

Walrus Research

Public Radio 2015

A Special Report for KCFR/KVOD, KLCC, KDFC/KUSC
KUOW, WAMU, WUNC, WUWM

Reality has a way of eventually getting your attention

KEY FINDINGS

Audience growth for public radio ended ten years ago

Time spent listening to radio by college graduates is down

The audience for Pandora is 50 times that of NPR member station streams

Morning Edition has lost 10 percent of its listening audience since 2010

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LOSS OF MOMENTUM

Let's begin with a flashback.

Nine years ago, in March 2006, we published a forward-looking report with the title AUDIENCE 2010.

We were trying to get your attention.

After more than two decades of straight line growth, the audience trend for public radio had flattened.

Specifically, the number of persons listening to public radio across the country, expressed as a population percentage, had peaked in 2003.

Then public radio's AQH rating declined a little in 2004 and 2005.

Key Findings AUDIENCE 2010

Published March 2006

After a 30 year run of virtually uninterrupted audience growth, public radio is no longer increasing its reach into American society or claiming larger shares of radio listening.

It's not lost listening that portends ill for public radio. It's the loss of *upward momentum* – the absence of growth on which we have traditionally relied – that threatens to ripple through our public service economy.

AUDIENCE 2010 was produced by Walrus Research and Audience Research Analysis for the Radio Research Consortium.

LISTENING LEVELS

Here's the critical chart.

From 1984 through 2005 there was gradual yet continuing erosion in the overall audience for radio. That's the black line, scaled on the left axis.

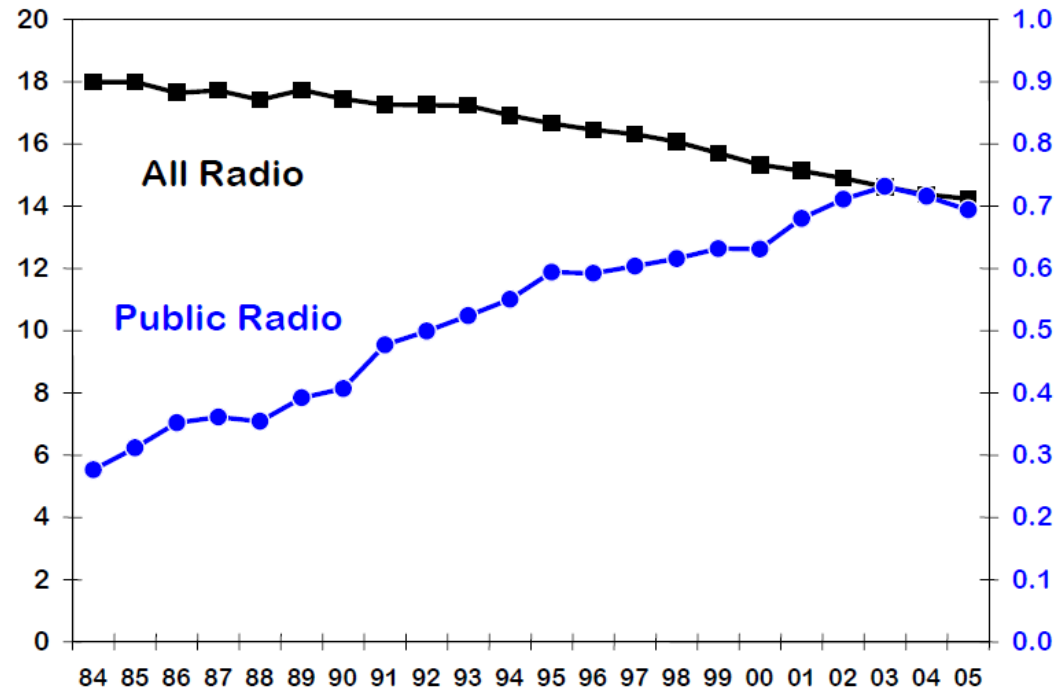
Yet in that same period public radio kept building its national listening audience. The blue line, right axis.

Okay, that was 2005. Very soon thereafter, big changes:

- Arbitron switched from diaries to PPM in major markets. The level of radio use dropped with PPM.
- Apple introduced the iPhone, leading to all kinds of portable smart devices to take up time.
- Streaming audio was offered by internet producers like Pandora as well as public radio stations.

So where are we now, in year 2015?

Radio & Public Radio Listening Levels
(AQH Rating, M-S 6a-12m, Persons 12+)
Arbitron Nationwide



Explanation from March 2006

Black squares illustrate radio's extended history of decline. Twenty years ago, 18 percent of all Americans were listening at any time.

Blue circles show public radio working against that decline through 2003. (Then flat to down in 2004, 2005)

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LOWER LEVELS

By the fall of 2010 Arbitron had completed its conversion from diaries to PPM in major markets.

That means we now have several years of apples-to-apples PPM data.

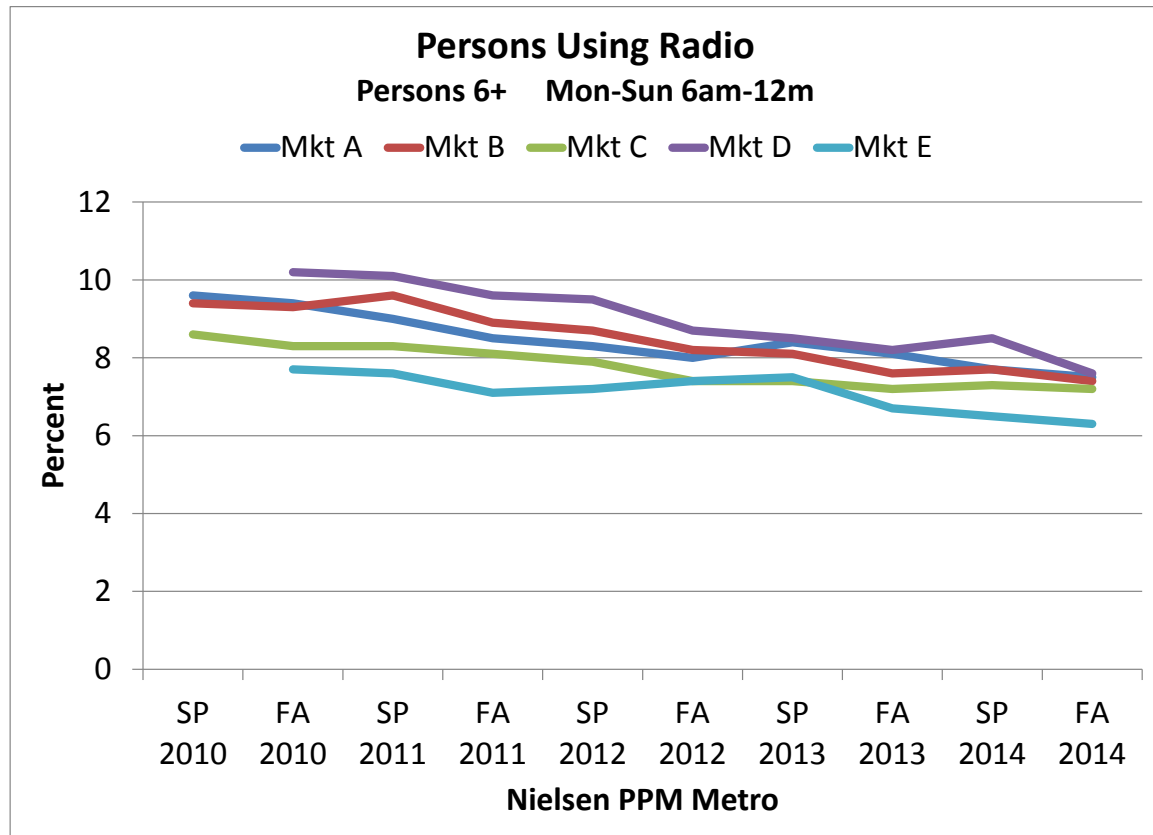
Here are the levels of overall radio use or PUR in selected markets.

Properly this estimate is now called PUMM for Persons Using Measured Media, but the only media reported are radio stations and their streams.

The trend line for Market A starts at 9.6 percent for Spring 2010. It ends at 7.5 for Fall 2014, down 2.1 points.

The trend line for Market E starts at 7.7 for Fall 2010 and ends at 6.3 as of Fall 2014.

It is clear that each year the level of radio use is declining. That number includes measured listening to HD channels or radio station streams.



PUR or PUMM is the level of radio listening in a typical quarter hour, expressed as a percentage of the metro population.

COLLEGE EROSION

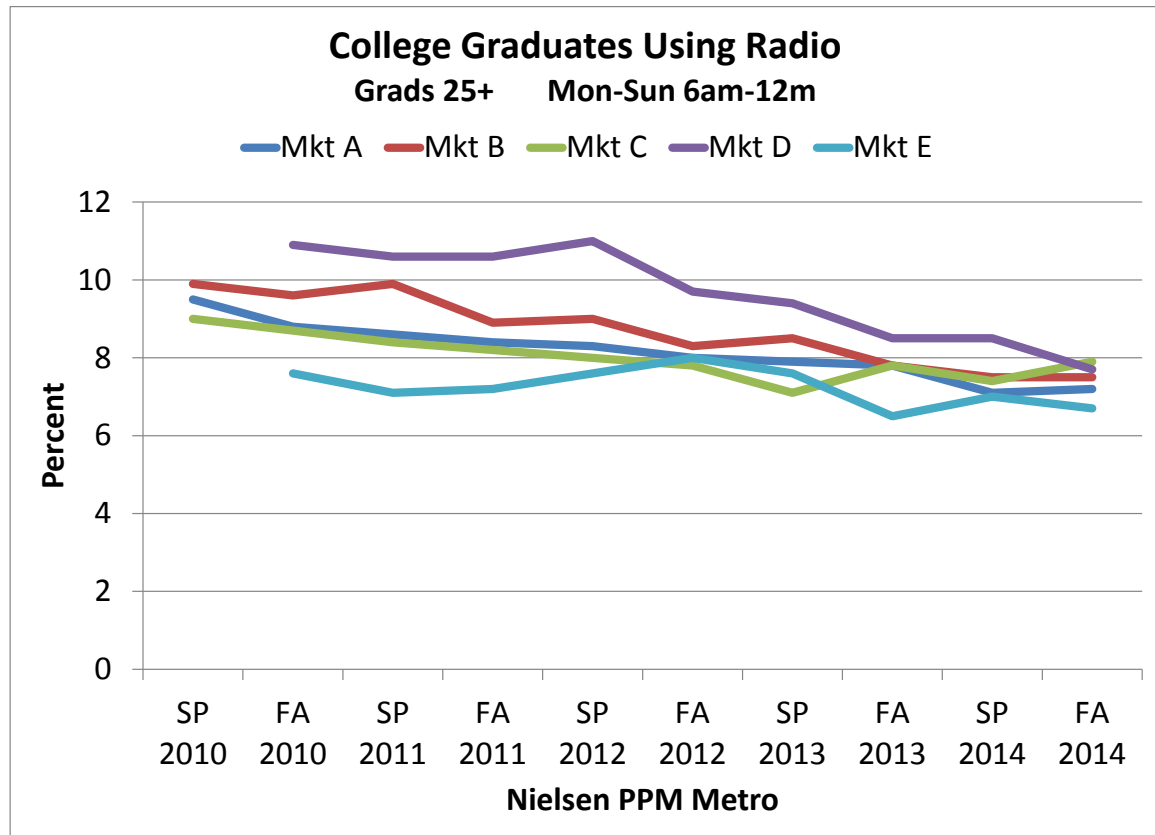
What about radio use by college graduates, the target audience for public radio?

Here are the same markets.

The trend for college graduates looks almost identical to the trend for persons 6 plus.

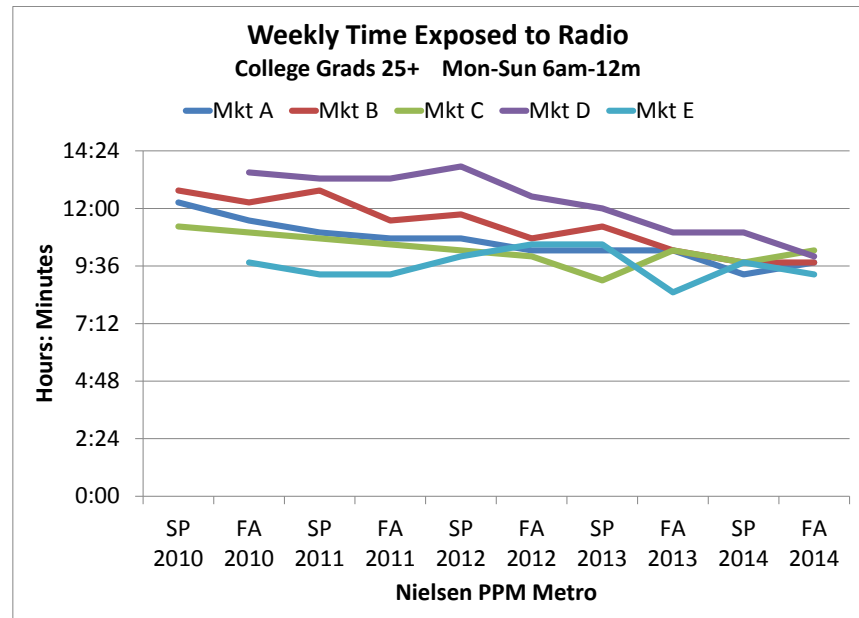
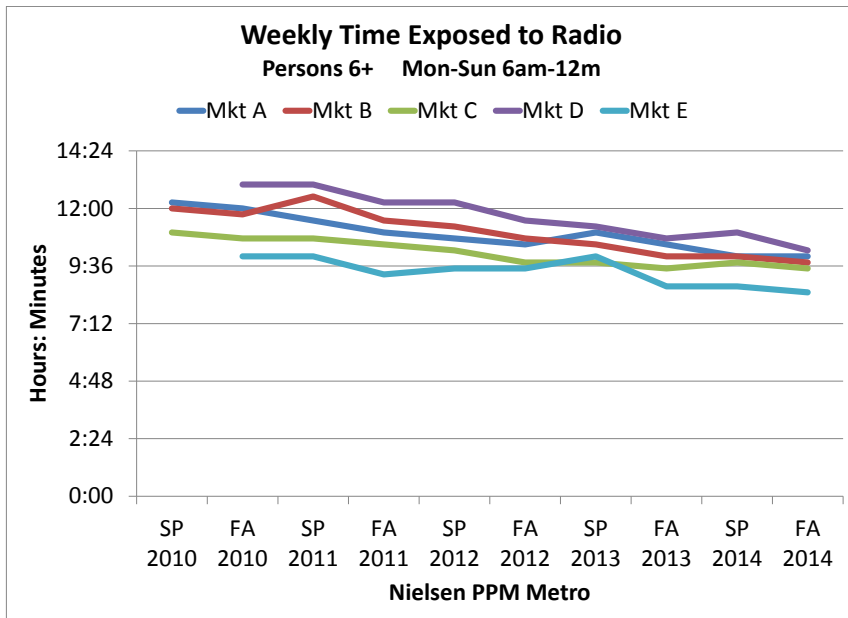
The differences between markets, such as Mkt D and Mkt E, may reflect regional population characteristics as well as different local economies.

Even if your share of radio listening by college graduates has held up, it is a share of a smaller pie each year.



The PUR or PUMM trend for college grads is similar to persons 6 plus.

LOSS OF TSL



Arbitron and now Nielsen will often emphasize the reach of radio. For example, this from Nielsen's latest State of the Media report:

ARE YOU LISTENING? 242 MILLION OF US ARE, EACH WEEK . . . NEARLY 92% OF EVERYONE AGE 12 OR OLDER.

In 2015 most of us are still using radio, at least one occasion per week, but we are listening less per week.

These two charts show the trend in Weekly Time Exposed to radio for all persons 6 plus and college grads 25 plus.

While it is true that radio still reaches large percentages of the population, their actual time spent listening to radio continues to erode. For college grads in Mkt A, their TSL to radio dropped from 12 hours 45 minutes to 9:45.

In fact, it is the loss of TSL rather than reach which is causing the continued decline in AQH levels of listening.

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STREAMING INTERNET

Arbitron always measured audience from the listener's point of view, based on a sample of the population.

Triton Digital is a company that measures the audience for streaming from the server side. That is, they assemble logs of activity from the computers that send out streams.

Here is the most recent published ranker from Triton, October 2014.

Pandora has 1.9 million Average Active Sessions. AAS is a statistic that can be compared to AQH.

The next streamer is iHeartMedia with about 250,000 Active Sessions.

NPR Member Stations added together generate 36,000 AAS.

The measured audience for audio streaming belongs to Pandora, with radio stations lagging far behind.

Triton Digital - Triton Digital Releases October 2014 Top 20 Ranker

OCTOBER DOMESTIC RANKER (based on AAS) **DAYPART 6:00am to 12:00am, Monday through Sunday**

| | Station | Average Active Sessions |
|-----------|-----------------------------|--------------------------------|
| | Katz Digital Audio | 318,152 |
| 1 | Pandora Corporate | 1,912,229 |
| 2 | iHeartMedia ∞ ¹ | 248,781 |
| 3 | Slacker, Inc. | 45,371 |
| 4 | CBS Radio Inc. | 41,274 |
| 5 | Cumulus Streaming Network ∞ | 39,820 |
| 6 | NPR Member Stations | 35,953 |
| 7 | ESPN Radio Corporate | 21,959 |
| 8 | idobi Radio | 17,941 |
| 9 | Cox Radio Inc. ∞ | 16,120 |
| 10 | EMF Corporate | 14,242 |
| 11 | Univision ∞ | 13,455 |
| 12 | Greater Media Corporate ∞ | 9,535 |
| 13 | Townsquare Media ∞ | 8,468 |
| 14 | Salem Communications ∞ | 7,554 |
| 15 | Hubbard Broadcasting ∞ | 6,202 |

AAS VS AQH

Triton Digital reports 35,953 Active Sessions for NPR member stations.

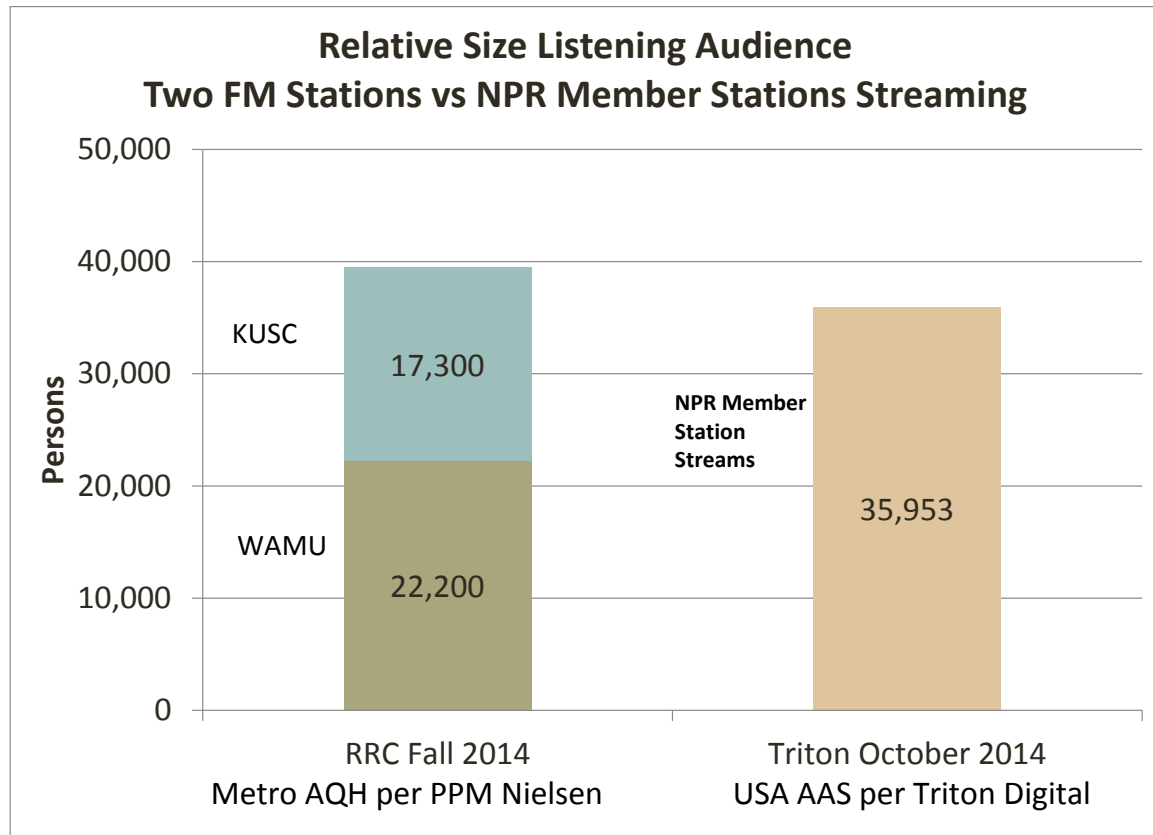
How big is that streaming number?

For perspective, let's consider the Nielsen AQH broadcast estimates for public radio stations.

The RRC publishes Nielsen topline for public radio on its open website.

As of Fall 2014 there were 22,200 AQH persons listening to WAMU in metro Washington. The AQH for KUSC in Los Angeles was 17,300.

So it turns out that Triton's AAS number for all NPR member station streaming is about equal to the AQH audience for WAMU plus KUSC.



The national audience for NPR member station streaming is the equivalent of the broadcast audience for two large FM stations.

TRITON TRENDS

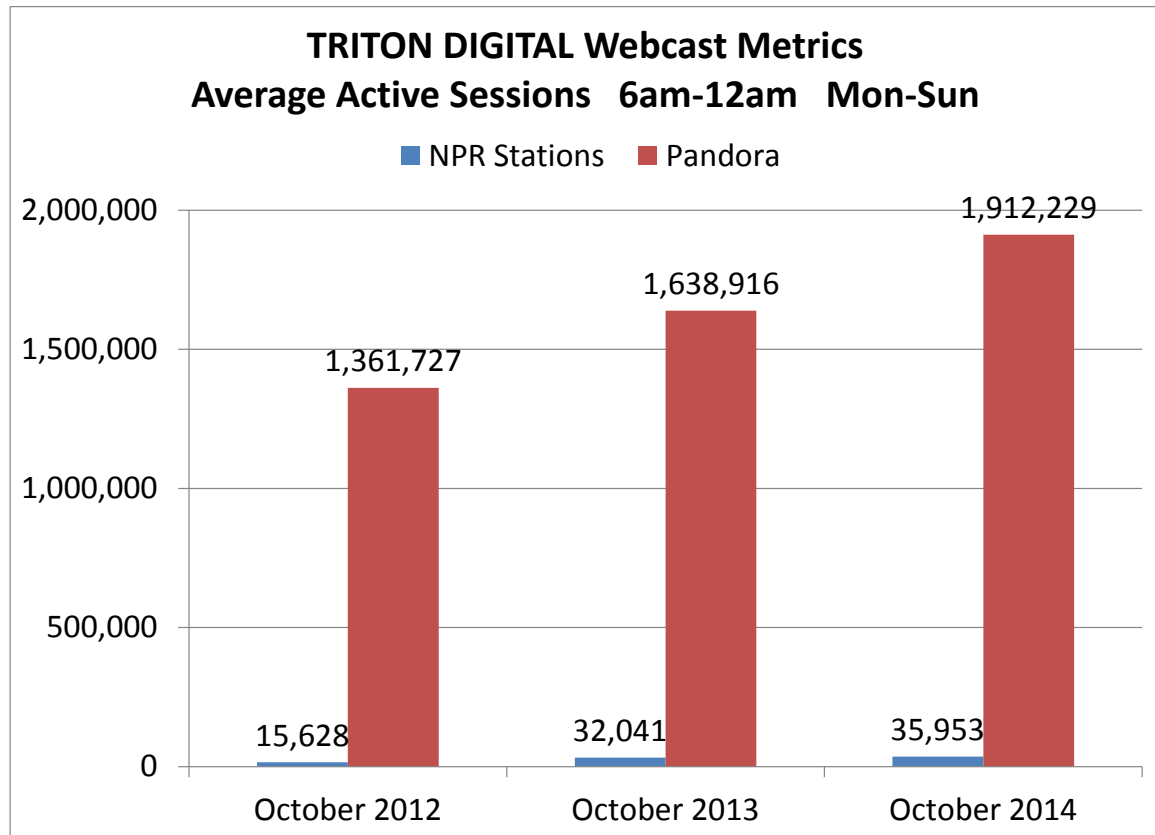
We are not making any predictions about the future of streaming by NPR member stations.

But we can look at recent trends.

Pandora has experienced straight line growth, adding 300,000 average persons streaming each year.

NPR member stations added about 16,000 AAS from October 2012 to October 2013.

But there was minimal growth in AAS for NPR member stations over the last twelve months.



From October 2012 to October 2014 the NPR member stations added about 20 thousand Active Sessions to the streaming audience.

Pandora grew by 600 thousand Active Sessions.

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NPR TRENDS

As an NPR member station you have access to the internal website, where the NPR research office posts its audience estimates.

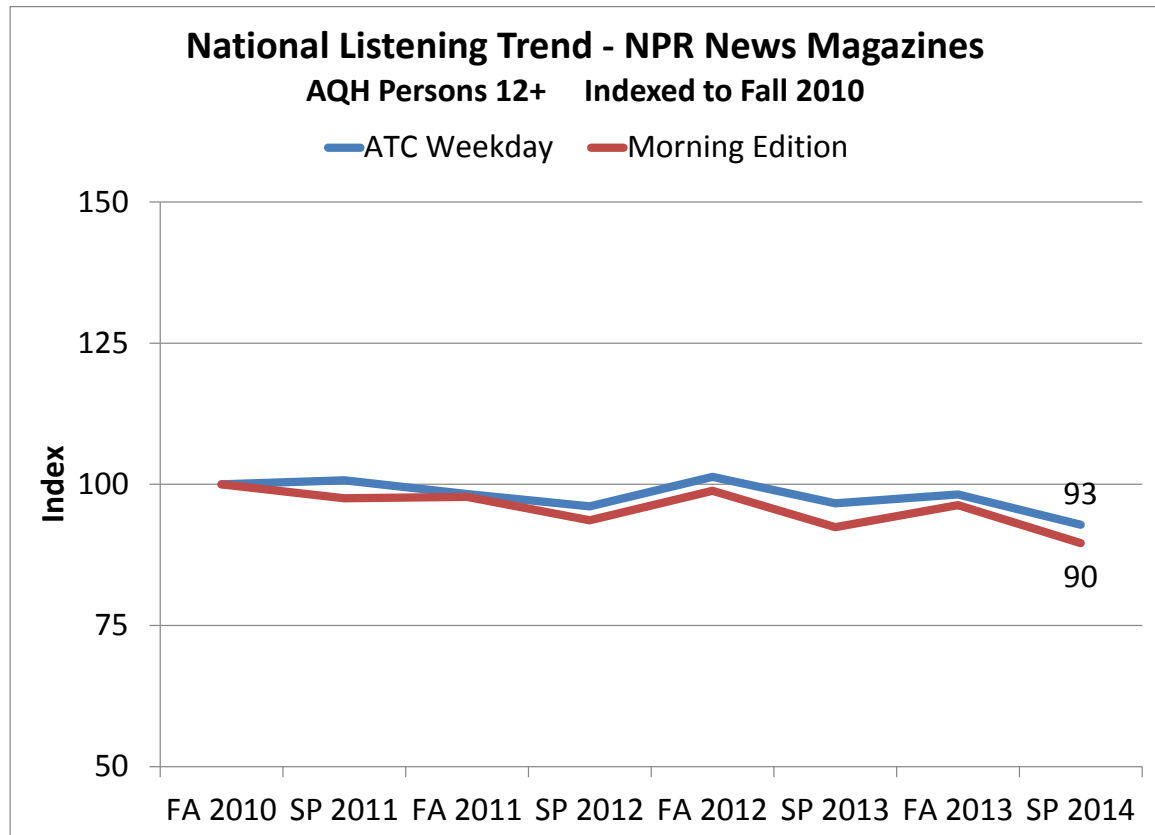
Here is the trend in AQH listening for Morning Edition and ATC.

Rather than quoting the official NPR numbers here, we calculated an index, simply to illustrate the trend.

The starting point is Fall 2010. The reported listening audience for each newsmagazine is based at 100.

The national listening trend for ME and ATC has been flat to down.

That index of 90 means Morning Edition has lost 10 percent of its national AQH audience, according to NPR's own numbers.



NPR's source: Act 1 Systems based on Nielsen Audio Nationwide, Persons 12+, Monday – Sunday, 6a-12m

IMPLICATIONS

The weekly cume of radio, all radio, is still strong – over 90 percent of Americans tune in for at least one occasion per week.

Yet the average listening audience continues to decline each year due to less and less time spent listening.

If your station scored a 5 share in Fall 2014, the actual number of persons served (AQH) is significantly lower than when you got a 5 share in Fall 2010.

To raise the same amount of money, your development activity would have to keep improving.

Unfortunately, there is no evidence that radio stations, whether commercial or public, are making up their AQH losses by converting broadcast listeners into streamers.

There is an expanding universe of games, social media, Pandora, Netflix, Amazon, Spotify, iTunes, Instagram, YouTube and customized media like NPR One.

Aside from such competition, we are buffeted by powerful forces out there in the population – changes in household composition, the march of generational cohorts, rising ethnicity, global immigration, a future-shocked economy.

The fact is that public radio's national listening audience peaked around 2003. We have not yet regained forward momentum.

Walrus Research is an independent audience research firm with an established record of quantitative and qualitative projects for public radio stations, national producers and networks.

Non-proprietary publications for major research projects including Grow The Audience, Audience 2010, NPR's Local News Initiative and the Core Values studies are available at www.WalrusResearch.com.