

The Value of WCAL  
to  
St. Olaf College

A Cost-Benefit Analysis  
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## Summary of Findings

**Cost (FY'01) . . . . . \$195,000**

### **Estimated Benefits**

Advertising Value of "St. Olaf Facts" . . . . \$ 86,870  
Hourly Announcements . . . . . \$ 71,540  
Daily Chapel Broadcasts . . . . . \$ 22,679  
Choir, Orch. and Band Concerts . . . . . \$ 6,300  
Faculty Recitals . . . . . \$ 2,520  
Commentaries by St. Olaf Faculty . . . . . \$ 7,280  
Features about St. Olaf . . . . . \$ 1,400  
*Sing for Joy* (national broadcasts) . . . . . \$147,420  
*Christmas Festival* (national broadcast) . . \$100,000  
*Music and Ideas* articles . . . . . \$ 3,000  
Student training and employment . . . . . \$ 63,000  
PA for daily chapel . . . . . \$ 9,000

**Total Measurable Benefits . . . . . \$521,009**

**Cost/Benefit Ratio . . . . . 0.374**

### **Other Measures of Value of WCAL's Public Service**

Contribution from listener members . . \$ 700,000  
Value to nonmember listeners (est.) . . . \$3,780,780

### **Asset Creation**

Founders' Library . . . . . \$ 67,000  
Rosemount Tower . . . . . \$ 970,000

### **Cost Savings**

Telecommunications (annual) . . . . . \$100,000

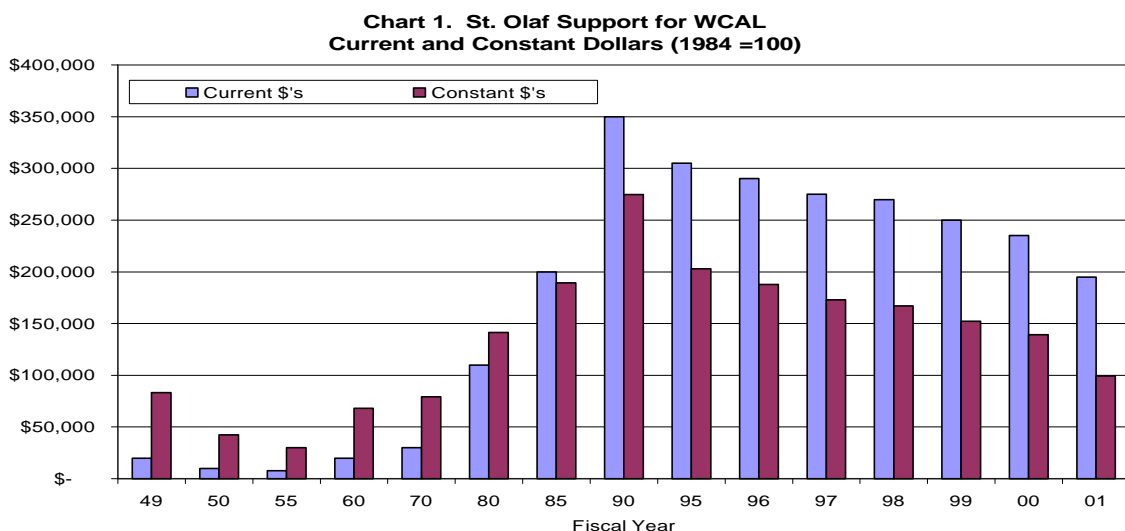
## INTRODUCTION

WCAL has been an integral part of the St. Olaf community for almost 80 years. During that time the station has progressed from five physics students experimenting in the basement of Hoyme chapel with the wonderful new technology of radio telephony to a full-time staff of 22 professionals, 23 students and 7 independent producers operating a multi-million dollar facility with studios on campus and in the Twin Cities. From its modest beginnings in 1918 to its recent designation as "**The Best Classical Music Station in the Twin Cities,**" WCAL has been supported, morally and financially, by the College. Over that time, the station's staff has been driven by a mission to "*reflect the intellectual spiritual, and cultural traditions of St. Olaf College. To extend the public outreach of the College, drawing on the rich heritage of intellectual and cultural resources available in the College and its community.*" In doing so, the station has increased public awareness of the College and its academic, cultural and social offerings. It has created positive, enduring impressions of St. Olaf as a nationally prominent liberal arts college and as a college of the church. Although many benefits that WCAL provides the College are qualitative and not susceptible to measurement, most can be quantified.

The following analysis measures the benefits that accrue to St. Olaf as the result of its investment in the station's operation and compares these benefits to the direct and indirect costs born by the institution.

### I. DIRECT COSTS

The direct cost of operating WCAL has traditionally been referred to as the College Support Figure (CSF). In FY'01 the CSF is \$195,000 (or \$99,000 in constant, 1984 dollars). Chart 1 below shows how the CSF has changed since 1949, the most recent year for which reliable financial information is available.



## METHOD OF DETERMINING THE CSF

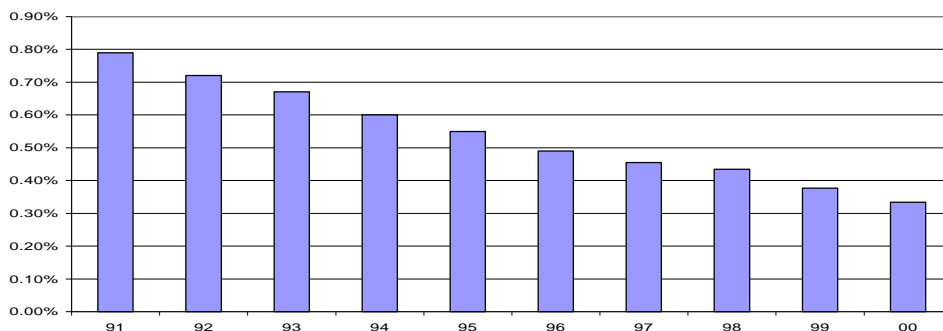
Historically, there have been four distinct phases in the method of determining the CSF. (I) Prior to FY'60, the CSF was simply the difference between what it cost to operate WCAL and the revenue that the station was able to raise from outside sources. (II) Between FY '60 and FY'84 there was no set formula in place. Station expenditures were discussed and approved on a year-by-year basis. (III) From FY '84 to FY '92 the situation changed and WCAL could expect a base plus money to cover College mandated increases in the salaries and benefits of station staff and the cost of occasional, unexpected capital needs. (IV) From FY '93 to date, the station has been on a schedule of CSF reductions of \$15,000 per year, with the expectation that the station would: (a) receive increased support from the College's development staff to find outside sources of revenue, (b) cover all increases in salaries and benefits mandated by the College, (c) cover all additions and replacement of capital equipment and (d) repay with interest inter-fund borrowing from the College for the Rosemount tower project. It was agreed in FY '93 that the CSF would be reduced until a floor of \$200,000 was reached in FY 2004. Chart 1 clearly reflects these phases.

The chart also shows that the station has lost much more in purchasing power since 1985 than the current dollar CSF would indicate. In other words, if the College had been supporting the station using the same formula as it followed in phase two, WCAL would be receiving over \$400,000 in support in the current fiscal year. In effect, the impact of WCAL on the resources of the College in real terms has fallen at a faster rate than the annual current dollar reductions would indicate.

## COMPARISON WITH ST. OLAF EXPENDITURES

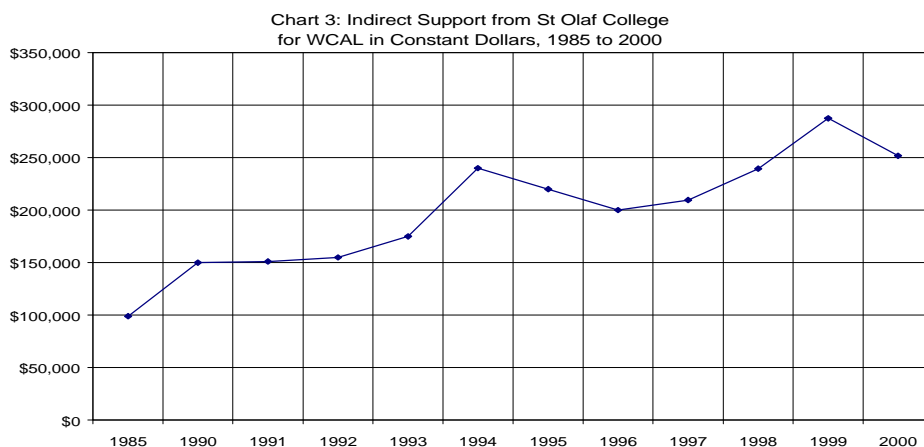
Chart 2 shows the ratio of the CSF to total College expenditures since FY'91. As College expenditures rose to \$70 million in FY'00, WCAL's percentage of that expenditure has fallen from eight-tenths of one percent to three-tenths of one percent.

Chart 2. Support for WCAL  
as a Percentage of Total St. Olaf Expenditures  
FY 1991 to FY 2000



## II. INDIRECT COSTS

In addition to direct support for WCAL, the College also provides support by providing and maintaining a building to house the station, personnel and accounting services, and a variety of other services available to all campus entities. The auditors for WCAL and the College estimate the value of these services when they prepare WCAL's annual audit. In general, they use a formula provided by the Corporation for Public Broadcasting (CPB) and used by station management when preparing the Annual Report to the CPB. Chart 3 shows that this support in constant dollars has increased over the period FY '95 to date. Although the formula has been advantageous to WCAL because it has resulted in significant grants to the station, it is likely that the estimates are overstated.

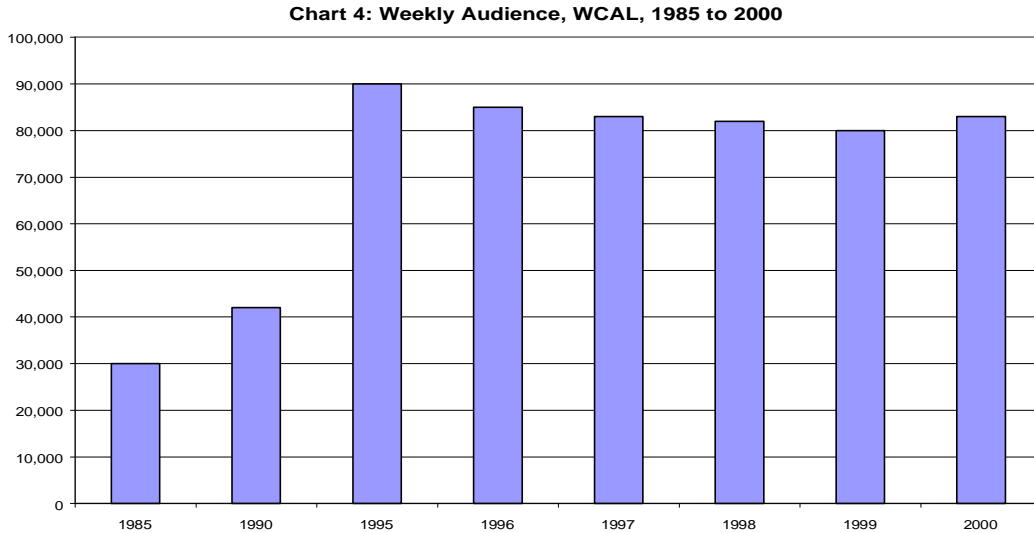


There is some debate among economic analysts whether indirect costs like those listed above should be included when calculating the cost-benefit ratio. Unless real savings can be realized, these costs should not be included. For example, St. Olaf provides WCAL with a building. If WCAL was not in the building, the College would still have a building to maintain and operate. It could provide the building to some other department, but the cost would not be eliminated, only transferred. Similarly, the personnel and accounting services, which are provided by full-time salaried staff, would still cost the College the same amount whether WCAL existed or not. Unless real savings can be realized, these costs should not be included. For these reasons and because WCAL is such a small part of the St. Olaf operation, we choose to not include indirect costs in the cost-benefit ratio.

## III. MEASURABLE BENEFITS

Of all the services that WCAL provides the College, the most important is the provision of public service. Like summer conferences, WCAL reaches out to the larger community on behalf of St. Olaf. In doing so, the station invites members of

the community to connect with the culture and values of the institution in an unique and memorable way. Essentially, WCAL extends and expands the impact of the mission of its licensee. In general, the more people who listen to WCAL and the more intensely they listen, the greater the value of WCAL's public service. Chart 4 shows how much WCAL's weekly audience has grown over the past fifteen years.



### VALUE TO LISTENER-MEMBERS

Another measure of the value of WCAL's public service is how much people are willing to voluntarily give to the station in support of its activities. The more valuable the service the more likely they are to become members of WCAL and the more they are likely to give at higher levels of membership. Charts 5 and 6 illustrate the dramatic increase in value that WCAL's listener members now place on its service compared to 1985.

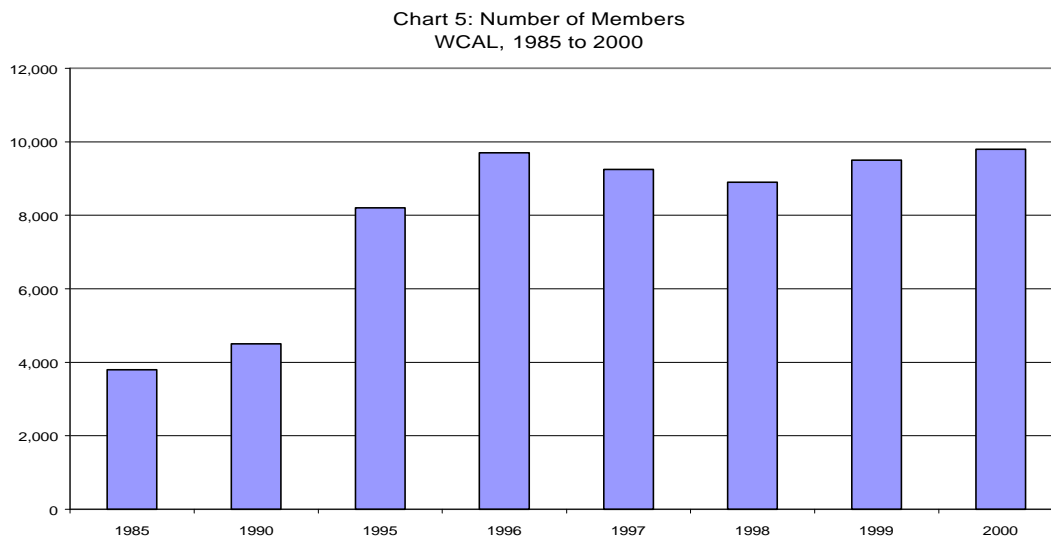
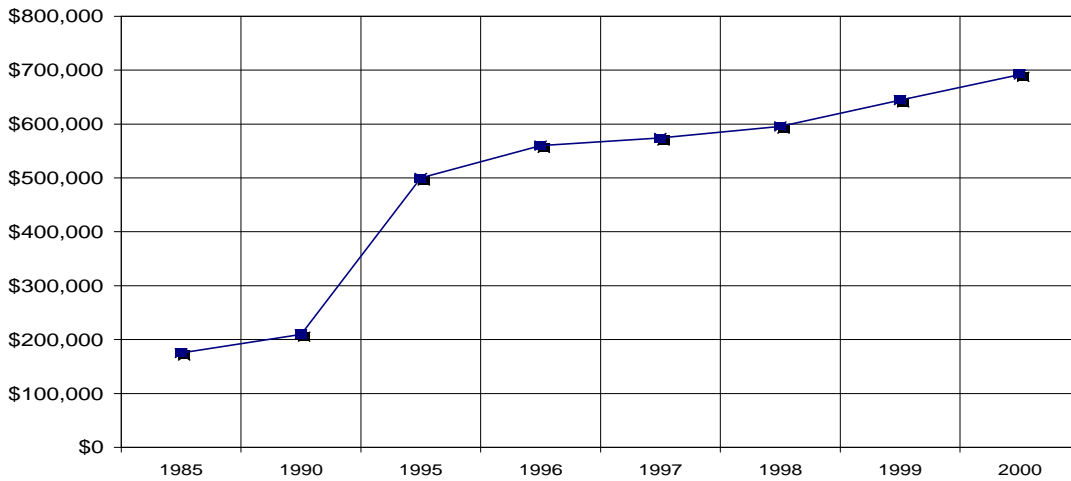


Chart 6: Membership Revenue  
WCAL, 1985 to 2000



In addition to the value that members place on WCAL's public service, it is possible to calculate the value of WCAL's service to the ninety percent of those who listen to WCAL but do not volunteer their support.

### THE VALUE TO NON-MEMBER LISTENERS

National research has shown that the fundamental difference between listeners who become members and those who choose not to support a station is the amount of listening per week per individual listener. In general, the more people listen the more likely they are to become members. Our own research shows that members are likely to listen about 2.2 times more hours per week than non-members. If we make the reasonable assumption that hour-for-hour, non-members and members both value the service the same, then it becomes possible to estimate what the non-members would have been willing to contribute if they had only passed the threshold of listening that would have prompted them to give. Using a process described more fully in the Appendix, we estimate that the value of WCAL to non-member listeners in FY '00 was \$3,100,780. Adding this estimate to the \$700,000 actually contributed by members in FY '00 results in a total valuation of \$3,878,000. This is what WCAL was worth to all of its listeners in FY '00. The only way for WCAL to actually extract this additional value is to increase the average time spent listening by non-members.

### THE PUBLIC RELATIONS/ADVERTISING VALUE

Every hour of every day, 365 day a year, WCAL is delivering a powerful message to thousands of people in the greater Twin Cities area. From St. Cloud to Rochester, listeners are developing positive impressions about the College as the result of



WCAL's powerful voice and unparalleled program quality. Every time WCAL's announcers identify WCAL as the radio service of St. Olaf College, or mention one of the dozen different credits that WCAL has developed that detail some aspect of the College's programs and accomplishments, listeners are impressed. In a manner of speaking, WCAL is advertising/promoting the values and virtues of the College every time it broadcasts concerts by St. Olaf students and faculty, or features the thoughts and comments of St. Olaf faculty. Even when the station is not directly highlighting the College, the station's programming is an embodiment of the College's mission and values. In this way, WCAL extends and amplifies the mission of the institution of which it is a part. The following section shows how the value of this service is estimated.

### **THE ADVERTISING EQUIVALENT VALUE**

In order to estimate the value of the positive impressions that WCAL generates about St. Olaf College, it is necessary to ask how much would it cost the College to obtain the same number and quality of positive impressions generated by WCAL if St. Olaf had to obtain them through commercial advertising.

Although the decision-making process involved in media buying is long and complex, a common measure that allows comparisons among different types of media is the Cost Per Thousand Impressions (CPTI). According to David Hakensen, Marketing Director of Padilla Speer Beardsley, and WCAL's own research, the average CPTI for a variety of Twin Cities' media is as follows:

Television	\$17
Print (newspaper)	\$15
Radio (commercial)	\$13
Magazine	\$10
Internet	\$18

By comparison, WCAL and Minnesota Public Radio sell underwriting mentions and have the following CPTI:

WCAL underwriting	\$10
MPR underwriting	\$15

For simplicity, the average of the seven rates, or \$14 per 1000 impressions, is used in the following calculations.

The methodology is straightforward. For each way in which WCAL creates positive impressions of St. Olaf College, we calculate the number of impressions and then multiply this number by the CPTI. A good example of how the methodology is applied is shown below.

### **ST. OLAF FACTS**

WCAL broadcasts "*St. Olaf Facts*" an average of four times per day. The current list of 18 facts includes such statements as:

*-- A four-year liberal arts institution, St. Olaf is acclaimed for its international study programs*

*-- Since 1969 St. Olaf has offered an alternative route to the Bachelor of Arts degree in the Paracollege, modeled after the Oxford University system of tutorial learning*

*-- Over the last 15 years St. Olaf has graduated more chemistry majors than any other four year college in the United States*

By applying audience estimates purchased from Arbitron Inc. (see the Appendix for detailed calculations), we estimate that 17,000 positive impressions are created each day. On an annual basis this translates into 6,205,000 impressions. Multiplying this by \$14/1000 (the CPTI) results in an annual value of \$86,870. In other words, it would cost St. Olaf \$86,870 per year to create the same number of positive impressions that WCAL creates in a year.

In addition to these detailed mentions, on an average of once-per-hour, WCAL identifies itself as "*the radio service of St. Olaf College in Northfield.*" Although these messages are not as detailed as the "*St. Olaf Facts,*" they do serve to associate and identify WCAL with St. Olaf. By identifying the two in the minds of the listener, that WCAL = St. Olaf College, every aspect of the station's high quality programming reflects on and builds the image of St. Olaf as an outstanding liberal arts college.

Since these mentions are not as detailed and directly promotional as "*St. Olaf Facts,*" we assign them one-third the value of a "*St. Olaf Fact.*" Using the same method described above, this results in an annual value of \$71,540.

#### IV. OTHER SOURCES OF POSITIVE IMPRESSIONS AND INFORMATION ABOUT ST. OLAF

Whenever WCAL broadcasts programming whose content directly comes from the College, the station further informs and impresses the WCAL audience about the quality of St. Olaf's faculty and programs. Examples include local broadcast of the daily chapel service; presentation of performances by the St. Olaf Choir, Band and Orchestra; commentaries by St. Olaf faculty and staff (including Diana Postlethwaite and Jim Farrel aka Dr. America); and special short features that either focus on some aspect of St. Olaf's programs, or the work of a particular faculty member. Although these events and presentations are not intended to be promotional, it cannot be denied that they promote the College in the best possible way, by letting the audience share directly in the ideas and talents of the College community. The following table summarizes the value created for the College by these broadcasts (see Appendix for calculations). The "*promotional equivalent*" reflects a conservative assessment of the value of the event or program relative to one of the "*St. Olaf Facts*" described above. Overall, these broadcast create an estimated \$40,179 in value for the College.

Event/Program	<i>Promotional Equivalent</i>	Number of Broadcasts Per Year	Value
Daily Chapel	3 mentions	180	\$22,679
Choir/Orch/Band	6 mentions	15	\$6,300
Faculty recitals	6 mentions	6	\$2,520
Commentaries	1 mention	130	\$7,280
Features	1 mention	25	\$1,400
<b>Total</b>			<b>\$40,179</b>

#### NATIONAL BROADCASTS OF ST. OLAF RELATED PROGRAMMING

##### A. *Sing for Joy*

Every week WCAL distributes the half-hour program *Sing for Joy* to over 200 stations nationwide. In every program St. Olaf College is credited for its support of the program and at least one selection of music each week features one of the College choirs. For example, one of the credits used reads,

*"This series is a production of WCAL, the radio service of St. Olaf College, an institution of the Evangelical Lutheran Church in America. A four-year liberal arts institution, St. Olaf is acclaimed for its international study programs"*

With an estimated average audience of 3,000 per broadcast per station, the weekly audience is 600,000 people. This means that over the course of one year, the program generates 31,200,000 positive impressions of St. Olaf College. Since the CPTI varies from market to market, we break down the CPTI for three market sizes based on population: large, medium and small. Large markets are defined as markets 1 to 25, medium sized markets 26 to 75 and small markets as those ranked 76 plus. For purposes of comparison, the Twin Cities is ranked 17th and New York is ranked 1st by the 1996 Broadcasting/Cable Yearbook. Using this definition, most of the *Sing for Joy* stations are small market stations. The CPTI in large markets is \$14, in medium markets \$7, and in small markets \$4. Applying these rates to the audiences delivered by the 200 stations results in an overall value of \$147,420 to St. Olaf College.

#### *B. The Annual St. Olaf Christmas Festival Broadcast*

Each year WCAL produces and distributes a 30 minute version of the Christmas Festival to 400 stations nationwide. In addition, a full 90 minute version is produced and distributed by satellite to an additional 300 stations nationwide and to the European Broadcast Union. We estimate the combined audience that hears the programs to be in excess of 2 million people. Again because the programs are heard in different markets, we apply one of the three different CPTI depending on which size market the program is heard in. Overall value is estimated to be \$100,000.

#### *C. Performance Today from National Public Radio*

On occasion, WCAL will have one of its recordings of area music organizations including St. Olaf ensembles heard on National Public Radio's classical music program, *Performance Today*. Since we do not know which stations carry the program, we cannot estimate the value of these. Suffice it to say that these broadcasts further establish St. Olaf as an outstanding private, liberal arts college.

#### **NON-BROADCAST PROMOTION OF ST. OLAF COLLEGE: MUSIC AND IDEAS MAGAZINE**

Each quarter WCAL distributes *Music and Ideas*, WCAL's listener guide, to 9,500 members of the station. On occasion the guide includes articles about St. Olaf music making or a profile of a St. Olaf faculty member who serves as a commentator. For example, recently two of the cover stories featured WCAL's St. Olaf connection. In all, six pages were devoted to St. Olaf College. Since WCAL

charges for advertising, we can apply WCAL's rate of \$500 per page for advertising. As a result, these articles are estimated to be worth about \$3,000.

## **MISCELLANEOUS BENEFITS**

### *A. Student Training and Employment*

Each year from 20 to 25 students work part-time at WCAL. Unlike most other campus jobs which require few skills, most of WCAL's student workers become highly skilled technicians and many have gone on to become media professionals. The special opportunity that WCAL offers to students further strengthens their feelings about the College and their life here. Although a more thorough valuation of the impact of WCAL on the students would include an estimate of the impact of their training on their earning potential, we only use the pay they receive as the basis for the benefit the College receives. In FY'00 WCAL paid \$63,000 in student wages.

### *B. Recording and Editing of Faculty Recitals*

Although WCAL does not provide as many recording and editing services to students as it did five years ago, the station still records and airs most faculty and guest artist recitals. Students who wish professional quality audition tapes also come to the station. WCAL only charges for recordings that it does not air.

### *C. PA for Chapel*

WCAL provides PA service for the daily chapel service. If St. Olaf had to hire someone to provide this service we estimate that it would cost \$50 per service. On an annual basis this would amount to an expenditure of \$9,000.

### *D. Asset Creation*

Within the last 15 years WCAL has undertaken two capital campaigns. In 1987, WCAL renovated one of its studios thereby creating the Founders' Music Library. The entire \$67,000 renovation was paid for with gifts from WCAL listeners and former student employees. In 1991, the station undertook the most ambitious investment in its long history by building the Rosemount tower facility. WCAL raised the entire \$1.25 million cost in gifts from listeners, corporations and foundations. At no cost to the College, WCAL has increased the value of St. Olaf assets by almost \$1.3 million.

### *E. Facilitation of Cost Savings*

When WCAL invested in the new Rosemount tower it created an opportunity for the College to save significant telecommunication expense. According to Craig Dunton, the project should save the College at least \$100,000 per year. Although the College paid for the T3 link that allows the saving to be realized, the link would not have been possible without the station's initial investment. In addition, WCAL volunteered the services of its Chief Engineer for the eight months it took to install the link.