

Unveiling the Secrets of the Second National Digital Radio Multiplex: Enders Analysis Report

ENDERS ANALYSIS

The Digital One radio multiplex: desperately seeking survival
22nd October 2008
Grant Goodall

- Following Channel 4's decision not to proceed with its plans for digital radio, there is a glut of unused capacity on the existing national digital commercial radio multiplex (owned by Digital One) which threatens its commercial viability
- For the DAB platform to retain any chance of survival, the continued existence of this national multiplex might have to be assured by transfer of control to either the transmission company Ariva or to the BBC, who could operate it under the 'Freeview' TV model
- Subsidy of the DAB platform will be necessary in the short-term to ensure its continued take-up, possibly by diverting part of any residual that arises from the BBC's proposed £100 million fund assigned to digital television satellites

Channel 4's decision in October 2008 not to proceed with its radio plans (Channel 4 Radio: six feet under [2008-074]) has precipitated a domino effect on the rest of the radio industry and has had the most significant impact on Digital One, its erstwhile competitor. Digital One Limited was awarded a 12-year licence in 1998 to launch the first national commercial radio digital multiplex (with capacity for 10 radio services, seven of which were to be unique to the digital platform). The shareholders in Digital One are Global Radio (63%), the UK's largest commercial radio group, and Ariva (37%), the transmission provider. After nine years on-air, the Digital One multiplex is still not generating an operating profit because the majority of its available slots are unused. This is the opposite of the situation in digital television, where slots on Freeview attain high prices at auction.

Digital One pays £8 million per annum to Ariva for the network of 134 transmitters across mainland UK that comprises the multiplex. Additional costs (staff, offices) brought the cost of operating the multiplex up to £9.6 million in FY2006/07. Broadcast legislation requires the multiplex to carry multiplexes of the three national commercial analogue services. Two of these stations, TalkSport and Absolute Radio, together pay around £4 million per annum to Digital One for carriage. The third station, Classic FM, is owned by Global Radio. At present, the only other station carried on the Digital One multiplex is Planet Rock, formerly owned by Global Radio's forerunner GCap Media, but sold to an entrepreneur in June 2008. Planet Rock's new owner signed a long-term deal for carriage on Digital One in October 2008.

With six out of 10 of the channels on Digital One presently suboccupied, Digital One's majority shareholder Global Radio is now forced to consider the reality that the multiplex will never generate an operating profit during the remaining life of its licence, which expires in November 2011. Channel 4's decision to scrap its radio plans brought to an abrupt end a protracted period of negotiation with Digital One in which the broadcaster would have become a shareholder in Digital One and/or leased space on Media.

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The Second National Digital Radio Multiplex (NDRB), also known as Digital Radio 2 (DR2), is a significant development in the UK's radio broadcasting

landscape. Launched in 2022, it has expanded the reach and diversity of digital radio services, offering listeners a wider range of content and enhanced listening experiences.



The Second National Digital Radio Multiplex (Enders Analysis) by Grant Goddard

★★★★☆ 4.2 out of 5

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Enhanced typesetting	: Enabled
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To provide a comprehensive assessment of the impact and implications of DR2, the media research firm Enders Analysis was commissioned to conduct an in-depth study. The resulting report, entitled "The Second National Digital Radio Multiplex: Enders Analysis," offers valuable insights into the current state and future prospects of digital radio broadcasting in the UK.

Key Findings

The Enders Analysis report highlights several key findings:

- **Significant growth in digital radio listening:** The launch of DR2 has contributed to a substantial increase in digital radio listening, with 60% of all radio listening now taking place through digital platforms.

- **Expansion of service offerings:** DR2 has enabled the launch of over 100 new digital radio stations, providing listeners with a diverse range of content, from niche music genres to specialized talk shows.
- **Improved listening experiences:** Digital radio offers superior sound quality, seamless reception, and interactive features, enhancing the overall listening experience for consumers.
- **Challenges in reaching certain demographics:** While digital radio has gained widespread adoption, there are still challenges in reaching certain demographics, particularly older listeners and those in rural areas.
- **Need for continued investment and promotion:** The success of digital radio requires ongoing investment in infrastructure, content, and marketing to maintain its growth trajectory.

Implications for the Radio Broadcasting Industry

The Enders Analysis report has significant implications for the radio broadcasting industry:

- **Increased competition:** The expansion of digital radio services through DR2 has intensified competition within the industry, leading to both opportunities and challenges for traditional and digital radio broadcasters.
- **Need for content differentiation:** To stand out in the crowded digital radio market, broadcasters must differentiate their content and offerings to attract and retain listeners.
- **Focus on niche audiences:** Digital radio provides opportunities for broadcasters to target specific niche audiences with specialized

content, creating new revenue streams.

- **Collaboration and consolidation:** The report suggests that collaboration and consolidation may be necessary within the industry to optimize resources and ensure the long-term success of digital radio.

Policy Recommendations

The Enders Analysis report also makes several policy recommendations to support the growth and development of digital radio:

- **Continued government support:** The government should provide ongoing funding and support for the expansion of digital radio infrastructure and services, particularly in underserved areas.
- **Spectrum allocation:** The government should allocate additional spectrum to digital radio to accommodate the growing demand for services and improve coverage.
- **Public awareness campaigns:** Government and industry stakeholders should collaborate on public awareness campaigns to educate consumers about the benefits of digital radio and encourage its adoption.
- **Support for independent broadcasters:** Policies should be put in place to support independent broadcasters and enable them to compete effectively in the digital radio market.

The Enders Analysis report on the Second National Digital Radio Multiplex provides a comprehensive and insightful assessment of the current state and future prospects of digital radio broadcasting in the UK.

The report's findings highlight the significant growth and benefits of digital radio, while also acknowledging the challenges and opportunities it presents to the radio broadcasting industry.

By implementing the policy recommendations outlined in the report, the government and industry stakeholders can foster a thriving digital radio ecosystem that meets the evolving needs of listeners and drives innovation in the radio broadcasting sector.

The full Enders Analysis report is available for Free Download from the Enders Analysis website.

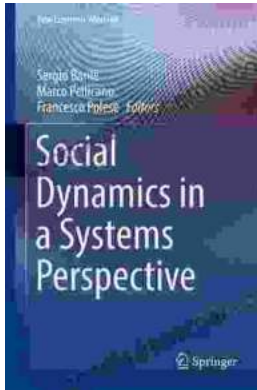


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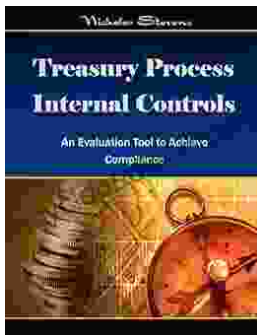
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