6.

Following the Money

For the real scoop behind almost any story, take Deep Throat's classic advice: Follow the money.

That's what Audience 98 does in these next two reports that examine public radio's listener-sensitive economy.

Most giving and underwriting flow into the economy through a small number of conduits – public radio's major programming. Two channels dominate: *Morning Edition* and *All Things Considered* together generate almost a third of all listener support and over half of all local underwriting.

But that's only part of the story. By linking listening to giving in a statistically significant way Audience 98 uncovers a deeper meaning for these numbers.

The money trail loops through many aspects of public service and public support, making connections that aren't obvious in a cursory examination of the public radio economy.

Only by following the money can we really understand that economy. And only by acting on what we understand can we influence our financial future.

Public Service Begets Public Support

Public radio is nearing a major economic milestone. Maybe this year, maybe next, over half of its revenues will come from listener-sensitive **public support** – i.e., the people who listen to it and the businesses that underwrite it.

At that point, public radio will enter a new phase in its **public service economy**. It will continue to draw upon a mixture of funding sources, including licensee and tax-based subsidies. But unlike today, more than half of its revenues will be listener-sensitive and **under its direct control**.

This self-reliance brings to the fore our ability to generate public support – actually three skills combined:

1. Our ability to provide programming of significance.
2. Our ability to reach a significant listening audience.
3. Our ability to convert public service into revenue – into public support.

The P-Factor

Our ability to provide **significant programming** to **significant audiences** is the definition of "public service" (explained at length in previous AUDIENCE 98 and other reports).

In other words, **public service** happens when program directors create services that are both **heard** and **valued** by their communities.

We call this the **P-Factor** – with "P" standing for **public service**, the **programming** upon which it is founded, or the **potential** that it offers for development – take your pick.

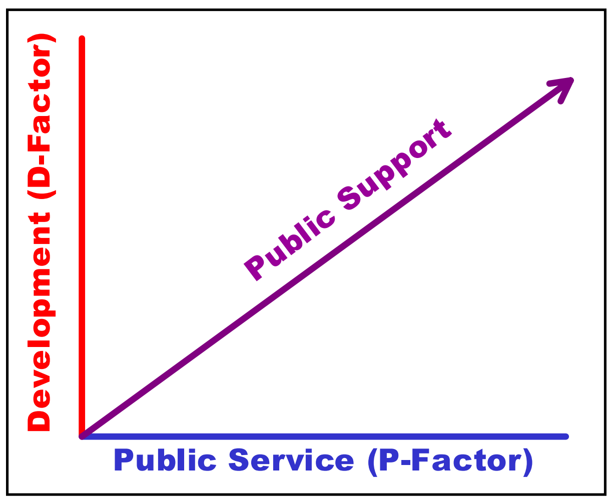
The D-Factor

The potential for public support lies latent until development professionals convert it into listener and underwriting income.

The effectiveness of this conversion is called the **D-Factor**, with the "D" standing for **development effectiveness**, **development professionals** who make it happen, or their ability to **deliver** on the potential – again you can take your pick.

When multiplied together, the P- and D-Factors yield **public support**.

By linking public support to the programming that causes it, AUDIENCE 98 diagnoses how well the two factors interact today and suggests how they might better interact in the future.



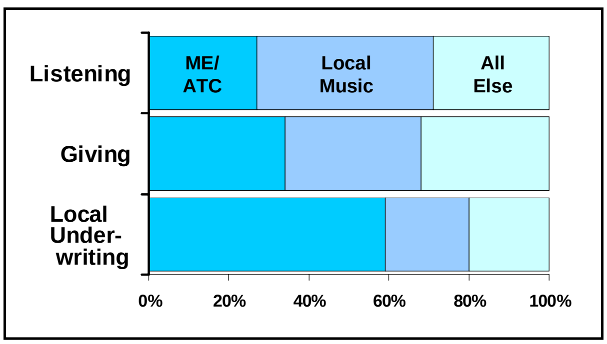
Public support is the product of our public service (P-Factor) and the effectiveness of our development efforts (D-Factor).

Public Support of Programming

Listeners gave $140 million to public stations in FY 1997; underwriters gave between $60 million and $75 million.

Morning Edition and *All Things Considered* (the seven-day shows) generate 34 percent of all listener support ($46 million) and 59 percent of all local underwriting income (between $35 million and $44 million). Yet they account for only 27 percent of all listening.

Compare this to locally produced music programming, which occupies the bulk of many stations' schedules. It generates almost twice as much listening to public radio as NPR's newsmagazines, yet it yields only slightly more listener support ($48 million) and far less underwriting revenue ($12-$16 million).



Gross Value to Listeners

The explanation for music's lower listener support is simple. **Local music is less valued** than *Morning Edition* and *All Things Considered*.

Local music generates a lower return per listener-hour (1.1¢ vs. 1.8¢) which, as discussed in The Value of Programming, is a proxy for the value they place on it.

Listeners also consider local music less personally important; that is, they are less likely to say it's "…an important part of my life; I'd miss it if it went away."

If we could make local music more important to listeners, not only would we provide a greater public service, we'd also earn more support.

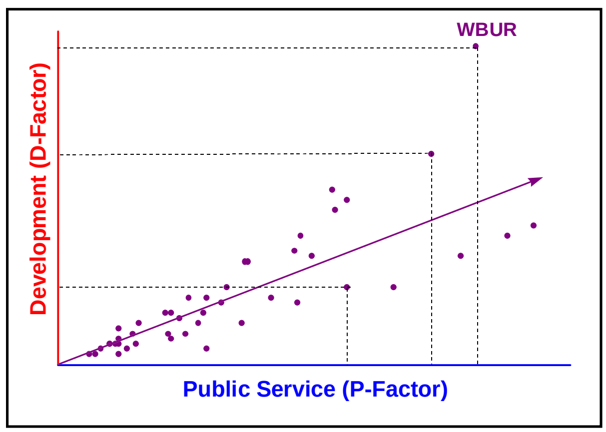
Gross Value to Underwriters

The explanation for music's lower underwriting support is not as evident, although evidence points to the D-Factor.

Given their levels of public service, the underwriting potential of local music dayparts is far higher than we are realizing today.

Indeed, this potential exists across **all** dayparts. Stations currently bill 1.7¢ per listener-hour for spots aired in NPR weekday newsmagazines. In contrast, they bill an average of only 0.6¢ for **all** other programming.

If stations' sales staffs pursued strategies to underwrite all programming at the same level



This graphic shows how the P- and D-Factors interact. Stations are plotted horizontally by a key component of their public service (listener-hours per year). They are plotted vertically by the effectiveness of their development efforts (financial return per listener-hour). The larger the box defined by the station's point, the greater its public support (in dollars per year).

The arrow shows the system average of 2.2¢ per listener-hour – 1.4¢ from listeners, 0.8¢ from underwriters. A station's appearance above the arrow suggests a strong D-Factor – i.e., development is converting public service into public support at a higher rate than the system average; appearance below the arrow indicates a weak D-Factor.

as *Morning Edition* and *All Things Considered*, they would more than double their annual gross sales – from an estimated systemwide $60-$75 million to roughly $140 million.

Such a goal **is** possible: leading stations perform at this level today. Achieving it would have a profound affect on the public service economy:

- At $140 million, underwriting would tie listener income as public radio's single largest source of revenue.
- Even if it costs 20¢ to earn each new dollar, the net could replace public radio's current federal appropriation.

That's with no change of programming or increase in listening – just a systemwide strengthening of the D-Factor as it relates to underwriting.

An Ecological Balance

The components of the public service economy work together in a delicately balanced ecology. And in such a system, "you can't change just one thing" (as the Zen master once said).

Strengthening the D-Factor might involve adding more underwriting spots or airing higher profile messages. Yet givers say they'd be less likely to send money if on-air mentions of business support became more annoying.

Whether they will deliver on this threat is unknown. But – like the possibility of global warming – it's a specter of damage that must be taken seriously.

Programmatic symbiosis offers another example of interdependence. Some programming survives only because other programming exists. For instance, national news generates a financial surplus at most stations. Some stations feed the surplus to their local news endeavors; other stations use it to nourish their music programs.

As we evolve to meet the challenges of a harsher media environment, we may have to weigh the benefits of symbiosis against its cost. There **are** benefits. But unless we manage them – both locally and nationally – extinction may face programs that cost more than they return in public service and support.

The balance is ours to maintain or lose.

The responsibility of self-reliance carries with it the privilege of self-direction. Many decisions were made for us in the old subsidized economy. Our mature, public service economy places these decisions – and our future – squarely under our control.

– David Giovannoni
– Leslie Peters
– Jay Youngclaus

Financial Maturity

Fed on the milk of tax-based money in its infancy, public radio has grown into a more substantial and sustainable diet.

It is most nourished today by the listeners it serves. Businesses render sustenance as well. Many parent institutions still contribute to the welfare of their adolescents; but increasingly they're asking their offspring to contribute to **their** well being.

Maturation Milestones

- 1988 Tax-based subsidies account for more than half of public radio's revenues for the last time.
- 1990 Individual giving eclipses federal funds distributed through CPB.
- 1992 Business support eclipses federal funds distributed through CPB.
- 1994 Audience-sensitive income eclipses all tax-based subsidies combined and becomes public radio's largest revenue source.
- c. 1998-9 For the first time audience-sensitive income generates more than half of public radio's revenue.

– David Giovannoni

The Value of Programming

In studying the relationship between listener-sensitive income and public service, AUDIENCE 98 developed these **major concepts**:

- The financial value that listeners place on public radio's programming directly reflects the personal value they place on it, its importance in their lives, its significance to them, its reflection of their own social and cultural values.
- The financial value that underwriters place on programming reflects their desire to reach the people in the audience.
- The gross return that stations realize on programming directly reflects the public service it provides.
- The net return that stations realize on programming is the difference between the income derived from listeners and underwriters minus its cost.

Those concepts are supported by this report's **major findings**:

Listeners place the highest value on news and information and the lowest value on locally produced music. The simple ranking across all stations is:

- NPR News programs – especially *Morning Edition* and weekday *All Things Considered*
- *Car Talk*
- Other National Public Radio and Public Radio International news, information, and entertainment programming
- Locally produced news and call-in programming
- Classical music – locally produced and acquired
- Other locally produced music
- Underwriters place the highest value on NPR News and Information programming, *Car Talk*, and PRI's *Marketplace*

Those findings indicate **major ramifications** for public radio's public service:

- Responsible public service demands maximizing the value of programming to listeners. Responsible management demands balancing the expense of that programming against its return.
- Not every program offering must "pay for itself;" it can be supported from the surplus generated by other programming. Management's task is to maintain and enhance the station's public service by balancing incomes against expenses across the entire program schedule.
- The price that national program producers and distributors can charge stations for programming is firmly rooted not just in its intrinsic value, but increasingly in the financial return it offers stations.

What is Value?

"Value" is a rich word with many meanings. Here are two:

Financial value is the price someone is willing to pay for something.

Personal value we know when we encounter it. Because it's personal it has no universal definition. However, in the relationship between radio programming and the people who listen to it, personal value has much to do with the sharing of social and cultural values between the listener and the programming.

In public radio the meaning of "value" has become muddied as discussions of "value-based pricing" have collided with the fundamental and deeply-rooted "mission" values of the industry.

Fortunately for public radio,

> the financial value that listeners place on its programming is a direct consequence of its personal value in their lives.

If programming doesn't share their social and cultural values, they simply don't listen. And when it resonates most strongly with their innermost beliefs and feelings, they find a way to support it.

Simply put, the financial value of programming to a listener is the direct result of its personal value.

The amount of money listeners are willing to send to a station is relatively independent of their financial means.

> Listener support is driven by personal value, not by personal means.

Of course people must have the financial means before sending money to a radio station; but as a predictor of support, means pales in comparison to listeners' satisfaction with the program service, its importance in their lives, and the personal value they attach to it.

The Business of Public Service

Since its inception as a totally subsidized entity, public radio has matured into a "public service economy" – one that still relies on subsidies, but one that increasingly relies on payment from those who benefit from its service.

Public radio has entered into the serious business of public service. Without valued programming, it goes out of business. Without good business sense, it won't have the money to support programming worth valuing.

Ask listeners. They'll tell you that public radio offers some of the finest, most engaging, enlightening, entertaining, creative, stimulating, **valuable** programming on radio today.

> To preserve and enhance its service, public radio must convert listening to its programming into payment for the programming.

Ask underwriters. They'll tell you that public radio's educated audience is difficult to reach through other electronic mass media. Public radio's challenge is to balance the right level of access to these listeners with the right price for access; again, the motivation being to preserve and enhance its public service.

Ask managers. They'll tell you their responsibilities have shifted enormously in the last 15 years. Each year their licensees give less and demand more; their willingness and ability to operate the station at a "loss" is in general decline.

The manager's focus has changed from spending a fixed subsidy to a more complex balancing of listener and underwriting incomes against programming and operational expenses. The balance need not be maintained within any single program; but it does need to be maintained across all programming in the station's schedule.

Taken together, **audience support and underwriting are called listener-sensitive income because they are indeed sensitive to listeners**. During the last 15 years listener-sensitive income has grown from one of the smallest single sources of funding to the largest. As subsidies continue to decline it remains the most promising means of paying for public radio into the future.

Value and Significance Squared

In public radio, value is the amount a listener will voluntarily pay to hear an hour of programming. Value is also the price an underwriter places on reaching that listener.

The value that listeners and underwriters place on programming, in combination with the programming's use in the community it serves, squarely determines the financial return on any programming investment made at public radio stations.

All other things held equal, a program that's important to only one person doesn't return as much to a station as a program that's just as important to many people.

> The sum total of listener support hinges on both the size of the audience and its satisfaction with the programming.

Without significant and valued programming, there is no listener support, no matter what the audience size. Without a significant audience, there is little listener support, no matter how valuable the programming may be to a precious few.

Significant programming for significant audiences. Not only is this an appropriate definition of public service, it is literally the formula for calculating listener support

Programming Economics

Programming economics offers a means of quantifying the expense, the income, and net return of any programming investment.

The **expense of programming** is usually apparent to station managers and program directors, who may find it tempting to base decisions on cost alone.

One network's show may cost more than a similar show from another network. Spinning a local news story can be far more expensive than spinning a compact disc. And sometimes it's just cheaper to downlink a free program than it is to make one.

What is the expense per unit of public service? What does it cost to serve one listener for one hour?

Some stations spend more, others spend less, but

> overall, public radio spends about five and one-half cents to serve one listener for one hour.

Who pays for this programming? People in the audience voluntarily contribute about a penny and one-half (1.41¢) per hour of listening. The sale of underwriting generates another eight-tenths of a cent (.81¢). Licensees and tax-based subsidies at local, state, and national levels make up most of the difference.

What are listeners and underwriters paying for? **The basic unit of consumption is one hour of programming – one person listening for one hour, or one "listener-hour."**

Listeners and underwriters have vastly different reasons to pay for that hour. As previously discussed, listeners voluntarily pay for programming because they consider it important in their lives, because it resonates with their social and cultural values, because they are satisfied with and rely on the programming.

Businesses and other institutions have many reasons for underwriting programming. In all but the purest cases of altruistic philanthropy, underwriters evaluate the **quid pro quo** – their return on their underwriting investment.

The amount they pay reflects, among other things, their desire to reach the people in the audience, the difficulty of reaching them through other media, the value of association with the programming, and the financial return expected from reaching these people.

AUDIENCE 98 informs public radio's programming economics discussions with hard data about the listener-sensitive return of specific local formats and national programs and services. This is the first national update of this information since AUDIENCE 88 made it available 10 years ago.

Listener-Sensitive Returns – Local Programming

The listener-sensitive return on locally produced programming is much smaller than acquired programming's. Half (49%) of all public radio listening is to local programming. Yet it generates only 42 percent of all listener support, and a mere 25 percent of all underwriting sold locally.

Local Classical Music. Most local programming is music played from recordings. Classical music is public radio's primary local format. Nationally it generates 22 percent of all listening, 20 percent of listener support, and 13 percent of underwriting. It offers the highest return from listeners of any local music (1.25¢) and its underwriting return is a low .41¢ – typical of local music programming.

Local Jazz, Blues, AAA. Public stations offer many types of music, but Jazz, Blues, and AAA are the only genres carried broadly enough to examine here. **Local Jazz and Blues have extremely low returns from listeners** – at .86¢ and .71¢ the lowest identified in this study. Local AAA returns above a penny (1.04¢) but again, the return is low in relation to local Classical and acquired programming.

Local News and Call-In. Most public stations produce little local information programming outside of inserts into the national vehicles. However, the **stand-alone News and Call-In programs tracked in this study offer a very high return from listeners**. The formats are evidently more salable than local music as well, returning close to 3¢ per listener-hour in listener and underwriting revenues combined (double local music's rate of return).

Public broadcasters often equate local production with serving their communities' needs and interests. Although highly debatable when referring to music (what is "local" about Beethoven's fifth symphony?) it is clearly more applicable to local News and Call-in programming.

> The high value listeners and underwriters place on local information programming is fortunate for public radio because this is some of the most expensive programming to do. It is even more expensive to do well.

Does this mean that resources invested in local News and Call-In programming is well spent? In terms of significant programming the audience is saying "yes." But in terms of fiscal responsibility the answer is not so clear. Because even though the return is high, it may never be high enough to offset the expense.

As public radio comes to rely more on listener-sensitive support, high-ticket items such as these are asked to generate income commensurate with their cost.

To do so they must be placed in prime listening time; they must seek to serve the most significant audience; they must strive to be significant programming – well above the caliber of similar programming available on the station and on other stations in the market.

Yet it may be that local information efforts will never "pay for themselves," at which point station management is compelled to pay for them with the "surplus" earned from low-cost music or high-return acquired programming, or with subsidies sought for this specific purpose.

Management's task is to maintain and enhance public service by balancing incomes against expenses.

> The balance need not be maintained within any single program type; but it does need to be maintained across all programming in the station's schedule.

Listeners and underwriters do not place as high a value on local music as they do on certain national programs or on local information. But in no way does this imply that one is "better" than another.

Choice of programming rests entirely with station management in service to the licensee's mission for the station. The information shown here simply suggests that **a station must keep expenses relatively low** if it is to support local music programming with listener-sensitive income.

Listener-Sensitive Returns – Acquired Programming

Acquired programming offers a gross return per hour of listening twice that of local programming. As with local programming, large differences exist among acquired programs and program types.

NPR News and Information. *Morning Edition* and weekday *All Things Considered* generate one-quarter (23%) of all listening to public radio in America. Listeners give nearly one-third (30%) of their support because of them. And into them local underwriters pour well over half (56%) of their funds.

They return nearly three and one-half cents (¢) per hour of listener service.

Other NPR News and Information programs vary in their listener-sensitive returns. But **generally they are somewhat highe**r than similar programming from other sources, and are much higher than programming of most other types. The significant exceptions are *Car Talk* and PRI's *Marketplace*.

Car Talk* and *Marketplace. *Car Talk* and *Marketplace* each contributes about one percent of all listening to public radio. **But they generate listener-sensitive return far beyond this level.**

Both programs are highly valued by listeners: *Marketplace* at a high 1.94¢ per hour of service, and ***Car Talk* at 2.65¢ – the highest level achieved by any major program.**

Underwriters pay stations a respectable penny per hour of listening to *Car Talk*, bringing the show's total listener-sensitive yield to a very high 3.64¢.

***Marketplace* is in a league of its own with underwriters** paying stations more than three cents per listener-hour – twice as much as NPR News, nearly four times the system average. *Marketplace* earns the typical station an average of five listener-sensitive cents per hour of listening – the highest gross return of any major program or format by a large margin.

A Prairie Home Companion* and *Whad'Ya Know. PRI's premier entertainment programs return listener support in the 1.8¢-1.9¢ range – about the same as *Marketplace*, lower than *Car Talk*, somewhat higher than NPR News and Information, and much higher than local music. *PHC* gathers more money from underwriters than does *WYK*. Overall, each show returns more than two cents per hour of listener service.

NPR Cultural. It would be entirely inappropriate to compare *Performance Today* with *Car Talk*, even though both are sold in NPR's Cultural package. *Performance Today* offers 10 fresh hours of programming per week, *Car Talk* offers only one.

The per-station shelf space of *Performance Today* is offset by *Car Talk's* nearly universal carriage, so each generates between one and two percent of all listening to public radio in America.

Listeners place the value of *Car Talk* at twice that of *Performance Today* (2.65¢ to 1.24¢). For underwriters that ratio is four to one (.99¢ to .24¢). These two programs serve the public, local underwriters, and stations in very different ways. Any comparisons that might be made between the two make this point quite clear.

Asking the Tough Questions

Classical Services Compared. A better comparison would be between *Performance Today*, *Classical 24*, and local Classical music. Each has something going for it. Local Classical and *Performance Today* each returns 1.25¢ per listener per hour of use. Underwriters value local Classical and *Classical 24* at twice the rate of *Performance Today*.

Local Classical has the highest overall return, *Classical 24* has the lowest. Which offers the best public service? Which is the best buy? Here we arrive at the crux of making decisions.

Which offers the best public service? The first filters through which any program passes are, of course, its quality and qualities, its fit with the station's goals and the licensee's mission, and other intrinsic characteristics valued by public broadcasting.

But given the plethora of programming choices available to the public broadcaster, the question "which offers the best public service" is

highly appropriate to public radio's mission, is growing in importance, and is well worth taking the time to ask and answer.

Recall that public service is the product of significant programming for significant audiences. **The significance of the programming in listeners' lives is reflected by the value they place on it.** On this count locally produced Classical music offers an advantage to the network services.

The other half of the equation – the significance of the audience – is reflected in listening estimates. The average audience as reported by Arbitron is the basis of gross listening.

But public radio has more sophisticated measures at its disposal.

> Loyalty, core loyalty, and power are more appropriate measures of public service,

and each reflects the significance of the audience at the time the programming is broadcast.

Several sources of information offer decision-makers the means to assess the significance of the audience. They have a direct means of comparison among programs on their own air. Producers and distributors can usually supply information from other stations for programs not on their air. If a program is new and without a track record, well, that's where professional experience and instinct come in.

Which is the best buy? This purely financial question can be put another way: "Which programming option will yield the greatest net return?" Net return is the income derived from a programming investment minus its expense.

Income from listeners is a direct result of public service. Income from underwriters is a direct result of the size, qualities, and "match" of a program's audience to the underwriters' target. Of course **these listener-sensitive sources are highly dependent on a station's ability to turn listeners into supporters, businesses into underwriters.**

Getting back to our example, local Classical returns 1.66¢ per listener-hour, *Performance Today* returns 1.48¢, and *Classical 24* returns 1.21¢. But

> if either of the national programs served twice the number of listeners in the same time slot as local Classical, they would in fact generate more income for the station.

Managers who have purchased AUDIENCE 98 Programming Economics reports for their stations have available listener-sensitive return estimates for all programs and formats in their schedules. Those without this local information can apply the national figures in this report's master table to their own assessments of programming power.

Considering the Cost. The question "which is the best buy" isn't answered until the cost of producing or acquiring the programming is taken into account.

> Managers and programmers tend to significantly underestimate the cost of local production, while in the same breath unfairly comparing it to the cost of acquisition.

This is not to say the local production is unwarranted – far from it. It is to say that the price tag of local production is higher than many at stations would maintain. Indeed, it is likely to be several times the cost of acquiring a similar (or superior) product when all is said and done.

In sum, answering the question, "Which program is the best buy?" requires **an honest assessment of the true cost of each option relative to its listener-sensitive returns.** This isn't so simple when comparing the price of an acquisition to the cost of local production. It is, however, much easier when comparing similar acquisitions.

Conclusions

The price that national program producers and distributors can charge stations for programming stands squarely upon its value to station management.

The **price that station management is willing to pay** starts with intrinsic programming characteristics – production value, mesh with mission, and all the qualities we take as given (and never for granted).

These left-brain judgements are augmented by the right-brain concerns of fiscal limitations and responsibilities.

> A program's financial value to a station is highly influenced by the value listeners place on it, and to a lesser extent the value underwriters place on its listeners.

It's not just cost; it's not just listener support; it's not just underwriting; it's not just the size of the audience served; it's all of these and more.

At all levels in public broadcasting, we are being called upon to maintain and enhance our public service by balancing listener-sensitive incomes against expenses.

Programming that may have been possible in a fully subsidized economy may simply be unsustainable in public radio's hybrid public service economy. Programs that some think of today as "loss leaders" may, in the face of hard economic and public service data, prove simply to be "losers."

As with most good things in life, the cheapest options may not be the best bargains, and the most expensive may pay the greatest dividends.

– David Giovannoni

Maximizing the Public Service Investment

"The next time a producer offers to give you his two cents worth, tell him it's not enough"
– John Sutton

The goal of financial analyses is often to maximize profit. **While "profit" may be the goal in commercial media, it is merely a means to an end in a medium that defines public service as its goal**. Weighing the cost of programming against its return is an appropriate calculation for the public broadcaster.

> Programming that "costs" the station or the producer more than it "earns" literally removes resources that can could be used for other programming.

A listener-hour is the basic unit of radio "consumption." It is the product of the average quarter-hour audience times the number of hours the program is on the air over the time period in question.

A station's cost per listener-hour can be estimated by dividing its annual operating cost by its full-week average quarter-hour audience times 65.7.

The **cost of a program** can be estimated by dividing its expenses (ideally, both direct and indirect) by its average quarter-hour audience times the number of hours it's on the air per year. In both cases the results are in pennies per listener-hour.

As cheap as spinning disks may seem, the true cost of local music production is a complex issue. It involves the allocation of many real expenses beyond the host's salary. To name just a few:

- Is there a music director's salary to pay?
- How much of the program director's time is involved?
- The manager's time?
- Are benefits and overhead included?
- What is the true cost of maintaining the music library?
- Is production involved?
- Is the cost of equipment depreciation factored in?

Underwriting is sensitive to the number and qualities of listeners. The more people in the audience, and the more they are like the people the underwriter wishes to reach, and the more difficult they are to reach through other media, the more the underwriter will pay to reach them with on-air credits.

Listener support is even more listener-sensitive. Like underwriting, the more people a station serves, the more listener support it is likely to receive. However, the programming that serves these listeners must be important in their lives. It must be significant. Otherwise, people may listen, but they won't value it enough to support it financially.

> Listener support is the product of programming significance, or value to the listener (measured by listener income per listener-hour) times the significance of the audience, or use by the community, (measured in listener-hours).

The Gross Value of Programming to Listeners

The gross value of a program or format to listeners is the amount of money it generates from listener support.

The table below shows the gross value of programming to listeners in fiscal year 1997 (October 1996-September 1997).

Listeners gave public stations $140 million at last count. NPR news and local classical music programming generated the bulk of this direct listener support.

– David Giovannoni
– Jay Youngclaus

	Listener Support (in $ millions)
All Programming	**140.1**
Local Classical	27.4
Other Local Music	20.6
Local News, C all-In, etc.	10.5
NPR *Morning Edition*	24.8
NPR *ATC Weekday*	16.2
NPR Weekend News	5.9
NPR Talk/Information	6.6
NPR Performance	6.5
PRI	13.8
Other Acquired	7.9

Sources:

Program/Format Listening: Arbitron, Fall 1996; Audience Research Analysis.

Program/Format Listener Support: Public Radio Recontact Survey, Spring 1997.

Total Listener Support: CPB FY 1997 Public Broadcasting Revenue, Station Financial Survey.

The Listener-Sensitive Economic Return

Source / Program Type / Format	Listening	Listener Support	Underwriting Support
	Contribution (as a percent) to All		
All Public Radio Programming	100%	100%	100%
Locally Produced:	49%	42%	25%
Music	44%	34%	21%
Classical	22%	20%	13%
Jazz	10%	6%	6%
AAA	2%	2%	0%
Blues	2%	1%	2%
Other Music	7%	6%	1%
Non-Music	6%	7%	4%
Call-In	2%	3%	3%
News	2%	3%	2%
Other Non-Music	2%	2%	0%

Source: Public Radio Recontact Study, Audience Research Analysis, Arbitron 1996

of Public Radio Programming

	Return (in Cents per Listener Hour) From	
Listeners	Underwriting	Both Listener-Sensitive Sources
1.41	0.82	2.23
1.19	0.44	1.63
1.10	0.41	1.52
1.25	0.41	1.66
0.86	0.43	1.30
1.04	0.49	1.53
0.71	0.56	1.26
1.14	0.22	1.36
1.88	0.60	2.48
2.04	0.82	2.86
2.35	0.61	2.96
1.29	0.12	1.41

The Listener-Sensitive Economic Return

Network / Program Type / Progtram	Contribution (as a percent) to All: Listening	Listener Support	Underwriting Support
Acquired	51%	58%	75%
NPR	36%	43%	65%
News	27%	33%	59%
Morning Edition	14%	18%	34%
ATC Weekday	9%	12%	22%
Weekend Edition	3%	3%	3%
ATC Weekend	1%	1%	0%
Other NPR News	0%	0%	0%
Talk/Information	5%	5%	4%
Fresh Air	2%	2%	2%
Talk of the Nation	2%	1%	2%
Other NPR Talk/Information	1%	1%	0%
Cultural	4%	5%	2%
Performance Today	2%	1%	0%
Car Talk	1%	2%	2%
Other NPR Cultural	1%	1%	0%
PRI	10%	10%	9%
Classical 24	2%	1%	1%
A Prairie Home Companion	2%	2%	1%
BBC World Service	1%	1%	0%
Marketplace	1%	1%	4%
Whad'ya Know	1%	1%	0%
The World	1%	1%	0%
Other PRI	3%	3%	2%
Other Acquired	5%	6%	1%
Classical	3%	2%	0%
Other	3%	4%	0%

Source: Public Radio Recontact Study, Audience Research Analysis, Arbitron 1996

of Public Radio Programming

	Return (in Cents per Listener Hour) From	
Listeners	Underwriting	Both Listener-Sensitive Sources
1.62	1.16	2.77
1.70	1.36	3.05
1.75	1.54	3.29
1.75	1.74	3.49
1.78	1.64	3.43
1.71	0.80	2.50
1.47	0.02	1.48
1.55	0.30	1.85
1.39	0.76	2.15
1.75	0.92	2.67
1.09	0.93	2.02
1.25	0.29	1.54
1.72	0.50	2.22
1.24	0.24	1.48
2.65	0.99	3.64
1.27	0.05	1.32
1.43	0.75	2.18
0.80	0.41	1.21
1.90	0.47	2.37
1.06	0.22	1.28
1.94	3.09	5.04
1.86	0.28	2.14
1.42	0.54	1.97
1.39	0.65	2.05
1.44	0.17	1.62
1.00	0.16	1.16
1.88	0.18	2.06

The Gross Value of Programming to Underwriters

Gross value to underwriters is defined as the local return on programming from support (cash and trade) in return for on-air mention. National underwriting is not included in these calculations.

The table below shows the gross value of programming to local underwriters in fiscal 1997 (October 1996-September 1997). Underwriting's total value is estimated at $60 to $75 million; CPB does not specifically request this figure from stations in their annual financial reports.

Alone, *Morning Edition* and *ATC* (weekday) generate more than half of all local underwriting dollars.

– David Giovannoni
– Jay Youngclaus

	Local Underwriting Support	
	Low Estimate (in $ millions)	High Estimate (in $ millions)
All Programming	**60.0**	**75.0**
Local Classical	7.6	9.5
Other Local Music	4.8	6.1
Local News, Call-In, etc.	2.7	3.4
NPR Morning Edition	20.1	25.2
NPR ATC Weekday	13.1	16.3
NPR Weekend News	2.1	2.6
NPR Talk/Information	2.6	3.3
NPR Performance	1.3	1.6
PRI	5.2	6.5
Other Acquired	0.5	0.7

Sources:

Program/Format Listening: Arbitron, Fall 1996; Audience Research Analysis.

Program/Format Underwriter Support: Audience 98 Underwriting Survey.

Total Underwriter Support: CPB FY 1997 Public Broadcasting Revenue, Station Financial Survey.

Parsimony

The efficiency of network programming has been recognized since the beginning of broadcasting. Parsimony – the pooling of resources to create network programming – not only reduces the unit cost per station, it can significantly enhance the quality of programming.

Public service through quality programming is what public radio is all about. And listeners say the quality of our network programming is higher – often significantly so – than local programming.

- They are more loyal to network programming.
- They consider it more important in their lives.
- They value it more highly.

In no way should this reflect poorly on local programming efforts. But it reminds us that the source and cost of programming are best kept in a productive, listener-focused context.

For instance, NPR's news shows are among the most expensive a station can buy. Yet every dollar a station spends on them returns several dollars in listener support and local underwriting.

Car Talk and *Marketplace* are also "expensive" programs that generate extensive surpluses for most stations.

Fact is, most major national programs return more to stations than are paid for them.

The economics vary from station to station, of course. But as a system, public radio pays for its local programming through financial surpluses realized on national programming.

That's the net result – and power – of parsimony in public radio.

– David Giovannoni

How We Do It

Public radio stations raise, on average, 0.8¢ per listener-hour in underwriting support. We more than double that return here at WBUR in Boston.

How do we do it? By **not** selling drive time separately.

WBUR's strategy isn't tied to our market or audience size. It's based on pricing incentives. As a result, we give away little and make every daypart pay.

If WBUR offered underwriting packages for *Morning Edition* and *All Things Considered* only, they'd sell out quickly. That would leave no prime availabilities to sell – and a lot of unused inventory in other dayparts or programs that are less desirable to underwriters. It would also make for idle or frustrated salespeople.

Instead, we've made some calculated trade-offs. For example, we're willing to take a *Morning Edition* revenue return that's 0.3¢ per listener-hour below the national average in exchange for getting **2.3¢ above the national average for *Talk of the Nation***.

Most underwriters prefer to run their announcements during fixed times or during drive times. But in WBUR's experience, the majority will opt for run-of-daypart or run-of-schedule (ROS) when they're given a good price incentive.

For purposes of underwriting sales, WBUR defines its dayparts as 5:00 to 10:00 a.m., 10:00 a.m. to 3:00 p.m., 3:00 to 8:00 p.m., and 8:00 p.m. to midnight. The station defines ROS as Monday to Sunday, 6:00 a.m. to midnight.

WBUR offers underwriters a number of rotation options, including fixed spots, run-of-program, run-of-daypart, and run-of-schedule. But prices for the fixed spots and run-of-program packages are steep when compared to run-of-daypart and ROS. The price for a fixed spot in *Morning Edition* on WBUR is three to four times more than the same spot in a run-of-daypart or ROS package.

WBUR's emphasis on selling run-of-daypart and ROS packages spreads our underwriting over virtually all programs and dayparts, including those which underwriters might not otherwise buy.

Underwriters can run announcements during drive times at a lower cost than if they purchased only peak listening times. And WBUR can build value into its otherwise less desirable programs and dayparts for a bigger overall return from underwriting. It's a classic win-win outcome for both parties.

Mary Fronk and Kirsten Kalhurst, who manage WBUR's Corporate Support department, devised our underwriting plan. AUDIENCE 98 has dubbed development efforts that exceed expectations a station's "D-Factor"; it's their creativity and drive that puts power into ours.

– Jay Clayton
Marketing Director, WBUR