# CENTER FOR STUDENT MEDIA


Student Fees Advisory Committee (SFAC)

## BASE AUGMENTATION REQUEST FOR FY17

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UNIVERSITY of HOUSTON
CENTER FOR STUDENT MEDIA

## Overview

The key to growing revenue and achieving the vision of a vibrant, multi-platform and engaging Center for Student Media while reducing the burden on student fees is an aggressive and consistent sales program.

For the last 25 years if not more, the sales program has relied upon having an experienced professional advertising manager supervising and guiding the sales activities of student employees who learn on the job and earn commissions. When this model emerged, it was at a time when the Cougar newspaper represented an advertising monopoly on campus: it was one of the few ways to get a message in front of all students. Therefore, soliciting to campus and local businesses was relatively simple; there was one product and one audience. And in some cases, like classified ads for jobs and rentals, as many as three students were needed to manage all of the incoming calls and orders.

Today, the advertising business model is much more difficult -- to say the least. Many advertising options now compete for student attention; audiences are fragmented and therefore, so are our own product lines. The rate card and media kit that in 1995 was a couple of pages is now a 20+ page document spanning multiple print products, digital, media services and more.

The CSM has struggled with student sales training and retention amidst a “do or die” imperative to raise new revenues and grow the overall revenue base. At the end of the day, the need to generate revenue in the short-term wins out over student development.

Meanwhile, critical sources of revenue – campus and national advertising – have seen large reductions.

**Figure 1 – CSM Revenue, aggregated by source type (GL Code)**

| | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | 5-year change | |
|---|---|---|---|---|---|---|---|
| **Local** | $132,231.39 | $86,863.18 | $80,393.78 | $106,663.25 | $148,911.07 | $16,679.68 | 13% |
| **Campus** | $198,368.53 | $173,183.09 | $191,492.56 | $166,754.32 | $137,776.30 | $(60,592.23) | -31% |
| **National** | $85,742.46 | $91,244.01 | $40,459.59 | $32,073.48 | $20,822.85 | $(64,919.61) | -76% |
| **Classified** | $40,596.71 | $28,422.84 | $21,482.52 | $17,387.95 | $10,791.07 | $(29,805.64) | -73% |
| **Total** | $456,939.09 | $379,713.12 | $333,828.45 | $322,879.00 | $318,301.29 | $(138,637.80) | -30% |

Local revenue has potential to drive real growth for CSM. Meanwhile, the declines in campus and national account for about 90% of the total loss of revenue, making sustainable growth all but out of reach. Classifieds is another hard-hit category because things like finding a job and a place to live are now handled by dozens of websites and services that cater to various audiences. This is a category that has very little hope of being rebuilt.

A continued focus on local sales will pay dividends. However, effort must be also made to bring campus partners back into the fold. To manage a war on two fronts, so to speak, the CSM will need more human resources and additional support to cover the deficit until a new revenue level can be reached and maintained.

## Funding scenarios

SFAC is being asked to consider two funding scenarios. The first is a stop-gap, a base augmentation designed to cover our projected budget deficit. The second, and most ideal, would give CSM a way to change the game by enhancing our ability to self-generate revenue and reduce reliance on student fees in the long run.

### Scenario 1 – Gap Coverage

In Scenario 1, CSM first needs to cover expenses that will not be met by existing funds remaining in the department's generated revenue fund equity.

The current CSM budget for FY 16 calls for $61,004 in fund equity to be allocated to cover expenses. For FY 17 and beyond, no more fund equity remains. Therefore, SFAC is asked to cover the gap.

| | |
|---|---|
| **Unfunded balance (SFAC FY 2017 BA Request)** | ($62,000.00) |

With the operational gap covered, CSM would not anticipate increasing total revenues long-term, and would bring into question how much longer we can continue to fund The Cougar and other projects through advertising. In order to grow the program, CSM will either need additional student fees or a significant cost restructuring.

### Scenario 2 – Sales Revenue Growth Position

In Scenario 2, SFAC is asked to fund an additional full-time position dedicated to sales. Once this position is filled, the revenue goals for CSM will increase significantly. In our projections, the new position should result in an estimated $100,000 in new revenue in two years. These revenues will allow CSM to improve the program and expand without necessarily impacting student fees.

#### CSM Advertising Account Executive – New Position Cost Estimates

| | |
|---|---|
| Base Salary | $37,500.00 |
| Benefits | $13,125.00 |
| Travel | $2,000.00 |
| Professional Development/Training | $900.00 |
| **Total** | **$53,525.00** |

#### Scenario 2 SFAC Outlays

| | |
|---|---|
| FY 16 OT (3 months of service plus 6% admin fee) | $13,381.25 |
| FY 17 OT Gap Coverage | $50,380.00 |
| FY 17 BA Commitment (Base Augmentation incl. 6% admin fee) | $56,736.50 |

In the first full year of having a full-time sales rep assisting the advertising manager, CSM anticipates a 10% increase in total revenue. While this effort is underway, the CSM will continue to have an unfunded budget deficit of approximately $50,000. Therefore, a smaller One-Time request must be considered as part of Scenario 2. The goal of this combined effort is that in FY 18 and beyond, little or no additional funds from SFAC will be needed to augment the CSM budget.

## Benchmarking and outcomes

At other public institutions, multiple sales staff have been leveraged to generate significant revenue.

| Institution | Enrollment | FT ad staff (manager included) | 2013-14 Sales* |
|---|---|---|---|
| UT-Austin | 51,145 | 4 | $1,312,100 |
| UCLA | 39,593 | 2 | $1,540,418 |
| Arizona State | 72,254 | 4 | $639,729 |
| U. Arizona | 39,086 | 3 | $1,036,000 |
| Houston | 40,914 | 1 | $323,572 |

CSM believes Scenario 2 is the best case for increasing revenue for the CSM and reducing the burden on student fees in the long term. By FY 18, the position could be self-funded and by FY 19, the CSM deficit could be drastically reduced.