
THE INFLUENCE OF DIGITAL RADIO ON THE ADVERTISING MARKET

THE RATIONALE TO INVEST IN DIGITAL RADIO

THE POTENTIAL IMPACT ON FUTURE REVENUE AND VIABILITY

it's radio as you know it, plus...
digitalradioplus.com.au



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DIGITAL RADIO IS A DEFENSIVE INVESTMENT

Australian radio broadcasters have invested in digital to ensure that they have a digital future and that they remain relevant to their audiences into the future.

If the incumbent radio broadcasters did not invest, a Telco (MNO) or tower operator would have seized the opportunity and existing operators would be locked out completely or at the mercy of third party transmission providers whose profit comes from charging for access to their spectrum and infrastructure.

One of the key incentives for Australian commercial broadcasters was that each existing commercial analogue station was given 128 kilobits/sec of VHF Band III capacity free as a basic entitlement. If a radio broadcaster had two stations they were given 256 kilobits/sec. The only restriction placed on it was to use it or lose it.

To protect the investment, while broadcasters are carrying two costs of broadcasting – analogue and digital - in Australia no new entrants can come into the digital radio market for six years, to allow time for existing broadcasters to move listeners to digital radio and find new revenue to cover costs.

Radio's competition is no longer the other stations in the market, it is the other entertainment and infotainment platforms available online. Radio needs to offer choice and added functionality to compete.

Free spectrum....No competition.....enough capacity for new digital only services...new multimedia functionality.

DAB+ DIGITAL RADIO – REVENUE OPPORTUNITIES

Outlined throughout this document are the capabilities of DAB+ digital radio technology. Through the use of this new functionality radio stations in Australia have been able to develop revenue streams previously unavailable to them.

The versatility of DAB+ spectrum allows stations to not only broadcast their current analogue stations but also broadcast up to 2 additional stations opening up a raft of new revenue opportunities. Including but not limited to pop up stations solely for an advertiser, on screen advertising (on screen based radios), scrolling text and increased inventory due to advertising opportunities on the additional stations.

DAB+ DIGITAL RADIO - NEXT GENERATION RADIO TECHNOLOGY

With the march of technology, radio broadcasters in Australia distribute content across many platforms including online, mobile and social and use all forms of technology, to get closer to our audiences.

Radio's multi-platform delivery is a major component of what we offer to advertisers.

A new industry website, featuring a range of case studies the effectiveness of radio advertising called [Radio Connects](#) the goal is to raise the profile of radio and document what can be achieved by using it in the media mix.

The website is another way to engage with media agencies and advertisers, and offers real examples of success across a variety of stations - both in metropolitan and regional areas.

We will update this website with digital radio case studies as the penetration grows and advertisers start to engage more actively with the platform.

DAB+ was selected by the industry as it presents the best of the digital terrestrial transmission systems:

- Flexibility to broadcast existing content plus text and graphics
- Capacity to multichannel to offer niche formats which better target for listeners and advertisers
- Dynamic scheduling so that capacity can be changed in real time to simultaneously cover live sport or to pop up services during emergencies or around events and remove them after
- Integration into mobile/hybrid devices to audiences are not charged for digital content and have the ability to drill down on songs or items for more information and e-commerce
- Opportunities to offer embedded coupons in radio content which can be redeemed using bar code readers or by clicking through
- The nimbleness of radio with short and cost effective production with some of the essential text and graphical information like pack shots, logos, price points and URLs without the long lead times and cost of print or television.
- Greater accountability for advertisers to measure response

RESPONSE METRICS

Connected radios direct the listener through specific portals:

- browse or purchase via the broadcaster's website to allow measurement of broadcast initiated activity such as the number of people who clicked through to the Telstra catalogue on 2Day.



- alternatively the user could be directed via a third party advertiser website or portal which uses the Telco's mobile data

This Use Case will measure consumer response:

- the amount of mobile internet traffic generated
- The time spent using the site, unique page views, unique users
- The type of activity, e.g. obtaining more information, sale of products or services



The URL may be delivered in a number of different ways but for this Use Case we specifically use the DL+ delivery method.

DIGITAL RADIO CONTENT

It will be new and exciting content that will continue to drive the take up digital radio. There are 54 new digital only commercial radio stations in the five Australian capital cities where digital radio is currently available (plus public broadcasters). There is lots of experimenting with niche genres and programming to attract new audiences and / or to keep them listening longer.

Permanent DAB+ Stations



One of Australia's most successful DAB+ station is Koffee - plays "chill-out" music and has been well received by listeners. The station offers on-air and online advertising opportunities and is cross promoted on its FM stations.



An example of a purpose-built station which generates new revenue is a partnership between a broadcaster and pharmacy chain; Chemist Warehouse. In a new approach, the digital radio station plays 80's and 90's music in its stores to target the stores target market. This service is fully funded by the pharmacy and has brought in new revenue for the network.



Radar is a 'new music' format and sponsorship lengths have varied from 5 to 12 months. The sponsor gets 100% share of voice on the station and sponsorship is also extended to Radar's other properties – 2 x FM shows, TV show and events.

There are also new dance music stations; smooth rock, country and sports stations, all of which open up opportunities to new advertisers. A full overview of permanent DAB+ stations can be found at: www.digitalradioplus.com.au.

Short Term DAB+ Stations

One attractive area of innovation for DAB+ digital radio is the opportunity to create short term, event related pop-up stations; these build on the traditional 30 or 60 second radio ad format. Below are some examples of pop-up stations which have generated additional revenue for their network:



A 5 month digital radio station where shows were created by school students. The station was created for a Federal Government anti-bullying campaign targeting under 20s. The idea helped bring in a total \$1million spend with Austereo across FM, online and DAB+, giving Austereo 100% of the radio spend on the campaign.



A 5 month Digital Radio station based on an 'all listener request' platform. The station was 100% sole sponsored by an insurance company. Sponsorship extended to a 2 hour show on the Today Network that was a simulcast of the digital channel. Clients were also offered an included ad spend via the Today Network.



A 4 month station based on the artist Pink's tour of Australia. The station was 100% sole sponsored by a telecommunications company who also sponsored the tour. Sponsorship extended to content on Pink that aired on the Today Network on FM and Today Network websites.



A 3 month Austereo Today Network station celebrating Hamish & Andy's dedicated to UK 'Caravan of Courage' tour. The tour had 4 sponsors on board and the digital radio broadcast was an add-on for the clients. They were also offered an extra spend where they could have a presence on the digital station. This station created incremental revenue for Austereo.

CURRENT USES OF DAB+ DIGITAL RADIO FUNCTIONALITY

DELIVER STANDARD SCROLLING TEXT

Delivery of DLS scrolling text info and display it on the phone screen in a user friendly manner. Scrolling text can contain a range of different information types including song title, artist info, news, weather

Typical Use Case:

Sally is listening to her favourite radio station. She hears a song that she likes but is unfamiliar with. She looks at the DLS scrolling text to determine the song title and artist.

Ben is scanning through different stations to find a music style that suits his mood. He finds a new station that he is unfamiliar with. He observes the DLS scrolling text which contains the station website. While listening to the station audio he enters the URL in his mobile phone browser and explores the station information.

DELIVER STANDARD SLIDESHOW IMAGES

Delivery of images to enhance user experience and provide additional information to the audio and DLS

Australian broadcasters provide a wide range of image content including now and next playing information, album art, news, weather and sports information



TYPICAL USE CASE

Wendy is listening to her favourite radio station when she hears an advert for AMF bowling. She thinks "that sounds like fun" glances down and sees the URL for AMF bowling. She enters the URL in browser on her Smartphone and books a bowling session using the 2-for-1 promotion.



Currently broadcasters deliver single JPEG and PNG images. The next generation of screen based radios will also be able to display animated graphics using the APNG format. For example the Bureau of Meteorology Radar image sequence or Fox Weather loop can be delivered using APNG typically up to 6 image frames, displayed at 4 frames per second

USE CASES FOR HYBRID DEVICES

Digital Radio provides unique opportunities for broadcasters to provide listeners with greater engagement and a better listening experience. Digital Radio provides listeners with digital sound quality, more choice, text messages, images on screen and advanced data services.

Increasingly digital radio devices are including internet connectivity; similarly internet capable devices are including digital radio capability. The combination, known as hybrid radio, allows the listener to experience the best of both worlds while also providing the most cost effective and application rich environment for both broadcasters and service/product providers.

A current focus within digital radio is the integration of DAB+ digital radio receiver in a mobile phone. Previously Digital Multimedia Broadcasting (DMB) the Mobile TV version of DAB has been included in mobile phones by Samsung, LG and others. This has however primarily been for Mobile TV purposes. The industry is now focusing on getting DAB+ integration and associated hybrid data applications.

Below are a number of Use Cases for DAB+ capability within a mobile phone.

WHEN SMARTPHONE HANDSETS INCLUDE DAB+ DIGITAL RADIO

DELIVER URL VIA BROADCAST

A URL is delivered to listeners' handset as part of the broadcaster content. Activating the URL will cause the receiver's browser to be activated to show the content at the website contained within the URL. The listener can then explore that website as they wish. The URL will generally be delivered in association with audio content.

TYPICAL USE CASES

Wilson is listening to a program about computer games on his mobile phone while returning home from work when he sees an advert for a Bigpond games gift certificate. A URL is delivered within the image in the form of a 'Buy Now' button. He is in need of a gift for his brother's birthday so he activates the URL and is taken to the Bigpond games website where he purchases the gift certificate.



John is listening to the evening 'music news' program which is featuring the Bee Gees and the recent loss of Robin Gibb. A slide for The Wrap appears on screen and John clicks a URL to go though to Telstra Bigpond's The Wrap to find out more about Robin's career.



Ian is on his way out for the evening on a bus to the city when the announcer states that the station has a limited number of tickets to a touring artist's show. The tickets are available on a first come first served basis from the station's website. The URL for the specific web page on the website is containing the link delivered with the broadcast. Ian activates the link and goes directly to the 'get tickets' page and acquires 2 tickets for the show which he downloads to his mobile phone.



Jenny is listening to the breakfast show on the way to work when the announcer replays a funny excerpt from yesterday's show and states that the full replay of the interview is available as a podcast from the station's website. The URL for the podcast download page is sent with the broadcast. She activates the URL and the browser on her mobile phone receiver opens at the podcast page, she then presses the download button and receives the podcast over the mobile internet.

DELIVER A SET OF BROADCAST WEBSITE LINKED HTML PAGES

A Broadcast Website is typically a small set of linked html pages (e.g. 2-6) which contain hyperlinks between the pages and to external websites and is delivered via DAB+. Typically a BWS will be associated with either a radio station or a network of stations. As until now there have been few screen based radios BWS has not been extensively used. The gradual expansion of hybrid radios (broadcast and IP capable) allows broadcasters to deliver BWS html pages which are then displayed in a browser. This provides a simple way to deliver both increased content as well as links to external sites.

The delivery and display of BWS is one of the targets of many broadcasters. It will be important to measure the reaction of users to being able to directly access further information once a call-to-action has been delivered, e.g. an advert or a news segment.

TYPICAL USE CASE:

Harry selects his favourite sports station to listen to the football. He finds that the live call is not his favourite team. He observes the screen on the radio (e.g. a mobile phone) and sees that a link to latest results is available. He presses the link and is taken to a website which has all the latest football results while he continues to listen to the current game.



Gina is listening to the morning show and hears a conversation about the forthcoming Coldplay concert where tickets have sold out. The radio station or Telco music player has an allocated quantity of discounted tickets for listeners. To get on the wait list for those tickets a link is available on the radio screen. Gina presses the link and registers to go in the draw for the tickets while continuing to listen to the morning program.



FUTURE DEVELOPMENTS AND OPPORTUNITIES FOR DIGITAL RADIO

Development of a number of the capabilities of Broadcast Website (BWS) including the hyperlink usage, single and multiple page BWSs and dynamic updating of existing pages within a BWS.

- Demonstrate the power of broadcast website delivery including the ability to store sites/pages for later use
- Powerful and valuable information distribution method
- Will be easy to use backchannel to explore other sites and downloads so advantageous for Telcos

A single html page may also be delivered and displayed much like a SLS image except that it can contain hyperlinks for redirection to a website or the initiation of a phone call to a product provider.



ABILITY TO TAG AN ITEM AND REVIEW IT LATER

Tagging provides a listener with the ability to identify an item of interest and then act on that item at a later time. The tagged item is recorded within the listeners radio station account, that account can then be accessed and the tagged items reviewed

TYPICAL USE CASE

Fred is listening to his favourite radio station on his mobile phone while painting his house. He hears a song from a new band which he likes. He presses a button on the phone (could be soft) to 'tag' the current audio (and PAD) event. Once he has completed his painting he logs into his radio station account which then displays the tagged event with the song title/album and artist with a link to a purchase site which he then activates

A Tagging method has been proposed by the RadioDNS project group. That method simply records the time of the tagging event and station being listened to, the tagging event info is sent to the radio station along with the listeners ID where it is recorded in the listeners account database.

This method allows the listener to review and use the tags that they have been activated by logging onto their 'tag' account. This would normally be within a radio station (or network) website.

Once on the 'tag' account they can do a range of activities such as

- Re-listen to the audio segment (possibly with associated PAD)
- Activate a redirection to a web page, either on the station website or external e.g. a music sales site
- Pull content such as podcasts from the station website
- TAG provides a method to allow listeners to access more content easily, specifically content which they are interested in.
- This is a potential source of additional backchannel traffic, e.g. pulling podcasts from the station website
- This a potential source of redirection to other services, e.g. music sales

Note: RadioTAG is still in development and not yet standardised although RadioDNS, BBC and Global Radio and CRA and some European broadcasters are participating in its formation

The radio station needs to provide a web based head end application which allows the user to observe, review, use and manipulate the tags that have been set

A mobile app could also be provided which is specific to the station (or network) to allow touch access to tags (1 touch to activate the station website, 2nd touch to access the 'tags' page)

ABILITY TO TAG AN ITEM AND BE SENT FURTHER INFORMATION DIRECTLY

An alternative tagging method can allow information to be directly delivered to the listener. In this case the listener activates a 'tag' and is delivered the content associated with that 'tag', this could be

- a high resolution version of the current slide (SLS)
- a URL for further contact
- further info, e.g. competition instructions
- a podcast for later playback
- a file, e.g. a ticket coupon, a pdf document

TYPICAL USE CASE

Fred is listening to the morning show on his mobile phone while travelling to work on the train and hears of a new competition for concert tickets. He presses the 'tag' button on his phone and is delivered the competition entry instructions in the form of a html file which also contains a URL to register in the competition. He is also sent a link to Bigpond Top 100 albums with a URL to tag and buy



Showing 1 to 50 of 100

Artist.	Price.*
Keith Urban	\$16.50  

Ratio

This method does not require the user to separately access a website to use the tags. It encourages increased and impulsive use of the backchannel. It is a new form of tagging and is yet to be standardised. The direct response is currently not included in the preliminary RadioTAG specification so there is opportunity to influence development and standardisation. It will require an application on the phone to receive information directly (as opposed to the user logging into a website and using the TAG info)

THE HEALTH OF THE AUSTRALIAN RADIO INDUSTRY

Australia's population is nearly 23 million, with 60% of that based on the coast in the five metropolitan state capitals.

Our country is large in land mass, at nearly 8 million square metres, (around the same size as the USA without Alaska).

The Australian radio sector is made up of 48% AM and 52% FM broadcasters. Commercial or private broadcasters have nearly with 80% of listeners,

Public or government broadcasters, have around 20% (with community stations taking up a very small % of that 20%).

Listening figures in Australia are high and continue to be steady. Cumulative audience continues to grow including with 10-24 year olds.

Australians listen to radio for over 19 hours per week - with 16 hours of that to commercial radio.

Ad revenue for the 12 months ending June 2012 for the five metropolitan markets was a total of \$680.704 million, (or between 7-8% of the ad \$), which for a very challenging retail and economic climate was pleasing.

So radio has healthy audiences, revenue and a growing footprint across new platforms and also – it's a great companion medium and works well in partnership with other media – particularly online.

PwC and some of the larger ad agency groups are forecasting radio's share of ad spend will raise to 9% by 2016 given its strong place in the communications landscape.

IMPORTANCE OF RESEARCHING LISTENER BEHAVIOUR

The rise of digital media and increasing fragmentation has meant that Australian advertisers and agencies are often distracted by the rise of emerging media and need to be reminded of the strength of the established media...for this reason the role of industry bodies such as RAB or in Australia's case CRA, is critical in supporting the radio industry to stay relevant and keep sharing the stories of our effectiveness with advertisers.

One of the key ways the Australian commercial radio industry positions radio with advertisers is through our on air radio brand campaign.

In 2007 we commissioned research into the relationship between radio and online. That study highlighted radio's power to drive people online, with the study finding that 80% of people who heard a radio ad mentioning a website would visit that website.

Building on that in 2012, we further explored radio's influence on digital behaviour for the brand campaign. The latest Australian research, by Colmar Brunton shows people are six times more likely to go to an advertiser's website if they have heard a radio ad featuring that website.

All of this data is available on the commercial radio Australia website

This world's first research, which involved, essentially, "spyware" installed on listeners' computers, tracked online behaviour in real time, then cross referenced with radio ad schedules, and with listening recorded by participants

The main findings of the research are that people are six times more likely to visit a brand's website if they hear a radio ad with a digital call to action.

It also found radio advertising has an immediate effect, with over 3 quarters (78%) taking digital action within 24 hrs of hearing the ad on radio.

The results were consistent across sectors and showed even greater than 6 times uplift in digital activity for categories such as food, finance, government & motor vehicles

The research shows the close connection between radio and online for advertisers, it clearly identifies how well radio and digital media work together. In building brand awareness and stimulating digital activity.

So we produced a series of 5 ads to promote this research and it's been really successful for us.

The industry has researched digital take up, awareness and attitudes since launch and uses this information for internal industry intelligence and some of it to publish in the annual digital radio industry report which can be downloaded [here](#)

INDUSTRY'S COLLABORATION HAS SHARED THE COSTS AND DELIVERED GREAT RESULTS

The Australian industry is considered to have been one of the territories that has been the most successful in launching digital radio. One of the things that characterises our industry is the way that the commercial and non commercial stations have worked together successfully to promote digital radio.

ALL OF INDUSTRY MARKETING

The success of digital radio, so far, in Australia, has been the result of an extensive and continuous marketing, promotion and PR campaign. The industry has allocated resources & airtime, to tell our listeners about digital radio.

In 2008, almost a year before launch we created an all of industry, (commercial & public), digital radio plus logo and website www.digitalradioplus.com.au. This site is the information gateway to digital radio news and information for listeners, advertisers retailers and manufacturers. The media also use it to stay updated on uptake statistics and for story ideas.

At the website, listeners can enter their postcode to find out if they if they can receive digital radio in their area; sample all of the digital stations – streamed on the website; review special retailer offers; look for dab+ products and where to buy them in their area

The site was cross promoted via radio stations both commercial and public.

AWARENESS CAMPAIGN

In July 2009, six weeks before the official launch of DAB+ we began a series of radio ads on all analogue stations telling listeners that digital radio was coming. We have continued a DAB+ advertising campaign on all commercial broadcasters since launch. Ads are played on every analogue station 3-4 times a day.

The ad content changes to focus on different peak retail times - like Christmas, Mothers day & Father's day - when we suggest that listeners buy a DAB+ radio as a gift. Accompanying the radio ads, are banner ads for all broadcaster websites

If a retailer provides any extra promotions for DAB+ radio sales, they can also be tagged on the ad as an incentive for retailers in supporting DAB+...This Mother's Day we are tagging one retailer on air with the message "Buy your Mum a selected digital radio from JB HiFi, and she'll also get an Endota Spa massage gift voucher worth \$60. Offer valid until this Mother's day. Conditions apply.

So, all of this activity and the results have been a major part of Australia's success....

RESPONSE TO DIGITAL IN AUSTRALIA

As a result of these launch and ongoing initiatives, the response to digital radio has been above our initial expectations. Retailers tell us that the launch of digital radio has reinvigorated the audio retail category in Australia.

Even though it was launched just after the global financial crisis, and, against a back drop in Australia of the worst retail climate in decades...the good news is that digital radios are selling!

The highest ever sales figures of DAB+ devices were recorded over the 2012/2013 Christmas and New Year period bringing the total number of digital radios sold since launch to nearly 1.2 million (1,195,940). This represents an increase of 13.57% year on year for digital radio sales, defying a decline in retail sales over the same period. Nearly 14,000 new vehicles have now been sold with DAB+ digital radio

PwC originally forecast DAB+ digital radio household penetration would be 16% by June 2014. Based on the rate of receiver sales, this was reforecast for the 2012 Report up to 16% by December 2013. However, following the last 12 months uplift in sales, PwC has estimated that the current DAB+ household penetration at the end of January 2013 is now well ahead of forecast, reaching 15.2%.

Time spent listening to radio via DAB+ is over 12 hours each week, which is more than double listening to radio via streaming. And since digital radio launched in Australia, time spent listening to radio (AM, FM and DAB+) has steadily increased each year.

While it's still early days, digital radio has certainly reinvigorated the industry and will continue to do so.

Free to air broadcast radio continues to thrive in a highly competitive media and entertainment environment. The attitude of the Australian industry has been to work together for the collective good – a big shift from the competitive spirit which preceded the digital launch.

Australian radio broadcasters will keep a keen eye on technological advances and run to the opportunities rather than from them – in this sense a strong and united voice to government and regulators is essential.