

**DO NEW COMMERCIAL RADIO STATIONS
'CANNIBALISE' EXISTING PLAYERS?**

**by
GRANT GODDARD**

www.grantgoddard.co.uk

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In recent months, there has been a barrage of comments from commercial radio bosses eager to blame the industry's diminishing performance on the activities of the BBC. So it was particularly refreshing to hear a lone voice put forward a different perspective on the problem. Scottish Radio Holdings chief executive David Goode said recently that what newly licensed, music-based commercial radio stations had done "was to cannibalise the existing [commercial] stations, and so share against the BBC has not improved at all."

Goode's assertion demands analysis. The table below examines the impact of the introduction of regional radio stations on the audiences for radio. Between September 1994 and February 2003, 16 regional stations were launched covering 20 metropolitan markets in England, Wales and Scotland. I analysed the changes in listening patterns in each of these markets (with the exception of Leicester, for which I lost the papers), comparing RAJAR data in 1994 Quarter 2 with those in 2003 Quarter 2.

The results offer a rough 'before' and 'after' snapshot of what type of station people were listening to, divided into BBC and commercial, and into local/regional and national. In 12 of these 19 markets, two regional commercial stations were launched during this time period. In the remainder, there was one regional. These new stations have had varying degrees of success with audiences, attracting as much as 26% of all radio listening in Teesside, but only 5% in Bristol and Norwich.

Across the UK, there was a 20% increase in recorded hours of all radio listening between 1994 and 2003. Increases of between 15% and 42% were recorded in 18 of the 19 markets analysed where regional radio was introduced, with only Glasgow showing an abnormally low increase of 9%. Listening in London, where no regional station was launched, increased by 13%. There seems no doubt that the introduction of regional stations stimulated above average increases in radio listening in their markets.

The table shows clearly that, during the period when the new regional stations were introduced, the greatest loss of audiences was experienced by the heritage ILR station in each market, whilst the audiences of BBC national radio stations showed the most consistent gains. This polarisation is even starker when one considers that, during the nine-year period under study, the BBC launched no new stations, while commercial radio underwent a period of unprecedented expansion, adding not only 16 regional stations, but around 100 new local stations up and down the country.

Across the UK as a whole, this huge increase in the numbers of local and regional commercial services only managed to contribute 6 points to the 20% increase in all radio listening. Whereas the BBC managed a 13 points increase without any expansion of services, mostly due to the significant 10 percentage points increase in listening to its national services. This pattern of the audience shifting away from local radio and towards national services is very pronounced in London, where hours listened to local stations showed only 1% growth, while listening to national stations grew by 12%.

			% CHANGE IN HOURS LISTENED 1994 Q2 TO 2003 Q2											
radio market	adult (15+) TSA '000	regional stations % share of listening 2003 Q2	TOTAL	COMMERCIAL RADIO						BBC				
			% change hours listened all radio	% change hours attributed to all commercial radio	% change hours attributed to national commercial radio	% change hours attributed to local + regional commercial radio	% change hours attributed to heritage FM	% change hours attributed to heritage AM	% change hours attributed to all BBC radio	% change hours attributed to network BBC radio	% change hours attributed to local + regional BBC radio	% change hours attributed to national radio	% change hours attributed to local + regional radio	
Manchester	2,680	8%	24	4	1	3	-12	-7	20	18	2	19	5	
Birmingham	2,004	20%	25	18	3	15	-4	-5	7	5	2	8	17	
Glasgow	1,833	17%	9	1	-5	6	-4	-9	7	5	2	-0	8	
Liverpool	1,769	6%	21	9	-0	9	3	-3	12	9	3	8	12	
Newcastle	1,379	19%	13	2	1	1	-13	-12	12	9	3	10	4	
Sheffield	1,283	14%	42	17	0	17	-0	-9	25	17	8	17	25	
Wolverhampton	1,276	17%	15	10	1	9	-7	-5	6	3	2	4	11	
Bristol	1,273	5%	32	6	1	5	1	-4	25	18	7	19	12	
Humberside	1,117	8%	19	7	-1	8	-2	-8	11	9	2	8	10	
Edinburgh	1,101	19%	21	21	-3	24	-0	-10	1	-2	2	-4	26	
Nottingham/Derby	1,048	19%	36	23	1	22	5	-3	13	10	3	11	25	
Southampton/Portsmouth	1,066	7%	25	13	7	6	-2	-1	12	9	3	16	8	
Leeds	929	15%	34	23	3	20	-3	-5	12	6	5	9	25	
Cardiff/Newport	889	14%	42	17	-2	19	-2	-4	24	18	6	16	25	
Teesside	791	26%	17	10	-8	18	-10	-4	8	8	-0	1	18	
Norwich	592	5%	22	11	5	5	-5		13	6	6	12	12	
Bournemouth	582	7%	17	4	6	-2	-3	-9	17	17	0	23	-2	
Swansea	508	9%	21	17	-10	27	11		2	-3	5	-12	31	
Ipswich	482	10%	25	11	3	8	-1		16	7	9	10	17	
UK	46,957		20	6	0	6			13	10	3	11	9	
London	11,682		13	2	4	-2			11	8	3	12	1	

Source: RAJAR/RSL

If this is the general trend, then why is Swansea the only market showing a significant increase in listening to the heritage ILR station? The reason is that, in Swansea, Atlantic 252 (defined as a national commercial station) had attracted a remarkable 11% share of radio listening at the beginning of the period but, when the station closed, its audience switched to Swansea Sound (the music-based heritage ILR station) rather than to Real Radio (the new speech-based regional station).

With the exception of Swansea, the data shows that the new regional stations' audiences grew at the same time as audiences declined significantly for existing heritage ILR stations. The data also shows starkly that, in 11 of these 19 markets, the BBC's increase in hours listened was greater than commercial radio's increase, despite the addition of regional commercial radio services (and no new BBC services) in all 19 markets. Whilst it is impossible to separate the cause and effect within this basic data, the inference is that the 'cannibalisation' that Goode referred to is extant.

The paradox is that, in local markets, the BBC had managed to record significant audience gains by simply improving the appeal of its existing stations. Whereas, commercial radio had managed to maintain its national share of listening (vis-à-vis the BBC) only by opening many new stations

during the period under study. The situation has changed since then. Now that fewer new commercial stations are being licensed, the underlying trend has been exposed, which is that commercial radio is, and has been, losing audiences to the BBC. The Radio Authority's licensing of these 16 regional stations proved not to be successful in enticing listeners from BBC radio to commercial radio. This is an important issue that Ofcom needs to consider when awarding new radio licences, if it wants to save the commercial radio industry from even more cannibalisation. The long-term health of the commercial radio industry depends upon its ability to, at least, maintain its audiences and, ideally, to grow its share of radio listening against the BBC.

NB: (i) data has been indexed for TSA size changes; (ii) data has not been indexed for demographic changes; (iii) data has not been adjusted for RAJAR specification changes in 1999 Q1; (iv) Atlantic 252 existed at the beginning of the period, but not at the end; (v) TalkSport existed at the end of the period, but not at the beginning; (vi) figures do not always sum because of rounding and changes in 'other radio' listening which is presumed neither BBC nor commercial.