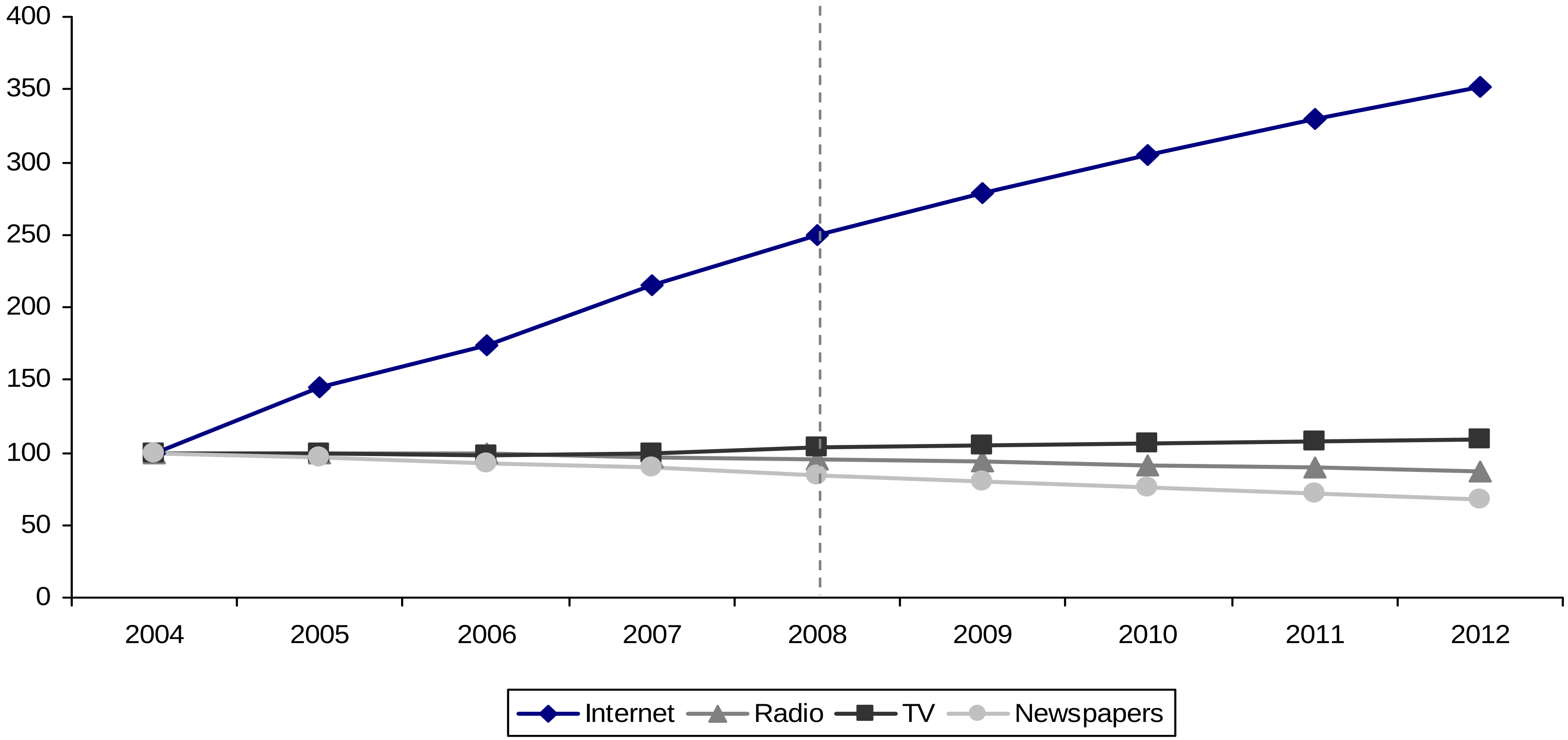
UK digital radio overview

John Ousby, BBC

Overview

- Rising internet consumption has been associated with declines in radio listening and newspaper circulation

UK media consumption volume trends
Index 2004=100



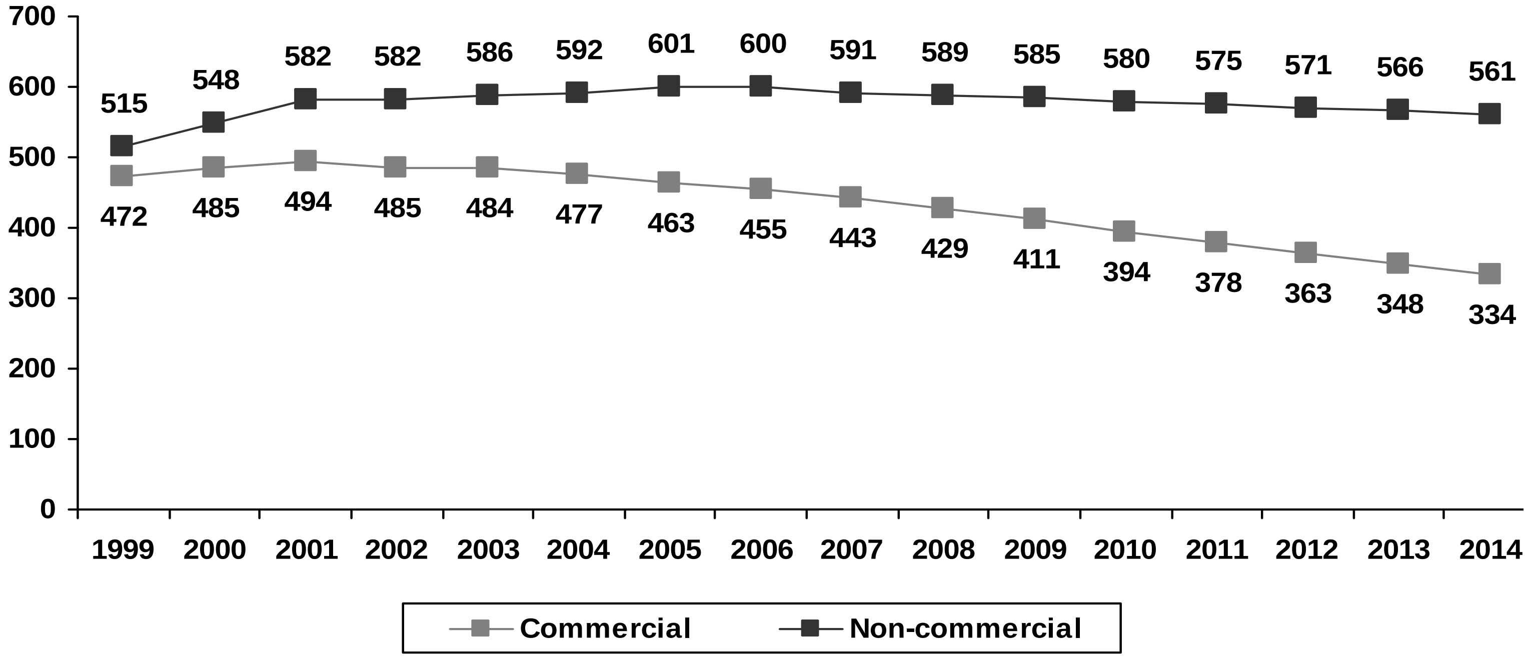
Note: Figures based on minutes for TV, Radio & Internet, Circulation for Newspapers
[Source: Enders Analysis, ABC, InfoSysTV, Rajar]

Radio consumption

ENDERS|ANALYSIS

- Total consumption of all radio (commercial and BBC combined) is declining by 2-3% per annum
- Total consumption of commercial radio is declining by around 4% per annum

Total radio - hours listened per week (base scenario) (000)



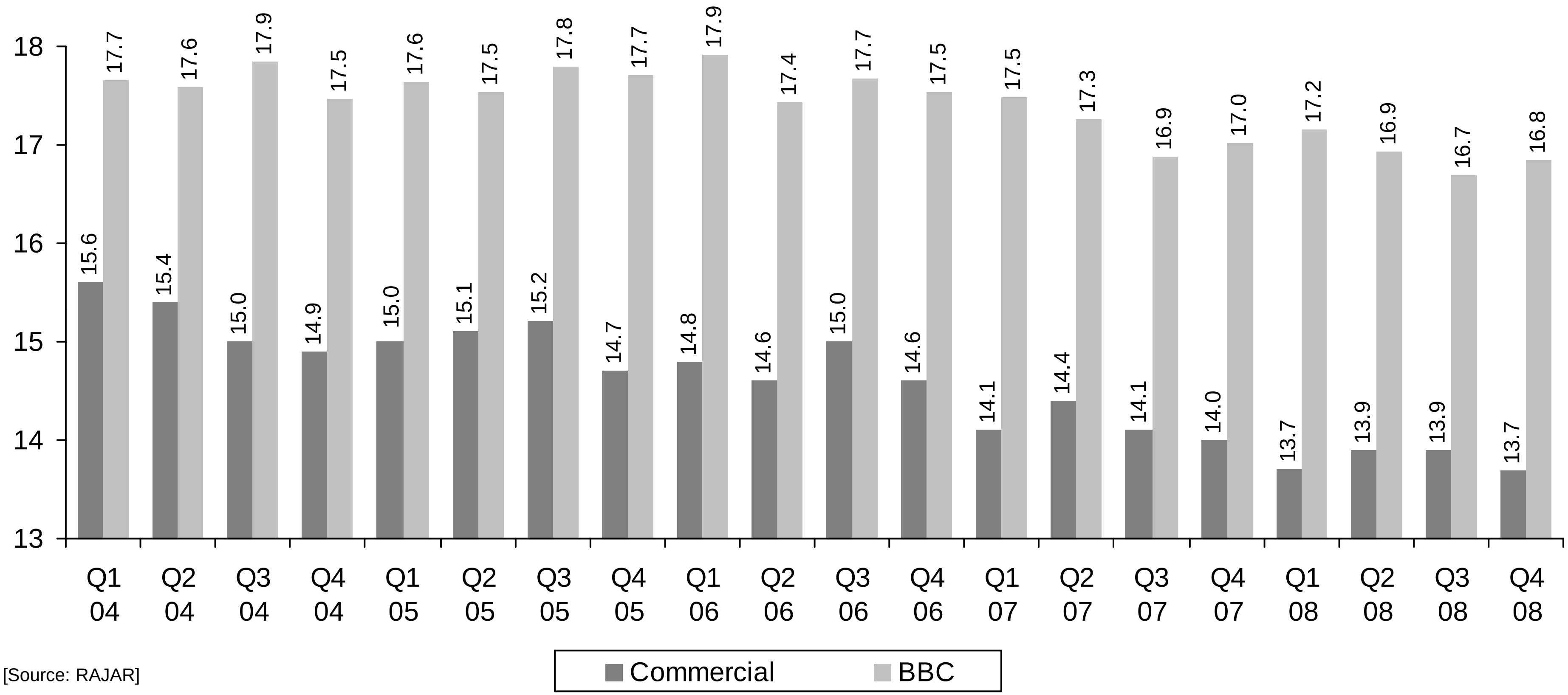
[Source: RAJAR/Enders Analysis forecasts]
Note: Non-commercial includes BBC, pirate and other non-commercial stations

Commercial vs. BBC listening

ENDERS|ANALYSIS

- Listeners across commercial and BBC radio are spending less time with the medium
- commercial sector listening down almost 2 hours per week, BBC listening has fallen by less than an hour

Total radio average hours per adult (15+) listened per week

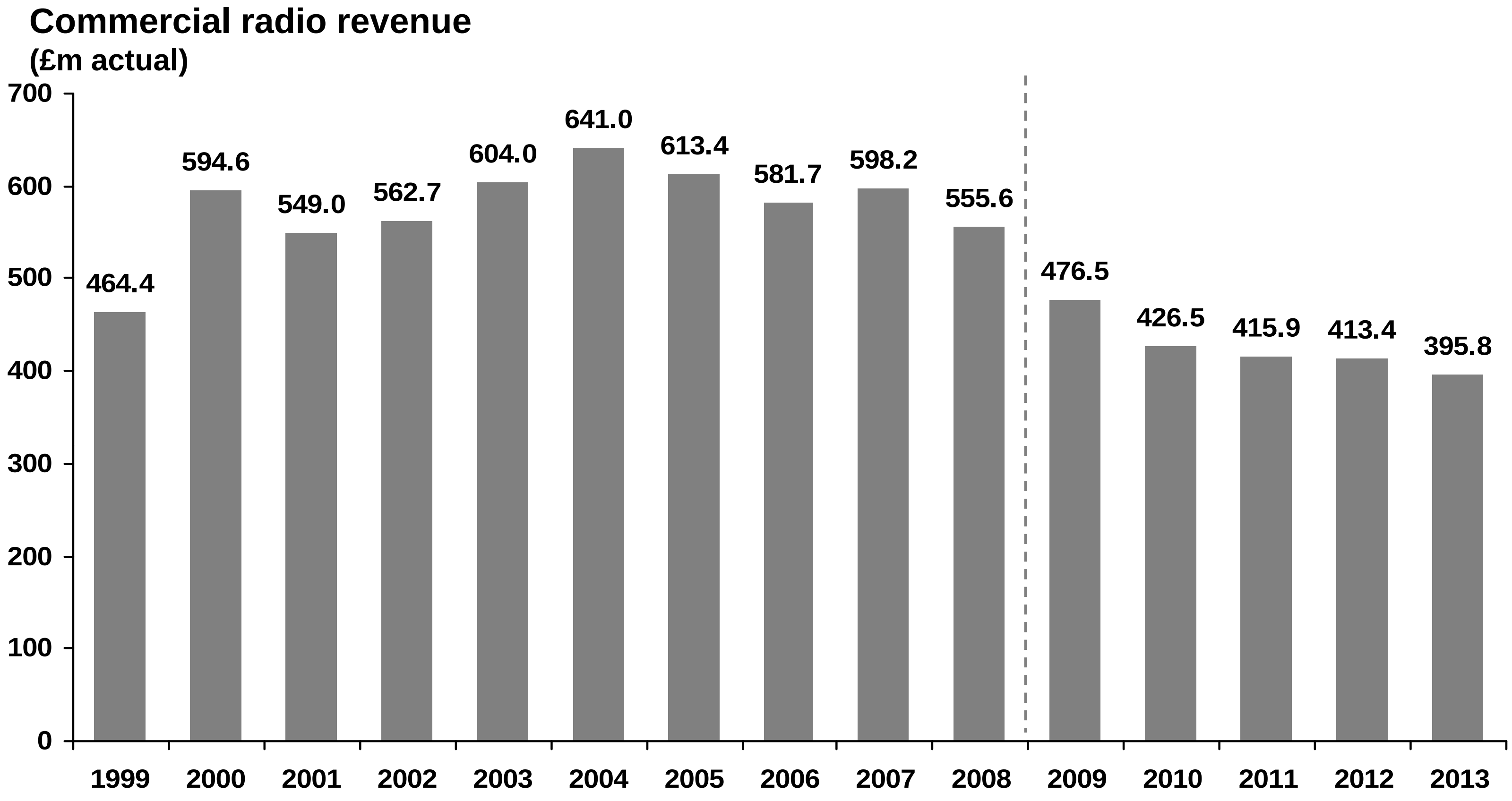


[Source: RAJAR]

Advertising revenue

ENDERS|ANALYSIS

- Economic cycles only temporarily improve or worsen the underlying structural trend in radio advertising



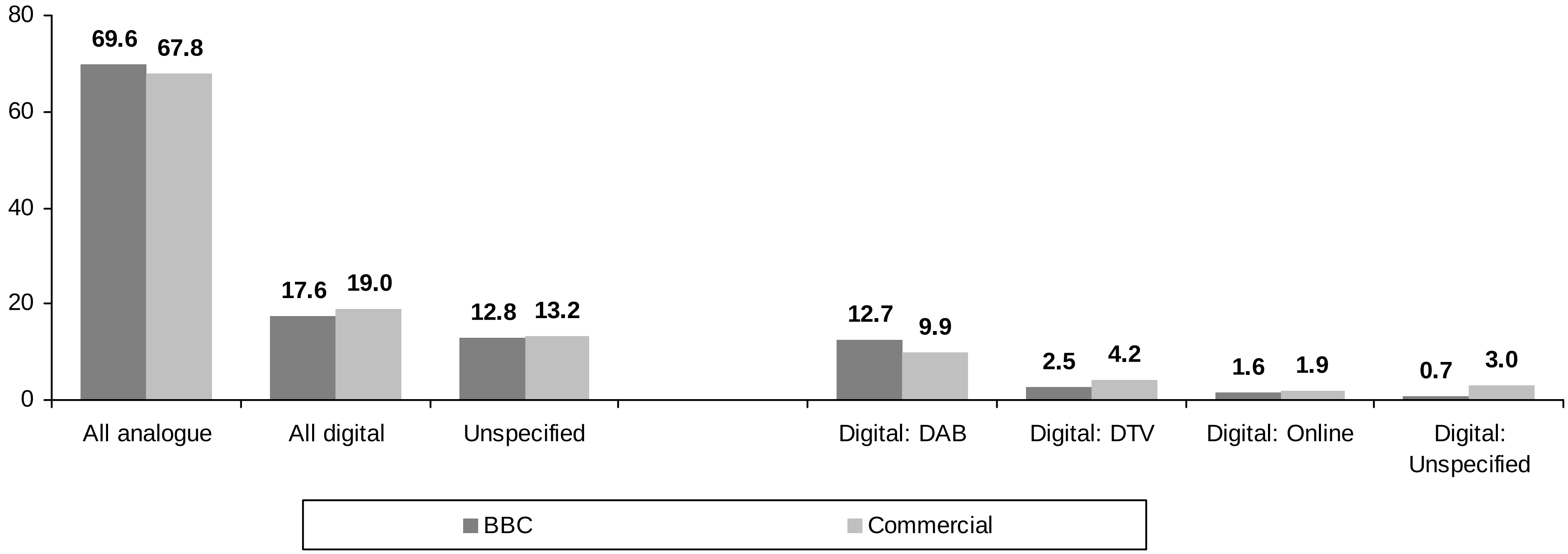
[Source: RAB/Enders Analysis forecasts]

Listening by platform

ENDERS|ANALYSIS

- Commercial digital listening share exceeds BBC digital listening share (19.0% vs 17.6%)

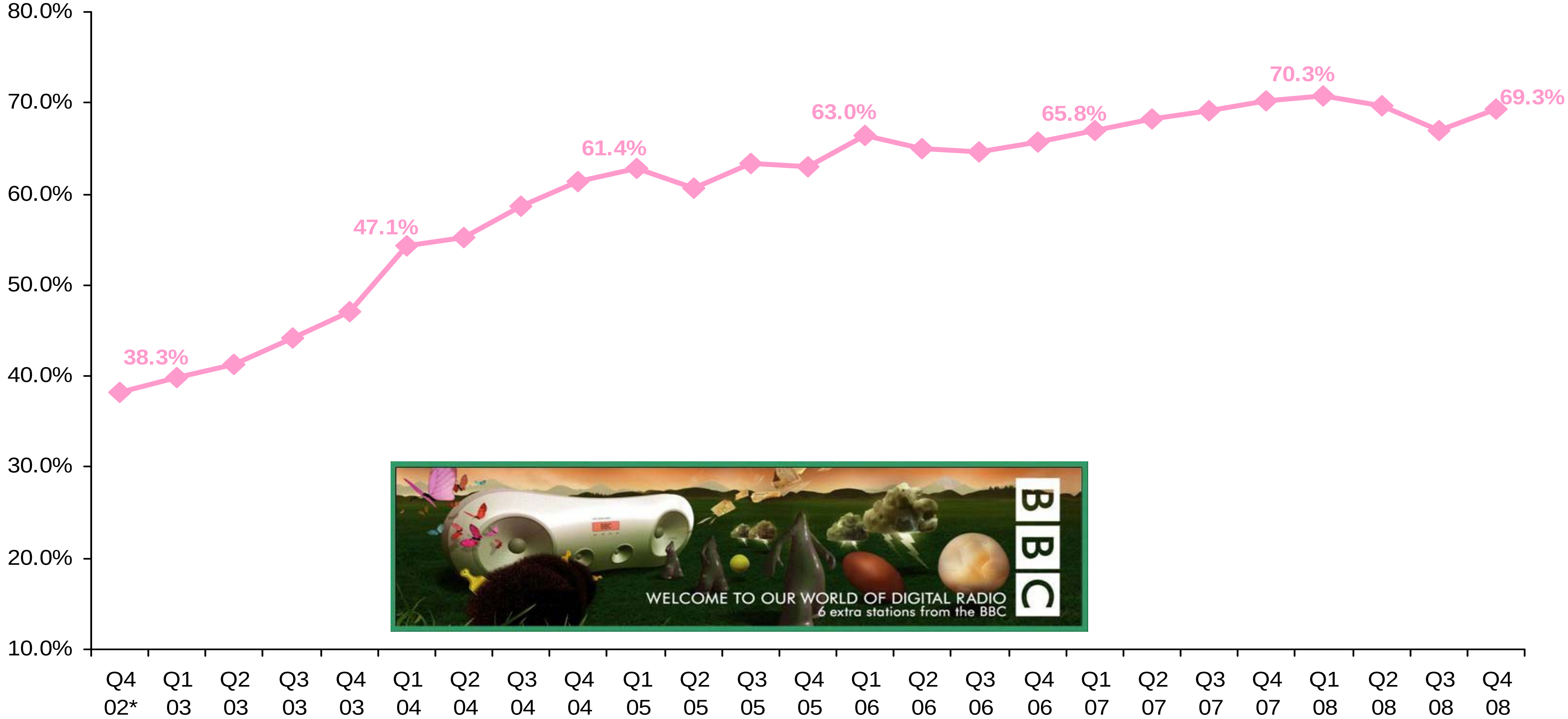
Adult (15+) hours listened by platform Q4 2008 (%)



[Source: RAJAR]

Total Awareness of Digital Radio (Prompted with DAB logos)

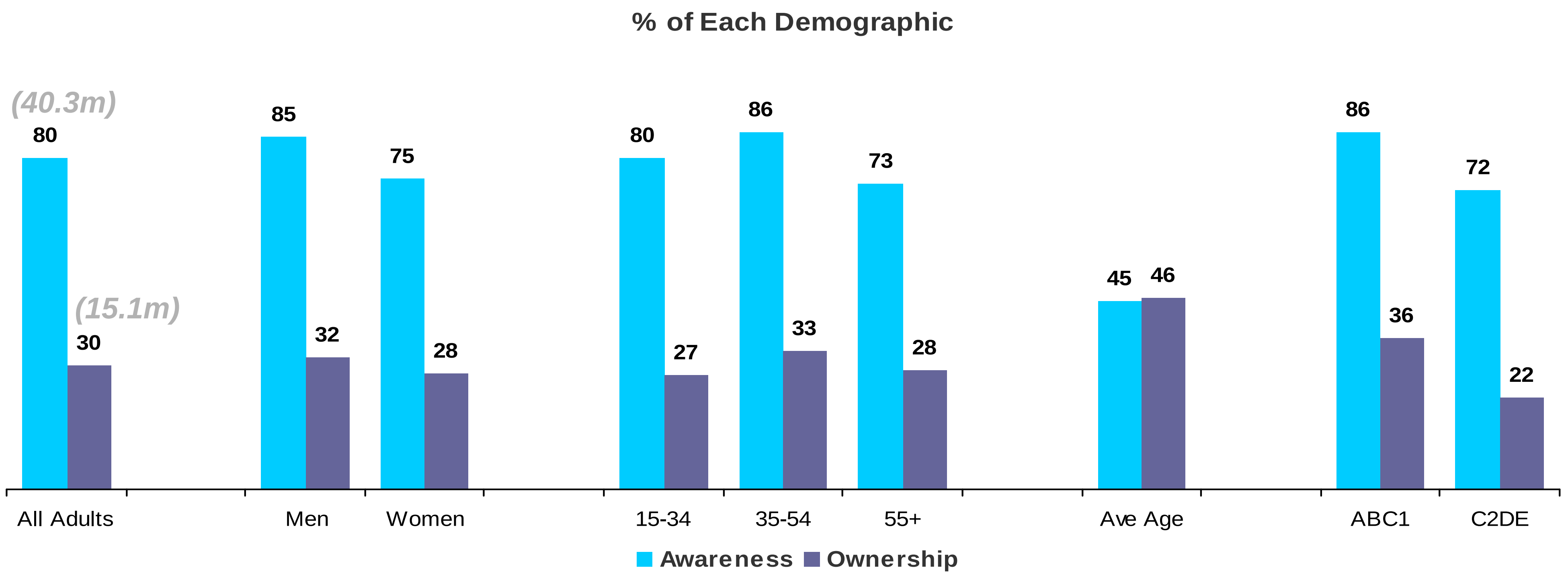
Awareness of DAB digital radio now stands at 69.3%.



*Source: PBTS/Brand Tracker; *2 months only*

DAB Ownership in Home and Awareness (RAJAR)

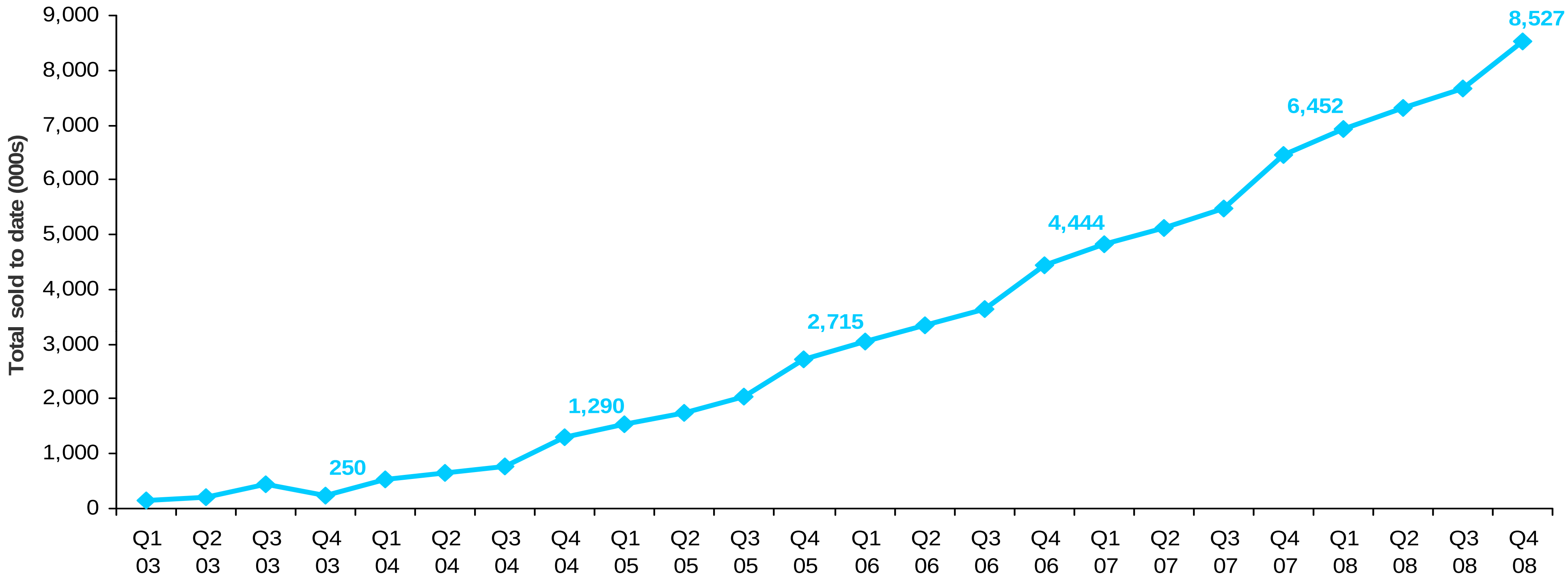
- Just over 15m adults now claim to own a DAB set in their home. As with awareness (but not inevitably), ownership is highest amongst men, 35-54s and ABC1s with the average age now being 46years old.



Source: RAJAR, 15+, Q4 08

Sales of DAB Digital Radio

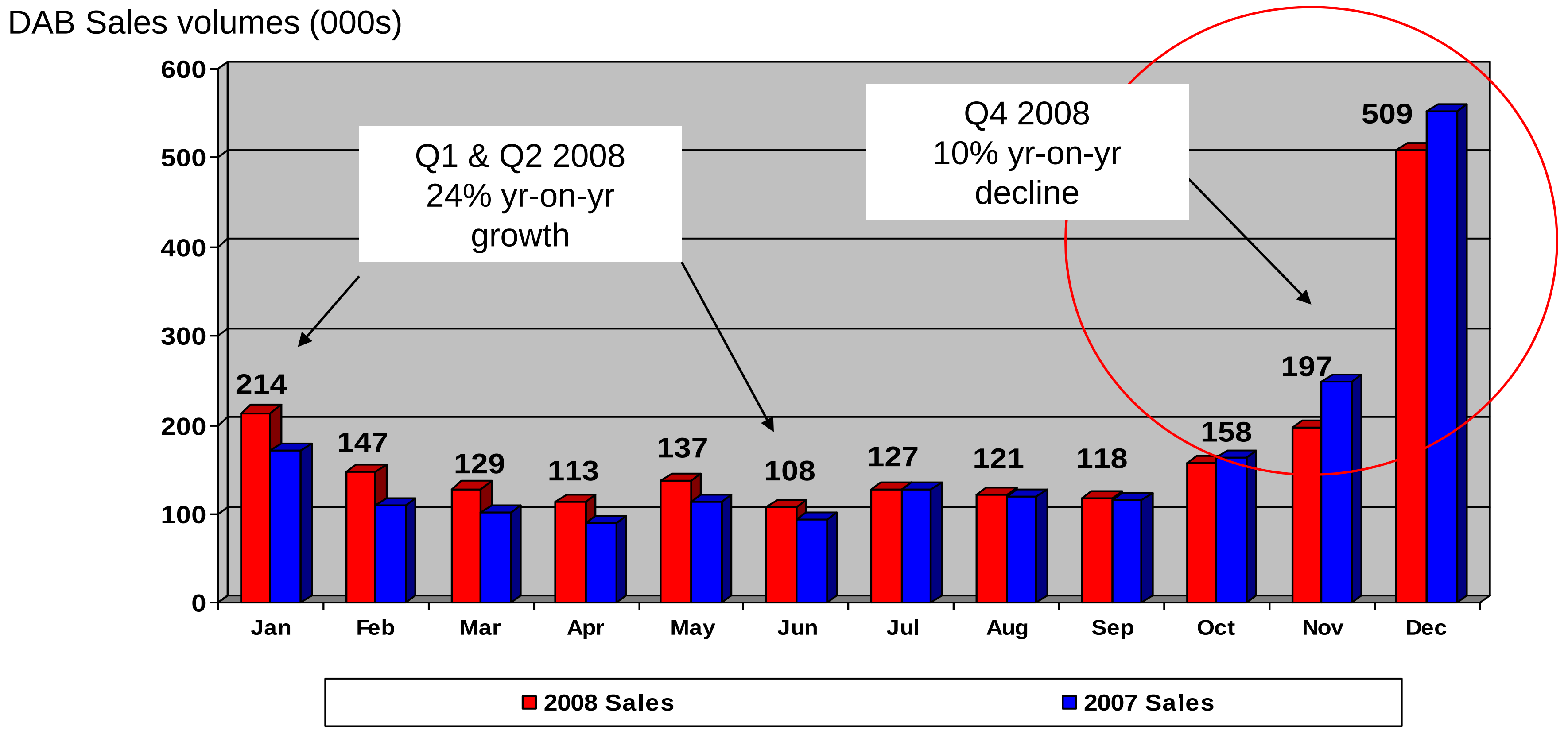
DAB radio sales rose to 8.5m sets for Q4 08.



Source: GfK

2008 Monthly DAB sales

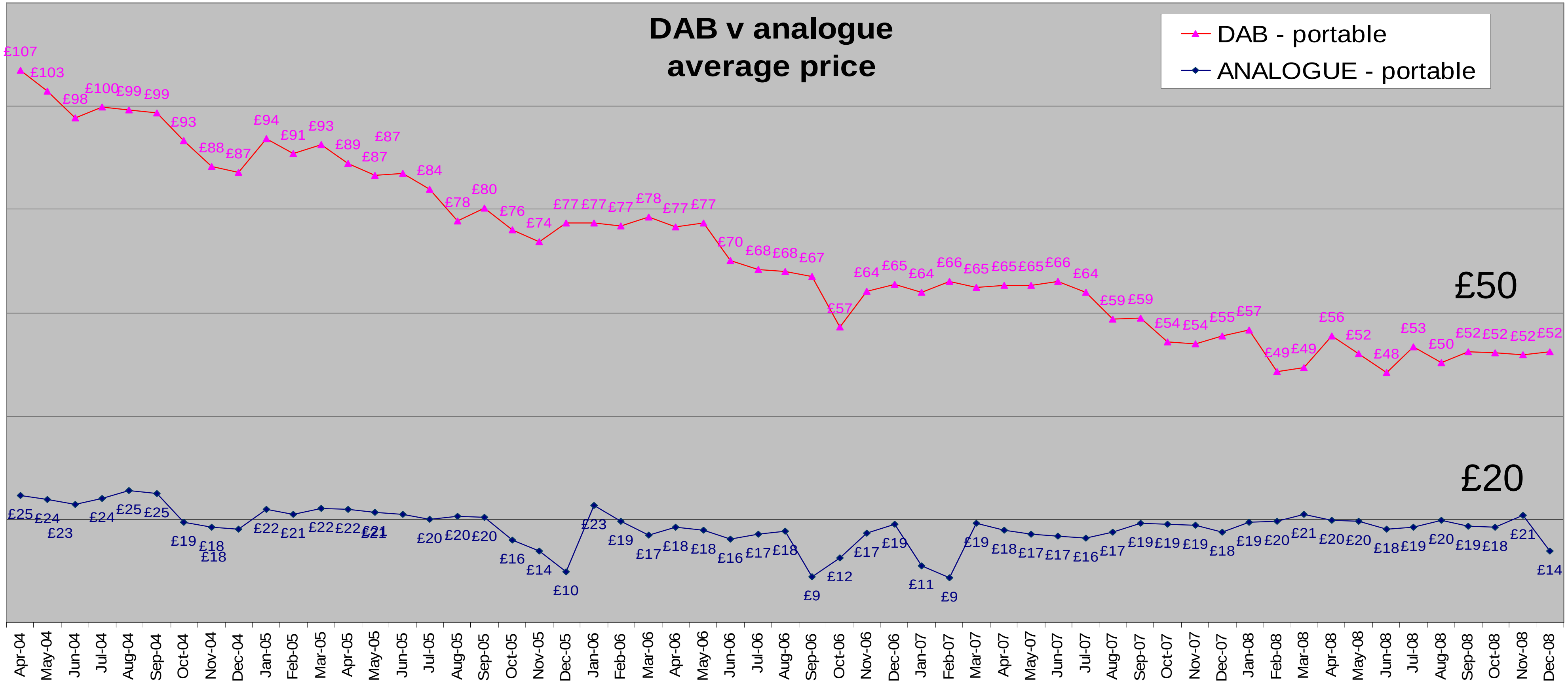
Year on year slowdown in Q4 2008



Source: Gfk sales Q4 2008

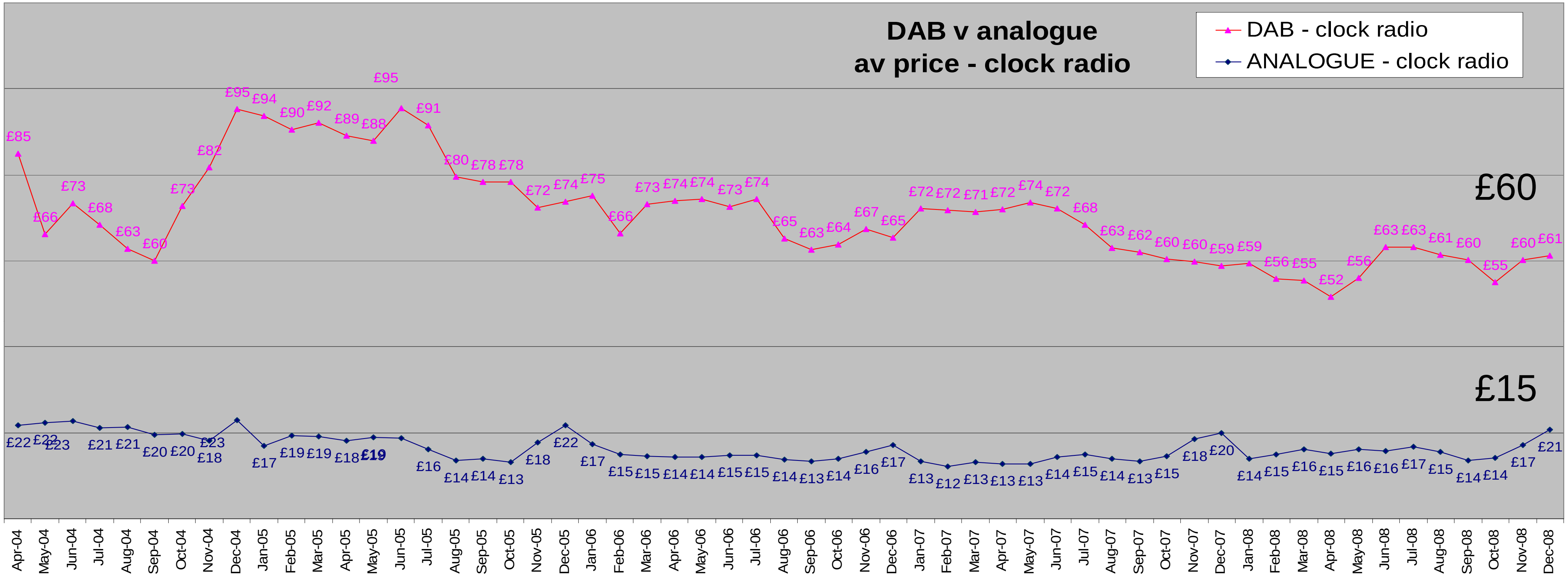
Trends in average prices

Domestic Portables (DAB prices now flat)



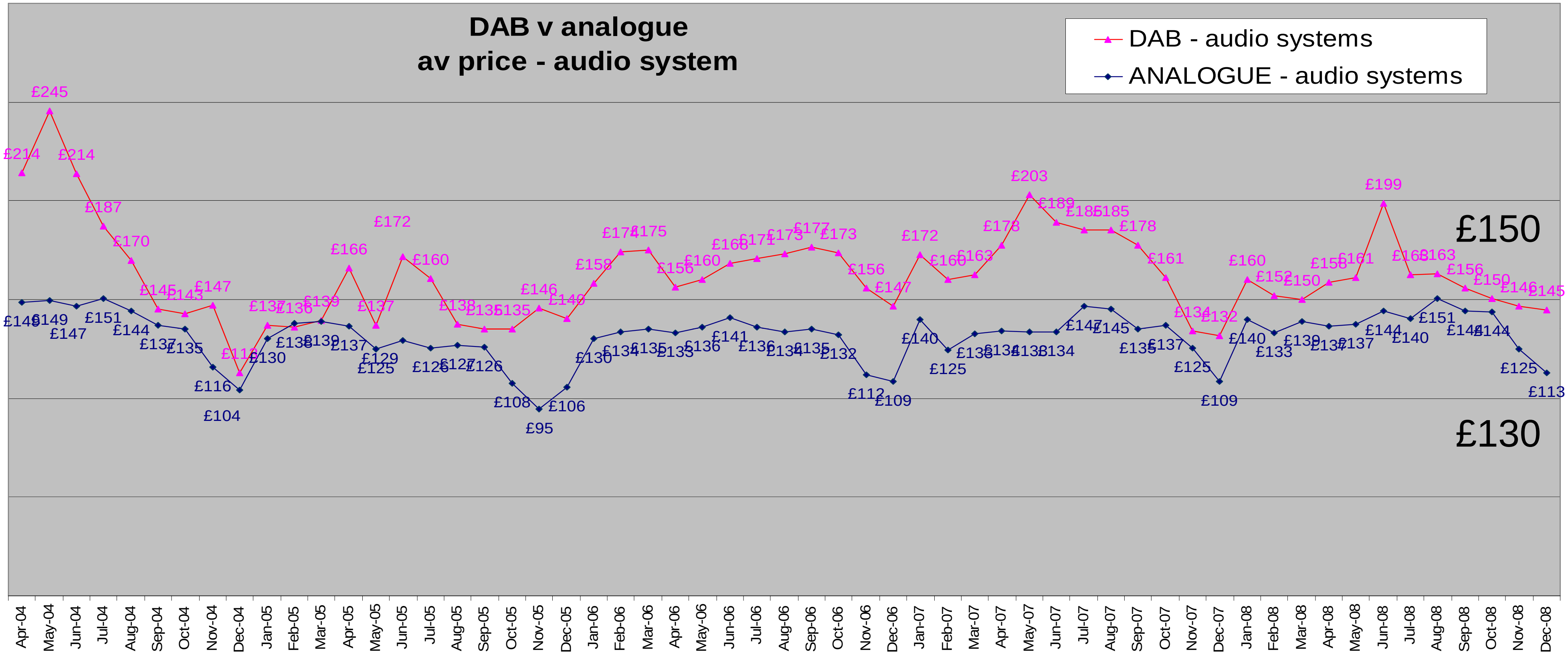
Trends in average prices

Clock radios (DAB prices high)

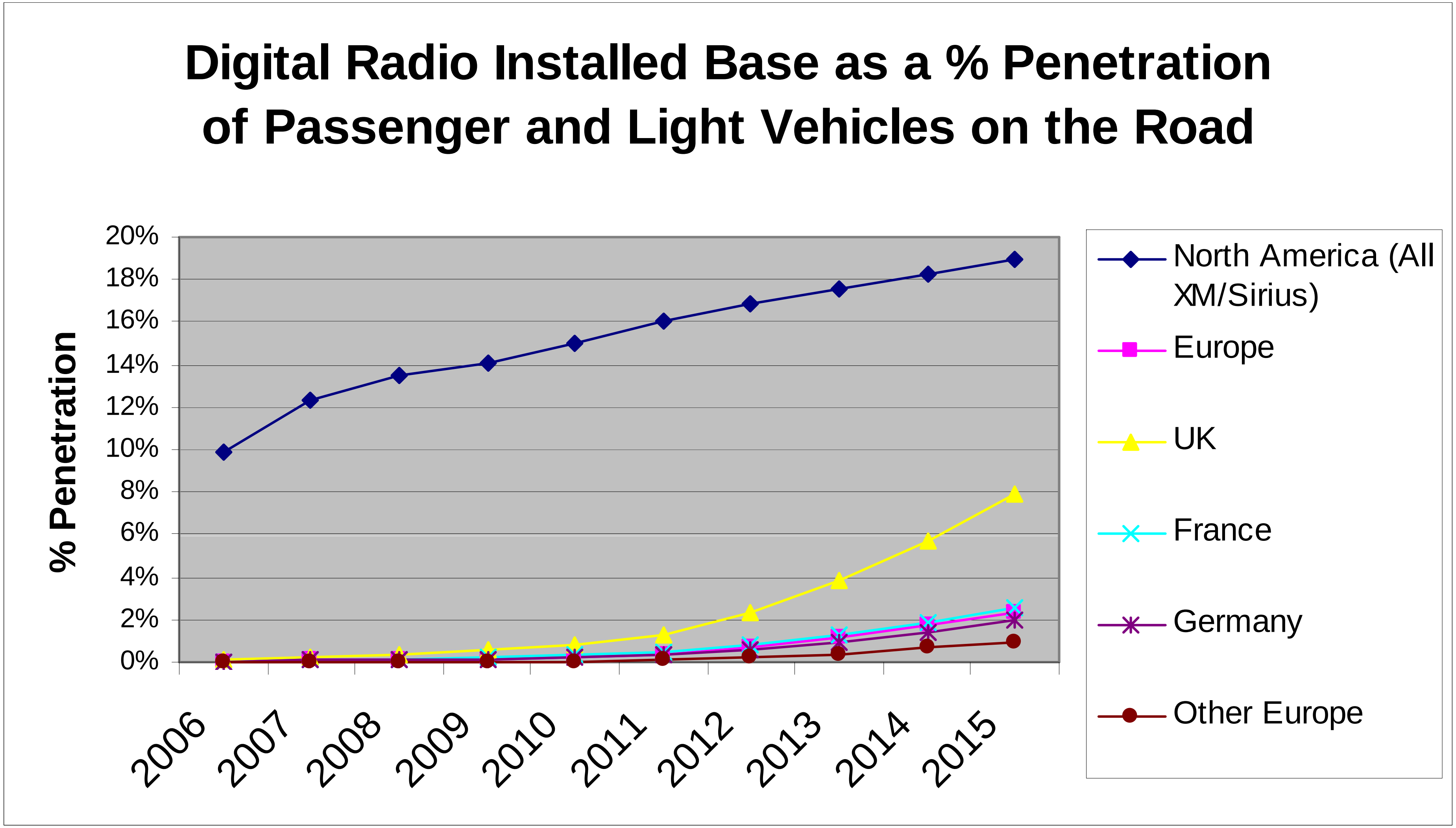


Trends in average prices

Audio systems
(prices not barrier – product range the issue)



- 20% of UK radio listening is in-car but about 75% of radio income is derived from in-car listening



Internet connectivity in car very attractive to manufacturers


BLAUPUNKT
Internet radio
NEW JERSEY 600i
1
2 ABC
3 DEF
4 GHI
5 JKL
6 MNO
7 PQRS
8 TUV
9 WXYZ
*
0
#
Bluetooth
TUNER
SOURCE
AUDIO
MENU
DIS-ESC
OK
AUX
USB


DIGITAL
BRITAIN

Digital migration: the plan

- The Digital Britain report committed to “enabling DAB as a primary radio platform”

- A “digital migration plan” has been called for, where all local and national services will establish DAB broadcasts

- Implementation of the plan will occur two years after:
  - **50% of radio listening is digital**
    - This includes DAB, DTV, online listening and internet radio and takes the focus off DAB as the primary platform, making it just a primary platform
  - **DAB coverage is comparable to FM coverage**
  - **Local DAB reaches 90% of the population and all major roads**

Digital migration: the plan

- The government have given 2015 as the target date for achieving the digital migration criteria, this would mean a potential switchover date of 2017

- The Digital Britain report acknowledges that a TV-style digital switchover is not achievable in the short-medium term – the migration plan will need to be gradual because:
  - Unlike UK TV signals, analogue and digital radio can co-exist without interference
  - Replacing analogue radios in old cars is expensive and the replacement cycle for cars is slow (particularly in a recession)

- Unlike the valuable spectrum being released by the TV DSO, spectrum released by a radio switchover would be of little or no commercial value

DAB: consumer barriers to growth

ENDERS|ANALYSIS

- **Cost of receivers** – DAB prices start at around £30 for the most basic model, compared with £5 for an analogue set
- **Lack of subsidy** – PVRs, mobile phones and set top boxes achieved high penetration through aggressive subsidising of equipment
- **No significant content gain** – unlike Freeview which achieved market domination through vastly improved channel portfolio, combined with diminishing DAB offering
- **Prices high in integrated DAB products** such as clock radios

- The recession will limit sales of all electronic equipment in 2009 and 2010

DAB: broadcaster barriers to growth

ENDERS | ANALYSIS

- **Transmission costs** – simulcasting on digital platforms has multiplied stations' cost base
  - Regulatory regime legally requires most local commercial stations to simulcast on DAB
  - Excess capacity of DAB spectrum exists
  - Transmission company Arqiva/National Grid Wireless has monopoly over DAB infrastructure
- **Coverage** – existing DAB signal is not sufficiently robust and needs to cover more of the UK
  - Initial DAB transmitter powers were too low for indoor reception
  - Built up areas require fill-in relay transmitters to improve reception
  - Much of the UK geography is not covered by DAB signal (barrier to in-car listening)
  - High costs to reach FM equivalence
- **European harmonisation** – DAB is not a universally implemented technology
  - Consumer legacy of millions of DAB radios in UK lacking upgrade ability to new codecs
  - No common DAB codec adopted across Europe – hence significance of pan european profile

UK - an international perspective

- UK as a base for receiver development needs to keep an eye on other markets
- BBC is an international broadcaster, and is platform neutral. Through BBC World Service is supporting DRM
- Potential for eastern european markets
- Focus on Europe but not losing sight of the rest of the World. Russia and India have both declared support for DRM
- Consideration for DRM once markets more establlished


21:50
25 Jun 2008
11°c London
Now playing info...
8hrs 26mins
FRONTIER
SILICON


00:00pm, 00 Sept 0000
DAB EPG
FRONTIER
SILICON


00:00pm, 00 Sept 0000
Station directory
BBC Radio 1
BBC Radio 2
CAPITAL
XFM
DAB radio
FRONTIER
SILICON


00:00pm, 00 Sept 0000
DAB SIGNAL
BBC Radio 1
On air now: Jo Whiley with coverage of the Q awards and Paul McCartney being honoured with a Lifetime Achievement
EPG
TAG
DAB EPG
FRONTIER SILICON


00:00pm, 00 Sept 0000
DAB SIGNAL
BBC Radio 1
Radio 1's Big Weekend is happen-
ing soon with Maddona, The Kooks,
The Fratelleis and more. Visit
id.bbc.co.uk to see your tags
Press TAG for
more info
EPG
TAG
DAB EPG
FRONTIER
SILICON