

RadioCentre

2014
ANNUAL
REVIEW

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CEO INTRODUCTION

As a newcomer to the radio industry, this has been a year of pretty deep immersion for me. The sector isn't without its challenges and has undoubtedly been through some tough times, from which it is now thankfully bouncing back. The great advantage of radio/audio is that it translates so well into the digital world. It's no surprise then that there is so much experimentation going on. For me, one of the strengths of the sector is the great variety of players, embracing the new world in different ways. The one attribute they all share is a passion for connecting audiences with their favourite music, entertainment, news and local information. And the fact that 90% of the population continue to tune in every week proves that they are still hitting the spot with their listeners.

Ironically, the one constant in today's media landscape is the theme of never-ending change. Which makes it an exciting time to be in business. RadioCentre members and all our partners are grappling with the big question about where the consumer will go next and how to ensure that they can have access to the great content they want at the right price. That applies to Government, regulators, the BBC, the advertising industry and all of us in the commercial radio sector. Media consumption is changing. But some universal truths remain. The desire to be entertained, to be informed, amused, surprised, first with the news or first with the new sounds. Whoever delivers that will continue to be in demand.

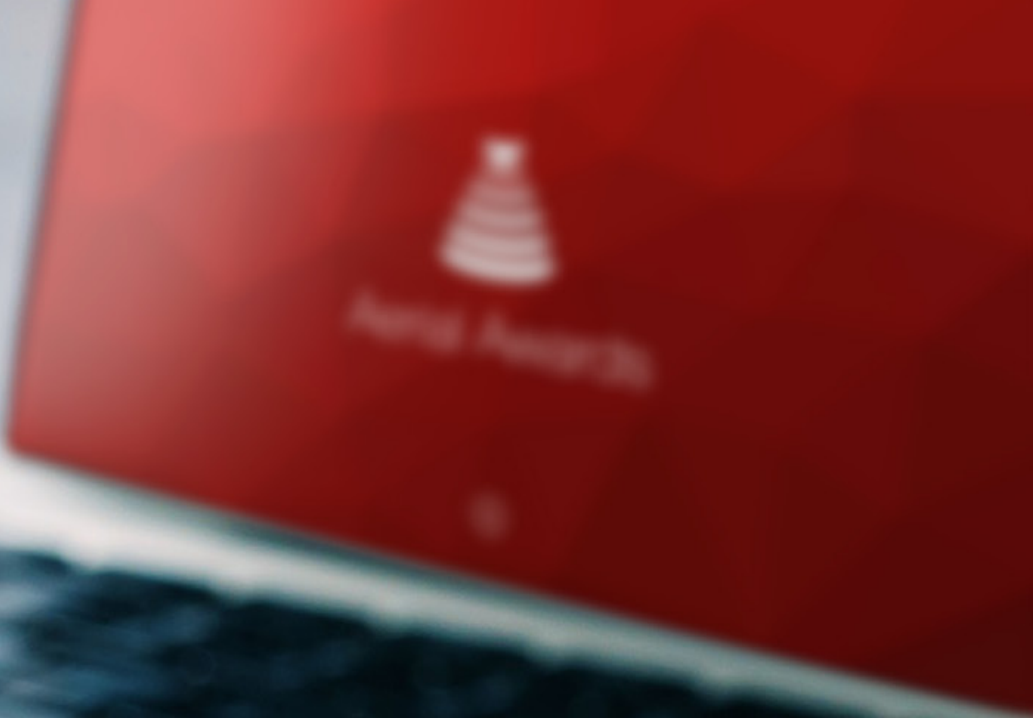
This last year under review has seen a revival in ad revenues, up 7% year on year. Part of that is undoubtedly due to improving economic conditions. But there has also been independently acknowledged credit to the work of the RAB in the form of two award wins and a further six shortlistings for *Radio: the ROI Multiplier*. This continues to make an impact with empirical proof of a return on investment of nearly 8:1 for every pound spent on radio advertising. Further research in 2014's *Audio Now* report explores the continuing importance of radio, analysing where it fits into a musical ecology which includes personal collections and streamed music services. It's critical in understanding radio's place in the digital world. Taking that theme on further, there are some exciting plans for more ground-breaking research in the pipeline.

Having worked in Government in the past, it is fascinating for me to be on the other side of the fence, representing commercial radio and dealing with Ofcom, the Department for Culture, Media & Sport (DCMS) and the broader group of Parliamentarians. Part of the challenge facing Government and regulators in a rapidly changing world is to ensure that regulation is fair and appropriate in a digital age. RadioCentre argues that some relaxation of pre-internet regulation governing certain aspects of the commercial radio sector is a fairly obvious step. In addition, much as we all love the BBC, it has a massive 53% share of the UK radio market. More concentration on music services which the listener cannot easily find in the commercial sector would benefit licence fee payers, allow the BBC to experiment more and let the commercial sector flourish. A win-win for everyone concerned, it would seem.

Equally, there are some terrific collaborative projects between commercial radio and the BBC. I am a big fan of Radioplayer, a totally brilliant partnership which developed apps and web players to make UK radio more accessible on connected devices. International markets have been snapping up the idea, and we are on the cusp of a devastatingly simple solution to in-car listening. More generally, digital listening is growing apace, with the change being led by consumers, thanks to significant investment by Government, the BBC and commercial radio.

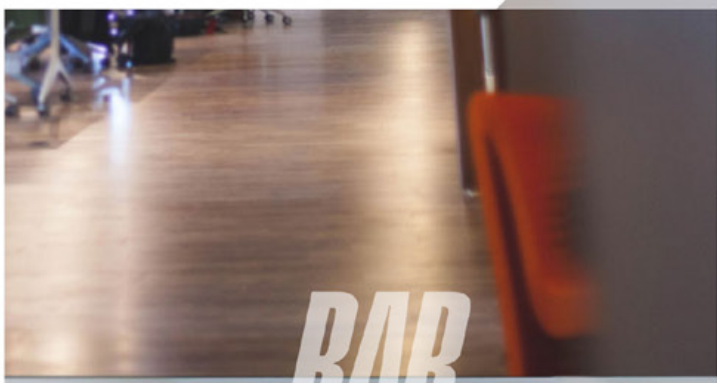
At RadioCentre we echo the theme of great change. A slimmed down, more focused organisation is delivering high quality work on advertising, policy and clearance. This year we will unveil our new look and feel at a totally different kind of conference. Our annual Arqiva Awards at London's Roundhouse will be presented by Heart's breakfast duo, Emma Bunton and Jamie Theakston. There is much, much more to look forward to in the year ahead. Finally, I would like to thank everyone in the radio family for making me so welcome to their fascinating world.

Siobhan Kenny
CEO



COMMERCIAL RADIO FOR B2B ADVERTISERS

Radio is a fantastic medium for B2B advertisers – allowing you to reach their target audience at key times across the working day and remain cost effective in the process. However these aren't the only reasons why you should be using radio. If you're a B2B advertiser seeking to understand how radio can help grow your brand – or you work for a radio station and are in conversations with a B2B advertiser – the material contained in this section should help demonstrate how effective radio advertising can be and how you can exploit its full potential.



RAB

Audio Now

The new landmark research project *Audio Now* provided some much-needed perspective on the listening habits of consumers. The study used a mixture of quantitative and qualitative data as well as expert opinion from Les Binet of adam&eveDDB to develop a wider understanding of the evolving audio market.

With new platforms and devices offering more listening opportunities than ever, the study establishes the overall size of the audio market, explores the consumer impact of diverse audio services, and most importantly analyses the implications for advertisers. The report ultimately demonstrates the value of audio advertising, finding that live radio continues to be the dominant commercial audio format, accounting for 70% of all consumption. The study also identified six primary need states, and found that live radio is able to satisfy all of these, whereas on-demand audio only satisfies five. Live radio was found to be most effective at lifting the mood of listeners.

Since launch it has been presented to all the big media agencies across the country, as well as to an audience of digital audio professionals from across Europe at the RAIN Summit Europe. These presentations will continue well into 2015.

Radio: the ROI Multiplier

Following the launch of *Radio: the ROI multiplier*, the team continued to roll out the research with a tour of all of the major media agencies, presenting the findings to well over 400 planners, buyers and strategists. The report presented valuable insight for advertisers interested in radio – on average radio advertisers get their money back 7.7 times over, although some categories show exceptional performance, notably automotive and retailer brands, as well as impulse products. This makes radio the medium with the second-highest return on investment (TV is first), out-performing press, outdoor and online.

A two-phase radio advertising campaign took the headline findings to a wider audience. This was supported by press advertising in *Campaign* and a vertical trade press campaign highlighting radio's strong ROI performance within individual sectors: motors, travel and retail.

The project was shortlisted for eight industry awards across the year, picking up gold in the Best Trade Body Research category at the prestigious Media Research Group Awards in Berlin, as well as the Media Research Effectiveness Award at the MediaTel Awards.



Microsite for B2B Advertisers

Like the local advertiser microsite last year, the newly launched dedicated microsite for B2B advertisers provides strategic arguments for why radio might be relevant and effective for them—from the latest audience data and stats to RAB research tools, insight and presentations.

Aerial Awards

The Aerial Awards continue to run every month shining a light on some of the best radio creative on air. This year the website has been redesigned and optimised for mobile, making it even easier to enter and access the content on the site. The Aerial winners from 2014, including brands such as IKEA, Heinz, Expedia and Duracell, will all receive free entry to the prestigious D&AD Awards. From February 2015, *Campaign* are dedicating a whole page to celebrating the winning work every month, with judges giving their advice on how to create brilliant radio advertising.

The EarApp

Presenting radio script ideas can be a real barrier for creatives in agencies. The Aerials *EarApp* was created in collaboration with Eardrum Australia, enabling creatives to record and time their scripts with appropriate sound effects and share via email. The launch of the app was marketed in collaboration with *The Drum* through a monthly online competition *Air Your Briefs* with a challenge to respond to a topical brief in 72 hours, submitting entries via the *EarApp*.

D&AD

In the third year of partnership with D&AD, the RAB sponsored the Professional Awards which saw a nomination for the Aerial Award-winning Ogilvy & Mather London radio ad, *Autotune* for Dove.

As partners of the D&AD New Blood Awards, the RAB also set a student brief. Students hoping to break into advertising were tasked with creating a radio campaign for a pop-up restaurant. Two Pencils were awarded to graduates Maddie Taylor and Daniel David. As a result of their awards, they have gone on to work on placements in agencies including Ogilvy & Mather and R/GA, giving them a stellar start to their advertising careers.

radioGAUGE

In 2014, 33 radio campaigns were measured via RAB effectiveness tool *radioGAUGE*, from brands including Sky Broadband, ITV, Halifax and McDonald's. Now in its eighth year of operation, aggregated learning from the study is updated and made available to customers and radio sales teams via *radioGAUGE Predict* on the RAB website.

DIATIONS

THE OUTPUT AND IMPACT OF COMMERCIAL



POLICY

Action Stations

The latest *Action Stations* report looked at the extent of public service content provided by commercial radio. It includes data gathered directly from stations and from a major survey of listeners undertaken by Kantar Media in 2013. This report highlighted the role that commercial radio continues to play in local communities and the value of this output. Commercial stations provide an average of 10 hours and 21 minutes of public service content each week (over 3,000 hours in total), attend more than 1,000 local events each week and raise millions for charity.

This information is a useful way of shifting the conversation about commercial radio to emphasise its continuing public service role. The final report featured contributions from the three main political parties at Westminster and included a range of data and case studies from stations of all kinds. In his first formal engagement with media and broadcast industries, the then new Secretary of State for Culture, Media and Sport, Rt Hon Sajid Javid MP spoke at the launch event at the House of Commons.

This work continues to be an important way to address some of the assumptions about the output and impact of commercial radio stations in the digital age.

BBC Reviews

BBC radio services were under the microscope in 2014. The corporation's governing body, the BBC Trust, announced that it planned to begin reviews of both the BBC's music radio networks and national speech stations during the year.

The review of music services provided an opportunity to take a detailed look at the performance of BBC stations collectively for the first time. This meant that the role and remit of the national pop music stations Radio 1 and Radio 2 could be examined in detail.

To help with this process RadioCentre commissioned independent market research specialists BDRC Continental to ask 2,000 listeners whether they believe the stations are delivering on their remit. The research found that while most listeners associated Radio 1 and Radio 2 with mainstream pop music output, only a small number were aware of the sort of public service content required by the BBC Trust.

RadioCentre submitted this research to the BBC Trust in October alongside its response. The final report from the Trust on the BBC's music radio services is expected to be published in Spring 2015. A further review of speech radio is expected to report in Summer 2015.

Party Conferences

RadioCentre was present at all three major party conferences in 2014. As BBC Charter Review approaches, this was an opportunity to get an early outing for radio and CEO Siobhan Kenny participated in *The Guardian's* panel discussions on *The Future of the BBC* which took place at each of the three conferences.

These debates covered issues including funding models, BBC governance, value for money and the future role of the BBC in a changing media landscape. Crucially they also enabled radio to remain part of these broader debates and provided a platform to unveil some of the research findings on BBC radio.

Licence Terms

At the end of 2013 the Government announced that it was not in a position to commit to a digital radio switchover but that it would continue to work with industry to invest in DAB coverage. This approach was broadly welcomed by the sector.

However, one of the consequences of this decision is that the FM/AM commercial radio licences that are also carried on DAB will start to expire from late 2017. These licence 'rollovers' have been granted by successive Governments, in order to ensure stability for the sector and support investment in digital radio. Allowing these licences to expire would risk destabilising the radio industry at a critical time in its development. It could also undermine the confidence of listeners and advertisers, putting revenues at risk.

DCMS consulted on extending these licences further and is set to announce its proposals in 2015.

Formats

The potential relaxation of format rules for local commercial radio stations was also considered in 2014. This followed a request by Communications Minister Ed Vaizey MP to see if these rules “*can be relaxed to give the industry greater freedom to adapt to changing consumer tastes*”.

Ofcom conducted an initial ‘call for inputs’ on this issue in summer 2014. RadioCentre responded by highlighting the extent of market changes (the growth in digital music services; changes in the radio market; and the blurring of musical genres) and proposed that radio stations should be as free as possible to determine their output.

Ofcom published a further consultation at the start of 2015 which included some limited options for change to the existing regime.

Community Radio

At the start of 2014 DCMS published proposals to relax the rules on not-for-profit community radio stations raising money from advertising or sponsorship. RadioCentre opposed these changes due to concerns that it could risk blurring the lines between small commercial stations and community broadcasters which were originally developed to serve communities of interest and deliver social gain.

In early 2015 DCMS announced that it would proceed with some relaxation of these rules but with a number of safeguards in place to limit the impact on small commercial stations.

AER Summit

An international summit of commercial radio representatives was held at the RadioCentre offices in London in partnership with the Association of European Radio (AER), which represents over 4,500 commercial stations across the continent. The event was attended by delegates from France, Germany, Spain, Ireland, Denmark, Austria, Finland and Switzerland.

The meeting considered a range of common issues, including the potential opportunities presented by online listening and commercial radio's relationship with third-party streaming services, with presentations from Radioplayer, Radio DNS and the RAB. The latest EU policy initiatives, including a potential review of the copyright framework, were also discussed.

DEC Appeals

Arrangements with the Disasters Emergency Committee (DEC) mean that stations are able to offer free publicity to any DEC appeal. Once a decision to launch an appeal is made, the DEC approaches RadioCentre (alongside broadcasters including the BBC and ITV) to co-ordinate the production and distribution of the key messages.

In 2014 commercial radio supported two DEC appeals – the Gaza crisis appeal in August and the Ebola crisis appeal in October.

A close-up photograph of a person's hand holding a silver pen over an open notebook. The hand is resting on a wooden desk. In the background, another person's hands are visible, typing on a laptop. The word "CLEARANCE" is written in a bold, italicized, white font inside a white rectangular box with a drop shadow, centered over the hand holding the pen.

CLEARANCE

Terms and Conditions

Achieving more effective terms and conditions in radio advertising remains a priority, with a particular focus on financial advertising.

Following a detailed consultation process, the Financial Conduct Authority (FCA) published new rules for consumer credit firms. The RadioCentre response included new evidence that simpler, more focused terms and conditions provide much better consumer protection. As a result, the new rules included a significant reduction in the length and complexity of the payday loan risk warning suggested in the original consultation papers.

Since then RadioCentre has responded to three further consultations – two from the FCA and one from the Treasury. Developing positive on-going dialogue with the FCA has helped ensure better interpretation of regulatory guidelines which is more effective for consumers.

Other advertising organisations, including the Advertising Association in London and the Association of European Radio in Brussels, are now also involved in the project to open up the debate on the reduction of consumer credit terms and conditions in the interests of both the consumer and the advertising industry.

Script Clearance

A record 30,492 scripts were processed for broadcast. This represented 14% growth on the previous year. 37% of scripts were cleared within 8 hours and 63% within the maximum target time of 24 hours. Take-up of the premium 'fast track' service (clearance within 2 hours) continued to grow steadily, an option for agencies and clients in need of super-fast clearance.

Complaints

Of the over 30,000 scripts cleared, only a tiny proportion of complaints were upheld by the ASA. 17 RACC-cleared ads were formally investigated with 6 cases upheld. Four Code breaches were for misleading impression and the other two for irresponsible content and unclear qualification.



EVENTS

Members' Conference and Arqiva Awards

The RadioCentre Members' Conference was held in July at the Westminster Bridge Park Plaza Hotel. In her first speech to members, RadioCentre CEO Siobhan Kenny addressed the opportunities and challenges facing commercial radio. Other speakers included BBC Director of Radio Helen Boaden and Minister for Culture Ed Vaizey MP.

At the 19th annual Arqiva Commercial Radio Awards that evening, Absolute Radio picked up four gongs – three of them going to Awards host, Christian O'Connell – with LBC not far behind with three. The Chairman's Award was presented to Dianne Thompson, the Special Award went to Orion Media Chairman Phil Riley, and Bauer's Grae Allan received the Lifetime Achievement Award.

BRIT Awards

Once again members were given the chance to participate in the on-air commercial radio promotion for the BRIT Awards. Participating stations broadcast special features and trails in the run-up to the awards, as well as running ticket giveaways for listeners.

Aerial Awards Event

July marked a year since the re-launch of the Aerial Awards with a birthday party at the Hoxton Hotel, attended by Aerial winners as well as friends and supporters of the awards.

Sound Women Event

MPs and radio industry figures gathered in Westminster to celebrate the third birthday of radio industry group Sound Women, which was founded in 2011 to encourage, support and promote women in UK radio.

Hosted by MPs Andrew Bingham and Damian Green, the gathering included leading names from BBC and commercial radio, as well as the Minister, Ed Vaizey MP, and parliamentarians from all the major political parties. At the event, Siobhan Kenny spoke of her determination to ensure greater diversity in commercial radio.

Advertising Week Europe

In partnership with Advertising Week Europe, the RAB team produced an audio programme to celebrate the week-long event, which included a series of interviews with speakers and delegates discussing the broad issues and topics to come out during the week. Interviewees included the documentary film-maker Morgan Spurlock, *Ad Contrarian* Bob Hoffman and the entertainer James Corden.

Content was hosted on a dedicated RAB microsite and on Radioplayer, as well as through Advertising Week Europe's blog and social channels, reaching an audience of well over 600,000 people.

Cannes Lions

With creative agency Eardrum Australia and Belgian radio group VAR, the RAB created the first ever Radio Zone at Cannes Lions. This included a showcase of the nominated and winning radio work, a 'radio surgery' and a silent disco. RAB staff also distributed bags, booklets and brochures to increase awareness of creative development activity in the radio market.



TRAINING

Introduction to Radio Advertising

Over 160 delegates attended the monthly RAB training course, the majority of which came from media agencies and advertisers with the remainder coming from creative agencies, radio stations and other companies.

The course was redesigned following feedback, including a new workshop-style format in which delegates work to a specific brand brief, developing a media strategy and then extending this to a creative workshop at a radio station.

Creative Agency Training

In a series of agency workshops with the RAB, creatives have honed their radio skills and opened their eyes (and ears) to the creative potential of the medium. As part of the programme, the teams worked on live briefs for commercial clients. Agencies trained in 2014 include BMB, Dare, CHI, Grey London and VCCP.

RACC Training Workshops

The RACC held various bite-sized sessions across the year consisting of updates and interactive exercises, with practical advertising examples. The sessions aimed to enable clients to get common claims on air without being misleading or requiring lengthy terms and conditions.

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FAYE CHAPMAN
Company PA



KIP MEEK
Chairman

External Affairs



MATT PAYTON
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NISHI SHARMA
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