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Radio 2SM

Australian AM owner enthusiastic about DAB

By Neil Sanderson

"We've got a rule around here now," explained Chris Murphy. "We're not a radio station. *We deliver audio entertainment.*"

That's a surprise at first. After all, Murphy is most visibly involved in managing 2SM, a 10-kilowatt AM station in Australia's largest city, Sydney (population 3.7 million).

But then, Murphy is a surprising man.

For one thing, he is Executive Chairman at 2SM - an impressive achievement for someone who, five years ago, had not worked in radio.

Secondly, Murphy is unique in an industry dominated by large corporations. He appears to be the only Australian sole owner of a radio station in a large urban market anywhere in the country.

Thirdly, this 44-year-old "newcomer" to broadcasting has strong views on the future of the industry, evidenced by his plans to use digital technology to deliver audio entertainment through the Internet, syndication, cable TV, and CDs.

Murphy's transformation of 2SM began, slowly, in 1994, when he came home to Australia after fifteen years living in the USA and Europe.

He was well known in the Australian music industry, having managed the rock band INXS while it sold 22 million albums in the 1980's. Plus, he was the successful owner of the RooArt record label and an international music publishing business.

While in the USA, Murphy learned about Digital Audio Broadcasting (DAB) and digital delivery systems, although he confesses his technical expertise has always been limited. "At first, I had absolutely no idea how you were going to take a CD out of the wall after it was digitally delivered to you," he recalled with a laugh.

"As soon as I hit the ground in Australia, I started asking what was happening with digital radio. But people in the radio industry here told me it would be 15 to 20 years away," Murphy said. "At that point I saw an amazing opportunity."

It wasn't long before that opportunity knocked on Murphy's door.

"One day, a business broker came to me saying somebody wanted to buy my record label and he also told me 2SM was for sale."

Like thousands of others growing up in Sydney, Murphy had loved 2SM as a teen-ager, but it wasn't nostalgia that rekindled his interest in the station.

"I knew that the Eureka 147 DAB system would allow AM stations and FM stations to upgrade to the same quality and bandwidth," he explained. "If we could get 2SM to operate for five to six years on a break-even basis, it had to be a decent investment while we prepared for digital."

And that's how Chris Murphy, impresario became Chris Murphy, radio station owner.



Murphy's AUD \$5.1 million purchase of 2SM in 1995 was truly a gamble. At the time, Australia had not announced a DAB policy, although Murphy believed there was "a general feeling" coming from the Australian Broadcasting Authority (ABA) that existing AM and FM stations would share a new digital band.

When the Digital Report was finally released in 1997, Murphy was hugely relieved to hear the Communications Minister, Senator Richard Alston, announce that Australia would adopt Eureka 147 in the internationally allocated L-band, and existing AM and FM licensees would receive digital licenses.

Although DAB is scheduled to arrive in Australia next year, the ABA has so far only issued a few experimental DAB licenses. It is still working on technical standards and finalizing a spectrum allocation plan. Despite Senator Alston's endorsement of L-Band, the ABA has not ruled out using other frequencies.

Back in 1995, the only thing Murphy knew for sure was that 2SM, at one time the most popular station in Sydney, had fallen on hard times. With a format Murphy described as "gold, elevator music," the station was at the bottom of the ratings with only a few, local advertisers.

Murphy believes he was fortunate to have bought "a very cheap asset," but over the following four years, he invested another two and half million dollars keeping the station alive.

In a move he says he now regrets, he put 2SM in the hands of professional radio managers while he looked after other investments. "Every time I changed management, they changed formats, changed staff, changed logos, changed names. At the end of 1997 I'd had enough of people costing me a lot of money and doing nothing to build a long-term strategy for where I wanted to go to."

In early 1998, Chris Murphy, station owner became Chris Murphy, station manager.

He moved into the 2SM offices where he spent three months meeting with a series of consultants, "people who had been managing directors of companies like Coca Cola, investment bankers and others from *outside* the radio industry."

"We did an analysis of the industry, where 2SM stood in the market, and what other stations in the market were doing. Without doubt the baby boomers in Sydney (listeners over 40 years old) were the most affluent market and the most pro-active, but nobody was targeting them. What's more the baby boomers grew up with AM radio."

Murphy adapted a news format used in other countries, scheduling six-minute information blocks every 20 minutes during the breakfast show. Each block contains local news and sports - plus live international news and stock market reports from Bloomberg News in New York. Information packages are shorter and less frequent during the remainder of the day.

Veteran radio personality Clive Robertson was brought in to host the breakfast show. "He is sort of an anti-DJ," said Murphy. "He's very cynical, very funny to those who are on his wavelength. He was on a national TV show years ago, so he's nationally known."

The music comes from a 500-song playlist covering the sixties and early seventies, an era Murphy fondly refers to as "the most *electrifying* period of music, excuse the pun!"

But Murphy is quick to claim that 2SM does not trade on nostalgia. "We're actually a modern radio station that listeners in 1999 can use as their lifestyle radio station."

Murphy replaced the entire 2SM workforce, recruiting what he describes as "people who can multi-task, people who understand technology, people who know how to get the most out of our properties."

2SM has 32 staff, lead by Murphy, Chief Operations Officer Mark Spurway and National Sales Manager Richard Tan.

They speak enthusiastically about the potential for 2SM to prosper, even though the station is still a long way from the top of the Sydney ratings, standing 12th in terms of listeners 10 years of age and older among 16 stations surveyed by AC Nielsen.

"When I took over we had 110,000 listeners," Murphy recalled. "We relaunched 2SM in August 1998 and our last survey in 1998 showed a cume of 270,000 and a 2.7 share of listeners 10+. Among listeners 40+, the market we sell to advertisers, our share was 5.8."

Murphy says revenue has doubled in the last year and he expects 2SM to show a profit within two months.

Going Digital

Murphy has been granted an experimental DAB license but has no immediate plans to put a transmitter on the air, despite his enthusiasm for digital audio.

"Digital radio to me is one aspect overall," he explained. "[Other] digital delivery systems are developing at a massive rate right now."

Murphy plans either to use the new delivery systems himself, or to offer "audio solutions" to other users from his company's new division, 2SM Digital One.

The production studio at 2SM, which used to be locked every day at 5PM, now hums late into the night as staff create a cluster of 'virtual radio stations' with names like Radio Jazz, Radio Reggae and Radio Classical. Murphy is negotiating with Internet Service Providers to have the stations available on ISPs' Web pages. He also plans to use his music industry expertise to market lines of CDs related to each station's format.

When the time is right, however, 2SM will be among the first to begin digital broadcasting over the air in Australia.

Murphy is excited about DAB for several reasons.

"Frankly, I like the fact there will be less radiation floating around," he commented. "There's also the increased bandwidth, the datacasting capability, and the cross-referencing to other forms of digital delivery which is why we're developing things like Internet radio."

Murphy said the recent changes to 2SM had to be carefully considered. "We wanted to make sure that anything we did only had a positive result - or built in the brand name and the products - for a digital future."

So, will 2SM retain its current format when it moves to DAB?

Murphy responded cautiously. "Well, we call ourselves '2SM More Radio.' We're More Music, More News, More Sport, More Financial. Part of our strategy is to have these 'properties' so that we can maneuver into the best position for digital."

By establishing virtual radio stations across the full range of formats, Murphy will have the ability to quickly transfer any of those formats to 2SM or perhaps to other stations or networks.

As for assisting DAB to come to Australia, Murphy admits he doesn't have the time or money to, for example, market DAB receivers and DAB sound cards for computers. "But, if somebody with money said 'Let's drive the issue harder - and put up some DAB transmitters as soon as possible' I would drive the issue!"

Whatever happens, Murphy remains convinced there are exciting times ahead.

"2SM Digital One was born out of the embers of an AM analog license in Sydney - that's how I like to think about it. When I moved into my family's entertainment business, we booked cabaret acts. By the time I'd finished, we booked every major modern rock artist in the country. Twenty years later, I bought an AM station with production facilities and a brand-name to put us firmly into being a national broadcaster for the 21st century."

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