

THE FUTURE OF RADIO

An Industry View



THE FUTURE OF RADIO

An Industry View

In June 2009, the UK government published its Digital Britain report, which lays out the requirements for a country living and working in the digital age. Specifically for radio, this means the migration from analogue to digital broadcasting. Over the subsequent months, Ipsos MediaCT designed and conducted a bespoke survey among a select group of leaders and opinion formers in the UK radio industry to gauge their reactions to the Report and to find out where they see the future of radio going. John Carroll, Senior Director in Ipsos MediaCT, reports on the survey findings.

Ipsos MediaCT conducted 11 individual interviews either face-to-face or over the telephone with a group of UK radio industry opinion leaders from the BBC, Commercial Radio, EMI, PPL, PRS, DRDB and MediaUK.com. We concentrated on four topics: radio's role; radio post recession; technological evolution, and; regulation. We selected 2 or 3 individuals to talk about each topic, but inevitably there was a lot of overlap as the central theme was the future of radio.



RADIO's ROLE

We asked about radio's role compared to other media; and how this may change as the media landscape changes. There was a general feeling that despite being in the most competitive broadcast market we have ever been in, where consumers are spoilt for choice, the core radio audience is strong and healthy because radio still delivers a unique offering.

***'Radio is a companion'
'You tend to have a very personal relationship with it'***

It's a portable, personal medium where you can absorb the content whilst doing other things, whether in the home or on the go. It can break news, particularly local news, faster than other media. It is a leading medium for breaking new music, although there was an acknowledgement that YouTube has a strong offering for this.

When talking specifically about how radio will change as the media landscape changes,

some of our opinion leaders thought that the really big changes will come through platforms moving to digital and offering new formats. But ultimately, radio needs to give people what they want i.e. great content. Digital has a big part to play but the industry has to keep refreshing the product and invest in content.

'The really big change will be in platforms, it's how we consume our media'

'...everybody's interactive – let's flick the red button and do whatever. The majority of people don't want any of that. They simply want to be entertained'

Interestingly, there was a view that while interactivity is a growing trend, not everyone in the population will necessarily demand that radio embraces this change – it's more about emotional involvement than flicking red buttons. There is more on technology later.



RADIO POST - RECESSION

For the theme 'radio post recession', our questions included those on whether the recession would result in any long term, fundamental changes to the structure and balance of radio; how the industry is responding to the recession, and; what opportunities there are for revenue.

Putting any BBC and Commercial Radio rivalry and sensitivity over revenue and funding to one side, there was a shared view about radio in a post-recession world. It is a case of 'only the strong will survive'. The recession will accelerate a Darwinian process of change. The word 'brutal' was used by more than one individual in this regard and companies will need to conduct root and branch reviews of their businesses. There will be consolidation in the commercial sector.



***'Recession accelerates change'
'It's a brutal environment, there
will be casualties and the strong
brands will survive as they
can drive digital revenue from
numerous sources'***

Nevertheless, there was certainly a mood of optimism across both BBC and Commercial Radio in our feedback. Display ad revenue will pick up although companies will need to go beyond that, for example with Internet advertising. The build up to the Olympic Games is timely as it will provide a boost to advertisers and benefit all commercial media, not least radio. The future is apparently "radio-shaped".

***'Strong content will secure the
future of radio'
'Need to sell DAB to the public
properly'***

There was a recurring theme that radio is in a strong, healthy position with more platforms providing more opportunities for listening, although there was caution that DAB needs to be sold to the public properly as we advance to the analogue switch-off. There was plenty to be said on Digital Britain, which is covered below.

TECHNOLOGY EVOLUTION

Views on the impact of technology in radio were wide ranging. Many commentators have seen the launch of the latest gizmo or new online option as yet another contribution to radio's demise allowing listeners to create personal playlists and resulting in immediate, significant defections. Equally, as mentioned previously, some saw that technology is delivering the new opportunities that broadcasters need by providing more platforms, the facility to listen again and podcasting. All of which enhance brand identity and increase listener loyalty, although there are outstanding questions over monetisation.

No one saw an imminent, ground breaking technological change that would result in a significant loss of the large established audience, although it was clear that some of the recent and impending alternatives would contribute to a possible longer term, slow, downward trend.

'The demise of radio has been ongoing almost since birth'

We learned that two of the key opportunities for technology, other than DAB, were the impending arrival of digital tuners with touch screens allowing interaction as well as direct links between wi-fi broadband and the Internet. This does raise the question about the take up of these options outside of the home, for example in car or at work.



DIGITAL BRITAIN AND DAB

And so, to Digital Britain and the hot topic of DAB. At this stage it may be useful to recall that although the Government's report had been published in the preceding weeks to our interviews, DAB technology itself is far from "new" having been around for a number of years.

The proposals were widely welcomed because they are seen to provide the industry with a clear roadmap and direction that many thought had been lacking. But whilst widely welcomed, there was some dissent. Digital Britain could move down the pecking order and, like many Government reports, end up in a drawer.

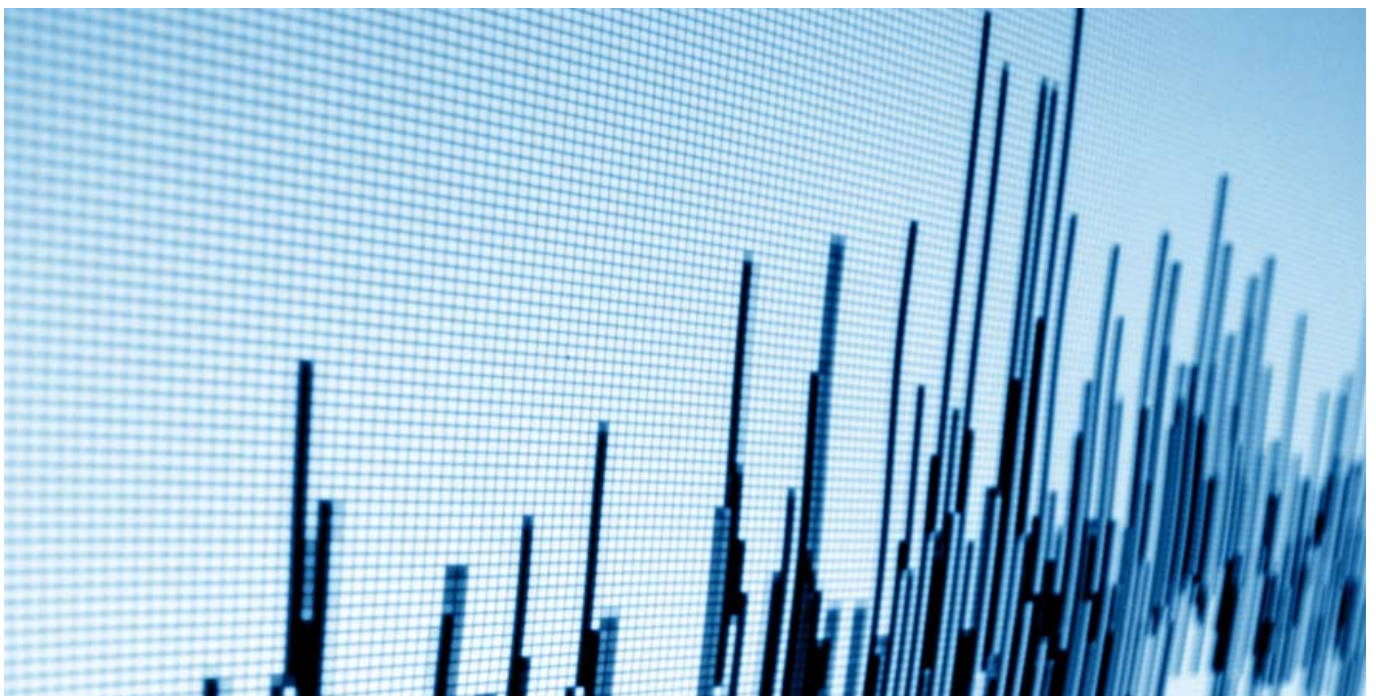
'Digital Britain gave us a great roadmap'

'The entire report is built on sand...another classic example of a Quango'

'...radios in sheds, in old cars, in garages, wind up radios...they've all got to be replaced'

'If we believe that switchover is the right thing...we can do it, if we get a move on'

Despite a few reservations, there was a universal commitment to implement the proposals and willingness to meet the timetable towards 2015. No one underestimated the scale of the task required for people having to replace their analogue sets and so there is no time to lose. There is a requirement for the industry to act in a united way to ensure that DAB gets the "marketing muscle" it has not had up to now.



REGULATION

On the topic of regulation there were some passionately-felt views, particularly on Ofcom. A number agreed that an element of regulation was necessary but perhaps that Ofcom had become too bureaucratic with too much freedom for policy making and licence giving, without an apparent understanding of current market issues. Some felt that Ofcom had to change and, if not, a new regulatory body to be placed in its stead.

‘What was set up to be a lighter touch body has ended up with an extraordinary heavy touch!’

There was also a feeling that some regulation of the Internet was needed, particularly as there were both regulated and non-regulated radio stations in direct competition on the Internet. Illegal file sharing is also a major issue, with some comments that the music industry has not been quick enough to respond to the threats of the digital world.



THE FUTURE OF RADIO

We took out a number of conclusions from our discussions about the future of radio, some of which are summarised here.

- There is a strong, healthy, dynamic, evolving future for radio. We have to remember that given the increase in choice of competing media and new technology, 9 in 10 adults still tune into the radio in an average week.
- Radio is changing and the recession is accelerating the pace of change. It is brutal, but radio will come through and will have to focus on the challenges ahead, such as Digital Britain.
- And to do so, the industry will have to market DAB properly and start doing it now. DAB has been around for a while; indeed Ipsos conducted the first market potential study for it around 10 years ago. A collective impetus is required to increase the digital share of radio listening by 150% in the next four years if it is to meet the Digital Britain timetable.



OUR PANEL OF INTERVIEWEES:



Andrew Harrison,
Chief Executive, Radio Centre



Jeremy Howe, Commissioning
Editor for Drama, BBC 4



Richard Park, Exec Director,
Global Radio



Fran Nevrkla, Chairman and
CEO, PPL



Andrew Shaw, Online MD, PRS
For Music



John Simons, Group
Programme Director, GMG



Tony Moretta, Chief Executive of the
Digital Radio Development Bureau



Tim Davie, Director of BBC
Audio and Music



Lewis Carnie, Head of
Programmes, BBC 2



Andria Vidler,
President of EMI Music



James Cridland,
Director of MediaUK.com



Miles Lewis,
SVP European Ad Sales,
Last.fm

For more information, please contact:

John Carroll

T +44(0)20 8861 8114

E john.carroll@ipsos.com

W www.ipsos-mori.com

About Ipsos MORI

Ipsos MORI is one of the largest and best known research companies in the UK and a key part of the Ipsos Group, a leading global research company. With a direct presence in 60 countries, our clients benefit from specialist knowledge drawn from our five global practices: public affairs research, advertising testing and tracking, media evaluation, marketing research and consultancy, customer satisfaction and loyalty.