

SRG Public Radio Profile

Listener Support & Underwriting: Revenue, Costs, and Net Return to Operations FY 1990 to FY 2003

November 2004

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The Public Support/Public Service Equation

Revenues from listener support and underwriting have been the twin growth engines of public radio's economy for years, generating substantial new funds for the field. These revenues are closely entwined with the growth in public radio's audience. More listening correlates with more giving and a competitive advantage with prospective underwriters. More revenue from these sources fuels better programming that generates more listening.

Key findings

- In FY 2003 public radio served more listeners than ever before.
- FY 2003 was also public radio's best year for net fundraising revenue, an 8.3% increase over the prior year
- The investment in raising dollars has increased over time – net revenue has not grown as fast as gross revenue.
- Listener support is at its highest levels ever in gross revenue and net revenue and it second best year in revenue per listener hour.
- Underwriting rebounded after two years of decline to reach its second highest gross revenue year and its third best performance in net revenue and net revenue per listener hour.

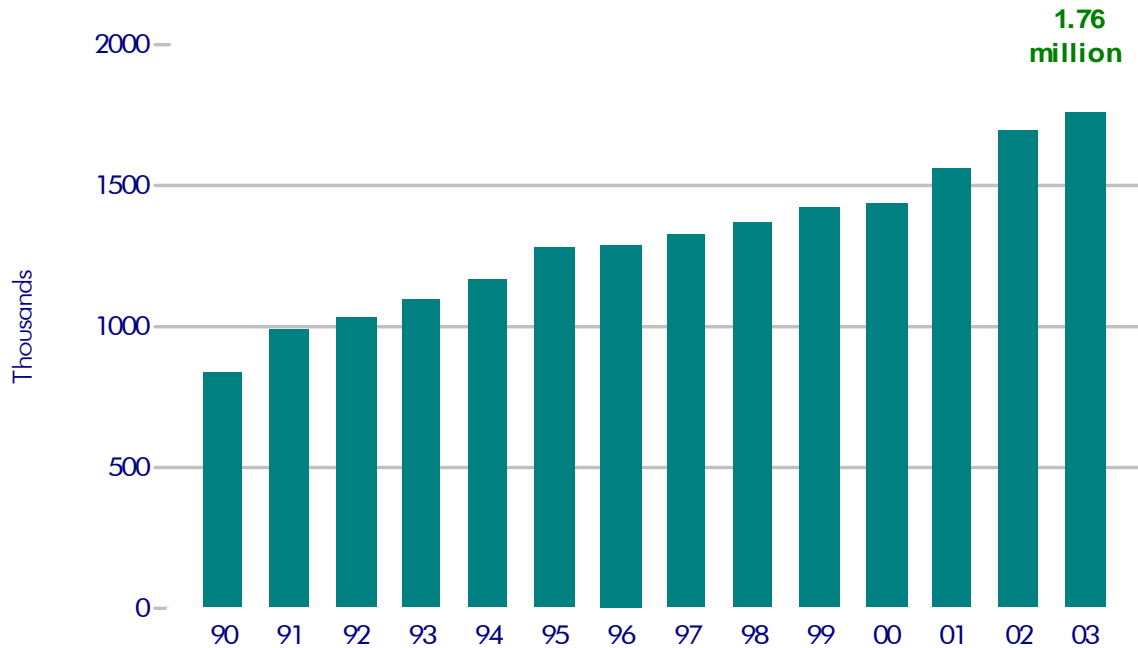
What we review

The report is based on listening and financial activity from FY 1990 through FY 2003, the most recent year for which financial data are available for all stations. The data come from all public radio stations supported by the Corporation for Public Broadcasting that submit annual financial reports to CPB – 314 licensees that operated some 757 stations in FY 2003.

This report was developed as part of Charting the Territory, a system-wide planning initiative supported by the Corporation for Public Broadcasting and SRG member stations.
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Public Radio's Average (AQH) Audience

Mon-Sun, 6am-midnight, 12+



Source: Arbitron Spring Nationwide

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Listening Is Up

Public radio experienced an increase in listening from spring 2002 to spring 2003.

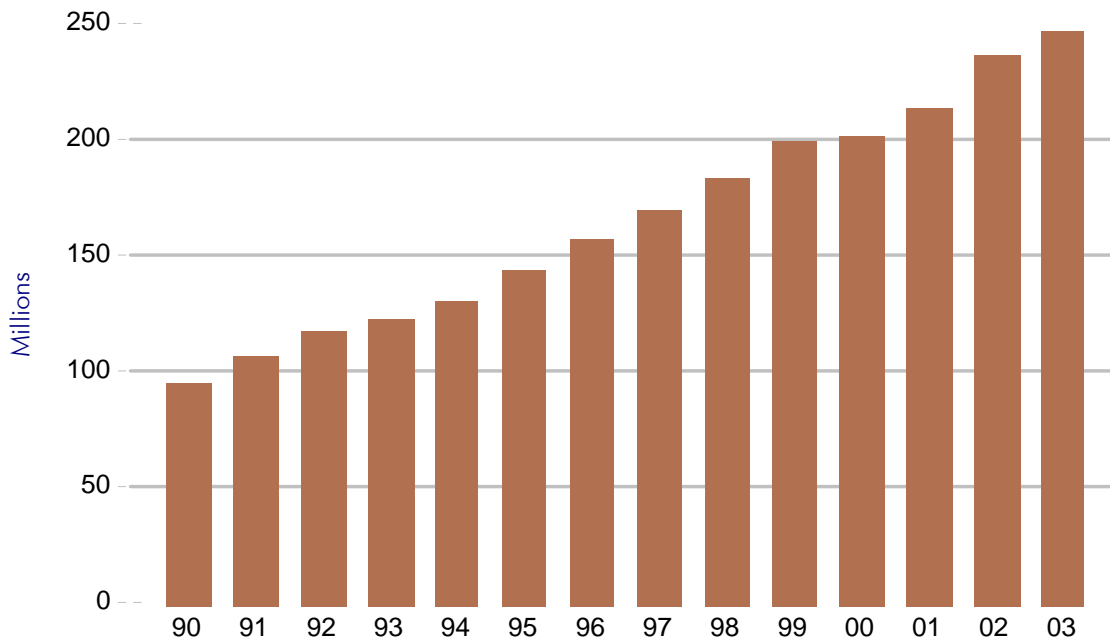
The full week average-quarter-hour audience grew to 1.76 million listeners during spring 2003, according to Arbitron's Spring Nationwide audience report for all CPB-supported stations. In percentage terms, the audience grew by 3.7%. This listening growth came on the heels of two back-to-back years of dramatic increases, 8.5% in both 2001 and 2002.

The cumulative audience, those that tune it at least once per week, grew by 1.4 million listeners, to a national total of 27.2 million.

While many factors contributed to this growth, it is clearly the continuing intense news cycle of the past years that is the principal driver. Public radio's news programming and news-focused stations account for the largest portion of the listening increase.

Public Radio's Listener Support

Adjusted for Inflation (2003 Dollars)



Source: CPB: Annual Financial Reports

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Continued Growth in Listener Support

Listener support of public radio stations increased by \$10.7 million in FY 2003. The \$247 million reported by stations was 4.5% more than the preceding year. Both the dollar increase and the percentage increase are calculated *after* adjusting for inflation, as are all the changes presented in this report.

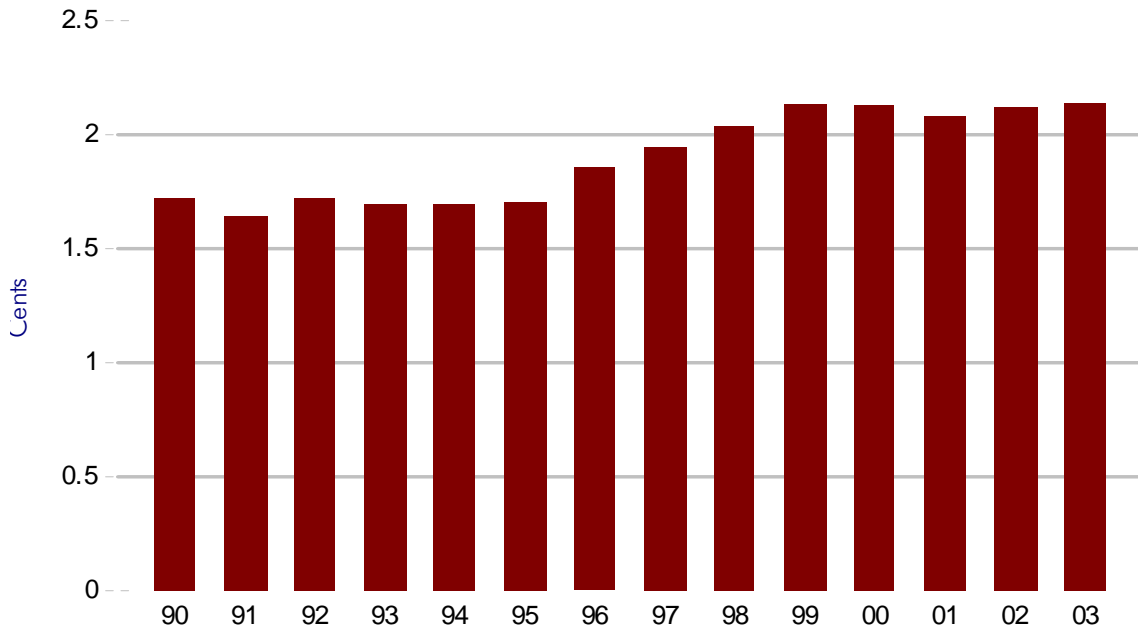
We know from years of research that the best predictor of listener support is the level of listening to a station. We know that the next most important factor is the personal importance of the service to the listener. Public radio was clearly doing a superior job on both scores in FY 2003.

But we also know that, even after accounting for listening and personal importance, there is a good deal of the variation in levels of giving yet to be explained. This is where the scope and effectiveness of public radio's fundraising work enters the picture.

So, given that both listening and giving grew substantially in FY 2003, how do these two areas of performance relate to one another?

Public Radio's Listener Support per Listener Hour

Adjusted for Inflation (2003 Dollars)



Source: CPB: Annual Financial Reports, Arbitron Nationwide

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More Giving for Each Hour of Listening

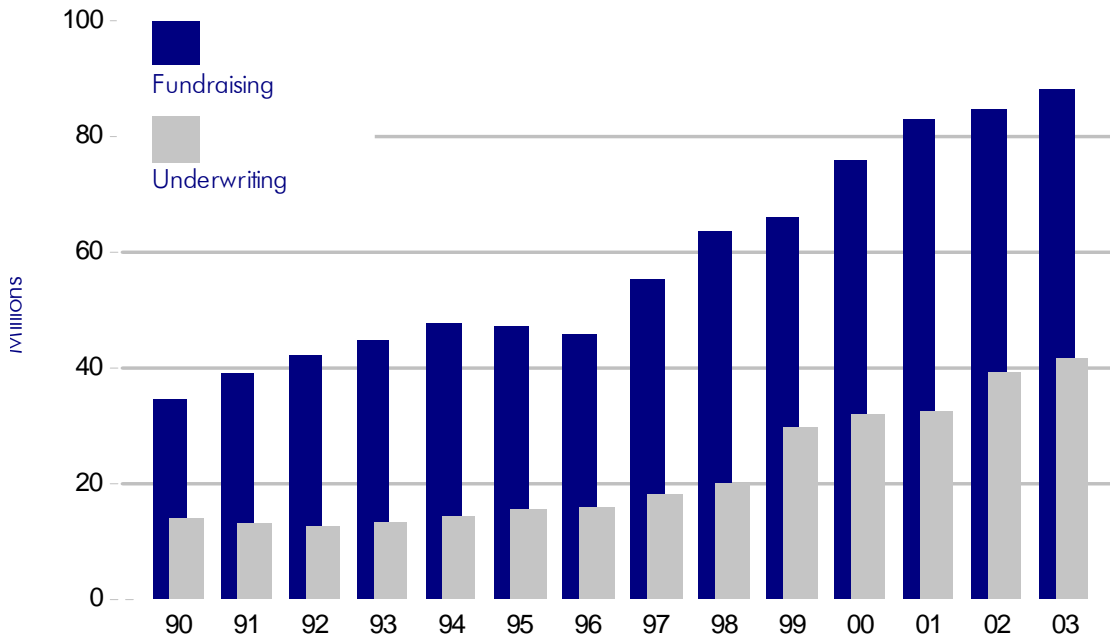
When we examine the increase in listener support in the context of the increase in listening, we can see that the growth in support moved slightly ahead. Listeners are giving just a little more for each hour of listening than they did in the prior year. In fact, FY 2003 is the best performance ever by public radio with respect to this combined metric.

The above chart shows the result of dividing the total listener income by the total listener hours for public radio. Listener hours are calculated by multiplying the system's AQH x 18 hours per day x 365 days per year.

The result is that, in FY 2003, public radio listeners contributed just over 2 cents for each hour of listening – 2.138 cents to be precise. Those who actually contributed gave at a much higher rate relative to their own listening, of course. This figure reflects all giving in relation to all listening,

Public Radio's Development Expenses

Adjusted for Inflation (2003 Dollars)



Source: CPB: Annual Financial Reports

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It Takes Money to Raise Money

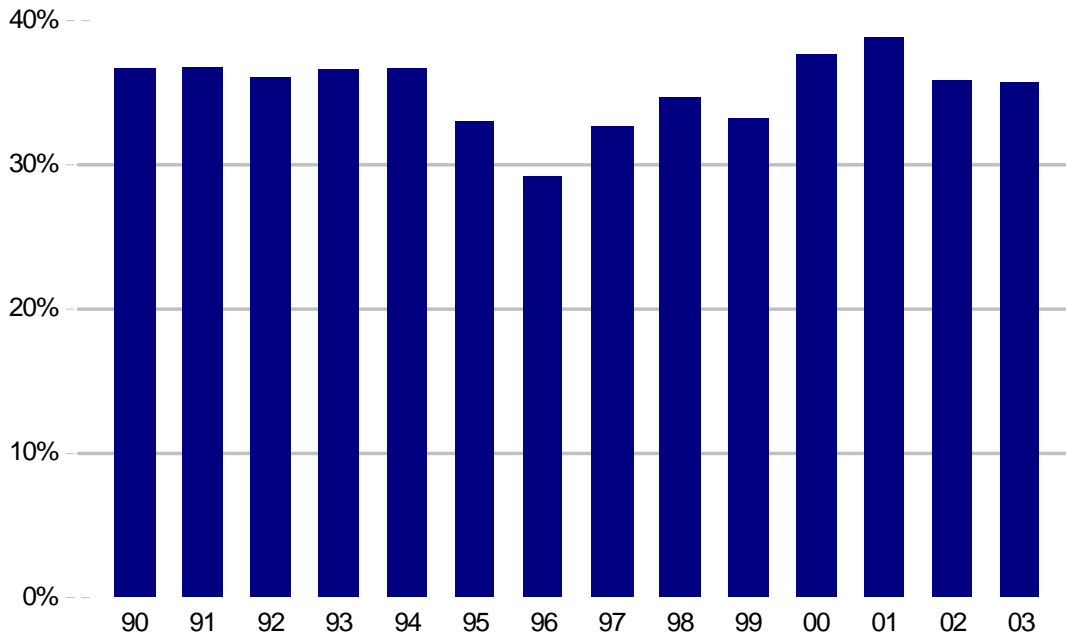
Public radio has been steadily increasing its investment in fundraising and underwriting, as the chart above makes clear.

The steep acceleration of costs associated with fundraising from individuals – which essentially doubled between FY1996 and FY2002 – may be slowing. In FY 2003 adjusted fundraising costs increased by 4.1%, more than the increase in the prior year (1.4%) but less than the leaps of 14% in FY 2000 and 10% in FY 2001 (all numbers after adjusting for inflation).

Underwriting costs were up 6%, a point to which we will return later in this report.

Fundraising Cost as Percent of Revenue

Adjusted for Inflation (2003 Dollars)



Source: CPB: Annual Financial Reports

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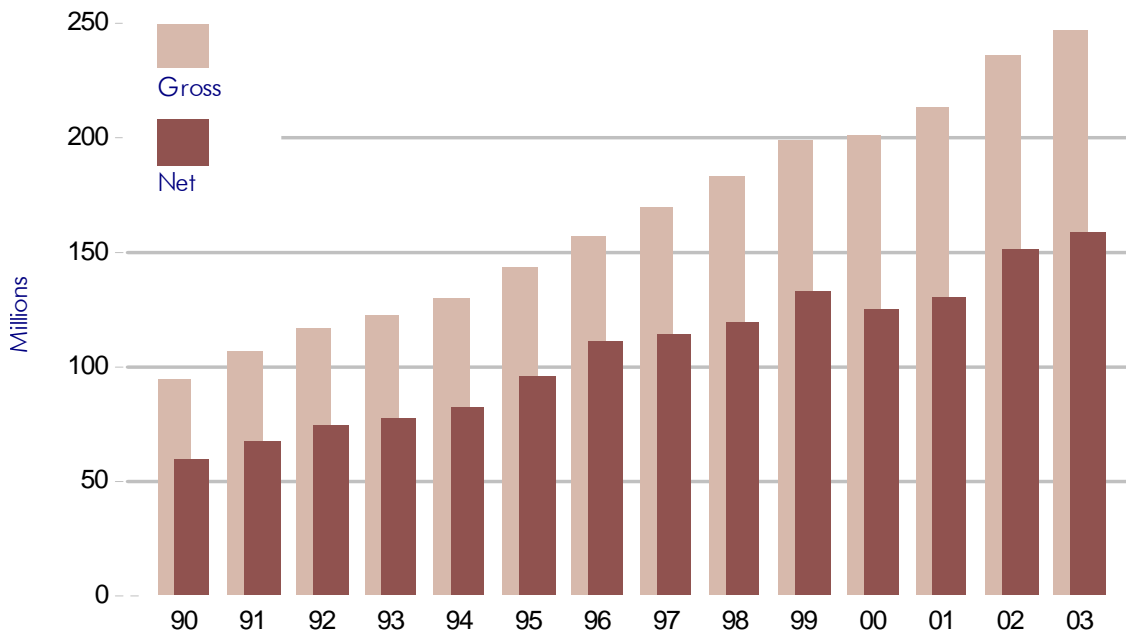
It Cost 36¢ to Raise a Listener Dollar in 2003

Contributions from listeners rose at just about the same rate as stations' investments in raising these gifts during FY 2003. As a result, the cost of raising a dollar of listener support is essentially unchanged.

In FY 2003 public radio stations spent 36 cents on fundraising for every listener dollar raised, a cost of fundraising comparable to the levels seen in the early 1990s (and the several years prior). These numbers remain high however, when compared to many other nonprofit organizations – especially when considering the fact that the expense part of the equation includes no assignment of value to all the airtime stations use to ask for support.

Public Radio's Net Listener Support

After Cost of Fundraising, Adjusted for Inflation (2003 Dollars)



Source: CPB: Annual Financial Reports

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\$7.3 Million More Net Support from Listeners in 2003

At the end of the day it is the **net** revenue from contributions that we are able to invest in fulfilling our public service mission – the funds that remain after accounting for the costs of raising them.

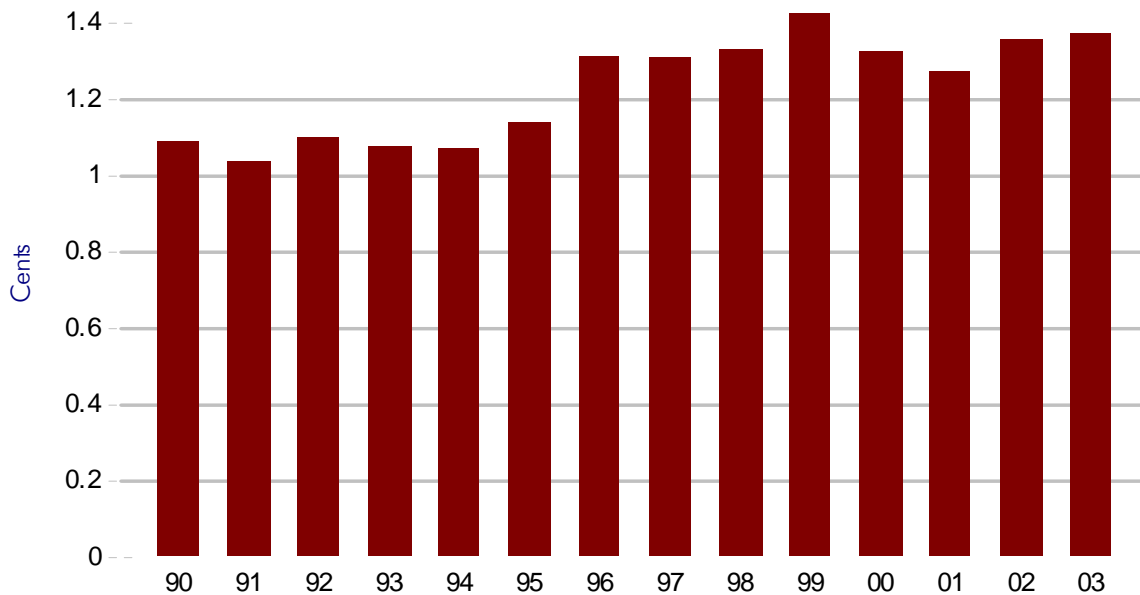
This chart highlights the interplay between the gross amounts contributed by public radio's listeners and the expenses we incur in securing those gifts.

In FY 2003, by growing listener revenue while controlling the growth in fundraising costs, the net revenue flowing to operations increased by \$7.3 million, or 4.8%.

This growth in net revenue from listeners returns public radio to a pattern of steady growth in net revenue after a worrisome "pause" in FY2000 and FY2001. The FY2002 increase in net listener revenue was the largest year-to-year real dollar increase in public radio's history; FY2003 continues the growth, although at a more modest pace.

Public Radio's Net Listener Support per Listener Hour

After Cost of Fundraising, Adjusted for Inflation (2003 Dollars)



Source: CPB: Annual Financial Reports, Arbitron Nationwide

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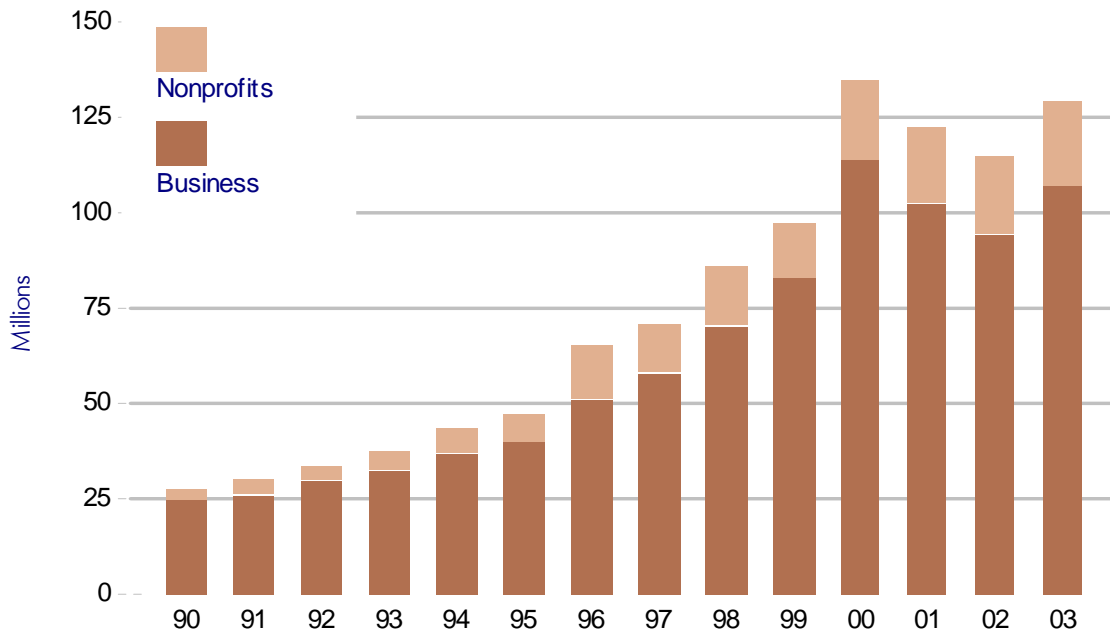
Listener Support's Second Most Productive Year Ever

We can now integrate the forgoing information into an overall performance assessment of public radio's listener support efforts: the net listener support per listener hour. This measure looks at the productivity of our collective fundraising after accounting for both the opportunity – the amount of listening or listener hours – and our costs.

The result is good news. The FY 2003 calculation shows an important gain. The number is 1.37 cents per listener hour – the second best year ever for public radio.

Public Radio's Underwriting Support

Adjusted for Inflation (2003 Dollars)



Source: CPB : Annual Financial Reports

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An Encouraging Turn-Around for Underwriting

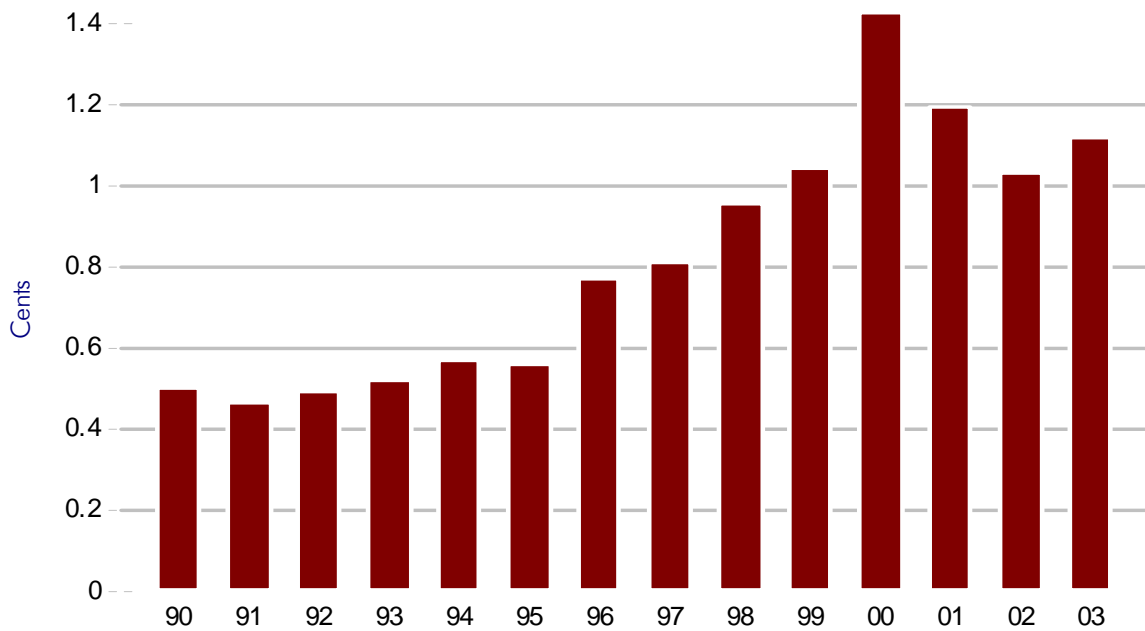
There is a different pattern to track when we turn to public radio stations' underwriting efforts. Stations have been steadily growing their underwriting from businesses and nonprofit organizations, with the pace accelerating in the late 1990s. Then came FY 2000 – the height of the “dot com” boom and the high point in a multi-year expansion of the U.S. economy – which brought a surge of new underwriting into public radio on top of the expanding base. When the economy subsequently took a nosedive, public radio's underwriting took a tumble, too, although totals for the year were still dramatically above any previous year save the anomalous good fortune of 2000. The nation's economy remained weak in FY 2002 and public radio's underwriting stagnated as well.

FY2003 shows a different story. Gross underwriting reported by stations grew by \$14.4 million, a gain of 12.6% compared to the prior year after adjusting for inflation.

Underwriting from businesses increased at twice the rate of growth in underwriting from nonprofit organizations.

Public Radio's Underwriting Support per Listener Hour

After Cost of Fundraising, Adjusted for Inflation (2003 Dollars)



Source: CPB: Annual Financial Reports, Arbitron Nationwide

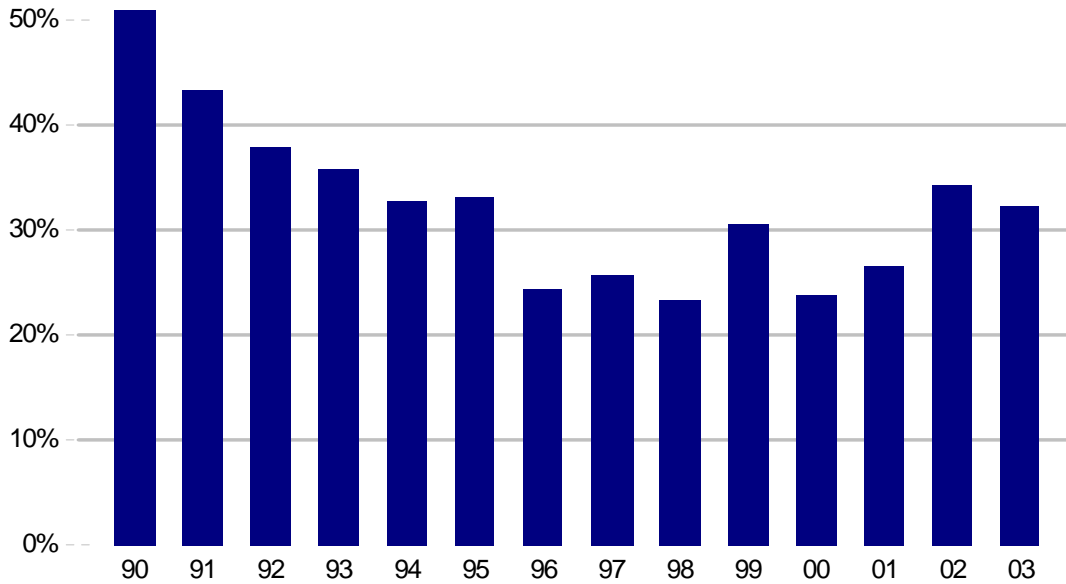
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Underwriting Outpaces Audience Growth

When we examine public radio stations' underwriting performance in terms of returns per listener hour, the picture looks even better. While the audience was growing, underwriting was growing faster. As a result, underwriting per listener hour increased significantly (8.5%) compared to the prior year.

Underwriting Cost as Percent of Revenue

Adjusted for Inflation (2003 Dollars)



Source: CPB: Annual Financial Reports

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Public radio spent 32¢ to raise each underwriting dollar

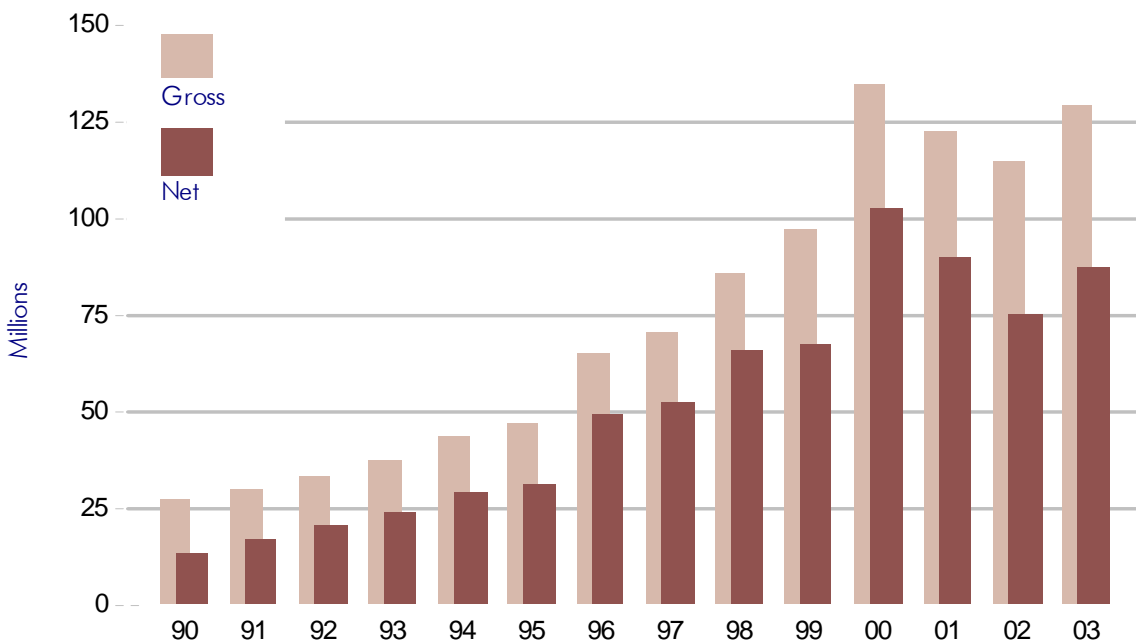
Underwriting expenses, as a percent of underwriting revenue, declined slightly, but not because stations were spending less – expenses for underwriting grew by 6% in FY 2004. Since revenues were rising faster, though, the cost per dollar raised went down.

It is worth noting, though, that the cost of underwriting is still below the cost of raising listener dollars, which stood at 36 cents on the dollar.

As with listener support, this calculation does not include an accounting for the airtime used for underwriting messages.

Public Radio's Net Underwriting Support

After Cost of Fundraising, Adjusted for Inflation (2003 Dollars)



Source: CPB : Annual Financial Reports

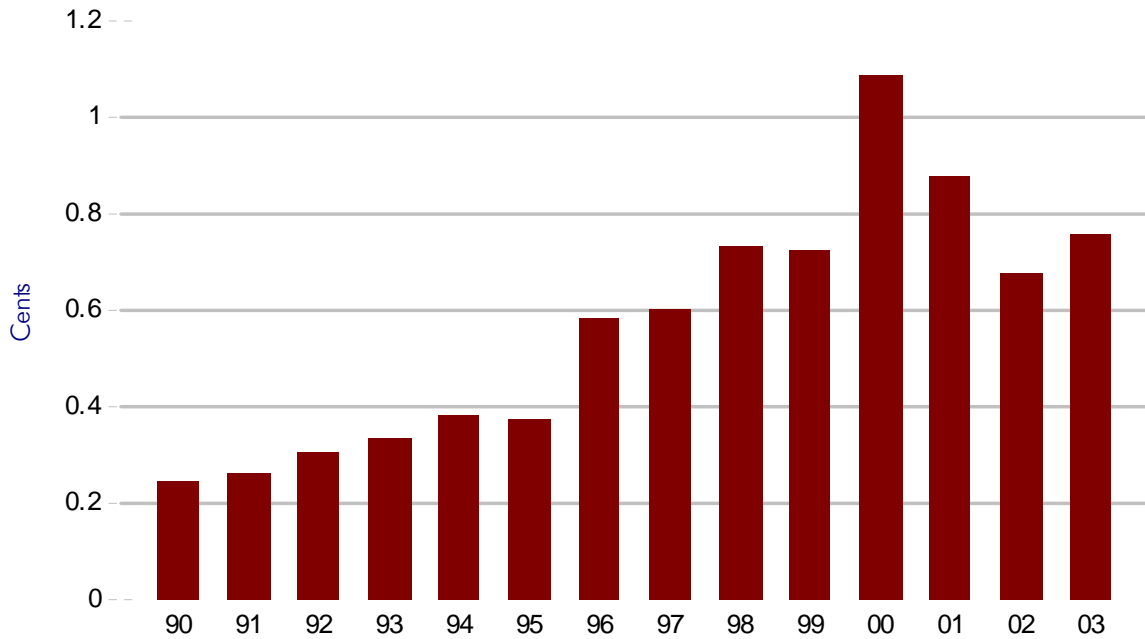
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\$12 Million Increase in Net Revenue from underwriting

This chart shows public radio stations' net income from underwriting activity. With revenue up and expenses taking a smaller bite of the gross, the net increased in FY 2003, up by \$12 million, or 16%. This is a significant improvement compared to the prior year.

Net Underwriting Support per Listener Hour

After Cost of Fundraising, Adjusted for Inflation (2003 Dollars)



Source: CPB: Annual Financial Reports, Arbitron Nationwide

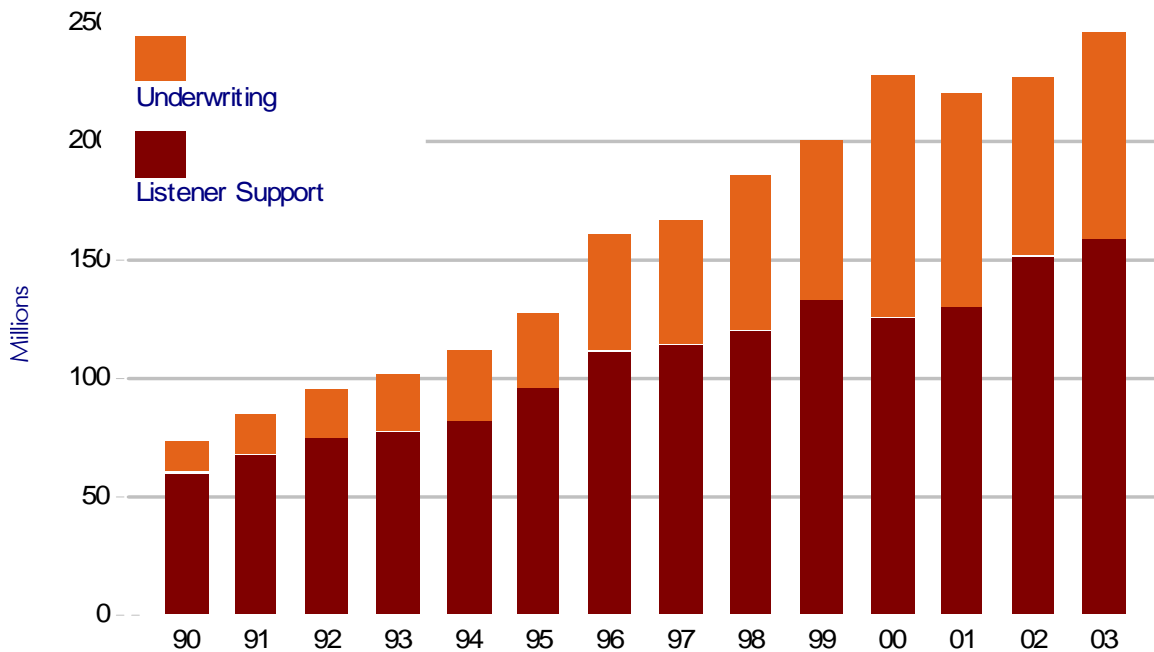
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Solid Performance in a Still Soft National Economy

This final chart in the underwriting series integrates net returns with performance per listener hour. The FY 2003 number is 0.76 cents per listener hour, a figure comparable to the best of the pre-boom/bust cycle of the past three years.

Net Listener Support and Underwriting

After Cost of Fundraising, Adjusted for Inflation (2003 Dollars)



Source: CPB: Annual Financial Reports, Arbitron Nationwide

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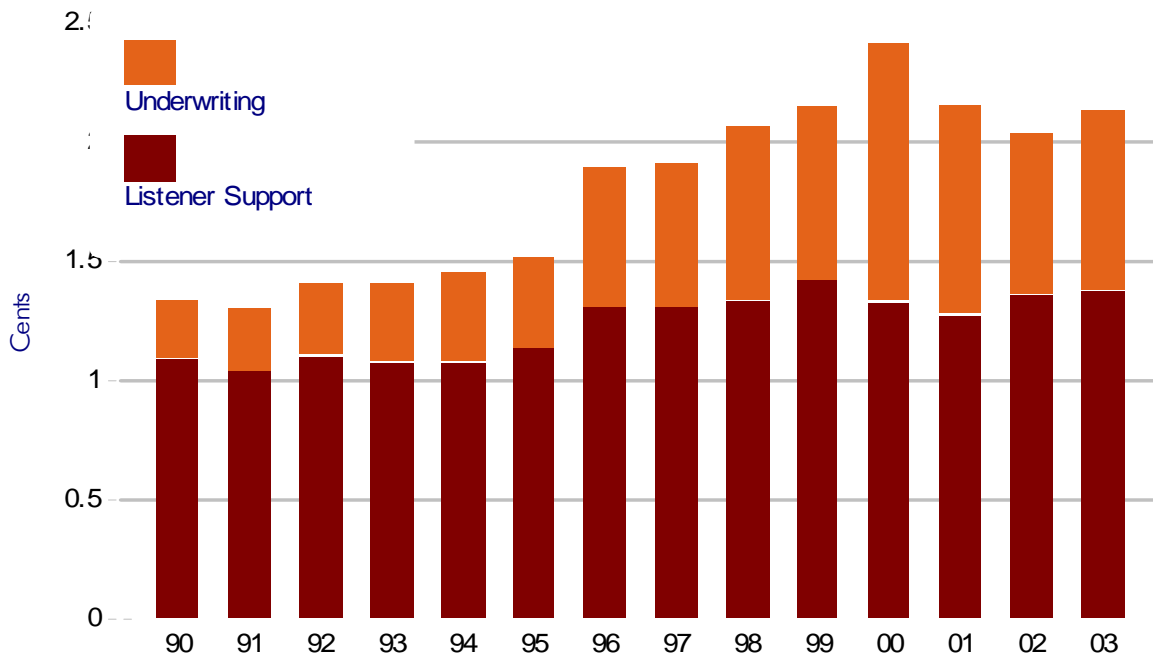
Listener Support + Underwriting = 8.5% More for Service

Here we see the powerful long-term growth the twin engines of public radio's listener-oriented economy – contributions from individuals and underwriting from businesses and nonprofits that now provide over \$246 million in net resources to our enterprise.

In FY 2003 combined gain after adjusting for inflation was 8.5% ahead of the previous year, a gain of over \$19 million. For a few stations this was not enough to offset cutbacks in tax-based support at the state and local level and cutbacks in university funding. But for most, it was enough to keep moving forward in the context of a difficult economy and severe pressure on public sector finance.

Net Listener Support and Underwriting per LH

After Cost of Fundraising, Adjusted for Inflation (2003 Dollars)



Source: CPB Annual Financial Reports, Arbitron Nationwide

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The Productivity of Public Radio Development

This final chart pulls all the data together for a composite look at the productivity of public radio stations' development work. The political challenges to public broadcasting's funding in the mid-90s set in motion a leap in productivity of public radio's development efforts that has served us well during a difficult period in the national economy. Public radio once appeared largely recession-proof, but that is no longer the case. The growing role of community-based support from listeners and businesses increasingly ties public radio's economy to the business cycle.

Because public radio's audience has grown significantly during these times, the field is well-positioned for financial growth at the point of broader economic recovery.

In the meantime, continued close management of the costs of fundraising and underwriting is essential. Each dollar we spend on development nets two dollars that we can invest in our public service. Continued development investment is bringing continued public service returns. Attention to effectiveness, economies of scale, and the still largely undeveloped arena of major gifts and philanthropy will improve that performance.

Listener Support & Underwriting: Revenue, Costs, and Net Return to Operations

About the Data

Financial data are from Annual Financial Reports filed by stations supported by the Corporation for Public Broadcasting, which are reconciled to audited financial statements for each station. In FY2003 344 stations filed reports.

Audience data are from Arbitron's Spring Nationwide report of listening to all CPB-supported stations as prepared by the Radio Research Consortium.

All financial data are adjusted for inflation to 2003 dollars using the Consumer Price Index (CPI-U) of the Bureau of Labor Statistics.

Listener income includes both funds contributed directly to stations and revenues received from "friends" groups. Revenue designated as "major gifts" by stations is included; revenue designated as "endowment" is not.

Development expenses for this report have been adjusted from the figures reported by stations to CPB. Of the stations reporting underwriting income, most divide development expenses between fundraising and underwriting, but many do not. Some 131 stations that account for 26% of stations' underwriting income report only a single development figure. SRG calculated the ratio of cost to revenue for those stations that did report separate figures and made an allocation of costs using this ratio for those stations that did not furnish a break-out. This adjustment decreases the cost for fundraising and increases the cost for underwriting expense compared to the original figures.

Nadine Feaster, Director, Station Grants Administration, and Jay Youngclaus, Manager, Radio Projects and Programming, both at the Corporation for Public Broadcasting, were very helpful in assembling the data for this report.