The Communications Market 2015

Radio and audio

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3.1 Key market developments in radio and audio

3.1.1 Industry metrics and summary

Figure 3.1 UK radio industry: key metrics

UK radio industry	2009	2010	2011	2012	2013	2014
Weekly reach of radio (% of population)	89.8%	90.6%	90.8%	89.5%	90.4%	89.5%
Average weekly hours per head	19.8	20.1	20.5	22.2	21.5	21.4
BBC share of listening	55.3%	55.2%	54.7%	54.7%	54.6%	53.8%
Total industry revenue	£1,101m	£1,137m	£1,164m	£1,203m	£1,177m	£1,220m
Commercial revenue	£439m	£452m	£457m	£475m	£461m	£483m
BBC expenditure	£653m	£675m	£697m	£717m	£705m	£725m
Community radio revenue	£9.0m	£10.0m	£10.5m	£10.8m	£10.9m	£11.5m
Radio share of advertising spend	3.5%	3.3%	3.3%	3.3%	3.1%	3.2%
DAB digital radio take-up (households)	34.5%	38.2%	42.6%	44.3%	47.9%	49.0%

Source: RAJAR (all adults age 15+), Ofcom calculations based on figures in BBC Annual Report and Accounts 2014-15 note 2c (www.bbc.co.uk/annualreport), AA/Warc, broadcasters. Revenue figures are nominal. DAB take-up - Q1 of the following year.

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

- **Total industry revenue and spending has increased by 3.6%**. Commercial radio revenue has increased by £22m to £483m and spend by the BBC on radio has increased by £20m to £725m.

- **National advertising revenue for commercial stations has grown by 17.3%.** The increase in commercial radio revenues has been driven by growth in national advertising revenue: from £207m to £243m. Commercial radio revenue per listener increased by 5.9% to £14.14 in 2014.

- **Of the BBC services, digital-only stations have had the greatest proportional increase in expenditure.** Digital-only services BBC 1Xtra and BBC Radio 5 Live Sports Extra had the largest proportional increases in expenditure (13.3% and 9.6%). BBC Radio 4 had the largest fall in expenditure: 4.1%.

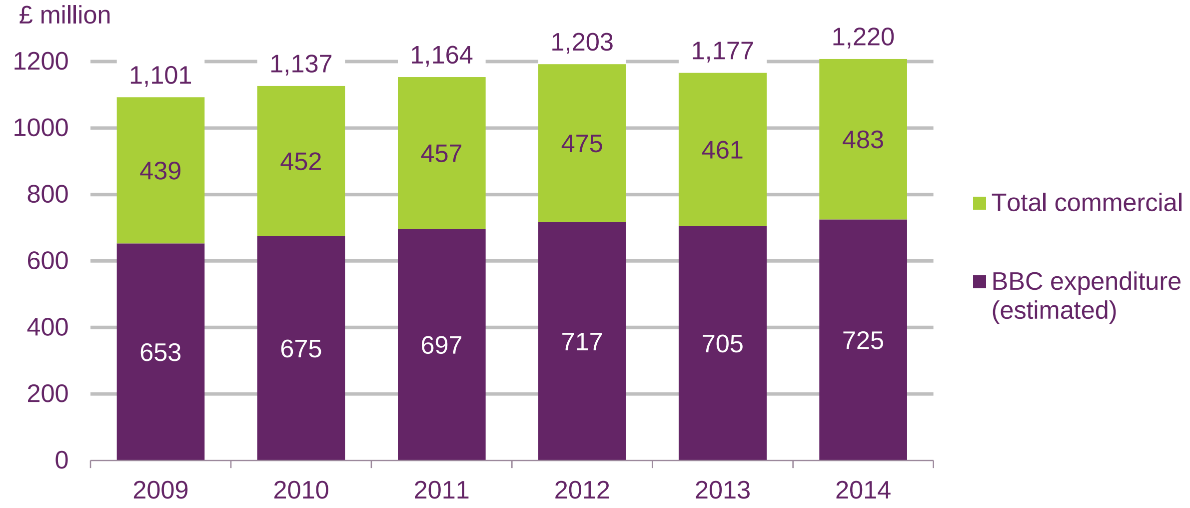
- **Among regular music listeners aged 16-24, streaming services are as popular as radio stations.** Around two-fifths of regular music listeners aged 16-24 use streaming services to listen to music (39%), similar to the proportion of this age group who listen to music on the radio.

3.1.2 Commercial radio revenues and BBC radio expenditure has increased

Total industry revenue and spending has increased by 3.6%

Commercial radio revenue and spend by the BBC on radio services both increased in 2014. Commercial radio revenue was up by £22m to £483m in 2014, an increase of 4.9%. This reflects growth in the advertising market overall as well as in the UK economy. Similarly, expenditure for BBC radio, which fell in 2013, has increased by £20m, up 2.8% year on year.

Figure 3.2 Radio industry revenue and spending (£m): 2009-2014

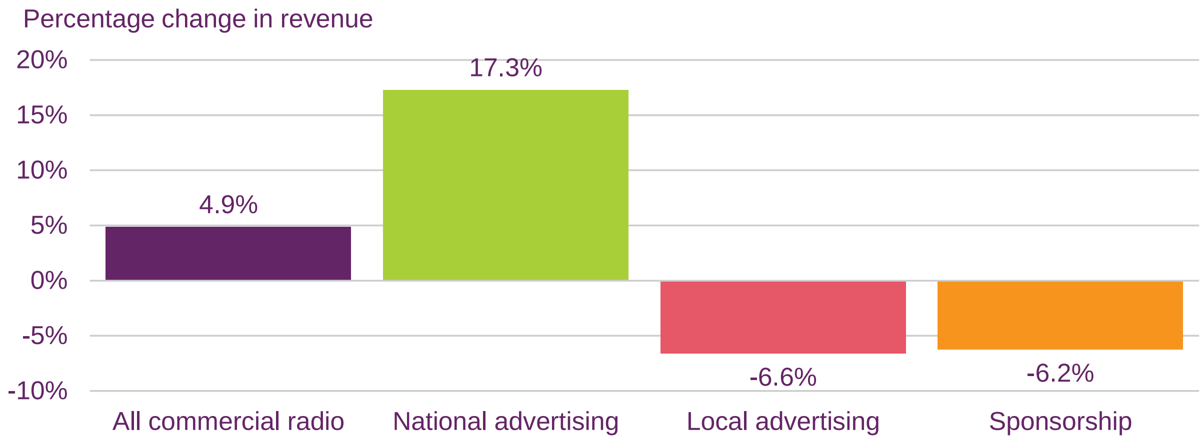


Source: Source: Broadcasters
Note: BBC expenditure figures are estimated by Ofcom based on figures in Note 2c of the BBC Annual Report (www.bbc.co.uk/annualreport); figures in the chart are rounded and are nominal. Community radio revenue is included in the total, but not shown on the chart.

National advertising revenue for commercial stations has grown by 17.3%

Commercial radio advertising revenue (excluding community radio income) grew by 4.9% in 2014. This follows a year-on-year decline of 4.4% in 2013. While reported revenues for local advertising and sponsorship declined, national advertising grew by 17.3%. Typically, 'national advertising' is the income derived from national brands, products and services in respect of advertising broadcast on national and local commercial radio.

Figure 3.3 Commercial revenue percentage change: 2013-2014



Source: Ofcom / operator data 2013-2014

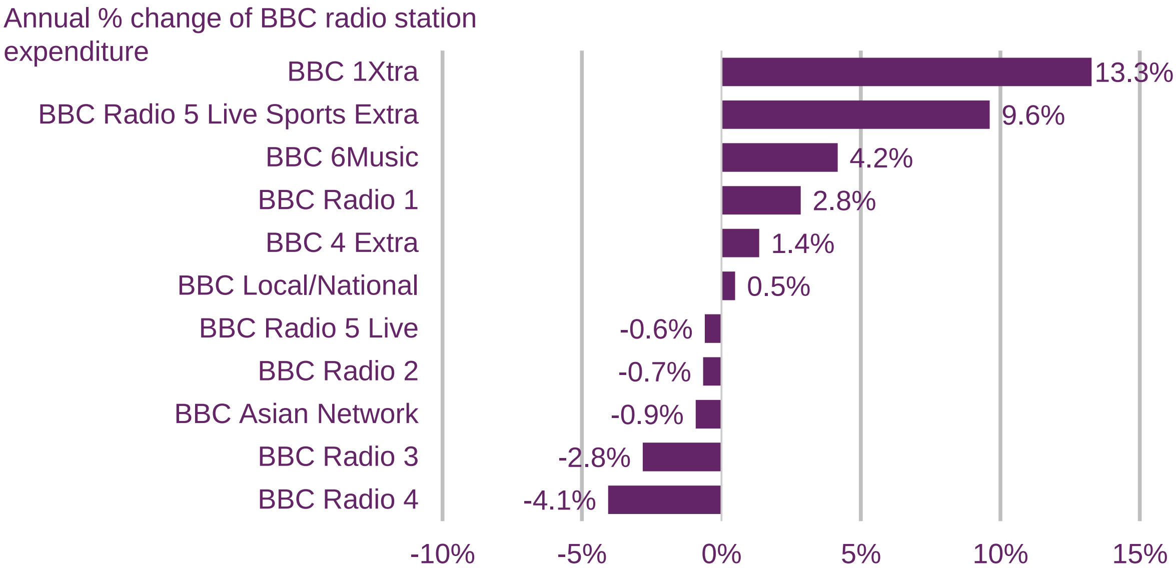
Of the BBC services, digital-only stations have had the greatest proportional increase in expenditure

Taken from the BBC Annual Report and Accounts, which provides greater detail on spend by individual BBC radio stations, the data in Figure 3.4 below are indicative rather than directly comparable; see the source note below the chart.

Digital-only services BBC 1Xtra and BBC Radio 5 Live Sports Extra had the largest proportional increases in expenditure (13.3% and 9.6%). BBC Radio 4 had the largest fall in expenditure: 4.1%.

In absolute terms BBC Radio 4 saw a reduction of £4.2m from the £120.6m spent on it in 2013/2014. The BBC's local radio services collectively received an increase of £4.2m (0.5%). Radio 1's 2.8% increase equated to an extra £1.5m for the network.

Figure 3.4 BBC radio stations' expenditure change: 2013-14 to 2014-15



Source: BBC Annual Report 2014-15. Note that these are financial year figures, excluding BBC-wide overheads, and are therefore not directly comparable to those set out in Section 3.2.2. Figures are nominal.

3.1.3 Music listening on radio and via online streaming

The number and variety of online music services is growing

The last two decades have seen an increase in the availability of music on audio services that are not broadcast, but delivered via the internet. This has largely been driven by the increased accessibility of the internet and internet-connected audio devices (including PCs, internet radios, iPods, WiFi speakers and smartphones).

The use of on-demand music streaming services such as Spotify, Deezer, Soundcloud and Google Play Music has also increased. New services, such as Apple's Music app – which includes an online radio station with human presenters instead of algorithmic selection – and Tidal, relaunched by new owner Jay-Z in May 2015, are also now available. Streaming services typically allow listeners to select and stream individual music songs, albums or playlists for listening, and tend to be either free-to-use services, usually supported by advertising, or subscription services with a monthly fee.

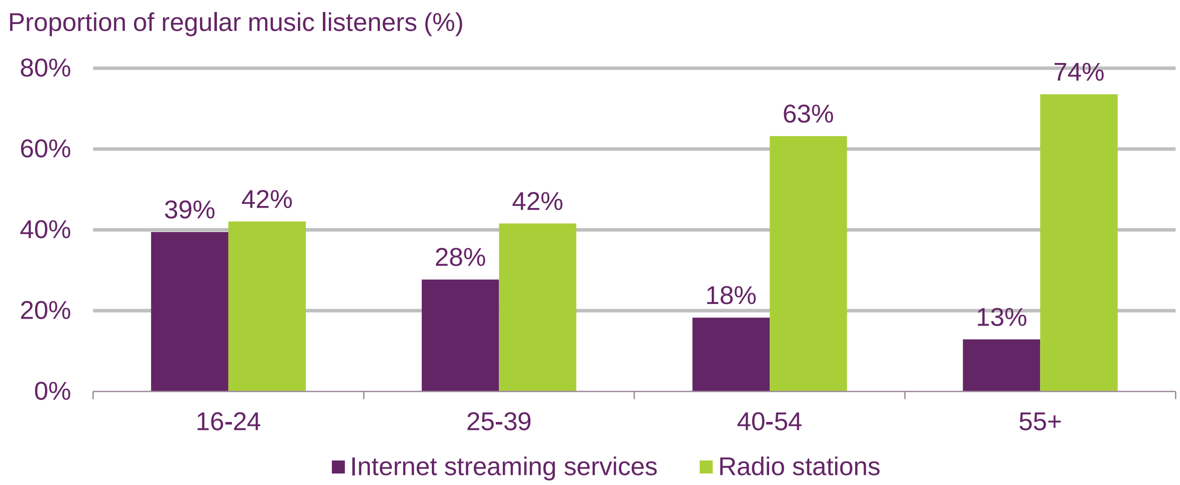
This section looks at the growth and use of online streaming services for listening to music in the UK, and examines the similarities and differences between the top 100 most-played songs on streaming services and radio stations in the UK.

Among regular music listeners aged 16-24, streaming services are as popular as radio stations

Research conducted by YouGov shows that around two-fifths of regular music listeners aged 16-24 use streaming services on the internet to listen to music (39%), similar to the proportion of this age group who listen to music on the radio (42%). The proportion of music listeners who use streaming services reduces with age. One-fifth (18%) of those aged 40-54 say they use streaming services to listen to music; this compares to just over one in ten (13%) of those aged 55+.

For radio, the opposite is the case. The highest incidence of using the radio to listen to music is among the over-55s (74%), with the lowest among the 16-24s and the 25-39 age groups (both 42%).

Figure 3.5 Use of streaming services and radio stations among regular music listeners, by age: 2014

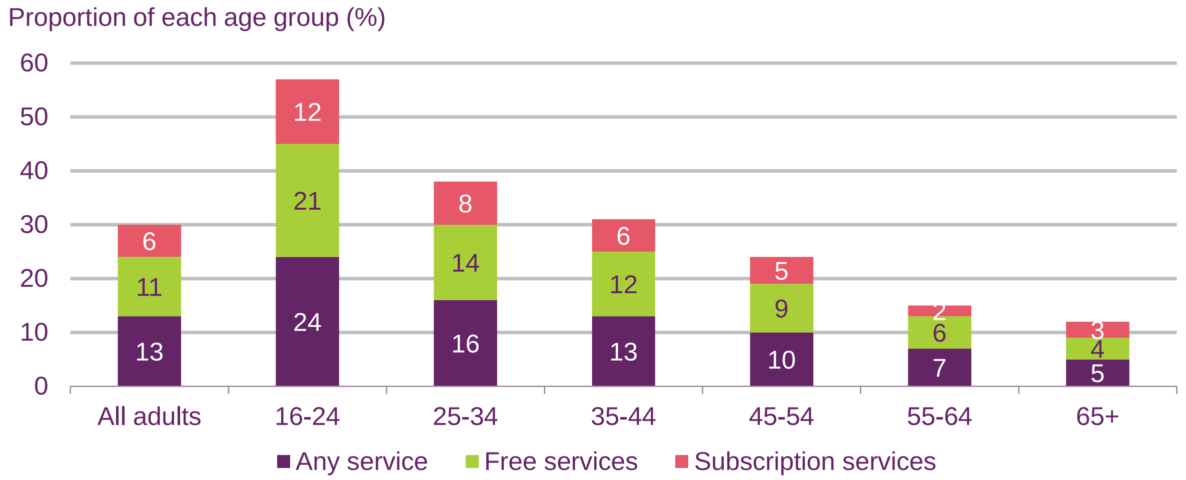


Source: YouGov, New Generations and the Future of Radio 2014, fieldwork August 2014.
Base: Regular music listeners (663). Q: Thinking about how you listen to music, which of the following do you use regularly? Please choose all that apply.

Free streaming services are more likely to be used than subscription services

As Figure 3.5 shows, regular music listeners aged 16-24 are more likely than older music listeners to use streaming services. This pattern is repeated when looking at the use of streaming services by age, among those who use the internet (Figure 3.6). As might be expected, the services that are free at the point of use are the most likely to be used, across all age ranges. Among the 16-24s, a fifth (21%) use free streaming services, compared to just over one in ten (12%) who use a paid subscription service.

Figure 3.6 Use of streamed audio services among internet users, by age: Q1 2015

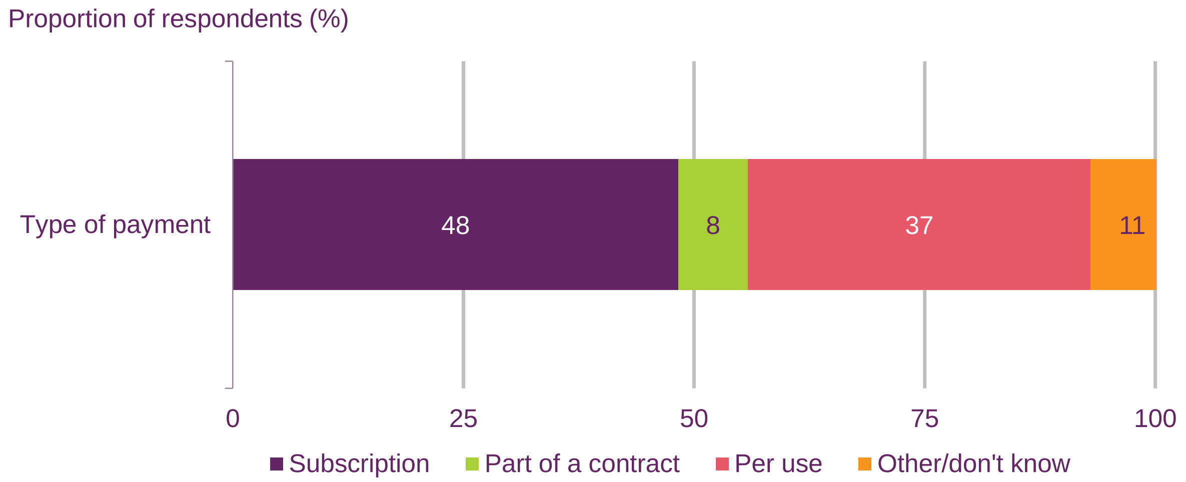


Source: Ofcom research, Q1 2015
Base: All internet users (2298). Q: Which, if any, of these do you use the internet for?

Among those who pay for music services, subscription is the most likely method

In addition to subscription streaming services, on-demand and pay-per-use music services are available. Among those who pay for a streaming service, the subscription model is the most likely way to do this; almost half (48%) of those who pay for a streaming service do so through a subscription. Over a third (37%) pay for music on a per-use basis, and just under one in ten (8%) have a paid-for streaming service bundled with an existing contract, such as those offered by mobile phone providers.

Figure 3.7 Methods of paying for music services: 2014



Source: YouGov, Audiovisual Consumption 2015, fieldwork May 2014.
Base: those who pay for a music service (266) Q. How do you pay for your music, […] service?

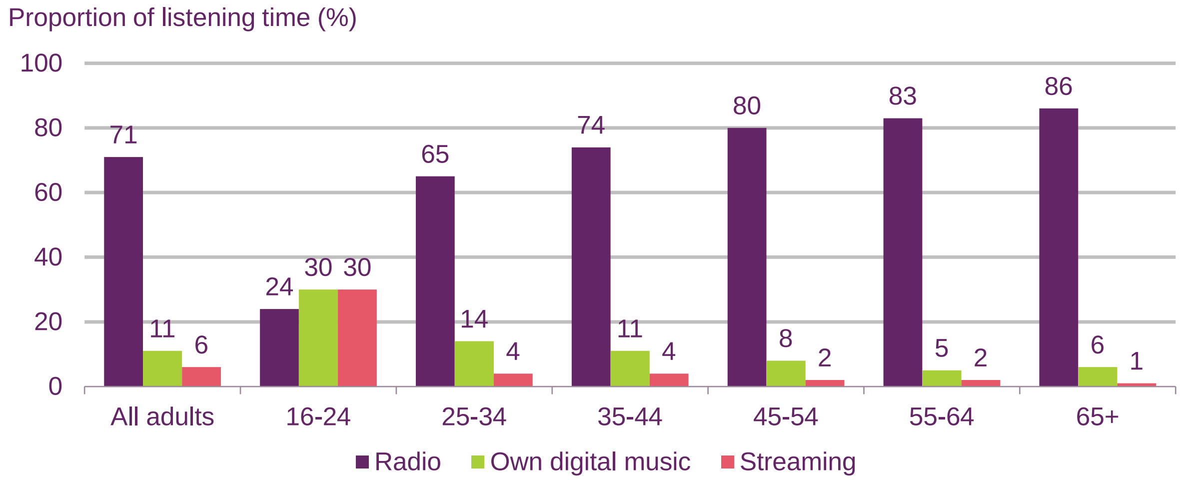
Those aged 16-24 spend more time with streaming services than with radio

Ofcom's *Digital Day* research, published in the 2014 edition of this report,[69] used a diary survey to determine the amount of time that listeners spent with different sources of audio.

[69] Ofcom, *The Communications Market Report 2014,* August 2014, http://www.ofcom.org.uk/cmr

This was expressed as a proportion of total listening time, or ‘share of ear’, for each source of audio. For all adults, radio occupied the greatest share of listening time (71%), with streamed online music, whether subscription or free, accounting for 11%. Among the age ranges 25 and over, radio accounted for the greatest share of listening time, but for the 16-24s, listening to radio had a 24% share of ear. For this younger demographic, streamed online sources accounted for 30% of listening time, as did listening to personally-owned digital music.

Figure 3.8 Proportion of listening time spent with each activity



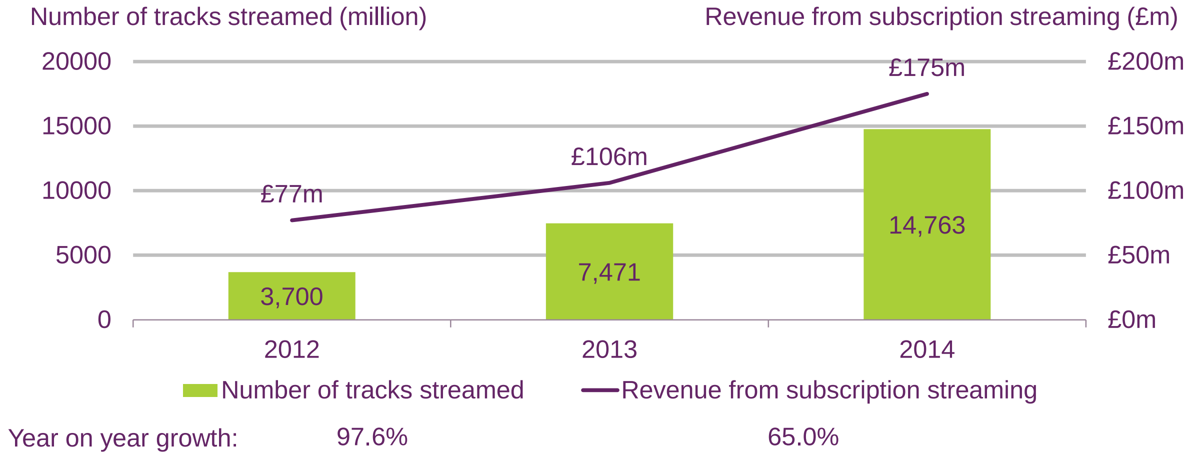
Source: Ofcom Digital Day 7-Day Diary, Q1 2014
Base: All listening activity records for adults 16+, (17290), 16-24 (999), 25-34 (2342), 35-44 (4113), 45-54 (4334), 55-64 (3284), 65+ (2218)

The number of tracks streamed has grown significantly year on year

In 2014 the total number of tracks streamed on ad-funded and subscription services combined was 14.7 billion. Growth in the number of tracks streamed has been rapid in the past two years. The number of tracks streamed in 2014 was almost twice that of the previous year and almost four times as many as in 2012.

Revenue from subscription services has also increased, growing by 37% between 2012 and 2013 and by 65% in 2014. Revenue from subscription services is now estimated to be £175m.

Figure 3.9 Number of tracks streamed online and revenue from subscription streaming: 2012-2014



Source: Entertainment Retailers' Association / Official Charts
Note: Subscription revenue is a BPI estimate. The number of tracks streamed includes subscription and ad-funded streams and excludes video streams.

How similar is the most popular music on streaming services and the most-played music on radio?

To gain a better understanding of how the music content that people choose to listen to on streaming services might differ from the music content available on broadcast radio, the remainder of this section investigates the most popular songs on UK radio and streaming services over the last three months of 2014. Using the top 100 radio airplay chart from Radiomonitor, and the top 100 streaming chart from the Official Charts Company, this analysis looks at the level of similarity between the most-played music on radio and the songs that people who use streaming services actively chose to listen to over this period, and on which of the two platforms the most popular songs on radio and streaming services were played first.

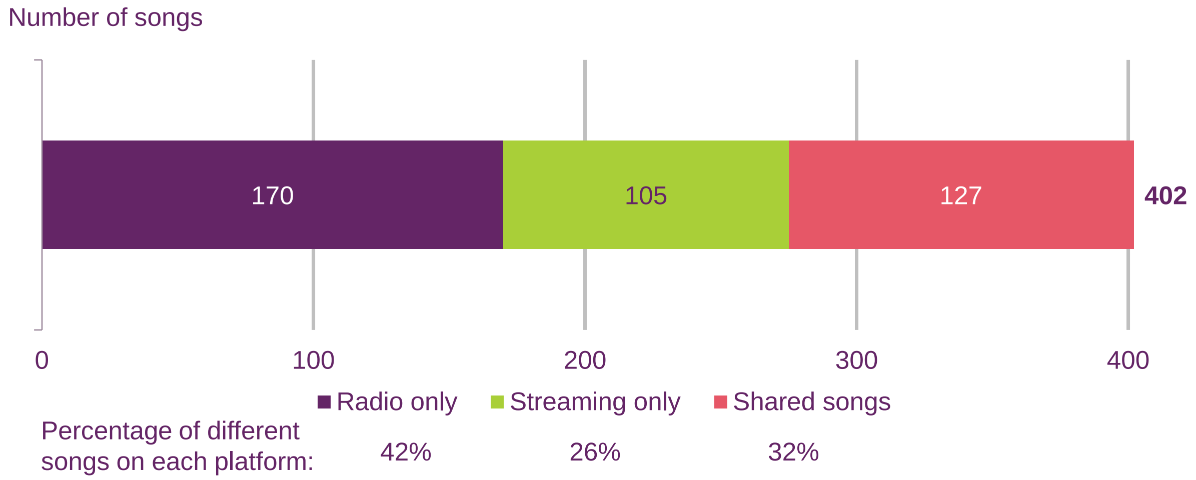
It should be noted that this analysis is based on the songs that appeared in the top 100 charts for each platform, and does not represent the entirety of the music selection that is available on streaming platforms or is played across radio stations in the UK.

Almost one-third of the songs in each chart were shared by the radio airplay and streaming charts

Looking at the similarity between the most-played songs on each platform, almost a third (32%) of the songs appeared on both the radio top 100 and the streaming top 100 at some point in Q4 2014. A quarter of the songs made it into the streaming charts only, and were not featured in the radio airplay charts. Some of these were album tracks, which in the past users would have listened to in a physical format as opposed to streaming, and which are not typically played often enough on broadcast radio to feature in the airplay charts.

Despite the vast array of music available on streaming services, the amount of duplication between the most popular songs on both the radio and the streaming charts indicates that there is common ground between what is played on broadcast radio and what people are choosing to listen to on streaming services.

Figure 3.10 Number of different songs in the top 100 on each platform: Q4 2014



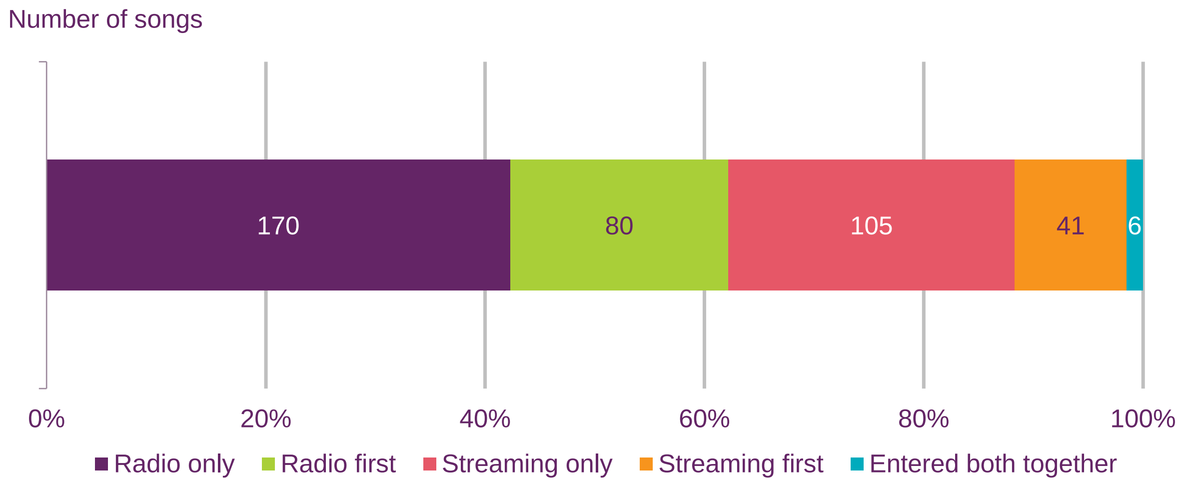
Source: Ofcom analysis of Radiomonitor and Official Charts Company data, Q4 2014.

Twice as many songs featured in the radio airplay top 100 before reaching the streaming top 100 than started in the streaming chart

Looking at the songs that are shared between the charts on the two platforms suggests that radio airplay may influence people's choice of what to listen to on streaming services. Of the 127 songs that were shared between the two charts, 80 of these were played often enough on radio to enter the top 100 chart before they were played enough times to feature in the top 100 streaming chart. Just less than half this number (41) made it into the streaming chart before getting into the radio airplay chart.

Only six songs were played enough times on both platforms to enter both charts at the same time.

Figure 3.11 Origin of songs in the top 100 on each platform: Q4 2014



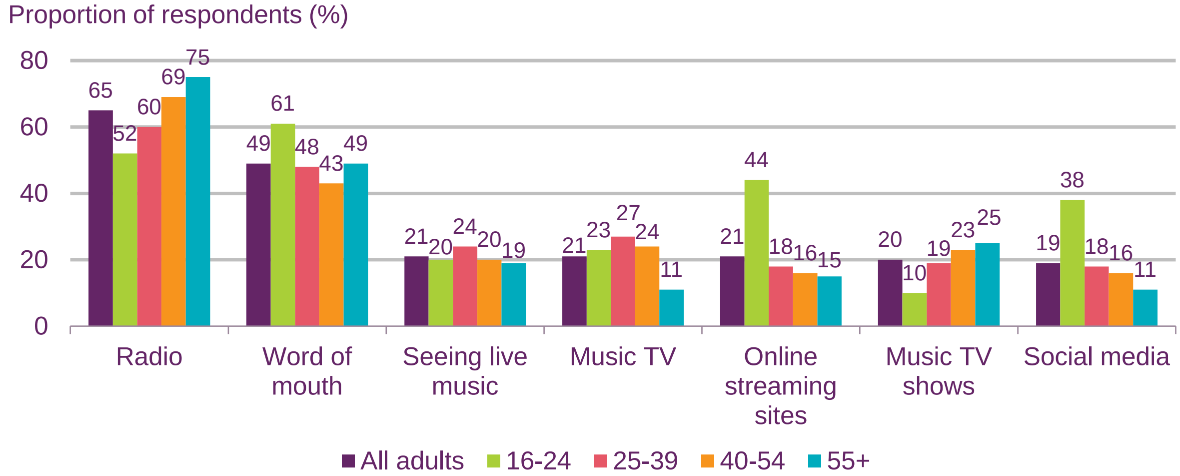
Source: Ofcom analysis of Radiomonitor and Official Charts Company data, Q4 2014

Radio is a popular source for discovering new music, even for the 16-24s

Just over two-thirds (65%) of adults who try to discover new music use radio as a source for finding it. Across all the age ranges (Figure 3.12), more than half use radio to find new music. This is highest among over-55s (at 75%) and lowest among the 16-24s (52%), who are more likely to use word-of-mouth recommendations (61%).

Music discovery among 16-24s differs most from the other age groups; 44% of 16-24s use online streaming to find new music, and 38% take recommendations from social media. About one in five adults use streaming sites and the same proportion use social media as a source of new music.

Figure 3.12 Most popular sources for the discovery of new music: 2014



Source: YouGov, Music Consumption, 2014, fieldwork August 2014.
Base: Those that strive to discover new music, all adults (684), 16-24 (118), 25-39 (198), 40-54 ((185), 55+ (183) Q. How do you typically discover music you have not heard previously? Please choose all that apply.

3.2 The radio and audio industry

3.2.1 Introduction

In this section we examine the characteristics of the UK radio and audio industries, focusing on commercial and community radio station revenue and BBC expenditure, together with the audience shares of the main players.

Key points in this section include:

- **Commercial radio revenue per listener has increased**. Commercial radio revenue per listener now stands at £14.14, an increase of 5.9% year on year.

- **Growth in commercial revenue has been driven by national advertising.** Revenue from advertising national products, brands and services on local and national commercial radio stations has grown from £207m to £243m, up 17.3% over the year.

- **BBC's share of all radio listening has fallen slightly.** Commercial radio has increased its share of listening, albeit slowly over the past three years, from 41.9% to 42.4% (the year to Q1 2015). The BBC's share of radio listening has fallen from 54.3% to 53.1% over the same period.

- **Global and Bauer reach 37 million listeners every week**. Commercial radio's two largest radio groups, Global and Bauer, together reach 37.3 million listeners. Through acquisition and development of its branded radio stations, Bauer has seen its share of the listening market increase from 10.8% (Q1 2011) to 14.0% (Q1 2015).

- **Community radio revenue has increased year on year for the first time.** Average (mean) income is up by 0.8% and median income has grown by 6.9% since last year. The average community radio station income is £55,750, while median income is £35,750 (an increase of £2,500 on the year).

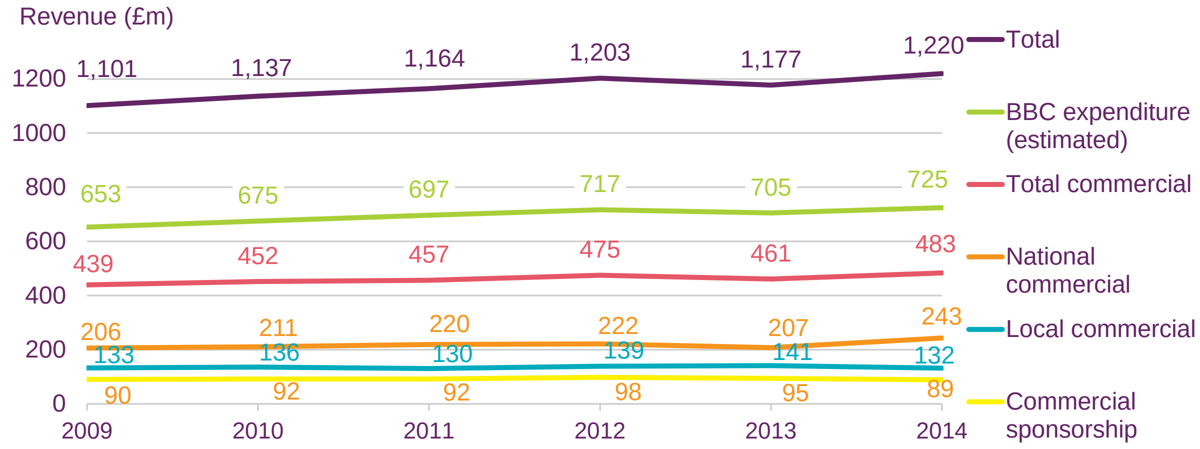
3.2.2 Radio sector revenue and expenditure

Total sector revenue increased by £43m to £1.2bn in 2014

BBC radio expenditure and commercial radio revenue both grew in 2014. After a decline in 2013, spend by the BBC on radio increased by £20m to £725m. Commercial revenues grew by £22m to £483m, a 4.9% increase.

The growth in commercial radio revenue was driven by gains in national advertising revenue, up by £36m (17.3%). Local advertising revenues fell by £9m (- 6.6%) and sponsorship also declined (by 6.2% to £89m), but these were more than offset by the growth in national advertising. Income from national advertising is the largest single source of revenue for UK commercial radio, at £250m. Local advertising revenue in 2009 stood at £133m (2014: £132m).

Figure 3.13 Radio sector revenue: 2009-2014



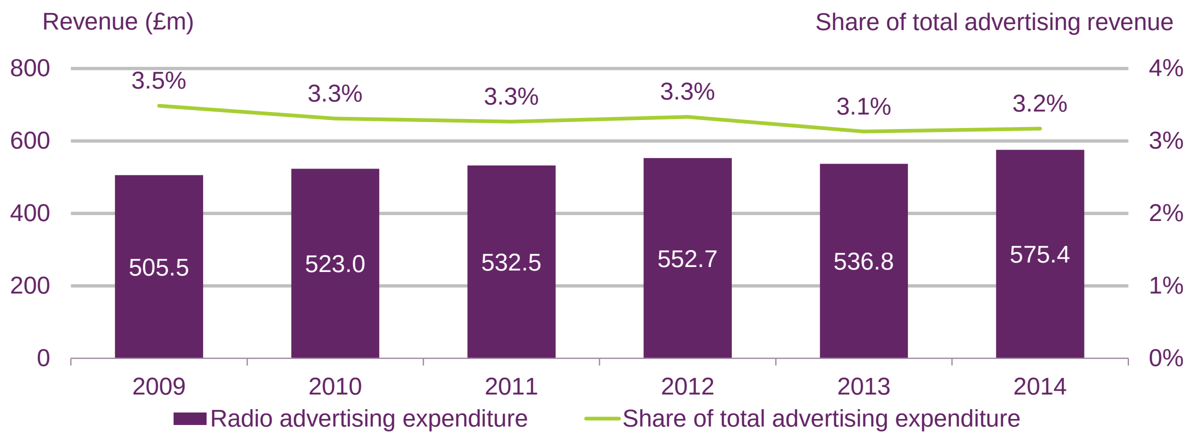
Source: Ofcom / operator data / BBC Annual Report 2008-2015 Note: BBC expenditure figures are estimated by Ofcom based on figures in Note 2c of the BBC Annual Report (www.bbc.co.uk/annualreport); figures in the chart are rounded and are nominal. Total includes community radio, but community radio is not shown on the chart. Total commercial includes all sources of revenue - national, local, sponsorship and 'other', but 'other' is not shown on the chart.

Radio advertising revenue returns to growth

Figures from the Advertising Association / WARC show that the share of total advertising expenditure accounted for by radio advertising has increased slightly over the year to 3.2%. At £575.4m, this is the highest level of radio advertising spend since 2007 (£598.2m).

Please note that the data set out in Figure 3.14, representing advertising expenditure, are sourced from AA/Warc, whereas the advertising revenue data presented in Figure 3.13 are collected by Ofcom and are net of any agency or production fees.

Figure 3.14 UK radio advertising spend and share of display advertising: 2009-2014



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

Commercial radio revenue per listener has grown

Commercial radio revenue per listener increased by 5.9% in 2014 to reach £14.14. This is the second highest level in the last five years. Figure 3.15 is calculated by dividing the net revenue of the commercial broadcasters by average weekly reach to commercial radio. Reach to commercial radio fell by 1pp year on year, and, coupled with the increase in commercial revenues, this means that the rate of increase for revenue per listener is larger than for total commercial revenue.

Figure 3.15 Commercial radio revenue per listener

Source: Broadcasters and RAJAR, 2010-2014. Figures are nominal.

3.2.3 Commercial radio revenue in 2014

Increasing numbers of radio services are broadcast on DAB. These can be simultaneous broadcasts of existing analogue services (simulcast) or digital-only services, and may be transmitted on a local or national basis. In 2014, the revenue information collected by Ofcom included, for the first time, the revenues generated from all commercial digital broadcast services. The data in Figure 3.16 therefore show the total value of the commercial radio sector in the UK.

Previous years' data have not included all commercial digital services, so the analysis below is not comparable with the data shown in sections 3.1.2 and 3.2.2. In those sections, commercial revenues for 2014 have been presented on the same basis as in previous years, on a like-for-like basis to enable analysis of trends.

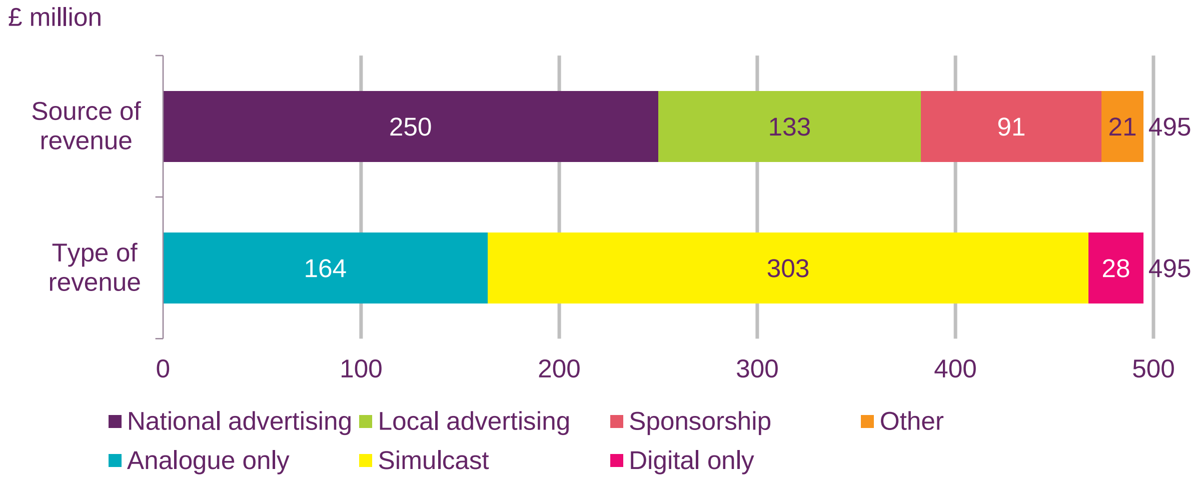
Ofcom will continue to collect and publish total commercial revenues from all commercial analogue and digital radio services in the coming years.

The total revenue gained by the commercial radio sector in the UK in 2014 was £495m

Of the £495m total commercial radio revenue, over half (£250m) was from national advertising, and just over a quarter (£133m) was from local advertising.

As many of the stations broadcasting on local digital multiplexes are simulcasts of analogue services, segmenting revenue by type shows that the majority (61%) of this revenue is from these simulcast services (£303m). Those stations broadcasting only on analogue accounted for one-third of total revenue, with the remainder (£28m) coming from digital-only broadcasts.

Figure 3.16 Commercial radio revenue, by source and type

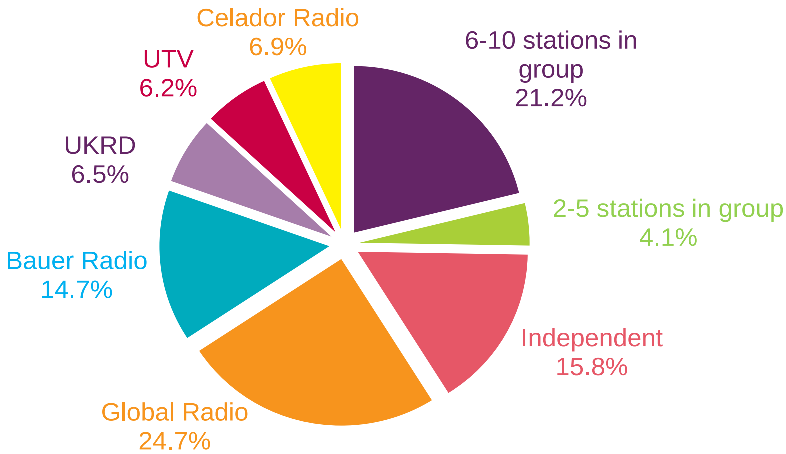


Source: Broadcasters

3.2.4 Radio sector market shares in 2014

There have been no significant radio station acquisitions or changes in ownership in the past 12 months, so the proportion of licences held by the UK's radio groups remains broadly unchanged. Global Radio and Bauer Radio are still the largest two radio groups, accounting for nearly 40% of all analogue licences held. Together they account for 31.5% of all UK radio listening.

Figure 3.17 Proportion of analogue commercial radio licences, by group

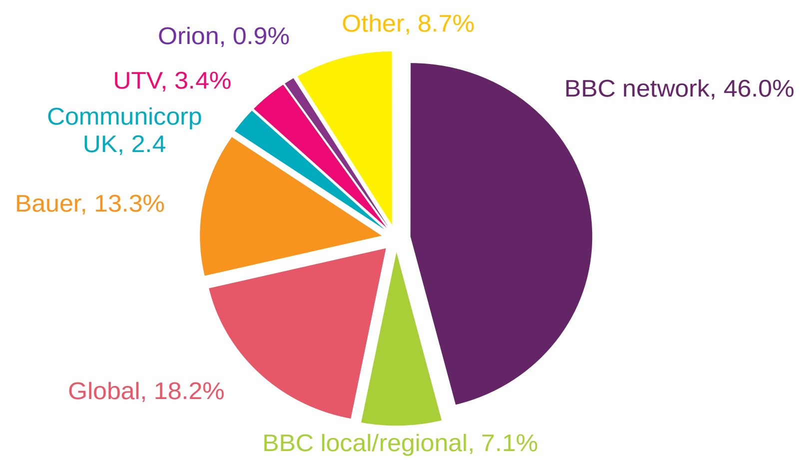


Source: Ofcom, May 2015

The BBC's share of all radio listening has fallen slightly

Commercial radio has increased its share of listening slowly but steadily over the last three years, from 41.9% to 42.4% (the year to Q1 2015). This is at the expense of a decline in market share for BBC radio, whose share of all radio listening, averaged over 12 months to Q1 2015, was down from 54.3% to 53.1%.

Figure 3.18 Share of all radio listening hours: Q1 2015



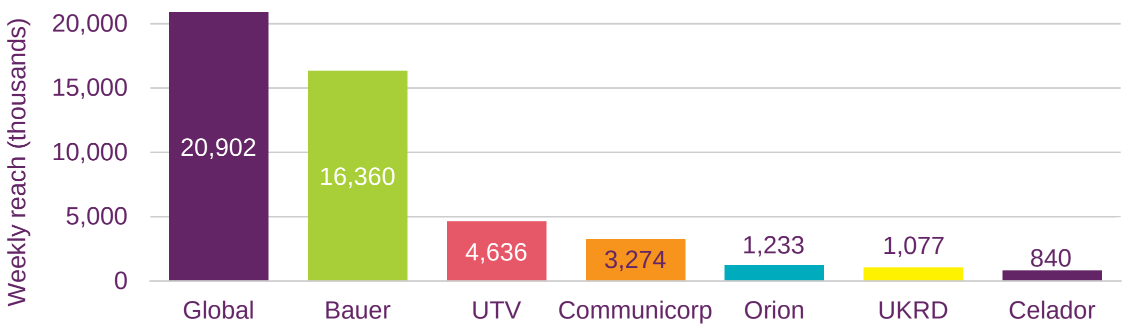
Source: RAJAR, all adults (15+), twelve months to Q1 2015. Base: National Total Survey Area

Global and Bauer reach 37 million listeners every week

Commercial radio's two largest radio groups, Global and Bauer, reached 37.3 million listeners in an average week in Q1 2015. Through acquisition and development of its branded radio stations, Bauer has increased its share of total listening hours (measured quarterly) from 10.8% (Q1 2011) to 14.0% (Q1 2015).

Figure 3.19 Commercial radio, by weekly audience reach: Q1 2015

	Global	Bauer	UTV	Communicorp	Orion	UKRD	Celador
Weekly UK audience reach	**39.1%**	**30.6%**	**8.7%**	**6.1%**	**2.3%**	**2.0%**	**1.6%**
Annual change in reach*	-0.7pp	+0.7pp	+0.1pp	+0.1pp	+0.1pp	0	+0.3pp



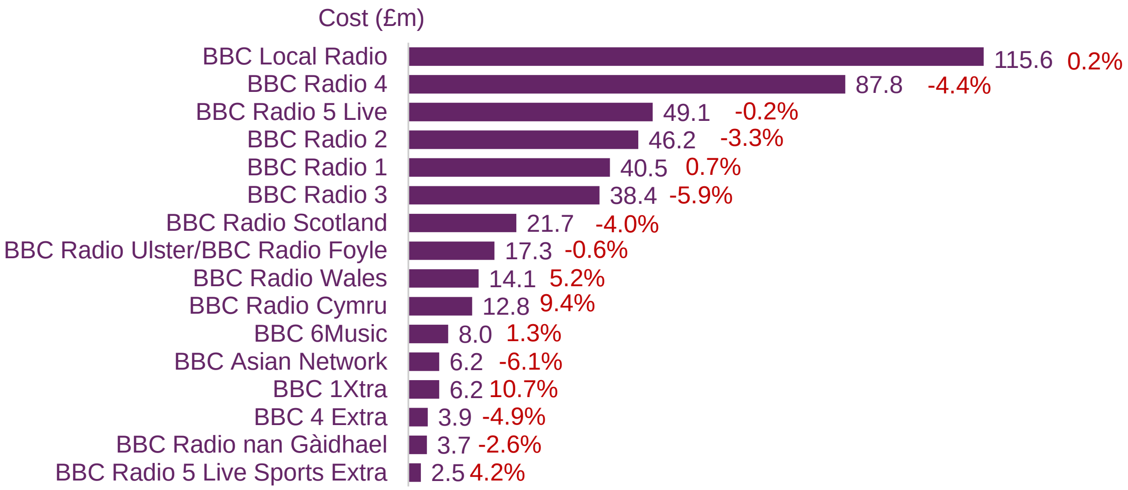
*Source: RAJAR, all adults (15+), Q1 2015. Base: National Total Survey Area * Q1 '14 and Q1 '15. UKRD figures include The Local Radio Company.*

3.2.5 BBC radio services

BBC spend on radio content has fallen by £6.7m

BBC spending on radio content (as opposed to radio expenditure overall) has declined by £6.7m (1.39%) in the past year, following a fall of 1.5% in the previous year. Over the period between 2014 and 2015, £200,000 was added to the total of BBC local radio content spend and £300,000 to Radio 1's content spend. Radio 4 and Radio 2 were cut back by £4.0m and £1.6m respectively. Non-content expenditure, which increased between 2013 and 2014 (see Figure 3.4), includes overheads and transmission costs.

Figure 3.20 BBC radio stations' spend on radio content: 2014-15

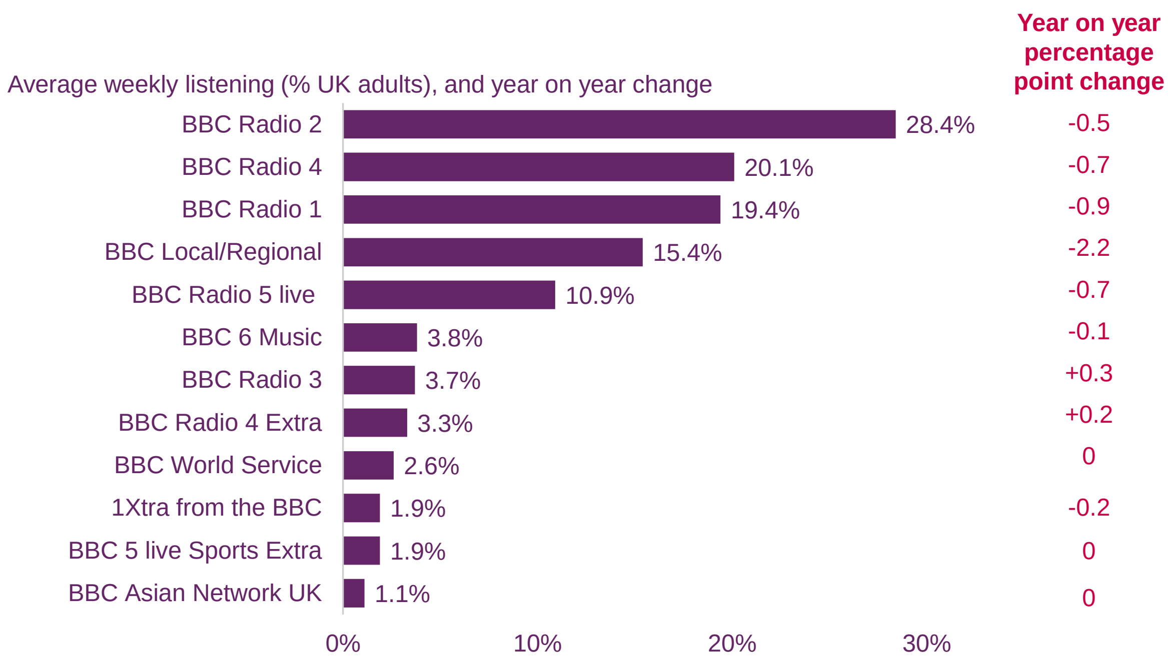


Source: BBC Annual Report 2014-15. Year-on-year change shown in red text to the right of the absolute value

Digital-only stations 6 Music and 4 Extra were the only BBC network stations to increase their audiences in 2014

Among all BBC radio services available in the UK, most stations lost listeners over the past year. BBC local radio services, taken as a whole, saw listener reach fall by 2.2pp (from 17.6% to 15.4%) while Radio 1's reach fell below the 20% mark; from 20.3% to 19.4%. Two stations, BBC 6 Music and BBC Radio 4 Extra, increased listenership by 0.3pp and 0.2pp respectively. BBC 6 Music now has more listeners than BBC Radio 3.

Figure 3.21 Weekly reach of BBC stations: Q1 2015



Source: RAJAR, all adults (15+), year ending Q1 2015

3.2.6 Radio licences

Broadcasting a commercial radio service requires two types of licence from Ofcom: a Broadcasting Act licence and a Wireless Telegraphy Act licence. The Broadcasting Act licence has regard to the content broadcast by the licensee and the area that the service must cover, and the other authorises the use of spectrum. BBC services are licensed by Ofcom under a Wireless Telegraphy Act licence but not a Broadcasting Act licence.

In total, 289 analogue local commercial radio licences are on issue; 237 on FM and 52 on AM. Changes in regulation have allowed individual licensed services to share programming between licences, excepting key times such as breakfast and afternoon drive-time slots. This has led to the development of common brands, allowing quasi-networks to emerge, such as Global's Capital and Heart services. The Kiss FM brand is also able to network all its content across licences in multiple local areas in return for simulcasting the same service UK-wide on DAB.

For the services which share the same content between licences serving different areas, these stations are still required to deliver local news stories and other locally-relevant content. Each licence remains separate administratively, and those whose holders do not broadcast on a 'relevant' DAB multiplex periodically fall due for re-advertisement. Over the last 12 months, Ofcom has re-advertised local commercial radio licences in Weston-Super-Mare, Portsmouth, Greater London and Wolverhampton.

The sector has three national analogue commercial radio stations: Classic FM, and on AM, talkSPORT and Absolute Radio. These stations also broadcast across most of the UK on DAB using the Digital One multiplex, which also carries 11 other services.

The process of licensing DAB radio differs from analogue radio, because of the way this type of digital radio is transmitted. A multiplex is licensed by Ofcom, and these multiplexes, (one national and 54 local), can each carry about ten individual programme services. In March 2015, Ofcom licensed a second national (UK-wide) digital multiplex to Sound Digital Limited. This provider proposes to broadcast 15 digital radio stations to much of the UK from March 2016. The number and type of multiplexes, along with the number of services they carry, is set out in Figure 3.22

Figure 3.22 Digital audio broadcasting UK radio services: May 2015

	Commercial UK-wide	BBC UK-wide	Local Commercial	Total
Multiplexes	1	1	54	**56**
Services	14	11	401*	**425***

* Includes simulcast services (201 unique services). Excludes BBC local radio services

Source: Ofcom, May 2015

Ofcom remains active in awarding and issuing community radio licences. These services are small-scale and operate on a not-for-profit basis, targeting specific communities and delivering 'social gain' to the people they serve. The third round of community radio licence awards continues on a region-by-region basis. We have recently awarded licences in the Midlands and in the East of England.

The BBC Trust issues service licences to its radio stations at the national, regional and local level; these set out the characteristics of the service along with its objectives and the station's contribution to public value. The station's performance is measured against the service licence by the BBC Trust.

Figure 3.23 Analogue UK radio stations broadcasting: May 2015

Type of station	AM	FM	AM/FM total
Local commercial	52	237	289
UK-wide commercial	2	1	3
BBC UK-wide networks	1	4	5
BBC local and nations*	35	43	43
Community radio	6	221	227
TOTAL	**96**	**506**	**567**

Source: Ofcom, May 2015
Note: the conditions of each licence will determine the amount of programming that may be shared between these licensed services. Here we have taken the view that a service providing at least four hours a day of separate programming (even if the same brand has other services) equals one service.
** Includes simulcasts*

3.2.7 Community radio

Community radio revenue has increased year on year for the first time

For the first time since 2008, when Ofcom started collecting data from the community radio sector, community radio revenues have increased. While average (mean) income is up by 0.8%, median income has increased by 6.9% since a year ago. The average community radio station income is £55,750, while median income is £35,750, up £2,500 on 2013.

Data presented here come from returns submitted by licensees that have been broadcasting for at least one year. These figures therefore represent the totals for 206 stations, not the 227 stations that are currently on air.

Figure 3.24 Average income for community radio stations: 2009 to 2014

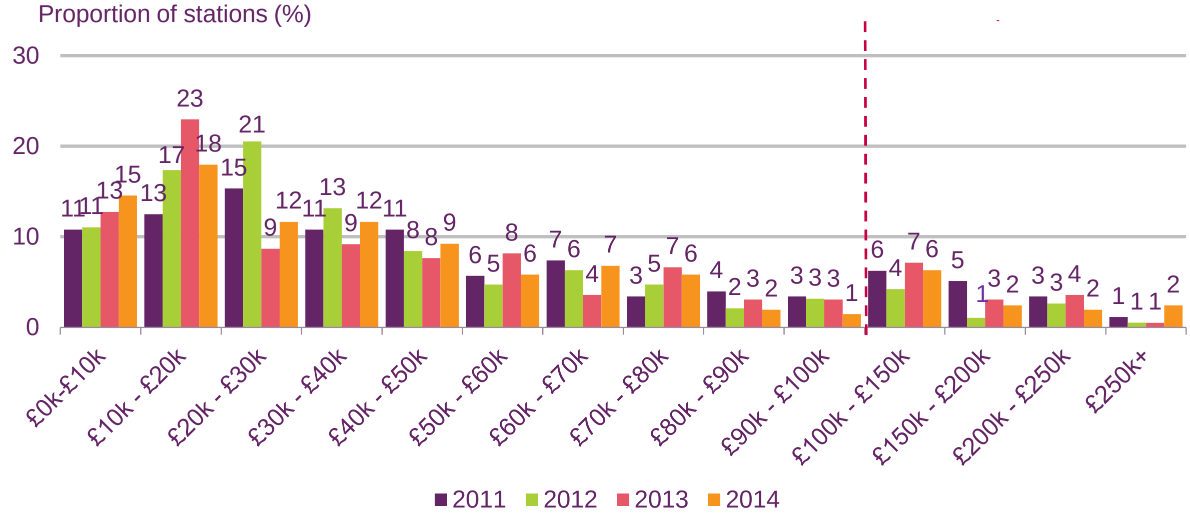
Income	2009	2010	2011	2012	2013	2014
Average (mean) income	£75,500 (-10.2%)	£65,750 (-12.9%)	£60,250 (-8.3%)	£57,000 (-5.4%)	£55,500 (-2.7%)	£55,750 (+0.8%)
Median income	£46,750 (-15.0%)	£42,500 (-7.14%)	£40,500 (-4.8%)	£35,250 (-13.1%)	£33,250 (-5.6%)	£35,750 (+6.9%)

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

Two-thirds of community stations reported revenue of £50,000 or less in 2014

Most community radio stations derive income of £50,000 or less, with 66% of stations in this category. In 2014, the proportion of stations receiving revenue in the range £20,000 to £50,000 per annum grew from 26% to 33%. The proportion of stations generating revenue of less than £10,000 has increased by 2pp, while the proportion reporting revenue between £10,000 and £20,000 has fallen by 5pp. This suggests that some of the smaller stations may have increased their revenues, as the time that they have spent on air has increased.

Figure 3.25 Distribution of total income levels across the community radio sector



Source: Ofcom analysis of community broadcasters' returns. Figures rounded.

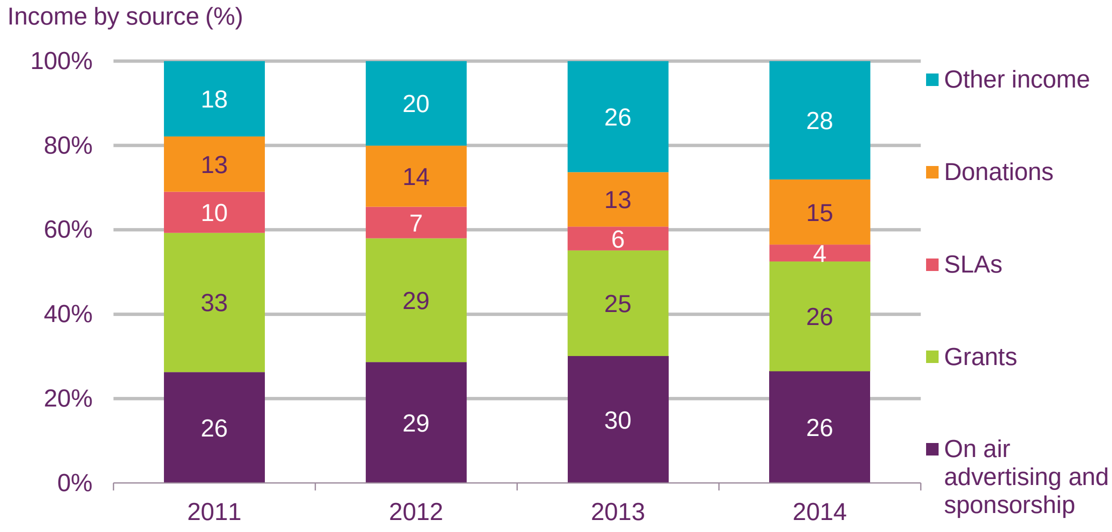
Just over a quarter (26%) of community radio income is from on-air advertising

Over the year the proportion of income from on-air advertising has fallen from 30% to 26%. During this period the overall average level of income has grown, with donations, grants and 'other' income all going up. 'Other' income includes revenue from the provision of training, fundraising and events, and merchandising income. Service level agreements (SLAs) are contracts with statutory or voluntary sector organisations for the delivery of social benefit in return for funding; they account for 4% of a station's typical total income.

The proportion of income coming from grants has fallen from 33% in 2011 to 26% in 2014

Between 2011 and 2014 the percentage of income from SLAs has fallen, from 10% to 4%, and the proportion of income from grants has fallen from 33% to 26%. The proportion of income from 'other' sources has grown progressively; from 18% in 2011 to 28% in 2014.

Figure 3.26 Community radio income, by source

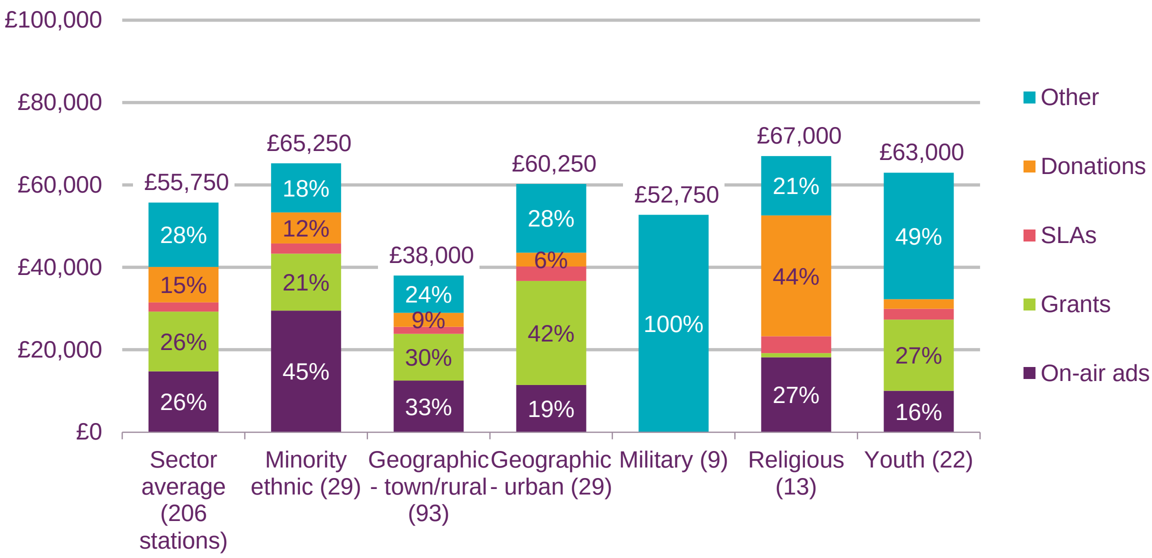


Source: Ofcom analysis of community broadcasters' returns

Stations serving religious communities have the highest average income

When considered by type of community served, religious community radio stations attract the highest average level of income, with 44% of income coming from donations, although this figure falls short of last year's average of £71,250. Stations serving minority ethnic groups had an average decline of £7,500 per station, while stations focusing on youth audiences had an average increase of £12,500 over the year.

Figure 3.27 Average income, by type of community served



Source: Ofcom analysis of community broadcasters' returns

Over the past year community radio has seen a fall in average operating expenditure

Average expenditure per station was £53,500 in 2014 (see Figure 3.28), a fall of 2.7%, compared with the average income of £55,750 (Figure 3.24). Similarly median expenditure, which fell by 6.8% to £33,250, is £2,500 per station lower than the median income of

£35,750 in 2013, suggesting that more community radio stations are now generating a surplus.

Figure 3.28 Average expenditure of community radio stations: 2009 to 2014

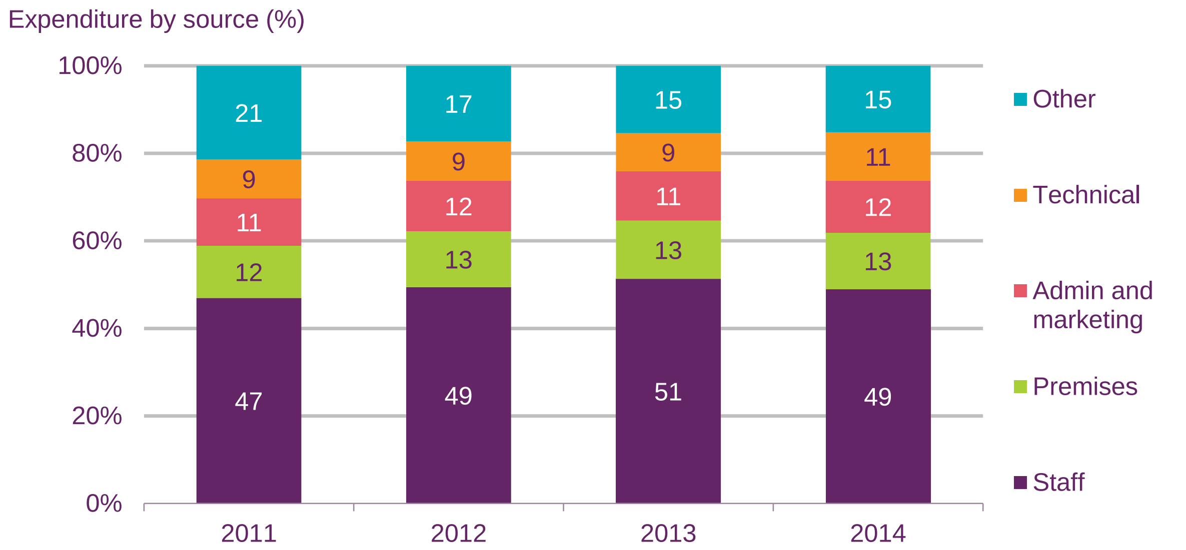
Expenditure	2009	2010	2011	2012	2013	2014
Average (mean) expenditure	£76,500 (-11.4%)	£67,000 (-12.3%)	£64,250 (-4.1%)	£58,000 (-9.7%)	£55,000 (-5.0%)	£53,500 (-2.7%)
Median expenditure	£52,250 (5.3%)	£43,000 (-17.5%)	£41,000 (-4.9%)	£35,500 (-15.4%)	£35,750 (2.7%)	£33,250 (-6.8%)

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

Staff costs account for almost half (49%) of community radio expenditure

To produce an average of 93 original hours of programming per week, community radio relies on volunteers as well as paid staff. A typical community station engages an average of 87 volunteers across the year. Staff costs, including paid staff and volunteer expenses, account for 49% of expenditure as shown in Figure 1.29. Year on year, there has been little change on the percentages of expenditure by type.

Figure 3.29 Community radio station expenditure, by type

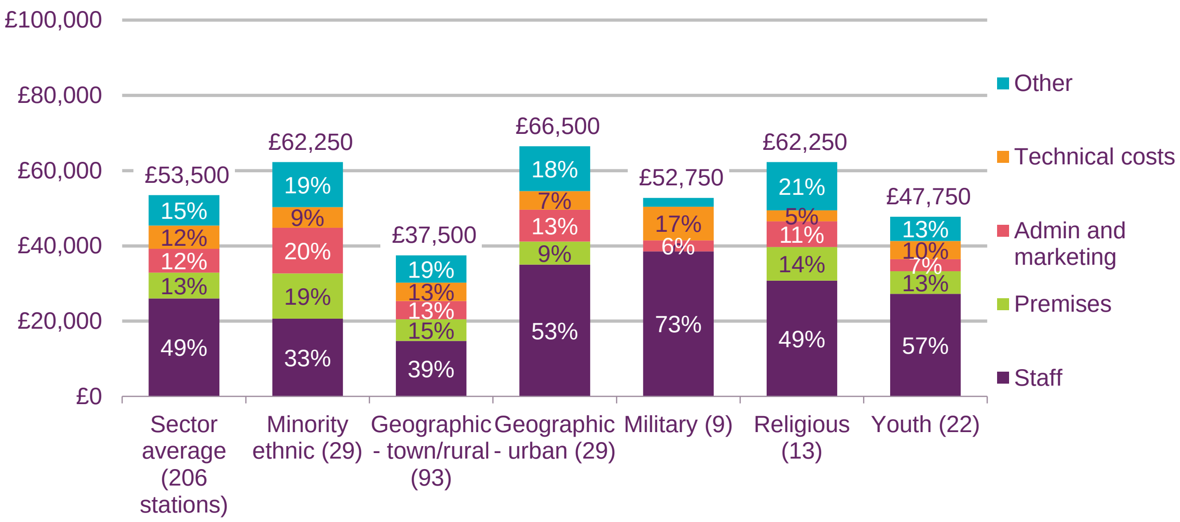


Source: Ofcom analysis of community broadcasters' returns

Stations serving an urban geographic community have the highest average expenditure

Average expenditure varies by the type of community served. Spending on staff remains highest for stations that serve military communities; almost three-quarters (73%) of the £52,750 average expenditure for these stations was accounted for in 2014 by staff costs. There has been a fall in staffing costs for geographic urban stations (58% in 2014, 53% this year). The proportion spent on staff costs by minority ethnic (33%) and geographic town/rural services (39%) remains low compared with the 49% average for all types of community radio station.

Figure 3.30 Average expenditure, by type of community served



Source: Ofcom analysis of community broadcasters' returns

Community stations, on average, broadcast 93 hours of original programming each week

In a full 168-hour week, community radio, on average, broadcasts original programming for 55% of this time. It has a focus on volunteering and training, and last year each station engaged, on average, 87 volunteers, and trained 60 volunteers.

Figure 3.31 Community radio hours and volunteers: 2014

	Sector average
Total original hours per week	93
Number of volunteers	87
Total volunteer hours per week	209
Number of volunteers trained	60

Source: Ofcom analysis of community broadcasters' returns

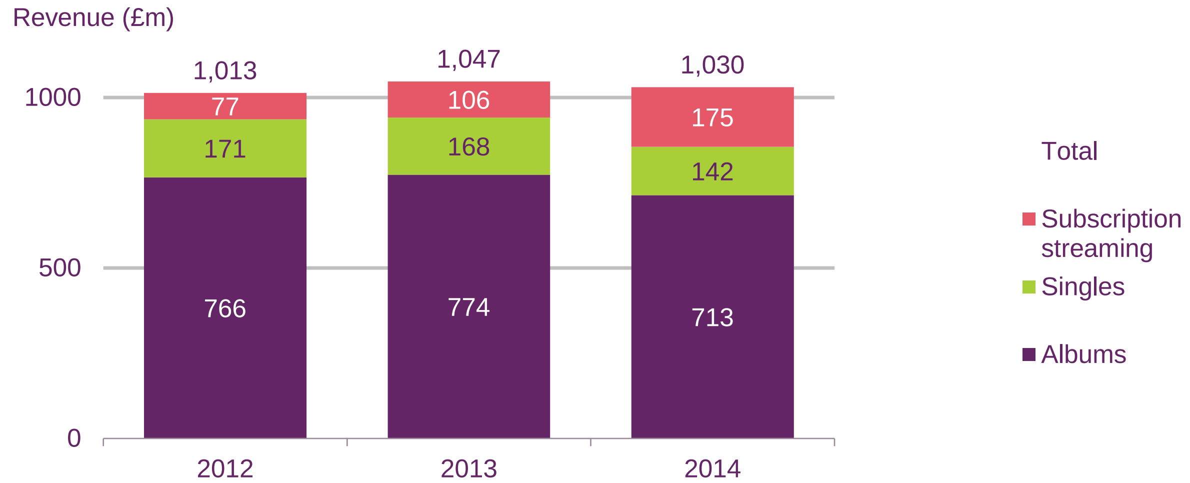
3.2.8 Recorded music revenues

The following section looks at trends in recorded music revenues, using information collated by the Entertainment Retailers' Association. We look at the market for recorded music, as it is a market adjacent to broadcast radio, and illustrates the changing patterns of consumer behaviour as a result of digital distribution techniques.

Subscription streaming revenue has more than doubled in two years

There has been little change in total recorded music retail revenues since 2012 (down by 1.6% year on year). While the revenue attributed to album sales fell by 7.8% (£61m) between 2013 and 2014, and revenue from singles sales fell by 15.3% (£26m), subscription streaming revenue rose by 65.1% over the same period (£69m).

Figure 3.32 Recorded music retail revenues: 2012-2014

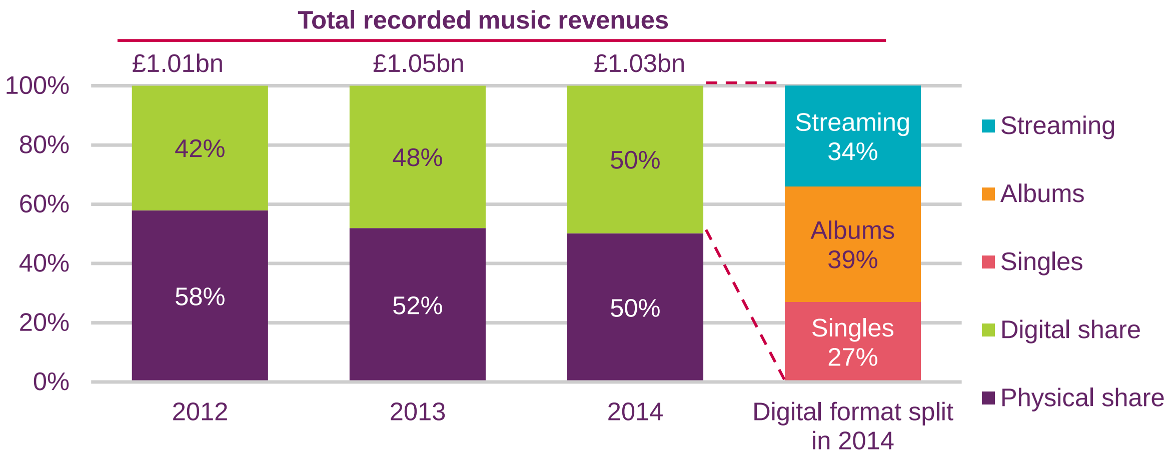


Source: Entertainment Retailers' Association / Official Charts. Figures are nominal.

In 2014 physical and digital recorded music earned equal revenue

In 2014, for the first time, the digital share of recorded music revenues reached 50% of the £1.03bn total. Of the digital total, 34% is attributed to music streaming, 39% to album sales and 27% to singles sales.

Figure 3.33 Distribution of recorded music revenue: 2012-2014

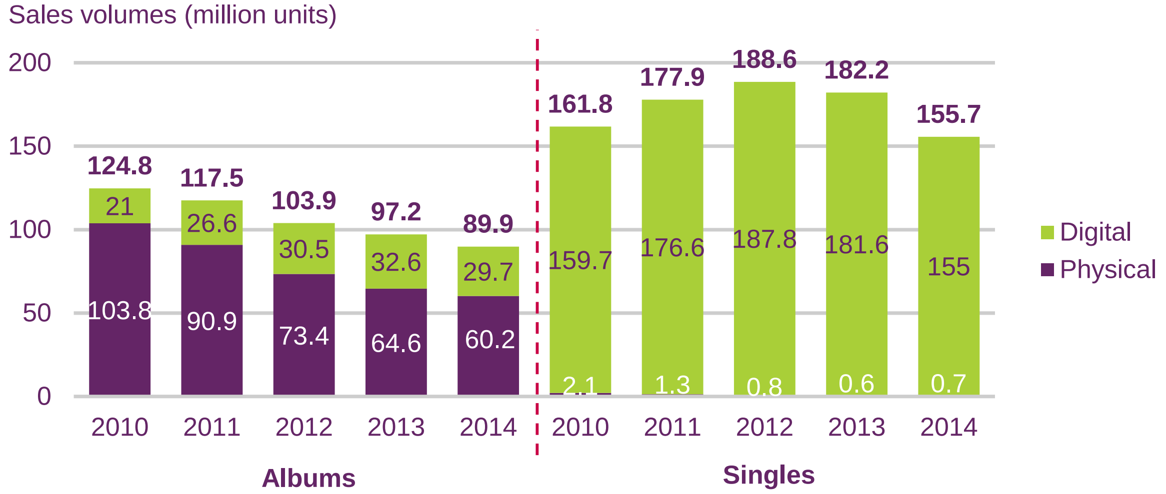


Source: Entertainment Retailers' Association / Official Charts

Total singles and album sales continue to decline

Among both album and singles sales, there has been a decline in volume for the digital product. This is most notable among digital singles sales; from 181.6 million in 2013 down to 155.0 million in 2014. This may be partly due to the increase in the number of tracks streamed through online services, with consumers not feeling the need to buy singles to own.

Figure 3.34 Recorded music sales, by volume: 2010-2014



Source: Entertainment Retailers' Association / Official Charts

3.3 The radio and audio listener

3.3.1 Introduction

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

Key points in this section include:

- **The reach of radio remains high.** Nine in ten (89.5%) UK adults listen to the radio each week, tuning in for 21.4 hours (an average of 183.4 minutes of listening per day, per listener).

- **Younger listeners continue to listen to less radio.** Currently, listeners aged 65 or over tune in for 25.5 hours per week (26.2 hours in 2005) whereas listeners aged 15-24 years tune in for an average of 15 hours per week (20.1 hours in 2005).

- **Digital's share of radio listening hours is 39.6%.** The rate of increase in digital listening, and the consequential decline in analogue listening, are both accelerating. Between Q1 2011 and Q1 2012 the annual analogue decline was 2.3pp: between Q1 2014 and Q1 2015 it is 3.5pp. Digital listening grew by 2.8 percentage points year on year, to account for 39.6% of all radio listening.

- **Local radio speech elements are relied upon by many listeners.** Between 24% and 36% of local radio listeners say they depend on the bespoke speech content that features in commercial and BBC local broadcasts; 65% believe it is important that local radio services should be based locally.

- **Two-thirds (66%) of local radio listeners rate local radio as important**. Of the sector's 35.6 million listeners, 66% of those surveyed considered local radio to be either 'very important' or 'fairly important'.

- **Radio plays a significant role in delivering information about new music and concerts**. As a source of knowledge about new music or concerts, radio's ability to curate this information and deliver it to a relevant audience remains strong, with 42% of respondents aged 16+ choosing radio to obtain this information.

Listening figures

Listening figures included in this report are sourced from Radio Joint Audience Research (RAJAR), the official body in charge of measuring radio audiences in the UK. RAJAR uses an annual sample of approximately 110,000 respondents aged 15+ and is a diary-based survey. Participants keep a record of their radio listening for one week.

Only Ofcom-licensed stations can request to be measured on RAJAR. Over 300 individual stations broadcasting in the UK are currently surveyed. Radio listening on any platform is included in the survey, whether through an analogue receiver, a DAB set, a digital television or through a radio station's online stream.

RAJAR measures listening to individual stations, using a representative sample within the area in which the station is broadcasting. Where we have presented figures for radio as a whole, or for individual sectors, these are the aggregated results for the relevant stations.

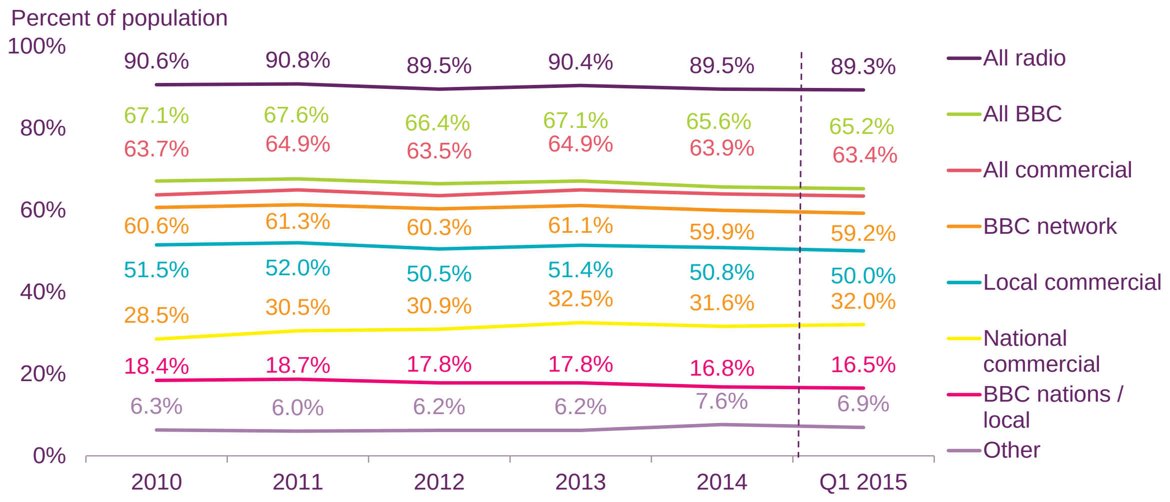
Further information about RAJAR, and the quarterly results and market trends within the data, can be found on the RAJAR website: http://www.rajar.co.uk/

3.3.2 Weekly radio listening in the UK

The reach of radio remains high

Expressed as a percentage of the UK adult population, the proportion of people who listen to radio has remained stable since 2010. National commercial radio, which has expanded greatly in recent years using the DAB platform, is now listened to by 32% of UK adults, up from 28.5% in 2010.

Figure 3.35 Reach of radio, by sector

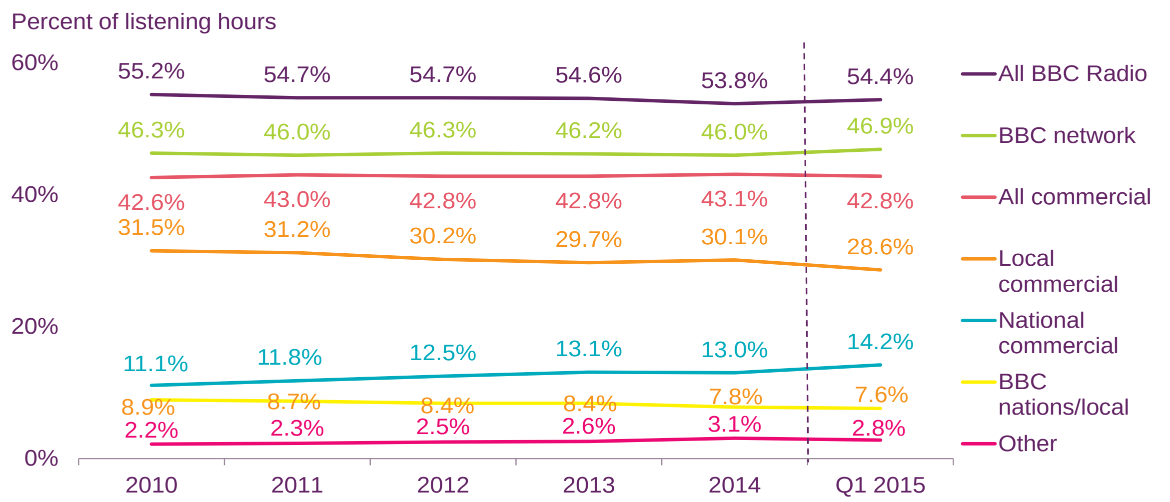


Source: RAJAR, All adults (15+), calendar years 2010-2014, Q1 2015

National radio services have gained listening share at the expense of local services

When expressed as a share of all radio listening, BBC radio listening, between 2010 and 2014, has declined by 1.4pp while listening to commercial radio increased by 0.5pp. There was some movement between the sectors that comprise all UK radio broadcasting. BBC network radio has seen an increase at the expense of BBC local radio. A similar pattern can be seen with commercial radio.

Figure 3.36 Share of listening hours, by sector

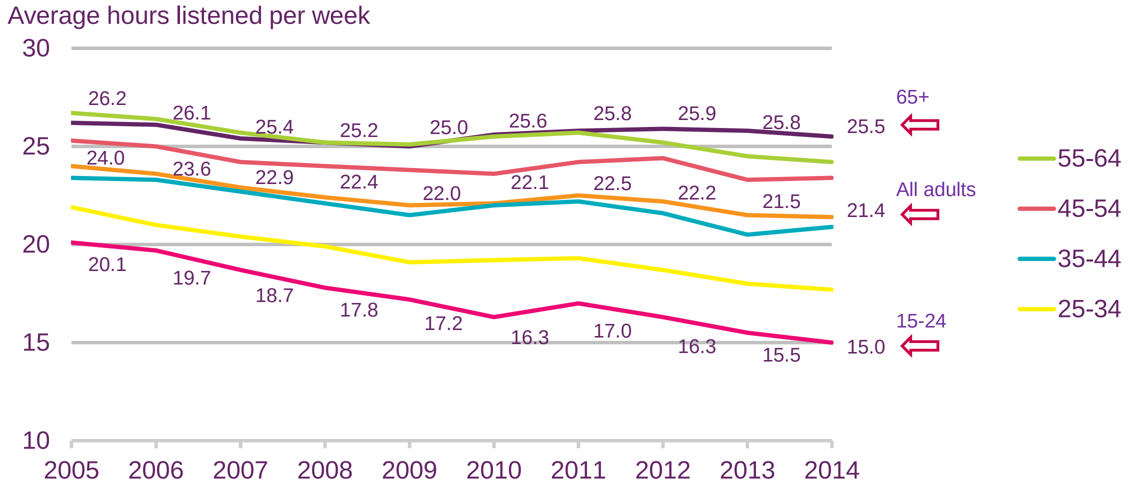


Source: RAJAR, All adults (15+), calendar years 2010-2014, Q1 2015

Listeners aged 15-34 are listening less

According to RAJAR, the average listener tunes in to radio for 21.4 hours per week. Over the calendar years 2010 to 2014, this has declined by 42 minutes. The length of time spent listening in a typical week has always varied by the age of the listener (younger listeners tend to listen less than older listeners).

Figure 3.37 Average hours per listener: 2005 to 2014

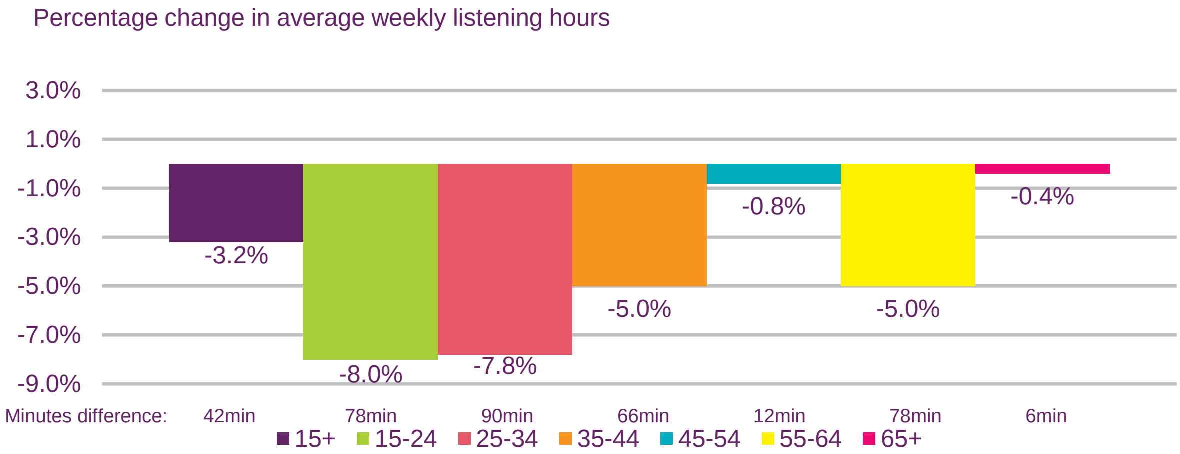


Source: RAJAR, average weekly listening per listener, calendar years 2005-2014

Average listening hours have reduced over recent years

Currently, listeners aged 65+ tune in for 25.5 hours per week, whereas listeners aged 15-24 do so for an average of 15 hours per week. The percentage levels of decline in Figure 3.38 relate to the change in average time spent listening by each demographic group. For example, among those aged between 25-34, the decline in time spent listening is -7.8%; this equates to an 'average hours' decrease of 90 minutes. A greater decline of 8% can be seen among 15-24s, equating to a 78-minute decrease in the past five years.

Figure 3.38 Percentage change in time spent listening, by age group: 2010-2014

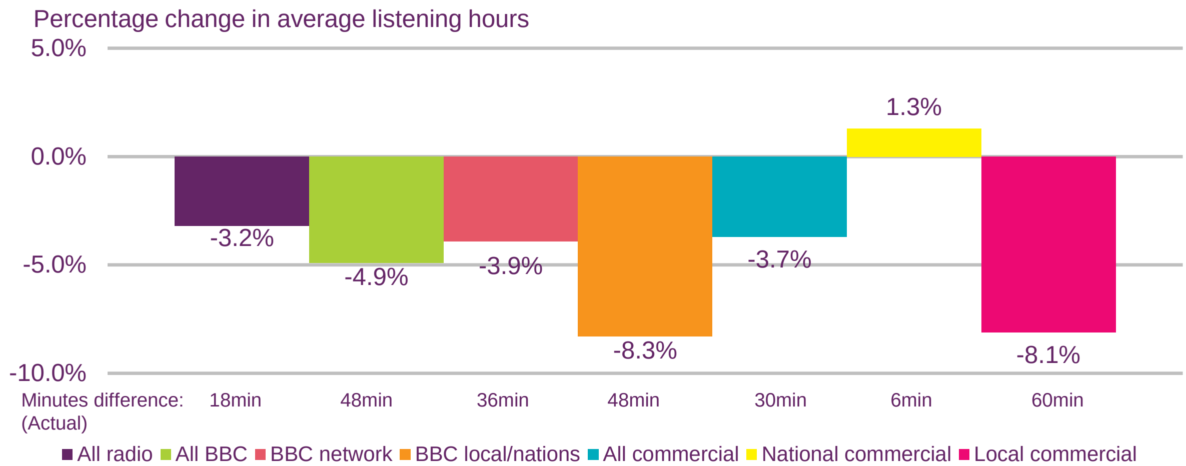


Source: RAJAR, all adults 15+. Calendar years 2010 and 2014 average hours difference, by age group

National commercial is the only sector in which listening increased between 2010 and 2014

Breaking down the overall decline of 3.2% for all radio between the years 2010 and 2014, listening to BBC local and nations' services declined by 8.3%' and local commercial radio by 8.1%. To put this into context, between the years in question, local radio retained 91.7% (BBC) and 91.9% (commercial) of its average listening hours in the face of competition for listeners' time from new media and devices. The sectors still command average listening levels of 16 hours 48 minutes per week and 11 hours 30 minutes per week respectively.

Figure 3.39 Percentage time spent listening, by sector: 2010-2014

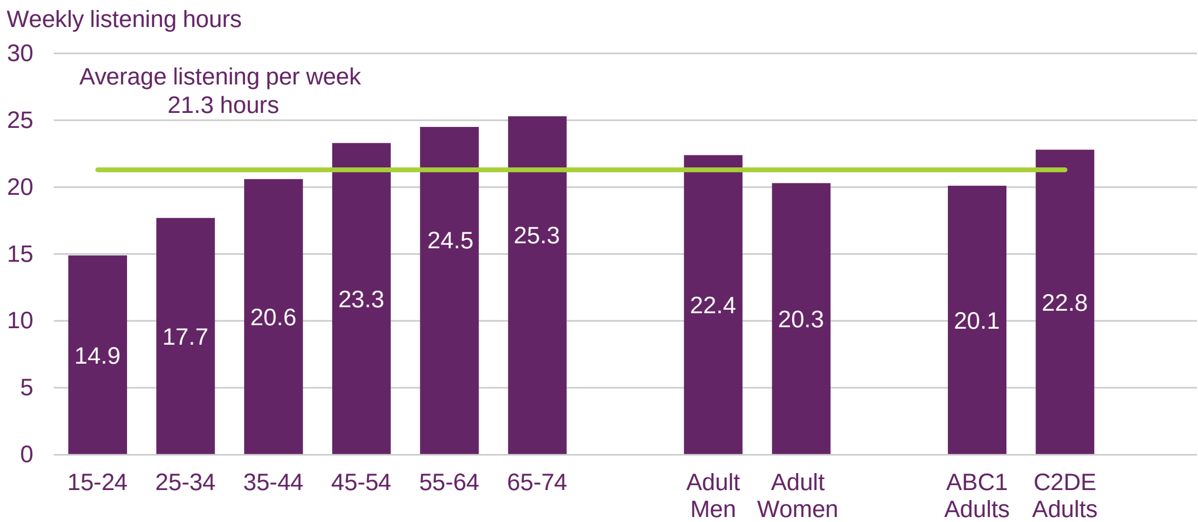


Source: RAJAR, all adults 15+. Calendar years 2010 and 2014 average hours difference, by sector

Time spent listening varies by demographic

The profile of radio listening by age, gender and socio-economic group remains broadly unchanged year on year, although there is a suggestion that the rate of decline between each full year is slowing. For certain demographics (adult women and C2DE adults) listening is staying flat, while those aged 45-64 are increasing their time spent listening in a typical week.

Figure 3.40 Average weekly listening, by demographic: year ending Q1 2015



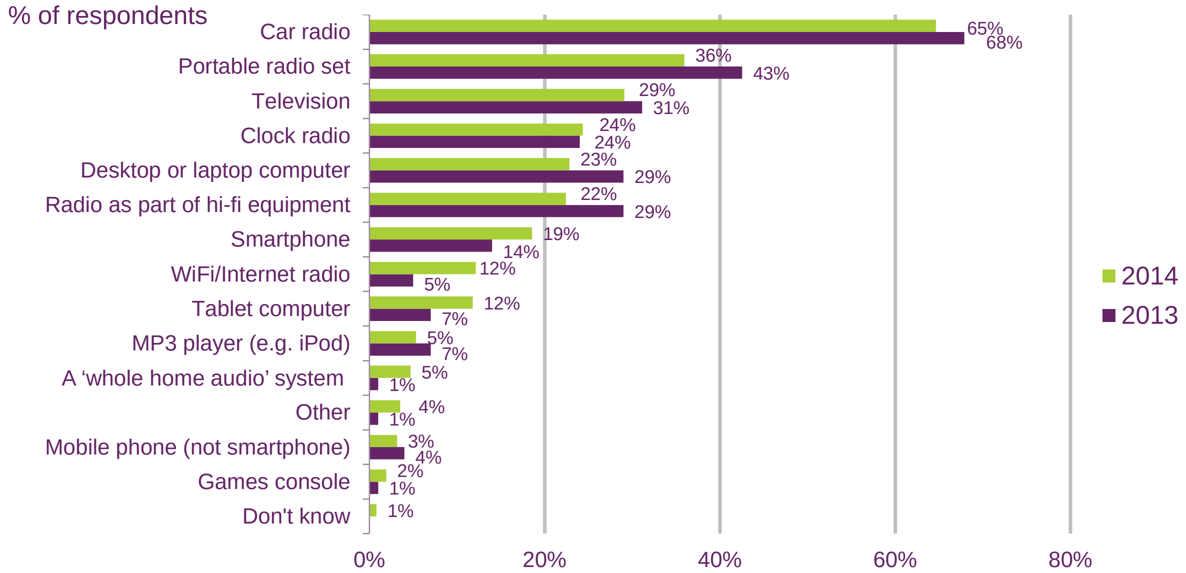
Source: RAJAR, all adults (15+), year ending Q1 2015, average weekly listening hours per listener

3.3.3 Radio: provider of localness and music

Around the home there has been a shift in the choice of listening devices

YouGov research has found that a car radio is the most popular device for radio listening, but there are signs of a shift in the way that radio is listened to around the home, because of the increasing popularity of comparatively new devices. Listening through portable radio sets and fixed devices such as television sets, desktop/laptop computers and hi-fi systems appears to be in decline, while smartphones, WiFi internet radio and tablets are showing significant increases.

Figure 3.41 Popularity of devices used to listen to radio



Source: YouGov, YouGov SixthSense New Generations and the Future of Radio surveys (3-9 May 2013) and YouGov New Generations and the Future of Radio Survey (29 August 2014-8 September 2014). Base: 863 UK radio listeners aged 16+ (2013) and 868 UK radio listeners aged 16+ (2014). Q15. Which of the following devices do you currently listen to the radio on?

Between 2011 and 2015 the share of radio listening on the move has increased

Against steady levels of total audience, between 2011 and 2015 there has been a trend for a greater proportion of listening to take place on the move i.e. in a vehicle. Between Q1 2011 and Q2 2015, the share of total listening hours that took place in the home has declined by 3pp to 62%, while the proportion of listening in a vehicle has increased from 20% to 22%.

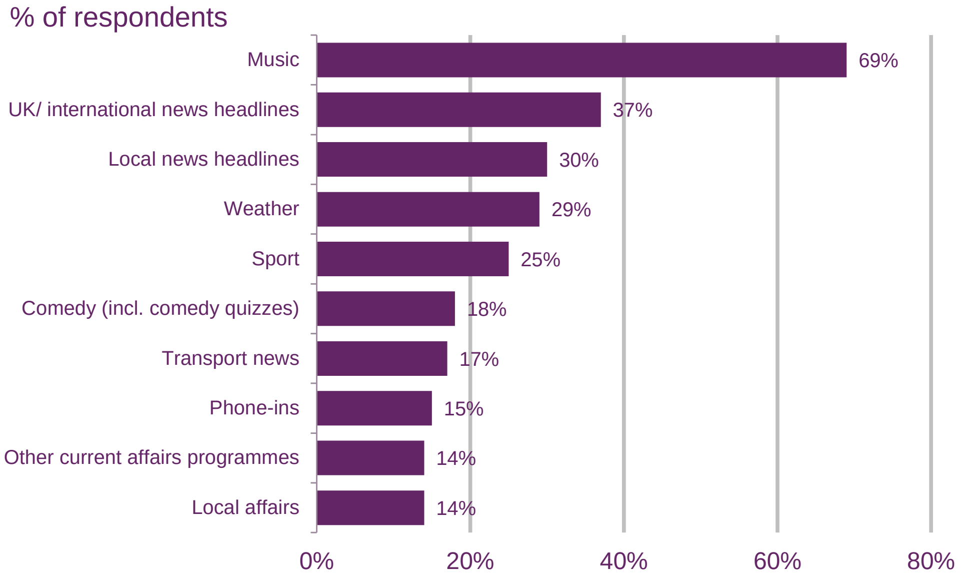
Figure 3.42 Location of listening, year ending Q1: 2011-2015

Source: RAJAR, year ending Q1 2011-2015 all adults 15+

Non-music content has a value to listeners

The music played, whether by quantity and/or breadth of choice, forms the main basis by which many radio stations attract listeners. Music, as a favoured type of content, is a common theme in radio research. However, other forms of content remain well regarded by respondents. As shown below, UK/international news (37%) and local news (30%) are widely listened to. Other speech elements such as weather, sport and travel (transport) news are also widely consumed by listeners.

Figure 3.43 Types of content listened to



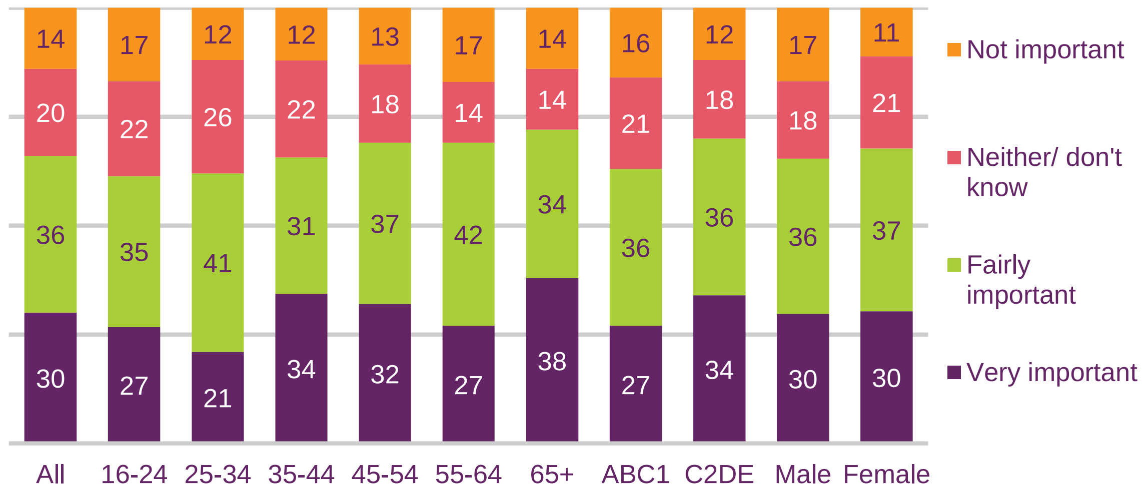
Source: YouGov New Generations and the Future of Radio Survey (29 August 2014-8 September 2014). Base: 868 UK radio listeners aged 16+. Q23. What type of content do you listen to on the radio? Please choose all that apply.

Two-thirds (66%) of local radio listeners rate local radio as important

A third of all radio listening is to local radio[70]. Each week local commercial radio services reach 26.6 million listeners, and BBC local radio services in England reach 6.2 million listeners. These local services feature many, if not all, of the ten types of content set out in Figure 3.43. The majority of listeners regard these local services as important. Sixty-six per cent of a sample of these listeners considered local radio to be either ‘very important’ or ‘fairly important’. While there are some differences in proportion between the ‘very important’ and ‘fairly important’ categories by demographic, the combined ‘importance’ rating for local radio ranges between 72% (aged 65+) and 62% (among those aged 16-24).

[70] Local commercial radio licensed services and BBC local radio (England).

Figure 3.44 Importance of a local radio service

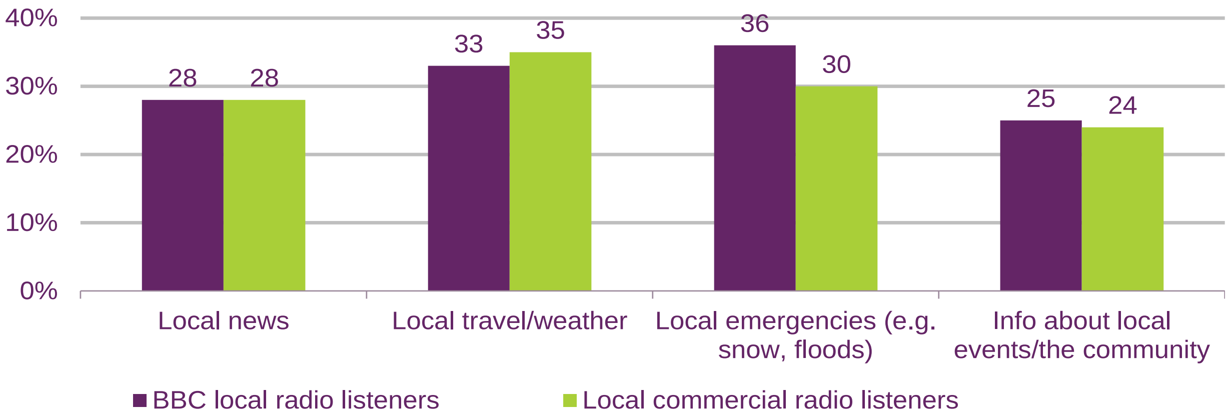


Source: Ofcom Media Tracker 2014. Base: All who listen to a local radio station (769); 16-24 (105); 25-34 (124); 35-44 (130); 45-54 (136); 55-64 (109); 65+ (165); ABC1 (419); C2DE (349); male (383); female (386). Prompted, single code. Q59 – How important to you is the service that local radio stations provide?

Local radio listeners' reliance on key speech elements ranges from 24% to 36%

Local radio is still 'relied on' for the key speech elements it provides. As the term 'rely' tends to be associated with dependency and/or trust, this term suggests a fairly high threshold. Despite the comprehensive array of information now available over the internet, and the widespread proliferation of devices to access this information, the speech content on local radio is still relied on by between a quarter and a third of local radio listeners.

Figure 3.45 Reliance on BBC local/local commercial radio stations for local issues and events

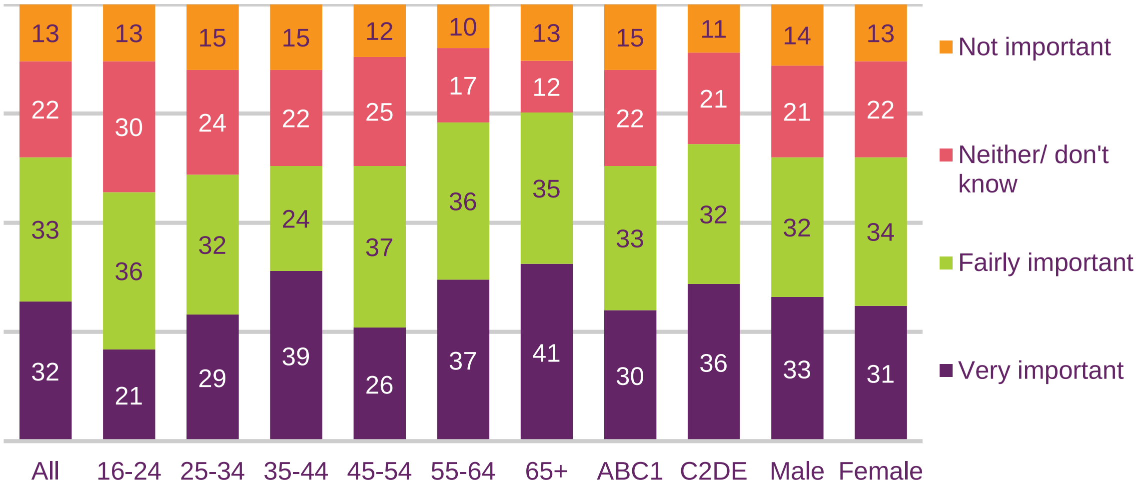


Source: Source: Ofcom Media tracker 2014. Base: All who listen to BBC local radio stations (551); All who listen to local commercial radio stations (562). Note: Mean scores. Prompted, single code. Q55/ Q56 - To what extent do you personally rely on BBC local / local commercial radio stations for coverage of the following local issues and events?

Six in ten local radio listeners consider it important that local radio stations are based locally

Sixty-six per cent of respondents consider local radio to be 'very' or 'fairly' important (Figure 3.44). It is also important to many listeners that local radio stations are based locally; two-thirds (65%) considered that it was 'very' or 'fairly' important that a local radio service should be based locally, while only 13% of local radio listeners responding to this question considered the location of a local radio station to be 'not important'. The proportion of respondents considering it important that a local radio station is based locally ranged from 57% among 16-24s to over 70% among those aged 55+.

Figure 3.46 Importance that local radio station is based locally

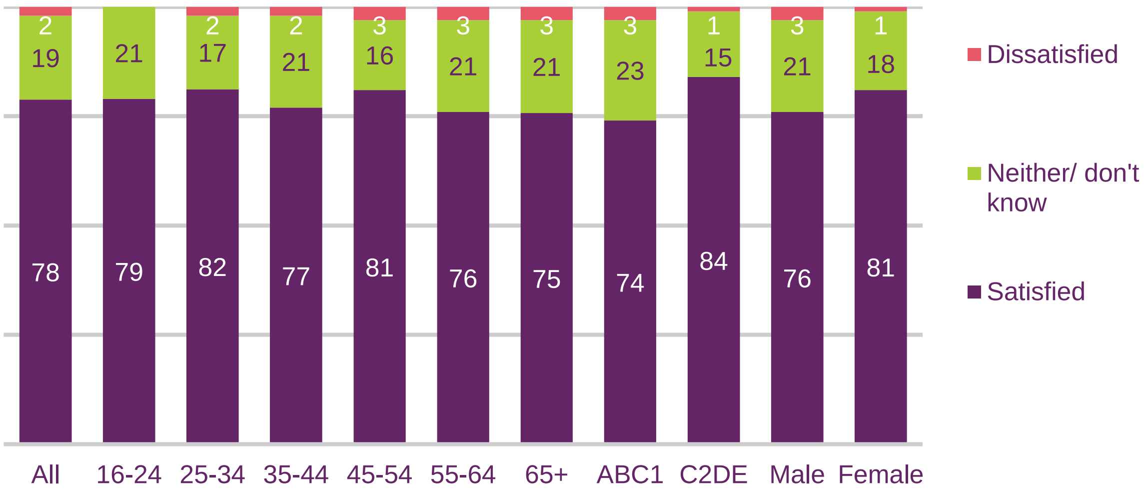


Source: Ofcom Media Tracker 2014. Base: All who listen to a local radio station (769); 16-24 (105); 25-34 (124); 35-44 (130); 45-54 (136); 55-64 (109); 65+ (165); ABC1 (419); C2DE (349); male (383); female (386). Prompted, single code. Significance testing shows any difference between any age group and all adults and any difference between socio-economic groups and by gender. Q60 – How important is to you that your local radio station is based in your local area?

Three-quarters of local radio listeners are satisfied

Historically, radio has commanded a position of trust from its listeners. Ranging from 74% to 84% across all key demographics, the average degree of satisfaction overall with local radio is 78%.

Figure 3.47 Satisfaction with local radio station

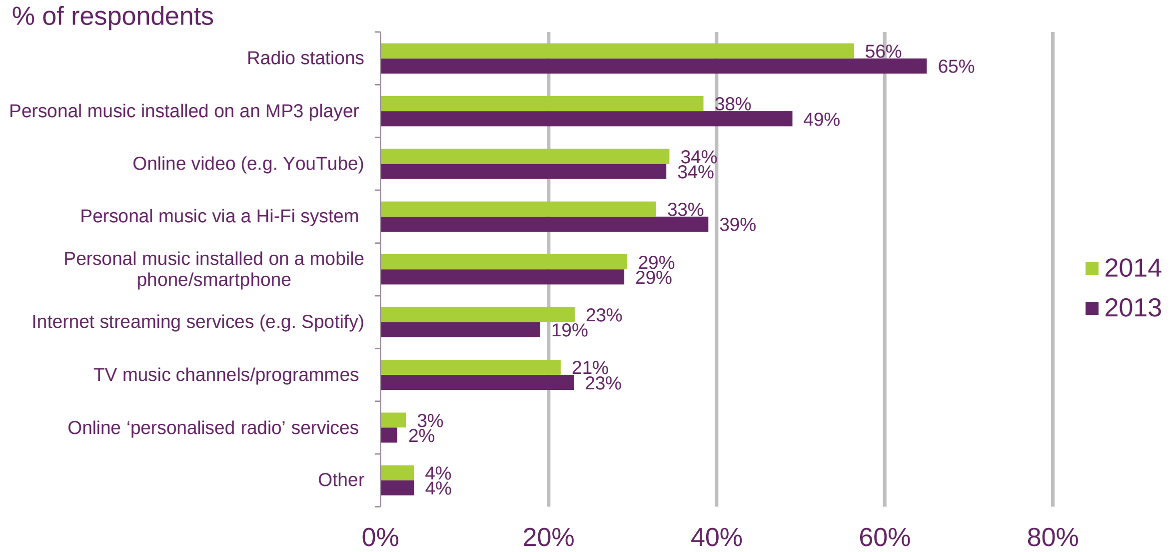


Source: Ofcom Media Tracker 2014. Base: All who listen to a local radio station (769); 16-24 (105); 25-34 (124); 35-44 (130); 45-54 (136); 55-64 (109); 65+ (165); ABC1 (419); C2DE (349); male (383); female (386). Prompted, single code. Significance testing shows any difference between any age group and all adults and any difference between socio-economic groups and by gender. Q58 – How satisfied are you with what you hear on your local radio station?

Fewer people are listening to music through radio, hi-fi systems and MP3 players

When asked which platforms they listened to music on, 56% said they used radio to listen to music on a regular basis (down 9pp from the previous year). The proportion listening regularly through an MP3 player has also fallen over the period (-11pp) as well as listening through a hi-fi system (down 6pp to 33%). Regular listening through internet streaming services grew by 4pp; from 19% to 23%.

Figure 3.48 Listening to music: 2013-2014

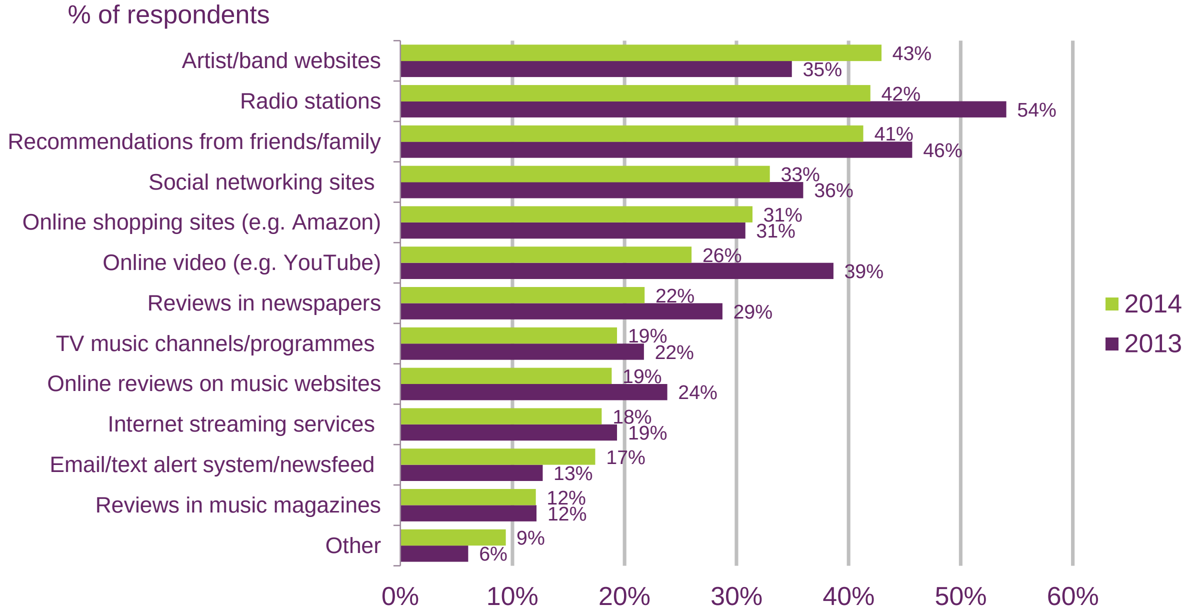


Source: YouGov, YouGov SixthSense New Generations and the Future of Radio surveys (3-9 May 2013) and YouGov New Generations and the Future of Radio Survey (29 August 2014 - 8 September 2014). Base: 863 UK radio listeners aged 16+ (2013) and 868 UK radio listeners aged 16+ (2014). Q36. Thinking about how you listen to music, which of the following do you use regularly?

Radio plays a significant role in delivering information about new music and concerts

As a source of knowledge about new music or concerts, radio's ability to curate this information and deliver it to a relevant audience remains strong. While 43% of respondents aged 16+ accessed artist/band websites directly for this information, a similar proportion (42%) chose radio. While radio still remains a popular source for finding out about new music or concerts, fewer people said that they used radio for this purpose in 2014 when compared to 2013 when 54% of people used radio to do this.

Figure 3.49 Sources used for finding out about new music or concerts



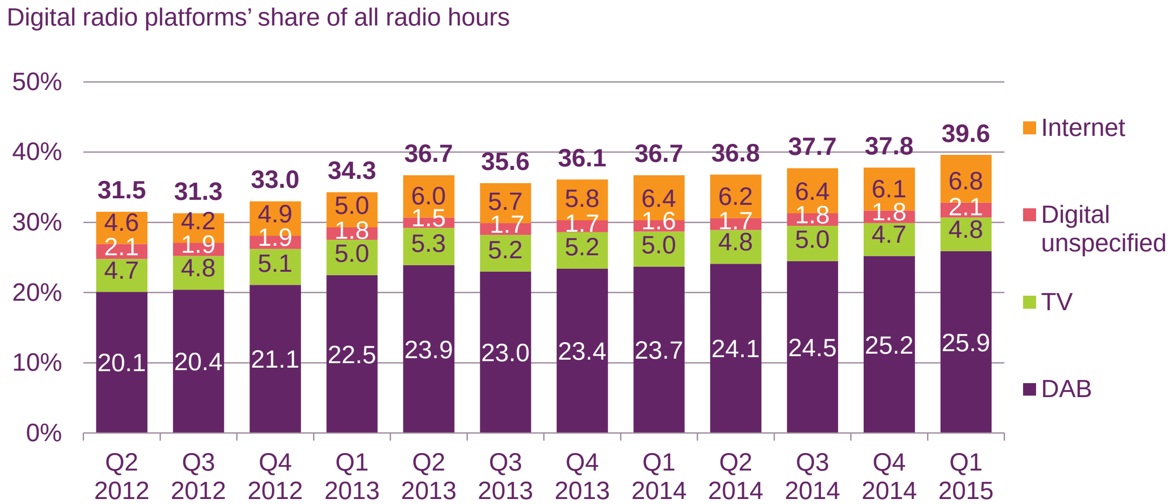
Source: YouGov, YouGov SixthSense New Generations and the Future of Radio surveys (3-9 May 2013) and YouGov New Generations and the Future of Radio Survey (29 August 2014 - 8 September 2014). Base: 863 UK radio listeners aged 16+ (2013) and 868 UK radio listeners aged 16+ (2014). Q38. In terms of how you find out about the new music you buy or concerts you attend, which of the following sources do you regularly use?

3.3.4 Digital radio listening trends

Over a quarter of total listening hours are now through DAB sets

DAB remains the most popular digital platform, with 2.2pp growth in its share of total listening hours year on year. Digital's share is now just under 40% (39.6%) up 1.8pp on the quarter. Digital listening via TV remains flat, while radio listening via the internet grew by 0.4pp over the last 12 months.

Figure 3.50 Digital radio's share of radio listening: Q1 2015

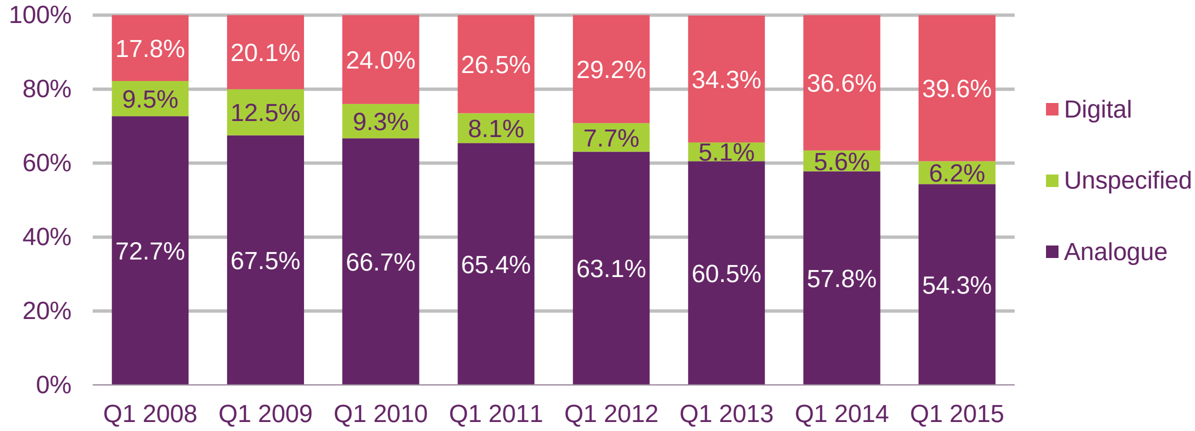


Source: RAJAR. Quarterly wave of radio listening. Note: 'Digital unspecified' relates to listening to digital-only stations where the survey respondent has not specified the listening platform used. 'Internet' is classified as 'online/apps'

The rate of switch from analogue to digital listening is increasing

Comparing Q1 findings over recent years, the rate of increase in digital listening and the consequential decline in analogue listening is accelerating. Between Q1 2011 and Q1 2012, this annual decline was 2.3%, and between Q1 2014 and Q1 2015 it was 3.5%. During the same period, the share of digital radio listening increased from 26.5% to 39.6%.

Figure 3.51 Share of listening hours across analogue and digital platforms

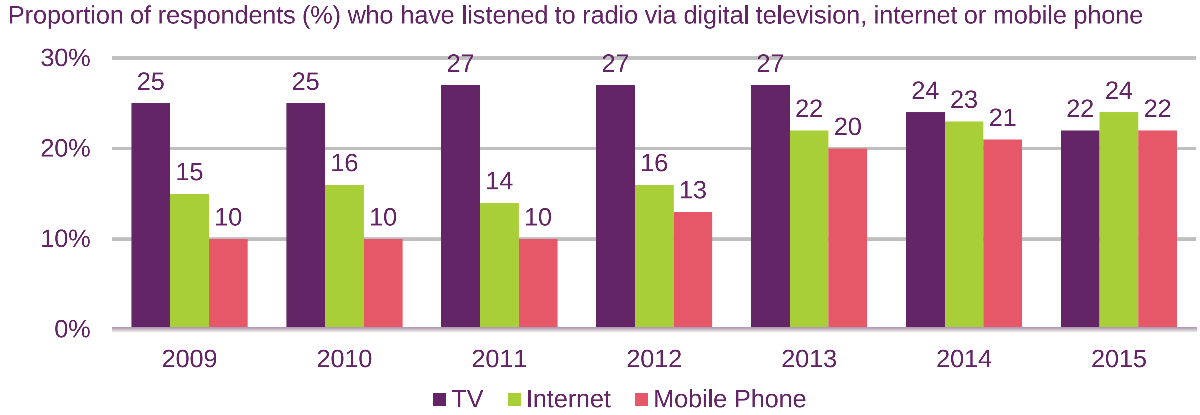


Source: RAJAR, all adults (15+), data relates to Q1 results as shown. Note: 'Unspecified' relates to listening where the radio platform was not confirmed by the listener.

Radio listening through the internet has doubled in four years

Climbing from 10% in 2011 to 22% in 2015, the proportion of people listening to radio over the internet is now greater than listening via a mobile phone, having grown each year since 2011. Listening via a TV set (also 22%) has declined steadily since 2013.

Figure 3.52 Listening to radio via TV, internet and mobile phone



*Source: Source: Ofcom Technology Tracker. Data from Q1 of each year 2012-2013, then wave 1 2014-2015 Base: All adults aged 16+ (n = 6090 UK 2009, 9013 UK 2010, 3474 UK 2011, 3772 UK 2012, 3750 UK 2013, 3740 UK 2014, 3756 UK 2015) QP11. How often, if at all, do you access the radio via – Digital radio via: TV, Internet, DAB radio, mobile phone? *NB 2013-15 measures for internet combine responses across radio listeners and internet users, 2013-15 measures for mobile phone combine responses across radio listeners and mobile phone users*

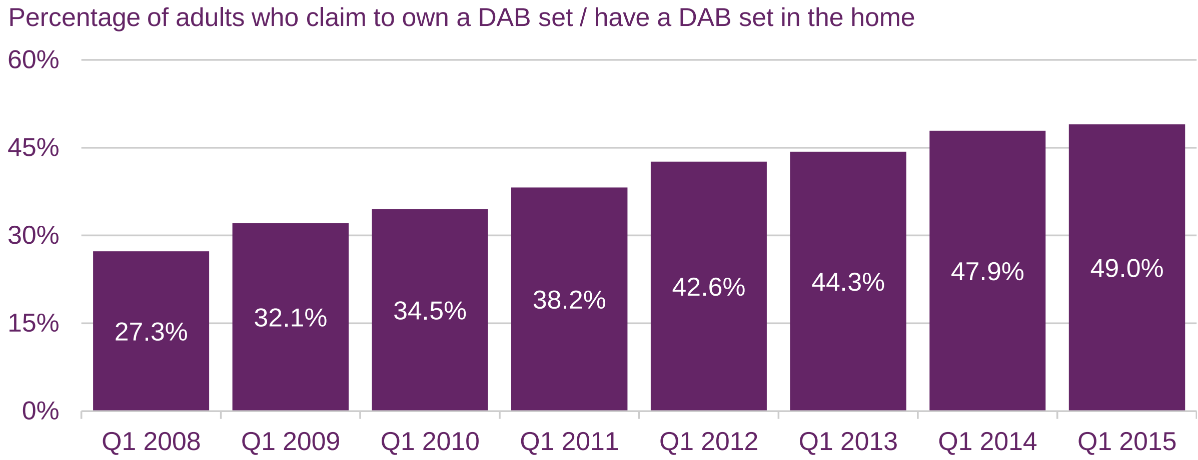
DAB set take-up slowed in Q1 2015

As measured by RAJAR, ownership of DAB sets fell short of the 50% mark, as growth in take-up slowed in 2015 (to 1.1pp). In previous years the rate of growth has ranged from

4.8pp to 1.7pp. The growth in listening to radio via the internet and/or on a mobile phone (see Figure 3.53), together with the numbers of those who were previously inclined to buy a DAB receiver and have now done so, may account for this slow growth.

With 22% of all radio listening occurring in a motor vehicle, the take-up of DAB receivers in cars has increased year on year. Today, 65% of new cars have a DAB radio fitted as standard.[71]

Figure 3.53 Ownership of DAB sets: Q1 2015



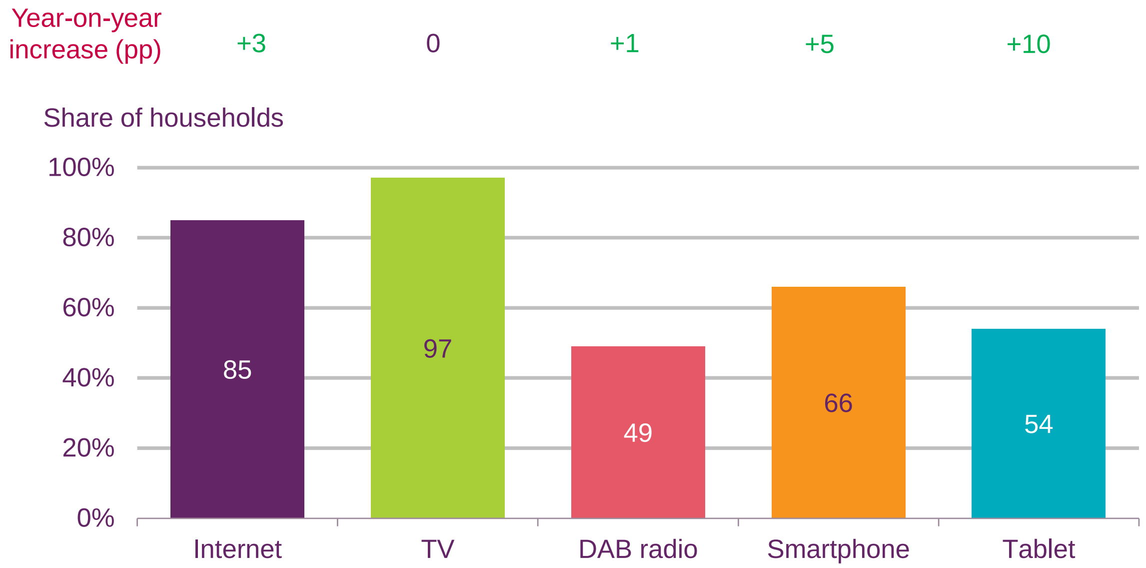
Source: RAJAR / Ipsos MORI / RSMB Q1 2008-2015

Tablet take-up continues to rise steeply while smartphone take-up growth continues

Take-up of tablets, smartphones and internet access are the three growth areas to consider regarding access to radio programmes. Tablet take-up has risen from 44% to 54% over the last 12 months; smartphone take-up is up by 5pp to 66% and internet access has increased by 3pp to 85%. DAB radio take-up remains fairly flat; up 1pp to 49%. While few current-generation smartphones are fitted with a DAB receiver component, listening is possible through the use of the internet or apps, and some smartphones include an analogue tuner. However, online streaming presents a possible downside for listeners on the move, because consumption may use up their monthly mobile data allowance.

[71] Digital Radio UK, ‘5 million cars have digital radio’, 11 June 2015, http://www.getdigitalradio.com/dab-news/view/528 [accessed 8 July 2015]

Figure 3.54 Take-up of equipment capable of receiving digital radio: Q1 2015

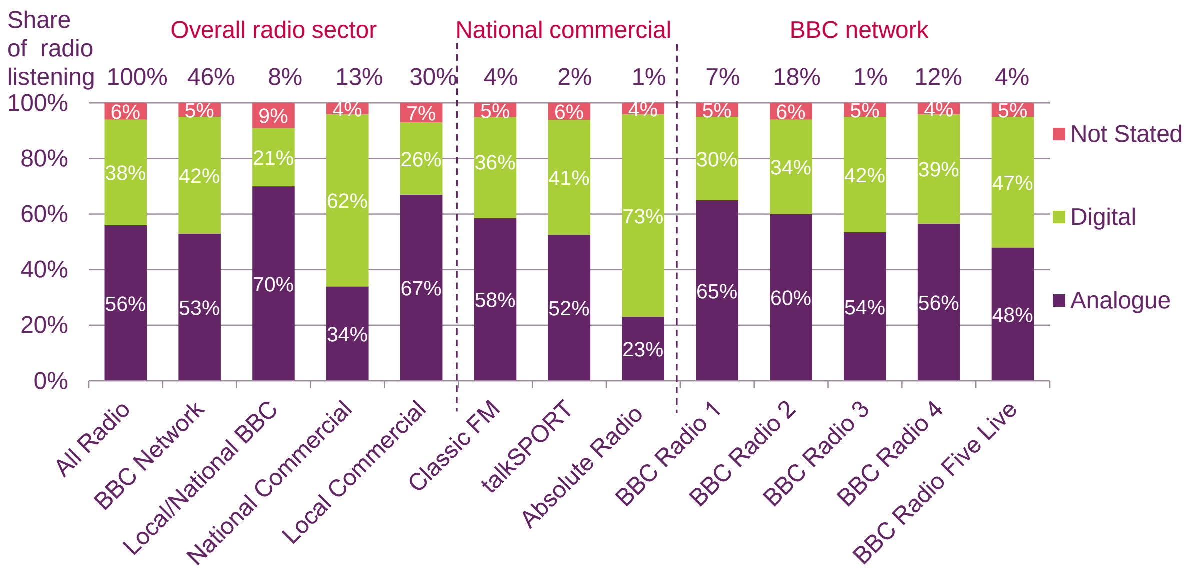


Source: Research from: Ofcom, RAJAR Q1 2015

Almost three-quarters of listening to Absolute Radio is via a digital platform

As noted in previous years, radio services which broadcast on AM (medium wave) achieve a high proportion of their listening through a digital platform. This is shown in the high digital share for listening to the music service Absolute Radio, and speech-led services BBC Radio 5 Live and talkSPORT (Figure 3.55). Share of listening to BBC local and nations' radio services through the analogue platform remains high (70%). This is due to a number of unique characteristics, such as a typically older age demographic, whose propensity to listen to DAB is lower, and/or reduced digital coverage in more remote areas. A planned extension of DAB transmission coverage, which is under way, should remedy this.

Figure 3.55 Platform split by sector and station: year ending Q1 2015



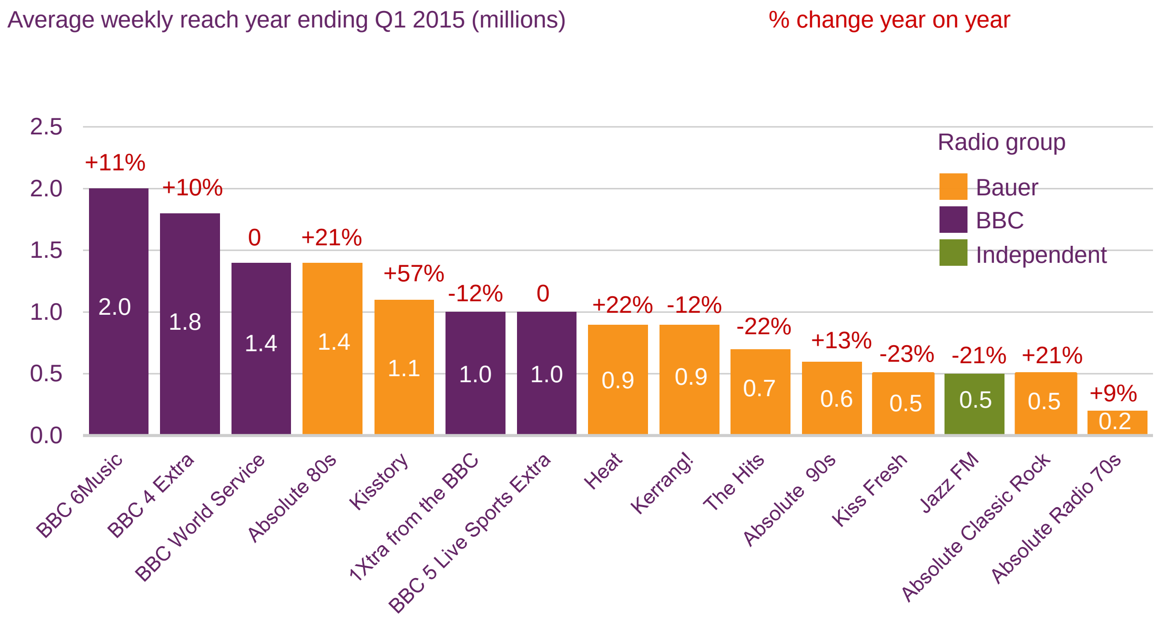
Source: RAJAR, year ending Q1 2015, adults 15+

Bauer's Kisstory has gained reach and is now listened to by more people than the BBC's 1Xtra

The increasing popularity of Bauer Radio's Absolute 80s and Kisstory has placed these digital-only services fourth and fifth in terms of their listener numbers. With the exception of Jazz FM, all of the most listened-to digital-only radio stations are provided by the BBC or Bauer.

In order to compare this information year on year, the RAJAR audience figures are annualised and show BBC 6 Music having the largest digital-only audience (2.0 million) and BBC 4 extra with 1.8 million listeners. Quarterly-only figures, published in May this year, show BBC 4 Extra with 2.17 million listeners and BBC 6 Music with 2.06 million listeners.

Figure 3.56 Most popular UK digital-only stations: Q1 2015



Source: RAJAR, year ending Q1 2015 adults 15+

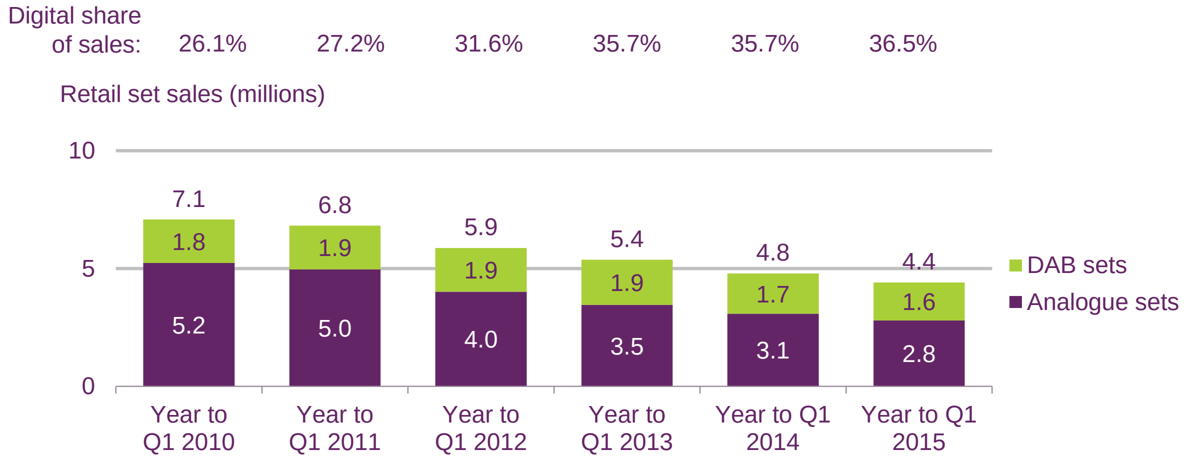
3.3.5 Radio set sales

DAB sets now account for 36.5% of total radio set sales

The total number of radio sets sold fell to 4.4 million in the 12 months to Q1 2015. Of this total, 1.6 million were DAB-enabled and 2.8 million were analogue only. The number of DAB and analogue sets sold both fell year on year. As the rate of decline for DAB sets was lower than the fall in the total number of sets sold, the proportion of DAB sets in total sales increased to 36.5%.

The increase in take-up of tablets, smartphones and other connected devices that serve multiple functions is likely to have affected consumers' desire to buy dedicated devices for receiving radio broadcasts.

Figure 3.57 Number of analogue and digital radio sets sold

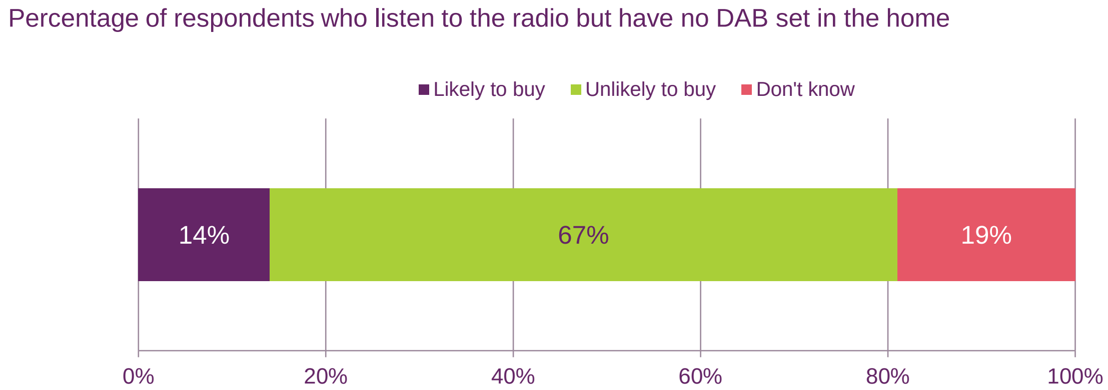


Source: GfK sales data, 2010-2015
Note: Figures cover GB only, GfK Panelmarket data represent over 90% of the market. Categories of device included are: portable radios, personal media players, car audio systems, home audio systems, clock radios, radio recorders, headphone stereos, tuners and receivers.

The proportion of consumers who intend to purchase a DAB radio has fallen further

Among listeners who do not own a DAB set, the number of those stating that they are 'likely to buy' a DAB radio in the next 12 months has fallen from 17% last year to 14% in Q1 2015. Those who said, when asked, that they were 'unlikely to buy' was unchanged at 67%.

Figure 3.58 Likelihood to buy a DAB radio in the next 12 months



Source: Ofcom Technology Tracker, W1 2015. Base: Those who listen to the radio but have no DAB sets in the home (n=1690). QP6(QP12): How likely is it that your household will get a DAB radio in the next 12 months?

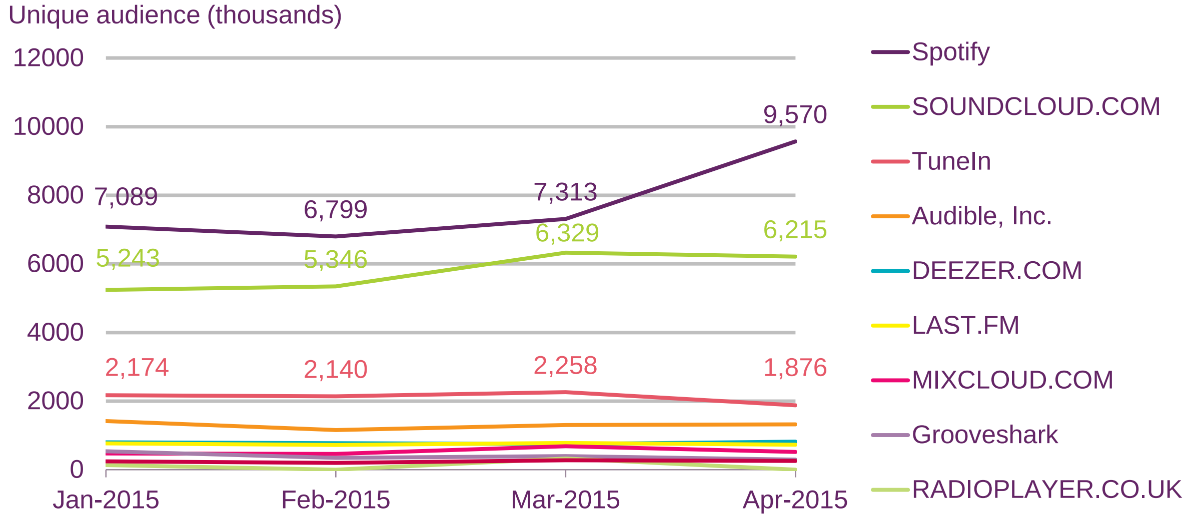
3.3.6 Online music streaming services

The most-used music streaming service has a unique audience of 9.6 million

According to Ofcom research (Q1 2015), 13% of adults use streaming services. The number of people who accessed Spotify on any device, whether through an app or on its website, was 9.6 million in April 2015. This is a month-on-month growth of 31% in the unique audience to Spotify.

In terms of unique audience, Soundcloud is the next largest streaming service, with 6.2 million users in April 2015. Over the past four months radio aggregation service TuneIn has had a unique audience of around 2 million. Spotify and Soundcloud are used by a greater number of people than any of the other services shown in Figure 3.59.

Figure 3.59 Unique audiences of selected music streaming sites

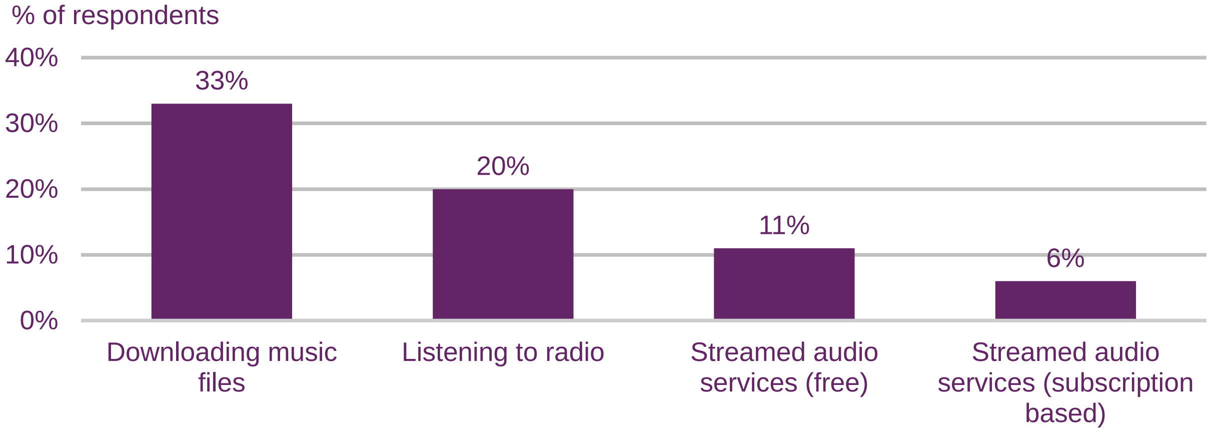


Source: comScore MMX Multiplatform UK, total digital population 15+, April 2015

A third of internet users download music files; a fifth use the internet to listen to radio

Among the four categories of audio in Figure 3.60, a third (33%) of those with internet access used the internet to download music files. Accessing radio stations was the second most popular category (20%). Eleven per cent accessed free streamed audio services, and 6% said they had used a subscription-based streamed audio service.

Figure 3.60 Audio internet use

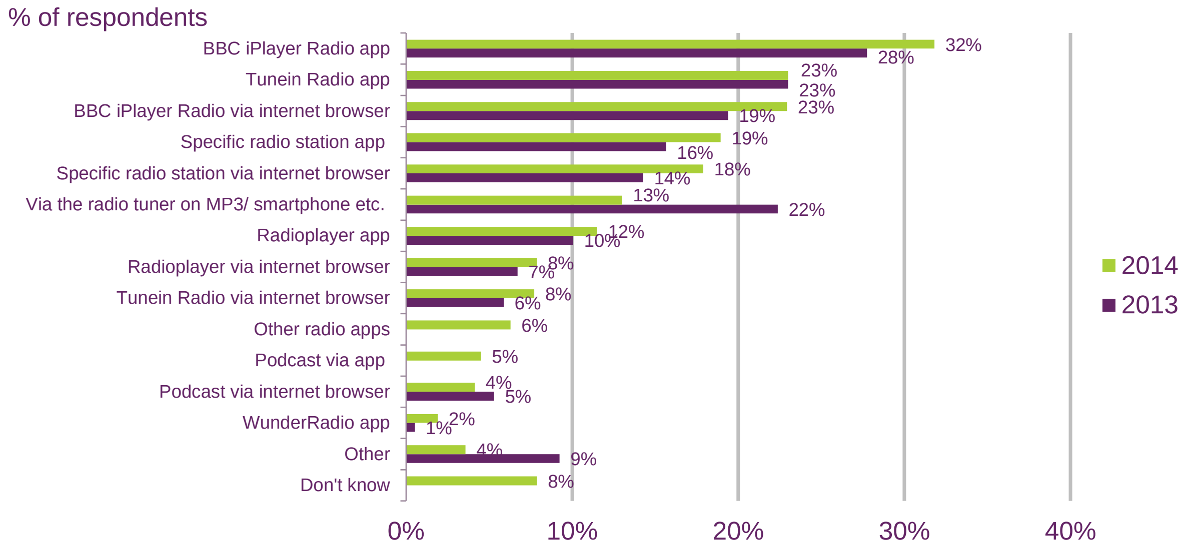


Source: Ofcom Technology Tracker, W1 2015. Base: Those with access to the internet at home or elsewhere (n= 3095). QE20(QE5A): Which, if any, of these do you use the internet for?

A third of radio listeners use the BBC iPlayer app

Between 2013 and 2014, use of the BBC iPlayer app increased from 28% to 32%, making it the most popular platform for mobile radio listening. Using a specific radio station's app, and listening to a station through an internet browser as a platform to access radio, increased over the period to 19% and 18% respectively.

Figure 3.61 Mobile device use for radio listening

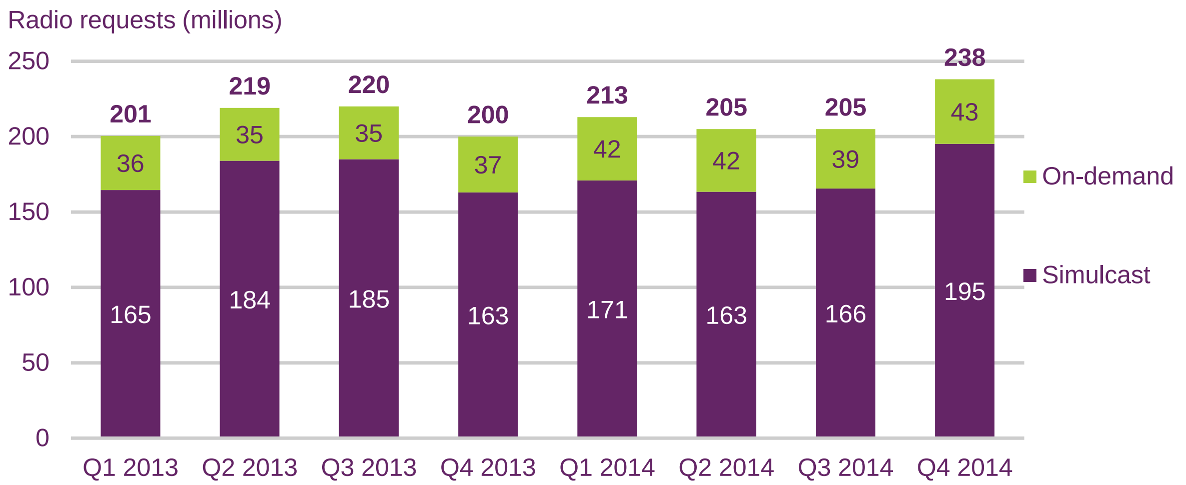


Source: YouGov, SixthSense New Generations and the Future of Radio surveys (3-9 May 2013) and YouGov New Generations and the Future of Radio Survey (29 August 2014-8 September 2014) . Base: 863 UK radio listeners aged 16+ (2013) and 868 UK radio listeners aged 16+ (2014). Q16. Which of the following do you use to listen to the radio on your mobile device?

There were 238 million requests for radio content on iPlayer in Q4 2014

Between Q1 2013 and Q4 2014, the number of iPlayer requests increased from 201 million to 238 million; an increase of 18.4%. As in previous quarters, more requests to listen through iPlayer are for programmes currently on air (simulcast) than for programmes that have already been broadcast.

Figure 3.62 BBC iPlayer quarterly radio requests



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

3.3.7 Listening patterns, by nation

While radio listening in England remains close to that reported for the UK as a whole, listening patterns in Scotland, Wales and Northern Ireland vary from the UK average.

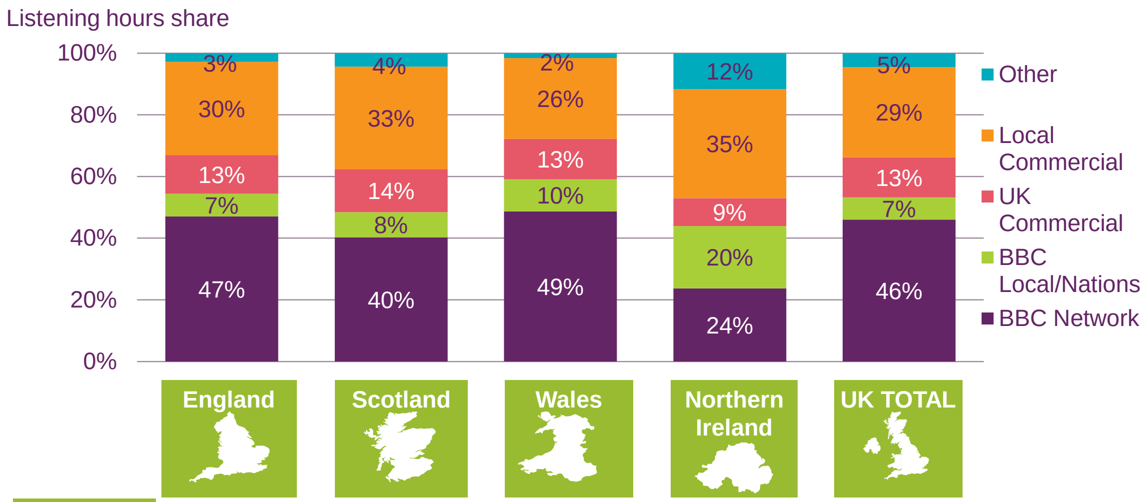
- In **Scotland**, radio services reached 86.9% of adults, up from last year (85.9%). This is lower than the UK average of 89.5% and the lowest of all the UK nations. On average, adult listeners in Scotland listened to 19.9 hours of radio per week, again lower than the UK average.

- In **Wales**, radio services reached 94.5% of the adult population. This is 5pp above the UK average (89.4%) and represents the largest reach of radio of all the nations. Listeners in Wales also listened to radio the longest, at 22.4 hours per week on average last year.

- In **Northern Ireland,** during an average week in 2014, radio reach remained at 88.9% of adults. This is less than the UK average by 0.5pp, and is similar to England (89.4%). Over the year adults in Northern Ireland, like those in Wales, spent more time listening to radio – 21.6 hours in the case of Northern Ireland (up by 1.8 hours).

- In **England**, the listening pattern has changed little year on year. Reach is 89.4%, while average hours fell back by 42 minutes to 21.5 hours.

Figure 3.63 Share of listening hours, by nation



	England	Scotland	Wales	Northern Ireland	UK TOTAL
Average weekly listening	21.5 hours	19.9 hours	22.4 hours	21.6 hours	21.4 hours
Reach	89.4%	86.9%	94.5%	88.9%	89.5%

Source: RAJAR, All adults (15+), calendar year 2014