

**Structural change in the Canadian commercial radio market:  
Implications for public policy**

PREPARED FOR THE CANADIAN ASSOCIATION OF BROADCASTERS

## **Introduction**

On 7 December 2022, the CRTC released a new “Revised Commercial Radio Policy”.<sup>1</sup>

This Research Note has been prepared for the Canadian Association of Broadcasters, to provide additional economic and statistical context in relation to that policy and process, and, in particular, to link the evolution of commercial radio policy to the changing structure of the industry.

To help create useful reference points, we have summarized the state of the Canadian commercial radio industry in 2005, the year before the major CRTC radio policy released in 2006, and then compared those data with similar data for 2019 and 2021, the relevant years leading up to the new radio policy released in December 2022.<sup>2</sup>

The key issue here is whether the policy will have the desired effect in relation to the economic and technological structure of the industry to which it is being applied. As will be seen below, it might be necessary to evolve the policy to encompass greater assistance for operational flexibility, viability, and sustainability.

To “set the scene”, Figure 1, on the next page, summarizes the trends in total private radio advertising sales in Canada, using actual data for 1999-2021, and estimated and projected data to 2029.

As can be seen in Figure 1, the shape of the current and anticipated radio advertising sales curve – the overwhelming source of private radio’s revenue – is very different today than it was at the time the CRTC set out its 2006 commercial radio policy.

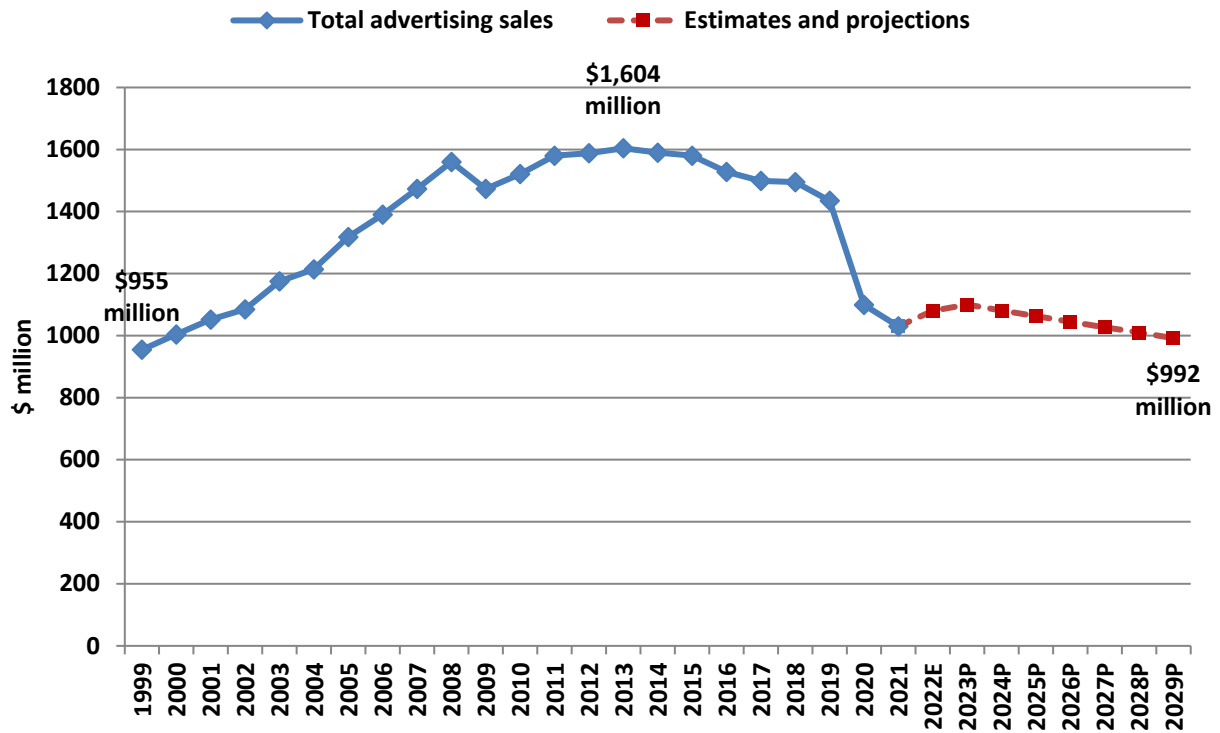
Yet the new CRTC policy, released in December 2022, appears mainly to follow the broad elements of the older policy, from 2006.

That, in turn, raises an important question – at a time of fundamental change in the structure of the radio market (and the broader audio and advertising markets), what is the best direction for policy options, in order to ensure they will be effective in dealing with the new economic realities?

<sup>1</sup> Broadcasting Regulatory Policy CRTC 2022-332, 7 December 2022, Revised Commercial Radio Policy.

<sup>2</sup> 2019 is the last full pre-pandemic year, and 2021 is the most recent year for which full data are available from both Statistics Canada and the CRTC.

**Figure 1.**  
Trends in total private radio advertising sales, Canada, actual data 1999-2021, and estimated and projected data to 2029:



SOURCE: Statistics Canada; Communications Management Inc.

### The evolution of the advertising market and the audio market from 2005 to today

Commercial radio competes in two overlapping markets:

1. The Canadian advertising market (versus other advertising options); and
2. The audio market (versus other audio options).

Market share comparisons are presented here for both, starting with the Canadian advertising market. At the outset, however, it is useful to understand the structural changes that have led to those changing market shares.

### Factors influencing changing shares in the advertising market

Traditionally, reaching the right audience in the right place has been among the most important considerations, and that remains true today. However, in changing the nature of retail itself, the Internet has also altered the sequence in which advertising is purchased. In simple terms, it means that part of an advertiser’s budget might be “pre-spent” (and linked to online activities), earlier in the marketing planning process than the planning for traditional media advertising.

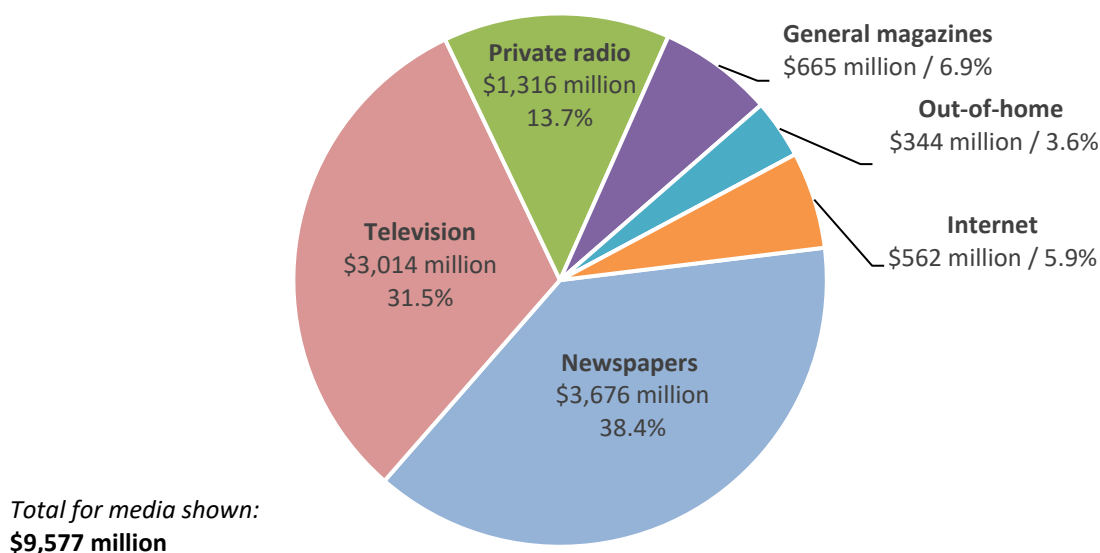
Thus, while commercial radio still delivers meaningful audiences, the combination of new audio choices and the change of purchasing sequence appears to have impacted radio advertising sales more than tuning measurements alone.

### Shares of the Canadian advertising market, by media – 2005, 2019, and 2021

To indicate radio’s share, and also the dramatic changes that have occurred over the last two decades, we have presented the data in Figure 2A (for 2005), Figure 2B (2019), and Figure 2C (2021).

*(Note: In order to be able to compare the data over time, we selected the main advertising media for which data were consistently available. For example, estimates for spending on Direct Mail were available for 2005, but not for 2019 or 2021. Note also that the data for “newspapers” include daily and community newspapers.)*

**Figure 2A.**  
Advertising market shares for selected media, **2005**, preceding the  
2006 Commercial Radio Policy:



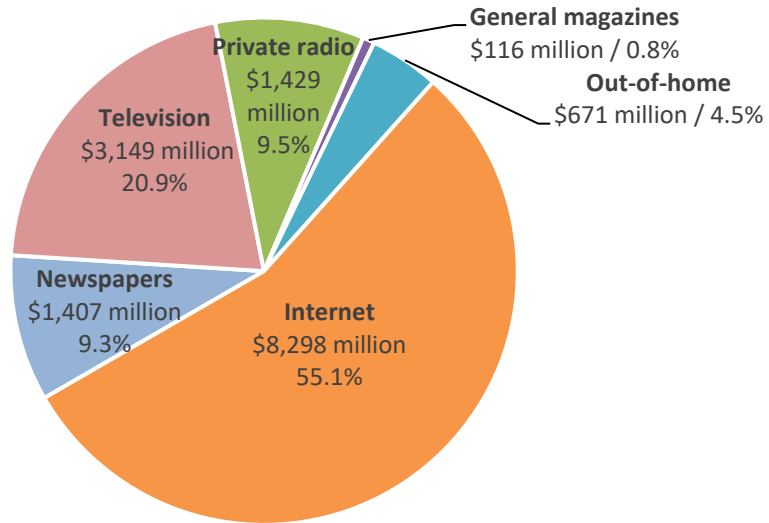
SOURCE: TVB Canada; Statistics Canada; Communications Management Inc.

As can be seen in Figures 2A, 2B, and 2C, the changes in market shares from 2005 to 2021 are significant:

- Internet advertising jumped from 5.9 per cent to 68.0 per cent;
- Print media (newspapers and magazines) fell from 45.3 per cent to 5.9 per cent; and
- Commercial radio fell from 13.7 per cent to 5.9 per cent.

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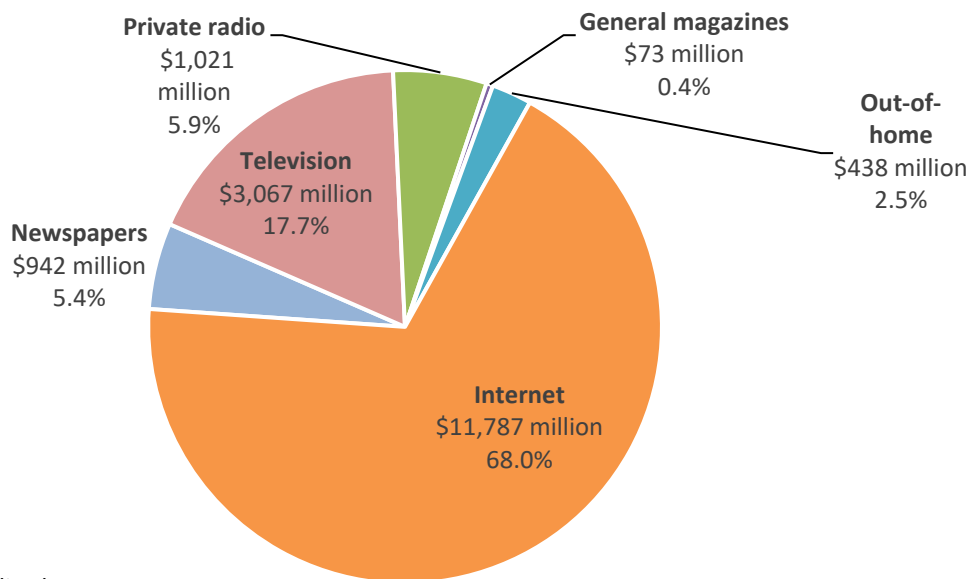
**Figure 2B.**  
Advertising market shares for selected media, **2019**, preceding the  
2022 Commercial Radio Policy:



Total for media shown:  
**\$15,071 million**

SOURCE: ThinkTV; Statistics Canada; Communications Management Inc.

**Figure 2C.**  
Advertising market shares for selected media, **2021**, preceding the  
2022 Commercial Radio Policy:



Total for media shown:  
**\$17,328 million**

SOURCE: ThinkTV; Statistics Canada; Communications Management Inc.

## **Shares of the Canadian audio market – 2005, 2019, and 2021**

In Figure 3A (for 2005), Figure 3B (2019), and Figure 3C (2021), we have summarized the main components that make up the Canadian audio market.

*(Note: We have developed estimates for the main components in the relevant market. It should be noted that there may be some smaller components that have not been included. For example, although less than in 2005, there were still sales of physical recorded music in 2019 and 2021. On the other hand, podcasting was a much smaller part of the audio market in 2005 than it is today.)*

The data indicate that commercial radio's share of the Canadian audio market was as follows for the selected years:

- 2005 74.8 %
- 2019 54.2%
- 2021 43.7%

The changing shares within the audio market reflect the fact that more content is available from more sources than ever before, but that also has implications for how programmers structure formats within their operations.

If we link the market shares to the question of station formats, we see that the audio market is evolving toward an environment in which formats might be less fixed than in the past. In other words, station programmers will likely require greater flexibility and fewer restrictions, to allow radio formats to respond more effectively to increasing competition from unregulated sources.

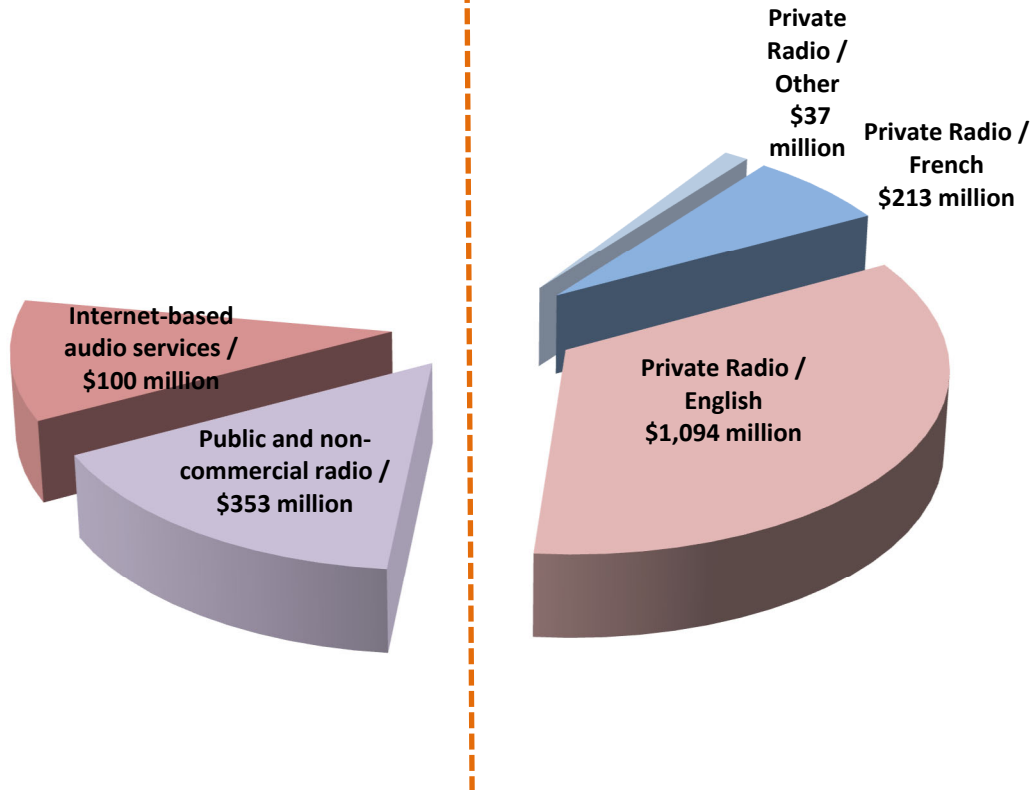
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**Figure 3A.**  
The Canadian audio market in **2005**:

[TOTAL RELEVANT MARKET: **\$1,797 MILLION**]

OTHER AUDIO: **\$453 MILLION**  
(25.2% OF TOTAL RELEVANT MARKET)

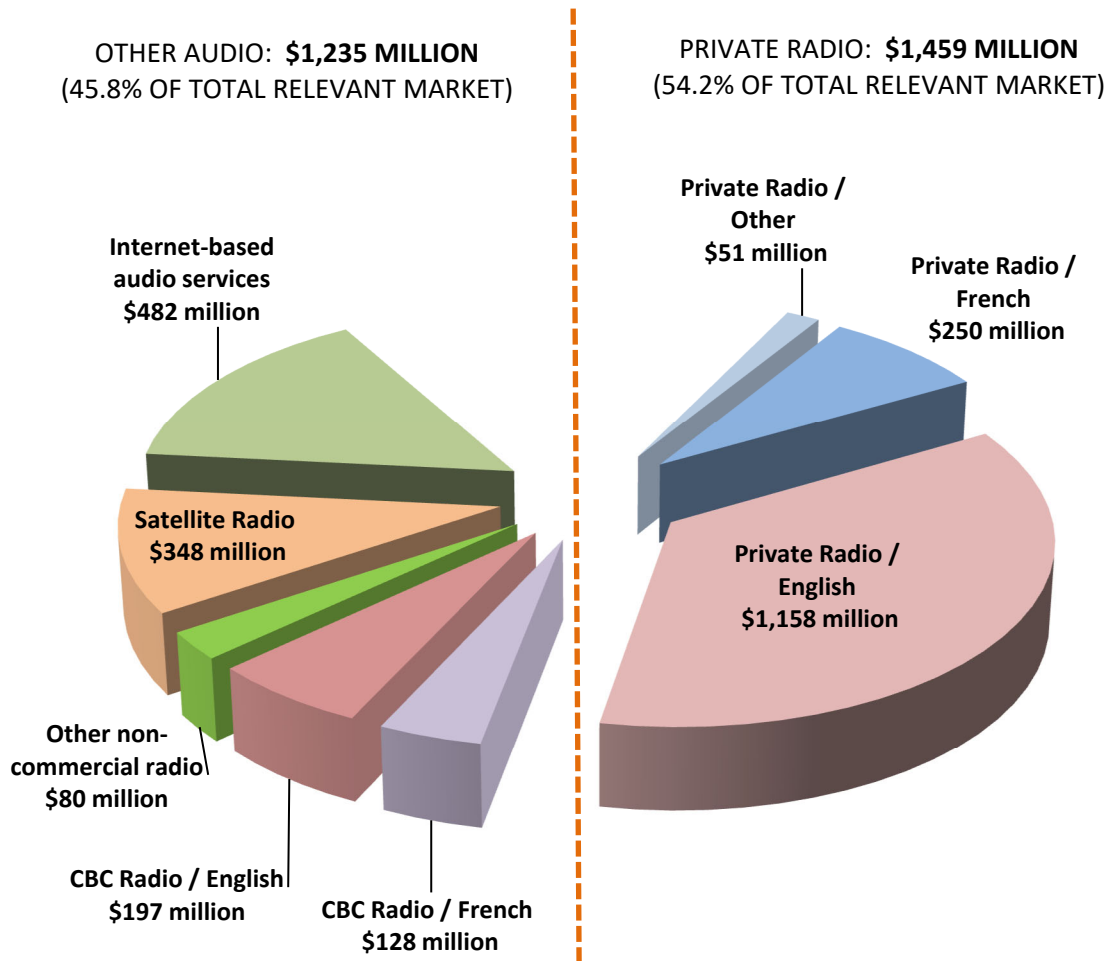
PRIVATE RADIO: **\$1,344 MILLION**  
(74.8% OF TOTAL RELEVANT MARKET)



SOURCE: CRTC; Statistics Canada; Communications Management Inc.

**Figure 3B.**  
The Canadian audio market in **2019**:

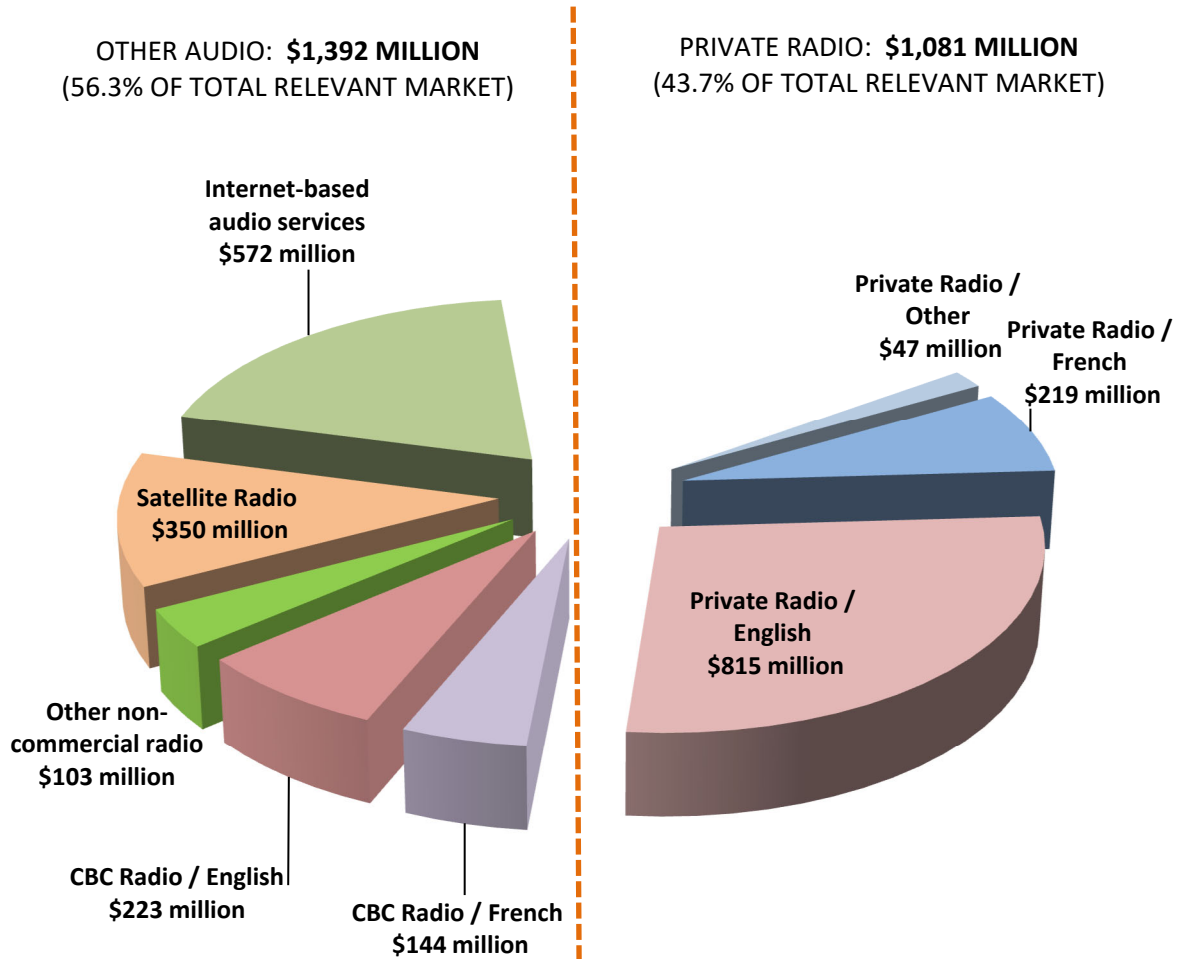
[TOTAL RELEVANT MARKET: **\$2,694 MILLION**]



SOURCE: CRTC; Statistics Canada; Communications Management Inc.

**Figure 3C.**  
The Canadian audio market in **2021**:

[TOTAL RELEVANT MARKET: **\$2,473 MILLION**]



SOURCE: CRTC; Statistics Canada; Communications Management Inc.

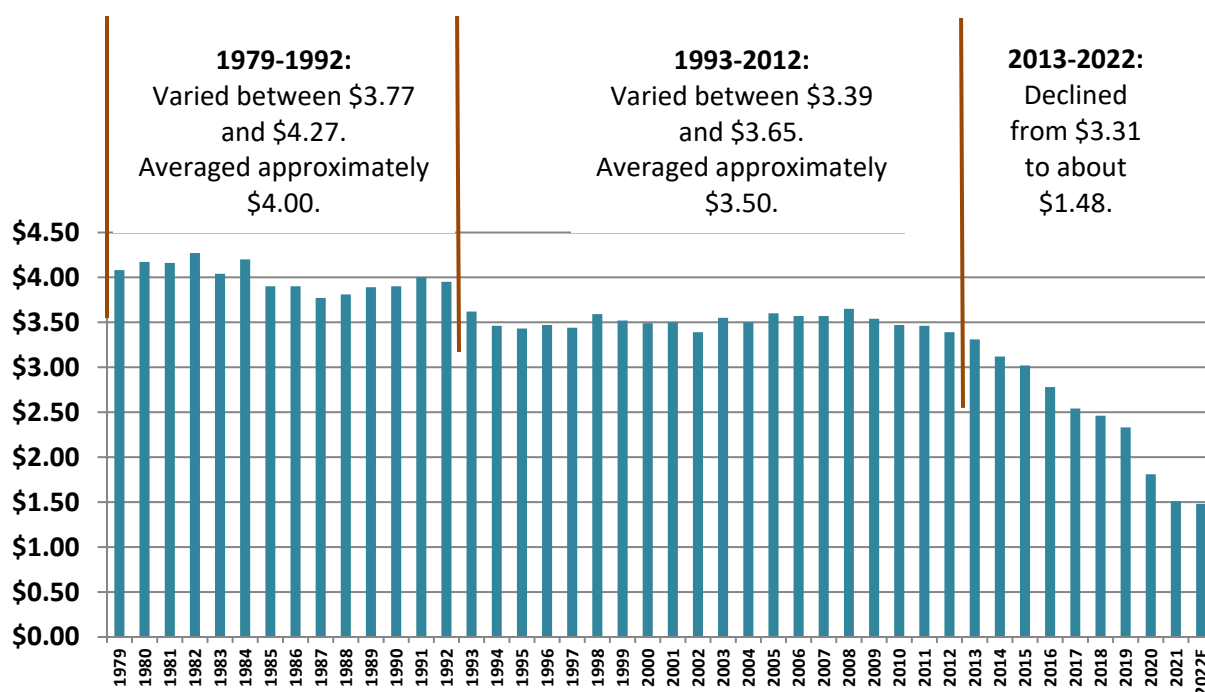


## The changing relationship between retail trade and radio advertising revenues

As a result of increasing competition for tuning, increasing competition for advertising dollars, and the changing sequence in which advertising is purchased, Canadian commercial radio's historical link to retail trade has been significantly impacted – resulting in a structural decline in radio advertising revenues.

The changes are summarized in Figure 4.

**Figure 4.**  
Private radio advertising revenues per \$1,000 of retail trade, Canada, 1979-2022:



SOURCE: Statistics Canada; Communications Management Inc.

As indicated in Figure 4, in 2005, commercial radio advertising in Canada was equivalent to \$3.60 per \$1,000 of retail trade

In 2019, commercial radio advertising in Canada totalled \$1.435 billion, or \$2.33 per \$1,000 of retail trade. Had the link between radio advertising and retail trade been the same in 2019 as it was in 2005, the advertising revenue in 2019 would have been \$2.220 billion -- \$785 million higher than it actually was.

In 2021, commercial radio advertising in Canada totalled \$1.030 billion, or \$1.51 per \$1,000 of retail trade. Had the link between radio advertising and retail trade been the same in 2021 as it was in 2005, the advertising revenue in 2021 would have been \$2.448 billion -- \$1.418 billion higher than it actually was.

These data provide a graphic example of the structural change in the radio industry:

1. First, the change in the radio advertising / retail trade link between 2005 and 2019; and
2. Second, the additional impact of the pandemic on making the shortfall even deeper.

The fact that there was already a significant shortfall in the radio advertising / retail trade link before the pandemic should be seen as a caution against assuming that, once the pandemic effects have passed, then things will get back to something resembling the “old normal”.

That is unlikely to happen. Continuing reductions from the 2019 levels still appear likely.

### **Predicting radio’s advertising revenues to 2029**

In Figure 5, we have summarized our projections for commercial radio advertising revenues in Canada, to 2029.

These projections are based on the latest available data, including:

- The trends in the link between radio advertising and retail sales;
- Industry data up to 2021 from the CRTC and Statistics Canada;
- Radio industry tracking data for the full broadcast year ending August 31, 2022;
- Radio industry data for the first four months of the broadcast year ending August 31, 2023; and
- Other data from the CRTC and Statistics Canada.

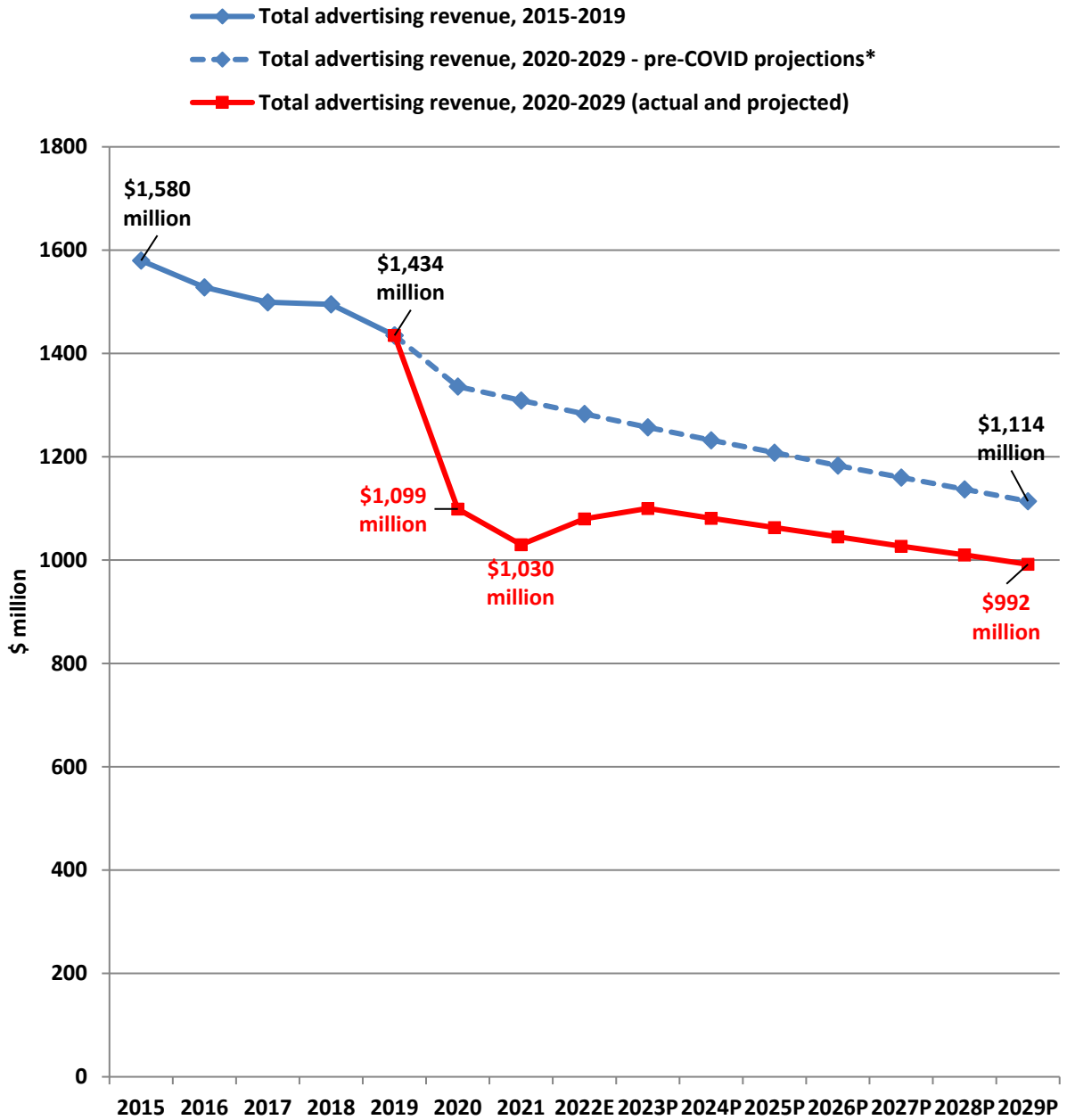
As indicated in Figure 5, the current projections indicate that Canadian commercial radio advertising will total just under a billion dollars in 2029, a decrease of almost \$600 million (or 37 per cent) from the actual total in 2015.

And that, in turn, poses risks to system viability/profitability, and to the level of contributions that might be anticipated.

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**Figure 5.**

Actual advertising revenue, private radio, Canada, 2015-2021, and projected advertising revenue to 2029, indicating pre-pandemic and post-pandemic projections:



\* The “pre-COVID projections” indicate the projections derived from data that were current to the end of February 2020.

SOURCE: Statistics Canada; Communications Management Inc.

## **Commercial radio’s contributions to society and the economy**

As we know, commercial radio makes a wide variety of contributions to our society, and to the economy, including, but not limited to:

- News and community information
- Copyright payments for the use of music
- Canadian Content Development contributions
- “Multiplier” effects on the broader economy, in terms of incomes and employment
- Stimulative effects on retail trade

While some of those contributions are required by regulation, many flow naturally from the nature of the relationship between local radio stations and their communities. We have estimated that Canadian content of all types accounts for the great majority of spending on programming and production by Canada’s commercial radio stations.

For example, in addition to payments for Canadian Content Development and copyright payments for music, we have estimated that, in 2021, Canada’s commercial radio stations spent more than \$135 million on news and community information.

### **“Stations at risk”**

If the changing structure of the radio industry threatens the viability of some stations, then we must be concerned that the level of those important contributions will be more difficult to maintain.

In the early months of the pandemic, there was concern that a number of stations might be at risk of closing. So far, that has not happened to a large degree, due to a mixture of:

- Ownership groups using profitable stations to help support non-profitable stations
- Pandemic assistance programs
- Staff reductions and sharing of resources to help keep stations operating (according to Statistics Canada, the number of employees in private radio in Canada was 10,521 in 2011, falling to 8,348 in 2019, and 7,089 in 2021)

But those remedies are not unlimited in either scope or duration:

- If revenues and profits decline, there is less opportunity for internal cross-subsidy
- Pandemic assistance programs do not continue indefinitely
- Stations have attempted to manage necessary staff contractions with less impact on programming functions, compared, for example, to administration – but that, too, has limits

**Table 1.**

Private radio by total operating revenue, PBIT, and by groups of stations within selected ranges of positive and negative PBIT, Canada, **2019**:

<b>2019 DATA: (Statistics Canada)</b>	<b>Number of stations</b>	<b>Total operating revenue (\$'000)</b>	<b>Profit before interest and taxes (PBIT) (\$'000)</b>	<b>PBIT as % of total operating revenue</b>
<b>Total private radio stations</b>	<b>737</b>	<b>1,457,280</b>	<b>248,914</b>	<b>17.1%</b>
Private FM stations	619	1,205,108	240,422	20.0%
Private AM stations	118	252,172	8,492	3.4%
<b><i>Stations grouped by PBIT as % of total operating revenue:</i></b>				
+20% or greater	230	738,318	268,690	36.4%
10% up to 20%	111	280,188	42,665	15.2%
0% up to 10%	101	145,236	7,557	5.2%
-10% up to 0%	109	129,805	-6,013	-4.6%
-20% up to -10%	53	49,612	-7,391	-14.9%
<b>['AT RISK'] -20% or worse</b>	<b>133</b>	<b>114,121</b>	<b>-56,593</b>	<b>-49.6%</b>
<b><i>Total stations with negative PBIT</i></b>	<b>295</b>			

SOURCE: Statistics Canada.

Thus, it is also useful to try to estimate the number of radio stations that might be “at risk” from the ongoing structural changes. To do so, we have used Statistics Canada data to track the profit before interest and taxes (PBIT) of private stations.

The results of that tracking are summarized in Tables 1, 2, and 3, for 2019-2021. A comparison of those tables indicates that the number of stations with -20% or worse PBIT grew from 133 in 2019, to 168 in 2020, and 188 in 2021.

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**Table 2.**

Private radio by total operating revenue, PBIT, and by groups of stations within selected ranges of positive and negative PBIT, Canada, **2020**:

<b>2020 DATA: (Statistics Canada)</b>	<b>Number of stations</b>	<b>Total operating revenue (\$'000)</b>	<b>Profit before interest and taxes (PBIT) (\$'000)</b>	<b>PBIT as % of total operating revenue</b>
<b>Total private radio stations</b>	<b>738</b>	<b>1,156,767</b>	<b>61,652</b>	<b>5.3%</b>
Private FM stations	620	961,410	83,619	8.7%
Private AM stations	118	195,357	-21,967	-11.2%
<b><i>Stations grouped by PBIT as % of total operating revenue:</i></b>				
+20% or greater	188	401,497	127,644	31.8%
10% up to 20%	113	187,433	28,362	15.1%
0% up to 10%	126	197,755	9,129	4.6%
-10% up to 0%	78	123,096	-6,614	-5.4%
-20% up to -10%	65	98,392	-14,273	-14.5%
<b>['AT RISK'] -20% or worse</b>	<b>168</b>	<b>148,564</b>	<b>-82,596</b>	<b>-55.6%</b>
<b><i>Total stations with negative PBIT</i></b>	<b>311</b>			

SOURCE: Statistics Canada.

**Table 3.**

Private radio by total operating revenue, PBIT, and by groups of stations within selected ranges of positive and negative PBIT, Canada, **2021**:

<b>2021 DATA: (Statistics Canada)</b>	<b>Number of stations</b>	<b>Total operating revenue (\$'000)</b>	<b>Profit before interest and taxes (PBIT) (\$'000)</b>	<b>PBIT as % of total operating revenue</b>
<b>Total private radio stations</b>	<b>743</b>	<b>1,081,199</b>	<b>63,963</b>	<b>5.9%</b>
Private FM stations	623	901,699	91,169	10.1%
Private AM stations	120	179,500	-27,206	-15.2%
<b><i>Stations grouped by PBIT as % of total operating revenue:</i></b>				
+20% or greater	218	359,958	126,546	35.2%
10% up to 20%	116	199,998	30,785	15.4%
0% up to 10%	109	180,771	10,262	5.7%
-10% up to 0%	72	113,278	-6,441	-5.7%
-20% up to -10%	40	61,968	-9,292	-15.0%
<b>['AT RISK'] -20% or worse</b>	<b>188</b>	<b>165,244</b>	<b>-87,897</b>	<b>-53.2%</b>
<b><i>Total stations with negative PBIT</i></b>	<b>300</b>			

SOURCE: Statistics Canada.

**Implications for public policy:**

**Finding the right balance between viability, sustainability, and public service**

The trend data presented on the preceding pages clearly indicate that commercial radio in Canada is continuing to undergo significant structural changes, and that those changes are affecting the industry's revenue and profitability.

However, as noted above, the new CRTC Commercial Radio Policy, released in December 2022, appears mainly to follow the broad elements of the older policy, from 2006, which were based on a substantially different economic structure.

In presenting the data in this Research Note, it is our hope that we can help create an updated context for the discussion of "next steps" in the policy development process – steps that will balance viability, sustainability, and public service.