

Manager's Business Report™

Radio Business Report, Inc.

15 Years

August 1993



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Ad sales are hot,
station sales are not.

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maturing
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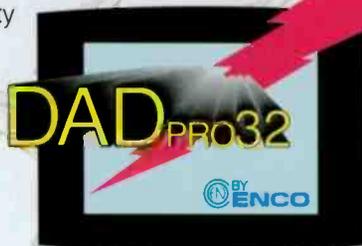
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ABG

Audio Broadcast Group Inc.

MAIN OFFICE

Voice: 800-999-9281
Fax: 616-452-1652
E-mail: support@abg.com

SOUTHWEST OFFICE

Voice: 800-858-9008
Fax: 805-273-3321
E-mail: tmezey@abg.com

SOUTHEAST OFFICES

Voice: 800-369-7623
Fax: 919-934-8120
E-mail: cindy_edwards@abg.com

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MBR Stats

Dealing Slows; Revenues Build

The dealing isn't actually done, not completely, but the heavy-lifting of station ownership consolidation has been completed. Were it not for trading in the smaller markets, the slowdown would have been obvious last year. Aggressive radio groups wasted little time building superduopoly combines in the top 100 markets immediately following passage of the Telcom Act.

Despite the advice of Kenny Rogers, whether sitting at the dealing table or not, we can certainly count revenues, and the news on that front is all excellent. So far, radio is outperforming 1997, which was a revenue record buster in its own right. And our monthly peek into the future shows that there is no sign of any let-up. Figures are in for May, which was radio's third consecutive double-digit gainer.

It was an active month for radio on Wall Street. Cumulus made its debut, as did Regent via its purchase of an already-listed company. Citadel missed joining them by only one day.

— Dave Seyler

Radio Revenue Index

Radio Up 10% YTD

Radio enjoyed another double-digit month in May, gaining 11% over May 1997 on the strength of an 11% gain in local business topped off with a 13% rise in national. Year-to-date the industry stands at 10%, which puts it in position to better the predictors, most of whom have come up with figures in the high single digits. This increase, if it holds, will translate into an additional \$1 Billion or so banked by radio stations across the country.

The East rebounded from a relatively weak month of April for local business. It's 13% gain put it at the top of the heap among the five national regions. The Southeast took a breather, but still registered a healthy 7% gain. National business is slowest in the Southwest, which brought up the rear for the second straight month, although its 9% gain was almost enough to put it into double-digits with everyone else. Year-to-date, the Southeast is first and last, topping the national chart while lagging on the local chart.

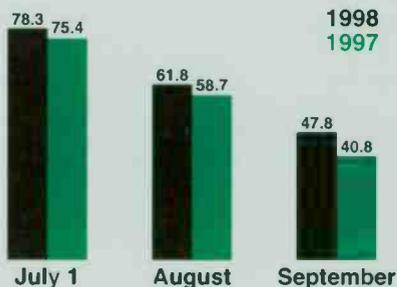
May 1998	Local	Nat'l
All Markets	11%	13%
East	13%	15%
Southeast	7%	15%
Midwest	11%	11%
Southwest	12%	9%
West	10%	14%

Local & Nat'l Revenue May 1998	
All Markets	11%

Forward Pacing Report

Sales Surge Segues Into September

September no doubt seems a long way off to summering schoolchildren, but for radio salespeople it is happening right now. Almost half of the available air time for the month is already spoken for. It appears that all prognosticators who pegged radio's 1998 revenue gains anywhere below 10% shot too low.



Jan-May 1998	Local	Nat'l
All Markets	10%	13%
East	10%	10%
Southeast	8%	17%
Midwest	10%	13%
Southwest	12%	8%
West	10%	15%

Local & Nat'l Revenue Jan-May 1998	
All Markets	10%

Superduopoly Dimensions

Industry consolidation (as of July 13, 1998)

Superduopoly: 47.1		
Market	# of stns	percent
1 to 50	725	50.3
51 to 100	526	49.5
101 to 150	366	45.0
151 to 200	371	44.8
201 to 261	348	42.8
All markets	2,336	47.1

Total Industry: 70.5%		
Market	# of stns	percent
1 to 50	1,069	74.2
51 to 100	762	71.8
101 to 150	539	66.2
151 to 200	579	69.9
201 to 261	546	67.2
All markets	3,495	70.5

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

New issues added some excitement to radio stock trading, as Capstar began to move higher and Cumulus sold its IPO in late June. The big news came July 1, though, as Citadel Communications (which joins the list next issue) went public at \$16 per share and shot up to close just shy of \$20 in its first day of trading.

Company	6/30/98 Close	YTD Gain/Loss	Pct. Gain/Loss
Ackerley	21.125	4.188	24.72%
Alliance Bcg.	0.750	0.500	200.00%
Am. Tower	24.937	15.624	167.77%
AMSC	9.750	2.750	39.29%
Belo Corp.	24.375	-3.688	-13.14%
Big City Radio	8.125	0.000	0.00%
Capstar	25.125	6.125	32.24%
CBS Corp.	31.750	2.313	7.86%
CD Radio	38.500	21.563	127.31%
Ceridian	58.750	12.938	28.24%
Chancellor	49.656	12.344	33.08%
Childrens Bcg.	3.000	-1.062	-26.14%
Clear Channel	109.125	29.688	37.37%
Cox Radio	43.250	3.000	7.45%
Cumulus	14.562	0.562	4.01%
DG Systems	3.500	1.000	40.00%
Disney	105.250	6.250	6.31%
Emmis Bcg.	47.812	2.187	4.79%
Fisher	71.000	11.000	18.33%
Gaylord	32.250	0.313	0.98%
Granite	11.875	2.813	31.04%
Harris Corp.	44.687	-1.188	-2.59%
Heftel Bcg.	44.750	-2.000	-4.28%
Jacor	59.000	5.875	11.06%
Jeff-Pilot	57.937	-19.938	-25.60%
Jones Intercable	25.000	7.563	43.37%
Metro Networks	43.125	10.375	31.68%
NBG Radio Networks	3.000	1.000	50.00%
New York Times	79.250	13.125	19.85%
News Comm.	1.000	-0.437	-30.41%
OmniAmerica	37.000	24.250	190.20%
Otter Tail Power	37.062	-0.813	-2.15%
Pacific R&E	4.125	0.750	22.22%
Pulitzer	39.250	26.438	42.09%
RealNetworks	37.312	23.437	168.92%
Regent Ptd.	6.000	0.000	0.00%
Saga Commun.	14.000	-3.000	-17.65%
Sinclair	28.750	5.438	23.32%
SportsLine USA	36.562	25.812	240.11%
TM Century	0.437	-0.188	-30.08%
Triangle	0.040	-0.085	-68.00%
Triathlon	10.750	0.250	2.38%
Tribune	58.812	6.562	10.54%
Westower	25.500	13.750	117.02%
Westwood One	25.218	-11.907	-32.07%
WinStar Comm.	42.937	18.000	72.18%

Major Stock Market Indices		
The Radio Index™	110.440	10.440 10.44%
Dow Industrials	8952.020	1043.770 13.20%
Nasdaq composite	1834.740	324.370 20.66%
S&P 500	1133.840	163.410 16.84%

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Senior Editor Jack Messmer
 Senior Editor Dave Seyler
 Associate Editor Carl Marcucci
 Associate Editor Frank Saxe
 Creative Director Marti Wager
 Executive Director/Production Ronald Greene
 VP Administration Cathy Carnegie
 FCC Research Consultant Mona Wargo
 Administrative Assistant April Olson

Publisher Jim Carnegie

Associate Publisher/GM Ken Lee
 Account Executive Maggie Daley
 Account Executive Beth Dell'Isola
 Account Executive John Neff

Editorial/Advertising Offices

6208-B Old Franconia Road
 Alexandria, VA 22310
 or
 PO Box 782
 Springfield, VA 22150

Main Phone: 703/719-9500
 Editorial Fax 703/719-7910
 Sales Fax: 703/719-9509
 Subscription Phone: 703/719-7721
 Subscription Fax: 703/719-7725

Advertising Sales Information

Ken Lee Phone: 703/719-9500
 Fax: 703/719-9509
 Beth Dell'Isola Phone: 770/908-8373
 Fax: 770/908-8484
 Maggie Daley Phone: 202/546-9788
 Fax: 202/546-9789
 John Neff Phone: 703/719-9500
 Fax: 703/719-9509

Email Addresses

Publisher: JCRBR@aol.com
 Editor: KBachman@aol.com
 Editorial: Radiobiz@aol.com
 Associate Publisher: KenLeeRBR@aol.com
 Sales: MaggieRBR@aol.com
 John NRRBR@aol.com
 BethRBR@aol.com

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MBR Stats

Prophet Margins: Radio Forecasts Compared

Predictions range from 7.5% gains up to 10%. However, radio's real gains are already at the 10% level. Q3 pacing is leaving last year in the dust. And the fact that this is an election year should only help pump up gains in Q4. It appears that radio is poised to outperform the prognostications.

Soothsayer	Prediction
William Donald, Standard & Poor's	8.9%
Robert Coen, McCann-Erickson	7.5%
James Marsh, Prudential Securities	10%
Ralph Guild, Interep	9-10%
Pete Bowman, BIA	10%
Actual year-to-date (through May)	10%

The Pace of Consolidation

After two years of record station trading, ownership consolidation is slowing down. The great bulk of dealing in the top 100 markets was done in the first year of ownership deregulation; during the second year the focus shifted down to smaller markets. The following chart shows where the industry stood both for superduopolies, and for superduopolies and duopolies combined, including deals reported in the cited issue of *Radio Business Report*.

The second chart shows how consolidation has increased for large and small markets.

RBR Issue	Stns	Super	Pct	Consol	Pct
07-01-96	4860	985	20.3	2562	52.74
10-07-96	4872	1256	25.8	2756	56.6
01-06-97	4878	1390	28.5	2847	58.4
04-07-97	4863	1639	33.7	3005	61.8
07-07-97	4868	1840	37.8	3116	64.0
10-06-97	4877	1969	40.4	3195	65.5
01-12-98	4876	2077	42.6	3245	66.6
04-06-98	4939	2237	45.3	3432	69.5
07-06-98	4955	2333	47.1	3492	70.5

Percent Superduopoly Increase

Markets:	1-100	101-267
Q3 96	6.3	4.6
Q4 96	3.1	2.3
Q1 97	6.1	4.5
Q2 97	4.9	3.3
Q3 97	2.5	2.6
Q4 97	1.0	3.5
Q1 98	1.8	3.9
Q2 98	1.5	2.1

Year One	20.4	14.7
Year Two	6.8	12.1

Percent Consolidation Increase

Markets:	1-100	101-267
Q3 96	3.3	4.4
Q4 96	1.7	2.0
Q1 97	4.1	2.9
Q2 97	2.3	2.1
Q3 97	1.8	1.2
Q4 97	0.3	1.9
Q1 98	1.9	4.3
Q2 98	0.8	1.1

Year One	11.4	11.4
Year Two	4.8	8.5

Web Stats

Webcasters by Format

(as of July 9, 1998)

785 radio stations (682 commercial) are now putting audio on the Internet. Of the total 1,486 audio websites now in operation, 50.1% (744) are of US origin.

Country remains the number one commercial format on the web with a total of 77 stations. However, if the various News, Talk and Sports categories are combined, they account for 128 stations, or 18.8% of all commercial webcasters.

RealAudio had a good month, apparently capturing all of the webcasting newcomers, and even grabbing a client or three away from the other platforms.

Formats on the Internet

Format	Stns	Pct.
Non-commercial	103	13.1%
Country	77	9.8%
Religion	62	7.9%
Rock	60	7.6%
News/Talk	54	6.9%
CHR	54	6.9%
Hot AC	37	4.7%
Sports	36	4.6%
Classic Rock	36	4.6%
Alternative	35	4.5%
AC	33	4.2%
Oldies	29	3.7%
Adult Altern	27	3.4%
Talk	26	3.3%
Soft AC	19	2.4%
New AC-Jazz	17	2.2%
Urban	15	1.9%
Ethnic	15	1.9%
News	12	1.5%
Standards	11	1.4%
Classical	9	1.1%
AC-Spanish	7	0.9%
Talk-Spanish	4	0.5%
CHR-Spanish	4	0.5%
70's Oldies	2	0.3%
Easy List.	1	0.1%

Audio on the Internet

Medium	Websites	Pct.
Radio Stations	785	52.8%
International	540	36.3%
Networks	43	2.9%
Internet Only	118	7.9%
TOTAL	1,486	100.0%

Streaming Players

Medium	Websites	Pct.
RealAudio	1,318	88.7%
Microsoft NetShow	119	8.0%
StreamWorks	38	2.6%
AudioActive	7	0.5%
Radio Destiny	4	0.3%
Interflix	1	0.1%
GTS Audio	1	0.1%
Vosaic	1	0.1%
TOTAL	1,486	100.0%

Source: BRS Consultants

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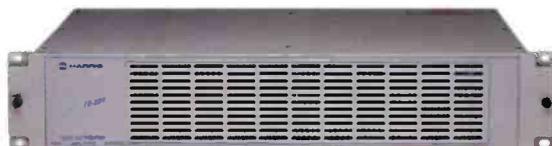
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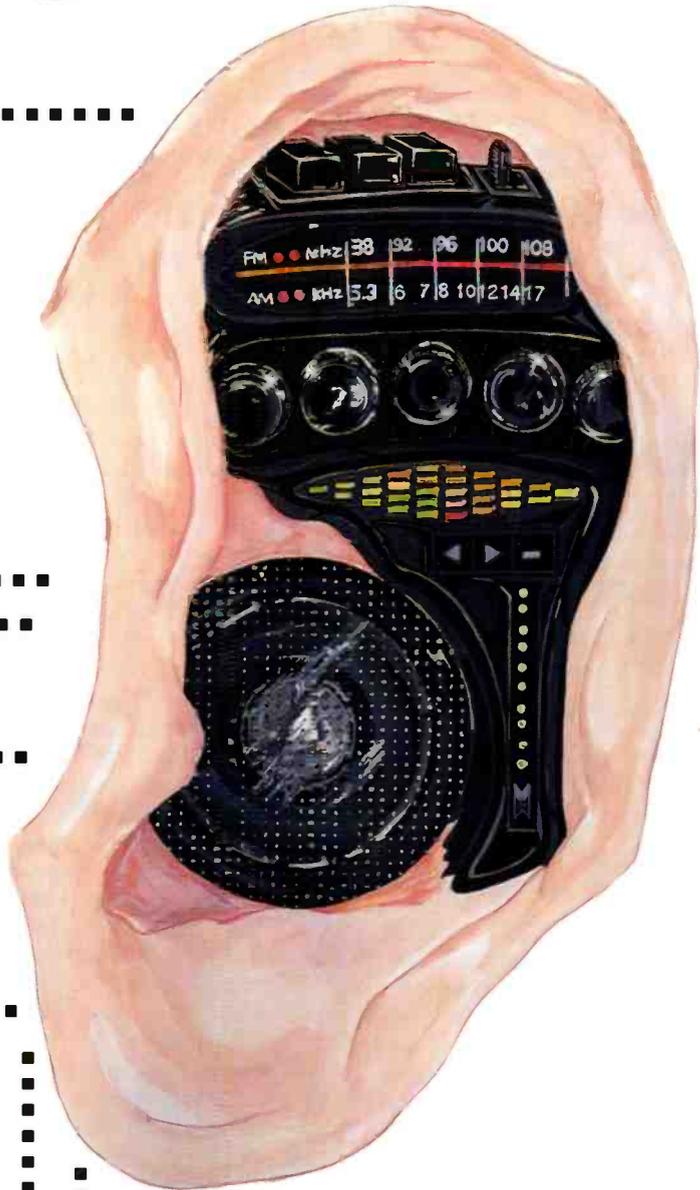
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New Cable Net to Put Radio on TV

Taking cues from Don Imus and Howard Stern, Santa Monica-based RadioTV Network (RTV) wants to put radio shows on TV. With plans to launch to 3M HHs by the end of the year, the satellite-delivered cable net has signed deals with two radio personalities: Mancow Muller of "Mancow's Morning Madhouse," which now originates from Emmis'

WKQX-FM Chicago (RBR 6/29, p. 4) and Jim Quinn of WRRK-FM Pittsburgh. Both shows debuted this month on selected stations.

"We're not going to take them out of their element," said Lawrence Rogow, president of RTV parent company, Venture Technologies Group. "It's radio with pictures. The cameras are small and sophisticated." Nevertheless, RTV won't air all of the radio shows, only 60-90 minutes cutting out local news, traffic, and local radio spots. "We'll just have the 'best of,'" Rogow said. ♦

Station Trading Falls Off '97's Record Pace

Consolidation, at least in financial terms, slowed w... a... y down in the first half of this year. Barring a couple of really huge mega-group mergers, 1998 trading is unlikely to come anywhere near last year's record of \$15B.

Through the first six months of this year, station sales reported in RBR totaled \$2.99B. That's a decline of more than 61% from \$7.76B in trading for the first half of '97.

Only four radio deals of \$100M or more have been announced so far this year:

- \$637.5M—11 SFX stations from Capstar (N:CRB) to Chancellor Media (O:AMFM)
- \$160.0M—An 11-station swap by CBS (N:CBS) and Jacor (O:JCOR)
- \$126.5M—Sinclair's (O:SBGI) Portland and Rochester stations to Entercom
- \$105.0M—Radio value of Pulitzer Broadcasting's (N:PTZ) \$1.85B merger with Hearst-Argyle (O:HATV)

That's not to say that radio groups aren't buying—it's just that they're not necessarily buying radio stations. Non-radio mega-deals during the first two quarters included two big billboard deals—Clear Channel's (N:CCU) \$779M buy of More Group and Chancellor's \$610M buy of Martin Media—and Chancellor's second big rep deal, a \$150M acquisition of Petry Media. Then Chancellor kicked off the second half of the year with an even bigger non-radio buy, \$1.7B for LIN Television. ♦

AMFM Lifts Network Audiences Up 10%; ABC's Paul Harvey Still King of the Nets

The first RADAR® to include radio's newest network, Chancellor's (O:AMFM) AMFM Radio Networks, shows network audiences surged 10.4% over RADAR 56 to 24.6M (see graph, below). Assuming the other networks didn't lose listeners to

Travel Scam Hits Stations

More than 200 radio stations nationwide are out thousands of dollars in a scam which has left GMS scrambling to find replacement trips for listeners and staff alike.

Broadcasters, Inc., based in Lantana, FL, sold trips to radio stations in exchange for cash and spot time. A typical trip for two to Las Vegas would cost a station \$200 plus 50 spots. Besides Las Vegas, Broadcasters, Inc. booked trips to Disneyworld, Jamaica and Mexico for scores of small and medium sized markets for years without a problem.

But things began to unravel for owner Ray Blomquist in May, when his travel agency partner severed ties with Broadcasters, Inc. for lack of payment. Within days, his phones were disconnected and calls were referred to his lawyer who said they were preparing to file Chapter 7 bankruptcy.

"He has screwed a lot of people," said George Kimble, who has bought dozens of trips over the last four years for his five stations in upstate New York. Besides lost spot time, he is out more than \$15K. His attorney is trying to convince prosecutors to press criminal charges against Blomquist for fraud.

The Lantana police department has received more than forty complaints from stations in Iowa, Illinois, Nebraska, Ohio and New York—and has since stopped adding to its list.

While he is out \$10K, Watertown, NY GM Dave Mance also lost a great opportunity to rally his troops. He had planned to take his staff to Jamaica for a job well done during last Winter's devastating ice storm. "Everyone was really excited about this trip," said Mance. ♦

NTR Growing in Importance

There aren't a whole lot of ways to increase station revenues: inventory isn't infinitely expandable—increased loads must be balanced with what listeners will tolerate—and raising rates can only go as far as the market will bear. But there's no limit to non-traditional revenue. Non-spot revenue is only about 10% of station revenues, but its importance as a way to break new business and capitalize on the new consolidated groups is growing. Across the US, radio groups are naming marketing directors to coordinate events and promos for advertisers looking to stand out from the media clutter.

NTR is lucrative; it's not unusual for a single event in a larger market to bring in \$250,000. According to Revenue Development Systems' recent survey of its member stations, the NTR rate is 81% higher than the station's average spot rate, up from 60.5% last year. NTR is 9.8% YTD of station local revenues, up from 9.0% last year. While that may not seem like a large percentage, in dollars, NTR is up 45% Jan.-June YTD. ♦

Other results:

What percentage of your business do you estimate is:

Retail driven	20.9%
Manufacturer driven	43.2%
Event sponsorship	32.3%
Non-spot	11.8%

Hottest NTR categories:

- Events
- Recruitment
- Pharmaceutical

Source: RDS Informer

audiences might have slid by as much as 3.5%.

ABC Radio Networks holds the top 20 network programs, and Paul Harvey continues to be the number one network personality.

The next RADAR released in September will include the four new networks and the "Dr. Laura Schlessinger Show" from new network entrant, Jacor's Premiere Radio Networks. ♦



Tracking Radio's Competitors at Mid-Year

by Frank Saxe

Classified, Retail Drive Newspaper Up

First quarter newspaper advertising expenditures rose 7.3%, to \$9.6B, according to the Newspaper Association of America (NAA). In the first quarter of 1998, classified ad spending was up 9.8% to \$3.9B, retail grew by 4.4% to \$4.4B and national ads rose 9.9% to \$1.4B.

"We continue to benefit from the strength of local economies across the US," explained Miles Groves, NAA chief economist. "This is evidenced by the growth in both classified and retail." High margin classified advertising, in particular, helps the bottom line.

While McCann-Erikson's Bob Coen has revised his newspaper forecast upward, Groves is for the time being standing by his 7% prediction for the year. "Classified is going a lot stronger than I had anticipated, and recruitment is averaging up at least 20% and strong growth continues for automotive and real estate." In some markets, like suburban New York and Ventura County, CA housing inventory is so tight, there has been a drop in real estate ads.

There has also been a reversal in circulation declines. Early predictions for the year indicate that 1998 will be the first year since 1986 that readership will rise. Still, print has a marked generation gap with fewer young readers. NAA has launched an ad campaign aimed at attracting younger eyes.

What may hurt newspaper, says Groves, is how well it did in 1997. "It's a tough comparison, we're doing well coming off an outstanding year. I would expect Q2 to be a little softer for seasonal reasons, with a lot of strength in the latter half of the year." ♦

Broadcast TV Optimistic Despite Soft Upfront

Even with a soft upfront network season, the Television Bureau of Advertising is sticking with its projections that TV revenues will rise 6-8% in 1998. TVB also forecasts increases of 5-7% for spot TV, 6-8% for local TV, with an increase of 5-7% for network TV and 4-6% for syndication. Hot categories on the tube will include automotive, fast food, pharmaceuticals, telecommunications and political, especially for locals. ♦

Revenue and Ratings Climb for Cable

Thanks to higher ratings and fewer eyes heading to broadcast TV, the rest of the year is looking up for

cable. Donald Stump, VP/national sales and marketing, Cable Advertising Bureau, says the 1998 upfront season will bring in \$2.7B, compared to \$2.2B in 1997. Stump says cable got 22.3% of the advertisers' upfront budget.

For the first time ever, from June 2-28, cable overtook the top four broadcast networks, winning 22.8M viewers, 200K more than ABC, CBS, NBC and Fox combined according to Nielsen data. It also shows cable topped broadcast networks in primetime HH ratings, reaching 23.2 versus broadcasters' combined 23.0. "The trends are a clear indication that cable will dominate the summer season and generate increased profitability," said Jonathan Sims, VP/research, CAB. ♦

Top Outdoor Growth

Categories	'97 Revenue Gain	Percent Change
Entertainment & Amusement	\$40.8M	25%
Business & Consumer Services	24.2M	18%
Retail	22.2M	19%
Travel, Hotels, Resorts	19.4M	19%
Drugs & Remedies	13.9M	44%

Source: OAAA

Outdoor Smokin' Without the Smokes

Despite the loss of tobacco billboards, the Outdoor Advertising Association of America is predicting another banner year. "We should be growing at a better rate than overall advertising," said OAAA's John Hunt. "Given the interest in the medium and the concerns advertisers have with television...advertisers like what outdoor has to offer."

OAAA says outdoor spending rose 8.8% in 1997, to \$2.14B. That is roughly 2% of the overall advertising budget universe.

"Health care, entertainment and travel/amuse-

ment continue to be big," said Hunt. "Professional services like lawyers, doctors, banking, and even the Internet services are also growing." One thing dropping is tobacco, which is at its lowest level since the early 1970s. "Tobacco will disappear at some point, but it couldn't happen at a better time," said Hunt. It seems the cigarette makers have held many prime locales at discount rates for years, and new advertisers are paying 30% more for the same faces. ♦

Magazines Lose to Other Media

Magazine publishers are nervous, despite a 3% rise in ad pages through May. The Publishers Information Bureau says ad pages rose to 95,217 in the first five months of 1998. Revenue was up 7.1%, although some of that came from an average 6.7% hike in ad rates.

While some categories, such as prepared foods and apparel were hot, others have been soft, including auto, prescription and beauty products. General interest mags are suffering the most as some ad budgets switch to TV and radio. General Motors and Chrysler have pulled significant portions of their budgets.

Still, some books remain hot—including women's, computers and personal finance. While the balance of the year promises to be tough, most are predicting a 10% hike in revenues by the end of the year. Revenues grew 11.8% in 1997 and 9.6% in 1996, according to PIB. ♦

Internet: Nowhere to Go but Up

Internet ad spending leapt 271% in the first quarter of 1998 to \$351M, according to the Internet Advertising Bureau (IAB). "The results for the first quarter of this year underscore the fact that the Internet is now considered an integral component of the overall media mix, and subject to the same variables as all other forms of advertising," said Rich LeFurgy, chairman, IAB.

Categories which lead spending were computing, up 27%, consumer-related, up 25% and telcom, up 14%. Banner ads continue to dominate spending in the category, with more than half going to banners, with sponsorships taking 40% of ad dollars.

IAB predicts Internet advertising will continue to grow at this pace, and expects ad revenues to easily crack \$1B by the end of 1998. ♦

Ad Guru Revises Ad Forecast Up; Radio Gains Boosted

by Katy Bachman

Total advertising expenditures will climb over the \$200B mark this year to \$200.3B, according to Robert Coen, McCann-Erikson's SVP/director of forecasting. That's a 6.8% increase over last year. Six months ago, Coen was calling for a 6.2% increase.

"The economic moderation that has been expected for some time has failed to appear," said Coen in his report, commenting that the slowdown usually following an Olympics and election year never happened. With the millennium nearing, "it now appears highly likely that good expansion will roll on throughout the rest of this century and into the next millennium," he said.

National is expected to post stronger gains (7.0%) than local (6.5%), which is more "immediately affected by conditions that directly impact the consumers," Coen noted.

All of Coen's radio projections have been revised upward. Coen sees national (spot and network) up 7.5% and local up 7.0%, compared to December projections of 6.5% for both national and local.

Although rosy, that's still not enough to move the needle on radio's

share of the ad pie—Coen's numbers show that radio will capture 7.2% of the ad dollars.

Coen tends to pepper his optimism with caution and his estimates are conservative compared to other prognosticators. Standard & Poor's Will Donald sees radio ending the year up 8.9% to \$14.7B (MBR July, p. 6), compared to Coen's \$14.455B and 7-7.5% increase. ♦

Bob Coen's Mid-Year 1998 Media Forecast

National Advertising			Local Advertising		
	% Chg.	\$(000,000)		% Chg.	\$(000,000)
Big 4 TV nets	5.5%	13,735	TV	7.5%	12,295
Spot TV	7.0%	10,700	Newspapers	6.0%	38,855
Cable TV	13.0%	6,165	Radio	7.0%	11,210
TV Syndication	7.5%	2,620	Yellow pages	5.2%	10,215
Radio (spot & network)	7.5%	3,245	Other	8.1%	9,750
Magazines	5.5%	10,360	Total local media	6.5%	82,325
Newspapers	7.5%	5,390			
Direct mail	7.0%	39,470	Combined National & Local Media	6.8%	200,325
Yellow pages	8.0%	1,850			
Other	7.0%	24,465			
Total National Media	7.0%	118,000			

Source: McCann-Erikson Insider's Report, June 1998

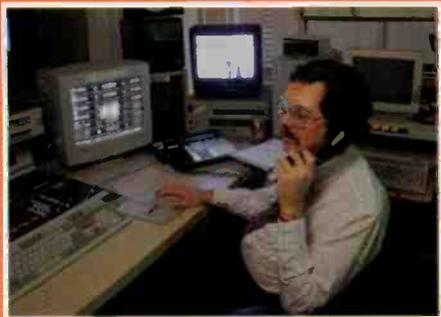
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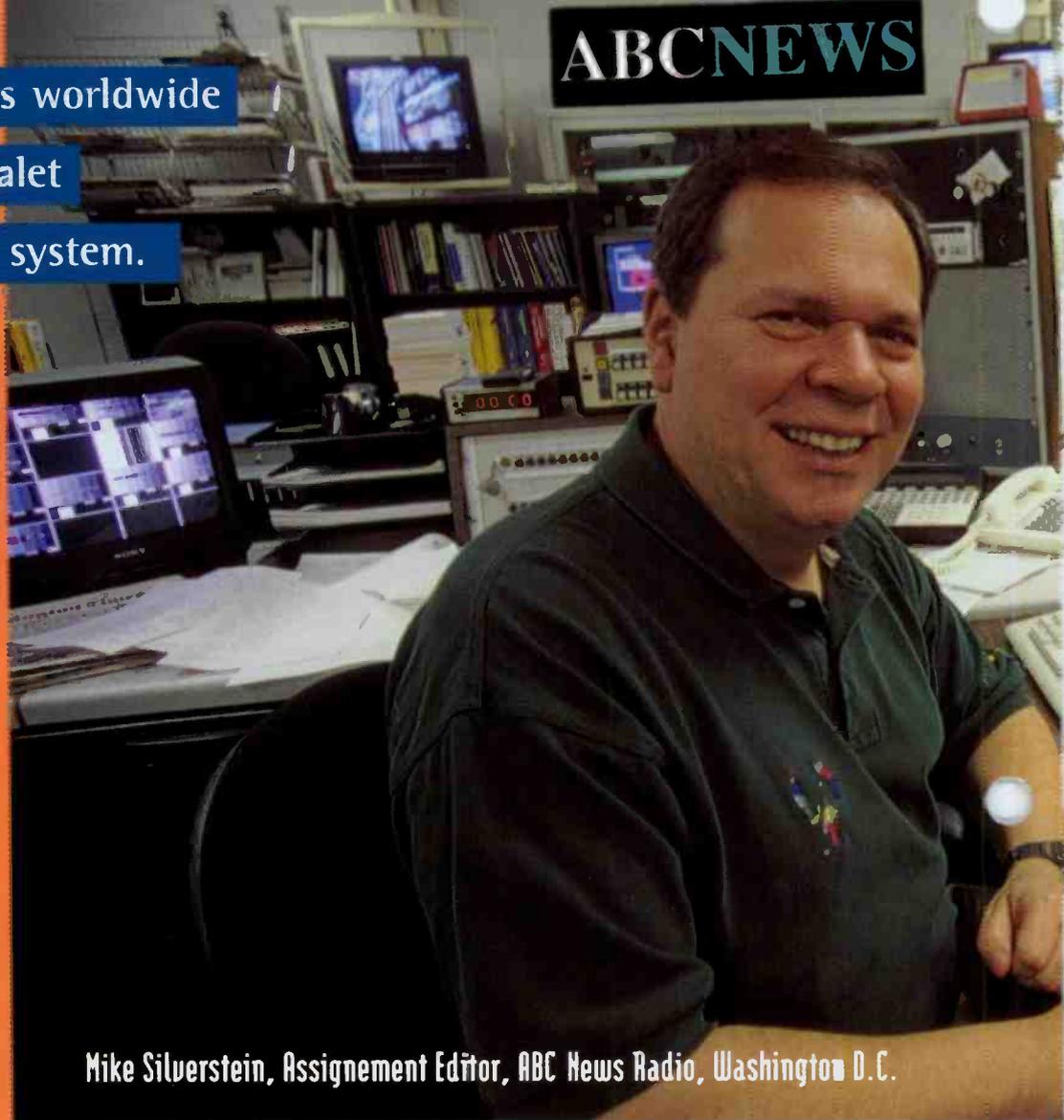
more than any other system.



Steve Densmore
Manager of Operations for ABC Radio Networks,
Washington DC

“It’s mature
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It’s stable.
We like
the software
functionality.”

Steve Densmore
Manager of Operations for
ABC Radio Networks, Washington DC.



Mike Silverstein, Assignment Editor, ABC News Radio, Washington D.C.

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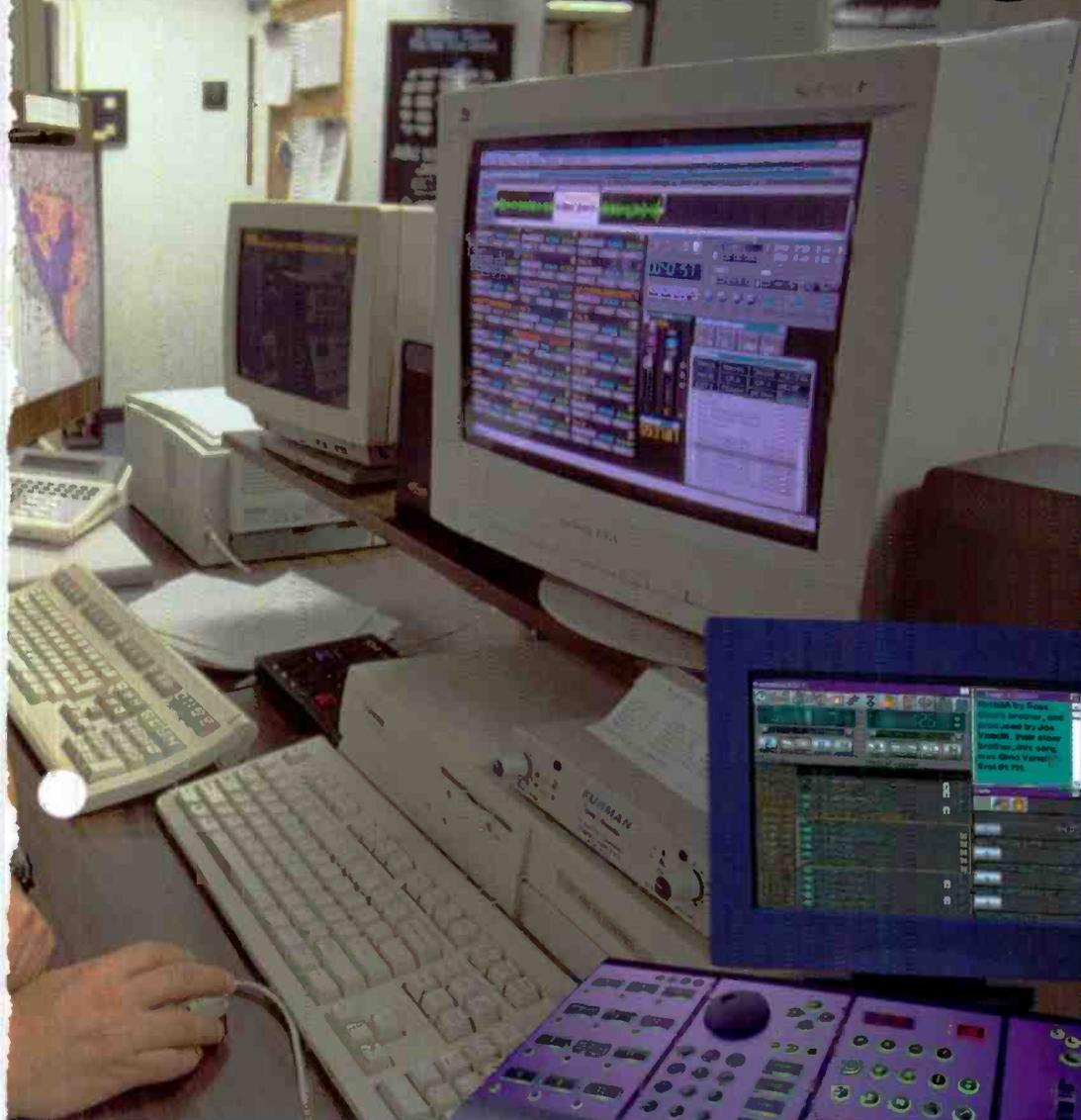


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Steve Densmore

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Local Ad Dollars Down in April Radio's Share Slips to 15%

by Katy Bachman

Radio's share of the local ad pie settled back to 15.3% in April after reaching a high of 18.2% in March, based on the radio stations in the 10 markets that make up the MBR/Miller Kaplan Total Media Index. The top 25 categories listed represent 90% of the local ad dollars.

Advertising spending across all three media was down in April, from more than \$500M in March to about \$392M, a drop of nearly 22%. Radio took the biggest hit, down 34.4% compared to TV, down 21.0% and Newspapers down 16.9%.

Newspaper share increased slightly to 45.4% from 42.8%, but wasn't as strong as February's 46.5%. TV share continues to be flat at 39.3%.

In the leading media categories, radio's share slipped slightly; Automotive to 9.8% from 11.1%; Restaurants to 11.3% from 12.3%; Department Stores to 10.8% from 11.6%. Communications/Cellular dollars were down nearly 21%, and radio sustained most of the loss, dropping to 17.4% from 27.5% in March.

Television spent nearly half as much on advertising in April, but radio still gets the largest share of dollars by far at 79.5%. It is the only category in which radio breaks a 50% share. Other strong categories for radio in April were Medical/Dental/Health Insurance at 31.4%, Beverages at 43.2%, Entertainment/Lottery at 47.4%. Radio got a larger share of AutoParts/Services dollars, up to 28.3% from 25.0% in March.

Dominating the local market ad share, Newspapers increased their hold on Department Store dollars, up to 79.0% from 76.7%. Newspapers also grabbed 50.0% of Grocery Store dollars, 84.5% of Hotels/Resorts/Tours, and 58.0% of Computers/Office Equipment.

Categories spending big shares in TV include Restaurants at 47.0%, Foods at 52.9%, Financial Services at 55.8%, and Drug Stores/Products at 56.9%.

MBR/Miller Kaplan Total Media Index - April 1998 (Expenditures in 000)

Category	Newspaper	TV	Radio	Total Media	Radio % of Total
Automotive	45,659	44,901	9,796	100,356	9.8%
Restaurants	14,803	16,712	4,020	35,535	11.3%
Department Stores	28,466	3,664	3,889	36,019	10.8%
Foods	6,463	10,020	2,464	18,947	13.0%
Communications/Cellular	10,112	8,922	3,999	23,033	17.4%
Furniture	5,892	5,371	1,910	13,173	14.5%
Financial Services	6,360	9,840	1,436	17,636	8.1%
Movies/Theater/Concerts	3,705	4,667	1,551	9,923	15.6%
Grocery Stores	6,965	4,055	2,919	13,939	20.9%
Appliances & Electronics	7,506	3,610	1,162	12,278	9.5%
Hotels/Resorts/Tours	9,441	2,037	1,193	12,671	9.4%
Drug Stores/Products	5,416	8,752	1,205	15,373	7.8%
Computers/Office Equipment	4,401	1,780	1,412	7,593	18.6%
Other Retail	5,355	3,044	2,894	11,293	25.6%
Medical/Dental/Health Insurance	3,040	2,909	2,717	8,666	31.4%
Auto Parts/Service	1,989	3,515	2,170	7,674	28.3%
Music Stores/CDs/Videos	528	1,963	802	3,293	24.4%
Transportation	3,945	1,787	940	6,672	14.1%
Entertainment-Other/Lottery	1,022	1,734	2,480	5,236	47.4%
Home Improvement	4,459	4,005	1,654	10,118	16.3%
Professional Services	607	3,711	1,520	5,838	26.0%
Beverages	240	3,918	3,161	7,319	43.2%
Television	668	184	3,311	4,163	79.5%
Personal Fitness & Weight Centers	350	1,874	397	2,621	15.1%
Publications	695	980	830	2,505	33.1%
TOTAL	178,087	153,955	59,832	391,874	15.3%

*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., CPAs. For further information contact George Nadel Rivlin at (818) 769-2010.

MBR's Trends to Watch

Content is King, but Distribution Rules

by Katy Bachman

Two years ago, Louis Severine, president/CEO, of national rep company Global Media, saw the writing on the wall and gave up his independence for a deal with WinStar Communications (O:WCII). "The little guy out there can't compete," he said. "They've got to get under the umbrella of a company with deep pockets."

In June, Severine's former partner, Howard Gillman, sold Global Satellite Network's syndicated shows to Chancellor's AMFM Radio Networks (RBR 6/15, p. 2).

Gillman is "going to Disneyland," but Severine is still in business. For syndicators and radio networks looking to thrive and survive the fallout from consolidation, it's a jungle out there (RBR 4/13, p. 4).

"You need a long-term view and you need to be well-financed. If we can bring some more money in the front door, we can weather the storm better," said Stephen Youlios, president, NetStar (RBR 3/30, p. 4). As head of a fledgling syndication company, Youlios took his company in a new direction by repping ProStar Entertainment's new syndicated show, "The Movie Show on Radio."

While radio execs are fond of saying that content is king, today's radio networks and syndicators know it's nothing without distribution. In early May, ABC Radio bought Radio Today, adding rep services and shoring up its music programming with 17 shows (RBR 5/4, p. 4). A month later, Jones Radio Network (JRN) purchased its rep, MediaAmerica, and increased

its syndicated lineup with another dozen shows (RBR 6/8, p. 4).

But after distribution, the next challenge for syndication may be accountability—providing advertisers and agencies with the proof they need (clearances) to spend more of their clients' dollars. Radio syndicators are answering the call of advertisers by going into the rated network business and Statistical Research, Inc., the provider of the RADAR@'s, increased measurement to four times a year.

For 20 years, there were no additions to the list of RADAR@-rated networks. Then consolidation hit, and Chancellor (O:AMFM) found it could take its own stations and create AMFM Radio Networks, launching Youth and Adult networks in January (RBR 1/12, p. 3). Six months later, Jacor's (O:JCOR) Premiere Radio Networks said it would jump in the network biz with four new networks plus Dr. Laura Schlessinger, which will be the first long form syndicated show included in the next RADAR in September (RBR 6/8, p. 3).

"We did this in reponse to numerous requests over a long period of time from the advertising industry," said Kraig Kitchin, COO, Premiere Radio Networks. "We want to make a concerted effort to bring new advertisers to the medium."

There's no doubting the current trend, but it's still too early to say conclusively that networks are the future. While audiences got a 10% boost from AMFM's entrance, the revenues have yet to follow (RBR 7/6, p. 3).♦

Laura Schlessinger

Radio Groups Becoming "Media" Companies

by Jack Messmer

Cross-media marketing continued to gain momentum in 1998 as radio groups capitalized on opportunities to buy other types of media and even vendors.

Most active on the diversification front was Chancellor Media (O:AMFM). New CEO Jeff Marcus took the radio company into outdoor with a \$610M purchase of Martin Media (RBR 6/29, p. 12), then trumped that with a \$1.7B stock-swap deal for LIN Television (RBR 7/13, p. 12)—already owned by Chancellor's main financial backer, Hicks, Muse, Tate & Furst. Then he snared 50% of Mexico's largest radio group, Grupo Radio Centra (N:RC), for \$237M (RBR 7/20, p. 12).

Even before Marcus came onboard, Chancellor had expanded its rep business with a \$150M buy of Petry Media (RBR 4/20, p. 12).

TV is the newest expansion outlet for Emmis (O:EMMS), which is paying \$397M for five Fox affiliates and one CBS affiliate, with

three medium-market radio stations also included. Emmis already had a magazine group and added *Texas Monthly* as its fourth title for \$37M (RBR 2/2, p. 15).

Already well diversified from its radio roots into TV and outdoor, Clear Channel (N:CCU) became the world's largest outdoor company with a \$779M buy of London-based More Group, with billboards in 22 countries (RBR 6/8, p. 14). Clear Channel also expanded its foreign radio investments with a \$57.5M buy of a 40% stake in Mexico's Grupo Acir (RBR 3/23, p. 12).

Saga (A:SGA) made its first foreign move with a \$1.05M deal to buy 50% of a radio group in Iceland (RBR 4/20, p. 12). Saga also bought a second US TV station (RBR 7/13, p. 13).

With software and computer networks playing an ever-increasing role in operating a radio group, Capstar (N:CRB) took its vendor in-house with a \$25M buy of Prophet Systems (RBR 4/6, p. 4).♦



Feature continued on page 14

Sideline Not Enough for New FCC

by Frank Saxe

Like the Supreme Court of the sixties and seventies, the current FCC could be characterized by its activist agenda. Rather than simply hand out broadcast licenses and award spectrum space, the current Commission seems determined to correct societal ills while expanding its role. This self-appointed activist strategy has had the Commission butting heads with Congress for much of the year.

Despite easily clearing the Senate during confirmation, the freshman class of commissioners has not enjoyed such cordial relations of late.

It all began in January, when President Clinton called on the FCC to find a way to force radio and TV stations to give up air time for political candidates (RBR 2/2, p.2). Chair Bill Kennard (D) took his orders and began to march, until he ran into repeated bipartisan bombing from Congress. Retreat, he did, for the time being.

Even so, Sen. John McCain (R-AZ) said the FCC is taking a "Nehru-jacket approach" to public interest obligations and expanding minority ownership. He said its "tinkering" may create more problems than it solves (RBR 4/13, p. 4).

Rep. Billy Tauzin (R-LA) agreed, saying the the FCC's relationship with the Congress could be "poisoned" if it didn't shape-up (RBR 6/29, p.6).

The current Commission is the most ethnically diverse in the FCC's history. While laudable for its mirroring of America, it is also

noteworthy when looking at how the FCC has dealt with a sudden increase in the number of racial issues landing before them.

In April, an Appeals Court ruling shot down the FCC's 30-year old EEO rules, prompting an appeal by the FCC (RBR 5/25, p.2). While EEO landed on their lap, the Commission is seeking out roles in other fights. Just a few weeks ago, Kennard told civil rights activist Al Sharpton he is considering launching an inquiry into discrimination in broadcast ad placement in the wake of the leaking of Katz Radio's memo urging buyers to avoid Urban and Spanish stations. And a majority of commissioners has also said low-power, microradio stations may be a way to reverse the effects of consolidation on minority ownership (RBR 3/9, p.3).

The current FCC also seems to be more politicized than its fore-runners, dividing on key issues like free time along party lines. That could also temper the battles that lie before it in the coming months, battles it has sought out for itself.

FCC watchers say they're expecting the Commission to make a proposal aimed at increasing minority and women media ownership. Kennard also tells us he'll also look to "rationalize" the attribution rules, so expect some proposals dealing with cross-ownership and duopoly. He also says he'll try to step back from the debate over free time, in order to come up with some politically palatable proposals. ♦

Radio Debutants Capture Stock Traders Hearts

by Jack Messmer

Internet stocks may have been the belles of the ball on Wall Street in the first half of 1998, but new radio companies didn't have any trouble filling their dance cards.

Steve Hicks and brother Tom's Hicks, Muse, Tate & Furst raised \$589M for Capstar Broadcasting Corp. (N:CRB), the second-largest IPO of any sort (beaten only by Heller Financial [N:HF]) so far this year. The May IPO (RBR 6/1, p. 13) facilitated the closing of Capstar's \$2.1B buy of the SFX stations. The offering at \$19 per share was slow to gain momentum, but ended Q2 up 32%.

With virtually no operating history and a slew of small market acquisitions awaiting closings, Richard Weening's and Lew Dickey's Cumulus Media (O:CMLS) was the most difficult of the radio IPOs for Wall Streeters to value, but the

barely one-year-old company managed to sell \$106M worth of stock at \$14 per share (RBR 7/6, p. 13). The stock had gained 4% when Q2 ended four days later.

Just missing a Q2 debut was Larry Wilson's Citadel Communications (O:CITC), which sold \$110M worth of stock at \$16 per share on July 1 (RBR 7/6, p. 13). The well-received offering immediately shot up 25%.

Meanwhile, three radio companies joined RBR's weekly stock list by merging with already-public companies or shells: syndicator NBG Radio Networks (O:NSBD), up 50% YTD; Triangle Broadcasting (O:TBCS), the first gay network, up 2%; and Regent Communications (O:RGCIIP), whose preferred stock was unchanged after eight days on Wall Street. ♦

Feature continued on page 14

*From Left:
FCC Chair
Bill Kennard,
Senator
John McCain
and
Congressman
Billy Tauzin*



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WANs: The Consolidation Connection

by Carl Marcucci

Now that the acquisition dust is settling, broadcasters are looking for ways to be more productive and creative. Groups such as Capstar, Cumulus and Jacor are building wide area networks (WANs) to link all the stations together for back-office functions and audio sharing. Other groups are content to link stations at the market level. Greater Media is wiring 14 stations in Boston and Philly and Emmis completed 21 new studios and corporate offices in Indianapolis (RBR 3/23, p. 10).

For audio, groups are striking big-ticket deals with digital on-air systems manufacturers to wire each station with the same product—competing systems don't communicate well. These systems not only deliver liners and spots, but "virtual programming," where one station can send DJ voice-overs to similarly-formatted stations in the group to merge into their on-air systems.

Gulfstar turned on its 12-studio Austin "StarCenter" hub July 15 (RBR 9/15/97, p.10). Acting as the nerve center connecting all 86 Gulfstar stations, StarCenter links Prophet Systems' Audio Wizard

CFS digital on-air system to share programming and production across its "StarSystem" wide area network.

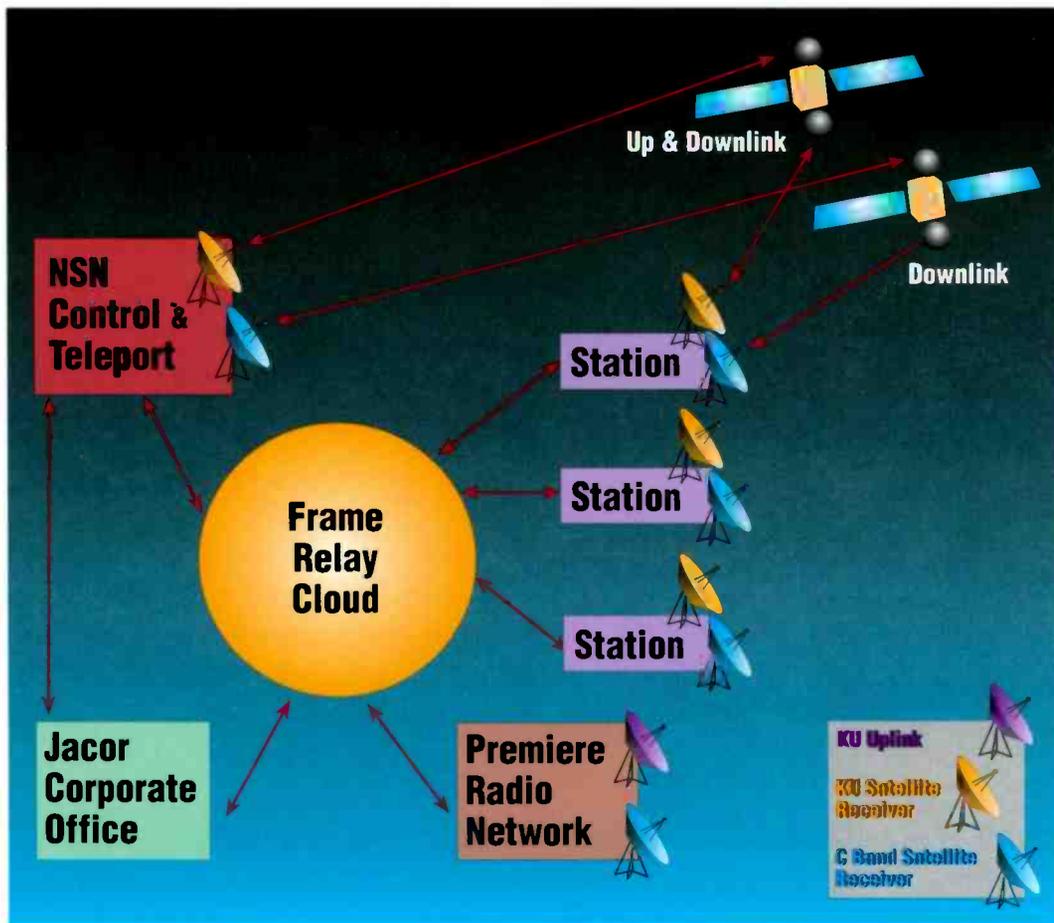
"We will be able to do locally-oriented programming from here to any of the GulfStar stations," said John Cullen, President, Gulfstar. "It's actually by-and-between, so Fayetteville could drop-off to Jackson, MS."

This year, Capstar bought (RBR 4/6, p. 4) Prophet Systems, and expects to have all 320 stations wired by the end of this year. Jacor also signed a contract with Prophet for its 200+ stations (RBR 6/22, p. 3). Leveraging perhaps the most complicated WAN, Jacor also links Premiere Radio Networks and NSN satellite (MBR May, p.12). Jacor expects 70 stations to be wired up by the first quarter of next year.

Cumulus' audio, traffic and billing software systems will support a whole range of virtual radio applications, however, still without an on-air system for the whole group, Executive Chairman Richard Weening is more skeptical about virtual programming and is approaching it carefully: "Radio is an intensely local phenomenon and may need the kind of dynamism that live DJs and production can bring to be truly successful. A fine line between appropriate market sizes must exist somewhere for realizing the benefits of such a system."

Because so many market clusters have gone digital, many have hired computer-based, MIS consultants and engineers to install and maintain these systems. The RF engineers don't have the time (and may not be trained) to do both. ♦

Feature continued on page 18



Jacor's concept for its Wide Area Network

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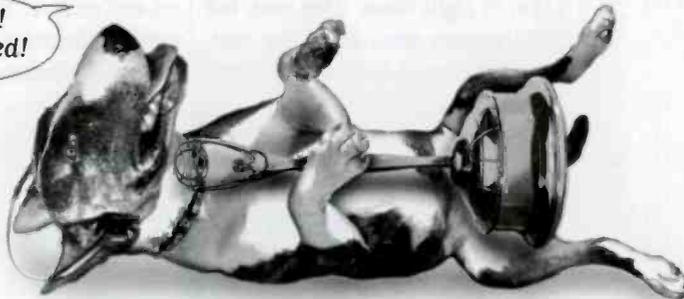
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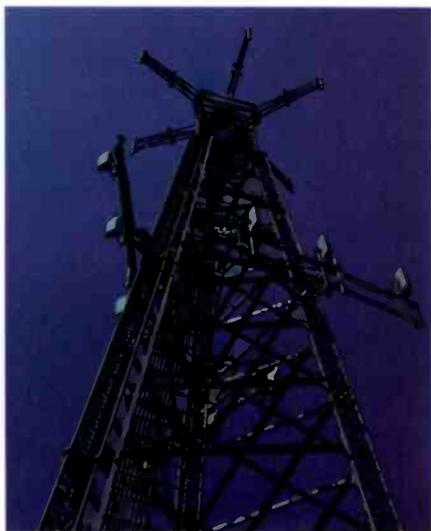
by Jack Messmer

After decades as an almost incidental sideline to the broadcasting industry, the tower business came into its own in early 1998. Steve Dodge's American Tower (N:AMT) became a standalone growth company after being spun off as CBS (N:CBS) bought American Radio Systems. Carl Hirsch and Hicks, Muse took OmniAmerica (O:SCTR) public through a merger with Specialty Teleconstructors. That took the list of publicly-traded tower companies to three as the two newcomers joined Calvin Payne's Westower (A:WTW), which went coast-to-coast through a series of acquisitions. For shareholders lucky enough to have invested in any of these companies, the first six months of 1998 paid off with triple-digit stock price gains—

117% for Westower, 168% (adjusted for the ARS sale) for American Tower and 190% for OmniAmerica.

Up next is an IPO by Crown Castle (RBR 7/13, p. 14), headed by CEO Ted Miller. Like the existing three tower stocks, it owns and manages broadcast and wireless telecom towers throughout the US (Westower also has many sites in Canada), but it also brings a European component—with more than 800 towers and rooftop sites throughout the U.K.

Two factors have been driving the tower business: 1) immediate demand for short sticks (200-foot or so) for cellular and PCS; and 2) long-term demand for new tall towers for DTV and users (including FM stations) displaced when DTV is added to existing TV towers. ♦



One of OmniAmerica's cellular, PCS and paging towers located in Lutz, FL

Radio's Race to Digital

by Carl Marcucci

Five Digital Audio Broadcasting (DAB) proponents are racing to deliver the first system in the hands of the consumer. Broken down into two heats, IBOC DAB and Satellite DARS, it's USA Digital Radio (USADR) vs. Digital Radio Express (DRE) vs. Lucent Digital Radio and CD Radio (O:CDRD) vs. American Mobile Radio Corporation (AMRC).

On the IBOC side, the gatekeeper is the National Radio Systems Committee's DAB subcommittee, which sets up testing criteria and procedures for the three companies to follow in conducting real-world field tests. The test data will be delivered to the subcommittee for review and it will supply recommendations for broadcasters, manufacturers and the FCC to make the final decision which should lead to a standard. The subcommittee may send an independent auditor to observe testing.

While USADR previously tested an IBOC design in Chicago on WBBM-FM, DRE leads the race this time around, testing on KSAN-FM (Susquehanna) since late June and an on AM station in Q3. USADR plans on delivering full data to the subcommittee in 1999 after testing its AM and FM system in eight cities. This year, full FM system tests are being conducted from a 2000-watt hybrid

analog/IBOC transmission system built on-site. Channel characterization tests will be conducted at CBS's WARW-FM Washington (RBR 4/6, p. 4). Lucent is currently in the prototype development stage and conducting lab testing. It has not announced any field testing dates.

In the second heat, Both CD Radio and AMRC will be launching satellites in late 1999-early 2000, but CD Radio plans to launch first. It plans receiver introductions with "plug into the cassette deck and CD slot" receivers and 3-band after-market car stereos. AMRC may find initial placement on GM car stereos (GM, which owns Hughes—AMRC's satellites—could introduce the receivers in the 2001 line). The FCC mandates the receivers be capable of receiving both services. So far, this is not looking economically and technically possible, so the rule may have to be changed.

Regardless who wins each heat, and who is first with DAB, the checkered flag is in the hands of the consumer. Unlike FCC-mandated deadlines for HDTV, none exist for digital radio. While S-DARS' success relies completely on the consumer, IBOC's success requires that consumers, broadcasters and receiver manufacturers all want the benefits of a digital signal and are willing to pay for it. ♦



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