

Case study

Independent radio group expands its revue base and increases profitability by adopting a radically new model

- UKRD Group Ltd is a multi media company operating throughout the UK.
- They own and operate 16 local commercial radio stations and have 46 websites.
- The media sector, in which they operate, is under pressure due to an advertising squeeze caused by media outlet explosion and the internet.
- Menzies helped the group to grow as it took over a much larger rival and increased profitability.
- UKRD's strength lies in its ability to take tough decisions.

The issue

Many radio stations were hit hard during the recession as the amount spent on advertising fell. Some stations closed, some recorded losses, others merged and those that were once a proud part of the local community simply turned into a low budget automated cog in a corporate wheel.

In order to survive the difficult times, most radio stations used the accepted model of commoditisation to survive. They had centralised departments, networking programmes and shows, and were taking the local aspect out of the local business.

During this difficult time, UKRD was amongst one of these radio groups operating in the industry. However, they decided to adopt a different survival method.

The solution

The group implemented a review with the help of Menzies and looked at what they could realistically generate from the areas they operated in. They realised that some stations would never have a critical mass so they either closed or sold them.

The next step was growth. The board recognised the business needed to grow to support their central overheads. As a result, in the depths of the downturn, UKRD went shopping and found The Local Radio Company. This was a larger, AIM-Listed company, making serious losses. The acquisition was funded partly through cash and partly from a rights issue. The shareholders had faith in the strategy and put their hands in their pockets to make it work.

They also went through a contested takeover before acquiring more than 20 licences and a mixed portfolio. For the next six months the group went through a rationalisation process, selling six stations, handing back one licence, merging three stations into one and drastically reducing management.

UKRD has retained the businesses that can meet the financial criteria with a smaller controlled central cost and a larger platform for their internet brands, where they can use the power and reach of local radio to broaden the traditional revenue base.

The benefits

By making these changes, UKRD were able to wipe the slate clean and focus their efforts on getting the right revenue levels. It has a small number of central services, such as sales order processing and finance, but gives each station responsibility for its own programming, management, revenues and profits. The result is that it attracts entrepreneurs, passionate managers who are keen to make a success of the business.

They were also able to build an extra studio where they run corporate team building, where companies can make their own podcasts. It is a new way of attracting revenue and a great opportunity to engage with the corporate market. They have also teamed up with a local college and charity to provide informal adult learning.

The group invested in technology through its ownership of an internet development company. Their support and development team creates software to help improve efficiencies, bring cost reductions and helps them to manage communications easily and at a lower cost to the listener.

UKRD has also invested in digital radio as the Government is planning to switch off FM transitions as early as 2015. At the moment, the DAB solution it is proposing does not have space for every radio station currently on air. Therefore, UKRD has taken stakes in the broadcasting companies to ensure they have a future.

Recommendation

Creating a culture which encourages employees to challenge existing processes and introduce new ideas to improve them will help enhance profitability and build business value. Encouraging employees to review existing processes challenge them and make suggestions on how they can be improved will help businesses drive efficiency and create an innovative culture.

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