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Independent Local Radio
—an Irish success story

Denis O'Brien

An outsider taking a cursory glance at independent broadcasting in Ireland in 1991 could be forgiven for thinking that the performance of the sector as whole was at best disappointing and at worst disastrous. The collapse of the national radio licence holder, Century Radio, and the removal of the independent television franchise from the TV3 consortium were landmarks in the recent history of independent broadcasting and, not unexpectedly, dominated most of the public focus, comment and debate on the fledgling sector in the past year.

However, while there was bound to be a natural pre-occupation by the national media with the two major broadcasting casualties, little or no balance has been evident in their focus on the sector as a whole. The old line that 'good news never sold newspapers' was never more true when one considers the relative success of the local independent radio network.

It is even more surprising to see the newspapers collectively use editorial space to blame the demise of Century and TV3 on RTE! Nothing could be further from the truth. This track obviously suits the newspaper industry, as a capped RTE certainly makes the advertising market easier for them. I would suggest a parallel debate of self-interest versus national interest should be opened up. The high level column inch coverage of the debate has frightened the politicians into limbo land in changing Mr. Burke's ill-fated legislation.

It is now just over two and a half years ago since the first of the country's new local independent stations began broadcasting. The Radio and Television Act, 1988 had laid the ground for the cleaning up of Ireland's chaotic radio airwaves and provided the opportunity for an alternative to state-sponsored broadcasting with channels that would be demand-driven.

Much has changed of course, since the first stations came on air in the second half of 1989. Market demands forced some stations to change their original blue-prints, revise their financial/cost structures and modify their ambitions. It is important to state at this point, that the primary 'market forces' that have moulded the current shape of independent radio have not been the 'faceless advertisers, station programmers and money-men' that some sections of the media would have us believe. The real arbiters of success for any radio station, or any commercial medium for that matter, are first and foremost the public at large.

Against all odds

Of the 25 local stations proposed at the time, 22 are now broadcasting with varying degrees of listenership across the country. In spite of facing extremely strong competition from RTE, with its two heavily branded stations, its radio broadcasting pedigree of almost seventy years, its huge financial and human resources, its added TV and publishing exposure and its multi-waveband availability, independent local radio has beaten the odds to capture a substantial listenership base.

A series of Joint National Listenership Research (JNLR) surveys have mapped the progress of the local independents since April-May 1990. Since then the all adult
listenership of the medium, on an average weekday, has risen from 34% to 44% in the
July-December period of last year, placing it just behind Radio One (46%) but well ahead
of 2FM (28%). In roughly the same period the medium’s average share of people’s time
spent listening to radio has increased by seven percentage points to 31%. (To put this in
some perspective, it has taken the overall ILR network in the UK some eighteen years to
achieve its current 38% share of listening against the BBC.)

A rich and varied mix

The growing audience share of the independent stations is a testament to the Irish
public’s long-held desire for a legal and local listening alternative. Urban and rural
communities the length and breadth of the country have embraced their local radio
stations in much the same way as they had previously done with their local newspapers.
This has given rise to a rich and varied mix of programme styles around the country,
each designed to appeal to the different communities, special interests and age groups
that exist.

The carefully planned formats of the music-led stations in Dublin, Cork, Limerick
and Galway for example are complemented by the more locally focused elements of the
stations in the provinces. Unfortunately, the Dublin-based perception of many of the
rurally located independents tends to be a caricature of radio stations broadcasting a
mix of ‘ear to ear’ country and Irish music and death notices. In most cases this is far
from the truth. Stations such as Clare FM, Highland Radio in Donegal, Radio Kerry and
our own station, Classic Hits 98FM in Dublin have shown that by giving people what
they want to hear on a local basis they can provide a real alternative to RTE.

Each and every one of the twenty plus stations now broadcasting have contributed in
some way to breaking the mould of radio broadcasting. These range from some
extremely successful local radio drama on MWR in Mayo to news and sports scoops on
many of the other stations. From Dublin to Dunmore East, the local stations are
becoming part of the fabric of city and country life and in the process demonstrating
that broadcasting, without state aid or influence, can be both non- elitist and of
good quality.

Future prospects

The future prospects for independent broadcasting have come sharply into focus
since the Century and TV3 controversies and the widely-accepted failure of the
measures in the 1990 Broadcasting Act. Many commentators see the general downturn
in advertising expenditure and the flawed pedigree of government policy on broadcasting
as major obstacles to the viability of local radio in this country.

Certainly in the area of advertising income, few if any of the station operators have
found their radio franchises to be ‘licences to print money’. Only two stations are now
making a profit while the majority strive to break even.

Having said this however, the few indicators that do exist show that advertising
prospects for local radio are quite healthy. In 1988, the year before the new
independents came on air, RTE radio accounted for just over 10 per cent of display
advertising revenue in the Republic (excluding property, recruitment, classified and
advertising booked locally or directly by individuals). Last year with little or no growth in
overall advertising expenditure, the radio medium took an estimated 12.5 per cent share
of the total with the independents accounting for almost 30 per cent of this figure and
RTE the remainder.

The evidence from last year appears to indicate that even in recessionary times, when
companies may be forced to trim their advertising budgets, radio revenues are less
susceptible to cutbacks than other media. This is largely related to radio’s historic
strength as an advertising medium in this country delivering large audiences effectively at low costs. However, another factor in radio's ad revenue growth has been a more vigorous and professional sales drive by independent operators aimed at advertising agencies and their clients. Through packaging and imaginatively selling their audiences to advertisers they have shown that radio income can be secured.

**TABLE 1**

Display Advertising Revenue Shares by Medium

<table>
<thead>
<tr>
<th></th>
<th>1989</th>
<th>1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Press</td>
<td>34.5</td>
<td>37.7</td>
</tr>
<tr>
<td>Regional Press</td>
<td>3.1</td>
<td>3.3</td>
</tr>
<tr>
<td>Consumer Magazine</td>
<td>7.9</td>
<td>6.2</td>
</tr>
<tr>
<td>RTE Television</td>
<td>35.2</td>
<td>32.3</td>
</tr>
<tr>
<td>RTE Radio</td>
<td>10.2</td>
<td>8.8</td>
</tr>
<tr>
<td>Independent Radio</td>
<td></td>
<td>8.7</td>
</tr>
<tr>
<td>Cinema</td>
<td></td>
<td>0.5</td>
</tr>
<tr>
<td>Posters</td>
<td>9.1</td>
<td>7.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: A.S.I./Des O'Meara & Partners

Note: Figures are exclusive of property and recruitment revenue and advertising booked locally or directly by advertisers.

A strategic review of long-term trends in the European radio industry produced by UK consultancy, Belenos, highlighted a number of factors likely to influence the future revenue share of radio as an advertising medium. The most important of these were:

1. **The supply of commercial audiences**
   Without long-term growth in the audience to the commercial stations the trend rate of growth in radio advertising would be less than television. In Ireland's case, the audience growth to independent radio in the last two years is therefore a positive indicator.

2. **Product differentiation in the radio audience**
   Radio's advertising share is constrained both by its ability to supply the size and variety of audiences demanded by local and national advertisers and in packaging and marketing these audiences in a concentrated manner. In the UK lack of national coverage has hindered the ability of commercial radio in the UK to deliver mass audiences to national advertisers. Because of the greater concentration of the population in this country into fewer centres this has not been a stumbling block for local stations to date.

3. **Rivalry for audiences and advertising revenue**
   In the UK, the BBC competes with independent radio for audiences but not for advertising. Here, RTE competes on both fronts. A predatory pricing policy by RTE in the future, in which it might use its collective resources to undercut the independent sector, would perhaps pose the most serious threat to the long-term viability of the independents.

4. **The availability of substitute media**
   In 1991, many people finally realized that the transfer of funds from the broadcast media to the print sector was never going to be accomplished by a simple piece of government legislation designed to limit RTE's earning potential but which was ignorant of the way in which advertisers use media. In spite of the 'capping' mechanism introduced by the 1990 Broadcasting Act, RTE's television revenue from advertising remained largely unaffected.
However, if the current limits on RTE's commercial minuting remain then more advertisers will be forced to look at other broadcast alternatives to either supplement or replace their RTE campaigns. Similarly, an erosion of viewing levels on RTE by foreign channels is also more likely to direct revenue towards radio than any other medium.

The future growth rate of radio advertising then will be closely linked to the impact of the economy on the demand for the medium and also to structural factors such as centralized selling, which should stimulate the medium's future use by more advertisers.

**Government policy**

Advertising revenue aside, the other main factor in determining whether independent commercial broadcasting has a long-term future is very much dependent on the ability and willingness of politicians and regulators to keep their involvement to a minimum.

This is not just an Irish issue but one that is prevalent right across Europe currently. Jonathon Miller, Assistant Editor of the Sunday Times, neatly summed it up recently when he wrote:

> In political circles across Europe, and particularly in the European Commission and Parliament, there remains a deep hostility to commercial broadcasting, to the culture of advertising, to the idea of sponsorship and to the freedom of establishment.

When the 20 per cent quota of news and current affairs was first mooted in advance of Independent radio's launch many people in the industry viewed this as the legislators not necessarily wanting to provide the Irish public with good radio but rather radio that was good for them.

As it turned out only a few stations have had difficulty reaching the news quota but nonetheless, it has proven to be a sizable expense for many struggling to stay afloat.

Restrictions on the number of broadcasting licences made available has also been one of the major criticisms of government involvement in broadcasting. Certainly the diversity of formats that existed during the days of the pirate stations does not exist anymore and this is to be lamented. The Dublin market is arguably the most competitive and important radio market and it is likely that current economic conditions will force another station casualty, as the market cannot sustain four advertising supported stations.

Sections of the media continue to bemoan the apparent lack of listening choice in cities like Dublin. But even if one discounts the availability of the BBC radio signals and Atlantic 252 the choice is considerable, as the following table shows:

**TABLE 2**

<table>
<thead>
<tr>
<th>Radio stations</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>RTE 1: News/talk/music</td>
<td>30+</td>
</tr>
<tr>
<td>2FM: Music</td>
<td>15-30 years</td>
</tr>
<tr>
<td>FM3: Music</td>
<td>30+</td>
</tr>
<tr>
<td>98FM: Music</td>
<td>20-40 years</td>
</tr>
<tr>
<td>Rock 104FM: Music</td>
<td>15-30 years</td>
</tr>
</tbody>
</table>
However it is not the responsibility nor does it make economic sense for the existing commercial stations to be 'all things to all people'. That onus lies with the publicly-financed broadcaster or rests with the government to grant licences to satisfy these apparent listening demands. After all it is rather ironic that today a licence for a satellite TV channel in the UK, potentially broadcasting to millions, can be obtained more easily than one for an Irish radio station with a potential audience counted in hundreds or thousands.

It should be up to the listening or viewing public to decide whether there is a market for twenty-five or fifty or a hundred stations, not the politicians and regulators. They should be basically concerned that prospective broadcasters simply observe normal standards and codes of broadcasting. Ultimately the question of whether a radio or a TV station can be made to work or not depends first and foremost not on its news content or programmes, nor on low costs, but on its ability to attract an audience. No audience, no future - it's as simple as that.