Funding the Future of Public Media

by Stephen Hill : March 2011

"If public media is going to secure its future, it must be with the public."

SUMMARY

This paper presents a set of ideas for reforming both the online service models and the internal business methods of the public media system to allow it to adapt fully to the age of Internet media and digital distribution. It is timely because If fully realized it has the potential to more than replace *all* federal funding and make the public media system completely independent of political pressure.

It was originally written in 2010 as a response to the challenge of digital media and circulated privately to about 20 system leaders for comment and discussion. I've updated it and am posting it on Pubradio and my blog now, because it has taken on added relevance in light of the current politically-motivated efforts to defund public broadcasting. The plan described here could render this potential loss of income irrelevant by replacing it with greatly expanded user support.

It proposes the creation of a *national* public radio/public media membership program, tied to a massively aggregated, personalizable online content distribution system that can deliver *all* public media content both at large network sites like NPR.org and PBS.org AND simultaneously to every station site, as well as those of potential affiliates, partners and supporters, and individual users on blogs and social networks.

Full access to the online system by end users and tangible support of the public media mission are the premium benefits of national membership, but all levels of engagement would be supported with various *tiers of service*.

The existing "*channel conflict*" between the stations and NPR (i.e, multiple competing delivery channels to the end user) is resolved by phasing in a rational *revenue-sharing system* that benefits all networks, stations, producers and affiliates appropriately, and gives all stakeholders positive incentives to work cooperatively for a successful outcome.

The philosophical "*mission conflict*" between free and paid services is also analyzed, and some nuanced solutions are described. I argue that "freemium" Internet business models are applicable to public media and will help it to grow and secure its future as a *fully* independent entity.

Finally, I identify some of the strategic and business advantages of *aggregation* — both of public media content and digital services, and of a "super-community" of public media users via a national membership that supports the overall public media mission itself.

I use the terms public radio and public media somewhat interchangeably. Public television could, and I believe should, be included in an integrated national membership + service concept. Joint licensees already bridge this 20th century media division by definition, and the trend toward native mixed-media formats online continues to erode this increasingly outdated distinction between media types.

I believe the time has come to speak openly about the "3rd rail" policy and money issues we have avoided for years. While my proposal may seem radical in scope, I believe it is both appropriate for today's media environment and completely practical, while grounded in the historic values of the public media system.

I apologize for the length. When you are re-imagining the core business relationships of an entire industry, you're obliged be as clear as possible and to touch all the salient points. The key ideas are summarized below in outline form. Whether these ideas intrigue or disturb you, strike you as wise or heretical, I hope you will consider the proposal and offer specific criticisms for public discussion.

:: Stephen Hill

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SIX STEPS TO A USER-SUPPORTED PUBLIC MEDIA SYSTEM

FOR STAKEHOLDERS

1. *Re-define the role and identity of stations* as "locally-focused public media network nodes."

2. *Extend the Public Media Platform to every station web site* as a matter of system policy, so *all* public media content is available at every point of entry to the network. This can be as elegant as a single Public Media Player on mobiles or the web, or a full service embedded "site-within-a-site."

3. *Re-align the financial relationships and incentives* between networks, stations, content producers and affiliates so everyone has a stake in the success of the network as a whole.

4. *Define a practical set of revenue-sharing policies* between stations, networks, producers and affiliates. (For example: ultimately stations might not pay dues and program fees to NPR, but receive a net revenue share from it.)

FOR THE PUBLIC

5. *Create a comprehensive set of free, voluntary and paid digital service models for the public* as a means of attracting significant new revenue for the system.

6. *Create a national Public Media Network membership for end users*, with multiple tiers of service and access to premium digital services and archival content as benefits of paid membership.

Since the arrival of practical Internet streaming in 1995 there has been endless discussion of the merits and demerits of various service plans and business models by which the public radio system could modernize itself for the multi-platform, multi-media world now arriving in all its glory. The Station Resource Group's landmark *Grow the Audience* report In January 2010 defined the issues and problems with clarity, set goals, and called for renewed systemwide cooperation to achieve them.

Yet the biggest roadblock to realizing the system's online potential was barely mentioned:

> *The public radio system's ability to respond to the digital challenge is handicapped by its legacy business relationships — most critically, between the stations and NPR.*

I'm referring broadly to the existing political power blocs, business rules, products and services by which the three major public radio networks and the stations inter-operate. Some of them go back to 1970 and the formation of NPR; they evolved and matured into the current system during the 1980s and '90s, and despite the arrival of the Internet have remained largely static since.

This has caused what's known in the media business as a "channel conflict"— the networks and stations are economically co-dependent, but their long-term interests have drifted out of alignment during the Internet era because service is no longer geographically limited and there are now multiple delivery "channels" and services available to the end user.

On the one hand this pits the stations against the networks in a battle neither can win; on the other, it paralyzes real innovation by restricting the creation of new services and delivery options that would better serve the public and the public media mission.

With a handful of conspicuous exceptions, everyone in the system still operates mostly on their own or in state or regional groups with no common goals beyond the mission-level concept of public service and keeping the lights on at home. Rugged individualism: it's the American way, right?

In this case, wrong — or at least, inadequate. I believe that the traditional network/station business relationships are ultimately responsible for stifling necessary innovation online, and that there are rational and effective ways to both unblock the current stalemate and create positive incentives for change. With these innovations come a rich set of possibilities for major advances to service, user engagement, and system revenue.

CREATIVE DISRUPTION

Innovation-related issues like these are problems for mature industries facing "disruptive technologies" like the Internet, and were very effectively analyzed in 1997 by Harvard Professor Clayton Christensen in his book *The Innovator's Dilemma*. Christensen's ideas have been presented to public radio executives at conferences for many years, yet aside from general agreement that *something* needs to be done about this digital thing, little has changed in terms of core business practices or public-facing services once you get past the easy stuff.

What progress has been made has been limited to relatively easy, non-controversial, and largely technical innovations in podcasting, metadata (PBS Core), program auditioning and distribution (PRX and ContentDepot), modular web content distribution (NPR, Public Interactive) and most recently, public APIs (Application Programming Interfaces) leading to the *Public Media Platform* (a joint project of NPR, PRI, APM, PRX, and PBS) — along with ongoing collaborative efforts at program and news production.

This has largely been the story of the last ten years for public radio; veteran station manager Jon Schwartz summarized the issues elegantly on April 13, 2010 in post titled "Challenge for Public Radio Stations" and subsequent posts on the Pubradio mailing list. (*There is no public archive for this private email list. With Jon's permission I've included a link to his post here.)

Many of you have contributed to these developments. *Yea, They Are Good, Brothers and Sisters. But they are not going to be good enough*. That's what Jon Schwartz was worried about and deep down, you know he's right.

Public discussions about new media strategies often degenerate into complaints about the cost/benefit equation for digital services. Todd Mundt's April 16th 2010 post on the PRPD blog takes a step beyond this and argues that this is where the audiences are and are going, and we have no choice but to follow them and "invest in digital platforms." He's right of course, but could this attitude be any more passive and reactive? It's going to take a lot more positive commitment than that to achieve real success with digital services.

Despite admirable progress at NPR to address some of these issues under the technically progressive management of Vivian Schiller (*R.I.P. 3.09.11*) and Kinsey Wilson, NPR still operates from a defensive position as it tries to innovate effectively online while dodging a constant stream of suspicion and criticism from stations. Alan Chartock's Pubradio post complaining about "in-program promotion of the NPR website" following Vivian and Kinsey's reply to Jon Schwartz last April is a typical example, as were Vivian's somewhat defensive comments at the 2010 D8 conference.

THE STATION PROBLEM

Station fears about the future are fueled by the persistence of "broadcast thinking" — a last-generation, zero-sum game played in a limited universe where for one player to win, another must lose. Clearly, in public broadcasting it's the *stations* who are most directly challenged by the existence of new digital networks. But the long term threat is from distribution technologies and media competitors who didn't exist ten years ago, along with the fast-changing habits and expectations of end users — not from other players within the public radio system.

Add to the business challenges inherent in a federated system like public radio with a station-controlled central network (NPR) the native issue of *disintermediation* the Internet creates for all legacy 20th century media businesses in the middle of the distribution chain (stations) and you have a recipe for very slow going and inadequate response during a period of unprecedented disruption, innovation and change in the media ecology. Pile on the possibility of CPB defunding and there's a lot for stations to worry about.

Let's just say it: "The station problem" (as it's been called) will never be resolved online without substantial changes to the way *business* is done between the principal stakeholders in public radio. Thankfully, we don't need some magical new "business model" to achieve this — there are plenty of them already. But they must be revised, developed and adapted to suit the new conditions:

> *We need new business policies that incentivize collaboration network-wide, so stations, networks and content producers all have a clear motive to participate, and a fair share in the financial success of the whole system.*
>
> *For real success in the burgeoning digital ecosystem, we need a world-class online offering grounded in our core values, focused on public media content and fully comparable or superior to the best efforts of the BBC, commercial broadcasters, leading webcasters, and online news providers.*
>
> *And to take advantage of social network effects and achieve Internet "scale" we need to aggregate our scattered supporters into a "super-community."*

While over the air broadcasting is responsible for the bulk of current system revenues and online related revenues are still small, it should be obvious by now that no entrenched media organization can ignore the Internet "disruption." As Todd Mundt points out, this is where future audiences, growth and revenue are going to be, and we need both strategic and tactical planning to respond effectively.

THE ZEN OF DIGITAL NETWORKS

It's not just that it would be easier and more desirable if everybody in the system pulled together.

> *The tactical question for public media is how to adapt and change a system that was built for the monopoly era of local broadcasting and closed program distribution networks, and redesign it for the international scale, platform and format expansion, content abundance, audience fragmentation, and usage paradigms of the Internet era.*

The digital listener/viewer/end user now has many other choices, and technology companies like Apple and Google that cater to them have the power to change how media is distributed and consumed in a few short years. (Facebook launched 2004; YouTube launched 2005; Twitter launched 2006.) As everyone has now realized, public media has no choice but to embrace the rules of this environment.

As the "meta-network," the Internet is setting the pace and much of the agenda. We have to adapt our culture and values to it — an easier task, but one made harder because broadcasting will remain a technically more efficient (though feature-limited) platform for large scale audio distribution for years to come, and will therefore coexist with Internet distribution and various hybrid solutions for a long time. But we are already living in a multi-media, multi-platform world, and the burning challenge for all legacy media is how to manage the transition.

> *If the requirement for the future is to be fully competitive with other major Internet media sites, the intrinsic nature of digital networks and the services they breed require a coherent **brand identity**, **service model**, **value proposition** and **digital-network-level interaction** with the public.*

Lacking any long-range system evolution or transition plan, NPR (in cooperation with several other national organizations) has been obliged to try to fill the breach in these areas.

From its inception as a broadcast network, NPR has had a national audience. In the era of syndication via tape and later satellite, it had a minor international presence as well. On the net, NPR.org instantly had an international presence, just as other major media organizations like CNN, the BBC, the CBC, etc. Even niche web services like our Hearts of Space Archive now reach listeners and subscribers on every continent but Antarctica.

Digital networks have already ripped the lid off the limitations of broadcasting. With its global, interactive, on-demand, mixed-media capability, the Internet is a different *order* of network, and public media must respond appropriately or risk slow, inevitable decline. So what's appropriate?

PERSONALIZATION and BRANDING CONFLICTS

In traditional broadcasting, listeners or viewers are anonymous. Public stations have spent a lifetime trying to overcome this; converting the anonymous listener to a known supporter is critical for their financial survival.

Online the listener's location can be roughly defined by their IP address. If they create an account or register their identity with a digital service, the service can be *personalized*. It's taken 15 years, but most online users are now comfortable with the idea of registering with a site and submitting an email address to receive a more convenient, focused and personalized "user experience." Getting to "who are you?" has become much easier and more common online than it can ever be for radio or television, especially in the age of social networks.

The channel conflict problem for public broadcasting actually began with network-created programming. As a practical matter, from the start both NPR and PBS had no choice but to brand themselves as the source of the major programs they produced. It was standard broadcast practice; they could not know where their broadcast listener was located and had to establish direct feedback loops for comment. So listeners and viewers were gradually educated to understand the difference between local and network level content, which came to co-exist on most stations.

In the broadcast era the station was the sole point of contact with the listener. It wrapped its own branding under and around NPR programs and other network-sourced content. Listeners to these programs therefore developed a relationship with both the station and the network. If they related strongly to a particular NPR program, they might be more likely to weight the relationship toward the program itself, or perhaps to NPR as the source, but the loyalty relationship became more complex and unpredictable.

Online the problem is worse, because NPR also provides much of the digital delivery infrastructure and branding is visual as well as audible. As a result, when the plea is made for an NPR.org user to support their local station, the result is often confusion — especially in cities with multiple stations. NPR has made heroic efforts to square the circle here, but the request to financially support the local station makes little sense to purely digital users of NPR.org or NPR-distributed podcasts on iTunes. They are a "national" user, relating to a national media entity or program via a ubiquitous digital access technology.

Because of its pre-eminent programs, massive listenership, pervasive branding and advanced web site, *online* NPR.org will naturally tend to become one of the major points of contact with public media users, while the station will of course remain the point of contact for traditional broadcast listeners and a smaller number of online listeners looking for locally-focused content.

But the full potential of any digital public media service (or any complex web-based service) cannot be realized without *personalization*, which at minimum requires registration and a user account.

NPR has recognized this with its "NPR Community" feature, which now reportedly has 500,000 members. Stations may look at this as a Trojan horse; it immediately raises the issue of where and how the membership contribution will be handled. And without the kind of fundamental business policy changes I am advocating, it indeed has the potential to exacerbate the station/network channel conflict.

> *Today NPR sends users back to their local stations to donate, but it would be far better for the business relationships in the system to accommodate user engagement at any level, and allow digital services to take their natural form in s*cope, reach, inventory *and* usage.

TOUCHING THE 3RD RAIL

Online, the public media system must conform to the user's expectations, which have been and will increasingly be shaped by the rest of the online environment. Stations can continue to complain about network dominance in digital services, but

> *Online the battle for the user was lost from the start because the direct-to-user relationship is embedded in the ubiquitous nature of the digital network itself.*

In practice, the program or subject matter is typically more important to the user than the delivery vehicle, whether network or station. They want their *ME* and *ATC*, their *Fresh Air* and *This American Life*, and they care how it gets to them...not so much. Endless repetition of the network brand has had also its effect, along with confusion over the complex structure of the public radio network, all of which have escalated the long-simmering "bypass" issue: the network vs. station relationship with the user.

> *In the digital era, the solution to the "bypass" problem is not to attempt to enforce legacy rules that lock down the relationship with the end user at the station level, but to redesign the way listener, underwriting, government and institutional revenues are distributed within a more integrated public media system.*

This idea lands squarely on the "3rd rail" issue of system politics: who owns the user? and scares the crap out of stations. Better to deal with the devils you know than consider such sweeping revisions to how the system operates on a business level. And in a world of declining revenues, it's always easier to simply cut staff or services to make it through the fiscal year.

To this objection I argue that for both practical and business reasons, it will be less painful and far more productive to pursue the course of internal business policy revision than either maintaining the status quo or pursuing dreams of greater external funding.

Yes, bizarre as it sounds after the recent salvo of defunding attacks from conservative Republicans, in the last five years there were actually some efforts to lobby Congress to "fully fund public media" by the Free Press and others. It was a longshot before and is almost laughable now. Moreover, in today's extreme economic and political environment, it is highly unlikely that any of the *other* sources of public media funding — foundation grants, institutional support or underwriting revenue — can be dramatically increased. For all these reasons —

> *If public media is going to secure its future, it must be with the public.*

THE PUBLIC MEDIA PLATFORM

One way to mitigate the tendency for the large public media network site or sites to dominate online usage would be to create a digital content distribution system that allows stations to offer everything that NPR.org and the other public media networks offer on their own web sites. This is the tantalizing vision offered by the **Public Media Platform** now being built.

But even when this platform is operational and content is widely shared, there will still be a struggle over where the user is "monetized" with a membership or donation, how national underwriting is handled, and where the money goes. This leads to the key business proposition of this paper:

> *In a fully developed digital public media system, it should make no difference whether a membership transaction occurs at a national or local entity or affiliate, OR whether usage occurs live or on-demand, over the air, via a local station web site, any mobile device, a podcast download, via NPR.org, or the sites or services of any other partner organization.*
>
> ***The membership supports the mission of the public media system as a whole** — including all networks, stations, content producers, affiliates, sites and services.*

THE PUBLIC MEDIA "SUPER-COMMUNITY"

Perhaps more significant in the long term

> *National membership defines and aggregates a new "super-community" of public media users and supporters.*

Today the most sacred business possession of any station is its membership database. To suggest pooling all memberships into a national super-group is therefore the deepest heresy, but that is exactly what will be required to achieve real success on a location-indifferent (but still nationally focused) digital network.

By incentivizing membership in this meta-group and pooling existing members to start (i.e., if you are a member of a station, you would automatically become a national member with a defined class of benefits) public media gains the broadest possible financial base and business possibilities for the future, and positions itself to enjoy all the advantages of other emerging social networks, rather than atomizing its users into thousands of smaller groups.

Online media is shaping up as another battle of giants, but this time it will be dominated by technology and software companies, especially platform and ecosystem service providers like Apple, Google, Amazon, Microsoft, Verizon, AT&T, and Comcast — not the large content providers and broadcast networks who ruled late 20th century broadcast media.

By creating its own digital content distribution and monetization platform — an expanded, public-facing version of the PMP (let's pray it has a better acronym) and aggregating its loyal users into a super-community, public media will be in the best possible position to sustain itself in the digital ecosystem. Veteran Internet entrepreneur Mike Homer (Apple, Netscape, AOL, Kontiki, Open Media Network) made this exact point to us before his untimely death: "Online there is no reason for Public Media not to operate its own platform."

The harder question is how to achieve this. In mature industries with complex interrelationships, the process of change is necessarily disruptive and complex; Clayton Christiansen's research shows that focusing on optimizing the core service itself is the best way to avoid being sandbagged by entrenched stakeholders and discover the path to the future.

AGGREGATION REQUIRED

> *The key is aggregation of users, content, and platform resources.*

Think about the 20 biggest or most frequently used web sites you visit. I'm willing to bet that 19 of them have aggregated *something* into a workable "meta-application" that delivers a valuable product or service you could not access at all before, or could not pull together yourself without a lot of work. (I'm not referring to the kind of opportunistic content aggregation practiced by parasitical news sites, though the fact of their popularity proves my point.)

The power of aggregation is many-sided: content, convenience, cost, usage, audience size, longevity, and increased possibilities for underwriting, user engagement and community-based network effects are just the main benefits. Online, size still matters. Yet at the same time, the extreme efficiency and low marginal cost of online distribution allows previously uneconomical small services to survive and prosper modestly, and in the case of public media, to maximize public service.

Whether the aggregation is URLs on Google, social contacts on Facebook, professional contacts on LinkedIn, classified ads on Craig's List, short messages on Twitter, popular music on Pandora, photos on Flickr, videos on YouTube, or the contents of everyone's garage on Ebay — to be successful at scale online you have to aggregate *something* into a practical service, and you have to make it easy and fulfilling to use.

> *Aggregation power and the user experience are the alpha and omega of web service value.*

BUSINESS MODELS

Online business models are intimately related to the online service models they monetize. 20th century public broadcasting had to think about these issues at its inception in the 1960s and 70s; online we have to think about them again, as they are still in a formative state.

For a network of stations that depend on voluntary user contributions for more than 50% of their revenue on average, it's astonishing that public broadcasting has accepted that only a minor fraction of its users (famously but arguably 9 to 11%) will actually pay for the service when asked.

Worse, the old messages about the "uniqueness of this kind of broadcasting" increasingly do not apply. There's plenty of other public media content out there, along with vastly increasing amounts of distracting audio and video and news content that complicate and atomize the patterns of media consumption.

While free-to-air local delivery made the voluntary support model inevitable, Internet delivery of radio and television programming (like the cable systems that established the practice) opens up the possibility of a more diverse set of service models with a range of price/value relationships — so-called "tiers of service" — free, underwritten, paid voluntarily, and premium paid memberships or subscriptions with additional benefits.

On the web these tiered business/service models are called "freemium." *Wired* editor Chris Anderson wrote a book about it in 2009 called *Free: The Future of a Radical Price*. This business strategy is remarkably similar to public broadcasting: the free (usually ad-supported) service attracts all the interested users, who are upsold a membership or subscription with some kind of benefit, or cross-sold a related product or service. This gets rid of the ads, or in public broadcasting would eliminate the fundraising pleas.

But here the strategies diverge: before streaming, public stations gave away their service and were obliged to ask for voluntary support from geographically limited audiences. Online, users can be anywhere, levels of service can be open or limited as matter of design and policy, and those who chose to pay for premium levels of service partially underwrite the cost of providing the free service to the others. (I say partially because NPR and public stations as well as other not-for-profit and commercial media entities often have multiple revenue streams.)

SERVICE MODELS

The post-Internet *service model* issue is that even with its last remaining content monopoly — audio news and information — public radio still does not offer a comprehensive, massively aggregated, tiered online service to end users. What we have instead is an *ad hoc* system which forces users to interact with multiple sites, accept a lower level of service on the air and on less developed station sites, or — for a minority of net-savvy users — allows the public to harvest a chaotic crop of free online services with much more effort.

This is obviously not an optimal experience for users, but the most damaging consequence of the situation is that by failing to offer a comprehensive, integrated, user-focused service online, public media is missing the biggest opportunity since it was created to adapt and secure its future in the digital world.

> *For public radio and all of public media it comes down to how to provide a higher level of user value online, and get back increased financial support*.

Whether this support is voluntary or "priced-in" is a matter of policy and how the public media mission is interpreted. Branding issues, Internet delivery economics, and the the need for personalization all argue that tying higher levels of online service to some kind of national system-level membership is both desirable and necessary; but even if this solution is not adopted, *at the very least the goal should be to increase the percentage of users that support the system financially well beyond the current levels.*

When I describe an aggregated public media service to average end users as "An expanded, personalized one-stop service for all public radio/video/mixed media content — all shows, all episodes, all archives, and all related services, all available to you on every connected device wherever you are" — everyone says the same thing:

"Sure, I would pay for that. It would be worth it."

This is a rough description the BBC *iPlayer* for BBC content. It would also describe a public-facing version of the Public Media Platform that is now being created via the technical device of a "public API" that opens up access public media content for approved partners under a simplified set of licensing rules. Former NPR CEO Vivian Schiller had begun to talk about this in interviews (D|All Things Digital; Wired; Vimeo.com; Nieman Lab).

> *What I am advocating here is a strategy for monetizing this platform long term that is consistent with the realities of 21st century digital networks, cognizant of the long-term needs of public media stakeholders, and not hobbled by business disincentives or funding limitations.*

WHAT USERS WANT

Here we get to the heart of the "user value proposition" for the post-Internet era: to get people to support public media service financially — whether voluntarily or by any kind of fee for service — you must aggregate and package much more value in one place than 20th century stations ever could, while making it almost as easy to use as conventional radio and television.

Instead we have a kind of online chaos in public media. There are hundreds of free live streams and an increasing amount of on-demand content on almost a thousand different web sites, all with different user interfaces and partial or overlapping collections of content. Specific content requires a generic search engine to find. If found, it's often confusing and inconvenient to use. Browsing can be difficult and "discovery" of related content is very limited, when it should be a core design goal of an effective system.

To help, there are embedded recommendations, plus some software tools and directory sites that aggregate links to the many source sites and arrange them in a somewhat more convenient user interface. There's PublicRadioFan.com, a free online link-farm for public radio; there's the Public Radio Player iPhone app, which allows users to hear a selection of national shows and local station streams from around the system. No doubt the PMP will move the ball forward another notch. Isn't that enough?

Perhaps for some. Efforts now underway to centralize national underwriting for buyers and syndicate it to stations may ultimately be able to support these balkanized services remaining free indefinitely. Clearly, this is less than ideal for users; but in my view the biggest problem with the limited service, partially aggregated status quo is that it fails to harvest all the goodwill and financial support possible from public media's users for the benefit of the system as a whole.

> *From the end user's point of view, you want what NPR.org has stopped just short of becoming: a single user interface to all public radio/interactive media content, that knows who you are, greets you like a friend, supports relevant social relationships, knows what you value, and gives it to you when, where and how you like best.*

This is an updated version of the public media "portal" concept that Mark Fuerst and others proposed around 2004. Whatever your position on the merits of the idea, it failed to gain traction in public radio because of opposition by stations, who saw (and continue to see) the growth of NPR.org or any national aggregator as the worst kind of disintermediation: competition from within the family.

THE THEOLOGICAL PROBLEM: MISSION CONFLICT

The most intractable inhibiting prejudice to the creation of any premium fee-for-service plan is what Dennis Haarsager memorably called "the theological problem" — the idea that to be "mission-authentic," *public service content must be free.*

This belief is a kind of purism, a creed that's proving increasingly difficult to adapt to the complex, multivalent world we actually live in. It is the source of "mission conflict" when applied to digital services.

Without a doubt, free service is a core value of public media — as long as you can pay the cost of providing it, and the overall mission of the network and its component entities can be sustained. Ideological advocates of free service tend to overlook the fact that once you get past conventional broadcast delivery, NPR.org and a handful of major station web sites, the level of free service begins to decline rapidly due to funding, personnel and infrastructure limitations. The PMP will help this, but

> *What we really need long-term is a sustainable, independent service that is not vulnerable to political manipulation nor starved for revenue and forced to operate below its potential* — a plausible description of the status quo.

A more subtle kind of tradeoff occurs when substantial amounts of advertising or underwriting are required to support free service: these include revenue shortfalls, some loss of editorial freedom, aesthetic and ideological objections to commercial promotions, and narrowing the difference between public and commercial broadcasters. Public television today increasingly exemplifies these compromises.

STATION IDENTITY IN THE DIGITAL NETWORK ERA

If you accept the premise that aggregated, personalized free *and* paid online services to massive numbers of geographically distributed end users is the natural long-term evolution of the move to digital — how does public media get from here to there? How can the conflicting interests of hundreds of stations and other institutions of widely different size, financial power, community values and cultures be integrated into an expanded, user-focused service model?

Fully developing and integrating public media network assets into a single platform, membership pool and multi-faceted digital service does not mean that stations would become less relevant, less important, or in any way subservient to NPR or the other national networks. *But they will have to evolve:* online, every station web site has the potential to be an entry point to the entire world of public media. This new online benefit of national membership is what stations would be promoting in addition to their local services.

Historically, most NPR stations gained a key part of their identity and relevance from their association with their public radio source networks and national programs, while adding localization and listener interaction to the overall cultural "signal" they send to their communities. This critical set of programming choices and local activities remains under station control in a more integrated system, but can be greatly expanded in *scope, reach, inventory,* and *usage* as broadcast limitations are left behind.

> *If we redefine the station as a "locally-focused public media network node" that retains a transmitter for free local service, it is still 100% responsible for its public personality, programming mix and editorial voice, while its inventory of network content and the reach and "findability" of its own content are greatly expanded through its affiliation with a powerful engine for distribution, delivery and monetization of digital media to and from its network partners and end users.*

As intelligent nodes on the public media network, stations are no longer constrained by the scarcities of broadcasting. They can be part of the NPR/Public Media brand identity AND enjoy a far less limited presence for their own programming.

It's a two-way relationship: the station web site is itself a gateway to the larger network, and the station is also an active node that can create programming, interactive presence, "eyes on the ground" news coverage, social and cultural reporting for the network. This two-way relationship is one of the unique strengths of the federated public radio network, and while we use it today for routine news reporting and special projects, it can be considerably extended to all kinds of digital content.

Vivian Schiller and many others have observed that this powerful combination — a group of strong central content-creation and distribution networks tightly integrated with hundreds of intelligent local nodes working together to optimize service to the end user — is the key asset that public media *should* be leveraging aggressively to secure its rightful place in the digital future.

REDESIGNING THE BUSINESS

All well and good in theory, but today stations and networks are still locked into an increasingly archaic rivalry.

The limiting issues are money and the end-user relationship. Stations battle any attempt to pull listeners away from their brand on-air or online, while NPR and the other content creation networks are constrained in their ability to follow digital network service models to their logical conclusion. As a result,

> *The only effective solution to "who owns the end user?" is the whole system.*

In practice this means that it should not matter if a user's point of interaction with the system OR their membership is at the local or national level, with a content provider, an intermediary, or a distribution network: the membership revenue would be shared between the network and the local nodes via an equitable system that accounts for their respective contributions to acquiring that revenue.

The same concept can be applied to some other sources of system revenue. As members of a revenue-sharing system, stations ultimately could also benefit financially from their share of of underwriting, endowment, global syndication and any other high-level revenues.

I realize these ideas will sound absurd or heretical to traditionalists as they virtually flip established practice on its head. The revenue-sharing policies will take care and time to define. If you are skeptical about this, recall that it took many years and much negotiation for the system to create the business policies and practices that underlie the current public media economy. Clearly a plan like this would have to be phased in intelligently over a number of years.

But consider the downside of the status quo:

> NOT reforming the underlying business relationships will continue to inhibit significant progress online.
>
> NOT creating a truly competitive service online means that revenue, audience share and public service will be eroded as other media entities, unburdened by these restrictions, compete with public media entities online for attention, services, and underwriting/advertising dollars. If this sounds far-fetched in the current climate of slightly rising on-the-air radio listenership, recall that it has already happened to public television on the cable networks.
>
> NOT reforming virtually guarantees that public media will not capture its share of the support dollars of Gen X and Y and other empowered digital natives.
>
> NOT creating an unshackled system will mean that whatever partial or incoherent service mix ultimately emerges out of the current slouch toward digital Bethlehem will be a shadow of what might have been, and a once-in-50-years opportunity to establish a more substantial public revenue base for public media will have been lost.
>
> NOT becoming fully independent of Federal government funding puts the journalistic independence of public media news at risk and threatens the weakest in the system.

REVENUE PROJECTIONS

The plan I've outlined above depends on offering a premium web service via both network and station portals to end users who are willing to pay for unrestricted access with their memberships. Yes, this is "mission heresy," but before you object, let's do the math:

> With only 250,000 new members paying $10/month ($120 per year, $35 a year less than Sirius/XM), the system would pull in almost $30 MILLION in new revenue every year.

With 1,000,000 new national members, revenue rises to $120 MILLION every year.

With 3,000,000 national members at this level, we're into very serious money: $360 MILLION in digital revenue *every year* from this source alone — *exclusive* of national, regional, and locally targeted underwriting, which can be greatly increased in such a system. That's more than the Kroc bequest and far beyond the $100 million or so the public radio system currently receives each year from CPB.

As you can see, the revenue multiplies very quickly due to the recurring nature of the transaction.

For you mission purists: think about the kind of free public services can be offered with this level of funding.

Sirius/XM already has over *20 million* subscribers paying 30% more than this each year. Some public media users say they would be willing to pay more. Does anyone doubt that public media as a whole can do far better when the call is to support the entire system?

CONCLUSION and SUMMARY

The fundamental reason to build a comprehensive aggregated online service is to be able to serve the public better than any of the existing delivery options. In that respect, all these ideas are "mission-positive."

With this kind of service comes the opportunity aggregate sufficient resources to remain competitive with the large players in the burgeoning digital media ecosystem, and to secure new revenue for the entire public media system. But this requires revising the current station-network business relationship to unblock innovation and provide the necessary incentives via a fair revenue-sharing system that benefits networks, stations, content producers and affiliates appropriately.

I celebrate its history and its romance, but we have to leave behind the isolated "radio station" metaphor and its geographically limited, preformatted service-for-some, along with the current chaotic welter of multiple web sites, user interfaces, content and programming, and

To address the native issues of online service models directly via content aggregation and distribution, and a tiered, system-level membership program with real benefits.

To optimize service online we must maintain *user profiles*, and provide users what they want, when and how they want it.

To optimize revenue for the system, we must maintain *user accounts* linked to online payment gateways for episodic and recurring transactions: credit cards, PayPal, Google Checkout, and any newly emerging forms of online transaction processing.

The goal is a comprehensive, tiered public media service that serves the end user the way they like best, on any screen or digital platform, wherever they are. In practice this means a range of interactivity, from passive listening on fully programmed channels, to customized on-demand service, to intensive interaction for high level user requirements.

This *multi-level service model* implies that both traditional stations and the large network portals reconfigure themselves around the end user's needs and preferences, and continue to serve existing broadcast listening habits while fully supporting next-generation patterns of media engagement.

I do not underestimate the difficulty of achieving the kind of changes I call for here. We are now moving constructively toward many of the supporting standards and distribution technologies necessary to deliver it; but without corresponding innovations in the way we do business — both among ourselves and the public — we will never enjoy the full potential of the digital network revolution.

I recognize that station managers in particular have every right to be skeptical of theoretical income projections for unbuilt and untested types of service, and will be reluctant to give up policies that, though limited, uncertain or declining, are still delivering operating revenue for them.

No one can fully answer these objections. I hope I've made the case that the lack of positive revenue associated with public media online operations to date is due to their lack of a unified vision and incoherent, disaggregated, haphazard deployment. Build a service that offers all this and leverages the extraordinary goodwill the system receives from its users, and it will be a very different story.

Much will depend on how and how well the ideas I have presented here are executed and delivered in the form of timely, practical user-facing services. In particular, the many issues surrounding revenue-sharing policies promise to consume every ounce of shared mission commitment and cooperationbefore they are resolved. And a project of this scope and magnitude will still have to be phased in very carefully over a number of years, with transition funding to prevent financial disruption to marginal stakeholders.

Yes, it's daunting and unpredictable, but there is one thing I can say with absolute certainty:
If we don't create these policies, build these services and try them, we will never know.

:: Stephen Hill
Hearts of Space
14 March 2011

My thanks to those who reviewed earlier drafts of this paper and contributed ideas and criticism.
To those who didn't respond and still resist confronting these issues: Please don't wait until we're burning the furniture.
:: SH

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He was the 5th employee of KQED-FM San Francisco in 1971 and has been an independent producer since 1973.
The national program launched in 1983 and is still heard on over 200 public stations. From 1984 to 2001 he was president and producer of the independent record label *Hearts of Space Records*. In 2001 after the arrival of practical Internet streaming, he launched an early subscription-based music streaming service, the *Hearts of Space Archive*, which experience has provided most of the insights in this paper. He blogs at Spatial Relations.