Commercial radio

Stronger than ever

radiocentre

Contents

CEO foreword

‘Whichever way you look at it, commercial radio in the UK is stronger than ever.’

Whichever way you look at it, commercial radio in the UK is stronger than ever.

Audiences are at record levels, advertising income has hit new heights and is back above pre-pandemic levels, while the choice and variety of radio and audio available has never been greater.

This success might be surprising to some, given the rise of digital media and online entertainment. But the truth is that radio has managed to evolve and adapt so it can provide music, news and information to vast audiences today, in the same way it has done for generations.

It's been 50 years since the first UK commercial radio station, LBC, went on air in 1973, expanding choice for listeners and introducing real competition to BBC radio. So much has changed since those pioneering early days, but the story of commercial radio as a unique source of innovation, creativity and public value has remained constant.

We sometimes take this value for granted, but its importance should not be underestimated. During the pandemic the power of trusted, reliable, and intimate radio content was especially evident, providing accurate news, vital information, entertainment and companionship – all on a free-to-air basis.

Over the years there have been huge advances in technology, as well as big changes in listening habits. A vast range and choice of radio and audio services is now available across all listening platforms, with podcasts and on-demand audio complementing traditional linear radio services.

This creates fantastic opportunities with both a broader range of choice for listeners and an even more compelling offer to advertisers. But there are also threats that risk preventing radio and audio from unlocking its full potential.

This document summarises where we are now, what is at stake, and what needs to happen to ensure radio and audio continue to thrive. It also breaks new ground by setting out a change to the remit of Radiocentre to encompass all kinds of broadcaster-owned and operated audio (including podcasts and on-demand streaming services provided by commercial radio).

The world around us is changing fast, but the power of audio remains clear. With the right conditions radio will remain a strong and powerful force for many years to come.

Matt Payton
Radiocentre CEO

Executive summary

The enduring success and power of radio is a great British success story

Despite intense competition, radio and audio has evolved and innovated over time, securing its position in the daily lives of millions. In recent years it has combined with digital and online technologies to become stronger than ever.

This report on behalf of the commercial radio industry looks at where we are today; sets out an ambitious vision for the future; and makes recommendations on what needs to happen next.

Where we are today

- Record audiences – radio audiences remain strong, with commercial radio alone reaching 39 million people each week.
- Record revenues – advertising revenues are back ahead of pre-pandemic levels and reached a record £740m in 2022.
- Public value – radio is a force for good, providing trusted news and companionship for audiences, raising over £23m in 2022 for charities and good causes.
- Economic value – audio is an important part of the UK's creative industries, with commercial radio alone generating around £683m in gross value added and supporting over 12,000 jobs.
- Shift to digital – listening and advertising on online platforms is larger than ever and this is accelerating.
- Intense competition – competition is intensifying and audiences are fragmenting.

Where we want to be

Our aspiration is for the UK to be a world leader in radio and audio, built on the following elements.

- Unrivalled choice and quality – delivering the best possible range of options for audiences and advertisers.
- A powerful force for good – balancing companionship with support for charities and communities.
- The most trusted medium – providing news and information as part of radio's public value for now and in the future, while remaining effective, safe and reliable for advertisers.
- Guaranteed access for all – with radio remaining findable on all devices and free at the point of use.
- Driving innovation and economic growth – through investment in content, technology and a highly-skilled workforce.

What needs to happen

To unleash the full potential of this valuable sector, it is important that the framework for radio and audio evolves.

The following recommendations will help UK radio broadcasters build on current strengths and deliver successful services to audiences into the future. It will also help to put the UK at the forefront of international best practice.

Recommendations

Secure access to radio online

Ensure that measures to support access to UK radio within the Media Bill (on devices like smart speakers) are introduced in full and enacted before the next general election.

Enshrine local news and information

Introduce new, clearer requirements to lock in the public value of commercial radio by enshrining local news and information requirements, both now and in the future.

Drive BBC distinctiveness

Use the Mid-Term Review of the BBC Charter to re-affirm the importance of distinct BBC radio services and robust external regulation by Ofcom, maximising choice and quality for audiences.

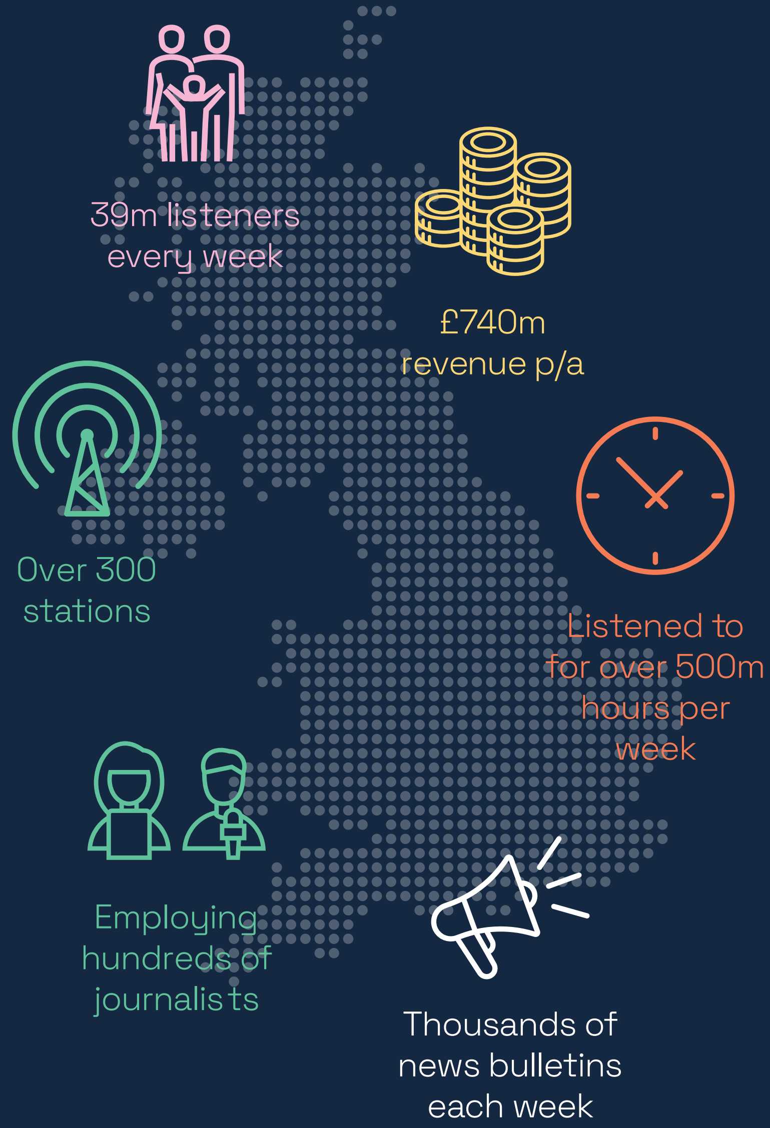
Improve consumer communication

Update rules on terms and conditions (Ts&Cs) in radio ads to support consumer protection and boost economic activity.

Reform representation

Extend the remit of Radiocentre so it is fit for the future and encompasses all kinds of broadcaster-owned and operated audio, including podcasts and on-demand streaming services provided by commercial radio.

Commercial radio in the UK



Radio now at the heart of the audio revolution

The commercial radio sector continues to evolve, offering valuable output that is highly relevant to listeners. There has been an explosion of choice in recent years with more radio stations available than ever, covering a huge range of genres, supplemented by a host of digital content including podcasts and on-demand audio.

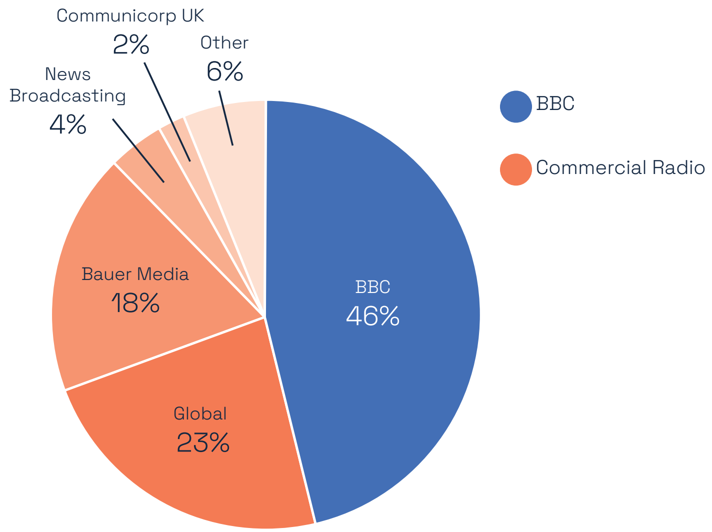
Radio is changing but remains at the heart of the audio revolution. Before considering the factors driving this change – and how to capitalise on this in future – it is worth considering where we are today, the impact that stations have on the lives of listeners, along with what this means for the UK economy.

Where we are today – strength and resilience of commercial radio

Radio audiences

- 9 out of 10 adults (49 million listeners) tune in to radio every week. Commercial radio alone reaches a record 39 million listeners.
- The BBC is still the biggest single player in UK audio, but the combined share of all commercial radio stations (51.4%) is now greater than the BBC (46.3%).
- Commercial radio audiences are the most diverse:
    - Commercial stations reach 70% of listeners from lower socio-economic groups, compared to 49% by the BBC.
    - Commercial stations also reach 62% of listeners from ethnic minority backgrounds, compared to 39% by the BBC.
- While audience reach is at record levels, average time spent listening is under pressure – this is especially true among younger listeners, who have developed different listening habits and have more choice of audio than ever before.

UK Radio Audience Share (%) *



Base: share of total weekly listening hours
Source: RAJAR Q1 2023
* Due to rounding, the sum of the individual numbers may not add up to 100%.

Commercial radio reaches a diverse audience*

Lower socio-economic groups**

70% Commercial radio

49% BBC radio

Ethnic minority backgrounds

62% Commercial radio

39% BBC radio

*Weekly reach (%) of specified audiences.
**Base = C2DE Adults 15+

Source RAJAR Q1 2023

Public value

- Commercial radio remains a force for good.
- Radio overall continues to be the most trusted source of news in Europe. [2]
- Regular news bulletins keep listeners up-to-date throughout the day.
- Commercial radio news connects with audiences that other media struggle to reach. [3]
    - Over 12 million people rely on commercial radio as their principal source of information and are far less likely to seek news elsewhere.
    - This group (roughly a third of the total commercial radio audience) are highly engaged citizens/more likely to vote in elections but less likely to have an existing political affiliation.
- Broadcasters raise millions for good causes throughout the year, with over £23m raised in 2022.
- Commercial radio also closely supports – through gifted airtime – the fundraising work for the Disasters Emergency Committee (DEC) helping to raise millions for its campaigns.

Economic value

- Commercial radio supports £683m in gross value added (GVA) to the UK economy.
- 12,340 jobs are supported by our sector, including over 4,000 direct employees.
- Radio's revenue contribution to advertisers is estimated at over £5.5bn pa (based on an average return on investment of £7.70 for every £1 spent).
- Value to music sales is estimated at £103m (plus around £60m in music rights payments).
- Broadcasters invest heavily in the heart of the UK's creative industries, with jobs and talent nurtured across a wide range of specialist areas which reflect the technological changes and opportunities in radio and audio.

Advertising revenues

- Commercial radio revenues were £740m in 2022, a record level in nominal terms.
- Revenues have broadly recovered from the economic shock of Covid-19 and lockdown, rising back above pre-pandemic levels.
- In real terms advertising revenues remains under pressure, with local revenues hardest hit from the growth of online advertising and changes in dynamics of the advertising market.

2 - Radiocentre, Radio continues to be the most trusted medium in Europe (October 2022)
3 - Radiocentre, Beyond the Bubble (December 2020)

Changes driving the audio revolution

Technology and innovation

- Digital technology continues to drive innovation, choice and competition.

- There are now more methods of distribution for audio across a wide range of platforms (FM, DAB and online) and devices (smartphones and smart speakers, which incorporate voice assistants).

- The market for radio and audio is more competitive than ever, with seemingly infinite choice for listeners, with over 700 broadcast radio stations licensed in the UK (plus 100,000 on internet platforms like TuneIn).

- Radio companies are innovating, offering new content and formats as well as subscription services, such as Bauer's Premium radio stations.

- Listening on digital platforms has seen huge changes in recent years. As a result, there has been a surge in the popularity of podcasts and on-demand audio streaming.

- The result of this shift has been a fragmentation of audience and advertising, although not yet on the scale of TV or other media.

Consumer behaviour

- Consumer habits are changing, but live radio still accounts for the largest share of overall audio listening (69%) – and that is likely to stay that way for some time.[4]

- While podcasts and on-demand audio are an important growth area and enjoy significant media coverage, they are largely complementary to radio as they fulfil different needs.[5] For example:

    - Listening to live radio is driven by the need to feel energised/uplifted and more connected to the wider world.

    - Listening to podcasts is led by a desire to learn new things and develop deeper understanding of selected topics.

    - Listening to on-demand music services is mainly based around mood management.

- Most radio listening still takes place on broadcast platforms (mainly DAB and FM).

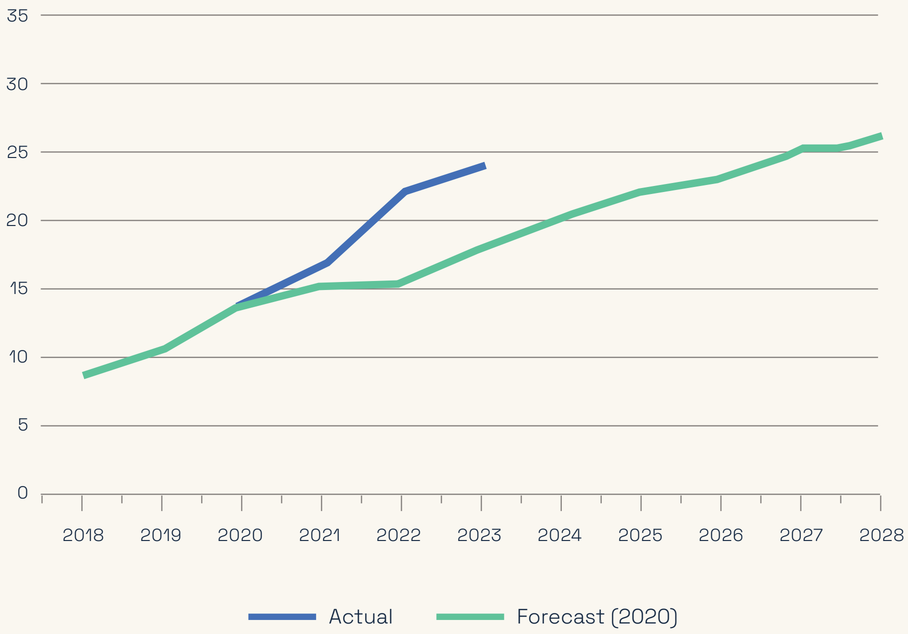
- However, there has been two major changes to radio listening in recent years:

    a) Growth of live radio listening online, which has more than doubled in the last 4 years to 24% of all radio listening, driven mainly by smart speakers. This is significantly ahead of forecasts (see chart overleaf).

    b) Shift towards national brands and brand extensions, away from purely local services. In order attract listeners, broadcasters have invested in new complementary stations such as Heart 00s and Absolute Radio Country (as well as stations aimed as specific audiences like Boom Radio) which have proved popular with audiences.

4 - RAJAR MIDAS (Spring 2023)
5 - Radiocentre, Generation Audio (November 2022)

Radio listening on connected devices (% share)



Source: RAJAR / DCMS Digital Radio and Audio Review (2021)

Advertiser behaviour

- The ongoing and significant shift in ad market revenues towards connected media continues with online platforms now accounting for over 75% of total UK ad spend.

- In this context, long term trends show radio's share of total ad revenue remains under pressure but has been more resilient than some other established media (e.g. TV and print) which have suffered more significant declines over the last decade.

- Revenue via media agencies is a key driver of industry revenue growth, alongside increased investment in digital audio (e.g. via DAX, Octave) – underpinned by additional data-targeting opportunities becoming increasingly valued by advertisers.

- Radio revenue continues to account for the lion-share of the overall UK audio ad market (78%), however digital audio is growing at a faster rate.

Radio next our aspiration for audio

Our vision is to secure the UK's role as a world leader in radio and audio, providing consumers with access to an unrivalled range and quality of content, however and whenever they want it.

Achieving this aspiration will not only depend on the focus and commitment of the radio industry, but will also require us to work in partnership with government, regulators and advertisers to focus on the future and recognise the full potential of UK radio.

That is why Radiocentre's core mission is: to get industry influencers and decision-makers to See Radio Differently. In practice this means that we will be working in partnership to achieve the outcomes below.

Choice and quality for all

- A medium that delivers for audiences and advertisers, while being a genuine force for good in society.
- A broad range and diversity of content that caters for all tastes and interests – across radio and online platforms.
- Deliver public value and companionship for audiences of all kinds, whether national or local, mainstream or special interest.
- Provide high-quality content that meets all relevant regulatory standards – both in advertising and content.
- Ability to customise and curate content in line with listener demands – and solutions for advertisers that utilise audience data while respecting privacy.

The most trusted medium

- Provide media plurality and diversity through highly trusted news and information output.
- Continue to offer and invest in local news and information, alongside national news from a range of sources.
- Secure long-term commitment to local news now and into the future as listening patterns evolve.
- Continue to prioritise accuracy and impartiality of news bulletins, but also reflect opinion and personality in news coverage, whether on-air, through podcasts or other online platforms.
- Work with advertisers to provide solutions that are effective, reliable and safe for their brand.

Guaranteed access and availability

- Support guaranteed access to the full range of UK commercial radio stations, and the public value they provide for audiences.
- Continued commitment to radio that is multiplatform, across broadcast and online.
- Provide all audiences with the ability to access UK commercial radio stations free at the point of use.
- Ensure listeners are able to find the radio station they want as easily as possible, whether on smart speakers, in cars, on smartphones or on a radio set.

Innovation and future growth

- Investment in content and distribution to maintain the reach and impact of radio and audio as listener habits continue to evolve.
- Expansion of online listening apps such as Global Player and Bauer's Rayo, in parallel with Radioplayer's work on securing the future of radio in cars and supporting smaller broadcasters.
- Use of data to provide customised and curated experiences for audiences – and more sophisticated and targeted solutions for advertisers.
- Responsible use of Artificial Intelligence as a tool to support creativity and a human connection.
- Continue to invest in a highly skilled and diverse workforce, to underpin innovations in both technology and content.

Barriers to overcome

Radio and audio in the UK is at an exciting point in its development, with huge potential to deliver even more for audiences and advertisers. However, there are a number of risks and barriers, which will need to be overcome if it is to fulfil its true potential and secure a successful future.

Digital gatekeepers

- Live radio listening on online platforms has grown significantly in recent years (as noted above), driven largely by the popularity and rapid adoption of smart speakers such as the Amazon Alexa or Google Nest.
- This trend has created opportunities and benefits for audiences, but also presents risks if this important route-to-market is effectively owned and controlled by global tech companies acting as intermediaries or ‘gatekeepers’ to radio content.
- Relationships between UK radio and the tech platforms have been positive so far, with mutual benefits for all parties.
- However, there is a genuine risk that digital gatekeepers could abuse their market power in future, for example by pushing listeners to their own radio-like services, limiting free access to UK radio or inserting their own advertising messages around UK radio content.
- This would be bad for audiences and undermine viability of radio services, as well as the significant investments made by radio in digital audio innovation and distribution.

Analogue regulation in a digital world

- The current framework for radio regulation was devised in the pre-internet era of the late 1980s, in advance of the 1990 Broadcasting Act. At that time broadcast spectrum was scarce and choice was limited.
- As a result, quotas were set by the regulator for local production and music output across local commercial radio services broadcasting on FM and AM.
- However, the range of content available to listeners has expanded beyond all recognition in the years since the regime was established, with hundreds more broadcast radio stations and many thousands of online audio services available on-demand offering almost infinite choice.
- A series of incremental changes in recent years have gradually updated these rules and helped support commercial radio’s viability. But if radio stations are going to compete in this highly competitive market in future, they must be able to respond to the needs of listeners and not remain tied to prescriptive format or production quotas from another era.

BBC crowding out

- The BBC holds an extremely privileged position in UK radio due to the scale and type of funding it receives, its unrivalled broadcast network and cross-promotion opportunities.
- It has been able to use these advantages, unavailable to its commercial competitors, to retain a dominant market position in radio and almost a 50% share of audience. This is well ahead of other UK radio providers (and far in excess of its audience share in TV of around 28%).
- Alongside commercial radio, the BBC continues to play an important role in the UK radio and audio sector and remains one of the leading broadcasting organisations. Its best and most distinctive content is unrivalled in range and quality while being highly valued by listeners.
- Yet not all of the BBC’s radio content and services are truly distinctive, with its popular music services exhibiting the greatest level of crossover with commercial radio during peak times, along with online content that often duplicates commercial audio services.

Terms and conditions in radio ads

- Too many radio ads are burdened with long and garbled terms and conditions (Ts&Cs) or disclaimers.
- This mandated information is annoying for listeners and ineffective as consumer protection.
- Research shows that less than 4% of the audience are able to recall detailed financial information at the end of radio ads. [6]
- Instead of informing consumers with clear and relevant information, Ts&Cs merely add to the length of the ad, put off listeners and deter potential advertisers from using radio.
- The overall cost to the industry from this unnecessary regulatory burden is estimated at £120m a year.

6 - Radiocentre, Protecting Consumers: Why long and complex terms and conditions on radio don’t work (March 2019)

Securing the future

The evolution of radio in the UK has been a remarkable success.

There is now a unique opportunity to build on these achievements, to create a world-leading radio and audio sector that is able to provide significant economic and public value, as well as an unrivalled range and quality of content.

Failure to take this opportunity risks a more negative outcome, especially if access to UK audio services becomes restricted or if challenges to radio's viability are ignored.

The good news is that there are already measures under consideration in some areas, for example as part of the Media Bill, which are targeted and proportionate. These future-facing regulatory changes will help to put the UK at the forefront of international best practice.

Recommendations

Secure access to radio online

Ensure that measures in the Media Bill, to support access to UK radio online and on devices like smart speakers, are introduced in full and enacted before the next general election. In order to ensure that these changes are future proof, they should go further by also securing access to on-demand and online only content provided by UK broadcasters, while enabling adequate access to listener data. We also support the complementary measures in the Digital Markets, Competition and Consumers Bill, which proposes improved regulation of digital markets in general.

Enshrine local news and information

Support updating the analogue era regulation of commercial radio which has been included within the Media Bill. Changes in listening and the huge explosion in choice for listeners has rendered these rules obsolete. New, clearer requirements will enshrine the provision of local news and information output, reflecting the importance and value of this content.

Drive BBC distinctiveness

The Mid-Term Review of the BBC Charter presents an opportunity to re-affirm the importance of robust external regulation of the BBC by Ofcom. Ultimately BBC radio services should play a more complementary role, alongside the output of commercial stations, providing listeners with distinct music output, as well as a focus on speech and local news and information. The BBC's Operating Licence should be strengthened to support this outcome.

Improve consumer communication

Terms and conditions (Ts&Cs) in radio ads are overdue reform that focusses on positive outcomes for consumer protection and reflects the reality of how listeners both engage with these kinds of ads and make purchasing decisions. Updated rules will benefit listeners by improving consumer protection, while also boosting economic activity.

Reform representation

As radio and audio continues to evolve at a rapid pace, so must representation of the industry. If Radiocentre is to remain a powerful and credible voice of commercial radio, then it will also need to embrace change. In addition to these recommendations above, we are formally re-shaping our remit from representing traditional linear radio to encompass all kinds of broadcaster-owned and operated audio, including podcasts and on-demand streaming services provided by commercial radio.

radiocentre

Radiocentre is the industry body for commercial radio. We work on behalf of more than 50 stakeholders who represent over 90% of commercial radio in terms of listening and revenue.

www.radiocentre.org