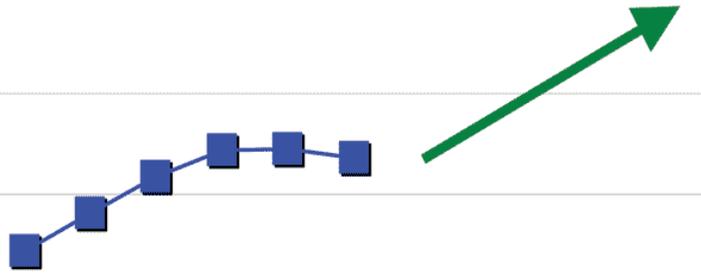


AUDIENCE 2010



Reinvigorating Public Radio's Public Service & Public Support

INTERIM REPORT 6

LOSING OUR GRIP

AUDIENCE 2010

is a project of

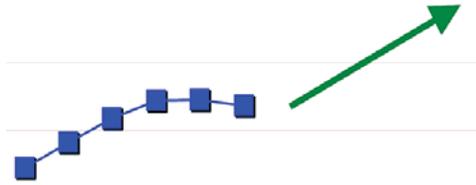
**Walrus Research
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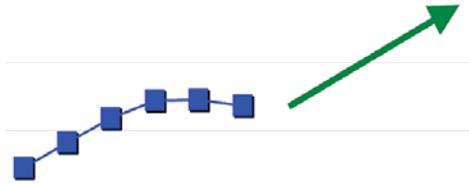
May 9, 2006

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Key Findings

Public radio is losing its grip on its own listeners.

Stations that generate almost half of all public radio listening have lost loyalty in the last year. *MORNING EDITION*, *ALL THINGS CONSIDERED*, and other programs generating 80 percent of all listening have lost their forward momentum or fallen back.

It doesn't matter whether public radio has gotten weaker or commercial radio has gotten stronger. Either way, our listeners are listening less to us and more to them.

We were doing so well, too, driven by the quests to become a more significant public service and to sustain that service with public support.

In their quest for **public service**, public broadcasters favored higher-loyalty programming over lower-loyalty programming. Not only has this resulted in better service to existing listeners, it has also attracted millions more listeners into the audience.

In their quest to **sustain their service**, public broadcasters favored programming with sustainable listener-sensitive net returns.

With few exceptions, **public service generally parallels sustainability**. Network news, information, and entertainment (N-I-E) is generally more competitive and sustainable than network music, which is generally more competitive and sustainable than local music, which is generally more competitive and sustainable than local N-I-E.

As a result, **public radio's service has shifted away from local production toward network production, away from music-based content toward news, information, and entertainment.**

These shifts explain the growth in audience over the years. But what explains the recent loss of audience momentum?

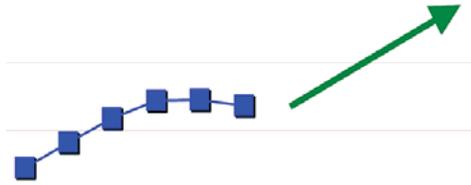
Broadcast Competition: Public radio's success has not gone unnoticed, and competitors are aiming to attract its listeners. It appears they are having some success, as the widespread loss of loyalty indicates.

Listener-Insensitive Programs: Recent network program initiatives are failing to increase loyalty – perhaps because they aspire to unrelated goals. Stations enable these aspirations by allowing the programs on their own air, at a significant cost to their public service.

Listener-Insensitive Funding: Stations are now tending to commit to local showcases that are not listener-sustainable – a result of an extended period of plenty in our industry, combined with a perceived need to be local at any cost.

The attack by competitors was predictable given public radio's success. But we did not expect public radio's renewed tolerance for listener-insensitive programming and its increasing thirst for listener-insensitive funding.

These developments stand in stark contrast to the quests for public service and sustainable listener-sensitive net returns. They may in fact explain, at least in part, our historic loss of audience momentum.



A Disturbing Downturn in Loyalty

Public radio is losing its grip on its own listeners. It's not that they're listening less to radio; it's that they're listening less to public radio and more to commercial radio.

Public radio's programming has become less able to serve its own listeners. We can't determine in *absolute terms* whether it has declined in strength or competition has gotten stronger. All we know is in *relative terms*, public radio's programming has gotten weaker.

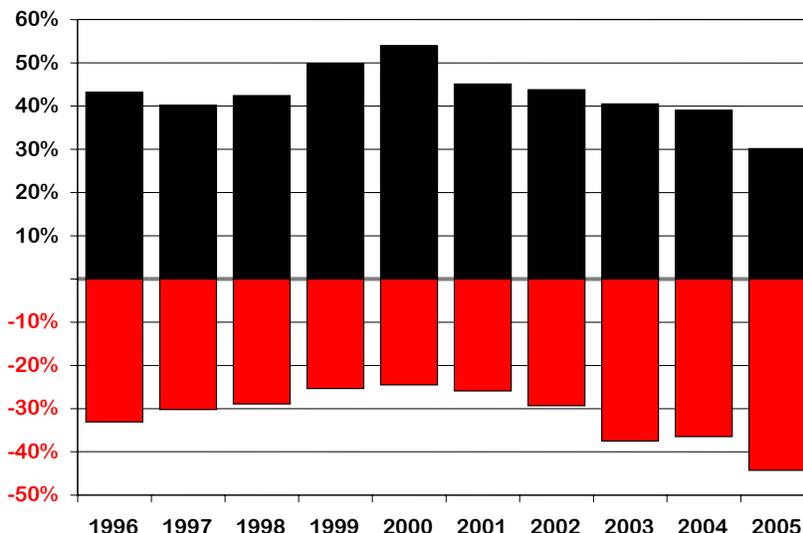
The downturn at stations began five years ago. In each of the last several years an increasing number of stations have

garnered less loyalty than in the previous year. Indeed, nearly half of all public radio listening today is to stations that have lost loyalty in the last year (Graph 1).

A more detailed picture emerges when we focus on programming. Loyalty to our music started to soften in 2000. Our local stand-alone news, information, and entertainment (N-I-E) shows have become less competitive since 2003. And the engine of public radio's growth – network N-I-E – began sputtering in 2004 (Graph 2).

Something has changed in the last few years. Perhaps if we can identify what drove our growth, we can figure out why it has ceased.

Percent of all Listening to Public Radio Stations That Have Significantly Gained or Lost Loyalty Compared to the Previous Year
Public Radio's Arbitron Diary Database

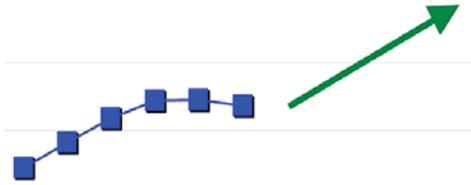


Graph 1

The graph shows stations' hold on their own listeners is becoming increasingly tenuous.

Over half of the listening to public radio in 2000 was to stations that had a higher loyalty that year than in 1999 (black). In 2005 almost half of all listening was to stations with lower loyalty than in 2004 (red). The extended trend downward is clear.

Significantly higher or lower loyalty is defined as a full-point, year-over-year difference across the spring and fall surveys combined.



SIDEBAR

Loyalty, Public Service, and Programming Competitiveness

Loyalty reports the ability of our programming to serve our own listeners given all other radio programming available to them at the time of broadcast.

Loyalty is one of the most actionable metrics available to programmers. The higher a program's loyalty, the greater its ability to compete against other stations for the station's own listeners. The converse is also true – and that's what makes it actionable, as it focuses attention on programming that isn't serving the station's listeners – programming that most certainly requires attention.

AUDIENCE 98 showed loyalty to be an able proxy for the *significance of the programming in the lives of listeners*. As such, it comprises one of the two legs of *public service*. (Listener-hours comprise the other

leg: the *significance of the audience*).

Graph 2 shows that public radio's music and N-I-E programming, both local and acquired, was becoming more significant and competitive until recently (blue). We have seen loyalty stalls and declines before, but not across all four categories at once (red).

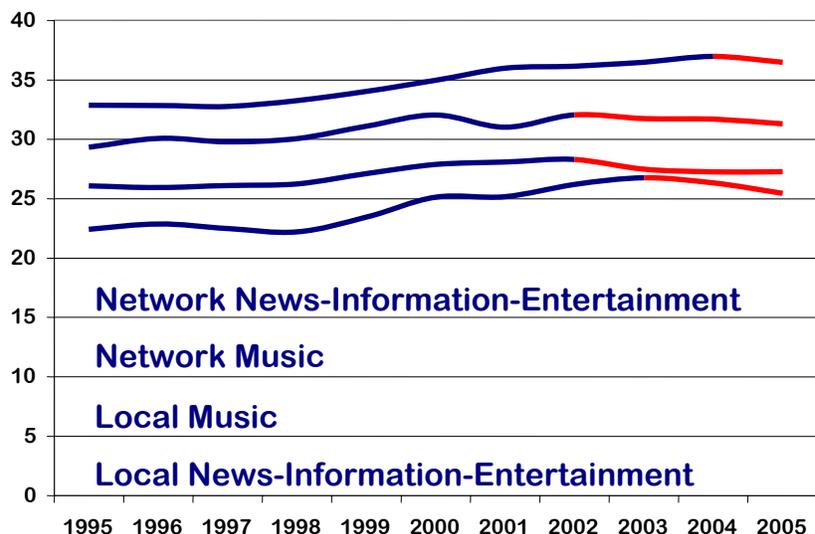
Graph 2 is the richest and most important graph in this report. It shows the relative ability of each type and source of programming to compete for and serve listeners. It shows that the growth in listener loyalty over time has been significant. It shows the growth of listener loyalty to N-I-E programming to be greater than to music programming. And as if we needed further demonstration, it shows the recent loyalty stalls and declines to be unprecedented.

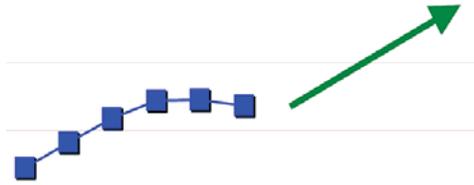
Graph 2

Loyalty to Public Radio Programming
Public Radio's Arbitron Diary Database

Listeners generally prefer public radio's network N-I-E (top line) over its local N-I-E (bottom line) by a margin of 10-12 loyalty points. Both services gained strength between 1995 and 2003; both have stalled or declined since.

Listeners generally prefer public radio's network music offerings by a smaller margin over its local music shows (3-4 loyalty points separate the two lines in the middle).





Public Service & Sustainability

The two most striking changes in public radio's service have been the ascent of network news, information, and entertainment (N-I-E) and the descent of locally-produced music – particularly classical.

Each change is a rational, responsible, and virtually predictable outcome of **selection preferences** built into the program evaluation processes at stations.

- **The preference for public service:** How well does a program serve the public, or how well might it compete compared with another option?
- **The preference for financial sustainability:** How affordable is a program? Can it be sustained by listener-sensitive revenues alone, or must listener-insensitive funds be sought?

NETWORK N-I-E

Network N-I-E programming has powered public radio's most recent decade of growth (Graph 3).

It may not be cheaper per clock-hour than other options, but it is typically **less expensive per listener-hour**. It is among the **most competitive** programming public radio offers. And it is the programming **listeners value most highly and support most generously**.

CLASSICAL MUSIC

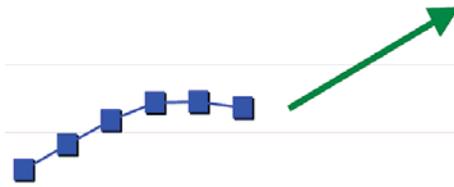
The quests for greater and more sustainable public service also explain the changes in classical music over the last ten years.

Today, fewer stations offer classical music than a decade ago, but the audience to each is generally larger. As a result, the sheer consumption (listener-hours) of public radio's classical music has been nearly constant, and classical remains public radio's most prevalent music programming.

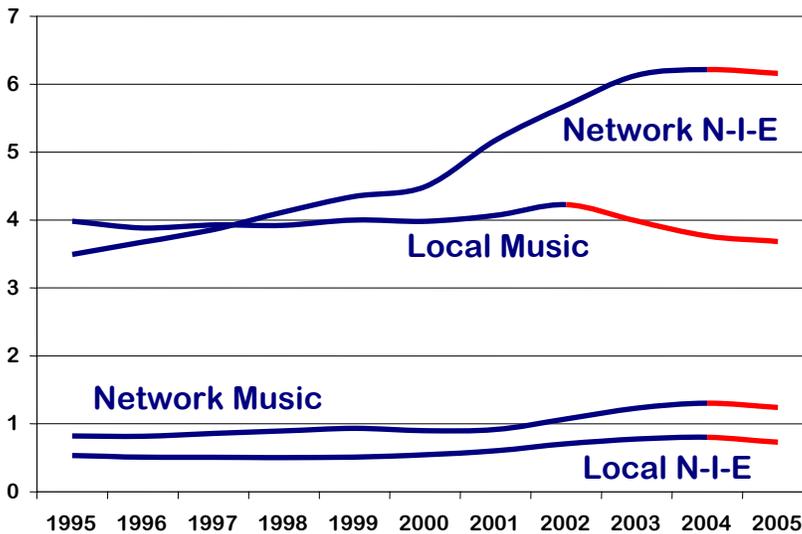
Local classical production is relatively inexpensive, so it can be financially sustained by a relatively small audience. Yet sustainability remains an issue. And as Graph 5 shows, the quest for sustainability has opened the door to classical network services. In particular, *CLASSICAL 24* and the *CLASSICAL PUBLIC RADIO NETWORK* are crowding out more and more local production.

Unlike N-I-E, the net public service impact of this shift to network production has been negligible. Network classical offers only marginally higher loyalty (32 overall) than local classical (31 overall).

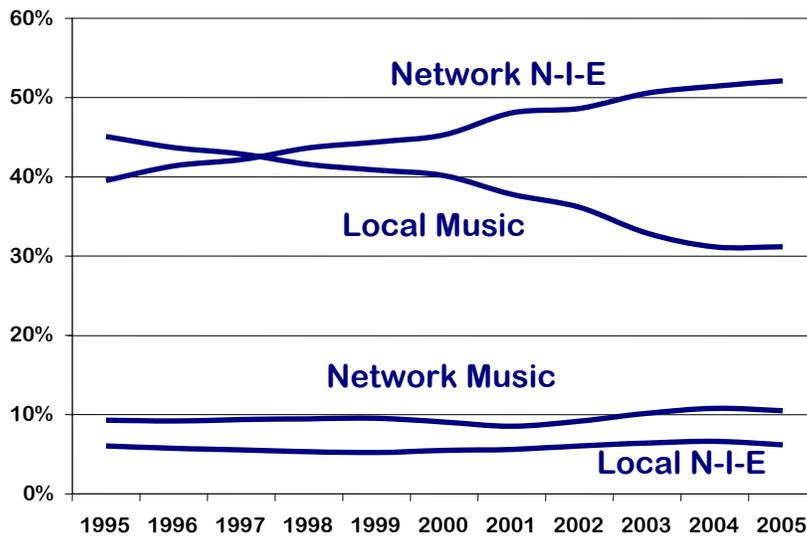
This means that a station's switch from locally-produced to acquired classical programming is primarily an economic play – not a public service enhancement.



Listening to Public Radio Programming
(Listener-Hours per Year, in Billions)
Public Radio's Arbitron Diary Database



Percent of All Public Radio Listening
Public Radio's Arbitron Diary Database



Graphs 3 & 4

Network news, information, and entertainment (N-I-E) programming has fueled public radio's growth during the last decade.

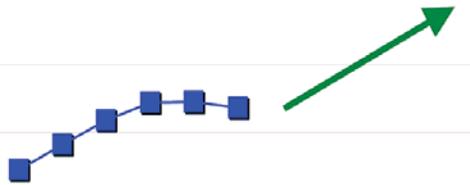
The top graph shows the amount of listening done to network N-I-E; to local music; to network music; and to local N-I-E programming.

The bottom graph shows these trends as percentages of all listening to public radio.

In 1995, network N-I-E programming generated 3.5 billion listener-hours per year; that was 40 percent of all listening to public radio.

By 2003 it had increased to 6.1 billion listener-hours per year - over 50 percent of all listening to public radio.

This growth came in part by network shows claiming some local music "shelf space." But growth also came from listeners' higher loyalty to network N-I-E compared to the local programming it displaced (see Graph 2).

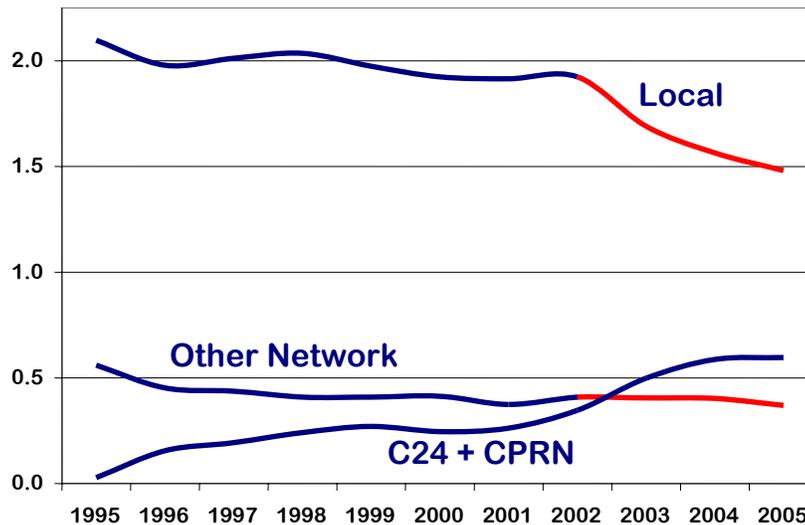


Graph 5

Although the amount of listening to public radio's classical music is essentially unchanged since 1995, a big shift in the source of programming has been occurring over the last few years.

First *CLASSICAL 24*, then the *CLASSICAL PUBLIC RADIO NETWORK*, have displaced locally-produced classical programming. Other networked classical – typically weekly programs but also *PERFORMANCE TODAY* – are also getting crowded out.

Listening to Public Radio's Classical Programming
(Listener-Hours per Year, in Billions)
Public Radio's Arbitron Diary Database



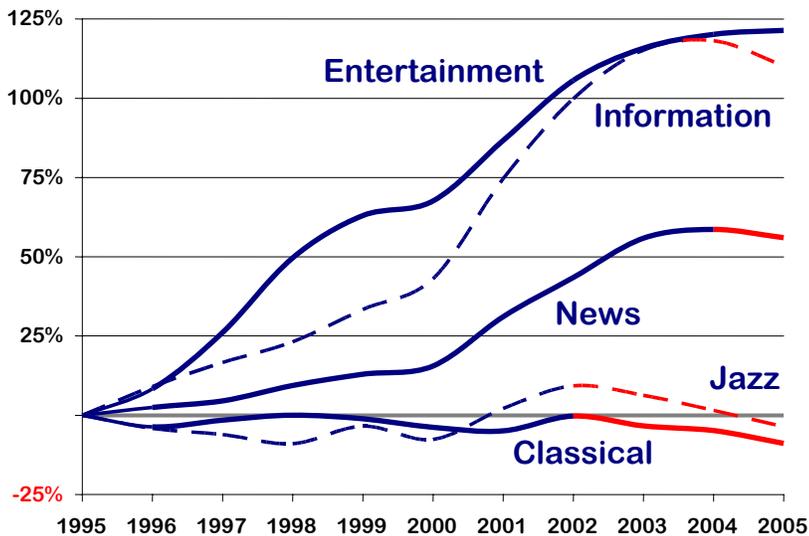
Graph 6

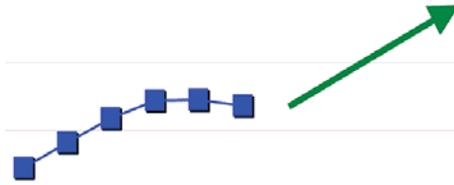
Listening to public radio's news programming increased over 50 percent between 1995 and 2003.

Listening to its entertainment and information programming has more than doubled in the same period.

Public radio's two major music formats – classical and jazz – generate roughly the same listening today as they did ten years ago.

Change in Listening to Public Radio Programming
(Growth or Decline Since 1995)
Public Radio's Arbitron Diary Database





Growth & Decline by Program Genre & Source

The quests for public service and financial sustainability explain a decade's worth of changes in the programming service enjoyed by our listeners.

These changes are documented in a series of detailed tables in [Listening & Loyalty Trends for Public Radio Programming: 1995-2005](#).*

Summary tables below compare listening in 2005 to listening in 1995. They show:

- Today half (52%) of all listening is to **network N-I-E programming** (up from 40 percent in 1995).
- **Music programming** generated half (54%) of all listening ten years ago; today that number is 42 percent.
- **Local programming** generated half (51%) of all listening ten years ago; today that number is 37 percent.
- Less than one-third (31%) of all listening today is to **locally-produced music shows** (down from 45 percent).

| NETWORK PROGRAMMING | | |
|---------------------------------------|------|------|
| | 1995 | 2005 |
| News-Information-Entertainment | 40% | 52% |
| News | 31% | 36% |
| NPR | 27% | 30% |
| <i>Morning Edition</i> | 15% | 16% |
| <i>ATC Weekday</i> | 9% | 9% |
| <i>Weekend Edition</i> | 3% | 3% |
| PRI | 2% | 3% |
| <i>BBC World Service</i> | 1% | 2% |
| <i>The World</i> | - | 1% |
| APM | 1% | 1% |
| <i>Marketplace</i> | 1% | 1% |
| Information-Talk | 5% | 10% |
| NPR | 4% | 8% |
| <i>Fresh Air</i> | 2% | 2% |
| <i>Talk of the Nation</i> | 1% | 2% |
| <i>The Diane Rehm Show</i> | 0% | 2% |
| PRI | 0% | 1% |
| APM | - | 1% |
| Entertainment | 4% | 6% |
| NPR | 1% | 2% |
| <i>Car Talk</i> | 1% | 2% |
| PRI | 1% | 1% |
| APM | 1% | 2% |
| <i>A Prairie Home Companion</i> | 1% | 2% |
| Music | 9% | 11% |
| Classical | 7% | 8% |
| NPR | 1% | 4% |
| <i>CPRN</i> | - | 2% |
| <i>Performance Today</i> | 1% | 1% |
| PRI | 2% | 3% |
| <i>Classical 24</i> | 0% | 3% |
| APM | 0% | 0% |
| Jazz | 1% | 1% |

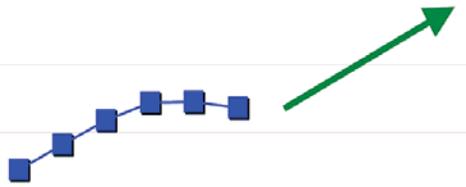
| LOCAL PROGRAMMING | | |
|---------------------------------------|------|------|
| | 1995 | 2005 |
| News-Information-Entertainment | 6% | 6% |
| Information-Talk | 4% | 5% |
| Call-In | 2% | 2% |
| Public Affairs | 1% | 1% |
| Talk-Interviews | 0% | 1% |
| News | 1% | 1% |
| Entertainment | 0% | 0% |
| Music | 45% | 31% |
| Classical | 24% | 13% |
| Jazz | 10% | 7% |
| AAA-World | 3% | 4% |
| Blues-R&B | 2% | 2% |
| Folk-Bluegrass | 2% | 1% |

Tables 1 & 2

The tables show all national programs and local formats generating more than one percent of all listening to public radio in 2005.

Percentages show each line's contribution to **all** public radio listening for that year.

* www.audiographics.com/library/2006-0416 - AudiGraphics - Public Radio Listening and Loyalty Trends.pdf



Graphs 7 & 8

The network news programs shown in the top graph generate one-third (34%) of all listening to public radio.

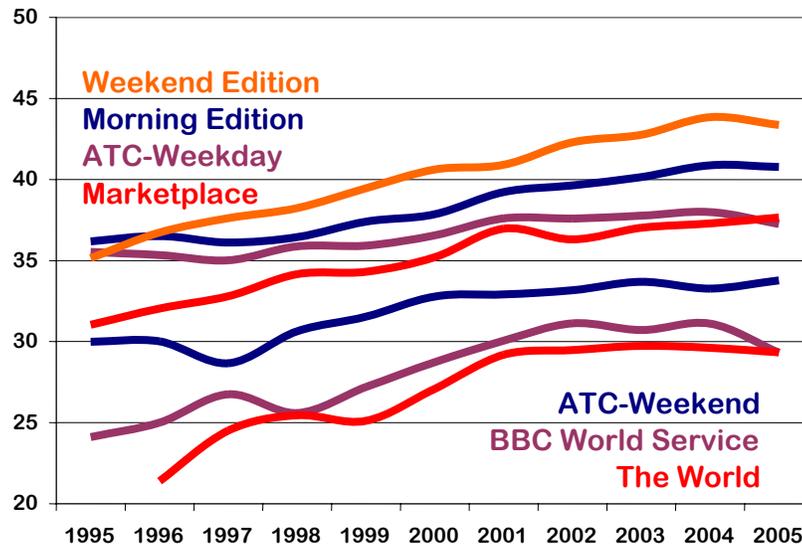
MARKETPLACE has increased listener loyalty each of the last three years. *MORNING EDITION* and *WEEKEND EDITION* recently lost momentum after extended runs. *ATC*, *BBC WORLD SERVICE*, and *THE WORLD* have been essentially flat for several years.

The network talk programs shown below generate seven percent of all listening.

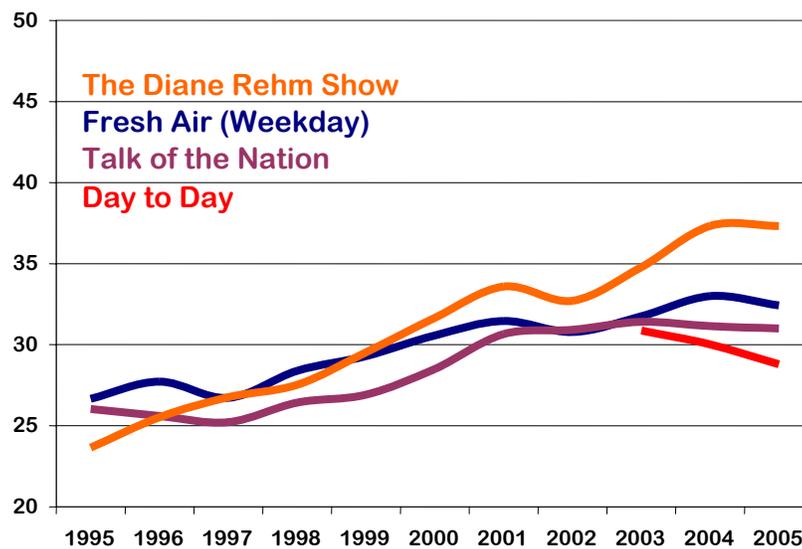
The two shows produced at stations – *DIANE REHM* and *FRESH AIR (WEEKDAY)* – have the highest loyalties. The newest network initiative has the lowest, and it's been heading in the wrong direction from its launch.

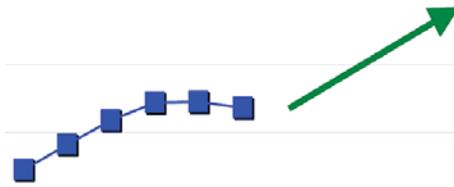
Note: Like listening, loyalty is a function of clearance of the show on the appropriate stations, the extent of its carriage, its affinity with the stations' listeners, scheduling, competition, and other factors. Those wishing to study (or perhaps take action on) the full range of issues for any national show should consult the appropriate management tools.

Loyalty to Public Radio's Major News Shows
Public Radio's Arbitron Diary Database

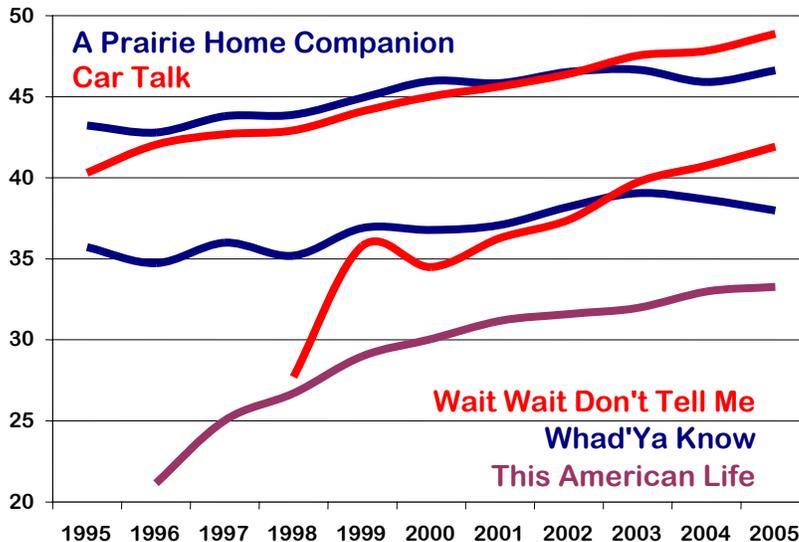


Loyalty to Public Radio's Major Talk Shows
Public Radio's Arbitron Diary Database

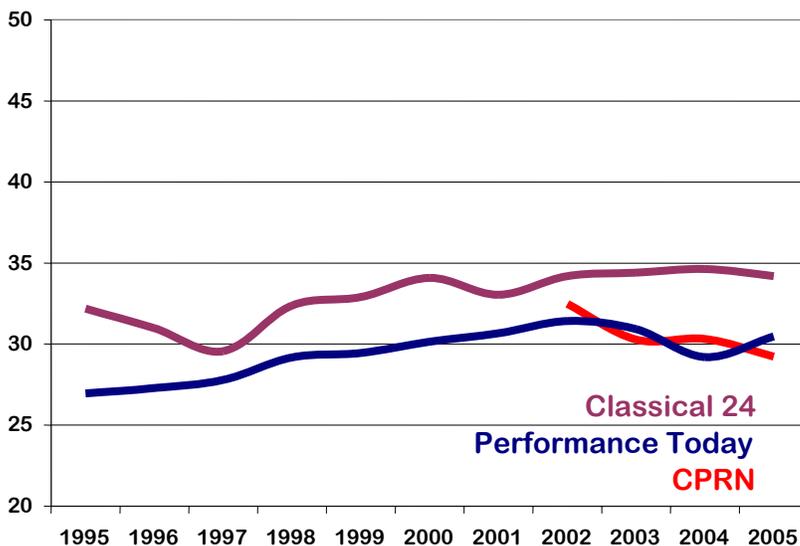




**Loyalty to Public Radio's
Major Entertainment Shows**
Public Radio's Arbitron Diary Database



**Loyalty to Public Radio's
Major Network Classical Services**
Public Radio's Arbitron Diary Database



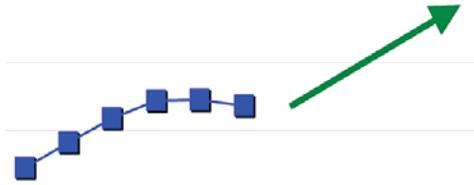
Graphs 9 & 10

The entertainment programs shown in the top graph generate five percent of all listening to public radio.

It's hard to improve on a loyalty of 45. *PRAIRIE HOME* has been stalled around 47 since 2000. *CAR TALK* broke through the 45 barrier in 2000. Indeed 2003 was a good year for Doug Berman, as both *CAR TALK* and *WAIT WAIT* each gained a position in the rankings. No loss of momentum here ... nor at *THIS AMERICAN LIFE*, where loyalty has been increasing for years (it still has a ways to go). *WHAD'YA KNOW* is the only major entertainment show to lose loyalty each year since 2003.

The classical services shown in the bottom graph generate six percent of all listening to public radio.

Note: Like listening, loyalty is a function of clearance of the show on the appropriate stations, the extent of its carriage, its affinity with the stations' listeners, scheduling, competition, and other factors. Those wishing to study (or perhaps take action on) the full range of issues for any national show should consult the appropriate management tools.



SIDEBAR

An Effective Mix

When the Mosters, Coasters, and Toasters analysis of several years ago studied patterns of growth, stasis, and decline among public radio stations, it determined that stations that had increased their audiences the most were those combining an **effective mix** of national and local programming.

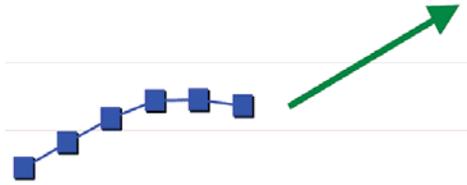
At the macro-formatic level, an effective mix strives for **affinity** among all program elements. That means each element appeals to a consistently-defined listener – regardless of its source of production. An effective mix also presents the most **powerful and competitive programming** chosen from all available to the station at that time.

The same holds true at the micro-formatic level – in co-productions, for instance, where

local elements are inserted into network vehicles. Many stations invest heavily in their local presence during *MORNING EDITION*, *WEEKEND EDITION*, and *ALL THINGS CONSIDERED*, which together generate well over half (56%) of all N-I-E listening. In this way local and acquired elements work together, each doing what each does best.

Unfortunately, the data on which this report is based do not acknowledge that listening to these network programs includes listening to local elements.

It is important to remember that public radio is at its best and most competitive when its programming is as powerful and appropriate for existing listeners as it can be –whatever its source of production.



Reinvigorating Public Radio

AUDIENCE 2010 asks how public broadcasters can reinvigorate our industry's public service and public support.

A good place to start would be to reassert our commitments to both.

Reinvigorating public service requires that we aggressively pursue strategies to reclaim listener loyalty.

- We do this by reacting decisively to an **evolving competition**.
- We do this by providing only the most **powerful and appropriate programming** every minute of every day.
- We do this by objectively assessing the **true costs and returns** – both in listener-hours and listener-sensitive dollars – of each program investment.

If we succeed at these endeavors, the reinvigoration of public support will follow.

THE COMPETITION

For years, public radio gained listeners while commercial radio lost them. It rose in significance while attention to others declined. It invested in programming while others minimized program costs in service to debt loads. It flourished while others consolidated.

We flew under the radar for a long time. But a national five share and top local

rankings eventually get the attention of competitors.

We cannot control our competitors. But we can counter their impact by providing the best service we can every moment of every day.

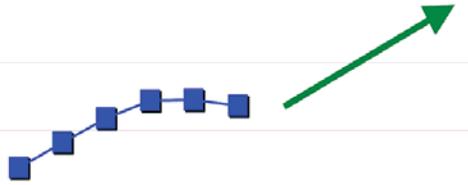
We're not doing that right now.

Loyalty is the single best indicator of a station's ability to serve its own audience. Loyalty's subtle but widespread decline signals that many if not most public stations are not providing as powerful a service as before – and certainly not as powerful a service as they might.

Every station has at least one program, format, and/or daypart during which its own audience – even its core audience – leaves for commercial fare. The required intervention is straightforward: fix it or replace it.

It's incredibly difficult for an analysis like AUDIENCE 2010 to study all competitive situations across all markets. Yet it's incredibly easy for any public station to assess its own competitive situation.

Public radio enjoys ready access to management tools that provide actionable information and appropriate guidance. Dealing with competition does not call for new knowledge; it calls upon us to employ our tools, talents, resources, and resolve to earn back the loyalty we've recently lost.



APPROPRIATE PROGRAMMING

For several years we've been hearing calls for younger and more racially- and educationally-diverse audiences.

When networks explicitly pursue these audiences, as they have in several major initiatives over the last few years, they create programs for listeners that most public stations don't serve.

Problems arise when these shows are misguided onto stations where they don't belong. Listeners flee.

Misguided shows don't just perform poorly – their impact ripples throughout the day and across the week.

This doesn't make them bad shows; it just makes them **inappropriate choices** with which to serve the listeners these stations already attract.

Who is responsible for these decisions? The ultimate control over local service is exercised at stations. Those who clear the wrong network programs undermine their own competitiveness.

To be sure, a few stations do serve audiences outside of public radio's mainstream. Programs targeted at their listeners may be perfect for them.

But programs that appeal to listeners outside of a station's cume are, by definition and by outcome, inappropriate for that station.

Producers and distributors have the tools to guide the right programs to the right stations at the right times at the right prices – all consistent with PDs' quests for high-loyalty programming yielding sustainable listener-sensitive returns.

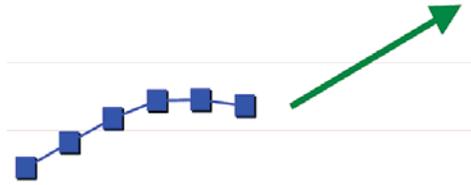
SUSTAINABLE PROGRAMMING

If we're going to regain our grip on listeners, we've got to get a grip on all elements of our broadcast services.

Local programming poses particular challenges. Many see it as the salvation of their service: preparation against the impact of network bypass; an alternative to placeless national services; the cornerstone of their institution building.

Yet the audience outcomes of local production are often cruel, and the economics are always brutal.

The laws of broadcast economics state that local programming is more expensive than network programming of the same type and quality, and of lower quality than network programming of the same type and price.



The irony is particularly harsh for news, talk, and information. Local shows are usually less competitive than network shows, less important in listeners' lives, and more difficult to sustain through listener-sensitive support.

These are not arguments against local production. They are merely reminders of the inescapable laws of public service economics.

Most stations pay for local productions with surpluses earned from network shows. But as audiences flatten and acquisition costs rise, surpluses become less capable of supporting net-loss endeavors – local or otherwise.

Stations increasingly seek listener-*insensitive* revenues (e.g. grants and major gifts, often restricted) to support their local showcase productions. To be sure, funds to start new endeavors must come from somewhere.

But endeavors we could afford in times of growth may become unaffordable in times of decline. Indeed, endeavors we could subsidize in times of growth may well be **contributing** to our decline.

Why? Because protracted reliance on listener-insensitive support can maintain low loyalty, low significance programs

long past their due dates.

That's not a recipe for reinvigorating public service.

It would be easy to publish a list of low loyalty programs on listener-insensitive life support. (They exist at networks as well as stations.) But it would be better for each station's (and network's) management team to consider its own list.

Public radio's public service economy relies on a diverse mix of listener-sensitive and listener-insensitive funding. This is truly one of its great strengths.

But the corrective influence of listener-sensitive support cannot be overstated.

Listener-sensitive support focuses our programming on the **needs of listeners** rather than the desires of legislatures, granting organizations, major givers, and others with deep pockets and agendas that may or may not coincide with the public interest.

The metrics of **loyalty** and **public support** reveal the significance of our programming in the lives of our listeners. By keeping sharp focus on both, we increase the odds that our programming investments will return public radio to the path of growth.