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Systems providers: 2007**

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Revenue Management
Systems providers: 2007

In our yearly update on Revenue Management Systems, we've asked just about everyone in the business to discuss their latest product upgrades, along with addressing a lineup of important issues agencies and broadcasters are concerned about. We also spoke with Larry Keene, President of TDGA/Traffic Directors Guild of America for his insights. This year, TDGA surveyed a cross-section of their 5,000 members in order to pinpoint the "consensus" of concerns, needs or features they believe they will need in the next few years from their Traffic Software Systems.

Cover Art: RBR/TVBR/MBR Publisher Jim Carnegie & Cathy Carnegie, VP

The original two-person team of RBR, and today they look forward into 2008, celebrating the company's 25th year—Silver Anniversary and still independently owned. 2008 is the year of electronic communications for us: it's the methodology of choice, as 'Technology Waits for No One.'

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At the stroke of midnight

12/31/07 we shout "Happy New Year 2008!" Let me be the first to say now Happy New Year, as the new two-year business cycle has already begun. The 2008 clock is ticking right this second. RBR/TVBR has stated this numerous times, "Technology Waits for No One." PPM and LPM are rolling, gathering real time data. Therefore, I am not waiting for the New Year's baby to arrive to bring forth our electronic improvements.

Right now, TODAY, RBR/TVBR goes completely electronic. We will cease printing SmartMedia magazine with this December '07 issue. We are no longer paying alimony to the US Postal Service and we will save a tree by not printing paper. The content in SmartMedia will be delivered electronically in Friday Biz Info Reports. You will control and print the informative on your color printer. YES! Permission granted to forward to your staff and clients at no charge.

This is the 2nd time in 25 years I have had to make this hard decision. The first time was [07/08/02 RBR Epaper #1](#). Then 19-year-old RBR was a weekly mag. It ceased appearing in print and went daily, electronically, as the now-familiar RBR Morning Epaper. Back then my colleagues thought I had lost my mind. This time the decision was easier. At the NAB Radio Show in Charlotte I saw executives carrying their hand-held devices — and knowing how to use them! And I saw the trade publication bins - mine and everyone else's - overflowing, as nobody was picking up anyone's magazine or newspaper. Nobody brought extra luggage to take all that paper back home. You, our readers, are online. We go where you are.

In 1983 RBR began as a simple six page monthly radio business newsletter banged out on a very old beat up 1968 typewriter then printed at a quick neighborhood print shop. Our first full year of publishing was souvenir year 1984 when I promised my wife, Cathy, if we did not make a profit I would find a job back in radio. Well, December 31, 1984 we looked at the check book with a balance of \$49 plus change and the first words out of Cathy's mouth were, "Well babe, looks like we go another year" and the rest is history. Valuable history which is all archived.

RBR morphed from print to electronic delivery on July 8, 2002 and on October 18th that year TVBR was introduced. From 1983 to beginning our 25th year we have experienced many improvements but 2008 is the year of electronic communications, the methodology of choice and demand.

In the '80s and '90s and into 2000, printing a media trade served its purpose, but right now any media trade, and you know who they are, that are still in a 52 week paper print schedule will be in deep doodoo as there is no oxygen left in that space. Some of those trades are being rushed right this second to an emergency room but it will be too late and they will be pronounced DOA in 2008.

What you will receive 100% electronically:

1. RBR or TVBR Epaper: 250 issues a year at 7:30am sharp Monday-Friday, with Observations.
2. MBR afternoon update: 4:30pm sharp with a tweaked design.
3. RBR/TVBR Friday Intelligence Briefs: (content printed in this magazine) now delivered 9:00am sharp with information, ideas being put to work right now, and solutions to key broadcast and media issues.
4. RBR.com & TVBR.com website: Our new Internet site is up and running. It will take time to populate 25 years of content and archived history, but be patient as it will be accomplished. Our goal is to be interactive, with not just news but information to help all run their businesses better, Useable, Creditable, Reliable information and data from RBR.com and TVBR.com.
5. Software: Improvement also brings Software Upgrading. You will be notified to perform a simple and painless task of filling out fewer boxes and submitting it to our Mail Server. Then you are solid in our system for another three years.

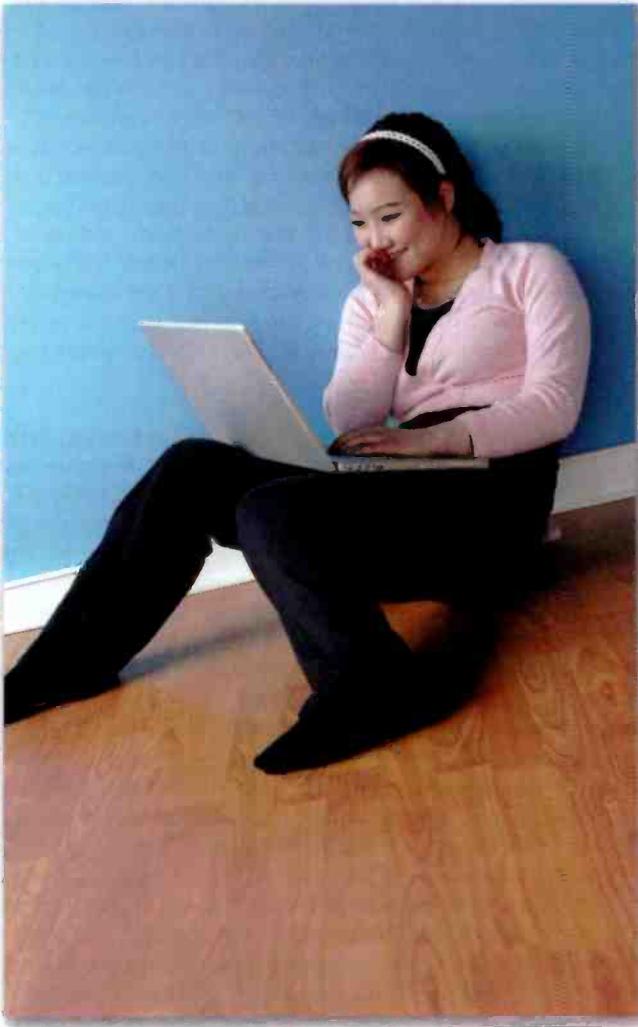
Lastly, to those broadcasters over the past 24 years that have supported our efforts starting with our 6-page newsletter right up to today, Cathy and I say thank you very much. When we wish all a Happy New Year 2008, we will turn 25 years young, our Silver Anniversary. The RBR/TVBR Team will celebrate every day by delivering the best content possible. You have known this and depended on us for the first 24 years. As we begin our 25th year, the best is on the way as "Technology Waits for No One."

Jim & Cathy Carnegie



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Battle of the Revenue Management Systems providers: 2007

Several traffic and revenue software vendors have started using the term "Revenue Management Systems." So, in our yearly update on Revenue Management Systems, we've asked just about everyone in the business to discuss their latest product upgrades, along with addressing a lineup of important issues agencies and broadcasters are concerned about. We also spoke with **Larry Keene**, President of TDGA/Traffic Directors Guild of America for his insights. This year, TDGA surveyed a cross-section of their 5,000 members in order to pinpoint the "consensus" of concerns, needs or features they believe they will need in the next few years from their Traffic Software Systems.

The participants:

Eric Mathewson, Wide Orbit CEO
Dave Scott, RadioTraffic.com CEO
Pete D'Acosta, Marketron's CEO
Sharon Blankenship, VIERO CEO
Mary Blair, Business Systems Division Manager, VCI Solutions
Dave Cole, Specialty Data Systems President

We're seeing an increased interest in online or remotely accessible traffic data. This ranges from avails, copy instructions, sales reports and the entry of order information by sales reps. What's new or planned for remote access to your system?

Mathewson: WideOrbit has offered remote access to all system data over secure encrypted web services since our initial product launch in 2001.

Scott: RadioTraffic.com includes secure Internet or VPN remote access for all functions (and always has since serial number one).

D'Acosta: Marketron has been delivering applications remotely since 2000. Today, more than 3,500 users of Marketron Traffic and Visual Traffic operate remotely via secure internet access through our Hosted System Platform while many others access their applications via Wide Area Networks or Virtual Private Networking (VPN). Having access to their data anytime and from anywhere is something that our clients require and our products support.

Blankenship: Currently we support remote access to Radio Fusion™ (CRM/sales automation), Best Rate™ (rate and yield

management). And MERS™ enterprise reporting AE's can enter proposals, check rates and avail information from virtually anywhere. Sales management has access to inventory and revenue reporting as well as pricing information through secure web interfaces allowing for instant access to all of their reporting needs. VIERO RMS™ offers remote access through Citrix as well as providing a hosted environment for all of our software tools. Our newest prototype, Mobile Fusion, is a PDA version of our sales tool that will literally put critical avails and pricing information in the hands of sellers anywhere.

Blair: VCI's traffic system already has remote capabilities for all of the above mentioned functions, and has several customers currently performing the above job duties remotely.

Cole: Using SDS, all areas of the operation, including Programming, Traffic, Sales, Accounting and Upper Management (CFO, GM) can work anywhere and anytime via internet. With SDS, the office with an actual desk is not a requirement as paper is not a requirement. SDS will reduce the paper costs of any station.

Are you undertaking traffic controls for websites, streaming, or the many new forms of NTR that involve actual scheduling, control of start & stop dates and billing?

Mathewson: WideOrbit has offered NTR billing and integrated order entry for several years. We are working hard to add additional functionality to this important area.

Scott: Yes. RadioTraffic.com schedules ads, manages start/stop of copy versions and does billing for websites, streaming and virtually all NTR functions. We can handle web and/or NTR with or without radio station ads.

D'Acosta: We are in the final stages of developing advanced functionality to support the new revenue opportunities available to our stations (streaming, digital overlays, podcasts, scrolling text, web ads, pre-rolls, etc). Our tools will allow the station to create instructions for the web or non-airtime event, manage the types and quantities of inventory, and create either combined or individual invoices for an entire campaign. We have developed extensive reporting and auditing tools that include sales projections, sellout levels, campaign results and proof of performance affidavits. More important, for the 100s of stations currently challenged by working in two separate systems, our solutions will allow stations to return to a single order and a single invoice for all revenue streams. ▶▶

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*Percentage of those surveyed answering highly or extremely satisfied.

TRAFFIC SYSTEMS

Blankenship: We are currently developing a CRM tool which utilizes the transACT platform and allows for streaming CPM buys and terrestrial orders to be created based on real time avails. With the click of a button, this system will deliver all order details, audio and banners to multiple stations within a market or multiple markets within an enterprise. This system will also provide reporting against fulfillment status, i.e. current Gross Impressions, click-throughs, etc. In addition, the inherently flexible VIERO® system accommodates virtually any NTR need.

Blair: The VCI traffic system currently provides the functionality for entering, revenue tracking, and billing web and/or new forms of NTR. This has been in place since 2006.

Cole: SDS is already handling NTR for websites, streaming, and is designed to handle new forms of NTR, including the ability to report on such revenues already built in.

Radio & TV Stations are both reporting copy revisions hitting double-digit changes on a single campaign. Agencies feel discrepancies are out-of-control, while Stations say agency order revisions and delayed decisions on makegoods (due to copy revisions) are responsible for the bulk of these "discreps." Have you included or do you plan to include stronger controls to resolve the growing complaints over discrepancies?

Mathewson: In 2002, WideOrbit authored a copy/material xml standard that we adopted by TVB and AAAA's. Since this time, WideOrbit has been closely monitoring the work that has been progressing for incremental standards. We are starting a pilot BXF project with one of our large clients. Our customers will see increased efficiencies and reduced discrepancies when directly ingesting copy instructions rather than manually interpreting them.

Scott: The RadioTraffic.com Copy Commander integrates seamlessly with air studio automation to smoothly handle copy changes. RadioTraffic.com audits the coordination between log schedules and production so potential problems can be prevented. Therefore, discrepancies are at a minimum. Note also our companion system, EmailMyTimes.com, airchecks the station and puts addressable recordings of spot clusters on a secure Internet site. Any advertiser or agency merely clicks on the time of their spot on the PDF or Internet version of the affidavit to hear a recording of their actual spot (plus any desired lead-in and lead-out).

D'Acosta: Further advancement of EDI standards will help greatly in this area. The electronic transmittal of orders complete with their creative media and media instructions will reduce input errors, discrepancies and finally complaints. By creating a less complicated exchange of information, one that is instant and confirmed, we will greatly improve the relation-

ship between buyers and sellers.

Blair: VCI has made several efforts to include stronger controls for discrepancies such as robust audit tracking of late copy revisions and additional reporting capabilities. If and when the industry looks to standardize copy instructions for purposes of electronic entry, VCI is prepared to support this in our system.

Cole: SDS already has powerful controls in place that are designed to reduce the number of "discreps". In practice, "discreps" are virtually non-existent on the SDS system. Our copy module is extremely unique and once you experience it, you won't be able to live without it.

Do you see this instant change of orders and/or copy revisions leading to a demand for what many are calling "live logs"? (Where spots can be re-scheduled on a same-day basis; or midway through a broadcast day?) If so—How close are you to a "live log?"

Mathewson: WideOrbit has been closely monitoring automation integration standards. Again, we are starting a pilot BXF project with one of our large clients and our customers will shortly see value in day of air order and copy revisions originating from the traffic system (rather than the automation system).

Scott: Since day one, RadioTraffic.com has been capable of delivering a "living log." Changes of all kinds can be made in schedules up to just before air time. All changes that can be accepted by a station's studio automation are seamless from RadioTraffic.com.

D'Acosta: I think that the actual 'live log' concept is good in theory, but the reality is that our radio stations insist (as they should) on retaining control of what goes out over the air. This means that some degree of lead-time or established deadline for order and creative changes will always be required. That said, we still make sure our users can handle whatever changes are needed. All Marketron traffic systems use a process that allows for last minute changes such as copy revisions and spot insertions to occur live in the automation system. The traffic users then have the ability to automatically accept or reject, and report on those changes during the reconciliation process.

Blankenship: It's being done now! VIERO and NexGen offer near-real time "aired" verification interface via our VIERO transACT platform which creates new money-saving options: know that a spot missed within 5 minutes of its scheduled air time and reschedule it within the same daypart. Our VIERO transACT platform has the capability for those last minute copy changes, and we are now working on the user front ends that will enable it.

Blair: VCI has seen the demand for producing "live logs" and has implemented these features for key clients over the past few years.

Cole: SDS has had "live logs" for four years with the controls ►►

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built in to ensure that reconciliation occurs without errors. Time is finite. Better to modify the same day's log rather than handle the changes the next day in reconciliation.

With TVB about to launch ePort for Television and EDI for radio emerging in so many slightly varied designs? How do you assure your clients you'll be able to match whatever standards the radio or TV Industry finally establishes?

Mathewson: WideOrbit has the most recently built traffic system in the broadcast industry. We have consistently demonstrated our ability to rapidly respond to client demand for advanced features.

Scott: RadioTraffic.com guarantees to provide all EDI formats desired by customers, including all future updates. RadioTraffic.com automatically updates our software every time our stations have an Internet connection. This may not be as big an issue as some might make it out to be. Most of the designs match AAAA recommendations and will look virtually the same to the computer software that will process the EDI.

D'Acosta: We are just finalizing our plans to launch a translation portal that will sit at the front of all of our Traffic products. This portal will accept any order, in any format or standard, from any sender. The orders will be sent directly into the appropriate traffic system without manual intervention. Once in the traffic database, station users will be able to review and approve each order electronically, complete with confirmation of receipt to each sender. Invoices will follow the same data pathway using our translation portal to return invoices in each sender's required format.

Blankenship: We are active members of Cross Media Invoicing, Radio Order Schema, RAB and AAAA's. At LAN we've built our reputation on helping customers manage their revenue in a dynamic business environment.

Blair: VCI has been working diligently with their partner vendors to provide support for the TvB ePort initiative. In particular, VCI's work with OneDomain is already complete and will provide their common clients with support for the transactions announced for Nov 1st delivery.

Cole: SDS already supports EDI for Television and Radio. Our software is designed with the flexibility to support changes to standards within the same broadcast month.

Auctioning of leftover inventory through 3rd party discounters is controversial. What's your status on features for filling-in unsold inventory from these 3rd party purveyors?

Mathewson: WideOrbit will be integrating with many 3rd party 'exchange' or marketplace system in the future.

Scott: While I still owned Scott Studios, I developed the technology purchased by dMarc and Google. Needless to say, RadioTraffic.com works well with all unsold inventory delivery techniques. When those guys update, we'll update also.

D'Acosta: We believe that what makes the ▶▶



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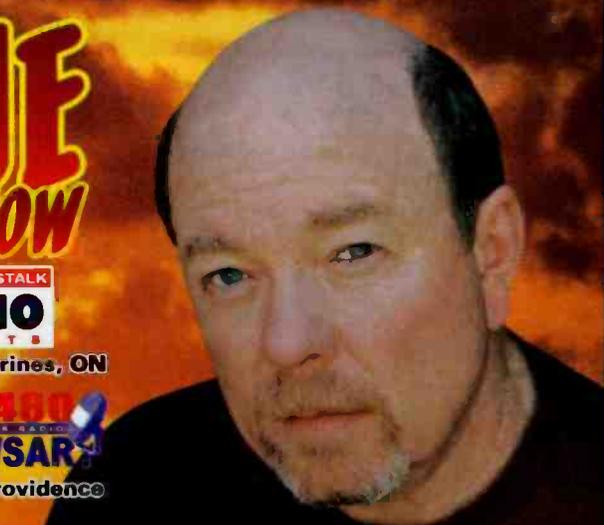


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TRAFFIC SYSTEMS

remnant space controversial is the lack of control given to the radio station. Stations and groups need to have final approval over the price of inventory and the spots that air. We are working to provide the tools that give these controls to the station. The Marketron solution will allow stations or groups to electronically post available inventory for all buyers. The pricing for this inventory can be negotiated by the seller, and the orders can be accepted into the traffic system electronically without additional manual input. Station approvals, confirmations and invoices will all be returned electronically.

Blankenship: We are a pioneer in the field. We are the first traffic system to interface with Google AdSense for Audio and RCS NexGen to provide the ability to sell dedicated and unused inventory for a station, market and an entire enterprise. VIERO transACT, can be used for electronic transactions for dedicated inventory as well as on demand and remnant buys to an expanded pool of advertisers and the results are visible in the VIERO traffic system as they happen. It's a structured form of communication which also enables customers to easily process all types of media buys – Internet CPM, terrestrial and national – from virtually any location. Throughout the process the platform assures fulfillment with real-time spot insertion and verification.

Blair: VCI does not have an opinion on this subject as this is really a station level decision to handle their inventory this way.

Cole: At SDS, our primary focus is on enhancing the value of our clients' inventory, therefore, we are not looking for new selling approaches that would commoditize their commercial inventory. More importantly, our clients are not currently asking for such functions.

The 2008 election and the abundance of primaries and caucuses in the coming months obviously raises the question of your readiness for LUC or LUR for stations? What's process or features do you offer to insure an easy method for stations to determine their lowest unit rates, especially taking bonus spots into account?

Mathewson: WideOrbit has advanced features to painlessly comply with Political LUR.

Scott: Calculations are automatic in RadioTraffic.com. Also, one can click on any line item in any of our reports (including LUR, etc.) to drill down into ALL the ingredients in its makeup.

D'Acosta: Marketron systems offer reporting tools which can help stations not only determine LUR, but also identify orders which may be exempt from inclusion in the calculations. We allow classification of different order and revenue types as well as extensive filtering by both time and spot rate parameters.

Blankenship: The extensive selection criteria and filters within our Reporting suite allows for detailed and customized reporting for just such analysis. Once classes of business are defined, generating a report which provides this rate literally takes only a minute. The report can also be exported to Excel and kept in your political public file.

Blair: VCI's traffic system has real-time detail inventory and reporting to minimize the time and effort spent in calculating LUR, in addition to specific LUR reports our customers have real time access to.

Cole: The SDS Reports module already includes the ability to determine a station's LUC or LUR. ■

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*According to Talkers Magazine

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NOW OVER 240 STATIONS

RANKED 8th LARGEST SYNDICATED SHOW

*According to Talkers Magazine

The **Rusty Humphries** Show

WISHES TO THANK

NOW OVER 200 STATIONS

RANKED 9th LARGEST SYNDICATED SHOW

*According to Talkers Magazine

The 2008 radio upfront: more and more about digital

Here in Part II of our annual radio upfront series, we asked top media agency buyers and network radio sellers for their take on the 2008 network radio upfront, along with noting the big issues driving dollars. What's hot right now with networks and personalities; what ad categories are hitting? What about digital media spend—how are sellers adapting their offerings to keep the dollars as much in house as possible? And lastly, how are the elections moving the needle?

Hot categories for the upfront

What categories of advertisers are coming to, and leaving, network radio as of the past few years? Most say home improvement and retail are spending heavier than previous years but many are relying on specific day and dates rather than full rotations. Areas that are expected to be down are consumer products like J&J and P&G, according to **Pat McNew**, PHD EVP/Local Media Network Director of Operations.

Mike Connolly, SVP Sales, ABC Radio Networks, supports this from the sales side: "The home improvement category, in particular, is expanding as The Home Depot's strong presence and strong results have competitors taking notice and joining in. Categories we have seen pull back lately have been OTC and packaged goods."

Maja Mijatovic, Horizon Media Director of National Radio, notes retail is up, but automotive is down. "That's really based on the state of automotive industry; pharmaceuticals are almost out because of recent rule and regulations—:30 not long enough for messaging. Some Entertainment clients are moving some dollars from national to local—simply because they are getting more value added locally and this is almost impossible to address on national side."

Says Dial-Global President of Sales **Eileen Decker**: "The retail and tune in categories continue to be strong and growing. As the network radio industry continues to take advantage of various technologies we are becoming much more user friendly to these type of advertisers."

As well, **Susan Love**, VP/Sales & Marketing, Jones MediaAmerica, says Jones MediaAmerica has seen a tremendous resurgence of the now-stable dotcom business using network radio to drive people to their websites. The only significant decreased use of the medium has come from those advertisers trying to reach a very young audience.

Pearl Kim, Supervisor, National Broadcast, Carat USA, believes new retail advertisers could be part of the upfront this year: "They may have

been buying spot radio in the past but are taking advantage of the efficiencies in network radio."

Agnes Lukasewych, VP, Account Director Radio Broadcast, MPG, cautions now that housing market has changed and mortgage companies have big challenges, there could be a substantial decline in the financial category. She adds, "Retail business seems to be remaining strong, with new chains coming into the upfront. Believe cars are holding steady as well."

JL Media's SVP/Director of Broadcast Services, **Rich Russo**, thinks the DR guys are having a field day, and wouldn't be surprised if "PI rears its ugly head soon."

Matt Feinberg, SVP/National Radio, SVP/Director, Interactive Broadcast, Zenith Media, noted they are not seeing one particular category come in or out. However, "We are seeing brands come back in slowly which is interesting as I believe it is partially a reaction to the ROI and labor involved in digital media."

What's looking hot for '08?

Which ad networks and syndicated products are likely to be hot for the upfront and why? The RADAR properties are always hot, but Lukasewych notes syndicated personalities/shows that can be integrated on cross platform vehicles are typically better able to create a stronger brand association which might be viewed as more desirable. Kim says some Urban properties like **Steve Harvey** are doing well in the ratings. Mijatovic tells us Talk properties, female skewing networks as well as broad adult ones, will be hot and McNew says its live Sports and ethnic, especially Hispanic. "Also due to the politics in 2008, talk programming will be hot," he noted.

Kim Vasey, Senior Partner/Director of Radio, mediaedge:cia, says there's always a struggle for good solid female targeted networks and Premiere Radio Networks has very good networks for women: "Unfortunately, they have very little inventory to sell to the industry. We've got several accounts with women targets and it's always a challenge to get a significant amount of inventory. There's not a whole lot of new 'hot' programming."

On the sales side, Decker says Dial-Global's networks continue to enjoy the # 1 RADAR ranking with their DG Complete FM against AD 18-49. "We have 2 of the top 3 networks, DG Complete FM & DG Contemporary in many key demos - AD 25-54, WM 25-54, AD 25-49, WM 18-49. I foresee a high demand on our talk programs due to the upcoming political year." ▶



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Connolly says that due to its continued population and ratings growth, ABCRN expects their Hispanic properties to do well. "Also, we expect our Talk properties to have a strong year due to the elections, particularly **Sean Hannity** and **Mark Levin**. And our sponsorship-driven sports properties should excel as well."

"We are thrilled to be able to offer our two new RADAR networks for the 2008 upfront as well as our Music Data and Media Monitors nets, our very popular talk-show hosts such as **Neal Boortz**, **Ed Schultz**, **Clark Howard** and **Kim Komando**," said Love.

Digital media spend and network radio

You can't pick up an industry newsletter or paper today without seeing an article about the explosion of dollars going into new media. Clearly, the increasing digital media spending has impacted all traditional media spending. Love has seen the most effect on their youth-oriented advertisers—candy, gum, soft drinks, health & beauty aids used to be huge network radio users. They still use the medium but to a lesser degree. "However, some formats like personality radio and our NFL/NCAA football and NASCAR do not seem to be affected by internet spending at all," she said.

Recently, we've seen a lot of press about online media spending surpassing traditional radio broadcast as well. "Despite this radio has been able to keep a fairly consistent share of advertising dollars," explains Vasey. "I know the industry is always looking to grow its share. Radio broadcast groups must be very aggressive in making clients aware of their digital platforms."

"That should come as no surprise as marketers struggle to target consumers in a Starbucks society driven by choice and individuality," notes **Glenn Felty**, Stratus Media CEO. "However, I believe the diversification of advertising budgets to online media can be complimentary to traditional network radio. Studies, such as the Harris study by RAEL, have already shown the powerful compliment of radio and online – that the combination of one internet ad and one radio ad is exponentially more effective than two internet ads in creating brand recall. I think very few advertisers have tapped into the power of 'radio plus online'. One of the hurdles, of course, is bringing network radio and interactive departments together at the agency in order to combine budgets and leverage both mediums. What we have seen lately is a rush to online, especially with the flurry of acquisitions in the vertical integration of technology, ad agencies and media. There is still a tremendous amount of education needed industry-wide on bringing new media and old media together."

Connolly states that nowadays, it's rare they get an upfront request that doesn't include a multi-platform extension. "We are continually looking to both improve and add to our offerings, whether it be programming, online streaming, online promotions, wireless and podcasting. Clients want to be wherever listeners are."

Love says Jones MediaAmerica's portfolio of cross-platform opportunities include NASCAR/MRN; NFL/NCAA Football; The Money Pit, Kim Komando, Lia and others. "With our foray years ago into internet radio and innovative online product On Ramp, JMA has been involved in integrated media selling for years."

Gary Krantz, Westwood One Chief Digital Media Officer, says his company is in a unique position to create extensions in a variety of distribution platforms for existing content, as well as creating very specific "verticals" in entertainment, traffic, and news: "Over the past year, we have demonstrated this on both the Westwood One and Metro side of our businesses.

We launched the Dennis Miller Show simultaneously with DennisMillerradio.com and offered it on Mobile phones via a subscription based model. On the Metro side, we deliver an online traffic mapping application called Realtraffic, which currently deployed on radio, television and newspaper sites, and, Metrowebnews a customized, localized online news service for station websites."

Eric Ronning, managing partner, Ronning Lipset Radio, says it's interesting that for the first time network radio has gone up 3% in the growth year to year. "We believe that online radio has had a major impact in increasing that spending by radio supporting clients."

Kim noted that since Carat buys online radio as part of their network buys, they haven't seen any negative impacts in the overall network radio spend. "However, with a lot more options like podcasting, web tie-ins, text messaging, and satellite radio, the budgets are being sliced thinner."

Jennifer Lane, President of Katz Net Radio Sales, says advertisers are looking for ways to interact with their audience and network radio, like other forms of traditional media has had to step up with new ideas to make their media more engaging. Buyers are adapting and updating their perception, and offering network radio advertisers options that broaden "radio" to include all forms of digital audio.

Indeed, Lane's thoughts were recently borne out, with the Triton Media Group/Oaktree buy of Excelsior/Dial-Global/MJI forming one of the largest network radio and digital media ad platforms in the US. Remember, internet advertising is the #3 billing category in network radio so far in 2007. Oaktree, Google and eBay are gravitating to the network radio business largely because they're realizing it is a powerful mechanism to drive audience to websites.

As well, **Gary Stone**, Univision Radio COO, told us that during their upfront presentations this year they showcased how they can cross-leverage Univision's Radio, TV and online assets to deliver innovative marketing solutions that "exceed our customer's expectations and cater to their specific needs and marketing goals. Univision Radio's Upfront Concert featuring **Enrique Iglesias** had a tremendous turnout, with virtually every top client and agency in attendance."

Will the 2008 election be a factor?

Inventory should be more limited because of the political and Olympic year. How will the election be an issue for the upfront? Lukasewych is sure the networks are being cautious with their inventory, but the networks understand that those advertisers who take part in placing upfront are committed to the medium and will sustain them past '08 elections. She expects political will have a greater impact on the scatter marketplace than the upfront.

Decker said the political year will prompt advertisers to place their schedules early so they won't be in a position of not being able to be on the air during their key periods.

"We should post really well against all news/talk properties," says Mijatovic. "Our advertisers should take advantage of talk radio next year. As far as demand, I don't think anything out of the ordinary should be happening: usually slight increase in budgets during election years."

Howard Eisen, EVP/Sales, American Urban Radio Networks, is enthusiastic about the possibility of an influx of spending during Q1: "The front-loaded primary schedule will prompt candidates to spend aggressively and look at all media options. They already are spending on local radio, and we believe they will take a good, hard look at network radio as a means to reach a large swath of voters at a critical time in the campaign." ■



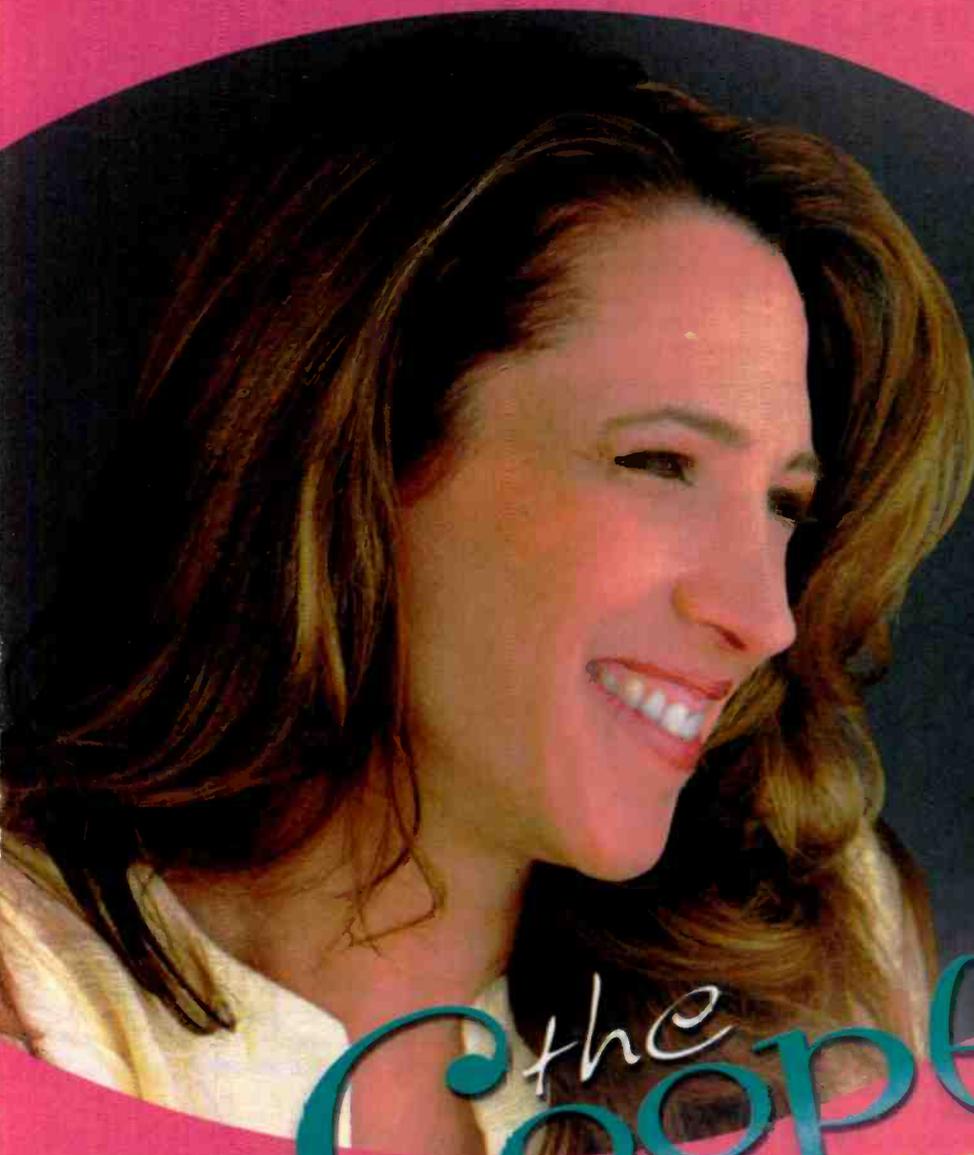
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Getting new formats into more markets: It's about the music

How have we strayed from radio's roots? Radio used to be the place to break new music. Sadly, that crown has been passed to other media for the most part. Many insist that terrestrial music radio continues to push listeners away with predictable/repetitive music, formats and unprecedented clutter. And it's not just satellite radio that's taking in the defectors—the Internet and iPods are also major factors as we all know.

Most commercial stations won't touch a song unless it's already selling like hotcakes. However, we've found a few examples to the contrary. The Indie 103.1 simulcast in LA (Entravision's (KDLD-FM/KDLE-FM Santa Monica/Newport Beach) and the debut of the Indie Rock format is one great example. Remember, XM and Sirius don't own the large spectrum of music they offer. Traditional radio can stem the tide of defectors by offering a broader mix of tunes.

Remember WHFS in the DC market—the legendary progressive/free-form/alternative commercial station? Why is it so impossible to believe radio couldn't make something like that work today? It's about the talent—do they know their music? Could they take four hours and turn it into an adventure? It's a new era and the standards of radio programming need to be opened up—especially to keep younger demos interested.

In 1995 WHFS had a 3.8 12+ share in the market. In 1996, Infinity bought it and turned it to a mainstream Alternative format. From 1996 to 2003, the station's share dropped almost yearly to a 1.4 in 2003, according to Duncan's American Radio. No wonder they changed it to a Spanish format. The WHFS calls were moved up to Baltimore for a Talk-Alternative hybrid station. Meanwhile, CBS Radio may have seen the light in WTGB-FM "The Globe—World Class Rock" in DC. They are slowly moving more Indie Rock songs onto their Classic Rock/AAA playlist. Many indie tunes are stale by the time they make it in, but much of the local audience doesn't know that.

Ratings in key cells are showing solid growth: From Winter/Spring/Summer (The Globe was born 2/2/07): Men18-49 moved: 2.3 - 2.6 - 3.5; and Adults 18-49 moved 2.0 - 2.2 - 2.5. In every one of these cells, come in at yearly high. Adult 12+ cume is 353,000 per week—the highest in two years. Ironically, two original HFS DJs, **Jonathan "Weasel" Gilbert**, and **"Cerphe" Colwell** air there today. We asked GM **Michael Hughes** how the songs are picked, and what they're trying to reach. He says The Globe is focused on a demo of 20-50 year olds. The songs are selected by a local music committee comprised of the PD, the Assistant PD/Music Director and various air talent that includes veterans Cerphe and Weasel. "We use a variety of tools in that selection process, such as listener requests, store sales, music downloaded reports, various industry charts and also insight about what is bubbling up in the local DC clubs, tours, MySpace.com, etc."

HD multicast channels

HD multicast/HD-2,3 channels are extremely important to the future of our medium. SmartMedia believes in order to effectively compete for younger ears against satellite and internet, the HD-2 stations need to offer fresh, new formats like Indie Rock, Jam Bands, Emo, etc. things that they

are going elsewhere to get, in droves.

The point is, the time for trying new formats and experimenting is now. HD multicasts are one great way to do that, and it's happening, but let's not wait until the number of HD receivers in the marketplace—and factory equipped in cars—hits critical mass. We need to keep people from running away from traditional radio now. Let's stem the erosion and place some of this on the main signals as well. Because the largest erosion is being seen with the younger demos, why not try a format that includes the best of the best picks from multiple genres—College/Indie, Reggae (incl. Dub, Roots Rock), Psychedelic, Drum & Bass, Blues, Alternative, Classic Alternative and deep Classic Rock? With the right programming minds, the right DJs and presentation, it can work again—just like WHFS did and Indie 103.1 in LA is doing a lot of today—even with marginal coverage of their market.

We asked Indie 103.1 Station Manager **Dawn Girocco**: How have we strayed from radio's roots? "Radio's roots lie in discovering and experiencing music," she said. "It was based on the passion of the jock in the studio—and a way to share that with listeners. It was all about the music."

What made radio great that we see less and less of today? "Taking risks and standing behind your product," she says. "I love what we do at Indie. I am very fortunate to work with a group of people who absolutely take our responsibility to our audience, artists, company and team as seriously as I do. Everyone understands that we are incredibly lucky to have this once in a life-

time opportunity. Every day there is a new challenge—and with it a new reward, groundbreaking event or artist that defies the current standard."

It's a philosophy

What's the philosophy on running Indie 103.1? Girocco says they are a platform for artists—and that includes musicians, directors, writers, actors, photographers, visual arts etc. "We understand that the audience—which includes the staff—has an innate curiosity about so many different things. It means not being satisfied by the ordinary. Every single person at this radio station contributes in many ways. Ideas and opportunities come from every department. If it is appealing to the audience—we find a way to do it."

The experience itself is also key. They do lifestyle marketing, probably more than any station in the city—and with one of the smallest staffs. From the very beginning they've have had listeners tell them that they came back to radio. "With a lot of the formats—I think we vastly underestimate the audience. Everyone has different backgrounds, different tastes—and different levels of curiosity about music. But music is the one thing that is universal on any level. It is one of the best ways to share with others. Social networking sites and station websites extend the artists' ability to share their work with others."

On that note, Consultant Point to Point Marketing created even more interest in the station, Dawn noted. "Successful communication is all about target identification and message content. Indie is not the kind of station you can blast a 'normal' radio message to just anyone and expect results. ▶



A Jonesy's Jukebox billboard in NYC.

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PROGRAMMING

Helping Indie filter the massive LA market down to compatible lifestyles and households coupled with great art direction and impacting copy ideas from the station created a successful campaign," **Mark Heiden**, COO/Point-to-Point Marketing, tells SmartMedia.

Jonesy's Jukebox

Indie 103.1's hiring of **Steve Jones**, guitarist of punk band "The Sex Pistols," for a lunchtime show has turned out to be a huge hit—Jonesy's Jukebox. He plays his own picks and bringing on his own guests—often well-known/respected musicians and actors. On a given day, Jones will spin dub reggae, goth-punk, psychedelic/acid rock, a little known Stones song and a retro hair band song from the 80s—it's totally unpredictable, other than they often have some common theme. Talk about "Playing Whatever we Want...!"

We asked Girocco about the great success of Jonesy. Not only does he play whatever he wants (in the "real" sense), but he's very entertaining and pulls great guests. "Jones is absolutely one of a kind," she attests. "Jones prepares for his shows thoroughly – and he absolutely plays music based on whatever mood he is in – or whatever catches his eye and ear that day. He has everything on his show. Sometimes he has themes. Animal bands, electronic, glamrock. He is the embodiment of what the station is about—we appreciate the music. So does the listener."

So much so that Indie did an outdoor campaign with Jonesy across the nation in NYC for their streaming audience there (Hint, Hint to NYC stations—remember the wild success of puny-singaled WLIR?). "NYC does not have a station like ours and it is an incredibly diverse market. It is also office based—perfect to promote online listening. We targeted high impact areas—Times Square and The LIE. NYC is the second largest city for us in terms of our streaming audience."

This can be done in every market

We asked Dawn to dispel some myths why new formats like Indie Rock won't work and why many broadcasters are afraid to touch them. "Indie 103.1 is alternative in its truest form," she explains. "Indie is not a music moniker for us—it is the whole thought process behind the station. Our particular format does work in Los Angeles and will work in other markets. Music is global, thanks to the internet. The challenge for the manager is aligning revenue with the risk you take in doing a format like this. There are so many entertainment choices today—and so many ways to get the entertainment. There is absolutely room in every city for station that is adventurous and out of the standard mold. For as many listeners as there are that are perhaps satisfied with the standard formats—there are so many more who are not passionate about their stations and do not identify with any of the stations in the market."

She's had clients tell her that the way their listeners talk about the station is like a badge of honor. "Our audience is passionately involved

with what we do – and their willingness to go to our events, listen to our recommendations in music as well as participate with suggestions and feedback is what makes us successful. Our audience is very much a tastemaker audience—one that every advertiser, label, studio and artist would like to reach."

She adds, "My PD, the legendary **Max Tolkoff** and my music director **Mark Sovel**, who also hosts our hugely successful local music show Check 1..2. Music is submitted for the music meeting from various conversations during the week—and is then selected and added. We never have enough room to run as many artists as we'd like. There is more great music out every day."

Indie also hits various formats through their 11 specialty shows. This can also start an artist on the station and give them a way to get into regular rotation. The shows feature audiophiles and musicians as hosts. "Their knowledge is unbelievable and their passion and commitment to the station is incredible," says Dawn. "As a truly independent station—this is very important as yet another method to filter music up. Some of shows are on music 6-24 months ahead of the rest of the country which is exactly what our listeners love about these shows."

Some HD multicast examples

Stations are really busy these days creating new and unique formats—for mainstream and HD multicast signals. Of course, Clear Channel's Format Lab is the king, but Beasley and Bonneville are two others definitely worth mentioning. When asked how the decision came to be that PD's be allowed to program their individual HD2 channels in SW Florida, **Bruce Beasley**, President and COO, Beasley Broadcast Group, tells us: "Innovation is an essential element of Beasley's HD Radio plan. All broadcasters realize that "content is king" when it comes to the side channels that digital radio provides. At Beasley we believe the best way to gauge the interests of local listeners is to encourage programmers in each individual market to create compelling HD2 content that fits their particular community."

When designing these formats, Beasley asks his programming team to bring fresh and original ideas to the table. They're also asked to look at all aspects of talent within their offices as sometimes the perfect creative partner is sitting at a nearby desk. For instance, the force behind WRXK/K-Rock's HD2 channel is veteran morning man **Mark Haney**. His unique take on what folks want to hear in SW Florida is the perfect example of keeping the focus on "local" radio. This is a heritage classic rock station that Beasley has owned since the 80's. Haney's been there for 16 years. Here's the format ▶▶



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One on One

Phil Cowdell

Game Changer

By Carl Marcucci

Phil is WPP's Global Media Director and CEO of Ford Media Services across WPP's GroupM media agencies and manages in excess of 200 country media planning and buying assignments across the Ford Motor Company. Before relocating to Detroit in the summer of 2006, Phil was a Worldwide Managing Partner at MindShare and was their global Head of Planning. In his six years at MindShare Phil has run the global Unilever business (2001 to 2003), and consulted on Unilever's redefinition and development of world class marketing (2005-2006). From 2003 to 2005 he ran the Ford Motor Company (FMC) European assignment.

This fall, Phil is taking on the role of "International FMC Team Leader - WPP". In his new role, Phil transitions from leading the media teams across 200+ FMC media assignments held by MindShare and MEC around the world, to also taking on responsibility for all WPP agencies that service Ford Motor Company assignments around the world. The only exception refers to "Team Detroit" which will operate in parallel.

Q. Tell us about the "SYNC" technology Microsoft and Ford are launching.

It will allow you to use your mobile phone through the car's hi-fi system. You can drive hands free. SYNC basically provides a software operating platform in the car that means whatever devices you've got as a consumer, when you get in your car you can use them seamlessly. For example, when you plug your iPod in you then say "play **Elvis Costello**—Good Year for The Roses." If somebody sends you a text message and you're driving it comes up with a sign that says "text message received" and you can say "read text message." You can even select the language you want and male or female voice to read you your text message.

Q. What do traditional media like radio and television need to realize about new media and becoming part of multimedia pitches?

A lot of agencies and clients still have a digital department and a traditional advertising department, but everything is digital. Now some of the key things that we're getting in the digital world—dialogue, interaction, extra types of format, the ability to capture data—leads into much more advanced analytics. And also behavioral triggers by consumer allows us to start pre-selecting copy that we ad serve up to the person depending on that their interests are—all of those things are fabulous from a marketer's point of view because I can start being more relevant to much more defined groups of people and serve up to them tailored messages. Then let the analytics work out whether they're right and how do I improve on the fly? Versus I spend a million dollars making a lovely glossy TV ad which runs for 30-seconds and I'll have it on for the next two months running at 400 GRPs a month.

It just is a no contest to say how do you take the issues of flexibility or changing the copy, doing behavioral triggers to define the target and then building off real time analytics that we do online...how do you bring these ways of thinking and operating back into traditional media? If traditional can't start embracing those things then they're going to struggle because the agencies are going to say, "But hang on I can get that on half my media mix. By you not having it on the other half, then you make it hard for me to make those choices."

I suppose when you only have that type of flexibility and metrics on 1% of the business, the 99% can say, "Hey we're fine, we're still the super tanker and we'll plow along in this direction." When you start to get segments, categories, target audiences that are maybe 50% of their media mixes, you start to say, "Hang on, the other half no longer becomes robust to say, "Hey we're the old world we can continue doing it our old way."

For the Ford Focus that we're launching at the end of the year, there are probably six main motivators for the sort of why buys on that vehicle. But if I'm in California the sequence of those six will be different from if I'm in Florida. If I'm an older person looking for a very fuel-efficient and excellent car with great residual, will be different from if I'm a young cool, hip urban metro person wanting in-car entertainment. Ultimately the goal is to get to the stage where if these are the six motivators, I've actually got 36 variations on how I deliver those up to people. Depending on who they are, I'd deliver them in a different sequence with different emphasis so I could tailor my messages better.

That's really where the old broadcast, one-direction medium is going to struggle because they don't have the feedback loop and they don't have the flexibility to change the message and they can't tailor the message down to pre-defined targets. Honestly it's like men 25-54. We have that as a traditional Ford demographic. I sit in meetings with Ford dealers and I look around the room and say, "Guys we all fall into that demographic. Okay, hands up how many of you listened to 'X' music this morning? How many of you watched that TV show last night? How many logged onto that website? We're not all the same and treating us all the same means we're bland and irrelevant to many of us."

I think it's not one target or three targets it's 30 targets, it's 300 targets. It's not one big ad. It's going to be maybe 36 ▶

variations of that ad delivered to different targets with relevance and to do that you've got to have the back channel, you've got to have analytics and you've got to have two-way communication.

Q. What is your role with the media agencies you are now running in Detroit? What's the mission? Is WPP letting you do what needs to be done?

I am the CEO of Ford Media Services globally, which is a grand way of saying that I used to run the MindShare media teams on FMC in Europe and Asia, and last year inherited the US-based media teams for Ford: JWT Media, Ford Motor Media, MediaEdge and MindShare.

As the client moved towards more streamlined operations and more combined business groups, we needed to do the same. To be frank, like many agencies, there were the usual legacies... where planners had different motivations than the buyers; the buyers were physically separate from the planners; digital was separate from traditional media; tier1 (brand) and tier2 (retail) had different reporting lines; though they shared product, Lincoln-Mercury teams were kept separate from Ford division teams; analytics were conducted within teams not across the enterprise etc, etc. I'm being a little polarising to make the point, but you get the situation.

Our clients needed us to make a break with the old world, and help them reinvent. As **Mark Fields** (President Ford Americas) says: "Change or Die". My personal mission is to translate "Change or Die" into how we must now do media and analytics in a smarter more effective way, and to partner **George Rogers** and the TeamDetroit management team as together we translate this mantra across the rest of the organisation.

I had been part of the multi-agency team that worked on the Ford Europe restructure of marketing communications three or four years ago, and then **Satish Korde** (President FMC teams across WPP agencies) asked me to come out here and help out. We have great regional leaders running the MindShare and MEC FMC media assignments in Europe and Asia; they didn't need me. And the US market was the one in most need—hence the move. And Michigan is a wonderful place to live (despite what many people say!)

Q. Where would you say you are on the timeline of fixing things in Detroit?

We know where we're going. We've done the vision, so regarding the vision piece we're at 95%. On the physical relocation, restructuring and the functionality point, we're at probably 80%. And the behavioural piece, internally and externally, that's where we're right now probably between 30 and 50. So we have the vision. We have the logistics. We've laid out the building to bring all this to life, but now we're doing the bit of having to work with people's deeply ingrained attitudes and opinions to get alignment. The importance of this buy in at a "hearts and minds" level is one of the reasons that I have change management consultants working with me and that behavioural psychology is a crucial management tool.

It's been really quite interesting to say, "well, you all thought that you did good media but you did it five or ten different ways and it was different. But which was most effective?" So each team had their own version of "A" and it's like JWT would be A-1 and MEC would be A-2 and Mindshare A-3. They've all got variations of A, but "Change or Die" means we have to get to B. So we defined collectively B, and agreed we all had to get from our different versions of A to a single B. But we were all coming from different places with different legacies and different hang-ups. It's that migration to that single B point which is the bit that has been fascinating.

The key is you've got to get people on board because there's always two ways of approaching a restructure. One is you come in and you change the form of the outputs of what people do...i.e. templates, new briefing documents etc. Let's adjust the output to make it look concurrent. But if you haven't changed the inside behaviors of how people think, feel and behave

and how they're motivated then you're just playing around the edges. So what I was trying to do is get to the hearts and minds and connect at a deeper level regarding what they should be doing and why they are doing it for themselves and not because I'm telling them to do it.

You've done this seven times, this is your eighth. The differences that I see is that you're doing this transition in a very challenging time and it makes it harder.

This is the hardest imaginable case because if you take the three factors—is the agency in flux? Is the client in flux? Is the marketplace in flux? When the client is solid, and the markets are pretty robust, if it's just the agency relationship that's in question—okay its one out of three and a quite straightforward fix. In Detroit we've got all three factors in play, so this really is the biggest challenge so far.

The honest thing is I don't know 100% whether we'll be able to make enough difference quickly enough, considering the structural challenges facing the US car makers today. But with my guys the speech that I made to them on the first day was, "You can sit back and do the same old, same old, and it may be enough to survive. Or you can decide that you actually want to shape your future, take control of your destiny and actually stand for something new and challenging. By adopting this mindset and this challenger attitude, not only will it ensure we've done everything imaginable and then some to help our client, but whatever happens to Ford each team member can look themselves in the eye and know that we've done everything humanly possibly plus 10% never imagined. We can be proud of what you've done. And, to be selfish for a moment, we'll be very marketable. We're trying to do it for Ford. We're trying to do it for the people of Michigan. We're trying to do it for WPP, but actually to be frank we're also doing it for ourselves and taking a hand in our own careers and destiny."

Q. How much are WPP and Irwin Gotlieb behind you on what you're doing?

At a WPP level, the great thing is that from **Sir Martin [Sorrell]** down, the company cares and wants to do the right thing for our Clients. Sir Martin is so closely involved and gives us all the time and attention we need. And at GroupM, having had a history of success with Unilever and Ford of Europe (and previous collaboration with Irwin on P&G), the support is absolute. Whether Irwin, **Rupert Day** (GroupM Global COO) and **Marc Goldstein** (GroupM Pres NAM), **Dominic Proctor**, (Global President MindShare) or **Charles Courtier** (Global President MEC)...we don't get caught up in silos or territories...we just focus on what's right for the client.

So Charles and Dominic basically said "Phil, we know what you do. We trust you. We're all here to help you. Go and do it. And let us know if there's anything you need." That's the mandate. Very empowering.

And in addition to the support of management, we had a fabulous opportunity created by a commitment to relocate the agency teams in Detroit to a new campus, just across the freeway from Ford World Headquarters (The Glass House).

We drafted out our philosophy, and then used the new building in the Dearborn campus as a catalyst for change. So for example, no status based allocated car parking. I don't care if you're and SVP, a President or a VP...if you get there early you park near the door. If not, you walk more. Inside, there are no corner offices or window offices. The people who used to sit in the old building down on Woodward Ave. in a beige cube, with three ceiling tiles, a strip light and the rumble of the lift next to them...now get to sit in the light, with an open plan layout washed (if we're lucky) in sunlight...and a view across the street to the client's offices. Where there are offices and meeting rooms, they are in an inner ring; all the same size and being a ring, no-one gets the corner! ■

**A meeting in Detroit:
Auto advertising at the top**



Bill Burton, President of The Detroit Radio Advertising Group, met with Phil recently and says he is one of the brightest media professionals he's ever met. So much so that Cowdell recently spoke at DRAG's Workshop in front of hundreds of AEs, clients and agency folks.

Kidd Kraddick in the Morning: Not your everyday cast of characters

The Kidd Kraddick in the Morning show is a hip, syndicated family-friendly morning program out of Dallas. How did the show get started? Kidd was hired way back in 1993 after spending nine years doing CHR on KEGE. They changed the format to rock and replaced him with **Howard Stern**. He was sitting around with a year left on his contract, figuring out what to do next. That year, over a hundred stations had switched format away from CHR but Gannett was convinced the format would work in Dallas so they switched their jazz station to CHR and put Kidd on in the morning. The station was in 26th place in morning drive so he did a "Worst to First" campaign, personally handing out about five thousand t-shirts to listeners with ad-hoc drive-throughs in Target parking lots. They really played up how lowly-rated they were. He would routinely call the station in 25th place (a Music of Your Life format) and tell the deejay there he was taking him down. They played it like the underdog that they were and it worked. The station was number one in the market within 18 months. Six months later he added **Kellie Rasberry** and a year after that, he brought on **Big Al Mack**. They're both still with him today. Here we ask Kidd about the "rest of the story":

What's the draw/appeal with listeners?

That's always a hard thing to quantify but if I had to put my finger on it I would say it is that we are very personal with our audience, whether it's local or national. We really are committed to letting our listeners get to know us, flaws and all. More than benchmark bits, music, or stunts, the people on the show are the draw. The audience has experienced the many changes in our lives...marriage, childbirth, divorce, eating disorders, A.D.D., child custody, suicide, etc. All of our triumphs and failures are there for our listeners to hear. Beyond that, I think we have a voice on the show for everyone...from teens and young adults with Taylor and JC (both 23 years old) all the way up to empty nesters. Also, our show has been fortunate enough to develop personal relationships with many celebrities and they join the show almost daily. We are committed to big contesting which gives our affiliates a huge advantage over their local competition.

What are your main target demos?

We are focused on 18-49 year old women. That sounds broad but in Dallas we've been lucky enough to be number one in virtually every demo from teens to 35-54. A trade magazine reported this year that our numbers in Dallas-Fort Worth over the last 5 years make us the single-most dominant morning show in any top ten market.

Where did you find all of your co-hosts? Tell us a bit about them—any funny stories?

Kellie came to me from a tiny station in Florence, SC. I got a tape from a night guy there and Kellie had a crush on him so she would hang out with him in the studio and chime in once in a while. When I listened to this guy's tape, it was her POV that really stood out. I flew her in and tried her

out on the air and hired her two weeks later. Kellie is the most honest woman you'll ever hear on the radio.

Big Al's hiring was also a bit unconventional. He was a client of the station and would come on a couple times a week and voice live commercials for his limousine business. We had good chemistry and after a few months, I decided to put him on full time. I liked the fact that we could joke about our diversity and have everybody represented.

JC is the young male voice on the show. He's an irreverent, sensitive and funny guy who had never had a full time job in radio when we found him in San Diego. He grew up dirt-poor in Mexico and he's been a huge inspiration to his family and to all of our first generation American listeners. His "Take This Job and Shove It" job interview bits are becoming legendary.

Taylor is our young female voice who actually won her job. Last year, we had a reality competition called "Radio Dream Job". Six candidates for the job lived in a high rise apartment for three weeks and competed against each other in a sort-of radio Olympics. She was the clear winner and after her six month stint was up, we re-signed her. She's the voice of young single women and is super passionate about music, fashion and everything else girls her age are into.



Kellie Rasberry, Kidd Kraddick and Big Al Mack.

What do you do to help affiliates in each of your markets?

The most significant thing we do for affiliates is customize the show for their market. I think it's important for each station's audience to know that we know what's happening in their city. We actually call affiliates and beg for local material if we feel we're not getting enough. When you first put our show on, we're able to use local liners extensively to mitigate the shock of a new show on the station.

Here's a good example from B97/New Orleans that it works; after Katrina we raised over half-a-million dollars in a single show for hurricane relief. We then did remotes from the city (back when the airport only had one flight per day) and let the listeners know that even though we didn't live there, we were feeling their pain. That fall, at a time when you would think local radio would dominate, we had our biggest ratings ever.

What extra promotions do you do with the show beyond being behind the mic every morning?

We're very contest-oriented and want to offer our affiliates the type of promotions and prizes that their local competitors can't match. For the third year in a row, we're giving away a trip to the Caribbean every single morning. Also, I think we're using the internet better than radio is accustomed. Our site (kiddlive.com) is filled with exclusive videos starring our cast. This type of exclusive content has driven our hits way up. Finally, because of our celebrity ties, we can offer listeners private in-studio concerts with huge artists and movie junkets to actually meet their Hollywood heroes. ■



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2008 budgets and capital expenditures: Part II

In this yearly SmartMedia feature, we ask top engineers at the groups where next year's budgets and capital expenditures are heading. What's tops on the list for projects and new equipment? What are the latest HD Radio spending trends? This year, we asked the following:

The participants:

Gary Smith, Director of Engineering, Bonneville
Martin Stabbert, Citadel Director of Engineering
Cris Alexander, Crawford Broadcasting Director of Engineering
Sterling Davis, Cox Radio VP Engineering
Milford "Smitty" Smith, VP/Engineering, Greater Media
Glynn Walden, CBS Radio SVP/Engineering
Steve Davis, CC Radio SVP, Engineering & Capital Management

What's on the HD Radio implementation frontier at your company for '08?

Gary Smith: We are fully built out at our Phoenix facility.
Stabbert: Can't comment, but we've had really good success with the Harris FlexStar exciter. The high-powered transmitters from two vendors we have on the air both work well, but there's a marked difference in operating efficiency. Of the two, the Harris is more efficient than the Continental. Now Broadcast Electronics is touting their efficiency and it's better, still. We haven't had a chance to do one of those yet.
Alexander: Our conversion cycle is complete. In addition to the FM upgrades mentioned above, we will likely do some antenna work on some of our AM stations to facilitate night HD operation.
Smitty: We are complete with our conversions in the major markets, HD-1 and HD-2. We will be working on completing the suburban markets and adding some additional redundancy in the major markets, especially at back up sites.
Walden: Continuing to insure that all of CBS Radio stations have a digital pipe.
Steve Davis: Our plan is to light up another 125 stations in HD in 2008.

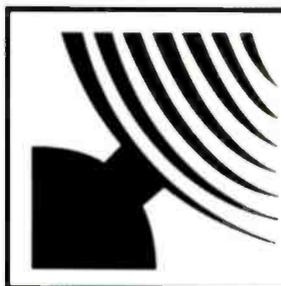
Any changes in current HD Radio engineering/construction expected, such as going from separate to combined antennas?

Gary Smith: Done
Stabbert: We continue to stay the course. I can tell you that not every manufacturer has the perfect solution for every installation. What I have been watching carefully is two things: 1) The high-powered FM transmitters that can do both analog and HD. We have several of those that I'm watching where the manufacturers take them, because of the efficiency. So the cost of operating the transmitter, if the efficiency is very low, the total cost of ownership can be very high. So it's easy to get sucked into a false economy thinking you can implement HD potentially with less capital outlay. But then you get your power bill every month and you're shocked. 2) The FM exciter technology and how well the HD installations can adapt to antenna issues like icing.
Sterling Davis: We are using separate antennas for the new HD installa-

tions, where that works, in order to hold down operating expenses.
Smitty: We pretty much went the combined (dual feed) route initially at virtually all of our stations. As we gain greater perspective, it seems to have been the right choice from a coverage and minimum ongoing operating cost standpoint.
Walden: As the availability presents itself, CBS will employ dual input antennas.
Steve Davis: We are avoiding separate antennas where possible because it is impossible to control the analog-digital ratio in the field. Separate antennas are good when sufficient isolation can be achieved but that is often a huge challenge. We find tube-type high-power common amplification transmitters to often be a great solution.

Some stations have had problems keeping their HD multicasts running 24/7. Any insights on why and how to keep them running full-time?

Gary Smith: The network portion of the link must be perfect, never hiccup and must be protected from RF at the transmitter. The software from iBiquity and BE has been improved and performs quite well.
Stabbert: The new markets we got from ABC are running multicast; none of the legacy Citadel markets are. They have not had issues keeping multicasts running on the ABC stations. We plan on doing multicasts at the Citadel stations down the road, but I can't comment on it for '08.
Alexander: Yes, stop using Windows-based computers to generate the multicasts.
Sterling Davis: After some initial software issues, we have not had difficulty keeping the multicast streams on the air.
Smitty: There is no doubt that early versions of both the equipment and especially the software were somewhat buggy. This, and the learning process involved with HD in general and with the studio/transmitter interconnection specifically did lead to multiple outages for virtually everyone transmitting HD. Being so early in the game, in many cases there was also no "hot standby" to go to if the primary system failed. Additionally a simple lack of monitoring - someone who was actually assigned to monitor the HD-2 stream to identify an outage was also a contributing factor. In recent months it seems things have improved significantly and reliability is considerably improved.
Walden: All new technology is inherently less reliable in its first generation. As we have implemented second and third generation digital HD and streaming systems we have experienced much higher degrees of reliability.
Steve Davis: Sometimes these are not monitored as often as the main channels and outages can go unnoticed. Also at times the transport mechanism dedicated to this program stream is not yet as robust as that dedicated to the main program stream. As HD multicasts gain more importance and listeners more attention will be paid to them and more personnel dedicated to creating, originating and monitoring that product. In the meantime we continue to develop monitoring and notification solutions. ■



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Victor Miller: Bull or Bear on 2008?

Television is gearing up for as big Olympics/Election year in 2008. Meanwhile, radio is finishing another no-growth year in 2007. Is there good news for the radio industry? Bear Stearns analyst **Victor Miller** says yes, if only because there are fewer negatives for radio in the year ahead.

"Remember that in 2001 we had a record recession, followed by record leverage in the business. Then we had a record listener migration from the traditional formats into Urban and Spanish that hurt a lot of the kind of radio companies that we are familiar with. Then we had record inventory reduction in Less is More. We had record competition from satellite radio, iPods, streaming radio and then we had the loss of radio's biggest DJ with Howard Stern. Then we had radio's two largest players post revenue losses of 6% in '05 for Clear Channel and 7% in '06 for CBS and then in 2007 we have a change in the CEO level at CBS and privatization process going for Clear Channel. One thing is we need to find a level where there's some stability and some level ground from which we can move more nimbly and actually try to grow the business," Miller told us recently.

The Internet is taking advertising share away from radio, TV and other "old media," but it is also a growth opportunity for broadcasters. At this point, the Bear Stearns analyst figures Internet revenues amount to about 2% of total revenues for radio. Depending on the company, that varies from 1% to 4% and margins range from 20% to 60%, so it is definitely having an impact on the business radio companies are in.

"Radio on the Internet usage, according to a Media Audit study actually shows good things. Heavy Internet users index very high. They log on; they're logged on at work and listening to the radio. They're high household income, they're professionals, they're young and they're educated," Miller noted. "The Internet could actually be a pretty good story for radio."

Intense campaigning got underway so early that it almost seems like there is a US presidential election in 2007, but it will actually be in 2008. With that wide open race—having neither an incumbent nor a sitting Vice President running for the top job—election spending is expected to smash previous records, not just for the race for the White House, but Congress and a wide array of state and local races and voting on issues.

Trying to predict just how big that pile of money is going to be is a challenge in itself, but Miller has given it a go. "We start with the local TV businesses and then we try to kind of back into what might happen in radio," he noted.

The numbers are huge. "In general we have laid out numbers in the past and they have generally exceeded what our original expectations are. In political it's just so hard to call the gubernatorial races, it's hard to call the House races, the Senate races, the primaries, presidential race the issue money and then, believe it or not, the state level the judges, the local races—I mean it's just a very hard organism to actually guess in terms of the size of it. But in general we tend to go out with conservative numbers and our conservative number for the two-year cycle for local TV is \$2.5 billion dollars for '07 and '08—and that compares with \$2.1 billion dollars for the '05/'06 cycle. It amounts to about a 20% increase in dollars

and we think the radio business will be up slightly higher, probably 25%," Miller predicted. His expected increase of 20-25% would put political ad spending on radio in a range of \$250-300 million.

A few years ago the radio stocks were red hot and nobody wanted TV stocks. Now it's just the opposite. So, we asked Miller, does the market over react in both directions?

"No, because you've got to remember in the 1996 to 2000 timeframe, the top line growth for radio was 12% annually. The stock price multiples chase growth and because the companies were doing a great job in putting the right mixes of debt and stock in there, the metrics like after tax free cash flow started to come to the marketplace and companies convinced people to value these companies on after tax free cash flow and new metrics were formed and new valuation methodologies were formed

and the stocks definitely got very, very hot," the analyst recalled. "At one point you'll probably remember Clear Channel was trading at roughly 25 times forward EBITDA and you'll probably remember **Mel Karmazin** [then at Infinity] in his conference calls complaining that he traded at a discount of 21 times forward," Miller said of those heady days.

"At the same time TV was experiencing massive shift in audience to cable, as cable was built out. You saw network compensation start to whittle itself down. You didn't have a second revenue stream like retransmission consent. So the TV stocks started to loose ground on a relative growth basis. Now, what's reversed it here—and we're only talking about a multiple point and a half disparity between local TV and radio valuations—we're seeing the TV stocks react to retransmission consent payments as second revenue streams, which could be 7-10% ultimately of the revenue and 15-20% of the cash flow in the industry. So the new revenue stream and, point two, political dollars in general being very, very strong for the TV business—probably seven times the size of the political that you see typically in the radio industry. And third is the Internet, where if you think about the world in a video-centered broadband

built-out world, the advantage that TV has is it has a very robust local video presence and radio just doesn't have that. So, I think the investors are saying we got retrains, we've got probably better revenue potential on the Internet and we get more political advertising every other year, so there is a little bit of safety in that. So, for the first time in ten years, TV has actually earned a higher multiple than has radio," Miller explained.

While Miller points to "fewer negatives" for radio in 2008, there is a new worry—Arbitron's roll out of its Portable People Meters (PPM) to more markets. By the end of 2008, he notes, enough large markets will have PPM ratings to cover 28% of the radio industry's revenues.

"If you look at the Spring ratings book, you'll notice that the declines that we saw in the Spring ratings book overall for the industry are at an accelerated level relative to the average of the last eight years. Believe it or not, part of that is from just those two markets [Houston and Philadelphia] going from diary to PPM. So you can imagine when we have 28% of the industry's revenues flowing through numbers next year," Miller said.

Not only could PPM result in accelerating ratings declines for Adults ▶▶



Victor Miller

MEDIA MARKETS & MONEY

25-54 and Persons 12+, but the new ratings system is also showing signs of reversing a trend that Miller had been tracking for several years—of niche players taking audience share away from mainstream radio groups.

"We have been following that and writing about that for the last four years where we saw some significant migration from listening—from traditional Rock, Alternative, Classic Rock, Adult Contemporary, Contemporary Hit Radio etc. to the Spanish, Urban and Religious formats. From 2001 to 2007 the six-year compounded growth in Spanish listening increased 8.7% annually. Urban was up about 3.4% annually, so that's pretty gigantic moves in terms of listening and, of course, all the others lost shares relative to that growth. I think that hurt the ratings and revenues on some of those stations that rely on some of the more general market formats," Miller noted. "Now, having said that, when you look at PPM, the ones with the largest decreases tended to be the ones that showed the greatest increases in diary. So Spanish and Urban numbers actually contracted the most in this survey so far in Philly and Houston. Urban was down 35% in Philly, down 48% in Houston and Spanish language was down 37% in Houston," he said.

So, how will the roll-out of PPM affect radio revenues? Miller offered a two-part answer.

"First, what did we learn when television did the same thing and Nielsen rolled out Local People Meters (LPM) in the local TV markets? So we looked at the first eight markets in which LPM was rolled out. Generally we saw the ratings decline in the LPM versus the diary at about a mid-teens clip. Then, what we did is look at the revenue in those markets and the following year we basically saw a low single-digit decline in the transition. Then we think the business probably built from there, because the information is quite powerful in terms of the specificity of demos and usage. I think it's very useful data [from PPM] that the radio business sorely needs," Miller said.

"The other thing that is interesting is when we watch television is some of the later [LPM] markets didn't see as much revenue decline. Now, there is more than one possible explanation: By that time the advertisers had kind of adjusted to the LPM world fully; The TV station groups had already tried to master what was going to happen with the impact; and/or The advertisers had already projected what would happen roughly in the LPM world on to the markets that hadn't gotten LPM yet and adjusted the markets before the LPM got there," Miller said.

So, he expects some near-term disruption as PPM is rolled out to more radio markets. "It will imply higher costs per thousands and the industry will make the argument that 70 points under this system equals 100 points under the old system. We'll have to see whether that's embraced wholeheartedly by the ad community, but in the near term I think there will be some disruption as people try to take advantage of the declining ratings. Long-term I think the industry has to have it to be competitive with the rest of the media in the media world, but I will say I'm just a little concerned that when people start putting things on a cost per thousand basis and it starts making outdoor even look cheaper and it makes television look relatively more attractive—that's what I worry about. I just hope we don't have the situation where CPP's actually increase to the point where they destabilize the marketplace, which I don't think will happen but we are watching it," Miller said.

The bottom line on 2008?

"We've projected radio at flat. We've got the TV business up high single-digits," said Miller, speaking strictly of the TV station business, local and national spot combined. ■

Media General clears out its closet

Media General is the latest company to reevaluate its station holdings and put a few non-core assets on the market.

"The decision to explore the potential sale of five stations in a result of our ongoing analysis of our portfolio," said President/CEO **Marshall N. Morton**. "Any sales would enable Media General to use the proceeds to reduce debt and strengthen our balance sheet."

As you would imagine, the five TV stations being offered for sale are in some of the company's smaller markets. If your holiday shopping list calls for a TV station, here's what Media General has decided it could part with to rationalize its portfolio.

The largest market, strictly speaking, is Greenville-Spartanburg, but WNEG, Channel 32, comes without one of its major assets—a network affiliation. The station, licensed to Toccoa, GA, will no longer be a satellite of Media General's CBS affiliate, so the buyer will need to come up with a new programming strategy. WNEG does already have a separate identity from WSPA, since it produces 2.5 hours of local news, weather and sports programming daily. The others include two ABC affiliates, an NBC and a CW.

According to estimates by BIA Financial Network, the five accounted for 39.3 million in combined billing last year. ■

Media General stations offered for sale

CALLS	Ch.	Net.	Market	Rank	Revs. '06**
WNEG-TV	32	*	Grnville-Sprtnbg	36	2125
WCWJ-TV	17	CW	Jacksonville, FL	49	10575
WTVQ-TV	36	ABC	Lexington, KY	64	9750
WMBB-TV	13	ABC	Panama City, FL	154	7975
KALB-TV	5	NBC	Alexandria, LA	180	8900

Total revenues for stations offered for sale **39325**

*WNEG, licensed to Toccoa, GA, is currently a satellite of WSPA-TV, Ch. 7, CBS, but will become an independent once sold

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Source: BIAfn Media Access Pro

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Ace Radio Corporation

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