

Whither radio?

Will private radio stations survive the end of frequency limitations?

Since the introduction of cable television, the traditional media have been pronounced dead a number of times. Yet reports of their demise have been a bit premature. But while printed newspapers have survived their competition on the Internet, a current online development could threaten the traditional media in a domain that has not been much talked about: private radio broadcasting. Although online radio is still in its infancy, a perfect quality transmission bypassing state licensing systems could become a reality within only a few years. While printed media have been able to face off their low-cost online competition with quality content, it remains questionable whether radio stations specializing in top-40-hits or traffic news will have enough substance for a life outside of the licensing oligopoly. Still, **Media Tenor** data show clearly that the future of radio, after all the second most important media genre, is not exactly talk of the town.

Merging by mobilization and digitalization

Time is not yet ripe for the transition from traditional broadcasting to web radio. Obviously, in order to access online broadcasting one needs an Internet connection. This is why, for example in a car, one can only listen to programs that have previously been downloaded onto a media player, i.e. an iPod. Topical news such as traffic reports would not make it. In addition, sound quality is still less than perfect. Although it would be technologically feasible to transmit in impeccable CD quality, the high connection costs still prevent this. To save money, many stations continue to broadcast in a quality that is only little better than the traditional AM radio. All in all, web radio is still a niche occupation for aficionados.

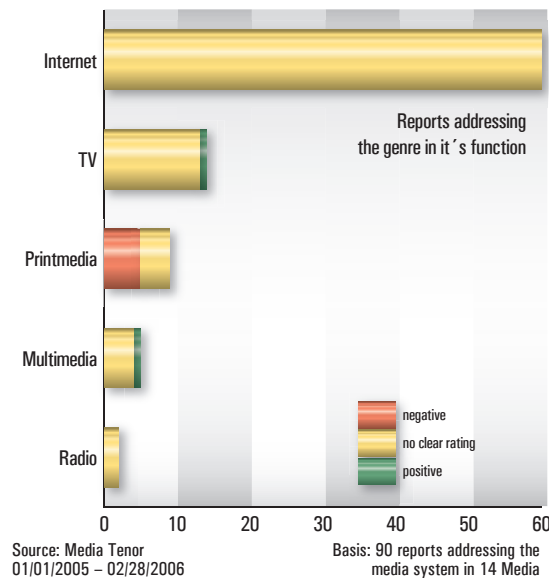
However, both proponents and opponents of web radio agree that this will change one day. Two technological events will prompt this: The digitalization of radio and the mobilization of the Internet. The former means that terrestrial receivers will essentially use the same technology as the Internet does today, and the latter will make it possible to download programs off the Internet from, say, the car radio. Once those conditions are met, online radio will be technically at a level playing field with traditional broadcasting. It would even be possible that a listener changes between different streams without much fuss.

No more hiding behind a license

This could be a blessing for the access of all citizens to the medium. The owners of today's licenses – as well as expensive terrestrial broadcasting equipment – could face huge losses in the long run.

However, ten years ago such forecasts might have been more likely to make the traditional media nervous. The tradition of pronouncing some media genre's future demise because of competition from the Internet is just as old as the www itself (that is 13 years). More often than not, the opposite has come true: In particular the traditional print media managed within only a

1 Radio is not talk of the town



few years to defy the alleged New Media competition and lure Internet users back onto their pages. Instead of going belly-up with their print version, they rather extended their expertise onto the Internet, thereby taking advantage of the new opportunities.

Radio programs that are professionally and qualitatively equal to the print media should be able to go down the same route. It remains questionable, however, whether a majority of today's private local radio stations will be able to justify their existence with program quality. On the one hand, radio is the second most important media after television in terms of time attributed to its consumption (**graph 2**). On the other hand, **Media Tenor** data show that, between January 2005 and February 2006, the radio as such was only discussed twice in the German opinion forming

Example:

Celtica Radio in Wales
The station was founded in 1997 by a group of radio and media experts, who intended to fulfil their dream of a completely independent program in the region of Bridgend. After losing the bid for a local broadcasting license against a bigger consortium, they managed to attract a community of listeners on the Internet, which they are trying use as a basis for creating a financially viable business model outside of the realm of the British licensing authority Ofcom. The group is currently looking for an investor, in order to expand its online program and simultaneously open up an additional international transmission channel via satellite. Media Tenor talked to the managing director and chief editor Bill Everatt.



MT: Mr. Everatt, as Managing Director of Celtica Radio you see the project on a growth curve and are currently looking for investors that would support your plans. What are the greatest challenges for your radio station?

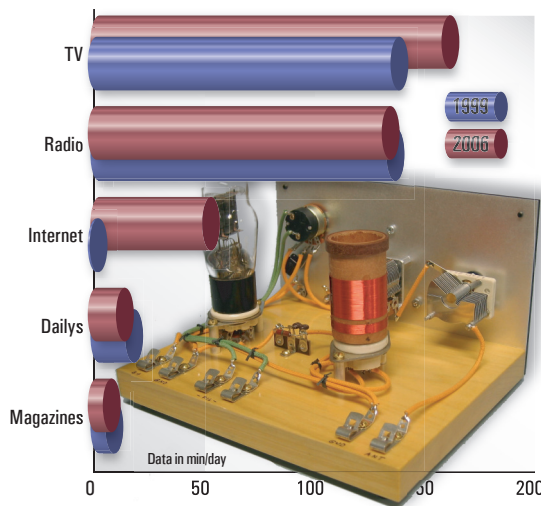
Bill Everatt: The challenges are of an institutional nature, coming from the network of the owners of terrestrial radio stations and their

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media in news stories on the media system. Of all the relevant media genres, radio was therefore the least interesting for other media.

This corroborates the growing tendency, by which radio is becoming less and less a medium to actively participate in, but rather one that provides some subtle background noise. In fact, research has been showing for years that listeners often de-

2 Media use in Germany: Radio continues to be important



Source: Seven One Media

side spontaneously on a certain radio station and then rarely change it afterwards. Some broadcasters therefore try to play popular hits most of the time, in order to capture randomly searching listeners and then keep them hooked.

It goes without saying that this business model can be copied by just about anybody. You do not need any journalistic qualification to copy the current top-40-hits onto your hard drive and then hit replay. You can even organize an hourly news overview with traffic jam and speed trap updates without having a broadcasting license. News stations of this format may be able to survive quite well on a protected market, but they will have to fear free competition.

This is precisely the kind of fear that some online stations are starting to sense. Bill Everatt (see Interview), managing director of the Welsh **Celtica Radio**, told **Media Tenor** of various difficulties. On the one hand, he has a hard time convincing ad buyers of the potential listeners, and

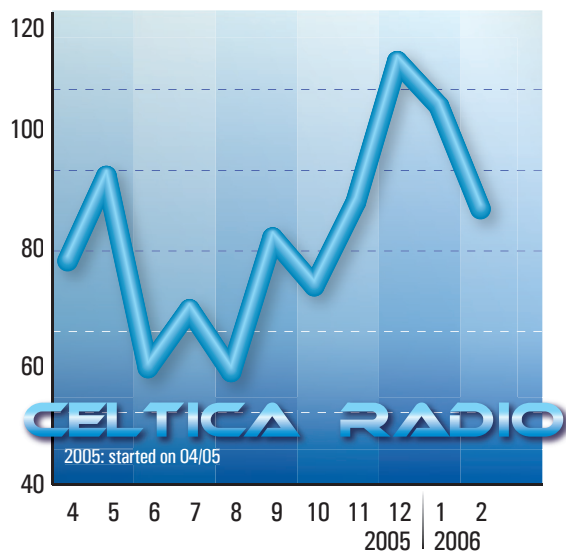
on the other hand he must make a deal with the local collection societies, which he must pay with the help of rather meager advertising revenue. In Great Britain and in Germany, both the advertising industry and the collection societies are strongly intertwined with the media, and thus also with radio broadcasters.

Form does not replace content

Still, experience has shown that bans and nepotism are no reliable methods to prevent a technological innovation. Private local radio should rather take the example of the print media and move forward. So far the success of the technically still disadvantaged online radio stations proves that there are target groups who seek out programs beyond the clones of the traffic jam announcing hit radio. They also show that interesting radio content can be produced without spending a whole lot of money.

Technological development has repeatedly challenged the media to an existential battle. But so far technology has never defeated content. In the battle for radio domination it will also be content that decides.

Celtica Radio: Audiences continue to grow



Basis:

Media: Welt, FAZ, SZ, Fr. Rundschau, Tagesthemen, heute, heute Journal, RTL Aktuell, Sat 1 News, Tagesschau, ProSieben Newstime, Focus, Spiegel, Zeit.

Timeline: 01/01/2005 - 02/28/2006

Analysis: All reports addressing the genre in its function within the media-system.

cooperating advertising agencies, whose restrictive practices prevent stations like Celtica Radio from growing.
MT: Really? Are those problems greater than technical limitations?
Everatt: Most definitely. Technology, for us, is a friend that facilitates our work – such as the introduction of podcasting last October, which generated about 15-20,000 new listeners at one go. You see, we already have about 85-110,000 listeners every month. If we were able to market our advertising slots under the same conditions as the terrestrial stations, we would already work under very different conditions. But the big agencies ignore us, we have to acquire all our advertising customers through direct contact.
MT: Do you still believe that online radio will find and take its place in the media landscape in the long run?
Everatt: I certainly do. We are moving towards a situation where radio will not be radio, any more, but simply audio, which is not bound to a transmission channel protected by licenses. At that point we will be at an advantage, because we are freer, more mobile and local than the supra-regional alliances that are grabbing one license after the other from the Ofcom. By then, both the advertising agencies and the collection societies will have resigned themselves to cooperating with stations like us, under conditions that are comparable to those for terrestrial stations.