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Radio Business Report

July 2003

Voice of the Radio Broadcasting Industry®

Vol. 20, Issue 7

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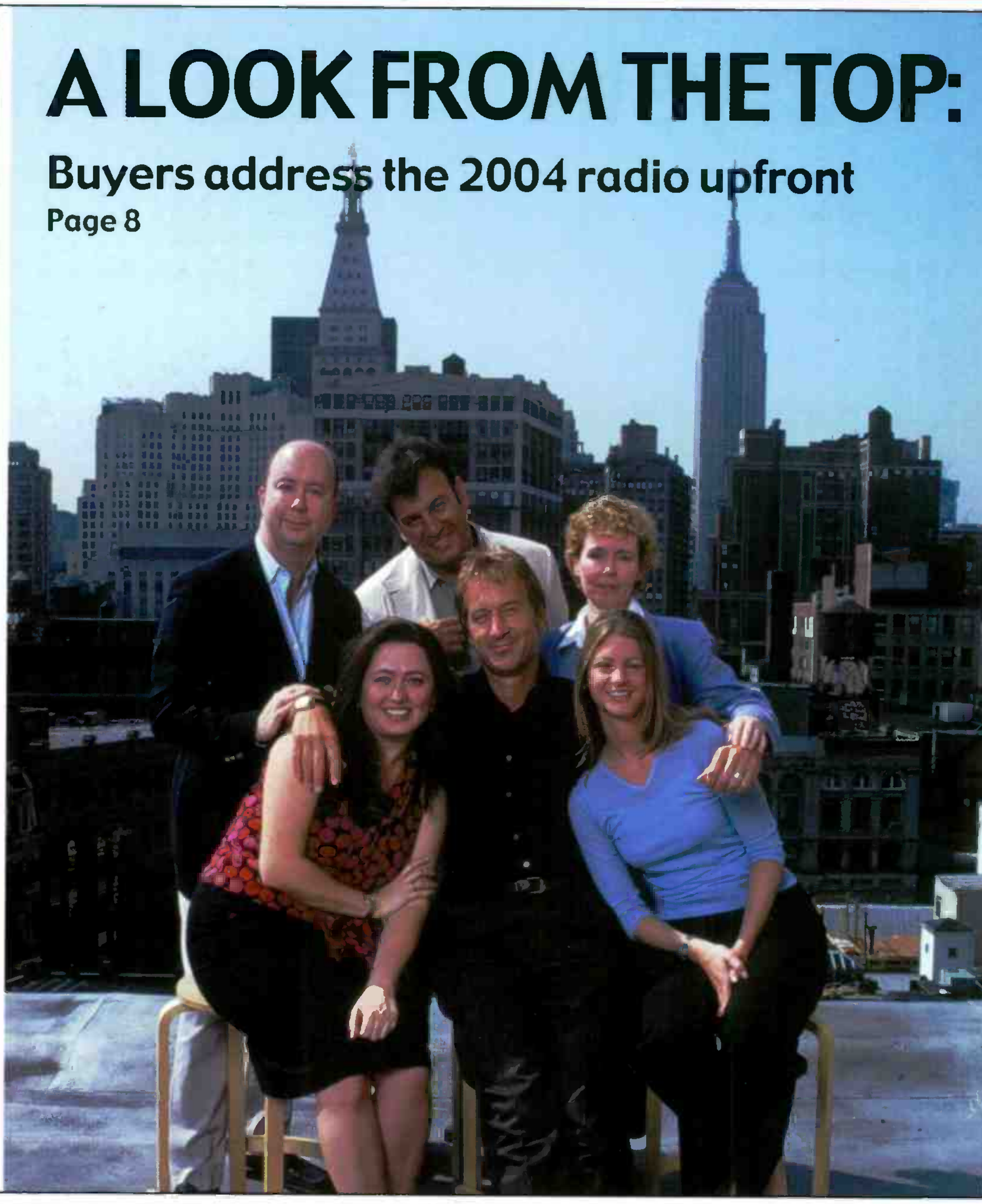


The FCC's new Arbitron radio market plan

The rules are out for local ownership of radio — including their rationale, footnotes and what have you, they eat up about 35 pages of the FCC's omnibus 257-page document.

The FCC describes in detail the problems inherent to the contour market definition and defends its ability to change it, despite the fact that Congress specified its use in Telecom 1996. In part, the FCC uses a quote from a National Association of Black Owned Broadcasters (NABOB) filing to explain it switch to an Arbitron-based paradigm. "As NABOB succinctly states, 'Radio stations compete in Arbitron markets.'"

Far from shying away from the instability of Arbitron markets, which, as any radio pro knows, are adjusted every year, the FCC thinks that is in fact a good thing. "Indeed, as Bear Stearns states, the 'self-correcting' nature of Arbitron Metros can be a useful tool for keeping up with 'the reality of the marketplace.'"

A change in an Arbitron definition will not result in wholesale changes in the ownership caps. Says the FCC, "...we will not allow a party to receive the benefit of a change in Arbitron Metro boundaries unless that change has been in place for at least two years." It continues, "We also will not allow a party to receive the benefit of the inclusion of a radio station as 'home' to a Metro unless such station's community of license is located within the Metro or such station has been considered home to that Metro for at least two years." And, "We believe these safeguards will ensure that changes in Arbitron Metro boundaries and home market designations will be made to reflect actual market conditions and not to circumvent the local ownership rule."

The FCC has been using BIA data for some time, particularly for transactions where it threw one of its infamous red flags. It has faith in BIA, and will use its database as a check on Arbitron. So which stations are in which markets? Here is how BIA figures in. "Given our experience with the BIA database and its acceptance in the industry," wrote the FCC, "we will count as being in an Arbitron Metro above-the-line radio stations (i.e., stations that are listed as 'home' to that Metro), as determined by BIA. We will also include in the market any other licensed full power commercial or noncommercial radio station whose community of license is located within the Metro's geographic boundary."

Stations listed below-the-line will not be counted. "Below-the-line stations can be a considerable distance from the Metro, and in many cases serve different population centers, if not altogether different Metros, from radio stations located in the market...Although we recognize that, in certain instances, certain below-the-line radio stations may have a competitive impact in the market for radio listening, we believe that, on balance, counting every below-the-line radio station would produce a distorted picture of the state of competition in a particular Metro."

The FCC declined to scale the station cap upward in larger markets. It stated that, in addition to counting LMA'd stations against the cap, it will now count JSA'd stations as well.

Definitions for non-Arbitron areas will be handled in a separate rulemaking.

RBR observation: We still don't know where WHFS-FM Annapolis is — well, we guess it's in Washington. We asked this question of Media Bureau Chief Ken Ferree back on 6/2, and he deferred the question to a staffer who told us it's in both Washington and Baltimore. But a reading of the rules would seem to rule out Baltimore, where, it tends to get a higher Arbitron but is listed below-the-line. Bottom line, it is one of many flies in the bright line ointment the FCC is trying to apply to radio.

And what happens in a truly far-flung market like Traverse City-Petoskey in Michigan? Those two towns are 60 miles apart — radio stations 100 miles apart could be legitimate contenders for "home-to-market" status. Operators here need more than eight stations just to cover the market.

We wondered how this would work, and we've found it to be a relatively simple matter to come up with thorny questions. Nothing we've read has changed our minds on this. We expect there may be some nice paydays ahead for radio's legal and engineering community as some of these posers are worked out. And this is before we even begin dealing with John McCain's plot to do in grandfather!

Also, we think it is an oversight not to include Eastlan in this plan— the company is a legitimate, respected ratings company, and if Arbitron is being used, it ought to be used as well. It would define the markets for a good chunk of territory that is in fact rated — just not by Arbitron.

Canary chirps and Congress burps

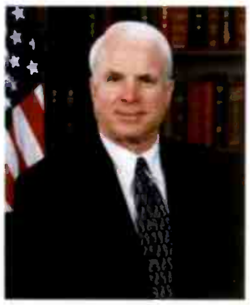
It has been an interesting 30 days since we last met. The Emmis canary was singing a pretty tune but the notes were not high enough-and then Westwood One joined in with an off-key tune, warning of negative numbers for Q2. Emmis did produce an above expectation quarter but their forward projections for next quarter were below expectations. The end result was their stock got kicked, and so did other radio companies. Then WW1 made it worse.

Congress was a whole other matter as they can't seem to digest the new FCC rulemaking of June 2nd. Commission bashing has now become bipartisan. One of the more interesting sideshows is to see the NAB lobby pro-consolidation on the radio side and hold on—no more consolidation in television, at least not on the national side of the equation. On the radio side the biggest change was to make companies divest properties that do not adhere to the new FCC market definition—Arbitron market metros. A separate Commerce Committee bill lengthens the ownership review cycle from a two-year to a four-year exercise.

Congressional crossfire recap

Radio markets: Grandfather kicked out the door

By far the biggest surprise of the Commerce Committee session was **John McCain**'s (R-AZ) last minute amendment that accepted the FCC's new Arbitron-based radio market definitions, but eliminated the grandfathering clause contained therein.



John McCain

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On the Cover:

(l-r, back row) Matthew Warnecke, Rich Russo, Kim Vasey. **(l-r, front row)** Irene Katsnelson, Matt Feinberg, Jackie Vislocky.

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RADIO NEWS®

He noted that all five Commissioners agreed there were serious anomalies in the way the 1996 Telecom radio rules played out. He said that by grandfathering the undesirable combinations, the problem was not being fixed.

It was pointed out to McCain that the radio clusters were assembled legally, and that it was not customary for Congress and undo legally-assembled entities retroactively. McCain and **Ernest Hollings** (D-SC) quickly, but incorrectly claimed, precedent in the forced selling of newspapers back in the 70s. The amendment carried on roll call by a narrow, one-vote margin.

If this provision is enacted into law, the infamous Clear Channel (N:CCU) Minot cluster will no doubt be the first one on the broker's block.

Biennial reviews on the way out

A bill to reauthorize the FCC was passed out of the Commerce Committee. Introduced by Committee Chairman John McCain (R-AZ) himself, it gives the Commission more time for the review.

Two important changes are the lengthening of the ownership rule review cycle from two to four years, and the application of a 2008 sunset on the UHF TV 50% discount.

McCain's original reauthorization bill included language broadening the FCC's ownership rule standard from "modify or eliminate" to "modify, eliminate, strengthen or retain," hoping to clear up any misunderstandings with the courts about the intentions of Congress should the FCC determine that tighter rules are warranted. This language actually became part of the "S. 1046, Preservation of Localism, Program Diversity, and Competition in Television Broadcast Service Act of 2003" by amendment.

What's next

The action by the Senate Commerce Committee moves the bill onto the Senate floor. If Sen. **Trent Lott** (R-MS) was still the majority leader, it would have a supporter managing it—Lott voted for the Commerce Committee version. It will still go to the floor with bipartisan support. Along with Lott, McCain and Stevens, it will get Republican votes, at a minimum, from **Olympia Snowe** (R-ME) and **Kay Bailey Hutchison** (R-TX).

The Commerce Committee bill, if passed by the full Senate, faces sure opposition in the House from **Billy Tauzin** (R-LA), McCain's Commerce counterpart. He is a big supporter of the FCC's 6/2 actions.

Byron Dorgan (D-ND) is still considering a rarely-used Congressional veto, which would undo the FCC 6/2 action in its entirety. That proceeding likely will not begin until the new rules are printed in the Federal Register. McCain also indicated there will be specific hearings on the radio aspects of the FCC's 6/2 ruling after the July 4th holiday.

Emmis not as bullish as Wall Street hoped

Guidance from Emmis Communications (O:EMMS) for the current quarter was not as aggressive as some on Wall Street had been hoping for, so radio stocks took a hit to start July. Asked about that in an interview with CNBC, Emmis CEO Jeff Smulyan said he was just being cautious in what he promised The Street. "We try to be cautious because it's very hard to get a good read. But again, our job is that if we can be at the highest levels of both radio and TV, we'll be happy with the job we do - - and that's where we've been," Smulyan told the cable channel. "I don't want anybody to take that we're not very pleased with the way the company's performing, because we are."

Emmis reported that total revenues were up 4.1% in its fiscal Q1 (March-May) to $142.4M. According to **Richard Rosenstein** of Goldman Sachs, that worked out to radio being up 3% pro forma, with cash flow ahead 4%. "We estimate that domestic radio revenues grew 2-3% in fiscal Q1, with international radio up double digits," the analyst said.

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GM TALKBACK

By Carl Marcucci
CMarcucci@rbr.com

We ask General Managers from around the country to share with us, and you, their views of the industry. This time we quizzed:

Terry Gillingham, South Central Communications, Knoxville, TN
Tommy Ehrman, New Northwest Broadcasters' KNDZ-FM, Billings, MT
Gary Burns, Burns Media Strategies' WLNI-FM Lynchburg, VA
David Engberg, Regent Communications, St. Cloud, MN

Many CEOs are saying in their recent conference calls that the second half of the year is going to be up in healthy numbers. Are you seeing the marketplace trending in that direction as well, and why?

Gillingham: Since the time I wrote to you, June 6, business has taken a turn. While we are still experiencing strong local sales, we are beginning to see many of the auto dealers cancel or move their schedules to later in the summer. I thought it ironic that I wrote about this being our strongest category and then suddenly we get hit with several cancellations. It is still our largest category, which may account for the large impact it has on us one way or another. It just goes to show you that one shouldn't speak of good fortune while in the middle of the experience, rather one should wait until the good fortune has completed showering its blessings.

[What he wrote before]:

"Business has been very good so far this year. We did experience some slowdown with specific stations when the war broke out. However, over the last month we have experienced a strong recovery across all our stations. Our pacing for the months of June and July are very strong and we will reach budget. I should say that it hasn't come easy; we have had to work hard to grow our market share.

Looking ahead to the remainder of the year and predicting the outcome is a bit more difficult, but I believe we will come very close to hitting budget. Local sales remain very robust and will carry us through year's end. National dropped off the moment the Coalition invaded Iraq and it hasn't really come back full force, although we are seeing more activity. Believe it or not, auto still remains our strongest category. The auto dealers are determined to sell cars and are aggressively advertising through the summer months. We anticipate that we will be very satisfied with our revenue growth at year's end."

Burns: Well, we're sort of in a different format. We are mainstream talk on FM and we're up about 35% from last year. And for us, I think it's a bit of longevity in the format being accepted in our market and getting into the newspaper and print. We had a lot of interest, certainly, because we did a lot of war coverage. And I think it sort of distinguished us from the typical music-oriented competitors in the market.

We're just selling it totally different. We basically use all of our unsold inventory. We will take our unsold inventory and award it to our advertisers based on the level of commitment to the radio station—how fast they pay their bill. So consequently, we collect 85% of our revenue before the 15th of the month! And we've been doing that for a couple of years.

For the second half of the year, we do the University of Virginia sports. We begin our UVA advertising in August and we level-bill it August through March, right through basketball and The Final Four. So we'll probably do $200K in UVA-related billings. We've got a great signal, so it puts demands on our inventory and allows us to bring higher rates in.

Ehrman: That's a pretty broad statement for a CEO to make, but I guess if they checked with all of their markets and averaged them together they could say that. Billings probably will be up. I think our group will see increases because we have improved the quality of our programming, and the quality of our salespeople. Hopefully the on-air improvements will help ratings, which in turn will help revenue.

As far as this market goes, the Billings area has been in a drought for four years and this year we've had rain so that is going to help. We're fairly ag-based here, so I'm optimistic in fact it's raining here right now. And that's a rarity over the last four or five years. They are talking bumper crops of winter wheat and things like that. So that's going to have a positive effect on our economy—actually down the road more so than right now. Because once those crops come in, then the farmers have the money and then they'll spend it. I know other parts of Montana did not get as much snow and rain this year so those markets might not see increases the rest of the year.

That's why I think, a CEO just generally saying that 3rd and 4th quarter will be healthy should be quantified by region or market.

Engberg: My market specifically has performed up to expectations so far this year. Based on our Q1 and Q2 performance, especially Q2 performance, I'm very optimistic what Q3 and Q4 will bring, because based on what the economic environment was (or at least what people were telling us it was), we performed well. And we hopefully can continue to perform well.

By Carl Marcucci
CMarcucci@rbr.com

A look from the top: buyers address the 2004 radio upfront—Part I

Some 40%-50% of the $1B annual network radio dollars allocated for next year will be spent in a couple of months—10-12 months' worth of inventory in one shot. For our third annual upfront series, we follow the money—in the pre-network radio upfront and Q3/Q4 scatter markets; the upfront itself and resulting scatter markets next year. We talk with top industry network radio buyers and sellers to address everything from CPPs/rates, trends, hot properties and products, predictions, supply and demand, inventory levels and the marketplace vs. last year. As well, we look at issues like effects from the record-breaking TV upfront; what the networks could do to make the buyers' jobs easier this upfront and new creative and strategic elements from the nets.

Over the three years we've been following the upfront, we've found the challenge for the radio networks is to decide how much to sell, based on predicting what the market is going to do. It's a gamble that can have a huge impact on revenue. Do they let it go now where it's supposedly cheaper in upfront than in scatter, or do they not?

Radio is becoming a tactical medium where it wasn't so much so before. It used to be "Let's just buy it and get it out there, and here's the commercial." Now, advertisers are coming in and buying network radio tactically—via tune-ins and retail—and being very successful with it. The client ultimately benefits because they can buy nationally and get really great, efficient deals. The messages get involved in promotions and appointment radio programs that the advertiser can tie in with personalities. They're getting the benefit of national business as well as frequency. More than ever, higher level, sophisticated individuals at the agency know how to sell the plans to their clients and know how to interpret even the most complex reach and frequency objectives and schedules. As well, there are more sophisticated sales management, sales people, traffic directors, research and technical people who know how to make this happen at the station side.

The network radio upfront is actually somewhat of a misnomer. Since there is no program seasonality in radio, other than sports-related, the only reason radio has an upfront is because after TV budgets are done, the budgets typically focus on radio. Only a couple years ago, people started doing them simultaneously. It's all just part of yearly marketing plans/efforts that also include looking at print and overall advertising strategy.

In this yearly ritual, the same national buyers are buying network as well as syndicated product. Syndication is sold mostly by those who are not RADAR networks. All RADAR networks have some syndicated properties. The bulk of their inventory, however, is RADAR-rated. A good deal of additional syndicated product floating out in the marketplace is sold by Dial-Global, Jones MediaAmerica and United Stations.

Now, before we get into the upfront (because most buyers are currently in planning stages only), we first ask for opinions and predictions on Q3 and Q4 '03 national network radio spending, from both sides of the desk.

The Q3 and Q4 marketplace

Most are bullish, saying the next several quarters will be up vs. a year ago and vs. the 1st half of the year. "Momentum is definitely picking up for Q3 and beyond, not just with upfront advertisers, but some scatter ones as well. The year will also finish up with a slight increase vs. a year ago," confirms **Irene Katsnelson**, Universal McCann VP, Director of National Broadcast, whose clients include Johnson & Johnson, Coca Cola, Ferrero, Nestle and Kohl's.

Natalie Swed Stone

"We are projecting up for both quarters—Q2 was weak and Q3 and Q4 will compensate for that—also the market seems generally healthier," agrees **Natalie Swed Stone**, Managing Partner/Director of National Radio Services, OMD, whose clients include Epson, ABC-TV, State Farm and Visa.

"Q3 and Q4 right now have the potential to get really ugly and sold out, so I think the marketplace as a whole will be up," **Rich Russo**, JL Media's Director of Broadcast Services, warns. His clients include Tempurpedic, Old Navy and Great Foods of America, Food Network, Lugz, Tribune Broadcasting, select Fox O&Os, McGraw-Hill, Country Music Television, Rockaway Betting and Upromise.

Reyn Leutz, SVP, Director of Radio Negotiations, MindShare USA, thinks that overall the spending in network radio will be up 3-5% in Q3 and Q4 versus a year ago. However, it's not all good news. That opinion is based on a very unique vantage point: "At

MindShare, our network radio negotiators are integrated into the network TV buying teams. After weeks of all-night negotiations (talk about a bizarre ritual), I think one thing is clear: some clients in the industry will have to find a way to fund the television increases. As much as I love radio, I think unfortunately it still is a vulnerable medium. In a few instances, I have heard clients say that they may be cutting back their radio to absorb the TV inflation. I hope that radio doesn't suffer but I think it might. The big network television wave became a smaller wave for cable and may turn into an even smaller wave for radio."

Leutz's clients include Sears, Carfax, ONDCP, Domino's, Orkin, Kimberly-Clark, Novartis, Gillette, OfficeMax and Northwestern Mutual Insurance.

Matthew Warnecke, Director, Network and Spot Radio Services, MediaCom National Broadcast, is expecting Q3 and Q4 to be up because the first half of the year looks like it's going to be up as well, "contrary to last year when the healthy upfront sent no money into the local marketplace. I think there was so much more money sent into the upfront early that this money is just going to have to, by default because there's so much of it, come into radio both nationally and locally."

Warnecke's clients include The WB Television, Warner Home Video, Warner Brothers Theatrical, GlaxoSmithKline, The American Egg Board, Diageo, Cendant, LVMH, ConAgra, P&G (planning), SlimFast, Canon, Ethan Allen, Dairy Queen, Danone, American Plastics Council, Bridgestone/Firestone, Master Foods, Reebok, Hasbro and American General.

Some aren't quite as bullish. "I'm seeing the radio advertising budgets, like the economy, slowly going north. But I mean slowly," observes **Matt Feinberg**, SVP/National Radio, Zenith Media Services. "And there are so many factors—our administration's current tax policy, Wall Street, these all directly affect business, which trickles down to us."

Rhonda Munk-Scheidel

On the seller side, Premiere Radio Networks EVP/Director of Sales **Rhonda Munk-Scheidel** says business right now is brisk: "There is not a shortage of business, that's for sure. But certainly, the most prevalent thing that we've seen is the last-minuteness of advertisers coming into the market. Rates are good. Rates are stable. And inventory, depending on how specific an advertiser is and what their needs are, is available across the board. We, of course, have less inventory than some of the other networks and some of the traditional RADAR-based networks, so we get tighter first."

David Landau

Dial-Global Co-President/CEO **David Landau** thought Q1 was quite active, "until we started getting involved in the whole war effort and the UN. That slowed down the marketplace. As soon as we pushed beyond that, May and June have been good and Q3 looks good."

"It's incrementally better than it was one, two, three months ago," Westwood One CEO **Shane Coppolla** tells *RBR*. "Meaning the pacing is gradually picking up. I think that getting through the TV upfront, getting through some of the uncertainties of March and April, are all important and certainly bode well for Q3 and Q4. We still have a lot of time left and business to book, but the general sense is cautious optimism and it's certainly heading in the right direction."

Cathy Csukas

Cathy Csukas, Jones MediaAmerica VP/Radio Sales Manager, agrees, it's picking up quickly out there. "We predict Q3 and Q4 to be stronger than the first half of the year. We have seen lots of new activity recently. Many scatter advertisers just finished a record-breaking TV upfront. We also believe there is a good amount of unspent advertising budgets at major clients that could be released to the market in the next few weeks."

"Thankfully, recent activity has picked up quite a bit and we expect that to continue probably through the end of the year," states ABC Radio Networks President **Traug Keller**. "That's a clear sign that advertisers are comfortable, maybe, that the economy is improving and obviously the resolution of the US-Iraq war helped that. Everything that you read in the business press/business pages today are pointing toward a slightly more optimistic second half. And clearly, we are definitely seeing an increase in activity."

Adds ABC Radio Networks SVP/Sales **Jennifer Purtan** who paints a slightly different picture than Munk-Scheidel: "And it's across the board with the usuals—pharmaceutical, auto, entertainment, insurance. The interesting thing, the key to us as a good indicator, is they're spending more money over longer periods of time with more lead time. Remember when people were so scared, they'd hold onto their money until the last possible

second? It's now starting to move earlier. Weeks are starting to move earlier now, which is nice."

How tight is it out there?

With business getting this active, we ask how tight scatter inventory is looking for the second half of the year. Are buyers at all worried about waiting and getting shut out? Could it affect the 2004 upfront? Not likely, but those that have been placing buys in the scatter market this year are finding a bit less inventory available then they'd like. They will likely either look at becoming an upfront player or at least begin to get into the mode of buying further out. What are buyers and sellers saying about supply and demand this time around? Flat to up.

"There is enough supply to meet the upfront demands," says Swed Stone. "However we continue to encourage networks to bring in more premium inventory on the supplyside."

Right now, the value properties are a little tighter than some of the others. "The current scatter market has picked up, so I think there will be anticipation from the networks of this pattern carrying into the upfront," says Katsnelson. "There's been some attrition in supply, specifically on the Premiere networks, but not enough to have a dramatic overall impact. Those networks are low inventory as is, so supply was limited to begin with. So as a buyer, you know that if you want this inventory, you need to be among the first."

Premiere's Munk-Scheidel says demand will be up for a couple reasons: 1) There's been a lot of last-minute avails that have come up and 2) the advertisers that are very day- and daypart-specific in their needs could and have made network radio buys—but not perhaps getting all of the inventory they want on specific products. So I think for those like tune-in advertisers and retailers that are very time and date-sensitive about when their sales are tuning into their programs might be, that kind of specific inventory is very important to them. As well as reaching the top markets on top stations."

Warnecke says if advertisers are going into the marketplace from July '03 to June '04, and it's at the heels of the really healthy TV marketplace, it might be tough—more expensive. "But unfortunately, that's just a function of a client's fiscal year so can you play that to your advantage? Well if you've got to come into the marketplace when you need to—that is for a July-June upfront, then you're at the mercy of the current conditions."

He adds, however, "Waiting, or how late money has been placed has not shut us out so far. Scatter inventory is always getting tight and expensive and that's a function of when budgets are released. I think network is still an efficient medium overall, so whatever increases come as a result of lateness, seem to be palatable."

"Scatter? Scatter doesn't truly exist anymore," claims Russo. "There's too much going on in there now. Maybe years ago there was scatter and a few people who thrived with it, but who are we kidding if we think scatter exists? The networks are taking anything right now, any form of snake oil. I think I just heard a spot for a pill that increases my sexual prowess, grows hair on my head, improves my vision, increases the estrogen in the girl I'm with, eliminates heartworm from any animal I touch and deodorizes my rug, all for $39.95 with a free gallon of a fat removing rub that is also great for windows and tastes great with steak. Scatter is gone. And that's why the marketplace gets tight, not because of the upfront."

Leutz says if all the scatter markets since 1/03 were strong then he would say it would have a profound effect on this year's upfront: "But that's not the case in network radio. So I do not anticipate historical scatter to have any influence on the upfront."

United Stations EVP/GM **Jim Higgins** says Q3 was very late to break for scatter but has been very active. "There is still good Q3 inventory available and business pending. Q4 is still way too early to call. Q4 scatter budgets should come down in the next month or so. In Q4 we will also look for support from the fall budgeted network TV advertisers as well as those who couldn't buy what they wanted in TV at the right pricing. Network radio is without a doubt the most efficient national media an advertiser can buy and will have media appeal in Q4 and into 2004."

Predictions on the upfront

This year has been a pretty good year for network radio, despite the fact that we had a war and geopolitical issues. Last year's upfront didn't move as quickly as some might have expected—it was a bit late, in fact. And it certainly didn't let go in the blink of an eye like TV. Clients held money typically spent earlier in that climate of uncertainty. On a good note, radio buyers were perhaps more able to think about what they wanted to try and achieve, without having to rush because of the marketplace moving so quickly.

Munk-Scheidel agrees, it was a little softer than it had been in years past: "There were a couple of advertisers that had opted to take their chances in the scatter, so I would say a little less demand for an upfront last year than the year before or a couple of years before that."

Higgins says last year's initial upfront surge was strong from a pacing standpoint, but not sustainable: "Too many advertisers chose to hold off committing for the full year with all of the uncertainty of pending world events and the economy and then chose not to buy at all once the war was declared."

Keller characterized the upfront as "mediocre, nothing remarkable." Blame it on TV? He says ABCRN did see budgets begin to decline towards the latter part of the 2002 calendar year. "I think part of that was the strength of network television. The economy was weak, people were shaky, there's the, what I would call the 'flight to what people think is safety.' 'I only have so much money, it's all going into network TV.' And I think that is one of the reasons network TV did as well as it did."

Most see very strong upfront demand from existing upfront advertisers, particularly for the 18-49 demos. Specialty programming and vital network/programming services for music-formatted stations will also be in strong demand at solid pricing. Says Higgins: "Unique personality networks like **Lou Dobbs** and **Paul Harvey** will continue to be in strong demand from select sponsors for long term commitments as they have impact well beyond a traditional media buy and command top of the card rates. Untargeted high rated nets will continue to have most appeal to much older demographics and will be in good demand for direct response clients and Adult 35+/50+ brands, but will sell at lower pricing. Look for more: 10 second networks and inventory to be developed and bought to market in 2004."

He adds, "I also believe there will be some new advertisers and categories in the upfront. Demand for holiday periods and high visibility retail sales weeks will be even stronger than it has been in years past network radio inventory for the better rated targeted nets is very limited and will continue to be in strong demand at solid pricing."

The upfront market is picking up a bit already, with P&G, Red Lobster, Campbell's and Auto Zone already in. Most are the primary advertisers that have fiscal budget start dates in Q3.

"For one of our clients, Red Lobster, we're doing the upfront now in June," admits Feinberg. "We're working on Toyota, we just put down some Schering-Plough business and some Allied Domecq business. The Red Lobster is an upfront; the others are scatter buys, anywhere from six-12 weeks. The radio upfront will heat up in August, September and October. A couple of years ago, radio upfronts occurred simultaneously with the TV upfronts. I think that was a smart strategic move by agencies. Now this year we've kind of gone back to people just doing tons and tons of television—these are so-called 'record-breaking upfronts.' So radio again is going to wait until August-September for the true upfront."

Feinberg also handles Astra-Zeneca, The Center for Disease Control, General Mills, Merial pet products and Lexus.

"We've got Campbell's/Pepperidge Farm in and Vanguard is coming in late November," said **Kim Vasey**, Senior Partner/Director of Radio, mediaedge:cia. "It's a bit early to tell—only a few clients have come into the upfront so far. But everything I read in the industry publications indicates that things are expected to pick up in the second half of the year." Her clients also include AT&T, Gallo Wines, Xerox, Wrangler Jeans, PetsMart, Salvation Army and Culligan.

"It's going to be a fairly strong upfront," says Katsnelson. "Several of the larger upfronts have either already been placed or are in the process which generally sets the pace for all subsequent advertisers."

Says Russo: "I think there is tightness, the TV upfront was strong, very strong. It can only trickle to radio, but like always it only takes one of the big guys on either the buying or sales side to panic and you got a house of cards. I know that sounds weird but if there is a balance shift, it's pandemonium. I always hope to have my clients on the right side of it. It's when the cat and mouse game becomes a poker game, sometimes you win with queen high, sometimes you lose with a full house; it is and always will be quite the dichotomy. The upfront is hype and plays into the whole copycat and lemmings mentality. When our clients are ready they advertise, we don't base our marketing strategies on some contrived and preconceived time frame to book our stuff. I always got a kick out of the upfront panic. I am not sure there is a real advantage to upfronts anymore."

"Everything is under control and clients seem able to release budgets on time," comments Swed Stone. "Ad budgets will likely be up in varying degrees vs. last year."

Most of Warnecke's clients who spend money upfront for network radio do calendar year deals, so it's still a little early. "But ad budgets compared to last year I think are slightly up," he says. "Right now, Q3 avails are just starting to come in. Things have been late and last minute, so if you placed your scatter money on a traditional scatter calendar, you'll be much better in terms of efficiency. But people don't seem to be spending money that way, at least in network radio."

Leutz doesn't think the radio upfront will break any time soon, probably not until late September. "There isn't any real hurry. Network television is a different story. The demand reached record levels, and as a buyer, you could see this market coming months and months in advance. The only real question was could the war slow things down, kill the momentum? I do not think that we will see the same market in radio."

What do other sellers have to say so far about upfront 2004?

"We are optimistic, says Csukas. "Momentum in the market is building. The TV upfront was extremely strong. That usually bodes well for the network radio upfront. Plus the stock market and consumer confidence are both also going in the right direction now."

There's no question that there will be a flow-through from network TV to cable to network radio for the good programs—the highly targetable properties. It's already begun," says Keller," really starting June, it's picking up. We saw the weakening of budgets; it was a weak scatter market in Q1 and Q2. But now this is probably the best scatter market in probably some 18 months. All of a sudden."

Adds Munk-Scheidel: "Since this is just late June, there are a handful of advertisers that are on a fiscal Q3-Q2 cycle. So obviously with those advertisers, we are either in the midst of finalizing or have completed already. And everything that I have heard as I go around the country is all of the traditional advertisers that have been in our medium for any length of time are expected to come back. But the calendar advertisers (Jan-Dec.) have yet to commit. Many of them are still in planning and finalization of plans."

Landau predicts next year is going to be a strong year for network radio. "It's an election year, it's an Olympic year. I think you're going to see a lot of advocacy advertising on network television; there's going to be a shrinkage of avails; I think a lot of the scatter in network television moved up into the upfront and you also have the situation where there's make goods for shortfalls. I'm optimistic that network radio is going to benefit."

Higgins agrees wholeheartedly: "All indicators are positive for a vibrant upfront: A steady and sustaining recovery in the financial markets that has lifted clients' values and freed up marketing and advertising funds; an extremely strong demand for network TV in the upfront will positively impact demand for other national broadcast media like network radio; an extensive and growing client roster that knows that radio really works extremely well and has extended its inclusion across more brands and services; radio's ability to target and reach important audience segments and sub-cells that are elusive to other media, and finally, network radio traditionally does very, very well in years that have both a presidential election and the Olympics as we will in 2004."

Coppolla is optimistic. "I think in general we're bullish. We feel pretty good about the work we've been doing over the last 12 months. We continue to grow our business. I think we delivered great results for our advertisers and the conversations we're having bode well for the upfront."


Peter Kosann

Adds **Peter Kosann**, Westwood One President of Sales: "You have $9B spent in television over the next year. All those dollars were committed based off of guarantees of audience delivery. It has two ramifications: 1) For the back half of the year, if you want to buy national broadcast, it's going to be tight and inefficient and 2) For radio is that a top five category of spending on the radio is television tune-in. Television tune-in is going to be hot because all those people who took all those dollars in the upfront on television are going to make sure they get tune-in. The next big category on the radio is retail. Retail and television tune in generally compete for the same inventory. Therefore, we will have a good upfront."

What other hot categories are predicted for the upfront?

"Without question, pharmaceutical," says Munk-Scheidel. "It has continued to grow for us. Particularly vitamin supplements, allergy pills, and health-related non-prescription products continues to be a huge area for us."

"I have always believed that alcohol influences anything, ironically both as a social thing and of course as a growing radio category," Russo jokes. "I think at some point we will be hearing a grain alcohol spot, "makes you blind, great with pineapple juice."

Who will we see in the next few weeks? Usually Sears, JC Penney, Hotwire, Pfizer; perhaps Priceline, perhaps Ford Motor. Those are usually the top five or six spenders. "We all know that the 'big ones' are all coming back this year," admits Katsnelson. "That should be the indication of how the upfront is shaping up."

In August, for Part II of the upfront series, we address the latest avails floating in the market; how clients' budgets are looking for network and syndication vs. last year; whether TV's record-breaking upfront spending is trickling down to radio's upfront and conversely, could all that money spent in TV hurt radio's upfront; we address rates/CPPs; what percent nets will sell now and hold for later in this upfront and a bit about strategy and creative selling from the nets.

By Paul Weyland

Just how difficult are YOU making it for local direct clients to do business with you and your station?

I went to Mexico City a few months ago to do a seminar on broadcast selling. The event was in Chapultapec, a very rich part of Mexico City. And for those of you who have been to Mexico City you know that if you're rich in Mexico, YOU'RE RICH. But even in that very wealthy part of the city there were signs of abject poverty everywhere.

On virtually every street corner there were little girls with grubby faces called "Chiquitas". They hold out their hands and beg every passer-by for money but they have nothing to offer in return. "Por favor, senor...just a little something," they ask. You respond, "No Chiquita...not today. This is very dangerous. Don't do this." But the Chiquitas are very persistent. "Por favor...just a little something for me...POR FAVOR."

The Chiquitas make me very sad. But they also remind me of practically every broadcast salesperson I've ever met. "Por favor, Mr. Client. Just a little something for my station, por favor." And the client says, "No Chiquita, not today. But if you send me some information on your station, I'll get right back with you." And the Chiquita salesperson says enthusiastically, "Okay...I'll get you some information right back to you."

Then the Chiquita runs back to the station, cards the account and then gets on the computer and cranks out a computerized proposal filled with horrible stuff that nobody likes to read or can understand, like AQH and CPP and Frequency of 3. You get all of that stuff to your client...and then of course, the client never calls you back.

If I were a local direct client who *already* had the perception that broadcast advertising was complicated, confusing and expensive, I believe I'd rather *chew on a mouthful of wasps* than try to read one more computer-generated report or package from a radio or television station.

See, here's the problem, and opportunity. The average radio or television station has fewer than fifty local direct accounts on the air in any given month. Meanwhile, another medium out there has practically every single account, thousands of them, locked up with annual contracts. That medium is the Yellow Pages, the GREAT MONEY-SUCKING HOLE.

See, it's not that all of those local advertisers aren't advertising...they're just not advertising with YOU. Why? Because of the way we sell. We're an industry of Chiquitas...giving local direct clients facts and figures that even WE don't fully understand. So, how should we expect anybody else to understand them?

Here's a great test. Explain GRPs, AQH and frequency to YOUR MOM...in language that SHE would understand...that would get her excited and ready to buy from you BEFORE her eyes turn yellow and cross. It's not an easy thing to do. So, why keep going there with clients?

The best part about beating your head against a wall is that it feels so good when you STOP. Stop confusing and boring your clients with crap ratings proposals they don't understand. Managers, stop confusing salesperson EFFORT with salesperson production. Salespeople, stop being Chiquitas, begging clients for money without offering anything valuable in return.

While I was in college I worked at a small campus men's store. And two out of five people who came into our store were CHIQUITAS who were trying to sell US something.

And all of the Chiquitas who visited us would say the same, cliché things.

- "We're number ONE.
- We've got a 3.2.
- We have the BIGGEST STICK IN TOWN.
- Oh, you'll LOVE our morning show!
- I just need to make ONE MORE SALE and I get to go to JAMAICA with our station!
- Don't buy that station over there...the people who listen to THAT station live on THE STREET AND SMOKE DOPE!"

Not one single media salesperson ever came in and spoke to us in language that we understood, about how it would be logical and in OUR BEST INTEREST to do business with them.

By focusing your attention on educating the client in language that he or she would understand, you can do several wonderful things.

1. Eliminate rate resistance
2. Eliminate "added value"
3. Make the sale whether you're number one or number 20
4. Double or triple what your client believes he should risk on your station.
5. Get a long-term contract

We know that educated clients buy more than uneducated clients. We know that our local direct clients have been inundated with Chiquitas from every media and every station.

And, instead of educating clients properly about good marketing, the difference between good and bad advertising and how to calculate return on investment on the advertising they're doing, all the Chiquita has to offer is a report written in hieroglyphics that nobody can or wants to read. All the Chiquita can do is a little chest-beating dance about how they're number one with 24-49 year old women who shave one eyebrow and drive Volvos.

The broadcast industry has a marketing problem with local direct advertisers. It's that pesky perception that what WE do for a living is confusing, complicated and expensive. Instead of perceiving us as resources, we look like pests. Instead of having a knowledgeable marketing and advertising expert to help them grow their businesses, they get to meet their third Chiquita in a year and a half from your station.

It's a shame, but that's what local direct clients think about broadcast advertising...that is, if they even bother to think about using us at all. And guess what? We have nobody to blame but ourselves.

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By Carl Marcucci
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IBOC on hold? What in the HD is going on?

The National Radio Systems Committee (NRSC) recently put iBiquity Digital's AM system's standard setting process on hold (5/16 *RBR* Daily Epaper #97), suspending further work on the technical criteria that will be used industry-wide in building HD radio receivers. As well, the volume of new HD Radio station launches seems to be creeping along as of late. And while a station may be HD-Radio licensed, new HD Radio gear isn't being installed as quickly as most had estimated. All the while, Motorola's Symphony DSP chip—positioned as an alternative to IBOC—is closer to debuting in receivers. Is it just a case of the chicken before the egg? Do receivers need to launch to consumers before stations spend money upgrading to digital? We explore these issues with iBiquity, a few of the groups, and equipment manufacturers.


Bob Struble

To date, iBiquity has licensed 150 stations (90 FM and close to 60 AM) and is projecting to reach between 200-250 by the end of the year. 35 stations were on the air as of late June and the company says it expects 50 by end of July. Is that behind schedule? "That's pretty much on schedule," iBiquity CEO **Bob Struble** tells us. "Coverage is projected to reach 60% of the listening population within the year—with upwards of 80% by the end of 2004. We've got the bump in the road with AM audio quality, but that's all I'd call it. We don't think it will impact our overall schedule."

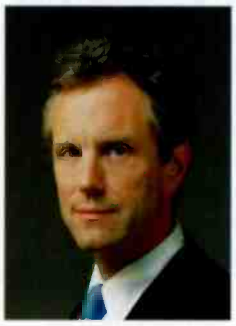
While we're not sure if the numbers are where they should be, **Milford Smith**, Chairman of NRSC's Digital Audio Subcommittee and Greater Media VP/Engineering, does think the rollout is somewhat lagging: "Since there has never been a real schedule I'm not sure stations are behind in the rollout. I do think that the rollout has been a bit slower than anticipated, probably due to both the economy and the 'chicken and egg' situation involving transmission and reception. However, to break that cycle, both sides have to step up."


Clay Steely

The HD Radio rollout at ABC Radio has been put on hold, according to VP/Engineering **Clay Steely**: "ABC had planned on rolling out a few of our AM stations this year. Those are on hold, pending a resolution of the nighttime interference and algorithm issues."

However, Steely says ABC plans to add digital services to 10-12 stations in the next two years, becoming "very aggressive" in 2005 and 2006 as a significant number of receivers hit the market."

While CC Radio CEO **John Hogan** tells *RBR* the company is planning eight digital stations this year, 2004 is "TBD." In fact, 2004 is completely on hold for now. Why? The FCC and iBiquity are still not allowing the use of separate, or dual-use antennas. Using one FM antenna with a combiner is usually more costly than putting up separate antennas. Says Hogan: "We have turned on an AM in Cincinnati [WSAI] and two FMs in Chicago [WVAZ and WNUA]. Until the FCC approves the use of dual antennas we will not go any further. The dual antenna allows a more economical path to installing FM IBOC and will allow us to maximize the number of stations we turn on."


John Sykes

Infinity Broadcasting CEO **John Sykes** is a bit less cautious, telling *RBR* no delays are planned for their rollout: "Our FMs are very much on schedule and we are broadcasting from three of them already [KROQ-FM LA, WNEW-FM NY and KBKS-FM Seattle]. And our fourth in Chicago [WUSN-FM] is being installed right now. Our initial AM orders are also in-process, and we're working with iBiquity to solve some of the issues that have taken place as quickly as possible. We're watching very carefully the stations we've put up so far. We're waiting to see how quickly these receivers are made available. Once we see the receivers will be in stores at a specific time, especially with our hipper, younger music stations, we're going to move quickly in order to support this. It's all about giving the listener the best possible experience. And if that will have them listen more and be more loyal to us, we think it's going to be great for us and for radio."

John Hansen, Marketing Manager for Motorola, points out another reason why the HD Radio numbers may be a bit low. Granted, he's positioning the new "Symphony" digital chipset as an alternative to HD Radio: "Roughly 1% of US radio stations have said they have some plans to do HD Radio. A lot less of them are actually broadcasting. At the end of the day, radio groups and stations have to justify ROI. If you're having to answer to shareholders, the idea that it's neat, new technology is probably not going to go very far if you're not returning a nice profit."


John Hansen

He adds, "We went down a path that said, 'Let's use existing infrastructure. Let's not ask for billions of dollars of investment, all new regulatory issues, etc.' All of that I think is what's holding back HD Radio. It's the basic chicken and the egg problem multiplied by the fact that maybe people don't want the eggs after all."

The Symphony chip, for instance, digitally solves some reception problems in the receiver as well. Hansen addresses lightning crashes and electrical interference for the AM side: "When you digitize the signal, those are things that you can clean up. We can recognize, 'Hey, this isn't part of the song, this is this other noise.' If I'm trying to get rid of lightning strike noise, it's going to sound better than an AM without it, but you are going to lose a little bit of the song. You can't clean up the data and not lose a little bit of the original signal. We are making it customizable—you can chose what audio processing you want to clean up that signal. There's an option for reverberations from lightning strikes to be faded out and masked over psycho-acoustically using pieces of data on either side of the lightening strike event to fill in."

For the AM HD Radio system, Struble agrees you're never going to say it will eliminate lightning crashes 100%, but "I think it was a seven times reduction. So you're going to have seven times less. And that's all interference—ground and conductive structures, lightning, etc. It's a vast improvement."

Route to: ☐GM ☐GSM ☐PD ☐CE ☐Sales

What do the manufacturers say?

Broadcast Electronics (BE) recently announced that five CC Radio FMs will add HD Radio service by the end of the year: KIIS-FM and KOST-FM LA, KYLD-FM and KKSF-FM San Francisco and WDTW-FM Detroit. All will use FMi transmitters and FXi 60/250 exciters. As well, Bonneville's WTMX-FM and WDRV-FM Chicago, recently received BE's FMi-301 and FMi-402 complete HD Radio transmitting systems.

Tim Bealor, BE VP/RF Systems, agrees things are moving a bit slowly, "The rollout is slightly behind where we hoped it would be at this point. The two major factors seem to be the performance of the PAC algorithm at low bit rates, and the night time AM issue. Both of these factors are being worked on and should be resolved soon."

Bret Brewer, Broadcast Marketing Manager, IDT Continental Electronics is taking a wait-and-see approach. "The end consumer, for the most part, has never heard of this development and therefore is not waiting for HD. Few station owners seem real excited about the technology as iBiquity has not presented an exciting new revenue stream. Continental has taken a very cautious position as it relates to IBOC. We would like to see the technology work and be accepted. Stations need to see a real benefit—the capital outlay in some cases can be as much as it cost them in the early days during the rollout of FM."

He adds, "We are standing poised and ready but I can't afford to have product on the shelf waiting for the demand. This has so far paid off as Continental has grown in value and staffing while other companies have been laying off staff waiting on technologies that did not rollout as planned."

Harris Broadcast says it has a market share of approximately 50% of the new HD radio stations in the initial rollout. **Dale Mowry**, Harris VP/Transmission Systems, doesn't believe the rollout is behind schedule at all. "Receiver availability was scheduled for late summer and fall, and that schedule is still on track. Well over 130 radio broadcasters in key markets such as NYC, LA, and Chicago have committed to begin HD Radio broadcasts in those markets. As with any new technology, diverse elements usually are involved and must come together in order to push a transition forward."

Dale Mowry

AM IBOC on hold

With the NRSC putting iBiquity Digital's AM system on hold (after hearing music reproduced with iBiquity's technology, members of the NRSC DAB subcommittee decided that it wasn't good enough for broadcast), is it a threat to AM IBOC rollout?

"No, as the NRSC members have stated before, they are very pleased with our system's capabilities such as coverage, robustness, etc," Struble explains. "However, there is an issue with audio quality. Fortunately, audio quality is a software upgrade issue, and does not impact all the other aspects of the system. A simple software upgrade should not deter stations from going on the air, and it should not impact AM rollout."

"We are watching and waiting," says Hogan. "The issues with AM, especially at night, give us concern but we are hopeful that there will be a digital solution soon."

The problem centers around the difficulty with digital compression techniques, which can cause unpleasant artifacts with low digital bit rates. Since the AM bandwidth is low, there is a significant compression need at this low bandwidth to allow AM to carry both a stereo signal and digital information useful to the listener.

In addition, "The NRSC put the standards setting process on hold due to perceived problems with the iBiquity AM codec, which was changed to PAC (from AAC) after the NRSC's initial testing," Smith explains. "The NRSC, the NAB and the FCC have all, from the beginning, been interested in a digital solution that included both AM and FM. As soon as iBiquity can demonstrate good audio quality on their AM system, then the process can resume. The ball is in their court and I truly hope they can do so in a very timely manner."

Considering the problems with HD Radio on AM are also compounded with skywave propagation and interference issues, why can't the industry just offer AM HD for daytime use?

"That's exactly what we think the industry should do!," Hogan exclaimed. "The use of AM IBOC at night causes too many problems for existing stations and the skywave issues are virtually ignored. The already diluted by interference night time signals are made worse by IBOC. There is a large misunderstanding that IBOC will improve marginal or pea shooter stations. It is simply not the case—if a signal has poor analog coverage today it will have poor, likely worse, coverage with IBOC."

Sykes says the industry shouldn't "cut and paste" the AM system: "I think they want to hear it all day long—not just in certain dayparts. So if you listen to 1010 WINS-AM partially in HD Radio and then at the end of the day it changes...I think we've got to get it right first before we flip the switch."

Chicken and egg?

Kenwood is launching its first HD Radio car receiver this summer; Alpine later this year and others to follow. iBiquity has also included Visteon, Delphi and others for the first round of OEM car receivers. When the receivers are available to consumers, will radio stations be more apt to go digital? Does the chicken have to come before the egg?

"Absolutely," says Hogan. "If consumer demand is there we will be there. Keep in mind that there are currently about one billion analog radios and literally a handful of digital sets."

Smith says digital-capable receivers and the availability of digital transmission go hand in hand. "It's the old chicken and egg thing again. If one waits for the other, then we make no progress. If both step up simultaneously, then we gain critical mass."

As soon as a radio station starts to receive "I just bought my new HD Radio receiver and you're not in digital" calls, the heat may be on to make the conversion. Says Steely: "If the caller adds, 'but your competitor is and they sound great,' the heat will be intense. Until that happens, there's really not a compelling reason to make the move, other than a desire to support the cause of HD Radio with an early installation. A decision was made [here] to be somewhat conservative with HD rollout plans, seeding key markets with digital at an early stage, then implementing HD Radio at the remainder of our stations just ahead of the wave of receivers, which will arrive on the market. Conversion costs and licensing are not inexpensive, and many stations want to delay those expenses until there's actually someone out there listening."

"It's the same with CBS Television—it was a bit slow at the beginning for HDTV. And now they've found traction, because there are enough receivers out there and they are very excited about it. One thing you can't stop when you have available technology is consumer demand. That's what built cable TV, that's what made the CD explode and that's what is causing the current excitement with DVDs. It will be a slow start, but once peer group leader hears their favorite FM station in CD quality, they're going to race to the store and get that and a friend is going hear it and do the same," said Sykes.

As iBiquity gets closer to manufacturer product hitting the shelves, there will be promotion in key markets around the availability of HD Radio receivers. "It's in the works of having retail events tied in with the rollout of the receivers. So far we have had great feedback from those licensees that have done promotion in their markets. For example, WRAL-FM Raleigh had a great turnout for their HD Radio demo at the NC Auto Show," Struble explains. "NY, Chicago, LA, San Francisco, Seattle and Miami are all part of a plan coordinating promotion with receiver roll-out. That's already started with WOR-AM and WNEW in NY and WRAL."

By Dave Seyler
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Dissecting the News-Talk audience

The non-music formats have been growing by leaps and bounds over the last ten years. In the past, they were high-cost, personnel-intensive formats, found as a rule only in the largest markets.

However, newfound interest in the formats grew along with the popularity of one man—**Rush Limbaugh**—who is often given credit for not only fueling the growth of the News-Talk formats, but even with saving the AM band.

Once the demand for this type of programming was established, radio networks and syndicators rushed in to provide content at the same time that ownership consolidators were looking for ways to put underutilized AM stations back on their feet.

The combination of owners with money and the sudden, widespread availability of economical programming content led to an explosion of News and Talk stations. Most importantly, it became possible to turn a profit with these kinds of stations in even the smallest markets - - something that was almost unthinkable not that long ago.

Interep (O:IREP) has collaborated with Mediamark Research and BIA to come up with a study of the audiences for various formats. We took the information for four of them—All News, All Talk, the common hybrid known as News-Talk, and specialty format Sports—and put them side by side for comparison purposes.

In general, the overall audience is suburban, male, 40-something, and pulling down a decent salary. The Sports variant, of course, is a male magnet. There are four men for every woman listening in—bad odds at a singles bar but excellent odds if you're selling shaving cream.

These are not the stations to contact if you're trying to sell acne cream. The very youngest demo covered in the study, 18-24, largely tunes elsewhere. 25-34s are just starting to show interest, particularly in the Sports variant.

The vast bulk of the audience is 35-54—prime time for advertisers in search of individuals with disposable income. That is to say, prime time for advertisers.

The News-Talk hybrid is the most common, and the most commonly-found outside of Arbitron's sphere of influence. Its presence in smaller markets no doubt accounts for its slightly lower media household income. Still, it ranks #10 out of 24 formats in the overall Interep study. In general, News-Talk fans constitute a high-powered, well-to-do crowd.

The distribution of the stations nationally is fairly uniform, with two exceptions. Note the high percentage of All Newsers in the Northeast—this is no doubt partly an effect of the room taken up by the legendary All News juggernauts in New York. There is an equally-large bulge in All Talk in the west. We have no idea why this is, other than the possible explanation that the west includes the great state of California. All we can say is, insert your own joke here.

	All News	All Talk	News-Talk	Sports
Gender				
Men	60%	63%	59%	80%
Women	40%	37%	41%	20%
Age				
18-24	4%	6%	4%	7%
25-34	12%	18%	12%	20%
35-44	23%	26%	20%	29%
45-54	25%	19%	24%	22%
55-64	17%	14%	16%	11%
65+	19%	17%	24%	11%
Median Age	49.4	44.8	50.8	43.4
Household				
Children at home	40%	41%	35%	43%
Own home	83%	80%	85%	81%
MSA suburban	76%	65%	57%	62%
MSA central city	20%	30%	34%	33%
Non-MSA	4%	5%	9%	5%
Household Income				
-$10,000	1%	2%	2%	2%
$10-19,999K	4%	7%	7%	2%
$20-29,999K	7%	8%	7%	5%
$30-39,999K	8%	8%	9%	6%
$40-49,999K	7%	9%	10%	6%
$50-59,999K	9%	7%	10%	10%
$60-74,999K	13%	13%	14%	14%
$75,000+	51%	46%	41%	55%
Median hh income	$76,510	$70,984	$65,547	$81,560
Census region				
Northeast	44%	17%	21%	30%
South	18%	21%	26%	28%
Midwest	17%	18%	27%	20%
West	21%	44%	26%	22%

Source: Interep, Mediamark Research, BIA

SAVAGE RULES

TRN's Michael Savage Rules in Ratings Performance

STATION	ALL PERSONS 25-54	INCREASE SINCE DEBUT
WABC, New York	3.9	Up 254%
KSFO, San Francisco	6.4	Up 2033%
KLIF, Dallas	4.6	Up 820%
KPRC, Houston	3.0	Up 1000%
WTNT, Washington	2.2	Up 2200%
WRKO, Boston	2.4	Up 41%
KXL, Portland	5.3	Up 120%
WKRC, Cincinnati	4.6	Up 100%
KSTE, Sacramento	5.4	Up 58%
KMBZ, Kansas City	12.2	Up 144%
KNRS, Salt Lake City	4.5	Up 136%
WTMJ, Milwaukee	15.6	Up 246%
KTTH, Seattle	1.5	Up 15%
WPRO, Providence	5.6	Up 409%
WDBO, Orlando	4.5	Up 275%
WNIS, Norfolk	8.8	Up 252%
WOKV, Jacksonville	7.8	Up 178%
WRVA, Richmond	7.8	Up 90%
WHAM, Rochester	11.9	Up 75%
WGY, Albany	7.6	Up 33%
KFAQ, Tulsa	10.0	Up 284%
KFTK FM, St Louis	1.7	Up 70%
WOOD, Grand Rapids	6.2	Up 226%
KFAB, Omaha	8.6	Up 138%

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Is TV's strength a trend, or is radio preparing for a comeback?

Pure-play radio stocks have traditionally traded at higher multiples on Wall Street than comparable TV stocks. But not now. TV stocks have been outperforming radio. Is that the beginning of a trend, or just an anomaly?

RBR put that question to our panel of Wall Street analysts in this second installment of a two-part discussion of radio stock trends. If you missed last issue, go back to June *RBR* to see what our panelists think is ahead for radio stocks.

Jim Boyle, Managing Director, Wachovia Securities:

The post-war recovery seems to us to be still early and quite fragile given the mixed economic data that is backwards-looking, thus actions and perceptions that are still tainted by the Iraq war. Wachovia's Economic Group just put out a piece that reported on the recent Leading Indicators data as "Indicating Post-War Recovery? Leading indicators rose in April by a whisker, up 0.1 percent, after declines in both March and February. The gain was widespread as five of the ten indicators rose. An improvement in the leading indicators shows us the direction but not the strength of the economy."

TV's recent outperformance strikes us more as a tribute to broadcast TV's reach capability, especially for larger advertisers, that in a fragmented media landscape and in a challenging marketplace for them, fall back into the old tried and true methods. It's too early to call it a trend, and, we believe, too unusual a time with extraordinary circumstances to suggest radio's taking of ad share, overall and locally, is over. With the introduction of potentially looser TV duopoly, local TV station share erosion from newspapers may accelerate, just as radio's did after 1996 Telecom Act deregulation.

Tim Wallace, Managing Director, UBS Warburg:

It's funny, because we just recently lowered our second quarter industry numbers for TV. We had had 3% when I launched coverage here, based on anecdotal comments mostly, and we've been doing further analysis and I've taken my second quarter down to 1%. I have radio at minus 1%, so you're right, television definitely looks better than radio.

I think auto has probably been helping out TV more than radio, since it's a bigger component and until recently I think auto has been OK. I've got some information that auto may be slowing up a bit. I don't know if that's just a blip on the screen or whether that's a trend.

Why people would avoid radio now more than TV? Some of it may have to do with the lead times to take stuff off. The honest answer is I'm not really sure at this moment. If there's a structural problem with radio, which I don't think so, or if this is just a temporary anomaly, which is what I'm leaning toward—I don't see signs of a structural problem.

Jason Helfstein, Director, CIBC World Markets:

It just goes back to the cyclicality of the business. I think radio still has a better secular growth story than TV because it's not losing its audience as rapidly. So, even if TV gets higher CPM growth, radio is still going to deliver better revenue growth because they don't have to offset their audience decline. I think the secular growth story for radio remains intact. But radio is still a secondary medium to television. If advertisers can buy television at what they consider reasonable rates and the sellout is below normal rates going into the month, it's hard for radio to get aggressive in pricing if TV is not being aggressive in pricing.

I don't think there's anything fundamentally wrong with the radio business. Yes, valuations have come down. The stocks are now trading in the middle of their historic range. At the end of last year they were trading at the high end of their range. Earlier this year, with the war, they traded at the low end of the range and now they're more in the middle. As we begin to see some pickup in the economy in the back half of the year, you'll see valuations expand as it looks like the business is improving.

By Dave Seyler
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Executive confidence is sky high

Chief Executive magazine's monthly pulse-taking of CEO confidence recorded record highs in all categories. This is as compared to the initial assessment of October 2002. The ongoing survey is not yet a year old.

In April, all categories had slipped below the 10/02 assessment. Since that time, it has risen dramatically. In particular, CEO future confidence is at its highest level yet recorded.

Even employment confidence has gone back over the benchmark score of 100, although that troubled category holds the low spot on the totem pole.

Tomorrow's companion chart will show the inherent weakness in the survey - - although the index scores below measure improved CEO confidence, it is still based on an ongoing weak economy. For example, nearly half of the CEOs (47.9%) believe overall business conditions are bad.

Boilerplate: The Chief Executive Confidence Index measures the magazine's readership as compared to an initial sampling taken October 2002. We are publishing the most recent six months. A score of 100 is equal to 10/02, anything over 100 means that much higher confidence than then, and anything lower means that much less confidence than then. More on this in our next edition.

Confidence	1-03	2-03	3-03	4-03	5-03	6-03
CEO Index	107.4	96.2	94.5	89.4	109.8	121.9
Current	102.1	86.4	84.7	78.6	97.0	111.2
Future	111.0	102.8	101.1	96.6	118.5	129.2
Bus condition	117.0	102.3	96.9	89.0	119.8	133.7
Investment	105.9	96.6	95.2	94.1	110.5	123.0
Employment	88.7	88.7	91.0	83.6	97.6	107.3

Source: Chief Executive Magazine

Part of magazine Chief Executive's survey of its readers includes a temperature-taking which asks them to rate certain conditions as being positive, neutral or negative. The survey has only been in existence since October 2002.

There remains a dark underbelly to the recovery - - it continues to be based on a lack-luster assessment of overall conditions. Yes, CEOs think things are getting better, but that is as much a reflection on how bad things have been as it is a ringing endorsement of the potential of the upcoming months.

Nearly half of those polled - - 47.9% - - still think business conditions are bad, and well over half - - 57.9% - - think employment conditions are bad.

However, the assessment of the future is by far the rosiest it's been since the survey began. 65.9% expect gradual economic growth (and you can add in 0.2% looking for rapid growth), compared to only 29.6% seeing stagnation and 4.3% seeing a gradual decline. And for the first time, the gloom and doom category, rapid decliners, was statistically unmeasurable.

Here's CE's executive barometer for the last six months.

Current conditions

Business conditions

Month:	1-03	2-03	3-03	4-03	5-03	6-03
Good	6.6%	5.8%	5.0%	2.5%	7.4%	9.8%
Normal	39.3%	34.7%	31.6%	30.9%	35.8%	42.2%
Bad	54.1%	59.5%	63.4%	66.6%	56.9%	47.9%

Employment conditions

Month:	1-03	2-03	3-03	4-03	5-03	6-03
Good	7.4%	5.6%	5.0%	4.7%	5.7%	6.4%
Normal	42.4%	35.1%	37.2%	32.1%	33.4%	35.7%
Bad	50.2%	59.4%	57.8%	63.2%	60.8%	57.9%

Investment opportunities

Month:	1-03	2-03	3-03	4-03	5-03	6-03
Good	34.1%	28.3%	29.7%	27.7%	36.5%	42.1%
Normal	31.9%	28.3%	25.7%	28.6%	30.8%	33.6%
Bad	34.1%	43.4%	44.6%	43.7%	32.7%	24.3%

Future conditions

Employment conditions

Month:	1-03	2-03	3-03	4-03	5-03	6-03
Increase	27.5%	27.2%	28.5%	30.9%	21.4%	28.9%
Stay the same	65.1%	60.2%	55.4%	55.6%	57.4%	52.9%
Decrease	16.4%	12.6%	16.1%	13.4%	21.2%	18.3%

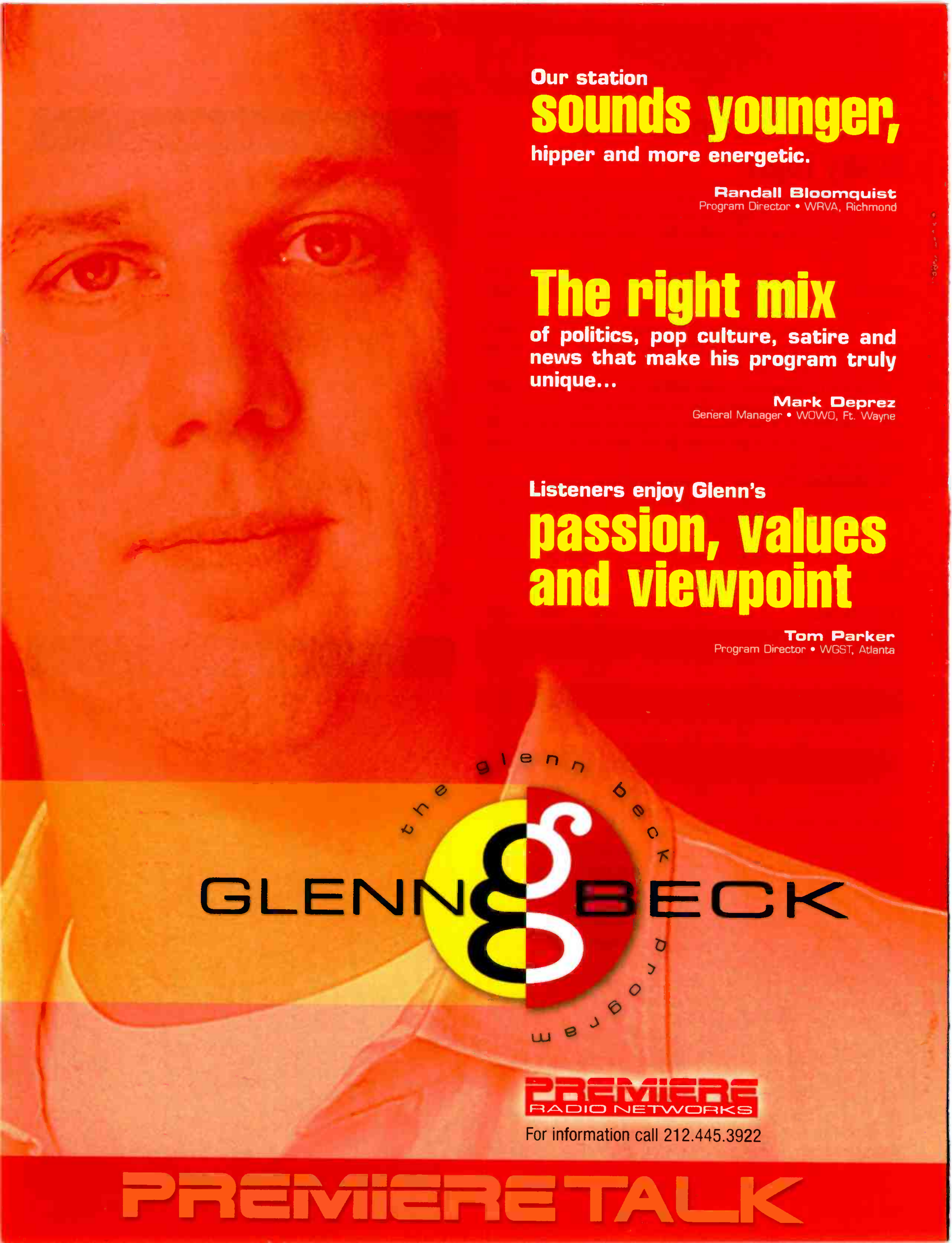
Capital spending

Month:	1-03	2-03	3-03	4-03	5-03%	6-03
Increase	27.6%	27.2%	28.5%	20.3%	26.8%	34.3%
Stay the same	49.5%	60.2%	55.4%	57.2%	56.2%	51.2%
Decrease	22.9%	12.6%	16.1%	22.5%	17.0%	14.5%

Economic developments

Month:	1-03	2-03	3-03	4-03	5-03	6-03
Rapid growth	0.2%	0.6%	0.3%	0.0%	0.8%	0.2%
Gradual growth	48.8%	35.3%	33.5%	30.8%	53.3%	65.9%
Stay the same	45.3%	53.6%	53.1%	3.0%	41.5%	29.6%
Gradual decline	5.4%	9.6%	12.8%	14.6%	4.1%	4.3%
Rapid decline	0.2%	0.9%	0.3%	1.6%	0.3%	0.0%

Source: Chief Executive Magazine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