

Radio Business Report™

Voice of the Radio Broadcasting Industry®

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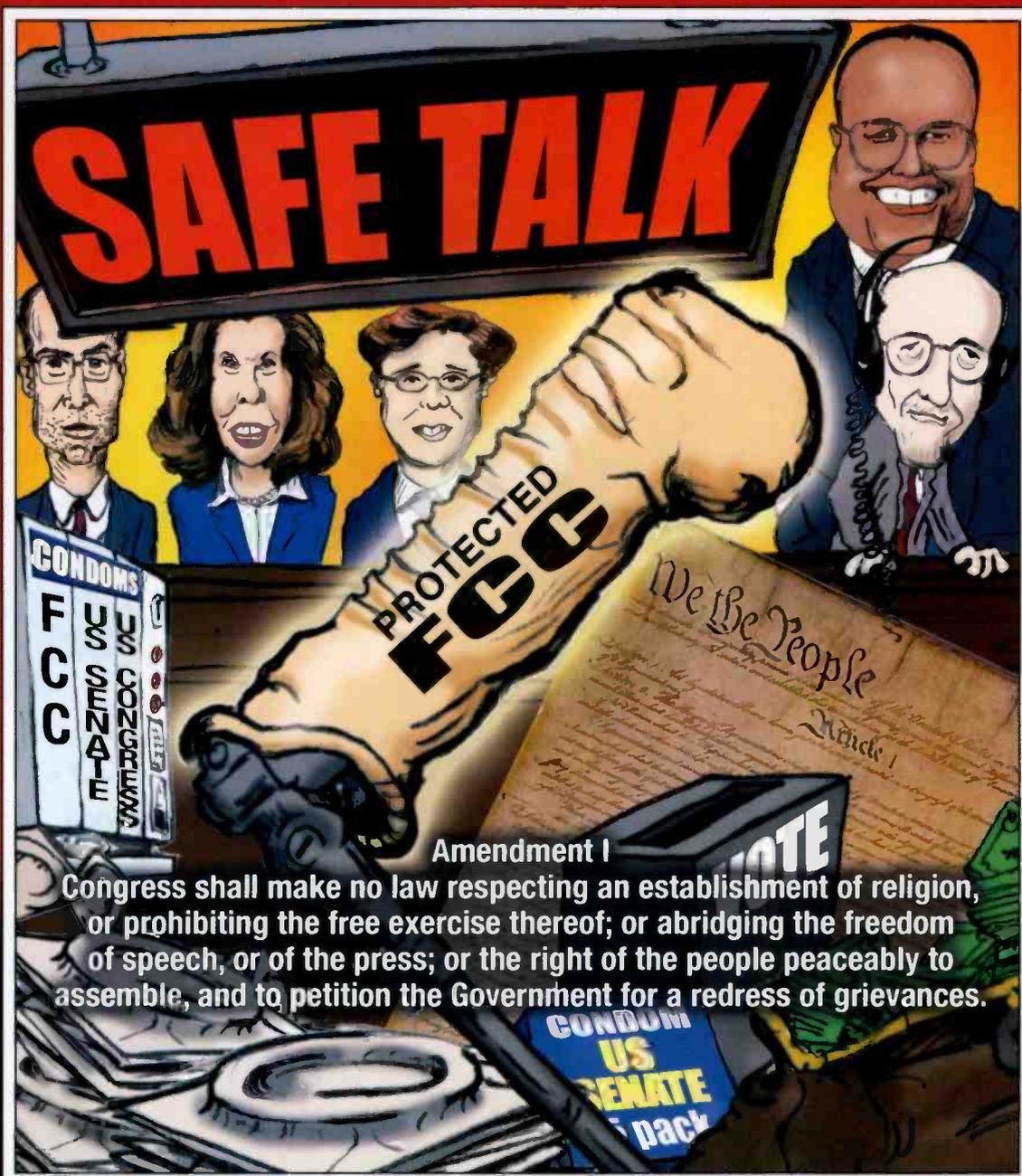
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Amendment I

Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances.

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RADIO NEWS®

“Naples is Calling” and many were listening.

Last month's Publisher's Perspective has people talking. Now we didn't get love letters from CEOs in the radio business, but many that work in or for radio did respond. For the most part they thought that our Publisher Jim Carnegie was right on target and a little brave. One group in particular we know was a little peeved not wanting to do business with us anymore with one of their business units. Oh well - just shows how thin skinned they are. Below are comments from those that allowed us to put them on the record about the article. Others just couldn't do it for they worked for the CEOs that the article referenced and feared retribution.

Hi Jim, I just finished reading your article and your perspective on radio. It's right on the money, sad to say.

Radio stations are being run like insurance companies or banks. General managers are doing the best they can under some very difficult circumstances. The fire of competition in any market is not around anymore.

The bright side is that some of the best radio today is being done on AM radio stations with great News/Information, Talk or Sports formats. If there were better technical AM facilities, like dial position, power, day and night coverage, FM would really be in trouble. Put aside the commercial breaks on FM radio and you probably think you're listening to Satellite.

Thanks for the straight talk, it's not always easy to be critical of something you really love.

Carl Como

Jim:

You got some set of brass balls my friend! I want to extend my sincere thanks on behalf of all of us out here, who like you, really care about the radio business. Your message was unvarnished, in fact, downright frightening, but nonetheless spot-on. Someone had to call it like it is, and I can't tell you how much respect I have for your decision to put the truth about what we have allowed ourselves to do to this precious public resource, all in the name of obscene profits for a relative few.

The question now is how do we turn it all around? I worry here not so much about the predators who have effectively raped and pillaged our once proud industry. As you point out, Wall Street will soon tire of their game and put them out to pasture. What concerns me most is, as you so effectively point out, that we have disenfranchised a whole generation of soon to be conspicuous consumers who by and large view terrestrial radio as irrelevant. Moreover, I fear that so many of radio's best and brightest have been driven from the business that we are left only with local managers who haven't already been able to get a better job in another growing industry, like health care.

How the hell do we fix things once the current crop of mega radio entrepreneurs ride off to Naples to enjoy the spoils of their efforts? How can those of us who approach radio with a more disciplined operating strategy based on respect for listeners and advertisers reconnect with and expand our audience base? In adversity there is always opportunity for those who are creative enough to step up and risk it all. Any advice for those of us who have an appetite for risk?

Paul Robinson



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What new rules have you instituted (if any) for your air staff to guard against indecency? Do you use delay for all call-in shows?



Ed Kiernan,
Hearst-Argyle/Baltimore:

Here's what we did, and we did it before all the indecency hype started. Last October we had an all-day meeting with our FCC attorneys down here in Baltimore. We included both the 98 Rock and WBAL-AM people. It's like my boss anticipated this, to be honest with you—where this was going and what's going on. I don't know if this was a prediction, or he

just felt it was time. And I can only tell you that we got recited to us what the rules are. Our company is more conservative than some of the other companies that have gotten themselves in some trouble. We had the rules and a lot of discussion about where we are, what we can say. They used a lot of examples of stations that were fined and went over those examples so people understood.

Basically, we've got a great staff, they love working here. They understand that things have changed. I can't tell you that we've instituted anything new, but I can tell you we've reviewed what has taken place and have marched forward from there. Our meetings took place in October, and from that point forward things have been pretty smooth here.

We're keeping close tabs on things, I'm going to be honest with you about that. We're reviewing shows with the guys to make sure they understand what's going on. But basically, I think we're in pretty good shape right now. We've moved into a more personality-driven format, particularly in drive times. We have a crazy show in the morning "**Kirk, Mark and Lopez,**" and we've got a more aggressive afternoon show than we've had in some time.

We want to make sure we're riding in the middle of the highway here. I can tell you that's all worked out for us. We're monitoring it every day, every week. We're trying to make sure that we're within the guidelines of where we want to be, and also within the guidelines of where Hearst wants us to be. And those guidelines are a little to the right of where Infinity and Clear Channel have been. We've always been in a "lane over" from them.

The power of the people right now is very, very high. I'll give you an example that's bizarre. WBAL was unable to carry one of the Spring Training [baseball] games that we had planned to carry. We had a fan call us that was very disappointed and told us he was going to write the FCC because we weren't fulfilling our obligations. All I'm saying is the awareness level of this whole issue is very, very high. People don't like a commercial that they hear on the air (and we're pretty conservative about that too) and we get an email or letter saying they're going to contact the FCC. I have to think if they're doing that with us, and these are relatively meaningless things, that around the country there's got to be an incredible amount of FCC stuff going on that we're not even aware of. They have to be overwhelmed. But still, when you asked me if we were OK, I think we are, but the FCC can go back years to issue a fine.

We use delay—a 6-7 second delay with the Eventide BD 980. And we've got ordered that great machine that's going to give us 20 seconds. We're on backorder for the Symetrix AirTools 6000AT. It'll provide up to 20 seconds of delay, with multiple "dumps."

David Paul Estes, WEZJ AM/FM & WEKX FM, Williamsburg, KY:

We really haven't instituted any new rules as a result of the recent events. We've just reemphasized our existing policy of zero tolerance. As a result, we have never had problems. Our main goal has always been to serve our communities with content that is both entertaining and acceptable. Our on-air staff realizes and embraces that idea.

We do realize that we only can control what we say on the air, we can't control what callers say. So we NEVER put callers on live. For call in shows we use a 7 second delay and all other callers are recorded for future playback.

Greg Dourian, New Northwest Broadcasters/Klamath Falls, OR:

I recognize this is a very serious issue, and the Commission is taking a very hard stand on these types of things now. I think that's very respectable and commendable. We have always had a hard and fast rule around these radio stations that we will not tolerate any form of indecency going out over our airwaves. And, as such, the rules haven't changed. So I would have never considered this to be an issue for us in the first place. And another element to this is we've had the same on-air staff for a considerable amount of time, so we've been very consistent with our delivery.

The long and the short of it is this—the policies that were in effect before the Commission made changes is the same policy that's in effect today, and that is zero tolerance. We don't have any delays in place. We're a small market, and not that necessarily means that those things can't happen, they can. But we've never had a problem with it and as such we didn't feel there was a need to address it from that level.



Dennis Radeke,
Bridgelight, LLC's
"The Bridge FM"
metro NYC's quad-cast:

As a non-commercial, bible-teaching Christian radio station, we're generally not concerned about indecency getting on the airwaves at The Bridge. All of our featured programs have been pre-screened and are periodically reviewed to ensure that they continue to meet the standards of both the FCC and The Bridge. We are excited about

the recent changes from the FCC and support Chairman **Michael Powell** in his effort to provide a standard for quality broadcasting. The Bridge firmly believes that broadcasters can create quality programming without using profanity, regardless of their format. Currently, we do not air a live call in show locally, but when we do, we will definitely engage a delay line as a precautionary measure."



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Joe Uva: Shepherding \$19 billion in annual ad spend

Joe Uva is President & CEO of Omnicom's OMD Worldwide, overseeing operations in 80 offices in 50+ countries. Yes, he's in charge of a whopping \$19.3 billion global ad dollars spent yearly—\$8.3 billion here in the US. Clients include McDonald's, Visa, PepsiCo, Office Depot, Nissan, Hershey, Johnson & Johnson, Epson, ABC-TV, State Farm and TAP Pharmaceuticals' Prevacid.

Joe's been on both sides of the desk. Prior to joining OMD, he was President/Turner Entertainment Group Sales and Marketing for Turner Broadcasting Sales. He handled all domestic sales and marketing for TBS Superstation, TNT, Cartoon Network, Turner South and Turner Sports and oversaw the company's barter/trade ops. Joe came up from the ranks there as EVP/Sales for CNN/Headline News as well as the CNN Broadcast Networks (1990-1994).

Needless to say, he's pretty involved in his community—Joe's on the board of trustees of The Valerie Fund, a NJ/NY non-profit that provides comprehensive care for children with cancer and blood disorders. He served as Chairman from 2000-2001. He also devotes time to Young Audiences New York (YANY), a pioneer in creating arts education programs for NYC students, teachers and families. The organization recently hosted its annual Children's Arts Medal Benefit, honoring Joe and actor **Matthew Modine**. The benefit raised over \$500K. Joe's also on the Board of the International Radio and Television Society (IRTS) Foundation, and is a past member of the Cable Advertising Bureau's advisory board.

Here, Joe tells *RBR* a bit about his job, his career and the media biz—the pros, cons, problems and solutions. Next month, we interview **Richard Hamilton**, Zenith Media CEO.

Given the recent years of record-breaking numbers, what are your observations and predictions on this year's upfront?

This past year probably received even more focused attention than it has anytime during the recent past, because of the pricing increases on the broadcast network side. I think there is a genuine examination being done now by agencies and clients as to, "Do we want it to be

the status quo and just continue along with the Upfront the way it has been for so many years, or is it time to really start to make some minor modifications?" [Recently] at the ANA there was a panel discussion about it—the timing of it, does it really meet clients' needs?; and timing meaning time of year. Is there a better time during the year where clients would have much more clarity around their budgets?

How do you feel about it?

Well I can see that. After spending 22 years on the sales side, what I've never really understood about the Upfront was, as cable in the late '90s started to introduce original programming during the summer months (and now we see a lot of original series starting to come on the broadcast networks—limited series during the summer months so

you're not into a heavy repeat/rerun season), I often wonder why the timing is still the way it is.

Now if you talk to the networks they'll say, "Well the production schedules." Well you know what, it's not like an assembly line—it's not like shutting General Motors or Ford or Chrysler down and redoing their production lines. It's just an adjustment to the production. So I think it used to be that the new season started Back to School, summer's over, kids are in school, families are spending more time together at home watching TV in the evenings. And there were reasons for that. And still for the auto industry, they introduced their new models in the fall. But I'm stumped as to how, why the timing hasn't moved to be much more inline with advertiser needs, in terms of their fiscal years.



Sounds like it will be changed, on a slow basis.

I think the change will come incrementally. I don't see wholesale change in the market. I do think that this year there is going to be a particular attention paid to how the networks price themselves. And I think it's a year where you could see if the networks are perceived to be too bullish, I don't think you're going to see the rollover like last year. I think you will see what could be significant shifts moving out of broadcast primetime into cable and maybe into other media.

I also think the market is not going to come and go in a few weeks. I think this year the period of time over which the entire national television market gets traded and concluded—meaning broadcast, cable and syndication—will be more like a couple of months instead of a couple of weeks.

A bit more flexible?

Yeah, I think people will take the time this year, not to be stampeded.

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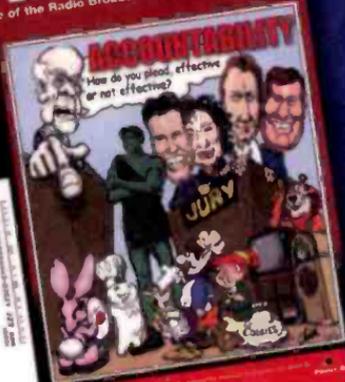
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As a past Turner Entertainment President, tell us how being on the other side of the desk helps you in your position today.

Well, I spent over 17 years with Turner Broadcasting in advertising sales. The first 10 years were with CNN in the news side of the house and the last seven and a half years I spent on the entertainment side of the company, running ad sales. One of the things that I had recognized while I was there (particularly in the last couple of years I was there) was the media companies, the sellers, as these vertically integrated giants emerged—Time Warner, News Corporation, Viacom, Disney, etc—and started to amass these portfolios that were so broad and were making a concerted effort to see how they could leverage those portfolios to improve and increase their relationships with advertisers that the media companies...we were much further along in terms of being able to bring the pieces of the portfolios together to offer them up for sale. Not just as a bundle offering at a discount, but based on common content that traveled well across different media platforms or an idea that could be platformed on different media platforms—not necessarily with the same content.

And agencies weren't organized to deal with it. What would typically happen is you'd walk into a client or an agency with a big idea that was a multi-platform idea and the client would say, "Yes this looks very interesting. I need my agency to evaluate it." And then it would go into the agency and what would happen is because there was no capability (or identified capability, anyway) that could look across the idea, look across the component parts and analyze and evaluate the concept and the opportunity holistically, it would get broken down into its component silos. So the television piece would go to the television group to look at. The print piece to the print people, to the out of home to our of home etc, etc. And when you would evaluate it on an individual silo basis you might come up with a different valuation.

Absolutely.

And some clients would say, "Well each piece has to stand on its own merit." Well that's okay if you're talking a priced-based deal. If you're talking about an idea or a common piece of content that cuts across—that your talking about sponsorship and potential product integration etc, that's a different concept. So the experience of how media owners thought about their portfolios and understanding what are high margin, low margin media to a media owner has helped me here in negotiating on behalf of our clients and in helping structure ourselves

in such a way that we don't have to break things down into the component parts. Yes, we have the experts look at the fundamentals, but we have hired people and developed people who have the ability to look across conceptually and evaluate opportunities.

What creative problems are agencies facing right now in your opinion? (that relate to ROI).

I think it's two questions then. One is from a media perspective. Because the way you're going to measure ROI isn't through your spend, which is through media. And then what are the opportunities for creative agencies? I wouldn't say there are problems. I think there is a wealth of opportunity. I think whether it's TiVo or Video on Demand, I think today there will be a new renaissance and creative coming out of the agencies, looking at cost-effective, longer-form solutions in the television medium. And I think these platforms afford that opportunity. You're not restricted by having to be in a 30 second venue. You're not restricted by having to be in a pod with other advertisers.

You can shape the environment and I think that's going to be incredibly appealing to creative agencies as they start to understand the economics better, and as

they start to understand what those opportunities exactly are. I think that it's incumbent upon us in the media agencies along with the cable operators and TiVo and DirecTV and everybody else to really spend time showcasing what these technologies and platforms can do and how they can be exploited creatively. I think it's a fabulous opportunity.

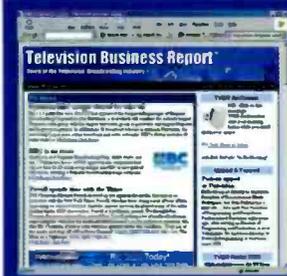
You being on the board of TiVo now, that's exactly the things you're addressing and bringing to the table, right?

Well I can't talk about anything. [laughs]

What do you think are the pros and cons of not only media consolidation but agency consolidation?

Well I think we, as an agency, believe in consolidation. That probably doesn't come as a surprise to you. We encourage it, we did it ourselves. We took three media departments from three of Omnicom's creative agencies to form OMD. We think it gives us a much wider breadth and more abundant resources and can help us proactively influence the future. I think there are challenges in terms of portfolio management with your clients that are presented. Which is why you see companies having more than one media capability, the holding companies. But I think today if you look at

"I think there is a wealth of opportunity. I think whether it's TiVo or Video on Demand, I think today there will be a new renaissance and creative coming out of the agencies, looking at cost-effective, longer form solutions in the television medium."



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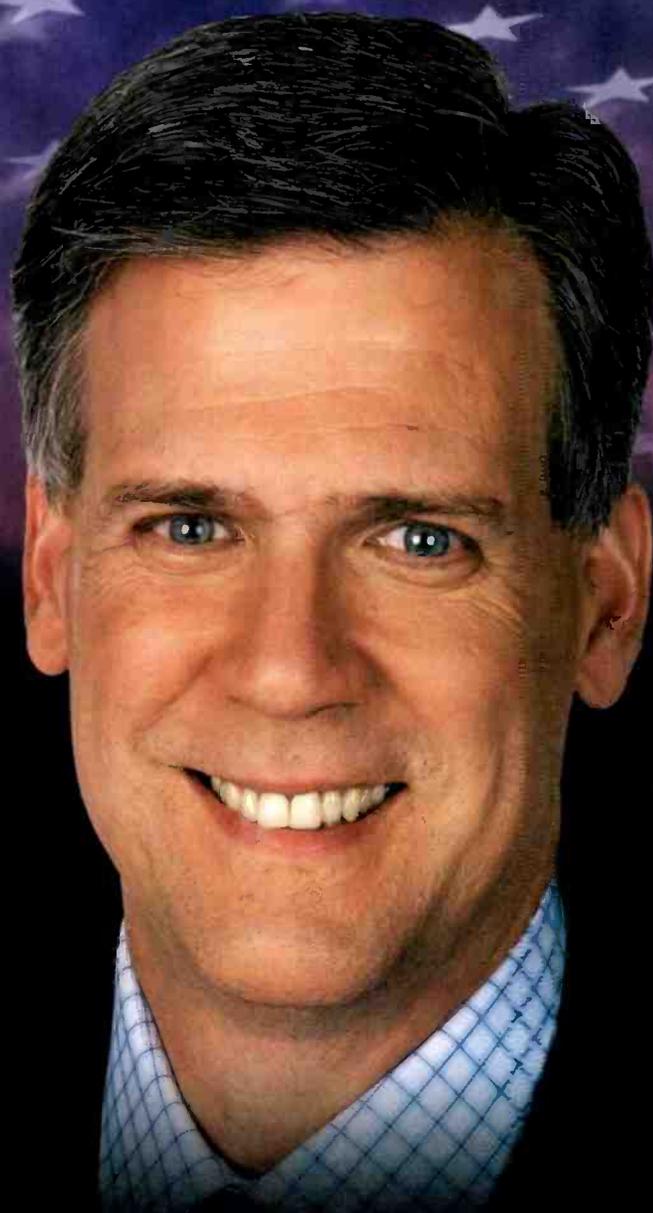
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the world, 82% of the media dollars that get spent here go to Time Warner, Viacom, Disney, GE and News Corp. 80% of those 82% of the dollars that they capture...80% of the total spend comes from Omnicom, WPP, Interpublic and Publicis.

How are you expanding the dynamic of how you buy across so much different media and what have you discovered about using so much more of a media mix than in the past?

Well I think, first of all, you have to use a broader media mix if you really are going to build consumer connections. The fact of life today, Carl, is that we have all become our own personal editors. When you look at the amount of messaging that gets served up to us as consumers everyday, whether you wake up to an alarm clock radio or you turn on an early morning television show or you go online or you read the newspaper; you're in a car you've got the radio on; you're seeing billboards; you're getting SMS messages on your phone; you're getting spammed, no matter what it is, your life is so touched by different media platforms. And each one of those has a different quality of connection or different kind of connection with each of us.

And what we've done, when I say we've become editors, we've become very good at blocking out those things at the time of the day we're not ready for them, on a medium that we may not be ready to see them in at that time. And the secret to really using a diverse media mix is to try to identify that aperture, that time when that customer is going to be ready to engage with the message—and the message has to be engaging. It can't push at you, it's got to bring you in, as a consumer. More and more I think you see more diverse media mixes in all product categories. And that's not something that's going to go away. I think the dynamic, how do we expand... suffice it to say, you wind up with people who have specialist capability.

And this is this is proprietary stuff, right? OMD, like other media agencies, specializes in being able to grab eyes and ears at the right time.

I think all of the major media agencies today have a variation on it. I think we've moved to be more... what's proprietary is what goes into our own individual formulas and how we arrive at that. What is the process by which we do it and what are the tools we employ against it? We can have a tool that does exactly the same thing that a tool at Starcom or Mindshare might have. Yet what we do with the output is the differentiating factor. And what's the thought process that goes along with that.

We have invested in a talent pool that used to reside exclusively in creative agencies in the account planning function where people really studied and understood and shaped the relationships between consumers and brands. And that work over the past 15 years has become important to the foundation and the pillars of the creative strategy and the creative development work. Well, if it works between brands that a consumer is purchasing and interacting with, and the consumer, why can't that same knowledge base and skill set be applied to how the consumer interacts with media? (media platforms, the brands that ride

on those platforms). So what we've done is taken that technique and skill and employed it for just what I've said, and now when you put it together with the consumer brand understanding you have something much more powerful in terms of a tool to resonate and evaluate to help you build plans that are going to resonate with consumers better.

What would you suggest traditional radio do to keep its audience from rushing to XM and Sirius and the Internet? They're looking for answers. The 18-34 age group is leaving TV, it's leaving radio.

If I had those answers I'd be a lot wealthier than I am today. I really think it's a question of what is the evolving taste of the consumer. Keep in mind that there's a generation of young adults today who not only did they grow up with cable television and didn't know the

world before cable. They also have been involved with the Internet for a number of years now. You know today's 17 year old was 8, 9, 10 when the Internet was first available. And they gravitated. So then you had Napster. Now you have, iTunes. So they're used to crafting their own music and not listening to commercials, and I think that there is a challenge there. How do you connect with those kids? What do you do to reach them and what can radio do as a medium?

I listen to radio when I'm not traveling, I'm listening to it everyday because I'm commute by car. And I'll station surf, but I think a couple of things. One is pods are way too long, commercial pods.

I think that here in New York if I go through a series of four or five stations that I have programmed in, there are certain times during that drive where I'll be station surfing and come up against a commercial break everywhere. I don't think that's advantageous to the medium. I think radio, as a medium is over sweepstaked—too many promotions.

Look, the medium is not gonna go away and it shouldn't. It's still a very valuable marketing tool. I think it's a great way to connect, whether you're reinforcing your commercial messaging in other media through radio or whether you're using it as a primary medium to really establish the connection. I think it's really a great way to do it. I think what is happening to radio has happened to all of the more traditional media, whether it be magazine (you see that with the fragmentation in terms of number of titles, special interest etc, the clutter). Same thing with television, I mean think about it this way: life used to be pretty simple for the sellers. You had three broadcast networks and you had at that time, I don't know, 150 advertising agencies. Today you have all this consolidation on both sides. The difference being is you have fewer buying the media and in television, you have this almost infinite opportunity because of all the networks that are out there are viable in generating audiences.

What is your favorite broadcast TV show? Favorite cable show? Favorite radio station or personality?

Favorite broadcast network show is The West Wing. Favorite cable show is Sopranos. On radio, favorite personality is Don Imus.

We have invested in a talent pool that used to reside exclusively in creative agencies in the account planning function where people really studied and understood and shaped the relationships between consumers and brands.



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* Source: Arbitron RADAR 80

Karen Soots, Media Manager, Red Lobster Marketing

Karen has been National Media Manager for Red Lobster for over three years, managing all aspects of the media function including planning and buying for the \$98M advertiser. Red Lobster marketing runs a lean media department relying heavily on separate planning (The Richards Group/Dallas) and buying (Zenith Media/New York) agencies. She was instrumental in developing the now three year old program titled "Offshore Adventures" which runs on ESPN2's Outdoor block and is presented by Red Lobster as well as the food vignettes featured on the Food Network, which position the restaurant as a seafood expert.

Prior to Red Lobster, Karen was Media Manager for Hardee's Food Systems, Inc., a division of CKE Restaurants. While there, Karen managed 90 broadcast co-ops owned by 300 franchisees and the company, concentrating the majority of the advertising dollars in spot television and radio.

Karen is the wife of Reverend T. David Soots and the proud mother of two teenagers, Jonathan and Brittany.

Red Lobster is a subsidiary of Darden Restaurants Inc. Darden also O&Os Olive Garden, Bahama Breeze, Smokey Bones Barbeque & Grill Bar and Season 52 restaurants.

What skills or experiences in your career pre-Red Lobster did you bring with you to your position today?

Agency Relationship Management initially comes to mind. I spent 5 years in the Marketing/Media department of a fast-food company that had approximately 300 franchisees and five different media agencies. Managing the agencies relationship with both company personnel and franchisees was a task in itself.

Another skill would have to be media planning and buying. I started in media with a company that did business in over 100 broadcast co-ops. I eventually lead the planning and buying in all of these co-ops and we implemented quarterly, spot plans and buys. I believe we analyzed every medium possible and included most on the plans.

Flexibility is necessary to react to the fast-paced restaurant industry which constantly changes. Passion, drive and energy are also vitally important to keeping up with this competitive industry.

How do you interface with creative, planning and buying?

After determining strategic objectives I recommend which mediums are best to deliver our communication goals. I lead the Red Lobster Media Team of three. Together the three of us handle all of the media functions for Red Lobster. We work with The Richards Group for media planning and Zenith Optimedia for media buying.

What do you like and dislike about radio?

As a listener, I like the many choices available. As a media planner/buyer however, it makes the media challenging to manage. Radio is also challenged to showcase our food without the visual appeal.

Are you considering other types of national radio spots, like :10s or traffic? Why?

We have on occasion utilized "News/Weather/Traffic" :10s. Yes, we would consider using them again under the correct business situation.

What do you like or dislike about TV?

Beyond the appropriate media response that we gain quick mass reach, I especially like how we can capitalize on the appetite appeal created with seeing our delicious food on TV. I dislike the amount of fragmentation that has come with more and more cable networks.

Tell us about Red Lobster's most recent branding mission.

That is hard to answer without getting into details that cannot be shared at this time. I can go as far as to say that we will be focusing on what we have done best for over 35 years and that is to bring great seafood to America at a friendly price.

Where do you see new message channels such as the Internet, PVR/Tivo and product placement playing a role in the future media mix for Red Lobster?

I believe the Internet will continue to grow but certainly not at the pace it did during the dot.com era. I believe product placement will slow down because it has become so mainstream that viewers no longer notice. As for PVR/Tivo, as much as I wish they would go away, they will not. We will probably include testing utilizing PVR advertising within the next year.

What is your favorite radio station/personality?

My favorite local radio station is Z88.3 and my favorite personality is Lisa Williams, the afternoon drive DJ. My favorite network personality is Mike Golic of ESPN Radio.

What is your favorite TV program?

My favorite TV program is "Offshore Adventures presented by Red Lobster" on ESPN2, of course.



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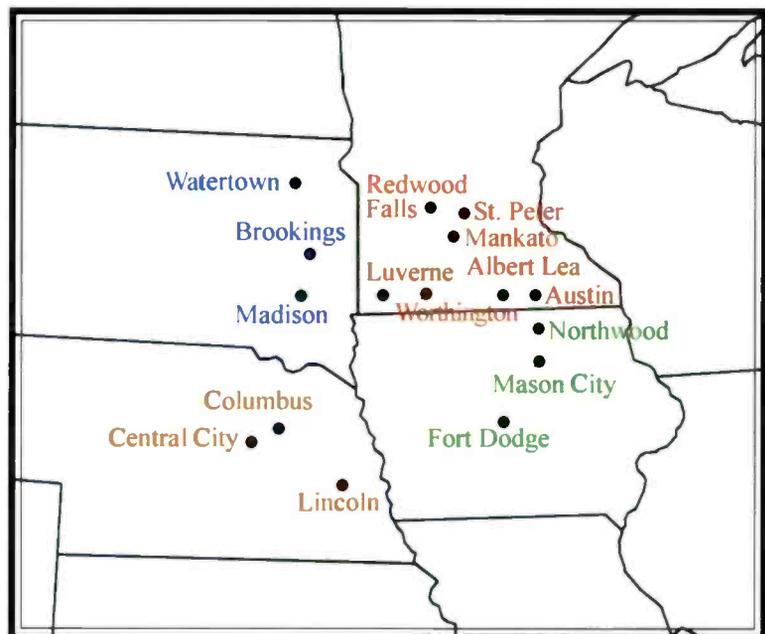
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The Indecency Debate Talker's Thoughts

RBR this month wanted to let freedom ring and Talkers talk. The point of conversation revolves around the indecency debate. At what point are the FCC's fines on indecency crossing the line and infringing on the First Amendment? Is the line drawn where words meet thought or intent? We attempted to get a cross section of today's talkers. We asked three simple questions and then opened the mike for general comment. Below are everyone's unedited comments.

At what point does indecency trample on First Amendment/free speech rights?



I don't think indecency tramples on First Amendment rights; it tramples on people's values and sensibilities and pushes the envelope of what constitutes socially acceptable discourse. The indecency "rules," such as they are, trample on First Amendment rights only to the extent that they interrupt what might be construed as free exchange between consenting adults. The guidelines don't unduly restrict liberty when they prevent broadcasters from 1) inciting violent or lawless behavior or 2) giving active offense to people who might reasonably be expected to be tuned in.

As a general proposition, I prefer to let consumers decide what's obscene and indecent, and to punish offenders the old fashioned way - by flipping channels, pressuring advertisers, or otherwise making their voices known. I'm not crazy about the idea of letting Uncle Sam (through the appointed members of the FCC) set overly precise rules. As the Supreme Court acknowledged long ago, such decisions are judgment calls that necessarily incorporate commonly accepted social standards.

Tony Snow, FOX News Channel and FOX News Radio



I think that would happen if the government tried to circumscribe our discussions about politics, issues of public policy. If the FCC contended that certain types of political speech—i.e., tough criticism of **Hillary Clinton, George Bush, Kofi Annan**—is "indecent," then we'd be in real trouble. Everything that comprises political speech—discussions of public policy, national security, local civic affairs—is what our Framers wanted to protect. This does not mean, of course, that shock jocks could protect themselves merely by tossing in a political reference in a stream of obscenities or graphic sex talk. But the fact is, the Supreme Court has made such a mess of First Amendment case law, there's no telling where the line is now.

Laura Ingraham, Syndicated by Talk Radio Networks

If there were a "bright line" answer to this question you wouldn't have to ask.

Jerry Agar, 3 to 6 PM, WPTF Raleigh, NC



Well, bear in mind; I'm going to be approaching this from a Libertarian viewpoint. First and foremost, I don't believe that the federal government, through the FCC or any other branch, should be controlling broadcasting content. The role of the FCC should be to protect a broadcaster from any encroachment of their frequency and broadcast power. In other words, the broadcast media should have every First Amendment protection afforded the print media. I believe that if broadcasting had been around when our Constitution was written the framers undoubtedly would have expanded the wording of the First Amendment to include all broadcast materials.

The marketplace should be the judge as to which type of programming will flourish, and which will fail, just as the marketplace does with the printed media.

Neal Boortz, Syndicated by Cox



Legally speaking, no one really knows. In 1957, the Supreme Court set forth the Roth Decision which was refined further by two cases in 1966, *Mishkin* and *Ginzburg*. Speech, the court ruled, is obscene and outside First Amendment guarantees when it appeals to the prurient interest of the recipient group, offends contemporary community standards and is wholly lacking in redeeming social value. The definition is intentionally vague, to allow for content to be judged in context—what's titillating in one setting is academic in another.

Equally perplexing for broadcasters, is the FCC's doctrine of no prior restraint. Ever mindful of the First Amendment, the FCC does not censor. It acts in hindsight. So, in effect, radio is ruled by: We'll know it when we hear it and we'll let you know about it after you say it.

Until fairly recently, this wasn't a problem. Virtually no commercial station came even close to anything that could be defined as obscene. But without question today, formats targeting certain demographic groups are attracting them with arguably obscene material. Where the line is drawn is less important than drawing it. Solidifying a definition and instituting a set of rules in advance of broadcast is imperative or broadcasters will be playing license renewal roulette on facilities worth upwards of \$100 million.

Rollye James, Mediatrix

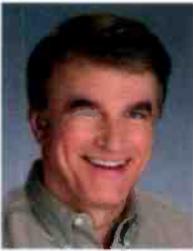
Random Thoughts



Just what is "indecent"? Is it a word? A thought? An idea? And who is it that gets to determine what "indecent" is? Why is it, as **George Carlin** has asked, that only seven of English's hundreds of thousands of words are the ones you can never say on television? When our government announced it wanted to pass laws that would increase fines for objectionable speech, some broadcast entities rushed to announce no-tolerance policies and even to dismiss talent it felt might hurt their relationship with a government they depend upon for licensing purposes. The net affect of that is censorship. What part of the phrase "Congress shall make no law...abridging the freedom of speech..." is difficult to comprehend?

Alan Colmes

FOX News Channel and FOX News Radio



The argument that the government is to care for our ears and support our modesty is so far off the mark, as so much of what sadly today seems to be the routine. It is my feeling people are so full of fear...afraid that life will never be what they remember from the better, earlier years, that there is a grasping at whatever is deemed to be different ...

in an effort to control it, or eliminate it. I don't care that Howard is anything other than a well listened to broadcaster, a provider of content that 14-15 million Americans like ... Are they not citizens? Are they not taxpayers? How dare some try to take away from others what is rightfully theirs? Howard Stern has listeners who are a percentage of the public. If the airwaves belong to the public, these people need to have what they want, pure and simple. It is outrageous that we select what some Americans like and tell the rest of the taxpayers to go jump in the lake. Who are these people, and how dare they tell others what is good or bad for them? Get a life, and get out of my face you hypocritical so and so's.

Doug Stephan

"Doug Stephan's Good Day"

"The Talk Radio Countdown"

The indecency jihad is NOT a First Amendment issue. Talent is STILL free to say whatever outrageous, gross, smarmy schtick they want to...just not on the public airwaves. We don't have a God given inalienable right to a radio signal. The FCC should NOT be fining talent. However, they should fine the snot out of owners. It is the owners who are responsible for the conduct of their talent. If they do not establish and maintain adequate boundaries and are incapable or unwilling to control talent then they deserve to be hammered.

Geoff Metcalf

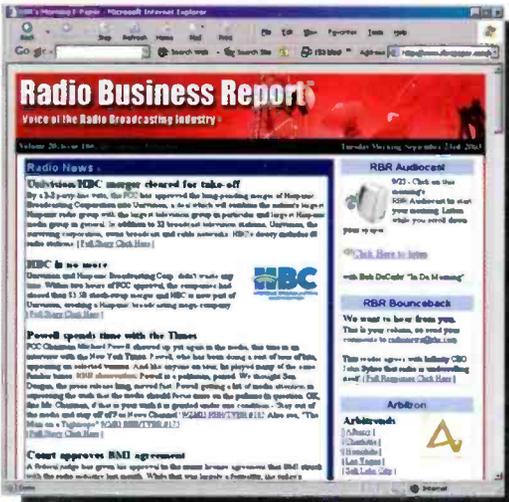
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FEATURE



I'm surprised that many of my colleagues act as if indecency guidelines established by the FCC suddenly appeared after the Super Bowl incident. Surely they realize that restrictions against indecent broadcast material have been in place for years. As a result of high profile cases, the American people are expect-

ing those guidelines to finally be enforced. This isn't a "free speech" issue — none of us own the airwaves or even the radio networks or stations that employ us. Like it or not, radio and TV station licenses are issued by the government and the free and public airwaves are regulated by the government. The only shocking aspect of that fact is that it's taken so long to start enforcing these rules.

Mike Gallagher
Salem Radio Network
New York, New York



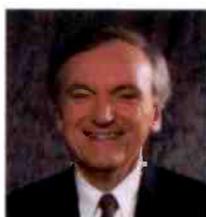
Election-year politics are inspiring this new found FCC crusade. It is an encroachment on the rights of Americans to select their own brand of entertainment. The airwaves belong to the public. So, let the public marketplace determine a radio program's fate by choosing to listen, or to turn it off. It's the American Way!

Steve Shannon
"STEVE & DC MORNING SHOW"
Nationally Syndicated



Ultimately, expect the marketplace to sort this out. Assuming broadcasters like Howard Stern violate "national decency standards"—whatever that means—this hastens the age of unregulated pay-for services like satellite. Similarly, when a certain type of programming—like the Super Bowl half-time show—offends consumers and advertising, the programming changes.

Larry Elder
Syndicated by ABC Radio Network



The First Amendment does not provide on air talent with a license to say whatever they please regardless of how offensive it may be. The laws of common decency must also apply, and on air talent that has no respect for the laws of common decency should find another line of work.

Bob Brinker
Syndicated by ABC Radio Network

If we in radio have to resort to that level of broadcasting then it just illustrates a lack of preparation, insight, and research. Talk radio does not have to end up in the gutter to appeal to the mass listening audience.

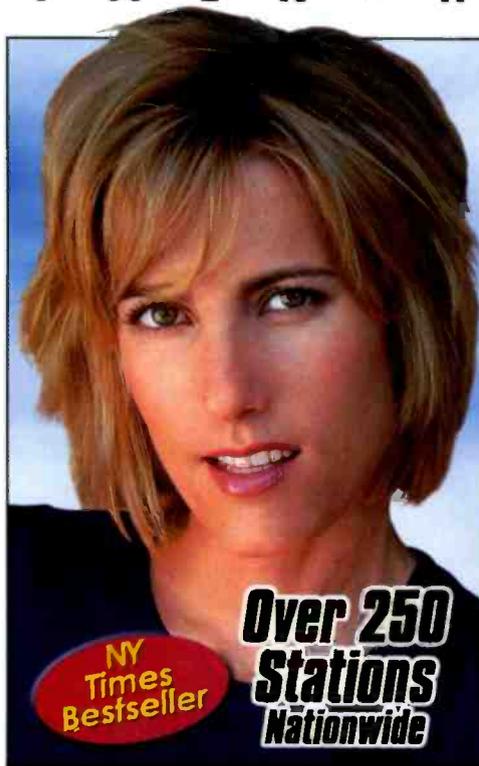
Ed Schultz
Syndicated by Cox

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| Market | Calls | AQH Share | Summer 2003 | Fall 2003 | Change | Market | Calls | AQH Share | Summer 2003 | Fall 2003 | Change |
|---------------|-------|-----------|-------------|-----------|--------|-------------|-------|-----------|-------------|-----------|--------|
| San Francisco | KSFO | P 12+ | 1.8 | 2.1 | +17% | St. Louis | KFTK | P 12+ | 1.3 | 2.6 | +100% |
| | | P 25-54 | 0.9 | 2.4 | +167% | | | P 25-54 | 1.3 | 3.2 | +146% |
| | | P 35-64 | 2.2 | 3.3 | +50% | | | P 35-64 | 2.0 | 3.7 | +85% |
| Seattle | KTTH | P 12+ | 1.7 | 3.2 | +88% | Rochester | WROC | P 12+ | 0.9 | 2.5 | +178% |
| | | P 25-54 | 1.7 | 2.6 | +53% | | | P 25-54 | 0.8 | 2.1 | +163% |
| | | P 35-64 | 1.2 | 2.9 | +142% | | | P 35-64 | 1.3 | 2.9 | +123% |
| Portland | KXL | P 12+ | 2.6 | 4.4 | +69% | Norfolk | WTAR | P 12+ | 1.8 | 2.7 | +50% |
| | | P 25-54 | 1.8 | 2.4 | +33% | | | P 25-54 | 0.4 | 2.8 | +600% |
| | | P 35-64 | 3.4 | 4.3 | +26% | | | P 35-64 | 1.7 | 3.4 | +100% |
| Tulsa | KFAQ | P 12+ | 1.4 | 6.0 | +329% | Houston | KSEV | P 12+ | 1.4 | 2.1 | +50% |
| | | P 25-54 | 1.4 | 8.0 | +471% | | | P 25-54 | 0.6 | 1.6 | +167% |
| | | P 35-64 | 1.9 | 13.3 | +600% | | | P 35-64 | 1.3 | 2.3 | +77% |
| Denver | KNUS | P 12+ | 0.7 | 1.7 | +143% | Los Angeles | KRLA | P 12+ | 0.6 | 1.1 | +83% |
| | | P 25-54 | 0.3 | 1.3 | +333% | | | P 25-54 | 0.4 | 0.7 | +75% |
| | | P 35-64 | 0.7 | 1.5 | +114% | | | P 35-64 | 0.7 | 1.3 | +86% |

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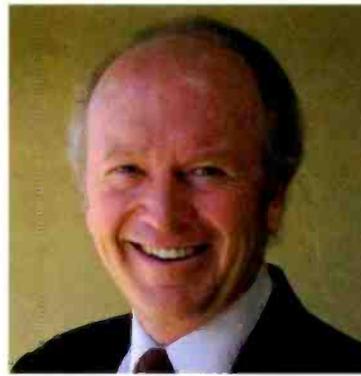
This is ridiculous! I feel like we went back 30 years! Where do we draw the line? Who gets to define indecency? It is such a shame the direction that America is turning in reference to what we can and can't say or do. What has happened to our freedom? How did we allow a small percent of our population to dictate to us what is right, fair or just? I say, enough

is enough. If you do not like what is said or shown use your "off" button.

Dr. Robyn DeVal of
The Dr. Robyn Show

Let's all admit **Janet Jackson** is neither the patron saint of Marconi nor the devil's spawn and this whole indecency thing is a purposeful distraction from death and destruction, unemployment, drug-use, failing schools, that serious minds would be contemplating unless given the great deal more titillating notion of naughty words, nipples or nasty sex. Context is everything: my talking about male genitalia is a whole different ball game than **Bill O'Reilly** doing the same. People listen to **Howard Stern** knowing exactly what to expect and would be disappointed with anything less. This isn't about first amendment rights but capitalism at its most basic; people will vote with their feet (or fingers in this case). The listening public is neither stupid or naive, but are quite willing to be distracted - which Washington counts on, I can't believe that I'm leading the cheers - but you go Howard, go!

Dr. Joy Browne, WOR Radio Network



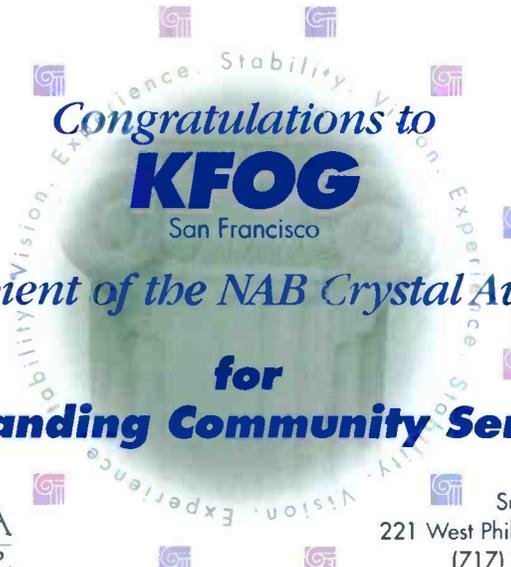
Anybody listen to a CB radio recently? You'll hear the most violent, crass, foul language you can imagine. It's what happens if nobody polices the airwaves.

FCC commissioner Stanley Brown told me years ago that the FCC had a "hands-off policy with CB operators," this even though people were killing each other over CB transmissions!

In thirty years on the air, I believe my First Amendment rights have never been violated, but then I've never been a shock jock. I will admit that the "zero tolerance policies" we're under now are an infringement, common decency is reflected in how we interact in person with each other, face to face, or through the airwaves. You still can't yell "fire" in a crowded theater. Sure, people can switch the station, but many, including children, can't help overhearing.

I know that many stations encourage this outrageous behavior, and then blame the jock when they get caught, but whoever is to blame, ought to pay the price of the fine!

Preston Westmoreland
KTAR Afternoon Host
Phoenix, Arizona



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FEATURE



Judging from the reactions to Janet's breast, one would think that content on our airwaves had actually been respectable prior to the big reveal. Why feign shock and outrage over a single random incident and allow the same old song and lap-dance that's been going on for decades? I'm all for standards that actually get enforced.

Julie Dolan (Satellite Sisters)
 Syndicated by ABC Radio Network



I am pro-breast but anti-boob. There's a difference. The FCC can only police body parts and bad words, a standard that is so low it's meaningless. Fine the talent? I propose a fine for everyone who still thinks that interviews with porno actresses are hilarious. Allowed under the first amendment? Of course. Funny? Original? Entertaining? Not lately.

Liz Dolan (Satellite Sisters)
 Syndicated by ABC Radio Network



My sisters and I agreed that for the first year or two, we'd split any talent fines, but after that, it's every sister for herself. We are the Satellite Sisters, not the Dixie Chicks.

Monica Dolan (Satellite Sisters)
 Syndicated by ABC Radio Network

At Satellite Sisters, we have our parents listening to the show, so that's like our own personal FCC. Our production rule is to keep it clean and tasteful or risk a call from our mother. Mom may not always like our opinions, but she can't take issue with our language.



Lian Dolan (Satellite Sisters)
 Syndicated by ABC Radio Network



I can give you a list of TV - radio shows and video games that were perceived as vulgar that no longer exist. Lack of dollars generated did not support their cause. If you do not like something ignore it. Let Freedom (of Speech) ring. Now, get off my ass and go get the real criminals, Teflon politician\$.

Kenny Sargent
 Syndicated by Wilbur Entertainment

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The Michael

Savage Show

RATINGS PERFORMANCE

| Market | Calls | AQH Share | Summer 2003 | Fall 2003 | Change | Market | Calls | AQH Share | Summer 2003 | Fall 2003 | Change |
|-----------|-------|-----------|-------------|-----------|--------|--------------|-------|-----------|-------------|-----------|--------|
| New York | WOR | P 12+ | 2.0 | 2.6 | +30% | Las Vegas | KDOWN | P 12+ | 2.1 | 2.7 | +29% |
| | | P 25-54 | 1.1 | 1.9 | +73% | | | P 25-54 | 1.6 | 2.9 | +81% |
| | | P 35-64 | 1.8 | 3.4 | +89% | | | P 35-64 | 2.5 | 4.3 | +72% |
| Houston | KPRC | P 12+ | 3.2 | 4.9 | +53% | Jacksonville | WOKV | P 12+ | 4.6 | 4.9 | +7% |
| | | P 25-54 | 1.9 | 5.5 | +189% | | | P 25-54 | 3.3 | 8.2 | +148% |
| | | P 35-64 | 3.4 | 7.0 | +106% | | | P 35-64 | 3.7 | 6.8 | +84% |
| Tampa | WWBA | P 12+ | 1.1 | 1.7 | +55% | Grand Rapids | WOOD | P 12+ | 2.0 | 2.6 | +30% |
| | | P 25-54 | 1.1 | 2.8 | +155% | | | P 25-54 | 0.8 | 1.7 | +113% |
| | | P 35-64 | 1.2 | 3.5 | +192% | | | P 35-64 | 2.3 | 2.3 | +0% |
| Milwaukee | WTMJ | P 12+ | 11.1 | 14.4 | +30% | Syracuse | WSYR | P 12+ | 4.9 | 5.6 | +14% |
| | | P 25-54 | 4.0 | 9.9 | +148% | | | P 25-54 | 3.2 | 6.1 | +91% |
| | | P 35-64 | 4.3 | 17.3 | +302% | | | P 35-64 | 4.3 | 8.3 | +93% |

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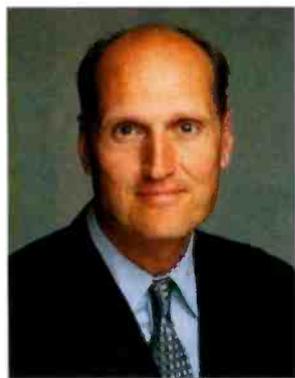
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Sources : *Arbltion Charlotte Metro M-F 6A-10A Average Share Su94-Fa03 **Arbitron Charlotte Metro M-F 3P-7P
+Miller-Kaplan Charlotte report for years 1999-2003, inclusive



Making personality AC work

The personality AC format (female-targeted talk) has been tried in New York City with WNEW-FM ("Blink 102.7"); in St. Louis at KFTK-FM, "Cafe 990" in Dallas and WFMP-FM Minneapolis and either failed or didn't quite live up to expectations. Yet, at WLNK-FM Charlotte, it has succeeded and succeeded big. Why? We asked WLNK GM **Rick Jackson**.



So how have you made the format work so successfully at WLNK?

I think we have succeeded because we already had a powerful, proven, female targeted show in place before we tried to develop the rest of the station. **Bob and Sheri** have been the top ranked morning show for women in Charlotte for most of their 12 years on WLNK. They have a very unique approach to their audience and their authentic style of communication helped us to understand how to build the rest of the station. We searched for per-

sonalities that share the same entertainment and communication values and it clicked. I think it's also been helpful to evolve the station rather than simply plop something on the air. Our first move in the direction of "Personality AC," was to hire a personality-driven afternoon show in 2001 and we found **Matt and Ramona**. We learned a lot from the reaction of the listener to their show that helped us better focus on our next move. We only recently completed our daytime line-up with the addition of the Pam Stone show followed by **Craig Shoemaker** in the midday slot.

Tell us about your ratings success with this new format.

Bob and Sheri (mornings), continue to perform at #1 or #2 with our primary target - Women 25-54. Matt and Ramona (afternoons), have ranked #1 for the past two years in our primary target and they also rank #1 with Adults, 25-54. Their success has been very reassuring. We haven't had **Pam** or **Craig** on the air long enough to get an accurate read on their ratings but it's clear from audience and client response that they will enjoy similar success. We're targeting the spring book as our first good read on our midday numbers.

How do you sell this format? What is the value to advertisers?

There is a substantial emotional "buy-in" of the format from the businesses, buyers and agencies who listen to and enjoy the station and they are genuinely passionate about the unique nature of the station. Advertisers have surprised us with their quick understanding of the value of "Personality AC" as a forefront format that commands the attention of its listeners and gets results. The fun and involved nature of the format creates a rich vein of new opportunities for exclusive clients, events and NTR-based business.

How are revenues doing at the station with the format?

We initiated our evolution to "Personality AC" in March of 2001. In the past four years, WLNK has climbed from #9 in 2000 to #3 in

2003 in the Miller/Kaplan report of station rankings. During the same period, market share has improved from 7.0% to 9.8% and Power Ratio has climbed from 1.03 to 1.45.

Tell us about the format and how it came to fruition.

It's pretty simple. We had a powerful morning show and a typically anemic Hot AC the rest of the day. We wanted the ratings and revenue we had in mornings all day and believed our listeners would support personality programming outside morning drive.

Tell us about the music and talent mix/lineup.

Music is garnish on WLNK. We play two, sometimes three songs an hour and we use it to give the show some dynamic energy and to help bring some attitude. Make no mistake about it, the talent rules with "Personality AC." We play a very short list of the top songs from a typical Hot AC station. I believe we could drop the music and our ratings wouldn't be affected but it seems to bring some chemistry so we'll stick with some tunes for now.

Half of the shows are done from outside the station....How is this done logistically and equipment-wise?

This part is pretty interesting. Pam's show originates from her farm in South Carolina and we built a studio for her in a little "shack" she has beside her home, next to the barn. Your readers will probably remember her from ABC TV's "Coach." Pam was the tall blonde who played the women's athletic director opposite **Craig T. Nelson**. Since then, she has become an accomplished equestrian and she and her husband Paul have created the life they always wanted out in the country. Understanding that Pam wouldn't want to leave that life behind, we decided to originate the show from the farm. We had to drop a new digital phone line to the studio but it sounds great. On the other hand, Craig does his show from Ventura Boulevard in Los Angeles. Craig has been featured in movies, TV and he's one of the funniest comics on the national circuit. He loves LA and he's still real involved in movies, TV and comedy. So we built a studio for him in a place that had previously been a cell phone store in the valley at Sherman Oaks. It's wild and certainly an unorthodox way to operate a radio station in Charlotte, but it's also really fun and the sound is bigger than life!

Is there cost savings by doing it this way?

No, no—it's not about savings. We couldn't find the kind of talent we wanted in Charlotte. Talent for this kind of format has to be exceptional and if we wanted that kind of talent, we soon discovered that in a couple of instances, we would have to go to them.

What are the current plans, if any, to syndicate this format and its personalities other than Bob & Sheri?

We absolutely believe we have discovered a marketable product. All of the talent we feature is capable of competing in any market in America. Bob and Sheri are already in 63 markets and they would be the first to tell you that this line-up is every bit as capable of their accomplishments. Back to your first question, I believe one of the reasons some stations have failed with Female Talk is because there is no available product in syndication. News/Talk talent is absolute poison for a "Personality AC" station. We have solved that. Yes, we will aggressively pursue syndication of our entire line-up.



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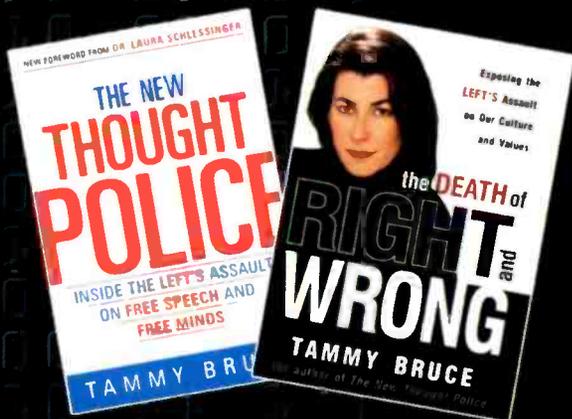
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— Erik Braverman,
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Use Logic to Tell a Better Sales Story

By Paul Weyland

If you tell a joke or a story and you get a lot of laughs or a lot of attention, you'll probably tell that story again. But if you tell a joke and nobody laughs, you might never tell it again. The biggest problem in direct media sales today is that most of our people are still not educated or comfortable enough to relate a cohesive, convincing story to a client.

Logic would indicate that first, in order to get the client's immediate attention, that your opening line should be provocative or intriguing, just like the beginning of a good spot. Whether you're prospecting on the telephone or in person, it is critical to come up with something that will get the client's attention quickly. Think about why newspapers use headlines and then begin your pitch with a headline.

Then, just like a good spot, you need to explain to your client the benefit and result he will probably get from working with you and your station. I'm talking specific, tangible things...not cliché statements like, "we're number one with Men 25-54." It's always helpful to teach a prospective client the psychology of how people use your medium. Admit that most people use the radio for environment and background and are not necessarily paying careful attention to every spot they hear. In fact, most people listening might be dealing with several complicated tasks at one time, like conversing on a cell phone while driving.

The client will be able to relate to this. And then remind the client what happens to most people, even while they're having a conversation with someone else in the car, when their favorite song is played. That's right...most people turn it up. And the same thing happens when you narrowcast a spot to a person who will buy "X" product or service from somebody this week.

Next, again just like a good spot, you should present a complete scenario of precisely how the client wins by working with your idea. Use logical, non-cliché reasons



to explain precisely why you've written the spot the way you have, why you are proposing the schedule you are proposing and how this will increase the client's chances of reaching people who listen to your station who will buy what your client is selling from somebody this week.

Remember that many times, we neglect to listen and look for obvious marketing problems the client might have. And if the client's

product or service is poorly conceived or packaged, or overpriced or if the location is bad, then even the best advertising campaign won't work in the long run.

Nor do many pitches include anything about the logic of advertising. It's amazing how many clients there are out there who just aren't aware about how much more business they could generate if they just told people who they are, what they do and how to get in touch with them.

Be sure to erase any preconceived notions the client might have about results. If you know what the client's average sale is, it's easier to teach him how to calculate return on investment and manage his expectations.

If our salespeople understood that people have a hard time buying something they don't understand they would be much closer to closing, or at least getting a second appointment. And our clients will perceive us as educational resources rather than pests just eager to make a quick sale.

Paul Weyland, President, Paul Weyland Training Seminars

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The mission to bring text messaging to radio

The mobile phone, because it usually follows its owner everywhere and is almost always on, opens up many new opportunities for marketers. Mobile marketing can drive a high level of response and consumer action while building brand recognition, loyalty and sales. The cost-per-contact in mobile marketing is a fraction of comparable costs in more traditional marketing channels, such as direct mail and call centers. For example, the cost per contact for direct mail begins at \$1.00, while SMS (Short Message Service) carries a cost-per-contact starting at \$.15.

Mobile messaging as a marketing tool is well-developed in Europe and Asia, but is still only emerging in the US. In fact, in many other countries, consumers send and receive far more text and visual messages—including video with sound—over their mobile phones than they do voice messages. Some of the SMS text services for radio decided the time was right to enter the US market on the heels of Fox's "American Idol." It made the market aware of its existence. Across the country in the first eight weeks of the show, viewers were asked to vote using this technology that they hadn't used much before. Some of the results were significant. It was only available through AT&T, to its 20M subscribers. Over the course of that first eight week program, they received 21M SMS votes.

In October last year, the CTIA (Cellular Telecommunications and Internet Association) formed the CSCA (Common Short Code Association). It's a collective effort by the various cellular carriers involved in this to offer the same five digit numbers to all third parties that want to run text messaging applications (instead of dialing the whole phone number). This is a huge step and it was a very big benefit for the US. These new revenue model providers have already, or are in the process of, setting up their systems with all mobile providers to get the service in place for all listeners to use.

Most SMS models start with a database built around the listener's/viewer's cell phone number and the opt-in data provided. Targeted messaging, promotions and marketing campaigns all revolve around that permission-based criteria. The manifestations take the shape of everything from alerts, polls and sweepstakes to messaging coupons, contests, song requests and ticket giveaways. DJs monitor in real-time all of the messages being received and reply to individuals' phones through an online interface. When a listener initiates a text message to the station to retrieve information, they pay a small premium, charged to their mobile phone bill. The carriers, stations and SMS providers split these revenues on varying bases.

Here, we ask a few players in the forefront for US radio about their services and the NTR they can bring to the table. Others in the US mix today are Mobileway and EU-based Telenor Mobile. Telenor struck a short-term, temporary deal with ABC Radio's WDRQ-FM Detroit. However, the station is now moving over to Mobilopia with other ABC Radio stations.

The participants:

Nick Iatropoulos, Director/RCS Mobile
Graham Knowles, Managing Director, Mobilopia
Jack Philbin, Vibes Media co-founder and President
Randi Markowitz, GM/StarCall

Who is involved in your venture and tell us a bit about it.



Nick Iatropoulos

Iatropoulos: We have a web product called "Radio Show" that essentially provides information to radio station listeners about what's playing on the air. The first steps RCS made into SMS was basically enabling Radio Show and the result was what we call "What's On." What's On is nothing more than a more interactive way employing Radio Show. So Radio Show collects the information of what's playing on a station and the individual listener will query that information with an SMS. What

we found was the business model for What's On was actually miles ahead of what we could ever expect to make from Radio Show. Plus, instead of charging the radio stations for Radio Show we could now say they could make money off of What's On. The result was a lot of stations stopped using or promoting Radio Show on the website. Some in Europe that were sending this information over RDS stopped doing that as well because they saw they could make more money by promoting What's On and keeping that as a source of information for what's playing for the listeners.

Knowles: The company was created by combining the resources of five entities. Three of these—Mynamics, TxtTalk and Knowledge Point Solutions—were previously separate e-Fund companies. We recently acquired the assets of The Pulse Group of Australia and its subsidiary, BoomerangBack LLC and Bray Hood and Associates, and combined all these capabilities to form Mobilopia. We have been in the US now for 11 months building relationships and securing connectivity to the carriers. On 4/19, E-Fund LLC, part of Seattle-based Kirlin Partners venture capital, announced the formation of Mobilopia.

I was COO of BoomerangBack, with over 20 years' experience in broadcasting. I've assisted over 1,000 companies develop and implement new advertising and marketing strategies. **Dan Kranzler**—before forming Kirlin Partners, he was a senior exec with McCaw Cellular, which is now AT&T Wireless. **Dave Arnold** has been in leadership and investment roles building shareholder value for technology businesses over the past 25 years. **Jim Hood** was COO/Chief Strategist of Mynamics and CEO of Greenfield Consulting. Prior to that, he was CEO of the Lord Group, CMO of First Boston and Lehman Brothers and VP of Young and Rubicam NY. **Ivan Braiker** offers over 25 years of experience in broadcasting and media management, most recently as President of New Northwest Broadcasters. **Wes Bray** was the former CEO of Mynamics USA.

Philbin: Vibes was founded in 1998 by **Alex Campbell** and I. We've been profitable for two years and although have not met with the publicity of an "American Idol," we have run more interactive messaging promotions than any other company. Our iRadio platform was launched and tested with KTTB-FM Minneapolis, "B96" in the summer of 2003. We have just hired **Bruce Delahorne** as our Director of iRadio. Bruce spent seven years as Executive



Randi Markowitz

Director and then President of Spark Network Services. Prior to Spark, Bruce was a Senior Consultant at OmniTech Consulting Group and SVP/Group Account Director at DDB Worldwide Chicago.

Markowitz: It's a new service that StarCall is offering. The product is called Text in Time, and offers a fantastic array of two-way instant communication tools, both regular SMS delivery and premium SMS. Radio stations can communicate directly with listeners right into the palm of their hands, and listeners can communicate right back.

How can a station implement your text messaging service?

Iatropoulos: Unlike RCS's Selector, RCS Mobile is a suite of hosted applications. So whereas with Selector Link or Master Control, etc., you'll get a CD with a new version. With RCS Mobile, everything is posted on the website, so the way they access the software is through a web browser. Once we discuss with the station and figure out which one of the service modules they're interested in, they sign up for it and we do the contractual agreement. After that, it's in a matter of minutes, hours or at most, we set them up with a login and a password and they go to the website and sign up.

Knowles: As the system is all web-based, configuring a new client takes less than 24

hours. It will take however, six weeks minimum to provision the necessary short codes with all the carriers. We do the concepts, the creativity and the assistance. Knowledge Point Solutions gives assistance. All stations do is click on the help button that you can see at the top left hand corner. That will initiate a Yahoo-type message window with someone that can offer the user assistance straightaway.

Philbin: With our iRadio service, every message gets an automatic and relevant reply. If you text in a vote for a song, your vote message gets a response thanking you for your vote. If you text in to enter a contest where the prize will be given to the 100th message, the reply thanks you for entering and tells you what number your entry was. If you text a message to the DJ, the reply will thank you for listening to that DJ.

The communication can be increased by offering the person sending the text message the opportunity for further interaction via text message in return for the chance to win a prize. This enhanced interaction can continue for days after the initial text message was sent, so that long after the listener turned off the radio they're still connected to the station.

Markowitz: To implement the outbound text messaging (from station to listener), we need about a 48-hour turnaround time to set up the database management web page, and the message input page. All we really need is a station logo to customize it.

What is the cost to stations?

What's the revenue model(s)?

Iatropoulos: The European revenue model has recently been brought to the US and the premise behind it is that every message that a listener sends is charged at a premium and they end up paying their carriers, let's say \$.30 for every message they send to a station. The carriers are recognizing that additional revenue is created by the combination of us providing the software and the radio station using it. And because of that, they're willing to share that revenue. Typically a carrier will give back up to 50% of the message cost back to all relative parties. So if you're talking about the \$.30 message, then you're looking at getting \$.15 back for RCS Mobile to split with their station. So the station actually makes money for every message they receive.

The split with RCS and the carriers is...we've seen some large discrepancies in the US and I don't want to mention who are the "bad carriers" but some give back a lot more than others. And so one parameter is which carrier you're talking about and the other one is what the message cost will be. And as you increase the price of the message, the carriers are willing to give back a bigger percentage so although they may only give back 30% on something that cost \$.30, when you move



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to a cost of \$1.00 that may rise to 50%.

Knowles: There are three avenues to generate revenue:

1. PSMS (Premium billing). When a listener initiates a text message to the station to retrieve information, they pay a small premium. As of 2/04, the major carriers in the US are allowing business to use this premium SMS service. Premium billing is when the subscriber (the listener) will be charged the cost of the text message by the carrier on their individual mobile phone bill. There are four allowable premiums that can be charged: \$0.30, \$0.50, \$0.99 and \$1.99. Using a \$.30 premium as the example, after costs, the rebate paid to us is around \$.10. We split this \$.10 rebate with the station. If it were a \$1.99 premium, the rebate might be as much as 70%. Examples of listener-initiated text message can be competition or sweepstake entry, participating in a poll, making a song request, or seeking information on a range of services provided by the station such as, surf or snow conditions, stock market reports etc. And as quick as the listener sends that message, they get a response back from the station saying "Thanks" and perhaps "Here's a coupon."

2. The coupon. In addition to the rebate, the message returned to the listener can and should have a sponsor's tag or mobile coupon attached. The fee charged to the sponsor may vary, let's say a \$0.20 minimum fee applies. We split that fee with the station as well. So for each message sent from the system following a request by a listener, a further \$.20 is generated in revenue. And while the listener paid \$.30 to retrieve the information or enter, they will receive back more value in the mobile coupon. Each return message is highly targeted to the listener's profile.

3. We use the database to "push" marketing offers from sponsors to the listener. The station builds a database of listeners who have opted-in to receive permission-based marketing and special offers. That message might cost around \$.12 for the station to deliver, but they might charge \$.20, they might charge \$1.00. We have calculators that are built into the system that make it very easy to create a campaign and go in and look at all the different scenarios of how much money they can make from an individual blast.

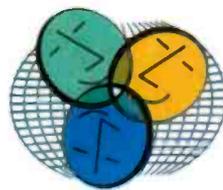
Philbin: The station pays for four key elements of the service: The monthly rental of the five-digit short code; unlimited text messaging; the license of the iRadio software; and the experience and expertise of Vibes Media in increasing the interaction with your audience. The pricing for stations depends on whether they choose a specific "vanity" short code or accept an assigned one, as well as other negotiated factors.

There are two revenue models for the station. The first is to sell a sponsorship of the service that would include on-air sponsorship mentions linked to the station's use of text messaging, as well as a sponsor message in the automatic replies sent by the iRadio platform. The second revenue model involves premium messaging, in which the sender pays a premium (set by the

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station) above the regular cost of sending the message. It is now possible to conduct premium text message programs that work across carriers, which greatly increases the revenue opportunity.

Markowitz: The cost for the outbound messaging is as follows: A one-time set up charge of \$280 plus a monthly access charge of \$190 (12-month agreement) plus four cents per message sent. So, if a station sends 10,000 messages per month to their listeners, their bill for that month will be \$590. Add an advertiser tag to the message, and the cost should easily be covered.

What carriers are you working with for delivery?

Iatropoulos: The ones that are the most aggressive and have stepped forward are Verizon, Cingular and AT&T. Nextel, Sprint and T-Mobile are just a couple of months behind, and then you have a number of smaller local carriers beginning to show interest. At NAB2004, RCS Mobile announced the exclusive availability of the SMS short code 22022 and other memorable short codes to radio station programmers in the US. Now what this means is that a station can run a promotion and promote one five digit number and that number will eventually be active on all US carriers. That five digit number can carry the same premium cost on all US carriers. This is common practice in Europe and most of Asia Pacific, but it was something that was missing until recently in the US.

Knowles: We currently have interoperability agreements in place allowing us connection to all carriers in North America.



Jack Philbin

Philbin: All major US wireless carriers. We are currently running cross carrier programs with Anheuser-Busch, McDonald's, ESPN, Hershey's, & Dean Foods. Our relationship with the carriers precedes the onset of radio, TV, or consumer brands leveraging the medium. We have been helping carriers teach text messaging to their mobile users with programs that drive adoption and awareness of text messaging capabilities.

Markowitz: We've got a network of over 75 wireless carriers that we have agreements with.

What stations are on board in the US so far?

Iatropoulos: The US we have not yet launched. We have spoken to a number of New York-based radio stations and we're hoping to make an official announcement of our first client fairly quickly. We're still waiting for approval from the carriers because, although they decided on this framework in October, they're not the fastest moving organizations as you can imagine, particularly with all the recent M&A activity going on.

Knowles: NBC and "Access Hollywood" use our platform and became our first US client in December. We have deliberately kept a low profile, which has worked to our advantage. Those competitors that can compete are well aware of our existence. The company is already negotiating with a broad range of clients, including NBC, ABC, Clear Channel, Susquehanna and Infinity.

Philbin: KTTB-FM in Minneapolis used it for contests and to increase audience interaction—to increase TSI or Time Spent Interacting. They've been very successful at both.

Markowitz: I'd rather not divulge the stations we've signed up.

Tell us what revenue-producing/NTR promotions models you're offering to stations.

Iatropoulos: "What's On" is a service module that allows stations to give their listeners information about the music that's playing that moment. The listener will hear a song on the radio that they like, they send in a message to the station and they get back a reply with the title and artist of that song. "Comment Line" is an open comment line for listeners to respond to a particular question. So a DJ may go and say, "What do you think about this accident that happened here?" or "Send us your own traffic report." This is something that is very relevant to News stations. Or if it's a CHR station they can talk about a particular event or gossip about Britney or whatever it is. It can be the joke of the day; it can be really anything you want. "Producer" allows for radio stations to create on-the-fly polls and contests. So it can either be an opinion poll where they set up a multiple choice question and listeners send in their replies. The station can see their replies come in in real time and tabulate the percentages. Or it can be a contest that has a correct answer—the question of the day or something like that.

Service modules also include information services. If you're talking about a news station it could be traffic. If you're talking about a sports station it could be sports scores. The listener will sign up for receiving messages from the station and they'll either get these at regular intervals like I want to get my traffic alert every morning at 7:00 or they'll get it based on particular events. There are more service modules I'm not mentioning. Advertisers are a big component of this. If you take "What's On," for example, when the listener receives the message, we have some very good target information—we know that they like the song that they queried and we also know that they don't have it because if they had it they would probably know what the name is. So that's a good target for someone like Virgin Mega Stores to send back a message along with the song saying, "you're listening to this song and by the way come with the message to Virgin Mega Stores and get a 10% discount off the CD."

Knowles: Request - manage feedback from the audience; competitions, contests, sweepstakes; Boomerang- provide information on demand based on key word entry; Blast- a message to 1 or 1,000,000 listeners in a single action; PulsePoll- (Surveys and feedback loops); Trachac- automated details of last three tracks played and the artists; Station advertisers- run campaigns involving text messaging coupons and competitions; Contests- run regularly in a program to build the database for random drawings; Market research- carry out audience research to gauge interest in content, particular topics and programs; Public Service programs- receive comments on topical issues and conduct surveys; Incentives- annual contracts with key customers, station web site with special offers list; Sports votes- allow the audience to choose the best player following a game; and Musical requests- Listeners suggest their favorite artist or song.

Philbin: Premium messaging is the most promising NTR opportunity available to stations using text messaging. The ease of using your cell phone to pay for a vote, a dedication, a song request, etc, will make this a very accessible and popular way to generate NTR from the station audience.

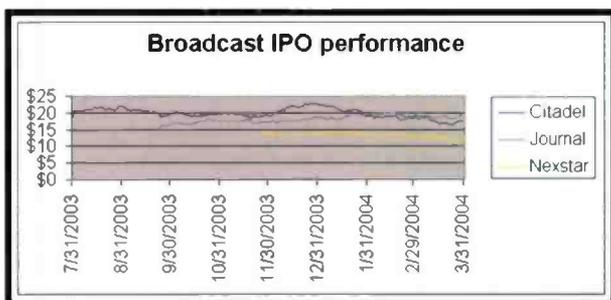
Markowitz: The revenue maker will be mobile-originated programs. We will provide the station with a special, exclusive five-digit short code. They invite listeners to text in to the short code and vote and/or participate in contesting, etc. The listener is charged by the cellular carrier (typically \$.10, but this can be pre-set for each short code), and the station shares in that revenue.

By Jack Messmer
jmessmer@rbr.com

Broadcasting's 2003 IPOs yield mixed results

If you bought the three broadcasting IPOs that hit Wall Street last year, the results so far have been a mixed bag. As of the end of Q1, you would have made money on Journal Communications, but lost on Citadel Broadcasting and Nextstar Broadcasting.

Things looked rosy when the IPO market improved last year. Citadel was the first broadcaster to go to market on the last day of July and priced at the top of its expected range—\$19. At the time, we commented that CEO **Farid Suleman** should get a round of applause for the excellent execution by his radio company, which opened the IPO window for other broadcasters (8/1/03 RBR Daily Epaper #150). But the euphoria didn't last. As of the end of Q1 2004, those \$19 shares were selling for \$17.45, a drop of 8.2% following months of delay in an expected radio revenue rebound (which may finally have taken hold in March).



The star performer of last year's IPO trio was Journal Communications—an old line company mixing radio, TV and newspapers, which took on public shareholders to recapitalize after many decades of employee ownership (and employees still own the lion's share of the company). Journal priced September

23 at \$15—also the high end of its expected range (9/24/04 RBR Daily Epaper #187) and kept moving up from there. At the end of Q1, those shares were worth exactly one third more—\$20.

But it was a disappointing debut for **Perry Sook's** Nexstar Broadcasting. With a deal pending to greatly increase the size of the company by swallowing up Quorum, Nexstar nevertheless priced at the low end of its expected range, \$14, on November 24th (11/25/04 TVBR Daily Epaper #231). But the news got worse from there. The stock opened trading below the IPO price and, except for a few days in January, has stayed there ever since. At the end of Q1, people who bought the Nexstar IPO were down 16.5% at \$11.69.

RBR observation: What's next? There's only one broadcasting IPO pending today. That's a proposed \$184 million stock offering by Liberman Broadcasting (2/17/04 RBR Daily Epaper #32), which hasn't yet been put on the offering calendar. Liberman has one thing going for it that none of last year's IPO companies did—it's in the hot Hispanic media sector—both radio and TV.

Radio cool as TV deal market heats up

Radio may be tough for venture capital firms to enter with new broadcasting companies, but there are still plenty of deals to be done in television, panelists said at NAB2004 in Las Vegas. The problem, though, is the spread between what buyers want to pay and the multiples that sellers are still seeking.

"We are seeing a flow of capital from the big equity funds into TV—and in a big way," said investment banker **Bruce Levy** of Wachovia Capital. "Radio was the big focal point after 1996," he said. But most radio companies have now de-levered and with their better balance sheets are able to pay more than new entrants for desirable radio properties, he noted.

"It's a great time for finding capital. It's not such a great time for finding inventory," said broker **Elliot Evers** of Media Venture Partners said of the TV marketplace. And when stations are offered for sale, he said there is often a spread between the bid and ask.

As to why there's so little inventory, investment banker **John Chachas** of Lazard Freres noted that broadcast companies in business today have cleaned up their balance sheets and there are no troubled com-

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panies left who are forced to sell. Thus, there is not enough inventory on the market for newcomers to establish their businesses.

Lane McDonald of Alta Communications, a venture capital company long active in broadcasting, said sellers are still looking back to the valuations of 1999 and 2000 and are unwilling to accept the lower multiples that would-be buyers are offering. But with interest rates still low, McDonald said some buyers can justify paying higher multiples, particularly for in-market and adjacent market properties.

But a place where no such premium is being paid is Wall Street. As CEO of a publicly traded TV group that's outperformed radio three out of the past four years, moderator **Gary Chapman** of LIN Television wanted to know why his company's stock still trades at a discount to his radio peers.

"On the bottom line, Wall Street pays for growth," said analyst **Drew Marcus** of Deutsche Banc Securities. He said investors pay a premium for radio because of higher cash flow growth. Marcus said TV stocks could begin to enjoy that same premium if they demonstrate higher cash flow growth.

Duopoly talk still hot

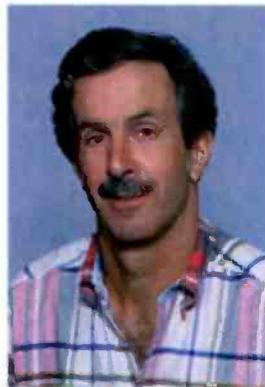
Duopoly is set to be a big deal driver for television, although everyone is still waiting for the federal courts, FCC and Congress to deliver the final word on what will be allowed and in which markets. Of course, many TV groups have already created virtual duopolies via LMAs and joint services agreements with in-market stations owned by allied companies.

"We need unfettered duopoly in the smallest markets for the survival of local television," declared Evers. But he also noted, "No matter what the regulators do, broadcasters will figure out a way to get around it."

What is the value of TV duopolies? "The public market does not pay a premium for duopoly," said Marcus.

Even so, said McDonald, there is significant cash flow to be gained by combining two stations in a market, reducing overhead and improving sales efforts. Thus, while multiples may not be any higher on Wall Street, those multiples are applied to higher cash flow as a result of duopolies.

There was also talk about the DAS (digital antenna system) initiative proposed by Emmis Communications CEO **Jeff Smulyan** and the similar venture already launched by USDTV to create DTV set-top box challengers to cable



Elliot Evers

and satellite. "Obviously, it would be good for television stations," Marcus said, if such ventures are able to create a new revenue stream for broadcasters. But he also noted that there is skepticism, since Wall Street remembers the failure of MMDS to deliver as a multi-channel competitor.

Outlook bright for radio and TV

There was unanimity on the panel that this is going to be a good year for both radio and TV in both ad sales and station values.

Across all markets, Evers said the average sale multiple in radio is 15 times cash flow—"Which is a big, big number historically," he noted. And those multiples are well over 20 times in the few deals that come along in large markets. Demand, he said, is very strong. "Anything that comes up that is decent and has cash flow is gone," Evers said.

Panelists agreed that TV multiples are also comfortably in double digits, with inventory scarce and the sky the limit in big markets.

More and more venture capital money is chasing broadcasting deals, especially TV, because there are fewer opportunities in other areas. McDonald, whose firm has been in broadcasting for decades, faces new competition from VC firms that had previously specialized in telecommunications, a sector hard hit by losses in recent years. "Right now, radio, TV and media generally are seen as lower risk," he said.

With interest rates so low, on a historical basis, Evers said VC firms have lowered their ROI targets. While for years they were seeking annual returns of 30% or more, much lower returns now still beat other investment options. "15-18% looks pretty good right now," Evers said.

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Cherry Creek floods its banks once again

The existing portfolio of new radio group Cherry Creek Radio is in need of expansion to make room for the influx of three more stations, according to broker **Bill Whitley** of Media Services Group. The trio, an AM and two FMs, is in Stephenville and Comanche TX, an unrated portion of the state southwest of Dallas and northwest of Waco.

The seller is 377 Broadcasting, headed by **Boots Elliott** and **Bob Haschke**. They'll enjoy a \$3.8M payday when the deal goes to closing.

Cherry Creek broke into radio last fall with the acquisition of the Commonwealth Communications group (☑ 10/16/03 RBR Daily Epaper #203). In April, it announced an expansion in one of the Commonwealth markets, Helena MT (☑ 4/13/04 RBR Daily Epaper #72). This deal opens new territory for the group.

Arlington Capital still in the hunt for stations

New Vision Group's position in the three-company deal involving stations in Fort Wayne IN and Duluth MN is seller (☑ 4/26/04 RBR Daily Epaper #81). Its backer, Arlington Capital Partners, wants everyone to know, however, that it is still in the market as a buyer in both the television and radio arenas.

In addition to television group New Vision, Arlington is behind radio group Cherry Creek Radio, which has just cut deals in Montana and Texas as a buyer.

"We remain committed to building a middle market television station group with New Vision," said ACP's **Perry Steiner**. "We have identified a number of media and other advertising based businesses as attractive areas for private equity investment and consolidation strategies."

Whatever the strategy of ACP for the future, we'd have to say that the motivation behind the sale of its television properties, one of which is going to Granite Broadcasting and the other to Malara Broadcasting, is pure profit.

In Fort Wayne, Granite is getting WISE-TV for \$44.2M. ACP's New Vision bought it (as WKJG-TV) for less than half that—\$20M—not all that long ago.

(☑ 11/14/02 RBR Daily Epaper #93)

In Duluth, Malara Broadcasting is the buyer, getting KDLH-TV for \$10.8M. New Vision paid only \$7.5M to buy it.

(☑ 12/19/03 RBR Daily Epaper #247)

Here's the math: New Vision outlay = \$27.5M. New Vision return is \$55M, a 100% gain, a doubling of its initial investment.

Eppersons move into Charlotte

Stuart and **Nancy Epperson** have a deal for an AM station which will take them into the Charlotte market, but are leaving their day job behind—in the sense that Stuart's Salem Communications is not listed as the buyer. Instead, it'll be Truth Broadcasting Corporation, an Epperson-only concern.

The station is WZRH-AM, which gets into Charlotte from the somewhat distant perch of Dallas NC. However, if there is a bit of space between Dallas and Charlotte, there is almost no space between Dallas and one of the market's secondary municipalities, Gastonia, a population center just to south of Dallas.

Seller Zybek Media Group, managed by **Beth Howerton**, will rake in \$775K cash in a deal which was adjusted right at the wire. It was actually typed up as a \$750K deal—the new price and a revised escrow arrangement were scrawled in by hand on the contract submitted to the FCC.

Truth Broadcasting, which lists Stuart as principal, owns a slew of AMs in the Greensboro-Winston Salem market, including WTOB, WCOG, WWBG, WTRU, WKEW and WPOL.

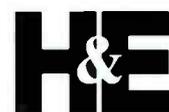
Nancy is listed as principal of Chesapeake-Portsmouth Broadcasting, with three AMs (and an LMA for a fourth) in the Norfolk area, plus half interest in a Florida CP.

Zinio bonus content available. Just look for the ☑ throughout the issue to find in-depth content.

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