The Communications Market 2013

3 Radio and audio

Contents

3.1 Key market developments in radio and audio

3.1.1 Industry metrics and summary

Figure 3.1 UK radio industry: key metrics

UK radio industry	2007	2008	2009	2010	2011	2012
Weekly reach of radio (% of population)	89.8%	89.5%	89.8%	90.6%	90.8%	89.6%
Average weekly hours per head	20.6	20.1	19.8	20.1	20.4	19.9
BBC share of listening	55.0%	55.7%	55.3%	55.2%	54.7%	54.8%
Total industry revenue	£1,175m	£1,147m	£1,098m	£1,135m	£1,161m	£1,193m
Commercial revenue	£523m	£498m	£438m	£450m	£455m	£472m
BBC expenditure	£652m	£649m	£660m	£685m	£706m	£721m
Community radio revenue	-	£7.5m	£9.0m	£10.0m	£10.5m	£10.8m
Radio share of advertising spend	2.9%	2.8%	2.8%	2.7%	2.7%	2.6%
DAB digital radio take-up (households)	27.3%	32.1%	34.5%	38.2%	42.6%	44.0%

Source: RAJAR (all adults age 15+), Ofcom calculations based on figures in BBC Annual Report and Accounts 2012-13 note 2c (www.bbc.co.uk/annualreport), AA/Warc, broadcasters. Revenue figures are nominal.

This section explores some of the significant developments and trends in the UK radio market. The key findings are:

Total UK radio industry revenue was £1.2bn. An increase over the year of 2.8%, this is up on last year's 2.3% increase, and sees total commercial radio revenue and BBC radio spending grow for the third year in succession.

Commercial radio revenue increased to £472m in 2012. This year's revenue increase of 3.9% represents the third consecutive year of revenue growth for the sector, helped by a return to growth (7.2%) in local radio advertising revenues.

The pattern of radio listening varies across the UK. While UK-wide listening figures show one aspect of consumption, the pattern is not uniform geographically; listeners vary in their preferences for different types of radio station. While BBC Radio 2 is the most popular radio service in the UK, in Belfast BBC network radio has a lower share of listening than the UK average. In London, despite commercial radio having a larger share of all radio listening, BBC Radio 4 is the most popular radio service.

Radio - now available on a wide choice of devices – is still popular, is increasingly accessible and offers more choice, but nevertheless faces competition. The key elements of radio content that listeners want - music (83% of local commercial radio listeners) and local news (45% of local commercial listeners; 61% of BBC local radio listeners) - have changed little over time. The technology, offering new devices and platforms, is improving access (29% of adults have listened to radio through a computer; 14% on a smartphone) but also has the effect of increasing competition for listeners' time.

Radio listening via a mobile phone has risen from 13% to 20% in 12 months. Between 2009 and 2013 listening via the internet has increased from 15% to 22%, while in the last year alone, radio listening on a mobile phone has increased by 50% on the 2012 figure.

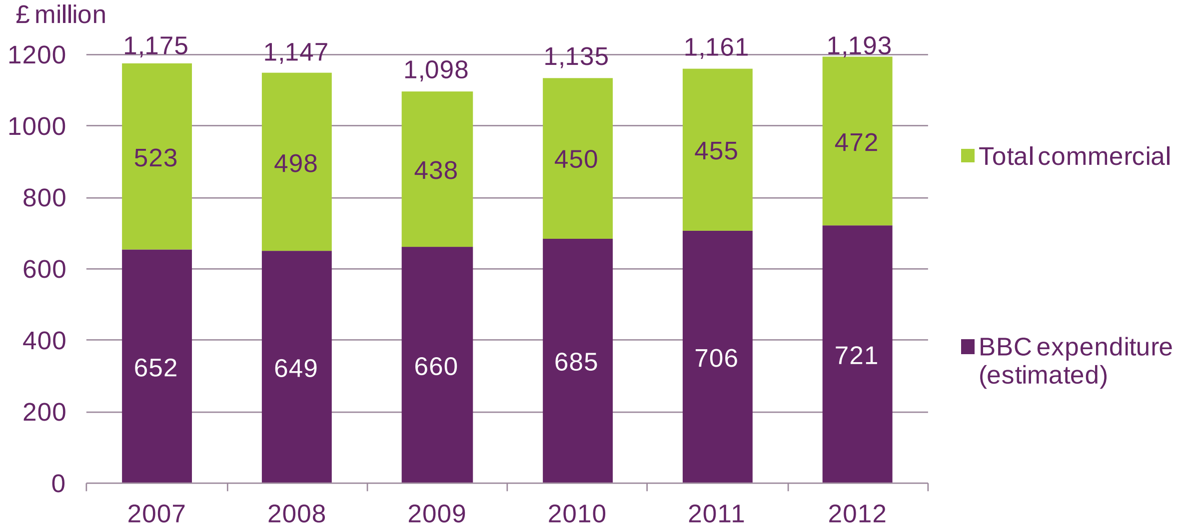
Digital listening grew by 5.1pp last year. The share of digital listening equates to 34.3% of all radio listening. This includes a 22.5% share of listening which was attributed to listening through a DAB receiver. Television and online radio listening each accounted for a 5% share.

3.1.2 Radio revenue and expenditure has increased

Commercial radio revenue has grown by 3.7%

Total sector expenditure, in nominal terms, stands at its highest level since 2007. BBC radio spend increased by 2.1% year on year, to reach £721m. Commercial radio revenue increased by 3.7% year on year and now stands at £472m.

Figure 3.2 Radio industry revenue and spending: 2006-2012

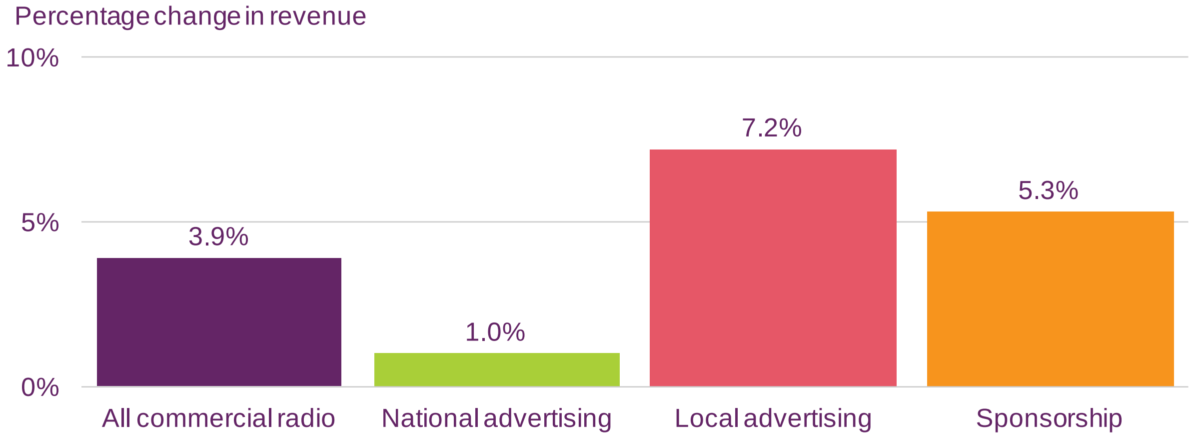


Source: Broadcasters
Note: BBC expenditure figures are estimated by Ofcom based on figures in Note 2c of the BBC Annual Report (www.bbc.co.uk/annualreport); figures in the chart are rounded and are nominal. Does not include community radio revenue.

Return to growth for local radio advertising revenue

Of the overall growth that the commercial radio sector saw in the year to 2012, local advertising, which stands at £138.6m, grew by 7.2%. This follows a 4.3% contraction in 2011. Sponsorship grew further this year, to £96.0m. The strong growth in national advertising in 2011 was not carried into 2012 with revenue up just 1.0% to £221.5m.

Figure 3.3 Commercial revenue percentage change: 2011-2012



Source: Ofcom/operator data 2011-2012

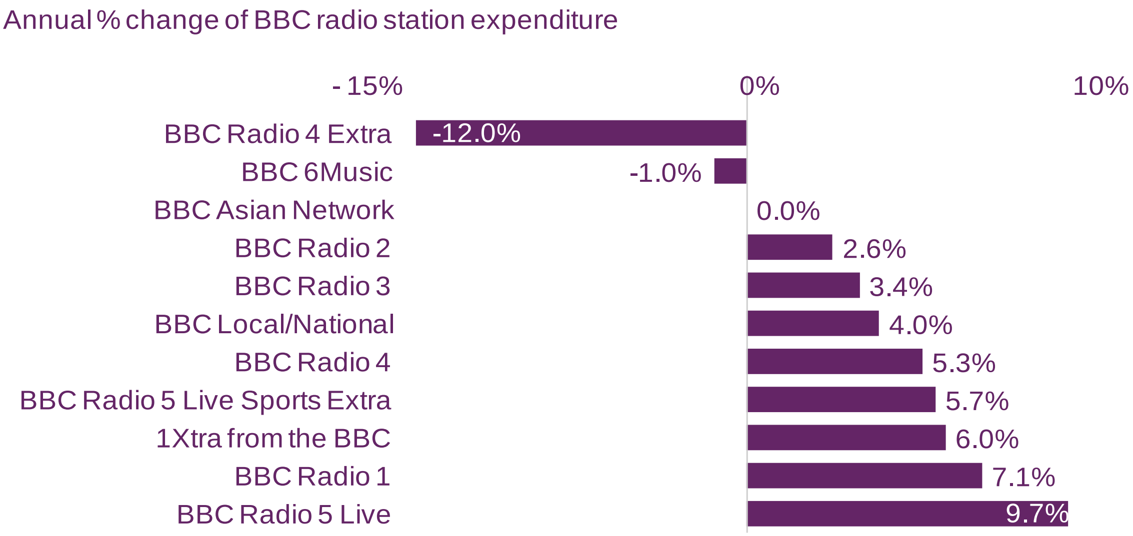
Overall increase in BBC radio expenditure

The BBC *Annual Report and Accounts* provides greater detail on individual station spend. The data in the chart below are indicative rather than directly comparable, please see the footnote.

In the preceding year Radio 5 Live had a 4.9% year-on-year cut in expenditure, but over the past year has seen a 9.7% increase. Two of the BBC's digital-only services, Radio 4 Extra and 6 Music, had expenditure reductions over the past year, while 1Xtra and 5 Live Sports Extra increased by 6.0% and 5.7% respectively.

The operating expenditure for each service varies greatly, typified by Radio 4 which showed a 5.3% increase of £6.2m on its £115.9m budget, while the 7.1% increase to Radio 1's £50.6m budget, equates to £3.6m.

Figure 3.4 BBC radio stations' expenditure: 2011-12



Source: BBC Annual Report 2012-13. Note that these are financial year figures, excluding BBC-wide overheads, and are therefore not directly comparable to those set out in Section 3.2.2. Figures are nominal. Note that the percentage changes are based on operating expenditure for individual stations based on financial years and they do not include BBC-wide overheads; as such they are not comparable with the calendar year figures that are set out in Section 3.2.2.

3.1.3 UK radio consumption

Listening UK-wide is not uniform

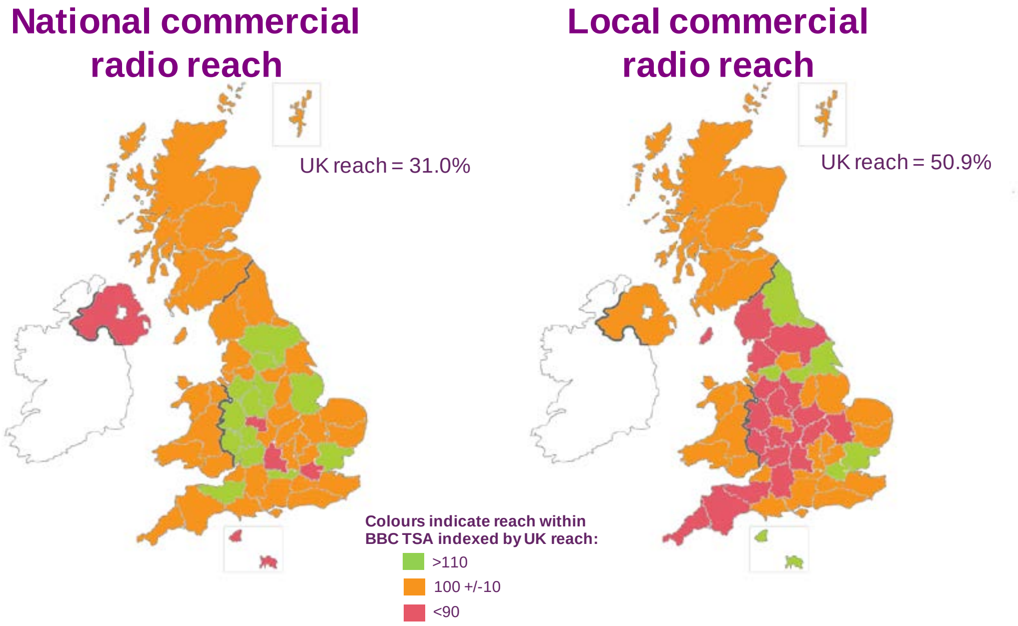
In an average week in 2012, 89.6% of the UK population listened to radio. Looking at specific areas across the UK shows that the proportion of people listening in different areas is similar to the UK average.[57] But this broad perspective masks differences in listening to local versus national stations, and to BBC radio services compared with commercial stations.

Figure 3.5 shows how the reach of national commercial and local commercial stations varies across the UK, and how it compares to the UK average. On average, 31% of adults across the UK listen to national commercial radio each week. Although in many areas there are few variations in this proportion (shown in orange on the map), in some there is a greater tendency to tune in to this type of station (shown in green). We can see that listening reach in Northern Ireland is lower (25.6%).

On average, just over half of the population (50.9%), listen to local commercial radio each week. The tendency to listen to local commercial radio is greatest in London, Essex, the trans-Pennine area and Northumberland. The areas where there is the lowest propensity for listening to local commercial radio (shown in red) are, broadly, down the western side of England, the East Midlands, Northamptonshire and Yorkshire.

[57] This is calculated by using the UK average reach as an index. With the UK average equalling 100, the reach of radio indexed against this varies between 90 and 110, with the lowest being 95 in Lancashire, and the highest being 108 in Cornwall.

Figure 3.5 Reach of national commercial and local commercial stations indexed by reach across the UK



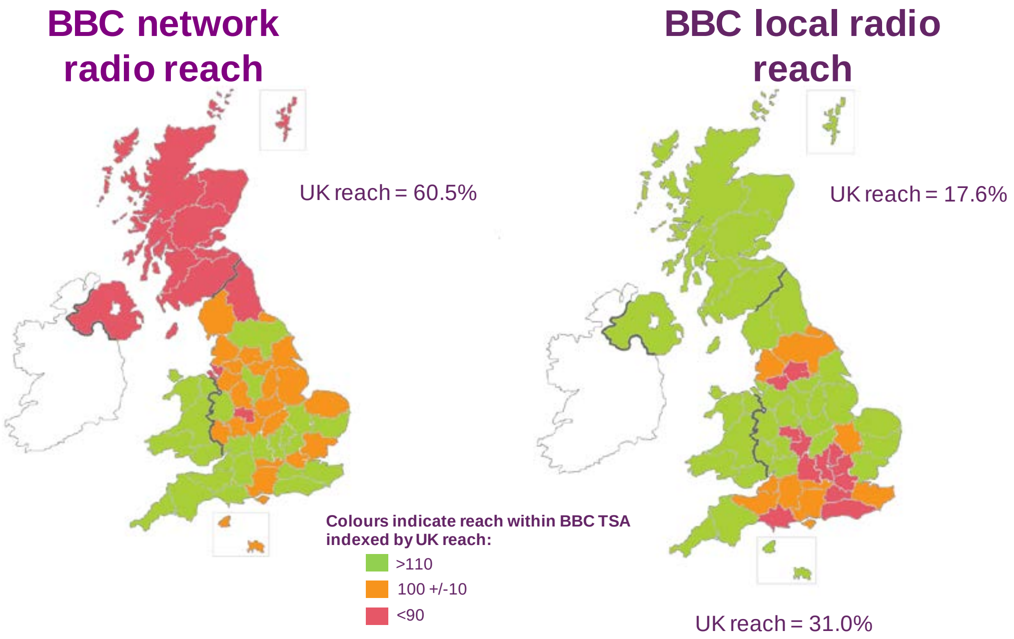
Source: RAJAR year ending Q1 2013 (N.B. figures within the BBC Solent TSAs are for year ending Q3 2012)

The patterns of listening across the UK to BBC network radio, and BBC local radio stations, also vary widely, as shown in Figure 3.6. There are also distinct differences in relation to commercial radio listening.

Around 61% of adults tune in to at least one BBC network radio service each week. Adults in Scotland, Northern Ireland and the north-east of England are far less likely than the UK average to listen to BBC network radio. In Northern Ireland, only around two-fifths (42.3%) of the adult population listen to the BBC's network output.

The overall reach of BBC local radio is lower than one in five across the UK (17.6%). With the exception of most of the southern counties, reach across much of the rest of the country, including East Anglia, the East Midlands. the North West and the North East, is higher than average. This is in stark contrast to listening in London, where less than one in ten (8.6%) listen to BBC local radio.

Figure 3.6 Reach of BBC network and BBC local radio and national regional stations



Source: RAJAR year ending Q1 2013 (N.B. figures within the BBC Solent TSAs are for year ending Q3 2012)

Looking further into listening across the UK, Figure 3.7, Figure 3.8 and Figure 3.9 show the ten most popular radio stations in nine UK cities. These are the UK's larger cities, and are subject to further investigation in section 1.1 of this report. BBC Radio 2 is the most popular radio service in most cities, while local commercial radio also takes a significant share of listening.

Figure 3.6 shows that in Wales BBC network radio performs strongly, with reach above the UK average. The Cardiff table in Figure 3.7 shows radio services by market share.[58] BBC Radio 2 is the most listened-to radio service by a considerable margin. Radio 1's share of listening in this area is also significantly higher than in any of the other cities we have looked at.

As Figure 3.7 shows, BBC Radio 4 is the most listened-to radio service in London – 16.3% share compared with BBC Radio 2's 11.9% share. In most of the UK cities shown in these tables, commercial radio attracts a greater share of radio listening than BBC radio.

[58] Market share is the percentage of total listening time, based on weekly reach and average hours, that is accounted for by a station in a given survey area in an average week.

Figure 3.7 Leading radio services in Cardiff, Birmingham and London

Cardiff		Pop. 1,002,300	
Share	Rank (last year)	Station	Operator
18.9	**1** (1)	**Radio 2**	BBC
11.3	**2** (3)	**Real**	R & S Ltd
10.4	**3** (5)	**Radio 1**	BBC
10.1	**4** (4)	**Radio Wales**	BBC
9.7	**5** (2)	**Radio 4**	BBC
5.9	**6** (6)	**Capital**	Global Radio
4.4	**7** (9)	**Radio 5 Live**	BBC
4.2	**8** (10)	**Gold**	Global Radio
4.1	**9** (8)	**Kiss**	Bauer Radio
2.9	**10** (7)	**Classic FM**	Global Radio
Market Share:	BBC 57.9%	Commercial Radio 38.9%	

Birmingham		Pop. 2,134,800	
Share	Rank (last year)	Station	Operator
13.4	**1** (1)	**Radio 2**	BBC
10.0	**2** (2)	**Heart**	Global Radio
9.8	**3** (4)	**Radio 4**	BBC
8.4	**4** (6)	**Smooth**	R&S Ltd
6.7	**5** (5)	**Radio 1**	BBC
7.3	**6** (3)	**Capital**	Global Radio
6.0	**7** (10)	**Free Radio FM**	Orion
5.4	**8** (7)	**BBC WM**	BBC
4.1	**9** (8)	**Radio 5 Live**	BBC
3.3	**10** (9)	**Classic FM**	Global Radio
Market Share:	BBC 42.5%	Commercial Radio 49.7%	

London		Pop. 11,249,500	
Share	Rank (last year)	Station	Operator
16.3	**1** (1)	**Radio 4**	BBC
11.9	**2** (2)	**Radio 2**	BBC
5.8	**3** (3)	**Magic 105.4**	Bauer Radio
5.4	**4** (5)	**Radio 1**	BBC
4.8	**5** (4)	**Capital**	Global Radio
4.7	**6** (7)	**Kiss 100 FM**	Bauer Radio
4.4	**7** (6)	**Heart**	Global Radio
4.3	**8** (8)	**Radio 5 Live**	BBC
4.2	**9** (9)	**LBC 97.3**	Global Radio
4.0	**10** (10)	**Classic FM**	Global Radio
Market Share:	BBC 47.2%	Commercial Radio 49.0%	

In Scotland, BBC network radio services are less popular among listeners, as shown in Figure 3.6. In Edinburgh and Glasgow (Figure 3.8) the commercial radio stations FforthOne and Clyde1 are the most popular services.

Figure 3.8 Leading radio services in Belfast, Edinburgh and Glasgow

Belfast		Pop. 986,600	
Share	Rank (last year)	Station	Operator
22.5	**1** (1)	**Radio Ulster**	BBC
19.0	**2** (2)	**Cool FM**	Bauer Radio
11.1	**3** (3)	**U105**	UTV Radio
6.1	**4** (4)	**Radio 1**	BBC
5.3	**5** (5)	**Radio 2**	BBC
5.3	**6** (6)	**Downtown R.**	Bauer Radio
4.3	**7** (9)	**Radio 5 Live**	BBC
3.9	**8** (7)	**Radio 4**	BBC
3.7	**9** (8)	**Citybeat**	CN Group
3.2	**10** (10)	**Classic FM**	Global Radio
Market Share:	BBC 44.3%	Commercial Radio 49.0%	

Edinburgh		Pop. 1,119,200	
Share	Rank (last year)	Station	Operator
17.9	**1** (1)	**ForthOne**	Bauer Radio
13.8	**2** (2)	**Radio 2**	BBC
9.1	**3** (3)	**Real**	R & S Ltd
7.7	**4** (4)	**Radio 4**	BBC
7.0	**5** (5)	**R.Scotland**	BBC
6.9	**6** (6)	**Capital**	Global Radio
5.1	**7** (7)	**Radio 1**	BBC
4.0	**8** (8)	**Classic FM**	Global Radio
3.7	**9** (9)	**Kingdom FM**	Kingdom FM
3.6	**10** (10)	**Forth2**	Bauer Radio
Market Share:	BBC 41.0%	Commercial Radio 57.4%	

Glasgow		Pop. 1,853200	
Share	Rank (last year)	Station	Operator
15.0	**1** (1)	**Clyde 1**	Bauer Radio
10.9	**2** (3)	**Radio 2**	BBC
9.7	**3** (2)	**Real**	R& S Ltd
8.1	**4** (4)	**R. Scotland**	BBC
7.0	**5** (7)	**Radio 4**	BBC
6.8	**6** (5)	**Smooth**	R & S Ltd
5.9	**7** (6)	**Capital**	Global Radio
5.4	**8** (8)	**Radio 1**	BBC
4.7	**9** (9)	**Clyde 2**	Bauer Radio
3.2	**10** (10)	**Radio 5 Live**	BBC
Market Share:	BBC 38.0%	Commercial Radio 60.2%	

In the north of England, while BBC network radio (Radio 2 and 4 in particular) attracts large market shares, local commercial radio remains a strong competitor, ranking third in Leeds and Manchester. In Newcastle it ranks second, identified in Figure 3.5 (commercial) by the area of green in the North East.

Figure 3.9 Leading radio services in Manchester, Leeds and Newcastle

Leeds Pop. 688,900

Share	Rank (last year)	Station	Operator
17.3	**1** (1)	**Radio 2**	BBC
11.5	**2** (3)	**Radio 4**	BBC
9.5	**3** (4)	**Capital**	Global Radio
7.2	**4** (2)	**Radio 1**	BBC
6.5	**5** (5)	**Radio Aire**	Bauer Radio
6.2	**6** (8)	**Magic 828**	Bauer Radio
5.5	**7** (9)	**Radio 5 Live**	BBC
4.9	**8** (6)	**Radio Leeds**	BBC
4.3	**9** (7)	**Real**	R & S Ltd
3.2	**10** (10)	**Classic FM**	Global Radio

Market Share: BBC 54.1% Commercial Radio 43.2%

Manchester Pop. 2,446,600

Share	Rank (last year)	Station	Operator
14.8	**1** (1)	**Radio 2**	BBC
9.5	**2** (2)	**Radio 4**	BBC
7.9	**3** (3)	**Key 103**	Bauer Radio
6.9	**4** (4)	**Radio 1**	BBC
6.4	**6** (6)	**Capital**	Global Radio
6.4	**5** (7)	**Radio 5 Live**	BBC
6.4	**7** (5)	**Smooth**	R & Ltd
3.5	**8** (8)	**Classic FM**	Global Radio
3.2	**9** (9)	**R. Manchester**	BBC
2.9	**10** (10)	**Real XS**	R & S Ltd

Market Share: BBC 47.1% Commercial Radio 47.7%

Newcastle Pop: 1,508,300

Share	Rank (last year)	Station	Operator
13.3	**1** (1)	**Radio 2**	BBC
10.8	**2** (3)	**Metro Radio**	Bauer Radio
8.9	**3** (5)	**R. Newcastle**	BBC
7.8	**4** (4)	**Radio 4**	BBC
7.2	**5** (6)	**Smooth**	R&S Ltd
7.1	**6** (2)	**Capital**	Global Radio
6.3	**7** (7)	**Radio 1**	BBC
5.8	**8** (8)	**Magic 1152**	Bauer Radio
4.8	**9** (9)	**Real**	R&S Ltd
3.7	**10** (10)	**Radio 5 Live**	BBC

Market Share: BBC 43.8% Commercial Radio 53.4%

Source: RAJAR. Share figures in these tables are based on 12 months to Q1 2013. Population, share and coverage for each market are based upon the local commercial radio station total survey area (TSA) [59]*.*

3.1.4 Radio appeal, choice and competition

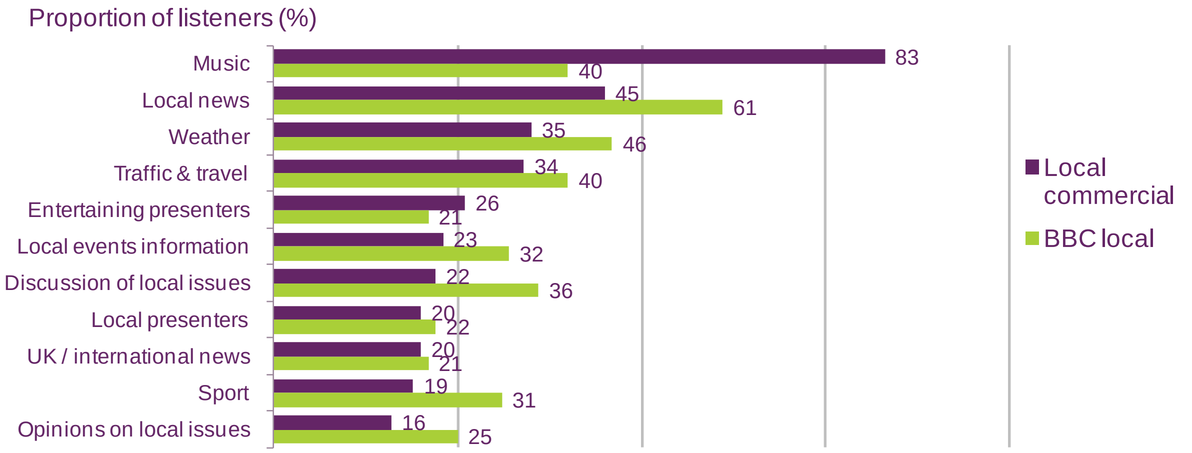
The radio offering still has appeal

Ofcom recently commissioned research to gauge listeners' expectations of radio. This suggested that the key factors that drive the appeal of radio are the choice of content, portability and availability, and provision of news and information[60].

For local radio listeners, the provision of news and information is important. As Figure 3.10 shows, local news, weather, and traffic and travel information are particularly valued by listeners to both BBC and commercial local radio.

[59] Cardiff – Capital S. Wales, Birmingham – Free Radio FM, London – Capital FM, Belfast – Cool FM, Edinburgh – FortOne, Glasgow – Clyde 1, Leeds – Radio Aire, Manchester – Key 103, Newcastle – Metro Radio.
[60] Ofcom research, 2013: 'Radio: The Listeners' Perspective; Attitudes towards local radio

Figure 3.10 Key factors in local radio listening

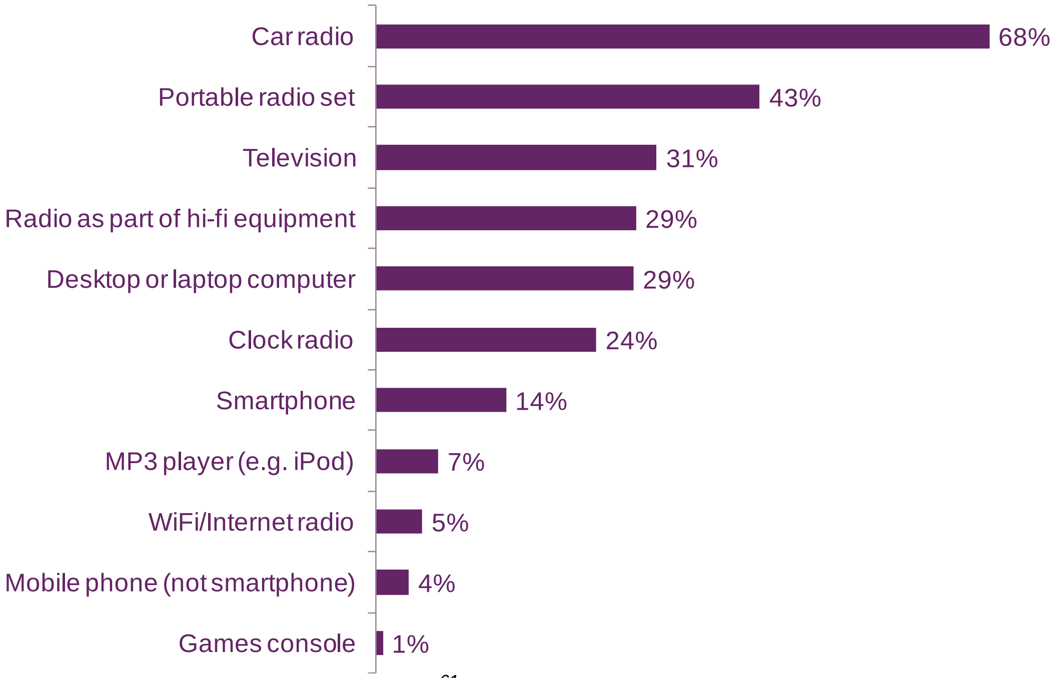


Source: Ipsos-MORI
Q9: Which, if any, of the following do you particularly value on <local radio station>?
Base: All who listen each month (first or second most often): local commercial radio (1972); BBC local radio (1100)

Three in ten (29%) regular radio listeners use their computer to listen to radio

The availability of radio is enhanced by the increase in use and take-up of internet connected devices. Although the majority of radio listening still takes place through an analogue platform, the proportion of listening through digital television and through the internet has increased in recent years (as shown in Figure 3.18). A recent survey by YouGov explored radio listening behaviour; Figure 3.11 shows the range of different devices that people use to listen to radio. While it suggests that the majority of listening continues to be via the more 'traditional' methods such as a car radio (68%), or portable radio (43%), it also highlights the recent technological developments which facilitate radio listening. For example, 14% of respondents indicate that they listen using their smartphone.

Figure 3.11 Devices used to listen to radio



Source: YouGov research, May 2013[61]
Base: All adults aged 16+ who regularly listen to radio (n = 866)
Q15. Which of the following devices do you currently listen to the radio on? Please choose all that apply.

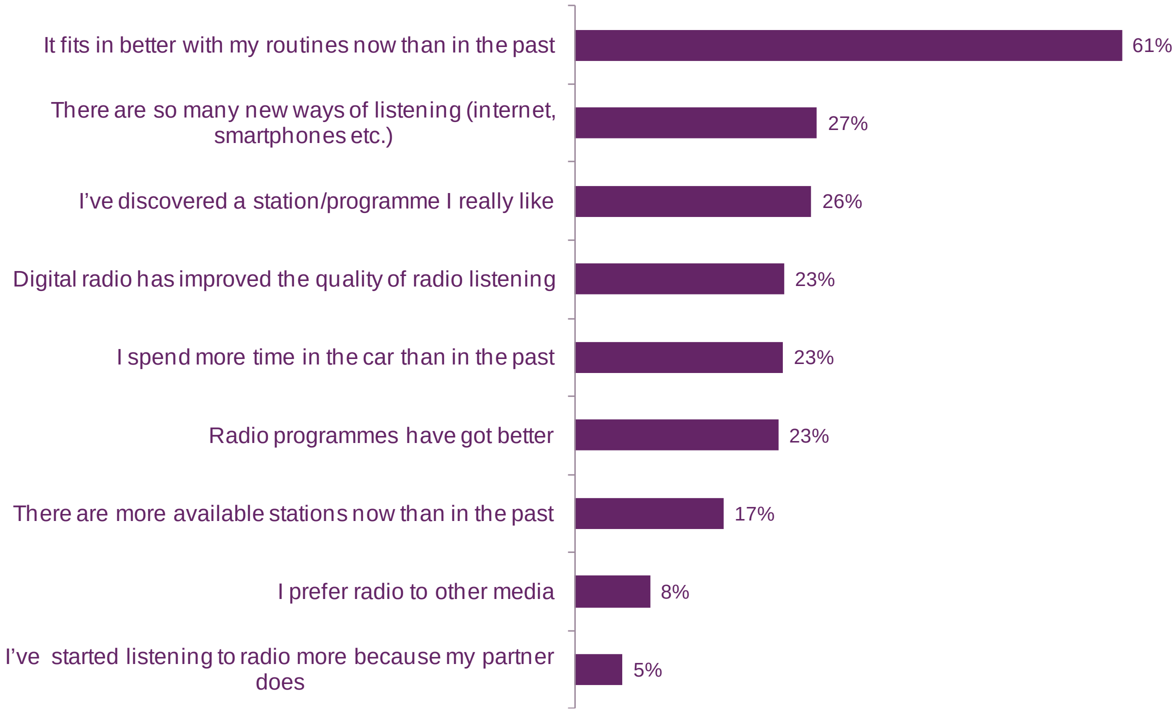
Convenience is a key reason for increased radio listening, but an increase in choice of content is also a factor

According to the YouGov survey, 28% of listeners claim they now listen to radio more than they did five years ago. While the primary reason for this were lifestyle-related, access to radio through the use of alternative platforms was also a factor. Twenty-seven per cent of respondents claimed that listening online or via a smartphone had led to them listening to more radio. In addition, 26% said that they had found a station or radio programme they really liked, while 17% noted that there were more radio services available now than in the past. This indicates that there is a degree of satisfaction in the wider range of both BBC and commercial radio services available on platforms such as DAB, which has extended listener choice.

The range of platforms has also enabled greater listener choice through the number of stations available. While Ofcom licenses national and local non-BBC analogue services, many of which are available on the DAB platform, it also licenses a large number of DAB-only services, and this in turn increases listener choice. While the availability of more devices and platforms has created greater convenience for listeners, the provision of greater choice, through the number of services available, is also liked by consumers.

[61] YouGov Sixth Sense survey: New Generations and the Future of Radio, May 2013

Figure 3.12 Reasons for listening to radio more now, compared to five years ago

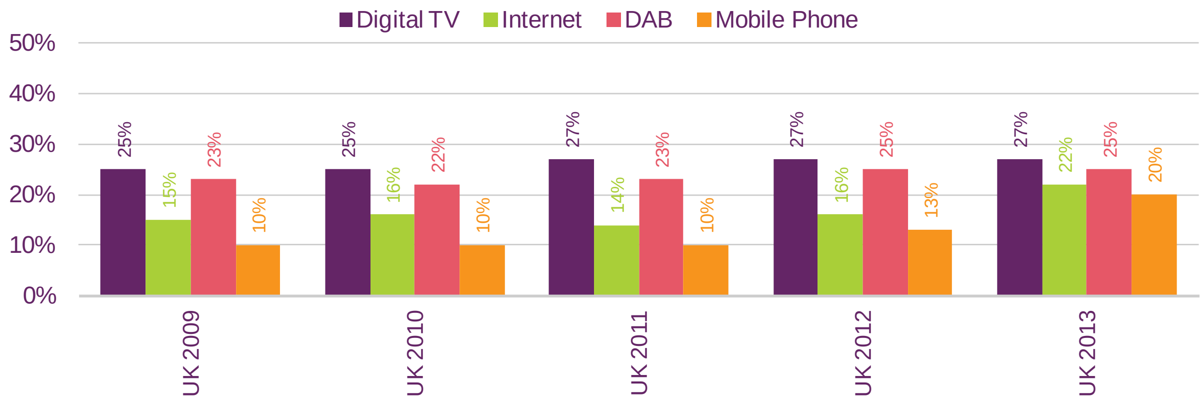


Source: YouGov research, May 2013
Base: All adults aged 16+ who say they listen to radio more compared to five years ago (n = 242)
Q27. You have said you listen to the radio more now than in the past. Which, if any, of the following would you say are the reasons why your radio listening has gone up? Please choose all that apply.

Radio listening on a phone has risen from 13% to 20% in 12 months

Figure 3.13 shows that between 2009 and 2013 internet listening has increased from 15% to 22%, while in the past year alone, radio listening on a mobile phone has jumped from 13% in 2012 to 20% in 2013. Note that this chart is drawn from Ofcom research and the methodology and questions differ from the YouGov findings presented in Figure 3.11.

Figure 3.13 Listening to radio via internet, television, mobile phone and DAB

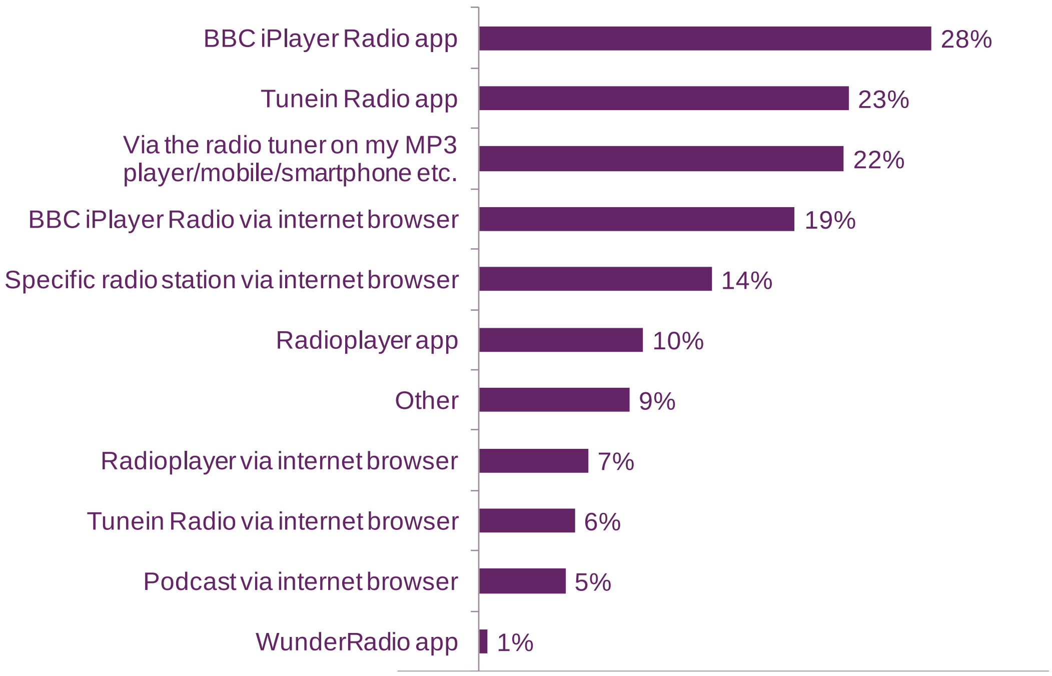


Source: Ofcom research, Q1 2009 - 2013
*Base: All adults aged 16+ (n = 6090 UK 2009, 9013 UK 2010, 3474 UK 2011, 3772 UK 2012, 3750 UK 2013) QP3. How often, if at all, do you access the radio via – Digital radio via: TV, Internet, DAB radio, mobile phone? *NB 2013 measures for internet combine responses across radio listeners and internet users, 2013 measures for mobile phone combine responses across radio listeners and mobile phone users.*

Apps which provide streaming radio services are the most popular way to listen through a smartphone

When listening to radio through a mobile device, the listener has a number of options using apps in addition to online access via a browser. Of these, the BBC iPlayer Radio and TuneIn are the most popular, used by 28% and 23% of respondents respectively.

Figure 3.14 Ways used to listen to radio through a mobile device

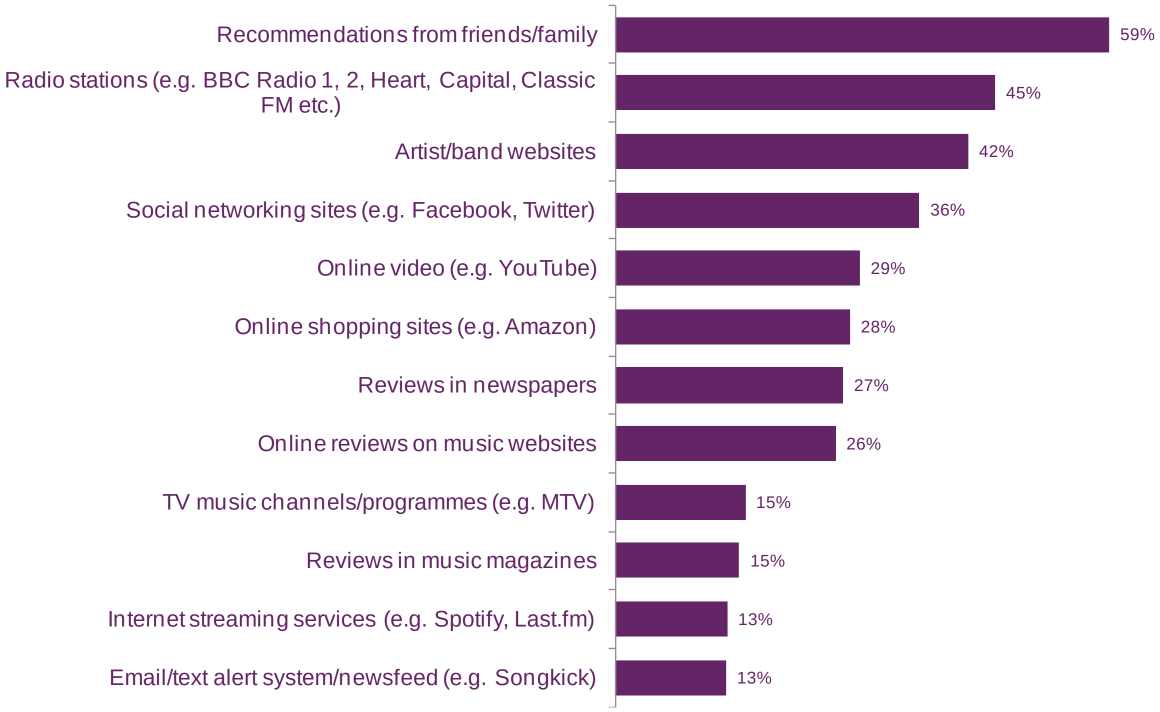


Source: YouGov research, May 2013
Base: All adults aged 16+ who regularly listen to radio via mobile phone, smartphone, tablet computer MP3 player (e.g. iPod) (n = 205)
Q16. Which of the following do you use to listen to the radio on your mobile device? Please choose all that apply.

Radio is still important for music listening and discovery, although less so for the younger demographics

Figure 3.10 shows that music remains a key factor in local radio consumption and is therefore considered by the industry as a driver for attaining audience. Radio services in general continue to play an important role through the curation of, and facilitating exposure to, new music and information about live events. Figure 3.15 shows that among those aged 16+, after recommendations from friends and family, radio stations were the most popular method to discover music, with 45% of respondents saying that they discovered new music by listening to radio. Online routes for discovering new music were also popular, with artists' websites (42%), social networking (36%) and online video services (29%) all being cited as popular ways to discover new music.

Figure 3.15 Discovering new music or information about live events

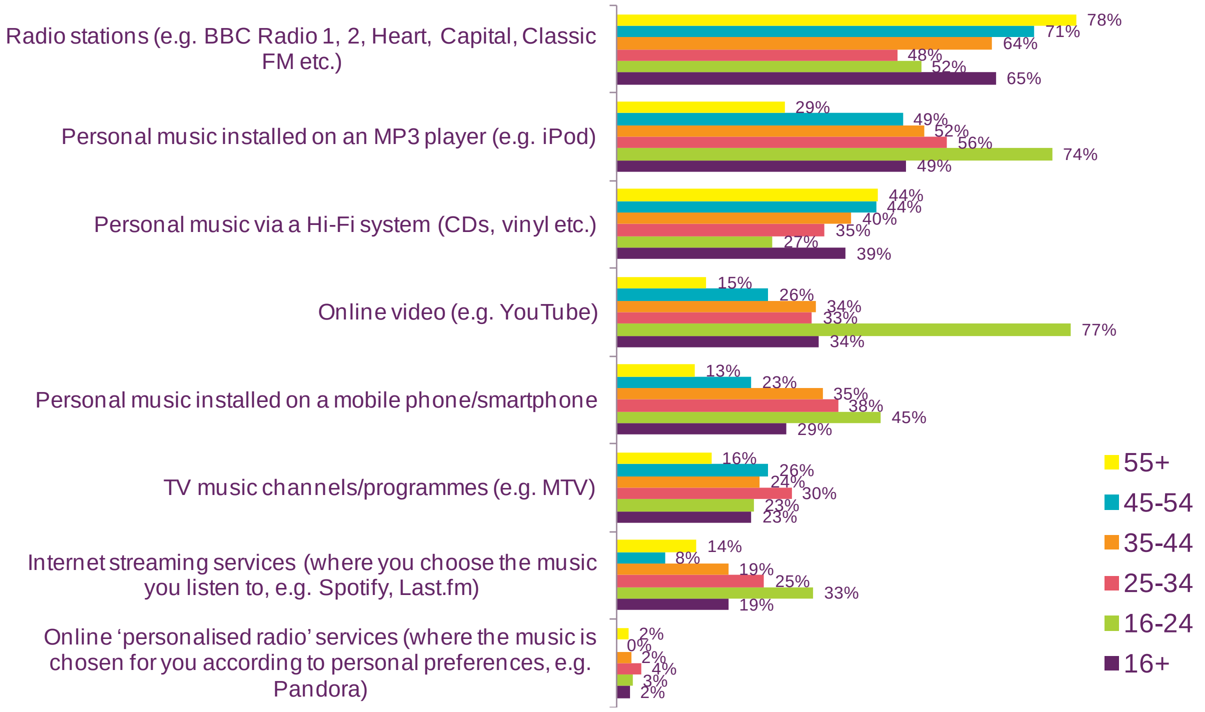


Source: YouGov research, May 2013
Base: All adults aged 16+ who say they buy new music or attend concerts on a regular basis (n= 178)
Q38. In terms of how you find out about the new music you buy or concerts you attend, which of the following sources do you regularly use? Please choose all that apply.

Radio stations remain an important route for music discovery and are also important for listening to music. For those aged 35+, radio is the most-used method to listen to music, and this is even more so among the younger demographics: half of these respondents stated that they used radio stations to listen to music (48% of 25-34s; 52% of 16-24s).

For all adults, using an MP3 player is the second most popular way to listen to music, with 49% of respondents saying that they do this. But the way in which the internet is disrupting the radio and audio industries is particularly underlined by the behaviour of 16-24s, who choose online video as their preferred way of listening to music (77%), followed by using an MP3 player (74%). This age group was also more likely to use online streaming services, such as Spotify.

Figure 3.16 Ways of listening to music



Source: YouGov research, May 2013
Base: All adults aged 16+ who say they listen to music regularly (n= 640)
Q36. Thinking about how you listen to music, which of the following do you use regularly? Please choose all that apply.

YouGov also explored the use of different online music services, comparing the behaviour of adults with that of the younger generation (8-15 years). Figure 3.17 shows that the most popular online music service is YouTube, with two-fifths (40%) of adults claiming to use this. However, over half of children aged 8-15 (55%) say they have used this service in the past three months

Figure 3.17 Music services accessed in the past three months

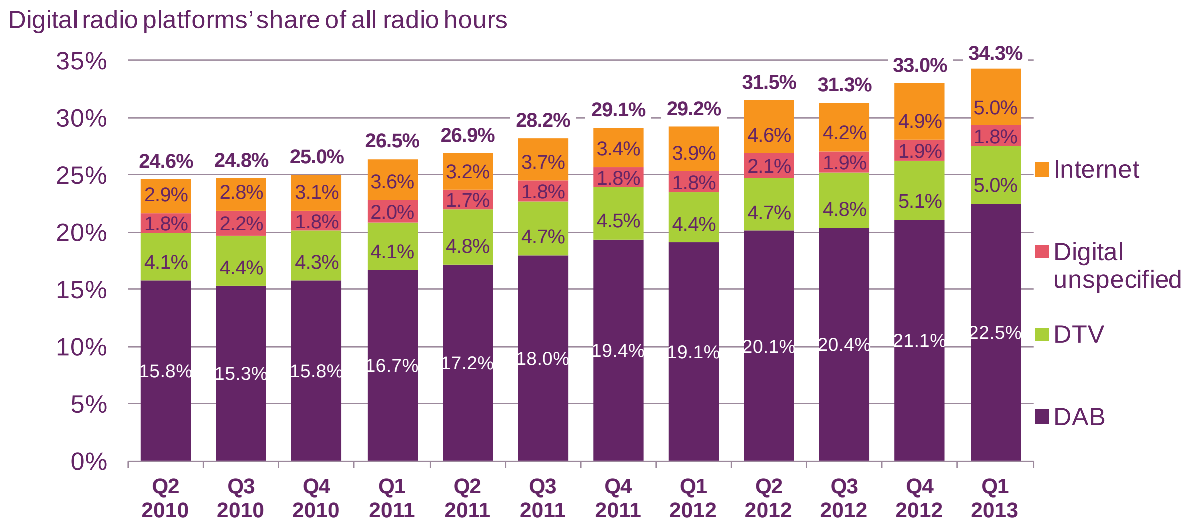
	Adults aged 16+	Children aged 8-15
YouTube	40%	55%
iTunes	29%	37%
Spotify	11%	12%
Amazon Cloud player	5%	3%
LastFM	4%	1%
Google Play	4%	6%
SoundCloud	3%	2%
MySpace	2%	2%
Vevo	2%	3%
Nokia Music	1%	1%

Source: YouGov research, March 2013
All adults aged 16+ (n=2,069), children aged 8-15 years (542)
Q7. Which of the following music services have you accessed in the last 3 months? Please tick all that apply.
Note: Table shows top ten prompted services used by adults

3.1.5 Digital platform listening increased by 5.1pp year on year in Q1 2013

Digital radio's share of total listening hours was 34.3% in Q1 2013; a year-on-year increase of 5.1pp. This compares favourably with the 2.7pp growth recorded between Q1 2011 and 2012. DAB is the most popular digital platform, and increased its share of total listening by 3.4pp. Listening via digital TV and the internet grew slightly, and for the first time online listening was equal to listening through digital TV.

Figure 3.18 Digital radio's share of radio listening: Q1 2013

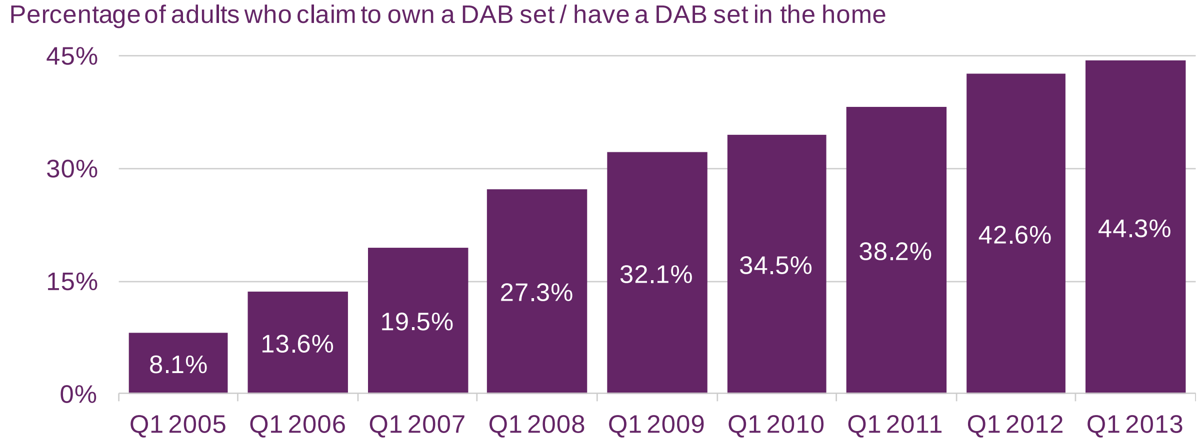


Source: RAJAR Note: 'Digital unspecified' relates to listening to digital-only stations where the survey respondent has not specified the listening platform used. From Q1 2012 'internet' has been reclassified as 'online/apps'

The rate of take-up growth in DAB ownership has slowed

While take-up of DAB sets has increased, so that 44.3% of all adults now claim to own one, the rate of growth in ownership of these devices has slowed. In Q1 2013, take-up increased by 1.7pp, in comparison with 4.4pp in 2012 and 4.0pp in 2011. (Figure 3.19). While this may be due to the recession affecting the consumer electronic market in general, it is possible that listeners are realising that DAB sets are not the only way to access digital radio, and are using other devices. (Figure 3.20).

Figure 3.19 Ownership of DAB sets: Q1 2013

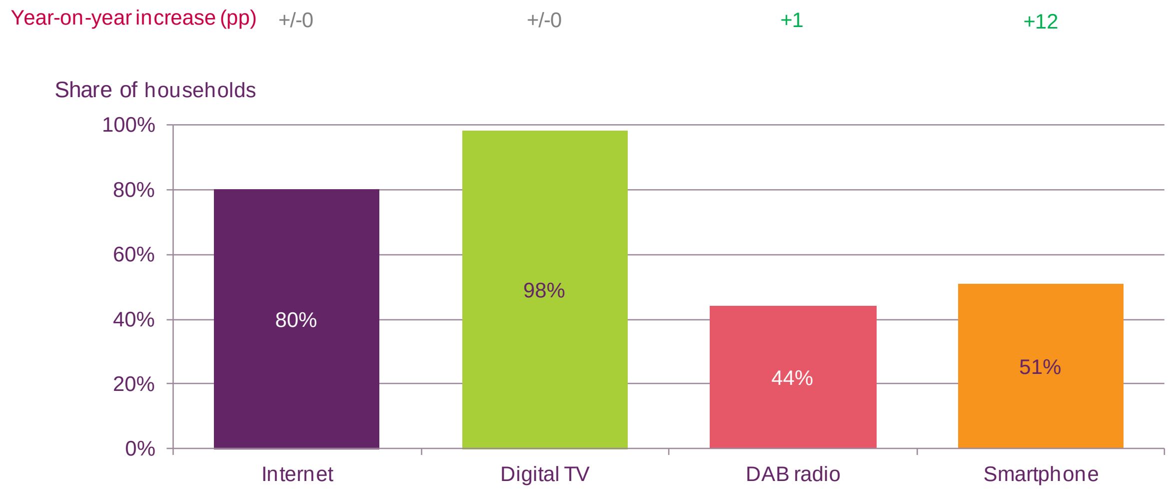


Source: RAJAR / Ipsos MORI / RSMB Q1 2005-2013

The increase in smartphone take-up means that more people have the potential to access digital radio

Smartphone take-up increased by12pp in the past year. While the internet, digital television and smartphones are all multifunctional devices, DAB sets serve only a single purpose; this may explain the slowing rate of take-up. Some smartphones receive digital radio via an internet connection or by the use of specific apps (as shown in Figure 3.14), others have an integral FM radio function.

Figure 3.20 Take-up of equipment capable of receiving digital radio: Q1 2013



Source: Research from: Ofcom, RAJAR Q1 2013

3.2 The radio and audio industry

3.2.1 Introduction

This section examines the characteristics of the UK radio and audio content industries. It focuses on commercial and community radio station revenue and BBC radio expenditure, together with the audience shares of the main players.

Key points in this section include:

Total UK radio industry revenue was £1.19bn in 2012, up by 2.8% in a year. BBC radio expenditure and commercial radio advertising revenue has grown year on year since 2009. In 2012, commercial radio grew by £17.8m, up 3.9% on 2011. While 2011 saw local advertising revenue contract, this year it has grown by 7.2% to £9.3m.

The largest commercial radio group, Global Radio, may be required to sell some recently acquired radio stations. Following Global Radio Limited's acquisition of GMG Radio Holdings Limited, which was then the UK's third largest commercial radio group, the Competition Commission determined that Global Radio should sell either a number of the acquired stations, or its own stations, in seven areas of the UK. Global Radio has filed an application with the Competition Appeal Tribunal to review this matter.

The average income for a community radio station fell by 5.4% to £57,000. The proportion of revenue from grants now equates to that from on-air advertising – 29%. Total revenue for the sector in 2012 was £10.8m, an increase on last year's £10.5m due to the increase in the number of community radio stations on air.

Recorded music revenues have fallen by nearly a quarter since 2008. Standing at £1.01bn, UK music retail revenue fell by 5.5% over the past year. The rate of decline for music videos was most pronounced, but a 7.1% decline in album sales, which account for the largest proportion of revenue, was the principal factor for the overall year-on-year loss.

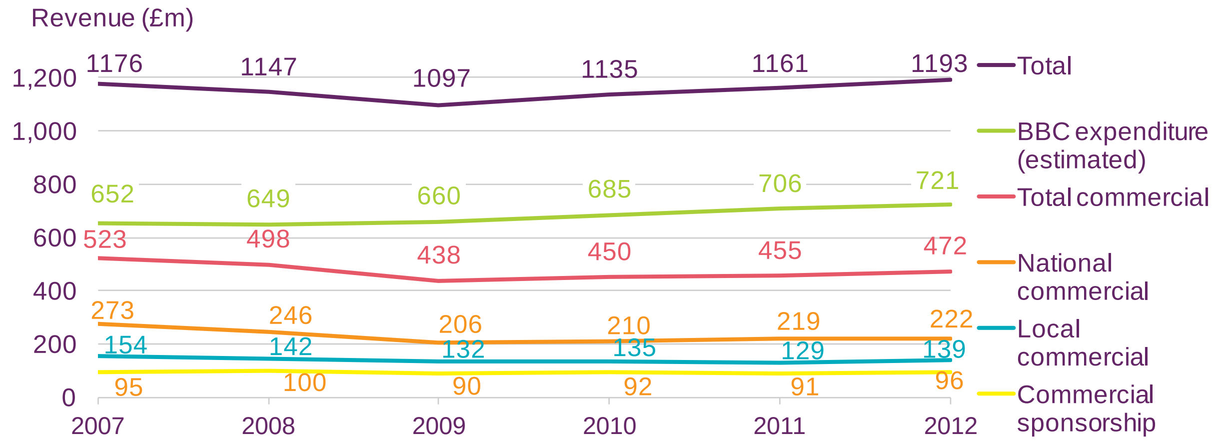
3.2.2 Radio industry revenues and expenditure

Total radio industry revenue is at its highest level since 2007

Following two years of revenue contraction in 2008 and 2009, radio revenues have grown each year for the past three years. We estimate that total industry revenue (commercial radio revenue and BBC expenditure on radio services) currently stands at £1.2bn. The £15m additional spend on the BBC's radio services is matched by a £17m increase in commercial radio revenue.

While advertising revenues from national brands, products and services on national and local commercial radio stations has grown by £2.2m over the year, local advertising on radio has grown by £9.3m in the past 12 months, turning round the 4.3% decline between 2010 and 2011.

Figure 3.21 UK commercial radio revenue and BBC radio spending



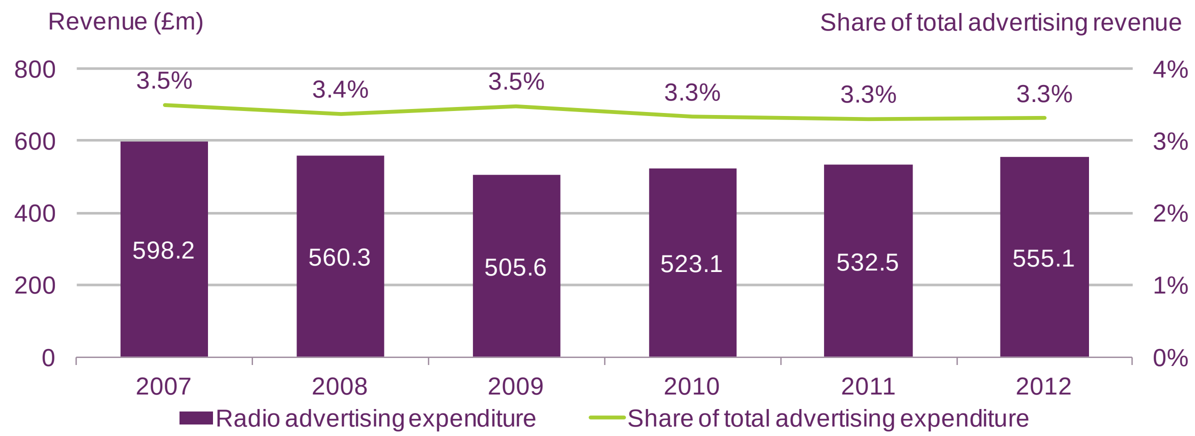
Source: Ofcom / operator data / BBC Annual Report 2007-2012
Note: BBC expenditure figures are estimated by Ofcom based on figures in Note 2c of the BBC Annual Report (www.bbc.co.uk/annualreport); figures in the chart are rounded and are nominal.

Radio advertising has grown in line with total advertising

UK radio advertising spend, as reported by the Advertising Association/Warc, showed that radio advertising expenditure has increased for the fourth year in succession and stands at £555.1m, representing an increase of nearly 10% over that period. Although the value of total advertising has grown, radio's share of display advertising spend has remained stable at 3.3% for the third successive year.

Note that the data set out in Figure 3.22 represent advertising expenditure sourced from the AA/Warc, whereas the advertising income data presented in Figure 3.21 are collected by Ofcom and represents advertising spend net of any production and agency fees.

Figure 3.22 UK radio advertising spend and share of display advertising: 2007-2012



Source: AA/Warc Advertising Expenditure report. Figures are nominal.

Over the year commercial radio revenue per listener rose from £13.49 to £14.21. The 72p increase per listener equates to growth of 5.3%. Figure 3.23 is calculated by dividing the total net broadcasting revenue by the average weekly reach for commercial radio. Commercial radio reach contracted by 1.4% between 2011 and 2012 while total listening hours declined by 2.6% over the same period. The commercial radio sector benefitted from year-on-year growth in local advertising and sponsorship revenue.

Figure 3.23 Commercial radio revenue per listener

Source: Broadcasters/RAJAR 2007-2012. Figures are nominal.

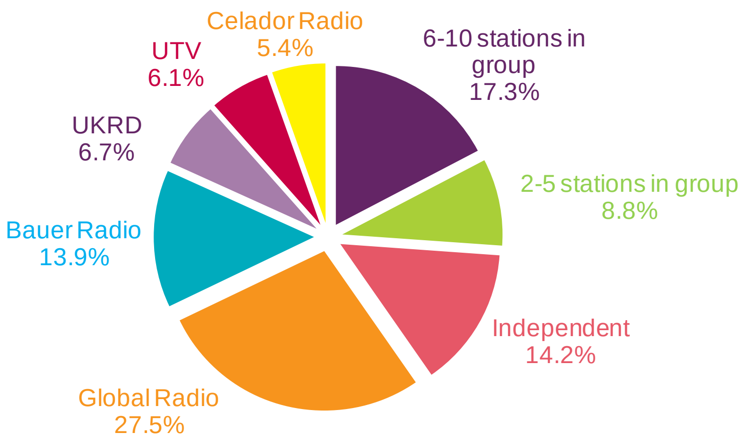
3.2.3 Radio sector market shares in 2012

Last year Global Radio held 24.2% of all analogue commercial radio licences. The company's acquisition of GMG Radio Holdings Limited (since renamed Real & Smooth Ltd (R&SL)) increased this total to 27.5%. At the time of writing, R&SL is required to operate separately from Global Radio, the ultimate owner.

In October 2012, the Office of Fair Trading referred the merger to the Competition Commission and it published its final report in May 2013. The Competition Commission decided that certain radio stations in the following areas should be sold: the East Midlands; Cardiff; North Wales; Greater Manchester and the North West; the North East; the South and West of Yorkshire; and Central Scotland. In June 2013 Global Radio filed an application with the Competition Appeal Tribunal for a review of the Competition Commission decision.

Bauer Radio is the second largest radio group and holds 13.9% of commercial analogue radio licences. Licences vary greatly in terms of the population they cover.

Figure 3.24 Number of commercial analogue licences held, by group

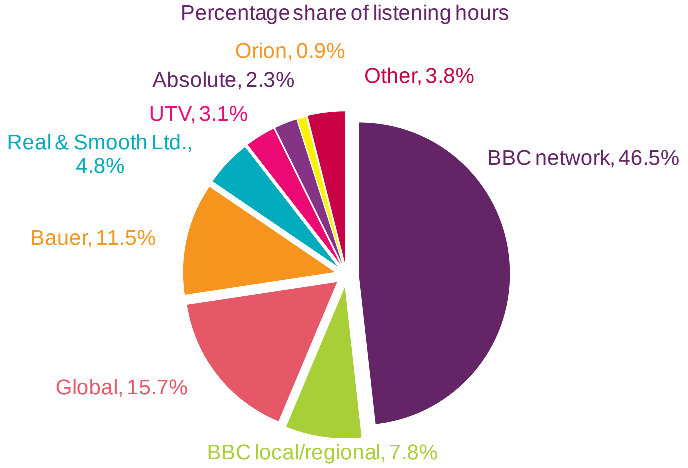


Source: Ofcom, May 2013
Global Radio includes licences held by Real & Smooth Ltd.

Non-BBC listening stands at 44.1% of total listening hours

In the year to Q1 2013, BBC radio maintained its significant share of all UK radio listening. The BBC's share of listening was 55.9%, of which 46.5% was to its national networked services. Global Radio took a 15.7% share, Bauer 11.5% (up from 10.9% last year) and R&SL, the separate holding company owned by Global Radio, (see above) 4.8%.

Figure 3.25 Share of all radio listening hours: Q1 2013

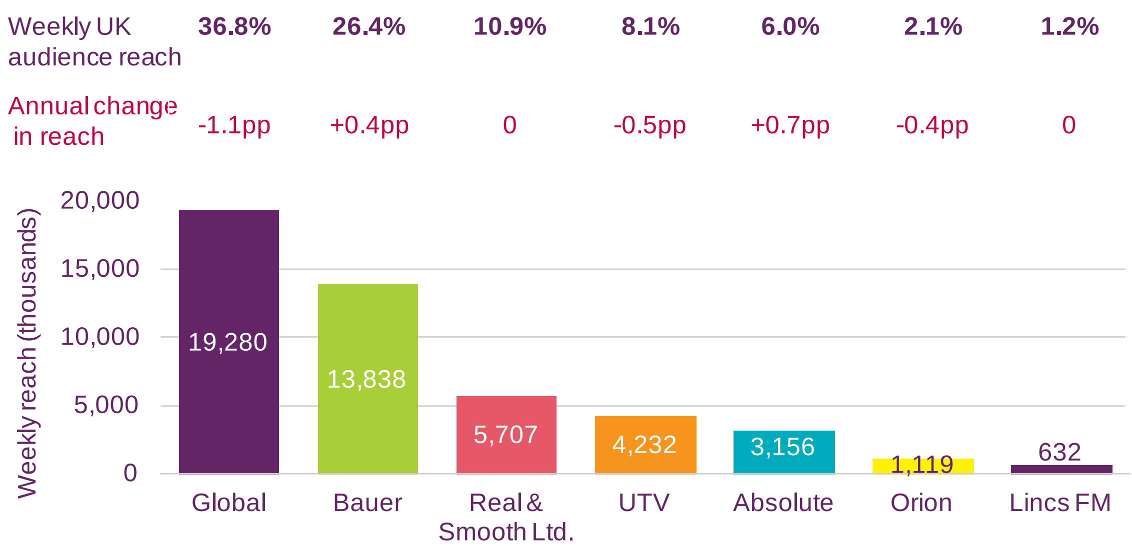


Source: RAJAR, all adults (15+), year ending Q1 2013

Commercial radio reach stands at 63.5%

In an average week in the 12 months to Q1 2013, the number of listeners who tuned in to commercial radio stood at 33.2 million. This is 463,000 fewer listeners than the previous year. Reach was broadly flat for six of the largest commercial radio groups, but Global Radio saw a 1.1 pp fall over the year. This represents a loss of 328,800 listeners.

Figure 3.26 Commercial radio, by weekly audience reach: Q1 2012



Source: RAJAR, all adults (15+), year ending Q1 2013

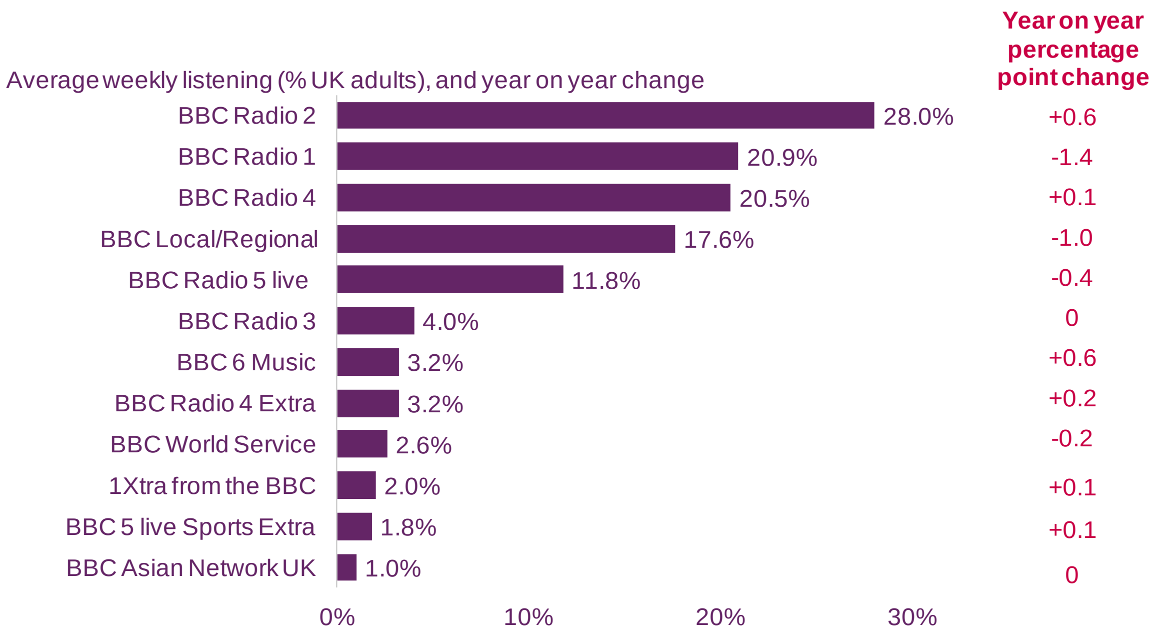
3.2.4 BBC radio services: 2012 to 2013

BBC radio reached 67.0% of all adults in the UK in an average week in the 12 months to Q1 2013, and BBC radio services combined have a 55.7% share of all radio listening. The cost for these services, including content spend, distribution and support, but excluding BBC-wide overheads was £669.5m. Total content spend was £487.9m. The BBC serves listeners mostly through its ten UK-wide, networked services (including five digital-only stations) and the BBC World Service. The corporation also delivers local and regional services in England and Northern Ireland and the national stations for Scotland and Wales.

BBC Radio 2 attracts more listeners than any other station

With a slight increase in reach compared to the previous year, BBC Radio 2 has 14.7 million weekly listeners (28.0% reach), 3.7 million more than Radio 1's 10.9 million, and equating to a 20.9% reach. Radio 4 and the BBC local/regional services combined were the next most popular, with a 20.9% and 17.6% reach respectively. Among the BBC's five digital-only UK network stations, four gained more listeners over the year, although these increases were small.

Figure 3.27 Weekly reach of BBC stations: Q1 2013



Source: RAJAR, all adults (15+), year ending Q1 2013

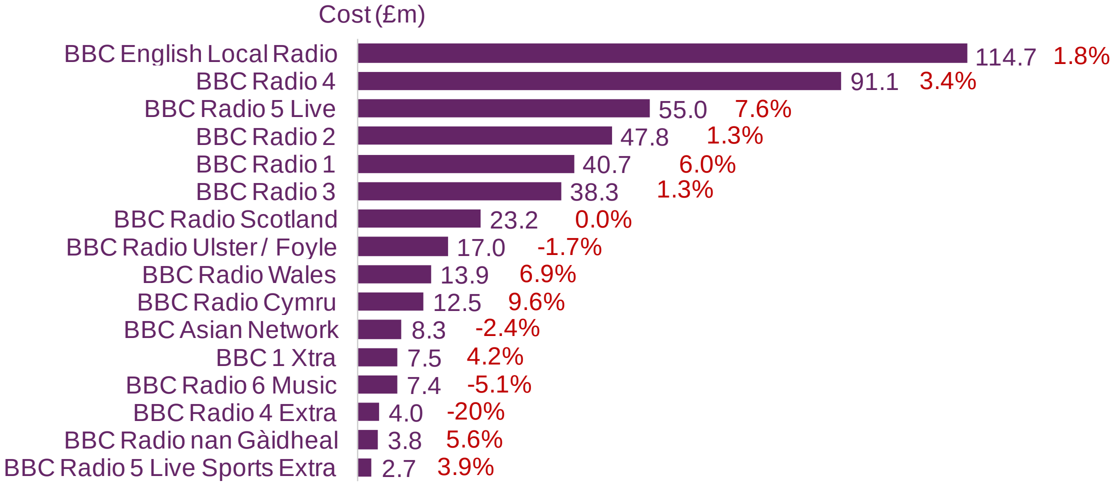
Expenditure on BBC radio content grew by 2.7% in 2012-2013

BBC spending on radio content grew by 2.7% last year, to reach £487.9m. This follows a decline of 1.8% in the previous year. BBC Radio Cymru saw the greatest proportional growth; 9.6%, while BBC Radio 5 Live saw the greatest growth in monetary terms (£3.9m), taking its annual content budget to £55.0m. BBC Radio 4, which has the largest content spend of any BBC station, saw its content spend increase by £3.0m to £91.1m. Radio 1's spend of £40.7m over the past year exceeded that of Radio 3, at £38.3m.

For the national services, BBC Radio Wales saw an increase in spend of 6.9%. Content spend for Radio Scotland remained the same as in 2011-12 and spend for Radio Ulster/Foyle in Northern Ireland fell by 1.7%. Please note that the figures in Figure 3.28

relate to radio content only, and exclude radio infrastructure, distribution expenditure and BBC-wide overheads.

Figure 3.28 BBC radio stations' spend on content: 2012-13



Source: BBC Annual Report 2012-13

3.2.5 Radio licences

Broadcasting a radio service requires two types of licence from Ofcom: a Broadcasting Act licence and a Wireless Telegraphy licence. The Broadcasting Act licence has regard to the content broadcast by the licensee and the area that the service must cover, and the other has regard to technical parameters.

292 analogue local commercial radio licences have been issued; 238 on FM and 54 on AM. Recent changes in regulation have allowed individual licensed services to share programming between licences, excepting key times such as breakfast and afternoon drive-time slots. This has led to the development of common brands, allowing quasi-networks to emerge, such as Global's Capital and Heart services. The Kiss FM and Smooth Radio brands are also able to network all their content across licences in multiple areas in return for simulcasting the same services UK-wide on DAB.

For the services which share the same content between licences serving different areas, these stations are required to deliver local news stories. Each licence remains separate administratively, and those that do not broadcast on a 'relevant' DAB multiplex periodically fall due for renewal. For example, the FM commercial radio licence for Coventry had two competing applicants and in July 2013 Ofcom awarded the new seven year licence to Touch Broadcasting Ltd.

The sector has three national analogue commercial radio stations: Classic FM, and on AM, talkSPORT and Absolute Radio. These stations also broadcast nationally on DAB using the Digital One multiplex, which also carries 11 other services. Digital One covers most of the UK and the company has started to extend its coverage to Northern Ireland so that the full range of Digital One radio services will also be available to listeners there.

The process of licensing DAB radio differs from other licences, because of the way this type of digital radio is transmitted. Each multiplex is licensed by Ofcom and these multiplexes, one national and 50 local, can each carry about ten individual programme services.

During the year the 200th community radio station launched and by May 2013 207 services were broadcasting. Ofcom remains active in awarding and issuing community radio licences. These services are small-scale and operate on a not-for--profit basis, targeting specific communities and delivering 'social gain' to the people they serve. The third round of community radio licence awards continues, with applications from Cumbria, the North East and North Yorkshire currently being assessed.

The BBC Trust issues Service Licences to its radio stations at the national, regional and local level; these set out the characteristics of the service along with the objectives and the station's contribution to public value. The station's performance is measured against the Service Licence by the BBC Trust. Ofcom, under terms set out under the Communications Act 2003, issues Wireless Telegraphy Act Licences to the BBC in a similar manner as it does for commercial radio licensees

Figure 3.29 Analogue UK radio stations broadcasting: May 2013

Type of station	AM	FM	AM/FM total
Local commercial	54	238	292
UK-wide commercial	2	1	3
BBC UK-wide networks	1	4	5
BBC local and nations	36	46	46
Community radio	6	201	207
TOTAL	**99**	**490**	**553**

Source: Ofcom, May 2012
Note: the conditions in each local commercial radio licence will determine the amount of programming that may be shared between these licensed services. Here we have taken the view that a service providing at least four hours a day of separate programming (even if the same brand has other services) equals one service.

3.2.6 Community radio

Between 2011 and 2012 revenue and expenditure in community radio fell

There has been a 5.4% decline in average income. Median income (the value at the mid-point in the distribution of incomes) now stands at £35,250 per year, a 13.1% fall since 2011. (These figures should be treated with caution. The number of services eligible to submit financial reports changes each year, so each annual set of figures is not directly comparable to the previous year's. For example, the figures for 2011 are based on reports from 176 licensees; in 2012, from 190 licensees.)

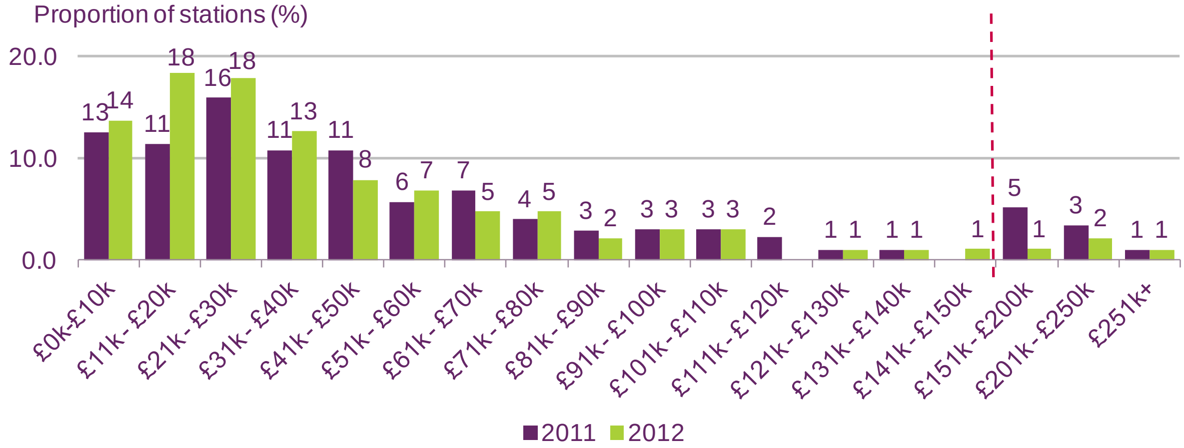
Figure 3.30 Average income for community radio stations: 2008-2012

Income	2008	2009	2010	2011	2012
Average (mean) income	£84,000	£75,500 (-10.2%)	£65,750 (-12.9%)	£60,250 (-8.3%)	£57,000 (-5.4%)
Median income	£53,750	£46,750 (-15.0%)	£42,500 (-7.14%)	£40,500 (-4.8%)	£35,250 (-13.1%)

Source: Ofcom analysis of community broadcasters returns
Note: The data collection period changed from financial year to the calendar year, as of 2011. Data from previous years have been adjusted to reflect this.

Figure 3.31 highlights this downward trend. It shows that a greater proportion of stations are attaining lower income levels than in 2011. Looking at the proportion of stations with an income level of £151,000 or more per year, we see a decline of 5pp in the proportion of stations that achieve the highest income levels.

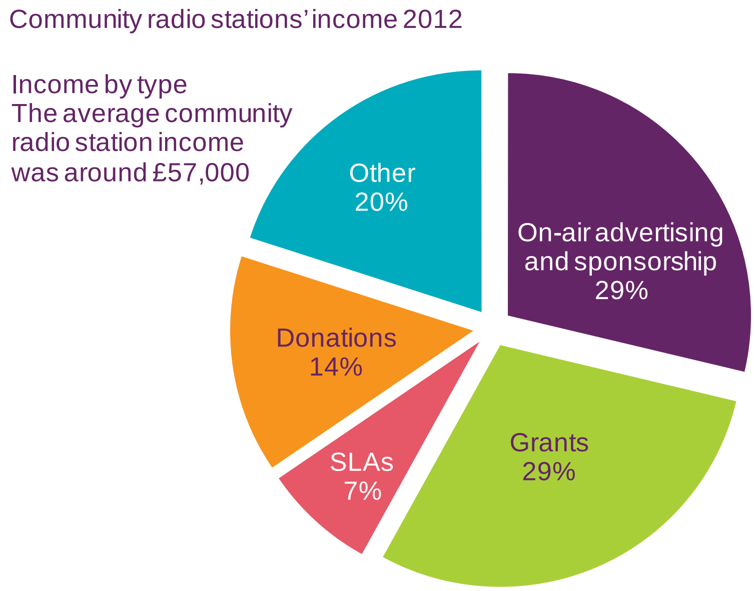
Figure 3.31 Distribution of total income levels across the community radio sector



Looking at the average station income for 2012, grants and on-air advertising make up the two largest income sources. Together they equate to 58% of income. For the first time income from grants and income from on-air advertising and sponsorship were equal, at 29% each. Last year, grant income stood at 33% of total income, and on-air advertising and sponsorship was 26%. This fall in grant income and the lower income levels overall are seen as the effect of the recession on providers of grants, including those from central government, local authorities and the Community Radio Fund. Donations represented 14% of total income over the year, an increase of 1pp, although the level of donations has changed little year on year. The proportion of income from service level agreements[62] has increased from 7% to 10%.

[62] Service level agreements (SLAs) are income streams that a community radio station receives in return for broadcasting social benefit editorial on behalf of third party organisations such as local authorities.

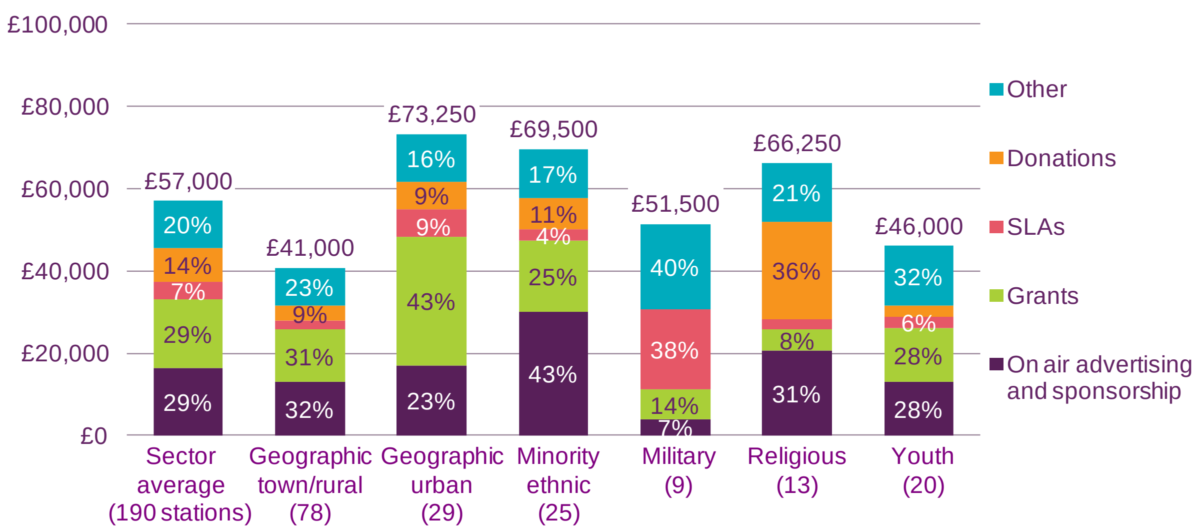
Figure 3.32 Community radio income, by source



Source: Ofcom analysis of community broadcaster's returns

Figure 3.33 shows that community radio services serving urban communities achieve higher levels of average income than the sector average. Community radio stations serving specifically ethnic minorities gain the largest portion of their income from the sale of on-air advertising, while geographically urban-oriented stations receive 43% of their income from grants. The trend remains for stations serving religious communities to receive the largest single part of their income, 36%, from donations.

Figure 3.33 Average income, by type of community served



Source: Ofcom analysis of community broadcasters' returns

Average community radio expenditure remains higher than income

Average expenditure for community radio services in 2012 was £58,000, down by 9.7% from the previous year. Expenditure totals do not always correlate directly with broadcast operating costs, as some community radio services receive revenue to provide aspects of social gain; for example, to provide training. A fall in grant funding to train people may not necessarily impact directly on the station's broadcasting function in the short term. Elsewhere there is evidence of community radio stations cutting costs. For 2012 the median expenditure fell by 15.4% to £35,750.

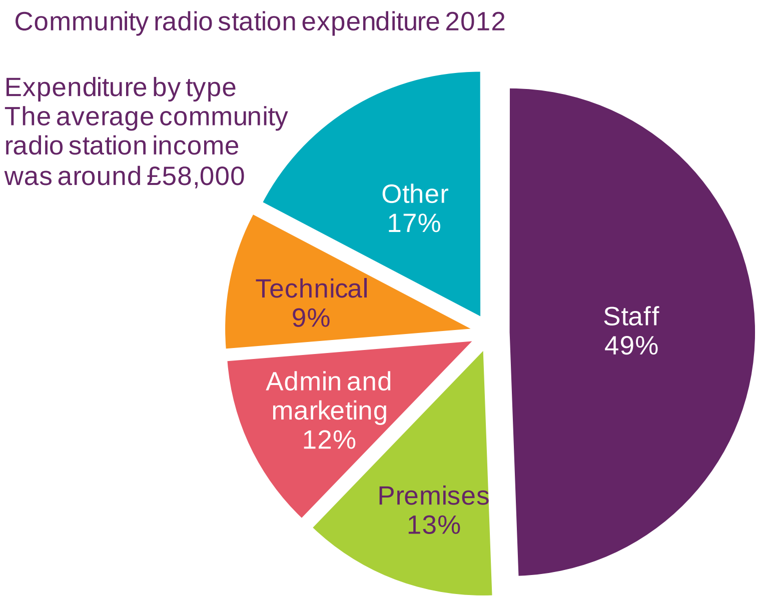
Figure 3.34 Average expenditure of community radio stations: 2008-2012

Expenditure	2008	2009	2010	2011	2012
Average (mean) expenditure	£86,500	£76,500 (-11.4%)	£67,000 (-12.3%)	£64,250 (-4.1%)	£58,000 (-9.7%)
Median expenditure	£55,000	£52,250 (5.3%)	£43,000 (-17.5%)	£41,000 (-4.9%)	£35,750 (-15.4%)

Source: Ofcom analysis of community broadcasters' returns
Note: The data collection period changed from financial year to calendar year, as of 2011. Data from previous years have been adjusted to reflect this.

Community radio depends greatly on volunteers and 25% (48) of the stations reporting did not employ any paid staff. In 2012 staff costs represented the largest proportion of expenditure (49%; 47% in 2011). The other areas of expenditure include premises, administration and marketing, and technical (audio and transmission related engineering) (Figure 3.35).

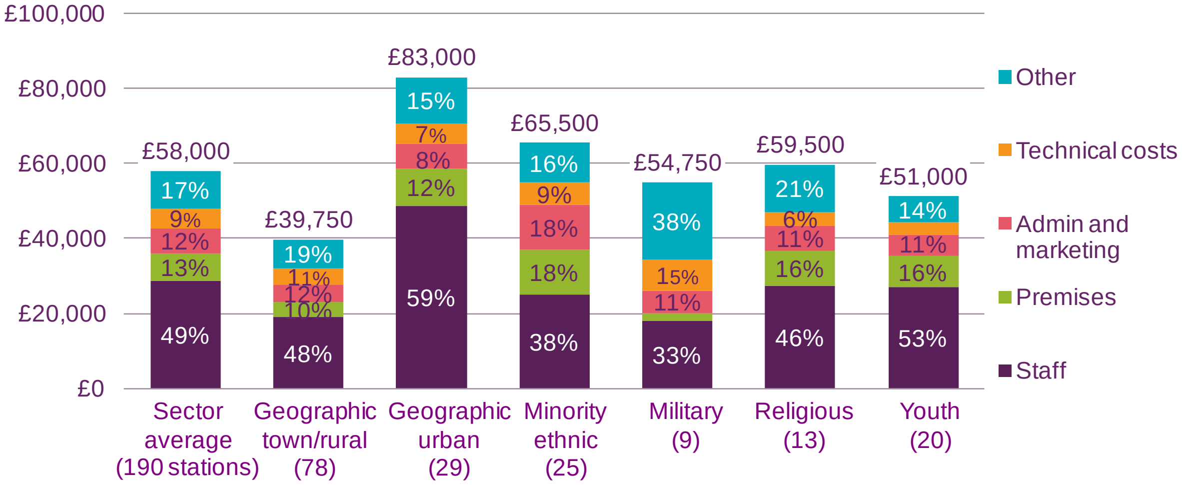
Figure 3.35 Community radio expenditure, by type



Source: Ofcom analysis of community broadcasters' returns

As with revenue, station costs vary by the type of community served. Military stations spend proportionally less on staff, while staff costs on urban-located stations accounted for 59%. Technical costs were similar across all types of stations (Figure 3.36).

Figure 3.36 Average expenditure, by type of community served



Source: Ofcom analysis of community broadcasters' returns

On average, community radio delivers 90 hours of original programming per week

The requirement to serve a specific community, combined with the extensive use of volunteers, typically 85 per station per year, means that many community radio services tend to broadcast live and original programming at set times in the week, rather than provide a live 24-hour service. In 2012, typically 79 hours a week were live and stations broadcast 90 hours a week of original programmes (live and first-play pre-recorded material taken together).

Figure 3.37 Community radio hours and volunteers

	Sector average
Total live hours per week	79
Total original hours per week	90
Speech output as a percentage of total daytime output	31%
Number of volunteers	85

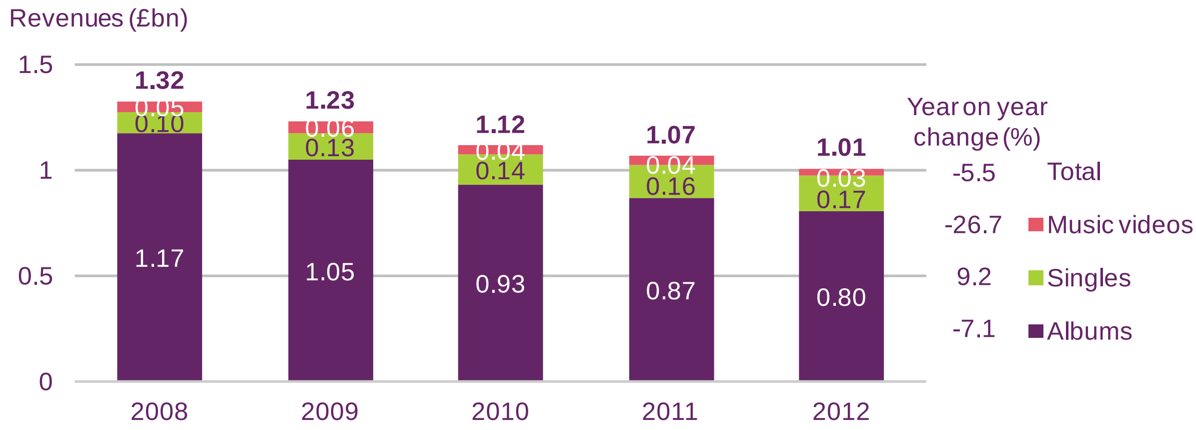
3.2.7 Recorded music revenues

Recorded music revenues continued to fall in 2012

Data from the Entertainment Retailers' Association show that recorded music retail revenues fell by 5.5% in 2012. This decline was driven by falling album revenues, which contribute just under 80% to the total (Figure 3.38).

As in previous years, revenue from singles sales continued to rise. As Figure 3.40 shows, this category is now almost entirely made up of digital transactions. Growth in the value of digital sales has slowed, while the value of physical sales continues to fall.

Figure 3.38 Recorded music retail revenues: 2008-2012



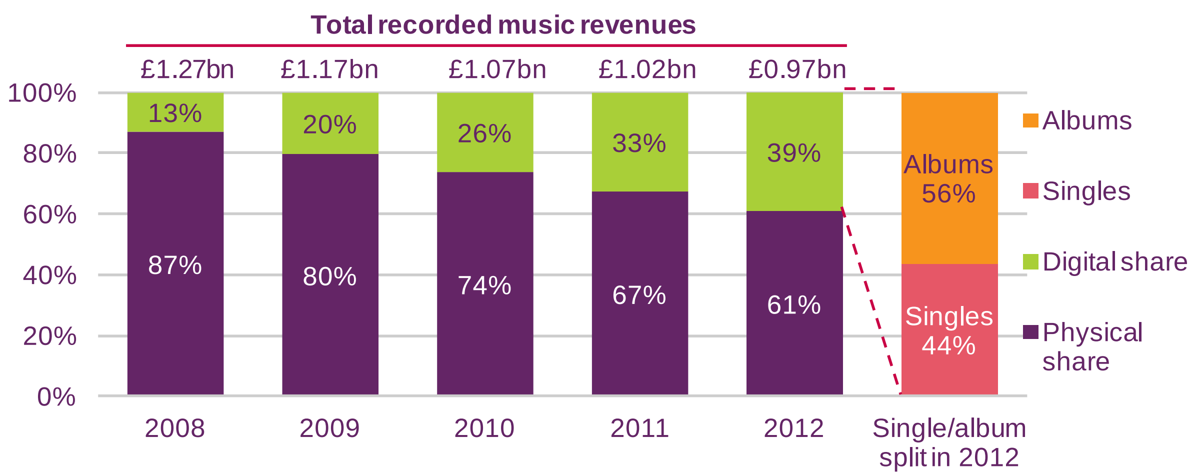
Source: Entertainment Retailers' Association / Official Charts. Figures are nominal.

Digital sales accounted for almost 40p in every £1 of music retail revenue

Digital's share of recorded music retail revenue increased again in 2012 to reach 39% of the total, up 6pp year on year. Within the digital total, albums accounted for a larger share of revenue than singles sales, reflecting the higher price for albums (Figure 3.39).

The British Recorded Music Industry (BPI) has found that digital sales now make up over 50% of record company income.[63] In terms of transactional retail revenues, physical sales still account for the bulk of revenues. But their share continues to decline.

Figure 3.39 Distribution of recorded music retail revenues: 2008-2012



Source: Entertainment Retailers' Association / Official Charts. Figures are nominal.
Note: This chart does not include revenues from music videos.

The growth in digital sales is slowing while the decline in physical sales is increasing

The volume of singles sales continued to rise in 2012, increasing by 6% to reach 188.6 million units. This is a smaller proportional increase than the previous year, suggesting that

[63] The British Recorded Music Industry, *Digital Music Nation*, January 2013
The BPI's figure includes revenues gained by the record companies from licensing deals for digital content.

the growth rate of digital sales is slowing. Only a very small proportion, 0.4%, of total singles sales in 2012 were physical. (Figure 3.40)

Unlike singles sales, the volume of album sales continues to fall. In 2012, the number of albums sold fell by 11.6%. While the proportion of album sales which are digital continues to grow, these sales are not sufficient to offset the decline in physical sales. Like the volume of singles sales, the growth of digital album sales is slowing. At the same time the rate of decline in the volume of physical album sales is increasing, leading to the decline in total recorded music revenues seen in Figure 3.38.

Figure 3.40 Recorded music sales, by volume: 2008-2012

Source: Entertainment Retailers' Association / Official Charts

3.3 The radio and audio listener

3.3.1 Introduction

The following section examines how patterns of radio and audio listening have changed in the UK, both in the past year and over the longer term. It uses audience data to analyse listening by sector and by age group, as well as drawing on consumer research.

Key points in this section include:

On average, 90.3% of the UK adult population tuned in to radio each week in the twelve months to Q1 2013. This represents an increase year on year. Over the longer term, the reach of radio overall remains flat, although total hours spent listening to radio has contracted by 2.75% year on year. Listening to national commercial radio has increased steadily over the past four years.

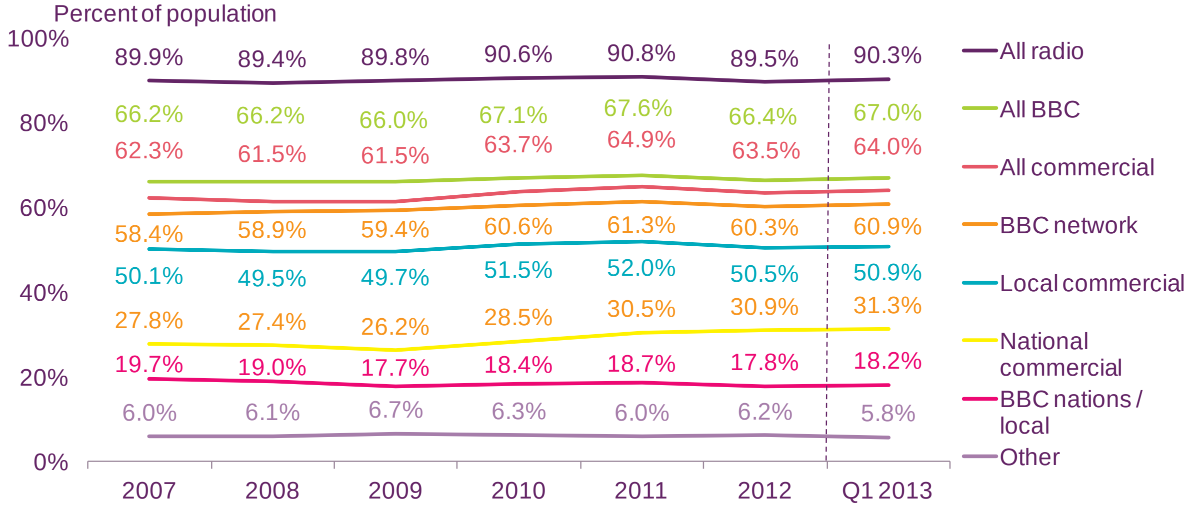
BBC network radio has the largest share of radio listening (46.7%) and this has grown over the past three years. Similarly, national commercial radio has seen its share of listening hours increase; from 9.5% in 2008 to 13.0% in 2013. Radio at the local level, both commercial and BBC, has not been able to maintain its share of the market.

BBC Radio 4 Extra and BBC 6 Music tie for digital-only popularity. Both services have seen year-on-year increases in weekly reach, with Radio 4 Extra listeners increasing by 22%. In an average week, each service attracts 1.7 million listeners.

3.3.2 Weekly radio listening in the UK

The near parallel lines illustrate radio's flat performance over six years in terms of listener reach. The exception is national commercial radio, which has attracted more listeners since 2009, up by 4.7pp in 2012.

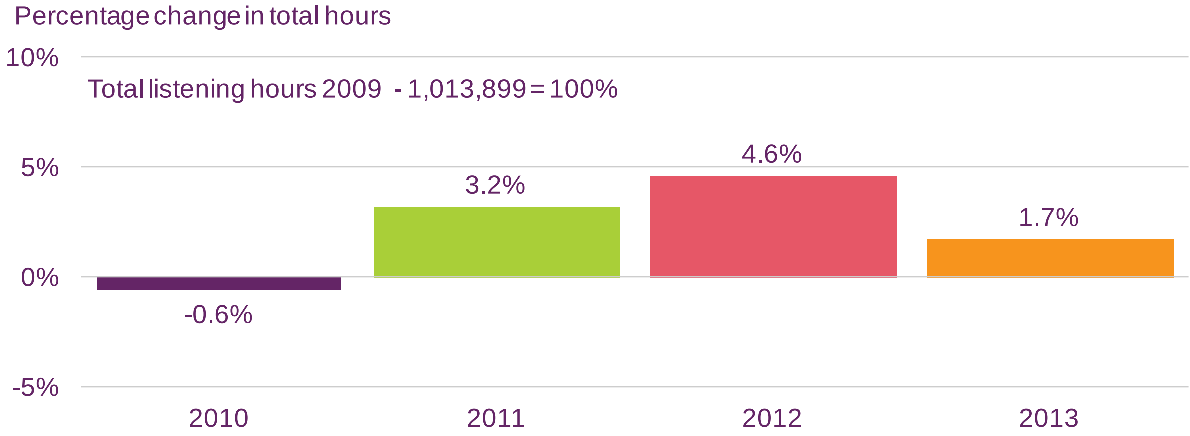
Figure 3.41 Reach of radio, by sector



Source: RAJAR, All adults (15+), calendar years 2007-2012, Q1 2013

Each week UK adults spend over a billion hours listening to radio with the total number of listening hours among all UK adults standing at 1,031 million hours averaged over the 12-month period to Q1 2013. Although this amount is 2.75% down on the same period the previous year, listening hours have increased since 2009.

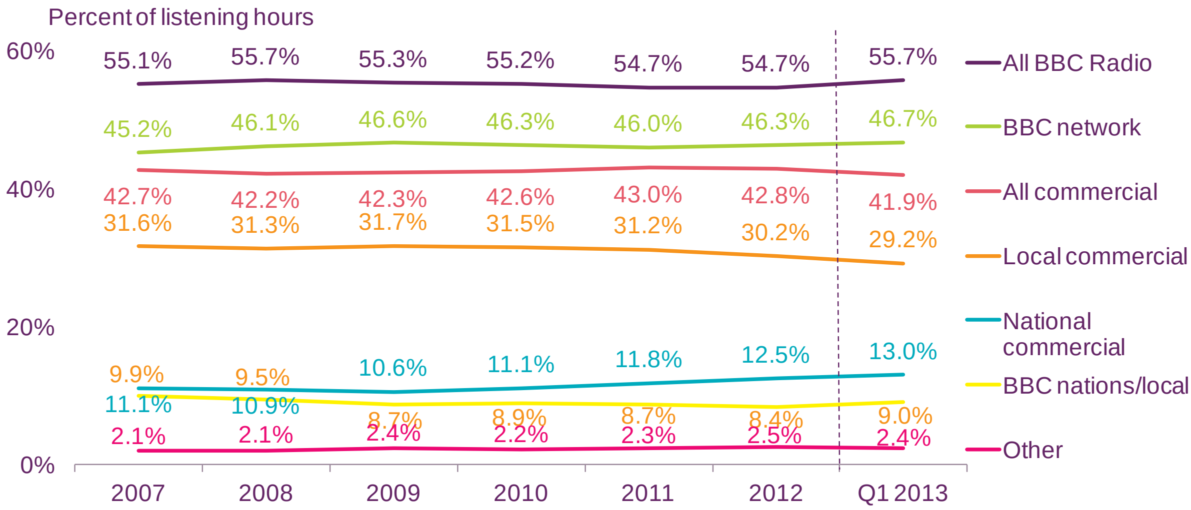
Figure 3.42 Year-on-year change in total listening hours



Source: RAJAR, All adults (15+), calendar years to Q1, 2010 to 2013

The share of listening hours from 2007 to Q1 2013 for all radio listening appears flat, but this masks slight variances among the constituent parts. BBC network radio and national commercial radio remain strong, while BBC local radio and local commercial radio have been less able to maintain their share over the past six years.

Figure 3.43 Share of listening hours, by sector



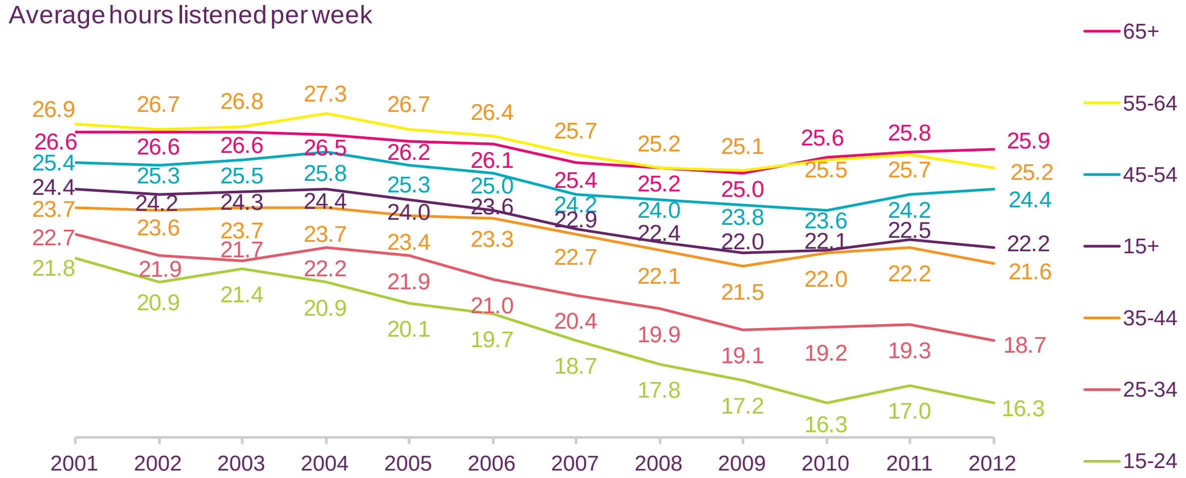
Source: RAJAR, All adults (15+), calendar years 2007-2012, Q1 2013

Average listening hours for 15-24s dipped back to the 2010 low, while listening by 25-34s contracted by 36 minutes following a two-year plateau

The proportion of the UK population listening to radio remains flat year on year. What has changed is the length of time that listeners tune in over a seven-day period. In 2002 the average amount of time a listener spent listening was 24 hours 42 minutes a week. By 2006 it stood at 24 hours per week. Over the 12 months to Q1 2013 this has reduced further; to 22 hours. Overall, this is a decline of 11% over 11 years. Among those aged 15-34, particularly from 2006 to date, the medium has appeared unable to compete for listeners' time, which now tends to be spent using devices and technologies introduced during this time period.

Following Radio 1's much-publicised younger age demographic realignment, and other initiatives, the industry has shown a readiness to improve the medium's appeal among younger listeners, and arrest this decline.

Figure 3.44 Listening hours, by age group: 2011-2012

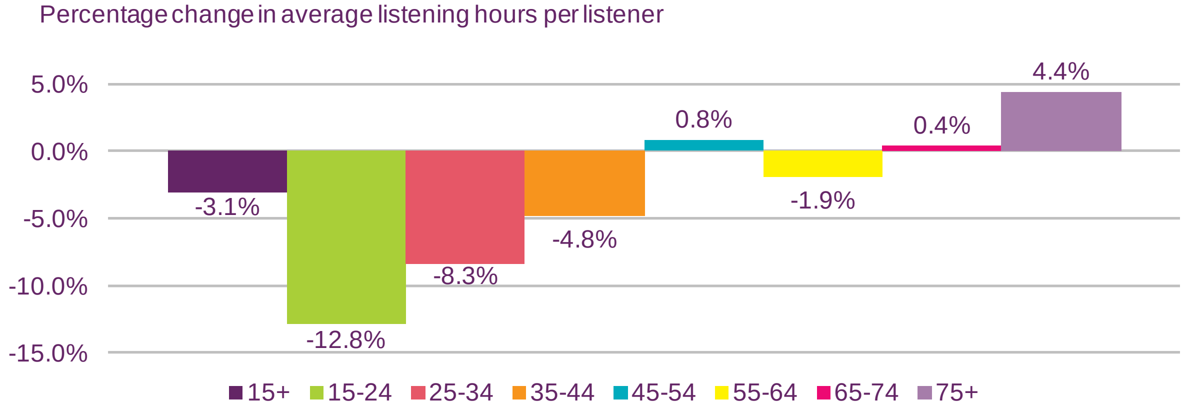


Source: RAJAR, All adults (15+), calendar years 2001-2012

Listeners listen for less time, with the decline particularly evident for the younger demographics

Looking at the change in the time spent listening to radio over the past five years shows a 3.1% fall in average listening hours per listener. The reduction in time spent listening to radio was particularly pronounced in the younger demographics. The fall among those aged 15-24 was 12.8% and among the 25-34s it was 8.3%

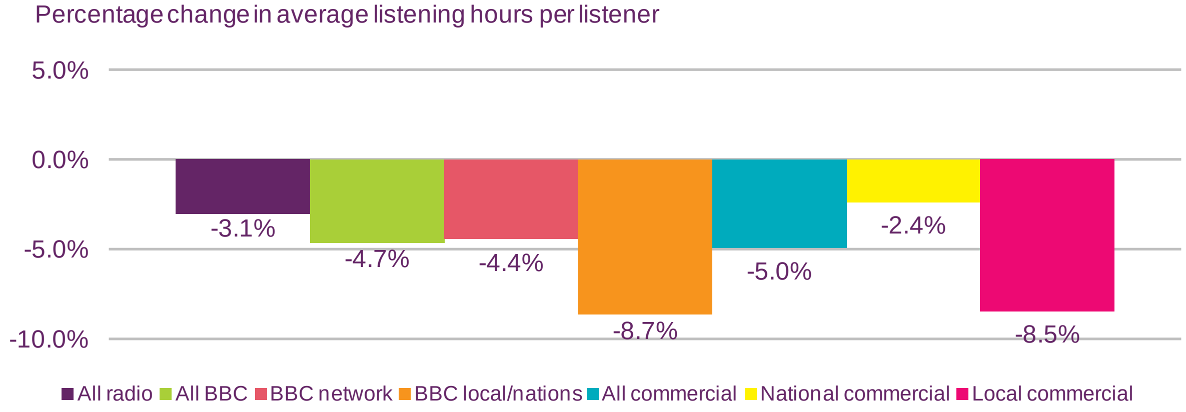
Figure 3.45 Percentage change in time spent listening by age group: 2007 and 2012



Source: RAJAR, all adults 15+. Calendar years 2007 and 2012

Looking at the change in time spent listening to each sector reveals that local radio, both BBC and commercial, have suffered the largest declines in average listening hours per listener. The amounts shown below equate to an average loss of 54 minutes per listener over a typical week for BBC local/nations services and 1 hour 6 minutes per listener per week for local commercial radio services. Today the average listener tunes in to these services for 9.5 hours and 11.9 hours per week, respectively. Since 2007 there has been an increase in the amount of networked programming taken by BBC local radio and many local commercial radio services.

Figure 3.46 Percentage of time spent listening, by sector: 2007 and 2012

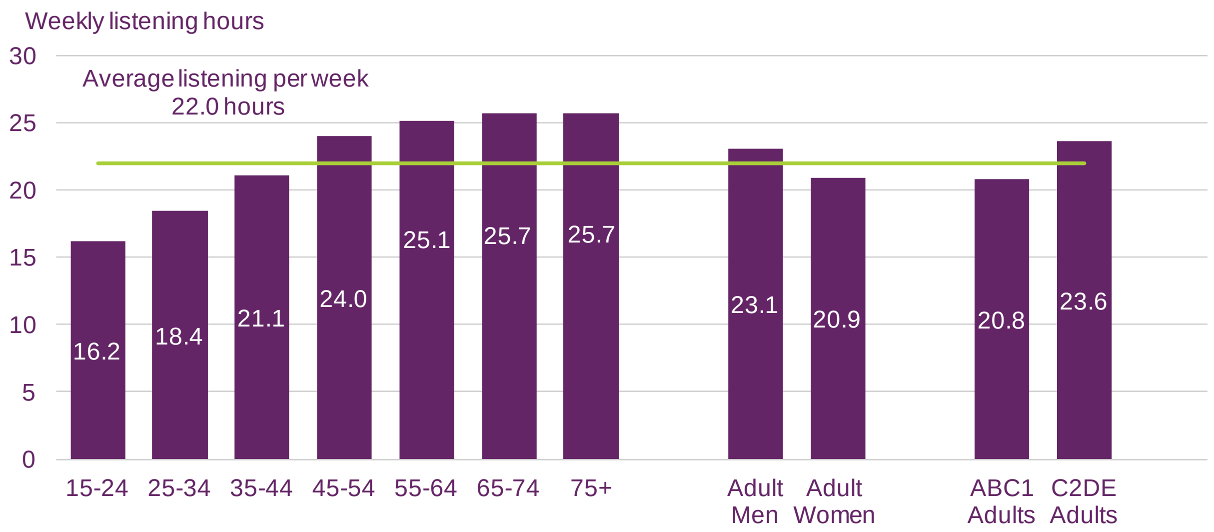


Source: RAJAR, all adults 15+. Calendar years 2007 and 2012

Those aged over 45 are above-average listeners

The pattern of all radio listening by age, gender and socio-economic group remains unchanged over the year. The average time spent listening to radio over an average week is 22 hours. Above-average consumers are likely to be aged 45 or older, men and those in the socio-economic category C2DE. A person aged 55 or over is likely to spend nearly nine hours more, per week, listening to radio, than a person aged between 15-24. Men listen for an average of 2 hours 12 minutes more per week than female radio listeners.

Figure 3.47 Average weekly listening, by demographic: year ending Q1 2013



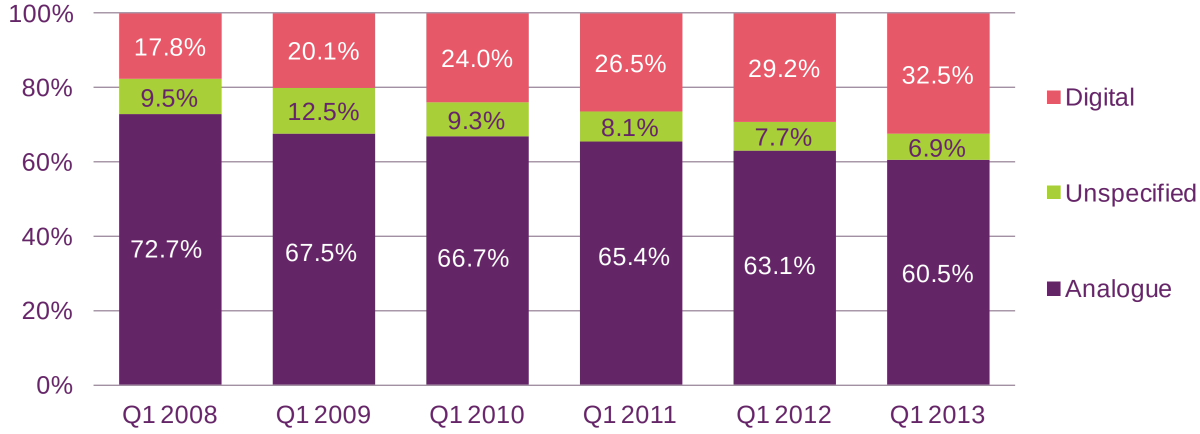
Source: RAJAR, all adults (15+), year ending Q1 2013, average weekly listening hours per listener

3.3.3 Digital radio listening trends

Since 2010 digital radio's share of listening has increased by a third

Q1 figures from 2008 to 2013 show that a greater proportion of all radio listening is now through use of a digital platform. In the full year to Q1 2010 this level of consumption stood at 24.0%, in the full year to Q1 2013 it is 32.5%. For the third year in succession the rate of decline in listening via an analogue radio platform has increased -1.3pp in Q1 2011, 2.3pp in Q1 2012 and 2.6pp in Q1 2013.

Figure 3.48 Share of listening hours across analogue and digital platforms

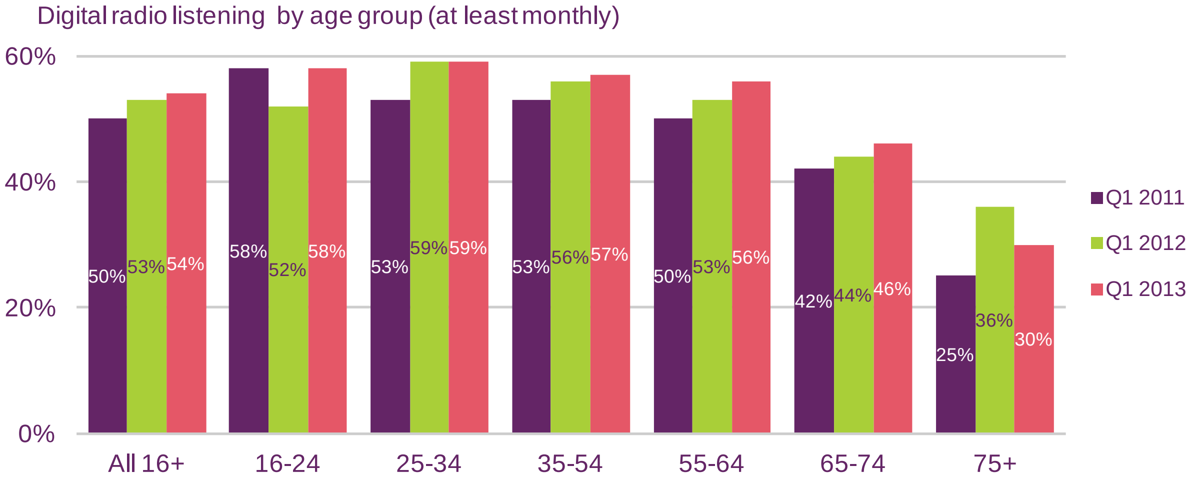


Source: RAJAR, all adults (15+), data relate to Q1 results as shown Note: 'Unspecified' relates to listening where radio platform was not confirmed by the listener

More than half of those aged between 16 and 64 are likely to listen to digital radio

More than half of all radio listeners aged 64 or under said that they listened to radio through a digital platform. Listening levels were highest among 25-34s (59%). This contrasts with those aged 65-74 and 75+, where 46% and 30% claimed to listen digitally.

Figure 3.49 Digital radio listening, by age group: monthly

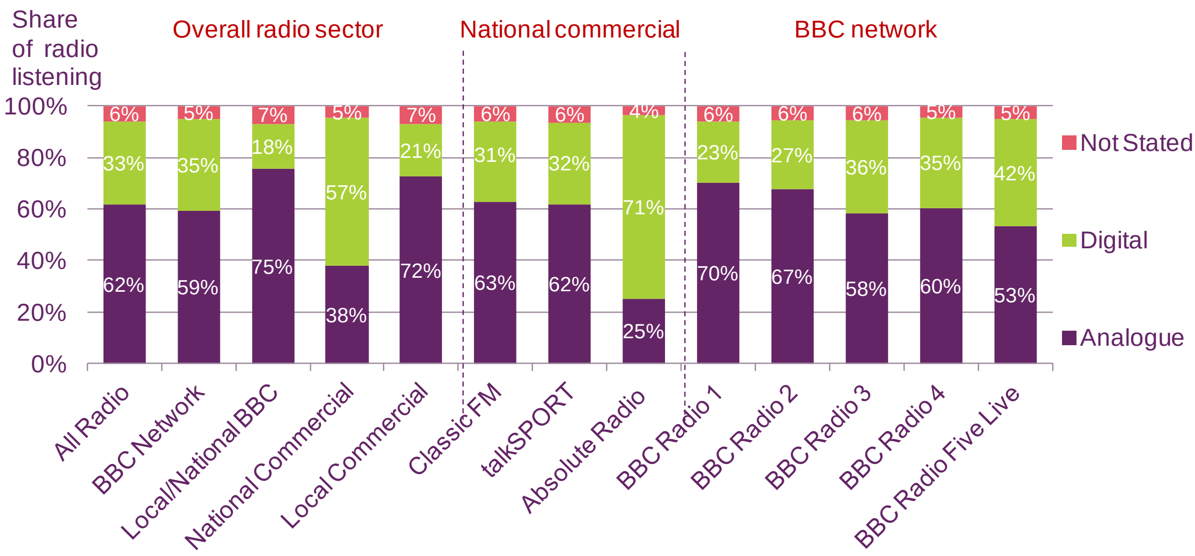


Source: Ofcom research, Base: All who listen to radio, Q1 2013 (n=2910), Q1 2012 (n=2963), Q1 2011 (n=2811) Q: Use digital radio at least monthly (includes digital listening via DTV, DAB set and online)

Digital radio share, by sector

A third of radio listening is via a digital platform. BBC national network radio services achieve a digital share of 35% among their own listener base. For national commercial radio this figure is nearly double, at 57%. This is partly because there are more national commercial services on digital platforms and only three broadcast nationally on analogue. The listening share of the BBC's non-national network services and local commercial radio services is drawn mostly from the analogue (FM/AM) platform. This is partly because of the ongoing roll-out of further local digital multiplexes and partly because a number of these services do not have the option to broadcast via DAB.

Figure 3.50 Platform split by sector and station: year ending Q1 2013



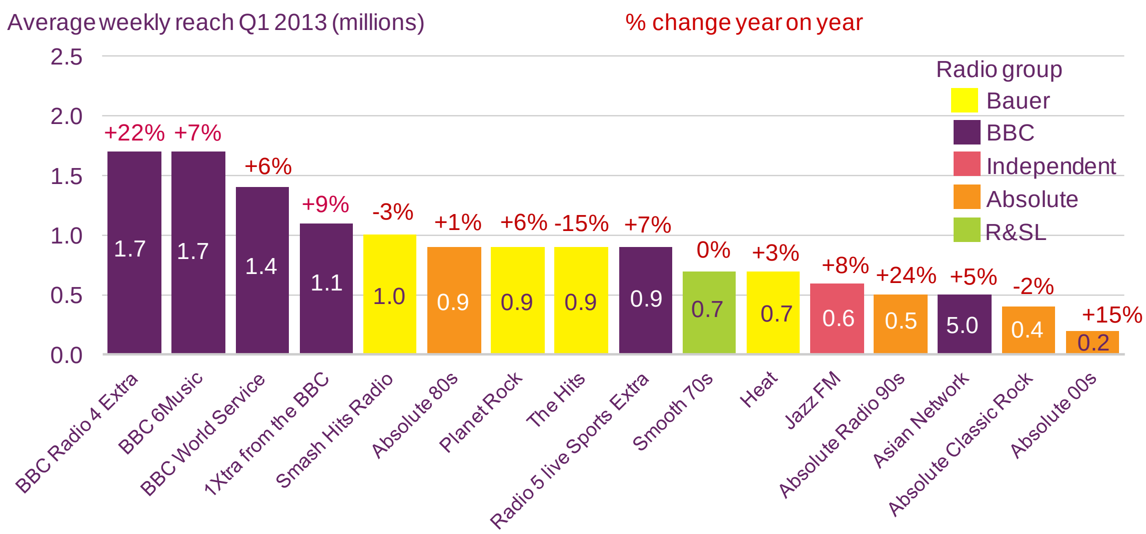
Source: RAJAR, year ending Q1 2013, adults 15+

BBC Radio 4 Extra and BBC 6 Music tie for digital-only listening popularity

The BBC's most popular digital-only radio services, Radio 4 Extra and BBC 6 Music, reach 1.7 million listeners each per week. The BBC's World Service, which is now available only on the DAB broadcast platform in the UK, and 1Xtra, each have over a million listeners, closely followed by Radio 5 live Sports Extra with 0.9 million.

Four commercial radio services attract around a million listeners each – Smash Hits Radio, Absolute 80s, Planet Rock and The Hits. Three other commercial services have more than half a million listeners.

Figure 3.51 Most popular digital-only stations: Q1 2013



Source: RAJAR, year ending Q1 2013 adults 15+

3.3.4 Listening patterns beyond England

Radio listening in England is close to that reported for the UK as a whole, as might be expected due to the concentration of population. Listening patterns in Scotland, Wales and Northern Ireland, however, vary from the UK average.

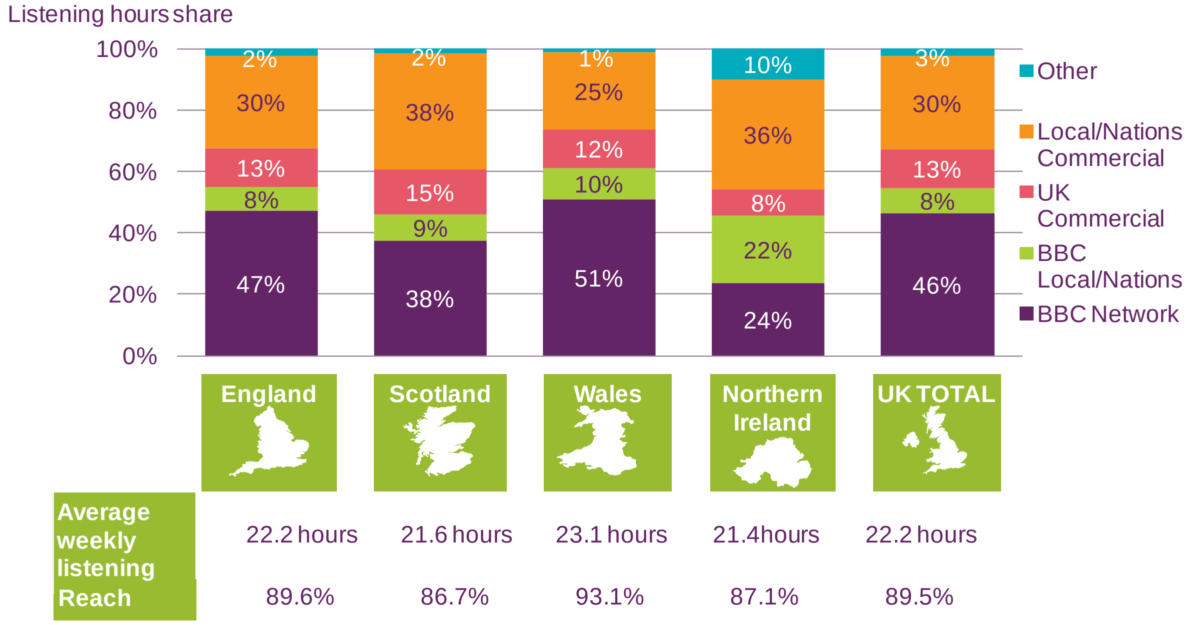
- In **Scotland** radio services reached 86.7% of the adult population, the lowest of all the UK nations and 2.8 percentage points lower than the UK average of 89.5% (year to December 2012). Listeners in Scotland spent less time tuned in, compared with average weekly listening hours elsewhere in the UK; adult radio listeners in Scotland spent an average of 21.6 hours each week listening to radio in 2012.

- In **Wales** radio services reached 93.1% of the adult population, the highest of all the UK nations and 3.5 percentage points higher than the UK average of 89.5%. Listeners in Wales also listened for longer. Adult radio listeners in Wales spent an average of 23.1 hours each week listening to radio in 2012, the highest across all of the UK nations.

- In **Northern Ireland**, radio services reached 87.1% of the adult population, 2.4 percentage points lower than the UK average of 89.5%. Listeners in Northern Ireland spent an average of 21.4 hours each week listening to radio in 2012, again lower than the UK average. This lower figure represents a decline of 5% in the total number of radio listeners, with time spent listening falling by 54 minutes over a typical week.

- But in **England**, the listening pattern has changed very little year on year, and is closely aligned with the UK average. BBC network stations attract the largest share of listening, at 47%.

Figure 3.52 Share of listening hours, by nation

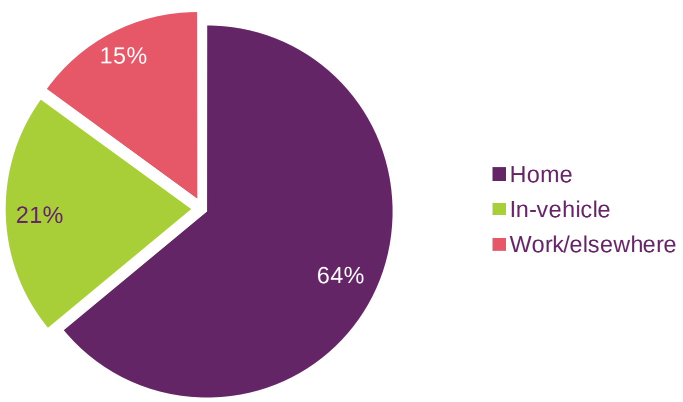


Source: RAJAR, All adults (15+), calendar year 2012

Location of radio listening

Sixty one per cent of listeners who claim to listen more to radio now, compared to five years ago, said in a recent YouGov survey[64] that their top reason for listening was that "It fits better with my routines now than in the past" while 23% said that they listened more because they "…spend more time in the car". This aspect of radio's portability and accessibility is reflected in the location where radio listening takes place. One fifth (21%) of all listening is in a vehicle while 64% is in the home.

Figure 3.53 Location of listening: year to Q1 2012



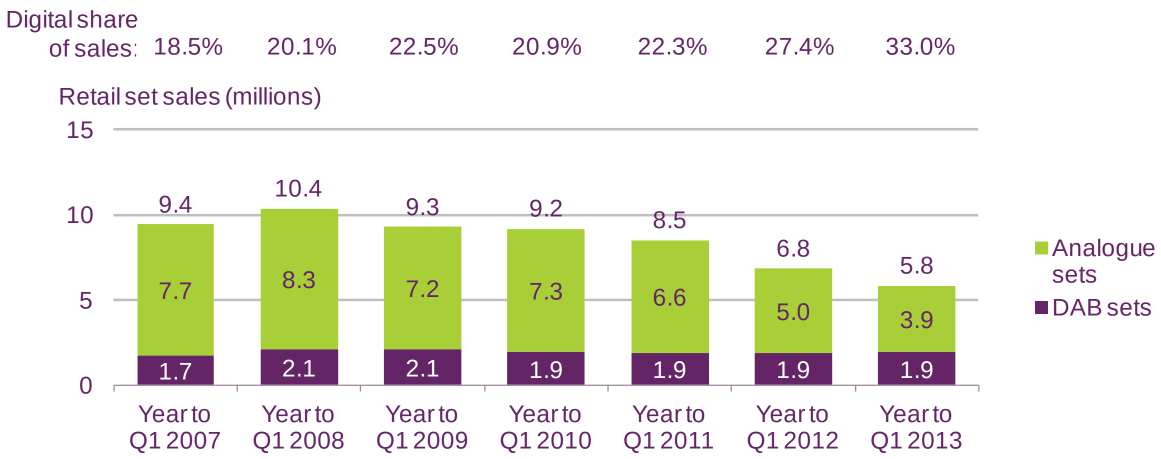
Source: RAJAR, year ending Q1 2013 all adults 15+

Radio set sales have fallen by a third in four years

In the year to Q1 2010, 9.2 million radio receivers were sold, while in the year to Q1 2013 that figure fell to 5.8 million. DAB radio set sales, many with analogue FM capability, remained flat at 1.9 million sets a year for the fourth year in succession, while the number of analogue radio sets sold has fallen. But although set sales have fallen, there are now many more ways of listening to radio - listening opportunities have evolved through easy access via other devices. These include mobile phones, many of which use FM tuners or digital apps.

[64] YouGov Sixth Sense survey: New Generations and the Future of Radio, May 2013

Figure 3.54 Number of analogue and digital radio sets sold

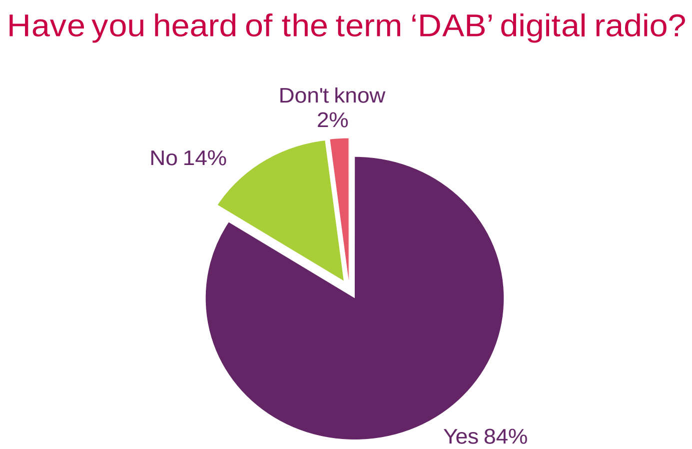


Source: GfK sales data, 2006-2013.
Note: Figures cover GB only, GfK Panelmarket data represent over 90% of the market. Categories of device included are; portable radios, personal media players, car audio systems, home audio systems, clock radios, radio recorders, headphone stereos, tuners and receivers.

Eighty four per cent of consumers are aware of digital radio, 19% are ready to buy

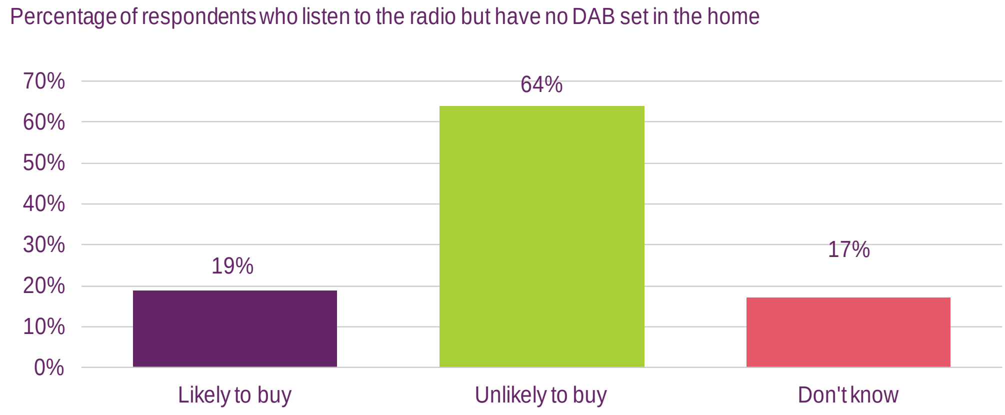
Marketing campaigns on BBC radio and television and on commercial radio, like the ‘D Love – If you love radio go digital’ campaign, continue to raise consumer awareness of the terms ‘DAB’ and ‘digital radio’. Eighty four per cent of consumers said that they had heard of these terms. Ofcom estimates that between 66 million and 85 million receiver sets are in use in homes, cars and places of work; and this, combined with the durability of radio receivers, means that people are less likely to buy new radio sets. Figure 3.55 emphasises this, showing that only 19% of non-DAB listeners are likely to buy a DAB radio in the next 12 months, the same level as last year.

Figure 3.55 Awareness of digital radio



Source: Ofcom research 2013

Figure 3.56 Likely to buy a DAB radio in the next 12 months



Source: Ofcom research, Q1 2013
Base: Those who listen to radio but have no DAB sets in the home (n=1798)
QP12: How likely is it that your household will get a DAB radio in the next 12 months?

3.3.5 Online music streaming services

On-demand music streaming services are more popular than online radio services

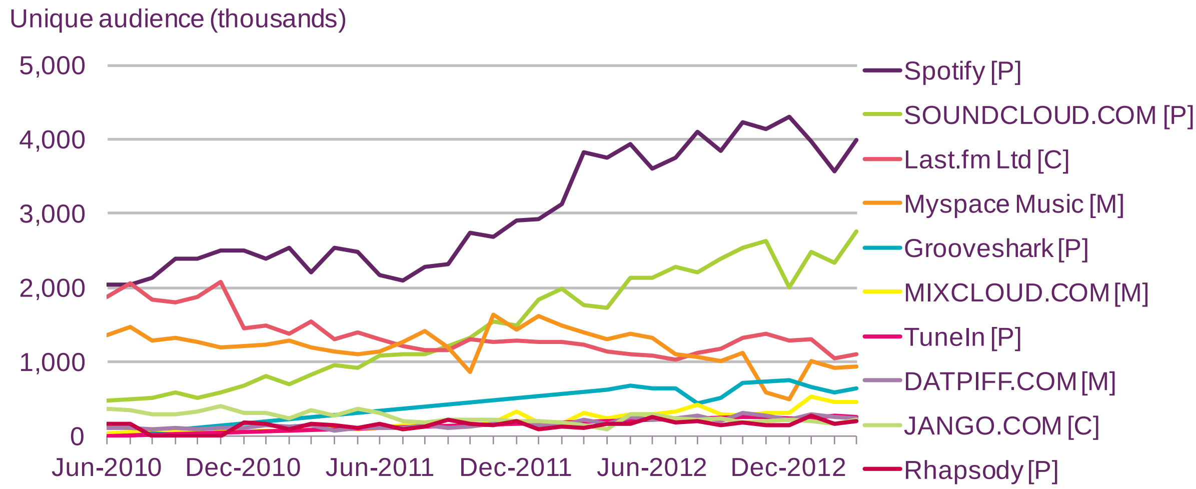
Online streaming services, which enable users to choose the tracks they listen to and the order in which they listen to them, have consistently higher audiences than services which provide traditional radio over the internet.

TuneIn, which aggregates streams of radio broadcasts from around the world, was visited by 261,000 users in March 2013; Radioplayer.com, which provides streams of commercial, community and BBC stations in the UK, was visited by 73,000 users over the same period. This compares to unique monthly audiences of around 4 million for Spotify, and the average weekly reach of broadcast radio in the UK of 46.9 million.[65]

Spotify continues to have the highest unique audience in comparison to other online music and radio streaming services. (Figure 3.57) Although its unique audience has grown quickly over the past two years (an increase of 81.6%), year-on-year growth has been noticeably slower at 4.2%. Soundcloud has also increased its audience over this period, growing 55.5% year on year and more than doubling its audience over the past two years (233.3%). As Spotify and Soundcloud have grown in popularity, the music recommendation service Last.fm has seen its unique audience fall.

[65] RAJAR, all adults (15+), year to Q1 2013

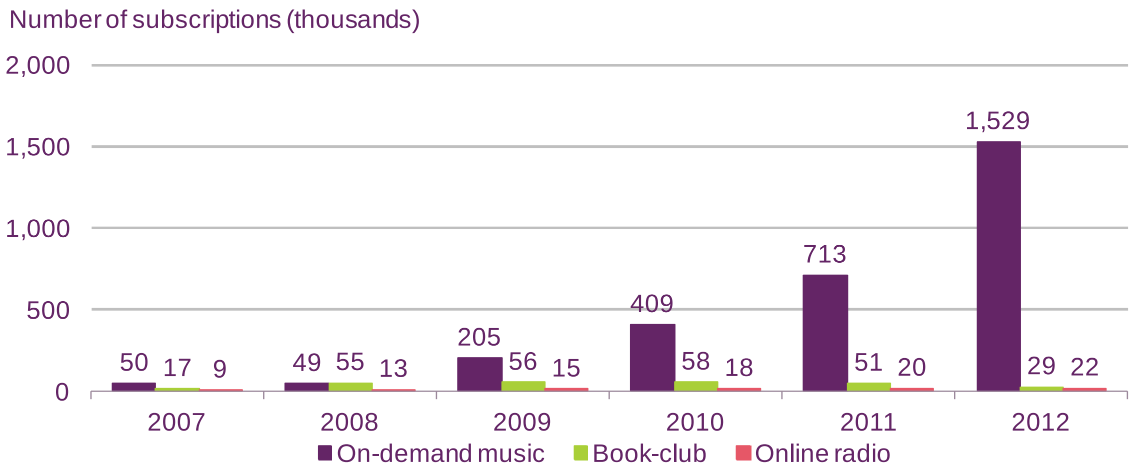
Figure 3.57 Unique audiences of selected music streaming sites



Source: comScore MMX, UK, home and work panel, March 2013
Note: For an explanation of [P], [M], [C] and 'unique audience' please see page 275

IHS Screen Digest estimates the number of subscribers to on-demand music streaming services to be 1.5 million. This is in stark contrast to the number of paid subscribers to online radio services (22,000). While the number of total subscriptions has grown quickly over the past five years, almost all of this growth has been down to on-demand music services.

Figure 3.58 Number of subscriptions to online music services: 2007-2012

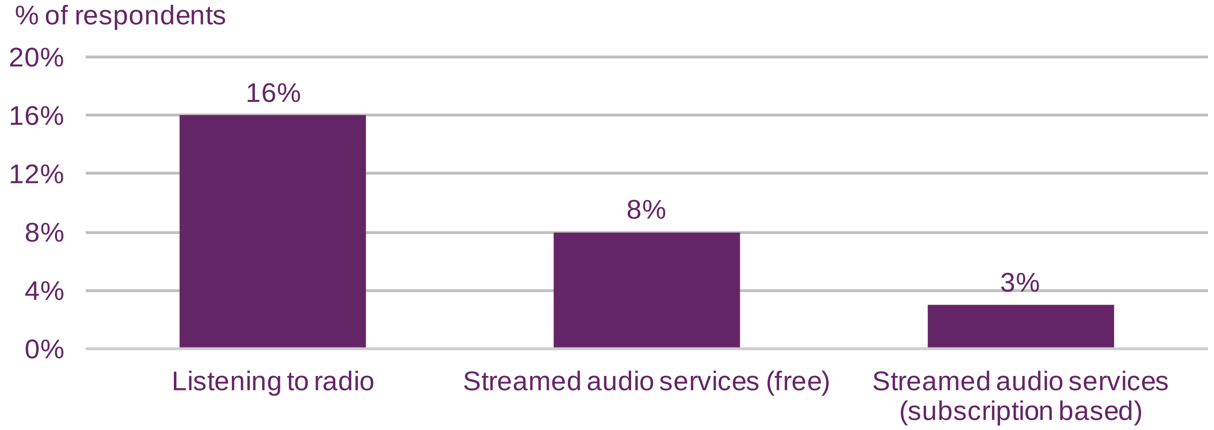


Source: IHS Screen Digest

One in six people use the internet to listen to radio

In terms of access to audio via the internet, streamed services represent a smaller proportion of use compared with radio listening. Sixteen per cent of those with access to the internet at home said they used the platform to listen to radio.

Figure 3.59 Audio internet use



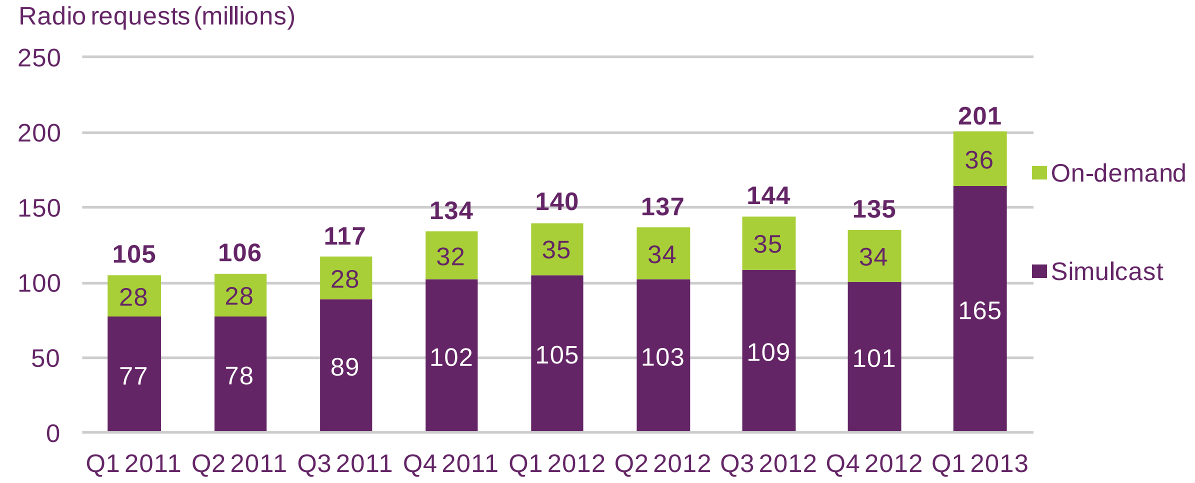
Source: Ofcom research, Q1 2013
Base: Those with access to the internet at home (n= 2918) QE5A. Which, if any, of these do you use the internet for?

Two hundred million radio requests on BBC iPlayer radio: Q1 2013

Over the first quarter of 2013, 80% of the 201 million radio requests were for simulcasts of content, reflecting radio's attributes of being a live and immediate medium. On-demand or catch-up listening accounted for a fifth of radio requests. Around 50% of requests came from desktop or laptop computers, while 11% of requests were from mobile devices.

During the 18 months to December 2012 a there was a problem with the collection of data relating to listeners who used the pop-out console for radio listening on computers. The BBC resolved this problem, resulting in an apparent spike (Figure 3.60) in the number of requests in Q1 2013.

Figure 3.60 BBC iPlayer quarterly radio requests

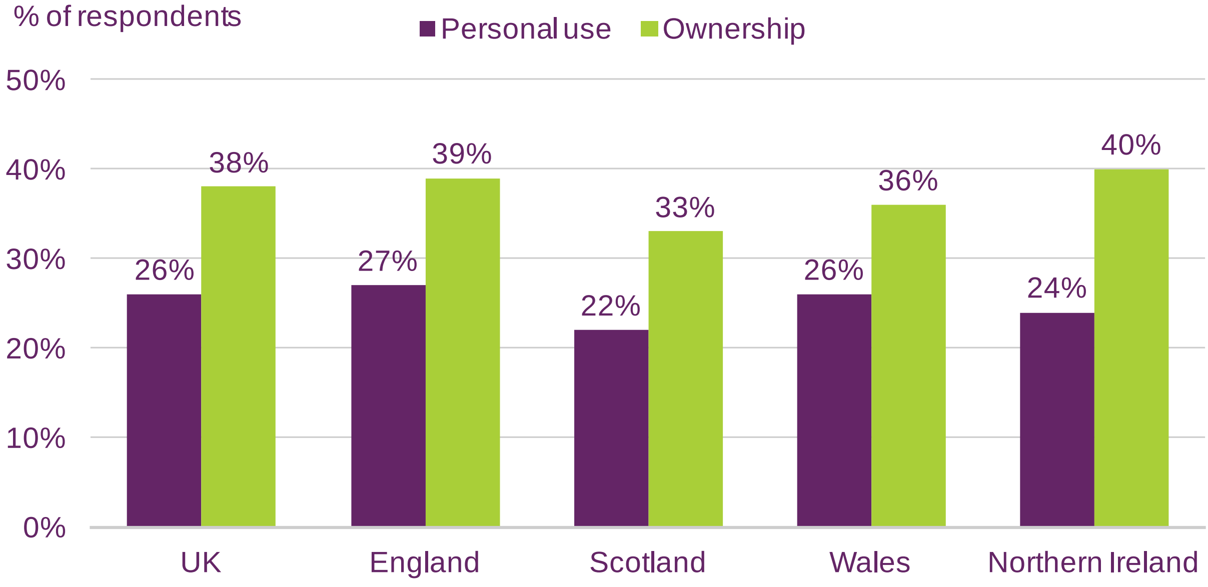


Source: Ofcom calculations based on BBC iStats
Note: A change in methodology means that Q1 2013 is not comparable to previous data.

More people own MP3 players than actually use them

This year, we looked at the levels of ownership and use of MP3 players around the UK. Northern Ireland has the greatest level of ownership of MP3 players, at 40%, but a much lower level of use, at 24%. This is marginally ahead of Scotland at 22%, while England and Wales have the highest levels of use, at 26%.

Figure 3.61 MP3 player/ iPod ownership and personal use



Source: Ofcom research, Q1 2013
Base: All adults aged 16+ (n = 3750 UK, 2250 England, 501 Scotland, 492 Wales, 507 Northern Ireland) QB1: Which of the following do you, or does anyone in your household, have in your home at the moment? QB2. Do you personally use: MP3 player/ iPod?