

Cornwall independent local radio licence applications

Questions and responses: CKFM

These are the responses received from CKFM to the non-confidential questions asked by Ofcom regarding the group's application for the Cornwall licence.

1. Please provide more details of your [John Grierson's] previous commercial radio experience. For which stations/companies have you worked, and in what roles? Why do you plan to become chairman of the company 12 months after launch, rather than remaining as its managing director?

RESPONSE BY DR ALAN STANHOPE, CHAIRMAN OF THE BOARD

As Chairman of the Board of CKFM, and after consultation with my colleagues, I feel that it is right for these questions to be answered by myself on the Board's behalf.

John Grierson has, every step of the way, demonstrated that he has the managerial and leadership skills required to make this project work, and to that he has added a clear set of instincts, hands-on skills and a knowledge of the radio industry in general and the commercial radio industry in the UK in particular. He has the full and unanimous support of CKFM's directors and investors. As has always been the case throughout CKFM's development of this project we have been more interested in what John has been able to produce and manage for us as investors and directors than in his history. However, here is a brief summary:

After graduating from the University of Cape Town and Cambridge, John entered broadcasting in 1963 in order to manage his step-father's radio and television interests and this included station management and presentation on Lourenço Marques Radio in Mozambique, the first commercial radio station to broadcast to a South African listenership. Between 1964 and 1967 he was the founder and General Manager of Manx Radio, bringing the station to overall operational profitability. With his step-father Dick Meyer, he led an application for the first London analogue licence which was eventually awarded to Capital Radio in 1973. Between then and 1980 John was a radio consultant assisting applicants for UK commercial radio licences as well as writing radio industry columns in various publications and working as a presenter. He worked with United Broadcast Sales (an investor in Capital Radio) with David Pinnell of BRMB, and on an occasional basis with a number of applicant groups through the UK. As a radio journalist he wrote for Broadcast Magazine, Campaign, Marketing Week and various national dailies, while presenting a phone-in show on LBC in London.

In 1980 he returned to South Africa to spearhead the movement to persuade the government to licence non-state local commercial radio services and was successful in obtaining a licence which brought CTFM Cape Town into being -

the first ever local commercial radio station in South Africa. He also became the radio voice for a number of household-name brands such as BP, Yardley, Peter Stuyvesant, and Martell Brandy. In 1992 he returned to the UK and moved to Cornwall in 1997, and during which time he worked with Support-To-Sales, with Radio Ceredigion and as a sales consultant and, on an occasional basis, with some smaller radio applicants.

Since early 2000 he has worked solely on directing CKFM's application for the Cornwall licence and this has included all day-to-day activity, lobbying and support-gathering projects. As far as the Board of CKFM is concerned, two highly successful RSL's which were set up and run as fully-fledged radio stations gave us all the confidence and comfort we needed to be enthusiastically supportive of his ability to lead this project to a successful and profitable conclusion.

If CKFM wins this licence, and by the time CKFM is ready to launch later in 2005, I will have served CKFM as Chairman for five years, and John will have been Managing Director for the same amount of time. The Board of CKFM, which is responsible for planning the future of this company, considered the question of the future status of its Chairman and Managing Director very carefully, as it is central to the success of the station.

For myself, I feel that six years or so in the Chair will have been long enough, but the question of the Chairmanship of this company is important, and in order to preserve continuity the Board feels that when John Grierson steps down as Managing Director he should take over as non-executive Chairman so that CKFM can continue to benefit from his expertise and experience.

I will continue to be a non-executive member of the CKFM Board.

As for our Managing Director we feel that having a sensible plan for continuity and succession in place is also of great importance. It was agreed that John should be in post to manage the launch and at least the first year of operation, but that the question of the timing of his relinquishing the role of Managing Director should, as it must, be kept under review by the Board.

A Director of Marketing and Sales will join the company as soon as possible after award of the licence, and the individual in question has already been selected. It is the Board's intention that the Director of Marketing and Sales join the Board as a full Director and take over as Managing Director when John Grierson stands down.

The Board of CKFM feels that the arrangements outlined above will provide a clear focus on developing both listenership and sales during its crucial first year, leaving options open for the Board to exercise in due course, with a solid succession plan in place to ensure the continuing success of CKFM.

2. You have submitted details of CKFM's target audience, listenership projections, and the expected impact of the proposed service on existing services, in confidence. The notice of advertisement requires

that this information be part of the public application document, unless an applicant wishes to make a case for it to be submitted in confidence. Are you content for these responses (currently contained within Confidential Appendix I, p.4-6) to be made public, or would you prefer that they remain confidential? If the latter, please set out your reasons.

We apologise for having mistakenly given the impression that the above-mentioned information should be treated in confidence. That was not our intention and we are content that the responses in Confidential Appendix 1, p. 4-6 be made public (below):

Audience Projections

(i) Our research and radio experience have combined to highlight the 40-59 year old age group as CKFM's primary target audience. Due to the lack of 'older' targeted local commercial radio in Cornwall and, with the exception of BBC Radio 2, a lack of older-targeted popular music stations generally, we anticipate that CKFM will also have appeal to a broader adult 40+ audience.

(ii) Our ad hoc research indicates a 15.3% audience potential for CKFM by the end of the first year of broadcasting. Given the strong listening loyalties that exist in this market, however, we have adopted a prudent approach in estimating the average hours listened and these have been set at 8.5 hours per week per listener in Year 1. In Year 2 it is assumed that station trial will increase from a third to half the station's factored listenership, to 22.9%, and to 27.0% by Year 3. Average hours are estimated to rise by 0.5 hours per listener per week in each of the second and third years of broadcasting, increasing the Year 2 and 3 average hours to 9.0 and 9.5 respectively.

CKFM's Year 1 to Year 3 audience estimates have been outlined previously in this Confidential Appendix.

In Years 1 to 3 of broadcasting it is anticipated that the target age group will outperform the station's average reach by factors of 1.25, 1.30 and 1.33 respectively. Maintaining a cautious approach to average hours listened it has been assumed that the average target listener will tune in for an extra hour per week relative to all adults:

9.5	Year 1	40-59 Reach:	19%	40-59	Average	Hours:
10.0	Year 2		30%			
10.5	Year 3		36%			

(iii) Applying the findings of our ad hoc research to CKFM's estimated Year 1 weekly reach indicates that the overall launch impact would be as follows:

CKFM Weekly Reach	65,067
Listen To The Radio For Longer	29,805
Listen Less To One Or More Current Stations	31,484
Stop Listening To One Or More Current Stations	3,778

The following table outlines the likely impact of CKFM both on commercial and BBC radio per se and all major radio services:

	LISTEN LESS (000)	STOP LISTENING (000)	TOTAL IMPACT (000)	% WEEKLY REACH AFFECTED
Total Commercial Radio	16.2	1.3	17.4	7.5
Total BBC Radio	14.7	2.3	16.8	5.1
Pirate FM	12.4	0.8	13.2	8.1
97 FM Plymouth Sound	1.7	0.4	2.1	10.0
Classic Gold Plymouth 1152	0.2	0.0	0.2	5.2
Lantern FM	0.4	0.0	0.4	6.0
BBC Radio Cornwall	7.1	1.0	8.0	5.4
BBC Radio Devon	1.7	0.4	2.1	7.2
BBC Radio 1	3.4	0.2	3.6	3.5
BBC Radio 2	2.7	0.8	3.6	3.7
BBC Radio 3	0.2	0.0	0.2	1.7
BBC Radio 4	0.0	0.0	0.0	0.0
BBC Radio Five Live	0.2	0.2	0.2	0.8
Classic FM	1.0	0.2	1.3	2.3
Talk Sport	0.2	0.0	0.2	2.3
Virgin Radio	0.4	0.0	0.4	6.0

The statement used to describe the CKFM station concept made it clear that the new service would be a commercial radio station. We are delighted, therefore, that the overall impact of a CKFM launch would, in absolute audience terms, impact on all BBC radio virtually to the same extent as all commercial radio (16.8 and 17.4 thousand listeners respectively). Moreover in terms of 'lost' listeners the BBC would be more affected than commercial radio (2.3 and 1.3 thousand listeners respectively).

CKFM's local commercial radio status, coupled with Pirate FM's market leadership, makes it almost inevitable that the latter will experience some effect from CKFM's launch. Just over 12,000 Pirate FM listeners would listen less to the station to accommodate CKFM within their weekly repertoires whilst less than a thousand would stop listening to Pirate FM altogether. The important point to remember, however, is that some impact would be felt for Pirate with *any* new local radio station launch and might be more significant if the new station was not as distinctive as CKFM aims to be both from the existing local commercial and BBC services.

Relating the 'total impact' of a CKFM launch to the ad hoc research's individual station weekly audiences shows that Plymouth Sound would be the station most affected. 10.0% of the Devon-based ILR FM's already small Cornwall audience would either listen less or stop listening to this service, possibly recognising that an alternative Cornwall-based station would be more in tune with their listening requirements. This same argument can also be applied to Classic Gold and Lantern FM and, more especially, to Radio Devon. In absolute numbers Radio Devon would be just as much affected as Plymouth Sound.

From CKFM's perspective it is heartening that 8,000 Radio Cornwall listeners would immediately switch some listening away from the local BBC service.

Of the national BBC stations both Radio 1 and Radio 2 would lose out from 3,600 listeners placing them joint third behind Pirate FM and Radio Cornwall. In conclusion, CKFM clearly demonstrates a very real potential to impact on the BBC in Cornwall thereby increasing the performance of not just local commercial radio but all commercial radio generally across the county.

3. What is the basis of the statement that "any new radio station aiming to be 'all things to all people' is unlikely to make headway against Pirate FM and Radio Cornwall at the local level and against BBC Radios 1, 2 and 4 and Classic FM nationally" (p.55)?

In a radio market where listeners have a relatively small range of radio services (particularly local services) to choose from it is not unusual for mainstream radio stations such as those listed in the above statement to draw their support from a wider than average range of age groups. Although such stations still tend to centre their appeal on the age groups to which they are directly targeted, there is a greater than average overspill audience, explaining why the county's local BBC station and all of the above-named national radio services record a higher than average weekly audience in Cornwall relative to the UK. In addition the county's solus ILR service, Pirate FM, records a significant weekly reach of 38% - for much the same reasons. (Source: RAJAR Cornwall data Weeks 13-37, 2004, UK data Weeks 26-37, 2004).

Given that all of these stations are popular with the general listening public, it is clear that for any new radio service to make headway against such strong performers it must have a programming proposition that makes it stand apart from the competition. To create the degree of focus required for the new station to attract trial at launch, and to build that trial into a loyal and substantial listenership, its programming proposition must be focused as tightly as is reasonably practical on the radio requirements of a specific sector of the population, as demonstrated by the research commissioned by CKFM and detailed in the main body of our application.

Only by offering such a targeted service and promoting it accordingly, will relevant sectors of the population feel sufficiently compelled even to try the station let alone support it on a regular weekly basis. It is for this reason that we believe that adopting too broad a programming approach would limit CKFM's ability to compete successfully against other clearly successful local and national radio stations.

Finally, it is clear from observation and analysis that radio in general, given increased competition and increased choice, has moved and is moving towards tighter listenership focus, and away from the relative historical luxury of an all-things approach. Cornwall's radio development will not be an exception to this general rule.

4. What evidence does CKFM have that 40-59 year-olds represent a "cohesive target audience" (p.55) with shared tastes and interests?

Having identified 40-59 year olds as CKFM's intended target audience through our analysis of RAJAR audience data, and having targeted that group in two RSL's, we then analysed all of our Format Test & Reach Study research findings against this 20 year-old age group, both in total and amongst males and females in this age-bracket.

As with any spread of ages there will always be those within the given age range who have differing requirements from radio, as they do from life. However, CKFM's proposed programming has been designed specifically with the collective interests of this age group in mind and whilst we anticipate trial from both younger and, in particular, older listeners, we aim first and foremost to "super-serve" this mid age group. To a substantial extent, the answer offered to question 3 above overlaps the issue raised here, because CKFM's researched intention is first to focus on a core audience which at the very least coheres as a common age-group and secondly to benefit from additional "spill over listenership at the fringes. We feel, by way of further clarification that there is a difference between a "cohesive demographic group" and a "cohesive target audience". The former can be quite loosely defined while the latter, with the help of research, can by contrast be quite tightly indicated. Clearly, it is the target audience which interests both Ofcom and ourselves.

Moreover, CKFM's collective programming expertise (and, again, the research which tested it) dictates that the 40-59 year-old age group has more than sufficient common radio interests to form a significant core target from which CKFM can draw its future support. Notably this age group represents many of the previous 35-54 year olds who so frequently (and successfully) made up the AM sector of many so-called "heritage" ILR stations' split FM and AM audiences. This group has now moved on in age terms and we see CKFM providing the equivalent of a complementary AM adjunct to Pirate FM's younger-targeted FM service, the only difference being that both stations and both sets of listeners can now enjoy the benefits of FM transmission.

The answer to this question would not be complete without reference to the shared tastes and interests that stem directly from Cornwall's sense of community and heritage. The 40-59 year-olds in Cornwall are the most economically, socially, and politically active of all age groups (*Source: ONS 2001 Census*) and much of that activity is centred on the issues and concerns of this county.

It is for these reasons that we contend that 40-59 year-olds represent a "cohesive target audience" for CKFM.

