

The Cost of Doing Business Quantifying Worth

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Introduction

Paul Krause Associates developed Quantifiable Worth Statements (QWS) with information from participating stations. The QWS helps stations express their value to a university in quantitative terms.

In addition, PKA agreed to provide analysis of reports, consolidate findings and offer recommendations for dissemination, station implementation and usage of the results as a tool for stations in their relationship with their licensee.

In parts I and II, we quantify the worth of each station that provided sufficient data. Two dimensions are measured: a) public service to the community and b) public relations for the university. Part III highlights another tool: the locality analysis. It can be used to add credibility to the station's claim that it creates public relations value. Part IV offers recommendations and suggestions for use of the information provided. The Methods Appendix describes the methods used in calculating the worth statements.

Part I – Measuring Public Service

Since all the stations in our study are connected to universities or colleges, it is valuable to consider the context or setting that these institutions create for station management operations. One aspect of the university/college environment is particularly relevant here: public service.

IA. The Institution's View of Public Service

Institutions of higher learning typically have three functions that define their offering: educating students, advancing knowledge and providing public service. Although many place value on public service, it is generally considered the least important of the three and is often a catch-all category. For example, Texas A&M University provides the following in their statement of purpose:

- ◆ “We produce thinking and educated people”
- ◆ “We build knowledge, which is then shared with industry, business, education, the medical community, government, and other groups in our society”
- ◆ “We dedicate time to a wide range of activities known as service.”

The inclusion of service in the university triumvirate creates pluses and minuses for station management. On one hand, university administrators will easily see that the radio station creates public service as a result of its programming. They can usually grasp the notion that the more people the station reaches and the more loyal that audience is, the more public service is created. On the other hand, they typically have trouble understanding the quality or value of the audience as it relates to meeting the more narrow interests of the institution.

For example, when the station is just one of a “wide range of activities,” it competes for attention with other activities (examples include, summer conferences, life-long learning programs etc.) which deliver a public service that is more easily identified by the administration as a “university” service. This places the station at a competitive disadvantage on campus and can easily translate into reduced financial support, especially when a round of budget cutting is in the offing.

So, making a strong “public service” case is necessary, but it is not sufficient to ensure short-term support or long-term survival. The station *must also directly add value for the university*. Fortunately, this can be accomplished through the judicious use of on-air credits and announcements that will generate public relations value for the university.

We understand that this view runs counter to conventional public radio wisdom which states that any significant identification with the university is something to be avoided. Stations have been advised either to distance themselves from the licensee or to face declining public support and listenership. While it is problematic to schedule programming that focuses on very narrow institutional interests (for example, the broadcast of sports events) there is no reason to avoid identifying the station with what, in most communities, is considered its most valuable asset – the local university.

It should be noted that there was a time when the radio station on campus was much closer to the “core” (the first two items on the list above) than it typically is today. In the early days when radio was considered cutting edge technology, institutions were eager to have a station on campus where it was often considered a communications laboratory and/or a student training center. Educational radio (and later television) made sense to university administrators because it was central to their core activity: “to produce thinking and educated people.” Although the radio station can still make a case for the value of its service using this argument, it now falls largely on deaf ears.

IB. Measuring the Dollar Value of a Station's Public Service

Our goal is to provide a measure of public service that encompasses all the different ways that a station's programming serves the community as a whole. We know that a station has listeners, that these listeners use the service for a measurable number of hours each week, and that a certain number of these listeners provide financial support. We also know that the service is valued by the larger community because the station receives financial support from various groups: government agencies, nonprofit and for profit entities and others.

Combining these, we define the station's Public Service Value (PSV) as follows:

PSV = listener support + grants from the CPB + gifts and grants from nonprofit entities + the imputed value of listening by non-supporting listeners (ie. nonmembers) + value of community volunteer hours

Most of this information is readily available. The one exception is the "imputed value of listening by non-supporting listeners."

IC. The Imputed Value of Listening by Non-Supporting Listeners

There is little doubt that non-member listeners value the radio service they use. However, at any given time, they may choose not to provide financial support because of an inability to pay; a perception that the station does not need their support; the decision to support other nonprofit service providers in their community; or simply that they're 'cheap' etc. At the same time, we can cite many cases where a station has experienced a significant one-time need and a great many people who have never contributed have come forward. Under these circumstances, regular supporters can also be counted on to increase their giving significantly. Therefore, we can be certain that the annual dollar value of listening by all listeners is significantly greater than the actual number of dollars contributed. But by how much more?

In order to estimate the total value of listening we developed the following model based on a number of research-based assumptions.

Combining the results of PKA's own research for WCAL-FM, the Association of Minnesota Public Educational Radio Stations (AMPERS) and Minnesota Public Radio with the groundbreaking research conducted by David Giovannoni ("The Cheap 90. Public Radio Listeners: Supporters and Non-Supporters. An Examination of the Causes Influencing the Decision of Public Radio Listeners to Support or Not Support Public Radio", 1985), we make the following assumptions:

- ◆ Members listen more than non-member listeners (listening drives membership)

- ◆ A member’s annual donation reflects the value of the member’s time spent listening
- ◆ The more a member listens the more they give
- ◆ A non-member listener values the station, but does not listen enough, on average, to support the station
- ◆ On average, an hour spent by a member has the same value as that of a non-member listener

In addition to these assumptions, our research shows that on average, members listen from 1.9 to 2.2 times more hours per week than non-members. The higher the station’s TSL (time spent listening), the greater the ratio.

With this information we can then estimate the value of listening by non-supporters.

(See Methods Appendix, for an example of these calculations)

The results are shown in Table 1 below.

Table 1. Public Service Value

Results:	
Station A	\$ 17,685,808
Station B	\$ 13,723,688
Station C	\$ 5,249,184
Station D	\$ 4,785,557
Station E	\$ 4,436,510
Station F	\$ 4,098,441
Station G	\$ 3,390,310
Station H	\$ 2,409,855
Station I	\$ 2,127,647
Station J	\$ 2,115,466

Although each station in our survey has a different mix of key variables, Table 2 shows a direct relationship between Public Service Value and the size of a station’s audience, its TSL and the size of its average membership gift.

Table 2. Key Variables in Determining Public Service

	Public Service	Cume	Members	%	Member Rev	AVG gift	TSL
A	\$17,685,808	321,300	19,954	6%	\$ 2,314,400	\$ 116	6.1
B	\$13,723,688	243,700	17,307	7%	\$ 1,727,588	\$ 100	6.8
C	\$5,249,184	93,800	9,665	10%	\$880,006	\$ 91	10
D	\$4,785,557	73,400	4,312	6%	\$ 462,939	\$ 107	8.3
E	\$4,436,510	56,300	1,841	3%	\$263,534	\$ 143	4.8
F	\$4,098,441	52,700	3,460	7%	\$ 452,023	\$ 131	6.8
G	\$3,390,310	23,100	1,800	8%	\$ 296,929	\$ 165	16
H	\$2,409,855	40,900	1,712	4%	\$ 177,464	\$ 104	6.4
I	\$2,127,647	53,100	3,261	6%	\$280,252	\$ 86	5.5
J	\$2,115,466	74,900	4,503	6%	\$486,579	\$ 108	8.1

Part II - Measuring the Public Relations’ Value

IIA. Background

Over the past 20 years, program underwriting by nonprofit and for profit business on public radio stations has grown significantly. This is due largely to the ability of public radio’s development professionals to better communicate the value of the public radio audience to the underwriting prospect. They’ve demonstrated that public radio programming attracts a highly educated, affluent group of listeners that is difficult to reach in any other way. Not surprisingly, the business community has responded enthusiastically. For example, between 1993 and 2003, business support for public radio stations increased 267% in absolute terms and increased from roughly 10% to over 20% of all cash support for stations. [CPB, Public Broadcasting Revenue, FY 2003]

At the same time, support from institutional licensees has declined significantly. Although there are many reasons for this, the outcome is clear: institutional administrators have devalued the service their radio station delivers to the institution. They may acknowledge and even express appreciation for the station's service to the community (how many times have we heard the phrase "a jewel in the university's crown"), but they don't see that service as "core" to their own service as an institution of higher learning.

However as stated in the previous section, station managers have been encouraged by national consultants and others to distance themselves from the licensee. As a result, a number of stations have completely divorced themselves on and off the air from any suggestion that they have a connection to an educational institution.

Given that educational institutions are businesses that have to market their services to a target audience and that their radio station can deliver access to this audience, it is disappointing that stations have not stressed the public relations/marketing value in their dealings with the institution. Although most of the stations in our study are still creating PR value for their licensee, some do almost nothing. This is not a criticism, since they are simply following received wisdom. It is our position that stations are missing a great opportunity. So much more value could be created for the licensee at almost no cost to the station.

IIB. Estimating the Public Relations Value – Types of Messages

As for any business underwriter, a station creates PR value for its licensee when it creates positive impressions of the institution and its offerings. This can be accomplished in a variety of ways. These are as follows:

- ◆ Station ID – Call letters, city of license, frequency, slogan
- ◆ Enhanced ID – standard ID that includes a reference to the relationship between the station and the institution
- ◆ Underwriting credit – institution treated like any other business underwriter
- ◆ Public Service Announcement – institution treated like any other nonprofit
- ◆ On-air programming that features the institution's faculty, staff, visiting scholars, musicians, artists, etc.

Station ID

In our model a straight ID has no real PR value to the institution. Although most of the university stations in our survey have call letters that reflect the name of their institution, we don't believe that this does much to establish a meaningful connection in the mind of the listener.

Enhanced ID

In this case, the station mentions its relationship with the institution and/or locates itself on the campus of its institution etc. There is an on-air link in the mind of the listener. At the same time, this is not an underwriting credit in the usual sense. Since in our model the underwriting credit is the standard of value, the enhanced ID is given partial credit. The percentage of a full credit allocated depends on the number of words or time as they relate to a full underwriting credit (some stations use number of words, others have a time limit, usually 15 to 20 seconds). In general one enhanced ID is the equivalent of .20 or 1/5 of an underwriting credit.

For example, Station B identifies the University as "owner and operator" of the station once a day in its daily sign-on. Four times per day, when it identifies its translators it mentions its location "with studios and offices on the campus of X University in "location" The latter mention takes up about ¼ of the ID.

Underwriting Credit

Mention of the institution is like any other underwriting announcement. For example, three times every day Station B, says:

"Support for this program comes from "the University" in "location X", a comprehensive 4-year liberal arts College, rooted in the Catholic tradition. On-line at "X" dot edu"

Paid Public Service Announcements (PPSA)

Stations are typically called on to promote community events on and off campus. Although these tend to be longer than underwriting announcements, most stations charge about the same for each announcement. In Station B's case they give the university a 50% reduction off the gross rate schedule for underwriting.

Programs that Focus on the Institution

A number of stations in our survey have programs that feature their institution. For the purpose of estimating the value of these offerings, we assign one underwriting credit equivalent for each 10 minutes of program airtime. Although this probably underestimates the PR value of the programming to the institution, we wished to err on the conservative side.

IIC - Estimating the Public Relations Value – Market Rates vs Underwriting Rates

Historically, stations have set underwriting rates below commercial market rates. As underwriting sales people have become better trained and better prepared to convey the real value of the public radio audience, this difference seems to have been overcome. In fact, three of the stations in our study are getting better than market rates for their underwriting while four still have some room to increase rates. (see Table 5 below).

(The process of estimating public relations value is shown in the Methods Appendix.)

A summary of the results of our analysis is shown in Table 5 below. Although these are not insignificant numbers, they suggest to us that all stations licensed to universities or colleges have significant room to increase their PR value. In addition, there is room in many markets to increase underwriting rates and still be competitive.

Table 5. Public Relations Value by Station

	Internal Rates	Market Rates
B	\$ 137,809	\$ 125,524
A	\$ 132,912	\$ 98,280
G	\$ 118,591	\$ 86,093
I	\$ 81,357	\$ 90,783
D	\$ 45,396	\$ 116,158
F	\$ 43,930	\$ 59,779
H	\$ 22,489	\$ 74,256
C	\$ -	\$ -
E	\$ -	\$ -

Part III. Other Ways to Demonstrate Value – Student, faculty, staff and alumni locality

Although almost all institutions of higher learning draw students from beyond the boundaries of their radio station's signal area, a significant number reside or previously resided in locations within that contour. An even higher percentage of important university stakeholders like staff members, faculty, and board members can receive the station's signal(s). Typically a significant percentage of alums also live close enough to their alma mater to hear the station's programming. The advent of webcasting has effectively eliminated any signal boundary for the committed graduate or parent of a student from tuning in to the station. If station management can document these connections, the more importance institutional administrators will attach to the PR value concept.

For example, in a previous study for WCAL-FM we compared the student locality information provided by the institutional licensee St. Olaf College and the station's audience locality. By comparing the zip code distribution of both lists, we found a statistically significant correlation between the two. In other words, in those zip codes where St. Olaf College tended to find students, they were the same areas where WCAL tended to find listeners and members. This does not prove that listening to the station caused students or their parents to decide to come to the college, but it did show that having underwriting messages on WCAL about what the college might offer to potential students, would certainly reach the right kind of people.

This should not be surprising, given the composition of typical public radio station's audience. Affluent, highly-educated people tend to send their children to college in much higher numbers than those who lack these socio-economic advantages.

Although we requested information from stations in the survey for this information, many of the stations had difficulty getting the right kind of data from their institutions. Some universities use broader concepts like state counties to define locality, while others seem not to bother with detail. If a station would like to pursue this option, it should encourage its institution to run a special report that would pull out student and other locality information by zip code. The data is there, it just needs to be extracted.

Part IV - Recommendations

This study attempts to show that university stations can and do generate significant value for their respective institutions. In many ways, typical university radio stations communicate the core values of their institutions more effectively than many other entities on campus. Station programming informs, educates, and is important in the lives of a much larger audience than any of the other public service activities found on campus.

Unfortunately, station management has not had a measurable way to convey this value. We hope that the information provided in this study will support that effort. We also hope that station staff will change their attitude toward the license holder and make a move *toward* the administration rather than seeking to further distance them from it. For many stations, this will require a 180 degree turnabout.

Recommendation #1: Add PR Value for the University

Conventional wisdom suggests that it is not in the best interest of the station to “promote” the interests of the institution of which it is a part. This is unsupported and in error. It may be true that *trumpeting* the financial support of the licensee on-air may have some very slight negative impact on membership support, but identifying and supporting an institution that is already recognized for its value cannot harm the station’s interests. Simply treating the university as an important underwriter (which in most cases it is) and providing it with measurable value will create a much more favorable climate.

Recommendation #2: Offer Assistance to the Institution in Areas Where You Can Make a Difference

We suggest that station management meet with university officials in admissions, alumni relations, and community relations and ask them what the station can do to assist them in their areas. Study these areas and understand their needs. Although this may sound like a time-consuming and possibly dangerous move, it isn’t. In fact, it is the only realistic choice. You can run but you cannot hide from the fact that the institution controls the station and its license to broadcast. So embrace the opportunity, stand up and deliver.

So remember, if the relationship between the radio station and the licensee is not growing in a mutually supportive way, the station is in trouble. The day will eventually arrive when someone or some entity will show up at the administration’s door with a large check in hand and your station will be discarded. Do not become complacent when you hear the station being referred to as a “jewel in the crown” for there is a fairly active market in jewels, regardless of their origin.

Recommendation #3: Add Public Service Value for the Community

As you add value for the university, reach out to community leaders with the same intent. You should be prepared well in advance for the possibility of a change of license holder from the university to the community. By finding ways to maximize your public service value you can attract support and resources from the larger community.

Recommendation #4 – Quantify your Value

Over the past 20 years, university boards of regents have been increasingly dominated by corporate executives. They have stressed the need for accountability and the use of outcome-based decision making. A key part of this approach is a reliance on measurable outcomes. Please use these quantifiable worth statements and other analyses that demonstrate your station's commitment to this way of planning and development. You will be well received.

Appendix - Methods

A. Part I – Measuring Public Service

For example, using the data provided by Station B and shown in the table below, first calculate the TSL for members and the TSL for non-members. This allows us to estimate the number of hours listened annually by the two groups.

Public Service Module		
	Station Data	INPUTS
	Cume	243,700
	TSL	6.8
	Member Gifts	\$1,727,588
	Member #	17,307
	Non Member	226,393

TSL MEM	12.5
TSL NON	6.4

This allows us to estimate the number of hours listened annually by the two groups.

Hrs by Members	11,209,215
Hrs by Non-Members	74,963,105

If the value per hour listened by non-members is the same as that for members (Assumption #5 above) then the value of listening by non-members is as shown below.

Value/Hr - Member	\$ 0.1541
Nonmember value	\$ 11,553,472

Combining this with the other components of public service value we arrive at the following total for Station B.

Public Service Module	
	DATA ENTRY
Weekly Cume	243,700
TSL - Monday - Sunday 6am to Midnight	6.8
Members	17,307
Membership Revenue	\$ 1,727,588
Community Service Grant	\$ 277,821
Foundations and other nonprofit gifts	\$ 147,500
Donated Service (CPB AFR)	\$ 17,307
Listener Non-Member value	\$ 11,553,472
Public Service Value Estimate	\$ 13,723,688

B. Part II: Estimating Public Relations Value

In order to estimate the equivalent commercial market rates for each of the stations, we start with SQAD radio data for each operational market. SQAD is a service aimed primarily at advertising agencies and buying services to estimate the cost of placing commercials on radio and television stations.

“SQAD is recognized as the industry standard media cost forecasting source for national TV (NetCosts - network TV, cable and syndication), spot TV, Hispanic spot TV, spot radio and the Internet. SQAD provides reliable media data to advertising agencies, buying services, advertisers, television and radio stations, cable operators, program syndicators and Internet publishers. Our newest product, NetCosts, uses over \$12 billion of actual transactions from advertisers representing almost half the national TV marketplace. It provides instant access to CPMs and CPPs by network and daypart, unit costs, CPMs and CPPs by program category and time period - the first time real cost information has ever been available.”

Table 3 shows a morning drive segment of the SQAD data for the top 10 radio markets. Since the cost per rating point (CPRP) is for a 60 second spot, we divided the rate by 3 to get an equivalent spot cost for a typical underwriting credit.

Table 3. SQAD data, Top Ten Radio Markets

SQAD			
Fall 2005	Market	CPRP	CPRP
	Morning Drive (M-F)		20 sec.
New York	1	\$ 957	\$ 319
Los Angeles	2	\$ 1,077	\$ 359
Chicago	3	\$ 444	\$ 148
San Francisco	4	\$ 713	\$ 238
Dallas	5	\$ 383	\$ 128
Philadelphia	6	\$ 283	\$ 94
Houston	7	\$ 358	\$ 119
Wash DC	8	\$ 389	\$ 130
Detroit	9	\$ 217	\$ 72
Atlanta	10	\$ 443	\$ 148

Using this information and the audience data from each station, we determined the market rate equivalent for each day part and each station. For example, Station B's morning drive AQH is 11,300 or .37 of a rating point. For this time period, Station B's underwriting credit costs \$135. Using SQAD data we see that an equivalent commercial market station would charge \$118 per spot to deliver the same size audience in the New York market.

Table 4. Commercial Spot Rate Equivalent,
New York Market, Morning Drive

Station B	
Morning drive	
PR Spot cost	\$ 135.00
CPRP	\$ 319.00
Commercial spot	\$ 117.55
AQH persons	11,300
Population	15,332,000
% using radio	0.2
PUR	3,066,400
AQH persons*100	1,130,000

After applying this same procedure to each of the stations in our study, we then multiply the number of underwriting credit equivalents for each category described in section IIB by the respective internal and market rates. These are then summed for each station and yield the results shown in Table 3. Three of the stations have internal underwriting rates that exceed their local market rates, while four could increase their rates and still remain competitive. Station's C and E create little or no PR value for their institutions because they have chosen to distance themselves on-air from their respective institutions. Again, this is not to suggest that they have failed in any way. On the contrary, they have simply followed conventional wisdom and might argue that this is the logical place to end up. In any case, every one of the stations in our study could easily increase the PR value by a significant amount by simply treating their institution as an important underwriter.

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