RADIO NEWS

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June bugaboo:
Revenue records require red ink

Radio's local business declined 4% in June, and national slipped 20%, for a total loss of 8% over June 2000. The results for the month nearly match the results for the 2nd quarter and the year-to-date, which both stand at a likewise 4% loss in local business, a slightly greater 21% loss in national, and a likewise 8% loss overall.

As for the immediate future, radio is getting closer bit by bit to putting the tough comps of 2000 into the rear view mirror. June 2000 was up 14% local, 14% national and 14% overall—good, but hardly in the 20-25% range of May and earlier. July 2000 was up 11% local, 9% national and 11% overall.

Looking a bit further ahead, total business in August 2000 was up 10%, for September, when national business dipped into the negative column for the first time, the overall gain was only 3%. September, ladies and gentlemen, is when the tough comps will be going away for real.—DS

The clouds seem to be clearing at Cumulus. Page 8-10

Natalie Swed Stone has tough love talk for radio. Page 7
Clear Channel claims win-win-win

And the winners are: Clear Channel (N-CCU), Arbitron (N-ARB) and the entire radio industry. Neither Clear Channel nor Arbitron are going into the financial details of the settlement which was announced 8/6, ending a lengthy bout of negotiations. On the other hand, Clear Channel's Randy Michaels issued a release which had much to say about new ratings products which Arbitron will produce as part of the agreement.

"Obviously, we negotiated the best deal possible for Clear Channel," said Michaels. "However, I am equally excited about the long-term industry benefits of a new reporting system for Arbitron data. We had several goals for this product."

The new program will show a station's complete footprint, and will allow geographical station group marketing, both beyond the boundaries of its assigned Arbitron market.

XM, Sirius at impasse over light bulb interference

Lack of proper due diligence?

The Wall Street Journal reported XM Satellite Radio (O:XMSR) and Sirius Satellite Radio (O:SIRI) have run into a brick wall with a light bulb manufacturing company, Rockville, MD-based Fusion Lighting. The company's energy-efficient light bulbs, currently in beta test, cause significant interference with the satellite broadcasters' signals. Both XM and Sirius have lobbied the FCC to force Fusion to alter its light bulbs. While the FCC has tried for months to resolve the issue, Fusion says a redesign of the degree they are asking would put it out of business.

Fusion currently is beta testing about 2,000 bulbs in the US, Europe, Japan and other places. "They are generally used to light very large spaces—they are used in Washington to light the Smithsonian Air and Space Museum inside, at DOE headquarters, they are outside," Kent Kipling, Fusion Lighting SVP Business Development, tells RBR.

The bulbs are extremely energy-efficient and could potentially be used for highway and street lighting. "One of the areas we see is a very big opportunity is street lighting, around buildings; security-type lighting. They are particularly efficient in producing a blue-green light. When your eyes are dark-adapted, they are extremely sensitive to blue-green light, so they need less light to see—hence, the efficiency."

Kipling says Fusion has worked with the FCC on the issue for a while. "No rule has been made by the Commission so far. "We have very cordial relationships with the FCC, and quite frankly, I think we have a good shot at winning at the FCC. Our lamps are driven by magnetrons, similar to what's in a microwave. So it operates in the International ISM Band (Industrial-Scientific-Medical) at 2.45 ghz. Quite frankly, satellite DARS will have problems with microwave ovens interfering with them. If you pull into a McDonald's drive through, you are going to have the same problems," says Kipling.

While the Commission has been cooperative, apparently the satellite operators haven't in resolving the issue. Will the bulbs actually cause the kind of problems XM and Sirius are claiming to the Commission? "We can't know because we've never had access to any of their receivers. We've offered to do joint tests with their receivers, but they have not agreed to it at this point," Kipling says. "We've been very open with them."

Concert promoter takes CCU to court

Denver Concert promoter "Nobody in Particular Presents" has filed suit against Clear Channel (N-CCU) and its four Denver FMs for alleged antitrust violations. Nobody in Particular says Clear Channel and its Clear Channel Entertainment (formerly SFX Entertainment), have been working to knock smaller promoters out of business by denying entertainers radio time unless they sign exclusive in-market promotion agreements with the company. The suit...
Radio.

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also accuses CCU of limiting the ad time available to Nobody in Particular on its Denver stations, reneging on a ticket giveaway promotion and charging excessive ad rates.

Nobody in Particular seeks unspecified damages that would be later determined in a trial by jury. The company has promoted and produced concerts for Pearl Jam and the Neville Brothers, controls lease rights to Denver's Ogden and Bluebird theaters, and has promoted and produced shows at Red Rocks Amphitheatre.

"We believe the allegations are false. We compete hard, but fairly in all of our markets, and we've done nothing wrong," says Randy Palmer, CCU VP Communications. "And we will vigorously defend ourselves in court. We prefer to fight these battles in the marketplace, instead of court. But those that can't win in the marketplace seem to use litigation as a second level of defense, and it's a shame."

Clear Channel acquired SFX last year for $3.2B.—CM

Times hits Mel for stock sales

Welcome to celebrity status, Mel. While those of us in radio have considered Mel Karmazin a major figure for a couple of decades, it's only recently that he's become famous enough to the general public that he ought to be invited to sit in one of the squares on Viacom's (N:VIA) "Hollywood Squares." He's now famous enough that the New York Times ran a story speculating on why The Zen Master (no, the Gray Lady didn't use that nickname) had sold about $35M of his Class B (N:VIAb) Viacom stock. The Times apparently didn't search further and find, as we did, that Karmazin had also sold about $15M in Westwood One (N:WON) stock—a company managed by Viacom.

**RBR observation** There are many reasons to sell stock, including taxes, estate planning and asset diversification. Any of those could apply to Karmazin's situation and he, rightly so, isn't talking about his personal finances. Both he and new wife Teri (who, by the way, is a terrific person and probably better than Mel deserves) have virtually all of their net worth wrapped up in Viacom stock after years of hard work to build Infinity/CBS/Westinghouse/Viacom. $50M makes a dent of less than 10% in Mel's Viacom/Westwood One holdings of over a half-billion dollars, so he's hardly taking his money out of this business. Besides, the game has never been about money for Mel, anyway. Not that he doesn't like to be paid for his achievements—he's just more focused on over-achieving in everything he does.—JM

More bad economic news

Two new reports offer no evidence that the US economy is beginning an upturn. The Federal Reserve's "Beige Book," released two weeks before each Fed meeting, shows weakness in all 12 Federal Reserve Bank districts. Manufacturing is down across the board and most of the regional Fed banks also report softer retail sales.

An analysis by Dean Baker of the Financial Markets Center—a nonprofit organization

Talk Power

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United States government, there is even the slightest chance of the Cox Family ever defaulting on its bonds or bank debt? This Moody's note could create an opportunity for someone to pick up some bargains in the bond market, but only if it has any impact on the various Cox securities.—JM

Swarbrick responds to court ruling

Jack Swarbrick, LMIV CEO, tells RBR he isn't too happy about the recent US District Court ruling against broadcasters on streaming (RBR.com 8/2). While broadcasters were just beginning to solve the ad insertion issue created by AFTRA, this latest decision makes broadcasters pay to stream their content—effectively making streaming an expensive proposition that broadcasters will turn away from altogether.

It not only hurts broadcasters and listeners, but the artists as well, laments Swarbrick, "We are disappointed but not surprised by the decision...the point is that the remarkable promise of the Internet as a method for increasing the channels of distribution for musical artists is about to be lost forever. The continuing high cost of streaming has, by itself, resulted in a steep decline in the number of online music providers during the past 12 months. Add to that dynamic significant licensing fees and the results are sure to be an on-line distribution system that is no different than the extraordiarily consolidated recording industry that exists today. For all but a few of the most successful musical artists that will be an opportunity lost that will haunt them for a very long time."

LMIV is the joint Internet effort by Emmis, Bonneville, Jefferson-Pilot and Corus to establish an industry-owned network that provides content, technology, and marketing to local member station websites.—CM
USE THE LOGIC OF A GOOD SPOT TO MAKE A GOOD SALES PRESENTATION

By Paul Weyland

If you know the psychological elements of a good broadcast spot, then you also know the basic elements of a good, logical direct client sales presentation. The three biggest reasons we’re not selling more local direct business are:

A. We’re not getting appointments.
B. Our sales pitches are fragmented, clichéd and illogical.
C. We’re not being clear enough in asking for the business.

A good radio spot is the essence of practicing psychology without a license on a massive scale. Every word must count in a 60 or 30 spot. Every concept must count in a presentation to a client. We can learn a lot about how to make better sales presentations from the elements of an excellent spot.

1. ALWAYS USE A HEADLINE TO GET ATTENTION.

The average person (including you) is exposed to a minimum of 2,500 commercial impressions per day. Think about all of the brands, logos, commercials, ads and sales pitches that you are exposed to in a given day. If we devoted our full attention to each impression we would go crazy. So our subconscious minds block out a vast majority of the pitches we’re inundated with, but we pay careful attention to those things we’re really interested in and can relate to.

That’s why a good spot always targets a segment of listeners immediately with something that the listener can absolutely relate to. For example, if listeners have a problem with burglaries in their neighborhood, then logically they’ll be far more likely to listen carefully to a spot that immediately addresses home burglary and security devices.

Newspapers use headlines for a reason...to get your attention so that you’ll read the article. Good radio spots use headlines as well, to break through the clutter and get the attention of those people who will buy “X” product or service from somebody this week.

Remember that your potential client is exposed to at least as many commercial impressions in an average day as your average listener. Vendor sales pitches, including your call, also count as impressions. So you must use a good headline to get your client’s immediate attention or you probably won’t get an appointment. That’s why “Hello, my name is _____ and I’m with radio station WXYZ and I just wanted to take a little time to talk about your advertising” doesn’t work anymore. (See RBR article, “10 Ways to Sell More Effectively in a Soft Economy” by Paul Weyland in the 6/18 issue for examples of better opening headlines.)

Nowadays if a commercial is not outstanding, it won’t stand out at all. The same goes with salespeople. How do you as a salesperson stand out from the clutter of all of the other vendors that approach your client on a weekly basis?

2. EXPLAIN BENEFITS AND RESULTS IN LANGUAGE THE AUDIENCE CAN UNDERSTAND AND RELATE TO.

The presentation phase of the selling process is the time to show your prospective client that your marketing knowledge and advertising expertise make you a valuable resource to his business. It’s just like the “meat” of a good spot. From the perspective of a listener or your client, it must be relevant and address the issue of “What’s in it for me?”

Chest-beating clichés in spots, like “Best service in town...We’re number one...Our mechanics are all A.S.S. certified...Family owned and operated...You’ll love our beautiful and spacious showroom...Our goal is to sell 300 units...You’ll love our loyal, friendly employees” etcetera, do nothing to entice a listener to become a customer. What the listener is really interested in is, “How would I benefit from doing business with this advertiser? What does A.S.S. certified mean to me? I don’t care if they’re family owned and operated. I just want to make sure I’m getting the best deal.” My CD “Direct Selling Step-By-Step” deals with spot clichés and the direct selling process in depth.

Be careful that you’re not doing the same mindless cliché chest-beating in your sales call. Information to a client like, “We’re number one...We’ve got a 3.9 rating...We’ve got the best morning show in town and we’ve got a 250 thousand watts of power” means nothing to a direct client without explaining how that information directly relates to profit for your customer.

It is during this phase of the sale that you could be demonstrating your skill at calculating return on investment, explaining the difference between a good and bad schedule, how to tell the difference between a good and bad spot, or how to ferret out potential marketing problems before a campaign begins. Add elements that the client can absolutely relate to in your presentation and drop the obscure, empty clichés.

3. MAKE YOUR CALL-TO-ACTION CRYSTAL CLEAR.

In a great spot, the call-to-action is simple and direct. We don’t confuse the listener with too many things to do. We don’t mention a phone number just one time. We don’t follow our call-to-action with a stupid, cliché slogan. Assuming we’ve done a good job getting the attention of the narrowcasted listener and a good job explaining how the listener directly benefits from doing business with our client, all that’s left to do is make it as easy as possible for that listener to do business with our client.

Your call-to-action in a sales presentation should be as just as simple. You need to make it as easy as possible for your client to do business with you and your station. Make absolutely sure that your close is direct and uncomplicated. “Mr. Client, this process is very easy. Here’s all I need for you to do so that we can get started” is a good example of a way to finish your presentation.

Remember that objections are a good thing. Objections mean that your client still has questions that you have not sufficiently answered. Make your answers simple and clear. You won’t make the sale until you’re both on the same page. Also remember to always ask for a long-term schedule. If you don’t ask for one, you won’t get one.

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B/13/01 RBR
Hogan's heroes?  
CCU promotes, hunts for Hispanics

Clear Channel (N-CCU) Senior VP John Hogan has been named President and COO of Clear Channel Radio. This is the second-in-command slot vacated by Kenny O'Keefe, who retired 6/30. He will move into the office next to CEO Randy Michaels, overseeing the 1,200+ radio stations in the Clear Channel portfolio.

Another Senior VP is adding responsibilities. Jerry Kersting has been named Chief Financial Officer. Joining him will be Jeff Rice as VP/Finance and Jane Stephens as Controller.

Meanwhile, six-year Clear Channel (N CCU) veteran Peter Milian has been named VP of Hispanic Business Development for Clear Channel Outdoor. The multimedia giant couldn't help noticing the rapid growth of the Hispanic population in the US. With billboard operations in 45 markets, including nine of the top ten Hispanic markets, CCU is making them a target via what is being called a Hispanic Marketing Initiative, which Milian will spearhead. —DS

NYMRAD reports retailer return to radio

New York Market Radio says that 19 of 25 top retail advertisers have upped their radio budgets over Y2K levels, some of them dramatically. Here are the top eight:—DS

<table>
<thead>
<tr>
<th>Rank</th>
<th>Retailer</th>
<th>Increase</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>General Nutrition</td>
<td>1305.7%</td>
</tr>
<tr>
<td>2</td>
<td>Toys R Us</td>
<td>1295.9%</td>
</tr>
<tr>
<td>3</td>
<td>Home Depot</td>
<td>917.9%</td>
</tr>
<tr>
<td>4</td>
<td>Today's Man</td>
<td>88.1%</td>
</tr>
<tr>
<td>5</td>
<td>Radio Shack</td>
<td>56.9%</td>
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<tr>
<td>6</td>
<td>Kmart</td>
<td>52.7%</td>
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<tr>
<td>7</td>
<td>IKEA</td>
<td>46.5%</td>
</tr>
<tr>
<td>8</td>
<td>Tower Records</td>
<td>45.9%</td>
</tr>
</tbody>
</table>

Source: NYMRAD

Radio AdBiz

Watch Out, Next Year is Coming

By Natalie Swed Stone

Most forecasters are of the opinion that 2002 will be a better year in advertising—and a better year in advertising is usually better for all concerned—for most media outlets, including radio.

Most forecasters did not predict that 2001 would prove to be as soft as it is—and they have continually revised forecasts downward over the course of this year. Clearly, no one knows.

What we do know is that there will be a next year and it will be here soon—just as in 2000, this “2001” was on its way. It seems that in today's business climate with pressures to return profits daily, monthly, very few are focused on the next quarter, let alone the next year.

The problem with this is that next year is inevitable and few are prepared to “buck a trend.” Last year's contributions to the current softness in radio include:

1) Very little new business effort on the part of radio suppliers.
2) Very little flexibility on the part of radio suppliers to accommodate advertisers' specific needs.
3) Very little enticement in the way of creative opportunities/ideas.
4) Very little research being disseminated.
5) Very little value-added opportunities.

Basically, while everyone was busy “writing business,” there was very little real selling going on.

Selling is really two things:
1) The sharing of information about whatever it is you’re selling—yes, as positively as possible, and,
2) An indication to the buyer that you really want their business.

Anyone who lived during the last year knows both of these were either lacking or nonexistent.

Therefore, in my view, the selling that is currently going on now in 2001 is necessary, refreshing, and overdue.

Advertisers will respond not only now, but, I believe, will be positively inclined for next year as well.

However, all of the greatest selling in the world will not bring the listeners back if you lose them because of decisions made to:

1) Impose no limit on commercial clutter.
2) Program only against competition and cannibalize the audience, rather than build one.
3) Bore the listener with sameness and copycat programming.
4) Offend their tastes and sensibilities.
5) Contract song playlists rather than expand them.

Next year is coming—satellite radio will be one year older, the Internet will be that much more familiar to young and older consumers alike. In some ways, it is too late to change radio's image for some consumers, and some of the resultant media usage. There is a huge change coming—and no one knows exactly what it will look like. But with every passing day, we continue to shape it—with what is programmed, what is sold and what is heard.

Next year is coming and there are some positive signs ahead—national programming will flourish because of consolidation and there may finally be some real opportunities for cross-media deals.

A word of caution: National advertisers will become international advertisers. They will have more muscle and high expectations. And they will have standards—regarding programming content and commercial clutter, but more important, they will have an infinite array of choices and perhaps more sophisticated media buying assessment tools. And consumers will increasingly be given choice and control over the what, the when and the how.

The radio medium is at a crossroads—does it continue along its current path and let the hot new media move in or does it work on reshaping its image and future? Only time will tell. But those who have interests beyond today will in the long run serve their companies most beneficially. After all, radio groups should be asking themselves the basic business questions: First, how do we attract and retain customers (listeners and/or advertisers)? Then, how do we get them to use more?

Natalie is Managing Partner, Director of National Radio Services, OMD USA. She can be reached at 212-415-2981, or natalie.swedstone@OMDUSA.com.
Dickey and Cumulus: making the grade

A few weeks ago, Cumulus Media (O-CMLS) CFO Lew Dickey Jr. told a Deutsche Banc Alex. Brown conference that after rebuilding from last year’s sales and management disasters, he’d give Cumulus’ sales organization a C+ (up from a D-) and the rest of the organization a B+ (RBR 6/11, p. 14) To begin this interview, RBR asked for a report card update.

Where do the grades stand today?
As we head into August, I would say that the rest of the organization I would raise from a B- to a solid B. Definitely leaning on a B+ I think we’ve made a great deal of headway on our expense reduction and a program that we’ve put into place. The cost structure of this business was dramatically out of line with a Citadel or a Clear Channel. We now have a cost structure that we feel is just about there. We’ve got fewer things to do on tweaking to get it fully in line. But, it’s just about there and we’re very pleased with that. Our controls are in place on all of the systems for credit collections and our accountability systems and our basic controls that we’ve worked very hard to put in place in the last 12 months.

I would say on the other side of the ledger, the product side, we really haven’t had any problems there. I would always give our product a B+, A. We’ve always got room for improvement, so above an A is pretty tough in our camp. But, our programming has done an excellent job and has really helped lead the way for this company. In most of our largest markets, so far in aggregate, we’ve had positive increases on our ratings. That gets tougher and tougher to do when you have as many radio stations as we do in each of our markets.

Switching over to the sales side—as you know, the revenue problems in the past were what really got this company into trouble—a total lack of discipline on the sales side and chasing after bad business that resulted in a large write-off in the third quarter of last year. It had been a problem for us and it was really ingrained in the culture. We’ve worked very hard to improve the quality of our revenue streams. I believe the stats were that 8% of our money was uncollectible in ’99 and 5% of our money we did not collect in 2000 and we’re already, this year, under 2% for the year. Our goal is to get to less than 1%. So, we’ve made great strides there as well.

On the Miller, Kaplan front, which is all we really have to measure our progress on the sales side in terms of revenue shares, we were just about flat in the second quarter—within a 10th of a point—we were virtually flat. The measured markets between Miller, Kaplan and Hungerford represent about two-thirds of our revenue base. So its pretty much a proxy for what we’re doing in the company. I would give that an average score, so we can call that a C+, because we expect to do better than that, especially when you consider that our ratings have been increasing.

What did it take to reverse the problems that you had before? Was it changing people, or did you just change their minds?
It’s a little bit of both. A lot of both, I should say. We switched out a great majority of our Market Managers from the previous regime and about half of our regional staff. What we’ve also done, we’ve created a zero tolerance plan for any kind of revenue recognition to insure that the business is squeaky clean. Every time we booked a dollar, it was recognized—or we sold anything, it was recognized exactly in the period. If we were going to err in any direction, we would err on the side of conservatism. That was really the harsh medicine that I put in place. As soon as I got in there and found out what some of the habits and culture were, and put that dic-tum in place immediately. By and large most of the people understand that that is the way we need to be and should be doing business. In some instances it may put us at a disadvantage against some of our peers out there that may take business that we won’t take today and participate in some NTR type revenue events that we won’t do, because we feel that’s a distortion. We feel that, at the end of the day, it’s not a real profitable business.

You said a C+ for sales, what still remains to be done?
We’ve got some stuff to complete. We’re understaffed in a number of our markets. So, over time, we will continue to bring more talented reps into the company and increase our coverage across all of the accounts. We have to do a better job in this company of selling all of the assets in each cluster, rather than what we call the “big dogs” in each of our clusters. Which in each of our markets we have the #1 or #2 rated radio station and two of the top five. It’s the two that may not be in the top five that are in the next five that need to be sold equally as aggressively. That’s where we really have a lot of upside left in this company. I like to tell all of the guys that if we just owned the #3 & #4 FMs that we have in the market, we’d be doing a lot better with them—because we’d have more focus on them. Well, there’s no reason why we can’t do that, owning all four of them. That’s what we have to keep everybody focused on.

How do you have your sales teams set up for selling multiple stations within a market?
I don’t know if anybody has the right answer to that. We’ve gone back and forth. I’ve seen it done effectively where you have a team for every single asset. In your larger markets, you can afford to do something like that. I’ve also seen it done successfully where you have one team combo selling everything. So, I don’t think the verdict is out on that in terms of the absolute best way to do it. It’s situational as well, based on the past experience in that market. My own personal thought is that you’ve got to have at least two teams in every market—just to be able to create some rivalry within each cluster and to be able to have more reps advocating fewer stations and putting more focus on them. In about two-thirds of our markets we’re running with about two teams. Each team represents about three assets in the market—a couple of FMs and an AM.

How do you motivate the sales people to sell some of the lesser ranked stations?
That’s exactly the problem. What you have to do is have quotas on the lesser stations. First of
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and

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How are you targeting newspapers, which probably take around 50% of the total ad spending in your markets? I frankly think it's a little more than that. I think it's more like 55%. Their reach continues to decline. Their demos continue to age. If a newspaper was sold with the same parameters as radio is sold—18-49 or 25-54—their cost per thousand would go to stratospheric levels. They would go $50-60 a thousand. And radio's in there beating it out at $5-6 a thousand. Newspaper is an inherently inefficient buy for virtually any advertiser. Unless the advertiser absolutely—on a price item basis—has to display multiple items on a given ad, only direct mail and newspaper would be a direct medium for that. Otherwise, it virtually makes no sense. To see any kind of image advertising in the newspaper today is ridiculous, because you can't reach enough frequency to make it impactful. At Cumulus, we're probably in the first or second inning in terms of putting together a company-wide comprehensive anti-newspaper campaign. We've got a long way to go. We and our customers are going to be working on it quite a bit throughout this year. We're having all of our managers come to Atlanta in the fall and we'll be spending a lot of time on it. We'll unveil a lot of initiatives in that area. But, we've got a long way to go there. It's an inefficient market. It's starting to move. Just sheer market forces are starting to drive it more in our direction and the consolidation of radio is starting to take hold in the advertiser's mind. But, it's going to take some time. I've said before, I think it's a three- to five-year process before you really start to see some true market forces balance out and create more of an efficient advertising market based on the reach and frequency of the audience.

Have the newspapers become aware of what's being thrown at them now and are they fighting back? I think they're fighting back by working feverishly to relax cross ownership. I think they'd like to get back into our business. Whether or not that happens, I don't know. I see that Sen. Hollings vehemently opposed to it in a very hard-hitting, rather tactful way in that area. But, I don't know. I'm not an expert on governmental affairs and it remains to be seen what's happening.

Young people are not reading newspapers today and as a result their demos continue to age and newspapers are becoming less relevant in today's society. It's reaching a very narrow core group of people. Albeit, it's a very good audience, but it's a very small audience. It's a very inefficient buy for a great deal of the mass advertisers. I think as time goes on, from the onset, it is the only true card that they have to play is "if you can't beat them, join them" and they'll try to get into our business.

You announced, back in January, a new stock plan for your employees. How has that been received? I think it's been received very well. You can do the math. Our stock purchase plan takes the price at the beginning of the year, January 1, or the close of the year, December 31st or the business day there of and takes the lower of the two and then takes a deduction on that by 15%. That's the price at which people can buy shares. The number, I think, for Cumulus this year is around $5.20. At the end of the year anybody who—and all of our employees are eligible to do this—set aside a portion of their income, gets to buy shares. I believe it's up to 15% of their income, with a cap of $2,500. Our stock is trading at roughly four times that amount now. If the stock goes up between now and the end of the year, it could even increase that.

We also have what I believe to be the best stock option program in the business. We drive the stock option program down from corporate to the sales managers and the operations managers and our regional business managers out in the field. We've got several layers deep in the management of our company who are awarded stock options. The option plan is the best in the country because of the way it vests. You hear a lot about cliff vesting and five-year vesting programs. We vest in four years, not five, and we vest quarterly. So every 90 days 1/16th of your four-year grant vests. I've heard too many stories of people who are staying at companies because of vesting. For instance, folks that we were trying to recruit were staying at companies because they had another two years left in their cliff vesting and they were just kind of putting the time in and didn't want to leave when they had those options there. It just hit me at that stage. I never want anybody working for our company who isn't enthusiastic about our company's prospects and definitely wants to be there—not just waiting around for their options to vest. So, you're always 90 days away from your next vesting schedule at our company. We want people who really want to be in our company and aren't just waiting for options to cliff vest.

What are your goals for the rest of the year? To continue on with all of the plans and our operating strategy that we've put in place going into this year. Like I said at the onset, I think we've made a great deal of progress everywhere except the sales side of the business. All of our systems, the controls, the corporate overhead structure is exactly where it needs to be and functioning very effectively. The programming and marketing continue to be a stand out for our group, and so to continue on with that and improve it wherever we can. I think over the next few months you're going to see the majority of our focus on improving our local sales efforts and trying to capture more market share.

Has that had a big impact on your recruiting efforts? It's definitely helped our recruiting effort. But it would be difficult to isolate it to one recruiting effort like that. You have to look at it all in total and take a look at the various compensation plans we have with our stock purchase program, our stock option program, and the benefits program that we have in our company.
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- Whitney Dodson, Account Executive

"Thank you very much for the very powerful sales seminar. The staff has been talking about it all afternoon and they are extremely excited and feel as if they have been given sight, and frankly they have. Keep up the good work and thanks again."
- Chris Jones, Sales Manager

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Phone call for Talk America

A big money player is about to get into the radio network business. IDT Corp. (N:IDT) is poised to buy Talk America Radio Networks. The all-stock deal is expected to total around $2-3M—pocket change for IDT, a long distance phone company which had revenues of $1.09B for its 2000 fiscal year.

Talk America President Paul Lyle confirmed that his board of directors had approved a merger, but votes were still being gathered from shareholders.

Talk America had announced a merger deal back in April (RBR.com, 4/16) with a tiny record company, Open Door Online (O:INTER), but that transaction never closed. Now it appears the radio network is teaming up with a company that has the cash to make it a serious challenger to Westwood One (N:NWN) and Clear Channel's (N:CCU) Premiere.

Larry Wilson, Chairman, of Citadel Communications

has agreed to transfer the assets of

WFPG-AM/FM, WPUR-FM
and the LMA of WKOE-FM
serving
Atlantic City, New Jersey
for
$19,400,000

to

Millennium Radio Group
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RBR News Analysis

Q2 mostly a downer

Radio companies have wrapped up their reporting on Q2 and, with the exception of the small market players and Religious specialist Salem Communications (O:SALM), it was not a quarter to remember with fondness. A few other companies managed to squeeze out positive same-station revenue numbers for the quarter, but most of the big players had to pull out their red ink pens.

Now that the tough comps from last year's first half dot-com bubble are past, the question to be answered soon is whether the recovery is at hand...or still just over the horizon. Despite claims by several group heads that demand appears to be tightening, there's not much real evidence to indicate an upturn—not any to indicate that things are getting worse.

Flat is better than down, but it's nothing to celebrate.

CCU pro forma radio revs off 6%

Clear Channel Communications (N:CCU) reported that pro forma revenues for its radio group were down 6% for Q2. That beat the broader industry's 8% drop, but the radio shortfall increased to 7.1% when its network operation, Premiere Radio Networks, was included.

Including recent acquisitions, Clear Channel Radio revenues were up 96% to $941M and EBITDA rose 99% to $405M.

"We have seen the demand start to tighten," Clear Channel President Mark Mays assured Wall Street analysts in the company's conference call. He predicted higher prices for inventory in Q3 and Q4.

For the whole company, Q2 net revenues were up 126% to $2.2B and EBITDA gained 63% to $611M. Once again, CEO Lowry Mays and associates beat the Wall Street consensus for after-tax cash flow. This time Clear Channel topped the expectation by a penny per share, posting 75 cents against last year's 73 cents and the First Call Thompson Financial consensus of 74 cents.

Westwood gains with new advertisers

Westwood One (N:NWN) told Wall Street that it posted its 16th straight quarter of EBITDA growth by attracting new advertisers to replace lost dot-com business. In his conference call with analysts, CEO Joel Holland listed some of those new advertisers: BodySolutions, Circuit City, Krispy Kreme Donuts, Southwest Airlines, TemperPedic Bedding, MasterCard, Ethan Allan Furniture, Hewlett Packard, TNT and CNN. For Q2, WW1 posted net revenues of $133.7M, off about 2% from a year ago, but EBITDA rose 5% to $45.1M.

Responding to often-heard rumors, analysts wanted to know if WW1 is in the market to buy a radio group. CFO Farid Suleman—who's also CEO of Viacom's (N:VIA) Infinity, which
is WW1's managing shareholder—didn't rule out buying a medium-to-small market radio group to enhance WW1's national coverage, but didn't make that any higher priority than acquiring other accretive businesses. Most recently, though, WW1 management hasn't found anything else it wants to buy—at least not at an attractive price—so the company has continued to buy back its own stock. He reported that WW1 bought back 1.3M of its own shares in Q2 and has already bought back an additional 1.1M shares so far in Q3.

But the question about buying an O&O group came up again just a few minutes later. "If something made sense down the road in smaller markets, we would look at it," said Hollander.

Hollander also sought to downplay the concerns that some analysts voiced about WW1's financial exposure to Clear Channel, should Clear Channel seek to cut all ties to outside providers in favor of its own Premiere Radio Networks and Premiere Traffic Network. Hollander assured the analysts that WW1 continues to do business with CCU stations with many of its products, and noted that Premiere does the same with Infinity's stations. He complained that the rivalry between the two companies has been "blown out of proportion" by some trade press reports.

Having lost a number of CCU's biggest market stations to Premiere's new traffic service, Suleman surprised some conference call participants by saying, "If ever there was a good time that they would have done this to us, it is now." Asked to explain, Suleman noted that by losing the CCU stations' inventory in this tough advertising environment, it was easier for WW1's Metro/Shadow unit to sell out the remaining inventory in those markets.

When RAB reported (page 1) that June radio revenues were down 8%, President Gary Fries gave it a positive spin. "Radio's core business remains solid," he declared. "Radio's foothold remains in the local marketplace where business is currently healthier than on the national front. As national stabilizes, all indicators point to a turn toward positive growth for radio in the fourth quarter of 2001."

At Lehman Bros., analyst Bill Meyers takes issue with such Q4 optimism. He noted that while June's 8% decline was a bit of an improvement over May's minus-9%, the target for June was much lower. "Specifically, the June 2001 results [-8%] compared with June 2000 growth of 14%," Meyers wrote in a research note. "By comparison, the May 2001 decline of 9% compared with substantially greater growth in May 2000 [est. 25%]. Put simply, the comps were much easier."

Meyers doubts the often-heard scenario that radio will resume "normal growth" of 7-8% in 2002. He's projecting 6%, but admits there's not much to hang that on. Despite the easy comps, the Lehman Bros. analyst notes that deterioration of rates in the TV and cable upfront sales season doesn't offer support to radio rates. "Given lack of pricing power, we anticipate radio growth lower than the industry's historical 8% figure," wrote Meyers. "With murky business visibility beyond September/October, we recognize that our 6% projection has little quantifiable basis and may prove aggressive."

### The Radio Index™

The Radio Index™ is flat-lining. The Index went up and down to close 8/8 at 221.499, down 3.885 for the week.
The deals listed below were taken from recent FCC filings.

RBR's Transaction Digest reports on all deals that involve assignment of a station license (FCC Form 314) and substantial transfers of control of a licensee via a stock sale (FCC Form 315), but not internal corporate restructurings (FCC Form 316). All deals are listed in descending order of sales price. Broker credits are based on contracts filed with the FCC.

$35,800,000 KJUN-FM Portland OR (Tillamook OR) from Thunder Egg Wireless LLC (Lance Anderson, mg) to Caron Broadcasting Inc., a subsidiary of Salem Communications (OSALM) (Edward Atinger et al). $600K escrow, balance in cash at closing. Duopoly with KDQ AM & FM. KJUN has a CP to change city of license to Scappoose OR, which will move it into the Portland market. LMA to begin 9/1/01. Broker: Gary Stevens & Co. (seller).

$4,000,000 WEGF-FM CP Macon (Montezuma GA) from Broadcast Equities Corp. (James Popwell Sr.) to U.S. Broadcasting L.P. (Douglas Grimm et al). $250K escrow, balance in cash at closing. Superduopoly with WMAC-AM, WDOD-AM, WDEN AM & FM, WMGS-FM & WAYS-FM. Possible temporary overlap with WPED-FM, which is being sold to another owner (Radio One, ORIOA) and moved to another market (Atlanta) (GBR7/2, p.13). Buyer requested that this transaction be granted contingent on the sale and relocation of WPED in the event that one or the other has not occurred by the time this transaction is considered. WEGF-FM CP is for 95.1 MHz.

$900,000 KSOK AM & FM Arkansas City-Winfield KS from Sherman Broadcast Group Inc. (Donald R. Sherman) to Cowley County Broadcasting Inc. (William B. Wachter, William Docking, Robert J. Strand, John H. Wachter, Andrew S. Wolfson, Bradley E. Snow). $50K escrow, $350K cash at closing, $500K note. LMA in place. Includes right of first refusal to buy KSJM-FM Winfield KS.

$600,000 KOLX-FM Fort Smith AR (Barling) from Toccoa Falls College (Wayne Gardner, EVP) to Prime LLC (Jerry Patton, Norman MacChristian). $60K down payment, balance in cash at closing. Combo with KFPW-AM, which is being acquired in a separate transaction from a different seller. LMA in place.

$425,000 KPMO-AM & KMFB-FM Mendocino CA from George Anderson to Four Rivers Broadcasting Inc. (Alta California Broadcasting Inc., Redwood Miccap Fund Inc., John C. Power, J. Andrew Moor (et al). $5K deposit, $120K cash at closing, $300K note. Also, buyer will place $65K into escrow account which will be used for improving facilities and equipment, and to relocate stations. Money not used from this account will be considered a loan from buyer to seller, and any loaned money will be credited as early payment on the $300K note. LMA since 4/5.

$400,000 WTAL-AM Tallahassee from John H. Wiggins to Live Communications Inc. (R.B. Holmes Jr.) $10K down payment, $30K escrow, $310K cash at closing, $50K non-compete. Broker: Kempl Communications (seller).

Mixed quarter for Cumulus

Despite the lack of any dot-com tough comps for its medium and small markets, Q2 revenues were still dragged down for Cumulus Media (O:CMLS) by the nationwide economic softness. Net revenues were off 12.1% to $7.6M but broadcast cash flow increased 11.6% to $18.4M. After-tax cash flow per share increased two cents to seven cents per share. On a same stations basis, Cumulus said Q2 revenues were down 4.4% and cash flow up 26.9%.

“Cumulus’ expense base is now beginning to align more closely with that of our peers,” CEO Lew Dickey Jr. said of the structural reorganization that Cumulus has gone through over the past year. “This fiscal discipline continues to serve us well as we navigate a particularly difficult advertising environment.”

While we were interviewing Dickey for this issue (pages 8-10), we couldn’t pass up the opportunity to ask what he sees now in the transaction marketplace: Although you’re mostly focused on operations now, where are multiples and how big is the gap between buyers and sellers?

“You’re right on operations. I spent fully 75% plus of my time on operations and in the details every day,” Dickey replied. “On the M&A front, we have done a few things. You know we did obviously the big deal with Clear Channel that enabled us to close on Connoisseur on time and avoid a liquidity deal there. That was when we were really in the market. Since then I’ve sold a couple of stations. We sold one FM in Saginaw and one other one to raise a few dollars. It didn’t cost the company any cash flow. In terms of buying, we’ve made a couple of announcements. We’ve bought some strategic fill in stations inside markets we already operate. Those worked out very well for us. We haven’t really been in the general market to go out and buy clusters that have been bought. But I do see books and stay on top of it, because I need to stay very current with that when we do get back into that mode again. Based on what I see and what I hear, the multiples have not come down that much. I think in the Halcyon days they were north of 20. You don’t see that anymore. But, you don’t see them south of 15 either, for the most part.”

“As you know, we’re in Houston now and trying to go into Kansas City and those are markets 10 and Kansas City is market 30. We’re trying to do as much in the top 100 as we can now, which is really our focus. But in the top 100 markets, certainly a 15 multiple is the norm in a game. It’s really driven for a couple of reasons. Number one, it’s all supply and demand. The buyers in the market are pretty well-heeled compared to the last downturn, say 10 years ago.”

Disney in same boat as everyone else

The Walt Disney Company (N:DIS) may have a far-flung media empire reaching far beyond broadcasting to all sorts of entertainment businesses—even a cruise line. But that doesn’t give the company a better crystal ball to predict what’s going to happen with the economy and ad spending. In Disney’s conference call with Wall Street analysts, Jessica Reif-Cohen of Merrill Lynch asked Disney President Bob Iger for his take on the outlook for radio. “Radio is down, Jessica, not as much as some of our other broadcast businesses, but it is definitely suffering from the economic downturn as well. It’s difficult to tell, going forward, what that business looks like. At the moment I don’t see much of a turnaround, but it definitely has bottomed out, as far as we can see it. There’s not much more to say than that.”

Radio, of course, is just a tiny part of the Disney empire and, for quarterly reporting purposes, is lumped in with the ABC Television Network, the O&O TV stations, ESPN and all of Disney’s other cable investments—a sector Disney calls “Media Networks.” For the company’s fiscal Q3, which ended 6/30, Media Networks revenues dropped 6% to $2.1B and operating income plunged 29% to $470M.
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