

Radio Business Report™

Voice Of The Radio Broadcasting Industry®

March 5, 2001

Volume 18, Issue 10

AMERICAN URBAN RADIO NETWORKS

#1

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RADIO LEADER



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McCain brings back LPFM bill

True to his word, Sen. **John McCain** (R-AZ) has introduced a new bill which would revoke the legislation passed late last year to force the FCC to maintain third-adjacent channel protection to prevent LPFM stations from causing interference to existing stations and translators.



"Last Congress, special interest forces opposed to low-power FM radio, most notably the National Association of Broadcasters and National Public Radio, mounted a successful behind-the-scenes campaign to kill low-power FM radio without a single debate on the Senate floor," McCain said. "This bill would reverse that language."

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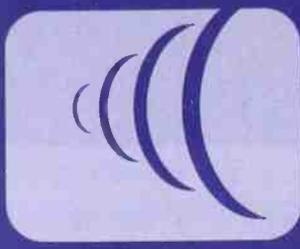
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February	-11.5%	-27.7%	-14.9%
March	-32.2%	-40.9%	-34.1%
April	-40.0%	-30.0%	-37.9%



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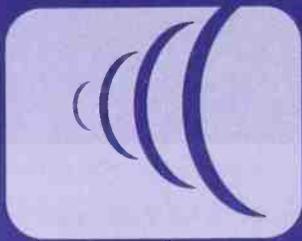
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Broadcasters say no market change is needed

NAB has told the FCC that it should "proceed cautiously" with its effort to revise local radio market definitions. The FCC had sought comments on whether to switch from the current contour overlap method to using Arbitron market definitions or some other system to determine how many stations a single company owns in a market (*RBR* 12/18/00, p. 1).

"The Commission must in particular refrain from changing its market definition so as to effectively cut back on the radio station ownership levels that Congress expressly set in 1996," the association said in its comments on the FCC's Notice of Proposed Rulemaking (NPRM) in Mass Media Docket 00-244. NAB warned that any alteration could run afoul of the 1996 Telecommunications Act and said, as a practical matter, "NAB doubts that a perfect, anomaly-free method of defining radio markets could ever be formulated."

Clear Channel Communications (N:CCU) was more blunt: "In the NPRM, the Commission suggests that a change in the radio market definition and station-counting methodology might be necessary to 'reconcile' the Congressionally-mandated ownership limits with the market counting methodology. Congress, however, intentionally left the existing methodology in place when it raised the numerical radio ownership caps in the Telecommunications Act of 1996. Therefore, any modification to the methodology runs contrary to Congressional intent in enacting the Act. The Commission therefore lacks the authority to adopt these changes."

Regardless of what the FCC ultimately decides, Clear Channel said the Commission should "respect the legitimate business expectations of radio station owners" by allowing existing combinations to be sold intact, even if they don't comply with the revised rule.

"Finally, notions of funda-

mental fairness, as well as FCC policy and precedent, demand that the Commission suspend its policy—implemented without notice and without meaningful justification or specific standards—of deferring action on applications which raise unspecified 'concerns.'" That refers to the practice implemented by former Chairman **Bill Kennard** (but still continuing today) of "red-flagging" proposed station sales which the FCC staff determines may result in high concentrations of radio revenues in a market.

The FCC has never adopted rules on market revenue concentration and (apparently fearing a court fight it would almost certainly lose) has never rejected a proposed sale on the grounds of revenue concentration. Nevertheless, broadcasters have complained privately that the FCC staff uses the red-flaggings to extort concessions from the parties involved or to kill deals by putting them on indefinite hold.

Joint commenters Weigle Broadcasting and William Bennis III complained that they have had station sales pending since May 2000 and August 1999, respectively. "The applications have never been acted upon by the Commission's staff, presumably because of concerns relating to concentration of broadcast revenues."

"In now proposing to use Arbitron markets for purposes of applying the Multiple Ownership Rule, the Commission all but ignores the fact that it previously found the use of Arbitron markets for applying the Multiple Ownership Rule to be inappropriate and completely ignores the fact that the purpose of Arbitron is not to define markets, but to calculate listening patterns within markets that are already defined for it for non-broadcast purposes by the Office of Man-

agement and Budget or that are modified at the request of Arbitron subscribers," Aurora Communications said in its comments.

On the same theme, Entercom (N:ETM) noted in its comments that "the boundaries of Arbitron radio metro markets themselves change periodically, and the number of rated stations in those markets continually fluctuates."

"Even if all radio stations in an Arbitron Metro Market had service areas that were exactly the same size, FCC interference protection criteria and the requirement that stations place a 'City Grade' signal over their various communities of license insure that significant differences will exist in the relative ability of radio stations to cover an Arbitron Metro Market," said NextMedia. The contour method, it said, takes signal differences into account.

A group of small market broadcasters, led by Zimmer Communications, argued that deregulation was working exactly as Congress intended and that the FCC shouldn't mess with success. "The Small Market Broadcasters' experience indicates that the benefits of common group ownership of stations have enabled them to improve their service to the public. Because of the savings realized through efficiencies and economies of scale, they have been able to devote more revenues to news, public affairs, and other public interest programming, as well as to greater public outreach efforts. As a result, both the quantity and quality of news and public affairs programming has improved, and the public is receiving better service."

Aligning itself with small broadcast groups, media giant Disney (N:DIS) complained that all of the proposed changes put forth by the FCC would reduce

the number of stations a single owner could acquire in a market. "The proposed changes would adversely affect competition by denying to radio owners seeking to expand the economies of scale that would enable them to better compete against larger groups that have already consolidated as permitted under the 1996 Act," Disney wrote. The company's ABC Radio is still the nation's third largest radio group, in terms of revenues, but has been far more conservative than other groups in buying stations since ownership was deregulated in 1996.

"Viacom (N:VIA) believes that the overlapping signal contours methodology remains the most appropriate way to define radio market boundaries and to count the number of radio stations in a particular market." The owner of the Infinity radio group said the FCC was correct originally in determining that contours provide a "real world" basis for determining whether stations actually compete with each other.

Citadel Communications (O:CITC), which has a \$2B buyout pending (including several "red-flagged" markets), said fairness demands that the FCC continue to process transactions under its existing rules while it ponders whether to make changes. "Parties who have entered into agreements for the purchase and sale of radio stations will suffer serious financial losses if decision on their applications for FCC approval is deferred while the Commission considers the issues raised in this proceeding," it argued.

Comments on the NPRM were due 2/26. Although it is all but certain that some filings were made in support of the FCC's proposed changes, none had yet been processed and posted on the FCC's database as *RBR* went to press.

Reply comments are due 3/13.—JM

Radio News[®]

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Once the restructuring gets bankruptcy court approval, FINOVA says it will use the \$6B senior secured five-year term loan to pay down, at par, more than half of its current bank and bond debt. The remaining \$5B in debt will be restructured into new 10-year senior notes. In other words, current debt holders will be paid approximately 60% of what they're owed in cash and 40% in the new notes.—JM

Tristani and Soloman face off on indecency

After FCC Enforcement Bureau Chief **David Solomon** made his presentation at the FCC's open agenda meeting on 2/22, Commissioner **Gloria Tristani** zeroed in on getting some answers to her questions regarding the management of indecency complaint filings. Tristani first inquired about the backlogging of complaints and demanded to be provided with specifics on pending FCC filings with regard to how old they are.

"I have a letter that I'm looking

at which I will be issuing a statement on which came forth about three weeks ago and it was a May complaint," Tristani pointedly directed at Solomon. "I would ask, Mr. Chairman, that we get as much information and that we do tracking, if it's appropriate."

Soloman replied that tracking of indecency complaints is already in place. Tristani's retort was, "But there are no statistics because I've been trying to get them and it's been very hard. For example do we have a sense of how many radio complaints there are compared to television complaints?"

Soloman appeared a bit flabbergasted but affirmed that all that information could be gathered for her. "But we don't have it readily available," Tristani hurled. "I know it's not your responsibility and I'll ask the Mass Media Bureau, but I'd like to have a sense of the history of how complaints are being processed."—KR

RBR observation: Solomon's bureau may be seven years late in issuing indecency guidelines, but we thought it was a big improvement to see complaints dealt with in the same year they were filed.—JM

Tristani objects to another indecency dismissal

Upset by the FCC staff's decision to dismiss another indecency complaint, Commissioner **Gloria Tristani** issued a statement insisting that the complaint is a valid one. **Michael Palko** of Buffalo, NY alleged that WGR-AM's "**Bauerle** and the Bull Dog" show undertook a "month-long piece where the station has purchased urinal splash guards with National Hockey League emblems on them to distribute to local bars and restaurants. Throughout this campaign, the co-hosts would regularly talk about who they would like to 'piss on' and callers were invited to call in to talk about who in the NHL they would 'piss on.' The co-hosts regularly discuss 'pissing' on NHL Commissioner **Gary Bettman**," Palko said. The FCC staff, however, dismissed the complaint because it was not considered patently offensive.

"The foregoing should leave

no doubt in anyone's mind that Mr. Palko's allegations should not be dismissed," Tristani said. "The US Supreme Court has noted urination is excretory and is not a subject for routine public viewing. The repeated broadcast of the word 'piss' has been unquestionably accepted as meeting the contour of a 'vulgar' and 'shocking' broadcast by the Court." Tristani concluded that at the minimum, the FCC Enforcement Bureau should have hesitated with its dismissal and issued a letter of inquiry to WGR, which is owned by Entercom (N:ETM).—KR

NetRadio to decide on new rep soon

NetRadio (O:NETR) is close to deciding who its new rep will be, after previous rep Katz Interactive Marketing recently shut down operations (*RBR* 2/5, cover). "This will be determined shortly. We have not made a formal decision as of yet. But we are evaluating our options right now," NetRadio EVP Sales

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has acquired

WEEX & WODE
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from

Clear Channel Communications Inc.

Southern Broadcasting Corp.

has sold

WABD, WCVQ, WDXN & WZZP
Clarksville/Hopkinsville, TN/KY

to

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and Marketing **Stephen Holderman** tells *RBR*.

RBR sources had confirmed Hiwire and Interep's (O:IREP) Cybereps are the first in line for a possible deal with the 120+ format webcaster. However, NetRadio already has some salespeople, so a national rep may not be needed. Holderman says NetRadio could also end up going in-house for sales: Is that an option? "It definitely could be," Holderman confirms.

RBR observation: Net Radio has a lot of inventory. Cybereps already is repping 17M impressions, including MP3.com, so it may be less anxious for a deal. NetRadio would be a prize client for any online rep firm, but we all know how soft the industry has been as of late—just ask Katz.—CM

Napster update: 3/2 next hearing

At presstime: US District Court Judge **Marilyn Hall Patel** has deemed 3/2 the date for the Napster's remanded injunction hearing—in San Francisco. Determining the final fate of Napster, Patel submitted a rewrite of the original RIAA injunction, as instructed by the recent 9th US Circuit Court of Appeals court decision that upheld that original injunction, but asked for more narrowly-defined copyright wording (*RBR* 2/19, p.4).

Meanwhile, the RIAA is filing notices against 50+ ISPs whose servers are used with other file-sharing companies like Gnutella.com. The action is intended to "nip in the bud" the threat from other file-sharing technology services similar Napster, ready to take its place. Many of these alternate file swapping applications are "decentralized" and therefore harder to shut down.

In other news, Napster partner Bertelsmann AG may launch "Snoopstar" which can access a number of file sharing sites at once.

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Also from RIAA, in an effort to ratchet up the fight against Napster in Congress, the RIAA has hired former Montana Governor **Marc Racicot** (R) as an outside counsel to represent it in the growing debate. Racicot, who was considered for Attorney General under the **George W. Bush** administration, is now working for the DC law firm of Bracewell and Patterson.—CM

Dielectric buying TCI

It should all be a done deal by the end of March, in time for NAB 2000: Antenna and RF equipment manufacturer Dielectric, a subsidiary of SPX Corp. (N:SPW), is buying Fremont, CA-based TCI (O:TCII) (Technology for Communications International) for approx. \$39M. The SEC has already approved the deal—all that's left is stockholder approval. "We purchased it not primarily for the broadcast side, but the HF, MF and signal processing parts of the business," Dielectric Senior Director of Marketing **Jay Martin** tells *RBR*. "TCI has a very strong international presence, which Dielectric needs to take advantage of. They also have the broadband 888 product line, which we are going to enhance and incorporate into our product line as well."

TCI develops broadbandwidth products, systems and applications for broadcasting, spectrum management, communications intelligence collection and specialized radio communication. The company's Broadcast Group offers broadbandwidth solutions for shortwave, MF, FM and TV applications; TCI's Signal Processing Group provides direction finding, signal collection and specialized receivers and transmitters for military and intelligence.—CM

RadioResearch.com expands, becomes "Troy Research"

RadioResearch.com is changing its name, relocating and has already expanded its focus to serve the TV, music, advertising and political concerns. Now "Troy Research," RadioResearch.com debuted Internet-based radio research in '97, and currently conducts more than 3M listener music surveys annually, worldwide. The company is now headquartered in Gahanna, OH.—CM

Live365 releases Internet radio report

Live365, a webcast aggregator with 29,000 individual streams that include radio stations, individuals and organizations, has released a forward-looking report on Internet radio: "Internet Radio, The Future is Now."

Among the "findings" (www.live365.com/futureisnow) of the report, authored by Live365 President/CEO **Alex Sanford**:

- Internet radio's continued growth will allow it to have both personal impact and global reach surpassing the \$20B terrestrial radio industry;

- 25% of all Americans have already listened to Internet radio over the last five years;
- As Internet radio becomes available in cars, PDA's and cell phones, and companies like Nokia, AOL and 3Com begin to market wireless Internet streaming audio devices, listeners will have unlimited opportunities to access "millions" of various radio sites—broadcasters will have a vastly broadened base of listeners;

- The report quotes a Forrester Research estimate that by 2005, 41% of US consumers, over 118M, will listen to personalized radio content at least once a week.—CM

RBR observation: Anybody want to try selling this guy the Brooklyn Bridge?—JM

Utah station fined

It's time to pay the piper for KGNT, Inc., which the FCC has hit with an \$8K fine. It comes after the FCC ruled that KGNT had incurred violations stemming from an unauthorized transfer of control of KGNT-FM Smithfield, UT. In November 1993, KGNT, Inc. acquired the station, with all of its stock held by **Lavon Randall**. In October 1995, KGNT issued half of the stock to Bear River Trust, resulting in a 50-50 split in ownership between the Trust and Randall.

Although this transaction was reported to the Commission on June 30, 1996, no approval, however, was sought from the FCC for it. Only after co-owners Randall and **Morgan Skinner**, the Trust's beneficiary, decided to transfer the control of KGNT-FM to Legacy Communications did they seek approval for the Trust's unauthorized acquisition. While considering approval of the Legacy deal, the Commission raised questions regarding the legality of the initial transfer.

In response, on behalf of KGNT, Randall admitted to a failure to seek approval for transfer to the Trust but indicated that this was, "The result of inadvertence and the belief on Skinner's part that a transfer of control would not occur unless one party acquired a 51 percent interest in the license." The Legacy deal was subsequently approved by the FCC along with the belated approval of the initial transfer. The Commission nevertheless issued the \$8K fine to KGNT, Inc. for the violations involving failure to seek a formal transfer approval from October 1995 to March 3, 1998—the date of the actual FCC approval for acquisition of 50% of KGNT-FM by the Bear River Trust.—KR

Here's the News-Talk: Country still king

Interep's research division and Mediamark Research Inc. have collaborated on a study of radio station formats. A sampling of their findings can be found on the chart at right.

The information is for all 10,444 commercial stations which were on air in 1999. Country is number one since it is the undisputed leader among formats in rural areas beyond the reach of Arbitron. Although it does quite well in Arbitron areas as well, particularly in markets ranked 51 and lower, its relatively poor showing in the top 50 markets limits it to 4th place overall in the Arbitron universe in terms of audience share (see format analysis, *RBR* 7/31/00, p.11).

The number one format group in the top 50 markets is News-Talk-Sports, and it does well enough there to hold the top spot for all Arbitron-rated markets, followed by Adult Contemporary and CHR.

That said, there are quite a few interesting facts provided in the Interep report. Mediamark provided profiles for a number of the formats, and we have selected facts for this table, including the percentage of men and women using the format, their median age, the percentage who are college graduates and the percentage that live in a household with an annual income of at least \$75K.

Although there was no station count broken out of the News-Talk category for All News and All Talk, there was a listener profile for those two format sub-categories, so we have provided that information. Also, many of the formats included in the station count were not profiled.—DS

Radio AdBiz

Format Profiles

Rank	Format	Stns	Women	Men	Med Age	Coll Grad	HH Inc \$75K+
1	Country	2,036	53%	47%	41.4	16%	22%
2	News/Talk	1,159	42%	58%	48.4	37%	37%
	[All News]	-	44%	56%	47.2	48%	49%
	[All Talk]	-	43%	57%	48.3	34%	36%
3	AC	775	56%	44%	36.2	27%	33%
4	Oldies	766	52%	48%	42.7	26%	33%
5	Standards	595	51%	49%	62.2	26%	25%
6	Hispanic	536	48%	52%	36.2	11%	13%
7	CHR	401	56%	44%	30.8	21%	28%
8	Soft AC	382	59%	41%	40.6	32%	35%
9	Religion	363	58%	42%	45.7	26%	26%
10	Hot AC	325	n/a				
11	Classic Rock	314	40%	60%	35.1	23%	31%
12	Rock	280	38%	62%	31.9	24%	33%
13	Sthrn Gospel	269	n/a				
14	Black Gospel	257	52%	48%	37.0	16%	21%
15	Sports	256	35%	65%	48.5	37%	40%
16	Classic Hits	222	n/a				
17	Contemp Chrstn	167	n/a				
18	Urban	166	52%	48%	31.3	13%	18%
19	Modern Rock	136	42%	58%	29.3	27%	37%
20	R&B Old	127	n/a				
21	Urban AC	112	n/a				
22	Alternative	95	42%	58%	29.3	27%	37%
23	Ethnic	82	49%	51%	44.7	23%	23%
24	Modern AC	74	n/a				
25	Jazz	72	47%	53%	43.5	42%	40%
26	Pre-Teen	51	n/a				
27	Gospel	42	n/a				
28	Variety	39	47%	53%	40.8	37%	28%
29	Classical	38	51%	49%	48.4	60%	47%
30	Easy	34	63%	37%	56.4	32%	21%

Source: Interep, Mediamark Research

Automotive NTR also slow

After all we've been hearing about how Automotive slowed down as an advertising category in December and January, it's hardly surprising to find that it was also soft for non-traditional revenues. Recruiting showed strength, as businesses began the New Year with new positions in their new budgets—despite all of the reports of layoffs in some sectors. By historical measures, unemployment is still low and recruiting good employees is tough.—JM

Non-traditional Revenue Track % of vendor/new business by category (January 2001)

	Aug	Sept	Oct	Nov	Dec	2000	Jan	YTD
Automotive	11.63	5.17	10.19	12.11	1.55	10.27	0.22	0.22
Food/Grocery	23.50	40.42	28.90	19.52	29.28	26.38	19.89	19.89
Leisure	30.61	26.40	20.55	38.11	53.56	30.15	24.17	24.17
Health & BC	6.15	5.12	8.64	7.25	4.16	6.30	8.48	8.48
Home Improv.	7.88	2.17	5.23	4.97	1.81	6.39	1.24	1.24
Office	5.29	7.19	6.61	6.62	0.00	5.62	5.51	5.51
Clothing	6.39	0.84	1.42	1.05	5.63	4.67	8.32	8.32
Recruiting	8.55	12.70	18.47	10.37	4.02	10.22	32.12	32.12

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

Duncan declares double digits for Y2K

Radio industry analyst **Jim Duncan** pegs radio revenue growth at 10.4% for the year 2000 on total revenues of \$17,124,459,000. For the top 173 markets, the percentage gain was a bit higher, at 11.98% based on revenues of \$11,714,700,000. The latter number almost exactly duplicates the RAB's estimated revenue growth rate of 12% for the year (*RBR* 2/12, p.2). The RAB's number is also based on data from larger Arbitron markets, although not as many as Duncan.

On a more pessimistic note, Duncan has revised his prediction for 2001 gains from 6.9% down to 4.0%. "I had originally thought we would have no growth in the first quarter and then gradually improve to an 8%-to 9% rate by the third or fourth quarter," said Duncan. "It now appears likely that radio revenues will be negative in the first quarter and probably the second quarter as well. I hope we will turn positive in the third quarter, when comparables begin to ease, and then to recover nicely in the fourth quarter."

Duncan divides the country into eight regions. All of the regions posted significant gains for the year, with all but two in double digits. Results were as follows:

Pacific (CA, HI, AK, OR, WA, NV, AZ): 14.7%

New England (CT, RI, MA, VT, NH, ME): 14.1%

South Central (TX, OK, AR, LA): 13.6%

Mid-Atlantic (MD, DC, DE, PA, NJ, NY): 12.1%

Mountain (NM, UT, CO, ID, WY, MT): 11.6%

Southeast (FL, GA, AL, MS, SC, NC, TN, KY, WV, VA): 10.9%

Great Plains (ND, SD, MN, IA, KS, NE, MO): 9.4%

Midwest (WI, IL, MI, IN, OH): 8.4%

Radio AdBiz

What a difference a day makes

By Matthew Warnecke



Well folks, the Millennium marketplace is over. Gone are the heady days of scandals, a booming economy, and political infighting that makes a seventh-grade playground seem positively genteel. The so-called dot.coms are slinking back to their

Duncan also released its annual list of top ten markets in terms of revenue growth. Topping the list was San Jose, which registered a 26.1% revenue gain, which was built on top of a 25.9% gain for 1999 (it picked up only 4% in 1998). Joining San Jose as repeaters from the 1999 top ten list are San Francisco, New York, Austin and Dallas. This year's markets are:

caves to lick their wounds and bury the dead. The strongest suppliers will emerge, perhaps a bit battered, but healthier. Some advertisers are a bit more reticent to spend money as quickly as they had in the past. All in all, the beginning of 2001 couldn't be more different than the outset of 2000 just a year ago.

Frankly, I couldn't be more pleased by this turn of events.

No, I don't have a ghoulish fascination with train wrecks. In fact, I don't think the current economy is a train wreck at all. Just because the light at an intersection turns yellow and then red doesn't mean that all automotive traffic is going to stop for the foreseeable future. Those of us who travel in cars regularly know that it simply means we've got to wait a bit so someone else can get through the intersection. That's the way things work. Market corrections are just that: "corrections," and re-evaluating the structure of media prices—particularly in network radio—helps maintain a healthy market. It also helps build and maintain a healthy industry. And that is certainly something I want to encourage.

The price inflation and exceedingly high demand of 99-2000 might be seen as a boon,

but it can also make for laziness: "This is the rate and if you don't want it, buyer X is only a phone call away." Agencies aren't immune either: "Your increase is double last year's number." Then, the market moved quickly and that was that. We all should be careful. Things have changed and anyone operating with a mindset of nine months ago is in for a surprise.

This year, the upfront is shaping up to take some time, and I believe that's a good thing. Negotiating not only from an efficiency standpoint, but also from a perspective of the "best mix" is always something we strive for. With the ability to evaluate the positive and negative effects of a wide variety of specific combinations of suppliers and programs, the end result should not only be better prices—yes Virginia, there is a lower CPM—but stronger schedules. And isn't that what we're all after in the first place?

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Rank	Market	%Growth
1	San Jose	26.1
2	Monterey	22.3
3	Nassau-Suffolk	22.0
4	Boise	19.9
5	Dallas	19.1
6	Fresno	18.9
7	San Francisco	17.1
8	New York	16.8
9	Austin	16.7
10	San Diego	16.4

Source: Duncan's American Radio, 2001 Radio Market Guide

Web NTR: Can it make money?

by Carl Marcucci

We've all heard (or said) it: "The internet doesn't work," or, "You can't make money on the web." Without going into the viability of making money with streaming audio ads (another story altogether), we asked two web NTR specialists how—and if—money can be made from websites.

Probably the bulk of stations have had an uphill battle getting everyone on the same page. Unless a clear vision is shared, the website becomes the unwanted stepchild of the station. "To be quite honest, I haven't heard of any broadcasters running to the bank with large checks," BuyandSellitall.com President Viraf Balliwalla tells RBR. "We have spoken with close to 1,000 broadcasters since September's NAB, and have heard these four complaints in common: 1) Our sales reps don't really understand the Internet; 2) Our sales reps don't want to sell Internet (commissions too low compared to on air); 3) Our clients are haggling for free online with the purchase of on air; 4) Our web sites are cost centers and not profit centers."

On the flip side, Balliwalla also hears complaints from other web NTR providers: "A number of e-commerce solution providers complained that the broadcasters aren't promoting their solutions on air."

The first knee-jerk perception of most stations jumping on the web is a philosophy that the more listeners access the site, somehow more money will be made. Not necessarily true. "The average site is linked to all kinds of national shopping malls and e-tailers (which alienate your local advertisers and bring in little, if any revenue). The bottom line is, unless you have a huge budget and staff, you're never going to compete with Yahoo! or AOL for this type of content," explains Access Broadcasting President Patric Miller. "But the national portals can never compete with what radio does best; delivering local information,

Sales

discounts, promotions and content to a very loyal, and demographically controlled audience. The station's goal should be to motivate between 10-15% of your P1s and P2s to use the site every day. If you do that, you will then be able to turn them into active participants and buyers for your advertisers."

Non-Traditional "Radio"?

For radio, having a website has always been about making money—it's just easier said than done. Miller says his business model takes a different approach from the majority of the industry in regards to radio NTR. "Instead of Non-Traditional Revenue, we consider the Internet an opportunity for radio to re-invent itself into Non-Traditional Radio," he explains. "The Internet now allows a radio station to expand its marketing, promotions and profit centers in a Non-Traditional Radio way. Where do the increases come from? They will come from our real competition—Print and Direct Mail."

To achieve those goals, Access' suite of NTR tools includes three modules. 1.) News/Promotions/Events/Contests and the Tile Banner Management Tool. Provides a way for stations to manage local information and sell and manage tile banners that sponsors of the pages pay for. Categories include contests, promotions, local news, sports, pictures and promotions, concert calendars, local events, employment opportunities, music news, music charts, and online surveys. Each category can place up to six sponsor tile ads. 2.) Business Directories, Advertiser's Pages. Using web-based forms, the AEs or promotion staff can create a directory of the

station's advertisers, full-page ads and web links. Tied to the ads are printable online coupons and discounts. 3.) Loyal Listener Database, Opt-In E-mail, Online Classifieds and Personals. This module is used to create the most important aspect of the Radio/Internet relationship—community. The tools allow e-mail database management of P1 and P2 listen-

ers, along with the ability to send sponsored, opt-in email newsletters, promotional and contest updates. "This is the most effective tool you have to beat direct mail. It's a guaranteed way to increase the effective-

ness of every promotion, contest and live event," says Miller.

BuyandSellitall.com's model provides a "white label" online classifieds solution that stations can promote as their own and keep on their site. "By tagging the link on our affiliates' sites, we can swap to their headers and colors and match their brand. Instead of taking the user to another window or to another site, we feed our content into a frame on the affiliate's site. Thus, the end user believes that the classifieds content is the affiliate's and never leaves their site," explains Balliwalla.

BuyandSellitall has also launched "Automall," (RBR 2/12, p.6) a portal for car dealers that seamlessly ties into the company's classifieds solution. It's also white labeled to be branded as the station's. While not offering up any specific affiliates just yet, Balliwalla adds: "We offer a very value-added service to our affiliates at no charge so they can provide a sticky, community-centric product to their audience. As a bonus, as it gets more awareness with the station's audience, people pay for listings

and the station makes money from their e-commerce endeavors. We are already issuing commission checks monthly to affiliates."

Taking it away from print

Although radio's revenues have grown to just under \$20B in 2000, newspaper and direct mail combine for an annual gross take of more than \$122B. Ironically, The same methodology print uses to sell ads are available in visual form on a website. Stations in every market are conduits for everything that happens in a community—smaller markets could actually react more vigorously to their local station's site. In conjunction with that, Miller adds: "The station site needs to be the single source for listeners to find everything the station does on-air, everything that is happening in their hometown, and the absolute best place to get information and special deals from the local advertisers."

One Access affiliate, Star Media (4 stations in North Vernon, Indiana—e.g. www.wjcp927.com), is one good example going after print locally. "This is a small market group that really 'gets it.' They have used the Internet to go directly after their newspaper competition using all of the tools we offer."

Another Access affiliate group, KDUK-FM/KPNW-AM/KODZ-FM Eugene, OR (recently sold to Clear Channel), incorporates the website with every spot sale. "They make the web directories, discounts and coupons part of every radio advertising package they sell. They have increased their spot rates to reflect the new 24/7, three station coverage afforded their advertisers," says Miller. "Without question, if stations want to see the largest increases, they will incorporate into virtually every station spot package, quarterly and annual contract and increase the pricing accordingly."



Balliwalla



Miller

Sorenson heads south

Dean Sorenson has jumped from the Northern Plains to the Southeast to build on his 17-station group. He's paying **Gordon Van Mol's** Chase Broadcasting Inc. \$3.022M for WGHC-AM & WRBN-FM Clayton, GA, WEHR-FM Elberton, GA, WNEG-AM Toccoa, GA and WFSC-AM & WNCC-FM Franklin, NC. (The deal does not include Van Mol's WWRK-FM Elberton, GA.) Sorenson will also buy **J. Scott Smith's** WSGC-AM Elberton, GA in a separate deal. An unusual detail is included in the FCC filing—revealing that the six Chase stations had billings of \$1.4M for the past year.

Media Markets & Money™

by Jack Messmer

Emmis lowers Wall Street's expectations

With its out-of-kilter fiscal year (which ended 2/28), Emmis Communications (O:EMMS) is always the first in the radio industry to report to Wall Street. In this case, it got to be the bearer of bad news.

In a special update (2/26), Emmis executives told analysts that same-station domestic radio revenues will be down 6-8% for its fiscal Q4, which ended 2/28. Same-station cash flow is expected to be off 3-5%. For its full fiscal year, Emmis is now expecting after-tax cash flow per share of \$1.95-1.98—six to nine cents short of the \$2.05 that had been the Wall Street consensus.

Looking ahead to the new fiscal year which began last Thursday (3/1), CEO **Jeff Smulyan** said Emmis is expecting its domestic radio revenues to rise 7% and cash flow 12%. That's for the full year, but first there's Q1. CFO **Walter Berger** said domestic radio revenues will be down more than 4% from a year ago and that cash flow will be down about 3%.

Emmis Radio President **Doyle Rose** told Wall Street analysts that the company's big three markets—New York, LA and Chicago—have been the hardest hit, due to the tough comps from last year's dot-com advertising. Ad sales in Emmis' other radio markets are flat, with local gains making up for

declines in national spot.

Rose said domestic auto advertising is still soft, but that imported auto companies have taken advantage of the opportunity and are continuing to advertise. That, Smulyan chimed in, should put pressure on the domestic auto makers to get back in. "Companies quickly learn that when they stop ad spending, they lose market share—and market share that's lost in a downturn is very, very difficult to get back."

Smulyan told analysts that expectations of additional interest rate cuts by the Federal Reserve and President Bush's proposed tax cuts "make people hopeful," but that it's hard to see when improvement will come.

"I'd love to tell you there's terrific upside later in the year. I'm certainly hopeful," Smulyan said. "I think the advertising community is slowing down. I think we saw it in December. It certainly stays as slow in January and February. We see a few trends that are slightly positive. Of course, in radio the really tough comps run out in a couple of months. So, I think that's helpful. To tell you that we see something unbelievable around the corner—no."

Saga sees flat first half

Saga Communications (A:SGA) reported a strong Q4, but told Wall Street analysts that the soft economy is impacting it along with everyone else. For Q4, Saga's net revenues rose 14.9% to \$28.1M and broadcast cash flow gained 22.9% to \$11.3M. That took the full year to net revenues of \$101.8M, up 13%, and BCF of \$39.3M, up 17.3%. After-tax cash flow was \$6.2M for Q4, or 38 cents per share—beating the Wall Street consensus by a whopping six cents.

Saga has not yet provided Wall Street with a road map for 2001. That's coming in a couple of weeks. However, both CEO **Ed Christian** and CFO **Sam Bush**

JBS BROADCASTING, INC.

A. Thomas Joyner

has agreed to acquire

WSHV-FM and WJWS-AM

South Hill, Virginia

for

\$1,050,000

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aid in their conference call with analysts that Q1 looks flat to lightly down and Q2 flat as well. Beyond that, they aren't saying yet, except to say that the second half of the year is likely to be better than the first half.

Christian sees this downturn as an opportunity to grow the company. "We're very much in the acquisition mode. If you look back, Saga has always done better in acquisitions in more difficult times," Christian said. "What we're seeing now is reduced pricing. The multiples were running rampant in this industry several years ago. They've come down probably by a third—maybe a little bit less, maybe 25%. Where you were seeing multiples of 16-18, even 20 times [cash flow], now the exception would be a 15 multiple. In the markets that we're running, we're seeing more of a 10-12 times multiple and in the very small markets it's back down to eight or nine times."

To that end, Bush said that Saga, which currently has \$101M in bank debt, is putting together a \$200M facility within the next 60 days and that will be expandable to \$250M if the right deals come along.

Citadel's year broke \$100M cash flow

Soon-to-be-private Citadel Communications (O:CITC) saw its net revenues rise 59.6% to \$284.8M in 2000 as broadcast cash flow increased 70.1% to \$107.5M—breaking the \$100M mark for the first time. On a same-station basis, net revenues rose 7.6% and BCF 16.7%.

Citadel's Q4 revenues rose 66.3% to \$92.3M and BCF gained 63.5% to \$34.5M. On a same-station basis, revenues gained 5.2% and BCF 16.7%.

With its \$2B buyout by Forstmann Little & Co. pending, Citadel is no longer giving forward guidance, but CEO **Larry Wilson** noted that Q1 "is not looking robust." The key to how well radio does this year, he said, is how soon the Fed acts to cut interest rates. Wilson said what's required is a "fairly deep"

interest rate cut, along with the President's proposed tax cut. "This is a psychology problem in my view... The American consumer is very nervous," Wilson said in his conference call.

Radio Unica cuts loss

Radio Unica (O:UNCA) remained in negative cash flow for Q4, but noted that it reduced the EBITDA shortfall to \$2.1M from \$2.8M a year ago. Mean-

while, revenues were up 45% to \$7.5M. For the full year, revenues gained 86% to \$30.1M, while EBITDA was -\$9.3M, compared to -\$14.6M for 1999.

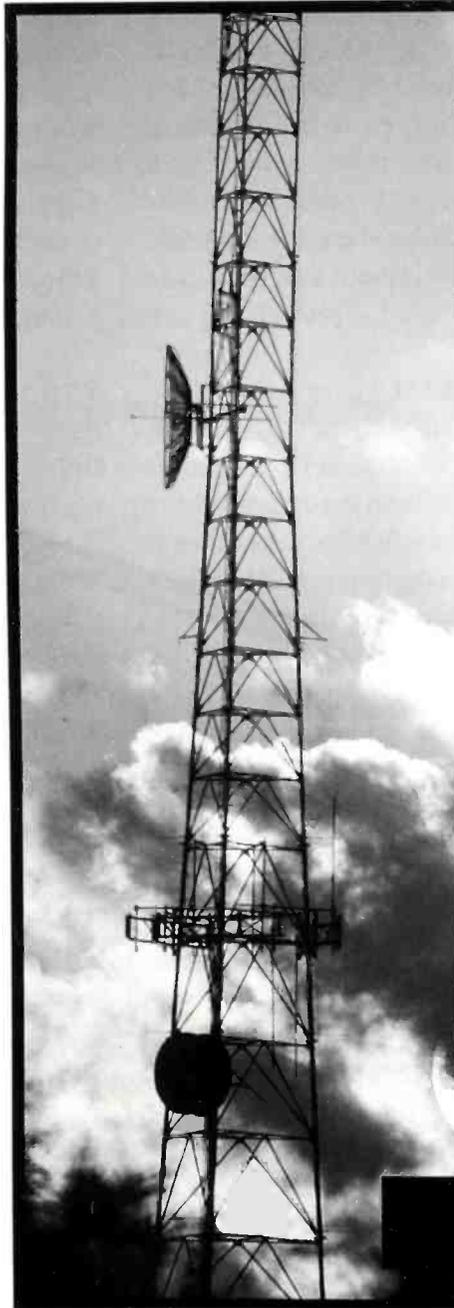
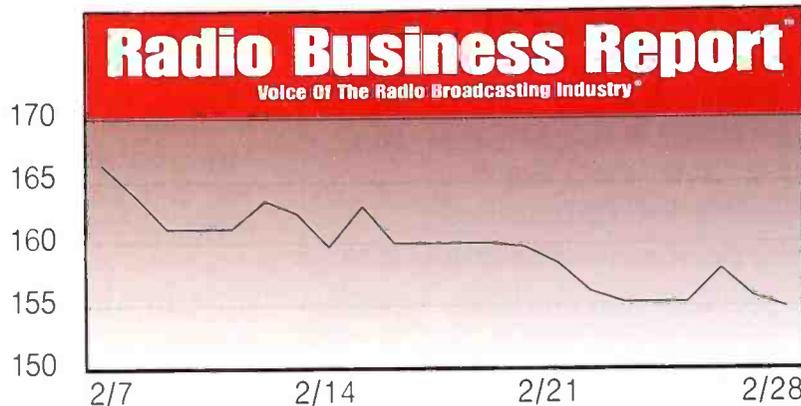
CEO **Juaquin Blaya** says Q1 will be down 15-20%, but insists that full year revenues will rise 12-15%. He's expecting the Q1 shortfall to be made up in Q3 due to soccer tournament scheduling. The Gold Cup is in Q1 in even years, while the Americas Cup is in Q3 in odd years.

Blaya and CFO **Steven Dawson** bristled when one mutual fund manager suggested they should consider selling the company's radio stations because it didn't appear Radio Unica could service its debt in 2003 when it has to begin cash payments to bond holders.

"With a little change in the economy and a little improvement on the ratings front, I am convinced that Radio Unica is a success in the making," Blaya retorted.

The Radio Index™

The Radio Index™ slid another 3.573 for the week to close 2/28 at 154.724.



Colorado Public Radio

has closed on its purchase of radio station

KKYD-AM

Denver, Colorado

from **Catholic Radio Network**
for **\$4.2 Million Cash**

Tom McKinley
and **Austin Walsh**
of **Media Services Group**

initiated this transaction and represented the Seller in the negotiations.

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Austin Walsh:

Tel: (415) 289-3790 Fax: (415) 289-3796

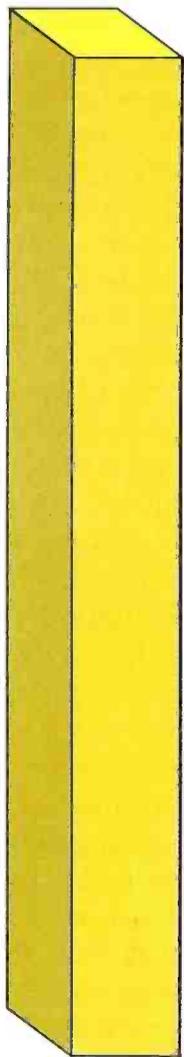
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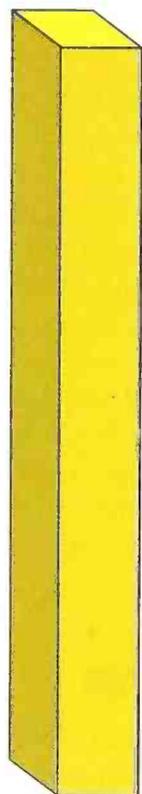
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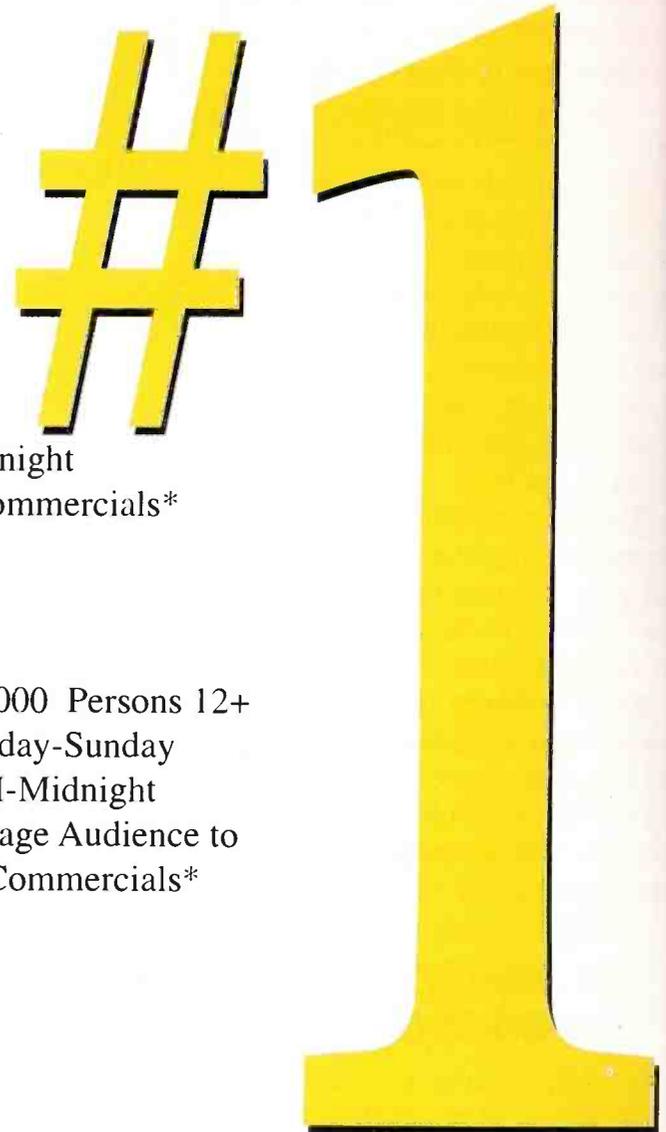
2,009,000 Persons 12+
Monday-Sunday 6AM-Midnight
Average Audience to All Commercials*



1,551,000 Persons 12+
Monday-Sunday 6AM-Midnight
Average Audience to All Commercials*



915,000 Persons 12+
Monday-Sunday
6AM-Midnight
Average Audience to
All Commercials*



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