

Radio



Radio not losing relevance since local focus remains important

Switzerland is expected to be the second country worldwide to switch to DAB+ completely



The way of consuming radio is shifting to online channels, streaming platforms are becoming radio's main competitors



Segment definition

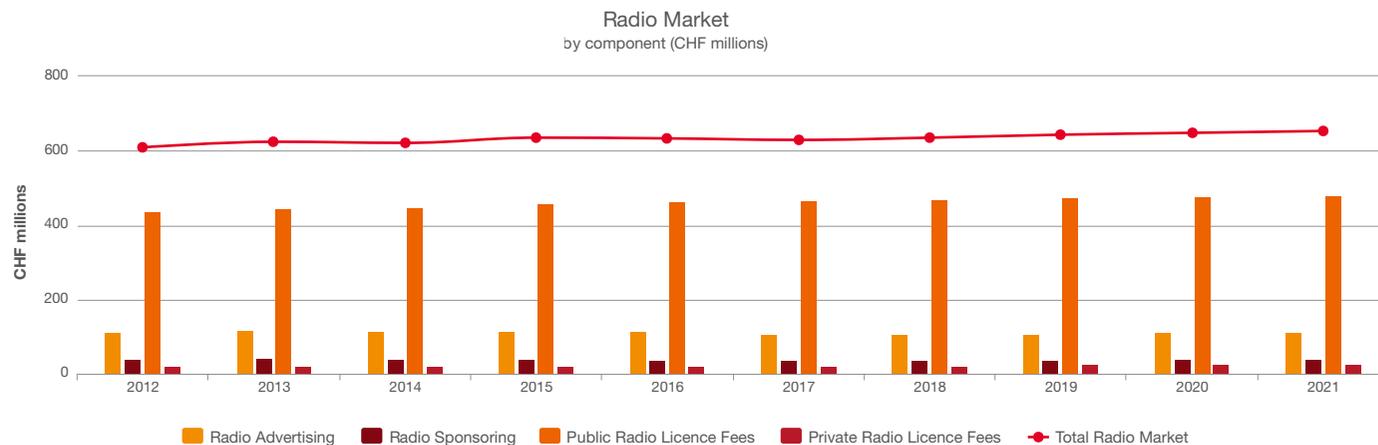
The radio market is composed of the revenues from public and private radio licence fees, as well as advertising and sponsor spending on radio stations and networks. All figures relating to advertising are expressed net, i.e. excluding agency commissions and discounts.

Not included in this chapter are radio programmes offered by music streaming or online music providers that are financed through subscription or advertising models due to the lack of data available.

Business innovation

Radio has existed for decades; its use and demand has remained relatively constant. But the way of consuming radio is shifting to online channels and **streaming** platforms as Spotify and Apple Music are becoming its main competitors.

By incorporating a subscription-based music-streaming service into its online radio broadcasting, US media company iHeartMedia has taken on the music streamers at their own game. In the last year or so, music-streaming services like Pandora, Spotify, Apple Radio and Google Play have been quietly invading the traditional radio broadcast space by not only offering music channels but also spoken-word content through podcasts – or live DJs in the case of Apple’s Beats 1 radio station. iHeartMedia is now hitting back by adding its own on-demand music-streaming service to its iHeartRadio online channels from January 2017. With a listening catalogue of some 30min tracks, the media outfit believes it can upsell the service to its customer base of 92 million registered users, 84% of whom the company claims do not currently subscribe to any on-demand music service. If iHeartMedia is successful, this could serve as a new business model for radio broadcasters not only in North America but also in Switzerland and globally. It could also pave the way for



Analysis by PwC

potential mergers between radio broadcasters and the music-streaming service providers. As one example, Canada’s Bell Media signed an exclusive partnership with iHeartRadio in January 2016.

The Swiss radio market

Market overview

Radio remains very popular in Switzerland: 9 out of 10 Swiss residents listen to the radio on a daily basis (total population: 8.27 million). The average consumption varies across the country’s linguistic regions; German-speaking Swiss listen 114 minutes per day, Italian-speaking Swiss listen 112 minutes, and those in the Romandie are tuned in 97 minutes a day. This industry has experienced a very consistent consumption rate

over the past years, the flux between years is minimal, and from 2015 to 2016 consumption in all regions decreased by only four minutes. The number of households in Switzerland is constantly growing, hence the number of fees paid is also on the rise. About three-quarters (73%) of total radio revenues come from licence fees. Public radio is considered a public service, so the state broadcaster SRG SSR is responsible to provide all of Switzerland with adequate radio programming. The service includes programmes in all four national languages. Private stations have two sources of income: license fees and, unlike public radio, advertising. The advertising market is subject to volatile economic circumstances, which in turn makes private stations more vulnerable to unforeseeable changes in advertisement demand. Radio advertising has a unique local focus, something that differentiates it from other formats. Local businesses tend to use radio advertisements to reach their target audience.





listening minutes are experienced in digital format. With SRG SSR and private stations combined, there are around 130 programmes available in digital. The full move towards shutting off analogue radio entirely is planned for 2020, but at latest by 2024. The only country ahead of Switzerland in switching to digital-radio-only is Norway, which will do so at the end of this year (2017). The idea is to ensure that the digital coverage is at least equal to FM reception, and only then can the shutdown of analogue methods be started; ideally, though, the switchover should be completed once digital reception surpasses FM. Outdoor reception of **DAB+** reaches a total of 99% of Switzerland, including cities and the countryside. During 2017 and 2018, major marketing campaigns will be conducted in Switzerland in order to increase the market share of digital radio and ultimately ensure that the switchover is well received.

Cars are one of the most common places to listen to the radio, as doing so is a passive activity while driving. It is therefore important that cars can receive the **DAB** signal. In Switzerland, 65% of all cars are sold with DAB+ systems as a standard. It is also important to ensure that there is coverage on all roads, including tunnels. Switzerland has a very ambitious goal to supply all important road tunnels with DAB+ networks in time for the switchover. Currently, 66 out of a total of 211 tunnels (31%) have already been equipped for proper digital connectivity. In Europe, 31% of all new cars have DAB+ reach, and in Switzerland 750,000 are digital-ready as a standard feature. It is also possible to upgrade to DAB+ for costs between CHF 165-500.

Radio is mostly used for music and news, which means its main competitors are music streaming platforms like Spotify and Apple Music. Until not long ago, cars were the only smartphone-free zone; but now, new developments have led to them being a control module for in-car multimedia functions. Android Auto and CarPlay are two software novelties that allow interconnectivity with automobiles. Currently there are around 41 car brands that have Android Auto as an option, and 44 car



9 out of 10
Swiss residents listen to the radio on a daily basis

brands offer CarPlay. These systems enable the driver to safely access music from the device or from music streaming platforms by means of voice control. In Switzerland, internet streaming has the potential to be the future of radio, surpassing digital and analogue signals, as it has the fifth-fastest internet connectivity rate in the world.

Radio stations should adapt their business model to compete with streaming services. This medium needs to become more engaging in order to maintain listeners' attention; most stations have started to interact with listeners through social media, professional online presence, promotions and events. One of the most successful private stations, Energy Zurich, hosts concerts and fashion shows where the tickets cannot be bought, but instead only won on airtime.

In Switzerland, the most listened-to radio broadcasters are publicly owned, with SRF1 leading the market, closely followed by SRF3 (24.4 and 12.9% market share, respectively). The third most popular station is La Première, which holds an



8.3% share of the Swiss-wide market. There are other stations with more specific content that target a limited but present audience, such as Radio Swiss Jazz, or Pop. Public radio has to provide relevant content in order to be considered a public service, so most of these stations are overcrowded with international music. To promote Swiss music and artists, SRF Virus' content is 50% Swiss, as of this year.

The most popular private radio broadcaster remains Energy Zurich, which is part of the largest private publishing company in Switzerland, Ringier. The second most listened-to station is Radio 24, which is owned by Radio Medien AG. Each linguistic region has its own preferences: Radio 3i in the Italian-speaking region, and BNJ FM in the francophone area. While not very common in the private sector, there are a few stations that reach multiple regions. Bern1 is the most popular station that can be received in both the German and French areas. Private radio broadcasters are divided into two associations, one representing the German and Italian regions, and one the French.

Foreign radio stations hold a very small share of the Swiss market, namely a total of 1.5%.

Principal drivers

Local audience and focus

Radio has always had a local focus – one of its unique selling points. This attribute is something no other media type can offer. As people want and increasingly seek individuality, listening to the same broadcast as many others is not especially appealing. Radio stations therefore need to key on networking by engaging with the listening community. Stations can attune their programmes to current local events, as well as customise their content based on input from listeners in a given region. The increased relevance will enhance the 'virtual' relationship

with and between listeners by fulfilling their personal and group desires.

Private radio is highly dependent on advertisements, and the increasing number of advertising formats has put even more pressure on those broadcasters. There are now ways to advertise products or services at a local level through the use of online videos, images, etc. With the advent of DAB+ and stations' increasing their reach through different media, local radio advertisement will continue to be challenged.

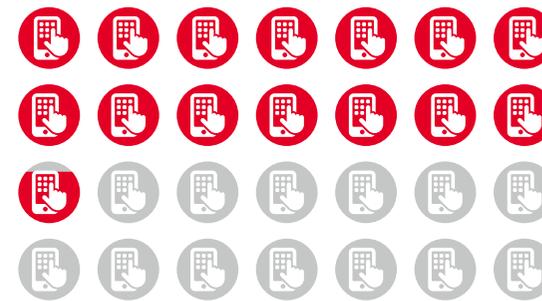
Compulsory license fee

Public Swiss radio is completely subsidised by a portion of the radio and television reception fees charged to every Swiss household and business, and private stations also receive a certain stipend from this public pool of funds. A proviso stipulates that the content broadcasted must be relevant and contribute to the public good. The impost is compulsory for those who own devices with radio or TV reception capability. In June 2015, a new device-independent law (**RTVG**) was proposed and passed, stating that every household must pay a fixed yearly amount (400 CHF), as most homes have receivers in the form of mobile phones or computers. This new law, which was passed with a slim majority of 50.1%, will take effect as of January 2019 and be monitored and controlled by the Gerafe AG.

Social media usage

In the digital world, the line of distinction between different media types has been blurred. Newspapers offer video or podcast reports in their online versions; radio stations show their studio sessions live to engage audiences to a greater degree; and TV offers audio-only shows. Unlike digital TV, which has on-demand options, digital radio does not offer this type of personalisation. It is a medium that has not changed; its concept of one-speaks-to-many runs counter to the individualistic nature of today's

53 out of every **100** minutes
are experienced in a digital format



society. To involve listeners more, radio stations have developed phone applications where listeners can comment, suggest content or answer questions asked by the moderators. Through the additional use of social networks such as Twitter, Instagram, etc., the boundary between DJ and listeners is broken.

Technological advances

Radio is one of the last media to switch to digital platforms. The change to FM-only radio was itself a momentous step; now FM will be superseded by different methods (e.g. DAB+ and internet). Switzerland, after Norway and England, is one of the first countries to announce a fully digital system, which is expected to be completed by 2024. The improved reception will allow private radio broadcasters to increase their market shares, as they will be able to reach a wider audience and in doing so combat the pressure exerted by simulcasting. With all these developments, the aim will be to improve their heretofore well-functioning business models and avoid having to implement a paywall on radio.



Data analytics

The importance of Big Data / data analytics was realised last year as it became mainstream and more industries started using it. Radio is no exception in this regard, and in order for radio to stay relevant it has to understand what its audience want to hear and what they are not interested in. Online and satellite (subscription-based) radio have an advantage over terrestrial radio, as data collection is less complex. internet streams of terrestrial radio and the new apps that are being developed allow the user to choose content preferences as well as to share, like or skip songs being played.

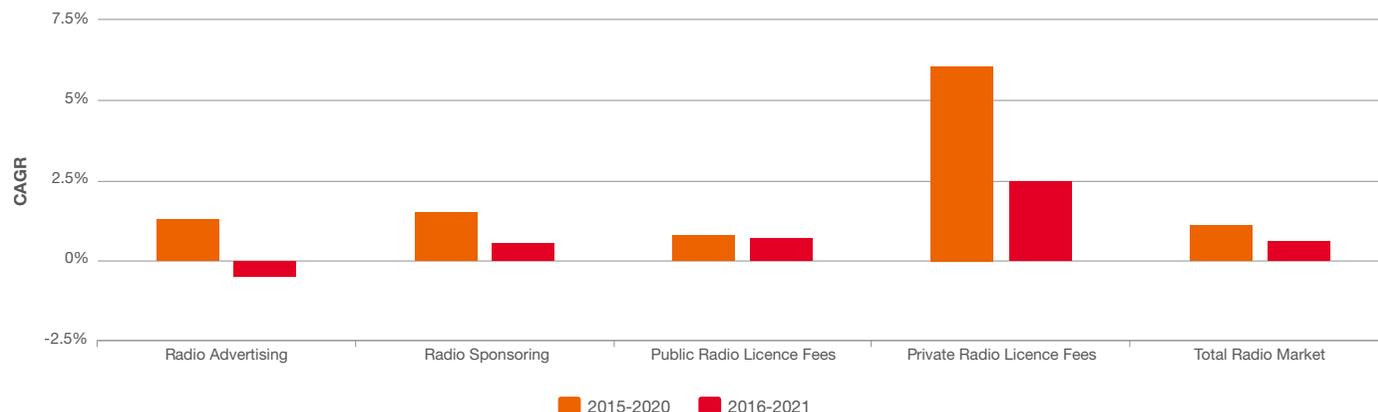
Market growth

Due to its local format and steady income from licence fees, radio is expected to remain stable with a slow rate of growth that is more a reflection of the increasing number of households than anything else. The total Swiss radio market continue to growth at a CAGR of 0.6% until 2021, considering the law change that will take effect in 2019. However, due to the uncertain consequences of this new law, our forecast may differs slightly.

Compared to radio license fees, advertising and sponsoring revenues are more fluctuating. In 2017, we expect a decrease of 7% in radio advertising revenues, mainly due to losses from major market players in the first half of 2017. Advertisers are becoming more involved with internet opportunities, where stations with apps have an advantage. These can be used to visually represent advertisements that are acoustically announced on air, which opens the access to more advertisers.

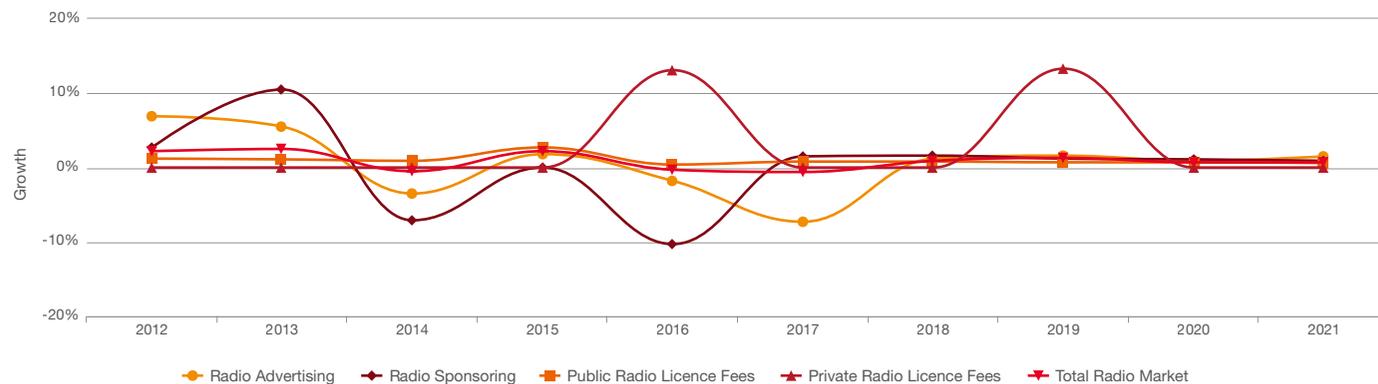
A glance at the audiences in the different regions of Switzerland reveals that the largest listener group still comprises those aged 60 and over. They are dependent on radio for daily news and entertainment, and it is a traditional medium that has existed far longer than the rest of today's available media.

Comparison of CAGR
by component (%)



Analysis by PwC

Radio Market Growth
by component (%)



Analysis by PwC



Comparison to Western Europe

In Western Europe as well as in Switzerland, radio is embedded in our daily routines. There are different stations to address different tastes in music, while listeners can still be informed of current events and news. Switzerland, along with the United Kingdom and Norway, are the first countries to announce the FM broadcasting shutdown in the near future. Norway expects to go fully digital by the end of this year, 2017, and the UK populace can count on having 86% of their new cars equipped with digital radio as a standard. Both the European and Swiss markets are expected to remain stable at a CAGR of 1.2% and 0.6%, respectively.

