Ipsos Connect

RADIO'S RELEVANCE IN THE AGE OF STREAMING

LATEST THINKING

Thought Piece
2017

Synopsis

Since Napster first appeared in 1999, music streaming has had a significant impact on audio consumption. But has it had the damaging effect on radio once foretold?

How can radio survive during a time when increased connection speeds, low cost data bundles and unlimited free access has resulted in the explosion in popularity of streaming services? What sets radio apart from the majority of automated, computer curated pseudo-stations?

Based on Ipsos data collected from RAJAR, Midas and Touchpoints we can see that the future of radio is not quite as bleak as many believe.

HOWEVER FAR THE STREAM FLOWS, IT NEVER FORGETS ITS SOURCE

Nigerian Proverb

On the 1st August 1981 MTV cynically made their intentions clear when they chose the Buggles' hit as their first video. It was pretty obvious what MTV and the Buggles thought would be the result of a marriage between music and video; as far as they were concerned it could only lead to the death of a medium that had existed for more than 90 years.

Of course it never happened and while MTV certainly changed the way music was consumed, if anything it only helped cement music radio's place in the collective psyche. Music channels have gone on to supplement or even augment existing radio stations meaning they have survived the murderous intentions of the Buggles.

History tells us it is wise to hold on to a healthy dose of scepticism when presented with any 'new' technology positioned as a predecessor killer. One mistake often made is to confuse new and improved formats with those that simply represent a new method of consumption.

Traditionally, improvements in format usually do supersede their predecessors, examples being Blu-Ray replacing DVDs which replaced VHS or UHD broadcasts which will likely replace HD following the inevitable demise of SD TV signals.

You might think DAB would fall into this category but in fact audio quality and signal strength continue to hamper its adoption meaning it is not yet seen as a complete improvement over FM. Sure, DAB offers a wider variety of stations and many other benefits such as, easier station location and live pause but then many high-spec FM radios also provide these features with the added benefit of stereo sound.

On the other hand, new methods of consumption rarely fully replace the old and instead they tend to coexist by offering the consumer an alternative experience. Take e-books for example; their arrival was initially seen as the end of physical books but recent figures from the Publisher Association show printed book sales are on the rise again for the first time since the arrival of the e-reader. Their annual report shows physical book sales up to £2.76 billion in 2015 from £2.748 billion in 2014 while digital sales dropped from £563m to £554m.

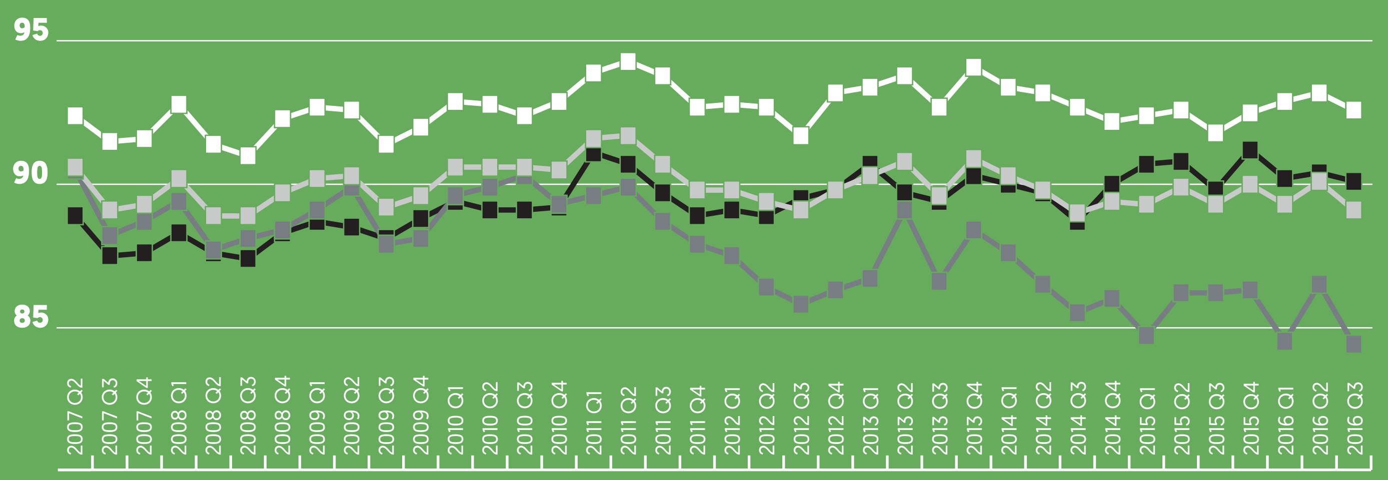
We are also witnessing a slowdown in the growth of streaming video services such as Netflix; they added

TABLE 1: **AVERAGE WEEKLY TV VIEWING**

	Channel	Weekly reach		Average weekly viewing
		000s	%	Hrs:min per person
2016	ALL TV	55,788	94.4	25:26:00
2015	ALL TV	54,675	94.1	25:47:00
2014	ALL TV	54,885	94	26:03:00
2013	ALL TV	54,819	94.8	27:30:00
2012	ALL TV	54,652	95.2	28:10:00
2011	ALL TV	54,901	95.3	29:27:00
2010	ALL TV	54,155	94.5	29:13:00

Source: RAJAR – All Individuals 15+ 2010-2016

CHART 1: **TOTAL RADIO REACH**



Source: RAJAR – All Individuals 15+ 2007-2016

just 1.7 million new streaming members in the three months that ended June 30, about half the 3.3 million net additions from the same period the previous year. Does anyone really still believe Netflix will be the death of linear TV?

Since Netflix arrived in the UK in 2012 there is little doubt it has had a considerable impact on the amount of TV consumed. The time spent viewing in an average week has declined 2h 44m between 2012 and 2016 according to BARB but the overall reach of TV has remained relatively stable in that time at about 95% (see Table 1).

Streaming audio services sit squarely in the 'new method of consumption' category and are definitely not a new format which is why they are unlikely to ever replace radio. Aside from the fact Spotify continues to struggle to make the economics of streaming work (they reported an operating loss of €184.5m in 2015 compared to €165.1m in 2014 despite growing their paid subscriptions to 30m) they aren't making a significant dent in Radio's reach but are having a marginal impact on the time certain demographic groups spend with radio.

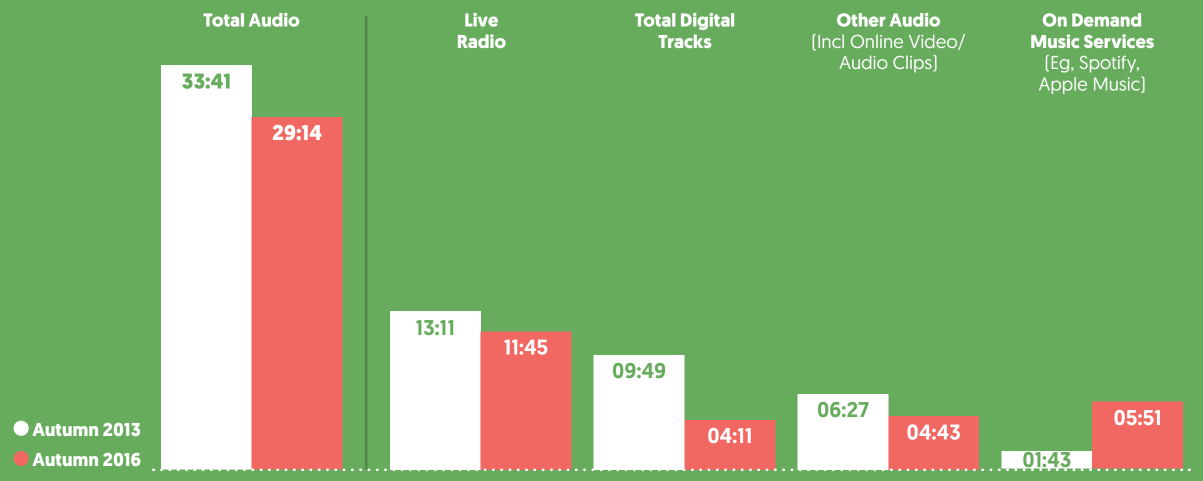
Looking back over 25 years of data from RAJAR, the UK's official body in charge of measuring radio audiences in the UK, one thing is very clear; radio remains ubiquitous, an essential part of our lives. Radio reaches 90% of the population; almost the same as it did 25 years ago in 1991 (see Chart 1). Only TV can claim higher weekly reach.

Just think about that for a moment; the proportion of the population listening to some form of live radio is the same as it was 25 years ago. In 1991 we didn't even have Windows 3.1 and the first portable digital audio player didn't arrive until 1998, if you wanted music on the go you had to buy pre-recorded CDs (Consumer level CD-Rs didn't arrive until the late 90's) or the trusted cassette. Audio is more accessible now than it has ever been; you can carry 20 million songs in your pocket and yet 9 out of 10 adults in the UK still listen to the radio every week.

We know from the latest RAJAR figures that all radio audio reach has remained constant for virtually all demographic groups but what has changed is the time we spend with radio in an average week. It is

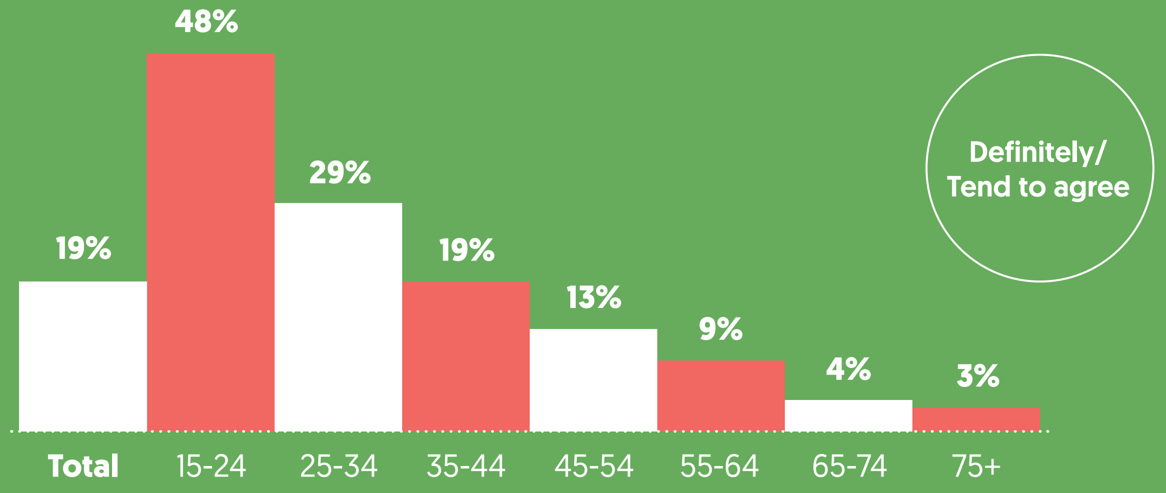
DOES ANYONE REALLY STILL BELIEVE NETFLIX WILL BE THE DEATH OF LINEAR TV?

CHART 2: **TOP FOUR AUDIO CATEGORIES (15-24s/HRS:MIN)**



Base: MIDAS Autumn 2013 (n.1,477) / Autumn 2016 (n.2,236)

CHART 3: **"ONLINE MUSIC SERVICES HAVE INCREASED THE AMOUNT OF TIME I SPEND LISTENING TO MUSIC"**



Source: IPA TouchPoints 2016

here where alternative audio services are gaining ground. Figures from MIDAS, RAJAR's Measurement of Internet Delivered Audio Services study indicate there are only so many 'audio' hours in a day (see Chart 2). Increasingly we are seeing streaming services eat into other audio consumption such as MP3 listening rather than specifically Radio. This is particularly true for 15-24s; between 2013 and 2016 the time spent listening to live radio has decreased by 1h 25m while on demand music time has increased by 4h 08m. Alongside this we have seen a dramatic decline in digital track (mp3) listening from 9h 49m to 4h 11m.

We can also see evidence from the IPA TouchPoints study that for almost half of 16-24s streaming services are increasing the amount of time they spend with audio (see Chart 3).

It is clear from RAJAR and Midas data that streaming is changing the way people consume audio but, as we've shown, this is not totally at the expense of Radio. Streaming is making accessing your music library easier so is having a greater impact on the use of owned MP3s than other audio. Radio, however, continues to offer consumers something different in the form of curated, personality led audio. It is the variety of output offered by radio and its ease of access that remain its strength. As long as radio continues to capitalise on these strengths it won't be going anywhere.

RADIO CONTINUES TO OFFER CONSUMERS SOMETHING DIFFERENT IN THE FORM OF CURATED, PERSONALITY LED AUDIO

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Ipsos Connect

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