**Risk Management- Funding Sources**

**Managing Financial Risk**

Taking steps to minimise financial risk runs through every aspect of financial management – from planning, budgeting and daily financial operations to monitoring and evaluating the station’s financial management processes.

Risk management identifies what could go wrong and the financial impact this would have on the station’s operations, and then devising strategies to minimise the impact the risk would have if it materialised.

Potential risks could be:

* a drop in sponsorship revenue
* a drop in the number of subscribers or members
* slow payers and bad debts
* falling behind on completing projects, which impacts on cash flow and jeopardises the chance of obtaining a grant from that funding source in the future
* relying on loans to maintain cash flow
* poor cash flow forecasting
* inefficient record-keeping
* fraud or theft by employees or volunteers
* loss or damage to property damage through fire or robbery
* equipment failure
* conflict of interest e.g. a board or staff member standing to gain financially from involvement in an aspect of the station’s operations.
* Lack of financial management skills of staff and directors

A strategy for minimising risk in relation to loss or damage to property damage through fire or robbery, is to have adequate insurance cover. Strategies for minimising the risk of relying on loans to maintain cash flow could include placing greater emphasis on doing a cash budget each year and setting a limit on how far the station is prepared to go into debt.

**Funding Sources**

**Sponsorship**

Sponsorship is an important source of income for most community radio stations.

Sponsorship can be defined as: “a relationship between a provider of funds, resources or services and an individual, event or organisation which offers in return some rights and association that may be used for commercial advantage”.

Sponsorship can be a good way for any community group or not-for-profit organisation to access revenue – either over a period of time or as a one-off – to promote events, services or goods.

Community radio stations use sponsors in a variety of ways. Businesses or government agencies might sponsor individual events or sponsor the station as a whole. More often than not, sponsorship in the community radio context refers to monetary payments received for on-air promotion. However, stations may enter into “contra deals”, where the station receives goods or service from a business in return for sponsorship announcements, however sponsorship offered as part of a contra deal must comply with sponsorship regulations.

One of the most important processes for radio stations seeking sponsorship from local businesses is to set a sponsorship rate. This involves deciding on a fee for on-air announcements of a certain length, and then thinking about whether additional production charges will apply to pre-produced sponsorship announcements (as opposed to ‘live reads’). The sponsorship rate may vary depending on the time of day the sponsorship announcements are broadcast, or depending on the amount of slots purchased.

Many stations employ salespeople on a part-time or full-time basis to sell their sponsorship announcements, usually on a commission basis.

You will need to ensure you have the appropriate voice talent and production skills and equipment necessary to produce sponsorship announcements. Usually you will be offering sponsors a series of on-air slots on a regular basis over a set period of time (such as three slots per day for one month). So you will need to have systems in place to ensure your sponsorship announcements are played at the right times each day. You will also need an appropriate system in place to ensure sponsors are invoiced at the appropriate time.

Targeting sponsors and developing relationships

If your station has settled on sponsorship as a means of raising funds, it needs to find and attract potential sponsors.

Sponsorship is a business relationship which should be mutually beneficial. In a lot of cases potential sponsors can be swayed by the argument that by supporting the station they are buying into the community, so it’s good to make this point. Or by sponsoring the station the business gains “Community Profile Enhancement.” In other words, the business looks good in the eyes of the community as a supporter of a community group that support all of the community in the listening area. Although the idea of the ensuring a commercial return for their investment is generally the main impetus. In the case of the station, there needs to be a benefit over and above the costs of producing the announcements.

A station may have specific programming that can attract particular sponsors. E.G. A program about sports can attract sporting goods shops. However, the sponsor cannot dictate or influence the content of the program in any way.

Remember there is a wide range of potential sponsors you could target, from local businesses to major local industry and corporations. You can also approach government departments and local council for sponsorship, especially if these organisations have specific messages that they are trying to promote to the community.

**Donations**

Donations are important sources of income for any community organisation, including community radio stations.

Donations can be requested:

* Specifically, in support of an identified project or purchase (such as money towards a studio upgrade or new OB van).
* in conjunction with subscription or membership payments
* generally in support of the station’s programs

Consider broadening how you receive donations, so that listeners find it easy to donate. They could be made at the station office, but maybe also at community events the station’s involved in, or at the premises business partners, via the phone or through the website.

Check whether your station has Charitable Gift Recipient Status, so that donations from individuals can be claimed on their tax return. If it does, make sure to let people know and call for donations towards the end of the financial year. For more information about Charitable Gift Recipient Status, visit the Australian Tax Office (ATO) website, www.ato.gov.au.

There’s a variety of ways to promote donating to the station, including:

* on-air announcements
* posters or fliers
* information and collection tins/boxes at your reception
* when new or existing members or subscribers pay their annual fees
* at key community events

So, how do you go about selling the idea of donating?

Settle on your “ask”

Make sure you know what you are going to ask and how you are going to ask it. Plan the method and wording of your donation requests.

Decide on what you want donated to the station.

Decide what the station actually needs or wants to receive in the way of donations – whether it is a service (painting the studio), goods (new CD player for the studio) or money.

Decide on the target sources for donations

Who – specifically or in general – will be your prime targets for donations? This decision may be shaped by what you are appealing for – for example, a certain type of goods. Keep a record of the names of people and organisations which have donated money to the station and target them again.

Decide on how the station receives donations

Will people be able to donate by cheque through the post? By credit card? Through an online giving facility on the station website? Or by a combination of a number of methods?

Whatever the case may be, make sure these donation receipt points are ready for use and that the relevant technology or personnel are in place to receive the donations.

**Membership**

Members are the heart of most community radio stations. They are often directly involved in the day-to-day running of the organisations, are broadcasters and are on many of the committees that decide on the station’s policy and direction.

Membership fees are also a very important revenue source. The larger the membership base, the larger the income. The station needs to continually work to boost its membership numbers.

Some of the ways to do this include:

• Consulting with existing members:

> Ask the existing members what they want, whether they are happy with the direction

of the radio station and whether they think they are benefiting from being a member.

Surveys and mail-outs can be handy for this, as can a few random phone calls each

month.

• Appointing a membership coordinator:

> Choose someone who looks after existing members and knows the networks well

enough to recruit new ones.

• Put memberships on the agenda

> Include membership growth as an agenda item at the station’s Board meeting, and in

meetings with volunteers and/or staff.

• Set, revise and review targets:

> Targets for memberships should be set each year, reviewed regularly and revised if

needed.

• Set a membership “season” or develop specific membership “drives”:

> Set aside a period of time when the station and its volunteers work extra hard to

attract memberships. This could be linked to a promotional campaign or a

radiothon/subscriber drive. Offer prize incentives as reward for joining or renewing

membership during the drive.

• Provide the right member benefits and incentives:

> Strike a balance between encouraging new members to do the right thing (becoming

a member) and having special offers as a reward. Consider carefully the benefits

offered, such as voting rights, newsletters, program guides, discounts from local

businesses, access to training, access to giveaways or special offers. This reflects the

fact that people become members for different reasons.

• Use public relations and promotion to build your profile:

> Building the station’s profile by being in the public eye will increase the chances of

membership growth. Analyse how you will promote memberships, such as online,

on-air, by using community networks at events or specific membership drives or

promotions.

• Make membership fees appropriate to your potential new members:

> Don’t discourage potential new members by charging them excessive or large joining

fees. Find the right level of membership fees to provide the largest possible number

of members and consider discounts for families, pensioners, students and young

people.

• Keep existing members before recruiting new ones:

> Be sure that you know the membership retention rate from year to year. If it’s less

than ninety percent, you should investigate why the station is losing members.

• Use existing members to attract new members:

> Encourage members to promote the station to their colleagues, friends and family.

**Subscriptions**

Subscriptions are an important revenue source for a lot of community radio stations. Some stations offer both membership and subscriptions, but some have one or the other. In most cases, however, subscribers will have less direct involvement in the station than members, and are more likely to be regular listeners than volunteers.

Every station should aim to increase the number of new subscribers each year and to aim for a 100% renewal rate.

There are many things that can be done to expand the subscriber base. Like all activities, the more work which goes into planning, the greater the success.

There are several general rules about subscribers and subscriber drives:

Rule 1: It is harder and more expensive to get new subscribers than to keep existing ones.

Rule 2: Do not wait for a subscriber to volunteer; they have to be actively sought.

Rule 3: Persist. If it costs you $50 to get a subscriber and your subscription rate is $51, then you have succeeded.

It is important to be able to offer clear benefits to potential subscribers. This could include regular newsletters, program guides, discounts from local businesses, access to giveaways or special offers, etc. At the end of the day, you will need some strong incentives to make the subscribers part with their money, so offering them giveaways, discounts or the opportunity to win a major prize (such as a holiday) can be a great way to convince them to support the station.

There is a range of ways that you can attract new subscribers. Many radio stations rely on mailing out brochures. There is some detailed information below on how to develop and manage a successful mail-out to attract new subscribers, you should also consider using on-air promotion as a way of attraction subscriptions. Place a regular announcement in each on-air program promoting the benefits of becoming a subscriber, or develop an on-air campaign over a set period of time to attract new subscribers: a radiothon/subscriber drive/subscriber drive.

You can also promote the benefits of becoming a subscriber through all the other marketing channels. You can use the station’s website, emails and e-newsletters to attract new subscribers and target potential subscribers at events the station organises or is involved in.

One of the keys to keeping in touch with the subscribers is having a system to collect information about them (such as a subscriber database). You can use a database to more easily communicate with the subscribers through letters, newsletters or emails. This provides you with the ability to update them on new programs, events and activities at the station, let them know about special offers available to subscribers, and encourage them to renew their subscription and let their friends and colleagues know about the benefits of being a subscriber.

Collecting data regarding the subscribers can also be useful in assessing how effective a subscriber drive has been, and will highlight areas where improvements need to be made. You should record details about the subscribers (which you can request in the subscription form they fill in) noting details such as where they live and their level of income. This will help you build a profile of the current subscribers, and give you some ideas on areas you could target in the future for subscription dives.

Developing a mailing list is often the first task if you are using a mail-out to promote new subscriptions. You may have built up lists of people who came for a station visit, or attended a station event or function, or listeners who have contacted the station for one reason or another.

When designing a brochure to attract new subscribers and encourage existing subscribers to re-subscribe, clarity is vitally important. If people are unable to understand what the brochure is about, they will ignore it. There should be no question in the person’s mind as to why the station wants them to subscribe.

The information contained should not only include the details about the station, but it should also include enticing statements about what is so special about the station and its programming and why subscribing is a good thing to do. If the station has had increases in the number of subscribers, trumpet this fact.

Steer clear of unusual sizes for the brochure. The brochure should be easy to open and include a subscriber application form in with the main information section.

It’s best if the application form can be easily separated from the main part of the brochure. This adds to the ease with which a person can subscribe. The application form should be laid out in an uncluttered manner, with a large clear typeface, contain no abbreviations and should not be used as a questionnaire.

You could also consider putting an online application form on the station’s website, to give people another option for subscribing. Or a prepared form at the ready for people who ring in and subscribe over the phone.

How do you differentiate your mail from all the other unsolicited mail? The envelope itself can be used as an “advertising billboard”, so print the station logo clearly on the front of the envelope. If this is too costly, handwrite the addresses (even if there are thousands to go out, get every presenter of a program to do a couple of hundred each).

Just as one of the strong points of radio in selling sponsorship to business is repetition, so it is with a subscriber drive. Repetition works. How many times a brochure is sent to the same address/email address is up to you, but many subscriptions have been gained on the second, third and fourth attempts. If the cost of getting a subscriber is equal to or less than the subscription fee, then do it. It is harder to gain new members than it is to get current ones to re-subscribe, and it’s also cheaper.

Many stations have experienced increased revenue from listener support as a result of using online technology to accept donations and subscriptions. while it may seem beyond your station’s reach, it is really not that difficult to achieve. You will need someone with website design skills to help out.

Finally, it is important to always identify your station as being listener -supported, it should not just be something which you bring up during a subscriber drive. For the greatest level of success, it should be a phrase (listener supported radio) that your listeners hear all year.

**Radiothon/Subscriber Drives**

A radiothon/subscriber drive is a specific period of time put aside on air where all the broadcasters are dedicated to the task of getting listeners to donate or subscribe to the station. The main purpose of a radiothon/subscriber drive is to raise money.

Stations have different ways of running a radiothon/subscriber drive. Some will do it over a weekend, some over two weeks. It requires an enormous amount of effort and planning to have everyone involved in the single and continuous purpose.

It is important for the listeners to understand the reason for your fundraising on air. This could be for the station’s survival, its ongoing operation, or for replacement of equipment (particularly essential equipment, such as a transmitter).

There are also many secondary reasons for conducting a radiothon/subscriber drive, including the opportunity to:

* educate your listeners so they will become subscribers in the future
* provide a two-way interaction between your presenters and their listeners
* have your listeners demonstrate their support for the station.
* have station volunteers work together to achieve an immediate common goal.

Before conducting a radiothon/subscriber drive you must plan every phase. In doing so, consider the following questions:

* What will be the purpose of your radiothon/subscriber drive? Is it designed to acquire new subscribers, encourage current and past subscribers to subscribe again, or to raise money for a specific purpose?
* How much money do you want to raise (i.e. set a target)?
* When is the best time to have it?
* How long will it last?
* Will it have a special theme?
* Will it mark a station anniversary or be timed to meet an urgent need etc?
* How will you promote it (i.e. it needs to be promoted ahead of time and during the event)?
* How will you motivate your volunteers and staff?
* How will you train volunteers so that know what messages you’re trying to get across and are equipped with methods and strategies to use during their programs (i.e. call a station meeting, hold a series of workshops etc)?
* How will you recruit any additional volunteers you might need to help with the answering the phone and administration (maybe some of your more dedicated listeners might be willing to help out)?
* What incentives will you offer those who subscribe or contribute? How will you obtain prizes? How long will this take to organise?
* What will be your key messages for listeners that will encourage them to support the radiothon/subscriber drive? Will you emphasise the role the station plays in the local community; the quality of its programs and their educational, informational and entertainment value; the non- commercial format of the station?
* What administration process will be required to manage the event and funds raised?
* How will you thank those who have made a contribution?
* How will you evaluate the success of the radiothon/subscriber drive and who will you share this information with?

Some important points to remember about radiothon/subscriber drives include:

* Radiothon/subscriber drives are programs from the listener’s perspective. The rules for “good radio” programs still apply.
* Violate a listeners expectations and you will lose them, fast....very fast. Make sure you don’t offend your listeners, or alienate them in any way.
* Make targets at identifiable and realistic level. That is, set targets in half or quarter hour lots. Or identify targets for each program or each day of drive.
* Set realistic targets for the total amount to be raised by the radiothon/subscriber drive.
* Speak to the individual, not to the total audience. Remember that individuals make decisions, not groups.
* Always consider the individual’s needs, not the station’s. Their decision to subscribe or donate will be based on their needs, not the station’s.
* Describe the direct benefits for the potential donor of subscribing or contributing to the radio station.
* Make the appeal personal, with personality and character.

Some of the key steps involved in organising and staging a radiothon/subscriber drive include:

* determining the amount of money that station wishes to raise, and the
* time and duration of the radiothon/subscriber drive
* identifying a key group of people to coordinate the organisation and planning of the radiothon/subscriber drive
* developing a theme around which to base the radiothon/subscriber drive
* promoting the radiothon/subscriber drive to both the listeners and everyone involved in the radio station itself
* ensuring presenters are informed about the radiothon/subscriber drive and know what is expected from them
* securing prizes and incentives for people who make pledges or donations, or sign up as subscribers
* identifying people who have responsibility to keep track of the pledges received
* developing a database or similar system to record details of the money pledged and when the money is received
* evaluating the radiothon/subscriber drive to assess how successful it has been, and highlighting any problem areas that can then be improved for next year's event.

**Fundraising Events**

Community fundraising events can be a great way to raise the profile of the radio station, attract new members and subscribers, and at the same time, generate income.

There is a wide range of potential events you could organise to raise funds, including market days, fundraising dinners and live music concerts.

Running a special event takes lots of planning and pre-planning is vital to the success of your special event.

All special fundraising events are different. Each will have its own particular set of circumstances and requirements, but for all events, you will need to know:

* the purpose of the event
* where it will be held, and what will take place
* the benefits the event will provide for the radio station
* how many people you expect to attract to the event
* how much money it will raise and how much it will cost to organise

Each of the following issues will need to be carefully considered in planning and managing your event:

Planning:

* Is the date suitable or does it clash with another event in your area?
* Who can help?
* Do you need an organising committee?
* Are the performers (if relevant) available at the time you want for the even?
* How much do you expect to make?
* Is it worth doing - will you bring in significantly more than you spend?
* Can you organise the event in time?

Promoting the event:

* Who are you trying to attract to the event?
* Do you need any flyers or posters? How many? Who will design/print them?
* Where will you put them?
* Do you need to send a press release to local papers or other local radio?
* Do you need to print invitations?
* What on-air campaign will be conducted? Who will produce the on air promotions?

Venue information:

* Is the venue available on the date and at the time required?
* Is the venue suitable for the event you want to stage?
* Does it have disabled access to all facilities?
* Is a deposit required?
* Is there appropriate infrastructure on-site e.g. fencing, seats/ tables, etc?
* What facilities does it have-toilets, kitchen, stage, sound system, lighting, etc.?

Equipment:

* What equipment do you need?
* How much will it cost to hire equipment or can you borrow it from another organisation?
* How much will it cost to transport?

Licence/permission:

* Do you need a licence or permit for the event?
* Do you need to liaise with local police or the council?

Volunteers:

* Do you have enough people to help?
* How will they know what to do?
* Do you need to meet with/ brief them regularly?

Finance:

* How will you collect money?
* Who will collect the money?
* Is there somewhere safe to keep it?
* If you are collecting money, do you have someone to witness you counting it?

Health and safety:

* Have you completed a risk assessment?
* Have you contacted an appropriate organisation to provide First Aid?
* Do you have a wet weather contingency plan?
* Do you have adequate insurance (e.g. public liability)?

Sales and Merchandising

Sales and merchandising can contribute significant revenue to a community radio station if it is handled effectively. There is a wide range of merchandise that can be developed and sold.

This includes:

* promotional merchandise such as mugs, key rings, car stickers, caps, stubbie holders, frisbees, pens, posters, diaries, address books and t-shirts
* cd music compilations produced by the station
* cds and other merchandise produced outside the station, but sold by the station on commission
* educational materials (such as documentaries and oral histories)
* publications, such as manuals, training guides and magazines
* However, before embarking on producing merchandise for sale, it’s important to consider:
* How much will each product cost to produce?

You will need to know exactly how much each product will cost to produce. This cost needs to align well with the intended sales prices, and may vary greatly depending on how many are produced.

How much can you sell each product for?

You should think carefully about the target market. How much can members and the wider community afford to pay for each item? Is the price competitive with other similar products?

What resources and time will be involved in developing and selling the products?

Will it take a large amount of time for you, volunteers and/or staff to develop, market and sell the products? Will it be worth it, or could you allocate these resources to other fundraising activities?

Who will want your products?

Who are you trying to sell the products to? Why would they want each product in the first place? Is it interesting, unique, practical, or innovative in some way?

How will you sell your products?

How can people order the merchandise? Will you have some kind of a shop front, sell items online, or use mail order? Who will be responsible for stock control, handling incoming orders, and handling the money?

How will you market your products?

Will you promote the merchandise on-air or online, display it in the station foyer or reception area, sell it at community events, or use mail- outs to community members?