

## **BIRTH OF A STATION: THE IMPACT OF NOVA ON THE PERTH RADIO MARKET**

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*Abstract: In late 2002 a new player arrived in the Perth radio market. This provided a rare opportunity to observe the process of radio formatting and re-branding by the major brands in the marketplace as they anticipated the impact and adjusted to the reality of a new competitor. The researchers spoke to the program directors of the key music stations at the beginning of the year, monitored the performance of the stations across the year, and returned to the program directors for their verdict at the end of what would be just the opening round of an ongoing battle. The results provide an interesting insight into the impact of competition on market diversity.*

Stream: Radio Studies

In November 2002 a momentous event occurred in the Perth radio market. In a city where there had been no major changes since the advent of FM radio in the 1980s, a new player was about to arrive. This provided a unique opportunity to observe radio formatting and programming in action – to witness how the professional players prepared to defend themselves in the light of this marketing challenge. It also provided a textbook example of the impact of greater competition on a local market in the long-running debate on whether such competition leads to greater or reduced diversity.

Perth, the capital of Western Australia is a comparatively small metropolitan centre. It has a population of 1.38 million people and is reputed to be the most isolated capital city in the world. Excluding a burgeoning array of community broadcasting stations, the mainstream radio market consists of 12 stations on both AM and FM bands, covering a range of niche audiences across the age demographics. There are 6 commercial stations owned by 3 companies. The national public broadcaster Australian Broadcasting Corporation has 5 services (one local talk station, and four national services covering, national talk, news, youth and classical music).

In late 2002 the market had become very stable, dominated by three commercial FM music stations and two AM talk stations. On the FM band Austereo's MIX94.5 was in its third year as market leader with its successful recipe of 'cruisy' music appealing to the 25-54 age bracket. Its stablemate 92.9 targeted the under 40s, positioning itself as a fun, irreverent station featuring contemporary hits. It was a solid second in the market, rating in the mid-to-high teens against MIX94.5's dominant low-to-mid 20s share. 96FM had been the first FM service in Perth in the 80s and market leader until 94.5 wrested away its mantle. Now owned by Southern Cross Broadcasters it had previously targeted the 18-44 demographic, offering a mix of modern hits and hits from the 80s and 90s. This had it running third behind the Austereo services. The two local AM talk stations (6PR owned by Southern Cross and the ABC's 720) had for years jockeyed for fourth position in a music-dominated market.

That was then. Suddenly Nova Radio arrived on the scene with its eyes firmly set on the youth segments of the market. Two decades of relative complacency disappeared as all the players contended with the challenge posed by the brash interloper to their audiences and hence crucially to their revenue.

Nova is run by the British-based DMG company which had made an aggressive and carefully planned entry into the Australian market in 2001. In April of that year it had launched a youth music station in Sydney and had performed solidly in its target demographic of 18-24 year olds. When it launched Nova in Melbourne in December of the same year it shocked everyone by registering first amongst 18-24 year olds in its first survey, though this performance wasn't maintained in subsequent surveys. Now Nova had its sights set on Perth and each station was having to develop a strategy to protect its turf.

It is the role of the program director to know the market and each program director was quite clear about the challenges to be faced.

### **Tactic 1: Going younger**

For the market leader MIX94.5 the key tactic involved preparation. It had had almost a year to prepare for Nova's launch and it used this time to carve out its territory quite precisely. MIX94.5 knew that Nova wouldn't threaten it directly at the older end of the market, but it also anticipated that 96FM would be a key target for the new station and it was concerned that 96FM may, in turn, react by eyeing audience segments that buffered MIX94.5 and its sister station 92.9. As a defensive strategy, MIX94.5 decided to go younger to shield itself against any offensive move into audience segments considered part of the territory of the Austereo group.

There's not enough room for 3 FM stations plus Triple J down in the younger end of the market. We knew 92.9 would change because that's our sister Austereo radio station, so we knew clearly where 92 was going to position itself. We knew where Nova was most probably going to position itself and that was in that under-40 market. So we knew 96FM would have to move and we didn't want it to move in between MIX94.5 and our sister station 92.9, so therefore we slightly manoeuvred MIX94.5 to become just a fraction younger in our target audience. That way we closed in a gap so that 96 FM couldn't move into the middle of us.

(94.5)

PD/03)

By reacting quickly and going younger MIX94.5 effectively stole the march on 96FM, which had not been as canny in taking advantage of the lead time before the launch of Nova.

**Tactic 2: consolidation**

92.9 was the station most clearly in the new station's sights, its main rival in the under 40 audience group. Here too the station used the lead time to prepare the ground, learning from the experience of what had happened in the eastern states:

When Nova started out in Sydney it was all very new. That was the first time a serious player was threatening the Austereo network. We actually learnt from a lot of those lessons through two stuff ups, one in Sydney, one in Melbourne. That better prepared us to put a plan in place, a strategy in place to create the least damage for the start up of the new station.

(92.9)

PD1/03)

For the program director it all came down to a battle over the Breakfast shows. One thing it could rely on was its own track record:

Compared to Nova we're much more advanced in terms of the product. It's been on the air longer, even though it's had a run of lots of programmers and people chopping and changing over time. It is a much more evolved product, you only have to listen to know that.

(92.9)

PD1/03)

He was relaxed about any short term spike in Nova's ratings early on, and was confident the market would simmer down once some of the gloss came off the new station:

Lessons learnt from previous experience in the east are that this radio station will go through a honeymoon period, it will attract a lot of listeners because it is new. It can do anything it likes basically to create market noise and it will have the attention of just about everyone that is a user of commercial radio. That's what we do know, and that's what's happening. What we also know is that it comes down over time, once everything settles, once it's known. Every day that goes by Nova gets older and it's not as new, therefore that honeymoon newness each day quietly falls away. We predict in 6 – 8 months, maybe even a year, they will just become part of the landscape, the commercial radio landscape. The battle lines will be with breakfast and the music.

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(92.9)

PD1/03)

**Tactic 3: going older**

There was a poignancy about 96FM's position in that in many ways it was fighting itself. At the beginning of its demise from a 'fortress' radio station in the mid-90's, 94.5 moved into its territory, taking over its format and even some of its announcers, in particular its longtime and popular breakfast presenter who now occupied the same slot on MIX94.5. This left 96FM in the position of trying to win back its ex-listeners, many of whom associated the station with its former more youth-oriented self. Convincing them that it was a mellower, more mature station now was a big ask. The station was further hampered by a lack of the marketing dollars that prevented it from going head to head with its main rival with a highly visible media campaign. For 96FM its heritage was both a blessing and a curse, involving a delicate balancing act between old and new:

People obviously don't want to live in the past. We need to let the top end of the market know that we – 96FM, your radio station - did all these incredible things and we are still going to do them for you in the future. We are still doing them. We've looked at ways to try to say that without living in the past and kind of banging the chest about that. That's a bit of a tricky one.

(96FM)

PD/03)

The fact that it was a longstanding feature of the Perth market might give it the edge over eastern state interlopers:

We want to be a very locally, community-minded Perth Radio station. We call ourselves 100% Perth. We have got our name and logo on all the major things that are moving and shaking in Perth. Those things are important, but they don't get you an audience. They make people feel it's a Perth radio station. The other two radio stations are driven by the eastern states regardless of what they will tell you, certainly Austereo's 92.9 and MIX94.5 are carbon copies of FOX and 2-Day, their sister stations in Sydney.

(96FM)

PD/03)

Like 92.9 it was a contemporary hits station targeting the 18-24 demographic, but as the weaker of the two it faced the greatest threat from a fresh new player. It was also hampered by not having the resources to match those Austereo and DMG would put into high profile ad campaigns. Its tactic was to get out of the line of fire. Through a careful and gradual redefinition of the 96FM brand over several months it tweaked the playlist towards a slightly older audience.

We basically redefined the [play]list and we put in the things that we think through our research will hit the mark for the new target audience. We did it

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with a lot of care and caution as we tried to hold on to the audience that we had at the time, and I think we had 11.8%. We obviously shed some 10–17's and 18–24's who immediately went to Nova, but we managed to keep 15% of them, which keeps our overall numbers up.

(96FM

PD/03)

In the 'battle of the breakfasts' 96FM opted to go for change, replacing the existing team with an untried new mix which would have one year to prove itself.

Of all the stations, 96FM was perhaps in the weakest position, its survival dependent on how successful it could be in winning audiences over from the all-powerful MIX94.5. The program director was fully aware of the major task ahead:

Trying to change people's perception of what they have in their mind about what 96FM is, and for a lot of people in Perth, 96FM is still a station that plays girly pop music, Madonna and dance music. We don't do that at all. That's going to be a difficult, long march for us.

(96FM

PD/03)

#### Tactic 4: **waiting and seeing**

For Triple J, the ABC's nationally networked youth station, the vision was more long range. The station manager, newly appointed at the start of 2003, was concerned less with movement in any single market than with overarching trends which had indicated a gradual loss in Triple J's audience over the years. The ABC's own research was showing there were a number of variables contributing to Triple J's diminishing impact on its target market apart from fresh competition by new entrants to the national marketplace. There were indications that changes in the way younger audiences satisfy their music and entertainment needs could be a factor, in addition to the perceived staleness of the product.

We know that the 18–24 demographic has changed in the way that it approaches [using radio] - particularly in the way that they find out about new music. In the past the number one way they found out about music was on radio or by radio. Now we know that they are using the Internet increasingly for that. So that needs to influence the way we look at what we do and what we are in their lives.

(Triple J

Manager/03)

The station also faced the challenge of balancing a younger demographic with previously youthful listeners who were staying with the station as they matured:

I think there's probably a feeling amongst the 25 – 39 year olds, which are the next demographic above our target demographic, that there really isn't necessarily a radio network or local radio station that is servicing their needs. So, despite the fact that they might not like our music, they like our attitude, they like our style, they like the feeling that they are kind of young and hip and with it, even though as I said our music might be challenging. So, yes they are still hanging around because there is really nowhere else to go, but what our challenge is, is to make sure that we're relevant to our listeners of tomorrow that are fifteen now and keeping them for the next ten years.

(Triple J Manager/March

03)

After having taken a battering by new Nova stations on the eastern seaboard, Triple J management recognised at the outset of 2003 that the network would need to engage in a major audience renewal exercise if it was to regain audience support. It also had internal ABC pressures to consider. As a matter of corporate policy, the ABC was uneasy about the demographic profile of Triple J as it related to other stations in its stable. The ABC's charter requires it to provide a comprehensive broadcasting service and also to avoid internal competition amongst its own networks. It did not want its youth station to be competing in the older demographics that were adequately served by its Local Radio network. Where other stations had rushed to be ready for Nova when it arrived, Triple J adopted a more measured but no less radical approach. It embarked on a comprehensive overhaul of its music base, its on-air talent and how it positioned itself in the marketplace.

As a result during the course of the year Triple J significantly down-aged its product. A new music director undertook the major task of refreshing its music library to serve specifically the tastes and preferences of its primary demographic target, it re-focussed on its commitment to Australian music, it removed 'heavier' current affairs elements from its programming, particularly in its morning slot, it eliminated its state reporters, it revamped its afternoon and Drive programming, selecting personalities that would appeal to younger demographic profiles.

### **Tact 5: carving out a new niche**

So how did the newcomer Nova approach the challenge of capturing a new market? The station could almost be defined as a franchise given its pre-existing brand, as the program director acknowledged:

Nova has some very clear brand values which are a common thread between the three stations, and as more come on line they will be very much the same in that essence as well.

(Nova

PD1/03)

It planned to position itself as the cheeky newcomer who was outside the mould of traditional music stations.

We'd rather be the underdog and we always will be. We laugh at ourselves. Radio stations are so serious and very, very clinical inside themselves and 92, 96 and 94 do a great job but we just do it differently and we just laugh at ourselves more than anyone else with the audiences part of laughing at us.

(Nova PD1/03)

It was fully focused on the youth end of the market, the 18-34s:

The way the market is playing out now you have got too many people fighting over a similar audience and MIX is out there on their own and they will continue to do that for a long period of time until somebody moves their format, and it won't be us. That's a very clear thing, our brand is very important to us, our brand values, our nationwide sell, our nationwide image is important to us so we wouldn't go and make one Nova target a 40+ listener. We would certainly be keeping it down near the bottom end there.

(Nova PD1/03)

It used two tactics, first eclectic music, and second fewer commercials:

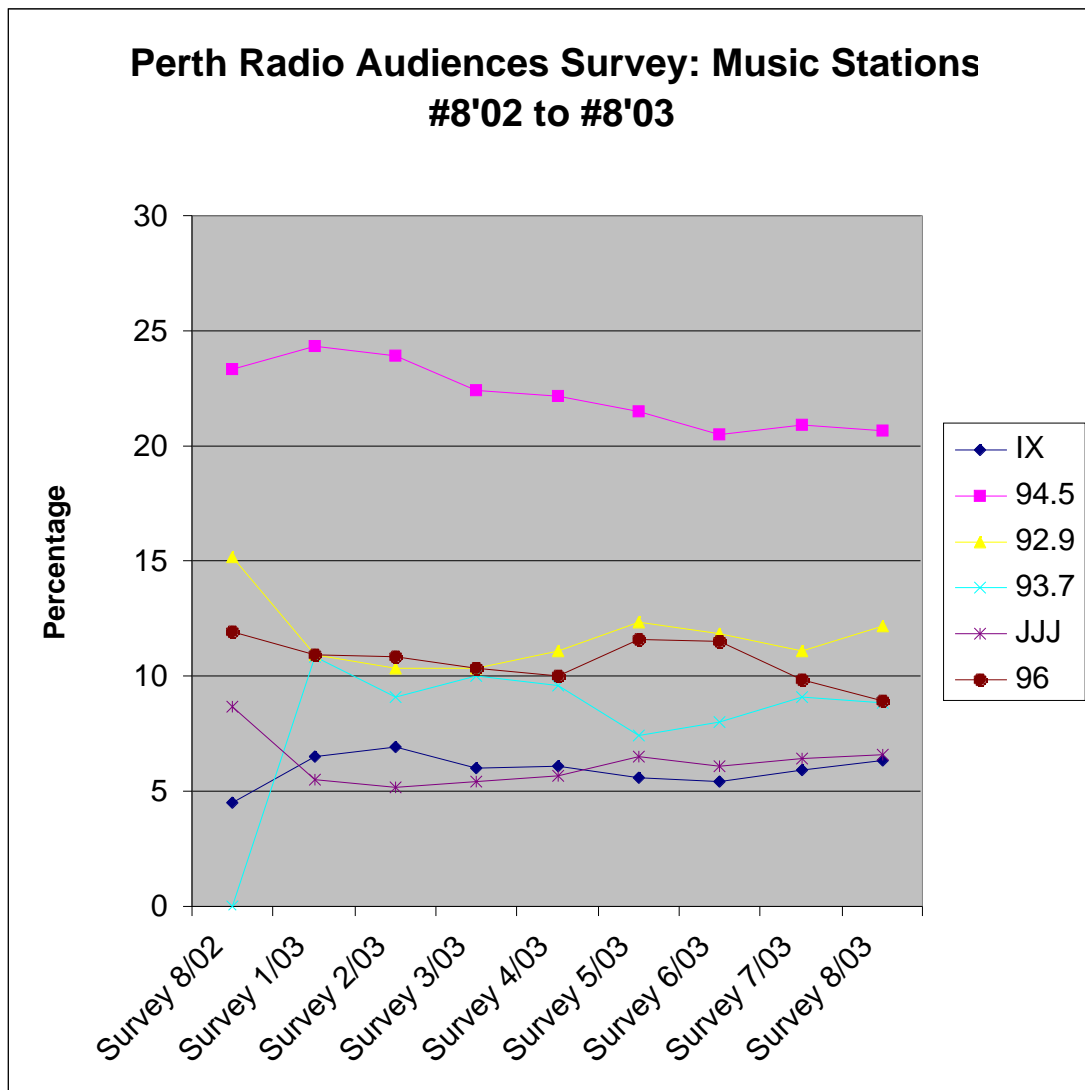
We take the way traditional radio does things and we try and turn it totally on its head. We're not talking about going left of field or too far to the right. We're talking about living within guided parameters for us with our programming knowledge and our musical ears, but at the same time we've got to stretch the boundaries a little bit. We sound different and we never play more than two ads in a row, that's a huge fundamental difference. For a commercial radio station to say we're not going to play anymore than eight commercials in an hour, that's quite a statement to make.

(Nova PD1/03)

### **The first year**

In the all important battle of the ratings how did the stations fare in 2003? Figure 1 shows their comparative performance across the year starting at the end of 2002 before Nova's arrival.

Figure 1



The figures show that like its sister stations Nova started with a bang – winning the all-important breakfast slot in the 18-24 demographic in the first ratings period. It carved its initial audience (10.8 of total market) largely from the 10-17, 18-24, and 25-39 audience shares of Triple J, 92.9 and 96FM. It gained a substantial share (24%) of the 10-17 demographic in the first survey, largely at the expense of 92.9, 96FM and to a lesser extent Triple J. In the commercially significant demographics of 18-24 and 25-39, Nova's share (30.8% - highest amongst all stations) wiped 13.8% from Triple J's 18-24 demographics and 10.4 from 92.9, while its 13.6 share of the 25-39 segment was largely at the expense of 92.9 and Triple J.

Comparing survey 1/2003 with survey 8/2003 (all 10+ listeners) several trends emerge.



First, Nova has caused some fragmentation of the 10-39 demographic. From a high of 10.8 it has trended down to 8.8, but it continues to draw its audience mainly from listeners who in the past listened to 92.9, 96FM and Triple J. This market break-up has had a flow-on effect to the AM talk stations, especially 720ABC Perth which has gained significant ground in station rankings during the year.

Second, there has been a gradual trending down of MIX94.5, the market leader. During the first half of the year it appeared that 96FM's strategy of trying to capture some of the MIX94.5 demographic in 18-39 and 40-54 age groups was working. For example MIX94.5 lost 5.4 percentage points in the 25-39 demographic overall in one year which was bound to be of concern to the station. However 96FM might not have been the sole factor: it is possible that the AM talk stations, principally the ABC's local station 720, may have gained at MIX94.5's expense as well. While MIX94.5 has lost 3.6 full percentage points from its overall audience over the space of a year it nevertheless remains a fortress in the market, retaining its formidable lead with an average in the low 20's and a secure hold on its 30+ female target audience. By this measure 96FM's strategy to attack MIX94.5 demographics cannot be seen to have been a success.

Third, Triple J is trending upwards, with its reformatting strategy helping it to regain some of its audience.

Fourth, the two biggest losers are 92.9, who over the space of 12 months has lost 3 full percentage points of its total 10+ audience, and 96FM who has lost 3 full percentage points of market.

The advent of Nova therefore resulted in a reshuffle in the market as the main players sought a more precise niche and refined their target demographics. It also brought in its wake a fair number of casualties both on and off air. Even though radio is a fairly volatile environment at the best of times the ruthlessness of the competition is reflected in the following list of changes:

- Nova – new program director, new breakfast line-up
- 96FM – new breakfast lineup
- 92.9 - new program director
- Triple J – new lineup and format

Of all the stations only the market leader MIX94.5 had the same team at the end of the year that they had at the beginning.

By the end of 2003 the battle lines were now more clearly drawn. The bunching of stations had solidified into two tiers with MIX94.5 and 96FM targetting the upper demographics and 92.9 and Nova vying for the younger end, with Triple J focusing on a target audience of 18-24 and anticipating additional appeal in the 10-17 and 25-29 segments.. So how did the program directors view the year to come?

## **Looking ahead**

92.9

Despite its overall drop in the 10+ market 92.9's new program director was positive about the station's overall performance in relation to its main target:

The year was very successful for 92. It came down to survey 8 of last year which saw 92 number 1 in 'all people under 40', number one 'females under 40', securing those predictions that the program director made last year.

(92.9 PD2/04)

The challenge was to maintain this supremacy when there were four stations in the market with their eyes on the same prize:

You are looking at four radio stations all playing the same sort of songs so it is almost a flicking around and whatever has the best song at any particular time is the station which wins that particular moment.

(92.9 PD2/04)

All radio stations were having to fine-tune their products to focus on a particular sliver of the market and while 92.9's aim was to dominate amongst the under 40's, it was impossible to predict at the start of the year who would emerge the victor by year's end:

I think it's a volatile market, probably one of the most competitive in the country, so I think the only constant in this market is change and we will be doing everything we can to hold on to our under 40 audience as no doubt Nova will try to grow theirs. It is really difficult to know where we are going to end up at the end of the year and this far out it would be very difficult to make a prediction, I think.

(92.9 PD2/04)

#### 96FM

For 96FM, Nova had always been a catalyst, triggering the real turf war between itself and MIX94.5. Its breakfast team was the main casualty, being dumped at the end of 2003 after failing to make rapid inroads during a one-year trial run. By the new year the station had completed the transition to a classic rock format targetting the male 25-44 demographic which it believed was not catered for by its main rival. With a new breakfast team in place the first survey of 2004 showed signs that it was beginning to have an impact on its target audience, coming first in the 25-39 bracket. The program director predicts the main movement in the coming year will be at the younger end of the market as Nova and 92.9 tussle over the 10-17's and 18-24's, but he doesn't forecast any big change in 2004:

I don't think there will be any major shifts. I don't think you are going to find any station changing format or anything like that. I think it will be fairly stable.

(96FM  
PD/04)

MIX94.5

MIX94.5 emerged the clear victor, its performance exceeding the expectations even of its program director. It sees itself as above the fray, succeeding with a proven formula, and, looking ahead, the program director is circumspect in relation to further growth:

With increased competition in the market and very hungry radio stations who will do whatever it takes to get a chunk of the advertising revenue I don't see MIX growing much more than where it is now. We are still above expectations for where we will probably end up settling at some point.

(MIX94.5PD/04)

However the battlelines have shifted:

It's not a matter of just adjusting to Nova now, it's a matter of adjusting to 96FM. Whenever a station moves its targets the other stations can just sit there or they can react. We will strategically make changes to shut another mover down wherever we can as much as possible.

(MIX94.5PD/04)

Triple J

After a year of significant experimentation for Triple J there are indications that its format changes are having an impact, according to Triple J's program director:

While we can't compete with the massive advertising spend of our competitors and indeed have a philosophy that listeners should be earned, not bought, our listener base nationally has show some very positive signs. There is an excitement about the station and what we stand for ....more so than in previous years ...

(Triple J PD/04)

The down-aging strategy has begun to have an impact in Perth with the network showing a steady recovery of listeners from Nova in the local market in the second half of the year.

NOVA

Nova after one year still feels like the new kid on the block. It has a new program director but the vision hasn't shifted from the original one of attempting to break the tried and tested moulds that have defined music radio for the past thirty years. Having achieved the goal of being first in the under 24 market the target now is the under 40's. According to Nova's program director, the market is still settling down:

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A lot of stations have moved in the last year and it takes a while for that to set into people's minds that the station that used to be there isn't any more, so they'll start flicking around. However I think [the market] will probably be more stable than last year.

(Nova PD2/04)

Nevertheless the competition is just as fierce:

When it comes down to it is a war and everyone's fighting for their own turf and it is a very competitive market. It is all about challenging ourselves. If it was easy it would be very boring

(Nova PD2/04)

### **Conclusion**

The battle in the Perth market during 2003 provided a textbook example of radio marketing and branding. As noted earlier, before the arrival of DMG Perth's radio market was dominated by two commercial players, Southern Cross Broadcasting and Austereo, each owning two stations. These stations were formatted carefully to minimize internal competition and maximize external impact, The ABC's Triple J was expected to maintain its position at the alternative fringe. The entry of a third commercial player upset this longstanding equilibrium. The behaviour of the key players was entirely predictable - as Wilby and Conroy (1994) point out:

If a rival station were to set itself up to target one specific group of listeners, or one of the existing stations were to break ranks and decide to broadcast in a determined, branded way for a particular niche in the listening market, there would be pressure on the other stations to follow suit or risk losing their audiences. (38-39)

Nova's arrival put an end to the relative complacency existing across the spectrum of Perth music stations. The greatest turbulence nonetheless has been felt by those targeting the lower ends of the demographic scale. Nova set its sights firmly on the younger end of the market and successfully challenged Triple J's territorial claims as the only station with 'attitude'. It won a swag of listeners over with its brand values of fun, irreverence, and to some extent a less 'commercial' alternative for the younger demographics. Nevertheless, the appearance of Nova has not resulted in greater content breadth and diversity in the marketplace. In essence, there are now more competitors occupying a market segment with finite retail and national advertising dollars available. The advent of Nova has led to a profit squeeze amongst stations competing for advertising dollars in the younger demographics and it is not unreasonable to predict that some of the players may impact on the longer term profitability of some of the players. Conversely, 94.5's status as a fortress in the marketplace, with no serious competition in music radio for its target demographics, allows it unfettered access to baby boomer advertising dollars.

While the advent of Nova has led to a jockeying for position amongst the most of the major players, the result has not been greater breadth and diversity in programming. The commercial realities of mainstream radio are summed up by Berland (1993):

Radio produces difference through format competition, but only that which is demographically and administratively profitable. (p. 113)

As David Hendy (2000) notes this reliance on converting audiences into advertising dollars means that

Even if more spectrum is made available for more radio stations in a particular region, and there is some diversification of output within companies in order to stop them from competing against themselves for the same listeners, most companies will replicate the same package of 'diversity', if only because they – and their audience researchers – will mostly identify the same range of tastes and demands. (p. 34)

The result is that:

Instead of a *fragmentation* of the traditional mass audience into an infinite variety of separate niches – the 'promise' of diversity implicit in the deregulation of the 1980s and early 1990s – most of us are now being 'packaged' into slightly more widely defined categories: a process of *market segmentation*. (ibid, p. 41)

While Hendy was referring to the British and American experience, Collingwood's 1997 study of commercial radio in Australia showed that similar trends were observable here even then (1997, p. 25). So in Perth 2003 we witness what S.J. Douglas (cited in Hendy 2000 p. 26) refers to as 'hairsplitting' of popular music formats into smaller and smaller sections: different ways of slicing the one contemporary music cake to appeal to audiences atomised according to more specific and precise age and gender groupings. The result is 'a fairly small range of predictable mainstream formats offered by a few large companies.' (ibid, p. 31)

On the figures, Nova in its first year cannot be considered to have achieved a large measure of success. While it caused market fragmentation at the lower end of the demographic scale (10-39) and, therefore, increased the competitive pressure of stations operating in that market, it now lies at the bottom of the commercial players in that market with 8.8% compared to 92.9's 12.2% and 96FM's 8.9%. Triple J's 6.6% is still 2 full percentage points below that of pre- Nova days. However in radio the war is never over – the battle is ongoing as one ratings period follows another. Even for the winners the fight continues. In the words of MIX94.5's program director,

You're only as good as your last survey result, that's the way I look at it here.

(MIX94.5 PD/04)

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