



G O L D M E D I A

Online radio in Germany

Web Radio Monitor 2011

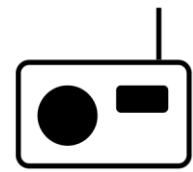
BLM *Commissioned by the Bavarian Regulatory Authority for
Commercial Broadcasting – BLM
July 2011*

Goldmedia GmbH
Strategy Consulting

***Dr. Klaus Goldhammer,
Dr. Michael Schmid, Christine Link***
Oranienburger Str. 27, 10117 Berlin, Germany
Tel. +49 30-246 266-0, Fax +49 30-246 266-66
[info\[at\]Goldmedia.com](mailto:info[at]Goldmedia.com)

Web Radio Monitor 2011

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2. The German online radio market
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8. Executive summary

(Please note: longer version in German includes more information on regulations, legal costs, advertisement, and marketing)

Web Radio Monitor 2010

Research objectives and methodology

Client and objectives

Client:

- Goldmedia's study on the use of German online radio was produced for the second time for the Bavarian Regulatory Authority for Commercial Broadcasting (BLM)



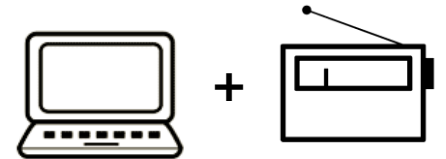
Study objectives:

- Give overview of the German online radio market
- Quantify online radio market in Germany through survey of all providers
- Provide market analyses and forecasts for online radio in Germany
- Categorisation of German online radio stations by genre and type of service

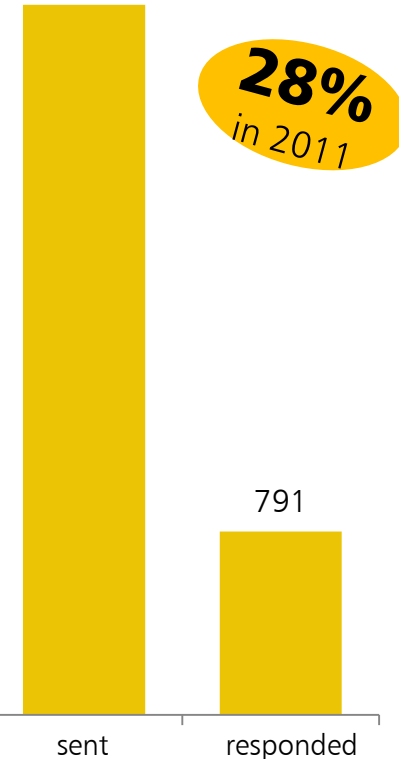
Methodology

- Project time frame: April to July 2011
- Primary data research through survey of all **German online radio providers (n=3,064)** via online and offline questionnaires
- Response: **791 completed questionnaires (28%)**
- Survey period: May 23, 2011 – June 28, 2011
- 15 Interviews with industry experts and representatives
- Secondary data through online desk research
- Forecasts via top-down and bottom-up analyses
- www.webradiomonitor.de

Response rates



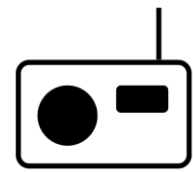
3,064



Response Rates Web Radio Monitor 2011

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Value chain for online radio in Germany: market players (examples)

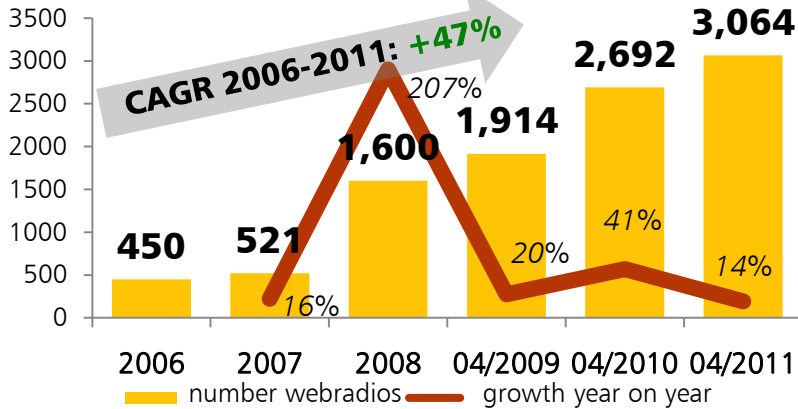
Value chain: online radio in Germany 2011



Source: Goldmedia Web Radio Monitor 2011

About 3,100 German online radio stations in 2011, rapid annual growth of 47% since 2006

Online radios in Germany, 2006 to end of 2011

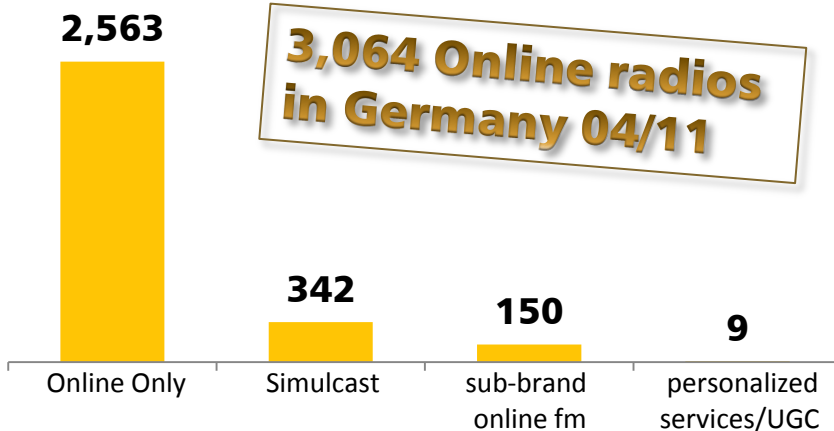


Summary

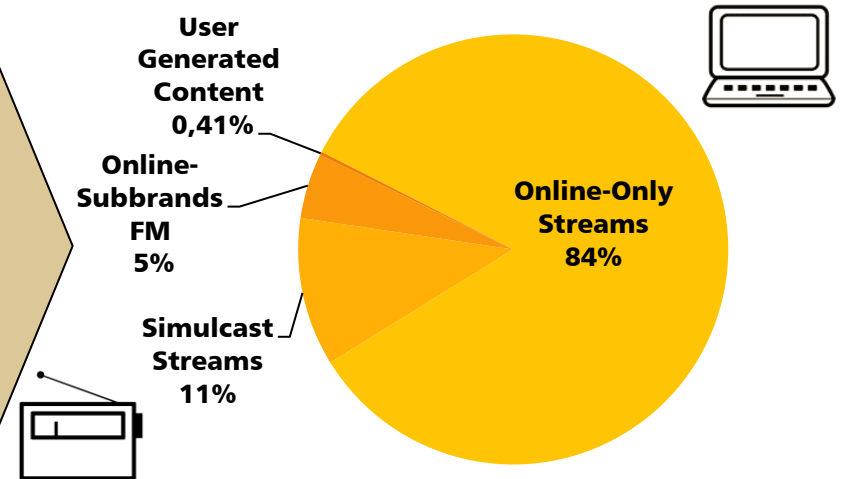
- 3,064 online radios in Germany (04/2011)
- Ø annual growth of 47% since 2006
- Online-only stations make up $\frac{4}{5}$ of total stations
- High churn rate – in both 2009 and 2010, about 650 internet radio stations were discontinued
- FM subbrands were also affected

Source: Goldmedia Web Radio Monitor 2009 - 2011, ALM

Number of German online radios by service type (04/2011)

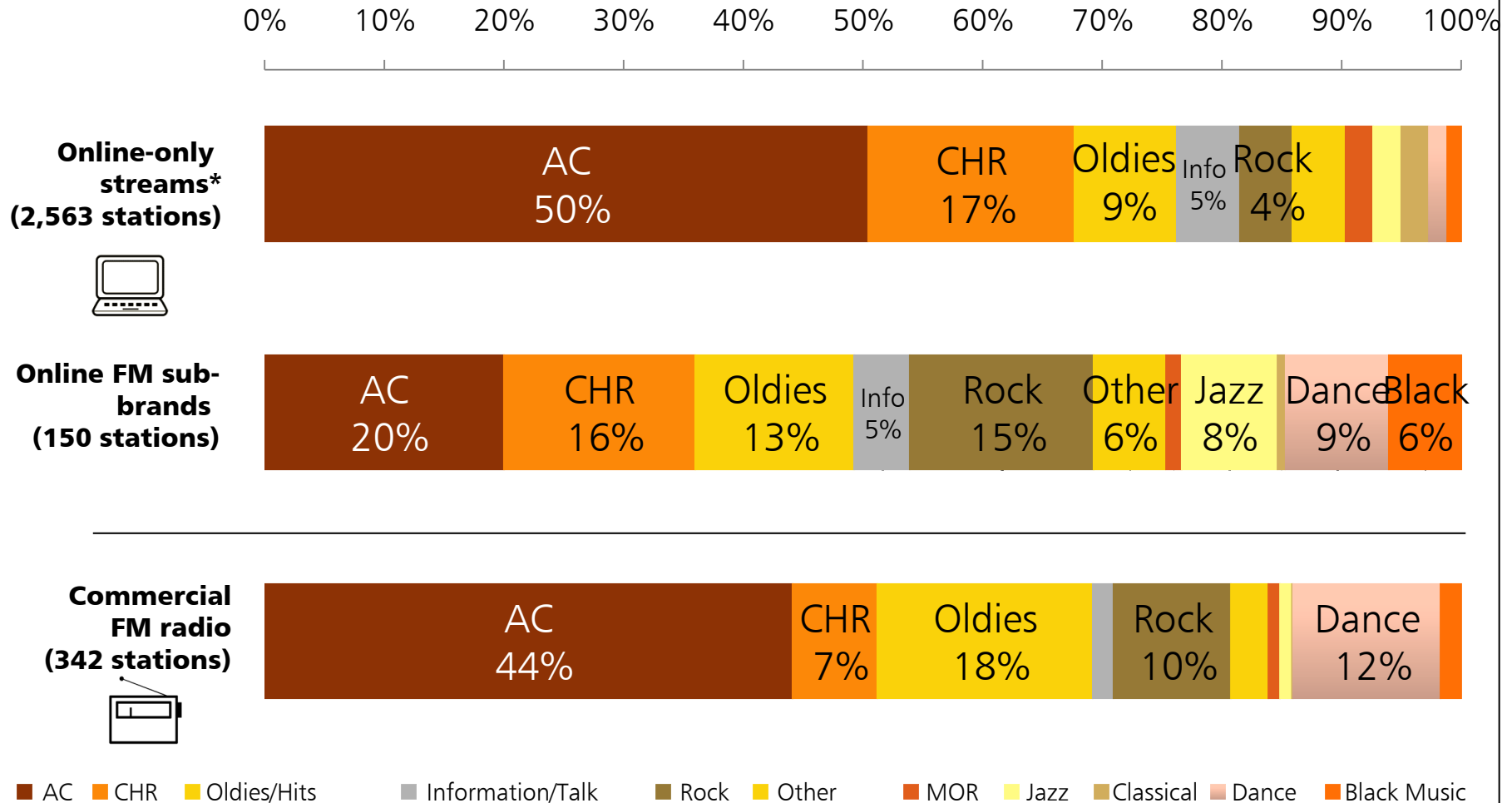


German online radios by type of provider (04/2011)



Online radio offers great variety: more oldies, rock, dance, jazz, hip hop, and news

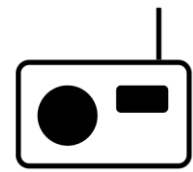
Format comparison: commercial FM broadcasters and online radios in Germany (4/2011)



* Without aggregators and user generated content. Source: Goldmedia Web Radio Monitor 2011, n=3,064

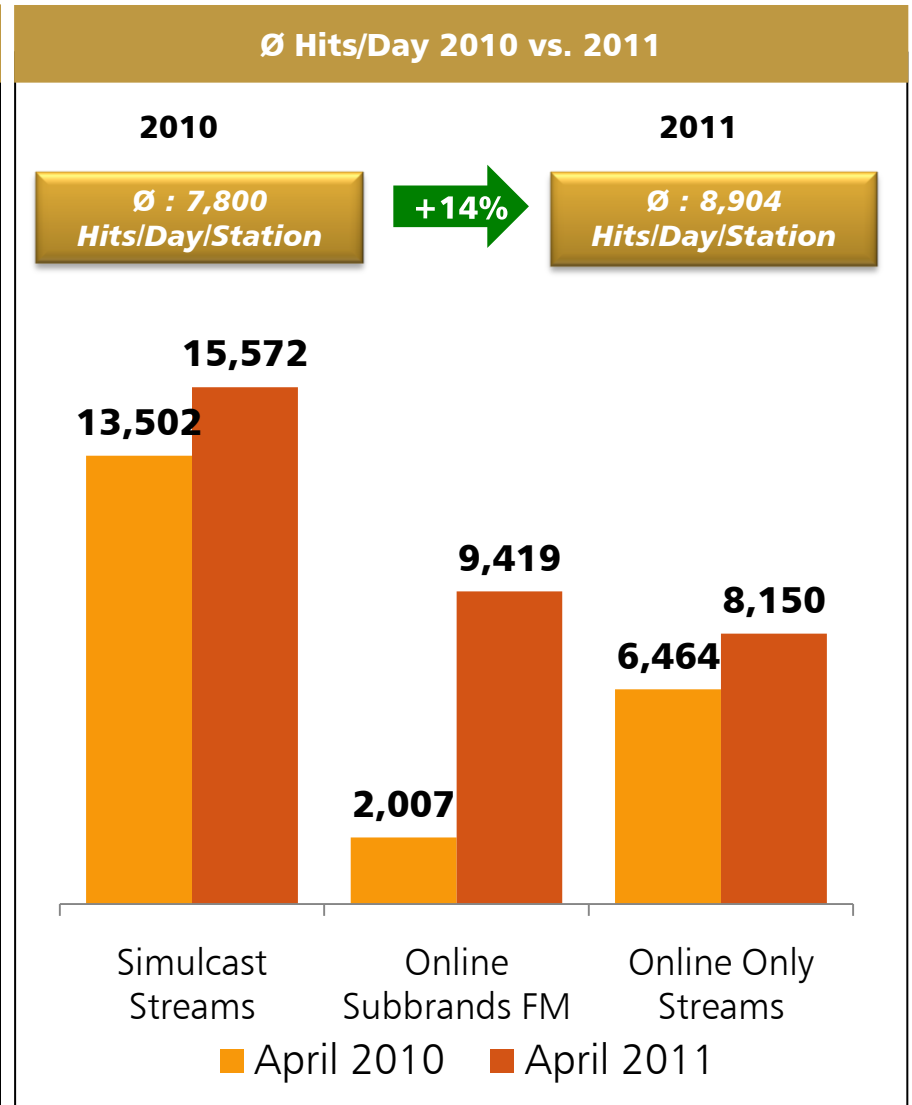
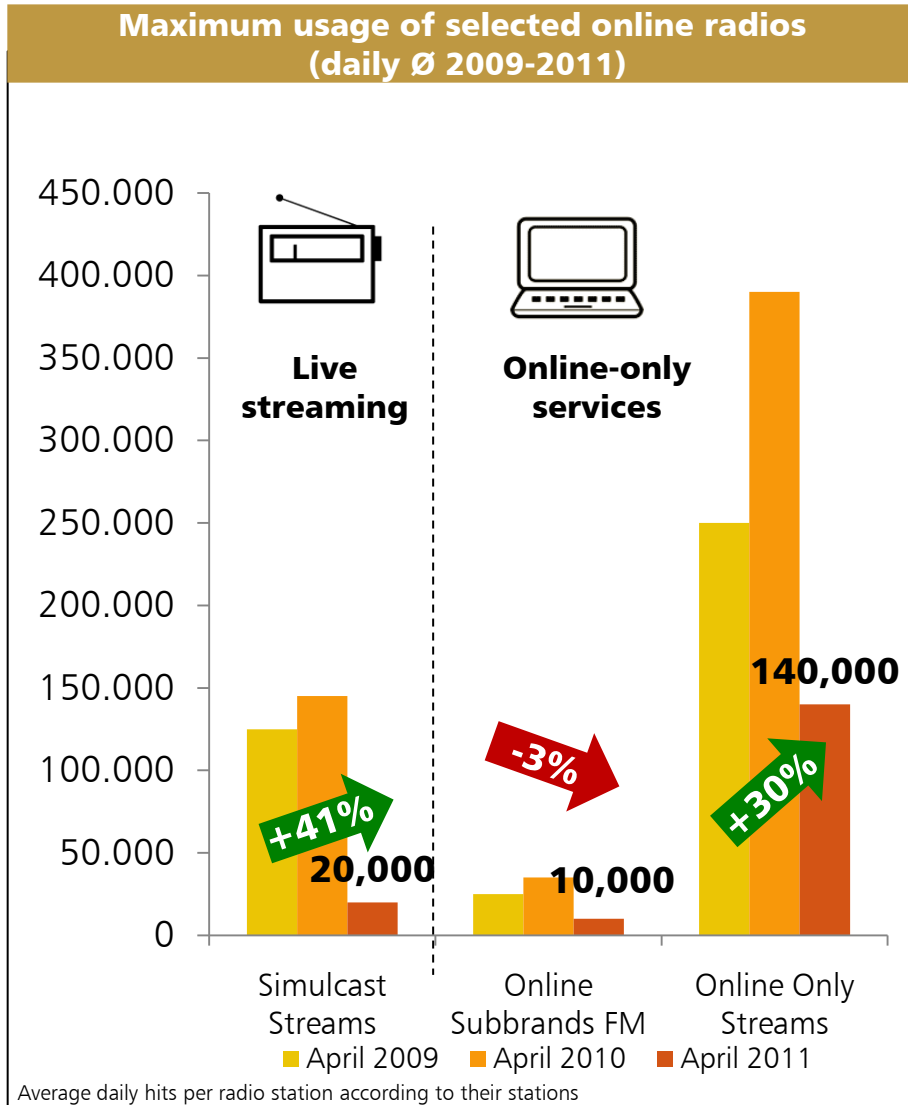
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Strong growth for maximum number of hits, only slight growth for average hits

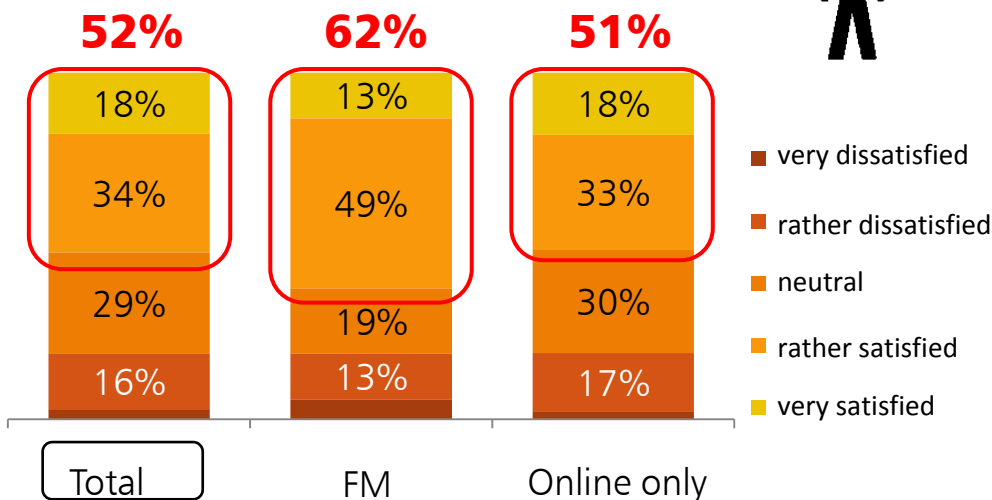


Source: Goldmedia Web Radio Monitor 2011, n=791,2010 n=609 and Web Radio Monitor 2009 n = 143,

Satisfaction with view numbers drop compared to 2010, mainly disappointed FM web radio

Webradio hits

"How satisfied are you with your online radio access figures?"



Comparison: "Satisfied"* with on call pay 2010 and 2011



*"Very satisfied" and "rather satisfied" with on call pay

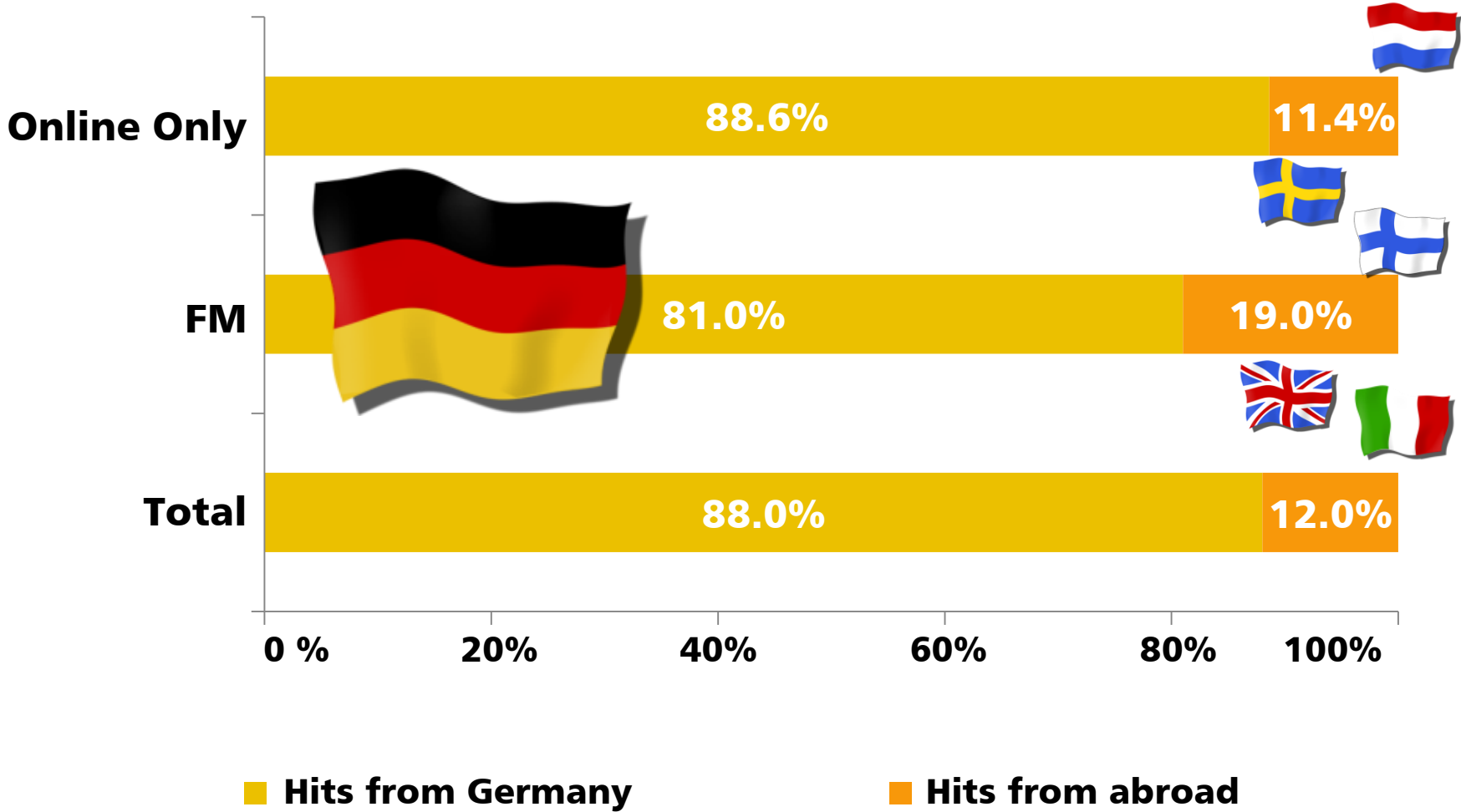
Source: Goldmedia Web Radio Monitor 2011, n=791, Web Radio Monitor 2010, n = 609

Conclusions

- 52 percent of German webradio-organizers are contented with the hits (cp. 2010: 56 % - four percent)
- In comparison to 2010, fall of satisfaction with FM radio and Online Only
- Particularly the group of in 2010 "very satisfied" FM and Sub-brands providers greatly reduced with 17 percent
- Greater dissatisfaction as an indication of dissatisfaction with the fact that the medium can achieve their own web radio in the differentiated universe difficult the desired attention

Germany vs. abroad: Only 12 percent of online radio hits come from abroad

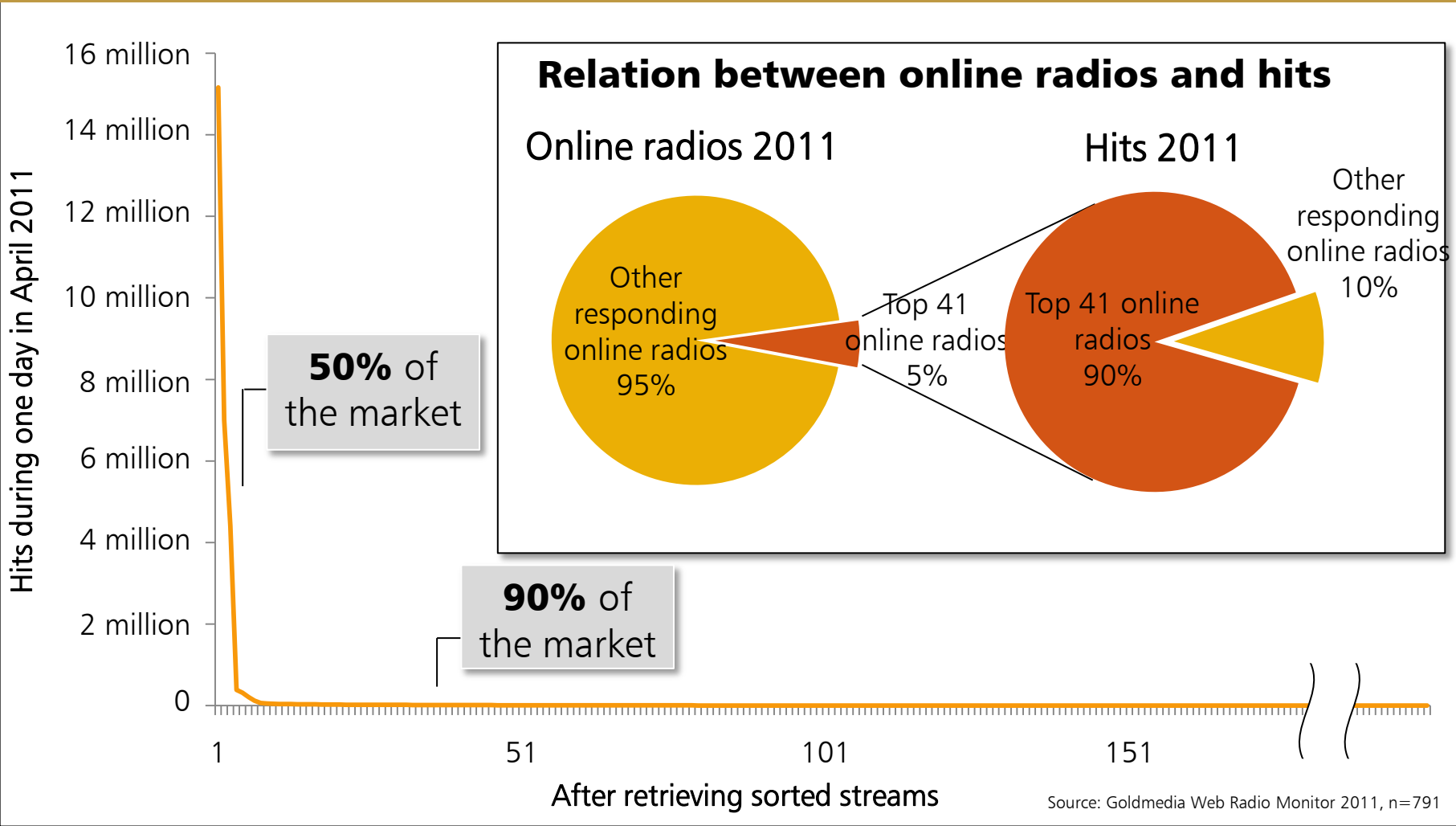
Use of German web radio stations by region (04/2011)



Source: Goldmedia Web Radio Monitor 2011, n=791

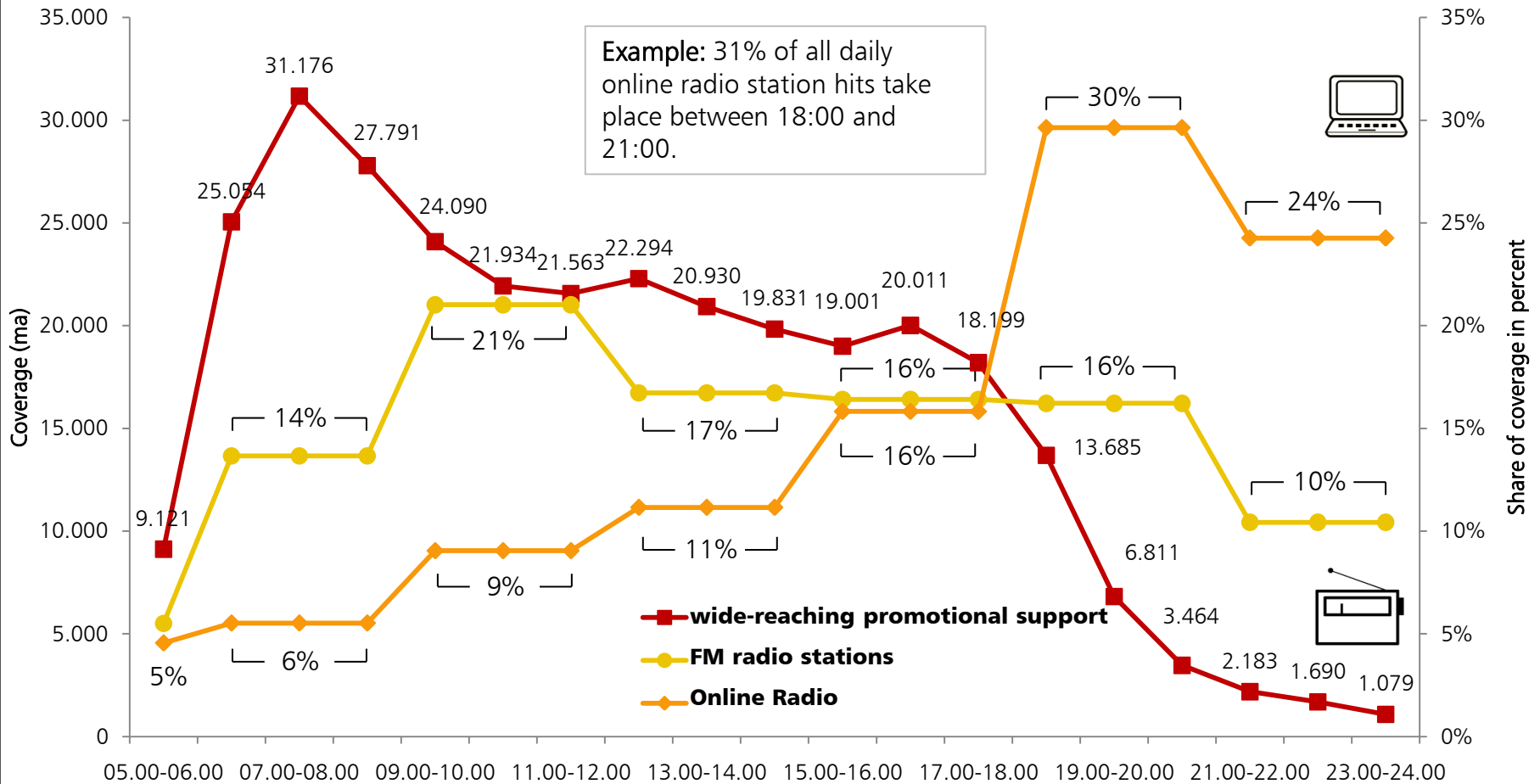
Fathead market: 90% of the schedules are generated by 5% of the online radios that responded!

Relationship between the range and market share for a recorded day in April 2011



Usage during the day: Online radio is mainly listened in the evening

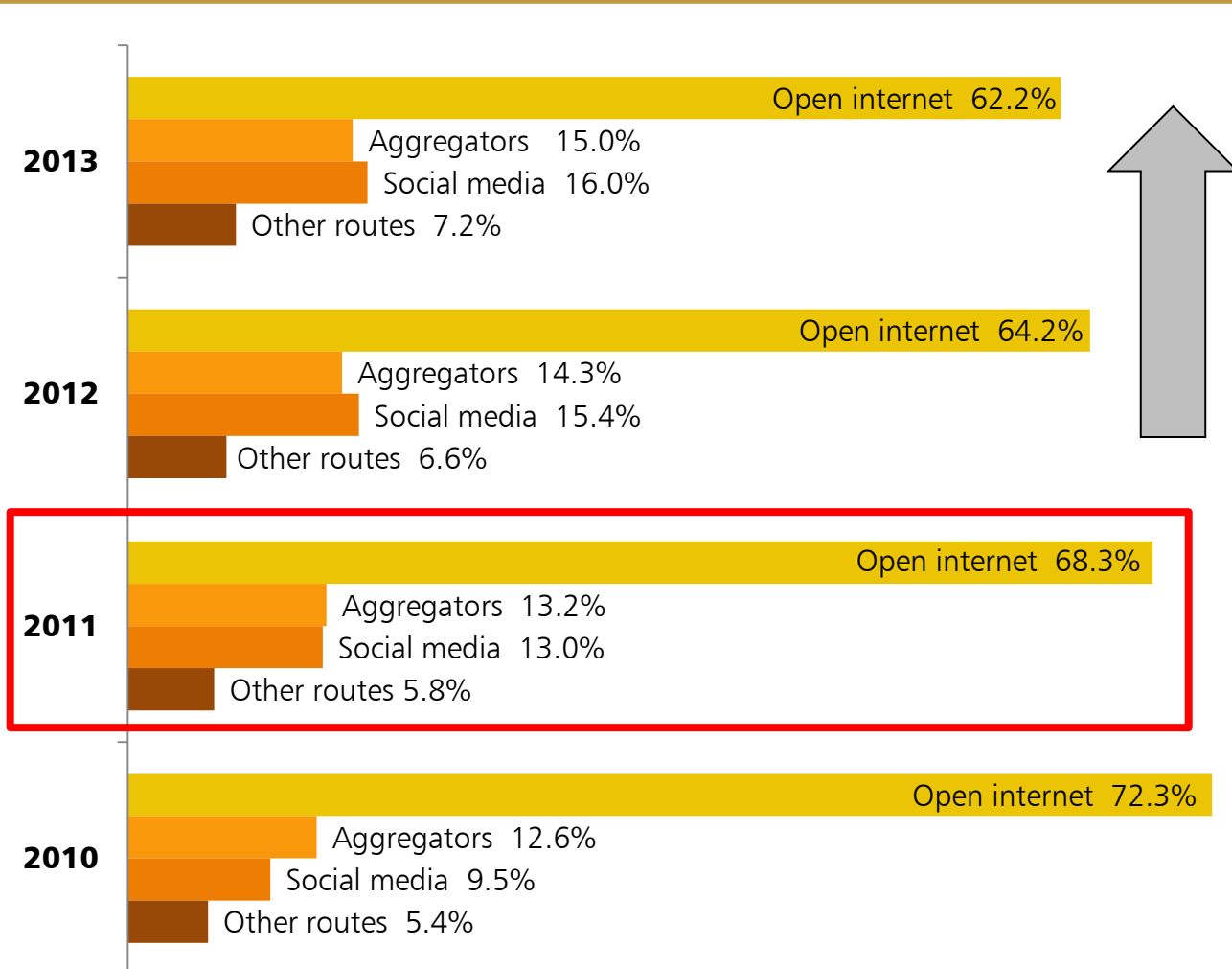
Use of FM radio and online radio during the day (04/2011)



* ma 2011 Radio I, figures in thousands
 Source: ma 2011 Radio I, Goldmedia Web Radio Monitor 2011, n=791,

Alternative retrieval routes to gain importance: social media and aggregators are the drivers

Various access channels' shares of hits from 2010 to 2013 (percentage of hits)



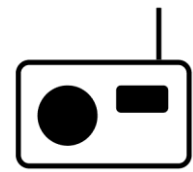
Source: Goldmedia Web Radio Monitor 2011, n=791

Key facts

- Currently, almost three quarters of the hits on iRadio services are made on their own homepages
- In the coming years, the importance of social media will increase.
- Advantage of aggregators: their simplified overview and structure help users with selection in an increasingly differentiated market Webradio
- It's important for broadcasters to be accessible via all channels

Web Radio Monitor 2011

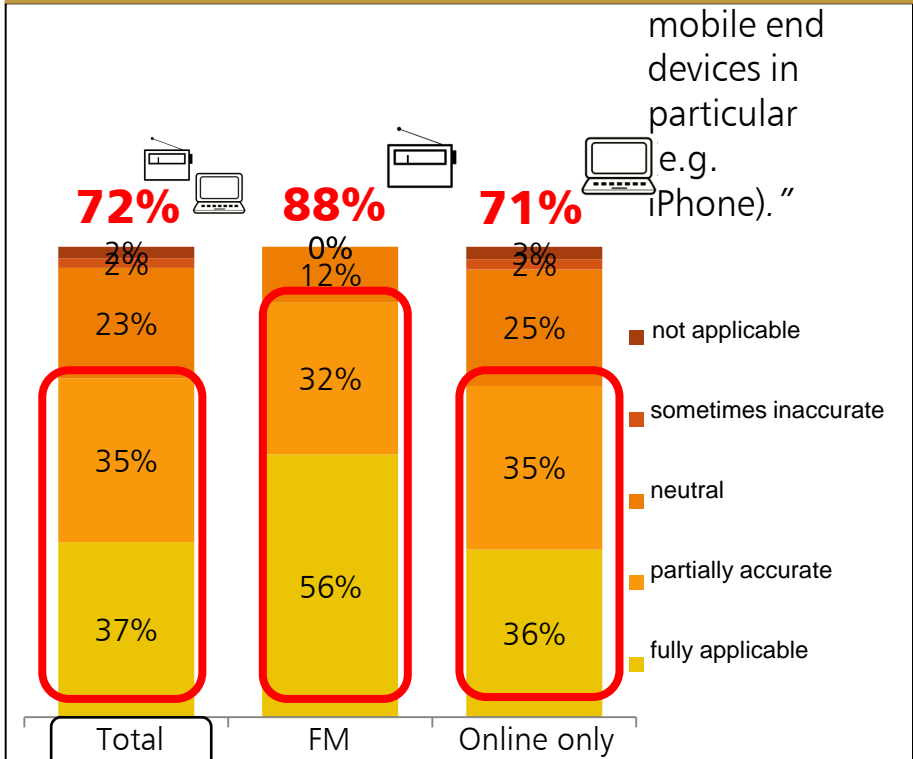
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Three quarters of online radio broadcasters believe that mobile broadcasting will grow more important

Assessment of mobile usage



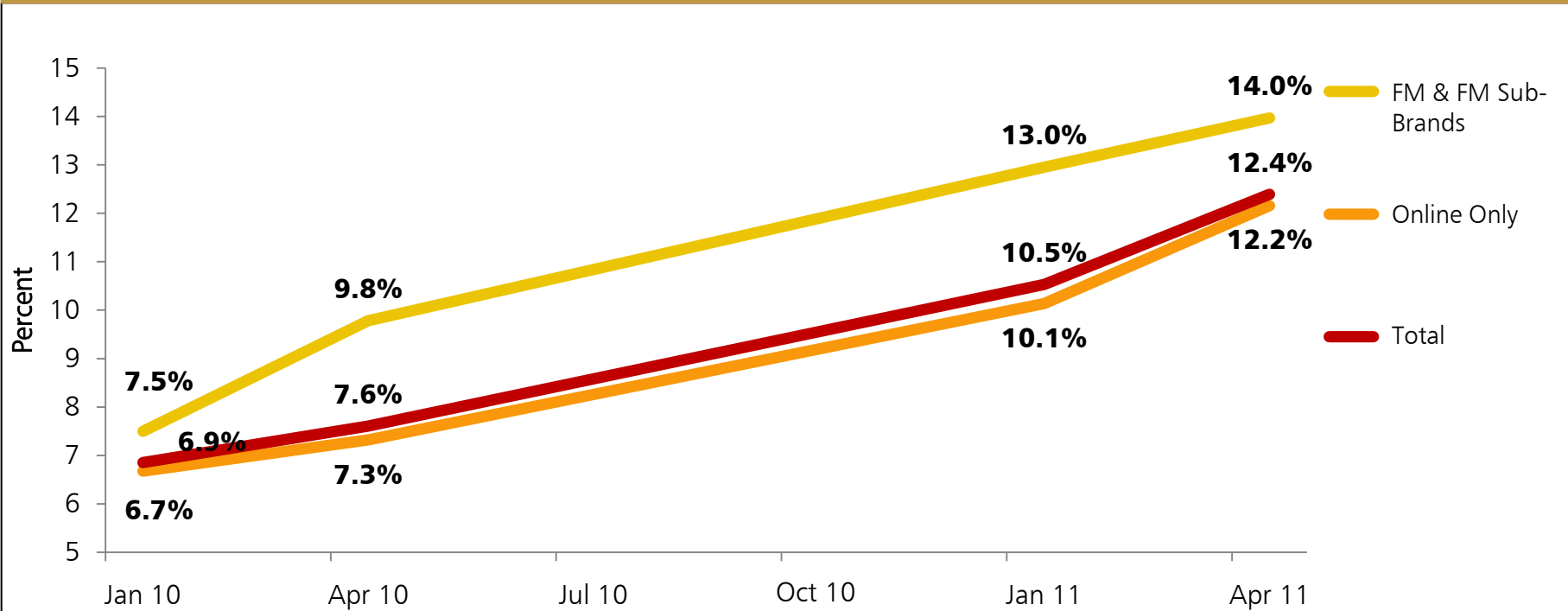
Source: Goldmedia Web Radio Monitor 2011, n=791

Industry assessment of mobile online radio

- 72 percent of broadcasters surveyed expect to see mobile radio become more popular, especially on mobile devices (4 perc. point increase compared to 68% in 2010)
- Radio broadcasters are offering more and more iPhone online radio applications.
- BUT: So far, mobile ranges are only 12% of total usage**
- FM broadcasters are very optimistic regarding mobile usage. 88% believe mobile online radio holds potential
- Online-only providers are more optimistic regarding the potential of mobile than they were in 2010
- UMTS successor LTE technology allows data rates of 150 Mbit/s or more, which will benefit applications such as online radio

2011: Mobile usage at 12% - providers and experts expect to rise 50% in 2015

Proportion of total use of mobile usage / month in% (2011)

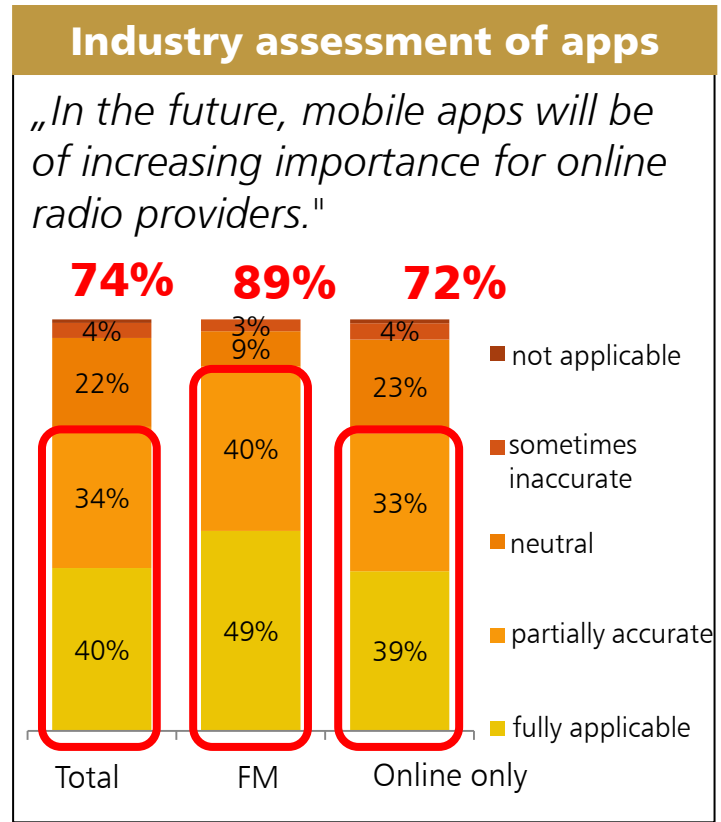
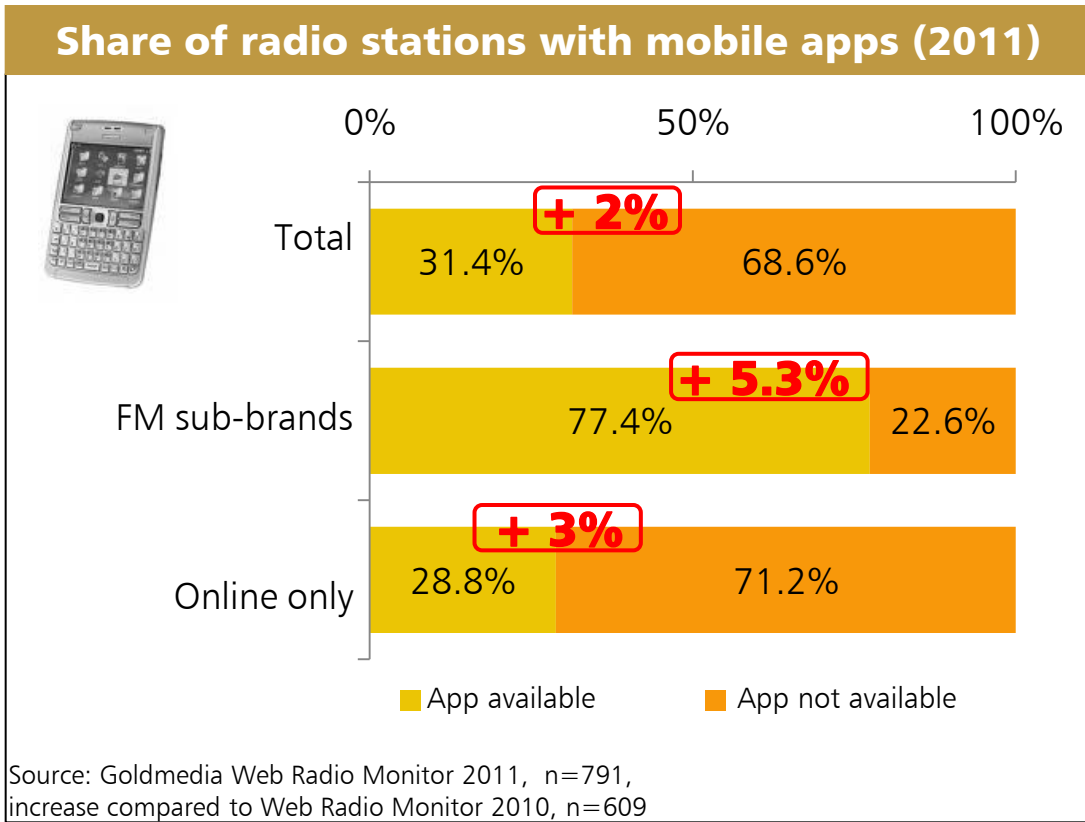


Source: Goldmedia Web Radio Monitor 2011, n=791

Key facts

- Experts believe mobile usage will increase by at least 50% over the next five years. Some providers have achieved an increase of this magnitude in 2011.
- The primary reasons are greater smartphone penetration, increasing bandwidth, decreasing costs, and development efforts in the automotive industry.

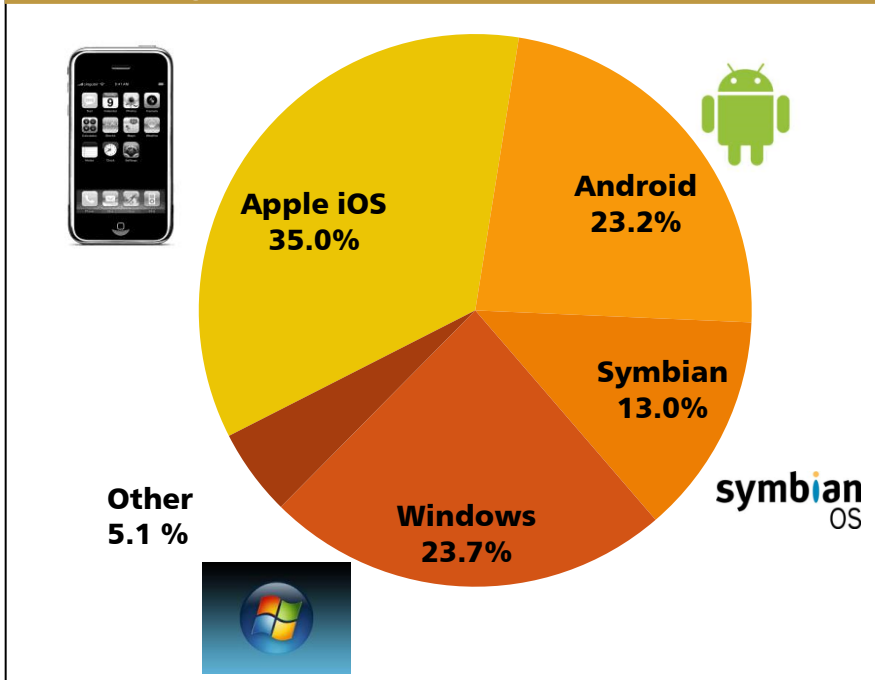
Mobile apps are widespread: almost 80% of FM simulcast stations offer apps



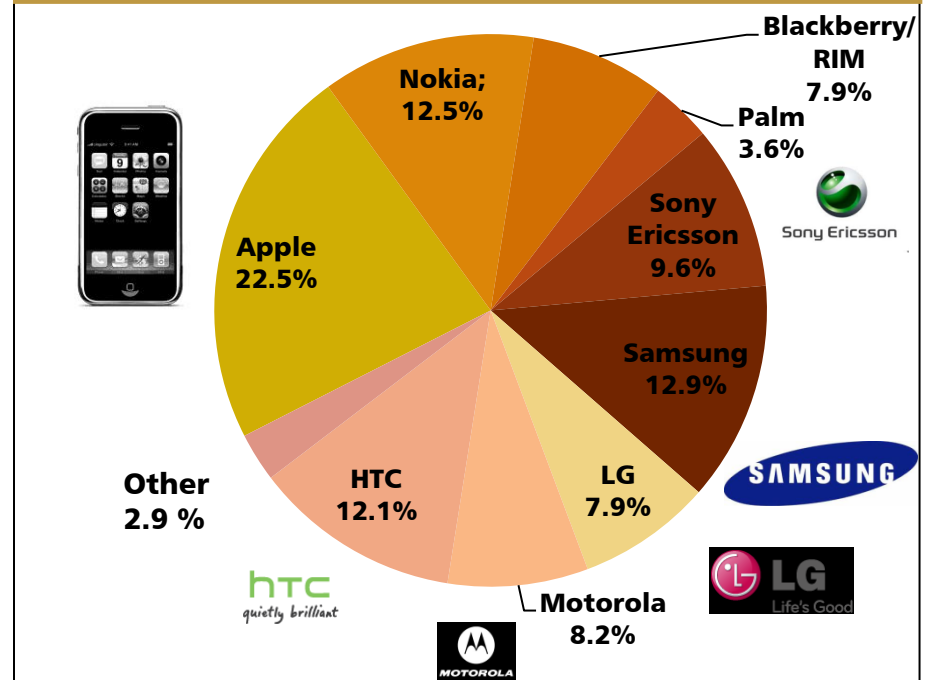
- ### Key facts
- Importance of mobile apps from nearly four-fifths of the FM providers implemented
 - Apps are becoming more important for online-only providers too. (Compared to 2010: a total of 68% of online-only providers attributed increasing importance to apps.)
 - Experts also see significant growth potential for web radio in the area of mobile apps

Webradio apps in 2011: operators are active in all operating systems and end devices

Online-radio supported *operating systems* for apps in 2011



Webradio supported end devices for apps in 2011



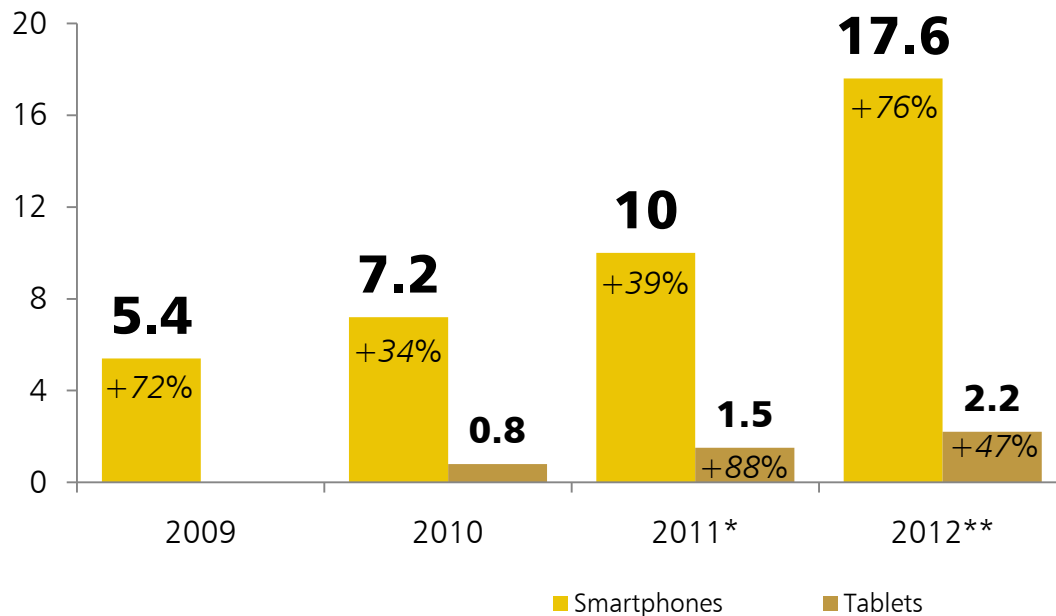
Source: Goldmedia Web Radio Monitor 2011, n=791

Key facts

- 2011 saw more than a third (35%) of internet radio apps on Apple, and just under a quarter on both Windows and Android (23.7 and 23.2 percent, respectively)
- Apple is the leader in terms of end devices too. In 2011, 22.5% of apps were made for the iPhone, iPad, and other Apple devices, with Samsung, Nokia, and HTC following

Market overview for smartphones and tablets: approximately 10 million smartphones will be sold in 2011

Sales of smart phones and tablets in Germany 2009-2012 in millions



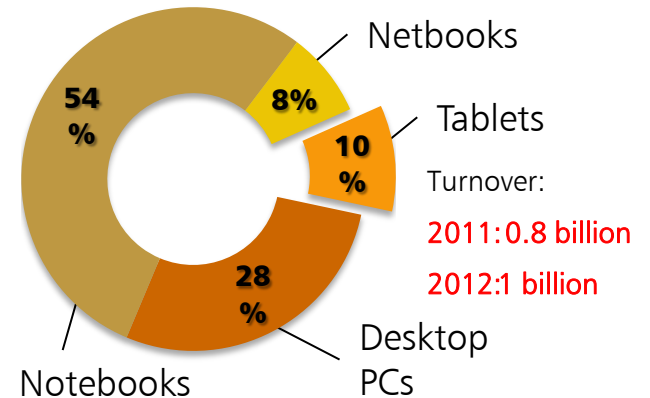
- Growth trend in the smartphone segment remains unchanged. In 2011, sales increased by 39% to 10 million units sold
- In 2012, one in four Germans will have a smartphone
- Tablet market continues to grow - notebooks and netbooks have lost market share

* Forecast BITKOM

** Forecast TNS Infratest

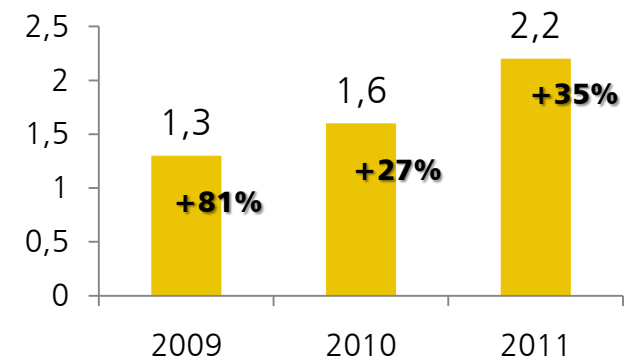
Source: BITKOM 2011 after EITO, IDATE and TNS Infratest Go Smart 2012 Study Both forecasts are based on the population of people in Germany

Market breakdown by numbers in 2010



Source: BITKOM 2011, EITO

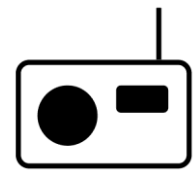
Smartphone sales in Germany 2009-2011 in billions of euros



Source: BITKOM 2011, EITO, IDATE

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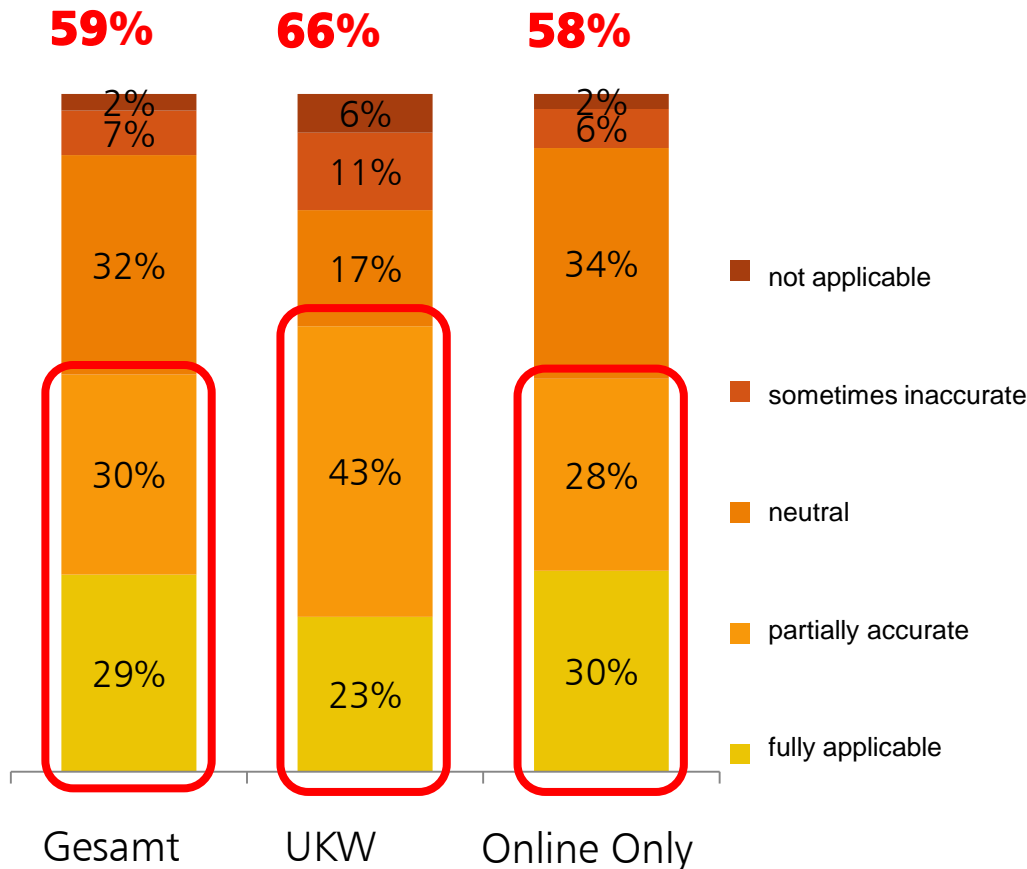


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Social media strategy for communication and image necessary even for online radio stations

Assessment Social Media

"A social media strategy is essential to the success of online radio offerings."



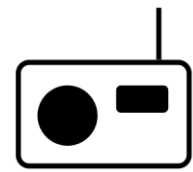
Source: Goldmedia Web Radio Monitor 2011, n=791

Findings

- About 60 percent of online radios believe that presence on social media is essential
- Social networks are mainly used to relay program info and various activities / competitions for specific programs. "If you aren't on social networks, you don't exist!"
- Radio use on Facebook or other networking apps remains weak. Potential for "social radio" is currently considered rather moderate by service providers and experts
- Nevertheless, FM stations in particular are planning to increase their presence and add a player on Facebook

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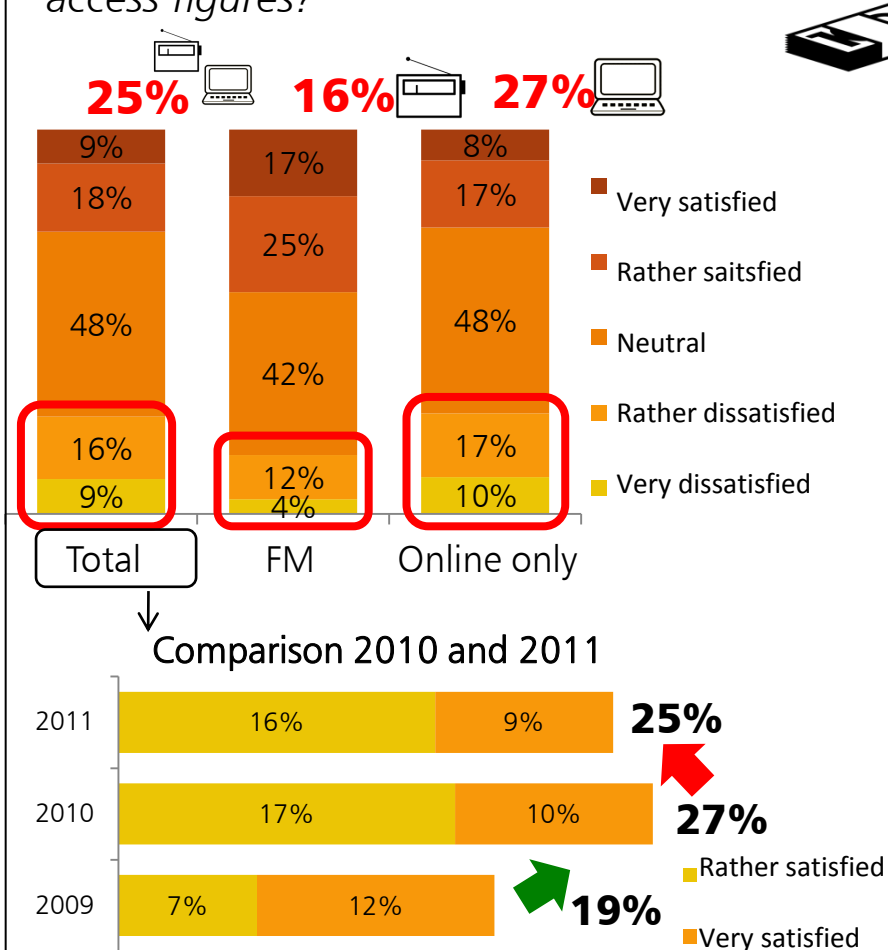


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One in four internet radio operators is satisfied with the profitability of its service -- still?

Online radio profitability in 2011

"How satisfied are you with your online radio's access figures?"



Source: Goldmedia Web Radio Monitor 2011, n=791

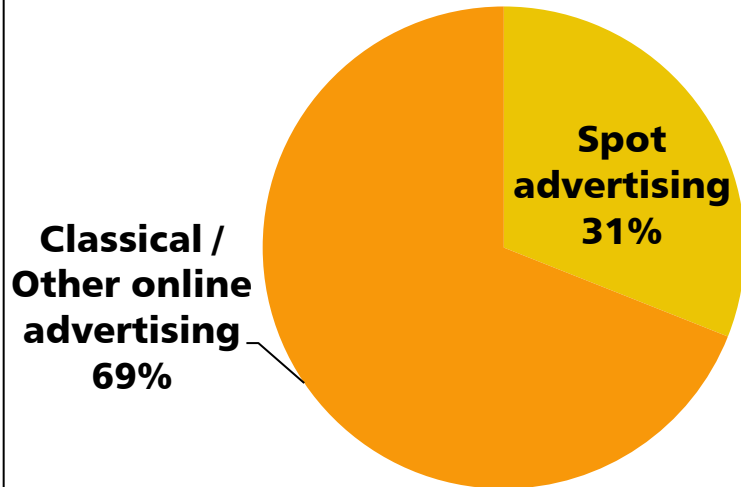
Conclusion

- A total of 25 percent of web radio stations are satisfied with profitability of their service
- FM broadcasters' satisfaction with profitability decreased significantly compared to 2010, to only 16 percent (see 2009: 28 percent). For online-only services, the satisfaction rate by 3 percentage points
- There was a slight, overall decrease in satisfaction from 2010 to 2011, in contrast to the period from 2009 to 2010, which saw an increase in the satisfaction rate from 19% to 27%
- That does not mean that the operators are generally dissatisfied in 2011: Rather, the proportion of "neutral" respondents ranged from 42% to 48% – especially for FM operators (2010: 26%, 2011: 42%)

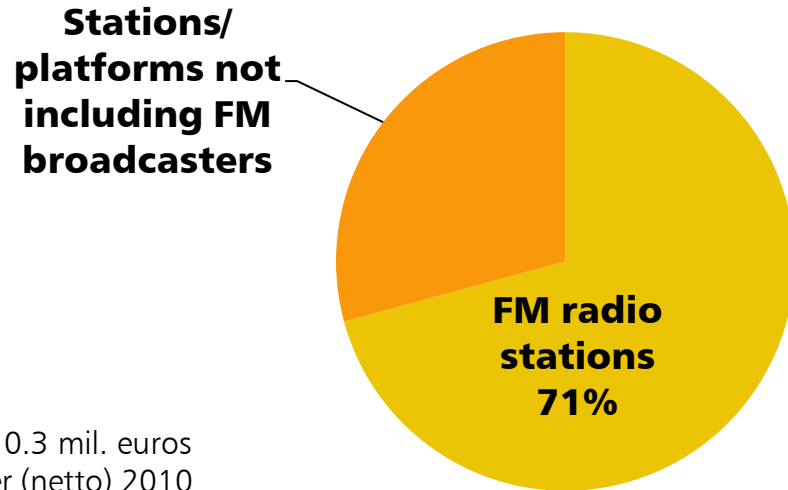
Market volume is mainly generated by traditional (display) online advertisement by FM brands

Share of online advertising revenue according to ad format and service type (2010)

By advertising format



By channel type



Base: 10.3 mil. euros turnover (netto) 2010

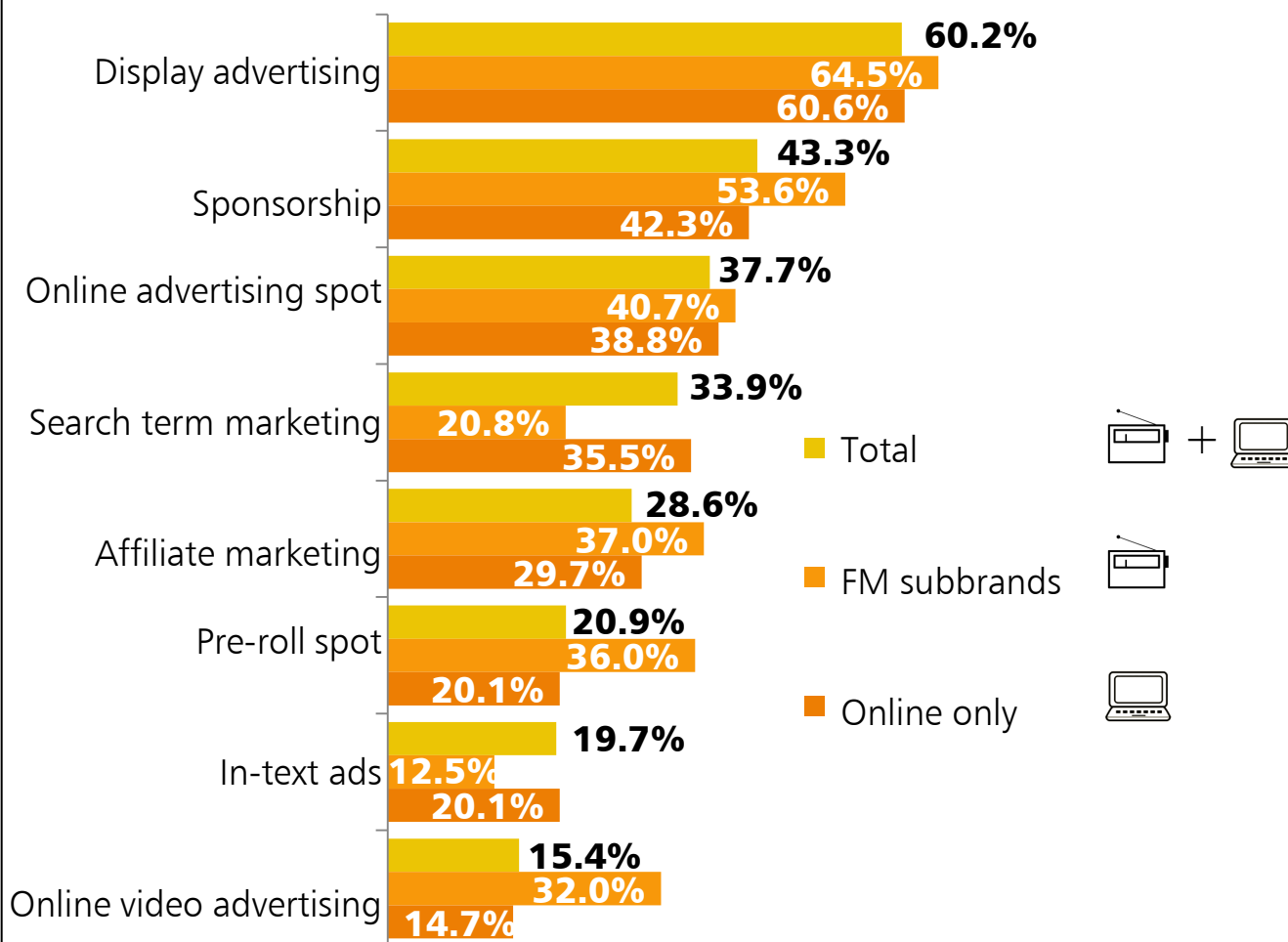
Source: Goldmedia Web Radio Monitor 2011

Conclusions

- About three-quarters of revenues are now generated through traditional online advertising (including display / banner ads). Spot advertising remains underdeveloped
- Advertising on homepages is the greatest contributor to revenues
- To date, FM stations' ad services have dominated. Among the online-only services, portals and online radio aggregators are particularly strong

Importance of display advertising is declining, but sponsorship & spot advertising are becoming more important

Forms of advertising available among web radio providers surveyed (2011)



Source: Goldmedia Web Radio Monitor 2011, n=791

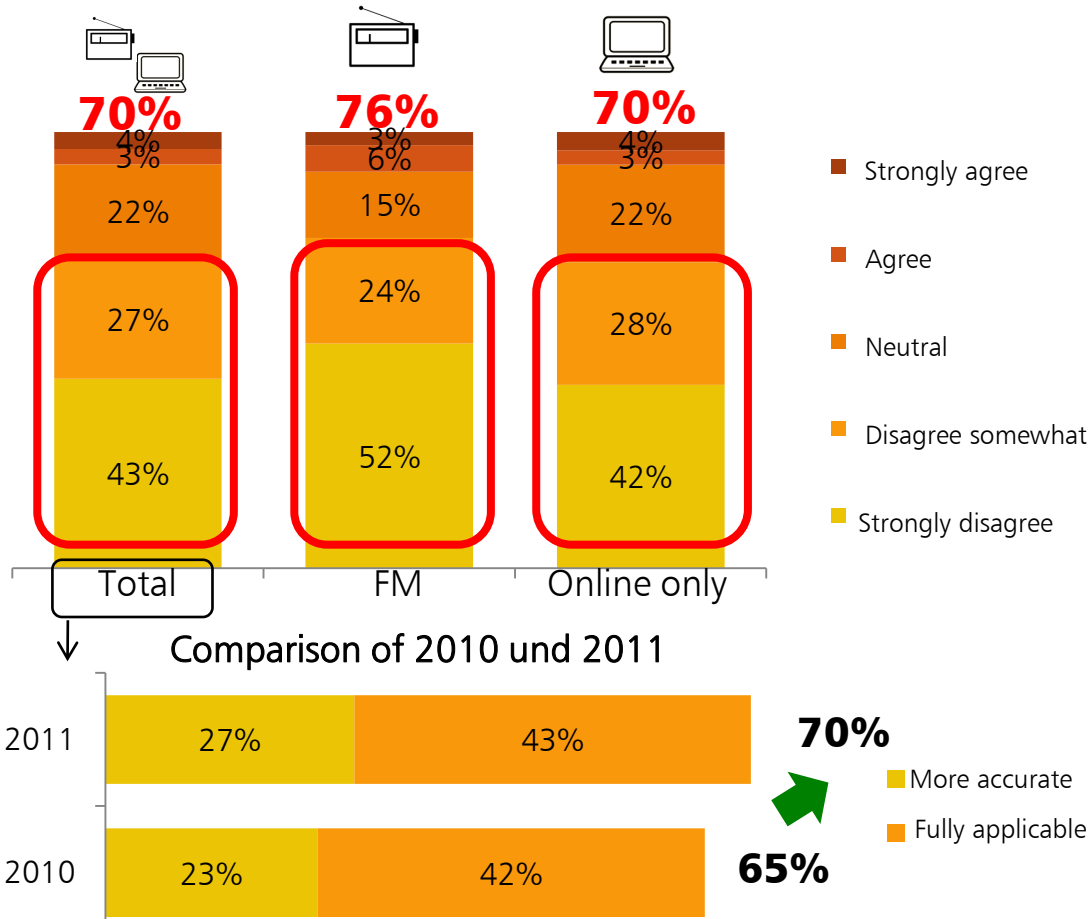
Conclusion

- Display advertisement is still the most important ad form for online radios (60.2 %)
- Comparison: in 2010, 74% of online radio providers used display advertising
- Sponsorship (43.3%), audio spots (37.7%), and SEO (33.9%) are the next most common forms of advertising on online radios

Three fifths of online radio providers see great potential for spot marketing

Commercial marketing for online radio

" There is still considerable growth potential in the ad market for pure online radio offerings . "



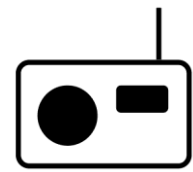
Source: Goldmedia Web Radio Monitor 2011, n=791

Industry estimates

- 70% of online radio operators see significant growth potential for the online-only spot market
- At 76%, FM radio providers are significantly more optimistic than online only providers – 70% of online-only providers see considerable growth potential in commercial marketing
- Opportunities for innovative radio / online combinations have increased further
- Spot advertising will increasingly be used in combination with other advertising media such as display advertising, etc.

Web Radio Monitor 2011

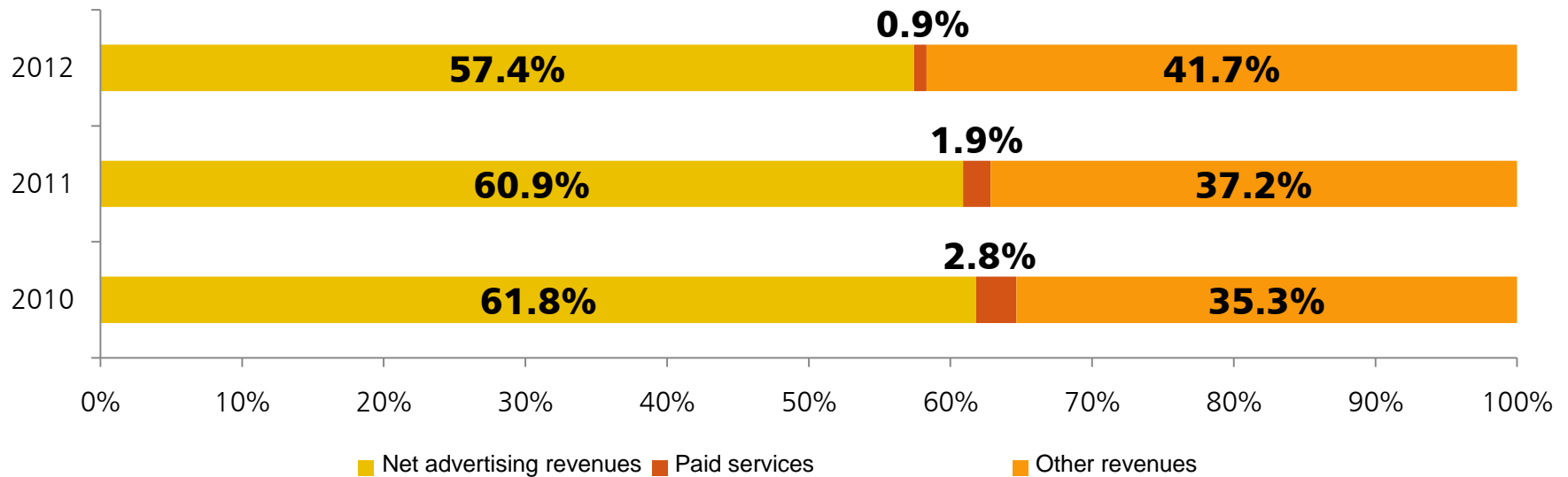
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Forecast for 2012: in addition to advertising revenue, increased funding through alternative revenue streams

Share of online radio revenues in total sales 2010-2012 (all providers) *



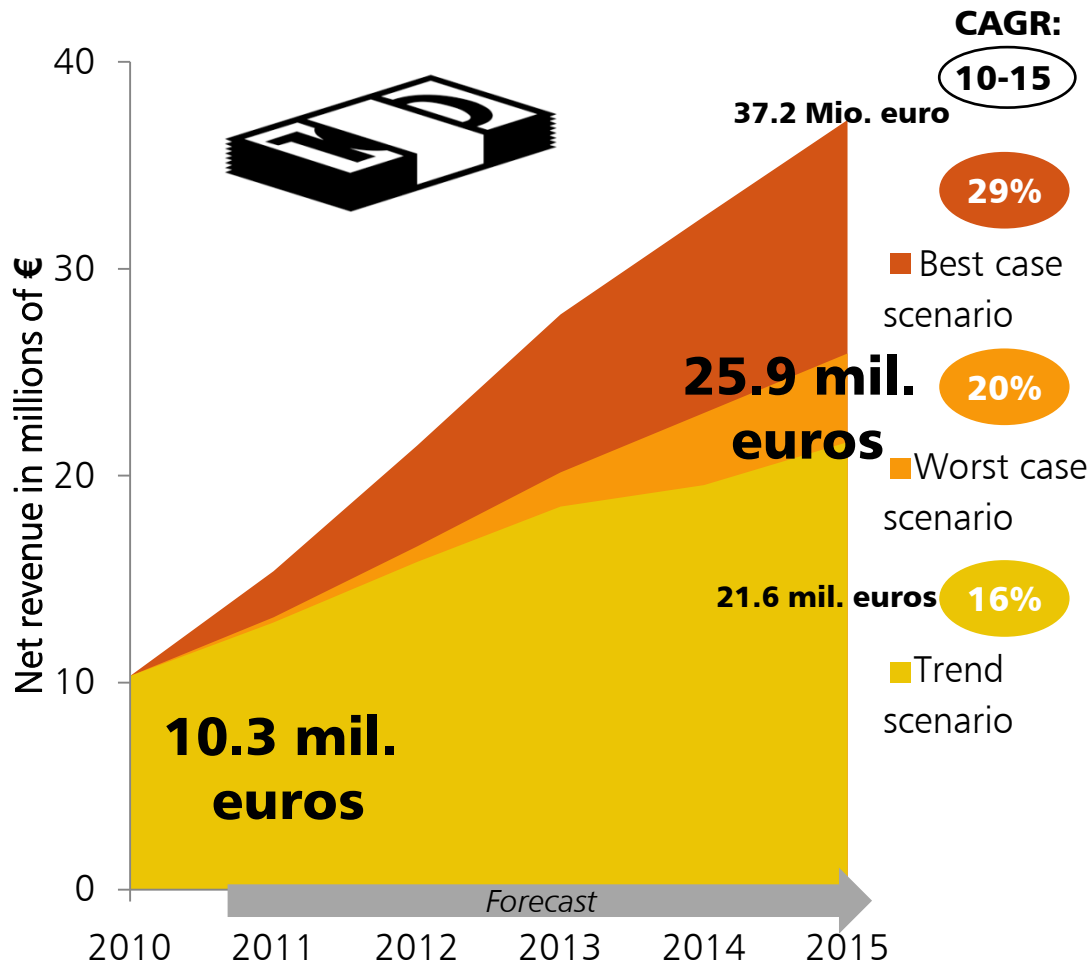
*Values are averages, percentages of the responding stations without weighting by sales, with other smaller providers, so that lower sales are over-represented.
Source: Goldmedia Web Radio Monitor 2011, n = 791

Conclusion

- Particularly for small online radio stations, alternative forms of revenue such as donations and sponsors are important
- Major online-only players are successful in marketing their own players or other individual business models / customer relationships
- A look at just FM providers reveals that ads currently provide 100% of financing, so paid content isn't a feasible alternative to ad revenue, even in the coming years

Online advertising revenues in 2010: EUR 10.3 million (display, commercial, sponsoring, ...)

Advertising revenue (net) for all German online radio services in Germany up to 2015



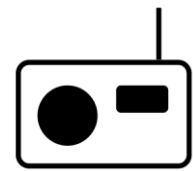
Source: Goldmedia forecast Web Radio Monitor 2011, CAGR = Compound Annual Growth Rate

Assumptions / Background

- Basis: Webradiomonitor 2010/2011, forecast for broadband development according to BNetzA, trend extrapolation / procedural analogy, and expert interviews
- **Growth over the previous year was 20%**
- To date, FM broadcasters' platforms have generated the most sales
- **Online-only broadcasters and aggregators have driven sales growth most**
- Growth for online radio should be significant; we forecast growth of 16-29% per year, depending on the scenario

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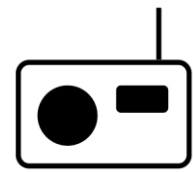
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Executive summary



Online radio market in Germany

- Germany has a total of 3,064 web radio stations (04/2011)
- Four-fifths of services are online-only channels (2009: $\frac{3}{4}$)
- Since 2006, services grew by 47%; a more moderate 14% since 2010

Use

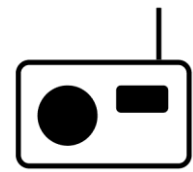
- Average of 8,904 hits per stream per day (maximum 500,000) (FM stations alone \emptyset 15,572, online-only channels alone \emptyset only 8,150 hits)
- Average hits increased by 14 percent since 2010
- Use: online-only stations are used most often in the evening, FM subbrands' usage reflects traditional radio use more closely
- Web radio is often used in parallel to surf the Internet

Advertising / Marketing

- Online advertising revenue for all German online radio stations in 2010 totaled 10.3 million euros (including display advertising, commercials, etc.)
- Display advertising is still the most important form of advertising for online radio after sponsorship, spot ads, and search term marketing
- Advertising on FM stations' and online portals' homepages is the biggest source of revenue
- Two thirds of web radio providers say that audio spots have the highest growth potential in the coming years

Web Radio Monitor 2011

Executive summary



Mobile

- Of all services, 31% could be used via mobile apps
- Proportion of total mobile use Ø 12.4 percent
- Almost 80% of FM stations & nearly 30% of online-only stations have their own apps
- Market outlook: mobile will be one of the strongest growth drivers

Social media

- Nearly two-thirds of all web radio providers believe a social media strategy is essential, because providers get additional hits from social networks and aggregators. Direct visits to the homepage are relatively insignificant
- Social Web has great potential for commercialization and providers, because the fixed costs are relatively low compared to above the line and attention can be generated for free

Other trends / proceeds

- About half of online radio providers believe pay radio is infeasible
- Paid content only conceivable as part of premium services, ad-free streaming, and exclusive information services
- Alternative sources of revenue are becoming more important, like the sale of software, players, and on-demand music streaming services



G O L D M E D I A

Goldmedia GmbH Strategy Consulting

Prof. Dr. Klaus Goldhammer | Dr. Michael Schmid | Christine Link

**Oranienburger Str. 27 | 10117 Berlin-Mitte | Germany
Tel. +49 30-246 266-0 | Fax -66 | [Info\[at\]Goldmedia.de](mailto:Info[at]Goldmedia.de)
www.Goldmedia.com | www.Webradiomonitor.de**