

Challenges of Local Radios in Advertising Their Business

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Abstract—The rapid development of new media has led conventional media to the edge of existence radio is still significant. The main problem faced by radios is the continuous decline in advertising revenue. The factor of free trade escalation which made a number of radio stations shut down. In the midst of these difficulties, there were a number of local radios that survived. Therefore, it is necessary to study how local radio can survive its business, and how business diversification is done by the owner. The method used in this research is a case study on Thomson Radio in Bandung and Aden Radio in Cianjur. The result of the study showed that local radio managers are creative to survive, so that revenue from advertising is no longer the main target as a source of income. Business diversification is done in the form of non-broadcasting businesses; such as being an agent for direct sales or off-air activities. Local radio acts as a marketer and seller to takes advantage of herbal products. Non-cash business is actually dilemma if it is associated with broadcasting regulations which stated that broadcasting income should only come from business related to broadcasting. Thus, fair broadcasting rules are needed.

Keywords: *business diversification, local radio, alternative revenue*

I. INTRODUCTION

The growth of the media industry in Indonesia has increased rapidly since the Reformation Era in 1998, where the media industry encouraged by these factors to capitalism in the form of policy: commercialization, liberalization and internationalization [1]. Operationally, this raises contradictions in the media industry. According to Ishadi, the contradictions include: (1) contradiction in the position of the media, namely as an instrument of hegemony versus capitalist institutions; (2) contradiction related to the interests in expanding the media, the government acts fairly and impartially versus the government supports the media owned by its cronies; (3) contradiction related to the demand for principles of economic liberalization versus interests to protect domestic (local) segments; (4) contradiction on the need for strict control of the media versus the tradition of resistance through the idealism of media journalists; and (5) contradiction in assessing information as a media commodity versus as a business commodity [2]. All of these contradictions have positive and negative impacts, both on media producers and on the public as media consumers.

In the reality, the media industry supports the formation of media conglomerates, or the concentration of media ownership. The media industry controlled by private broadcasters whom are full of business interests or political interests, or the interests of both transform from "state regulation" to "market regulation". The media industry is not based on state intervention but shaped primarily by market mechanisms and determined by market forces [1].

The power of radio is in the proximity, closeness to the listener, locality, and forms a "theatre of mind" in the minds of the listeners, while the advantage of television is in the audio visual that presents reality. At present there are 353 radio and television broadcasting in West Java are licensed, namely 218 broadcasting radios and 135 television stations. Media Scene also notes that the television has the largest audience and broadcast radio has second largest [3].

The economic potential of local media in the West Java broadcasting industry is actually so great, but the concentrated ownership of the media impacts on unfair competition, especially unfair treatment for local private radio. Local radio stations in the regions generally do not have access to capital and has limited access to "advertising cakes" from big multi-national companies whom controlled by certain groups.

Therefore, it is necessary to study what kind of efforts done by local radios to survive their business; how is the form of business diversification to face the competition among the media industry in addressing broadcasting regulations. For this reason, this article aims to find information about the local radio for facing competition and challenges among the media industry through diversification their business. The method used in this research is case study approach, by deep interviewing owners, managers, and private radio programmers who represent successfully diversified their business. The radios are Thomson FM Radio in Bandung and Radio Aden 91.8 FM in Cianjur, West Java. The data was also obtained through questionnaire techniques and Focus Group Discussion (FGD).

II. STATE OF THE ART

The implementation of radio and television broadcasts as an industry is like a two-sided sword. On one hand, the manager must consider the programs and content of broadcasts to carry

out information, education, and entertainment functions oriented to the public interest. On the other hand, the manager must think about the sustainability of the institution as a company whom must be profitable.

The application of media political economy theory in the life of mass media is as follows: commodification, specialization, and structuring [4]. First, Commodification is the process of converting goods and services into valuable commodities for what they can produce in the market. Commodification relates to three domains, consist of media content, audiences, and labour. A media that successfully creates a large number of audience will have a high selling value and well appreciated by advertisers. In the framework of the audience as a market and content as a commodity, it is very open to the occurrence of exploitation of both. Second, Specialization is the process of overcoming the obstacles of space and time in social life. The technology developed and applied by mass media has enabled the processes of delivering messages through media and overcoming the constraints of space and time. Media convergence, an integration of conventional media with internet networks, is a technology product carried out by almost all mainstream media, including radio, to improve broadcast quality and expand broadcast coverage. Third, Structuring is the process of forming structures in a large industry. The impact of this convergence is the efficiency in news material, ad networks, and cooperation with other institutions. According to Tim PR2 Media stated there is a broadcasting business consolidation in a large scale in Indonesia [5]. The consolidation have the implication for the concentration of broadcast media ownership by a group of legal entities. At present there are only 12 major media groups that control almost all media channels in Indonesia. Data from Media Scene in 2014 showed that advertising spending in media, especially television, reached 60 trillion rupiah and political advertising was 6.8 trillion rupiah [3].

Private radio is demanded to be profit oriented without leaving other social roles [6]. In Indonesia Broadcasting Law, it is stated that one of the sources of income for private radio is advertising. It can be simply concluded that the radio broadcasting program must be good (entertaining, educating, informative, etc.) to captivate listeners and gain more advertisement. Economic escalation factors that influence free trade also has an impact on intense competition in the broadcasting industry and quality of standardization, including professional management of institutions. Research results of Media Scene indicated that West Java has the most broadcast radio and television in Indonesia, i.e. 468 private broadcasting institutions, public broadcasting, and community broadcasting with total 3,488,000 listeners [7].

Station authorities with underlying economic interests operate based on the demands and desires of its three main markets, the political market which is interested in the factual genre, news and current affairs, the business market which needs the latest investment and financial updates and the popular market that wishes to be entertained with interesting and enthralling programmes. Serves commented that Asian countries (Hong Kong, Taiwan, the Philippines, India, Japan, and China) in recent years have shown that domestic cultural products enjoy a competitive edge over imports [8]. Local

productions with their familiar language and cultural context have the advantage of cultural proximity. With reference to local content in advertising, the 'Made-in-Malaysia' guideline suggested at least 75% of advertising footage must be local footage depicting Malaysian and their way of life. Advertisers were encourage to use models that represent different Malaysian ethnic group against Pan-Asian lookm which does not truly representing Malaysian ethnic identity [9].

The findings reveal that RIPS plays an important role in influencing farmer's problem recognition, involvement recognition, and referent criterion apart from reducing their constraint [10]. The analysis and interpretation of data show that a little more than 36% of respondents believed that Waghimra Community Radio served the local community to acquire fresh information while 54.7% of the respondents believed that the participation of the local people in managing the Station is inadequate. More than 51% of the respondents believed that is does not serve the public interest. The study has also included that local government has at least an indirect control on the Station [11].

The big challenge for broadcast radio is that it can produce quality broadcast programs that are in line with the segmentation of the target audience. Since the inclusion of the digital era, there is no longer audience / audience loyalty. Today's society has a huge selection of media. For that reason, private radio companies are required to be creative in producing quality programs, are in demand, and still have many listeners. M. Syaifurrohman a broadcasting regulator stated that changing the consumption pattern of the media as a result of technological developments factually also made changes to advertisers [12]. This is very felt by the radio business people, advertising is increasingly difficult to obtain. Radio is required to compete with television, with print media, with outdoor media, and with internet-based media. The increasing of competition among broadcasting media companies has generating the needs of business strategy for survival. Almost all of the broadcasting media has utilizing information technology for their operational. However, their audience consists of various layers of culture and social backgrounds who certainly have different tastes. This is an opportunity that needs to be worked out more carefully. The planning of information system strategy is now one of the keys to achieve the company's goals because it must be in line with the business strategy implemented. While Mosco argues that political economy is a study of social relations, especially power relations which together underlie the production, distribution and consumption of resources [4]. This theory illustrates that media that are only oriented to financial benefits will not consider the existence of "small" radio in the regions, even with their capital strength they "buy" "weak" media in the region to strengthen their business and expand the reach of their audiences.

III. RESULTS AND DISCUSSION

Optimization of internal resources of local radio and business competition.

Thomson Radio and Radio Aden has been chosen as representatives of urban radio and rural radio that were

considered successful in diversifying their radio business. They emphasized that "it is a logical consequence of the pressing pressure of economic needs in the midst of tight competition in mass media; we diversify businesses that allow these radios to stay alive" (interview, January 2018). Both of these radios carry out activities by commodifying content and synergizing the program to lead to an increase in the number of product buyers as well as the acquisition of advertisements. Thomson Radio and Aden Radio diversified their business by entering into the realm of product sales in order to maintain the media in the midst of tight competition in today's media business. Openly, Thomson Radio managers emphasized that the main motive in diversifying business with the sale of herbal medicine products was for economic interests. Thomson Radio and Aden Radio Managers acknowledged that the diversification carried out was to find new markets given the narrower opportunities for the radio media market due to competition from other media, be it conventional media or 'new' internet-based media.

Diversification strategy is a logical consequence when the media is viewed in a business perspective to be able to survive in the midst of the media market competition. Moreover, Thomson Radio and Radio Aden are not large corporations that can freely choose other media acquisition strategies for business development. Since airing in 2014, Thomson Radio's biggest revenue comes from its role as the main distributor of herbal medicine products drops "Sozo Formula Manggata 1" (SoMan). The benefits of selling products as well as revenue from selling ad slots and talk show programs and product promotion are the main sources of radio revenues that are relied on to meet economic needs and daily operational costs, including paying employee wages. Therefore, diversification is clearly a logical consequence for local radio to earn profits from product sales and promotional program slots.

Aden Radio with frequency 91.8 FM is a radio located in Agrabinta Subdistrict, the southern part of Cianjur Regency, West Java Province. This area is quite difficult to reach considering its location is about 130 km from Cianjur City to the south. However, with the business diversification strategy and marketing communications carried out since 2016, Radio Aden, which was originally hobbled in conducting broadcast operations, has been able to survive. This strategy makes this radio can embrace many listeners after adjusting the content of the program with the market share of products sold. The number of buyers of products that can also be used as data on the number of listeners is then used to attract advertisers. Additional revenue makes radio can increase the number of broadcast hours and meet representative broadcast equipment. Not stopping there, with the advantage of diversifying the sale of herbal medicine, Radio Aden was even able to expand by acquiring radio in the city centre of Cianjur Regency. In addition to the benefits of direct product sales, local radio also earns a substantial income from product promotion programs sold. Product manufacturers include cooperation in radio promotion programs, namely by purchasing ad spots, talk shows, adlibs, or other programs for promotion and boosting product sales figures.

A. Form of Diversification of Local Radio Businesses

Thomson and Radio Aden radio managers acknowledge that product sales that tend to decrease make radio have to start looking for other business opportunities to survive in the broadcasting world. Scoring income from business off air is an opportunity that is still wide open. In this case, the radio has a special team to design and organize events outside the broadcast (off air) by cooperating with the product as a sponsor. Business off air (event organizer) is the field of business for most radios today because it brings in significant revenue, especially if a product specifically asks for an event to establish relationships with the community or even to attract new customers.

In a cooperation contract, herbal producers / jamu will buy each ad slot once for each broadcast hour for a year. But because it is bound to an exclusive cooperation contract as the main distributor of herbal products, local radio generally imposes an advertising slot price rate that is lower than the normal price. As for the cooperation bonus, local radio gives free advertising spots, the adlibs recommendation, and insert in the form of product health tips to maintain health which is offered by herbal products. Another bonus given as part of long-term cooperation is product promotion through the Thomson Radio and Aden Radio social media, especially Instagram and Facebook. If accumulated, the income is more than enough to finance radio operations. Moreover, sales of products and SoMan promotion programs are not the only source of income. Although with a different cooperative system and a smaller income even fluctuating, Thomson Radio also received other income from the sale and at the same time became a promotional media for other herbal products. Not to mention the income from other activities such as various seminars or health programs according to the radio tagline, "the Indonesian Healthy Family Radio".

B. Harmonization of Broadcast Programs (Business and Broadcasting Regulations)

The key to the broadcasting industry is the program and broadcast content, specifically for radio the strength is in 4 (four) elements, namely the announcer, voice, music and words [13]. Therefore, efforts are needed to improve programs and content continuously for local radio. Local programs and content must be able to rebranding which the public may perceive as less attractive.

In the improvement of this program, it is necessary to review what strategic and populist positions need to be worked on by local radio to reach a large number of listeners. Based on the strategic position target, monitoring, evaluation and comparative studies can be carried out to other radio stations to see what programs might be adopted and modified in line with the vision and mission of the radio.

Improvement in marketing strategies must be carried out in order to keep up with the demands of changing times. Strengthening radio with media convergence (social media, websites, radio streaming) is an example that many radio do in order to adjust to changes. It is inevitable that times bring change, and only by adjusting to change will the radio be able to exist.

Another thing that cannot be avoided to do together is to establish and maintain the cohesiveness of fellow radio stations. With the increasing number of radio licenses, coupled with the fact that there are still illegal radios broadcasting (and advertising), it is not surprising that an irrational advertising tariff war ensues. The potential for local advertising that should be the main cake of private radio, and then many were grabbed by illegal radio that put super cheap rates. Therefore, with compactness, licensed radios must be able to defend themselves, because in fact the government is obliged to protect the rights of licensed radio broadcasts. The irrational phenomenon of advertising spot rate wars will only harm the radio business players themselves. Private radio managers must sit together to communicate together to maintain radio. Ad rates must be formulated logically, and can be accounted for. Advertising on the radio is cheap, but rational, not cheap. With cohesiveness, radio existence is increasingly taken into account [12].

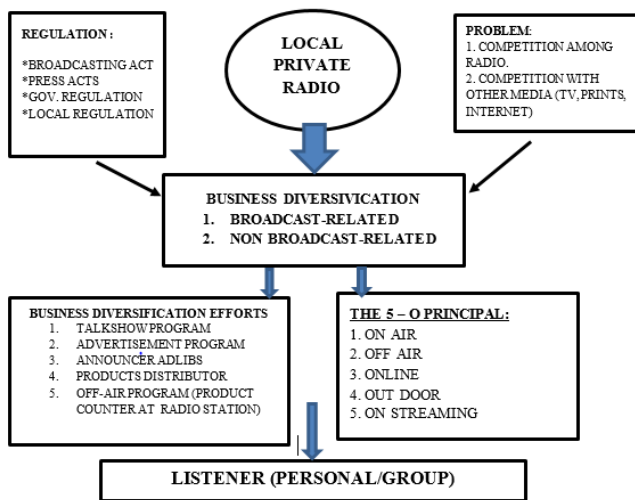


Fig. 1. Broadcasting radio performance harmonization model.

Business diversification through product sales conducted by Radio Thomson did not go haphazardly. In diversifying its business, Thomson Radio managers also hold on to existing business ethics under a legal entity. At first, there were concerns that broadcast programs would not run optimally because of the focus on product sales and promotion. Diversification through non-broadcast businesses actually becomes a dilemma if linked to broadcasting regulations. In Article 19 of the Republic of Indonesia Law number 32 of 2002 concerning broadcasting, the sources of financing for private broadcasters are obtained from: (a) ad broadcast; and (b) other legitimate businesses related to broadcasting. Nevertheless, urgent conditions to maintain the existence of the radio made the diversification of non-broadcast businesses carried out, including by Radio Thomson, which took the margin from the sale of herbal products to finance the survival of the company. Selling a product is considered not as taboo because radio must survive no matter how.

Today almost all radios practice the same tendency, namely selling products. Diversification of businesses by selling their own products is not a new phenomenon. At Radio Thomson,

the diversification of non-broadcast businesses was later supported by the application of models marketing communication mix in promoting products, mainly through personal sales, public relations and publicity, sales promotions, and advertising in programs.

This diversification also influences radio policy in making programs. Program content is made in such a way as to suit the characteristics or segmentation of the herbal medicine buyers they sell, and in the political economy perspective Vincent Mosco is called commodification. But over time, competition is getting tighter, product sales numbers tend to decline since 2017. Thomson's success in living the radio through selling and promoting herbal products has made many other radios start to follow. Other radios adopted the Thomson method, namely selling herbal products even with the same brands. The selection of products to be marketed is important, namely by only selling licensed products from BPOM and halal certification from the MUI and subject to the policies of the local broadcasting regulator. With products that are relatively the same, creativity needs to be made in the program. In addition, again relying on marketing officers to "sell" the radio to outsiders, sell ad slots, and return to the nature of the radio that lives from selling ad slots, working together with the government in advertising, talk show programs, and others. Open yourself to all certified or licensed products as promotional partners. Factually, many private radios experience financial difficulties in their business. There are several phenomena that illustrate the gloomy conditions of the radio business; among them are not broadcasting, tax arrears, reduction of broadcast hours, reduction of human resources, decreased broadcast quality, lack of human resources, etc., including changes in share ownership.

IV. CONCLUSION

Local private radio in the context of the media industry has great economic potential, but it has not been given the opportunity to access capital, marketing networks, and to improve the quality of broadcasts by both the government and the association. Amid the pressures of media conglomerates that make business competition unfair, Thomson and Aden Radio can survive by making efforts to diversify non-broadcasting businesses. Business niches that have not been reached by the large broadcasting industry are selling traditional medicinal products that are right because they are in accordance with the habits and needs of the listeners, so as to obtain significant benefits. This condition becomes dilemmatic because according to the Broadcasting Law number 32/2002, private broadcasting may only be business related to broadcasting. For this reason, it is necessary to review the rules regarding restrictions on ownership, types of broadcasting business, and can be implemented consistently, so that local radio has a reasonable business opportunity.

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