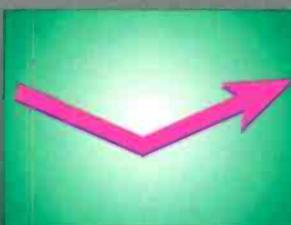


Manager's Business Report™

Radio Business Report, Inc.

15 Years

May 1998



MBR Stats

Steady as she goes?
Network radio
bounces back.

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News in Review

Is Rush falling behind?
New study leads
to more studies.



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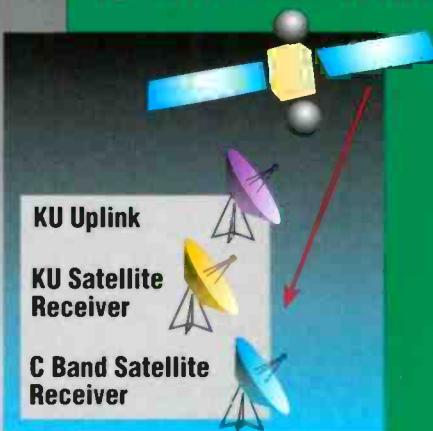


Programming & Positioning

No bull: Business radio provides
groups with a new niche.

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Let the Networking Begin! Groups Hope to Win with WANs



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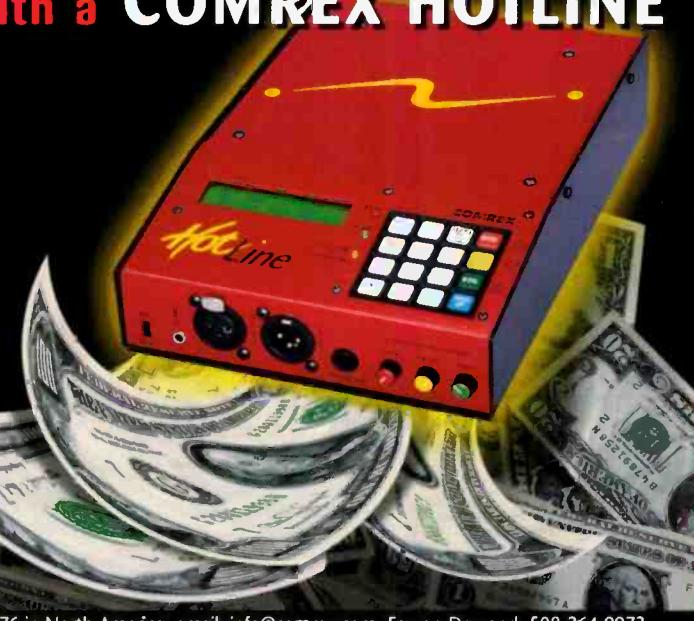
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Consolidation Stabilizes; Revenues Keep On Truckin'

Statistically speaking, radio is stable. Revenues continue to build on the exceedingly solid foundation established in each of the last two record-breaking years. Because last year in particular was so good, increases are less than dramatic. However, radio's sales force would be doing well simply to hold ground won; the fact that revenues continue to advance is good news.

Consolidation has definitely hit a lull. For the first three months of this year, transactions reported by RBR totaled \$1.76B, a far cry from \$4.32B for Q1 1997. The final touches are still being put on mega-deals struck last year. CBS/ARS, Jacor/Nationwide and the splitting of SFX between Capstar and Chancellor are all nearing completion. Newcomer Cumulus Media has been moving fast in smaller markets, but even they seem to have taken a breather.

— Dave Seyler

Radio Revenue Index

February Revenues Up 6%

By recent radio standards, February was a humdrum month. Sales forces were only able to outbid February 1997 by 6% (local sales were up 5% while national gained 9%). Part of the reason was that February 1997 was one of the gangbuster months of that year, registering a 12% gain over 1996. The fact that an increase was realized is icing on the cake.

The best news about February's results was the continued even distribution of local gains. While none of the five regions did better than a 7% gain, none did worse than a 4% gain. Sales remain solid from coast to coast and everywhere in between.

February 1998 All Markets	Local 5%	Nat'l 9%
East	4%	3%
Southeast	4%	12%
Midwest	5%	16%
Southwest	7%	11%
West	7%	9%

Local & Nat'l Revenue February 1998 All Markets	6%

Forward Pacing Report

Radio's Summer Inventory Already a Hot Item

Demand for radio time continues to be strong. Already, almost half of June's spot availabilities have been spoken for. Although there has been some grumbling in the TV wing of the broadcasting media about a soft scatter market leading to a soft upfront market, there is no indication that this is having any affect on radio sales.



Jan-Feb 1998 All Markets	Local 6%	Nat'l 10%
East	6%	5%
Southeast	3%	12%
Midwest	6%	12%
Southwest	10%	7%
West	7%	14%

Local & Nat'l Revenue Jan-Feb 1998 All Markets	7%

Superduopoly Dimensions

Industry Consolidation (as of April 20, 1998)

Superduopoly: 45.4%

Market	# of stns	percent
1 to 50	697	48.5
51 to 100	515	48.6
101 to 150	335	41.6
151 to 200	365	44.0
201 to 261	333	41.0
All Markets	2,244	45.4

Total Industry: 69.5%

Market	# of stns	percent
1 to 50	1,042	72.5
51 to 100	763	72.0
101 to 150	523	65.0
151 to 200	568	68.4
201 to 261	540	66.7
All Markets	3,436	69.5

Note: The "# of stns" shows the total count for stations in either a superduo or, in the case of total industry consolidation, in an LMA, duo or superduo. The "percent" column shows the extent of consolidation for each market segment.

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YTD Stock Performance

Most radio stocks continued to pace well ahead of the Dow and other broad market indicators. Supercharged in a red-hot market, more radio companies are lining up to sell stock to the public. Medium-market mega-groups Capstar and Cumulus will soon be joining this list, hot on the heels of recent entrants Big City Radio, and Triangle Broadcasting, the nation's first gay and lesbian radio network.

Company	3/31/98 Close	YTD Gain/Loss	Pct. Gain/Loss
Ackerley	20.437	3.500	20.66%
Alliance Bcg.	0.625	0.375	150.00%
Am. Radio Sys.	63.437	10.125	18.99%
AMSC	14.250	7.250	103.57%
Belo Corp.	55.000	-1.125	-2.00%
Big City Radio	12.000	3.875	47.69%
CBS Corp.	33.937	4.500	15.28%
CD Radio	21.875	4.938	29.16%
Ceridian	53.937	8.125	17.73%
Chancellor	45.875	8.563	22.95%
Childrens Bcg.	3.437	-0.625	-15.39%
Clear Channel	98.000	18.563	23.37%
Cox Radio	48.500	8.250	20.50%
DG Systems	3.875	1.375	55.00%
Disney	106.750	7.750	7.83%
Emmis Bcg.	52.750	7.125	15.62%
Faircom	0.906	0.063	7.47%
Fisher	64.000	4.000	6.67%
Gaylord	35.750	3.813	11.94%
Granite	11.562	2.500	27.59%
Harris Corp.	52.250	6.375	13.90%
Heftel Bcg.	44.750	-2.000	-4.28%
Jacor	59.000	5.875	11.06%
Jeff-Pilot	88.937	11.062	14.20%
Jones Intercable	18.250	0.813	4.66%
Metro Networks	43.000	10.250	31.30%
NBG Radio Networks	1.625	-0.375	-18.75%
New York Times	70.000	3.875	5.86%
News Comm.	1.437	0.000	0.00%
Otter Tail Power	37.625	-0.250	-0.66%
Pacific R&E	4.875	1.500	44.44%
Pulitzer	79.875	17.063	27.16%
RealNetworks	29.000	15.125	109.01%
Saga Commun.	20.875	-0.375	-1.76%
SFX Bcg.	97.375	17.125	21.34%
Sinclair	57.625	11.000	23.59%
SportsLine USA	32.375	21.625	201.16%
TM Century	0.437	-0.188	-30.08%
Triangle	0.125	0.000	0.00%
Triathlon	10.375	-0.125	-1.19%
Tribune	70.500	8.250	13.25%
Westtower	25.375	13.625	115.96%
Westwood One	31.000	-6.125	-16.50%
WinStar Comm.	42.750	17.813	71.43%

Major Stock Market Indices

Dow Industrials	8799.81	891.560	11.27%
Nasdaq composite	1835.68	265.310	16.89%
S&P 500	1101.75	131.320	13.53%

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MBR Stats

Non-Traditional Revenue Track

Food/Grocery Dominate February NTR

Food/Grocery, Home Improvement, and Health & Beauty Care categories picked up in February with Food/Grocery (in keeping with Snack Food month) making up the lion's share of the month's dollars. Going into March, which last year was one of the four biggest months for NTR, expect seasonal categories to pick up such as Home Improvement

% of vendor/new business by category

	Jan	Feb	YTD
Automotive	23.04	17.54	19.93
Food/Grocery	21.57	33.70	28.44
Leisure/Electronic	24.42	14.15	18.61
H&BC	3.11	7.82	5.78
Home Imp.	7.72	12.45	10.40
Office	17.58	12.25	14.56
Clothing	2.56	2.10	2.28

Source: Revenue Development Systems; based on revenues from 76 stations in 32 markets.

Web Stats

Webcasters by Format

(as of April 4, 1998)

654 radio stations (566 commercial) are now putting audio on the Internet. Of the total 1,252 audio websites now in operation, almost half (601) are of US origin.

Country remains the number one commercial format on the web with a total of 57 stations. However, if the various News, Talk and Sports categories are combined, they account for 116 stations, or 20.5% of all commercial webcasters.

RealAudio remains the streaming platform of choice with 87.5% of the business. Microsoft NetShow nosed over the 8% line, and, along with Streamworks, remains a viable alternative, while several others battle it out to gain a foothold.

Formats on the Internet

Format	Stns	Pct.
Non-commercial	88	13.5%
Country	57	8.7%
Religion	54	8.3%
Rock	52	8.0%
News/Talk	47	7.2%
CHR	43	6.6%
Sports	34	5.2%
Classic Rock	31	4.7%
AC	28	4.3%
Hot AC	28	4.3%
Alternative	27	4.1%
Talk	25	3.8%
Oldies	23	3.5%
Adult Altern	23	3.5%
Ethnic	15	2.3%
Urban	14	2.1%
Soft AC	14	2.1%
News	10	1.5%
Standards	10	1.5%
Classical	9	1.4%
New AC-Jazz	8	1.2%
AC-Spanish	5	0.8%
Talk-Spanish	4	0.6%
CHR-Spanish	3	0.5%
70's Oldies	1	0.2%
Easy List.	1	0.2%

State Format Preferences

Only one format can be the most popular in a given state. One way to compare formats is to see how many states each one "wins." It should come as no surprise that Country is a clear winner, being the format of choice in 20 states. However, it comes in third in terms of total listeners. A quick glance at the states in the News-Talk victory column show why this is true. While Country carries Texas and a bunch of little guys, News-Talk is making off with New York, California, Pennsylvania, Illinois, Michigan—in short, it does not take a rocket scientist to figure out how this would go down in the Electoral College.

Format	1st	States	Total Listeners
Country	20	AL, AZ, AR, ID, IN, IA, KS, KY, MO, MT, NM, ND, OK, SC, SD, TN, TX, VT, WV, WY	17,286,757
AC	12	AK, CO, CT, FL, HI, ME, NE, NV, NJ, OH, UT, VA	20,679,400
News-Talk	11	CA, IL, MA, MI, MN, NY, OR, PA, RI, WA, WI	21,103,865
Urban	5	DC, GA, LA, MS, NC	12,204,017
CHR	2	DE, MD	13,897,766
Rock	1	NH	7,841,317

Sources: Arbitron Fa97, Source Guide database

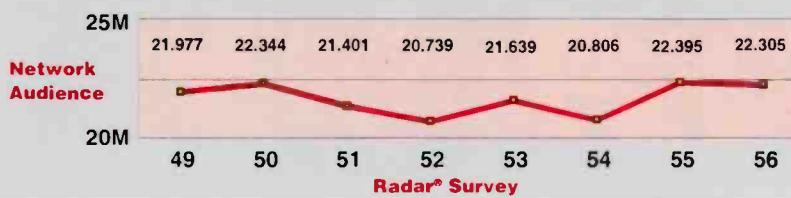
Network Audiences Hold Steady

Network audiences were down a mere 0.4% to 22.3M in the latest RADAR 56 (Fall '97), holding steady after audiences surged 7.6% in RADAR 55 (RBR 9/15/97, p. 7). That puts audiences about on par with the high achieved in Fall '94 with RADAR 50 (see graph, below).

Young Adult networks were up 6.3%, but Adult networks took the biggest hits in audience loss, down 2.9%. ABC's Paul Harvey is secure in his position as

the #1 ranked personality in network radio. ABC also has 10 of the top 10 programs and 19 of the top 20, with only CBS' (WW1) Osgood File breaking in at #14.

The next RADAR, due in June, will reflect several changes in the radio network biz. It will be the first time Chancellor's (O:AMFM) AMFM Radio Networks will be included in the survey and it will be the first RADAR survey to mark the start of quarterly measurement of network radio.



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Daypart Yield Analysis

Daypart	Time	Units	Amount	Yield	Avg per Spot
Mon-Fri					
Overnight	21 min	26	\$828.00	\$39.43	\$33.12
Morning	272 min	303	\$28,659.00	\$105.43	\$94.56
Midday	305 min	321	\$30,668.00	\$100.65	\$95.54
Afternoon	270 min	276	\$27,330.00	\$101.41	\$99.02
Evening	296 min	323	\$25,998.00	\$84.79	\$77.70
Full Day	1,163 min	1,248	\$112,583.00	\$96.78	\$90.21
Sat					
Overnight	11 min	11	\$462.00	\$42.00	\$42.00
Morning	30 min	36	\$2,623.00	\$87.43	\$72.96
Midday	27 min	28	\$2,226.00	\$84.00	\$79.50
Afternoon	31 min	32	\$3,105.00	\$101.80	\$97.03
Evening	27 min	27	\$1,916.00	\$70.93	\$70.93
Full Day	125 min	134	\$10,331.00	\$82.65	\$77.10
Sun					
Overnight	9 min	9	\$378.00	\$42.00	\$42.00
Morning	21 min	21	\$1,843.00	\$89.80	\$87.76
Midday	15 min	16	\$1,273.00	\$84.87	\$79.56
Afternoon	26 min	26	\$2,281.00	\$86.96	\$86.96

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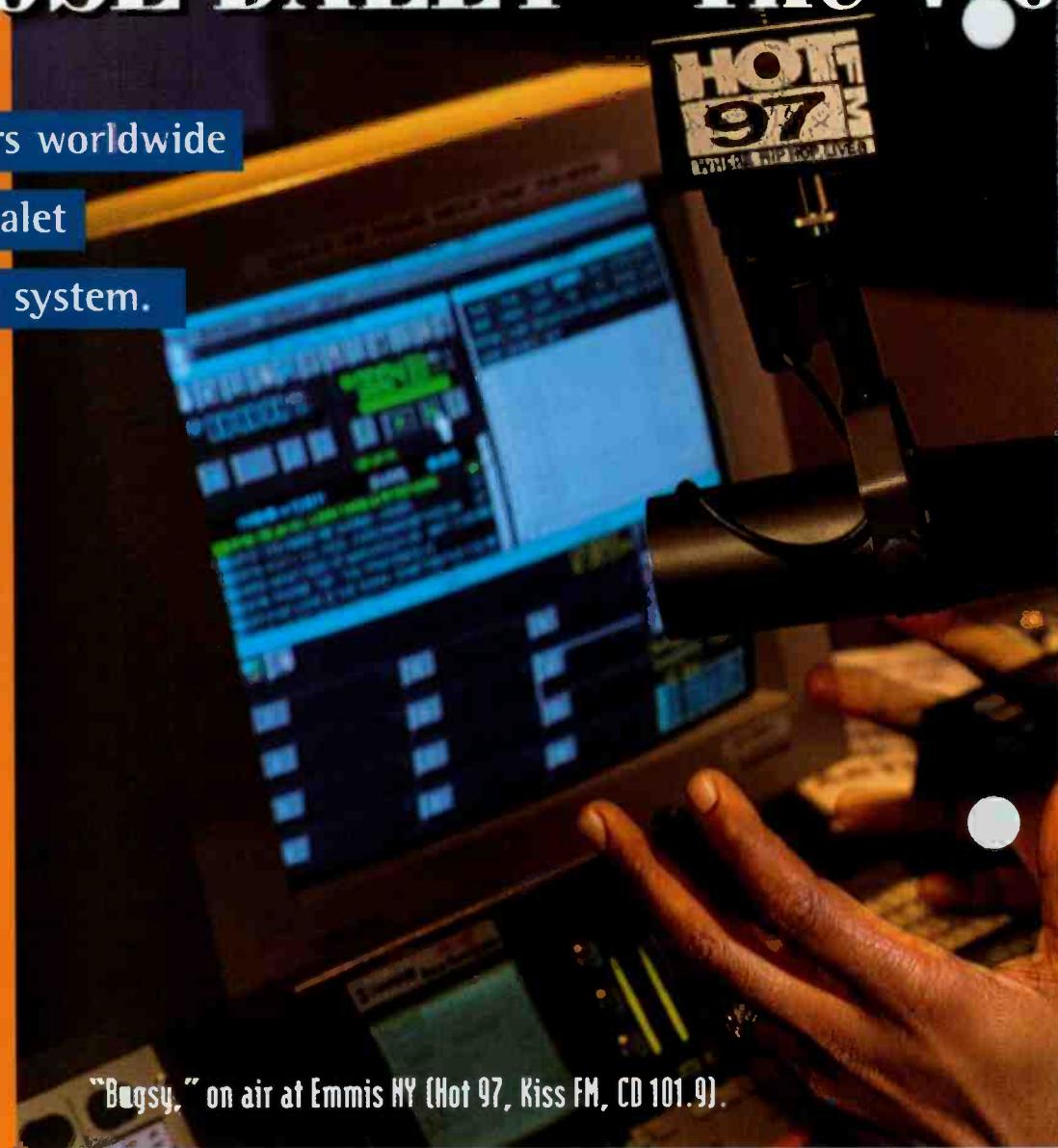
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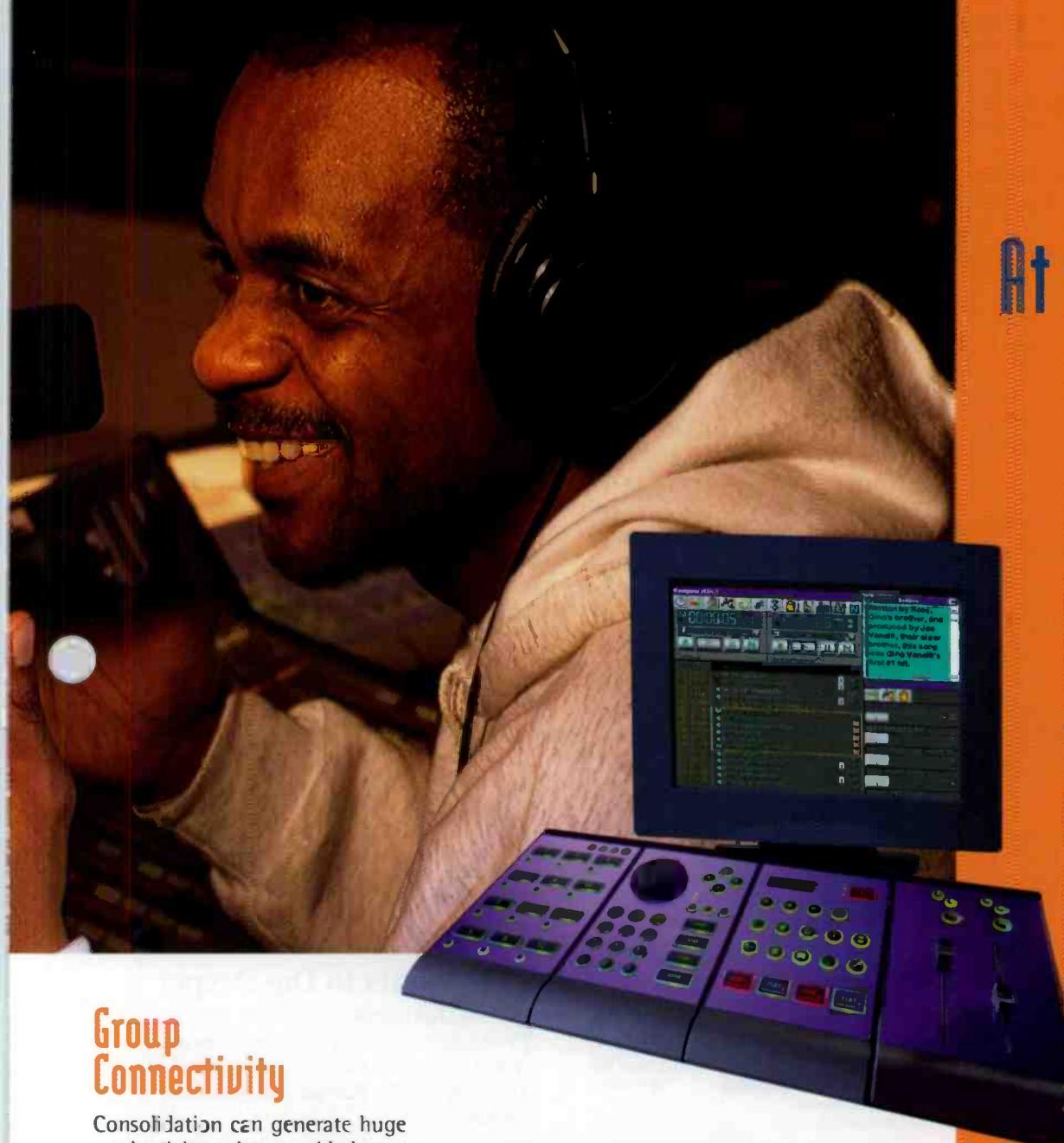
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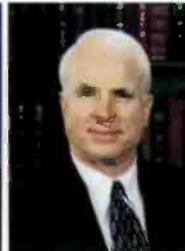
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No Free Time Fight—For Now

FCC Chair Bill Kennard (D) has agreed to slow his proposal to force radio and TV stations to give free air time to candidates. "I do think the FCC would have the jurisdiction to do this on its own, but it is not my intention to act unilaterally," Kennard said during testimony before the House Appropriations subcommittee March 25, although he still intends to open a notice of inquiry. "That would get the issues on the table for public debate." Even so, Rep. Harold Rogers (R-KY) pointed out, that debate could be used as evidence if the FCC decides to take the next step.

Sen. John McCain (R-AZ), who has threatened to introduce legislation prohibiting FCC action, released a two word statement saying he

Pictured from left to right FCC Chair Bill Kennard, Sen. John McCain, Rep. Harold Rogers



was pleased with Kennard's go-slow approach.

Just how much free time would be sought still remains unclear, but MBR has learned that most of the proposals circulating want radio and TV stations to give up one percent of their annual commercial air time.♦

EEO Rules Struck Down

In a stunning decision, a US Appeals Court last month overturned the FCC's EEO rules which have required radio and TV stations to actively recruit minorities since the regulation was adopted in 1968. The panel, comprised of three Reagan appointees, ruled the policy did not serve a compelling public interest.

"We do not think it matters whether a government hiring program imposes hard quotas, soft quotas or goals," wrote Judge Laurence Silberman. "Any one of these techniques induces an employer to hire with an eye toward meeting the numerical target. As such, they can and surely will result in individuals being granted preference because of their race."

FCC Chair Bill Kennard said the nation was "diminished" by the ruling. FCC statistics show minority broadcast employment has risen from 9% in 1971 to nearly 20% last year.

The case grew out of a 1989 NAACP challenge of a license renewal for two Missouri stations owned by the Lutheran Church. The FCC had ruled the Church violated FCC policy for not doing enough to recruit minorities.♦

Kennard's Minority Challenge

FCC Chair Bill Kennard (D) challenged broadcasters at last month's NAB Las Vegas Convention to present him over the next two months their best ideas toward increasing minority ownership.

"The industry probably won't have a concrete plan to give to Kennard in 60 days," said NAB President Eddie Fritts, adding, "We're willing to explore new options." Kennard said tax certificates may be the way to go, and both he and Fritts agreed an abuse-proof system would be needed.

Kennard was presented with the results of the NAB survey showing radio and TV stations gave

nearly \$7B worth of air time to public service last year, but rather than applauding broadcaster achievements, he seemed dismissive. "You know that some broadcasters take their public interest obligations seriously. Others don't."

The NAB survey shows the average radio station aired 122 PSAs a week, worth an average of \$400K annually; or \$3.14B industry-wide. Radio also raised \$1.2B for various charities.

In a separate report, the Ad Council says there was a 6% increase in donated radio time. Radio remains the Ad Council's largest supporter, contributing over \$573.7M or 58% of the total donated media.♦

Rush Knocked From #1

The man who many credit with the revival of AM radio has fallen from the top spot, as Rush Limbaugh ranks third in total listeners—according to *Talkers* magazine's "Talk Radio Research Project." The Talk format has seen a revival since it hit bottom last Spring, with Laura Schlessinger and Howard Stern benefitting most.

Premiere Radio Networks President Steve Lehman points out, on an AQH basis, Rush still reigns supreme. At the request of Premiere, Arbitron is doing a special study looking at Rush's ratings.

Premiere Radio Networks, a subsidiary of Jacor (O:JCOR), syndicates both Limbaugh and Schlessinger. Stern has his own syndication company in a joint venture with CBS (N:CBS).♦



Washington Scorecard

by Frank Saxe

FCC Streamlining - While we're all for fewer forms to fill out and electronic filing, the FCC is proposing to lift the requirement that sales agreements be filed with the Commission. This secrecy proposal would mean the marketplace would have no idea about a station's worth and make it impossible to value a station.

Free political airtime - FCC Chair Bill Kennard backs down on his proposal to use the public interest obligation to force radio and TV to give candidates free air time, beyond the massive coverage they already get. But the Gore Commission waits in the shadows.

DOJ - DOJ forced CBS to spin off 7 ARS stations to close their merger, while Chancellor caved-in and spun four stations on Long Island to close on its SFX Broadcasting acquisition. We were especially looking forward to seeing DOJ explain their fatally flawed logic before a judge.

Telcom Review - As required by the 1996 Telcom Act, the FCC is reviewing the impact the changes in the law have had on ownership. The Commission is making noise about bringing back minority tax credits to address what they believe is too few minority owners. Don't expect any wholesale changes, considering the Act's effects are still shaking down.

Microbroadcasting - FCC Chair Bill Kennard continues to encourage Pirates, backhandedly, by saying microbroadcasting may be one way to address the problem of illegal broadcasts.

Radio Rating	Praise, Complain to:
👎	FCC and Bill Kennard
👍	President Clinton, FCC, your local Congressional Representatives
👎	DOJ's Joel Klein, Charles Biggio and Reid Horwitz
👍	FCC
👎	Bill Kennard

FCC Wants to Dig Deeper

The FCC has released its plan for collecting FY98 licensing fees. The Commission must collect \$162,523 this year, an increase of \$10K over FY97. Fees are due in mid-September.

Fee Category	FY97 fee	Proposed FY98 fee
Group 1	\$2,000	\$2,500
Group 2	1,800	2,250
Group 3	1,600	2,000
Group 4	1,400	1,750
Group 5	1,200	1,500
Group 6	1,000	1,250
Group 7	800	1,000
Group 8	600	750
Group 9	400	500
Group 10	200	250
AM CPs	195	325
FM CPs	950	1,150

Source: FCC

Competing Media

Radio Captures 15.5% Share of Local Ad Dollars

MBR/Miller, Kaplan Total Media Index

by Katy Bachman

Our second Total Media Index report detailing advertising expenditures for the top 25 local ad categories (representing 90% of local ad dollars) shows radio pulled in 15.5% of the local ad dollars in February. Newspapers are still king with 46.5%. TV isn't far behind with 38%.

Once again, radio's share of advertising for the top media categories is puny compared to TV and newspapers. Radio nets 7.7% of the Automotive dollars, compared to 48% for newspapers and 44% for TV. Restaurants is a similar story with newspapers pulling in 47% and TV, 43%.

Radio does best among the smaller spenders, such as Television and Publications. (Why is it the other media know what works?)

Another strong category for radio is Medical/Dental/Health Insurance, which spreads the dollars almost evenly across all three media—radio at 29.5%, TV at 34% and newspapers at 36%.

Among advertisers of Music Stores/CDs/Videos, radio's 29.8% share is second only to TV's 50%.

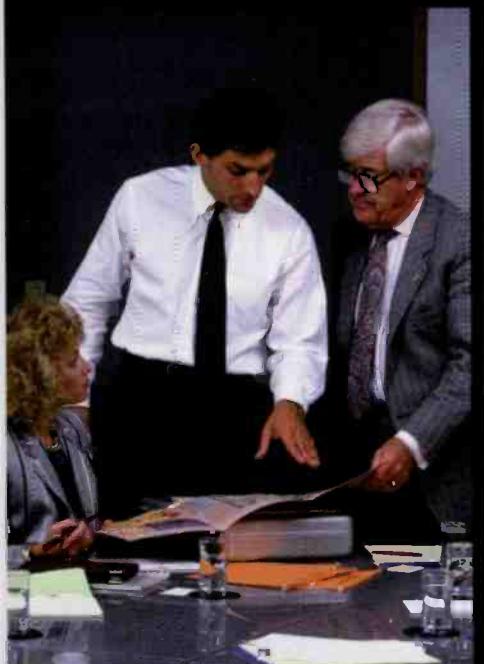
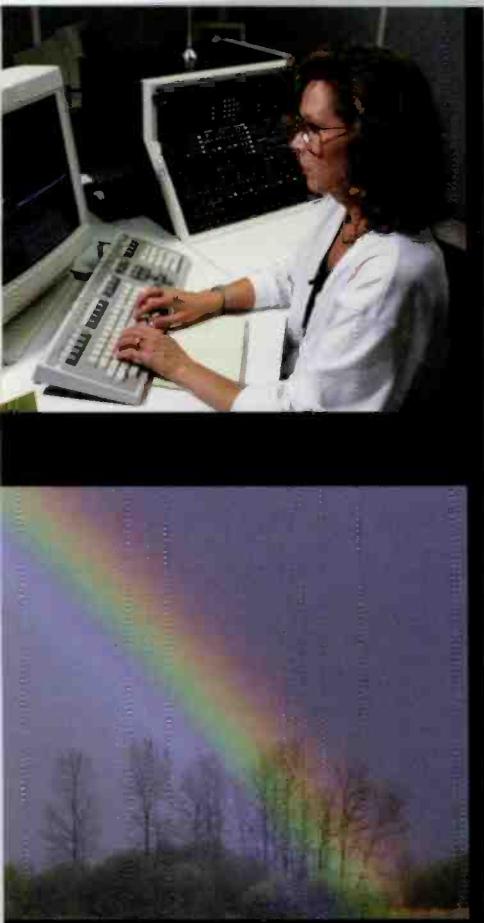
In the growing Communications/Cellular category, radio is holding its own at 22.3% of the dollars, with newspapers netting 36% and TV, 34%.

MBR observation: Last month's report had radio's share at 13.3% (MBR April, p. 7). We hesitate to trend, however, because February's data includes expenditures for an additional three markets (Hartford, Sacramento, and San Diego) for a total of 10 markets.

February 1998 (Expenditures in 000)

Category	Newspaper	TV	Radio	Total Media	Radio % of Total
Automotive	\$ 45,401	42,217	7,394	96,012	7.7
Restaurants	17,383	15,837	3,850	37,070	10.4
Department Stores	25,846	2,805	3,030	31,681	9.6
Foods	11,907	11,814	2,919	26,640	11.0
Communications/Cellular	10,489	10,122	5,933	26,544	22.3
Furniture	8,140	6,461	1,976	16,577	11.9
Financial Services	5,408	9,449	3,584	18,441	19.4
Movies/Theater/Concerts	5,021	5,910	1,822	13,053	14.0
Grocery Stores	6,977	4,223	3,219	14,419	22.3
Appliances & Electronics	7,801	3,577	985	12,363	8.0
Hotels/Resorts/Tours	10,569	2,114	1,490	14,173	10.5
Drug Stores/Products	3,203	7,348	1,762	12,313	14.3
Computers/Office Equipment	3,953	1,603	1,254	6,810	18.4
Other Retail	3,477	2,647	2,708	8,832	30.7
Medical/Dental/Health Insurance	2,919	2,734	2,368	8,021	29.5
Auto Parts/Service	1,564	3,108	1,365	6,037	22.6
Music Stores/CD's Videos	874	2,267	1,331	4,472	29.8
Transportation	3,705	1,675	852	6,232	13.7
Entertainment - Other/Lottery	993	1,523	2,193	4,709	46.6
Home Improvement	3,669	3,167	1,307	8,143	16.0
Professional Services	539	3,812	1,566	5,917	26.4
Beverages	202	2,362	1,800	4,364	41.2
Television	2,801	1,050	6,006	9,857	60.9
Personal Fitness & Weight Centers	379	1,982	398	2,759	14.4
Publications	445	856	665	1,966	33.8
	\$184,965	\$150,663	\$61,777	\$397,405	15.5

*Based on Media Market X-Ray composite data for 10 markets (Atlanta, Dallas, Hartford, Minneapolis-St. Paul, Pittsburgh, Portland, OR, Providence, Sacramento, San Diego, Seattle). Newspaper and television data compiled by Competitive Media Reporting and radio data compiled by Miller, Kaplan, Arase & Co., CPA's. For further information contact George Nadel Riven, CPA at (818) 769-2010.



WANCasting™ is a must for groups

WANCasting allows stations to send copies of system data and audio such as spots, songs, music and traffic logs, and VoiceTRACs between linked sites via Frame Relay networks of any speed.

WANCasting in Use

One example of WANCasting is the Star System™ created by CapStar. They have created a central hub located in Austin, TX. From this central hub they create and distribute the audio needed to run their sites across the country.

Basically, they broadcast across the WAN. The DJs at Austin bring up a copy of the log for the remote site. They create the VoiceTRACs for the songs in the logs and simply click the mouse to send them down the line. At the remote site the system sees the arrival of the new VoiceTRACs and automatically inserts them into the correct log.

All this is done in the background without the intervention of a single person. By investing in top talent that is all gathered in one location CapStar has simplified their personnel management and insured a quality product.

Other WANCasting sites share talent across several stations. Morning talent at site A will do the morning show for site B, C & D. The afternoon talent at site C will do the afternoon show at site A & B and the evening show for D.

The Bottom Line

There is no limit to how you can use WANCasting to cost-effectively make the most of talent across your entire group. And since the monthly charge for WANs typically runs a few hundred dollars per site the amount of dollars put to the bottom line can be dramatic!

For example - say you have a 5 site group. You decide to use WANCasting by having the afternoon talent at site A do the overnights for site B, C, D & E. Even this very limited use will save the company close to \$100,000 per year! The calculations are simple.



Figure an average of \$2300.00 per person (salary and benefits) multiplied by four which equals \$9200.00 per month or \$110,400 per year.

Depending on locations of the sites the WAN charges will run about \$12,000 per year. *This leaves \$98,400 added to the bottom line.*

Once the WAN is amortized additional shifts that are added to WANCasting will save the entire cost of the salary!

Use Your Best Talent In More Locations

One can see how super groups such as CapStar can save incredible amounts of money using WANCasting. But the best thing is that the overall quality of the product skyrockets! All groups have stations that typically have not be able to get top talent. Maybe the site is small, has less than ideal management or ratings. With WANCasting you can put your best talent on stations that could never afford to hire full time talent of the same quality. Better talent equals better ratings which increases sales.

What a combination! You actually save huge amounts of money while increasing ratings and increasing sales. This is the exact scenario being enjoyed by CapStar right now. Their "WANCasted" stations have risen dramatically in the ratings which has increased sales.

Talk to any top executive of CapStar if you want their opinion of Prophet Systems and WANCasting.

Save money - Increase sales

All you have to do is to install Audio Wizard CFS across your group. You will be installing the best, most feature-rich system you can buy and getting all the benefits of WANCasting!

Eliminate the Need for FedEx

Even if your group has no intention of ever doing VoiceTRACs across the WAN you can still benefit greatly from WANCasting. The WAN can send commercials, promos and news cuts from location to location. This can save significant dollars by reducing or eliminating the need for FedEx or DGS to send audio around the group.

CASTING™



WIDE AREA NETWORK

Speed

First, all audio sent by WANcasting automatically inserts itself into the system playlist eliminating the need for tedious dubbing of audio from one medium to another.

And, the speed of WANcasting can be a significant plus to news- and sports-based operations. At 256k, WAN can transmit a minute long news cut across the country *in under 15 seconds!* Fast paced news operations can beat the competition by minutes or even hours. Top talent can easily produce and send promos across the group. Agency ads can be easily sent to other locations saving time and frustration. These are just a few examples of non VoiceTRAC applications of WANcasting.

Successfully Market Tested

CapStar took a calculated risk installing new technology across their group. You don't have to. You can buy Audio Wizard CFS from Prophet Systems, Inc. and *know* that you are getting technology that has been proven out across some of the largest groups in radio.

You have the peace of mind that comes with buying the proven standard instead of system vendors that simply say that they are "working on it". Don't be misled by empty promises or misguided loyalty to aged traffic or music system vendors. Buy the leader, buy the safe bet, buy Audio Wizard CFS from Prophet Systems, Inc. Your investors will be glad you did.

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WAN(t) Efficiency?

Three Groups' Wide Area Network Progress to Date

by Carl Marcucci

Wide Area Networks (WANs) are nothing new to the corporate world. But until broadcasters had a need to tie together multiple "branch offices," WANs were rare in the industry. Now that radio is big business, groups are making WANs a top priority—not only for sharing back office functions, but music, production, programming, traffic, billing, logs and yes, e-mail.

Most see the need to first establish the system for business, creating Local Area Networks (LANs) at the market level which are then linked to corporate via the WAN. The human and financial efficiencies that lead to bottom-line savings quickly springboard the focus to moving audio. Since these networks all communicate digitally, almost any audio product can be relayed across the country to digital on-air and storage systems.

It's not just production, spots and liners which will be pushed over these networks, but news, music and feature programming. Today, the buzzword is "virtual radio," where a central location can have DJs supply voice tracks for multiple stations in the chain. Those tracks (and logs if necessary) are imported into each station's digital on-air/storage system, which can electronically merge the information for its master log. With a press of a button, the station is automated with a big-market sound.

Pushing audio over networked groups will be slow going. First, terrestrial lines are still limited in sending real-time audio and second, many vendors' systems (digital on-air/storage and traffic/billing) cannot communicate with each other. One solution to that problem, as recently demonstrated by Capstar, is to just buy the company (Prophet Systems). (RBR 4/6, p 4).

CAPSTAR

With Prophet Systems' Audio Wizard software GulfStar has been transmitting audio over its "Star System" since September 1997, and is leveraging the technology to its limits. DJs create voice tracks while reading the logs for a number of stations and transmit them for use at those stations. Using a frame relay network leased from Sprint, GulfStar parent Capstar is aiming at connecting all 324 stations together, with each subgroup chief engineer in charge of their own domain.

The closest example to real-

time WAN broadcasting so far is at GulfStar's KKIX-FM (Country) Fayetteville, AR. The morning team sends their show 15 minutes behind real time to KMAG-FM Ft. Smith where it is customized. Also, KJEM-FM Fayetteville (Classic Rock) sends to KLUB-FM Victoria, TX and KZBB-FM Ft. Smith. "Studio lines for receiving stations are call-forwarded to the DJs," said Zeb Huffmaster, CE GulfStar Fayetteville.

"We developed software for that application which down-

loads the show in chunks that the receiving stations can replay automatically," said Kevin Lockhart, president, Prophet Systems.

"We've attempted to put the platform together in such a way that it offers as many possible permutations or program origination/program development/program delivery as can possibly be had," said Frank McCoy, director of engineering, GulfStar and project leader for the GulfStar project. "Capstar will be wired up quicker than you think. We can throw a lot of resources

at it and we have the experience curve of GulfStar. We know how to do it, we know what problems we'll encounter and we have experience that you can't get any other way than to do it."

With up to 10 stations in some Capstar markets, there could be 25 or more terminals used at one LAN. Connecting each LAN to the WAN will use from 56k to 1.5 megabit lines. This allows back office functions to be instantly communicated and :60 audio files to be transmitted in under 15 seconds.

CUMULUS

Cumulus Media (O:CMS) was one of the first groups to establish a WAN for back office functions. It uses the Internet to move information from individual radio stations in markets into a centralized accounting system. That system is built with four regional hubs, feeding information back and forth to Cumulus' Chicago and Milwaukee HQs. "Right now we're focused on the business side. We use computers and technology instead of colocation as the way of organizing our business," said Richard Weening, Executive Director, Cumulus.

The system also carries a pro-

prietary performance reporting, monitoring and control system, allowing management to keep track of each of the radio stations on a daily basis. Revenue performance data can be gathered from one terminal, providing corporate, market, station, department, and individual sales account figures.

Cumulus is using Compaq and Dell computers for system hardware, while the software for performance monitoring is internally developed. Market clusters are running on either the Novell or Windows NT platforms. The central network platform (WAN) runs on a Unix operating system.

Cumulus' networking protocol is frame relay, using IBM's Global Network as the backbone. Frame relay is a technology used by telecommunications companies for Internet-type traffic. Packets of digital information are relayed breaking a longer file into pieces which are reassembled at the receiving end.

Cumulus' audio, traffic and billing software systems will support a whole range of virtual radio applications. However, because radio is an intensely local medium, Weening, Lew Dickey Jr. (partner) and his brother, John Dickey (who is in charge of programming) are more skeptical

about virtual radio and are approaching it cautiously.

That doesn't mean Cumulus will dismiss the idea. It has had experience with virtual radio in a multi-market network in the eastern Caribbean that shares programming elements and music. It was in use several years before Cumulus was formed.

Cumulus' intent is to leverage its own talent over the network, without ruling out vendors like The Research Group's Virtual Programming or BP's Total Radio for material. It will use virtual radio sparingly at first to ensure local content and live production are not sacrificed.



"How Did We Get Along Without It?"

Jon Rivers - VP - KLTY, Dallas, Texas

Successful radio stations in major markets like KLTY in Dallas depend on their Scott Studios Systems to keep them sounding great! KLTY has four Scott Systems under one roof for four Dallas area stations!

"Scott is very User Friendly"

"Even the novice can come in and use the System well. The graphics are very easy and non-confusing. Plus, the auto fire allows air talent to work on multiple projects in the studio." ... "I have been pleased with the ongoing tech support provided. The Scott System is the most reliable system I've ever worked with."

Sherwood Dryden, Chief Engineer

**KDWB-FM & KTCZ-FM "Cities 97" - Chancellor Media
Minneapolis-St. Paul, Minnesota**



"Our Scott System works so well..."



WCRB Photo by Roberta W. Siegel

"...on our two classical stations that we're using it to launch our national Hit Classical Radio format! WCRB Boston and WFCC Cape Cod are the best rated classical stations in the country. We owe our success to getting all the details right. Our Scott Systems help us do that. It's tough to get Classical Radio right. With the help of our Scott System, we do it every day."

David Maxson, VP - WCRB FM, Boston

More stations got Scott Systems in the last 12 months than bought most other systems in the past 4 years!

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It's a fact: over 1,700 radio stations have 3,800 Scott digital workstations, including major groups like CBS, Chancellor, Disney/ABC, Clear Channel, Emmis, Citadel and many more.

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JACOR

Jacor (O:JCOR) is in the early stages of leveraging its WAN and has already linked with Premiere. It has decided on Novell software to manage its accounting, financial, payroll, marketing, human resources and e-mail network (RBR 3/30, p. 3). Bill Suffa, VP strategic development, said Jacor has been bringing sites up since the first of the year with all the stations tied in by some means to a central accounting server since early last year. The business WAN should be fully utilized by the end of the summer.

As for audio, Jacor is close to choosing which digital on-air storage/automation system will be used throughout its group of stations. But the fact that only one can be chosen has been the subject of careful consideration. Said Suffa: "What it's comes down to is I can't choose the best system for a given station. The manufacturers have not set a standard for exchanging data between their different systems. When you send a file, you're not just sending the audio, you're sending the header information, intro times of the song, hit points and data on the artist."

What's at issue is database manipulation—the way the information is transmitted. A file sent over the RCS system is different than Prophet's, Enco's, CBSI's, Dale's and BE's—and vice versa. "Sometimes, you have to modify the files just to get the music itself through," said Suffa. "And, when one group buys another, it's a huge capital and timing expense to convert everything over to one system."

As it stands, each vendor is understandably reluctant to reveal their unique proprietary details to each other for creating that standard.

With the purchase of NSN Network Services (RBR 4/14/97, p.3), Jacor will always have the option of sending programming over satellite or the WAN. Because WANs still don't allow broadcast-quality real-time audio transmission, Jacor will employ NSN's higher bandwidth for its own

long-form, and Premiere's programming. "We have for a number of months been sending 'The Garden Show' from Cincinnati to Lexington via satellite because it's a real-time program. With Premiere, we use the traditional broadcast network model. Rush, Dr. Laura, Dr. Dean Edell, Art Bell, etc... will be [co-transmitted over] NSN in the near future," said Suffa. "The digital technologies for Premiere will allow 30+ channels per carrier."

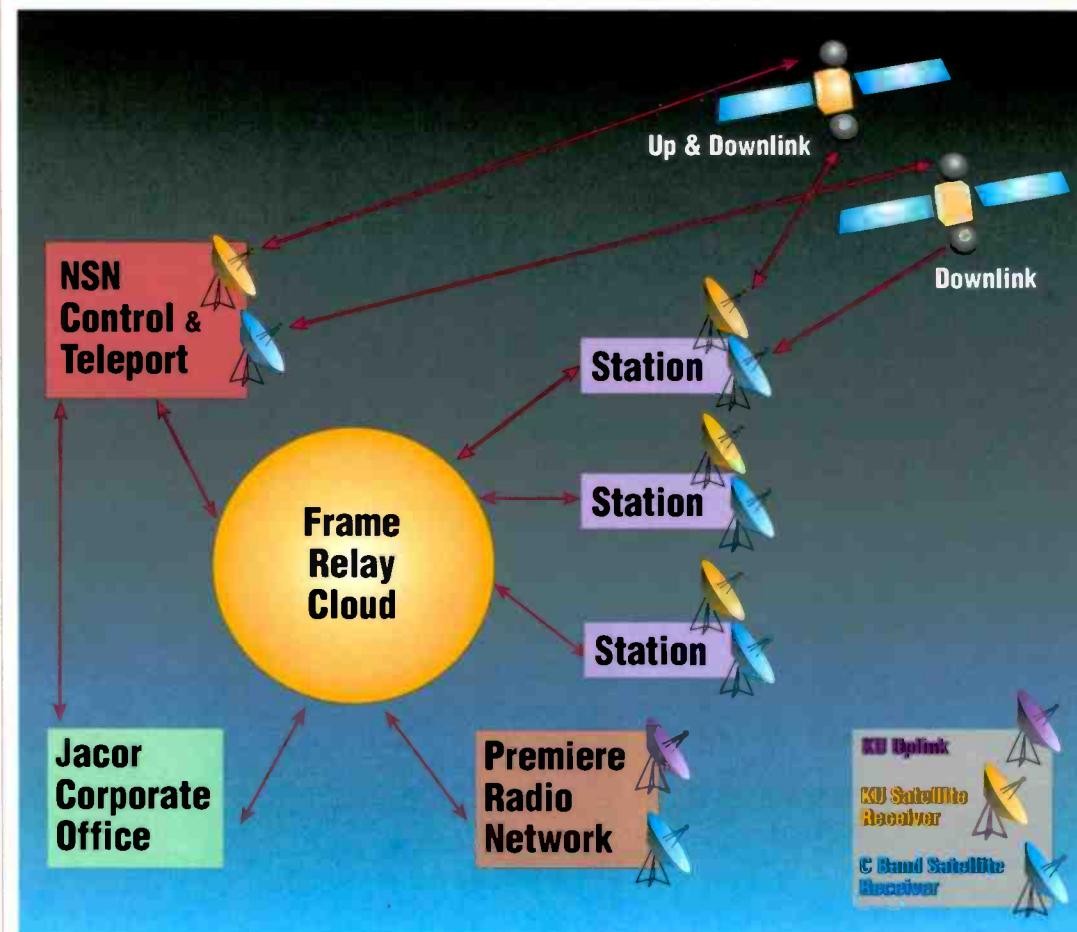
It's all about finding the cheapest and most efficient means to send each product. "If I send a commercial from say Cincinnati to Dayton across the WAN, I'm sending an audio file for play at a later time. If I need to send something real-time, it's going over satellite. There is a break point where it's more cost efficient to send audio one way or the

other (in terms of the length and time-sensitivity of the program). Our goal is essentially to have it automatic," said Suffa.

Jacor is also cross-utilizing programming and talent formally. "Under our model, 'The Mix' of Cincinnati produces spots, liners and production for 'The Mix' stations in Lexington, Lima and Dayton," says Suffa. Again, the end justifies the means. WONE-AM Dayton and WSAI-AM Cincinnati are linked with RCS' Master Control NT audio servers across the WAN sharing programming, logs and inserts automatically, while in Idaho, "spoke" stations are receiving programming via NSN satellite. (see chart below.) Boise delivers live programming to Twin Falls, Idaho Falls and Pocatello stations where commercials are inserted.

Jacor's regional news network, launched April 24 at WLAP-AM Lexington, KY, also leverages the WAN with WLW-AM Cincinnati, coupled with national and international stories from ABC. Local story text in Lexington will be sent to Cincinnati (with 12 in-house reporters), anchored out of Cincinnati and customized to WLAP. Those stories are assembled with ABC's and sent to WLAP where local staff will co-anchor the final product. "This started out as an experiment, but will lead to bigger things. We plan on moving it into WONE after any problems that may arise are worked out, then Lima, OH and other smaller regional news-talk market stations, and eventually to bigger markets," said Sean Compton, 'not a vice president', Jacor.♦

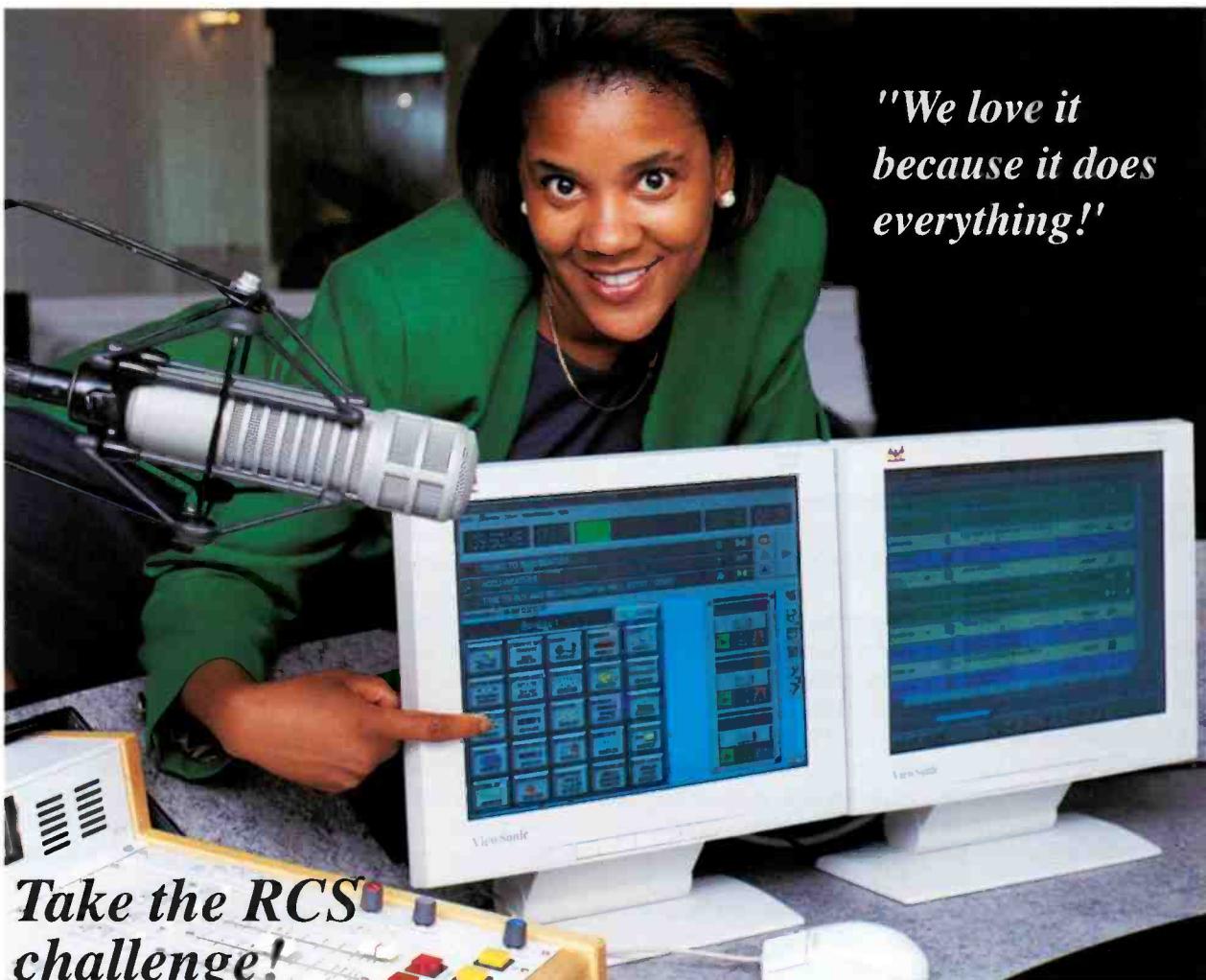
Leveraging perhaps the most complicated WAN, Jacor's design incorporates Premiere and NSN.



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Business Radio Rides a Bull Market

by Frank Saxe

Imagine telling an advertiser 38% of your listeners make more than a million dollars and your average listener is worth \$734,146. That is the upside for Business formatted stations. But despite qualitative research results that most general sales managers only dream of, operating a Business station remains a formidable task.

"More people are watching retirement accounts and 401K plans, Boomers are taking us into the age of business," says GM Michael Richert, WBZS-AM, Washington, DC. He adds, "It is coming out of the niche and into a full-fledged format."

"We saw it as a way to carve out our own niche in the Portland market"

—KBNP's Keith Lyons

One reason Business and other niche formats have grown is radio ownership consolidation. Groups now own several AMs in one market, and it makes little sense for all to compete for the same listener cannibalizing on the strongest station's success. In Denver, Jacor's top AM KOA-AM shares listeners with its Business station, KTLK-AM, but with the 0.2 rating (Fall 1997, 12+) for the Business frequency it is obvious it is not hurting KOA.

"The name of the game in today's radio is not to exchange dollars, but to grow dollars and find new business that hasn't existed before," says Lee Dombrowski, GSM, KTLK-AM Denver. He says Jacor has designed its three AMs so each could survive on its own, without drawing blood from each other. Dombrowski points to the growth of KHOW-AM, which rose from 3.3 to 4.7 Fall 96 to Fall 97 according to Arbitron. "KHOW has grown dramatically—not at anybody's expense."

Washington, DC is the site of one of the fiercest Business radio battles to date, with three stations going after money-minded listeners (RBR 3/16, p. 6). The latest entrant is Chancellor Media's WWRC-AM

which flipped from Talk to Business on March 9, and swapped the station to give its Sports station the stronger of the two signals. The format switch puts Chancellor up against established Business stations WBZS-AM and WMET-AM.

"We find that next to sex, that their favorite thing is they just can't get enough business quotes," says WMET-AM PD Glen Frye, unworried about losing his loyal listener base to WWRC.

While Washington is not a key business center, Richert is also confident of WBZS' survival. "There's a

lot of money in this town and there are a lot of sophisticated buyers." However, he predicts one of the three will not be able to survive as a Business station. WBZS' owner, Douglas Broadcasting, intends on using its DC frequency as a template for other major market AMs around the country.

One of the first Business stations in the country was KFNN-AM Phoenix, which took to the format in 1989. "The difference was our willingness to last it out. So many broadcasters have tolerance of three to six months, but we stuck it out for the years that it took to make it a success," says Ron Cohen, GM, KFNN-AM. He says they lost money the first three years, but now bill \$1M annually, and first quarter revenue this year is up by nearly 25%.

One way Cohen has found to increase billing is for his station to host annual Financial Fests. Four thousand listeners attended a Phoenix show last November, but more importantly it attracted advertisers. KFNN sold the booths to some exhibitors outright, but many more got them as a value-added for buying spot time on the station. How successful was it? Cohen says 20% of

"It is a great alternative for AM radio stations that are looking to find a niche"

—KEXZ's Marc Kaye

1997 billings can be tied to the Fest. His station is now helping two Jacor Business stations put on Financial Fests later this year.

A Tough Sell

As with all new, small and niche formats, the most difficult task is not programming the station, but selling it. Few Business stations get high enough ratings, or even make the book, to score a buy from Arbitron numbers alone. That leaves selling the conceptual approach.

KBNP-AM Portland GM Keith Lyons says his station took no chances to sell the lifestyle. They commissioned *Forbes* magazine to provide a much more intensive survey of their listeners. It found 38% of listeners are millionaires, a majority are in management, and skew in the 35-55 age group. Lyons says the numbers speak for themselves, and he points out over 60% of KBNP advertising contracts are annual.

"These people are ready, willing and able to buy product," says Dombrowski. KTLK's average listener makes more than \$100K a year, and a recent study showed Denver is the number one city in the country for college educated and

white collar employees. He won't divulge numbers, but says billings have been "very, very dramatic—it has been very awesome."

Cohen says the toughest part remains convincing advertisers that small ratings do not mean no listeners. "The hardest thing for us is to get the ad buys. We still have not penetrated national buys because they couldn't care less what our demos are." Cohen says Phoenix ad houses have begun to buy his station, in part because their clients are listening and asking, "What about KFNN?"

"If a business targets business, then it's an easy sell," offers Marc Kaye, GM, WEXZ-AM Seattle. While he admits he would love to get the big accounts such as McDonald's or KMart, his standalone AM in market #24 is able to bill \$600K from business-to-business accounts, including copier dealers, air conditioning companies and temp firms. "The biggest positive is its high-end listeners. You're talking directly to the business community. The negative part is it's not a mass appeal format so you cannot sell in the normal ways expecting some media buyer looking at CPP to give you value for your radio station."

Who is Investing?

A survey came out in April sponsored by two of the nation's largest investment houses, Charles Schwab Co. and Ariel Mutual Funds. The goal was to compare how Whites and African Americans invest their money. What it also shows, is just how many people are investing, especially in the stock market.

Who is investing in stocks?	I am a conservative spender.
Whites	81%
African Americans	57%
Who is investing in insurance?	How much do you have set aside for retirement?
Whites	10%
African Americans	26%
	Whites \$288,000
	African Americans \$252,000

Source: Yankelevich Partners

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"Bill Gates is as popular as Michael Jordan, in some circles—and I mean the basketball player not the chairman of CBS. But just the fact we know who the CEO of CBS is, says a lot."

— Bloomberg's Mike Morrisson

Infomercials: A necessary evil

Just about every Business station brokers time for longer, infomercial-style programs. These range from two-and-a-half minutes to an hour, and many take the call-in Talk show approach.

"Brokered time is an absolute necessity. If it weren't for brokered time, I wouldn't be able to keep my doors open," says Cohen. "It is very difficult to get into the mosh pits with the highly-rated stations and fight for spot time. I have to look at nontraditional ways to stay in business."

Frye agrees. "I try to keep that to as much a minimum as I can, it's one of the necessary evils, but you have to pay the bills." His station, like many others, does more than cash the client's check, they also conduct background checks looking for lawsuits and charges of unethical dealings.

"Our listeners turn to us to hear many different perspectives and what we have found is that clients can be successful if they expose themselves

to our audience," explains Clyde Penn, GSM, WBZS. "Listeners are able to hone in on the ideology of our business and financial experts and decide which strategy they'd like to employ."

Block programming also opens a whole new category of advertiser, particularly consultant-types which must demonstrate to listeners they have some expertise in order to sell their product: themselves.

WWRC PD Steve Chaconas agrees. "Infomercials provide information—we always forget that part of the equation." He thinks the paid programming offers a local perspective and gives listeners more than just some arbitrary numbers. "They want to hear what it means and what to do with the information they're getting."

But WEXZ-AM Seattle GM Marc Kaye says some stations take infomercials too far. "It's one of the ways we're very successful in making money. But if you're going to put on any Joe, to earn \$250 to \$500, then you don't have a format. You have to have a plan and it has to make good radio." WEXZ requires minimum 13-week contracts for long form infomercial users, and it must fit in with the format.

Format of the Future?

Some may dismiss the Business format saying it has popped up simply to cash in on the stock market's boom in the late 1990's. Perhaps, but more predict it will continue to grow as America grays.

"There's a growing audience. As the Baby Boomers are getting older, they're starting to think about retirement and their money," says Frye. One sales manager predicts Boomers will keep the Business format booming for at least the next 10 to 15 years.

Kaye's Seattle station will likely double its signal to 10kw, but with the stronger signal he doesn't plan on dropping the Business format. "I think with a better signal, I can do what I'm doing even better. I believe the Business news format is a viable format."

Even if the stock market reverses direction, most Business formatters feel it could only help because more people have their money tied to the market than ever before. "We found last Fall, when there were a lot of hiccups in the market, that calls to our stock request line were just overwhelming," says Dombrowski.

For Cohen, the brightest sign is seeing group owners like Jacor switching stations to Business. "It's great to see some of the bigger boys pick up on it because they have the wherewithall to get these ad agencies to take us seriously." ♦



Business News Network's Don McDonald, above, hopes listener qualitative will make the Business format the mouse that roared. At left, WWRC-AM's Steve Chaconas speaks to staff and advertisers at the station's launch in March.

Fighting for Financial Affils

The syndication marketplace is highly competitive in 1998, and those fighting for Business-leaning stations is no exception.

The *Wall Street Journal's* 18-year-old radio network has benefitted from the business boom. It provides live two minute reports to 145 affiliates across the country, mostly News/Talk stations looking to serve their listeners a brief business update. "We offer some marquee value—our name—to the marketplace," says Peggy Belden, director of broadcast services. "Radio stations pick up our branded product because it makes sense on the airwaves and they can sell the reports locally." WSJ Radio offers its services on a straight barter basis, taking up to two minutes of ad time.

The CBS Radio group's All News stations are among those running the WSJ Radio Network and Belden boasts her network has the largest national business audience with coverage in 48 of the top 50 markets.

Michael Bloomberg's radio network is also offered on a barter basis. Bloomberg has three products which it offers to its 120 affiliates. Some stations simply take two minute stock market updates, others take syndicated long-form shows, and about 30 stations take Bloomberg's 24-hour business news simulcast, based at flagship WBBR-AM New York.

"Television for years has been able to segment audiences and radio has always been reluctant to do that. That's changing," says Bloomberg's Mike Morrisson.

Business News Network is the veteran, signing-on in 1988. BNN has seen a 169% increase in affiliates since it purchased its competitor, Business Radio Network, in July 1995. Its roster includes 188 affiliates, about half of which consider themselves Business. BNN is offered on barter, requiring stations to give up five minutes an hour.

"A lot of stations are segueing into more business because political talk has been done," says Rick Bockes, VP/Affiliate Relations, BNN. Bockes says several stations picked-up a couple of their shows, and then added more once discovering how profitable Business can be. With consolidation winding down and with the high multiples paid, group owners are no longer allowing AMs to coast at the expense of their FM sister stations. "All their properties will have to make money and one of the ways to do that is by using the network approach," says Bockes.

BNN takes a personality approach, focusing on Business Talk programming weekdays, with consumer and lifestyle Talk on weekends allowing stations to reach additional affinity advertisers, and increase billings.

Because Bloomberg and BNN take different approaches to Business syndication, many stations are affiliates of both. Bockes does not even consider Bloomberg a BNN challenger. "Our biggest competitor is the satellite-delivered music formats." ♦

enough said!



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