1
The Scale of the Medium

Commercial radio has had to fight hard for its place in UK media because of the historical dominance of BBC radio services, but it is now a genuine mass medium. This chapter takes a closer look at the nature of that growth.

There are more stations and more listeners – over 30 million people listen each week – and increased advertising revenue has followed them. At the same time, station segmentation means that it is possible to reach finely targeted subgroups.

This chapter also looks at the way radio listening is likely to develop in the digital age.

1.1 The development of commercial radio in the UK

Commercial radio is the youngest member of the UK's 'traditional' commercial media canon, having only started broadcasting in October 1973.

The first ILR (Independent Local Radio) station on air was LBC, followed a week later by Capital Radio, both in London. The first ILR station to start broadcasting outside London was Radio Clyde in Glasgow on New Year's Eve 1973.

Across the next two years, sixteen new stations were launched before the development of ILR was halted in 1976 by a new Labour government, cautious about commercial organisations running radio stations.

With the return of a Conservative government in 1979, the ILR network was given permission to expand again, and throughout the early 1980s many new stations were launched, gradually filling in gaps in coverage across the UK. This led to a steady growth in the number of ILR stations across the early 1980s, building loyal audiences through an eclectic programme mix.

The next step change came in 1989 with the government's desire to make better use of the radio spectrum. This led to ILR stations being required to run different services on their FM and AM transmitters, which gave rise to the 'Gold' format stations playing oldies and classic hits.

In 1990, the first *incremental* radio stations went on air. In essence, these were additional radio services introduced into areas already served by an ILR station. The new incremental stations had to offer output not already available on ILR, such as specialist music or unique programmes for a specific section of the community.

In the Broadcasting Act of 1990, the government deregulated broadcasting and created the Radio Authority to oversee further development of independent radio. The 'lighter touch' of the Radio Authority removed many of the technical, programming and local ownership requirements from ILR, and mergers and takeovers began to gather pace, leading to the development of many of today's major radio groups.

The Radio Authority introduced many new local radio licences during the 1990s, filling any remaining gaps in coverage, as well as creating new *regional* licences. However, the biggest change came with the introduction of three *national* licences, leading to the launch of Classic FM in September 1992, Virgin Radio in April 1993 and Talk Radio UK in February 1995.

By the late 1990s, the number of AM or FM frequencies remaining for further large-scale expansion of the radio market was limited. To allow for continued development to take place, a new broadcasting band and a new technology – Digital Audio Broadcasting (DAB) – was introduced.

Instead of having a different frequency for each radio station, DAB combined several services together into 'multiplexes'. Each multiplex was subdivided into further separate channels, allowing up to ten radio stations to be transmitted within the same amount of radio spectrum previously required by one single analogue FM station.

New regional and local AM and FM licences continued to be awarded (albeit at a slower pace) alongside the development of stations on the DAB platform – Digital One, the national commercial DAB multiplex, was launched in 1999, carrying the existing national analogue station brands in addition to some new digital-only station brands.

The Communications Act of 2003 saw the newly created communications regulatory body Ofcom take on responsibility for regulating radio. Ownership restrictions were liberalised further to allow a minimum of '2 + BBC' owners in any individual market, and the expected consolidation arising from this ruling has now begun with the merger of Capital Radio Group and GWR.

In many parts of the country the FM spectrum is now fully used. However, a number of frequencies and areas for new stations have been identified and these will be licensed where possible. It is estimated that approximately 30 new FM licences will be issued over the next three years.

In July 2004, Ofcom passed new legislation setting out rules for *community* radio – highly localised services (typically with a radius of 5 km) catering for a particular area or community of interest.

In the coming years, community radio is likely to significantly increase the number of independent radio stations across the UK, alongside the continued issuing of new FM licences. However, these will be run primarily for social gain in the community, not for profit, and only a limited number are likely to take advertising.

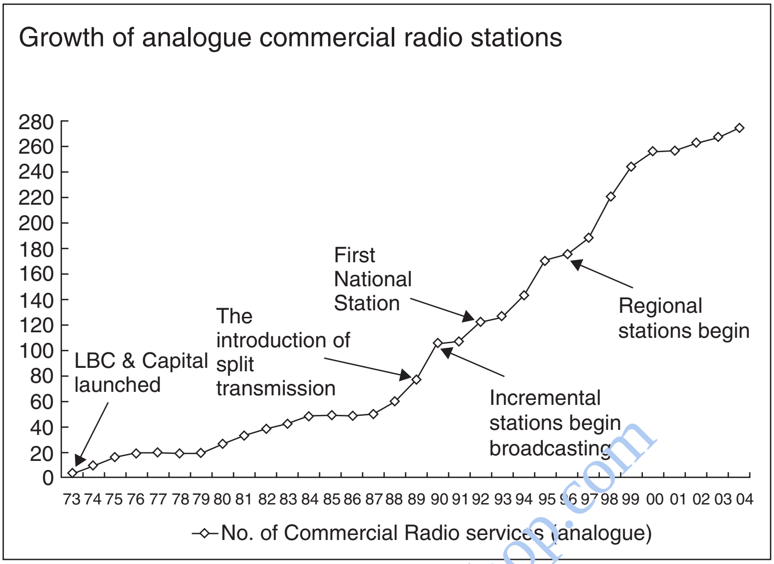

Figure 1.1 Growth of analogue commercial radio stations

In Autumn 2004, 31 years after commercial radio first launched, there were 274 analogue stations (a combination of national, regional, local, incremental and community) broadcasting in the UK (see Figure 1.1).

The UK is also the world leader in DAB digital radio, with 130 stations currently broadcasting a combination of new formats and existing analogue radio brands, bringing much greater listener choice across most parts of the country (see Figure 1.2).

1.2 Measurement and growth of the commercial radio audience

For the first few years, the size of the radio audience was gauged by individual stations' own estimates. The first ILR industry-

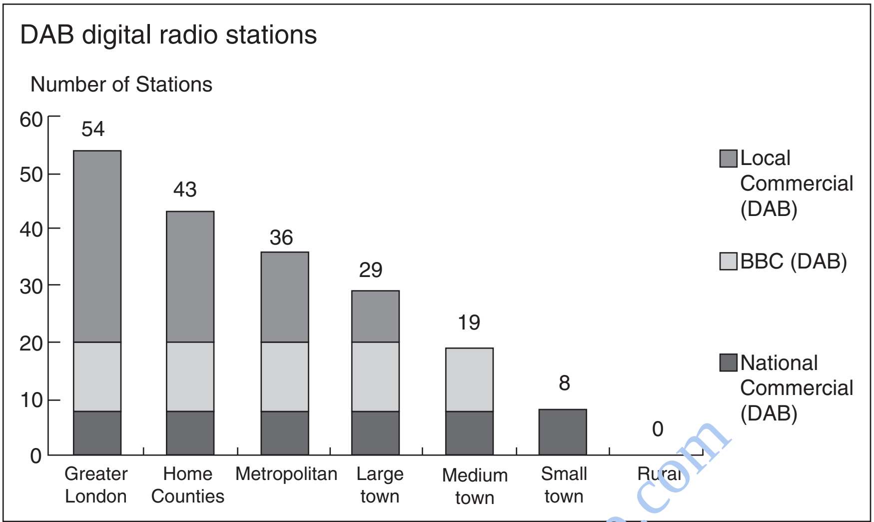

Figure 1.2 Typical availability of DAB digital radio stations by area

wide survey, JICRAR (Joint Industry Committee for Radio Audience Research) was launched in 1975. Alongside JICRAR, the BBC ran its own telephone panel survey on a day-after-recall basis, which continued up to 1992.

In 1992, responsibility for measuring both the commercial and BBC radio audience was handed to RAJAR (Radio Joint Audience Research Ltd). The RAJAR methodology was based on listeners filling in seven-day self-completion diaries.

In 1998 there was a slight methodology change to adjust the diaries to the growth in the number of stations. A 'personalised' diary, customised to include only the stations listened to by each individual respondent, replaced the previously preprinted list of stations in the diary. This methodology is still operating at the time of writing, however RAJAR is currently engaged in a rigorous process of testing the potential of different electronic systems for measuring radio listening.

So what has happened to the commercial radio audience across 30 years of measurement?

JICRAR initially revealed that 12 million adults a week were listening to the 18 ILR stations on air. These listeners were younger and reflected the demographic profile of the local area more closely than BBC listeners – a statistic that has remained consistent to the current day.

By 1980 this had grown to 14.5 million adults and with the expansion of ILR across the early eighties, the weekly commercial radio audience reached 22.5 million by 1985.

Audience growth enjoyed further boosts across the late 1980s and early 1990s through the introduction of split transmission (FM/AM) and the launch of incremental stations providing new formats (e.g. Jazz FM and Kiss) appealing to specific demographic groups/communities of interest.

Throughout the nineties, commercial radio audiences continued to grow as additional listening choices provided new listeners with reasons to tune in. This was exemplified by the launch of the first national station, Classic FM, which attracted an audience of 4.2 million adults within months of launch. Figure 1.3 demonstrates the variety and popularity of the different formats.

However, another trend was also becoming evident – not only were more people tuning in, but they were listening for longer. In 1999, when the new RAJAR methodology was introduced, approximately two-thirds of the UK population was listening to commercial radio for an average of 15 hours each week.

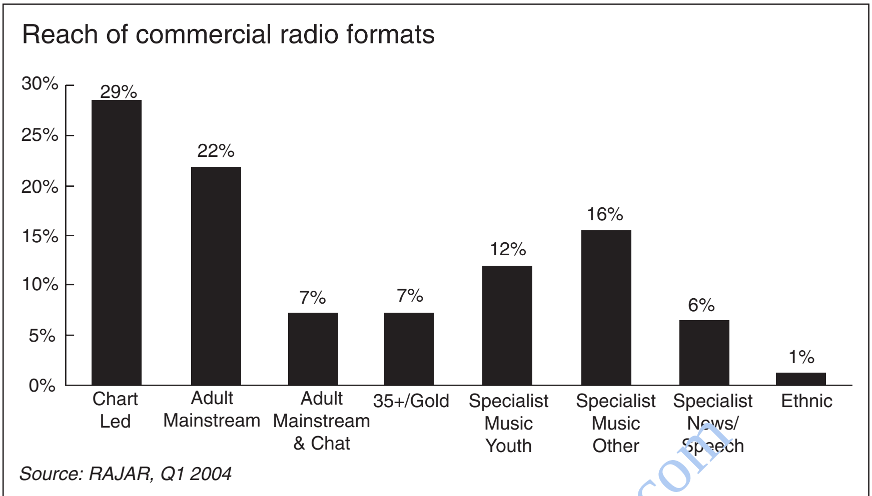

Figure 1.3 Audience reach of commercial radio stations by style

Over the last five years, total radio listening (calculated in terms of numbers of listeners and how long they listen for, and expressed as 'total hours') has increased by 7 %. Commercial radio's share of listening vs. the BBC has declined across this period, but in absolute terms it is still accounting for a growing number of listening hours (Figure 1.4).

Latest data (RAJAR Q2, 2004, available at www.rajar.co.uk) reveals that 31.4 million adults listen to commercial radio for an average of 15.4 hours every week. According to research conducted by the RAB (Figure 1.12), radio is second only to TV in terms of the amount of time people spend with the medium.

1.3 Who listens to commercial radio?

Overall, commercial radio has always attracted a younger set of listeners than the BBC. When RAJAR first posted listening figures in 1992, commercial radio was particularly strong in reaching the 15–44 age group, especially compared with the BBC.

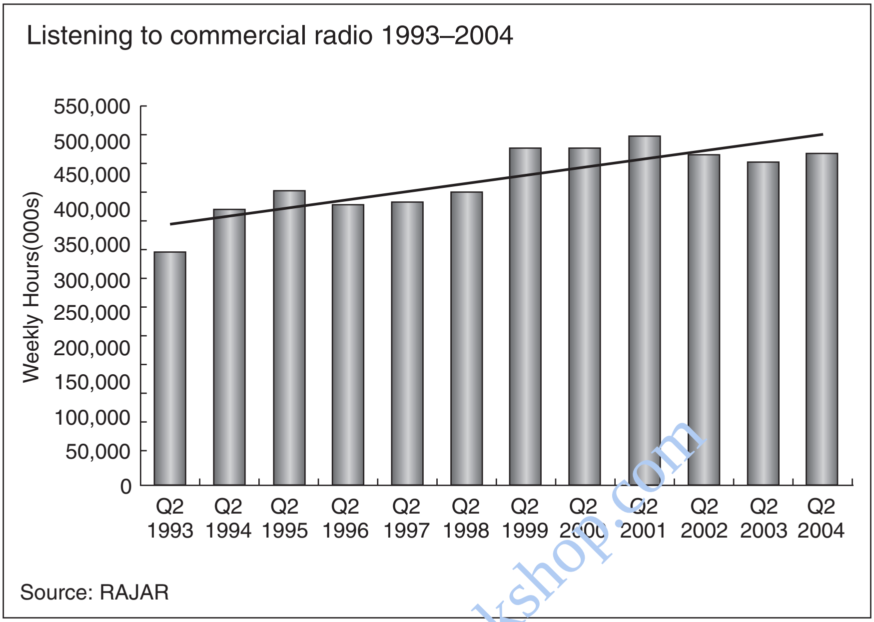

Figure 1.4 Listening hour trends from 1993 to 2004 for all adults aged 15 and over

This listener group became known as *the commercial radio generation* – people who had grown up, or were growing up, with commercial radio as their preferred choice of listening.

In 2004, this age group is still dominant in the commercial radio listening profile (see Figure 1.5) but a number of factors have helped to increase commercial listening amongst other demographics.

The first of these factors is the cohort effect – people who have grown up as commercial radio listeners remaining as such, even as they enter demographic breaks traditionally associated with listening to BBC stations.

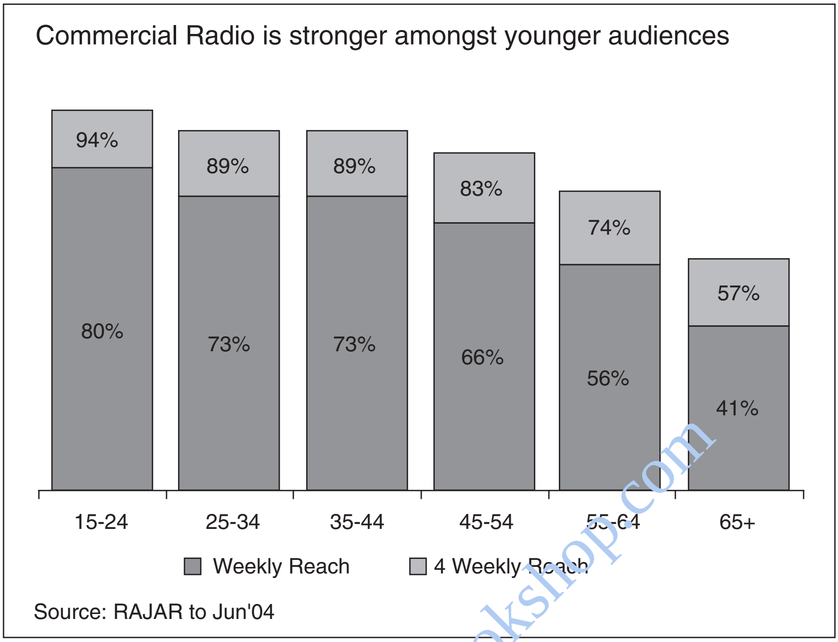

Figure 1.5 Commercial radio's weekly and four-weekly reach by age

The other important factor has been the development of a greater variety of station formats catering for a broader set of tastes. The appeal of different station formats for different audiences is highlighted in Figure 1.6.

Commercial radio is also very strong in reaching children compared with the BBC. Historically, the majority of this listening has been considered incidental, driven by their parents' choice of station. However, new station formats aimed specifically at children (e.g. Capital Disney and Abracadabra, both on DAB), combined with the increased availability of radio listening via the television, are leading to more selective and active listening amongst this audience.

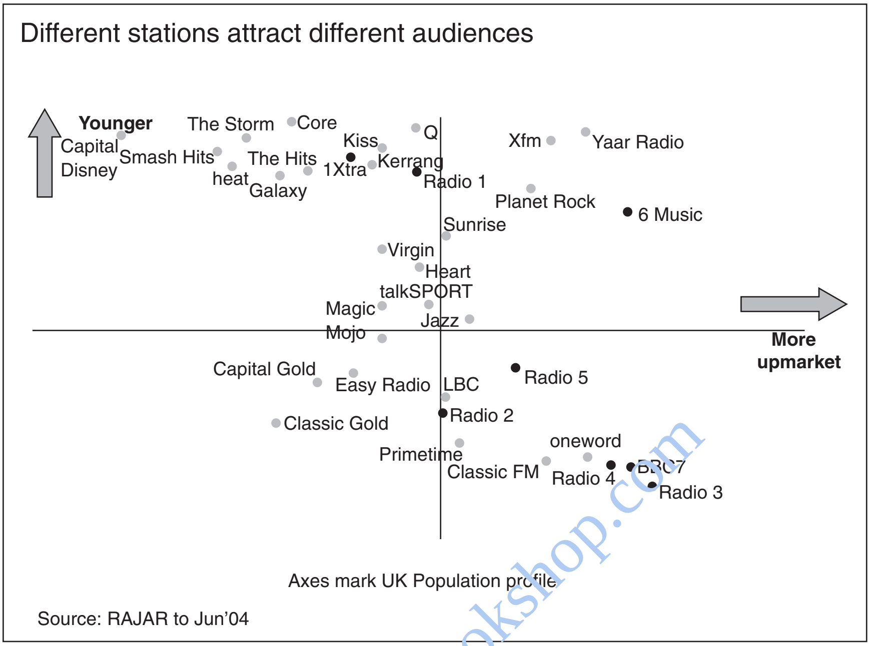

Figure 1.6 Age/class map of national stations

1.4 Radio's status as an advertising medium

In the early weeks following commercial radio's launch in October 1973, advertising revenue exceeded initial expectations, however, this was not to last, and the first ILR stations soon found themselves struggling to win significant revenue from other media.

It wasn't until the establishment of the audience measurement system JICRAR, which provided essential information about how many were listening to which stations and when, that advertisers began to take to the medium. Radio revenue was further boosted by the ITV technicians' strike of 1979.

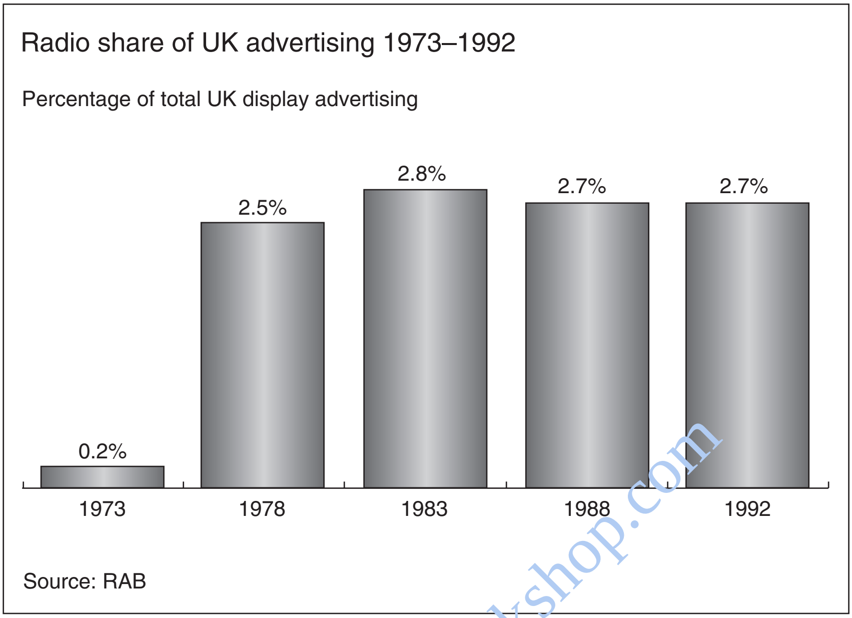

Figure 1.7 Radio's share of UK advertising from 1973 to 1992

However, despite continued and significant audience growth, radio's overall share of advertising revenue resolutely remained between 2.5 % and 2.8 % throughout the late 1970s, the whole of the 1980s and into the early 1990s (see Figure 1.7) – hence radio's old nickname of the '2 % medium'.

1992 was a pivotal year for commercial radio. The launch that year of a new audience research system (RAJAR), the launch of the first national station (Classic FM) and the launch of a unified business-to-business marketing strategy (Radio Advertising Bureau) contributed to a quantum leap in the industry's fortunes.

As a result, many national advertisers began to reappraise the medium and growth from this sector helped advertising revenue to rise sharply across the first half of the 1990s. Continued evolution of the medium in terms of station and audience growth, coupled with the RAB's marketing effort, mean that radio is playing an increasingly prominent role amongst blue chip advertisers.

Looking at the latest data, the top 20 radio advertisers increased their combined spend on radio by 16.5 % year-on-year, allocating 11.2 % of their total media budgets to radio (see Figure 1.8).

Since 1992, commercial radio advertising revenue has consistently grown faster than the media market as a whole, making radio the fastest growing medium of the last decade (see Figure 1.9).

Rank	Advertiser	MAT July 04	*% radio share*	% change yr-on-yr
1	COI Communications	£28,605,408	*16.3*	12.9
2	British Telecom	£10,112,949	*11.4*	105.6
3	Sainsbury's	£8,360,099	*16.9*	–11.9
4	Procter & Gamble	£7,872,140	*4.1*	–18.5
5	Vodafone	£6,263,433	*14.1*	19.2
6	Hutchinson 3G	£6,127,326	*14.2*	104
7	Carphone Warehouse	£5,635,459	*41.7*	176.3
8	Lever Faberge Homecare	£5,490,313	*8.7*	27.5
9	News International	£5,297,876	*13.5*	–34.6
10	Orange	£4,922,199	*8.1*	9.6
11	Camelot	£4,844,527	*19.9*	6.2
12	Ford	£4,753,266	*6.8*	–6.7
13	Telewest Communications	£4,693,286	*51.4*	–22.4
14	Renault	£4,629,541	*7.6*	5.8
15	Toyota	£4,391,440	*8.8*	47.8
16	Flextech Telewest	£3,875,545	*41.4*	93.4
17	British Sky Broadcasting	£3,816,191	*7.7*	71.7
18	Specsavers	£3,640,927	*15.8*	32
19	Vauxhall	£3,506,554	*5.9*	29.9
20	British Airways	£3,057,975	*9.6*	42.7
	Total	£129,896,454	**11.2%**	**16.5%**

Figure 1.8 Top 20 radio advertisers MAT to July 2004

This growth has also been reflected in radio's overall share of advertising revenue since 1992 – commercial radio achieved a share of 7 % of display advertising revenue for the first time in the MAT to Q1 2004 (see Figure 1.10).

The result of this growth is that radio has finally shaken off its '2 %' tag and been promoted from the position of an 'also ran' to a considered and active media choice competing for major advertisers' media budgets alongside the other mainstream media.

Undoubtedly, radio's growth as a medium has been a key driver in this evolution, but the development of greater understanding of the unique communication qualities and proven results that radio offers to advertisers has also been an important

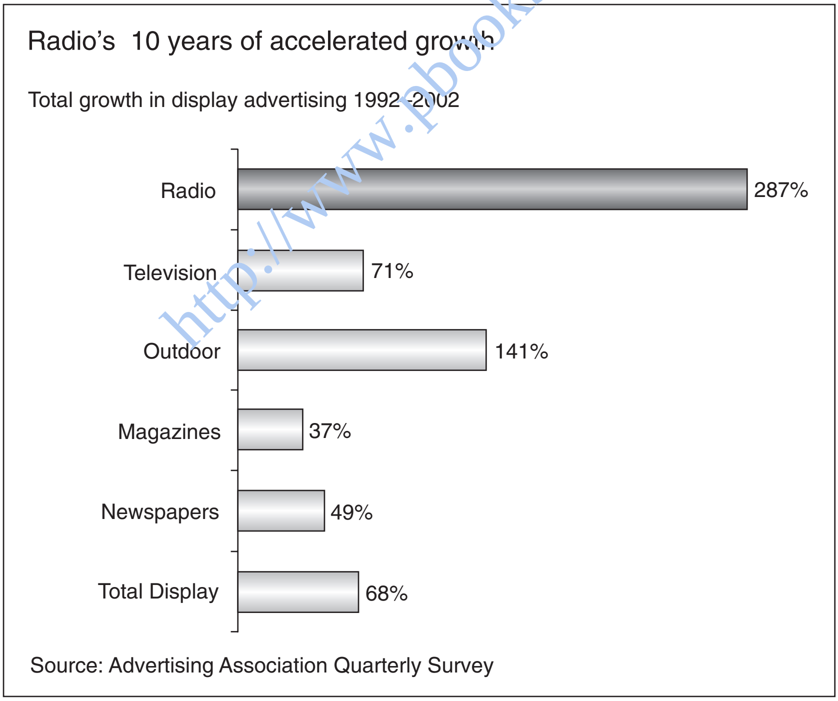

Figure 1.9 The growth in commercial radio advertising revenue compared to other media

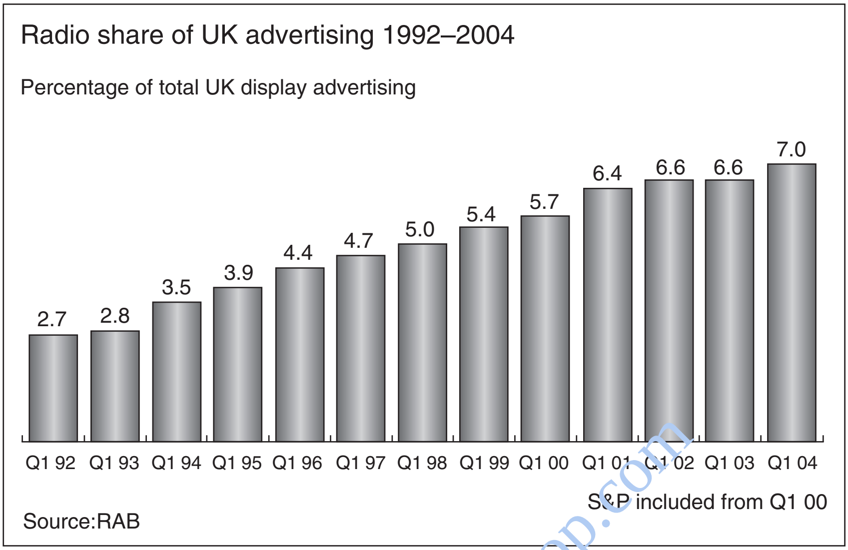

Figure 1.10 Commercial radio's annual share of display advertising

factor. These characteristics are reviewed in greater depth in Chapter 2.

1.5 What does the future hold for commercial radio?

The last 15 years have seen a proliferation of new competitive media channels vying for people's time, yet radio has continued to attract new listeners and maintain average weekly listening hours. But what of the future – how might radio develop in the 21st century and what will be the defining factors?

Our analysis suggests that there are three main factors that will drive further audience growth (reach *and* time spent listening) for radio in the future:

- how radio is consumed;
- increased choice;
- increased accessibility.

How radio is consumed

Radio is an auxiliary medium. It is ideally suited to being listened to by people who are engaged in another activity at the same time (e.g. driving, cleaning, DIY, gardening, working) – 9 out of 10 people listen whilst doing something else.

Increasingly, media research is demonstrating that people are spending less time consuming media these days (see Figure 1.11).

Comparatively, radio fares better – because it can be enjoyed in full whilst doing other things; it is not viewed as a time-drain in the same way as other media. This is probably the reason why

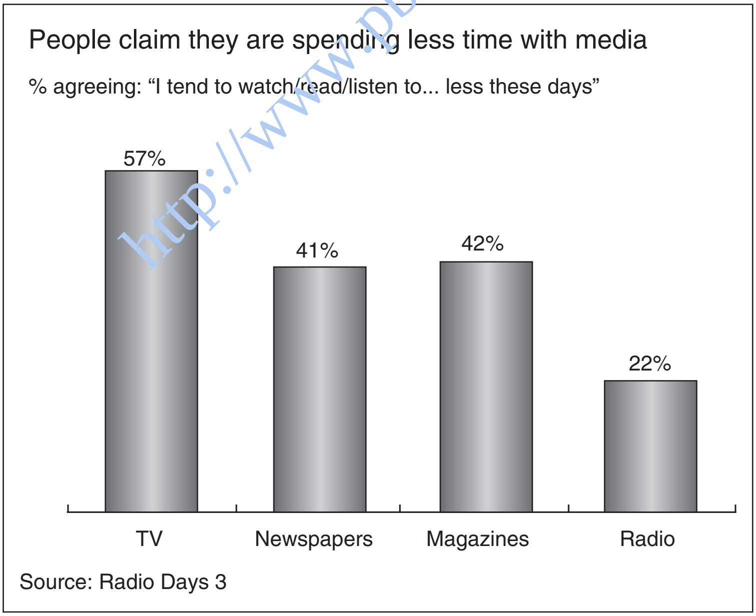

Figure 1.11 Time spent consuming traditional media is falling

radio's share of all time spent with media shows a small increase in recent years, whilst other media are static or in decline, mainly due to the rise of the Internet and more time spent watching DVDs (Figure 1.12).

'Radio's strength is its immense flexibility, adaptability and suitability for a modern and active life. It suits people who move around a lot; it suits people who are busy doing other things'.

Mary Kenny, 'Why the good old wireless still has pulling power', *Daily Express*.

So, even though people are spending less time with media in general and new media are eating into the time people spend with traditional media, radio's status as the one true accompaniment medium suggests that it will continue to hold its own in terms of audience growth in the future.

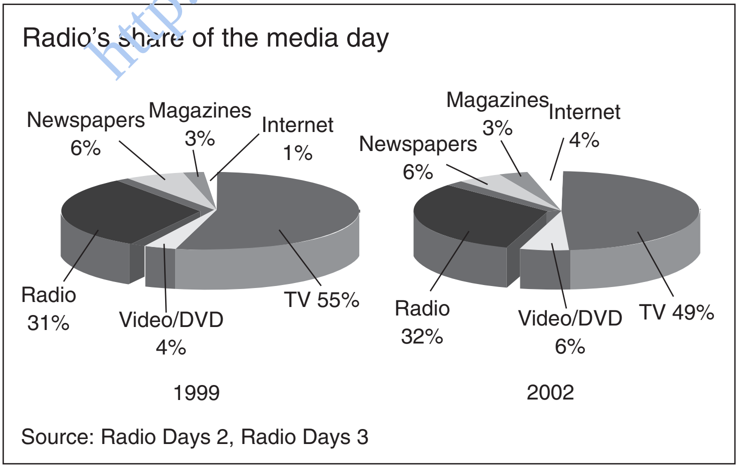

Figure 1.12 Radio's share of the media day

Increased choice

We have already touched on how increased choice of station formats amongst the 274 analogue commercial radio stations has contributed to the steep growth of the commercial radio audience across the last 15 years.

This choice is further augmented by the 130 commercial DAB services that currently exist. These roughly fall into four categories:

- local digital simulcasts of existing analogue services;
- non-local digital simulcasts of local analogue services from other parts of the UK;
- digital-only brands developed by existing radio players (e.g. Capital Disney, Virgin's The Groove, and GWR's Planet Rock);
- digital-only brands developed by industry newcomers (e.g. Abracadabra, Gaydar Radio).

As of mid-2004, DAB receiver penetration stood at about 600 000 sets, so we are yet to see the real benefits of this greater choice on increasing commercial radio listening. But with average prices dropping and more models being made available, DAB penetration is likely to accelerate and contribute more significantly to radio's long-term audience growth.

Increased accessibility

One of the most significant changes in radio over the past couple of years has been the growth in availability of existing analogue radio stations through new platforms. Beyond DAB, digital television (Sky, cable and Freeview) and the Internet offer significant choice to listeners (see Figure 1.13).

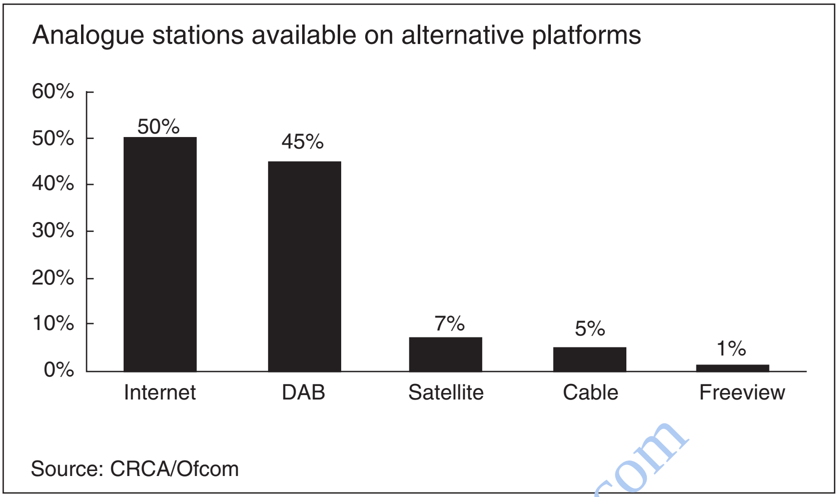

Figure 1.13 Analogue stations available on alternative platforms

Another recent trend has seen radio receivers increasingly incorporated into other devices, such as mobile phones.

These shifts have led to a greater accessibility of the medium, creating new listening situations and occasions that in turn are contributing to greater listening.

The *Internet* is a popular way to listen to the radio, with 7.3 million adults (15 % of the population) tuning in this way (see Figure 1.14).

Young people are the heaviest online radio listeners – about a quarter of all 15–34s access their favourite stations on the web. Frequency of listening via the Internet is also high – just under half of those who tune in online do so at least once a week, whilst 12 % claim to listen every day/most days.

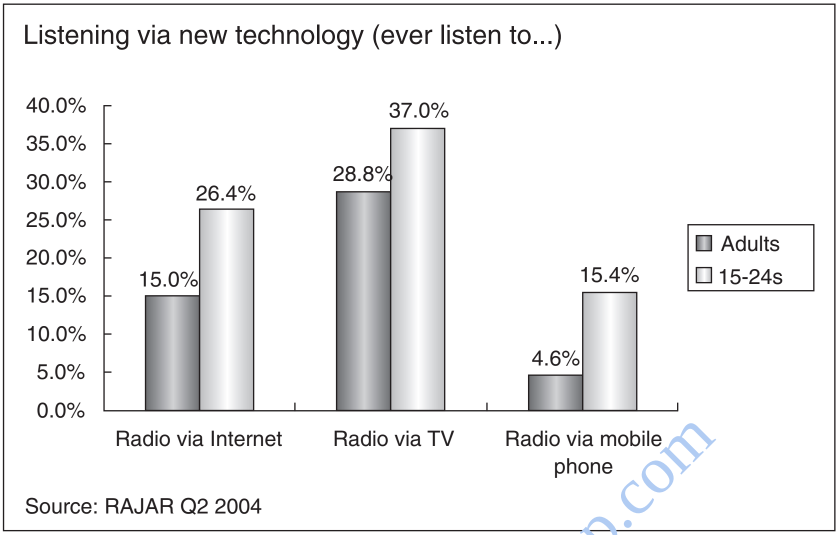

Figure 1.14 Listening to radio via new technology

Internet radio is principally listened to by office workers. This has previously been a difficult audience to reach. The listening pattern is one where we see a peak around lunchtime and another peak towards the end of the working day.

As broadband becomes more popular, providing high-speed Internet access to homes, we can expect to see increased amounts of online listening at home – while children surf on the Internet or do their homework on their PC.

Over half of households in the UK now have a *digital television* service, allowing access to radio stations as well as TV channels. The free-to-view service Freeview has been an important driver in digital television penetration over the last two years, having sold over 3.5 million sets.

The number of adults listening to the radio via the TV currently stands at over 14 million or 28 % of the population (see Figure 1.14).

Younger men are the most likely audience to tune in this way. Growth is evident across all demographics, however, with listening amongst the older age groups showing the fastest growth.

Frequency of listening via the TV is also high, reflecting its ease of use and accessibility – 13 % of those who listen to the radio via the TV claim to tune in every day.

Growth in both the number of listeners and the frequency of listening is expected to continue, along with the rise in multi-channel households. Freeview boxes are often bought as a second digital TV access, usually for use in the bedroom, where radio listening tends to be more commonplace, especially amongst the younger age groups.

Mobile phones with radio receivers are becoming a part of every-day life, increasing opportunities to listen to the radio whilst on the move. Over 2.2 million people in the UK have used their mobile phones to listen to the radio (approximately 5 % of the adult population) – up almost 50 % year-on-year (see Figure 1.14).

Listening via a mobile phone is most prevalent amongst younger and more affluent demographics and those likely to be early adopters of new technology – the latest mobile handsets are now a required accessory for many young people.

We expect this trend to continue as radio receivers become standard in more mobile phone handsets and prices fall, opening up new listening opportunities to more and more listeners.

The three factors of how radio is consumed, increased choice and increased accessibility all suggest that the radio audience will continue to grow, whilst the long-term decline in audiences to other mainstream media will continue.

Perhaps because of these favourable audience predictions, long-term advertising revenue forecasts for commercial radio suggest a faster rate of growth than for the media market as a whole. It appears that the trend of consistent share growth for radio across the last 14 years is set to continue for the foreseeable future.

1.6 Summary

- Commercial radio has made significant strides since it was launched just over thirty years ago.
- There are now 274 analogue and 130 digital stations broadcasting in the UK, at national, regional and local levels. Two-thirds of adults listen every week and the variety of station formats available means that commercial radio is disproportionately successful at attracting a younger audience that is traditionally difficult to reach through other mass media.
- In advertising terms, radio now commands a 7 % share of advertising revenue, up from 2.8 % in 1992, and is playing an increasingly significant role in the plans of major advertisers such as Unilever, Sainsbury's, P&G, BT and the government (via COI Communications).
- Despite increased competition from a vast array of new media, it is predicted that radio audiences will continue to grow, driven by increased station choice, increased accessibility and the medium's auxiliary qualities.