

COMPANY
OVERVIEW
FOR



Presented on April 17, 1999

amfm interactive, inc.

Introduction and Summary

amfmi will manage Chancellor's Internet presence by developing and managing local Web portals, "twinned" with each Chancellor radio station (and Capstar stations after the pending merger).

Radio and the Internet have proven to be highly complementary, concurrent-usage media:

- Local radio audiences are loyal, self-selected affinity groups with a demonstrated interest in visiting radio station web sites. **amfmi** sites will build on the local station brand and mirror the stationality of each sister station;
- Music (the principal determinate of loyalty to a radio station) and geography are among the most important drivers of online community building; and,
- Radio advertising is a highly cost-effective method of building Internet traffic and developing Internet brands.

amfmi will integrate radio and the Internet to create interactive, listener-controlled relationships with Chancellor's millions of individual consumers. The essence of **amfmi's** value proposition is "consumer-centricity". Community building will be the initial focus. Personalized, individual lifetime relationships with listeners will be developed by offering the following benefits:

For Stations

- Convert anonymous listeners into participants and members;
- Extend stationality into a new medium, increasing reach and strengthening each station's brand; and,
- Provide a new stream of non-traditional revenue.

For Consumers

- Become the "go-to" destinations for music and local information, with unparalleled depth of content and functionality on the subjects that drive loyalty to a radio station;
- Offer the buying power of affinity group membership; and,
- Treat member information with extreme care.

For Marketing Partners

- Provide particularly cost-effective media for targeting large, self-selected communities of Internet users; and,

- Facilitate an effective approach to “one-to-one” marketing.

amfmi's network of local portals will quickly aggregate to become a leading Internet portal in terms of traffic and usage. Over time, **amfmi** will serve millions of registered, affinity-based members that will rank among the most powerful of online buying clubs.

Business Description

amfmi will manage the consumer Internet business of Chancellor, including: web site development and hosting; content aggregation; streaming; e-commerce; affinity group marketing; on-air/online advertising and promotions; and, database management. **amfmi**'s local portals, twinned to Chancellor's radio franchises, will quickly become a national, affinity-based e-commerce network of destination sites.

The visual, interactive capabilities of **amfmi**'s network will “close the loop” with radio audiences by transforming loyal (but largely passive and anonymous) listeners into active members of the station's online community and e-commerce buying clubs. On-air/online promotions, streaming-media technology and a complete online service will build online communities and support consumer-centric e-commerce commerce.

amfmi Web sites will operate at four levels (individual station, local community, format and global) and be linked together to serve members. **amfmi** will aggregate:

- Local content and create an online forum for local businesses for each radio market;
- In-depth information, services and related e-commerce for all stations in a particular geographical market; and,
- Music-related content and related e-commerce by format (e.g. CHR), including: album and concert reviews; artist profiles and interviews; and the sale of recorded music.

Local Station Sites

Affinity and community are key aspects of Internet development and adoption. Each station's twinned site will mirror the station's personality (brand, musical format, local presence, content and presentation style):

- providing a visual, interactive manifestation of the station;
- enhancing the station's identity;
- strengthening its relationship with their listeners; and,
- building the brand equity of the station.

Local radio programming and promotions will provide the marketing push to drive listeners to their stations' twinned sites. The stations and their sister Web destinations will be closely linked and cross-promoted. As examples, each twinned site will:

- show the station play-list in sync as it is aired; and,
- promote the station's on-air personalities, promotions/contests and programming (e.g. music, disc jockey photo galleries, contests, polls, etc.).

Central Functions and Management

The central management of **amfmi** will:

- Provide common functionality and customer service that enhances the consumer's online experience, including: streaming media; free e-mail, chat and personal calendars; site and Web search; customized home pages for members and local advertisers; personalized front pages and screen savers; and contests and promotions;
- Aggregate content of interest to members;
- Track consumer traffic, model and manage the consumer database and provide reports to station management;
- Manage strategic marketing relationships;
- Help sell radio advertising and provide strategic partners with enriched forms of on-air/online advertising and promotional access; and,
- Protect, on a mutual basis, the consumer databases created by the content and marketing partnerships.

Brand Identity

The local station brands will be the principal Internet brands. Music format brands will also be developed as destination sites for listeners (visitors) throughout the Web.

Philosophy

First, Do No Harm

The power of Chancellor's existing listener/station relationships is a huge asset to nurture carefully. **amfmi** will protect and enhance the relationships between the radio stations and their listeners. Balanced interaction between the station and its listeners (feedback-driven, user-controlled, respectful of customer information) will be central to **amfmi**'s long-term success.

Value Given for Value Received

amfmi's efforts to build a substantial, profitable, long-term Internet business will be guided by the following principals:

- The Internet is self-organized into natural affinity groups sharing a wealth of information;
- Internet technologies allow real-time, automated interaction—and users expect interaction; and,
- Balanced online interaction between vendors and prospects/customers is not achieved by Internet advertising or wholesale e-marketing; but, is ideal for developing active, personalized, long-term, e-commerce relationships with individual consumers.

A Consumer-Centric Business

Each station web site developed by **amfmi** will:

- Represent a compatible extension of the brand and stationality of the local station;
- Initially focus on community building, developing toward personalized, individual lifetime relationships;
- Treat the use of member information with extreme care;
- Be “consumer-centric”, allowing products and services to fit naturally into customers' needs and preferences; and,
- Offer suitable products and services, at the best terms available, in as non-intrusive a fashion as possible.

In choosing Web content, selling on-air/online advertising and marketing products or services, **amfmi** will strive to facilitate radio listener participation with their favorite station and local community as well as be a part of a valuable e-buyers club.

The Revenue Model

amfmi will develop the following revenue streams:

Service to Radio Stations

amfmi will act as a Web service bureau to Chancellor's radio stations and be compensated for these services in cash or in radio advertising inventory. This radio advertising time will be packaged as cross-media promotions for:

- Local and segmented national radio audiences; and,
- Highly targeted online audiences.

E-commerce

amfmi will reach one of the largest audiences of U.S. consumers. Beginning with music and station-related products, **amfmi's** e-commerce business for the listeners of each station will evolve naturally by putting e-commerce opportunities in a relevant context:

- Providing value-added content, opportunities for information exchange and functions that build an online community;
- Gathering consumer data (through contests, free e-mail, station clubs, etc.);
- Aggregating like-minded listeners to develop group buying power;
- Transforming listeners into active members buyers; and,
- Modeling aggregated affinity group data to facilitate cost-effective, relationship marketing.

Affinity Group Marketing

In categories beyond **amfmi's** core product lines, **amfmi** will partner with selected companies to offer affinity group marketing programs that satisfy the expressed needs of members. These marketing partners will be supported by:

- Promotions: **amfmi** will offer cross-media (radio, Internet and billboard) promotions to its marketing partners. These promotions are likely to be of particular interest to product and market launches (e.g. new music releases; movies; other consumer goods and services.); and,
- Advertising: With a large, self-segmented, national audience and strong local media presence, **amfmi** will be in a powerful position to offer highly targeted national, regional and local advertising.

Competitive Advantages

Huge Reach

- Chancellor's 116 stations have a weekly reach of 46.5 million adults in the top 23 U.S. markets; and,
- With Capstar, Chancellor will have 450 stations, reaching 66 million adults weekly.

Listener Loyalty

Radio audiences are loyal, self-selected affinity groups with a demonstrated interest in visiting radio station Web sites. Geography and music are the most important drivers of online community.

The Local Nature of Internet Usage

amfmi will take advantage of the local nature of radio to offer an unmatched opportunity for geographically-targeted marketing:

- 90% of commerce takes place within ten miles of the home
- 65% of online adults seek local information on the Internet¹

Highly Complementary Media

Radio and the Internet are highly complementary, concurrent-usage media. Streaming media is reinforcing this trend. The coordinated use of radio and the Internet creates the opportunity for a "closed loop", interactive relationship with individual consumers.

The Power of Radio Advertising

Radio advertising is demonstrably one of the most effective forms of marketing to build 'Net brands. The individual radio stations can drive traffic to their sister sites, and **amfmi** will be in a position to:

- Provide cost effective advertising to marketing partners -- on a variable-cost basis;
- Offer an integrated radio/Internet marketing platform -- on a preferential, endorsed basis; and,
- Benefit from on-air endorsements -- an asset that can not be purchased.

Music—An Important E-Commerce Category

Music fans are among the most active online users and shoppers. **amfmi** will offer comprehensive music content, with "drill-downs" from the stations' play-lists and other format-compatible content.

Online music purchasers tend to go to radio station sites – second only to artists' sites². **amfmi's** e-commerce offerings will be built around recorded music, station merchandise, concert tickets and other items related to music preferences.

¹ Cyber Dialogue's American Internet User Database, 1998

Marketing Costs—A Profit Center

The local radio stations have strong, established brands. Minimal incremental costs will be incurred in building the identity of each station's Internet brand. In fact, the resale of radio advertising time on a co-branded basis and the radio promotional efforts for the Internet initiative and its marketing partners will convert the most important element of cost in building a typical 'Net Brand into a profit center.

Internet technologies will largely transform the music industry. **amfmi** and Chancellor will partner with record labels and artists to improve the economics of the recorded music industry.

Partner Strategy

amfmi aims to establish strategic relationships with compatible partners. Establishing **amfmi** as a comprehensive service that responds to the preferences and needs of its members will likely include strategic relationships in the following areas:

- Local content
- Music content
- Music fulfillment
- Music labels and/or artists promotions
- Ticket fulfillment
- Streaming Media Technology
- Affinity group credit cards
- Internet access providers
- Long distance telephony
- Travel
- Other important areas of e-commerce (e.g. Auction, Auto, Books, Computers, Peripherals, Financial Services, Games, Gifts, Software)

amfmi is seeking marketing partners that will respect its consumer-centric approach to e-commerce. Fundamental to **amfmi**'s relationships will be reciprocal agreements regarding the protection and the use of consumer data. These reciprocal agreements will contain the following provisions:

- Consumer data received by a marketing partner from an **amfmi** member will permanently be controlled by **amfmi** in all respects (use, revenue generated, etc.) and

² Cyber Dialogue's American Internet User Database, 1998

the use of this information will be restricted to only those activities employed by **amfmi**; and,

- Consumer information received by **amfmi** from a marketing partner will be similarly shared -- the use of data on these individuals will conform to the policies of the marketing partner that is the primary “owner” of the “name”.

Roll Out

amfmi has launched its first phase, a test period rollout across a limited number of formats and geographical markets (fewer than fifteen stations in all). Philadelphia is the principal test market.

This initial phase should establish **amfmi** and its value proposition for stations, their consumers and marketing partners. The test phase includes:

- Access to 10+ million radio listeners and, increasingly, a related Internet “audience” (with an endorsed, branded affinity message);
- Aggregation of the customer databases of the local radio stations and the initial development of e-buyers clubs;
- Database marketing capabilities to create customized affinity marketing programs; and,
- A demonstration of the effectiveness of integrated radio and Internet advertising/promotions/endorsements to create Internet traffic and extend listener loyalty to online community and e-commerce membership.

The rollout of **amfmi** should be a break-through Internet event of 1999, and the related publicity is expected to be significant. In cooperation with Chancellor’s broadcast media franchises and marketing partners, **amfmi** intends to capture the high ground in e-commerce:

- redefining radio as a feedback-driven, listener-controlled value-sharing medium; and,
- creating a win-win environment for stations, marketers and consumers.