

Manager's Business Report™

Radio Business Report, Inc.

15 Years

November 1998

MBR Stats

Radio books its 72nd straight month of sales gains. Despite Wall Street woes, the future looks bright for spot sales.

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News in Review

He may have lost his britches at the NAB Radio Show, but Jacor CEO Randy Michaels should be able to afford new ones after a \$4.4 billion merger with Clear Channel.

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Programming & Positioning

Listener cards aren't new, but the technology is. That means new ad dollars for radio.

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Five decades in small market radio and counting. A true veteran speaks on the industry's past, present and future.



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Recession? What recession? Radio's roll continues

Radio just completed a six-year run of black ink—for 72 straight months, revenue totals have improved over the same time period of the previous year. August revenues were just shy of continuing a shorter streak of double-digit gains. National business continued to lead the way with a 16% gain nationwide. If there was a minor chord in the August results, it was a general slowdown in the meat-and-potatoes local category. Its 7% total was completely due to a stunning 15% gainer for the West. No other region made it above 6%, meaning that for most of the country, revenue was up but not by as much as has been the case lately.

Despite the fact that the radio industry is posting excellent results and excellent future indicators, its stocks are being mauled by the Wall Street bears right along with everyone else.

Ownership consolidation has slowed to a snail's pace. There was a mega-deal last month—the Clear Channel-Jacor merger has been valued at \$4.4B—but as big as the two companies are, they had surprisingly little overlap. There are five markets which will require divestitures. —Dave Seyler

Radio Revenue Index

Six years of radio revenue gains

It may not have gotten as much attention as Mark McGwire's 70th homerun, but the radio industry has quite a winning streak going. Based on figures tallied by the RAB, August was the 72nd straight month that radio revenues were up—that's a six year streak of monthly gains.

Local revenues gained 7% in August, with national again posting a double-digit increase, 16%. Overall, August revenues rose 9% for the month.

Year-to-date through eight months of 1998, local was up 10%, national 15% and overall revenues 11%. All regions are ahead double-digits for national, with the West and Southwest leading in local gains.

August 1998	Local	Nat'l
All Markets	7%	16%
East	5%	17%
Southeast	6%	19%
Midwest	4%	12%
Southwest	5%	11%
West	15%	19%

Jan-Aug 1998	Local	Nat'l
All Markets	10%	15%
East	9%	13%
Southeast	8%	18%
Midwest	9%	15%
Southwest	11%	12%
West	12%	16%

Local & Nat'l Revenue August 1998
All Markets 9%

Local & Nat'l Revenue Jan-Apr 1998
All Markets 11%

Forward Pacing Report

Q4 sales maintain 1998's brisk pace. Recession? Not for the radio business, at least not in the near future. Inventory for the remainder of the year is going fast, and the indication is that last year's industry record revenue total will be bested by a double-digit percentage.



Superduopoly Dimensions

Industry consolidation
(as of October 19, 1998)

Superduopoly: 48.3

Market	# of stns	percent
1 to 50	760	52.4
51 to 100	537	50.3
101 to 150	381	46.7
151 to 200	359	43.5
201 to 261	365	44.8
All markets	2,402	48.3

Total Industry: 71.6%

Market	# of stns	percent
1 to 50	1,102	75.9
51 to 100	778	72.8
101 to 150	551	67.5
151 to 200	574	69.5
201 to 261	556	68.2
All markets	3,561	71.6

Note: The "# of stns" shows the total count for stations in either a superduop or, in the case of total industry consolidation, in an LMA, duop or superduop. The "percent" column shows the extent of consolidation for each market segment.

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YTD Stock Performance

Not a pretty picture. Investor concerns over foreign economic problems, and their possible impact on US corporate profits, sent stock prices lower in September. Even an interest rate cut by the Federal Reserve Board didn't cheer Wall Street, which had hoped for a bigger cut.

Company	9/30/98 Close	YTD Gain/Loss	Pct. Gain/Loss
Ackerley	19.750	2.813	16.61%
Alliance Bcg.	1.062	0.812	324.80%
Am. Tower	25.500	16.187	173.81%
AMSC	5.250	-1.750	-25.00%
Belo Corp.	20.000	-8.063	-28.73%
Big City Radio	4.500	-3.625	-44.62%
Broadcast.com	40.375	22.375	124.31%
Capstar	15.437	-3.563	-18.75%
CBS Corp.	24.250	-5.188	-17.62%
CD Radio	19.000	2.063	12.18%
Ceridian	57.375	11.563	25.24%
Chancellor	33.375	-3.938	-10.55%
Childrens Bcg.	3.312	-0.750	-18.46%
Citadel	20.437	4.437	27.73%
Clear Channel	47.500	7.781	19.59%
Cox Radio	35.125	-5.125	-12.73%
Crown Castle	9.625	-3.375	-25.96%
Cumulus	8.125	-5.875	-41.96%
DG Systems	2.750	0.250	10.00%
Disney	25.312	-7.688	-23.30%
Emmis	37.750	-7.875	-17.26%
Fisher	68.250	8.250	13.75%
Gaylord	29.812	-2.126	-6.66%
Granite	6.375	-2.687	-29.65%
Harris Corp.	32.000	-13.875	-30.25%
Heftel Bcg.	37.750	-9.000	-19.25%
Jacor	50.625	-2.500	-4.71%
Jeff-Pilot	60.500	8.583	16.53%
Jones Intercable	24.875	7.438	42.65%
Metro Networks	36.625	3.875	11.83%
NBG Radio Networks	1.031	0.364	54.65%
New York Times	27.500	-5.563	-16.82%
News Comm.	0.687	-0.750	-52.19%
OmniAmerica	18.875	6.125	48.04%
Otter Tail Power	37.250	-0.625	-1.65%
Pacific R&E	2.250	-1.125	-33.33%
Pulitzer	79.125	16.313	25.97%
RealNetworks	34.687	20.812	150.00%
Regent Pfd.	4.000	-2.000	-33.33%
Saga Commun.	15.750	-1.250	-7.35%
Sinclair	16.250	-7.063	-30.29%
SportsLine USA	17.437	6.687	62.20%
TM Century	0.500	-0.125	-20.00%
Triangle	0.050	-0.575	-92.00%
Triathlon	10.000	-0.500	-4.76%
Tribune	50.312	-11.938	-19.18%
Westover	21.500	9.750	82.98%
Westwood One	17.875	-19.250	-51.85%
WinStar Comm.	23.750	-1.187	-4.76%

Major Stock Market Indices

The Radio Index™	89.820	-10.180	-10.18%
Dow Industrials	7842.620	-65.630	-0.83%
Nasdaq composite	1693.840	123.470	7.86%
S&P 500	1017.010	46.580	4.80%



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MBR Stats

Radio's top 10, side-by-side

By Jack Messmer

Jacor's (O:JCOR) merger into Clear Channel (N:CCU) will, by all accounts make Clear Channel the nation's third-highest-billing radio group—taking the position previously held by Jacor, but still well short of #2 CBS (N:CBS).

Re-rankings of radio's top 10 groups by Duncan's American Radio and BIA's Media Access Pro agree on groups #1 through #8, but part company for the final two members of the top 10. That doesn't necessarily mean, however, that one is right and the other wrong. Duncan's revenue estimates are projected for 1998, while BIA's are 1997. Both are pro forma for announced acquisitions.

Duncan's American Radio

Rank	Company	# stns.	\$M
1	Chancellor	488	\$1,765
2	CBS	164	\$1,687
3	Clear Channel*	425	\$1,186
4	ABC (Disney)	35	\$340
5	Cox Radio	59	\$279
6	Entercom	41	\$194
7	Heftel	39	\$185
8	Emmis	16	\$172
9	Cumulus Media	207	\$167
10	Susquehanna	22	\$152

BIA's Media Access Pro

Rank	Company	# stns.	\$M
1	Chancellor	476	\$1,605
2	CBS	161	\$1,495
3	Clear Channel	454	\$1,105
4	ABC (Disney)	38	\$327
5	Cox Radio	57	\$249
6	Entercom	42	\$181
7	Heftel	39	\$164
8	Emmis	16	\$157
9	Susquehanna	23	\$141
10	Sinclair	53	\$131

*Duncan's calculation for Clear Channel assumes the divestiture of 28 stations with \$55M in revenues to complete the merger with Jacor.

Source: Duncan's American Radio, BIA

Web Stats

Webcasters by Format

(as of October 12, 1998)

899 radio stations (779 commercial) are now putting audio on the Internet. Of the total 1,708 audio websites now in operation, 48.2% (823) are of US origin.

Country remains the number one commercial format on the web with a total of 94 stations. However, if the various News, Talk and Sports categories are combined, they account for 139 stations, or 17.8% of all commercial webcasters.

RealPlayer once again picked up the bulk of the entrants to webcasting. Nevertheless, Microsoft MediaPlayer attracted enough new business to slightly increase its market share to 9.3%. The remaining streamers failed to hook any new clients.

Formats on the Internet

Format	Stns	Pct.
Non-commercial	120	13.3%
Country	94	10.5%
Religion	69	7.7%
CHR	66	7.3%
Rock	65	7.2%
News/Talk	58	6.5%
Hot AC	45	5.0%
Classic Rock	41	4.6%
AC	41	4.6%
Sports	38	4.2%
Oldies	38	4.2%
Alternative	37	4.1%
Talk	31	3.4%
Adult Altern	31	3.4%
Soft AC	22	2.4%
New AC-Jazz	18	2.0%
Urban	17	1.9%
Ethnic	15	1.7%
Standards	13	1.4%
News	12	1.3%
Classical	9	1.0%
AC-Spanish	8	0.9%
Talk-Spanish	4	0.4%
CHR-Spanish	4	0.4%
70's Oldies	2	0.2%
Easy List.	1	0.1%

Audio on the Internet

Medium	Websites	Pct.
Radio Stations	899	52.6%
International	631	36.9%
Networks	46	2.7%
Internet Only	132	7.9%
TOTAL	1708	100.7%

Streaming Players

RealPlayer	1,499	87.8%
MS MediaPlayer	158	9.3%
StreamWorks	39	2.3%
AudioActive	7	0.4%
Radio Destiny	5	0.3%
Interflix	1	0.1%
GTS Audio	1	0.1%
Vosaic	1	0.1%
TOTAL	1,708	100.0%

Source: BRS Consultants

Non-Traditional Revenue Track

% of Vendor/New Business by Category (September 1998)

	March	April	May	June	July	Aug	Sept	YTD
Automotive	15.95	14.25	14.79	19.34	12.18	8.05	13.45	16.11
Food/Grocery	31.99	26.84	35.10	33.11	37.16	33.85	39.09	32.43
Leisure/Electronic	24.94	22.25	18.16	25.27	29.87	22.94	25.73	22.22
H&BC	13.51	13.59	7.90	7.65	11.82	13.50	7.06	9.02
Home Improvement	10.18	13.31	11.25	5.24	3.19	8.03	3.27	8.73
Office	1.04	6.35	8.78	4.83	5.21	12.74	11.40	8.93
Clothing	2.38	3.41	4.03	4.56	0.57	0.89	0.00	2.56

Source: Revenue Development Systems; based on revenues from 76 stations in 32 markets.

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Jacor shocker: Merging with Clear Channel

Just when Wall Street had been lulled into believing that no sale of Jacor Communications (O:JCOR) would take place until stock prices recovered, Randy Michaels surprised everyone with an Oct. 8 announcement that Jacor would merge into Clear Channel Communications (N:CCU). The deal is valued at \$4.4B.

Although there had been other bidders—CBS (N:CBS) and Chancellor Media (O:AMFM) had been among those believed to be in the running—Michaels said that Jacor had sought out the Clear Channel deal because, among other things, it would require few station divestitures and leave Jacor's management structure in place, with Michaels still running the group as a Clear Channel subsidiary.

"It doesn't feel much like a takeover to us," Michaels said. "It feels like a partnership to us."

"This puts together two companies which are very complimentary," agreed Clear Channel CEO Lowry Mays. "This transaction clearly places us, without a doubt, as the largest out-of-home advertising company in the world." ♦



Jacor CEO Randy Michaels displays his new corporate image (he is wearing a tie) at the NAB Radio show in Seattle.

Kennard backs microradio

Standing before a crowd of his staunchest supporters, FCC Chair Bill Kennard (D) strongly backed licensing microradio stations during a speech to the National Association of Black Owned Broadcasters.

Kennard announced he has asked the Mass Media Bureau (MMB) to come up with a proposal for a new low-power FM service. "We are going to do whatever we can to create more opportunity and more licenses for small and minority businesses," said Kennard. "We have an obligation to manage the spectrum in the most efficient way possible. That means using those airwaves to give as many people as possible to use them."

Kennard repeated his endorsement at last month's NAB Radio Show in Seattle, to a less enthusiastic crowd. He told broadcasters he is confident FCC engineers will be able to come up with a workable plan, much like they did with LPTV.

"If you add to an already crowded spectrum, the logical result will be more interference," responded NAB spokesman Dennis Wharton. He said the IBOC transition could be delayed by the increased interference. "It would be best to see how the transition to digital goes first before you consider such a proposal as shoe-horning hundreds or thousands of stations into the spectrum." ♦

USADR wants FCC to get moving

In an attempt to speed up the acceptance process for IBOC DAB, USA Digital Radio has filed a 400-page Petition for Rulemaking with the FCC asking it to approve IBOC as the DAB standard for the US. USADR hopes to use the petition to its advantage—it has been in the game the longest and claims to be ahead of competitors DRE and Lucent in development.

"We asked them to be very aggressive in timetables and setting a standard. Broadcasters, listeners and manufacturers want to have the new technology sooner rather than later," said Bob Struble, president, USADR. He wants to avoid a repeat performance of AM Stereo where a standard was never issued and differing systems in the marketplace hindered its acceptance. ♦

Art Bell signs off

Coming as a surprise to his 410 affiliates, Premiere Radio Network's Art Bell declared Oct. 13 was his "last broadcast" because of "a threatening, terrible event that occurred to my family about a year ago and a succession of other events." Bell plans on telling the story someday. "When the time comes, when I can tell you what occurred, I will tell you through the press," he told shocked listeners.

Kraig Kitchin, President/COO Premiere, said it could be a while before Bell would return to the airwaves. "He's got some very big issues he's dealing with. It's something that can be dealt with—that's the good news."

Kitchin said Bell's sign-off from "Coast to Coast AM" and "Dreamtime" was not a hoax as some syn-

dicators branded it at the Seattle NAB Radio Show. "He's going to really hunker down and be a private person for a while and work through some issues and then be able to make a decision about returning." Jacor's (O:JCOR) Premiere plans to use guest hosts, while he sorts out his troubles. Bell recently signed an \$8M multi-year contract, according to MBR sources. ♦



Westwood One reworks networks, gets new CEO

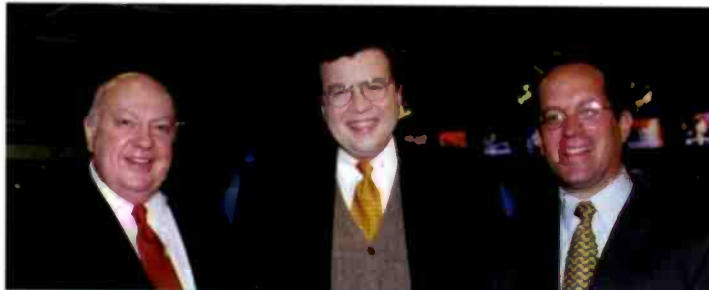
Plagued by sagging ratings, two new RADAR®-rated competitors and a bad buzz on the street, Westwood One (O:WONE) spent the month reshuffling its networks, cutting inventory 25 to 30% and enlisting WFAN-AM GM Joel Hollander as President/CEO. "The time has come for Westwood One to have a full-time CEO," said outgoing chief Mel Karmazin—who also serves as CBS (N:CBS) President/COO and CEO of soon-to-be-public Infinity Broadcasting.

"We had to make ourselves stronger," admitted Dick Silipigni, EVP/Sales, WW1—in announcing a reorganization of its networks. Silipigni said they merged some products together, to leverage the stronger networks and stations. For example, all of Westwood's news products are under one banner, the CBS Network. The shuffling comes off of a RADAR book in which all of WW1's nets 12+ ratings went down.

All the WW1 news wasn't bad, however. Fox News announced WW1 is its net of choice. The two will join forces and create a new radio product,

called Fox News Radio. The network will be organized into four morning drive newscasts, with custom reports for the top markets. Expansion into other dayparts will be planned as demand dictates.

"This is targeted to younger-skewing stations," said Nick Kiernan, SVP, affiliate relations, WW1. ♦



L-R Chairman and CEO of FOX News, Roger Ailes; FOX Business News Managing Editor, Neil Cavuto and President CEO Westwood One, Joel Hollander

EEO rules suspended

The FCC suspended collection of radio and TV stations' annual EEO reports and program statements last month. It came in the wake of the US Court of Appeals' refusal to review a lower court decision striking down the 30 year old regulations.

"The Commission's most important undertaking now is promptly to revise the broadcast EEO rules," said Chair Bill Kennard (D). The FCC will likely issue a proposal by year's end, and Kennard predicts new EEO rules will be on the books by early 1999.

FCC attorneys are still discussing a possible appeal to the US Supreme Court with Justice Department officials. A final decision must be made by Dec. 14.

The FCC will also begin collecting information on the number of broadcast outlets owned by women. The most recent census was taken in 1987, which found women owned 3% of radio stations and 1.9% of TV outlets.

"It will be used as a tool to get something done about it," said American Women in Radio and Television President Sandra Dorsey, who believes that stations with women as co-owners, like husbands and wives, should count as female owned.

Ownership report card

Vice President Al Gore released the government's annual census of minority owned broadcast outlets during a speech to the National Association of Black Owned Broadcasters. The count shows the level of minority-owned radio stations held steady at 2.9%, with 337 of 11,524 commercial stations owned by Blacks, Hispanics and women. In TV, minority levels dropped sharply. The census also found 13 states with no minority owners.

"We need to be sure consolidation doesn't lead to elimination of minority owners," said Gore, who has asked the Small Business Administration to find ways to help minority broadcasters.

"It's clear that consolidation is having a serious adverse impact on minority ownership in this country," reacted Kennard, who has begun working with broadcasters on finding incentives to invest in minority-owned stations. ♦



Pirates protest FCC, NAB

Roughly 50 pirate radio backers marched on the FCC and NAB last month as part of a pirate convention. Frustrated with a FCC crackdown, they claim corporate interests and the NAB are pulling the strings of their "puppet," FCC Chair Bill Kennard

Competing Media

Radio holding strong on local ad share

by Jack Messmer

Radio's share of total local ad spending held steady in July at 18.9%—essentially even with June's 19%. The MBR/Miller Kaplan Total Media Index, which measures local advertising in 13 markets, found little change from the previous month.

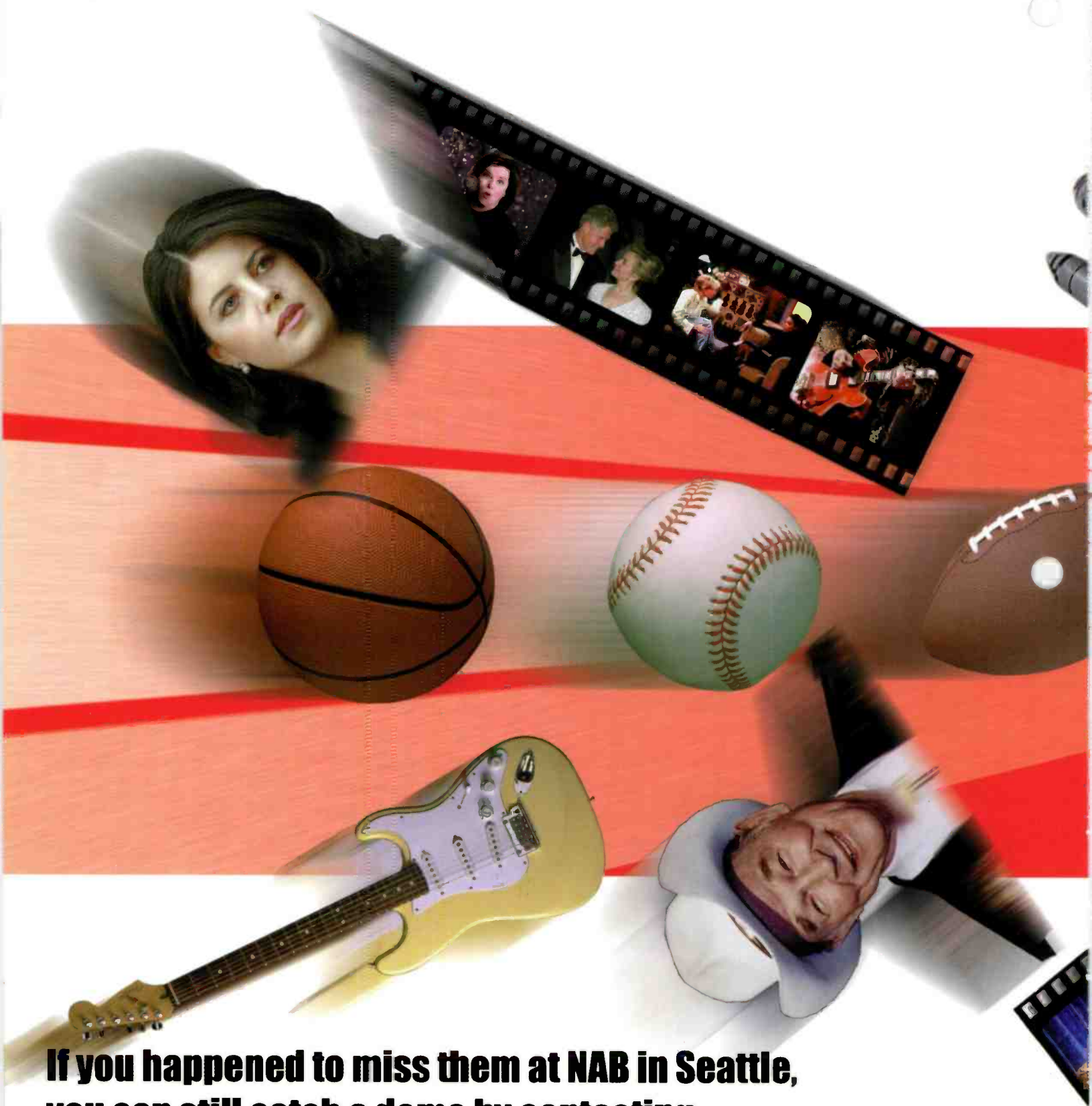
For the second straight month, TV topped newspaper for total ad billings. TV claimed 42% of total ad spending, compared to 39% for newspaper.

Beverage advertising was radio's strongest category, with over 46% of total spending, as TV advertising fell off in summer reruns.

MBR/Miller Kaplan Total Media Index - November 1998 (Expenditures in 000)

Category	Newspaper	TV	Total Radio	Media	Radio % of Total
Automotive	83,304	73,021	18,165	174,490	10.41%
Restaurants	1,601	35,221	8,615	45,437	18.96%
Department Stores	38,069	8,892	6,121	53,082	11.53%
Foods	1,333	21,393	5,667	28,393	19.96%
Communications/Cellular	15,027	12,276	10,348	37,651	27.48%
Furniture	13,459	14,330	4,187	31,976	13.09%
Financial Services	12,854	10,429	7,168	30,451	23.54%
Movies/Theater/Concerts	9,000	14,762	5,381	29,143	18.46%
Grocery Stores	8,783	7,366	5,347	21,496	24.87%
Appliances & Electronics	12,877	5,508	3,786	22,171	17.08%
Hotel/Resorts/Tours	12,325	2,998	1,971	17,294	11.40%
Drug Stores/Products	3,933	5,975	2,950	12,858	22.94%
Computers/Office Equipment	8,903	2,074	5,501	16,478	33.38%
Specialty Retail	11,905	11,374	6,071	29,350	20.68%
Health Care	3,080	9,540	4,376	16,996	25.75%
Auto Parts/Service	3,066	4,855	4,219	12,140	34.75%
Music Stores/CDs/Videos	2,167	5,157	3,479	10,803	32.20%
Transportation	3,628	2,431	1,226	7,285	16.83%
Entertainment-Other/Lottery	1,459	5,353	4,405	11,217	39.27%
Home Improvement	7,002	5,319	2,119	14,440	14.67%
Professional Services	3,453	6,408	3,104	12,965	23.94%
Beverages	395	10,975	9,768	21,138	46.21%
Television	2,399	2,914	2,462	7,775	31.67%
Personal Fitness & Weight Centers	411	2,259	500	3,170	15.77%
Publications	6,767	1,571	1,161	9,499	12.22%
TOTAL	267,200	282,401	128,097	677,698	18.90%

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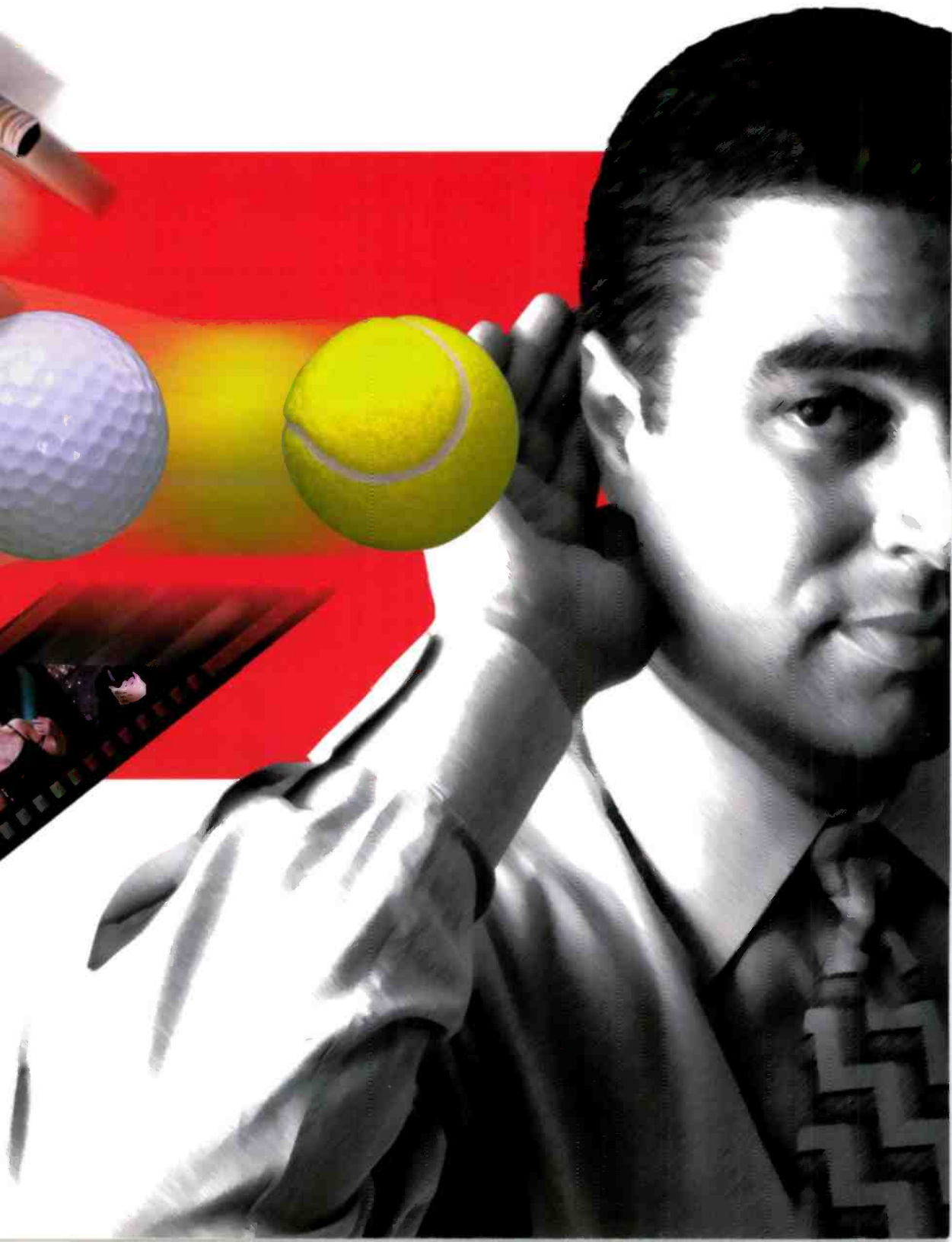
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Running Small Market Radio: Keeping It In The Community

by Carl Marcucci



With all the business of consolidation we report on day in and day out, it's rare we get the chance to report on the roots of this industry: the small-market broadcaster. Cary Simpson is one shining example of how it used to be done and continues to be done. At 22, Simpson, president, Allegheny Mountain Network (AMN) and (now) Chairman, Small Market Committee, RAB, began it all with \$6,000 that built a brand new CP in 1950. In St. Marys PA, a town that had never had radio (except for KDKA-AM Pittsburgh using a decent antenna), Simpson instilled some values—on running radio, ethics and life—unto a new 18-year old hire out on his own, RBR and MBR Publisher Jim Carnegie.

In this exclusive MBR interview, Simpson brings to the table a lot of time-tested issues for small-market broadcasters who take their business seriously. While the advertising doesn't come as easy as in 1950, success is still about accomplishing a big issue in the news today—localism.

Some say there are certain values that broadcasters in this day and age fail to remember. What values did you see in and give to hires like Jim?

One of the things is that people like Jim were very serious about this. This is not a case of a young kid in high school or just out of high school who wanted to make extra money, and who would say, "Well, it's better than flipping hamburgers." It wasn't that at all. There was a zeal to this and I know that Jim had the same zeal that I had or Johnny Knorr (then GM, WKBI-AM) had.

I don't even know if it was wild blind ambition, as much as it was just that "we want to be part of this." I have seen this with so many people who learned and moved on and up.

The top-rated morning guys in Columbus and Buffalo began with AMN, as well as a couple of PDs who worked in markets like Washington, Cleveland and Raleigh-Durham. Jim went through being a DJ, PD, GM and now uses this knowledge in his present role.

What did new hires learn working from you?

Certainly the first thing you learned was that you have to tell the truth. You don't ever want to hurt anyone on the air, or even in

business, and you want the absolute truth in the station's log. You don't fake it or anything like that. That's just a minimal part of the overall picture.

I think one of the crucial things is that you learned the radio station is very important to the community. Si Goldman told me many years ago that the smaller the town, the larger the radio station. This, I think, has suffered to a certain extent because of the changes that have come recently where stations have migrated out of small towns, and have either tried to be or succeeded in being part of the big city right down the road, or maybe in some cases, 50 miles down the road.

Why did you decide to get into radio at the ripe old age of 22?

I didn't decide at 22, I decided at age six. I happened to see a radio station in a department store and my Mom and Dad let me look through the glass window. I knew at that moment that I wanted to have one of those. I saved up enough money from being in the service for a brief time and going to school on the GI Bill and working at the hometown station.

How do you manage the group?

My wife Betty and our son Ted, plus four longtime office staffers and our CE form the headquarters

staff for our group. Each station is headed by someone who has been there since their teens and who, now in their 40s, is "Mr. or Ms. Radio" in the community.

Basically, I realized that when I built the second station and so forth, I couldn't be two places at one time. So, there is a system that was created that operates the station. The manager, or if there isn't a manager, then the operations manager and the sales manager work with me. They know how I think, I know how they think. When new situations come up, we discuss them, and when they get solved, they go into the operating system or the policy manual. If that situation ever comes up again, they don't have to talk to me, because they know what the answer is.

How often do you meet with your managers?

We just really don't meet as a group any more. Different stations' problems and relationships are just so different. Some of the stations are highly successful and some of them are not. I communicate with them by fax 90% of the time. If I need something, I just write out a little note on a piece of paper and fax it. They're busy and I'm busy so that when we get a chance, we respond.

On the other hand, I don't ever fall for somebody saying, "Trust

The Allegheny Mountain Network

- WTRN-AM (Oldies) and WGMR-FM (Modern Rock), Tyrone (State College), PA
- WFRM-AM (Country/News) and WFRM-FM (Country), Coudersport, PA
- WQRM-FM (Standards), Smethport/Bradford, PA
- WKBI-AM (Oldies) and WKBI-FM (CHR/AC), St. Marys/Ridgway, PA
- WNBT-AM (Standards) and WNBT-FM (CHR/AC), Wellsboro, PA.
- WNBQ-FM (Country) Mansfield, PA

me. Just stay out of my way and I'll run your station. It will be a tremendous success." I do not do that. I'm very much aware of everything. There are tight controls on things. For instance, all of the billing is handled out of the central office, payable, payroll, etc...

What are some of the problems facing small market AMs?

I think that if you look at the way radio has changed, WKBI-FM was a brand new station back in the late 60s. It didn't have much of an audience and it was extremely tough to sell. The table has turned now. Many AM stations do not have an extremely large audience. You have to look at it on the basis of the small retailer vs. larger department store. You need to super serve the people who will listen to your AM station. You can no longer succeed at AM by attempting to serve everybody.

One of the problems today that every community across the country faces, is the disappearance of the true merchants. These are people who understand retailing. Many of them have been forced out of business because of big retailers like Wal-Mart. More than that, there were probably two or three generations of businessmen who understood how to merchandise. The children of these businessmen are lawyers, or teachers, or Ph.D.'s. They don't want or would not be willing to put in the long hours that their fathers or mothers gave to the store. This is true in every community across America.

Where do you see consolidation going in the next few years?

Since most of the consolidators are stock companies that need to grow by showing good profit, I think there will be a point where they will stop coming downwards into smaller markets. As you go into smaller and smaller markets, the fixed expenses that you have to pay remain somewhat similar. There is a point beyond which you really can't cut. You can't operate with less than a certain amount of

fixed overhead. If the consolidator is intent on getting 40% off the top of every operation, he's not going to get that in the small market station.

One of the problems that people face because of consolidation is that the debt service has to be covered, the Wall Street securities analysts have to be pleased. The way you do that is improve the bottom line—ways to do that are to cut staff and raise rates. Computers can do everything from answering the phone to running the programming, but it takes live humans to do the sales and local news.

What is the relationship of staff and rates?

This is a little bit delicate. Keep this in mind, it is difficult to justify paying \$5.15 per hr. or \$6.15 hr. to a 16 yr. old high school kid to come in and run a board when you are selling spots for \$5.00 or \$3.00 or whatever. So this means that the use of live human beings to run radio stations is becoming prohibitively high unless the rates would go up. This is one of the problems that our whole industry faces. The fact is that as rates go up, the opportunity for frequency and repeated ads is decreased, and one of radio's strong points is frequency.

What words of wisdom would you give radio vendors on how to give you the satisfaction that you need to make a productive radio station?

The radio station in the future cannot have as many people as it used to have. Vendors should promote dependability and simplicity of entering of the data, the audio, the program or whatever into the computer, and the ability to do on-the-scene remotes quickly, or drops on the phone into the program without having to have multiple people. Order entry and setting up the schedule must be very easy and simplified.

The localism today or in the future, which is so essential to the survival of these stations, is not going to come from simply inserting spot ads in a satellite format.

The localism must come from being out in the field, involved in things, interviewing people, having an active morning show that does things, of being essential to the local people to learn first what is happening in town.

Tell us more about covering local events.

One of the things we find is that if you appeal to different constituencies, you can build them together into tremendous support for the local radio station. In Coudersport, they do that with community leaders. The woman who runs that station has what she calls "The Morning Break." She has somebody who is a thought-leader (ie. a county judge) who is there with her while she is running the board. She is playing music and between the songs, they just chat on the air for maybe 5 or 10 minutes at a time about happenings in the area.

A couple of a weeks ago, she had John Rigas, who is head of Adelphia Cable, which is one of the largest cable MSOs in the country and is headquartered in Coudersport. They talked about his concerns for the community. He has decided to keep his business there. You capitalize on that. You cover, for instance, Betty and I were guests of the Kiwanis Club in Tyrone for their annual installation because of the fact that every week on Tuesday morning, we call and get the news about the Kiwanis Club meeting for that week. The businessmen who are in the Kiwanis Club appreciate this. I think that it helps when we ask them to be an advertiser.

What events bring in the most money?

You can be a very much a part of the community by covering sports and interviewing the coach, by saluting the team if they go on to the championship. You make a big thing of it. For instance, our team (Tyrone, PA) went into the state championship. I think we had 105 people as sponsors on the broadcast. We had an hour and a half pre-game show. Then we had one



A young Jim Carnegie plants a foot on the first step of the radio ladder at WKBI. The rest is history. The RBR publisher was typical of thousands who began their careers at small market radio stations.

hour and half afterwards. People who had been at the game were calling in on their cell phones. It was great to be at the heart of the community.

What about syndicated programming?

If you call a 24-hr. a day program format syndicated, then yes. We do use that and we use it heavily. Most of it is Westwood One and we have two stations that are on Jones.

We have local morning shows and we have local news and local sports. Use of the satellite is simply a convenience. It is not brought in because they do a better job than the people locally or an automation system. It's just nice and convenient. You throw the switch. We run three of the larger stations live—State College, St. Marys, and Wellsboro FMs.

How does small market radio compete with TV and newspaper locally?

I think one of the problems that relates to advertising media at the bottom of the food chain, is that everybody is after it. For instance,

looking at TV, 15 years ago, national spot was a major revenue source for every television station. That's practically gone now. The networks have it all. It doesn't get to the regional stations. Therefore, they have to go out into the retail community. So, the regional TV stations have soaked up a lot of advertising dollars from automobile dealers. Those dealers, unfortunately, did not pull their ads from the newspapers—lots of them cut down on their radio.

Can you still get dollars from live remotes?

It always works, if they do it. But when their dollars are soaked up by television or newspaper, it's extremely difficult to get the car dealer to gamble on a remote.

What about co-op money?

That is a real disappointment or frustration for me. The lady that coordinates all the billing for all of our stations had an accident and hurt her shoulder. I had to make copies of the co-op affidavits, fold them and put them in envelopes. It took me 2 1/2 hrs. to fold the bills and put them in the envelopes for WKBI. They had over 100 bills for co-op, but the other stations do very little with co-op, that's a disappointment.

What do you tell people, being on the RAB's Small Market Advisory Committee, how to stay competitive?

There was a fellow named Charlie Seebeck, who celebrated 50 years of selling radio advertising. He died about five or six years ago. He said you have to have a "wanted radio station." I think it all boils down to that. If the radio station is wanted by the people who listen to it, it's going to be a success. If it is not relevant to the community, or to any specific group of listeners, it's just not going to matter.

So the thing I think is crucial is that it cannot be just an advertising sales machine. A number of people have simplified it to that. They think that you just put a nice program on the air and go out and sell the advertising. I think there

is not a good future for stations that are simply just sounding nice on the air, and don't have any relevance to their audience.

Arbitron making changes to better serve small market broadcasters

The RAB's Small Market Advisory Committee consists of 20 owners, managers and SMs from smaller stations across the country. Simpson says the RAB staff is very responsive to the views of the committee members, since small-market stations represent 40% of RAB membership.

How important is Arbitron in small markets and markets that are unrated all together?

For the past six or seven years, the RAB's Small Market Advisory Committee has been working or trying to work with Arbitron to get the County-by-County surveys to the place where they do not have such devastating results for smaller stations, because of inadequate sample size. In other words, for a long time Arbitron would take one book a year—or if there were two books—and cluster counties to get to the place where they would have enough sample to be able to use their computer models to get 12+ ratings.



Cary and son Ted both appeared on panels at the NAB Radio Show in Seattle. So did George Borsari, whose law firm has represented AMN for over 30 years. Here, Cary thanks George for some valuable ideas he presented.

As a result of that, the report often times was totally misleading. It would show that the #1 station in a certain area was a station that might have been 150 miles away and had 250 watts. Because that station and its county had been added to the next county—to the next, to the next, to the next—in order to get the numbers that were needed. So therefore, the stations would lose out on regional buys for fast foods, banks, or others. Obviously, from year to year, there would a tremendous change be-

tween the ratings of one to the next, depending on whether the stations were clustered, or whatever. That's in the past.

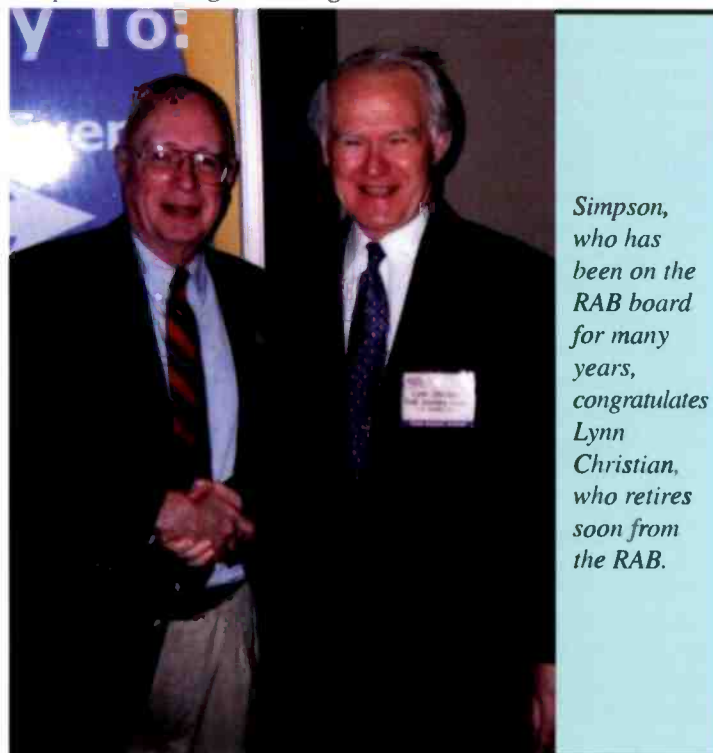
Arbitron has agreed to increase their sample size and to move the timeliness of their figures up by six months. In the past, they would sell as this year's County coverage a compilation of the figures from last year. They would say this is a 1998 survey and in very, very small type, would say, based on survey done in 1997. You know, radio is so volatile. Now, they are going to have a minimum of 100 per county, even though the county may be small.

Is it going to be a lot bigger survey group for each county?

It will have a larger sample size and will hopefully have a couple of demographic breakouts. They are in the process of doing this now. A 12+ demo is practically useless.

Eventually that will help you, then?

I think it will be more accurate and it will help Arbitron also, because they will sell more subscribers. It will also eliminate the adversarial thing. Obviously, if my station doesn't show up in my home county, and the results show that listening is to a station four counties away, I'm going to go to every advertising agency and say, "This is not accurate. Do not believe it." This anti-Arbitron pattern should end.



Simpson, who has been on the RAB board for many years, congratulates Lynn Christian, who retires soon from the RAB.

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Cashing In On Listener Cards

by Frank Saxe



Imagine all of your listeners walking around with a bar code on their heads, and you could scan them to find out demographic and psychographic information. "That's essentially what we're doing," says Steven Ludwig, director of card services for Direct Marketing Research (DMR), who along with Fairwest Direct is marketing a new, high-tech twist on the old concept of listener cards, one which gives stations critical lifestyle data about who is tuning in, and their consumer behavior.

"This is cutting edge technology, and only the more aggressive stations have embraced it," says Ludwig. DMR is providing the service to about two dozen stations, while Fairwest Direct has 90 stations.

Listener cards date back to the 1950's, but the one thing they never had was trackability. Ludwig says, "The magnetic stripe changed the game entirely." One marketer uses the comparison of the Model T and today's cars.

Fairwest President Reg Johns says his company takes the full service approach—every one of the stations using their system has Fairwest do what Johns calls the "grunt work" including mailing listener birthday cards and station newsletters. "It's tedious, you're dealing with data, it's not the radio business," says Johns. Even so, Ludwig says some prefer to handle database management and mailings on their own.

Why a station would use listener cards and kiosks is varied. Some stations recognize the promotional value, others are seeking to affect ratings. Some PDs use it for mass mailings to core listeners, others mail birthday cards. Both Fairwest and DMR have clients in every format, although Ludwig suspects the formats in need of more non-traditional revenue will be more attracted to it. "The strongest potential is with very narrow formats like Sports and Jazz," he says.

Johns thinks the true growth opportunity is not ratings, but time spent listening (TSL), which can be grown with card-related promotions.

"Which format doesn't need an increase in TSL? It costs less to convert a P2 or a P3 than it does to convert a brand new listener," says Johns.

Making money is often key as well, and there are several ways to doing that. A station could sell its listener mailing list, bringing in 75-cents a household, for example. But Beverly Tilden, VP for marketing at WXKS-FM Boston, says they would never sell the names of their 120,000 members, "We're rewarding, not penalizing."

Some use it to create inventory. If they're sold out, they can sell kiosk sponsorships. The most common way to cash-in, however, is using the technology to differentiate a station when making a sales pitch—whether it is a value-added feature or a paid part of the package. "The success of a program is gauged station to station, because their goals are different," says Ludwig.

WLAV-FM and WKLQ-FM in Grand Rapids, MI have been using the listener cards for nearly three years. Because of them, 25% of Michigan Broadcasting's revenue is non-traditional. "That's the biggest reason any company would want this for part of its arsenal; it's an obvious way to generate non-traditional non-spot revenue," says Linda Christy, Interactive Marketing Director for Michigan Media. Christy says their program has been so successful, 12% of the local population is carrying one of their two station's cards.

Applications

The promotional uses of the listener cards are limited only by the creativity of a station's promotions staff, and the same could be said about the money-making options. Christy says her stations use the machines to upsell clients and for remotes, but also to bring in even more non-traditional revenue. One client used the stations' database on computer owners to do a direct mailing, another targeted listeners that checked a box on their membership form mentioning golf. Christy says they help advertisers begin doing a media mix, "We become, in essence, marketing experts instead of



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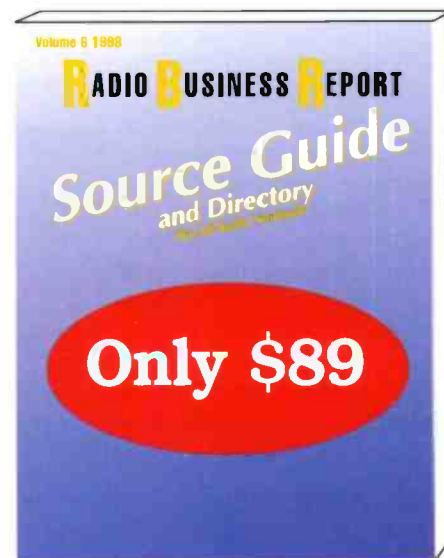
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Programming & Positioning

just purveyors of spot time." She says they promise listeners not to sell the membership list, so they handle much of the mailing themselves.

A station could also be used by an advertiser for database management, says Christie. A theater is starting a frequent movie goers club and a restaurant, a frequent diners club through the data collected by their participation in WLAV and WKLQ's listener card programs. "They could jumpstart their program by essentially having our 50 thousand members joining immediately," says Christy. With the average cost of issuing a membership card and processing its demographic data at \$3 a person, using the station's membership, saves a client \$150,000.

Other stations go after vendor dollars, money typically earmarked for newspaper circulars, couponing or in-store displays. "Typically in our world, we are not allowed to have that money," says Johns.

Radio stations will place their machines in a supermarket for an extended period of time, calling attention to an otherwise passive product display. When a listener swipes their card, they may be asked additional questions and rewarded with a coupon for the product. The vendor gets higher sales, demographic data about its buyer, the listener saves a buck, and the radio station gets the credit.

Selling to brand managers and marketers can be tough, and Johns recommends avoiding the word *advertising*. Instead, focus on the number of cases of product. "Those dollars aren't dependent on ratings, they're dependant on best idea—we're actually moving more product," he says. Research has shown 65% of all product decisions are made within the store.

It also gives clients trackability, says Ludwig. "This is a program that makes radio sales tangible." Both DMR and Fairwest are teaming up with other card programs in supermarkets, c-stores and malls, which helps land those accounts. And unlike ad budgets, promotion budgets tend to be more flexible and, in many cases, larger, since they are based on moving more product, not building brand image.

The bottom line

"It's not cheap, there's equipment costs, it's not for the squeamish. You need to budget for it and believe in it," says Hall. His station believes enough to have purchased 15 kiosks. How much have they made? Hall won't say, but adds, "We're going to make more money each year we run this." It may be difficult to pinpoint an exact figure, since there is no way of knowing how many contracts they've got signed because of the promotional value. Hall adds, "As a pure money maker, it won't stand by itself. It has a dual value to programming and sales."

Fairwest rents its card readers for \$450 a month for the first machine, \$180 for each thereafter. Some of their clients rent as many as 50, leaving many in permanent locations. DMR sells most of its units. Most markets start with two card-swipers at a start-up cost of \$35,000, which includes software and other initial start-up costs. DMR says most stations pay off their initial costs in the first three to six months.

City size can matter

Smaller markets is where the growth has been the quickest. "Those markets are under the most pressure of building the most direct revenues," says Ludwig. DMR's largest market is #27, Milwaukee while the smallest is unrated Bloomington, IN.

But the technology can certainly be used in major markets as well. Among Fairwest's clients are Sports outlet KNBR-AM San Francisco, Talk KABC-AM Los Angeles, and CHR KUBE-FM Seattle—which includes a bumper sticker and brochure for station logo clothing along with the listener card.

WSKZ-FM in Chattanooga, TN has been using listener cards since

How it works

A listener signs-up for a card, giving name, address, age, salary, and the like. On the back of the card there's a magnetic strip with an ID number unique to that card. A station then entices the listener to use the card at various stores or promotions, each time swiping it through a machine that keeps tabs on buying habits or what type of incentive motivated them to visit the location. Some of the machines have touch screens which ask cardholders additional questions. All the data is collected, allowing a station to track its cardholders.



1982, and switched to the magnetic stripe-backed cards as soon as they hit the market. "They have two purposes. We can sell sponsorships and the programming benefit—we're serving listeners by rewarding them for listening," says WSKZ LSM Sam Hall. His stations came up with the idea of selling the kiosks as a weekly buy. Clients leave the machine in their business all week long, each night a cell phone sends back the data, then at the end of the week the station can process the numbers and tell the advertiser who came through the door, plus related demographic information. "It costs less than a remote and it has a lot of what people buy remotes for," says Hall.

Card max-out

The number of cards consumers are willing to carry in their wallets is limited, and just like supermarkets, radio stations must fight for wallet space. "It is becoming more difficult to get into the wallet," says Ludwig. Because most people have a more

emotional tie to their favorite radio station compared to a gas station he believes radio will always have a spot in the wallet. "You're going to win that war," he says.

Jones agrees, and says stations must make sure their card is perceived as valuable to listeners, "When you throw out cards you're going to look at the cards that give the least value versus the most." Just in case, both companies are now offering key tags.

The biggest challenge facing stations that begin a listener card program is changing attitudes, says Christie. "Training your sales staff to think non-traditionally, their innate reaction is only to sell radio time." But when they become faced with sold-out schedules, the creation of new inventory may help change their mind. Advertisers are helping too. "The clients are very interested in working with (this), since it truly is the trend of the future in database marketing."

Merchandising is another great money maker. KUBE-FM slips a brochure for station merchandise into the envelope with its listener card, offering station clothing and logo-emblazed merchandise.



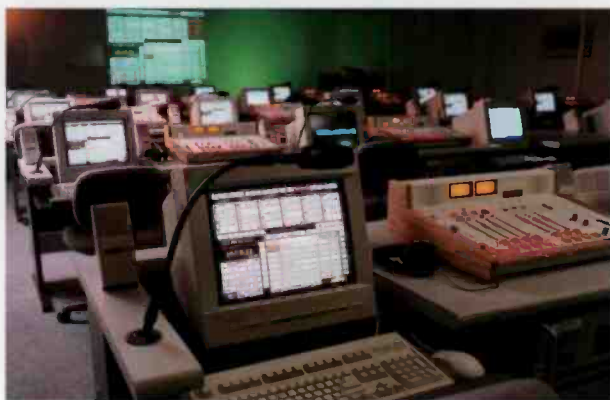
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