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RTE Publishing Ltd

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RTE PUBLISHING LIMITED

A CASE STUDY BY GERRY MORTIMER

This case is intended to be used as the basis for class discussion rather than to illustrate effective or ineffective handling of a management situation. The author acknowledges the assistance of RTE Publishing Ltd., Lansdowne Market Research and the Audit Bureau of Circulation in preparing this case.

Following a root and branch review of its operations in 2001, RTE, Ireland's national TV and radio broadcaster, reorganised its activities into six divisions as follows:

- 1 **Television:** Included programming, purchase and sales of programmes, sponsorship, advertising.
- 2 **Radio:** With a similar list to TV
- 3 **News:** All news coverage for radio, TV and internet.
- 4 **Publishing:** RTE Guide, Aertel, rte.ie, SMS and Interactive Voice Response (IVR) together with expected interactive facilities on the Sky digital platform likely to be launched in 2004.
- 5 **Performing Groups:** Included the symphony and concert orchestras, string quartet and choirs.
- 6 **Networks:** RTE subcontracted space on its broadcasting platforms to other organisations.

The publishing division came into being as RTE Publishing Ltd in May 2003. Muirne Laffan was appointed Executive Director of RTE Publishing. Having spent several years in New York with the advertising agency McCann Erickson, Muirne had joined RTE to head up its commercial activities division some 18 months previously. With the reorganisation, some of these activities had been moved. Thus, for example, TV programme sales became part of the TV division to ensure that issues involved in programme sales were incorporated into programme planning at an early stage.

As a result, from a diverse range of activities, some of which had little in common, the new publishing division was born. Most of the management team in RTE Publishing (See Appendix 1 for organisation chart) were relatively new to the organisation. There were some exciting new ventures in the pipeline. However, in terms of revenue and profit, the RTE Guide dwarfed the other activities in RTE Publishing and, inevitably it would occupy a substantial amount of management time. The magazine itself faced a broad number of marketing challenges in a market that was showing some dramatic changes. Recent figures had shown some decline in circulation and readership of the RTE Guide though it still had the highest paid circulation of any magazine in Ireland and was still seen as a vital and positive contributor to RTE as a whole. The challenge for the RTE Publishing team was to maximise the overall contribution of the division in a difficult and changing market.

THE HISTORY OF RTE

RTE is the state owned Irish broadcaster with a public service broadcasting remit similar to BBC in the UK. It had its origins in a radio station established by the Irish Government in the 1920s. Originally called 2RN, the station was later renamed Radio Eireann. For decades it was a single station business with no other station operating in the Republic of Ireland. Competition, if it could be described as such, came only from BBC radio stations whose signals could be received through much of Ireland

and, for younger listeners, from the popular music station Radio Luxembourg which, despite its name, directed its broadcasts to UK and Ireland. Radio Luxembourg was the first exposure of consumers in either jurisdiction to commercial radio.

Radio Eireann derived most of its revenue from the legal requirement for all radios to be licensed and owners to pay a license fee. In addition there were a small number of short sponsored programmes. Up to the 1960s, Radio Eireann only broadcast for an hour in the mornings, two hours at lunchtime and again in the evening from 6pm.

As with radio, Ireland's first exposure to television was through UK-based stations. Because these stations broadcast into Northern Ireland, it was possible, with a roof aerial, to get reception of the BBC channel and later ITV/UTV in border counties and along the east coast to south of Dublin. BBC television had been established in the thirties. ITV was licensed to operate as a series of regional commercial stations, each confined to its own region, when it was established in the early fifties. Ulster Television (UTV) was the licensee in Northern Ireland.

Unlike other media, broadcasting had always been tightly controlled in both Ireland and UK and in most jurisdictions throughout the world. So, until 1960, the diet of television programmes in Ireland was one BBC channel and one commercial channel, either Ulster or Welsh ITV. Which one was available depended on the strength of signal. They were only available if one lived north and east of a line from Sligo, in the North West, to Wexford in the South East. South and west of that line, there was no television reception.

This all changed in 1961 when the Irish government decided to establish an Irish television channel. Again, as with radio, the process was highly state controlled. Telefis Eireann began broadcasting on New Year's Eve, 1961. Telefis Eireann was established as a sister organisation to Radio Eireann with the two organisations later fully amalgamated as RTE (Radio Telefis Eireann). Both of the UK channels, BBC and ITV, had their own weekly magazines to provide a guide to the week's programmes. Each magazine, Radio Times for BBC and TV Times for ITV, circulated in Ireland. Legally each organisation owned the rights to its programming schedule so, for example, Radio Times only published details of BBC programming. Newspapers were typically licensed, for a fee, to carry details of that day's programming only. As a result, RTE considered launching its own listings magazine. Remarkably, the new weekly publication, the RTE Guide, arrived on the newsstands one month before the new Irish television station was launched. It survived and eventually prospered and has remained in RTE ownership ever since. On a few occasions its sale has been contemplated in examinations of whether it was a core business and might be sold to generate capital for the RTE organisation.

So throughout the sixties and seventies, if you were living on the east coast and wished to plan your viewing of the three, later four, stations available, RTE, BBC 1 & 2 and ITV you were obliged to purchase three magazines each week. Relatively quickly, the RTE Guide became the best selling paid magazine of any type in Ireland, a position it still holds today. Sky now claims higher circulation for its monthly magazine which is, allegedly, distributed free to all its satellite subscribers.

The landscape for RTE began to change in the eighties in several ways. The Irish government introduced new legislation regulating radio broadcasting in particular. Hitherto RTE had a monopoly of both TV with RTE 1 and, more recently, Network 2 and radio with Radio 1 and 2FM, a popular music station. RTE was funded by the requirement of all TV owners to have an annual TV license. The radio license had been scrapped with the advent of RTE television. RTE also carried advertising on all its networks. The argument for allowing RTE to earn revenue from advertising rested on the cost of meeting its public service broadcasting remit. Excluding commercial activities, such as the RTE Guide, revenue in RTE is roughly divided equally between license fee income and advertising revenue on TV and radio. In the UK, BBC had a license fee base of about 15 times that of Ireland and therefore had no need for recourse to advertising though, like RTE, it had its commercial arm, selling programmes and operating the Radio Times amongst other activities.

The new radio market began to call the use of advertising on RTE into question. Under the new licensing regime, one national, and over 20 local, radio licenses were issued. These would derive their revenue solely from the sale of advertising. The local radio operations all performed well and appeared to grow the market. The new national station, Century Radio, collapsed spectacularly within a relatively short time perhaps reflecting the fact that advertisers tend to be wary of new media and wait until they see the first readership/listenership/viewership figures before committing themselves. This can take up to 18 months and makes it very difficult to launch and maintain a new media vehicle reliant on advertising. The recent short life of a daily newspaper, entitled the Dublin Daily, illustrates this.

Another major change in RTE's landscape directly affected the RTE Guide. Vincent Browne, a well known journalist and broadcaster and then owner of Magill magazine, sought to publish advance listings of radio and TV programmes, the copyrights to which were owned by the stations. In particular he was apparently interested in the lucrative Christmas market. The result was a protracted court case which went as far as the European Court. In the end Browne won his case to be allowed to publish the listings though he did not go ahead with the publishing of a listings magazine. Though RTE fought the case vigorously, the result had a key bonus for the organisation at least in the short term. It could now publish other station listings such as BBC, UTV and Channel 4 in the RTE Guide and did so. As an apparent result, average circulation of the RTE Guide doubled from 90,000 per week to 180,000 as readers began to get more value. Circulation of the Radio Times and TV Times in Ireland dropped dramatically as a result and these are not now seen as competitors to the RTE Guide.

The television landscape changed dramatically in the nineties with several new stations and, in particular, the growth of satellite TV. Non-Irish terrestrial channels became more available across the whole country through various means of boosting signals. A new commercial station license was offered by the Irish government and it was won by a consortium of Irish and Canadian investors. It began broadcasting as TV3 and relied solely on advertising revenue to survive. These changes were to the benefit of the RTE Guide in terms of listing content but obviously had the effect of reducing RTE's share of the broadcast audience. This was partially offset by the growth in advertising as a result of the economic boom in Ireland in the latter years of the 20th century. At first RTE derived only limited benefit because of a cap on its

revenue placed by the then Minister for Communications, Ray Burke. This was designed to benefit the new radio stations and the proposed new TV channel which was taking some years to become established. This cap was eventually lifted though RTE's occasionally fractious relationship with the government was illustrated again in recent years when RTE was not allowed to increase the TV license fee by the amount it proposed and, partly as a result, the organisation suffered heavy losses. This decision was also subsequently reversed and an increase in the license was eventually granted. However, it still faces a difficult future in an increasingly competitive environment with TV3 now well established and some of the UK based satellite channels now running advertising specifically targeted at Irish audiences, thus fragmenting the advertising market still further.

Early in the new millennium, there was a general move away from analogue TV broadcasting to digital which offered several advantages. In UK and Ireland it was intended that all TV broadcasting would move from analogue to digital within a decade. This would improve the signal, develop interactivity, and free up valuable analogue space for other forms of communication. In the UK, for example, it was assumed that BBC would no longer be gaining license revenue in the fully developed digital world. Rather consumers, who chose its services, would pay an annual fee or a fee per item.

As the major broadcaster in Ireland, RTE saw the new digital era as an opportunity and had proposed building its own digital platform on which it could broadcast its own services and lease space to other communication organisations. However it appeared that the capital cost involved became prohibitive and RTE abandoned its plans for an independent digital platform. Instead it placed its stations on the Sky digital platform.

RTE PUBLISHING IN 2003

As previously noted, a major review of activities was undertaken by management consultants for RTE in 2001 partly as a result of its failure to get the license fee it considered it needed. One of the results was the dismantling of RTE Commercial Enterprises Ltd (CEL). This subsidiary was responsible for all commercial activity other than sales of advertising. In addition to the RTE Guide, this included programme sales, merchandising, renting space on networks, uplinks, premium lines and the mobile broadcasting unit. Over the decades various commercial activities had been added to the product line. The examination indicated a possible lack of focus with so many unrelated activities competing for management time and attention. The total annual turnover of CEL prior to the reorganisation was approximately €27million. The RTE Guide accounted for just over 40% of this.

Following the reorganisation, RTE Publishing Ltd., with Muirne Laffan as its Executive Director, had a turnover in excess of €15 million. Other revenue generating activities were incorporated into other, more appropriate, divisions. The RTE Guide now accounted for 80% of this. In total, the publishing unit consists of the following publications:

- RTE Guide
- www.rte.ie
- Aertel

- SMS and IVR
- Digital offerings on Sky platform (planned for 2004)

In total RTE Publishing employs a staff of 70, with a further new position of Chief Technology Officer scheduled to be added shortly. The chart in Appendix 1 shows the breakdown of principal positions. Further details of the various parts of RTE Publishing are provided below.

RTE GUIDE

As previously noted, RTE Guide has the highest paid circulation of any magazine in Ireland. Circulation figures for the RTE Guide and a range of other print media are provided in Appendix 2. These figures are certified by the Audit Bureau of Circulation (ABC) which print media can join for a fee. RTE Guide has one direct competitor in the Irish radio and TV listings market, if one excludes Radio Times and TV Times which are marketed in Ireland through the publication of Northern Ireland editions. Neither circulation is regarded as significant in the Republic of Ireland. However, like all listings magazines, they do get a boost in turnover at the Christmas season. The direct competitor is TV Now. It was launched in 1999. It is published by Michael Doherty who also publishes VIP Magazine. General view in the industry is that VIP Magazine is funding the development of TV Now and that the latter product is not yet profitable. Indirect competition comes principally from weekly listings offered by newspapers such as The Irish Times, Irish Independent, Star etc., usually published on Saturdays and also from Sunday newspapers such as Sunday Times. Not all Sunday newspapers publish listings supplements. For example, the Sunday Independent, with the largest circulation, does not. The most significant development in recent years on the competitive front has been the growth in circulation for the Sunday newspaper, Ireland on Sunday, which had been struggling at a circulation of just over 50,000 until it was bought by the publishers of the UK based Daily Mail and Mail on Sunday. It is believed that the new owners have invested €20m in building up the circulation. Price reductions and free CDs and heavy advertising have made up much of this marketing effort. Despite this investment, and the subsequent growth in circulation, industry commentators are suggesting that the investment is not yielding a return for its new owners. Nevertheless, established Sunday newspaper publishers such as market leader Independent News & Media with the two highest circulations, Sunday Independent and Sunday World, are believed to be concerned about the effect on their circulations. Ireland on Sunday does publish a full listings supplement.

The latest Joint National Readership Survey (JNRS) results prepared by Lansdowne Market Research are shown in Appendix 3. TV Now is not a subscriber to JNRS. As a result it is not analysed in the JNRS figures. The results analyse levels and type of readership for the period mid-2002 to mid-2003. They do not analyse individual parts of multi section newspapers. Thus, for example, it is not possible to identify what proportion of readers of Ireland on Sunday actually read the TV listing supplement. This could obviously be of interest to advertisers considering placing advertising in those listings supplements. A product such as a magazine that has a full one week shelf life in the home is more valuable to advertisers than one which only has shelf life for the day on which it is published or is perhaps never read at all. Muirne Laffan in a recent public statement said that “industry research suggests that less than 40% of host newspapers' readers actually read the TV supplement”.

Advertising is important for the RTE Guide as it generates about 25% of total revenue with most of the balance being accounted for by newsstand sales. Advertising revenue has been relatively buoyant in the magazine with growth rates of 20% or above in 2001 and 2002. Revenue from advertising is expected to be stable in 2003. It has become a concern for all print media, but particularly for magazines, that the proportion of space in newsagents and convenience stores devoted to print media is declining. Soft drinks, in particular, are seen as more profitable, with higher turnover than magazine stands.

Some recent initiatives by management in RTE Publishing include dedicated stands in Dunnes Stores outlets and hotspots in popular newsagents. In addition 20,000 sets of programme listings were distributed free in the Dublin area on three separate occasions. There have also been samplings at popular events. The magazine also piggybacks on other RTE events such as fashion programmes like Off the Rails. RTE Publishing spends about €1million annually on promotion of the RTE Guide. While most of this is still above the line with advertising on RTE television and radio, TV3, Sky and local radio, there has been a noticeable movement towards below the line spend as some of the above promotions indicate.

While the RTE Guide does not see itself as a news magazine, it does on occasions create news usually through interviews with personalities. For example, RTE had a long established flagship chat show programme broadcast on Friday nights from September to June. It is hosted by Pat Kenny. The rival station, TV3, had decided to launch its own chat show, hosted by a relatively controversial broadcaster, Eamon Dunphy, and place it head to head with the Late, Late Show. This had generated much national interest and coverage. An interview with Pat Kenny in the RTE guide in the edition just prior to the start of the new schedule had attracted much media interest. Kenny had commented extensively on what was widely as a major battle for ratings and advertising revenue. As a result of this, the issue sold out early. While the Dunphy programme attracted a substantial audience in its earlier weeks, neither station was happy with the outcome as it was widely commented that there was much switching between the channels, particularly during the advertising breaks. Gradually Dunphy's audience dropped back behind the Late, Late Show. He had also been criticised for some inappropriate comments on the programme and, by Christmas, TV3 had decided to pull the programme off air. Incidentally, the Christmas/New Year issue of the RTE Guide, which covers two weeks, invariably sells a multiple of the average circulation and attracts a wide range of advertisers.

The listings cover the week from Saturday to Friday. The magazine is normally ready to go to print on Friday of the previous week. However, it can be held until Monday if a breaking weekend story needs to be covered. Normally it reaches Dublin outlets late on Tuesday and the rest of the country on Wednesday. Key sales days are Thursday and Friday. In addition to listings, regular features include interviews, updates on soaps, features on films which can be viewed in the week and fashion. The Guide also runs a number of competitions each week. Normally the product advertiser will pay for the page advertisement and supply the prize. There may also be premium call revenue from entries into the competitions.

AERTEL

Aertel is RTE's teletext service. It is available on both RTE stations with content divided between the two. The content can broadly be divided between news, public information, listings and commercial material. News, though limited in scope, has the major advantage of being updateable almost in real time. Thus, for example, sports score updates can be relayed almost immediately. The public service element includes information on central government and local authority services, locations of blood donation clinics and updates on aircraft and ferry arrivals and departures. The service is free for consumers and has been a feature of RTE since the early eighties. It is accessed almost 1 million times each week. The most lucrative commercial services on Aertel are the betting pages on which a range of bookmakers offer odds, mostly on sporting events. These odds are regularly updated and links are provided to freephone numbers and the bookmakers' own websites and premises. Most of the major bookmakers, such as Paddy Power, are represented by several pages on Aertel. Other revenue earners include holidays, classified advertisements, mortgage information and competitions. Aertel has an annual turnover of € 1.5 million. This turnover is growing, though slowly. Most other TV channels offer a similar service. However, from a revenue generating perspective, no other text service is believed to be significant in Ireland. The complete Aertel service is also available on RTE's website, www.rte.ie. Teletext services are not interactive.

RTE.IE

In common with most major media vehicles, RTE had established its own website www.rte.ie in 1996. At that time, the commercial potential for web development was seen as huge. It was also seen as a serious threat to existing media forms. While the world wide web has grown rapidly as a resource, its commercial potential has, to date, been realised far less often than was predicted. Of the major media online vehicles in Ireland, only the Irish Times website, Ireland.com, has taken the major step of charging subscribers for access to the bulk of its content which offers the full newspaper as well as archive and other material. The charge is currently €79 per annum. Despite this charge, and a costcutting drive, Ireland.com is a lossmaker for the Irish Times Group. On the other hand, as the ABC figures indicate, the Irish Times newspaper sales have remained relatively stable.

RTE would view its website as having a much broader remit than as a commercial venture. This would include provision of information, broadcasting of the RTE radio stations to the Irish diaspora throughout the world, making Aertel more accessible, supplying other appropriate services such as advertising, and providing information about job vacancies in RTE. Nevertheless, the management at RTE would not wish to see the website as a drain on already tight resources. It would wish to continue to be a player in this field, as much, in common with others, to see how the market plays out. Currently, in the absence of charging for content, it has two principal sources of revenue, banner advertising and sponsorship of particular sections of content. Examples currently on view include banner advertisements for a discount telephone service provider and for the website of an online estate agency and the sponsorship of stock market prices by a leading stockbroker. The website currently has a turnover in excess of €1 million. This figure is also growing.

The forthcoming appointment of a Chief Technology Officer in RTE Publishing is expected to give considerable impetus to the website services, possibly in conjunction with other electronic media. On average the website receives 1.8 million hits per week. The cover page is illustrated in Appendix 4.

SMS AND IVR

SMS or text messaging and IVR (Interactive Voice Response) for premium priced calls are not new commercial services to RTE and its publishing arm, though the technology used has been changing rapidly. RTE Publishing has been generating revenue from competitions in the RTE Guide for more than a decade and on TV for several years. SMS, as a technology for generating premium calls is relatively new. By far the biggest growth area in this sector has been as a result of new programming in which viewers vote through either text messaging, phone or other means. Reality TV shows such as Cabin Fever and talent contests such as You're a Star produce large numbers of votes. Over one million individuals voted in the most recent You're a Star final show. Most business in this market operates on a revenue share basis. The share of revenue from each call is the subject of negotiation in each individual situation. Though the market is limited by the size of the population, it is a growth market and is seen as having potential.

DIGITAL INTERACTIVE

This is a relatively new market for RTE Publishing. Having abandoned its original intention of establishing its own digital platform, RTE has placed its stations, in common with the other Irish stations TV3 and TG4, on the Sky platform. This looks like becoming the dominant platform, though cable operators such as Chorus and NTL (which RTE once owned) have been slowly upgrading their networks from analogue to digital. RTE programming on RTE1 and RTE Network 2 are only available to Irish viewers of the Sky platform. There are several complications to RTE services being available to Sky's UK subscribers or to satellite or cable subscribers in other countries. For example, coverage of GAA matches for viewing outside of Ireland is awarded by the GAA to organisations other than RTE. As a result, immediate issues of copyright would arise. Soccer games would also be a problem with different rights for different markets.

RTE Publishing is proposing to launch some interactive services on its digital platform in 2004. The new Chief Technology Officer would also be key to this process. Some of the regular suspects are likely to arise again in this market sector including betting, gaming, online banking and information services. In many ways, the TV digital interactive revolution is in the same stage of development now as the internet was a decade ago. There are at least two possible models for RTE in this market. RTE could host content for a fee for other commercial organisations. Clearly this would be the case in online banking. Alternatively, or in addition, RTE could also develop its own content and seek to sell this.

LOOKING TO THE FUTURE

Having worked with RTE Commercial Enterprises for 18 months prior to the reorganisation, Muirne Laffan was very familiar with the existing products that now made up her portfolio. The focus on publishing and away from other diverse activities had made this portfolio more coherent. She had a largely new marketing management team in place. Virtually all had joined the organisation within the previous two years. The appointment of the new CTO would complete the team. The focus would be on commercial activities, revenue and profits, though she accepted that RTE as a whole had a broad public service remit. It was also clear that RTE's performance was continually under scrutiny from wider publics such as the government, viewers and listeners, advertisers, programme makers and competition.

Moving towards 2004, there were certainly challenges and opportunities. Savings had been made in key cost areas such as distribution and printing the RTE Guide. The magazine itself had been extensively revamped. RTE Publishing currently contributed €2.5m in profit to its parent organisation. The RTE Guide itself generated profits in excess of this sum. The challenge would be to grow the overall profits in an arena of continuing change.