

Annex 7

OFCOM
FUTURE OF UK COMMERCIAL RADIO
ADVERTISER & AGENCY RESEARCH

March 09

1.0 Introduction

1.1 Background

Change Agency was commissioned by Ofcom in February 2009 to conduct research among advertisers and media agencies.

The research was designed to inform Ofcom's submission to Lord Carter's Digital Britain initiative by canvassing opinions on the current state and future development of commercial radio in the UK.

1.2 Research aims

The research objectives were to explore:

- The role of radio within the media mix
- Attitudes towards commercial radio
- The prospects for commercial radio through 209 and beyond
- Radio's role and relevance in the digital age
- Potential interest in more national commercial services

1.3 Commercial context

Based on the latest available data at the time of the research:

Radio's share of advertising

Taking Q3 2008, on its own, radio's share of display advertising for that quarter was 6.8%.

Taking the cumulative 12 months to Sep 30 2008, radio's share was 5.9%.

Source: RAB MAT Q3 2008

Alternatives to spot advertising

Through 2008, S&P (sponsorship and promotions) and other forms of branded content represented 18.9% of all advertising spend on radio.

Whereas radio as a whole lost share in 2008, branded content made useful gains:

All radio	- 6.3%
Local	- 6.1%
National	- 9.8%
S&P/branded content	+4.3%

Source: RAB MAT Q4 2008

2.0 Sample

We interviewed 38 individuals from 36 different organisations between February 2 and March 11 2009. The organisations split by type as follows:

London media buying points:	14
Independent media consultants:	1
Out of London media buying points:	2
Advertisers:	16
Industry bodies:	3

This sample includes 16 of the UK's top 21 radio buying points accounting for a total of £332 million annual expenditure on commercial radio.¹ The advertisers include six of the top 20 radio advertisers in 2008 and have a combined spend of over £85 million per year on radio advertising.² The advertisers and agencies include an approximately even sample of above and below average users of the medium.

3.0 Digital radio: definition

As radio evolves into the digital age, it is worthwhile defining exactly what we (and the vast majority of our interviewees) mean by digital radio. It is sometimes mistakenly assumed that the term 'digital radio' refers only to DAB radio.

Whilst DAB is the fastest growing platform, digital radio is radio via any digital platform. In addition to traditional analogue, radio is now accessible via 4 main digital platforms.

DAB (Digital Audio Broadcast)

Radio broadcast via a network of terrestrial transmitters, bringing listeners more choice, improved sound quality, ease of tuning and extra information capacity (display text).

DTV (Digital TV)

Listeners can now tune into radio via digital TV (Sky, Cable and Freeview). Stations are easily found using the electronic programme guide.

Internet

As broadband take-up continues, the internet is becoming an increasingly popular way to listen to the radio, offering listeners infinite station choice.

Mobile Phones

Mobile phones with radio receivers are becoming a part of everyday life, increasing opportunities to listen to the radio whilst on the move.

¹Based on total expenditure for 12 months ending December 31 2008. Source: RAB/NMR

² Same

4.0 Executive summary of findings

4.1 Radio in the media mix

Advertisers and their media agencies face a growing plethora of choices when planning and buying media campaigns – especially for secondary media such as radio or online. Usage of, and reliance on, radio is driven by the nature of the advertiser’s business, their target audiences and their geographic footprint. Media choice is driven by demonstrable return on investment using econometric models which tend to disfavour radio against television – except for those advertisers whose business relies on heavy use of radio. Furthermore, radio’s role as a support medium makes it vulnerable to competition from other media, and one of radio’s key strengths – its short-term flexibility – can also work against it by discouraging more strategic long-term use.

Because radio is essentially a “numbers game” based on cover and frequency, the traditional “soft” arguments for radio (such as listener relationships or intimacy) have little or no material impact on whether radio is chosen alongside or against other media. In turn, the selection of individual stations within a radio schedule is determined principally by calculations of cost-efficiency against the advertisers’ targeted demographics. Stations’ brand personality and compatibility with the advertiser’s brand are also taken into consideration, particularly for Sponsorship & Promotion (S&P) and other forms of branded content, which are valued by many as an alternative/complement to spot advertising.

4.2 Attitudes to radio

Attitudes to radio are reasonably consistent across media agencies, but vary more significantly amongst advertisers depending on the strategic importance they place on the medium and the degree of direct contact they have with radio contractors and bodies such as the Radio Advertising Bureau (RAB).

Getting light users or non users of radio to reconsider is difficult, especially for major national brand owners who have concerns about the suitability of an advertising environment in which they perceive the majority of messages to be from local brands and/or tactical in nature.

Radio’s cause is also hindered by what many media agencies see as apathy or resistance from creative agencies. Many expressed frustration with creative agencies assigning junior talent to radio briefs or discouraging clients from including radio on the schedule on the basis that “it can’t be done” creatively. In addition to these systemic barriers to consideration, several years of bad press for radio have made the job of radio advocacy much harder generally – both within agencies and between agencies and their clients.

However despite the obstacles, there is a high level of goodwill to radio even among light users of the medium. Radio is widely perceived as having valuable, differentiating qualities that can help brands communicate their messages effectively, once the acid test of cost-effectiveness has been passed.

Most respondents were positive about the new ownership structure in commercial radio, and saw encouraging signs of the radio groups putting the turmoil of consolidation behind them and beginning to put re-focus on marketing their product. Most welcome the Heart and Galaxy re-branding and are positive towards further development of strong radio brands.

The RAB also receives widespread admiration among advertisers and agencies for its efforts to promote radio advertising, although several large advertisers and agencies would like to see advances in radio research. However, management discontinuity and staff reductions at the contractors have led to lower levels of sales contact and relationship management. These need to be re-built and radio's value proposition re-stated to advertisers and agencies through more concerted marketing.

Most believe that commercial radio is shackled by the BBC's dominance of FM and substantially greater and more secure funds for talent, content and broadcast rights. They want to see lighter and more consistent regulation for commercial radio - in particular a relaxation of requirements for local programme content and production and a fairer alignment of the regulatory regimes between analogue and digital radio. While many expressed hopes that the new radio groups would be able to invest more heavily in content, they also believe that commercial radio's room for manoeuvre remains very limited without regulatory change to make the economic fundamentals more viable.

4.3 Prospects for radio

There is a strong consensus that radio revenues will fall in 2009 by comparison with the previous year: estimates of year on year decline range from 10% to 20%. Most media agencies forecast that radio will decline broadly in line with other media and thus retain share at around the 2008 levels.

Arguments for radio losing share to TV or taking share from TV are evenly balanced. Some interviewees believe that budget pressure through 2009 could work in radio's favour, whereby the magnitude of budget cuts might make radio an affordable alternative for advertisers who can no longer afford meaningful campaigns on TV. But others take the opposing view: that radio may be at a disadvantage in recession because of its broad use as a support medium and exceptional discounting by ITV. In the latter scenario, rather than use radio to extend cover and frequency for TV campaigns, radio money might simply be switched into TV or simply taken back into the advertiser's bottom line.

Most accept that radio is relatively cheap and could potentially mitigate its revenue loss this year by focusing on its value proposition. Most believe that radio is capable of rebuilding its share long-term to 6-7% of total display media spend³, partly fuelled by increased use of S&P and branded content. However, in order to build share and revenue in the long-term, radio will need to grow listening hours by improving and diversifying content and presentation, and developing new formats in order to attract new or under-served demographics.

³ Commercial radio achieved a 7.2% single quarter share of UK display advertising in Q1 2004. Its single quarter share in Q3 2008 was 6.8%. Source: RAB

4.4 Radio in the digital age

Radio will need to work hard demonstrate its relevance and to retain its share of revenue (and of mind) in an increasingly digital and convergent world. Keeping pace with the changing media habits of 15-24s (and 25-34s) - including their overall relationship with music and audio - is a key challenge if audience share is to be protected, let alone built.

Being multi-platform is crucial for radio and most now use the term “digital radio” to mean radio on any digital platform, not just DAB. From a numbers point of view, individual radio platforms are immaterial, since the focus is on the overall impacts delivered across all platforms.

As regards DAB specifically, most advertisers and agencies do not see DAB as a distinct medium. DAB features and functionality are not seen as either distinctive or value-adding, but more about radio keeping up with other media as they, too, digitise.

Knowing what digital radio platform listeners are listening to and when is useful for some agencies and advertisers, who seek to be more strategic in constructing schedules around listeners’ “media journeys” or “touchpoints.” However these niceties do not yet affect advertising creative or enable a premium to be charged for listening to any individual platform.

There is widespread dissatisfaction with the development of DAB in the UK to date which tends to undermine faith in and enthusiasm for the digital future of radio. Many complain of patchy reception and sound quality, underinvestment in programming and talent, the lack of viable, distinctive stations with scale and media owners’ diminishing support for the platform. Some respondents fear that the structure and economics of digital radio are inhibiting its development by reducing the resources that contractors have to invest in competitive content.

Improving coverage and reception and the development of in-car distribution are seen as the most pressing development priorities for DAB, without which the platform still lacks the critical mass it needs to reach large numbers of listeners at peak listening times.

4.5 National, regional & local services

Most respondents would like to see more national commercial radio overall. The development of (more) national or quasi national radio brands would potentially help radio’s competitive position versus other national media by delivering efficiencies of scale, attracting new listeners to commercial radio and providing a more suitable environment for national brands.

However, given the focus on media effectiveness, incremental audience delivery is more important than specific formats or genres for most interviewees. Although some visualise specific market gaps for both mainstream and niche national stations (such as speech or alternative youth), most are agnostic and some are sceptical about the likelihood of attracting additional listening hours. Most find it difficult to see the business opportunity for national digital-only stations, especially on the basis of current penetration.

Commercial radio's biggest hurdle - especially in the digital era - is the BBC. For most, the BBC's national station line-up represents both the competition and the benchmark for commercial radio on a playing field that remains structurally uneven.

Whatever form national commercial radio takes in the future, radio's inherent regional and local strengths and capabilities must be preserved - for both listeners and for buyers. Specifically there should be options to target and upweight coverage in regions (no larger than Classic FM's current macros) that broadly correspond to ITV's.

The emerging national/quasi-national network brands will need to strike the right balance between consistency of brand, station sound and audience delivery across stations on the one hand and locally relevant personalities and content on the other.

Finally, radio needs also to retain strong local services and content to meet the needs of some of its largest advertisers, who are currently buying heavily into commercial radio precisely because of the ability to plan and buy accurately and flexibly on a multi-local basis and because they value the bond that local stations have with their listeners.

5.0 Research findings

Radio in the media mix

5.1 The key driver of media choice is demonstrable return on investment.

The largest and most sophisticated advertisers and their agencies select media primarily on an evaluation of the effect on their business in relation to the media investment. Advertisers have different ways of evaluating return depending on their business model, ranging from simple calculations of campaign delivery in terms of impacts delivered (numbers of target individuals reached x number of exposures to the advertisement) to measurements of awareness, consideration or actual purchase.

Irrespective of their preferred medium, the biggest advertisers claim to have models which enable them to relate media investment to business results.

"We measure the impact of every pound we spend. Normally the amount we spend is based on the results of that media channel... It's about how many pounds are coming back to the business based on that particular campaign."
Advertiser

"It's all about return on investment and we calculate that on a net present value basis." Advertiser

This focus on return on investment is not always favourable to a comparatively small medium like radio where the impact can be difficult to measure, particularly in a multi-media campaign.

"It's not come out well for us in any return on investment modelling that we've done. The problem is we can't see the uplift and it's hard to argue for it." Advertiser

The challenges in demonstrating the effectiveness of radio can make it difficult for advertisers' media specialists who are neutral or favourably disposed to radio to sell the medium internally.

"We used radio in one of our businesses two and a half, three years ago now and it was there to drive sales. It was great from a branch perspective where we had a lot of people talking about it but the problem we had was: how could we prove to the Product Director at the time that it was giving her a good return on investment? How many sales were they getting off the back of it? And how could we prove that investing in radio was the better thing to do as opposed to putting another 15 - 20% back into TV." Advertiser

Where it is used as a support medium, radio and other media tend to be disadvantaged against TV by the prevailing econometric models.

"Radio builds cheap cover but models won't necessarily show that." Agency

"I've yet to see an econometric model that tells you that you should divest anywhere out of TV. Trying to get correct attribution to other media is notoriously difficult." Agency

"Radio is the only medium - and outdoor as well - where we haven't seen a clear role in terms of econometric modelling. Press we do - because we sell stuff in press. And we've not run it on its own because it's a support medium." Advertiser

Conversely, advertisers who use radio as their primary medium have ROI models that demonstrate what radio delivers for them.

"We know it provides value for money. We have a lot of hard evidence that it works." Advertiser

5.2. Radio's relevance to advertisers is driven by the nature of their business, their target audiences and their geographic footprint.

Advertisers who make above average use of radio do so because it enables them to reach specific target audiences cost-effectively or because their business requires a high degree of flexibility or tactical support.

"It's about reaching a specific target audience in an environment - like in-car - that meets our marketing objectives. It's a platform for communicating short-term offers and promotions. And it reaches people in a local relevant media context." Advertiser

The ability to select or upweight radio regionally or locally benefits advertisers with particular geographical skews in their target audiences or business footprint, as well as for test campaign activity.

"We tend more to look at different regions at different times of the year and we will be looking at how much demand we are receiving on a particular day in a particular region and we will be able to drill down almost to a post code level." Advertiser

For advertisers allocating an average or below-average share of expenditure to radio, it is used primarily as a support medium to extend the frequency with which campaign messages are delivered.

"One of our product areas has used radio in the past. They've done tactical promotional work supporting discrete pieces of activity." Advertiser

5.3 Radio's role as a support medium makes it vulnerable to competition from other media.

For most advertisers, radio's status as a secondary medium makes it less of a priority.

"Radio is still not essential on a schedule. It's infinitely substitutable." Agency

"No-one's going to die in a ditch to say that radio needs to be a critical part of the media mix." Agency

"Clients struggle to embrace the need to bring radio into a multi-media strategy. It tends to be treated as a last-minute addition to the schedule... it's an addition rather central to the overall strategy." Agency

Radio is easier to sacrifice if push comes to shove. Here's the recent experience of a major advertiser whose original 2009 schedule included budget for the reintroduction of radio to his TV-dominated schedule.

"When the cuts came, radio was the first thing to go. We're putting our money into television and supporting it with outdoor and on-line." Advertiser

Safeguarding radio's place on a schedule may well depend on demonstrating how it works in association with other media - especially radio's rising competitor in online advertising. Although the RAB's positioning of "Radio adds bite" addresses this, so far television seems to be more advanced in making the case of how the two media work together.

"We use radio to drive a rational response building on the emotional response to television which is always going to be our main medium...We haven't seen any impact from radio on its own yet because we have never really put the money behind it. It will be interesting to see what comes out of this next campaign where it is playing a much more significant role." Advertiser

5.4 Although fast turnaround is a key virtue for radio, it can also work against it.

Most advertisers and agencies cite speed and flexibility as key competitive advantages for radio.

"One of the benefits is quick turnaround so, if you wanted to be on air tomorrow, you could be." Agency

"When we need to tell people something quickly and repeatedly, we'll buy both cover and frequency and build that through the day." Agency

Some believe that this benefit has resulted in advertisers taking a short-term, highly tactical view of radio which may undermine the value of the medium.

"It's good for short-term offer-based advertising, but the problem is people tend to treat it as a short-term medium. Even big sponsorship deals get negotiated on a short-term basis." Agency

"The problem with lack of pre-booking is that it is seen as an add-on because it doesn't require thinking in advance. Radio has done this to itself. It sold itself as a short-term medium." Agency

This short-term approach is also cited as a reason why many radio commercials fall short in creativity and production.

"There's often not enough time to get it right. The creative suffers and - because it's a high frequency medium - you have an annoying ad that's going to be heard over and over." Agency

5.5 The traditional “soft” arguments for radio are still seen as valid but have little or no material impact on whether radio is chosen alongside or against other media.

For advertisers and agencies alike, radio spot advertising remains essentially a “numbers game” - a relatively cheap and cost-effective way to deliver cover and frequency. The qualitative attributes of radio are well recognised but secondary considerations.

Most clients and advertisers readily talk to radio’s strengths and differentiators such as quality of listener relationships, proximity and intimacy.

“Radio is close to the consumer like magazines are, and it has a better relationship than TV by virtue of being narrowcast.” Agency

“It is seen as being very close. It’s almost a friend. You can communicate to people very differently using radio.” Agency

However, competitive media also make strong qualitative claims and the acid test will always be the specifics of a client’s business and brief.

“The RAB have done a decent job, but like any sales story it’s a bit thin. Any broad message falls down once you get into specific clients, campaigns, briefs and objectives.” Agency

Ultimately soft arguments for radio are irrelevant if the creative work isn’t up to scratch.

“The softer arguments for radio - like intimacy, one-on-one relationships - I buy into completely... but it’s dependent on the creative. Most radio commercials aren’t brilliant and the investment by creative agencies and lack of will is woeful.” Agency

5.6 The selection of stations within a radio schedule is determined either by calculations of cost-efficiency and/or an assessment of brand compatibility.

The dispassionate numbers-driven approach to selecting radio versus other media is also the main driver in the selection of individual stations.

The computer programmes used by media agencies look for optimum coverage and frequency against specific target audiences. Schedules are often led by local stations, simply because commercial radio is structurally weighted towards local stations since they currently account for the dominant share of listening hours.

“You do your planning for the major conurbations then you overlay the nationals. If you took just the nationals, then you still wouldn’t hit that many people.” Agency

“It’s guided by the research and the media tools we have access to. Budgets are limited so we tend to do go for the biggest bang for our buck and to get the best penetration we possibly can.” Agency

However, it's not always about computer-generated reach, frequency and impacts. Station content and personality can influence choice - on condition that the first hurdle of satisfactory cost per thousand has been passed.

"It will either be purely on a cost-efficiency basis - this is the most effective way of reaching that audience - or it might be based around subject matter or some other form of audience segmentation or attitude. So if you are after particular types of people, then certain types of station are going to deliver that. It might be right to go after a particular music genre because you know your audience is interested in that." Advertiser

"We're not just buying the numbers. We've chosen [Station X], despite its declining listenership, because it's on target, has the right brand personality and adds value to our proposition." Advertiser

Station brands, genres, programmes and listener relationships are more relevant when it comes to branded content, sponsorship and promotion. Here, stations' own research can also help swing decisions in their favour.

"We use RACE [a media planning system] and look at the indexes. Indexes coupled with regionality and budget. For spot advertising, it's just how well a station does against your target audience... For sponsorship and promotion, it's much more about brand fit." Agency

"It's not just about the numbers we get from RAJAR. It's about getting a deeper understanding of who their listeners are. We'll take into account the station's own independent research about its audience and their lifestyles - what insights have they got about who's listening to their station?" Agency

5.7 For many, commercial radio is a complicated medium to plan and buy.

Radio is more difficult to plan and buy than television simply because of the large number of small stations to be taken into account relative to the budgets deployed.

"One of the challenges you've got, when the media agencies look at it, is 'I can get to 70% with the main stations and then I've got this string of small outlets and it's quite difficult to deal with them all.'" Advertiser

This complexity makes it an inefficient medium for agencies to use. Hence their wish to see further simplification in the planning and buying process.

"I would like it to be slightly easier to buy. It takes me about the same amount of time to plan £10 million pounds worth of television as it does £250,000 worth of radio because of all these stations. Much easier bulk buy options would be better. Still need to be able to pick and choose but I would like to see the planning made a little bit easier. It doesn't mean fewer stations, just a shift in how we approach planning and reporting." Agency

5.8 Sponsorship and Promotion (S&P) is valued by many as an alternative/complement to spot advertising.

S&P offers a number of benefits including ways to leverage stations' brands and listener relationships, especially locally.

"It's added value for advertisers to get close to local communities and become part of the fabric of those communities." Agency

"We use radio spot advertising more for call to action work than branding. I'm more of a fan of S&P. That's when you really tap into station brands. You also get strong experiential stuff locally which is amplified through the radio." Agency

S&P allows more creative control and opportunity, especially for media agencies which are otherwise dependant on creative agencies for the content of spot advertising.

"You can get better creative because the stations understand their audiences better. It's the kind of stuff you can win awards for. People here want to work on it and you can charge clients a bit more for it through additional fees for the time involved." Agency

There is also some evidence of S&P matching or even outperforming spot advertising on econometric models.

"We've had a couple of instances of clients using more than just spot airtime where radio actually performs quite well on econometrics, beating online and display." Agency

"S&P can work quite well on a local level, as an efficient localised substitute for spot advertising." Advertiser

The Achilles' heel for S&P is grassroots execution. It can be hard to deliver seamlessly and efficiently, particularly when execution depends on a large number of local stations.

"S&P stuff does tend to go a bit awry sometimes. It's time-consuming for clients and agencies." Agency

"A lot of promotion ends up being patchwork because of the distribution of stations at the moment...We've got slicker at workarounds, but it ends up being incredibly inefficient and inconsistent. From a listener perspective, you've got listening to the same national piece of creative going out on wholly different stations - and actually in its context it's never going to work well... it's a challenge creatively to make something that can work across different contexts without sounding odd." Advertiser

Agencies and advertisers would therefore welcome anything that allows them to deliver S&P activity at scale and with greater efficiency - especially by ensuring more seamless delivery across multiple locations.

Streamlined S&P is a key attraction of the emerging networks such as Heart and Galaxy.

“In the last two or three years Galaxy and Kiss have come together with ideas, especially on an S&P basis, with joint propositions to attract a younger audience. Previously it might have been split between the two, but now people are thinking they can do it across a network and the client will sit up and take notice... The fewer the number of people you speak to create a national plan or campaign the better, the easier it is for everyone because it pushes it up the agenda. If you can have two or three conversations and get something that happens consistently nationally, then I think radio will benefit from that.” Agency

“It is labour intensive because you’re talking to lots of editorial teams...we now insist on having one editorial contact across the network. Gone are the days when I am going into a station programme manager and ask ‘why aren’t you delivering on my brief?’ That just isn’t going to happen.” Advertiser

5.9 Enthusiasts see a bright future for other forms of branded content.

Beyond traditional S&P, advertisers and agencies are increasingly working with stations to use their brand assets, content and presenters in more creative ways. These include advertiser-funded programming, exploitation of off-air activity (such as concerts and festivals) and integration with other media channels (such as station websites, podcasts and SMS).

Branded content is seen as an area for growth among the best informed media specialists and heavy radio advertisers.

“I think branded content is going to be a growing area because I think brands want to get closer to content. I don’t think clients want to tag anymore. I think they want to be more embedded in editorial.” Agency

“Branded content, especially advertiser-funded programming, is more subtle and long-term than S&P. It sounds more in line with the stations like advertorial and it bypasses crap ads from creative agencies.” Agency

There are indications that Bauer in particular has taken branded content to a new level, which appeals strongly to the more innovative agencies.

“Absolutely brilliant to be able to start from scratch and decide how you want to do it. When Bauer came to us and told us ‘we’ve got this new model for a radio station with no ads on it but with branded content advertiser funded’, it was a breath of fresh air. It worked so well for our client as the whole show ran from 2.30 to 5.30 in the afternoon. It flipped the model in radio listening to run a flagship show in the afternoon because that fitted the type of Heat listener and the whole show was featured around the client’s brand. Everything was completely tailored to what they wanted to say as a brand. There was fashion and celebrity gossip and music and it just embodied everything that the brand wanted to say.” Agency

This approach depends on the closeness of fit between the advertiser's brand and the radio station's brand and audience. It can sometimes be difficult for a media agency to find a radio station offering branded content with right audience profile.

"I am trying to do something similar for one of my other clients and I'm struggling with [Station X] because of the Portman Code [relating to advertising alcohol brands] but we want to do something that will bring to life the core creative idea which you wouldn't be able to do with a normal sponsorship. I can't find a station I can do that with - so it's quite frustrating." Agency

Radio may have a real advantage over TV when it comes to branded content.

"Radio's completely unique in terms of how you can be with it. We're trying to do branded content on TV and everything but you're getting put back late at night and the sort of channels that will do it are the smaller channels but the bigger channels. Whereas on radio there's an opportunity to be more creative and do things a little bit differently." Agency

But advertisers and agencies find themselves limited by current regulations.

"It's difficult to embed ourselves editorially in radio because of the terms and conditions." Advertiser

"It's a problem with branded content. A lot of our clients who are heavily associated with music, for example, can't necessarily broadcast that on air because there are concerns over regulation. Some of the restrictions have stopped them from being as creative as Apple for example." Agency

Attitudes to radio

5.10 Recent bad press for radio has made the job of radio advocacy much harder.

Radio has suffered from a consistent flow of negative publicity which arose about three years ago and from which it has found it difficult to recover. Issues cited include lack of marketing spend, falling audiences, ownership changes and in-fighting between the radio companies.

"Radio's been having a pretty torrid time. There's quite a lot of frustration and disturbance with the medium itself, with all the consolidation. It's incredible that every major group has changed its structure and ownership in the last 12 months." Advertiser

"There's been a massive amount of structural upheaval. It's a far cry from the 80s and 90s when radio was the golden child of growth in terms of ad revenue and could do no wrong." Agency

This has made it harder for in-house radio specialists in agencies to sell radio to their colleagues and to clients, either directly or via the media planners.

"As the agency's internal champion for radio, I feel that over the last 12-18 months for every one step forward it's been two steps back." Agency

Some also point to a “generation gap” where agency planners and the junior/mid level clients they serve tend to underestimate radio despite the role it continues to play in their own lives.

“Planners see that, advertisers see that and for the younger planners who have grown up with that it’s like radio’s crap. Yet they won’t apply it to the fact that they all listen to it.” Agency

5.11 Many argue that the effectiveness of radio advertising is impaired by the quality of the creative work.

There’s a widespread and persistent feeling that radio suffers in creative agencies versus “sexier” media such as TV and online. Media agencies express frustration with creative agencies assigning radio briefs to junior teams and writing off the creative feasibility of getting the client’s message across on radio.

“There is a view that radio is something of a second class citizen among the London agencies... There’s Johnny over there - the new boy - he can do it.” Advertiser

“Creatively radio is often seen as a weak medium... Creative agencies still struggle unless they have a very open brief. We’ve had cases of clients where we’ve been pushing radio sponsorship, but if the feedback comes back that it’s not possible creatively then the sponsorship is lost.” Agency

The COI, which is by far the largest radio advertiser in the country, is widely credited for its high standards of creative work. The COI’s Head of Media attributes this to having in-house radio producers to maintain standards and to their consistent commitment to the medium.

“We have our own radio producers here and I think that creatively it shows. I think therefore the effectiveness of what we do in radio is enhanced by that... Part of the issue for radio is that advertisers dip in and dip out...advertiser churn is a big issue in the radio market. We’ve been consistently there and spending more and more. We take the creative output seriously and therefore we treat the production of it the same as the production of any other media type.”

5.12 Some of the big national brands have concerns about the suitability of the radio environment for their advertising.

Some advertisers are sensitive to both the editorial and advertising environment in which their brands are featured.

Because there are currently insufficient national commercial stations to deliver mass coverage against key demographic groups, national advertisers are heavily reliant on a large number of local stations, most of whose inventory is given over to local advertisers.

“It’s become very much localised in terms of advertising and I don’t hear as much brand advertising. It tends to be dominated by local retail, car dealers, insurance and government messaging”. Advertiser

National brands can see this as cheapening the medium (and thus their message) because of the parochial and promotional nature of much of the surrounding local advertising, as well as poorer standards of creative execution.

“Because it doesn’t have classic big brands on it there’s a perception that it’s a lower quality medium. When you go to national advertisers, there might be a perception that it’s not the right environment for your brand.” Advertiser

5.13 Notwithstanding the barriers to consideration, there is a high level of goodwill to radio even among light users of the medium.

All of our respondents, whether large or small users of radio, have shown high levels of goodwill to the medium and would like to see it prosper within the marketing/media mix.

“There’s a good feeling for radio. The perception is that it’s a hard-working medium.” Advertiser

“What I buy with radio is the effect that people don’t switch off.” Advertiser

Even respondents with a hard commercial view of media selection are still emotionally well-disposed towards it. The problem is that - especially in tough times - hard proof will prevail over soft arguments, even if both client and agency buy into them intellectually.

“It’s too easy to dismiss the soft arguments as nice-to-haves. I and most clients buy into the personal power of radio listenership. The problem is exacerbated by the current economic environment and the focus on proven brand drivers and ROI models.” Agency

5.14 Attitudes to the new ownership structure in commercial radio are generally positive.

The changes in ownership have caused some disruption but are generally welcomed. In the circumstances, consolidation is seen as a necessary good for the radio industry (although the same would not apply to TV).

“It’s such a marginal medium. I worry less about consolidation in radio than in TV, because there are so many alternatives outside of the medium. Consolidation was necessary to get to where we are now. Two or three players is a sensible number and now commercial radio can start to work better.” Agency

“Consolidation is a necessity if we don’t want to bury the media industry.” Agency

Most interviewees thought the new owners would be good for radio in the long run.

“There’s a difference between where they are now and their long-term plans.” Advertiser

“It’s early days but I think they’re heading in the right direction.” Agency

"I am quite excited to see what they are going to do moving forward. I think it offers something completely unique that we don't get anywhere else both from a presenter point of view and a music point of view." Agency

There is a benefit for advertisers and agencies in having fewer points of contact - in terms of simplifying planning and buying and improving S&P execution. The important caveat is to preserve radio's localness in terms of flexibility and content.

"I can understand the frustrations from some agencies around about the complex nature of how radio is bought and this is obviously simplifying the process - easier for clients and agencies to understand - and having that consistency is going to be helpful. But I still think the beauty of radio is about its localness, its flexibility - the ability to buy on a flexible, regional basis" Agency

Many believe that the shift from public to private ownership should free up radio companies to take a longer term view of their product, propositions and partnerships.

"I think they are in a much better place than they could have been if they were still dominated by public ownership. The fact that commercial radio is now 95% privately owned means that the owners are in there for the long haul and happy to weather, if you like, the short-term pressures on the bottom line that recession will bring." Agency

"Some people in commercial radio were stuck in a time warp. They're still trotting out the same inventory and promotions they were in the 80s and early 90s. In the last few weeks, Global have demonstrated the desire to push the boundaries more through their ideas for the internet and their in-house creative... There's still a role for the ad break and breakfast and drive time S&P, but the radio companies do seem to be thinking a bit more about how to retain and maximise their revenues." Advertiser

"They need to cut out costs from the duplication of talent and systems and reinvest in genuine product." Agency

The obvious potential downside of consolidation is on pricing. However some feel that the current recessionary environment should mitigate this, as it is a buyer's market.

5.15 Most welcome the Heart (and Galaxy) re-branding and are positive towards further development of strong radio brands generally.

Most were sympathetic, in particular, to the Heart re-branding as a significant step towards improving the quality and attractiveness of commercial radio. Advertisers and agencies readily buy the arguments for brands and branding.

"They're doing absolutely the right thing getting it out there as fast as possible as networks. Previously the players were either too big or disjointed, too bitty." Agency

"I can see big advantages for the Heart network in terms of economies of scale, particularly from an advertiser's perspective, but also listeners who should get higher quality syndicated programming. It's actually quite positive." Advertiser

"Heart and Galaxy makes sense from a business point of view. Consumers aren't aware of how much syndicated content goes on already. There are clever games to play with the right blend of local messaging and relevance." Advertiser

Agency chief executives and radio specialists appreciate the business logic for network brands, especially in the current climate.

"The basic fact is that any station with a reach of under 200,000 at the moment is in a loss-making position. That's fine when times are good and you can support them with other parts of your business but now, when people are losing their jobs, advertising revenue's down, they need to think about critical mass." Agency

The long-term loss of audience by local stations to the BBC has undermined radio's competitive position as a medium. Re-branding is seen as an encouraging step on the way to regaining listenership and delivering the listener impacts that advertisers need.

"I think that needed to happen... The challenge has been for a while now that heritage FM - ILRS as we would call them - have been taking a nosedive... Doing something new is better than maintaining a status quo which isn't working." Agency

"The reality is that the Heart brand is very strong, very clearly defined and they've got a clear idea of what they're about as a business. They can invest in some premium talent and roll it out on a network basis so that Peterborough or Doncaster or wherever can benefit from the sort of talent they wouldn't necessarily get before." Agency

Advertisers also welcome the fact that there remains a strong element of local delivery in Global's strategy.

"As long as there's some local output, they'll benefit from getting from big name presenters and maybe better production - but they've got to keep a localness otherwise you might as well turn it into one of the BBC networks." Agency

"I would be concerned if the same content went out in every location in every daypart. Hopefully, they are getting the best of both worlds. It would be worrying if they were just pressing a button in London and the same output went everywhere because local radio would lose its great advantage - its selling point." Advertiser

A minority is yet to be convinced that the re-branding is little more than a cost-cutting exercise being undertaken without consideration for what listeners really want.

"There's a lot of re-branding taking place but we don't know how the consumer will take it. We don't know, if in cases like [Station X], the audiences are going to turn off their radio or switch over to the BBC instead. I wonder if they are going to be putting in the money to create great content to attract the listeners which is what we really all want." Advertiser

"I'm watching this space at the moment. I am not feeling entirely convinced. When they came in and told us why they were doing it [rebranding to Station X], there was one fundamental reason and that was that buyers could understand what they're buying. But my immediate thought was 'we're not going to be buying unless you've got listeners.'" Agency

5.16 A minority of respondents felt that radio contractors are not yet doing enough to promote the medium.

The general feeling is that now consolidation is over, radio companies just need to get out there and market their product.

Some see signs of this happening.

"We ran a radio week in our office in Manchester working with some of our radio partners. In that respect, radio is very good at selling itself as a medium. So sales people from commercial stations talk radio first and their station second. In TV, it's the other way around." Agency

Others still have misgivings. Some advertisers and agencies feel that the radio groups are not yet doing enough to sell their medium and not are yet reaching out to major advertisers who have not used a great deal of radio recently.

"They need to come out and sell the medium now...I struggle to work out who I'm meant to be talking to. It's tough to keep up and to keep clients abreast." Agency

"There just hasn't been enough marketing ...particularly for the digital stations. More marketing will increase success. There's all these fantastic properties springing up but they've got to tell people about them." Agency

"I have not seen anyone from radio but NMA came in and did a great presentation showing how we could increase the likelihood to buy in a multi-media campaign led by television." Advertiser

Through the changes in ownership, discontinuity of management and reductions in staffing have led to lower levels of sales contact and relationship management.

"It hasn't helped that the people in those companies have been through five or six changes of management. It takes a hell of a while to settle down... and they've got an enormous amount of things on their plate." Agency

"The industry's had to make a lot of people redundant. The interface with the advertisers is not so strong." Agency

"We haven't been visited by any of the new contractors except [Station x]." Advertiser

Radio contractors may also lack marketing expertise of a standard that brand owners expect and practice themselves.

"They don't have brand marketers. People with fmcg experience would do it differently." Advertiser

5.17 The RAB receives widespread admiration among advertisers and agencies for its efforts to promote radio advertising.

The RAB received unprompted credit from almost everyone we spoke to, particularly for its work in promoting research and creativity in the medium.

"What's nice as well is the way RAB are helping to quantify how our creative and how our placement's working - the Radiogauge plus the funded research as well. Hopefully it will reinforce our own internal research." Advertiser

"I think commercial radio is on the up. The dedication to the advertiser seems to be returning. Radio can't rest on its laurels, they're realising that they'll only have business if it comes from the advertiser. The radio groups and the RAB have gone overboard to try and keep up a dialogue with us." Advertiser

However, the RAB no longer enjoys the pre-eminent position it once had in media promotion.

"You go way back and the RAB, the promotion of radio was very strong and led the way in terms of an industry body promoting that particular medium. I think other people have come along and got their act together like NMA, Thinkbox and the IAB. There's less stand-out for radio than there used to be." Advertiser

While the RAB is valued for its work, we also heard the occasional view that there was a need for more recent case histories and for examples of success in specific business sectors.

"I haven't seen many good financial services case histories and those that I have seen are quite old and saying the same thing." Advertiser

Some were also concerned that, the RAB aside, the contractors themselves are not yet working together enough for the good of the medium.

"Normally radio would be a great medium for any advertiser to use because it's cheaper than others but radio groups at the moment are too focused on restructuring and are not selling radio as well as they could out there. It's totally normal. There are two new big players and they're trying to gain efficiencies, to work out how to rain their stations. There isn't yet a clear vision of which way the industry should be taking." Advertiser

"You have two different players likely to be telling two very different stories, which could be confusing to advertisers and agencies. I hope they'll come together and make similar decisions." Agency

5.18 Several large advertisers and agencies would like to see advances in radio research.

Even for radio's strongest supporters in the agencies, radio is not well served by the existing research on how the medium works. At the very time when radio needs to marshal the strongest possible arguments, it's cutting down on investment in research, one of its key selling tools.

"It's a time when we would like some more investment in the research but everyone's cutting back. You see cuts being pushed on RAJAR. You see it in cuts in research budgets." Agency

More broadly, respondents express frustration with the lack of genuinely fresh, additive insights into how radio works.

"Radio needs to buck itself its ideas up on research. I don't want them coming out and telling me about the frigging iron board study that's decades old but still gets mentioned. The classic example is the RAB initiative 'Radio adds bite'. Fantastic idea! But when you open it up all the research in there is about ten years old." Agency

"Why 3 OTH? Why 4 OTH? Where does that come from? I know where it comes from. It comes from the States. But why do we continue with that? Fundamentally, what is radio good at? How many times do you have to listen to it to act upon it or become aware of something? Well actually no one knows those answers. They need to prove why radio is so good." Agency

"It would be great to get more anecdotal information as to what listeners really want as opposed to just hard data, as opposed to raw listening figures; actually understanding through qualitative research what it is these people want. Why it is they listen to radio? How they do it? It's behavioural - almost fly on the wall - kind of stuff." Agency

5.19 Most want to see lighter and more consistent regulation for commercial radio.

Most interviewees argue that commercial radio needs lighter touch regulation and fewer controls if it is to compete successfully in an increasingly unrestricted media environment.

"We are in a different environment to when it was set up. The fact that you can get any station around the world on line has just changed the whole dynamic of radio. There will have to be a lessening of some of the requirements. It would be good to have stations less constrained." Advertiser

"The scale of regulation on radio is disproportionate to any other medium you want to compare it with and is constipating, holding up, commercial radio development and has a knock-on effect to their ability to deliver content... I just think they need to be given more opportunity to grow." Agency

Some advertisers in financial services and telecommunications argue that the requirements for detailed terms and conditions in every commercial severely restrict their ability to use the medium for product offers.

“Creatively, we can’t make it work. Too much time is taken up with all the detailed terms and conditions which we have to put into every ad.” Advertiser

“We would need to use 17 seconds of a 40 second commercial just to cover all the T&Cs [terms and conditions]. Why should we pay for that?” Advertiser

Several agency interviewees were unhappy about the differences in regulation between digital and analogue services.

“The whole issue of the restrictions that are placed on analogue services, as opposed to digital services, needs to be resolved. You can get away with - sorry, do a lot more - with sponsorship on a digital station than you would if you were doing it on an analogue station. The commercial radio business is shackled by this two-tier system of regulation at the moment.” Agency

The most polarising aspect of regulation was local vs syndicated content. Those who took a more national view of the medium were more inclined to favour nationally syndicated shows and talent, although preferably not at the expense of up-to-the-minute local traffic and travel information.

“People are always going to push the boundaries. Something I don’t understand is co-location. People are looking to cut costs. Surely between being local to the areas and actually in the area there isn’t much difference... A lot of restrictions put on commercial radio.” Agency

“I just can’t understand why they take such a literal view of localness that stations have to have to be located in the areas they serve. It just burdens them with extra costs that could be going into content.” Agency

Those with a more local view were more likely to see the value of local personalities and prefer syndication outside of peak weekday listening hours and on weekends.

Ultimately most feel that the market (i.e. listeners) will and should decide - as they do in other media markets.

“If they don’t like it, they’ll go somewhere else. If you have great programming and something the listener wants to listen to, they’ll listen.” Agency

“In today’s age when consumers can have what they want, how they want and when they want, the days are gone when people are spoon fed media. People aren’t going to accept that structure any more. A lot of commercial radio stations are restricted in what they can and can’t do and, from an advertising point of view, brands now have access to a fantastic choice of ways to showcase in a relaxed manner. I think there are opportunities to increase revenues by lightening the restrictions around sponsorship and promotions, around creative, terms and conditions.” Agency

Prospects for radio

5.20 There is a strong consensus that radio revenues will fall in 2009 by comparison with the previous year: estimates of year on year decline range from 10% to 20%.

There's no doubt that 2009 is going to be a difficult year for radio and all media. We were told that radio revenues declined in January 2009 by 21% compared with the same month last year. Our respondents estimated year-on-year losses of 10 - 20%.

"It going to be harsh... very, very harsh. Advertising is being absolutely decimated - just look what's happening in particular to ITV. Budgets are being cut. This is a genuine recession. Radio could be down anything from 15 - 20% but it could be worse than that." Agency

The largest media buying points thought it likely that the final downturn for 2009 could be less than 20%, partly because of some recovery for radio through the year and partly because Q1 2008 had been a good period whereas Q4 2008 was a period of sharp year-on-year decline.⁴

"The first quarter of this year has been pretty much of a disaster for them [the radio contractors]. Revenues for this year are down double digits beginning with a two. They had a great quarter this time last year so that makes things difficult to compare but, as a group, we're expecting revenues across the year to be down 10% - and I'm not sure whether that's being a bit 'glass half full'." Agency

The UK's top billing media agency is forecasting an 8% decline for radio.

"Clearly it's going to be down. We're bucking the trend but it's fairly obvious that 2009 is going to be a tough year and we are predicting radio will be down 8% but it's very hard to say." Agency

The estimate is similar for the country's largest radio buying point.

"I think it's going to be minus 12. I don't think it's going to be as horrendous as Quarter 1 but I think it will be the back end of the year before it's made up." Agency

5.21 The consensus forecast is that radio will decline broadly in line with other media and retain share at around the 2008 levels.

There are mixed views about how the downturn will affect the media but the majority view is that radio is likely to maintain share as it loses revenue at broadly the same rate as other media.

⁴ Radio revenues increased by 7.3% year on year in Q1 2008 but declined by 14.5% in Q4 2008.
Source: RAB/Ofcom

"In terms of attracting the revenue levels it needs, it's going to have an incredibly tough year - but potentially no different to other channels - particularly press, TV, outdoor who are equally having a tough time."
Advertiser

This suggests that the medium is not going to return at any time soon to its peak 7.2% share of display advertising.⁵

"Radio will do well to hold on to a 4 - 5% share this year." Advertiser

5.22 Some believe that budget pressures through 2009 could work in radio's favour.

Agency radio specialists see an opportunity to bring advertisers into radio who cannot afford TV because of reductions in their advertising budget.

"I think it will do quite well. People will put more money into radio because it's a cheap way to get mass coverage... If your budgets are slashed, you can't necessarily afford a decent campaign on TV, so radio is still relevant." Agency

"If you've got a sum of money, but previously couldn't afford TV, you might put up three or four options. It might be that cover could be better and more cost-effective on radio. Depends on the brand and what the objectives are. If you're looking at a relatively small budget, radio may stack up better." Agency

Most interviewees also see local newspaper advertising as being particularly vulnerable to commercial radio because of the combination of declining advertising budgets and falling circulations.

"Local newspapers are in turmoil, so an opportunity for local radio to pick up some of that revenue." Agency

"The whole point is local. It may even represent radio's best opportunity. Local press is very weak. I can see radio replacing press as the local medium."
Advertiser

Cheap radio and TV can also make outdoor vulnerable to competition.

"The big question for me is outdoor. Last year I was spending about 40% of my budget on outdoor. Now we've got a really strong TV ad and put a load of radio behind that, the question is are we going to hit incremental people with outdoor over a 2 week period which is going to cost me £1m?" Advertiser

5.23 But others take the opposing view - that radio may be at a disadvantage in recession because of its broad use as a support medium and exceptional discounting by ITV.

Advertisers may manage reductions in budget by rationalising the number of media they use for reasons of efficiency and impact e.g. by reducing from three media to two but keeping up their share of voice in the remaining media.

⁵ Radio achieved a single quarter 7.2% share of display advertising in Q1 2004

Putting fewer media on the schedule also helps to contain or reduce production costs.

"When there's less money about, you stick with what you're confident in."
Advertiser

"Depending on how long and how deep things are, if radio is being treated as a secondary medium, it may suffer more." Advertiser

The biggest spending advertisers are aware that there are now exceptional deals to be done with ITV which undermine radio's value for money proposition.

"Yes, radio is under-valued because of its size. But ITV is massively under-valued right now." Agency

"There are fantastic TV deals out there. The 30% or more that we're saving on TV doesn't get recycled into other media but is taken as a cost saving."
Advertiser

5.24 Radio could reduce its revenue loss this year by focusing on the value which the medium can deliver.

One of the UK's biggest advertisers estimates that, despite a projected decline of 15 - 20% through 2009, the medium could potentially recover lost ground in the second half and end at around -8%. To do so, radio sales and marketing would need to be re-focused on efficiency and value.

"With the pressure on budgets, radio could recover. It's about the way it's sold. After taking a hammering, they could come back and offer massive value." Advertiser

"I need a proposition to help prove it works. I would go 50:50 with a radio contractor on a test to prove that it delivers ROI but they don't come and see me - probably because we haven't spent much on radio over the past couple of years." Advertiser

A minority believes that radio's loss of revenue may be more to do with lack of direction and cohesion in the business than with the recession.

"For me, it's more about life after the three or four new radio groups have got their act together rather than life after recession." Advertiser

5.25 Most believe that radio is capable of re-building its share long-term to 6 - 7% of total display media spend.

The most positive views of radio's longer term future came from those who are currently its biggest supporters.

"Yes. It will certainly grow into 2010 and 11." Advertiser

"In about 12 months' time, when things have settled down, we'll be seeing a very different picture of the industry. After recession, there is no question radio will do well...Yes. It will certainly grow into 2010 and 11." Advertiser

"I think it should be a bright future. Long term it could get back to about 7% but things like the web are key to that because there's certainly enough evidence of the way radio works with other media channels and the web in particular." Advertiser

However, earlier ambitions to build beyond 7% towards the 10% levels attained in other countries no longer seem realistic.

"The audiences haven't dramatically gone down. There's more choice, you're getting better signals. If you can get the industry together - and do what it's been historically good at - then there's no reason why it shouldn't come strongly but I can't see taking it beyond 7 or 8%." Agency

4.26 Commercial radio needs to improve quality and diversity of content and presentation to build share and revenue long term.

Short-term survival needs to be followed by longer term reinvention.

"Radio's challenge is to keep alive in the short-term and reinvent in the long term." Advertiser

This implies greater investment in programme quality which will be needed to deliver the audiences which advertisers require and to rival the BBC.

"We need fantastic programmes with fantastic presenters to deliver the audiences." Advertiser

"Success will depend on how well commercial radio delivers economies and savings provided by the restructuring and on stations' ability to differentiate themselves from local competition. There'll be a temptation to revert to what's tried and tested and just play pop to attract short-term money." Advertiser

5.27 Branded content and S&P are likely to form an important element in the growth of commercial radio

These alternative sources of revenue can reduce radio's vulnerability to budget cuts and switches out of spot advertising.

"I would say there's almost more hunger for radio S&P than advertising - certainly within this agency. It's because it offers a deeper level of engagement. Promotions do something a little different. They explain things a little bit more. You get the credibility from the DJ perspective as well. From a spot perspective, it's very easy to knock radio off the schedule but from a promotion's perspective it's different because you can't achieve that anywhere else." Agency

"The growth's going to come from sponsorship and promotions within the total mix. People are coming to understand that it does need to be in the style of the station - the style that the audience wants to hear." Agency

Revenue growth will be helped by having more networked and national brands which would make such partnerships easier to plan and manage.

“The easier you can make sponsorship and promotion the better, as it requires very close contact with the stations locally. They can ensure delivery locally if there are fewer networks and brands by making sure that what you agree centrally happens locally... they are in process of doing it, they are getting there. The fewer the number of people you speak to create a national plan or campaign the better.” Agency

“In recent years, it’s been one of the successes of commercial radio and, from my time in the States, that’s an area where American stations did a lot better. I think it will always be a good revenue stream for the commercial radio industry.” Agency

Radio in the digital age

5.28 Radio will need to demonstrate its relevance in an increasingly digital and convergent world.

As media generally digitises and as digital media and digital platforms proliferate, radio must fight to maintain share of mind as much as share of market.

“Outdoor is becoming increasingly digitised as TV is. In 4-5 years time, any medium not digitised will be struggling to survive. Basic survival depends on mass radio listening on digital.” Advertiser

“I would like to see radio’s role within the digital world reinvigorated.” Agency

From an audience perspective, younger listeners are the biggest challenge as they are growing up with different relationships to music and to audio, and by extension to radio.

“I need to be a bit more confident that radio is buying us 16-24s in the digital age.” Advertiser

“Traditional radio isn’t going to get back to its old share of revenue because new listening sources like Spotify and Last.fm are going to be taking money as they and others like them develop. We’re already talking to Spotify.” Advertiser

By going digital, any given medium can increase its chance of exposure to consumers. As well as extending the number of contexts, environments and devices where the medium is consumed, there are also new opportunities to use different media together in more creative and effective combinations.

“If you look at the positives that digital brings to any medium, you see that you can consume it in a number of different ways and therefore you’ve got access to it throughout your media day and that obviously helps from a radio perspective.” Agency

"You'll be able to track the customer journey across media... There'd be more scope to do things if everything was digital - e.g. more cross-platform activity, text, pictures." Agency

Within this emerging digital world, radio's enduring competitive advantage may be its portability.

"Every medium still has a role in the digital age. Radio is unique in the fact that you can consume it anywhere. Digital facilitates listening when you're out and about." Agency

However, most advertisers and agencies are clear that the answer is not to focus on what makes radio different but rather on how radio can integrate with other media - and especially online - to drive better results.

"Online has been a threat to radio and it's definitely impacted on radio's budgets but you can't achieve through online some of the things you can through radio." Agency

"I'm increasingly using online to do a brand job. In my plan, on-line meets every single objective...We're serving DR [direct response] banners to people who've engaged in brand banners. With all the networks now, buying up different sites on-line enables us to manage frequency across sites which we couldn't do before." Advertiser

This would appear to endorse the RAB's strategy of "Radio adds bite" to online, but so far TV seems to be ahead of the game in relation to the rising competitor.

"I'm clear about how television works with on-line but not about radio works with online...There will be a relationship between the two but I don't think the multiplier is." Advertiser

5.29 Most use the term 'digital radio' to mean radio on any digital platform, not just DAB

In discussing digital radio, most of our respondents took into account a wide range of current and possible future platforms.

"When we're championing digital radio with the agency and clients, there's lots of confusion as to what digital radio is. To me it's obviously everything. If you're looking at it from a listener perspective, for as long as listeners get what they want out of it, does the platform matter?" Agency

"People are interested in digital technology. They're picking it up on all sorts of platforms - notably Sky and the internet - but in the future the younger sort of set will be using it on mobiles." Agency

"There's a lot of talk about DAB but that's just one way of consuming radio. Over the long-term, on-line listening is increasing - maybe not at the rate that we expected - but will increase with the expansion of the number of households on broadband. And in the not-too-distant future everything's going to come through your TV." Agency

5.30 From a numbers point of view, individual radio platforms are immaterial.

It's all about total reach/coverage for any given station, irrespective of platform. For all but a few of our interviewees, DAB is just a platform among other digital platforms and not a medium. The predominant view is that 'it's all radio'.

"It doesn't matter too much to us. We see no real distinction between FM, AM, digital. It's all radio. If you listen on FM or on digital, it's the same bloody thing, isn't it?" Advertiser

"It's a delivery technology. It's a technology to deliver radio. It's another platform for them to be offering what they already deliver." Agency

No-one thinks of DAB audiences as discrete, saleable propositions in their own right.

"From my point of view, an impact is an impact. Because radio is a secondary medium, it doesn't matter where you hear it from... Should we be calling it radio or audio?" Agency

It is helpful to know which platform people are listening to and when for planning (e.g. dayparts, media journeys) but that doesn't affect creative work or the value of any one radio platform over another.

"Still buying across platforms. But if online listening took over in daytime, you'd adjust accordingly." Agency

"You just plan for broad enough reach and make sure you hit enough people in the right way. As long as you know who listens to what and how, you'll plan accordingly." Advertiser

The bigger issue and challenge for agencies is how to plan on an integrated basis across different media.

"We want to move on from industry silos. We want cross-media currencies and planning." Advertiser

5.31 DAB features and functionality are not seen as distinctive or value-adding.

DAB functionality and features are not generally seen as value-adding or differentiating, but more about radio keeping up with other platforms and media.

"The functional benefits touted in the early days are a solution looking for a problem." Agency

"Interactive TV hasn't worked - the famous red button - so why should interactive radio?" Agency

Only one advertiser has expressed a view that digital services could demand premium pricing versus analogue. The vast majority do not believe that DAB can be monetised any differently to any other digital radio platform.

“Would I rather talk to someone listening to Absolute in Glasgow on digital vs on Medium Wave? I’d rather pay a premium to have my ad heard on digital. Digital radio is a better branding environment than analogue.” Advertiser

5.32 Advertisers and agencies do see some “jam tomorrow” opportunities in the development of digital radio.

The most obvious opportunities relate to the long-awaited expansion of choice, for both national and niche station brands.

“If it were properly invested and loads of people were listening to digital, it would separate the big boys from the small boys as the brands separate ...it starts to create choice so people will actually start to choose stations based on the view they have of the quality of the brand.” Advertiser

However since this theoretical choice is predicated largely on DAB, whose success is highly uncertain, for most it’s a distant possibility rather than an expected outcome.

“Digital should bring new opportunities but they’re not yet exploited. There’s no evidence yet of significant use of digital stations that’s any different to analogue. At this stage, it’s still very much playing around the periphery.” Advertiser

“I was a big backer of digital but at the moment I don’t see any success stories in digital.” Advertiser

Some caution that more choice will not necessarily bring incremental listening and could lead to cannibalisation and erosion of listener loyalty.

“The choice that comes with digital could be radio’s worst enemy because it will make channel hopping so much easier and erode all that station loyalty that has been built up. There’s more to listen to - more choice, more fragmentation - so why wouldn’t that reduce the listening numbers for existing stations? That could happen. It’s happened with TV.” Advertiser

Some advertisers can see the potential for increasingly personal and targeted communication, and for communication to work harder in moving listeners from consideration to purchase. However, realising these opportunities will depend on significant shifts in digital radio distribution (e.g. mobile, in-car) as well as skilful integration with online.

“I never personally thought DAB was the answer but I do see some great opportunities in the sense that it can be delivered across so many devices and I just have a feeling that mobile phones have got a very big role to play in this in the future once enough handsets are out there. It’s such a personal medium and such a portable medium that it would give you the opportunity to target people almost anywhere, I suppose.” Advertiser

“For us, digital offers the prospect of direct click through. Both TV and radio have been slow in realising the potential for use in combination with online.” Advertiser

5.33 There is widespread dissatisfaction with the development of DAB in the UK to date, which tends to colour the view of digital radio's future.

DAB is widely perceived as a platform with a history of unfulfilled promise, under-investment and insufficient collaboration between government, broadcasters, manufacturers and retailers.

"DAB wasn't being driven by the station groups themselves, but because Government was keen to get DAB off the ground. So we've ended up with a very different structure for DAB versus FM and quite a messy situation in terms of the tie-up of licences... FM works for advertisers. DAB doesn't at the moment in terms of coverage and set prices and functionality aren't necessarily what people were expecting." Agency

"DAB has been a real anti-climax." Agency

"The problem is DAB. I think it will fail. It will prove to be an intermediate technology." Agency

Channel 4's withdrawal from digital radio has been a particular setback, as well as brands pulling out of the platform.

"Channel 4's very public pull-out of the second multiplex will have affected things adversely as well - because that was seen from agencies' perspectives as something very vibrant and which they could sell on to clients." Agency

"It's had a lot of bad press. Big companies like GCap were talking about getting rid of all their licences." Agency

For many however, DAB's biggest let-down has been its failure to deliver on the basics.

"DAB's been a disaster. In theory, DAB could be great but it hasn't worked. It was launched under the promise it would deliver great sound quality, it was going to offer consumers more choice. In reality it doesn't." Agency

5.34 There is concern that the structure and economics of digital radio in the UK are inhibiting development, by reducing the resources that contractors have to invest in competitive content.

While the majority of our respondents were not particularly interested in the economics or infrastructure of commercial digital radio, others see digital as a huge strategic challenge for the radio industry.

"Digital technology is a big issue for the industry to iron out...It's been an absolute nightmare." Agency

Radio specialists and advertisers with a strong commitment to radio see a direct link between digital radio policy and infrastructure costs and the viability of digital services.

“There are two key problems for digitisation in radio that need addressing. The first is that there has been no government commitment to it in terms of the switch-off date in the way that it is doing for TV. The second is that it’s very difficult to monetise digital in a medium that’s taking only 6% of media spend. I don’t know how you monetise hundreds of stations when the medium is taking such a small share of budgets.” Agency

“There’s no real analogue switch-off plan unlike TV. All the commercial sales houses are pulling back...” Agency

There’s a suggestion that the “double whammy” of regulation and economics significantly inhibits innovation in radio services.

“It would be nice to see a relaxation of the rules to allow good ideas to come in... The whole online, internet, age that we are in requires a shake-up across media in general. We should allow creative thinking to come to life and not be reined in by the huge cost of setting up a station in terms of licence fees and set up costs. There’s a lot of opportunity out there. If the rules are relaxed, you’ll see what comes to the table.” Agency

Some argued strongly that the ability of commercial radio to compete for audiences and revenue was severely compromised by the licence fee structure itself. There is a belief that the level and structure of fees serves to reduce the resources that contractors have to invest in personnel and content across all their platforms.

“The costs of transmission have been huge and disproportionate...They’ve got to get the cost of transmission down. The cost of the multiplex has got to be realistic.” Agency

“It worries me a lot... I know they are having to pay huge licence fees for different platforms while their revenue hasn’t moved too much... It worries me that radio station owners don’t have the resources to take advantage of all these new platforms.” Advertiser

DAB licence costs are also seen as a handicap in relation to the perceived operating costs of other digital technologies.

“There’s also the licence fees to be taken into consideration here and the different platforms that are available and the way technology is changing. Take iPhone for example. There will come a point when that technology is standard and because of the internet you can have access to any radio station in the world. So why invest in a digital licence when in a few years people can listen to any station?” Agency

5.35 Reliable reception and the development of in-car distribution are pressing development priorities for DAB.

For most, DAB reception quality and penetration are urgent problems to be addressed.

"It's been atrocious actually. It has been woeful on a number of levels. The biggest problem with DAB - and I separate DAB from other platforms such as broadband - is that it's simply not as good as FM as a carriage to the point where I can't receive most of the digital stations in my office - one of the biggest media spenders in the UK...It's an example which you can extrapolate across the UK. It's just not good enough." Agency

"There's a big issue around reception and coverage. The other day driving down the M1, how can I lose reception with my DAB? The quality of the product is fantastic but I was in London the other day, close to Piccadilly Circus, and I couldn't get signal for almost any station. Someone needs to invest money to ensure that the signal is much stronger than what it is today." Advertiser

"There are big areas of the country where you can't get a signal at all. We can't get a digital signal here near the BT Tower. You go to Gatwick Airport, which is a fairly populated part of Britain and there's no digital signal. So I think that the DAB situation is a bit farcical." Agency

In-car availability is crucial and still dependent on car manufacturers fitting DAB radios as standard. Without this, there's considerable doubt about the rate of increase in digital radio penetration and about the government's loose timetable for analogue switch-off.

Given the current uncertainty and scepticism around DAB, some also call for a return for increased and improved marketing of digital radio to consumers.

"Why can't the contractors get together and tell people how much choice is out there? DAB's been struggling because it hasn't got enough listeners but if we'd looked at it a different way and gone out and marketed to them, it might have been different. It could be joint. It could be joined up between different groups. All the DAB ads you hear on stations are about quality of sound. They should be talking about choice - about the range of stations." Agency

National, regional & local services

5.36 Most respondents favour more national commercial radio.

Most agencies see gaps in the market for national stations. Existing digital services are a start but there is scope for development.

"There's lots of gaps in the market. Speech radio especially. I think the Channel 4 proposition was hugely exciting... It got everyone in the agency here quite fired up about radio. There's a gap in that public service role that the BBC does well but that Channel 4 could do in a way that's not so formulaic. In today's age people want content that's a bit fresher and more flexible." Agency

"The pioneers that are spending loads of money like Planet Rock are to be encouraged to hang on in there because they are unquestionably delivering a different type of audience. They've got half a million listeners. Most local papers would die for that. If they can hang on in there, you have to believe the future's bright." Agency

Most respondents want to see strong national services with critical mass, especially if they serve to bring in more listeners overall and/or grow radio's share of key demographics.

"I would welcome more national digital stations. At the moment digital platforms are lacking quality content and anything that's unique. The problem is that they can't make these stations pay. That's the fundamental problem with digital and DAB at the moment. But I do think there's a need for unique, innovative content." Agency

"I think it's a no brainer. National digital radio definitely needs to happen. I thought Jazz was a great station with half a million listeners so I thought it was terrible that it shut down. It's great that Jazz is back - even if it's just on regional DABs rather than national but that's just to do with funding." Agency

More national or quasi-national stations would also make radio easier to plan and buy.

"We need a strong national network that can deliver for us, simpler from a buying point of view, that we can create scale." Advertiser

"That could be a very exciting proposition. Having more consistent national output in a similar sounding environment rather than 200 stations that all sound different." Agency

"A much easier buy for agencies and advertisers. Much simpler marketing for stations through economies of scale and opportunity. A much more powerful sell." Agency

But many would ideally want national commercial stations to be available on FM as well as digital, especially given DAB's limited penetration and uncertain future.

"Yes, frankly, I would. I think it's important for us to get more national brands out there... It would be great to have more national stations more easily available on FM. The reality is that AM is just hard work to use. Digital radio's obviously a massive part of that." Agency

Some of radio's biggest current advertisers would not want to see wholesale substitution of the local and regional services they rely on.

"We would probably welcome it [more national commercial] but we use more regional and local than we do national. There is certainly a place for national radio so long as it's the right campaign." Advertiser

It's hard to get an answer to what constitutes 'national' coverage since perceptions are governed largely by the distribution of the products or services being advertised. 65 - 70% coverage seems to be a minimum for a national station.

"I struggle with the word national when it's not. National for my clients means all their dealers are covered. You can have main conurbation campaigns but you couldn't call that national." Agency

5.37 The development of (more) national or quasi-national radio brands should also help radio's competitive position versus other national media.

Branding is important because it gives radio services stature and puts them in a better place to compete with other national media.

"I would like radio to be considered more as a national medium - pretty much in line with that Global strategy of national brands locally delivered." Agency

"Clients want to align themselves with strong brands. A network of stations with strong brand and a consistent product which they can liaise with on a semi-national basis. For example, Heart's strengths are south and midlands, so it's not fully national but it's as strong as having a national brand - especially if you can marry Heart up with something else to make it national." Agency

Opinions are divided on what level of critical mass networks such as Heart and Galaxy might need in order to be thought of as national or quasi national. Some feel that Heart is close to this already on the basis of its current roll-out plans. If so, then the gap for new national services may not be as wide as some think.

"Given the choice that people have already, I'm not convinced that there is an opportunity [for a new national station] out there and waiting. You more or less get national coverage with the networked stations like Heart." Agency

Stronger brands will help sell radio within agencies and to advertisers.

"My objective is to push radio up the agenda. Planners will feel more confident if there are distinctive radio brands they understand." Agency

"I have a pretty good relationship with all of the groups and I know it's a frustration for them that they can't cut a deal with a national advertiser because they're going to have to work with a competitor or only get a certain slice of the pie." Advertiser

5.38 Incremental audience delivery is more important than specific formats or genres.

Most advertisers and their agencies are more concerned about the audiences they can buy than the formats or genres which deliver those listeners.

"I just want radio to deliver me the audience. Whether it's on a national level or a local level, I really don't care." Advertiser

"Having more national radio would be a great advantage. One of the difficulties currently in planning national advertising is that you have two polar ends of a scale in terms of demographics with the talkSPORT listener and Classic listener and then the Absolute listener..." Advertiser

"We don't need more national radio per se, but to get more people to listen. I know here are quite large segments of the audience I will never reach and more niche stations will never grow overall listening. So the question is simply what are listeners looking for that isn't yet being delivered?" Advertiser

Even among those who welcome the expansion of national digital services, there is some doubt that this will deliver more listening hours or revenue. It may simply be what is needed for radio to hold share.

"Providing four or five key digital national services that aren't there already may provide some sort of focused competition rather than the fragmented approach we have now. Will that attract extra listeners? No, I don't think so. Is it going to attract extra money to the medium? No, I don't think so. Will it perhaps give a clearer proposition to maintain its position? Yes, I think it could." Agency

5.39 There were several suggestions for possible new national commercial services.

New stations would need to be demonstrably different, not only to attract new listeners but also for advertisers, who do not always appreciate the nice distinctions in music policy from one station to another.

"What they do need is to ensure that there's more differentiation between them. I was speaking to Global last week and they were explaining to me the difference in the music between Capital and Heart in London and I still don't get it." Advertiser

"You want an increasing number of national licences, based on laying out a business plan that shows why one station is differentiated from the others - rather than just having the competition between [Stations X, Y and Z] being played out nationally which I think would be pretty dire for digital radio." Advertiser

"Ideally you'd pick three or four lifestyles, focus on those and grow listeners through them." Agency

Although most of our interviewees were agnostic as to future station formats, some were able to offer specific ideas about which segments or genres offer the best opportunity for new national stations. Among the suggestions:

- **Younger, alternative**

"It needs a few more generic stations, like a younger station to go against Radio 1...I'm a big fan of XFM. I'm disappointed it didn't work out in the North. A younger alternative station would do well nationally..." Agency

- **Older audiences**

"Saga nationally would do well if targeted to 55+s who are more radio savvy. If Saga launched a service on Sky, why wouldn't people listen via their TV?" Agency

"Absolute are always selling 15-24s or 15-34s. But older people have more money, are more into radio and are more radio savvy." Agency

- **Speech, factual**

"A decent Channel 4 version of R4 - younger, more popular." Agency

"It would be fantastic for commercial radio to have a really strong speech station. TalkSPORT and LBC have done a great job." Agency

"Documentaries. I think the stuff that the guys at GMG are doing is fantastic." Agency

- **Diversity**

"I think Asian stations may be an area given our multi-ethnic population." Agency

5.40 For most, the BBC's national station line-up represents both the competition and the benchmark for commercial radio.

National commercial stations are seen by some as a way of attacking the BBC and regaining some of the share of the listening that has been lost to BBC Radio in recent years.

"Commercial radio needs national product and national brands to compete with the BBC which has grown its share over the past five years." Advertiser

"There should be five brilliant national stations to compete with the BBC. They would take share from the BBC and might grow listening overall." Agency

"More national commercial radio would be good because it could offer something tangible against the BBC on a national basis. The Channel 4 multiplex would have worried the BBC a bit; it would have given radio its equivalent of Sky." Agency

"The most obvious guide for new national commercial stations would be to go against BBC stations in the way that Classic and talkSPORT do with Radio 3 and 5." Agency

5.41 Many believe that the opportunities for national commercial radio to build audiences may be limited by the range and quality of BBC radio services.

The BBC sets the bar high, and the barriers to effective commercial competition are substantial.

"I think it's very difficult when the BBC is so strong. It has presenters other people can't afford to pay. I'm sorry, Radio 5 Live is great. Or, if you like, 6 Music, they've got it sort of wrapped." Advertiser.

"The costs of running speech stations are enormous. Radio 4's got a budget of about £130 million." Agency

The BBC's ten carefully segmented national services already fill many of the gaps that might attract significant audiences. The size and security of the BBC's funding are likely to make it difficult for commercial stations to compete in the quality of programmes or presenters.

"Content is important but it's a difficult one because it is hard for them to compete on the same level as the BBC - particularly in recruiting the big names." Advertiser

"There's a gap in speech programming in commercial radio but it's hard to see how they would ever have the resources to compete with Radios 4 and 5." Advertiser

Agencies and advertisers are quick to point out the BBC's unfair advantage in radio on a national basis in terms of market structure, spectrum, talent, rights and cross-promotion.

"The BBC is the big elephant in the room. They've got the talent, stations and the money to go digital." Agency

"The BBC is too dominant in radio, I think. They're too good. They've got the reach. They got the budgets. You couldn't run Radio 4 commercially. People are really happy with the BBC. They like the BBC radio. From a commercial point of view, I think it's really tough to compete against that." Advertiser

"Levelling the playing field is part of it. Commercial radio's view - which I think has a lot of substance - is that the market isn't a fair and open one and the BBC causes them masses of structural issues." Advertiser

We heard some raise the issue of which services should be funded by the licence fee.

"It's a great service [BBC Radio] but should we paying for those kinds of things when they can be well served by commercial radio? Is there a need for that to be publicly funded? Could that not be privatised to help build commercial radio as a whole?" Agency

5.42 Some agencies foresee an increasing role for stations with brands established in other media

Some agency radio specialists could see value and possible opportunities in radio for multi-media brands. Despite the disappointment at Channel 4's withdrawal from the second commercial multiplex, it was most often cited as an example of a media brand that could succeed in radio.

"The only way I can see a new national station working is it were launched by an existing media owner that had credibility in the genre of, say, youthful irreverence. Like Channel 4." Agency

Despite its apparent audience loss after the name change from Virgin, we heard support for the multi-media concept that Absolute is adopting. Generally the value of multi-media and multi-platform brands is well understood.

“We want to know if their listeners are engaging with other platforms of the brand whether that’s on-line or through the magazine or mobiles. We’re interested in the broader picture - not just the radio station’s reach.” Agency

“With spot advertising, I’m buying impacts. It’s different when it comes to branded content where you can become more relevant to some listeners. Rather than doing a broadcast sponsorship, a promotion with Heat’s station might be more impactful if it’s editorially wrapped like you do in press. If I brief in Bauer [as a magazine publisher], I get a lot of interpretations around it based on the different types of magazine.” Advertiser

Heat was the most frequently mentioned of the current multi-media brands, with sponsors buying joint packages across its magazine, television and radio outlets.

5.43 However, there is a significant minority that finds it difficult to see the business opportunity for national digital-only stations.

Some believe that commercial radio already provides the audiences that they want to buy.

“As to genres, I think it’s well catered at present. There have been attempts in the past - like children with Disney - but I think there are certain things that just don’t work in the radio market.” Advertiser

“It would depend on what audiences they deliver but, on a national level, there are no gaps that spring to mind.” Advertiser

Others point to an apparent lack of business success for national stations which are exclusively digital.

“The few original stations that are on digital now are all really struggling. [Station X], for example, has got a great audience but carrying very little advertising.” Agency

5.44 National commercial radio should offer regional options in regions no larger than those available on ITV.

While welcoming national services and the possibility that these will attract additional audiences in specific segments, the ability to buy regionally is important to most respondents.

“It would be good if we could buy a lump of television and a lump of radio within the same region...Having a currency that puts it on a par with television would add volume to the business and give it a little more credibility, more comparison to a national option.” Agency

“Yes they should. It’s almost a happy medium between the important heritage of localness and national quality. But regional isn’t local. Regional’s good for flexibility, for upweighting your ratings in a TV or press campaign.” Agency

“You’d want national campaigns with regional uplifts. Regional macros are a good thing.” Agency

The same logic applies to branded content and S&P, where regionality is desirable but not essential.

“With Classic they have different macro regions and so you can buy into macros. Obviously you can’t run a promotion on all macros because everything’s live but there’s ways you can work with the station to create a solution. We have a client that is London and the South biased and so we ran 60 second advertorial features and they went out as station content.” Agency

5.45 Radio needs also to retain strong local services and content to meet the needs of some of its largest advertisers.

The national/local debate has many nuances with a majority wanting national quality but with some degree of local personality. Although most interviewees welcome the development of national stations, they also want and expect to retain the full geographic flexibility of radio through a wide range of services enabling them to buy radio nationally, regionally or locally. This is particularly true of the heaviest users of radio.

“Radio is an incredibly flexible medium in terms of its regionality, demographic delivery by station type and radio has a strong relationship with its audience. It gives the flexibility to buy national campaigns or regional campaigns by demographic if we want to - down to town level.” Advertiser

“I’d want to have my cake and eat it, by buying nationally and locally. The fact that radio can be logistically set up to sell locally if required should be treated as a competitive advantage in the way that ITV offers that against C4 and Sky.” Advertiser

The current list of top radio advertisers is dominated by organisations which really need the regional and local flexibility which radio offers - and where it is seen to have a real competitive edge.

“It needs to be a national advertising property with the benefits of increased quality, better tools, more accountability, but you wouldn’t want the consumer to see it as a national station. I’m a passionate lover of radio and I think radio is about the community we live in. I listen to Absolute but I don’t think of Absolute as a national station. I think of Absolute as a London station as a consumer.” Advertiser

“As a listener, I think radio should remain local in the same way that local newspapers are. That’s its job. That’s what its role is.” Advertiser

"In each town it's still really important. Every presenter on Tay FM is a local hero in Dundee." Agency

Some find it helpful that Global and Bauer seem to be taking different approaches.

"Global are changing all of their stations into Heart, doing more syndicated programming and Bauer are arguing the complete opposite - that everything should be localised. I know that Heart are losing some of that localness that Bauer have got and sometimes it really helps when we're doing promotions on Heart because we only need one prize fund because everything's syndicated. Whereas with Bauer your media prize fund's split so it's completely different. It's good that there is both." Agency

Even strong supporters of rebranding and networking want to retain some aspects of local personality and the ability to buy as locally as their business needs.

"The thing that works for us that it's local. We're talking to people who feel they have a relationship with the station and it's a personal choice for them." Advertiser

"What you don't want to do is lose the localness of local radio. It's a key area where commercial stations can compete with the BBC. It's the locality. Keep the localness in there at breakfast-time but get in quality presenters across the rest of the day. When you've got 50 stations around the country, it's difficult to find 50 presenters of quality." Agency

"It would be a real shame if everything was syndicated just to give advertisers high reach. We've got to think about listeners and localness shouldn't be under-estimated." Agency

A few, however, think that the current levels of localness are an anachronism.

"Do these stations need to be quite so local? If you go back to the old days of ITV, that seems quite old fashioned now." Agency

"Drivetime needs to remain local in terms of local information. But it doesn't matter if they have feeds that are national." Agency

5.46 Local radio may also have its own distinctive role to play in an age of digital convergence.

Having a vibrant mix of national and local, mainstream and niche stations may be what's required to balance the needs of younger and older listeners. Some believe that younger listeners will be more attracted to national listening through genre-focused stations while older listeners may be more loyal to local stations.

"If you're between 16 and 20 you've got Heat and Smash Hits and Kerrang - you've got all these fantastic brands. If you want to feel closer to the community and you're slightly older then local radio's great." Agency

At the same time, local media habits are changing. Much local media consumption is already cross-platform, and some (of the best) local content comes from listeners.

“What’s important to people locally has changed over time, especially with the growth of the internet there are so many different ways of finding information... When we had the snow, that’s when local radio came into its own. They were doing it through their websites, not just on air.” Agency

“Listener generated content - like texts about traffic - are also a means of providing localness and can be more up-to-date than stations’ own content. Instead of writing into stations, people now text and e-mail.” Agency

Finally, as other digital media demonstrate, for many in society the very idea of community is no longer just local and physical. Communities of interest have no physical boundaries, but can be just as powerful.

“Communities of interest - which is what brings people together - rather than just communities of geography which is about where they physically are ... So you can have stations where people are listening because they like the community that’s grown up around the station.” Agency

EXHIBIT 1

INTERVIEWEES

Advertising Agencies

Jonathan Allan, Managing Director, OMD
Siôn Ashley-Jones, Managing Director, Golley Slater Cardiff
Howard Bareham, Head of Radio, Mindshare
Amanda Barrett, Radio Specialist, UM
Simon Blackburn, Head of Radio, Media Planning Group
Richard Britton, Managing Director, Spark
Duncan Child, Media Planner, Starcom
Tom Drummond, Head of Radio, Initiative
Tom George, UK Chief Executive, Mediaedge:CIA
Richard Jacobs, Head of Radio, Mediacom
Matthew Landsman, Head of Trading, Carat
Cathy Lowe, Head of Radio, PHD
Mark Middlemas, Managing Partner Integration, UM
Tim Neligan, Managing Director, Zenithoptimedia
Andy Niblett, Head of Trading, Feather Brooksbank
Stan Park, Chairman, RadioWorks
Louise Reid, Associate Director, Maxus
Zoe Schmid, Creative Solutions Director, Vizeum
Erica Taylor, Head of Radio, Starcom

Advertisers

Eithne Anderson, Communications Manager, Lloyds Bank
Bernard Balderston, Head of Media, Procter & Gamble
Jonathan Bunkall, Head of Communications Planning & Evaluation, Abbey
Amanda Evans, Marketing Executive, Swiftcover
Mark Evans, Marketing Executive, Sunday Times
Paul Evans, Media Manager, Kimberly Clark
Jeremy Found, Head of Media, COI
Tom Gill, Marketing Communications Manager, Scottish Courage
Stephen Huddleston, Head of Media, British Telecom
Zandra Ives, Advertising Manager, Yell
Mark Jones, Advertising Manager, Ford
David Manly, Marketing Manager, Nando's
David Meliveo, Marketing Director, Autoglass
Marc Sands, Marketing Director, Guardian Newspapers
Sam Taylor, Head of Advertising, T-Mobile
David Walker, Marketing Operations & Media Controller, Kellogg's

Industry bodies

Andrew Harrison, Chief Executive, Radio Centre
Simon Redican, Managing Director, Radio Advertising Bureau
Geoff Russell, Director of Media Affairs, IPA