

2. Entertainment Network (India) Limited (ENIL)

Consultation Paper On Issues related to Radio Audience Measurement and Ratings in India

Comments made by Entertainment Network (India) Limited (ENIL)

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Before deciding the type of audience measurement framework that is appropriate for radio in India, it is necessary to understand the unique characteristics of the medium, especially in the Indian context. There are well known unique characteristics of radio that distinguish it from other media. There are also several differences between radio in India and radio in other countries. Understanding and appreciating these differences is important to figuring out the appropriate research framework for India.

Differences between radio and TV/Print:

- 1) **Small size of industry:** Radio is the smallest of all media segments. The share of radio is merely 4% as indicated in the consultation paper. In contrast, TV and Print are both in the 35-40% region. Even the OOH industry and Digital businesses are bigger than radio at 6 – 10% of total advertising. The small size imposes severe cost restrictions on radio research.
- 2) **Fragmented revenues/multiple operating centers:** Even the 4% that radio garners comes from an aggregation of revenues from multiple small/individual stations. For Radio Mirchi, its revenues come from a total of 36 stations. Radio Mirchi's revenues are a fraction of Star Plus's but it needs to operate 36 stations v/s only one of Star Plus. Even a small (and single) TV channel like HBO or Star Movies generates close to Rs. 150 crores in revenues, much more than India's biggest radio station – Radio Mirchi's Delhi outlet – which generates less than Rs. 100 crores. Further, none except four private radio broadcasters (Mirchi, Red, Big, City) make Rs 150 crores in revenues even with all their radio stations added up (Big and Red had 45+ stations, Mirchi 36 and City 20 before Phase-3 auctions). My FM has about 17 stations, but its revenues add up to under Rs 100 crores.

- 3) High cost of operation/low profitability: From a cost perspective, 36 radio stations of Mirchi are akin to operating 36 TV channels, because all the content needed for these stations has to be produced and marketed separately and uniquely in each station (Phase-3 policy allows networking across all stations, but it is unlikely that broadcasters will network their larger stations together. This feature will be useful more for the smaller stations). Not only are content and marketing costs separate in each station, even the sales team in each station is required separately to tap into retail revenues; making it far bigger in number compared to TV. For example, Radio Mirchi has close to 300 sales people, but Star TV group (with all its 30+ channels added up) may have less than 100. Likewise, the revenues of the The Times of India group may be 12x of Mirchi's, but it has just about 5x its sales team. Several other costs are far higher for radio companies – rentals, electricity etc – than for TV and print companies.

Then there is the huge capex and spectrum acquisition costs that radio companies have to incur that TV and print companies don't need to. As recently as in the recent Phase-3 batch-1 auctions, the radio industry paid the government close to Rs 1200 crores in spectrum fees (One Time Entry Fees – OTEF). A further Rs 1800 crores was paid for renewal of Phase-2 licenses, making the total upfront spectrum fees almost Rs 3000 crores. In addition, an estimated investment of Rs 750 crores would be required to set up the transmission and studio facilities for new Phase-3 licenses. In comparison, the costs of setting up new TV channels is much lower, since most of the programming is outsourced to specialist production houses.

As a result of higher costs, the profitability of radio companies is weak. It is only now that radio companies have started to make profits, but if we were to look at the whole period of the Phase-2 license (10 years), most broadcasters have reported negative or barely positive equity returns (RoE) or IRRs. As a result of all this, the ability of radio broadcasters to pay high sums for audience research is much lesser than of Print/TV players.

- 4) Habit forming/Ease of doing research: Unlike TV watching, radio listening is habit-forming. TV programming changes very rapidly, often on a weekly basis. There is special programming on the week-ends, impact properties every now and then, and new show launches on a regular basis. In response to audience feedback, there are reportedly "on-the-spot" changes in scripts that completely alter the direction of a show. In contrast, both print and radio are stable in programming content. This is why even print readership is habit-forming, as is evident from our own personal experiences. A quick look at radio broadcasters' program line-up will show that there have been very few changes in either show names, or music format, or Radio Jockeys in the last several years. Many of the most popular RJs have been doing the same show for a decade or

more. Radio stations focus on building loyalty, by maintaining a certain consistency in programming. As a result of this, it is easier to measure radio listenership (or print readership) than TV viewership. Radio listenership does not change much on a daily or weekly basis. Radio stations heard yesterday/this week would not be very different from those heard a few weeks/months back. This stability in listenership is observed in the data provided by both IRS and RAM, which show consistency in a radio station's "reach". This characteristic implies that radio research should be modelled on print, not TV.

- 5) Too many small towns: At the end of Phase-3, we may have radio in 333 cities. Out of these, as many as 320 are category B/C/D towns, with a bulk being category D towns. In order to get a good idea of radio listenership, it is necessary to measure it in multiple large and small towns. If not in all 333, research must be done in at least half of them to get a good idea. If even this becomes unwieldy from a cost angle, research should still cover at least 35-40 of the biggest towns (including state capitals) and another similar number representative of smaller cities. In this respect, radio research is similar to print research. IRS data is reportedly available for hundreds of cities, while TV data is available for far fewer cities.
- 6) Rich listeners/poor listeners: Radio is consumed by the ultra-rich (in their cars) and the ultra-low income (on their transistors/mobile phones). In contrast, newspapers are read mostly by the well-off. Even TV viewership, while much more widespread, is very limited amongst the low income groups. It is only radio that reaches the low income groups thanks to easy availability of signals and devices. **This is why PM Mr. Modi uses radio to talk to the people in his popular show "Mann kiBaat"**. Even in the big cities, we see this width of radio consumption, with large sections of the population staying in slums. Any research framework considered must acknowledge this reality. Relying on "high technology" methods – using mobile apps and the like – may simply not be appropriate at all.
- 7) Radio advertisers are mostly small retailers: More than 2/3rds of radio's revenues come from small retail outlets/brands. The average spends of these clients is much smaller than the average spend of clients on TV/Print (except for classifieds). These clients would not share the cost of audience research, in the same way and manner as large corporate clients (via ISA) share in TV and print research. As a consequence of this high retail client base (who advertise without the services of national advertising agencies), the share of agencies is also proportionately small. Even their ability/inclination to fund radio research to the extent they do in print/TV would be limited. As a result of this, radio broadcasters would have to share a far higher cost compared to either TV/print players.

- 8) Multiple points of consumption: Radio is consumed in atleast three different places a) home b) car and c) out of home. Further, it is consumed on several different devices: car stereos, mobile phones, 2-in-ones, transistors etc. In contrast, TV is viewed mostly in one room on one TV set, and newspapers read mostly at home. Also, radio is consumed 2-3 times a day as against print which is typically read only once in the mornings. As a result, radio listenership needs to be captured at multiple places on multiple devices. This could complicate research design, and increase costs.

Differences between radio in India and internationally:

There are also several differences between radio in India and internationally. These lead to the need for higher sample sizes in India than in these other countries

- 1) Heterogeneous country: It is well known that India is a vastly more heterogeneous country than most others in the world, especially in the Western world. Be it in terms of the number of languages spoken or eating habits or entertainment preferences or economic capabilities, we are a nation of diversity. All of the UK and US speak mostly English, but India speaks in at least 30 different languages (with a few hundreds dialects to add!). As a result, sample sizes required to measure listenership in India need to be far larger than in the West.
- 2) Low incidence of radio listenership: Going by data provided by IRS, it appears that radio listenership is about 25% in most cities in India. In contrast, it is upwards of 90% in cities in the UK, US, Australia and other countries. As any research expert will point out, a lower incidence necessitates a higher sample size. Even print readership is of the order of 25% or so. In contrast, TV viewership is very wide, possibly over 90% of the population. That is why the IRS sample size is so vast (some 3-4 lacs), compared to the much smaller sample size of BARC (22,000 meters). By extension, the sample size required for radio would be high like it is for print. In the US/UK, a small sample size would suffice, but in India, it wouldn't.

The above differences (with other media, and with other countries) should shape the discussion on audience measurement. Some of the points that emerge are:

- 1) High sample sizes needed: The IRS sample size in a city like Mumbai or Delhi (NCR) is of the order of 10-12000. A similar sample size would be needed in radio as well. Sample size cannot be as low as provided today by RAM (480 diaries). The low sample size is one of the reasons why RAM data is so flawed. As per a study done by Market Research Users Council (MRUC) around the time RAM was launched in 2007, it was found that the error in RAM data was about 80%.

- 2) Research coverage must include many towns, big and small: To get a fair picture, radio research needs to be done in at least 70-80 towns.
- 3) Costs must be kept low: Given the small size of broadcasters and advertisers, it is necessary to keep research costs low.

Keeping the above requirements in mind, a few options emerge/get scrapped:

Diaries/Panels: These are expensive to set-up, maintain and operate. With just a 480 sample size, the cost of RAM per broadcaster is about Rs. 10 lacs per city per annum. If the sample size were increased 10x, the costs would also increase 10x (Rs. 1 crore per broadcaster per annum). If the same design was replicated in 30 cities, the cost would be anywhere between Rs 10-20 crores (depending on the population of the city and the size of the diary panel in each city). For the whole radio industry, the cost could become as high as Rs 75-100 crores. Such high costs are totally unaffordable.

Within diaries, paper diaries are the worst, as they are hugely prone to data capture errors. It is commonly known that respondents fill up their diaries towards the end of the week, around the pick-up date. In today's busy world, who has got time to promptly record listenership in a diary as soon as it takes place? This is true worldwide. This is why, radio broadcasters internationally step up promotions around the pick-up dates. There is the further worry of data tampering; when field agents manipulate data in the diaries (filling up blank spaces to suit a particular broadcaster).

E-diaries in which the respondents record directly online, instead of in paper diaries, are no better. They would still record data only towards the end of the week.

Mobile app based panels are no better. Firstly, they would not be able to operate amongst the low-income groups who don't have devices/data connections to transmit the data. Secondly, the cost of managing any panel – especially one that has a large sample size and is spread from the ultra-rich to the ultra-low-income – is unaffordably high as mentioned above.

The only “diaries” that can record data without errors are “automatic recording” ones. TAM “peplemeters” or BARC “barometers” record TV viewership automatically, without any need for the respondent to remember to record. Likewise in some US/international markets, there are portable peplemeters and electronic watches available for radio research. Usually automatic recording systems are more expensive to operate.

Considering all this, diaries would be the wrong way to go for radio research in India

Day-after-Recall (DAR): The print industry – worth approximately Rs 25,000 crores per annum – uses this method to measure readership via IRS. DAR is a cheaper option to diaries. The total cost of conducting IRS is reportedly under Rs. 20 crores. In contrast, the cost of BARC is reportedly about Rs. 200 crores. Clearly, radio research must use DAR, not diaries.

There is another advantage with DAR. The respondent is far more likely to remember his/her consumption of radio “yesterday”, compared to “last week”. Diaries inadvertently force respondents to remember data of the last week, while DAR relies only on yesterday data. Thus accuracy of DAR is far higher than that of diaries.

To be sure, DAR is not good for all media. For TV, where viewership changes dynamically on a day-to-day basis, and daypart-to-daypart basis, DAR is the wrong method. An automatic diary method provides richer and more accurate data. But for habit-forming media like print or radio, DAR is a far better method than diaries. The richness of diaries is irrelevant in these media because the listenership/readership habit don’t change much anyway. But the low cost of DAR allows for higher sample sizes.

Again, since radio habits are stable, research does not need to be done daily/weekly. A DAR study done once/quarter is adequate in big markets. In small markets, it can be done once/6 months and in the D category towns, just once/year is enough. This way, a wide coverage of cities is possible in an economical way.

With this background, we will now respond to the specific queries raised in the consultation paper:

Q1. Is there a need to regulate the radio audience measurement and rating services? Please elaborate your response with justifications.

Yes there is a need to regulate audience measurement in radio, considering the amount of investment made in the industry and the number of players that operate in it. However, **there is no need for the government to regulate the industry**. The regulation must be put in place by the industry itself.

The stated goal of the government is “Minimum Government, Maximum Governance”. Accordingly, the government must stay out of audience research completely. Audience measurement is an industry requirement – concerning spends that advertisers make on the medium. There is a very limited public interest argument, although the TRAI paper attempts to make it. Radio broadcasters, unlike TV broadcasters, don’t make programming changes often; and when they do, it is not usually based on research data. They do so based on their format of music, and their own marketing and programming goals and strategies. The government may thus at best, and at most, express a desire that the radio industry put together a research framework that satisfies the stakeholders in the industry. One of the stakeholders is AIR – an arm of the government. The government may involve itself in the subject to the limited extent that AIR should be part of the research framework. The government should neither specify the research parameters, nor interfere in the functioning of the research system. In all honesty, the government has no expertise in radio operations, and hence must completely stay out of it.

Q2. Which of the models described in para 4.3 should be followed for regulating radio rating services in India? Please elaborate your response with justifications. Stakeholders may also suggest any other suitable model with pros and cons along with justification.

We strongly prefer 4.3.2.2 from the consultation paper. An industry led body (Joint Industry Body – JIB) is the way forward, just as happens in TV via BARC and in print via MRUC. Both these bodies have stakeholders involved in the process – the ISA representing advertisers, the AAI representing advertising agencies and the industry association (INS in print and IBF in TV) representing the industry players. We propose the same for radio as well.

We strongly oppose any of the regulated models proposed in 4.3.3. We also strongly oppose 4.3.2.1 as experiments in TV and radio via TAM and RAM have failed. The damage that these poorly designed, and badly executed researches have done to the industry is huge.

Q3. Do you agree with the broad contours described in para 4.4 for an industry led body proposed to be formed for regulating the radio rating system? You may also suggest any additions or alteration, if so required. Please elaborate your response with justifications.

Yes, we agree with the broad contours elaborated in para 4.4. We would only like to add that if a certain stakeholder group (say ISA or AAI) is not interested in joining the research because of cost or other reasons, then the other stakeholders should be allowed to continue their efforts to set up a research framework on their own. Extending this further, if none of the stakeholders are able to join the research, then there should be no insistence that a research framework must still be put in place. After all, there is no such research framework for OOH and Digital as well. Likewise, there has been virtually no print research available in the last 2-3 years. The whole concept that the research is meant to aid and assist stakeholders requires that if they do not feel the need for research, then there should be no regulatory pressure on them.

Q4. Please give your comments on the suggested eligibility conditions for rating agencies discussed in para 4.5.3.2. You are also welcome to suggest modifications. Please elaborate your response with justifications.

The eligibility conditions specified for the rating agencies in 4.5.3.2 look logical and reasonable. Except for 4.5.3.2.d which states surprisingly “*The rating agency should have adequate professional competence, financial soundness and general reputation of fairness and integrity in business transactions, to the satisfaction of the Government*”. Clearly, the underlined portion is unacceptable to us, as we see no role for the government in radio research.

However, to reiterate, it is for the Joint Industry Body to decide the specific conditions that it wants to impose on ratings agencies

Q5. Please give your comments on the suggested guidelines for methodology for audience measurement, as discussed in para 4.5.4.13, for radio rating systems. You are also welcome to suggest modifications. Please elaborate your response with justifications.

We totally oppose the basic construct of this section of the consultation paper. The construct assumes that diaries is the way forward. Most points mentioned under this para relate to a diary based research and hence we strongly oppose this para.

Specifically, 4.5.4.13.a itself is wrongly worded. The JIB may decide on a methodology that suits its needs and may not be an “appropriate combination of measurement techniques i.e. paper diaries, surveys, people meters or a combination thereof”. Point 4.5.4.13.f is again structurally wrongly worded as it refers specifically to “panel individuals/households”. Similarly points “g”, “l”, “j” and “k” also refer to panels or diaries and are presumptive in nature. We reject these points totally.

We object to point 4.5.4.13.h again on principles. It should be the JIB’s decision when to roll out the research across the country. Any suggestions of “two years” etc are wrong in construct.

We would like to add to point 4.5.4.13.l and mention that rating agencies should not include even ex-employees of any stakeholders. A common practice, and one that reduces trust in ratings, is for ex-employees of broadcasters/publishers to join ratings agencies and carry forward their agenda. This should be avoided, and a cooling off period of 2 years should be ensured. To be consistent however, even while we are mentioning this change here, it should be left to the JIB to decide the exact wording of this point.

Q6. What should be the panel size (in terms of numbers of individuals) for different categories of cities that may be mandated in order to ensure statistical accuracy and adequate coverage representing various genres, regions, demographics etc. for a robust radio rating system?

This question is wrong in construct. We strongly oppose the bias in this question as it favors panels.

Q7. Should the desired panel size be achieved immediately or in a phased manner? In case of implementing the desired panel size in a phased manner, what should be the minimum initial panel size, quantum of increase and periodicity of such an increase in the panel size for different categories of cities?

This question is wrong in construct. We strongly oppose the bias in this question as it favors panels.

Q8. What should be the rollout framework for introducing radio rating system across all the cities for FM services? Should all cities be covered in a phased manner? If so, what should be the number of phases, number of cities covered in each phase and timeline for completion of each phase? You may also suggest an alternate approach with justification.

Like mentioned earlier, we believe this decision needs to be taken by the JIB, based on market needs, and affordability.

Q9. Please give your suggestions/ views as to how the confidentiality of individuals/households included in the panel can be ensured?

It is impossible to ensure that panel details are not leaked. This has happened in the past in the TV ratings as well. Information leaks out via cable operators and employees of ratings agencies amongst other reasons. There is no way to really eliminate this risk, even though several controls can be put in place to ensure that the damage is limited.

This is one other reason why DAR studies are more reliable. Since the same respondent is never contacted again, there is no gain in knowing the identities of these respondents. Of course, there are other way by which DAR can be corrupted. We would recommend that strict controls be put in place, and strict penalties be imposed on the ratings agencies if such compromises are detected.

Q10. Please give your comments on the complaint redressal mechanism discussed in para 4.5.5. Please elaborate your response with justifications.

We broadly agree with this para. However, we strongly object the involvement of the general public in the ratings process. The rating are meant for advertisers/media agencies & broadcasters to allocate resources. Opening up the complaints to the general public will mean that the system will be

clogged with frivolous complaints that do not directly impact the listener and hold up the genuine complaints from direct stakeholders.

Q11. Whether the rate card for sale and use of ratings data should be published in the public domain by the rating agencies? Please elaborate your response with justifications.

Yes, we agree with this point. Transparency will build trust and hence we agree with this point.

Q12. Please give your comments on the cross holding restrictions for rating agencies as discussed in para 4.5.7. You are also welcome to suggest modifications. Please elaborate your response with justifications.

We completely agree with this point. Similar restrictions may be imposed (by the JIB) as exist in the case of BARC and MRUC.

Q13. Please give your comments with regard to the parameters/procedures, as suggested in para 4.5.8.2, pertaining to mandatory disclosures for ensuring transparency and compliance of the prescribed accreditation guidelines by rating agencies. You are also welcome to suggest modifications. Please elaborate your response with justifications.

We broadly agree with the parameters mentioned. However, we think the JIB should decide the specifics of this matter.

Q14. Please give your comments with regard to the parameters/procedures, as suggested in para 4.5.9.2, pertaining to reporting requirements for ensuring effective monitoring and compliance of the prescribed accreditation guidelines by rating agencies. You are also welcome to suggest modifications. Please elaborate your response with justifications.

We broadly agree with the parameters mentioned. Except for point 4.5.9.2.f which reads "*Any other information and reports as may be asked for by MIB or the regulator from time-to-time*". We don't see any role for MIB or the regulator in radio research, and hence object to the underlined section.

However, to reiterate, we think the JIB should decide the specifics of this matter.

Q15. Please give your comments on the audit requirements for rating agencies as discussed in para 4.5.10.5. You are also welcome to suggest modifications. Please elaborate your response with justifications.

We broadly agree with the parameters mentioned. However, we think the JIB should decide the specifics of this matter.

Q16. Who should be eligible to audit the rating process/system?

We believe there are several options available to the JIB to choose the auditors. CPAs, consulting firms like EY, PwC etc and global experts in audits may be considered.

Q17. What regulatory initiatives are required to promote competition in radio rating services? Please elaborate your response with justifications.

We fundamentally believe that there should be only one rating service. Radio is a small industry and having two or more ratings agencies will both be unaffordable, and create confusion. Even large media segments like TV and Print operate with only one JIB-backed research body.

Q18. In case guidelines/ rules for rating agency are laid down in the country, how much time should be given for complying with the prescribed rules to existing entities in the radio rating services which may not be in compliance with the guidelines? Please elaborate your response with justifications.

To repeat, guidelines/rules should NOT be laid down by the government. Whatever rules are laid down by the JIB should become applicable after suitable period of time is given to ratings agencies to comply. Depending on the guidelines issues by the JIB, a period of 1-2 years may be required to be given.

Q19. Stakeholders may also provide their comments on any other issue relevant to the present consultation.

These have been discussed at the beginning of our response.

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