

Core capabilities that may spell success of Visual Radio (VR) in Bangalore

Radio is a rapidly growing medium; it has grown from a single player to an average of at least 3-4 channels in each city. The new age consumer sees radio as a service that remedies product related needs, interactivity, social and emotional needs and at the same time, updates, informs and entertains.

Radio stations are turning to new revenue streams as they are facing competition from emerging technologies. Specific threats from MP3 devices, which had an estimated 55 million devices in the market in 2005, and internet webcasting are eating into the earnings of traditional radio. **Visual radio** offers the perfect way out by allowing users to download the song if they like it and also get additional information about the album / movie on the screen.

Findings of Indian Listenership Track (ILT) conducted by MRUC and ACN ORG-MARG

- Radio has a reach of 56% and there is a distinct skew towards males.
- Radio Mirchi is the most popular station and is tuned by people in SEC A and B. Mirchi is uniformly popular across all ages but with Radio City, 12-29 years is the big group. FM reach potential, is comparable with the reach of individual channels and print vehicles.
- People listen to FM at home (70%), while driving (32%), at public places (9%) and at the office (7%).
- Almost 51% of the people listen to FM for an average time of one hour and another 39% listen to FM for a longer period of 1-3 hours.
- Sunday listenership is dramatically low with only 10% of the people tuning in to FM vs. weekdays where the number of tune-ins is as high as 94%.
- Majority of the people listen to Hindi film songs (63%), followed by Hindi pop (40%), remixes (37%) and English pop (33%).

Key Visual Radio players

Nokia pioneered Visual Radio and continues to develop the service and produce devices on which the service will be available.

HP is responsible for marketing, selling and providing the Visual Radio solution and support to operators and radio stations globally.

Radio stations and mobile operators bring Visual Radio to consumers and develop content necessary to make it a success.



Bharti Airtel Limited is one of India's leading private sector providers of telecommunications services with an aggregate of over 23.29 million customers as of end of May '06, consisting of more than 21.86 million mobile customers. Airtel is the largest mobile service provider in India and is the only service provider in the country to have a national footprint.



India's largest private FM radio network. Playing hit music, it is high energy and youthful. If it's hot and happening it is on Mirchi

Tangible & Intangible Benefits

Radio Stations

- Visual Radio interactivity transforms passive listeners into active community members
- Arranging real-time polls, votes, quizzes and other competitions is quick and easy
- Enhanced revenue opportunities through the sale of digital content, services and advertising

Mobile Operators

- Visual Radio monetizes the FM radio handset with a simple, attractive and profitable new data service revenue stream
- New mobile services like Visual Radio enhance operator brand value and thus subscriber acquisition and retention

Advertisers

- Visual Radio is a new, enriched, two-way medium for communicating marketing messages
- Easy interactivity leads to high participation and enables successful direct response campaigns
- Measurability of ads are enhanced as viewer numbers are known in real-time

Overall view of what VR offers to its Listeners (New dimensions to your radio listening)

- See what's playing
- Get the latest scoop and see upcoming concert dates and background facts about the song and artist currently playing
- Participate in audience polls, votes and competitions
- Purchase a range of products and services such as concert tickets and ring tones – immediately
- Receive weather, traffic and business news alerts
- Enjoy radio news and sports broadcasts enriched with graphics and background information and view detailed maps during weather forecasts

Target Customer

In a metro where 54 percent of the population is under 26 years of age, the need to be entertained is the most important. Listenership of radio as indicated by the Indian Listenership Track (ILT) survey is the highest as a percentage among the **younger audiences (15-29)** and the SEC A audiences. The research indicates that almost 70% of SEC A audiences listens to radio every day.

The customer will be charged at the regular rate of 10 paisa per 10KB while the regular downloading charges would apply for tones etc that are downloaded. A feeling of indifference can occur for such a service because it doesn't seem to be a necessary value addition for the mobile phone owners. Especially, when people can sms and download from their GPRS phones. Therefore the target customer must be a **tech savvy person** who's ready to go a bit overboard and to show off the enhancement available on his or her handset!

Distribution Channels

Advertising: Advertising, whether in print, mail, on the air or online

- Window Displays
- Newspaper Ads
- Magazines
- Booklets & Brochures
- Direct Mail
- Poster

Virtual environments:

- Electronic media
- Websites
- CD-ROMs
- multi-sensory impressions that can be created in radio, film, video and television.

Finance & Revenue

Radio has a huge market: The size of the Radio industry is currently estimated at Rs 3 billion. This comprises of Revenues that are earned by Radio Stations from advertisements.

It will be worth not less than Rs 1,300 crore by 2008. Today the share of radio in the Rs 12,000-crore advertising market (adspends) is not more than 2% which is much lower than the global average of 6-7%. Even in Sri Lanka it is a huge 14%.

With over 600 stations (250 All India Radio and 350 private) in 100-odd cities up and running by 2007, ad-spends growing at the rate of 20% to Rs 20,000 crore, and the radio pie taking on international shape and size, the market size for radio is certainly going to meet any analysts forecast.

Present Business scenario of Radio Mirchi

Entertainment Network India Ltd (ENIL) C.M.P 187 is India's most heard FM radio channel (Radio Mirchi) holding over 50% of market share in the nascent Radio broadcasting business. The company has been promoted by the TIMES Group and registered a turnaround in fy06. The earnings per share was at Rs 6.20 while annual revenues were at Rs 117.41 crores up 57% over Rs 74.94 crores the corresponding figure last year. The operating margins stood at a healthy 32.83%. The RoCE and RoE were at 15.77% and 13.36% respectively.

The last few months have seen some hectic Institutional/ Mutual Fund activity on the ENIL stock. The total FII Holding has increased from 12.45% at the time of allotment to 18.07%.

Amongst the local mutual funds Standard Chartered Premier Equity fund had bought 112,699 shares in June. Other prominent believers in the ENIL story are Magnum Fund, DWS, DSP – Merrill Lynch the total Mutual fund exposure to the ENIL stock has doubled from 127478 shares to 246664 shares over the last one month.

The trigger for this stock has been the slew of policy changes announced by the Govt. Prominent among these are: Introducing a onetime Entry fees (OTEF) + Revenue share at (4% of gross revenues) against the Fixed License Fee regime. Some years back an explosive growth was observed when the license fees for the Indian Mobile telephony industry was changed from fixed to revenue sharing. Something of that order could be in store for the FM Radio broadcasters.

- The FDI in Radio broadcasting has also been increased to 20%
- The number of cities where FM Radio will be introduced has gone up from 12 to 91
- The number of stations will also go up from 21 to approximately 300
- The numbers of players are expected to rise six fold from 7 to 43

ENIL is currently running 10 radio stations (Delhi, Mumbai, Kolkata, Chennai, Pune, Ahmedabad, Indore, Bangalore, Hyderabad and Jaipur). Over the next 12 to 18 months the company plans to set up 22 additional stations. Clearly the company appears to be in a high growth phase. ENIL expects the growth opportunity for private FM to increase from 3% (Rs 3.7 billion) of Rs 129 billion market to 8% (Rs 38.0 billion) of Rs 480 billion in ten years starting by 07.

The company also qualified for the Out-of-Home advertising rights of Delhi Metro (13 stations), Kolkata (80 hoardings) and Delhi-Noida toll bridge (66 displays) for total license fee of Rs 340.0 mn (US\$ 7.6 mn) payable over a license tenure of 2 - 5 years.

Price Waterhouse Coopers estimates the total Out-of-Home media industry to grow at CAGR of 14% in next 5 years increasing its ad share to 7% and size to Rs.17.5 billion.

ENIL is also exploring opportunities to expand its FM radio broadcasting business into international markets and to maintain its market leadership in fast growing radio industry. ENIL proposes to add the following value added services”

- Launch Visual Radio through mobile phones in other cities after Delhi, Mumbai& Kolkata
- Exploit additional revenue streams like Mirchi Activation
- Focus on Out-of-Home media growth
- Explore opportunities to lease sites on a long-term basis
- Introduce innovative technology and processes
- Create event properties at an appropriate time
- Focus on Life style, Fashion shows and Exhibitions

The major Institutional shareholders who have taken a meaningful position in the company are:

INSTITUTION	PERCENTAGE HOLDING
Fidelity	9.48
HSBC	2.64
Macquarie	1.68
Morgan Stanley	1.62
Citigroup	1.32

The company foresees the following challenges in its path of growth

- Rapid roll-out of stations
- Talent identification, training and retention
- Increasing competition will make retaining and growing absolute listenership numbers difficult
- Cost management – especially with regard to marketing and payroll
- Rationalization of music royalty regime
- Development of listenership research standards and spread across the country