

**RBR
TVBR**

Radio & Television Business Report

June 2006

Voice of the Broadcasting Industry

Volume 23, Issue 6



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RBR observation: The digital train has left the station

If you think HD Radio is going to impress consumers because it is “digital,” you are living in the past and obviously didn’t attend NAB2006 in Las Vegas. Digital was everywhere. Digital television, digital video, digital audio, digital editing, digital tools to deliver text and photos to cell, digital tools to deliver audio and video on the Internet, backroom software to deal with TV’s move to multiple DTV channels, HD, Ultra HD...digital everything. Somewhere in the midst of all of that was HD Radio, which is finally a reality—deployed on hundreds of stations nationwide for a tiny number of listeners who actually have receivers.

Even the name “HD Radio” may prove to be a handicap. To most people, HD means High-Definition TV. And “digital radio” means XM or Sirius.

Yes, digital is radio’s future—it has to be. But execution is the key, since lots of newcomers are vying for a piece of radio’s audience—and we’re not just talking about the satellite radio guys. In fact, we think they’re more threatened by the broadband-based newbies than is terrestrial radio. After all, the terrestrial guys don’t have to replace their towers every 15 years for hundreds of millions of bucks.

Efforts have just begun to promote HD Radio. In some cases, that means a CHR analog/HD1 station is trying (just how, we can’t imagine) to get listeners to check out its Country HD2 channel. Does that make any sense at all? It seems like **Bob Neil, Russ Oasis** and RBR are the only ones who think that is incredibly stupid and radio needs to come up with a new channel numbering scheme before the worst possible scheme—HD1 through HD8—is adopted by default. There’s still time to do this right, but terrestrial radio’s transition to digital is underway. Radio stations have to deal with introducing and promoting new HD Radio channels, branding them properly, introducing consumers to digital receivers, and, as an industry, persuade automakers to make them widely available. There is no room for error, and it appears the powers that be have already decided to make one huge error in the channel numbering scheme.

Third record label settles with Spitzer

As New York Attorney General **Eliot Spitzer** continues his crusade against what he claims is “corporate payola” by radio groups, Universal Music Group (UMG), the largest record label of all, has agreed to end virtually all of its promotional support to radio stations nationwide and pay \$12 million, which will be distributed to music charities in New York State designated by Spitzer.

“Consumers have a right not to be misled about the way in which the music they hear on the radio is selected. Pay-for-play makes a mockery of claims that only the ‘best’ or ‘most popular’ music is broadcast,” said Spitzer in announcing the latest settlement.

So far, no radio company has agreed to a settlement with the New York AG and he has sued Entercom in state court. Entercom responded by asking the judge to throw the case out, saying that Spitzer had failed to cite a single instance of any violation of law and that the New York AG was precluded from bringing the action under a general state business law because the radio company had complied with all federal laws and regulations regarding payola and sponsorship identification.

RBR observation: \$12 million may be chump change for UMG to pay Spitzer to go away, but the radio companies have a lot more on the line—they could face license challenges if they admit to any violation. We’ve read all of the settlements and Spitzer is just plain wrong in his bizarre interpretation of the federal payola law and the FCC’s sponsorship identification rules. So, why is he on this crusade? Because he is running for Governor of New York and his claims of “corporate payola” get him lots of press coverage. Not to mention that he gets to pass out lots of goodies, \$27 million, so far to charities—and none of its counts as a campaign contribution. What a shakedown artist!

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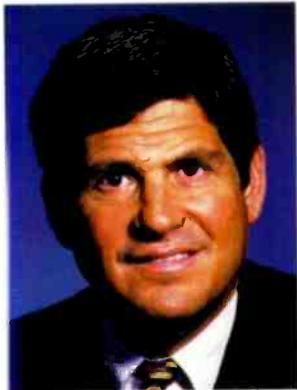
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Smulyan wants his privacy

As this issue went to press, **Jeff Smulyan** was offering all of the other shareholders of Emmis Communications \$15.25 per share to let him take the company private. That, however, was not sitting so well with some shareholders. After all, just last year Emmis bought back nearly a third of its stock at \$19.50 per share. Radio stocks haven't fared well on Wall Street since then, but Emmis' stock was trading above Smulyan's offer just weeks earlier. Since he announced the buyout bid, the stock price went above \$16.00 as speculators gambled that Smulyan would be forced to raise his bid to get the job done.



A special committee of Emmis' independent directors will evaluate the buyout offer, which values the entire company, debt and equity, at around \$1.4 billion. Those independent directors can expect to hear from Noonday Asset Management, which has been actively buying Emmis' stock and now owns 9.9%, according to an SEC filing. Noonday, which is advised on its broad-

cast investments by Connoisseur Media CEO **Jeff Warshaw**, has stated that it believes the offer is inadequate and it will urge the directors "not to accept this offer at this price and to consider all appropriate courses of action to maximize shareholder value."

TVBR observation: Is Emmis "in play," as one Wall Street analyst has theorized? Not really. Smulyan has super-voting stock which could block anyone else from making a play for Emmis—and we see no indication that Smulyan has any interest in taking his cash off the table and retiring. After all, the bid to buy out the public shareholders and take Emmis private came just days after Smulyan's investor group, which included both Emmis and Radio One, failed in a bid to buy the Washington Nationals and return to Major League Baseball ownership. He would be really bored if he lost his radio group as well.

TVBR observation: More digital, bigger digital, better digital

Digital everything dominated NAB2006 in Las Vegas—and we're not just talking about the DTV conversion for terrestrial television stations. That's a given and everyone is now working to be ready for the hard date analog cut-off in 2009. Broadcasters now believe that's really going to happen, even if there's an outcry from consumers who find that their analog TV sets are no longer able to work without a converter box or cable hookup. Broadcasters will do their part and hope that most of the blame will be aimed at Washington if Congress doesn't follow through on its obligation to help folks buy converter boxes.

Broadcasters have moved on and are buying equipment to start delivering local news in HD and add multicast channels to the main channel virtually all are already delivering via DTV. A couple of critical issues remain, so it was heartening to hear FCC Chairman **Kevin Martin** vow to clarify that cable systems have to carry broadcast DTV main channels on their basic tier and deal with the issue of whether cable systems can degrade HD broadcasts to something of lesser quality, even if he wasn't able to win the day on multicast must-carry. We now wait to see if he can prevail on the remaining issues—and it would help if the Senate would finally confirm the fifth commissioner to get the FCC back to full strength.

New digital equipment for every phase of broadcasting (and broadcasting's new media competitors/partners as well) were everywhere in Las Vegas. The array of options was just astounding. The tools are available now for your local station to begin distributing video to cell phones, deliver text alerts to all sorts of devices and reposition your content for any platform you might choose. If all you're doing today is broadcasting a local newscast on TV and displaying some headlines with photos of your anchors on a website you're already way behind the times.

The technology at NAB2006 just reinforced what was said the previous week at the TVB conference in New York—multiplatforming is here, now, and every local station has to focus on how to generate new revenues from extending their valuable, local brand to new delivery systems.

What's next? The waiting lines were long to see a demonstration of Ultra HD, already available in Japan. Remember how it took your breath away the first time you saw HD? That's kid stuff now.



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By Carl Marcucci

What do you look for in talk programming—are you looking to fill a demo or are you looking for a certain personality? How do you choose one over the others? Once the big guys are already signed in the market, how do you do choose from the rest?



Chris Redgrave, VP/GM for Bonneville's Salt Lake Radio Group:

1. I look for a number of things. The criteria for me would be someone who has passion, because they have to have passion for the business and certainly a passion for wanting to talk to the public and talk with their listeners. The other crucial thing is talent. Do they have the talent for the job? Are they an engaging personality, someone

you would enjoy going to dinner with, to talk about issues and events and ideas? Do they have the ability to connect with people?

2. Selecting one over another would simply be a function of who exhibits the most elements mentioned above, and in the greatest quantity. Another hugely important factor, however, is finding someone who reflects the dynamics, culture, and lifestyle of the market in which they are broadcasting. Is this someone who is going to connect with the majority not only of your listening audience but also the majority of people in that market? Do they understand the market? I also would look for someone who is very real, because the listening audience can tell very quickly who is real—in their style, delivery, and content—and who is not.

3. After assessing the elements of passion, drive, talent, and personality, a deciding factor perhaps would be a determination of how well they are going to fit my audience, how well they will connect with my demographics and my listeners. That has to be a good match, both for the on-air personality and for the listeners.



Rod Arquette, VP/News and Operations for Salt Lake Radio Group:

1. It all starts with talent. I don't care if you're looking for someone to host your garden show or to go head to head against Rush or Sean, it all starts with talent. Does that candidate bring something to radio that no one else has or is doing? Can they, first and foremost, make it entertaining, and do they have that larger-than-life personality

that even if they just hummed the national anthem, you couldn't punch the button to another station. They should be able to make you think, laugh, and cry, all at about the same time.

2. I cannot emphasize talent enough. People like something better, but it's harder for them to define. Something that is different catches

their attention right away. If it's different and really good, you just found what will make your radio station successful.

3. There is so much syndication out there that is very average. If the GM won't allow you to develop your own talent, you need to look for the product that fits the needs of the community. Does your station need a conservative or liberal talk show host? Would adding a financial show help balance your station? Those are questions you need to ask if you can't get your hands on the major syndicated talent now out there. I'd push as hard as I can for local talent if someone out there knows how to hum. (This one is tied to answer #1.)



Lisa Wolfe, PD, WTOP-AM/FM Washington, D.C.:

Personality is king. You need to find an engaging radio host who can relate to your demo. Your host and topics always need to keep in mind a couple questions: How does this affect the daily lives of my listener? Will this inform, educate, shock, mortify, embolden, outrage, shame, etc.?

Choosing one personality over the others depends on what holes in the market you have. Above all and at the risk of repeating myself, I think the personality has to be able to relate to the listeners on a personal level. If there is an opportunity to meet or speak with the host, it's a must. Just listening to demo tapes is only the first step.

It's really a matter of finding out what is important to your target demo and searching for someone who can deliver. The big guys get the nice come and have good branding, but sometimes it's the homegrown personalities who really make a splash. Remember, Rush, Sean, and Howard all were local personalities at one point.



Joel Oxley, SVP/Market Manager for Bonneville's D.C. Radio Group:

1. You really have to look for both. The person you put on your station must be a personality fit for the station and the demo you are trying to reach or you will not succeed.

2. Talent, track record, station fit, compensation, availability, flexibility, reputation, work ethic and at some level a gut feel.

3. Once again it comes down to spotting talent. Sometimes going with a relative unknown with upside is the best bet.

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Don't clear-cut your forest: replenish news-talk resources

by Valerie Geller and Turi Ryder

Do you remember the era of clear cutting timber? Not much of it goes on in America these days, but for years, lumber companies built roads through virgin forests, helped themselves to the timber, and left nature to clean up the mess.

The lumber industry will be the first to tell you that they've had to change their methods.

The old way of cutting and running with the profits failed. Not only was it evident that soon there would be nothing left to cut, but many other resources suffered—the land, the water, vegetation, animals, and most importantly, there wasn't any way for the remaining soil to replace what had been taken.

It's gone that way for radio and TV too.

Stockholders have demanded lean, mean, and profitable companies, and to give them what they want, station managers have clear cut some of their most valuable resources.

For a while, it seemed to be working. Listeners stayed with their favorite stations while valuable service elements like local news, weather, airborne traffic and sports disappeared like giant redwood trees against a chainsaw.

In their place came syndicated programming, second hand copy ripped from the daily newspapers, and traffic generated from the ground by computer sensors and remote cameras. It took the audience a while to catch on. After all, one of the things radio does well when it serves its audience is build trust. It takes a while for that to break down, but it's happening everywhere.

Why did this happen, how did the trust erode? Just like the old growth forest: the loyalty that many managers inherited was built over generations by full service radio stations. Cities and towns understood that while their favorite talk show host was entertaining them, or their favorite music was playing, there was also a news department talking to their police, city council, and covering the important events of the day, a sports director checking out the winning team, or a traffic plane scanning the horizon for signs of trouble. When those things disappeared, the immediate impact was...nothing. Actually, the immediate impact was a tremendous profit for the company.

After all, if you chopped up all your furniture and burned it in the fireplace one winter, you'd save a bundle on your heating bill, THAT winter.

So, here we are, a few years later, and the news, sports, local personalities and traffic have mostly been stripped from everything but drive time. And now, something happens. Maybe it's a storm like the series of tornadoes that hit Tennessee this year. At least seventeen people died, homes were destroyed, and some local citizens were forced to huddle in

their basements and bathtubs, listening to police band radio if they were lucky enough to have it, to see whether the disaster was heading their way. The providers of local weather coverage became, by default for many talk stations, Accu-weather in State College Pennsylvania or audio simulcasts of the Weather Channel out of Atlanta. One talk station in Nashville was off the air through the night. When its power failed, the backup transmitter proved useless...somebody had neglected to re-fill the generator's gas tank. Does your audience notice this time? You bet they do.

Stations spend a fortune on advertising, marketing and promotion. What's an ad, a promo, or a marketing campaign? It's a promise of what your station will deliver. When your station promotes itself as "Your news, traffic, and weather authority", then drops the ball in a spectacular, and entirely preventable way, audiences feel betrayed. In the final analysis, your audience consists of people who give you their time and their trust. Break your promise to them, and they feel personally cheated. Will they give you a chance to learn from your mistakes? Not for a very long time—especially not if they have other options. That's how public radio, which has consistently expanded local service elements for news and talk programming has grown its audience, and how Canadian and European radio and TV stations have kept theirs.

Managers hate to hear this, but we're now at a point where the reforestation must begin or radio will truly become, in the words of a former FCC chairman, "a vast wasteland."

How much does this cost? It's not cheap. And the cost is not just financial. To re-create the services offered and support old-growth stations, people will need to be found, trained, hired and coached to greatness. That takes time and experience as well as money. And where will our industry find these people?

We've made that harder as well, by failing to plant "tree nurseries" in smaller markets or off-prime-time dayparts that can serve as farm teams for the major market big leagues.

When a station realizes it's in need of "reforestation", one solution is to call in an experienced broadcast consultant. Consultants are like tools that can be used in a variety of ways. The fastest and easiest way is simply to hire someone who knows how to spot, coach, and develop good on air talent and personalities, but one of the best uses for consultants is to train managers so that they can take on these tasks for themselves. Either way you use them, consultants can be a valuable tool to get, keep, and grow the audience you need.

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TAKE ON THE DAY

THE DR. LAURA PROGRAM

*Top 15 hosts as identified by Talkers Magazine, Fall 2005

** Source of all audience research: Arbitron, Fall 2005 and Fall 2004 Top 50 Markets, Adults 25-54 AQH and Share, exact broadcast times and Mon-Sun 6AM-Midnight

ality-intensive radio formats like Free FM. In Washington DC, WTOP is using the Washington Post's reporters as well as their news staff to generate audio stories for air, along with print. The money is all going into content, and that takes people. Having, "boots on the ground" is the way, we're told, to win a war. And we're fighting to get our listeners back. Some managers have already figured this out. If you ask **Jon Stewart** about the raging success of his TV comedy talk program "The Daily Show" with the highly sought after younger demos, Jon will be the first to give credit to his staff of writers. He has a lot of them. An offshoot of the Daily Show tree is writer **Stephen Colbert**, who now has his own program, "The Colbert Report."

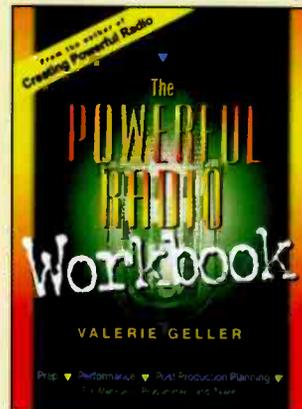
One interesting feature of all these shows and formats is that they are not serving their audience in the same way as the full service stations once did. They aren't promising everything to everybody, but are electing instead to make specific commitments and pour their resources into super-serving their audiences in highly focused areas. The Free FM formats promise entertainment, but have not made a major news commitment, and WTOP's mainstay is harder breaking news and interviews, with less focus on personality and light entertainment. Both formats are relatively new, of course, and bound to evolve.

The losers in this battle continue to be the old line traditional talk stations who keep cut, cut, cutting in the face of shrinking audiences. Listeners in markets from Detroit to Sacramento say they miss features they formerly counted on like airborne traffic and local news. We've all heard about the battle we face from the internet, iPods, and Sirius/XM Radio. But we may be our own worst enemy. As one 36-year-old former radio listener said, "There's nothing on my radio for me to listen to."

Contrast this scenario with that of the winners, like small market Miller Media Group-owned WLPO in La Salle, IL, which continues to spend on local personalities and a news department to superserve their agricultural community. They're reaping the rewards of being number one.

Old clichés are often true: it takes money to make money. For a while it really seemed to be a good business model when the lumber companies cut and hauled away some of the most valuable timber in America. But they learned, and we've learned, that in the long run, the costs are higher when you harvest with no plan to re-plant.

Valerie Geller, President of Geller Media International, is a broadcast consultant, working with news and talk stations throughout the world training, coaching and working with managers to grow audiences. **Turi Ryder** is an air personality and the editor of both of Geller's books *Creating Powerful Radio: A Communicator's Handbook for News, Talk, Information & Personality* and *The Powerful Radio Workbook: The Prep, Performance & Post*. She is also editing the newly revised updated edition of *Creating Powerful Radio* coming from Focal Press in the spring of 2007. Valerie can be reached at 212 580-3385 or www.gellermedia.com



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Maximizing public affairs resources By Reed Pence

News/talk stations spend the bulk of their time informing. But stations in every format need to consider informational programming because of the need to file quarterly issues/programs reports.

Many stations mistakenly believe this means using precious local resources to fulfill public affairs requirements. They may assign newsroom personnel yet one more duty, finding local officials to interview for the Sunday morning public affairs show. However, many stations don't want their newspeople to spend too much time on it. Public affairs ends up being "half a loaf" that's woefully inefficient. But the station can call it "local."

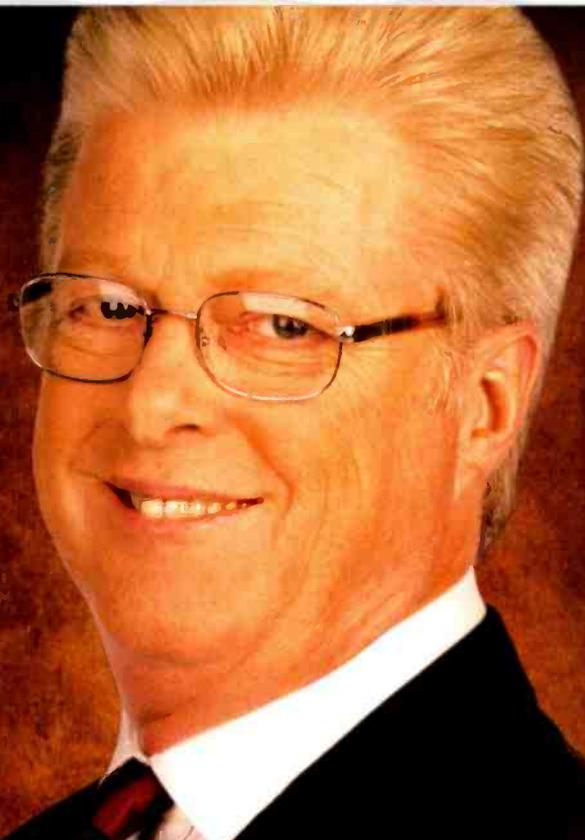
What broadcasters must realize is this: the *issues* you list are local, but the programming to respond to those issues need not be. This requires you to ascertain the problems of the community. But often those issues are somewhat universal—education, health care, local development, crime. If a syndicated program addresses these issues, you're covered.

As Washington communications attorney **Gregg Skall** has previously written in RBR, "Nothing in the rules or FCC orders requires that the programming be locally produced. The station may use any programming, wherever acquired, that addresses the ascertained local issue."

In fact, syndicated programs often have the resources to get better guests and better address these issues than most local stations can, and spend the time to assemble interviews into a more listener-friendly package. Both the audience and your local community may be better served.

Many news/talk stations make similar judgments every day—choosing quality syndicated content to fill selected programming needs while focusing local resources on their most important hours and audience. Stations don't have to abandon such a prudent approach when it comes to fulfilling their obligations as a licensee.

Reed Pence is Vice President/Programming at MediaTracks Communications, which produces public affairs programming heard on 750 stations nationwide. You can reach the firm at 847-299-9500 or info@mediatracks.com.



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Charlie Rutman: CEO, MPG North America

Charlie joined MPG in April 2005 after seven years at Carat USA, where he rose from Managing Director to President, a position he assumed in July 2001. During his time there, Carat crafted effective communication strategies for such prestigious clients as Procter & Gamble, Pfizer, CBS Television, Adidas, New Line Cinema, Radio Shack and Midas Automotive, among others.

After losing a few key clients before Charlie came on board, MPG clients now include Reckitt Benekiser, Fidelity Investments, Outback Restaurants, Hershey's, GSK, Esurance, Exxon Mobil, Blue Cross Blue Shield of Massachusetts, Graco and Valspar.

Prior to Carat, Charlie headed up the consolidated media account for Coca-Cola at DMB&B. He was responsible for 16 brands and 40 people in four offices, with over \$300 million in media spend. Charlie also spent 14 years at Backer & Spielvogel/Bates as the manager of its media department.

Charlie is a frequent panelist and speaker at various industry conferences and thought leadership sessions, and is an active member of the AAAA's Media Policy Committee. Here, he talks about picking up the reins at MPG and how he's looking at media these days.

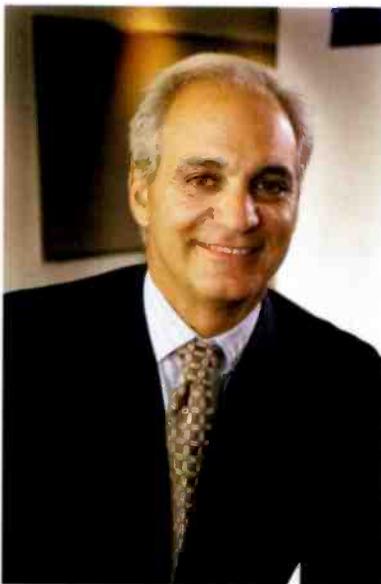
You mentioned recently you're starting to think about the world not as TV and radio but as audio and video. Please explain.

Our industry has been organized and set up for years in terms of platform experts—radio experts, TV experts, magazine experts, outdoor experts. But we've seen a shift in the last 4-7 years to a greater emphasis on the consumer. Consumers are really content-driven more than platform-driven and I think they are more so than ever before. So for example if I decide to watch streaming NCAA Basketball on my computer I'm not thinking, 'Okay, now I'm an online video consumer.' I'm just watching basketball and I'm watching it because my team is playing. The audio/video vision sets us up in a way that mirrors the manner in which consumers—the people that we're interested in—are selecting and engaging with various different content. I'm not sure it's radical, but certainly I can envision one day that we have people sitting on top of the audio world or video world and regardless of what the screen or what the earpiece is—we'll have experts in those areas without worrying about silos or individual platform profitabilities.

What predictions do you have about traditional media and new media?

The first prediction I have is that we'll lose the headings that say "traditional media" and "new media." Because it's only about media and it's only about communications channels. We're not going to draw a distinction between out of home, which might be the most traditional of media forms, and some kind of addressable VOD which might be a very new media form. Because we're really going to be

looking at the world of communications in a much, much more holistic fashion than we're looking at now—much more. I certainly believe that there is going to be a continued acceleration of advanced media formats. I think the rates of trial and adoption are going to continue to accelerate. It's not that we haven't had "newness" for the last 30 years, it's only that it has sped up and people's willingness to try has accelerated. That will continue and there's no doubt that clients' appetites to try new things is increasing more and more. I think you're going to see a one-world media definition that has hundreds and hundreds of possibilities without the labels, because again, it's all about the consumer.



Where will fragmentation be five years down the road?

Fragmentation is oftentimes articulated as a problem. I actually think fragmentation is simply the consequence of more choices spread across, basically, a static-sized audience.

A bigger menu for you.

Right, call it the population of the United States—provide more choices and naturally, they're going to get divided up. Okay, if you think it's a problem it's a problem. I have felt for a long time that in actuality it's an opportunity. It's an opportunity for more precision targeting. It's also an opportunity for more precision messaging and I think down the road it's a real opportunity for cost efficiency. Because when you measure cost efficiency these days—we typically measure it on demographics. So if I'm selling fishing poles, I could have a pretty efficient Men 35+ media plan except in the back of my mind I know that maybe only

15% of those men fish. On the other hand if I was on the "Fishing Pole Network" and if I were on "FishingPoleAficionado.com" basically I'm only reaching fishermen, and my CPM against men who fish could be a lot lower.

So what's really happening is as the game changes the method of keeping score also has to change. Of course, audiences are going to continue to get smaller and smaller. You call it fragmentation, I call it precision.

What have you changed at MPG since you've come aboard?

I had an unbelievable run at Carat. I look back and say if we were a Broadway show we'd be The Lion King or Cats. I have nothing but friends and fond memories. I wasn't unhappy and I wasn't restless, but an opportunity came along to run the show, which is pretty good. To take a company that wasn't doing as well as it should have been and hopefully turn that into a success story which, for a guy who likes a challenge, is a pretty enticing opportunity. Plus, when I did my homework what I found out is there was quite bit of very, very good material at MPG—some terrific professionals, a dedication to client service and some outstanding product offerings. A couple of big account losses certainly hurt the perception, but the reality was there was some great material to work with and I felt with my knowledge, experience and I think people skills, I felt this was certainly not starting from scratch, that it was really more

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the fine-tune adjustments that needed some work. That was a great opportunity and a great possibility for a next chapter in what's been so far an extraordinarily satisfying 30 year career.

[Added **Coleen Kuehn**, MPG EVP of Strategic Planning: "Charlie is just what this agency needed. He is a first rate manager who is a real client service guy and who is passionate about the media business. Within Charlie's first year, he has stabilized the existing businesses, realized organic growth and has expanded the agency's client roster. In terms of thought leadership, Charlie has been extremely supportive of initiatives we are undertaking—he sees the need for us to keep our agency and our clients ahead of the curve.

Also important to Charlie is offering our clients a high degree of accountability. We have a team of highly acclaimed PhDs serving our clients analytic and modeling needs. In addition, we are now licensing modeling simulator software that we customize for each client to create forecasts and simulations regarding the return they can expect on their media and communications investment.

Finally, Charlie has focused agency employees by creating a Management Action Team and by issuing an 'Agency State of the Union' at the beginning of 2006—mobilizing all employees behind his goals for the company. MPG is poised for continued growth in '06 and seems more focused than ever."]

Anything you'd like to see changed about the TV upfront process?

The television upfront buying is goofy, it's stupid, it kind of defies the laws of gravity. At the same time it works. People feel uncomfortable with a marketplace that doesn't have rules, and this kind of doesn't have rules—a bit of a free for all. The interesting thing about it is by

not having rules there are no opportunities for anybody to break the rules. I think therein lies the rub, so in fact while it might defy the laws of business gravity, frankly it works. I also think that marketplace forces have come to a place over the last dozen or so years where some of the panic and emotion are out of the process and it's run in a much more businesslike way. So I would say it's nutty but it works.

When we go to broadcast, television, cable, radio, syndication companies with thoughts on how to improve their pitches, I say try as hard as you can to get at least these three parties in the room: the implementation people, the strategy people and the message makers. I'm saying message makers as opposed to creative people because I'm not sure it's only about commercial messaging. Some of the things that we talked about in one of the earlier questions, Carl, have more to do with the kind of messages we place than any kind of media. I would say that would solve a lot because these folks need opportunities to experiment in some of these new areas.

What are your clients' chief concerns? How are you addressing them?

I went to the ANA Convention and client after client said the same thing—what they would like to know is what do they get for what they spent? It's a question that probably should have been asked 30 years ago and maybe we'd be further ahead in answering it today, but it's a fair question. At MPG what we're trying to do with a very sophisticated accountability and modeling offering, is trying to get a handle on the things we can control—some of the media and communication platforms. What effect are they having on incremental sales? We're making some headway. That's on the minds of our clients and if there were three things that we're focused on, that would be in our top three.

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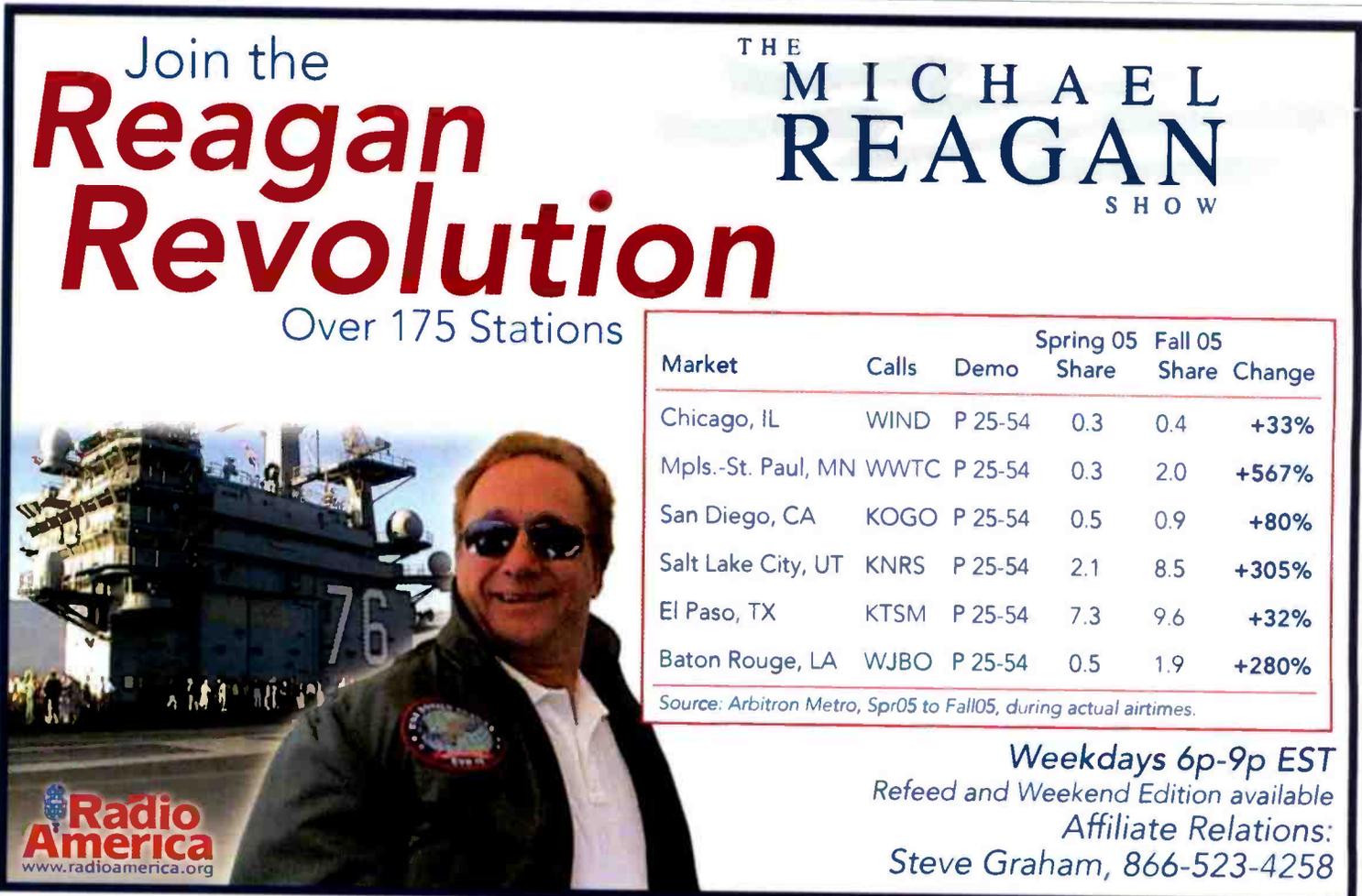
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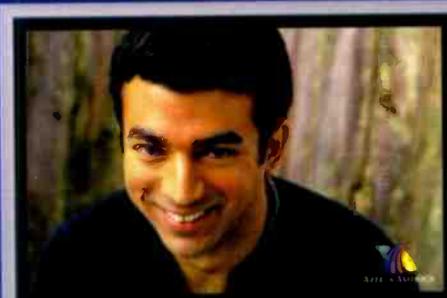
SHOW

Market	Calls	Demo	Spring 05 Share	Fall 05 Share	Change
Chicago, IL	WIND	P 25-54	0.3	0.4	+33%
Mpls.-St. Paul, MN	WWTC	P 25-54	0.3	2.0	+567%
San Diego, CA	KOGO	P 25-54	0.5	0.9	+80%
Salt Lake City, UT	KNRS	P 25-54	2.1	8.5	+305%
El Paso, TX	KTSM	P 25-54	7.3	9.6	+32%
Baton Rouge, LA	WJBO	P 25-54	0.5	1.9	+280%

Source: Arbitron Metro, Spr05 to Fall05, during actual airtimes.

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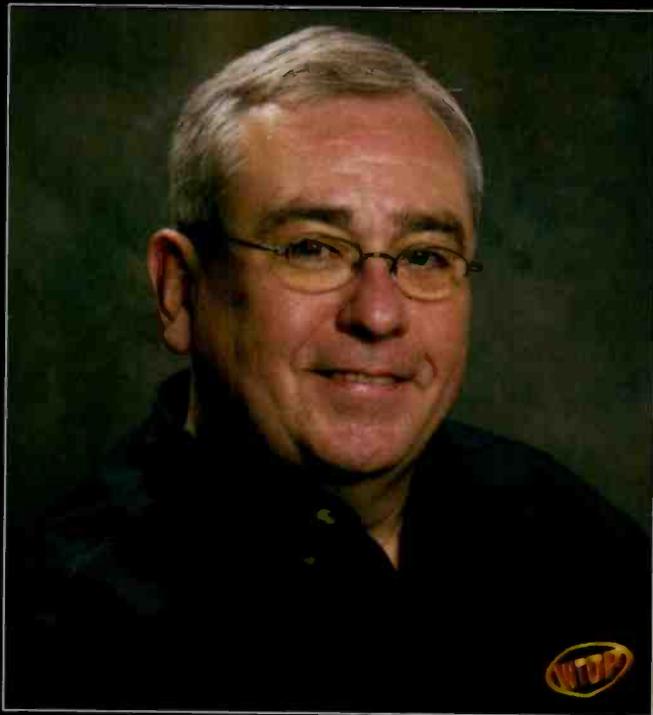
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One on One

By Carl Marcucci



Jim Farley: WTOP Washington VP/News and Programming

Jim came to WTOP in 1996 after eight years with ABC News in New York as Managing Editor and General Manager of Programming at the ABC Radio Networks. Prior to that he spent 13 years with NBC News (radio and television). He was the last NBC News Vice President of Radio News before NBC sold the NBC Radio Networks in 1987. He started his career at all-news WINS in New York City in 1966, with the official title of "copy boy."

Jim has also taught graduate and undergraduate Journalism courses at NYU and Fordham. Programs on which he has been the producer or executive producer have won every major award for which radio journalists are eligible—including the Columbia DuPont, Peabody, Polk and the Grand Prize at the International Radio Festival of New York. Hire, Jim provides a bit of detail on the secret sauce that makes Bonneville's ratings leader WTOP, WTWP (Washington Post Radio) and WFED-AM (Federal News Radio) so successful in DC.

How do you coordinate the news flow back and forth from the three stations?

I run up and down the stairs a lot. Washington Post Radio is on the first floor. WTOP and WFED are on the third floor, so it's a lot of shuttling and it's been good exercise so far. It's tough listening to three stations and keeping track of the flow. There are times when we have to be careful that we're not contradicting ourselves. Sometimes WTOP gets out in front of a story because we've got radio reporters out on the street who file right away. Sometimes Washington Post Radio gets out ahead because of the big resources of the paper and it's a matter of communicating frequently.

Do you have any issues of overlapping stories?

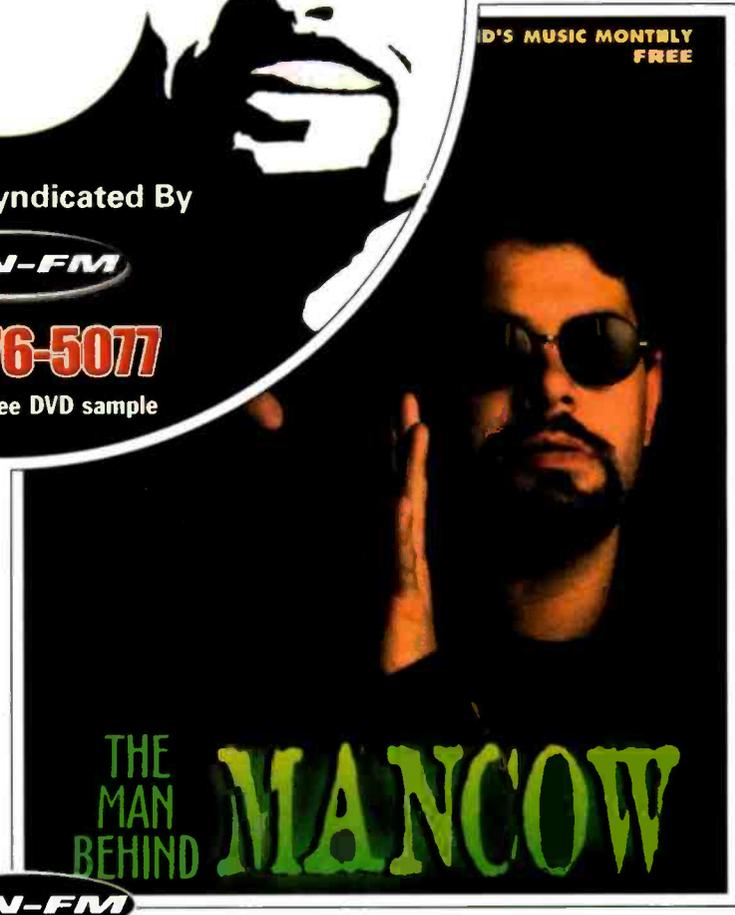
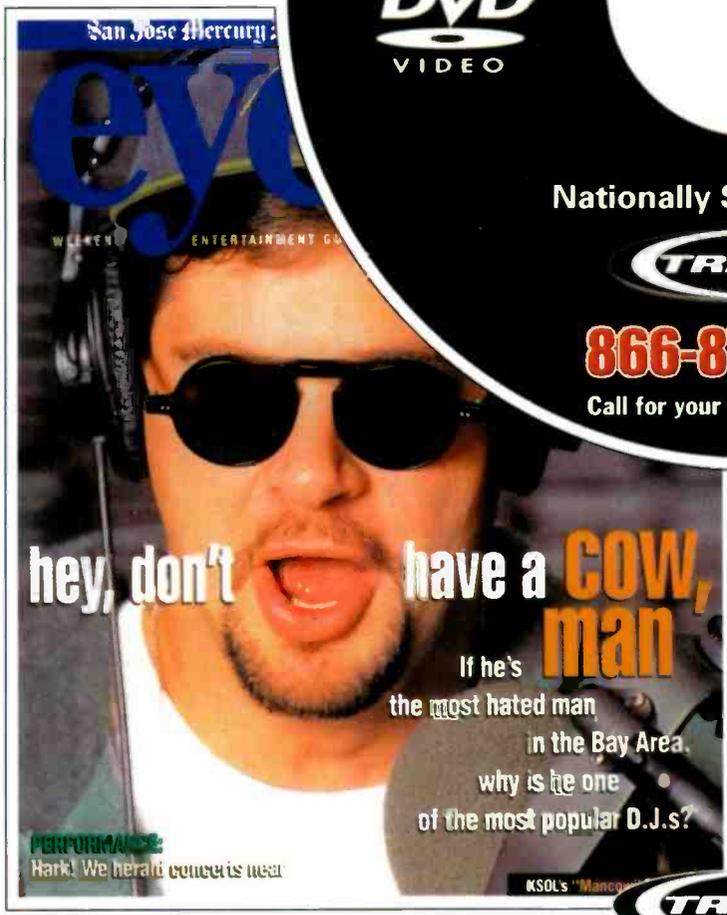
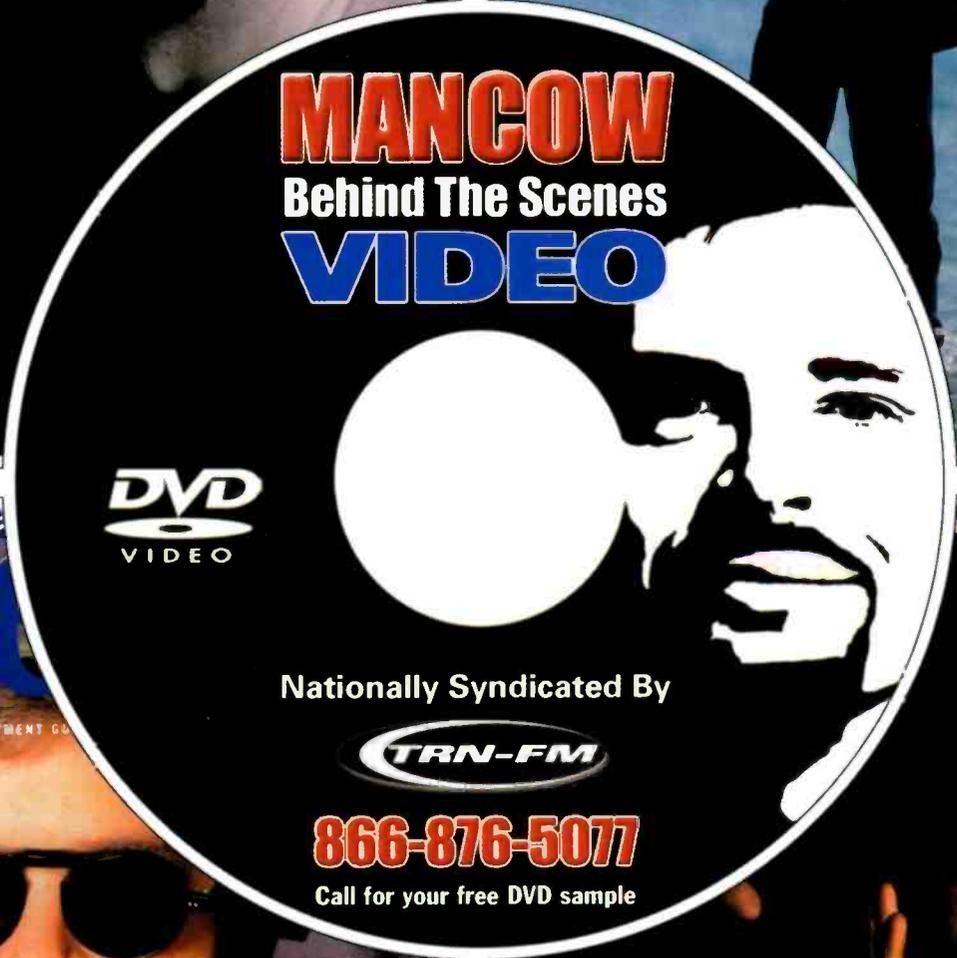
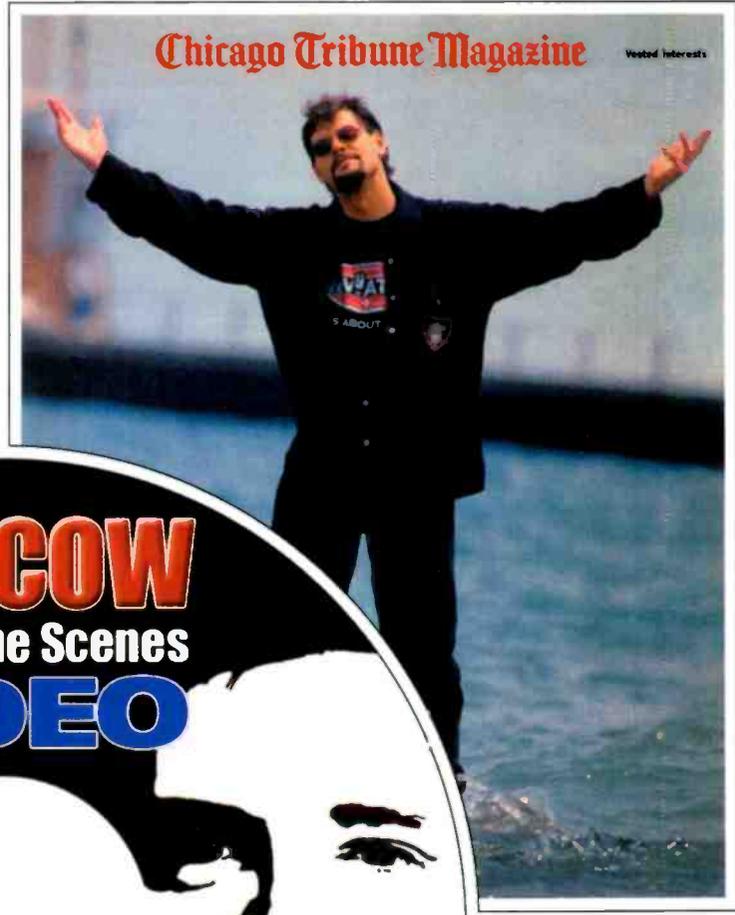
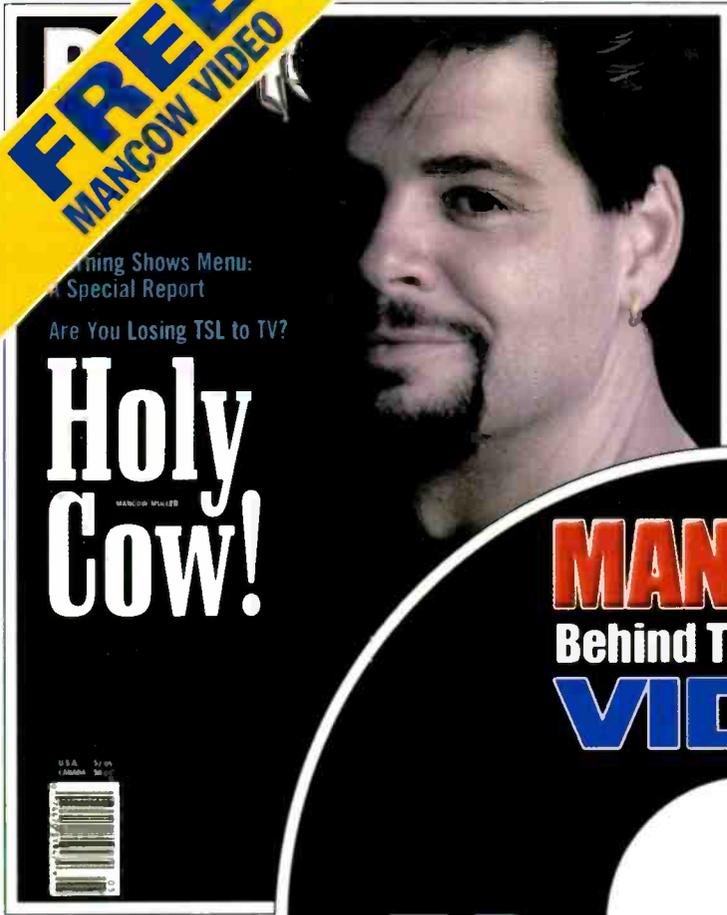
The marching orders that both stations have is to compete. If Washington Post Radio gets ahead, good for them; if WTOP gets ahead, good for them. There are times when that will happen and we have a healthy internal competition. We cross promote both stations frequently. For example if there's going to be a presidential news conference we'll tell WTOP listeners you can hear it on Washington Post Radio. This way on WTOP we never interrupt traffic and weather every ten minutes, which is the biggest draw for the station. So we are constantly sending people from "TOP over to The Post. We plug when they can hear the Washington Nationals on the Post. On The Post they only do traffic twice an hour in drive times and at the end of each one they say, "You can get traffic and weather together every ten-minutes on our sister station WTOP."

So there's a conscious effort, even though we're competing on the news front, to ping listeners back and forth. That was based on research we did. Your typical "TOP listener listens for about 35 minutes. Then they leave and go to another station. And looking at the research, we realized that 71% of them didn't go to a music station; 71% went to a spoken word station, WAMU, WETA, WJFK, WMAL, C-Span Radio. So obviously they feel they've gotten their fill on WTOP—35-minutes gets three traffic and weathers; you get the sports, money news, local and national news, you kind of know what's going on. Now they want to listen to something longer, so now we're redirecting them. "Hey when you get your fill here, go over here to get the why, the how, the what's next on the story where it's longer form." We kind of view it as CNN and CNN Headline News. "TOP is doing the continuous non-stop headline news, anything longer will generally be done on Washington Post Radio.

There sure are a lot of spoken word stations in this town.

It's an information-hungry town. There are more than 50,000 journalists in Washington. The Diplomatic corps is here. The biggest industry is government and the second is IT and the Internet, they're all here. This is a very plugged-in town. We have

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one of the highest percentages of online usage and use of PDA's and Blackberries. So we're trying to reach people on all of the above.

Who did you hire to do the research?

We used **Dave Roberts**, Roberts' Research in Austin, Texas.

When you're looking outside for syndicated content what do you look for in choosing that content?

Something that's consistent with the image of the station and the image the Washington Post has of itself. They're not comfortable with political stuff that's one-sided. They're not interested in a lot of screaming and yelling in content. Their image of themselves is more sophisticated and they like for their content to fit it.

How about the other two stations?

On TOP what we look for are people who can service us 24/7, 365 days a year. We don't shut down, not for Christmas, not for anything. So there are traffic reports on Christmas Eve and New Year's Eve and Thanksgiving Day. The Weather Channel is there 24/7. One of the things we expect from the Weather Channel if there's violent weather they're on the phone to us before we're on the phone to them and they've been very good about it. We use Metro Traffic and they've been pretty darn good lately. They've expanded helicopter and airplane coverage to weekends and the middays. We also have CBS News on WTOP because they're up 24/7, so the important thing on TOP is 24/7. We do have syndicated programming on Washington Post Radio—AP. It's not staffed 24/7 yet.

Why did you choose The AP?

Because there is no brand to conflict with the Washington Post brand, really, and because it's solid but not flashy. Frankly they've made it economically advantageous for stations to sign up with AP.

What are some of your own personal tips for finding and cultivating good local talent for your stations?

The farm system is dried up. It used to be that we wouldn't hire anybody until they had ten years' experience—a News Director in a smaller medium market station. But most of those stations don't have news departments anymore. So what we've gone to is a mix of young people and graybeards. We have a very active Internship Program and if they are any good we get them interned in their junior year, work part-time in their senior year and we hire them when they graduate. That's worked very well. We've got some editors and reporters who started out as interns not that many years ago. But the young people are always surrounded by veterans, people who have worked at NBC News, CBS News, the Associated Press—a good mix of veterans and young people so that the young people are constantly learning and they are surrounded by experienced people. It's been a very good mix. We've gotten people who have worked in local television who are now in a second career in radio; people who have been at the network, people who have been at the wire services and some really bright young people. So I encourage any radio station to make the effort if you are looking for news people to get an Internship Program, get them in and let them do stuff. Whenever I get a chance to talk to a journalism class or communications, the one thing I say is rule number one, don't graduate

and start looking for a job. Do the internship before you get out of school because places like us view the internship as an audition.

Tell us a little bit about your equipment that you've put into these studios and the software you use.

We use AP's ENPS computer system because it's so flexible. You can be working on a piece of audio at one workstation while it's playing on the air and then again it can be aired at both stations if necessary. We use DAD Enco for our commercial play, and that's in both stations. We try to keep systems like telephones consistent. If you were to walk into WGMS or WTWP the Post, the equipment looks identical, it's modular. We are about to do a rebuild of the TOP/WFED Newsroom, we'll probably start in September. We'll be getting in all new equipment so that anywhere in the building you can go on-air on any of the stations. **Dave Garner** is our Chief Engineer and he's doing a fabulous job of making sure all systems walk to each other.

Do you think that stations across the country are cutting their news operations a bit too much?

Yes I do. I think if listeners feel that they are not going to find out about really important events on a radio station they're not going to trust that radio station. They are going to look for places that let them know. The industry really hasn't learned from 9/11 when so many radio stations were totally unprepared to handle that. I haven't seen a big increase since and that's unfortunate. I do know that the Associated Press has, since 9/11, been able to sign up more stations. They had dropped—pre-9/11—to I think kind of a low point and they are building back up by persuading people that you never know when there is going to be a 9/11, a Katrina. You look at stories like Katrina and oh my God, those heroes at those radio stations were the lifeline for their community. Any radio station that's not prepared to handle that in some way I don't think is serving in the public interest.

What do you think should be done about it and how can they get the money together to afford it?

There are ways to do it inexpensively. You don't have to have a full newsroom. If you have one person, that person can serve a cluster. An example is Clear Channel's cluster here in Washington. I don't think they have a single news person. I don't know how that's justifiable. If you're sitting there listening to your music station and the shit hits the fan and you don't hear it there you could be blissfully unaware. A tornado moves at 60 miles an hour. We've had two fatal tornados in this area in recent years—the ones in La Plata and College Park, MD.

So if you're not getting the information out immediately, you're just not serving the public. One of the things at industry get-togethers—there's always a panel every couple of years—"Surprise, look how well Public Radio is doing." But that is because commercial broadcasters have given Public Radio a format exclusive on the FM dial. For years they were the only game in town providing news and information on the FM band. Well of course they're doing well, they've had no competition. So now we're taking some competition to them here in Washington and I think they'll be better for it and we will too.



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We asked a few on the agency side what radio could do better—on the content side or behind the scenes—to make their clients happier—or they, themselves, as listeners. We asked:



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

As I see it...."These are changing and challenging times and ALL media are being scrutinized and re-evaluated with a new set of metrics and criteria. Programming is certainly one of them and we see much progress here—with new programming announced daily (it seems). Another is engagement; Another ROI. Research is ever more

critical. Basically, it's the advertiser piece clients are looking at—not just the program anymore. Where do they air exactly? Who heard exactly? How engaged were they exactly? Were they moved to buy? Will they/did they buy? How many touchpoints are there with the property?

This is not just radio's unique challenge—every medium is having to reinvent/reposition/redefine—actually renew! A shakeup seems necessary in marketing, in research methods, in accountability standards. Radio should be looking to measure up to the internet—since the internet is basing its success and business on all of these criteria very important to today's advertisers. If radio does not step up in research and marketing sophistication very quickly—it may not benefit from the shifting budgets.



Matt Feinberg, SVP/National Radio, SVP/Director, Interactive Broadcast, Zenith Media Services: In my universe of one I listen to mostly Public Radio, College Radio, and a variety of streamed stations because they provide me the better listening experience. It gives me the news information and entertainment that I enjoy. Increasingly my personal usage of commercial radio has decreased

just because there is less and less choice out there (though I do like the JACK format). The airwaves are too cluttered and the tightened playlists...I'm a music fan so the restrictive playlists are not appealing. From a professional standpoint I'm always listening to New York radio because I need to and when I travel I always look forward to checking what's on the local airwaves ("love INDIE 103 in LA").

Admittedly it has gotten harder and harder through the years to listen to commercial radio. If I were to change radio it would all

be arty progressive rock, independent bands, newly signed bands (check out the Arctic Monkeys), deep cut classics and of course the Allman Bros.' Little Steven would have an early evening slot...that would be cool.

We live in a society of The Gap, McDonald's, of Dunkin' Donuts, of Starbucks—homogenized, restrictive, everything is just spoon-fed to us (by-the-way; I like most of these products they just don't need on be on every block!), and radio is no different, people generally accept what's handed to them. A lot of broadcasters being public companies now are so hard-pressed to make changes that may impact ratings, which could affect millions of dollars. It's tough for them. So I don't blame radio companies per se.

From a content standpoint I think radio is okay. New York radio could do a better job and it's tough—the bigger the broadcaster the tougher it is to do those smaller formats. Regarding Clear Channel's Format Lab, it's a smart move. This brings me to the point that I don't think terrestrial radio is going to change dramatically.

Terrestrially I don't believe you have to reinvent the proverbial wheel, but you should not stagnate and limit choice, i.e. repetitive playlists, or the same old knee jerk reactionary uber-conservative talker. Commercials are not necessarily an annoyance it is the quality and amount of them that's a turn off. To the point of quality I believe agencies, clients and broadcasters all share the same responsibility—better, more creative, production. But this is all easier said than done.

I don't believe the terrestrial component of radio content is going to change a whole lot until HD really kicks in. I think it's going to continue in the same basic formats with tweaks. Broadcasters will try things and some of those things will work, other things will not, but it will still be broadcast radio. However, the real opportunity for radio broadcasters is the Internet. HD radio will take five or six years. In the meantime the interactive media, cyberspace, is the place where radio stands to capitalize on brand new revenue streams... if they understand how to do it. I know many companies nod their head—I know because of the tremendous amount of calls I get on a weekly basis from both small and large broadcasters asking me how this is done exactly. How to measure it? How it needs to be developed? What I think they should do? Now I'm very much in to it. I've been in this space for ten years and I see a lot of stuff. I can tell you in most cases, radio stations have minimal working knowledge of this space. It doesn't make them bad, but if they don't figure it out they are going to be left picking up the scraps. Stations maybe eager to try and sell web inventory but they haven't thought it through in my opinion.

I believe very few of really see the power of the Internet and realize radio stations must go beyond their core competency. You need to take a long-term view—a three to four-year proposition. Broadcaster needs to ask themselves "Are we willing to invest in our vision, i.e. investment spend. You're going to have to market yourself a little differently than in the past, or least adjust it to your new audience. You're going to need content partners, you're going to have to understand web usage, how people experience this medium as opposed to other media. How you can take your core business, which is news, information or music, and not just

transfer that to the web but go beyond that. The digital space is where all the promise is and I think very few people have capitalized on that in a big way. Some cable companies really have. I think some of the broadcast entities they are probably ahead of the curve, a few print places, a few radio stations and groups. That's where the promise lies and that's where you talk about relevancy and one to one marketing and all these buzz words. This is where it can all come true. Also you have to understand the metrics, how this stuff is analyzed. Because when you talk to media people like myself—after all the sizzle you need to talk analytics.

I think, again, radio has all this opportunity, but first of all they have to stop being radio stations. They must stop being just radio stations, or risk becoming a page in the history books, the one after the dinosaur chapter.



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

Perhaps it's because I always try to see the glass as half full instead of half empty but I say that good radio is alive and well and has been around for years. I have too many success stories to believe otherwise. But that's not

to say that a good thing can't get better. And I believe all of the efforts put forth by the broadcast groups to improve our medium can only serve to make an even stronger case for the value of radio as an efficient, effective and powerful advertising medium for our clients. I say "bravo" to the radio broadcasters for addressing the concerns of the agencies and clients that voiced their opinions on the issues of clutter, lack of choice, research and accountability. Things have been tough in the industry but positive results are often born out of trying times and we have our work cut out for us.

I am delighted to be able to share with our clients the responsible steps that the broadcast groups have taken to address some of these issues. And, I'm impressed with the consolidated effort that the industry, at large, has made in recognizing the need to bring more choices through HD radio and new listening devices in order to keep current with the listening habits of today's consumers.

Less clutter, new research studies through RAEL, and serious discussions on the topic of accountability between the broadcast groups and agencies all advance the credibility of the industry and empower us with an even stronger case for radio. More choices through HD radio and new applications through streaming content, podcasting and digital text messaging allow for added touch points to reach the consumers throughout their day with radio. Yes, good radio is alive and well today but great radio is the forecast for the future. I'm proud to be a part of it and to lend my voice to help make "good radio" even better.

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Brian and the Judge

Replacing "The Tony Snow Show" after Snow left for the White House, Fox News Radio debuted "Brian and The Judge" 4/27. Hosted by Fox News Channel's **Brian Kilmeade**, co-host of the network's morning show, Fox & Friends, the three-hour program also features FNC's senior judicial analyst, Judge **Andrew Napolitano**, a former New Jersey Superior Court judge. This unique, fast-paced program airs live from 9:00 AM-Noon ET. It's a hybrid show—news-driven, interview and commentary, harnessing the resources of Fox News, and focusing on the latest national and international news, from politics to sports to social issues to pop culture. Here, Brian and Andrew give us the details:

Brian, tell us how the transition is from Fox & Friends to the radio show.

BK: I have 15 minutes to get upstairs and usually have two minutes to spare and it's very easy. If I was doing an all sports show and then went to an all news show it would have been a big adjustment, but I'm really studying a lot of the same issues. I've already went through about 100 pages of specific stories, went through about six or seven newspapers, so I'm ready to go.

Give us a typical day so far of the radio show.

AN: At 3 o'clock in the afternoon the previous day we have a conference call with our producers and pretty much set up a skeleton of what we want to cover. At seven the next morning while Brian is on the air, the producers and I pretty much fill in the gaps in that skeleton and then we email it back and forth to Brian who's actually able to communicate with us when he's on the air as well as during the commercial breaks in Fox and Friends. Of course once a week I'm down there with him on Fox and Friends. So we pretty much know by about 8:30 what subjects we're going to talk about and who we're going to talk to. We break it up by hour so we have a different subject in each hour. We may have two subjects in an hour, broken up by half-hour, it just depends upon what we think the listeners want to listen to. Ideally we like to have a different guest, an expert in a field, a public official, a public person, a voice and a name that listeners will recognize, on in each half hour. We like to take calls in each half hour and we do want to run the gamut from something as serious as NSA Spying or General Hayden to run the CIA and something as ridiculous as this guy **David Blaine** who outside of Lincoln Center lived underwater for eight days while New York City residents and tourists sort of gawked.

How would you describe the show's theme and topicality?

BK: I think we cover the news of the day but we come at it not like know-it-alls, we're just as excited about it as they are and we're just as curious about where it's going as the listener. I also know the fact the guy sitting next to me is as smart and bright and well versed in the law and news as anyone you'll ever meet. Half of the issues are

legal these days. You need to be lawyer. Who cares about your opinion about the Duke Case—I want to know what really is at stake, to have The Judge sitting next to me and say, "Okay, that doesn't matter that's a prosecutor just blowing off steam," and then at the next minute go over and talk about Iraq and talk about getting two blocks from getting **Zarqawi** and be able to have a reporter waiting there.

It sounds like it could appeal to a variety of stations.

BK: I think we want to be a mix of People Magazine and the Washington Post and The New York Post. We want to be able to use resources at Fox and when these guys get back from Baghdad, we want them to feel they can come up to the 18th floor and tell us what they couldn't get out in 90-seconds on the air, and the stuff they got from meeting with the Iraqis.

We had **Stewart Varney** on today and he just came in and said, "Let me spell out exactly where we are with the economy. Let me tell you exactly how much China owns," in a very calm, insightful, pedestrian way. That's where we're coming from. Then the next thing you know the whole board lights up.

Geraldo is going to be coming on. And **Tiki Barber** is coming on Thursday. **Colin Quinn** will be on, you know the comedian that has a policy sense about him. We had **Donald Rumsfeld** on. Some of the guys we had on were talking about the **Barry Bonds** situation and how he broke the stories with the steroids and **Mark McGuire**. **Bob Beckle** to **Bill Kristol** to **Juan Williams**.

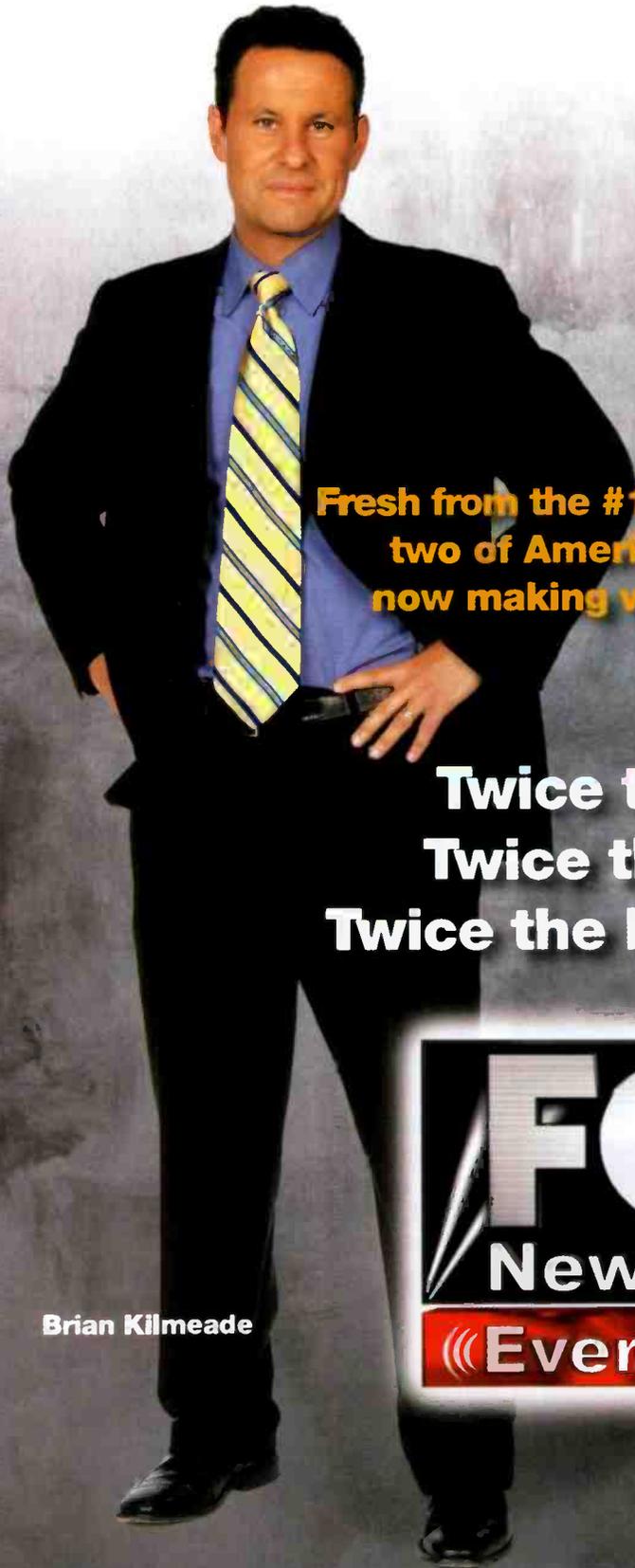
So you're able to use the resources of Fox and Fox News to do a couple of things on the fly, right?

AN: That is a tremendous advantage that we have. Do we need somebody in Iraq? We've got them. Do we need somebody in the Pentagon? We've got them. Do we need somebody in the Justice Department? We have them. Do we need somebody who's on the scene at Duke? We have them. Our guests are not exclusively Fox people, but of the five to six guests per show one to two will be Fox people who are really well-tuned in the area that we're talking about and frequently are on scene.

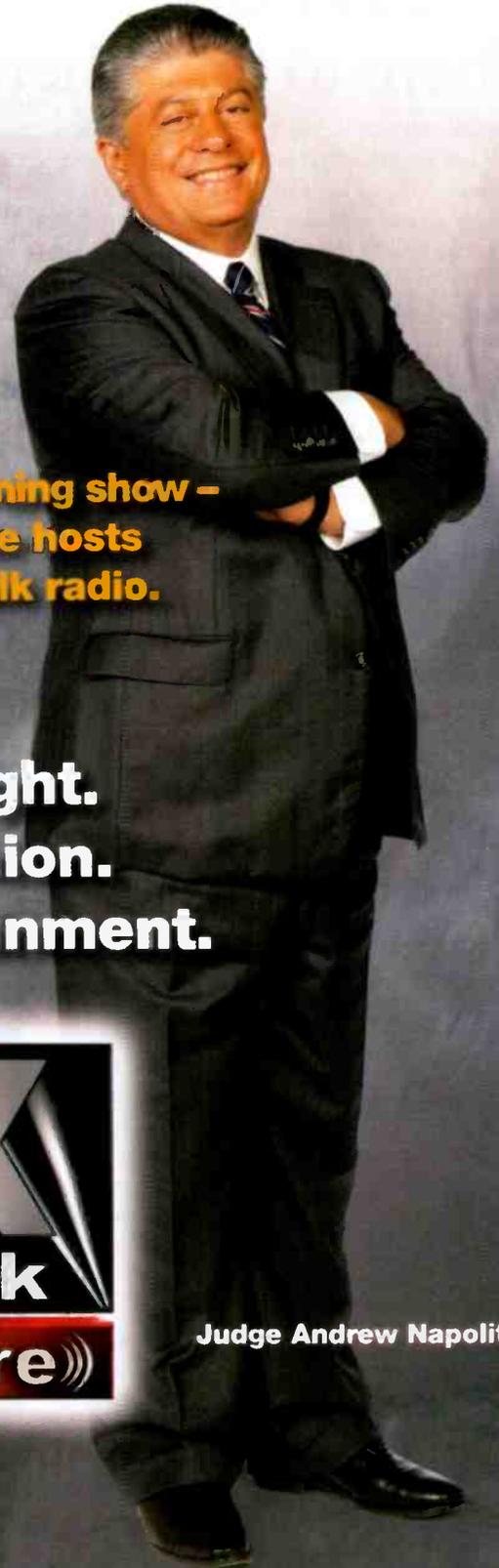
Andrew, tell us about your legal career.

AN: Well my legal career had me practicing law in Newark and Hackensack, NJ for what would be considered large corporate-style law firms for ten years. Then I was a life-tenured New Jersey Superior Court Judge for eight years. When I was on the bench I tried probably about 150 jury trials and thousands of sentencing, motions, hearings and divorces. Every type of case you could imagine from jaywalking to murder. When I left the bench I did so to enter private practice. I got a phone call from the then-President of CNBC who said to me, "You know there's this crazy trial in California, it's just about to start, maybe you'll like the camera, maybe it will like you. Do you want to come in here and talk a little bit about the case and maybe second-guess the judge? I don't know if you've ever heard of him his name is **Lance Ito**." The case was of **OJ Simpson**. The caller was **Roger Ailes**, who two years later become the founding President and Chair of Fox.

BRIAN & THE JUDGE



Brian Kilmeade



Judge Andrew Napolitano

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By Carl Marcucci

HD-2 formats: Where to take them?

One of the hottest topics in radio right now is the HD-2 formats. Should they be treated as brand new radio stations? How should they be promoted and cross-promoted? So far they're commercial-free and will be for almost two more years. Because such a small number of the listening public currently have HD2-capable receivers, PDs and The HD Digital Radio alliance are taking a cautious approach to the rollout, seeing what works and what doesn't. The goal, though, is to eventually get the formats right, along with imaging, spot loads, jingles, etc. and hype the hell out of them to get people buying the receivers. The current spots, however, from the HD Digital Alliance should concentrate MUCH more on the extra formats HD-2 offers than the clear sound and lack of static HD brings.

A special note to commend CC Radio's Format Lab, which is offering a big list of satellite-like formats free to anyone for HD-2 channels. One format in particular, "Undies Rock" (Underground and Indie Rock), with just a few sub-par songs pulled from the playlist, would bring in quite a few 18-49 listeners. Undie is the place people can go to hear all the new music from emerging artists—we think it should be brought to some of the main channels as well. If we tune in now to many Alternative stations (including DC101 here in the Washington market), 95% of all the songs played have been heard before many times. Stale bread. A song from an Indie playlist (including satellite and Internet broadcasters) won't reach DC101 for nine months to a year, typically. By then, it's old news to satellite and Internet listeners. Let's return radio to its rightful place in breaking new music—we obviously have the resources to do it.

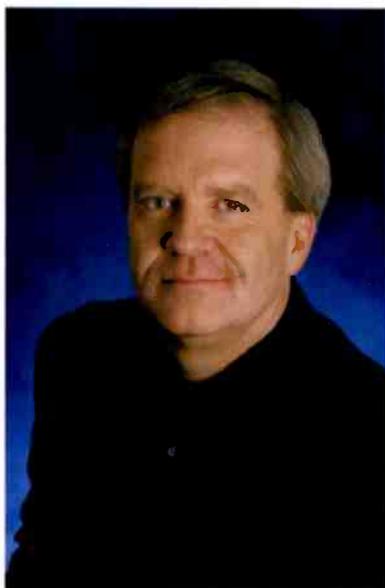
The first generation HD-2 receivers are still rather expensive and have some sensitivity issues. The average consumer doesn't know how to hook up and position the antennas necessary to get HD and HD-2 reception for every station. With analog receivers, listeners may hear a bit of hiss on some channels, but put up with it. With HD if the signal isn't strong enough it reverts back to analog. But for HD-2, there is just no HD-2 signal—it reverts back to analog on the main signal as well.

Aside from reception issues, however, we asked some of the brightest minds in the biz to comment on their HD-2 strategies.

Buzz Knight, VP/Program Development, Greater Media: The programming is being executed in a diverse manner depending on the situation. One of the most exciting models is WRIF2

which has developed its own staff of specialized "new blood" which programs very specifically to the target audience. It's not just a "let's just put together a bare bones type of sound." They've gone beyond that. Certainly the rest of Detroit has done that to some level, but RIF2 in particular.

The on-air promotion is at many different stages within our company. Because **Tom Bender** and his crew from Detroit have been up and running for much longer their level of sophistication with the execution of HD is far ahead of Boston and Philly.



Buzz Knight



Tom Owens

I think we all inherently believe that to go about trying to monetize HD2 formats in a typical way, similar to the main channels, will probably be the wrong way to approach it. We've looked at possibly that NPR-type of model where if we're monetizing something, it's going to be a much more low-key way and less traditional to what we normally do. Kind of like "this hour is made possible by..." Just a lower-key maybe less typically in-your-face, but strategized in such a way that it doesn't alter the environment of listening to these side channels. That's one of the things we're in an early stage of talking about.

How can HD-2 formats effectively compete with satellite?

By developing content that interests people and moves them in their local market. I think we as a company are more theorizing how to be developing that next generation of radio rather than how are we going to compete with satellite or iPods or whatever.

Tom Owens, EVP/Content, Clear Channel Radio: Our local stations determine their own method of HD programming execution. They have the option of creating the product locally which is what WHTZ (Z100) does in New York with its HD New Music and Artist Profile programming. Or, stations can utilize the services of Clear Channel's Format Lab created by more than 200 programmers and production personnel from within and outside of Clear Channel, who have had a lot of creative license, and a lot of encouragement to go outside the normal boundaries to develop unique programming. The Format Lab offers 75 channels of unique programming which can now be heard on over 100 HD stations and will soon debut on Motorola's iRadio phone. The Format Lab products can be localized to whatever degree the local stations feel appropriate.

Our HD channels are being actively promoted on-air and well as station Internet sites including online streaming of the channels allowing consumers to experience some of the HD products without radios. Clear Channel's Creative Services Group worked with format specialists on targeting the specific listeners of HD Radio and developed the nationwide "Are You Def Yet" HD campaign. It's an example of what can be done within

various formats to target the consumers' emotions when building a brand identity. Every HD-Ready CC station is aggressively promoting its HD Simulcast and sidechannel where available.

Through a series of market-specific teleconferences organized by **Peter Ferrara**, the HD Alliance membership reviews the format selections. This process advances diversity and restricts duplication. We will have 207 Clear Channel HD-2 sidechannels on air by the end of Summer. Each station will be unique and represent the diversity of programming HD Radio can provide a community.

Our agreement with the HD Alliance is at least two years of commercial free HD broadcasting. Reduced clutter is one of the four fundamental premises we will continue to use in marketing HD. Less clutter, subscription free, sonically superior, and local. It's easy now because there is no discernable audience and thus no revenue motive. But I believe as build a marketplace we will adhere to low clutter ceilings because we have seen the results of doing otherwise.

How can HD-2 formats effectively compete with satellite?

By presenting superior products and using existing terrestrial resources to accelerate the HD penetration rates. As HD Radios become widely available and price points bend down beneath one hundred dollars its reasonable to expect that our advantage in audience reach will dramatically compress the time it takes to eclipse satellite usage levels. If we continue to offer compelling subscription free and local product options in far less cluttered environments we should have all the selling propositions we need to succeed.

Dave Robbins, VP/GM, CBS Radio Chicago; Director/CBS Radio Digital Programming:

We discuss our options with local programmers in each market who know their market best; Then the HD2 formats are selected in coordination with the Digital Alliance. All of our HD2's (save for one in Phoenix and one on San Diego where we are placing the World Famous KROQ Brand on HD2), are being programmed locally by local Program Directors who are based in their respective markets.

These channels are being promoted on the analog stations, at retailers and promotional partners across the markets, as well as by the Alliance efforts. As this year progresses and more HD2's are put on air, look for increased promotional exposure in all markets. All formats are coordinated through the Alliance. With their help and our local programmer inputs, we have established an HD2 dial in each market that is unique, diverse, and compelling for the listener. Production elements are on air at launch and are maintained, freshened, and changed regularly by the local PD of the HD2 channel.

Marty Linck, PD, WVRV-FM St. Louis:

If the price point comes down significantly for in-dash car receivers and tuners in the near future, we have a chance to make this big. Once we have the HD2 format going, I am planning to promote the fact that there will be 14 new formats on HD radio (not just promote the fact that we're doing it). We are already running at least one sweeper per hour that promotes technology, whether it's our mobile website, HD radio, or online streaming.

Patty Martin, PD, The Drive Chicago:

I love the variety in the HD2 channels. There are some excellent and eclectic broadcasts being adopted by established terrestrial radio stations. It speaks directly to one of the complaints about terrestrial radio and pluses of satellite radio...and that is the lack of eclectic

programming, which has not been available on radio for decades. The Drive's Deep Tracks channel is a natural extension of our terrestrial approach, and fulfills the desire for a very vocal segment of our audience to hear more than just the mixture hits and deep tracks we regularly program. The HD2 channel (and internet stream) is there for those who occasionally want a steady diet of Deep Tracks. That 52,000 plus people stream Deep Tracks on a monthly basis, indicates that our HD2 channel will have an audience!

Ric Lippincott, PD, WILV Chicago:

HD Radio has hurdles. For one, on a cost vs. benefit equation, HD lacks compelling content. The large sticker price drives consumers directly to the bottom-line question of "why spend the money - there isn't anything worth paying that much to hear."

For another, HD is caught in a paradox reminiscent of years prior to the seventies when FM radio was largely ignored by AM broadcasters. What finally brought FM radio literally out of the closet wasn't new FM technology, it was compelling programming.

Similarly until real dollars are spent on compelling programming exclusive to HD, consumers won't see the need to spend money trying to hear it.

On the other side of the paradox; until radio sees consumers buying HD receivers, it's difficult to commit real development dollars creating programming for HD. The perfect Gordian knot: Alexander's sword being compelling programming—which typically comes at high cost.

WILV is running more than 100 commercials in prime for HD radio every month, 50% having an additional retail tag directing listeners to retailers who sell HD receivers. We're hopeful the heightened awareness these commercials bring will stoke interest in the medium.

Joel Grey, VP/PD, KPFX-FM Phoenix:

We are very excited about HD-1 and HD-2. 98-7 The PEAK launched the PEAK in HD back in the fall of 2005. However, at this point in time, there is only ONE outlet in Phoenix selling HD radios, Showcase Home Entertainment, and they just started selling them a few weeks ago.

We gave away Boston Receptor HD Radios in a weekend promotion before Christmas, and there was a lot of excitement from our listeners to win them. We soft-launched our Peak HD-2 '80s Channel in December 2005 and hard-launched it this past weekend with a "PEAK '80s Channel Weekend" on 98-7 The PEAK. We played all '80s music, gave away the Pure '80s #1s CD and all CD winners were qualified to win a Boston Receptor HD Radio. It was a great weekend promotion on The PEAK. We are also streaming our PEAK HD-2 '80s Channel on the PEAK website and promoting it quite heavily on The PEAK. This way we're giving them a sample of what the PEAK HD-2 sounds like before they buy their HD radio. Everyday the stream numbers grow for the PEAK '80s Channel.

We are running HD recorded promos 4-6 times per day. Our legal ID and some sweepers push HD, and we have four to six "live" HD liners per day. We are getting ready to launch promos for our PEAK '80s Channel HD-2 on The PEAK as well.

My take is that the audio quality is not superior enough on FM to cause the consumer to go buy a \$300 desktop radio or an after-market radio for their car. We do not have a multi-path issue in Phoenix, and our analog sounds very good. AM audio on HD Radio is different enough to cause excitement. The benefit of HD is the secondary channel HD-2. We can now offer our listeners a commercial free music "format" that is not currently available in our market. And it's FREE, after the initial radio investment.



It happens daily Radio déjà vu

By Lee Abrams

A day doesn't pass when the déjà vu between the emergence of FM back in the late 60's and the emergence of satellite doesn't rear its head. The similarities are astounding. I recall so clear when AM was dominant...and making a fortune. Doing so well that they couldn't see their own vulnerabilities. Fueled by the emergence of Stereo and a musical revolution that the AM programmers generally didn't grasp, FM quietly came out of the closet and within a few years put those AM music powerhouses out of business. Today, the FM guys generally don't see their vulnerabilities.

Recently I put a list of myths together that is only a microcosm of the intensity of revolutionizing, but symbolize the un-learning and re-learning necessary to move the radio listening experience forward:

THERE ARE GREAT FM STATIONS IN AMERICA. There are great call letters historically, but personally I can't think of ONE FM station that would be worth taping and playing to the XM Staff. There are some OK ones, but most really are doing nothing especially interesting, compelling or new.

YOU CAN MECHANICALLY MANIPULATE "TIME SPENT LISTENING": You can't. It's never worked. The best TSL device is simply having the kinds of listeners that love your station to the point where they listen a lot. It's all so simple: Create an amazingly cool station—and they will come. No need to complicate anything.

TRADITIONAL RADIO RESEARCH IS AN EFFECTIVE WAY TO BUILD A PLAYLIST: Research is smart...it makes sense...BUT—the 'traditional' terrestrial methods are clearly flawed. Every station does it—and most of these stations stink.

YOU MUST BE MAINSTREAM TO SUCCEED: Look at "mainstream" as a word. It's changing. XM AS A WHOLE is "mainstream." Classical, Jazz, AC, Decades and others contribute to a mainstream XM...often by being un-mainstream. There's a NEW MAINSTREAM of American culture, and it's the combination of a diverse spectrum of musical and cultural points-of-view. Beaver Cleaver is dead.

NON-PLAYLIST PROGRAMMING SHOULD BE PLACED IN SOFT DAYPARTS: If you have a special that really touches a nerve—hell—it should be in PRIME TIME.

ARTISTS NEED RADIO TO BREAK: The ultimate denial. They don't. It helps...but more and more there are other areas that can break artists. FM, old-line record companies and the tired old guard of the music business are holding things back—including us.

HAVING AN ARTIST DROP BY OR PHONE IN FOR AN INTERVIEW IS COMPELLING: Let me preface this with—It IS on a channel known for this or if the artist is certifiable. It ISN'T on a music channel. We can

think of better interaction than the clichéd old "interview".

PLAY THE POWER SONG AT THE TOP OF THE HOUR: Back in 1968, stations played news at :55 and wanted to "re-establish" the hour by coming out of news with a "power"...that didn't make much sense since they blew off so many listeners with their news, no one was left to hear it! Now—it makes no sense because :00 is nothing more than a given minute in the hour...nothing special about it.

LISTENERS WILL BELIEVE WHAT YOU TELL THEM. Not anymore. FM has lied and bragged to the point that music radio has little cred left. Best to just DO IT and if it's "the best music" they'll know without telling them that. We STILL have writing that is circa 1979.

YOU HAVE TO "SELL" LISTENERS TO GET THE POINT ACROSS: Yes of course, but sell on 2006 terms. The hard sell, radio speak, is amusingly behind us. It's all about intelligence and talking normally like YOUR listeners actually talk.

THERE ARE NO NEW IDEAS IN RADIO. Correct—that's why WE have to create them. Time to tear down the walls...burn the old playbook and create radio for 2006.

TUNE OUT IS BAD: Tune out paranoia is a key factor in the TOO-short lists, mindlessly written "statement promos," rapid fire DJ's who regurgitate liners with no real content, etc...The idea is to create a channel that is SO reliably "on it" that if anyone tunes out—fine—as long as they tune back in when they're in the mood to hear what you deliver.

THE PAST IS OVER: Yes it is—but there was a time when radio really was the soundtrack of the nation. You gotta look back a ways, but there's much to learn from radio's golden years. What we gotta forget is the consolidation era radio that's infected the FM dial. Radio CAN be magical—if we make it magical.

LISTENERS ARE SMART: Some are, but generally they aren't. But—a funny thing happens when you give them something intelligent—You raise the bar. I'm not talking about something elite and SO intelligent that it goes over heads...I'm talking about...smart. Intelligent. Something that doesn't dumb down, but reaches out and takes a listener to a new level.

SHOW NAMES MUST BE "MASS APPEAL": We create mass appeal. Look at the emerging airlines. It ain't Trans Global. It's Jet Blue, Jazz, Virgin etc...Or how about iPod, or Google. My point is that when we give content a name—It's OK to CREATE something that may not mean anything—until you deliver it. Then—it's the "cool name".

LOCAL IS IMPORTANT: Local radio is dead. It's irrelevant. For us we should be ALL OVER THE NATIONAL thing. Local radio is a quaint relic.

LISTENERS LISTEN WITH THEIR EARS: NO! They listen with their minds. Engage that listener's brain with sound. XM is a travel agency—taking people on sonic adventures.

BRANDING

No brand left behind

Consumers are taking their content on the go—brands need to be there with them

By Chet Fenster



When Fuji introduced its latest digital camera at the Consumer Electronic Show in January, its most innovative feature wasn't a higher mega-pixel sensor, a better lens, or even a bigger memory chip—it was the inclusion of a built-in video game. Specifically, a Galaga-style ar-

cade game that is beautifully rendered on the back of the camera's 3-inch video screen, a space normally reserved for viewing snapshots. It's a screen that sits blank most of the time, and someone had the thought, "What else could we use it for?"

The camera is a bellwether because these blank screens are proliferating in cell phones, PDAs, car dashboards, and portable media players. Unlike their larger siblings inside malls and supermarkets, these new screens are personal. They travel with the consumer. The question of what they will be used for is answered simply: entertainment. Who will provide it? That's a more complicated story.

At first glance, the logical provider of entertainment for this brave, new multi-platform world would be "Hollywood"—a term that encompasses the movie studios and television networks, regardless of location. They do programming! Arguably, they do it better than anyone else in the world. But Hollywood is in a quandary. Many networks and their studio suppliers haven't figured out who controls what rights, how to monetize original content on new platforms, or how to deal with their partners such as affiliates, producers, guilds, and home video retailers.

Popular network content has already shown up on iTunes, and new deals are constantly in the works; but the number of available titles is low compared to Hollywood's overall output. The market is in its infancy, and Hollywood is trying to move quickly. The world around them, however, is revolving just as fast.

At this very moment, millions of people across the country are creating videos, podcasts, playlists, blogs, and other forms of content to publish on the Internet. Through inexpensive technology and increased bandwidth, our society has the lowest barrier of entry to produce and distribute mass media in the history of mankind. As tools advance and citizen publishing expands, the volume of content grows exponentially. Noise and clutter become the unwanted side effects, but for the few voices that can rise above, a great power is unearthed. The world is literally at their fingertips.

At the same time, consumers have gained the power of choice in programming their new devices. Will they clamor for the latest video from Peoria instead of the Peacock? Perhaps. It now becomes the battle of better storytelling.

So where does the advertiser fit in this picture? Conventional wisdom would point to sponsorship: bet on both providers. 1) Wait for the net-

works to figure out their content plans and buy advertising or integrations as you would on their linear networks. 2) Support user-generated content sites, such as YouTube or MySpace, which gain momentum daily.

There is, however, a third plan – a better plan. Get in the game! It's a unique period in time, where brands have the ability to serve high quality entertainment to the consumers, take advantage of the current network/studio situation, and become storytellers in their own right. While clearly not a citizen producer, the advertiser does share the same advantage: a low barrier to entry. If a 16-year-old can create a film in his backyard and post it online, the implications for a brand are tremendous. Mass distribution has never been as easy or cost effective.

As networks and studios battle over digital rights for their shows, the advertiser is able to swoop in and provide great content to new devices that demand to be filled. The advertiser's biggest advantage is access to talent and production resources. While the media companies are struggling to adapt, the advertiser can hire the artists, actors, and craftspeople (who normally work in Hollywood) to create compelling content that the audience is craving.

By becoming content producers, advertisers can bypass the network system and be the direct supplier of branded entertainment to the consumer. As any good accountant will tell you, "Why rent, when you could own?"

With ownership comes pressure. The content has to be better than good... it has to be great. The advertiser now has to think like a programmer.

Imagine the possibilities for original concepts and brand extensions. Think back to America's most beloved advertising characters like Spuds McKenzie, Joe Isuzu, and the Dunkin' Donuts baker. If they were around today, their continued adventures could play out in long form on personal devices, engaging consumers who are so connected with the brand, they've requested to view the content. This level of entertainment and branding is possible.

As a bonus, after the programming is created it can easily migrate to other media platforms as the technology develops. Today's PSP download is tomorrow's mobile phone clip.

There are four key elements that will make campaigns like these successful: 1) Content must provide value. Every consumer needs to get something... even if it's a smile. 2) Being there early. Every device has limited software at its launch. When consumers are hungry for content, brands should have it waiting for them. Devices also tend to have limited memory, so the earlier a program is loaded, the better. 3) Offering the best quality. Hiring top level talent limits the risk on creative execution. The advertiser's competition is not another brand, it's a 16-year-old with a camera. 4) Staying authentic. It's a crowded marketplace, and no one wants to watch a "commercial".

Just as a painter walks by a blank wall and contemplates a mural, when an advertiser looks at a blank screen, or a new piece of technology, they must think about how to program it.

Chet is Managing Partner, Director of MEC Entertainment, part of global media agency Mediaedge:cia. He can be reached at Chet.Fenster@mecglobal.com

Syndication Today: Looking Beyond Traditional Measurement— Why Advertisers are Paying Attention to Clutter and Live Viewing

by Mitch Burg, President, Syndicated Network Television Association (SNTA)

Syndication today is a more compelling and exciting option than ever. Recognizing our content driven business model, first run programming now represents more than two thirds of our programming time and GRP's. This includes first run favorites with great longevity such as "Oprah", "Entertainment Tonight", "Live with Regis and Kelly" and "Access Hollywood" as well as new favorites like "Dr. Phil", "Ellen" and "Tyra". We believe in this first run programming and we do a lot of it with 260 original episodes of our entertainment news programming and 39 weeks of our talk, game, and court shows.

Syndication is also home to classic off-network comedies such as "Friends," "Everybody Loves Raymond", and "That 70's Show" and drama's such as "CSI", "24" and "Alias". These programs continue to perform with ratings that rank among the highest in all of national television.

While we're fortunate to have such quality programs as we come to this year's upfront, clients and agencies alike are looking beyond traditional value measurements and increasingly examining a variety of factors beyond ratings and shares. Two of the most important factors are advertising clutter and "live" viewing in DVR households.

Breaking through the clutter

At the recent AAAA's conference, **Jean Pool**, executive vice president and chief operating officer of the Universal McCann agency called clutter the saddest and stupidest thing we've done to our industry." These feelings are echoed in a recent Harris Interactive survey of senior marketers who cite clutter as the number one threat to TV advertising.

In response to these concerns, the SNTA conducted its second annual member survey of advertising and program content, which continues to demonstrate syndication's advantages.

The encouraging results of this survey show that syndication offers national advertisers more "A" and "B" placements. Syndicated entertainment news shows and sitcoms have more than 90 percent of their national units running in the "A" & "B" positions. The story remains strong for key syndicated genres, with almost 80 percent of national talk, game, and court units running in the A& B positions. Research shows that commercials running in short breaks, such as our exclusive national pods, have almost twice the recall of commercials running in pods with more than 7 commercials.

Syndicated Television offers short commercial breaks, and our average break, only two minutes and 11 seconds for Monday to Friday strips, is 9 percent shorter than last year. Even more compelling, syndication's "exclusive national breaks" now average only one minute and 24 seconds — less than three commercials in length — representing a unique, low clutter environment that's attractive to high clutter categories like automotive, telecommunications and restaurants.

In addition to its recall advantages, another byproduct of syndication's lower clutter is greater exposure of commercial messages. A recent

study by the AAAA's, ANA and Nielsen confirms that syndication retains more of their program audiences than network or cable program during commercial breaks — outperforming both network and cable across all key demographic groups, dayparts and program genres.

"Live" DVR viewership

By now, you've seen the reports that people buy digital video recorders (DVRs) to time shift and skip through the commercials. This is an area that is worthy of our attention, but I'm concerned that the Nielsen sample is so small that its accuracy must be questioned. Nielsen's projection of 700 DVR respondents in September equals just 21 DVR respondents for an average network primetime show — and a sample size for the average cable program that could be smaller than the number of people at your dinner table tonight.

If we're going to truly address the DVR issue, we need a better mode of measurement and the time to address that is now when 90% of the US is DVR-less!

With all that being said, Syndicated Television looks even better when "Live" viewership is considered. The SNTA just completed an updated analysis of Nielsen/TiVo research, which uses includes a more meaningful sample of nearly 9,000 DVR homes. This study, based on October 2005 TiVo household data, shows that 78 percent of syndication viewership consists of people watching "live" and consumers who are watching "live" can't skip commercials electronically.

Syndicated television programming continues to stand strong among national television options. Our quality, advertiser friendly, television programs deliver real ratings, high reach, and great value. We are a leader in branded entertainment and the tremendous number of originals that we produce provides the opportunity for more timely integrated communications messages. All of this is great already and we appreciate the support of advertisers and their agencies in using syndication. And as we've discussed in more detail, syndication becomes a more compelling choice to communicate with valuable consumers when we consider shorter commercial pods and live viewership.

The Syndicated Network Television Association (SNTA) represents television program syndicators, whose programs air nationwide on network and independent stations. Syndicated programming ranges from game shows to reality shows, prime access entertainment shows like Entertainment Tonight, Inside Edition, and Access Hollywood, talk and entertainment programs from Live with Regis & Kelly and Oprah to the Dr. Phil Show, late-night dating shows, courtroom shows like Judge Judy and People's Court, and off-network runs of hits like Frasier, Friends and Alias.

Members of SNTA are Buena Vista Television, CBS/Paramount Advertiser Services, King World Media Sales, NBC Universal Television Distribution, Twentieth Television and Warner Bros. Domestic Television Distribution.

Radio connects the dots for advertisers

By Deborah O'Rell

Marketers are challenged more and more each year with how to stand apart from the onslaught of advertiser messages that are bombarding consumers daily. In 1985, it was estimated that the average consumer was exposed to 650 advertising messages each day; that number is 8,000 today.

In the last 20 years the number of commercial television stations has grown by 50%. There are 70% more consumer magazines within the same time span. In the 1980's, the average number of channels available per household was 11. In 2004, it was 103.

Amid all that clutter, it's no wonder hot topics of conversation right now are engagement and improved measurement. As we go forward, radio's success is tied with how well, as an industry, we can prove to advertisers, that their return on investment in radio is solid. It is critical that the people meter is seen as the new industry standard going forward, especially as the industry begins its HD rollout, that we can provide some reliable form of measurement. That the radio industry has been laying its fates and fortunes on paper diaries, should explain to some degree, why the medium is often not taken seriously. People meters may not be perfect yet, but they will certainly provide more reliable measurement to advertisers who are demanding faster data about their customers and exactly how radio is being used. It is up to industrious, thinking marketing and sales people to use this new information to prove to advertisers how to use radio stations best to increase sales and top line revenue.

There are about a third more commercially licensed radio stations now than just 20 years ago. And that does not include public radio stations and all the new internet radio stations or satellite radio programming. Listeners aren't always certain what station they are actually listening to as proven by anyone who has gone to Maryland to read the diaries. People meters will have to give us a much better idea of reality. From here, radio stations will know better how to market to their core listeners. And advertisers will have much more current and reliable data on which to make their marketing plans and buys. There is no doubt that radio is a very effective marketing tool when used correctly. Many brands have been built on the backs of radio. One of radio's strengths is still its ability to emotionally connect with its listeners; to engage its audience.

On air talent has always been an integral part of building a successful radio station. People may come to the station first for the music, but it is the jocks that create the emotional connection. They help give the station 'personality'. Whether the stations would have been successful without the **Scott Muni**s or the **Stars** and **Buc Wilds**, no one can say. There is no doubt, though, that those personalities are a powerful conduit to their listeners. When done right a live read en-

dorsement 'commercial' does not sound like a commercial at all. To the listener it sounds like advice from a trusted friend. This exact theory was proven in last years RAEI Study. "Consumers see television and newspapers as being designed to satisfy the masses, but radio is where they turn to get gratification for the *personal* wants and needs." And when compared with television and newspapers "radio listening is a one-on-one and emotions-driven experience, and listeners believe that both the medium and its advertising are more *relevant* to them".

An advertiser seeking to engage with their customers would be wise to take advantage of those personalities. Additionally, much research shows the brain is its most suggestible just before we fall asleep and just as we are waking. The Journal of Advertising Research reported last year "that advertising information is acquired continuously from multiple sources, stored subconsciously in the brain, and then assessed and assembled on demand by the individual". What a great opportunity an advertiser has to air spots with station personalities talking with their listeners at those moments.

As consumers are becoming more and more in control of what messages they will receive, it would make sense for advertisers to take advantage of radio's ready access to these customers, not only with an on air presence, but also via station websites and street or event marketing.

Radio has instinctively, and for its own growth and survival, known how to hit the streets with their message. Whether it is at a concert or a van hit at a mall, if you 'build it', they will come. Radio has always known how to go out, one listener at a time, and shake hands, pass out t-shirts, run contests and award premium items from advertisers. They create

an emotionally connected environment and pass that implied endorsement to the sponsoring advertiser. It is within that environment that the take away message for the consumer is nurtured.

Radio stations and their personalities have the ability to move their audiences to action. There are numerous case studies and anecdotal research supporting radio's ability to draw crowds. Just look at what one or two radio station personalities in Los Angeles were able to do recently with their call to action to their Hispanic listeners. Radio is tribal in its ability to connect the meaningful dots together. Radio is the original word-of-mouth advertising.

Radio station websites are now the next generation of marketing tools at their finger tips. These sites are designed to be relevant, meaningful and sticky. They are supported with hundreds of on air weekly messages directing listeners to 'log on and stay with us'. Plus, radio stations have also cultivated opt-in mailing lists to use to pass along *relevant information* to their listeners. A savvy advertiser can use this to further their goal of relevant connection with their target audiences.

If we are to believe the ANA survey results that said 78% of advertisers who represent over \$20 billion in ad dollars are losing confidence in the effectiveness of television advertising, the time is now for radio to step up. Radio has the experience and the ability to engage consumers effectively.

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By Dave Seyler

ABC into Citadel is the Q1 story

We started keeping systematic track of broadcast station deals back in the Q3 2003, half of which included no dealing at all since the FCC imposed a trading freeze while it took steps to implement certain elements of its ill-fated 6/2/03 media ownership rulemaking. Naturally enough, that had as chilling an effect on station trading as it is possible to have. In that truncated selling season, only \$354M of dealing was filed at the Commission. Q1 2006 was the slowest quarter since then, coming in about \$18M shy of \$600M. Oh, except for one thing: The \$2.7B agreement sending the beachfront properties of ABC/Disney to Citadel. Add that in, and it was the second best quarter since the freeze. When one deal accounts for 82% of all trading value, we'd have to say that for everyone else in the industry, trading is on the slow side.

Station trading

Qtr	Deals	AMs	FMs	TVs	Value
Q1 2005	150	95	129	13	\$886,057,995
Q2 2005	158	86	173	9	\$627,585,775
Q3 2005	151	75	87	42	\$2,483,326,054
Q4 2005	113	88	143	19	\$3,365,567,974
Q1 2006	139	105	121	10	\$3,282,445,811

Trading tilted toward the boondocks

The chart below shows beyond any shadow of a doubt that the bulk of the station trading action remains in markets smaller than #100 and especially in areas untouched by Arbitron, Nielsen or Eastlan (and yes, if Eastlan is there, we count it as rated). It's even worse than it looks, since all 24 of the ABC stations were in the top 50 markets. Take them out, and the totals are 51 in the top 100, 153 in smaller markets, not that 83 to 153 isn't heavily slanted in its own right.

Quarterly station trading by market size

Quarter	Total Stns	Mkts 1-50	Mkts 51-100	Mkts >100	Unrated Mkts
Q1 2005	237	54	26	82	75
Q2 2005	268	39	20	67	142
Q3 2005	204	37	37	55	75
Q4 2005	250	69	34	54	93
Q1 2006	236	56	27	63	90

Radio off to a rip-roaring start...

...but once again, for most operators, it's all an illusion courtesy of ABC and Citadel. That deal, by itself, propels Q1 2006 into the lead since we've been keeping track in Q3 2003. The second-best

quarter is visible on the chart below, Q4 of last year. This is only the third time in 11 quarters when radio trading broke the \$1B mark. Radio trading only needs to add another \$760M or so over the final three quarters to beat the 2005 total.

Radio only transactions

Quarter	Deals	Stns	Value
Q1 2005	139	224	\$519,007,995
Q2 2005	150	259	\$560,473,803
Q3 2005	132	162	\$481,196,053
Q4 2005	105	231	\$2,301,767,974
Q1 2006	129	226	\$3,103,495,811

Meanwhile, over in TV land...

There was a whole lot of snoozing going on over on the television side of the broadcast divide. There were only 10 deals, and all of them were singletons. Two over them were for less than \$1M, well below the normal going rate for a television station (one was a tiny-market LMA'd station and the other was in bankruptcy). This situation will not be repeated in Q2, which of course is not yet in the books. But we know that one of the first deals filed, for KDOC-TV in Los Angeles, almost matches the Q1 total by itself, and by mid-April, the Q1 total has been easily eclipsed.

TV only transactions

Quarter	Deals	Stns	Value
Q1 2005	9	13	\$367,050,000
Q2 2005	8	9	\$67,111,972
Q3 2005	19	42	\$2,002,130,001
Q4 2005	8	19	\$1,063,800,000
Q1 2006	10	10	\$178,950,000

Cumulus offers to buy back a quarter of its stock

Emmis Communications had such success with a Dutch auction stock buyback last year that Cumulus Media has decided to try the same thing. What's missing, though, is the 20%+ premium that Emmis paid over what its stock had been trading at prior to the tender offer. What Cumulus CEO **Lew Dickey** and his board are offering is just an 8.1% premium to the pre-offer closing price at the high end of the potential range of \$11.00-12.50. In a Dutch auction, the buyer pays the lowest price at which it can acquire all of the shares sought, with everyone to be paid the same—but those who had insisted on a higher price left out.

In conjunction with the Cumulus tender, Bank of America Capital Investors, an original investor in Cumulus some nine years ago, will sell the company a portion of its stake. All in all, if the tender is successful, Cumulus will buy back about 30% of its outstanding shares for up to \$200 million.

RBR observation: We don't look for Cumulus to raise the offer, since the BofA fund has already agreed to the terms for selling back its shares. So, the tender is likely to run its course and Cumulus will buy back whatever shares it can. Afterward, the company can resume buying shares on the open market with its free cash flow.

By the way, Lew Dickey has something else in common with Jeff Smulyan. He and his three brothers won't be buying a Major League Baseball team either. They did not win the bidding to buy the Atlanta Braves from Time Warner, although Lew thinks the likely winner, Liberty Media (in a larger swap of cash and assets with TW), will put the team up for sale again in a few years and the Dickeys will be back to bid again. Unlike Smulyan, the Dickey brothers did not include the public company, Cumulus, as a part of their baseball bid.

War of the wallets for Univision?

Most people, when they have a taste for Mexican, head off to their favorite local eating establishment. But Microsoft multibillionaire **Bill Gates** isn't most people. He has linked up with Mexican telecommunications giant Televisa to form an investment group interested in taking over America's leading Hispanic media operation. Televisa already has a stake in the company, and provides much of its television programming. For Gates, it's an excellent way to enter the broadcasting field, in which he is reputed to have a long-standing interest (he already holds a small stake in the Fisher group). Pockets do not get any deeper than those of Gates, but Univision honcho **Jerry Perenchio** may have the best thing an owner contemplating a sell-off can ever hope for: competing serious bidders. According to the Wall Street Journal, Texas Pacific Group, Thomas H. Lee Partners, Madison Dearborn Partners and Providence Equity Partners are banding together to consider an offer for the group. \$12B-\$13B could change hands before this one is over.

TV dealing starts to take off

Telecom 1996 was a big dereg present to radio. Since then, television has been waiting for its turn. Former FCC Chairman **Michael Powell** tried to come through in 2003, and even though his attempt at loosening both national and local caps didn't go as far as many in the industry wanted (largely leaving hurting small market owners out in the cold), it looked like it would nevertheless open the doors to a station trading boom.

There were three major components. It would have allowed big owners to add markets by upping the national audience reach cap to 45%. It would have greatly increased the number of markets where a two-TV combo would exist and would have made possible a triple-header in the largest markets. Finally, it would have opened the door to cross-media radio, television and newspaper clusters.

The Third Circuit Court torpedoed Powell's plans, sending them back to the FCC for reconsideration. His successor, **Kevin Martin**, has stated publicly that he wants to tackle cross-ownership dereg first, but he is still awaiting the arrival of a third Republican vote.

It looks like the market is loosening up anyway. Raycom buyout last year of the Liberty television portfolio, led to its own round of portfolio weeding and pruning. The major beneficiary is up-and-coming Barrington Broadcasting, getting 12 stations in nine markets for \$262M. NBC Universal also engaged in some portfolio polishing, allowing Media General to add four markets just below the major league sports level. And there's more dealing to come. Media General has a quartet of its own stations on the block. And singleton deals have picked up.

TVBR observation: With Sen. **Byron Dorgan** (D-ND) on the Hill ready to push back against any FCC deregulatory action, it looks like ownership is accepting that the current regulatory climate figures to remain in effect for some time to come, regardless of Martin's intentions.



Radio & Television Business Report

June, 2006

Volume 23, Issue 6

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

Annual Memberships

RBR/TVBR Magazine\$89
RBR Epaper\$108
TVBR Epaper\$108
Media Mix\$89



Cover Art Credit:

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