

# The Network Strategy of New Entrants: The Case of Low and Medium Power Radio Stations in Taiwan

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## Abstract

In Taiwan, most of the radio stations are state-owned before 1993; however, a fraction of radio channels were released and publicized after the modification of Radio and Broadcasting Regulation which opens the opportunity for application of local radio stations license by new entrants. However, these new entrants are only allowed to operate as low and medium power stations with coverage of 30-miles diameter. Due to the limited geographic coverage of local market, competitions between low and medium power radio stations and their local rivals grew more intensive. The newly established radio stations found that they don't have enough resource to support their daily operations and program quality because the market can't provide sufficient audience base to attract national advertising revenue. In order to strive for radio program rating and investment of advertiser, each radio stations utilize network strategy for grabbing the market outside their original area. Most of the low and medium power radio stations adopted the network strategy, such as alliance or affiliate rather than broadcasting through their own channel. Thus, the paper wants to discuss the adoption of new cooperation model, network strategy, by the new entrants or small and medium power radio stations in Taiwan. We argue that the trend of mimetic isomorphism ensure the new entrants to obtain more resources and legitimacy for their later survival.

This paper uses case study to analysis three kind of affiliation adopted by local radio stations. We found that the host of the radio networks, main radio stations, is stations with high visibility and better rating in metropolitan areas. The small and medium power radio stations can join them and become one of the affiliated stations. We also use the degree resource commitment and control to identify three types of affiliate model: functional strategy, satellite acquisition and investment management.

Our study suggests that due to the diversity of affiliate model the low and medium radio stations are easy to find a model to fit their preference of resource commitment and degree of control.

## **Introduction**

In Taiwan, most of the radio stations were state-owned in the 90's; private radio stations didn't have much space of subsistence. In term of the business model, due to state-owned radio stations had regular budget of human affair and outlay, radio stations can keep operating just only maintained the broadcast in normal and accomplished the given task by chief. As a result, it is not necessary that state-owned radio stations concern market of audience, leading to programming and content are no any innovation in radio industry (Chuang, 1988).

However, a fraction of radio channels were released and publicized after the modification of Radio and Broadcasting Regulation which opens the opportunity for application of local radio station license by new entrants in 1993. However, these new entrants are only allowed to operate as low and medium power stations with coverage of 30-miles diameter. Because the radio spectrum is rare resource and radio waves are public, the Government Information Office evaluates regularly to operation of each radio station. Hence, there are the factors with marketing and policy, causing the private radio stations beginning to transform their business model which focus on the radio program rating. Their main revenue is from advertising. Due to the limited geographic coverage of local market, competitions between low and medium power radio stations and their local rivals grew more intensive.

In order to strive for radio program rating and investment of advertiser, each radio stations utilizes network strategy for grabbing the market outside their original area. Most of the low and medium power radio stations adopted the network strategy, such as alliance or affiliate rather than broadcasting through their own channel. Thus, the paper wants to discuss the adoption of new cooperation model, network strategy, by the new entrants or small and medium power radio stations in Taiwan.

## **Literature Review**

### **Adoption of the network strategy**

Since 1996, a section of radio stations start to utilize network strategy for grabbing the market outside their original area, but the scope is limited and ineffective. Nevertheless, the main radio station, UFO Radio, which the first successfully adopted

the network strategy to become UFO Radio Network, which obtaining the crown of radio program rating in all the private radio station in Taiwan. Owing to UFO Radio which transforms their business model that is got success, network strategy is deemed that the small and medium power radio stations chase the goal in common.

There are three reasons why the small and medium power radio stations opted to adopt the network strategy. First, they got less competition in local which they cannot keep sufficient program rating and advertising revenue than national high power radio station. Thus, they adopted network strategy to ally by degrees with low and medium power radio stations in other areas that such as alliance or affiliate rather than broadcasting through their own channel. The way efficiently makes cost down and business expansion attract not only audience but advertiser.

The second reason, the underground radio whose signals interfere with legal broadcasts in Taiwan, caused the coverage of legal radio station to shrink. Relatively, advertising effect is quite not obvious so advertisers are gone lightly.

In addition, radio stations are restricted to law that Radio and Broadcasting Regulation claimed it is forbidden that acquisitions and mergers among broadcasting in Taiwan. In other words, the ownership of radio station should not be owned it by other radio stations, only they maintain their cooperation relationship by contractual agreement.

### **Strategic alliance**

A strategic alliance is a formal relationship between two or more parties to pursue a set of agreed upon goals or to meet a critical business need while remaining independent organizations (Mowery, Oxley, & Silverman, 1996). The alliance is the cooperation or collaboration which aims for a synergy where each partner hopes that the benefits from the alliance will be greater than those from individual efforts.

The network strategy formation process by low and medium power stations in Taiwan, and the most main aim is pursuing organizational development to form strategic alliance. By producing the same programming in radio network, expanding the coverage to elevate program rating and investment of advertiser. To make radio stations strengthen their influence in different areas.

### **Institutional theory**

Institutional theory focuses on organizations must conform to the rules and belief systems prevailing in the environment because institutional isomorphism will earn the organization legitimacy. It considers the processes by which structures; including rules,

norms, and routines, become established as authoritative guidelines for social behavior. Organizations compete not just for resources and customers, but for political power and institutional legitimacy, for social as well as economic fitness (DiMaggio & Powell, 1983).

Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions (Suchman, 2006). It is dependent on a collective audience, yet independent of particular observers. In order to acquire legitimacy, inter-organization will follow the same norm to form organization isomorphism.

Mimetic isomorphism means when organization faces an uncertain situation, they through imitation which organizations change over time to become more similar to other organizations in their environments (DiMaggio & Powell, 1983). Uncertainty is a powerful force that encourages imitation. On one hand, imitation can avert the unnecessary risk; on the other hand, imitation can avert strengths of rivals.

### **Research Analysis**

Since 1993, the government has consistently opened the market of the radio broadcasting. After ten sessions of examination, there are in total 142 radio stations approved and joined the broadcasting market now in Taiwan. The government policy to open the marketplace has affected the entire radio broadcasting industry and its environment.

According to Government Information Office investigated about 2007 condition of radio industry in Taiwan. There are a dozen of radio network have been built by different ways and proportions for the network strategy and programming. Regarding radio networks, all of 47 low and medium power radio stations have adopted the network strategy. The proportion of radio network is about 33%. It shown that there are many radio stations decided to take radio network in order to expand their broadcasting areas and advertising effects.

Presently, in Taiwan, Kiss Radio has first set up radio network. Next, UFO radio has completed radio network in whole Taiwan at first. And Asia FM has implemented open-end network strategy which is using the satellite to offer radio stations in other area can acquire signal.

This paper uses case study to analysis three kind of affiliation adopted by local radio stations: Kiss Radio, Asia FM, and UFO Radio, that the host of the radio networks, main radio stations, are creating network strategy. Allowing the new

entrants who as low and medium power stations adopted the network strategy, such as alliance or affiliate rather than broadcasting through their own channel. Thus, the adoption of new cooperation model, network strategy, by the new entrants or low and medium power radio stations in Taiwan whether emerge the trend of mimetic isomorphism.

### **Kiss Radio**

Kiss Radio is founded in 1995. It belongs to medium power radio station. There is live streaming from four radio stations in southern Taiwan. There are there reasons why Kiss Radio adopted the network strategy. First, the organizational development was facing a difficult position. Second, the underground radio whose signals interfere with legal broadcasts. Third, they don't have enough resource to support their daily operations and program quality. For these reasons, utilize network strategy for grabbing the market outside their original area.

Kiss Radio prefers affiliations that are new and medium power radio station. Take a strategy alliance on programming between main and affiliated radio stations, in order to reduce human resource. Therefore, the business and financial affair of main and affiliate radio stations are operated independently. Using contract that said Kiss Radio held power on programming and affiliate radio stations must follow it to constrain.

### **Asia FM**

Asia FM is founded in 1996. It belongs to medium power radio station. The coverage of the Asia FM is broadcasting only in Northern Taiwan, but the network still can through in Taiwan by satellite if no relationship with informal contract. Moreover, Low and medium power radio stations can acquire the signal to broadcast program of Asia FM by satellite after they inform Asia FM of their action. Asia FM is cheerful to receive this situation because of the market operations, adopted the network strategy to expand the coverage and attract national advertising revenue. It not only is in line with demand of advertiser but increase the fame for radio station.

On the other hand, Asia FM play a major role as well in investment of network becomes the largest shareowner in the radio network of affiliates and establishes the formal partnership.

### **UFO Radio**

UFO Radio is founded in 1996. It belongs to complete business management of medium power radio station showed that the way of variety is reputed from DJ is celebrities and using integrated marketing. The coverage of the UFO Radio is

broadcasting only in Taipei, Taiwan. However, UFO Radio was established; due to attempting to expand influence for audience gradually. Naturally, setting up the radio network is main a requirement.

Thus, adopted the network strategy is investing in all affiliated station become the largest shareowner. Further, broadcasted the signal to every single affiliated station by satellite.

### **Affiliate model and application**

Following above three radio networks, main radio stations are stations with high visibility and better rating in metropolitan areas. The small and medium power radio stations can join them and become one of the affiliated stations. Use the degree resource commitment and control to identify three types of affiliate model: functional strategy, satellite acquisition and investment management.

#### **Functional strategy – KISS Radio Network**

The functional strategy model means all of affiliated stations operate individually, owning their department of functional structure, and they must take charge of their own profit and responsibility. The common consensus of strategy alliance that preserves qualities and standards on programming, producing same programs to market across Taiwan, aiming to raise the popularity each other.

In this model, the advantage is the low degree investment of capital, burdening hardly any the cost with other affiliated stations, because of sharing on their personnel and programming. In addition, every affiliated station has power of producing programs independently so that this model can attend to both community and country. On the contrary, the flaw is high communication and coordination cost among all radio stations within network.

#### **Satellite acquisition – Asia FM Network**

The satellite acquisition model adopts radio station on other area that want to broadcast the programming of main radio station, just only inform the host of their action in advance, they can acquire the signal actively to broadcast program of main radio station by satellite.

In this model, the advantage is the speed of using network is fast, not passing the long-winded negotiation. Conversely, the flaw is the main radio station cannot control quality of the affiliated radio stations, so there is a high risk for the host.

## **Investment management – UFO Radio Network**

The investment management model purchases amount of share of affiliated radio stations, acquiring other radio stations into system of main radio station that become the largest shareowner. Due to the host entirely holds all of the management in this network so that it is easy to operate the quality on programming.

In this model, the advantage is as long as sufficient capital, the network can expand rapidly and charge higher bargain for advertisers. Reversely, the flaw is the capital of investment and personnel increasing constantly by growing. It is also happened easily to commercial consideration neglect community oriented.

Within three types of affiliate model, when the radio network was set up primarily, the sponsor could adopt a steppingstone for affiliated strategy by satellite acquisition model. At this period, the main radio station less control for affiliated stations focus on accumulating resources themselves and promoting the reputation. With time, plunging into the formal strategy alliance by contractual agreement to improve quality on every affiliated programming, creating a win-win situation.

If the host wanted to be an authority on radio network, they could adopt affiliated strategy by investment management model when they have enough resource. Therefore, radio stations can achieve the target of maintaining operation.

## **Conclusions**

Low and medium power radio stations adopt the network strategy in Taiwan because they face more uncertain situation about environmental changes, numerous rivals, and legal restrictions. In order to make radio stations have more competitive to expand the coverage, increasing for radio program rating and investment of advertiser, each radio stations utilize network strategy for grabbing the market outside their original area. As a consequence, radio stations are able to survive steadily on this industry.

However, the new entrants obtain more resources and legitimacy for their later survival to tend toward mimetic isomorphism that they mimic other organizations whose be successful or reliable. Hence, gaining the recognition from this industry or add to their confidence.

Network strategy is composed of few medium power radio stations whose have more resources and high fame. Radio network as institutional environment is created by those main radio stations. Consequently, the new entrants or low and medium power radio stations desire the way to get legitimacy that they join network to be one

of affiliated station, obtaining more resources. Otherwise they can develop to become community radio station or format radio.

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