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# Mapping the Money in Public Media

## By Diane Mermigas, Editor at Large, MediaPost

Public media's opportunities exceed its challenges. Digital interactivity is tailor-made for public media projects that incorporate grassroots creativity, deep-dive examinations of complex issues, and connections to civic activism. Participatory tools and platforms give public media makers the means to secure their own financial futures. For many startups, it is an arduous task creating new paradigms. For legacy media organizations with deeply rooted infrastructure and entrenched, decaying business models, the hurdles to transformation are formidable. However, digital disruption can be harnessed by both as a creative and economic force to redefine the connections of public media projects to their core constituents, including content producers, sponsors and consumers.

The challenge to developing effective and feasible funding is not unlike the charge described in 1967 by President Lyndon Johnson upon signing the Public Broadcasting Act: "We must consider new ways to build a great network for knowledge—not just a broadcast system, but one that employs every means of sending and storing information that the individual can use." There is every reason to believe public media's mission will be consistent with and supported by the Web, at least according to its inventor, Sir Tim Berners-Lee. Emerging social networks, as well as new systems of review and rule "will produce new ways of working together effectively and fairly, which we can use globally to manage ourselves as a planet."

This is an overview of some emerging business models as they might apply to public media operations, and especially to public broadcasters.

## The Interactive, User-Centric Future

The emergent digital environment is built upon interactivity, which thrives on proactive relationships and transactions. This ubiquity makes it difficult to distinguish business models as purely commercial or noncommercial. In fact, public broadcasting, already operates in a commercial environment while relying on government funding for only about 15 percent of revenue.

Public broadcasting in particular faces some unique challenges, because of legal restrictions on commercialization and management of its long-term investments in distribution and broadcast technologies that will soon be obsolete. Still, public broadcasters, with enterprise and determination, can monetize their unique products, services and information by developing new interactive ties to their closely aligned affinity groups and audiences, and learning from those users' choices.

Business models are changing dramatically to reflect the sea change in participatory media creation. Transactions always will be the end-game for advertisers and sponsors. Interactivity, the great equalizer, has made media all about connections, not commercials.

Emerging user-centric business models for all media will rely on affinity scales, which allow users to set the price they are willing to pay for content based on intrinsic personal value. Once the tools are developed to facilitate and qualify voluntary user donations, they will supplement old styles of paid membership. Doc Searls, a widely read blogger, fellow at Harvard's Berkman Center for Internet and Society, and a senior editor for the *Linux Journal*, dubs this approach "Vendor Relationship Management" (VRM), a system of financial sustainability he is exploring at the Berkman Center. This is the interactive antithesis to Customer Relationship Management, the piecemeal attempt to create pre-priced experiences, products and services for customers on traditional media platforms.

The availability of freely generated, permission-based user profile data will provide new insight into consumer behaviors driving the "intention economy"—a term coined by Searls to describe open markets driven by "buyers finding sellers, not sellers finding (or capturing) buyers." Companies will no longer have to create or measure demand as much as they will need to effectively tap into it, especially as they pursue the estimated $150 billion opportunity in home-centered connections between users, content, services and merchants that will emerge over the next five years over various platforms and devices. As News Corp. Chairman and CEO Rupert Murdoch recently observed, "Technology is changing the accepted ways of doing business…Unlike traditional media, choices in the future will be generated from the bottom up, not top-down."

This can all be good news for traditional public media, just as it is for the budding experiments in participatory public media. As explained by MIT professor and blogger Henry Jenkins, interactivity can create a sense of civic engagement, strengthen social ties to physical and virtual communities, and reinforce democratic values. "We need to think about all of the mechanisms that generate that 'structure of feeling,' of belonging to a community and working together to insure its long term viability," Jenkins writes. Members of various publics are using interactive media to learn, debate and mobilize around mutual interests. To the extent that public media projects embrace these opportunities, they become "truly conversational and participatory," Searls contends.

New interactive revenue-generating options can help to offset the loss of traditional funding. (Corporate underwriting has declined by nearly half for core series such as "News Hour," "Masterpiece Theater" and "Nova."). Redrafting alliances between programmers, advertisers and customers will allow for the unique integration and extension of content, communication, commerce and community. This will be more revolution than evolution; more reinvention than adaptation.

It will also require the development of new metrics to measure and qualify reach and engagement. In its 2008 online video report, Avenue A/ Razorfish, a global interactive agency and operating unit of Microsoft's aQuantive, recommends a process for developing user-centric engagement. Companies must determine key visitor segments on their site; identify tasks they seek to perform and those they want them to perform; implement a per-segment metric that connects desired behaviors with relevant areas of interest; validate the metrics; continue to evaluate and then adjust engagement metrics. All the usual suspects—from Nielsen Media to Microsoft and Google—are developing measurement metrics.

Forrester Research predicts users will be assigned a personal CPM (the cost per thousand unit pricing for advertising) according to their assigned social value—their connections, endorsement expertise, specialized activities and networks, and demographics. Marketers will pay to reach and leverage these valuable connections in forms other than buying conventional advertising time or placement.

While marketers are mining data in order to sell dog-owners dog food, public media can use many of the new techniques to connect consumers to producers of the goods and services they want, and to other people who care about the same things they do. Public media can build community where commercial media manipulates consumers. As such, digital interactivity can be a catalyst to reshape public broadcasting, create new forms of public media and develop new methods for sustainable funding.

## A Sampling of Models

### Monetizing user engagement and action

The goal of many public media makers to initiate positive social change can morph into a powerful form of e-activism in the digital world, and that can be monetized. The promise of local public access and community television, cable-access centers, DBS set-aside channels, low-power radio stations, media arts organizations and museums—to inform, engage and empower communities of interest and the public at large—can all come closer to being realized on interactive platforms.

Kevin Kelly, *Wired* co-founder and author of The Technium blog, describes eight original "generatives"—qualities that bind users to content in the new interactive universe:

> **immediacy, personalization, interpretation, authenticity, accessibility, embodiment, patronage, and findability.**

Applying these generatives to the creation of public media projects can create rich relationships with motivated users that will invariably involve commerce. Interactive commerce drives the new media money machine, and both smart companies and nonprofit organizations will find ways to tap into it. The top 10 Internet companies' collective $42 billion revenues are the result of 61 percent commerce, 36 percent advertising and 3 percent user payments.

Social and civic advocacy campaigns work hand-in-hand with fundraising. The Web is exploding with platforms that raise awareness and funds for non-profits. The Facebook-only application "Causes" promotes viral donations of time and money. It already has more than 12 million users supporting more than 80,000 non-profit organizations after launching only a year ago. Founders Fund's Sean Parker (who has helped found Facebook, Napster and Plaxo) is dedicated to find ways to use viral elements to encourage activism and altruism. Strategically connecting public media content to public mobilization tools can enhance the effectiveness and value of both.

### Monetizing user-determined value

Users name their price on eBay and Priceline; advertisers bid what they want for Google-auctioned

placement. Users are the user-centric media world's ultimate filter. The $19 billion revenues generated from the mobile Internet offer a glimpse of what users deem valuable: more than one-third (35 percent) of what they paid for has some personal element, 16 percent involves search, 10 percent is enterprise services, 24 percent is other information and entertainment, 4 percent is music and video, 10 percent is games and 1 percent is gambling.

The music world also provides recent examples of users setting their own price. Nearly 40 percent of visitors to the Radiohead website have opted to pay at least a few dollars for free downloading of the group's latest *In Rainbows* album. The revenues generated could generate more profits for the band than traditional recording distribution. Nine Inch Nails released its album *Ghosts I-IV* online with free as well as premium-priced downloads. It generated more than 800,000 transactions and $1.6 million sales in the first week.

The message: users will pay according to personal relevance, a concept that is directly in line with public media's pro-social content. Embellishing content with targeted information, products and services and user recommendations creates additional value.

The VRM Project at Harvard's Berkman Center is built on the notion that free interactive markets fundamentally are user-directed. Platforms provide a mechanism for users to "relate" to media—such as a "relbutton," or relationship button, facilitating a "buy." Users also access, store and transfer data and content onto their interactive devices. In both cases, users provide identifying information using a standard, open mechanism that can include insights into their preferences, social contacts and personal demographics. This personal data is stored and controlled by the user, and is provided when they are willing to pay for or subsidize goods and services. Qualified donations might look like, "I am giving you $10 only if you are able to raise $1,000 from other donors" or "I am giving you $10 towards future production only," Searls explains.

## Monetizing interactive sponsors, underwriters and investors

How can public media makers effectively monetize interactive connections between companies and their target users or publics? It helps to have a powerful brand. Public Broadcasting's cachet continues to be a driver. After a four-year absence, Exxon Mobile recently returned as a sponsor of "Nightly Business Report" and "Nova," possibly to improve the company's standing with users angry about the meteoric price of oil. It also helps to have a cause. For instance, Brave New Films raises millions to support activist films such as *Wal-Mart: The High Cost of Low Price*, in conjunction with the Internet activist web site MoveOn.org.

Venture capital is currently stalled, and could be lured into investments with civic and social missions, already evident in the green movement. An estimated $3.5 trillion of available investment funds are on the sidelines in the United States—as much as $40 trillion worldwide—as a result of the credit crunch, more cautious lending and economic turmoil. The Nonprofit Finance Fund (NFF) has lent more than $160 million and leveraged $1 billion of capital investment on behalf of its nonprofit clients. Beyond direct lending, in partnership with others, NFF has generated $16 million for nonprofits for building reserves, cash reserves and endowments through its multi-year asset-building product.

## Monetizing social connections

Influential social applications and networks can be developed around niche content to drive a continuous loop of relevant links and communications. Forrester researchers Charlene Li and Josh Bernoff suggest creating social "technographic" profiles to better understand and cater to the ways users participate online: as creators, critics, collectors, joiners, spectators and "inactives." Building and maintaining permission-based data profiles of users will be instrumental in creating specialized content as well as attracting funds. Such

tools are also powerful platforms for creating and mobilizing publics around shared concerns, and can become vehicles for contributions, donations and payment for services and goods that facilitate the mission.

Social Graphs are among the many tools available to track and analyze changes in user behavior and interests, whether using social media resources such as Ning or piggybacking on existing platforms such as Twitter and Facebook. The goal is to design value-added interactive social applications around content that can be integrated into existing activities, and thus reinforce loyalty and willingness to contribute to the provider. The six "Cs" of social influence marketing (according to Emerging Media, *The State of Search Marketing*) can be leveraged to build interactive communities around content by tapping anything in the digital toolkit—from widgets and blogs to remixed video and avatars. They are **content, customization, community, conversation, commerce and commitment**—all of which have special meaning and application within the realm of public media's civic mission.

## Monetizing local connections

Reaching into local communities to build local connections plays to public media's heart and soul. Digital tools help do that, as experiments in public broadcasting have shown. Ken Burns' WWII documentary, *The War*, has inspired a continuing showcase of local residents' personal war stories and a virtual "Living in St. Louis" album of 6-minute online videos. San Diego's public station, KPBS, effectively used Google Maps on its web site to inform residents about regional California wildfires. Minnesota Public Radio's Public Insight Journalism project is a deep database of volunteer experts, who are tapped for expertise and can also submit story ideas. WFPL reaches out to its community in new ways, operating live from a designated Twitter site with rolling news feeds, interaction with Louisville, Ky. users, and features like "Budget Hero," an American Public Media online game that allows users to determine how the federal budget will be raised and spent. Such uses of social media and interactivity can be leveraged into fund-raising vehicles.

Chicago Public Radio's Vocalo project has used the digital spectrum to create an external, stand-alone experiment where new ideas are quickly tested and new business models developed. Collaborative platforms can be launched to showcase the ideas and creations of individuals and groups working together to address each other's needs and interests. This constructive virtual community building leads to the participation of funding partners in discussion and problem-solving.

Gravity Medium blogger John Proffitt, who directs IT services at Alaska Public Telecommunications, observes that many nonprofits do not operate like a business "where it matters most—where money intersects with the mission" by leveraging relationships and connections: "Rooted in local, niche is exactly where it is at—skillfully leveraging them is another thing." Deep, engaging ties with local constituents can be continuously monetized.

## Monetizing signature quality content

Organizations, corporations, social and civic groups can effectively distinguish themselves and their causes in a sea of cyber clutter by aligning with high quality public content. Proactive users will find ways to use reporting that is relevant to their own interests. Buzz Machine blogger Jeff Jarvis says embracing this "me-sphere" sensibility is critical to journalism's survival. The value of the news and information is determined less by its source than by its importance to and use by engaged users and the related companies and groups that complete the interactive loop. What better platform than the time-proven "News Hour" to experiment with new funding concepts involving loyal viewers that may have been considered "commercial" for traditional media but are, in fact, the new norm?

WETA's new weekly interactive TV series "YourWeek," driven by the top stories on the social news site Reddit, could become a successful contrarian franchise, and a cornerstone for PBS' digital news and

information hub. The show is supported by myriad interactive elements, including community, commerce and communication. What begins as a half hour pilot (produced by former "Hardball" producer Tammy Haddad and anchored by the *New Republic's* Michelle Cottle and *National Review's* Rich Lowry) could develop into a real-time continuous, multi-platform showcase and exchange.

Public media can encourage users and new makers to showcase their work on platforms that curate for quality. The interactive conversations and contributions built around these entries can serve as a springboard to cultural, social, economic and political projects. Public Radio Exchange takes this a step further as a clearinghouse for projects and funding. Since its inception three years ago, PRX has posted more than 20,000 audio entries involving more than 200 stations and 1,000 producers. It has raised more than $650,000 for content producers and facilitated more than 24,000 licenses.

Aggregating and energizing resources may be key to success. Public broadcasting, comprised of a notoriously diverse set of independent players, has such an opportunity as advocated by Mark Fuerst in a recent *Current* article. The founder of the Integrated Media Association recommends the formation of a collective website inspired by Major League Baseball's approach to providing a primary online showcase of its affiliated teams and related products. This would provide an effective vehicle to assist on-the-go users interested finding public media content on their mobile devices. PBS' shared player concept is an example of collaborative use of new media. Other public media resources may well need to consider collaboration and platform-sharing as well, especially if they intend to reach users across platforms. (And there are more than two times as many mobile users as Internet users in the world, which means everything eventually will have a mobile extension and application.)

## Monetizing "free"

*Wired* editor Chris Anderson spells out how free gets monetized in his book, *Free*. In the "Freemium" model, the basic version of content and services is free. Premium versions are priced accordingly. The equivalent of advertising comes in the form of cross-subsidies (free product entices you to buy something else), or open software and platforms designed to accomplish other things (the gift economy).

Providing free alternative content has historically been public media's enticement in order to raise funds through membership pledges. The concept can be effectively transferred to the digital marketplace, as well as adopted by public media makers not affiliated with traditional public broadcasting. A central funding mechanism to encourage, facilitate and process online discretionary donations from users would facilitate this. Public media providers could also establish partnerships with popular sites, where purchasers can allocate a portion of their purchase to public media projects. A clearinghouse web site could offer users the chance to select which public media projects they want to support. The data collected in all these efforts over time will help direct future efforts.

## Monetizing independent, third-party content distribution

Finding, making, and carving out public media "zones" will be important. In public broadcasting, thePlatform is a recently launched broadband video management company designed to publish and manage national programs on branded websites (including pbs.org, pbskids.org, pbsparents.org and pbsteachers.org). PBS stations will have access to thePlatform and its content to build their audience with community features.

Likewise, having public media available on widely used digital distribution platforms is important. PBS also has negotiated download deals with iTunes, BitTorrent and Vuze that provide users with access to competitively priced branded series and specials. Public media makers need a nonprofit arrangement with firms such as Brightcove and Veoh, online video sharing sites that display and share revenues from content. Public broadcasters are also tentatively venturing into the world of advertising-supported distribution.

PBS recently signed a deal with Hulu, an online video service that offers free access to select television series and movies, to stream programs that include "Nova," "Wired Science," "Carrier" and "Scientific American Frontiers." Each program will be preceded by a 30-second ad, revenues from which will be split with PBS, which is blocking certain types of advertisers such as tobacco companies and politicians.

Public-private partnerships will also continue to be a constructive option, much as the Sprout digital channel combined the resources of PBS kids' programming with commercial cable funds.

Finally, inviting third party developers to create new enterprise applications for existing public media sites will assure ongoing creative renewal and financial sustainability.

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