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Posted: August 28, 2012 by Andrew Seale

MBC's Growth In Rural Ontario Stemmed By Big Radio With Big Money

My Broadcasting Corporation (MBC) is invading the airwaves via the back roads — one small town at a time.

The business has experienced incredible growth while snapping up licences in rural Ontario for the past eight years. But the radio landscape is changing. Larger markets are becoming saturated, so now media conglomerates with dozens of stations — such as Vista and Astral Media — are increasingly moving into smaller communities. More players means a dwindling base of untapped markets, and increasing licence costs. Harder still, when bidding wars emerge, MBC simply can't outspend the competition.

But the company's success speaks for itself. Starting eight years ago with just six staff and a single station in the humble town of Renfrew, an hour west of Ottawa, MBC now runs 12 outlets in communities throughout Ontario. They serve markets with populations ranging anywhere from 5,000 to 35,000 people.

The company exists, says owner Jon Pole, to tell stories cataloguing the ebb and flow of small town life. As such, it has differentiated itself from the signals beaming in from centres like Ottawa and Toronto because it informs residents when a school bus is snowed in, or when the local veterinarian gets a hat trick in men's hockey.

It's an impressive value proposition considering MBC still has a staff of only 70 across the entire organization, with some stations running with as few as three employees. Even more striking is that the business was recognized on Profit magazine's list of Canada's 200 Fastest Growing Companies for its 304 per cent revenue growth over the past five years. But the next few years might not bode so well — there just isn't enough room to expand.

"Before when we entered a market, no one would care," Pole says. "Now it's becoming more of a competitive process."

In the past, MBC set foot in relatively untouched communities, such as Goderich, Port Elgin and Kincardine, while media conglomerates chased ad dollars offered by larger businesses in urban centres.

"They could have applied for these markets years ago, but never did because they didn't see value in it," says Pole. "Essentially, our company has been made up of all the markets nobody wanted."

But those unwanted markets are becoming harder to find, and Pole says the "big guys" are making some aggressive plays toward smaller centres.

MBC is already feeling the pinch. The company's bid to open its newest station was put on hold, because larger companies are, for the first time, contesting the application. It's just one example of local media's growing popularity with conglomerates — even maven investor Warren Buffet recently purchased dozens of small community papers in the US, betting on what he sees as an under-served, but profitable, news industry sector.

Pole says there's little he can do in the face of such major competition — MBC will never be able to outbid the conglomerates, and his company doesn't have the resources to float new stations until they're established and making money.

Plus the bidding process itself has become more difficult. In the past, locals were happy with the fact that they'd be getting a radio station. Now, applicants give full presentations and offer incentives — such as hosting events and offering to support community charities — to entice local audiences.

"The CRTC makes the end decision but in the process there's a call for comments," Pole says.

"In a lot of cases if we're applying for a market we'll sit down with the mayor, chamber of commerce and the local business industry association to outline our plan and see if they'll write letters of support."

Still, even with licence costs rising, Lori Beckstead, associate chair of the Radio and Television Arts School of Media at Ryerson University, says radio itself is still relatively cheap to produce. That means MBC's business model is a sustainable one. The challenge lies in drawing enough advertising dollars to buy new licences from the CRTC, the federal body that oversees broadcasting in Canada. If MBC can maximize advertising dollars, it can open more stations and generate more revenue.

Pole says rural centres offer plenty of opportunities to earn that cash. Many small businesses make \$600,000 to \$3 million a year in sales, and look to put a chunk of that money into radio ads.

But, says Beckstead, there are limits on how much cash small-town stations can pull in.

An average client in one of the company's smaller markets, such as Strathroy, near London, is likely to spend about \$400 a month on ads. MBC's larger stations, such as those in St. Thomas and Pembroke, pull in \$900 to \$1,200 per customer, per month. The rates are dependent on audience size, which varies from 10,000 to 30,000 weekly listeners, and the company sometimes chooses to drop prices in order to entice advertisers.

"We want to be like Walmart in terms of advertising — something for everyone and fairly priced," says Pole, adding that MBC plans to continue winning over mayors and business improvement associations, and gain the support they need to win licences without having to constantly outbid their competition.

"Our corporate model has been one of consistent growth — the more we grow our advertising base the more we can expand," he says. "I think our Canadian system is a good thing, but we are getting to a point where it's hard to be the little guy."

EXPERT VIEWS

As Interviewed by: Tom Henheffer



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MBC's challenge is to raise enough ad dollars to

continue expanding, and make themselves attractive to advertisers in new markets. They've developed a strong skillset when it comes to understanding local businesses. But they're still using a traditional radio model — their value proposition is all about what's broadcasted over the air. They could make their offering much more attractive to advertisers if they expanded to include a web and mobile presence as well. They key will be creating platforms that drive to local businesses. They'll have to do some research to determine what features are best suited to each of their markets, but a website and app with business listings, tour guides, and reviews and ratings from users are solid options. Once these offerings are ready, they can be added to current advertising packages. This will not only attract more money from sponsors, it will also strengthen their licence applications by propping up local small business communities. Plus, their larger competitors are starting to add these options anyway, so MBC needs to make sure they stay on the cutting edge if they're going to compete.”

by Tisha Rattos



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MBC have a really interesting niche, and I'd recommend they

keep expanding. The market may be a bit crowded where they are now, but there's no reason the company shouldn't look beyond Ontario. If they can grow from 12 stations in a single province to something like 30 stations across the country, they'll have a large enough audience and geographic footprint to start attracting national sponsors, which will provide a significant revenue stream. And, on top of growing geographically, I think MBC should look into diversifying their product offering by acquiring some small weekly tabloids. The newspaper industry may be floundering in cities, but it's alive in rural communities — residents have a thirst for local news and can't get it outside of community papers. Plus, owning these papers will give MBC more control over advertising prices because they won't have to compete against another company's newspaper rates. Finally, my sense is that if they pursue these opportunities, the company won't face as much competition from the larger players. The CRTC likes local ownership, and these markets are just too small to interest the Astrals or Choruses out there.”

by Peter Conrod



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People want to know what's happening politically, what's

happening with traffic, all the goings-on in their hometown. The big guys know that, so they're entering MBC's space. But I see nothing wrong with the company letting a conglomerate buy them out. They can make a presentation, say, "we have the expertise to open stations in small towns, you have the money — buy us and we'll create them for you." Gaining the clout of these larger players could remove a lot of risk, allowing the company to concentrate on building more local stations that really work for their communities. And, on top of this, I think MBC needs to move beyond radio and create a presence online. They can do webcasts, engage listeners on twitter, and create groups on Facebook and other social media sites. They'll not only get a more loyal following, they also up their value proposition with an additional audience they can turn around and offer to advertisers. Plus, with the reach of the conglomerates behind them, they'll be able to attract local companies that want to tap a national audience, and really improve their revenue model.”

by Marla Spergel