

## Manchester independent local radio licence applications

# Questions and responses: Virgin Classic Rock

*These are the responses received from Virgin Classic Rock to the non-confidential questions asked by Ofcom regarding its application for the Manchester licence.*

### 1. The table on p.30 of the application compares audience shares in Manchester with three other markets. What are the equivalent share figures for the UK as a whole?

The figures, which relate to the network as a whole, are shown in the table below, together with the figures in the original table in the Application document. They are based on national RAJAR data and relate to the same RAJAR period i.e. Q3 2004.

	All Radio TSA	London Capital TSA	Manchester Galaxy TSA	Birmingham BRMB TSA	Glasgow Clyde TSA
All Radio	<b>100%</b>	100%	<b>100%</b>	100%	100%
All Commercial	<b>44%</b>	52%	<b>49%</b>	55%	61%
- Commercial National	<b>10%</b>	9%	<b>10%</b>	10%	9%
- Commercial Local/Regional	<b>34%</b>	43%	<b>39%</b>	45%	52%
All BBC	<b>54%</b>	46%	<b>50%</b>	44%	38%
-BBC National	<b>43%</b>	41%	<b>43%</b>	36%	28%
-BBC Local/Regional	<b>11%</b>	5%	<b>7%</b>	8%	9%
All National	<b>53%</b>	49%	<b>53%</b>	46%	38%
All Local Regional	<b>45%</b>	48%	<b>46%</b>	53%	61%
Other	<b>2%</b>	3%	<b>1%</b>	1%	1%

All Radio Reach	<b>90%</b>	90%	<b>85%</b>	91%	86%
All Radio Average Hours	<b>24.4</b>	23.1	<b>24.0</b>	26.2	22.3

Source RAJAR Q3 2004

### 2. How do RAJAR data "confirm that an attractive and profitable market opportunity exists for a new entrant offering a genre-based music service"

The market segmentation map shown on page 24 of the licence application document was derived from an analysis of individual stations' listeners by weekly reach % penetration, and by the breakdown of them by sex and age, part of which is shown in the document on page 33.

From the full list of stations contained in the market segmentation map, when ranked in descending order of mean age, it is clear that the Weekly Reach figures for stations at either end of the age spectrum are higher than those in the middle, thus broadly indicating that stations in the mid-age range are not as effective in reaching the market as those above and below.

The table below summarises this point more simply by showing the *average* for the mean age of station listener to each station in the older, middle, and younger serving station groups against the average reach for stations in the groups.

#### Station Reach Vs Mean Age

	All Adults Reach (% of Popln)	Mean Age(Est)	Average Reach %	Average Mean Age
Galaxy 102 – TSA	100.0%	45		
Classic FM	10.9%	58		
BBC Radio 3	2.9%	57		
BBC GMR	11.2%	56		
BBC Radio 4	16.7%	54	13.8%	54
BBC Radio 2	28.2%	52		
BBC Radio FIVE LIVE	13.2%	48		
Capital Gold Manchester	3.5%	48		
Magic 1152 (Manchester)	4.6%	47		
Virgin Classic Rock	12.1%	46	6.5%	46
talkSPORT (Talk Radio)	4.7%	44		
Smooth FM (North West)	7.6%	44		
105.4 Century FM	16.5%	38		
Virgin Radio (AM)	2.3%	36		
Key 103 FM (Manchester)	20.7%	35	14.3%	34
BBC Radio 1	17.3%	33		
Galaxy 102	14.7%	30		
Source: RSL/RAJAR Q3 04/MMPA Estimates				

Quite clearly the average reach of the stations serving the mid range age groups is significantly lower than the reach of those serving both the older **and** the younger groups.

However, in terms of a great many advertised products, particularly those product fields to which the most advertising spend is directed, ownership and purchasing data from sources such as BMRB's Target Group Index confirm the relative importance of the mid-range age groups.

Similarly, genre based analysis of music preference derived from the Target Group Index and from the Music Industry's own primary sources, such as the TNS Audio Visual Trak, analysed by MMPA in support of the application, indicate the importance of the mid-age ranges.

Tying this in with AC Nielsen MMS data which provides advertising spend by product category, it is clear that the old promotional adage, that "the money's in the middle", certainly holds true. Since RAJAR indicates that the weekly reach of stations for which the listener profile is skewed either younger or older is typically higher than those for which the listener profile is either skewed towards the mid range, or not skewed at all, i.e. the mean age is tending toward that of the population as a whole, it is reasonable to conclude that the "middle market" is less contested and that RAJAR data, in conjunction with the other observations, does in our view "confirm that an attractive and profitable market opportunity exists for a new entrant offering a genre-based music service".

**3. What evidence can you provide that there exists a demand among listeners aged 35 and over for current (as opposed to classic) rock music?**

The Music Genres, which were constructed, includes one (Montage 3), which typically reflects the more current elements of Rock that would be included in Virgin Classic Rock's music schedule, and would represent a maximum of 20% of the station's music output.

This was represented by Montage 3 - Current Rock – (which would be exemplified by artists such as Franz Ferdinand, Rasmus and Keane) and is relatively popular amongst the 35-54 year old age group, which is our stated core target age group for Virgin Classic Rock.

The table below indicates that the proportion of those liking and wanting to hear more of the examples in Montage 3 on the new station is 20% higher amongst Adults aged 35-54 than it is amongst the total sample i.e. All Adults.

Would like to hear more of: -  
 Montage 3 (i.e. Franz Ferdinand, Rasmus, Keane)

Demo	% Score	Index
All Adults	25.4	100
25-34	40.4	159
<b>35-54</b>	<b>30.4</b>	<b>120</b>
55+	11.7	46

Source: NOP January 2005

#### **4. How was the new station described to respondents in the NOP survey question designed to establish likelihood of listening?**

The ad-hoc survey carried out by NOP represented just one part of an extensive integrated market research strategy, with all components dovetailing together to form a cohesive base for our decisions. We generated our results from a number of related individual elements which, when combined, provide overwhelming evidence of propensity to listen to what will be Virgin Classic Rock.

It must be noted that before the question on Likelihood of Listening was phrased, extensive qualitative research was carried out and this indicated a need locally for the following, in respect of a new local station: -

- Community focus on local issues
- Less repetition of song tracks
- Greater Variety
- More mental and musical stimulation
- Professional presentation by local (i.e. Mancunian) presenters
- Music and programming specifically for the 35-54 age group.

The research highlighted this specific combination of requirements from the myriad of possible alternatives for a new local station. As a result, a question was devised for the Quantitative Study to determine, amongst the representative sample of 1,000 adults, the extent to which the Qualitative findings held true in the population at large. These key elements were to represent the cornerstones of the new proposed station - what it would stand for, how it would present itself, the tone it would adopt, and its underlying ethos. This was represented in the following question;

*Q9 Thinking now about this new local radio station for the area, can you tell me how likely you would be to listen to it, if it ...*

*Had a strong community commitment  
Was focused on local issues  
With music and programming specifically for the 35-54 age group  
Was professionally presented by Manchester presenters  
And played a greater variety of music*

*Q10 And how likely do think you would be to choose it as your main local radio station?*

#### Scale

1. Very likely
2. Quite likely
3. Not very likely
4. Not at all likely
5. Don't know

And when the likelihood of choosing the station which embodies the characteristics found in the qualitative research is looked at in relation to those with a liking for the Montages representative of Virgin Classic Rock (i.e. Montages 3, 5, or 7) and with an expressed wish to hear more of them on the new station, we find higher levels of those who are Very or Quite Likely and lower levels of those who are Not Very or Not at All Likely to choose it - the total score for those likely to choose amongst All Adults being 80% whilst amongst those who like to hear Montages 3, 5, or 7 and would like to hear more of them on the new station it is 84%.

As a consequence, our proposals for the “style” of station and for its music content are firmly endorsed.

**5. Please provide details of how the music montages were selected for inclusion in the quantitative research, focusing in particular on the breadth of montages included and the particular tracks selected for inclusion in each montage.**

Paul Jackson, Programme Director, James Curran, Head of Music, and Jason Bryant, Development Director, of Virgin Radio, devised the music montages as being representative of the kind of output that would be offered by the station. These were therefore based on considerable market knowledge and experience of songs and artists illustrative of a variety of rock genres.

We deliberately avoided using Genre names – with which we might be familiar but with which respondents would most probably not, and we appreciate that the results of any ensuing analysis are more likely to provide rankings of popularity, rather than absolute scores, by which we would be guided in our programming decisions.

The montages for the other genres were included because they were required to form part of the benchmark assessment which was carried out on the recorded output of Capital Gold, Magic 1152, Century FM, Key 103, Smooth FM and Galaxy.

The breadth of the montages was designed to relate to the scope of the monitoring, and given that the stations monitored represent a significantly high proportion of the total impact delivery (and total hours listened) of all stations, we believe that it adequately covers available listener options. Given also that it relates to the detail of on going music testing research available in the market and is used extensively by a number of groups to fine tune their music schedules, we believe that it is more than adequate to fit into its place in the jigsaw of evidence of demand for a rock oriented radio station in the area.

**6. Please provide further explanation of how the results/data contained in the table on p.39 of the application were derived.**

The table on page 39 of the application represents the % of the *total* population and of the *total* 35-54 group in particular who stated that they felt that each station, named by them as a station that they considered as the main local station for their area, met all their needs and requirements for a local station.

We felt that expressing these scores as a percent of the total population rather than of each station's own listener base was *more indicative* of just how well each station was regarded in the community at large, since it is into that community that we are considering the popularity and interest in our proposed format.

If we were to restrict our consideration of people's interest in Virgin Classic Rock simply to those people who specified a predominant interest in listening to Rock music, then that would in our opinion be as misleading as it would be to express people's satisfaction of individual stations by providing satisfaction scores based only on their listeners, who are obviously, to some degree anyway, as evidenced by their actions, predisposed to the station.

Even when we extended our view to those who said they felt the stations Very Well or Quite Well met their needs, the figures are still relatively low – just one in five of the population, for example, saying that Key 103 meets their requirements, one in ten of people saying that Galaxy meets theirs, and only one in twenty of the population saying that Century meets theirs. As indicated, in creating a new station for the area, we were interested in determining not so much the levels of dissatisfaction but rather the levels of people not feeling that they were Very Well satisfied with the stations on offer.

In this respect we are very much conscious of the work of Professor John Murphy of Manchester Business School who is probably the Country's leading authority on the issue of customer retention. His findings show that customer defection still has a 35% chance of occurring even when Satisfaction scores are Good. When Satisfaction scores are Average and below, loyalty rates plummet and the likelihood of defection rises to 85% or more

**Satisfaction/Loyalty  
Links**

Levels of Satisfaction	Loyalty Rate
Excellent	95%
Good	65%
Average	15%
Poor	2%
Very Poor	0%

Source: CSM  
1997

We shall be interested therefore in those people who are not in the category of Very Well satisfied with their main local radio station with whom loyalty

rates are typically 95%, but rather in those whose levels of Satisfaction scores are merely Good and below where defection potential is likely to be 35% and higher.

**7. It is stated on p.40 that “the support for our proposal is overwhelmingly underwritten when a ‘Virgin Classic Rock’ Montage is formed by grouping Montages 3, 5, and 7 with nearly 72% of 34-54s wanting to hear this mix”. Please explain how this figure of 72% is calculated (e.g. is it the percentage finding at least one of the selected montages appealing?).**

The table on page 40 shows the Montage Preference for 35-54 year olds and it demonstrates that 72% of them like and would like to hear any one of Montages 3 or 5 or 7 on the new station. The rationale for this is that Virgin Classic Rock will be incorporating something from each of the 3 Montages on the basis that this will cast the net as wide as possible in order to maximise reach whilst at the same time maintaining the Rock platform.

A close look at the table on Page 37 of the licence application which shows the breakdown of plays across the six stations in the market which were monitored, reveals that with the exception of Galaxy 102, the other stations included some of at least 5, and more often 7, genres in their output.

The table below, which to a degree pre-empts the answers to points a), b) and c) of this question, demonstrates that, when analysed in the same way, combinations of the other Montages show a similar though slightly different profile.

	Q6 - Montages 1, 2 and 4	<b>Q6 - Montages 3, 5 and 7</b>	Q6 - Montages 4, 6 and 8	Q6 - Montages 1, 2 and 4	<b>Q6 - Montages 3, 5 and 7</b>	Q6 - Montages 4, 6 and 8
	Total	<b>Total</b>	Total	35-54	<b>35-54</b>	35-54
Base	1000	<b>1000</b>	1000	354	<b>354</b>	354
Wtd Total (000's)	1750	<b>1750</b>	1750	616	<b>616</b>	616
1 of them	31%	<b>30%</b>	29%	34%	<b>34%</b>	31%
2 of them	16%	<b>19%</b>	24%	15%	<b>24%</b>	29%
3 of them	7%	<b>11%</b>	14%	8%	<b>14%</b>	15%
Any of them	55%	<b>60%</b>	67%	58%	<b>72%</b>	74%
None of them	45%	<b>40%</b>	33%	42%	<b>28%</b>	26%
1 or more	55%	<b>60%</b>	67%	58%	<b>72%</b>	74%
2 or more	24%	<b>30%</b>	38%	23%	<b>38%</b>	44%
3 of them	7%	<b>11%</b>	14%	8%	<b>14%</b>	15%

The conclusion to be gained from this is that at any level of “appeal” (1 out of 3 Montages, 2 out of 3, or 3 out of 3), the grouping of Montages 3,5 and 7 appeared more appealing than Montages 4, 6 and 8 and less appealing than the combination of Montages 1,2 and 4, at every level.

The point to note however is that stations already exist which embody the other Montages (1,2,4 6 and 8) whereas the Station which we have proposed (represented by Montages 3, 5 and7) does not yet exist in this market, and yet it would clearly be popular by comparison with the other two combinations.

**If so, please provide a breakdown of the percentage of respondents who found:**

- a) Just one of the montages appealing**
- b) Two of the montages appealing.**
- c) All three of the montages appealing.**

Though covered in the comparison table above showing the breakdown of respondents finding the various combinations of Montages appealing is shown in the table below.

	Q6 - Montages 3, 5 and 7	Q6 - Montages 3, 5 and 7
	Total	35-54
Base	1000	354
Wtd Total (000's)	1750	616
1 of them	30%	34%
2 of them	19%	24%
3 of them	11%	14%
Any of them	60%	72%
None of them	40%	28%
1 or more	60%	72%
2 or more	30%	38%
3 or more	11%	14%