

EXECUTIVE SUMMARY: Findings and Implications from the Local Station Services Research Project

This Executive Summary highlights key findings and implications from the Corporation for Public Broadcasting's (CPB's) Local Station Services Research Project, or LSSRP. The LSSRP was completed with the assistance of BMR Associates, Bortz Media & Sports Group and The Taylor Research & Consulting Group. Findings are based on focus group research and interviews with station partners, detailed analysis of SABS financial data for 2003, and analyses of 11 case stations.

A more detailed White Paper has been provided to station General Managers along with this Summary. Selected other research findings from the LSSRP are available from CPB upon request.

Defining Localism and Local Services

An initial challenge for the LSSRP team was to define local service, and as a result our assessment makes a distinction between localism and local services:

- *Localism* is the largely intangible sense of local identity and presence reflected in the station's physical presence in the community, its ability to respond to local needs both on and off the air, and its role in "localizing" national content. (Beyond content and physical infrastructure, certain local activities that are not readily definable as "services" – such as local fundraising efforts – contribute to localism.)
- *Local services* include local production and other locally "manufactured" offerings including educational services, outreach, station websites and various other activities (such as contract production).

Major Findings and Implications

The findings highlighted below reflect aspects of both localism and specific local services that are believed to have relevance for station strategic decision-making.

Understanding the value of localism. LSSRP findings highlighted the value of localism:

- ***Finding:*** *Localism resonates strongly (but somewhat differently) with all public television stakeholders.* As expected, the focus group research found that viewers, educators and station partners value the local presence and identity of the stations in their markets. However, the high degree of value attached to localism by viewers and members was surprising even to most of the station personnel that attended the focus groups. Station partners and other "stakeholders" also value localism, but in different ways.
- ***Implication:*** *Stations should use multiple, tailored – but thematically consistent – messages for different stakeholders.* General audience

messaging should focus almost solely on programming, while major donors will be interested in a more holistic story. Partners and institutional funding sources are looking for specific benefits and specific services, with partners especially interested in extended reach.

Station efforts to engage the community. Despite the high value attached to localism, the LSSRP research found that awareness of the specific local activities of stations is low – suggesting an opportunity for stations to connect more effectively with both the general audience and key stakeholders.

- **Finding:** *Those stations that are most effective in engaging their communities and key “stakeholders” today employ a consistent “cycle of community engagement.” This cycle encompasses:*
 - ✓ Listening to the community in general, as well as key stakeholders.
 - ✓ Establishing a strategic plan that directly derives from one or more clear community needs, establishes clear goals and measurable benchmarks of success, and includes an action plan and timelines for achievement of plan goals.
 - ✓ Development of purposeful partnerships that target community needs while also enabling the station to achieve one or more specific goals such as extending reach, accessing new content or funding, and/or supporting other community institutions.
 - ✓ Measuring success through overall station performance metrics, as well as project/partnership-specific measures.
 - ✓ Communicating with the community and key stakeholders about station activities, using both on-air and off-air methods.
 - ✓ Repeating the process to insure that strategies and goals remain aligned with community needs.
- **Implication:** *The LSSRP analysis suggests that this cycle can be undertaken by both large and small stations and can be adjusted to accommodate differing levels of resources. At the same time, stations should be aware that the cycle is deceptively challenging to implement, and requires a substantial, sustained commitment on the part of station management.*

Local service economics. Across the public television system, 2003 SABS data indicate that direct costs associated with local services total \$327 million, or about 18 percent of total system expenditures. By comparison, revenues directly attributable to these same local activities total \$247 million.

- **Finding:** *On a direct basis, local services are provided at a deficit of about \$80 million – with local production accounting for roughly 80 percent of the deficit.* Despite the existence of a “direct” deficit, when considered in light of indirect revenues from unrestricted sources, it can be argued that local services are self-sustaining. For example, if only 10 percent of unrestricted

revenues are assumed to be attributable to localism/local services, these revenues compensate for the deficit noted above.

- **Implication:** *While localism's specific contribution to unrestricted revenues is speculative and varies from station to station, it appears that (at a minimum) when unrestricted income is factored in, local services do not represent a significant financial drain on the system.*

Perspectives on local production. The LSSRP analysis considered local production from a range of perspectives, including its economics, station levels of activity and production models/strategies, and the interests of partners and viewers. Moreover, the case stations that were studied have varying local production philosophies and employ a range of approaches to local production.

- **Findings:**
 - ✓ *Considered in the aggregate, evolving production models for LSSRP case stations illustrate a clear recognition of the importance of reducing local production costs in order to increase the community impact of local programming. Application of a "lower cost" strategy is by no means "one size fits all" -- with some stations shifting from \$400,000 hours to \$200,000 hours, others seeking to reduce \$40,000 hours to \$15,000 hours, and still others pursuing joint ventures with partners in which the station retains editorial control but off-loads productions costs entirely to the partner. For all, however, the goal is to accomplish more within the same budget in the belief that increased volume -- sometimes enhanced further by a higher repeat factor -- can yield greater community impact. In some instances, this approach also appears to have made individual programs and series' easier to fund and therefore had the added benefit of enabling the station to raise incremental revenue.*
 - ✓ *SABS analysis suggests that basic station operations "eat up" an inordinately large percentage of unrestricted revenues, limiting resources available for local production and other local services and placing these activities at risk should the system continue to experience difficulty in generating incremental unrestricted revenues.*
 - ✓ *Beyond local programming itself, the power of a station's air (in terms of reach and resulting value to partners) and of the overall programming it delivers (to viewers) were the overwhelming sources of its value as a local institution in all of the markets studied -- based on both focus group findings and interviews with station partners. While in many ways this is to be expected, it underscores the ongoing strategic importance of the analog "main channel" service as the foundation from which station partnerships, as well as digital and other new services, must build.*
- **Implications:**
 - ✓ *Explore opportunities to leverage local production resources to lower costs and maximize impact. If not doing so already, stations should evaluate the strategies being employed by several of the LSSRP case*

stations to lower local production costs and increase the impact of their local programming in the context of limited resources.

- ✓ *Support system efforts to identify process improvements that can potentially reduce the cost of basic broadcast operations.* Such improvements may provide the best opportunity to “free up” additional discretionary resources that can be used to fund local services and/or content acquisition.
- ✓ *Don’t undervalue core assets.* Stations need to take credit for the national programs they provide -- to the audience, all programming is local because their station brings it to them. And, as discussed further below, stations need to recognize and make use of the power of their reach to potential partners.
- ✓ *If not doing so already, stations need to apply the same audience principles to local productions as those that should be guiding national programs.* Stations can take advantage of the Primetime research findings to think about local content in terms of its ability to fulfill the dual criteria of being unique and engaging. These criteria should of course be applied in the context of the target audience for the programming.
- ✓ *As noted previously, use multiple, tailored – but thematically consistent – messages for different stakeholders.*
- ✓ *Package distribution outlets to maximize the station’s appeal and value to partners.* Because a station’s primary broadcast service is such a precious commodity (both to the station and its partners), even very limited access to airtime can be a powerful incentive to partners. Several stations studied in the LSSRP have done an effective job of creating partnerships that achieve “frequency” via radio and the web, while driving initial awareness using a comparatively small amount of television time. Digital multicasting affords the added opportunity to provide increased television exposure. This “tiered” approach to partnering offers a means to meet partner objectives while lowering the cost threshold for partners and preserving the analog broadcast viewing environment.

Perspectives on educational services. “Returning to our educational roots” has been a frequently heard refrain in public broadcasting over a period of many years. To be sure, the LSSRP analysis acknowledges that educational services are a central element of the economic equation and service value provided by a select group of licensees – principally state networks. However, most of these stations have unique characteristics that are not easily replicable.

- ***Finding:*** *The vast majority of stations face numerous obstacles and challenges to expanding their role in the provision of educational services.*
- ***Implications:*** *For this larger group of stations, the LSSRP analysis suggests that a decision to aggressively pursue growth in educational services should be taken with care. At the system level, the study also suggests greater*

focus on the specific needs of and opportunities for licensees in the “middle tier” for which education is a significant, yet secondary, activity.

Perspectives on digital services. The focus of this phase of the LSSRP was primarily on existing services rather than new opportunities. As such, only a top-line review of digital services was performed.

- **Finding:** *There has been relatively little effort at the system level to study local service opportunities associated with DTV – although several individual stations are developing services and strategies around multicasting and datacasting.*
- **Implication:** *A closer look at emerging and future digital service opportunities from a local station perspective may be a logical next step for the LSSRP.*

Acknowledging Local Value; Changing to Preserve It

Both literally and figuratively, public television is an industry in transition. The conversion to digital, a changing media landscape, increased competition from commercial media outlets and educational entities, declining membership and many other issues pose significant challenges. Terms like “relevance” and “survival” are used with growing frequency.

In this context, the LSSRP highlights the central role that localism and local services play (and must continue to play) in sustaining public television. Public television’s local presence, strong identity and pervasive reach are highly valued by viewers, members, educators and station partners. Moreover, when pursued effectively, local services and a strong commitment to community engagement are essential parts of establishing and maintaining a differentiated and valued position in today’s competitive environment.

At the same time, the LSSRP illustrates the threats to public television’s local presence – including limitations on the portion of unrestricted revenues available for local services, local production deficits, and challenges relating to membership and other funding sources. Its findings suggest that responding to these threats requires a commitment to change – change in station cost structures, change in approaches to community engagement, and a systemic view of localism as an opportunity rather than an obligation.

In short, the LSSRP should serve to strongly reinforce public television’s belief in the relevance of its local institutions – yet also sound a note of caution that adaptation is essential to sustaining the future value of these institutions and the system as a whole.