

RYSZARD ŻABIŃSKI

Areas of Competition on the Radio Market

KEY WORDS

radio market, competition, marketing, marketing strategies, radio advertisement market

ABSTRACT

The article presents issues concerning the intensity of competition on the radio market and the impact of this phenomenon on the marketing strategies of radio groups, economics of the industry, quality of radio programmes and perspective of market development. Competition on the radio advertisement market has become aggressive, with a price character that does not have a positive impact on the profitability of the industry. The basic tool of competition is the development of packetized advertising. Competition on the market of radio listenership does not have a price character. It is the strongest among nationwide stations and network stations. Radio groups should develop relational strategies in order to extend bargaining power in competing with television broadcasters. It is a way to improve the profitability of the industry and the quality of radio programmes.

After the year 2009, due to the deteriorating economic situation in Poland and increasing uncertainty on global financial markets, competition on the radio market tightened. This work describes issues connected with growing competition on the radio market and its influence on marketing strategies of radio groups, economics of the industry, the quality of radio programmes and market development perspectives. The condition of radio advertising markets and listenership of radio programmes were analyzed, and also the influence of factors like bargaining power of buyers (advertisers), substitutes and barriers to entry on the economics of radio groups.

Development conditions of radio broadcasters

The radio market in Poland, despite unfavorable macroeconomic conditions especially after 2009, still remains attractive for existing media groups and has great possibilities of developing competitive strategies. This raises the bar for those managing in terms of

improving their strategies. These are managing techniques, by means of which companies functioning in the radio sector, despite the slump on the advertising market and growing competition, could improve their profitability index. It's possible due to the development of distribution strategies, integration with other segments of the media market and better cooperation with advertisers.

Jan Beliczyński points out that the growing interest in problems of media management results from substantial dynamics of change in market and media technology, lack of clear-cut borders between certain sectors and media types, the presence of a media enterprise in many different media and non-media industries, an increase in competition and the growing fusions and take-overs in the media sector, as well as the growing globalization and internationalization of media¹.

Tadeusz Kowalski and Bogdan Jung, conducting a market and economic profile of the radio, point to the following issues:

- radio is strongly connected to format and geographical market. The radio format consists of: musical style, musical period, the level of potential activity (evaluating the dynamics of the proposed musical works and their possible influence on the listener, from gentle and relaxing, to loud and tough);
- radio product does not have a life cycle (the production is used immediately);
- radio develops in conditions upholding regulatory barriers to entry;
- radio audience is unstable².

The radio market in Poland is attractive for the media groups functioning within it due to the dense concentration of market capital and relatively high barriers to entry. Hence, the risk of new competition is small, although radio broadcasters should take into account the large number of radio programme substitutes, especially on the Internet market.

Radio broadcasters function on a broad market. The biggest capital groups reach a population range³ almost equal to the number of inhabitants of Poland. A substantially long time of listening to the radio is observed, significantly exceeding the daily contact readers

¹ J. Beliczyński, *Organizacja radiowa jako obiekt badań w zarządzaniu mediami* [The radio organization as a research object in media management], „Media Studies” 2012, No. 1, p. 27.

² T. Kowalski, B. Jung, *Media na rynku. Wstęp do ekonomiki mediów* [Media on the market. Introduction to media economics], Warszawa 2006, pp. 178–189.

³ The term “population range” is the technical possibility of the radio broadcaster to reach a certain number of listeners. “Listenership” (share in listening time) of a station is equal to the percentage of the entire listening time of a station in relation to the entire listening time of all the researched stations and describes, what percentage of time spent listening to the radio on the whole goes to the given station. The share in listening time can be counted for 24 hours or a shorter, freely defined time-span.

have with print media. The portfolio of the biggest radio groups is chosen in order to create a strong integration between the radio market, press and Internet markets, on the level of these groups. This creates favorable conditions for development.

Radio groups have to concentrate on reaching a maximum audience range because contrary to television broadcasters, they cannot efficiently rebuild their market coverage by using satellite and cable platforms. The competition between radio broadcasters takes place mostly in the VHF range.

In 2012, 75,6 per cent of Poles listened to the radio and the daily listening time was 4 hours 25 min. The shares in listening to certain types of radio programmes, according to their range, is presented in table 1.

Table 1. Listenership index of radio programmes in 2012

Radio programmes	Share in listening time (in per cent)	Average listening time
Nationwide	63,6	3 hours. 41 min
Locally licenced	26,4	2 hours 50 min
Regional public radios	5,4	2 hours 21 min
Cross-regional	4,2	2 hours 26 min

Source: *Wskaźniki słuchalności i audytorium programów radiowych w 2012 r.*, National Broadcasting Council, www.krrit.gov.pl/Data/Files/_public/Portals/0/kontrola/program/radio/kwartalne/rynek_radiowy2012.pdf [accessed: 20.04.2012].

From the beginning of the 21st century, the listening audience of nationwide radio programmes has been shrinking. This is connected with increasing fragmentation, as the programme offer is becoming more and more diverse. Therefore, radio groups with nationwide programmes, starting from 2001, namely from the economic downturn, have begun the process of market consolidation, taking over small independent broadcasters. Radio groups have also started building their own radio networks.

Initially, in 2005, shares in the listenership of certain radio broadcasters were the following: Polish Radio Channel 1 had 14 per cent market shares, Channel II – 0,6 per cent, Channel III – 5,8 per cent, Radio Bis – 0,4 per cent, and regional companies in total – 5,5 per cent. While RMF FM – 26 per cent, Radio Zet – 17 per cent, ESKA – 17 per cent and the Agora Radio Group – 13 per cent⁴.

The radio market, in an objective sense, can be divided into four segments of

⁴ K. Jakubowicz, *Media publiczne. Początek końca czy nowy początek* [Public media. The beginning of the end or new beginning], Warszawa 2007, p. 244.

programmes, among which those nationwide have a downward tendency, both when it comes to their listenership index (63,6 per cent) and average listening time. In the case of chartered local radio programmes, there is a much lower listenership index (24,6 per cent), but a clear upward trend. It is also present in the average listening time.

Yet even more different is the competitive situation on the market in subject terms. Radio groups: RMF and Eurozet have in their portfolio nationwide, cross-regional and stations functioning within networks, while Agora and Time decided to develop network stations. Polish Radio has nationwide stations, but also regional stations and smaller broadcasters, so-called independents, who mostly cooperate in the field of advertizing with the Eurozet group.

Succeeding on the radio market depends on, among others, the population range of a station. In table 2, the ranges of the four biggest commercial radio groups: the RMF Group, Eurozet, Time and Agora are presented.

Table 2. Range of radio media groups in Poland in 2011

Radio networks	RMF Group	Eurozet	Time	Agora
Nationwide	RMF FM – 35,7 million	Radio ZET – 33,8 million	–	–
Cross-regional, specialized	RMF Classic – 7,3 million	Chili ZET – 1,2 million	ESKA Rock – 9,3 million	TOK FM – 7,3 million
Local	RMF Maxxx – 10,0 million	Planeta – 6,2 million Antyradio – 4,6 million	Radio ESKA – 16,6 million Radio WAWA – 6,0 million	Złote Przeboje – 12,8 million ROXY – 6,3 million

Source: Report by the office of the National Broadcasting Council, December 2011, www.krrit.gov.pl/Data/Files/_public/Portals/0/sprawozdania/spr2013/informacja_krrit_2013.pdf [accessed: 29.04.2013].

The public broadcaster indeed has the largest population range. The total reception range of Channel I in the VHF range (as of July 2012) has 92,33 per cent of the country population and 90,19 per cent of the area of Poland. A similar range (92,2 per cent) has Polskie Radio (Polish Radio – PR) Channel III. This segment also has 17 independent regional companies belonging to PR, broadcasting programmes on the voivodeship level. Among them, an additional five regional stations broadcast six urban programmes: in Koszalin, Poznań, Szczecin, Wrocław and two programmes in Zielona Góra.

On the level of a nationwide network, the main competitive field consists of two

commercial groups: RMF and Eurozet and the public radio (Channels I and III). RMF FM has the dominant position in this area (despite a similar population range as Radio ZET), which for many years has been the leader in listenership.

Urszula Doliwa points out that in literature, non-commercial media are described as: community media, social media, civic media, third sector media, non-commercial local stations. Their common element is non-profit activity for the benefit of the local community and society in general, broadcasting programmes for local social groups or members of a certain cultural community, and their participation in creating and managing the stations programmes⁵.

The second competition area is on the level of local networks, where the Time (a range of about 22,6 million) and Agora (around 18,9) groups dominate. However, RMF and Eurozet are also expanding their local network stations, reaching ranges – respectively – of 10 and 10,8 million people. In certain voivodeships these groups compete with, among others, regional Polish Radio stations.

On the level of cross-regional stations, in terms of range, the Time group (ESKA Rock) is first, followed by RMF and Agora.

The population ranges of radio groups, covering the entire or most of the country, reflect potential for development of these broadcasters. Additionally, radio does not directly compete with other mass media such as television, Internet or printed press because it can be listened to “in the background”, alongside with consuming other types of media goods.

The development possibilities of the radio market also result from their ability to integrate with other segments of the media market. This occurs mainly through expanding structures of the largest media groups in Poland. The Agora Group has in their portfolio among others, radio stations and titles from printed press. Thanks to this structure, it's possible to provide radio stations with media content, also news, inexpensively. Time SA, part of the ZPR holding, also has a similar advantage – through subsidiaries, it is one of the largest Polish press publishers (with *Super Express* and monthlies from many segments of the magazine market). RMF FM is part of the German company Bauer – the largest publisher on the magazine market in Poland. Eurozet belongs to the French Lagardere, the global publisher of magazines, which owns *Wiedza i Życie* and *Larousse Polska*.

Media groups with radio stations in their portfolio increase their presence on the Internet market, creating music channels and information portals.

⁵ U. Doliwa, *Elektroniczne media społeczne w Polsce – stan obecny i perspektywy rozwoju* [Electronic social media in Poland – current state and development perspectives], “Media Studies” 2010, No. 4, p. 65.

New way audiences use electronic media and radio broadcaster strategies

Radio functions in the realm of oligopolistic competition, broadcasters therefore need to use diversification strategies and account for the price elasticity of demand, resulting from the existence of programme substitutes. The rivalry takes place on three levels: 1) along the line: public radio – commercial radio, 2) across this line – between nationwide networks and local and regional stations, 3) inside the industry, between stations on all levels, thus nationwide, regional and local⁶.

Content is made more and more accessible, non-linear use of recorded programmes is developing, as well as multipurpose devices holding media content. Tendencies in user behaviour are included in competition strategies of radio broadcasters, although they depend to a great degree on the condition of the radio market. One of the features increasingly differentiating user behaviour is age, education, and place of residence – with it, the degree of diversity in broadcaster offers.

Access to the media message is easier thanks to the development of terrestrial digital, cable, satellite or Internet television, mobile telephones and wireless Internet. This supports the advancement in time-shifted, non-linear use of recorded content. The mentioned technological conveniences, ironically, do not lead to broadening the amount of content obtained, but to its narrowing, reducing it to what is known, safe and consistent with the views of the broadcaster⁷.

Research done by PBC and GfK Polonia showed that consumers look for eight types of content in media: information on current events in Poland and abroad, entertainment, knowledge and education, trifling content and advice, comments and analyses of current information, sports broadcasts, reports from important events, and content created by co-users. Radio listeners are interested first and foremost in national and global political and economic events, local and regional information, broadcasts with advice, sports broadcasts and reports from religious events.

Based on research, it was also stated that above all, receivers expect the following from radio and television: clear and understandable language, content true to reality and

⁶ T. Kowalski, B. Jung, *Media na rynku...*, p. 189.

⁷ Information on the basic issues of radio and television in 2011 (Regulation of the National Broadcasting Council No. 67/2012 from March 2012), www.krrit.gov.pl/Data/Files/_public/Portals/0/sprawozdania/spr2012/informacja_krrit_03_2012.pdf [accessed: 20.04.2013].

created by credible people, free access and a hierarchical set of content, the possibility to use them simultaneously while carrying out other activities⁸.

Radio broadcasters, creating their media message, want to play music, therefore musical formatting is one of the main ways of reaching selected user groups. When it comes to the verbal message, the use of secondary information dominates. Broadcasters, even in small, local radio stations, prefer buying ready information services than creating their own by teams of journalists.

The tendency to simplify the radio message was visible already at the beginning of the 21st century. As Karol Jakubowicz pointed out, in the years 2001–2005 in PR programmes, the share of all genres other than information and music decreased (including those with e.g. a journalistic mission: from 20,4 to 12,5 per cent, programmes for children and youth from 5,2 to 0,3 per cent) and in broadcast programming, the number of spoken programmes, more expensive in production, was reduced. The share of the verbal over music, despite shifts in some years, has been declining and seems to be a stable trend⁹.

In competition strategies, radio broadcasters have to take into account changes in consumer behaviour. One of the most influential factors is their place of residence. In creating strategies, broadcasters have to take into account diverse areas of the radio market. They should observe which local markets have most advanced fragmentation.

Fragmentation as a issue in the media world was first perceived by managers claiming that the three media of modern man – television, radio and daily press – are losing their range. The number of media and its voices is growing, while the number of users of a certain type of media and individual media voices are decreasing¹⁰. Intensified fragmentation on certain local markets depends among others on the number of stations available in the offer. The greatest accessibility, and hence the most favorable conditions for fragmentation are in urban agglomeration markets. Data presented in table 3 refers to the number of different types of radio stations and their audience in 2011 in agglomerations, larger regional cities and smaller local markets.

⁸ A. Wojdyło, *DeKodowanie odbiorcy. Jakiego dokładnie kontentu i doświadczeń szukają konsumenci w różnych rodzajach mediów w Polsce?* [Decoding the receiver. Precisely what content and experience do consumers look for in different types of media in Poland], Media Trendy 2010, Polskie Badania Czytelnictwa; GFK Polonia, Warsaw April 2010 r.

⁹ K. Jakubowicz, *Media publiczne...*

¹⁰ J. Mikułowski-Pomorski, *Zmieniający się świat mediów* [The changing world of media], Kraków 2008, p. 210.

Table 3. Listenership of different types of radio stations on agglomeration markets (in per cent)

Agglomeration	Nationwide	Cross-regional	Network	Local	Number of stations
Poznań	42,83	10,17	33,5	12,73	22
Wrocław	46,37	12,94	25,78	13,23	24
Warsaw	51,74	23,3	15,7	8,18	25
Silesian metropolis	56,97	3,25	17,92	21,30	25
Trójmiasto	57,19	13,32	20,06	8,61	17
Łódź	57,54	14,22	23,86	4,08	20
Kraków	59,63	13,54	20,33	6,00	21

Source: Own research based on the Radio Track research by Millward Brown SMG/KRC for the Radio Research Committee in 2011.

Fragmentation of the radio market was present mostly on large markets of urban agglomerations. The smallest listenership of nationwide stations was in Poznań with 42,83 per cent, Wrocław – 46,37 per cent and Warsaw – 51,54 per cent. Fragmentation was less visible in other agglomerations: Silesia, Trójmiasto, Łódź and Kraków (56,97–59,65 per cent).

On these same markets, the offer of network stations was also strongly developed in terms of the number of available stations. Their audience was between 15,7 per cent in Warsaw to 33,5 per cent in Poznań. Similarly with the offer of cross-regional stations – largely in Warsaw (23,3 per cent) and Łódź (14,22 per cent). Local stations clearly had the smallest audience (from 4,08 per cent in Łódź to 21,3 per cent in Silesia). In agglomerations, between 17 (Trójmiasto) and 25 (Warsaw) radio stations were listened to. The listenership of radio stations in larger regional cities is presented in table 4.

Table 4. Listenership of radio stations in larger regional cities (in per cent)

City	Nationwide	Cross-regional	Network	Local	Number of stations
Opole	52,19	4,46	23,08	18,38	16
Kielce	54,18	7,75	13,07	24,40	15
Szczecin	55,02	16,2	17,03	11,19	17
Lublin	57,01	7,47	17,94	15,27	15
Białystok	57,26	0,71	17,81	23,68	17
Bydgoszcz	58,62	1,42	22,93	15,92	14
Gorzów Wlkp.	59,2	–	19,33	17,15	11
Olsztyn	59,44	7,54	14,56	16,59	14
Rzeszów	63,07	7,23	17,44	11,76	15

Source: Own research based on the Radio Track research by Millward SMG/KRC for the Radio Research Committee in 2011.

On the markets of smaller regional cities, fragmentation was present to a smaller degree than on agglomeration markets. Listenership of nationwide stations was between 52,19 per cent (Opole) and 63,07 per cent (Rzeszów). A relatively small audience of nationwide stations, apart from Opole, was also in Kielce, Szczecin and Lublin. In Opole, it could have been the result of the high listenership of network (23,08 per cent) and local stations (18,38 per cent), in the remaining three cities, cross-regional stations and – in the case of Kielce – local (24,40 per cent). In the remaining cities, listenership to local (in Białystok – 23,68 per cent) and network stations (in Bydgoszcz – 22,93 per cent and in Gorzów 19,33 per cent) had the biggest influence on fragmentation. The offer of radio stations was less diverse in agglomerations; between 11 (Gorzów) and 17 (Szczecin) stations.

Listenership on local markets, with the largest and smallest degree of fragmentation is presented in table 5.

Table 5. Listenership to radio stations on small local markets (in per cent)

Region	Nationwide	Cross-regional	Network	Local	Number of stations
Kaliskie	59,09	–	13,31	20,75	13
Siedleckie	56,33	–	12,18	11,15	12
Wrocławskie	56,94	–	9,15	31,68	11
Legnickie	64,7	–	23,01	12,81	14
Koszalińskie	65,36	0,83	22,9	10,69	15
Piotrkowskie	74,58	1,27	11,32	10,43	15
Jeleniogórskie	78,46	–	8,81	15,17	11
Częstochowskie	78,72	0,45	10,39	7,07	15
Konińskie	81,14	–	12,48	5,8	12
Elbląskie	85,6	0,34	5,28	4,06	13

Source: Own research based on the Radio Track research by Millward Brown SMG/KRC for the Radio Research Committee in 2011.

On small, local markets, the greatest fragmentation was present in the Kaliskie, Siedleckie, Wrocławskie, Legnickie and Koszalińskie regions. Listenership of nationwide stations was between 59,09–65,36 per cent. In Wrocławskie and Kaliskie, a high listenership of local stations was noted (31,68 and 20,75 per cent) and in Legnickie and Koszalińskie – of network stations (23,01 and 22,9 per cent).

In the remaining regions, despite the similar number of radio stations available, a substantially higher listenership of nationwide stations was reported (from 74,58 per cent in

Piotrkowskie to 85,6 per cent in Elbląskie). The listening audience of the remaining radio stations was on a low level.

Analyzing the radio market in the special dimension, it can be assumed that the main rival of nationwide stations are network radios and their competitiveness has the greatest intensity on agglomeration markets, where fragmentation is most advanced, and the listenership of network stations high.

These trends were also present in 2012, with the exception that the audience of nationwide station on the largest, agglomeration markets has since then slightly decreased¹¹.

The public broadcaster has nationwide and regional stations in his portfolio. The biggest commercial groups (RMF, Eurozet) have both nationwide and network stations. In this case, a cannibalism effect may take place – network stations compete with nationwide radios within the same media group. These are not however the same products, nationwide stations have broader musical formats (AC – Adult Contemporary) and network stations narrow-profiled CHR (Contemporary Hits Radio). The Time and Agora groups do not have nationwide stations, but their main advantage are network stations.

An important factor shaping consumer behaviour on the radio market is also the age and education of listeners. The main rivals on the radio market, these being nationwide stations: RMF, Radio ZET, Channel I PR and network stations have the following listeners in terms of age groups. For RMF and Radio ZET the core group are listeners between 25–39, therefore both compete for the same segment. Second in terms of importance for RMF is the 15–24 age group, for Radio ZET 40–59. Network stations are listened to mainly by consumers between 15–24, 25–39 and 40–59. The greatest competition is for listeners between 25–39 and 15–24, as these are the core groups for RMF, Radio ZET and network stations. For Channel I, the core group are users between 60–75, and for Channel III – the 40–59 group.

For RMF the core group are listeners with vocational and high-school education, for Radio ZET – with high-school and vocational education. In the case of network stations, the core consumer groups are people with a high-school and higher education. This audience structure is similar in Channel III PR. Channel I PR has a structure resembling Radio ZET –

¹¹ In Poznań (22 stations) the listenership of nationwide radio stations in 2012 was 36 per cent (in 2011 – 42,83 per cent), in Wrocław (23 stations) – respectively 43,7 and 46,37 per cent and in Warsaw (27 stations) – 44,3 and 51,54 per cent. Radio Track research by Millward Brown for the Radio Research Committee. Data for 2012 from October – December.

the core groups are listeners with high-school and vocational education¹².

In the described feature, the largest degree of competition is between RMF and Radio ZET for groups with high-school and higher education. Similar audiences of network stations and Channel II PR, and Radio ZET and Channel I PR translates into less intense rivalry. This is due to commercial broadcasters (network and Radio ZET), unlike the public radio, influencing audiences mainly by means of their musical format.

Radio group competition on advertising markets

The basis for running a certain advertising campaign on the radio, according to Bogusław Nierenberg, is knowledge of the degree of popularity of a given station and the age and occupation structure of its listeners¹³.

In terms of credibility, radio and especially the public radio, has for many years been in first place among all the public institutions in Poland. This is due to, among others, much less political pressure put on this institution than on television¹⁴. However, this advantage seems insufficient. The public broadcaster – Polish Radio – visibly loses to commercial radio groups in the advertising market competition. The two main commercial stations – RMF FM and Radio ZET – clearly outrun the public broadcaster when it comes to shares in the market of radio programme listenership, and this tendency has been present for many years now.

Direct competition in the radio industry takes place on all the markets, also on the market of programme listenership, the geographical and advertising market¹⁵.

Describing the competition between radio broadcasters on the advertising market Tadeusz Kowalski and Bohdan Jung use the market power index, which is the relation between the percentage share on the advertising market and the percentage content market share (radio listeners). An index greater than one means that the given radio station has a relatively larger share in the advertising market than in the audience market. This shows the market power of the station, meaning that the content proposed to individual users (music format, information service) precisely reaches the target group attractive for advertisers.

¹² Data on the listenership indexes of radio programmes come from audience research by Radio Track, Millward Brown SMG/KRC on a nationwide sample of users between 15–75, between January – December 2011. The sample size was 84 220 respondents. The research included public radio programmes and licensed programmes with 24 hour broadcasting.

¹³ B. Nierenberg, *Wybrane problemy badania skuteczności reklamy* [Selected problems of advertisement efficiency research], Opole 2000, p. 40.

¹⁴ *Ibidem*, p. 39.

¹⁵ T. Kowalski, B. Jung, *Media na rynku...*, p. 190.

The authors counted that the market power index in the group of large commercial broadcasters was 1,52 and in the remaining ones – 0,77. In the case of the public radio treated as a whole – 0,25¹⁶.

The basic source of income for radio broadcasters (excluding public stations) are revenues from advertising. The most effective way of competing on the advertising market is developing relational strategies between radio groups and creating informational-advertising monopolies. Developing these types of strategic courses results from the intensified competition between segments of the media market (television, radio, Internet, dailies, magazines) for advertising revenue.

The radio advertisement market has good development perspectives. In 2010 the market value of radio advertising was 528,9 million PLN, and in 2011 it increased to 561,3 million. In 2012, the radio advertisement market shrank by 2,1 per cent, but was less than the advertising market as a whole (5,2 per cent)¹⁷.

On the entire advertisement market, radio groups that strongly compete with television broadcasters. The period of economic slump, ironically, favors radio broadcasters in the sense that advertisers, wanting to reduce costs, look for less expensive ways of getting their message through. Advertising campaigns on the radio are many times cheaper than television campaigns. Moreover, along with the development of digital television, the costs of television advertising also grew, which is beneficial for radio groups.

Four large radio brokers compete for advertising budgets on the radio market. All are linked with radio groups. The sale of airtime takes place according to the following pattern:

radio group → radio broker → media house → advertiser.

In many instances, media houses allow radio brokers to plan the media campaign. Planning them, brokers take into account rivaling radio stations and try to make most of the campaign budget go to the stations they are associated with.

According to broadcaster estimates, the biggest market share in advertising campaign planning has the Agora Radio Group – 40–50 per cent. The Time Group has 20 per cent, as do Eurozet and RMF – 10–20 per cent¹⁸.

¹⁶ *Ibidem.*

¹⁷ See data: *Starlink: Rynek reklamy skurczył się w 2012 roku o ponad 5 proc.*, www.press.pl/newsy/reklama/pokaz/41006,Starlink_-Rynek-reklamy-skurczyl-sie-w-2012-roku-o-ponad-5-proc_ [accessed: 7.05.2013].

¹⁸ *Sprzedać radio*[Selling Radio], "Press" 2010, No. 9, p. 65.

The position of the public broadcaster on the advertisement market is much weaker. Smaller advertising revenue is compensated by subscriber income. Moreover, lack of musical formatting makes listener target groups less attractive for advertisers than in the case of similar programmes of commercial broadcasters.

The largest radio groups (excluding public radio) also prepare their own advertising packages. Stations belonging to one radio group or those from different radio groups present advertisers with a joint offer. This increases the range of the campaign, while advertisers have lower costs, should they have bought airtime in each station separately. Packages with the largest range are: the RMF Group package (RMF 3D, RMF na MaXXXa, RMF z Klasą, RMF FM) and the Eurozet package (ZET Total, ZET Barometr Plus, ZET Baromet, ZET Barometr Young and others).

The largest package on the market is RMF 3D (consisting of: RMF FM, RMF MAXXX and RMF Classic) with the following indexes: daily range – 37,64 per cent, market share – 31,8 per cent, weekly range – 77,24 per cent, average rating – 8,57 million people, CPP Rate Card – 1639 PLN, net CPP – 1639 PLN, net CPT – 5,4 PLN¹⁹.

The more stations are part of the package, the better the range and cost index of reaching the listener. With the growing number of wide-range packages, the precise choice of station to package becomes important, in order for it to reach selected, interesting for the advertisers, target groups .

The proper choice of packages is the basic tool used by radio groups. It is also exercised in competing for advertising revenue with television and Internet broadcasters, and printed press publishers.

Packages are also a tool used to consolidate and monopolize the radio market. For example, Independent Package is a trade agreement between the Eurozet group and 52 small independent radio station. In the years 1994–2001 the segment of small broadcasters reported a fast-paced growth. Since the worsening of macroeconomic conditions at the turn of the century, there began the process of market consolidation initiated by large radio groups. Local broadcasters did not stand a chance to sell airtime to big nationwide advertisers – it became possible only through wide-range advertising packages, hence the quick development of the

¹⁹ Radio Track data from Millward Brown SMG/KRC, April – June 2010. Daily range – percentage of respondents who declared listening to the radio the day before the research, weekly range – number of respondents, who declared listening to the stations creating the package in the last week, market share – shares belonging to stations creating the package while listening, average range – number of people listening on average to stations from the package in every quarter (value in million people) CPP Rate Card – the cost of reaching 1 per cent of listeners (prices before discounts), net CPP – cost of reaching 1 per cent of listeners considering 30 per cent of cost equivalents, net CPT – cost of reaching one thousand listeners including the 30 per cent cost equivalent.

Independent Package. Selling advertising is organized by a broker subject to Eurozet. Moreover, Eurozet also sells their information service to independent broadcaster as part of the package, which is precisely how information and advertising monopolies are created.

Dimension of competition on the radio market

On the listenership market of radio programmes, in the objective sense, two main commercial stations (RMF FM and Radio ZET) and public broadcasters (Channel I and III) compete mostly with network stations. In subjective terms, five main radio groups compete with each other (Polish Radio, Broker FM, Eurozet, Agora, Time). While these last two do not have nationwide stations, they stress the development of network stations. The largest intensity of competition between these groups is on agglomeration markets, where fragmentation is most advanced.

Competition on this market has a non-price related nature, is not aggressive and therefore does not have a destructive influence on the profitability of the industry. It is based largely on the development of narrowly-profiled CHR musical formats. In terms of information services, journalism, reportage, analyses and comments, the simplification and standardization of content is observed. This is a result of broadcaster tendencies to reduce costs and guide the development towards musical formats.

On the advertising radio market competition takes place between four main radio groups. It has an aggressive, price-related character. A high degree of competition requires using steep several-dozen per cent discounts, which decreases the profitability of the industry. Even the potential improvement of macroeconomic factors, the economic condition, or an increase in the value of the advertising market does not have to immediately translate into a visible improvement in the profitability of radio groups.

The most important forces operating on the radio advertising market and the listenership of radio programmes (in the Porter five forces analysis) include: buyer bargaining powers, barriers to entry and substitutes²⁰.

Buyer bargaining powers on the radio advertisement market are created by advertisers, because their negotiation position in relation to media houses, brokers and radio groups is strong. Advertisers can choose between segments of the media market (television, papers, magazines, Internet and radio). The competition for these advertisers on radio markets is very

²⁰ The five forces effective in every industry are: threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitute products, intensity of competitive rivalry. See: M.E. Porter, *Pięć sił konkurencyjnych kształtujących strategię* [The five competitive forces that shape strategy], [in:] *O strategii* [On Strategy], ed. by P. Kubisiak, Warszawa 2012, p. 47.

tough. Every slump in the economic condition has a negative impact on the dynamics of the value increase of the advertising market, because advertisers first reduce their expenses for advertising.

An important bargaining force on the market of radio programme listenership are substitutes. They appear as a result of technological development and changes in the behaviour of younger target groups (15–24 years old). More and more often, they listen to music using the Internet, or resign from listening to the traditional radio altogether, limiting themselves to podcast, which is downloading mp3 files e.g. on mobile phones or tablets.

As Stanisław Jędrzejewski predicts, the influence of new technology will change the understanding of radio. In the traditional sense, the radio – as an element of broadcasting – meant the transmission of radio waves (signals) for the mass user in different forms of information, education and entertainment transfer. Currently, “radio” means also an online radio, particularly an on-demand radio, e-radio (enriched radio) and i-radio (interactive radio) etc. Otherwise, more and more often, the term “radio” is connected with a multimedia message on the Internet, or other online systems or telephones²¹.

Radio broadcasters have to diligently watch if substitutes appear, and should even start creating one’s themselves. The presence of radio groups on the Internet is already a fact. It should however be remembered that creating online music platforms is connected with radio groups entering a new, challenging competitive field.

A positive force influencing radio groups are relatively high costs of entering the radio market. They protect broadcasters from the appearance of new rivals. However, much more threatening for radio groups could be the growing competition in the area of the Internet market.

A large increase in price and non-price related competition on the radio market means that even an increase in the revenue of radio groups does not have to guarantee promising perspectives in terms of profitability. In table 6 the basic financial data of the largest radio groups from 2010 is presented.

Table 6. Financial results of radio groups in 2011 (in thousand PLN)

	Polish Radio	RMF FM	Eurozet	Agora	Time
Revenue from operating activity	220 733,5	155 463,7	95 512,3	60 226,0	41 830,4

²¹ S. Jędrzejewski, *Radiofonia publiczna w Europie w erze cyfrowej* [Public radio in Europe in the digital age], Kraków 2010, p. 212.

Costs of operating activity	253 591,1	102 809,2	90 626,1	52 385,0	35 370,5
Sales performance	- 32 860,6	52 654,5	4 886,2	7 841,0	6 459,9

Source: Report of the National Broadcasting Council based on the financial reports from 2011, www.krit.gov.pl/Data/Files/_public/Portals/0/sprawozdania/spr2013/informacja_krit_2013.pdf [accessed: 29.04.2013].

Polish Radio had the largest revenue in 2011 – over 220 million PLN. Second place went to the RMF FM group with 155,4 million PLN revenue. However, it is difficult to compare these two groups due to their different income structure – the public radio is funded through subscriptions, while RMF FM and other commercial radio groups are based mostly on advertising revenue. Polish Radio has a mission towards the public and does not format its stations. No musical formatting means incomparably less advertising revenue for the public broadcaster in relation to other groups. Hence the negative outcome in sales (-32,8 million PLN). Two differences in financial results of commercial radio groups are also important. The RMF FM group which is the leader on the radio advertising market and listenership market, achieved the highest financial sales results – 52,6 million PLN. In this case, the remaining commercial groups had a much worse outcome.

These numbers prove the intensity of competition on the radio market. Only RMF FM has a high sales result, the situation of the remaining groups was much more difficult. This also causes a decrease in the quality of radio programmes. Stations are criticized for their surplus of music, reducing information programmes, journalism, reportage, and avoiding the promotion of high culture.

As Wojciech Markiewicz points out, the basis for classifying radio types is visible already in the semantic range of the English word “broadcast” (to widen something, broaden, pass to a special address). That is why a radio which “broadcasts” its programmes is perceived on the market as more ambitious. A radio that “plays”, is something entirely different, and describes a less ambitious type of radio²².

Focusing on music, reducing “broadcasting” is the result mostly of radio groups striving for more income and revenue. This second goal is becoming less and less achievable for most broadcasters. What more can be done to increase the profitability of the industry, so that strong competition between radio groups doesn’t destroy them financially? The most

²² W. Markiewicz, “Radio – świat z dźwięków” [Radio – the world of sounds], [in:] *Dziennikarstwo i świat mediów* [Journalism and the media world], ed. by Z. Bauer, E. Chudziński, 2nd ed., Kraków 2008, p. 318.

appropriate solution would be joint action by radio groups for greater advertising revenue. Advertisers and media houses could argue that the radio advertisement has many advantages, is cheap, can be listened to „in the background” etc. It seems that the best way to increase the pool of revenue in the industry, which would then create the circumstances to improve the quality of radio programmes, meaning increasing the amount of the spoken word, analysis, comments, reportage and high culture.

Summary

Competition on the radio advertising market has an aggressive, price-related nature, which at times unfavorably influences the profitability of the industry. The main competitors are four of the largest radio groups (RMF, Eurozet, Agora, Time), and their basic tool is the development of packetized advertising. The position of the Polish Radio on the advertising market is by far the weakest.

Competition on the listenership market of radio programmes has a non-price related nature, and its greatest intensity is present in the set: nationwide stations – network stations, and takes place mostly on the agglomeration market.

Radio groups should develop strategies in order to increase their bargaining power in competing with television broadcasters for a larger share of the advertising market. It's the road to increasing the profitability of the industry and improving the quality of radio programmes.