

Public Radio 2010

Challenge and Opportunity in a Time of Radical Change

By Thomas J. Thomas & Theresa R. Clifford

FEDERAL FUNDING

It would be difficult to survey the landscape of public radio without some thoughts about federal funding. In mid-2005 it's been much on the minds of all in public broadcasting and it will be for some time to come.

First, it is important to acknowledge what an important victory we achieved an up or down vote on CPB funding in the House of Representatives. It's very rare in one's life that there is a direct referendum by the House of Representatives of the United States of America on your work, and it doesn't always go your way. But we know the reason it did go our way on that day is the extraordinary work that our stations, our networks, and our producers do and have done for years to serve our communities in ways that make a genuine difference in the lives of millions of Americans. That's why we won that vote.

But it is not over yet. In the short term, the Senate and the House came up with more than a hundred million dollars of difference between them that needs to get wrestled to the ground. We believe that when the dust settles there will be some dollars missing from the portfolio compared to what we've had to invest in serving America this past year. But even more so, it's not over for the long term because there are some fundamental, underlying issues that remain in the context of federal funding for public broadcasting.

One, of course, is that the government is broke. Despite what some consider the encouraging news that the exploding deficits of the past few years may be abating, the numbers are still enormous, and there is no sign that that is going to change in a significant way over the long haul. We have vast commitments abroad, deep commitments to domestic security, a growing claim of entitlement funding on the budget, and for all the rest of us, public broadcasting included, the pressure in the coming years will only become more intense, not less.

Thomas J. Thomas and Theresa R. Clifford are co-CEOs of the Station Resource Group. This essay was presented as a Keynote Address by Tom Thomas to the Public Radio Development and Marketing Conference, July 14, 2005, Los Angeles, CA.

Secondly, we have an administration that is going to be with us for some years whose view of the appropriate level of funding for public broadcasting is that about one in four dollars that we currently receive probably should go someplace else, and we have to continue to struggle with that.

In Congress the support for forward funding is clearly eroding. As important a principle as that has been to the independence of public broadcasting, to our capacity to plan for our future, and particularly for program development, the appropriators who are the first line that we deal with on these issues seem increasingly to view forward funding as not a very important factor.

And finally, as was clear in the House debate and public discussions, there are many on Capitol Hill who actually do not share and, in fact, have some hostility to the core values and principles of our service.

So these are important fights that will be with us for a while. It's tempting to say we won, we're going to come away with something far better than what we feared, and to move on. But that would be at our peril. We think there are some lessons that we need to take for the years ahead, one of which is that there is and remains a vulnerability in a very significant source of support for our field, and that that vulnerability can manifest itself on an extraordinarily short timeline.

A second lesson is that in a polarized political environment, which we believe will continue in this country for some time to come, we can anticipate heightened scrutiny of everything that we do – our programming, our finances, our operations – and we need a transparency and accountability in all of our work.

And third, a very important lesson, we need to tell our own story to our communities on these kinds of issues. If we had waited for others to come to our defense, waited for the editorials or waited for someone else to pick up the banner and proclaim the cause of continued support for public broadcasting, we believe the outcome would have been far different in that vote in the House. It was our own swift, direct action in an organized and disciplined way – but also one that was truly respectful of the different messages that different broadcasters wanted to tell to different communities – that made the difference.

A POLITICIZED CPB

And then there is a very important matter that will be very difficult for us to deal with as a field, but that we should not shrink from in the least, and that is the damage to audience trust that has been engendered by a politicized CPB. To many of our listeners who have spoken to the managers we talk with, the concerns over the perceived politicization of public broadcasting is as important, if not more so, as the threats that came from the proposed cuts in the budget. People love and respect what we do and trust what we do as public broadcasters because of their confidence in our integrity, our independence, and our non-partisan nature, and to have that put at risk or called into question is a very

serious challenge to the character of the service and the relationship we have with our audiences. We need to commit ourselves, all of us, in every aspect of our stations, to a number of key steps to take this issue head-on.

One, of course, is that we need to demand of ourselves and everyone with whom we work the absolute highest standards in our work. We must be beyond reproach and then some in all of what we do. That is within our capacity, that is our heritage, and it is ever more important that we meet that challenge.

Second, we need to work together and work with CPB to assure a true integrity in program funding at the national level. That has been called into question; we need to put those questions aside. It will happen by a commitment to insulation, through consultation with the system, as required by law, and with a transparency in the character of the decisions that are made, why they're made, and where the money flows.

And again, we need to communicate with our audience. One of the things we learned in the fight over proposed federal funding cuts is that many people, including many of our dearest and closest supporters, don't really get how the funding of public broadcasting works. That is a point of vulnerability. People should understand not only who we are and what we do, but how we make it happen. It is our responsibility as communicators not only to give the news of the day or the latest release of an artist that's important to our listeners, but also to help people understand who and what we are and how we bring this to our communities. As our communities and our listeners understand that, it strengthens our position.

But as we look further ahead, the uncertainties of federal funding, significant as they are, worrisome as they can be, and as much as they're front and center at a given moment, are not our greatest challenge, and addressing them successfully is not our greatest opportunity.

A NEW ARCHITECTURE

The challenge rather, is that there is a continuing, powerful change in the social and economic architecture of information, culture, entertainment, and education in our society. Electronic media are both the drivers of that change and themselves transformed by it. That is the powerful turning point that, more than anything else that surrounds us, is both the challenge and the opportunity to which we must respond.

Increasing capacity and declining cost in spectrum bandwidth, computer storage, and computer processing power are enabling extensive personal control over all kinds of electronic content. The future that is ahead of us in radio, in video, and in other media that will probably have names we don't even think about today, is one of time shifting, of pausing and resuming, of editing at a personal level, of searchability, of personal archives, of forwardability and integration of content

that comes from multiple sources. We're in a truly new delivery context in the field in which we work, one in which there are multiplying pathways to reach our listeners: satellites, streaming, on-demand access, digital band width. There are multiple channels that are leading to erosion of each of our own single channel's share and increasing the focus on niche applications in serving our communities and our listeners. And content creators of all kinds, both familiar and new, are rushing to exploit these capacities.

This means a changing role for us as broadcasters, a decline in the traditional local radio broadcast functions as a primary audio delivery channel, a scheduler of the listening experience, and a gatekeeper to content. But there is something more than that, an emotional disconnect. It's a reduced margin for error that we have as alternative media choices explode, that that initial, elemental responsive chord of radio that many of us grew up with is being replaced by a chorus of sound coming from many different places that only increase in number.

We are in a time of redefinition for public media that is every bit as important and profound as the very earliest years of our field. If one thinks back to the late 1960's and early 1970's when public broadcasting first put its footprint on the American media landscape, what a different time that was. It was an environment in which television was three networks and maybe an independent channel, radio was Top Forty, most Americans read a daily newspaper, and we had yet to go to the moon. It was a very different America in which the heritage of public broadcasting was formed – that great legacy that has sustained and informed and guided what we've done in the intervening years.

A similar task of defining who and what we are on today's landscape is what is now before us. We, ourselves, must create and implement a new framework for a next generation of our work, a renewed vision of meaningful public service and a shared strategy for growth.

The broad outlines are clear.

We know that we will be anchored in our broadcasting legacy, our most powerful delivery tool, for years to come. But our broadcast operations will be built out to a multiple platform delivery architecture using the same technologies that today challenge us.

We will extend and enrich the service to our current audiences; we'll dance with who we came with. Those are our closest allies, our greatest friends, and those for whom today we are indeed a lifeline. But we must also commit ourselves to bring new users to our fold, to introduce what we do to people who today do not listen at all but whose curiosity, thirst for knowledge, and desire to be engaged in a community is every bit as great.

THE ASSETS WE TAKE FORWARD

As we begin to flesh this out and set about this work, we have significant assets to bring to the task. There are about a half dozen that we believe are at the core of what we do.

We have amazing, strong, high-quality programming that sets us apart on the media landscape.

We stand for things in public broadcasting, and we have a clear sense of what our core values are. We know them, our producers know them, and our audiences know them.

We have a significant and growing share of listening. Every moment of every day, one out of twenty Americans who have their radios turned on is listening to a public radio station. That's an amazing penetration into the radio marketplace, and it's a share that is growing and will continue to grow year by year.

We have a sound economic foundation that we've built, in part through our development efforts, in part through our supporters in the public sector, through our commitments from philanthropy, through the personal checkbooks of our listeners. It's a diversified economic foundation, dependent on no one source but with a multiple platform of funding that goes with our multiple platforms of delivery that gives us insulation, protection, and security.

We increasingly have a high brand recognition that transcends just those who use us. When we began working in public radio, most people didn't even know what public radio was. Our parents didn't know what public radio was. Today most everyone knows what public radio is, listener or not – a terrifically high brand recognition that we can leverage into new opportunities.

And finally we have an enormously skilled, talented, and highly motivated work force, people for whom what we do is not just a job. It's a commitment to something of high principle and high calling to which they bring great experience, hard work, and dedication. In many ways, the richness of those who work within our field is one of our greatest enduring assets.

OUR STRATEGIC POSITION

We also have a principled strategic position: what we do and where we stand as we look towards the media marketplace in which we compete. We are trusted and sophisticated producers, selectors, and context setters for content of high quality and depth. That statement alone sets us apart from so many of those with whom we compete for the public's attention: trusted and sophisticated producers, selectors, and context setters for content of quality and depth. And we present that content with genuine respect for our audience: respect for their intelligence, for their curiosity, for their values and their sensibilities.

We help our listeners connect the dots in a very complex world so that they can work toward solutions in their lives and their communities. And the listeners that we reach in public radio want to make that difference. They are the people who engage, who work in our communities, who serve on PTAs, who vote in elections, who make a difference in what America is all about.

We celebrate America's diverse culture with integrity and authenticity and joy. On our stations you hear the real culture, unfiltered, in the voices in which it originated, in the sounds that speak in a true way to the heartbeat of our nation. We provide a shelter from the storm of a difficult and fast-moving time. Our stations, for all that we engage our listeners in the world, also provide important moments of reflection and refuge.

Our task is to leverage these genuine assets to positions of strength in a changing context and to preserve this very important and distinctive strategic position in new settings and on new platforms. If we do that, the reward is enormous opportunities for growth in both the service that we deliver and the support from our communities that will enable us to sustain it. Both of those are available to most of us as stations and to all of us as a system.

STEPS TO THE FUTURE

How do we get there? In the end, each of us in each of our stations will need to devise our own strategies and our own pathway, but there are some common steps that most all of us would benefit from taking.

We would start with the notion of active engagement of civic leadership. We simply cannot do this by ourselves. However talented, skilled, and dedicated we may be, we need others with and behind us to make this important change in who and what we are and what we do. We need business leaders, we need technologists, we need people who understand the fabric of community life, we need people who can take an arm's length distance from the day-in, day-out work of what we do and help guide and shape and critique and challenge and provoke us to work harder, to do better, and to go further.

We need to strengthen our own professional management. Many of our senior leaders in the field today entered public radio when it was a very different business, smaller and simpler. We need management at our stations that rises to the occasion, to the challenges and complexity of this new landscape, and that can capture and advance the vision that we're creating. We need to resolve to strengthen ourselves . . . or get out of the way.

We need a strategic vision to inform all of this, and we don't use the word strategic lightly. It is very fashionable these days that everything is strategic: strategic this, strategic that, strategic handshakes. Real strategy is ultimately about making choices. Strategy begins by saying we will do these things and we

will not do those things. We will not do those things so we can do these things better. Why are we deciding to do these things as opposed to not doing those things? Because we think this will make a greater difference, this has a greater opportunity, or some other informed reason, but ultimately it means making a choice. That's hard for us. We're the folks, after all, whose first signature program was called "All Things Considered." And there is a sensibility in us that says all strategies and all choices somehow ought to be in the mix. But we can't afford that; we need a focus and the discipline of strategy to make choices.

We need to continue, relentlessly, to build our financial capacity. We need more resources to do these things that lie ahead of us, but we also need, beyond just the extra dollars, a sense of our financial destiny. The building of our financial capacity should not be an incremental burden. That's what drives so many of our development folks crazy – the sense that, somehow, next year more money comes in, less money gets spent raising it, and the year after the same, and the year after the same. That's not the best way to grow a company; it's not the best way to grow a development enterprise. We need a sense of financial destiny, of where we're headed, a sense of the rich resources that can and should come to our stations and support it that may be far beyond where we are today. That helps us plan from where we are today to a "there" that's possibly far beyond our current resources.

We need new configurations and collaborations in our work, and we encourage all of us to think broadly in doing so. We are not talking about an occasional little partnership with a station down the road or a deal with the local newspaper in which you do a forum once a year. We're thinking about configurations of our service that are bold and move well beyond the easy and comfortable ways in which we have come to bring content to our airwaves and increasingly to our web sites. We need to reach out in a genuine way to all manner of organizations in our communities to build our editorial agenda, to look at ways in which we can disseminate our content through pathways other than our own stations and capitalize on the huge investment that's gone into creating that content, helping it reach cascading circles of people who can benefit from it. We need to find editorial partners to work with us in generating ideas and information and knowledge that we, then, as professional communicators can effectively bring to our airwaves. New configurations, new collaborations, and thinking broadly as we go in search of them.

We can't forget the mantra that has brought us the success we enjoy in public radio today: wider reach and deeper connection. We understand that the reason we have grown as a field, why today we have over 600 million dollars with which to work where in the past we had 200 million dollars, is because we reach more people and we build a deeper connection with them. It is the combination of more use by the public and greater importance and significance to those doing the using that drives the growing support from our communities, that sustains our

work. We need to be relentless in the pursuit of both of those objectives: a wider reach in whom we talk to, a deeper connection with those whom we reach.

Then, skating above use and connection, at some meta-level, is the notion of greater significance in the role and impact we have in our communities as a whole, a significance in which we are making a genuine difference on the cultural and civic issues of our day, of our communities, and our nation. And that, again, has a payoff in the financial support needed to sustain it, because that kind of significance is the gateway to philanthropy, which remains a significantly underdeveloped area in our financial portfolio.

Another step: we need to keep telling our story. There is a sense among so many in the public sector, in the non-profit sector, in public broadcasting who feel that doing good work is enough. If we just do a good job every day, people will just get it, and to some degree that's true, especially when you work in a field such as ours where our good work is broadcast on high-powered transmitters 24 hours a day. But even that is not enough. We need to patiently explain and then explain again who we are, what we do, what we stand for, and where we're going. Some of us are resistant to that. Some of our managers are resistant to putting that on our air. The good work should stand for itself. That's a luxury we believe we cannot afford, particularly if we are changing as an institution, if we are trying to get to a different place. If we are trying to reposition ourselves on an evolving media landscape, it is imperative that we bring our communities and our listeners along with us and we need to tell them what we're doing, and we need to be the ones who tell that story.

Finally on this list, we need to focus our most valuable resource, which is the people who are engaged with our organization – our staff, our volunteers, and our civic leaders – on the activities that are most closely aligned with our service vision. This is an echo of our point about strategic choices, but it brings it down to the tactical level. We are a people-intensive business. We spend most of our money on people. We spend much of our time managing other people within our organizations. Yet the discipline and rigor with which we manage both our own personal time and our collective time as the staff of our stations has huge room for improvement. We need to focus our time and our energies, our most precious resource, on our strategic vision of public service, to ask ourselves: "What am I doing today, what are all of us as a group doing this week that advances our mission, that achieves our vision, that is getting to results that make a difference in the lives of those that we are committed to serve?"

THE OPPORTUNITY FOR GROWTH

So where will all this get us if we're successful in doing these and other things that each station could add to the list?

Let's make some assumptions, starting with where we are going with our audience growth. Five years out is about as far as anybody can genuinely say

where they think things might be going, so we are looking at the year 2010 and where we might be by then in our audience service. We've had a marvelous run-up in our listening in the past five years, principally driven by our news and information services, by our news and information stations, in a time of ferocious news cycles. Public radio's news and information stations have experienced a 55 percent increase in listening over the past five years, a huge increase. But even our purely music stations, our all-classical and our all-jazz stations, have held their own. Now, in both groups there are some who are up more and some who are up less, some who are down, but overall we are looking at a very high level of performance. We don't think we're going to match the huge growth we've had as a field in the past five years. We do, however, believe we can sustain the growth we have seen over a longer period of time, such as that of the past decade, which has had a few flat years along with the great ones.

So looking to something between our five-year and ten-year trailing averages, we believe it is within our reach, if we do it right, if we apply ourselves well, if we're disciplined and do all those things that we have suggested, to anticipate by the year 2010 a 25 percent increase in listening to public radio on our broadcast channels on a system-wide basis across all our formats taken together.

That won't automatically happen. It doesn't just fall into place. But a 25 percent increase in listening at a time when listening to radio has been eroding steadily quarter by quarter would be a huge accomplishment for our field. It would transform our share of listening to a greater and more significant place.

Second, if we're successful, as we believe we must and can be, in migrating our services to new platforms, developing new pathways with which to reach our audiences, where might that go? Now this truly gets to be tricky, because we aren't even sure we know the platforms that are going to be available by the year 2010. But if we put together where we stand right now as our own audiences stream audio and video on the Internet, at the podcasting that's starting to take off at stations that are putting that programming out, like KCRW and WGBH and WNYC and more that will join them in the weeks and months ahead, if we think of the advent of secondary audio channels in digital broadcasting, not today – where how many people can listen to that, that would be none – but how many people might be listening five years from now and add that into the mix, here's what our assumption would be: that five years from now we can anticipate that about one-third of our weekly come will use one or more of these additional platforms beyond our broadcast service for an average of two hours per week.

So think about that. Make your own assumption about it, but that would be ours, that our cumulative broadcast audience grows, that one out of three of this larger audience is making use of these new platforms, and that the average amongst those who do, the adopters of these platforms, would be about two hours of use per week.

Now, how do you put that together, the new technology platform use and what we're delivering on the broadcast channels? It's not going to be purely additive. If the new platforms really take off, that's going to have some cannibalization and erosion of what we're doing in broadcasting. On the other hand, if the new platforms develop a little bit slower than some suggest or hope, then the growth on the broadcast side might be more vigorous. The way we put it together is to take about half of what we suggest would be the increase on new platforms and assume that that's simply replacing broadcast use.

What I wind up with, then, is that five years from today our overall level of audience service on broadcast and new platforms should be about thirty percent greater than it is today. No small accomplishment to do.

Now, how do we translate that to revenue? We know that listening leads to giving. We've assumed that we can maintain the same ratio of gross revenue coming into our stations per listener hour of use that we're doing today, not that we're going to improve it, but not that it's going to decline, either. That is, given an amount of listening that translates to an amount of giving today, we can sustain that into the future. But where we do think we can and should improve is in shaving off a little bit of our cost of raising those dollars. Right now it's costing us about 36 percent or 36 cents to raise a dollar in member support. We believe we should move that downward and can aim towards a figure of about 33 cents on the dollar. We've been there before. In the late 1990's, that's what we were doing; we think we can return to that level of productivity in our member fundraising. We believe we can do the same thing on the underwriting side. Right now we're spending about 32 cents to raise a dollar; we think we can move that down to about thirty percent with some organization and efficiency in what we do. That's shaving; that's not radical transformation. Now, taking those assumptions and assuming everything stays in today's dollars, to what does that translate? Our math says that brings 50 million net new dollars from members, 26 million net new dollars from underwriting. That's pretty good.

But wait, there's more! What about major gifts, one of our favorite subjects these days? Major gifts remains largely underdeveloped throughout our field. Most of us are in the very earliest stages of doing major gifts work, and even our strongest and most mature station organizations still have a long ways to go. So what can we do in the intervening five years? Right now we have about 2.6 million people, or households, who are giving to public radio. We assume that if we can achieve the level of growth in audience service that we described and maintain our productivity in converting listening to giving, that we'll be easing up on about three million givers by the year 2010. We also assume we can get to a place where one percent of those givers are giving at least \$1,000 to our stations, and an average gift among that one percent would be about \$1,500. How do these numbers compare to current performance? That would be on a par with reasonably successful public television and reasonably successful public radio stations today, but it's saying we need to bring all of our field close to that

level, and that our very best performers need to go beyond that. But we can do that; that's within our reach. One percent of our givers giving us at least a thousand dollars, an average among that one percent of \$1,500.

So what's that bring to us in new resources?

Well again, just like putting the broadcast service and the new delivery platforms together, we need to think about these things entwined? Our assumption would be half of that money that we would be getting would be coming from people who are already major givers or who are already giving to us at lower levels. But the gross increase nonetheless would be about thirty million dollars. But that's gross; what about the net? One of the reasons we're enamored of major giving is that most everyone who does it experiences a significantly lower cost of fundraising over the long haul for major gifts than in other forms of fundraising. And if we can achieve on a par with our colleagues elsewhere in the non-profit sector, we should be experiencing about a twenty percent cost of fundraising for major gifts, not the 30, 33, 36 percent that we're experiencing in other areas. So if you apply that twenty percent figure, where you get to is a new net income for major gifts of 24 million dollars.

So if we look at 2005 compared to 2010, how does all this add up? We're talking about fifty million dollars or so more from members, 26 million or more from underwriting, 24 million or more from major gifts; that's 100 million more in net revenue for public service for our field. That's after paying all the fundraising expenses. That's in current dollars making no assumptions for inflation. \$100 million in new capacity for public service.

So what's \$100 million? Well, that's the amount that was just so recently at risk with the House of Representatives and the appropriation for the Corporation for Public Broadcasting. That's twice the total that stations invest in National Public Radio. That's more than everything that stations invest in all national programming from all sources. It's more than one-third of what we are spending today on all of the programming from all sources, national and local, that we're doing. One hundred million dollars is serious money by any calculation. And it's within our reach without extravagant steps, without radical restructuring, but with important changes in what we do to capture that. It is within our reach.

TO MAKE A GREATER DIFFERENCE

So where's this leave us? We've built a really sound foundation of public service in what we've done that's brought us here today and that will likely endure for a generation to come. But we must envision a larger and enduring success that builds on that foundation. We must re-imagine public media with the daring and the passion of those who have gone before us. We must assume the risk of embracing change in order to make a greater difference for those that we serve.

If we do these things, if we take the steps that we've outlined, if we leverage the assets that we have, if we preserve our strategic position, if we apply ourselves rigorously, if we make the strategic choices that are ahead of us, if we do these things, then we believe that together we can grow, endow, and sustain a very powerful place of truth, an anchor of our democracy, a celebration of our rich cultures, and a trusted companion for the soul.

That's the task before us, that's the challenge that makes the work worthwhile, and we're up to it.