GOLDMEDIA

Online radio in Germany
Web Radio Monitor 2010

Commissioned by the Bavarian Regulatory Authority for Commercial Broadcasting – BLM
July 2010

Goldmedia GmbH
Media Consulting & Research

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

Web Radio Monitor 2010
Contents

1. Introduction
2. The German online radio market
3. Use and scope of online radios
4. Mobile usage
5. Advertisement and marketing
6. Trends and forecasts
7. 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:

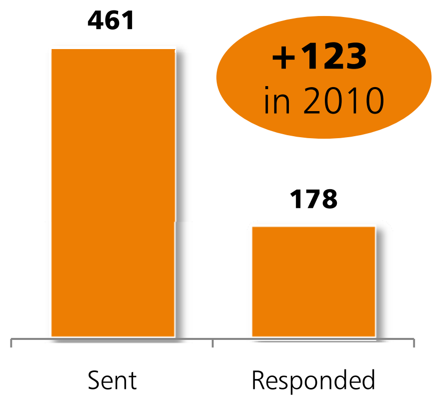
- Give overview of the German online radio market
- Quantify online radio market in Germany through survey of all providers
- Provide market analyses and forecasts for online radio in Germany
- Categorisation of German online radios by genre and type of service

Methodology

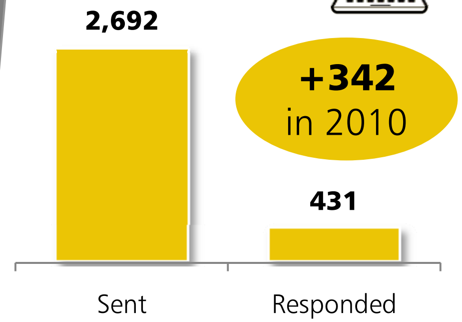
- Project time frame: April to July 2010
- Primary data research through survey of all **German online radio providers (n=2,692)** via online and offline questionnaires
- Response: **609 completed questionnaires** (23%)
- Survey period: May 04, 2010 – June 18, 2010
- Interviews with industry experts and representatives
- Secondary data through online desk research
- Forecasts via top-down and bottom-up analyses
- **www.webradiomonitor.de**

Response rates

FM Broadcasters



Online Only



Growth according to Web Radio Monitor 2009

Web Radio Monitor 2010
Contents

1. Introduction
2. The German online radio market
3. Use and scope of online radios
4. Mobile usage
5. Advertisement and marketing
6. Trends and forecasts
7. Executive summary

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

Value chain: online radio in Germany 2010

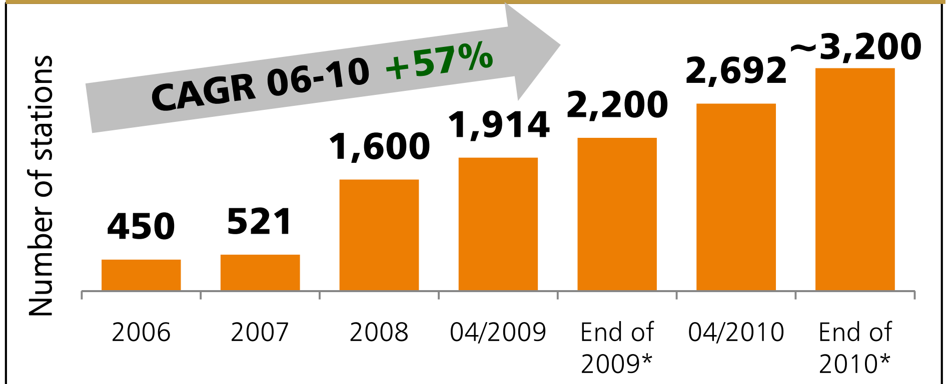
Content (~2,700 online radio stations)	Aggregation (about 10 online radio aggregators)	Sales (about 10 special marketers)	Distribution (about 40 service providers)	User
▪ FM broadcasters ▪ Online-only stations ▪ Personalised services	▪ Online radio aggregators (online + mobile)	▪ Radio marketers ▪ Special marketers for online radio	▪ Streaming provider ▪ Internet service provider	
antenne BAYERN 90elf laut.fm TECHNOBASE.FM simfy	radio.de phonostar – Wir lieben Radio SURFmusik.de WWW.DEUTSCHLAND.FM	RBC Netvertiser audimark RMS audioads	nacamar TV1.DE home of IPTV totalMEDIA – Streamhosting • Webhosting • Serverhosting interoute	

Further Players (Examples): BLM, spectronic, adswizz – NEXT GENERATION AD SERVER

Source: Goldmedia Web Radio Monitor 2010

About 2,700 German online radio services in 2010, rapid annual growth of 57% since 2006

Online radios in Germany, 2006 to end of 2010

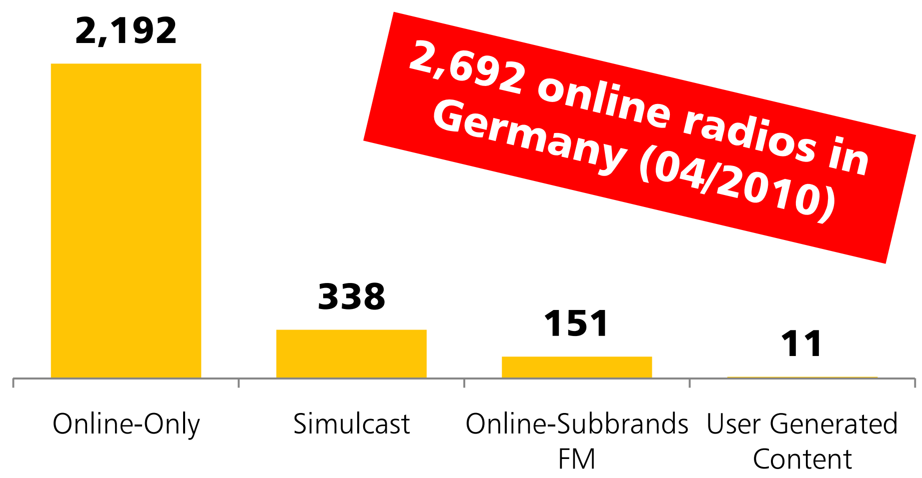


Sources: Goldmedia Web Radio Monitor; ALM, *Est. for end of `09 & end of `10

Summary

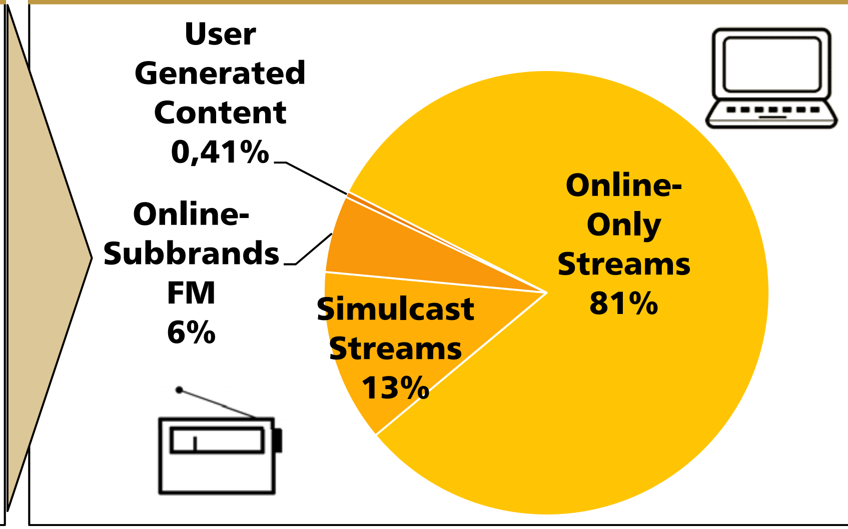
- 2,692 online radios in Germany (04/10)
- Goldmedia anticipates about 3,200 online radios by the end of 2010
- Annual growth of 57% since 2006
- Online-only stations make up $^4/_5$ of total stations

Number of German online radios by service type (04/2010)



Source: Goldmedia Web Radio Monitor 2010

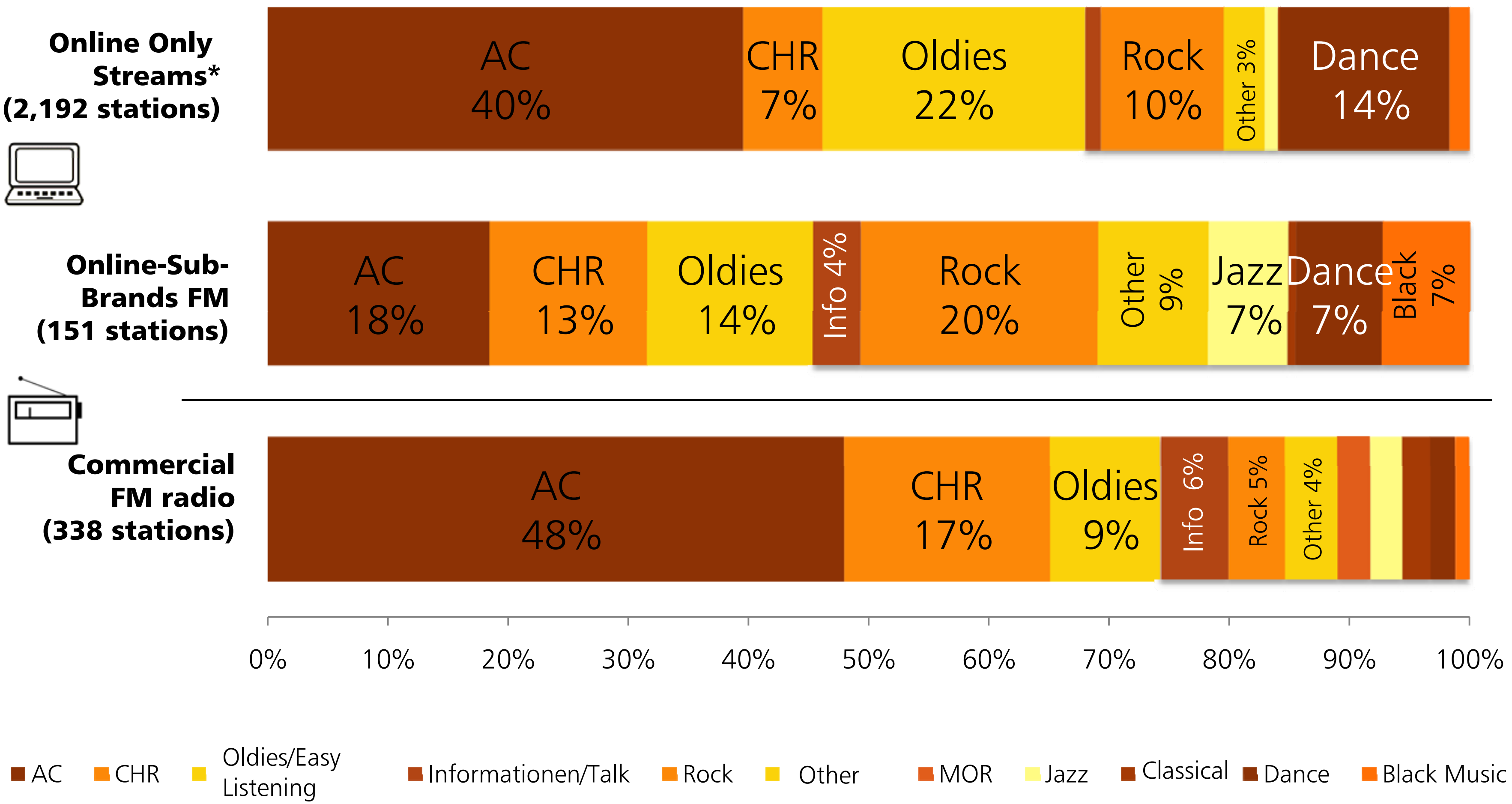
German online radios by type of provider (04/2010)



Source: Goldmedia Web Radio Monitor 2010

Online radio offers greater variety in format than FM radio: oldies, rock und dance are played more often

Format comparison: commercial FM broadcasters and online radios in Germany (4/2010)



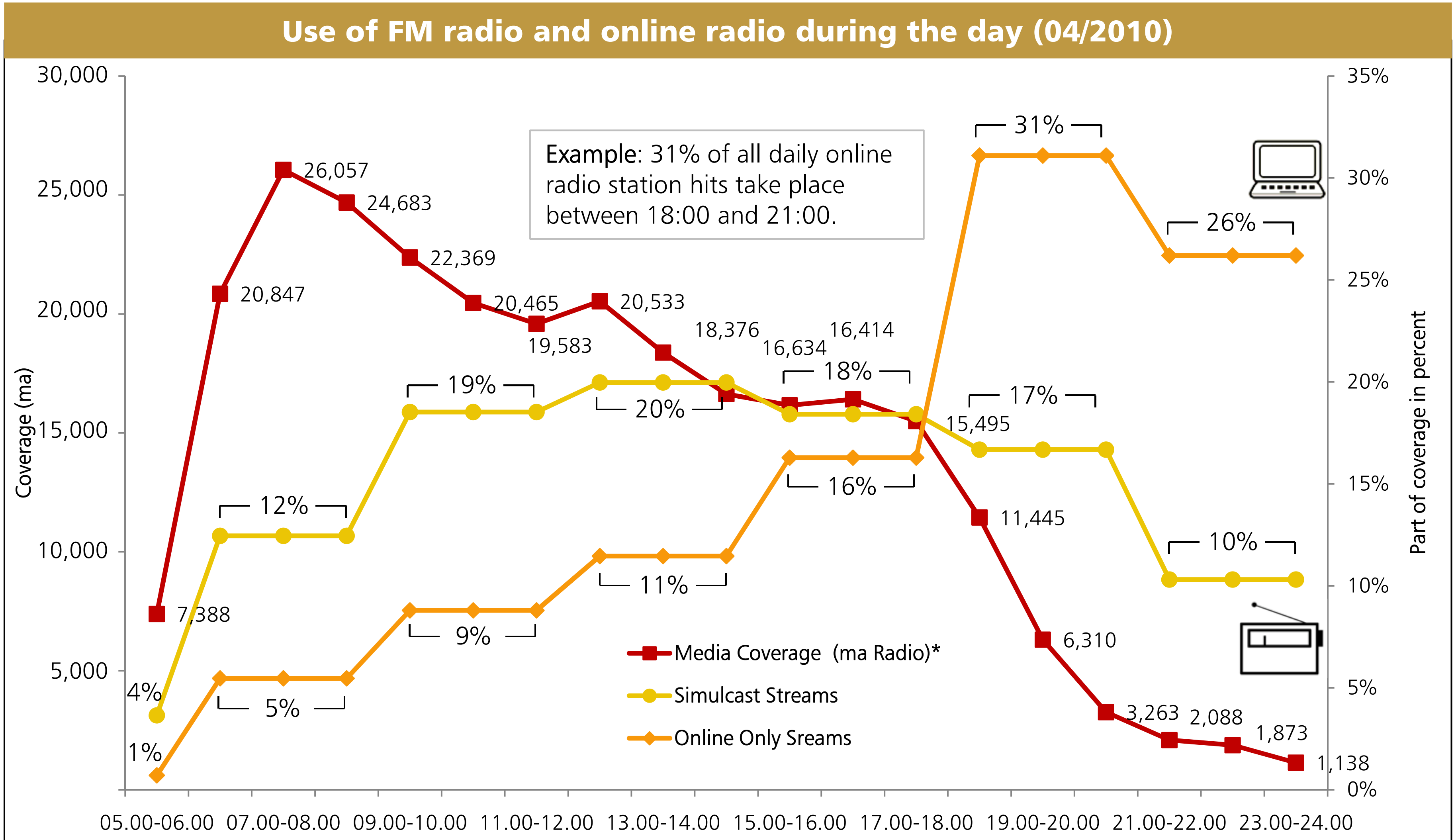
* Without aggregators and user generated content . Source: Goldmedia Web Radio Monitor 2010, n=2,692

Web Radio Monitor 2010

Contents

1. Introduction
2. The German online radio market
3. Use and scope of online radios
4. Mobile usage
5. Advertisement and marketing
6. Trends and forecasts
7. Executive summary

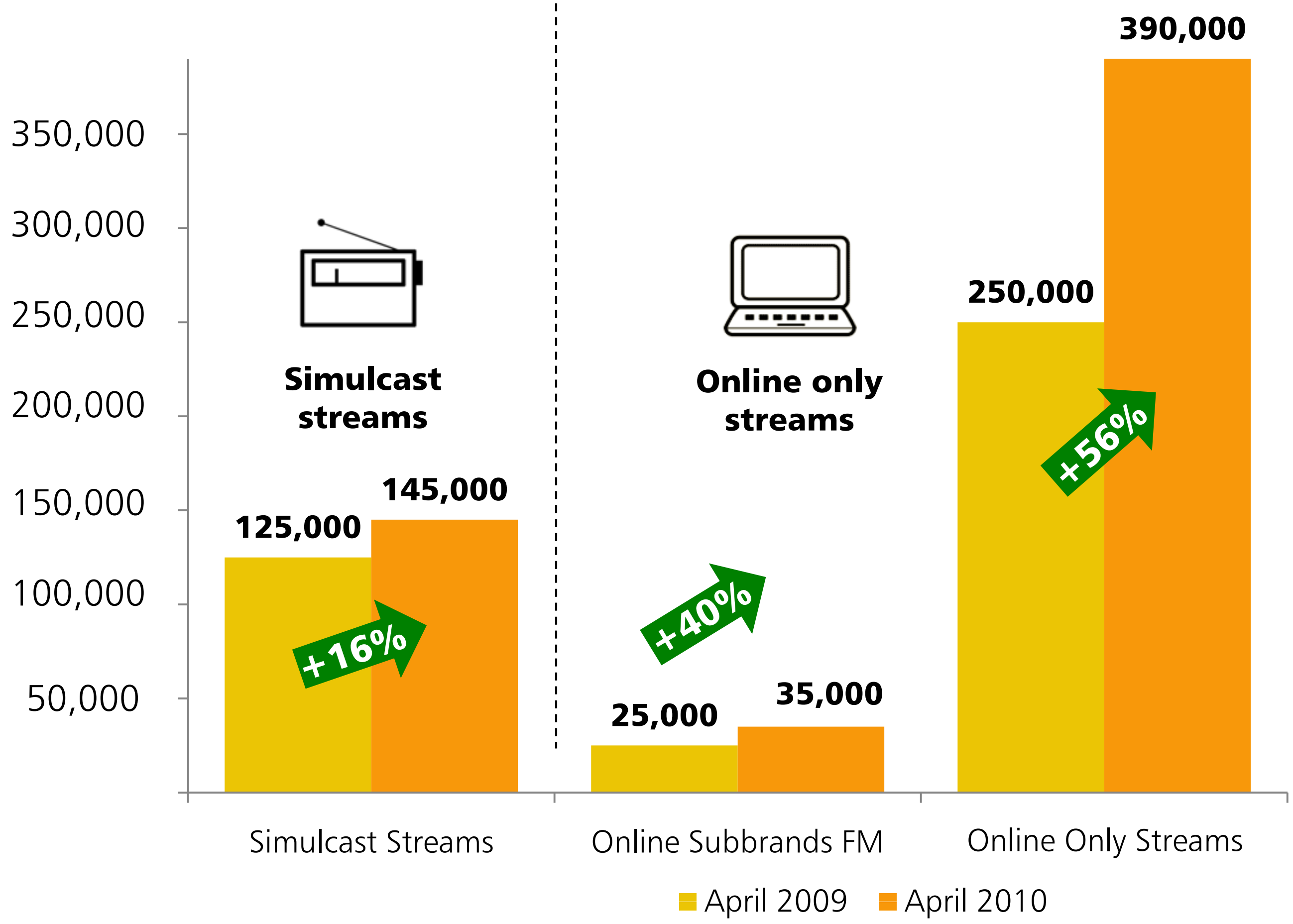
Usage during the day: in contrast to FM radio, online radio is mainly listened to in the evening



* ma 2009 Radio II Update, figures in thousands
Source: ma 2009 Radio II Update, Goldmedia Web Radio Monitor 2010, n=609

Increase of maximum usage shows growth of online radio stations, especially at the top ...

Maximum usage (hits) of selected online radios (Ø per day 2010 vs. 2009)

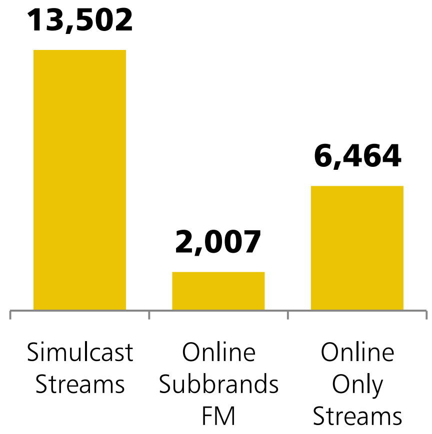


Source: Goldmedia Web Radio Monitor2010, n=609 and Web Radio Monitor 2009 n = 143,
Average daily hits per radio station according to their statements

Ø Hits April 2010

Actual Ø hits for online radios in GER per day

Average: 7,800 hits/day/station



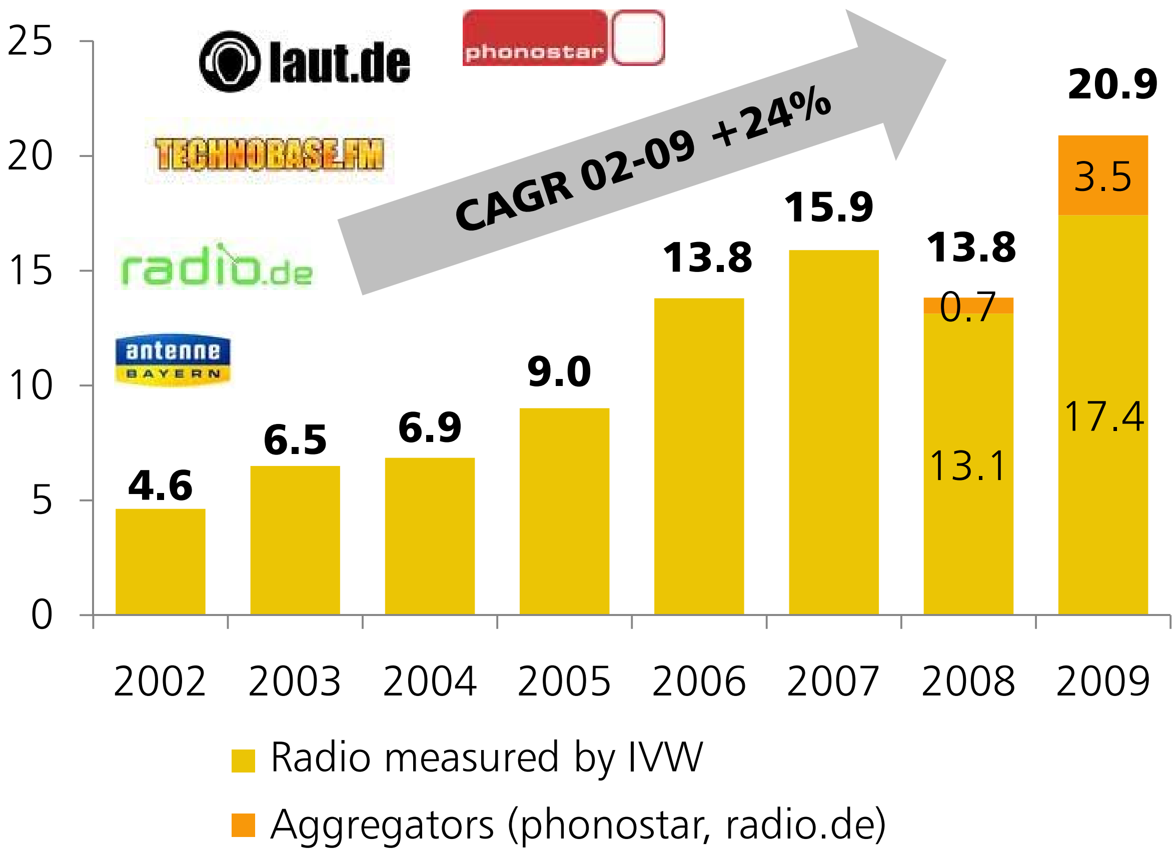
Source: Goldmedia Web Radio Monitor 2010, n=609

Annual growth in visitors for radio websites: 24 percent since 2002

Market development of online radio in Germany

Average visits per month on IVW recorded internet platforms of German radio operators (in million of visits)

Basis: 93 IVW recorded online radio offers (incl. aggregators)



Source: Goldmedia/IVW 2010

Key facts

- Altogether, continuous visitor growth with CAGR 02-09: 24 percent
- Importance of aggregators is increasing markedly: on average 3.5 million visits/month during 2009
- Increased spread of mobile internet (via smartphone, laptop, pad) could lead to further growth
- Not considered: all ranges of online radio stations and aggregators that can't be measured by the IVW

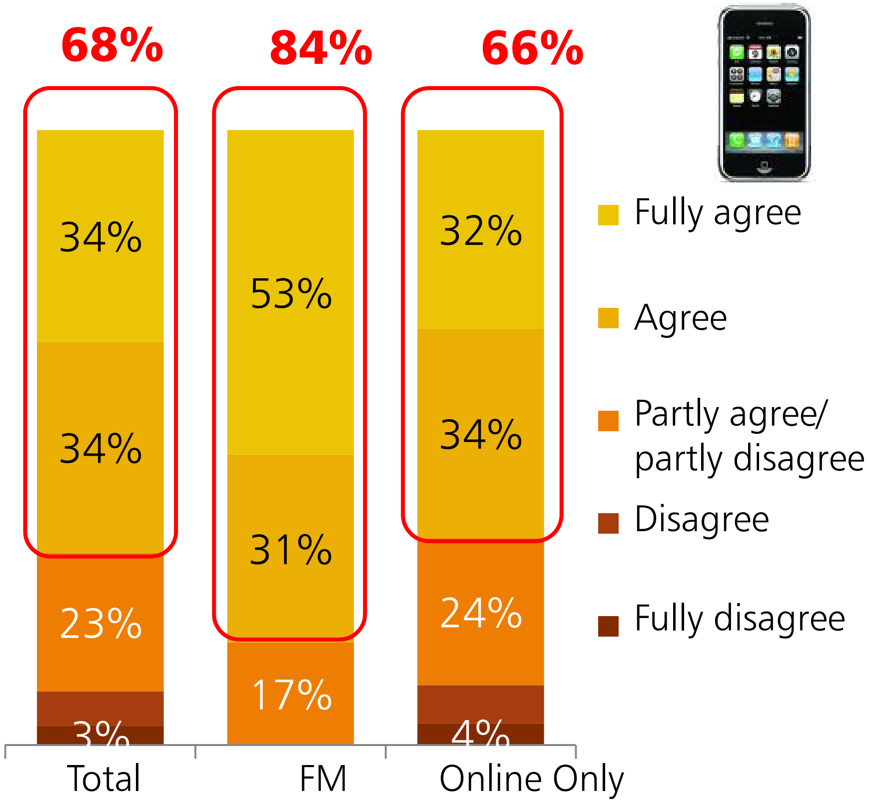
Web Radio Monitor 2010
Contents

1. Introduction
2. The German online radio market
3. Use and scope of online radios
4. Mobile usage
5. Advertisement and marketing
6. Trends and forecasts
7. Executive summary

Online radio usage becomes mobile & will establish itself on smartphones

Assessment of mobile usage

"Online radio will be able to establish itself on mobile end devices in particular (e.g. iPhone)."



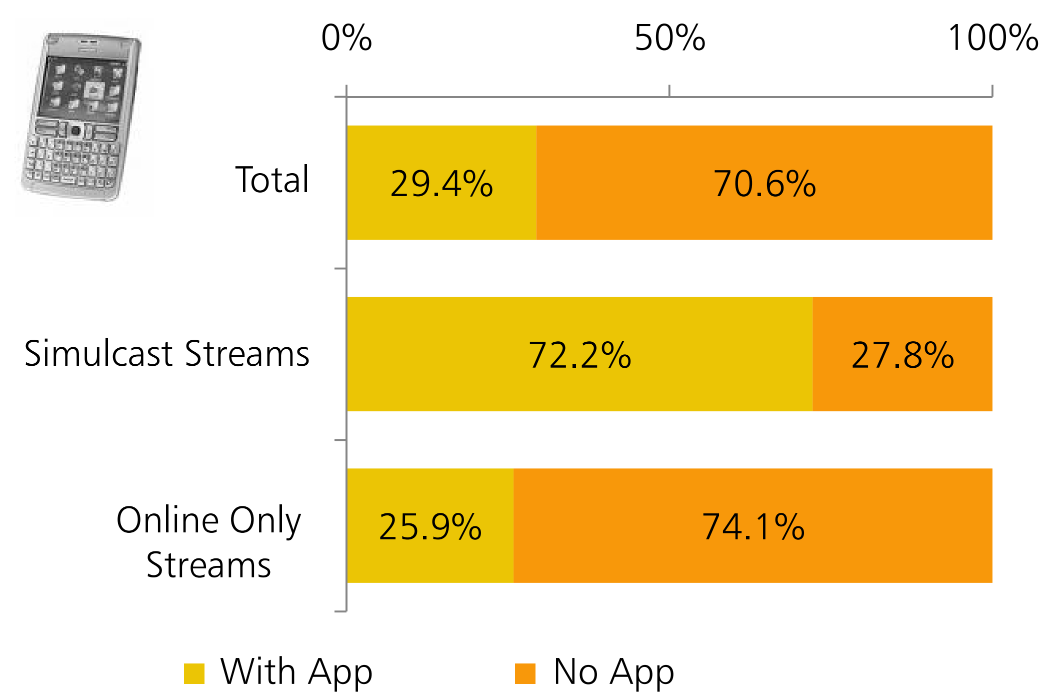
Source: Goldmedia Web Radio Monitor 2010, n=609

Industry assessment of mobile online radio

- 68 percent of broadcasters surveyed expect that online radio can establish itself on mobile end devices in particular (decline compared to 73 percent in 2009)
- Radio broadcasters are offering more and more iPhone online radio applications
- BUT: So far, mobile ranges are <20% of total usage
- FM broadcasters are very optimistic regarding mobile usage. 84% believe in the potential of mobile online radio
- Online-only providers are more sceptical regarding the potential of mobile so far
- UMTS successor LTE technology allows data rates of 150 Mbit/s or more, of which applications such as online radio will benefit.

Mobile apps are widespread: almost ¾ of FM simulcast stations offer apps

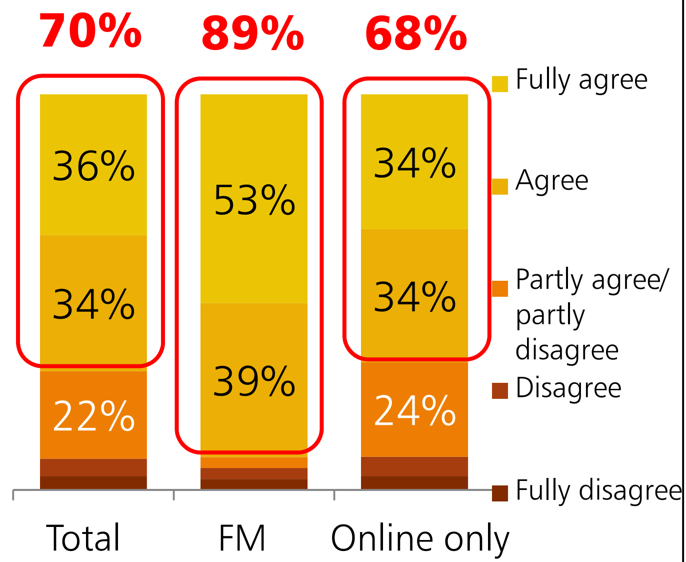
Share of radio stations with mobile apps 2010



Source: Goldmedia Web Radio Monitor 2010, n=609

Industry assessment of apps

"In the future, mobile apps will be of increasing importance for online radio providers."



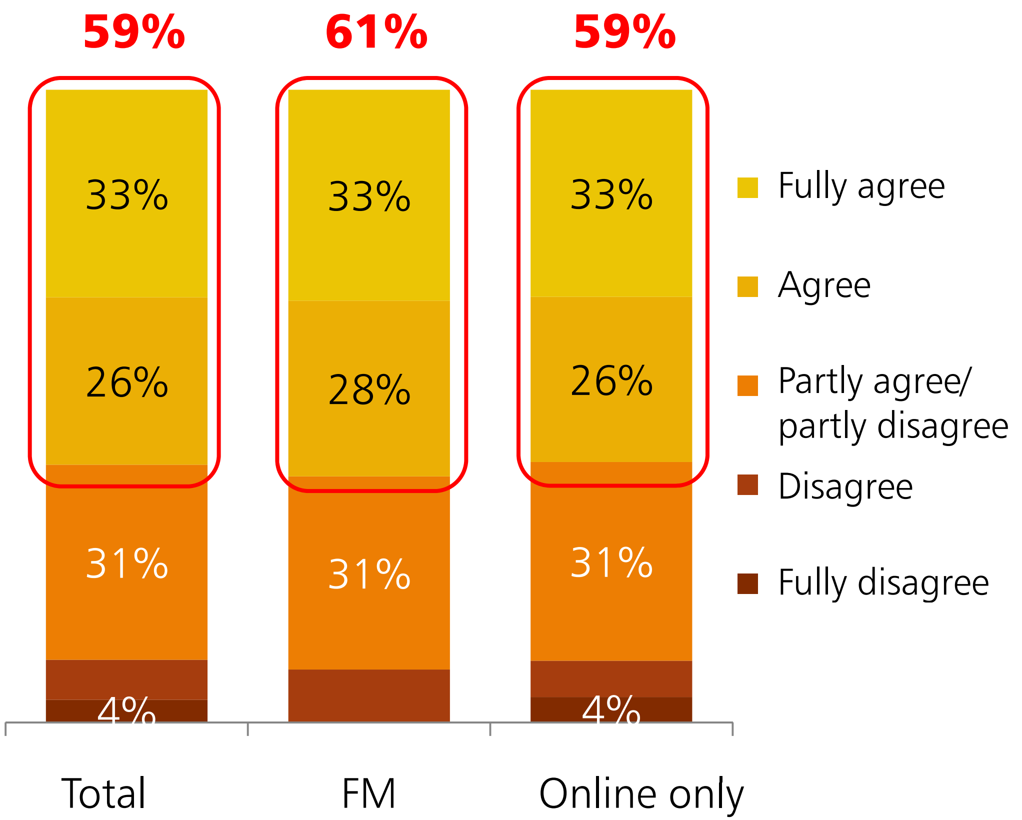
Key facts

- FM online radios are most likely to have their own mobile app, and according to radio station's assessments, their importance will increase further in the future
- Altogether, 44 percent of all streaming offers can also be received on the mobile (4/2010)
- Mobile's share of total usage is partly up to 100%

Six out of ten online radio providers have high expectations for the new mobile standard, LTE

Assessment of mobile broadband and LTE

"We have high hopes for mobile broadband. LTE can promote the development of online radio."

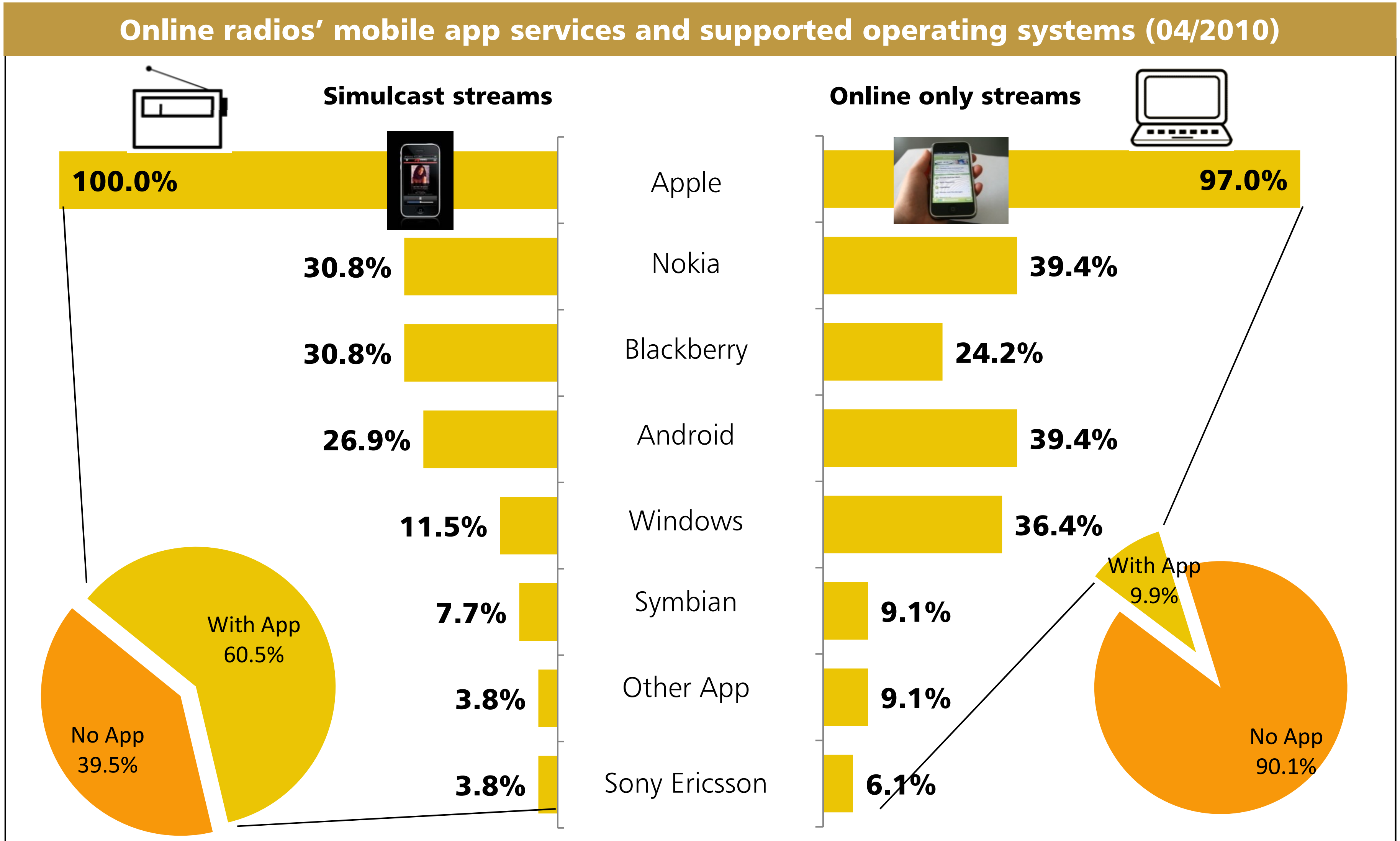


Source: Goldmedia Web Radio Monitor 2010, n=609

Conclusion

- 60 percent of the providers polled believe that LTE will improve the framework for online radio significantly
- For this question, there are no differences between the responses of online-only and FM stations
- In general, it is important for providers that both the number of smartphone users increases and that flat-rate fees are offered more frequently, making data-intensive applications such as online radio competitive
- Whether mobile online radio can establish itself will become clear in the near future

Apple platform leads app market for online radios. 60 percent of all FM online radios already with own app.



Amount over 100% because of multiple choice. Source: Goldmedia Web Radio Monitor 2010, n=609

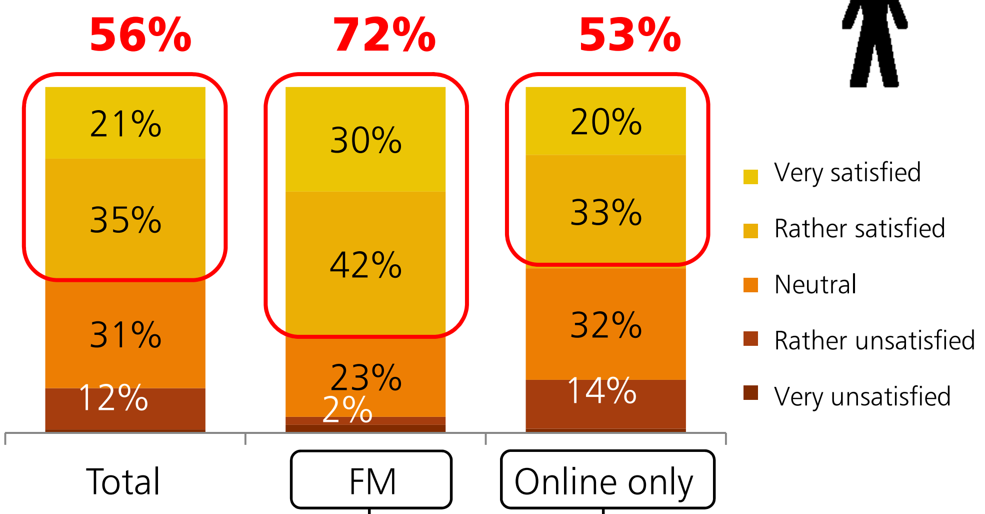
Web Radio Monitor 2010
Contents

1. Introduction
2. The German online radio market
3. Use and scope of online radios
4. Mobile usage
5. Advertisement and marketing
6. Trends and forecasts
7. Executive summary

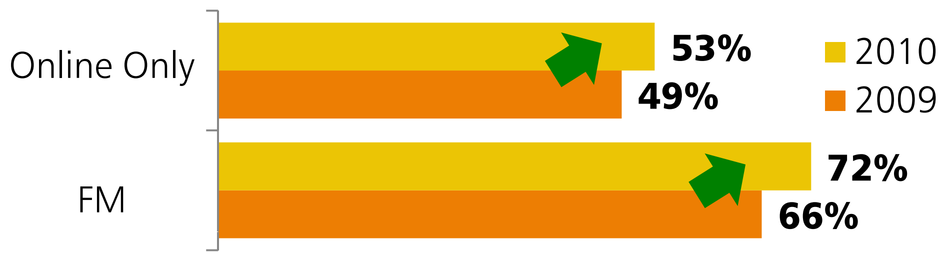
Majority of online radio providers is already satisfied with access figures/listeners!

Access figures of online radios

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



Comparison: "satisfied"* with access figures 2009 and 2010



*"Very satisfied" and "rather satisfied" with access figures

Sources: Goldmedia Web Radio Monitor 2010, n = 609, Web Radio Monitor 2009 n = 143

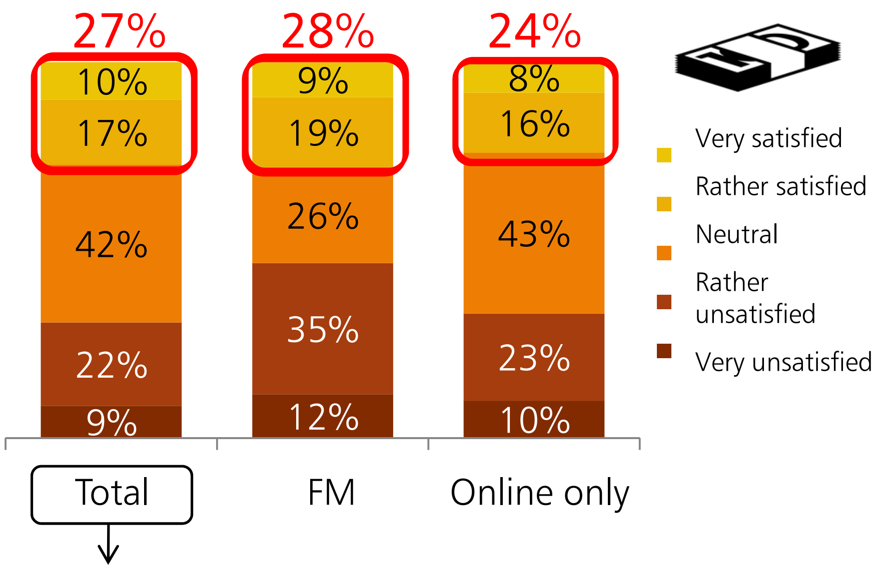
Conclusion

- 56 percent of the German online radio broadcasters surveyed are satisfied with their access figures (compared to 55% in 2009)
- It's even 72 percent of the FM broadcasters and 53 percent of the polled online-only providers
- In comparison to 2009, satisfaction has slightly increased
- In particular, the group of "very satisfieds" increased hyper-proportionally for both FM and online-only providers
- The FM stations' satisfaction indicates that online radio usage is perceived as an important addition

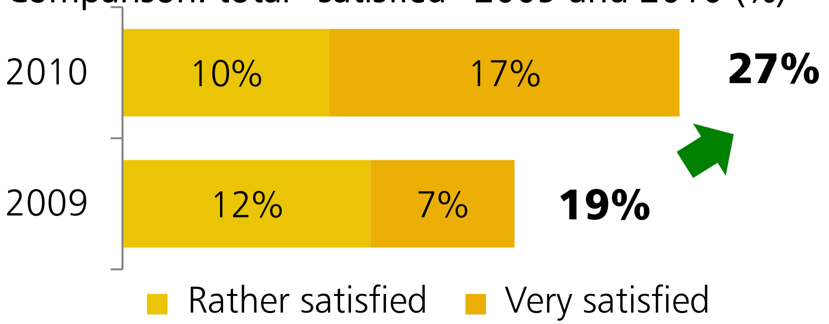
Every fourth online radio provider is satisfied with the profitability of his offering!

Profitability of online radios 2010

"How satisfied are you with the profitability of your online radio?"



Comparison: total "satisfied" 2009 and 2010 (%)



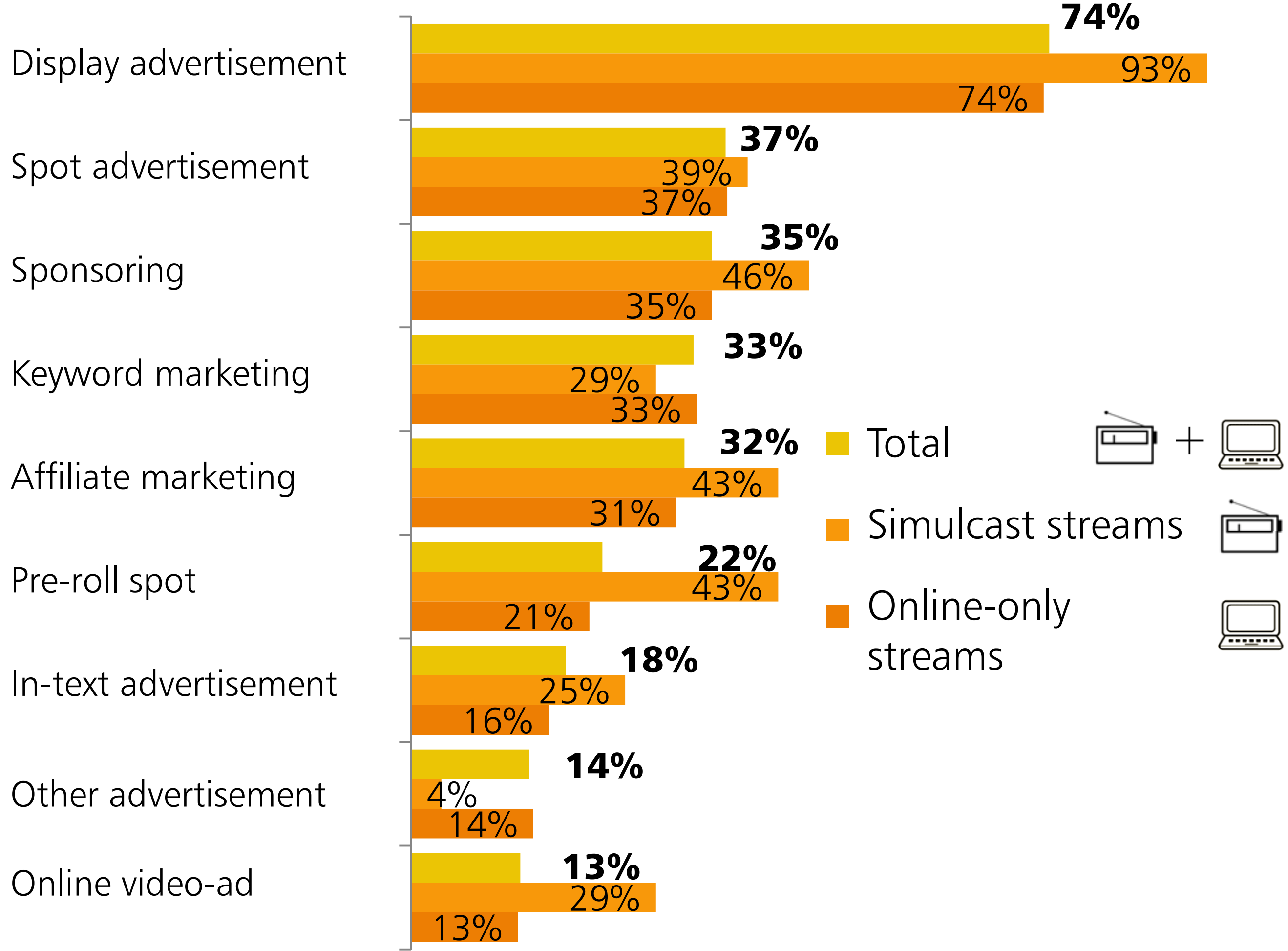
Source: Goldmedia Web Radio Monitor 2010, n = 609

Conclusion

- Overall, 27 percent of the German online station providers are satisfied with their offer's profitability. For this question, the percentage of FM radios is greater than that of online-only services
- Compared to 2009, a clear increase in satisfaction can be observed. In 2009, only 19 percent of the respondents were satisfied with profitability, compared to 27 percent in 2010
- Also the number of the "rather unsatisfieds" declined significantly between 2009 (44 percent) and 2010 (31 percent)
- Monetisation strategies begin to take hold. Nevertheless, the economic capacity has to be improved further.

Display advertisement most important ad form, online-spot advertisement more important than sponsoring

Types of ads offered by online radio providers polled in percent



Source: Goldmedia Web Radio Monitor 2010, n=609

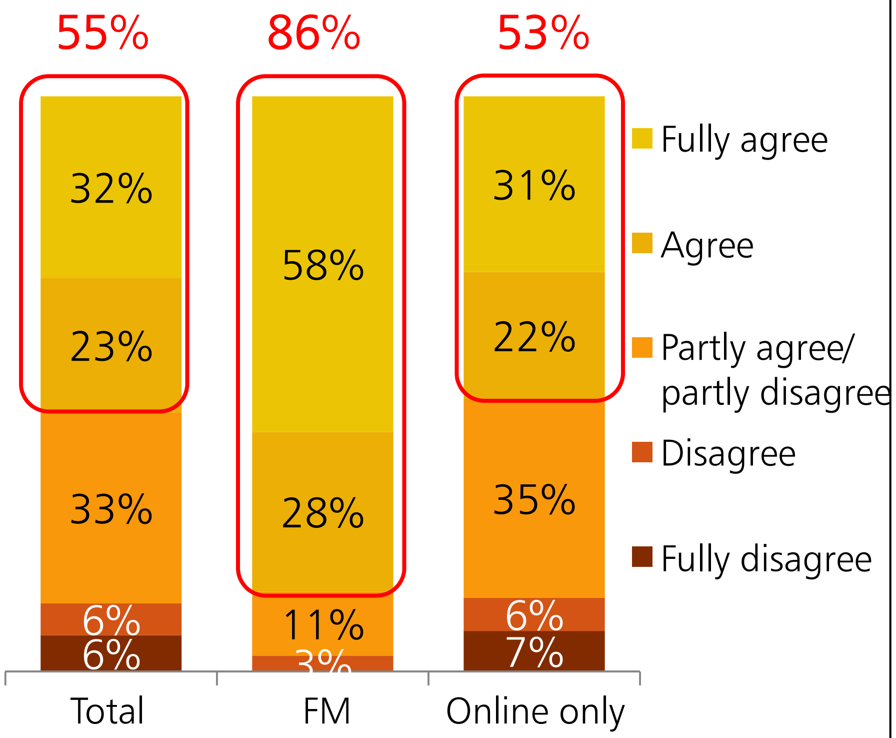
Conclusion

- Altogether, 45% of the providers finance their service at least partly with advertisement
- Display advertise-ment is still the most important ad form for online radios (74% of providers)
- Online spot ads become even more established with online-only providers and become more important than spon-soring (2nd most important ad form in 2010)

Online radio marketing suffers from a lack of a uniform measurement of scope

Assessment online radio measurement

"Online radio needs a uniform measurement of scope in order to market itself professionally."



Source: Goldmedia Web Radio Monitor 2010, n=609

Definitions

Unique listener: person who initiated contact by starting an audio stream and can be assigned to a unique client.

Tune-ins: number of streams started without being attributed to a unique listener or without consideration of aborts and reboots.

Advertising media contact: Listeners / users that had verifiable contact with the advertising media (spot).

Conclusion

- Lack of documentation for online radio's effectiveness undermines marketing
- Nine out of ten FM broadcasters say that a uniform measurement of scope is essential
- Advertisers still have to be convinced of the advantages of the Web

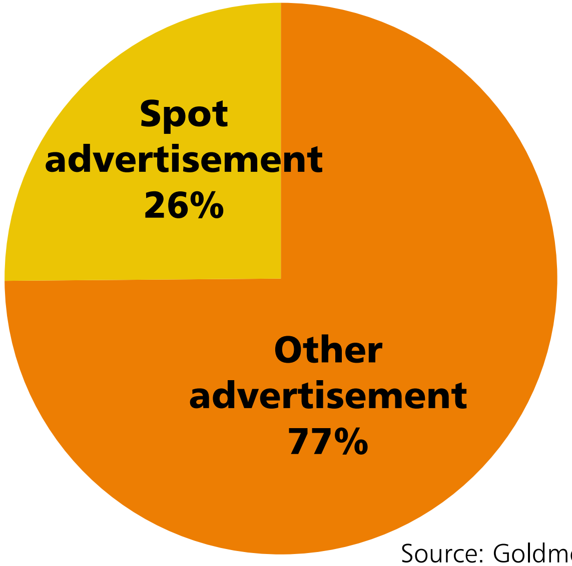
Web Radio Monitor 2010
Contents

1. Introduction
2. The German online radio market
3. Use and scope of online radios
4. Mobile usage
5. Advertisement and marketing
6. Trends and forecasts
7. Executive summary

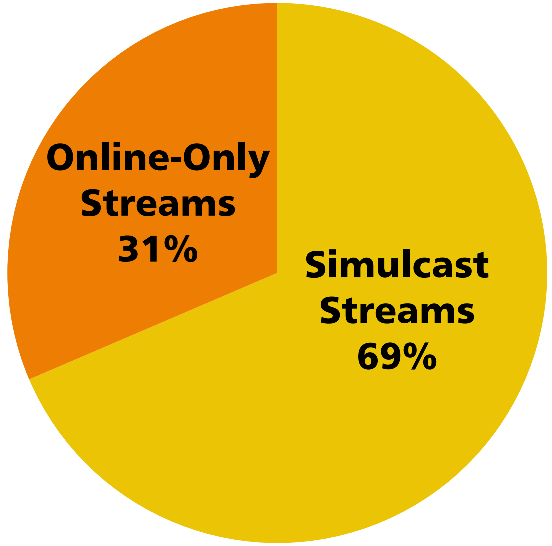
Market volume is mainly generated by traditional (display) online advertisement of FM brands

Basis: 8.8 million euros in online advertising revenues for online radio services in 2009

Type of advertisement



Type of stream



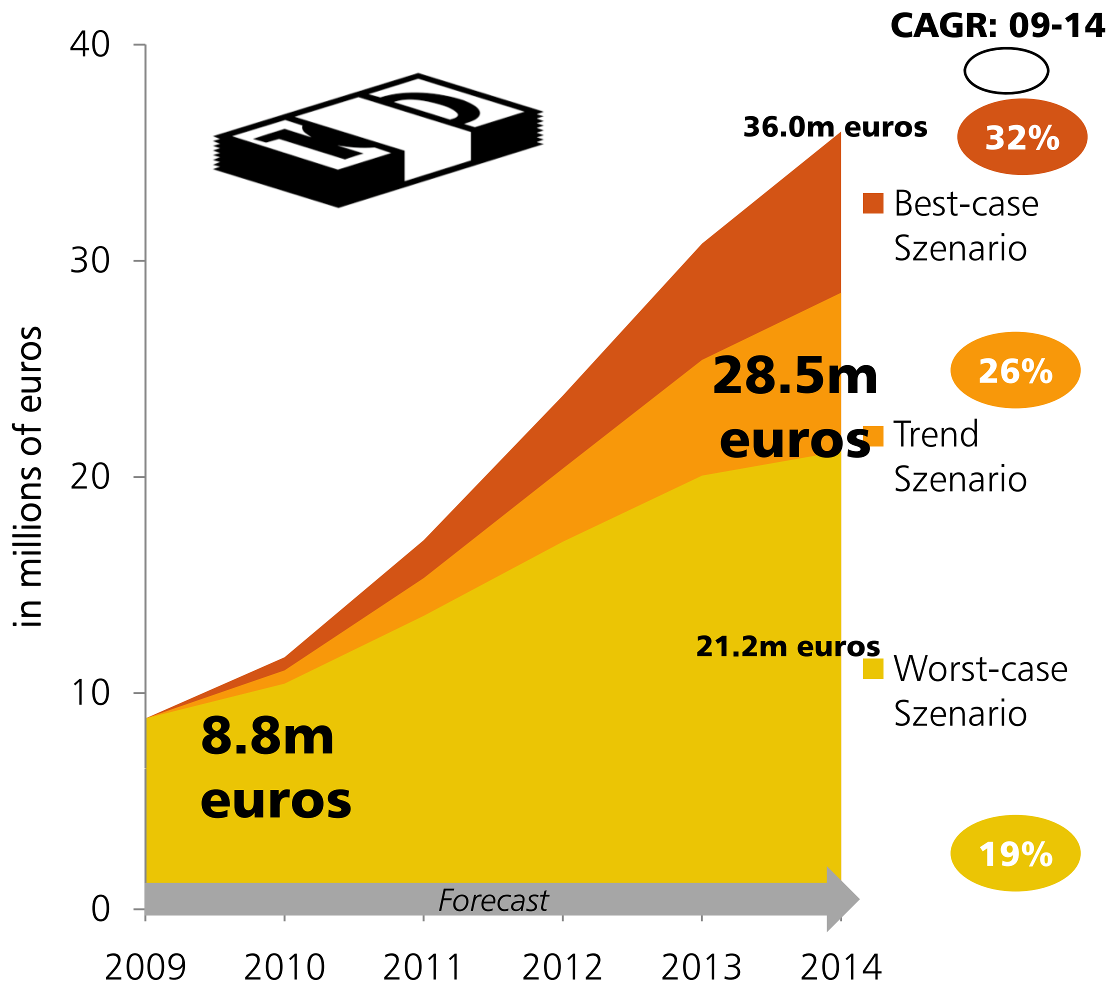
Source: Goldmedia Web Radio Monitor 2010,
*Changed method: without ad revenues of conventional radio stations

Conclusions

- Change in method: traditional radio advertisement is not proportionally included in the online sector– resulting in lower advertisement volume
- To date, about three quarters of revenues have been generated by traditional online advertising (particularly display / banner advertising) – spot advertisement remains underdeveloped
- FM stations have been dominant to date – online-only leads for portals and aggregators

Goldmedia forecast: ad revenue for online radio through 2014 (from displays, sponsoring, ads, etc.): maximum of 36 million euros

Ad revenues (net) for all German online radios by 2014*



Source: Goldmedia forecast Web Radio Monitor 2010,
*Changed method: Without ad revenues of conventional radio stations

Assumptions / background

- Basis: Goldmedia Web Radio Monitor 2010 and forecast broadband development according to BNetzA, trend extrapolation / analogy method
- To date, mainly FM stations' online platforms generate relevant revenues
- High growth rates (partly 100% p.a.) are observed for online-only services in particular
- Clear growth for online radio: we assume an annual growth of 19 to 32 percent, depending on the scenario

Web Radio Monitor 2010
Contents

1. Introduction
2. The German online radio market
3. Use and scope of online radios
4. Mobile usage
5. Advertisement and marketing
6. Trends and forecasts
7. Executive summary

Web Radio Monitor 2010
Executive summary

Online radio market in Germany

- Altogether, 2,692 online radios in Germany (status as of 04/2010)
- Four fifths are online-only stations (2009: ¾)
- Since 2006, annual growth rate (CAGR) of 57 percent

Usage

- On average 7,794 stream hits per day
  (FM stations averaged 13,500 hits, online-only stations averaged 6,464)
- Usage in the course of the day reveals a clear shift to online-only offers in the evening, FM sub-brands are closer to the usage of traditional radio stations (hits in the morning)
- Radio is frequently used parallel to internet surfing

Advertisement/ marketing

- Online advertisement revenues of all German online radio offers were 8.8 million euros in 2009 (incl. display advertisement, spots, etc.)
- Display advertisement most important ad form for online radios, spot ad overtook sponsoring as the 2nd most important ad form in 2009, followed by keyword marketing and affiliate marketing
- 6 out of 10 providers see continuous, significant growth potential for spot advertisement

Web Radio Monitor 2010
Executive summary

Mobile usage

- Altogether, 44% of all streaming services also available on the mobile
- Share of mobile usage of total usage Ø 13.4 percent
- 60 percent of FM mobile providers offer apps
- Market assessment: online radio will establish itself on mobile end devices

End devices

- End devices’ distribution critical factor for online radio distribution
- WLAN radio market penetration growing at a low level only
- 2010 smartphone market grew to 8.2 million end devices
- Both end devices and desirable flat-rate fees must become more widespread to make online radio more attractive

Other trends

- Online radio aggregators are winning market share and becoming more important for radio broadcasters’ scope measurements
- Mobile usage could drive growth
- On-demand streaming providers hope that fee-based premium-service models will become an additional source of revenue

GOLDMEDIA

Goldmedia GmbH

Media Consulting & Research
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.de
www.Goldmedia.com