



# Radio & Television Business Report

December 2005

Voice of the Broadcasting Industry

Volume 22, Issue 12

## A GM's Wish List



More HDTVs sold  
 More HD radio stations online  
 More HD radio receivers on shelves (period)  
 HD channels carried (whether they must or not) by my market cable system  
 More channels for me  
 McCain to forget all he knows about Parliamentary procedures  
 More of a beer influence at the NAB (wait, we got that already)

digital copyright protection  
 My LPM to work  
 My PPM to give me great numbers  
 Not to get fired  
 Wish for a new CEO

Stern back on my station  
 Use 60 sec spots again  
 More quality programming  
 My CEO to be accountable  
 The iPod would go away  
 Better marketing budget  
 \$3B for DTV converter boxes  
 HD radios on store shelves  
 R-E-S-P-E-C-T on Wall St.

A stocking stuffed with auto ads  
 Higher ratings for everyone!

High-priced talent will not cuss on air  
 ...leaving field with cable/satellite

RBR TVBR lets me know who has been naughty or nice!

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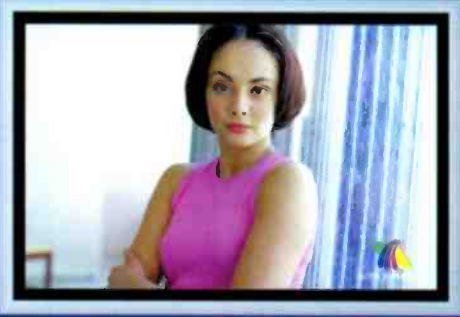
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For more information contact Bob Turner at 800-INTEREP.

## Hurry 2006, we can't wait!

From listening to the Q3 Wall Street conference calls, it seems to us that many broadcasters would be happy to have 2006 begin right away and not have to deal with Q4 of 2005. Pretty much everyone complained that the national spot market is soft, so they all touted how great their stations are doing on pushing local sales. Even the normally red-hot Spanish broadcasting sector is singing the blues, projecting single digit revenue gains rather than double digits. But then, many of their general market brethren would be happy to see any positive number.

Of course, the lack of political dollars hit TV stations hard in the second half of 2005, so everyone is salivating over their expected return in 2006. It's an every other year binge that's making TV CEOs manic-depressive. Nobody wants to see that money go away, but it sure is depressing to deal with the comps in odd-numbered years.

The bigger problem, though, is the automotive sector. Radio One COO **Mary Catherine Sneed** summed it up best: "The number one sector is auto and it has really crashed and burned in the last couple of months," she said in the company's November 6<sup>th</sup> conference call. Whether radio or TV, the story is much the same—auto advertising is soft. Detroit's big three pushed hard to clear out bloated inventories with their "employee pricing" programs (which moved steel, but didn't produce much in profits for them or their dealers) and they're now trying to figure out what to do next to make the rubber hit the road—literally.

**RBR observation:** As painful as it is to see the biggest advertising category in a down mode, it points up the need to focus sales efforts elsewhere and bring in new business in new sectors. Stations have to do it on the local level and the reps (plus RAB and TVB) have to do it on the national level. And when auto and political dollars do start flowing in heavily again, don't get complaisant and forget the lesson of these hard times.

## All I want for Christmas is an HD Radio receiver

If that's your wish, you'd better hope that Santa is a devoted shopper. While XM and Sirius are into heavy sales promotions this holiday shopping season, HD Radio receivers are pretty hard to find. And if you want an HD Radio receiver with multicast capability, your choices are really limited.

A Google search for "HD Radio," which took us to Google's

Froogle shopping site, found a grand total of three possibilities—two actually, since two were for the same Panasonic in-dash car receiver. It did not have multicasting and was offered by a total of 56 merchants for prices ranging from \$308 to \$500. The other listing was for the Boston Acoustics Receptor Radio, a table model which does have HD multicasting—at least, it will once the manufacturer actually begins shipping them. J&R Music is taking reservations at \$499. Although it didn't come up on Froogle, Crutchfield is also taking reservations for the same model, although it is charging 99 cents more. We actually had better luck on eBay, where quite a few people were offering various Kenwood and Panasonic in-dash models.

By the way, a Froogle search for XM radios produced over 14,000 hits and a search for Sirius radios brought over 11,000.

If Santa does bring you that HD Radio receiver with multicasting, you'd get the most use of it if you live in the Detroit area, which is ground zero for HD broadcasting. According to iBiquity's website, 22 stations in the market are currently broadcasting their main signal in both analog and digital, with five of them also offering a separate multicast digital channel.

## F-C-wait-and-C

At deadline we have received word that Republican **Kathleen Abernathy** has announced her resignation from the Commission effective 12/9/05, roughly coincident with the end of the 2005 Congressional session, which would end her term anyway. It comes as no surprise. Her imminent exit has been widely expected going back to last spring. However, Chairman **Michael Powell** managed to get out the door first, and she has been soldiering on in the absence of a new nominee. **Debi Tate** has been named by President **Bush**, and is awaiting confirmation, and Democrat **Michael Copps** has been teed up for a second term by the White House. If the two are not confirmed by 12/9, Copps and fellow Dem **Jonathan Adelstein** would have a temporary 2-1 advantage over Chairman **Kevin Martin**. It is safe to say Martin will not be bringing up any sensitive matters for a vote under those conditions. Tate has been on the WH radar screen for a while. She was among those rumored to be under consideration back during the summer. Just before she was nominated, Senate Commerce Committee Chairman **Ted Stevens** (R-AK) made noises about suggesting a candidate himself for the White House to offer up. Watch for the White House to allow him to follow through on that, if he hasn't already between the time we write this and the printer finishes printing it.

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**2006**



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# TELEVISION NEWS

## It's a VOD explosion!

It pretty much happened all at once—VOD content deals everywhere and more mainstream media channels going online. AOL.com will feature Classic TV episodes via “In2TV” in a deal with Warner Bros.; and CBSnews.com content and video on its home page. Microsoft’s MSN and the Associated Press announced a partnership to develop an online video network that will stream video news feeds to sites that subscribe to AP’s wire service. Comcast announced it will sell hit shows from CBS such as “Survivor” and “CSI: Crime Scene Investigation” for as little as 99 cents an episode, with commercials. DirecTV announced a similar deal with NBC Universal to sell commercial-free episodes of its hit shows.

Apple unveiled an iPod capable of playing videos, which will now be sold alongside songs on Apple’s iTunes Music Store—including ABC-TV and Disney Channel shows. The companies will start with five shows, including ABC’s “Desperate Housewives” and “Lost,” as well as the new ABC drama “Night Stalker” and the two most popular shows on Disney Channel, “That’s So Raven” and “The Suite Life of Zack & Cody.” Current season episodes of the ABC series will be available for download from Apple’s iTunes Music Store the day after they are broadcast, while the entire first season of “Desperate Housewives” and “Lost” will be available for download immediately.

Not everyone is thrilled on the affiliate side. Hearst-Argyle Television CEO **David Barrett** says Disney’s ABC was pretty smart to sign up first with Apple to provide programming for its new video iPods, but he has a bone to pick with Disney CEO **Bob Iger**. “I don’t fault them for being creative and being aggressive in how they want to exploit some of the content that they own. My disappointment was that I think the affiliates should be participants in that business. We’re the ones who are airing the shows in 75% of the country that ABC does not own [the local stations]. We’re doing the marketing and promotion and contributing to the value creation of those shows, which enabled them to be exploited on another platform.”

Bottom line, the VOD market could be worth \$5 billion a year to broadcast TV networks according to **David Poltrack**, CBS EVP/Research and Planning, based on an estimate of 50 million homes with VOD access and an average household paying \$100 a year to watch network programming off schedule.

## Burgess takes the helm at Pax

**Bud Paxson** is no longer running the company that bears his name—and that too is likely to change soon. Now it’s up to **R. Brandon Burgess** to figure out how to get Paxson Communications back on the road to profitability by finding a content partner who wants to take advantage of the company’s 60 stations covering some 83% of US television households (and the valuable cable must-carry access).

Burgess has cut all ties with his former employer, NBC Universal, but it obviously has great faith in his ability to deliver some real value out of the \$415 million investment that NBC made in Pax in 1999. Under the FCC’s ownership rules, NBC Universal still can’t own a controlling interest in Pax. However, it has paid Bud \$25 million for an option to acquire his controlling stake and he’ll get another \$6 million or so when that option is exercised by the network’s new partner. If that doesn’t happen within 18 months, NBC Uni is going to have to part with another \$105 million of its preferred stock (after already taking a \$100 million haircut) to Pax shareholders other than Bud, so Burgess has a clear deadline for getting a deal together.

Along with Burgess coming in as CEO and a director, veteran media broker/radio station owner **Larry Patrick**, who’d been a Pax director since March of this year, is now Chairman. **Dean Goodman** continues as President and a director and will work with Burgess to run the company.

**TVBR observation:** Despite NBC’s complaint that the value of the Pax network and stations was being depleted by the company’s move in the summer to stop buying any new programming and rely on infomercials and leasing time to independent producers, along with national ad sales, to bring in revenues, the change has clearly improved the Pax financial picture. While net revenues were down 9.9% in Q3 to \$59.4 million, if you exclude a one-time restructuring charge of \$24.3 million to get out of no longer needed contracts, Pax actually turned an operating profit of \$4.9 million. Let’s face it, Burgess is starting with a stick and he might as well keep it that way until he brings on a new partner to build a real network.

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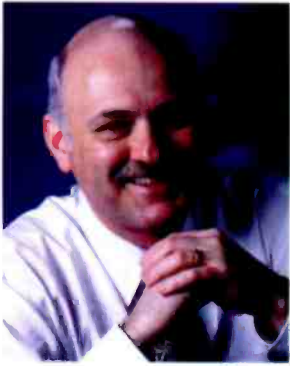
2006

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By Carl Marcucci / cmarcucci@rbr.com

## Christmas/Holidays 2006 Wish List



**Frank Bell**, VP/Programming,  
Keymarket Communications,  
Pittsburgh, PA:

Dear Santa Claus,  
Despite what those guys on Wall Street might tell you, the Radio business has been well-behaved this year – certainly more “nice” than “naughty”, to use your terminology. And while our gift list might be challenging, it should be no problem for someone with hundreds of elves and

eight tiny GPS-equipped reindeer. Here goes:

Red Bull energy drink for the FCC. Why it takes years to process requests for tower moves, city of license changes and other engineering tasks is incomprehensible. If the Commission staff can't figure an issue out in six months, including 30 days for the public to weigh in with its opinion, there's something wrong. How much time are those guys taking for lunch?

"Must carry" rule for terrestrial radio broadcasters. The new digital distribution technologies, like using cell phones for audio programming, represent a bold new opportunity. But why should the programming always be supplied by some lonely guy with a computer in his bedroom or a faceless corporate behemoth? Instead of cutting local broadcasters off at the knees, give Radio the chance to do what it does best - provide compelling entertainment, information and jobs for the local community.

Give Arbitron a playmate. Radio's ratings leader is, for all intents and purposes, a publicly-traded monopoly. Competition leads to innovation and keeps prices in check. What's not to like about that?

Revenue-sharing for Radio. Take a page from the sports world and force the large mega-broadcast companies to share their spoils with smaller, locally-owned broadcasters. That would certainly level the playing field, create jobs and enhance competition.

Thanks, Santa, and be sure to get plenty of rest before your big trip. As Mom always said, "Early to bed, early to rise, advertise, advertise, advertise!"

**Mark Walker**, GM,

LeSea Broadcasting's KWHD-TV Denver,  
KWHS-TV Colorado Springs:

- Increased sales, and new sales energy to achieve them
- 3 more years of analog without any failures or repairs
- My two front teeth!
- Integrity and honesty from our entire industry
- An early end to analog- how about 2007?!
- Bring home the troops
- A Merry Christmas to all, and to all a great 2006...

**Scott Harris** (former) VP/GM, Wilkes Broadcasting, Lubbock, TX  
This is my radio wish list for all of us who are just a move away from either Weekend Overnights or a Corporate Presidency and everyone in-between:

I wish for: more market research...less cost per point  
more frequency...less added value  
more live programming...less voice tracking  
more friendly competition...less consolidation  
more programmer GM's...less exceeding inventory  
more jobs at the bottom...less VPs at the top  
more listener influence...less corporate interference  
more fun on the job...less "giving away the store"  
more sense...less "less is more"  
more belief in the "Power of Radio"...less in the "cash flow multiplier"



**Rick Sellers**, President/GM,  
Sellers Broadcasting, Inc  
KMRV-AM-Cedar Rapids, Iowa:

1. To get HD receivers in the marketplace. I went HD early and I've been waiting two years for receivers that are affordable. We got some to give away, of course, but they were the \$800 car radios. I know Radiosophy is coming out with one, and it should be soon, hopefully for Christmas.

2. For ad buyers to understand the older audience, but they'll never do that. They hire young people to do that job and when they get too old they go on to something else and they hire more new ones. Meanwhile, we're cranking away our format and not everybody is 25-49. The discretionary income to spend is with the 35 and older group. My parents have more money today than they ever had when they were 25-49 with kids to support. Now they're enjoying their money and they've bought more cars than I've bought in the last five years. But you try and make somebody 22 years old believe that—can't do it.

3. For the FCC to have less red tape and be more fair to smaller players. The little guy, and I'm speaking on behalf of the little guy because I'm one. You have to go through so much red tape even to get into an auction, and then you have to have money. And when one of them isn't there, the money wins. And it may not be the best applicant for the license. We've got a situation out here in Vinton, Iowa where there are no licenses at all. And it's up for grabs, and the highest bidder paid. A guy won it over another guy who was really going to run a local radio station and do it right. And what did the winner do? He does this all over the country—he's going to keep it and lease it to the highest bidder. The highest bidder, it turns out, is going to do a move in and make it another Cedar Rapids radio station. And that leaves Vinton, Iowa out of the broadcast picture. Something's wrong with that picture.

# Reach: How Radio Builds Business in a PPM World

By Erwin Ephron

In today's marketing, reach trumps frequency. It's easy to see why. Reach is media's gift to marketing. It is fundamental to how mass advertising appears to work.

The key idea is "Recency," which is just common sense. Advertising is most effective when it is reminding people who happen to need the product about a brand they know. Recency is a reminding, not a remembering, model. The difference is critical because reminding is a stimulus that can be controlled; remembering is a response that cannot be.

On the face of it, reminding is a perfect job for radio, but not when used as a frequency medium. Frequency—contacting one consumer three times with a message—is not as good as reach—contacting three consumers once. This is because one consumer is far less likely to need the product than any of the three would be.

Given that someone who is the market for a product is usually more receptive to advertising for that product, fewer messages are needed. Again, reach, not frequency.

These ideas about how advertising works, together with growing media fragmentation, have made frequency a kind of media crabgrass. The planner's challenge is to kill it.

All said, today it is not good to be thought of as a frequency medium.

## Radio Is Ignored

Reach and television are where national advertiser dollars go today. Radio is largely ignored because it is thought of as a frequency medium. But that reputation grows more out of how well radio targets than from any inherent reach limitations. Radio's targeting selectivity, especially among younger demos, leads advertisers to use only the few best-targeted stations to keep the costs-per-points low.

This emphasis on target CPP and few best stations artificially restricts the reach of a schedule, creating the familiar radio buy of low to moderate reach and lots of frequency. But when radio is planned differently, especially with the help of the new Arbitron PPM data, it becomes an ideal reach medium.

The new PPM data are especially helpful because they capture the full audience of a station and, on average, roughly double its weekly reach.

## Reach Planning

Reach planning for radio increases the number of stations, reduces the number of weekly insertions per station and, if necessary, pays the higher target CPP for the higher reach schedule. This higher CPP is still far lower than for television.

The following table uses Philadelphia PPM data and real station costs to demonstrate radio reach scheduling.

In this example, the demo target is the most common one, Adults 25-54. The schedules compare the one-week and



**Pierre C. Bouvard**  
President,  
Portable People Meter

Erwin Ephron is the father of modern media planning and a true advertising guru. He recently wrote about how our Portable People Meter (PPM<sup>SM</sup>) demonstrates that radio is an ideal reach medium! I wanted to share his insights on how PPM can help grow radio revenues.

The latest PPM data from Houston reveal that Cumulative doubles for most stations. In fact, when compared to the diary, the weekly net reach of Houston station clusters soars with the PPM:

Group	Weekly Cumulative	
	Diary	PPM
Clear Channel	52%	78%
Univision	26%	40%
Infinity	20%	35%
Susquehanna	16%	32%
Liberian	9%	19%
Cumulus	5%	11%

The PPM demonstrates that radio is a powerful reach medium!



<http://ppm.arbitron.com>

four-week reach of a five-station and a 10-station buy (Mon-Fri 6AM-7PM Adults 25-54). Stations are selected to hold costs reasonably constant.

## More Stations Mean More Reach Adults 25-54

Stations	Spots	Weekly:			1-Week	4-Week
		TRPs	Cost	CPP	R/F	R/F
5	18	86	\$28,350	\$328	31/2.4	50/6.9
10	10	95	\$28,500	\$300	45/2.1	68/5.7
					45%	36%

Arbitron PPM, Philadelphia, 2002, TAPSCAN®

The five-station buy produces a one-week reach of 31 and a four-week reach of 50. The similar-in-cost 10-station buy increases the one-week reach by 45% to 45, and the four-week reach by 36% to 68.

These are television reach numbers at a fraction of the TV costs. The net is, more stations with lower weekly weight per station turn radio into a highly competitive reach medium.

## Reach Trumps Frequency

Advertising doesn't do it alone. Today's media planning focuses us more and more on the consumer's role in making advertising work. Ads work best when the consumer is receptive. That tells planners that reminding many consumers is better than lecturing few.

In today's planning, reach trumps frequency. It is media's gift to advertising and, as this paper has tried to demonstrate, radio with new PPM measurement can deliver it by the carload.

# HOLIDAY WISH LISTS

By Jack Messmer / jmessmer@rbr.com & Carl Marcucci / cmarcucci@rbr.com

RBR/TVBR took a quick survey across the industry on what some execs would wish for from the Media Claus this year, and for next. We invited serious answers, humorous answers and a combination of both!



**Chris Rohrs**, President, Television Bureau of Advertising (TVB): Local Broadcast TV will be happy to move on to 2006 after a difficult '05. But, of course, 2006 will bring its own challenges. We'll have a strong Political year along with the Olympics but worries persist about core business categories. It's a time of both cyclical and structural change.

It's also time for the television industry to re-direct its focus away from competing with itself. There will always be room for value comparisons between broadcast, cable, networks and syndication but the larger battle is now more important. In this volatile, hyper-competitive environment we need to clarify the enduring strengths of the medium and evolve our business models into the new-media context.

There's great momentum toward emerging technologies and media forms but it remains a TV-centric world and television operators have strong plays in the multi-platform, multi-screen model unfolding before us.

Broadcast TV is referred to these days as a traditional medium. That's code for "not-new," and it's a challenge for us. The path of opportunity lies in moving our traditional value proposition into a digital context, capturing the strengths of both. It's permission-based, targeted reach, with impact. It's engagement through relevance. Television is perfectly positioned to move to the very center of this new world order. Video is the killer app in all media and we have opportunities in broadband and VOD, in content for small-screen devices and, of course, in high-def. And, oh by the way, TV has been wireless since 1946.

One other related challenge has to do with research. Interested parties have to continue to work together effectively on measurement issues but we must also make the case that television research remains the gold standard.

Bottom line...2006 will be a year of rapid acceleration toward a new media context. Television must, and will, embrace the moment.

**Gary Fries**, President & CEO, Radio Advertising Bureau (RAB): Accountability is the single biggest concern of today's advertisers



and their agencies. We know that radio listeners have a passionate relationship with their local radio station, and we know that advertisers benefit from that. But we need to market ourselves differently. It is incumbent on us to show advertisers how and why radio advertising works. We must partner with them, deliver the schedule as promised, and generate measurable ROI for their products and services.

Content has always been the driving force behind a successful Radio station. More than ever before, it is imperative that Radio continue to develop compelling content that entertains, informs, and engages our audiences. The competition is not the Radio station across town; it is the myriad media and entertainment choices available to today's consumers. They need a reason to turn on the Radio and to listen to your station.

I also think our business will benefit from extending the value of brands. Each station is a brand and we have only begun to explore the synergies that exist with our Web sites.

Finally, it is imperative that we promote the benefits of HD Radio to our listeners. Again, it is content that will drive consumers to listen to an HD Radio channel. Using our existing stations as a marketing platform, we can inform and excite our listeners about HD Radio.



**Ed Christian**, Chairman, President & CEO, Saga Communications:

To draw an analogy to our current situation in radio, I look to current trends in other areas. If anyone else has been following the bird flu situation, they will tell you that advance warning was sent out several years ago that there was a pandemic in the making with N5H1. These thoughts and articles usually warranted one

paragraph on page 18. It wasn't till hurricane Katrina that the United States government decided that we needed a plan.

In broadcasting the warning signs of our self serving nature were visible years ago, yet we chose not to look at them and just let the "good times roll."

Now, we are paying the piper. Business is, to say the least, "difficult," and we look at what we can do to invigorate our radio business.

We spent years squeezing our product and pandering to Arbitron ("win quarter hours, play only safe testing songs, step down the jocks, cluster spots in two pods, etc").

We lost sight of the creative part of our business and jammed in



more spots in the continuing quest for more and more profits. We worked our people harder and smiled about what a "great profit machine" radio had become.

Now, it is a new world and reality has slammed home. To many groups, it hurts—and it should.

We just got lulled into a sense of complacency and frankly deserve what we got.

We forgot to serve the public, we forgot to be brilliant at the basics, we forgot that great advertising gets results and makes our clients want to be "on the radio."

It is not too late, but we do have to rededicate ourselves to the mantle of broadcast greatness. Take chances, do compelling radio, make people talk about your radio station. Please your clients. Train your sales people and back them up—not with research, but with CREATIVE that WORKS. Spend the money to be a partner to your clients.

Several years ago I was asked to speak at the Arkansas Association of Broadcasters. At that time, I mentioned that everyone talks about the "golden age of radio"...and I ask...respectfully...why can't that age be NOW?

**Irene Katsnelson**, Universal McCann VP, Director of National Broadcast:

"More for Less," that's my Christmas wish...I know, suppliers are going to laugh or freak, but I can't help it. Seriously though, my wish list is:

- More quality programming
- More accountability
- Enhanced systems
- More innovation
- Accurate industry data—this, of course, should result in more client spending



**Natalie Swed Stone**, US Director, National Radio Investment, OMD:

"I wish I could be knowledgeable on industry trends and information without having to spend hours daily reading. I wish RBR was electronically connected to my brain—sort of the next generation of podcasting—sent not to your iPod but to the storage center/memory in the brain."



**Dennis Donlin**, President of GM Planworks: "EDI and Gas Under \$2.00."

**Jean Pool**, EVP/Director of North American Operations, Universal McCann:

"This industry needs to suck it up and stop over-commercializing everything and destroying our business. 15-16 minutes an hour on television, in a fragmented medium, and they wonder why people channel change? And we are so far beyond the pale, we're destroying ourselves. ABC did a joke video five or six ago about branded content/integrated advertising. It was hysterical—everything was sponsored, everything was branded. Logos were everywhere. It's getting so close to that. It's no longer a joke, it's becoming reality. Then you go



onto the internet, which is the pristine, new media destination, and you get pop-ups everywhere and you can't get out of it. Now what sense does it make to piss-off your consumer?"



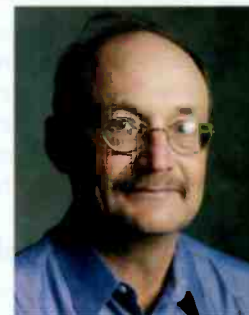
**Jon Mandel**, Chairman/MediaCom US and Chief Global Buying Officer MediaCom Worldwide:

"That all broadcasters would stop being in a state of denial and stop being so negative—and realize that if all of them worked together to promote their medium of television or radio, depending on which it is, that they can not only slow,

but perhaps turn around the fascination by advertisers with other forms of content delivery."

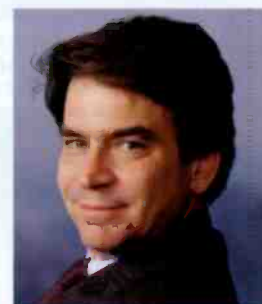
**Ira Berger**, Director of National Broadcast, The Richards Group:

"I wish for there to be a city. A magical place, a city on a hill. A place where everyone is 18 to 34, skews male, and has a household income well above the national average. A place where children don't play, but watch TV all day and have long attention spans and their own disposable income. A happy place where TiVo does not exist, where direct response gets 110% return, and where full-color spreads bloom semi-monthly on Niche Market trees. Where radio DJs are so good-looking and charismatic that people flock to remotes to see them, no matter how out of the way the particular car dealership happens to be. A place where media rep swag actually fits, is not fattening, and is all very tasteful. Where all free tickets are for events you want to see, and never for Monster Truck rallies or Clippers games..."



**David Verklin**, Carat Americas CEO:

"I would like reasonably-priced, minute-by-minute ratings in my stocking; I would like an upbeat and positive magazine industry; I would like a concerted effort within the industry to embrace the 'Less is More' project in radio; I'd like to see 15% PVR penetration by mid-year next year; and I'd like to see Santa's sleigh pulled by six procurement officers."



**Dr. Tom Evans**, SVP/Research for ABC Radio Networks:

- Twelve Days of Research Christmas
- One single source for all media audience data
- Two major research suppliers for every medium (see Eleven)
- Three major research suppliers for every medium (competition is good)
- Four times the present response rates (up to but not to exceed 100%)
- Five rings of the phone that every household in a survey would answer
- Six to eleven-year-olds PPM listening estimates that are reliable and valid
- Seven days of no e-mails
- Eight hour workday to do just research (no meetings, no conference calls)
- Nine more persons like those who work for me now
- Ten more years of work with great but retired researchers (you are missed)
- Eleven openings for senior researchers (too many are out of work)
- Twelve months of PPM data to evaluate

By Carl Marcucci / cmarcucci@rbr.com

## Sarah Fay: Isobar US President

At the beginning of the year, **Sarah Fay** morphed from President of Carat Interactive to President of Isobar U.S., part of the UK-based Aegis Group, which also owns sibling agency Carat. What does Isobar stand for? Integrated, Strategies, One to One, Brand, And Response. It's a global network of leading digital marketing services that all focus on delivering quantifiable results against clients' marketing and business objectives. They combine their services according to clients' specific needs, with the objective of providing end-to-end capabilities that range from awareness and demand generation to transactions and experiences on websites. We asked her about marketing in a digital world.

### Tell us about Isobar.

The foundation of Isobar was based on the belief that the majority of media in the future will be digital. Our company predicted some years ago that 50% of all media will be digital by the year 2007, and that prediction appears to be coming true. We invested heavily in our digital service strategy back in 2000 and 2001, when many of the big marketing holding companies were pulling back, and it has paid off. We are now in a very strong position—we are a top three digital service provider, in terms of size, and we boast the most extensive global offering, with number one positions in many markets including

the U.K., France, Spain, Italy, Sweden, Australia and Taiwan. We are focused on our clients' increasing interest in global solutions for their digital marketing strategies. Isobar itself is not a client-facing service; it is a network made up of many digital services. Isobar provides the backbone and support for bringing these services together in a coordinated way for our clients.

### Why do you consider mobile marketing the "sleeping giant" right now?

Well, for one, the infrastructure for mobile is well-established and is being used heavily by a large part of the population. Most mediums have only been considered viable advertising mediums upon reaching mass distribution. This was true for radio, TV, cable, and Online. When I think back to the early days of internet marketing, we were trying to get the ball rolling with less than 20% of the population using the internet regularly, (and we called "once a week" heavy access!). Today, 70% of the population has a mobile phone and/or some other sort of wireless device. In 2004, an estimated 20 billion wireless originated messages were sent. That number is predicted to double in 2005, and continue on the same growth trajectory through 2007—so we are talking rampant growth in adoption of wireless text messaging. People are beginning to think of their mobile phones as much more than just a talking device. Inventions like the iPod and Sony's PSP have opened our eyes to new definitions of wireless. This is no "chicken and egg scenario" where, as with other mediums, the infrastructure of

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the medium will only grow and attract consumers as advertisers' dollars support the growth, and vice versa. Again, the user base is already there, it is powerful, and is waiting for marketers to tap in.

### What will it take for their full acceptance?

As with every other marketing innovation, most marketers will only accept mobile marketing when they know the water is safe. A small minority of early adopters will come in, test the water and have small successes and failures. Those who succeed will increase their activities slowly, and perhaps the market will notice some major successes along the way that will accelerate the adoption of mobile marketing practices. But I believe, at some point, mobile marketing will be a standard tool in every marketer's toolbox.

Mobile is a great way to engage an audience deeper into a marketer's message—similar to Online. You can use Online and/or mobile to play a specific role within the context of a multi platform program—and get the audience to talk back to you. Then you can talk back to them...it's amazing what happens when you engage an audience in a conversation. Ask them a question, offer them information, offer them a service, ask them to enter a contest, ask them to judge a contest, ask them about themselves. Do you know what happens if you do it right? They remember your company or brand better. They think of your company as more fun or helpful. They may even give you permission to contact them again directly... and so begins a longer and more involved relationship between your brand and the consumer.

Again, you can do this Online, and that is where most marketers are turning for interactive conversations with their customers today. But Online conversations only happen when consumers are logged on. On the other hand, people have their wireless devices with them almost constantly, and they are almost always on. If you want to engage your audience when they are outside, or reading, or watching TV, they have more ready access to their mobile devices. So you have more opportunities to start conversations with mobile programs...but here is the catch: You have to let the consumer talk first!

### How is the new video iPod going to change things?

The iPod (much like TiVo) is fashioned to serve the consumer's very specific tastes, wants and needs. It gives the consumer control over their own media experiences to access exactly the content they want exactly when they want it. The iPod has built a successful interface for distributing virtually any kind of content—audio, video, pictures, text—from the web to a device. The revolutionary part of the iPod is its interface, and its success in getting people to control their offline iPod experience from the web where iPod's media content is located for download. This has become a widely accepted standard, and we have crossed a crucial bridge in getting consumers to take out their credit cards and actually pay for much of this content. The iPod eCommerce model is set to expand into different categories: from the

music industry (today) to TV content, film, games, and all types of independent content publishing. Of course, there is also a huge market for ad-supported content.

Naturally, we are thinking in-color video marketing messages, because they can be so compelling, but we are not limited to any format. Messages can now, or will be delivered in audio, flash, html, text, and full color video. You can be sure that mobile messaging on the iPod (or iPod like devices) will take place in many dynamic formats.

### How will improvements in interactivity change the playing field?

Look back, and you should be able to recognize improvements in interactive programs. Do you remember when the web was just filled with blinking, annoying neon signs shouting, "CLICK HERE!" or "YOU ARE A WINNER!?" Today, you need only to go to some of the major sites to see examples of improved interactivity—it is a whole different world! And consumers' expectations and behaviors are as changed as the marketing landscape. I expect we will continue to see "improvements in interactivity" continue as the market continues to evolve. Increasing interactivity within our marketing programs today assists marketers in attaining three goals:

**1. Impact** – We used to judge a campaign's impact by the level of reach and frequency we could buy in media. This could all be tallied on a spreadsheet. If you had the money, you could buy enough reach and frequency to attain impact. Today, the media market is so fragmented that there is no easy formula to ensure impact. Buying enough reach and frequency gives you no guarantee that your message will be remembered. Varying your messaging formats in different mediums, and inviting interaction makes the message more memorable to the recipient.

**2. Involvement** – By engaging or involving the consumer in our marketing messages, we can create greater awareness, more brand

favorability, and even gratitude. Many marketers have moved past just wanting users to click through to their web site. If you have engaged a user to interact with an Online advertising unit, or send a mobile text message, you have moved the needle, and that person has come one step closer to your brand. The benefits to audience involvement are huge. For one, the results are completely quantifiable. Any digital medium offers the marketer tools to show exactly how many people engaged with their message and for how long. Another benefit—if you are able to successfully involve your audience with a message, this will often take on a viral effect, where people share the experience with a friend, adding extra reach and buzz to the program.

**3. Activation** – In the digital realm, we can often drive the viewer right to the desired action we are looking for. This may be to buy a product, make a reservation, subscribe—in other words, to actually make a money transaction with the marketer's company or product. It may only mean that the viewer gives their email address and agrees to be contacted by the marketer. By "activating" a customer or potential customer, we initiate a relationship, and now have the ability to continue a longer conversation with that person. This can ultimately lead to creating more brand loyalty.





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There are two ways currently to measure online radio audiences. Here are two viewpoints from the companies using each of the different ones, as to why they do it. At some point for the market to grow to its fullest potential, there may need to be one system offered industry-wide, possibly a combination of the two methodologies. For now, they detail the differences:

## Have another piece of pie

By Jennifer Lane, Net Radio Sales President  
jlane@netradiosales.com

The radio industry has long tolerated the frustration of audience estimates that are unreliable. The origin of the word broadcasting comes from the farmer sowing seeds by throwing handfuls on the soil and waiting to see which ones take root; radio broadcasters throw their signal out there, and diaries attempt to report how many people tune in. There are two main issues with this type of audience measurement. The first is the method of data collection—as we all know, diaries are an inferior way of collecting this information and the data collected relies on recall rather than actual listening behavior. The second issue is the problem of small sample size, which inevitably leads to inconsistency. All this translates to the fact that broadcast radio relies on inferior audience measurement. Apply that to the current climate in the advertising industry for more accountability in media plans, and a trackable return on investment, and you can easily see why radio's share of the advertising pie is at best stagnant, while trackable media such as interactive are seeing enormous growth in their share of revenue.

Advertisers want to measure and track their advertising investment. Enter Internet radio which offers exact data on the size of each station's audience. Internet radio presents an opportunity for stations to provide highly accountable audience information to the advertising industry. Every listener is connected to a server. Every impression that is delivered can be counted and accounted for with Internet radio. This gives advertisers the opportunity to accurately plan a campaign using actual audience data, and receive an invoice that accounts for every impression that was delivered.

The trackability of the audience and an advertiser's campaign is an incredible asset that has the potential to turn Internet radio into a substantial revenue source for broadcasters, one that can augment and compliment current revenue strategies. New Advertisers who have balked at radio's lack of accountability can be pursued for online campaigns. Current advertisers can spend more with the station to be on the internet station as well—and the additional value can be quantified—exactly. The challenge of convincing on-air advertisers to pay for their ad online can be met with exact audience data that quantifies the additional value of the online audience!

This year, a significant number of large broadcasters have begun

to stream their stations online. Infinity Broadcasting, Saga Communications, and Clear Channel have all announced significant new streaming initiatives this year. Others, like Susquehanna and Cox, have been streaming for some time. For the first time ever in 2005, national advertisers such as Toyota have begun to use Internet radio. Internet radio is poised for substantial revenue growth over the next twelve months.

As more and more broadcasters get serious about Internet radio as a revenue opportunity, audience measurement and metrics will become more and more important. Right now, two companies produce ratings for Internet radio stations. Hoping to trade on the value of its name, Arbitron is working with an interactive measurement company called Comscore to track the listening

habits within their panel online participants. This provides stations and advertisers with audience estimates that are based on less than one percent of the US population. Only the largest, best known, universally branded stations stand a chance of showing up. This will never be a tool that will enable broadcasters to build credibility and quantify the value of each of their online stations.

Webcast Metrics provides exact data audience measurement to Internet radio stations by tracking server data. Real data is used to establish metrics that are meaningful to the broadcast industry such as Average Quarter Hour, Cume, and Time spent listening. This provides broadcasters with an incredible tool that they can use to sell their online audience, build credibility

for the medium, overcome objections to a new medium, and provide a much higher degree of accountability. It's an opportunity to use reliable data to increase revenue. Paired with the established credibility of the on-air product, it's a great method for quantifying value to the advertiser.

Internet radio's audience is growing exponentially—according to Bridge Ratings it will reach 187 million by 2010. The broadcast industry, with its ability to stream existing programming and drive on-air listeners online, is in a position to reap the revenue rewards of this growth. It's critical that broadcasters realize this and support an alternative audience measurement method, rather than allow audience estimates to become the standard.

As an industry, we need to make sure that advertisers understand the high degree of accountability that Internet radio can offer, so that Internet radio, with its incredible potential for audience growth over the next five years, can begin to realize the increased share of pie that radio has otherwise failed to achieve.



# Online radio IS radio

By **Eric Ronning**, Managing Partner, Ronning-Lipset Radio  
Ronning@rlradio.com

During the "bubble" years hundreds of Internet ventures positioned their propositions as something entirely different, which required new methods and metrics to measure and describe their audiences. But "new," "different" and "cool" only went so far and most of these early pioneers didn't survive to experience today's new world order. We learned from sometimes painful experience that self measurement doesn't fly because media decision makers require credible audience measurement from companies they trust to justify their decisions.

Research validates the common sense notion that consumers consider audio entertainment and information to be "radio" regardless of the delivery or distribution method. Today, media planners and buyers have more radio choices to help them reach their advertising objectives. Online radio is a growing national medium that provides advertisers with a highly targeted and compelling target audience that can be reached with the same creative used for good old fashioned over-the-air radio.

The key to tapping national ad dollars is putting online radio in context with the choices planners and buyers have been making for years. The industry needs to organize to sell effectively with media professionals who bridge the traditional and new media. It is also imperative that the metrics are comparable to those used every day by agencies and advertisers. The metrics should NOT be different. Remember, radio is radio!

Network radio is measured by Arbitron's Nationwide and RADAR services. The major online brands, including AOL, Yahoo, Microsoft, Clear Channel and Live365 are also measured by Arbitron through their comScore/Arbitron Online Radio Ratings Service.

These online radio ratings are based on a sample just like traditional radio ratings and the results are project against the U.S. population. The same metrics, such as CUME, Average Quarter Hour (AQH) and Time Spent Listening are produced using the exact definitions Arbitron uses for the traditional ratings. Arbitron works directly with comScore on the creation of these numbers using Arbitron's proprietary methods as applied to traditional radio measurement. The audience estimates are reported for standard buying demos and dayparts for an average week during the survey period (again just like traditional radio).

So while the metrics provided for online radio by comScore Arbitron are the same as traditional radio, the measurement process is totally different. comScore Arbitron does NOT use a written diary. In fact, online radio leads the way with passive electronic measurement. Software installed on the computers of a panel of over 200,000 people automatically collects the data at home, work or school. The software notes each station tuned and for how long and the information is automatically captured every day. Passive measurement is where the media world is headed. Online radio is already there!

Arbitron's earlier online radio service was called Measurecast, which calculated "ratings" through data from the servers that broadcast the programming to the consumer's PC. However, advertisers and media planners were clear that these server-based numbers didn't meet their needs.

The key differences: Advertisers need to reach PEOPLE not computers. Arbitron's core radio service and comScore Arbitron Online ratings measure the number of different PEOPLE listening to a radio station for at least 5 minutes during the week. Server methods estimated the number of COMPUTERS tuned to a given station and there were flaws with those computer counts. For example, people who use a computer at home and work would be counted twice and some work places count as a single user rather than multiple people because they have one IP address. Panel based measurement provide a more credible and valid measure of PEOPLE.

Need for higher quality demographic measurement: Advertisers require high quality demographic measurement to assure their messages are received by the target consumer. Server logs do not contain any personal information about the computer's user. The lack of this information makes it impossible to tie demographics such as age and sex to actual listening events. Some online broadcasters collect demos during a registration process, but these methods vary widely with no standards or validation. comScore Arbitron Online Radio ratings collects and reports a complete range of demographics.

Reporting estimates where the advertiser has distribution: Online radio can be accessed from anywhere in the world meaning that an advertisers message may be heard in places where they do not have distribution, a given promotional offer or price point. Server based measurement does not allow uses to determine a listener's country of origin with the required level of precision. Given that advertisers have distinct branding messages and distribution channels, a non-U.S. based audience has no place in the media plan.

Advertisers need to know the time of day when consumers hear their ads: Arbitron's traditional radio ratings report and the comScore Arbitron online ratings report listening based on the local time when the consumer hears the programming. Server logs only report time based on the broadcaster's time zone. So, if a person in California was listening to a station broadcasting from New York at 5pm local time, the server logs would report that as 8pm, placing the listening event in a different standard daypart.

In addition to these limitations, server based measurement systems are only capable of providing estimates for the computers from which the data is available. If server data is missed, lost, late or corrupt, the audience can not be counted. The comScore Arbitron system captures and reports tuning from all sources regardless of what happens to the log files.

In the end, the two part process of radio placement and verification of delivery are served best by the use of Comscore Arbitron. First, as Arbitron is the standard in radio for the pre-buy process of audience anticipation, online radio can be judged like to like with other forms of radio. In the second part, the delivery of actual spots/impressions, online radio—and major companies like AOL, Yahoo!, MSN, Live 365 and Clear Channel in particular—can do what no traditional radio station can: deliver exactly each impression purchased to the most targeted audience available at this time.

Advertisers demand greater accountability from all media and like it or not newer choices have a higher hurdle to clear. The comScore Arbitron system sets a new standard for passive measurement which provides greater confidence in the numbers while enabling sellers and buyers to value the audience with the same metrics used everyday in network radio.

## All Urban stations are not the same

By Edward C. Evans

When I first began a career in radio sales some 20 years ago, it was at a declining AM R&B station, which changed its format when I was there to Classic Soul. Excited about the change, I went out to pitch the station to the agencies. As I went to a well-known downtown ad agency and met with the media buyer, I told her our story. I showed her the adult audience we hoped to reach and I went on to say that we strive to achieve similar aspects as other Oldies formatted stations. At that point she said, "How can you say that...you're Black."

There it was, plain and clear. Regardless of your format, if you have a majority black audience, it's a black radio station—period.

Now let's fast-forward to today and many may say that was then, and that doesn't happen today. Right. Well let me tell you that it still does. In some cases it is obvious, but for the most part it is subtle. The radio industry, like government, redefines blacks and their communities to urban. We no longer call poor black communities ghettos, it's now the "urban" inner cities. Thus the term urban means, for the most part, blacks or from this point African Americans.

In the radio industry we live and die by the defining one's format, whether it's AC, Hot AC, Rhythmic AC or CHR, Rhythmic CHR, Classic Rock, Modern Rock, well you get the picture. Now each of those formats just listed get a fair opportunity to stand on their own as it relates to audience composition, rates and the like.

The buying community may pit some formats or station against each other. But when was the last time you had a buyer say, "I have all the 'general market' (non ethnic) consumers I need on one or two stations." Probably not too often. However that's what takes place for many so-called urban-formatted radio stations. So if the format is Urban Hip-Hop, Rap, Urban AC or Classic R&B or Urban Talk, the audience is the same for many of those who plan and place media budgets. It is not uncommon to hear that I can reach the "urban" market with this one or the other station.

The bottom line is that it is plain insulting in today's world that these practices still occur. The print industry understands demographics and the African American lifestyle by publishing magazines from fashion to business, hip-hop to sports, cars to wealth building. The industry has grown from the roots of the Ebony magazine that first targeted the African American consumer in November 1945.

As a society of the 21<sup>st</sup> Century there are those who still believe that African American are somewhat all the same. Remember when the "The Cosby Show" first aired in September of 1984, many believe that program was an unrealistic portrayal of an African American family. However the show became a rating hit because it showed a family, who was African American, going through the same issues and situa-

tions many American families experience.

Just think for a moment, now what radio stations did you think the Huxtable's listened to during the week. It's possible to say Dr. Heathcliff Huxtable might have a jazz or smooth jazz preset and his wife, attorney Claire Huxtable, might have enjoyed a Urban AC, the kids, five in all, might have ranged from Alternative to Hip-Hop to Radio Disney. Also let's review their income, education and lifestyle preferences. It was a truly an upscale, highly educated and an active family lifestyle. The fictitious Huxtable family is not as rare as it might seem. There are a large and growing number of affluent African Americans across this nation. But what is rare are the number of corporations, media outlets and the general population that believe it does exist.

The African American population is not monolithic, but a diverse group, living in various communities with a broad range of professions and political interests. Thus, I must make the case that the buying community must separate and allow each "urban" formatted radio station the same opportunity as any "general market" radio station. When an advertiser states a no-urban dictate, it's not the format, it's the audience they don't desire, based on some preconceived ideas. That type of dictate excludes the diverse economic power, who like their "general market" contemporaries, buy homes, cars, dog food, toothpaste, computers, office equipment, etc.

The real issue is the lack of diversity at the decision-making level. If the corporate CEO's, Marketing Directors, Research Managers or the ad agency planners, media directors and others lack knowledge have or in some cases, may not have an interest regarding the African American market, then it is an opportunity lost. That's the real shame, because a real effort is needed to fully understand the diversity of the African



American consumer by hiring individuals who know the marketplace. I can state many facts that support my views, but one is no more compelling as this one. Nationally, in 2004, as compiled by the Selig Center's Study, the African American buying power was \$723 billion. For 2005 it is projected to be \$766 billion and in 2009 to be \$965 billion, that's a 33% increase in just five years. States like New York, California and Illinois with similar growth and with Texas, Georgia and Washington showing 40%-45% growth. African Americans have the eleventh largest economy in the world when compared to the gross national income of other nations. It is an advertiser's great opportunity to grow their market and share by making an effort to reach the African American consumer. I must also state there are many companies who reach out and value the African American consumer. Their efforts have been rewarded with market growth and consumer loyalty.

As I stated in the beginning, all "urban" stations are not the same. The urban musical landscape is wide and vast. Urban radio brings us cutting edge hip-hop to traditional R&B to Motown Classics. It is a range of listeners, which is truly diverse, "Urban radio is more than the music, it's an American lifestyle."

Edward C. Evans is the Strategic Accounts Manager for KJLH-FM Los Angeles. You can reach him at [ecevans@kjlhradio.com](mailto:ecevans@kjlhradio.com).

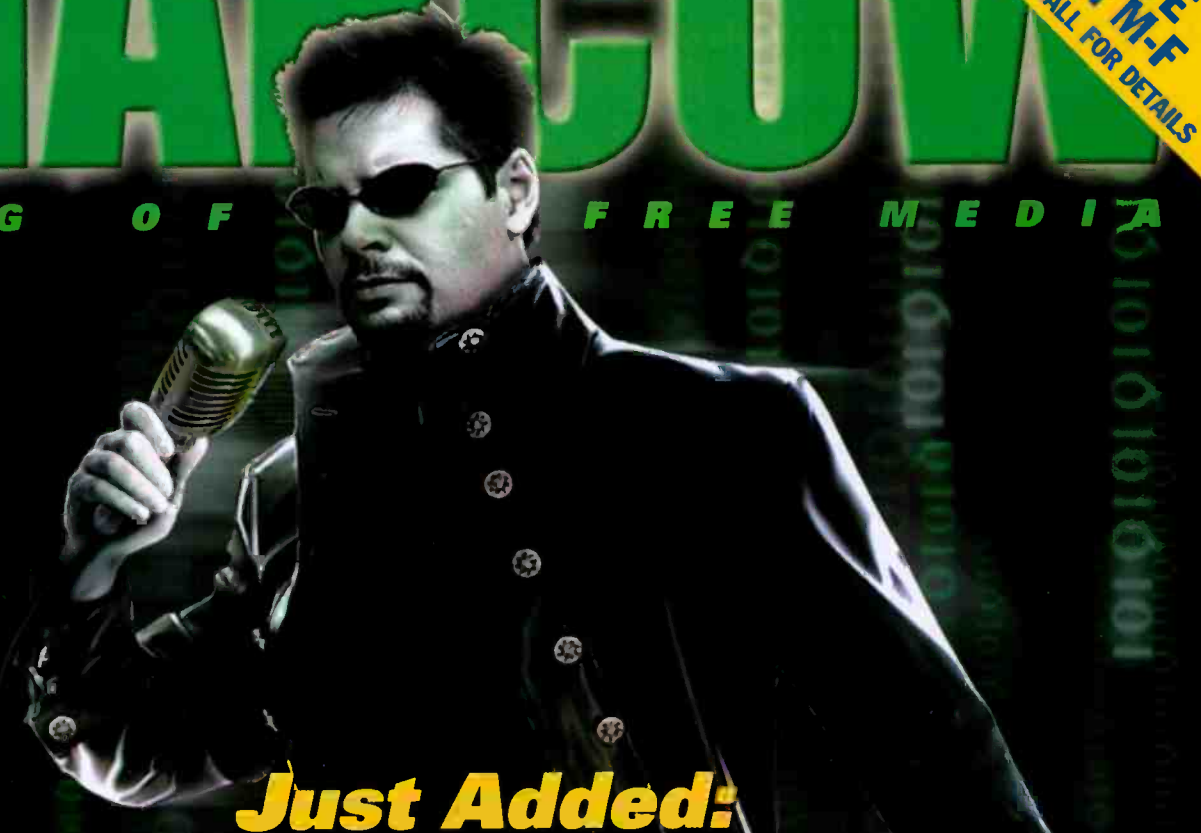




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## What's new for 2006?

As many GMs and traffic managers will be looking to update their traffic and billing systems in the new year, RBR/TVBR asked a few current (and new) vendors to detail their latest and upcoming offerings for 2006. As well, what sets their systems apart from the rest.

### VCI STARS II+

STARS II+ is used in more US broadcast and cable operators than any other system. It offers scalable, open, standards-based sales, traffic, sales and accounting software that is flexible enough to meet the ever-changing needs of the broadcasting industry while managing multiple station business systems. STARS II+ is the modern end-to-end standard for managing core broadcast functions and has become a valuable business intelligence tool that allows customers to attain maximum profit by managing the data and needed to build a more efficient organization.

STARS II+ allows broadcasters and cable operators to assemble and edit logs faster, while managing commercial inventory more efficiently, offers robust functionality and an easy-to-use graphical user interface and has the most extensive Sarbanes Oxley feature set on the market.

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New features available soon include:

#### **New VCI STARS II+ Desktop**

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- o Overrun breaks in special event or sports programming
- o Product placement contracted spots
- o Billboards that are built into a program open and close
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- o Consolidate invoices
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- o Recurring items can be scheduled

- o NTR now available in projection reports

#### **Custom Calendar**

If you have reporting requirements that don't conform to the standard broadcast calendar, use the new Custom Calendar to customize reporting to match your corporate environment.

- o Create fiscal calendars beginning with any month of the year for special reporting requirements
- o Create multiple calendars including alternate language calendars
- o Create various reports in VCI STARS II+ report modules

### dMarc (Scott SS32 and Maestro)

dMarc is the industry leader in digital automation systems designed to make easy work of network spot trafficking. It's the only company that offers not just one solution, but two: Scott SS32 and Maestro. Today, these two systems are the standard by which all others are measured, and continue to be strongly supported by dMarc's ongoing commitment to Research and Development. To date, over 4600 broadcast clients, reaching over 40% of the stations within the top 50 radio groups, have chosen dMarc systems as their preferred digital automation solution.

Other dMarc products include advanced solutions for revenue generation, diagnostics, Sarbanes-Oxley compliance, data services and bartering. In short, dMarc offers capabilities that make it a favorite not just with traffic directors, but the engineers and management with whom they work.

**RevenueSuite** - Here's the ideal way to fill open avail opportunities after the logs have closed for the day. RevenueSuite inserts paid advertising through dMarc's national network of advertisers. Eliminates the seemingly endless amount of network spots that must be maintained and scheduled by hand. Revenue Suite spots are delivered, scheduled, played, validated, and billed by dMarc, so your station/group does nothing but enjoy its growing bottom line.

**Automatic Log reconcile** - Scott Systems create audit information that allows you to automatically reconcile "as played" information back to the traffic system. This ensures that invoicing is 100% correct.

**Sarbanes-Oxley Compliance** - The Sarbanes-Oxley solution help stations become compliant with the Sarbanes-Oxley legislation by creating encrypted air log files and providing centralized management for each station's encryption status.

**Reporting and Logging Tools** - dMarc systems provide real time access to information you need from the automation system. They help you ensure that tomorrow's log doesn't have carts that are missing or out of date. In addition, you can access the active log at any point. Make any last minute changes or additions to the play log. You are always in full control.



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Provide your clients the data automation they require, while accelerating your billing cycle through the use of our robust electronic invoicing capabilities. Current EDI partners include SpotData and Katz Media, with a standard AAAA file format and delivery methods such as ftp and secure email.

It's our unparalleled support and consultative relationships with our clients that set us apart from the competition. Viero is more than just software—Viero is the revenue management solution developed for media professionals by media professionals.

## SintecMedia

SintecMedia's OnAir provides end-to-end management of product placement and secondary commercials. Faced with increasingly diminishing audiences resulting from new channels and penetration of new technologies such as PVRs, broadcasters are looking for creative ways to increase brand awareness, enhance their image, and find new sources of revenue. The OnAir product line features have been designed so that product placements and secondary commercials are integrated with conventional forms of advertising, thus, enabling inclusion of these forms of advertising in a regular campaign.

In the OnAir system, secondary commercials refer to commercials

that are superimposed on the main event such as "banners", bugs or logos, or displayed on one side of the screen while the main programming is displayed on the other (split screen). Product placements are treated in OnAir just like secondary events, but are not just simply sent to any automation machine. Whether the placement is visual, verbal, or hands-on, broadcasters must have a way to price, track, invoice, and report on these revenues as easily as dealing with a 30-second spot.

With OnAir, broadcasters can now easily manage secondary inventory, price it, embed secondary spots into orders, track the spots and the order, invoice, and report on all revenues.

### Features:

- Allows the definition of secondary inventory including how many and what type can be placed in a specific show
- Combines proposals, contracts, and invoices with secondary elements such as product placement as integral components of conventional airtime sales
- Provides full support for brand and industry clash-checking against conventional commercials, and invoices all secondary elements along with conventional airtime
- Permits the ability to track each product placement element with an exact location of the brand mentioned and its duration.
- Enables associating product placements with banners and squeeze backs thus leveraging the effectiveness of the product placement by directing the audience to a call center or a web site.

## Marketron International

Marketron provides traffic systems to both TV and Radio companies. Marketron differentiates itself by offering the industry's only enterprise-class, multi-channel solutions capable of centralizing all of a large group's station sales and inventory data in a single system and database. The Marketron traffic systems were designed to allow groups to manage advertising sales, scheduling and billing for multiple channels in a single system. This enables account executives to easily execute and optimize cross-channel sales and promotions. Broadcasters can sell and invoice once, but multicast the advertising content to multiple channels. Managers are able to analyze consolidated revenue and inventory data to track and compare performance across channels. Several large groups are currently taking advantage of the increased operational efficiencies and revenue opportunities that Marketron's multi-channel capabilities offer.

Marketron has more than 1,600 clients including ABC/Disney, NBC Universal, CBS, Univision, Cox, Radio One, Susquehanna, Emmis, Entravision, Jefferson-Pilot and many other groups. Over the past year, Marketron has added more than 200 small and mid-market radio stations to its client roster with its new, highly affordable Marketron OnDemand sales and traffic system. This web-based system eliminates the costs and hassles of maintaining traffic software and hardware in-house.

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Invision Inc., the company that brought you DealMaker, the most advanced strategic ad sales system in the industry, is completing a suite of applications that will fully integrate ad sales, program and commercial spot scheduling and traffic operations. Modular in design, the new traffic system will include capabilities for Ad Sales, Traffic & Billing, Inventory Control, Program Management, Account Stewardship, EDI and Yield Management. This will enable media professionals to have a seamless flow of order data from Ad Sales through Traffic and Operations.

Business benefits include: real time inventory management, more efficient handling of program and contract changes, yield management for spot scheduling, set and enforce business pricing strategies and optimize inventory utilization, multi-channel, multi-feed, integrated title, promo and commercial material library and proper handling of billboards and linked units.



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## John Gibson

John Gibson hosts "The Big Story With John Gibson," a one-hour program on Fox News Channel that provides in-depth coverage, analysis and commentary on the day's top stories. Prior to joining Fox News in 9/00, Gibson worked at MSNBC hosting the network's news talk programs, including Newschat and Internight. Before that, he served as a West Coast correspondent for NBC. "The John

Gibson Show" for radio debuts 12/5. In January, the Fox Talk Radio Channel debuts on XM, where the show will also be featured. Here, John talks about working both mediums.

### You worked on the History of Rock and Roll production for Bill Drake. Tell us about that and any interesting stories about the 60s hanging out in radio in LA.

At the time I didn't realize what a strange group of characters it was and how unusual the whole scene was. KHJ used to have 45% of the audience and there weren't any FM rockers. They didn't exist yet or were just starting, and the Drake-Chenault RKO chain that they were consulting was a similar situation in every market. There would be two, maybe three AM rockers that were dominating the market and maybe between the two of them they might have 65, 70% of the young demographic. Those days are clearly gone.

There were The Real **Don Steele** and **Robert W. Morgan**. Those guys were the dominant characters, **Humble Harve** at KHJ and were the dominating characters of the LA radio scene and of course this guy **Ron Jacobs** ran the place. **Bill Drake** decided he could syndicate a weekend special and make a History of Rock 'N Roll and he assembled this little team. I was right on the periphery of it. I was just out of school and very young. I worked for Drake on a few projects. It was a lot of fun and I learned a lot.

### Compare and contrast working in radio and television.

For television, I think it's necessary to be a little bit edgy and you have to be on your toes about what people are saying and get in the question that the audience probably is thinking of. But it is very, very compressed. It's very tight and there is no opportunity to let your thoughts slow like you will in an opening monologue on a radio show. The TV show, once you show up in the studio it's a little like **Arthur Murray**—you follow the dance steps on the floor, always bearing in mind that every time you put your foot down is that the right thing to say? Is somebody snowing me here? That's the big thing.

On the air, people like to come on and just rattle off their talking points and mainly the job of an anchor anywhere is to somehow throw them off their game a little bit and get them to answer a question straightforward. On TV you're constantly worried about the moment and what picture is available and do we have to get that picture on now and talk about that now? That's not an issue with the radio show.

Radio, and my experience is filling in for people, doing a lot of [Bill] **O'Reilly** and doing **Tony Snow** and a little fill-in for **Bob Grant** here in New York, it's different in that it's primarily opinion. It's engaging the audience on a unique, emphatic and absolutely confident opinion. If I were doing a show today I would be doing something on how the Democrats are demanding that Bush fire Rove. I would be thinking about that throughout the day just kind of mulling that. By the time I got off the TV show, got in the elevator, went up, sat down in the studio with like two minutes to air I would have formulated some emphatic, confident strong opinion and just open up and do a table setter for a few minutes on that subject. As long as I know what it is I'm talking about for an hour or a half hour, I'm fairly confident I can set the table and get people calling and get people interested with a fairly strong opinion.

### What's going to be unique about the radio show?

It just has to be me—if I'm not unique, I think it's going to have a problem. I think I have a fairly unique take on stuff. I think I do have a little sense of perhaps we've been down this road before and we've seen some of this stuff happen and I like the predictive sciences. I think I think of angles on stories and I have opinions other people haven't thought about. I think I will provoke listeners into thinking about maybe a new opinion or a slightly modified opinion than they already have. They will find if they listen to me they are going to get information that they probably aren't getting elsewhere.

### Tell us about your new book.

"The War on Christmas" Every year there is a well-known phenomenon in local government and schools—it's been called the "December Dilemma." People are banning Santa Claus and Christmas trees and getting involved in disputes over Christmas. What I did was I went over the last few years and I found the incidents that seemed to be emblematic of the problem. For some reason people seem to be afraid of Christians and maybe it's the politics, the kind of right wing evangelic political power that people are afraid of, but they're kind of taking it out on the secular symbols of Christmas that most Christians don't recognize as religious symbols. The fact that people would object to it and find reason to demand that the city take action to ban this sort of thing just strikes me as some kind of significant change in our society. I just think they are wrong about that and I think this is a kind of burgeoning phenomenon that we probably all ought to pay a little bit of attention to.

A portrait of John Gibson, a man with short grey hair and glasses, wearing a dark suit, white shirt, and red tie. He is smiling slightly. The background behind him is a warm, golden-brown color with a subtle texture.

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# **The John Gibson Show**



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## Tom Ray on WOR's revitalization

The year 2005 has been very busy for me, having first moved the WOR general offices to our new location of 111 Broadway from 1440 Broadway in New York City while maintaining programming offices and studios at the old location; moving the tech facility and ironing out the bugs; building our new transmitter facility in the Jersey Meadowlands; starting the implementation of HD Radio at all of our Buckley Broadcasting stations, and being named a Corporate VP.

The move of WOR's studio facilities has been most rewarding and is working out very well for the station. We had several options when deciding on what to do with the new facility. One of the options we had was to build the facility analog. This would have necessitated running large amounts of multipair cable to the studios, and we would have had issues integrating to some of the newer digital technologies. I felt that the company would get the best bang for its buck with Axia. It uses off the shelf, high end computer networking hardware; there is no single point of failure; the cabling to the studios from the tech center would be minimized as it is wired with standard Cat 6 computer cable; the system would offer flexibility for any future expansion or changes to the WOR operation.

But this also made me nervous, as the Axia concept was still somewhat new; sending high speed, packetized data from point A to point B in standard TCP/IP format. Well, the system has been on the air since April 30 and has more than proven itself.

There were a few challenges with building the facility. My assistant, **Kerry Richards**, formerly worked for United Artists theaters and is certified in THX. We literally took a page from the THX manual to design the studio walls. The other challenge was what to do about the noise from the outside windows that the studios have. The street noise, only being 3 floors up, was bad enough. But when the high school at the end of the street let out, well, let's say that the language coming through those windows would have made former WOR personality **Joan Rivers** blush. Taking the windows out was not an option, as we are in a landmark building and that is not allowed. So, we had

the contractor put in "thick plate glass between the studio and outside window, with a good 1 to 1-1/2" of air space between them. This gives us a good 70dB isolation from what we had and works well.

Being a pioneer is nothing new to me or to WOR, one of the very first stations on the air in the US. We added HD Radio to WOR in 2002, October 11, 2002 to be exact. We were a test station for iBiquity Digital, simultaneously becoming New York's first AM HD Radio Station. We proved that the HD signal will work correctly when passed through a less than perfect antenna system. We assisted in identifying issues with the previous codec. We helped debug several versions of iBiquity exciter software. We performed nighttime testing. And I've taken a great deal of heat from various factions over my stand on HD and the fact that we made WOR one of the first high power AM HD stations in the country. But I can say that I'm proud to be part of broadcasting history with WOR's pioneering effort in HD.

Our nighttime testing was enlightening, and I am eagerly awaiting nighttime authorization from the FCC. The nighttime "debacle" and the "horrible" interference that detractors state will be generated by nighttime HD operation will not be, in my estimation, the isle of devastation some make it out to be. The unfortunate thing is that many AM stations consider their coverage area wherever anyone can decipher their audio from the noise, but nighttime HD operation is based on the FCC defined contours. This needs to be understood.

With all the competition radio has for our audience, most of it digital solutions for consumers, we need to make ourselves modern and relevant in the eyes of potential listeners. HD for AM really makes the station sound as good as present day FM. HD for FM eliminates multipath distortion. And on AM, let's face it. The noise floor from our electronic environments has increased dramatically in the past 10 years making AM coverage less than it once was.

Our new site is completely state-of-the-art, built from the ground up with HD in mind. STL facilities, both landline and over the air, are completely digital. The facility employs two state-of-the-art Harris 3DX50 transmitters. The directional pattern remains relatively the same. The new facility has a completely functional backup studio with listener call in lines, a bathroom with shower, a 300KW generator with fuel for almost two weeks, redundant air conditioning, and an



Tom Ray in the almost finished new studio



Rob Baratz, WOR Master Control Supervisor



ENCO workstation with all of WOR's audio backed up to the main server at 111 Broadway. We have landline and satellite Internet capabilities. We can operate WOR and both radio networks from this facility. And it should last WOR another 30 years or until the State decides to once again redevelop swamplands in the Meadowlands.

Finally, I am extremely lucky to be associated with Buckley Broadcasting. And I'm not saying this because **Rick Buckley** is reading this. Buckley is still one of the true family operations left in the US. When I need something, there are no planning meetings, budget meetings, presen-



The first 100' of tower going up

tations to shareholders or any other such nonsense. I pick up the phone and talk to "the man" and get a decision immediately. I'm lucky that Rick trusts my judgment and lets me do things my way. Not every Engineer gets that freedom. Working at WOR and for Rick Buckley and WOR GM **Bob Bruno** is like working for family.

It's exciting being on the cutting edge of technology, having arguably the most technically advanced AM facility in New York City. I eagerly await what the future will bring. Heck, my past 28 years have been amazing and most enjoyable. The conversion to digital facilities and HD Radio makes me realize what Marconi and Armstrong must have felt watching the industry evolve. We live and work in interesting times, and they can only get better.

**Thomas R. Ray, III CPBE**  
Vice President/Corporate Director of Engineering  
Buckley Broadcasting/WOR Radio New York City

RBR & TVBR December 2005

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# MEDIA MARKETS & MONEY

## Susquehanna: The deal is done, but what's the multiple?

Wow! \$1.2 billion—that price tag got the mainstream press excited with stories about how a new wave of radio dealing might be ignited because Cumulus Media Partners LLC, owned by Cumulus Media, Bain Capital, The Blackstone Group and Thomas Lee Partners, had won the bidding for Susquehanna Radio. Yes, that is the 15<sup>th</sup> largest radio deal of all time, but does it really herald any trading explosion? While \$1.2 billion is a big number, the multiple is distinctly underwhelming. That works out to a mere 13 times trailing cash flow for the Susquehanna stations.

Since Cumulus Media Partners is buying stock to cut the tax bite for the seller, Susquehanna Pfaltzgraff, RBR/TVBR figures you can add two turns to that and call it 15 times. Citadel Broadcasting CEO **Farid Suleman** came to the same 15 times estimate in discussing the M&A environment in his Q3 conference call. "They would have brought more 18 months ago," he noted in a bit of an understatement.

Indeed, it wasn't long ago that a good FM in the red hot Atlanta market would have commanded 20 times and the multiples for San Francisco, Dallas and Houston wouldn't have been far behind. Cumulus CEO **Lew Dickey** knows he's striking at an opportune time. "These are terrific assets, as you know. Who the heck ever thought I could get into San Francisco and Dallas and Atlanta, Houston for those kind of numbers? I've had guys pitch to me fill-ins in Kalamazoo for higher multiples than that. It's worked out very well," he told RBR/TVBR.

But with Wall Street so down on radio, it was difficult for the big public companies to bid

By Jack Messmer / jmessmer@rbr.com

aggressively. Dickey had an ace in the hole with some developing move-ins that Cumulus owned which just happened to mesh with Susquehanna. Cumulus Media, the public company, is contributing no cash to the new partnership, but rather four radio stations, two FMs in Houston and two more in Kansas City. Since those stations account for about \$6.4 million in annual revenues, but are still in the formative stage and have negative broadcast cash flow to the tune of \$550K, the balance sheet at the public company will improve. Cumulus Media gets a 25% stake in the new entity, which it can grow to 40% if certain objectives are met. Its contribution to the partnership is being valued at \$150 million.

If you count Cumulus Media and Cumulus Media Partners as one—and Cumulus Media will be managing the new partnership—Cumulus is going to become the new #3 company in radio, with billings eclipsed only by Clear Channel and Infinity.

**RBR/TVBR observation:** We can understand why the Appell and Pfaltzgraff cousins wanted to sell off all of the businesses of Susquehanna Pfaltzgraff and divvy up the cash, even if their timing was lousy. What we can't understand is why Disney CEO **Bob Iger** is even thinking of selling or merging ABC Radio in such a soft market for major market radio properties. Is that the next big radio deal, or is Iger going to come to his senses?

### Billion-dollar-plus deals in radio

\$23.500B AMFM Inc. merged into Clear Channel (1999)  
\$14.945B Radio station value (Infinity) of  
\$34.45B merger of CBS Corp. into Viacom (1999)  
\$10.640B Radio station value of \$15.2B stock-swap  
of Viacom Class B stock for the 32% of Infinity that  
Viacom didn't already own (2000)  
\$4.340B Radio station value of \$4.9B merger of  
Infinity Broadcasting into Westinghouse/CBS (1996)  
\$4.300B Spin-offs (110 stns.) from merger of  
AMFM Inc. into Clear Channel (2000)  
\$4.200B Radio value of \$4.4B Jacor merger  
with Clear Channel (1998)  
\$4.100B Capstar merged into Chancellor Media (1998)  
\$3.500B Hispanic Broadcasting merged into  
Univision (2002)  
\$2.600B American Radio Systems to  
Westinghouse/CBS (1997)  
\$2.100B SFX Broadcasting to Capstar Broad-  
casting Partners (1997)  
\$2.000B Citadel Communications to  
Forstmann Little & Co. (2001)  
\$1.403B AMFM/Clear Channel spin-offs (18  
stns.) to Infinity (2000)

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\$1.300B Chancellor Broadcasting merged into Evergreen Media, creating Chancellor Media (1997)  
 \$1.300B AMFM/Clear Channel spin-offs (12 stns.) to Radio One (2000)  
 \$1.200B Stock of Susquehanna Radio to Cumulus Media Partners (2005)  
 \$1.075B Viacom Radio to Chancellor Media (1997)

## 20 television stations for sale

No one should be complaining today about the lack of TV station inventory for sale. We count no less than 20 stations—big four network affiliates all—which are being publicly shopped.

Even before closing its \$987 million purchase of Liberty Corporation, Raycom Media has put a dozen full-power stations on the block. Four had been expected, since Raycom needed to divest in the four markets where it competes with Liberty (and none qualifies for a duopoly under current rules), but Raycom went farther and announced plans to part with eight others to remove some stations that don't really fit in its portfolio.

"The sale of these properties, which either duplicate existing market holdings or lie outside our core geographies, will allow us to strategically reshape our holdings and provide the resources to reinvest in expanding our reach within priority markets. Although it was a difficult decision to part with these valuable stations and the 833 exceptional people they employ, their sale to interested buyers with whom they have a better strategic fit will benefit not only Raycom and the eventual purchasers, but also the stations and their employees," said Raycom President and CEO **Paul McTear**. Belmore Corporate Advisors and Wachovia Securities are handling financial advisor chores.

In three of the four overlap markets Raycom will keep the VHF station it is buying from Liberty and sell off its own UHF. Thus, in Albany, GA it's keeping WALB-TV (Ch. 10, NBC) and selling WFXL-TV (Ch. 31, Fox); in Columbia, SC it's keeping WIS-TV (Ch. 10, NB) and selling WACH-TV (Ch. 57, Fox); and in Toledo, OH it's keeping WTOL-TV (Ch. 11, CBS) and selling WNWO-TV (Ch. 24, NBC). The fourth market, Wilmington, NC, is the only one where both have VHF's, so Raycom is keeping its top-billing WECT-TV (Ch. 6, NBC) and selling Liberty's WWAY-TV (Ch. 3, ABC).

In addition to the markets where it has to sell something, Raycom has also put "for sale" signs on stations in eight other markets—one of the Liberty stations and seven of its own, plus a full-power satellite and two LPTVs with UPN affiliations. Those markets are Harlingen-McAllen-Brownsville, TX (coming from Liberty), Albuquerque-Santa Fe, NM, Colorado Springs, CO, Ottumwa-Kirksville, IA, Marquette, MI, Syracuse, NY, Traverse City-Cadillac, MI and Waterloo-Cedar Rapids-Dubuque, IA.

What else is for sale? Well, there are still three stations to go from the Emmis Television auction: WKCF-TV (Ch. 18, WB) Orlando, WVUE-TV (Ch. 8, Fox) New Orleans and KGMB-TV (Ch. 9, CBS) Honolulu. Bear Stearns analyst **Victor Miller** has estimated that they will bring \$347.5-386 million,

bringing the total price tag for the Emmis sale of 16 stations to approximately \$1.3 billion.

In addition, Nexstar Broadcasting CEO **Perry Sook** got a bit more specific in his Q3 conference call about his plans to pare the company's portfolio. He told analysts that the company is shopping five stations in four markets. He didn't name them, but did say that WHAG-TV (Ch. 25, NBC) Hagerstown, MD (part of the Washington, DC market) is not one of the five. If all of those divestitures do take place, Sook expects the total sale price to exceed \$50 million.

A dozen from Raycom, three from Emmis and five from Nexstar—that's 20 full-power, big four network affiliates being publicly shopped. So, if you're in the market for TV stations, it appears there is now quite a bit of inventory to look at.

## Raycom divestiture shopping list

CALLS	Ch.	Affil.	Market Name	Rank	Rev.-Stn '04
KASA-TV	2	FOX	Albuquerque-Santa Fe, NM	47	15500
WNWO-TV	24	NBC	Toledo, OH	70	12200
WSTM-TV	3	NBC	Syracuse, NY	77	16350
WSTQ-LP	14	UPN	Syracuse, NY	77	725
WACH	57	FOX	Columbia, SC	83	8500
KWWL	7	NBC	Cedar Rapids, IA	88	14800
KXRM-TV	21	FOX	Colorado Springs-Pueblo, CO	92	9300
KXTU-LP	57	UPN	Colorado Springs-Pueblo, CO	92	1000
KGBT-TV	4	CBS	Harlingen, TX (Liberty)	93	8000
WPBN-TV	7	NBC	Traverse City-Cadillac, MI	112	8900
WTOM-TV	4	NBC	Traverse City-Cadillac, MI	112	(satellite)
WWAY	3	ABC	Wilmington, NC (Liberty)	140	6100
WFXL	31	FOX	Albany, GA	147	3450
WLUC-TV	6	NBC	Marquette, MI	180	6200
KTVO	3	ABC	Ottumwa, IA-Kirksville, MO	200	3000

Note: Revenues in thousands of dollars  
 Source: BIAfn Media Access Pro

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*2005 Scorecard:*

*25 Deals*

*37 Stations*

*Thanks for another terrific year!*

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**Q2 volume up, value down; Q3 vice versa**

by Dave Seyler / dseyler@rbr.com

The number of broadcast stations which changing hands in Q2 2005 was actually greater than its been in all but one quarter since we began keeping track of this after the big FCC ownership rulemaking deal freeze which kicked in over the summer of 2003. That freeze led to an explosion of filings after the thaw, so the 158 deals would possibly have contended for first place under normal circumstances. However, the \$627.6M spent of the deals is the lowest since then, excepting partially-frozen Q3 2003. Q2 was a quarter of small deals in small places. Radio slowed down further in Q3, but TV took off, with Emmis and Liberty playing the role of big sellers. Look for a rebound for radio in Q4 and into 2006, when Susquehanna and perhaps ABC file big group sell-offs with the FCC.

**Station trading**

Quarter	Deals	AMs	FMs	TVs	Value
Q3 2004	128	79	110	18	\$702,216,273
Q4 2004	135	98	113	12	\$1,463,560,802
Q1 2005	150	95	129	13	\$886,057,995
Q2 2005	158	86	173	9	\$627,585,775
Q3 2005	151	75	87	42	\$2,483,326,054

**Getting small big-time**

Activity is still focused on smaller markets, both rated and not—and on the radio side that will be the case until there is some M&A activity among the bigger groups—it's not filed yet, but Susquehanna into Cumulus will be a big factor. The two TV sellers, Emmis and Liberty, basically were trafficking in stations in markets outside the top 50 as well.

**Quarterly station trading by market size**

Quarter	Total Stns	Mkts 1-50	Mkts 51-100	Mkts >100	Unrated Mkts
Q3 2004	207	30	14	80	83
Q4 2004	223	43	23	96	60
Q1 2005	237	54	26	82	75
Q2 2005	268	39	20	67	142
Q3 2005	204	37	37	55	75

**Radio trading volume spikes in Q2, then drops off**

A look within the numbers reveals that it wasn't the fault of radio brokers that the value of stations sold dropped during Q2. There were more stations sold, and despite the fact that the action was concentrated in the hinterlands, the sales generated an extra \$40M-plus over Q1 totals. That was followed by a lull in Q3, which featured fewer transactions, fewer stations and about \$80M less value.



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## Radio only transactions

Quarter	Deals	Stns	Value
Q3 2004	115	189	\$511,266,273
Q4 2004	124	211	\$1,028,360,802
Q1 2005	139	224	\$519,007,995
Q2 2005	150	259	\$560,473,803
Q3 2005	132	162	\$481,196,053

## Television becalms before the tsunami

You can see the TV tide pull back in Q2 before the tidal flood that hit in Q3. Emmis was a known factor. It had been shopping its television properties all summer, and finally got around to announcing a grab bag of deals well after Q3 kicked in. The Liberty merger into Raycom was more of a surprise, but it added almost \$1B to the quarter

## TV only transactions

Quarter	Deals	Stns	Value
Q3 2004	13	18	\$190,950,000
Q4 2004	10	12	\$435,200,000
Q1 2005	9	13	\$367,050,000
Q2 2005	8	9	\$67,111,972
Q3 2005	19	42	\$2,002,130,001

## Double-digit radio deals hitting in Q4

A lot of the trading on the radio side of the broadcast aisle for that past few years has been taking place essentially at the boondock level. It's happening mostly in small rated markets or in places beyond the reach of Arbitron or Eastlan. However, there have been a few deals sneaking in of late which are priced at \$10M or more.

The biggest deal to hit the FCC database that we've seen so in Q4 has been Nassau Broadcasting's spin-off of properties in two Pennsylvania markets. WTKZ-AM, WEEX-AM/WODE-FM & WWYY-FM Allentown Bethlehem and WVPO-AM/WSBG-FM, WPLY-AM Wilkes Barre-Scranton are going to Access.1 Communications for \$62.8M, a deal which should warm the hearts of the bureaucrats in Washington who keep track of minority broadcast ownership levels, since Access1 principals **Sydney L. Small** and **Chesley Maddox-Dorsey** will add value to the list of African-American-owned broadcast properties.

Another deal does the same. Emmis Communications is sending WRDA-FM St. Louis to Urban leader Radio One for \$20M. It'll pair up in the market with Radio One's WFUN-FM. Both stations are licensed in Illinois, just across the Mississippi from St. Louis.

Another \$20M deal actually brings two markets into play. Former radio group Communicom is going to return to grouphood with an AM in West Palm Beach and two in Phoenix, courtesy of James Crystal Enterprises. At least six other deals in October and early November were filed in the \$10M-\$20M.

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Cascade Broadcasting  
**KWBT-TV**  
Tulsa, OK

*has been sold to*

**Griffin Communications**

*Brian Cobb and Denis LeClair  
represented and advised the seller  
for this transaction.*

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