

# Managers' Business Report™

Radio Business Report, Inc.

16 Years

January 1999



## MBR Stats

Continued revenue gains will make this radio's best year ever.

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## News in Review

Westwood One has the top network, but AMFM had the most growth in the latest RADAR® ratings. Also, the FCC backs off on tightening ownership limits—at least temporarily

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## Programming & Positioning

If you think deregulation ended format wars, think again. A real take-no-prisoners battle is under way in the Windy City...and it's a real David vs. Goliath mismatch.

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## Mr. Walden goes to Washington

Oregon broadcaster Greg Walden is hanging up his headphones for a while to take a seat in the U.S. House of Representatives. In an exclusive interview with MBR, the new Congressman discusses his priorities and expectations for the coming term



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## REMOTE JACKPOT

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# MBR Stats

## Revenues continue to roll; consolidation at a standstill

October numbers are in, and radio racked up its second consecutive month with a 15% overall revenue gain. This time national fueled the increase. October's breakdown was 12% local/23% national as opposed to September's almost even-stein 15% local/16% national breakdown.

The steady ringing of the cash register in October brought 1998's year-to-date gain in total business up to 12%. The most wildly optimistic prognosticator at the beginning of the year hazarded a prediction of 11%.

Radio stocks, which have been buffeted by the gale force winds sweeping down Wall Street all year, have enjoyed a recovery along with most others.

Station ownership consolidation is practically unchanged in the last month. Deals have been done, but it seems that for every new superduopoly that is created, an existing superduopoly will spin off a weak-sister AM to a niche operator or donate a station to a college. Total superduopoly consolidation is actually down slightly (0.1%), while total consolidation has moved up by the same slim margin.

—Dave Seyler

## Radio Revenue Index

### Stellar October revenues leave prognosticators behind

Another incredible surge in national advertising has given radio its second consecutive month of 15% gains, and furthermore, it took year-to-date totals beyond the most optimistic of all predictions for 1998. Local business was up a none-too-shabby 12% & for the month, lead by the West with a 17% gain (all regions posted double-digit gains). National business was coming in at a blistering pace, gaining 23% overall, and picking up astonishing gains of 30%, 29% and 27% in, respectively, the East, Southeast and Southwest.

Oct. 1998	Local	National
<b>All markets</b>	<b>12%</b>	<b>23%</b>
East	11%	30%
Southeast	12%	29%
Midwest	10%	16%
Southwest	11%	27%
West	17%	16%

Local & Nat'l revenue October 1998	
<b>All markets</b>	<b>15%</b>

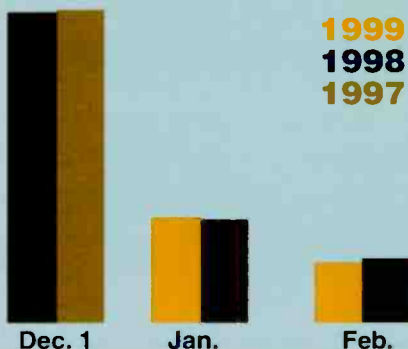
Jan.-Oct. 1998	Local	National
<b>All markets</b>	<b>11%</b>	<b>15%</b>
East	10%	16%
Southeast	10%	20%
Midwest	9%	15%
Southwest	12%	14%
West	13%	15%

Local & Nat'l revenue Jan.-Oct. 1998	
<b>All markets</b>	<b>12%</b>

## Forward Pacing Report

### Early 1999 pacing in a dead heat with previous year

Advance media buying traditionally gets off to a slow start at the beginning of the year, and 1999 will be no exception. The forward sales percentages one and two months down the road are more commonly in the 50-60% range during most of the year. However, 1999 sales are keeping up with 1998.



## Superduopoly Dimensions

### Industry consolidation (as of December 21, 1998)

Superduopoly: 48.3%		
Market	# of stns	percent
1 to 50	774	53.1
51 to 100	541	50.4
101 to 150	374	45.9
151 to 200	355	42.9
201 to 261	366	45.0
<b>All markets</b>	<b>2,410</b>	<b>48.3</b>

Total Industry: 72.2%		
Market	# of stns	percent
1 to 50	1,125	77.2
51 to 100	780	72.6
101 to 150	554	68.1
151 to 200	579	70.0
201 to 261	561	68.9
<b>All markets</b>	<b>3,599</b>	<b>72.2</b>

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

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## YTD Stock Performance

Radio stocks recovered as the bulls returned to Wall Street, but The Radio Index™ didn't rebound as much as other market barometers. Through November, the Dow Jones Industrial Average was up nearly twice as much as radio stocks.

Company	11/30/98 Close	YTD Gain/Loss	Pct. Gain/Loss
Ackerley	17.812	0.875	5.16%
Alliance Bcg.	1.125	0.875	350.00%
Am. Tower	23.125	13.812	148.31%
AMSC	4.625	-2.375	-33.93%
Belo Corp.	18.875	-9.188	-32.74%
Big City Radio	4.375	-3.750	-46.15%
Broadcast.com	66.000	48.000	266.67%
Capstar	17.875	-1.125	-5.92%
CBS Corp.	29.812	0.375	1.27%
CD Radio	38.375	21.438	126.57%
Ceridian	65.062	19.250	42.02%
Chancellor	37.687	0.374	1.00%
Childrens Bcg.	3.125	-0.937	-23.07%
Citadel	24.000	8.000	50.00%
Clear Channel	46.750	7.031	17.70%
Cox Radio	38.187	-2.063	-5.13%
Crown Castle	13.437	0.437	3.36%
Cumulus	13.625	-0.375	-2.68%
DG Systems	4.000	1.500	60.00%
Disney	32.250	-0.750	-2.27%
Emmis	34.437	-11.188	-24.52%
Fisher	68.250	8.250	13.75%
Gaylord	29.312	-2.626	-8.22%
Granite	6.187	-2.875	-31.73%
Harris Corp.	37.937	-7.938	-17.30%
Heftel Bcg.	46.625	-0.125	-0.27%
Jacor	58.187	5.062	9.53%
Jeff-Pilot	68.250	16.333	31.46%
Jones Intercable	31.062	13.625	78.13%
Metro Networks	38.000	5.250	16.03%
NBG Radio Networks	1.125	0.458	68.75%
New York Times	31.062	-2.001	-6.05%
News Comm.	0.656	-0.781	-54.35%
OmniAmerica	24.500	11.750	92.16%
Otter Tail Power	39.750	1.875	4.95%
Pacific R&E	1.875	-1.500	-44.44%
Pulitzer	81.250	18.438	29.35%
RealNetworks	38.500	24.625	177.48%
Regent Pfd.	5.625	-0.375	-6.25%
Saga Commun.	19.000	2.000	11.76%
Sinclair	12.312	-11.001	-47.19%
SportsLine USA	17.250	6.500	60.47%
TM Century	0.437	-0.188	-30.08%
Triangle	0.032	-0.593	-94.88%
Triathlon	11.125	0.625	5.95%
Tribune	64.125	1.875	3.01%
Westover	22.750	11.000	93.62%
Westwood One	26.500	-10.625	-28.62%
WinStar Comm.	27.875	2.938	11.78%

Major Stock Market Indices		
The Radio Index™	107.540	7.540 7.54%
Dow Industrials	9116.550	1208.300 15.28%
Nasdaq comp.1	949.540	379.170 24.15%
S&P 500	1163.630	193.200 19.91%

Look for the latest addition to **Manager's Business Report** coming up in our next issue.

A new feature beginning in February '99

# GM Talkback™

Each month, we are asking a few General Managers from around the country to share with us and you, their view of the industry. Next month read how New Century's Bob Case, GM of KEDJ, KDDJ, KGME and KHOT Phoenix and other GMs talk about their changing roles in the consolidation environment. Don't miss this! And watch your fax for our questionnaire.



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**MBR Stats**

**Top 30 Arbitron Markets**

The new population estimates are in, and there has been a good bit more churn than usual in the upper reaches of the Arbitron market rankings. Perhaps young couples in Dallas have taken the admonition "Mamas, don't let your babies grow up to be cowboys" to heart (did a Redskins fan write that?) in the form of not having children at all. For whatever reason, Detroit, which had been ahead of Dallas until the last couple of years, regained its familiar sixth place slot by a scant 1,700 people at the Metroplex's expense. Boston, which took advantage of an Arbitron geographical market redefinition, moved from tenth to eighth place, leaving Washington and Houston behind. Finally, Puerto Rico, which debuted in the Summer book at #11, slipped a bit down to #13. That is still more than enough to knock Pittsburgh out of the top 20, Cincinnati out of the top 25 and West Palm Beach out of the top 50.

Rank	Market	12+ population
1	New York	14,291,500
2	Los Angeles	10,162,200
3	Chicago	7,020,100
4	San Francisco	5,665,700
5	Philadelphia	4,065,900
6	Detroit	3,823,900
7	Dallas	3,822,200
8	Boston	3,700,800
9	Washington	3,600,900
10	Houston	3,524,600
11	Miami	3,111,400
12	Atlanta	3,095,200
13	Puerto Rico	3,095,100
14	Seattle	2,844,400
15	Phoenix	2,318,100
16	San Diego	2,307,700
17	Nassau	2,266,100
18	Minneapolis	2,260,600
19	Saint Louis	2,112,400
20	Baltimore	2,075,600
21	Pittsburgh	2,002,800
22	Tampa	1,976,800
23	Denver	1,816,300
24	Cleveland	1,763,500
25	Portland OR	1,707,900
26	Cincinnati	1,584,300
27	San Jose	1,427,100
28	Sacramento	1,412,500
29	Riverside	1,406,100
30	Kansas City	1,402,100

**Coen's 1999 forecast**

Here's what Robert Coen, Sr. VP and Director of Forecasting, McCann-Erickson Worldwide, is projecting in ad growth for the major US media in 1999. Coen issued his annual forecast at the 26th Annual PaineWebber Media Conference in New York (RBR 12/14/98, p. 2).

National	Gain	\$M
Cable TV	12.0%	6,905
Radio	7.5%	3,530
Syndication TV	7.0%	2,820
Newspapers	6.5%	5,765
Magazines	5.5%	10,930
Big 4 TV nets	4.0%	14,485
Spot TV	4.0%	11,045
<b>All media</b>	<b>5.9%</b>	<b>55,480</b>

Yellow pages	7.0%	1,980
Direct mail	6.0%	42,035
Other national	6.0%	26,030
<b>Total national</b>	<b>6.0%</b>	<b>125,525</b>

Local	Gain	\$M
Radio	6.0%	11,995
TV	5.0%	12,910
Newspapers	4.5%	40,605
Yellow pages	4.0%	10,545
Other local	6.8%	10,430
<b>Total local</b>	<b>5.0%</b>	<b>86,485</b>

Total national	6.0%	125,525
Total local	5.0%	86,485
<b>GRAND TOTAL</b>	<b>5.5%</b>	<b>212,010</b>

**Non-Traditional Revenue Track**

As the weather cooled—or at least as retailers rolled out winter wear, despite a late heatwave in some areas—marketing of Clothing was a growth sector for radio in November. Home Improvement also got a boost, but Health and Beauty Care retreated from its strong October showing.

	May	June	July	Aug	Sept	Oct	Nov	YTD
Automotive	14.79	19.34	12.18	8.05	13.45	9.84	10.91	15.46
Food/Grocery	35.10	33.11	37.16	33.85	39.09	45.23	46.52	33.92
Leisure/Electronic	18.16	25.27	29.87	22.94	25.73	17.80	18.63	21.75
H&BC	7.90	7.65	11.82	13.50	7.06	13.39	3.99	9.08
Home Improvement	11.25	5.24	3.19	8.03	3.27	3.89	7.39	8.35
Office	8.78	4.83	5.21	12.74	11.40	8.66	7.92	8.87
Clothing	4.03	4.56	0.57	0.89	0.00	1.19	4.63	2.56

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



# Get to Work!

Arbitron has changed the diary!

Arbitron is now asking diary respondents to write down their **At-Work zip code!** And they're asking if the diary-keeper works less or more than 35 hours a week. Arbitron is **forcing At-Work listening to Top of Mind!**



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## Clinton, Kennard Seek Capital For Minority Buyers

President Bill Clinton and FCC Chairman Bill Kennard are among the heavy hitters addressing Rev. Jesse Jackson's Rainbow/PUSH Coalition's second annual Wall Street Project Conference this month (Jan. 14-15). The focus: attracting capital to expand minority business ownership.

Some of the workshops deal specifically with broadcasting/communications industries, including Telecommunications Trends and Broadcast Advertising Opportunities, while others are more general, such as Corporate Board Diversity.

"We are in the fourth stage of our movement for development," said Jackson. "The first stage was to

end slavery. The second stage was to end legal segregation, which forced us to the margins. The third stage was the political franchise, which gave us the right to vote. And the fourth stage is access to capital and development."

To that end, the two-day conference will seek to build a new relationship between Wall Street and the nation's "black and brown" communities.

Inner City Broadcasting founder Percy Sutton will also address the gathering, along with such notables as Labor Secretary Alexis Herman, Treasury Secretary Robert Rubin and Citigroup Chairman Sanford Weill.

## Max Maximises RADAR

Westwood One (N:WON) got bragging rights to the #1 network in RADAR® 59, as CNN Max topped the ratings 12+ and in the key 25-54 demo. There's nothing to compare Max to, though, since it and all other WW1 nets were reconfigured after RADAR 58 (RBR 10/5, p. 8). WW1's sales force will have only a limited ability to capitalize on the ratings win, since Max has only one-seventh the inventory of WW1's biggest net, CBS Radio.

As the chart, below, shows, eight (seven WW1, one Premiere) of the 20 networks measured were either new or reconfigured in RADAR 59.

Among networks appearing in both RADAR 58 and 59, the biggest gainers were AMFM's Diamond and Emerald. "Most of it is attributed to the full credit for the SFX stations," said AMFM Pres. David Kantor. The SFX stations were acquired during the previous measurement period by AMFM's parent company, Chancellor Media (O:AMFM), and Capstar (N:CRB), which is soon to merge with Chancellor.

## RADAR 59 Fall 1998

(Persons 12+, Average Quarter Hour)

Radio network	Rating	Change*
WW1 CNN Max	3.2	new
Premiere AM Drive	2.4	-3.5%
ABC Prime	1.5	-6.0%
WW1 Source Max	1.1	new
Premiere Axis	1.1	new
ABC Advantage	1.0	-7.6%
AMFM Diamond	0.9	+17.7%
WW1 CBS Radio	0.9	new
ABC Platinum	0.9	-0.2%
WW1 NBC	0.8	new
AMFM Emerald	0.8	+8.0%
Premiere Dr. Laura	0.8	+3.8%
ABC Genesis	0.8	+0.4%
Premiere Focus	0.7	-2.1%
WW1 NeXt	0.6	new
WW1 Westwood One	0.5	new
Premiere Core	0.5	-3.7%
ABC Galaxy	0.4	+4.5%
American Urban	0.4	-6.1%
WW1 Edge	0.3	new

\*Percentage change in audience from RADAR 58; new indicates that network did not exist in RADAR 58

Source: RADAR 58 & 59, Statistical Research Inc.

## Mel Takes CBS Helm

As the new year dawned, Mel Karmazin officially took over as CEO of CBS Corp. (N:CBS), one of the titles formerly held by Michael Jordan. Karmazin, however, didn't take Jordan's other title. Instead, David McLaughlin was named Chairman of the media giant.

McLaughlin was previously an officer at Westinghouse and CBS, the president of Dartmouth College and most recently served as head of the Aspen Institute.

## FCC Holds Off On Ownership Rulemaking

Facing a barrage of opposition from Congressional Republicans and broadcasters, FCC Chairman Bill Kennard (D) held off on an effort to tighten ownership rules which could include further restricting radio and TV same-market ownership, eliminating TV LMAs, and generally changing the way broadcast ownership is measured.

The rule making proposal was pulled before the official agenda was published for the FCC's Dec. 17 meeting and it was unclear whether the issue would be taken up this month.

In a tersely worded letter to Kennard, Senate Commerce Chairman John McCain (R-AZ) wrote, "The proposals to make the...rules more restrictive are further examples of the Commission's failure to accurately perceive the highly competitive nature of the electronic media marketplace and revise its rules accordingly." McCain further admonished the FCC, writing, "its actions to date have not evidenced either understanding of the marketplace or compliance with the task specifically assigned to it by Congress in 1996."

However, Kennard has time and again fallen back on Telcom '96 as his defense. He has invited reporters to "take a look at the statute," saying it gives the FCC the power to revise ownership rules as it deems necessary. He has said on more than one occasion that the FCC always has to "interpret" the statute.

Sen. McCain argues the statute "unambiguously" directs the FCC to review broadcast ownership rules biennially "with an eye toward lessening them, not increasing them."

## Ginsburg Heading DG Systems And StarGuide

Former Chancellor Media (O:AMFM) CEO Scott Ginsburg was named CEO of both DG Systems and StarGuide Digital Networks/Musicam Express in December after investing \$11M of his own money in DG and \$15M in StarGuide. All StarGuide shareholders have entered into a voting trust which gives Ginsburg complete control.

DG (O:DGIT) wants to move into long-form programming delivery, and with an estimated 6,000 spot-delivery clients, the selling platform is already there. The SEDAT satellite delivery technology's days are numbered, so StarGuide's patented store and forward technology is the key for DG.

While Ginsburg wouldn't come right out and say it, the likelihood of these two companies merging,



or sharing a technical relationship soon is likely. He noted though, that with one company public and the other private, SEC rules require careful separation. "Having said that, there are opportunities for DG Systems to get into long-form programming as well as what they're into now, which is short form commercial delivery," Ginsburg said. "For years, StarGuide, very much with the Musicam Express subsidiary, wanted to compete with DG, and frankly did not achieve the same status. So now we'll have to see if there's a proper way we can put that together."

### ESPN Adds To Schedule

Hot on the heels of launching WMVP-AM Chicago as its 24-hour-a-day flagship station, ABC Radio Networks' ESPN Radio was expected to announce this month that it will add programming to expand its national syndication to 21 hours daily. Inside sources told MBR that ESPN Radio's new lineup will look like this:

6A-10A (all Eastern): Tony Bruno and Mike Golic  
 10A-1P: The Fabulous Sports Babe  
 1P-4P: Tony Kornheiser  
 4P-7P: *Yet to be filled*  
 7P-Midnight: "Game Night"  
 Midnight-6A: "Night Games"

### FCC Targets Compliance

The FCC says it is going to get tougher in 1999, following less than satisfactory results of a recent survey of broadcasters' Emergency Alert System (EAS) compliance, in addition to discovering a slew of unregistered towers.

After surveying 653 AM, FM & TV stations, the FCC said stations have improved, but must do a better job of compliance with EAS requirements. The agency also says compliance levels were "below expectations" in: EAS equipment installation and operation (87% compliance), other source EAS monitoring (83%), EAS log maintenance (77%), EAS handbook availability (85%), and sending and receiving EAS tests (76%).

"We have strongly urged and will continue to urge our members to have EAS equipment in order and working properly. This is a serious matter for the FCC and it's important that stations come into compliance," said NAB spokesman Dennis Wharton.

### NAB Sees Black Ink, Red Flag

Thanks to a better than expected turnout at the NAB Spring Show in Las Vegas, the National Association of Broadcasters' books are in good shape heading to the new year. NAB made \$21.5M, nearly \$800K more than expected, it was reported at its Executive Committee meeting in November. When the tallying is done, the NAB Radio Show in Seattle is also expected to exceed projections.

Overall, NAB was running \$1.9M ahead of budget for the first half, CFO Ken Almgren reported.

The Committee has also agreed to set-up a Radio Spectrum Integrity Task Force, that will examine the implications of microradio and satellite DARS. Radio Board Chair Bill McElveen will select a dozen broadcasters to sit on the task force. The group's budget will be \$40K, according to NAB sources.

## Competing Media

# Everybody Wins In September

by Jack Messmer

We'll need another year of statistics to get a real handle on how radio is faring, compared to other media, in September. The month's figures differ sharply from August and previous months because so many categories have more dollars being spent on advertising in September.

Specifically, new model introduction flooded all media with Automotive dollars—radio sold more auto advertising than in August, but its percentage declined because newspaper and TV spending rose so much more. Likewise, back-to-school ads from the Department Stores sector were heavily weighted to newspapers, while radio and TV held pretty much even with August.

Month-to-month comparisons are sometimes skewed by such seasonal anomalies. Stay tuned, we'll have a better handle on cross-media comparisons when we have a year of history for the MBR/Miller Kaplan Total Media Index.

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

Category	Newspaper	TV	Total Radio	Media	Radio % of Total
Automotive	122,919	106,025	23,774	252,718	9.41%
Restaurants	2,804	34,534	7,150	44,488	16.07%
Department Stores	63,297	13,988	6,162	83,447	7.38%
Foods	3,382	26,862	6,099	36,343	16.78%
Communications/Cellular	34,100	23,080	13,599	70,779	19.21%
Furniture	23,662	13,584	4,801	42,047	11.42%
Financial Services	30,915	18,281	11,210	60,406	18.56%
Movies/Theater/Concerts	16,220	12,400	5,660	34,280	16.51%
Grocery Stores	12,640	7,608	5,963	26,211	22.75%
Appliances & Electronics	23,149	7,666	2,522	33,337	7.57%
Hotel/Resorts/Tours	20,246	5,643	2,132	28,021	7.61%
Drug Stores/Products	6,907	7,801	4,101	18,809	21.80%
Computers/Office Equipment	18,274	7,622	5,655	31,551	17.92%
Specialty Retail	28,275	21,876	9,418	59,569	15.81%
Health Care	10,829	14,781	6,494	32,104	20.23%
Auto Parts/Service	4,644	6,293	3,620	14,557	24.87%
Music Stores/CDs/Videos	2,398	5,976	3,716	12,090	30.74%
Transportation	12,294	4,175	3,375	19,844	17.01%
Entertainment-Other/Lottery	3,178	4,803	4,811	12,792	37.61%
Home Improvement	12,733	7,057	3,448	23,238	14.84%
Professional Services	8,905	6,076	4,960	19,941	24.87%
Beverages	2,435	7,051	9,013	18,499	48.72%
Television	11,667	3,794	14,001	29,462	47.52%
Personal Fitness & Weight Centers	2,220	4,412	1,174	7,806	15.04%
Publications	21,337	2,984	2,702	27,023	10.00%
<b>TOTAL</b>	<b>499,430</b>	<b>374,372</b>	<b>165,560</b>	<b>1,039,362</b>	<b>15.93%</b>

\*Based on Media Market X-Ray composite data for 13 markets (Atlanta, Cleveland, Dallas, Hartford, Houston, Minneapolis-St. Paul, Pittsburgh, Portland, OR, Providence, Sacramento, San Diego, San Francisco, Seattle). Newspaper and television data compiled by Competitive Media Reporting and radio data compiled by Miller, Kaplan, Arase & Co., CPAs. For further information contact George Nadel Rivin at (818) 769-2010.

# GM Reorganizes, Radio Gains

## Ad agency shuffle leaves some in the cold

by Jim Allen



Auto industry insiders and radio ad reps say General Motors' (N:GM) recent announcement of a new marketing strategy and a restructuring of its reported \$500M-plus annual ad program could mean a "big cash bonanza" for local radio this year.

"As it currently stands, Dealer Marketing Groups (DMG) collect one percent of the Manufacturer's Suggested Retail Price (MSRP) from GM for use in advertising. In some areas, for example, the DMG keeps 60% for regional advertising and gives 40% to local dealers for local advertising. The new GM marketing plan discontinues financial support for the approximately 900 DMGs, GM's national ad agencies will now handle the regional buys, and most individual dealers will end up with more money in their local advertising accounts through our GM Co-Op program," GM spokesperson **Donna Fontana** told *MBR*.

"In GM Co-Op, local dealers can elect to contribute from a 1/2% to 2% of MSRP into a GM managed, individual advertising account which GM will now match by 25%, for their own local advertising," she added.

"The new marketing plan starts April 1, [1999] and could generate an almost immediate impact. Splitting the money between radio, TV and newspapers, I think radio could realize a big cash bonanza and conservatively see \$150M in new automotive advertising dollars in 1999. This is a fabulous opportunity for local radio sales to outsell the newspapers at the dealer level," said **Bill Burton**, President of the Detroit Radio Advertising Group.

"How this program will impact radio will depend on how the local stations sell the benefits of radio. It is not an automatic that any of that money is going to radio. Radio is going to have to go out and earn that money, but the opportunity is there," said the EVP/Media Director of one of GM's national ad agencies to *MBR*.

Media buying will be coordinated through GM's Local Communications, Inc. (LCI), "in order to leverage buying," according to Fontana.

GM's national ad agencies, Leo Burnett (Oldsmobile), D'Arcy Masius Benton & Bowles (Pontiac and Cadillac), Campbell-Ewald (Chevrolet), McCann-Erickson (Buick) and Ammarati & Puris (GMC), will be retained to do creative development and planning out of regional offices in LA, Chicago, NY, Dallas, and Atlanta. "Radio reps need to make sure that with this new assignment they are talking to the right people," cautioned the ad executive.

GM-owned Saturn is a virtual stand-alone operation and will not be affected by GM's new advertising protocol. San Francisco-based ad agency Hal Riney & Partners will continue to handle Saturn's national and regional advertising.

**MBR observation:** Now that GM is defunding the DMGs and its big five agencies are going to handle regional as well as national advertising, the big losers here could be any of the more than 60 local ad agencies who currently handle the considerable DMG regional auto radio ad biz. By using its in-house (LCI) and national ad agencies, GM will save 20 to 25% annually in the cost media of placement, allowing it to put more ad dollars into circulation. Between that and the GM Co-Op program, individual local dealers will almost certainly benefit and begin to cut larger checks for their ad agencies. DMG checks to local agencies will eventually dry up.



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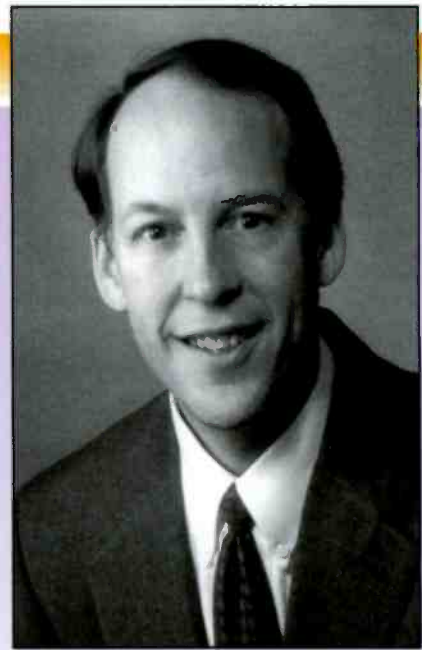
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# From Broadcasting To The Beltway—

## Radio Gets One Of Its Own In Congress



Just about every owner and GM in the country has complained about the way the government regulates our business. Many have probably even wondered aloud what difference they could make if they traded in broadcasting for a life inside the Beltway.

Columbia Gorge Broadcasters owner Greg Walden did more than wonder—

he won a Congressional seat that covers a huge rural district in eastern Oregon. While politics is in his blood, so too is radio ownership. At the age of 14 he was sitting behind the board, spinning records at his family's radio station in Hood River. Today, he and his wife, Mylene, own that station and three others.

MBR recently spoke with Rep. Walden from his office not far from the Columbia River. Here, he explains how being a broadcaster will help him make a difference for the industry.

### Describe your life as a small town broadcaster.

It is the business that I grew up in. My dad started out in the late '30s in Oregon as an engineer and an announcer, got into sales management and then ownership in about April 1967. And so, I've grown up around radio stations all my life. I started on air here in Hood River, on a station we now own, when I was 15 and on a part-time basis in high school. I did that and worked in radio and TV in college in Fairbanks, Alaska. I went up to the University of Alaska one year, worked at KFRB and KTVN my freshman year in college. I worked on and off here in summers. And then I was out of the business for a while when I was involved more in the political realm. I worked on Capitol Hill for six years in the early '80s.

### What were you doing?

Working for Rep. Robert Smith (R-OR). I was his Press Secretary and Chief of Staff. And ironically, he is in the newspaper business. He

owns the newspapers in the same towns where we now own the radio stations.

### It's a small world.

I keep telling him "leave a few dollars on the table for me, would you?" My parents decided that after 48 years in the business to sell and retire. So we bought the radio stations in 1986, the AM and FM here in Hood River. Then just last April, we bought two stations in a neighboring community, 20 miles away, The Dalles. So we've been in hands-on ownership management for almost 13 years now.

### Have you been on the air?

I've done just about everything from light engineering to on-air. I hosted our talk show, a real community-based show, for about an hour each morning. I probably did that for a year or year-and-a-half. My wife did it for several years before that. She's been the General Manager, hands on, full time. We've run it as a team and she has been the one in charge of day-to-day operations.

### With your coming to Washington and spending so much time here, what's going to happen?

I won't be particularly involved at all, given the rules of the House and everything else, plus being 3,000 miles away. So for the time being, my wife will continue to do the day-to-day management as we begin a transition in management here. Eventually, she and our son can come to Washington and at least be there while I'm there.

### You've lived through pre- and post-Telcom. Has your business changed?

Purchasing these two stations in The Dalles has certainly given us more ability to compete. In many respects, in small communities, it is my view that some consolidation was needed and will be better for communities and better for listeners. We are able now to cover more events and better utilize our resources to be more active in the community. Whereas before, everybody was stretched pretty thin.

And it gets down to basics, you are able to send two people to an event and cover it for four radio stations, as opposed to pre-consolidation where everyone had to try to send somebody. You have to draw the line someplace and I just can't do every event. So it allows us to group up and do more coverage.

### Why go from an obviously successful business to politics?

A genetic disorder, I think. I enjoy public service. As I mentioned, I served eight years in the state legislature and actually retired voluntarily from that. The voters didn't pre-retire me.

Congressman Smith, who is a good friend of mine, called me in December 1997 and said, "In an hour, I'm announcing that I'm not going to run again. I'm going to publicly endorse you to replace me"—and he did. So, a month and a half later, we finally came to the conclusion, this is something that we should go ahead and do.



**Would it be fair to characterize Smith as a mentor?**

I've known him for almost 28 years. He was Speaker of the House in the Oregon legislature. My father served three terms in the House and Bob was the Speaker of the House during my father's first session. I first met him when I was about 14 years old. We've just known each other off and on over the years.

**How did being a radio station owner and broadcaster help prepare you for being a politician?**

I think it is a big help. In just some pretty fundamental things, like you learn to speak clearly. There are many circumstances where candidates don't even know nor have a clue how to use a microphone, so nobody can even hear him. Just from that standpoint, on sort of a technical basis, it is helpful being in the industry.

I think most of us that are involved in broadcasting are also just ingrained to be involved in the community. In many respects, being involved in politics is a natural extension of being in broadcasting, just because you are always involved in some charitable activity, or you are the MC of the Chamber of Commerce, or you are on probably every board in town. Most of us are. That is just sort of inbred in our personalities. To me, it is a natural step to go on into public service.

**When you won, what kind of reaction did you get from broadcasters?**

The broadcasting community has been very supportive nationally and here in Oregon. The NAB has really been one of my biggest backers in every respect that they could. I couldn't say enough positive things about not only what they've done for me, but also how effective they are at what they do for all of us in Washington.

**How does interaction with advertisers compare to interaction with Washington-type politicians?**

It really keeps you in close touch with what business community is thinking. Generally, what's the first thing that gets cut in a downturn in the economy, but advertising. You really do hear first hand the horror stories that people are having with government. And you understand very quickly and clearly what's going on in the economy of a community.

I also serve on a board of directors of a community bank and have for about five years. So the two, coupled, give me pretty good insight into what is going on in a lot of the communities in this district.

**As a congressman, what kinds of things are you going to focus on?**

I'm going to end up on the Agriculture Committee and the Resources Committee. This district is,

by the way, the second largest in America, other than those states which have only a single House seat. It is a very rural and very agrarian area with lots of public land issues. 75% of the land mass is controlled by the government, so there are a lot of those issues that perplex this district. There are a lot of difficult problems to try to overcome, so those will be the primary focus.

But, such as I can, I am also going to serve on Rep. Dan Burton's (R-IN) Government Reform and Oversight Committee, which is looking into campaign finance reform. To the extent that I can bring a new voice into the role of broadcasters in the whole political advertising spectrum, I hope to play a significant role. I don't think a lot of politicians understand the nuts and bolts of our business. I think that I can be helpful there.

I won't be on the Commerce or Judiciary Committees, where these laws are actually going to be changed. But within the confer-

ence and just working member-to-member, I hope to have a significant impact on some of these broadcast-related issues.

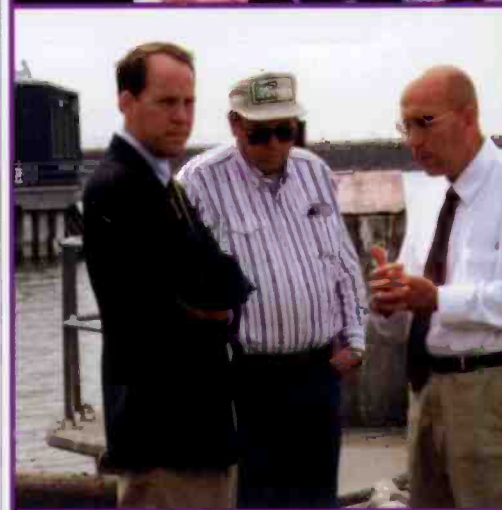
For example, I was asked by the Majority Leader, the Saturday after the election, to give the response to the President's radio address, in part because I'm a broadcaster. So I hope to be able to use some of that background and knowledge, especially if I'm the only one in the conference to be involved to at least bring a better understanding about our industry.

**As both a broadcaster and a politician, where do you come down on that issue of requiring radio and TV stations to give up time to candidates?**

I think it is a totally bogus idea for a number of different elements. I've argued this from a candidate's standpoint: give me free time on radio or TV and that just gives me more money to go pay for direct mail, more signs, and other things



**Walden on the campaign trail**



that I have to pay full rate on right now.

No industry does more to give away their product at a cheap rate than broadcast. I don't get discounts when I hire a polling firm or when I buy billboards or bus signs or a campaign manager or printing and the list goes on. And yet, we are the only ones in their sights because we don't have full First Amendment protection.

**Do you think the smaller the market, the bigger the deal?**

Actually, it's probably easier in smaller markets where we usually work pretty closely with our candidates and try to get them on the air. And frankly, most of us make free time available and frequently candidates won't take advantage of it.

Now there are some things I'd like to kick around, some ideas among which are in order to qualify lowest unit rate, candidates themselves ought to actually have to voice or appear in a majority of their ads. In other words, if I'm going to do a radio ad, I've got to be out there 75-80% of the time, in order to get the lowest unit rate. Same with TV and I'll tell you the effect that would have probably gets to an issue that perplexes voters more than in just dollars spent—that is negative campaigning. If the candidate has to do the attack, they are far less likely to make it mean, vicious and nasty. Of course, they could still do it, but they'd have to pay full rate. That might be a bit of a disincentive to that type of activity, which most Americans would applaud. Congress could do it in a blink of an eye, if they wanted.

**Some in Congress are hinting they'll try to restructure the FCC during the next two sessions.**

**Although that falls under the Commerce Committee, would you like to play a part?**

I'd like to be involved in that. As a broadcaster, there are some forms in my sight that the FCC puts out that I'd love to see us change. If I ran my business that way, nobody

would ever pay me. The way they collect fees and the stupid forms they have you fill out just to pay your bill—and then they give you a five-day window to send it in, it makes no sense. This is not a friendly government we are dealing with here.

**I think most of us that are involved in broadcasting are also just ingrained to be involved in the community. In many respects, being involved in politics is a natural extension of being in broadcasting...**

—Rep. Greg Walden

I think there are some serious broadcast issues that Congress needs to be in the forefront on and I hope they are. While not related to restructuring the FCC, I think that the issue of dropping in a whole bunch of new stations makes no sense. The low powered concept of five watts will cover most communities, if the antenna is in the right place.

**Do you think we'll see Congress do something on microradio?**

I think Congress should step in and tell the FCC that they are off the mark. How are they going to regulate that and manage it, to what cost? Are they going to have the requirements that we all have as licensees?

**How do you feel about redoing the 1996 Telcom Act, should it come back to the full Congress?**

I guess I stand back and look at it and say, the biggest city in Oregon has one major newspaper. I don't think there are more than a hand-

<b>BIOGRAPHY</b>	
<b>Rep. Greg Walden</b>	
<b>Birthdate</b>	January 10, 1957
<b>Hometown</b>	The Dalles, Oregon. Parents ran cherry farm and local radio station.
<b>Experience</b>	Owns Columbia Gorge Broadcasters Inc., which operates KHR-AM & KCGB-FM Hood River, OR and KACI-AM & FM The Dalles, OR.  Served in the Oregon State Legislature, including four years as Majority Leader of House; named Legislator of the Year by the National Republican Legislators Association in 1993.  Press Secretary and Chief of Staff to Rep. Robert Smith (R-OR) from 1981-'87.
<b>Professional involvement</b>	Past president of the Oregon Association of Broadcasters; a director of Columbia River Bancorp; a director of Hood River Memorial Hospital and chairs the Hood River Business Roundtable
<b>Community involvement</b>	Member of the Hood River Rotary Club, the Elks and is a lay reader in the Episcopal Church.
<b>Family</b>	Wife: Mylene; Son: Anthony. Met Mylene while she served as Rep. Smith's Legislative Assistant.

ful of communities in my entire district that have more than one newspaper. Nobody at Justice is going after them. Why are they coming after us? I don't understand this. There is more competition in this industry than probably any other medium out there.

I think we've got some nervous nellys that are missing the mark. I know there are competitive issues in some markets that are going to need a look at, but I don't think it is time to scrap Telcom.

**You've been around long enough and have been through several FCCs. Do you have any thoughts on how the current one is doing?**

I still think that it is too early to grade them at this point. I think we need to see just how they get along with Congress and what track they are really headed on, and how many of their ideas get off the ground.



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# Will St. Valentine's Day bring a new massacre in Chicago?

by Carl Marcucci

*The North Side Boys, ready for battle: Heart & Soul's Dave Karwowski, Rich Marston and Dan Turpin.*



This story has all the spice of a classic radio format war with the guts and glory of gangland Chicago in Al Capone's day. Big City Radio (A:YFM) started it all, buying up Douglas Broadcasting's WVVX-FM Highland Park and DMR Media's WJDK-FM Morris, to simulcast (as it is expert in) a new format Chicago had never seen—R&B Oldies. Research showed a huge hole existed in that market for it. So WVVX became WXXY and WJDK became WYXX—collectively, “Chicago's Heart & Soul.” They struggled, working the streets and working on getting a signal upgrade. The disadvantage—both sticks are in the suburbs and are Class As.

Then Eric “Mancow” Muller left Chancellor's (O:AMFM) WRCX-FM stable, taking ratings and Rock listeners with him to Emmis' (O:EMMS) WKQX-FM. Chancellor Radio President Jimmy de Castro comes in for an inspection, says it's time for a change. Research shows the same results as Big City's, so de Castro decides R&B Oldies is the answer. Instead of directly jumping in as a competitor, he offered Big City CEO Mike Kakoyiannis money for the Heart & Soul brand. “We totally gave them the opportunity—quietly. It was a lot of cash. I guaranteed his cash flow—all he had to do was switch format,” said de Castro.

Kakoyiannis declined. WXXY VP/GM Rich Marston answered why: “If our company were to have sold to Chancellor, I think we would ruin the lives of 25-30 people who believed in us.”

So this is where it gets good (or bad): Says de Castro: “When we made the decision to do it, and the decision was mine, I put an e-mail out on a Friday afternoon to all of the top people in our company—from Rivers to Madison to Lebow to Warfield to Zapoleon to the research people, to the programmers to the marketing people—and said ‘send Luco, Brazzi and Clemenza to

Brooklyn for mattresses. I need everybody in Chicago Monday night—we're going to a mattress war,’ which was an old take-off from ‘The Godfather’ because Mike Kakoyiannis decided not to take the buyout. So we brought all of the troops in and worked for two weeks to put it together to launch the station.”

They decided to go with a tailored-for-Chicago version of Chancellor's “Jammin' Oldies” R&B Oldies format that had already been launched in Dallas, L.A. and San Francisco. In classic Chancellor style, the 11/2 launch was a blitz. “We advertised the Temptations on Channel Five on Sat & Sun and got 121 household points. Then we flew the Temptations in for the House of Blues party to kick it off,” says de Castro.

Keeping the spirit of warring mobsters and ‘The Godfather’ alive, WRCX received a symbol of WXXY's affection. “They ripped up a couple of our promotional banners and sent over a bloody horse's head with some Italian expression that was very filthy. I brought the horse's head up to [WRCX GM] Mike Fowler and laughed about it

and thought it was kind of cute. It doesn't bother me—we're going to bury them.”

The stage was set—let the games begin. “It was silly. There is no other word to describe it. I kind of feel sorry for them. It seems a little bit like they don't know who they're messing with,” said WRCX GSM Debbie Buckley. “They don't have the resources, they don't have the signal. I think it was a gutsy move, but not necessarily a bright move.”

## Calling all engineers

A crux issue for both stations' arguments against each other is signal strength and coverage. Coincidentally located second-adjacent to WRCX-103.5 (which is a powerhouse atop the Sears Tower downtown), the weaker WXXY simulcast (103.1) signals are bullied by their neighbor. “It's a phenomenal at-work listening radio station and you can't pick them up in the city. If you're in your car on The Kennedy in the city, your scan button on your car radio goes past them,” said Buckley.

*The Heart & Soul Patrol  
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*muff said!!*

## Programming & Positioning

Because Big City owns both stations in the area on 103.1, it was able to get signal upgrades and will increase overall coverage area—also part of the company's core strategy in LA and New York. "We're building a tower right now that will hold WCBR-FM 92.7 [Big City's CHR simulcast] and WXXY, which is moving from the Highland Park tower to the new one in Arlington Heights. It's 150 feet taller. All the stations will be doubled from 3,000 to 6,000 watts."

Both RCX and Chancellor vigorously dispute the parameters of the new coverage area—to the point RCX uses its own coverage maps to demonstrate the difference (see right). Says Fowler: "After both upgrades, if you have the right map, they'll still only hit 3.1 Million of the 7.6 million. They're trying to sell the media community that they'll hit 90% of all of Chicagoland and its not true. We had a study done as well."

"It gets so old—it's the company line. 'You can't get it anywhere.' You can see the difference. What they're doing is not only very deceiving, it's just flat out fraudulent, especially not sourcing it. And the maps are just completely inaccurate. Our coverages are not the size of nickels, as they portrayed them," said Dan Turpin, GSM, WXXY. "We're going to have parody on power soon. The only thing that will come to the game is the music and the talent."

### Big city promotions

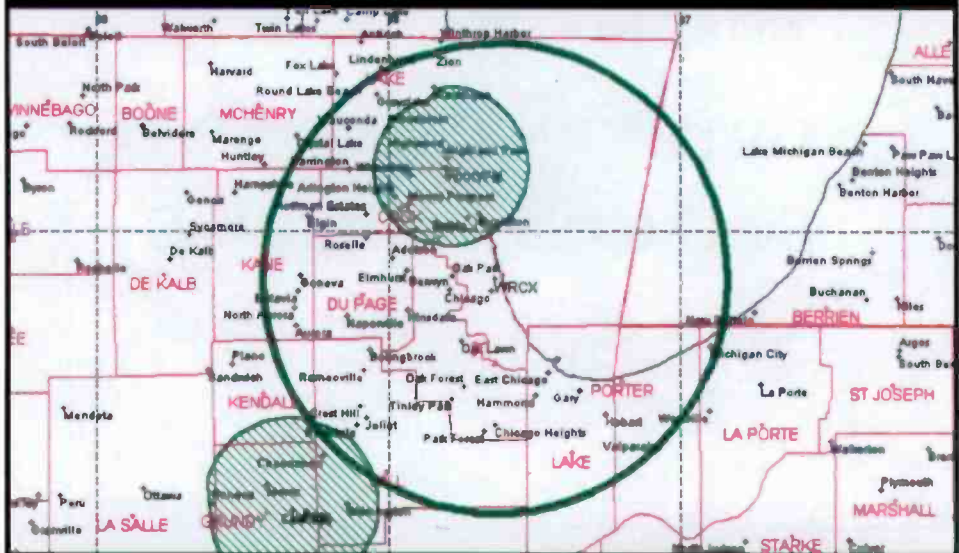
Much of the Chicago battlefield lines are drawn with promotions. Certainly, WXXY had an 11-month lead courting the market with its 20-person promotions staff, the "Heart and Soul Patrol," which drive ten new VW beetles all over the market. "The whole premise behind that was to get a car that's got that whole nostalgia thing going, and we thought it matched up real well with the target audience we were going after. We are able to do multiple appearances—40-50 a week. We not only use them for sales tools, but roving billboards," said Turpin.

WXXY Marketing Director Dave Karwowski elaborates: "It's an assortment of appearances, from five to ten car drives along major thoroughfares, to grand openings, to community events—be it haunted houses or Christmas bazaars. Things that fit with our format, we'll go out to."

Over in the other camp, Chancellor's promotional strategy is to spend money—and lots of it. Not even including the launch at The House of Blues, de Castro is allocating \$2M in advertising and promotions. "We are in the process of designing a look for the radio station and buying a very significant marketing campaign that will include buses, transit, billboards and television. We had all the artists calling 500,000 women in the marketplace telling them that the radio station is on the air and to listen [part live, part computer]."

Along with a schedule of House of Blues parties that include performances by core R&B

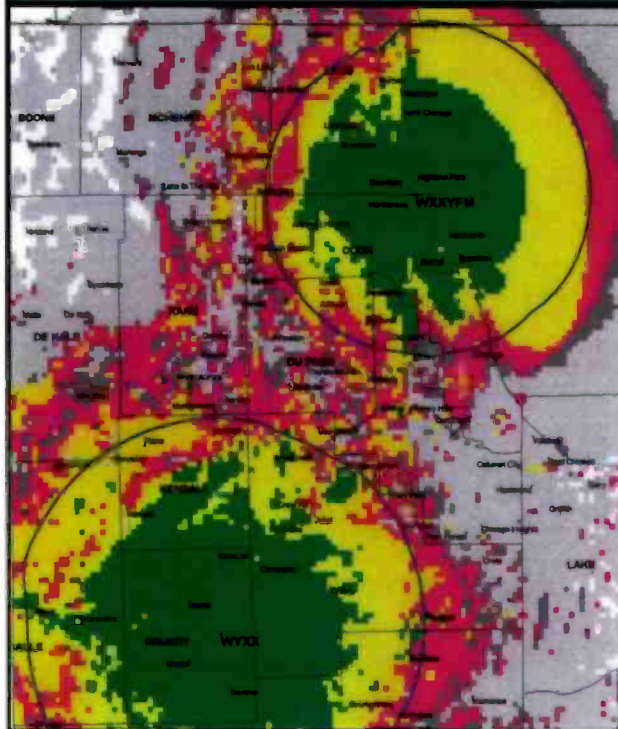
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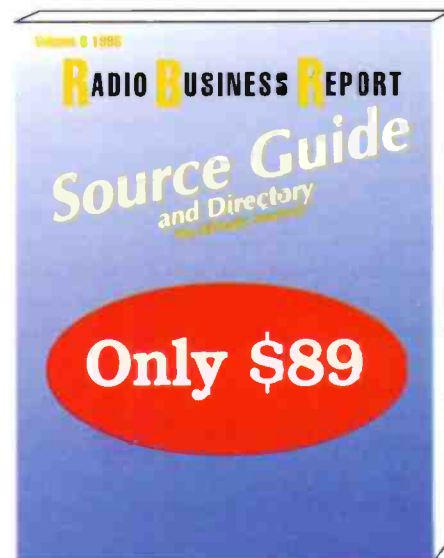
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acts—Kool n' the Gang, The Spinners, Earth, Wind and Fire, Smokey Robinson and Diana Ross—Chancellor is contesting (the prize figure was doubled at recently launched WBIX-FM N.Y.—RBR 12/7, p.3). The winner was visited by a “prize patrol” followed by TV cameras.

Said de Castro: “We did a \$25,000 contest to name the station. We had the Temptations and Martha Reeves and the Vandellas live on Channel Five. We named the station ‘The Beat.’” He says new set of call letters have already been filed—WYBT or WQBT.

Turpin thinks the contest was a little too contrived: “It’s funny—they ran this big contest to name their station. \$25,000 to the winner with the most creative name. It’s such a miracle—such a coincidence—that they ended up calling it ‘The Beat,’ which is the name of their station in LA [KKBT-FM]—a name that they’ve had trademarked in the Chancellor fold for years.”

Ouch!!

## Research & ratings

Both competitors funded music tests before launching, and the results were quite positive. Said Fowler: “I remember sitting in at our research project with Broadcast Architecture’s Brian Stone and he’s looking at the P1 and P2 conversions. He looked over at me and goes ‘Mike, I researched WKTU and this is even bigger.’”

“Joint Communications found there was a big hole in this market for this format. I read recently that Chancellor is taking full authorship of this whole format,” said Marston. “Well, Joint Communications, John Parikh, is the guy that really found this format—kicked it in San Diego a couple of years ago and then found the hole for it here in Chicago.”

Independent music testing has also been used for battle propaganda. Says Buckley: “We did a music test two weeks from the day we flicked the switch—one in the suburbs and one in the city. And of the 190 women in the test, already 66% were listening to our radio station. Most of them had never even heard of Heart & Soul. The one in the suburbs was out near O’Hare [Rosemont Horizon]—that’s Heart & Soul’s backyard.”

Maybe it’s the appeal of a brand new station in the market, maybe not. Either way, The Beat’s initial market penetration was impressive. Three weeks after launch it was cuming 840,600. “I don’t want to put too much stock in Accutrak because it’s call-out research, but we’re cuming larger than we ever were at Rock 103.5. To be the seventh cuming station in the market four weeks into your format is kind of frightening,” said Buckley, whose career includes 12 years at Arbitron.

While Fowler is looking to hit 7th or 8th place by the Winter book (P12+), Heart & Soul is hoping to improve ratings after its power increase: Summer P12+ (6A-Mid Mon-Sun AQH share), the simulcast hit .5; the core demo, Women 25-

54, showed a .7.

According to Turpin, 7th or 8th may be a little lofty. “We’re saying there’s a 3.5 share between the two formats. We will survive doing a 1.5 share 12+. RCX cannot survive doing even a 2 share. My guess is they would need to be in the threes to break even.”

## Murphy & Winston: the wild card

There are definite differences in programming these stations, both in use of talent and playlists. Both The Beat and Heart & Soul are running 80% R&B Classic Oldies. The Beat adds Disco; Heart & Soul AC/CHR for the other 20%.

Heart & Soul has decided to leverage two well-known Chicagoland DJs, both for netting listeners and bringing in dollars from remotes. Robert Murphy, a popular Chicago jock who worked at WKQX from ‘82 to ‘91 returned to WXXY Jan. 4. Fred Winston, already on air since late November, was on WLS-AM for years. Said Marston: “Murphy was the #1 jock here for a lot of years at Q101—consistently #1. We worked together for five years at WAYS-FM and WROQ-FM in Charlotte. I liked his style. He was one of the hardest working morning guys I’ve ever seen. I had Parikh do some call out research—there’s a huge name recognition of him here. I’ve walked down the streets with him and everybody goes, ‘Hey Murphy!’ It’s unbelievable.”

“Winston—he’s right in that age group, the 35-50 year old. He just understands that game—dealing with picking up the kids, driving them hither and yon,” said Turpin.

Surprisingly, de Castro is happy about the move: “They’re hanging their hat on bringing in talent. We look forward to both Murphy and Winston being on the air. That ensures the fact that their music will not be the influence of the radio station and ensures the fact that they’re toast.”

## My agency’s bigger than yours

Since both stations are now positioned for the 25-54 demo, female-skewing, the door is wide open for the biggest agency buys. “Our strategy now is to go after the big dollars—the major agency business—Ford, Lexus, the Dominick’s and the Jewel’s, Carson Pirie Scott and Marshall Fields. [Their] business is what really makes up a lot of the Chicago Radio expenditures for female stations. We weren’t a player for that as Rock 103.5—Miller and Anheuser Busch were the huge clients. We’re trading business, and there’s a lot we’re trading up for,” said Buckley.

While Heart & Soul may not have all the major agency action, they’re getting agency buys—even with the weak signal at presstime. VW, Jaguar, Pepsi, Denny’s, Western Union, Kodak, TWA.... are on the list.

Heart & Soul’s price tag advantage caters well to suburban mom & pop stores: WXXY charges less—we’re talking hundreds a spot less. Buckley



*Debbie Buckley, GM, WRCX/The Beat*



*Mike Fowler, GM, WRCX/The Beat*

knows this, but agrees it’s all economics—“The 22 Immutable Laws of Marketing” will tell you that. She said, “We might not get the mom & pop advertisers that can only afford \$50 and \$100 rates—you’re never going to get them on this radio station. So those retailers will remain Heart & Soul’s retailers. A lot of advertisers who are on Heart & Soul who have called us are disappointed when we tell them the rates. They love our radio station, but they just can’t afford it. We’ve gotten business from them, but not a lot. When the rates are more than triple, it’s a tough pill for some of them to swallow.”

## MBR Observation: There’s room for both

Do we sense the possibility of peaceful co-existence—someday? It’s been done before, we all know that. WRCX has indicated CBS’ WJMK (Oldies) is a bigger target than WXXY, and considering the rate discrepancy between these two, plus the size of the market, there’s room.

Said Marston: “I agree, because it’s a great format. There’s room for two rock stations, two Urban stations. There’s literally 6-7 stations targeting 18-44, including all the Rock and Sports stations, so two is not that big of a deal. I wish they wouldn’t have done this obviously, but there’s room.”

And the machine guns were placed back into the violin cases.



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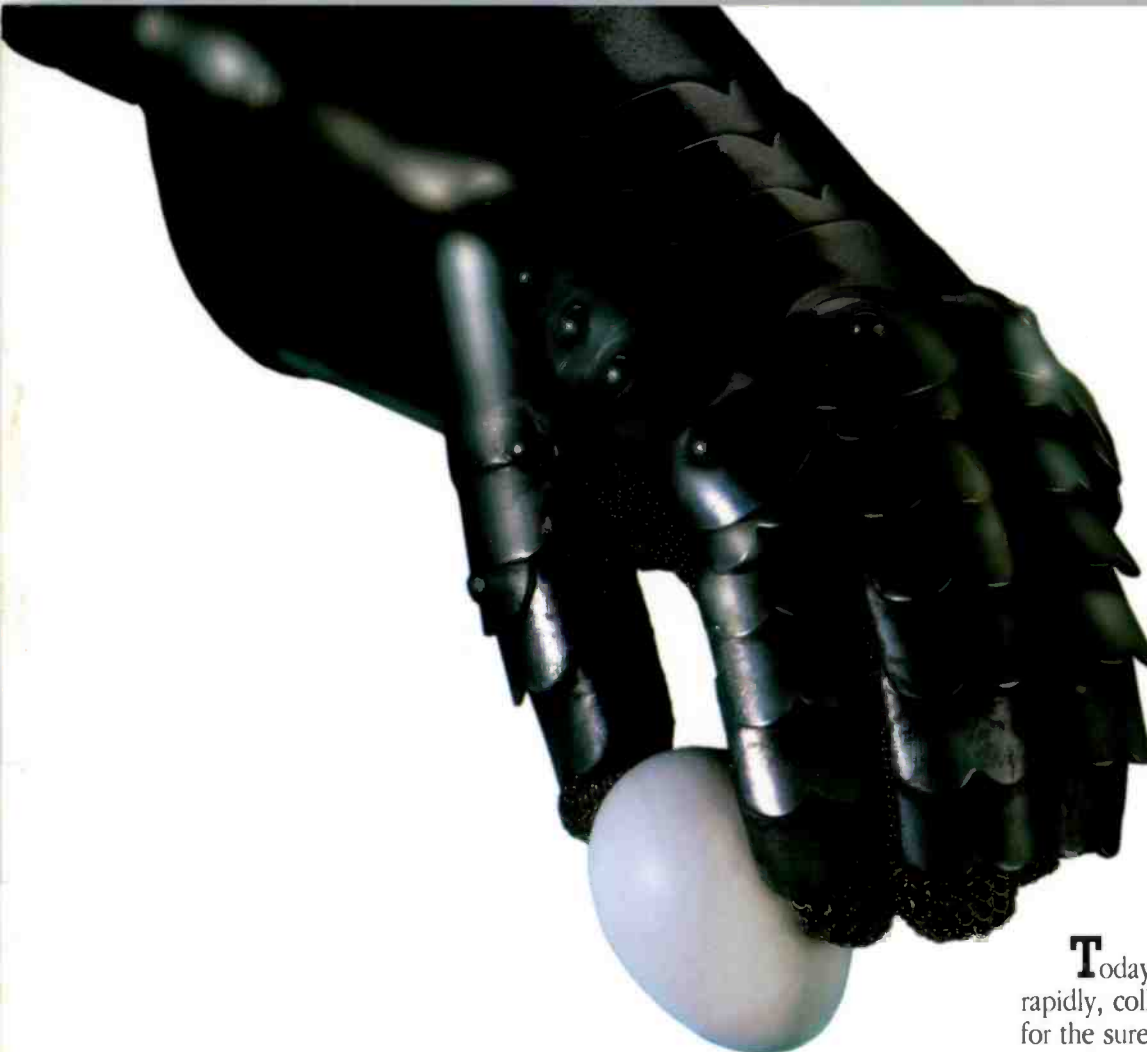
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