

MBR

Radio Business Report, Inc.

17 Years

August 2000

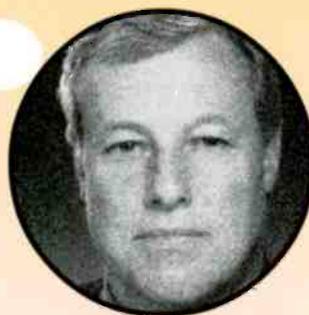
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MBR Stats

Mayday! Mayday! Radio revenue conflagration in full blaze!

According to the Radio Advertising Bureau, the radio industry registered gains of 20% to 22% in each of the first four months of the year, and this fabulous start was just the beginning. May was up 25%. In short, if this pace can be maintained, there will not be enough black ink with which to record the final revenue tallies when the books are closed on Y2K.

The national scope of this excellent performance continued. The worst gain in local was a normally wonderful gain of 18%. In national business, only one region was below 35%, and its gain at that was 27%. But for some really eye-popping numbers, check out the stats for the West in the chart below.

Stations continue to be traded and market lineups continue to be tweaked, but there were no earth-shattering deals which changed the consolidation picture in the past month to any great degree.

On the next page you will two lists which identify the markets with the largest Black and Hispanic populations.—Dave Seyler

Radio Revenue Index

May revenues add more fuel to the fire

Radio cash registers were already ringing at record levels, and in the month of May, the pace actually increased. The industry continued its super-hot streak with its fifth consecutive month of 20% or better gains. In fact, May was the best so far, with a combined gain of 25% as reported by the RAB.

Local business was up 22%, and the slowest-growing region (the Southwest) still managed to hit 18% to the good. National business surged ahead 38%. That category has been so hot that May isn't even the top month—February tied the 38% figure and march topped it with a 40% gain.

Usually, when a region does well enough to lead in one of the two categories, it leaves enough slack in the other for a different region to take the honors. Not this time. The West led in both categories, and by a fairly wide margin. Its 27%/49% performance is easily the best we've ever seen.

May 2000	Local	National
All markets	22%	38%
East	21%	35%
Southeast	21%	36%
Midwest	20%	27%
Southwest	18%	40%
West	27%	49%

Local & Nat'l revenue May 2000	All markets
	25%

Jan-May 2000	Local	National
All markets	18%	35%
East	20%	39%
Southeast	15%	26%
Midwest	17%	26%
Southwest	16%	39%
West	22%	40%

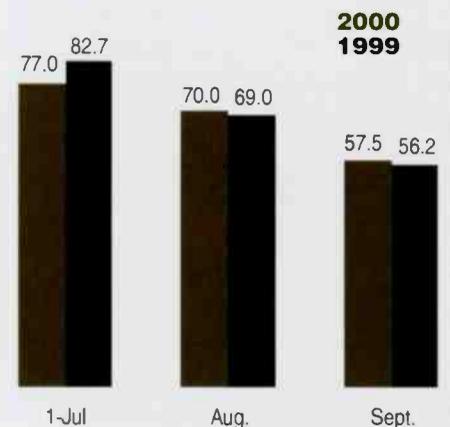
Local & Nat'l revenue Jan-May 2000	All markets
	22%

Source: RAB

Forward Pacing Report

Pacing continues strong

Don't let the July figure throw you. July 2000 is a five-week month on the standard broadcast calendar, versus four weeks in 1999. Radio is still running ahead of last year—JM



Superduopoly Dimensions

Industry Consolidation (as of July 10, 2000)

Superduopoly: 57.8%		
Market	# of stns	percent
1 to 50	919	58.6
51 to 100	696	61.3
101 to 150	464	55.9
151 to 200	459	54.8
201 to 250	400	59.2
251 to 276	155	50.8
All markets	3,093	57.8

Total consolidation: 78.0%		
Market	# of stns	percent
1 to 50	1,265	80.7
51 to 100	890	78.4
101 to 150	638	76.9
151 to 200	635	75.8
201 to 250	514	76.0
251 to 276	233	76.4
All markets	4,175	78.0

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

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Year-to-date stock price performance

Radio stocks took a hit in June, along with the rest of the market.—JM

Company	6/30/00 Close	YTD Net Chg	YTD Pct Chg
Ackerley	11.75	-6.375	-35.17%
Adelphia	46.875	-18.750	-28.57%
Alliance Bcg.	0.055	-0.195	-78.00%
Am. Tower	41.688	11.126	36.40%
Am. Comm. Ent.	0.3	-1.575	-84.00%
AMFM Inc.	69	-9.250	-11.82%
Beasley	13.625	-1.875	-12.10%
Belo Corp.	17.313	-1.750	-9.18%
Big City Radio	5.063	0.313	6.59%
Ceridian	24.063	2.501	11.60%
Cir.Rsch.Labs	10	8.000	400.00%
Citadel	34.938	-29.937	-46.15%
Clear Channel	75	-14.250	-15.97%
Cox Radio	28	-5.250	-15.79%
Crown Castle	36.5	4.375	13.62%
Cumulus	9.125	-41.625	-82.02%
DG Systems	6.75	-0.375	-5.26%
Disney	38.813	9.563	32.69%
Emmis	41.375	-20.945	-33.61%
Entercom	48.75	-17.500	-26.42%
First Entertain.	0.275	-0.366	-57.07%
Fisher	76.5	14.750	23.89%
FTM Media	3.563	-9.187	-72.05%
Gaylord	21.063	-8.875	-29.64%
Gentner	14	0.000	0.00%
Global Media	3.688	-1.000	-21.33%
Harman Intl.	61	4.875	8.69%
Harris Corp.	32.75	6.063	22.72%
Hearst-Argyle	20	-6.625	-24.88%
Hispanic Bcg.	33.125	-12.984	-28.16%
Infinity	36.438	0.251	0.69%
Interep	5.313	-8.062	-60.28%
Jeff-Pilot	56.438	-11.812	-17.31%
Launch Media	9.25	-9.688	-51.16%
NBG Radio Nets	2.063	-1.031	-33.32%
New York Times	39.5	-9.625	-19.59%
Pinnacle Hldgs.	54	11.625	27.43%
PopMail.com	1	-2.000	-66.67%
Radio One	29.563	-1.104	-3.60%
Radio Unica	7	-21.875	-75.76%
RealNetworks	50.563	-9.593	-15.95%
Regent	8.594	0.094	1.11%
Saga Commun.	22	1.750	8.64%
Salem Comm.	9.281	-13.344	-58.98%
Sirius Sat. Radio	44.313	-0.187	-0.42%
Spanish Bcg.	20.563	-19.687	-48.91%
SpectraSite	28.375	17.500	160.92%
SportsLine USA	17.063	-33.062	-65.96%
TM Century	0.625	0.000	0.00%
Triangle	0.011	-0.009	-45.00%
Tribune	34.813	-20.250	-36.78%
Viacom, Cl. A	68.375	7.938	13.13%
Viacom, Cl. B	68.188	7.751	12.82%
WarpRadio.com	1.438	-3.187	-68.91%
Westwood One	34.125	-3.875	-10.20%
WinStar Comm.	33.875	-16.292	-32.48%
XM Sat. Radio	37.438	-0.687	-1.80%

Major stock market indices		
The Radio Index	181.53	-74.530
Dow Industrials	10447.89	-1049.230
Nasdaq comp.	3966.12	-103.190
S&P 500	1454.6	-14.650

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Publisher Jim Carnegie
 VP/GM, Associate Publisher Ken Lee
 General Sales Manager John Neff
 Account Executive Susanna Pritchett

Editorial/Advertising Offices
 6208-B Old Franconia Road
 Alexandria, VA 22310
 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

Email Addresses

Publisher: JCarnegie@rbr.com
 Editorial: RadioNews@rbr.com
 Sales: KLee@rbr.com
 JNeff@rbr.com
 SPritchett@rbr.com

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MBR Stats

Ethnic population centers in the US

The following charts show Arbitron markets with a heavy distribution of Black and/or Hispanic population. To define the scale necessary to make the chart, the smallest population total is Sacramento's 199,500 Hispanics, which is roughly the size of the entire Fort Smith, AR metro. Fort Smith is the 171st market.

Boston is the only top-10 market which is not included in the top 20 Black markets. With a total of 210,600 individuals fitting that description, it just missed making the list. Top 10 markets Philadelphia and Detroit join Boston in their absence from the Hispanic chart.

Markets which are included on both lists include New York, Los Angeles, Chicago, San Francisco, Dallas, Washington, Houston and Miami, the latter being the only market on both lists which is not in the top 10 overall (it just misses at #11).

The Black chart has a distinct Southern flavor—that is the general location of most of the smaller markets which are included. The Hispanic chart is dominated by markets in California and Texas, which account for 13 of the 20 listed.

The charts are based on 12+ population estimates from Arbitron's Fall 1999 survey.—DS

Top 20 markets by black population

Rnk	Market	12+ rank	Black 12+ pop.	Black pct.
1	New York	1	2,406,500	16.7
2	Chicago	3	1,305,200	18.3
3	Washington	9	927,500	25.3
4	Detroit	7	795,700	20.8
5	Atlanta	11	795,000	24.9
6	Los Angeles	2	784,600	7.6
7	Philadelphia	5	767,200	18.9
8	Houston	10	622,500	17.2
9	Baltimore	20	567,200	27.2
10	Dallas	6	517,300	13.2
11	Miami	12	515,500	16.4
12	San Francisco	4	470,700	8.1
13	Memphis	46	385,800	40.1
14	Saint Louis	19	361,400	17.1
15	Norfolk	36	357,600	29.6
16	New Orleans	41	334,700	32.7
17	Cleveland	24	326,000	18.5
18	Richmond	57	235,700	29.4
19	Charlotte	37	231,900	19.5
20	Raleigh	48	218,300	23.2

Top 20 markets by hispanic population

Rank	Market	12+ rank	Hisp. 12+ pop.	Hisp. pct.
1	Los Angeles	2	4,008,800	38.7
2	New York	1	2,760,800	19.1
3	Miami	12	1,236,200	39.2
4	San Francisco	4	1,068,500	18.4
5	Chicago	3	949,900	13.3
6	Houston	10	848,400	23.5
7	San Antonio	32	702,300	51.9
8	San Diego	15	592,200	24.7
9	Dallas	6	587,800	15.0
10	McAllen	63	583,100	85.9
11	Riverside CA	28	456,100	31.6
12	Phoenix	16	430,400	18.0
13	El Paso	70	419,100	74.1
14	San Jose	27	358,500	24.6
15	Washington	9	286,400	7.8
16	Fresno	65	257,500	40.9
17	Denver	23	240,600	12.8
18	Austin	49	226,600	24.4
19	Albuquerque	72	208,300	37.6
20	Sacramento	29	199,500	13.9

Non-Traditional Revenue Track

Radio events helping to move autos

Automotive is proving to be a strong category for radio stations to non-traditional revenues as dealers seek ways to move sluggish inventories. Although automotive was down month-to-month in May, as measured by Revenue Development Systems, that was from an extremely strong bump-up in April. Sure, some hot models are selling before they even hit showroom floors, but all of the automakers have special incentive programs for models that are stacking up in dealer lots. Radio stations might be well advised to think up new events and promotions to help move that excess inventory of steel on wheels.—JM

**Non-Traditional Revenue Track
 % of Vendor/New Business by Category
 (May 2000)**

	Dec 1999	Jan	Feb	Mar	Apr	May	YTD
Automotive	11.55	11.62	11.15	7.72	11.02	15.69	11.37
Food/Grocery	28.44	28.05	23.69	25.55	27.69	22.44	26.65
Leisure	30.12	31.02	26.59	32.30	31.67	34.61	29.21
Health & BC	7.33	7.12	5.65	10.86	9.80	1.57	6.85
Home Improv.	6.25	6.11	2.66	3.90	5.64	0.86	17.63
Office	3.71	3.55	0.43	4.59	0.77	8.19	0.95
Clothing	4.52	4.38	5.46	4.87	5.11	5.72	5.24
Recruiting	8.08	8.14	24.36	10.21	8.30	10.93	2.11

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



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USADR, LDR merge to become "iBiquity Digital"

The IBOC DAB "Grand Alliance" is complete: "A true merger of equals," as new iBiquity Co-Chairman Suren Pai said his announcement 7/12. USA Digital Radio (USADR) and Lucent Digital Radio (LDR) are now merging to provide one DAB standard offering to the FCC. IBOC, equity, and ubiquitous are the apropos words that comprise the new name "iBiquity Digital." The two companies will maintain joint HQs in Warren, NJ and Columbia, MD. Company leadership will be comprised of senior execs of both companies; iBiquity plans on hiring more, rather than reducing staff.

"This merger is going to harness the energy of both organizations and focus it on the development and commercialization of the best digital radio standard," says Pai. "Together in iBiquity Digital, the resources of both companies will be focused on three goals: 1) Speed the standard-setting process; 2) Expedite the development and commercialization of IBOC and incorporate that technology into a broad array of digital devices. 3) Revolutionize the radio experience for the ultimate user."

"By combining the strengths of two leading developers of digital radio technology, iBiquity digital will offer the FCC our IBOC solution as the US standard," Co-Chairman, President and CEO of iBiquity Bob Struble adds. "We now expect a rapid acceptance of the technology by receiver manufacturers."

Before splitting off work with USADR to form Lucent Digital Radio, the goal was to integrate Lucent's PAC compression technology into the system. After the split, USADR went with Fraunhofer's AAC system. Now that PAC is back into the future final product, the next goal is to work with XM and Sirius Satellite Radio to incorporate chipsets for universal analog, IBOC, satellite and datacasting receivers. "The convergence of receivers going forward is clearly a part of our longer-term vision in bringing together all of these technologies into devices and packaging them so that it becomes very cost-effective for the consumer. That leads to ultimately much higher penetration rates for these technologies," Pai tells MBR.

"There is no reason in the future you won't see IBOC chips in PDAs, cell phones, etc. it's a very cheap way to broadcast data capabilities," Struble adds.—CM

LPFM: Churches vs. the blind?

A one-sided front page story in the *New York Times* 7/11, planted by the Media Access Project, noted that nearly half of the applicants for LPFMs are religious groups, which may make it difficult for Congressional Republicans to oppose LPFM. Coincidentally, the story ran just a day before the association representing radio reading services for the blind, the International Association of Audio Information Services, complained that the FCC was ignoring potential subcarrier interference from LPFM. The association said it supplied the FCC with 14 of its special receivers to test for potential LPFM interference. Now, the association complains, the FCC has refused to supply it with even preliminary test results, but that FCC staffers admit that interference problems were found. Is a battle looming between

churches and the blind?

The FCC received 722 applications in its June filing window. The second window for LPFM filing opens up in late August. This time wannabe broadcasters in Connecticut, Illinois, Kansas, Michigan, Minnesota, Mississippi, Nevada, New Hampshire, Virginia, Wyoming and Puerto Rico get their chance to enter the world of LPFM.—JM, ED

LPFM protests scheduled for NAB Radio Show

NAB Radio Show attendees in San Francisco may need to prepare for "Seattle-style" protests, as LPFM activist/pirate broadcaster Stephen Dunifer told *The San Francisco Examiner* 7/8. Dunifer's home turf is in the Bay Area, where he has many supporters.—CM

Airtime guidelines for candidates

Lyndon Larouche has created a quandary among broadcasters. Larouche, running yet another campaign for presidency, sent faxes to non-commercial stations demanding free airtime as mandated by the FCC. The confusion came when the stations said that Larouche was not on the ballot on their state so they could refuse airtime. (The only states in which Larouche is not on the ballot are South Dakota, Florida, Arizona, Iowa, Georgia, Hawaii, Alaska, Montana, Utah and Virginia.)

This is not the case. If a federal candidate is legally eligible and is on the ballot in 10 states, or nine and DC, then he/she is entitled to free time from public radio nationwide. If a station denies a request and the candidate reports it, then they could face a fine from the FCC.

Commercial stations don't have this problem because they are not required to sell airtime to candidates. However if they provide one candidate with time, then they must provide the same for any other candidate that requests it.—ED

Pickering apart the FCC

Rep. Chip Pickering (R-MS) is at it again. The FCC is once again the target, and limiting their power is the objective. The Telecommunications Subcommittee passed Pickering's Telecommunications Merger Review Act of 2000 (HR 4019) which gives

the FCC 90 days to decide on mergers. The four amendments to the bill not only limit the FCC's lobbying practices, but also hold the Commission directly responsible for proving why mergers are denied or approved. The bill was forwarded to the full Commerce Committee for a vote.

To add salt to the wound, the full House adopted an amendment to another bill that cuts the FCC's appropriations for next year. Rep. Cliff Stearns (R-FL) introduced the amendment, which reduces the budget for the Office of Media Relations from \$1.1M to \$640K.—ED

GEICO drops ads on Dr. Laura

As Premiere Radio Networks' Dr. Laura Schlessinger continues to draw fire from gay rights activist groups, GEICO announced it is dropping spots from the program due to negative feedback. This, following the same from Procter and Gamble.—CM

Regulatory Fees for FY 2000

The proposed regulatory fees for broadcasters in fiscal year 2000 have been formally adopted. Congress ordered the FCC to collect nearly \$186M in regulatory fees to pay for policy, rulemaking and other costs incurred for FY 2000. The FCC actually collected 7.6% more than needed in FY 1999, making the individual fees about \$25 cheaper this year than last year.

For a refresher on the 2000 regulatory rate card, see RBR 4/17, p.3.—ED

DG Systems and Starguide merge

Digital spot delivery provider DG Systems (O:DGIT) and satellite network programming equipment provider Starguide Digital Networks are merging. Both are run by Chairman Scott Ginsburg and CEO Matt Devine. Merging a public with a private company, Starguide will merge with DG by the issuance of 1.7 DG shares for each share of Starguide common stock. In the tax-free stock-for-stock reorganization, DG will issue 41.3M basic shares and assume options and warrants covering 10.1M shares. The combined entity will have 79.4M fully diluted shares. After all is said and done, current DG shareholders will own 40.75% and Starguide shareholders will own

S&P media guru raises radio estimates

Standard & Poor's analyst William Donald has revised his ad revenue forecasts for this year and the five-year period through 2004. Although the S&P guru has lowered his 2000 estimates for TV and cable from what he had projected as the year began (RBR 1/3, p. 10), Donald has increased his expectations for this year's radio revenues—increasing his estimate by \$1.6B to \$21.22B.

"They're strong [numbers], but I think they'll come through," Donald told MBR. The analyst sees strong consumer sentiment for the rest of the year, which will bode well for all advertising, plus heavy political advertising, a rising stock market for the second half and pre-Christmas new-product introductions.—JM

S&P revenue trends and forecasts

(\$ in billions)

	2000	2000	2001	2001	2002	2002	2003	2003	2004	2004
	Old	New								
Radio	\$19.6	\$21.2	\$21.8	\$24.0	\$24.2	\$26.9	\$26.7	\$29.8	\$29.8	\$35.0
TV	\$48.0	\$45.5	\$50.5	\$48.9	\$54.6	\$53.5	\$57.7	\$57.5	\$63.6	\$65.0
Cable	\$15.3	\$13.9	\$18.9	\$17.0	\$22.5	\$20.6	\$25.5	\$25.0	\$31.1	\$30.5

Source: Standard & Poor's

59.25% of the new enterprise.

The merger is a smart one—not only eliminating duplicative facilities and overlapping technology—but with the debut of SpotTaxi.com, DG Systems has an entirely web-based competitor that offers functional conveniences and advantages to customers that it can't. Starguide Digital, with ownership interest in Musicam Express and its new "MXPRESS.COM" technology, has access to a system labeled similar to SpotTaxi's. Starguide is also capable of moving into the spot delivery market, but previously didn't want to cannibalize DG.

Starguide's "CoolCast" division is also included, delivering broadband video streaming solutions to webcasters and broadband Internet users.—CM

XM raises additional \$235M; opens new studios

Completing its funding through commercial launch phase, XM Satellite Radio (O:XMSR) announced it has raised an additional \$235M (7/10). The investor group is lead by AEA Investors, which is purchasing newly issued preferred stock. The investment includes \$60M from AEA, \$50M from Madison Dearborn Partners, \$35M from Baron Asset Fund, another \$20M from DirecTV and \$20M from Columbia Capital.

Also 7/10, XM announced the opening of its new 150,000 sq. ft. HQ and studios in Washington. 80 studios, a 2,300-ft. performance studio and 100 employees are part of the plan, a "phased" move due to be completed in September. Klotz Digital supplied the fiber optic backbone of connectivity between studios, along with the audio mixing console surfaces.—CM

WMAQ to close down

After 78 years, Infinity's 50kw WMAQ-AM (670kHz) Chicago fell silent 8/1, replaced by WSCR-AM "The Score," currently on 1160kHz. In order to meet FCC stipulations on the CBS/Viacom merger, Infinity has to divest at least one Chicago station. It is seeking a buyer for the 1160 frequency. Chicago Bears football will move to all News sister station WBBM-AM. More than half of WMAQ's 60 employees are expected to lose their jobs.—CM

Infinity gets 300,000 watts

Chalk up another top 50 market for Mel Karmazin, Dan Mason and Infinity Broadcasting (N:INF)—making it 38 out of 50. Infinity outbid in-market player Entercom (N:ETM) and others to take Raycom's WMC-AM & FM Memphis for \$75.5M. Raycom put the combo (its only radio stations) on the auction block in June. Not only is Infinity getting a ratings and billings leader, it's also getting one of the five most powerful FMs in the nation. WMC-FM went on the air before the FCC capped power at 100kw and still operates with 300kw at 970 feet! Broker: DB Alex. Brown—JM

Lyn Andrews moves to the net

Not long after leaving her post as president of ABC Radio Networks, Lyn Andrews has taken the same position at Healtheon/WebMD's consumer division. She will oversee the website and WebMD Television. Former ABC EVP Sales and Marketing Traug Keller was appointed President of ABCRN 6/20.—CM

Radio's market share growing

By Jack Messmer

There's further proof of the trend in the latest Total Media Index—radio is continuing to claim an ever larger slice of the advertising pie.

As previously reported, radio's share of all ad spending nationwide broke the 8% mark last year for the first time since the rise of TV in the 1950's. Now there's evidence of further growth at the local level. For March of 1999, the Total Media Index found 14.03% of spending on the major daily media in Miller, Kaplan, Arase & Co.'s X-Ray markets going to radio. For March of this year that grew by more than two percentage points to 16.3%.

MBR/Miller Kaplan Total Media Index - March 2000 (Expenditures in 000)

Category	Radio	TV	Newspaper	Total Media	Radio % of Total
Automotive	44,520	201,159	199,463	445,142	10.00%
Restaurants	15,841	67,619	6,971	90,431	17.52%
Department Stores	11,242	31,973	99,447	142,662	7.88%
Foods	10,249	41,588	2,926	54,763	18.72%
Communications/Cellular	25,906	39,955	54,455	120,316	21.53%
Furniture	6,647	23,641	42,142	72,430	9.18%
Financial Services	15,778	28,446	55,896	100,120	15.76%
Movies/Theater/Concerts	10,974	29,363	90,035	130,372	8.42%
Grocery Stores	8,909	15,731	20,471	45,111	19.75%
Appliances & Electronics	4,238	9,660	43,960	57,858	7.32%
Hotel/Resorts/Tours	4,930	14,187	47,507	66,624	7.40%
Drug Stores/Products	7,763	22,606	17,067	47,436	16.37%
Computers/Office Equipment	7,818	8,497	24,086	40,401	19.35%
Specialty Retail	12,180	23,384	35,918	71,482	17.04%
Health Care	10,644	17,983	18,453	47,080	22.61%
Auto Parts/Service	5,648	10,509	6,817	22,974	24.58%
Music Stores/CDs/Videos	4,292	7,371	5,013	16,676	25.74%
Transportation	5,514	8,316	14,835	28,665	19.24%
Entertainment-Other/Lottery	9,391	7,840	6,149	23,380	40.17%
Home Improvement	6,354	10,817	16,818	33,989	18.69%
Professional Services	10,982	14,220	14,982	40,184	27.33%
Beverages	10,041	17,972	2,216	30,229	33.22%
Television	19,042	6,531	19,488	45,061	42.26%
Personal Fitness & Weight Ctrs.	1,169	7,595	1,974	10,738	10.89%
Publications	5,195	4,398	39,944	49,537	10.49%
Internet/E-Commerce	41,372	43,497	23,897	108,766	38.04%
TOTAL	316,639	714,858	910,930	1,942,427	16.30%

*Based on Media Market X-Ray composite data for 15 markets (Atlanta, Charlotte, Cleveland, Dallas, Houston, Minneapolis-St. Paul, New York, Philadelphia, Pittsburgh, Portland, OR, Providence, Sacramento, San Diego, San Francisco, 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 Rivin at (818) 769-2010.

"Retailers are presently holding down their advertising outlays by switching from display ads in newspapers to less costly pre-prints, with much of the savings going into radio."

Bob Coen, Sr. VP & Director of Forecasting at Universal McCann



"At this stage of the game there is plenty of capital chasing a few select transactions."

Jeff Kilrea, Sr. VP at FINOVA Capital Corp. (N:FNV) and head of its Communications Finance Group



"I've built a product that was my vision completely within the AMFM organization. I didn't have to compromise that at all. And I've worked in bureaucracies—bureaucracies are a compromise. My attitude is it's time to try and do something different. When you're into building something, then you want to go and build the next thing. And there are so many opportunities out there now."

AMFM Radio Networks President David Kantor on resigning the post after the upcoming AMFM-Clear Channel merger.



"We continue to be very interested in the Internet strategies of our borrowers from an ancillary revenue source and margin enhancement perspective, but do not assign it any real value when looking at the valuation of the overall entity."

Jeff Kilrea

"Smaller companies don't always have the opportunities to enhance revenues that big companies have. The higher cost of the financing is going to put a greater squeeze on debt service coverage."

John Brooks, Sr. VP and Manager of the media division at Silicon Valley Bank



"I'm thrilled. I view this as one of the most dynamic and exciting places to be in the radio business. My first tour of duty, going over the different departments over the next 30-90 days is to make sure that we kind of narrow and simplify our goals. I don't see the business as being too much more complicated, at least in the short term, than distribution, programming and sales. We've got to make sure that we're nailing it in each of those areas."

ABC Radio Networks President Traug Keller on his new post.



"To open the [IPO] market it will require quality deals from quality companies. Our guess is that the follow-up market for the quality names will open much earlier than the IPO market. The IPO market, for the next six months anyway, is probably going to be open only for companies that are real leaders in their fields."

Drew Marcus, VP and media stocks analyst at Deutsche Banc Alex. Brown.



"I think we're in one of these transition periods where the private market values haven't come down over the past two years in broadcasting to reflect increased interest rates."

Jeff Anling, Managing Director and Head of the Global Media Group at Deutsche Banc Alex. Brown



"You don't dictate to the market what works. The market tells you what works."

Jeff Smulyan, CEO, Emmis Communications (O:EMMS), on whether to expect the company to change KZLA-FM's Country format once Emmis acquires the station in L.A., where it already has Rhythmic CHR KPWR-FM.





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Each month we ask a few general managers from around the country to share with us, and you, their views of the industry. This month we quizzed: Saga Communications Inc.'s Cary Pahigian of WZAN-AM, WBAE-AM, WPOR-FM, WGAN-AM, WMGX-FM and WYNZ-FM Portland, ME; and Emmis Broadcasting's Tom Severino of WIBC-AM, Network Indiana (state-wide news network), and AgriAmerica (state-wide ag network) Indianapolis, IN.

1

How much syndicated programming do you use?

Cary Pahigian:

We use quite a bit for a couple of our stations, particularly in the Talk arena. On one of our talk stations, we use Dr. Laura, Rush Limbaugh, Howie Carr and Dr. Joy Browne. We also have another Talk station which we use extensive talk programming including Imus, Don & Mike and Loveline among others.

Tom Severino:

We intersperse syndicated programming in between our live local shows. Our primary syndicated programs are Dr. Laura and Rush Limbaugh.

2

What is the rationale for using syndicated programming?

Cary Pahigian:

As far as we're concerned, it's really less of a cost issue but the impact of the syndicated shows. They provide very unique, impactful programming that is difficult to duplicate on a local level. In my mind, it's not necessarily local versus national but what works, works. And right now there is a good stable of very, very successful syndicated talk programming that we've utilized and performed extremely well. We do local programming with our syndicated programming for the right balance. We do utilize syndicated programming with a balance of our local programming. As far as how much syndication we use, it's very cyclical. Right now we're using an abundance of it just because there are a lot of great products out there but a few years ago, we used less and a few years from now, we may use less again. Right now, the syndicated programming we're using is working very, very well and is a good balance to our local shows.

Tom Severino:

We use them because they're generally effective for us and they continue to produce results and right now, on an economy scale, they're as good as what we can do locally and we'll continue to use syndicated programming until it doesn't produce as good or better results as we would get with live local talent.

3

How did you get into radio?

Cary Pahigian:

I started in radio at 14 years old. I can't tell you why I became interested in it. All I can tell you is that, my parents can confirm this, at a very young age, literally six or seven years old, I was very intrigued by radio. I would listen to radio, read about radio; it fascinated me. I was able at a very young age, going into my freshman year at high school, to get an unofficial internship at my local radio station in Massachusetts where I grew up and worked my way through school. I actually started in the programming side. The best advice I have, which I got and used, is to do everything. I literally held every job at the radio station—I've worked as a board operator, I've worked as a talk show host, on-air, news, sales, sales support, traffic and engineering. I've shoveled snow from the driveway. I've cut the lawn. I've done all those things in the early years of my career. It was the best experience I've ever had and I worked my way up to general management through that. I still call on those experiences every single day and I think the people that I work with appreciate the fact that I've done those things, experienced that and understand what they're facing and what they're talking about. I would say I'm a generalist—most of my career was spent on the programming side—but I did sales too.

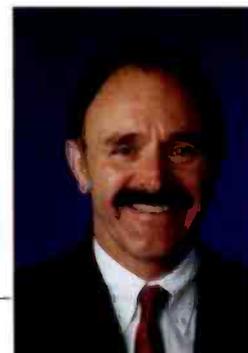
Tom Severino:

I got into it because I've always been fascinated with it and loved it while growing up. I started in college on the air. And then I got into sales and later, into management. I stayed in it because I love the diversity of it and the constant change. I also love the community involvement aspect of it.

GM TALKBACK



Cary
Pahigian



Tom
Severino

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Raff Radio's Franklin Raff on the virtues of radiocentrism



Franklin Raff, Director, Raff Radio, didn't think it was right for radio to wait in the wings, to be used only when TV was cast aside for it. In 1998, Raff and his college friend (both met at Yale University's WYBC-FM) Tom Jameson, Creative Director, launched the agency that was fully backed by client investments. With experience in radio management, sales and also as an on-air talent, Raff says that devoting his time to selling radio and helping his clients became a life-affirming choice for him. Along with a growing list of local and national clients, Raff Radio has been doing more consulting for new audio content and radio-related technology ventures. In this Agency Perspective, Raff focuses on employing radio creatively and centrally, and how content will ensure the centrality of radio.

How did Raff Radio start?

After several years in local radio, I saw the need for an advertising agency that champions radio and specializes in it. Radio is an afterthought with most agencies. Few put their best people on radio. I saw the opportunity for a radiocentric agency that captures the power of radio by mixing hot creative audio with dynamic media buying. In creative work for clients and agencies, in buying, and in consultancy, Raff Radio is focused on radio like a laser.

What do you mean by "radiocentric"?

We use radio as the primary medium for delivery of sales messages. Our methodology was developed after studying the classic problem of spraying, paying, and praying. Too many businesses spend too few dollars on too many media and get miserable results: diminished frequency, lousy recall, hopeless tracking efforts, and poor performance overall.

Radio broadcasters have traditionally gone along with this—happy to receive table scraps of any media mix. In the end, however, this means less money for radio. Desperate for results, clients and their agencies focus more dollars on media that offer instant accountability such as print coupons and direct mail. It's not unusual for an unfocused, creatively barren media campaign to reach 80% of its target through radio, but rarely with enough frequency or creative intensity to make an impact. So, for the sake of meeting some anxious reps' monthly sales goal, radio itself loses a client, or an agency, or an industry, forever.

Then how do you make radio accountable?

We help our clients understand that radio's effectiveness is not measured in short-term results. The practical application of this mutual understanding is that we only buy annuals. Within those annuals, we start by airing spots in given custom daypart windows (i.e. 2-4PM or 3-4PM for 35-54 soccer moms) at least five times weekly, Monday-Friday, on a maximum of stations to reduce duplication, for at least a year. News/Talk, Talk/Sports, and Religious format buying enables us to align dayparting with formatting.

These listeners also tend to be uncannily responsive, which can be as important as results to new clients. Custom day-parting combined with tightly windowed news/traffic/weather billboards and sponsorships—horizontality—has proven a very effective way to blanket markets on a thrifty budget.

Horizontality lets us use the predictability and consistency of radio listening to our advantage when buying and scheduling, which in turn helps us get away from overemphasizing (and over-extrapolating) CPP, cume, and AQH values. These numbers are essential of course, but we focus on sending Judy a message every day at the same time, right as she goes to pick Billy up from soccer.

This approach fosters warm, qualitative information based relationships with our reps, makes responsible scheduling and planning that much easier, and helps clients get over the buzzwords and really understand how radio works. They know it works when they start seeing a lot more of Judy and her money. Which is to say that the only responsible way to track radio's effectiveness is to track the gross sales figures of the advertiser. That said, I believe creative is everything. Everything.

What are the hallmarks of great radio creative?

Anything that is memorable, penetrating, and persuasive is good. There is no formula for success. A unique selling proposition is exactly that, unique. Philosophically, our creative is unfettered. Liberated. We create spots to wake the mind and heart, and our approach is highly unconventional. We don't cut spots, we craft suggestive images. We apply visual concepts to audio; we think as cinematographers of the mind. We shoot sound, then take footage to production.

As producers, we think visually and speak of the sound-field and the landscape of a spot. As copywriters we are conflict-theorists—we believe in the collision of powerful words—thesis and antithesis, to synthesis in the mind of the listener. We believe in calculated injections of thick, rippling silence. We believe that our listeners are intelligent.

We employ a rich tapestry of voices, generally professional method actors rather than the usual gamut of voice-over talent. Despite the time it takes to train a serious actor in large-diaphragm mic technique, we feel the product is worth it. And we like "method" because there's a language to it which we know and which gets results. Good actors see copy as a script whose soul must be uncovered and expressed. One recommendation I'd give medium-market production directors—the over-worked heroes of the radio industry—is to use your local theatrical talent. The results are often stunning.

Outside of agency and consultancy work, what other projects are at hand?

We are completing a national study that mea-

sures the relationship between the automation of radio stations and the erosion of radio listening shares. In essence, we are studying, in a rigorous and objective manner, whether the current trend of consolidation in radio management serves the long-term interests of the medium. The quality of local content in many cases—its non-existence—is emerging as a major consumer issue that affects the future prospects of local broadcasters. Our study entails precise analyses of ratings, financial and market performance of broadcasters nationwide. We expect to publish in the fourth quarter.

We are very concerned about the future of the local radio industry. The impact of satellite radio and wireless Internet broadcasting will be profound. I have in my head images of rusty, abandoned FM towers on the hilltops, a scene perhaps only a few years away. Because of the furious pace of technological change and shifting consumer attitudes, it's possible that towers, frequencies, licenses, facilities now worth hundreds of millions of dollars may be worth little to nothing in the near future.

What changes do you predict?

We think national satellite radio will have a tremendous impact on the listening public. Will millions of Americans agree to pay for what has hitherto been free for the sake of improved content? Probably. The conventional wisdom in the seventies was that subscription cable TV programming would be a failure. Over-the-air TV broadcasters scoffed at the idea that Americans would pay for what had once been free. Well, Americans happily did pay, and that's why CNN and ESPN changed the face of TV and eroded traditional network audience shares.

Nick Negroponte of MIT's Media Lab was right years ago when he predicted the movement of wireless media to wired and wired media to wireless, but I doubt he anticipated the quickness of these technology-driven switchbacks. Take the Internet for example. In seven years, a majority of American homes have gone online.

While local radio broadcasters argue about the impact of satellite radio, the era of wireless Internet is fast approaching. Satellite radio may be a paper tiger in comparison. Wireless Internet offers potentially millions of free programming choices customized by listeners themselves. Furthermore, the choices will be delivered to us on our computers, pocket organizers, cell phones, and in our cars. Internet companies and telcos are working overtime to provide broadband, streaming, wireless Internet services in ma-

jet metros. Alabama's Q-PC is already installing car computers that are ready for wireless Internet. Metricom is launching 128-kbps always-on mobile Internet access in San Diego and Atlanta this summer, which means wireless Internet digital audio quality will rival FM stereo.

So again, the image of those rusty FM towers flashes in my mind and I feel a sudden chill.

How, in your view, can radio respond to these changes?

Radio industry bigwigs have spent inordinate amounts of time and money fighting satellite radio, LPFM, and digital radio. In this era of increasingly limitless bandwidth, these protectionist efforts are misplaced. We must not go down as the Marie Antoinette of the communications industry. The invasion is at hand, and in this age of limitless media choices, our best defense is superior content. We must bite the bullet and think of radio programming as audio content.

The key issue for both terrestrial stations looking to retain their listeners and new technology stations looking to find an audience is content. The sharpest music programmers, for instance, are keeping an eye on how new technology can help them determine what their listeners want to hear. One of our clients, NOYSE.com, has developed a way to optimize radio programming using an internet-based real-time demographic polling system that monitors all listening media. Basically, it's a content-enhancing appliance, a saw-sharpener.

In terms of content, we must also recognize the long-term costs of radio having inadvertently abandoned its role as a cultivator of talent. Dan Rather, Don Imus, Rush Limbaugh, Howard Stern all came from local radio, and developed their talents in a ziggurat whose broad, small-market foundation we have nearly demolished. If radio operators continue their lemming-like stampede toward all-syndicated content, where will we find the next generation of talent that will keep radio growing and thriving?

It is superior audio content—advertising and otherwise—that will secure radio's status as a first-rank vehicle for advertising, information, and entertainment, no matter the physics of the actual delivery medium. The changes occurring in communications media, frankly, can be an unprecedented asset for radio. As an agency, we aim to help our clients understand and use that asset, to realize the full potential of audio, and radio, content.

How to survive the broadband revolution

At this year's NAB Radio Show, you can expect the answer. Arbitron and Coleman Research will present the results of a survey which compared listener habits of consumers with home broadband Internet access and those without it. The number of consumers with broadband access to the Internet is expected to increase by 30 million within the next four years, and wise broadcasters will want to keep a careful eye on this new competition. The session entitled "Can Radio Survive the Broadband Revolution?" will be held on September 22.—ED

WebRadio.com issues checks

WebRadio.com, co-owned by GEO Interactive Media and Westwood One (N:WON), announced the issuance of its quarterly revenue-sharing checks to affiliate radio stations streaming on its network. The company claims some checks were 200% higher than the cost of streaming. One six-station market cluster GM, **Scott Gillmore** of LBSJ Broadcasting in Austin, was quoted as saying, "Broadcasters are asking who's making money on the Internet...the answer is we are, with WebRadio."

WebRadio provides turnkey streaming solutions including website design and hosting, e-commerce links and unlimited streams with its proprietary "Emblaze" technology that doesn't require any downloads to stream.—CM

Citadel signs with Ubrandit.com for e-commerce

Citadel's (O:CITC) 183-station websites are now integrating Ubrandit.com's million-title music, book, video and DVD online store. The link is radio-station branded. Each station will earn commissions on orders and have the ability to customize their store to reflect the musical tastes of their listeners. Ubrandit expects to have all 183 sites linked within the next two months.—CM

ChickClick expands from the web to radio

So far, radio stations and syndicated services have been scrambling to get a presence on the Internet. Here's a company that is traveling the other way. ChickClick.com, a two-year-old Internet service for young women which boasts 1.3M registered users, has launched ChickClick Radio with affiliates in 27 markets nationwide. It can also be heard via WiredPlanet at <http://www.chickclickradio.com>.

The service is a combination of CHR music and features aimed at the young women of Generation i (teens and young adults). Visitors to the web version of the radio show can create their own virtual radio station, with the ability to determine music rotation and to buy any of their favorite selections.—DS

Yahoo! launches Yahoo! player

Yahoo! has officially launched its Yahoo! Player, a free streaming media player that provides Yahoo! music customers a solution for playing MP3 files, CDs, video and radio stations. An integrated web browser is included to deliver entertainment content from the Yahoo! Network, which includes Yahoo! Broadcast and Yahoo! Music. The player also features customizable playlists that can be created from consumers' CDs and MP3 files. Yahoo! also debuted a new version of its Yahoo! Radio, giving access to hundreds of radio stations and Internet-only webcasters.—CM

Microsoft unveils Windows Media Player 7

Available for beta test for months, Microsoft (O:MSFT) officially unveiled the latest, or "Gold" version of its Windows Media Player. Its multimedia functionality is aimed directly at competitor RealNetworks' (O:RNWK) Real Player. The new Windows Media Player allows users to record songs from CDs or download them from the net. Songs—in MP3 or Windows—can also be organized into playlists and transferred to portable digital music players.—CM

RBR streams radio to the radio industry

After 17 years of covering the radio industry, *RBR* has become the first radio trade publication to also communicate with the radio industry via a radio station, albeit an Internet-only radio station.

rbr.com has been streaming a daily newscast (about radio) 24/7 since 6/15 after launching the station 5/23. The "format" consists of a newscast of radio-specific business and industry news, plus classic radio jingles and bits. There are also Mercury Award-winning spots, with real paid spots to come. Veteran newscaster Jack Messmer, now Executive Editor of *RBR*, is back behind the mic for the audio updates. Streaming services are being supplied by WebRadio.com.

"Radio news is breaking at an incredibly fast pace and just can't wait for the morning faxes," said Ken Lee, Associate Publisher and General Manager. "Advertisers can now run audio spots on our Internet radio station, bundled with banner messages on the www.rbr.com web site, along with click-through messages on our daily email service, plus traditional advertising with *Radio Business Report*, *MBR* and *Radio AdBiz*."

For the month of June, rbr.com's audio stream recorded 3,002 users with an average TSL of 21.19 minutes.

The new *RBR* Web "radio station" is still early in its development and radio executives are encouraged to provide input on what they'd like to hear. (Please don't ask for Britney Spears, though.)—JM

Jobs.com in top 10

By spending nearly the same amount in Q1 as they did in all of 1999, Jobs.com found itself among the top 10 Internet/e-commerce radio advertisers in the New York market. Jobs.com found that by advertising on the radio, brand name awareness increased as did web site hits. **Johr Rizzuti**, president of Rizzuti, Beckman & Lyman, Jobs.com's agency, said: "When we ran radio [ads], hits on the website would go up 200-400%. Websites with short, memorable names get such good play on their offline advertising. And radio is a natural for that."—ED

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The syndication biz: an ever-changing competitive arena

by Carl Marcucci

Always striving to fulfill the needs of broadcasters, syndicators are moving towards narrower niche offerings, more creative concepts and more dayparting. Competition is more fierce than ever. Some are resorting to supplying a variety of short-form vignettes just to get their "foot in the door" of desired stations. Competition has also created a trend that began in the mid 90s toward programming consolidation—almost in parallel with radio's consolidation. Bigger is better for independents, especially now with strong relationships between groups and their O&O networks. "It is why we have been purchasing, and will look to purchase more, independent syndicators to bring into our tent," Jones Radio Network EVP Jed Buck reveals.

Ad clearance is another issue. When times are good for radio, inventory is tight—that can present a downside. By lowering inventory levels, syndicators can realize huge differences in clearing programming and ad networks. "The continued strong radio advertising market has made it tougher to secure inventory on local stations as that inventory becomes more and more valuable for the station to sell themselves," Buck adds.

Clearly, it's not all bad news for the syndication biz. Increased competition is also driven by increased programming demand. Stations are looking toward syndication to fill their programming needs in all dayparts, not just the fringes. While running syndicated product in morning drive used to be unthinkable, now it's commonplace. More emphasis has been placed on nighttime syndicated programming than ever before as well. In the past, the focus was mass audiences and huge affiliate counts. As formats have splintered, syndication has been forced to adapt with a narrower focus on specialty programs and with multiple-format versions of existing shows. Sports Talk, for example, has evolved from an offering by a network to networks of offerings.

"There's more and more product rolling out than ever before. Now there are more niche-formatted shows, more narrow issues. Holistic medicine shows, gun shows, food shows—programs that are issues-driven or consumer-driven or morality-driven, health-driven, says Cox Radio VP Affiliate Marketing Paul Douglas.

"I think that syndicators are getting more creative in terms of the new programming offered," says Jefferson-Pilot's Director of Syndication Tony Garcia, who clears the "Bob & Sheri Morning Show" on 55 affiliates. "But the bottom line is still the same: quality. Look in the directories and you'll see hundreds of shows offered. Some of them are great. Lots of them are dreck."

Some counter the clutter factor by focusing on fewer products and making them the best they can be. "There are too many shows with too few affiliates. Sometimes I think only AMFM is focused on fewer but better shows with better affiliate lineups. I think it's time for all the syndicators and networks to take a look at their program lineups and get rid of the dead wood," says AMFM Radio Networks President David Kantor. "We did all this when the advertising recession hit in '91-'92 and I think it made the biz stronger—why produce a show most stations and advertisers don't want? We at AMFM limit our development each year to one or two (this year "Country

Live" and "The Weather Channel") of the best ideas and focus our entire organization on them."

"Consolidation has forced networks and stations to focus on their top-tier products. This makes it more difficult for marginal programs and services to succeed, and creates a greater gap between the cream of the crop and the mediocre. Networks must practice more patience when launching a product," says ABC Radio Networks President Traug Keller. "Our challenge is to develop compelling programming that creates its own demand."

"The Tom Joyner Show" is Keller's best example: "Before Tom, there was no 'demand' for an Urban-targeted morning show. His success on a market-by-market basis built the demand."

A surprise from Talk Radio Network CEO Mark Masters (who syndicates "The Michael Savage Show," Jeff Rense's "Sightings" and "The Bob Dornan Show," among others) is that weekends—often dominated by local talent—is now the cash cow for his net: "We see weekends as one of the last bastions where true profitability can be extracted, where as right now many markets consider it throw away time. With so much pressure on stations to show an ever growing bottom line, we are seeking to create multiple weekend line-ups of highly-niched lifestyle programming—from auto shows to food shows—that don't

ABC Radio Networks President Traug Keller



Talk Radio Network CEO Mark Masters



Go home with some real men.



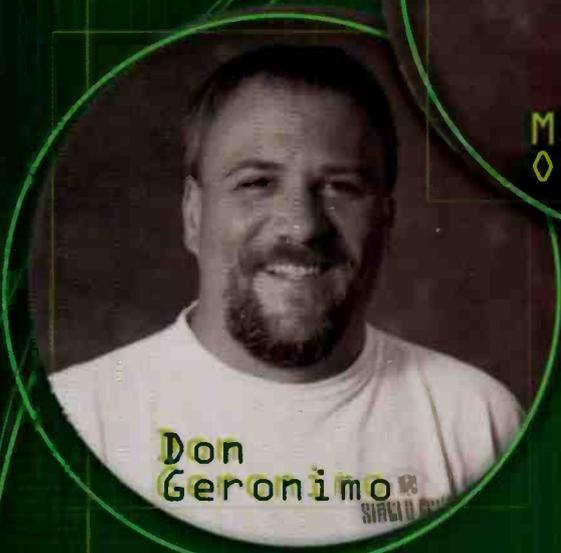
Mike O'Meara

#1 Men 18-49
" #1 ratings in afternoon drive year after year after year."

Jeremy Coleman PD
WJFK-FM Washington, DC

#1 Men 18-49 "Big numbers, extremely loyal audience, the funniest show on radio!"

Doug Tribou PD
WZAN-AM Portland, ME



Don Geronimo

#1 Men 25-54 "In Sacramento, DON & MIKE is one of the cornerstones that keeps KHTK 'America's Top-Rated Sports Station.'"

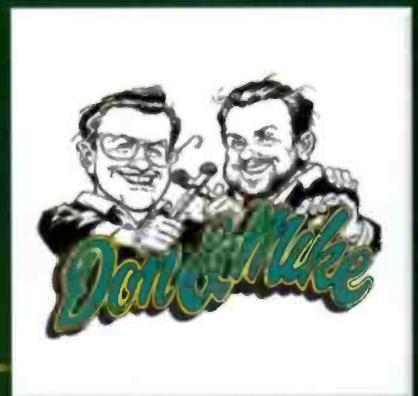
Doug Harvill VP/GM
Sports 1140 KHTK-AM Sacramento, CA

#1 Men 18-49 "Everybody else has a big morning show, we've got a huge afternoon show and we're making everybody nervous with DON & MIKE!"

Lee Rogers OM
WPEK-FM Greenville, SC

#1 Men 25-54 "DON & MIKE has been a tremendous ratings success on KFH. Not only do they do great with our talk audience, but they also attract listeners away from top FM music stations too!"

Tony Duesing PD
KFH-AM Wichita, KA



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need big ratings to command high niched spot rates. This approach for weekends will deliver premium dollars back to the network and stations alike and allow focused selling strategies for stations eager to cash in on weekends."

Certainly one complaint from stations across the country is the abandonment of the pure barter principle when talent hits the superstar status. Carrying top-rated talent is sometimes a double-edged sword. "The financial model for syndication has changed radically in the last five years. When we first syndicated Art Bell, the logic of selling a show was that a station would be getting breakthrough programming in exchange for what was often unsold inventory (barter only) while at the same time eliminating the cost in local talent. By 1998 the major syndicated stars had been acquired by entities that had never successfully and organically grown a show in concert with affiliates, but instead were now extracting base fees and minutes that were so punitive, it almost defeated the benefits of taking syndicated programming," Masters explains. "This combined with the 'leveraging' tactics by those acquiring entities—forcing stations to take programming that they didn't want—has resulted in them hiring back local talent. They may actually be able to save money and control their own destinies once more."

Meeting needs and developing relationships

While competition for clearances is more fierce than ever, consolidation has assured there are fewer and fewer decision makers at the station level to get it cleared. When affiliate relations gets an opportunity to talk or, even better, meet with a PD, he or she better be prepared because it may be the only chance they'll get. "The hardest problem to tackle at this time are the radio stations that own three-five in the market, especially the big names like AMFM and Clear Channel," TalkAmerica Radio Networks President Tom Star explains. "It's gotten to the point where one PD or one GM is overseeing all the radio stations and so that means you don't get that much time to call and talk to that individual as you used to."

So syndicators are researching on a market-by-market basis, identifying problems and solutions before picking up the phone. "I'm getting more calls from syndicators. I think that the ones that end up doing business are the ones who do their homework and have an understanding, even if it's on a limited level, what the needs of the radio station might be

before they place the phone call," WSB-AM Atlanta Operations Manager Greg Mocerri tells MBR. "Many syndicators don't spend the time to do that. I've had calls from some who don't know what we do and what station it is and what format we have. Really, in this day and age, we really don't have a lot of time to spend trying to educate someone else of what we're doing. It's those people who do that amount of work and a little homework that you tend to stay on the phone longer with and develop a relationship. And sooner or later they might have a product that fits your needs."

Cox's Douglas, in conjunction with Jones Radio Network, works on ad sales and clearances for "The Neal Boortz Show," "The Clark Howard Show," "The Motley Fool Radio Show" and "Handel on the Law." He agrees preparation is key: "First and foremost is finding out what their needs are. In some cases, you do the research, you do the background, you investigate markets, you investigate stations, you find the weak link and you figure out that there probably is a product you have that would clearly fit on that radio station. And then you bring all the ammunition to the table."

That ammunition, Douglas says, is sometimes used to *keep* a show from being cleared. "There will be a radio station, for instance, in a decent-sized market that will be interested in a particular show, but when we do our homework, we realize in some cases that it might not be a fit. The last thing we want to do is put one of our shows in a compromising position where it may not work. Not because the show host or the program isn't up to the challenge, but because what it is surrounded with, there isn't going to be the synergy there required to make the program work on that station. It's about putting the shows where they belong and for the operators to clearly see in time that they made the right choice to believe in the product and in our relationship."

Once the PD lets a network in by clearing one of its shows, they need to keep him or her happy—ratings aren't the only key to clearing shows or keeping them cleared after the contract ends. Dame-Gallagher Networks President John Dame, (who syndicates "Online Today with David Lawrence" and "The Mike Gallagher Show") attests. "Instead of having one Program Director, Mike Gallagher now has 150. Some of them like you some days and some of them don't—it's just going to be that way. One of the things we do that's very unique is that Mike actually gets on the

Glenn Fisher,
CEO Fisher
Entertainment



AMFM Radio
Networks
President
David Kantor



TalkAmerica
Radio Networks
President
Tom Star



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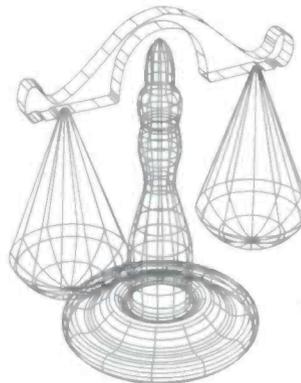


Atlanta WSB
M35-54 **15.5** (W00)

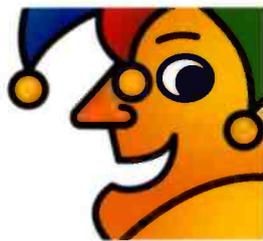
Dayton WHIO
M35-54 **9.3** (W00)

Charlotte WBT
M35-54 Up **188%**
(F99-W00)

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phone and he tries to call every one of our PDs about every four to six weeks. We encourage them to tell us what's happening in their market, what they feel about the show. I sat as an owner-operator of radio stations and most of the time the syndicators that I dealt with called me at renewal day and sent me a new contract."

"Definitely, the AMFM PD group is our programming brain trust, they are our eyes and ears out there every day and give us great input on our existing and new shows," says Kantor. "I don't think Koz's show, 'Rockline2' and 'Country Live' would be as successful as they have been without the PD's involvement. We always want to make our programs better, so we take the bitter comments with the sweet and try to improve."

"We absolutely encourage feedback from PDs. PDs are on the front lines, and are fighting the battle to grab media share for radio from the multitude of media competing for listeners' attentions," adds Keller. "Constructive feedback helps us improve our programs and gives us direction for new product development. You cannot hope to succeed in this business without listening."

And of course, supplying service elements on a timely basis is also key to the relationship. Fresh liners and promos—sometimes on a daily basis—are greatly appreciated by affiliates. Not all talent can, or care to, pull this off. ABC Radio Networks' Tom Joyner says the relationship between talent and PDs is really a two-way street: "The credit really goes to the producers on the affiliate end. The good ones, and most of them are, send drops that I cut after the show for the next day. I do about a phone book thick of drops."

Network Nepotism: Is it getting harder for indie syndies to survive?

With the impending merger of AMFM and Clear Channel, AMFM Radio Networks will be folded into Premiere Radio Networks. That leaves around 1,200 big-market radio stations under the ownership of ABC, Clear Channel and Infinity. If it's true that the "first pick" of each of those stations would be syndicated product from respective ABC Radio Networks, Premiere and Westwood One, independent syndicators should be more afraid than ever of having to shut down, right? It depends on who you ask. "Not at all so far and it doesn't seem to be any indication that it will be a problem in the future," United Stations principal Dick Clark tells MBR. "Perhaps that's wishful

thinking, but there has been enough of those conglomerates around for long enough that you'd think by now that if it were going to happen, it would have happened."

However, that doesn't mean that "network nepotism" doesn't happen. "Let's face it, if a PD can get a similar product from a source that's 'in the family,' why not? It's win-win. What we're starting to see now is local PDs under pressure from corporate not to consider any programming from outside 'the family'—even if there's nothing else like it. Now multiply that by ten, twenty, or hundreds of stations in a format who either by policy or politics are prevented from working with outside providers and you've shrunk your potential universe of affiliates tremendously," complains Jeff-Pilot's Garcia. "We're trying to build a national morning show without the benefit of an owned-and-operated group to support us. Having that edge wouldn't have made the product any better, but it would have created the opportunity to create a track record within 'the family' that could then be marketed nationally. Without that edge, the growth curve gets longer. It's not impossible—"Bob & Sheri" has proven that—but it just takes longer."

"I think that it has changed the way the syndication business operates. Most groups are open to airing the best program that will work for each individual market. Some groups don't. Some groups are trying to integrate their company vertically—everything from the programmers to the consultants, the syndication companies, etc.," says Dame.

While Glenn Fisher, CEO Fisher Entertainment, agrees nepotism is a big issue in the industry, he says it just makes independents like himself focus more on putting out the best product to win. Fisher specializes in young-skewing "Hot Talk" and offers "The Ed Tyll Show," "The Rick Emerson Show," "The John and Jeff Show" and others. "Premiere can come up with a show and have it instantly cleared on a whole bunch of stations, we can't. We don't own any stations so our shows have to be sold based on what they are. If we don't have good shows, we're up s**** creek," he tells MBR.

To prove the point that product rules, Fisher explains that just because the big syndicators may have a leg up on clearances, it doesn't mean instant success for a product: "AMFM out of the blue launched the RuPaul show. It was very unsuccessful. And AMFM owns a bunch of stations with the Rhythmic format which would be good for him. AMFM launched the Kevin Bacon guitar hour. Disas-

ter!—and they own a bunch of Rock stations. They couldn't even get their own stations to put the shows on."

Fisher is actually happy the big groups are there to open up the Talk market: "We have Talk shows on at least 30 Infinity and Clear Channel stations that compete with products respectively from Premiere and Westwood One. They're opening up the Talk properties for us to be on! Now Westwood One just came out with a new Hot Talk show—"Ron and Fez.com"—to compete with our Hot Talk show. I don't know how well it's doing outside of New York, but the bottom line is our show (John and Jeff) is on KLSX-FM LA, WCKG-FM Chicago and KYNG-FM Dallas—all Infinity-owned."

One advantage the independent may have is speed to market—the early bird gets the worm scenario. "We're more nimble than Westwood One or Premiere. When we want to launch a show, it takes one month from conception to execution. For these other groups, they have meetings and red tape and more meetings and more red tape. And finally after all their research and after all their consultants and everything else, they get around to launching a show, it takes a long time for them to even start marketing it. When we develop a show, we strike like a python," Fisher boasts.

A good example of Fisher's speed to market is clearances in the Jammin' Oldies/Rhythmic Oldies format. In '99, Fisher was the first to come out with a Jammin' Oldies show. "At the time, there were only about five Jammin' Oldies stations. Now there are over 100 and we're on just about all of them—eight of the top 10 markets with 'Al Bandiero's Jammin' Party.' A lot of them are owned by AMFM. AMFM Radio Networks didn't launch a Jammin' Oldies syndicated show primarily because we beat them to the punch."

Another advantage is neutrality, as JRN's Buck observes: "For us, the advantage of being a large independent is that we can do business with any radio station in any market without them worrying that we own a radio station or stations across the street and are competing with them at the local level."

Regardless of the effects of nepotism in the biz, if one station misses the boat on a hot show, then a competing station is going to pick it up. "A difficult business has gotten more demanding," says ABC's Keller, "but quality programming and product will always find distribution no matter its source. There is always room for excellence."



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Rhythmic Oldies may need to dig a little deeper

Rhythmic Oldies; Jammin' Oldies; Groovin' Oldies; Solid Gold Soul—whatever they call it in your market—this format is almost everywhere today and is still trickling down to the smallest markets. First launched by AMFM Radio (N:AFM) on KISQ-FM in San Francisco, the buzz quickly caught on with Greater Media, Cumulus, Clear Channel, Infinity and others. Now that a substantive number of ratings books have come out to observe trending, we take a look at Rhythmic Oldies' performance to date.

Rhythmic Oldies been an answer to lackluster ratings for many. Some successes are based solely on flanking off successful Oldies stations in the market; some have been based on a complete format hole. According to a Coleman Research study of 23 markets, Rhythmic Oldies stations perform best in markets that don't have a traditional Oldies station with a strong Adults 25-54 share. In fact, Rhythmic Oldies listeners are centered in Adults 25-54, specifically Women 35-44.

While the vast majority of stations that switched to Rhythmic Oldies showed an upturn in 12+ ratings in their first and second books, in studying the top 100 markets (46 of the top 100 have the format), a leveling-off and downward trend has emerged in more than half by the third and fourth books. While Guy Zapoleon, President, Zapoleon Media Strategies, says that happens with most new formats, he agrees that burn can be a factor. "It can be a success if the 70's and early 80's R&B Oldies haven't been played out by an Urban AC or Urban Gold format in the market," he tells MBR. "Due to the popularity of Disco with White listeners, when well marketed, the format has done well with them in large markets. However, the format needs at least one other ethnic group to really achieve the Top five 25-54 success stories it's done in

many markets. I believe the Black audience is essential for its success. KISQ in San Francisco, which was really the first Jammin' Oldies station for AMFM, had #1 25-54 Adult success largely due to a Hispanic and Black Coalition."

Zapoleon was key to consulting on the format's first launches. He worked with AMFM's Steve Rivers to refine the format and launch it first with Michael Erickson at KISQ and Harold Austin/Don Parker at KCMG-FM LA. Zapoleon's partner, Mark St. John, created and launched many of Capstar's Jammin' Oldies outlets.

For those still thinking of switching, Zapoleon offers this advice: "Do the research, it's not a format for every market. Establish realistic expectations for the station—in large/major markets the company should be very happy with being top seven 25-54. It takes a BIG kickoff TV marketing campaign and continued marketing reinforcement."

In most markets where the format is well-marketed, top seven 25-54 can be maintained, adding cluster power to a sales effort. Barnstable's WWSO-FM, which blew up heritage AC WFOG 9/15/99, has gone well beyond that. In our study, its success has been phenomenal, the best on the list: #2 25-54; #1 35-64 Arbitron Winter 2000 Norfolk book. That same book shows them in fourth place P12+, all with a direct competitor in the market—the Clear Channel simulcast of WSVV/WSVY-FM.

OK, so what's the secret? Avoid the burn factor from the start. Skew away from the Pop hits that have already been overplayed for the past three decades. "What we try to do with our music is to sit down and realize one thing off the bat. When you look at all these other Jammin' Oldies stations—and this is not a negative—but they seem like they all use the

same basic library. And there is nothing wrong with that, but as my GM [Andy Graham], our consultant Tony Kidd and I say, it doesn't take a rocket scientist to know that between 1965 and 1985 where most stations are cutting off at, more than 300 records were released," WWSO PD Steve Crumbley tells MBR. "We found a lot more of the Soul classics and a lot of the songs that didn't necessarily 'cross Pop' and go on the Pop charts, which is where a lot of the Jammin' Oldies stations stop at. Well, that's a very limited format. I've been a Music Director, PD or full time announcer since 1969. So I was there and at that time, let's face it, radio was very segregated, Black and White. If it wasn't Motown or a few Spinners records that crossed over, it never got played on the Pop stations. But there were tons of songs that were R&B smashes that never got played on Pop radio or made it to 45s—one example is "Reasons" by Earth Wind and Fire. The biggest tested song in the world never was a 45. So it's those songs that we look for and test. It's amazing when you test these songs—people go 'Oh, my God, where did you find that one?' And when you get that, you get much more of an 'Oh Wow' effect than the "Endless Loves" and the "Diana Ross and the Supremes" songs. Nothing against them, they've just been burned like hell because everybody is playing the same 300 songs over and over again."

Crumbley's formula was instantly a hit. "It was amazing because we had a Jammin' Oldies Clear Channel station that was in the market that was Number Three and was sitting on a seven share and in one book—we killed them."

MBR observation: Here's one editor's opinion: More songs from the old R&B charts, more Funk, more Disco. Less Lionel Ritchie and 80s Soft Rock crossovers.

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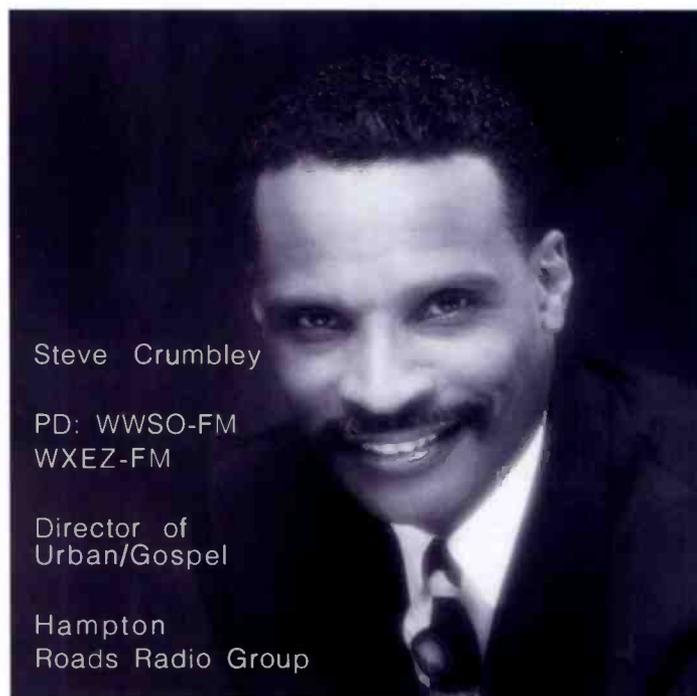
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Rhythmic Oldies Stations, Continuously-measured markets

Market	Rank	Calls	Fa97	Fa98	Fa99	Wi00
New York	1	WTJM-FM	1.5	1.7	2.7	2.9
Los Angeles	2	KCMG-FM	1.4	2.8	2.5	2.3
Chicago	3	WUBT-FM	3.0	2.4	2.8	2.9
San Francisco	4	KISQ-FM	3.0	3.4	3.1	3.0
Philadelphia	5	WEJM-FM	1.6	2.1	3.5	2.3
Dallas	6	KTXQ-FM	2.4	3.6	2.9	2.3
Detroit	7	WGRV-FM	1.9	1.5	3.1	2.0
Washington	9	WJMO-FM	3.7	3.2	3.2	2.9
Houston	10	KJOJ-FM	0.2	0.1	0.0	0.0
Houston	10	KTJM-FM	2.1	1.2	2.4	2.3
Miami	12	WMGE-FM	2.3	1.5	3.0	2.5
Phoenix	16	KAJM-FM	0.0	0.6	0.6	0.5
Tampa	21	WFJO-FM	1.2	3.9	2.7	3.5
Pittsburgh	22	WJJJ-FM	3.5	3.8	4.1	5.0
Denver	23	KDJM-FM	2.2	2.3	2.8	3.0
Cleveland	24	WZJM-FM	6.0	5.8	4.4	3.5
Cincinnati	26	WMOJ-FM	3.3	4.1	6.2	5.8
Sacramento	29	KHYL-FM	4.2	4.0	3.7	3.3
Sacramento	29	KHZZ-FM	1.0	2.5	1.5	1.6
Kansas City	30	KNRX-FM	1.5	2.0	2.9	2.9
Milwaukee	31	WJMR-FM	3.3	2.8	2.3	2.5
San Antonio	32	KCJZ-FM	2.5	3.1	3.6	3.0
Columbus OH	34	WXMG-FM	0.0	2.0	2.7	2.3
Norfolk	36	WSVW-FM	0.6	1.6	1.8	0.7
Norfolk	36	WSVY-FM	2.8	4.0	1.5	2.2
Norfolk	36	WWSO-FM	5.3	4.5	5.1	7.0
Charlotte	37	WCCJ-FM	2.4	2.0	3.1	3.8
Orlando	39	WOCL-FM	6.4	5.0	2.9	2.7
Nashville	43	WNPL-FM	0.0	0.9	2.3	2.0
Hartford	44	WZMX-FM	4.0	3.3	4.0	3.2
Buffalo	45	WBUF-FM	5.2	3.3	4.4	2.7
Austin	49	KFMK-FM	0.0	3.4	3.9	3.4
Jacksonville	51	WJQR-FM	0.0	0.7	0.7	0.2
Rochester NY	52	WLCL-FM	0.6	2.7	1.1	1.2
Louisville	53	WMJM-FM	1.9	1.7	1.5	2.3
Birmingham	55	WENN-FM	4.2	2.2	1.6	1.1
Richmond	57	WBBT-FM	0.0	0.0	3.0	2.9
Albany NY	59	WABT-FM	1.9	2.5	1.6	1.5
Tucson	61	KGMG-FM	0.0	1.9	2.6	2.3
Fresno	65	KMGV-FM	3.5	6.1	5.0	3.7
Grand Rapids	66	WKWM-AM	1.5	1.6	0.5	0.9
Baton Rouge	82	WTGE-FM	3.3	1.3	5.3	3.0
Bakersfield	86	KCOO-FM	2.4	3.3	3.0	1.5
Charleston SC	87	WCOO-FM	1.8	1.7	2.5	3.8
Columbia SC	89	WSCQ-FM	5.7	4.7	3.6	4.0



Steve Crumbley

PD: WWSO-FM
WXEZ-FM

Director of
Urban/Gospel

Hampton
Roads Radio Group

Rhythmic Oldies Stations, Non-continuously measured markets

Market	Rank	Calls	Fa97	Fa98	Fa99
Fort Myers	71	WJGO-FM	0.0	0.0	2.8
Stockton	85	KQOD-FM	6.0	6.6	6.5
Stockton	85	KSTN-AM	0.8	0.0	0.0
Fort Wayne	101	WYSR-FM	2.9	1.6	2.6
Flint	119	WOWE-FM	2.9	3.2	3.8
Modesto	122	KKME-FM	0.4	0.9	5.1
Reno	128	KATG-FM	0.0	0.0	1.4
Corpus Christi	129	KCCG-FM	2.6	4.7	3.4
Peoria	135	WBGE-FM	3.6	3.5	2.6
Biloxi	136	WUJM-FM	1.5	0.9	3.9
Tyler	140	KTYL-FM	5.2	3.5	6.1
Poughkeepsie	157	WBPM-FM	3.8	2.6	2.0
Tallahassee	159	WWLD-FM	4.7	3.8	3.5
Odessa	174	KCHX-FM	12.1	7.2	8.9
Wilmington NC	175	WKXB-FM	4.4	4.9	8.9
Merced	190	KJMQ-FM	3.8	2.0	2.0
Alexandria	203	KFAD-FM	1.3	2.2	3.4
Tuscaloosa	216	WQZZ-FM	1.0	0.0	0.6
Muskegon	217	WEFG-FM	0.0	0.0	3.2
Charlottesville	222	WVSF-FM	3.6	1.3	3.4
Panama City	226	WQJM-FM	1.8	3.3	2.7
Waterloo	233	KOKZ-FM	11.6	9.9	6.7

Source: Arbitron, *RBR Source Guide* database. All ratings are for persons 12+

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CONTESTS & GIVEAWAYS: MAKING SURE YOU'RE COVERED

by R.J. Meachum

"On August 30th, we will present you a check for \$1,000,000 (if the 90-digit number inside this envelope matches the 90-digit number we select)."

If you've never seen a headline like this, you probably don't have a mailbox. Millions upon millions of pieces go into the mail every month stating that the recipient is about to be a millionaire, and all it takes is a complex entry procedure and ten magazine subscriptions.

The problem is, too many people have fallen into the trap of believing they must buy a subscription to be eligible to win. In one case, an elderly woman in Florida purchased multiple subscriptions that ran through 2010. She was over 80 years old, spent thousands of dollars, and never won a dime.

Those days are over. Congress has lowered the boom on direct mail strategies designed to boost sales through less than honest means. The Deceptive Mail and Prevention Enforcement Act (DMPEA), signed into law in December 1999 and enforced as of May 4, 2000 by the United States Postal Service, outlaws sweepstakes promotions that suggest contestants must purchase products or services in order to increase their chance of winning.

So you're thinking, "well that doesn't affect my direct marketing promotions, I'm a radio broadcaster. I play music, and my service is free. Everyone knows that!" Apparently, everyone but Congress. In the grand scheme of direct mail, we are a blip on the radar screen, and broadcast direct marketing never factored into their decision.

The section of the act that directly affects broadcasters involves sweepstakes. The DMPEA defines a sweepstakes as a "game of chance for which no consideration is required to enter." There are no exclusions for promotions in which a purchase is neither requested nor possible.

To be in compliance with the DMPEA when mailing out a direct mail campaign promoting a contest, the piece must:

1). Include all terms and conditions of the promotion, including the rules and entry procedures.

2). Prominently state in the mailing itself, in the rules, and on the entry form, "No Purchase Necessary," and "Purchase will not improve chances of winning."

3). Disclose the sponsor or mailer of the item, principal place of business, and an address where the sponsor or mailer may be contacted.

4). Give the estimated odds of winning each prize.

5). State the quantity, estimated retail value, and nature of each prize, as well as the schedule of any payments to be made over time.

6). Provide an address or toll-free number that recipients may use to have their name excluded from future sweepstakes mailings from the sponsor.

Finally, the mailer cannot suggest that the recipient is a winner of a prize unless he or she has actually won.

Here's the scary part. Violating the DMPEA may result in penalties totaling anywhere from \$25,000 for mailings of less than 50,000 pieces to \$50,000 and more for larger campaigns. Congress was thoughtful enough to cap the penalties at \$1,000,000.

Some of these requirements are already met, based upon the types of direct mail campaigns radio stations typically conduct. The simple rules of how to win are provided, along with a description of what you'll win, and the address of the station and a phone number are easy to find.

The most difficult requirement of this law is the inclusion of the COMPLETE rules. A line at the bottom of a direct mail piece stating that "for complete rules send a self-addressed, stamped envelope to [station]" is no longer sufficient. Here, the challenge falls on the shoulders of the corporate attorneys to provide complete rules that are succinct and to the point, and on the heads of the designers, who must keep it legible while tastefully integrating it into the overall layout of the mailer.

I fully support the intent of the DMPEA, and all of our broadcast promotions are in compliance with this law. However, I do believe that the inclusion of broadcast promotions was unintentional, and that once challenged, the act will be amended to exempt these types of campaigns.

Until that day, be certain that any promotions you send through the U.S. Postal Service comply with the DMPEA. For a complete copy of the act, give me a call at 800-548-5858 and I'll be happy to get one out to you.

RJ Meachum is Vice President of Operations for Eagle Marketing Services in Fort Collins, Colorado.



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August

- 10-12
Michigan Assn. of Broadcasters Annual Conference, Thompsonville, MI (517) 484-7444
- 15-17
NAB Americas Conference, Miami, FL (202)775-3527
- 15-18
Texas Broadcasters Convention, San Antonio, TX (512) 322-9944
- 16-18
Nebraska Broadcasters Convention, Lincoln, NE (402) 778-5178
- 18-20 Alabama Broadcasters Convention, Destin, FL (800) 211-5189
- 25-27
Arkansas Broadcasting Convention, Hot Springs, AR (501) 227-7564
- 26-29
American Women in Radio & TV Convention, Los Angeles, CA (703) 506-3290

September

- 13-14
North Dakota Broadcasters Convention, Bismarck, ND (701) 258-1332
- 13-16
Radio Television News Directors Association Conference, Bismarck, ND (701) 258-1332
- 14-15
Alaska Broadcasters Convention, Anchorage, AK (907) 258-2424
- 20-23
NAB Radio Show, San Francisco, CA (202) 775-3527

October

- 2-5
NAB Satellite Uplink Seminar, Washington DC (202) 775-3527
- 3-4
Society of Broadcast Engineers, Pittsburgh, PA (317) 253-1640
- 5-6
Minnesota Broadcasters Association Annual Conference, St. Paul, MN (612) 926-8123
- 5-7
Oregon Broadcasters Convention, Bend, OR (541) 343-2101
- 9-10
Indiana Broadcasters Convention, Indianapolis, IN (317) 573-0119
- 9-10
Kansas Broadcasters Convention, Wichita, KS (785) 235-1307
- 18
Bayliss Foundation Media Roast, New York, NY (831) 624-1536

November

- 7-9
RAB Fall Board Meeting, Dallas, TX (972) 753-6740
- 8-12
National Association of Farm Broadcasters, Kansas City, MO (651) 224-0508
- 12-14
Canadian Association of Broadcasters, Calgary, AB (613) 233-4035

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Upped & Tapped

The Morgan, the merrier? Charlie Morgan will be going from one to three FMs at Susquehanna's Indianapolis cluster. The WGLD-FM VP/GM has been named Market Manager for WGLD and sisters WFMS-FM and WGRL-FM.

WW1 hooks a Trautmann: Westwood One President Joel Hollander used the VP/Engineering title as bait to lure Conrad H. Trautmann III away from Cox Radio. He will oversee technical operations for Westwood One and its Metro/Shadow services.

Lending a helping Hannah: Broadcast equipment manufacturer HHB Communications has tapped Don Hannah as Sales Engineer. He exits Alesis Corp.

Building a better Maus trap to catch a Dove? Premiere Network's Mediabase Research arm has hired Julie Dove as Nashville Label Sales and Services Manager. Meanwhile, Victoria Maus was named to the similar position of West Coast Label Sales and Services Manager. Both will be working with Mediabase President Rich Meyer.

Changing of the Gardella? Public WNYC-FM New York CEO Laura Walker has upped a pair of execs: Betsy Gardella is now EVP/COO, and Judy Goss is VP/Development.

Broadcasting in the Far East? Arbitron, looking to open new markets abroad, has named Brad Bedford VP/Asian Marketing. He will be focusing on developing opportunities in the Far East, primarily in Japan.

A word to the Weiss: Premiere/Westwood expatriate and former CEO of BuyItNow.com Eric Weiss has been named President of BuyItNow.com's buyer, e4L, Inc.

Jill Sochacki has been named VP/Regional Director of Operations, Great Lakes for Metro Networks. In addition to overseeing operations in Detroit and Grand Rapids, she will be looking after the Charlotte and Greenville SC offices.

Send in the Marinos: AMFM's (soon-to-be Clear Channel's) KCMG-FM Los Angeles, which has just journeyed down the dial to its new home at 92.3 MHz, has tapped Mike Marino as PD. He exits WKRQ-FM Cincinnati.

Internet company Innuity's Media Services Division, formerly known as First Internet Media Corp., has named radio vet Marijane C. Milton VP/Sales & Training.



Claire Hall is the new NSM, Broadcast Products for Solid State Logic. She exits Calrec Audio.

New Fain club at ABC? Upon the exit of Kristin Gerlach, T. Scott Fain has been named VP, Broadcasting-Legal at ABC Inc.

Side job for a side dish? Cox Radio has added to the responsibilities of WBLI-FM Nassau-Suffolk PD J.J. Rice. He is now also Format Coordinator, CHR for the radio station group.

Loose McGannon? No longer, as the former Panasonic exec signs on with USA Digital Radio as Director, OEM Business Development. He will be based in Detroit, where he will work to get satellite-receiving radios into new cars.

William W. Krippaehne Jr. is the new Chairman/CEO of Fisher Broadcasting Inc. following the retirement of Patrick M. Scott, who will stay on in a consulting role until he completely retires January 31, 2001. Additionally, Benjamin W. Tucker was named EVP/Broadcast Operations.

NBG picks the summer to up Summers: KMLE Phoenix Production Director Steve Summers is leaving to join NBG Radio Network as Director of Operations.

Webb logs off of Clear Channel: After 25 years with the company, SVP/Operations Stan Webb is retiring.

CNN Radio Network has upped Robert Garcia to VP, where he will focus on new business development and strategic planning.

Filling the Barnstable stable: Memphis Radio Group VP/Director of Sales Dan Barron has added a pair of GSMs to work at his three-FM cluster. Beth Dowdie will handle the job at WSRR-FM, while Mike De Amicis handles the same chores at WGKX-FM.

KXPK-a-boo? Joe Schwartz, formerly of Bengal Communications, has been tapped by station group Emmis Communications to take the GM reins at KXPK-FM Denver.

Ex-programmer John Duncan has signed on with Clear Channel Web Services Group as Rock Content Manager. He will be based in Los Angeles.

Suffa the little children? We don't know about that, but we do know that Clear Channel's William P. Suffa has been named to the newly-created position of SVP/Capital Management. He will oversee capital expenditures for the entire group.



EXTENDING CREDIT TO DOT-COMS: WHAT TO DO WHEN THE OLD RULES DON'T APPLY

by Walter Szabo, Szabo Associates Inc.



All credit managers know the old rules for extending credit to a company. To put it in overly simple terms, you find out who's responsible for payment, you determine if they're able and willing to pay and you research their track record, both in general and specifically with regard to media. But what if the company is a one-year-old start-up that has yet to turn a penny's worth of profit?

Increasingly, media credit managers are faced with this dilemma. Do they take a risk with a promising new dot-com company with a great idea and a bit of start-up capital, or do they forego the opportunity and focus strictly on the more traditional "brick and mortar" companies that can more easily meet their historical criteria for credit extension?

It's hard—and perhaps unwise—to ignore the potential advertising revenue to media that some dot-coms represent. Let's look, for example, at one major category of e-commerce—online retailing. A study conducted by The Boston Consulting Group found that online business-to-consumer (B-to-C) retailing revenue grew 120% to \$33.1B in 1999 and predicts 85% growth in 2000, with revenues surpassing \$61B. Of course, these are gross revenues of all dot-com retailers combined—not net profits—and the figures do not take into consideration the growing competition that will force weaker companies out of business. Forrester Research, Inc., a leading independent research firm that analyzes the future of technology change and its im-

act on businesses, stated in an April press release that "the combination of weak financials, increasing competitive pressures, and investor flight will drive most of today's dot-com retailers out of business by 2001." So how do you determine if your potential customer will leave you with a bag of gold or simply "holding the bag"?

First of all, it is helpful to understand how dot-coms get their start-up capital. Although venture capital has been gushing into the Internet economy at an incredible rate, the money doesn't flow through the faucet all at once. VCs might give some money to a start-up with a promising idea with the agreement that certain "milestones" must be met in order to make it to "round 2" and "round 3" of capitalization. If they make it that far, the VCs then help the fledgling company find investment bankers to take it public.

Keys to dot-com evaluation

The criteria that VCs use to determine a dot-com's chance of success are also useful to know, because they are the same criteria that you should use to determine its creditworthiness. Here are the basics:

1. The Value Proposition. Do they have a killer idea? Do they have a market advantage? Is the market big enough so that winning will make a difference? What is their marketing strategy?

Value proposition—basically, what it is they're offering (product or service) that is significantly different and/or better (faster, cheaper, higher quality, etc.) than what others are offering—is perhaps the most important, and elusive, element to evaluate. It is most important because the inevitable shakeouts among dot-coms due to consolidations, decreasing investment capital, and increasing competition will leave companies with shaky value propositions lying in the dust early on.

2. The Management Team. Is the management team experienced and synergistic, with backgrounds balanced across the creative, operational, and financial functions? Does the management team possess integrity?

3. The Money. How much money do they have and where is it coming from? For you, the credit manager, know not only how much of the principals' money is invested, but who the VC play-

ers are and how much they are investing. Also, learn who the partner companies are. Often, dot-coms will form partnerships with other companies who provide services in exchange for an equity position and/or favorable status. What are the partners' areas of expertise, and how do they affect the value proposition?

But this kind of information isn't exactly included on a credit application. True, although there is some cyberspace justice: one of the best sources of the information you need is the place these companies conduct business—namely, the Internet.

In the March, 1999 issue of *Collective Wisdom*, our feature article listed a number of great Web sites for finding credit information on companies. It might be a good idea to review that issue because much of that information is useful when researching dot-coms; however, this article will give you additional information on how to get the kind of data you need on dot-coms specifically. Here are a few of the best Web sites:

Wall Street Research Net
<http://www.wsrn.com>, portal.internet.com
 Forrester Research, Inc.:
<http://www.forrester.com>
 Stockpoint: <http://www.stockpoint.com>
 Hoover's Online: <http://www.hoovers.com>

Where's It All Going?

And what about B-to-C e-commerce? Because of the rechanneling of investor money to fast-growing B-to-B ventures and the difficulties of creating and maintaining a compelling value proposition in the face of fierce competition for consumer dollars, the shakeouts we mentioned earlier will winnow out many B-to-C players. Studies indicate that the most powerful use of the Internet for retailing may be in the integration of a Web identity with a familiar, brand-name business that still offers the option of personal interaction.

What's It Mean to You?

We've seen dot-coms putting an enormous amount of money into marketing in order to acquire customers; however, the constriction of IPO and secondary stock offerings may require many of these companies to spend less and more selectively. And, as some dot-coms fall by the wayside and others come out clear winners, we may see as many advertising dollars being spent as before, but by fewer players. Research companies carefully, considering their value proposition, management, and capitalization, and beware of last-ditch desperate advertising efforts to get customers with dwindling resources.

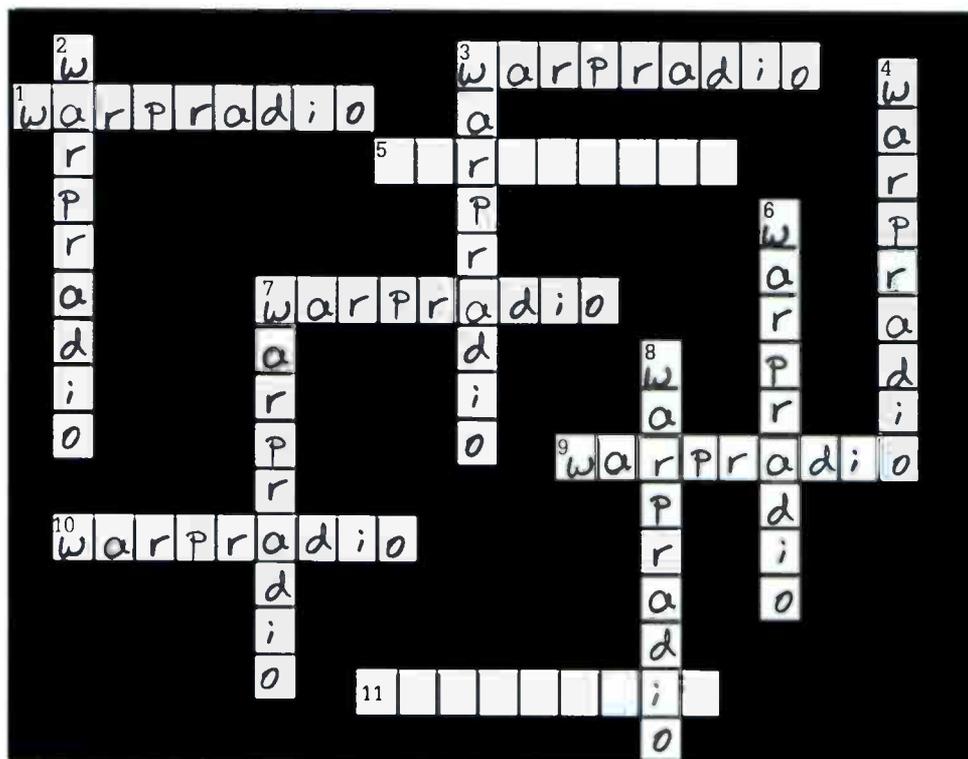


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