

**An Application to Ofcom to
Adjust the Music Element of the Format for**



Kix 96, Coventry

March 2005



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PRELUDE

1. STATUTORY PROVISIONS

Kix 96, based in Coventry, is seeking an adjustment to the music element in its character of service as worded on its Format. Kix 96 believes it can better fulfil its commitment under its character of service contained in its Format by a slight adjustment to its music provision in the detail.

CN Radio does not feel this change of emphasis to its music constitutes a departure from its character of service and believes that it should not need to meet the criteria as set out in Section 106(1A) of the Broadcasting Act 1990.

However, should Ofcom believe that this adjustment does constitute a departure from the current character of service, then Kix 96 happens to satisfy not just the required one criteria but two - criteria (b) and (c) apply.

Section 106(1A) of the Broadcasting Act 1990 (as amended by Section 312(1)-(3) of the Communications Act 2003) provides that:

"Ofcom may consent to a departure from the character of a licensed service if, and only if, they are satisfied that ONE of three criteria is satisfied:

- a) That the departure would not substantially alter the character of the service;
- b) that the departure would not narrow the range of programmes available by way of relevant independent radio services to persons living in the area or locality for which the service is licensed to be provided;
- c) that, in the case of a local licence, the departure would be conducive to the maintenance or promotion of fair and effective competition in that area or locality;
- d) that, in the case of a local licence, there is evidence that, amongst persons living in that area or locality, there is a significant demand for, or significant support for, the change that would result from the departure.

Provisions (a) and (b) are, with slight modification, carried over from the original 1990 Act. Provisions (c) and (d) were introduced by the Communications Act 2003 and significantly broaden the grounds on which the character of a Format may be changed.

As set out in its statutory duties and regulatory principles, Ofcom's principal statutory duty is "to further the interests of citizens in relation to communications matters; and to further the interests of consumers in relevant markets, where appropriate by promoting competition".

Ofcom is also working towards a strategic framework where it recognises that local radio has a role to play to the overall benefit of citizens and consumers. For local commercial radio, it acknowledges that stations can be more in-touch with local concerns and can help to engender a sense of belonging and connection to a particular area.

INTRODUCTION

2. BACKGROUND

Kix 96 went on air on 28 August 1990 and is licensed to serve Coventry. It is a wholly-owned subsidiary of CN Group Limited.

CN Radio purchased Kix 96 in July 2000. In the last 5 years, despite the efforts and considerable investment from CN Radio, the station has been unable to increase its weekly reach (22%) and its market share has fallen to 5.0%.

Whilst CN Radio has increased the station's revenue slightly, it significantly falls short of what is achieved by other similar size stations in the UK and indeed by CN Radio's other stations.

CN Radio believes that a change of emphasis in its music output will alter Kix 96's listener profile, which currently peaks amongst 15-24s (both males and females), and significantly improve Kix 96's audience and revenue achievements.

If Kix were able to produce an audience profile that mirrors CN Radio's other stations there would be an overall improvement in Commercial Radio audiences in Coventry and a subsequent increase in revenues.

This change of emphasis would not only comply with criteria (b) of Section 106 of the Broadcasting Act 1990 by broadening the range of programmes available but by doing so means it meets criteria (c) in that it would certainly be conducive to the maintenance or promotion of fair and effective competition in Coventry.

EXISTING MARKET

3. FORMATS

There are currently 3 stations dedicated to serving Coventry: Mercia FM, Classic Gold and Kix 96. Radio XL from Birmingham is audible in Coventry as are Heart FM, Saga, Kerrang but they are not licensed to specifically serve Coventry and the signal in the city centre is at best patchy. The existing station formats for radio stations serving Coventry are as follows:

Mercia FM

Character: *A contemporary & chart music and information station for under-40s in the Coventry area.*

Music: Current chart hits, new releases or hits up to 10 years old. Up to 25% can be over 10 years old.

Speech: More than 10%

Classic Gold

Character: *A classic pop hit-led service targeting primarily at over-40s in the Coventry area.*

Music: Predominantly 15-40 years old. Hits less than 15 years old, not more than 25%.

Speech: No more than 30%

Kix 96

Character: *A full-service music and information station for Coventry and its communities.*

Music: Roughly equal proportions of Current Top 40, Reggae/Soul and Dance.

Speech: Not less than 15%

The detail pertaining to Kix 96's Format states:

Community information, social action broadcasting and local event information form an important part of the service, and speech will not fall below 15% of daytime output.

There will be hourly news with local news at least during peak-time. National news will feature at other times.

The music will be roughly equal mix between Current Top 40, Reggae/Soul, and Dance.

Specialist music programming which complements the main music mix can broadcast during non-daytime. This must include Irish music at least five hours each week.

On reviewing these formats, it is apparent that Mercia FM and Kix 96 have similar music commitments which have maximum appeal to the same listener demographic. Kix 96 does not have the heritage of Mercia FM nor the larger listener base to enable it to effectively compete for young listeners and it will always be the poor relation to Mercia amongst 15-29 year olds.

However, not only is Kix 96's music the same as Mercia FM, it also has a 'full-service' music and information remit that Mercia FM does not. In real terms, Kix 96 is currently providing music for 15-24s but speech as per a broad format station aimed at 25-54s.

It is obvious that Kix 96 has a 'mis-match' in its music to speech commitment and believes that it is the music policy that is severely restricting Kix 96's ability to meet its obligations.

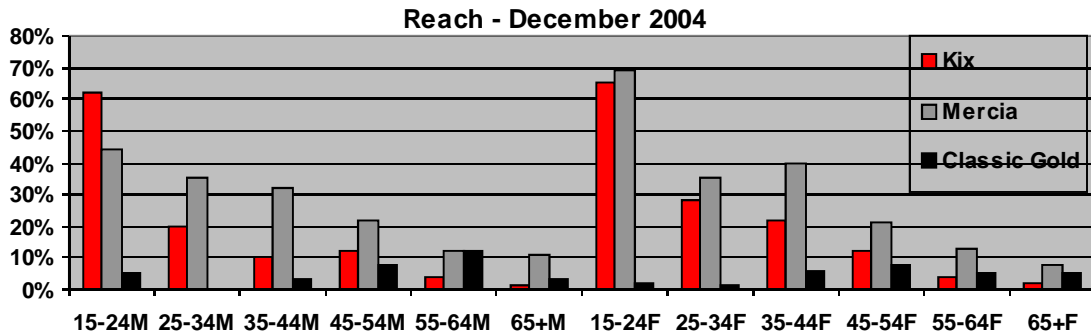
Kix 96 considers it better to alter the music commitment than to bring its speech in line with a typical youth station targeting 15-24s. This would not only take a step further towards Mercia FM but also leave an even bigger void for the citizens and consumers of Coventry in providing local news and information on and about the city.

CN Radio's success with their stations elsewhere in the UK has been the ability to weave their local stations into the very fabric of society and feel that Coventry should have its own dedicated, broad appeal music and speech station. To not provide this, would be a dis-service to the city of Coventry.

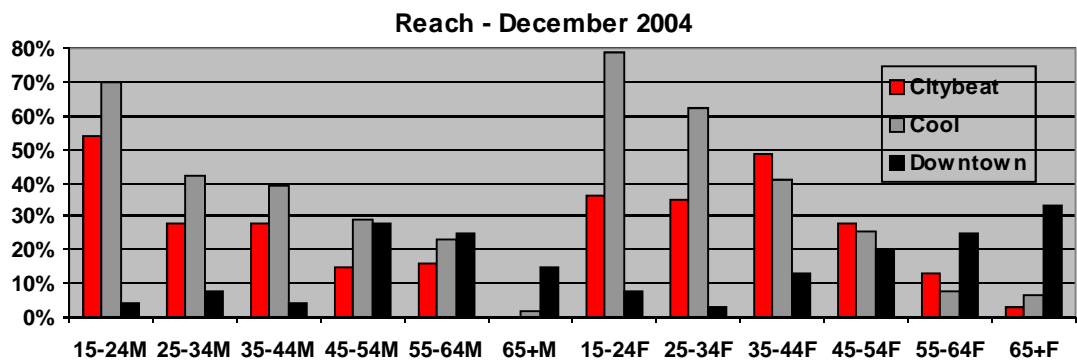
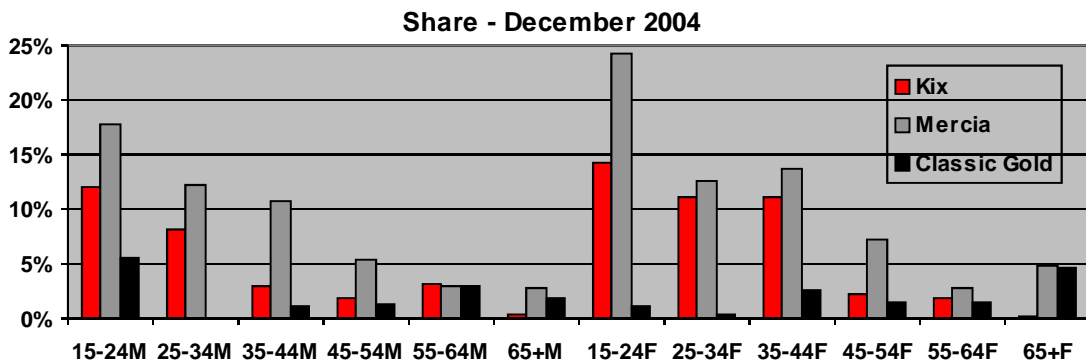
Should it be required, CN Radio believes this proposal satisfies Ofcom that the alteration will meet the criteria of both (b) and in so doing (c) of Section 106 of the Broadcasting Act 1990.

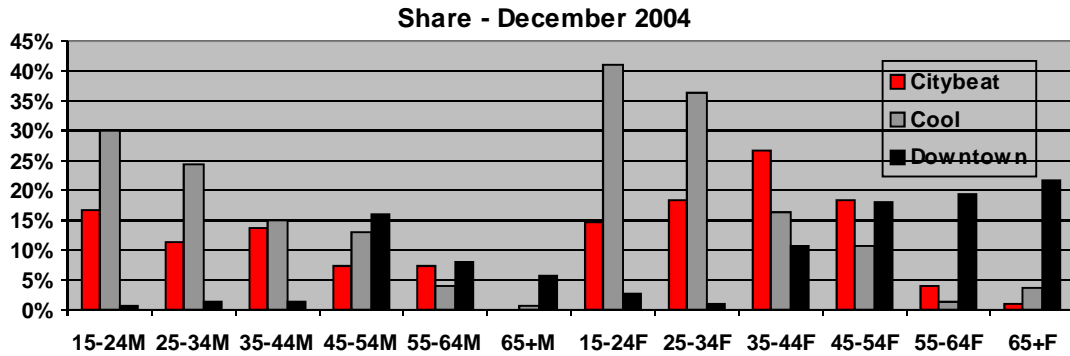
4. AUDIENCE PROFILES

As can be seen from the charts below, Mercia FM and Kix 96 are attaining the same audience profile, both being skewed towards the younger listener and female biased. It is obvious from the Formats that Kix 96 and Mercia FM are playing the same music, appealing to younger females.



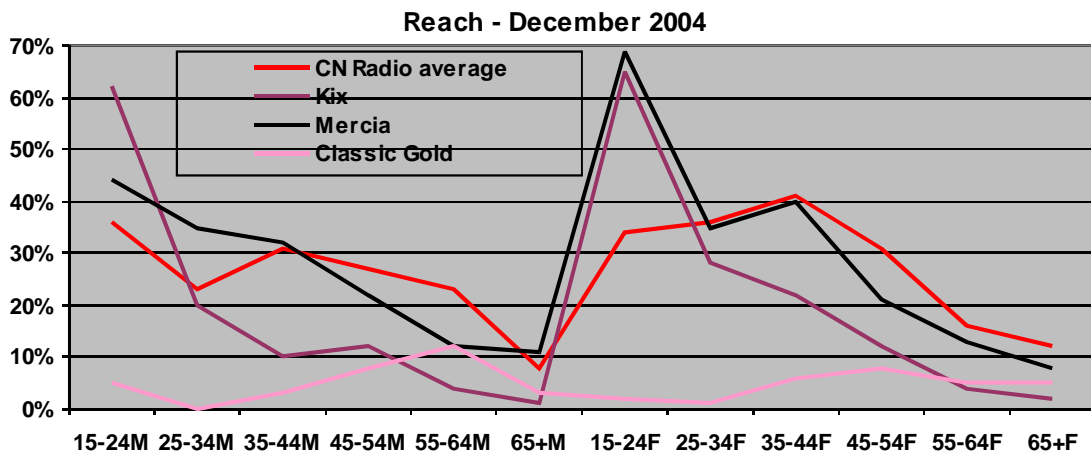
The share profiles follow the same pattern as the reach profiles – again, skewed towards the younger female. A review of the Belfast market for comparison, where Cool FM and Downtown have similar profiles to Mercia FM and Classic Gold respectively, shows CN Radio's Belfast Citybeat has managed to fit its music policy in-between Cool FM and Downtown and achieves a much greater reach amongst 35-54 year olds (see charts below & overleaf) than Kix 96 can manage.





As can be seen, Cool FM and Downtown peak in popularity at either end of the age scale with Belfast Citybeat being most popular amongst 25-54s (females).

The Belfast Citybeat Format would be a more appropriate music format in attracting a broad local audience profile for Kix 96 in Coventry. The following comparison shows the reach profiles of Kix 96, Mercia FM and Classic Gold against the average reach profile across all CN Radio's other stations:



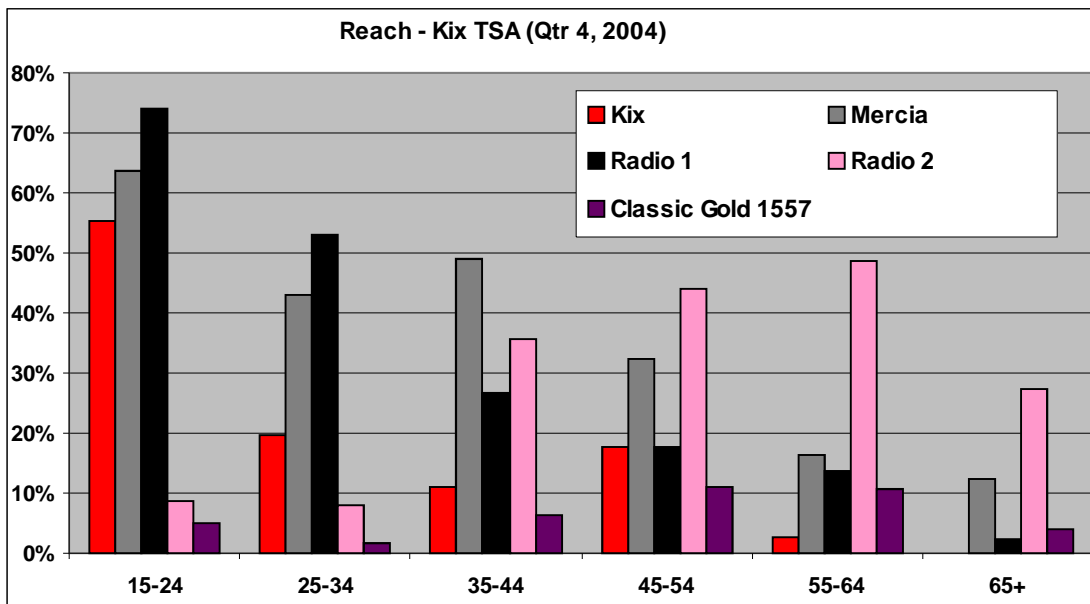
It can be seen that Kix 96's audience reach pattern mirrors that of Mercia FM amongst 15-34s but performs very poorly amongst 35+s. Whereas CN Radio stations, with broader music policies, attract much higher 35+ audiences than Kix 96 and outperform Mercia amongst 45+s.

CN Radio is requesting that Kix 96's music provision be altered to cater for an older age to stop the competition with Mercia FM. An roughly equal mix of hits from the last four decades and current/recurrent hits is proposed. It is also requested that Kix 96 drops the Irish music and focuses on being a full-service music, news and information station for all the citizens and consumers of Coventry.

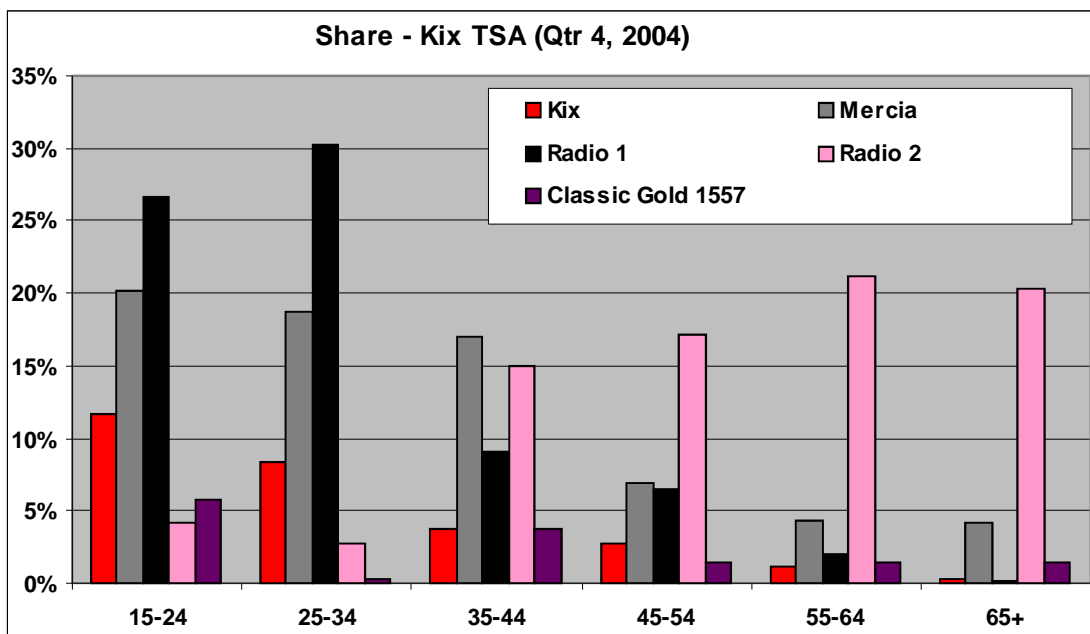
This change of emphasis in the music output of Kix 96, will seek to reposition the station between Mercia's current/recurrent pop dominated schedules and the older classic hits output of Classic Gold. Our speech content and commitment would be increased to complement the music policy and assist in attracting an older listener than presently.

A change of Format for Kix 96 would also help Commercial Radio in its fight against BBC stations which dominate listening in Coventry, particularly because of the strength of BBC Radio 1 and BBC Radio 2.

As can be seen from the charts below, BBC Radio 1 is dominant amongst 15-34s and BBC Radio 2 is dominant amongst 45+s. Whilst Mercia appears to 'own' 35-44 year olds, they are not listening to Mercia FM for long, as they are also listening to BBC Radio 1 and BBC Radio 2 as shown by the Share chart below, and dilutes Mercia's impact amongst this group.



It is apparent that Kix 96 faces stiff competition from BBC Radio 1 as well as Mercia FM, which makes it impossible for CN Radio to grow audience any further amongst the younger age groups. Conversely, the presence of Kix 96 makes it impossible for Mercia FM to attract greater listening hours than BBC Radio 1 amongst its core target audience.



Were Kix 96 to shift its target market from 15-29 year olds to 30-50 year olds, it would be possible for Mercia FM to become stronger amongst 15-34s and Commercial Radio to improve its ratings amongst 35-64s. CN Radio stations share averages amongst 30-50 year olds are considerably higher than Mercia FM's or Classic Gold's. This would also significantly extend listener choice.

NECESSITY FOR A MUSIC/FORMAT CHANGE

- Kix 96 has the same young, female listener profile as Mercia FM.
- Mercia FM complained to Ofcom in January 2004 that Kix 96's music was the same as theirs.
- Mercia FM attracts 2.3 times as many 15-34 females as Kix 96 and presents the greatest obstacle to Kix 96's listener growth.
- Mercia FM's hours are 3.35 larger than those of Kix amongst the same target but with only a 2.05 larger listener base proving Kix 96's music mix is not as attractive to young females as Mercia FM's.
- Mercia enjoys a larger audience base through attracting more older females and more males than Kix 96, primarily because of its heritage and the lack of a more mature local FM station for Coventry.
- Whilst Kix 96's audience is continually 'held' at 15-24 year olds it will not attract chief income earners (males) and main shoppers in households (older females) and will therefore remain less attractive to local advertisers.
- Local advertisers do not find 15-24 year olds an attractive audience to merchandise their wares to.
- Local advertisers currently have no other radio options than Mercia. However, Mercia has a higher reliance on national advertisers which places a burden on availability and drives up prices for local advertisers, making it prohibitive to use local radio for local businesses with smaller budgets.
- These smaller businesses would find the older female ILR listener that Kix 96 could achieve attractive and this would increase commercial radio advertising in Coventry.
- Kix 96 needs a market to 'own' in order to be successful in Coventry, this market being 30-50 year olds.
- Implementing the proposed changes to Kix 96's Format will not only assist Kix 96 in broadening its audience base to become more attractive to local advertisers but also assist Mercia FM in its plight against the BBC to truly 'own' the younger demographic, opening the door for Commercial Radio to steal the lead from the BBC in Coventry.
- Coventry needs a dedicated full-service local radio station serving a more mature audience with local news and information about the city.

EFFECT OF A FORMAT CHANGE TO KIX 96

- There will be minimal effect on Mercia FM's audience. If anything, Kix 96 will be offering 15-29 year old listeners to Mercia FM, in exchange for possible minor erosion amongst Mercia FM's 35-50 year olds.
- Citybeat flourished by taking this middle ground listener in Belfast.
- Coventry will have a dedicated ILR station for the citizens and consumers of the city, allowing Mercia FM to continue with its wider geographical remit.
- Kix 96 will have a new, broad listener base to sell in the marketplace that will be attractive to local advertisers.
- Mercia FM is part of a 'supergroup' sell within GWR (even more so when it becomes part of the larger 'supergroup' with the Capital merger) that consists primarily of national and regional advertisers rather than local Coventry advertisers - any revenue impact will be minimal.
- The proposed merger of Capital and GWR will inevitably mean a streamlining of its cost base which could potentially affect Mercia FM and its quality of local programming.
- Local advertisers will return to local radio, significantly growing the Commercial Radio revenue in the market rather than cannibalising it.
- Local advertisers will be able to afford to advertise on Kix 96 with no wastage outside Coventry.
- In order to appeal to this more mature audience, Kix 96 will increase its locally-focused speech to meet the demands of 30-50 year olds in Coventry and CN Radio would be happy to define this in the station's Format (at least 20%).
- Coventry will get a local radio station that provides local news and information dedicated to its more mature listeners in the city, leaving Mercia FM to pick up even more younger listeners as per its Format.
- Kix 96 will embrace all the communities of Coventry in its everyday programming and not segregate any one in particular.
- Kix's new Format would be attractive to BBC listeners, who currently have nowhere to turn to, other than AM, if they do not wish to hear current young pop music on Commercial Radio.
- Allowing CN Radio to change the name of Kix 96 (Kix is only synonymous with a younger generation) and to re-launch with a new format will provide Commercial Radio with the best opportunity of attracting new audiences from the BBC.
- CN Radio fully accepts that Ofcom will carefully draft Kix 96's new Format to make it clear that the station is targeting 30-50 year olds, that it will include a clear obligation towards speech to make it distinctive from Mercia FM and Classic Gold and will ensure the primary emphasis is on hits from across the eras, minimising chart music output to position the station away from Mercia FM.

CONCLUSION

Kix 96 does not feel this proposal constitutes a change to its Format, rather an adjustment of the detail of its character of service to enable the station to better fulfil its commitment to Coventry. However, if this proposal is deemed to be a change, then it complies with Ofcom's remit within the Broadcasting Act to ensure:

- It does not narrow the range of programmes available by way of relevant independent radio services to persons living in the area or locality for which the service is licensed to be provided - as it will make Kix 96 complementary to Mercia FM and Classic Gold, broadening the range of services;

In doing so, it also:

- is conducive to the maintenance or promotion of fair and effective competition in the area or locality - as the new Kix 96 will offer less direct competition to Mercia FM's core audience base and offer more choice to local advertisers.

In addition, it would:

- better serve the citizens and consumers living in Coventry;

APPENDIX 1

KIX 96 - STATION FORMAT (PROPOSED)

Licence Outline

Station Name	Kix 96
Licence Area	Coventry (as defined in Ofcom's Measured Coverage Area map)
Frequency	96.2 MHz
Service Duration	24 hours a day (at least 18 hours locally produced/presented)

Definitions

Speech	"Speech" excludes advertising, programme/promotional trails & sponsor credits and may be calculated over any four hours.
Music Percentages	Any music percentages are calculated as a percentage of the total tracks broadcast in the period specified.
Peaktime(s)	"Peaktime(s)" refer to Weekday Breakfast and Afternoon Drivetime output and Weekend Late Breakfast.
Daytime	"Daytime" refers to 0600 to 1900 weekdays and weekend output from 0800 to 1400.
Locally produced/presented	Production and presentation from within the licence area. All requirements for locally produced/presented output must include peaktime.

CHARACTER OF SERVICE

A FULL-SERVICE MUSIC AND INFORMATION STATION FOR COVENTRY AND ITS COMMUNITIES.

DETAIL

Music: The station will play a mix of adult contemporary music from the 60s/ 70s, 80s, 90s, 00s and current/recurrent hits. Current chart hits will comprise no more than 25% of music output.

Specialist Music: There will be no specialist music.

Level of Speech Content: The station is very much the voice of the area and speech will include regular local news, views and information of relevance to the area. Speech will not fall below 20% overall during daytime output.

Local Material: Community information, social action broadcasting and local event information form an important part of the service.

News: Local news will run at least hourly from 06.00-19.00 Monday to Friday and from 06.00-13.00 at weekends. At other times national news will feature.