

Radio Business Report™

The Management, Sales & Technology Journal

January, 2003

Jim Carnegie: Founder/Publisher/Editor

Volume 20, Issue 1

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 WKBI-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 rocked 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 the library for it. That book is in my office in plain sight to remember and re-read.

With a 1967 IBM electric typewriter and a ream of paper, I began typing news items and interpreting its impact on our business. I needed a company and publication name. RBR was first to be called: *Radio Business Journal*, subhead: *The Sales and Management Report*. It was my mother who said: "Your call letters RBJ...doesn't sound good." Ma recommended I switch Report for Journal and said, "Son, RBR, now you have a ring to it." Ma's always know best. Thus RBR.

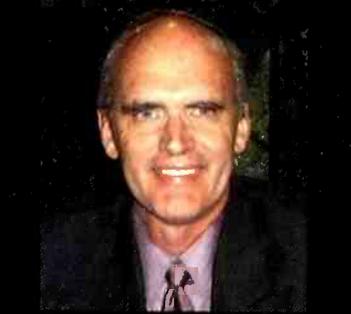
With the typewriter and my Rolodex of names and addresses, my wife Cathy and I started to build the mailing list of likely subscribers. Cary Simpson was the first on the list and first to subscribe. Sitting down with a pad I sketched out the logo. We wanted it to look like the *Wall Street Journal* and 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



Media, Markets & Money

Gurus a go-go
Robin Flynn and others forecast 2003
Page 22



NewsTalk

The best news may not need to be local. Jim Forsythe explains
Page 20

Radio Business Report™

THE SALES AND MANAGEMENT JOURNAL

TRENDS

The shifting of income from this year to next has always been an effective tax strategy—(Lorenthal & Horvath).

Page 2
What the radio networks are doing in terms of covering the Summer Games of the XXXIII Olympiad.

Page 3
With advertisers looking to radio, radio has the opportunity to charge premium rates.

Page 4
Several secrets of the franchising segment of the ocean only are expected to continue to perform better than the economy in general in 1984 and be candidates for radio advertising.

Page 5
The marketing plan defines the goals, principles, procedures and methods that determine your company's future—(Marketing Problem Solver).

Page 6
Radio must be taken seriously by the national advertiser. We must make it a point to think about radio in our media planning—(Kenneth Roman, president, Ogilvy & Mather US).

Page 8
Radio is a dynamic medium for covering the Olympic Games because it delivers a direct stream of the action created by the zone difference and provides the capability to broadcast pre-activity and extend reports on post-competition after sport results. That's the view of Sherry Mitchell, executive producer and director of sports for the ABC Radio Network.

Time Represents a 'Premium Product' Olympics: Radio's Profit Marathon Summer '84

ABC expects to garner \$1 million in net profit from the Olympic coverage by its radio network. A figure that does not include bar or ads. The ABC radio network expects to gross \$100 to \$150 million (that exceeds \$250 million) during the games. The network will receive \$100 million from the Olympic network and another \$50 million to \$55 million in regional and local fees for ABC network coverage.

Although ABC has increased coverage of the Winter and Summer Games, the other major radio networks will provide considerable coverage of the events in January 1984. (Page 11, August 12, July 29 - August 12, (Page 11, 12))

Stokell: 'Connabillium' Is Alive

'Connabillium' is alive and well and being in the world today is a sign of the American radio industry. That's the opinion of William Stokell, President and CEO of the Radio Advertising Bureau. In an interview with the Radio Business Report, Stokell said he sees that radio's biggest problem lies with our own ears. We have over 1,000 commercial stations. These are very valuable, effective advertising vehicles. The very reason we are able to have this industry is that we have such a large number of stations. He cited the advertising that has been placed in radio in terms of long distance telephone service.

1st issue of Radio Business Report

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RADIO NEWS®

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 third party of *RBR*, Kitty Girl our cat. She shared the desk. I worked on the top, her tray underneath. So you wonder how this crap ever hit the streets. Kitty Girl is still alive but today sits in the chair behind the desk. Yep, the original desk and chair are here.

When that first check came in I knew *RBR* would make it. For one thing, I was just too plain stubborn and dumb to say give up. The improvements came with new subscriptions. From monthly to weekly, when subscribers demanded it and put their money where their mouth was in a subscription. Advertisers came because of our focus on our target – pure radio business news.

But all the times were not easy. The first convention Cathy and I attended with *RBR* with our chests out and proud we overheard a conversation by a few peers saying, "Did you see Carnegie's rag? Give him six months to live." Oh yes, we know who they are and we shall never reveal them. Some have become friends.

The improvements over the past 20 years were always meant for giving the best look and presentation, not only for *RBR* but also for radio. Many of you have seen *RBR* grow and improve. My mission has always been the same 9-year-old kid listening to KQV. Love of radio.

From monthly, to weekly, color, from newsletter to magazine, and today with technology *RBR* is daily every morning on your computer. From your desktop to laptop. In 20 years of publishing I learned much.

I was asked by **Ralph Guild** in 1984 if I knew what a publisher was? I said not really. Guild responded, "When you do I'll subscribe and advertise." It took a few years but I learned and I knew it when Guild's check came in the mail. The lesson to being is a publisher: "You stand beside the First Amendment to the Constitution, not behind it."

Thus came the *RBR* observation. I have never liked the word opinion. News is news, and we keep

Radio Business Report Will Build Your Bottom Line

Radio Business Report, Inaugural Issue, January 1984

Publisher's Letter

Dear Executive:

Welcome to the Radio Business Report, the Sales and Management Journal.

As our name suggests, our interest is in helping you, our reader, become totally informed about the economic landscape of our radio business. In these fast-paced times, the radio business economy can change without warning. Radio and media news is made every day.

In each issue we will make every attempt to furnish you with necessary information for keeping up with, and ahead of, the trends in the radio business. We will utilize our vast information network to cover those ideas which will be beneficial 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 dedicate itself strictly to radio business sales and management.

I know you will agree that our first issue of RBR has given you ideas for increasing your sales profit for 1984. The second issue of RBR has tapped into money information that will ease the pressure. Reading the ideas of Ken Roman (page 8) will be worth the price of admission.

To become a part of the Radio Business Report subscriber network, a charter subscription fee of \$84 per year is required. For just \$7 a month, you will become involved with many radio business opportunities. Isn't your station worth the price?

I would like to thank the many executives from the radio and advertising communities who have already delivered their subscription and advertising support. And I look forward to hearing from those of you who will soon make the decision to become active executives in the Radio Business Report. Your thoughts, suggestions, ideas, criticisms and comments are welcome. Your phone call will always be received.

Much success to each of you in 1984.



Jim Carnegie, Publisher

Publisher's letter from 1st issue
- January 1984



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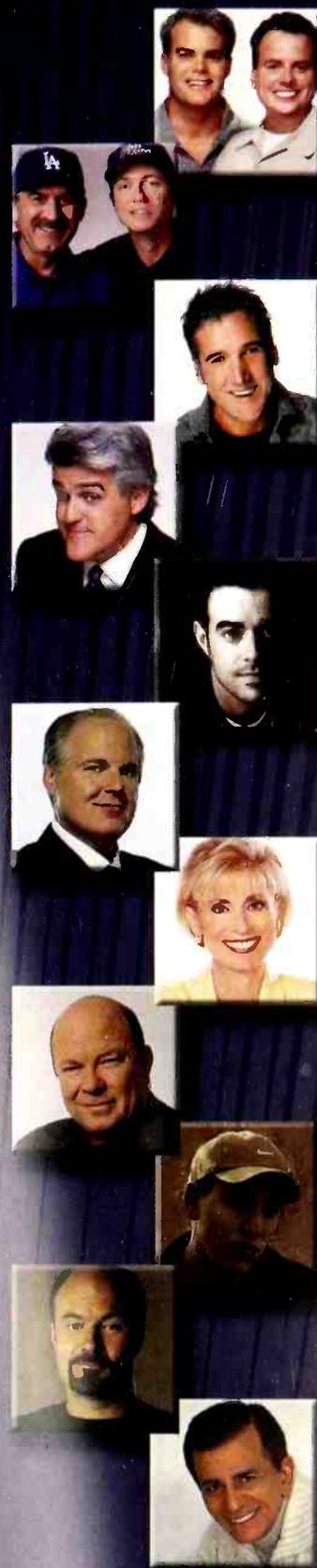
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RBR RBR RBR

TAKE A BOW

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

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RADIO NETWORKS



Jim and Cathy Carnegie

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 Seiler 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

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from Your Friend

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CONGRATULATIONS RBR

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20 Years Ago...

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MTV

Parachute Pants

Pastels...*for men*

Checkered Ties

Radio Business Report

Pac Man

E.T.

Rubik's Cube

Smurfs

Boy George

Jeff Spicoli

The 1980s ushered in many new ideas.

(Thankfully, most were ushered right back out.)

Happy 20th Anniversary, RBR!

From all of us at



ENTERCOM

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?



Adriane Gaines

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 an awful 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 the diaries and send them back. And hopefully share what we're doing and pass it on to others.



Karen Slade

to get those that we do have to listen longer.

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

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 the majority of my public affairs is geared towards solutions. 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>.

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to Jim
on a great
20 years.

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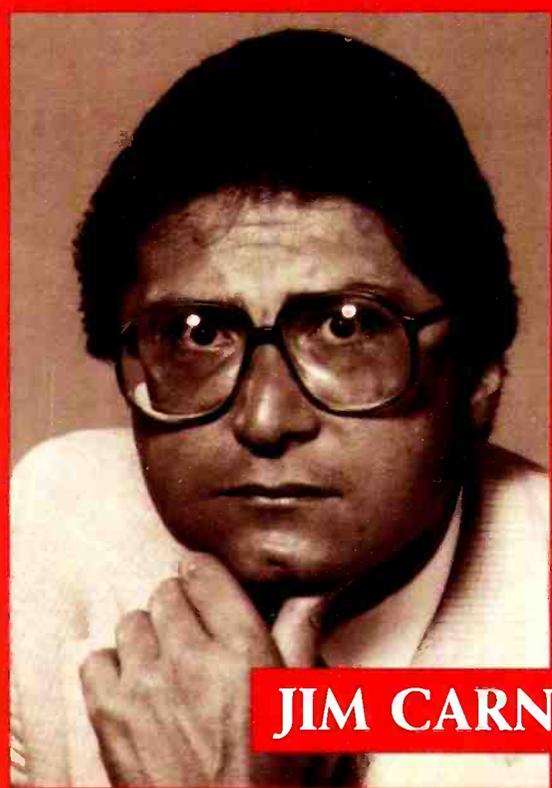
Back in the "good old days", a young 18 year-old became the teenage heart-throb on WKBI, St. Marys, PA. From there on, it's been all downhill. Just kiddin'! We're proud of you! **Cary Simpson**

AMERICAN URBAN RADIO NETWORKS

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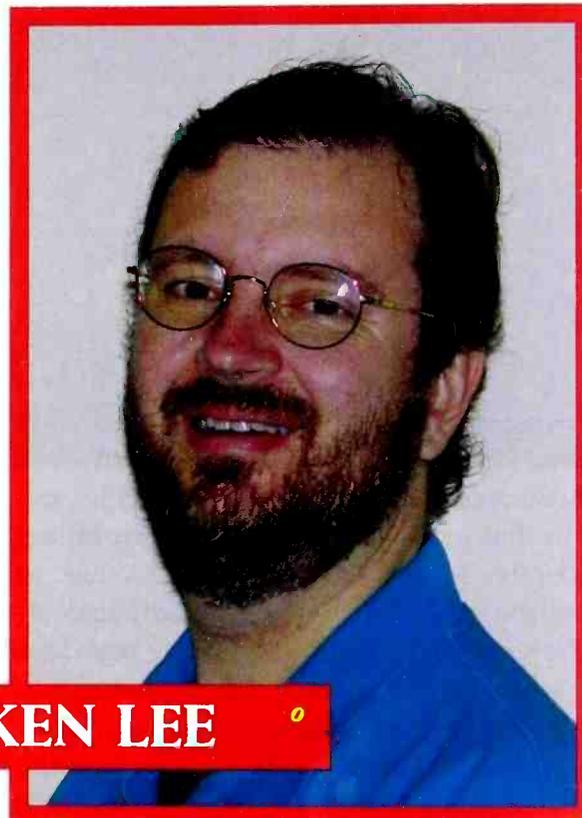
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Battling For Larger Shares of Automotive Ad Budgets

“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 our 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

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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 Business Report
The Management, Sales & Technology Journal
February 10, 2002

Catch a wave dude!
The radio industry is experiencing a renaissance, with many stations reporting record advertising revenues and listener loyalty. This resurgence is attributed to several factors, including the rise of digital audio broadcasting (DAB) and the increasing use of satellite radio. As a result, many stations are looking for ways to further engage their audience and increase their revenue.

Top 100 Stations

Station	2001 Revenue	% Change
1. WABC (NY)	\$101.5M	+1.7%
2. WABC (CA)	\$97.5M	+1.4%
3. WABC (TX)	\$95.5M	+1.3%
4. WABC (FL)	\$92.5M	+1.2%
5. WABC (OH)	\$88.5M	+1.1%
6. WABC (IL)	\$85.5M	+1.0%
7. WABC (VA)	\$82.5M	+0.9%
8. WABC (AZ)	\$78.5M	+0.8%
9. WABC (WA)	\$75.5M	+0.7%
10. WABC (CO)	\$72.5M	+0.6%

News Analysis
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*Jim,
hoping that
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never runs dry!*

Happy 20th



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Based on "The Thinker"
by Auguste Rodin

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 FM, 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."

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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 Maltz! (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

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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, ERM

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 assembled. 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!



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May 31, 1993

Colfax thinks Minnesotans will "turn their knob to Bob"

Countrified BOB-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 of fine 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 superduopoly 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

Mooooooove 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 \$12B." In fact, according to the Radio Advertising Bureau, is banked \$13.646B. The industry beat the Veronis prediction in 1996 as well, when it totalled \$12.412B. Veronis was right about one thing, though—things were looking up.

**Jim, Cathy
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Dick Kozacko



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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 bit of 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 their 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

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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 at this point, some service they can perform where we see value and are willing to pay for it, 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 that.'"

"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

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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 **Cari Laque** sounded the warning on Clear Channel Communications' Newsradio 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 hear 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 operation 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 newsmen 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 disembodify radio like this, you dis-impassion it as well. This goes 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.

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Gurus see growth ahead in 2003



Jack Myers

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 Fratrick** 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 Fratrick 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," Fratrick told RBR. So, he thinks growth in 2003 will be much like 2002, but more consistent throughout the year. Fratrick doesn't break out local and national spot in his forecast, but he thinks the two will be closer



Bob Coen

Bob Coen's forecast (growth/decline from previous year)

National advertising	2002	2003
Medium		
Big 4 TV Networks	+7.0%	+4.5%
Spot TV	+12.0%	+2.0%
Cable TV	flat	+7.5%
Syndication TV*	+1.0%	+4.0%
Radio	+10.0%	+5.0%
Magazines	-1.0%	+5.5%
Newspapers	+1.0%	+6.0%
Direct Mail	+2.5%	+7.0%
Yellow Pages	+0.5%	+5.5%
Internet	-5.0%	flat
Other national media	+1.6%	+5.0%
Total National	+2.7%	+5.3%
Local advertising		
Newspapers	+0.1%	+4.5%
Television	+6.5%	+3.0%
Radio	+5.0%	+5.5%
Yellow Pages	+1.0%	+3.5%
Other local media	+4.5%	+5.1%
Total Local	+2.6%	+4.5%
Grand Total	+2.6%	+5.0%

*includes small networks

Source: Source: Universal McCann Insider's Report

Jack Myers' forecast (growth/decline from previous year)

Medium	2002	2003
Newspapers	-1.0%	+1.0%
TV Networks	+6.0%	+5.0%
Local/National Spot TV	+7.0%	+3.0%
Syndication TV	+5.0%	+4.0%
Radio	+4.5%	+3.0%
Yellow Pages	+3.0%	+1.0%
Magazines	+1.5%	+2.5%
Cable Networks	+2.0%	+8.0%
Local/Regional Cable	+12.5%	+15.0%
Online traditional adv.	+9.4%	+14.3%
Online non-trad. marketing	-25.0%	-25.0%
Outdoor	+1.0%	+1.0%
Total	+2.5%	+2.8%

Source: Jack Myers Report

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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.

Robin Flynn's forecast (growth/decline from previous year)

Category	2002	2003
Network radio	+9.8%	+6.5%
Natl. spot radio	+12.0%	+8.4%
Local radio	+5.2%	+5.4%
Total radio	+6.5%	+6.0%
TV network comp	-13.2%	-9.1%
Natl. spot TV	+12.3%	+2.5%
Local TV	+6.7%	+3.5%
Total TV (stations)	+8.7%	+2.9%

Source: Kagan World Media

Mark Fratrick's forecast (growth/decline from previous year)

Category	2002	2003
Radio	5.5%	5.5-6%
TV stations	5.5-6%	3-3.5%
TV networks	6%	4%

Source: BIA Financial Network

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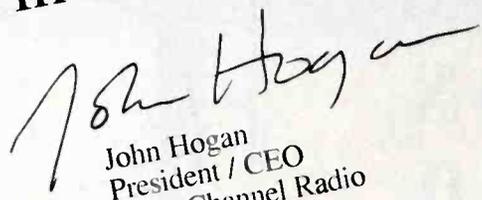
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Ownership rulemaking at

Its omnibus six-headed rulemaking
on ownership rules late this spring. At least,
as led by FCC Chairman **Michael Powell**.
Powell, by the way, has an opinion on this topic. And, even
if you've filed comments with the FCC is long past
the flow of comments. They are just



Michael Powell

Comments has not yet passed—it's February 3.
Powell already attended one public forum on the
diversity (*RBR Daily Morning Epaper*, 1/17). There, a series of panels
on different aspects of the rulemaking. If you were on a panel, and were an
advertising company, you were in the minority. We'd guess that media execs were
outnumbered by reps from unions, associations, watchdog organizations, consumer groups
by a four to one margin. *continued on page 2*

"getting digital"
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AdBiz
Battling for more
automotive dollars
RAB's Mary Bennett
gives us inside
insights
Page 8

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 constitu-
ents," 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.

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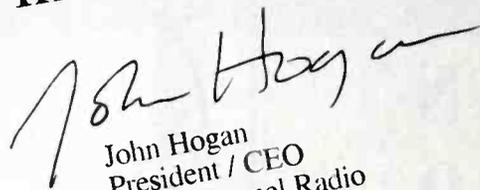
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