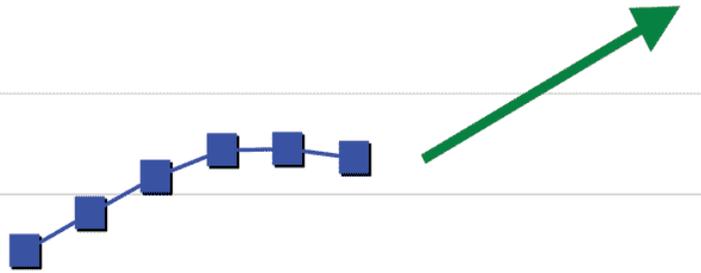


AUDIENCE 2010



Reinvigorating Public Radio's
Public Service & Public Support

INTERIM REPORT 5

HISTORIC SOURCES OF GROWTH

AUDIENCE 2010

is a project of

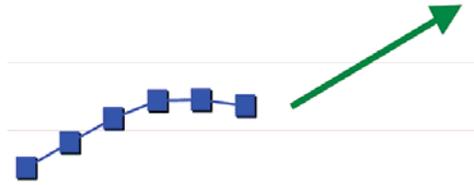
**Walrus Research
&
AudiGraphics, Inc.**

for the

Radio Research Consortium

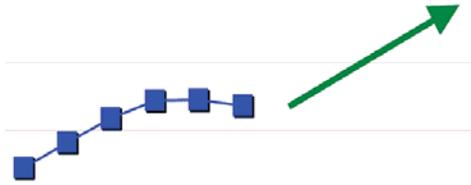
April 21, 2006

Copyright © 2006 All Rights Reserved



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

This report is copyright © 2006 by the Radio Research Consortium, Inc., Walrus Research, Inc., and AudiGraphics, Inc. All rights are reserved.



Key Findings

Two powerful external forces helped propel public radio into a significant public service over the last 30 years:

- The rise of FM radio, and
- An unprecedented level of college education among an entire generation: the Baby Boomers.

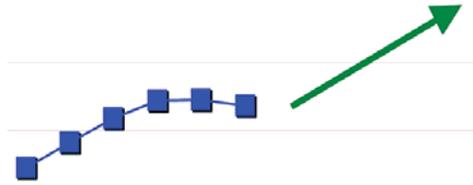
No recent changes in these historic sources of growth explain public radio's loss of upward audience momentum. FM has not lost listeners and universities are still graduating the next generation of public radio listeners.

Contrary to myth, young Americans are still listening to radio. In fact, more members of Generations X and Y are listening to public radio than ever. If

demography is destiny, in 2010 we'll reach as many of them as their Boomer parents.

Changes in commercial radio have also contributed to public radio becoming a significant public service. For decades our audience has grown while its audience has shrunk. Today, however, we see the incoming tide of listeners has not just ebbed, but begun to recede.

Public radio has certainly ridden powerful historic waves. But its rise to significance owes even more to our own efforts to become better, more important, and more competitive services. Regaining our audience momentum requires exercising responsibility over things we can control – even if evolving external forces, such as reinvigorated broadcast competition and additional delivery platforms, cause us to change our tactics.



Historic Sources of Growth

Public radio's stars have been aligned since Congress passed the Public Broadcasting Act of 1967.

- We were on the ubiquitous medium of radio and concentrated on the increasingly popular FM band.
- We offered intelligent programming as record numbers of Americans, female and male, graduated college.
- Our societally-conscious news aligned with the world views of Baby Boomers, while our classical music provided soothing relief to their parents.

In short, public radio has been on the right medium with the right programming at the right time.

But media and times change.

Is it possible that such changes might explain public radio's recent loss of upward audience momentum?

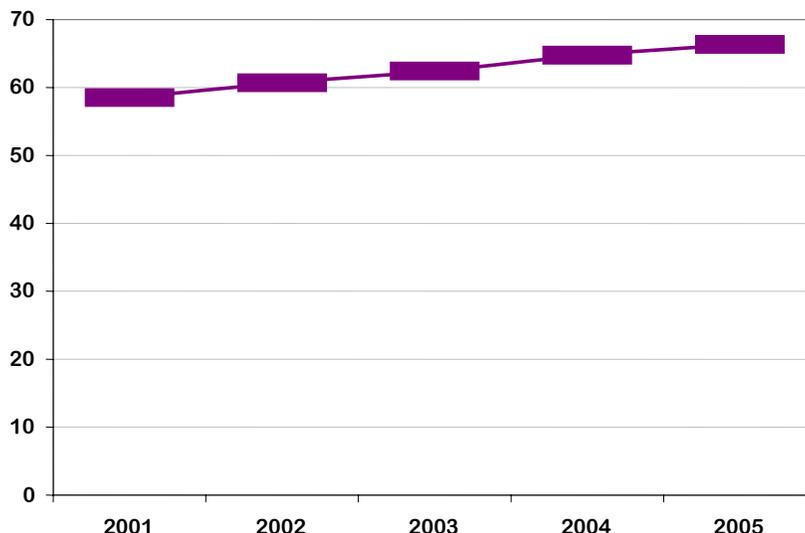
- Maybe the boom in college education has busted.
- Perhaps radio is no longer ubiquitous.
- Perhaps radio listening is shifting back to AM.
- Perhaps Boomers and their parents are dying off in great numbers.

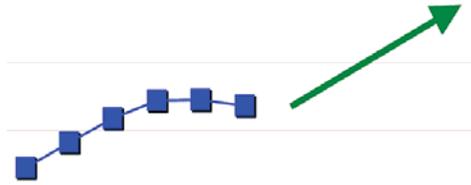
Here we examine each of these historic sources of growth. We then ask how these findings might inform our quest to reinvigorate public radio's public service and public support.

College Graduates in America (Population, 18+, in Millions) Arbitron Nationwide

Graph 1

Each year America gains two million college graduates.





Population Trends

Each year nearly two million Americans join the ranks of college educated citizens. Universities are still graduating people who are very likely to be or become public radio listeners (Graph 1).

Radio Use

Terrestrial radio is without peer as the most listened to audio delivery platform in existence today. Ninety-five percent of all college graduates under the age of 65 listen each week. Even among those over 65 the number is nearly 90 percent (Graph 2).

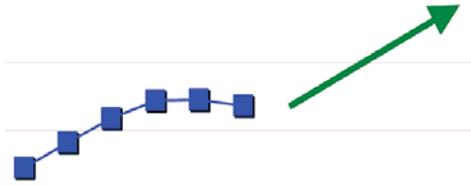
While listening levels continue their decades-long decline, public radio's loss of audience momentum since 2003 is not due to great numbers of Americans abandoning the medium since then. Nor can the loss of audience momentum be excused by any reversal in FM use.

The FM Band

FM remains the dominant terrestrial platform by a wide margin, and it continues to gain dominance with time.

Today 84 percent of all radio listening – and over 95 percent of all public radio listening – is to FM stations. Listening to FM has been bouncing between 29 and 30 million AQH listeners for a decade. FM listening may not be growing, but it certainly is not shrinking, nor is it driving down the use of public radio.

Public radio's history would be quite different had it invested in AM rather than FM transmitters. AM listening has plummeted by half in just 20 years. And while it hasn't yet fallen into oblivion – Americans spend more than ten hours with AM for every hour they spend with XM and Sirius channels, for instance – AM certainly cannot be characterized as a growth medium.



Graphs 2 & 3

College graduates continue to listen to radio in great numbers despite the medium's long term decline.

Ninety-five percent under the age of 65 listen to radio each week. (This holds true for every discrete age demo under 65, including the youngest.) Even among those over 65 radio's reach is nearly 90 percent.

Radio listening by the youngest college graduates is in sharper decline than among older graduates.

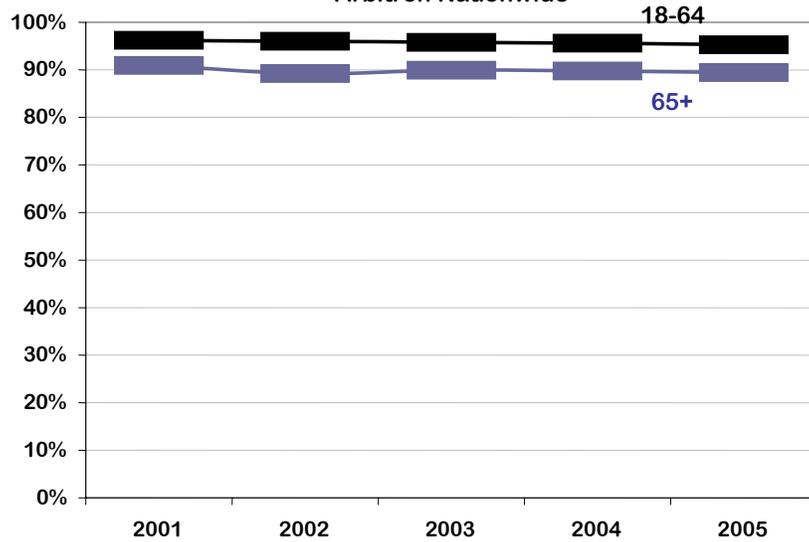
Still, these are fine differences, as one percentage point separates listening by 18-34 year old college grads and those who are 35 and older.

Moreover, nothing in these numbers explains public radio's loss of upward audience momentum since 2003.

Radio's Reach Into College Grad Populations

(Cume Rating, M-S 6a-12m)

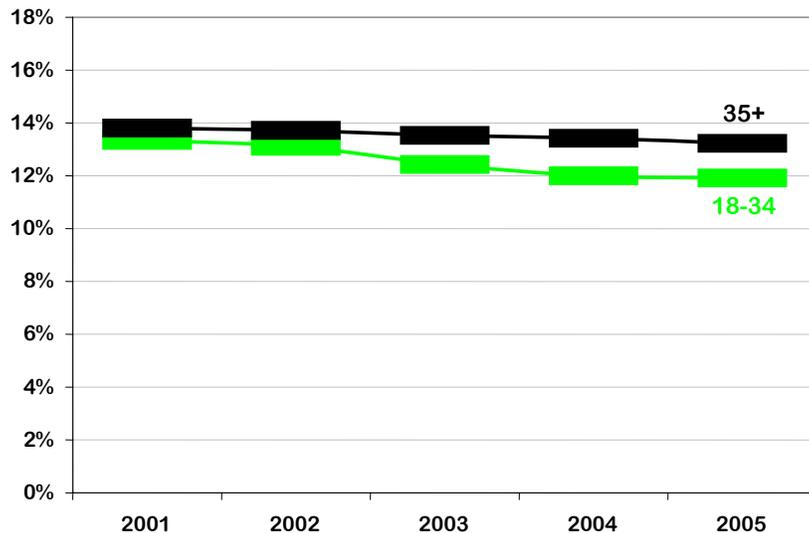
Arbitron Nationwide

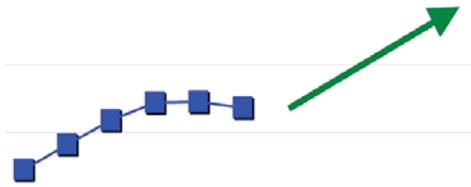


Radio Listening Levels Among College Grads

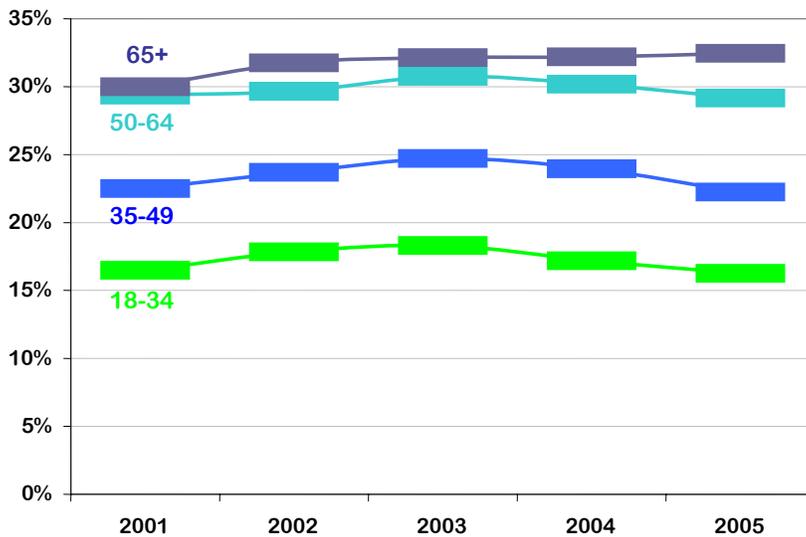
(AQH Rating, M-S 6a-12m)

Arbitron Nationwide





Public Radio's Reach Into College Grad Populations
(Cume Rating, M-S 6a-12m)
Arbitron Nationwide



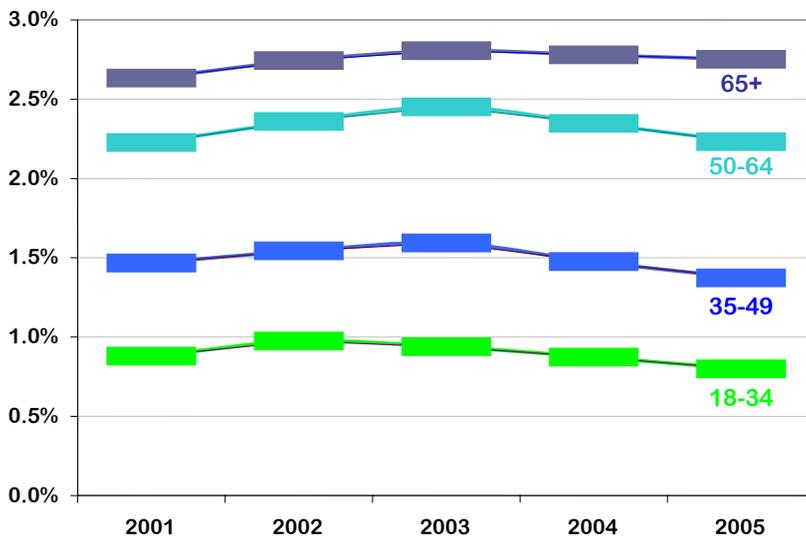
Graphs 4 & 5

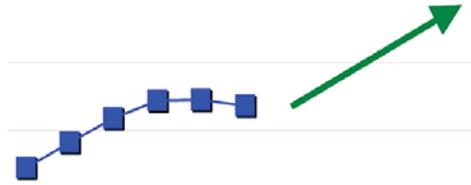
These graphs also illustrate, but do not explain, public radio's loss of upward audience momentum.

The downturn is not limited to a single age group. In the last two years public radio's reach and listening levels have declined across all ages.

Public radio's appeal has not shifted; its power to attract and serve listeners has simply weakened.

Public Radio Listening Levels Among College Grads
(AQH Rating, M-S 6a-12m)
Arbitron Nationwide





SIDEBAR

Generational Cohorts

Matures (The Mature Generation)

Born before 1933, Matures came of age during the Great Depression and World War II. They got their news from movie newsreels, AM radio, and daily newspapers. They got their music from AM radio and Victrolas.

Boomers (Baby Boomers)

Born between 1946 and 1964, Boomers came of age during Vietnam. FM radio was part of their rebellion. Both female and male Boomers enjoyed the benefits of a college education.

Silents (The Silent Generation)

Born between 1933 and 1945, Silents came of age under Eisenhower and Kennedy. Elvis was king of Top 40 radio. The CBS Evening News was 15 minutes in black and white.

Gens X&Y (The Baby Bust & the Millennials)

Generation Xers, born from 1965 into the early 1970s, grew up watching music videos on MTV. Millennials born in the 1980s cannot recall a time before computers and the Internet.

Graph 6

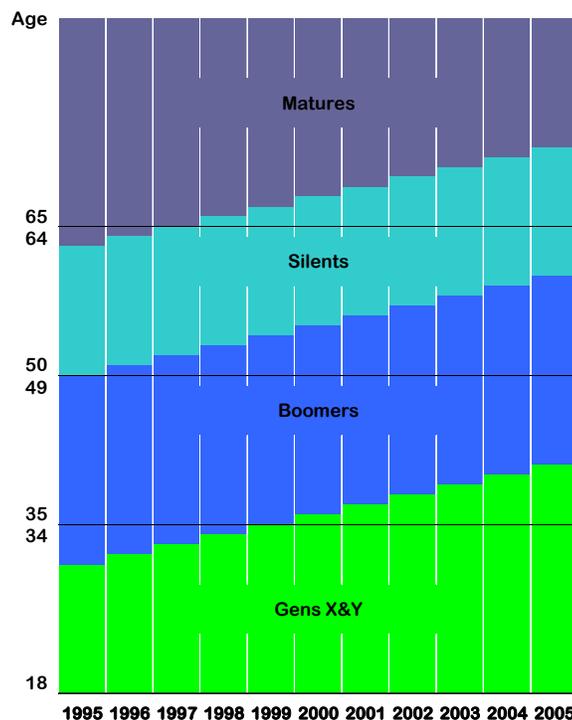
As years go by people get older but the age cells used by advertisers and commercial radio stations remain the same.

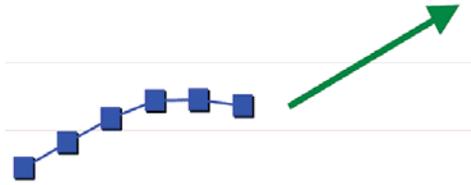
Between 1995 and 1997 the cells nearly aligned with the generation cohorts; today they straddle generations, greatly diminishing their utility to this study.

As we seek to understand people, not age cells, this study tracks cohorts across their decades of radio and public radio use whenever possible. It can do this thanks to its access to public radio's Arbitron diary database.

For example, the youngest Baby Boomers were 31 years old in 1995. In 2005 the youngest Boomers were 41 – and today's 40 year olds are now Gen Xers.

Generational Cohorts & Static Age Cells





Graphs 7 & 8

If current trends continue, public radio will reach more Gens X&Ys than Boomers by 2010.

The youngest members of the Mature generation are now 74 years old. The primary forces diminishing their use of public radio are beyond the control of most program directors.

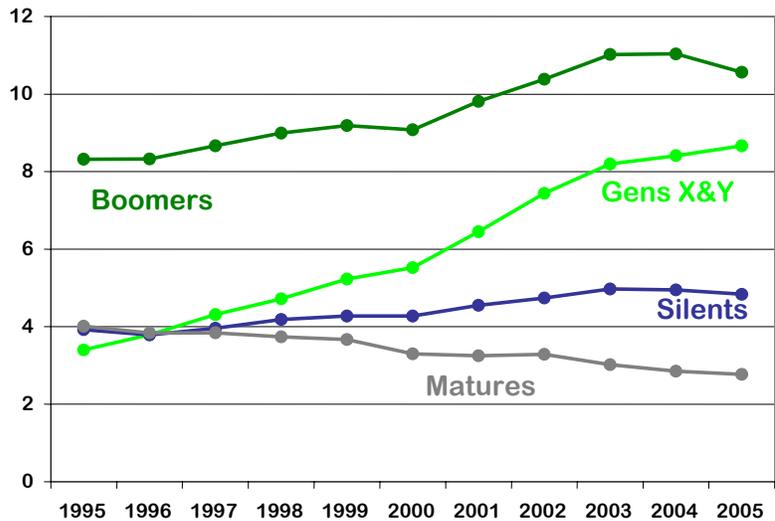
The same forces remove a few more members of the Silent generation each year. Still, most persons in their 60s and early 70s have long lives ahead, and their reduced listening to public radio is notable.

Members of the youngest generations (X&Y) are more than making up for these losses. Many were raised by public radio listeners; most have earned at least one college degree.

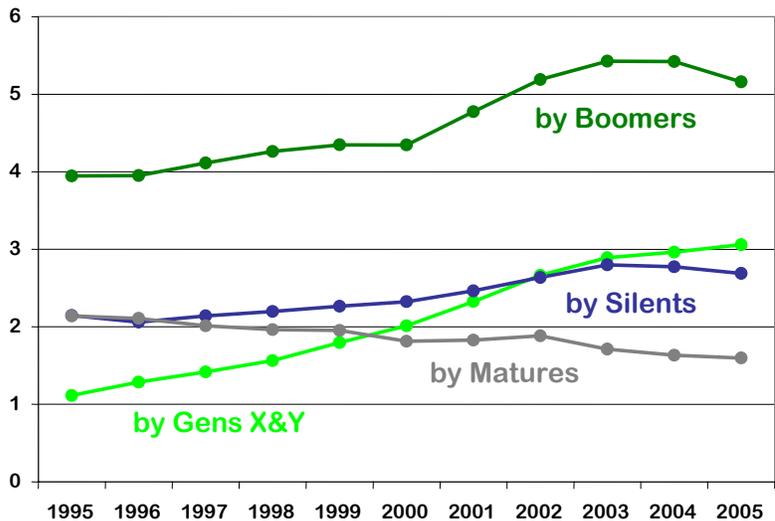
Baby Boomers are at the heart of public radio's audience. Their recent loss of listening cannot be explained by actuarial tables.

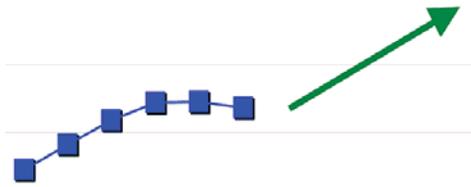
Whatever the cause of public radio's audience loss, it is striking at the heart of public radio's appeal. Indeed, the Boomer trend in Graph 8 echoes the trend of Core listening (Interim Report #4, Graph 10).

Public Radio Listeners
(Cume Persons per Week, in Millions)
Public Radio's Arbitron Diary Database



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





SIDEBAR

Listening to FM and AM

For this analysis we extended and augmented Jim Duncan’s industry-standard estimates of AM/FM station shares, last published in 1999.

We brought his AM/FM share data up to date. We added information he didn’t have – listening to public radio. As public radio’s share grew from 1.5 to 5.0 over the last two decades, and as more than 95 percent of this share is on FM, this adjustment is not inconsequential.

We then applied the resulting shares to radio listening (persons using radio) to determine the **actual numbers of people** us-

ing each band – a way of looking at AM and FM use that goes beyond Duncan’s shares.

What we learned surprised us.

The AM band accounts for *all* of radio’s lost listening over the last 20 years. FM has been making up the difference all along. It is debatable whether FM listening is still on the rise, but it is certainly not in decline.

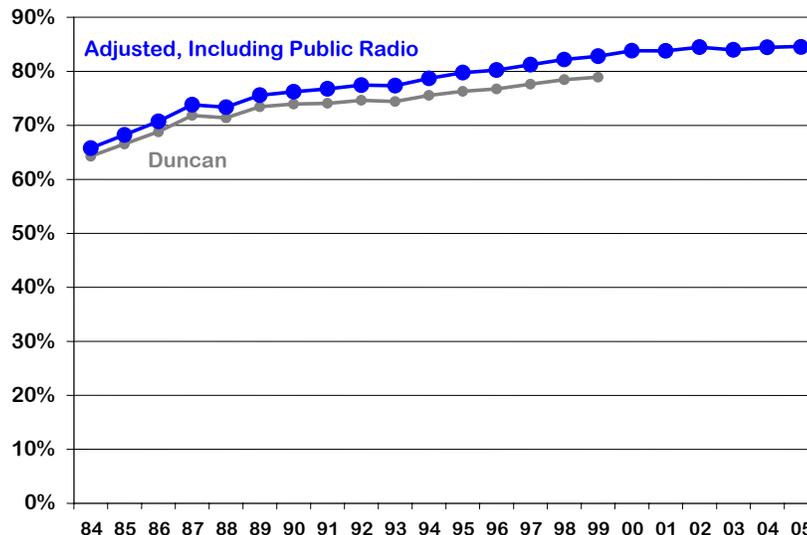
To be sure, listening levels are dropping on both bands as a percentage of the U.S. population (AQH Rating). But AM listening is only a fraction of FM listening, and each year it continues its decline.

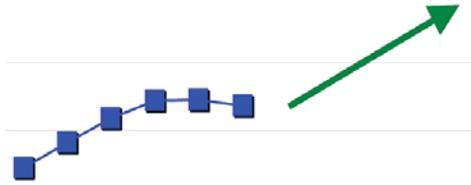
Graph 6

The gray line shows FM’s share of radio listening per Duncan’s American Radio. The blue line shows FM’s share as augmented, adjusted, and extended by this analysis.

Today 84 percent of all radio listening is to stations on the FM band (15 percent is to AM stations, one percent is to XM & Sirius).

FM’s Share of Radio Listening
(M-S 6a-12m)
Duncan’s American Radio; Arbitron Nationwide
Public Radio’s Arbitron Diary Database

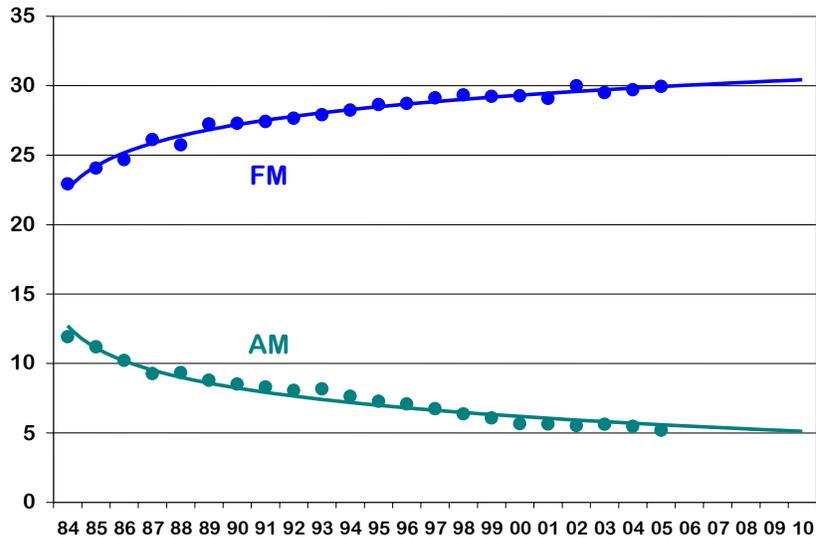




Persons Using Each Radio Band
 (AQH Persons 12+ M-S 6a-12m In Millions)
 Duncan's American Radio; Arbitron Nationwide
 Public Radio's Arbitron Diary Database

Graphs 7 & 8

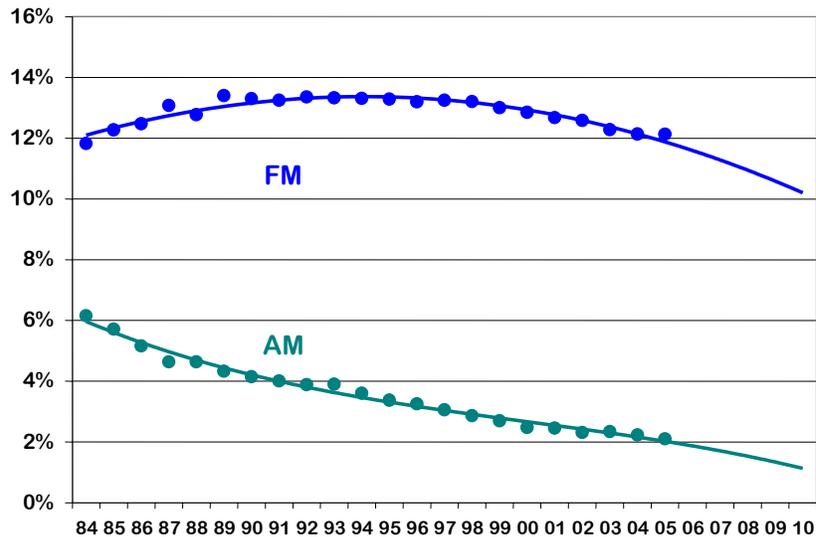
The dots in the top graph show the number of persons, on average, listening to the two radio bands across the broadcast week. In 2005, FM stations drew an average of 30 million listeners, AM 5 million, at any given time (XM & Sirius, not shown, drew another few hundred thousand).



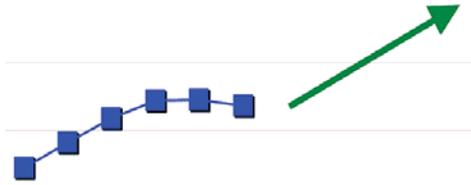
The dots on the bottom graph express listening as a percent of the U.S. population. About 12 percent of all Americans were tuned to FM at any given time in 2005, only 2 percent to AM.

Percent of Americans Using Each Radio Band
 (AQH Rating 12+ M-S 6a-12m)
 Duncan's American Radio; Arbitron Nationwide
 Public Radio's Arbitron Diary Database

The lines model listening to each band over time and into the future. While we do not claim they predict the relative states of AM and FM in 2010, they certainly do not suggest an AM renaissance.



Nor do they explain the loss of public radio's upward audience momentum.



Generational Cohorts

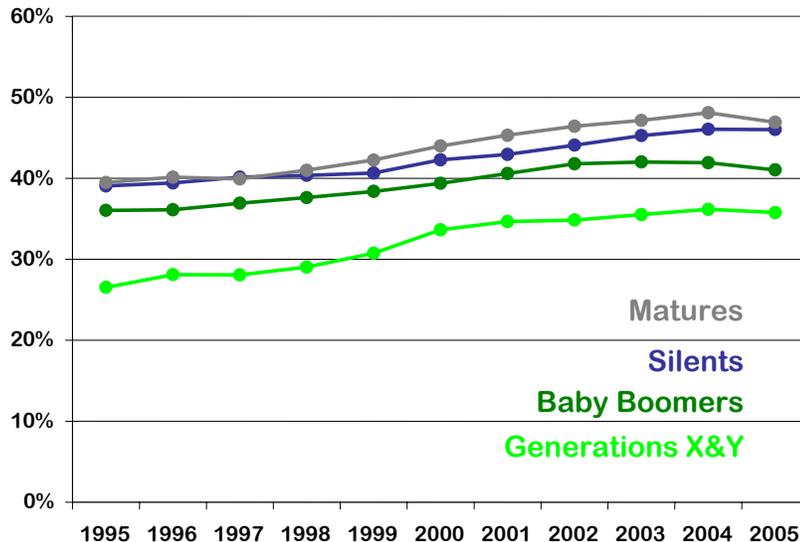
Public radio appeals to people who have enjoyed success in higher education, without regard to their race or sex.

It's therefore no surprise to find younger Americans entering public radio's audience for reasons well established - they are going to school. As Graphs 7 & 8 illustrate, public radio is

still a growth industry among Generations X & Y.

Although loyalty is down or stalled across all generational cohorts, we seem to have lost steam among Baby Boomers a year or two before the others. We don't know why Boomers began bailing first. But certainly, public radio is losing its ability to compete against other stations for all of its listeners' time and attention.

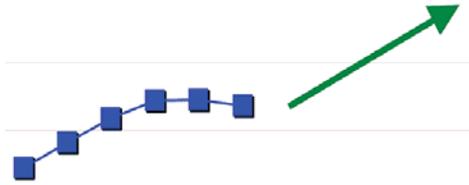
Loyalty to Public Radio
Public Radio's Arbitron Diary Database



Graph 9

Loyalty is down or stalled across all generational cohorts. Our listeners are still listening to radio, just not as much to us.

Here loyalty is based on listening to all public stations (when listeners use more than one) as a percent of their total radio listening.



Reinvigorating Public Radio

This report concludes Audience 2010's exploration of **external factors** that might have decelerated public radio's national audience growth.

Public radio's problem – nationally – is summarized as a flattening or decline in reach (listeners) and a flattening or decline in listening and loyalty – particularly among its core audience.

If we had just lost listeners, we could not rule out the possibility that they have left the medium of radio in favor of other media not (yet) measured by syndicated services such as Arbitron.

The downward trend in core loyalty indicates that our listeners are drifting back to other over-the-air services.

While AUDIENCE 2010 has ruled out many external factors, it has not excluded the possibility that **our competitors have simply gotten more attractive to our listeners.** Nor has it studied at a national level **the efficacy of programming investments made by both stations and networks over the last few years.**

These analyses are readily available for any station or national program. And they're more appropriately undertaken individually, by station and by program,

by those who have the ability to act directly on this information.

PDs and managers have the knowledge they need to reassert control. Off-the-shelf analytical suites identify where programming is not serving their station's audience (loyalty); pinpoint the cause of the weakness (strong competition, the wrong appeal, or puny power); suggest programming that will better serve the audience (affinity and power); and calculate and rank the expected audience and financial returns from successful interventions (opportunity).

Similar suites inform the production, marketing, and placement decisions of national producers and distributors.

The downward trend in loyalty requires that we recommit to making each minute of programming a more powerful, compelling, appropriate, listenable, listened to, personally important, and highly valued service worth supporting among the people now listening to the station on which it is broadcast.

At the end of the day (and at the start of the day, and in the middle of the day...) **the only service we can improve is our own. Reversing our historic loss of audience momentum requires looking inward at things we can control – not pointing outward at forces we cannot.**