



## EXECUTIVE SUMMARY

# Vermont Public Media Study

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*Public Media Company is a nonprofit consulting service that was created 19 years ago to help public media stations grow their impact and sustainability. For more information, please visit [publicmedia.co](https://publicmedia.co)*

## INTRODUCTION

**Vermont is a state with a rich history, a vibrant culture, and a tightly knit community that cares deeply about service to others.** As members of this community, the leaders of Vermont PBS and Vermont Public Radio undertook bold conversations to research and discuss the benefit of joining together the two formidable public media institutions in the state. The goal was to study whether unifying these two organizations would increase the service that is offered to all of Vermonters and people throughout the region at a time when strong, stable local media is on the decline across the country.

This document is an overview of considerations that led to the decision to create a unified organization that encompasses the strong history and record of service of both Vermont PBS and Vermont Public Radio.

## MEDIA ENVIRONMENT

The media world has changed dramatically in recent years, leading to significant disruption across the industry. These changes have benefited many, including consumers and large technology companies,<sup>1</sup> but there have also been numerous casualties. Journalism and newspapers have been especially hard hit: U.S. newsroom employment has dropped by 23% since 2008, a number that jumps to 51% at newspapers,<sup>2</sup> and nearly 2,100 local newspapers have stopped publishing since 2004, including more than 500 rural papers.<sup>3</sup> Public trust in media and institutions has deteriorated. The ability to personally control what, how, when, and where we engage with content has led to the creation of echo chambers, growing division across the country, and an increased need for trusted voices.

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<sup>1</sup> The 5 largest companies in the world are all technology firms that have a significant presence in media. Apple, Microsoft, Amazon, Alphabet and Facebook combined have a market capitalization of nearly \$7 trillion (08.03.20)

<sup>2</sup> <https://www.usnewsdeserts.com/reports/news-deserts-and-ghost-newspapers-will-local-news-survive/the-news-landscape-in-2020-transformed-and-diminished/vanishing-newspapers/>

<sup>3</sup> <https://www.pewresearch.org/fact-tank/2020/04/20/u-s-newsroom-employment-has-dropped-by-a-quarter-since-2008/>



### **Digital and social media have forever changed content creation and**

**consumption.** As of April 2020, over 30 million podcast episodes have been created worldwide and 37% of Americans listen to podcasts each month.<sup>4</sup> The

distinction between audio and video is also blurring (YouTube accounts for 47% of global music streams<sup>5</sup> – more than all other music services combined) and the way video is consumed is constantly shifting. Eighty-five percent of Americans watch online videos every month<sup>6</sup> and new streaming services are continuously launching (Peacock, HBO Max, Quibi, Disney+, and AppleTV+ have all launched within the past year), leading millions of households to cut the cable cord<sup>7</sup> – a trend that has accelerated during the COVID-19 pandemic.



### **Traditional media distribution and engagement remains highly relevant.**

The number of broadcast television homes grew by 50% between 2010 and 2018<sup>8</sup> and will likely continue to grow as more households cut cable and opt instead for streaming services and over-the-air broadcasts. In addition, 92% of U.S. adults tune in to broadcast radio each week<sup>9</sup> – a platform that provides easy access, privacy, and free use. The overall time spent with radio and live TV is declining slightly but both still account for a significant proportion of the 11.5 hours a day that Americans spend connected to media.<sup>10</sup>

## WHAT THIS MEANS FOR VERMONT PBS AND VERMONT PUBLIC RADIO

The increased growth in digital consumption places great demands on media organizations to rethink and reinvest in their distribution and engagement strategies to meet both traditional audiences and rapacious digital consumers. This requires considerable resources. To be

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<sup>4</sup> <https://www.podcastinsights.com/podcast-statistics/>

<sup>5</sup> <https://mashable.com/article/youtube-47-percent-of-on-demand-music-streaming/>

<sup>6</sup> <https://rocketium.com/academy/75-video-marketing-statistics-2019/>

<sup>7</sup> According to Variety, pay TV subscribers have gone from a peak of 105 million subscribers in 2010 to 82.9 million today (forecast to dip to 72.7 million by 2023)

<sup>8</sup> <https://techcrunch.com/2019/01/15/nielsen-16m-u-s-homes-now-get-tv-over-the-air-a-48-increase-over-past-8-years/>

<sup>9</sup> <https://www.nielsen.com/wp-content/uploads/sites/3/2019/06/audio-today-2019.pdf>

<sup>10</sup> In 2019, 63% of television viewing in the U.S. came from live TV and just 16% from subscription services like Netflix: <https://www.nexttv.com/news/linear-generated-63-of-tv-viewing-in-2019>

successful, organizations need highly skilled people across a range of areas, as well as employees steeped in digital content development. It also requires the financial capacity to invest in both traditional media operations while creating new systems for digital users on an ongoing basis. Organizations also need to have the capacity and capability to adapt and survive in the face of change, as exemplified by the complexity of operating and meeting community needs during a global pandemic.

It is challenging to be a small player in such an environment, including in public media. The past decade has seen a significant shift in the fortunes of public radio and television stations, with larger stations leveraging their financial size to gain ground in this new media era. Larger public media stations have more resources to invest in new content and revenue-generating systems like digital fundraising. As a result, the revenue of large public media stations has grown by 61% since 2008 but small station revenue has declined by 28% over the same period.<sup>11</sup> This dynamic is forecast to continue in future years and will create great pressures on the sustainability of many public radio and television stations, especially those stations serving rural communities and areas with lower household incomes.

## PUBLIC MEDIA IN VERMONT

**Public media in Vermont is loved, supported, impactful, financially healthy, and well-positioned for the immediate future.** Vermont PBS and Vermont Public Radio are in many ways flagship stations of the PBS and NPR systems and command the respect and admiration of leaders across public media. Yet maintaining and growing the stations' impact in the longer term will be challenging. Vermont is a rural state with a small and declining population that is spread across a broad, mountainous geographic area that requires an extensive and expensive broadcast network to serve.

There are also opportunities for growth and greater service to the community, particularly in digital news and programs. As reported by Pew Research, radio is not the primary pathway to news for most people (44% of people never or hardly ever get their news from radio<sup>12</sup>) and nationwide, the overall public radio audience is less diverse than the population it serves. Vermont's public media providers also have a relatively small digital presence relative to other

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<sup>11</sup> <https://www.publicmedia.co/public-radio-overtakes-public-tv/>

<sup>12</sup> Pew Research on Pathway to News <https://www.journalism.org/2016/07/07/pathways-to-news/>

local peers. Vermont Public Radio attracts approximately 395k visitors a month to its website compared with 958k for VTDigger.org and 1.57 million visitors a month for WCAX (the local CBS affiliate).<sup>13</sup> Vermont PBS has a smaller web presence than all three organizations mentioned above. Both Vermont PBS and Vermont Public Radio also face competition in their home market from national content distribution channels, even from friendly providers such as NPR and PBS. This includes the August 2020 launch of the PBS Documentaries Channel on Amazon Prime Video as well as national podcasts from NPR, which Vermonters can access without ever going through Vermont PBS or Vermont Public Radio.

## EXPANDING SERVICES TO VERMONT RESIDENTS

To address the challenge of being sustainable, relevant, and impactful in a changing media landscape, many local public media organizations have pursued mergers, acquisitions, and other partnerships in recent years. The blending of radio, television, and digital enterprises has proved a successful model from a service and financial perspective in many parts of the country. This led the leaders of Vermont's public stations to analyze the potential of becoming a united, more impactful institution serving local news, arts and culture to Vermont. Collectively, could a combined organization provide even more value to Vermont residents, result in greater financial capacity to invest in content and services, and be more engaging and creative places to work? **Vermont PBS and Vermont Public Radio leaders believe that a unification of the two institutions will lead to these outcomes:**

- > Increased investment in local reporting, as well as educational and cultural programming
- > Expanded service offerings across all platforms — audio, video, digital and live events
- > New audience growth through cross-promotion of content across channels
- > Greater reach and impact for partners and funders
- > New professional opportunities and multimedia experience for staff
- > A financially stronger, more efficient, and more resilient organization

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<sup>13</sup> Total visits in June 2020 (www.SimilarWeb.com)

In the course of our analysis, it became readily apparent that Vermont PBS and Vermont Public Radio are already well-aligned. Both stations have similar visions and missions and are committed to serving all of Vermont. Their geographic alignment only reinforces the logic of coming together, but it also helps that volunteer and staff leaders of both organizations believe in the value provided by both Vermont PBS and Vermont Public Radio. The two organizations have demonstrated a productive working relationship over several years. Finally, both stations are fiscally strong and sustainable, and recognized as leaders among PBS and NPR member stations.

**Vermont PBS and Vermont Public Radio have complementary strengths that will help create new opportunities for growth:**

- > Vermont PBS has a broader audience demographic (including more households with children, and broadcast-only households) and more reach into Canada
- > Vermont Public Radio has a larger and more loyal audience and greater expertise in fundraising
- > Vermont Public Radio is a leader in news and journalism
- > Vermont PBS strengths are in kids/education, arts/culture, and documentary storytelling
- > Vermont PBS has a stronger balance sheet; Vermont Public Radio has stronger annual revenue
- > Each station has different skill sets (e.g. audio and video production) and a variety of different perspectives and experiences to offer the other
- > Each station has strong reputations and relationships at the local and national level, including NPR, PBS, and public media stations in New England and beyond

The stations have had consistent connections throughout their histories. The stations are located near one another; are united by individuals who have worked at both stations or have served on both boards; and have a number of common funders. Vermont PBS and Vermont Public Radio have worked together on special projects, including *This Land: The Changing Story Of Rural Vermont*.

These are all compelling reasons to believe that a more formal collaboration is a good thing for the people of Vermont, but collaborations also have their challenges.

A unified organization should anticipate that merging cultures, leadership, and folding in multimedia aspirations will cause stress on individuals and teams within the two stations. Both of the boards of Vermont PBS and Vermont Public Radio have incorporated a healthy amount of time in between the announcement of the intention to unite and the actual integration to assist in the planning necessary to make sure the combined organization is positioned to succeed.

**Change is inevitable when bringing two organizations together and, although development can be energizing and empowering, many will feel unsettled by an uncertain future.** People will want answers to questions but, especially early in the process, those answers may not always be available. Open and honest communication during this transition is essential.

## THE FINANCIAL CASE FOR BECOMING A COMBINED ORGANIZATION

The leaders of both Vermont public media organizations wanted to ensure that this alliance would work financially. They believed that unification between Vermont PBS and Vermont Public Radio is only viable if the combined organization results in a more robust and sustainable future as compared to continued independence. To help objectively assess the individual and collective strengths of each organization, we undertook the following:

- > Mapped each station's broadcast coverage and the demographics of the people served
- > Conducted detailed analysis of each station's financials, including their audited financial statements (balance sheet, income statement, cash flow statement) and internal budgets and forecasts
- > Compared the performance of each station individually and collectively versus public media peers, including on a per capita basis, using Annual Financial Report (AFR) data collected by the Corporation for Public Broadcasting (CPB)

The results of the modeling indicated that Vermont PBS and Vermont Public Radio would be financially stronger together than apart – from a revenue, expenses, and investment balance perspective.

## STEPS TO FORM NEW ORGANIZATION

The results of the research and analysis were shared with the boards of both Vermont PBS and Vermont Public Radio during in-person and virtual meetings throughout the first half of 2020. The board discussions culminated in a unanimous vote of both boards to move toward a more formal agreement to unify the two organizations, which included conducting due diligence; discussing and documenting new governance structures; and adopting a shared mission and vision for the combined organization.

With the approval of both boards, a new nonprofit called “Vermont Public” will be formed and an application to transfer all Vermont PBS and Vermont Public Radio broadcast licenses to the new organization will be submitted to the FCC for approval. It is currently anticipated that the transition to “Vermont Public” will be completed by or before July 2021. This date will provide time for FCC approval and for the staff of Vermont PBS and Vermont Public Radio to work together to plan the structure and working relationships needed for the new organization.

## CONCLUSION

Many hours of research and thoughtful reflection have gone into reaching this decision to create Vermont Public and many more hours of discussion will be needed for Vermont PBS and Vermont Public Radio to blend their cultures, governance practices, and day-to-day operations into a unified organization. While much will need to change to achieve full integration between these two venerable organizations, the decision to unite is bold, selfless, and without doubt, the more difficult path to pursue than staying with the status quo. All this has been undertaken with the highest and noblest goal – to take the essence of public media and share it more broadly within the Vermont community at a time when the need has never been greater. We commend all involved and offer our support as the stations embark on a transformation that will be a model for public media across the U.S.