



RADIO ADVERTISING SEES AN UPSWING IN INDIA

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Abstract

Radio in India today is seeing phenomenal growth and its direct impact is on radio advertising which is seeing some of the best times in the last few decades. The public's love for radio, the involvement of the youth, quality content, energetic radio jockeys etc have provided a shot in the arm for radio advertising. Today, Radio is competing with traditional media like newspapers, magazines and television for a larger share of the advertising pie. One relegated to the background as the 'invisible' medium radio today is showing its power by reaching out to audiences that were totally ignored by it for the past many decades. It's really the most fruitful time for radio now and the more the merrier seems to be the mantra for its success.



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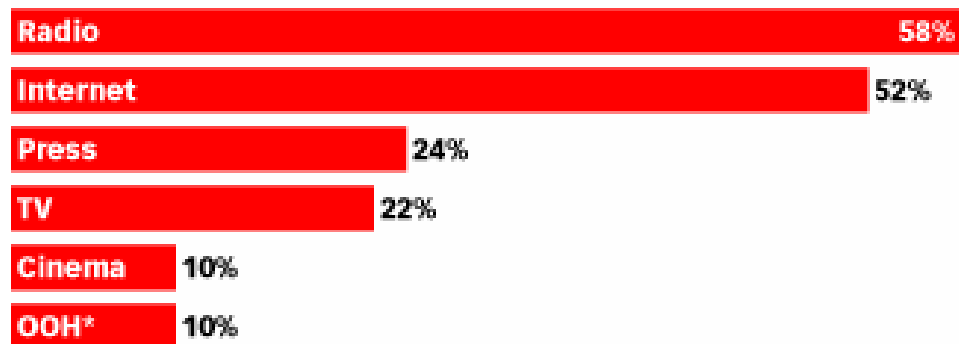
HISTORY

How can we forget the old time radio Ads like 'Galle Mein Ho kharaash (Halls Vapor Action), 'Lime n Lemoni Limca' (Limca), Lijjat Papad, 'I love you Rasna' etc. They have been and still are a very important part of our memory. Many of us have grown up singing to these jingles and still our eyes go misty when we hear them and travel back in time with them. This has been the power of radio - a so-called 'invisible' medium which helps make everything 'visible' to us.

THE EARLY DAYS

Years 2002 through 2005 saw steady growth in ad revenues, 2006 had the big biggest leap up. 2006 was a robust year for Indian advertising as a whole. The growth rate for ad revenues across all media expanded by 9.3% to 23.4% in 2006, vs. only 14.1% in 2005. According to the report, compared to 2005, radio advertising revenues grew 58% in India.

Advertising Revenues in India, by Media, 2006 (% increase vs. prior year)



Note: *OOH refers to Out of Home Advertising (typically on public or semi-public property, i.e. a billboard)
Source: AdEx India, January 2007; Indiantelevision.com, January 2007

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www.eMarketer.com

SLOWDOWN

Indian Radio industry faced a tough time in 2009 owing to slowdown in advertising. Lack of reliable measurement tools further dampened the radio industry revenues.

- Resolution of music royalty issue, along with issues on multiple frequencies and extending license period remains critical for the industry in 2010.
- Increasing mobile penetration is helping increase radio listenership as mobile is becoming one of the primary medium of radio access.
- Phase III licensing is expected to take place during 2010 and this would give a boost to the radio industry.
- Depending on the Phase III success, the radio advertising industry may grow at a higher than the projected rate of 12%.
- Phase III is also likely to help radio increase its penetration and help regional growth of radio stations.

The year 2009 echoed a kind of landmark achievement for the radio industry, as it was the first full year of operations for all the radio stations in India. By year end, there were 248 radio stations operational in India. Further buoyancy is expected in this industry as 700 additional radio stations are estimated to come up after the FM Radio phase-III auctions are concluded. This is expected towards the end of 2010. However, the first half of 2009 limped lethargically as industries across the world slashed their marketing budgets and tightened their screws due to the global recession.

The radio industry too was emaciated by the weak economy. Most advertisers focused on spending on platforms which provided high and measurable returns on investment. In 2009, due to recessionary pressure, advertisement rates were slashed by 20-25% by most radio stations.

TRAI estimates that the size of the radio industry in India was Rs. 9.0 billion in 2009 as compared to Rs.8.3 billion in 2008 showing a relatively smaller growth of 8% over the preceding year as compared to growth in the previous periods. It is estimated that the share of radio continued to hover at around 4.2% of the total advertisement pie.

In 2009, the top advertiser on Radio was HLL (in the retail & consumer category) followed by the cellular companies. The TV channel promotions (which was the leading category in 2008 on top last year) was far less since the TV industry itself was going through an abysmal phase.

Radio-Mobile initiatives Radio listenership is steadily increasing on mobiles, which is propelling radio operators to look into this medium to further enhance their listenership base.

- Radio Mirchi entered into a tie-up with Bharti Airtel to permeate its reach further with the launch of Mirchi mobile. Airtel customers can thus avail 12 different Radio Mirchi stations on their mobile by subscribing to the service. Such customers earlier were able to listen to radio stations operating only in their city. The pricing of such services has also been kept attractively low, for example, as per Airtel's scheme; subscribers can avail 100 minutes of radio listening for Rs.10 per week.

- Big FM collaborated with OnMobile to launch radio on mobile platform. Leading private FM service provider 92.7 Big FM and one of the leading players in the value added services (VAS) space, OnMobile, have joined hands to come up with Big Mobile Radio. The new service aims to offer mobile subscribers access to 17 multi-lingual radio channels across India and in international markets such as Malaysia, Singapore, UAE, Bangladesh, Sri Lanka and Indonesia. With the launch of these services on the mobile platform, the reach of Big FM expands from 45

cities to over 4500 cities and towns including rural areas and the services will be offered in an ad-free format.

THE WORLD VIEW

The radio market will increase by 3.5% compounded annually to \$51.4 billion in 2014 from \$43.2 billion in 2009. The North American radio market, which is the largest, with revenues of \$18.2 billion in 2009, is expected to grow 4.6% on a compound annual basis to \$22.7 billion in 2014. The radio market in EMEA will increase at a 1.4% CAGR from \$16.4 billion in 2009 to \$17.6 billion in 2014. We expect the Asia Pacific radio market to increase 4.4% on a compound annual basis from \$7.4 billion in 2009 to \$9.3 billion in 2014. The radio market in Latin America is projected to show the largest growth, shooting up by 9.3% on a compound annual basis from \$1.2 billion in 2009 to \$1.8 billion in 2014

THE POTENTIAL

The Indian radio industry has a strong growth potential, if mechanisms and policies are put in place to provide it with appropriate support. India, with its diverse regional influences, is in a prime position to take advantage of the growth potential of this segment. With privatisation gathering momentum, the increased number of private radio channels across the country is likely to transform commercial radio from an urban phenomenon to a national one, as has been the case with satellite television.

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