# CONCLUSIONS AND OUTLOOK

In this concluding section we summarize some main tendencies described in this report and then give different perspectives of the future from broadcasters, regulators, and industry experts.

## 1. Summary of main findings

**Analogue audiences will continue to decline especially among younger listeners** as radio broadcasters adjust by offering a wider variety of content, higher availability on multiple platforms and through multiple standards. Radio listeners will become more demanding in terms of the variety of content they seek and ways of accessing it.

**Digital radio in the form of DAB has succeeded in several markets because of a strong commitment by public service broadcasters** within a conducive government planning regime in terms of spectrum and multiplex allocation. Public Service Broadcasters have been at the forefront of digital radio developments from testing, to content provision, to extending coverage of the population. Digital radio has succeeded where content, coverage is widespread, and a variety of consumer equipment is available and affordable.

**Digital radio in the form of DRM has received strong support from Public Service Broadcasters.** The majority of DRM content today is supplied by PSBs.

**Countries with a significant investment in DAB and an installed base of consumer equipment will proceed with DAB.** However, the emergence of new standards may create confusion and disrupt digital radio implementation in some countries as regulators and planners re-evaluate the potential of each technology. Enabling regulation is not yet in place in many countries.

**The rate of technology migrations will increase** and users will become accustomed to shrinking product life cycles, multi-standard devices, and hybrid functionality. Without significant economic or technical obstacles, radio broadcasters have flexibility within the DAB family of standards to offer a combination of services. The key issue will be management of the installed base of receiving equipment.

**Multiple platforms will coexist.** DAB and DRM technologies can be implemented in a complementary way.

**Consensus of all key industry players is necessary to drive radio digitalisation**: Government regulators, public service and commercial broadcasters, network operators, and automobile manufactures. Marketing and coordination at national and international levels has not been sufficient in many cases.

**The European Commission may facilitate digital radio** by greater emphasis in terms of market studies and comparative analysis of developments across Member States. When appropriate, guidance and benchmarks can also be useful to motivate key players, as well as cautious policies concerning spectrum and technology platforms.

**Without a dedicated transmission network, radio may risk being subsumed** by other platforms dominated by television or other services. Radio broadcasts may lose prominence if offered as a supplementary service by aggregators controlling the menus, EPGs, and technical parameters of transmission.

**Analogue switch-over is not on the horizon for radio** and it will take more than a decade until it becomes a realistic option; there are indications that FM will persist beyond 2020 in most markets. Slower radio digitalisation will offer advantages allowing broadcasters to spread investments; improve and refine measurement systems, gauge lifestyle and demographics changes; and retain stable revenue streams.

## 2. The Future of Radio: Expert views

In a study[1] published earlier this year radio industry experts described their views of the future of European Radio. These experts[2] gave a mixed vision, agreeing on some issues like the persistence of FM, but diverging in opinion on which platform, if any, would dominate digital distribution. Here are some of the main findings.

### Future radio delivery and consumption

**UK -** terrestrial radio will remain significant in 2015, mainly because of its familiarity and portability but that it will be predominantly digital, with DAB as the most important platform, with additional digital platforms such as DRM.

**Denmark** - FM radio will still exist in 2015 and beyond, with DAB and/or DRM having a strong penetration.

**Finland** - FM radio will persist. Most believed in digital radio platform multiplicity but considered DVB-H most likely system for mobile and handheld digital radio.

**Ireland** - FM will still be popular in 2015 and that there would be some form of digital audio broadcasting in Ireland as well. PSBs said DAB or DRM would be strong, perhaps the primary platform of all, while the commercial broadcasting respondent suggested there would be very little digital listening at all.

**-** Most respondents thought that Internet radio is an important and growing form of radio delivery, especially for specialized and small scale services.

**-** General consensus that satellite radio would not become important in their home countries – although some of them suspected that by 2015 there might be some sort of European satellite radio available.

[1] The Future of Radio is Still Digital - But Which One? Expert Perspectives and Future Scenarios for the Radio Media in 2015, Marko Ala-Fossi, Stephen Lax, Brian O'Neill, Per Jauert, Helen Shaw

[2] 43 interviewees from the UK, Denmark, Finland, Ireland, and Canada between May 2005 and June 2006. 14 interviewees were public broadcasters, 12 commercial or private broadcasters, 6 regulators and 5 representatives of different economic or technological interest groups, 3 network or multiplex operators and 3 persons working for the media electronics industry

- The majority of respondents suggested that there will be several parallel distribution platforms for radio in Europe, depending on what systems are considered appropriate in each country as well as the purposes of the radio operations and consumer preferences.

## Economic issues

- From the economic perspective, Internet radio and satellite radio were seen by some respondents as expensive solutions. Satellite radio would need huge investments, while Internet radio required more money to cover royalties and higher delivery costs for additional listeners.

- DAB transmission was widely considered as expensive and uneconomic especially for commercial and community stations, when the costs were compared to analogue transmission or to alternative digital broadcasting systems.

- DAB also had problems with coverage. In the UK and Denmark, it had become obvious that community radio and small commercial stations were not suited to the existing coverage patterns of DAB multiplexes. All the Irish respondents agreed that DAB coverage would not be compatible with the needs of local radio stations.

- Among the European respondents, DRM was the ultimate favourite option as an important, but not necessarily dominant radio delivery system in the future. In the UK and Denmark there were also some who thought that DRM might not just exist alongside DAB, but perhaps even replace it. Almost all Britons as well as some Danes also foresaw a time in the near future where chips in radio receivers would be multiplatform (DAB/DRM/FM).

DRACE analysts have divided the future into four scenarios based on two parameters: the nature of distribution and the way radio services are consumed. The plurality of radio experts expected that future consumption would be based on free broadcast delivery but over different platforms while consumption would remain in real time.

**Future radio distribution scenarios**

| Scenario | Characteristics | Rank |
|---|---|---|
| **Towers of Babel** | Consumption primarily linear; multiplicity of technology platforms | 37.2% |
| **Digital Diversity** | Consumption is on-demand and subscription; multiplicity of technology platforms | 25.6% |
| **Multimedia Market** | Consumption is on-demand and subscription; Furunified technology platform(s) | 20.9% |
| **DAB Dream** | Consumption primarily linear; unified technology platform(s) | 16.3% |

Source: DRACE

The next most likely scenario, according the research, is "digital diversity" where a proliferation of distribution networks exist as in the previous scenario but a significant proportion of consumption has shifted to on demand or subscription. This consumption pattern would also be pronounced in the next scenario, "multimedia market", but distribution would be based on a single technology or set of complementary standards. Finally, only 16.3% of experts concluded that radio would continue as it is today: a dominant technology standard offering linear services.

In a recent EBU survey of its radio Members there is evidence that clearly supports the multiplicity of platform scenarios (Towers of Babel, Digital Diversity). When asked about their overall strategic object with regards to digital radio almost three-quarters of all responses (n=34) indicated that presence on all platforms was paramount. Only 12% indicated that they would focus exclusively on a single technology standard. Almost all Members identified cost constraints as the principle obstacle to achieving these objectives, although most of the Nordic countries cited government policy and regulatory issues.

## 3. The future of UK radio: The Regulator's perspective[3]

Regulator OFCOM has conducted extensive research and analysis, and detailed study of consumers, regulation, and industry perspectives. In ten to fifteen years time, the regulator believes, the radio market in the UK could consist of:

- A strong, independent BBC, providing a range of distinctive services which meet all of the public purposes of radio.
- A multitude of community services at a very local level, providing social gain, community involvement and training for every community that wants and can sustain such a service, wherever they are in the UK.
- A wide range and diversity of local and regional commercial services, catering for local tastes and interests and providing the public purpose elements of localness, which listeners tell us they value – in particular (but not limited to) local news and information.
- A wide range of UK-wide commercial stations, offering new and innovative services, catering for a broad variety of tastes and interests, providing competition for the BBC and plurality of provision across all major programme genres.
- A range of subscription radio services, offering programming that may not be supportable by traditional advertising methods.
- All of these services would be supported by multimedia services where viable, offering on-demand services, downloads, archive programming, text and graphical information.
- All of these services would be available where and when audiences want to consume them on devices which offer real consumer benefits, whether stand-alone radio devices, integrated multimedia communications devices or the internet.

[3] Radio - Preparing for the Future Phase 2: Implementing the Framework Consultation
Publication date: 19 October 2005

## 4. The future of Radio: Commercial perspective

In a report[4] published by Deloitte-Touche Tohmatsu the following perspective on the future were given:

- Radio stations will to move away from the advertising and generate more diverse revenue streams.
- Radio customers will assume greater control of their listening experience and be able to choose the level of advertising they wish to be exposed to.
- High quality content and classic archive material could be reserved for paying customers only. There are licensing opportunities for established radio broadcasters.
- The globalisation of local radio can boost revenue streams.
- Subscription radio will develop worldwide.

**Future of Radio - the Commercial Perspective**

Broadcast radio

**Radio**

| Radio | Availability in 2006 | Ad revenue potential | Consumer payment potential |
|---|---|---|---|
| Analogue radio | High | High | Low |
| Digital radio | Medium | High | Low |
| Mobile radio | Low | Low | Medium |
| Satellite radio | Medium | High | High |
| High def. radio | Low | High | Medium |

**www**

| www | Availability in 2006 | Ad revenue potential | Consumer payment potential |
|---|---|---|---|
| Free streaming | High | Low | Low |
| Subscription services | High | Low | High |
| Podcast | Medium | Low | High |
| Archive services | Low | Low | High |
| Aggregation services | Low | Low | High |

4 Deloitte-Touche Tohmatsu, 2005

## 5. Implications for Public Service Broadcasters

In a report published by the EBU Digital Strategy Group[5], digitization was characterized as way to facilitate a transition of content provision, broadcasting and consumption. Some of the key development trends were identified:

- From flow to demand

  Traditional flow radio, formatted for specific programme genres or target groups will be supplanted by a series of On Demand or Near-On-Demand services, where the listeners can pick and choose the wanted programmes when it suits them.

- From broadcasting to narrowcasting

  In order to meet the listeners' demands for free choice around the clock, the broadcasters must provide a wide range of narrow formats. The same content might be shared or versioned for different channels and outlets - or even automatically repeated in order to serve different listeners at different time slots. Utilizing this method, labelled "Digital Synergy Radio" makes it possible for a broadcaster to multiply the outlet with limited costs.

- From one-platform to multi-platform

  Radio in the future is a multiplatform phenomenon. Radio will be available on a wide range of technical devices, from racks and hifi's over stand alones and portables to handheld and pocket receivers. Everything digital - from television and computers to cell phones, mobiles and PDA's, will be able to carry sound and thus radio along.

- From one-standard to many-standards

  There will be no single, winning standard for digital radio. DAB/DMB, DRM, DVB all have their strengths and weaknesses, which will make more of them co-exist. Manufacturers will secure dual, triple and eventually multi-standard radio sets for the consumers. And the consumers will not have to navigate through a jungle of frequencies or abbreviations, as the tuners will have easy-to-navigate browsers on displays with the station brands.

- From passive listening to active choosing

  With a broader range of programme and channel offer, and hundreds of thousands internet radio stations, listeners will be able to pick and choose their favourite programmes or channels, possibly aided by electronic program guides or intelligent "radio agents" as known from "Pandora" or www.last.fm

[5] EBU, *Media with a Purpose*, 2006

The recommendations to public service broadcasters emanating from these trends included: support open standards; secure provision of adequate spectrum; secure PSB's free access to digital platforms; secure digital content rights, including music rights; provide distinct – and competitive - content on all platforms; increase availability of programmes in a convenient form; and create new forms of intriguing, innovative involving and interactive radio formats