

# SRG Public Radio Profile

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## The Public Radio Format Study Financial Patterns

*A Six-Year Analysis of Performance  
and Change By Station Format*

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# The Public Radio Format Study Financial Patterns

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*The Public Radio Format Study* is part of Charting the Territory, a system-wide planning project supported by the Corporation for Public Broadcasting and SRG member stations.

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# The Public Radio Format Study

## Financial Patterns

### Key Findings

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#### **Different formats lead to different economies.**

The different formats public radio stations choose to provide translate to significant differences in most measures of financial performance and the patterns of change in those measures over time – the cost of providing public service, the revenue from listeners and underwriters, and the overall mix of financial support that sustains the operation.

#### **Net listener support per listener hour has declined significantly for News stations – down 20%.**

Given the significant increases in listening to public radio news programming, this may be a matter of it taking longer that we have thought for giving to catch up with listening. Or it could reflect a changing sense of value in the service as public radio news becomes more mainstream, as news sources proliferate on the Internet, and as underwriting on News stations grows significantly. This may be problematic for NPR, which bases pricing of its news programs on listener hours and a presumed value of those hours.

#### **There is a huge difference in net underwriting per listener hour between public radio's news stations and public radio's music stations.**

Net revenue per listener hour from underwriting on News stations exceeds the comparable figures at music stations by a factor of three to one. Finding the reasons for this disparity and devising strategies that might address them could make an enormous difference for public radio's music stations.

#### **The relative roles of listener support and underwriting vary significantly by format. The differences are increasing over time.**

In 1999 News and News/Music mix stations had a lower percentage of development revenue from listener support and a higher percentage from underwriting than all-music stations. Over the ensuing six years faster growth in underwriting at News and News/Music stations and faster growth in individual giving at music stations enlarged the differences.

**Net revenue from development activities plays very different roles in meeting the operating costs of stations with different formats.**

Across all of public radio, net revenue from listener support, other fundraising, underwriting, and grants covers about half the costs of stations' non-development operations. But for News and AAA stations, which also are more likely to be found in larger markets, net development revenue funds 70% and 60% respectively of the rest of the bills. Conversely, for Classical and Jazz stations the numbers are 45% and 40%.

**The basic productivity equation for public radio's public service – the cost of programming and operations per listener hour of use – has remained remarkably stable.**

Over the past six years public radio as a whole has experienced significant growth in both its costs (up 27%) and in its listening (up by 23%). While there is thus a slight edging upward in the cost of service, the general pattern for the system as a whole and for individual formats is one of stability.

Our first report in this series, *Public Radio Format Study: Listening Patterns*, presented listening results based on 228 stations. *Financial Patterns* is based on a subset of 150 stations within the 228 station sample for which we could directly associate financial data with listening data. As a result, the changes in listening levels reported here will vary slightly from the earlier report.

*In addition to these broad findings, there are important narratives for the various format groups.*

**News stations**

Public radio's all-news-and-information stations have experienced a dramatic increase in listening over the past six years – up over 50% from 1999 to 2004. Dollars flowing in from listeners are up, too, but not at all at the same pace. Net individual giving increased by 20% over the same period. Net listener support per listener hour *declined* by 20%. Even allowing some “lag time” for giving to catch up with listening, that is not good news. There is considerable consolation in the fact that net underwriting revenue has grown a robust 47%.

The News stations in this study finance more of their operating costs through the combination of listener support, underwriting and grants than any other format group – a dramatic 70%.

**Classical stations**

Public radio stations that generate 75% or more of their listening from classical music programming saw their listening remain relative flat, ending down by 5% comparing 2004 to 1999. Net listener support, however, is up by a remarkable 12% during this period. With the interplay of listening and net listener support, net listener support per listener hour is up by 19%. The Classical stations needed this performance from individual giving to compensate for a major drop in underwriting – a loss

of net underwriting revenue between 2000 and 2001 that pushed them 13% below where they started in 1999, a level from which have yet to recover.

The good news/bad news interplay for Classical stations left them about where they started, with overall net development revenue up by 4% for the six years. Classical stations pay some 47% of their non-fundraising operating costs with net development revenue.

### **News/Classical stations**

News/Classical stations receive at least 25% of their listening from news and information programming and at least 25% from classical music. It is public radio's largest format group. These stations seemed to "split the difference" between the patterns of News stations and Classical stations, though tilting more toward the News side with each passing year.

Their growth in individual giving at News/Classical stations essentially matched their growth in listening, neither falling behind like News stations nor moving ahead like Classical stations. News/Classical stations experienced a big jump in net underwriting revenue, which was up 41% over six years, much more like their News colleagues.

All financial data in this report are adjusted for inflation. Year-to-year or multi-year changes reflect inflation-adjusted numbers.

### **AAA stations and News/AAA stations**

These stations, limited in number in this study, share mostly good news all the way around – listening, giving, underwriting and grants are all up by substantial amounts, often over 60%. But the costs of fundraising are also up all the way around. This growth in costs dampened net revenue – but to still very healthy levels in the 40% to 50% range. About the only sobering news is that net listener support per listener hour for the News/AAA stations declined for several years, somewhat echoing the experience of the News stations.

### **Jazz stations**

Stations that find 75% or more of their audience through jazz experienced a relatively stable pattern of listening, down by 3% comparing 1999 to 2004. Individual giving to Jazz stations is flowing against the listening trend; it grew by 21% over six years. Jazz stations took a dramatic tumble in underwriting, with net revenue in 2004 29% below where they were in 1999.

Jazz stations stepped up their efforts in special fundraising events and netted 65% more revenue in this area comparing 1999 to 2004. Jazz stations also doubled their net grant support during this period. Putting it all together, Jazz stations increased their net revenue from development activities by 16% over six years.

## Overview

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*The Public Radio Format Study* is an in-depth examination of the performance of stations with different programming formats. The first report from the study examined patterns of listening. This report probes patterns in fundraising and finance.

In *Financial Patterns* we drill down in public radio's financial data, using the backdrop of a "whole system" analysis to explore the performance of stations with different formats and format mixes. We look at the cost of providing these different services, both the total operating expenses and the costs of programming and production for different kinds of stations. We then turn to stations' efforts to raise the funds to pay for the service, through listener support, other community fundraising, underwriting, and grants.

The report is dense with information. There are many financial variables in play across seven different format approaches and six years of performance. Each indicator and the accompanying analysis tells an important part of the story, but we urge particular attention to several key measures.

**Net revenue per listener hour.** For both listener support and underwriting, this composite metric is an important indicator of the productivity of public radio's development work. It "holds even" for the size of the audience and its changes over time and thus allows us to see the impact of factors other than how many people are listening.

**Net listener support per listener hour.** *Audience 98* demonstrated that the stations best at generating giving "are heavily relied upon by their listeners, are more important in listeners' lives, engender a greater sense of community, and better communicate their reliance on (and the importance of) listener support." The first three factors are directly linked to and reflect the importance of a station's programming to listeners. Net listener support per listener hour is thus a powerful measure of value and significance, especially in comparing the audience response to similar programming over time.

**The impact of development practices.** While *The Public Radio Format Study* reveals significant differences in fundraising performance associated with different programming formats, this study does not address is to where the effect of the programming ends and the differences in development practices that may be associated with the different formats begin.

The *Audience 98* study quoted above made a similar observation. It reported that, after accounting for all the impact of use, reliance, importance, and other factors linked to a station's programming service, a significant amount of the station-to-station variance in fundraising performance remained unexplained. That study dubbed this the "D-factor," for development. At SRG, we call this space where audience service meets development activity "The Conversion Box," a matrix in which these two powerful factors jointly shape financial outcomes – in different ways for different stations..

**The role of net development revenue in paying station costs.** Public radio stations are financed through many different business models, from institutional sponsorship to community-based support. Different approaches come with different benefits and concerns, from stability to independence. Examining the role of net proceeds from listener support and other fundraising, underwriting, and grants provides insight into the underlying economies of public radio's different programming services.

**About the statistics.** In reviewing any study or report, it is important to be clear about the data and analytical approach on which the findings rest. Extensive notes about our work are in an "About the Study" section at the conclusion of the report, but a couple of key points are worth highlighting here at the start.

This is not a random sampling of stations. We selected all stations that we could clearly place in a format group and then selected those for which we could match their programming directly to their finances. Some formats are represented by many stations and others by only a few. There are 150 stations in all, accounting for over half the listening and financial support of public radio. Station counts are in the legends that accompany each chart.

Format choices are one among many factors that affect the performance of stations. We note the importance of development practices in explaining station-to-station differences above. Market size, which correlates with format choices, is another important factor in station efficiency and productivity. So is licensee type, according to other analyses.

There is significant variance in both the programming and financial performance within format groups. For example, some News stations shape most of their service with national programming while others present substantial local news, public affairs, and talk elements. The same is true in other formats. Some stations are well above the trend lines and others well below. Focus on the big picture and the multi-year perspective.

**Acknowledgements.** The format assignments for this report were made possible by the generous cooperation of Audience Research Analysis (ARA), which allowed us to use a database with the listener hours, by format, for over 465 public stations. Stations' audience performance over the six-year period is based on Arbitron estimates acquired by SRG from ARA's National AudiGraphics service.

The financial data were provided by the Corporation for Public Broadcasting, where Nadine Feaster has been helpful in assembling the annual databases with which we worked. David Giovannoni worked with us over several weeks to refine the approach and formulas used to group revenue accounts and allocate fundraising and underwriting expenses at the station and licensee level. Development experts Barbara Appleby and John Sutton shared helpful comments on the analysis.

We are grateful for the Corporation for Public Broadcasting's multi-year support of *Charting the Territory*, SRG's system-wide planning project of which this study is a part.

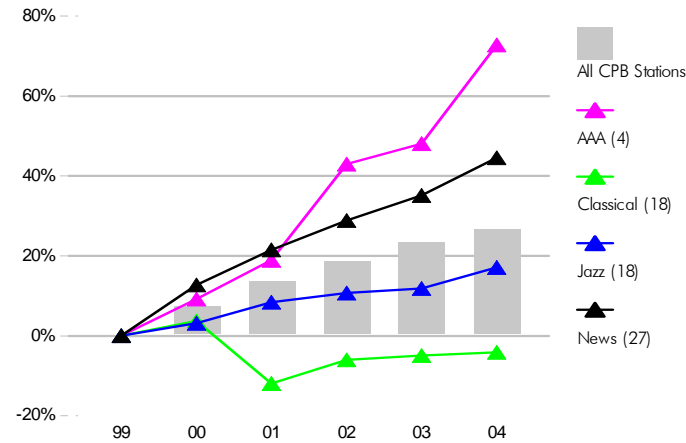
– Thomas J. Thomas and Theresa R. Clifford

# Different Formats: Big Picture on Cost and Listening

## Focused Format Stations

### Total Operating Cost

Adjusted for Inflation (2004 Dollars), Change from 1999

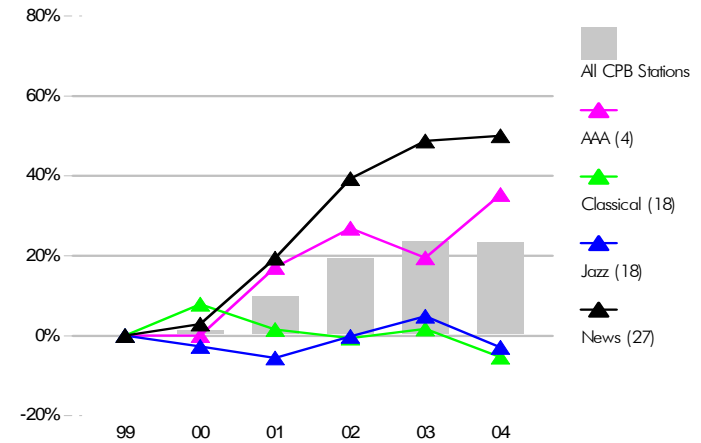


Source: CPB: Annual Financial Reports

Station Resource Group

### Listening

Listener Hours, Persons 12+, Mon-Sun, 6am - Mid, Change from 1999



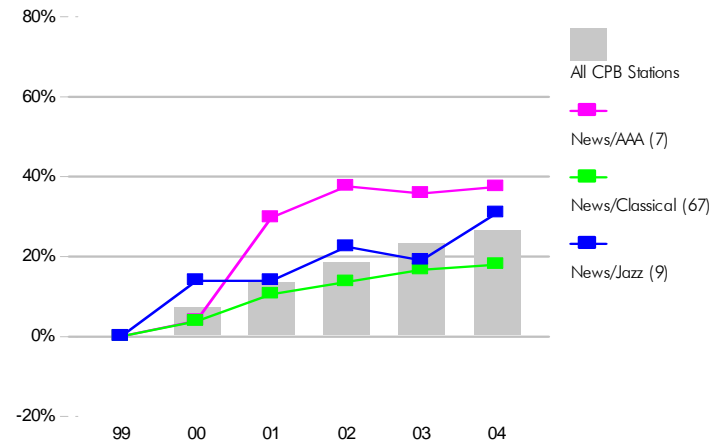
Source: Audience Research Analysis/Audigraphics

Station Resource Group

## Mixed Format Stations

### Total Operating Cost

Adjusted for Inflation (2004 Dollars), Change from 1999

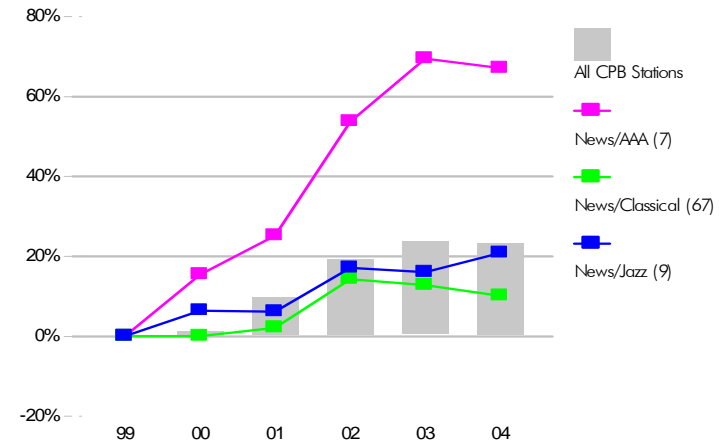


Source: CPB: Annual Financial Reports

Station Resource Group

### Listening

Listener Hours, Persons 12+, Mon-Sun, 6am - Mid, Change from 1999



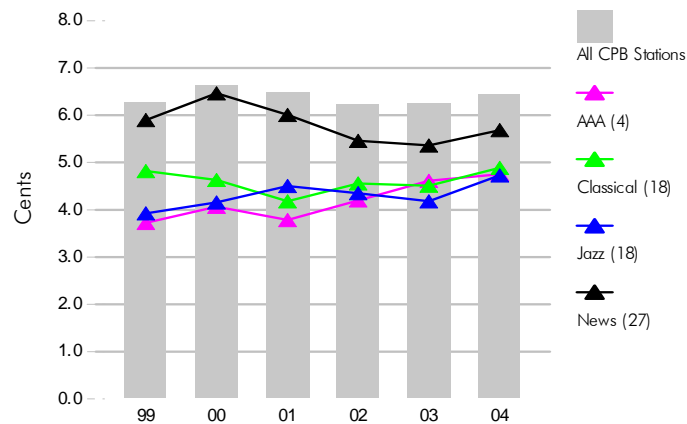
Source: CPB: Annual Financial Reports

Station Resource Group



### Total Operating Cost per Listener Hour

Adjusted for Inflation (2004 Dollars)



Source: CPB: Annual Financial Reports, Audience Research Analysis/AudGraphics

Station Resource Group

### The Productivity Equation

Productivity examines the relationship between inputs and outputs. Our analysis starts with just such a calculation – the total cost of station operations (input) in relation to total listener hours of service (output).

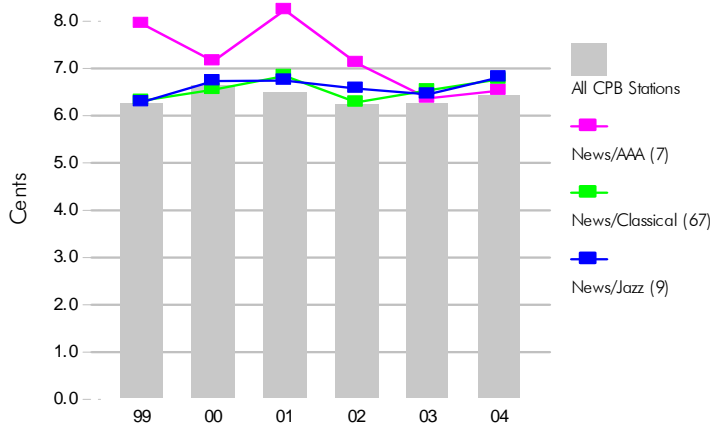
In FY 2004, CPB-supported public radio stations, as a whole, spent some \$742 million and provided over 11.5 billion listener hours of service. Dividing the costs by the hours of service produces a system-wide figure of 6.4 cents per listener hour.

This metric has remained relatively consistent over the past six years, despite significant changes in the underlying measures. Total station operating costs for all public radio increased by 27% and listening to all stations combined increased by 23%.

The charts at left show the operating cost per listener hour for all CPB-supported stations (the grey bars) and the stations in different format groups (the colored lines).

### Total Operating Cost per Listener Hour

Adjusted for Inflation (2004 Dollars)



Source: CPB: Annual Financial Reports, Audience Research Analysis/AudGraphics

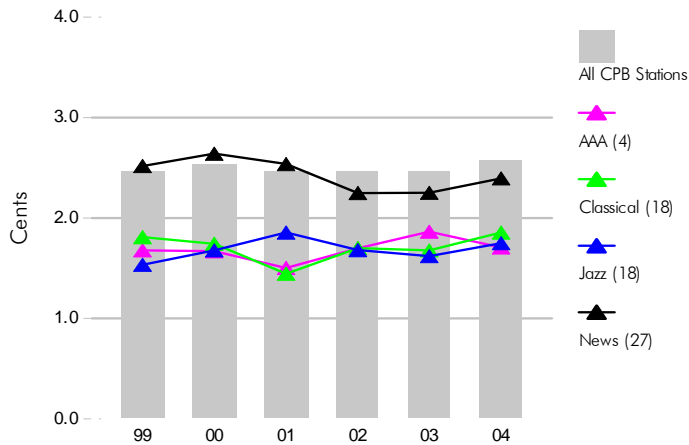
Station Resource Group

The cost per listener hour of operating focused-format stations, which tend to be located in larger cities, is less than for mixed-format stations, which are concentrated in smaller markets. This reflects the basic dynamic of broadcasting in which the marginal cost of reaching additional listeners is only a small fraction of the basic costs of creating the service.

The cost per listener hour of operating a News station is significantly higher than the cost per listener hour of music stations. The dramatic growth in listening to News stations during this period (55% growth in AQH) improved the cost/listening ratio.

A similar factor is at work for the News/AAA stations, where significant growth in audience lowered their cost per listener hour.

**Program and Production Cost per Listener Hour**  
Adjusted for Inflation (2004 Dollars)



Source: CPB: Annual Financial Reports, Audience Research Analysis/AudGraphics

Station Resource Group

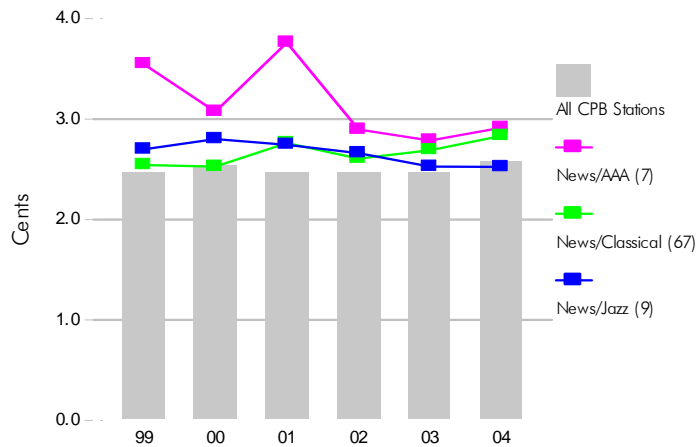
**Programming Costs Drive the Pattern**

The costs of programming and production per listener hour parallel – in fact, drive – the patterns for total operating costs.

Among the focused-format stations, programming and production costs per listener hour for News stations are significantly higher – by more than 26% – than those for the music stations, which are relatively similar to each other. The 27 News stations we examined spent 2.4 cents per listener hour compared to 1.9 cents per listener hour spent by the 18 classical stations in FY 2004.

All the focused-format stations were below the national average for programming and production costs per listener hour. The mixed-format stations’ programming and production costs per listener hour were at or higher than the system average, with News/Classical and News/AAA spending more than the News/Jazz stations.

**Program and Production Cost per Listener Hour**  
Adjusted for Inflation (2004 Dollars)



Source: CPB: Annual Financial Reports, Audience Research Analysis/AudGraphics

Station Resource Group

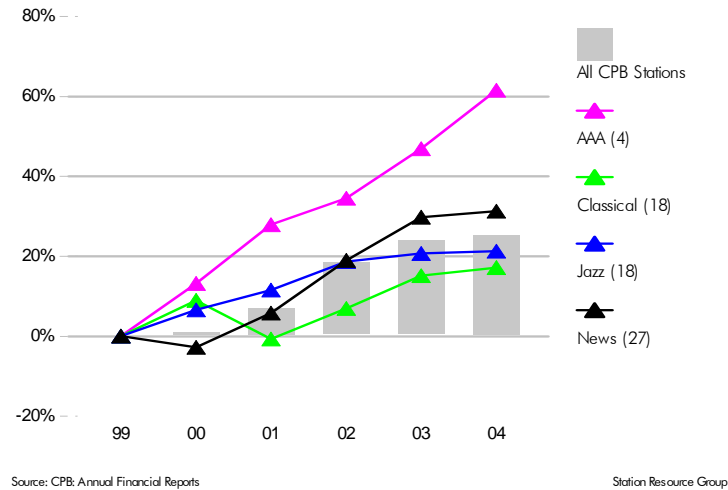
Comparing these charts to those on the previous page, it is clear that most of the variance among the format groups in total operating cost is due to the difference in their respective costs of programming and production.

Higher or lower costs per listener hour are not inherently good or bad – especially since higher programming costs are often associated with such mission-related and audience-valued characteristics as greater depth of reporting, better editing, and higher production values. The key public service management issue is whether such costs can be sustained through revenues from those who use the service and others who find it of value.

## A Growing Stream of Listener Support

### Listener Support

Adjusted for Inflation (2004 Dollars), Change from 1999



Individual giving to public radio through membership, friends groups, and major gifts – across all stations and all formats – increased by 25% from FY99 to FY 04. This growth is after adjusting for inflation, as are all the multi-year numbers in this report. All format groups shared in this growth, although at significantly different rates.

News stations increased their gross listener support at a faster rate than the system as a whole – but not by as much as we would have guessed given the dramatic increase in listening to News stations during this period. Listener support of the News stations was virtually unchanged from 2003 to 2004.

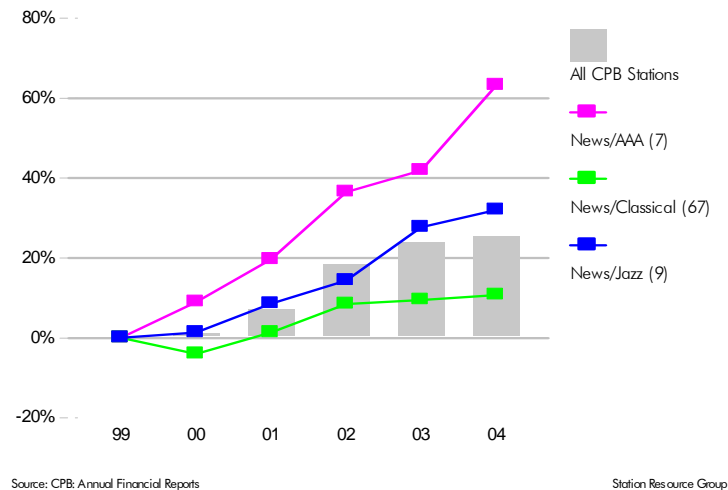
News/Jazz stations also grew their individual giving at a pace ahead of the system average.

AAA stations have clearly been on a roll, both those with a focused format and those with a mixed News/AAA service – both groups saw their gross revenue from listeners climb by more than 60%. But just remember we are only looking at a total of 11 stations.

Classical, Jazz, and News/Classical stations were all below the average rate of growth in individual giving for all public radio stations. The News/Classical stations, the largest of our format groups (and the most common format in public radio overall) had the slowest rate of growth.

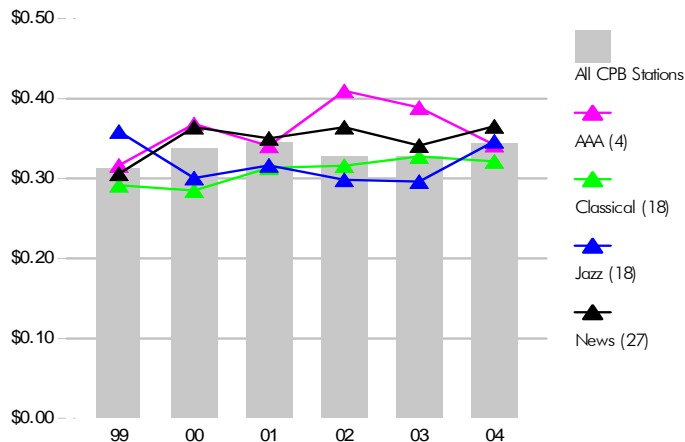
### Listener Support

Adjusted for Inflation (2004 Dollars), Change from 1999



### Cost of Raising Listener Support

Cents per Dollar Raised



Source: CPB: Annual Financial Reports

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### It Takes Money to Raise Money

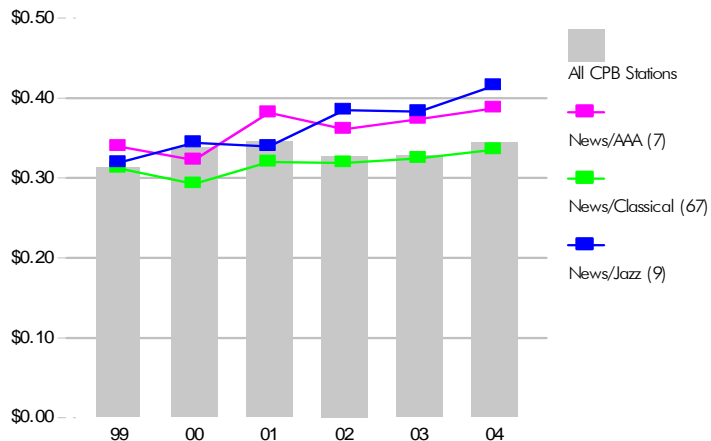
Public radio spent about 34 cents to raise a listener dollar in 2004 – up from 31 cents in 1999, but down a little from 2001, the most recent peak.

The multi-year trend is to be spending more rather than less to raise a dollar and almost all format groups were spending at least a little more to raise a dollar in 2004 than they were in 1999. Several groups have patterns worth attention.

The News stations we studied began the period under review with some of the most efficient fundraising in the field, spending only 31 cents to raise a listener dollar. Six years later they were spending 37 cents per dollar raised, a 20% increase.

### Cost of Raising Listener Support

Cents per Dollar Raised



Source: CPB: Annual Financial Reports

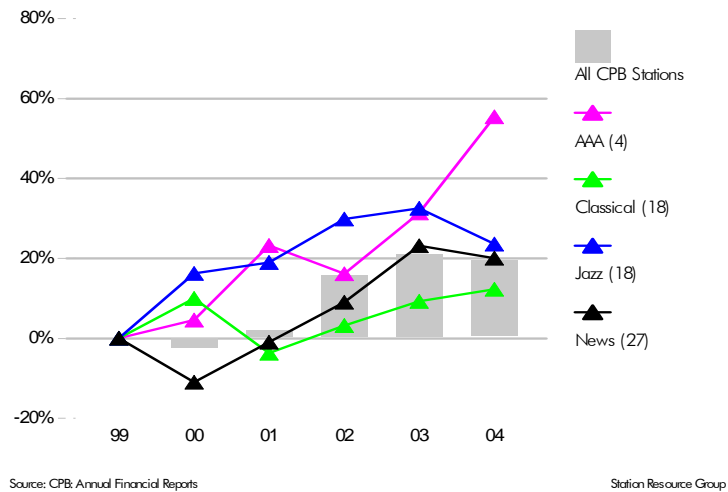
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Potentially more problematic is the pattern among News/Jazz stations. These stations have seen a near-steady escalation in their cost of fundraising. While they are raising more listener dollars than before (see previous page), a smaller portion of each dollar collected goes to the stations' public service. Their cost of fundraising grew from 32 cents per dollar to 42 cents per dollar, a 30% increase.

The exception to the generally upward trend in costs is the Jazz group, which improved the efficiency of their fundraising during and cut their cost of fundraising by 7% when comparing 2004 to 1999.

### Net Listener Support

Adjusted for Inflation (2004 Dollars), Change from 1999



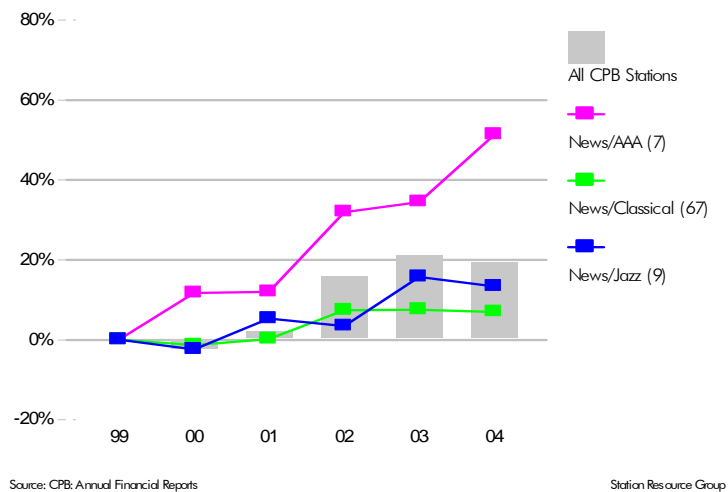
### Net Support – What We Spend on Public Service

Net listener support is the money left after backing out the costs of fundraising, the amount that can be spent delivering public radio's public service. It is the net, not the gross, that is the true target of public radio's fundraising work.

For the system as a whole, net proceeds from listener fundraising have followed a bumpy road. FY 2000 saw a 3% drop in net listener support, the first decline we had seen in over two decades. The sharp drop at News stations was clearly the culprit. The News stations and the system bounced back the following year, essentially wiping out the loss. Net proceeds surged ahead in 2002, almost certainly driven by the jump in public radio listening following the 2000 presidential election and the attacks of 9/11. That was followed by another gain in 2003 and then a very small loss in 2004.

### Net Listener Support

Adjusted for Inflation (2004 Dollars), Change from 1999



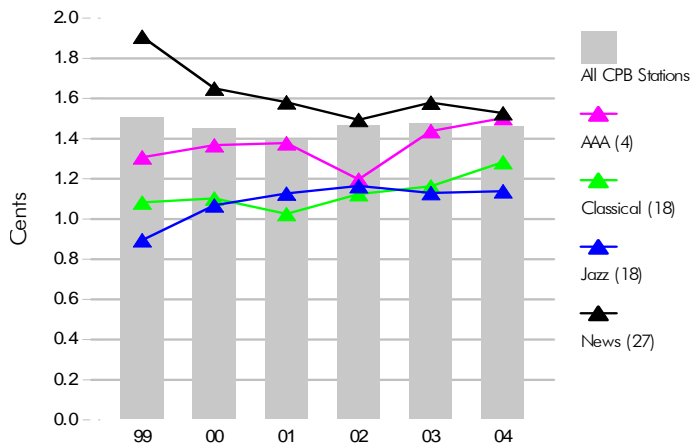
So how do the different format groups play out against this broader pattern? First, we know that it is News and News/Classical groups that are largely driving the system pattern. They are the two largest format groups in number; the two groups in this study account for 38% of all public radio listener income. The drop and bounce back are more pronounced for the News group, more moderated for the News/Classical.

The AAA and News/AAA stations are doing quite well. Even with rising costs of fundraising, their rate of growth in net income leads the pack by dramatic margins.

The surprises are the Jazz and Classical stations, which are often portrayed as financially struggling. With modest but steady growth in gross receipts and constraint in fundraising costs, both groups managed a near-steady increase in net returns from listener support. The growth pattern for the jazz stations was especially strong.

### Net Listener Support per Listener Hour

Adjusted for Inflation (2004 Dollars)



Source: CPB: Annual Financial Reports

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### Listener Value and Fundraising Productivity

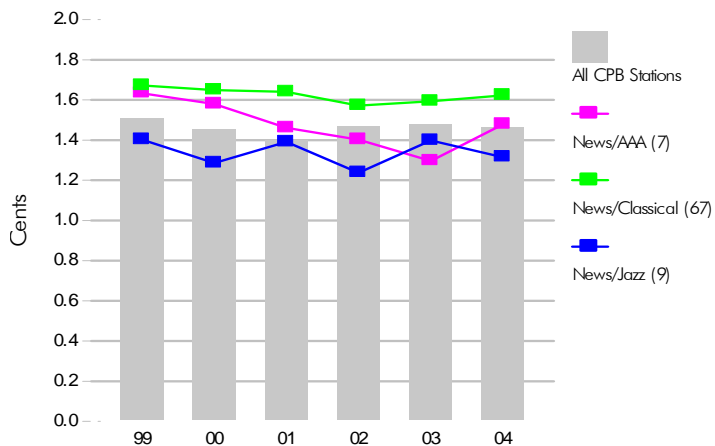
Multiple studies confirm that the size of stations' audiences explains more of the station-to-station variance in listener support than any other factor. A station serving Brooklyn, Iowa, is unlikely to match a station serving Brooklyn, New York, in raising listener dollars. But by "holding constant" for the amount of listening, we can highlight other differences, such as the value that listeners place on the programming they hear and the effectiveness and efficiency of stations' development efforts.

For these charts we have divided the net listener support of the format groups by the amount of listening to those groups to yield net listener support per hour of listening.

For all the millions of dollars and billions of listener hours, the pattern for public radio as a whole is relatively stable, with a small decline from 1.51 cents per listener hour in 1999 to 1.46 cents in 2004, a drop of 3%.

### Net Listener Support per Listener Hour

Adjusted for Inflation (2004 Dollars)



Source: CPB: Annual Financial Reports

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Public Radio Net Listener Support per Listener Hour All CPB-Supported Stations, Adjusted for Inflation					
1999	2000	2001	2002	2003	2004
1.51¢	1.45¢	1.40¢	1.47¢	1.48¢	1.46¢

The format groups with the largest changes are News, Classical, and Jazz – but the changes are moving in different directions.

News stations experienced a significant drop in net revenue per listener hour, from 1.91 cents to 1.53 cents, a startling decline of 20%. This drop occurred while their audience grew by 50%. Indeed, the rapid audience growth may explain at least part of the drop. Listening does not translate immediately to giving for most listeners; it takes some time to bond with a station and integrate it into one's life. *Audience 98* reported that length of time in a station's audience, as measured in years, made a difference. More

recently, Audience 2010 suggested a one-year lag between changes in listening (particularly by core listeners) and changes in giving. In this view, News stations might still be catching up with the strong growth in listening in 2001, 2002, and 2003, which will pay dividends in following years if the new listeners stay with the stations.

Alternative hypotheses would be that the additional listening to News stations has not produced a correlated increase in the value of the service to its users, that listeners more recently attracted to News stations do not find the service as personally important as earlier listeners, or that development professionals at News stations have been paying too much attention to the increases in their overall listener revenues (up over 30% since 1999) and not quite enough to the productivity of their work relative to their stations' audience growth.

Another possibility may be the result of the significant growth in underwriting on News stations, which increased their underwriting revenue by over 60% during the past six years. Some of that increase is due to higher rates – but some is tied to an increase in the sheer number of underwriting messages being aired. National underwriting for national news programming and the number of messages that go with it have also grown briskly, although the revenues for national underwriting do not flow to stations and are not reflected in this report. The combined growth in local and national sponsorship messages may be depressing the inclination and urgency that prompts listeners to give to stations.

Even with the decline since 1999, News stations can still boast one of the highest net returns per listener hour.

Jazz stations saw notable growth in their net listener support per listener hour from 1999 to 2004, an increase from 0.89 cents to 1.14 cents, or 27%. The Classical stations experienced a 19% increase in net listener support per listener hour, with their largest jump in the last year of the study.

The strong performance of the Jazz and the Classical stations is in the context of audience growth that was essentially flat across this period. One clear reason is more effective performance by Jazz stations and Classical stations' fundraising staff. As noted earlier, these stations increased their gross returns while holding their fundraising costs constant, thus increasing their net. But there is something else at work, too.

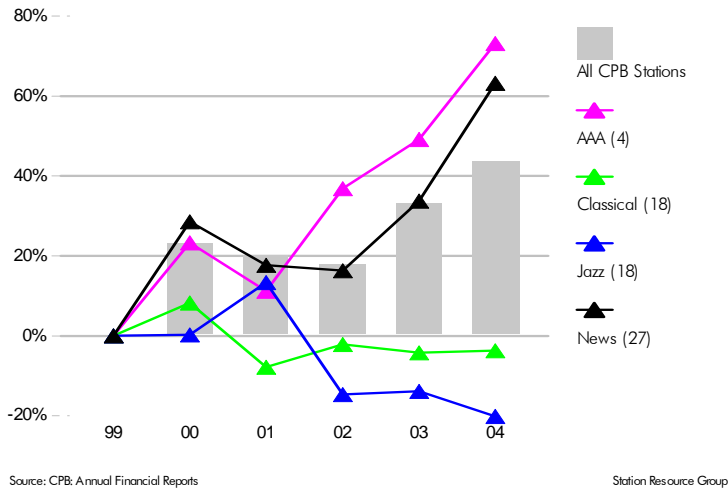
The Jazz stations and Classical stations' growth in net support per listener hour outstrips their growth in net revenue. Either the Classical stations' listeners are finding the service more valuable or the stations are becoming more persuasive in asking for support, or both.

Other format groups fall somewhere between the News stations and the Jazz and the Classical stations.

# Business and Nonprofit Underwriting

## Underwriting

Adjusted for Inflation (2004 Dollars), Change from 1999



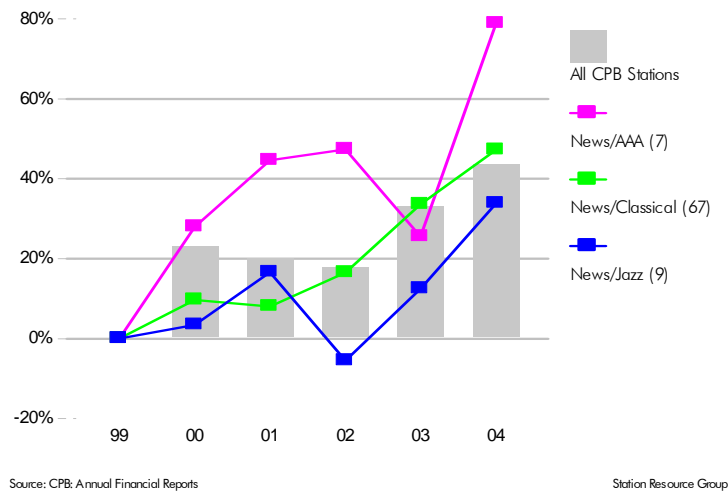
Public radio's underwriting revenue is more volatile than its listener support, reflecting larger checks from fewer entities and a greater sensitivity to business cycles. The system took a mighty leap forward in fiscal year 2000, fueled by a healthy economy in general and the "dot com" boom in particular. Underwriting sales staff then struggled through the next couple of years when the venture capital behind Internet start-ups went away and the economy took a dive. Growth resumed in 2003 and continued in 2004.

Five of the seven format groups shared in this growth, with the AAA and News/AAA stations setting a particularly hot pace. News, News/Classical, and News/Jazz stations were a big part of the 2003-2004 surge as well.

The exceptions to this prosperity are the Classical stations, which experienced a big drop in underwriting revenue between 2000 and 2001 and the Jazz stations, which suffered an even bigger fall of a year later. Both groups have yet to recover from these losses. The Classical fall off was shared among many stations; the Jazz loss was mostly attributable to significant reversals at two large budget stations.

## Underwriting

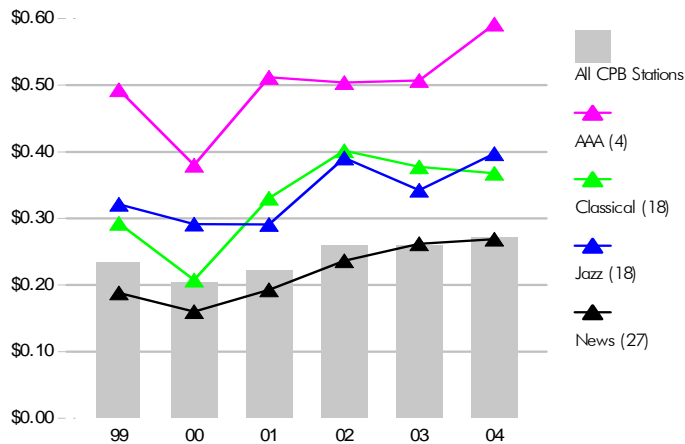
Adjusted for Inflation (2004 Dollars), Change from 1999





### Cost of Selling Underwriting

Cents per Dollar Raised



Source: CPB: Annual Financial Reports

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### Accounting for the Costs

Stations spend less to raise a dollar of underwriting than they do to raise a dollar of listener support. But like the cost of listener fundraising, the cost of selling underwriting to businesses and nonprofits has been drifting upward for the past several years.

Public Radio Cost of Fundraising as a Percent of Dollars Raised All CPB-Supported Stations						
	1999	2000	2001	2002	2003	2004
Listeners, Friends & Major Gifts	31%	34%	35%	33%	33%	34%
Underwriting	23%	20%	22%	26%	26%	27%

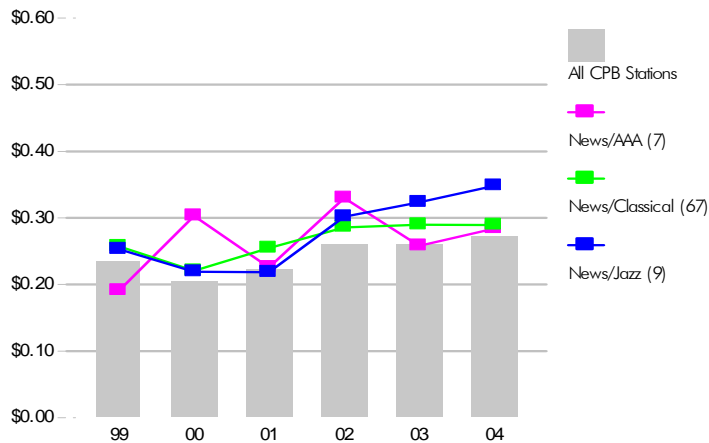
Looking behind the system-wide figures we find dramatic differences among the format groups.

Public radio's focused format music stations are spending considerably more to sell underwriting than others, with Classical and Jazz stations in the 35 to 40 cents per dollar range in recent years and AAA stations spending 50 to 60 cents for each dollar coming in the door.

The News and various news/music stations are grouped much closer to the system averages, although the News/Jazz stations have been drifting upwards in the past couple of years.

### Cost of Selling Underwriting

Cents per Dollar Raised

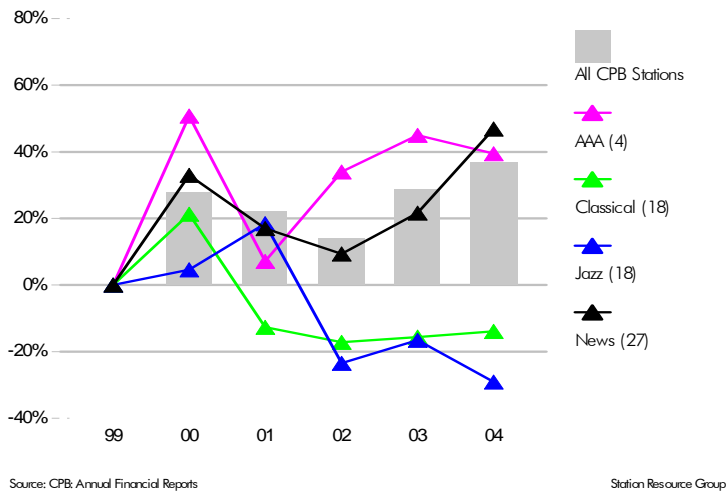


Source: CPB: Annual Financial Reports

Station Resource Group

### Net Underwriting

Adjusted for Inflation (2004 Dollars), Change from 1999



### Diverging Paths in Net Underwriting

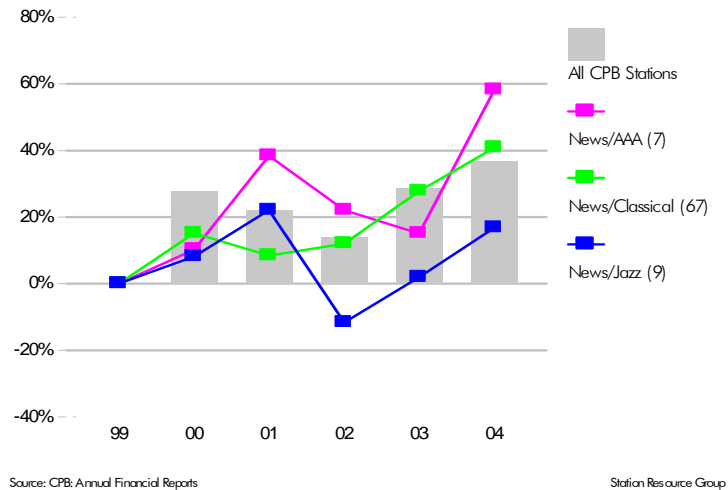
The increased costs of selling underwriting dampened the growth of the past couple years, but still left most format groups in a stronger position than at the start of the period under study, some significantly so.

News/AAA stations' annual net from underwriting was 58% ahead of their 1999 position. News stations improved their net over the six years by 47%. News/Classical stations were up 41%.

In stark contrast, the Classical stations and Jazz stations lost even more ground when we look at their net position. They continued to spend on underwriting even as revenues were falling, producing declines in net revenues of 14% and 29% respectively compared to 1999.

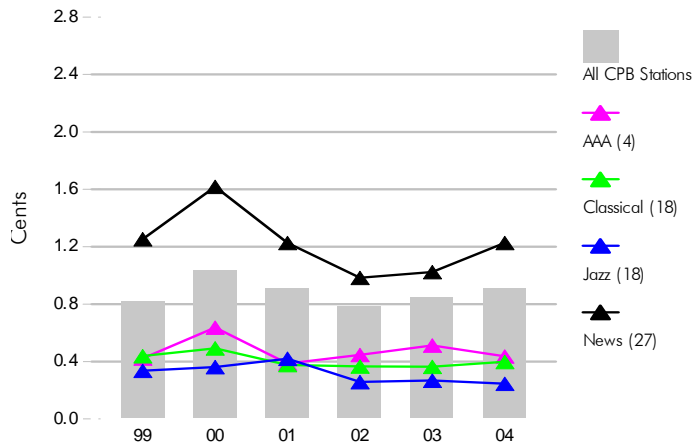
### Net Underwriting

Adjusted for Inflation (2004 Dollars), Change from 1999



### Net Underwriting per Listener Hour

Adjusted for Inflation (2004 Dollars)



Source: CPB: Annual Financial Reports

Station Resource Group

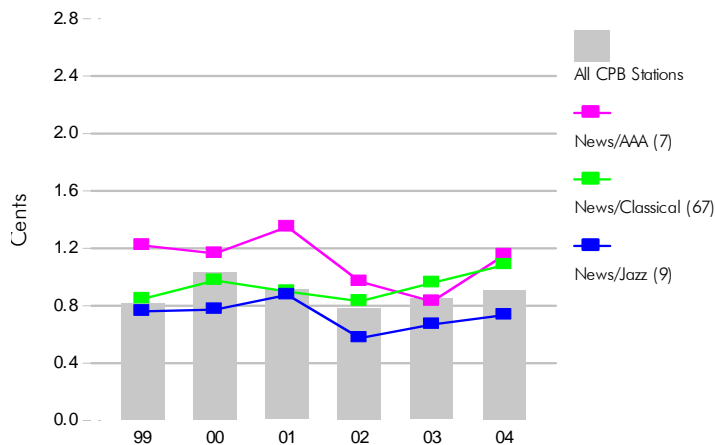
### A Premium for News

Take your pick from the following choices:

- Underwriters will pay a significant premium to reach public radio's news listeners compared to public radio's music listeners.
- Underwriters want to associate with a valued and respected brand, which public radio news has in the form of National Public Radio and which public radio music programming does not.
- Public radio news programming, with all its talk, changing voices, and breaks, is friendlier to underwriting messages than music programming, where it is important to minimize the intrusions into the music flow.
- Underwriting staff at public radio music stations are encumbered by a grant-and-gift cultural mentality while underwriting staff associated with public radio news have adopted more aggressive, straight-ahead sales efforts.

### Net Underwriting per Listener Hour

Adjusted for Inflation (2004 Dollars)



Source: CPB: Annual Financial Reports

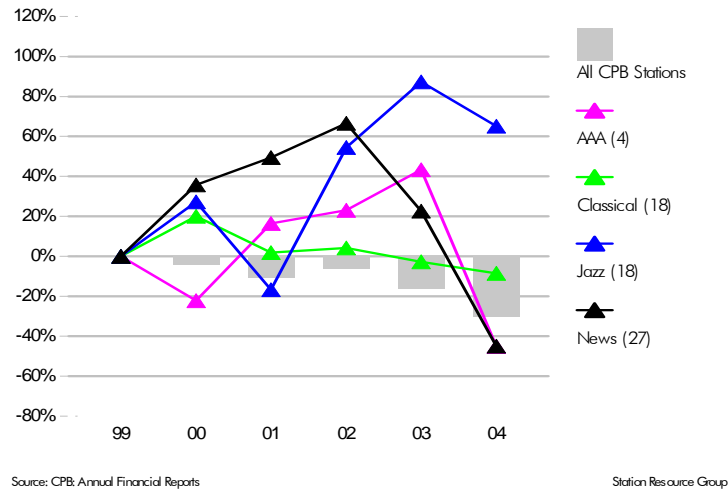
Station Resource Group

Whatever the reason, which this study alone cannot answer, there is a dramatic difference in the net underwriting revenue per listener hour for news compared to music. In the case of the focused format stations, the difference is an extraordinary margin of three-to-one or more. The mixed format stations split the difference, although more recently they are looking increasingly like their news colleagues.

## A Mixed Story with Other Development Activity

### Net Other Fundraising Support

Adjusted for Inflation (2004 Dollars), Change from 1999



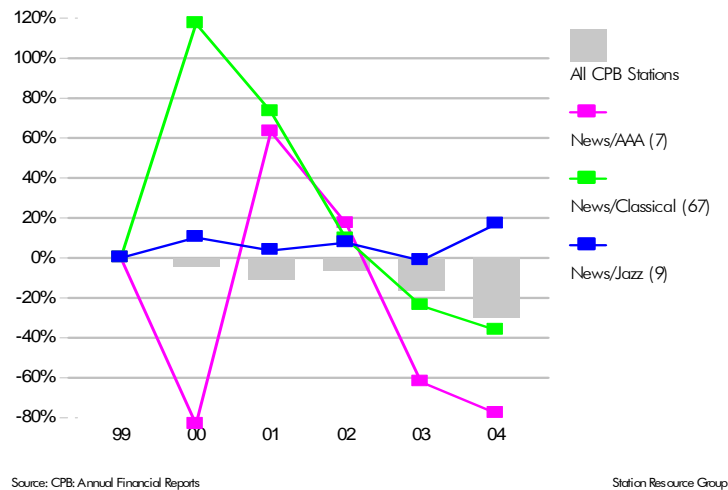
Many public radio stations complement their listener support efforts with a variety of other fundraising activities, such as special events like concerts or wine tastings and donations from businesses that are not identified as underwriting. [We look at grants on the next page.]

Across all of public radio, these other fundraising proceeds are less than a tenth the size of listener support in the form of memberships and major gifts, but they place an important role in meeting budgets for some stations.

While there is considerable volatility during the period of the study, the pattern for most format groups is generally down. Jazz seems to be the exception – both Jazz and News/Jazz stations increased their net support from other fundraising activities.

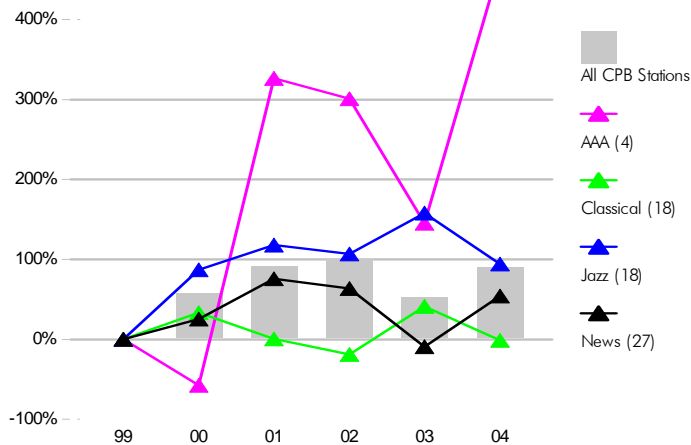
### Net Other Fundraising Support

Adjusted for Inflation (2004 Dollars), Change from 1999



### Net Grant Support

Adjusted for Inflation (2004 Dollars), Change from 1999



Source: CPB: Annual Financial Reports

Station Resource Group

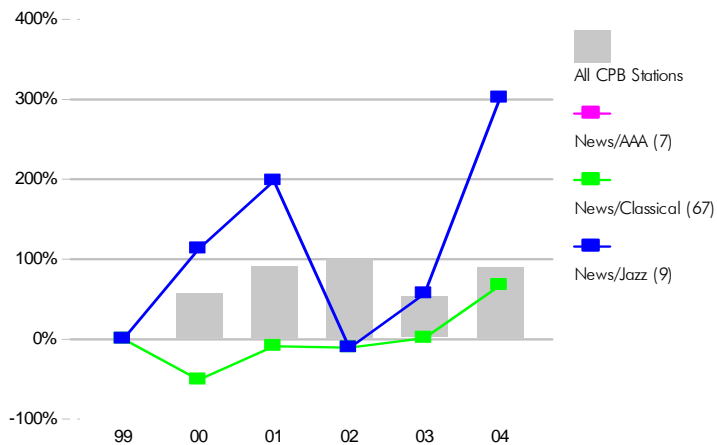
Competitive grants from foundations, nonprofit organizations, and various government agencies are playing a growing role in public radio in recent years. They are still a very modest part of the overall funding picture, accounting for about 4% of total station revenue.

This analysis does not include formula-driven grants, such as the Corporation for Public Broadcasting's Community Service Grants or similar programs in some states, nor does it include amounts reported as underwriting from nonprofit organizations.

[Note: AAA/News stations are not reflected in the chart at left because of huge variance during the period under review – no funds from grants in 1999, \$1.1 million in net grant support two years later, and \$90,000 in the most recent year.]

### Net Grant Support

Adjusted for Inflation (2004 Dollars), Change from 1999



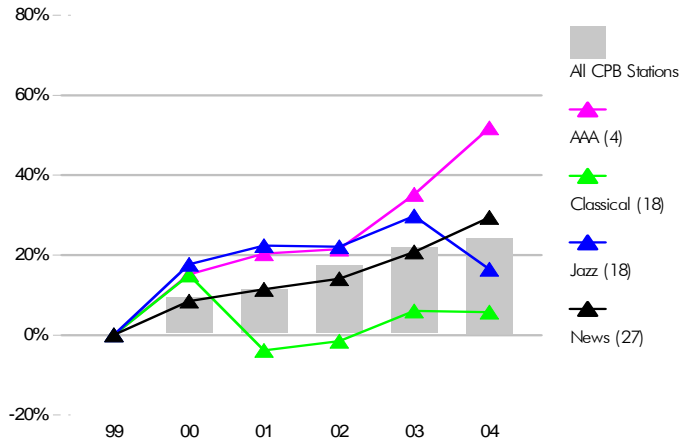
Source: CPB: Annual Financial Reports

Station Resource Group

## Sustaining Public Radio's Service

### Net Fundraising, Underwriting and Grants

Adjusted for Inflation (2004 Dollars), Change from 1999



Source: CPB: Annual Financial Reports

Station Resource Group

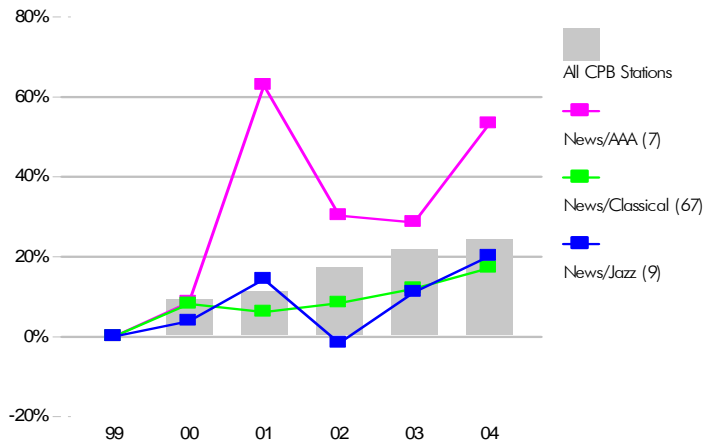
The final step in our analysis pulls together all the elements in station fundraising – listener support, other fundraising, underwriting, and grants. We will first look at the net revenue these efforts provide to stations and then examine these proceeds in the context of station costs. In both cases we will examine the total net revenues and total non-fundraising operating costs of the respective format groups.

Public radio as a whole saw a steady, but slowing, march upward from FY 1999 to FY 2004. Net revenue from all development activities increased by 24% during this period. This is real growth, after adjusting for inflation.

Each of the four focused-format groups experienced a different pattern over the six years. The AAA and Jazz groups both were growing at a pace ahead of the system through 2003. AAA stations then continued their climb while Jazz stations took a tumble and finished the period just below the system average.

### Net Fundraising, Underwriting and Grants

Adjusted for Inflation (2004 Dollars), Change from 1999



Source: CPB: Annual Financial Reports

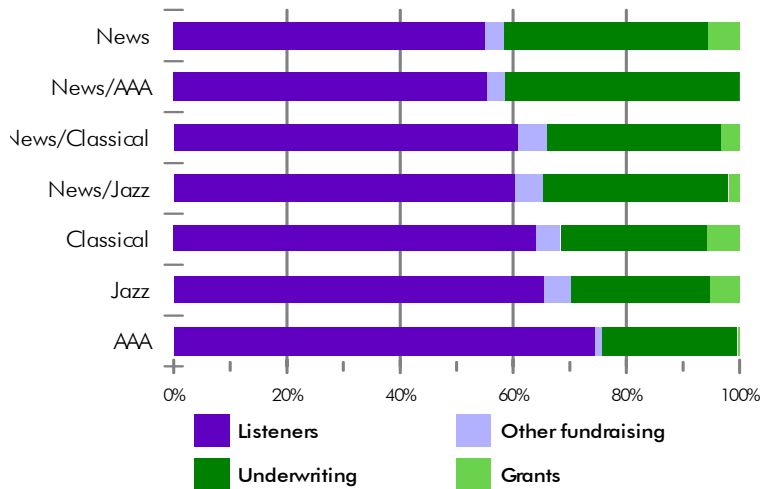
Station Resource Group

News stations slightly trailed system performance until 2004, when they moved ahead primarily due to strong underwriting performance. Classical stations suffered a major drop in net revenue in 2001 with a significant loss in underwriting and grants, but have worked their way back to an overall net position that is slightly ahead of where they were in 1999 through steady growth in net listener support.

Among the mixed-format stations, News/AAA stations were way above average in net development revenue. News/Classical stations trailed system performance but still showed a steady pattern of growth. News/Jazz stations had one especially tough year in 2002 but ended the period on a par with the system average.

### Net Development Revenue

Composition by Source, FY 1999



### Different Combinations of Net Revenue

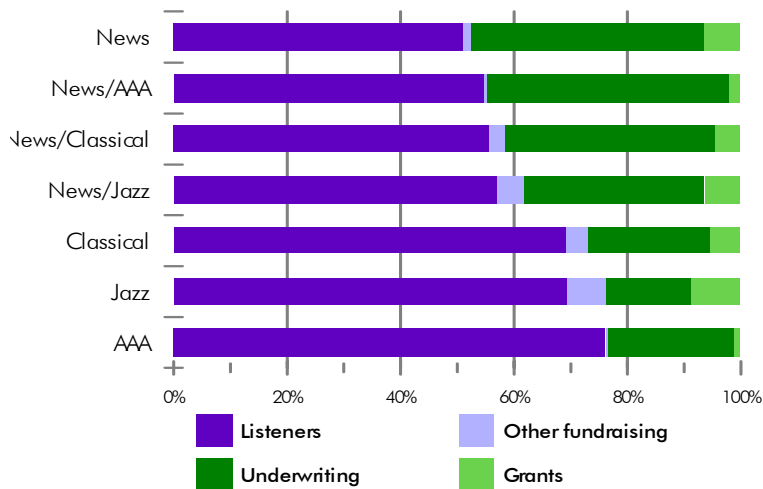
Stations with different programming strategies assemble their net development revenue through significantly different mixes of funds.

Public radio’s music stations – Classical, Jazz, and AAA – derive over 70% of their net development revenue through fundraising activities geared to individuals: memberships, friends groups, major giving programs, and special fundraising events.

Public radio’s news and news/music stations also depend a great deal on individual contributions, which account for over 50% of their net development revenue. But they have been more successful than music stations in attracting support from organizations – underwriting from businesses and nonprofit organizations and grant support from foundations and agencies. In FY 2004, for example, underwriting and grants accounted for almost half of News stations’ net development support.

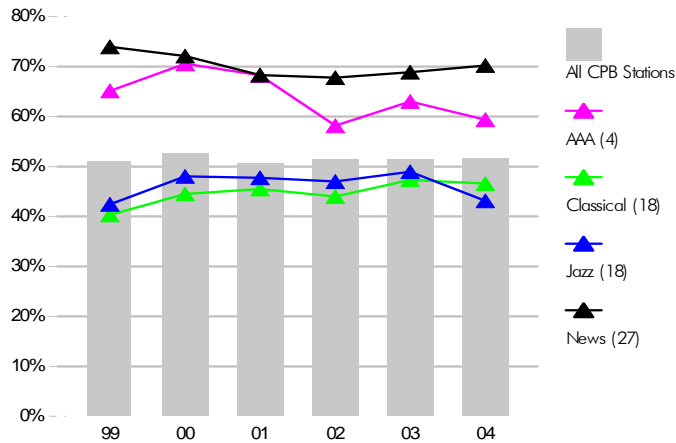
### Net Development Revenue

Composition by Source, FY 2004



These differences were evident in FY 1999, as seen in the top chart at left, and became more pronounced by FY 2004, as seen in the chart at the bottom.

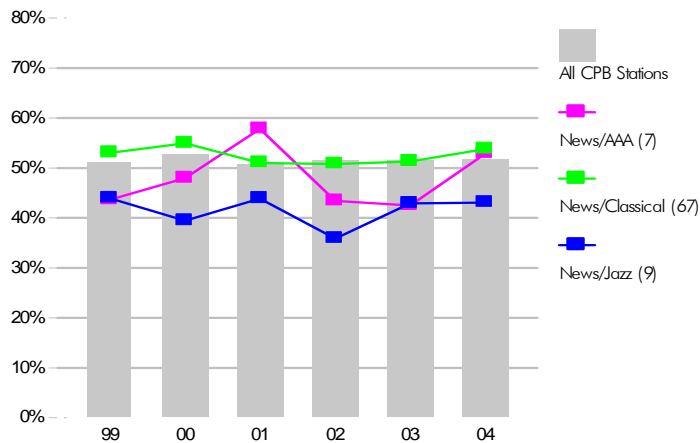
**Net Fundraising, Underwriting & Grants  
As a Percent of Total Non-Fundraising Costs**



Source: CPB: Annual Financial Reports

Station Resource Group

**Net Fundraising, Underwriting & Grants  
As a Percent of Total Non-Fundraising Cost**



Source: CPB: Annual Financial Reports

Station Resource Group

**The Role of Development in Paying the Bills**

Listener support, other fundraising, underwriting, and grants are a powerful part of the economic engine that drives the public radio economy. But as with so much else that we have seen in our analysis of financial patterns among format groups, they contribute in different ways to sustaining public radio's different services.

The relationship we explore here is the role of net fundraising revenue in paying for the non-fundraising costs of station operations – the programming and production, the broadcasting and technical expenses, the management and general costs of staying in business.

For public radio as a whole, the answer is about a 50/50 split between net fundraising revenue on the one hand and other sources – primarily institutional support, state and local government support, and CPB grants – on the other. The stability of the pattern in recent years is remarkable and, to us at least, somewhat surprising.

Two format groups, News and AAA, are financing the majority of their operational costs through net fundraising proceeds – 70% and 60% respectively. These two format groups are located, on average, in the largest markets. They have experienced the most dramatic growth in listening in recent years. They are building community-based, listener-sensitive economies.

Classical and Jazz stations are operating in a materially different fashion, with net revenues from fundraising covering 45% and 40% of their respective operating costs. With listening to these two format groups flat or declining, this pattern is unlikely to change soon.



Among the mixed-format stations, the large News/Classical group virtually defines the system average, hovering just above the 50% mark in the contribution of net fundraising revenue to operating costs throughout the six-year analysis.

The News/Jazz stations and the News/AAA stations both experienced significant year-to-year variance, partly as a consequence of their relatively small number. Of all the format groups, News/Jazz stations cover the smallest portion of their operating costs through net fundraising revenue, about 40% or less. The balance at News/AAA stations has tilted in the direction of non-fundraising revenue to cover the majority of costs in four of the six years we examined. While their audience has grown considerably from 1999 levels, it is important to remember that this group of stations reaches the smallest population base, on average, of the format groups and their upside opportunities for fundraising may be limited.

## About the Study

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**Creating the Format Groups.** We identified four primary “single format” strategies for public radio – News, Classical, Jazz, and AAA – and three “mixed-format” combinations – News/Classical, News/Jazz, and News/AAA. We assigned stations to format groups based on listener response to their programming – by which program elements elicited the greatest amount of audience as measured by total hours of listening.

Stations that generated at least 75% of their listening from, respectively, News, Classical, Jazz, or AAA were assigned to groups with others that did the same. Those stations that generated at least 25% of their listening from news and at least 25% from one of the three primary music formats were assigned to the appropriate mixed-format groups.

These breakouts were used for the first report from *The Public Radio Format Study: Listening Patterns* and again for this report.

*Financial Patterns* required a further sorting.

Our financial data come from the Annual Financial Reports submitted by licensees that are supported by the Corporation for Public Broadcasting. Many of these licensees operate more than one station. When these stations are offering different formats, we do not have a ready way to sort out revenue and expenses associated with the different services. We therefore reduced our station roster to include only those operations in which the financial data align with a single programming

strategy. Some of these operations include multiple stations, but they are all offering essentially the same programming.

The groups shook out as follows:

<i>Format</i>	<i>Stations</i>
News	27
Classical	18
Jazz	18
AAA	4
News/Classical	67
News/Jazz	9
News/AAA	7

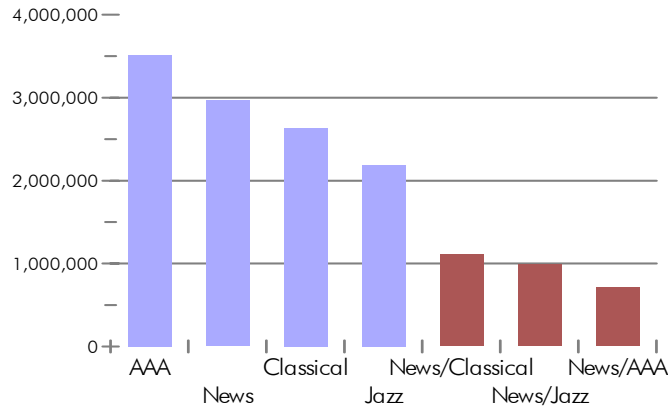
The resulting 150 stations account for a little over half of all listening to public radio (53%), all listener support (52%), and all station underwriting (57%). We provide a complete listing of stations included in the analysis of financial patterns at the end of the report.

**Formats and Market Size.** Stations in the different format groups tend to be found in markets of different sizes. The focused-format stations – News, Classical, Jazz, and AAA – are more likely to serve larger markets. The average population covered by stations in each of these groups is well over 2,000,000. Most of these stations share the market with one or more other public radio stations.

The mixed-format stations – News/Classical, News/Jazz, and News/AAA – tend to serve smaller markets. The

average population served by these stations is 1,000,000 and under. Many of these stations offer the only public radio service available to many of their listeners or share their market only with distant signals.

**Average Population Covered**



**Constant Set of Stations.** Each format group is made up of the same stations for the duration of the six years studied. The changes we report here are “same store sales” – changes in financial support, costs, and listening to the same stations over time.

**The Programming Mix Evolves Within Groups.** We eliminated stations that made major format changes during the period of the study. Even so, few stations were offering exactly the same programming across all six years under review. For example, a classical music station may have changed the balance of local and nationally-produced classical music it offers. Or a news/classical station may have changed the hours per day of news programming relative to the amount of music

programming. Our analysis looks at the performance of the overall station service, not the source of the programming or the performance of specific components used to assemble the service.

**How We Calculated the Measures.** This report presents the interplay of listening and financial data.

*Listening.* Our measure of listening is listener hours. A listener hour equals one person listening for one hour – a basic unit of consumption of public radio’s service. Listener hours are derived from Arbitron estimates of a station’s Average Quarter-Hour Audience (AQH). Since we are examining station financial performance over the course of the year, we calculate listener hours over the course of a year. The formula for listener hours is:

$$\begin{aligned} & \text{AQH (Full week, 6am to midnight, Persons 12+)} \\ & \times 18 \text{ (hours per day)} \\ & \times 365 \text{ (days per year)} \end{aligned}$$

For our analysis we calculated the total listener hours per year for all of the stations in each format group.

*Financial data.* All financial data come from the Annual Financial Reports that stations file with the Corporation for Public Broadcasting.

*Listener support.* We combine three reported items to get our listener support total. The vast majority of the dollars are reported as “Membership.” A few stations channel all or most of their individual giving to “friends groups” that, in turn, provide funds to the station. So a second element of listener support is revenue reported from “Friends Groups.” The third element is the

increasing number of stations that break out larger donations and report them as “Major Gifts.”

*Underwriting.* We combine two elements in this area. The larger amount for most stations is the figure reported as underwriting from businesses. Second is the amount stations report as underwriting from foundations and nonprofit organizations.

*Other fundraising.* This segment of community support includes the net proceeds of various special fundraising events (benefits, concerts and festivals, wine tastings) and donations from businesses that are not reported as underwriting such as matching programs for employee giving, contributions to capital campaigns, and other forms of direct business support.

*Grants.* This category of revenue includes funds from foundations and nonprofit organizations that are not reported as underwriting plus grants from federal agencies and from the Corporation for Public Broadcasting – excluding Community Service Grants which are driven by a formula rather than awarded competitively. Some stations receive grants from state and local governments, either through formula-driven programs or competitive awards, but we are unable to isolate these grants from other forms of state and local government support and they are not included in the grant totals for this report.

*Development expenses.* Stations report development costs in two categories: fundraising and underwriting and grants. A number of stations report only fundraising costs and no underwriting and grant costs. If these stations have underwriting revenue, we allocate a portion of their fundraising costs to underwriting.

We have also made two other allocations of development expenses. With respect to fundraising expenses, we have divided costs between those applied to listener contributions and those applied to other kinds of fundraising (special events, non-underwriting business support, etc.). The division is made in proportion to the revenue on a per-licensee basis. Similarly, we have divided reported underwriting and grants expenses between the two components, again in proportion to the revenue on a per-licensee basis. Both of these divisions were made after adjustments between the broader fundraising and underwriting and grants categories as discussed above.

## Stations Included In *Financial Patterns* – By Format

### News (27)

KALW-FM	San Francisco, CA
KAZU-FM	Pacific Grove, CA
KCUR-FM	Kansas City, MO
KERA-FM	Dallas, TX
KPBS-FM	San Diego, CA
KPCC-FM	Pasadena, CA
KQED-FM	San Francisco, CA
KSKA-FM	Anchorage, AK
KUER-FM	Salt Lake City, UT
KUOW-FM	Seattle, WA
KWGS-FM	Tulsa, OK
KWMU-FM	St Louis, MO
WAMC-FM	Albany, NY
WAMU-FM	Washington, DC
WBEZ-FM	Chicago, IL
WCPN-FM	Cleveland, OH
WEVO-FM	Concord, NH
WFAE-FM	Charlotte, NC
WFYI-FM	Indianapolis, IN
WHYY-FM	Philadelphia, PA
WJCT-FM	Jacksonville, FL
WLRN-FM	Miami, FL
WRVO-FM	Oswego, NY
WUOM-FM	Ann Arbor, MI
WUWM-FM	Milwaukee, WI
WVPE-FM	Elkhart, IN
WYPR-FM	Baltimore, MD

### Classical (18)

KBPS-FM	Portland, OR
KBYU-FM	Provo, UT
KCSC-FM	Edmond, OK
KTPB-FM	Kilgore, TX
KUSC-FM	Los Angeles, CA
KVNO-FM	Omaha, NE
WBJC-FM	Baltimore, MD
WCAL-FM	Northfield, MN
WCNY-FM	Syracuse, NY
WDAV-FM	Davidson, NC
WDPR-FM	Dayton, OH

WGUC-FM	Cincinnati, OH
WIPR-FM	Hato Rey, PR
WMHT-FM	Schenectady, NY
WMNR-FM	Monroe, CT
WQED-FM	Pittsburgh, PA
WRTI-FM	Philadelphia, PA
WWFM-FM	Trenton, NJ

### Jazz (18)

KBEM-FM	Minneapolis, MN
KCCK-FM	Cedar Rapids, IA
KCSM-FM	San Mateo, CA
KKJZ-FM	Long Beach, CA
KMHD-FM	Gresham, OR
KUNV-FM	Las Vegas, NV
KUVO-FM	Denver, CO
WBGO-FM	Newark, NJ
WBRH-FM	Baton Rouge, LA
WDNA-FM	Miami, FL
WICN-FM	Worcester, MA
WJAB-FM	Huntsville, AL
WMOT-FM	Murfreesboro, TN
WSHA-FM	Raleigh, NC
WSIE-FM	Edwardsville, IL
WUCF-FM	Orlando, FL
WVAS-FM	Montgomery, AL
WWOZ-FM	New Orleans, LA

### “Triple A” (4)

KIWR-FM	Council Bluffs, IA
WFUV-FM	New York, NY
WXPB-FM	Philadelphia, PA
WYEP-FM	Pittsburgh, PA

### News and Classical (67)

KAMU-FM	College Station, TX
KANU-FM	Lawrence, KS
KASU-FM	Jonesboro, AR
KBIA-FM	Columbia, MO

KCCU-FM	Lawton, OK
KCHO-FM	Chico, CA
KEDT-FM	Corpus Christi, TX
KEMC-FM	Billings, MT
KHCC-FM	Hutchinson, KS
KHPR-FM	Honolulu, HI
KNAU-FM	Flagstaff, AZ
KOHM-FM	Lubbock, TX
KOSU-FM	Stillwater, OK
KRCB-FM	Santa Rosa, CA
KRPS-FM	Pittsburg, KS
KRWG-FM	Las Cruces, NM
KSMU-FM	Springfield, MO
KUHF-FM	Houston, TX
KVLU-FM	Beaumont, TX
KVPR-FM	Fresno, CA
KXCV-FM	Maryville, MO
WABE-FM	Atlanta, GA
WBHM-FM	Birmingham, AL
WBNI-FM	Fort Wayne, IN
WCBU-FM	Peoria, IL
WCQS-FM	Asheville, NC
WCVE-FM	Richmond, VA
WEKU-FM	Richmond, KY
WETA-FM	Washington, DC
WETS-FM	Johnson City, TN
WFCR-FM	Amherst, MA
WFDD-FM	Winston Salem, NC
WFIU-FM	Bloomington, IN
WGBH-FM	Boston, MA
WGCU-FM	Ft Myers, FL
WGTE-FM	Toledo, OH
WHQR-FM	Wilmington, NC
WITF-FM	Harrisburg, PA
WKNO-FM	Memphis, TN
WKSU-FM	Kent, OH
WKYU-FM	Bowling Green, KY
WLRH-FM	Huntsville, AL
WMFE-FM	Orlando, FL
WMRA-FM	Harrisonburg, VA
WMUK-FM	Kalamazoo, MI
WPKT-FM	Hartford, CT
WPLN-FM	Nashville, TN

**News and Classical (cont.)**

WPSU-FM	University Park, PA
WQCS-FM	Fort Pierce, FL
WQLN-FM	Erie, PA
WRKF-FM	Baton Rouge, LA
WSCL-FM	Salisbury, MD
WSIU-FM	Carbondale, IL
WSKG-FM	Binghamton, NY
WTEB-FM	New Bern, NC
WUAL-FM	Tuscaloosa, AL
WUFT-FM	Gainesville, FL
WUIS-FM	Springfield, IL
WUOT-FM	Knoxville, TN
WUSF-FM	Tampa, FL
WVIA-FM	Scranton, PA
WVIK-FM	Rock Island, IL
WVPR-FM	Colchester, VT
WVTF-FM	Roanoke, VA
WWNO-FM	New Orleans, LA
WXEL-FM	West Palm Beach, FL
WYSU-FM	Youngstown, OH

**News and Jazz (9)**

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KPLU-FM	Tacoma, WA
WAER-FM	Syracuse, NY
WBFO-FM	Buffalo, NY
WDUQ-FM	Pittsburgh, PA
WEMU-FM	Ypsilanti, MI
WESM-FM	Princess Anne, MD
WFIT-FM	Melbourne, FL
WGLT-FM	Normal, IL
WJSU-FM	Jackson, MS

**News and "Triple A" (7)**

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KLCC-FM	Eugene, OR
KRCC-FM	Colorado Springs, CO
KTBG-FM	Warrensburg, MO
KUT -FM	Austin, TX
WBJB-FM	Lincroft, NJ
WNKU-FM	Highland Heights, KY
WUKY-FM	Lexington, KY