



# Public Radio Industry Report

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## Audience, Revenue, and Federal Support Update

This industry report includes the most recent industry-wide data collected for fiscal year 2011 (10/1/2010-9/30/2011)<sup>1</sup> from Corporation for Public Broadcasting (CPB)

Prepared by Public Radio Capital  
January 2013

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<sup>1</sup> Fiscal year of CPB. CPB fiscal year does not always align with grantee fiscal year. There is typically a one-one and a half -year lag between the financial data submitted to CPB and current fiscal year (fiscal year end is September 30).

## Summary

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In 2011 public radio's total non-federal financial support<sup>2</sup> (NFFS) increased by 6.17% over 2010, or by approximately \$51.5 million, and total listening continued its long-term growth. The main trends observed in the 2011 financials that contributed to the growth in NFFS includes the following:

- Public radio continues to attract new listeners; the weekly CUME<sup>3</sup> audience for all NPR affiliates rose slightly to a record 34.3 million in 2011.
- Key listener sensitive revenue sources have been affected positively by the overall economic recovery and by improved fundraising.
  - Total underwriting revenue continued its post-recession growth and increased by 3.67% in 2011, reaching approximately \$198 million.
  - Membership continued its growth in 2011 at 8.23%, reaching approximately \$311 million. The growth in membership was driven by the average contribution amount and the number of contributors, increasing by 6.25% and 1.86% respectively. The growth in contributors was driven in part by the increase in number of listeners.
  - Overall, listener sensitive income (membership and underwriting) increased by 6.41% or by approximately \$31 million from \$479 million in 2010 to \$510 million in 2011.
- With financial markets improving in 2011, the value of investment portfolios continued its recovery, resulting in public radio's total endowment revenue growing from \$17 million in 2010 to \$20 million in 2011.
- After drastic cuts in 2010, colleges and universities increased their direct appropriations to public radio by 7.41%. Similarly, state and local boards increased their total funding to public radio by 6.44% compared to 2010.
- Over the past decade, new media platforms have changed the way user's access and consume media; however, broadcast radio maintains its strong penetration, reaching 93% of Americans age 12+ every week and is expected to maintain its high market share for the foreseeable future.

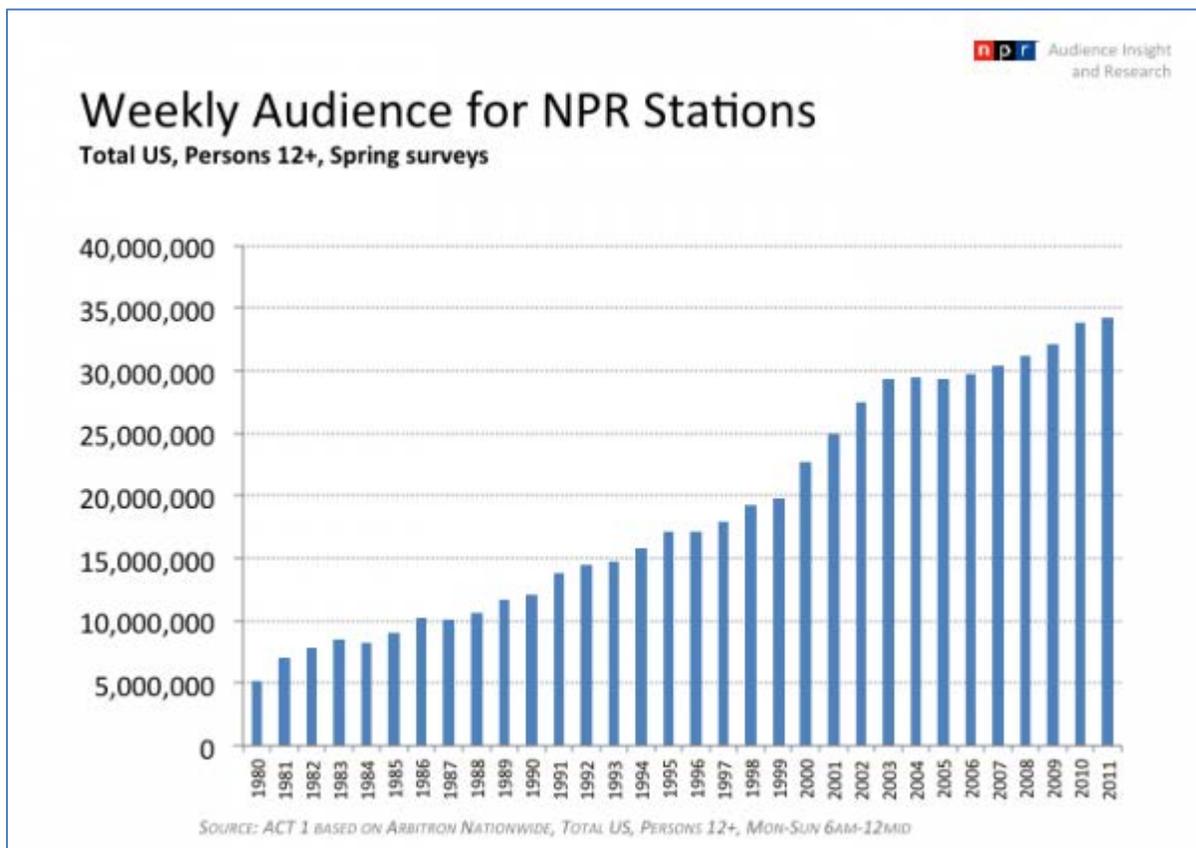
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<sup>2</sup> NFFS is an industry term meaning total station budget not counting CPB grants. These revenues include in-kind and other non-cash items in the budget.

<sup>3</sup> Total reach or penetration of the station. The estimated number of different people who listen each week.

## Audience Trends

Audience growth generally set the foundation for trends in revenue. Historically, the more people listen, the more they contribute. Also, the number of people listening drives underwriting revenue – spot rates and spot inventory. In the previous years, Arbitron’s system-wide results for CPB radio grantees had been used to track public radio audience trends. In 2011 this data was not available; therefore, a slightly different metric showing weekly CUME<sup>4</sup> audience for all NPR affiliates was used as a proxy for the public radio system. While there are slight variations in results, statistical population sizes are very similar for the two methods; the CPB grantee data has results from approximately 930 stations, while the NPR data consists of 966 affiliated stations<sup>5</sup>. The NPR affiliates air a variety of programming including news, jazz, classical and other music. The weekly CUME audience for all NPR affiliates rose slightly to a record 34.3 million in 2011. It should be noted that a portion of this growth could be attributable to the increase in the number of NPR affiliates of 42 stations between 2010 and 2011. The following chart shows the growth in weekly CUME audience for all NPR affiliates.



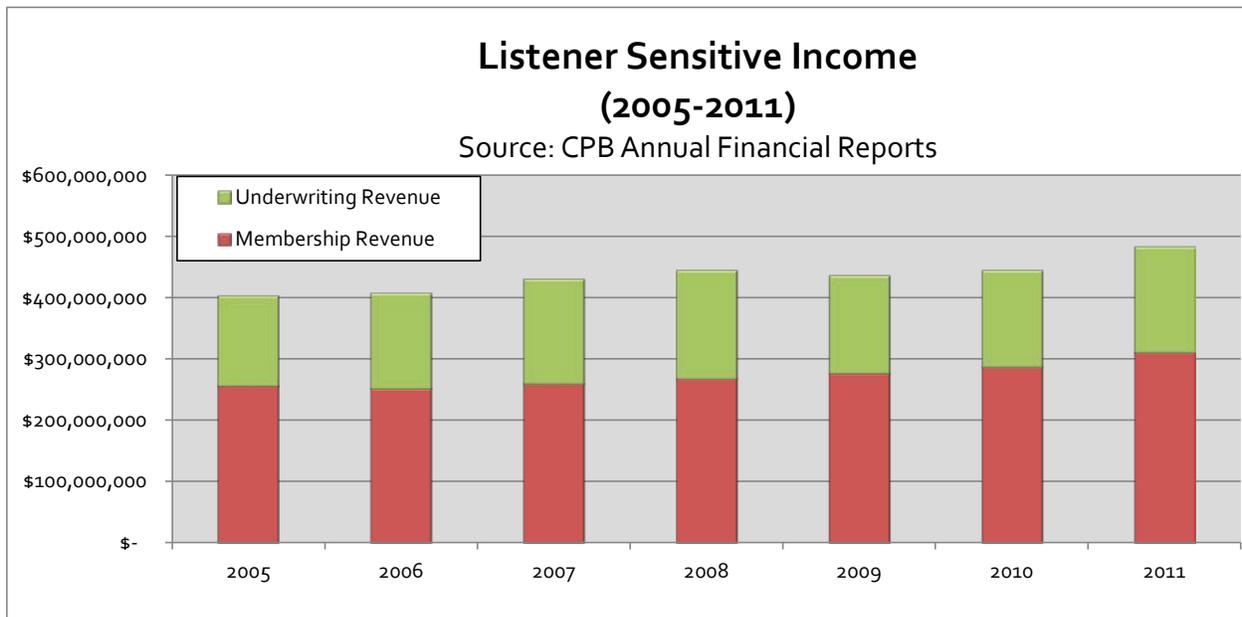
<sup>4</sup> Total reach or penetration of the station. The estimated number of different people who listen each week.

<sup>5</sup> As of Fall 2011

Another factor to consider in reviewing the long-term audience trends is the change in audience measurement system. Since Spring 2008 Arbitron Inc.<sup>6</sup> has been measuring audience and listening through a new method called Portable People Meter (PPM), which uses electronic devices to measure listening. The older Diary method, which uses written surveys to measure listening, is slowly being phased out in larger metro areas as more and more markets switch to PPM. In Spring 2011, there were 45 markets employing the PPM compared to 30 markets in Spring 2010.

## Overall Direct/Cash Revenue – Listener Sensitive Income

The most current system-wide data for the listener sensitive income (combination of membership contributions and underwriting) available is for fiscal year 2011. From 2010 to 2011, public radio's income from these two major sources combined increased by 6.41%. This growth was driven by both membership and underwriting, which grew at 8.23% and 3.67% respectively over this time period.

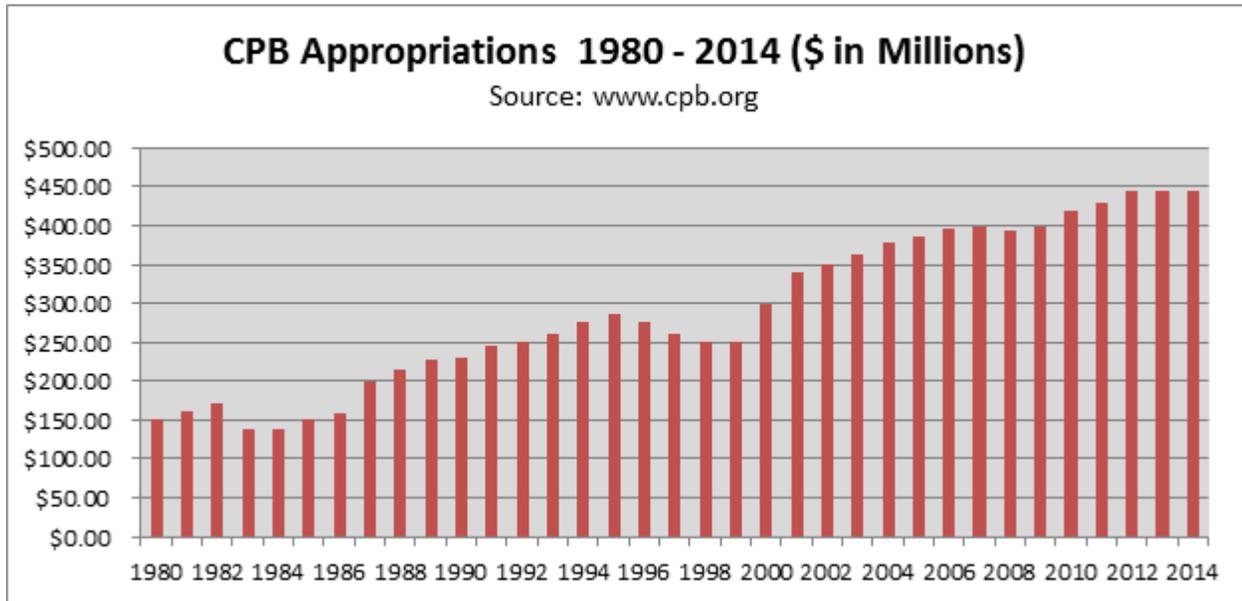


## Direct/Cash Revenue - CPB Funding

A consistent source of revenue for public radio stations for over 30-years is the Corporation for Public Broadcasting's (CPB) Community Service Grants. CPB is a 501c (3) corporation established and funded by Congress to provide funding and oversight for public broadcasting through an advanced appropriation. Community Service Grants (CSG) are utilized by public radio stations for a variety of purposes including local production, acquisition of national programming, community outreach projects and basic operational services, such as electricity and other utilities. This funding, coupled with donations from listeners, is particularly important for rural stations, which may have limited revenue sources.

<sup>6</sup> Arbitron Inc. is an international media and marketing research firm serving radio broadcasters, radio networks, cable companies, advertisers, advertising agencies, outdoor advertising companies and the online radio industry in the United States, Mexico and Europe.

Qualified public radio stations receive annual grants from CPB based upon a station’s total nonfederal financial support (listener, underwriting, and other nonfederal sources of revenue) and other criteria. Public radio has generally been allotted 25% of the total legally mandated CPB appropriation that goes to the stations (75% goes to public television). In 2011, Federal funding for CPB was \$429 million. As shown in the following chart, the total Federal appropriations increased to \$444 million in 2012, and are projected to equal \$445 million for 2013 and 2014.



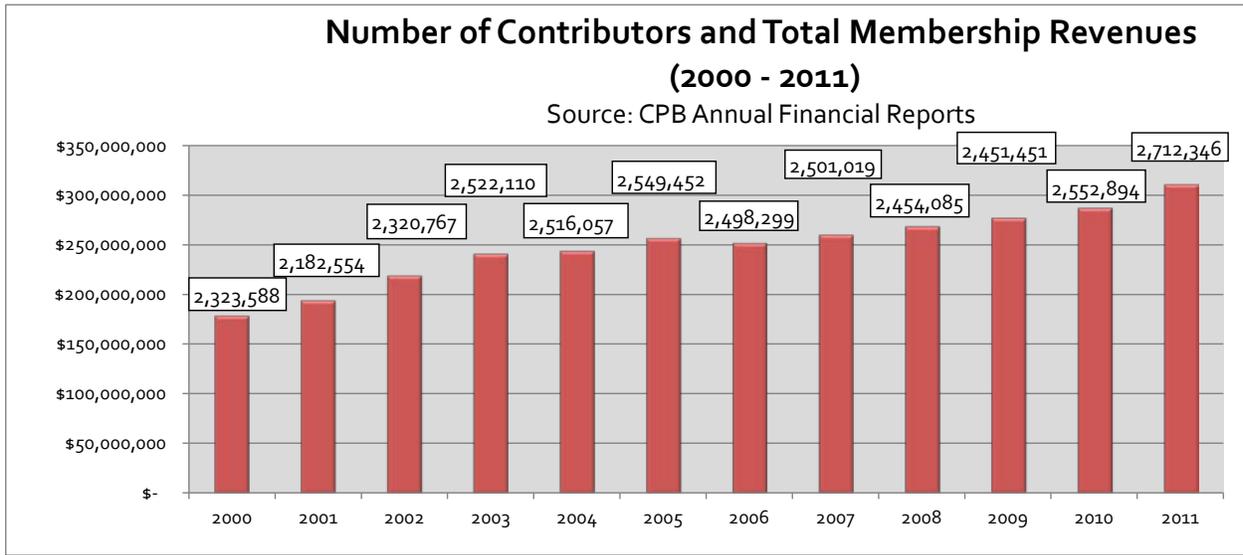
- From 1980 to 2011, the annual growth rate of CPB appropriations has averaged 3.40%.
- The decrease in appropriations from 1995 to 1998 was a result of a general cut in federal spending.

As the battle over federal spending intensifies, CPB faces the possibility of reduced appropriations in the near future. The amount of future appropriations will depend on whether lawmakers and the federal administration can work out a deal that would forestall some \$1.2 trillion in automatic spending reductions required under the Budget Control Act of 2011. As of the writing of this report, there was no resolution on this issue.

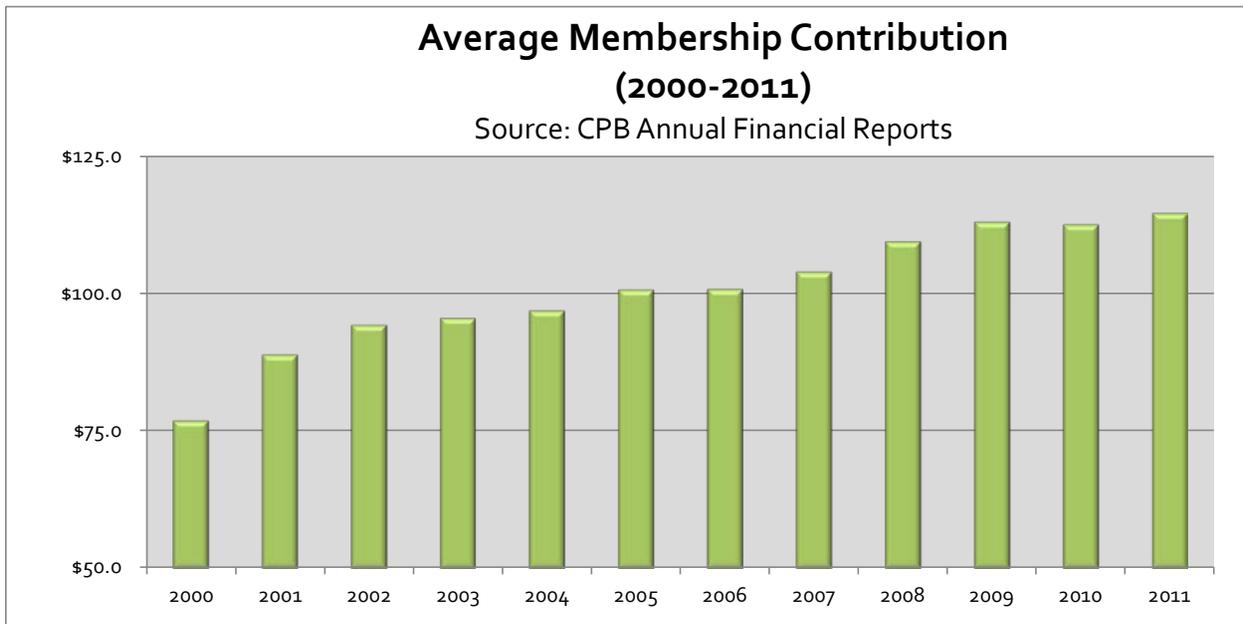
### Direct/Cash Listener (Membership) Revenue Trends

System-wide results from fiscal year 2011 showed total number of contributors grew by 6.25% compared to 2010. CPB stations reported approximately 2.71 million contributors in 2011, compared to 2.55 million in 2010.

The following chart shows the total membership revenues and number of annual contributors between 2000 and 2011.



The following chart illustrates the average membership contribution between 2000 and 2011. The average contribution amount increased in 2011 to \$115, an increase of 1.86% over the 2010 level. This trend indicates that the large increase in overall membership income was driven by the increase in number of contributors as well as the average membership contribution amount.

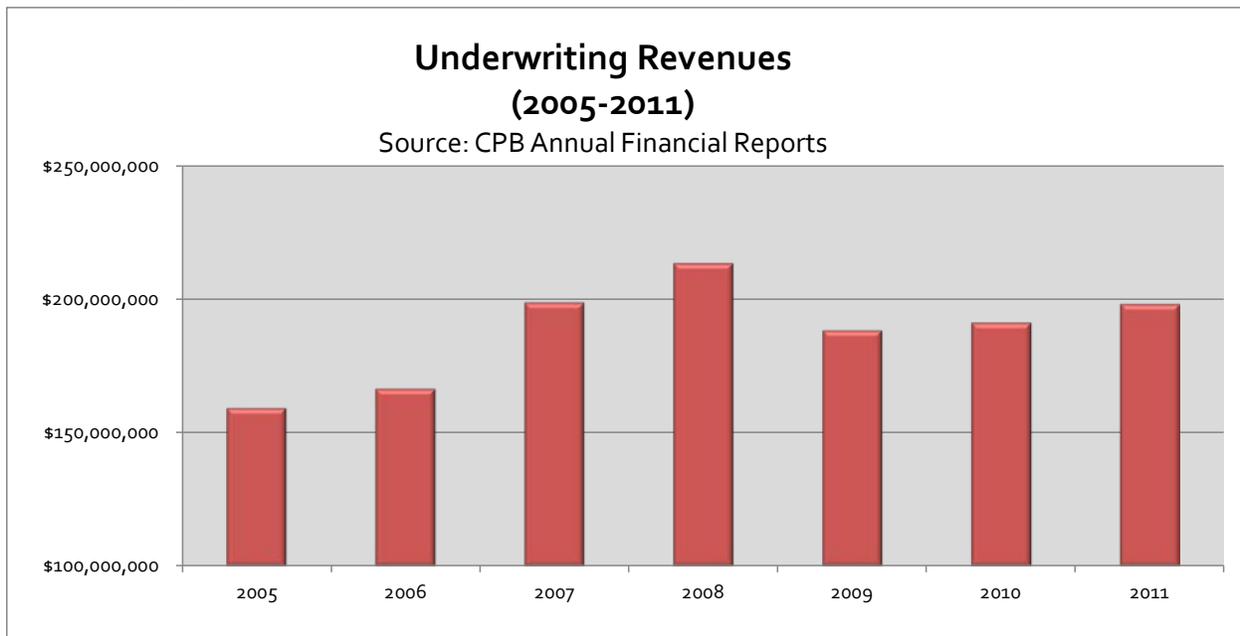


## Direct/Cash Underwriting Revenue Trends

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Underwriting income includes all contributions, grants, payments, and other direct revenues received from all for-profit and non-profit sources, including commercial stations, networks, cable companies, foundations and nonprofit organizations.

Underwriting revenue trends are closely tied to the macro economic conditions and, therefore, may illustrate cyclical patterns. The recession in 2009 resulted in an 11.8% decrease in underwriting revenue for the industry. But as the economy slowly started to recover in 2010 and 2011, so did underwriting revenue. In 2011, total underwriting revenue for the industry reached approximately \$198 million in 2011, 3.67% higher than the 2010 level.



## Other Revenue Sources

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Between 2010 and 2011, the public radio system experienced the largest growth in its total NFFS since the economic recession in 2008, increasing by 6.17% (a gain of roughly \$51.5 million). This increase was driven in part by the growth in listener sensitive income. Another contributor to the growth in NFFS was the increase in grants from foundations and other nonprofit associations, indicating their continuing interest for public broadcasting; revenues from these two sources rose to \$75 million in 2011. Gifts and bequests from major donors also grew in 2011 by 12.2%, and reached \$52.2 million. As stations continue to pursue more major donor initiatives, historically an underutilized area, major giving will continue to have an impact on the overall revenues. With the economic recovery slowly taking hold, the public radio industry was able to increase almost all key revenue items and showed large improvements over 2010.

	Increase (Decrease) in FY11 over FY10	% Change
<i>Grants from Foundations and Other Non-profit Organizations:</i>	\$ 7,071,544	<u>9.42%</u>
<i>Gifts and Bequests from Major Individual Donors (major gifts):</i>	\$ 5,800,696	<u>12.23%</u>
<i>Amounts provided directly by federal government agencies:</i>	\$ (1,980,083)	<u>-22.39%</u>
<i>Change in Endowment Revenue:</i>	\$ 2,687,814	<u>15.54%</u>

One interesting trend occurred in the area of direct support from institutions to their public radio stations. Despite the budgetary constraints and uncertainty around federal and state spending cuts, colleges and universities increased their direct appropriations to the stations by 7.41%; and the total direct contributions from state and local boards grew by 6.44% compared to 2010. The recent upward trend might have been a result of a partial recovery of funds after a drastic cut in 2010; and the stations' inability to sustain their operations without subsidies and facing the potential loss of public radio programming and production.

## Impact of New Media Platforms

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Currently radio enjoys a strong reach among Americans. Broadcast radio reaches 93% of Americans age 12+<sup>7</sup> every week and is expected to maintain its high penetration for the foreseeable future. On an average day, Americans spend approximately two hours listening to a radio station<sup>8</sup>. While some of the new media platforms may potentially divert time-spent-listening from terrestrial radio, the results have so far been mixed. To illustrate, studies show that internet radio, the fastest growing new audio platform, has so far been complementary to terrestrial radio and is not a substitute. Approximately 87% of online radio listeners also listen to terrestrial radio and only 11% report to have listened exclusively to online radio and not terrestrial<sup>9</sup>.

The following chart shows the growth in market penetration of various media platforms. Among the various media platforms analyzed, local AM/FM Radio is ranked second by reach.

Platforms	2011	2012
Television	98%	98%
Local AM/FM Radio	93%	93%
Facebook	51%	54%
Online Video	38%	43%
YouTube	31%	37%
Online Radio	22%	29%
Pandora	10%	16%
Audio Podcasts	12%	14%
LinkedIn	9%	13%
MySpace	17%	12%
Video Podcasts	11%	12%
Twitter	8%	10%

Source: TV HHs; Weekly AM/FM Radio audience; Have a Facebook profile; Viewed online video in the last week; Listened to an audio podcast in the last month; Ever use LinkedIn; Ever use MySpace; Viewed a video podcast in the last month; Ever use Twitter

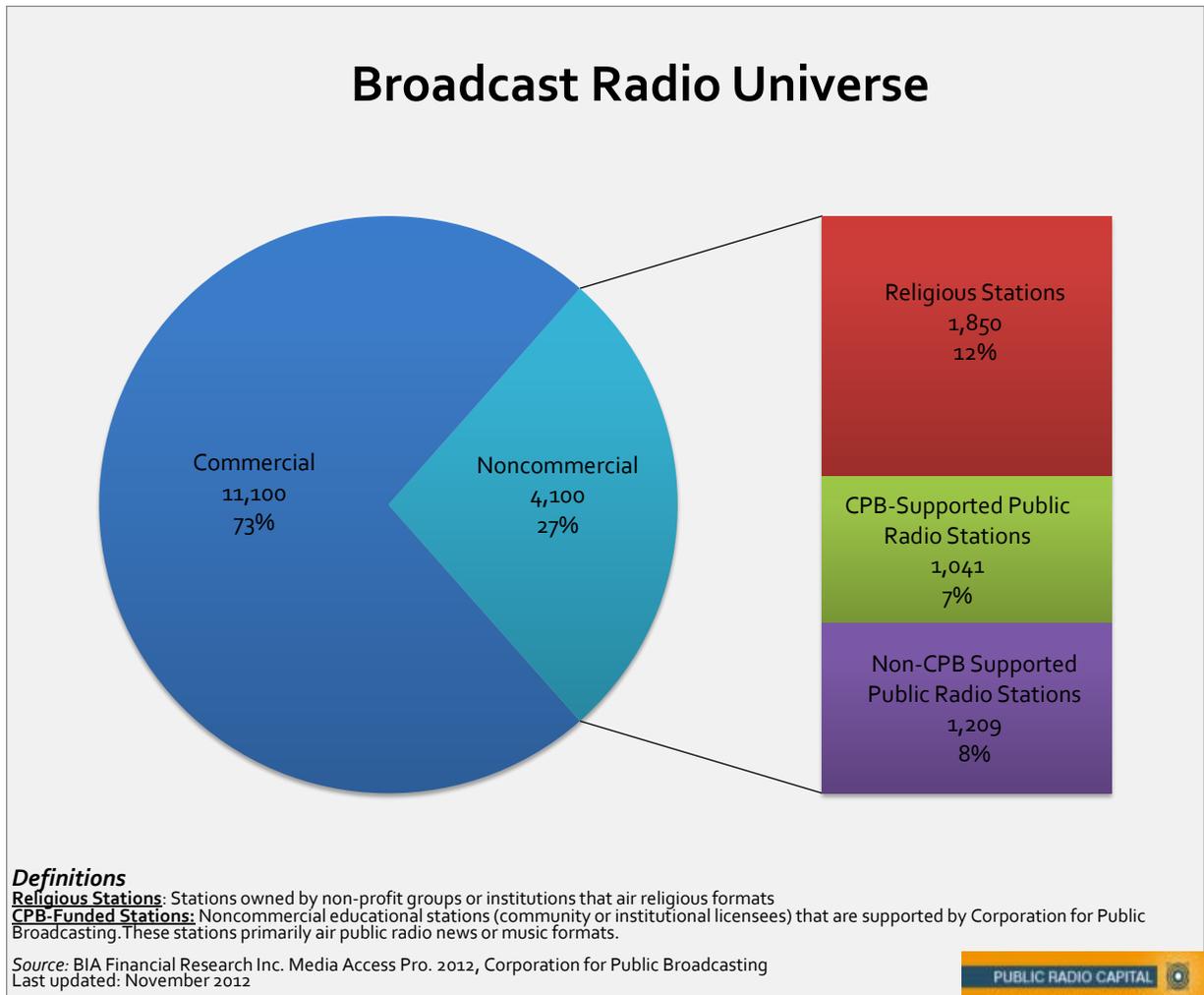
<sup>7</sup> "How US Adults Use Radio and Other Forms of Audio" The Nielsen Company, October 2009

<sup>8</sup> "Radio Today 2011", Arbitron, June 2011

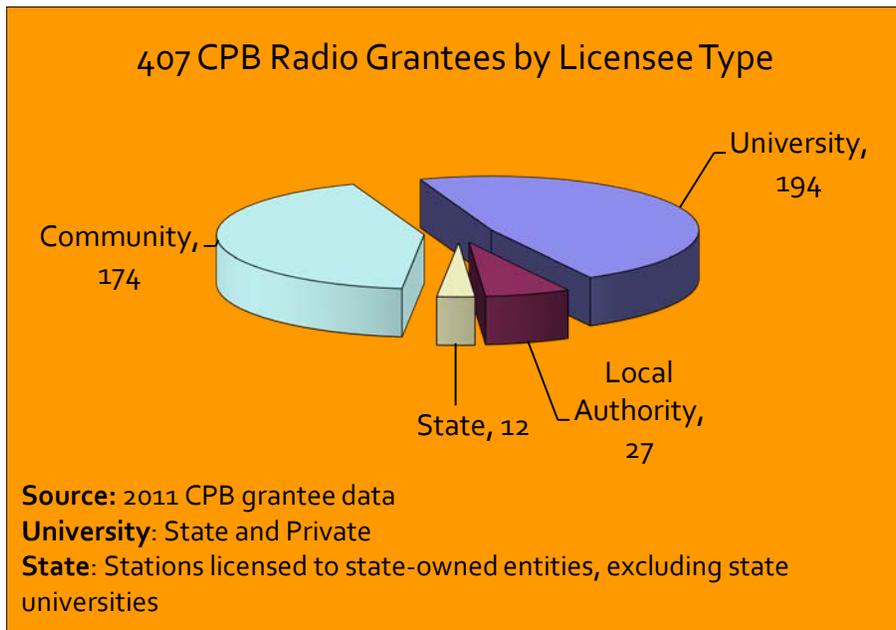
<sup>9</sup> "Infinite Dial 2011", Edison Research, April 2012

## Supplementary Data

**Radio Universe:** The following chart illustrates a snapshot of the current radio universe. The “CPB-funded stations” slice encompasses 1,041 stations that are supported by CPB. In addition, the noncommercial radio segment includes approximately 1,200 public radio stations that are not CPB qualified. These stations program a variety of formats including AC, Rock, Eclectic, Ethnic, Urban, etc. Finally, there are approximately 1,850 religious-format noncommercial stations owned, or operated, by non-profit religious groups and institutions.



The following chart shows the composition of the 407 CPB Radio grantees in 2011.



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### About the Data

Information summarized in this report is based upon data provided by the CPB Annual Financial Reports, Arbitron Inc.<sup>10</sup>, NPR, Pew Research, BIA/Kelsey<sup>11</sup>, and Edison Research<sup>12</sup>. 2011 CPB data consisted of 407 CPB qualified stations' financial statements.

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### About Public Radio Capital

Since its founding in 2001, PRC has worked with over 200 public radio organizations ranging from first time station owners to the largest, multi-channel public radio station owners in the country. With a mission to protect, innovate, finance, and expand public radio services, PRC broadens the reach of public radio in communities nationwide. PRC has completed more than \$310 million in radio transactions for public radio organizations, securing public radio access for 66 million people nationwide.

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<sup>10</sup> Arbitron Inc. is an international media and marketing research firm serving radio broadcasters, radio networks, cable companies, advertisers, advertising agencies, outdoor advertising companies and the online radio industry in the United States, Mexico and Europe.

<sup>11</sup> BIA/Kelsey serves the media, technology, communications and related industries by providing expert financial, strategic and operational advisory services and investment resources

<sup>12</sup> Edison Research conducts market research and exit polling, providing strategic information for businesses and media organizations worldwide