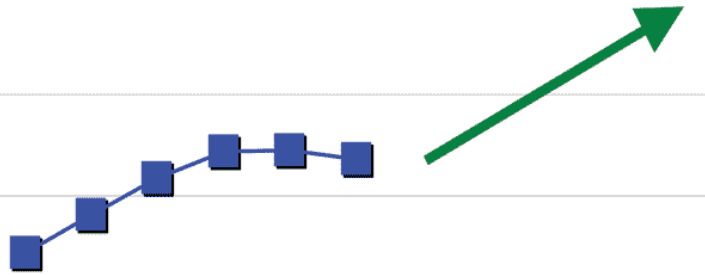


AUDIENCE 2010



Reinvigorating Public Radio's Public Service & Public Support

INTERIM REPORT 1

APPROACH

AUDIENCE 2010

is a project of

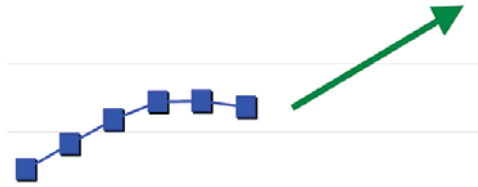
**Walrus Research
&
AudiGraphics, Inc.**

for the

Radio Research Consortium

January 16, 2006

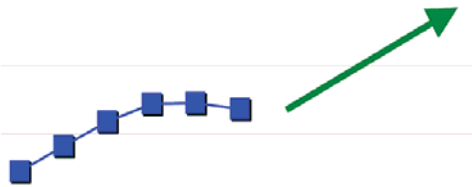
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All audience estimates in this analysis are based on radio listening as recorded and copyrighted by Arbitron.

Financial data in this analysis are gathered from the Corporation for Public Broadcasting's Annual Financial Surveys and groomed by the Station Resource Group.

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A Troubling Loss of Momentum

Americans are listening less to public radio today than two years ago. Not coincidentally, their financial support of our industry shows signs of softening.

What's going on? And what can we do to reverse these disturbing trends and reinvigorate the vitality and sustainability of our public service?

Regain the Momentum

The Radio Research Consortium has engaged George Bailey of Walrus Research and David Giovannoni of Audi-Graphics, Inc. to answer these questions. We call the study **AUDIENCE 2010** because we are challenging public radio to set a goal:

By the year 2010 public radio will attain the level of public service it would have achieved had audience growth not stagnated in 2002-2004.

The **AUDIENCE 2010** logo at the top of each page illustrates this goal.

To achieve this goal, public broadcasters must act now – not only to improve their service to the public, but to guarantee the self-sufficiency of their endeavors based on the net listener-sensitive income that they generate.

AUDIENCE 2010 will first look backward to describe what has happened. It will

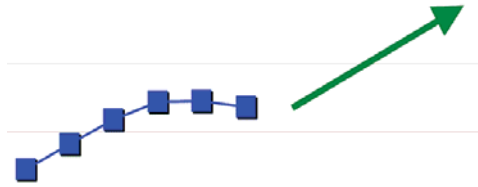
look around and explain why it happened. Most important, it will look forward to what could happen if we take specific actions or make specific investments to rejuvenate our public service and support.

Each **AUDIENCE 2010** report will rule out causes, discover others, identify potential investments, and compare their expected returns. We do not expect to answer every possible question in the study's three-month timeframe. Our fervent hope, however, is to answer most of the right questions, and set public radio on the right course toward a more significant and sustainable public service in 2010.

This report outlines **AUDIENCE 2010's** approach. We submit it to public radio's researchers and key research consumers for their review and comment.

Historic Sources of Growth

Tom Church was right 20 years ago when he proclaimed our stars to be in alignment. We were on the FM band as Americans were fleeing AM. We offered an intelligent alternative as record numbers of Americans attended college. We were aligned with the evolving world views of baby-boomers and their parents – in personality types we came to understand as Societally Conscious and Actualizer-Fulfilled. Public radio had the right attitude on the right band in the right country at the right time.



Has something changed among these historic sources of growth? We will assemble relevant data to assess the degree to which our stars may have unaligned. In particular, we will use U.S. Census data to document trends and make projections in the number of college graduates in the population by generational cohort.

Arbitron's Measurement & Sampling

We believe public radio lost listeners because Arbitron's radio survey tells us so. Can we rely on that survey? Might changes in Arbitron's methodology, deficiencies in its response rates, or other measurement and sampling factors conspired to cause an *apparent* decline in public radio's audience estimates?

We will confer with Arbitron's Dr. Ed Cohen. Of particular concern to our inquiry is Arbitron's ability to reach sufficient (and sufficiently unbiased) sample in the top education tier – public radio's primary simple demographic.

We will also go into the data to establish national in-tab and PPDV (persons per diary value) trends. Education is not a weighting variable for Arbitron, and as such its estimates are subject to more bounce than age and sex demos.

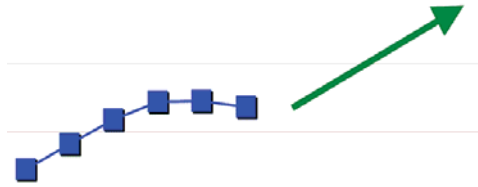
We expect to rule out measuring and sampling problems as the cause of the decline, and thereby proceed with the study with confidence in the integrity of Arbitron's data. If these problems cannot be dismissed, however, we will assess where to go from there (if anywhere).

Competition from Outside the Radio Medium

Americans' use of radio has been in decline for two decades. Yet public radio has consistently bucked that trend, steadily gaining both listeners and share until two years ago. Have a significant number of our listeners simply abandoned the medium of radio?

Studies have confirmed that our listeners are ready adopters of new media (given the resources engendered by their educational attainment). But are they leaving radio as a result?

We will review the appropriate studies and synthesize their findings. We will augment this knowledge by examining the underlying dynamics of radio use among our listeners, looking for any changes in the last few years that signal their decreased reliance on the medium.



Competition from Inside the Radio Medium

Public radio's growth in the last ten years has been generated primarily by its news and information programming.

Commercial talk radio was not significant competition during this time, as it was on AM and dominated by right-wing talkers such as Rush Limbaugh.

Now left-wing talk radio is emerging on the commercial dial, particularly from sources aligned with Air America. Furthermore, commercial talk from both wings is moving to the FM band.

Public radio's appeal is not based on political outlook. But the competitive realignment on both our left and right flanks is real. We will look for evidence that this competition may have contributed to public radio's audience loss.

Our Own Service

*Men at some time are masters of their fates:
The fault, dear Brutus, is not in our stars
But in ourselves.*

Factors outside of our control will always affect our listeners. Nonetheless, the only way we can stem and reverse the outflow of listening is to refine or reconsider our programming. The nature and power of our services are factors that are well within our control.

AUDIENCE 2010 will identify opportunities that will guide revitalizing invest-

ments among stations, networks, and national policy setters. It will search for opportunities in the following areas:

- **Programs & Formats.** Public radio's national audience is the sum of all listening to all programming. Past analyses have identified significant growth among some program types and stasis or loss among others. AUDIENCE 2010 will update national program and format listening estimates, and identify the dynamics of listening that indicate continuing strength or impending weakness in their ability to serve the public.
- **Winners & Losers.** Programming causes audience, and all audience is to stations. In any network of public radio's size and diversity, we expect certain stations to contribute heavily to national audience growth and others not. What can we learn from these sets of stations? And what can we do about the cohort responsible for the national audience lost?
- **Portfolio Management.** Public radio's programming and stations comprise a valuable portfolio of assets. And while their ownership and control are decentralized and diversified, the principles of portfolio optimization suggest their value to the American public can be increased through highly-targeted investments that promise well-defined returns. AUDIENCE 2010 will identify these investments and bracket their expected returns.