

GROWTH OPPORTUNITIES IN THE MEDIA AND ENTERTAINMENT SEGMENTS IN INDIA: RADIO

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Abstract: Radio is a cheap, portable, accessible and universal medium that gives Infotainment (information & entertainment) to the masses, almost free of cost. Developments in the field and evolutions in the technology from AM, FM to Satellite and Internet Radio have made a huge impact on the Radio Industry in India. Radio offers different services catering to the different regions and people of India. All India Radio or Akashvani is the national broadcaster, a constituent of Prasar Bharati (Broadcasting Corporation of India) within the Ministry of Information and Broadcasting. Since its beginning, radio has been growing at a steady speed and it is now the second fastest growing sector after the Internet in India. The radio industry has managed its growth by increasing the advertising list, not by increasing prices of the sets. Private FM radio in India is growing at a challenging 14.5%, primarily due to FM expansion in Tier 2 and Tier 3 cities. Although the ad-pie continues to be only 4%, it is hoped that it will grow to 7% in India by 2020.

Index Code: Radio, Broadcasting, All India Radio, Growth of Radio and Radio FM, Phases of FM, Advertising Revenue

1. RADIO BROADCASTING IN INDIA

Radio as we know is the first electronic medium before the emergence of television. Though popular definition has portrayed radio as a blind medium, referring to the medium's failure for visualization of its content, radio's capability in influencing its listeners has been unchallenged. Radio ranks as the most popular means of disseminating information. It is very appealing because of its distinguishing features of interactivity, its capacity to provoke dialogue and its ability to seek the participation of the local population along with lower production costs and extreme resourcefulness.

Radio broadcasting in India started in June 1923, with the Radio Club of Bombay. Since India's Independence, radio has acted as a tool for building the nation. The phenomenal growth achieved by All India Radio (AIR) has made it one of the largest media organisations in the world. With a network of 262 radio stations, AIR today is accessible to over 99 percent of the entire population of the country and nearly 92 percent of the total area. A Broadcasting giant, AIR today broadcasts in 23 languages and 146 dialects catering to a vast spectrum of socio-economically and culturally diverse populace. At present, All India Radio has 469 Broadcasting Centres with 249 Relay centres, 220 full-fledged studios and 86 Local Radio Stations. There are 5 Community Radio Stations.

Indian radio grew 6.7% in 2017. The launch of new stations has expanded the target audience while resulting in a wider reach of the medium with increase in revenue income.

The important factors for growth of Radio in Media and Entertainment segment in India are:

1. Popularity among the Youth
2. Growth in the quantity and quality of Bollywood music on radio
3. Built-in radio receiver in most mobile phones (both feature phones and smart phones)

4. On-the-go (car radio) devices
5. Rural masses who have access to radio
6. Expansion of FM radio stations with new programs and musical content
7. Radio remains the most inexpensive and portable medium
8. Radio advertising
9. Growth in community radio stations
10. Satellite broadcasting
11. Internet Radio

Radio has undoubtedly made a strong-hold in the market. Radio is expected to be the second fastest growing medium of communication (FICCI-KMPG) with an exponential growth rate of 16% CAGR over FY 2012 to FY 2018. Its reach and creativity has made it a favourite among the masses and the advertising world. The size of the Indian radio industry is expected to reach US\$ 745.65 million by 2021, up from US\$ 399.26 million in 2017. Phase III of e-auctions for FM radio licenses will provide an impetus to the segment. Radio advertising is another area likely to experience accelerated growth in the years to come.

According to the 2011 census, 67 million households in India have a radio or a transistor. Minister of State for Information and Broadcasting, Rajyavardhan Singh Rathore said that the government has taken a number of initiatives for expanding the FM radio network across the country. As of now, the FM radio network covers 52 per cent population and it is soon expected to expand to 65 per cent population in the country. There are 57 All India Radio towers shared with private FM broadcasters on rental basis. In addition, 37 Doordarshan towers are also shared with private FM broadcasters on rental basis.

1.1 MAJOR BROADCASTING MARKET

India has one of the largest broadcasting industries in the world with approximately 892 private satellite television channels. There are 243 FM radio channels and 190 operational community radio networks. The Ministry of Information and Broadcasting (MIB) has officially completed all the four phases of digitisation, As of March 2017, a total of 64.4 million set-top boxes (excluding Tamil Nadu) were set up in Phase 3 and Phase 4 areas. Total of 243 FM channels (21 from the Phase - I and 222 from Phase – II) are now operational. Under the phase III, the Cabinet has already given permission to 135 FM channels in 69 cities to operate.

Radio, animation and VFX, gaming and digital advertising are also emerging as fast-growing segments.

During 2008-21, these segments are expected to increase at CAGRs of:

- Digital advertising - 32 per cent
- Gaming - 15.97 per cent
- Radio - 10.93 per cent
- Animation - 13.34 per cent

Listening to the news or music while driving or travelling without having to carry additional content will continue to be popular. The segment is also driven by advertising since most of all radio content is free. *Avasant* expects the US\$45 billion segment to grow at about 3% year-on-year for the next five years. With increasing use of internet and other digital resources, Digital Advertising is expected to grow at the fastest rate among peers like print media, radio and outdoor advertising.

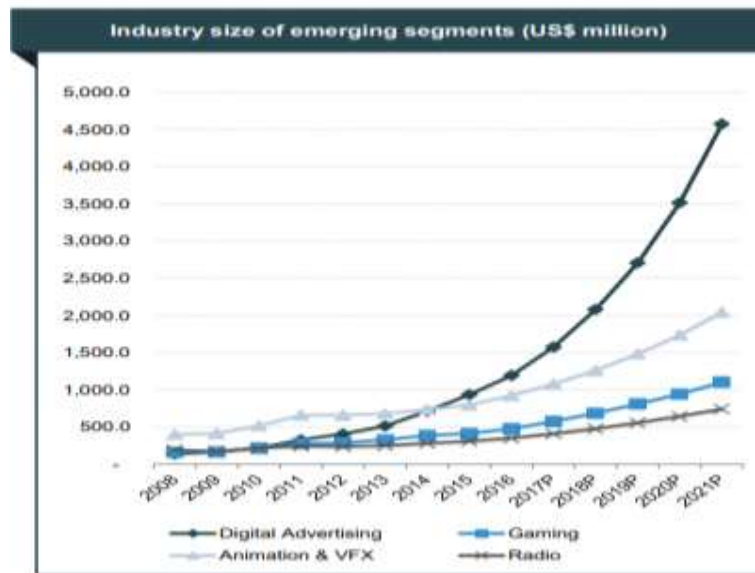


TABLE: Radio, Animation and VFX, Gaming and Digital Advertising Growth Phase 2006 To 2021 By FICCI Report 2018, ARANCA Research

The next-largest broadcast sector by revenue is likely to be radio, with almost all revenue coming from advertising; only the US and Canada have managed to nurture a commercially significant subscription radio market so far. Live radio has remained popular despite the increasing availability of on-demand alternatives, such as personal and portable music collections, streaming music services, and podcasts. In the UK, time spent listening to the radio has varied little in recent years, at about 20 hours per week, with 90 percent of the population listening to the radio at least weekly. Online has made live radio easier to listen to wherever connectivity is available. In the US, advertising revenues from online radio alone are forecast to rise to \$2 billion by 2021, a significant rise from \$1.4 billion in 2016. Radio is making a comeback in the lifestyles of Indians. New concepts like satellite radio and internet radio have also begun to hit the market as they come with better sound quality, absence of static, wider variety of programming options, programs not interrupted by commercials, and live sports broadcasts.

1.2 POLICY SUPPORT AIDS GROWTH

FDI (Foreign Direct Investment) limit in radio, including private FM channels has been increased from 26 per cent to 49 per cent. Private operators are allowed to own multiple channels in a city, subject to a limit of 40 per cent of total channels in the city. Private players are allowed to carry news bulletins of All India Radio. Further boost may be given to the radio sector by charging license fees on the basis of 'net income' so as to provide relief to loss-making radio players.

2. FM (FREQUENCY MODULATION) RADIO

Edwin Howard Armstrong demonstrated a new invention, - Frequency Modulated radio or FM in the mid-1930s. He set up his own transmitter for demonstrations and sold the rights to manufacture FM receiving sets to several companies in America by 1940. The World War II added a new dimension to the growth of FM broadcasting in the globe. FM radio faced several hurdles in its development thereafter. But, the conditions improved by the early 1960s. In 1965, the FCC enacted the 'no duplication rule' with a view to facilitate the development of FM stations. In 1970s, FM broadcasting emerged as a profit-oriented industry in America and other nations of the world. Profits substantially increased for FM since it captured a large number of listening audiences.

Frequency Modulation (FM) was first introduced in the 1930s but languished until the 1960s, because few radio sets could receive FM and few homes had high fidelity sound systems that could take advantage of FM's improved sound quality. Most of the FM stations simulcast the same material broadcast on AM, and the same companies as AM stations owned FM stations. FM began to develop faster after the Federal Communications Commission (FCC) ordered for standardization of frequency allocations, allocating 100 FM channels in the 88 -108 MHz band. In what has been termed as a 'seismic technological shift' by record producer, Steve Greenberg, the 1970s saw over 50 percent listeners tuning in to FM. By the 1980s, FM radio listenership grew to over 70 percent among the global audience, and much higher among the younger listeners. AM radio has since been relegated to the realm of talk radio as FM radio's stereophonic sound was more suited towards the music based content.

2.1 FM RADIO IN INDIA

FM broadcasting began in Madras on July 23, 1977 for the first time in India. Until 1993, All India Radio, a government undertaking, was the only radio broadcaster in India. Later on, the FM radio stations were established in big metro cities like Delhi, Kolkata, Mumbai, Bangalore, Hyderabad, Jaipur, Lucknow and other places in 1990s. The Government of India privatized the radio broadcasting sector and sold airtime blocks on its FM channels in Indore, Hyderabad, Mumbai, Delhi, Kolkata, Vizag and Goa to private operators who developed their own program patterns and contents.

As of December 2015, 243 FM channels were operational in 86 cities in India. 21 private FM channels were set up during Phase-I and an additional 222 channels were set up during Phase-II. The government's objective was to auction 1,000 new FM channels by the end of 2016. Liberalisation of policy on community radio took place in 2008 which led to 29 community radio stations getting operational in the country. In 2017, the radio industry in India accounted for a market size of Rs 26 billion (US\$ 399.26 million), registering growth of CAGR 8.33 per cent during 2016-17.

There are three important phases that changed the face of FM radio in India, they are:

Phase I

The Government of India, during the Ninth Five Year Plan (1997-2002), adopted a policy for improving variety of content and quality of radio broadcasting that allowed fully owned Indian companies to set up private FM radio stations. The first phase of FM radio broadcasting was launched by the Ministry of Information and Broadcasting in 1999. The FM Phase-I Policy provided for selection of successful bidders through open auction. The objective behind the scheme was to attract private agencies to supplement the efforts of All India Radio by operationalizing FM radio stations to provide programs of relevance with special emphasis on local content, to increase content generation and improve the quality of fidelity in reception. The government had the power to fix the annual license fees for private FM broadcasters. In Phase I of its development, FM was opened to private broadcast channels in Chennai, followed by Delhi, Mumbai, Kolkata, and Goa, and then Bangalore, Hyderabad, Jaipur, and Lucknow. Regulatory norms prohibited the broadcast of news and other non-music programming. Hence, the content was all about music and art (mostly films). In the beginning, the FM stations were not allowed to broadcast the news aired by the AIR due to policy constraints. But, the private FM stations were later allowed to rebroadcast news from All India Radio. The Phase-I policy met with the limited success. A total number of 21 channels were operational in 12 cities under this scheme.

Phase II

The Government announced the policy for Phase-II of FM Radio Broadcasting on July 13, 2005. The major change in the Phase-II policy was that the fixed annual license fee in Phase-I, which increased 15% per annum over the license fee paid in the preceding year, was replaced with a revenue share mechanism. In Phase-II, a two-stage bidding process i.e. eligibility and financial bidding was followed. A total of 337

channels were put on bid across 91 cities having population equal to or more than 3 lakhs. Of 337 channels, 284 were successfully bid and, after scrutiny, permission was given for operationalisation of 245 channels spanning 87 cities. In 2005, during Phase II of its development, 338 frequencies were offered, of which about 237 were sold. FM radio spread through the country with local players. Programming still had to be confined to music. Unlike print and television media, the FM radio sector has had to work harder to keep its head above the water. Even so, for all these years the FM radio industry in India has stuck it out and managed to survive.

According to a recent FICCI-KPMG Media & Entertainment Report, the radio industry registered a robust growth of around 24 percent with the top eight metros still dominating the market, accounting for 70-75 percent of industry revenues. The average growth rate for larger, established players like 92.7 BIG FM among others was in the range of 15-20 percent. For smaller players, the average growth rate was in the range of 45-50 percent. The Phase II of FM radio in India witnessed couple of healthy policy changes and developments across the country. However, Border areas, particularly in J&K, NE States and Island territories, were largely missing from the FM map. Even those places that were put up for auction could not find takers due to poor viability. There was a need to promote private FM radio in border areas with incentives to draw people to listen to Indian radio channels and to check cross border propaganda.

Phase III

The Government of India announced phase-III of FM in July 2011 which has the following salient features: permitted carriage of news bulletins of All India Radio (AIR) in an unaltered form. Information pertaining to sporting events, traffic and weather, coverage of cultural events, festivals, topics pertaining to examinations, results, admissions, career counselling, employment opportunities, public announcements pertaining to civic amenities like electricity, water supply, natural calamities, health alerts, and so on, as provided by the local administration were to be treated as non-news and current affairs broadcast and have therefore been permitted. The private operators were allowed to own more than one channel, but not more than 40 percent of the total channels in a city, subject to a minimum of three different operators in the city. Networking of channels was permissible within a private FM broadcaster's own network across the country instead of in C and D category cities of a region.

In the Phase III of FM radio (2013-16), smaller towns and cities are to be opened up with a view to facilitate community-based FM radio services in the country. This Phase promises further growth opportunities for the Indian FM radio industry since it covers 294 cities and 839 licenses. The Phase III of FM radio licensing promises further growth opportunities for the Indian FM radio industry. It would facilitate the establishment of FM radio stations in tier-II and tier-III cities. Uttar Pradesh and Andhra Pradesh will have the highest number of frequencies available for licensing, followed by Karnataka, Madhya Pradesh, Maharashtra, Tamil Nadu, Gujarat, and Bihar.

Phase III has also incorporated special incentives for North-East Region, Jammu & Kashmir and Island Territories. Private FM Radio broadcasters in these areas are required to pay half the rate of annual license fee for an initial period of three years. Prasar Bharati infrastructure is made available at half the lease rentals for similar category cities in such areas. While the limit on the ownership of Channels at the national level allocated to an entity is 15%, channels in Jammu & Kashmir, North Eastern States and Island territories are allowed over and above the 15% national limit to incentivize the bidding for channels in such areas.

The biggest factor in the FM radio play will be quick implementation of the much-awaited Phase III licensing. The hopes of the industry hinge on this one. With the rollout of Phase III licensing, the Indian radio industry is optimistic about its exponential growth. The industry, which currently brings in Rs 1000 crore revenue, will see 800 new radio stations, across 300 towns coming up. With this expansion, FM radio will now touch 90 percent of the Indian population, making it truly a common man's medium. The doors to expansion will be opened and the industry expects to see 30 percent year-on-year growth. The future of radio looks hopeful.

3. MAJOR ISSUES IN BROADCASTING

1. AIR has already initiated digitisation of its MW and SW radio network which will work in three phases. However, there appears to be no initiative to digitise in FM radio space either by public or private FM radio broadcasters.
2. Even now though new FM licenses have been issued all across the country, news and current affairs has been barred from private Radio Networks.
3. The radio industry will need to realign its focus to emerging cities and the smaller towns as the major metros get saturated with FMs.
4. High Licensing fees, very expensive installations and high program production costs.
5. No proper research and listenership data available. Many private stations conducted their own study which may be biased.
6. There is no increase in ad revenue even if there is increase in listenership.
7. Govt. introduces new policies for radio development and this leads to increasing competition among the stations.

4. CONCLUSION

Indian Radio now enjoys equal importance as television and print media. The development of radio in India was steady during the 1960s and 70s but accelerated during the 1980s and 90s. Radio has now become an intimate form of communication and the FM channels like Red FM, Radio Mirchi, Power FM and others have contributed greatly in developing this strong network. The industry is growing rapidly and changing for the better, thus it also expects the government to bring in certain necessary changes in its policies. The requirements are never ending. The only worrisome part is the ever-escalating prices of radio stations which need to be controlled.

Addition of new content like news & current affairs and sports commentary needs to be allowed which is pending in the Supreme Court. News is not permitted on private FM. Nationally, many of the current FM pioneers, including the Times of India, Hindustan Times, Mid-Day, and BBC are essentially newspaper chains or media, and they are making a strong pitch for news on FM.

Even in political arena radio plays an important role. For instance, different political parties like the BJP and Congress have utilised radio during general elections in the best way. They customised and personalised the advertisements as per the regions. There is also 'Mann Ki Baat' which means the government understands the potential of radio.

The right time to launch radio as an affordable, effective, and creative mass medium by creating more awareness among advertisers, designing creative content, and engaging with events is now. Overall, the radio industry needs to change the focus to emerging cities like NE capitals, towns and villages in outskirts areas as well and not only concentrate on the major metro cities of India like Delhi, Mumbai, Chennai and Kolkata. With new and improved radio stations in the said places, radio revenues may grow about 12 per cent in a year. For now, the radio in metros have no more than 3-4 per cent growth in a year. Traditionally radio accounts for 7-8% of advertiser expenditures around the world. In India it is less than 2% at present. The privatization of broadcasting is a good thing which is to be welcomed by all and it provides an alternative to the already available government- operated radio broadcaster, AIR. Privatization has given room for multiple voices in broadcasting and this provides a solution to the monopoly and monotony of the public service broadcaster. It provides a great scope for reaching the listeners and catering to their needs as effectively as possible.

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