RBR TVBR
Radio & Television Business Report

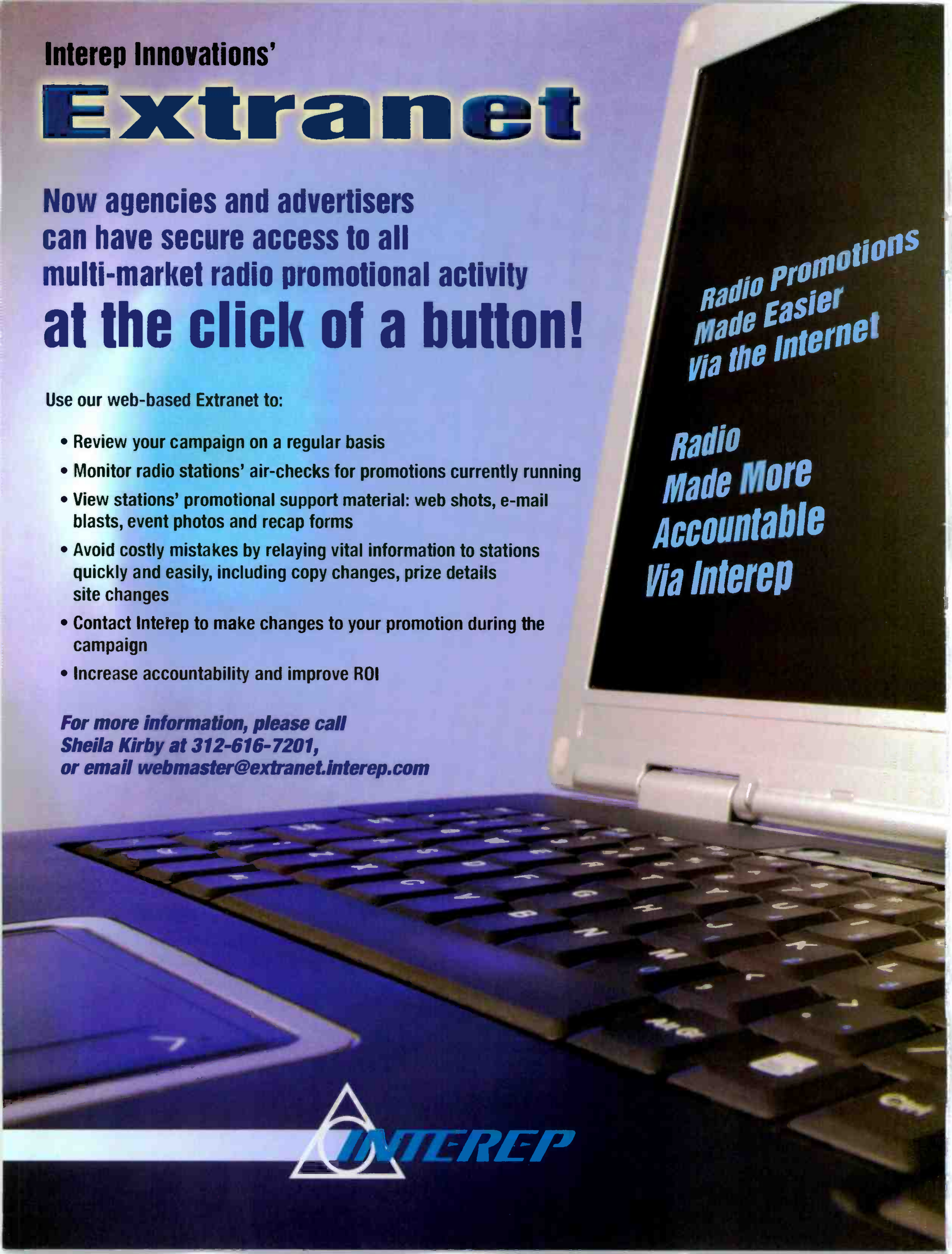
November 2006

Voice of the Broadcasting Industry

Volume 23, Issue 11

PRSRT STD
U.S. Postage
PAID
Permit #50
Fort Atkinson, WI

$8.00 USA $12.50 Canada-Foreign



Interep Innovations'
Extranet
Now agencies and advertisers can have secure access to all multi-market radio promotional activity
at the click of a button!
Use our web-based Extranet to:
• Review your campaign on a regular basis
• Monitor radio stations' air-checks for promotions currently running
• View stations' promotional support material: web shots, e-mail blasts, event photos and recap forms
• Avoid costly mistakes by relaying vital information to stations quickly and easily, including copy changes, prize details site changes
• Contact Interep to make changes to your promotion during the campaign
• Increase accountability and improve ROI
For more information, please call Sheila Kirby at 312-616-7201, or email webmaster@extranet.interep.com
Radio Promotions Made Easier Via the Internet
Radio Made More Accountable Via Interep
INTEREP

Nielsen unlikely to challenge Arbitron in US radio

Nielsen Media Research hasn't yet closed the door, but the possibility of Nielsen entering the Next-Generation RFP for electronic radio audience measurement in the US was dismissed as "extremely unlikely" by parent company VNU CFO **Rob Ruijter.** Clear Channel, which launched the RFP process, had approached Nielsen about possibly joining the competition, which had been narrowed to the PPM from Arbitron and a system based on Smart Cell Phones from The Media Audit/Ipsos.

Since deciding not to enter into a PPM joint venture with Arbitron, Nielsen has been working on its own passive device for measuring out-of-home TV viewing. That will be based on capturing audio from TV broadcasts, so it could just as easily be used for measuring radio listening. But Nielsen is not anxious to get into a fight with Arbitron.

"We don't really have any intention to go into radio measurement. I know that it was both rumored and, yes, we were approached by a number of parties about whether we would be interested in doing radio measurement, but I don't really think that that is our space. Therefore it is extremely unlikely that we would go there," Ruijter said in answer to analyst's question in his conference call to report quarterly results for VNU.

Hi ho, hi ho, it's off to court we go

Arbitron filed suit in a federal court in Marshall, TX, claiming that the radio rating system being used by The Media Audit/Ipsos, based on Smart Cell Phones, violates three of the patents that Arbitron filed for its Portable People Meter (PPM). In announcing the lawsuit, Arbitron CEO **Steve Morris** said he is all for competition, but "we must take action against companies that attempt to profit from our innovation by infringing Arbitron's patents on the technology that we have worked so long and at such expense to develop."

Arbitron VP/Communications **Thom Mocarsky** told RBR that one of the patents is for encoding audio with an inaudible message. A second patent relates to portable monitoring devices and methods for monitoring audio signals for identification codes as well as for detecting that the devices are being carried. The third patent relates to systems and methods for promoting compliance by panel members.

TMA/Ipsos said it would not comment until it had been served with the lawsuit and had it reviewed by legal counsel.

RBR observation: There is nothing random about this lawsuit being filed with the federal court in Marshall, TX. The small Eastern District of Texas court has become a hotbed of patent litigation. A September 24th story in the New York Times detailed how more patent disputes are filed in the East Texas court than any other federal court district except Los Angeles, drawn by a fast-moving docket and a reputation for plaintiff-friendly juries.

Great minds met in Dallas

"Now you're the new guy," said NAB President and CEO **David Rehr**, right, as he was introduced to RAB President and CEO **Jeff Haley**, center, by Haley's predecessor, **Gary Fries**, left. For his part, Haley thanked Rehr for blazing the trail for an "outsider" to take a top position in a radio trade association. The encounter was at the NAB Radio Show in Dallas at the Interep suite. As luck would have it, RBR Publisher **Jim Carnegie,** VP/Administration **Cathy Carnegie,** Executive Editor **Jack Messmer** and Marketing/Sales Director **June Barnes** were on hand at that magic moment and requested this photo from the folks at Interep.

Two week honeymoon for Katie

For two weeks the "CBS Evening News" was on top of the world, ranked #1 among network evening newscasts with the September 5th debut of **Katie Couric** as anchor. But as the newness factor wore off, so did the ratings. After two weeks at #1 and one at #2, the "CBS Evening News" was right back where it was before Couric arrived—in third place. CBS was still touting a strong showing in the 25-54 demo, but **Brian Williams** put NBC's "Nightly News" right back in its usual #1 spot, with **Charlie Gibson** next with ABC's "World News."

TVBR observation: CBS still has plenty to crow about. CEO **Les Moonves** and CBS News & Sports President **Sean McManus** insisted all along that they weren't banking on Couric to jump the network's evening newscast to #1 and stay there. Rather, they said, the objective was to be competitive, which, quite frankly, CBS had not been for a number of years. It is still early, but it appears the "CBS Evening News with Katie Couric" is making this a three-way horse race. CBS proudly noted that Couric had reversed the pattern of the previous five anchor changes in the past two decades at the various networks, where audiences had been down from a year earlier for the first month that the new anchor was in the chair.

TV ownership rules remain stagnant

The ownership rules for radio were radically deregulated in the Telecom Act of 1996. Ever since, television broadcasters have been waiting for their turn, and it finally came on 6/2/03, when the FCC made local television doubles available in most markets and moved the national cap north from 35% to 45% of reached US households. However, the courts held that the FCC provided insufficient justification for the changes and the issue remains unsettled, leading to television deals like the one for ABC KSPR-TV in Springfield MO. Schurz Communications cannot buy the station to go with its KBC KYTV-TV, but it can buy the intellectual property, and it will, for $10,629,239. Perkin Media is buying the license for $10K, and an instant LMA is being formed. In the meantime, watchdogs are indicating on a weekly basis that they are on guard as the FCC reconsiders the rulemaking. FCC chairman **Kevin Martin** has hinted strongly that his main thrust will be on relaxing cross-ownership restrictions. Whether he'll be able to push through the other television items remains in doubt. Stay tuned.

What will FitzSimons keep?

Just about everything at Tribune Company is in play now that CEO **Dennis FitzSimons** has come to terms with Tribune's largest shareholder, the **Chandler** family, on reorganizing partnerships and moving to consider all sorts of alternatives for asset sales and reorganization of the company. The divestitures now will go far beyond the initial $500 million in sales that FitzSimons had recently begun—accomplished mostly by selling non-core TV stations.

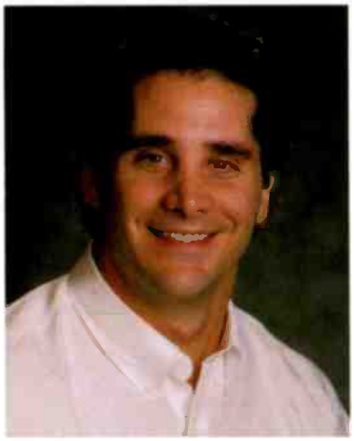
As he traveled the country to try to reassure troubled staffers, FitzSimons refused to make any specific promises. "We're looking at this on an entire company basis, and it just may not be possible to determine what's best for any one part of the company without first determining what's best for the whole company," FitzSimons told the *Baltimore Sun* in an on-the-record interview before an off-the-record meeting with staffers. A few days later, the publisher of the *Los Angeles Times*, who had refused to make staff cuts ordered by Chicago headquarters, was given the heave-ho.

The Chicago Tribune, flagship of the company, has reported that the preferred plan for Tribune management would be to spin off most of the TV group in a tax-advantaged deal, sell several smaller newspapers and take the rest of the company private.

TVBR observation: The core properties that FitzSimons is determined to hold onto and take private include WPIX-TV New York, KTLA-TV Los Angeles and WGN-TV Chicago, plus the biggest newspapers, particularly the *Chicago Tribune* and *Los Angeles Times*. He is said to be dead set against any sale of the Chicago Cubs and, because it is so closely tied to the team, we expect that FitzSimons will also hold on Tribune's lone radio property, WGN-AM Chicago. Will he be able to pull this off? The assets that the Tribune CEO doesn't want to sell tend to be the ones which would be the easiest to sell, would attract the most bidders and bring the biggest sale prices. Several prominent moguls in LA have already stepped forward as would-be bidders for the LA Times, saying they want to restore the newspaper to local ownership.

By Carl Marcucci

"What's the most successful promotion you've presided over?"



Joe Puglise, CC Radio Market Manager for Phoenix:
Test Drive Wednesday. Problem: How do you convince car dealers in Phoenix to use more radio—and sell more cars in the process? Solution: Use both on-air and online to change the way auto dealers use radio and mirror the way people shop for cars.

Prior to even stepping foot in a dealership the average consumer has visited 3 to 6 websites. They know what the features are, the add-ons are and what the sticker price is. They even know what their trade in is worth. Our goal was to use our on air product to drive people to our stations' websites and become the source for consumer car buying information."

Basically, Test Drive Wednesday took all 8 Phoenix stations and brought them together with 1 Dealer Group. (Incidentally, the dealer group really didn't use a lot of radio prior to being presented the idea!) On air announcements were produced that solicited "Test Drivers". Within less than a week, we had hundreds of potential drivers all volunteering to do a test drive! We had 72-then 200 and when our client, the Buick/Pontiac/GMC Dealers heard we had 750 listeners all wanting to take a test drive, they got really excited. They were stunned that so many people were registering on our websites.

Once a week, 8-12 listeners were selected and asked to test drive a new car accompanied by an on air personality and a producer. The test drives were recorded and various length 'sound bites' were edited and used on air to drive listeners back to the stations' websites for the full test drive results. All the recorded test drives, along with other dealer specific links, were available online at the stations' websites.

Julie Kertes, Marketing Director, KOST-FM LA:
The KOST Family Field Trip. KOST 103.5 knows the importance and value of family time. So we created the KOST Family Field Trip where we treat families to a day of fun and quality together-time. Each Family Field Trip – complete with bus, sack lunch, field trip gear and souvenir – has an added bonus element to it. Our first field trip was to the San Diego Zoo and included a behind-the-scenes tour and giraffe feeding experience. Our next trip is to see the Lion King at the Pantages Theatre in November, where we'll have a special meet 'n' greet and autograph session with the cast. In January, it's off to the ever-popular American Girl Place to see an American Girl Theatre production. Special KOST Family Field Trip t-shirts are given to each participant to wear so we can be easily recognized as a group. This makes for great photos and a lot of fun on the bus—it's like being at camp again! Each outing covers everything from transportation to meals to a wonderful, unforgettable experience for our KOST families. Every trip starts with breakfast provided by Thomas' Squares Bagelbreads at the bus stop; and concludes with dinner at Outback Steakhouse.

Neil Saavedra, KFI-AM LA Marketing Director:
The **Bill Handel** and his Traveling Circus 12th Anniversary Extravaganza.

Every year KFI celebrates our favorite morning show host, Bill Handel's anniversary - however, his 12th was the best one yet! With one thousand listeners in attendance Bill Handel proudly hosted as the Ringmaster of this three-day, two-night, circus themed event. Held at the Morongo Casino and Resort, listeners were treated to live broadcasts, slot tournaments, activities and more all leading up to the big show on the last night.

The extravaganza was the perfect mix of Sales and Programming starting with the opening of the "carnival midway" and closing with an off the wall concert put on by Bill Handel and his morning crew.

When the midway opened listeners walked into the ultimate carnival experience with game booths, stilt walkers, jugglers, cotton candy, hamburgers, hot dogs, pizza, ice cream and more. And with every game booth sponsored by a KFI client, the listener got to interact with sponsors in a fun atmosphere with no hard selling like of a convention or expo.

When the midway closed listeners crowded into the "center ring" to watch a two hour concert performed by Bill and the gang. Everything from politics to religion was parodied or satirized in this over the top hilarious performance.

Both KFI listeners and KFI sponsors LOVED this event. And if that wasn't enough the Bill Handel and his Traveling Circus 12th Anniversary Extravaganza brought in a chunk of NTR dollars as well!

Charlie Wilkinson, GSM, KTBZ-FM, KLOL-FM Houston:
KTBZ The Buzz - Dodgeball Promotion Hosted by the **Rod Ryan** Show. Following the national media coverage about local schools banning Dodgeball, Rod Ryan (morning show host) and I pioneered a league of adults who wanted to re-live their childhood and prove the game they loved as children was still acceptable in this day and age. We original planned on 12 teams competing over a 3 week period of time, however at the registration over 500 people showed up to participate.

We had to quickly accommodate and expand it to 48 teams consisting of 10 players per team. Single elimination brackets were created and we found ourselves with an exciting 12 week promotion. Midway through the promotion 20th Century Fox released the hugely popular "Dodgeball The Movie" which in turn kicked off a national obsession with the game of dodgeball.

In addition to the venue who sponsored the event and multiple local clients we raised thousands of dollars for one of our favorite local charities, Texas Adaptive Aquatics. The Buzz and all sponsors were covered on all local TV and print media and also included VH1's "Best Week Ever" and "Best Month Ever" programs.

Through all this we realized the rebirth of dodgeball was clearly not a passing fad as HODA (The Houston Dodgeball Association) has continued to thrive since its inception 2 years ago.

As seen in Adweek, Brandweek and Mediaweek; placed by Arbitron on behalf of the radio industry.

On average, radio holds onto more than 92% of its lead-in audience during commercial breaks.

Arbitron's Portable People Meter (PPM℠) reveals *What Happens When the Spots Come On: The Impact of Commercials on the Radio Audience.* Get your free copy of this study from Arbitron, Coleman, and Media Monitors℠ at **www.arbitron.com/92percent**.

COLEMAN
MUSIC. TRENDS. BRANDING.

MEDIA MONITORS

ARBITRON

By Carl Marcucci

Taking the next steps for integrated TV and Internet advertising

by Mike Wokosin, Vice President of Interactive, The Cannery

While it has been a long ten years in the making, TV production quality entertainment is gaining a material audience and momentum online. Whether it be paid for, subscribed to, advertising supported or sponsored, events such as space shuttle Discovery's launch on Yahoo (335,000 concurrent streams), AOL's Live 8 (over 5 million live viewers and 25 million on demand plays) and CBS Sportstline.com transition from online paid subscription to ad supported in March of 2006 with over 14 million streams are a harbinger of consumer and fan interest and appetite to consume content online.

Where does that leave the traditional television media channel? For the foreseeable future, it's still the safest bet for reaching a wide audience.

However, as the traditional media audience continues to become more fragmented, marketers are demanding their investment in TV work harder. Prior to the web, this has historically taken the form of combined TV, radio, print and billboard campaigns. While it has been slow to evolve online, there is now a growing segment of marketers involving their branded, promotional or corporate websites as an integrated component of the media campaign.

While still in a nascent stage of development in the 90's and into early part of the new millennium, Interactive Marketers had to fight against traditional media planning dogma on both an agency and corporate marketing side to gain a voice for what they intuitively believed should be an important component of the media mix.

Having fought that uphill battle myself, hearing the common inputs of 'you're talking about banners and pop ups right, I hate those things...it's measurable right, well show me the numbers...' and of course, the dot com bubble bursting left a bad taste for the internet in everyone's mouth. Then along came the XMOS (Cross Media Optimization Studies) research from notable brands like McDonalds, Ford, Dove, Colgate, ING and Kleenex which overwhelmingly demonstrated that the combination of the media can be additive, and integration can have an exponential effect. And, then along came the online upfront...

If TV is still the 800 pound media gorilla, why are some brands making wholesale shifts out of the channel altogether? Efficiency, micro targeting, measurability and the ability to extend beyond the :30 second spot and build relationships not impressions.

What role can Television play? In a word - Proactive.

For those willing to put the time, effort, strategy and creative muscle behind it, TV-Web advertising integration is moving beyond the traditional notion of a simple mix of media focused at a target audience across media channels to the integrated *consumer involvement* that offers the opportunity to extend the brand message beyond a 15 or 30 second spot and engage consumers with additional descriptive content, an interactive game, promotions and user generated content.

As with any evolutionary process, there are leaders and laggards as well as emerging standards and best practices.

Having reviewed over 100 television advertisements on a combination of cable, network, day and evening and I was surprised to see that over 60% of the television ads contained creative execution with a wide range of simple URL inclusion to immersive viral experiences timed with globally watched sports events.

This integration reflects an ongoing trend in consumer media consumption. In a 2000 Paul Kagan-Ascolese study, roughly 25 million PC users were logging into the net while they watched TV. Fast forward to 2005 where internet, broadband and wireless penetration rates have increased dramatically where the Ball State Center for Media Design released the follow up Middletown Media Study that indicated almost 25% of consumers spent time with TV and Web media concurrently.

What follows is a best practices and trends summary that reflect a range of consumer involvement from simplistic 'must do' to a more complex level of engagement. While some of the examples are older, they are still emulated as examples of brands that get it right.

Include a URL in your TV media spot

This seems very basic but my survey indicated, while 60% of advertisers are including brand/corporate URLs that means 40% of the TV placement doesn't include them in ads despite research

indicating the blend of online and offline media channels has an additive effect on recall. Of the 60%, vast percentages are simply mailing it in with a whisper.

When including a URL in an ad, make it visible, simple and give the viewer a chance to read it.

A good example of the whisper technique is Mercedes. Long known for creating beautiful advertising that strikes an emotional cord with its typically loyal consumers they do little to extend a hand and invite the consumer online. The demographic for this product most likely has a home PC and broadband connection. However, by the size of the type, Mercedes is reluctantly including the URL at the end of this spot as if to complete the mandatory items on the creative brief checklist.

On the other end of the spectrum, Vonage gives consumers a chance to reach out via phone or web in clearly articulated text. Other Vonage ads encouraged users to seek out pricing specials on their companion website.

While I'm not saying every brand and every ad has to go big and bold. There are other means to reiterate a web presence such as a persistent tag in a lower third or by merely giving it 3-5 more seconds of play.

Make the URL traceable

One of the most tangible benefits of integrating the web into media strategies is the ability to track the traffic.

While there are elaborate software tools available to provide a granular level of detail on traffic, using a unique URL is a simple way to manage when you are beginning to phase integrated TV-Web campaigns into marketing and media planning.

A simplified example of traceable URLs would be to include brand.com/TV instead of brand.com as the URL on the TV ad or something more memorable and action oriented like Mitsubishi's seewhathappens.com or greatflights.com.

Give the users a chance to remember the URL

A recent trend is to show the URL persistently through the ad. While internet pure plays such as Overstock.com, Priceline and Esurance are natural choices for this tactic other brands are recognizing the web's role in their consumer's decision process and giving the URL prominent visibility.

Motel 6, Progressive Insurance and Capital One all execute this tactic elegantly without detracting from the commercial's ability to get the message across to the viewer. The use of this tactic by travel, insurance and finance is also a reflection of the amount of time the consumers of these services spend online making purchase decisions and research.

Lead the consumer to your brand

Consumers are spending a great deal of their internet time researching products buy or locating the cheapest, closest, best service offline store to buy that product. If the internet is part of your consumer purchase decision process, why not give them a reason to get to your website with a traditional call to action.

The action call can be embedded within the URL itself or as a larger, more conceptual component of the campaign.

MTV's PSA spot does a nice job with a simple call to action for viewers to log on to think.mtv.com via its URL.

More aggressively, Pontiac recently encouraged its consumers to 'Google' Pontiac in its voice over to find out more about their cars online via the search tool. Google search results given the consumer a choice of paid placement for the corporate website and local search results.

Audi has another take on the local angle by encouraging viewers to go to their socalaudidealers.com website for regional information on promotions and where to find their nearest dealer.

Integrate the creative and experience

The branding, tone and positioning of the TV and web counterparts should be a cohesive viewer/user experience. This doesn't mean the same agency needs to execute both components of the campaign but they should be working off the same brief and communicating.

With just a little bit of coordination and effort, the messaging and tone should be a consistent execution of the TV experience. Chrysler pulls off the tongue in cheek Dr Z campaign from offline to online by carrying over the TV ad's question and answer theme to the web. While the animated, mustachioed spokesperson take the notion of integration too far, the themes are right on target. Viewers visit the website via a call to action in the TV ad to AskDrZ.com. Once there the TV advertisements are available for viewing as is a question review and input prompt.

Mini-sites (a smaller, focused website that features a specific brand or product) are an ideal way to integrate offline and online media given the ability to break away from the global corporate/brand website creative to speak to the unique nature of the campaign.

Extend the brand story

Mitsubishi Motors made media industry news by invoking the TV commercial version of a cliff hanger – hurtling bowling balls, grills and ultimately cars out the back of a semi-truck trailer at their new model car and its competition. Once online via a unique URL that was easily remembered and traceable, the viewer could watch the remainder of the advertisement as well as view brand/car specific clips and learn more about car features and benefits. Mitsubishi took a direct attack at its primary competition, knew its consumer went online to research car purchase and then directed these consumers to local dealers through online referrals.

Reebok's **Terry Tate** ad broke in the 2003 Superbowl and earned awards for creativity and created a character that lived online as new Terry Tate episodes were created that fans/consumers could catch the next 'episode' via an email announcement and viral element of 'send to a friend'. The new episodes had water cooler/viral discussion appeal for the Reebok brand that generated an increase in awareness of the brand and created a following of Terry Tate loyal viewers anticipating the next show. Reebok was able to engage users for longer than a typical 30 or 60 second spot - follow on versions lasted 3- 4 minutes, capture email addresses and create an opportunity to build an ongoing email and web conversation with the Reebok-Terry Tate consumer.

A current variation on the Terry Tate theme includes, the online Brawny Academy that features 8 high quality production episodes of a mock reality series online that originates offline.

Involve and engage the consumer

Combined television media and the web are at its best when consumers become involved with brand and are motivated to become active participants with it.

Nike seized on the global opportunity of the 2006 World Cup to launch a brand participation campaign that involved a fantastic blend of TV advertising, the use of the internet and involvement of soccer fans in an elegantly simple execution of rich media that creates an online community of soccer fans at nikesoccer.com.

Through a series of easy to follow vignettes, the consumer sees a ball bouncing in from the left side of the frame and bounced out the right side of the frame on to the next player in another place around the world. Viewers around the world are encouraged to 'Join the Chain' at Nikesoccer.com and once there they can see up to 40 minutes of quick global clips or easily upload their own. Customer acquisition is in place as users sign up at Nikesoccer to participate. The viewer then gets exclusive content and access to soccer competitions. Again, the consumer is further engaged in the brand, they take more ownership through user generated content and at the end of the day, join an online community of Nike soccer fans.

Execution

For those brands beginning to integrate their TV and web execution, set baseline metrics and begin the conversation with offline and online agencies to insure collaboration. Start with the basics of including the URL in your advertisement, make it big enough to read and execute in a meaningful way so viewers are motivated to go to the web and descriptive enough to track.

Also, give your consumers a relevant destination on the web. Whether it is a mini-site, landing page or an integrated ecommerce or content website, make sure the experience is cohesive.

Start with consistent message, tone and brand and be sure to include the advertisement that directed them there as a reference. If possible, continue to engage the consumer with decision critical information that will help guide them to purchase your product or service.

If reach and awareness are your objectives, create an environment that is conducive for the consumer to continue to participate in your brand through user generated content, interactive games or an extension of the content delivered on TV.

The long term play for integration

Every major network has begun to realize the importance of the online viewing audience – each now offers an extended preview into upcoming episodic television series, they are doling out these same previews to the AOL's, YouTube/Google's, MSN's and Yahoo's of the world to build trial and awareness as well as maintain loyalty for their shows. The really sharp ones have figured out that they need to build out their own network destination for fans with exclusive, full length versions of this same content or television show.

In this next step, networks need to make it easier for brands to integrate their online and offline media by providing sponsored/ad supported destinations on their network and local/affiliate websites instead of treating each channel as a separate company. Even taking the simple step of making a list of advertising supporter website links to their brand mini-sites is a step in the right direction for integration and well worth the pocket change to make it happen.

One small step for your advertiser, one large proactive step for integrated media...

About Mike Wokosin and The Cannery

At The Cannery, Mike is the Vice President of Interactive, where the primary focus is to efficiently inform, influence and entertain their clients' customers through advanced media innovation. In addition to creating some of the first brand channels on the web, The Cannery has recently developed a fantasy sports episodic that integrates online with offline, as well as a corporate webisode series to be aired this winter. The Cannery is a boutique studio that focuses on integrated media solutions for clients such as Activision, Gaylord Hotels & Resorts, Microsoft, Nike, Option One Mortgage and Warner Bros.

Prior to The Cannery, Mike was Executive Director of Worldwide Interactive Marketing for Warner Home Video from 1999-2004 where he established a global business-to-business portal, set interactive brand strategy for new release and catalog titles such as Harry Potter and The Matrix among countless others as well as developed an industry leading CRM campaign.

Mike is also a veteran of consumer package goods leader Nestle USA where he worked in a brand management and trade marketing capacity.

A graduate of The University of Chicago Graduate School of Business and The University of Iowa, Mike has spent 16 years in marketing, strategy and client service.

By Carl Marcucci

Rino Scanzoni: Mediaedge:cia (MEC) Chief Investment Officer, North America

Before his current role, which also includes CIO responsibilities at GroupM, **Rino Scanzoni** was EVP/Managing Director of MediaVest Entertainment, which specialized in media planning and implementation for the entertainment industry until December 2000.

Prior to the formation of MediaVest Entertainment in 1999, Scanzoni was EVP and Director of National Broadcast for MediaVest and prior to that TeleVest and D'Arcy Masius Benton & Bowles, a position he assumed in April 1990. Rino joined D'Arcy in 1978 as an Assistant Director of network programming on accounts including Richardson-Vicks, Texaco and E.F. Hutton. In 1982 he was promoted to Associate Director of National Broadcast on Kraft General Foods and Richardson-Vicks. He was named SVP in 1986 and assumed additional responsibility for Procter & Gamble, Paramount and Sun-Diamond. Before joining D'Arcy, Scanzoni had early experience as a Network TV Supervisor at BBDO and as a Senior Media Planner at Ted Bates.

Scanzoni is noted for his proactive involvement in getting industry issues on the table and worked out between differing parties. Most recently, he and NBC President/Research and Media Development **Alan Wurtzel** scheduled a meeting in late September to try and develop an industry consensus for how Nielsen's commercial ratings should be defined and processed—just what Nielsen has asked the industry to do.

Rino was also very involved with **Peter Tortorici**, president, GroupM Entertainment, in the programming partnership that began in 2004 with ABC and GroupM. The latest deal included Touchstone Television to produce six episodes of "October Road," a drama airing on ABC.

Tell us about GroupM.

We have four media agencies—MEC, MediaCom, MindShare and Maxus. GroupM is the holding company reporting into WPP and the management entity overseeing these four media agencies. GroupM sets overall strategy for the group and manages the financial reporting into WPP. GroupM on a more functional basis maximizes media investment and non-proprietary client research to establish best in class tools and processes and leverage media spending to our collective clients' benefit.

We collaborate on a GroupM basis—particularly on doing our own proprietary media research. We look to see that if by doing it on a GroupM basis there are issues and initiatives that apply to a diversified client base. We can certainly do a much better job by investing on the group level than doing the same kind of research three times over.

On the buying side, particularly the European markets, volume drives discount. So it clearly makes sense in a lot of the European markets and even some of the Asian markets for us to consolidate our overall volume to get the best possible discounts for our clients. Now the US market is a little bit different, it's not necessarily triggered by volume getting you a set discount. It's much more a function of timing, strategy and marketplace analytics. Those are the kinds of things that come into play in terms of delivering better opportunities and better pricing for our clients in the U.S.

In this market we do a lot of macro-economic analysis. That is my forte and what I believe is our unique leveraging point.

How is MEC getting its arms around all of the content migration from television to mobile and online companies/partners?

What we have tried to do is move a lot of these emerging areas—with some quickly maturing out of the realm of specialties—and move them into the general operation. So for example if you look at our national broadcast buying operation, it's set up by account. But within the account structure there are people that understand the traditional media marketplace. There are also people that are part of the team that come from the online area and from the emerging television technology area. So you have all of these individuals working together to deliver a comprehensive strategy. What we're trying to do is get people integrated in these groups working together so they all understand each others' business but are all part of the same team and their job is to understand these new areas and determine what's the application on a client-by-client basis—short term and long term.

To give you an example, take the Paramount Team. Paramount Pictures is interesting because it's not only the theatrical operation, but we also do their home entertainment and their pay television. So these films migrate through different windows. A lot of these emerging technologies provide some really interesting opportunities. Whether it be on mobile where there is an opportunity to give people instantaneous information about upcoming movies when they are actually on their way to the theater or in the lobby of the theater; to a pay TV situation where we might advertise on a video on demand channel where people could see a trailer which could tell them to go to this pay channel that's available on that service and create a transaction.

In the case of Cingular we're using the video on demand space to allow for a much more extensive message to a consumer that might sell attributes of a new service or a new technology where you clearly can't cover the details in a 30-second spot.

One of the initiatives we are undertaking is to determine the advertising message impact across various platforms with the same general content. Does the impact of your message change because of how the consumer has engaged with the content? We need to be able to measure that to understand what these new medias' intrinsic values

may be and how they compare to traditional media.

What drove the deal with Sunflower Broadband and MTV Networks?

We have been very active in the VOD space for clients like Cingular, Paramount and Xerox. One of our frustrations, which is not unique to us, is the fact that the current systems don't really allow us to turn around copy quickly. That's a real problem especially if you've got a retail client, a movie client, even a client like Cingular that is constantly bringing new products to the market—sometimes moving them on a fast track, sometimes slowing it down. It's very hard in the VOD space when you basically have to send out your message well in advance and you lock in for a month. We are also looking to get more real time data on the level of viewing and commercial avoidance we experience on our VOD campaigns.

Tell us about the 9/21 meeting you and Alan Wurtzel set up.

The objective was very simple. It was not to debate the merit of commercial ratings as a currency vs. the current system. We wanted to get as many of the stakeholders in this business together in a room as physically possible from both the selling and buying side to make sure that the issues, as they relate to the logistics of producing this data by Nielsen, were on the table and discussed to everyone's satisfaction. I think it's very clear coming out of that meeting what the issues were and what needs to be addressed to make everybody comfortable and moving forward.

It seemed like it was a lot about cable vs. broadcast.

Well you know it's not. There are some different issues on the broadcast side versus the cable side but the factors that drive commercial retention are similar to both broadcast and cable. The reality is that neither have a competitive advantage over the other.

Not on commercial avoidance?

The broadcast networks have three breaks every half an hour and five to six breaks an hour. They are shorter breaks and they basically sell their "A" positions. If those cable networks with higher commercial avoidance did the same things their retention scores would improve dramatically. A lot of those networks that clearly have that problem are already addressing it because they see where this business is going. The reason I started down this path is because I believe that at the end of the day we have to be accountable to our clients. I have a real problem telling a client we're buying 100 GRPs but we're really only getting 80.

We've done a lot of research and analysis in commercial avoidance for the last several years. If you look at cable versus network broadcast primetime, clearly the broadcast networks have a better average retention of audience than cable. The average retention was about 95%, so that meant that 5% of the audience was switching out during commercials going to other channels. If we look at cable the average was probably about 92%. The difference is on the broadcast side it was pretty consistent by network—everybody was pretty close to the norm. On the cable side the range could be as much as an 80% to as high as a 98%.

What we found was the cable networks that had the poorest retention versus the cable networks with the highest retention were driven by two key factors. Those longer commercial pods, and the first position dominated by promotional spots. We found that if you take those two factors out—you shorten your breaks, you have more breaks and you put more commercial messages into the "A" position—that will significantly improve your retention. It has nothing to do with the show content or platform.

When you look at commercial retention when a show is recorded on a DVR, clearly the broadcast networks have a lot more recording of programs than the cable networks. If you go beyond the averages you will see that original programming on the cable networks, whether it's Monk or The Closer or The Ten Spot, the amount of recording is as significant and similar to the broadcast side.

This system addresses a problem that is going to become huge for this industry. As DVR's are rolled out on set top boxes, delayed viewing will grow exponentially. I have a vested interest in keeping television viable. Television for most of my clients is a key medium that actually delivers some of the best ROI. Moving to an average commercial minute currency allows us to capture viewing to our client advertising message and exclude viewers who have just forwarded over the commercials. We can't pretend that we are reaching an audience that we are not because ultimately then our ROI models will go out the window and we will see the effectiveness decrease.

I think we're now at a crossroads. We know the old system clearly doesn't serve us anymore and we need to go down a different road to continue to grow and maintain the viability of this medium. It's amazing to me that the United States is the largest media market in the world and yet Croatia has commercial ratings.

What's your philosophy on serving clients?

I think the only way you can serve a client is you have to understand their business, what their objectives and challenges are. I don't believe in cookie-cutter solutions. Clients that are in different industries have very specific issues that need to be dealt with and managed. The more you understand about their business the better off you are in terms of being able to serve up a media solution that moves their business forward. If their business moves forward than clearly you've become a very valuable partner to that client.

I also believe that smart clients increase the productivity and contributions of agencies. You want your client to be smart. You want them to drive you as hard as possible because that's how you become better and more effective in what you do for them.

How do you define the "art of negotiation?"

The key to negotiation is information and intelligence. One of the huge misconceptions in this marketplace is that leverage is driven by volume. I don't believe that at all. I do think you need a certain amount of volume to be able to affect your ability to maneuver in this marketplace advantageously, but it's all about information and intelligent strategy and being able to look forward. There are too many people that spend an enormous amount of time looking back.

You also have to have some intestinal fortitude to believe in your perspective and strategy and you also have to be accountable for it. Also be willing to adjust along the way as things change, because they do. I think when you sit down at the negotiating table you have to know more about the business of the person that is selling than they do to be effective in terms of negotiating a solution.

It's got to be tough for some of those sales people coming in there and making presentations.

The problem with this business right now Carl is (and this is true of both sides because of consolidation) that people are afraid to make a mistake and then be accountable for that mistake, they tend to want to follow the herd. "Let someone lead and then I will follow and as long as everyone is wrong and I'm part of it then I can't be singled out. I'm as wrong as everybody else."

My mantra is you find opportunity in most cases by going against the grain.

Why Do We Bring Radio & Television Together?

In Today's Media World

Radio and Television are more closely tied together than ever before. Both regulated by the FCC, they are being challenged by new forms of media like ipods, mobile services and internet giants like Google and Yahoo.

Dedicated to keeping you a
issues you need to know to ru

We all need Media Business Intelligence—having it can mean the difference between success and failure. It's more important than ever in today's rapidly evolving media landscape. Radio & Television Business Report Magazine (RBR & TVBR) is the go-to media business source for:

1. In-depth Research, Sales and Marketing Data.

2. Deep analysis on your daily business issues. Asking questions and getting answers.

3. RBR/TVBR speaks and confronts all levels of the broadcaster, agency, client, financial and vendor community to find what problems we all face.

4. Solutions and what's in store for the future. Being a Member YOU Interact in this Process as YOU Share in the VOICE with your Comments.

5. Our tagline, "Voice of the Broadcasting Industry", means 24 years of getting the word out—your word—about the issues that make a difference.

6. RBR/TVBR covers all the issues others fear to cover in the broadcast medium.

7. RBR/TVBR is focused with specific emphasis on how to capitalize on today's migration of content to new media. From digital and wireless, to HDTV and HD Radio.

Here's what you will receive with your membership

✔ **One year of Radio & Television Business Report Magazine.** Your investment to read, learn and profit + pass along to your staff.

+ **One year of RBR or TVBR.** Our Daily Morning Epaper keeps you up to date on today's industry news.

Radio & Television Business Report Magazine will also be emailed to you in PDF format to archive on your desktop. You can print out specific issues or pages to use in your daily business.

+ **Free archive links to over a year and a half of Radio & Television Business Report Magazine back-issues** in PDF. Ever wonder or say—"Where did I see that report" on a particular issue? No longer an issue as you archive the data.

Subscribe Today for Just $49.00!

Get 12 issues (1 year) of Radio & Television Business Report. Read in-depth interviews from key industry figures in the advertising, financial and media fields. No fluff, no awards—we leave that to the other guys. Just real reporting dealing with real problems and real solutions in today's media world. The cover says it all, Content is King.

FREE BONUS OFFER!

As an added bonus we are including FREE of charge, your choice of RBR or TVBR's DAILY morning epaper. A year's subscription delivered every day right to your desktop. Get your game on before the day even starts with news and observations you can't get anywhere else.

Order Online Today at: **http://www.rbr.com/deal**	OR	Fax with payment info to **703-997-2677**

Please return this bottom portion

- Yes, send me a 1 year subscription to Radio & Television Business Report.

FREE BONUS Select which Daily Morning Epaper you wish to receive: ☐ Radio (RBR) ☐ Television (TVBR)

Name

Company

Title

Email (You must enter a valid email to receive your morning epaper)

Phone

Address

City/State/Zip

MC/VISA/AMEX Number

Exp Date /

Signature

Looking at viewer engagement

by **Ned Greenberg**, VP/Research for TWC Media Solutions

Media content is basically now in consumers' hands and they have taken control. They are able to separate advertising from content. They have more choice and more control, and they can now avoid commercials. In fact, viewers are using DVRs (digital video recorders) to fast-forward through 75% of the ads replayed. And the control goes beyond TV to the web and mobile, where there also are clutter problems.

Advertisers' first objective is reaching their target in an impactful way. Media right now, and especially television, is not accountable to meet an objective beyond mere viewing opportunity to see (OTS). TV is still measured on a very one-dimensional basis. There is not a real easy way to tell an advertiser about the work that is being done by their TV ad campaign to meet advertiser brand metric goals.

Engagement of ads within media environments

A lot of cable brands have been under-valued for years because they have provided a positive rub-off effect for ads, the Weather Channel (TWC) is one of these cable brands. Something that The Weather Channel researchers ran across 15 years ago – through one of our major suppliers in the business. ASI saw that when ads were on TWC air, ad awareness and ad recall popped off the charts versus what ASI had seen for the same ad in other environments

We have literally spent several million dollars over a 10-year period working to come up with the type of methodology to capture the most reliable behavioral measure of viewers' ability to see, remember and be persuaded by ads. Some of the key pillars for our testing have included:

- We use behavioral measures rather than perceptual measures to reduce response error.
  - o Results from perceptual testing can be quite misleading
  - o ASI tests real ads, not program surrogates, to run on specific days, times and networks, and we use a tried and true 24-hour day after recall technique (DAR)
- We do factor analysis to better understand the drivers of ad recall within media environments. Following are a few of the critical factors where TWC excels:
  - o Appointment viewing that is purposeful
  - o An average of 3 to 4 positions per pod
  - o Media brand attributes that include safety, trust, expertise
  - o A "live" environment with perishable content

At the end of these analyses, we are able to show the impact of lean forward versus lean back viewing of media environments and the impact on viewing ads within these environments.

We completed a study with Mediavest last year that showed the correlation between lean forward viewing and stronger recall of ads (a linear function). The more lean back viewing for general entertainment and lifestyle vehicles, the lower the ad recall; the more lean forward the viewing for news and "live" content, the higher the ad recall

Next steps in testing ad recall include the impact of cross platform exposure and sponsored vignettes within program content versus a standard 30-second commercial.

Exposure to advertising

In addition to how engaged audiences are with ads in a particular environment, we have been surprised at how much difference there has been in Nielsen viewing levels between pure program content in entertainment and lifestyle genres and ad pods interrupting that content. In the entertainment and lifestyle program genres, where ad pods can have 6 to 8 ads consecutively running, we see 10% to 20% rating declines, with significant declines in ad positions later in a pod.

The timing for the industry moving away from accountability for ad audience delivery on a program basis is right. Using a program rating as a surrogate for viewers exposed to an ad is too error prone. Looking actual viewers exposed during the minute that an ad runs is a needed improvement, even though Nielsen still has refinements to make to this later measurement.

The Weather Channel has invested heavily in refined accountability, especially with it being the first national cable or broadcast network to purchase access rights to Nielsen's minute-by-minute respondent level data warehouse. This allows TWC to show the degree to which TWC has held up its end of delivering value. In contrast, it also is exposing the degree to which other television vehicles are not holding up theirs.

There is another dimension to the exposure accountability issue. The ad community believes that Nielsen has built in inflated measures of the size of Broadcast Network audiences. One example of an inflated delivery is Nielsen including in their total delivery viewing from those who record content. Very little recorded content is actually viewed. TWC is not affected by this kind of inflation because of its "live" content. If clients want to see non-inflated delivery of viewing to their ads, TWC has the Nielsen non-inflated data from the minute-by-minute respondent level data.

Total Impact of exposure and engagement measures

In non- "live" genres, the negative effect on advertisers' impact is dramatic. Not only do 20% less of an audience is exposed to an ad, but the remaining 80% who see the ad are not paying close attention to the ad. Lost exposure and lost attentiveness could be reducing the overall impact by 40%. For million dollar advertising campaigns, these are eye opening inefficiencies.

On the other hand, we are optimistic about how resilient TWC and other "live" programming has been to ad avoidance, and how consistent Nielsen ratings have been minute-to-minute and quarter-hour to quarter-hour, from content-to pod-to content. Not only is that the case on TWC in the present, but going forward when other program genres are encountering ad exposure loses due DVRs, "viewers won't be Tivo-ing The Weather Channel."

Playing in the right field

by Jon Mandel, Group M Chief of Strategic Solutions

I think the biggest issue facing not just radio but television and all media sellers is that they are too "inside baseball" and haven't recognized the changes. It's almost like they are desperate to maintain what they've got and are not realizing that they are losing it simply by not moving forward. It goes from everything from all the radio guys thinking HD is the end all and be all and because they only talk to themselves. They never talk to the consumers. They never talk to the advertisers. They never promoted it to anybody except themselves.

Clear Channel has done the right thing recognizing the creative issues with radio. So they went and hired creative people and they have a lot of folks who are working on some great things. I think Clear Channel Radio is probably ahead of the pack. I can't say that about the rest of Clear Channel, but Clear Channel Radio in particular.

But even they are not doing it right. By that I mean it's real simple. We—all of the media agencies—have turned into communications people. We provide communications services to handle business problems and yet the sellers still come in trying to get a piece of a budget that has already been allocated to television or radio or whatever it is. So they are fighting over share on what is by definition a shrinking budget.

What they have got to learn to do is figure out how to come in and deal with the people that know the business issues that a given client, a given brand, is facing. Go away and come back with solutions and ideas to grow that client's business, to address that client's business needs.

Instead, they're going to the buyers and saying I have all of these things. They're playing in the wrong field because they don't know how. They are afraid to play anywhere else. It's about coming up with a business solution for the person with the problem as opposed to being a solution looking for a problem. One of the biggest problems that agencies have is how do you see all those people? And our people cop an attitude and don't see as many people as they should and often times can't—but they will call the people with solutions. Why can my medium, my station, fix your specific problem? Those kinds of people will get the phone calls, will get the meetings. At first they will get a lot of turn-downs and nobody likes to be told "No," but at least when you are told no you can keep trying until you get a "Yes" or move on to the next person to try and get a yes.

It's almost like they only want the lay-up sales. Well the days of the lay-up sales are long gone. What's the solution you are giving me to the problem that I have? Come in and learn the business problem first and then go think about it and come back with a solution—and be honest. There may be times where you don't have a solution or you are only part of the solution and you say, "You know what, my station is great but I think if you combined my station with the local cable television guy and/or the local newspaper you could really make this thing sing."

I don't see anybody really doing that. I'd say that actually the television networks are doing it. The cable networks used to do it, but they don't do it as much anymore. The local sales people with the local media just don't do it, and that is true in local television.

For years they would have me at station group sales conferences and I'd come out and talk to them. There is a classic, one of my favorite stories back in the days when we had Upjohn which was in Kalamazoo, Michigan. I said to the Tribune guys, "You have a station in Kalamazoo—why doesn't the guy from the Kalamazoo station go to Upjohn and talk to them about local television?" They said, "But they don't have a budget and if they did they wouldn't advertise in Kalamazoo because they are all of Kalamazoo." Yeah, but if they spend one hundred thousand dollars more in some other market where you have a station, who cares whether they buy Kalamazoo or not? Go out and see people. I've stopped doing these sales meetings for all of these groups, talking to their sales guys, because it falls on deaf ears. They'd rather call the local buyer to try and get the business and the local buyer only has the money to spend when it has already been allocated. What's happening is the money is being allocated to every other kind of medium. So they've got to jump up the food chain further and they're just not doing it.

They can't produce a turnkey proposal until they know the business of the brand. What am I trying to do with my communications? Am I trying to do this advertising to talk about a new product introduction, because I have soft sales in a given area; because I have a new line extension; because I'm actually not only advertising to consumers, I'm advertising to the guys that drive my trucks? I mean there are all different reasons. Is this a promotional campaign? What am I trying to fix? What are my problems? Now go away and figure out how to fix them. Don't come in with a pre-baked solution. Come in ahead of the curve. It's the difference between love and sex. If you're going to make it a long-term relationship, you have to seduce me. You know, when you go on a date you don't talk about yourself, you talk about her!

One on One

By Jack Messmer

Roger Ogden, President and CEO of Gannett Broadcasting and Sr. VP of Design, Innovation and Strategy for Gannett Co. Inc.

Roger Ogden has been President and CEO of Gannett Broadcasting since July 2005 and added the duties of Senior Vice President of Design, Innovation and Strategy for the parent company, Gannett, in March 2006. That new entity, now only 10 months old, is to "encourage development of new business ideas and improved process for Gannett," which in addition to owning 23 TV stations is the world's largest newspaper group.

Ogden began his broadcast career at age 13 at KPOF-AM in Denver and worked his way up through a series of stations to a 14-year stint back in his hometown as President and General Manager of KCNC-TV Denver, then owned by NBC. Immediately prior to joining Gannett in 1997, once again returning to Denver to run KUSA-TV, Ogden was President and Managing Director of NBC Europe.

With his new charge to develop new ideas for all of Gannett, Ogden recently announced the launch of Gannett Video Enterprises (GVE)—a new business created to provide high-quality, customized and cost-effective programming to other media for on-air, online and wireless distribution.

Holly Nielsen, formerly executive producer with KPRC-TV Houston, has been named Director of GVE and will oversee the day-to-day operation of the unit. Leading the sales effort and helping to define both strategy and opportunities is Allan Horlick, a 25-year NBC veteran and consultant.

First of all, tell us about your new baby, Gannett Video Enterprises.

Well, this is not a revolutionary or a shocking concept. It is born of a thought and a notion going way, way back when we'd go into television stations that I either managed or I oversaw and I'd see a terrific piece and I'd say, "Man that's great. It's too bad that so few people are going to see that, because if it could be seen on a broader scale it would have the same impact that it had here locally." Because you know, it appealed to emotion or it had some special aspect to it that allowed it to be equally valuable outside of that local station's DMA as well as in it. And so, when I came into this job about 15 months ago I had our guys start tracking what we characterized as material that we produced that has transportability and then to begin to categorize that material as to subject matter, volume, all of those sort of things—and we've essentially been doing that for the last ten months or so. Concurrent with that, we began conversations with a variety of people who run programming channels in the cable world, or more recently people who have broadband aspirations with video products in one way or another, and said would you be interested in the concept of really high quality stuff repackaged largely from things we do customized to your own needs that has two elements; one, quality and two, affordability? We had a very positive reaction from a variety of people to the concept. So we decided a couple of months ago to institutionalize it. We hired one full-time person and we deputized three or four others who were already here. Then we also hired a resource from outside the company in Allan Horlick, who is an old colleague from my NBC days, and spent the last month or so just sort of honing the concept and the pitches and then formally announced it. We have subsequent conversations with a variety of those outfits I described and I think fairly shortly we will be able to announce two or three we've come to an arrangement with to produce product for them.

Is this what you were talking about at TVB, making use of content left on the cutting room floor and just never really used?

It's not so much cutting room floor. In most instances these are the same pieces that aired at our stations. One of the things we'll be doing, we've already done, as part of this process in the last ten months is talk to the stations about something called pre-purposing. When a crew goes out and they recognize they have a piece that has value to Gannett Video Enterprises—and we've sort of defined that parameters of what we're looking for— that they will overshoot the story, they will shoot an element of it that doesn't have the hyper local references in it, in terms of their stand ups or their tracking, so that it becomes more transportable just by virtue of some very minor changes that they make in the field. It's not so much cutting room floor as it is the really good stuff that makes the air, but never sees the light of day beyond that local station's local airing. These are pieces that might get turned into magazine shows; we've done a couple pilots as an example in that area. But it's also our specials. We have pioneered High Definition in this country in local television. We have seven of our stations producing their local news in High Definition and as part of that we've produced a variety of our specials in High Definition around things like Wildlife in Colorado and the new aquarium in Atlanta and a whole variety of things like that, that we think there is a market place for because there's a premium right now on High Definition product for those channels that are exclusively High Definition. Those will be a part of the mix as well.

Is this all nationwide distribution or is some of it going to be local origination?

It could be local origination. We think the scale of national distribution probably creates potentially a more robust marketplace that will allow us to charge a little bit more but there certainly may be some local applications. One of the secondary bi-products of this is that there will be a much more robust sharing of material among our stations because we didn't use to collect all this stuff. Now we're collecting it all and we're categorizing it and we will be sending it back out to all the Gannett stations. That's not the primary purpose here, because frankly the primary purpose is to create a business and create a profitable business. A secondary benefit is that our stations will have a lot more use of their colleagues' materials than they have in the past.

How do you monetize it? Is it revenue sharing, straight cash deals or something else?

We're open to anything, but I think largely we're looking at licensed deals for product that we produce. A lot of the second-tier cable channels that are themed cable channels are, as I said before, looking for quality material at an affordable price and those are the kinds of things we have begun to develop and we have produced a couple of pilots for. There may be some opportunities for the first-tier cable programmers and there are clearly some opportunities in these new broadband video endeavors that are going on with nbbc, which we will be a part of obviously because we're NBC, but there are a whole variety of others that may also be places for us to monetize this material.

Do you see your newspapers playing into this in any way down the road ?

Actually, in a very big way. We have now for several months been developing our video news gathering competency at all of our papers both here and in the UK. We have a team from the broadcast side who has been training them and they are beginning to produce some remarkable video and we see them, particularly down the road as more and more of that develops, being a contributor to this and potentially also a user on their various web sites as well. So, yeah, this is going to be ultimately a company-wide endeavor, if it all goes well. The newspaper piece of it will obviously be a little slower in developing because they don't produce that much video yet, but that's changing and will begin growing, is growing even today.

Down the road is there going to be more and more blurred lines between the different types of media?

Absolutely. It's part of our focus and our strategic plan that our divisions have to be working cooperatively on a whole variety of things and we have this marvelous new platform that transcends any one of the divisions and that's the broadband Internet. It makes possible all kinds of activities that simply weren't there five or six years ago. So that common platform becomes the basis for lots of common activities. And I think other platforms—whether it's mobile or whatever it happens to be—will likewise form the basis for some common opportunity.

When will Gannett Video Enterprises actually start turning any kind of a profit?

Well, by the total volume standards of what we do it's going to be fairly modest to begin with, but it will be profitable immediately. I plan for it to be profitable in '07 because the cost side of this is fairly minimal. It's product that is already there. It's just a matter of repackaging it, and so your costs are in whatever people you hire to do that repackaging and the people you hire to do the marketing and sales of it. Aside from that, there aren't significant costs, so this will be profitable next year I have absolutely no doubt about that, but it's modest. Like all things it has to begin somewhere.

Are these longer form programs produced on a regular basis so you'd have a constant flow of material coming in—is that the idea?

Right. Let's say that a channel was interested in a theme show around health and good living. We know that we have a wealth of material in that area and we could prepare that material for them in a variety of ways. We could produce a magazine show that would be fully produced with using one of our talents to tie it together with their own graphic look and we deliver to them every week, every two weeks, every month—whatever the deal is for that product. We're really confident we can do that and we can do it in a variety of different subjects, because the volume of material is there. It could be health. It could be travel. It could be sports. It could be just sort of positive inspirational stories—we certainly have a wealth of that material. So there are whole varieties of topics where we can develop these products.

How soon will you have announcements of deals to start producing and distributing stuff?

I think fairly quickly. As I said, we've got one or two that we have been working with conceptually on this and, although we haven't finalized a contractual relationship with them, I think we're relatively close. Our hope is to have one or two in the short term.

What else should know about this?

I think the thing that is most important to us is the developing role of video in the broadband Internet world. It will get bigger and bigger and as that world converges with the television set—and you see manufacturers now creating middle ware, vapor ware, whatever you want to call it that connects that world to a television set and even a High Definition television set—it's going to open up all kinds of new avenues in terms of themed distribution channels, particularly for those who have content that people will have an interest in seeing. So it's that opportunity that I think is going to drive this more than anything.

Are all 23 of your TV stations distributing some sort of video broadband on the Internet?

They are—every one. In three of the cases they are duopolies, so in Denver, Atlanta and Jacksonville there are two stations and they are sort of combined in their operations, but all of them have very robust web sites and all of them have growing robust video components. That's something that we have focused on and we have pushed pretty hard in the last two years.

By Carl Marcucci

2007 budgets and capital expenditures:
VPs/Engineering discuss

In this yearly *RBR/TVBR* feature, we ask top engineers at the radio groups where 2006 budgets and capital expenditures are heading. What's tops on the list for projects and new equipment? This year, we asked the following:

Steve Davis, CC Radio SVP, Engineering & Capital Management
Milford Smith, VP/Engineering, Greater Media
Wes Davis, Corporate Director of Engineering, NextMedia Group
Martin Stabbert, Citadel Director of Engineering
Tom Ray, Corporate DOE for Buckley Broadcasting/WOR-AM NY
Glynn Walden, CBS Radio VP/Engineering

Your 2007 cap ex and operating budgets: What issues are on the table, what projects are you planning?

Steve Davis: We await the FCC's passage of their digital radio rulemaking to clarify the regulations and ease the regulatory burden of deploying HD radio. HD radio and secondary audio services continue to be major focuses for us. Backup equipment and facilities for disaster readiness also figure heavily into our plans. Lots of IT-related initiatives to improve efficiency mean a lot of computer hardware and software including development costs (we continue to develop a lot of software in-house). The NYC studio consolidation is a large project along with other major projects we have in the works including building a new 50 KW AM array in Boston.

Smith: Greater Media made a couple of major acquisitions this year (Boston/Philadelphia). In fiscal 2007, (also calendar 2007 for us), we will be implementing permanent studio and transmitter facilities for these stations. Philadelphia is pretty much a ground up build in both cases; in Boston it's getting to the level of redundancy and functionality we need going forward. Also, for the group, flushing out our HD Radio efforts and updating or replacing a significant amount of our automation equipment.

The major stuff is basically the work associated with the Philadelphia and Boston acquisitions, the completion of a major AM power increase in Philadelphia and completing our HD efforts in New Jersey.

Wes Davis: Continued conversion to HD. Aging AM stations. 40-year-old FM panel antennas. We're planning at least one major facilities move.

Stabbert: Obviously the ABC Radio transition. Also, I would say one of the bigger challenges with HD (and of course the widespread implementation of profanity delays) is getting pre-delay audio, real time audio, to remote venues for talent cueing. We have not found a one-size-fits-all solution for every market. This is both in HD and just a standard programming issue because of profanity delays. Not only does the talent lack the ability to hear the studio and real time but there are times when there's an audience at the venue that in the past we would have just played the station over the PA system. That's also not a possibility. So it can be solved as easily as using a cell phone with an ear bud for the talent, but on the more elaborate setups it might mean ISDN with a separate PA feed. It might mean a second RPU connection backhaul. In some places you can still get equalized phone lines or really elaborate T1. We're also using SCAs on FMs to do this with mixed success. If I could buy that solution in a box I'd be really interested in talking to that vendor.

Ray: Just HD radio installations at various stations throughout the company and keeping the budget down.

Walden: HD conversions and ongoing transmitter replacements. New digital transmission facility for WFNY and WNEW, studio moves.

What's on the HD Radio implementation frontier?

Steve Davis: Continued aggressive rollout. We hope to get to 470 or more stations converted by the end of 2007.

Smith: Greater Media was one of the first companies to fully build out its permanent HD facilities in its major markets including HD-2 facilities. We continue to tweak and improve these facilities. Additionally we are on track to complete most if not all of our other than major market builds in 2007, including HD-2 implementations.

Wes Davis: Several more HD build outs and a couple of HD2 projects.

Stabbert: We have two stations that are running separate antennas. One of them seems to be okay and the other is not very good. We have seen far better, far more consistent HD performance on the FM's where we are using the same antenna to transmit the HD as well as the analog. They are both in a low-level combined scenario or in a dual input scenario, but we haven't seen that have as much success with the dual antenna scenario.

Ray: We have several FM's that need to come on line.

Walden: We will continue with our ongoing HD conversion program.

Did you attend the NAB Radio Show this year? If so, what did you find to be outstanding or groundbreaking?

Steve Davis: Lots of encouraging development with HD radio including higher power low level combined transmitters by a number of manufacturers and some creative methods for reducing dropouts in studio-transmitter links via buffering and feedback loops.

Smith: What I found most remarkable was the seeming reinvigoration of the Radio Industry that was evident. This new attitude was everywhere. **David Rehr** has put NAB on the offensive going forwarded as we deal with the competition from the multiplicity of new delivery systems out there. Given the recent reality checks provided by Wall Street (finally) the bloom is definitely off satellite radio; the so called "death star" seems to be fading. The industry is embracing a lot of peripheral technology that can only help to expand the medium and its attractiveness to listeners. By the end of the show I felt pretty good about the future of the oldest of the electronic media!

Wes Davis: Yes, in Vegas. Axia studio solutions. Nautel transmitters.

Stabbert: I did attend. I thought for one the technical presentations were very good. Excellent content, I just wished there had been more. I did spend some time on the show floor but not as much as I had hoped. I was very happy to see Broadcast Electronics with a tube-type FM HD transmitter. Harris was showing theirs. I was glad to hear that Continental is raising the bar even higher with the power levels that they can do with their tube-type transmitter. Of course Nautel was there with their transmitters.

The one caveat on the high powered HD tube transmitters is efficiency—I don't think a lot of people are looking at it. The first couple we have on the air use more electricity, generate more heat than we anticipated. We put one in this May, it was in an enclosed room with ten-tons of air conditioning and it couldn't keep up with it. That was a problem.

Ray: Didn't get to Dallas. I was busy with the WOR transmitter facility.

Walden: New and improved HD Exciters; New HD monitoring gear; New codec offerings that add diversity and flexibility for remote broadcasts.

By Dave Seyler

Radio gabmeisters, and how to make them work for you

Michael Harrison, the founder and publisher of TALKERS magazine and the go-to source whenever the national press has a question about syndicated radio talent, sat down with RBR and shared his publication's exclusive syndicated Talker ranker chart. He also explained how to put it to use on your station. Read on.

RBR: Let's start out by explaining the chart.

MH: This chart basically is an overview of all of the national Arbitron ratings and some other information that we gathered to be able to more effectively hone in on the truth. It's very difficult to accurately measure down to a real, real sharply tuned quantitative number on talk ratings for hosts who are nationally syndicated because ratings are taking on a market-to-market level. In different markets they are on a different time and quite often they move the times. There are different day parts that have different time zones and it gets to be a very, very complex and messy job. We have been working on this for years and have honed it down to this. Generally the industry likes our approach to it and it is a highly-regarded, widely-used method of having some type of order to the top talk radio audiences—most of whom, you can see, are syndicated.

Bill Handel is the only host whose numbers on a local station qualified him to be above the one million plus cume cut-off point. He's quite a phenomenon on mornings at KFI in Los Angeles. This is a good thumbnail description of where these hosts rank in order—if in fact one is interested in ranking them in order, which is not really necessary because they are all successful in their own right. They are not necessarily on opposite each other. Some of them target different demos and there is so much more to radio ratings than any single horse race list would indicate. The world seems to want this and we've been doing it. A lot of work is attached to it but as I said people seem to find it makes sense. It's basically from the news talk world as opposed to the entire radio world.

Syndicated hosts also include disc jockeys and music-oriented shows and it becomes even messier to try to figure out who the biggest hosts are that way. So we chose to approach it from the news talk world because the biggest stars in radio for today and for the past 15, 20 years have been by and large talk show hosts. Talk show hosts from news talk radio and some of the related fields around it like sports talk radio and even shock jock radio of which there have really been a handful of performers who made a national name for themselves; such as **Howard Stern**. This list really gives a good view of radio stars as opposed to necessarily big radio syndicated services, music formats or music shows. These are radio stars—most of whom still come from the talk radio realm.

RBR: What is the proportion of political to general interest in this list?

MH: It's very hard to say the difference between general interest and political because there is no hard line that separates the two. All political talk show hosts deal with issues that are not necessarily politics. They deal with social issues. They deal with entertainment issues. If you were to talk to any political talk show host and say "do you just do politics?" almost every single one of them, if not every one of them, would say no, of course not.

Where does one define the line where politics ends and general interest begins? That is one of the nice abstract nebulous aspects of our business that keeps it flowing and keeps it fresh and keeps it creative. Even **Dr. Laura Schlessinger** who is up in our top four, she's not a political talk show host but she deals with a lot of moral issues that have leaned into the political realms. As a result, Dr. Laura is considered by many to be conservative even though she is really not conservative in the same way that, say, **Sean Hannity** is.

The Top Talk Radio Audiences

Here are the top Monday-Sunday gabmeisters exclusively from TALKERS magazine, with estimated audience rounded to the nearest quarter million, based on Arbitron and other sources.

1.	Rush Limbaugh	13.50+
2.	Sean Hannity	12.50+
3.	Michael Savage	8.25+
4.	Dr. Laura Schlessinger	8.00+
5.	Laura Ingraham	5.00+
6.	Neal Boortz	3.75+
	Mike Gallagher	
7.	Jim Bohannon	3.25+
	Clark Howard	
	Bill O'Reilly	
	Doug Stephan	
8.	Glenn Beck	3.00+
	Jerry Doyle	
9.	Bill Bennett	2.75+
	Dr. Joy Browne	
	George Noory	
	Dave Ramsey	
10.	Don Imus	2.25+
	Kim Komando	
	Michael Medved	
	Jim Rome	
	Ed Schultz	
11.	Bob Brinker	1.75+
	Tom Leykis	
12.	G. Gordon Liddy	1.50+
	Al Franken	
13.	Alan Colmes	1.25+
	Bill Handel	
	Hugh Hewitt	
	Rusty Humphries	
	Lars Larson	
	Mancow	
	Randi Rhodes	
14.	Jim Cramer	1.00+
	Dr. Dean Edell	
	Phil Hendrie	
	Mark Levin	
	Lionel	
	Stephanie Miller	
	Michael Reagan	

Source: TALKERS Magazine/Focus Communications Inc.

Someone like **Jim Bohannon** is a generalist but he talks about politics. Someone like **Clark Howard** who is a very, very successful talk show host, a consumer advocate, but deals with politics when it gets into the economy. Everything really does at one time or another connect into politics. We do have on our top list people like **Dave Ramsey** who are specialists in economics. We have **George Noory** who deals with parapsychology; you have Dr. **Joy Browne** who deals with psychology and relationships; Dr. **Dean Edell** who deals with medical issues. You have **Stephanie Miller** who is a progressive host but does it from a comedic perspective. You have **Mancow** who used to be considered a shock jock and now deals more with political issues; **Bob Brinker** who is pure money; **Jim Rome** who is pure sports; **Michael Medved** who blends politics with popular culture and movie reviews; **Kim Komando** who is heard on news talk stations all around the country but specializes in cutting edge technology; of course **Imus** who is in a category all of his own. He could be a shock jock one day. He could be serious politics the next day.

So we're very careful not to impose our categories on these people and again we live in a world that loves easy categories loves labels but we try to approach it on more of a realistic level seeing the industry as it is. I think it's healthy for the industry to recognize the fact that nothing is pure anything. When a thing becomes pure anything it implodes on itself appealing to a smaller and smaller core audience that becomes more and more demanding and difficult to superserve and eventually your audience begins to shrink. So smart broadcasters from both talk and music know that. Even though you have to identify yourself as what your product is and serve the core, you can't serve the core to the exclusion of expanding your boundaries and bringing in new people and moving with the flow of current events.

RBR: If I'm in a purple state with a politically mixed audience and I'm about to blow up my sports station, how would I use this as a shopping list?

MH: I think there are many ways of looking at a list like this and it comes down to the concept of stationality. Stationality is a word that we use in radio to mean that the station has an atmosphere and an image and basically becomes a brand so people know that they are listening to that station. Stationality though can be anything. It can be that you're all conservative. It could be that you're all liberal, all politics with a blend of liberals and conservatives or it can be that you're a traditional news talker with a blend of politics, some sports and some relationships with how-to shows and specialty shows on the weekend. The first thing that somebody should do if they are going into the talk radio arena is to decide what their stationality will be. Then when you are looking at the list of syndicated hosts that are available and perhaps some local hosts that you'll supplement your menu or your lineup with you can pick and choose so as to create that image. This is the most important issue that anybody programming a radio station deals with and that is what kind of stationality are you going to generate?

RBR: Wouldn't it be really rough to go from Rush Limbaugh to someone like Al Franken?

MH: Not necessarily. It's only rough if you think that the common thing that holds your listeners together is their love of conservative hosts. But that doesn't mean that a station that has the best of conservative and liberals wouldn't appeal to the person who enjoys political dialogue.

RBR: Do you know of any stations doing that?

MH: There are stations that do that and there are stations that do the other. There are stations that do all kinds of things out there if you look at the industry closely and you've got to remember there is no such thing as a mass radio audience. All radio audiences are really niche audiences. However you carve out your listenership becomes your own reality and it all depends on the market and how the listeners are available based upon the radio dial in that market.

RBR: And how you promote it.

MH: Right, so I would never say that Limbaugh and Franken could not work on the same station. They could work as much on the same station as Limbaugh and Hannity. Look at Dr. Laura Schlessinger. She's on mostly news talk stations and she's neither liberal nor conservative in terms of politics. She's morality, relationships getting through life and it fits. So stationality is not something that is written in stone— never has been even in the music field. If you are running a hard-rock station there is always that song on the border—you know should we play it? Or a hard-rock band will come up with a soft song. What do you do? The band is the right image but the music isn't. How do we deal with that? I remember when Kiss came out with "Beth" it blew everybody's mind because it wasn't their kind of song but it still was Kiss so Kiss fans wanted to hear it. So stationality, whether you're doing music or talk, is never something that you can stop thinking about and stop maintaining—it's always evolving.

RBR: Would you recommend maybe doing a little shopping here if you're a music station?

MH: I think the music stations all across America should be considering going to talk and they can ease into it the way so many already have— by having a talk-oriented morning show or having talk at night after the music stops playing. I think the future for FM will be talk. This may not happen overnight but I do think smart music FM programmers should be looking at talk—either for a completely new format or to start to integrate elements of talk radio into their music format.

RBR: Is there anything you'd like to add?

MH: There seems to be this general notion in the industry that being syndicated is a step up from being local and it really isn't true. Yes the people on this list are doing very well and some of the biggest stars in radio obviously are syndicated. However, when you think about how many people are in this business, the percentage of syndicated superstars is infinitesimally small in terms of the number of people who are working earning a living on the air in this industry. Just because you are nationally syndicated doesn't mean that you are immediately more successful, making more money, have more of an audience than somebody who might just "be local". Some of the best jobs in this business are local radio jobs in good solid successful stations in markets of all sizes. If you happen to have a big job and are doing well in a major market on one radio station that is a tremendous thing and a plum job and it doesn't mean you're not successful. So many hosts walk around beating themselves up because they are not in syndication when they are number one in a place like Los Angeles or New York or Chicago and that's an accomplishment. I really think it's important that people know this because I hear it constantly.

The importance of relevance

By **Kim Vasey**, Senior Partner/Director of Radio, mediaedge:cia

The Radio Ad Effectiveness Lab (RAEL) recently released a new study: Personal Relevance Two - Radio and the Consumer's Mind. This study is a deeper dive into the "relevance factor" between radio and consumers that began with the Wirthlin Study released in 2004. One of the key findings of the first study, entitled, "Personal Relevance; Personal Connections: How Radio Ads Affect Consumers" was the fact that consumers feel that radio listening is a one-on-one and emotional-drive experience and that listeners believe that both the medium AND its advertising messages are more relevant to them. I believe, these studies, clearly speaks volumes about the true "power of the medium." You can find these full studies (and others) at the RAEL website (www.radioadlab.org)

So, what is the power of the radio? Its radio's ability to create a personal visualization in the consumer's mind that is as unique to that individual consumer as the individual themselves. When they can visualize it, personally, it touches them emotionally. Therefore, your message becomes more relevant to them which equates to a higher level of significance. The more significance they attach to a clients message the greater retention factor and the easier they can recall a product to mind when they have a need for it –thus, leading the "drive to purchase." I always say, "The power of advertising is in the messaging not *merely* in the medium by which the message is being transported to the consumers."

Helping clients understand the power of radio and the emotional connection consumers feel about their favorite programs/personalities has been a "key" area of focus, and fascination, for me for the past four years. My fascination and interest in this topic began in 2002, when I attended my first Magical Worlds seminar at the Wizard Academy in Buda, TX... (www.wizardacademy.com) I just returned from the "Advanced Thought Particles of the Mind" seminar which expanded on this topic and consequently makes me eager to help you understand the importance and significance of these RAEL findings.

This seminar helped me understand the functions of the brain and how we absorb information, how we are moved by our emotions and how touching the emotions can move consumers to action. Once you have the "brain basics" down the next step was a serious of writing exercises that help you better understand the power of words and how to form words into powerful action spots.

Since that I time have completely changed my approach in talking to our clients about radio. I call it "radio through the power of the brain." I begin by trying to help to see, through the power of sound and the art of communication, that you don't need to show a consumer anything in order for them to "see" something. Getting the consumer to "see" it in their own mind's eye makes it SO much more powerful. As these two RAEL studies indicate—relevance is key and there is real power in the messaging if you make it relevant.There is power in sound, there is power in the messaging and there is power in radio and consumers are willing to embrace messaging if you speak *too* them not *at* them.

Not only do I try to help our clients understand radio in this way - I also "preach" this approach to many of the Account Executives, from the broadcast groups in the industry with a great deal of receptiveness. I have literally had clients sit back and say, "I've never thought of radio that way" and that is JUST the reaction that I always hope for. What I'm trying to do is to get them to "think differently" about radio. Because once I can get them to think differently about radio I can generally get radio onto the plan. Can I help you think differently about radio, too?

Let's take a moment to think about the typical approach to a sales call and be honest. Most sales calls involve impressive power point presentation with colorful charts, moving graphics, sound bites with mundane facts about their current reigning "on air personality" or numbers about the size of the audience with rational such as, "my station is # 1 in your demo, our personality moves product, we have the highest cume in the market, we have the strongest line up of stations, etc, etc. etc." Buy me, buy me, buy me!

How much of your presentation includes any information that speaks to the power of radio? If you're really honest with yourself—I'm sure the answer is "None of it." I've been in this business over 25 years and I've never seen one single presentation that does. Let's change that, today.

As a GM, GSM or an Account Executive I urge you to download this studies and use them to help you "sell in" radio to your clients. I only encourage you to do so because I have seen how they have helped me. I may be on the other side of the desk but I consider myself one of the hardest working radio sales people in the industry. I love the challenge of "selling in" radio. I know you do, too and together we can make a difference.

The same principle of the "relevance" factor from these RAEL studies applies to your "pitch"—help make radio relevant to your clients. Begin today with first selling "power of the medium" and, then, secondly the strength of your property. If you arm yourself with the findings in this study you will have an arsenal of information that will help you in positioning the power of radio to your clients and the success they can achieve through relevant messaging to their consumers. (Your listeners)

Believe me; I'm out there with you. Please feel free to call on me to help you in way I can. I love share things I've learned with others especially if it can help build on radio's successes.

By Jack Messmer

Mistakes have been made, but radio does have a future

Most Wall Street analysts currently have a pretty pessimistic view of the radio sector. One notable exception is **Victor Miller** at Bear Stearns, who has a "market overweight" on the broadcasting sector. It's not that he is a Pollyanna who sugarcoats reality, but rather he sees value in radio for patient investors.

You can talk about outside factors, such as the Internet and iPods, having a big impact on radio, but some of the problems being dealt with today are of the industry's own doing. Kicking off the Dickstein Shapiro LLP Broadcast Financing 2006 session at the opening of the NAB Radio Show in Dallas, Miller reviewed what's been happening since ownership deregulation in 1996 to get radio to where it is today.

Dereg set off an avalanche of station trading that increased year by year through the end of the decade. By Miller's calculation, some $70 billion of radio acquisitions took place in 1999 and 2000—just before the US economy fell into a record recession. That set radio up for a record $1.4 billion decline in radio revenues in 2001. Having just borrowed piles of money for acquisitions, radio companies were setting with high leverage ratios—an average of 8.1 times EBITDA, excluding giant Clear Channel, Miller noted, with several companies over nine times.

"So if you stand back and say, from an economics standpoint, what would we expect an industry to do in the middle of a recession? Well, of course, decrease inventory, right? So that when there's a recovery you have an increase on price. In this case, I would contend to you that the fear of this balance sheet leverage probably caused the industry to do the wrong thing, which was probably keep inventory at stable levels, maybe even increase inventory, which really has hurt rates and we are still fighting that battle now," Miller told the packed room. "That's why then, it almost had to happen four years later," Miller said of the painful inventory reductions, led by Clear Channel's Less is More initiative.

Meanwhile, apart from the inventory and leverage issues, radio was undergoing a metamorphosis. For all the talk about radio losing listeners to XM, Sirius and iPods, a much bigger change was the migration of listeners from mainstream formats to specialty niches, particularly Spanish formats, where listenership grew 9.8% from 2002 to 2005. That was good news for Univision, SBS, Entravision and other Spanish players, but Miller said it held down radio ad spending. Those ascendant stations tended to grow ratings faster than the market would let them grow rates, so advertisers who moved dollars to target Hispanic consumers were able to do so at a lower price per point than with long-established English-language stations. Thus, in markets with high growth rates for Spanish stations, average unit rates for the total market were under pressure, although that should correct itself in time as power ratios improve for the Spanish stations.

2002-2005 – The Years Of Format Migration

Format Category	Persons 12+ 5-Yr CAGR
Spanish	9.8%
Urban	4.7%
Religious	1.5%
News/Talk/Information	1.0%
New AC/Smooth Jazz	0.7%
Country	0.7%
Adult Contemporary	(1.3)%
Contemporary Hits Radio	(1.5)%
Rock	(3.2)%
Classical	(5.2)%
Alternative	(6.3)%
Oldies	(7.7)%
Adult Standards	(20.3)%
Remaining Formats	(24.2)%

Source: Arbitron

For the past two years, Miller notes that there has been a "trifurcated" market for the public radio companies. The Spanish/Urban/Religious niche players have been growing revenues and broadcast cash flow decently, groups whose stations are mostly in markets without large Hispanic or African American populations have been doing OK and those with heavy revenue exposure to markets with large Hispanic or African American populations have been having a tough time.

2005: A Trifurcated Radio Market

Company	Classification	Same Station Revenue	Same Station BCF
Entravision Radio	Niche	9.8%	12.9%
Univision Radio	Niche	9.3%	21.2%
Spanish Broadcasting	Niche	7.4%	3.3%
Salem Communications	Niche	6.0%	9.1%
Radio One	Niche	5.3%	3.1%
Citadel Broadcasting	Little Exposure to H/AA Markets	2.0%	3.5%
Entercom Communications	Little Exposure to H/AA Markets	1.8%	1.8%
Cumulus Media	Little Exposure to H/AA Markets	1.2%	(3.2)%
CBS Radio	65% Revs from Largest H/AA Markets	0.9%	(2.4)%
Cox Radio	45% Revs from Largest H/AA Markets	(0.1)%	3.7%
Clear Channel Communications	46% Revs from Largest H/AA Markets	(5.9)%	(15.7)%

Miller hailed Less is More, although it was a bit belated. The inventory retraction that was called for in 2001 finally took place in 2005, dropping radio revenues 6% for Clear Channel, the largest player in radio. But he noted there was another big hit this year as CBS Radio, the second largest radio group, saw revenues drop big-time for its stations that previously carried Howard Stern, who moved to Sirius in January. At this point, Miller is projecting that CBS Radio revenues could be down 5% this year.

Calling his presentation "Searching for Normal," Miller said an argument can be made that none of the years from 1996 through 2006 have been normal for radio. Abnormally big revenue and stock price jumps were followed by abnormal contraction. But where is normal?

"I'd like to see two things happen next year. I think inventory is finally kind of flattening out, in terms of the declines, so you're not pushing rates to try to get back to zero. And secondly I'd like to see all of the investments that the industry has made start to have an impact on showing audiences coming back. In the top 10 markets, for example—the Spring book—the ratings points of the commercial radio stations actually increased for the first time in quite some time. I was encouraged by that," Miller said.

There is some immediate help on the way. "Political spending makes me happy," Miller said as the audience chuckled in agreement. Television may get the lion's share of political ad spending, but the political category still accounted for over 1% of total annual revenues in 2004 for the largest radio companies—and a much more significant chunk of Q4 revenues. "I'm hoping, seeing what I'm seeing in television right now—my TV guys are seeing more political spending than they expected—that money [TV spending] is going to be placed first because that is the tough place and there's a lot less inventory, and then it should spill over into cable and into radio," Miller said

2004 Political Spending In Radio

Company	4Q04 Political In $ mns	4Q04 Total In $ mns	4Q Political As A % Of Total	2004 Political In $ mns	2004 Total In $ mns	2004 Political As A % Of Total
Clear Channel	$31.0	$964.5	3.2%	$40.0	$3,754.4	1.1%
Radio One	$3.0	$79.5	3.8%	$4.6	$319.8	1.4%
Citadel	$3.3	$109.8	3.0%	$5.5	$411.5	1.3%
Cox	$3.3	$111.2	3.0%	$4.8	$438.2	1.1%
Entercom	$3.0	$110.2	2.7%	$4.9	$423.5	1.2%
Cumulus	$1.4	$84.4	1.7%	$3.2	$320.1	1.0%

Source: Company documents

Longer-term, he sees Arbitron's Portable People Meter (PPM) as a positive catalyst for radio revenues. "This is clearly important to the agencies," Miller said. If Arbitron gets accreditation from the Media Rating Council soon, its roll-out plan calls for the top 10 markets to all have PPM by late 2008. Miller noted that when Nielsen rolled out its Local People Meters in TV, there was a temporary price compression in advertising, which is something he will be watching for in radio.

The bottom line for 2006? He is still looking for radio revenues to be up 2%. That's not very exciting—and hopefully not the "normal" radio is searching for—but still more optimistic than some of his colleagues on Wall Street.

RBR TVBR

Radio & Television Business Report

November, 2006
Volume 23, Issue 11

Publisher & Editor.....Jim Carnegie
Managing Director.....Carl Marcucci

RBR/TVBR Staff
Executive Editor.....Jack Messmer
Managing Editor.....Dave Seyler
Senior Editor.....Carl Marcucci
Production Manager.....Michael Whalen
VP Administration.....Cathy Carnegie
Administrative Assistant.....April McLynn
Marketing/Sales Director.....June Barnes

Corporate Office
Radio & Television Business Report
2050 Old Bridge Rd., Suite B-01
Lake Ridge, VA 22192
Main Phone: 703/492-8191
Editorial Fax: 703/997-8601
Subscription Phone: 703/492-8191
Subscription Fax: 703/997-2677

Email Addresses
Publisher:.....JCarnegie@rbr.com
Editorial:.....RadioNews@rbr.com
.....TVNews@rbr.com
Sales:.....JBarnes@rbr.com

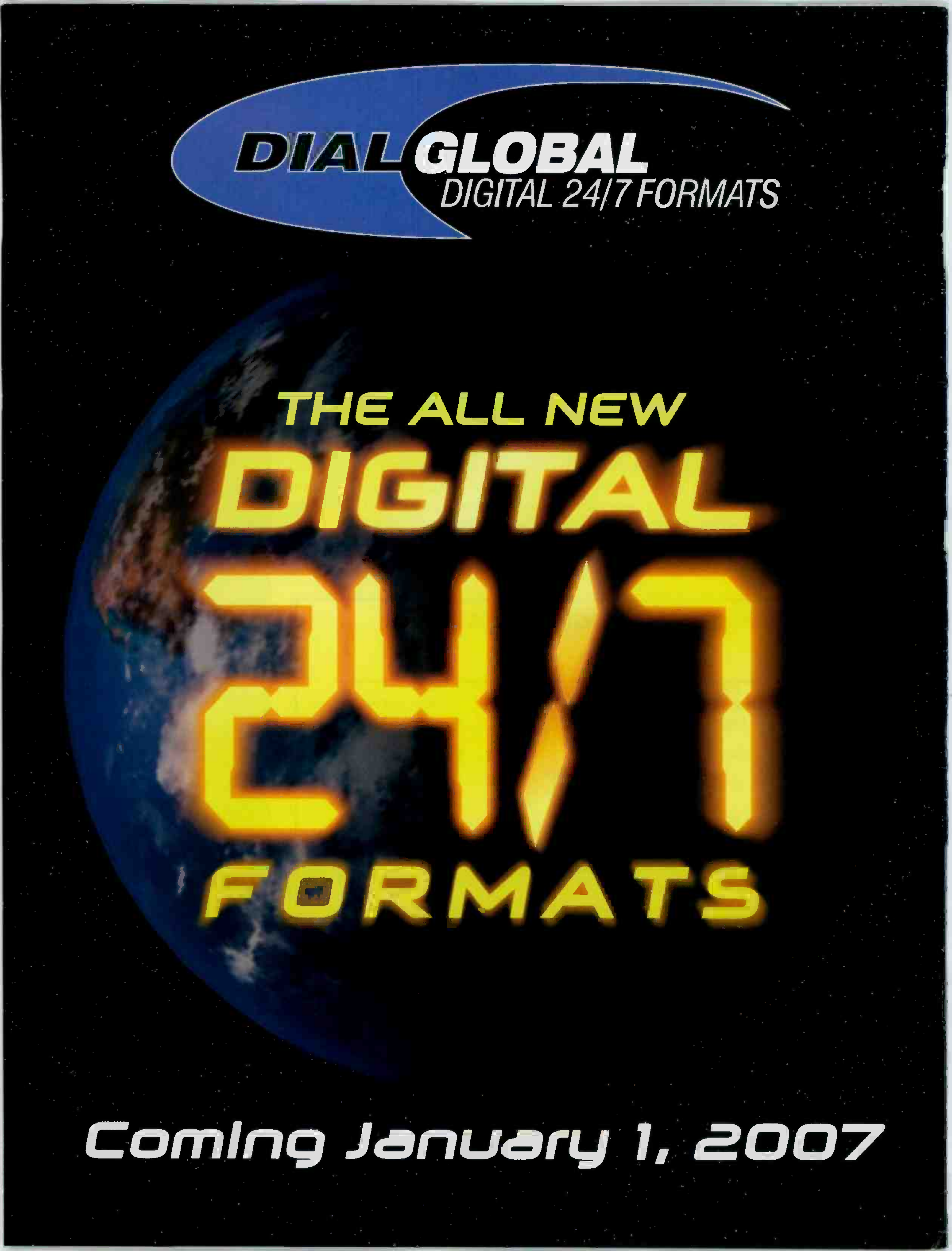
Bradenton, FL Office
Jack Messmer
Phone: 941/792-1631
Fax: 253/541-0070
Email: .....JMessmer@rbr.com

Columbia, SC Sales Office
June Barnes
Phone: 803/731-5951
Fax: 803/731-5982
Email: .....JBarnes@rbr.com

Radio & Television Business Report is published monthly by Radio Business Report, Inc. Publishers of RBR/TVBR Daily Morning E-Papers, RBR/TVBR Afternoon Media Mix, rbr.com, tvbr.tv and the Information Services Group database.

Annual Memberships
RBR/TVBR Magazine $89
RBR Epaper $108
TVBR Epaper $108
Media Mix $89

Cover Art Credit:
Chick Alcorn
9630 Mistletoe Rd.
Tujunga, CA 91042
818-951-5908
chickalcorn@aol.com
CHICK'S CLIQUES


DIAL GLOBAL
DIGITAL 24/7 FORMATS
THE ALL NEW
DIGITAL
24/7
FORMATS
Coming January 1, 2007