making communications work
for everyone

The International Communications Market 2016

5 Radio and audio

Contents

5.1 Radio and audio: overview and key market developments

5.1.1 Overview

The UK's radio industry is the fourth largest among our 18 comparator countries

The UK's radio industry generated £1.2bn in 2015, making it the fourth largest radio industry across our 18 comparator countries. At £19.30, the UK had the fifth highest total revenue per head, behind the US, Germany, Sweden and Australia. Overall, the worldwide radio industry generated £28.6bn in 2015, with more than three-quarters of worldwide radio revenue coming from advertising.

The BBC, through the licence fee, contributed 57% to overall UK radio industry revenue in 2015; only in Germany and Sweden did public licence fee money contribute a greater proportion of overall radio revenue in 2015.

At least nine in ten UK households listen to radio

Listening to the radio remained popular in 2015, with 90% or more of households listening at least once a week in the UK, Sweden, Poland, Singapore and China. Digital radio has proved to be particularly successful in the UK, with both coverage and set take-up ranking highest among the comparator countries throughout 2016 (at 97% and 33% respectively).

Consumers listen to audio content via a range of formats

Consumers have greater choice than ever before when they listen to audio content – they are looking beyond the radio set to formats both old and new. Streaming services, such as Spotify and Apple Music, podcasts and physical media like vinyl, continue to be used across our comparator countries.

While listening to the radio was the most popular way of listening to audio content in each of the countries surveyed, our research shows that people are embracing new technology as well as sticking with more traditional listening habits. In the UK, more than one in four respondents said they consumed audio through a portable media player (such as a smartphone) or a physical media player (such as a hi-fi or cassette player), while the weekly use of such devices was claimed by at least one in three people in Italy.

Figure 5.1 Key metrics: 2015

	UK	FRA	GER	ITA	USA	JPN	AUS	ESP	NED	SWE	POL	SGP	KOR	BRA	RUS	IND	CHN	NGA
Total industry revenue (£bn)	1.2	0.9	2.6	0.3	13.9	0.7	0.6	0.3	0.2	0.3	0.1	0.1	0.2	0.3	0.1	0.2	1.5	0.1
Revenue per capita (£)	19.3	14.7	31.7	5.8	43.2	5.4	23.6	7.1	14.4	25.7	2.4	15.6	3.3	1.2	0.9	0.2	1.1	0.3
% income from public licence fees	57	41	79	22	N/A	5	N/A	N/A	30	78	6	N/A	21	N/A	N/A	N/A	N/A	N/A
Reach of radio (% households)	90	82	69	85	76	38	62	71	88	94	95	93	--	84	63	--	98	20
Digital radio coverage (% population)*	97	19	96	75	-	-	65	-	95	-	-	-	-	-	-	-	-	-
Digital radio set take-up (% population)*	33	8	13	17	8	5	18	10	-	11	-	-	-	-	-	-	-	-
Audio streaming use on a smartphone (% smartphone users)*	26	22	22	30	36	24	26	30	-	39	-	-	-	-	-	-	-	-

*Sources: Ofcom, PwC Global entertainment and media outlook 2016-2020 @ www.pwc.com/outlook, IHS, WorldDAB. Figures for 2015, with the exception of those with an * which are for 2016.*

5.1.2 The UK leads the way in digital radio

At 97% of the UK population, DAB coverage was highest in the UK among our comparator countries in 2016

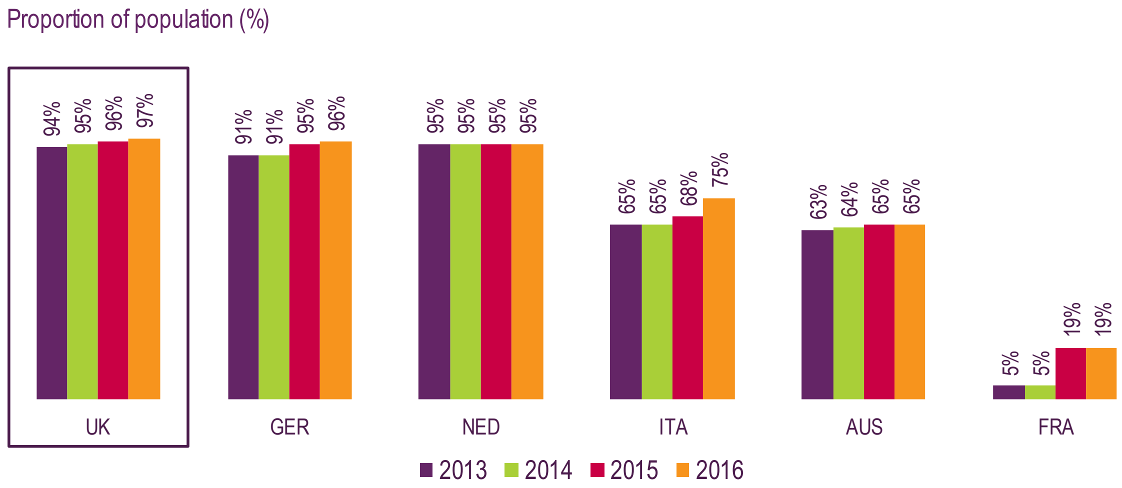
DAB coverage in the UK reached 97% of the UK population in 2016, with the BBC continuing work on its national network to increase coverage. A second national commercial network, Sound Digital, launched earlier in 2016, which led to an additional 18 stations going on air nationally, some of these using DAB+ audio encoding.[130]

Germany and the Netherlands have also rolled out DAB coverage to at least 90% of the population, with a 5pp coverage growth in Germany between 2013 and 2016.

In France, roll-out of digital radio started later than in the UK, with the first regular DAB+ services launching in Paris, Nice and Marseille in June 2014. The regulator, CSA, has produced a timetable to continue the deployment of digital broadcast radio throughout mainland France until 2023.[131] Meanwhile, DAB coverage continues to grow across Europe, with new services coming on air in Slovenia, and networks being extended in Norway, Belgium, Italy and Switzerland.

[130] DAB+ technology encodes sound in a more efficient way than traditional DAB.
[131] http://en.www.csa.fre05d.systranlinks.net/Espace-juridique/Decisions-du-CSA/Le-CSA-adopte-le-calendrier-qu-il-envisage-de-mettre-en-aeuvre-pour-poursuivre-le-deploiement-de-la-RNT

Figure 5.2 Population coverage of DAB/ DAB+/ DMB digital radio: 2013 - 2016



Source: WorldDAB, December 2016
Note: Regular DAB+ services were launched in France in June 2014. Before this, trial services had been on air in Lyon and Nantes since 2012 covering about 5% of the population in DAB+ and DMB. In 2014 regular services started in Paris, Marseille and Nice covering about 19% of the population with regular services (DAB+ and DMB), in addition to the trial services in Lyon and Nantes. Please note that Lyon and Nantes are not included in the 19% coverage calculation. From 2014 to 2016, DMB services moved to DAB+. Since summer 2015, all radio services have been DAB+.

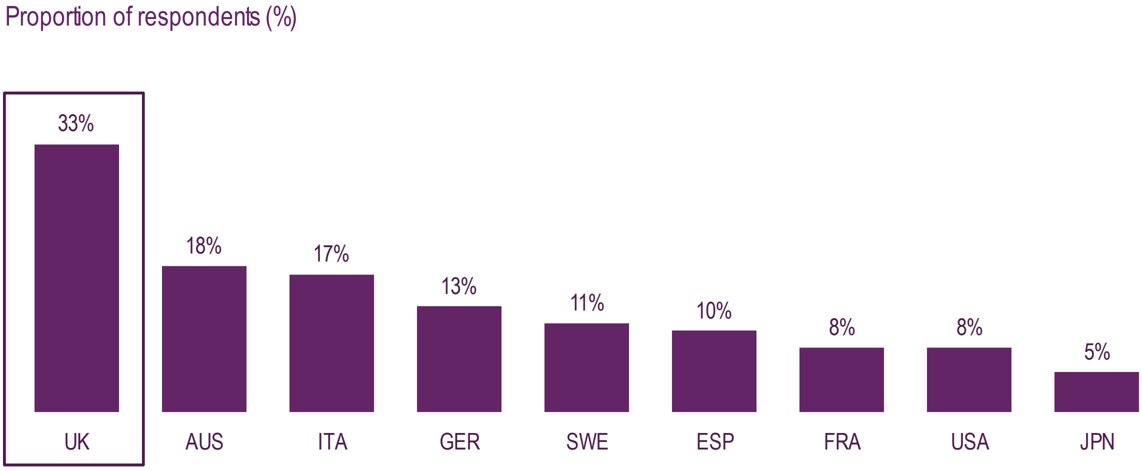
Take-up of digital radio sets is highest in the UK, at 33%, in 2016

Take-up of digital radio sets in the UK was 33% in 2016, the highest figure among the countries surveyed.[132] The next highest levels of take-up were in Italy and Australia, with 17% and 18% of respondents respectively saying they owned a digital set.

Interestingly, take-up of digital radios was relatively low (13%) in Germany, despite near-universal coverage by the end of 2016. The German-French Radio Commission is actively seeking measures to boost digital radio take-up. At a meeting in June 2016[133] it requested that the German and French Governments ask EU institutions to assist with EU-wide market development of digital radio, by making it mandatory for all new radio receivers sold to be equipped with DAB+.

[132] This figure rises to 45% among regular radio listeners. Both figures are smaller than those reported in the 2016 CMR, as different methodologies were used to collect each figure.
[133] http://www.worlddab.org/country-information/france

Figure 5.3 Take-up of digital radio sets: 2016



Source: Ofcom consumer research, October 2016
Q. Which of the following devices do you have in your home, whether or not you use it personally?
Base: All respondents, UK=1000, FRA=1008, GER=1010, ITA=1032, USA=1016, JPN=1011, AUS=1007, ESP=1016, SWE=1000

5.2 The radio industry

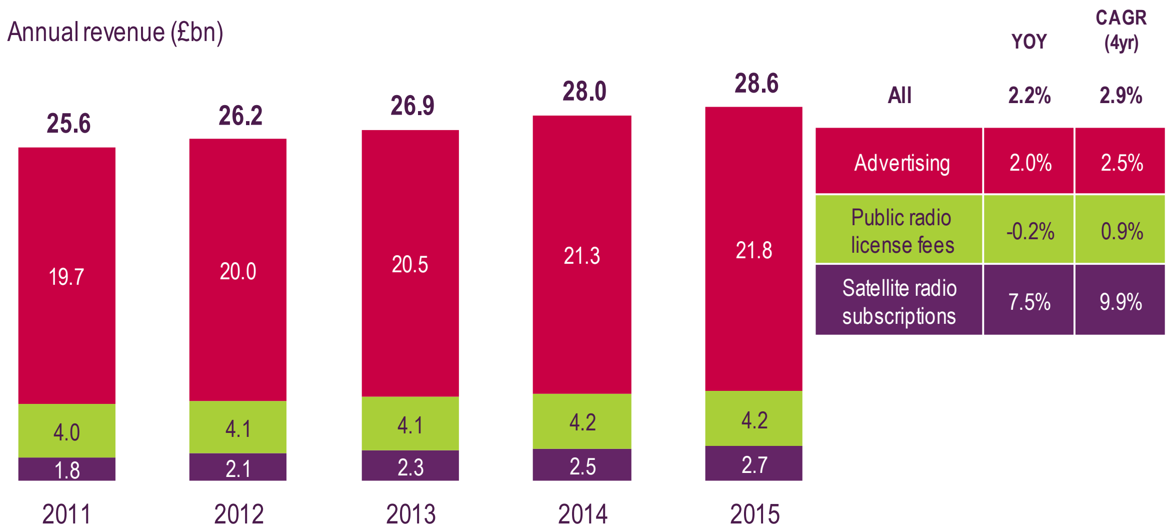
5.2.1 Revenue

Worldwide radio revenues stood at £28.6bn in 2015

Worldwide radio revenues were £28.6bn in 2015. Advertising revenues have contributed over three-quarters of the total figure each year since 2011, and totalled £21.8bn in 2015.

At £4.2bn, public radio licence fees made up the next greatest proportion of worldwide radio revenue in 2015, followed by satellite radio subscriptions at £2.7bn.

Figure 5.4 Worldwide radio revenue: 2011 - 2015



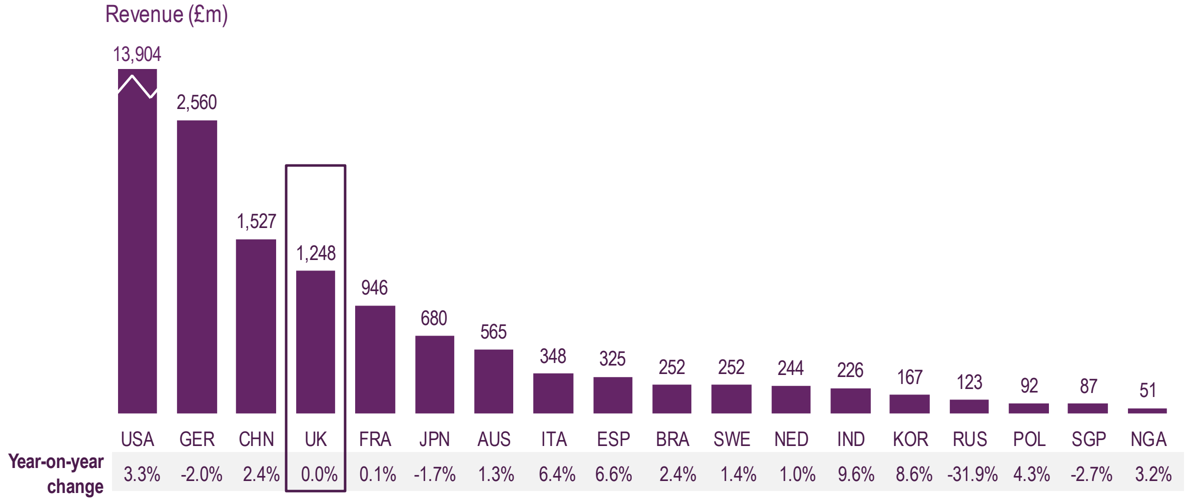
Source: Ofcom analysis based on data from PwC Global entertainment and media outlook 2016-2020 @ www.pwc.com/outlook. Interpretation and manipulation of data are solely Ofcom's responsibility. Ofcom has used an exchange rate of $1.529 to the GBP, representing the IMF average for 2015. Note that the UK radio industry figure is sourced from broadcaster returns made to Ofcom. All figures expressed in nominal terms.

The UK, Germany, the US and China were the only comparator countries to generate revenues greater than £1bn in 2015

Among our comparator countries, the US had the largest radio sector by value, standing at £13.9bn in 2015.

Germany had the largest radio sector (by revenue) across European comparator countries, generating revenues of £2.6bn in 2015, while China had the third largest sector of the 18 countries, with revenues of £1.5bn. The UK was the only other comparator country to generate revenues greater than £1bn in 2015, at £1.2bn.

Figure 5.5 Radio industry revenues: 2015



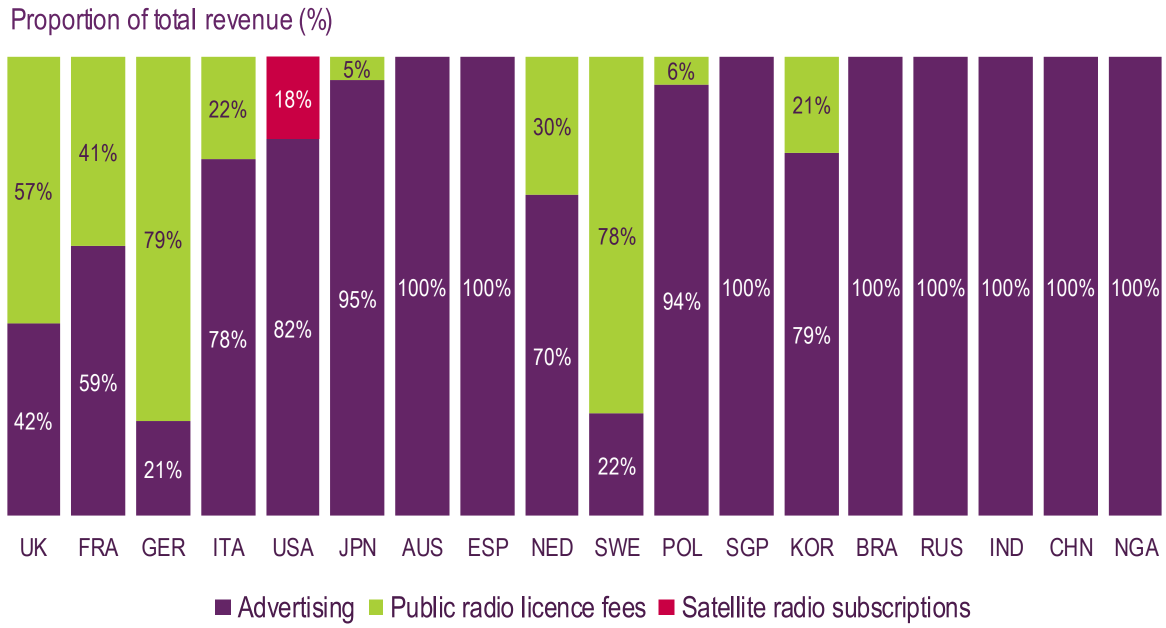
Source: Ofcom analysis based on data from PwC Global entertainment and media outlook 2016-2020 @ www.pwc.com/outlook. Interpretation and manipulation of data are solely Ofcom's responsibility. Ofcom has used an exchange rate of $1.529 to the GBP, representing the IMF average for 2015. Note that the UK radio industry figure is sourced from broadcaster returns made to Ofcom. All figures expressed in nominal terms.

Public radio licence fees made up the majority of industry revenue in the UK, Germany and Sweden in 2015

Of the 18 comparator countries, nine of the radio markets are part-funded by public radio licence fees; with the exception of Japan and South Korea, all these countries are within Europe. Public radio licence fees constituted the majority of revenue in three of these countries: Germany, Sweden and the UK.

Germany and Sweden have the highest public funding ratios, with 79% and 78% of revenues coming from public radio licence fees respectively in 2015. Of the markets that are partially public-funded, the licence fee contributes the least in Japan (5%) and Poland (6%).

Figure 5.6 Proportion of radio revenue, by source: 2015



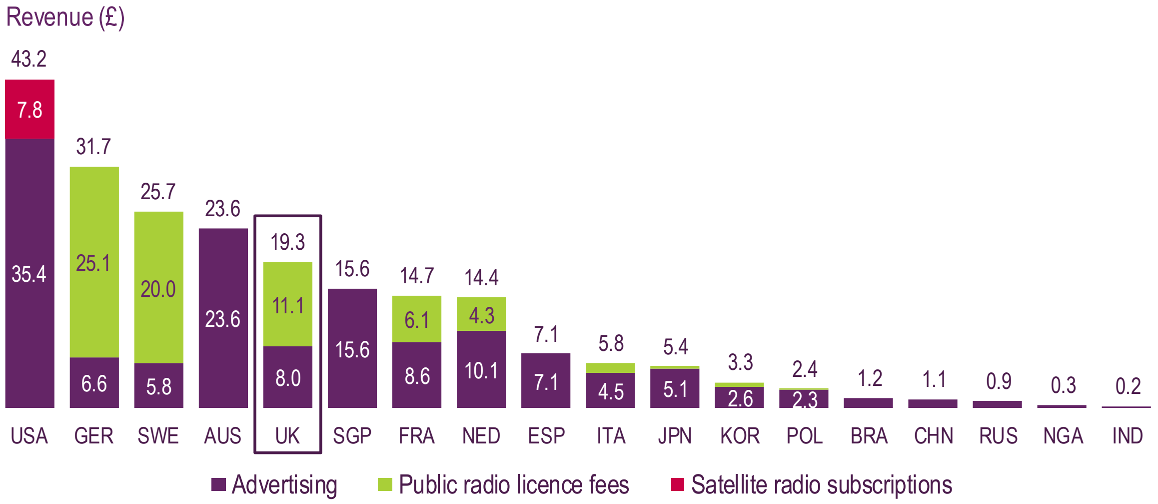
Source: Ofcom analysis based on data from PwC Global entertainment and media outlook 2016-2020 @ www.pwc.com/outlook. Interpretation and manipulation of data are solely Ofcom's responsibility. Ofcom has used an exchange rate of $1.529 to the GBP, representing the IMF average for 2015. Note that the UK radio industry figure is sourced from broadcaster returns made to Ofcom. All figures expressed in nominal terms.

The US, Germany and Sweden generated the highest revenue per head of population in 2015

As well as having the largest absolute figure of revenue among comparator countries in 2015, the US generated the highest total revenue per head of population, at £43.2. Germany, Sweden and Australia were the only other countries where revenue per head was above £20 in 2015.

In the UK, revenue per head was £19.3 in 2015; Singapore had the highest figure among Asian comparator countries at £15.6 per person.

Figure 5.7 Radio industry revenues, per head of population: 2015



Source: Ofcom analysis based on data from PwC Global entertainment and media outlook 2016-2020 @ www.pwc.com/outlook. Interpretation and manipulation of data are solely Ofcom's responsibility. Ofcom has used an exchange rate of $1.529 to the GBP, representing the IMF average for 2015. Note: the UK radio industry figure is sourced from broadcaster returns made to Ofcom. All figures are expressed in nominal terms.

5.2.2 Availability of broadcast radio

The US had the largest number of radio stations broadcasting in 2015

The US has consistently had the greatest number of radio stations on air each year since 2010, with 23,256 broadcasting at the end of 2015.[134] Brazil had the second greatest number of broadcast stations in 2015, with 9,776. By comparison, the latest figures show that the UK had 923 stations broadcasting across AM, FM and DAB, an increase on 859 in the previous year.[135]

Among the eight European comparator countries, Spain had the most radio stations broadcasting in 2015, at 2,316 stations, followed by 1,273 in Italy. There has been a decline in the number of Italian radio stations in recent years, due to the closure of smaller stations and consolidation in the market.

[134] It is understandable that the countries with larger populations and greater geographic sizes tend to have the greatest number of radio stations,

[135] See Ofcom's *Digital Radio Report* for more information.

Figure 5.8 Number of radio stations, by country: 2010 - 2015

	UK	FRA	GER	ITA	USA	JPN	AUS	ESP	NED	SWE	POL	SGP	KOR	BRA	RUS	IND	CHN	NGA
2010	745	794	518	-	21,609	372	-	-	349	120	318	19	151	8,601	638	481	465	96
2011	762	794	518	-	21,889	372	273	-	349	134	323	19	151	9,184	638	486	581	120
2012	772	794	518	-	22,080	372	273	-	349	134	326	19	151	9,479	638	522	726	150
2013	803	814	518	1,300	22,173	372	273	2,258	349	134	332	19	151	9,589	638	618	907	188
2014	859	800	485	1,297	22,492	365	273	2,239	360	130	335	18	161	9,629	653	655	1,506	240
2015	923	839	488	1,273	23,256	337	273	2,316	378	134	316	18	161	9,776	672	657	1,494	283

Source: IHS/Ofcom

5.3 The audio consumer

5.3.1 Radio set ownership

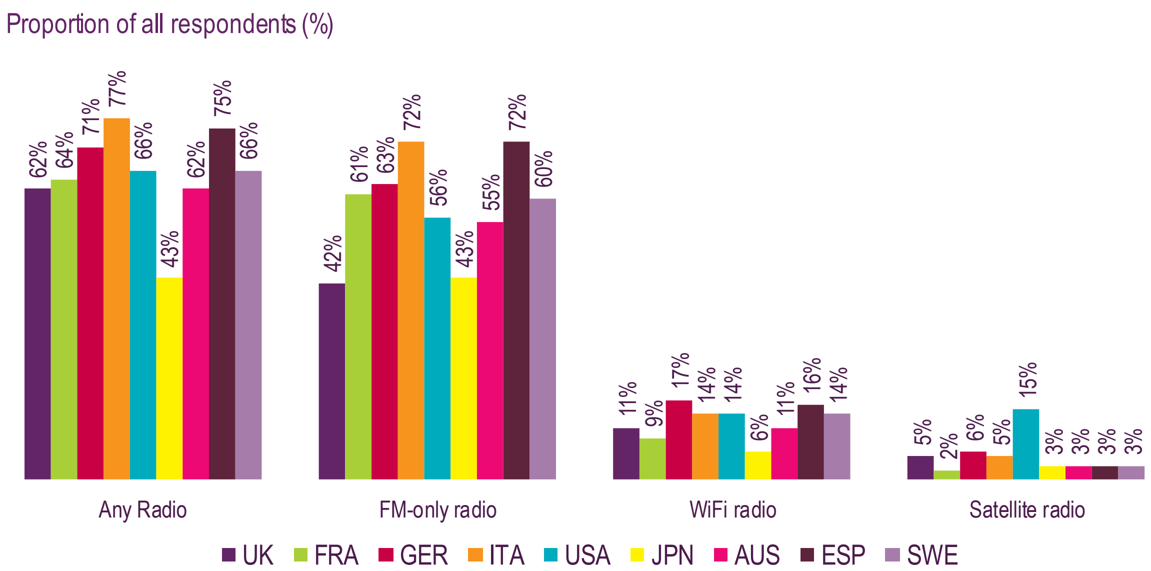
Germany, Italy and Spain had the highest rates of radio set take-up in the home in 2016

At least seven in ten respondents said they had a radio in the home in Germany, Italy and Spain in 2016. Take-up was lower in the UK, at 62%, and lowest in Japan, at 43%.

FM radios were the most-owned radio sets across each comparator country, with Spain and Italy each reporting the greatest levels of uptake, at 72%. Take-up in the UK was significantly lower at 42%. However, it is worth noting the far greater DAB radio take-up in the UK shown in Figure 5.3, with most DAB radio sets including an FM tuner.

Satellite radio is most popular in the US, with reported take-up of 15% in 2016. The satellite radio industry has seen strong growth in recent years. Sirius XM (the company that provides satellite radio services in the US) saw its subscriber base grow by 2.3 million in 2015 (the strongest growth in eight years) to approximately 29.6 million by the end of the year.[136]

Figure 5.9 Take-up of types of radio set: 2016



Source: Ofcom consumer research October 2016
Q. Which of the following devices do you have in your home, whether or not you use it personally?
Base: All respondents, UK=1000, FRA=1008, GER=1010, ITA=1032, USA=1016, JPN=1011, AUS=1007, ESP=1016, SWE=1000

5.3.2 Regular listening to radio and other audio content

At least seven in ten respondents listen to audio content at least once a week, in most comparator countries

With the exception of Japan (50%), at least seven in ten people claimed to listen to audio content at least once a week in 2016, with 72% claiming to do so in the UK.

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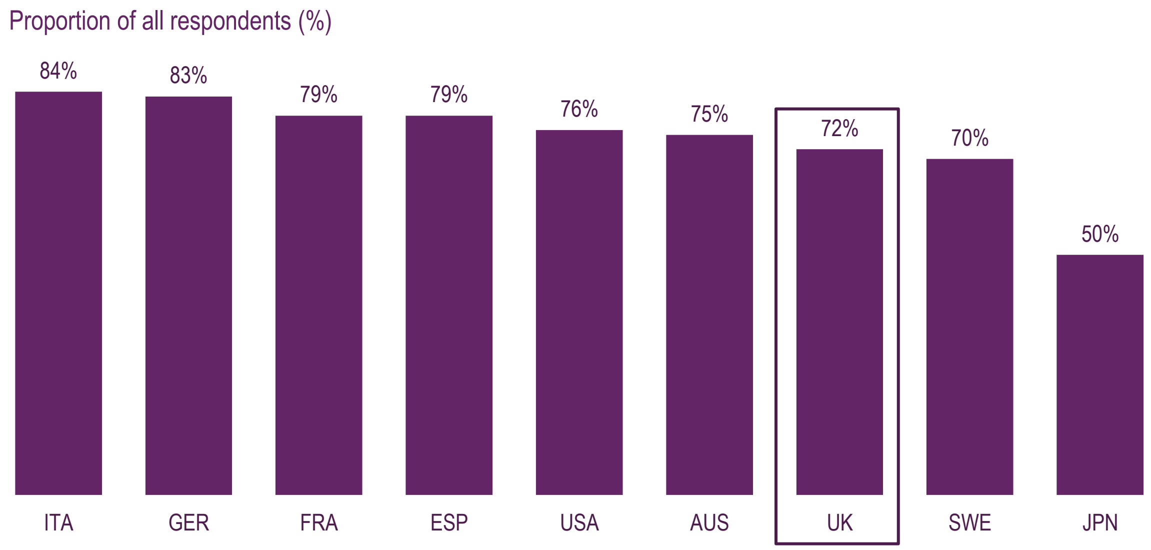
[136] Sirius XM, Fourth Quarter and Full-Year 2015 Results, 2 February 2016: http://s2.q4cdn.com/835250846/files/doc_financials/annual2015/SiriusXM-Reports-Fourth-Quarter-and-Full-Year-2015-Results.pdf

These figures represent the findings when respondents were asked whether they regularly listened to the radio or listened to music via a portable media player or physical media player. Figure 5.11 shows the splits of these figures, by device.

Figure 5.10 Listeners to any audio content at least once a week: 2016



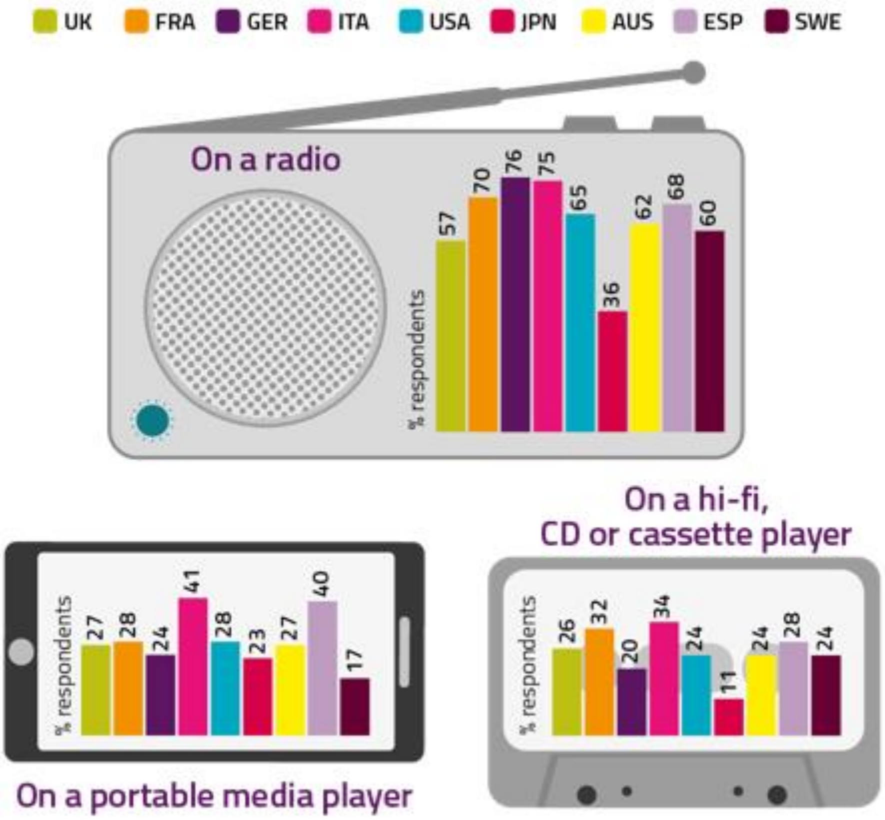
Source: Ofcom consumer research, October 2016
Q.6 Which of the following do you regularly do (at least once a week)?
Base: All respondents, UK=1000, FRA=1008, GER=1010, ITA=1032, USA=1016, JPN=1011, AUS=1007, ESP=1016, SWE=1000

Listening to the radio was the most common way to consume audio content in each comparator country in 2016

Listening to the radio was the most popular form of regular audio consumption across each comparator country, with three-quarters of people claiming to listen at least once a week in Germany and Italy.

Around one in four respondents in the UK listen to music through a physical platform such as a vinyl, CD or cassette player, lower (among comparator countries) than only France and Italy.

Figure 5.11 Use of devices to consume audio content at least once a week: 2016



Source: Ofcom consumer research, October 2016
Q. Which of the following do you regularly do (at least once a week)?
Base: All respondents, UK=1000, FRA=1008, GER=1010, ITA=1032, USA=1016, JPN=1011, AUS=1007, ESP=1016, SWE=1000

The weekly reach of radio is greatest in China (98%) and Poland (95%)

A wider comparison of radio reach in the comparator countries reveals a slightly different picture. In 2015 the majority of households listened to radio in most of our comparator countries; reach was greatest in China at 98%.

In the UK, nine in ten households regularly listened to radio across any platform in 2015, a figure significantly higher than the 57% of the UK population from Ofcom research reported in Figure 5.11. The weekly reach figures for the UK are provided by RAJAR,[137] and measure listening to radio services across numerous platforms including through digital radio sets, TV services, online and in-car radios. In comparison, our consumer research is likely to have picked up listeners to a traditional radio set only.[138]

Nigeria and Japan had the lowest proportion of radio listeners among comparator countries, and were the only two countries where reach was below 50%.

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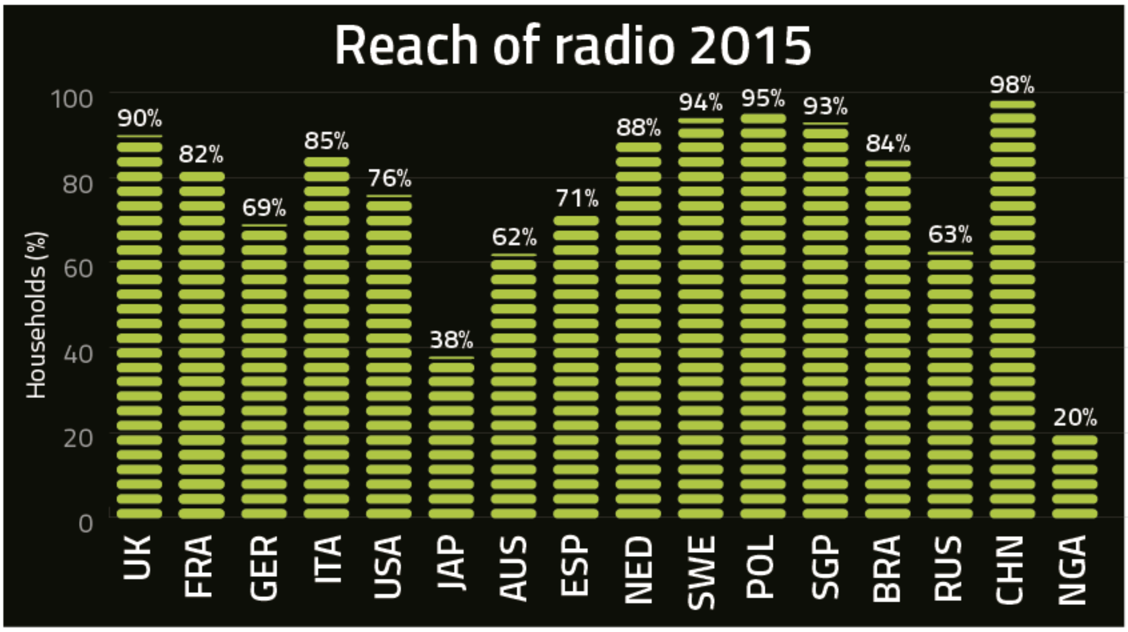
[137] RAJAR is the Radio Joint Audience Research, the pan-industry body which measures radio listening in the UK.
[138] Our research was designed to compare communications use and attitudes between different countries, not to provide a definitive measure of the consumption of media in any one country.

Figure 5.12 Reach of radio: 2015



Source: IHS
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.

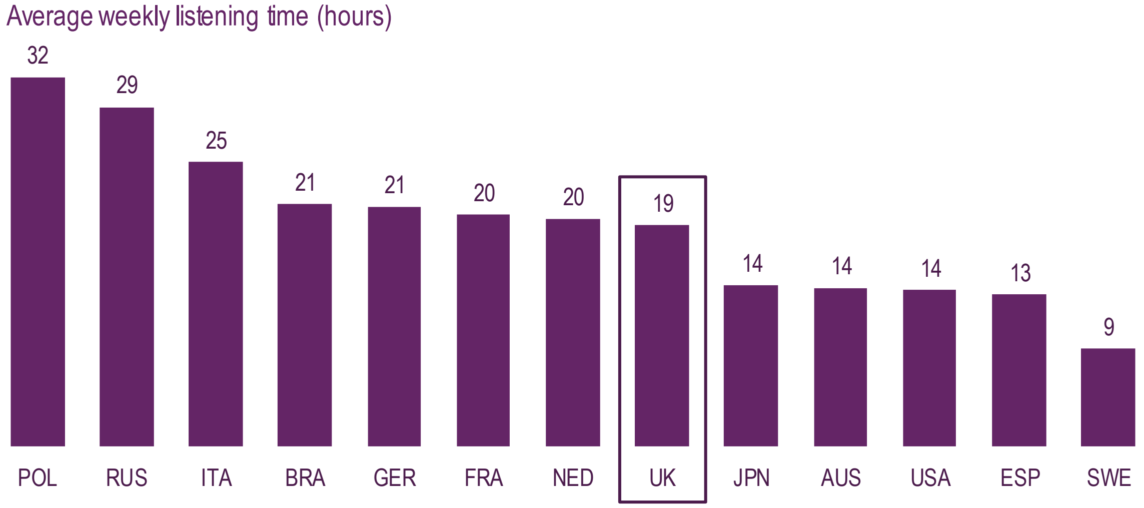
Listeners in Poland tune in for the longest time each week

As well as having the highest reach across European comparator countries, listeners in Poland spent the longest amount of time doing so, at an average of 32 hours per week in 2015. In comparison, listeners in the UK spent an average of 19 hours a week listening to radio over the year.[139]

Despite the relatively low reach figures shown in Figure 5.12, people in Russia listened to 29 hours of radio on average in a week. Conversely, listeners in Sweden spent nine hours a week listening to the radio on average, despite 94% of households tuning in at least once a week in 2015.

139 This is lower than the 21 hours reported for the UK in the CMR, as the entire UK population is used to allow for a comparison across countries, as opposed to adults (15+) used by RAJAR.

Figure 5.13 Average weekly radio listening hours: 2015



Source: IHS
Note: Measurement systems in different countries are likely to use different methodologies, so comparisons between countries should be treated as indicative only. Data for Singapore, South Korea, India, China and Nigeria were unavailable.

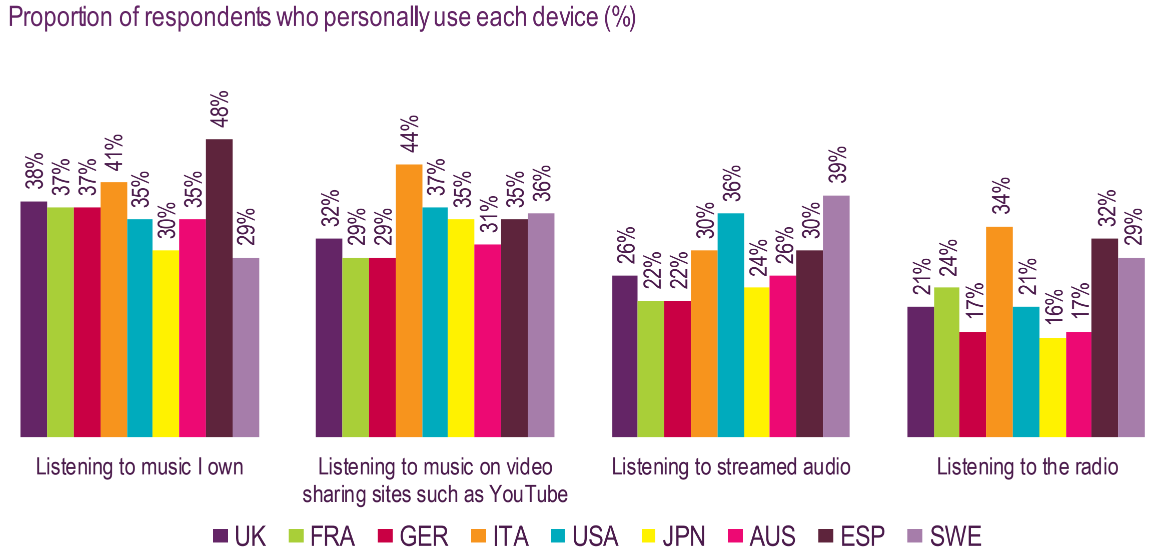
5.3.3 Audio consumption on smartphones

Listening to music already owned is the most common way for smartphone users to consume audio content through their device in the UK

The development of smartphone technology has led to increasing options for listening to audio content. The UK is one of five countries where listening to music already owned is the most common way of listening to audio content for smartphone users. This is most likely to be content purchased from an online store, but may also include music imported from CDs and vinyl.

Listening to music videos on video-sharing sites such as YouTube is the next most popular consumption method among UK smartphone users, at 32%. This allows consumers to listen to their favourite tracks for free, often after viewing a small advert, and is a particularly popular listening method for smartphone users in Italy and the US.

Figure 5.14 Use of a smartphone/ mobile phone to listen to audio content: 2016



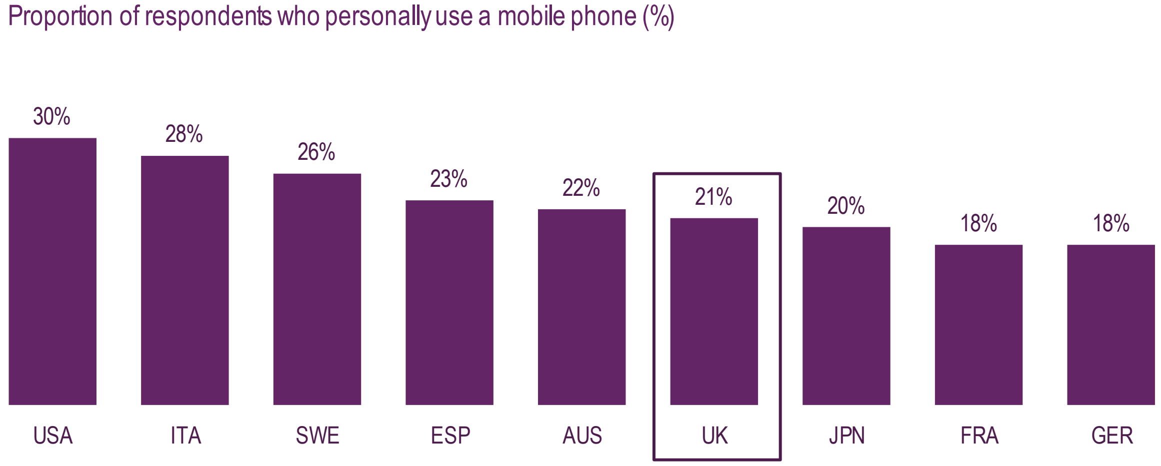
Source: Ofcom consumer research, October 2016
Q.12 Which, if any, of the following audio activities do you use each of your devices for? - mobile phone/ smartphone
Base: All respondents who personally use each device (q4a), UK=799, FRA=825, GER=861, ITA=939, USA=782, JPN=759, AUS=851, ESP=877, SWE=854

Using a smartphone to download audio content is most popular among respondents in Italy and the US

At 21%, fewer smartphone users in the UK reported using their device to download audio content – such as music tracks or podcasts – than in Italy, the US or Sweden in 2016.

With nearly one in three respondents using their smartphone to download audio content in the US, this may reflect not only the appeal of popular music there, but also a burgeoning podcast sector. In recent years, shows such as *Serial* and *WTF with Marc Maron* have gained cultural significance, and smartphones are a convenient way to access such content.

Figure 5.15 Use of a smartphone/ mobile phone to download audio content: 2016



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