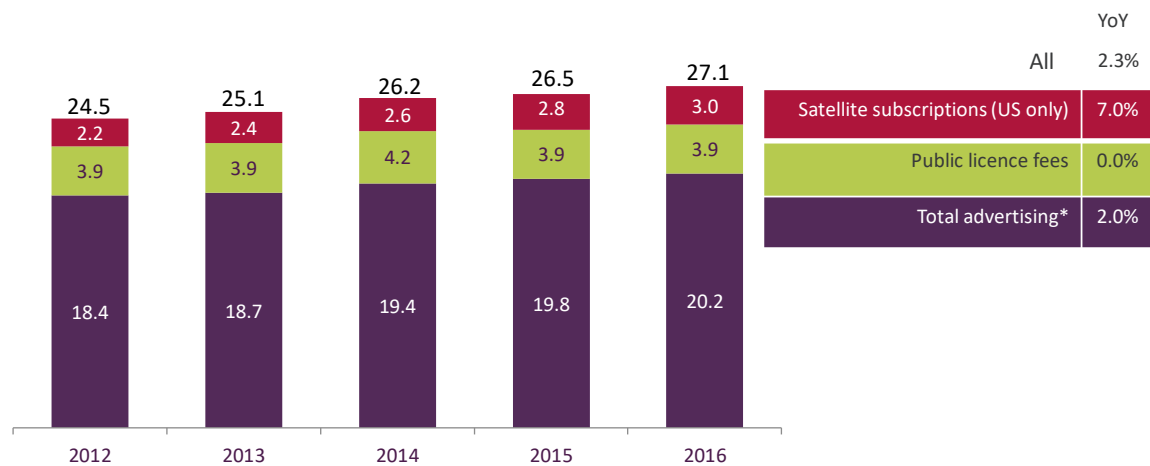
#### Total radio revenue reached £27.1bn in 2016

Radio revenues across the comparator countries were £27.1bn in 2016. Advertising revenues contributed three-quarters of the overall total, at £20.2bn.

At £3.9bn, public radio licence fees made up the next greatest proportion of total radio revenues in 2016, followed by US satellite radio subscriptions at £3.0bn<sup>134</sup>. The satellite radio market in the US has continued its steady growth in satellite subscriptions. There are currently more than 31 million subscribers to SiriusXM, the sole provider on this platform, with SiriusXM receivers now installed in three-quarters of all new vehicles.

<sup>134</sup> N.B. PwC data only includes public funding generated from licence fees and not any direct funding. For example, ABC Radio in Australia receives government funding and there is some provision within Spain and the US at the national and regional/state levels.

**Figure 79 Total radio revenue (£bn): 2012-2016**



Source: Ofcom analysis based on data from PricewaterhouseCoopers Global Entertainment and Media Outlook 2017-2021 @ [pwc.com/outlook](http://pwc.com/outlook).

Note: Interpretation and manipulation of data are solely Ofcom's responsibility. Ofcom has used an exchange rate of \$1.35 to the GBP. Note that the UK radio industry figure is sourced from broadcaster returns made to Ofcom. All figures expressed in nominal terms.

\* Total advertising includes: satellite advertising (US only), online radio advertising (US only) and broadcast advertising

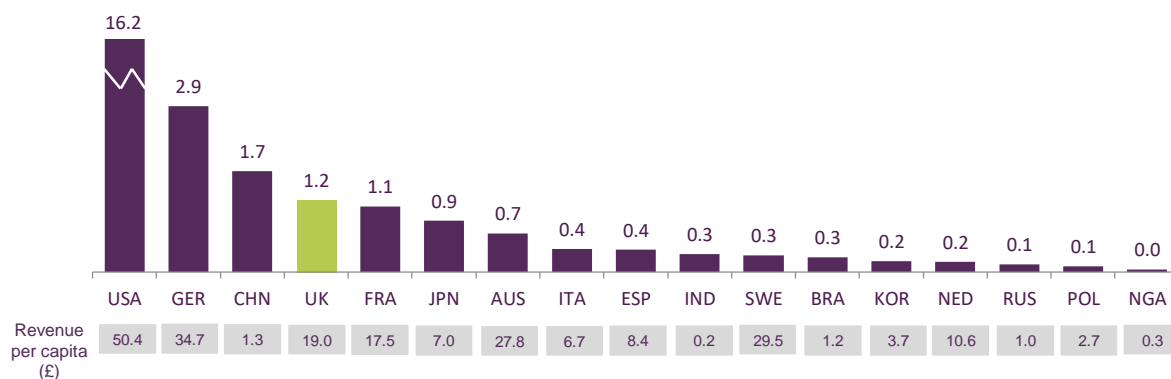
**Germany was the only European comparator country to generate revenues greater than £2bn in 2016**

Among our comparator countries, the US had the largest radio sector by value, at £16.2bn in 2016.

Germany had the largest radio sector (by revenue) across European comparator countries (ranked second among all comparator countries), generating revenue of £2.9bn in 2016, while China ranked third among all comparator countries, with revenue of £1.7bn.

At £1.2bn, the UK ranks fifth in terms of annual revenue, revenue per capita (£19) and per listener (£50.60). Although only ranked eleventh overall in terms of revenue, Sweden ranks fourth of all of our comparator countries when per-capita revenue is considered (£29.50); behind Australia (£27.80) and the US (£50.40).

**Figure 80 Radio industry revenues, by country (£bn): 2016**



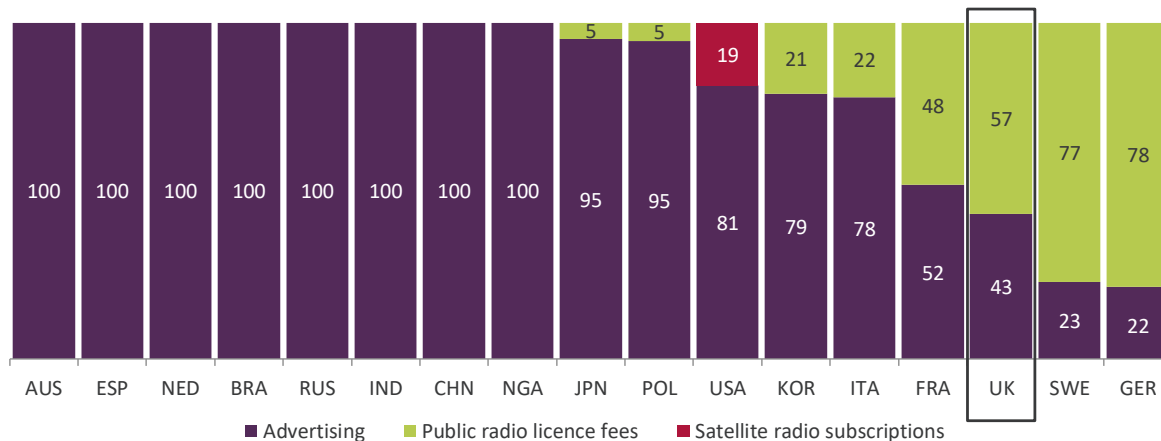
Source: Ofcom analysis based on data from PricewaterhouseCoopers Global Entertainment and Media Outlook 2017-2021 @ pwc.com/outlook.

Note: Interpretation and manipulation of data are solely Ofcom’s responsibility. Ofcom has used an exchange rate of \$1.35 to the GBP. Note that the UK radio industry figure is sourced from broadcaster returns made to Ofcom.

**Public radio licence fees made up more than half of industry revenues in the UK, Germany and Sweden in 2016**

More than half the total radio revenue in the UK (57%), and more than three-quarters in Germany and Sweden (78% and 77% respectively) originated from public radio licence fees. Of those markets that are partially publicly-funded, the licence fee contributed the smallest proportion of total revenues in Japan and Poland (both 5%).

**Figure 81 Proportion of radio revenue, by source (%): 2016**



Source: Ofcom analysis based on data from PricewaterhouseCoopers Global Entertainment and Media Outlook 2017-2021 @ pwc.com/outlook.

Note: Interpretation and manipulation of data are solely Ofcom’s responsibility. Ofcom has used an exchange rate of \$1.35 to the GBP. Note that the UK radio industry figure is sourced from broadcaster returns made to Ofcom. All figures expressed in nominal terms. All figures have been rounded to the nearest whole percentage.

**The US had the largest number of radio stations broadcasting at the end of 2016**

The US has consistently had the greatest number of radio stations on air each year, with 24,447 broadcasting at the end of 2016. Brazil had the second highest number of broadcast stations in 2016 with 9,700, though this has fallen since 2015, possibly due to the migration from AM to FM that began in February 2016. By comparison, the UK had 923 stations broadcasting across AM, FM and DAB, up



from 859 in the previous year<sup>135</sup>. When looking at the number of stations per capita, the US tops the ranking, followed by Spain and Brazil.

Among the eight European comparator countries, Spain had the most radio stations broadcasting by the end of 2016, at 2,315 stations, followed by Italy with 1,158.

**Figure 82 Number of radio stations, by country: 2011-2016**

	UK	FRA	GER	ITA	USA	JPN	AUS	ESP	NED	SWE	POL	KOR	BRA	RUS	IND	CHN	NGA
2011	753	794	518	-	21,889	372	273	0	349	134	323	151	9,184	638	486	581	120
2012	762	794	518	-	22,080	372	273	0	349	134	326	151	9,479	638	522	726	150
2013	772	814	518	1,527	22,173	372	273	2,258	349	134	332	151	9,589	638	618	907	188
2014	803	800	561	1,539	22,492	365	273	2,239	360	130	335	161	9,629	653	655	1,506	240
2015	859	839	488	1,273	23,256	337	273	2,316	378	134	316	161	9,776	672	657	1,494	283
2016	923	841	502	1,158	24,447	398	273	2,315	383	134	317	150	9,700	708	661	1,880	339

Source: IHS Markit; UK figures from Ofcom's Digital Radio Report for each year

## 6.2.2 Music industry

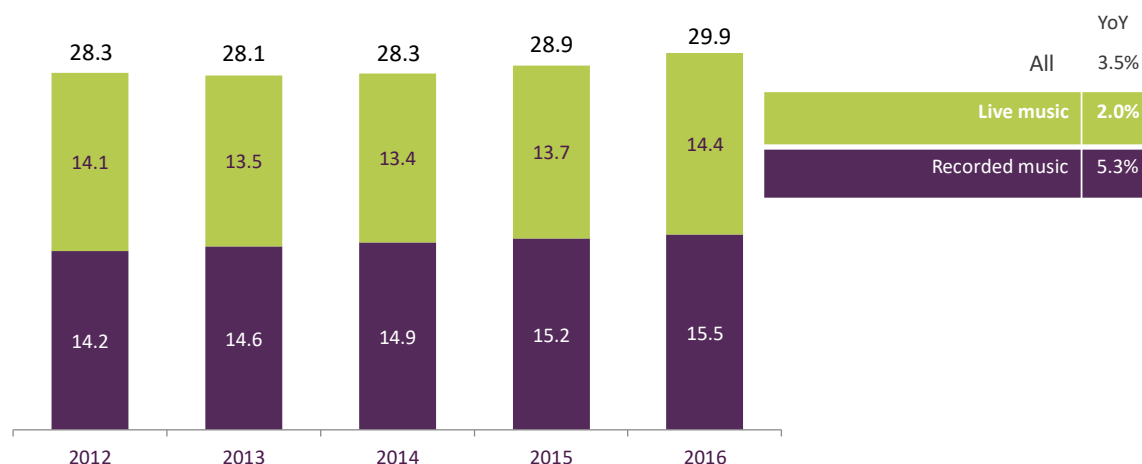
### Total music revenues stood at £29.9bn in 2016

Total music revenues across our comparator countries were £29.9bn in 2016. The contributions from live and recorded music sales were similar, making up 48% and 52% of all revenue respectively. Although recorded music revenue (which includes revenue from digital downloads and streams) has had a higher average annual growth rate, in nominal terms, since 2012, live music revenue outperformed recorded revenue growth in 2016.

Most of our comparator countries have increased their revenue (in nominal terms) from recorded music, with the exception of France, Australia, India and Japan. However, as in most of the comparator countries, these markets have increased their revenue from live music. Russia's live music revenue declined in nominal terms in 2016, largely due to the devaluation of the local currency against the US dollar and the euro, making it a less attractive location for Western promoters.

<sup>135</sup> Ofcom Digital Radio Report 2017 <https://www.ofcom.org.uk/research-and-data/tv-radio-and-on-demand/radio-research/digital-radio-reports>

**Figure 83 Total music revenue (£bn): 2012-2016**



Source: Ofcom analysis based on data from PricewaterhouseCoopers Global Entertainment and Media Outlook 2017-2021 @ pwc.com/outlook.

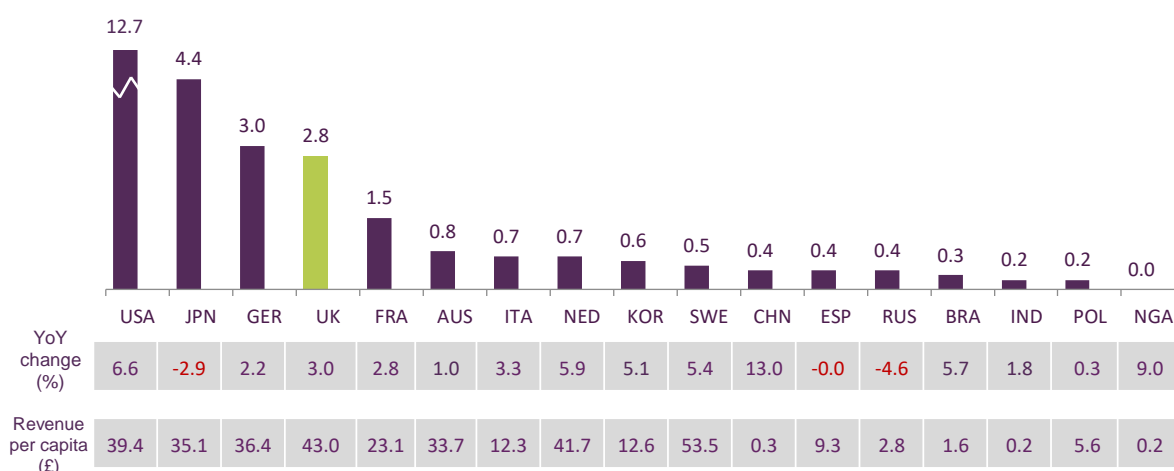
Note: Interpretation and manipulation of data are solely Ofcom’s responsibility. Ofcom has used an exchange rate of \$1.35 to the GBP. All figures expressed in nominal terms.

**Only four comparator countries generated more than £2bn in music revenue in 2016**

The music industry in the UK was the fourth largest across the 17 comparator countries, generating £2.8bn in 2016. The US generated the greatest income (£12.7bn) followed by Japan (£4.4bn) and Germany (£3.0bn). China had the largest increase in revenue in nominal terms in 2016; this appears to be linked to the Chinese government increasing its enforcement efforts in relation to music piracy, and to international music companies such as Universal increasing their presence in the Chinese market. In contrast, Russia had the largest decline in 2016, which may be due to broader macroeconomic factors.

At £43, the UK’s annual revenue per capita was the second largest behind Sweden (£53.50), with the US ranking fourth (£39.40).

**Figure 84 Music industry revenues, by country (£bn): 2016**



Source: Ofcom analysis based on data from PricewaterhouseCoopers Global Entertainment and Media Outlook 2017-2021 @ pwc.com/outlook.

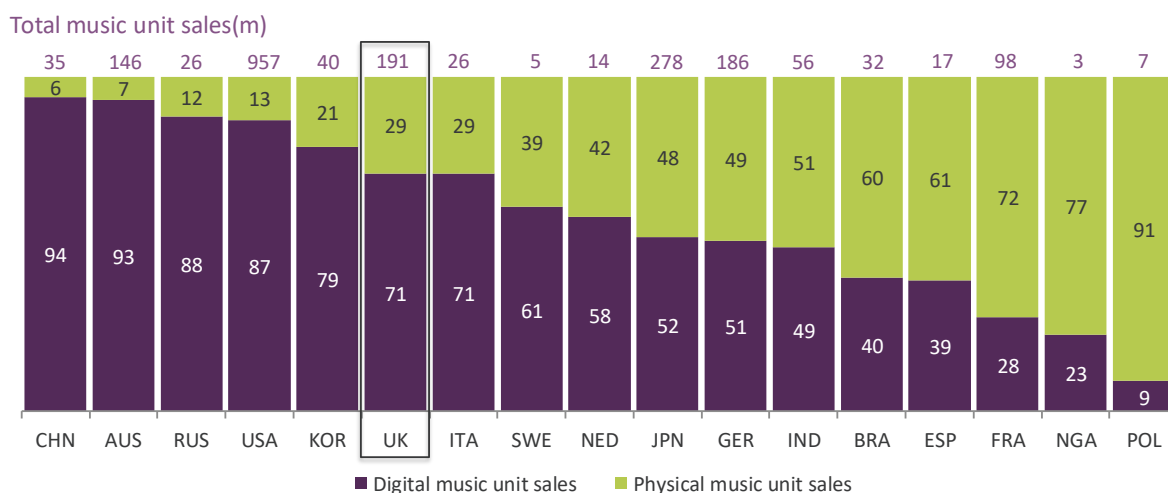
Note: Interpretation and manipulation of data are solely Ofcom’s responsibility. Ofcom has used an exchange rate of \$1.35 to the GBP. All figures expressed in nominal terms.

### More than nine in ten music sales in China and Australia were digital

The split between digital (downloads and streaming) versus physical music sales varies significantly across our comparator countries. In China and Australia, the greatest proportion of music purchases were in a digital format in 2016, including downloads and streaming. This growth was driven primarily by improved connectivity, as mobile network operators invested in the infrastructure and the provision of more localised and personalised curation services such as JOOX<sup>136</sup>.

In contrast, less than a third of unit sales in France, Nigeria and Poland were digital. After the US and Japan, the UK had the third highest music unit sales in 2016, at 191 million.

**Figure 85 Proportion of music unit sales, digital vs. physical (%): 2016**



Source: Ofcom analysis based on data from PricewaterhouseCoopers Global Entertainment and Media Outlook 2017-2021 @ [pwc.com/outlook](http://pwc.com/outlook).

Note: Interpretation and manipulation of data are solely Ofcom’s responsibility. All figures have been rounded to the nearest whole number or percentage.

### With the exception of Nigeria, Australia and Japan, the majority of digital music revenue was from streaming rather than downloading in 2016

Streaming has been the key growth driver in the music industry across our comparator countries. In the majority of markets we considered, including the UK, revenue from streaming made up a greater proportion of digital music revenue than downloads of tracks or albums.

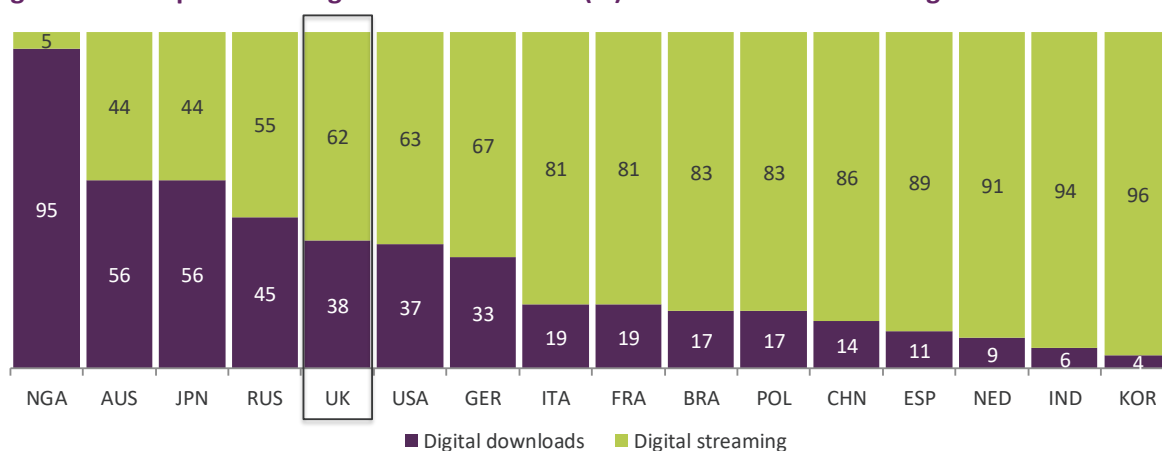
There has been an overall shift in the split between downloads and streaming over the past few years, across the comparator countries. Downloads contributed a large majority of revenue, at 81%, versus 19% attributed to streaming in 2012, but by 2016, streaming contributed just under two-thirds of digital music revenue (64%), compared to 36% from downloads. The shift in Japan has been particularly pronounced; the download:streaming ratio (in nominal terms) has changed from 98:2 in 2012 to 56:44 in 2016.

According to figures released by Spotify, in July 2017 the company had more than 60 million subscribers worldwide, an increase of 200% since 2015. However, despite the increase in subscriptions, Spotify has

<sup>136</sup> McKinsey, November 2016: *The beat of progress - the rise of music streaming in Asia*

not yet recorded a profit; it claims this is primarily due to the high costs it has to pay to music rights-holders.

**Figure 86 Proportion of digital music revenues (%): downloads vs. streaming**



Source: Ofcom analysis based on data from PricewaterhouseCoopers Global Entertainment and Media Outlook 2017-2021 @ pwc.com/outlook.

Note: Interpretation and manipulation of data are solely Ofcom’s responsibility. Ofcom has used an exchange rate of \$1.35 to the GBP. All figures have been rounded to the nearest whole percentage.

## 6.3 The radio and audio consumer

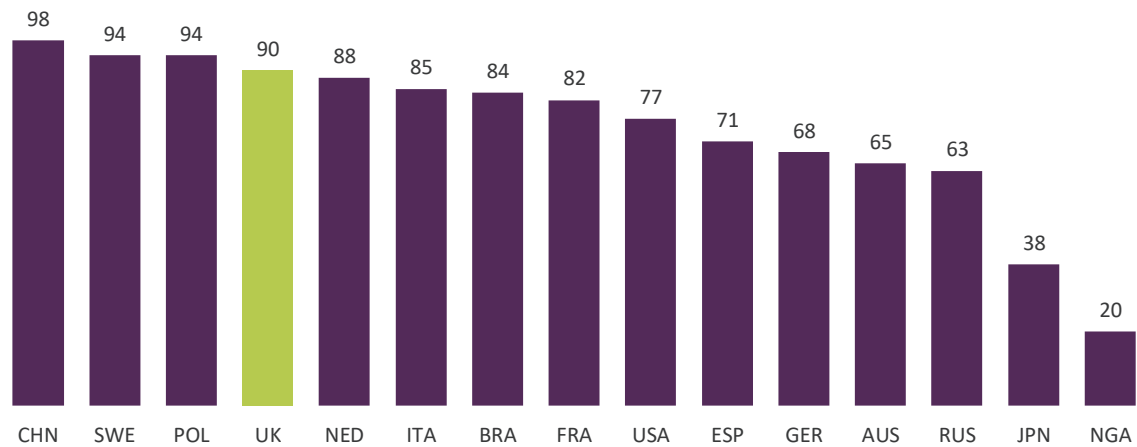
### 6.3.1 Listening to radio

**Radio is listened to by more than 90% of households each week in China, Sweden, Poland and the UK**

Across our comparator countries, more than half of households listen to the radio each week except in Japan and Nigeria (38% and 20% respectively). The medium was most popular in China, Sweden, Poland and the UK, where more than 90% of households listened each week. Radio listening has remained stable over the past five years among comparator countries.

**Figure 87 Weekly reach of radio, by household: 2016**

Proportion of all households (%)



Source: IHS Markit

Note: Measurement systems in different countries are likely to use different methodologies, so comparisons between countries should be treated as indicative only. Data for South Korea and India were unavailable. All figures have been rounded to the nearest whole percentage.

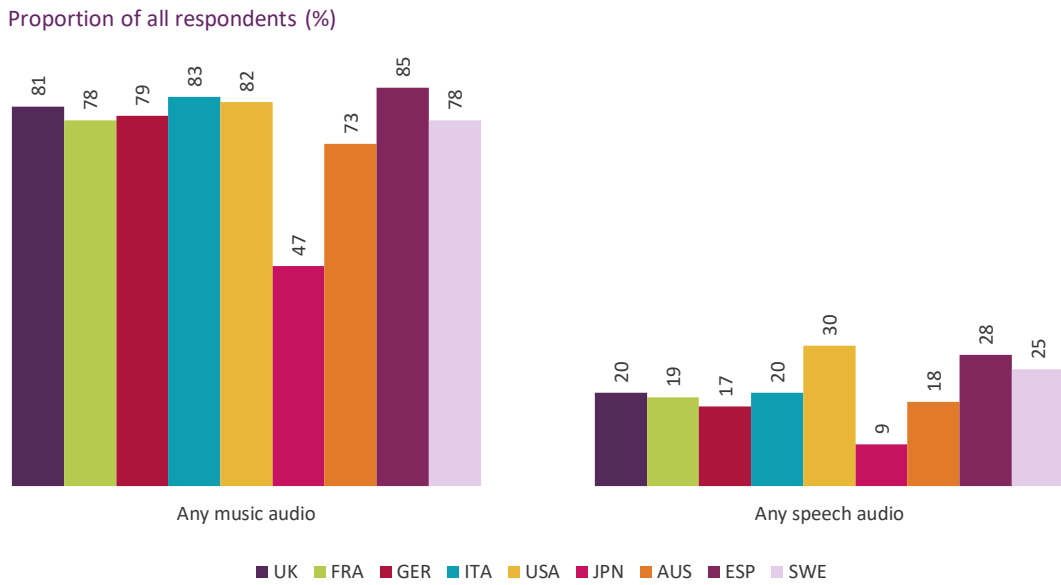
### 6.3.2 Listening to audio content

#### Music is the key driver for listening to any audio content

In our consumer research at least seven in ten respondents in each country (with the exception of Japan) listened to music at least once a week. In Japan, less than half of adults (47%) said that they did so.

Respondents in all countries listened to speech less than to music audio: speech audio, including speech-based radio stations and speech-based podcasts, was most popular in the US (30%), Spain (28%) and Sweden (25%).

**Figure 88 Type of audio content listened to at least once a week: 2017**



Source: Ofcom consumer research 2017

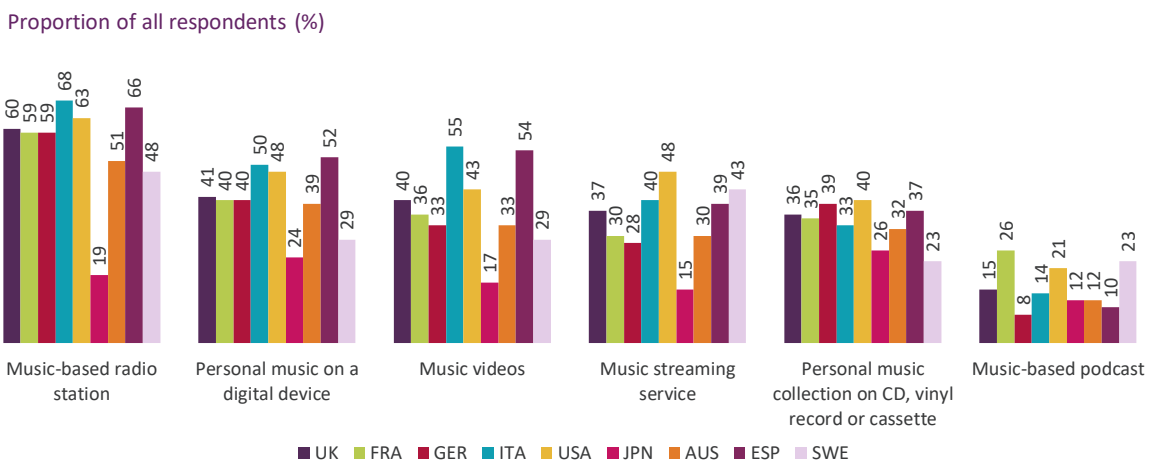
Base: All respondents UK=1000, FRA=1008, GER=1010, ITA=1032, USA=1016, JPN=1011, AUS=1007, ESP=1016, SWE=1000

QA1. How often, if at all, do you listen to any of the following...?

**Radio stations were the most popular source of music audio each week in most countries**

With the exception of Japan, listening to a music-based radio station was the most popular music activity, with at least half the respondents in each country claiming to do this at least once a week. In the US, almost half the respondents (48%) said they listened to a music streaming service each week, significantly more than in any other country surveyed.

**Figure 89 Types of music audio listened to at least once a week: 2017**



Source: Ofcom research 2017

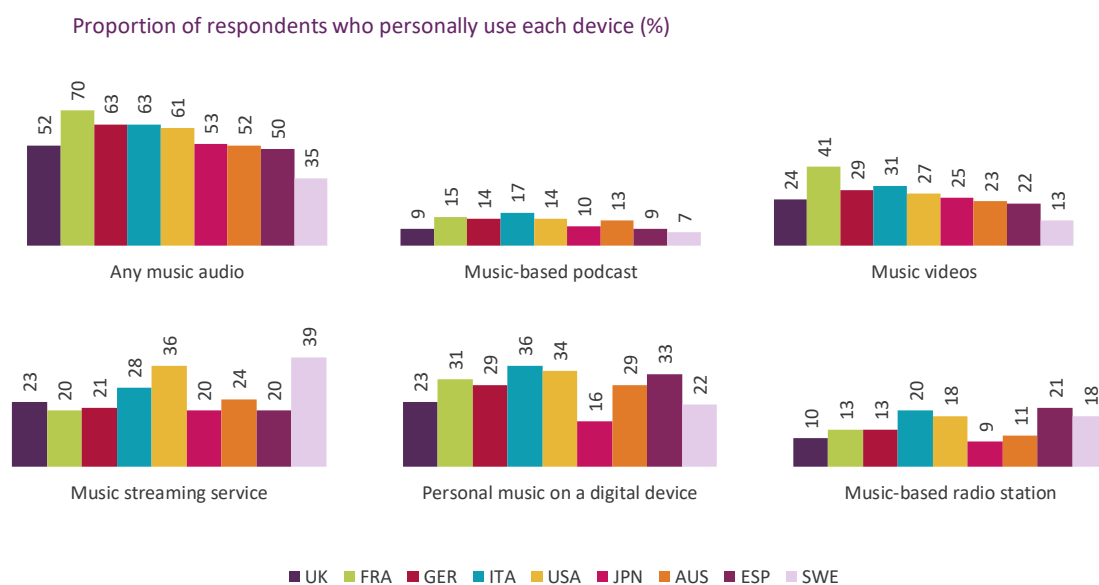
Base: All respondents UK=1000, FRA=1008, GER=1010, ITA=1032, USA=1016, JPN=1011, AUS=1007, ESP=1016, SWE=1000

QA1. How often, if at all, do you listen to any of the following...?

## In most comparator countries, at least half of all mobile phone owners use their device to listen to music

Mobile phone users in France were the most likely to use their device to listen to music (70%), with music videos being the most popular format (41%). Mobile users in Sweden were the least likely to use their mobile phone to listen to any music (35%).

**Figure 90 Use of a mobile phone to listen to music audio content: 2017**



Source: Ofcom research 2017

Base: All respondents who use these devices UK=828, FRA=859, GER=868, ITA=907, USA=763, JPN=764, AUS=836, ESP=908, SWE=834

Q15d. Which, if any, of the following audio activities do you use each of your devices for? Smartphone/mobile phone

## More than half of all adults in Spain listen to speech radio each week

In contrast to the other comparator countries, adults in the US and Spain were more likely to listen to any speech audio (30% and 28% respectively – see Figure 88). In Spain, the most popular radio station in 2016 was Cadena SER, a news and information station, with about 4.5 million listeners, around 1.5 million more than its closest competitor<sup>137</sup>. This is reflected in the findings from our research, which showed that 57% of respondents in Spain listened to speech-based radio each week, the highest proportion among any of the countries we surveyed.

Use of speech-based podcasts and audiobooks is highest among listeners in the US (26% and 24% respectively). The internet radio service Pandora is prominent in this field; it is the exclusive streaming partner for the popular murder investigation podcast *Serial*. According to Serial Productions, the first season, which launched in 2014, has been downloaded more than 175 million times<sup>138</sup>. In 2016, Pandora

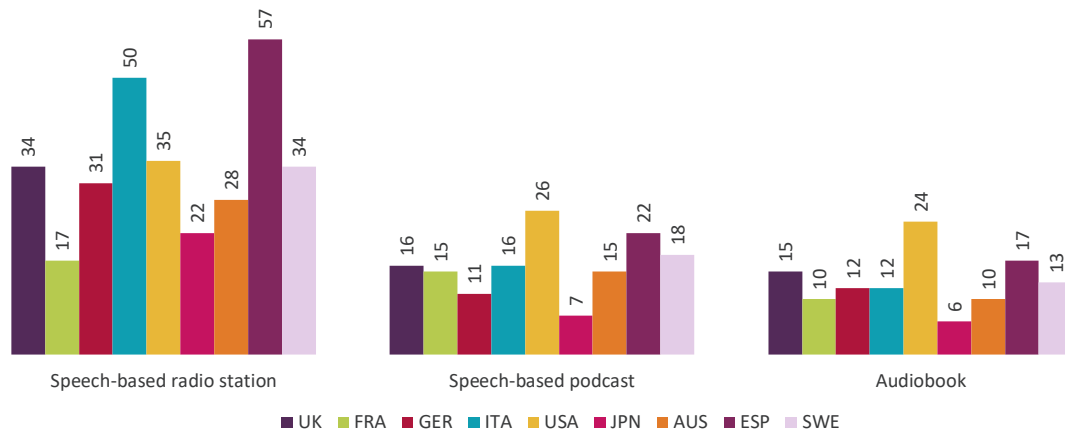
<sup>137</sup> <https://medialandscapes.org/country/pdf/spain>

<sup>138</sup> <http://variety.com/2017/digital/news/s-town-podcast-10-million-downloads-serial-productions-1202020302/>

also began streaming episodes of the popular weekly radio show *This American Life*, with the programme’s owners claiming that 2.5 million people download each episode<sup>139</sup>.

**Figure 91 Types of speech audio content listened to at least once a week: 2017**

Proportion of all respondents (%)



Source: Ofcom research 2017

Base: All respondents UK=1000, FRA=1008, GER=1010, ITA=1032, USA=1016, JPN=1011, AUS=1007, ESP=1016, SWE=1000

QA1. How often, if at all, do you listen to any of the following...?

<sup>139</sup> <https://www.thisamericanlife.org/about>