

5mbs – Business Model review – July 2018

Part 1. Purpose

The key reasons for this review are:

- Flatlining of the Membership model coupled with the ageing of our membership base. This is a widespread issue, in particular in The Not For Profit community,
- Ongoing inability of our volunteer-based model to meet operating needs,
- Increasing need for significant investment in the infrastructure of the station,
- Emerging market trends, and, in particular rapidly changing consumer preferences in accessing entertainment, and our ability, or not, to meet them.

The current model has seen income stagnate over the past 10 years or so. Income is also low with little or no capacity to grow significantly over the medium term. Expenditure has been primarily on a “must have to survive” basis. As a business model this is a short term solution at best, and does not allow us to meet the challenges of a changing market and/or the need for any significant future investments in plant and equipment.

Problems that arise in this scenario include:

- Lack of expertise in filling key management and operating positions at the station. Essential tasks are falling to too few people (and often the same few) or are not being done at all or on a haphazard or intermittent basis. (e.g. Fundraising). This is despite consistent efforts to recruit and encourage volunteers to step up. It is of little consolation that we are aware of similar problems at another Community station in Adelaide.
- What might be termed “a survival approach” ignores the difference between expenditures that can be termed expenses and investments. We are excellent at “surviving” and getting by “on the smell of an oily rag” but, have been slow to adapt to or adopt significant improvements in technology and software and listener trends and needs.
- Our lack of investment in our “brand” and marketing, and the failure to address the Membership model, has contributed to a narrow membership and listener base, even allowing for the music styles we broadcast. We

also have a strong need to reach and engage the wider community as well as to convert existing listeners to members.

The luxury of having \$130,000 in the bank is about to pass. The transmitter move is likely to cost between \$50,000 and \$80,000 only some of which may be covered by Grants. In addition, we need from between \$10,000 and \$20,000 a year just to update our ageing equipment with little or no provision or ability for any significant upgrades. Any fall in membership or Donation income will leave us vulnerable, as we have no other significant income stream if one or both of these fall.

As we mention in the body of the report (1.), we expect that our Power bill will rise by about \$15,000 per annum under any of the options being considered in relocating our main transmitter. Our current income will not cover this increase.

Failure to address these, and associated issues, may well result in our station being unable to meet daily requirements of getting music to air as well as replacing ageing infrastructure.

It is also instructive that many of the external people, consulted during this review process, expressed the view that our station occupies a unique position in being the prime supply of music to a range of niche markets. They were enthusiastic about the opportunities that this presents and endorsed our review and strongly supported the thrust of our findings.

The Board agrees fully with these sentiments.

The Board also acknowledges that our volunteers and members need to support these initiatives if we are to succeed in the future as a viable source of music to the Adelaide community.

Action List Summary:

1. Develop and implement a plan to attract sponsorship income to 5mbs.
2. Develop and implement a plan to address the current lack of management resources to adequately attend to the day to day operation of the Station.
3. Review the current level of “engagement” with our listeners and community with a view to improving this relationship and its attendant benefits for members.

4. Investigate the opportunities for investing in a Customer Relationship Model system to improve communications with members.
5. Invest in a branding and marketing plan.
6. Investigate the impacts of new technologies on radio listening habits and our audience views and habits on these trends.
7. Invest in presenter training to enhance this audience “engagement” and also to boost the confidence and enjoyment of the presenters themselves.

Part 2. The Review Process

The review process authorised by the Board consisted of:

- 2 lengthy panel sessions with a variety of well credentialed people with senior experience in some or many of radio, music and arts management, branding, social media, advertising, business consulting and IT. (see Appendix B)
- Dave Anthony has also conducted a number of one on one meetings, (some with Sam Tolley), with similarly experienced people on specific issues and/or general discussions on our radio station business model.
- Dave Anthony has compiled this report initially for the Board. The Board will then determine the next stage which is to circulate the report and ask for comment which may include a meeting of members.
- Ultimately the Board will agree on the issues to be addressed and set priorities and a timetable for each project, together with an implementation plan.

The Board is keen to advance in a way that encourages the support of and provides benefits to our volunteers and members. It intends to do this by:

- Maintaining open and accessible communication,
- Ensuring opportunities for volunteer and member contributions,
- Professional supervision of the process of change
- Due attention to risk management of the financial and non-financial elements,
- Overall good governance that is open and transparent.

Part 3. Key Findings for Discussion

Purpose:

Delivering the best classical and jazz music to Adelaide

Vision 2020:

To be the heart of a community of lovers of classical and jazz music

Key Success Factors (i.e. how to achieve this vision):

To develop a business model that enhances our financial viability in the future and supports the “community” aspects of our station.

1. The Membership and Donation Model and Alternative Models

The current business model is heavily reliant on Membership subscriptions and Donations – to the tune of some 70% of our income. (see Appendix C)

This is unlikely to be a sustainable model in the medium to longer term due to our ageing membership base and that younger people are less likely to join. This is not a problem confined to Community Radio stations – it is a widespread and acknowledged problem in many areas and in the Not for Profit sector in particular. In addition, for many prospective members, and Volunteers there is a perceived (and maybe a real) lack of value in paying to join.

You will also no doubt be aware that we are currently negotiating to move our main transmitter to a better site. The good news is that those negotiations are progressing quite well. We still have a way to go but we are making progress. The bad news from this is that our annual Power bill is likely to be around \$15,000 higher than at present. We currently do not produce enough income to cover this increase. If we do nothing to improve our revenue then we will need to dip into our reserves each year just to keep going. This is not a sustainable proposition.

Action:

Sister stations 3mbs and 4mbs have approximately 4,500 and 1,800 members respectively. Given that our population coverage is approximately 700,000 and 3mbs is about 4.5 million and 4mbs is about 2.4 million, our membership number of approx. 750 is roughly pro rata equivalent to theirs.

The percentages of income for each of these stations that come from Memberships and Donations are well below 50%. Both stations have developed significant income streams from Sponsorships (i.e. paid advertising) and Fundraising events.

Initial investigations in this area suggest that 5mbs could earn a modest income from targeted businesses that reflect our current audience profile. Minimum investment would be needed to achieve a start in this area.

If we are to be serious about this however, we will need to consider paying for some services that are currently (or soon to be) neglected or in distress:

- Station Manager
- Fundraising Manager
- Selling sponsorships
- Technical backup/ management
- Presenter training

In discussions with the managers of 3mbs and 4mbs, they both agreed that the paid staff ensured that key operations happened efficiently and effectively. It is, in part, the increasing need for an in depth understanding of current skills, practices and developments that have caused them to move into hiring more paid staff and contractors. They both had significant numbers of volunteers who assisted these paid staff across all areas.

Both managers stressed that both of these groups are vital to their station and that cooperation between them is fundamental to their station's success and continued viability to operate.

In Summary:

- a.) Investigate the viability of some paid sponsorships in the short term and a longer term plan of more sponsorships across more programs.
- b.) Carry out a Due Diligence review of the need and viability of some paid positions or contractors to carry out particular key management tasks within the station.

The Board considers this action to be of the highest priority.

2. How do we better engage with our listeners?

Both 4mbs and 3mbs have this as a primary focus of their business models and work hard at including everyone in achieving this.

We do some of this but, perhaps, not in an organised and inclusive or focused way. So – what is it that we currently do and what is it that we can do better or start doing?

Actions:

(a.) Develop a more structured and focused schedule of listener and community engagement activities (i.e. Elder Conservatorium, schools, clubs and societies). Note: 3mbs run competitions in some programs that prove very popular.

Further develop a range of live concerts (including involving some of the above groups) and “special” members only events. This may also enhance the “value” of memberships which is a key issue that must be addressed.

Comment on the Membership model – it became apparent during discussions that the Membership model is more than a revenue stream. It enhances and consolidates the “community” feel of the station. This was very evident in discussions with the managers of 4mbs and 3mbs and Board and ex Board members of Three D radio in Adelaide.

Engagement of students could also include offering them on air time to perform and/or present programs (or part thereof).

This could also assist in capturing a younger audience (possibly the parents of the students as well as perhaps the students themselves).

(b) Software investment

Our current system lacks the ability to selectively contact specific interest groups. So, for example, if we have access to a specific event or style of music, we are unable to selectively invite those whose preferences may lie in that area. To manage this, we will need to invest in a CRM system (Customer Relationship Model). We will also need to revise our information collection system. And, yes, you can express an interest in more than one style or genre of music.

Both 3mbs and 4mbs use such a system to their and their members' benefit.

(e.g. "High Rise" CRM)

Action:

Investigate the range of CRM packages that are available and suitable for the station's needs and develop an implementation plan for the introduction of this system.

3. Invest in a branding and marketing plan

This is an interesting and often difficult area to deal with. The principal question is - does 5mbs have an attractive brand?

So – what is a “brand”?

A brand isn't just a recognisable name and logo that distinguishes us in a crowded market. The station's brand is how people perceive it wherever they interact with the station – both the impressions we as the station custodians can control and those we can't.

This critical issue received little attention over the years. In part this occurred perhaps because our Marketing team is under resourced and often occupied with our day to day issues and maintaining the few (usually music related) sponsorships that we have. They are also involved in the Fundraising team (which currently does not actually exist) which is not really part of their

function at all. We should also recognise our ongoing reluctance to outlay money to bring in outside expertise. Back to expense v investment.

“If our band is not attractive it will make it significantly harder for other businesses to want to align with our brand. Ultimately it will compromise their willingness to give us money to represent them (i.e. by sponsorships)”

(<https://www.theradioresource.com/before-you-get-started-with-radio-sales/>)

By Nathaniel Garvin & Jenny Baxter Sept 2017, Community Radio Sales

A non-exhaustive list of areas that might be incorporated in a review of the station’s brand is contained at Appendix A.

Action:

Invest in a branding and marketing plan which is likely to include some paid external resources to ensure a robust and comprehensive analysis and implementation of the results. This will include surveys of our audience as well as utilising the services of external consultants.

4. Emerging Trends – Fear or Opportunity?

How people access their entertainment is changing rapidly. A whole generation now accesses much of their entertainment via their mobile phone. As this process becomes easier and cheaper and more pervasive, it is likely older generations will follow this trend. Some are already there.

In the home streaming of music is now easily accessed by numerous means, more recently by “smart speakers” such as Amazon Echo Dot. Recent research suggests that in 2018, some 60 million units of this type of device will be sold.

This research also indicates that a substantial number of users of these speakers will also use them to listen to radio. In fact, whilst radio listeners have dropped some 8% in recent times, much of that loss has been made up with “on-line” listening increases. (<https://mediaweek.com.au/zenith-media-consumtion-forecast-2018/>)

We can ignore all of this at our peril.

Action:

“So, what keeps people listening to radio? – I think it is community, being part of a tribe. We all need that. Radio is voices in your head, so it’s really personal.” (Sam Tolley quoting Myf Warhurst at our Panel Sessions)

1. Investigate the impacts of new technologies on radio listening habits and our audience views and habits.

Note: ThreeD Radio here in Adelaide has just released an App (itunes and Google) that allows listeners to access all programs online at any time. Programs rotate on a 4 weekly basis – so are available for 4 weeks after broadcast. We can discuss this innovation with the developer who has an association with Three D Radio.

2. In addition to improving how we “engage with our audience” as outlined in 2. above, our presenters and their skills at presenting and designing program content are another key component in attracting and retaining our audience.

We will benefit significantly by investing in presenter training to enhance this audience “engagement” and, also to boost the confidence and enjoyment of the presenters themselves.

Appendix A – Non-exhaustive “Branding” issues to review

- Research target audience
- Identify audience needs and preferences
- “brand voice” that connects
- Logo
- Signage
- Website
- Social media including (say) Facebook advertising
- Qualities and benefits of our brand
- How to build longer term relationships with our audience?
- Brand message and “elevator pitch”
- Review “5mbs” – maybe make better use of 99.9FM as the tag line?

Appendix B

Those who generously gave us their time and expertise:

Session Panels:

Sean O'Brien (CEO Channel9 ex Nova FM GM)

Troy Sincock (ex Gen Mgr Fresh FM Adelaide)

Simone Douglas (CEO Social Media AOK/Board Fresh FM)

Neil Ward (Consultant Arts Publicity)

Andrew Macdonald (Marketing/Financial Services/music lover)

Tim Waterhouse (Consultant esp. in music and arts)

Tony Francis (Advertising/music lover)

Wayne Burgan (Branding/Marketing/IT/music lover)

Andrew Russo (PKF Consulting – Facilitator)

Sam Tolley (President 5mbs)

Denis Wall (Manager 5mbs)

One on One Discussions:

Gail Southwell (Manager 3mbs)

Stephen Pyk (Manager Fundraising 3mbs)

Gary Thorpe (Manager 4mbs)

Jade O'Donohue (Board ThreeD Radio Adelaide)

Michael Talbot (ex Board/presenter ThreeD Radio)

Tony Easton (ex Board/ ThreeD Radio legend)

Keith Conlon (Radio legend)

Jane McFarlane (CEO Helpmann Academy Adelaide)

Claire Baker (Board Capri Cinema/Theatre Organ Society)

Karen Marsh (Music Development Office SA)

Bec Bates (Music Development Office SA)

Elizabeth Reid (Music Development Office SA)

Maz McGann (Consultant to 3 D Radio Bus Model Review)

Appendix C

5mbs – Incomes from Memberships and Donations

Membership Income:

2014	2015	2016	2017	2018
\$41,791	41,641	44,666	38,791	38,425

Donations:

2014	2015	2016	2017	2018
\$23,301	23,802	29,866	34,821	44,332*

Gross Income**:

\$94,335	99,023	103,299	111,422	116,331
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Note: *2 donors contribute this increase over 2017 figures.

** excludes Grants

*** We are fortunate to have current reserves of about \$130,000, however we can also expect that a significant amount of this will be allocated to the cost of re-locating our transmitter (presently unknown but it may be in the range of \$50,000 to \$80,000 with some relief from grants).