The Program Ledger: Evaluating Program Performance

By Kathy Merritt, Director, Public Media Strategies

As public radio programmers and managers look for ways to improve the performance of their programming, including locally created content, they most often turn to audience data to find out if their decisions have moved their stations forward. Research studies using audience data also provide a context for evaluating performance. For example, David Giovannoni's "Principles and Principals" report in 2002 (aka the "Mosters/Coasters/Toasters" analysis) looked at which stations were gaining, sustaining or losing audience over time (www.aranet.com). Craig Oliver's "The State of Public Radio" at the 2003 PRPD conference examined the performance of the most common public radio formats.

Audience data provide the most important indicators of a program's performance, but there are other metrics that, combined with audience data, give a more complete picture. SRG's Program Ledger brings together a set of measures that allows programmers and managers to evaluate the impact of their local content both inside and outside the station.

More to Measure

It's more important than ever to have a framework for examining local content, because more and more stations are producing it. A quick check of station web sites turns up a list of local programs:

Talk of the City **Metro Connection** **848**
Up to Date **Forum** **The Conversation**
Jazz After Hours **The Glenn Mitchell Show**
Eklektikos **The Exchange** **Live in Studio C**
City Folk **State of Affairs** **Café Mozart**
The Brian Lehrer Show **Bama Bluegrass**
The Program **The State of Things** **Midday**
Camel's Hump Radio **Hear It Now** **At Ten**
Colorado Matters **Backstage with the BSO**
Topical Currents **Excursions** **Talk of Iowa**

Public radio stations realize the value of local content as a way to keep connected to their communities, and listeners recognize its importance, too. Even in the world of commercial broadcasting, listeners have expressed concerns about possible changes in ownership rules that would allow companies to own more stations in a market, fearing that fewer owners would result in less original local programming and more syndicated or voice-tracked material produced outside their communities. FCC Chairman Michael Powell responded by announcing the creation of a task force that will advise the Commission on "concrete steps that can be taken to promote localism."

Public radio has bucked the trend of consolidation of ownership and remains locally owned and operated. Public radio is connected to its listeners, through programming, through fundraising, and through community events. Producing local content is a reflection of the commitment stations have to the places they serve.

What to measure

So, if local content is important, how do stations know if they're doing it well?

- What is the framework we use to assess performance of local content?
- What tools do we have to evaluate local content?
- Can we quantify all the factors we want to measure?

In trying to answer these questions, SRG came up with the concept of the Program Ledger.

INVESTMENTS	**RETURNS**
<u>Financial</u>	**<u>Listening</u>**
-direct costs	**-cume -loyalty**
-allocated costs	**-share -AQH**
<u>Opportunity cost</u>	**<u>Revenue</u>**
-airtime	**-listener sensitive**
-management time	**-major gift/foundation**
-quality control	**-underwriting**

<u>Public Service Impact</u>
-Significance
-Niche
-Licensee relations
-Talent magnet
-Core values

The Ledger was developed with input from many people – an advisory group, SRG members, general managers and program directors. Like any kind of ledger, it has two main components – investments and returns.

The Program Ledger Components

Let's take a tour around the ledger, to examine each of its parts. First, on the returns side, listening.

Listening

-cume -loyalty
-share -AQH

Most stations know a lot about their listeners. There are powerful tools available, such as Arbitron and Audigraphics, to measure listening. There are benchmarks for stations to use to measure their progress. We can compare numbers and get a sense of good performance versus poor performance. Determining returns for this part of the ledger is easy for most stations.

Next, let's examine the financial part of the ledger.

Financial

-direct costs
-allocated costs

Every station has a budget, but few break out the costs of individual programs. Many stations have one, all encompassing programming budget line. It may be broken into "acquired programming" and "everything else," but stations tend not to create budgets on a per program basis because it's a challenge to do so.

Direct costs are relatively easy to calculate. They include:

- Salaries and benefits
- Contract employees
- Services
- Travel
- Phone
- Supplies
- Equipment

Allocated costs are more difficult to figure out. What parts of other departments at the station factor into creating local content?

- Tech support
- On-line
- Marketing
- Administration

It would take some research or perhaps an educated guess to assign a value to the number of hours spent by other employees, outside programming, who help to make the local content successful. If a station wants to get a true cost of the local content, however, indirect costs should be included in order to view costs at the station level, not just the department level.

Let's move onto another area of the ledger. This is another area that is hard to quantify – opportunity cost.

<u>Opportunity cost</u>
-airtime
-management time
-quality control

It may be a cliché, but there are only 24 hours in a day. Airtime is a valuable asset, and program directors and station managers decide how to "spend" it. Station managers and PDs also have to make decisions about where to spend their time. Managers spend time:

- Planning
- Overseeing
- Training
- Analyzing
- Listening

These are investments that station leaders make in programming. Again, opportunity cost is hard to quantify, but it is possible to track employee time in these areas and track changes over time.

Let's move back to the returns side to another part of the ledger that –like listening – has a lot of data -- revenue.

<u>Revenue</u>
-listener sensitive
-major gift/foundation
-underwriting

Stations have many tools available to measure revenue. Organizations such as DEI, Target Analysis, ARA and others are providing support. There is information available about average pledge, how best to get different kinds of members to renew, and return on certain kinds of mailings, for example. Knowledge in this area has increased significantly.

Now, let's look at the last part of the ledger – public service impact.

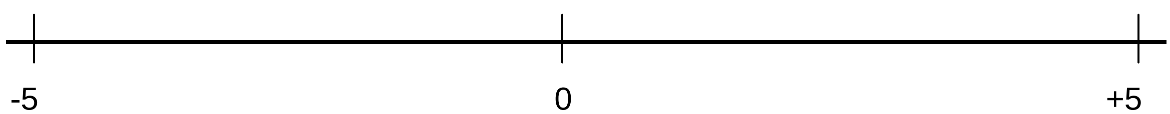
<u>Public Service Impact</u>
Significance
Niche
Licensee relations
Talent magnet
Core values

Some people downplay this part of the ledger because they find it to be a bit "squishy." It's very hard to quantify and involves anecdotal information. But these elements are the "value added" kinds of measures for programming – the station's significance in the community it serves, its ability to provide programming that fills a niche, the impact on licensee relations, the ability to attract great talent, and how the programming embodies core values.

This piece of the ledger is different from the others because it can go under Investments or Returns, depending on the performance of the programming. Take core values, for example. If the station's programming embodies the core values, then it should bring good returns – greater listening, more membership revenue. If the programming doesn't embody the core values, then it costs the station, in terms of listeners and revenue and Public Service Impact.

How do we measure these difficult to quantify elements of the ledger? Some stations track media mentions of their staff members or programs. Some track unsolicited comments from members of the community – e-mails, phone calls, conversations at cocktail parties. Stations with plentiful resources conduct research that tests public awareness of their stations.

A simple way to track this is to rate each entry under Public Service Impact on a scale.



Here we have a very simple scale from minus five to plus 5. Stations leaders can ask themselves, their staffs, board members, licensees, people in the community, how the station is doing on these areas and track progress over time. Track all the awards and media mentions and assign a value to them – there is no right number. The question is – is the station getting better or losing ground?

All on One Page

Our tour around the ledger shows that its parts are familiar to most people in public radio. But the ledger, to quote an old adage, is greater than the sum of its parts. What's important about the pieces of the ledger is how they relate to one another. We often look at each of these areas as islands. We talk about audience numbers or pledge drive results. We see each area standing on its own, and we see only certain people dealing with each area. The ledger puts everything together on one page, because none of the pieces of the chart should be seen in isolation. To get a true picture of how a program is performing, stations need to know more than audience numbers.

The ledger allows us to look at programming in a way that acknowledges a bigger picture.

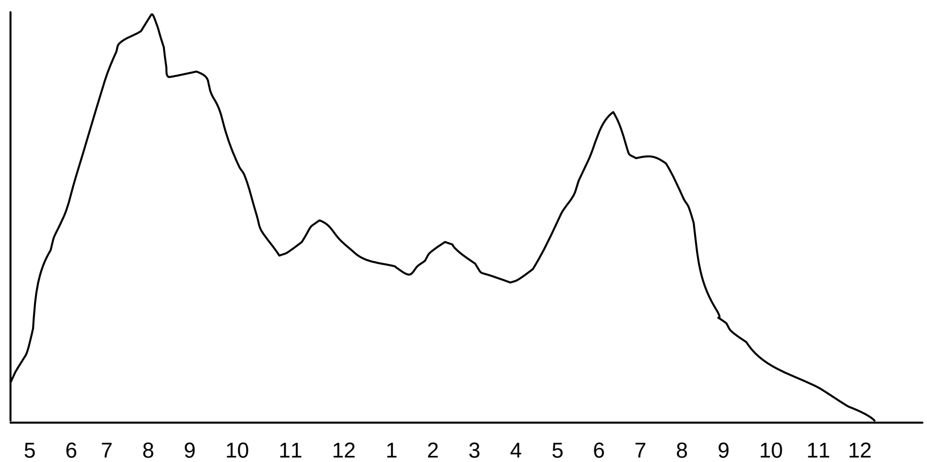
- Stations have a responsibility to deliver public service through programming

- Stations also have the responsibility to manage a public service business

Listeners and members want accountability from the non-profits they donate to. Stations need to spend their dollars wisely – for the benefit of donors and for the long-term viability of the organization. The ledger brings the cost side of the equation in to the picture, and helps stations better manage their resources.

Another perspective

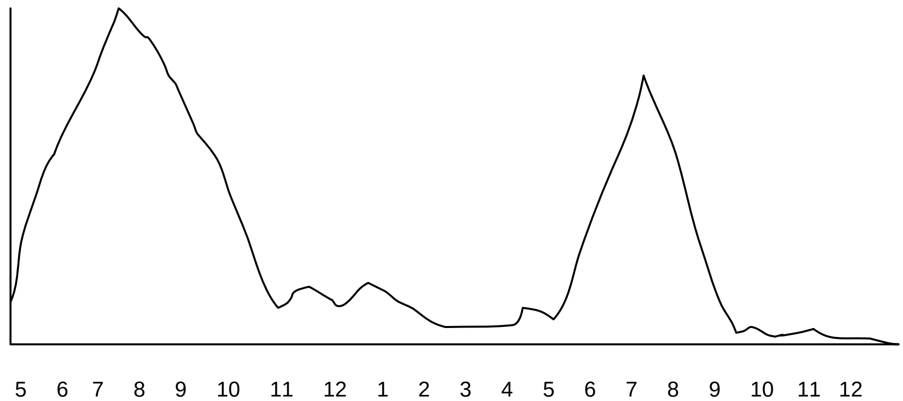
Let's look at the elements of the ledger in a different way --
Most program directors or station managers could draw a chart of their station's audience numbers or a particular program's audience numbers.



cume

(There is no one correct line to draw. Each station is different and should mark its performance against itself. This graph shows a hypothetical cume line.)

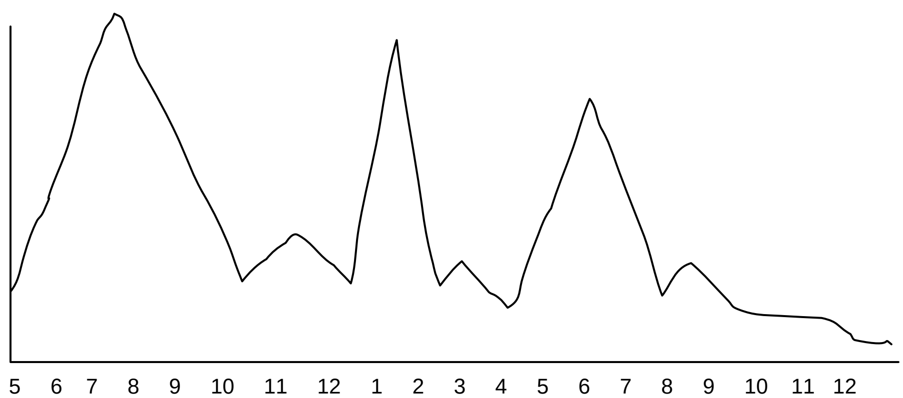
What about revenue, could the typical station manager or program director draw a chart, hour by hour, program by program for revenue?



revenue

Again, this is a hypothetical line. It would include revenue from underwriting and grants for each program, and could assign membership revenue based on a program's audience and pledge performance. (Stations should make their own decisions on how to assign membership revenue.)

Finally, could station leaders draw the same chart for programming *costs*? An hour by hour breakdown?



costs

In this line, there's a spike at midday – perhaps a local call-in show. Local content can be very expensive to produce.

As noted earlier in discussing the financial piece of the ledger, some costs are difficult to determine. It's also hard to know what costs are appropriate. While public radio has established benchmarks for audience and revenue numbers, there is no equivalent data for expenses for local content creation. Stations don't share data on expenses, and it takes some work to calculate those costs, especially indirect costs. Frankly, it's not as exciting to calculate expenses as it is to look at audience numbers. But knowing the true cost of a program is critical to the success of the program – not because stations should pull it off the air if it costs too much, but because station leaders should know if the costs outweigh the returns. No one set of numbers determines good performance.

Deciding what's important

Ideally, stations want local content on the air that brings in great audience numbers, generates substantial revenue, enhances Public Service Impact and doesn't break the bank to produce. There are shows that don't meet all those criteria but are still valuable. For example, The Metropolitan Opera isn't a big audience grabber or money raiser, but classical stations carry it because it helps them establish a niche. Local news magazines might not bring in the biggest audience or fundraise terribly well, but by bringing in community leaders to the station and reflecting community concerns, the programs can help build the station's significance as a community institution. These are important public service returns. Some stations may choose to emphasize these returns ahead of others, but stations do need to decide what returns are important for them and track them.

Some final thoughts

- Knowledge is power – knowing the information from all areas of the ledger will help station leaders make better decisions.

- Know why programs are on the schedule—what returns are they bringing to the station. If the returns aren't all they should be, then ask why that show is on the air and whether it drains resources from other shows.

- Sustainability is easier when you know all the facts – if stations don't know the true costs of a program, they don't know what it will take to sustain it and make it better over time.

- Listening is the highest return—listening turns into giving, giving means financial health, financial health means an organization that's valuable to the community it serves.

And finally. . .

- It takes a team effort – management, finance, development, marketing, programming – all working together.

- Scale is important – each station and market is different—measure against yourself, knowing that stations have different resources, different benchmarks and different timelines.

The Program Ledger is a conceptual framework – stations will have to fill in the data – but placing all the data side by side will reveal a true picture of program performance, helping stations measure the full impact of their local content, internally and externally.

The Program Ledger was developed as part of Charting the Territory, a system-wide planning initiative supported by the Corporation for Public Broadcasting and SRG member stations.