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Eddie Fritts honored in DC

Eddie Fritts' 23 years as President and CEO of the NAB was honored 2/7 at Washington's Willard Hotel. More than 300 people attended, including Senate Commerce Chairman Ted Stevens, Trent Lott, Thad Cochran, Senate Budget Committee Chairman Judd Gregg and Reps. John Dingell. FCC Chairman Kevin Martin and Commissioner Deborah Taylor Tate also attended. A number of big name broadcasters (Lowry Mays, Dick Ferguson, Bill Stakelin, Bruce Reese, Bud Walters, Tribune CEO Dennis FitzSimons, and Gannett's Craig Dubow among them) also attended, along with Jack Valenti. Eddie announced at the event that he will be opening a Washington office called The Fritts Group LLC, with details to come later.

Trends in radio ratings

A recent Lehman Brothers report has identified the top performers in the radio business, and if the trends continue, it will pose a challenge to the competition that will be difficult to win from the programmer's chair. The first category, with two companies benefiting, is Hispanic. It is simply riding the crest of a wave of population explosion. Univision and Spanish Broadcasting System are the winners. The other winner seems to be riding a successful sales decision. Clear Channel's LIM inititiative seemed to be the reason it snagged 3rd place.

Will 2005 disappointment continue for radio?

The final tally is in from the Radio Advertising Bureau and 2005 was a no-growth year for radio. December came in -1%, which brought the full year down to flat.

But even against the supposed easy comps as Clear Channel's Less is More initiative laps itself, 2006 is not starting out strong. Rather, weak pacings are continuing.

"Q1 may be further impacted by the Winter Olympics, as TV historically tends to drain some of radio's ad dollars during this competition. We do, however, hope that easy telecom and national comps as well as political will equate to some growth this year," Wachovia Securities analysts **Marcia Ryvicker** said in a note to clients. How much growth? Ryvicker is looking for an anemic 1% gain in January and 2% for most months this year—with 3% in June and November and 4% in October. For all of 2006, she's forecasting that radio revenues will be up a mere 2.3%.

RBR observation: We'd love to say that she's wrong, but we're hearing the same thing from the front lines. Political advertising should tighten inventories later in the year, but that's a long time to wait. With the auto sector still soft for both radio and TV, it seems there's no near-term catalyst to improve ad demand. Here's the final tally from RAB for 2005—another year of disappointment.

2005 Overall Radio Revenue Growth
($ in billions)

	Local	Nat'l.	Netwk.	Total spot	Non-spot	Grand total
2005	$15.634	$3.384	$1.053	$20.071	$1.384	$21.455
Chng	1%	-2%	-2.6%	0%	-1%	0%
2004	$15.479	$3.453	$1.081	$20.013	$1.398	$21.411

Source: RAB; Miller, Kaplan, Arase & Co.

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TELEVISION NEWS

Univision on the auction block

Jerry Perenchio has decided it is time to cash out. The reclusive billionaire has put Univision Communications up for sale. And while the market may be a bit soft for broadcasting properties, bidding is expected to be hot and heavy for the chance to own the biggest player in the red-hot US Hispanic media sector. Univision, in a single package, is the biggest US Spanish TV company, the biggest US Spanish radio company and the biggest US Spanish record label.

TVBR observation: Don't count out anyone in this bidding process. Speculation immediately focused on Mexico's Televisa, which already owns over 10% of Univision, as a key player. Its CEO, **Emilio Azcarraga Jean**, has spoken repeatedly in the past of becoming a US citizen (a la **Rupert Murdoch**) so he can own FCC licenses. He could conceivably line up equity investment money and debt to cash out the rest of Univision's shareholders. But Murdoch himself said that Univision is something that News Corporation will be taking a look at and CBS Corporation CEO **Les Moonves** has been salivating publicly for years over the idea of acquiring Univision. Regardless of who wins, they'll have to come to terms with Televisa, which is currently embroiled in a court battle with Univision over program royalty payments and seeking to get out of its contract to provide programming to Univision through 2017.

Bye-bye Frog and UPN; Hello CW

Can two profit-challenged networks become one successful one? In a move that's supposed to end losses and create one network that will be profitable from the get-go, CBS announced that it will shut down the UPN network after the current season and partners Time Warner and Tribune will do the same with The WB. In their place, CBS and Time Warner will be 50/50 partners in a new venture, the CW network. For its part, Tribune won't have any ownership stake in the CW, but will get affiliations with the new network for 16 of its stations, including those in New York, Los Angeles and Chicago. That, combined with a dozen CBS-owned current UPN affiliates, will give the new network 48% "instant coverage" of the country and CBS CEO **Les Moonves** declared that by combining the top shows from UPN and The WB, CW will be profitable from its start this fall.

But some major station owners are balking at plans for reverse network compensation. "I'm not sure we want to, in the greater scheme of things. It's something we're analyzing right now," Sinclair CEO **David Smith** said of affiliation in his quarterly conference call. Likewise, Belo CEO **Robert Decherd** noted that his company has plenty of experience running independent stations and LIN Television CEO **Gary Chapman** said his company will be looking at other options, as well as the CW.

News Corporation has already stopped using the network identification in branding its UPN affiliates and is working on its own alternative—an unwired network that will feature stripped programming from its 20th Television subsidiary. It is also being offered to other broadcasters in markets where News Corporation won't be running the programming on its former UPN outlets.

TVBR observation: What happens if no broadcast station in a market bids for the CW? After all, Sinclair owns both the WB and UPN affiliates in a few markets. There is another option for the CW—a digital only multicast station. That's a viable alternative, but it would also be a startup, making it even more difficult for the would-be affiliate to work reverse compensation into its business plan.

By Carl Marcucci/cmarcucci@rbr.com

Tell us about your HD-2 formats

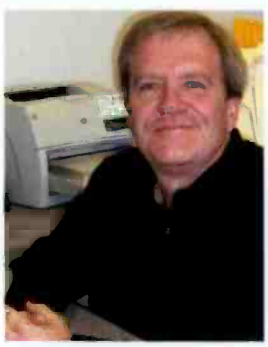
Bruce Beasley, Beasley Broadcast Group CEO: Beasley Broadcast Group looked strategically at the local markets before determining how to program the multicast channels made available through HD Radio technology. We view these HD-2 formats as opportunities to provide our listeners with unique music, tailored deeper into the niche of the primary channel, in crystal clear digital sound that's subscription- and commercial-free.

For example, our Miami market, reaches two entirely different groups of listeners through Rhythmic CHR Power 96 (WPOW-FM) and Country formatted Kiss Country 99.9 (WKIS-FM). Thanks to multicasting, Country fans can experience new programming at Kiss Country's sister music station, *Gretchen 99.9-HD2 and club enthusiasts are invigorated by Power 96's HD-2 dance channel, Dash-2.*

Gretchen, an extension of Kiss Country, is the first country radio station inspired by, named after, and voiced by a major country star - the "Redneck Woman" herself - Gretchen Wilson. The programming on *Gretchen 99.9-HD2* complements Miami's 25 year old heritage *Kiss Country* and showcases music from core artists and other musically inventive, creative "outlaws" that embrace the rebel attitude of the country music format.

Dash-2 broadcasts club music from around the world and dance remixes of the hottest Top 40 hits. Programmed by Power 96's in-house music team and the music director from Radio 105 Network—**Hit Italia**, Dash-2' has an international flavor that perfectly suits Miami's vibrant club scene.

In terms of promotional and advertising ideas, we strategize as a team, at the station and corporate levels, to determine how best to reach our target demographic...at the end of the day it comes down to compelling programming tailored for a specific community's need...it comes down to providing great radio.



Buzz Knight, Greater Media VP/Program Development:
Our formats were chosen by trying to find formats that were underserved in a market or that would be complimentary to our existing properties.

The programming particulars are dependent on the situation and will be customized to fit the internal structure of the specific property.

We have had the luxury of studying the model from our stations in Detroit who have been incredibly efficient in putting out strong and compelling products while not making the primary broadcast property lose its efficiency.

For example, Smooth Jazz in Boston is a format that we feel there is not only a strong appetite for but is consistent with the values and goals of WMJX.

The Live Rock format (WMMaRchives) is a perfect example of cool, innovative programming that matches the desires of the Philly market and is in-synch with WMMR.

Dave Robbins, Director, CBS Radio Digital Programming; Vice President, General Manager CBS Radio Chicago:
At CBS Radio, we looked at formats that would be most compatible with our existing stations, in tandem with furthering the cause of programming diversity in the marketplace. HD2 is a wonderful opportunity to use cutting edge technology to initiate new and exciting local programming in each of our markets. Working together with the Alliance, we were able to positively enhance the listener experience as well as improve on our already successful brands within the present CBS Radio lineup. HD2 gives us the perfect vehicle to make the great medium of radio even more valuable to listeners and advertisers alike.

Jimmy Steal, Emmis VP of Programming/ Power 106 Los Angeles PD:
For Emmis L.A. we chose "POWER DOS" as Power 106's HD-2 channel. It will act as an extension of Power 106 our # 1 rated 18-34A Hip Hop franchise. We wanted to add some fringe sounds that would compliment our existing brand and at the same time also help us break new music/acts in the multiple genres adjacent to our current Mainstream Power 106 Hip Hop position. It is our hope that artists we break on Power Dos will, in time, migrate over to Power 106.

With our KZLA HD-2 channel we noted the absence of Triple A in the Los Angeles Market, and coupled that with our desire to have another Emmis adult focused format. Some other reasons we chose to pursue this exciting format as the HD-2 channel of KZLA include the incredible qualitative of it audience and we have the tremendous success of our sister station KGSR Austin and our amazing PD **Jody Denberg** there to draw upon as well.

Bob Buchmann, PD for Q104.3 and Q104.3 Deep Classics (CC Radio's WAQX-FM NY)
Q104.3 Listeners always tell us they love when we dig deep into our huge classic rock library in the air studio, so it became our mission to bring New York's most devout music fans an HD Channel dedicated entirely to them. On January 19th, we debuted Q104.3 Deep Classics, featuring the great album cuts our adult audience grew up with 24/7 and without commercial interruption. We're directing Q104.3's huge audience of 1.4 million to our website, where they can listen to our stream of Q104.3 Deep Classics, learn about HD technology and how they can get an HD receiver. Imagine **Stevie Ray Vaughn**'s cover of **Jimi**'s "Voodoo Child/Slight Return"...segued into the entire side 2 of Pink Floyd's "Dark Side of the Moon"...that's Q104.3 Deep Classics!

Tony Coles, CC Radio Regional VP/Programming:
KKRZ HD2 – UNDIE 100: Undie is Portland's Underground/Independent Rock station. We wanted a format that would be compatible with the Adult 18-34 target of Z100 (HD1), and would also be compelling enough that it would move consumers to buy HD radios. Portland has long had a great underground rock scene and our concept to offer a radio station driven by local artists has been well received. Within a week of launching, we've already received primetime TV news coverage, and the submissions by local, independent artists are filling our mailboxes. We are excited to offer Portland listeners a radio station dedicated to new, undiscovered music.

FINANCIAL ROUNDTABLE

By Jack Messmer/jmessmer@rbr.com

The broadcast financing market in 2006

Are market conditions good or bad for radio and TV station owners (or would-be owners) looking for financing this year? To take the temperature of the lending market, RBR/TVBR assembled a panel of experienced broadcast lenders: **Robert Malone** of GE Commercial Finance, Global Media & Communications, **Dave Meier** of Wells Fargo Foothill and **Steve Healey** of CapitalSource Finance LLC. They were questioned by RBR/TVBR's **Jack Messmer** and **Mark Fratrik** of BIA Financial Network.

Messmer: We'll kick it off and ask Dave Meier what the environment is right now for radio and television financing. Is it a good market for people looking for financing or is it getting more difficult?

Meier: I think there is a lot of activity out there both in terms of new M&A activity and in terms of lender participation. From my standpoint there is a lot of competition out there even in the smaller end of the market, which is where I participate. My focus is really $1-10 million transactions. I do believe there is a lot of activity out there for radio. For television we have a little bit of a different per view just because of the size range that we operate in. We tend to see a lot of independent transactions and guys that are looking to do digital build-outs and things of that nature. I don't think the competition is quite as fierce in that end of the market, meaning the smaller end of the market for television as it is in radio, but I do think there are plenty of participants out there looking to do transactions.

Dave Meier

Steve Healey

Messmer: Robert, do you see a lot more competition these days?

Malone: We do. We feel like generally conditions remain very favorable for broadcast financing, primarily driven by the abundance of capital that's available to borrowers. That certainly has increased the competition from a lender's perspective. It's not uncommon for any given deal to be bidding against three or four competing lenders. I think typically you're seeing both traditional lending sources, to just commercial banks and finance companies, as well as some of the alternative investors such as hedge funds. It's created a very active and favorable environment for the borrower.

Messmer: Are more lenders getting in or are they just increasing their interest in doing loans?

Malone: I would say over the past 12 months there's probably been increased activity from both the traditional historic lending sources, commercial banks and finance companies, as well as new entrants into the market, such as some of the hedge funds that have become more active.

Messmer: Steve, it would seem to make it a buyers market from the broadcasters' point of view. Is this a good time for them to borrowing money?

Healey: Yes, absolutely Jack. I second what some of my colleagues in the industry have said. The markets are very aggressive; capital markets are very plentiful right now. If you're a borrower now is a good time to come to market for capital. Structures are pretty favorable, pricing is very aggressive. I think the only question for the borrowers is what's the best deal I can get and if you talk to three, four, five lenders, who you can easily find, I think you're going to get the best deal in this market.

Fratrik: I'm struck by the optimism; I'm encouraged by the optimism that all three of you have said this, which sort of is in contrast with the less than great performance of radio in recent years. Why is so much capital available for radio stations where the industry hadn't really shown a great performance in the last two or three years?

Healey: Maybe others will want to comment, but I was speaking to the general backdrop that we're operating in, which is a very favorable market place for borrowers, as to what is this particular situation for radio. I would agree with you that it is slightly more challenging time period for radio and TV operators, given some of the changes in their industries like lower revenue growth. In revenue growth, maybe we're talking of zero to five percent for a lot of properties. What that means is that we as lenders have to take a position on the growth trends that we think are reasonable and appropriate for these companies and to put the appropriate amount of leverage on these companies. That's the way I look at the business and I think that's what our view is.

Fratrik: David and Robert, is there anything special about radio being historically a good cash flower that continues to be good avenue for capital to be provided?

Meier: I think absolutely that the cash flow characteristic of the business continue to be very attractive to lenders. I think, as we all do, we look at each individual deal individually and we look at revenue trends and cash flow margins, cash flow trends and I think radio continues to have stable revenue and stable cash flow and frankly, despite all the hand wringing in the industry, probably pretty stable values. Those are the things at the end of the day that cash flow vendors are looking at. I think despite some of the discussion, which I think is probably primarily centered around the long-term value of radio, I think in the shorter term the characteristics that have made radio attractive to lenders continue to be in place.

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Malone: I would echo what has previously been said. Certainly the low single digit projections for top line growth have not significantly diminished the strong free cash flow characteristic that is attractive to a lender in the radio space. Consequently, it remains in our opinion a good investment from a senior debt perspective. In terms of radio operators, that makes the equity maybe a little more challenging, but from a senior debt perspective we remain very comfortable with the radio space.

Fratrik: Okay, we're talking about lending to radio. How much are you lending as the senior lender?

Malone: As I think Dave mentioned previously, the first thing I would say is that every transaction is unique and there are characteristics to every transaction that will make the lending level different. That being said, typically I would say in the radio space as a multiple of EBITDA, we generally see transactions on a first lien basis around 6 _ times, or on a loan to value basis—a little bit different concept there—in the 50 to 55 percent range, are kind of good starting points with obviously the caveat being that different aspects of the transaction might allow higher or potentially lower lending levels there.

Fratrik: Dave, do you see anything different?

Meier: I think the first thing is that we do operate under the smaller end of the market. We typically—again the old lender adage, depends on what you're looking at—but we do have our guideline, which is a starting point and only a guideline, and that guideline is five times senior debt to cash flow. Really, five times total debt to cash flow is the way we typically characterize it. However, from that point we look at every transaction uniquely obviously and depending on the opportunity that's within that transaction depending on the capital structure we will absolutely stretch beyond that five times number and I think at that point the range that Robert noted, kind of 50 to 60 percent loan to value, is sort of where we want to be on, let's call them more developmental opportunities or maybe less mature opportunities. We start at five times and kind of work from there.

Robert Malone

Mark Fratrik

Messmer: You've talked about pricing being favorable right now to borrowers. What are the spreads these days compared to where they were say a year or two years ago?

Malone: Generally speaking they are lower. To put a finer point on that, it really depends, as I think one of my colleagues mentioned, it's very transaction specific. But it's safe to say that the spreads certainly have been coming down over the last 12 months and largely due to the increase competition in the market.

Meier: I would just echo that. Again we operate in a little bit of a different area then both Steve and Robert do. I think what we see is more and more comfort by regional banks to be part of the radio lending environment and their cost to funds is pretty favorable relative to the way we fund our deals. So I would certainly see that there's a lot of competition on rate and it's definitely trending down.

Fratrik: Very understandable. While we're on radio any ideas on where multiples have been and where they're going in the near future? We can speak possibly to the Susquehanna deal, which was a major deal last year, but what about generally what you see in terms of the multiples at stations going forward?

Healey: I think, in general, multiples have come down a little the last several years and then that's reflected in the stock prices for radio and television companies. That's been driven by lower revenue growth that we talked about that these public companies have seen. I think that's fairly evident, fairly rational. What are values today? Again it's hard to pinpoint unless you give us a cluster of properties, Mark, that you want us to react to, but that's been the general trend.

Meier: It is a difficult question to answer because again it's very specific to the market and it's specific to the number of markets, the size of the group. But I think we definitely feel that in the smaller markets and the unrated markets the activity has still been pretty robust and because of that it's caused the multiples to hold up pretty well. Certainly on average, across the board, as Steve said, I think multiples have come down but I think in terms of the compression in that small end of the market where there is more activity I don't think you've seen it as much erosion in multiples.

Malone: I would echo that, particularly the point about the smaller markets and even the unrated markets, that clearly the activity and interest level from all parties has increased.

Messmer: Let me ask what kind of deals are the hardest to find financing for? Is there much competition out there for, say, stand-alones and small markets?

Meier: Yes. What we consider to be small is quite a bit smaller than what the other gentlemen probably would even consider looking at. We try to shy away, obviously, from single station transactions, so I think those are going to be very challenging to get done with an institutional type lender. We will do single market, you know if it's a combo or better in the market, so that's something that may or may not be unusual relative to some of the larger lenders. Obviously, the more developmental the transaction is, ranging down to a pure stick type deal, we will look at those. We will look at things that have very little or no revenue up to a mature cash-flowing type group of properties. I think that in our sector of the market, those developmental deals are stick deals. You're going to find the list of interested lenders is going to be quite a bit shorter than you would find for more mature deals.

Healey: I would agree with Dave. It's the deal that doesn't have cash flow, that's a stick deal, that may be a negative cash flow deal for one or two years before it gets in and establishes itself with it's new format and attracts revenue and cash flow—that would certainly be the toughest situation to find financing for, but there are lenders like Dave has said his firm, my firm you know, GE I don't know what extent would do these types of deals, but there are certainly lenders out there who will entertain these structures and you can find a few options if you are a borrower looking for money.

Messmer: What's the key there? Is it the track record of the borrower?

Healey: Yeah, I think it's the track record of the management team. It's the quality and experience of the investor group. It's the business plan itself to, you know, what is the programming? What is the research on the programming that gives one confidence that that programming will result in sufficient revenue cash flow to service some amount of senior debt?

Meier: I would certainly add to that the capital structure. Just the strength of the capital structure. If there is a perception that it's borderline under-capitalized, I just think that's going to create huge challenges for us. We would rather see a scenario where we were very, very comfortable on a loan-to-value basis, especially if it was a pure stick deal. If there is a borderline deal in that respect, I think it will make it very difficult.

Fratrik: I want to shift a little bit to industry issues and their impact on the lending environment. In particular, is it to early to start thinking about HD Radio and its impact and when you guys are evaluating deals? And, in that context, the impact of satellite radio—has that caused you to give up on some deals that you might have done without this additional competition?

Malone: I think it's both the impact of HD Radio and where the industry takes that as well as satellite radio and the increased threat that brings. It is something that we've followed very closely as an industry-focused group. It's something we spend a good deal of time with. That being said, neither one of the initiatives that you mentioned has dampened our appetite for lending into the radio space.

Healey: Those are certainly two big issues that are critical to understanding financing decisions in the radio space and I would say as a lender you need to understand the macro issues and what's going to impact your revenue growth. I think as a lender you need to take a set of assumptions that a management team might give you and then make your own interpretation or take your own view as to what you think are the right growth assumptions for that cluster of properties and apply it to that particular financing—and make your decision that way. In terms of HD Radio it's hard to say what impact that will have on revenue. I can't say that I've seen a lot of change to a set of projections based on HD Radio. Time will tell on that one. And on the satellite piece, again it certainly is having an impact on the overall industry and you've got to make your call based on the information you have in front of you on each particular transaction.

Meier: I would echo what my colleagues have said. Those factors, I think in the short run, aren't really prominent considerations for us when we're looking at individual deals. I think clearly where you have to think about that is on the exit multiple and I think that that's probably going to be of greater concern to the equity investor than it is to the senior lender, but certainly we have to continue to monitor those trends.

Next month: Part 2. More on television lending and how to borrow for your first broadcast station acquisition.

Radio is indeed proving that it can stand the test of time

By Natalie Swed Stone

The digital revolution and all that accompanies it has forever changed attitudes, expectations and content. The competition is now infinite. Media companies, once defined by their distribution strength, are striving to maintain their share in an ever-expanding sphere by crossing over into new platforms. Companies that once had a handle on their competition today do not easily know just who their competition is and all media now compete with each other in a much broader way than ever before.

Just two years ago while much of this change was beginning to take shape, radio companies were conducting business as usual assuming this revolution would not touch the medium and that radio's value of the past would somehow carry it forward.

But distribution changed everything. The increase in competition on the internet and in the sky showed consumers they had vast choices and options—places to go.

And many of us began trying these outlets ourselves or watched as others became enamored of the newer channels.

And radio began to adapt—by admitting that the discussion of commercial placement, quality and amount is indeed crucial to the survival of the medium and by admitting that the programming needed to evolve in a much more targeted way.

Ironically, radio, once considered the most highly fragmented electronic medium with opportunities for specific targeting was, after consolidation, widely considered to be programming to masses with the same few formats and the same few songs.

And consolidation also brought economic challenges leading to increased clutter. No surprise then that the competition knew exactly how and where to hit! And hit they did via massive PR and marketing campaigns.

And then it became all too obvious to radio broadcasters that the only way to win was to change. And change they did. In 2005, radio began to fight back by introducing new formats, new personalities, less clutter, a renewed emphasis on web offerings and crossover into online radio. Most impressively they announced the formation of the HD Radio Alliance with introduction of HD2 formats and multicasts and an eye on serving the consumer and filling market voids.

This alliance is a huge step forward and demonstrates that the radio operators are thinking much differently (much bigger) than they did in the past. They understand that the focus has to be on the consumer and on recognizing and meeting the needs in the marketplace. Listeners now expect an array of choices and it appears as if they are going to get all that they expect, namely thousands of new side channels, thousands of new streams and programs and formats never imagined.

With this choice and ultimate consumer control comes another challenge for those of us in the advertising business—where and how to place commercials. Advertising will surely survive since the consumer cannot be expected to subscribe to everything for the promise of no commercials. They don't have enough money for that. Obviously, while the airwaves have been somewhat limited in selection and over-commercialized in the consumer's eyes (ears), subscription seemed attractive and a fair price to pay vs. the alternative and program your own (ipod) an attractive and novel experience.

But 1) there will always be new music to discover and radio will offer that and 2) with so many music-only formats, personalities will make a comeback as music directors/guides/advisors.

The next phase is relevance and personalization—and a consumer contract where the consumer agrees to a certain number of commercials and chooses which ones on an opt-in and partnership basis in exchange for free access. This will ensure relevance and minimize their out of pocket costs. Adding channels via HD will afford the opportunity to significantly reduce clutter per channel and provide more balance — making the medium more attractive and competitive. It will also provide creative and selective targeting. The same way you can now choose your formats, online or over the air, you will soon be able to choose your commercials—by opting-in—selecting categories and even advertisers. These can be local, regional or national commercials. As the technology makes commercial delivery easier, ROI will improve and more advertisers will participate.

Gone are the days of forcing programming, personalities and commercials on consumers. Gone are the days of the distributor as king. The programming is the differentiator—the consumer the navigator of that programming. The programming will be available via different platforms—satellite, online, mobile and digital. This is the next phase of commercial radio. This next phase brings enormous challenge—and it will require much collaboration in technology, and research especially—and in sales/packaging and systems management.

We need research that tracks who opted in to which commercials in the same programming and who were the same people that opted in to different programming—we need to sort by who they were, where they lived, did they buy, etc.

Radio's digital application has much promise since it will remain local but will have the same quality as national programming —offering tailored and nuanced appeal to different markets and aggregating consumers in different segments.

We need research that pulls all of this data together for all forms of radio—and we will need it in real time. We need media partners who can aggregate their assets across platforms in a customized, integrated way and present electronically with interactivity so that it lives while the schedule is running

In this world of accountability and ROI, potential impressions will be obsolete—a precise measurement is needed and coming—and opt-ins for direct and deeper contact, will follow.

Media will be valued for its ability to connect and engage. And advertising creative will have to stand on its own—no longer a variable in the effectiveness and ROI equation with targeting and commercial avoidance out of the way, the creative execution and effectiveness will be known and measurable.

And the reach/frequency metrics will change. We will likely pay more for fewer, more impactful messages.

Radio will stand the test of time—but it needs to take on a new partner—a silent, but powerful partner—the listener.

The consumer has caught on and we are now in their power. It's not a bad thing—It just involves a new contract and new strategies. But few would disagree that radio is a vital medium going thru a very exciting time!

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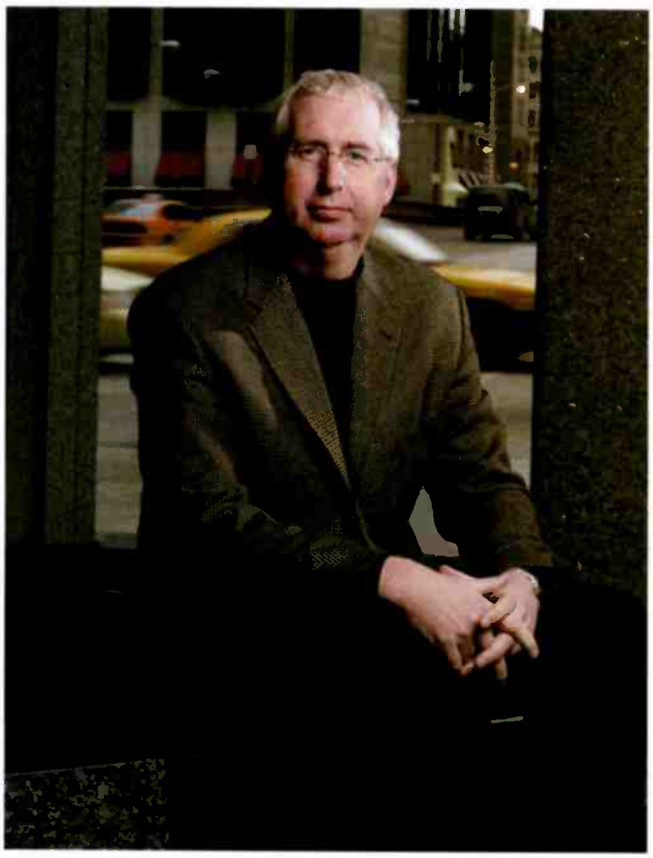
By Carl Marcucci/cmarcucci@rbr.com

Jack Klues, Publicis Groupe Media Chairman and CEO

Appointed to the position in 2005, **Jack Klues** sits atop two of the most powerful media services networks in the world—Starcom MediaVest Group (SMG) and ZenithOptimedia—spending some 23 billion dollars globally each year. Big-name clients include Proctor & Gamble, General Motors, Sara Lee, Disney, Sprint, Bristol Myers-Squibb, Avon and Coca Cola.

Jack helped found SMG in 2000 and quickly led the network to a market leading position as its CEO. He invested early in a broad spectrum of niche services at SMG including Relay Sponsorship and Events Marketing, Tapestry (multicultural), Halogen Direct Marketing, SMG Entertainment, SMG IP (Internet) and SMG Directory Marketing. As technology continued to advance, Jack extended SMG's roster of specialized services to include Play (gaming), Digits (wireless comm.), Reverb (viral marketing) and TV 2.0 (revolutionary television platforms).

Klues drove the formation of an entirely new media function called "Consumer Context Planning", which uses consumer insights to better understand how best to interact with a brand's target audience. Pioneered inside SMG's own GM Planworks—the dedicated planning unit of General Motors—Consumer Context Planners have been integrated into media planning teams throughout the SMG network.



Publicis Media is one of the largest in the world. How do you translate that power into negotiations?

If I'm correct, you're leading as a question of being able to do global deal-making. The funny thing is I think that we'll be in a place to properly entertain, guide and negotiate global media deals if and when those opportunities truly present themselves on a more common occurrence. But to be honest, most media today, and I perceive in the immediate future, is still going to be local/ more country-specific.

However, this is also a question about clout. I do believe it's a global thing, not just a US thing. It's not that hard to drive price down—I learned it pretty early in my career, but I think clout in this day and age is about access. Media owners—big ones and small ones—follow money. As media owners come up with new and ever-changing ways to capture audiences, those new and different ways are first going to come to the bigger buyers anywhere in the world, in my opinion. It's going to be the bigger buyers that will have the wherewithal and resource on how to not only evaluate those ideas, but maybe actually reframe or reinvent them to where they will make more specific benefit and sense to our clients. So, one, I'd say it's about access.

The other one is about a big agency's multiple clients in all your major offices. That cross-client opportunity is an opportunity where we can act as a connector and a bit of a bridge between non-competitive clients for the sake of mutual benefit. So our ability possibly to connect a Sprint to a P&G or to a Coca Cola, or a Disney, you get the picture. I'm not saying that we're the only ones that can do it but think we're one of the few agencies that would talk to you about size from a different dimension.

So you present these opportunities as they come to clients?

Right and maybe it's also to a media owner. [Starcom USA CEO] **John Muszynski** uses a term called "diversified scale." Yes, there is an ability to marry clients to each other for their mutual benefit but there's also a benefit on the price side. Whereas when you're big and diverse you now have a lot more weaponry, a lot more tools in your negotiating box, if you will, to a media owner. Because at the end of the day it's all about how can you satisfy some of their needs and get to where we need to be on behalf of our clients. Now UPN and WB are together. These conglomerates have lots of different needs themselves. Your ability to see those, marry those and utilize them to the benefits of our clients is just another different dimensionalizing of scale and clout.

I think another thing about being big is big also should—if you're managing yourself properly—attract the best talent as it relates to buyers as well as planners. Having scale also gives you the financial resource to continually reinvest in your product. In part, what you want to be able to do, as another negotiating tool, is have some knowledge that the seller doesn't have. And getting that knowledge in this highly fragmented, consumer-controlled world is a complicated, complex and not inexpensive proposition.

Any concerns you are hearing from clients?

Some are fearful, some are excited. All have questions on the ever-changing, emerging and new media opportunities available to them.

When they see things like Google buying dMarc they go, "Whoa, what does that mean?" UPN/WB, what's that mean? This continually steady state of change—I think clients who don't welcome or get excited about change or might be waiting for some time for it to settle down, that isn't a world we live in. I think that makes some clients and advertisers a bit nervous.

And the more you are able to digest change quickly, the more confidence they have.

Right. They would want us to do what I think is becoming increasingly difficult—get in front of everything. It's a great challenge but a tough one. The other thing is I think clients totally understand that we're moving beyond—and we encourage them to move beyond—raw exposure and intrusive models of impure reach, frequency and head counts, to something richer. It's on their minds. They understand the consumer is in control and why. And when the consumer is in control I need to know much more about their media behaviors. Because if I understand those media behaviors I'm going to improve my odds of "Am I allowing my message to be a part of their lives?" And that gets us into "experience the brand" and engage in the advertising message.

Part of the ROI equation is media consumption behavior. What about reactive purchase behavior?

You hit my third point. It's all about results, whereas even our ZenithOptimedia guys' position is an ROI agency. And it's a good, strong, solid positioning. It's aspirational as all good positioning should be. Clients are not only demanding results (case movement and share strengthening and the like) but they want us to look for a return on more marketing communication objectives as much as investment—which should be more down the paths of can you prove to me that I've improved brand preference? Did I strengthen loyalty? Did I get trial? I think there are other measurements they are prepared for us to be accountable for but we, right now as an industry, are often lacking in how to get our arms around those measurements. What they really hunger for is being able to have predictive results rather than results tracked after the fact. And I think your ability to predict performance, which I don't see a lot of us in the industry doing at this moment, would be another area that I think clients would be hungering for.

Product integration deals—what makes them work?

The best ones I've ever seen seem to be based off an idea vs. trying to fit an off-the-shelf media entertainment product with client need. They seem to be much more organic and start from an idea of what the client is trying to accomplish, and then find a way with those media suppliers that can be delivered but still give a positive payoff to a viewer or a reader. That's why media agencies have branded entertainment operations—because you really need those people sitting close to your planners and investment buying groups. They are the ones that are going to really bring those ideas to life, and ultimately in many cases start to decide what the price or the efficiency of the deal is to the client. It moves from cost per thousand on a demographic to something far more complete, if you will.

Do you think clutter problems are solvable if networks would reduce self-promotional tune-in spots?

As an agency guy my plea to the marketplace at large would be I may stand down a bit on clutter if you media owners and sellers just sell me the audience on the commercial minute, not the program average. Then I'll give a little less gear because then at least my clients are only buying the audience, which I know saw the commercial. You guys decide, do you want to run your rating down and run 20 minutes of commercials? Go ahead, but my desire is less about "oh keep the clutter down," I'm embarrassed as a global media guy for some number of years now that the US is one of the few markets where we still buy on program averages and not the exact commercial minute that the stuff runs in.

And we have the technology to do it.

We buy it! And that's what even aggravates me more—I pay Nielsen more money to buy their minute-by-minute ratings. I know they've got them and I've got them, but that's not the currency. The coin of the realm is still program averages and I find that for me to be a greater frustration than whether you add another minute and a half in the episode of "Lost" next week.

Do you have a research wish list?

There are variables that can be measured these days and we need to be a mature industry and stand up and find ways to, in fact, measure those and be accountable for them. I have a pretty good idea with some work we've done in the print space about relevance of environment for print advertising. I would love to have a more predictive, reliable way of understanding relevance in the TV space. Running commercials for Allstate in a Law & Order episode or a drama may make perfectly intuitive sense but I don't know of the real quantitative magnitude of that connectivity and maybe it's not even true.

Do you think the Apollo Project might help you in that respect if that gets off the ground?

I think so but to me Apollo isn't really getting at the question of why do people watch. It's still measuring how many and it's cross-tabbing how many with product consumption. So I don't dismiss it, I support it 100%, but I think if I had to tell you my wish list without labeling—here's the next six projects in research—I think they would all be geared to a better understanding of why people consume the media they do than how much.

And then you could cross-tab from their other predictive personality quirks what these particular people will have in common about media consumption.

You're absolutely right and I will make it kind of a closing comment on this part of our conversation, Carl, because it isn't mine. There is this smart Indian guy who works for me named **Rishad Tobaccowala**. I think he is brilliant in his perceptions of the future media behaviors and the like. He said to me years ago, and we've been often toying with how to get at this project, but it's like "MRI reverse engineering." MRI is about people reporting their product consumption and then they also have some media habits. But you kind of use MRI to determine some of your targeting and your media selection based upon reporting of your heavy user, light user, etc. What if you could start better defining people, where the targeting was lead by their media behavior versus their product consumption?

So as media options become more abundant to you and me as consumers, therefore you should be able to better understand and distinguish Carl from Jack. I think it's possible and what I've always been impressed with is that it wasn't me thinking that three or four years ago, it was one of my guys.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One on One

By Carl Marcucci/cmarcucci@rbr.com

David Landau, Dial-Global Co-President/CEO

This March commemorates David's thirty years in the radio ad sales business. His reputation now stands as one of the key deal-makers in the network radio marketplace, and his success in creating shareholder value for his partners and shareholders has earned him a solid position in the industry. Among his larger titles leading to Dial-Global, David was the original partner of Multiverse Network, which launched the Dr. Laura program; and the President of Unistar Radio Networks.

Since David and his partners, **Ken Williams** and **Spencer Brown,** launched Dial Communications-Global Media out of the Winstar ashes in 2001, the business has grown to include representation for Talk Radio Network, **Rick Dees**, Jefferson-Pilot, Sporting News Radio, Multi-Net Networks, Fox News, **John Tesh**, and it enjoys working relationships with all the major radio groups. Dial-Global has also developed number one-rated RADAR networks via prime, targeted inventory. Here, David discusses his views on the rep business, radio's place in the advertising arena, and what's in store for the future.

You've been adding RADAR networks almost quarterly. Tell us about the philosophy there.

My partners, Ken Williams and Spencer Brown, and I make it a practice to stay close to our clients. When we merged Dial-Global, the key piece of information that we got back from our clients was that they really wanted more RADAR inventory. We listened very intently and we came back and made the investments in RADAR. Arbitron has been very supportive of us and has been a very good partner in helping us launch our RADAR networks.

Last year Dial-Global and Excelsior were acquired by Lincolnshire Management. What have they brought to the table?

We feel that there is a lot of opportunity in this market for growth—either organically by producing our own shows, or by acquisitions or contacts that recognize our reputation and bring us content and talent. We needed to have the financial wherewithal to do that. Lincolnshire was very excited about the opportunity to grow in the network radio marketplace because, like us, they believe that content is very important.

Give us a bit of your career history.

A lot of talented people had the good fortune of meeting **Bob Duffy**. Bob began his career in the NBA and was recruited at Eastman Radio. Then Cox Radio, which owned Christal Radio, recruited him to become President/CEO of Christal. That's where I started, and even today I still bleed the rep. I also worked in the early 80's with [CBS Radio CEO] **Joel Hollander** and [Citadel COO] **Judy Ellis**. Mel had hired all three of us to work at WKTU-FM New York. It was pre-Howard. Paco and Roscoe were the big on-air talents. It was a very exciting time to be at Infinity. I was then a partner for ten years at Unistar. After that, Ken Williams and I launched Multiverse Networks in December 1994 and we were partnered with Dr. Laura. It was kind of chaotic—we had missed the upfront, the agencies were completely shut down for Christmas vacation, and I had received my eighth jury duty notice.

There's a story out there that Joel and you unloaded trucks full of sweaters from an advertiser to collect a receivable. Is that true?

Yes. That was a very valuable lesson: collections are just as important, with a lot less glory, than writing the order.

You've worked with some legends in the business—Mel Karmizan, Dick Clark, Randy Michaels and Dr. Laura. Do you see any common attributes?

First and foremost, they are all incredibly hard-working. But the thing that separates those individuals is that they are fearless, in terms of taking calculated risks.

How do you form valuable relationships in the marketplace?

The managing partners within Dial Global—**Ken Williams**, **Spencer Brown**, and I—are hands on, everyday. We work with our talent/networks day in and day out in terms of making sure that they're getting what they need to make their products better and their jobs easier. We also work very closely with the ad marketing community. I'm still directly involved with **Eileen Decker**, our EVP/Ad Sales, on the street making sales calls.

Tell us about your management philosophy.

When Kenny and I started our first company we had a corporate ethos—to create an environment in which people could be successful and self-motivated by being treated with dignity and respect. We think that we have succeeded in that. You call our company up at seven o'clock in the morning, and there are people here. There are people working here on the weekend. Everyone individually knows what he or she has to do, and they don't need to be controlled by a time clock or management. It's a very self-motivated group of people that understands what needs to get done.

We also recognize our account executives as talent. You need special salespeople who can monetize the sounds coming from the speakers. We provide them with the resources, recognition and compensation to get the job done.

Ultimately, Dial-Global and Excelsior, because of our rep partnerships, are responsible for thousands of jobs and livelihoods. We take that fiduciary responsibility very seriously. That's how we go about the practice of our business. My personal ambition is for Dial-Global/Excelsior to make the "Fortune 100 Best Companies to Work For" list.

What other strides have you made in increasing research, ROI and accountability for your clients?

Dial-Global is committed to providing our clients with the best available research and systems to help increase their understanding and evaluation of Dial-Global properties. Over the past year, we have signed contracts with MRI for qualitative research and Verance to monitor station compliance, and we have continued the roll out of online systems for distribution and affidavit collection. We feel that one of the most important issues for radio remains providing the client the ability to evaluate schedules in a timelier manner. We are exploring initiatives which will help make this possible, such as electronic measurement and EDI. But in the interim our involvement and investment in the earlier steps have allowed us to gain a better understanding of the needs and possible solutions.

What do you think radio needs to do in the near future?

If you look at the leadership of the groups within radio, these are the best, the brightest, most talented people in American corporations. Radio used to be very entrepreneurial, managed by the seat of your pants. Now you have leadership that is very well educated and very charismatic, but I do think that they have to get back to pure selling. The clients and the CEOs of the media agencies need to hear from our leaders about what's going on in the medium. Dial-Global is involved in many media events, and radio just doesn't have a presence. You see internet, print, television and cable, but there isn't any radio presence. I believe we have to get back to basics and reestablish our relationships with the leaders of the media-buying community.

How come there isn't more "peer-to-peer" selling?

Running a public company is incredibly time-consuming and complex, especially now with Sarbanes-Oxley. After Y2K and 9-11, the marketplace has changed and needed to really concentrate on organizations and on Wall Street. I believe it's been great job under extraordinary conditions, but now I think it's time that our leadership has to be in front of the major clients. This is something that just can't be outsourced to the rep.

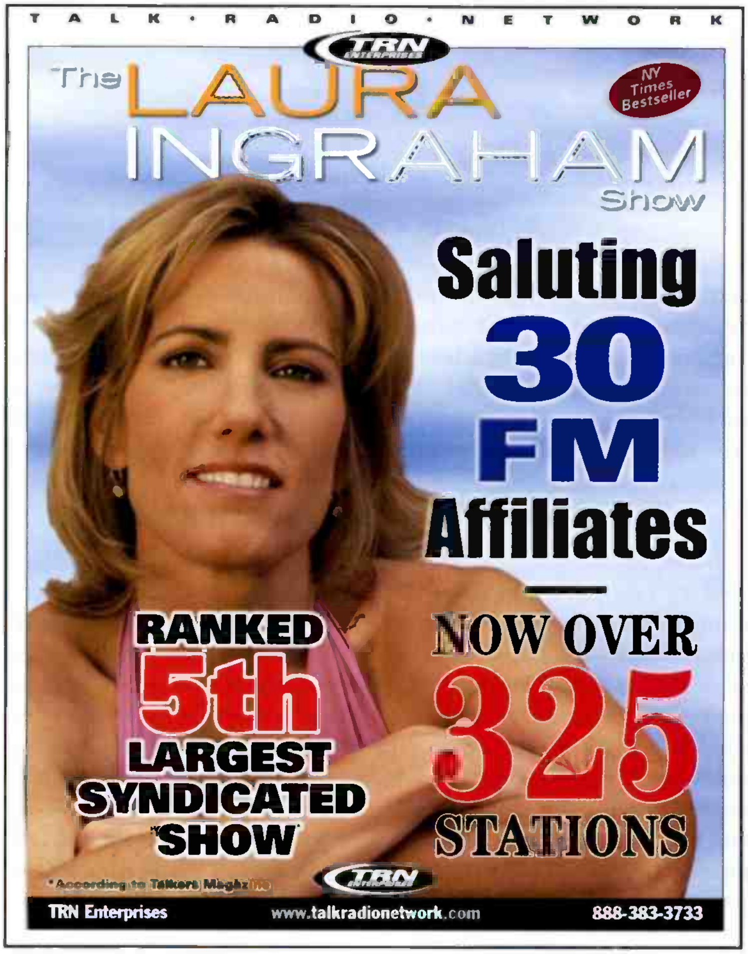
What do you think about consolidation in radio?

Well, there are two consolidations. There are consolidations at the agencies and consolidations on the radio level. We are firm believers that consolidations for both businesses are excellent. At the agency level, to have a person on a Vice President level and above with direct access to the clients and the Presidents of the agency is very valuable. People at the agency are very knowledgeable—not just about radio, but about the entire media spectrum. They're very accessible and very creative. We like the fact that there is somebody who we can go talk to on a daily basis who has a passion for our business.

On the radio side, we believe that, at the end of the day the most important word in radio is talent. The radio groups are motivated by successful talent and the fact that we can have access, again, to the key people within this structure and have a dialogue with them almost on a daily basis about what they need from a talent perspective is a big advantage for us.

Where do you see the biggest opportunities for Dial-Global in network radio programming and sales?

What I truly love about our industry is that it continues to be a vibrant, purposeful, and exciting medium and business. Everything is cyclical, and as companies acquire assets, there will eventually be a deconsolidation as they shed what they perceive as non-performing/non-core assets. Case in point is the ABC Radio sale, which will create opportunities in the marketplace for us to either do joint ventures or make acquisitions. We want to be there at the table with Lincolnshire when those opportunities avail themselves, and they will.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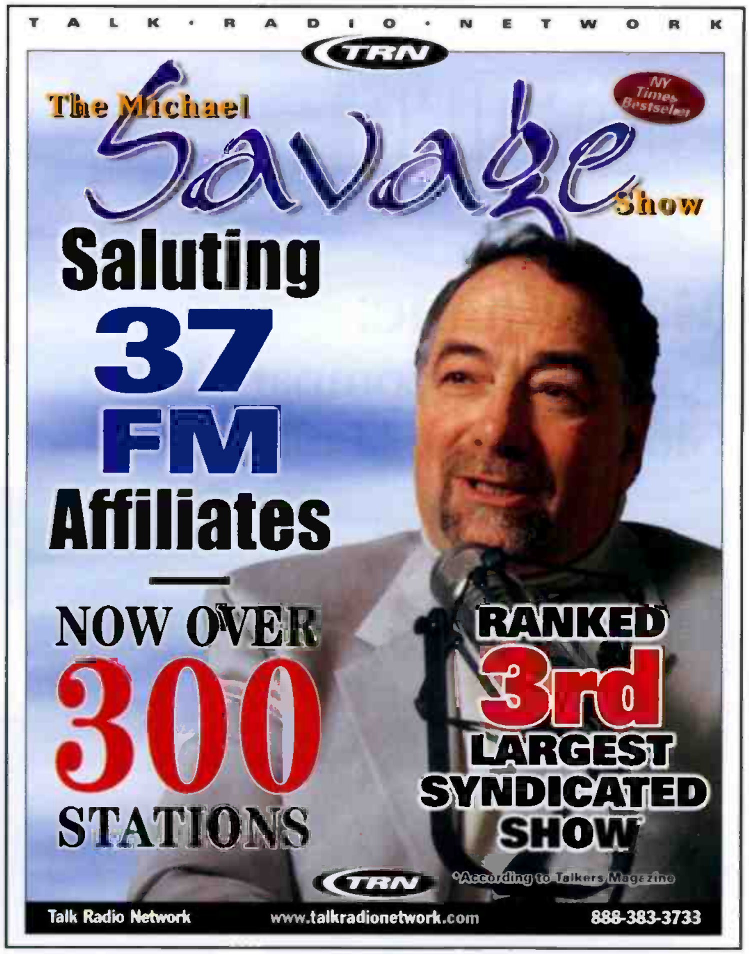
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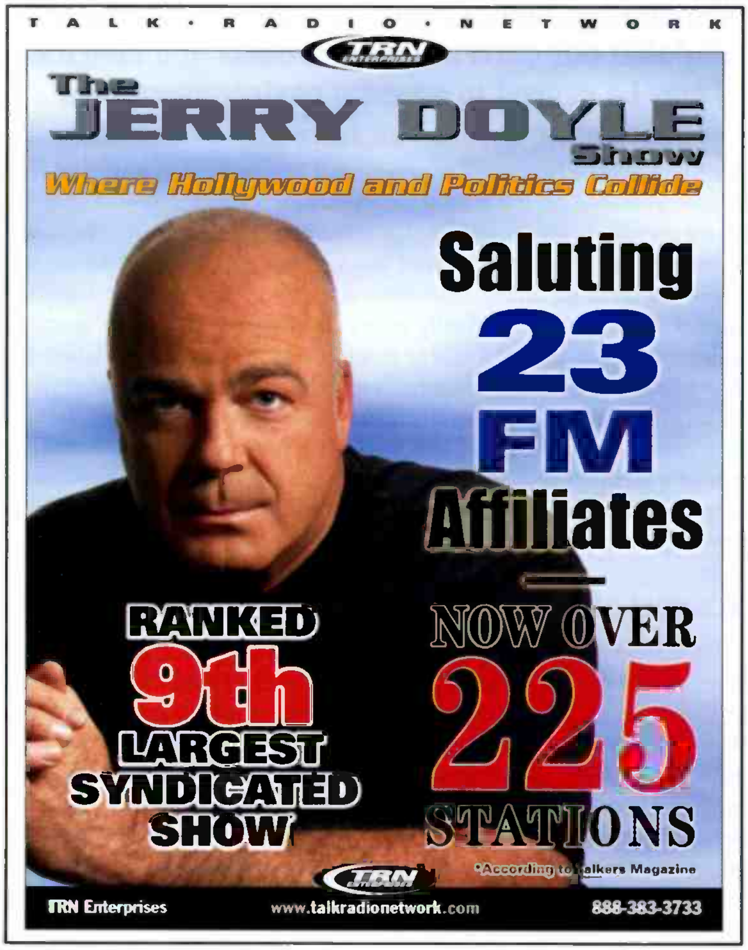
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By Carl Marcucci/cmarcucci@rbr.com

Mark Kaline:
Ford Motor Company's Global Media Manager

Mark Kaline joined Ford in 1997 as Broadcast Media Manager as part of the company's new consolidated buying operation. Today, as Global Media Manager, his responsibilities include the coordination and execution of consolidated media buys on behalf of Ford, Lincoln, Mercury, Mazda, Volvo, Jaguar, Land Rover, Aston Martin, Ford Customer Service, and Ford Credit.

Mark handles the day-to-day management of Ford's media operations in the U.S., directing their dedicated buying agency Ford Motor Media, as well as planning for Ford, Lincoln and Mercury via the newly created WPP Ford shared services team. In addition to developing consolidated buying operations in other regions of the world, Kaline oversees Ford's Global Brand Entertainment team, responsible for brand integration and product placement efforts with major studios, networks, and independent producers.

Mark is on both the ANA TV and Radio committees, The Media Ratings Council, Chair of Nielsen's Council for Research Excellence and member of Arbitron's Advertiser Advisory Board.

Before joining Ford, Kaline's career included more than 20 years in advertising and media industries, including senior media positions at Campbell Ewald Detroit, and Ogilvy & Mather Chicago.

How much does your traditional advertising influence consumers to go online for more info?

We've done several correlations between advertising weight and online traffic to our sites. There is a correlation that can be made; it depends on the product. It depends on the offer sometimes, but certainly as evidenced by any of our launches, when we turn the faucet on in traditional media it drives a boatload of traffic to our FordVehicles.com site or any of our brand sites. You can correlate that. The question is whether that is translatable to showroom traffic or not, and whether it is an indicator of demand, which is something we are trying to look at.

Tell us about WPP's restructuring plan: "Team Ford."

Well it's a project I worked on for actually quite some time. It's interesting to have a couple years of your life boiled down into a one-page press release. The purpose of the WPP Ford Team is to bring together all of the assets and resources that work on the Ford business here in the Detroit/Dearborn area. First of all, co-locate them as best as possible to provide greater synergy between the various planning, buying, finance and research departments. It's not so much about homogenizing the thinking between the units for various name plates and for various brands, but about developing common processes and metrics, best in class tools, developing and driving efficiencies where possible on backroom functions that do not impact the overall brand.

Some are now saying media employs a message distribution model rather a consumption model, and that our current media models and metrics may be geared to a media environment from years gone by. Do you have any comment?

Ultimately what's happened is people that have now had a taste of the metrics available on the web where you can actually follow a trail of where a visitor goes through cookie technology. Those more robust set of metrics available have moved the bar higher for other media, to where the goal for many marketers is to try and get to that level of metrics where you can actually marry up a media effort to a specific consumer action, be that a sale or to a lead. More like direct marketing, where you get a certain response rate and a certain conversion rate. Those are the types of things that we'd like to move all media to, but in most cases we're dealing with a more of either a viewership or listenership type of a metric, which is the currency in the medium. But it's not to the point yet where we're able to definitively say we ran this campaign and drove this many people to either buy a car or submit a lead.

It's sort of in the beginnings of a transition mode for other media, at least.

Sure, you hear a lot of talk about engagement as being either a metric or some sort of an index with which you can apply to various media. When I'm listening to the radio or I'm watching television, how engaged am I with the program and/or the commercial that's in that medium? It's a pretty complex question. First of all you have to define what engagement is, which is challenging enough, because it's going to mean different things to different marketers. Then also it's not just a one-dimensional question with one media at play at a time. With all the cross-media usage and multitasking going on, there are literally hundreds of variables that you could put together to say what's the engagement index on someone who is watching TV, reading the

newspaper, listening to radio, driving in the car, talking on their cell phone, as well as other external complexities.

Still I think we'll see a lot of effort put into getting something past the circulation type of metric use in the print medium and getting more towards readership and action taken as a result of seeing my ad. In the broadcast media you may do the same thing—that may be done through some combination of portable people meters and panel sampling. But I think more and more marketers are starting to look past the CPM and say, "Okay what's the effectiveness and how engaged are people with that messaging I'm putting on the air?"

Do you have a research wish list?

How about more of it for starters? Unfortunately, we've succeeded in chasing many of the senior research people out of this business, right at a time when we need them most. Additionally, we've managed to treat research like a backroom expense as opposed to as an investment in the growth of our collective businesses. The media landscape and the consumer have become more and more complex, and change is occurring more rapidly than ever before, so it is imperative that we keep up, or better stay ahead, of those changes. For the near term, I think we need a set of metrics that are relatable in terms of being able to put together a multimedia look at a consumer. A multimedia study on consumption and behavior at various levels would be welcomed to. There's a lot that we do to track the number of people who watch, listen, read or drive by, but there's little known about the interaction in a person's day.

How is demand created differently today than in years past?

I think you look at ways of building awareness for brands. In the car business there used to be some pretty tried and true tactics that were used—road blocking networks, double truck ads in newspapers. While I think all of that will still have an importance, I think you will see things like ownership of a primetime for a given evening; trying to create white space to clear out the rest of the clutter.

What's going to become more and more prevalent are channels where in-market consumers can go to find out what's new, whether that's an on-demand type of a service through cable or the web, or through some other device where you download product information or offers.

You tend to forget because we're major national brands, that it is still a fairly targeted group of people that need to be addressed while they are in the purchase process. We tend to engage in carpet-bombing to make sure that we're reaching them, but since everybody is aware of Ford, that is not really where we need the most emphasis in the purchase funnel. Consumers need to be given more information about our individual models and why they are great to increase their overall consideration. Media is becoming more individualized, giving us the chance to say "here's a product for you" based on what we know about you through our consumer research.

How could radio, television and cable better solve some of your objectives?

I think it boils down to it's a combination of understanding as best as you can what our brand strategies are so you bring the kinds of ideas that resonate with those strategies. It's tough to know them all, but you do read a lot about them in the press and we try to strive to have things like media day where we bring people up to speed on what we're trying to do. I think it's really sit down, spend some time thinking about our brands and what it is that we're trying to do and bring ideas that are tailored for that. That's probably more for the long term. Short term, there's going to likely be a lot of flexibility we will need to move things around and kind of meet the marketplace demand as it goes. It's having an understanding that while Ford is going through certainly some challenges right now that we are partners that have gotten you to the dance and we're going to be around for a long time, so we want our media partners to work with us on being aggressive as far as pricing goes as well as being creative in terms of new ideas and breakthrough marketing programs.

What are your thoughts on forced disclaimers?

I think a big part of the issue in radio is a result of the time chewed up by disclaimers. They do a lot to suck the creativity out of the medium, and to add an almost "but wait there is a catch" message to ads, especially in the auto business. One wonders whether the consumer is actually getting the benefit of it anyway. Whereas if you had a single website where people could go to and pull down disclaimers that they heard based on the clients, they might actually get more out of it, thus bringing some order and cleaning up the clutter by virtue of weeding that stuff out.

They do in Missouri, right?

Missouri has done it, yes. I think the industry needs to work closely with the NAB and various advertiser categories to see if more broad sweeping headway can be made. The issue in other media is how much time, and while I think that is part of the issue in radio I think having non-creative time is also part of the problem, because it is forced on the listener, unlike disclaimers in other media.

Tell us what it was like growing up the son of a baseball legend in Al Kaline of the Tigers?

First of all I'm very proud of all he's accomplished in both his career as well as in life in general. For a kid from Baltimore who has a high school degree, he did very well. I certainly credit he and my mom for just bringing us up in a great family environment and for giving my brother and I the values and tools to succeed in life. Professionally, a big part of the reason I'm in the media business has to do with the fact that I always admired many of the people in the media business who covered news and sports. Early in my career I was did some on air work, both in radio and TV. In fact, those who know me well know that what I really want to do when I grow up is own my own radio station, and that has always been a dream of mine. That comes from knowing early in my teen years that I'd never hit a curve like my dad and from growing up in a market with strong radio personalities like **Ernie Harwell, Dick Purtan** and **Byron MacGregor**. Those are the folks I wanted to be like. Being in the public eye growing up was not always fun but it was certainly interesting.

Bill Ford and Bill Burton

At a recent executive meeting of The Detroit Economic Club, **Bill Burton**, President, Detroit Radio Advertising Group (DRAG), chatted with Ford CEO **Bill Ford**, Jr. Ford asked Burton, "How's the radio business?" Burton replied, "Like the auto business right now, challenging. Personally, ever since I've been in this business, during tough times is where we've always made our biggest gains. I sort of live by, 'through adversity comes opportunity'. When we parted, I left him with my corny line, 'An automobile is a radio with four wheels. Along with that, 91% of the drivers are alone in their car—the largest captive audience of any media'."

ENGINEERING

NAB 2006:A quick guide to new products, technologies

NAB 2006 promises to live up to its tagline: The World's Largest Electronic Media Show." On display will be everything from the latest in wireless streaming technology to digital video networking to studio gear. Here, we provide a Pre-NAB glimpse of what you can expect to peruse.

Prophet Systems' Acuitas: Booth C4431
Acuitas is a file-based video asset management and playback solution. Ingest, tag, playback and archive, all on non-proprietary computer hardware. The centralized approach to a system allows any computer/player within the site to access media immediately, with the ease of "drag and drop" on the spot programming. Take live cut-ins or network feeds seamlessly, and rejoin your regularly scheduled, in progress programming with the click of a button. Communicate with external legacy graphic devices via definable serial or GPIO commands. Several levels of redundancy are available and are backed by manned 24/7 technical support.

Dielectric: Booth C 2020
Dielectric has supplemented its successful MobileMedia product line with a line of antennas and filters engineered for the 1.67-GHz spectrum. This new product line includes panel antennas as well as traveling-wave antennas. Both offer various pattern options. In addition, the unique approach of the traveling-wave design allows for a broad choice of beam tilt and gain without increasing the above-the-horizon radiation.

Dielectric's FM Manifold combiner breaks new ground in the search for a low-cost multistation combiner solution. The new FM Manifold combiner design allows similar performance to a traditional multistation combiner, at a significantly reduced cost. The unit is similar in appearance to a traditional Branch-style combiner although the electrical performance is far superior.

NETIA: Booth N3208
NETIA will be showcasing a number of new modules for its Radio-Assist 7.5 range of digital audio software programs, including: New SMS (Short Message Service) Module for NETIA's Radio-Assist 7.5 At NAB2006 NETIA will highlight its new SMS module for the company's Radio-Assist 7.5 range of digital audio software programs. The new module provides a significant way to increase revenue for today's radio stations by using mobile phone platforms as a new way to communicate interactively, allowing on-air talent to play interactive SMS and voting games with listeners.

Do what an iPod can't do

By Jesse Walker

The next time you're surfing the Web, look for some of those sites where people post what they've loaded onto their iPods. A fellow named **Scott Dunlap** has a playlist just for when he runs marathons; the tracks range from Metallica to early Michael Jackson. **Lee Long**'s list has room for both **Andrew Lloyd Webber**'s sugary show tunes and the gritty gospel of the Blind Boys of Alabama. One anonymous iPodder has posted a playlist that stretches from **Frank Sinatra** to Depeche Mode.

Some bloggers like to play a game where they generate random playlists from their collections and post them online. One of them discovered the nu metal rockers Limp Biscuit segueing into the late reggae godfather **Bob Marley**. Another found himself hearing a **George Carlin** routine followed by a **Snoop Dogg** rap.

That last combination makes a perverse sort of sense: Carlin has the soul of an angry rapper, and I understand that he and Snoop have smoked some of the same illicit herbs. But outside of a freeform community station or a low-watt college outfit, you'd never hear that segue on the air. Not on any of the regular formats, and not on one of those "Jack" stations that pride themselves on allegedly sounding like an iPod shuffle either. It's too individual, too unplanned: It's geared to the eccentric tastes of one particular listener, not to any familiar demographic. You can't replicate that with research, no matter how hard you might try — and given that you'll want to have an audience much larger than one, you probably wouldn't want to do it anyway.

That's the trouble I have with the Jack format. I don't own an iPod, but the iTunes on my Macintosh is filled with stuff a commercial radio programmer would find wildly incompatible: **Charlie Rich** and Funkadelic, **Millie Jackson** and **Spike Jones**, Osymyso and **Duke Ellington**. I'm a man with very eclectic tastes. Yet when I listen to my local Jack operation, I'm almost always bored — most of the songs don't appeal to me, and they don't usually sound all that different from each other either. *BusinessWeek*'s **Burt Helm** summed up the problem pretty well. After listening to a Jack station in Denver, he wrote that "most often a vaguely familiar '80s pop song would collide with a sort-of-familiar '70s rock ballad. Somewhere, surely, a standard-format programming executive was going into a cataleptic fit. To my ears it was neither that jarring nor interesting." Indeed, "It often felt like I was listening to the soundtracks of several car commercials in a row."

Now, there may well be a market for that. In some cities one clearly exists. But the format is not going to do what so many people in the radio industry clearly hope it will do. It's not going to lure back the listeners who've been lost to iPods, virtual jukeboxes, and all the other media that can profitably serve a demographic of one. Even if iPod-lite is an improvement over ordinary broadcasting, it still can't beat an actual iPod. The way to compete with technologies that threaten to replace radio is to do what they can't do, not to emulate them poorly.

The last time I made that argument was as a guest on the wryly titled San Francisco-based podcast *No One's Listening*. After my segment was over, another guest—**Bill Conway** of the soft-rock station KOIT—took issue. "They say the iPod's gonna kill radio," he argued, "but we have a lot of people spending hours every day programming the radio station, and it's hard work. While most people will use iPods, I think commercial radio's still going to be there because it's easier to let somebody else do it." I think Conway overlooks the extent to which people can *let somebody else do it* without turning on the radio, simply by trading files and playlists online. But I basically agree with him: There are things that an iPod or a virtual jukebox can't do, and radio stations can attract an audience by doing them. Unfortunately, some of the most potent tools at radio's disposal have gone MIA.

Let me speak up for one of those tools. How about bringing back the disc jockey? Technically, I realize, the DJ never went away. There are still voices on the radio that introduce what you're about to hear and, if you're lucky, that tell you what you were listening to a few minutes ago. Sometimes the person speaking is actually there in the studio as you listen to him in your car. But aside from a few creative outlets scattered around the country—Indie 103.1 in Los Angeles, KPIG in Freedom, California—you aren't going to hear a knowledgeable jock who picks (or at least plays a role in picking) his own music. Someone who knows how to mix old records and new ones, classics and obscurities, songs that obviously fall into a station's genre and left-field choices that fit in unexpectedly. Someone who has a personality that's made for the intimacy of radio, a knack for introducing people to records they'll probably like, and a sense of how to experiment without turning people off. Someone, in short, who treats music the way a good talk show host treats the news of the day.

That's something you'll never get from an iPod on shuffle. You *can* get it from radio, but most music stations don't bother to provide it anymore. Radio is a medium with unique strengths — why not use them instead of burying them?

***Jesse Walker** is managing editor of Reason magazine and author of Rebels on the Air: An Alternative History of Radio in America (NYU Press, 2001).*

By Jack Messmer/jmessmer@rbr.com

At last the deal is done:
Citadel gets ABC Radio for $2.7 billion

As the bidding process dragged on months longer than anticipated, it was finally no surprise when Disney announced that it was selling ABC Radio to Citadel Broadcasting. The real news that everyone was the price, which turned out to be $2.7 billion. RBR/TVBR calculates that to be a cash flow multiple of 13.2 times, barely above the 13 times that Cumulus Media Partners paid for Susquehanna Radio.

Even though the price was below what Wall Street had expected, Citadel's stock price continued to decline immediately after the deal was announced. But Citadel CEO **Farid Suleman** was a happy man. "By joining forces to form Citadel Communications, our new company can continue to deliver on Citadel's impressive record of success as well as pursue many exciting growth initiatives in the future," he declared.

Getting this deal to closing will be complicated, since Disney had insisted on structuring the deal as a "Reverse Morris Trust" to avoid any tax bill The ABC Radio stations and other assets, except for those associated with Radio Disney and ESPN Radio and their stations, will be moved into Spinco. Shareholders of Disney will be the new owners of Spinco, although they won't actually see those shares because Spinco will last only long enough to take on $1.4-1.65 billion of debt before merging with Alphabet Acquisition Corp. (clever name, huh?), a new subsidiary of Citadel, leaving the $1.4-1.65 billion of cash with Disney. Citadel will make a special dividend payment to its current shareholders before delivering new stock, amounting to 52% of the total company, to former Spinco shareholders. The exact amount of that special dividend to get Citadel's balance sheet properly aligned to value Spinco at $2.7 billion will be determined just before the merger, expected sometime this fall. Citadel shareholders won't need to vote on the merger, since majority owner Forstmann Little & Co. has already given the deal its blessing. But several other approvals are needed before the merger can close. The FCC has to approve the license transfers, the deal has to pass federal antitrust review and, very importantly, the IRS has to agree that the deal is properly structured for Disney and its shareholders not to owe any capital gains tax on the merger. The contract calls for closing to occur no later than February 6, 2007 (one year after its signing), although that can be extended by written notice from either Disney or Citadel until August 6, 2007.

Trading 2005 clocks in at over $7 Billion

by Dave Seyler/dseyler@rbr.com

The fourth quarter of 2005 ended with a bang. If you assume that quarter means 25% (a perfectly reasonable assumption, if you ask us), then you'd expect the total value of station trading to fall roughly in that zone, plus or minus. However, last year the FCC was formally informed of over 45% of the total dollars spent on stations within the last three months. The anomaly is easily explained, however. 70% of the 45% came from two equally-sized $1.2B deals. The first one to hit the books was the sale of Susquehanna Radio to Cumulus in November, followed by the almost incidental December sale of the Jefferson-Pilot station group from one insurance company to another. According to our estimates, the deal was worth $820M on the radio side and $480M on the TV side. The total for the year of $7.36B compares to $4.76B spent on stations in 2004. *(continued on pg. 28)*

Station trading

Quarter	Deals	AMs	FMs	TVs	Value
Q1 05	150	95	129	13	$886,057,995
Q2 05	158	86	173	9	$627,585,775
Q3 05	151	75	87	42	$2,483,326,054
Q4 05	113	88	143	19	$3,365,567,974
2005	572	344	532	83	$7,362,537,798

Playing small ball

The maturity of consolidation on the radio side continues to be the major factor in station trading. Available real estate in the big markets remains on the endangered species list, and most groups have, for several years now, been concentrating on operations rather than acquisitions (and operations have been a challenging, full-time job). A lot of the top-50 activity has been on the TV side, but the radio side will get a huge shot in the arm when the ABC-to-Citadel radio deal hits the FCC database.

Quarterly station trading by market size

Total Quarter	Mkts Stns	Mkts 1-50	Mkts 51-100	Unrated >100	Mkts
Q1 05	237	54	26	82	75
Q2 05	268	39	20	67	142
Q3 05	204	37	37	55	75
Q4 05	250	69	34	54	93
2005	959	199	117	258	385

Q4 makes radio's year

Radio dealing had reached a grand total of $1,560,677,851 by the time September segued into October. It scored $2,301,767,974 the rest of the way, backloading the value of a year which came close to reaching the $4B threshold. As mentioned, the vast bulk of that, over $2B, came from the Susquehanna/Cumulus and Jefferson-Pilot transactions. We had radio trading pegged at $2.66B in 2004, so if you take out the two late mega deals, radio trading for most humans slowed down in 2005.

Radio only transactions

Quarter	Deals	Stns	Value
Q1 05	139	224	$519,007,995
Q2 05	150	259	$560,473,803
Q3 05	132	162	$481,196,053
*Q4 05	105	231	$2,301,767,974
2005	526	876	$3,862,445,825

*Includes radio side of Jeff-Pilot radio/TV (1 deal, 18 stns, est $820M)

TV trading picks up

If the FCC ever gets around to rewriting local television duopoly and crossownership rules, TV trading is going to really take off. As it stands, it picked up considerable steam in 2005, coming home at $3.5B after only $2.14B of trading in 2004. The sale of Liberty to Raycom and Emmis television properties to various buyers fueled the surge, aided in no small part by the Jeff-Pilot deal.

TV only transactions

Quarter	Deals	Stns	Value
Q1 05	9	13	$367,050,000
Q2 05	8	9	$67,111,972
Q3 05	19	42	$2,002,130,001
*Q4 05	8	19	$1,063,800,000
2005	44	83	$3,500,091,973

*includes TV side of Jeff-Pilot radio/TV (0 deal, 3 stns, est $480M)

TV trading market loosening, but hinges on Washington

The money spent in the television station market spiked upward in 2005, largely due to the sale of two large groups. Emmis's collection was scattered in several directions (with a bit of inventory remaining on the block) and the Libery Corp. portfolio of stations, which went to one buyer, Raycom, but promises to involve quite a few others as the spin-off process continues forward.

However, the lid on the market will be blown if and when the FCC liberalized local duopoly rules and manages to get anything past the courts. So far, however, Chairman **Kevin Martin** hasn't even been unable to get anything past the 8th Floor of the FCC's office in Washington. His best voting situation to date has been a two-two stalemate between himself and one Republican and two Democrats who will have nothing to do with any further deregulation of media ownership. (For a brief moment or two, Martin was actually on the wrong side of a 2-1 margin.)

As of this writing, President **George W. Bush** has nominated the third Republican, **Robert McDowell**, who will give Martin the leverage he needs to start the ball rolling on the court-ordered reconsideration of former Chairman **Michael Powell**'s infamous 6/2/03 ownership rulemaking. Powell's plan would have allowed up to three-station combos in the very largest markets, and would have greatly increased the turf where television duopolies would be legal. Nevertheless, it was still attacked by the National Association of Broadcasters for being too restrictive in small markets. Rules preventing combining top-rated stations under any

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CHICK'S CLIQUES

circumstances left many markets out in the cold on station count alone, preventing access to the operational economies offered by consolidation to the very segment of the television ownership community argued to be most in need of it.

That rulemaking, which passed the FCC on a 3-2 party-line vote, tried to tackle a wide range of ownership issues, sparked nationwide protest and a flood of emails, unprecedented interest in the topic on Capitol Hill including direct Congressional repudiation of portions of the bill and passage by the Senate only of a measure, a Resolution of Disapproval, which would have killed the rulemaking in its entirety. The House did not go along with that one and the court remand order rendered it moot, temporarily at least.

FCC Chairman Kevin Martin

The problem Martin will face is that the protest to 6/2/03 was bipartisan. It featured an almost rock-solid wall of Democratic opposition. And that's probably gotten even worse for Martin now than it was. The lone Democrat on the critical Senate Commerce Committee who even gave Powell a shred of support was **John Breaux** (D-LA). He actually gave Powell much more than a shred, but his title now has an ex- in front of it. Ex-Senator Breaux will not be in a position to give Martin a hand the next time he takes an ownership measure to Capitol Hill.

The real problem Martin will face is the opposition 6/2/03 received from Republicans. The portion of that bill which proposed raising the national potential audience reach cap for broadcast television groups from 35% to 45% was repudiated unanimously in the Senate and by a huge margin in the House despite support from House Republican leadership that usually gets what it wants. The cap was eventually set at 39% behind closed doors in a conference committee deal, piggy-backed onto a must-pass appropriations measure.

The Resolution of Disapproval points out the depth of the challenge Martin will face by a quick glance at its co-sponsors. **Byron Dorgan** (D-ND) is one of the more reliable liberal votes in the Senate, and he was the driving force behind the measure. But signed on with him and also forcefully backing the Resolution was none other than **Trent Lott** (R-MS), one of the more reliable conservative votes in the Senate.

If further confirmation of the strange bedfellows the issue creates need be made, we'll simply remind everyone of the ultimate of strange bedfellows: The National Rifle Association and pacifist group Code Pink, which found themselves shoulder to shoulder in opposition to the rulemaking.

Despite all this, deals are starting to go through. Many of the larger markets are legal sites for television duopolies, having the requisite eight or more distinct media voices which allow television stations to double up.

Among recent announcements: NBC/Universal's Telemundo Hispanic Network is getting a stronger station in the Denver market, picking up Channel 25 (DTV 29) KDEN-TV, licensed to Longmont CO. It will constitute a big improvement over its current outlet there, KMAS-TV out of Steamboat Springs. The $42M deal takes EchoStar/Dish Network honcho Charles Ergen out of the market, at least terrestrially (he will still drop in, as it were, from outer space).

Clear Channel is spinning a Salt Lake City AM station so it can buy a second television station in the market. KALL-AM is going to a subsidiary of Sports Capital Partners, operating under licensee name Utah Radio Acquisition, for 4.1M cash. Clear Channel will hang onto the attractive KALL calls as part of the deal, but the key is to clear the way for Clear Channel's acquisition of CCU WB 30 KUWB out of Ogden UT and 13 low-power signal enhancers. Seller ACME gets 18.5M in that deal. The station will pair up with ABC 4 KTVX-TV. No word yet if KUWB will be moving over to CW or not when the WB Network goes bye-bye.

A deal along the Atlantic coast could have happened any old time. It's a simple market expansion with no consolidation or cross-ownership implications. Bahakel Broadcasting Corp. is getting its seventh television station and entering its sixth TV DMA with the acquisition of WFXB-TV in Myrtle Beach SC. The seller of the Fox Channel 43 outlet is James Everett's GE Media. The deal is clocking in at 19.5M cash.

Finally, can you say "force majeur?" That's what they're chanting over at Granite right now. It's $180M deal to sell KBWB-TV in San Francisco and WDWB-TV Detroit to AM Media has come unhinged because both are WB affiliates. And in both cases, it does not appear likely that either will get the rights to the CW network resulting from the web-merge (even if they want it), since, in both cities, Viacom/CBS has the local UPN affiliate and a half-share in CW. The major change in station operations has given both participants in the deal to reconsider—AM is deciding if it wants to stay in, and Granite is considering new offers.

New wave of radio consolidation?

The argument is often made that if you give an inch, they'll take a mile. An example was the big fight over the national television potential audience reach cap. When the FCC said "Hey, let's take it from 35% to 45%," it was answered by a chorus of interested observers, many of who were senators who remembered changing it from 25% to 35% in the Telecom Act of 1996, who asked, "Why, so in five-ten years they come back and ask for 55%? Then 65%? Then 75%?"

Perhaps Rep. **Fred Upton** has brought these types of fears home to roost on the radio side. He has fired off a letter to the FCC saying that maybe it's time to take the local radio station cap from eight to ten in big markets and to 12 in huge markets.

Said Upton in an address before the Media Institute, "Let me address two broadcasting regulations in particular that must be modernized right now: local radio ownership rules and the newspaper-broadcast cross-ownership rules. I single them out for two reasons. First, they are especially destructive of the ability of broadcasters to compete because they freeze growth, stifle experimentation and innovation and perversely diminish diversity of viewpoints. Second, they are so out of place as to be absurd in today's marketplace of 300 satellite radio channels, hundreds of satellite, cable and some telecom audio and video channels and almost limitless Internet-based content delivered over iPods, computers, and soon, Wi-Max networks. Antiquated regulation is bad enough. Absurd regulation is intolerable."

Telecom 1996 took the local cap from four to eight. If Upton gets this cap through, and it has been requested by some of radio's largest groups but was not even considered in the 6/2/03 ownership rulemaking, it will obviously touch off yet another wave of radio trading. Stay tuned.