

Manager's Business Report™

October 1998

Radio Business Report, Inc.

15 Years



MBR Stats

Caught in the Web: A new study tracks the relationship between radio and the Internet.

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News in Review

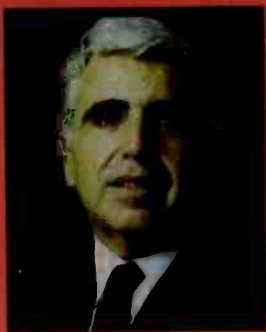
A match made in heaven:
Radio dominates outdoor biz.



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Escalating inventory loads:
Does Mel have the right idea?



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Format risks lead to rewards.



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**Digitgram
POWERED**

Radio Enters Q4 Full Steam Ahead

July revenues continued the double-digit parade, matching June's overall gain of 13%. The total was heavily bolstered by national business, which registered a stunning 23% gain, including a 28% spike in the East. YTD, the radio business is 11% ahead of the all-time total revenue record set last year. Excellent forward pacing reports, which indicate that over half of November inventory has already been sold, promise that the 1997 revenue record will be eclipsed in a walk.

The word on Wall Street was duck and cover—perhaps the stock exchange should acknowledge the effects of three rather than two B's: the bull, the bear and the Boris (as in Yeltsin).

A new study from The Media Audit shows a strong correlation between radio listening and web surfing. Some of the results of that study appear on the next page.

—Dave Seyler

Radio Revenue Index

Radio Revs Continue to Outpace the Predictors

July revenues results matched June with total gains of 13%. July's performance was influenced by national advertising, which was up an astounding 23% nationwide, led by a 28% increase in the East. The lowest gain, 19% in the Southeast, is normally more than enough to be the best in an average month. Local revenue, though not quite as brisk as the previous month, still made it into double digits with a 10% gain.

For almost the first time this year, there was a bit of regional disparity in the local numbers. The Southeast was even with the national 10% gain. The West and Southwest enjoyed gains which were substantially higher, each coming in at 15%. Meanwhile, the East hit a slow spot with an 8% gain, and the Midwest was even slower with a 6% gain. Still, a 6% gain over a year in which radio's all time revenue record was set is nothing to sneeze at. Clearly, 1998 revenues will set a new record.

July 1998	Local	Nat'l
All Markets	10%	23%
East	8%	28%
Southeast	10%	19%
Midwest	6%	24%
Southwest	15%	22%
West	15%	21%

Local & Nat'l Revenue July 1998	
All Markets	13%

Forward Pacing Report

Sales Staffs Talking Turkey: November Half Sold

Radio revenue gains have stayed in double digits for most of the year, and forward pacing indicates that the trend should continue. Over half of November avails are spoken for, comfortably ahead of last year's record pace. This is yet more evidence that radio's financial prognosticators undershot the mark the industry is likely to wind up at.



Jan-July 1998	Local	Nat'l
All Markets	10%	15%
East	10%	12%
Southeast	9%	18%
Midwest	10%	16%
Southwest	12%	12%
West	11%	15%

Local & Nat'l Revenue Jan-July 1998	
All Markets	11%

Superduopoly Dimensions

Industry Consolidation (as of September 14, 1998)

Superduopoly: 48.1		
Market	# of stns	percent
1 to 50	751	51.8
51 to 100	534	50.1
101 to 150	380	46.6
151 to 200	366	44.3
201 to 261	362	44.4
All markets	2,393	48.1

Total Industry: 71.3%		
Market	# of stns	percent
1 to 50	1,093	75.4
51 to 100	770	72.2
101 to 150	548	67.2
151 to 200	575	69.5
201 to 261	558	68.4
All markets	3,544	71.3

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

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YTD Stock Performance

The last day of August was a day many Wall Street traders would like to forget—the day the Dow Industrials plunged 512 points and stocks dropped sharply across the board. A rebound began the next day, but a rehash of the carnage appears below.

Company	8/31/98 Close	YTD Gain/Loss	Pct. Gain/Loss
Ackerley	21.750	4.813	28.41%
Alliance Bcg.	0.687	0.437	174.80%
Am. Tower	15.750	6.437	69.12%
AMSC	5.437	-1.563	-22.33%
Belo Corp.	18.500	-9.563	-34.08%
Big City Radio	6.625	-1.500	-18.46%
Broadcast.com	37.875	19.875	110.42%
Capstar	16.937	-2.063	-10.86%
CBS Corp.	25.750	-3.688	-12.53%
CD Radio	15.125	-1.812	-10.70%
Ceridian	48.500	2.688	5.87%
Chancellor	35.687	-1.626	-4.36%
Childrens Bcg.	3.000	-1.062	-26.14%
Citadel	24.250	8.250	51.56%
Clear Channel	45.000	5.281	13.30%
Cox Radio	42.687	2.437	6.05%
Crown Castle	8.125	-4.875	-37.50%
Cumulus	10.500	-3.500	-25.00%
DG Systems	3.000	0.500	20.00%
Disney	27.437	-5.563	-16.86%
Emmis Bcg.	37.500	-8.125	-17.81%
Fisher	70.000	10.000	16.67%
Gaylord	26.687	-5.251	-16.44%
Granite	6.375	-2.687	-29.65%
Harris Corp.	31.875	-14.000	-30.52%
Heffel Bcg.	30.250	-16.500	-35.29%
Jacor	59.000	5.875	11.06%
Jeff-Pilot	56.625	4.708	9.07%
Jones Intercable	21.750	4.313	24.73%
Metro Networks	34.312	1.562	4.77%
NBG Radio Networks	0.980	0.313	47.00%
New York Times	29.000	-4.063	-12.29%
News Comm.	0.968	-0.469	-32.64%
OmniaAmerica	24.375	11.625	91.18%
Otter Tail Power	35.125	-2.750	-7.26%
Pacific R&E	2.250	-1.125	-33.33%
Pulitzer	76.062	13.250	21.09%
RealNetworks	19.750	5.875	42.34%
Regent Pfd.	5.250	-0.750	-12.50%
Saga Commun.	16.000	-1.000	-5.88%
Sinclair	16.062	-7.251	-31.10%
SportsLine USA	19.875	9.125	84.88%
TM Century	0.290	-0.335	-53.60%
Triangle	0.062	-0.563	-90.08%
Triathlon	10.937	0.437	4.16%
Tribune	64.437	2.187	3.51%
Westtower	24.250	12.500	106.38%
Westwood One	19.312	-17.813	-47.98%
WinStar Comm.	18.250	-6.687	-26.82%

Major Stock Market Indices

Index	Value	YTD Gain/Loss	Pct. Gain/Loss
The Radio Index™	95.620	-4.380	-4.38%
Dow Industrials	7539.070	-369.180	-4.67%
Nasdaq composite	1499.250	-71.120	-4.53%
S&P 500	957.530	-12.900	-1.33%

The Media Audit

Foundations of strength: MRC Accreditation.

MRC accreditation is about research reliability...a point advertising agencies are becoming more concerned about. What you see isn't always what you get. Thus the need for MRC accreditation. It starts with disclosure. What is the scope and limitations of THE MEDIA AUDIT study? How is the sample constructed? What verification procedures are followed in the coding, editing and data tabulation process? Every procedure must be documented and ultimately audited to make sure that we did everything we say we are doing. The process helps ensure that minimum standards governing the quality and integrity of the study have been met. It's a test of reliability that no single media, agency or advertiser could afford to undertake on their own. The time and cost would be prohibitive. Yet there is no other way to be assured that what you see is everything there is to see. That's the importance of the MRC. They do it for you. Every year for every service willing to step up to the plate. THE MEDIA AUDIT stepped up to the plate...and passed the test. Today it is the only local market qualitative service accredited by the MRC. If accurate and reliable qualitative data is important to your sales team, call us: 1-800-324-9921. We would like to talk to you.

MBR

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MBR Stats

What Twisted Webs These Mortals Weave: A Look at Radio and the Internet

The Media Audit, a research wing of International Demographics Inc., has released a new survey based on interviews with over 95,000 adults tracking the relationship between radio and the Internet. Following are some selected results.

Strongest & Weakest Markets for Radio Web Site Visits

Only one top-ten market (San Francisco) makes the heavy-hitter list. However, as a general rule, the smaller the market, the fewer radio websites are visited.

Strongest Markets (Arb rank)

Arb rank	% Adult Visits
Orlando (38)	9.3
San Francisco (4)	8.7
Atlanta (12)	8.4
San Diego (15)	7.1
Indianapolis (37)	7.1
Seattle (13)	6.5
Minneapolis (14)	6.5
San Jose (28)	6.5

Weakest Markets (Arb rank)

Arb rank	% Adult Visits
Syracuse (71)	1.8
Wilmington NC (178)	1.4
Johnson City (92)	1.4
Alexandria LA (200)	1.2
Eugene (143)	1.2
Asheville (176)	1.1
Ft. Myers (75)	0.9
Boise (125)	0.7

Logging Log-ons by Age

It should come as no surprise that so-called Generation X rules the Internet, although there is healthy participation among Baby Boomers, particularly those at the tail end of the boom.

Demo	Pct logging on	Time weekly
18-24	37.1	6:12
25-34	38.9	6:47
35-44	36.8	6:16
45-54	37.1	6:00
55-64	22.5	5:34
65-74	9.3	5:19
75+	4.2	5:13

Cashing in on Internet Users: Log-ons by Income

Income is not a significant determining factor when it comes to time spent surfing. However, it is incredibly significant as far as whether one surfs at all. Over half of the richest households spend serious time on the web.

Demo	Pct logging on	Time weekly
\$25K-below	10.3	6:06
\$25-35K	19.8	6:06
\$35-50K	27.7	6:11
\$50-75K	38.9	6:24
\$75K-up	54.2	6:13

Source for all data: The Media Audit

Web Stats

Webcasters by Format

(as of September 8, 1998)

866 radio stations (752 commercial) are now putting audio on the Internet. Of the total 1,630 audio websites now in operation, 48.7% (793) are of US origin.

Country remains the number one commercial format on the web with a total of 91 stations. However, if the various News, Talk and Sports categories are combined, they account for 137 stations, or 18.2% of all commercial webcasters.

RealPlayer (formerly RealAudio) picked up the bulk of the entrants to webcasting. Microsoft MediaPlayer (formerly Microsoft NetShow) attracted enough new business to hold its market share at 9%. The remaining five streaming players failed to increase their number of total customers, which between them is only 0.9% of the business.

Formats on the Internet

Format	Stns	Pct.
Non-commercial	114	13.2%
Country	91	10.5%
Religion	67	7.7%
Rock	63	7.3%
CHR	61	7.0%
News/Talk	57	6.6%
Hot AC	42	4.8%
Classic Rock	41	4.7%
AC	40	4.6%
Sports	37	4.3%
Alternative	37	4.3%
Oldies	33	3.8%
Talk	31	3.6%
Adult Altern	30	3.5%
Soft AC	22	2.5%
New AC-Jazz	18	2.1%
Urban	16	1.8%
Ethnic	15	1.7%
News	12	1.4%
Standards	12	1.4%
Classical	9	1.0%
AC-Spanish	7	0.8%
Talk-Spanish	4	0.5%
CHR-Spanish	4	0.5%
70's Oldies	2	0.2%
Easy List.	1	0.1%

Audio on the Internet

Medium	Websites	Pct.
Radio Stations	866	53.1%
International	590	36.2%
Networks	45	2.8%
Internet Only	129	7.9%
TOTAL	1630	100.0%

Streaming Players

Player	Websites	Pct.
Real Player	1,432	87.9%
MS MediaPlayer	147	9.0%
StreamWorks	39	2.4%
AudioActive	7	0.4%
Radio Destiny	5	0.3%
Interflix	1	0.1%
GTS Audio	1	0.1%
Vosaic	1	0.1%
TOTAL	1,630	100.0%

Source: BRS Consultants

Non-Traditional Revenue Track

% of Vendor/New Business by Category (July 1988)

	Jan	Feb	March	April	May	June	July	YTD
Automotive	23.04	17.54	15.95	14.25	14.79	19.34	12.18	16.94
Food/Grocery	21.57	33.70	31.99	26.84	35.10	33.11	37.16	31.88
Leisure/Electronic	24.42	14.15	24.94	22.25	18.16	25.27	29.87	21.92
H&BC	3.11	7.82	13.51	13.59	7.90	7.65	11.82	8.79
Home Improvement	7.72	12.45	10.18	13.31	11.25	5.24	3.19	9.15
Office	17.58	12.25	1.04	6.35	8.78	4.83	5.21	8.46
Clothing	2.56	2.10	2.38	3.41	4.03	4.56	0.57	2.86

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

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Moguls moving in opposite directions

Radio's two biggest groups have announced restructuring plans, essentially moving in opposite directions. Tom Hicks and Jeff Marcus are rolling up Hicks, Muse, Tate & Furst's radio operations, merging Capstar (N:CRB) and Chancellor Media (O:AMFM).

Meanwhile, Michael Jordan and Mel Karmazin announced plans to separate radio and outdoor from the rest of CBS (N:CBS) and sell 20% of the spin-off in an IPO. The new company will bring back the name Infinity Broadcasting for its third appearance as a public stock company. ♦

Chancellor overtakes CBS as #1 group

Once again the ranking of the #1 and #2 radio groups has changed. According to BIA, the soon-to-be merged Chancellor/Capstar will have 1997 pro forma revenues of \$1.585B, nudging CBS/Infinity out of the #1 spot. ♦

Rank/Group	#Stns	97 revs (\$000)
1 Chancellor Media Corp./Capstar	471	1,585,400
2 CBS/Infinity	162	1,495,630
3 Jacor Commun. Inc.	205	613,660
4 Clear Channel Commun.	219	478,490
5 ABC Radio Inc.	38	327,100
6 Cox Radio Inc.	59	249,850
7 Entercom	41	180,850
8 Heffel Broadcasting Corp.	39	163,900
9 Emmis Commun.	16	156,730
10 Susquehanna Radio Corp.	23	141,400

Source: BIA



Chicago's beetle swarm

Big City Radio's new 103.1 Chicago simulcast (WXXY, WYXX-FM) shows off its "Heart and Soul Patrol" promotional street team of ten new Volkswagen Beetles. The promotional team makes 25-35 weekly visits to area festivals, parades and charity functions giving away promo items and prizes.

New numbers game: FCC sets revenue caps

Broadcasters have another numbers game to play, with the FCC initiating a review of a deal's impact on radio advertising revenues. While 40% has been the trigger for the Justice Department, the FCC is giving owners a wider berth.

The Commission has decided to give a single owner up to 50% of a market's radio revenue before launching

an inquiry, according to FCC staffers. "That's a pretty solid number," said one high-ranking official—who said the 70% cap on two owners is a "softer number."

In addition to advertising revenue, Mass Media Bureau Chief Roy Stewart said his staff will also take a station's power and class into account.

In August, the FCC announced it would not approve three deals until it collected comments on their "affect on competition and diversity" (RBR 8/17, p.2). Several other deals are also expected to draw FCC review. ♦

FCC loses EEO appeal

The FCC lost its battle to revive its EEO rule last month, when the DC Circuit Court of Appeals refused to review a lower court ruling which overturned the agency's policy aimed at increasing minority employment.

FCC Chair Bill Kennard said he was "extremely disappointed" with the outcome, but vowed to fight back with new regulations that could pass judicial muster. "I intend to present a proposal to the Commission in the near future to revise our EEO rule in a way that will address the Court's concerns and ensure a level playing field," said Kennard.

A majority of judges said the FCC's rules left stations with the impression they must hire minorities to fill what amounted to quotas—a policy the Supreme Court has ruled as unconstitutional.

No rules now regulate broadcast hiring, but more than a dozen groups have announced they will continue aggressive recruitment programs. "Broadcasters are committed to diversity in the workforce," said NAB President Eddie Fritts. ♦



NAB President Eddie Fritts

Every second counts for Jacor stations

When the doctor says "This will only hurt for a second" doesn't it feel like an eternity? So it may not be a great leap for advertisers who claim one second ads are the wave of the future. Leading the curve is Jacor (O:JCOR), whose WKRC-TV has begun airing one second ads for Jacor's Cincinnati radio portfolio. The aim is to keep the stations fresh in listeners' minds, with otherwise unused ad time.

"It's not subliminal, it's just fast," says Jacor spokeswoman Pam Taylor. The TV station gives the radio stations one second at the top and bottom of each hour, in exchange for five second ads each hour on all eight Jacor radio stations. As part of a larger deal between the two, the radio side also gets traditional thirty second ads.

"Does it work? I have no idea. Does it hurt? Absolutely not," offers Jim Richards, former ops manager for Jacor's four FM stations which take turns receiving the super-fast spots. "We look at which station is in need of a little extra marketing." ♦

Radio groups dominate outdoor

Chancellor Media's (O:AMFM) \$930M buy of Whiteco has moved the fast-growing multi-media giant into fifth place among all U.S. outdoor advertising companies, behind CBS' (N:CBS) TDI division. Radio companies now hold three of the top five spots in the outdoor business, which has been consolidating almost as rapidly as radio. ♦

Company (stock symbol)	1997 U.S. revenues*	Revenue share
Outdoor Systems (N:OSI)	\$632M	15.6%
Eler Media/Clear Channel (N:CCU)	\$556M	13.7%
Lamar Advertising (O:LAMR)	\$352M	8.7%
TDI/CBS Corp. (N:CBS)	\$293M	7.2%
Chancellor Media (O:AMFM)	\$216M	5.3%

*pro forma for announced acquisitions
Source: RBR calculations based on data from NationsBanc Montgomery Securities



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Radio's June ad share strong at 19%

Although radio's local ad share was slightly higher last month, June was only a whisper away at 19.0% (MBR September). Any trending, however, should be made cautiously, as this month's MBR/Miller Kaplan Total Media Index includes three additional markets (Cleveland, Houston and San Francisco), for a total of 13 markets. The top 25 categories listed represent 90% of the local ad dollars.

For the first month this year, newspapers did not capture the largest share of local dollars. TV, with 41.8% of the total bested newspaper's 39.3%.

The Automotive category continues to lead all other categories in total advertising expenditures, outspending Department Stores, the second biggest spender by more than three to one. Communications/Cellular continues to emerge as a leading category and this month is easily the third largest advertiser, taking over a position frequently held by the Restaurants category.

Radio continues to do well among certain categories such as Communications/Cellular at 25.8%, Grocery Stores at 28.7%, Computers/Office Equipment at 29.0%, Health Care at 26.9%, Auto Parts/Service at 33.5%, Music Stores/CDs/Videos at 31.2%, and Entertainment-Other/Lottery at 43.2%. Even without TV sweeps, radio also gets a hefty 44.5% of Television advertising.

It was also a strong month for radio in the Restaurant category, but TV really dominated with 75.9% of the dollars. TV also pulled in 72.3% of Food advertising expenditures, 53.1% of Health Care, and 56.3% of Beverages, another strong category for radio.

Newspapers dominated the usual categories strong for the medium such as Department Stores at 70.8%, Automotive at 43.4%, Furniture at 45.9%, Financial Services at 44.8%, and Appliances & Electronics at 55.9%. In keeping with the season, newspapers also scored a 71.2% of the Hotels/Resorts/Tours category. ♦

by Katy Bachman

MBR/Miller Kaplan Total Media Index - June 1998
(Expenditures in \$000)

Category	Newspaper	TV	Radio	Total Media	Radio % of Total
Automotive	83,400	88,388	20,532	192,320	10.7%
Restaurants	1,586	33,205	8,971	43,762	20.5%
Department Stores	43,188	11,524	6,262	60,974	10.3%
Foods	1,262	23,029	7,559	31,850	23.7%
Communications/Cellular	17,865	18,388	12,631	48,884	25.8%
Furniture	12,728	11,579	3,405	27,712	12.3%
Financial Services	14,705	10,442	7,709	32,856	23.5%
Movies/Theater/Concerts	7,384	9,239	3,999	20,622	19.4%
Grocery Stores	8,318	5,958	5,459	19,735	27.7%
Appliances & Electronics	12,218	6,199	3,448	21,865	15.8%
Hotels/Resorts/Tours	14,839	3,834	2,167	20,840	10.4%
Drug Stores/Products	4,430	6,738	2,780	13,948	19.9%
Computers/Office Equipment	10,980	2,358	5,444	18,782	29.0%
Specialty Retail	11,402	11,005	6,760	29,167	23.2%
Health Care	2,878	7,651	3,878	14,407	26.9%
Auto Parts/Service	3,359	5,882	4,659	13,900	33.5%
Music Stores/CDs/Videos	1,787	4,952	3,052	9,791	31.2%
Transportation	4,787	2,082	1,492	8,361	17.8%
Entertainment-Other/Lottery	1,484	3,640	3,892	9,016	43.2%
Home Improvement	7,979	6,334	2,425	16,738	14.5%
Professional Services	6,589	7,286	3,518	17,393	20.2%
Beverages	452	13,943	10,389	24,784	41.9%
Television	2,493	2,592	4,080	9,165	44.5%
Personal Fitness & Weight Centers	386	1,981	511	2,878	17.8%
Publications	5,425	1,500	1,170	8,095	14.5%
TOTAL	281,924	299,729	136,192	717,845	19.0%

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

National Spot Radio Leads the Media Pack

by Katy Bachman

Step aside cable. Here comes national spot radio, which has overtaken Cable TV Networks with an outstanding 18.9% growth at mid-year, besting all other media, according to Competitive Media Reporting (see table, at right). Outdoor is also pacing well, up 16.2% compared to last year.

It's not all good news for radio, though. Network Radio is down 1.6%.

Even with radio's growth, network and national spot still only make up 3.5% of the total national media expenditures.

Competing Media Ad Expenditures (\$000)

	Jan-Jun '97	Jan-Jun '98	% chg
National Spot Radio	768,814.3	914,461.3	18.9%
Network Radio	428,007.4	421,297.8	-1.6%
Cable TV Networks	2,752,402.9	3,139,694.4	14.1%
Syndicated Television	1,186,844.4	1,314,391.1	10.7%
Spot Television	6,663,364.0	7,284,162.7	9.3%
Network Television	7,479,715.3	8,261,908.9	10.5%
Outdoor	694,415.8	806,938.2	16.2%
National Newspapers	780,811.5	859,692.4	10.1%
Newspapers	7,514,858.1	8,083,645.9	7.6%
Sunday Magazines	501,342.3	505,798.6	0.9%
Magazines	5,951,985.1	6,504,484.8	9.3%
Total	34,722,561.1	38,096,476.1	9.7%

Radio's Top Advertisers at Mid-Year

Network radio

The top 25 advertisers in network radio have a significant impact on the health of the network radio ad segment. The top 25 account for 52% of the dollars and the top 10 for nearly 30%.

Total dollars may be flat, but Warner-Lambert Co., the #1 advertiser at mid-year is spending 28% more than the #1 advertiser at this time last year, Sears Roebuck & Co. So far, Sears, one of network radio's mainstay advertisers, is spending 50% less this year.

Chattem, (Gold Bond Medicated Powder), the #2 network advertiser at mid-year, has upped its spending by 125%. The #3 network advertiser, Reading Genius Home Study, has also increased its spending by 64%.

While some significant advertisers such as Procter & Gamble and AT&T have exited the top 25, other advertisers of note have taken their place such as Barnes & Noble, Vlassic Foods, JC Penney, Morgan Stanley Dean Witter, and Dow Jones Inc.

National spot radio

National spot is going gangbusters with the top 25 advertisers, representing 29.4% of the total dollars, spending 25.5% more at mid-year.

MCI Communications continues to be national spot radio's biggest advertiser. So far, MCI has upped its expenditures by 28%. In fact, all top 10 national advertisers have upped their spending compared to the same period last year.

Top 10 Network Spot Radio Advertisers Jan-Jun 1998

Rank	Companies	\$(000)
1	Warner-Lambert Co.	21,920.8
2	Chattem Inc.	21,233.9
3	Reading Genius Home Study	20,020.0
4	Barnes & Noble Inc.	12,698.3
5	Telecard Investments	9,151.1
6	Sears Roebuck & Co.	8,477.4
7	Vlassic Foods Intl.	8,333.0
8	American Home Products	8,133.5
9	Himmel Nutrition LLC	7,609.9
10	William Wrigley Jr. Co.	7,592.0

Top 10 National Spot Radio Advertisers Jan-Jun 1998

Rank	Companies	\$(000)
1	MCI Communications Corp.	23,843.0
2	SBC Communications Inc.	16,740.2
3	News Corp. Ltd.	14,317.8
4	Chrysler Corp. Dealer Assn.	13,908.0
5	General Motors Corp.	13,804.2
6	National Amusements Inc.	13,419.9
7	AT&T Corp.	13,127.1
8	GTE Corp.	13,083.3
9	Political issues	12,156.0
10	Diageo PLC	11,707.7



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Inventory Overload?

by Katy Bachman

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Radio inventory loads are increasing—a lot. Everyone in radio knows about it, yet few are willing to talk about it and almost nobody will go on the record about it. Whether or not stations should increase commercial units, and how much, is the subject of great controversy. Some say it's necessary to increase revenue (you can only drive rates so high, they say); others say it's dangerous, and liable to backfire in the long term.

It's well known that Chancellor Media (O:AMFM) added one minute of inventory an hour to accommodate its AMFM Radio Networks. It's also well known that most CBS stations (N:CBS) have been increasing inventory loads at the behest of CBS President Mel Karmazin.

"The word is out. Don't leave money on the table," said one GM. "We're selling timechecks, weather, traffic, anything that moves."

"With groups trying to pare down debt load from acquisitions, the orders from the top are to increase loads to meet demand," said another GM.

Across the country, general managers confirm that many FM stations in top markets are carrying loads well above the traditional norm of eight to 12 minutes.

- Los Angeles FMs are averaging 15-16 minutes/hour with some stations hitting 18 minutes/hour.

- In Chicago, where demand is at an all time high, FMs are averaging 16 units; some stations have gone as high as 22 units.

- Many New York FMs are at 14 minutes, and jump to 16 minutes for morning drive.

- In San Francisco, Jacor (O:JCOR) and Chancellor are adding units, reportedly 18 in AM drive and 16 in other dayparts, while Bonneville is sticking to 12.

AMs, tending towards Talk, News and Sports formats, can carry even higher commercial loads, some in the low 20s, and many at 18 minutes/hour.

The result is there is about 50% more inventory available to advertisers, and by the looks of the RBR/Miller Kaplan forward pacing report, inventory is moving. Revenues are up 11% YTD and up 13% in July (see Stats, p. 3).

That's the good news, say those in favor of increasing inventory. For one thing, TV spot loads are up (prime time is at 15:19 and daytime at 19:50 according to a recent ANA/AAAA study).

On the other hand, TV ratings are down. Radio could be setting itself up for a similar fall, particularly if the increased number of commercials drives listeners away and decreasing ratings take unit rates with them. Early indications are that APRs are down, according to a soon to be released Duncan's American Radio study. Not to mention advertisers such as Procter & Gamble's Robert Wehling, who already perceives too much clutter on radio (RBR 4/6, p. 6).

"When you allow or force managers to increase spot loads, you're taking the pressure off of them to manage the inventory," said Herb McCord of Granum Communications. "If you hit your numbers by increasing units, you're not working to get the average unit rates up."

.....

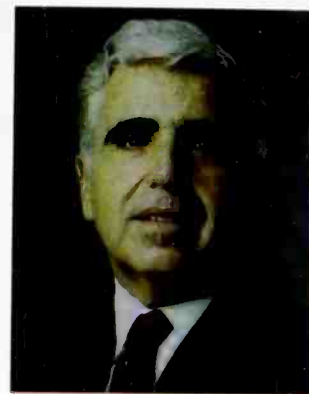
Word on the street is that CBS President Mel Karmazin is a strong proponent of increasing station inventory.

.....

That's the approach Jacor claims it is taking, said David Crowl, president/radio. "We don't believe [increasing spot loads] is the answer to grow revenue at the risk of hurting the product."

Most agree there's a limit to what makes sense, referring to the classic battle between programming and sales. "Today's unit loads are 12-13 units, and I think we can go higher than that. But when a station gets above 15 units/hour, I do start to feel guilty," said Dan Mason, president, CBS Radio.

RBR observation: No one wants to go back to the 80s when PDs were pushing inventory loads down to 6 minutes/hour, but now the pendulum has swung the other way under tremendous pressure from corporate offices. Radio's best strategy may be to put pressure on the inventory and grow demand, rather than selling more radio at the cheap rates radio has always bemoaned. ♦



CBS President
Mel Karmazin

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What's for Launch? Format Chefs Dish Up New Radio

by Carl Marcucci

As groups continue to gobble up "mom & pop" stations, some industry observers say formatic homogenization has overtaken the dial. From coast to coast, critics fear the bottom line dictates fewer programming risks.

"The demands are revenue and cash flow. Right now, companies are developing asset value and trying to figure out how to run these clusters. After that, maybe we will see more experimenting," said Ed Shane, president, Shane Media Services.

Experimental formats usually begin with a daring operator, a marginal signal and low ratings. These brave men and women blow up a format and cater to a small, loyal market niche with a lifestyle sell. However, sometimes it gets much bigger than that and catches on with a broader audience.

MBR took a look into a few format experiments at the station and network level that have paid off. Not necessarily new now, they still maintain a unique style with only slight resemblances to other stations. One thing they all have in common: they were big risks at inception.

Vox Populi

Talk about hitting a niche—Whitney Radio's WVOX-AM and WRTN-FM New Rochelle, NY broadcast from the heart of the Eastern Establishment, an area aptly named "The Golden Apple." WRTN could be classified as upper crust radio with its "Country Club" format. However, GM William O'Shaughnessy mixes the schedules of both stations with a montage of block-programmed

community voices and ethnic programming.

O'Shaughnessy believes radio achieves its highest calling "when it resembles a platform and a forum for the expression of many different viewpoints."

The focus, especially for WVOX, is just that with 93 different programs aired per week. It's an open mic with no delay for programs in ten languages and voices of counselors, lawyers, businessmen, reli-

gious leaders, teens, minorities, women, law enforcement officials, soap box editorials, civic happenings, gardeners, and whoever else wants to be on the radio for \$600 and up an hour.

"Anything goes" has been O'Shaughnessy's philosophy since he acquired the stations in 1974 (he worked there since '68). "A lot of your readers go to work each morning to preside over juke boxes. They search for that one magic format that they can run up and down the clock which will capture a few ratings points and thus X number of dollars. A radio station can be a reflection of the community. It can be a podium and a platform that can make a community stronger or sweeter or simply nothing more exotic than to get people to think."

While much of sister WRTN's programming is bought at \$1,200 an hour and up, the Country Club Sound, a.k.a. "Society Music," caters directly to the affluent ears of Scarsdale, Bronxville, White Plains, Larchmont, and other well-heeled addresses (including Fairfield County, CT) weekdays from 6A to 10P. "I'm not the first guy who put nostalgia on the radio and tried and make a buck with it. But we are the first to class it up," says O'Shaughnessy.

Country Club is packaged with a personal and intimate style, locally programmed with a mix of Swing, Broadway musicals, cabaret singers, big bands, crooners, Jazz and carefully selected hits from the '30's to 70's—High Society's version of Adult Standards.

O'Shaughnessy is not worried about low ratings, with WRTN posting only a 0.3 P12+ share in Spring. Both stations have limited coverage of the New York metro, and where they have the best coverage, he says listeners won't be bothered with diaries. "There's a million people in Westchester County. They dump about 400 diaries here. You can't expect any of these people—such as Wellington Mara [the owner of the NY Giants]—to fill out a diary."

Nevertheless, WRTN's lifestyle sell brings in the advertisers—The Wingfoot Country Club (which broadcasts tournaments, including the PGA tour), The American Yacht Club, The Waldorf Hotel (where O'Shaughnessy and his wife Nancy emcee charity dinners), Le Circ 2000, Club 21 (RBR 5/4, p. 11) and The Carlyle Hotel. It's not about sending a sales staff to cultivate these relationships. "You have to live it," says O'Shaughnessy.

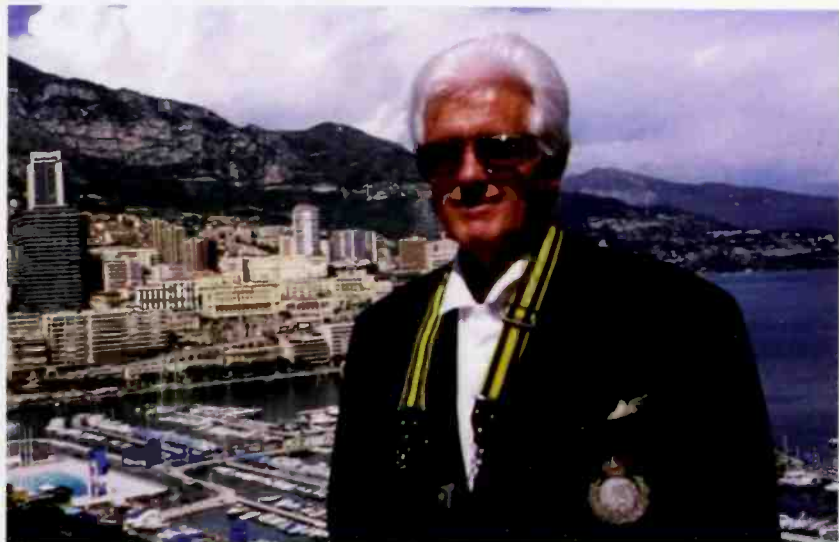
Putting his money where his mouth is, after the society sounds are done weekdays at 10P, and on weekends, O'Shaughnessy's WRTN goes right into Reggae. What a segue. Most of the Reggae was previously purchased time on WNWK-FM, before Hefel bought it (RBR 12/8/97, p. 12). "We make it easy for people—we encourage independent producers, we have a beautiful modern studio. There's a funny thing about these ethnic, multicultural producers—their money is green."

Still, it's not just about money. "If a guy can afford it, we charge him. If not, we show him how to raise support for the show. We have a lot of people on the air who have something to say, so we provide the podium and the platform."

The Jersey Station

In a few instances, experimental formats have arisen from having a big signal. Press Communications' "New Jersey 101.5" (WKXW-FM Trenton) is one well-known, personality-driven example. Consulted by Hot Talk guru Walter Sabo and managed by John Dzuiba, this station reaches most of the state, with some reception holes (Atlantic City, Cape May) filled in by a simulcast from WBSS-FM Millville.

It's all about Jersey—live Jersey talk show hosts, news at the top of the hour, traffic every 15 minutes, weather every 10 and a 10-person news department that focuses on, you guessed it—Jersey. The station even employs a full-time meteorologist.



O'Shaughnessy, in all his glory, strikes a pose in Monte Carlo. From years of airing his own editorials, he is launching (Spring '99) *AirWAVES*, a book highlighting those editorials and quotable quotes on his radio career by everyone from Nelson Rockefeller to NY Governor George Pataki to Howard Stern.

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"Here we have a young-skewing FM News/Talk station, and its format is New Jersey. Center City Philadelphia to midtown Manhattan you'll never lose that signal. We've got a signal that covers the state—we thought, why don't we, like, *be* the Jersey station?," said Sabo. Like most talk stations Sabo consults, weekends are music-based. WKXW plays Oldies, but keeps the same news, traffic, and weather coverage.

"People in the state were hungry for an identity that they never before had the opportunity to latch on to. NY and Philadelphia stations, by their very nature, typically ignored New Jersey. There's also been this north-south polarization where people in, say, Morristown were never able to talk, much less listen to people down in Marlton. We brought all that together in one fell swoop," said Bob McAllan, president, Press Communications.

Talk topics are things that would annoy you or please you on a daily basis from living in the state—tolls, auto insurance, property taxes, trouble at the kids' schools, the horrors of dealing with Newark Airport. Says Sabo: "It is topic and caller-driven. At the beginning of each hour, they announce the topic—it has a tight 'playlist.' By determining the topics and not having open phones, you target who you want to reach, just like a music station."

Blowing up AC in March 1990, WKXW grossed \$1M its first year, cuming with 150,000 listeners. "Today, it's grossing more than WRKO-AM Boston [\$8.9M '97] and WNEW-FM NY [\$13.2M

'97]—and typically cumes 750-800,000," says Sabo.

"It certainly outbills any other station that is located in the state of New Jersey, excepting WPAT-FM and WHZ-FM, which are basically NY," says McAllan.

A marriage of convenience, McAllan also simulcasts the station's morning show with video over Comcast Cable's "CN8" New Jersey access channel to 1.25M cable households in the state.

Rock en Español

Believe it or not, there is only one station in America programming "Rock en Español," Spanish-language Rock & Roll. Taking a chance, EXCL's KSSE-FM Riverside, CA launched "Super Estrella" (Superstar), a mix of Rock en Español and Spanish Pop, April 14, '97 and saw ratings double among the 18-34 demo—from 1.4 in Spring to 2.8 in Summer. KSSE does even better in the Riverside book, but is listed below the line after a transmitter upgrade to cover 72% of LA.

"The mix we had of Pop Rock/Ballad and Rock en Español was unique and never done. We did audience testing and scored so high that the company that did our testing said in 13 years, the only other station that did so well was WKTU-FM NY," said David Haymore, GM, KSSE.

KSSE is listed as CHR/Pop—Haymore didn't want it to be pigeon-holed as Rock en Español for fear the format label would hamper the station's potential to grow listener share and gain more advertisers.



Over 6,000 KSSE fans enjoyed the first annual "Reventon Super Estrella," a six hour concert at Hollywood's Universal Amphitheatre 8/1.

Rock en Español, while popular in Mexico, Argentina, Chile and Brazil is just starting to catch on here. Most US Spanish stations have great success with everything but Rock en Español—Romantica, Ballads, Tejano, Regional Mexican, Tropical and Salsa—so there is little incentive to switch. These formats primarily target audiences older than the younger demos Rock en Español would appeal to. "People who like Rock in this country, generally late teens, early 20s, follow the peer group, and the peer group influence does not favor Spanish language music. They go with the mainstream, what they've seen on MTV or the English Rock stations," said David Gleason, PD, Heftel's (O:HBBCA) KTNQ-AM LA.

When Haymore came in to launch the new station (previously Embarcadero Media's KVAR), he found a rare opportunity—a new GM's dream—existed in the market. "There was a station, KRTO-FM that was becoming known as the Rock en Español station. They started catering to what at that time was known as the vocal

minority—enthusiastic people who liked Rock en Español. They called radio stations and sent faxes. At the time it was largely unfamiliar in this market, but it was gaining market share," said Haymore.

Rumor had it KRTO was soon to be bought by Cox for simulcasting KACE-FM LA (Urban). "We took advantage of that. We tested our format against [Heftel's] perennial ratings leader KLVE-FM (Romantica) and against KRTO and scored very high in both cases. We knew we had a mass appeal market opportunity, so I bought commercials on KRTO every minute 24 hours a day for a week straight, alternating a four minute infomercial with a one minute commercial inviting their listener base to immediately tune to 97.5 FM, our station. I literally stole their listenership from week one."

Haymore's "experiment" may be the shape of things to come. Rock en Español artists like La Ley, Cafe Tacuba, Shakira, Fey, Nek, Moenia, Enrique, Cristian and Alejandra Guzman are just waiting for more radio exposure to reach youth audiences.

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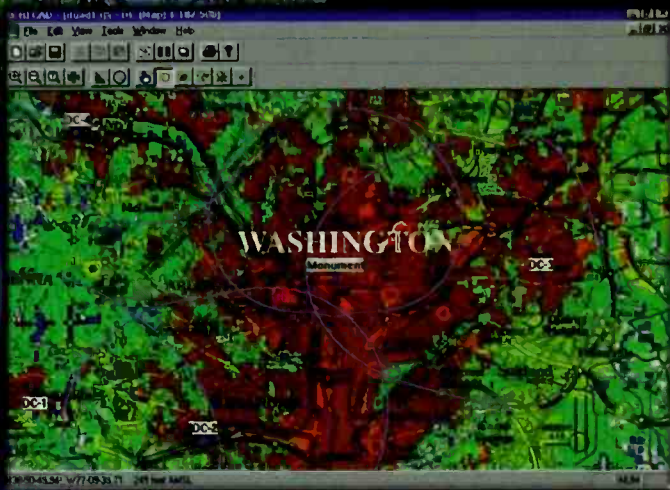
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"Mana," almost a Spanish equivalent to Bon Jovi, is already getting airplay on stations across the country, including KLVE. "Everybody's been programming to the way the market's been, nobody's really caught fire to where the market's going to be. You really have to look down south of the border to recognize what's happening. The youth of Mexico are driving and changing

the country, not only politically and socially, but musically. That is bound to come up here with our youth audience," said Haymore. "There are a few people who are willing and capable to determine that the wave is forming. They get out there and get it as it takes off. Other people sit on the shore and wait until they see that something is breaking." ♦



Always planning ahead, Walter Sabo assures Bill Clinton there's life after the White House: a daily radio slot in New Jersey awaits him.

And, Next On The Talk Horizon

Walter Sabo, often credited for successful innovations (he launched the AC format in 1978 and has had amazing success with FM Talk at WTKS-FM Orlando), believes the next thing will be "Targeted Talk."

"Up to now, the Talk stations that have been successful, the WGNs, the KDKAs, were because they've been the only ones. Now we're entering a moment in time where there are going to be different flavors of Talk, just as there are different flavors of music. A Talk station for teens, one for 18-24, one for 35-64, etc... A different playlist of things to talk about for each audience. If I'm running an FM, the last thing I want to suffer is the horror of being the third Country or the fourth AC or the second CHR with a nine or 10 unit load when I can be Talk on FM, and get the same demos," said Sabo.

Below, some examples of targeting Talk (and News):

All Traffic, All the Time

What better place to launch an All-Traffic format than LA? Mount Wilson FM Broadcasters' "K-traffic," KKTR-AM Costa Mesa, with a 10kw signal in the expanded band, does 15 three-minute traffic reports an hour. This station, launched June 1, has no news and no weather, but covers 700 miles of freeways in four counties using Jacor's Airwatch America.

With no Summer ratings book to sell ads against, GM Saul Levine has been driving awareness with non-stop newspaper ads. Local and regional buys are supporting the format with 15 inventory spots an hour. "Advertiser appeal is varied. Obviously, the station reaches a broad spectrum of people who drive, so we've gotten buys like mattresses and McDonald's, amusement parks and automotive," he said.

Triangle Broadcasting Taps the Untapped

The first gay and lesbian radio network, Triangle Broadcasting (O:GAAY) began syndication last

October and went public in April (RBR 4/6, p. 16). Offering 24 hour programming via satellite, Triangle targets the upscale gay community with 15 hours of live original programming five days a week. The roundup: "Good Morning Gay America," 7-9A PT; "The Other Side with Max Craig," positioned as the gay Rush Limbaugh, 9A-noon; "Karel and Company," a music/interview show, Noon-2P PT; "R syde," a gay youth show hosted by teens and a school counselor, 2-3P and 8-9P ET; "John O'Neil's Camp Radio," 3-6P PT and "Both Sides Now," 6-8P PT.

Triangle, aired on KNTB-AM, KRBO-AM Seattle/Tacoma, expects to be in five new markets by November 15 and in others which have been recommended by national advertisers for having large gay and lesbian populations.

VP Kellett Tighe says advertisers are more and more targeting the gay community. "One thing I stress to advertisers is gay people don't buy gay toothpaste. We are a huge, untapped market. Gays are very loyal to the product that supports them." Virgin Cola, marketed by Richard Branson, is one recent new advertiser.

Triangle recently switched over to another satellite company, which Tighe claims will allow more affiliates to sign up. "We have gone with Orbit 7, a new satellite company, so we can reach Canada to the equator, Block Island to Hawaii. With Satcom 5, we had to send potential affiliates \$2500 decoders to even hear us."

Home & Garden Radio Network Digs Deep Target

Tapping into the \$587B yearly home & garden industry, Scripps' HG Radio Network, produced in conjunction with its Home & Garden cable TV network, launched 4/26.

"Real Estate USA" airs to 37 affiliates Sundays 10A-Noon ET and "The Furniture Guys," launched in late June, airs Noon-2P ET Saturdays to 20 affiliates. VP/GM Rick Starr says

another launch is due October or November on the topic of gardening.

Almost all sales efforts are carried by the TV network side, where big advertisers like Loew's and True Value place simultaneous buys on both media. Chicago-based Media AdVentures, which co-produces Real Estate USA, handles radio clearances.

Shows are cross-promoted and can be heard on the HGTV Web site (www.hgtv.com) streaming over RealAudio. Video streaming for the TV network is currently in the testing phase.

Radio Voyager Network Ties Advertisers with Causes

A new concept in radio debuted last month which could up new avenues for advertisers. Ithaca, NY-based Fingerlakes Productions International offers the 24-hour "Radio Voyager Network" (RBR 8/3, p. 9) to commercial and non-comm. stations throughout North America and Europe with one-minute environmental, educational, health, racial, democratic and other vignettes mixed into popular American music.

The vignettes, aired four times each hour and sold as feature packages, are produced in conjunction with a variety of Universities and organizations and sponsored by companies targeting listeners who place a high priority on certain topics and causes and will more likely buy a product that is directly associated with it. An agreement with UPI provides news at the top of the hour.

Affiliates have 12 minutes of inventory per hour for local sales and information, and will have assistance from the network in selling the product. "We will become an effective partner in the markets we serve in helping them sell this thing. We're partnering with some of the best civic and educational organizations that have tentacles that reach into all of the markets of this country," said Paul Bartishevich, President. ♦

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Radio Business Report, Inc.

15 Years

December 1998



MBR Stats

Radio's rocket was shooting higher in September and stocks got a boost in October.

Page 3

News in Review

Clutter concerns continue, Seagram wants to show radio its money, Kagan confab sees price decline and Mr. Walden goes to Washington.



Page 8

Programming & Positioning

Radio raunch debated. Are stations going too far, or just reflecting the changing society around them?



Page 18

Out with the old: 1998 was marked by a hamstrung FCC, a "do-nothing" Congress, Wall Street turmoil and a slow-down in station trading. Take heart though, there were also new radio networks and IBOC moved closer to reality.



Feature
Page 12

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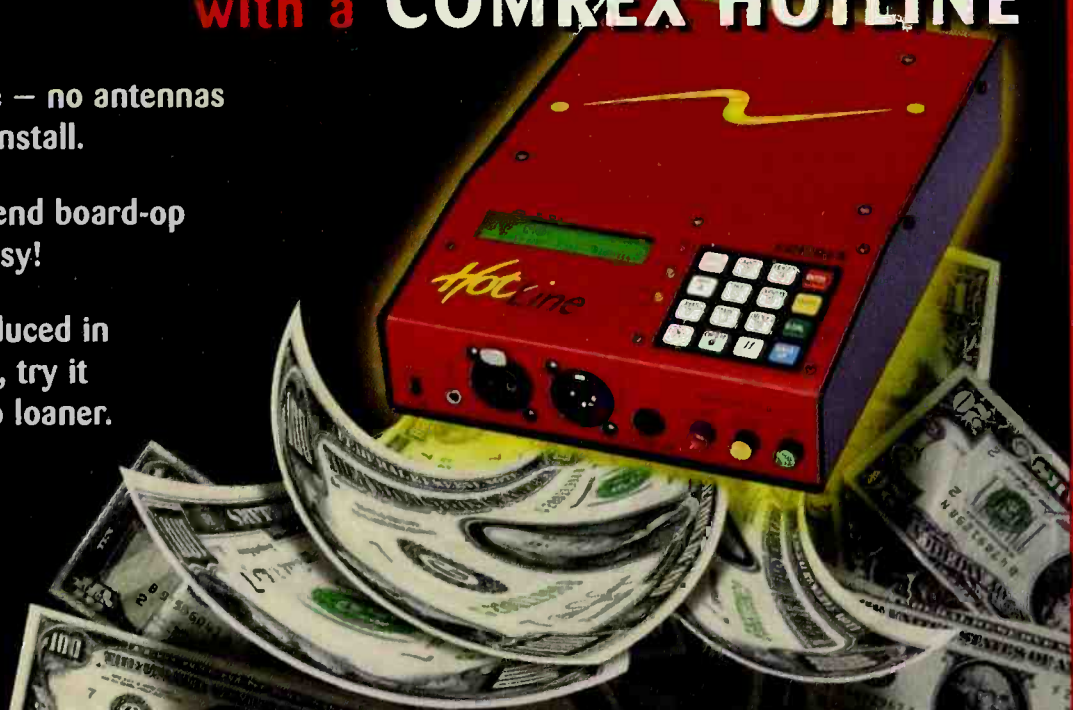
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Radio steamrolls into Q4

After a somewhat lackluster month of August, radio revenues came storming back in September, particularly in the all-important local category. Gains over 1997 came in at 15% for the month, which, combined with a 16% surplus in national business, made for a 15% overall gain.

YTD, radio is 11% ahead of 1997's record-setting pace. 11% represents the very high end of the totals predicted by radio's crystal ball gazers earlier in the year, so the industry can be said to be outperforming most of them. If radio can pick up another percent in Q4, it will have beaten virtually all of them.

Duopoly station trading remains at its slowest pace since Telcom was signed into law. Part of this stems from Wall Street concerns, including the rough last few months, but it is also partly because the consolidated ownership battle lines have been drawn in a large number of markets. 48.4% of stations in Arbitron-rated markets are now part of a superduopoly operation. —**Dave Seyler**

Radio Revenue Index

Double digit gains return in September

August is a time to relax, take a vacation. As far as radio revenues go, it was the first month in a while which did not see double digit gains. The gains came roaring back in September, which bested September of the previous year by a robust 15%. Local gains were right at that level, with national coming in one percent higher.

The Southeast came close to leading the way in both categories. Its 26% gain in national business was 6% better than runner-up East, while its 17% surge in local business was only one behind the 18% gain enjoyed by the West. The Midwest, on the other hand, came in last in both categories (12% local/10% national), but we would say that any time you can come in last and still register double-digit gains, you have nothing to complain about.

Sept. 1998	Local	National
All markets	15%	16%
East	14%	20%
Southeast	17%	26%
Midwest	12%	10%
Southwest	15%	15%
West	18%	12%

Local & Nat'l revenue September 1998
All markets 15%

Jan.-Sept. 1998	Local	National
All markets	10%	15%
East	9%	14%
Southeast	9%	19%
Midwest	9%	15%
Southwest	12%	12%
West	12%	15%

Local & Nat'l revenue Jan.-Sept. 1998
All markets 11%

Forward Pacing Report

At the bitter end, 1998 pacing lags behind last year

Despite the fact that 1997 was far and away a revenue record breaker, 1998 has been pacing consistently well ahead of it. While it is clear already that 1998 will indeed be the new revenue champ, the pace of advance sales has finally begun to come down to earth. Notice that, so far, few advertisers are committing much to Q1 1999.



Superduopoly Dimensions

Industry consolidation (as of November 19, 1998)

Superduopoly: 48.4%

Market	# of stns	percent
1 to 50	761	52.3
51 to 100	542	50.6
101 to 150	381	46.7
151 to 200	362	43.8
201 to 261	364	44.7
All markets	2,410	48.4

Total Industry: 72.1%

Market	# of stns	percent
1 to 50	1,114	76.6
51 to 100	784	73.2
101 to 150	553	67.8
151 to 200	577	69.9
201 to 261	5563	69.1
All markets	3,591	72.1

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

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YTD Stock Performance

A second, somewhat unexpected, interest rate cut by the Federal Reserve Board helped boost investor confidence and send stock prices higher. Among broadcast stocks, a clear trend was emerging of investor preference for established, well-capitalized companies, rather than newer companies with greater debt leverage.

Company	10/30/98 Close	YTD Gain/Loss	Pct. Gain/Loss
Ackerley	20.188	3.250	19.19%
Alliance Bcg.	0.875	0.625	250.00%
Am. Tower	21.875	12.562	134.89%
AMSC	4.031	-2.969	-42.41%
Belo Corp.	17.875	-10.188	-36.30%
Big City Radio	4.875	-3.250	-40.00%
Broadcast.com	49.875	31.875	177.08%
Capstar	17.375	-1.625	-8.55%
CBS Corp.	28.000	-1.438	-4.88%
CD Radio	30.375	13.438	79.34%
Ceridian	57.375	11.563	25.24%
Chancellor	38.375	1.063	2.85%
Childrens Bcg.	3.094	-0.968	-23.84%
Citadel	20.500	4.500	28.13%
Clear Channel	46.000	6.281	15.81%
Cox Radio	37.438	-2.813	-6.99%
Crown Castle	12.875	-0.125	-0.96%
Cumulus	10.500	-3.500	-25.00%
DG Systems	2.656	0.156	6.25%
Disney	26.938	-6.063	-18.37%
Emmis	32.750	-12.875	-28.22%
Fisher	67.500	7.500	12.50%
Gaylord	26.500	-5.438	-17.03%
Granite	5.125	-3.937	-43.45%
Harris Corp.	35.063	-10.813	-23.57%
Hefel Bcg.	41.125	-5.625	-12.03%
Jacor	55.000	1.875	3.53%
Jeff-Pilot	60.750	8.833	17.01%
Jones Intercable	28.625	11.188	64.16%
Metro Networks	36.625	3.875	11.83%
NBG Radio Networks	1.312	0.645	96.80%
New York Times	28.250	-4.813	-14.56%
News Comm.	0.438	-1.000	-69.55%
OmniAmerica	19.875	7.125	55.88%
Otter Tail Power	38.750	0.875	2.31%
Pacific R&E	1.250	-2.125	-62.96%
Pulitzer	79.000	16.188	25.77%
RealNetworks	33.688	19.813	142.79%
Regent Pfd.	5.125	-0.875	-14.58%
Saga Commun.	18.000	1.000	5.88%
Sinclair	13.000	-10.313	-44.24%
SportsLine USA	14.063	3.313	30.81%
TM Century	0.437	-0.188	-30.08%
Triangle	0.035	-0.590	-94.40%
Triathlon	10.813	0.313	2.98%
Tribune	57.625	-4.625	-7.43%
Westower	21.250	9.500	80.85%
Westwood One	18.000	-19.125	-51.52%
WinStar Comm.	27.000	2.063	8.27%

Major Stock Market Indices

The Radio Index™	98.490	-1.510	-1.51%
Dow Industrials	8592.100	683.850	8.65%
Nasdaq comp.	1771.390	201.020	12.80%
S&P 500	1098.670	128.240	13.21%



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MBR Stats

Web Stats

Webcasters by Format

(as of November 5, 1998)

936 radio stations (809 commercial) are now putting audio on the Internet. Country remains the number one commercial format on the web with a total of 94 stations. However, if the various News, Talk and Sports categories are combined, they account for 153 stations, or 18.9% of all commercial webcasters.

The majority of new audio webcasters signed up with RealPlayer for streaming services, but MS MediaPlayer must have considered it to be a very good month, picking up a third of the new business and registering a healthy gain in market share.

Formats on the Internet

Format	Stns	Pct.
Non-commercial	127	13.6%
Country	94	10.6%
Religion	69	7.4%
CHR	68	7.3%
Rock	66	7.1%
News/Talk	62	6.6%
Hot AC	45	4.8%
AC	42	4.5%
Classic Rock	41	4.4%
Oldies	41	4.4%
Talk	39	4.2%
Sports	38	4.1%
Alternative	37	4.0%
Adult Altern	31	3.3%
Soft AC	23	2.5%
New AC-Jazz	18	1.9%
Urban	17	1.8%
Ethnic	15	1.6%
Standards	15	1.6%
News	14	1.5%
Classical	10	1.1%
AC-Spanish	8	0.9%
Talk-Spanish	4	0.4%

Formats on the Internet

Format	Stns	Pct.
CHR-Spanish	4	0.4%
70's Oldies	2	0.2%
Easy List.	1	0.1%

Audio on the Internet

Medium	Websites	Pct.
Radio Stations	936	52.5%
International	667	37.4%
Networks	47	2.6%
Internet Only	134	7.5%
TOTAL	1784	100.0%

Streaming Players

Player	Stns	Pct.
RealPlayer	1,558	87.3%
MS MediaPlayer	175	9.8%
StreamWorks	39	2.2%
AudioActive	7	0.4%
Radio Destiny	5	0.3%
Interflix	1	0.1%
GTS Audio	1	0.1%
Vosaic	1	0.1%
TOTAL	1,784	100.0%

Source: BRS Consultants

Top groups in the top five markets by listeners

Thirteen groups command a half-million or more listeners in the top five Arbitron markets (New York, Los Angeles, Chicago, San Francisco and Philadelphia).

The combined shares of these groups account for 72.6% of total listenership aged 12 and above in the five markets. By far the biggest groups are CBS and Chancellor. CBS boasts over 8M listeners, or 19.7%, and Chancellor is not far behind with 7.7M/19.0%. ABC, Emmis and Heftel round out the top five groups, coming in with between 2.2M-2.5M listeners each. The chart below shows the groups, the number of markets they are in, their number of AMs, FMs and total stations, the number of listeners their 12+ shares translate into and their share of the combined population of the top five markets.

Rank	Owner	Mkts	AMs	FMs	Stns	Listeners	Share
1	CBS	5	15	19	34	8,038,361	19.7
2	Chancellor	5	5	24	29	7,720,164	19.0
3	ABC	4	10	3	13	2,476,388	6.1
4	Emmis	3	0	5	5	2,384,483	5.9
5	Heftel	4	5	5	10	2,217,846	5.4
6	SBS	3	0	4	4	1,760,142	4.3
7	Bonneville	3	1	7	8	1,274,476	3.1
8	Cox	1	1	3	4	843,277	2.1
9	Inner City	2	2	2	4	701,702	1.7
10	NY Times	1	1	1	2	626,406	1.5
11	Greater Media	1	1	3	4	541,722	1.3
12	Clear Channel	1	2	4	6	525,808	1.3
13	Susquehanna	1	2	3	5	501,419	1.2
Total			45	83	128	29,612,194	72.6

Source: Arbitron, Source Guide database

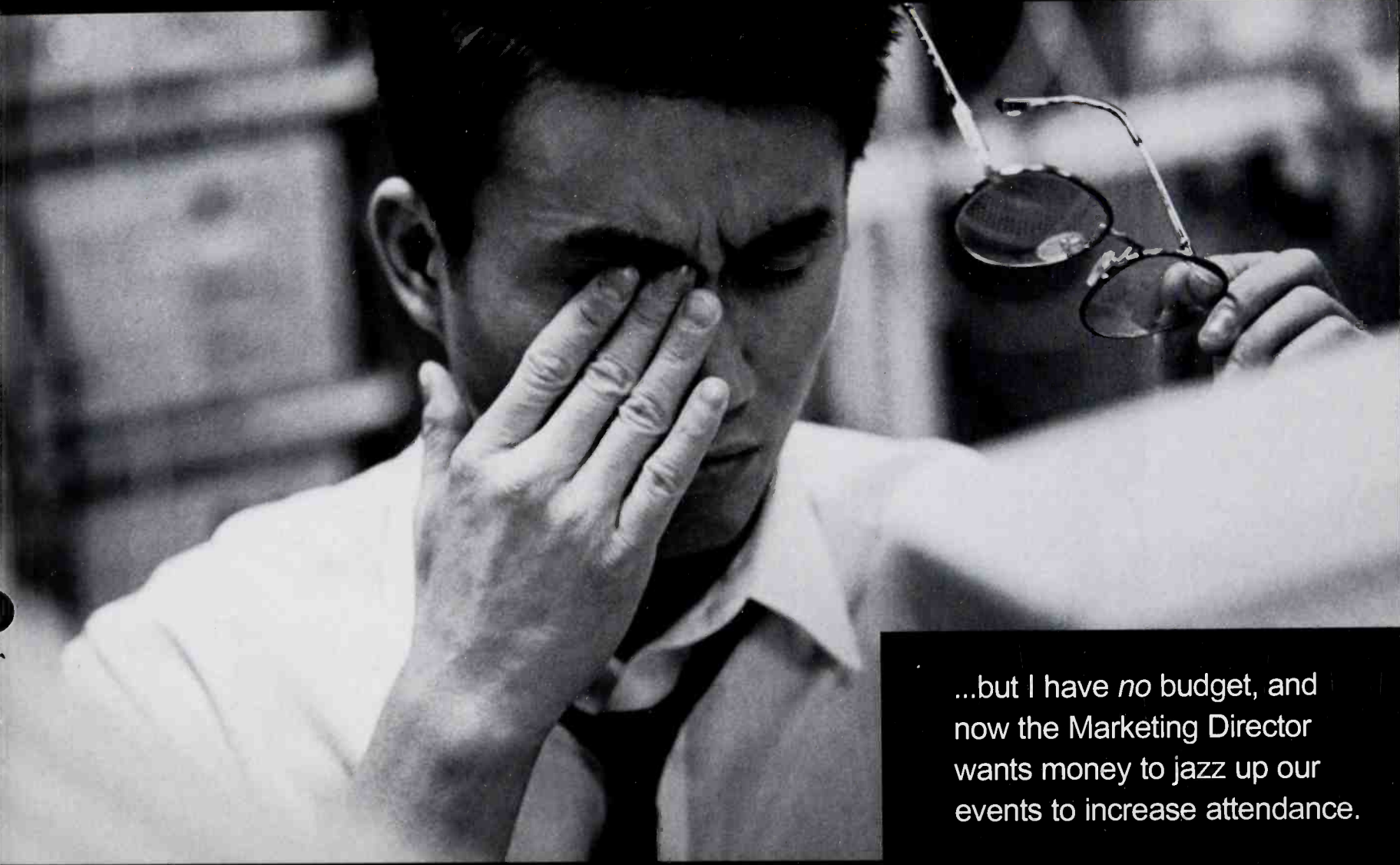
Non-Traditional Revenue Track

% of Vendor/New Business by Category (October 1998)

	April	May	June	July	Aug	Sept	Oct	YTD
Automotive	14.25	14.79	19.34	12.18	8.05	13.45	9.84	15.68
Food/Grocery	26.84	35.10	33.11	37.16	33.85	39.09	45.23	33.31
Leisure/Electronic	22.25	18.16	25.27	29.87	22.94	25.73	17.80	21.91
H&BC	13.59	7.90	7.65	11.82	13.50	7.06	13.39	9.33
Home Improvement	13.31	11.25	5.24	3.19	8.03	3.27	3.89	8.40
Office	6.35	8.78	4.83	5.21	12.74	11.40	8.66	8.91
Clothing	3.41	4.03	4.56	0.57	0.89	0.00	1.19	2.46

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

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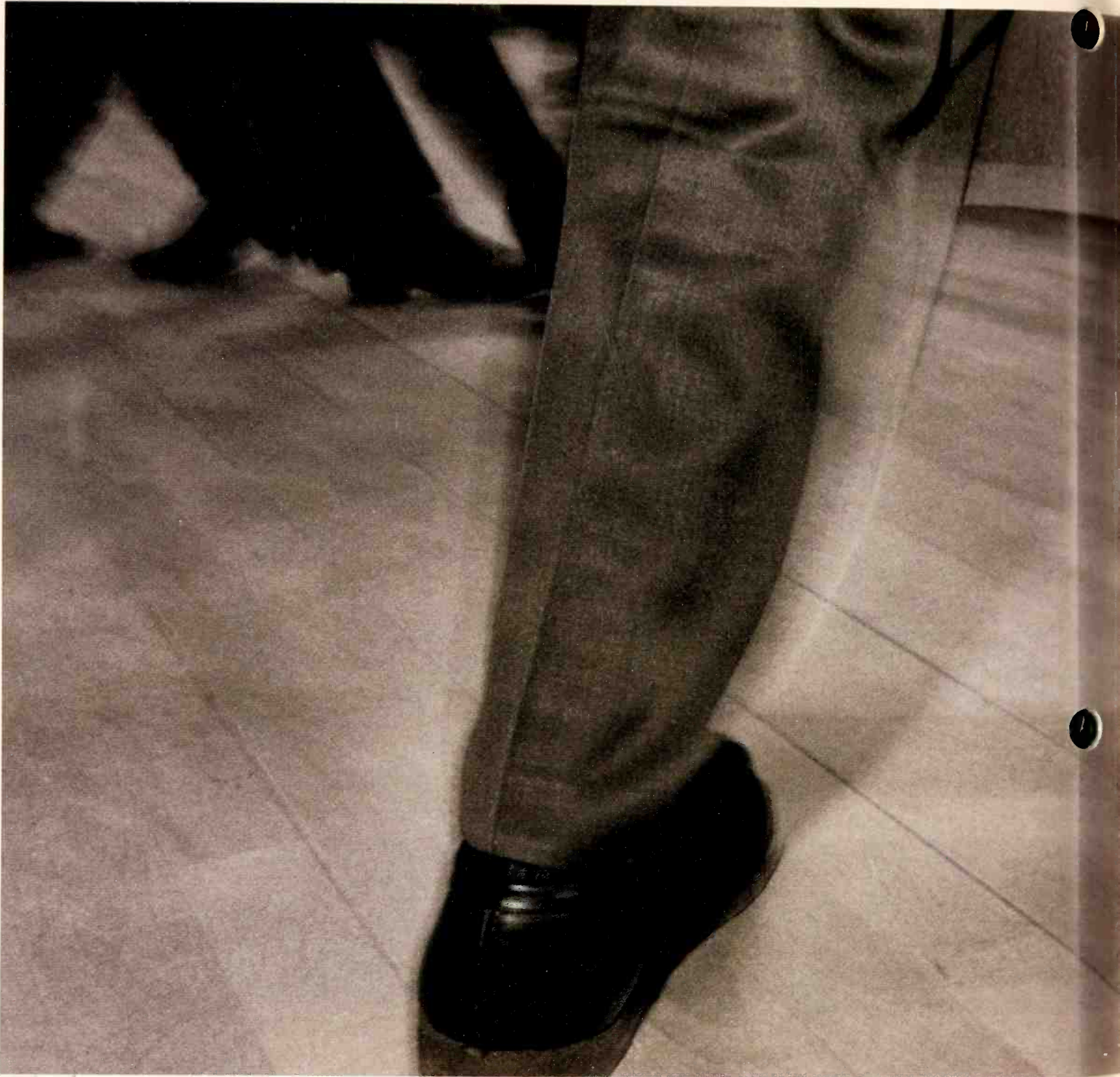


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Clutter could cost radio, says panel

Heavy spot loads may help the bottom line, but whether or not they could hurt radio in the long run was the focus of much of the discussion at last month's RAB Board Meeting in suburban New York.

There is growing concern from advertisers, agencies and even some within the radio industry about ballooning spot loads. Agencies are particularly worried their commercials are lost in the middle of stop sets running up to nine minutes.

"The amount of clutter on radio and the impact on radio effectiveness needs to be documented in order to persuade national advertisers to use radio more aggressively and more consistently," said Steve Farella, EVP/Marketing, Jordan, McGrath, Case & Partners—the agency that represents such big-named clients as Bounty Paper Towels, Weight Watchers and Dulcolax.

Farella said it is not just the "gross amount" of non-program material that creates clutter, but so too does the length of an average stopset—pointing to a nine minute spot block he heard on a New York station. "Commercials that have the misfortune to air in the middle of longer pods are less likely to be as effective as commercials that air in the beginning or end of such pods," he said. Farella also suggested stations begin selling those premium positions to advertisers willing to pay for them.

"In the past we've turned over our stations to programmers," responded RAB President/CEO Gary

Fries. "The perception in the advertising community is that we've significantly increased our advertising loads, and it's true."

Emmis Communications (O:EMMS) CEO Jeff Smulyan, who was named the new RAB Chairman, said advertisers have "always complained about spot placement," so radio should consider selling pod positions.

Both Fries and Smulyan said the radio industry must heed the call, and begin conducting research on whether spot loads impact the medium's effectiveness—both from a programming and advertising perspective.

One area of research that broadcasters and advertisers seem to be split over is Arbitron. Media



Steve Farella, EVP/Marketing, Jordan McGrath, Case & Partners, with RAB's Judy Carlough.

planners and buyers are flooded with daily and weekly TV survey results, but must wait for a quarterly Arbitron book—a sore spot for many.

Tests in the UK of Arbitron's so-called People Meter are encouraging, according to GM Pierre Bouvard, but the question remains how much data does radio want to release.

No boogie man, says Seagram

While owners are looking for new ways to make budget, one advertiser said he has the solution. Seagram (N:VO) EVP/Marketing Arthur Shapiro suggested more radio stations accept his company's ads.

While Seagram spots air on 700 stations in more than 100 markets, Shapiro said many owners are still frightened of community and government backlash. "You're leaving money on the table because there are manufacturers that want to do this," he said, adding stations' concerns are largely based on misperceptions.

Shapiro also applauded Jacor (O:JCOR) for allowing its market managers to make the decision as to whether to allow spirits ads to air. However, he noted that policy will be reversed once Jacor's merger with Clear Channel (N:CCU) is complete, since Clear Channel does not allow liquor ads on its stations.

Seagram will not buy stations that have a young-skewing demo, added Shapiro. "If there are too many people under the legal drinking age we don't want to be there. The same is true with magazines." ♦

Kagan panelists see station price retreat

Station prices have fallen in the wake of the recent stock market retreat, said group owners, brokers and financial panelists at the annual Kagan Seminar on Radio Acquisitions and Finance in New York. Only one problem with the price decline: sellers don't yet know about it, or at least they don't accept it.

"The day of the 14- to 19-times [cash flow] multiple is over," declared broker Gary Stevens of Gary Stevens & Co.

Just where multiples are, though, continues to be difficult to pin down. "The spread between the bid and ask is enormous in the medium and smaller markets," said broker Charles Giddens of Media Venture Partners. In his view, there is a two-tiered market in station trading. In small and medium markets, buyers are able to pay 10 to 12 times the projected cash flow for the next 12 months. In large markets, though, that rises to 14 to 20 times and even more "depending on the importance of the station to the acquirer."

At Paul Kagan Associates, evidence is emerging of the price decline. Through October 19, company chair-

man Paul Kagan said the average multiple paid for stations in the top 25 markets was 16.5 times trailing cash flow. That's down only a half point from 1997's 17 average, but includes still red-hot trading months early this year before the stock market took its dive. For markets 26-75 the average YTD was 14.5, also down a half point from last year's 15. In the small Arbitron markets, 76+, the average is up a half point to 13, reflecting the movement of big groups into ever smaller markets. Even there, though, panelists say buyers are becoming more discriminating.

For now, station trading is near a standstill, panelists say, because potential sellers still expect the high prices that were seen just a few months ago. ♦

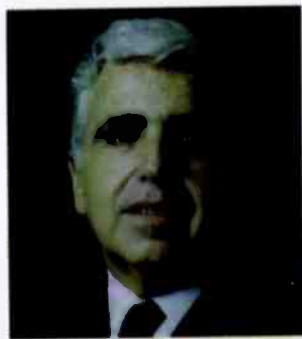
Jacor CEO Randy Michaels was subject of the annual Bayliss Roast in October. In between jokes and stories at Michaels' expense, a dozen Jacor staffers pulled one of Randy's own personal favorite practical jokes on him—dropping their drawers. They dubbed it a "21 bun salute." Among the roasters were Secret Communications CEO Frank Wood, Jacor President Bobby Lawrence and Rush Limbaugh.



KLOS-FM's Gary Moore, Revolution Record's Gary Poole, actress Barbara Eden and Hollywood Record's Joel Habbeshaw gathered at the Museum of Television & Radio in Beverly Hills for the opening of a new exhibit featuring TV Guide covers.

CBS names Karmazin CEO

Mel Karmazin's 22 month ascension to the top job at CBS Corp. (N:CBS) became complete last month with the announcement he would succeed CEO and Chairman Michael Jordan, who will retire at year's end. The CBS Board of Directors plan to elect a new chairman by January, and most expect it to be the final feather in Karmazin's cap. It is Karmazin's presence that many on Wall Street say has helped CBS grow toward profitability. He has beefed up its sales force and placed all sales people on full commission, at the same time he has downsized.



Mel Karmazin

CBS has also filed an IPO for Infinity Broadcasting, its radio and outdoor division, of which 16% would be publicly held. ♦

Ballot box victories for broadcasters

Status quo is the outcome of Election Day 1998 for broadcasters. Despite victories for Democrats, the GOP held onto a majority ensuring Congressional committees would not see new chairman or agendas.

Key broadcast industry supporter Sen. Ernest Hollings (D-SC) pulled off a come-from-behind victory against Republican Bob Inglis. In Indiana, former governor Evan Bayh (D) won a senate seat once held by Dan Quayle. Bayh's wife is Susan Bayh, who sits on the board of directors of Emmis Communications (O:EMMS). Commerce Committee chair Sen. John McCain (R-AZ) also won. McCain and Rep. Billy Tauzin (R-LA) plan on introducing legislation to overhaul the FCC in the coming Congress.

Because the GOP did not pick up five seats and thereby create a filibuster-proof Senate, it is not expected to have a significant change in the way business is done.

In the House, Greg Walden (R) beat his opponent to win Oregon's second district seat. Walden owns KHR-AM-AM and KCGB-FM Hood River, OR.

Elsewhere, former station owner William Walker (R) failed to unseat incumbent Rep. Maurice Hinchey (D) to take New York's 26th District.

Voters also sent a mixed message on the issue of campaign finance reform. Free time supporter Sen. Russell Feingold (D-MN) narrowly beat Mark Neumann (R), 51% to 48%. Feingold refused to take any PAC donations in his campaign. At the same time, reform backer Rep. Linda Smith (R-WA) failed to unseat incumbent Sen. Patty Murray (D-WA).

Broadcasters also had mixed results in state-house battles. In Minnesota, KFAN-AM midday Sports host and former pro wrestler Jesse Ventura (Reform) staged a surprise victory. Yet former station owner and party reject John Lindauer (R) lost his bid to become Alaska's governor in a six-way race. ♦

Competing Media

Radio's Strongest Categories Get Stronger

by Jack Messmer

Play to your strengths. Radio seems to be heeding that sage advice and claimed larger shares of August ad buying for the medium's traditionally strongest categories. Radio just missed getting half of the dollars spent by beverage advertisers—49.32%. After all, what other medium can reach people while they're getting thirsty outside in the summer heat?

Radio also claimed the lion's share of ad buying to promote TV programming and claimed nearly as much as TV for the "Entertainment-Other/Lottery" category.

Over all, radio's share of ad spending was up a point and a half (20.51%, compared to July's 18.9%) in the 13 markets tracked for the MBR/Miller Kaplan Total Media Index.

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

Category	Newspaper	TV	Radio	Media	Radio % of Total
Automotive	55,385	57,624	17,188	130,197	13.20%
Restaurants	1,003	25,746	7,846	34,595	22.68%
Department Stores	33,989	11,581	6,802	52,372	12.99%
Foods	1,253	16,872	3,957	22,082	17.92%
Communications/Cellular	9,860	9,387	7,183	26,430	27.18%
Furniture	8,929	9,637	2,742	21,308	12.87%
Financial Services	8,061	6,446	6,028	20,535	29.35%
Movies/Theater/Concerts	5,554	7,229	4,049	16,832	24.06%
Grocery Stores	6,432	5,296	3,611	15,339	23.54%
Appliances & Electronics	8,546	2,543	2,273	13,362	17.01%
Hotel/Resorts/Tours	8,399	1,577	1,398	11,374	12.29%
Drug Stores/Products	3,185	4,589	2,139	9,913	21.58%
Computers/Office Equipment	7,274	3,234	3,012	13,520	22.28%
Specialty Retail	8,899	12,184	6,128	27,211	22.52%
Health Care	2,014	7,343	3,756	13,113	28.64%
Auto Parts/Service	2,455	4,160	3,372	9,987	33.76%
Music Stores/CDs/Videos	1,172	3,234	2,487	6,893	36.08%
Transportation	4,012	1,906	1,850	7,768	23.82%
Entertainment-Other/Lottery	1,248	4,099	3,879	9,226	42.04%
Home Improvement	5,139	4,340	2,048	11,527	17.77%
Professional Services	2,440	4,714	2,297	9,451	24.30%
Beverages	309	6,553	6,678	13,540	49.32%
Television	2,078	1,934	3,654	7,666	47.67%
Personal Fitness & Weight Centers	201	1,204	308	1,713	17.98%
Publications	8,925	871	1,388	11,184	12.41%
TOTAL	196,762	214,303	106,073	517,138	20.51%

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

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The Kennard FCC: Activist & Aggressive, but Not Always Successful

by Frank Saxe

Never a dull moment at the FCC under Chairman Bill Kennard (D), under whom the agency dove head first into a number of issues during the past 12 months, although many brought the agency grief.

As the confetti was still being swept up last January, Kennard took up President Clinton's call to look for ways to force radio and TV stations to give candidates freetime. But by March the new agency head had all but given up, amid howls from Congress, which claimed the FCC was overstepping its bounds (RBR 3/30, p.3)

Kennard is the agency's first Black chairman, and for the first time in FCC history, a non-White majority sits on the Commission. At the same time, several race-based issues landed on its doorstep.

The Commission spent much of the year coping with an April US Appeals Court ruling overturning its 30-year-old EEO

rules, prompting an appeal by the FCC, which was denied in October. Kennard vowed to put new appeal-proof rules on the books by early 1999, and last month the FCC released its plan on how it wants to do that.

At presstime, a report on advertiser and agency discrimination against Black and Hispanic media outlets was overdue. However, it will describe how the stations bill 30% less than their general market counterparts (RBR 10/12, p.6).

The FCC also began the process of justifying a racial-preference program, more than three years after the Supreme Court's 1995 *Adarand* decision, which ruled racial preferences unconstitutional unless there is evidence that government intervention is the only solution. Once the information is collected, the FCC will use it to justify licensing preferences and bidding credits at broadcast auctions (RBR 9/28, p.2).



Bill Kennard

In September, Kennard announced he had asked the Mass Media Bureau to come up with proposals for a low-power FM service. "We are going to do whatever we can to create more opportunities and more licenses for small and minority businesses," said Kennard. The NAB and many broadcasters oppose microradio out of fear it could cause signal interference and impede the rollout of digital radio.

Feeling Justice Department review of pending station sales was insufficient, Cmr. Susan Ness (D) and Gloria Tristani (D) lead the Commission's launch of deal reviews, particularly in smaller markets. While DOJ has allowed stations to take 40% of the market's radio advertising revenue, the FCC chose a 50% cap (RBR 8/31, p.2).

There were a few gifts for broadcasters in 1998 as well. In August, the FCC released its long-awaited procedures for auctioning broadcast licenses, which included bidding credits for first-time and minority applicants (RBR 8/17, p.3).

The FCC also began its streamlining process, which will eventually require broadcasters to file 15 key applications and reporting forms electronically via the Internet (RBR 8/17, p.2).

While giving broadcasters a break on much of their cumbersome paperwork, the FCC also decided to require owners to submit, as part of their biennial ownership reports, the racial and gender make-up of those holding attributable interests in the company. "I still believe there's a public interest. We give the spectrum to broadcasters to use in the public interest and I think we need to give it meaning," said Tristani, adding she feels "more comfortable with the issues" one year into her term.

Up on the Hill

Two years and nearly 5,000 bills later, the 105th Congress came to a close in October, as critics labeled it a "do-nothing Congress." Not all lobbyists chastized lawmakers for taking up just a very small percentage of bills introduced. "Less legislation is a good thing," assessed Mark Hyman, VP/Government Relations, Sinclair (O:SBGI).

Seven bills directly affecting broadcasting were introduced during the session. Each was promptly sent to committee where it languished and died. Many inside the Beltway said Congress does not believe there are broadcasting issues which need fixing. "They took care of radio with the Telcom Act and it doesn't need to be tweaked much more," said one broadcast lobbyist. See chart, left.

Alac Netchvolodoff, VP/Public Policy, Cox Enterprises, agreed. "While the FCC believes consolidation has gone too far, Republicans on the Hill don't have that sense and they would like to see additional regulatory overhangs vitiated."

After a status-quo election, the 106th Congress will bring new debate on unsolved issues, although insiders believe radio will largely remain off the radar screen. Instead, the FCC will be locked in the crosshairs. Both Sen. John McCain (R-AZ) and Rep. Billy Tauzin (R-LA) have said they want to reorganize what they say has become a "horse and buggy" agency. ♦



Gloria Tristani

Congressional Scorecard

Bill Number	Summary	Sponsor	Outcome
HR 171	Urge FCC to review liquor advertising on TV and radio	Rep. Joseph Kennedy (D-MA)	Referred to Telecommunications, Trade and Consumer Protection subcommittee. No action taken.
HR 3171	Repeal FCC's newspaper /broadcast cross-ownership rule	Rep. Scott Klug (R-WI)	Referred to Telecommunications, Trade and Consumer Protection subcommittee. No action taken.
HR 217	Directs FCC to cease its quest to mandate free time for candidates	Rep. W.J. Tauzin (R-LA)	Referred to Telecommunications, Trade and Consumer Protection subcommittee. No action taken.
HR 4845	Prohibits FCC from lifting national TV audience limit	Rep. Maxine Waters (D-CA)	Referred to Commerce Committee. No action taken.
HR 4759	Requires FCC to repeal all EEO requirements	Rep. Michael Oxley (R-OH)	Referred to Commerce Committee. No action taken.
S641	Repeal FCC's newspaper-broadcast cross ownership rule	Sen. John McCain (R-AZ)	Referred to Commerce Committee, read twice. No action taken.
S2306	Directs FCC to allow TV duopoly	Sen. Conrad Burns (R-MT)	Referred to Commerce Committee, read twice, sent to subcommittee.

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Trading Pace Slowed in 1998

by Jack Messmer

Despite having the second and third largest radio deals of all time, 1998 appeared unlikely to beat the record set in 1997 for station trading—\$15.29B. At the end of October, '98 trading was barely past \$13B, trailing the previous year's pace by nearly \$1B. Also, that pace was slowing, as would-be sellers found it more difficult to find buyers willing to pay the cash flow multiples seen earlier in the year, before stock prices headed south.

If you wanted to characterize 1998, it would be "The Year of Small Market Deals," following two years of large market consolidation after deregulation became the law of the land in February 1996. Cash flow multiples paid for small market radio stations reached levels never before seen—the double-digits previously reserved for their big market brethren—as groups such as Jacor (O:JCOR), Citadel (O:CITC) and Capstar (N:CBR) targeted ever smaller markets to create new superduopolies.

Cumulus Media (O:CMLS) came out of nowhere, quite literally, and bought nothing but small market stations as the new group skyrocketed to number 12 in terms of total billings. That rank is based on BIA's estimates of 1997 billings for the stations that have been acquired, so Cumulus is likely to be in the top 10 when '98 revenues are tallied.

While most of the action was in the small markets with small price tags, two '98 deals topped \$4B. Jacor agreed to a stock-swap deal valued at \$4.4B (radio value approximately \$4.2B) to become part of Clear Channel Communications (N:CCU), creating a radio group with over \$1B in annual revenues.

A \$4.1B deal created the biggest radio group of all, in terms of annual billings, combining two groups backed by Hicks, Muse, Tate & Furst to push past CBS

(N:CBS). The deal will merge Capstar into Chancellor Media (O:AMFM). Based on BIA's estimates of 1997 station revenues, the combined group would have more than \$1.6B in billings.

Riding the Wall Street roller-coaster

Funding for the fast-paced growth came from Wall Street. For the first half of 1998, it was easy for broadcasters to go back to the stock and bond markets time after time to raise additional cash for their acquisition sprees. That came to a screeching halt, though, in July,

when financial jitters in Asia turned the bears loose to end the longest-running bull market ever seen. It didn't matter that radio companies had no dependence whatsoever on Asian markets, nor on Russia when its financial woes were added to the stew—all stock prices were driven down by the Wall Street panic. A strike at General Motors took a bite out of TV ad sales and sent broadcast stocks even lower, although GM had no noticeable impact on radio.

As the chart above shows, radio stocks were flying high early in the year, retreated slightly, then peaked in July before dropping dramatically in the Fall. It wasn't until early November that The Radio Index™ rebounded to where radio stocks had begun the year. The Radio Index, compiled daily by Dow Jones Indexes for RBR, MBR and The Wall

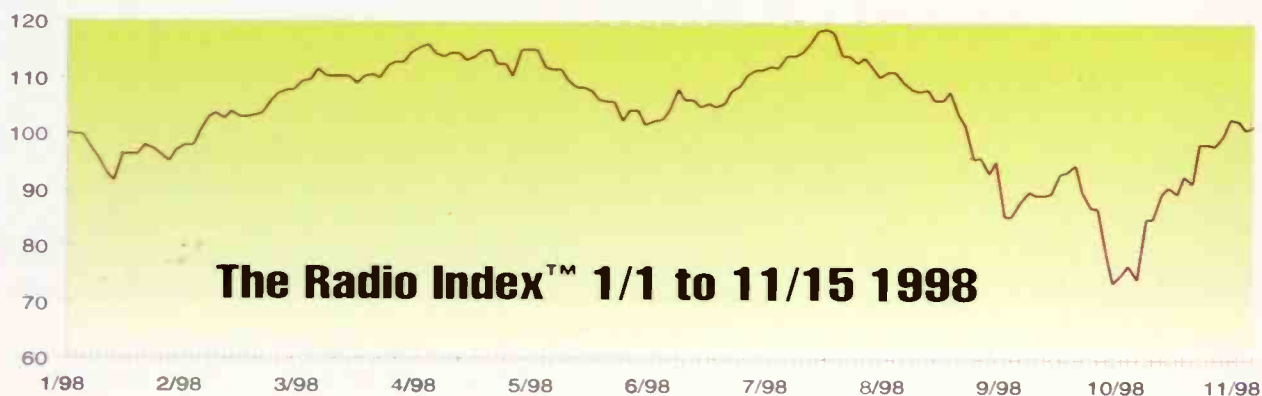
Street Journal Radio Network, was launched in 1998 to track the stock price movement of all publicly traded US companies whose primary business is owning and operating radio stations and/or networks.

Several new radio stocks debuted in 1998. Capstar Broadcasting (N:CRB), Cumulus Media (O:CMLS) and Citadel Communications (O:CITC) all sold IPOs before demand for new offerings dried up as stock prices headed down. Also early in the year, two new penny stocks, NBG Radio Networks (O:NSBD) and Triangle Broadcasting (O:GAAY), the first network targeting the gay and lesbian audience, began public trading by merging with public "shell" companies.

Two radio IPOs were still expected to be priced before the end

of the year, including the biggest ever—Infinity Broadcasting (N:INF). The third Wall Street incarnation of Mel Karmazin's radio group would be among the five largest IPOs of all time in all industries and was expected to be eagerly sought by investors, despite the generally lackluster market for IPOs. The Infinity IPO would spin-off a bit more than 16% of CBS' (N:CBS) radio and outdoor assets to the public for \$2.6B to \$3B, allowing the parent company to separately value its most profitable division.

Also likely to be priced before year's end was the IPO of Joe Field's Entercom Communications (N:EMT), the only top ten radio group not yet traded on Wall Street or owned by a parent company with public stock. ♦



Radio's Cache and Clutter Grow

by Frank Saxe

"Advertisers are discovering the value of radio. It works and I think with the increasing amount of fragmentation in the TV world, network radio looks like a pretty good reach medium," says ABC Radio Networks President Lyn Andrews. The same could be said for national spot and local radio too. Perhaps the battle is no longer convincing advertisers that radio should be included in the buy, rather that radio deserves more of the budget.

But as more advertisers look to radio to avoid TV's clutter, many are finding little solace. Radio spot loads grew wildly in 1998, with some stations running as many as 22 minutes of non-programming content an hour. Heavy spot loads may help the bottom line, but whether or not they will hurt radio in the long run remains to be seen. Agencies are particularly worried their commercials are lost in a the middle of stop sets running up to nine minutes.

"In the past we've turned over our stations to programmers," responds RAB President/CEO Gary Fries. "The perception in the advertising community is that we've significantly increased our advertising loads, and it's true."

Fries says the radio industry must heed the call, and begin conducting research on whether spot loads impact the medium's effectiveness—both from a programming and advertising perspective.

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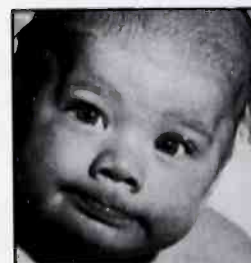
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New Nets Appear On RADAR

by Carl Marcucci

One new RADAR®-rated network in a year would have been news enough—there hadn't been one in 20 years—but 1998 brought not one, but two new networks to the RADAR-rated universe: AMFM and Premiere.

Chancellor Media (O:AMFM) debuted AMFM Radio Networks. Adding one minute of commercial time on Chancellor's 99 and 159 Capstar stations, AMFM had a ready-made placement for its Jan. 5 launch. After the sale of SFX went through, AMFM grew to 420 stations with its Emerald (youth) and Diamond (adult) advertiser networks. It also gathered talent throughout the year—Casey Kasem (which caused a legal tiff with his former syndicator, Westwood One), RuPaul, Hollywood Hamilton, Dave Koz and

Kevin Bacon came aboard, along with "Rockline," "Reelin' in the Years," "Modern Rock Live," "The Bob & Tom Show" and "Backtrax."

Jacor (O:JCOR)-owned Premiere Radio Networks also got on the RADAR bandwagon (*RBR* 6/8, p. 3) with four advertiser networks—AM Drive, Core, Axis and Focus—plus Dr. Laura Schlessinger. With the four networks, Premiere added 60 new :30 sec. units, M-F



RuPaul



Art Bell



Casey Kasem

Other big stories in networks/syndication over the past year:

- Keeping Art Bell's "Coast to Coast" and "Dreamland" programs, Premiere gave all 23 other Talk Radio Networks programs their walking papers in August after purchasing CBC/TRN in February (*RBR* 2/2, p. 4). A week later, Roy Masters, president, TRN bought back the network's 23 programs.
- Shocking attendees at the NAB Radio Show in Seattle, Art Bell announced his resignation during the Oct. 12-13 overnight show because of "a threatening, terrible event that occurred to my family about a year ago and a succession of other events." He made his return 10/28, but didn't disclose what pressing family matters caused his temporary departure.
- Shock Jocks beware? We may soon have an answer whether or not people can sue broadcasting companies for negligently hiring, supervising and retaining on-air talent. Shock jock Mancow Muller (now with Emmis Communications—*RBR* 6/29, p. 4) and Chancellor Media (O:AMFM) argued their appeal to the Illinois Supreme Court against plaintiff Keith VanHorne (9/24), who won the previous round in the Illinois Court of Appeals (*RBR* 2/16, p. 4) ♦.

IBOC Race Continued In '98

by Carl Marcucci

In-band, on-channel DAB is still more goal than reality, but there was plenty of activity this year in IBOC development. Two competitors, Digital Radio Express (DRE) and Lucent Digital Radio, joined USA Digital Radio in the race for IBOC systems development. DRE, after two years in design announced its system in late January and demonstrated it to broadcasters and members of the

DAB subcommittee of the NRSC.

Since then, DRE has completed its initial FM IBOC system field testing on Susquehanna's KSAN-FM San Francisco auxiliary antenna and tower. The goal, in DRE's first round of field testing, was to check for interference to the analog signal and to find how resistant the DAB signal is to multipath and fading.

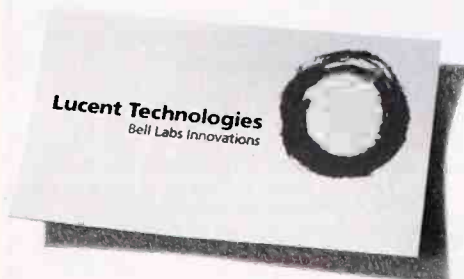
Lucent Digital Radio, after splitting off from a nine-month joint venture with USADR, came on the IBOC scene May 11. Not much was known about system development until the NAB Radio Show in Seattle, where Lucent announced it will be testing its FM IBOC system in a num-

ber of markets beginning in '99 (AM in mid-'99).

USADR plans on testing its AM and FM system in eight cities next year. This year, full FM system tests were conducted from a 650-watt hybrid analog/IBOC transmission system built on-site. Channel characterization tests were also conducted at CBS's WARW-FM Washington (*RBR* 4/6, p. 4).

In an attempt to speed up the acceptance process for IBOC DAB, USADR filed a 400-page Petition for Rulemaking with the FCC Oct. 7. The petition asks that specific deadlines be established for evaluative and performance criteria (7/1/99) and that all system submissions be in by 12/15/99. It also asks the Commission

to establish broadcaster deadlines, similar to HDTV. While it isn't assured that Lucent and DRE would be able to meet the submission deadline, "What we're trying to do is push the ball forward. Satellite DARS isn't waiting for us, Eureka is up and running, they're not waiting. Our view is the technology is ready, it's in the best interest of all parties to get it out there to folks to take advantage of," said Bob Struble, President, USADR. ♦



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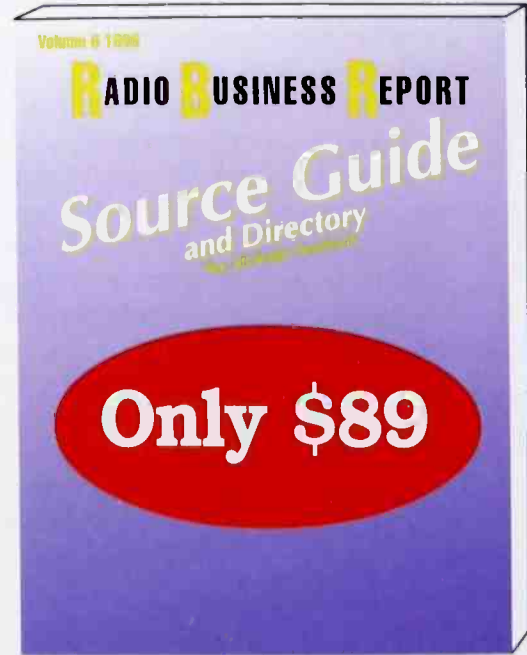
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Trash Talk or Compelling Content— Is Radio Going Too Far?

by Frank Saxe

An afternoon drive jock on KUPD-FM Tempe, AZ asks his sidekick, "What is the best part about screwing an eight year old?" The reply: "Hearing the pelvis crack." If that is not funny to you, perhaps jokes about having anal sex with cows is funny. WXTB-FM Tampa's Bubba the Love Sponge thought they were when he gave his bovine beastiality bit a whirl back in January. Jacor (O:JCOR) was fined \$23K for that and another Bubba broadcast. The FCC slapped KUPD's owners with a \$2K fine for the joke, which no doubt lasted no more than ten seconds.

To some, radio is simply reflecting what is going on in society. To others, it's blue humor that has no place on the radio. Of course this is nothing new—just playing rock 'n' roll was enough to scandalize the community 40 years ago. But some are saying things have become worse, and there is a renewed call for radio to pull out its collective

"To compete, don't sink."

—Dr. Laura Schlessinger

bar of soap and begin washing out a few mouths.

"To compete, don't sink," lectured Dr. Laura Schlessinger at October's NAB Radio Show in Seattle. She presented the results of a survey, albeit unscientific, which found 70% of listeners do not believe most talk show hosts have a "sense of responsibility or feel accountable to the audience or society for what they broadcast."

Robert Eatman is an agent for many of radio's top names, including WRQX-FM Chicago's Mancow Muller, KROQ-FM LA's Kevin & Bean and Loveline's Dr. Drew. He points to the success of Mancow as evidence that those complaining of indecent programming are out of sync with the masses. "He's extremely marketable because of his ratings. Pushing the envelope, which is what he's all about, has brought him national attention and has made him extremely successful," said Eatman. Last month, Mancow finished shooting a pilot for a syndicated TV show and he has been contacted by a Hollywood studio to do a movie.

Of course, Howard Stern is the poster boy for those arguing radio has gone too far. He has never shied away from controversy, and has even equated lesbians to good ratings. And there is little doubt he is right. Each morning, 15M people turn into hear what Stern will say next.

But radio's king of fines has run into even more trouble with his late night TV show. WIAT-TV Birmingham dropped the Stern show, after an episode in which Stern shaved a woman's pubic hair. "I saw the show and thought it was abhorrent," said Eric Land, GM, WIAT-TV. The cancellation had been lobbied by a local group calling itself Obligation. Stations in San Diego, St. Louis, Phoenix, Portland and Lubbock, TX have also dumped the Stern show.

Back on radio, some are flying the First Amendment flag and shying away from discussing the issue. Hey, if the ratings are good, and advertisers like it, then what's the big deal?

"People have a choice in radio and television to turn the dial off or change the station," said Eatman, who feels a personality's comments must be taken in context, not in the one or two words that offend a "handful of people."

Bonneville Broadcasting, which is owned by the Mormon Church, is an exception, according to EVP Bob Johnson. "It's obvious over the last ten years programming has become more laced with obscenity and with subject matter that is sexually explicit." Johnson said they have impromptu discussions with station managers from time to time to discuss the issue and make sure the program "can be listened to in a car occupied by a family." He said Stern, Mancow and the like would obviously never meet the company's guideline.

"There's no way you can have a corporate policy since there is no one way to tell markets what their boundaries are," said Jack Tadio, SVP/Programming, Capstar Broadcasting (N:CRB). "The station group is made up of local stations that must answer to local advertisers. It all comes down to local issues; it's going to be self-limiting."

In fact, many broadcasters agreed the local marketplace should determine how far air talent can go. "Radio is a main street business and more and more of our business is coming from local direct advertisers," said one group executive.

"It's tough for these market managers to keep an eye on everything and hear what all the stations are doing," admits one GM who sympathizes with those sounding the alarm. "It keeps getting worse and worse, and it's damn difficult to create compelling radio. It is a dilemma, especially when you find that some are making the kind of money that they do."

Congress threatens intervention

If radio refuses to keep its own house clean, Uncle Sam may step in and do it for them. A group of eight senators from both sides of the aisle recently



Dr. Laura addresses the NAB Radio Show

fired off a letter to FCC Chair Bill Kennard (D) urging him to "launch an inquiry into this matter to determine whether strong warnings, large monetary penalties, or even license revocations are necessary to stop this proliferation of lewd broadcasting."

What upset the senators was a recent broadcast by WPGC-FM Washington, which purportedly promoted a "a fun mother-f***ng weekend." Wrote the senators: "This is shock radio at its worst, but without effective FCC oversight it is, sadly, unlikely to change." CBS' WPGC GM Ben Hill denies airing the promo. "We never have and never will air something like that," he said.

Kennard poo-pooed the complaint during questioning at the NAB Show, but within a week the FCC fined an Austin, TX station for airing a morning drive DJ's comments not caught by delay.

One Washington attorney said the FCC is in a difficult position. While obscenity is a legal term, indecency is a Commission creation. "The FCC dreamt it up to cover low-level obscenity, so one can start the debate by questioning the rationale for having this whole other standard," he said.

We are not alone

"What I hear is unbelievably boring hosts talking about unbelievably boring public affairs issues," said one Talk consultant who believes radio should be doing more, rather than less, of the things that make other media successful. Consider, he said, WNBC-TV New York makes \$23M a week from its local advertising inserts into Sally Jesse Raphael's talk show. Consider also, November's *Redbook* magazine features an article on how to improve one's oral sex performance—a magazine that sells \$80K ad pages to Duncan Hines, Mazda and other advertisers that won't give radio more than a few crumbs of their marketing budget. And if you think it's only for women, November's *Men's Fitness* had a cover story on how to protect one's penis from a variety of lurking dangers.

"It is creeping in everywhere," says Metrock, who wonders what effect it is having on society. "This coarsening is obviously from the popular culture."

But a GM adds, "There are 265 million people in this country. You're going to find a large segment have an appetite for that kind of stuff and we're there to give it to them." ♦

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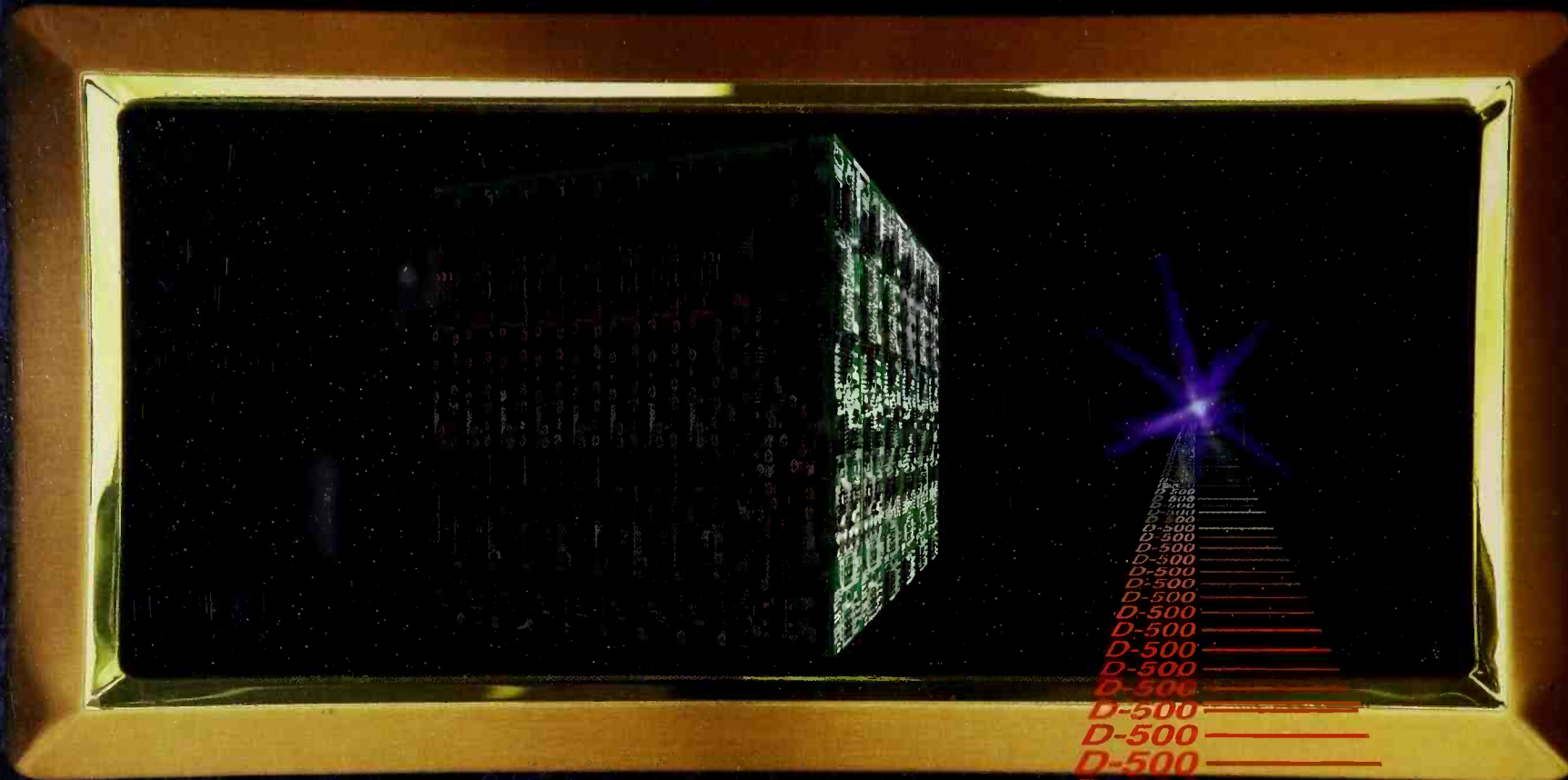
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