

## 3 Radio and audio content

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People in the UK consume a range of audio content including live radio, streamed music, recorded music and podcasts, on a range of devices.

## 3.1 Key market developments in radio and audio

### 3.1.1 Sector overview

Overall, 63% listen to music-focused radio stations, while 38% listen to radio stations that are mainly speech-based. Three in ten say they use an online music service, while 16% have listened to podcasts.

Despite the range of ways in which audio content can now be consumed, the reach of live radio remains extremely high. Nine in ten people (89.6%) in the UK listen to the radio at least once a week – listening has remained at this level for the past five years.

While the proportion of people who listen to the radio has not changed year on year, people are listening to the radio for longer. Average listening per week increased by six minutes in the 12 months to Q1 2017 compared to the previous year, rising to 21 hours 24 minutes. This increase was driven by those in the middle of the age range; the youngest and oldest age groups decreased their average radio consumption by 18 minutes a week.

The BBC's share of all radio listening, including network and nations/local radio, was 52.5% in the 12 months to Q1 2017, down by 0.9 percentage points (pp) compared to the previous year. Commercial radio's share of listening grew by 0.9pp to 44.9%, driven by an increase in listening to national commercial stations. Fifteen new national digital radio services were launched in 2016, following Ofcom's granting of further spectrum in March 2015.

In the 12 months to Q1 2017, 57% of homes had DAB radio, compared to 54% the previous year. More than 45% of radio listening is via digital platforms, up from 42% the previous year; the majority of digital listening continues to be via DAB.

Overall reported commercial radio revenues rose 1% in real terms to £526m in 2017. Radio maintained its share of total advertising expenditure at 3.0% in 2016, helped in part by internet brands increasing their radio budgets. Overall estimated BBC expenditure on radio in 2016 was 2% lower in real terms than in the previous year.

The number of community radio stations has continued to increase, rising from 239 in May 2016 to 251 in May 2017.

In section 3.2 below we look at key changes in the ways people are listening to radio content, focusing in particular on podcasts and speech-based radio.

Section 3.3 looks at the radio sector from an industry perspective. It looks at revenues and expenditure and provides an overview of how radio services are provided. It concludes by outlining trends in the provision of community radio.

Section 3.4 examines trends from the listener's perspective. It looks at the reach of radio, and how radio listening varies by demographic. It then examines the reach of digital and analogue radio, and of different national radio stations.

Figure 3.1: UK radio industry: key metrics

|   | 2010   | 2011   | 2012   | 2013   | 2014   | 2015   | 2016   |
|---|--------|--------|--------|--------|--------|--------|--------|
| Weekly reach of radio (% of population) | 90.8%  | 90.5%  | 89.6%  | 90.4%  | 89.4%  | 89.5%  | 89.6%  |
| Average weekly hours per listener       | 22.3   | 22.6   | 22.0   | 21.4   | 21.3   | 21.3   | 21.4   |
| BBC share of listening                  | 54.8%  | 54.7%  | 54.8%  | 54.5%  | 53.7%  | 53.4%  | 52.5%  |
| Total industry revenue*                 | £1280m | £1255m | £1261m | £1203m | £1257m | £1256m | £1245m |
| Commercial revenue*                     | £509m  | £492m  | £498m  | £471m  | £516m  | £522m  | £526m  |
| BBC expenditure                         | £760m  | £751m  | £751m  | £721m  | £730m  | £722m  | £707m  |
| Community radio revenue                 | £11.3m | £11.3m | £11.3m | £11.1m | £11.6m | £11.7m | £11.6m |
| Radio share of advertising spend        | 3.2%   | 3.2%   | 3.3%   | 3.1%   | 3.1%   | 3.0%   | 3.0%   |
| DAB digital radio take-up (adults)      | 36.2%  | 40.3%  | 42.6%  | 46.3%  | 48.8%  | 53.4%  | 56.8%  |
| Digital radio listening share           | 25.2%  | 28.4%  | 32.5%  | 36.3%  | 38.0%  | 42.2%  | 45.7%  |

**Source:** RAJAR (all adults age 15+) 12 months to Q1 of the following year. Ofcom calculations based on figures in BBC Annual Report and Accounts 2016-17 ([www.bbc.co.uk/annualreport](http://www.bbc.co.uk/annualreport)), AA/WARC, broadcasters. Revenue figures are adjusted for CPI (2016 prices).

\*Commercial and total revenue figures for 2010-2013 are not wholly comparable to 2014-2016 data due to an amendment to the data collection methodology.

## 3.1.2 Audio content consumption

In this section we look at the range of ways in which people consume audio content, in particular speech-based content on the radio and via podcasts. While the reach of broadcast radio remains high among all demographics, research shows that people, particularly those in younger age-groups, are also accessing speech and music content on a range of connected devices including computers, mobiles and tablets.

Broadcasters including the BBC and major commercial radio groups are repurposing some of their speech-based radio output as podcasts; the distinction between radio content and podcasts is starting to blur. Other media outlets are also creating and distributing their own speech-based content. Newspapers and magazines including the Guardian, the Economist, the Sun and Monocle are creating and distributing their own podcasts to expand their reach and deepen their relationship with their audiences. There are also examples of stand-alone podcasts created independently of other media.

While the measurement of broadcast radio is well established in the UK, the same cannot be said for podcasts, given the challenges of defining and measuring this relatively recent form of audio content. To understand more about podcasts, and how they fit into broader categories of audio content, we commissioned consumer research; our key findings appear below.

### The number of people listening to podcasts is increasing

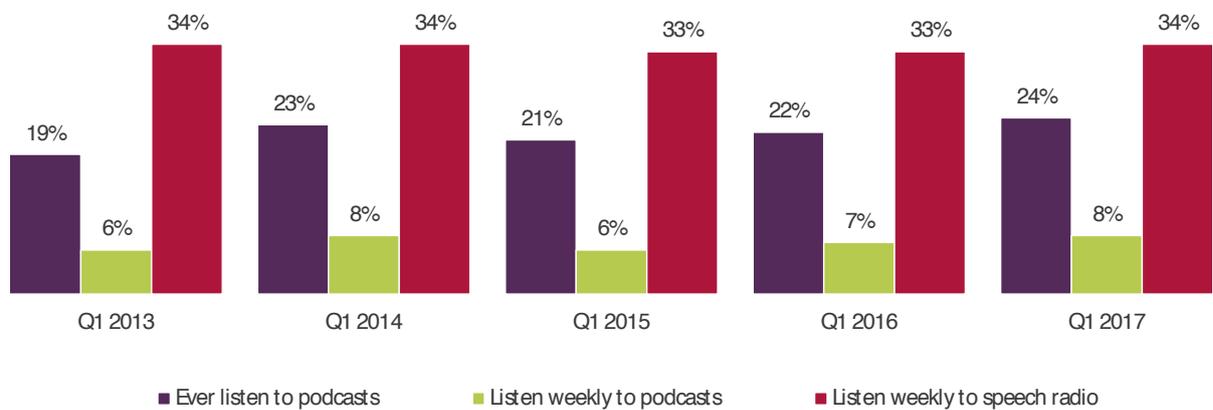
The reach of speech radio has been stable for the past five years. According to RAJAR, about a third (34%) of adults listen to speech radio each week; two-thirds of these are aged over 44.

RAJAR also measures listening to podcasts: this is shown to have grown in popularity over the same period, from 19% of adults who claimed to have ever listened to one in the 12 months to Q1 2013, to 24% in the latest figures.

Unlike audiences of broadcast speech radio, 61% of those who ever listen to podcasts are aged under 45. There is some cross-over; just over a third (37%) of those who listen to speech radio also listen to podcasts and just over half (55%) of those who ever listen to podcasts also tune in to speech radio.

**Figure 3.2: Listening to podcasts and speech radio**

Proportion of UK adults (%)



**Source:** RAJAR, all adults (15+), 12 months to Q1 each year

**Speech radio includes:** Radio City Talk, Talk 107, talkRADIO, talkSPORT, talkSPORT2, LBC Network (UK), BBC Radio 4, BBC Radio 4 Extra, BBC Radio 5 live, BBC Radio 5 live sports extra, BBC World Service.

**Note:** List current as of Q1 2017 – not all stations available in previous years

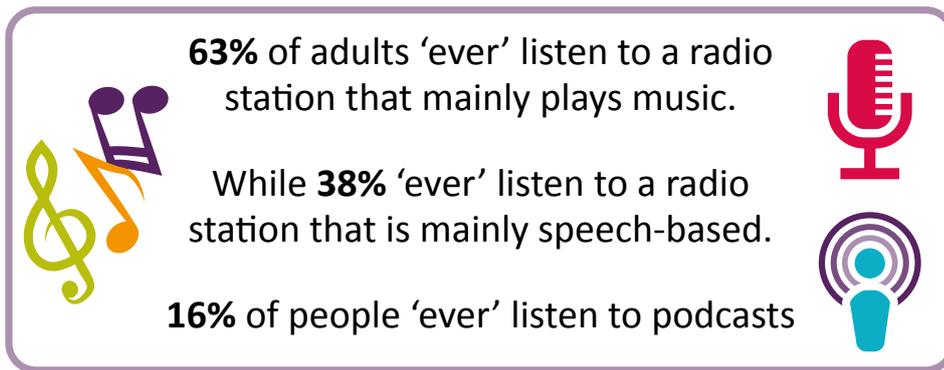
### Music-based radio is the most popular listening activity among all UK adults

When we asked people what types of listening activities they ever did, the most popular answer was “a radio station that plays music” (63%). This was followed

by “personal music collection on CD, vinyl record or cassette tapes” (48%) and “personal music stored on a digital device” (41%). Radio stations that are mainly speech-

based, and podcasts, were less popular (38% and 16% respectively). Three in ten say they have used an online music service (29%).<sup>1</sup>

Figure 3.3: Types of listening activities



Source: Ofcom research, 2017. Base: all adults (n = 1062)

Q11: How often, if at all, do you listen to any of the following...? [MULTICODE]

There were some significant differences by age group, in particular in the type of listening activities people said they did. For example, those aged 35-44 and 45-54 were more likely than most other age groups to say they ever listened to a radio station that played music (70% and 76% respectively).

And 45-54s and 55-64s were more likely than 16-24s to say they ever listened to a mainly speech-based radio station (43% and 44% vs. 28%).

With regard to personal music collections, the older age groups were more likely to ever listen to music on physical media such as CDs, vinyl records and cassette tapes (e.g. 30% for 16-24s vs. 63% for 55-64s). The 16-34 age group

were more likely to say they ever listen to personal music on a digital device than the 35 and over age group (58% vs. 33%) and were more likely to say they ever listen to an online music service (44% vs. 21%).

The 16-24 age group were also more likely than those aged 65-74 and 75+ (23%, 3% and 4% respectively) to say they ever listened to podcasts.

<sup>1</sup> Differences in methodology between RAJAR and the Ofcom 2017 research mean that activity reach figures are not directly comparable.

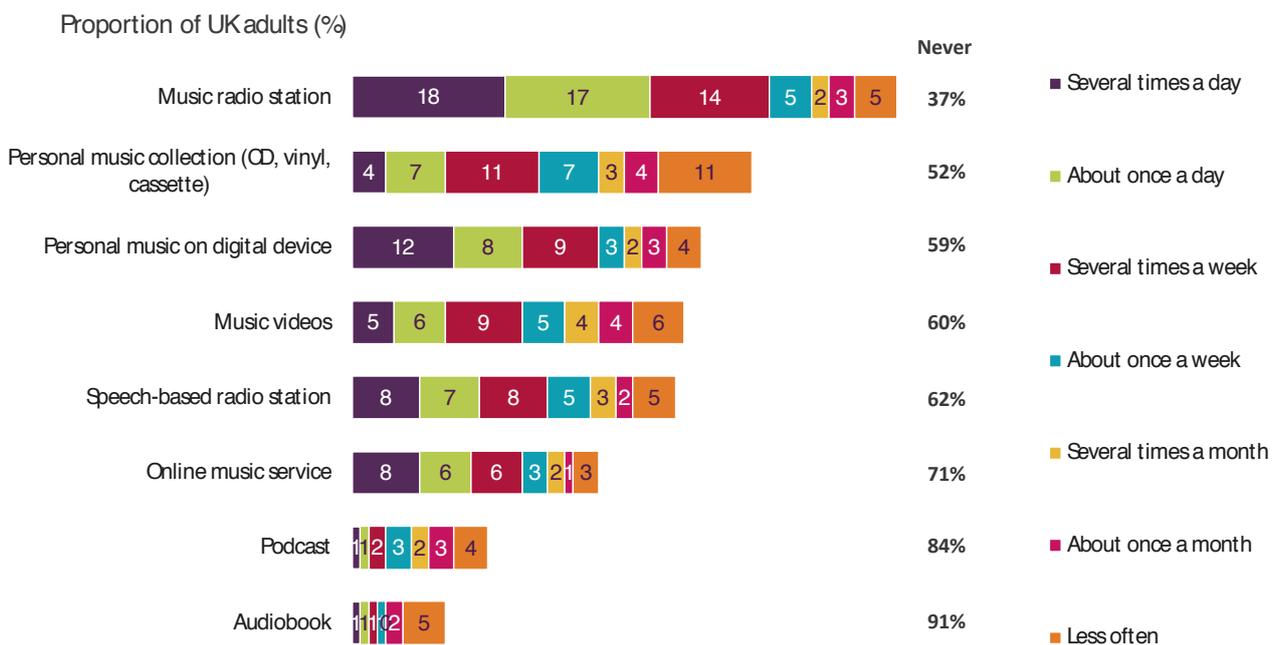
### Listening to music-based radio stations is a frequent activity

We also asked participants how often they did the various types of listening activities. Listening to music radio stations is something people do often; 18% said they did it several times a day, and 17% said they did it about once a day.

Similarly, listening to a personal music collection on a digital device is a frequently-done activity; 12% do it several times a day. This compares to 8% who said they listened to a mainly speech-based radio station several times a day

Although 11% of participants said they listened to their physical music collection several times a week, a similar proportion also said they did this less often than once a month. People tend to listen to podcasts less often than the other activities.

Figure 3.4: Frequency of doing different types of listening activities



Source: Ofcom research, 2017. Base: all adults (n = 1062)  
 Q11: How often, if at all, do you listen to any of the following...? [MULTICODE]

### Four in ten podcast listeners say they listen to podcasts more than they did a year ago

For most of the listening activities, people were more likely to say they listen to them more often than less often compared to a year ago. Four in ten (42%) podcast listeners said they were listening to podcasts more often, while 13% said they were doing it less often.

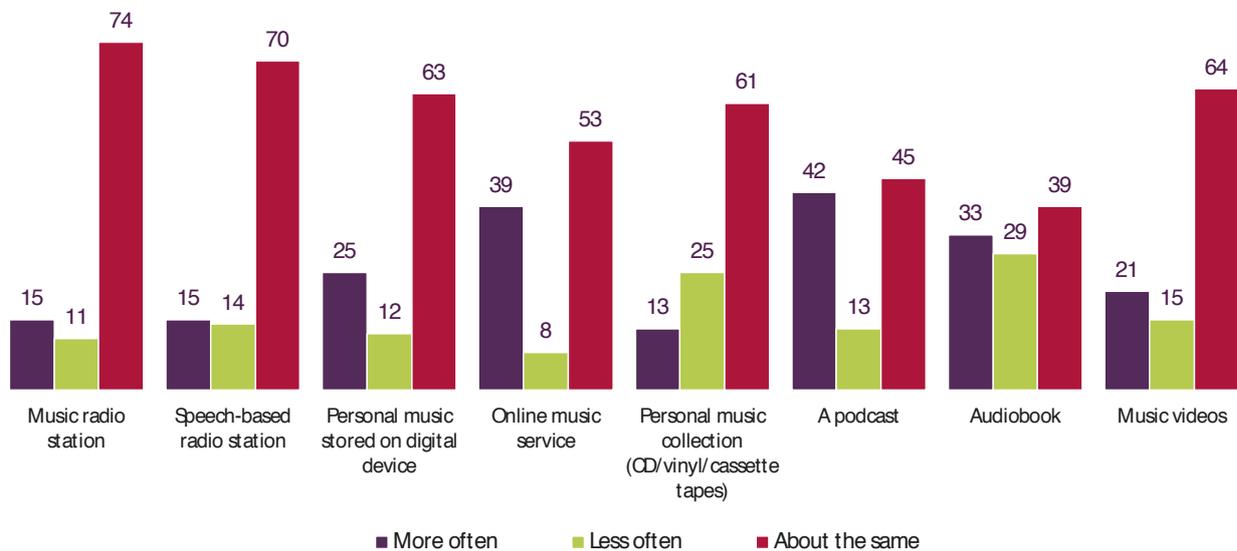
Similarly, 39% of online music service users said they were doing this more, compared to 8% doing it less.

The exception was physical music collection listeners, more of whom said they listen less (25%) than said they listen more (13%) compared to a year ago

However, for the majority of the listener groups, listening “about the same as last year” was the most popular response.

**Figure 3.5: Change in frequency of listening activities, compared to a year ago**

Proportion of UK adults (%)



**Source:** Ofcom research, 2017. Base: all who have listened to a different type of service (n = 661)

**Q14:** Thinking about the different types of activities you listen to, would you say you listen to them more or less often than a year ago?

**The car radio is most popular for listening to music-based and speech-based radio stations**

Listening to music-based and speech-based radio stations are both most likely to be done through a car radio. Half (49%) of the people who said they listened to a music radio station said they did so through an analogue car radio, while 25% said they did it through a DAB car radio.

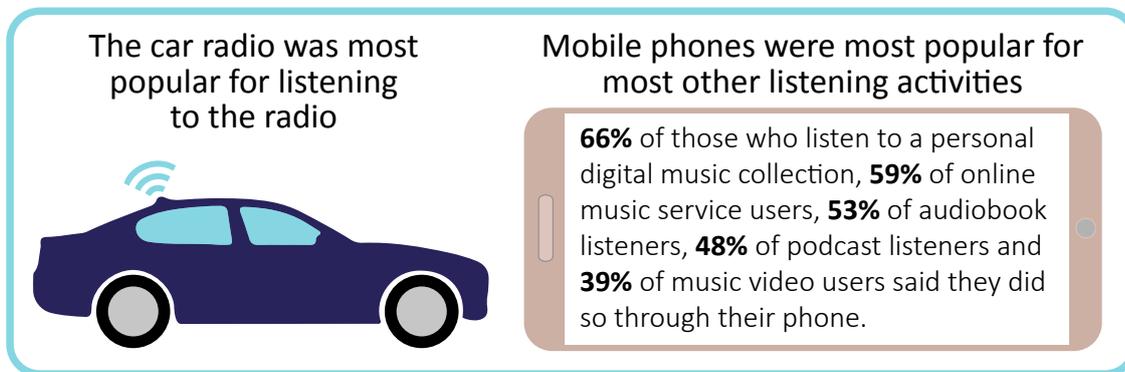
The figures were similar for those who said they listened to speech-based radio stations (42% for analogue car radio and 21% for DAB car radio).

Mobile phones were the most popular medium for most other listening activities we asked about: 66% of those who said they ever listened to a personal digital music

collection said they used their phone, as did 59% of online music service users, 53% of audiobook listeners, 48% of podcast listeners and 39% of music video users.

Just under eight in ten (77%) of those who said they ever listened to a physical music collection said they did so through a stereo/ hi-fi/ sound system.

**Figure 3.6: Ways in which listening activities are listened to**



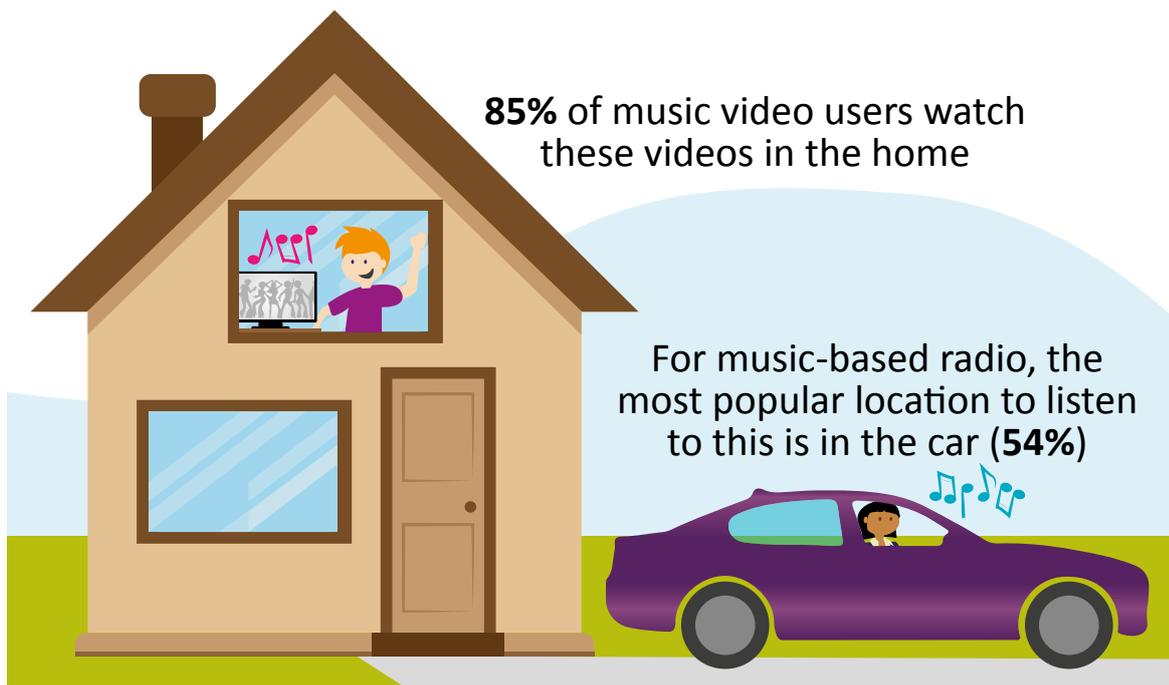
**Source:** Ofcom research, 2017. Base: all those who have listened to a different type of service (n = 661)  
**Q12:** Which of these ways do you listen to [types of listening activity listened to]? [MULTICODE]

## The home is the most common location for most listening activities

In general, respondents to our research prefer to do most of their listening at home (e.g. 85% of music video users watch these videos in the home).

The only type of listening for which 'at home' was not the most popular location was music-based radio, which was most often listened to in the car (54%).

**Figure 3.7: Listening activities, by location**



**Source:** Ofcom research, 2017. Base: all who have listened to a different type of service (n = 661)

**Q12:** Now think about the location where you do the various listening activities. Where would you say you do this activity most often?

## People most commonly do all types of listening activity alone

We also asked people whom they are with when they listen to audio content. For all listening activities, the most popular response was 'alone'.

Listening with family was a fairly popular answer for most activities; e.g. a fifth (21%) of music video users said they listened to music videos with family members.

Podcasts and audiobooks were overwhelmingly a solitary activity (85% and 83% said they did these activities alone).

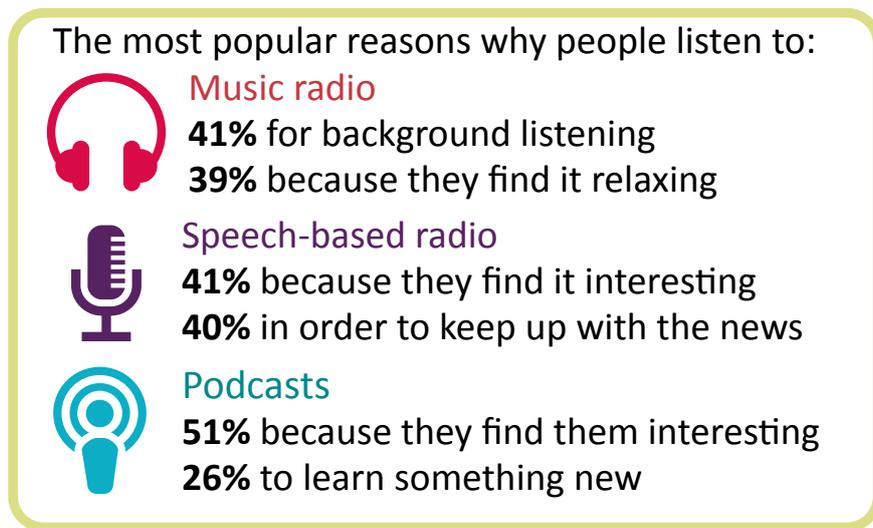
**People listen to music-based radio stations for background listening and relaxation, but listen to speech-based radio and podcasts because they find them interesting**

There are many different reasons why people listen to audio content. For those who listen to radio stations that mainly play music, the most popular reasons for doing so are ‘for background listening’

(41%) and ‘because they find it relaxing’ (39%). For speech-based radio stations it was ‘because they find them interesting’ (41%) and ‘in order to keep up with the news’ (40%). More than half

of podcast listeners said they listened to podcasts because they are interesting (51%), and around a quarter said it was to learn something new (26%).

**Figure 3.8: Reasons for doing different types of listening activities**



**Source:** Ofcom research, 2017. Base: all who have listened to a different type of service (music radio station 661, speech radio station 398, podcast 144)

**Q13:** In general, what are your main reasons for listening to [ask for each code selected not as ‘never’ in Q1 [MULTICODE]

The most popular reason given for doing all the other types of listening activities was that they found them relaxing (e.g. 48% of people who said they ever listened to physical music collections gave this answer). While 40% of audiobook users also gave this

response, an equal proportion said they used audiobooks because they found them interesting.

We also asked those who said they never listened to speech-based radio stations, and podcasts, about their reasons for not doing so. The most

popular response for both was “I’m not interested” (62% of non-speech radio users and 42% of non-podcast users). “I prefer music” was also a popular answer for both. Sixteen per cent of non-podcast users said “I’ve never heard of them”.

**Users of speech-based radio like to listen to news-related programmes, while podcast users like comedy/entertainment and factual**

In line with the previous finding that 40% of speech-based radio station listeners said they did this listening activity in order to keep up with the news, 46% said they listened to programmes about current affairs, 42% said they listened to UK/international news and 33% said they listened to news/information about their local area.

Music, arts and culture, weather and sport were also popular types of programmes that speech-based radio station users said they listened to.

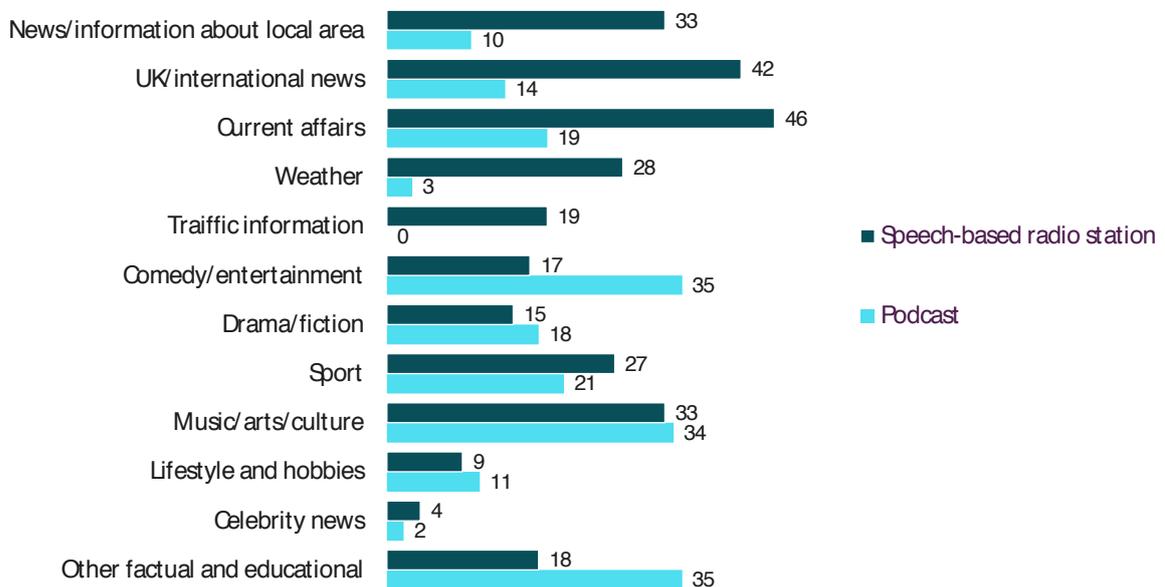
The types of programmes that podcast users were most likely to say they listened to were comedy/entertainment (35%), other factual and educational (35%) and music/arts/culture (34%).

Differences in the types of content listened to as podcasts, as opposed to speech radio, reflect their specific characteristics. For example, time-critical content such as news and travel information is less suited to on-demand, episodic podcasts. But the fact that a large proportion of people listen to factual and

educational genres on podcasts, rather than on speech-based radio stations, may reflect the availability of more niche content on podcasts, such as academic lectures.

**Figure 3.9: Programmes listened to on speech-based radio stations and podcasts**

Proportion of those who do each listening activity (%)



**Source:** Ofcom research, 2017. Base: all who have listened to speech-based radio stations (n = 398), All who have listened to podcasts (n=144)

**Q5,7:** You said that you listened to [speech-based radio stations/podcasts], what are the types of programmes that you listen to? [MULTICODE]

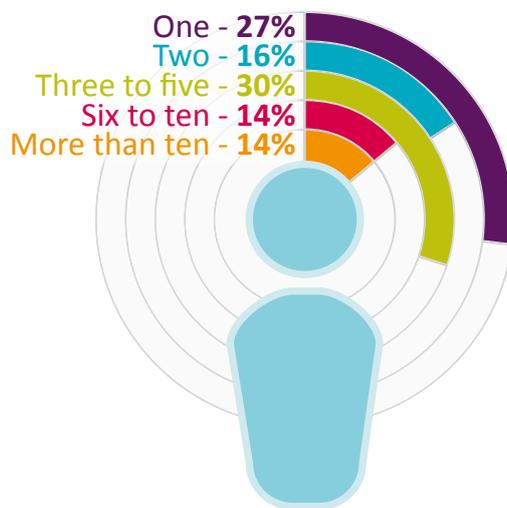
**Podcast listeners typically listened to between three and five programmes a month, and the BBC website or app is the most popular source of podcasts**

When we asked podcast listeners how many programmes they had listened to in the past month, the majority had listened to between three and five (30%). A further 27% said they had listened to

one, while 16% said they had listened to two. One in seven (14%) claimed to have listened to between 6-10 programmes, while the same proportion claimed to have listened to more than 10.

The most popular source of podcasts was the BBC website or app (36% of podcast listeners), while a quarter of podcast users chose YouTube or iTunes (26% and 25% respectively).

**Figure 3.10: Number of podcasts listened to in the last month**

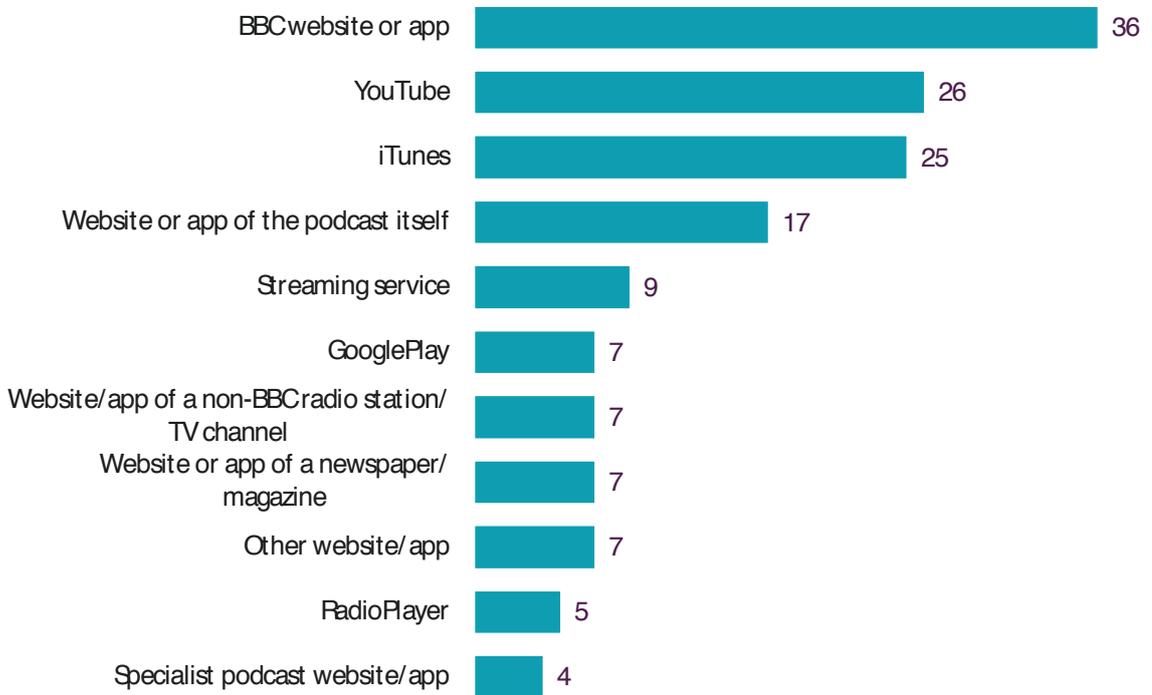


**Source:** Ofcom research, 2017. Base: all who have listened to a podcast once a month or more (n = 110)

**Q8:** How many different podcasts would you say you listened to in the last month? By different podcasts titles (so listening to several episodes of the same product would count only once)

Figure 3.11: Where listeners source their podcasts

Proportion of podcast listeners (%)



Source: Ofcom research, 2017. Base: all who have listened to a podcast (n = 144)

Q9: Where have you obtained podcasts from in the past? These can be both downloaded and streamed podcasts. Please select all which apply thinking about how/where you accessed the podcast, rather than who created it (as some podcasts are available from multiple sources) [MULTICODE]

In terms of particular podcasts listened to, a third of people had listened to TED talks and BBC Radio 4 podcasts (both at 31% of podcast listeners).

Seventeen per cent had listened to other BBC podcasts, while 15% had listened to podcasts made by newspapers or magazines and 14% had listened to podcasts from non-BBC radio stations or TV channels. In

total, 40% of podcast listeners had previously listened to a BBC podcast.

In this section we examine the characteristics of the UK radio industry.

## 3.2 The radio industry

### 3.2.1 Introduction

Focusing on commercial and community radio station revenue and BBC expenditure, together with the audience shares of the main players.

### 3.2.2 Radio revenue and expenditure

#### Radio industry revenue and spend

Commercial radio revenue per listener fell in real terms from £15.11 in 2015 to £15.04 in 2016 as the increased audience of commercial radio offset real terms revenue growth.

Radio advertising expenditure grew faster than overall advertising expenditure between 2015 and 2016. Based on Advertising Association/ WARC figures, total UK advertising expenditure grew by 3% in real terms (based on 2016 prices) while total radio

advertising expenditure grew by 5%<sup>1</sup> to £649m. Radio's share of total advertising expenditure was 3% in 2016 (equivalent to 5% of total display advertising).

Accounting for 16% of headline radio advertising expenditure, the motor sector was the largest advertising sector for radio in 2016.<sup>2</sup> The largest growth by sector was online retail, which increased its expenditure by 89% in real terms between 2015 and 2016. In particular, eBay is reported to

have increased its radio advertising budget by 500% in 2016<sup>3</sup>, and in May 2017 it started to sponsor Capital's breakfast show.

The BBC's radio services in the UK are funded via the licence fee. We estimate the BBC spent £707m in 2016 (£10.77 per capita) on services these in 2016, compared to £722m (£11.09 per capita) in 2015, reflecting both population growth and a real terms decline in total radio expenditure.

#### Reported sponsorship revenues grew by 5% in real terms between 2015 and 2016

Commercial revenues reported to Ofcom by licensees reached £526m in 2016, up 1% in real terms from the 2015 level.<sup>4</sup> Revenue from commercial sponsorship grew by £4m in real terms to reach £100 million in 2016, partially offsetting the losses in reported national advertising revenue.

At £266m, national advertising was the largest source of commercial revenue reported to us for 2016, though this fell by 1% in real terms. In contrast, local commercial advertising revenues rose by 1% to £134m.

The year-on-year revenues of some stations varied considerably, in part due to local advertising conditions, or due to the practice of optimising national advertising slots against audiences across groups of stations.

<sup>1</sup> Including spot advertising, branded content and digital revenues. NB: Due to differences in methodology, this figure is not directly comparable to the industry revenue figures collected by Ofcom and presented in [Figure 3.12]

<sup>2</sup> Source: Nielsen/WARC. Due to methodology, advertising sector-specific data are not directly comparable to total sector expenditure or Ofcom industry revenue figures.

<sup>3</sup> See <http://www.campaignlive.co.uk/article/ebay-sponsor-capital-breakfast-show/1431905>

<sup>4</sup> Due to differences in methodology this figure is not directly comparable with the radio advertising expenditure figures set out above,

Between 2015 and 2016 the share of total commercial revenues reported by the groups with the five largest overall revenues rose from 86% to 89%, in part due to M&A activity within the sector.

Examples of M&A activity in the sector include Bauer’s acquisition of Orion Media, a midlands-based radio group in May 2016, and more recently Celador’s acquisition of Anglian Radio in January 2017.

Divestment has also taken place- in August 2016 UKRD sold Juice 107.2 in Brighton back to its previous owners, having originally acquired the station from them in 2015.

Figure 3.12: Radio industry revenue: 2011-2016



Source: Ofcom / operator data / BBC Annual Report 2010-2017. Note: BBC expenditure figures are estimated by Ofcom based on figures from the BBC Annual Report ([www.bbc.co.uk/annualreport](http://www.bbc.co.uk/annualreport)); figures in the chart are rounded and are adjusted for CPI (2016 prices). 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.

**The BBC spent £471 million on radio content in 2016-17, a decline of £11 million in real terms since 2015-16**

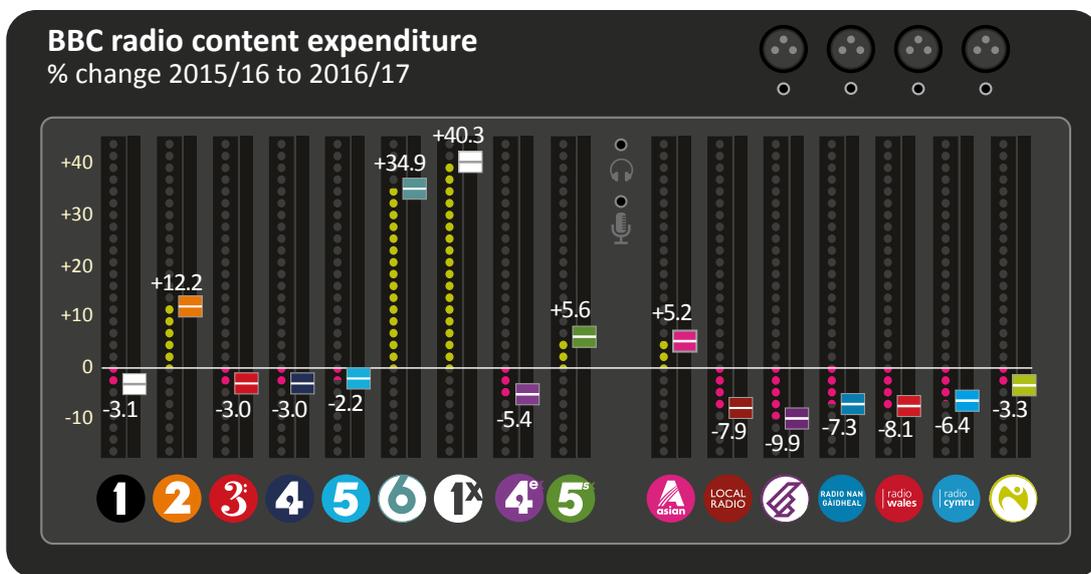
Overall, content expenditure on BBC radio fell by £11m in real terms between 2015-16 and 2016-17, the largest decline being BBC radio in England, where content expenditure fell by £9.6m (at March 2017 prices) to £112.9m, a fall of 8%.

The largest decline in proportionate terms was at Radio Scotland, where content expenditure fell by 10% in real terms to £21.1m.

BBC 1Xtra and BBC 6 Music enjoyed the largest proportionate increase in content expenditure between

2015-16 and 2016-17, with real terms increases of 40% and 35% respectively, while at £5.2m (at March 2017 prices), BBC Radio 2's increase in content spend was the largest in absolute terms, at £5.6m.

**Figure 3.13: Radio content expenditure and revenue percentage change, year on year**



**Source:** Broadcaster returns, BBC Annual Report and accounts 2016-17. Figures adjusted for CPI. Commercial radio advertising revenues at 2016 prices, BBC expenditure at March 2017 prices.

### 3.2.3 The radio market

Broadcast radio services in the UK are provided by the BBC, commercial radio stations<sup>1</sup> and the community radio sector, on analogue (i.e. AM/FM), DAB (digital audio broadcasting) and TV platforms. These radio services are licensed and regulated by Ofcom.

In addition, radio services are streamed online to connected devices and in some places, in particular Northern Ireland, people are able to access radio stations broadcast from outside the UK. Neither online streaming<sup>2</sup> nor radio services broadcast from foreign countries are regulated by Ofcom.

DAB services are transmitted via a multiplex, which can carry multiple radio services. These multiplexes are licensed by Ofcom<sup>3</sup>. There are 55 local multiplexes and two commercial multiplex networks which cover large parts of the UK, in addition to a BBC national multiplex transmission network. BBC local and nations' services are carried on local multiplexes alongside commercial stations.

<sup>1</sup>i.e. those services broadcast under a commercial Broadcasting Act licence. Some services broadcast under these licences are run on a not-for-profit basis.

<sup>2</sup>With the exception of the BBC's services

<sup>3</sup>The individual non-BBC services on DAB multiplexes are also required to hold a Broadcasting Act licence. BBC radio services are covered under the BBC's operating licence framework.

**Figure 3.14: Digital audio broadcasting UK radio services: May 2017**

|                    | UK commercial<br>90% coverage | UK commercial<br>75% coverage | BBC<br>UK-wide | Local<br>commercial | Total       |
|--------------------|-------------------------------|-------------------------------|----------------|---------------------|-------------|
| <b>Multiplexes</b> | 1                             | 1                             | 1              | 55                  | <b>58</b>   |
| <b>Services</b>    | 13                            | 18                            | 11             | 394*                | <b>435*</b> |

Source: Ofcom, May 2017

\*Includes simulcast services (216 services are either unique or 'out of area' simulcasts). Excludes BBC local radio services

In total, 286 analogue local commercial radio licences are on issue; more than 80% of these

are for FM radio broadcasting. Ofcom has completed its third round of community radio

licensing, and there are currently 251 licensed community radio stations broadcasting.

**Figure 3.15: Analogue UK radio stations broadcasting: May 2017**

| Type of station        | AM        | FM         | AM/FM Total |
|------------------------|-----------|------------|-------------|
| Local commercial       | 51        | 235        | 286         |
| UK-wide commercial     | 2         | 1          | 3           |
| BBC UK-wide networks   | 1         | 4          | 5           |
| BBC local and nations* | 35        | 43         | 43          |
| Community radio        | 10        | 241        | 251         |
| <b>TOTAL</b>           | <b>99</b> | <b>524</b> | <b>588</b>  |

Source: Ofcom, May 2017

Note: licence conditions determine the amount of programming that may be shared between licensed services. Here we have listed the number of services providing at least four hours a day of separate programming. \* Includes simulcasts

### 3.2.4 Community radio

#### Total community radio sector revenue was flat in real terms between 2015 and 2016, although average income per station fell by 5%

At £11.6m, total revenue for the community radio sector was flat in real terms<sup>1</sup> (0.1% YoY decline). However, due to an increase in the

number of stations that submitted financial information for 2016 (227, up from 216 in 2015), the average income per station fell

by 5% in real terms to £51,251. The median, or mid-point, income level for the 227 stations fell by 3% in real terms to £31,890.

**Figure 3.16: Average real-terms income for community radio stations: 2014-2016**

| Income                | 2014           | 2015           | 2016           |
|-----------------------|----------------|----------------|----------------|
| Average (mean) income | £56,273<br>-1% | £53,933<br>-4% | £51,251<br>-5% |
| Median income         | £35,899<br>+5% | £32,837<br>-9% | £31,890<br>-3% |

Source: Ofcom analysis of community broadcasters' returns. Adjusted for CPI (2016 prices)

#### The majority of community radio stations continue to have annual income of less than £50k

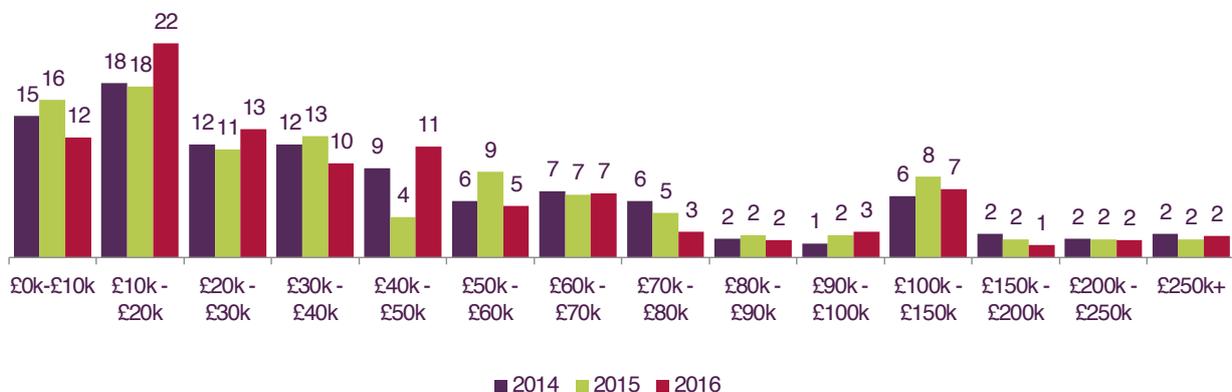
As in previous years, most community radio stations' nominal income was less than £50,000 in

2016 (69% of all stations). Nineteen per cent of stations reported total income between £50,000 and

£100,000, with the remaining 12% earning more than £100,000.

**Figure 3.17: Distribution of total nominal income across the community radio sector**

Proportion of stations (%)



Source: Ofcom analysis of community broadcasters' returns. Figures relate to nominal income

<sup>1</sup> As in the rest of this report, for this year we have restated historic financial data in 'real' terms, which adjust for the effect of inflation. We have restated historic community radio data in real terms for the past 3 years. For Figure 1.15 we have retained nominal income in order to reflect the distribution of 'headline' station income.

### On-air advertising and sponsorship continued to grow in importance as a source of income for the community radio sector

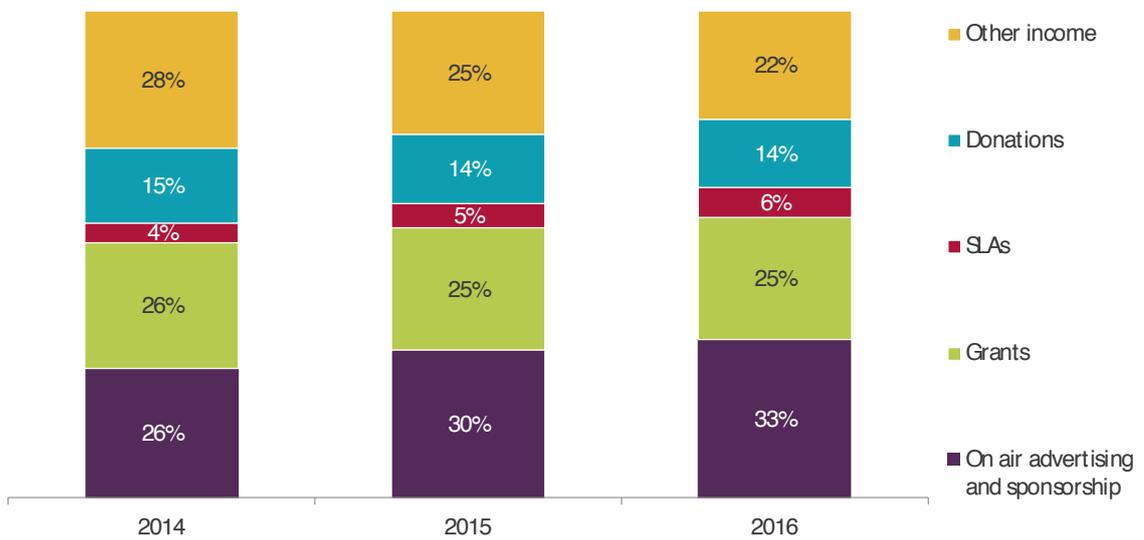
On-air advertising and sponsorship accounted for a third of sector revenues in 2016, an increase of three percentage points since 2015.

Total on-air advertising and sponsorship revenues grew by 8% in real terms to £3.8m. In contrast, total grant income, which accounts for a quarter of the sector’s income, fell by 0.4% in real terms.

‘Other’ income, which includes revenue from the provision of training, fundraising and events, and merchandising income, continued to decline in absolute and proportional terms, falling by 13% in real terms to £2.6m.

**Figure 3.18: Average real-terms income for community radio stations: 2014-2016**

Income by source (%)



Source: Ofcom analysis of community broadcasters’ returns. Figures relate to nominal income

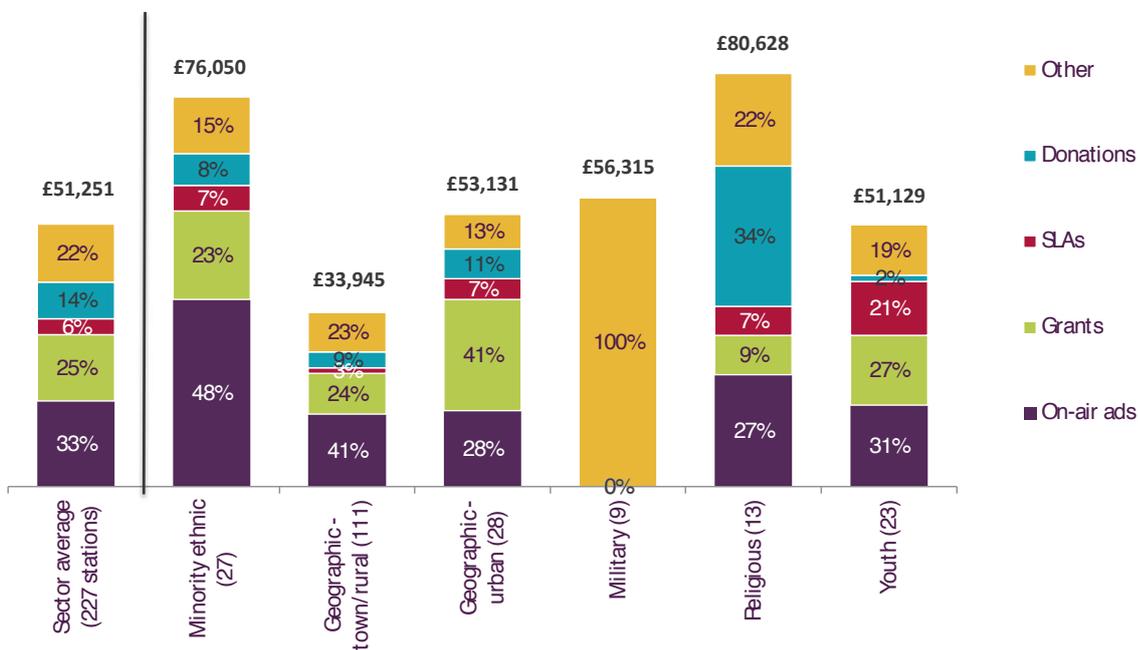
### Stations representing communities of interest had the highest average income in 2016

With an average income of over £80,000, stations broadcasting to religious communities of interest had the highest average income among community radio stations in 2016.

Among these stations, donations accounted for a third (34%) of income and advertising for 27% of income. In contrast, on-air advertising and sponsorship accounted for almost half (48%) of the income of stations which serve

minority ethnic audiences. These stations may appeal to advertisers wanting to target a particular demographic, especially if there are relatively few other ways they can do this in a given geographic area.

Figure 3.19: Average income, by type of community served



Source: Ofcom analysis of community broadcasters' returns.

### Average station expenditure fell by 8% in real terms between 2015 and 2016

Between 2015 and 2016 average station expenditure fell by 8% in real terms to £50,663.

Total expenditure fell by less than this in real terms (4%) to £11.5m, reflecting the increase in the number of stations reporting.

**Figure 3.20: Average real-terms expenditure of community radio stations: 2014-2016**

| Expenditure                | 2014           | 2015          | 2016           |
|----------------------------|----------------|---------------|----------------|
| Average (mean) expenditure | £53,946<br>-4% | £55,201<br>2% | £50,663<br>-8% |
| Median expenditure         | £33,440<br>-8% | £33,454<br>0% | £31,662<br>-5% |

Source: Ofcom analysis of community broadcasters' returns. Adjusted for CPI (2016 prices).

### Staff-related costs continue to account for half of the sector's expenditure

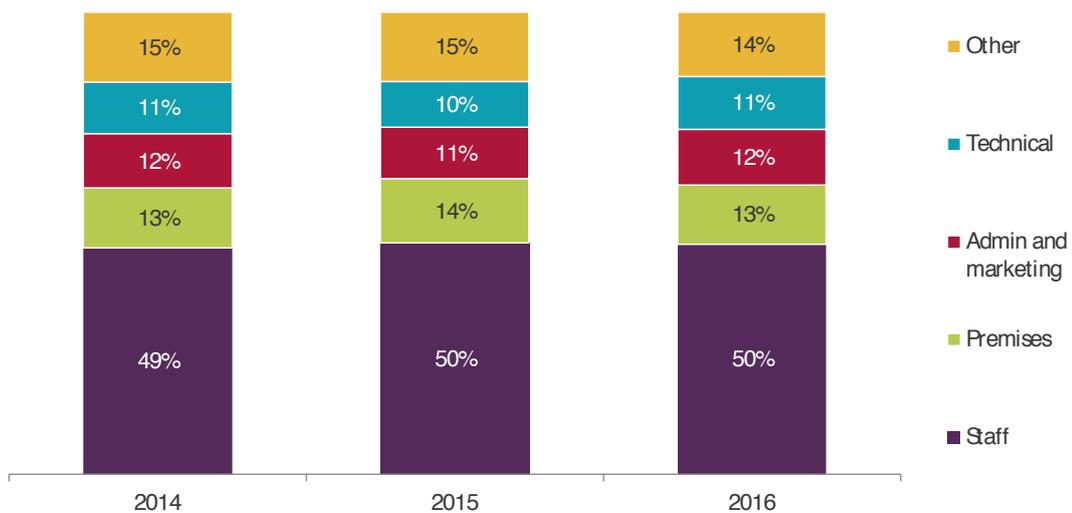
At £5.7m in total, staff costs continued to account for half of the sector's expenditure in 2016, although total staffing costs fell

by 8% in real terms from their 2015 levels. 'Other' expenditure accounted for 14% of total sector expenditure, and includes

programming costs as well as other costs which may relate to activities to promote social gain.

**Figure 3.21: Community radio station expenditure, by type**

Expenditure by source (%)



Source: Ofcom analysis of community broadcasters' returns

**In 2016 stations serving religious communities of interest had the highest average expenditure; those serving town or rural communities the lowest**

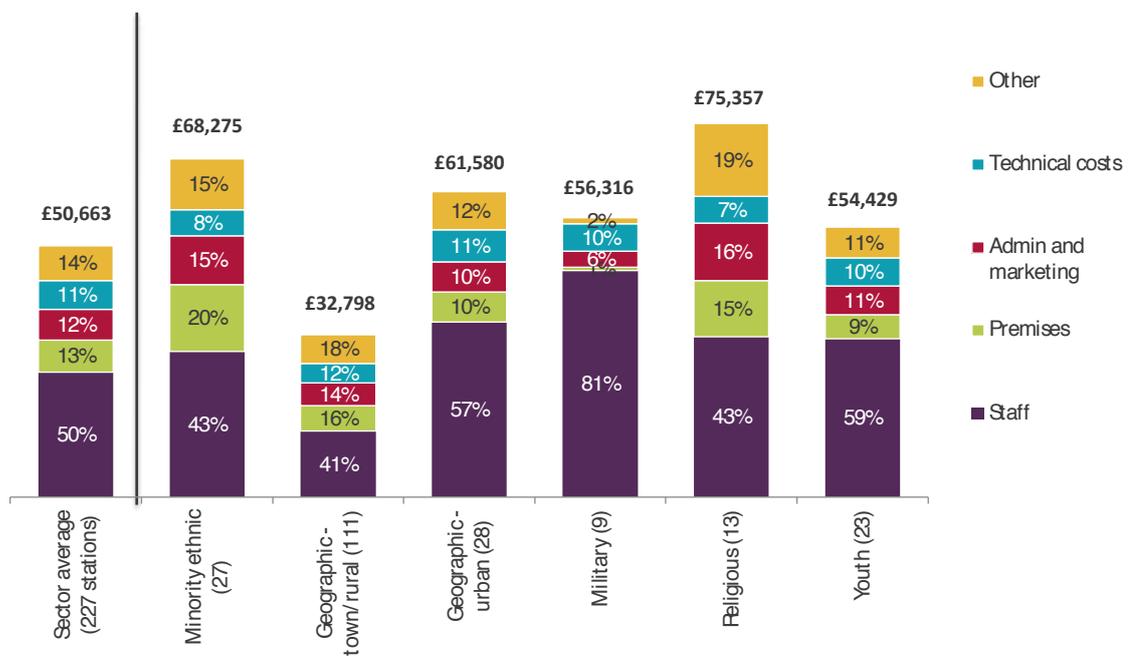
Stations serving religious communities of interest had the highest average expenditure in 2016, at £75,357, compared to £32,798 for stations serving towns or rural areas.

Expenditure patterns differ considerably within the community radio sector, reflecting differences in funding and purpose.

For example, stations which rely on advertising as a key source of income may use paid staff to sell advertising and arrange sponsorships. Paid staff may perform other roles in stations, for example, providing training programmes. In 2016 staff costs ranged from 43% of the total for religious and minority ethnic stations to 81% for military stations.

Premises costs ranged from 20% for minority ethnic stations to 1% for military stations, potentially because being located on military bases means they do not need to pay rent to a commercial landlord.

**Figure 3.22: Average expenditure, by type of community served**



Source: Ofcom analysis of community broadcasters' returns

### Community radio stations broadcast original content for just over half of the time

On average, community radio stations broadcast 89 hours of original live or pre-recorded content in a week, a slight decline since 2015 (90 hours).

Each station had on average 72 volunteers, working a total of 187 hours a week.

**Figure 3.23: Community radio hours and volunteers: 2016**

|                                | Sector average |
|--------------------------------|----------------|
| Total original hours per week  | 89             |
| Number of volunteers           | 72             |
| Total volunteer hours per week | 187            |
| Number of volunteers trained   | 48             |

**Source:** Source: Ofcom analysis of community broadcasters' returns

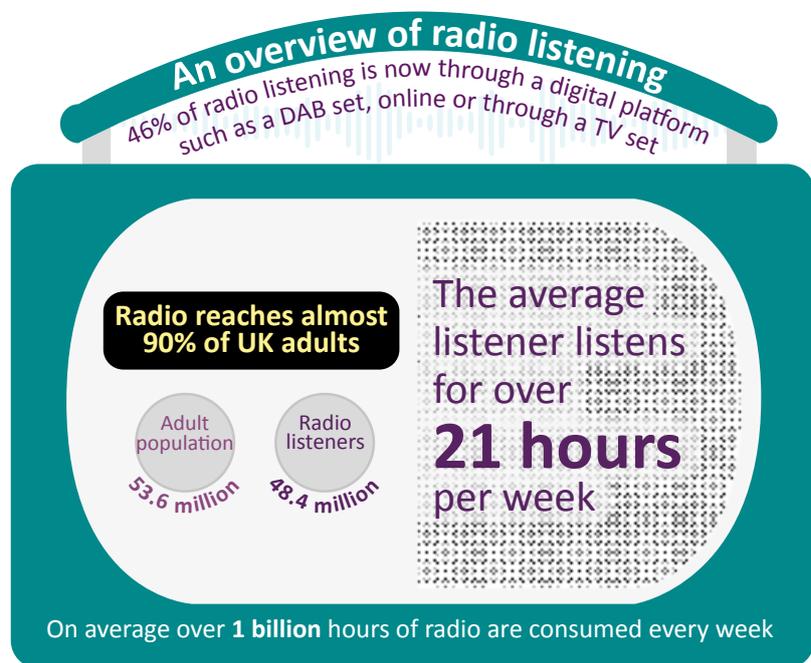
### 3.3 Radio and the audio listener

#### 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.

**Figure 3.24: Overview of radio listening**



Source: RAJAR, 12 months to Q1 2017

### 3.3.2 Weekly radio listening in the UK

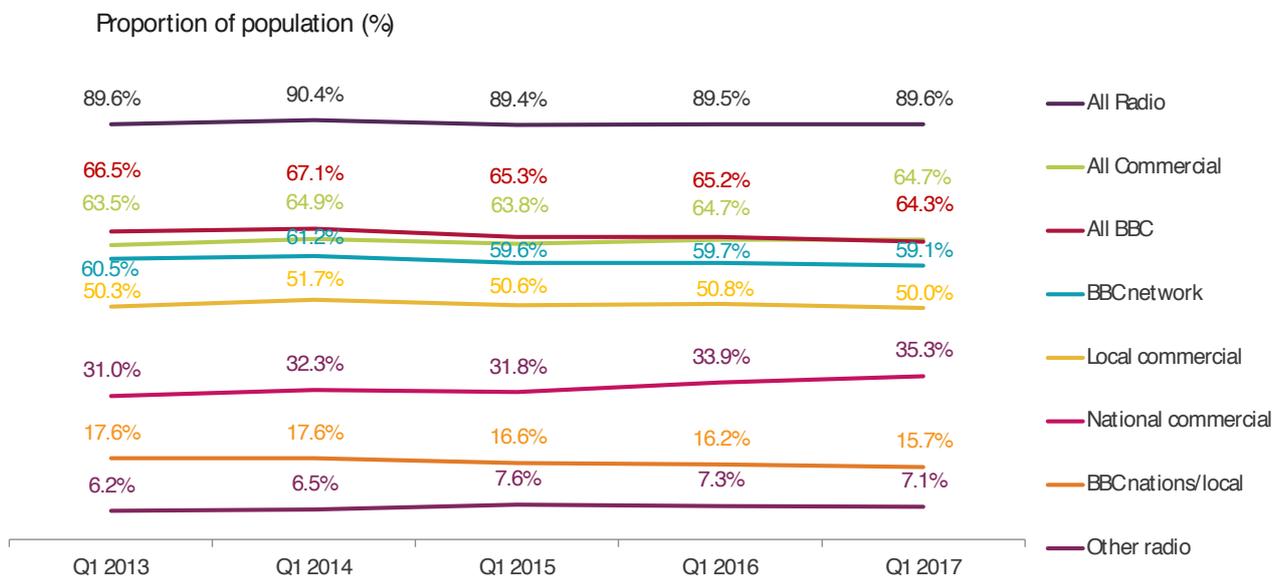
#### Almost nine in ten adults listen to the radio each week

The reach of all radio stations has been stable across the past five years, reaching 89.6% of all adults in the UK each week. The reach of the BBC stations is lower than four years ago, down by 2.2pp compared to an increase in weekly reach of 1.2pp for commercial radio stations.

This has been driven by an increase of 4.3pp since 2013 and 1.4pp over the past year in the reach of national commercial stations, the equivalent of 900,000 listeners each week. This is likely to be linked to the increase in DAB ownership and the growth in listening this way,

especially to national commercial stations (see Figure 3.38 and Figure 3.30), and also because of the launch of new services on the Sound Digital multiplex.

Figure 3.25: Reach of radio, by sector



Source: RAJAR, All adults (15+), 12 months to Q1 of each year

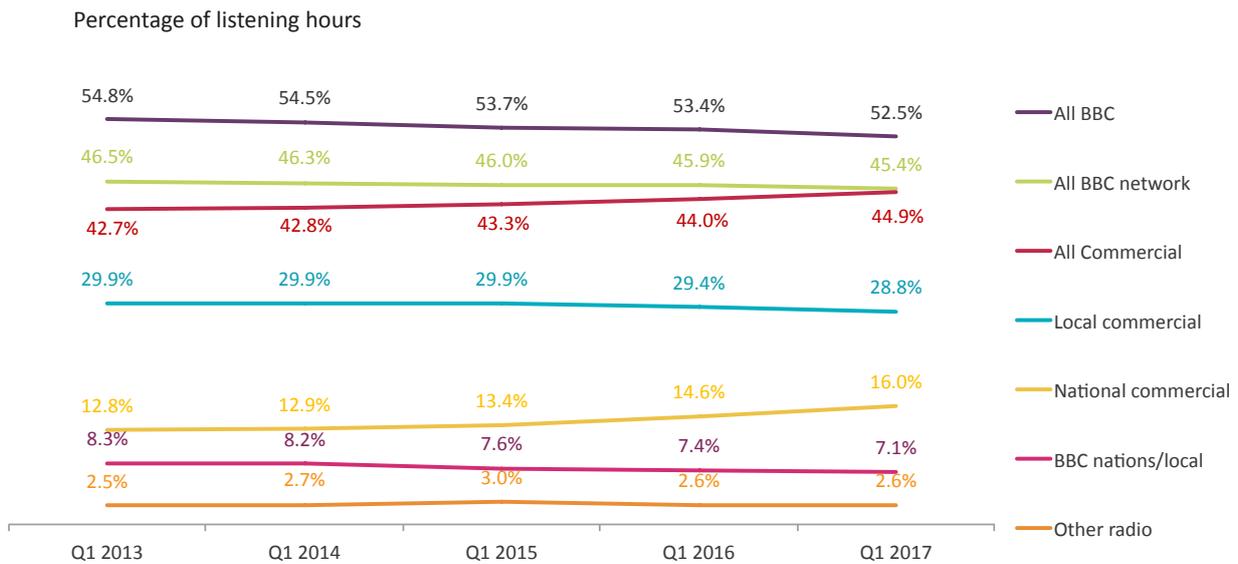
### National radio services continue to gain in popularity

The shares shown in Figure 3.26 are calculated from the total listening time of all the services in each sector.

As outlined above in the discussion about reach, national commercial stations have increased their market share over the past five

years (+3.2pp) and the past 12 months (+1.4pp) with all other sectors losing as a result.

**Figure 3.26: Share of listening hours, by sector**



Source: RAJAR, All adults (15+), 12 months to Q1 of each year

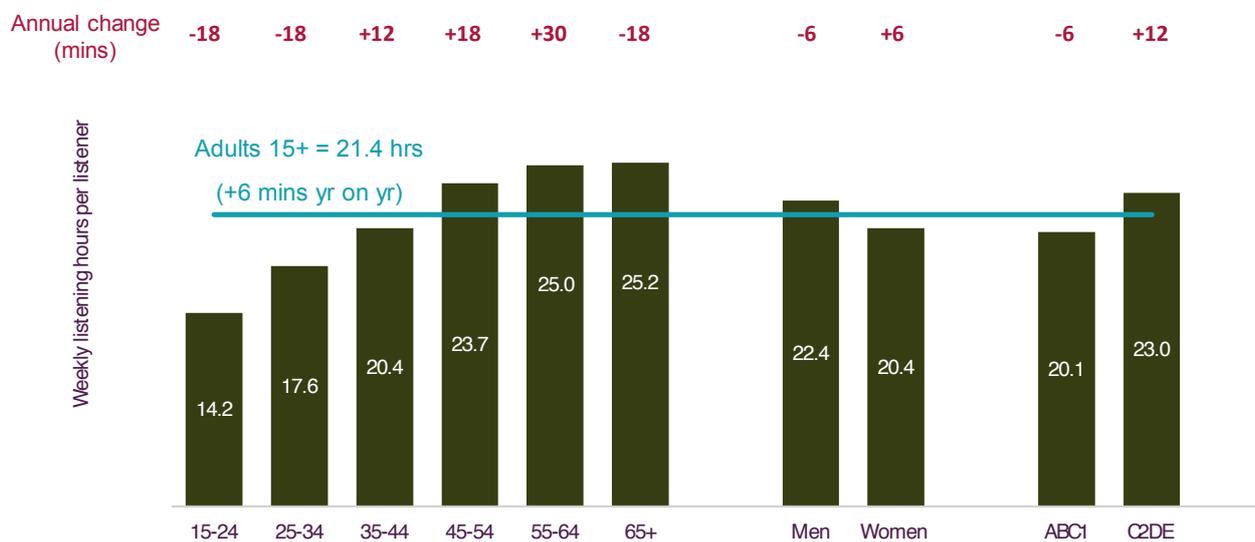
### Young people spend less time listening to the radio than a year ago

Adults spent an average of 21 hours 24 minutes listening to the radio each week in 2016, a slight increase of around 6 minutes compared to the previous year.

There are differences by demographic; listening time increases as people get older, men generally listen for longer than women and those in socio-economic group C2DE listen for longer than ABC1s. Those at either end of the age spectrum (15-24

and 65+) listen to the radio for 18 minutes less each week than they did last year. In contrast, those aged between 35 and 64 listen for longer – on average 18 minutes per week longer than a year ago.

**Figure 3.27: Average weekly listening, by demographic**



Source: RAJAR, all adults (15+), 12 months to Q1 2017

### 3.3.3 Digital radio listening trends

#### DAB ownership continues to increase

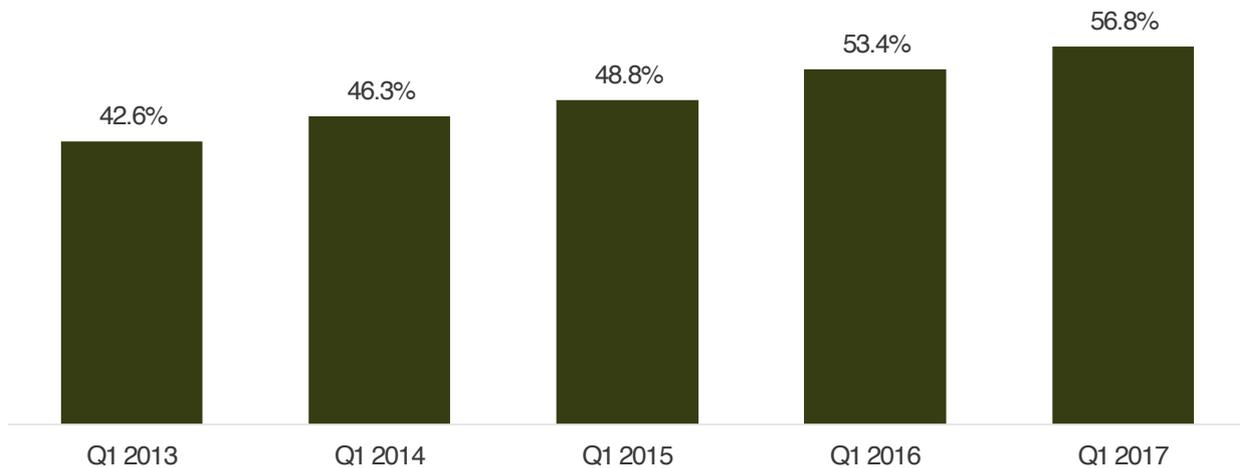
Ownership of DAB radio sets continues to increase, with around 57% of adults now claiming to own one, or have a set in the household.

There are some significant differences in take-up by age; those aged 45-54 are most likely to have access to a DAB radio (64.6%) compared to 46.9% of 25-34s.

There are also differences depending on where in the UK people live. 58% of adults in either England or Wales say they own or have a DAB set in the home, compared to just 37% of adults in Northern Ireland.

**Figure 3.28: Ownership of DAB sets**

Percentage of adults who claim to own a DAB set / have a DAB set in the home



**Source:** RAJAR, All adults (15+), 12 months to Q1 of each year

**Note:** In previous CMR reports we have used figures from Ofcom’s Tech Tracker

### DAB is driving the increase in digital listening

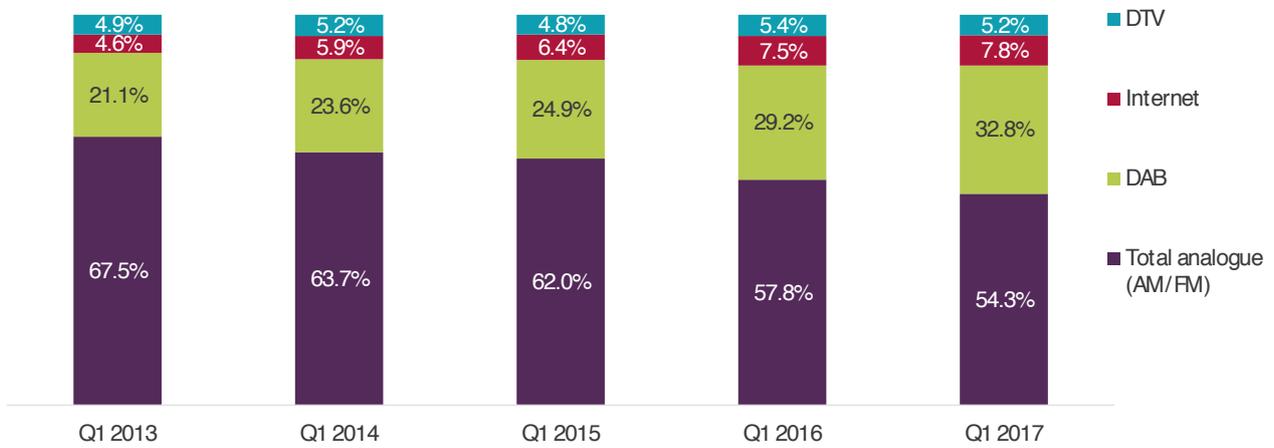
The amount of radio listening which is on digital platforms is now almost 46%. Seventy two percent of digital listening is through a DAB set (33% of overall listening hours).

When looking at the figures by age group, 17% of listening by 15-24 year olds is via the internet compared to 49% through analogue and 24% through DAB.

For older listeners, however, analogue is still the leading platform, with 61% of over-64s' radio listening via AM or FM, and just 2% online.

**Figure 3.29: Share of radio listening, by platform**

Share of all radio hours by platform



Source: RAJAR, all adults (15+), 12 months to Q1 of each year

### Levels of digital radio listening vary by sector

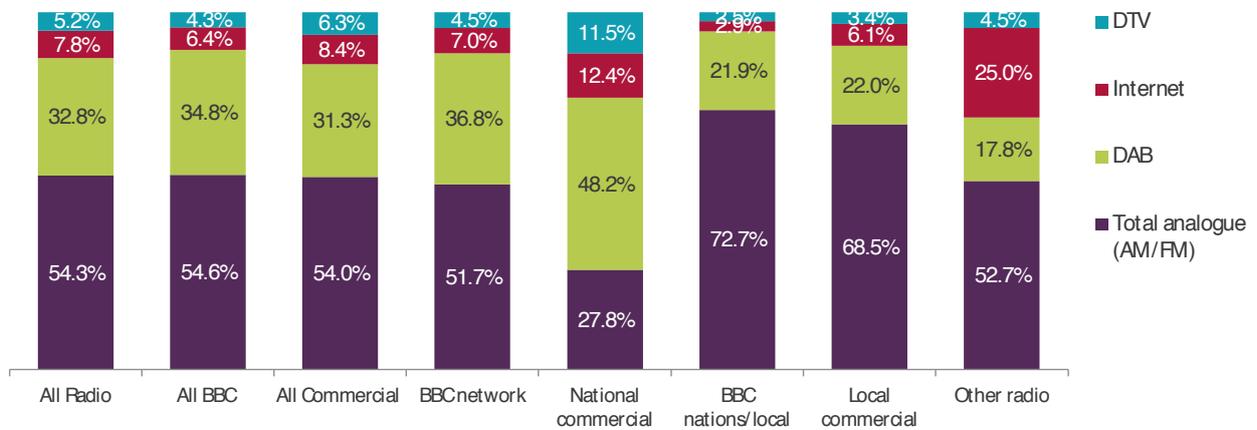
Comparing share by platform across the radio sector shows some wide variations. In particular, only 28% of listening to national commercial stations is through

analogue, due to the range of digital-only commercial stations available across the UK. In contrast, the majority of listening to local services continues to be through

AM/FM. This is likely to be driven in part by in-car listening, as 27% of listening to any local station is done in the car, compared to just 20% of listening to a UK-wide station.

Figure 3.30: Platform split, by sector

Share of radio listening



Source: RAJAR, all adults (15+), 12 months to Q1 2017

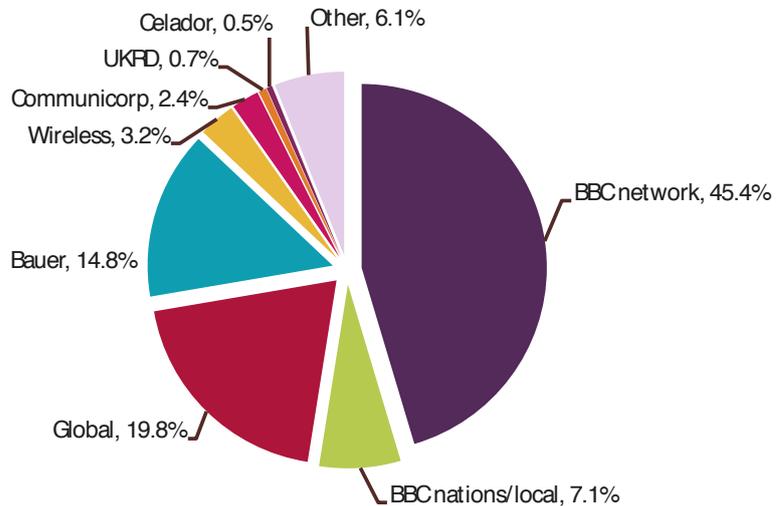
### 3.3.4 Listening by ownership group

The BBC’s share of all radio listening, including network and local/nations’ radio, was 52.5% in the 12 months to Q1 2017, down by 0.9pp compared to the previous year.

Two major groups make up the bulk of the commercial radio market share: Global and Bauer. They own and operate a range of local and national stations and together take almost 35% of the radio market in terms of listening hours.

**Figure 3.31: Share of all radio listening hours**

Percentage share of listening hours



Source: RAJAR, all adults (15+), 12 months to Q1 2017

### The two largest commercial radio groups together reach more than 30 million listeners each week

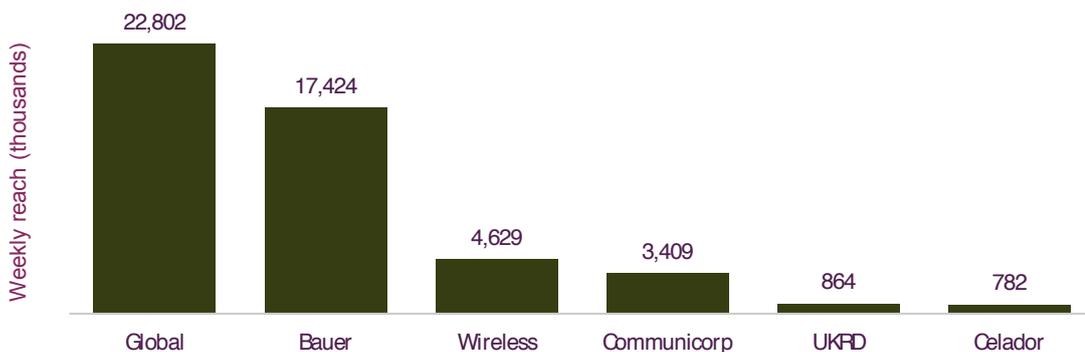
Most commercial radio groups increased the number of people they reach each week, compared to the previous year,

with Bauer stations seeing the biggest increase (+1.1pp, equivalent to 775,000 adults).

Taking both groups’ listener populations together, Global and Bauer reach more than half the UK adult population (56.6%).

**Figure 3.32: Commercial radio, by weekly audience reach**

| Ownership Group | Weekly UK audience reach | Annual change in reach |
|-----------------|--------------------------|------------------------|
| Global          | 42.2%                    | +0.8pp                 |
| Bauer           | 32.2%                    | +1.1pp                 |
| Wireless        | 8.6%                     | +0.7pp                 |
| Communicorp     | 6.3%                     | +0.3pp                 |
| UKFD            | 1.6%                     | -0.2pp                 |
| Celador         | 1.4%                     | +0.2pp                 |



Source: RAJAR, all adults (15+), 12 months to Q1 2017

### There are now 50 national radio stations available across the UK

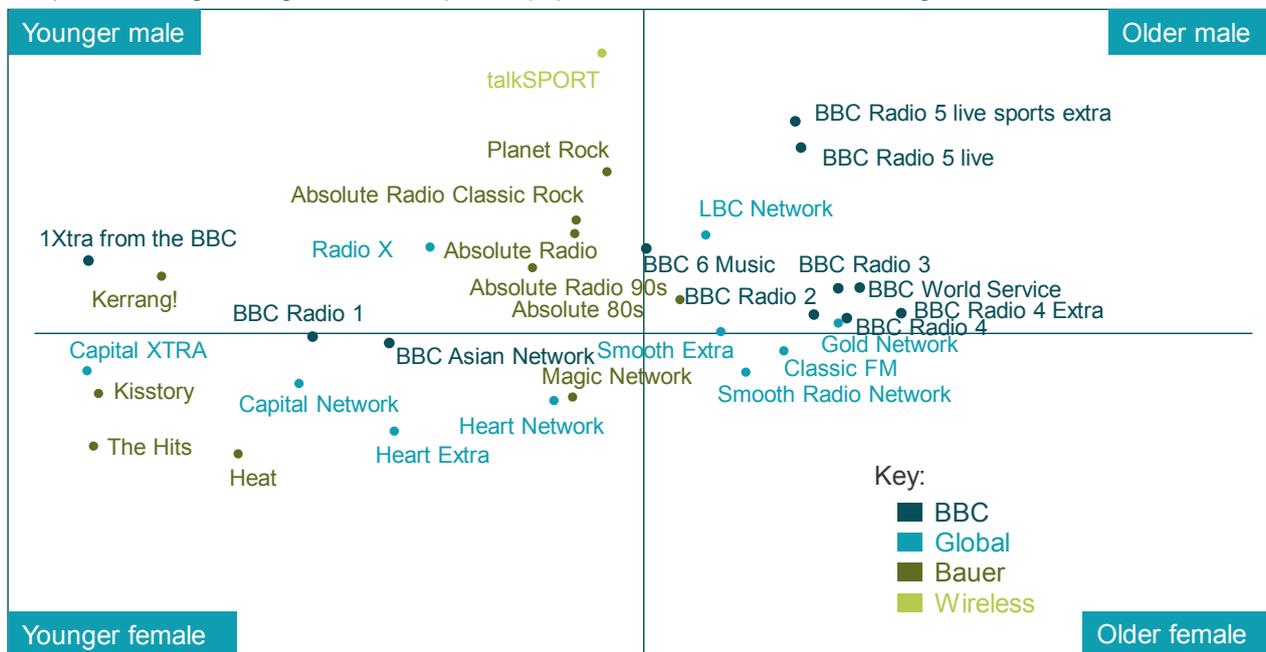
According to RAJAR there are now 50 radio stations available nationally across the UK: 39 commercial and 11 from the BBC. This has increased from 38 (27 commercial, 11 BBC) in 2013.

There are some demographic variations between the audiences that UK-wide services from different owners appeal to. For example, as Figure 3.33 shows, the majority of BBC services (apart from 1Xtra, Radio 1 and Asian Network) are

more likely to appeal to older men, Global national services, such as Heart, tend to have a greater appeal to female listeners, and Bauer stations, such as Absolute Radio, largely appeal to male audiences.

**Figure 3.33: Reach profile of national stations, compared to all radio**

Comparison of age and gender reach profile (%) to national stations indexed against all radio



**Source:** RAJAR, all adults (15+), 12 months to Q1 2017  
 Reach (%) for each station has been indexed against all radio reach for males and 35+  
 Only stations with a weekly reach greater than 500,000 listeners are shown