

Radio Business Report™

Voice of the Radio Broadcasting Industry®

August 2004

Volume 21, Issue 7

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Indecency: Where we are, where we're going

Two of the largest broadcast groups in America have led the way in accumulating Notices of Apparent Liability (NAL) for indecency—Viacom/Infinity and Clear Channel. However, their reactions cannot be more different.

First the backdrop: As we noted last month, Clear Channel deep-sixed **Howard Stern** from its six stations which carried him after the FCC's \$495K hit. That was issued way back in April. The ominous FCC silence is the lack of the sound of the other shoe dropping—what about all of the other stations which carry Stern, and especially, what about Viacom, which owns many of them and has a stake in Stern through its interest in Westwood One.

What should broadcasters do? Fight or Flight

One answer is to fight. In answer to an analyst's question at the Viacom Q1 dog and pony show, **Mel Karmazin** announced at his company wasn't planning to pay any indecency fines—neither pending hits nor any other which may be in the offing. Although Karmazin has since announced his exit from Viacom, there has been no indication that the company has changed its mind about taking the FCC to court, if the FCC will bite.

The other answer is flight. Clear Channel chose that path, arriving at a consent decree with the FCC in which it admitted at least some guilt and is making a \$1.75M payment to the US Treasury.

In doing this, Clear Channel wiped its record clean, and—most important—cleared its docket of more than 200 cases pending or not yet even investigated. At the going rate of \$32K per violation, 200 indecency hits would amount to \$6.5M. So maybe by paying up front, CC is actually saving money. It's certainly protecting its licenses, and if Congress is ever successful in multiplying the indecency fine menu, it could be saving \$55M-\$100M.

As for Congress, the House has passed legislation which, among other things, will raise the maximum fine to as much as \$500K.

The Senate version, attached to a defense bill, takes it to \$275K. An anti-clerog amendment will be dealt with in a conference committee.

The NAB met in secret back in March and decided to attempt to draw up some form of industry standard on indecency—despite the fact that an earlier code of conduct was struck down by the courts back in the 80s. Although it seems clear the NAB could work around the causes of the strike-down, the fact that many of the biggest media companies in the US are no longer members of the NAB, including all four major television networks, makes the viability of such a code extremely questionable.

Double standards, capital punishment

Many have complained about an apparent double standard. Where's the line between broadcast and cable TV? Legally, cable is under less restriction since it is a subscription service, chosen by the subscriber as opposed to broadcast, which essentially

enters the household unbidden. But to an unsupervised five-year-old with a remote, there is no difference between ABC and MTV.

For that matter, what's the difference between audio and video? In an environment where raunchy broadcast television draws frequent complaints, and while radio companies have been hit for millions of dollars, TV stations have forked over a grand total of...drum roll please...\$27.5K. What gives?

The **Bono** incident actually inspired a consortium of broadcasters and watchdog organizations to man the barricades with Karmazin. The Bono decision, while not resulting in a fine, changed the standard from indecency to profanity. The implications may be dire. In the FCC's own guidelines, it cited cases where an individual inadvertently let the f-word slip out, and since it was indeed found to be a slip, it was not held actionable.

If the FCC is now going to nail a licensee hard for such a slip-up, licensees, with so much more at stake, are becoming reluctant to have a live mic turned on, ever. For example, **Shaquille O'Neal** has twice slipped up during post game interviews—and there's no way of telling who will be next, making every live interview a risk.

Under such enforcement, many are afraid the game will change from "let's see what we can get away with" to "no more chances," translating into no more live programming.

The simple fact is that most broadcasters, including demonized Viacom, do not think they are generally programming indecent material at all. Karmazin tried to get members of Congress to balance the few seconds of the **Jackson/Timberlake** incident against the thousands of hours of blameless programming his company airs. Indeed, if Viacom was a smut merchant, and if safe harbor for such programming begins at 10:00 PM, he said, then you'd see the smut in spades right at that instant.

Fight is the only option

The stakes in the indecency wars are already high, and promise to go up exponentially. The FCC is already getting in gear to up them, whether or not Congress provides new weapons for its enforcement armory.

It's promising to start considering license revocations (that'll be a must under the pending legislation). This is capital punishment for a broadcaster. And it begs the question, will another O'Neal slip-up result in a beheading?

Clear Channel may have paid to clear its name for now, but we think they may live to regret it. Remember the 200 uninvestigated alleged indecency offenses? That's **Michael Copps'** number, and he wanted to look into each one.

With watchdog groups training their troops to arm themselves with tapes recorders and VCRs and ambush any broadcaster playing close to the edge, it seems it's only a matter of time before someone in CC's vast broadcast empire slips up. Will the company develop a refreshed appreciation for the First Amendment at that point?

Stay tuned.

Have an observation? Email us at radionews@rbr.com.

August, 2004

Volume 21, Issue 7

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

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RADIO NEWS®

Bouncebacks abound!

A lot of hot issues have hit RBR's Daily Epaper as of late-from both recent news items and items in our recent print issues.

6/18/04

This reader seems to be questioning the sincerity of Sen. **John McCain** and Chairman **Michael Powell** in calling for increased political coverage (☑ 6/17/04 RBR Daily Epaper #118).

Regarding politicians' calls for increased coverage: I'm confused. Are they calling for substantial investigative coverage and comparisons of speeches given in different parts of the country? Are they asking for us to delve into their past performances like those that caused **Henry Hyde** and others to admit to infidelity as they investigated **Bill Clinton** for infidelity? Or, are they asking for wall-to-wall coverage of their conventions, which are little more than infomercials without the info. I can't believe the Republicans are happy with the 9/11 committee coverage. Are they asking for investigative reporting of no-bid contracts and illegal contracts with discredited companies under new names? I'll go out on a limb here and guess that they want increased softball coverage of the warm and fuzzy "get me elected" stuff the industry is currently doing.

Rich Wood

Rich Wood Multimedia

6/8/04

This reader says Sen. **John McCain** (R-AZ) has identified the problem, but proposes the wrong solution (☑ 6/7/04 RBR Daily Epaper #110).

If John McCain really thinks that low power radio is the key to localism, he's been in

the Arizona sun too long. While I have long lamented the loss of localism in the mad rush to consolidation, I've been in this business long enough to know what is going to happen to most of the low power voices. Localism doesn't mean playing DJ on a street corner. We already have 3,000 watters that can't compete for revenue and are then at a loss to field a news staff or put resources into localism. McCain's idea would throw a host of 100 watters into the fray. That's like tossing popsicles onto a wild-fire. Yes, they are wet but they melt away without affecting the flames.

Tom Joyner

Joyner Radio, Inc.

5/14/04

This general manager wants to share with our readers a letter he's sent to Warner Records complaining about objectionable lyrics.

Kristen Doyscher

Warner Records May 13, 2004

Dear Kristen,

I have asked **Derek Beck** to drop "Save a Horse" by Big and Rich and **Gretchen Wilson's** "Redneck Woman" from our play list at KIOD. If one pauses to actually think about it, these songs are basically trash... in this case foisted on us by Time Warner.

This action in a small place like McCook, Nebraska will have minimal impact on Time Warner. Perhaps not being as widely exposed to intellectually vacant and culturally obnoxious material like these songs will be beneficial to our listeners.

There are still many people in Southwest Nebraska and Northwest Kansas who hold the quaint notion that manners, civility and culture are desirable. It is regrettable that



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nationally those standards have eroded so seriously.

This is not only the right thing to do, it is also in our self-interest. There are more people who will turn the station off because of offensive material like this, than there are who leave because the songs are absent.

We do have a choice... One can be part of the solution or part of the problem. We choose the former.

A few years ago as the top 40 format deteriorated, we dropped music altogether on KSWN.

It is sad that Time Warner, an organization with the marvelous pool of talent, broad distribution capability and vast promotional resources, chooses so unwisely. Please do not take the country format down that same road!

Sincerely,

Jay Austin

General Manager

KIOD (FM) / KSWN (FM)

5/17/04

This reader is in agreement with Austin:

Here is a pat on the back to **Jay Austin**, the GM that pulled songs from the Time Warner folks because of content. Have the folks from TW not been paying attention to what has been going on in our country re: entertainment values? Country music used to be a format that the whole family could listen to without having some record execs idea of what is cool/commercial being shoved down our throats. It really shows what is happening throughout the record industry and how little they care about what the listeners want. Jay is right that as a small station he has little effect on the big boys. The sad part of that is that the big owners who could make a difference are more interested in keeping the Dixie Chicks off their playlists because of their political views than keeping questionable material off the air because it's on the chart.

Tim Johnston

American Radio

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What non-traditional advertising have you done to help market your station and/or clients' products/services?

Eric Proksch, VP/GM, CHUM Radio-Windsor/Detroit:

We hold an 89x Birthday Bash (summer concert) every year. This provides our station and our clients with some non-traditional advertising opportunities. Depending on availability at the venue, we have sold on-site booth space to our clients. This allows them great non-traditional opportunities (sampling/retailing/advertising) in a non-traditional setting to a select target audience. The station does the obvious merchandising at the concert as well. The majority of the audience is appreciative of the products and/or services being offered at the event and the clients have been very successful in marketing their businesses. There are major non-traditional sponsorship and on-site signage opportunities for larger clients also. The mixture of the concert atmosphere and the retail fair produce a fun and enjoyable experience. Overall, I would have to say it has been a win for our clients, a win for our audience and a win for the station.



Ronna Woulfe, VP/GM,
CC Radio Miami-Ft. Lauderdale:

We were looking to develop a marketing idea that would provide a fun, more active image for our News Radio station, while at the same time would be a revenue generating vehicle. Our "Photo Op" program turned out to be a winner on both counts. A life-size facsimile of various celebrities and notorious newsmakers is taken to station promotions, client ap-

pearances and remotes. People of all ages have the opportunity to have their photo taken with the "idol" of their choice. A commemorative "souvenir-type" framed photograph is presented to the listener. Every person who has their picture taken is registered to win a digital camera and printer. A winner is chosen at the end of the event. We "update" the characters pretty regularly to coincide with today's trendsetters. This project has provided the station with a more active image, fun for the listeners, and revenue for the station.

Bill Hurwitz, GM/Milwaukee Radio Alliance:

Hold'em Poker, also know as Texas Hold'em, is the most popular poker game in the world...and Rock 102 One has hosted two no limit Texas Hold'em Poker Tournaments.



It all began in early spring. The first Texas Hold'em tournament was an experiment. We didn't know if we could pull it off or if there would be enough interest from our listeners to make it a success. We didn't have any prizes that were of much \$ value, we had a poker table, a set of chips and for the first place winner... bragging rights and a trophy (cause if we played for anything of value, well, that would be illegal).

So, we sold five events, four qualifying rounds and one final round.

Each event had five tables of 10 players and the one with the most chips at the end of the night from each table went on to the finals.

How do you enter? No entry fee...cause that would be illegal...listeners were instructed to go to the Rock 102 One website at noon on Thursday and the first 50 people to sign up, got to play. It filled up in two minutes and 10 seconds! The second week filled up in 90 seconds, the third week filled up in 60 seconds and the fourth week filled up in 19 seconds!

So, how did we make money? We sold five events, each for \$1,250 non spot investment. Each location was promoted for two weeks, the first week to sign up and the second week to tell people where it was. Each location was guaranteed to have 50 customers in their business and they were part of the hottest promotion in Milwaukee! Our locations were sold in six hours! Total non spot revenue for the first round...\$6,250.

Round Two Texas Hold'em began one week after the first one ended. This time we double the length of the tournament. We sold locations for eight events this time, seven rounds of qualifying and a round of finals. This time we raised the stakes...the location package was \$1,500 non spot. We were also able to sell in a presenting sponsor...a casino for \$5,000 non spot. Total non spot revenue for the second round...\$17,000.

Registration for the second round was executed a little differently. Listeners started to complain cause the same people kept getting in each week...they were the ones with the fastest computers. Round 2 registration was open for an hour. Then from all the registrations during that hour, we randomly picked 50 players.

We partnered with a company called "Pocket Aces" to manage the tournament. They came in and trained our employees how to deal and our promotions team, DJ's and sales people learned to deal. We had five dealers and two alternates.

Thus far, we have generated \$23,250 of non spot revenue from Texas Hold'em...and round three will begin late summer. As far as we're concerned, WE'RE ALL IN!



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Leveraging accountability in your sales department

By **Tom Barnes**, Founder, Mediathink

What do you do when you've been commoditized?

Today, radio stations are tougher for buyers to distinguish than ever before. Any buyer will tell you: Every station sells that it is "number one" in something.

Arbitron differentiated radio stations to buyers in the past. Ask yourself if your ratings differentiate you like they did even three years ago. Have you ever done the math in the back of your Arbitrons and determined the standard error of your station's ratings and its competitors?

If you are in a top 50 market, it's likely that your station is statistically indistinguishable from five other stations in 18-49 and 25-54 adult demos.

How do you win the buy when you are, realistically, no different than the five other stations the buyer is considering? In a word: service.

Service drives accountability

Today, service means being accountable for delivering the information required to measure the effectiveness of your solution (the program you built for your client). Doing the fundamentals right is often the difference between five and six figure incomes for most radio sales people.

Through our work outside of radio consulting, we are regularly involved in a number of radio buys. We buy radio for a number of reasons, not the least of which is to sample the techniques used by the major radio companies. We see proposals from the top three public companies in 10 of the top 20 markets. Trust me, parity isn't just in the ratings.

We're still stymied by the lack of interest on the part of sales people in accounting for the effect of the advertising they sold. Follow-up is relatively non-existent. Further, a proposal is only minutes away—there is virtually no interest in how the station might support the efforts of the client, or really any kind of needs assessment. We call it "premature elaboration", and it's about as useful as the source of its pun.

Accountability through the sales process

Advertising ROI responsibility is a hot potato that gets passed around from client to buyer to media and back to client. Grabbing your piece of that responsibility is a key to significant gains in revenue and you don't have to be an accountant to understand it. Here's how:

Before the sale

* Decide whom are you pricing for. Moreover, what is the most profitable business for your station? Our experience is that new business gets the best deal. Comparing someone's sales before they did radio vs. after using radio, provides strong evidence that can support an ROI argument. But typically the best business comes from customers that know just what they want, right? Why isn't radio priced for them? Pricing should be about more than when the spot runs.

RBR August 2004

* Understand the business goals of the client. Take time to listen.
* Set the clients expectation around what their program should accomplish.
* Urge the client to buy a solution or program, but don't blow credibility by valuating promo units or web space beyond their true worth. You never know who is reviewing that proposal of yours.

During the sale

* Make it easy for the client to know when their spot will run and when it actually did run.
* Simplify the process required to change spots so spots sound more urgent as client-critical events get closer. Anticipate change by setting expectation around how changes can happen rather than why they can't.
* Take responsibility for distributing critical assets (copy, music, demos) effectively. If you respect internal deadlines clients will too.

After the sale

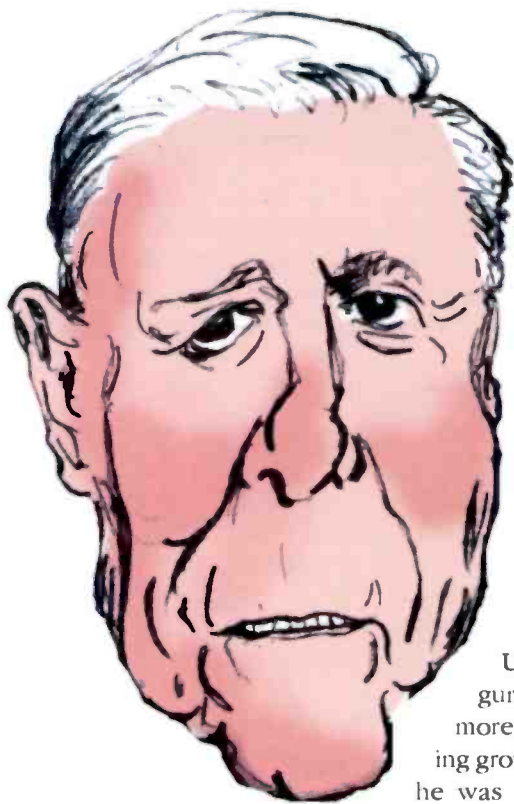
* Make all the data around a given campaign available. Provide simple, accurate reporting.
* Confirm the units ran as they were supposed to.
* Review the client's performance with them. Did you set expectation reasonably?
* Ask the client what kind of results they saw.
* Document the client experience in a simple manner.

Communicating you 'Understand the Business'

Dining programs have rolled out like wildfire across the industry. These programs are highly measurable; Restaurants know what they pay for food and what an increase in traffic means. The growth in these programs suggests at least 2 things: first, understanding your customer, better, works. Advertisers like it when you tailor an offering for their business. Second, when programs like these work, they are immediately emulated. In other words, secrets don't last long in this biz.

Accountability is the first step to establishing legitimate return measures. Media outlets don't necessarily have to calculate return or even cost justify. Frankly, so few radio sales people understand the businesses they sell to, it would be dangerous for them to calculate any kind of return. Stations can, however, do a profoundly better job understanding their clients' needs, valuating "value-add" more realistically, reporting compliance, and following up on the results of every campaign. The paltry 4% growth we've seen as an industry this year could grow substantially if we cared enough about our customers to give them the metrics they need in an accurate and timely manner.

In the final analysis, it only matters that the lift in business the client sees exceeds what they paid to get it. As advertisers get better at calculating ROI they will recognize the data you provide is critical to their analysis. Being there with that data, proactively, after the campaign will make the difference between being on the buy next time and staying late drumming up new business. Mediathink is a marketing consultancy that works with stations in markets of all size on issues specific to improving relationships with listeners and advertisers in order to grow revenue and ratings. You can contact Tom Barnes at (678) 222-3455 Ext. 72 or tom@mediathink.com



Cover Story

Coen remains bullish on ad growth

By Jack Messmer

Halfway into 2004, Universal-McCann ad guru **Bob Coen** is even more bullish on advertising growth for this year than he was back in December. Updating his forecast, Coen

raised his projections for total ad spending this year and even hung tough with his radio growth numbers in the face of recent downward revisions by Wall Street analysts.

"The recession is over, the recovery is continuing," Coen said. Reflecting on the recently completed TV upfront, he said it provided evidence that advertisers are coming back and TV is raising prices. And as political spending and the Olympics really kick in, he expects to see growth patterns similar to 2002, with the strongest growth in the final two quarters of the year.

"I've factored in a lot for what will happen in August, and September and on through December," the ad guru responded when *RBR* asked why he remained comfortable with his radio forecast numbers in the face of some recent softness. Local radio remains in positive territory this year and Coen asked, "Why would anyone think it will fall apart?"

Although there has been some hesitancy by local merchants to make heavy advertising commitments yet, Coen expects to see competition pick up as the economic recovery continues. When local retailers see their competitors advertising, they will respond and that will improve the outlook for local TV and radio. Because of that, Coen remains confident that local radio growth will hit his target of 6% growth this year, despite a slow start. He's increased his forecast for local TV, which he now expects to grow by 8% this year, rather than his original forecast number of 7%.

Looking at the broad scope of advertising, rather than a single medium, such as radio, Coen sees strong evidence that the advertising recovery is real—and is going to continue. "The important users of advertising are coming back and raising their budgets. A strong recovery in advertising is now catching up with the economic recovery," he said at his summer update in New York.

While companies in the biggest advertising categories, such as Automotive, Movies and Beverages, cut back in the 2001 recession—along with everyone else—Coen says their ad spending has come back "stronger and sooner" than other categories. After all, those really big categories tend to have more advertising related to brand building.

Those big brand-oriented advertisers were the first to come back. Coen noted that by the first quarter of 2003 they were spending 10% more on advertising than a year earlier. "Their level of increase this year, 9%, is certainly respectable when considered in the light that their return to aggressive use of advertising got started much earlier than most marketers," he wrote in his semi-annual *Insider's Report*. "Now they have continued to grow their ad budgets and these most important marketers are expected to sustain a high level of ad growth throughout this year."

Confirming that the advertising recovery is really taking hold, though, Coen points to gains in secondary ad categories and even in smaller ad categories. It's well known how advertising by Telecommunications companies fell off, but their spending was back up 6% in the first quarter. And there were much larger gains in the secondary ad categories of Resorts/Tours and Airlines, both hard-hit after 9/11, but spending 31% and 39% more, respectively, on ads in Q1 of this year.

"Now we are seeing clear signs that advertising spending strategies are finally coming back in a number of categories that were most seriously cut during the recession and immediately following the 9/11 terrorist attacks," Coen said. "The sustained eco-

Bob Coen's advertising forecast for 2004

Media	Dec. forecast	New forecast	Ad spend (millions)
Four TV networks	12.0%	10.0%	\$16,500
National spot TV	9.0%	9.0%	\$10,843
Cable TV	12.0%	14.0%	\$15,908
Syndication TV	9.0%	13.0%	\$3,880
National radio (net & spot)	7.0%	7.0%	\$4,642
Magazines	5.0%	5.0%	\$12,007
National newspaper	7.5%	6.5%	\$7,835
Direct mail	5.0%	6.5%	\$51,514
National yellow pages	3.5%	1.0%	\$2,135
Internet	10.0%	20.0%	\$6,780
Other national media	7.0%	7.2%	\$33,085
TOTAL NATIONAL	7.4%	8.3%	\$165,162
Local newspaper	6.0%	4.5%	\$39,173
Local TV	7.0%	8.0%	\$14,602
Local radio	6.0%	6.0%	\$15,648
Local yellow pages	3.5%	2.0%	\$12,018
Other local media	7.2%	8.2%	\$16,709
TOTAL LOCAL	6.0%	7.3%	\$98,150
GRAND TOTAL	6.9%	7.3%	\$263,312

Source: Universal McCann

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conomic growth and improved business conditions should again place this group of categories among the most important in restoring bigger and more important advertising strategies," he said of the secondary ad categories. "The level of spending in the secondary product categories was up 12% in the first quarter of 2004 compared to a decline in ad spending of 4% in the opening quarter of 2003.

Among smaller ad categories, there is also evidence of recovery. Notice the rebound by the recession-sensitive financial advertisers—Brokers/Mutual Funds and Banks/S&L—up 34% and 44% respectively. Coen notes that for the smaller ad categories, a gain of 11% in Q1 of 2004 compared to a drop of 5% a year earlier.

But those gains early this year are just the beginning. With the Summer Olympics yet to come and the political campaigns still heating up, Coen is confident that the back half of this year will bring substantial increases in ad spending. The biggest beneficiary of both Olympic and political spending will, of course, be TV, with radio benefiting from a trickle-down effect as TV inventories tighten and rates move up. Ad spending on the four big TV networks was up 11.5% in Q1 of this year, so Coen is looking for big things there.

"In 2004, an Olympic year, the first quarter is in with a double-digit gain over the first quarter of 2003; the second quarter may not be quite as strong, but it is reportedly well above the second quarter of last year. The third quarter is when we expect the Summer Olympics in Athens to fuel a year-over-year gain of 20% or more this year compared with last. The fourth quarter will certainly show much more moderate ad growth; but the fourth quarter of 2003 was not particularly strong, so a modest comparative gain is possible," Coen said. "All the indicators now point to very strong growth in major TV network ad revenues for 2004

Advertising growth in Q1 of 2004

Media	Q1 gain
Four TV networks	11.5%
National spot TV	9.5%
Cable TV	16.2%
Syndication TV	16.7%
National radio (net & spot)	1.0%
Magazines	6.5%
National newspaper	4.5%
Direct mail	6.7%
National yellow pages	-0.6%
Internet	28.5%
Local newspaper retail	2.7%
Local newspaper classifieds	4.0%
Local TV	9.3%
Local radio	5.0%
Local yellow pages	0.4%

Source: Universal McCann

when results for all four quarters are reported."

Looking back at 2002, the most recent year for congressional elections, Coen noted that national spot TV jumped 22% in Q3 and 29.3% in Q4 with heavy spending on House and Senate elections. Of course, this year we also have a hot presidential race as well, so he is expecting "similarly strong quarterly patterns up through November."

But even before election spending kicks in, Coen says he's seeing evidence that the advertising recovery has taken hold. With the exception of national Yellow Pages advertising, every major consumer media posted growth in Q1 of this year.

"During the first quarter of 2004 national advertising soared in the television media and in reported online Internet advertising. The impact of the election and the Summer Olympics should ensure a year of exceptional ad growth for these media," Coen said. "The first quarter growth in national marketers' ad spending in most other media was much more subdued. Some, like Spot Radio and Direct Mail, may improve significantly as the better economic climate and the election activity impacts later in the year."

Coen is less impressed by Q1 growth in local ad spending. "Local marketers have been very skimpy in advertising spending since the recession set in at the end of 2000. Price competition has dominated as local entrepreneurs and retailers competed for customers in recent years. Some return to greater advertising persuasion is expected as the economy expands, some inflation returns and job security improves," he said of the local outlook.

There are, not surprisingly, some concerns that this year's growth in ad spending could be so dependent on the election and Olympics that 2005 could bring another ad slump. Coen, however, thinks the underlying improvement in advertising demand, resulting from the improving economy, will overcome the loss of political/Olympics spending next year and produce another year of growth, although less than his 7.3% forecast for this year. "Assuming no significant disruption in the resolution of the Iraq situation and continued improvement in the economic climates around the world, similar good ad growth can be expected next year," he said. Although he doesn't break out specific media until his December forecast, Coen's first take on 2005 is that total ad revenues in the US should be up 6.5% to \$280 billion.

Product category advertising changes, Q1 2004 Top product categories

Category	TV nets*	Spot TV	Magazines	Total
Automobiles	4%	14%	3%	8%
Food	-4%	-9%	-2%	-4%
Movies	9%	-3%	7%	5%
Toiletries/Cosmetics	13%	-6%	15%	12%
Drugs/Remedies	33%	-3%	-1%	21%
Beverages/Snacks	17%	-22%	27%	15%
Restaurants	5%	-8%	75%	1%
Secondary product categories				
Telecommunications	16%	-21%	56%	6%
Computers	4%	64%	-6%	6%
Apparel	-31%	-40%	12%	1%
Beer & Wines	14%	-26%	-15%	7%
Resorts/Tours	64%	14%	15%	31%
Airlines	23%	48%	50%	39%
Insurance	36%	27%	49%	34%
Selected smaller categories				
Liquor	113%	38%	7%	15%
Cigarettes	-73%	237%	-42%	-47%
Direct Response	13%	0%	-1%	7%
Brokers/Mutual Funds	39%	24%	27%	34%
Banks/S&L	20%	67%	38%	44%
Colleges/Universities	-57%	12%	91%	4%

*includes ABC, CBS, Fox, NBC, Pax, UPN, WB, Cable TV Networks & National TV Syndication. Source: Universal McCann



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October

Pre-NAB (spending the cash for floor space so I'd better make sure we get traffic; remember it is a long flight East to West Coast)... , Radio's Upfront part 2, Capital Expenditures part 2, including what group engineers are looking for at NAB Election 2004—What's at stake for broadcasters (distribution to NAB members, chief engineers, program directors, AAAA's)

November

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Radio: Still waiting for the recovery to take hold

Long term confidence and short term questions pretty much summed up the attitudes of radio executives at Interep's Mid-Year 2004 Radio Symposium in New York. Amid calls for accountability and less clutter, it was clear that continued sluggishness in the economy, which is outside of the industry's control, is the main thing holding back radio growth.

Saying that it will take a few months of high single digit growth to prove that radio really is in a true recovery, Emmis Radio President **Rick Cummings** said, "I just don't think we have enough perspective yet to know." No one, it seemed, had an explanation for why strong pascings fell apart in May. Cummings, **David Kennedy**, President and COO of Susquehanna Radio and **Mary Catherine Sneed**, COO of Radio One all said they had some frustrating cases of advertisers who cancelled advertising orders because business was going so well that they decided they didn't need to advertise as much. But there were also clients who cancelled because business was bad.

For the group heads, one concern about the current marketplace is that some large groups are still pricing for share. "There needs to be more integrity from our market leaders," said **Charles Warfield**, President of Inner City Broadcast Group.

When a panel of sales managers was asked for their explanation of why radio is lagging other media in recovering from the recession, **Les Hollander**, Sr. Vice President of Infinity Broadcasting, said "I think it's a matter of timing." His view was much the same as Universal McCann forecaster **Bob Coen** (see related story), that the second half of this year will heat up significantly, repeating what was seen in 2002—the most recent federal election year. "As TV does better, so does radio, no doubt about it," he said.

That's the short term, but looking at the long term, Hollander told the mostly Wall Street crowd that radio is poised for growth because the industry's top group heads are coming together and talking to advertisers at the highest levels to raise awareness of radio and how to use the medium.

But radio has itself to blame for one major problem—clutter. Panelists from ad agencies complained, as they have repeatedly in recent years, that spot loads on radio have gotten too big. That drives away listeners and makes an advertiser's message get lost in a long string of ads.

"There are some companies that believe it is endless and they have screwed it up for everybody," said Sneed from Radio One.

"It has got to stop or the medium will bleed," complained **Natalie Swed Stone**, US Director of National Radio Investment at OMD, which makes her one of the nation's top buyers of radio ad time.

None of the broadcasters defended spot overloads—and all denied that their companies were part of the problem. **Lew Dickey**, President and CEO of Cumulus Media, noted that the marketplace will punish the offenders with lower ratings. "If you over-spot, your time spent listening will decline," he said.

Coming as radio stocks hit their lowest levels in a year, money managers in the audience for the symposium were trying to figure out whether it was time to invest in the beaten-down sector. "It does offer opportunity for investors who have a lot of Maalox on hand," joked **Victor Miller** of Bear Stearns as he and other analysts took the stage for the day's final panel.

Drew Marcus of Deutsche Bank Securities explained that radio stocks are now in a shift from being owned by funds focused on growth stocks to money managers looking for value, since broadcasting companies have high levels of free cash



Hundreds of Wall Streeters who turned out for Interep's 2004 Mid-Year 2004 Radio Symposium in New York got an update on the industry from this panel of group heads. Pictured (l-r) are Ralph Guild, Interep; Victor Miller, Bear Stearns; Lew Dickey Jr., Cumulus Media; Rick Cummings, Emmis Communications; David Kennedy, Susquehanna Radio; Mary Catherine Sneed, Radio One and Charles Warfield, Inner City Broadcast Group.

flow that can be used either to pay dividends or to buy back stock. But he noted that the growth managers are quicker to move out of a sector than the value managers are to move in. "That's painful for the valuations right now," he said.

Panelists were asked for their take on where radio industry growth should be in Q3 of this year—and their answers seemed to come up short of what would be necessary to hit Universal McCann forecaster Bob Coen's forecast of 7% growth in national radio ad revenues (network and spot) and 6% in local for all of 2004. Miller said he was still hoping for 4-5% growth in Q3. Marcus said his published number is 5%, but "July implies that number is too high." **Jonathan Jacoby** of Banc of America Securities said to expect 4-5% growth and **David Bank** of RBC Capital Markets said "around 5%." **Lee Westerfield** of Harris Nesbitt was the most pessimistic, saying his Q3 prediction was that radio revenues would be flat to up only in the low single digits.

Issues/Programs List requirements

By **Greg Skall**

On a quarterly basis, i.e., January 10, April 10, July 10, and October 10, all licensees are required to compile and place in their local public file an Issues and Programs List. The list must be maintained in the station's local public file for the license renewal period. It is important that this be done religiously and that a record be kept, because without compliance with this requirement, the licensee cannot make the certifications necessary for its renewal application. The list must reflect "programs that have provided the station's most significant treatment of community issues" during the preceding three months. Although the Commission has ruled that the list is to contain all of the most significant programs the licensee has aired to address the listed issues, it has not defined the term "most significant programs." However, if a program is not reported as significant, the licensee probably will not receive credit for it later. Therefore, broadcasters should compile a comprehensive and accurate issues and programs list. The burden is on the broadcaster to put its best foot forward in the list and not to "hold back" a listing of programming which might prove more impressive than the ones listed. The Issues and Programs List should detail some of the community issues the station addressed during the preceding quarter and programming that gave the most significant treatment to those issues. Each list must include the issues identified with a brief narrative explaining why those issues were chosen, a narrative description of the programming that addressed the issue, the program's title, duration, and time and date of airing.

In these days of targeted demographics and stiff competition it is sometimes difficult to remember that all Commission licensees have a responsibility to provide issue-responsive programming. The Commission has frequently stated that the gravamen of its public interest standards — is responsive performance and that the key question is whether the licensee took steps to meet that obligation. Therefore,

it is more important to place emphasis on quality rather than quantity. The Issues and Programs List's function is to give the public substantial and sufficient information about your station's issue responsive programming to determine whether your station has fulfilled its programming obligation.

The term "issue" has been sweepingly defined by the Commission as "[a] point of discussion, debate, or dispute, * * * [a] matter of wide public concern." In choosing issues to focus on, actual programming of other licensees in the community may be taken into account. Thus, for example, if your program format is not attractive to senior citizens and another station in the market actually programs towards that audience and addresses issues of concern to them, you do not have to program towards those issues. Though the Commission has done away with its formal ascertainment requirements, broadcasters should still meet with community leaders and members of the public to determine the issues they believe are of importance to the community. Should the station's license renewal be challenged, management's efforts at community ascertainment will be one of the key factors to determine whether the licensee deserves a "Renewal Expectancy." Generally, a competing applicant will be unable to prevail over the renewal application of a licensee that is granted a renewal expectancy.

No minimum number of issues must be identified. The FCC has stated, however, that a licensee whose lists include at least five issues will likely be able to demonstrate compliance with their issue-responsive programming obligation. The Commission has, however, recognized and taken into account the large variety of programming decisions and options, noting that a licensee might for example, choose to concentrate on fewer than five issues and cover them in considerable depth over the quarter. Other licensees may cover more than ten issues due to the format

and program length assigned to issue responsive programming. Even considering this statement, it is best that at least five issues be given significant programming treatment and that those issues and programs be included in the quarterly list.

Greg P. Skall is a communications attorney with Womble Carlyle Sandridge & Rice, PLLC. He can be reached at 202-857-4441.



"It is important that this be done religiously and that a record be kept, because without compliance with this requirement, the licensee cannot make the certifications necessary for its renewal application."

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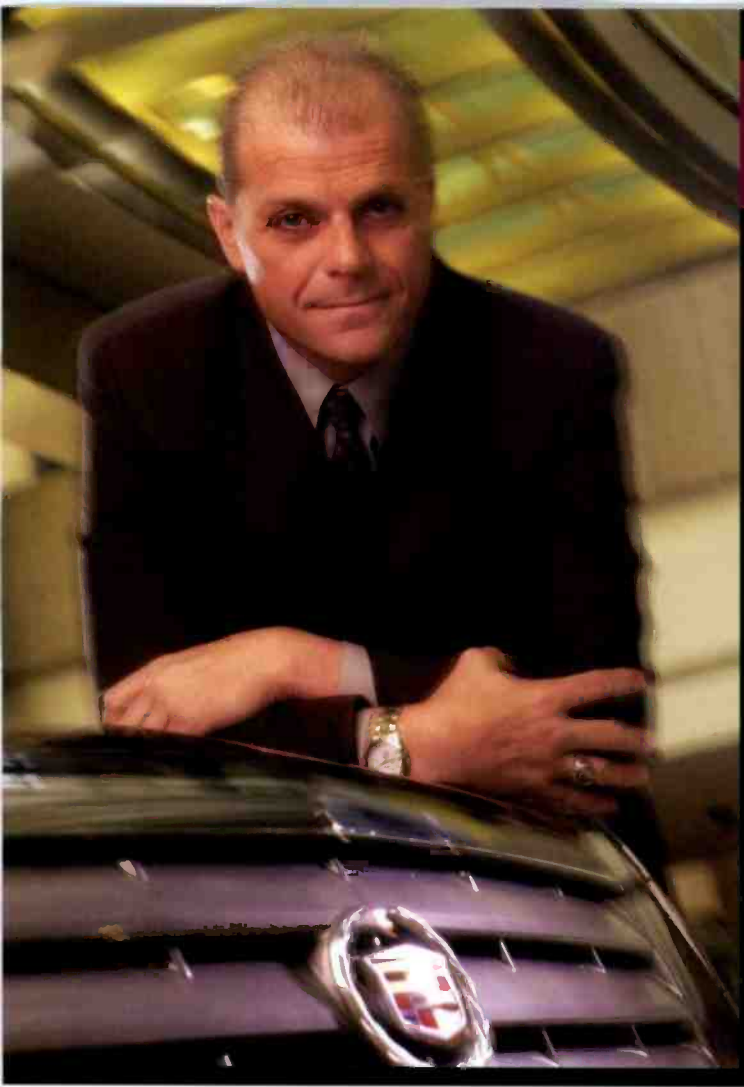
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Mark LaNeve: Cadillac GM

Mark LaNeve was appointed GM of Cadillac in 2001, returning to GM after the role of CEO at Volvo Cars North America. He left GM in '97 to become VP/Marketing at VCNA. Prior to leaving GM, he was brand manager for the Pontiac Bonneville and held several sales and marketing positions at Cadillac between 1981 and 1995.

During his tenure at Cadillac, LaNeve has committed to a new design direction, launched eight new vehicles including the popular XLR luxury roadster, and introduced a successful ad campaign featuring the music of Led Zeppelin. In his first full year heading the division, Cadillac sales rose 16% and in 2003 reached their highest level in 13 years. Mark was recently a keynoter at the TVB 2004 in NYC. Here, he discusses the incredible turnaround at Cadillac.

What kind of non-traditional advertising have you done?

Product placement was a big part of what we did three years ago when we were going to launch the whole new generation of cars. We got out of a lot of things that we've been doing. We were in a lot of the traditional luxury promotions, heavy in what's now the Champion's Tour (at that time was Senior Golf). We're in Yachting and Polo and Gardening shows and every other place that the affluent customer might show up and we basically totally broke free of that and we put a lot of emphasis on building our media plans around the very

BRANDING

By Carl Marcucci
cmarcucci@rbr.com

best event media properties. The Super Bowl, the Academy Awards, The Ryder Cup, PGA Championship. We went in big on product placement and the big deal was to be in the Matrix Reloaded, which was a huge placement for us. Bad Boyz II. I have done a ton of work on placement with certain Hollywood celebrities to drive awareness with the influencer fleet we have on the West Coast.

We can't take credit for all the MTV and Escalades that have been featured in hundreds of videos. We've advertised in Rolling Stone and we did a whole piece on maximizing the effect of the XM Radio in Rolling Stone and we've been in GQ.

The Escalade and the Hip-Hop community—how do you explain it?

We tried to stay out of the way because I'm a firm believer that when you tell somebody it's cool, you lost the battle. The hip-hop community, the kids, they embraced Escalade I think because the car got back to doing what Cadillac was always great at. Which is the very bold, distinctive design with the most powerful engine in it's class, a ton of technology and luxury features and it's a well-built quality that just exudes power. So we have the right product formula and the whole hip-hop community kind of adopted it and we stayed out of the way. We're probably going to have our best month ever this month so I mean it just keeps getting better and better.

How do you use radio and what do you like about it?

Our primary placement for radio is through our local marketing groups, through the dealers, which is a combination of their money and our money. We use the same creative that we have nationally, although we've run very little national radio. We've investigated it a few times, we've done a little bit, but it's been mainly through the local marketing groups. Every group is different. Some groups like it, other groups it's just a small piece of their entire media buy. Some are very heavy like our LA group for example, which is a huge critical market for us—it's very big. I would say it runs into the tens of millions of dollars that we spend on radio through their combined efforts.

We like it because you're in your car so you've got a captive listener and they're not distracted. You can explain more detail than you could get across in a 30-second television ad. Of course a big component of our campaign is the song "Rock and Roll" by Led Zeppelin.

The "Break Through" effort—what was the strategy?

When we were launching the campaign, which was three years ago, we launched the CTS. We got the whole new generation of cars and let's not over complicate it. Let's showcase the new design, which is obvious. The cars now really have world-class performance characteristics—we need to showcase that. People already gave us credit for being roomy and luxurious and having a lot of features, that's what Cadillac...you could talk to anybody and they would give you those words. But they weren't giving you a high quality distinctive design, world-class performance. And we needed to add that and 'break through' that—the words work for us on a number of levels. It's a breakthrough design; you can breakthrough into the brand, so it worked out on a number of different dimensions.

With the launch of the STS is with our print in August we're going to give a similar look but it's going to have a shift in terms of graphic treatment. We're going to start providing more evidence in terms of the content, the engineering excellence of the vehicle, specifications, without being boring which can get very tedious if you over-do it in an ad.

Next month we finish our interview with Cadillac's LaNeve.



THE TAMMY BRUCE SHOW

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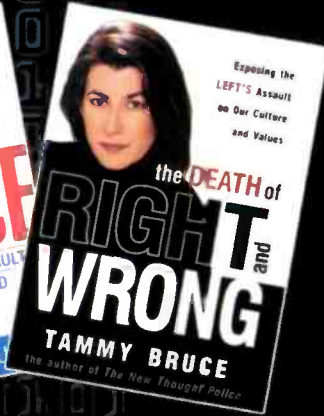
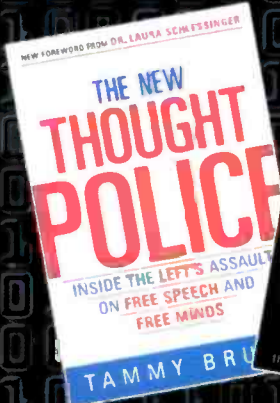
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— Erik Braverman,
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Steve Grubbs: Challenges and opportunities in media abound



Steve Grubbs, CEO of Omnicom's PHD, is responsible for \$4.5B in global billings and seven US offices. Clients include DaimlerChrysler, Gap/Old Navy, Ralston Purina, J&J, Goodyear, Reebok, Gap, Enterprise Rent-a-Car, Discovery Networks, Schwab and Energizer.

Prior to joining PHD, Steve was CEO of OMD USA, Omnicom's other global media services network.

Before that, Steve was EVP/Director of National TV Buying and Program Development at BBDO New York, where he served for 22 years. Steve's also a former Chairman of the AAAA's Network TV committee and currently serves on the board of directors of Advertising Information Services and E-sync Networks. Here, Steve gives an insightful take on holding the keys to innumerable, constantly-evolving media vehicles. [Zinio users click here for the entire interview.]

What are your clients biggest concerns as of late?

I'd say probably four. One is the whole new area of technologies and understanding them, how to use them, when to use them. That's number one. Number two would be the whole concept of ROI and how do we measure ROI and how do we measure media effectiveness, which is difficult to get at. We're finding ways to get at it but it's difficult. Third would be customer segmentation. How your customer interacts with various media. Then last is inflation and that's all the talk and all the complaints you hear about the Upfront really tie back to one thing. If we were looking at three to four percent CPM increases every year for broadcast you wouldn't hear any complaints about the Upfront. It's the huge inflation, relatively huge inflation, for broadcast TV and even cable TV versus all other media. I mean magazines, newspapers, local broadcast, have seen very little inflation over the last couple years but it's been a big, big hit for network television. Media inflation and now that you have more and more procurement people on the client side that are involved in the process. They're very focused on media inflation.

Each of these clients has a tipping point I'm sure.

Well it's a tipping point, it's a frustration point. Everybody will complain about it yet everybody comes back and continues to spend more money behind television every year and that's because basically it works.

Does this make your job any harder when the prices keep going up and the clients get anxious about it? Certainly it puts more pressure on your end to solve the problem.

Absolutely. I mean that pressure's on them. They have to answer to their management and their shareholders and so they turn around and put the pressure on us and tell us to look for other solutions. Not only look for other solutions, but give us support for why we need to spend so much money in TV.

Tell me a little about your career and how it led up to where you are now.

Started at Y&R many, many years ago. Spent a brief period of time there in media research. Was at BBDO after that for 22 years. When OMD was created in its first iteration as a broadcast buying shop back in 1999, I joined OMD and was there until April of 2002 overseeing that in the US, again just as a broadcast buying operation. Then in April 2002 I joined PHD overseeing all US operations.

What creative challenge/opportunities are agencies facing right now?

I think it all comes back under one heading; there's been a diminished impact of the 30-second spot on the consumer. If you take a look at recall scores and commercial recall scores and things that, the trend line is going south. I tie it all back to impact. You have increased clutter that's been going on for several years now. You have all the fragmentation, so how do you generate impact with your campaign? Then you have the remote controls, and now you have TiVo. So I think it all comes back to generating impact and I think that's one of the reasons that people are starting to gravitate towards program integration, or product integration within programming.

Well it's just the way the business is evolving and so it is a challenge and we're looking for ways to get our brand name and our brand message and our brand personality, we're looking for different ways to convey that.

Any prime examples other than product integration?

I'm really intrigued with this whole area of what I would call long-form advertainment. It's things like BMW films, things like the BOB Network where you can run sort of long form advertainment that meshes product with story line. If you take a look

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at what Ford did last year in "24" they ran a little mini movie, three minutes before the premiere, three minutes at the end of the show. If you take a look at what Anheuser-Busch has done they created a seven-minute spot called the "Best Man." So I think all those things where you try to deliver your product message in a creative entertaining environment, I think we're going to see more and more of that.

Tell us the opportunities and threats you believe TiVo presents to the ad industry.

I think TiVo rocks our world. I'm surprised it hasn't caught on faster. I'm surprised it's not in every household. It is a superior product and the ease with which you can maneuver through the remote that is connected to the TiVo technology makes it very easy to maneuver through system. So I'm surprised it hasn't really just exploded. Is it a threat? Is it an opportunity? It's technology and it's evolution so yeah, it's a threat. I've had TiVo for two or three years now and it changes the way I watch television. It absolutely changes the way I watch television and all it suggests to me is we need to find a way to really integrate product into content. It very much negatively impacts the 30-second spots. Not so much in the live broadcast, but certainly for scripted shows it has an impact.

How do you internally expand the buying dynamic within your company to effectively do buys across the ever-increasing media choices?

That's a challenge for us. I think we had something like 6,000 proposals last year that we analyzed on behalf of one client. That's not including all the proposals that came in that we actually took the time to meet with somebody and analyze a proposal. It does have some impact on our own internal workings and our manpower. But yeah, there are different ways to reach the consumer. The consumer is exposed to more and more messages in more and more places and there is a huge challenge. There are some metrics that are available for some media, but there's a lot of this we just can't account for. Even simple things like viewing your television in your office. There's no accounting for that, the way that Nielsen sample is set up. Radio—we can't really measure very well. The whole diary concept is not a valid way to measure radio listenership. We have a whole slew of research issues and as the research improves, then we're able to start to get to this whole issue of ROI. The Internet—there's great accountability there.

Did they click or did they not click.

Yeah, I mean you can track and see what the response was. We've actually, interestingly, in the past year seen a great usage of direct response television. Maybe it's just the nature of our client base,

but we spend a lot of money behind direct response television and that's very accountable as well.

It's just really about how are you internally tackling all this stuff that's being thrown at you. When you say 6,000 that's a prime example.

Well, the first place to start is you need to identify your core customer. You can't just identify that core customer as an adult 18-49 who makes \$50,000 or more a year. You really have to do a drill down on things like lifestyle, psychographics, product usage and we're getting more and more better information on those kinds of things that are now available and we're better able to tie those to some program specifics. It all starts with understanding the consumer—understanding the consumer touch points, consumers' passion points and then linking that up to how best to communicate with your core customer.

How can radio better improve to better serve some of your objectives? Is it really just employing PPM or is it more than that?

I think that's a great first step. We don't have a lot, we probably have less research on radio, I think than any other medium we deal with. That would be a good start. We don't even have one source for radio, we have two. So it behooves the industry to really focus on that, and particularly as our clients challenge us to justify return on investment. If we can justify return on investment you have to measure it. You have to be able to measure your audience. The other thing that we have to do more of and it's something that we started to hit our clients with, is we need to do more testing. We do have better information, better research available, except for in radio, and we just need to do more. More weight level testing. We should be testing everything we do. Years ago, when I first came into the business I put a little notation on every flowchart. We saved money for the media test. But we don't seem to do that anymore. I think we need to get back to that.

What can TV better do to help solve some of your objectives?

I think something they can do that I'd like to see them do is embrace the whole area of interactive TV. There is a whole slew of smaller companies out there that are trying to find a way to do point and click, to make this medium interactive. To me that would be something I would be very interested in.

What's your favorite TV show, cable show, radio show?

24 has been, I guess, my favorite. Radio, I'm a big WFAN listener and a big, big Imus listener. Then cable, I kind of gravitate between Discovery and ESPN.



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Weather wars: Competition “heating up” for weather services

How important is weather to the programming mix? Very. The level of importance is increasing as well. Listeners want to know so much that they’ll search elsewhere if it’s not offered enough on their favorite stations.



Tim McCarthy

“Weather in NYC is a very important service element to our listeners. We have increased our weather coverage dramatically, particularly in the Winter book,” attests WABC-AM New York GM **Tim McCarthy**. “Weather is now News in NYC. The six inches of snow could be the hot news story of the day. We have to be on it. Since we are a foreground format, our listeners make weather as well as traffic a ‘lifestyle.’ It’s part of their daily ritual.”

And as more and more media choices become available to consumers for weather info, the old standby of getting quick weather reports via the radio is getting quite a bit of competition—Sirius and XM being the most recent entries. As you may or may not know, XM and Sirius, as part of their weather offerings, use the same syndicated weather services as well (see page 23). That’s why the stations and syndicated weather service providers have to keep updating their technologies and improving the presentation in kind. “The information is much more up to date. In years past we would get the same report all day. Now we are getting hourly changes that we can report to our listeners,” McCarthy attests.

The most familiar names in the biz include the RADAR-rated Weather Channel Radio Network, repped by Jones MediaAmerica, and AccuWeather, repped by Westwood One. However, there are plenty of firms that offer weather data equipment and services for in-house talent to leverage alone or in conjunction with the use of syndicated services. Examples include MyWeather, Weather Central, WCIInteractive, Weather Metrics and Weather Data.

The Weather Channel brand reaches over 103M Adults 18+ per week according to Knowledge Networks/SRI (The Weather Channel cable TV, weather.com, The Weather Channel Radio Network and newspaper weather pages like USA Today). TWC clears markets by format exclusivity which allows it to work with radio clusters in many markets. It’s in most of the top 100 DMAs and has 357 affiliates. The service is delivered live over ISDN lines, ftp files, email/fax, and a customized radio browser.

“It’s the trusted brand that differentiates our weather service from others,” says **Norm Zeller**, VP/Syndication, The Weather Channel Companies. “Another differentiator is our coverage and forecasting of severe weather. In the 22 years since the cable networks’ launch, 5/2/82, TWC has been known for its severe coverage. Since the hurricane coverage of “the Professor,” **John Hope** starting in ’82, we have earned our reputation as the first and best in forecasting severe and coverage of severe weather, according to Nielsen HH

20

Ratings. The Weather Channel Radio Service gets calls after major severe weather with radio’s horror stories of how their broadcast TV weatherman never got to radio. Another major differentiator is that the stations dictate their TWC Radio service level to fit their station’s weather image. But saving the best for last, our radio affiliates are the most credible differentiators.”

Indeed, says McCarthy: “If we were going to add more weather we wanted to do it with the most recognized brand which is the Weather Channel!”

Michael Smith, WeatherData CEO, says his company offers the most sophisticated weather display systems available to broadcasters for both in-studio and mobile use. “For 23 years, we have been providing precision weather risk management services for businesses and recently decided to make our technology available to the broadcast community. Our entire focus is managing the risks associated with high-impact weather.”

To affiliates like KRLD-AM Dallas and KMOV-TV St. Louis, WeatherData offers to marquis services: SelectWarn and StormHawk.

Smith explains: “SelectWarn enables differentiated, superior coverage of high impact weather. It’s the first and only system that displays the new, more precise GIS-based storm warnings from the NOAA-National Weather Service. The GIS storm warnings delineate the path of the storm rather than the old method of warning counties. Radio stations can confidently warn their listeners in the path of the storm while reassuring those not at risk. Storm Hawk is an indispensable tool for radio stations that provide live field coverage of storms. It’s the first “user-centric” weather system intended for use in mobile units.”

Storm Hawk uses GPS and GIS technology to map the weather over hi-res maps that are always centered on the user and his or her direction of travel. Storm Hawk displays radar, lightning, temperatures and winds along with the new NWS GIS warnings.



Select Warn via PDA

Using syndicated services in conjunction with in-house talent

Like the old real estate joke about location, there are three reasons stations turn to syndicated product—resources, resources and resources. No station, no matter what the format, is going to maintain their own weather center. No station will have a staff on call in the case of severe weather threats. And no single station can provide the branding that the biggest weather networks provide. Every DJ over a certain age has ripped copy from a teletype and read the wind speeds and high and low temps off of the wires, but that’s just not good broadcasting. Syndicators are there to provide better tools to help affiliates create better programming and appointment listening.

How do stations successfully program their weather services?

It starts with getting customization out of your provider.



Laura Ingraham

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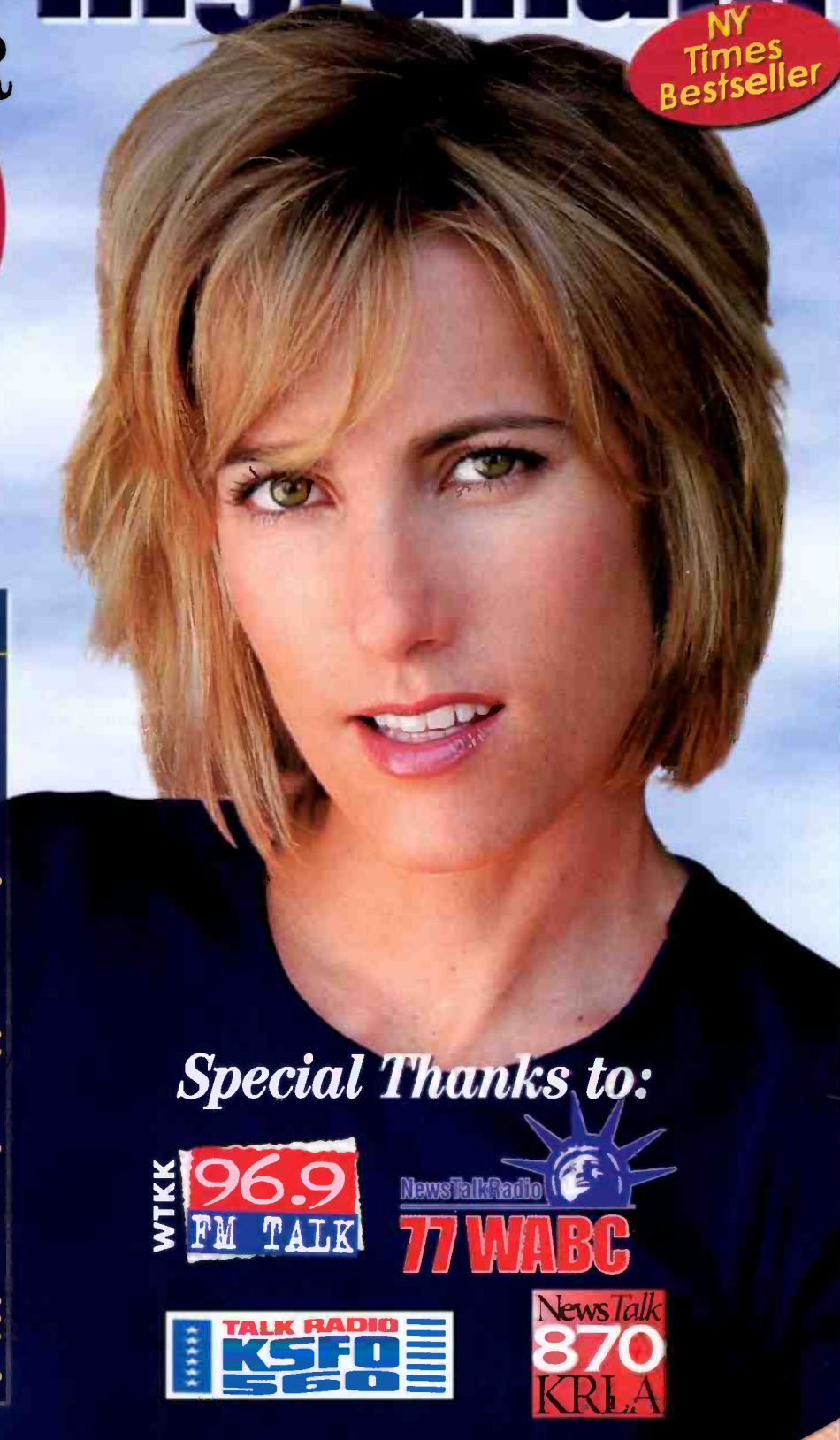
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Market	Calls	FCH Share	Fall 2003	Winter 2004	Change
New York	WABC	F 12-	2.1	2.5	+19%
		F 25-E4	1.8	1.8	+0%
		F 35-E4	2.5	3.0	+20%
Portland	KXL	F 12-	4.4	5.7	+30%
		F 25-E4	2.4	4.2	+75%
		F 35-E4	4.3	6.9	+60%
Rochester	WROC	F 12-	2.5	3.4	+36%
		F 25-E4	2.1	3.6	+71%
		F 35-E4	2.9	4.8	+66%
Denver	KNUS	F 12-	1.7	2.3	+35%
		F 25-E4	1.3	1.8	+38%
		P 35-E4	1.5	3.0	+100%
Louisville	WGTK	P 12-	1.9	3.3	+74%
		P 25-E4	1.8	2.6	+44%
		P 35-E4	2.1	3.4	+62%
Albany	WROW	P 12-	4.1	4.1	+0%
		P 25-E4	1.4	2.4	+71%
		P 35-E4	2.5	3.7	+48%
Grand Rapids	WOOD	P 12-	3.3	4.7	+42%
		P 25-E4	0.9	4.1	+356%
		P 35-E4	1.0	4.5	+350%
Tulsa	KFAQ	P 12-	5.6	5.9	+5%
		P 25-E4	4.3	7.1	+65%
		P 35-E4	7.0	8.0	+14%
Spokane	KXLY	P 12-	3.4	2.6	-24%
		P 25-E4	1.5	3.4	+127%
		P 35-E4	2.8	3.6	+29%
St. Louis	KFTK	P 12+	1.5	1.5	+0%
		P 25-E4	1.1	1.9	+73%
		P 35-E4	1.4	1.7	+21%
Minneapolis	WWTC	P 12+	1.0	1.3	+30%
		P 25-E4	1.0	1.5	+50%
		P 35-E4	1.0	1.9	+90%
Colorado Springs	WADK	P 12+	0.3	2.0	+567%
		P 25-E4	0.0	1.8	+180%
		P 35-E4	0.0	2.7	+270%
Indianapolis	WXNT	P 12+	1.1	1.8	+64%
		P 25-E4	0.9	2.5	+178%
		P 35-E4	2.5	3.6	+44%

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"Customization is the key to our longevity with affiliates," Zeller affirms. "We have female and male meteorologists who deliver and fit our affiliates on-air teams. From Radio Disney in New York to WABC, radio broadcast-meteorologist talent fit is key."

Where's the happy medium in using in-house and syndicated weather reporting?

"I think it depends on what you are trying to accomplish," explains McCarthy. "If you are branding your station as the 'weather' station, it may make sense to invest in a big name weather personality. In our case, our brand is our wonderful talk talent! The great thing about the Weather Channel is that their broadcasters are excellent. We have not had to go out to outside services to do reporting."



Joel Oxley

Of course, many News-leaning stations program a mix of syndicated weather services and in-house or local talent.

On WTOP AM & FM Washington, DC, **Joel Oxley**, Bonneville's DC Market Manager, uses the Weather Channel Radio Network and local weatherman **Doug Hill** from Channel 7, WJLA-TM (ABC). "We feel this is a great advantage to our listeners since they are getting two views of what the weather will be.

Doug is scheduled weekday mornings and afternoons for a few forecasts per hour. He also joins us during weather emergencies. The Weather Channel does the rest of the forecasts."

Cultivating the popularity and presence of TV personalities doesn't stop with local weathermen, however. Improving the weather presentation can soon also include a household name synonymous with weather—**Al Roker**. He's been the enduring weather icon for NBC's Today Show for nearly 10 years. United Stations, after settling their lawsuit against Westwood One for signing AccuWeather away while it was still under contract, came out with the announcement that Al will be launching late summer/early fall for a new radio weather service.

Andy Denmark, United Stations EVP/Programming, says because Roker and his brand are the #1 most recognizable name in weather in America, his affiliates want all the customization that's possible in order to maximize their association with him: "So we'll do whatever promos, intros, teases, lockouts, tosses etc. that we have to. Plus, if a station's needs require it, Roker will be supplemented by other forecasters who will be chosen because they fit the stationality of our affiliates."

The service will be delivered via FTP, email attachments and/or ISDN.

Aiming at music-intensive stations

And here's a twist—United Stations is targeting Roker to music-intensive, rather than News-Talk stations. "There are number of personality-driven FM music stations who are airing weather forecasts that are not a natural fit for them, and our goal is to have Al Roker and his regional team of meteorologists fit more comfortably into the air sound of our affiliates," Denmark says.

"You've heard of a 'one man band'? Our weather network is the home of the one-man brand! As a provider of programming, we at United Stations like to distinguish as many of our offerings as we can by having high-profile talent as the center attraction. Naturally, our broadcasts all offer reliability in terms of both content and delivery as well as having the right production bells and whistles, but we feel that the magic that network radio can provide is a 'star' that wouldn't otherwise be available to a local affiliate. Al Roker's Radio Weather Network is about personality."

Unlike News and News/Talk stations which can deliver a syndicated weather update every eight minutes around the clock, music-intensive stations' reports are more of a round-up and predictive. While the customized TWC Radio Service set by the station runs from "weather on the..." or every 10 minutes on News/Talk stations, music stations like WVEZ Louisville, KQOL Las Vegas or WEBG Orlando request less hourly service but "all want that 24/7 severe weather protection for their listeners," says Zeller. "Music stations tell us that their research always lists credible weather as one of the top two needs of PIs. Having The Weather Channel cable TV network and weather.com along with a staff of radio only broadcast meteorologists all at headquarters is a unique advantage to keeping the forecasts the freshest."

"Every station needs some form of weather service—it's part of the commodity aspect of radio that listeners have come to expect," contends Denmark. "The question is how do you do it for music stations so that it feels right, fits the format and maybe even creates a sales opportunity. It strikes us that the formula for making it very special, especially for music stations, involves keeping it quick, upbeat and star-powered, and that's where we come in."

Indeed, the approach is different for music stations. The concentration of United Stations' service is twice a day. "In the morning we'll report on what's happening today and tonight, and in the afternoon we'll report on tonight and tomorrow. With an emphasis on personality we won't be doing long, drawn-out multi-day forecasts. The one exception will be Fridays when we'll provide a full weekend outlook," Denmark explains.

Oxley is in charge of one of the most successful all-News stations in the nation, and has two music-intensive stations under his belt as well—Classical WGMS-FM and Modern AC WWZZ-FM. What's the difference in "need to know" when it comes to weather? "It's much more important for news in that WTOP's need is 24/7 and forecasts must be for an extended period. Music stations can get away with weather for today and tomorrow with very few details. News/talk have to give extended forecasts with detail. We chose the Weather Channel based on their ability to do 24/7 weather, their on-air talent and a reasonable barter arrangement," Oxley explained.

WTOP's partnership with Channel 7 also adds a bit of real-time, trusted technology to the mix. Says Oxley: "The partnership allows us to have super-doppler installed in our studios at WTOP. This allows us to pinpoint exactly where weather problems are in our area for our listeners. Our region is so big their can be clear skies in Frederick, MD and a major storm in Fredericksburg, VA so it is vital WTOP is on top of weather for the whole area."

Competition from Sirius, XM

While traditional radio was fairly comfortable with the launch of XM and Sirius Satellite Radio in that the licenses did not allow local content to be broadcast, the end game slapped a few in the face: local weather offered via dedicated, satellite-delivered channels.

Via the deal with TrafficPulse and The Weather Channel, "XM Instant Traffic & Weather" offers up-to-date road and weather conditions for 20+ major metro areas (some to come later this year). The channels provide travel times for major roadways, average speeds and delays attributable to accidents, lane closures and construction.

Sirius' service is offered via Westwood One and The Weather Channel. Westwood is supplying Sirius traffic and weather reports every six minutes on a dedicated channel for the top 20 markets. "Sirius First Traffic" resources include a fleet of helicopters, fixed-wing aircraft, ground monitors and traffic cameras. The service was presented in conjunction with SmartRoute Systems, a Westwood One company. Weather info comes from The Weather Channel.

"Sirius provides two levels of weather information for the continental U.S. In the first level, we provide continuously updated regional weather data for the Western, Central and Eastern thirds of the country. This information is particularly useful for long distance travelers who need to plan their routes according to the weather in distant cities. Sirius also provides detailed weather information for 20 major cities. This information is provided in conjunction with traffic information for those markets," says **Jeremy Coleman**, VP/Talk, Information and Entertainment Programming. "All of our traffic and weather channels use talent who are either natives of the local cities we cover or are experts in those regions."



How do traditional broadcasters view the local weather competition from XM and Sirius? Quite seriously, of course.

"It is a serious issue," McCarthy attests. "It localizes what they are doing on satellite radio. It does not change what we do at WABC, however. It may become more of an issue for music stations that have branded their weather."

RBR August 2004

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AM HD signal interference to wreak havoc in larger markets?

While FM HD Radio has done a good job keeping the digital signals within the allocated "mask" (first adjacent frequencies to the analog signal), we are hearing yet again that AM HD Radio signals are not. While the FCC is currently trying to decide if nighttime digital interference to skywave is going to be permissible, we'd like to point out issues cropping up with daytime interference.

We first had heard months ago that Buckley Broadcasting's WOR-AM NY's HD Radio signals were bleeding a bit too far over—meaning the digital signals for the station's 710 kHz analog frequency should pretty much stay within the mask of 700 and 720, but weren't, to say the least. WGSM-AM 740 (Huntington, NY—Long Island) was and is complaining about digital bleed-over interference. WGSM is 20 kW, not a weak signal by any means. WOR is using a Harris DX 50 transmitter with an iBiquity digital exciter.

Said WGSM [AM Radio NY Inc.] President **Young Kwon**, who broadcasts Korean music and Talk: "Most of the Korean listeners I have that are in Queens, part of Brooklyn and part of Nassau county hear a lot of hissing noise. It is a really big problem. We have already lost a lot of advertisers over this. When they stop IBOC operation after sunset it is OK. But daytime it is bad. We tried to improve our signal in Queens, where most of the Korean people live. We did a minor modification to our coverage area, with a 5,000 watt non-directional transmitter. But we don't get any benefit. So we're considering going back to our original licensed coverage. We're going to have to forget about Queens."

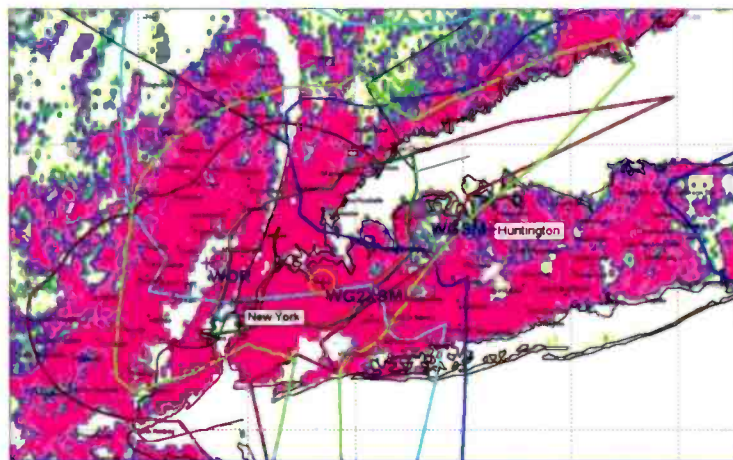
Before the HD signals were added, Kwon says the coverage was decent in Queens [his studios are in the Flushing neighborhood of Queens]. "We could listen to the signal, no problem there—especially in the car. I love my station. Even with all the noise I try to listen, but now I have no more patience."

So Kwon is paying \$3M yearly to get his programming on the expanded band at 1660 kHz (Multicultural's WWRU-AM Jersey City, NJ). "That is a lot of money to pay, but I have no choice but to move."

WGSM should be effectively obliterated in the Queens and Brooklyn area when and if WABC-AM NY (770 kHz) goes digital.

Says **Tom Ray**, Buckley Broadcasting Corporate Director of Engineering: "The supposed 740 interference was occurring in an area where the station a) has no coverage—that they were trying to cover, b) they're not entitled to coverage and c) it is well outside their protected contour—Queens, NY. Most of their signal goes directly toward the eastern end of the island and they are 22 miles from Queens. On a spectrum analyzer, they didn't really show above the noise. Yet, they're trying to claim to cover that area."

The latest interference problem is occurring in DC: Mega Communications' WKDL-AM 730's digital signals on 720 and 740 are interfering with another in-market analog station—WGOP-AM 700 (5,000 watts). It's especially bad in Arlington, VA and Alexandria, VA, within 10 air miles of WKDL's transmitters. WKDL uses Harris's DX-10 transmitter with iBiquity's HD Radio test exciter/Generation II. When the station first launched its digital signals in test mode, we didn't notice the interference levels that we're seeing now (RBR's offices are located in Alexandria, VA). We're not sure



WOR 25 mV/Meter - Brown - 11.4 million people
WG2XSM 0.5 mV/M - Light Green - 11 million people
2.0 mV/M - Dark Green - 5.8 million people
25 mV/M - Orange - 162 thousand people
WGSM 0.5 mV/M - Light Blue - 10.6 million people
2.0 mV/M - Dark Blue - 2.9 million people
The background colors are population density. Red meaning higher, blue meaning less. Map composed with ComStudy software.



WGOP 5kW, Walkersville, MD 0.5 mV/M - Light Green/2.0 mV/M - Dark Green
WKDL 8kW, Alexandria, VA 5.0 mV/M - Blue/ 25 mV/M - Violet
One can see the daytime WGOP 0.5 mV/M contour sweeping through Occoquan, VA and Clinton, MD. The interference noticed in this area where it crosses through WKDL's 25 mV/M contour is IBOC blanketing interference due to the signal level disparity. Map generated with ComStudy software.

Alexandria is outside the "protected" contour of WGOP, but that's not the point—digital signals should not bleed 35 or more kHz over from the center channel analog. We were even getting interference from WKDL on 690 kHz.

Editor's note: On 6/30, WGOP's calls became WDMV. WGOP will move with its talk format when Birach moves his 540 AM in southern Maryland into DC. 700 WDMV will then become brokered programming.]

Says Birach Broadcasting's **Sima Birach**: "I've talked to them on numerous occasions about it, from the digital testing over a

year ago. I have to protect the signal of the station. I'm going to contact them again and give them another option to do whatever they need to protect my signal. And then after that, then I will seek any legal recourse that I have, at least filing something with the FCC."

We originally reported the issue in our Epaper coverage of the issue (6/9 *RBR* daily Epaper #112). On 6/18, WKDL shut off its HD Radio signals for five days. Maybe some of the work they were doing included lowering the interference levels. We, however, didn't notice any difference.

Said Birach on 6/18: "I talked to [CFO **Ron**] **Schrieber** at Mega, and other than being insulting, he was supposed to have his engineer call me. Then I talked to him again...but I never got a call from anybody. And then I finally told one of our attorneys to send off a letter first thing this morning. That may have had something to do with them shutting it down."

Says WKDL GM **Maria Elena Verdugo**: "They are working on our transmitter for the next five days, so we had to turn that off. I don't have any information with regards to WGOP, other than some information the CE for our company **Bill Sullivan** emailed me. But I was not in the middle of this."

Observes Ray: "Now the station in DC, it shouldn't interfere on 700 unless they've got some kind of an issue going on with the antenna or transmitter. There is an image that will form that's 90% caused in the modulator of the transmitter that could be plus or minus 30 kHz out [from the center channel analog frequency]. Ours is like minus 62 kHz, and the FCC mask at that point is minus 35 kHz. So we are basically down in the noise. The IBOC signal does have a spread to it, but it is under the NRSC [National Radio Systems Committee] mask. And yes, to the critics who say, 'But that's not the intent of the mask!' I know, but that's not what the [FCC] rules say."

But with a weaker station in that zone, that noise could beat it up pretty bad, right? "Yes, and that is pretty much what was happening with the 740 issue up here," Ray adds. "But like I said, when their signal was in the noise anyway."

Some transmitter manufacturers are quite aware of the problem. **Jorgen Jensen**, Nautel's Sales and Marketing Manager, tells *RBR* interference from HD Radio AM transmissions to adjacent channels has become of increasing concern in the industry. The primary issue on second and third adjacent channels is intermodulation products generated in the transmitter. These IM products will be well within the current FCC legal RF emission limits. However, "More stringent limits need to be imposed specific to AM HD Radio and are presently under consideration by the NRSC," says Jensen.

What can broadcasters and manufacturers do to alleviate these concerns? He adds, "State of the art transmitters can reduce the level of the IM products from -65 to -69 dBc (still above the base noise level) out at 30 kHz, which is what our standard transmitter, the XL12 does. It's still at a fairly high level, but a lot of the signals we see going out are running at -60dBc or worse. Of course, the FCC mask right now allows you -35dBc, which is the amount of energy you're packing in the sidebands now with the digital signal. So you can stay perfectly legal, but it's kind of 'legal limit spectral trespass.' We think it should be at least 65dBc. The FCC needs to tighten up on the legal limit to enforce a higher level of attenuation, closer to the analog carrier signal."

He adds, "Nautel transmitters are designed to be extremely linear with wideband frequency response and very low group delay variation which serves to minimize spectral regrowth. Other designs may require some form of signal processing and pre-distortion to achieve similar results. Transmitter designs capable of meeting a more stringent RF emission mask should reduce or eliminate interference problems except in very close proximity to

the HD Radio transmission site. However, to minimize interference problems all aspects of the transmission path including the antenna system need to be considered. It is probable that most of the problems of second and third adjacent channel interference experienced today could be significantly improved by taking appropriate steps to reduce unwanted emissions from each transmitter site."

IBiquity Digital CEO **Bob Struble** tells *RBR* he doesn't know the details about WGOP-WKDL and no one has talked to him about it so he can't directly comment. "But the answer is there are going to be some instances of interference—that's well-documented. The comments that we've gotten from all the stations that are up and running have been really, really minimal and we're pleased with the lack of interference thus far. The FCC recognizes there's a process set up. If stations are having problems, it's up to them to try to work it out. If they can't work it out, then they can take it to the Commission."

What about when a bunch of stations add HD Radio in a crowded AM market? "We're not worried about it," Struble said. "We're talking about the most thoroughly tested system in US broadcasting history. The volume of reports that have been filed on this particular topic, interference, would probably fill half a library. There is going to be some limited amount of interference, it's going to depend on specific station situations. It's going to be more risky if these stations are short-spaced. But this stuff is all a matter of public record now and oh, by the way, the NAB, the CEA and a whole bunch of other people weighed in on it and said the benefits of digital far, far outweigh the potential for interference."

Comments former Clear Channel VP/Technology **Al Kenyon**, who resides in Alexandria: "The FCC seems bent upon disenfranchising analog consumers for the benefit of those able to avail themselves of newer, more expensive digital receivers. There seems to be little concern for those analog AM radio listeners who will have the misfortune to live, work or drive too far away from their favorite AM station once a nearby second or third adjacent AM station fires up their HD Radio digital encoder. Such listeners are likely to become frustrated and finally just give up on that "noisy" AM band. Satellite anyone?"

RBR observation: Nobody here is breaking any FCC rules that we can see. That's not the point. If analog signals can be kept within a reasonable frequency mask, then we think digital should too. And it may be possible with the right equipment and engineering. AM has enough interference problems as it is and it will be years before a sizable chunk of the population owns digital AM receivers. And remember, digital signals from different HD Radio stations can cause interference to each other as well. We just have to wonder what the situation would be in any crowded radio market or adjacent markets if a bunch of AMs added HD signals—chaos?

What about skywave?

One of the reasons the FCC and NRSC haven't yet authorized AM HD radio at night is due to the interference it will cause to nighttime skywave reception. Another issue with WOR is their digital signals were interfering with WLW in Cincinnati [700 kHz]. Says Ray: "We had caused no problems for WLW in the Cincinnati area, or their coverage area. Outside of their protected contours [skywave reception], there are some issues."

The FCC's comments on skywave were due in June. Most folks that Struble says he's have talked to, "including the ones that matter, principally the NAB which petitioned the FCC itself to allow this, are supportive of the need to authorize nighttime broadcasting. We did some specific tests and Tom is right. There is no interference to WLW by WOR in Cincinnati. Our tests indicated



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where you usually get a skywave station 60%-70% of the time, you will only get it 50%-60%. Is skywave an important service for the industry to worry about in the age of Internet and satellite? Overall listening is 85% FM vs. 15% AM. Then let's think of AM at night. That's certainly less than 5% of all radio listening. Now let's think of skywave listening at night. It's well below 1%. We as an industry have to ask ourselves if that is a good reason to hold back on the progress of digital. The NAB looked at it and said, 'No, it isn't. We need to move forward.'

Weitzman comments on AM IBOC

"AM reception appears to be substantially degraded by introduction of the digital signal—not only on the station which hosts the HD signal—but on its adjacent channel neighbors as well. First, the bandwidth of the analog broadcast on the HD station is severely curtailed to accommodate the digital information. Our group's stations have invested mightily to maximize the quality and fidelity of our analog signals and we are proud of how they sound. Under the restricted analog bandwidth which would necessarily accompany HD AM implementation, analog audio would sound flat and lack crispness and presence.

But even worse, what we dread, and most AM broadcasters must give consideration to, are the potentially disastrous effects on signal reception and coverage caused by adjacent channel neighbors who adopt HD. Based on my own, albeit limited, listening tests, AM HD stations throw off lots of digital noise two and even three channels above and below their own frequencies. Thus, for example, when I listened in the New York City suburbs recently, digital noise from WOR prevented reception of WGSM within areas where, I have been told, the latter station had been heard clearly before WOR went on HD. It's one thing to adopt a new technology and hope that it will "take" in the marketplace. It's totally another to degrade, even unintentionally, the quality of what exists. Of course, there is no law preventing broadcasters from adopting HD AM at the expense of their own analog audio quality. However, they must not be permitted to affect reception of other radio stations operating on their adjacent channels. Based on my own anecdotal experience, that degradation may well be occurring now. If these issues cannot be satisfactorily resolved by all of us in the industry, AM HD, at least in its present configuration, will have to be rethought by iBiquity, broadcasters, station engineers and those in government who regulate us."

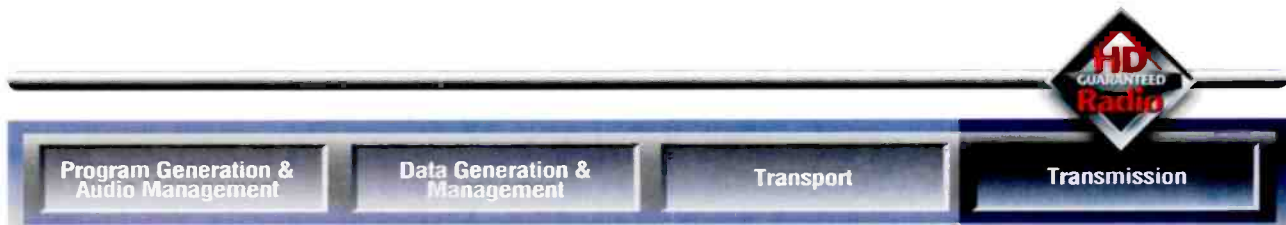
(**Jim Weitzman**, a former longtime communications lawyer and ex CE, is president of New World Radio which owns high power AM stations in DC, Annapolis/Baltimore and Philadelphia.)



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Special Report

Where the deals have been happening

By Dave Seyler
dseyler@rbr.com

Station trading after the great Summer Freeze of 2003 has been a decidedly small market affair, especially in small markets which have yet to feel the presence of ratings providers Nielsen, Arbitron or Eastlan. That is especially true of radio stations—just over 45% of those sold between August 2003 and the end of March were in unrated portions of America.

Trading to achieve ownership consolidation in radio, which has been going on to a degree since 1992 and in earnest since the passage of Telecom 1996, is basically mature in the larger rated markets. These charts make it utterly clear that what opportunities there are out there are in smaller communities.

Note too that in the top 50 markets, AM trading is more brisk than FM, despite an overall disadvantage in total stations traded. We're still seeing deals feature the sale of a non-essential AM from an FM-based cluster, or of a standalone AM from one niche operator to another. However, those with large market FMs rarely part with them at this point, and there have been no large group deals since last year's freeze.

Most TV activity has been in small markets as well. Many deals have been made featuring more or less proxy owners, with an in-market owner holding an LMA/option on the sold station. This is in anticipation of the FCC's 6/2/03 ownership ruling, with liberalized TV duopoly rules, actually taking effect. Whether they ever will is, as of this writing, a good question.

A quick note on the six non-rated-market TVs. They are virtually all full-power rebroadcasters in the Rocky Mountain area. They could conceivably be listed as an extended part of places like Casper WY or Grand Junction CO. If you want to make the call different than we did, all six can be moved to the >100 column.

Quarterly station trading by market size

	Total Stns	Mkts 1-50	Mkts 51-100	Mkts >100	Mkts Unrated
Q3 2003	220	15	23	62	120
Q4 2003	401	57	40	148	156
Q1 2004	286	50	19	114	104
Total 8/03-3/04	907	122	82	324	380

AM/FM/TV trading by market size, 8/03-3/04

	Total Stns	Mkts 1-50	Mkts 51-100	Mkts >100	Mkts Unrated
AM	349	58	38	98	155
FM	477	46	35	177	219
TV	81	17	9	49	6

Pct. AM/FM/TV trading by market size, 8/03-3/04

	Total Stns	Mkts 1-50	Mkts 51-100	Mkts >100	Mkts Unrated
AM 8/03-3/04	349	16.6%	10.9%	28.1%	44.4%
FM 8/03-3/04	477	9.6%	7.3%	37.1%	45.9%
TV 8/03-3/04	81	21.0%	11.1%	60.5%	7.4%
Total 8/03-3/04	907	13.5%	9.0%	35.7%	41.9%

Third Circuit puts a new damper on trading

"Hurry up and wait" has been the dominant theme in the station trading business of late. On the radio side, much of the reason has to do with regulatory maturity. Consolidation began in 1992, when the old legal limit, the AM-FM combo, was expanded to a four-station, double-double regime. Telecom 1996 took the top-of-the line cluster up to eight stations. In the 12 years since consolidation's first seed was planted, and the eight years since the potent fertilizer of dereg was applied, most of the heavy-duty dealing has been accomplished, especially in the larger markets.

Smaller markets, although very consolidated in their own right, have arrived at that condition at a much more modest pace, and as indicated in the accompanying story, are still an active source of deals.

Television, however, was pretty much left out of the loop in 1992 and again in 1996. There's been a thriving market in the pseudo-duopoly universe of local marketing agreements, joint sales agreements, shared service agreements, etc. But actual in-market O&O pairs of television stations have for the most part been limited to only the very largest locations.

The infamous FCC rulemaking of 6/2/03 was to have changed all that. It's expansion of the national audience reach cap to 45% would have enabled the two biggest groups, CBS/Viacom and Fox/News Corp., to grab new territory. But the real dealing would be for two- and three- station in-market clusters. Adding an in-market station would not affect a group's national cap total, so it would be a game everyone could participate in.

Third Circuit settled the national TV cap issue based on an Congressional appropriations rider last year, which set the cap at 39%. On the radio side, it affirmed the switch from contour-defined markets to Arbitron-geographical definitions. It affirmed the allowability of cross-platform clusters.

In the main, the court reaffirmed the philosophical underpinnings of the FCC ruling. However, it challenged all of the bright line station caps, whether it be radio clusters, TV duopolies/triopolies, or cross-media clusters, which also take newspapers into account. For the FCC, it's back to the drawing board. For dealmakers, we're back to "Hurry up and wait."

By Jack Messmer
jmessmer@rbr.com

To sell, or not to sell? Is that your question?

If you've thought of selling your radio or TV station(s), how do you know if now is the right time to sell? And how do you figure out how much it's worth? After all, no one wants to leave money on the table, nor do they want to put on a price tag so high that the sale never happens. If you are in the market to sell, or just pondering the possibilities, we've gathered some expert advice to help you figure out whether and when to pull the trigger.



Frank Boyle

We asked veteran broker **Frank Boyle**, of Frank Boyle & Co., *what should people be considering if they are thinking of selling their station?*

"The most important kind of issue, which is simplest to check, is what is the motivation of the guy who is selling the station? How anxious is he to do this? If it's something that he's not in a big rush to do under the current circumstances, then it would behoove him to take his time to make sure than he can maximize the price—get the biggest

bucks for his transaction. The immediate concern for a guy who is actually going to market is going to be the quality of the prospects—are they thoroughly screened and do they have enough money? The other thing at this particular time, what you professional journalists call the 'quadrennial spike year,' is sort of a good news-bad news scenario. If I try to use the financials for the station in 2004, then the guys who are buying it will say 'I don't know if we want to use this year as the base year upon which we are going to premise a great sales multiple.' This kind of a year comes only once every four years, with the election and Olympics, which means you will get an unusually high amount of political advertising. They'll say 'I'm not going to pay a premium as though it's going to happen every year.'"

Is that a consideration for radio, or just TV?

"Both. Of course, the next question is where are you located? If you're in places like Iowa and New Hampshire, places with important primaries, or key states [in the general election], then you're going to enjoy a nice hump in political ad revenue. You're correct, there's more of it that goes into television than radio, anyway that you want to measure it. Of course, this won't happen for the next three years in the same proportion. So the good news is that you still have this good base to sell from, even if it's called an aberration, vs. having a bad base, which if you were the seller would call an aberration. The good news right now is that in my 20 years in the brokerage business, there has never been more money available to chase deals that I've every been aware of."

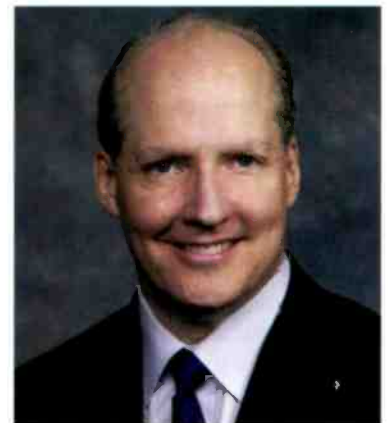
At Americom Radio Brokers, **Tom Gammon** told us there are about five factors to consider when deciding if the time is right to sell. "Number one: Interest rates are at a 35-year low, therefore people can pay more because their debt service is less. Number two: There is a debate on whether the radio industry is a 'mature' industry. If

that debate ends up deciding on the mature side, the multiples will come down substantially in the near term. So, there is a multiple compression risk. Therefore, it may be a peak pricing time—if it's a mature industry. Number three: With re-regulation, not deregulation, there's a perception that the heady days of growth in cash flow may be ending. Number four: Satellite radio is now becoming a freebie with the purchase of 2004 and of, course, 2005 cars to hook people because the car manufacturers have an economic interest with the satellite radio providers. So, there is a big push to convert listeners to satellite radio through their new car purchases. 16 million new cars are being sold this year. I say that because cable TV is 70% of the viewership of television today, but it was viewed as kind of a silly thing when it went on as CATV for the rural viewers back in the '50s. So there's a risk that listenership continues to decline. Finally, number five: In the last seven or eight years APR-average persons listening to radio-has declined approximately 20% and a larger portion of that is in the young listeners 18-24 than it is the older ones. You've got declining listenership, which is directly related to what you can charge for ads. At the same time, there's additional move-ins everywhere—nearly every market has gotten more FMs in just the last four or five years, maybe two or three of them. So there's more fragmentation," Gammon said.

Can you still get a good price if you're in a market where the big players are already full-up?

"I'll give you a for-instance,"

Boyle replied. "I have a great listing in Lynchburg, Va. There are two big guys there—the usual 800-pound gorilla, Clear Channel, and across the street is **Leonard Wheeler**, a local guy, whose family has been there for 50 years. They have each pretty much what the FCC will permit.



Tom Gammon

I have people who take a look at it, the usual suspects if you will, the public companies and good size radio groups. Their decision not to buy my client's operation really has little to

do with price, it has to do with the fact that they can't get parity. That's their view—they could, if they were willing to put a number of pieces together, a number of independent stations. That's what I find more often happens. It's not pricing, it's a matter of quantity for cluster parity."

So, as a seller, how do you overcome that?

"As a seller, there are more people who are looking to get creative—they're looking for situations like this, because their belief is that they can put together three different sets of acquisitions to give them, from a quantity standpoint, parity with Clear Channel and Wheeler. They have to do what you and I remember from being kids—put the Lincoln Logs set together. We have to build the cabin. Once it's put together, then the reward is that they can go to these big groups who are not already there and say, OK, I now have a cluster put together, I've done all the heavy lifting and I want you to pay two or three times what I paid—and the odds are they're going to get it."

When we spoke with **Larry Patrick** of Patrick Communications, he was ready with both a basic answer, then a detailed list of how to proceed if you are indeed ready to sell.

"First they have to do a quick assessment of what's the market like—is it a buyers market or a seller's market? The market for selling radio stations is certainly a wave that goes up and down. Prices are sometimes a little higher or a little lower. Obviously you want to time it, if you can, when prices are high and it's a pretty good sellers market. I've made a list of a couple of things that if I were then committing to sell, that I would do. These are just general things that we see in deals of all sizes," Patrick said.

Here's his list of things you should do if your ready to sell your station:

1. Clean up your financials. The seller is going to require you to provide at least two or three years of historical financials, plus continuing sales pacings reports. Sometimes people says they want to sell, but don't have any current financials. I only do them every six months, they say, or I only do them out of my checkbook. They expect a buyer to be able to make sense of that. That's difficult for buyers. Whether it's a million dollars, or 10 or 100 million, they expect to have a pretty good profit and loss statement. You don't have to show them you balance sheet, unless you're selling stock, but if you're selling assets you have to show them what the station makes. Also, as part of that, if there are going to be add-backs—things that you're going to argue that the new owner wouldn't have as expenses, such as putting your spouse on the payroll, or you have your kids on the payroll, you pay for country club dues, or some trips or whatever—you need to be able to isolate those areas that are add-backs and prove that they are legitimate. We go though this all the time with sellers where they want to add back the kitchen sink. Let's add back all of the advertising and promotion, for example, because we do too much of that and the new person won't need to do any of that. That's not legitimate. So legitimate add-backs—and I underline the word legitimate—are acceptable, but you've got to prove them. So the financials have to be cleaned up.

2. The second thing we tell sellers is to get organized. Get everything in order. For example, a buyer is going to want to look at copies of all of your contracts. You may have contracts with a network, with syndication companies, with a jingle company, with a music library. You may have contracts and leases for your tower site. You may have a personal service contract with your talent or one of your managers. You may have leases for a generator, for a car, a copier. They're going to want to see all of that, so you need to start putting together, very quietly, a file with copies of all those things that someone can review. They're going to want to have a list of assets. We have had deals, and I'm sure other brokers have too, where you get down to closing and people start arguing over something. We had a case a few years ago where there were two paintings in the station. The buyer and seller started arguing over them. They were on the wall. The buyer said they're mine—and they were on the list of assets. The seller said I can't sell you those, those are paintings my wife painted for me. They're personal. That list of assets should not only have everything that's going, but also specific exclusions. By the way, you don't get the car that I'm driving, or you don't get the painting on the wall that's associated with the station—that's my personal thing. So put everything in order, basically in a three-ring binder with everything in it that's organized.

3. Go sit down and talk to your tax planner. It doesn't help if you sell the station, but you get hammered on taxes—whether it's depreciation recapture tax or just capital gains. There are things



Larry Patrick

you can do to minimize your taxes. The phrase that a lot of people use is 'it's not what you get for the station, it's what you keep of what you get for the station.' So it's very important to make sure that the deal isn't just a number of how much cash you're getting, but that it's structured the best possible way—and that you have done things personally to make sure that your taxes minimized.

4. Invest a little bit of money into the property. Invest in the appearance of the station. Just

like when you sell a house, the realtor may tell you to paint the walls—instead of being this ugly lime green, being an off-white—put in some new carpeting, cut the bushes out front, sweep up the trash. We've seen stations that just from an appearance standpoint have gotten an extra million, \$2 million, \$3 million just because of the reaction when the buyer rolls up to it—that first 15 seconds when they make an instant judgment that this place is great, average or a dump. We've seen stations where the paint is peeling. I had one where two months before there had been a sewage backup and, although they'd cleaned the carpet, it still stunk. It smelled bad. When you walked in the station it smelled really gross. When I saw that two weeks before we listed the station, my reaction was to tell them to rip up all of the carpeting—spend \$5,000 to re-carpet the station and make it look nice. Cut the bushes. Let's spend a month getting things cleaned up so we can get an extra high price for it.

5. Be realistic in your expectations. We have people—and other brokers do to—who read in the trade press that somebody in Chicago sold for 18 times cash flow, or 20 times. They're in a very small market somewhere and they translate that—well that was a 50,000-watt station and I'm a 100,000-watt station, so I should get that type of multiple. Be realistic about what to expect. You should have a fairly good idea, and if you don't you should talk to a broker, but a pretty good idea of what's real and what isn't. We had a broadcaster recently who told us they wanted a number that was 30 times cash flow. There was no way anyone would even come close to paying that. The right price was probably \$4-5 million and he told me he wanted \$12 million cash. That's not worth our time in working on it and he's delusional. It's just not gonna happen.

6. Obviously I'm biased, but hire a broker. We many times think that brokers can bring a higher price and more than justify the fee that they earn by running a competitive auction by exposing the station carefully—and I emphasize carefully—because there are good brokers and bad brokers. There are some that just send blast faxes to 300 people and pretty soon the whole world knows that your station is for sale. But there are many good ones who really focus on who's the right buyer. They'll expose it to 3-4 or 5-6 different people and wind up getting a much higher price. I just had an owner with an \$8 million offer on the table, but we know that the station, if exposed to two other potential buyers, not the one who first came to them, would pay \$10-12 million. The fact that we might get paid \$200,000-300,000 out of that, when we deliver

several million dollars more, it's worth it. I know there are people who sell their own homes and people who use brokers. In media, you're talking about a lot of money, even for small stations. You're talking about millions and millions of dollars, and brokers can in fact get you that extra couple of percent."

What can the seller do to maximize their price?

"I don't think there's anything unusual that a station owner can do," Boyle said. "It never gets more complicated than not only running the best radio station that he or she can, so that on a turnover that the buyer feels good about the fact that the station is running well. It's the little things as well—how does the station look, what kind of equipment does it have, is it in good shape, have the personnel been there for some time—things that confirm that this is a good going jenny and has a good reputation in the community. I don't know that there's anything that a guy can do instantly with a radio station, other than the same things you would do if you were going to sell your house. The real estate broker will tell you that, with all due respect to your wife, the wall paper in the bathroom is hideous and you should paint that, you should do some stuff with shrubs—sort of surface things that are important because you don't get a second chance to make a good first impression. It surprises me the differences in paperwork that stations operate with that we as brokers have to use to put into a station data book to market the station. There's just a feeling that if you're the prospective buyer that if the station data you're looking at—whether program schedules, rate cards, coverage maps, financial operating statements—if it's all got a classy look to it and it looks professional you get the impression that this is a good radio station."

Then he added, "As far as getting your price, obviously it hinges on what is the potential in the market. It has to do with what's the buyer's view on what they're going to be able to do with it? It has to do with the market and the competition—whether you can be upgraded in some fashion from a coverage standpoint. Those are the increments which you as a seller don't control."

Setting a price may be art as much as science, because the answer to the question "what is this station worth" is different for each potential buyer.

"The key goal in selling a radio station is to find one or two buyers that have either a perception of value or a willingness to pay that is 10, 20 to 30% higher than what the normal buyer would pay. There's a 'logical appraised value,' then there's the natural buyer and the emotional buyer. The natural buyer is usually an in-market buyer or a first-time Spanish buyer—somebody who can do exceptional things, ratings and revenue-wise, with your station—or efficiency-wise. If a buyer is in-market, they can cut costs at almost all levels and therefore produce 50% higher cash flow than you can produce operating as you are now. The goal in selling a station is to find those emotional and natural buyers and create a little competition so they don't bid at a comfortable number, they bid at the highest number they're willing to pay," Gammon told us.

RBR August 2004

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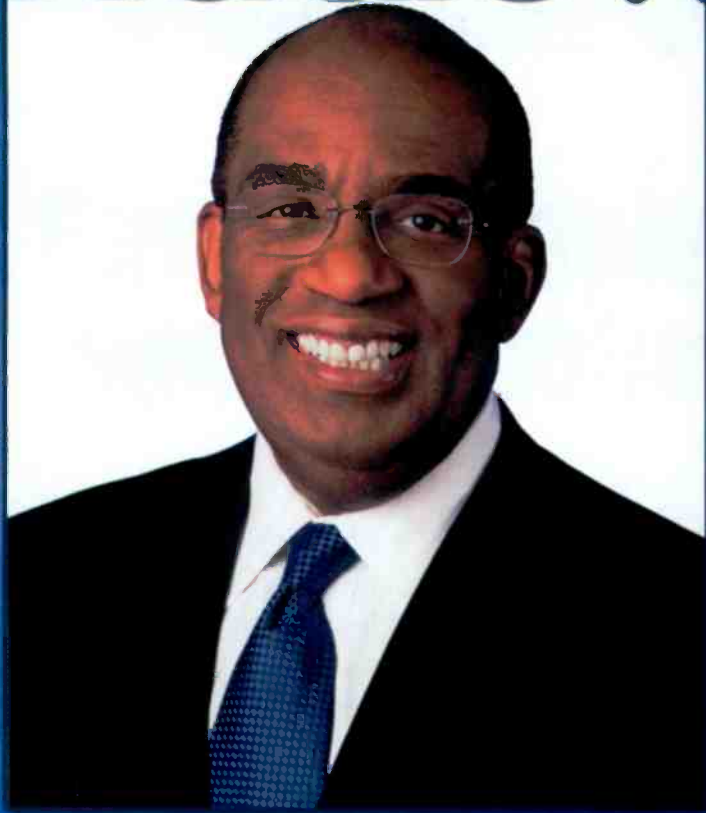
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