GOLDMEDIA

Online Radio in Germany 2012

WebRadioMonitor 2012

Commissioned by the Bavarian Regulatory Authority for Commercial Broadcasting (BLM)

July 2012

Goldmedia GmbH Strategy Consulting

Prof. Dr. Klaus Goldhammer
Mathias Birkel | Christine Link

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

WebRadioMonitor 2012
Content

WebRadioMonitor 2012: Research objectives, methodology and market definition

Client and objectives

Client:

- For the fourth time, Goldmedia carried out a study on the usage of German online radio for the Bavarian Regulatory Authority for Commercial Broadcasting (BLM)

Objectives:

- To give an overview of the German online radio market
- To quantify the online radio usage in Germany through survey of all providers
- To show market developments and provide further market analysis and forecasts
- To provide a classification of German online radio stations by genre and type of service

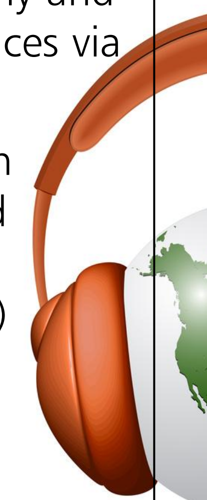
Methodology

- Project period: April to July 2012
- Primary data research through survey of all German online radio providers (**n=3,021 radio streams)**
- **Response: 545 online radio stations**
- Survey period: May 21, 2012 to July 18, 2012
- 15 interviews with industry experts
- Secondary data through online desk research
- Forecasts using „top-down“ and „bottom-up“ approach
- www.webradiomonitor.de

Market definition

This study includes the following online radio offerings

- IP-based distribution (via browser or music player)
- Linear audio stream with focus on music and/or information
- Based in Germany and provison of services via own website
- Compliance with relevant law and regulations (i.e. legal notice)
- Exclusion of aggregators and podcasts

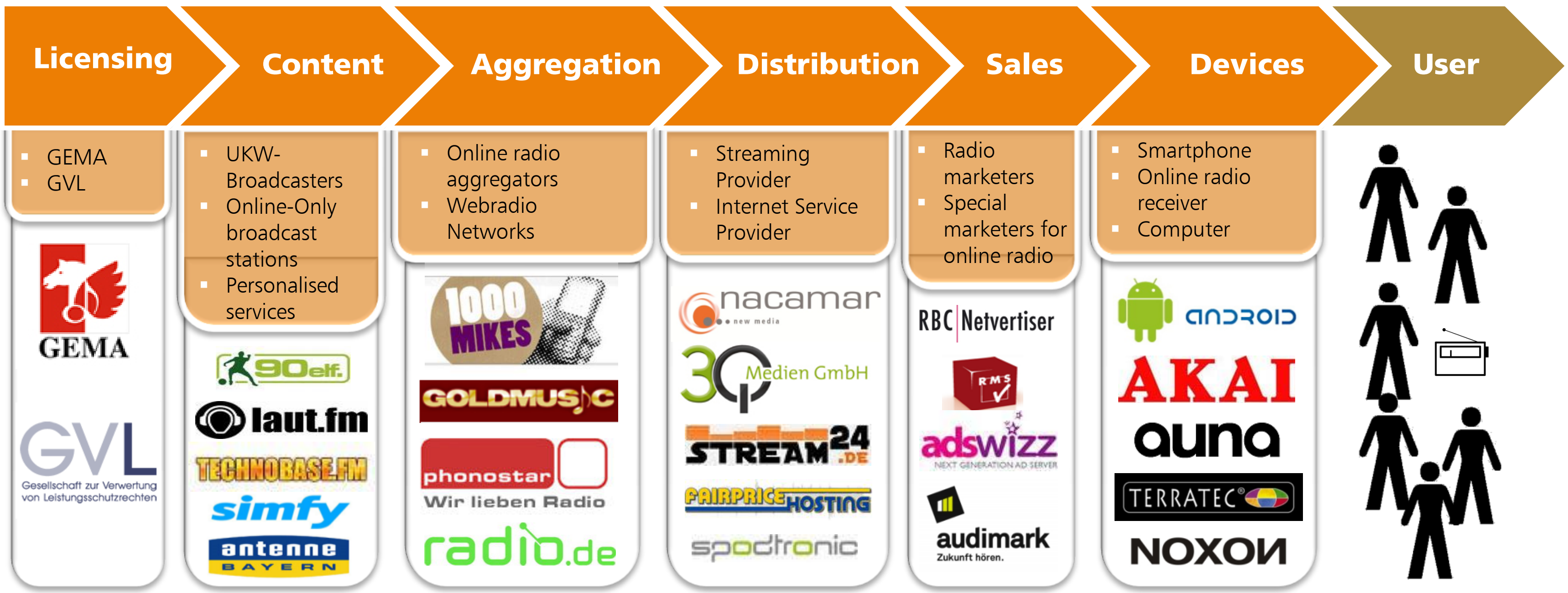


Picture: ©Scott Frangos_Fotolia.com

WebRadioMonitor 2012
Content

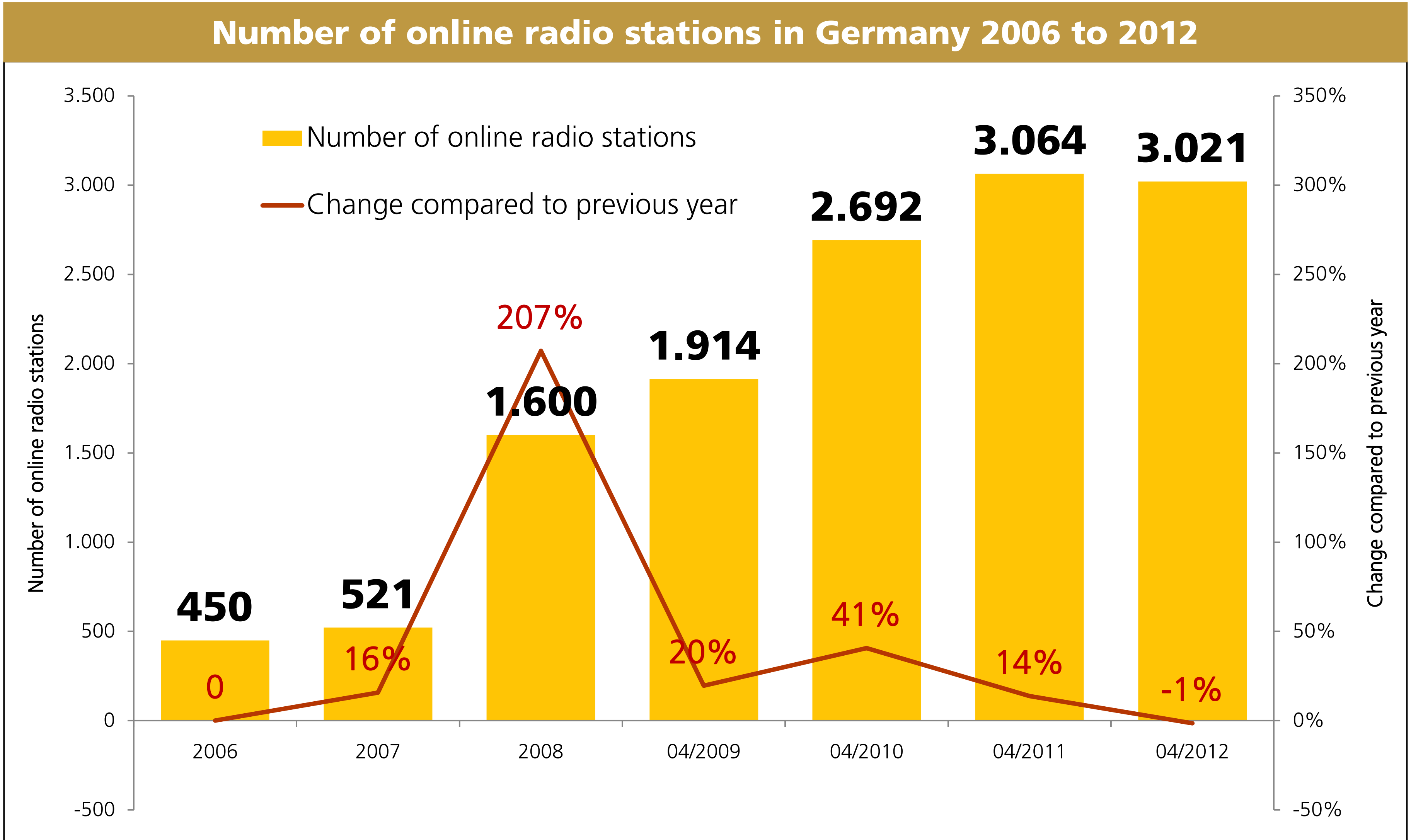
Well-established value chain in the German online radio market

Value chain: online radio stations in Germany 2012



Source: WebRadioMonitor 2012

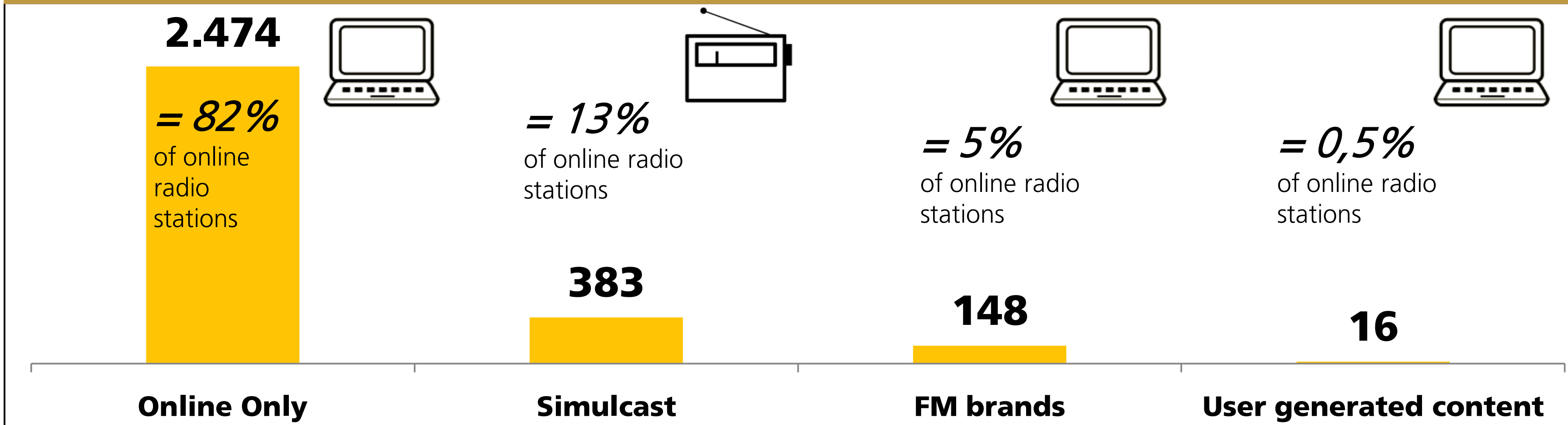
Consolidation trend in the market – slight decline to 3,021 German online radio stations 2012



Source: WebRadioMonitor 2012

Market consolidation 2012: approx. 800 online radio stations gone vs. 750 new market entries – still high churn

German online radio stations by type (04/2012)

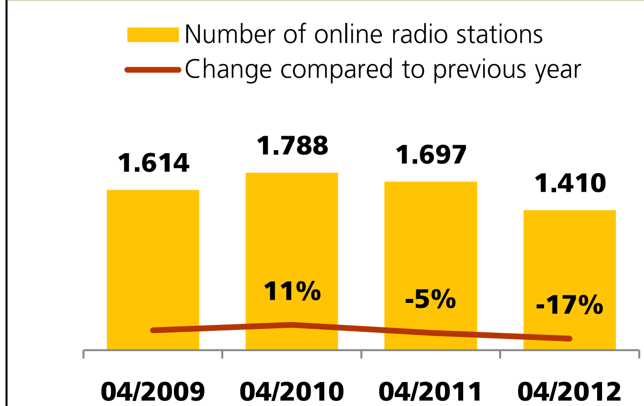


Source: WebRadioMonitor 2012

Key Facts

- 3,021 online radio stations (April 2012)
- More than 4/5 of online radio stations are online-only
- But: number of very small broadcast stations is declining
- Particularly high churn in 2012: 800 discontinued online radio stations compared to just 750 new channels started
- 2009-2011: Each year, approximately 650 discontinued stations
- The number of GEMA-licensed stations declined by 17%

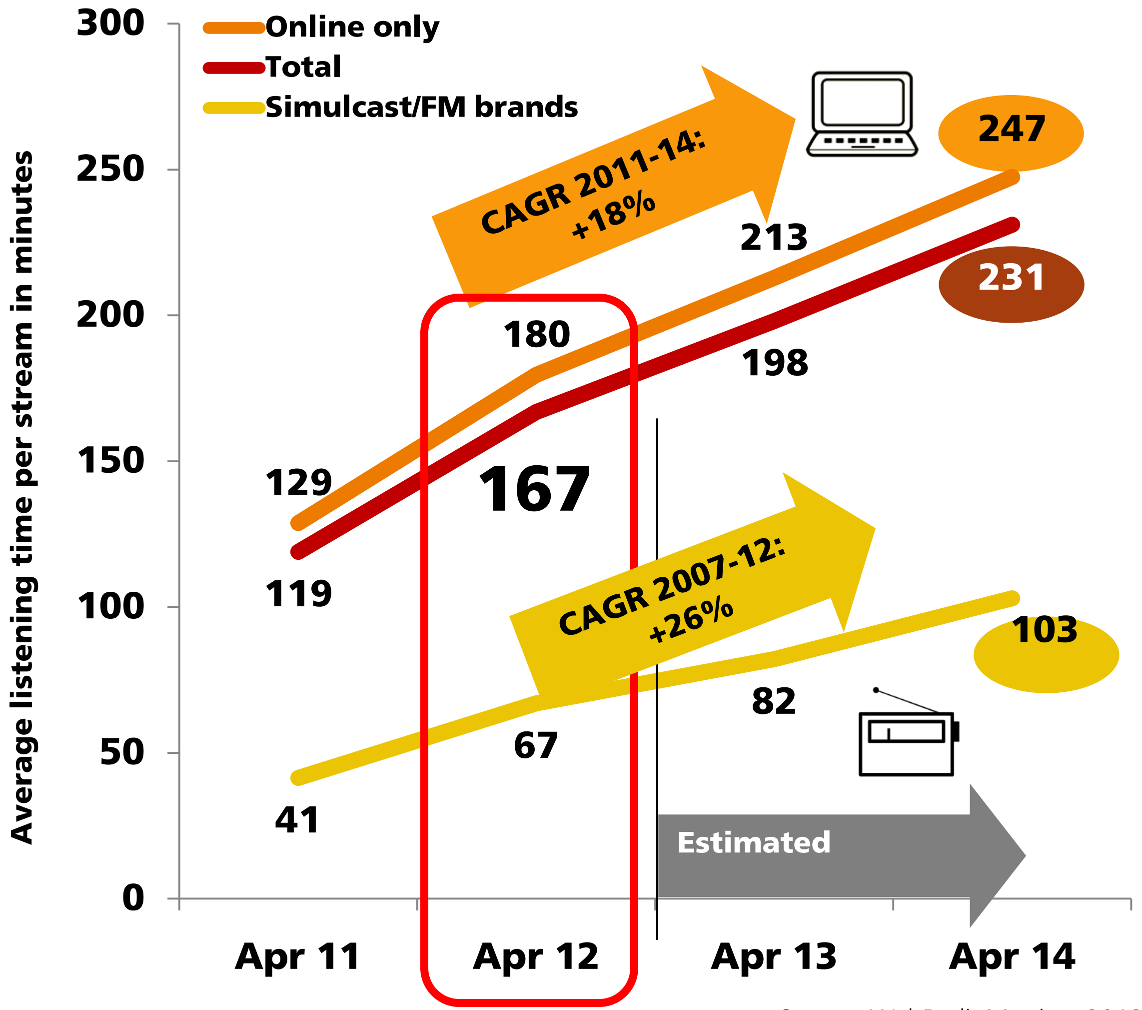
The number of GEMA licenced online radio stations (2009-2012)



WebRadioMonitor 2012
Content

Online radio streams have been listened to for an average of 119 minutes per stream in 2011

Average listening time per stream 2011-2014 (in min.)



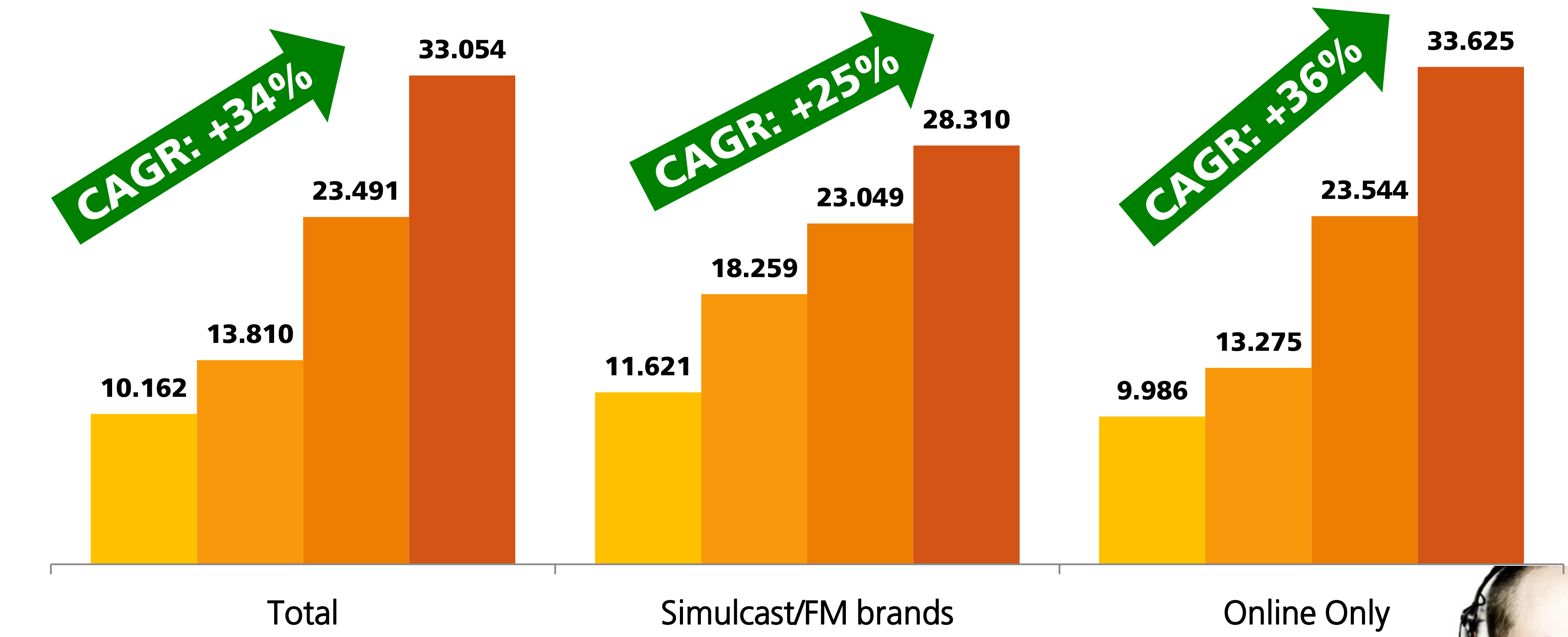
Source: WebRadioMonitor 2012

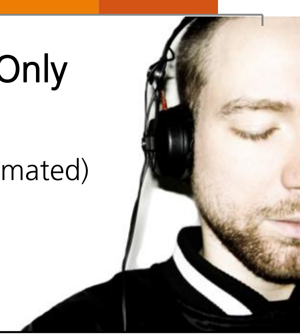
Key facts

- On average, every stream has been listened to for 119 minutes in 2011
- Increase of 40% to 167 min. in 2012 (as of April)
- Increase to 231 minutes expected by 2014 – double of what it was in 2011!
- Considerably longer liste-ning time of online-only stations (ø 180 min. 2012)
- FM brands recorded an average use of 67 minutes per stream (60% below the market average)

The number of online radio users is expected to grow significantly until 2014

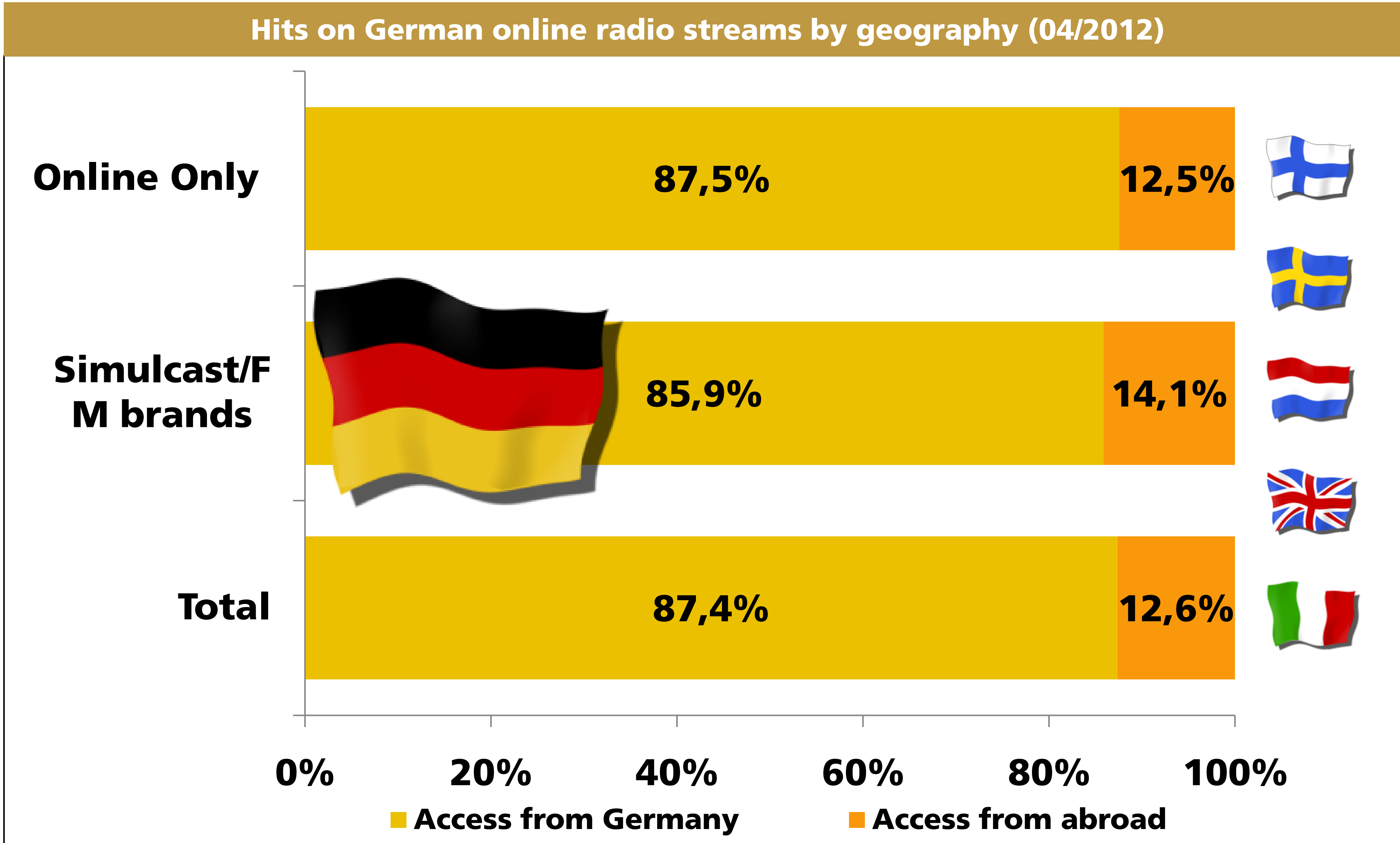
Estimated average usage of online radio stations in Germany in hits per day 2011-2014





Source: WebRadioMonitor 2012

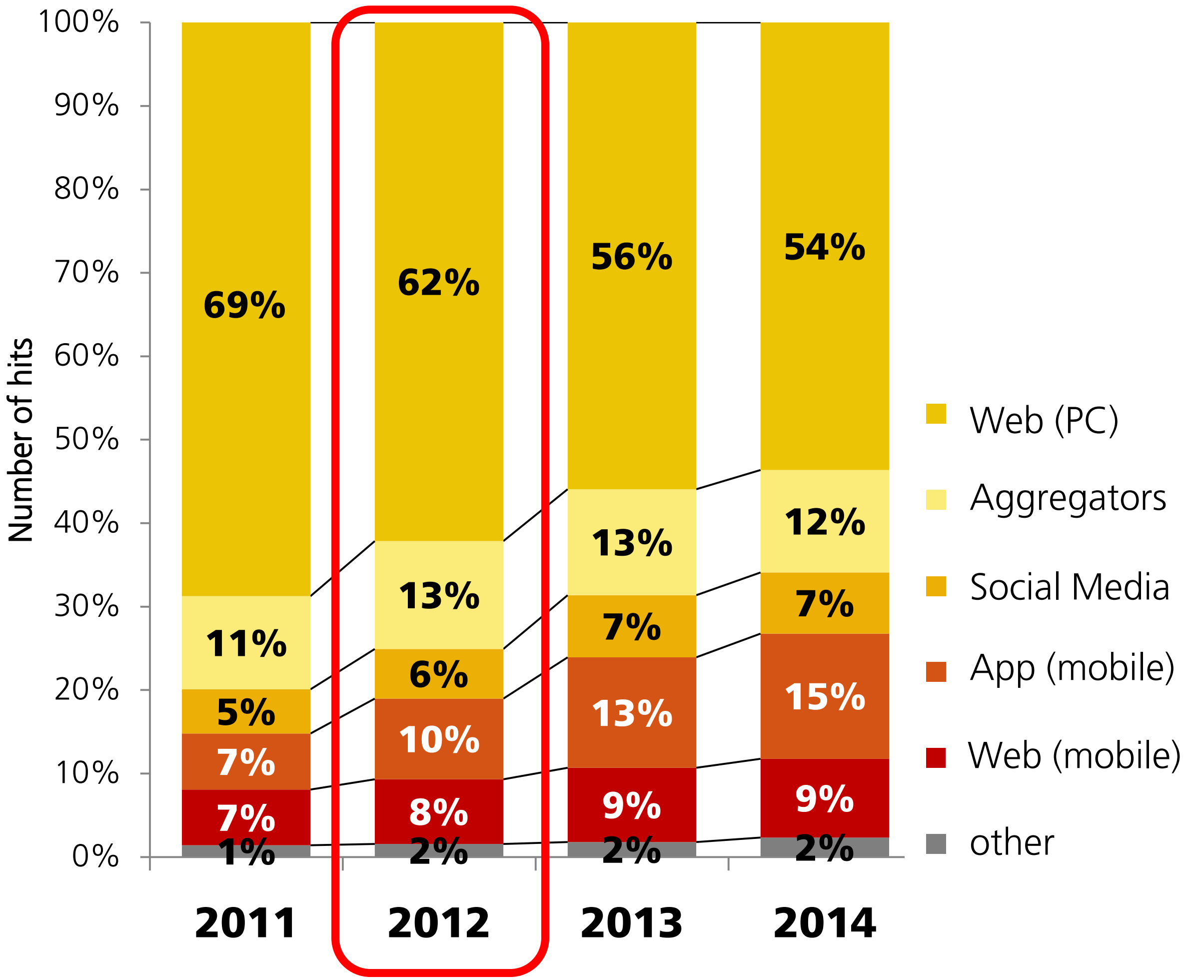
Use of German online radio stations by geography: 12.5 % of online usage from abroad



Source: WebRadioMonitor 2012

Alternative distribution channels are gaining market share: Especially mobile usage increasingly important

2011 to 2014: Distribution channels of online radio stations



Source: WebRadioMonitor 2012

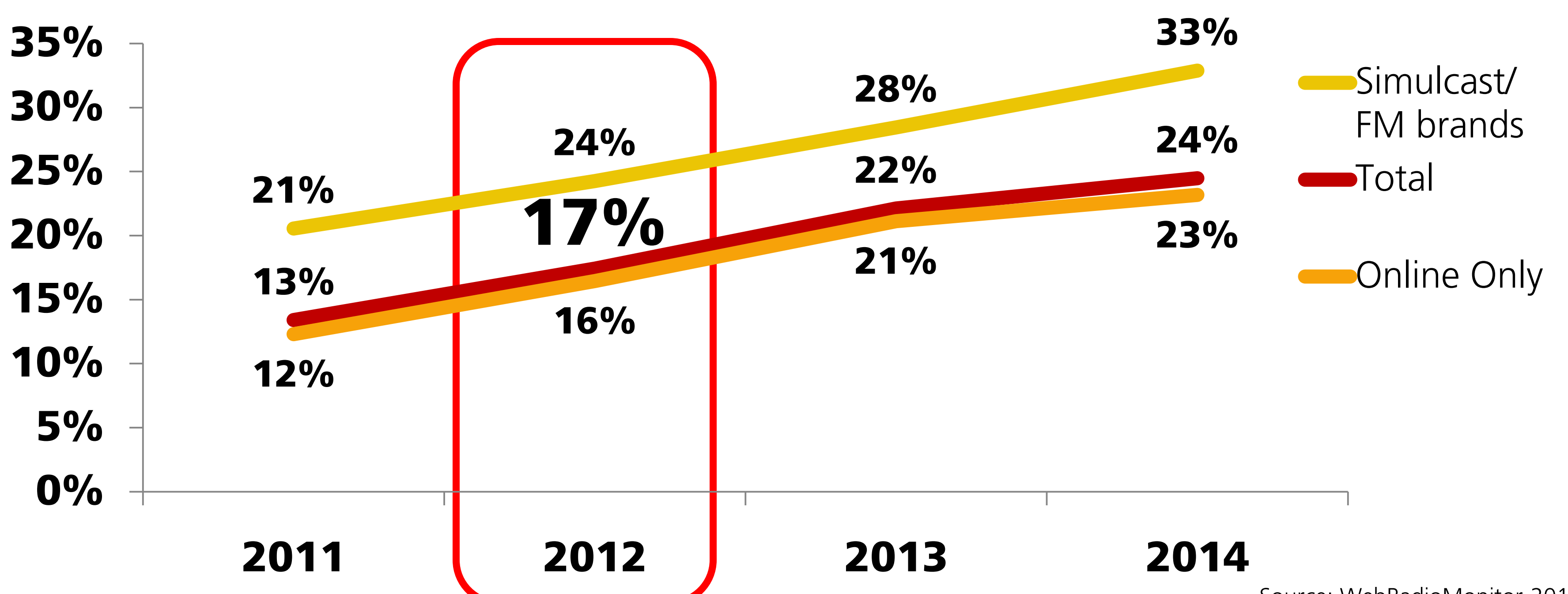
Key Facts

- Own website is the most important channel for online radio stations in the medium term → mobile usage becomes increasingly important
- At present, approx. 70% of "hits" via own website (62% via desktop PC and 8% via mobile websites)
- The role of aggregators to gather and structure the online radio market remains hugely important
- Crucial for broadcast stations: need to use all available distribution channels to generate sufficient coverage

WebRadioMonitor 2012
Content

2012: 17% of all hits on online radio streams via mobile devices – providers expect increase to 24% by 2014

Share of mobile use (via App or mobile optimised websites) compared to total usage per month in % (2012)



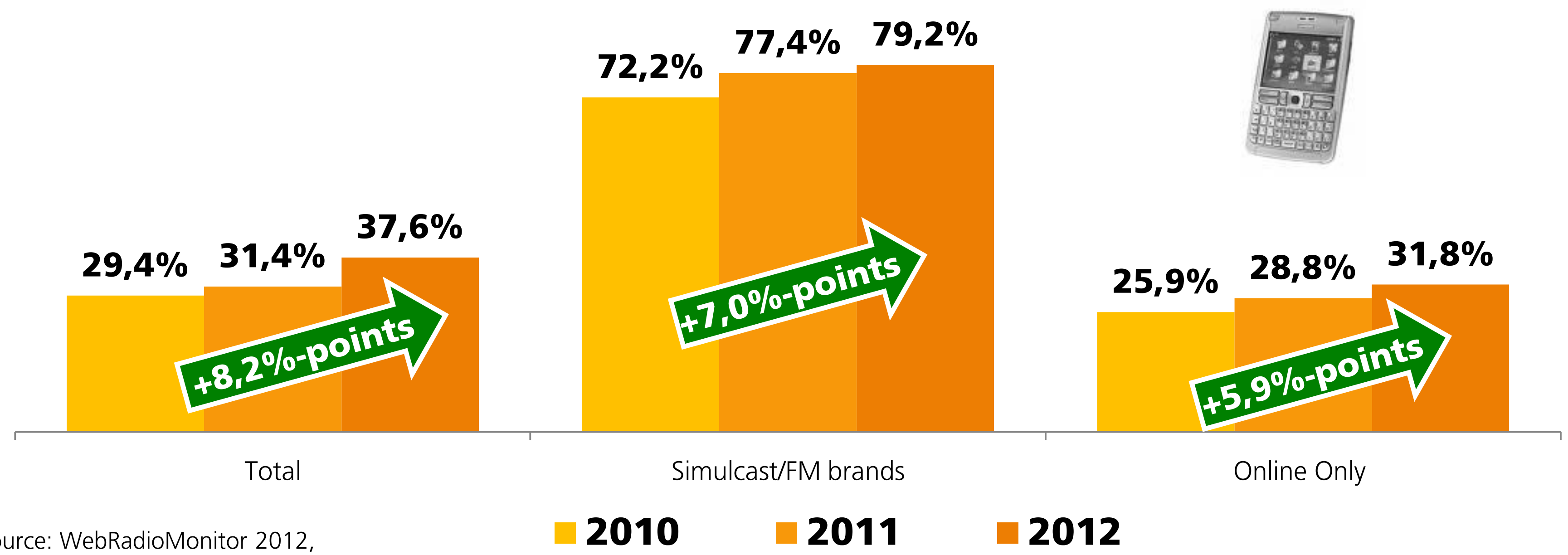
Source: WebRadioMonitor 2012

Key Facts

- Mobile use is still the main driver of growth for online radio stations. However, mobile listening time usually shorter than listening time on stationary devices due to different pattern of use
- Additionally, the number of hits via mobile devices higher due to more frequent interruptions and subsequent re-loading of online radio streams (i.e. because of signal interruptions)

Increasing market share of mobile channels: 80% of FM radio stations offer mobile app or optimised website

Share of online radio stations with mobile distribution channels 2010-2012



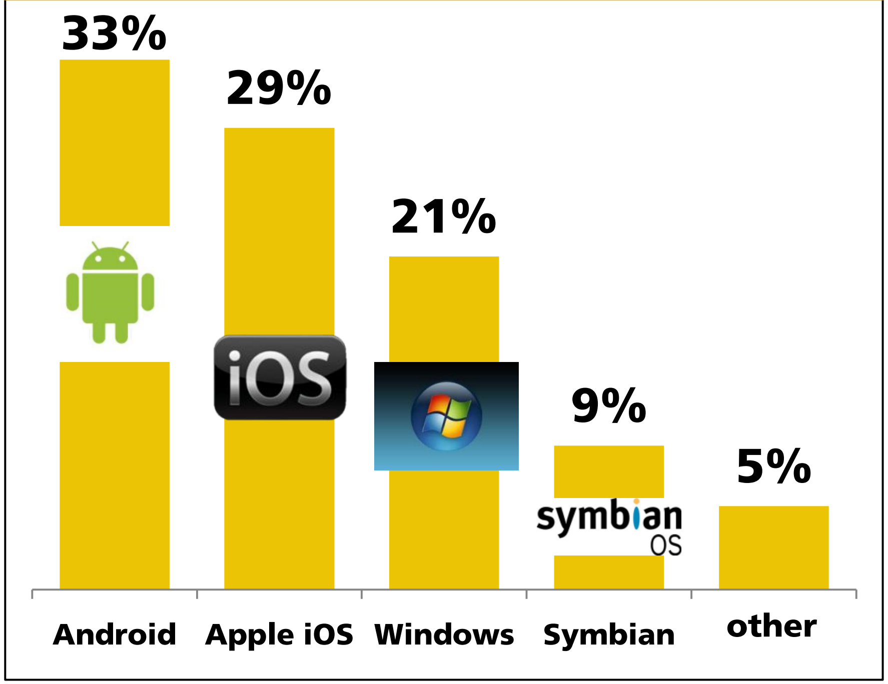
Source: WebRadioMonitor 2012,
Increase compared to WebRadioMonitor 2010

Key Facts

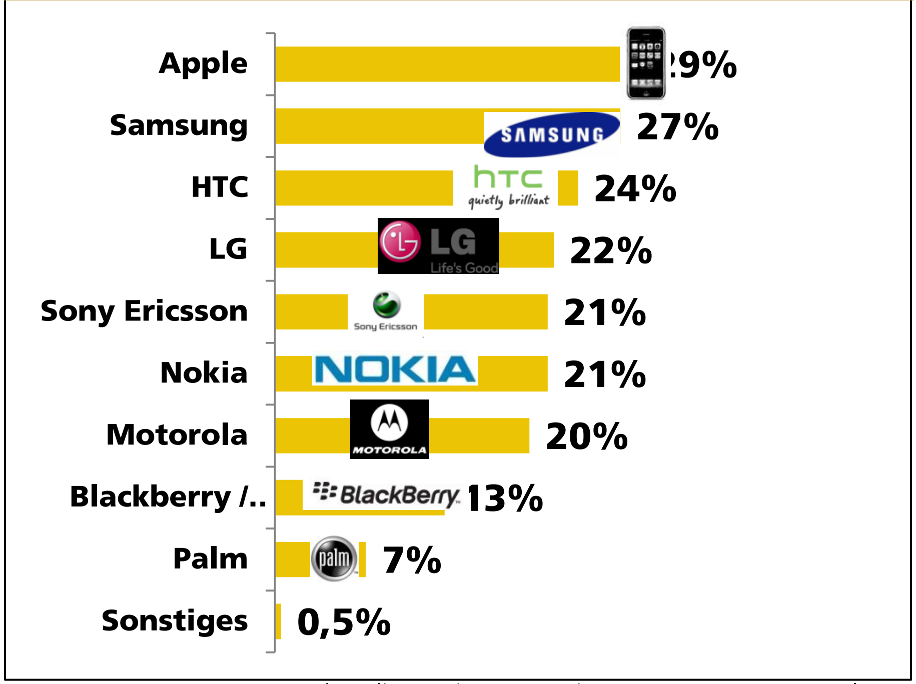
- Nearly 4 of 5 FM online radio stations offer mobile applications or mobile optimised websites
- Substantially fewer online-only stations with mobile offering, however number is increasing, too
- According to the vast majority of providers, mobile distribution remains the key area of growth

Mobile apps 2012: all operating systems and devices are supported. Apple and Android are market leaders

Operating systems supported by online radio apps in 2012



Share of online radio stations for which app is available 2012 (by device)



Source: WebRadioMonitor 2012, image source: company logos

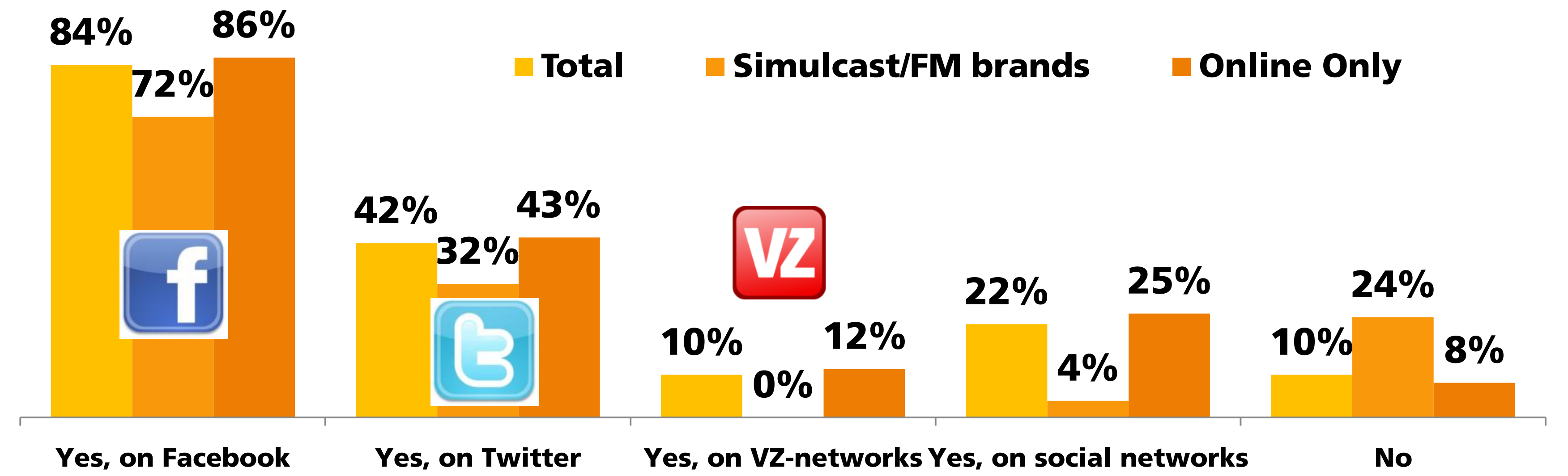
Key Facts

- In 2012, for the first time there are more online radio apps available for Android (34%) than for iOS (30%) – declining market shares of Windows and Symbian
- About 30% of all German online radio stations offer apps for Apple devices, but Samsung smartphones are almost as popular (27%)

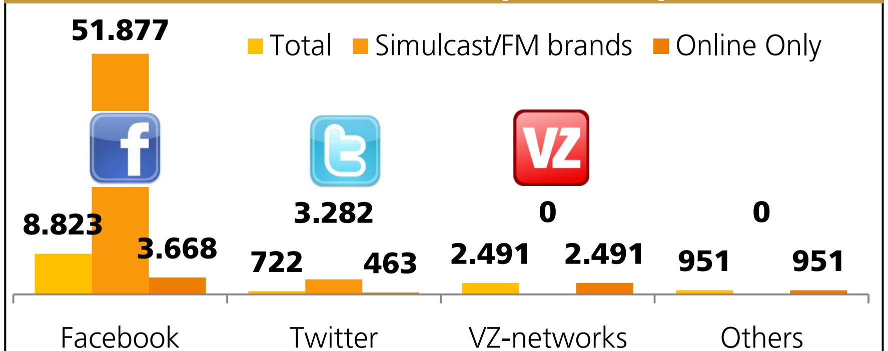
WebRadioMonitor 2012
Content

Online radio stations actively use social media. 84% use Facebook – 42 % on Twitter

Social media presence of German online radio stations (04/2012)



Fans/Follower of online radio stations (04/2012)



Source: WebRadioMonitor 2012

Key Facts

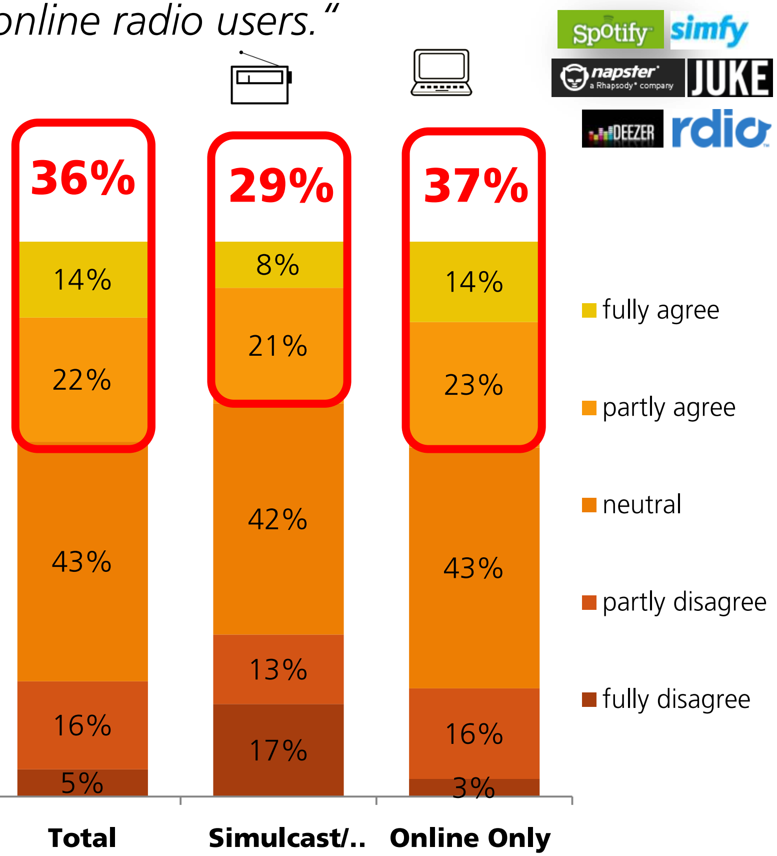
- Social media is widely used by 8 of 10 German oline radio providers
- „Online only“ stations are leading the charge, 90% are already using Facebook
- Facebook clearly the most important network, followed by Twitter

WebRadioMonitor 2012
Content

36% fear potential competition from Spotify & others, but majority is not afraid of music streaming services

Competition from „On-demand“ music platforms 2012

„New music services such as Spotify or Rdio will negatively impact on the number of online radio users.“



Source: WebRadioMonitor 2012

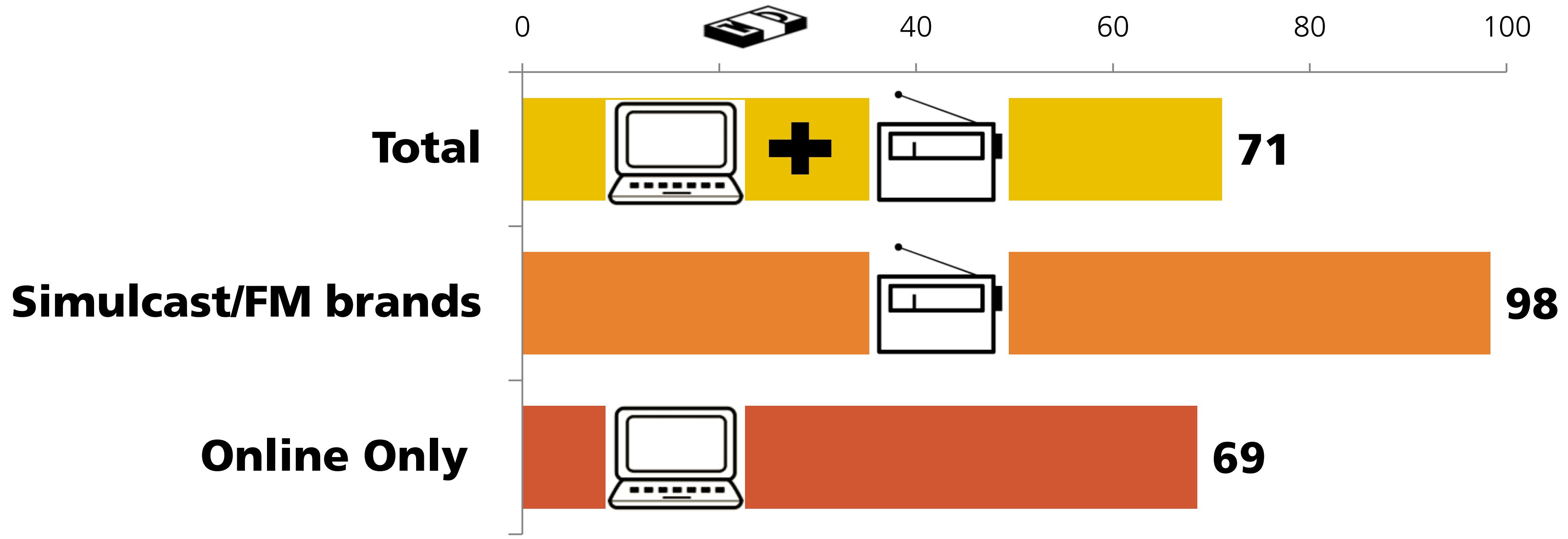
Key Facts

- On-demand streaming services like Spotify are seen as competitors of iTunes rather than of „traditional“ online radio stations
- Therefore, according to experts and the majority of surveyed providers, online radio stations are not in danger of being pushed out of the market by online streaming services in the short/medium term
- Value of editorial content as well as „lazy“ users, who prefer listening to a pre-selection of songs rather than creating their own playlists are unique features of online radio platforms and will secure competitive advantage against on-demand streaming services
- Spotify is also used by some radio stations as supplementary service, „Spotify apps“ are offered by some radio stations

WebRadioMonitor 2012
Content

Online radio stations overall loss-making: only 71% cost recovery on average. FM brands nearly break-even

Average cost recovery of online radio stations 2011 in %



Source: WebRadioMonitor 2012

Key Facts

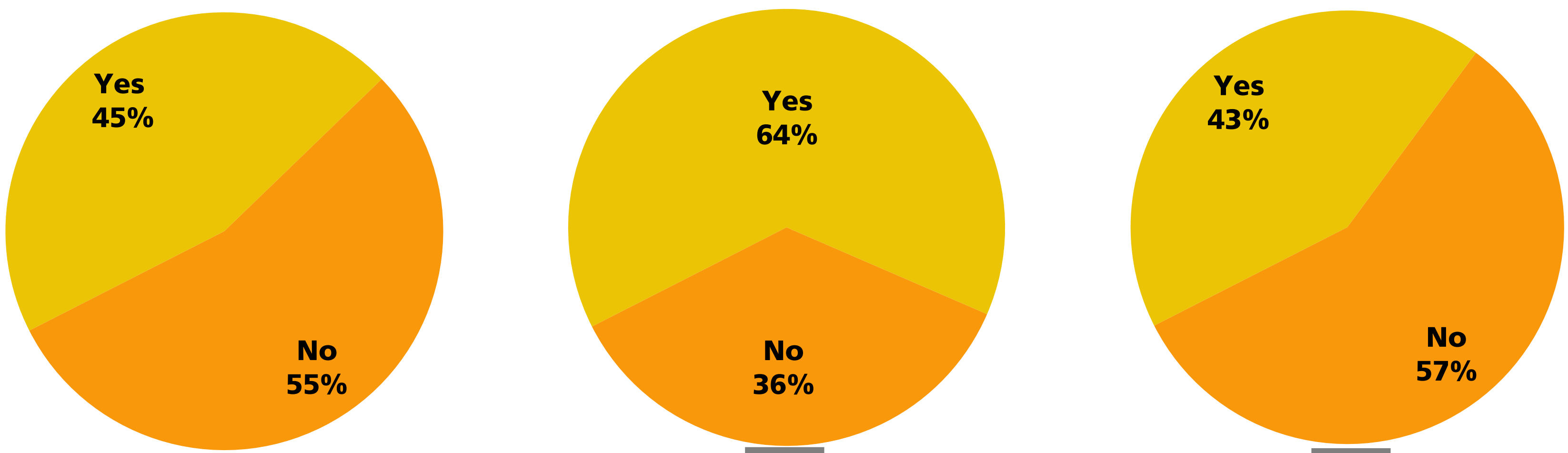
- On average, the cost incurred by online radio stations clearly exceed revenues
- The cost recovery rate of Online only stations is only 69% (~30% incur losses)
- FM brands are clearly stronger and almost break-even (98% cost recovery)

Source: WebRadioMonitor 2012, Picture: Goldmedia

Barely 50% of online radio stations user adverts. However, 2 of 3 FM-brands successfully sell advertising

The share of online radio stations who sell airtime (04/2012)

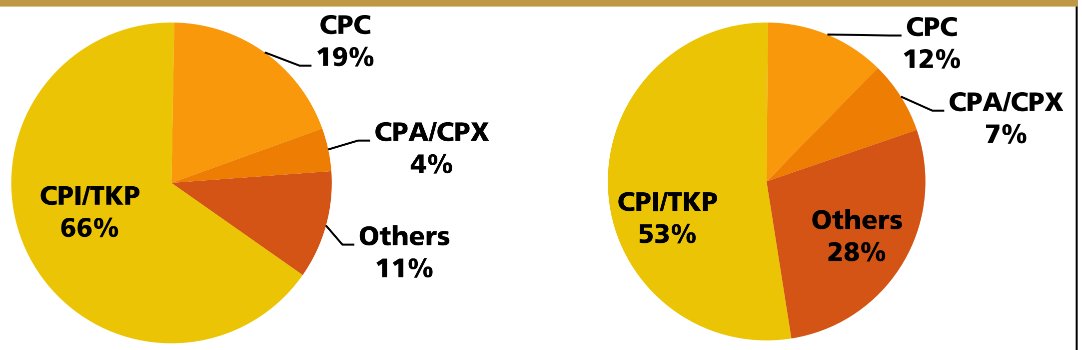
Total | FM brands | Online only



Key

- Cost-per-Impression (CPI) : Billing is carried out on a basis of fixed price per 1.000 ad displays, also called Cost per Mille (CPM)
- Cost-per-Action (CPA, CPX), incl. Cost-per-Lead (CPL), Cost-per-Order (CPO)/Cost-per-Sale (CPS): Pricing model, where the advertiser pays for each specified action, e.g. registration, download, purchase
- Cost-per-Click (CPC)/Pay –per-Click: Advertiser pays a fixed price when the ad is clicked

Advertising pricing models used in the online radio market (04/2012)

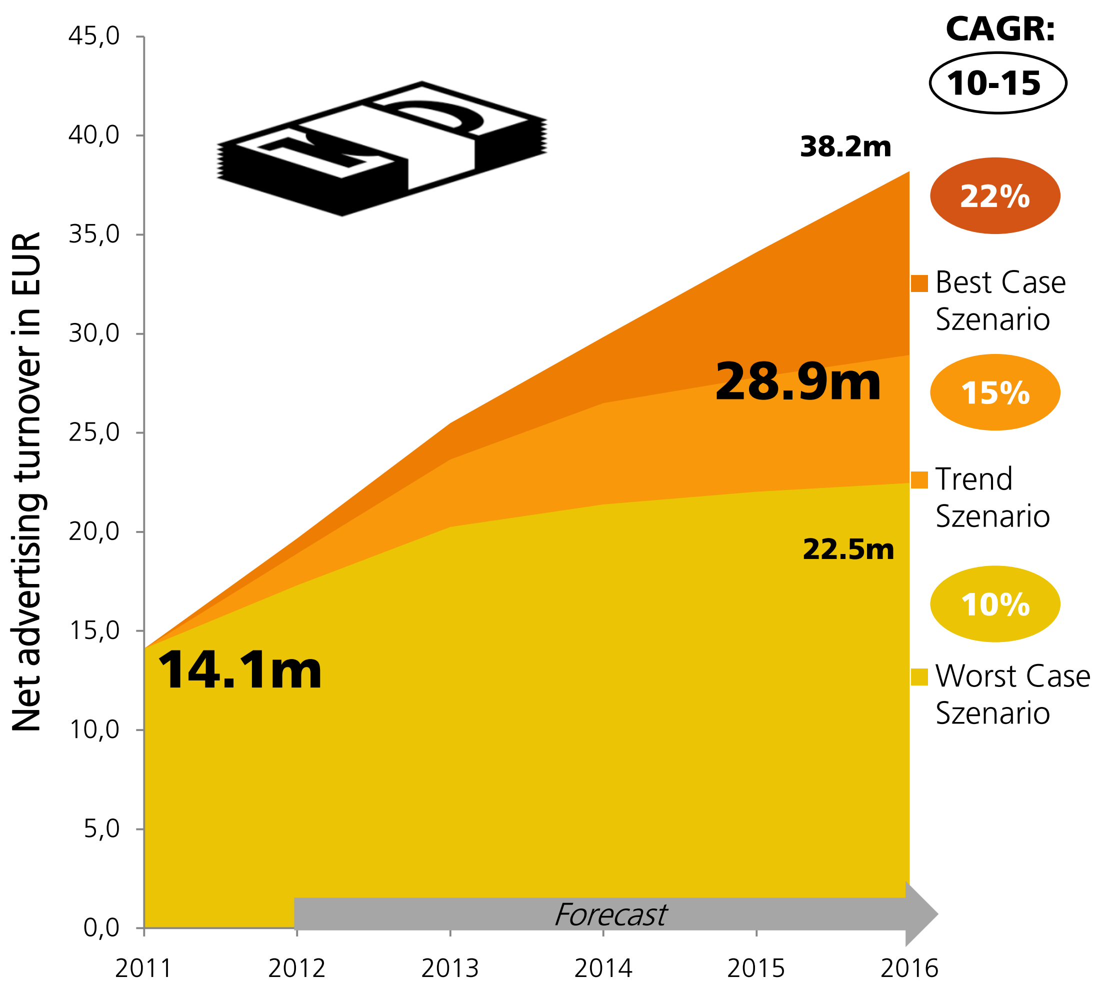


Source: WebRadioMonitor 2012

Content

Advertising revenues 2011: 14.1m Euros net. Further increasing ad revenue expected

Advertising revenues (net) of all German online radio stations until 2016



Source: WebRadioMonitor 2012, CAGR = Compound Annual Growth Rate

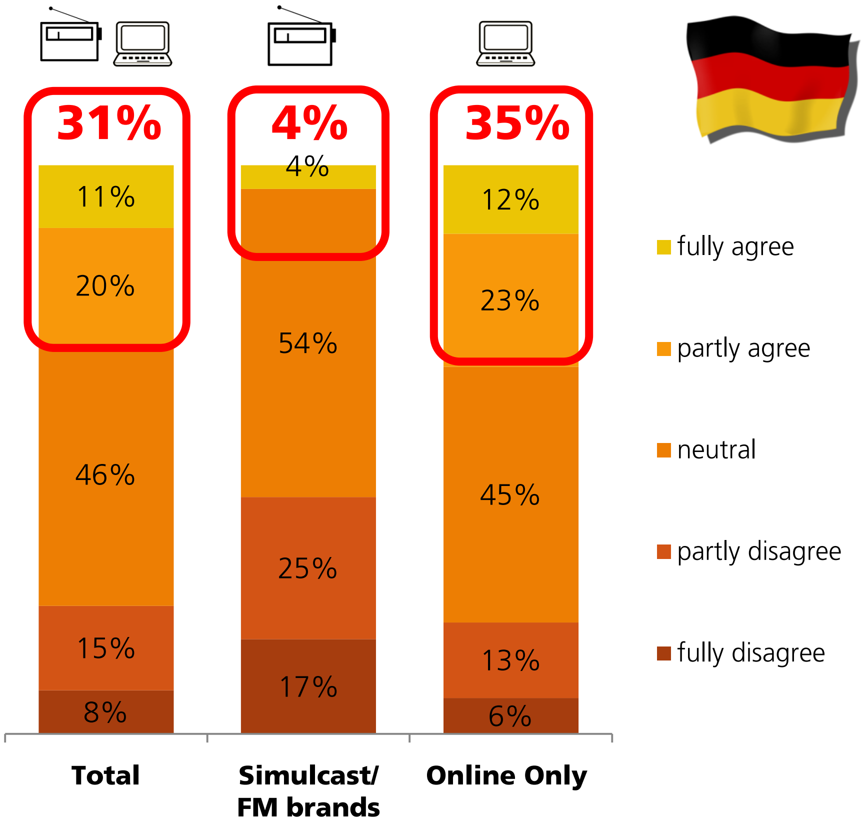
Key assumptions

- WebRadioMonitor 2011/2012, estimated broadband development according to German Regulatory Authority (BNetzA), trend extrapolation and interviews with industry experts
- 37% growth compared to previous year's study
- Increasing penetration of smartphones and mobile use will drive further growth in the market
- In the medium term, additional growth generated by online radio use in cars
- Smart TVs may also play a role as additional distribution channel
- Increasingly professionalised marketing, co-operations (e.g. online radio association) and use of synergies (i.e. for FM brands)

In international comparison, 31% of providers see the German market in an internationally leading position

The German online radio market in an international comparison 2012

„The German radio market is, in comparison to other countries, highly developed"



Source: WebRadioMonitor 2012

Key Facts

- 31% of online radio providers see the German market as highly developed compared to other international markets
- Only 4% of Simulcast/FM brands believe that the German online radio market is highly developed

Picture: © robertosch #38762725

WebRadioMonitor 2012
Content

Webradiomonitor 2012
Executive Summary

Online radio market in Germany

- There are a total of 3,021 online radio stations in Germany (04/2012)
- 82% of online radio statiosn are „only online“ (2011: 84%)
- The number of very small radio stations is decreasing for the first time

Usage

- On average , every stream is hit 13,810 times per day (2012) (Simulcast/FM brands Ø 18,259, Online only stations Ø 13,275 hits)
- Compared to 2011, the average number of hits increased by 34%
- Patterns of use: Online only stations are used more often at night, FM brands more similar to traditional radio stations (mostly in the morning)
- Strong increase in listening time per stream: 167 min. (2011: 119 min)

Advertising / marketing

- 45% of online radio stations sell advertisement (i.e. display ads, spots)
- In 2011, the total net advertising revenues of German online radio stations were EUR 14.1 million
- Display advertising is still the most common form of advertising sold by online radio stations, followed by spot ads, pre-roll ads and sponsoring
- ¾ of all surveyed online radio providers expect continuing high growth
- Majority of providers see lack of a „uniform online coverage currency“ as a major barrier to a further successful market development

Webradiomonitor 2012
Executive Summary

Mobile

- One in six hits (17%) on online radio streams is via mobile – the market share of mobile usage is expected to increase to 24% by 2014
- ¾ of people surveyed believe that mobile (apps and optimised websites) will become the most important distribution channel in the future
- 57% believe that mobile online radio could replace the traditional FM radio in the long run due to its inherent advantages

Social media

- 84% of internet radio stations use Facebook, 42% are on Twitter
- 2/3 (68%) of all online radio providers believe that a social media strategy is crucial for their success
- Half of the online radio providers expect growing importance of social media for their business: However, the overall share of online radio use via social media platforms is only expected to increase from 6% to 7%

Other trends

- Most providers do not feel threatened by on-demand music streaming services like Spotify, as they are no substitutes for online radio stations
- Provides have high hopes that an increasing number of online radio use in cars will further push the online radio market in the medium term
- 54% are satisdfied with the overall growth prospect in the market
- 20% believe that „Pay-Radio“ will play a role in the online radio market

GOLDMEDIA

Thank You!

Goldmedia GmbH Strategy Consulting

Prof. Dr. Klaus Goldhammer
Mathias Birkel | Christine Link

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