Appendix A: Results of Consumer Research

Research into consumer demand for extra stations and impact on DAB take-up

October 2005

Research findings

Background

In deciding how to allocate spectrum, Ofcom needs to judge whether there is a case for intervening in order to secure a particular policy objective. This requires us to take a view on three different factors:

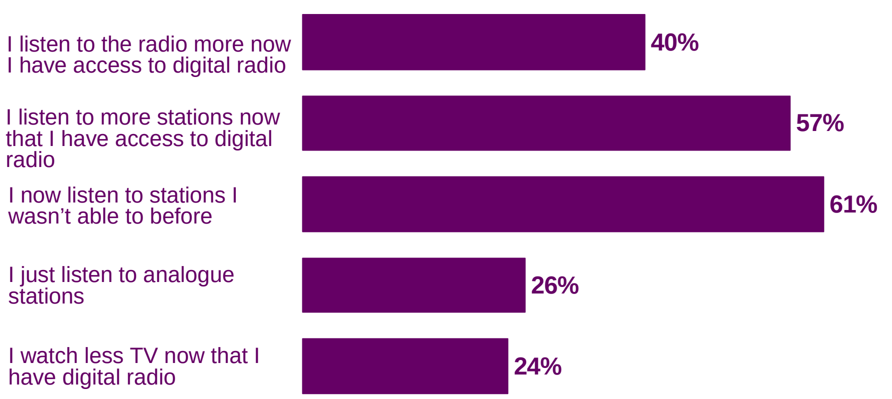
- the weight (or value) to be given to particular broadcasting policy objectives
- the risk that the objective would not be achieved absent the intervention
- the size of the opportunity costs that would be imposed by the intervention

Regarding the first of those factors Ofcom felt that one of the broadcasting policy objectives which may justify regulatory intervention in the release of this spectrum was securing additional national sound services on the DAB platform that contribute to choice and diversity for listeners and are widely available.

This objective rests in part on the desirability of widening the range and variety of sound services available on the DAB platform. Services are currently available nationally on DAB on the two national multiplexes (one operated by the BBC, the other by Digital One). This compares to 88 radio services available nationally via the digital satellite platform, 25 available near-nationally via Freeview, 40 available (in cable areas) on digital cable, and some thousands on the Internet. However, of all the platforms presently available, only DAB offers full mobility, portability and is also free-to-air.

Audience research, carried out by Ofcom for phase 1 of the Radio Review consultation suggested that 36% of analogue radio listeners who claim to know of DAB think that the current offering of extra stations is a particular benefit of DAB digital radio. The study also highlighted the interest in new stations and the impact on the diversity of stations offered by DAB on listening habits (Figure 1).

Figure 1: Usage of DAB radio – Strongly agree/agree with statements



Source: Ofcom/MORI Radio Review phase 1 study
Base: All DAB users (122)

In addition to the research carried out for the phase 1 consultation, Ofcom carried out some additional research in the spring of 2005 to try and help make the spectrum allocation decision and to determine the demand for further stations from listeners and the extent to which further stations could drive consumer take-up.

Objectives

The objectives of the research were to:

- Determine current DAB ownership
- Understand the attitudes of existing DAB listeners
- To determine the level of interest in DAB based on the current offering
- To determine the increased likelihood to purchase a DAB set when offered extra national stations.

Methodology

A quantitative survey was conducted by independent research agency, ICM Research, on behalf of Ofcom. 1,079 interviews were conducted with a nationally representative sample of adults across the UK using the ICM Omnibus survey. Fieldwork took place between 23rd-25th April 2005.

Results

The research began by explaining to respondents what DAB digital radio is and asked whether they already had a DAB receiver. The following description was given:

> *Digital radio is not just an FM/AM radio with a digital display. A DAB radio allows you to listen to digital radio and offers a mix of existing and new stations not available on FM/AM in digital quality with no interference. DAB digital radio sets can be bought for £50 upwards.*

11% said they already have a DAB set (at the time of the survey around 1.5m sets had been sold in the UK, assuming one set per household this would give a penetration of only 6% - these results therefore demonstrate some of the problems of carrying out research in this area)

These respondents were then asked about the benefits of DAB digital radio.

Of the respondents claiming to have a DAB set, 62% said that the availability of extra stations was an advantage of DAB digital radio. These respondents were then asked whether they would be interested in a wider choice of commercial radio stations on DAB - 44% said they would like a wider choice of commercial radio stations than they currently get and 56% said they are happy with the current offering (Figure 2).

Figure 2: The advantages of listening to DAB digital radio

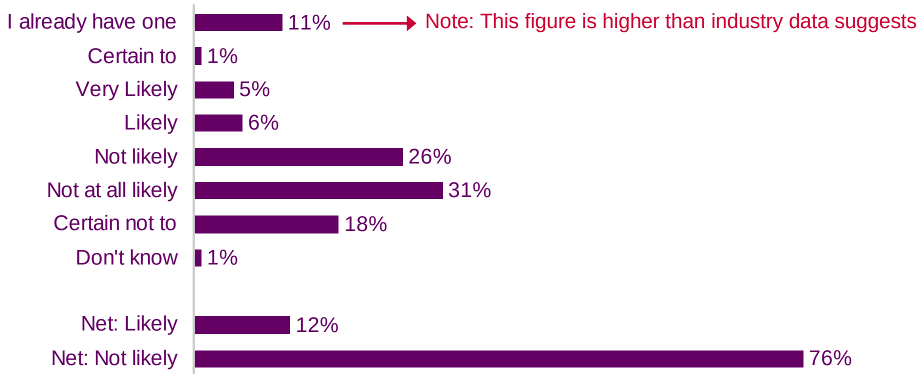
44% said they would like a wider choice of commercial stations

56% are happy with the current range on offer

Source: ICM/Ofcom.
Base: UK Adults 16+ with a DAB set (119)

Before describing the types of national stations currently available on DAB, the research asked those without DAB about their intention to purchase a set in the next 12 months. 12% of UK adults surveyed said they intended to do so – it is important to note this figure represents intention to purchase - it is not possible to say how many of these will actually go on to purchase a DAB set.

Figure 3: Likelihood to purchase a DAB set in the next 12 months



Respondents were presented with the following description of DAB: Digital radio is not just an FM/AM radio with a digital display. A DAB radio allows you to listen to digital radio and offers a mix of existing and new stations not available on FM/AM in digital quality with no interference. DAB digital radio sets can be bought for £50 upwards.

Source: ICM/Ofcom.
Base: UK Adults 16+ (1,079)

Those currently without DAB were then given a description of what is currently available on DAB and then asked about the increased likelihood of buying a DAB set based on this:

> *"One of the benefits of DAB digital is that it offers new radio stations. These include a mix of national and local stations, and BBC and Commercial stations. There are currently 5 new national digital radio stations on DAB which you can't get on traditional AM/FM radios (Core - offering "fresh hits",*

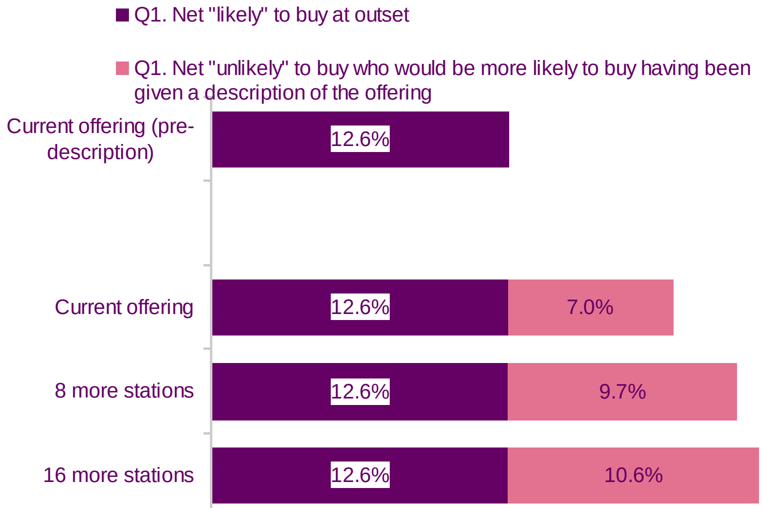
Life - "pop music", Primetime - "music for older listeners", Oneword - "plays and books", Planet Rock - "rock music")."

As the question asked was, 'does the availability of these stations make you more likely to buy a DAB digital radio?' we have assumed those saying they would be likely to purchase a DAB set in the next 12 months at the outset of the survey remains unchanged (12.6%[1]). Therefore, based on the current offering 7.0% of those who were not previously interested in purchasing a DAB set said they would be more likely to buy a set. Combined with those already showing interest this results in 19.5% of the UK population claiming interest (Figure 4).

The research then asked if the presence of a further 8 national commercial stations, in addition to those currently available, would make them more likely to buy a DAB digital radio. The percentage of those who were not previously interested in purchasing a DAB set rose to 9.7% - combined with those already showing interest this results in 22.3% of the UK population claiming interest.

When offered 16 extra national DAB stations, 10.6% of those without a set and previously not interested said they would be more likely to buy a set. Combined with those already showing interest this results in 23.2% of the UK population claiming interest.

Figure 4: Effect of more national stations on likely consumer demand



Source: ICM/Ofcom.
Base: UK Adults 16+. Note: All figures have been reprofiled to the UK population and exclude 'don't know' responses to the initial question asking about likelihood to purchase a DAB set

The results for the increased likelihood of purchasing a DAB set, based on extra stations compared to the current line-up appear to show that the more stations that are available, the more people say they are interested in buying a DAB digital radio. However, significance testing suggests the results for increased likelihood to purchase a DAB set when offered 8 or 16 additional national stations are not statistically different at the 95% confidence interval.

Conclusions

Based on the results of this research is not possible to say whether the introduction

[1] All results have been reprofiled to the UK population and exclude 'don't know' responses to the initial question asking about likelihood to purchase a DAB set.

of additional DAB stations will increase demand for digital DAB receivers.

It is important to note that it is extremely difficult to research the likely effect of further national stations (above and beyond those already available on DAB) on the take-up of DAB receivers, as:

- Listeners find it difficult to have a strong opinion about something they have not experienced.

- It is not possible to know what stations would be offered on a new multiplex and so impossible to explain to the listener what the offering would be. Without providing respondents with an indication of what these extra stations might offer (i.e. station formats) it is difficult for respondents to know whether the extra stations will offer greater choice relevant to their tastes and interests, i.e. can they find an affinity with the station.

- It is not possible to take account of any marketing a new multiplex operator and new stations would bring to the market in launching new services.