RBR Turns 20

Thirty-five years in radio and I have been a very lucky man. Working and learning from some of the best in the business. **Cary Simpson** giving me my first professional on-air job in 1968 at WKBW-AM St. Marys, PA for $1.05 an hour. Programming lessons from **Rick Sklar** at ABC **Jim Seiler**, the founder of Arbitron, teaching me research and how to use it. And countless others over these past 35 years have become friends and have never been shy to say when I’m right or wrong.

My passion for radio started at the age of nine by listening to Rock ‘n’ Roll on KQV Pittsburgh. My parents listened to KDKA. My father, very strict, would say, “turn that crazy SH... OFF!” But my response was, “Dad, its Rockin’.” What got rockin’ was me – because of my smart talkback I was not allowed to sit at the dinner table.

I saw an ad for the Columbia School of Broadcasting at the age of 11 and saved my dollars and paid for the course at the age of 13. Along with this course came a subscription to Broadcasting Magazine, which was then the only source I had to learn about radio. While kids in school were learning science, I was learning radio.

Over those years in radio my teachers always talked about business. That one word stuck in my head. Once in the position of networking and talking the conversation always lead to “Hey, how’s business?” Which brings us to **Radio Business Report**.

In the Spring of 1983 I was out of work, could not find a job, or get arrested. I had resigned my position with **Inside Radio & Radio Only**. The time I spent there was valuable, again networking, talking, and that word “business” was always there. So as I sat on the beach I went and checked out a book from the library entitled, “How to Start a Newsletter” by **Howard Penn Hudson**. I never returned that book but did pay with Inside Radio & Radio Only. The time I spent there was valuable, again networking, talking, and that word “business”, it was my mother who said, “Your call letters RBJ... doesn’t sound good.” Ma recommended to be called: Radio Business Journal, subhead: The Sales and Management Report. It was my position that brought us to **Radio Business Report**.

With the design and editorial content determined, With the typewriter and my Rolodex of names and addresses, my wife Cathy and I started to build the mailing list of likely subscribers. Cary Simpson was the first on the list and first to subscribe. Sitting down with a pad I sketched out the logo. We wanted it to look like the Wall Street Journal and read like it. I took successful ideas from the pros, trying to emulate the very best.

With the design and editorial content determined, we needed to find out about printing. Money was a problem. I only had $10,000. That’s the money that started RBR. It was borrowed from a friend and my late grandfather (and paid back with interest). We didn’t understand the print quote so Cathy
and I went to the local post office and asked for one mail tray. We asked the postmaster how many envelopes it would take to fill it up. Answer was 500. That is what we could afford, so that's what we printed. At that point RBR was a monthly six-page newsletter.

When I told people what I was doing they said, "You’re going after Inside Radio and your old friend Del Colliano." I let them think what they wanted. But my subscription to Broadcasting from the age of 13 never expired – even during my tour of duty with the US Army Intelligence Corp in the late 60s. Broadcasting had the juice, readers, and all the radio money. I followed Willy Sutton’s advice, "I rob banks because that’s where the money is." RBR’s target was Broadcasting, from news, business, and advertising dollars. I was never after Inside Radio.

I typed, Cathy licked stamps, peeled labels, licked the envelopes, and we both stuffed the issues by hand. Long, long hours. To make a long story short, Cathy supported me. She was a flight attendant for American Airlines. Her pay paid the bills. She flew and worked with RBR. Oh, forgot to mention the original desk and chair are here.

First Amendment to the Constitution, not behind it.” I learned much. The improvements over the past 20 years were always meant for giving the best look and feel to you in Increasing sales and improving the efficiency and productivity of your enterprise. And we will share with you the thoughts and projects which have added dollars and sense for other radio business people. Most of all, the Radio Business Report will be the publication that will declutter your desk to radio business issues and management.

RADIO BUSINESS REPORT

The Voice of the Radio Broadcasting Industry

January 2003
Volume 20, Issue 1

Publisher & Editor Jim Carnegie
Executive Editor Jack Messmer
Managing Editor Dave Seyle
Senior Editor Carl Marucci
Production Michael Whalen
VP Administration Cathy Carnegie
FCC Research Consultant Mona Wargo
Administrative Assistant April Olson
VP/GM, Associate Publisher Ken Lee
Account Executive June Barnes

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

Bradenton, FL Office
Jack Messmer
Phone: 941/792-1631
Fax: 253/541-0070
Email: JMessmer @rbr.com

Nashville, TN Sales Office
June Barnes
Phone: 615/360-7875
Fax: 615/360-0967
Email: JBarnes @rbr.com

©2003 Radio Business Report, Inc. Material may not be reproduced without permission. All content may be reproduced, photocopied and/or transmitted without written prior consent. Any violations will be dealt with legally. Printed in USA.


Subscription rate: One year $220.
Jim and all who have contributed to RBR, your publication stands tall among your peers. Congratulations...and keep delivering those “RBR Observations.”

From your friends and readers at

PREMIERE RADIO NETWORKS
it and our observations separate. But we've found that, dealing with this news day in and day out, that we did develop strong opinions, and more importantly, that our readers liked reading them. We've heard over and over about people skipping the news part of stories and going straight to the Observation.

I'm following the lessons of Jim Siler on this — it goes back to interpreting MediaStat/Trend data. Ratings numbers are just numbers unless you can explain and put into an observation what they mean to help the client succeed and understand. Not an easy formula.

Words from just a few:

My Father: An Iron City, steel worker, "You come within ten feet of a steel mill and I'll kill ya." He meant it. Strict to the core and prepared a young boy for manhood. Advice was always be stand up. Make sure your shoes are shined.

The late Malcom Forbes: At a black tie dinner I asked for advice on publishing success: "Kid, keep coming to dinners like this, the food is free."

Rick Sklar: Plan your work and work your plan.

Juan Peda, my partner in US Army Intelligence: "Always keep your ass down in a fire fight because there is always some smart bastard who will shoot you in the ass rather than in the head every time."

Cathy Carnegie: "Being married, living and working with Jim is like a new scientific experiment every day."

Cathy and I made a deal in the beginning, if the first year did not show a profit I would find a job. The profit was $49 dollars and some odd cents. Cathy looked at me and said, "Well, we go another year." That was 20 years ago and we both look forward to the future, never forgetting the past.—Jim Carnegie

CONGRATULATIONS
JIM!

It took a smart person to create RBR

It took a skilled and tough person to make it successful for 20 years

I always found you to be tough...

the other two attributes were a surprise

Best Wishes
from Your Friend

ALLEN SHAW
Vice Chairman
The Beasley Broadcast Group
The 1980s ushered in many new ideas.
(Thankfully, most were ushered right back out.)

20 Years Ago....

Spandex
Glam Rock
MTV
Parachute Pants
Pastels...for men
Checkered Ties

Radio Business Report

Pac Man
E.T.
Rubik's Cube
Smurfs
Boy George
Jeff Spicoli

Happy 20th Anniversary, RBR!
From all of us at ENTERCOM
GM TALKBACK

We ask General Managers from around the country to share with us, and you, their views of the industry. This time we quizzed:

Adriane Gaines, Access 1 Communication’s WWRL-AM New York
Karen Slade, Taxi Productions’ KJLH-FM Los Angeles

What kind of research are you planning for next year?

Gaines: We plan on doing focus groups. We've not done those in a year or so and I'm going to re-implement that whole game plan. We do a lot of research when we go out and do our remotes and community activities. We always have people fill out a database card, ask them for their email. We put an age range in there, likes and dislikes, and we always ask if they have a computer—even if they have an email at work. How many hours a day do they use it, what do they like best about it, etc. Because it kind of tells us the kind of person we're talking to, or we've reached out to.

Regarding the focus groups, we keep them small, like 30 people, try and do it down the middle—men and women. Create an age range of 25-54 and we come up with some questions. Now that we're going back to Talk in the morning (The “RL Morning Show with Peter & Shmuley”), up until 3PM, it will be particularly (depending on how we direct it) interesting to find out what people want to hear more about and are really interested in—what pushes their buttons in this market.

I do a lot of other research vis-a-vis all the other radio stations. We pay a lot of attention to what everybody else is doing—the type of callers, etc.

Slade: Normally, we do auditorium tests, at least twice a year if not three. We do bi-monthly music research and usually twice a year we do a detailed Q&A for our public affairs programming.

What are you doing to add listeners to the station? Is your research geared to adding listeners or increasing the listening you already have?

Gaines: We have a really high TSL, always have. My challenge for next year in every respect is getting more Arbitron numbers. So in that regard, I'm trying to add listeners. I'm going into different areas where I could actually find some interested listeners who will sign that regard, I'm trying to add listeners. I'm going into different areas.

Slade: We're everywhere. We try to meet them where they are and get them to tune in. We do a lot of street-level marketing and campaigning for listeners. Our research is geared to both. Probably more to TSL than adding new listeners. Because unfortunately the Urban audience, according to the census, is diminishing. It's moving outside of our signal range, so we're trying to cross ethnic boundaries to pick up some additional listeners, but we're also trying to get those that we do have to listen longer.

What is your preferred method of research, Internet, direct mail, callout, phone? Why?

Gaines: Focus groups. It gives us a chance to really reach out and touch that person and put them in a very comfortable environment and setting. Just get to know them. I think people today really want to identify with something like radio or media. And they have an opportunity—when they're invited to the focus groups, they always accept. We never use the same people over and over. We're always very careful about screening out. But they're just more than happy to participate and when you leave there...we treat them with a lot of respect. And when they leave, you know they're passing the word on to 20 more people.

Slade: I do prefer auditorium testing for music, because you're getting so much crammed into a short period of time. The follow-up is usually with call-out, bi-monthly, because you can accomplish a lot. Now, for my public affairs programming, which is a key component, I do prefer face-to-face, one on one. Usually we'll go to a mall, we'll do it at some of our events. Because I like a little dialogue, not just a static questionnaire and return. Because it helps you to gauge how important it is at that period or how passionate people are. Like right now, violence in LA is the number one public affairs issue. I mean it has truly just shot through the roof. So how do we stop the kids killing one another and that type of thing? How do you get brown kids and black kids to stop killing themselves and one another? Over what? Tennis shoes and the color of a shirt? Come on. It's horrible. Parents aren't doing their job and they're leaving it for teachers and teachers are intimidated. Nor is it their responsibility to raise your children.

Look for more of our dialogue with these GMs in RBR's Daily Morning epaper. Subscribe at http://www.rbr.com/signup.html.
AMERICAN URBAN RADIO NETWORKS

CONGRATULATES

Radio Business Report
The Management, Sales & Technology Journal

ON ITS 20TH ANNIVERSARY CELEBRATION

WE SALUTE

JIM CARNEGIE AND KEN LEE

FOR THEIR OUTSTANDING COMMITMENT, CONTRIBUTIONS AND THE DISTINGUISHED SERVICE WHICH RADIO BUSINESS REPORT PROVIDES TO RADIO MANAGEMENT.

- 30 Years of Broadcasting News to the African American Community
- Reaching More African Americans Than All Other Mediums
- Producing the Hottest Urban Programming in America
- 300 Weekly Entertainment, Sports, and Information Shows To More Than 400 Radio Stations Nationwide

NEW YORK • CHICAGO • DETROIT • ATLANTA • LOS ANGELES • WASHINGTON D.C. • PITTSBURGH
Battling For Larger Shares of Automotive Ad Budgets

"Are Car Makers Crazy?"
That recent Wall Street Journal headline actually pertained to the auto industry's current production over-capacity and incentive programs. However, it could easily be considered a rhetorical posed by radio industry AEs and managers who continue to ponder why radio as a medium has such a difficult time breaking through the "sheet metal" ceiling of automotive advertising.

Radio's assets appear obvious to those of us in industry, whether it is part of the media mix for a brand campaign for the manufacturer, or radio as a stand-alone medium for individual dealers, mega-dealer groups, and dealer associations. But it is also obvious that we have our work cut out for us convincing the "Powers That Be" at the US Big Three and their foreign competitors that radio warrants more serious consideration and a significantly larger share of automotive ad budgets. Understanding their rationale and objections can lead us to better solutions in tackling the issue.

Media Influence
For most Americans, the purchase of an automobile represents the second largest consumer purchase after the purchase of a primary residence. As a "consideration purchase," the cycle between transactions (purchase or lease of a vehicle) and the length of time prior to that transaction that media can influence a consumer is considerably longer than that of most other products.

Over the years, this writer and radio executives in Detroit and LA (The west coast "Motor City") have heard references to or even seen segments of auto industry research regarding media's influence in the automotive purchasing cycle or "funnel." In many cases, the results of the study validate a manufacturer's decision to limit—or even eliminate—radio in new car launch campaigns ("you've gotta show the new design!") and general branding campaigns. The studies indicate the length of the influence cycle in purchasing an automobile as being six months or longer. The research consistently has indicated that radio has little to no influence in the early stages of consideration (which can be considered the branding opportunity window).

About four weeks out from an actual purchase, radio begins to exert influence, but even at that juncture it does not "catapult" over other media in its ability to influence purchases. Again, this supports the rationale for radio being included in incentive, rebate and other retail promotion aspects of manufacturers' marketing efforts, versus branding, image, new model launches, etc.

What is less clear, however, is whether this specific research has also been weighted to account for the miserably low percentage of total radio impressions in the overall media mix when the studies are conducted. If not, then it stands to reason that consumer's perception of radio's influence would be much lower than other media when it only represents approximately 3% or less of overall expenditures.

While this could represent an area of opportunity for the radio industry—potentially under the auspices of the Radio Ad Effectiveness Lab—to develop an automotive-related research study that would address or negate these perceptions, as a medium we should better understand and accept the of the AFI Purchase Funnel. National advertising dominates the upper funnel (Awareness, Familiarity and Opinion). Regional advertising comes into play mid-funnel, overlapping with Opinion and Consideration, then narrowing to a choice of One maker and Model Intent. Local—whether it's a dealer group or individual store—has the greatest potential influence in the lower funnel where Shopping and then Purchasing take place.

Lifestyles Have Changed
We've all seen the latest census statistics and quotes from the latest consumer behavior studies by UCLA, Yankelovich and the Texas Transportation Institute. Longer commute distances, increased traffic, and an escalation of dual-income and single-person heads-of-household combine to create one simple fact: we spend less time at home and more time out of home than any previous generation.

Radio's asset as an intrusive medium is particularly tied to the in-car listening experience and, due to this, is perhaps the most "intrusive" of all media activity. In-car listening now accounts for approximately 45% of all listening by 12+ audiences. The national average—regardless of market size—for in-car TSL is just under an hour and a half daily, with most of that in the prime activity hours of 5:00 am to 8:00 pm. That's just the half of it (half the listening, that is!). Listeners are also spending at least as much time with radio at work or during leisure activities, where other mass media exposure is limited.

We need to constantly remind automotive decision-makers at every level that as lifestyles change so has the typical consumers' media usage and purchasing habits, and radio remains the only mobile mass medium.

Next month:
Part 2 of Selling Cars Without Pictures
Mary Bennett is Executive Vice President National Marketing of the Radio Advertising Bureau

The Media Audit
Sets The Pace In The Local Market Qualitative Audience Industry.
- The Media Audit reports radio ratings according to its findings.
- Others conform their findings to the findings of another reporting service.

If you are looking for innovative leadership
Call us: 1-800-324-9921

January 2003
"A just thinker will allow full swing to his skepticism. I dip my pen in the blackest ink, because I am not afraid of falling into my inkpot."

- Ralph Waldo Emerson
Radio: The last ten years

Change is what the last ten years was all about for the radio business. Radio was a large collection of small businesses when the 1990s began—by law. And the industry was in trouble. Radio was hampered by debt from leveraged speculative deals, a recession and an over-abundance of stations thanks to Docket 80-90. We reported that 58.6% of all commercial radio stations lost money in 1991 (RBR 7/6/92).

Beginning in 1992, a series of regulatory changes revolutionized the business. Whether it was ultimately for the better or not is still a hotly-debated issue. But through it all, RBR was there providing news, analysis and, in many cases, humor. Here are a sampling of headlines, starting with the FCC's first foray into ownership deregulation in 1992.

All of these are actual page one headlines from issues of Radio Business Report. Explanations are new except when in quotes, in which case they are also from the same headline page.

We will continue this history lesson all year long. Today's installment runs into the summer of 1993.—DS

August 10, 1992
FCC's historic vote lifts ownership limits to 18-18
That was 18 AMs and 18 FMs, up from 12 and 12, with a provision for 20-20. Perhaps more importantly, it ushered in the duopoly era—upping local station ownership concentration from one AM and one FM to two of each.

August 24, 1992
Duopoly dealing starts with a bang: Infinity cuts $100M deal
Infinity gets FMs in Chicago, Boston and Atlanta from Cook Inlet

September 7, 1992
Duopoly's first big merger: Atlantic Radio, Pyramid link up
Two Boston-based radio groups build the first full-bore duopoly in a top ten market. But don't get too excited—this didn't turn out to be as important as it seemed at first.

September 21, 1992
Dawn of duopoly: Evergreen doubles in Jacksonville
$8M acquisition of Metroplex's WFYV-FM is first duop deal filed at the FCC

November 2, 1992
Stern pulled over by FCC indecency cops, gets $105K ticket
Greater Media L.A. station takes the heat. Current Copps at FCC must consider this the good old days—and it would only get hotter for Stern

November 9, 1992
The votes are in, and so are Clinton and Gore: What does it mean for radio?

November 30, 1992
FCC posse is saddling up, looking at $315K hit on Infinity/Stern

December 14, 1992
Time to re-group: Sillerman, Morrow start Multi-Market radio

December 14, 1992
Baum's away! MAK picks up Chattanooga, Columbia stations

January 18, 1993
Sikes into the sunset: The duop Commish makes way for Democrat
Sikes made room for Bill Clinton, about to be sworn into office, to make his own FCC selections

February 1, 1993
1992 radio revenues bounce back from ugly 1991 totals
Radio's 1992 revenues were up 2% after being in the red in 1991. Local gain of 5% offset national decline of 6%.

February 1, 1993
Westwood bails out of Gotham, Broadcast Partners picks up the prize
Network gets $50M for then Country WYNY-FM. Still had station in L.A. and Radio & Records in its portfolio

February 8, 1993
It's a bird! It's a plane! No, it's Clear Channel's 1992 numbers! Hmmmm. CCU had net revenue of $82.2M (up from $64.3M in 1991) with profits of $4.3M (up from $1.1M in 1991). What's that now, tip money?

March 1, 1993
Radio fires back: Blue chippers take FCC to court over indecency
"Group of heavy hitters say no broadcaster can get a fair trial the way current indecency rules are applied. They've sued the FCC to get all fines dropped."
Congratulations Jim on 20 years of Radio Business Report

From Peter H. Smyth & Greater Media, Inc.
March 1, 1993
**Bargain basement indecency fine: WLUP hit for $33K**
This seemed cheap at the time, with Stern fines soaring into six figures. Nowadays at the Powell FCC $33K would be very much on the steep side.

March 15, 1993
**Shamrock to buy Malrite for $300M**
You can still take your buddies out and buy a round of malts, but this marked the last time you could by the stations of Malz' (be glad that puns rarely get any worse than this—you should be safe for awhile). First round of consolidation was fairly slow—this took Shamrock to 21 stations in 12 markets, still 15 stations below the national limit.

March 15, 1993
**Scripps scraps radio, industry pioneer puts five stations on the block**
As Shamrock grew, legacy group made plans to exit the business (it's still in TV)

March 15, 1993
**Atlantic/Pyramid: Turn out the lights, the merger's over**
Can you say crater? This deal spurred a furious round of trading in Boston as other groups tried to catch up, only to wind up gored on its own horns (if such a thing is possible). Oh well—everyone else seems to have enjoyed their new duopolies anyway.

March 15, 1993
**The sing duop in Lansing: Liggett latest to croon the tune**

March 29, 1993
**Liddy scheduled for April Unistar national satellite debut**
G. Gordon Liddy, who became famous for “breaking in,” breaks into radio

March 29, 1993
**Repo man sets sights on Adam’s Charlotte combo**
The Adams group was emblematic of problems facing many companies in radio which led to liberalization of ownership restrictions.

April 5, 1993
**L.A.'s first FM-FM: $40M sends KQLZ from Westwood to Viacom**
This seems phenomenally cheap now, doesn’t it? At the time, nobody wanted to sell in LaLaLand. High demand, almost zero supply makes the price all the more amazing with our 20-20 hindsight. We wrote, “Viacom lands double in market where dance partners are few and far between. Westwood exits radio ownership, wipes out big hunk of burnin’ debt.”

April 5, 1993
**We told you so department: Radio One inks Baltimore’s 1st duop**
The first duop deal of what was to become radio’s largest minority-owned business ever

April 12, 1993
**“Ante up or get out”—GHB doubles in Little Rock**
GHB got that right—and although the group is still around, it isn’t in Little Rock any more—it eventually sold to Citadel in 1997.

“*And they said it wouldn’t last... you showed 'em! Congratulations and here’s to another 20 years!”*  
—Norm Pattiz, Chairman, Westwood One
Congratulations
RBR
On Your
20th Anniversary

From Your Friends at
ABC Radio Networks
May 3, 1993
New York: The new WBBR swings and misses in first Arbitron
Bloomberg Radio was not what you'd call an immediate hit.

May 3, 1993
Petitions to deny plague several duopoly deals
"In depressed, over-radioed markets the rich can get richer and the
poor can get bail-out money—but all those in the middle can do
is protest."

May 3, 1993
Taking the nix out of Sconnix—should we call it Sconneal?
Before legendary group Sconnix started shedding stations, it shed
one of its principals—Ted Nixon left the company to Scott
McQueen and Randy Odeneal.

May 10, 1993
Arbitron Atlanta survey test draws fire from 4As, ERMC
Some stories never change: this story is about improving Arbitron
results. However, the Arbitron test being challenged was the use
of on-air announcements on an experimental basis in Atlanta to
improve diary response, an experiment destined for the nice-try
compartment of the circular file.

May 17, 1993
$170 Million in jeopardy as Congress pushes beer ad warnings
Strom Thurmond was peripheral to this one, just as he has been in
more recent news developments. His daughter was killed by a
drunk driver, and Congress focused attention on beer ads. They
wanted to add a spoken warning tag to all ads. Never happened.

May 17, 1993
Talk radio puts AM back on the map, makes inroads into FM
Rush Limbaugh, Larry King and Howard Stern were hot and in the
process of reviving the wheezing senior band on the radio dial.
Liddy was the fresh voice. And just about to get out of the
syndication gate was Don Imus.

May 17, 1993
Indianapolis: Susquehanna buys Butler University FM for $7M
That looks incredibly cheap, does it not? Non-coms like this one,
located north of the reserved band (anywhere above 91.9 mHz) are
sticks, to be sure. But you can bet your bottom dollar that the next
ones to go on the market will command more than $7M. Pacifica
is sitting on such stations in New York and San Francisco.

May 24, 1993
Arbitron brass find skeptics at RAE Board meeting
However, new Arab proxy Steve Morris impressed those as-
sembled. He actually listened to the RAE execs—a courtesy they
weren't used to receiving from the ratings giant.

May 31, 1993
It was a great rumor, but Toni Cook doesn't want the FCC job
Months of speculation that Senate Commerce Committee
staffer Toni Cook would chair the Clinton FCC ended when
she pulled her name from consideration. Don't believe all
those whispering voices!
Congratulations RBR! Here's to Twenty More!
May 31, 1993

**Colfax thinks Minnesotans will “turn their knob to Bob”**

Country FM in Minneapolis hits the airwaves before the wave of “Alice” stations which was still yet to come.

June 7, 1993

**SOL haircut stunt results in car-strangled spanner**

Before moving on to Chicago, Man Cow Mueller was causing trouble in the City by the Bay—and getting a haircut directly over that same Bay on the Oakland Bay Bridge. The local constabulary, to say nothing of thousands of grid-locked motorists, were not amused.

June 7, 1993

**Young Talk WOW-FM Detroit: A eulogy**

The first attempt to run a Talk format on the FM dial went down in flames. Reasons: Too little cash, not enough patience. But the time for this format, we predicted, was coming: “We hate to see anything this gutsy and innovative die...We'll see more Talk on FM. It's inevitable. But it will probably come from companies with the cash to wait for the audience to build over time.” Eventually, it was superduper clusters with a weak sister FM that provided the opportunity.

June 14, 1993

**At least 300 radio owners eye 1610-1700 kHz AM slots**

Help arrives from the FCC for lucky AM day-timers

June 21, 1993

**History in the making: K-Earth to Infinity for $110 Million**

Mel Karmazin early on established himself as the man with a plan, and the man to catch. “It's the third record buy for Infinity, and the second big Duopoly in Los Angeles. Seller Beasley retires debt, with $22 Million in ‘change’ left over.”

June 21, 1993

**Imps, Don & Mike fill out Unistar's pinup to sundown Talk lineup**

June 21, 1993

**Mooooove over Oldies: Farm radio comes to Kansas City**

June 21, 1993

**EZ Communications goes public, IPO seeks $40 Million plus**

This was palpable evidence that things were finally starting to look up for the radio business. We wrote, “EZ joins the short, but growing list of attractive radio companies headed for Wall Street for new capital. It joins the likes of Infinity, Evergreen, Saga and Premiere Networks.”

June 28, 1993

**$100M merger to create American Radio Systems**

Atlantic/Pyramid nuptials wound up in the crater, so Atlantic actually came up with a bigamous set of partners (no problem with bigamy when it comes to radio weddings, now is there?), which included Stoner Broadcasting System and Multi-Market Communications. Big name in this deal, in the news recently, was Multi-Market’s David Pearlman.

July 5, 1993

**Clinton nominates Reed Hundt for FCC chair**

July 5, 1993

**Mrs. O’Leary’s cow was 1st—now Evergreen sets Chicago “Blaze”**

Evergreen gets major Chicago FM for only $28M. It’s like radio had just discovered fire—didn’t these primitive radio cave men know how much these stations were going to be worth?

July 12, 1993

**Consolidation now involves over 10% of all commercial stations**

July 12, 1993

**Group W, Viacom swing blockbuster trade: DC for Houston**

The first really big strategic deal in which two big groups exited one location to bulk up in another.

July 12, 1993

**Radio AAHS pulls Marsh stations out of Chapter 11**

In so doing, they may have proved that you shouldn't expect children to do the job of an adult-oriented format—things weren't destined to get much better for this troubled six-pack of stations which AAHS got for $2.9M. These were good markets, though—Washington, Dallas, Houston, Minneapolis, Milwaukee and Kansas City.

July 19, 1993

**Veronis, Suhler: Stock up on five years worth of black ink now**

It turned out that the broadcast investment outfit’s was conservative—it expected that during 1997, the radio business would deposit “revenues approaching $1.2B.” In fact, according to the Radio Advertising Bureau, is banked $1.366B. The industry beat the Veronis prediction in 1996 as well, when it totalled $1.212B. Veronis was right about one thing, though—things were looking up.

---

**Congratulations on 20 years of quality publishing.**

Cumulus Media Inc.
AMERICAN URBAN RADIO NETWORKS

30 Years of National Broadcasting Excellence !!!
30 Years of News, Sports, Music, and Information to the African American Community.

Delivering the News that Our Audience Is Talking About
Creating 300 Radio Shows Each Week, the Widest Array in the History of Urban Radio
Providing the Entertainment Shows, and Sports Specials that Touch the Hearts, Souls, and Minds of Urban America
400 Radio Stations — the Largest Urban Audience in Radio History
Clearly... The Leader in Urban Radio !!!!

Celebrating 30 Years of Black Network Radio

Call your AURN Sales Executive today.
New York: 212.883.2100 • Chicago: 312.558.9090 • Detroit: 313.885.4243
Part I: Groups buying direct: a new paradigm in the marketplace?

Due to consolidation, the buying power of major groups has indeed changed. In light of that and the news that Clear Channel announced it's going direct for more and more buys (RBR e-paper 11/11), the triad between radio groups, manufacturers and reps/resellers is evolving. But is the marketplace at the point where a complete paradigm shift is taking shape?

Clear Channel SVP/Engineering Services Jeff Littlejohn told RBR's daily e-paper back in the original story the company is adopting a new strategy of going direct to the manufacturer for large orders only. Savings of 8%-12% can typically be realized, depending on volume. "We'll be working direct deals with as many as 10 'Preferred Vendors' in total," he told RBR. "We're targeting those companies where Clear Channel already does a large dollar volume of business. In addition to providing the manufacturer with a large volume of purchases, Clear Channel can project exactly when those purchases will be made. That allows the manufacturer to reduce their costs by properly pacing their inventory. We're simply taking the box house profit out of the equation. [We're going direct with] Telos/Omnia and Andrew Corporation. Others are in the works."

That original story caused a stir in the industry—for one company in particular. Cumulus was quick to follow suit when it heard about the new relationship with Telos/Omnia. "Telos was telling us all along that they were unwilling to negotiate off of the deal of selling their product through the resellers. When I heard they struck the deal with Clear Channel, I called up the head of the company and said, 'Why did I just read this?'. Cumulus EVP John Dickey tells RBR. "Legally, if they're going to extend it to one party, they're going to have to extend it to another. So I said, 'Look, you have to extend the same courtesy.' Maybe not the exact same price based legitimately on how much volume they may buy vs. us. Clear Channel has been on record saying they've got a $300M-$400M capital budget or something like that. They, at the end of the day, should get the best deal of anybody based on the volume."

"Clear Channel is a very special case. Because of their size, they have a lot of in-house resources that others don't for coordinating purchases, evaluating products, etc," explains Denny Sanders, Managing Director, Telos Systems. "That is not to say that some of our dealers haven't been pretty unhappy with us. And there may be some backlash favoring our competitors. We, of course, are sensitive to our concerns. But we have to care about our ultimate customers, the people working in radio stations, first and foremost."

There are many vendors who have sold direct to customers for years: Harris (and the former PR&E), BE, Continental, ERI, Wheatstone, Moseley, SAS and Radio Systems among others. "Now Telos/Omnia makes this shift for one customer, and the industry is all abuzz," Sanders adds. "I suppose this is because we have been so protective of our dealers over the years."

Why go direct?

Before we question how much the industry paradigm may or may not be changing, we asked the groups a bit more about why they choose to buy direct. Is it just the buying power of owning so many stations? Littlejohn tells us more about the "Preferred Vendor" partnership program with some of his key suppliers. "As a result of that partnership we supply information that will help the manufacturer develop their products at a lower cost and we agree to look to them first for last minute needs. One of the things that makes Clear Channel unique is the detail with which capital expenditures are budgeted. Through that process we
are able to tell exactly which month we'll need product and how much of it we'll need. Manufacturing is no different from any other business, the ability to predict product demand is vital to running efficiently. Due to last minute budget cuts and or delays, one problem that many manufacturers have had in the past few years is an inability to predict how much of a product will be needed. Manufacture too much and it collects dust in the warehouse...make too little and you may miss a sale. A guaranteed order from Clear Channel goes a long way toward determining total need."

"If you think about the business model of suppliers, it made sense way back when, when you didn't have an industry as consolidated as radio has become," explains Dickey. "You had a lot of mom and pops out there going out and buying things in smaller quantities and they didn't have the buying power and buying leverage that companies like a Clear Channel or an Infinity or Cumulus or an Entercom or whatever have. So by virtue of consolidation happening, I think it's caused us to re-think the way we do a lot of things in our company and in the radio business. And one of those, obviously, is how we stretch all of our dollars that we're spending on capital projects."

He adds, "To me, unless there's a relationship with a reseller that we value and they can do things for us that the manufacturer isn't in a position to be able to do, then we'll continue to do business with middlemen. If not, we owe it to our shareholders to go to the manufacturer directly. Unless the manufacturer is saying they're absolutely not going to do business that way and then have a conversation with them in principle about how they're pricing their product. There's really no ill-will or intent to harm on our end, it's just if I'm going to buy 25 transmitters or whatever next year, I'm going to try to find the best possible deal."

"I believe there are only two real benefits to going direct," adds Greater Media's VP/Engineering Milford Smith. "The first is obviously dollars. At least in theory, you should be able to do a better deal without a middleman. In some cases that may actually happen! The other is fostering an exceptional relationship and open channel of communication to a manufacturer. On some big-ticket items this can be of at least as much value as any price break that might be inherent in such arrangements."

It's a touchy subject—off the record comments

"I think the big groups kind of walk in to a manufacturer and say, 'Here we are. You must listen to us and you must do what we say because we own the market. Here's what we'll pay.' And they start demanding things. I don't appreciate that either. But at the same time there's been manufacturers that have gone to the groups trying to work exclusive deals, saying, 'If you only buy through us, we'll cut this for you.' I don't think that's healthy to the manufacturer either, because say they go in a cut a deal with Clear Channel and then Cumulus comes in and says, 'OK, Mr. Manufacturer, you did that for them. I expect..."

"Their time will be coming in the sun here, no question about it. Everyone is going to have the best intentions, but in the end, the manufacturers that are selling direct will either have to make a decision whether they're going to market exclusively direct or exclusively through dealers, but not both. That will be the final thing."

"For the customer, it's going to be a very hard lesson without having dealer support. It will be difficult. Manufacturers who are not set up for this are going to find it extremely difficult to have quality customer service as much as they want to do it. Dealers specialize in this. Some manufacturers may be successful and some end users may enjoy buying direct and not experience a problem."

Next Month - The value of the middleman
Local news coverage can be handled from afar

When three tornadoes slammed into Corpus Christi, Texas on October 24, it was, as you might expect, a big story for the local news talk radio station.

Afternoon news anchor Carl Laque sounded the warning on Clear Channel Communications' News radio 1360 KKTX at 1PM. And after the tornadoes hit a half hour later, Laque provided gripping details of damage as KKTX reporters interviewed survivors, talked with victims, and provided information on closed streets for afternoon commuters.

But what listeners didn't realize, and perhaps didn't care, is that the KKTX reporters who were providing up to the second coverage of the biggest news story of the year weren't anywhere near Corpus Christi. They were 150 miles away at Clear Channel's flagship AM station WOAI in San Antonio. Laque, who won praise for her complete coverage of the tornado, has never been to Corpus Christi in her life.

Welcome to radio news in the 21st century. Advances in technology have made it possible for local news, once the most intimate and neighborly of radio services, to be performed effectively from outside the local market. In Corpus Christi for example, police scanners are broadcast over the Internet, which allowed reporters in San Antonio to bear blow by blow details as the tornadoes ripped through town.

Several local meetings are also streamed live on the Internet, allowing for news coverage as immediate as would be performed by a reporter in the meeting room, complete with tape. KKTX has a relationship with the local newspaper to provide updates on ongoing stories like criminal trials in exchange for mentions, and a local television meteorologist provides weather information, again for on air promotion.

The WOAI newsroom is on the mailing list for agendas and events, morning police beat checks include calls to Corpus Christi law enforcement. News anchors in San Antonio produce a four minute hourly newscast and send it into the KKTX programming computer via Clear Channel's proprietary Wide Area Network system. The result is a news operation which covers local news as effectively as a full staff of reporters on the ground. One Corpus Christi resident who is familiar with the operations says people 'laugh at him' when he tells them that the KKTX newscasters are actually in San Antonio.

"What listeners want is a well produced, professional sounding newscast with content that's relevant to their lives," says veteran news talk programmer Andrew Ashwood.

Experiments like this may represent the biggest change in radio news since the advent of television, and have serious implications for television news as well. They blur the line over the very definition of 'local news' and raise serious questions about ethics and journalistic transparency.

- KKTX's story is not uncommon among AM radio stations nationwide—a Top 40 AM (then KYRS) with a full news department that faded into obscurity as FM took over the music scene beginning in the 70s. By the time Clear Channel acquired it in 2000 it was programming Radio Disney to essentially no listeners. In addition to local news, Clear Channel added its stable of talk programming, including Rush Limbaugh, plus a two-hour morning talk show done by the afternoon DJ on a sister FM station. It is again rated among the top ten in the market.

"The goal here is the same as the goal of radio news anywhere," says KKTX morning news anchor Michael Main. "We have to make it so when people in Corpus Christi need information, KKTX is their destination of choice."

But Main and others say the experiment raises serious questions that radio and television news will have to confront.

"These markets are the source of the major market newpeople of the future," he says. "The big market stations are going to have to realize that when those training grounds vanish the big market stations will have to invest in training their own people, and hire more inexperienced people. There's also the concern about passion. When you disembodied radio like this, you dis-passion it as well. This comes from somebody who is concerned about informing their neighbors, the old 'back fence' approach to news, to the level of someone far off sitting in a box who doesn't care about the community, maybe doesn't know anything about the community except for the clinical facts, the names of the streets, and name of the mayor, and so forth."

Supporters say arrangements like the one in Corpus Christi allow high quality local radio news to again be heard in small and medium sized cities where hiring a local staff is no longer economically feasible. They point out that the choice is not between this and a full service resident news staff, but between this and no radio news at all.

"The goal is no different than the goal of radio news anywhere," Main says. "We have to serve our listeners and not let them down. If we can provide good, relevant news coverage, they will accept us no matter where we are. If we blow it, just like if reporters at any radio or TV station blow it, they'll remember."

Jim Forsyth is News Director of WOAI-AM San Antonio.
The Michael Savage Show Welcomes WRKO, Boston
LIVE Monday - Friday

WABC Ratings Explosion
Find Out Why!

Ranked 4th Largest Show in Syndication*

Nearing 200 Stations
Live 6 Days A Week

Nominated Radio & Records News/Talk Personality of the Year

The Rusty Humphries Show

*According to Talkers Magazine

www.talkradionetwork.com
888-383-3733
Gurus see growth ahead in 2003

Estimates vary on how much radio ad revenues should rise this year, but at least all of the major forecasters see growth ahead, unlike a year ago when Jack Myers of the Jack Myers Report was predicting a second straight down year for radio and many other media. His forecast proved to be wrong, though, and the more optimistic forecasts proved to be closer to the mark.

As we begin the New Year, Myers is looking for radio to grow 3% this year—and he's still the most pessimistic of the forecasters. Bob Coen of Universal McCann is looking for 5% growth. Mark Fratrik of BIA Financial Network is going with 5.5-6% and Kagan World Media's Robin Flynn says the number is 6%.

“There are some concerns about radio pacings in November after October's 13% increase, and while pacings in November are not expected to match that pace, they should still show solid recovery,” Flynn told RBR in mid-December. “The most encouraging news about radio pacings is that, although it is still early, most operators report that pacings are strong heading into 2003.”

“The economic climate will look pretty good,” Universal McCann's Coen said of prospects for 2003. “Not a boom, but better than 2002, which was positive,” he added.

Although he suggests a “certain amount of caution” regarding the potential impact of a war with Iraq, the dean of advertising forecasters is confident that the ad market is improving.

While some might compare the current economic situation to 1991, when the US went to war after Iraq invaded Kuwait, Coen says there are differences now. The US economy was sliding into a recession when the Gulf War began whereas now it is coming out of a slump. So, while another war might depress ad spending, Coen says the impact shouldn’t be as disruptive as in 1991.

As the most bullish of RBR's panel of forecasters a year ago, Mark Fratrik of BIA Financial Network is justifiably proud of his forecast that radio revenues would grow 5.5% in 2002—which appears to be right on target.

“I think that radio continues to enjoy strong growth of somewhere between 5.5 and 6%—slightly more than this year.” Fratrik told RBR. So, he thinks growth in 2003 will be much like 2002 but more consistent throughout the year. Fratrik doesn't break out local and national spot in his forecast, but he thinks the two will be closer
on growth rates in 2002 -- unlike 2002 when national, which had fallen further, grew much faster than local.

"I think there will be more consolidation next year -- some small radio groups will be merged into large radio groups. I think that leads to some improvement in revenues in those cases," he said.

While the next round of deregulation is most likely to impact television, the BIAfn analyst sees the possibility of some newspaper-radio combinations, which could also increase revenues.

Having misjudged 2002 trends, Jack Myers claims to be bullish on 2003 ad spending -- but his forecast numbers are significantly softer than what Coen and Flynn are predicting.

Looking back at 2002, Myers says the biggest surprise was the reversal of what had been a sustained downturn in advertisers' spending on newspapers and consumer magazines. While he said "most forecasters" had expected a Q2 upturn in promotional spending by automakers, pharmaceutical, fashion and retail to be only a short-term help, that spending remained strong through the rest of the year and reversed a Q1 decline.

"As we head into 2003, a strong first half for advertising-dependent media companies is virtually assured," Myers stated.

<table>
<thead>
<tr>
<th>Robin Flynn's forecast</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
<td>2002</td>
<td>2003</td>
</tr>
<tr>
<td>Network radio</td>
<td>+9.8%</td>
<td>+6.5%</td>
</tr>
<tr>
<td>Natl. spot radio</td>
<td>+12.0%</td>
<td>+8.4%</td>
</tr>
<tr>
<td>Local radio</td>
<td>+5.2%</td>
<td>+5.4%</td>
</tr>
<tr>
<td>Total radio</td>
<td>+6.5%</td>
<td>+6.0%</td>
</tr>
<tr>
<td>TV network comp</td>
<td>-13.2%</td>
<td>-9.1%</td>
</tr>
<tr>
<td>Natl. spot TV</td>
<td>+12.3%</td>
<td>+2.5%</td>
</tr>
<tr>
<td>Local TV</td>
<td>+6.7%</td>
<td>+3.5%</td>
</tr>
<tr>
<td>Total TV (stations)</td>
<td>+8.7%</td>
<td>+2.9%</td>
</tr>
<tr>
<td>Source: Kagan World Media</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mark Fratrik's forecast</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
<td>2002</td>
<td>2003</td>
</tr>
<tr>
<td>Radio</td>
<td>5.5%</td>
<td>5.5-6%</td>
</tr>
<tr>
<td>TV stations</td>
<td>5.5-6%</td>
<td>3-3.5%</td>
</tr>
<tr>
<td>TV networks</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>Source: BIA Financial Network</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

**CONGRATS, JIM ON 20 GREAT YEARS**

Carl E. Hirsch

_Hirsch Family Foundation_

NextMedia Group, Inc.

---

**3 POINT MEDIA ARIZONA**

**CHRIS DEVINE & BRUCE BUZIL**

has acquired

**KVNA-FM**

Flagstaff, Arizona

from

**YAVAPAI BROADCASTING**

for

**$4,200,000**

The undersigned acted as broker in this transaction and assisted in the negotiations.

Kalil & Co., Inc.

3444 North Country Club Tucson, Arizona 85716 (520) 795-1050
Thank You
From Clear Channel Radio
To All of the Advertisers & Partners
That made 2002 a great year.
Continued success in 2003!

John Hogan
President / CEO
Clear Channel Radio
Sign up for a FREE 60 business day trial of Radio Business Report’s Morning epaper.

Get online articles that you can use to be more successful in radio. Sales, programming, and engineering topics to help you stay ahead of the game.

Sign up today by either sending in the reply card or for quicker service just go to http://www.rbr.com/signup.html and fill in the form.

Congressmen move to muzzle drug ads

House of Representatives members Jerrold Nadler (D-NY) and Joseph Crowley (D-NY) are taking aim at pharmaceutical advertisements — not right at them, actually — but the pair are aiming potshots at the companies putting out the ads.

"The Say No To Drug Ads Act" would not ban the ads. It would, however, eliminate the tax write-off companies can currently take for direct-to-consumer television ads.

"Consumers pressure their doctors to prescribe the latest 'wonder drug,' whether they need it or not, and drug sales go through the roof. By artificially increasing demand for their drugs, the pharmaceutical companies are able to keep prices high, gouging our constituents," said Nadler.

RBR Observation: Wait a minute. Who the hell are these doctors who are running around prescribing unnecessary medication because of TV commercials? If this is true, this is much bigger than a simple advertising problem. Why put yet another dent in the First Amendment when it would be a mere band-aid on such a criminal conspiracy between drug manufacturers and MDs?

We think the Congressmen may be overstating their case. However, if they are 100% correct in identifying a major societal ill, they sure have picked an ineffectual way of dealing with it.
Thank You

From Clear Channel
To All of the Advertisers
That made 2002
Continued success in 2003!

John Hogan
President / CEO
Clear Channel Radio

Sign up for a FREE 60 business day trial of Radio Business Report's Morning epaper.

Get online articles that you can use to be more successful in radio. Sales, programming, and engineering topics to help you stay ahead of the game.

Sign up today by either sending in the reply card or for quicker service just go to http://www.rbr.com/signup.html and fill in the form.