

Brilliant on the Basics Newsletter

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A Project of
The Station Resource Group

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In this Issue: The Denver “Subscription” Research Project by Talmey-Drake Research and Strategy, Inc. Part 1

Anyone who was there will remember the scene: A sunny afternoon in Santa Cruz, at the 1995 meeting of SRG member stations. In the midst of a typically serious SRG discussion, Max Wycisk mentioned that his organization, Colorado Public Radio, had recently completed research about membership pricing. That research suggested that public radio membership levels were totally out of line with listeners’ perception of public radio’s *value* as a media service. Stations were asking for \$50 a year, when the perceived value was more like \$20 a month. As you might imagine, this kind of discovery caused quite a stir. The initial reaction was momentary denial. How could this be? Could the entire public radio system be underpricing its product by a factor of four or five?

Despite the reaction, Max seemed confident: “We conducted the research to establish a rational basis for pricing memberships.” That in itself was a radical break from tradition. Now he had that “rational basis,” and he was willing to share the research with any stations willing to help him recover his expenses. This was classic Max: independent minded, focused on actionable results financed by collective investment. Unfortunately, no one stepped forward to meet his offer — until now.

In October, the group of 18 *Brilliant on the Basics* participant stations purchased the rights to the KCFR Donation Research, which they will make available to the entire public radio system through this newsletter and the BoB website. Credit goes to the stations whose collective investment — as Max requested — will cover about half of the original research cost, and to Colorado Public Radio for its initiative and generosity in donating the rest of the cost.

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**Excerpts from the
COLORADO PUBLIC RADIO DONATION SURVEY
Final Report
Presented June, 1995
Prepared by Talmey-Drake Research & Strategy, Inc.**

Part 1: The Research Objectives

The KCFR Donation Survey was conducted on behalf of Colorado Public Radio (KCFR) by Talmey-Drake Research & Strategy, Inc., a public opinion and market research firm in Boulder, Colorado.

The overall objective of this research was:

“To identify both strategies and tactics Colorado Public Radio may implement to increase donations from their listeners. Additional objectives, were to identify and understand (among current donors, lapsed donors, and listening non-donors):

- Key patterns of listening and commitment to Colorado Public Radio;
- Attitudes toward current donation practices and benefits;
- The current perceived value of Colorado Public Radio and listeners’ willingness to donate at various levels; and
- Reactions to potential new fundraising strategies and tactics.”

Part 2: Methodology

The research, which took place in spring 1995, occurred in four stages, which included:

- 1) A secondary literature review including a collection of public fundraising materials used by other Public Radio and Public Television stations in major US markets;
- 2) A brainstorming session among KCFR personnel to identify key strengths and potential opportunities for increasing public donations;
- 3) Focus groups among current donors, lapsed donors, and listening non-donors; and
- 4) A telephone survey.

Talmey-Drake held four focus groups, two among current donors; one with lapsed donors; and one with non-donating listeners. In the fourth stage of research, the phone survey, Talmey-Drake conducted 253 telephone interviews in metro Denver among 253 KCFR listeners: 102 with current KCFR donors, 50 interviews with lapsed donors (no contribution

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N. B. This article was compiled from two sources, the final report prepared by Talmey-Drake in 1995 and a presentation of the results by Mark Miller, Vice President of Talmey-Drake, at the BoB Meeting held in Washington, D. C., November 20/21, 1997. Unless otherwise noted, all quotations are from the final report.

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within 18 months of the survey) and 101 KCFR listeners who had never donated. The phone survey took two weeks and was completed in early June, 1995.

KCFR provided the list of current and lapsed donors. Scientific Telephone Sampling [a Denver-based survey company] provided a randomly generated telephone list for the Denver Metro area, which was used to contact the listener/non-donors. According to the final report, “under these conditions, a random sample of 253 has a maximum range of error of plus or minus 6.2% for any one reported percentage, at a 95% confidence interval.”

Part 3: The Principal Findings

Perceptions of Importance

Talmey-Drake found that:

“Most listeners, and especially donors, understand the value and benefits of Colorado Public Radio go far beyond simply providing news or music. CPR provides them with confidence they are objectively informed about the most important issues of the day. As a news source CPR is considered superior to other radio stations due to its wide coverage and in-depth, balanced reporting. [It is] free of the fluff and needless sensationalism of mass broadcast news, such as reporting of the O. J. Simpson trial and the banality of Heidi Fleiss. An added bonus is that CPR is commercial-free. CPR is also considered superior to local newspapers for its worldwide perspective and depth of reporting and is perceived as more immediate: A lot can happen between the time the paper is printed and one reads the words.

“Donors and frequent listeners appreciate CPR for its music as well as its news. The classical format provides a feeling of calm, and many say it is relaxing and soothing. Overall, it fits very well with the manner in which news is delivered: Calm, clear, and unhurried. As such, CPR represents a source of reparation in the harried and hurried lives of its listeners. This is a very strong component of CPR’s identity.”

Most of this was expected. Other research, conducted on a local or national level had discovered a similar sense of perceived value. Nonetheless, the findings confirmed earlier views, and also confirmed that KFCR’s music programming, aided by the “Modal Music Research” started in the late 1980’s, was a good fit for the CPR/NPR news listener. What was unexpected was the listener reaction to the questions about “membership.”

Key Findings

Strong Perceptions of Value

- CPR provides [listeners] with confidence that they are objectively informed about important issues.
- CPR is a superior to other radio news due to its depth coverage and balanced reporting.
- CPR is superior to local newspapers due to its worldwide perspective, and immediacy.
- The CPR classical format complements the news; both are calm, clear, and unhurried.

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A favorable reactions to the “subscription concept”

After conducting the focus groups, Talmey-Drake concluded that

“Donors and non-donors indicated that the term *member* is not necessarily the best way to describe CPR donors. They feel membership is better suited for organizations that have meetings they attend, or a place they go, such as the Zoo or Natural History Museum. Many feel the term is a misnomer when applied to support of Public Radio... There are no real "member" meetings to attend, or a place to go, [as you would find] with a country club or museum. Other terms used to describe donors are awkward, foreign, or unfitting, such as: Sponsor, benefactor, friend, patron, associate, booster, partner, fellow, advocate, listener, donor. Daily access -- and listening -- to Public Radio engenders many associations and similarities with newspaper, magazine, and cable TV subscriptions. But the missing ingredient for Public Radio is voluntary payment. Simply paying up for something of value -- and a bit of guilt -- play into consumer motivations.”

Key Findings

Public Radio feels more like a *subscription* than anything else.

The terminology of "member" did not fit with funding Public Radio.

This finding was reinforced by the phone survey when individuals were asked if the term “*subscriber* is either an appropriate or inappropriate way to describe CPR donors.” Ninety percent of the respondents felt *subscriber* was “appropriate.” Nearly half thought it was “very appropriate.” This level of acceptance compared favorably with the term *member*, which for many years had

been used by CPR to describe its listener-donors. Many listeners preferred the term *subscriber*, and Talmey-Drake saw this as a significant issue with important operational implications.

“Current and lapsed donors tend to identify with [the term member]... because they were labeled with the term in the past. Nonetheless, many donors are very receptive to being considered *subscribers* to Colorado Public Radio... Receptivity to using *subscribership* as a term to describe donors provides CPR with a platform for a new strategic thrust for future donation efforts. *Subscribership* means fostering an ongoing, continuous relationship with listeners. Not only do they make CPR a welcome and positive habit in their lives, they likewise feel a strong sense of value and obligation for the station. ‘Annual memberships’ do not establish as strong a sense of commitment, and do not as accurately reflect the daily benefits most listeners receive. Listeners find CPR comparable to the periodic nature of magazine and newspaper *subscriptions*, and thus feel CPR fits comfortably within this context.”

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Benefits Awarded to Donors

Within the general concept of a subscription model, Talmey-Drake found that “donor benefits” were perceived as a significant source added value — but only when the benefits were well targeted and worth the effort. At the time of the study (1995) CPR’s member-benefit package was sometimes missing the mark.

“Many benefits currently offered are not valued highly, or of little consequence to donors. They appreciate companies that support Public Radio and feel better when they patronize such businesses, but the current structure of discounts misses the mark. Many donors feel discounts of 10 to 20% are incidental in the grand scheme of things, and they object to the limitations and exclusions identified with virtually all of the benefits.”
[For more on this, see the insert below.]

The Value Gap

To this point, the findings were interesting, but hardly profound. Talmey-Drake had found that listeners valued CPR; listeners felt *subscriber* might be a more apt description than *member*; and listeners wanted any subscriber amenities to be properly targeted and worthwhile. It was the next step that allowed The Denver Research Project to pay significant dividends. Talmey-Drake went on to apply these factors to an actual pricing model and a payment method that would make the pricing model work.

Key Findings

Listeners felt the overall value of the service was “just over \$20.00 per month.”

To begin this discussion, Talmey-Drake noted that:

“Colorado Public Radio is shortchanged by a very large majority of current listeners. While it is rather obvious non-donors should be persuaded to help provide funding

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Some Advice on Designing Member/Subscriber Benefit Programs: Make easy to use and worth it.

Talmey-Drake: “Consumers will generally appreciate a variety of discounts for services they use and value most. But there must not be limitations on discounts that anger donors when used, such as a 20% cost savings at Starbuck’s, except for coffee. Discounts need to be substantial to motivate higher income consumers. 5% to 10% savings are perceived as incidental, and not worth the trouble. Finally, offers and benefits need to increase substantially as donation levels rise. For example, [CPR might consider using] two nights food and

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for a resource they use, many donors should be willing to increase their current donation level, based on their perceptions of Colorado Public Radio's extraordinary value. Although many focus group participants agreed CPR is worth about \$1.00 per day, the survey indicates the overall value is just over \$20.00 per month... While the average monthly value of \$20.40 is somewhat less than the dollar per day value discussed in focus groups, it nonetheless translates to almost \$250 *per year* in overall perceived value among listeners. This amount compares very unfavorably to the most common current donation level of \$50. The \$200 difference is the moral equivalent of a huge trade deficit: Many donors at a \$50 level feel they receive at least \$250 in value! ...This difference represents the *donation vs. value gap* -- a rather large gap CPR should aggressively seek to close in the months and years to come...”

Talmey-Drake was not saying that CPR subscribers would automatically fork over \$250 a year for the service, but they were suggesting that many donors felt that, if they had to put a price on it, CPR was probably *worth* about \$250 per year. The next step was finding ways to bring the payment levels closer to the perceived value.

| Key Finding | | |
|--|---|---|
| Move to <i>monthly</i> pricing. | | |
| Monthly Level | % of donors interested in this level | % of donors NOT interested in this level |
| \$5/Month | 59% | 40% |
| \$10/Month | 38% | 59% |
| \$15/Month | 21% | 76% |
| \$20/Month | 10% | 83% |
| \$25 or more | 5% | 93% |

Pricing could be affected by payment method

One way to close the “value gap” was to change the method of payment. In the course of their research, Talmey-Drake did ask listeners how much they would be willing to pay for CPR and how they might pay it. Here’s how Talmey Drake described that part of the survey:

“A majority of listeners say they would donate at least \$5.00 *per month*, or a total of \$60.00 on an annual basis. For most donors this represents a 20% increase over [the prevailing] most popular annual donation level of \$50.00.”

More importantly, donors expressed a surprising interest in higher levels of monthly giving. In fact, more than a third of the current members said they would consider giving \$10 per month, or about double the prevailing annual membership rate. The implications were obvious.

[T]his degree of interest should be considered very encouraging,... [and] the smaller groups of listeners designating interest in subscription donations at levels of \$15 per month and above represent potential for large increases in future donations.”

This combination of factors — high perceived value of public radio’s services, a sense that supporting public radio felt like a “subscription” and insight into a method of payment — gave Colorado Public Radio the basic elements for the “subscription model.” They put that model to the real-world test beginning in 1996, with considerable success. What they did and how it worked will be the subject of the January *Brilliant on the Basics* newsletter.