

A Method To His Madness

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RM: The way it's unfolded — with who bought what at what prices in what markets? No. Nobody could have predicted it.

Frankly, once they deregulated us, this was inevitable. But you ain't seen nothing yet ... I really believe that. Remember, we've gone from an industry where, through most of radio history, one owner could have seven markets to tremendous deregulation. But along with that came duopolies. With the limits that were in effect until February 12, 1996, you could only be in 10 consolidated markets. That gave American broadcasters a real particular mindset: Picking markets carefully was real important. Now we have no national limit.

I've kept a low profile, because I can't believe no one else is out exploring regional opportunities. You know, **Mel Karmazin** and many other bright people ran around saying, "You have to be in the top 10 markets or it doesn't count." To a large extent, they were absolutely right then. With only 10 slots, how much critical mass could you get being in Lexington, KY or Lima, OH? But with no national limit, we're free to behave like anybody else. I've been to Lexington, and they have McDonald's. I think you'll see — by the end of next year — people owning hundreds of stations. And it's not inconceivable that you can see really big money — Microsoft is the common joke, but I don't think it's so funny — hitting this business.

R&R: How did you prepare yourself for running a huge group like Jacor?

RM: I believe in training, bringing a lot of people along, and sharing a vision. Training is important. Preparation is important. But if you look at the really successful people in any business, they prepared by *loving* it: by being passionate, by being focused, by *wanting*. It's not a matter of going to work and getting an MBA. It's not a matter of going to Harvard and taking a bunch of classes. It's a matter of loving what you do. I have, for whatever reason, loved radio since I was big enough to turn one on. I thought if I got to visit a radio station, that would be the ultimate. The trick is doing what you like ... doing what you *love*. And I feel so badly for people who don't know what that is.

R&R: And how do you learn what it takes to be the best?

RM: You always learn what you needed to know yesterday. Quite frankly, I was a PD. If I could read a balance sheet then like I can now, I probably would have never partnered with **Terry Jacobs**. Now would that be good, or would that be bad? How do you find a guy like **Sam Zell**? Be good, and he finds you.

This Week In ...	
1974	
Rank	
1	GORDON LIGHTFOOT Sundown (Reprise)
2	STYLISTICS You Make Me Feel Brand New (A&M)
3	BO DONALDSON & THE HEYWOODS Billy Don't Be A Hero (ABC)
4	HUES CORPORATION Rock The Boat (RCA)
5	WILLIAM DE VAUGHN Be Thankful For What You Got (Roxbury)
6	PAUL MCCARTNEY & WINGS Band On The Run (Apple)
7	OLIVIA NEWTON-JOHN If You Love Me (Let Me Know) (MCA)
8	JOHN DENVER Annie's Song (RCA)
9	HOLLIES The Air That I Breathe (Epic)
10	GEORGE MCCRAE Rock Your Baby (TK)

Life isn't fair, and you don't always get rewarded for every great thing you do, but I'm a big believer that if you're consistently above average, this business allows an awful amount of mistakes. It encourages them. The bright people are trying things and failing because they're trying so much. But if you are great, bright people find each other.

There are so many people in this business who are not driven by the love of it, but by the financials. They view it strictly as real estate. Every company under consolidation is doing a terrible job of focusing on its people. But the fact that Jacor realizes what makes one transmitter different from another is the people — the people who run it, the people who sell it — is driving great people to us.

R&R: What drives Jacor's financier, Sam Zell?

RM: For Zell, it's all about the business. But he understands that if you don't have people who are passionate and care about the listener, you're not going to have a great business. That's true in every business, but *especially* in entertainment, because what you're selling creates an emotional bond with the consumer. We're not selling insurance or shoes. We're selling entertainment, especially CHR.

How many times have the trades printed CHR's obituary: "Oh, the world is too fragmented. Hit radio will never be again because everything's specialized." That's not true. Every time, CHR comes back to its roots, playing popular music with tons of entertainment value.

CD Radio? Please! No disc jockeys, no commercials, and *you pay for it?* I don't think so. What makes CHR radio great? People who are passionate and understand how to focus on the audience, how to connect with them, and how to keep them interested. And I don't think you're ever going to make the kind of money you should make unless you have that.

R&R: You're a strong supporter of CHR. Have you always loved it?

RM: Well, I was a CHR programmer back in the dark ages, and I certainly grew up listening to it. When **Frank Stanton**, then President of CBS, told the NAB back in 1954 that radio was dead, he was right in the sense that **Jack Benny** wasn't working anymore. But the real guys who saved radio were the **Gordon McClendons**, the **Todd Storz**s, and everyone who worked for them. They reinvented it — they made it entertaining, fun, three-dimensional, and surreal. They sure made me passionate about it, and maybe you, too. They were CHR people. Playing the hits is never going to be a bad idea. Putting on

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a highly entertaining radio station that's produced, three-dimensional, and funny but still has its arms around the community will never go out of style.

Do I have a special place in my heart for CHR? Yeah. I used to spend one week a month at Y107, and nobody you have ever met has conceivably had a better time.

R&R: Many companies that gave up on CHR are coming back to it now. Why do you think that's happening?

RM: There have been times when the music industry has pushed us one way or the other. There have been times when CHR stations played too much rap for the suburban white female to feel completely comfortable. But everything cycles. Again, playing the hits will never be a bad idea, and the CHR money is absolutely green. Why companies dropped out of CHR, I don't understand. There were clearly some shifts in national advertising: For example,

the movie, soft drink, and record businesses don't mean to radio what they used to. Some people think that if it isn't 25-54, it isn't anywhere. But that's not necessarily true.

R&R: Jacor has been buying all types of radio stations all over America. What's the Randy Michaels master plan?

RM: It's incredibly simple. I just haven't been anxious to point it out to competitors. People look at us buying L.A. and Casper, WY in the same week and say, "What are you doing?"

We're buying interesting, high-growth regional markets of significant size and small markets in their

spheres of influence where we can use our regional management, programming, and sales to leverage success. In other words, I'm only interested in Casper because it's near Denver. It's managed out of Denver, it can take some programming out of Denver.

A friend of mine called and asked, "Why in the world would you buy a 50,000-watt station in Cheyenne, WY?" I said, "Let me think about this for a minute. Cheyenne's a hundred miles from Denver; it can run out of Denver. We bought four radio stations, which makes us No. 1 in the market for a great multiple. And we now own rights to the University of Wyoming football and basketball, the **Wyoming News Network**, the Denver Broncos, the Colorado Rockies, **Rush Limbaugh** — none of which are on the stations we bought. I think we can make a big difference here."

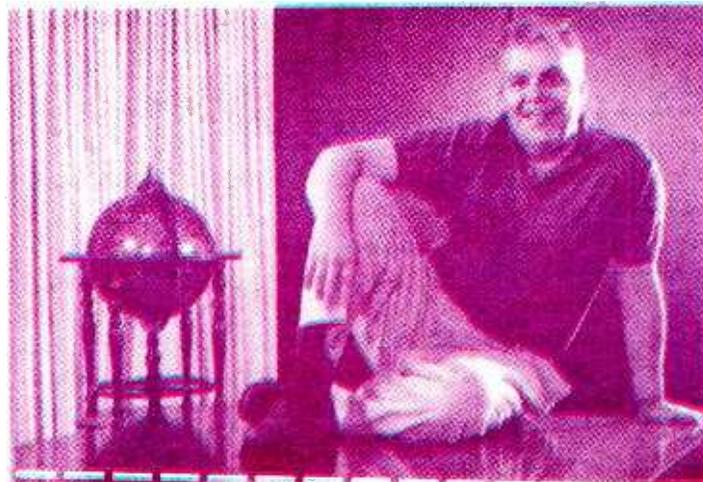
We're buying regions. Look how radio evolves in other countries: Look at France, for instance, where **Critical Mass Media** is doing a lot of work for groups. A radio station tends to have satellites throughout its region that carry the main programming, but separate commercials. I don't see why regional clustering and regional power isn't right. As radio gets into event marketing and non-spot revenue, owning powerful clusters of stations in your city and your region makes all the sense in the world.

We're branching out from hub cities where we're already concentrated. If you're going to be in Tampa, why not also be in Sarasota and Venice ... all the way down the west coast of Florida. For instance, our News/Talk station in Tampa, **WFLA**, will be simulcast in Sarasota. There are no incremental costs, and we'll sell the spots again.

R&R: Is there a limit at which Jacor will decide it's grown enough?

RM: There will always be money in deals where the rate of return is good. You've got to buy things where you can make a positive difference. As long as we can buy stuff and make a positive difference, improve the operations, and provide an above-average rate of return, we'll have unlimited money to do deals. The problem is there aren't enough deals out there where great rates of return are possible.

I would have loved to have purchased several things that came down lately. Look at the last deal that went down in Los Angeles ... \$350 million for \$14 million of cash flow. I can go out to the secondary markets around our core



Don't be fooled by the pose, Randy Michaels is contemplating his next strategy.