



ABSOLUTE RADIO INTERNATIONAL

create - enhance - realise

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Last night 290 people woke up after a restless night to face a ritual quarterly journey to work. It was Rajar day, and these were the program controllers of the UK's radio stations who were set to receive the latest set of audience figures for their own stations and those of their rivals.

To be sure the phone lines were buzzing the moment the results were released, but after placing a few calls I realised that the Rajar results were not the hottest topic of conversation in the corridors of power.

That topic was not the Internet - even though radio has fared better than its media rivals following the arrival of the Internet. Nor was it the rise in costs of digital radio, a technology that allows ideas, formats and stations but which will not make any real commercial impact for at least five to seven years.

So what was it that echoed from the corridors of the UK radio plc? One word: Consolidation. Consolidation is the code word for changes of ownership. With a new parliament only months away it is hoped that the new communications Act will become law as early as the fourth quarter of 2002 and this will be the key that unlocks changes that will affect not only the owners of radio stations, but for listeners and possibly those that supply the music that radio stations play.

Consolidation could be a good thing, since it may help the industry work together to create a 'dynamic market' that will drive the industry's share of display advertising towards that all important 10%, but there are dangers along the way if the listener becomes the victim in this process.

Most in the industry can be forgiven for thinking that it is all going to be about which UK Group buys whom and for what price. This could yet turn out to be how the market develops, but the new legislation rightly opens the doors to other potential bidders. So it is worth exploring some of the less obvious options and possible plays.

The new act will remove many of the cross-media restrictions currently applied to radio ownership, and it will therefore allow commercial TV operators to own significant radio interests. One aspect of the regulation that thankfully will not be changed is the ruling that ensures analogue UK radio is controlled by EU-only companies. This has stopped the big groups from outside Europe like Clear Channel/Viacom-Infinity/Austereo from taking significant controlling stakes in the UK. Control may not be possible, but investment is and all three are active in Europe sharing in the value of the growing radio industry.

However, what about the non-UK groups? There are no current or future restrictions on European Operators turning their focus on the lucrative UK market. NRJ in France currently broadcasts to more than 20m listeners in nine countries so watch out for a possible alliance between NRJ and Chrysalis's Galaxy stations. And don't ignore the other power European players like Scandinavia's SBS, France's Europe 1 or even the Spanish telecom operator Telefonica that has just moved into radio.

And what about the possibility of music industry players finally investing in a medium that derives its business via the legal exploitation of their rights and content? In fact one company already has. Bertelsmann is not only the owner of BMG but is also the largest shareholder in RTL Group, Europe's biggest TV and Radio Group. In contrast EMI last year sold its stake in GWR/Classic FM prior to its failed merger with Time Warner. Does an independent era of joint ventures and alliances put radio back on the table? And what about the future strategy of Vivendi/Universal, for whom radio seems to be the only missing piece in its content strategy.

There are still more questions than answers, but with these factors at play it is no surprise that consolidation is the hot topic in the radio industry. After all, this really will be a dynamic market. Still, for anyone to be successful in this new era they must not forget the listener in this corporate process. As a renowned media guru once said "No one listens to radio, they listen to things that interest them and sometimes that is radio".

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