

RADIO-TRANS

FM RADIO STATION FOR YEREVAN CITY

FINAL REPORT

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Executive Summary

Problem Statement

Countries around the world that have recently emerged from authoritarian and totalitarian rule are discovering that a free political society cannot exist without free news media. Armenia is one of those countries. Because democracy involves public debate and open decision-making, the free exchange of ideas, opinions, and information is essential. Newspapers, magazines, radio, and television serve as both forums for debate and sources of information on which decisions can be based.

Building an open society is never easy. If new democratic Armenia is to preserve and extend its newfound freedom, institutions that reflect and sustain free communication must be developed in both the public and private sectors. This is true if speaking about development of newspapers and magazines in Armenia, which have already established market and are, to some extent, forums for open debates, and are independent sources of information. While television and radio industry remains in the same state level without significant improvement and diversification to the private sector. Particularly there is no independent radio station in Armenia, meanwhile little consumption of electricity by radio sets, possibility to operate them by batteries, portability, high percentage of radio set owners in Armenia, low start-up costs for new radio stations compared to the television, create an opportunity for radio to become powerful mass media mean in Armenia.

Project Goals and Objectives

The goal of this project is to develop a business plan for establishing an independent, commercial, English speaking FM radio station which will provide high quality musical, entertaining, informational, and educational programs to the population of Yerevan.

The main objectives are:

- investigate organizational procedures related to the establishment of the radio station;*
- investigate technical procedures;*
- conduct marketing analysis of the potential audience/media buyers;*
- determine an appropriate marketing strategy for the proposed station;*
- conduct financial analysis to determine feasibility of several alternatives.*

Findings

The level of freedom and independence of the media depends on three main factors. The first is regulation; the second, the presence of able managers and ability to be economically viable in the new market; and the third, the degree to which professionalism and responsibility are exercised.

The research has shown that:

- * There is an opportunity to be the first in the market and become successful*
- * There is a legislative framework to operate an independent FM radio station*
- * There is no independent FM radio station operating in Armenia*
- * The start-up costs are low (\$20,000-45,000)*
- * There is no entry barriers except regulation from the State*
- * Lack of competition at this time*
- * Market analysis shows that the audience is eager and capable to listen radio programs (have appropriate radio sets, or ready to buy if interesting programs are provided)*
- * There are significant chances to get outside sponsorship and technical assistance*

Recomendations

- 1. To be the first in the market start an independent station by renting the studio from the State Radio, meanwhile generate funds to build own studio. However, if funding is sufficient (\$45,000 build own studio first, since it should be the priority for an independent radio station.*
- 2. Develop and implement a marketing strategy to promote companies to advertise at the new station.*
- 3. Develop programming activities based on market research*
- 4. Develop marketing plan*

INTRODUCTION

Problem Statement

There is no independent radio station in Armenia and particularly in Yerevan. In 1991 after the declaration of independence Armenia started to build a democratic society that looks forward to developing a market economy and becoming a part of the world economic system.

One of the important factors to success in the way Armenia sees in developing an effective mass media that will guide the community in understanding democracy and economic issues in open market relations via independent mass media creation. After the passing of the Law on Mass Media of the Republic of Armenia (RA) this industry has rapidly grown. Newspapers and magazines have grown in quantity and quality, while the TV and radio industry remain at the same state level without significant improvement or diversification in the private sector.

Project Goals and Objectives.

The goal of this project is to develop a business plan for establishing an English speaking, independent, commercial FM radio station which will provide high quality musical, entertaining, informational, and educational programs to the population of Yerevan.

The main objectives are:

- investigate organizational procedures related to the establishment of the radio station;
- investigate technical procedures;
- conduct marketing analysis of the potential audience/media buyers;
- determine an appropriate marketing strategy for the proposed station;

- conduct financial analysis to determine feasibility of several alternatives.
- investigate possibilities of outside sponsorship and assistance;
- make suggestions for programming based on marketing analysis and feasibility.

Project Scope and Constraints

Development of a Business Plan for operating a FM radio station in the City of Yerevan is the scope of the current project. Technical and organizational aspects are investigated to utilize broadcasting ability for the Yerevan area (radius of 20 km).

Marketing research was done to investigate;

- the 1,500,000 population of Yerevan; the representative sample is determined to be 1200 units/inhabitants;
- only businesses that are located and operating in Yerevan; the representative sample is determined to be 100 businesses/organizations.

The research group has identified several constraints that are to be taken into consideration:

Time Constraints, since the regulations of channel licensing is not yet completely established in Armenia, predictions for getting the license for a channel, estimated in the research might not be correct;

Financial Constraints, although the main sponsor of the project is the United States Information Agency (USIA) there might be difficulties or delays in getting other outside financial or technical sponsorship that is necessary for an independent establishment of the project;

External Constraints, high inflation rate and price instability in Armenian market are constraints to the accurate estimations of operational expenses and other costs,

- lack of information in Armenia hinders the group's efforts to suggest several alternatives for the transmitter and other equipment.

- blockade and bureaucracy may delay the groups forecasts for organizational procedures and schedules.

Technical Constraints, there might be technical constraints for achieving high receiving quality by satellite from European and other radios and quality of broadcasting for the target population;

Report Structure

The remainder of the report presents:

- * the methodology to collect and analyze data
- * findings
- * summary of major findings
- * strategic alternatives
- * recommendations
- * implementation plan

METHODOLOGY

Introduction

For the complete accomplishment of the business plan, the group identified the following areas of research:

1. Customers, potential audience,
2. Competitors,
3. Market Share,
4. Financial Issues,
5. Media Buyers
6. Overall Market Planing

A. Research Objectives

- Customers, potential audience: to identify potential customers for FM channel, determine the market segment based on different dimensions.
- Competitors: identify competitors of newly created FM channel both in domestic and foreign market.
- Market share: define the strengths, weaknesses, opportunities and threats of the new channel. Evaluate the future of the initiative based on competitors and customers.
- Financial issues: Determine the financial aspects (profitability, sales volume, etc.) collect necessary data about all expenses connected with creation and operation of FM channel.
- Media buyers: primary survey of potential media buyers, their perception about the advertising.
- Overall market plan: identify the market strategy for the group in the long run and in the short run. Market evaluation, summary of main findings.

B. Data Collection and Analysis

The group has applied one of the techniques of market research -survey through questionnaire analysis. The cluster sampling for radio listeners of the city of Yerevan (see Appendix "sample plan") facilitated the group's efforts to avoid the bias in survey. Seventy percent response allowed the group to identify the potential customers, determine the market share and market size, make predictions for the future.

The query of 100 media buyers (commodity exchanges, governmental and non-governmental organizations, department stores, commission shops, etc.) through quota sampling gives the approximate intentions of various branches of economy of Armenia. The results can not be considered very precise because of the small sample of respondents. The purpose of this survey is

initially to investigate the attitude of businessmen and other managers in various areas of economy towards advertising strategy and their willingness to participate through advertising in the creation and future operation of FM channel.

Data on competitors: Data on competitors in the domestic market are available. It is relatively difficult to gather data about the competitors in other republics of the Nations of Independent States (NIS) and from abroad due to: large distances, higher expenses, confidentiality, ability to do in-depth investigations (the company must hire the appropriate personnel to conduct surveys in these places.)

Data on financial issues: Data about all prices and costs connected with the creation and operation of an FM channel are gathered from the different authorized institutions (Ministry of Communication, State Radio Committee, SOROS Foundation).

Analytical tools: Quantitative and qualitative data collected via questionnaire were summarized by the EPI statistical program, which allows the use of various statistical techniques to make the analysis: frequency of response, means and standard deviations, chi-square tests for significance.

BUSINESS PLAN

Mass Media Industry in Armenia, the Concept of new FM Radio Station

The Industry

Mass media industry in Armenia has rapidly been developing since the declaration of independence by Armenian Government in 1991 and especially after passing the Law on Mass Media in November of 1992.

Newspapers and magazines become the most effective and diversified mass media in Armenia. About 50 different newspapers and magazines are being currently printed in Armenia and most of them presents 15 different political parties. Some newspapers and magazines cover cultural business, economic and other aspects of Armenia's life.

Only top 4-5 newspapers of political parties are effective from a financial point of view and in terms quality of materials. Other newspapers are not stable and have narrow segment of readers. Besides, publishing industry in Armenia due to current blockade periodically faces the problem of paper shortages and effective distribution. Most of commercial newspapers, that are not subsidized by any political party have high selling prices and are not affordable for the large share of population on a regular basis.

The TV and Radio industries in Armenia are less developed even though current regulations allow to operate an independent commercials TV or radio. For the print media, the issue of regulation is simple. No regulation beyond the commonly accepted laws protecting copyrights and prohibiting libel and slander is necessary. Within these few guidelines, anyone who has the means

to reproduce printed material is allowed to do so in Armenia after the Law on Mass Media of RA was accepted by its Parliament.

For their part, radio and television broadcasting have special technical constraints. The potential number of radio and TV channels is limited by the size of the frequency spectrum. Armenia has already received frequency range from Moscow, and the regulation for the frequency spectrum distribution in Armenia is under the consideration of local authorities. It is obvious that the first entrants to the broadcasting business will have advantages over the followers.

There are several reasons why TV and radio have not yet developed and diversified in the private sector. First of all heavy start-up cost is a significant barrier to entry. The second reason is that the regulations for licensing a channel are not finally accepted in Armenia. As another reason we can mention that there is a lack of highly skilled programming staff that will be able to provide high quality western standard programs.

Currently there are only two independent TV programs in Armenia: A1-TV Company and Armenia -TV Company. Those companies are just spin-offs of state TV and currently broadcast on the same as state TV channel. They share studio and equipment at the State TV. One of the problems of TV industry in Armenia is continues energy shortage. Only small part of the population is able to follow TV programs, that are broadcast only 5 hours everyday (from 7 p. m. to 12 p. m.).

Radio industry in Armenia still remains in the state level. There are 4-5 operating programs that are broadcasting in different channels. Exhibit 11 in Appendix presents all available programs, channels, languages of broadcasting and broadcasting hours.

Private radio stations are in the in organizational phase. About 10 businesses that have applied to

state authorities for operating FM radio stations, will take advantage of first entrants to the new mass media market.

New FM Radio Concept

Establishment of FM radio stations is a consistent part of development and diversification of the broadcasting industry in Armenia. FM radio stations hold a high image and popularity among the population. They are recognized as having high quality programs and respected for stereo broadcasting. FM radios proved themselves as an effective media for news reports, entertainment, and commercials. There are a lot of examples of FMs as successful businesses in almost all of the developing and developed countries.

The possibility of operating FM stations is becoming available in Armenia as well after Armenia received the frequency spectrum from Moscow. The concept of new FM radio station assumes independence from the government and political parties. Proposed radio station will be commercial and will be oriented to serve needs of its audience as well as to meet market demand for various commercials and advertisements. The radio station will be self-supporting business.

The Product: New Programs for Yerevan

In order to be sustainable in competitive market new radio station has to suggest new programs where quality of broadcasting and attractiveness of entertainment programs will be critical factors to success. Programs of the new FM station will consist of program blocks from different international radio stations as well as its own programs. The research group considers the possibility of receiving program blocks from such international radios as VOA Europe, BBC, Europe+, Antenn 2 and simultaneous broadcasting for Armenian audience. Own program of new FM will be constantly developed and will consist of entertainment, educational, musical

programs. Educational programs will meet growing demand of population for studying foreign languages, understanding market economy and democracy. The main intention should be given to the development of own programming relative to the domestic market's needs.

Entry and growth strategy

The new FM radio station, RADIO -TRANS, will take advantage of the first entrants to the private broadcasting business in Armenia. Several other radio stations that are in the development phase as well will be potentially direct competitors with RADIO-TRANS. High quality programs, effective media buying policy, professional management will be critical success factors in this competition. RADIO-TRANS should have competitive advantages in all the above mentioned areas and will become a driving force for future growth of the station.

Intensive marketing research policy will allow RADIO-TRANS to keep track of changes in tastes and preferences of the target population, conduct effective market segmentation and design attractive programs for all of the groups of listeners. Strategic goal of RADIO-TRANS is to attain the share of 60% audience of all the population of Yerevan in of two years. By this time the radio station is supposed to be completely independent, self-sufficient, profit making business. Retained earnings as well as other available outside funds will be invested for the development of the station: extending target population to the whole of Armenia and abroad.

Market Research and Analysis

Audience

In order to determine the potential audience of the new FM station 1200 questionnaires were distributed in the Yerevan and 70% of them were returned and entered into the computer. The data of survey allows to make some estimations about the future radio listeners, their preferences, demographic frequencies. (see Appendix B "questionnaire"). About 45.9% of respondents listen to radio programs every day and only 13.7% never listen to the radio. Even from this 13.7% the 44.6% also should be considered as a potential listeners of new channels (see Appendix B "questionnaire"). For determination of the demographic segmentation of potential listeners, the comparison of frequency of listening is given according to education, gender and age (see exhibits 4, 5, 6).

Demographic segmentation: In order to avoid bias we implemented the coefficient of efficiency as the weighted ratio of every day response percentage to the total percent of section (see exhibits 4,5,6). According to this there is no significant statistical differences in age groups, but the highest weight has the ages from 34 - 45 and 56 and above. There are no significant differences in the gender groups, so we are not going to make segmentation on that basis. The completed university graduates gave the highest weight in total amount. Finalizing the results it can be determined that above middle age listeners, who listen every day to radio programs, with university graduate degrees would be the demographic segment of the new radio channel.

Sociotechnical segmentation: For the successful operation of the new FM station, technical factors like the way of receiving the radio programs (electricity, battery) or opportunity of receiving stereo programs (see Exhibits 7, 8¹,) should be taken into consideration. Using daily

¹ In the exhibits 7,8,9 the frequencies are not matched to exhibits 3,4,5 because to the questions 2,3,4 and 5 of questionnaire (see appendix B) 720 responses or 88% of total responses are obtained.

listeners as major criteria for evaluating the technical segment, the group obtained the following data: 19.15% of every day listeners has opportunity to receive the stereo programs which is 50% of all stereo radio receiver owners., and 27.46% can receive the programs either by electricity or by batteries which is 53% of all respondents who have opportunity to receive by batteries or by electricity.. The total amount 32.38% for respondents who has the radio receivers by batteries or the 53% from total amount of respondents who have only battery receivers or both, is a crucial point for successful operation of radio channel under the external conditions (winter time, absence of electricity). So the population which has an opportunity to receive the stereo broadcasting primarily via radio receivers using battery appliance will form the technical segment of the channel.

The group included some aspects of social environment in the social segment of the FM channel. Data concerning the place where the respondents most frequently listen to the radio programs and the preference of any foreign language connected with socio-economic necessity are given in exhibits 9, 10 . Every day listeners as the basic factor again was taken into consideration. The number of every day listeners who receive radio programs at home is 39.29% which is the maximum point of the column. The 23.21% of every day listeners prefer the English education programs, which is 50% of total number of this section. It can be explained by socio-economic environment of market relations, where the knowledge of English language will enhance the opportunities of any individual to achieve success. So the listeners who receive the programs mainly at home and prefer the English language will form the social segment of the FM channel.

Market Size and Trends

The new FM channel has specific customers or media buyers , but two interrelated factors have great impact on the successful operation of the channel. These two factors, the amount of audience and customers or media buyers are interdependent and closely connected. The higher popularity of the FM program, the higher would be the number of media buyers. And the more

customers that support to the development of the channel , the more listeners would be willing to listen to the high quality radio programs.

Market size for the channel is determined by the number of organizations and individuals willing to buy the media for their advertising purposes. The group defined the short and long term market size. For the short term the actual situation should be considered and for the long term trends of market size expansion will be discussed.

For the short term it is assumed that only organizations should be considered as the customers of the FM station. In city of Yerevan there are 4000 organizations or legal entities. They will form the market size of the channel. Because of the difficult economic situation the probability of participation of individual buyers is negligible at this time.

For the long term some positive trends will enhance the customer's number. The privatization process will finally form the appropriate environment for market relations and ultimately organizations will realize the importance of advertising through media to survive under the tough competition. In the future, while the improvement of living standards of population is evident, the possibilities of participation of individuals as a customers would double the number of new buyers.

Estimated Market Share and Sales of Media

In order to estimate the market share of the FM channel the heuristic approach would be applied. This market technique will allow the prediction of the approximate future market share of the channel. As we already mentioned the market size of the channel is 4000² units or organizations. But from statistical data it is found out that only 1000 applied for radio advertising service. On average one minute of advertising by radio is 3000³ rubles. We predict that 70% of these media buyers can use FM channel for advertising once in a month. 35% of monthly users would

² All statistical data about the numbers of organizations are taken from the Business Catalog of the Republic of Armenia (in Russian)

³ Source : The State Radio Committee of RA

advertising every week and only 15% of them daily. Below is given calculations about the determination of market share through the heuristic approach, where the market share of the unit is determined dividing the maximum repetitions of the unit (daily base) on the existing market size.

The amount of media sales annually for 1000 units in every day base

$$1000 \times 3000 \times 365 = 1,095,000,000 \text{ rubles}$$

$$1000 \times 70 \% = 700$$

$$700 \times 35 \% = 245$$

$$245 \times 15 \% = 37$$

For the every day media buyers we will determine the annual sales.

$$37 \times 3000 \times 365 = 40,515,000 \text{ rubles}$$

Now we can estimate the market share of our FM channel.

$$\text{Market Share} = \frac{40,515,000}{1,095,000,000} \times 100 = 3.7\%$$

So we obtain 3.7 % market share for our FM channel. For the future market growth the 10% of market share is desirable.

Competition and Competitive Edges

The FM station is a new field of activity in Armenia. There are no private owned, independent radio stations in Armenia. The following competitive markets for FM station can be identified : domestic and foreign market.

Domestic Market In Armenia the monopoly on radio broadcasting belongs to the government.

One of the major competitors is the state radio. Although it maintains the major market share of radio broadcasting , the following competitive advantages of the FM channel make competition viable: 1. the pure quality of broadcasting 2. private owned company which will run the channel

programs, will be more flexible with effective, skillful management team 3. relatively high salary of employees compared to state radio 4. new facilities and equipment rather than state radio already depreciated equipment.

Besides state radio, there are 15 privately owned enterprises who are going to found independent radio stations. Of these 15 companies, 6 plan to establish FM stations. Two of them can be considered as serious competitors. One of the competitors is "NOR-INVEST". The financial power, success in business in recent years allows the company to lead diversification policy, which gave them the opportunity to invest their money in different spheres of business and reduce the risk of competition of the company.

The second major competitor is an American company trying to establish the same type of radio station. There is insufficient information about the strengths of it, but the difficulties in competing with foreign company are obvious.

The rest companies are in the process of getting the license, but are not very enthusiastic to establish the private radio channels now. Most of them applied for the license two years ago when the economic situation in the country was better than now.

Foreign Market There are several independent, private owned radio stations in the former soviet republics. For example in Russia there are 50 such stations. Most popular are: Europe PLUS Open Radio, Radio Echo and Radio Maximum. The preliminary investigations showed that they are not going to enter the Armenian market, so they can not be considered competitors. Previously mentioned an American company is willing to open the radio station in Armenia. The intentions of radio oriented companies from the developed countries are quite unpredictable and we should keep track new entry of competitors into Armenian market.

Market Evaluation

In order to evaluate the market of the new undertaking it is necessary to identify the strengths and weaknesses of its internal environment and the opportunities and threats of the external environment.

Strengths

- new, high quality of broadcasting
- flexible, creative approach to management and programming issues
- well educated, business oriented skills of group members
- innovative, English language oriented programs
- independence, private ownership, non political nature of the station
- profitability of undertaking
- short payback period of the investment

Weaknesses

- not enough technical knowledge concerning the establishment and maintenance of FM station
- expensive equipment, high start up cost
- lack of skillful, well trained employees
- lack of information how effectively run the station

Opportunities

- High number of radio listeners in Yerevan (see survey analysis)
- the lack of interesting, well organized radio programs
- "first-mover advantage" as the pioneers in the domestic market
- not very tough competition in the market
- the geographic position of Armenia

Threats

- unfavorable economic situation in Armenia
- high inflation rate, dependence from political and economic life of the Russia
- unpredictable entrance of foreign competitors
- low economic level of potential media buyers, organizations and individuals

Marketing Plan

Strategic Planning

The nature of the strategic planning process will vary from company to company depending on its product line and market. Two basic levels of strategies may be identified: for the corporation as a whole or for each product/market. For our FM station the corporation strategy level is appropriate. Corporation strategy consists of identification of the company's corporate mission, objectives and goals, growth strategy⁴.

Corporate Mission

Strategic planning process begins with the corporate mission and purpose. The corporate mission of the new Fm station is the following:

The FM station is a private owned, independent, non-political channel, which will provide high quality, well organized programs to the Armenian population. Focusing a broad range target market , the station should satisfy the large segments with educational, musical programs mainly based on the English language. The high quality of broadcasting as the competitive advantage of the station should facilitate the extension of the range of the target market.

Objectives and Goals

After the mission the company must focus on a set of long-term objectives and goals that will support it. The new FM station has the following goals and objectives:

- to provide the target market with educational programs related with issues about market economy and democratic society.

⁴ Source:..Robert D. Hisrich, Michael P. Peters, *Marketing Decisions for New and Mature Products*, Macmillan Publishing Company, 1991,pp. 35-40.

- communication with popular radio stations in these countries in terms of exchange.
- to develop the image of the channel providing high quality and attractive entertainment programs.
- to create customers, audience loyalty to brand (RADIO -TRANS) name
- to provide media buyers effective outlet for commercials and advertising and build successful radio business.
- focus on differentiation strategy, providing to several market segments the programs they prefer the most.
- focus on diversification strategies⁵ (see p. 17) .

Company Growth Strategy.

The development of specific strategies is very important for the company. As the station is going to be established in the near future the penetration into new market is inevitable. The technology and equipment should be established for the station. The diversification strategy would be the most appropriate growth strategy (see p 17), which will allow the station in a short time to conquer 60% of radio listeners in Yerevan (86.3%; see Appendix B) and obtain the 10% market share of media buyers.

Pricing Strategy

Determination of the media sales prices is the significant issues for FM stations. Unfortunately the unfavorable macroeconomics situation in the country does not allow definition of the precise value for media sales. The high inflation of the ruble demands revision of the data continuously. The pricing strategy of the station should be defined for short and long term. In the short term it is necessary to maintain the prices lower than state radios price structure in order to attract more

⁵ Firms that operate more than one business are referred to as being diversified. Source: Dess G Gregory, Strategic Management, McGraw - hill, Inc., 1993, pp. 165-189.

customers(cost leadership⁶). The state radio prices are defined for one minute of advertising during the most favorable hours at 4000 rubles/minute, medium favorable hours 3000 and for least favorable hours 2000 rubles/minute. The least price strategy will enhance the difficulties connected with market penetration. In the long run , after the achievement of growth strategy requirements it would be possible to establish new, relatively independent prices. Anyway the station should be leaded by differentiation and quick response strategy⁷.

Sales Tactics and Services

The main product of the station for sales is media. So it is necessary to acquire the flexible well organized sales tactics, in order to attract the media buyers. The least price approach should be considered one of such tactics. Also the determination of favorable hours for media sales can be considered a kind of tactic. Determination of favorable hours can be predicted from the survey data (see exhibit 1). The respondents listen most often radio programs from 9.00 am until 15.00 p.m. So this interval would be considered the most favorable. The medium favorable hours would be considered the time interval from 18.00-21.00 and early in the morning from 6.00 am to 9.00 a.m. The least listened to time from 21.00 till 24.00 will be the least favorable. But in the initial stage of the media sales the prices will be the same in order to attract a wide range of organizations.

Sales for the station should be got by contracts with media buyers. Two types of contracts will be signed for one time order and permanent order. First type of the customers must pay in cash for their orders. There are some favorable conditions for permanent clients. First, they can transfer money for service on the account number of "TRANSCOM", which is preferable for many organizations. Second, paying for media beforehand (for one year) will give the firms the opportunity to buy the hours of the radio programs whenever they want, with the discount prices

⁶ Cost leadership requires achieving a low - cost position relative to one's competition. Source : Dess G. Gregory, Strategic management, McGraw - Hill, 1993, pp. 114 - 116.

⁷ Quick response is the ability to respond quickly to customer needs. The same source: pp. 117 - 121.

(20% for least favorable time , 30% for medium favorable time ,and 40 % for most favorable time.)

Based on the diversification strategy for the company which is going to establish the FM station other services which will enhance the image and sales growth must be established. This is the important point of overall market strategy of the "TRANSCOM" consulting firm. Establishment of specialty shop to provide high quality radio receivers and batteries will greatly influence the extension of the audience and media buyers. According to the data from survey (see questionnaire) the 44.7 % of those respondents who never listen to radio programs was due to the absence of radio receivers, and 50% respondents expressed their willingness to buy radio receivers. All businesses has different stages of development, from introduction stage to mature and declining stages. In order to reduce the risk of single investment other supportive services should be found.

Advertising and Promotion

The advertising and promotion strategy should be the core point of the FM station's existence. In the above sections we introduced the issues connected with advertising.

In order to investigate the attitude towards advertising through media the group carried out the query with quota sampling of 100 organizations in Yerevan. The 20 financial credit institutions, 50 state and private owned stores, 10 non profit organizations, 20 state small and middle size enterprises were the respondents to the questionnaire (see Appendix A "media buyers" questionnaire). The purpose of this query was to determine the approximate primary attitudes of organizations to media buying. 80% of respondents have positive attitude towards advertising and from that amount 45% most preferred to advertised through radio media. There is a difference in responses connected with the ownership status and profile of the organizations. The private owned organizations are more progressive and willing to buy media 75%, rather than 25%

of state organizations. 87 % of profitable organizations are also more advertising oriented. The primary research shows that the organizations have moderately positive attitudes towards advertising, which will allow the group to realize this marketing strategy successfully.

One of the important issues of the promotion strategy is the creation of the name of the FM channel. Through brainstorming the group declared the FM station's name to be "RADIO-TRANS". The name of the station should be convenient for pronunciation either for native population or for foreigners. It should reflect the mission and the profile of the business.

Good luck to "RADIO-TRANS" !!!

DEVELOPMENT PLANS

The design and development work for the FM radio station is a combination of program organizational, and technical activities: program development and programming strategy identification and organization of employees; equipment design based on the characteristics of radio station; programming features; design and development of a service business (commercial, educational, and cultural programs); equipment accessibility and reliability. Resource availability will be the major factor in the design and development.

Development Status and Tasks

Current Status

Current media market in Armenia is in the development phase. There is no operating FM radio station in Armenia, particularly in Yerevan. The team has relatively complete information on potential competitors/proposed FM radio stations designed to operate in Armenia. Among five "may be" competitors none are proposing to be an English speaking radio station (at least in the beginning of the operation).

Organizational Activity:

Foundation of the Company: In order to have an official framework to conduct the survey and finally to establish the radio station, the group has founded a private LTD company, named "TRANSCOM"

License and Channel: The group has applied to the Ministry of Communications and Ministry of Justice of the Republic of Armenia to get a license and lease a channel, get permission for editing

activity. By the end of August of 1993 we anticipate having legitimate framework (license, channel, and permission for editing activity) for our operation and the channel so we can find the appropriate transmitter and necessary equipment to purchase.

Marketing Activities: The group has completed marketing research of the potential audience of the program as well as media buyers. One thousand two hundred (1200) questionnaires for the audience (the population of Yerevan) have been distributed, and about 70% were received. About hundred domestic businesses have been contacted and interviewed. The information from both surveys is processed on the computer and analyzed. The analyzed data will be used to develop programming according to the features of the audience and the market.

Financial Analysis: The group has estimated the start-up costs and operating expenses for the radio station and programming. The group considers two different options of technical organization: completely independent organization, and renting part of the facilities from the State Radio. Cash flow estimations for three different scenarios are done.

Programming Activities: Based on the results of market research and considering a cost-effectiveness issues a Draft Program Schedule was prepared.

What remains to be done to operate the station?

- Transmitter purchase/order (in Russia or from abroad), transportation and installation;
- Equipment purchase/rent, transportation, and installation;
- Technical testing of the equipment;
- Recruitment of the staff; training (originally it is planned that the company will organize at least two internships per year for its employees to work in different radio stations to be trained and become experienced);
- Design and implementation of the advertising policy;

- Strategy development for programming, operation, customer service policy, development;
- Program development and implementation;
- Investigations of development plans, operational and organizational activities of existing similar radio stations in NIS (Newly Independent States) and abroad;
- Follow-up with the letters sent to the potential sponsors and partners;

After starting the operation, programs should be monitored and revised as needed;

- Diversification of programming according to the needs of the audience and customer

As the strategic goal of the radio station states the development should serve the purpose of independent, country-wide, customer-oriented, and self-sustaining media.

The Competence or Expertise that the company will require to complete this development

Management: The group members (currently second year MBA students at AUA) will continue to manage the project and will develop and implement the future strategy. In addition, an executive director will be hired to manage the activity of the radio station.

Technical assistance: The group has interviewed three technicians to be hired as a technical assistant for the radio station. They are graduates from Yerevan Polytechnic Institute; engineers.

Programming staff: Currently an American Peace Corps Volunteer, Dan Bolger, is assisting the group in conducting the feasibility study and developing programming for the proposed station. He is a former producer at VOA, and is experienced in commercial programming at radio stations. Dan will help the group to interview and select an appropriate programming

and train them. Preliminary agreement is made with the National Association of Broadcasters and SOROS Foundation for organizing internships for the station's employees.

Difficulties and Risks

An unpredictable market situation makes unrealistic any estimations on future revenues that will be generated from customer services by the radio station. Inevitably, if the political situation remains the same as it is now (war, blockade), the economic crisis will become more severe, more businesses will shut down, which will make it very difficult to operate a self-sustainable station. The grant from the US. Embassy will cover only part of the start-up costs, and the other potential sponsors/partners might decide not to invest in the radio station. The rapidly changing inflation rate might create a situation when actual start-up and operation costs will differ significantly from the estimates. It will be necessary to have a risk-reserve funds to meet the demand created by the all unpredictable factors.

If the company decides to rent some of the facilities (especially the studio) from the state radio, the last one might raise the renting prices later on, or make it difficult for the company to operate in the future. So having its own studio is important/crucial for the radio station to be completely independent. This means the company needs to have sufficient funding to operate the studio. If no funding is available now the actual start-up might be postponed for an uncertain period of time, which would lose the advantage of being first in the market. In this case the company could borrow money from the bank, which would increase the risk .

Program Improvement/New Programs

The group anticipates fast development in the media-market in Armenia if economic conditions improve, understanding that continuous innovation and improvement in this business are the key

factors to be successful. We recognize that in the beginning it will be difficult to create professional radio programs similar to those in more mature/competitive radio market like in the West. The training of the personnel will be one of the most important components for future performance.

c. The areas of continuous/ongoing design and development are:

- *broadcasting for the entire Armenia in different channels;*
- b. - *acquisition of better/more professional equipment;*
- *dynamic programming;*
- d. - *diversification;*
- *greater consumer involvement by introducing "Talk-radio" programs ;*
- *involvement of local and foreign businesses, cultural organizations;*
- *sponsorship of community activities;*
- *arrangement of call-in shows and concerts;*
- *development of quick response policy to the market needs;*
- *involvement of more independent sources of information;*
- *selling of chip radio sets and batteries to the population(some amount for free);*

Programming and Operation Plans

Geographical Location

Studio Placement: The group has considered three alternative locations to place the studio: rent the studio from the State Radio; rent the studio from the TV Center in Marash; build own studio

Rent from the State Radio- The state radio is willing to provide the studio for as long as needed. It has direct radio-wires linkage with the Radio antennas in Kanaker and is willing to provide the stereo line to transfer the programs to the transmitter if the last one is placed in the

radio antenna.

Advantages:

- uninterrupted electricity supply;
- the reconstruction cost will be minimal and will be connected mainly with the installation of equipment;
- there will be no need to buy additional equipment (satellite and supporting system) to transfer the signals to the transmitter;
- if the company decides to use the studio equipment technical assistance will be provided by the State Radio (the cost will be included in the rent);
- the company can have its own studio with its equipment where it can produce the programs while the studio in the State Radio will be used only to broadcast;
- this alternative will save time and allow the company to broadcast earlier;
- it is located in the center of Yerevan and easily accessible by public transportation;
- relatively low cost (4.5 thousand rubles per hour to broadcast, 2.7 thousand rubles per hour to edit programs in the studio);
- the company will have time to generate funds to build its own studio;
- the satellite that the State radio has could be rented.

Disadvantages:

- the studio equipment is very old and can't provide high quality of transmission;
- the State Radio can start to charge more for the renting a studio and space;
- the contract might be canceled because of unfavorable conditions;
- the company might not be allowed to build-in its own equipment;
- the hours to broadcast might be cut;

TV Center: This alternative should be investigated if the company decides to place the transmitter in the TV antenna. However, the preliminary research shows that it will be hard to do because of

the shortage of space in the antenna and in the studio.

Advantages:

- uninterrupted electricity supply;
- the company could use four satellites possessed by the TV Center;
- the reconstruction cost will be minimal and will be connected mainly with the installation of equipment;
- the company will have time to generate funds to build its own studio;
- the company can have its own studio with its equipment where it can produce the programs while the studio in the TV Center will be used only to broadcast;
- there will be no need to buy additional equipment (satellite and supporting equipment to transfer the signals to the transmitter from the studio, if the company is not decided to do so;
- if the company decides to use the studio equipment technical assistance will be provided by the TV Center (the cost might be included in the rent), that will save the company's labor expenses;

Disadvantages:

- the studio equipment is very old and can't provide high quality of transmission;
- the contract might be canceled;
- the company might not be allowed to build in its own equipment;
- the hours to broadcast might be cut;
- the studio will be located far from the city center and transportation is a problem, the company might need to provide transportation for its employees.

Own Studio: The final goal of the company is to have its own studio and do not depend on anybody else. If sufficient funding is available this will be the first priority for the company. Two alternatives are to be considered for this case: studio is in the same building where transmitter and antenna are placed; studio is separated from the transmitter.

Advantages:

- independence;
- ability to design and build the studio by modern standards;
- ability to reconstruct when needed;
- low cost associated with signal transformation for the studio with the transmitter (for the separate studio the cost will be much higher);

Disadvantages:

- additional costs/expenses for reconstruction, security, equipment (if not rented), electricity supply (the company will need to buy a generator to have a constant supply);
- if there is no available space in one of the tall buildings considered to be appropriate to place the transmitter, studio should be placed separately, which will require additional expenses to install the signal transformation system (via satellite or cable).

Transmitter placement: The group has considered three alternative locations to place the transmitter: TV antenna; radio antenna; and tall building in the city.

TV antenna in Marash- if the transmitter is placed in the TV antenna the company will need to rent the studio in the TV Center (which is built near to the antenna). This will enable direct links with the transmitter by the cable. The location of the antenna will require having the broadcasting segment of 270-360° to broadcast for the entire Yerevan. One of the advantages of placing the transmitter in the TV antenna is the constant electricity supply.

Radio antenna in Kanaker- this alternative seems to be the most appropriate and less costly for now (if the company decided to rent the studio from the State Radio; see the above analysis of renting the studio from the State Radio). This location will allow a broadcasting segment of 150-220°. Radio antenna also has uninterrupted electricity supply.

For both placements (in TV and radio antennas) the company will need to obtain permission from the Ministry of Communications. Both are perfect locations according to the technical characteristics and requirements of the proposed radio station.

Tall building - there are several buildings that could be appropriate to place the transmitter (AUA, Ministry of Communication, RELE factory, Physics institute in Massiv, hotel "NAIRI" in Marash).

Facilities and Improvements

To start its operation the radio station will need a studio (with sound insulation), an office (could be a part of the studio), transmitter and antenna, studio equipment, generator if needed, signal transformation system (via satellite or cable), security system, transportation mean if needed.

Studio: The possible alternative locations for studio are discussed above. The sound insulation is the most important characteristic of the studio.

The studio can be placed in one or two rooms (it is preferable to have the announcers room separate from the technical section) for the beginning and enlarged if needed.

The company has preliminary agreement with the State Radio to rent a studio. After the legitimate procedures are completed (possibly the end of August, 1993) the company might sign the contract with the State Radio.

Transmitter and Antenna: The company will order it in Russia or purchase it from Western suppliers. The cost estimate for Russia is \$6000-8000 including the transportation cost. The factory should have the license to produce transmitters. After the company leased the channel the special permission will be given by the State Inspection for Broadcasting to order the transmitter

from one of the Russian factories. The company should sign an agreement letter with the factory-producer beforehand.

Even though Armenia has all the necessary facilities and expertise to produce needed transmitter and the antenna, no company in Armenia has the license. The quality of the transmitter bought in Russia will be lower compared to similar Western brands. To buy it from a Western suppliers will cost \$10000-20000 (JAGUAR), \$400-500 for the antenna (according to estimates of the radio-consultant from the SOROS Foundation).

To import the transmitter from either Russia or abroad the company will need to obtain permission from the State Inspection for Broadcasting. The initial agreement is already made.

Studio Equipment: The equipment that the State Radio is offering for rent (mixing-panel, stereo-recorders, microphones, etc.) are very old and not appropriate to produce high quality programs. The company might use some of the equipment if it rents the facilities from the State Radio, and if the financial resources do not permit the company to purchase or rent better equipment.

Ideally the radio station should have a 16-channel Mixing Panel (better to buy SAC-200, \$6500, produced in UK., two months required for delivery because the company has many orders); two professional CD Players (SONY, \$1200 each, 25 years warranty) or two home CD players for \$300 each (three years warranty); turn table (TECHNICS 1200 MK 2 or TECHNICS SL 1200 MK 2); RIVOX PER 99 - \$4000, TASCAM C 32 - \$3000, 25 year warranty; cart machine - \$3000; computer - \$1500; sound bluster \$400-500; SONY MVT 5 headphones; mold blocks; satellite receiver; microphones; and other supporting equipment.

It will take at least two months to purchase, transport, and install the equipment.

The company has the initial agreement with SOROS Foundation, which will supply the needed equipment with discount prices. SOROS is cooperating with 15 companies/producers of special

broadcasting equipment, and has participated in many similar radio station startups. For the beginning the company might buy some second-hand equipment if funding is not appropriate (not the transmitter and the mixing panel). Some of the items listed might not be purchased in the beginning of the operations like computer, cart machine, sound bluster. But ultimately the company has to set up the studio with the best available equipment in order to be competitive.

Generator: The company might need to buy the generator to have the constant energy supply. The generator should be chosen based on the power of the transmitter. Additional \$1500-2000 will be required to purchase the generator, and annual \$2000 will be enough to maintain and operate it.

Overall costs and estimations are presented in the financial analysis.

Strategy and Plans

According to the results of the marketing analysis the company will develop programming schedule. The program development should be an ongoing process for the radio station to be flexible and give quickly response to the market needs. The intention will be given to the development of the station's own programming, which will allow to establish the name. Program diversification will be the major policy for the future programming plans. However, the radio should look for alternative independent information sources and different programming possibilities provided by other media.

For the beginning the radio station will broadcast eight hours a day. After six month of operation it will be extended to 12 hours. The ultimate goal is to broadcast 24 hours a day, which is planned to do after one year from the beginning of operating time.

Draft Program: *In programming as in transmission, the main goal of the radio station is*

independence and diversity. One way to encourage diversity is to transmit not only programs made by the radio station, but also those made by independent producers. The radio station should allow different voices to be heard which will help to protect the program from any political interference and assaults upon its independence, because it makes such assaults more complicated.

The main components of the program are: *music; entertaining programs; news; education, cultural programs.*

Music: The main emphasis for the beginning will be given to the musical programs. Marketing research showed that the majority of the population would listen mainly national, classic, and popular music. The company should try to balance and offer diversified musical programs including all types of music (jazz, rock, metal, folklore). *The company might decide to broadcast 24 hours a day by providing music only after the eight hour program is over.* The radio might program special hours/create blocks for a certain type of music on a weekly basis. The company might use programming from popular radio and TV programs, such as VOA Europe, MTV, Super Channel, Monte Carlo, Europe +, Radio Maximum, Radio Echo, Power Radio, and others. To provide high quality of voice transmission the company should obtain CD players and professional mixing panel. In order to do so the company should obtain receiving system (satellite basis).

Entertaining Programs: Different shows; humor; call-in shows, special news; talk radio.

News: In the beginning the radio will be monitoring news from different independent sources in Armenia and outside of the country. However, eventually the station will have its independent news reporters, and become an independent news agency.

Educational programs: The main purpose of the educational programs is to assist transformation process of the economy to free market relations. The radio will design dynamic educational programs on different topics, such as marketing, corporate finance, privatization, macro/microeconomics regulation, monetary policy, management, public relations, interpersonal dynamics, democratic society principles, historical development of the market system. It will organize programs, talk-shows, lectures/disputes provided by guest-speakers-economists, political government officials, entrepreneurs, managers from Armenia and abroad.

The radio should provide language educational programs according to the demand (English, French, German, Italian, Russian, Spanish, other).

Health care, environmental protection are also important topics to be included in the educational programs.

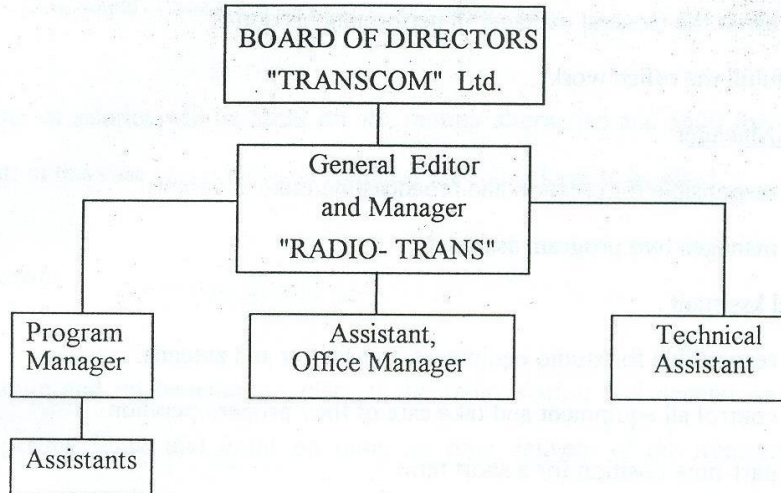
Cultural programs: One of the goals of the radio station is to serve as a bridge between Armenia and other countries, to bring the understanding of different cultures and people of different nations to Armenia, to ameliorate the communication difficulties.

Management Team

Organizational Structure

New FM radio station is founded by "TRANSCOM" Ltd. as a legal entity and named "RADIO-TRANS" information agency. The Board of Directors, who are the shareholders of "TRANSCOM" realized the general management of the company. The Board of Directors assigns the general manager and the editor of the "RADIO-TRANS", further management and monitoring is conducted by the General Manager. Its relationships and mutual obligations are stated in the Charter of "RADIO-TRANS" information agency.

Organizational chart of "RADIO-TRANS"



Management Personnel and Employees

The Board of Directors.

- creates strategic mission of "RADIO-TRANS"
- established goals and objectives
- monitors performance of General editor and manager
- conducts policy on strategic issues like financing, new policy creation, etc.

General Editor and Manager

- conducting policy established by the Board of Directors and prescribed in the Charter of "RADIO-TRANS"
- manages all business issues of "RADIO - TRANS" connected with performance of all other employees and specialists
- conduct all administrative activities.

Assistant of General Manager and Office Manager

- assist the General manager in performing his duties
- fulfill the office work

Program Manager

- responsible for creation and broadcasting radio programs
- manages two program assistants

Technical Assistant

- responsible for studio equipment, transmitter and antenna.
- control all equipment and take care of their proper operation.
- part-time position for a short term

All personnel of "RADIO-TRANS" will be hired on a competitive basis and will be employed on contractual basis. Significant working experience in the same job is required.

All the assistants of management, programming, and technical production will be sponsored have training in different international FM radio stations.

Compensation System

The differentiated compensation system will motivate employees and will build creative and productive environment. The salaries of employees will be twice as much as the salaries of the same positions at the state organizations. Based on profits of the radio station special bonus plan will be developed for the personnel. The group suggests following monthly salaries for the employees:

General Editor and Manager	\$120
Assistant of the General Manager,	
Office manager	\$50
Program Manager	\$80

Assistant of the Program Manager \$50

Technical Assistant \$50

Total expenses of salaries will be \$400 for the renting alternative and \$500 for the independent establishment; in this case two additional technical assistants have to be hired.

Overall Schedule

Overall schedule and implementation plan of the radio station will depend on many external factors like getting funds and grant on time, on time delivery of the transmitter and studio equipment. etc.

Further implementation of the business plan assumes undergoing the following steps:

Step 1. August 1- August 15

Completion of the business plan and fulfillment of all regulatory issues necessary to operate the radio station.

Step 2. August 15

Signing a contract between TRANSCOM Ltd. and USIA for sponsorship and technical support.

Step 3. September 1- September 15

Signing renting agreement with the State radio for renting studio and space for the transmitter and antenna.

Step 4. by October 20

Acquisition of the transmitter and other equipment

- Step 5. October 1 - October 30
Conducting marketing and promotion for the new radio station RADIO-TRANS, training the personnel, installment of the equipment and other preparations.
- Step 7. November 1
Opening and operating the radio station.

The Financial Plan

Financial analysis and estimations are very important to the way the Radio Station will be established and operated. Depending on the amount of start-up capital that can be raised from sponsors two different alternatives are considered.

Start-up Cost Estimations and Operating Expenses

Two different options are considered in estimating start-up expenses. Exhibits 12 and 13 show the calculations for start-up and operating expenses. Independent establishment is more expensive for start-up but saves money in the afterward operating. As NPV analysis will show this option is more preferable in terms of capital budgeting. The second option of renting the studio from the state radio will be applied when initially it will be not possible to raise enough funds and assistance for independent establishment. The difference in start-up expenses of the two option is estimated to be \$22,000 and after-tax savings from independent operations are \$336 per month or \$4,032 per year.

Operating expenses are calculated for different programming hour schedules: 4, 8, 12 hours per day. It is evident that as much programming hours are involved more financially effective the independent establishment becomes. Exhibit 13 represents operating expenses for 8 hour daily broadcasting. Here the research group assumes that tall equipment is procured from the

Europe. If consider NIC- made equipment , prices will be 50-60% less than is stated for Western European equipment.

Assuming 8 hour daily broadcasting schedule one can calculate Net Present Value (NPV) if consider \$22, 000 as an additional initial investment and annual after tax savings as \$4, 032. Assuming useful life of the studio equipment of 20 years we will come up with positive NPV of the additional investment for independent establishment of \$ 18,448 (the cost of capital is considered here 25% the opportunity cost for hard currency in Armenia).

Cash-Flow Statements

Because of the uncertainty in economic situation of Armenia cash-flow statements are made for three different scenarios: worst, optimistic, and best. Exhibits 6, 7 and 8 provides calculation based on the research data of potential media buyers and following assumptions.

General assumptions

- To avoid price uncertainties connected with inflation all calculations are done in dollars based on current prices and exchange rates of \$1=1000 rub.
- The total number of enterprises in Yerevan is about 4000 as taken from the Business Catalog of Armenia. In current economic conditions only one fourth of this number is viable (market research estimations) to operate.
- Quarterly awareness growth rate is assumed as 40% for the first quartile and 55%, 70%, 85% and 100% of subsequent growth up to the fifth quarter.

Worst Scenario:

Continuous economic downturn, high inflation, only 5% of active enterprises in Yerevan will be willing to buy media from RADIO-TRANS. This total share of 5% will be established only at the end of the fifth quarter operations (December 1994). Another assumption for this scenario is high inflation rate, 15% quarterly, that grow operating expenses.

Optimistic Scenario

About 10% of domestic businesses (estimated from the research) will be willing to buy media and economic situation will not change. Assuming same distribution of growing awareness of those 10% through next five quartiles we will have growing ending cash balance \$30,120 for the fifth quartile. Inflation rate is considered 5% per quartile.

Best Scenario

Here an improvement in economic situation in Armenia is assumed. Businesses become more active and 15% out of 1000 will buy media in RADIO-TRANS programs. Assuming also the same distribution awareness we will have ending cash balance grown up to \$86,620 at the end of 1994. Here no inflation is assumed.

The main sponsor of

Sources of Funds

There are different international organizations and foundations that can be applied for technical and financial assistance. Appendix IV gives the list and addresses of international organizations that have been contacted by the research group in order to assess feasibility of getting funds. The group has received responses from many of them like NAB, SOROS foundation, International Media Fund that have expressed their particular interest to the project. Group members of the project have met representatives of mentioned organizations in Yerevan and agreed in further cooperation. Copies of the business plan of the project will be sent to this organizations as well as many other that will be approached first time. Armenian General Benevolent Union and Armenian Assembly of America are considered as potential sponsors as well.

The group has investigated the possibilities of sponsorship from domestic businesses. But

most probably this sources will be available after start-up of the station and possible success.

ALTERNATIVE ACTIONS

There are two alternatives for the organization of new FM radio station. The main differences between these alternatives are cost effectiveness issues. First alternative is:

Renting a studio from the state radio

There is a possibility of renting stereo studio from state radio and installing FM antenna on the tower of the state radio antenna. This option is time saving and cheaper for start-up expenses. Antenna and the transmitter will be installed at the antenna of state radio located on a hill in the northeast of Yerevan. This antenna has stereo cable connection with state radio facilities, so by renting the studio at the state radio new FM can make direct broadcasting. The space at the state antenna will be rented on a monthly basis, and stereo studio will be rented on an hourly basis with the rate of 4500 rub. per hour of direct broadcasting. Other advantages of this alternative are :

- constant supply of power
- safety
- possibility of direct transmission,

This alternative has disadvantages as well:

- insufficient quality of equipment of the state radio studio
- inconvenience of transferring of all supplies after everyday using of the studio

The second alternative is

The development of an independent studio

This alternative assumes either renting or buying a space and equipping a studio. This alternative will cause heavy start-up expenses and time delay. In this case the studio should be established

close to the transmitter and the antenna. Otherwise, there will be necessity to install stereo cable connection. This alternative is more preferable for long run development of the station.

In the following section of financial plan both alternatives are presented in terms of start-up and operational costs. Evidently renting from the state radio is cheaper for start-up and operational expenses. But if sufficient amount of funds will be raised the second alternative of independent studio is more preferable for long run objectives.

CONCLUSIONS AND RECOMMENDATIONS

Development of mass media in Armenia can not be assumed without the creation of independent news agencies: newspapers, radios, TVs. FM radio stations might become one of the most effective mass media for news, educational and entertainment programs. Since radio broadcasting market in Armenia has not yet been developed into private sector there is high opportunities for the first entrants to growth and success. The legislative framework for operating radio station is already established in Armenia and the only barrier to entry into this business remains start-up cost.

An independent establishment of the studio is the most appropriate option to follow if financing is sufficient to cover start-up costs. If the company follows with this choice it will not depend to any other organization able to dictate its will to the newly established station.

Renting studio from the state radio is another option to reduce start-up costs. However, the establishment of the own studio apart from any the entity should remain as an ultimate goal. The company should generate funds to invest in its own studio development.

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FM RADIO STATION FOR YEREVAN CITY

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Exhibit 2	Program preferences
Exhibit 3	Musical programs preferences
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FM RADIO STATION FOR YEREVAN CITY

EXHIBIT 1

HOUR PREFERENCES OF RADIO LISTENERS

	1	2	3	4	5	6	WEIGHT
6.00-9.00	29.1	11.9	9.1	6.9	9.4	33.6	-3.05
9.00-12.00	24.7	21.6	12.9	15.0	17.9	8.0	+36.85
12.00-15.00	11.1	16.7	24.3	22.1	17.3	8.4	+6.7
15.00-18.00	5.6	14.0	26.1	26.0	16.0	12.3	-16.3
18.00-21.00	15.3	18.1	15.1	18.6	23.0	9.9	-0.05
21.00-24.00	14.1	18.7	11.9	11.3	16.4	27.6	-22.95

FM RADIO STATION FOR YEREVAN CITY

**EXHIBIT 2
PROGRAM PREFERENCES**

	1	2	3	4	5	Weight
Educational	10.2	5.4	8.5	18.5	57.4	-107.5
Entertainment	21.8	22.9	19.5	25.0	10.7	+20.1
News Update	30.8	24.2	29.8	11.2	4.0	+66.6
Musical	27.9	28.3	25.3	14.3	4.2	+61.4
Political	9.8	18.8	17.1	30.3	24.0	-39.9

EXHIBIT 3

MUSICAL PROGRAMS PREFERENCES

	1	2	3	4	5	Weight
National	39.9	13.3	9.3	13.6	23.8	+31.9
Classic	21.5	33.0	13.6	16.3	15.6	+28.5
Pop	22.0	17.7	30.5	18.4	11.3	+20.7
Rock	5.9	21.0	18.7	35.3	19.1	-40.7
Jazz	11.3	14.4	27.9	16.8	30.2	-39.5

FM RADIO STATION FOR YEREVAN CITY

EXHIBIT 4

Frequency of listening of radio programs according to age groups

	Every day	Sometimes during the week	Seldom during the month	Never	Total	Efficiency Weight col.1/col.5
	1	2	3	4	5	6
Below 16	0.61 %	0.24%	0.98%	0.13%	1.95%	31.3%
17-25	7.96%	5.88%	5.76%	2.83%	22.43%	35.5%
26-33	10.78%	6.49%	5.88%	3.07%	26.22%	41.1%
34-45	14.09%	4.66%	4.41%	3.55%	26.72%	52.7%
46-55	5.88%	2.08%	2.20%	2.09%	12.25%	48.0%
Above 56	6.62%	0.98%	1.10%	1.73%	10.43%	63.4%
Total	45.9%	20.2%	20.2%	13.7%	100%	---

EXHIBIT 5

Frequency of listening radio programs according to education groups

	Every day	Sometimes during the week	Seldom during the month	Never	Total	Efficiency Weight col.1/col.5
	1	2	3	4	5	6
Incomplete high school	1.22%	0.73%	1.22%	1.47%	4.64%	26.3%
High school graduate	6.24%	2.45%	2.81%	1.96%	13.46%	46.3%
Special-tech. high school graduate	4.5%	2.69%	2.69%	2.3%	12.18%	36.9%
Incomplete university graduate	4.28%	2.69%	3.05%	2.69%	12.72%	33.6%
Completed university graduate	29.74%	11.75%	10.5%	5.5%	57%	52.2%
Total	45.9%	20.2%	20.2%	13.7%	100%	---

FM RADIO STATION FOR YEREVAN CITY

EXHIBIT 6

Frequency of listening radio programs according to gender

	Every day	Sometimes during the week	Seldom during the month	Never	Total	Efficiency Weight col.1/col.5
	1	2	3	4	5	6
Male	23.6%	11.01%	11.26%	5.0%	50.87%	46.4%
Female	22.33%	9.25%	9.0%	8.55%	49.13%	45.4%
Total	46.0%	20.3%	20.3%	13.7%	100%	---

EXHIBIT 7

Frequency of listening radio programs according to existence of stereo radio receivers

	Every day	Sometimes during the week	Seldom during the month	Never	Total
Have stereo radio receiver	19.15%	9.71%	9.4%	0	38.3%
Don't have stereo radio receiver	26.06%	9.15%	8.73%	0	43.96%
Don't know	7.75%	4.5%	5.49%	0	17.74%
Total	53.96%	23.38%	23.66%	0	100

FM RADIO STATION FOR YEREVAN CITY

EXHIBIT 8

**Frequency of listening radio programs according to technical appliances
of radio receiver**

	Every day	Sometimes during the week	Seldom during the month	Never	Total
With electricity	20.56%	8.76%	10.42%	0	39.74%
With batteries	4.92%	2.25%	1.97%	0	9.14%
Both	27.46%	12.39%	11.27%	0	51.12%
Total	52.94%	23.4%	23.66%	0	100%

EXHIBIT 9

**Frequency of listening radio programs according to location of radio
programs receiving**

	Every day	Sometimes during the week	Seldom during the month	Never	Total
At home	39.29%	17.36%	16.76%	0	73.41%
At work	10.14%	3.94%	3.1%	0	17.18%
In the car	2.67%	1.97%	2.39%	0	7.03%
Other places	0.84%	0.14%	1.40%	0	2.38%
Total	52.94%	23.41%	23.65%	0	100%

FM RADIO STATION FOR YEREVAN CITY

EXHIBIT 10

Frequency of listening radio programs according to preferences of foreign language

	Every day	Sometimes during the week	Seldom during the month	Never	Total
Russian	19.04%	5.95%	8.3%	0	33.36%
English	23.21%	13.09%	10.41%	0	46.71%
French	5.95%	2.68%	2.98%	0	11.61%
German	2.83%	0.74%	0.74%	0	4.31%
Others	1.78%	1.04%	1.19%	0	4.61%
Total	52.81%	23.5%	23.69%	0	100%

EXHIBIT 11

Radio Program of Armenian State Radio

Program	CHANNEL	HOURS	LANGUAGE	PROGRAMS
I program	1190 LW CITY NETWORK	6 a.m. - 12 p.m.	Armenian	General
II program	4.3 M	5 p.m. - 12 p.m.	Armenian	General
III program	74 M	10 a.m.- 5 p.m.	Armenian	Music
"Araks" for abroad*	215M, 62 M, 49 M	Flexible	English Kurdish Russian Arabic Turkish	General

* For each language not more than 1 hour programs

FM RADIO STATION FOR YEREVAN CITY

EXHIBIT 12

PROJECT COST SUMMARY

START UP COST

Category	Description	Independent dollars	Rent dollars
TARTUP COSTS			
1. Equipment			
	Transmitter and antenna	15000	15000
	Studio equipment	19000	5000
	Office equipment	2000	1000
	Generator	2000	
	Transportation	1500	500
	Installation	500	200
2. Duties and fees*			
	License	200	200
	Initial duties	100	100
3. Reconstruction			
	Studio	2000	
	Office	1000	
	Security System	300	
	Fire Prevention System	300	100
4. Other related costs			
	Financing expenses		
	Feasibility analysis	350	350
	Travel	300	200
	Communication	150	50
	Training personnel	200	150
	Promotion and advertising	100	100
	TOTAL STARTUP COSTS	45000	23000

*Since frequency, spectrum is limited the state committee for brodcasting has been decided to grant channels on competitive basis, by auctions. Initial duties and license's fees have estimated.

FM RADIO STATION FOR YEREVAN CITY

EXHIBIT 12a

Category	Description	Independent	Rent 4 hours	Rent 8 hours	Rent 12hours
OPERATING COSTS					
1. Direct Labor		500	400	400	400
2. Direct Materials		300	300	300	300
3. Overhead					
	Rent for broadcast		540	1080	1620
	Office rent	250	100	100	100
	Promotion and advertising	50	50	50	50
	Maintenance	400			
	Quality of broadcasting	20	20	20	20
	Utilities and Office Supplies	50	50	50	50
	Miscellaneous expenses	20	20	20	20
TOTAL OPERATING COSTS		1590	1480	2020	2560

FM RADIO STATION FOR YEREVAN CITY

EXHIBIT 14

PROFORMA CASH FLOW
WORST SCENARIO (in dollars)

CATEGORY	IVQuar 93	IQuar 94	IIQuar 94	IIIQuar 94	IVQuar 94	IQuar 95	IIQuar 95	IIIQuar 95	IVQuar 95
Cash Balance Beginning	4200	3340	2930	2970	3460	3400	2640	2180	2020
Cash Inflow:									
Collections from Customers	1200	1650	2100	2550	3000	3300	3600	3900	4200
Grants	4000	4000	4000	4000	3000	2000	2000	2000	1000
<u>Total Cash Available</u>	9400	8990	9030	9520	9460	8700	8240	8080	7220
Cash Outflow:									
Labor	1200	1200	1200	1200	1200	1200	1200	1200	1200
Materials	900	900	900	900	900	900	900	900	900
Overhead	3960	3960	3960	3960	3960	3960	3960	3960	3960
<u>Total Outflow</u>	6060	6060	6060	6060	6060	6060	6060	6060	6060
Cash balance ending	3340	2930	2970	3460	3400	2640	2180	2020	1160

FM RADIO STATION FOR YEREVAN CITY

EXHIBIT 15

PROFORMA CASH FLOW
OPTIMISTIC SCENARIO (in dollars)

CATEGORY	IVQuar 93	IQuar 94	IIQuar 94	IIIQuar 94	IVQuar 94	IQuar 95	IIQuar 95	IIIQuar 95	IVQuar 95
Cash Balance Beginning	4200	3940	4480	6820	9760	14500	19240	25180	31120
Cash Inflow:									
Collections from Customers	4800	6600	8400	10200	12000	13200	14400	15600	16800
Grants	1000								
10000	10000	10540	12880	17020	21760	27700	33640	40780	47920
<u>Total Cash Available</u>									
Cash Outflow:									
Labor	1200	1200	1200	2400	2400	3600	3600	4800	4800
Materials	900	900	900	900	900	900	900	900	900
Overhead	3960	3960	3960	3960	3960	3960	3960	3960	3960
6060	6060	6060	7260	7260	8460	8460	8460	9660	9660
<u>Total Outflow</u>									
Cash balance ending	3940	4480	6820	9760	14500	19240	25180	31120	38260

FM RADIO STATION FOR YEREVAN CITY

EXHIBIT 16

PROFORMA CASH FLOW
BEST SCENARIO (in dollars)

CATEGORY	IVQuar 93	IQuar 94	IIQuar 94	IIIQuar 94	IVQuar 94	IQuar 95	IIQuar 95	IIIQuar 95	IVQuar 95
Cash Balance Beginning	4200	8940	17730	30570	46260	66000	87240	11180	36620
Cash Inflow:									
Collections from Customers	10800	14850	18900	22950	27000	29700	32400	35100	37800
Grants									
<u>Total Cash Available</u>	15000	23790	36630	53520	73260	95700	119640	46280	74420
Cash Outflow:									
Labor	1200	1200	1200	2400	2400	3600	3600	4800	4800
Materials	900	900	900	900	900	900	900	900	900
Overhead	3960	3960	3960	3960	3960	3960	3960	3960	3960
Investment for development*							100000		
<u>Total Outflow</u>	6060	6060	6060	7260	7260	8460	108460	9660	9660
Cash balance ending	8940	17730	30570	46260	66000	87240	11180	36620	64760

* As at the end of the first quartile of the year 1995, vast amount of cash will be accumulated. It make sense to invest extra \$100,000.

FM Radio Station for Yerevan City.

Sampling Plan

Population.

As far as the radio station is going to broadcast for the whole city, the population to be surveyed is the entire population of Yerevan (over 1.5 million inhabitants).

Sampling Unit.

We consider a single inhabitant of Yerevan as a sampling unit, since each individual will differ by its understanding/comprehension of proposed programs.

Sampling Technique and Frame.

Yerevan is divided into eight administrative regions/districts: Spandarian, Miasnikian, Arabkir, Mashtotz, Khorurdain, Erebuni, Shahumian, and Shengavit. We consider each region as a cluster. The boundaries of the cluster will be considered as a sampling frame. Within each cluster we will choose randomly 10 buildings, from each building 15 respondents will be chosen randomly. The group will hire ten students, living in chosen districts, that will distribute and collect questionnaires (150 for each distributor).

In order to reduce cluster bias, which might appear if buildings and neighbors are chosen according to the most convenience, we will begin with the randomly selected building in the randomly selected street within the cluster. Individual households will be selected at random based on their location in the building. The next building will be the next fifth in the randomly chosen direction of the street. This will enable the group to reduce travel time and cost within each cluster.

Sample Size.

In order to determine an appropriate sample size we based our analysis on expectation of 20% of entire population to have radio receivers be interested in radio programs (for 95% CI). $Z=1.96$, $S=1/6*300000=50000$; $E=3000$; $n=1067$. We are planning to deliver 1200 questionnaires, with anticipated response rate of 90%.

* As at the end of the first quartile of the year 1995, vast amount of cash will be accumulated, it make sense to invest extra \$100,000

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APPENDIX B

FM RADIO STATION FOR YEREVAN CITY

QUESTIONNAIRE AND SUMMARY OF RESPONSES

This questionnaire has been designed to investigate your ideas and preferences on the content of radio programs in Yerevan. Investigation are conducted by "TRANSSCOM" consulting firm, the results will be used to create a new FM stereo radio channel. your frank answers to the suggested questions will be of the great help. Thank you for your cooperation.

1. how often do you listen to radio programs:

- everyday 45.9 %
- a few times during the week 20.2 %
- rarely in a month 20.2 %
- never 13.7 %

If you do not listen radio programs, go to question 2 otherwise go to question 11.

2. your radio receiver(s) is (are):

- former Soviet-made - 61.1 %
- foreign-made - 17.3 %
- both - 21.6 %

3. Can you receive radio programs by stereo radio receiver.

- yes - 38.3 %
- no - 43.9 %
- I do not know - 17.7 %

4. Your receiver is working by:

- electricity - 39.7 %
- batteries - 9.2 %
- both - 51.1 %

5. Mainly where do you listen radio? (please check only one answer.)

- at home - 73.5 %
- at the work place - 17.2 %
- in the car - 6.9 %
- other places - 2.4 %

6. What is your preferable time to listen radio?(If you think the time is most preferable for you pick the number from the far left side of the scale, if not preferable from right side, and if neutral on the middle. You can choose the adequate numbers for any section.)

- | | | | | | | |
|----------------|---|---|---|---|---|---------------|
| Most preferred | 1 | 2 | 3 | 4 | 5 | Not preferred |
| 6.00-9.00 | | | | | | |
| 9.00-12.00 | | | | | | |

(Responses - see exhibit 1)

12.00-15.00 _____
 15.00-18.00 _____
 15.00-18.00 _____
 18.00-21.00 _____
 21.00-24.00 _____

7. What programs do you prefer to listen (please rank in terms of your preferences using suggested scale, 1 most preferred5. not preferred. Choose only one number for each section)

most preferred 1 2 3 4 5 not preferred

educational _____
 entertainment _____
 news updates _____
 music _____
 political _____

(Responses - see exhibit 2)

8. In general if you listen to music programs by radio, what kind of programs do you prefer. (please rank in terms of your preferences using suggested scale, 1. most preferred 5. not preferred. You can choose one number for each section)

most preferred 1 2 3 4 5 not preferred

national _____
 classical _____
 pop _____
 rock _____
 jazz _____

(Responses - see exhibit 3)

9. If you would be interested in listening to foreign language educational programs, please check the language that you prefer most.

Russian 33.3 %
 English 46.7 %
 German 11.6 %
 French 4.3 %
 other,specify 4.0 %

10. If a program (other than musical) will be held on a comprehensive for you foreign language, what will be your reaction? (please check only one answer.)

listen with interest 60.5%
 listen without much attention 9.8 %

switch the channel	8.4 %
not sure about the reaction	21.4 %

11. I do not listen radio programs because:

I do not have a receiver	44.7 %
I am not interested in radio programs	30.6 %
I do not have time	24.8 %

12. If interesting program is provided for you by radio would you listen it?

yes - 83.9%	no - 2.3 %	don't know - 13.7 %
-------------	------------	---------------------

13. Your age:

less than 16	2.0 %
16-25	22.4 %
26-33	26.2 %
34-45	26.7 %
46-55	12.3 %
more than 55	10.4%

12. Your sex:

male -50.8 %	female - 49.2 %
--------------	-----------------

13. Your education:

uncompleted high school	4.7 %
completed high school	13.5 %
specialized high school	12.2 %
uncompleted university	12.1 %
graduated	
completed university	57.5 %
graduated	

FM RADIO STATION FOR YEREVAN CITY
QUESTIONNAIRE FOR MEDIA BUYERS

1. Type of the organization:

50%-State owned
30%-Non- Profitble

50%-Profitable
70%-Private owned

2. Do you consider mass media as important to your organization's activity in Armenia?

80% - Yes 20% - No

3. How often do you use ads?

30% - Regular
60% - Occasionally
10% - Never

4. What type of mass media do you prefer the most?

50% - TV
45% - Radio
3% - Newspapers
2% - Other

5. Would you like to put ads in a radio program for Yerevan, with the audience 60% of population?

60% - Yes 20% - No 20% - I don't know

6. How much would you like to pay for 1 minute of your most desired time?

30% - less than 1 000 rub.
20% - 2 000 - 3 000 rub
40% - 3 000 - 4 000 rub
10% - more than 4 000 rub

7. How much of your budget are you willing to spend for ads in a month?

45% - less than 5 000 rub
30% - 5 000 - 25 000 rub
25% - more than 25 000 rub

8. Would you like to be subscribe to the General Client File* of the proposed radio station, that will allow you with low transaction cost and with discount use the media?

75% - Yes 25% - No

FM RADIO FOR YEREVAN CITY

LIST OF INTERNATIONAL ORGANIZATIONS THAT ARE APPLIED FOR ASSISTANCE

Diane Wieks, Director of Programs

American Center for International Leadership

401 East Pratt Street, World Trade Center,
Suite 2432, Baltimore, MD21202

phone: 410-539-2245, fax: 410-539-2598

information directories, exchange programs, internships, fellowships

William Miller, President

American Committee on East-West Relations

109 11th street, SE, Washington DC 20003

phone: 202-546-170, fax: 202-543-3146

exchange programs, conferences, forums, seminars

Dale Needles, Vice-President,

Center for Citizen Initiatives

3268 Sacramento Stret, San Francisco, CA 94115

phone: 415-346-1875, fax: 415-346-3731

exchange programs, internships, management trainings, information, materials

Sol Polansky, Executive Director

Citizen Democracy Corps

2021 K Street, NW, Suite 215, Washington, DC 20006

phone: 202-872-0933, fax: 202872-0923

managment training, technical asistance, forums, conferences, directories

Alexander Randall, President

East West Education Development Foundation

One Exeter Plaza, 15th floor, Boston, MA 02116

phone: 617-542-1234, fax: 167-542-3333

management training, equipment(computers)

Joe Rucio, Associate Editor

Institute for Democracy in Eastern Europe

48 East 21st Street, 3td floor, New York, NY 10010

phone: 212-677-5801, fax: 212-475-5829

training(workshops), audiovisual information, equipment, conferences

Richard Shriver, Vice-President

International Executive Service Corps

333 Ludlow Street, P.O. Box 10005, Stamford, CT 06904-2005

phone: 203-967-6000, fax: 203-324-2531

William Haratunian, International Consultant

National Association of Broadcasters

1771 N Street, NW, Washington, DC20036

phone: 202-429-5300, fax: 202-429-5410

exchange programs, clearinghouse

Nadia Diuk, Senior Program Officer

National Endowment for Democracy

1101 15th Street, NW, Washington, DC 20005

phone:202-293-9072, fax: 202-223-6042

technical assistance, training, conferences, project specific grants

Cynthia Dickstein, President

Organization for American Soviet Exchanges

324D, Harvard Street, Cambridge, MA 02139

phone: 617-846-7717, fax: 617-864-7759

exchange programs, trainin, conferences, seminars

Michael Walsten, Executive Director

World Contacts Network

15333 Trillium Circle Eden Prairie, MN 55344

phone: 612-934-3545, fax: 612-941-5333.

SOROS Foundation

Armenian Assembly

Armenian General Benevolent Union