

Radio Business Reporttm

Voice of the Radio Broadcasting Industry®

December 2003

Volume 20, Issue 12

In this issue

The future of talk
page 18

NAB Show review
page 26

Understanding rate resistance
page 28

Multiples stay high
page 29

Natalie stones big guys
page 10

What's In Store In 2004? CARNO The Magnificent's predictions!



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Ralph Guild discusses suit against Citadel



Interep announced it has filed suit against Citadel for damages relating to Citadel's termination of its rep agreement with Interep earlier this month (10/2 RBR Daily Epaper #193).

The proceedings, say Interep, were necessitated by Citadel's refusal to make the payments required by

the contract and "failure to abide by the stated terms of the contract."

Citadel's contract wasn't scheduled to expire until 2010 and Interep says the terms of the contract states it is entitled to termination fees from Citadel in excess of \$30M over three-and-a-half years.

Ralph Guild, Interep CEO, tells *RBR* it's more a matter of the buyout contract, not a matter of delinquent payment: "It's a contractual obligation that they have to honor—something that we have always honored and Katz normally has in the past. But Katz has agreed to go along with them on this apparently."

We hear this may go to arbitration, before it goes to court.

So Katz has to pay you in this obligation as well?

Says Guild: "Normally, the rep steps into the shoes of the radio station and they have decided between them to do it differently this time."

This is something they've announced to you, that they are just not going to pay under the contract's terms?

Guild: "Yes, and they didn't give a reason. I'm sure that they'll try to cook up a story, but there is no valid reason for it not to be honored."

Is Katz named in the suit, as well as Citadel?

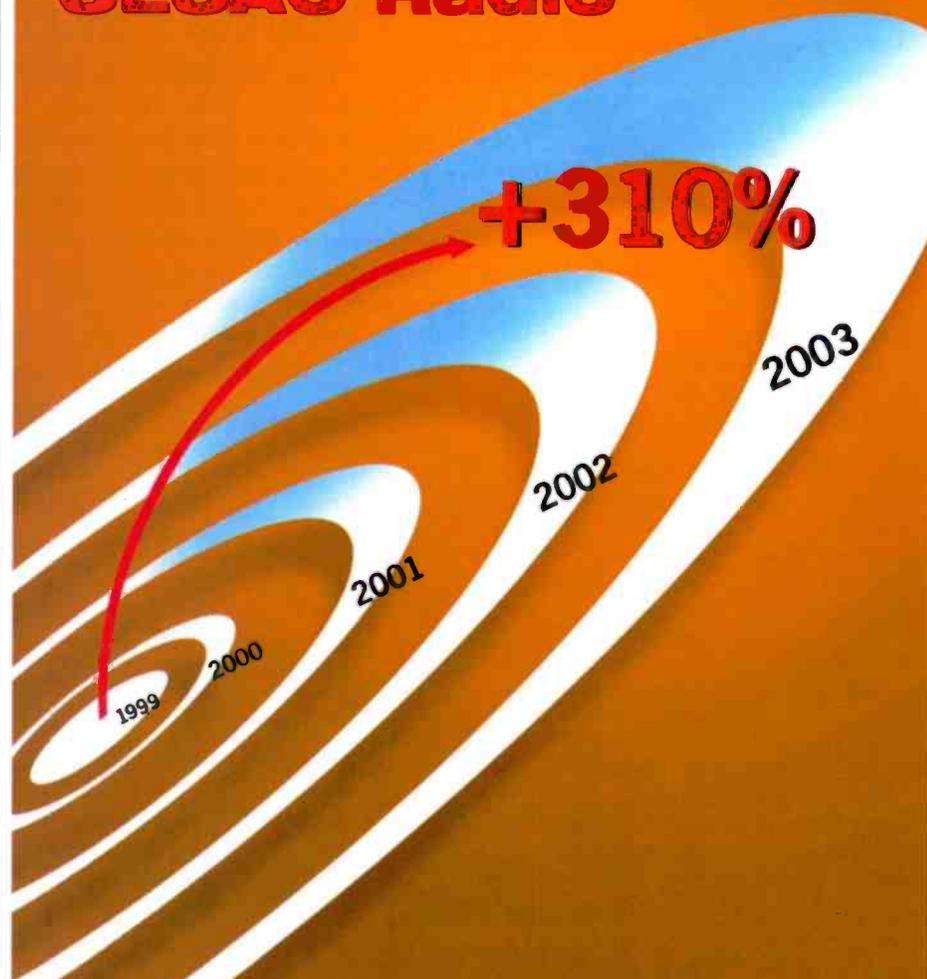
Guild: "I believe this is primarily Citadel, for now."

Any idea when this will be heard in court?

Guild: "Yes, but I think it's something I should wait to comment on until the lawyers approve it."

Katz declined to comment on pending legal matters. However, Citadel attorney **Lorin Reisner** reportedly called the suit "groundless" and said Citadel may be considering a counterclaim for Interep's failing to live up to the terms of the contract.

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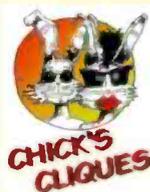
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RADIO NEWS®

Why Cumulus may grin and Bear-Stearns it

The analysts at Bear, Stearns & Co. have a theory—the first half is that political advertising is a 9%-10% category for TV stations in the top 25 media markets. However, as a percentage of total revenues, it eats double that in markets smaller than #100.

Guess what that means? According to BS&C, it means that a lot of general advertising cash which normally would be commanded by TV gets diverted into radio. While this means that groups such as Cumulus, which is heavily weighted down the Arbitron market ranking chart will face tough comps in Q3 and Q4 2003, it should also pick right back up during next year's election.

With BIAfn, Bear Stearns produced a chart showing the revenue percentages by market size for selected radio groups. The groups are presented in order of small-market presence.

Company	Mkts 1-10	Mkts 11-25	Mkts 26-50	Mkts 51-100	Mkts 101+
Cumulus	0.6%	0.0%	7.2%	14.8%	77.4%
Clear Channel	36.2%	19.2%	17.2%	13.5%	13.9%
Cox	9.3%	45.4%	20.8%	19.5%	5.0%
Salem	52.1%	29.2%	10.1%	3.7%	4.9%
Entravision	34.4%	16.5%	23.1%	22.0%	4.0%
Emmis	61.9%	20.0%	17.1%	0.0%	1.0%
Radio One	52.9%	23.2%	13.6%	9.6%	0.7%
Univision	60.4%	24.2%	9.8%	5.6%	0.0%
Viacom	60.1%	21.8%	15.3%	2.8%	0.0%
Entercom	13.9%	33.2%	37.3%	15.6%	0.0%

Source: BIAfn, Bear, Stearns & Co.

Dereg foes deliver their letter to Hastert

A letter written by a small group of Representatives and signed by 200 has been delivered to House Speaker **Dennis Hastert** (R-IL). The group want to debate and act on the Resolution of Disapproval pushed through the Senate by **Byron Dorgan** (D-ND) and **Trent Lott** (R-MS), which would nullify the entire 6/2 FCC rulemaking on broadcast ownership regulation.

The bipartisan letter was authored by **Maurice Hinchey** (D-NY), **Bernie Sander** (I-VT), **Ed Markey** (D-MA), **Jim Leach** (R-IA), **Dan Burton** (R-IN) and **David Price** (D-NC).

The 200 signatures included a number of Republicans. However, although it was an increase over the 190 announced by Hinchey at an initial press conference (10/22 RBR Daily Epaper #207), it is still well short of the number needed to force a vote in the face of continued stonewalling by Hastert at the behest of Majority Leader **Tom Delay** (R-TX) and House



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Commerce Committee chair **Billy Tauzin** (R-LA).

The purpose of the letter is to try and get a vote before Congress winds up the 2003 session, which is already well into overtime. If Hastert still refuses, the House will have to utilize its own version of the Resolution, which Hinchey introduced 10/18. Then a formal discharge petition would be circulated, and if it gets the reached the 218-signature benchmark, Hastert will be forced to schedule debate and voting time.

While it is virtually impossible that the latter course can happen prior to recess—Hinchey's bill must await expiration of a 30-day clock, which will almost certainly take it into mid-November, after everyone's left town—it will simply be left for the beginning of the 2004 session in January.

The stay of the rules imposed by the Third Circuit Court has the same effect, albeit temporary, that the Resolution of Disapproval would have.

FCC buys some time

In a move which will probably seem ironic to those who thought the FCC rushed to judgment on its landmark 6/2 broadcast ownership ruling, the Commission has asked for and received a delay in the court review of cases pertaining to that ruling. The US Court of Appeals for the Third Circuit has moved oral arguments, originally scheduled for 1/12/04, to 2/11/04.

One of the interesting aspects of the proceeding is the fact that the FCC is being attacked from both sides. Some feel the rules went too far (to say the least), and others think that some parts either didn't go far enough or went farther than necessary (as in the case of the new way of defining radio markets).

Anti-deregulatory petitioners were already subject to a 10/21 deadline for getting briefs in to the court. Pre-dereg briefs are now due 11/4. The FCC has until 12/9 to respond to both. Anti-dereg reply briefs are due 12/22; pro-dereg reply briefs are due 1/5/04.

The petitioners include Prometheus Radio Group, Media General, National Association of Broadcasters, Network Affiliated Stations Alliance, Fox Entertainment Group, Viacom, National Broadcasting Company, Media Alliance, Paxson Communications (twice), National Council of Churches of Christ in the US, Tribune Company, Emmis Communications, Center for Digital Democracy, and Clear Channel Communications.

Universal McCann signs for Verances' ConfirMedia system

Universal McCann is teaming with Verance's ConfirMedia near real-time ad clearance verification system (8/20 RBR Daily Epaper #163), (8/26 RBR Daily Epaper #167), to initiate its use within the cable, broadcast and radio industries. In the 8/20 story, we mentioned **Natalie Swed Stone**, Director of National Radio, OMD helped initiate a similar program, beginning with Premiere Radio Networks: "We have been working with the radio networks over the last two years to communicate and emphasize the growing need for further accountability and return on investment. This is a very important step in the right direction and we applaud

RBR December 2003



Greg Smith

Premiere's vision and commitment to moving this process forward," said Swed Stone. "We will continue to work with both Verance and Premiere to ensure that any systems developed meet our clients' needs."

UMC will work with ConfirMedia to ensure that this implementation will benefit not only its advertisers but each network and station on an ongoing basis. The information and tools of this service will be made available to both buyers and sellers in order to improve stewardship throughout the process for everyone, says UMC.

The agreement followed a long and careful review of capabilities that stressed reporting deliverables, accuracy, reliability, full media coverage and the ability to work across UMC agencies as well as broadcasting and cable suppliers. The companies have already successfully presented, as a team, to some of the agency's largest accounts and separate announcements are anticipated in the near future.

"Universal McCann seeks to bring greater accountability into all aspects of the media stewardship process to improve both value and certainty for our clients," said **Robin Kent**, Universal McCann Chairman and CEO. "We needed a comprehensive solution that can benefit our clients, and our suppliers."

"The media industry in the US is behind other industries and other countries in terms of its automation. We chose ConfirMedia because it is the one that can help us shape next generation media practice," said **Greg Smith**, UMC EVP/Chief Information Officer. "We don't make these kinds of decisions lightly. We have put ConfirMedia through a rigorous evaluation process."

Satellite service gets Sirius about subscribers

Sirius Satellite Radio is still a good ways off from having positive revenues to report. However, it did have positive news for Q3 2003—it ended the quarter with 44,426 more subscribers than it had when the quarter began, a 423% gain. It represents 12 times the number of subs signed up during Q3 2002.

Unlike broadcasters dealing with the lack of political revenue in this off-year, Sirius company was not exactly facing tough comps—it banked a mere \$17K in Q3 2002. This time around, it brought in \$4.3M.

Q3 2003 loss from operations was \$103.5M, compared to \$81.7M in Q3 2002.

Average revenue per subscriber (ARPU) stands at \$11.20. Excluding mail-in rebates, it's \$10.31.

YTD, in come is \$7.9M, compared to only \$120K last year. ARPU is \$10.01, and \$10.56 when adjusted to account for rebates.

The company says it is in good shape moving forward, with \$479M in cash, equivalents and securities.

We ask GMs-What success have you had going to agencies for regional or national buys?

Jeff Beauchamp, Station Manager, Hearst Broadcasting's WBAL-AM Baltimore.

Blaise Howard, WEAZ-FM Radio's WBEB-FM Philadelphia
Mike Hartel, Curtis Media Group's WBBB-FM Raleigh

Beauchamp: Tremendous success. And it's been tremendous out of necessity. The reality is a lot of buyers who just view radio as a commodity where we're selling rating points miss the very essence of our format. Ours is a format that's compelling. People pay attention to it, they're affluent, they have money to spend, they're loyal. When our talent delivers for a client, he has special credibility-it's not just another voice. And the way to deal with that is to often go directly to the customer, explain those benefits, sell those benefits-and we've had great success.

Nationally, it's more difficult than locally. But we work with the agencies. We have a terrific national sales manager. And the reality is, whenever we can really tell our story and deliver our message nationally, we do that. And we've had some success. In all truthfulness, oftentimes nationally it is just a commodity and we have to fight just like everybody else under the parameters that they've established. We'll try to take that extra step when we can.

Our national sales manager goes to NY, to LA, to Atlanta, to Chicago. We go with our national reps, so our NSM can go the extra step to tell the stories that need to be told. And sometimes people on a national level are receptive and sometimes they're not. But damn it, we're sure going to try.



Howard: We've had a lot of success. We have a director of national sales, Dave Giordano. And David is required to be in NY, because NY is the mecca for Philadelphia national business. And he's making calls every week in NY. He's up there every week for a day and a half, seeing agencies, having lunches, dinners and calling on them for regional and national business. He makes calls with our rep firm and without our rep firm. And as a matter of fact, I'm going up to have dinner with one of

the big agency people up in NY just to thank them for the business.

We also do a lot of meetings with clients. Automotive-we've developed a relationship with the regional and district manager for Audi and we get together with these people regularly. Citizen's Bank-we know the people here locally who are the field marketing managers for the company down here. So yes, we make a big effort to a) get to the agency at every level from station personnel and b) we make it a practice to try to get to as many clients as we can that are national that have people in the Philadelphia area. Sherwin Williams paint-we know the people here from that. They advertise every so often. The Saab dealers, the Mercedes-Benz dealers-all those people.

I've heard from some people that have been NSMs or GMs that say they no longer have the budget to send people to NYC, so they have to rely on their reps in NY to make those calls. And they're never up there seen face to face representing the station. I just think it's good business to be able to get up there.

Who else can better sit in front of a buyer, planner an AE, agency principal or a client and talk about your station except for you, your GM, your GSM or your director of national sales? I mean they've got the passion. The rep firm, and God love them, McGavren-Guild is terrific, but there are many times when he has avails up in 200 cities across the country. I've got one focus. Let me go up there and talk to the buyer for Toyota or the planner for Verizon and tell her what a fabulous radio station we have, tell her what we're doing. Give her a little bit of insight and maybe even give them a little bit of insight of what's going on in the market. There's been times we've gone up there and people don't even know there's been format changes in markets.

Hartel: We work with McGavren-Guild over at Interep, and we've been with them for about 30 years. And they've just done an incredible job for us. But I think they would be the first ones to agree that the way this system works best is when you have an NSM or GM for that matter, that gets real involved with the process. Because that only helps that cause. Curtis Media as a whole is up in New York at least four or five times a year, and Atlanta that many times as well.

The way we look at it is a lot of these national and regional advertising agencies deal with hundreds of radio stations, and if our NSM is sitting on his tail, how are we going to distinguish ourselves from anybody else out there? That's what it comes down to, especially now in this market where you've got stations ranked #1-#10, all with pretty much the same ratings, maybe with 0.2 of a point separating them. So what it really comes down to is the NSM working in tandem with that rep firm.

And the same thing with regional buys-here in Raleigh we have a lot of regional agencies, in Richmond, Virginia Beach, Charlotte and Greensboro. Same thing-we just get in the car and get out there and hustle it. Again, if we're not differentiating ourselves from the rest of the market, then we can't expect to win.



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Let's level the sports rating playing field

By Ira Berger, Director of National Broadcast, The Richards Group



Investing client dollars in live network sports radio broadcasts such as Sunday Night Baseball, NBA Basketball, and Sunday/Monday Night Football is both tricky and a great deal more complicated than it should be. While potentially very rewarding and beneficial for the clients in the right situation, live sports on national radio often can also be something very different. The grandiose ratings and efficient CPMs one sees are not what they appear to be.

When negotiating network radio, "avails" are requested, and the buyer is then presented with a proposal. The proposal usually contains a variety of elements that can include line networks, long- and short-form programs, as well as live sports. Ratings are included for each property along with bottom-line summaries of ratings delivery.

Sounds simple enough, and it would be if all ratings were created equal. Unfortunately, not all ratings are the same. In the case of live sports, they happen to be supersized.

Network radio research departments measure live sports with sources other than RADAR and Arbitron Nationwide, which are used for their other properties. The sports measurement of choice is Roper ASW (formerly Bruskin), and herein lies the problem. These live sports ratings estimates appear to be vastly overstated.

While I do not profess statistical expertise and am certain the Roper ASW people are comfortable with their methodology, I do have the common sense to recognize ratings estimates that make no sense.

At first glance, the Sunday Night Football radio-television relationship seems almost plausible. But consider the following: Sunday night overall radio listenership (persons using radio) is low, beating out only overnights. Per RADAR, Sunday 7P-12M, 4.6% of all Men 25-54 are listening to radio within a given quarter hour. The top-rated Men 25-54 RADAR network (Premiere Evening Network) Sunday 7-12P delivers only a 1.0 rating. In order for network radio to obtain the NFL Football rating of 2.6, it would necessitate obtaining a 56.5% share of all Men 25-54 radio listenership.

Men 25-54 Ratings

	Network Radio Rating*	Network/Cable TV Rating**
Sunday Night NFL Football (ESPN)	2.6	7.1
Winston Cup NASCAR (FOX/NBC)	3.6	5.7
Regular Season Sun Night Baseball (ESPN)	2.4	0.9
Regular Season Sunday Afternoon NBA (ABC)	1.7	2.0
Notre Dame Football (NBC)	1.5	2.0

* Supplied by the radio networks ** Nielsen NTI

If we now believe network radio NFL ratings appear to be supersized, what are we to think about baseball? Does anyone think a Sunday night Texas Rangers-Detroit Tigers game is pulling a 2.4 Men 25-54 national radio rating, which is an almost three times higher rating than the same game on ESPN? And, please, don't even get me started on hockey.

What can be done about this situation? I have some suggestions, and although they are not perfect, I believe they will make some progress in leveling the sports ratings playing field.

Depending on the sample size in a given week, Arbitron could measure individual events (e.g., Super Bowl, All-Star Games, and short series such as NBA Finals and World Series). For regular sports spanning a longer period of time (e.g., Sunday Night Football, regular-season baseball, and NBA), there would be limitations in the measurement. Specifically, only continuous measurement markets are measured year-round, so regular-season sports spanning an extended period of time could be measured only in these markets, representing approximately 60% of the United States. To do this, measurement would require additional funding as well as a time delay for Arbitron to process the data.

Although a single-source 60% coverage rating for selective sports is not a perfect solution, it seems like a logical and positive first step. Hopefully, both the buying and selling community can work together toward the day when there is single-source measurement across all network radio for all properties.

In the meantime, hopefully, common sense will prevail. After all, statistically speaking, Dewey did beat Truman.

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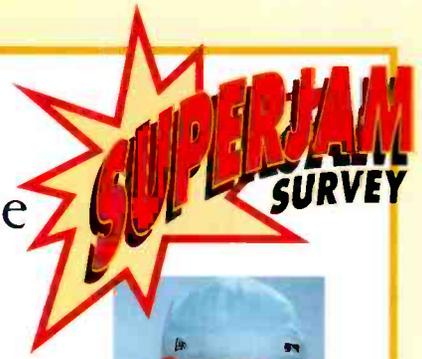
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MONEY **MARTS**

Time for the big guys to step up to the plate

By Natalie Swed Stone, Director of National Radio, OMD



There has been much talk lately by some of the larger companies (most notably Clear Channel and Infinity) about improving the visibility and image of radio, selling it better, etc.

This is an important step and quite natural given their newfound positions of leadership in the marketplace. I am encouraged by

such talk about sophisticated marketing platforms, additional research tools, and the need for greater accountability.

The marketing of radio has been hampered (in the past) by its predominance of local ownership. It had been a local medium—owned and programmed by those with a local agenda—and a small perspective—and any marketing was for individual stations rather than the medium as a whole, except for Interep, who carried the torch for many years. The RAB was employed to aid in the individual stations' efforts.

Therefore, as a national medium, radio has played a very small part—with national radio advertisers (revenue) contributing no more than some 20% of the total radio pie. So, the concept of national radio is really very new-born when consolidation arrived in the late 90s.

Clearly, there is an opportunity for growth in the national radio arena and Clear Channel and Infinity seem to want to compete there. They want to compete against network television, national cable, magazines and...digital media. This is not easy. Television and print have been at the national game for quite some time—are very savvy national marketers, have loyal clients, etc and digital is just so hot! In fact, radio is late to the party—has years of catching up to do. But it can and needs to be done—and there is no one else to do it. In my view, radio has abdicated its position as a favored national medium and needs to reclaim it. It is not a creative issue—over the years, too many fingers have been pointed at the ad agency creatives—it is simply about big marketing.

The truth is that size does matter—national radio is now on the

radar screen because of the size of Clear Channel, Infinity, XM and Sirius—Wall Street recognizes them, as does Washington, the media and advertisers. If radio was a local medium, then why would agencies working for larger national advertisers choose to use it? If most advertising on radio was local, what would entice a national advertiser to be positioned there? Let's face it—the medium and many of the local ads didn't sound so big-time, so cool, so important. Production quality wasn't comparable to that of national television—and the national image is really very different from local.

In fact, national programs are relatively new as well. Rush Limbaugh talks about how the nay-sayers were sure his program wouldn't work among listeners because radio was supposed to be locally originated. I am recalling this so that we have perspective and realistic expectations—so that we seize the opportunity, make some haste, take a good look in the mirror and stop pointing fingers at the agencies who really were just responding to the nature of each medium and responding to the best opportunities.

Am I a proponent of radio consolidation? To the degree that it has spawned a national radio medium, yes! To the opportunities presented for improved quality, yes! For better national program and advertiser opportunities, yes! Do the larger companies need to restructure, upgrade and reposition to compete—undoubtedly! Is this their opportunity for profit? I believe so—because simply consolidating for greater leverage in the local marketplace will not work—advertisers will and have balked—agencies, Washington and the like will object. Consolidation works if there are efficiencies and redundancies eliminated so that advantages (not disadvantages) are brought to the advertiser.

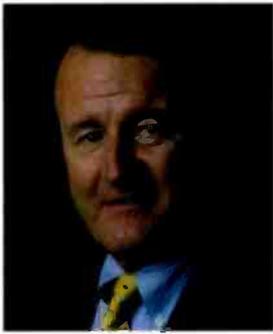
Anyone who thought advertisers had no alternatives were clearly mistaken—radio is just one of many media and all media need to maintain relevance. At this particular time, competition for consumers' attention and ad dollars is fierce—radio should be well aware of what the other media are up to. Consolidation works if there are new opportunities created from the new formations—if the medium evolves to a greater place, if the marketers get smarter and more sophisticated. This requires redeployment of capital—and resources—most of all leadership—and a clear understanding of the task and challenges ahead. It is not simply a reshuffling of the old deck—it requires new, quick and nimble solutions and some catching up.

Things are moving both slowly and quickly—I am encouraged by the talk and will continue to do my part to help push things along. But enough of the old excuses—and any old thinking—no time for that!

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EDI and Interep's RadioExchange solution

Agencies, buyers and rep firms are vulnerable to misunderstood communications, incorrect order submissions and resulting confusion. To help reduce some of that inefficiency and make the process run more smoothly, Interep recently unveiled RadioExchange-the industry's first national spot radio web-based e-invoicing and verification system. The software eliminates part of the initial paper trail and automates back room clerical functions-saving time, preventing errors and enabling sellers and buyers to focus on the strategic collaboration essential for effective media buys.

As part of that unveiling, Interep presented a panel session at the recent NAB Radio Show, "Radio Exchange-the Art of Electronic Invoicing." Here, Marc Guild, President, Interep's Marketing Division, talks RadioExchange's promise to the industry:

Tell us about the recent EDI panel session at NAB in Philly.

It is on our website if you would like to view it in its entirety. We took the opportunity to introduce RadioExchange to the industry at this year's NAB. The panelists were Gene Levin, Treasurer of Entercom, John Keanna, CFO, Carat and Joy Baer from Strata. Basically, Joy went through the mechanics of the system. Then, John talked about the benefits from the agency's perspective, and how valuable he thinks the system will be to Carat. Gene then reviewed the benefits from the station's perspective. Overall, the session was well-attended, and RadioExchange was very well-received.

What drove Interep's EDI Initiative, and to subsequently develop RadioExchange?

We have a phrase at Interep that says we serve our client radio stations' best by serving the needs of their customers. And because of that, we do focus groups all the time with major advertising agency decision-makers across the country. And at every single meeting that we had, the issue of electronic invoicing was at the top of their list. And, so after about 10 or 15 of these focus groups, we said, "Maybe we ought to be doing something about this. If we can help radio's ease-of-processing, it may help us gain a larger share of the advertising pie."

So we went back to the folks at the agencies and said, "If we come up with an electronic invoicing system that would ease the horrific task of trying to resolve all of these discrepancies, would you be more likely to recommend radio on media plans? And they said, "While we make those decisions based on our clients needs,there's no question that it will serve the radio industry very favorably." And that's all we needed to hear. The development started about 18 months ago. The first six months were spent on getting together with salespeople, media buyers, accounting people from the agencies and radio stations. We held focus groups to uncover all of the possible scenarios that might come into play in trying to design this type of system.

Tell us about your collaboration with Katz in this effort.

We talked with Katz very early on in the development of RadioExchange. And then, as is the case with many efforts in trying to get something universally accepted across the rep industry, the discussions kind of broke down. We invite the Katz organization to take advantage of this system. I think it would be in the best interest of the industry to use a single source.

What are/were the biggest hurdles in getting RadioExchange to be used as an industry standard?

The toughest task for us right now is gaining critical mass by getting all of our radio stations equipped and trained on using this system. It's a very easy system to use, and only takes about 45 minutes to an hour's worth of training. But when you've got 2,100-2,200 clients, that's a lot of time.

How are the stations trained?

There is a software called WebEx. And WebEx allows for us to be on the phone and both us and someone from the radio station to be on the computer screen and watch our cursor go to the different spots on the screen. By doing so, I can show someone at the station how to use the program. We can also go there in person-that's another option. We're also thinking about making up CDs that will offer step-by-step instruction that you can do at your leisure.

We understand you're offering this service free to the agencies and stations. How does that work?

The reason we developed this was there was a terrible need in the marketplace, and everybody balked about paying for it. Yet, every single other media was developing some kind of electronic interface. As a result, radio was under a growing disadvantage. So, instead of charging a fee, we're asking agencies to pay us faster, and reduce our Accounts Receivables by 45 or 60 days. That would be revolutionary, and an enormous benefit. In addition, we're asking for access to every agency decision-maker for every account that we think makes sense for radio. This will support our current "Planner Initiative," which requires every Interep seller to call on at least one planning team for a brand that either isn't spending money in radio at all or is spending very, very small amounts in radio.

What traffic and billing systems does RadioExchange work with?

RadioExchange takes the affidavit from a station's traffic system and then converts it to whatever software the agency uses. We tried to make it compatible with the top three-Donovan, Strata and Encoda. But if somebody has a different system, with a little bit of configuration, we can make it work with any software.

2004: It's all in the cards

Most trade magazines, when it comes time to look ahead to 2004, will trot out the same old so-called gurus, who will look into their crystal balls, or read the entrails of birds, or get in touch with their rheumatism, or otherwise try to make sense of things to come based on stuff that went.

Not RBR! We have traveled to the corners of the earth looking for a special deck of media Tarot cards, which have the profound and mystic ability to predict the future of broadcasting with a far greater degree of accuracy than any statistic-consulting guru. However, we were unable to find such a deck. So we made one up.

As for our predictions? As far as we are concerned, one number is pretty much the same as another, so we ignored all of them. Bottom line—our predictions are all made up, too.

We anticipate that some of you will find this to be shoddy methodology. With that in mind, we have gone to the trouble and expense of having the one, the only Carno the Magnificent—our Founder, Inspiration and Reason for Typing—issue a number of Carno Curses in advance.

These curses are self-service. If you take umbrage with anything written in these pages, we'll thank you to apply the curse of your choice to yourself, at no extra charge.

1. The King of Clusters: Broadcast ownership

Used to be, the King of Clusters could hold no more than two towers, if they were audio-only. One of them could be of the ancient amplitude arcana, the other of the somewhat more modern frequency arcana. Or he could hold a television tower, which wouldn't necessarily improve his sight, but would allow him to project sights for others to see.

In the modern deck of Media Tarot cards, the King may hold up to eight towers (in the larger suits), but unless it's a really big suit, he still cannot have audio and video together.

If you are dealt this card in a reading, and it is crossed by The Chairman card, the King may well hold eight audio towers, two video towers, cable wires and—just to top it all off—he'll even be holding a scroll, like the Gotham Times.

If, on the other hand, this card is crossed by The Senator card, the King can forget about adding any new towers or scrolls—in fact, he may well lose some of the towers he already has!

We note that this is a self-playing deck of cards, and The Chairman himself, in a high stakes poker game with The Senator, was poised to play this card early in September. However, at the very last minute another card showed up—The Judge—and he shuffled the King of Clusters right back into the deck. No one knows when it will surface again, nor in what form, but it surely won't be before year's end.



2. The Ace of Trades: Station trading

If you'd seen this card over the summer, ironically, the hands would have been wearing mittens! That's because it was crossed by The Bureaucrat, which chilled it to a state of almost pure motionlessness while getting some new paperwork together.

The Bureaucrat card was shuffled safely back into the deck in August, only to re-emerge at the top of the deck in September when The Judge—in the act of returning the King of Clusters to the deck, popped the Bureaucrat back out, who immediately put on another freeze.

But The Bureaucrat's second stint on the reading mat was short this time, and the mittens came off quickly, much to the relief of The Broker, a card which often acts as a motivator for the Ace of Trades.

However, the King of Clusters is expected to fuel some hot and heavy trading, particularly when the rules on video towers are relaxed. So far, that has not happened. The Ace of Trades is mostly working on deals at the Jack level or lower.



May a quota-conscious AE undermine the integrity of your rate card!



May a demented DJ moon your biggest client at a mail remote!



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3. The Knight of Digits: IBOC

While there are many Knights in the world of Tarot, only a very few can claim to be a Knight of Digits. Only a client with a special receptor can truly benefit from receiving the Knight of Digits offerings, which are nonetheless said to be crisp and crystal clear.

This is leading to a chicken-egg scenario. Knights don't want to go to the expense of joining the Order of the Knights of Digits until more clients have receptors; but the clients don't want to invest in the receptors until there are more Knights of Digits out there!

At some point, The Chairman could pop out of the deck and inform the Knights that they will all become Knights of Digits, or else, but so far there is not sign that this will happen.



May a deranged field agent plant a George Carlin transcript in your public file!



4. The Knave of Tarts: Indecency

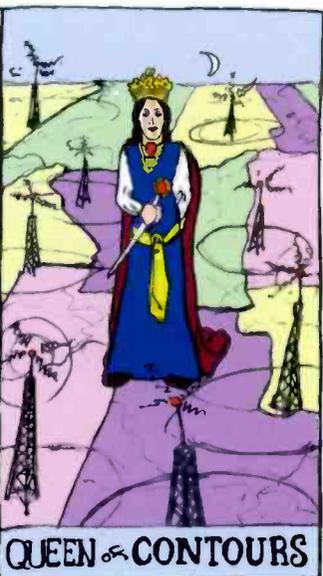
Sometimes you don't even need to draw this card to get it. If you happen to draw the Commissioner of Copps card, you may well find yourself in a "Race to the Bottom" of the deck, where you'll invariably find the Knave of Tarts, often guarded by The Cowman and The Stern Stentorian.

It can cost you money to play the Knave of Tarts in combination with the King of Clusters, and if the Senator and the Commissioner of Copps cross it, that amount may increase tenfold. And, for good measure, towers may be subtracted from the King of Cluster's stash if they can convince a majority of the Major Arcana to agree with them.

Often, it's all how the Knave words things. He may discuss acts such as "Honking the Bobo" and get away with it. But it seems that more and more concerned citizens are paying close attention to the Knave, watching for and documenting his frequent slip-ups. All in all, this may prove a troublesome card to draw in the next annum.



May a malicious meteor make a crater out of your antenna farm!



5. The Queen of Contours: Radio market definitions

The Queen of Contours is very confused. She wants to go to market, but the very idea of what constitutes a market is up in the air. It used to be, the market was determined by lines formed by tower circles.

However, The Bureaucrat, at the behest of The Chairman, has replaced the tower circle lines with lines drawn by another card icon, The Arbitrator.

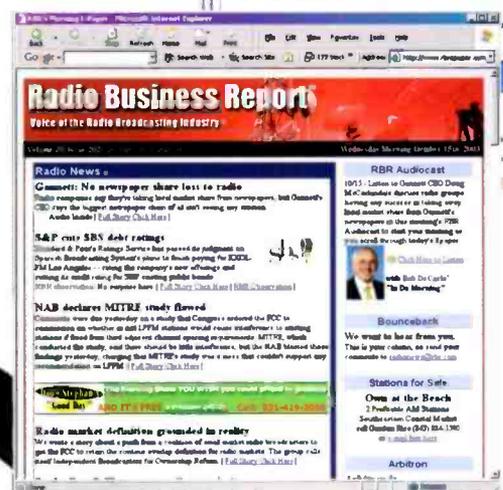
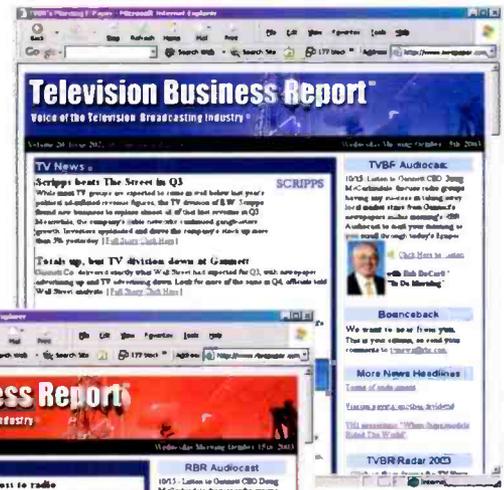
If The Arbitrator does indeed become the standard, the power of the Queen of Contours will be greatly diminished, and in fact, she will probably be demoted down to the Princess of Contours, or even the Charwoman of Contours in some of the smaller markets.



May an indignant nanny impugn the decency of your morning show!

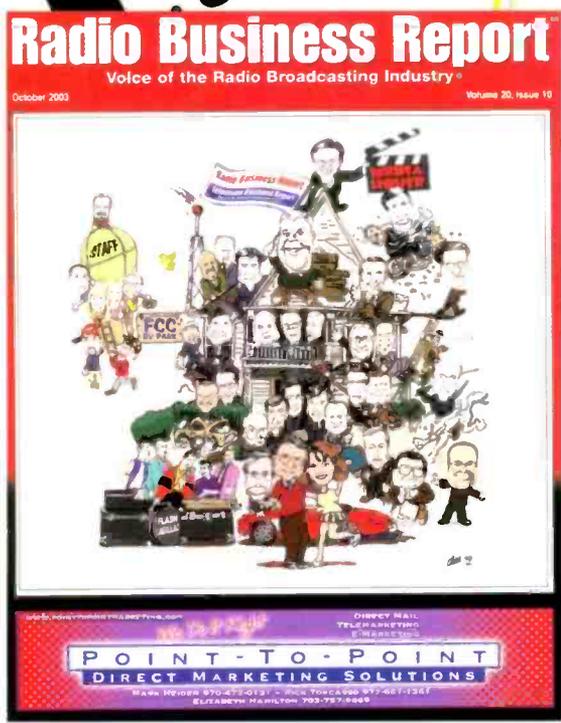
We're your personal business planner

Let RBR & TVBR take you through the day and keep you up-to-date on industry news and knowledge you need to succeed in today's fast paced environment where knowledge is everything and time is a precious commodity.



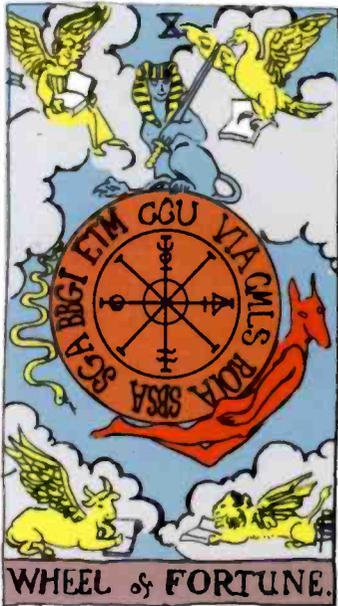
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Top off your business planner with Radio Business Report. This monthly business solutions magazine will keep you in the loop with articles and personal interviews with today's key industry players.

Radio Business Report
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 First, Fast, Factual and Independently Owned for Over 20 Years!



6. The Wheel of Fortune: Wall Street

This card involves another kind of market, one where rune-bearing papers are exchanged based on the traffic in a different kind of paper—green paper bearing engravings of ancient wise men, given to the proprietors of the runes in exchange for air.

The flow of the engraved papers has been sluggish, which has in turn slowed down the movement of the rune-bearing papers. It is hoped by many that things will soon turn for the better.

This is particularly true of the Chief Executive, who tried to grease the wheels by drastically trimming down the Tax card. The train is moving, and appears to be on its way out of the valley, but it remains to be seen if the track ahead is a steady uphill grade or a roller-coaster.



May a pesky promoter present a payola problem to your playlist!

7. The Seven of Elevens: IPOs

Wall Street was a happy place during an ancient time known as The Nineties, but it is now pockmarked with potholes, and littered with the abandoned carcasses of over half of an entire suit, from the Knave of Dot-Coms on down (they were undone when crossed by the Major Arcana card known as the Investor of Irrational Exuberance).

Since the Knave went down, Wall Street has been a perilous place, and few Tower-Bearers have dared venture onto its ravenous bear-infested pavement.

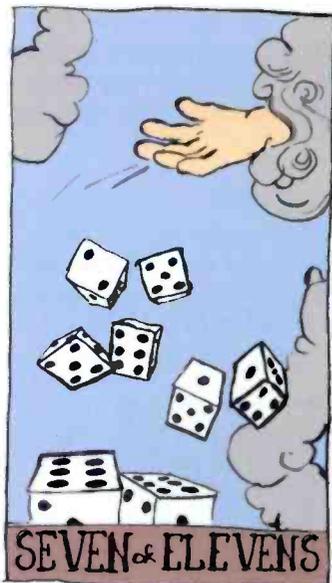
Many of the seers on Wall Street are gazing into their crystal balls and seeing better times ahead. However, since the seers are also sellers, wise card-readers take their recommendations with a pinch of...no, that's not it...with a handful of...no, that doesn't work, either...with a pillar of salt.

Still, the seers are saying that the bulls will return, and where there is this much bull...

Nonetheless, in Pamplona, many run with the bulls and come out for the better. Still, some are gored. You may quench your thirst if crossed by a Seven or an Eleven; but if you are crossed by Snake Eyes or Boxcars, watch out!



May a surly senator spill his spleen on your CEO!



8. Three of Fours: Accountability

The King of Clusters has been known to brag that his cluster's Town Crier can be counted on to run an advertising flight 75% within specifications! He thinks this is outstanding service.

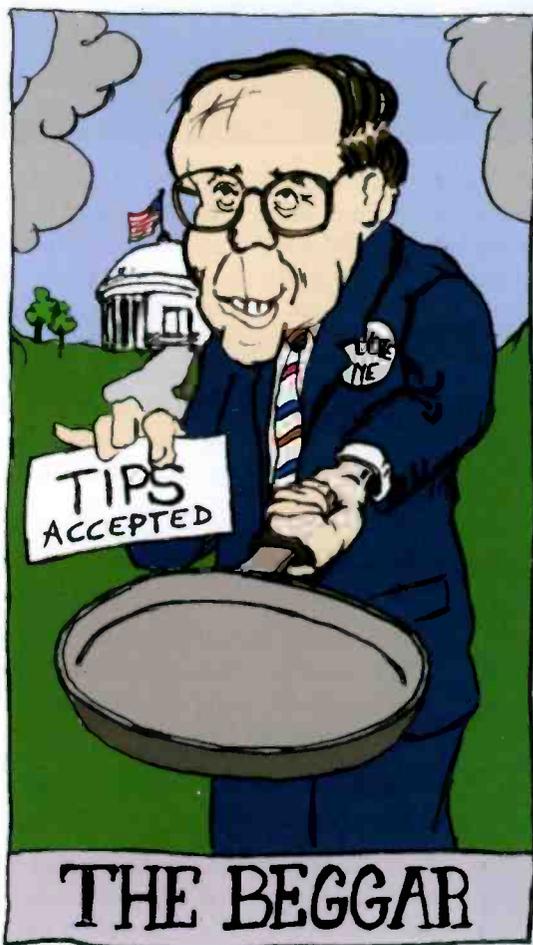
His clients, however, may not be quite so impressed.

This card depicts a barter transaction with a local horse trader who received such an ad schedule. He is delivering a three-legged horse to the King as accurate and fair barter reciprocation.

Since the King of Clusters subsequently was thrown flat on his face during a fox hunt, he is considering tightening up the parameters of the Town Crier's scheduling and to come up with better, more accurate and efficient logging procedures, not to mention keeping track of who's on the street listening in while the Town Crier is bellowing.



May an unhinged stork deliver quintuplets into your downlink dish!



9. The Beggar: Campaign finance

The only thing in the world of Tarot more certain than The Senator voting himself a pay raise is for The Senator to present himself before the King of Clusters and demand an airtime handout.

He will bluster, threaten, and invoke the public interest, even though the interest is entirely his.

However, as The RBRbiter of Impeccable Judgment has long ago observed, debates and straight campaign news coverage are far more valuable to the public than is airtime given straight-away to the nefarious Senator and his related politicians. They are most likely to use this air to show off their offspring, utter empty platitudes and label their opponent The Knave of Tarts.

Beware, for this card is particularly obnoxious during an even year.



May a nostalgic engineer install that good old AM transistor sound on your FM blowtorch!

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Michael Harrison: The present and future of Talk radio

At this critical juncture, with many questions in the air surrounding what will become of Talk radio icon and (some would call) the savior of the AM band **Rush Limbaugh, Michael Harrison**, Editor and Publisher of Talkers Magazine, gives some valuable opinions and advice for station owners and the industry in general. How might all of this affect the shows' 600 affiliates, advertisers and ratings? Harrison "talks about Talk" in this exclusive RBR Interview.

First and foremost, Harrison tells us about the launch of Talkers, and what set the stage for that launch.

"First of all, in order to understand talk radio from 1993 to 2003, you really have to just briefly go back to 1987. Because what happened in 1987 set the stage for talk radio growth spurt or as we like to call it talk radio phenomenon of the 90's. That was the appeal of the fairness doctrine.

Add to that the emergence of super talent Rush Limbaugh, the increasing economic feasibility of doing syndicated radio via satellites and breakthroughs in telephony and the maturation of the post-war baby boomers who grew up on AM Radio and grew up with Rock n' Roll and thus have a taste for AM radio and pop culture. Their changing taste in terms of wanting something a little bit more substantive than music, but their love of radio and thus you have the perfect recipe for a revival of talk radio on the AM band. Add to what I just said the fact that you had thousands of radio stations that were getting beaten up by FM stations who really had little to lose. Talk works on AM much better than music does. So it all really began in '87.

We started Talkers Magazine in 1990. Between 1993 and 2003 we have seen exponential growth in a number of stations and a maturation of the industry that we call Talk radio. From a standpoint of it went from being the frontier, the fertile ground, a place where people had nothing left to lose, to a very corporate, money making, highly disciplined business-like environment. That particular evolution was enhanced by the Telecom Act, which set the stage for consolidation, which set the stage for corporatism. So in 1993 Talk radio was a wild and wooly, wild frontier of entrepreneurship with nothing left to lose—to 2003—highly cooperate, highly researched, highly monitored, sold, money making and business-like."

Is that good for our business or bad?

"It's neither good nor bad," says Harrison. "Its inevitable-all industries go through that cycle, from a standpoint of the fun of

it, the artistic purity of it, the excitement of it, there's nothing lost when a thing corporate and mature. From a stand point of business, it's become a big business. Which, in fact, was it's original goal. The AM radio band has been given new life. Hundreds of people have careers as personalities on radio at a time when the personality, the radio star if you will, was dead. And this whole new level of direct response marketing that talk radio, has done a great job of stimulating and creating has become a major part of radio in general's new non-traditional revenue source and none of this would have happened had we not gone through this evolution in the past decade."

Talk radio won't die without Rush

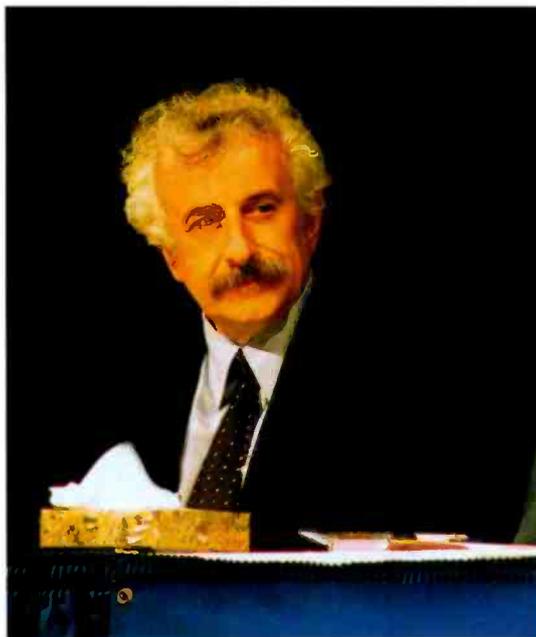
What happens now to the entire AM spectrum if Rush, the driving force behind talk radio doesn't return, his audience deserts him, or is convicted for his illegal drug purchases? Many say Rush is what drives part of the AM band and its important for his return in order to make that whole. A station might be built around a whole idea of conservative talk and having other products be successful on that same station. Many say it's important that he returns for that.

Well, Harrison says it's not as critical to the industry as one would think, and it could all lead up to a very happy ending. As well, he addresses and dispels a few myths.

"Well, no doubt it's important to the industry that Rush returns. But you have to separate Rush the human being from Rush the product. As a human being, no one can tell what's going to happen. Rush faces a tremendous mental and physical challenge. He also faces potential legal problems. So I have to acknowledge that but put that aside. If Rush is able to return, he has an opportunity to be reinvented more colorful than ever before. And if anything, his persona and his product, if you will, have been reinvigorated by this new chapter in his life because Talk radio is so much more than just politics and so much more than people listening to someone with whom they agree. So this could turn out to be

invigorating, just from a standpoint of show business and product. The drama, the compelling nature of it—can you imagine a month from now or two months from now when Rush Limbaugh comes back from rehab and he goes on the air? It will be like the final inning of the seventh game of the world series. People will want to hear it. It'll boost ratings; it will give him an opportunity to really be interesting, if nothing else. That's a rosy scenario that's in fact very possible.

Many myths about talk radio are coming to the surface from this Rush Limbaugh story. One myth is that Rush Limbaugh is the whole backbone of talk radio. Not true anymore. Had Rush Limbaugh had been taken out of the picture in 1993 or 1994 or





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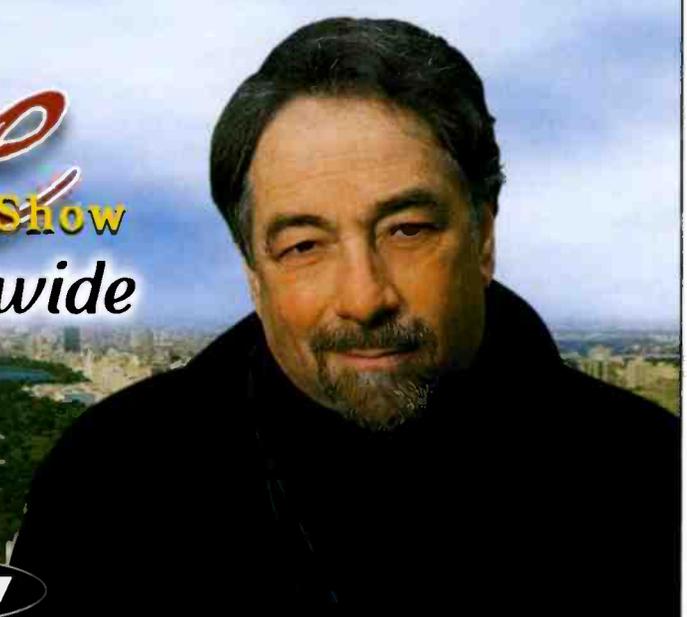


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1991, perhaps we never would have the talk radio scene that we have today. But the fact of the matter is Rush has been around for 15 years and a whole industry has grown around him. And in many cases not even due to him. There are a lot of talented people out there; a lot of talented managers and programmers, personalities and a tremendously savvy legion of talk radio listeners who are sophisticated and understand the medium and are going to keep listening to many different aspects of it. So Rush Limbaugh no longer carries talk radio on his shoulders. That's one myth. It can exist without him and it will continue to if the worst case scenario happens and he doesn't return at all.

Secondly there's the myth that somehow the only people that people listen to on talk radio are people with whom they agree with politically. Now what is going to happen to Rush now that he's been shown to be imperfect, or some are calling him a hypocrite. And that's a myth. People listen to people because they are entertaining and compelling and many, a very large percentage of Rush's listeners (he said half at his NAB speech), love to hate him. So it's not true that a falling talk star that has proven to be wrong will suddenly lose all their listeners. Rush Limbaugh is not a priest he's not a member of the clergy, he's not an elected official, he's not the president of the United States, he's not the Pope he's just a radio personality and that's important."

Buyers should learn qualitative vs. quantitative

What should agencies be looking for in Talk radio when they're planning their budgets? Harrison says Talk radio is a different animal altogether and CPPs, reach and frequency aren't the lone currencies that should be used in buying it.

"It's something that's been an issue for years—the American advertising agency industry has got to learn the meaning of qualitative buys. They have to stop mindless cost per point buying, because this is not to the benefit of their customers and their clients. And talk radio has been a leader in the qualitative arena, Rush Limbaugh and the rest of the pack. So the big issue facing agencies is that they have buyers who understand the nature of radio and its audience. As opposed to just looking at numbers, because, again, numbers lie. They can have large cost per point buys that don't do a thing for their clients. The nature of talk radio is it has a foreground audience that pays attention to what it hear; it is an affluent audience; it is a mature audience; it is a socially and politically and economically dynamic audience and it's a great place to be. Pound for pound, dollar for dollar, I'd say every buck spent on talk radio will get you the bang that three bucks will get you on the equivalent level of listeners on music radio."

Selling against music stations: What's the difference?

Is that bang for the buck just because the host is behind the product, doing live reads? Of course not, it's much, much more, says Harrison.

"Especially when the host is reading it but even when it's on the station, even if it's produced. The reason for that is every talk radio station in its market, although it may have another talk competitor, you cannot hear what you're listening to on another station in the market. You can switch the dial during the commercial and hear another **Shania Twain** record. You can hear **Britney Spears** singing the same song or the Beatles on the competing station. Music radio's competitors play exactly the same product as each other. Whereas in one market you only have Rush, you only have Shawn,

you only have Laura, you only have Mike, you only have Imus, you only have Howard. There isn't another place to go, so that's one reason that keeps people listening during commercial breaks.

The other big thing that keeps people listening during commercial breaks that music radio doesn't have going for it is that talk radio happens in sequence. Point A leads to point B leads to point C goes back to point A, goes ahead to point E. Whereas music radio is just little islands of programming entities that don't relate to each other. So a person has absolutely nothing invested in sticking through a commercial break. When it comes to that break that they know is going to go on for six or seven intolerable minutes. But talk radio, you're not going to find out, where is Rush or where is Shawn where are they going with this conversation? What's the next thing that's going to be said about this or this inter-

view that I'm listening to is developing if I tune out now; I'm going to miss the point. So the sequential nature and the exclusivity of product makes talk radio something that keeps listeners staying there during the commercial break. Whereas music radio not only doesn't give people a reason to stick around during commercials, it has trained its listeners not to listen during commercials. You know—much more music, fewer commercials, 10 in a row. The whole thing tells the listener, tune out during the break."

Is clustering bad for Talk stations?

Believe it or not, some corporate clusters view their AM talk stations as a bastard stepchild unless they have a Rush or a Shawn. As well, some say corporatism, consolidation and the clustering mentality puts poorly trained salespeople or SM into positions that make it difficult to really market and sell Talk radio. We asked Harrison to address that issue and give a couple of points to a DOS or a market manager in selling Talk stations.

"One of the things that has made it difficult for Talk radio to be

News/Talk Dominates the Share of Adult Radio Listening

News/Talk	15.4
Urban	11.6
Hispanic	11.2
Adult Contemporary	8.7
Country	8.4
CHR	7.4
Classic Rock	6.5
Oldies	5.1
AOR	3.6
Modern Rock	3.6
Smooth Jazz	3.2
Hot AC	3.1
Sports	2.5
Adult Standards	2.1
Source: Arbitron Spring 2003 92 Continuously Measured Metros, Adults 18+, AQH Share	

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DR. LAURA ON WJR 3.5 TO 3.8

DENVER

DR. LAURA ON KHOW 1.7 TO 3.6

KANSAS CITY

DR. LAURA ON KCMO 2.7 TO 3.6

INDIANAPOLIS

DR. LAURA ON WIBC 2.9 TO 3.9

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sold properly has been the whole cluster format in consolidation. Because the parent company has a much larger investment in terms of how much they have paid for the facilities in the music FM station. For the music FM stations in the cluster, most of the new managers who run the clusters, as opposed to the individual managers who ran the separate entities before consolidation, come from a music background.

So when you add those three elements together, the fact that they are sold in combination, that the main manager comes from a music background and that the parent company has a larger financial investment in the health of the music FM than the AM, there is not only a lack of knowledge of how to sell talk but there's a self-conscious and in many cases a conscious negative energy that is put in that pursuit, where they actually don't try to sell it. How can you sell against a music station when in fact you're in combo with a music station or you own that same station? And the key to selling talk is to sell it against music stations. If you cannot sell talk radio against the local music stations in your market then you are selling radio with your hands tied behind your back.

And this gets back to the mentality of advertising agencies who look at everything quantified and in categories. The reality is, the dirty little secret is, radio sells against radio, not against other media."

Finding good local talent

How does one find good local talent for talk stations? Few successful Talk stations have made it on syndicated talent alone. Harrison says the process isn't getting any easier.

"First of all, one of the biggest problems facing radio is we don't have the "farm system" anymore. And so much of what makes a talent in any format is somebody who was a kid who listened to radio who dreamed of being in a radio station, and they looked at the radio station as some kind of cathedral, some kind of a sacred place, and the core of the popular culture and they wanted to be there. Like a kid wanting to play at Yankee Stadium, the radio station was very much like that in growing up. We don't have that anymore. You don't have talented broadcasters growing up anymore, wanting to do that and that's a big problem. Add to that, the other thing that you need is somebody that is really plugged into the community, lives and breathes localism and knows a lot of people and follows what's happening, has a point of view, but not such a cutting point of view that they make a lot of enemies. And that's the goal, how do you do it? You have to work at it. You can't just call "dial a personality" and have them sent to you. It's a lot of work."

More Talk radio myths and misunderstandings

Many in the mainstream media have pigeonholed Talk radio as a conservative phenomenon, with so many of the popular hosts focusing on politics. With **Sheldon Drobny's** AnShell Media ramping up positioned as a Liberal talk network, that perception may change. Harrison says the mainstream perception of Talk radio brings to mind plenty of myths in general. And as to AnShell, "Well there really isn't a very successful all-conservative network.

So the idea of having a 24-hour a day liberal network is a very, very large challenge. A very large ambitious project. There are just successful shows; there is no such thing as a successful network. There is no network out there defined by its style of programming that has a 24/7 audience. There's not enough good product in talk radio to create a format based upon political genre.

Conservative talk radio has done very well. It has its audience. It serves its audience. They love it, its popular, its successful. All the liberals have to do is play the same game—identify their audience, program to them, be entertaining and compelling, have patience—because it took years for the conservative to develop and hope that the circumstances of the news and the public mood is such that there are enough

people that will turn to it, with the kind of the loyalty that conservatives turn to conservative talk radio to build a strong niche.

Another myth is that somehow corporately the radio establishment is conservative, and that's why they play conservative, shows. Not true. If there were a market for all liberal, or liberals, they would put them on. And the whole issue to me is distorted. It's not realistically being presented and there is so much more to talk radio than just politics. But even in our media community, there are liberal outlets. For example: National Public Radio is very liberal, that's not chopped liver. There are millions of people listening to that. How about Urban talk radio? We never hear talk about that, but there are millions of people listening to Urban talk radio. Black talk stations in the major urban markets are predominantly left leaning, liberal, supportive of the Democratic Party. We never talk about that. What we talk about is that very narrow genre of talk radio, the more conservative talk radio as though it's the entire spectrum and somehow blocking out opportunity for other people.

Talkers to look at for 2004

Who are the hottest talkers for the year 2004 that agencies should really take a look at—whether they are syndicated or on a network or on RADAR? Who should be looked at for their content to spreading some ad dollars upon and get that "bang for the buck?" **Laura Ingraham** seems like one good example, but there's a whole bunch of talent out there. Who should we be looking at in the radio medium for the advertisers?

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"If they are interested in conservatives they should clearly be looking at **Sean Hannity** on ABC, they should be looking at **Mike Gallagher** on Salem, they should be looking at Laura Ingraham and **Rusty Humphries** on the Talk Radio Network. They should be looking at **Alan Colmes** if they want a nice counterpoint to the conservative political broadcasting, because he's known to everybody as being counterpoint to Sean Hannity on Fox News Channel. He's on radio at night.

They should be looking at the IE America Radio Network, which is a liberal network, owned by the United Auto Workers. It doesn't have tremendous ratings or hundreds of hundreds of affiliates but they are out there doing liberal broadcasting. But they do have an audience and there are some good people there. There is a fellow there by the name of **Tom Hartman** who is very bright and articulate person in that arena. There is lots of good local radio and they shouldn't forget about it, they should support it whether its KSFO or KGO or KABC or KFI, WABC or WOR, WRKO, WBZ and KMOX. They all have local shows on them as well as network shows."

So, what about Urban Talkers?

What about the Urban Talk community? Keeping on the local level, we asked for Harrison's picks on hot Urban talent:

Joe Madison of WOL, Washington, DC (plus the whole station)

Mary Mason of WHAT, Philadelphia (plus the whole station)

Monique Caradine of WVON, Chicago (plus the whole station)

Lincoln Ware of WDBZ, Cincinnati (plus the whole station)

Lisa Mozer of WAOK, Atlanta (plus the whole station)

Bob Slade, Bob Pickett & and **James Mtume** of WRKS-FM, New York (not the whole station... it is otherwise music)

Exciting station to watch: WWRL, New York which just entered the Black Talk arena

Has the industry misrepresented Hot Talk?

We asked Michael what's next on the talk radio horizon and got the answer, but also another very important point: The industry has misinterpreted modern talk radio audiences altogether. Talk radio sort of come to fruition beginning with the conservative icons such as Rush then we saw sort of a revolution of hot talk stations primarily on FM that was a little more rowdy and was a little more off the subject of politics and conservatism. What do you think is in store in the future—what will be the next wave of talk?

"Ok you just asked a great question, I'm glad you asked it because its something I would like to address. The biggest mistake they made in the approach to do Youth Talk in the past few years on FM was to assume that the young people who listen to it are stupid. The post war baby boomers that listen to talk radio and the ones that used to listen to Progressive Rock radio, which is what my roots are, they were bright. We did Alternative radio back in the late 60's and the early 70's to the bright kids. Not to the stupid kids. It was the bright kids in college that listened to Album Rock and were

against the war and were expressing their views. And it's the bright people that listen to talk radio, even if you think they're stupid, even if you think it's dumbed down, it's still tremendously brighter than most mass audiences and certainly than the people that listen to pop music radio. The biggest mistake they made was to assume that because the target was young, it was only interested in sophomoric humor, titillation, sexuality and degradation. And that's why it failed to gain a formatic audience. I mean you do have **Howard Stern** who is successful and occasionally there is some others that pop up here and there, but it is never been something that could become a genre and formatted because that was the misconception.

I think the future of talk radio in terms of younger demos were it has to go for it to really have a future is that they are going to have to start to do radio on FM or AM but FM is where younger people are. That appeals to the intelligent, educated, aware young person or society and there are enough of them, again being niches, there are enough of them to create a 3, 4, 5 share of a really good qualified audience to support the format. And that is a major opportunity that corporate radio has absolutely dropped the ball on."

The importance of Talk radio

And last, but not least, we asked Michael to define Talk radio on a philosophical level: What's the importance of talk radio? What's the purpose? We saw the power of talk radio recently demonstrated in the **Terri Schiavo** case in Florida, where Governor **Jeb Bush** intervened to save her life. The Weekly Standard recently had this to say: "While the story was virtually ignored by the mainstream media—perhaps because the case illustrates vividly the dangers of the so-called "right to die"—talk radio once again rose to the fore and generated a firestorm of opposition to the dehydration. Led by nationally syndicated radio host **Glenn Beck**, and including other conservative and Christian talk radio hosts such as **Janet Parshall**, Sean Hannity, **Jane Chastain**, and **Janet Folger**, and promoted vigorously by the nation's politically liberal disability rights community as well as by numerous Catholic bloggers, a grass-roots movement in the last few months has produced tens of thousands of emails, phone calls, and letters to Governor Jeb Bush's office begging him to intervene to save Terri's life."

Says Harrison on Talk' radio's purpose: "Freedom of speech. Marketplace of ideas. Very, very close to populism. A very populist medium, where new information, where counter-alternative information can be expressed. Information and reasoned opinion. A place where the average person could have the chance to say something. I think the big picture, not to make money or to support our corporations and all that, but the big anthropological, sociological importance of talk radio is to be a very key component in the marketplace of ideas. A proponent of the first amendment, a safety valve for alternative points of view, which is crucial to a democracy."

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NAB Radio Show: Back on track?

The NAB Radio Show seems to have come a long way since last year in Seattle (RBR's "Engineered For Profit," October 2002). Back then, vendors told us things like, "And I told the NAB people at the corporate level it would have been cheaper for me to fly all the attendees that I had come to my booth to Dallas and have a personal one-on-one with them than it was to go through the setting up, shipping equipment out there, standing in a booth, missing all the sessions. Consolidation killed it, I think, over the last few years."

Attendance at this year's show in Philadelphia was 4,000. According to the NAB, the Seattle show was witness to a marked drop in the number of regular exhibitors. Total attendance was also down, with the official number being 3,983. That's down from 5,227 the year before in New Orleans.

We polled a few exhibitors at this year's show for their opinions and suggestions for next year's Radio Show in San Diego and in general. The gist: things are definitely looking up.

The participants:

Kim Winking, Broadcast Electronics' Marketing Manager

Bob Struble, iBiquity Digital CEO

Don Backus, Enco Systems Director of Sales and Marketing

Dave Scott, Scott Studios/Computer Concepts President

Grant Paley, Mediatouch/OMT Technologies Marketing and Media Relations Manager

Kris Bobo, Comrex VP/Development

How did this year's NAB Radio Show go for you?

Winking: It went very well. We were pleased.

Struble: The show was a big success for us. It was a fantastic venue to highlight the great progress we have made on commercializing HD Radio. We also were able to discuss rollout plans in great details with a large number of broadcasters.



Backus: Very well. We brought a big piece of our Las Vegas booth to Philly and we were glad that we did. Our visibility was high and we received a lot of nice comments and attention. In a show where many of our competitors didn't show or showed up in small booths, it was an opportunity for ENCO Systems to stand out, and it paid off.

Scott: Surprisingly well.

Paley: This show was definitely a positive trip for OMT. Not only did we get to meet with new and interesting future customers, we also had the chance to say hello to so many current customers we have not seen face to face in awhile.

Bobo: It surprised and delighted, best summarized as FANTASTIC!

Did you get the traffic you were looking for?

Winking: Yes. In fact, a couple of the salesmen said this was the busiest fall show they can remember working in a long time.

Struble: Yes. I would say the Philly Radio Show had somewhat smaller exhibit space than in prior years, but was much more crowded. The quality of interaction was high.

Backus: We got the level of traffic we expected. You always want more, but our expectations were met.

Scott: Yes. Lots of traffic. There were so many people, the aisles could have been even bigger.

Paley: Again, yes. We we're amazed at the quality and quantity of the traffic at the show. We were anticipating this however, due to the fact that the show was being held in the North East for the first time in many years. We welcomed single stations, radio groups and internet streamers to the booth—it was all over the map, very exciting!

Bobo: Yes, and more!

Was it worth the time and money investment? Why?

Winking: Yes. We saw faces at the show that we haven't seen before, or don't see on a regular basis. Philadelphia was able to draw from the surrounding areas making it more convenient for attendees to attend just for a day if that's all their budgets allowed. Also, lots of interest in HD Radio at this show and we're heavily involved in that area.

Struble: Yes, definitely. There is no better place to meet with all the key radio broadcast constituents we work with - from CEOs to station engineers. You get them all in one place at one time.

Backus: I think it was worth our investment. We believe in radio and we believe in this show. Every year is a little different, but I think being on the East coast, we expected a good regional turnout and we were not disappointed.

Scott: Yes. All but one of our sales people signed up several new customers. Everybody met with current customers who were very interested in the new features we're offering to stations who already have our systems. Some of the new items are free software upgrades for many, and others involve some additional low cost hardware but the bottom line is that the additions to our digital audio systems pay for themselves in labor savings.

Paley: This years show was definitely worth it. We sold some systems on the show floor this year! Something not very common in the trade show game today. We also made new relationships with both future clients, current clients and partners in the radio software genre.

Bobo: Absolutely! Comrex enjoyed attention from powerful individuals from all facets of radio. It is rare to attend a gathering with such a high concentration of "Heavy Hitters". We met with major decision maker from nearly every Group and Network.

How would you compare it to years past?

Winking: I think it was better than years past due to the fact that it has been ten years or more since a show has been held on the East Coast.

Struble: Again, less floor space, as good if not better meetings and interactions.

Backus: I think this show has evolved into one where the people who come have a reason to be there, so the quality of attendees is very good. Many of them have projects that they are working on and so there are a lot of serious people there. It still is a smaller show than in years past.

Scott: Seattle last year was such a poorly attended show that we had decided to scale back the number of people we brought to Philly from 10 to 6. Six would have been the right number in our booth for us in Seattle. We had 6 in Philly but could have used more. Of course, no fall show has been as bad as Orlando. The NAB threw a party but nobody came.

Paley: From my own perspective and others here at OMT, we found this years show much more exciting, enthusiastic and positive from years past. There seems to be a buzz once again for radio and the people and company's involved.

Bobo: Comrex has never had a bad show, but 2003 in Philly was amazing.

Will you exhibit again next year?

Winking: Yes.

Struble: Yes, almost certainly.

Backus: Yes, although I have very low expectations for San Diego. It's a beautiful city with great people, but I would be happier if the show stayed on the East coast. The spring show is in Vegas, and I personally would rather see the fall show in the east half of the country. It makes it easier for radio people to attend at least one of the shows.

Scott: Yes, assuming the NAB continues to promote the show and make it worth the stations while to come for a variety of reasons, we will be there and try to add whatever we can.

Paley: We will be exhibiting next year. OMT will continue to support radio and the people that make the industry evolve and prosper.

Bobo: As long as there is a Radio Show, Comrex will be there. Radio made Comrex and we will never ignore Radio.

Any suggestions for next year?

Winking: I had a conversation with some of the NAB staff regarding next year's show. They mentioned they are looking at keeping the same type format...show in the "lobby" with sessions on the other end of the show floor forcing attendees to walk through the exhibits to get to the sessions. I think this layout worked well and would like to see it continue.

Struble: Anything that increases attendance. We had a great show, but more people is always better for us.

Backus: I think the NAB was on the right track with their original plan of having some content on the show floor. Of course, as soon as they reinstated the free passes for vendors to distribute, that content was removed, and that was a mistake. I think that the NAB feels that any kind of valuable content that a broadcaster might receive must be paid for by attendees. I believe that having some sessions on the show floor accessible to people having free passes does two things. One, it provides a sample of the content available with a full registration and would induce

many broadcasters to upgrade to a full registration. And two, at the prices exhibitors are having to pay to be there, forcing some traffic onto the show floor might benefit us vendors, making it more likely that we'll do the next show or have a bigger presence in the next show.



Scott: One or more full days over a weekend seems like the Saturday or Sunday could bring in more "day trippers" who pay their own way and often drive to the shows. In Las Vegas, the hotels would not like any convention to do that because they already have a lot of weekend traffic, but most hotels in most cities will have lower rates for a weekend day and be happy for the extra traffic. A few large corporate broadcasters may not want to get their hands dirty over a weekend, but I think the number of small market stations who could come for a weekend day or more would more than make up for any who skipped the weekend day. And exhibitors could see both groups because we are there for the whole time.

Paley: I hope NAB can keep being fresh and spontaneous. The Philadelphia show, small in size, was grand in scale, and the atmosphere! What a great convention space! The old Reading Railway terminal was a grand space to have the conference. Hopefully NAB can continue this.

Bobo: Not at this point.

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Understanding rate resistance

I hear the same question over and over from sellers and managers lately. "How do I overcome rate resistance? I've been calling on this client for six months now and all they say is that I'm too expensive. I don't know what to do with this client."

Well, there are a couple of issues we can address here, right now and they are:

1. How people perceive or don't perceive value for a product or service.
2. When to know it's time to give up on a client and move on.

Let's begin with why rate resistance comes up to begin with.

When someone is uneducated about a particular product or service, the first objective is always the rate. Think about it. When someone is trying to sell you something you don't completely understand, the rate or cost will always be your first line of defense. It's the first "card" you'll use in your "hand" of resistance. I've got a personal example for you.

While remodeling the exterior of my house recently, my wife Nancy pointed out that both the pool and the spa needed attention badly. She'd taken several bids on refurbishing a 30-year old swimming pool. I thought the cost was astronomical, but after comparing bids, I became okay with a general price range for the work we needed done. But I put my foot down on the spa. "Thirty-five hundred max is what we'll pay for that spa," I told her. And, she agreed. By the way, we knew nothing about spas. We'd never shopped for a new one.

So, we went spa shopping. Five or six reputable places. They listened to me as I told them what I wanted and they all nodded when I "laid down the law" on the price I was willing to pay. "Well Paul," they said. "Sure, you can get a spa for \$3,500. But it won't be the same spa you're looking at here on the showroom floor. It will be one of these over here." I wasn't impressed with what they showed me, but I was sticking to the price. "Sure, it's a working spa," they told me. "But the motors aren't really that powerful. In fact, when you turn them on, it might feel like somebody is peeing on you...that's about what it will feel like when you turn on the jets. And, if the thing breaks, who's going to fix it? The warranty's not very good."

By the time I'd heard the same story five or six times, I had no problem revising my estimate for the spa. I wound up paying more than \$5,000. And, I'm very happy now with my purchase. So the question becomes, where did I come up with the number? Truthfully? I pulled it out of my rear-end. I did. And, I'm sure you've done the same thing with some other product or service. Right now, many companies are preparing their budgets for the year 2004. And where do you think a lot of companies come up with the figure they'll use for advertising? Is it possible that they too, will pull a number out of their rear-ends? Remember that for most companies, the concept of advertising is always the weakest link. It's the hardest expense to qualify and to quantify. It's always the most mysterious business concept for most companies. So if their perception is that advertising is a crapshoot to begin with, why would they risk much on that budget item? They know and spend far more time on the product/service and sales aspects of their business. And, they know the least about and spend the



least amount of their resources on the mysterious advertising side. So when budgeting for 2004, which portion of the business is likely to get the least amount of money budgeted? Product/service, sales force or advertising?

Educated clients buy more than uneducated clients. That's why I take every local direct client through all ten of my presentation icons. I know that if my client is on the "same page" I'm on regarding the importance of advertising to the overall success of their

business, they're much more likely to spend more with me. If I can show them the huge hole in their competitor's advertising and marketing strategy and explain the rules for the difference between a good and a bad spot...If I can use the Mediator (tm) and show them how to calculate return on investment for any advertising they do, I might double or triple the amount the client thinks he can RISK on my station. Rate resistance goes away. No added value even comes into the discussion. It doesn't make any difference whether I'm number one or number 20. And, what's wrong with that?

Second Point: Sometimes, we get ourselves into a trap in dealing with local direct clients, who are consumed with nothing but rate. Typically, these are clients who have become spoiled over time, because every chiquita from every station in town is "educating" them with nothing more than rates and ratings. Many of these clients are now completely consumed with rate thinking and it will be very, very difficult to focus them on anything else. What to do?

Sometimes, the best thing about beating your head against the wall is that it feels so good when you stop. Sometimes, it's time to quit wasting your valuable time and move on. While you're busy beating your brains out with this one client, there are thousands more out there that are uneducated about marketing, advertising and especially you and your station, and the value you could bring to their businesses.

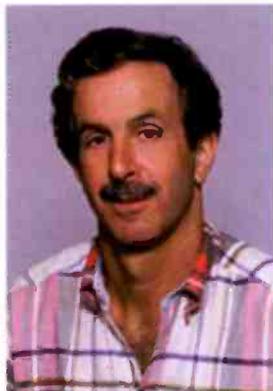
Occasionally, it's just a good idea to give up on the contentious rate-oriented client. Fire him. And then, call on and properly educate every single one of his competitors. When you finally make a sale, be sure to ask for and get a long-term contract. This will give you time to build a good relationship with your new client, and the annual contract your client signed will keep the wolves and chiquitas from the other stations at bay...for a while. But, after you have proven yourself to be a real resource and a good friend to your client, your rate will become a far second to your value as a consultant.

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Few deals, but multiples stay high

Based on station trading, which has really been sparse this year, it's difficult to put together any hard data to prove what cash flow multiples radio stations are selling at. But the people who get to see the bid and ask prices regularly, the brokers, assure us that multiples have remained high—and aren't coming down.

Despite the sluggish advertising market, would-be sellers are not lowering their expectations. After all, would-be buyers are everywhere, battling each other for anything good that comes on the market.



Elliot Evers

What's keeping multiples high? We asked **Elliot Evers** of Media Venture Partners is it interest rates, lack of inventory or what?

"Both those factors. Continuing demand. Anything that comes up that looks even remotely attractive, we've got six bidders for. They're unique assets—they're not making any more of them. The business is actually a healthier business, even in the smaller markets, thanks to consolidation. You've got denser clusters, better quality management, higher cash flows, better margins, so you can make sense of paying—I'll say 11 times—for market #200. Actually, 11 times would be low for market #200. So, low interest rates, continuing demand for inventory, lack of inventory and the health of the business," Evers explained.

The sluggish economy isn't depressing multiples, agreed **George Reed** of Media Services Group. "There's a lot of capital on the sidelines right now. The private equity



George Reed

capital, and then, of course, the public market for broadcasting stocks continues to be pretty healthy, as evidenced by the Citadel IPO. Essentially what you have is a lot of money on the sidelines and not a lot of deals. It's purely

and simply supply and demand. When a good deal, an attractive package, comes along—either a cluster, or for that matter an attractive single station, there are going to be a number of buyers who are interested in the property. Any time you have two or more buyers interested in a property, you have a possibility for a bidding situation to arise," Reed said.

Are multiples different for single stations, as opposed to an assembled cluster?

"Well, it can be. Certainly there's a premium on already assembled clusters," Reed said. "Occasionally you might have a situation where there's a single station in a market where two or more competitors can each own it. In those cases, often it winds up being a bidding situation. In those cases it can be bid up. The other side of that is that if it's a single station that none of the existing cluster players can own it, the guy may have a hard time selling it—certainly not at any kind of a premium price."

Will multiples go even higher when the economy improves?

"I don't know that multiples will go any higher," Reed told *RBR*. "I think what you'll see is that cash flows will improve and prices will go higher. Multiples tend to move inversely to interest rates. Interest rates are at a historic low right now. If you saw a spike up in interest rates, I think what you would see is a spike down in multiples. I think that's the bigger driver, frankly, than cash flow. Prices will move in tandem with the cash flow mostly, but multiples are going to move opposite interest rates."

So, just where are multiples these days? "I would say in the top 20 [markets] you're in the high-teens up into the low 20s, markets 20-50 you're probably above 12 and less than 18. Below that, again depending on market size, growth opportunity and

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density of cluster, in the teens—above 11 in almost any circumstance. In unrated markets, you might see a single digit multiple. I'd say the buy side wants to pay, let's say nine times, but sellers aren't really interested in selling for that, but rather 10-and-a-half to 11," Evers said.

"I think the top 25 markets are in a world of their own," Reed said. "I don't know how high high is in those markets. It's certainly not outside the realm to see a 20-times deal in a top 10 market. The middle markets are a little easier to pin-point. Call it markets 50-250. Those markets primarily trade in a 12-15-times range."

But it's all in the eye of the beholder. "Every time I get into a multiples discussion, there's always the caveat—the seller looks at multiples one way and the buyer looks at them a different way. You can see a deal announced and ask each side 'what was the multiple?' and you're probably going to get two different answers," Reed said. Disagreeing slightly with his fellow brokers, **Bob Mahlman** of The Mahlman Company told RBR that multiples have come down a bit and aren't as high as even a year ago.

"To me, any in the major markets is still going to be above 15 or so, but I think in the medium and small markets the expectations of 15, 16, 17 multiples is just not realistic. We're still in that situation where the sellers are expecting an awful lot and the buyers aren't willing to pay it. They can't get the financing for it, either. In the smaller markets, we're into somewhere between the eight and 11 multiple—that area—I don't see anything much lower than a nine or an eight," Mahlman said.

Just where multiples are in small markets depends on how you define "small market." "Somewhere you have to draw the line," Reed said. "If you're talking about stations that have at least a million dollars in billing, then I think the floor on those multiples would be at 10 times. I made the comment on the panel [at the NAB Radio Show in Philadelphia] that I keep hearing

about these deals at less than 10, but I haven't seen one. That's absolutely the case. For some very, very small stations in some very, very small transactions, maybe deals have been done at less than 10 times. They're so far off the radar screen that I'm not sure that it matters."

Mahlman agreed with Reed about that \$1M threshold. "If they have \$1M in revenues it's going to be a 10-11 times deal, or maybe 12," he said. Below that, it is whatever the buyer and seller can agree on. "There's going to be no multiple involved," he said.

"I figure small market is somewhere between nine and a half and 11. Medium markets are about 10 and a half to 13. Big markets are 12 to 14," said Brian Cobb of CobbCorp, reeling off his current rule of thumb for multiples.

Are they going up or down?

"I think they're kind of flat. There are not that many transactions available because of consolidation. I think the multiples are reasonable, considering the environment. Interest rates are low, but there's not much consolidation left to do. I don't think there's been much change from last year," he said.

What happens if the economy gets better?

"If the economy improves there might be a few more deals, but frankly there are not that many deals left to do," Cobb said.

Charting the multiples

Based on estimates of our four brokers, here's a rough idea of where cash flow multiples are today.

Market size	Multiples
Top 20	High teens/low 20s
20-50	High teens
50-200	Teens
200+	10+
Stations below \$1M in billings	High single digits

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EARNINGS

Westwood One records some records

Radio network programmer Westwood One put its Q3 to bed with black ink, and set a new company record by posting \$46.8M in operating income, an 8% increase over Q3 2002, when that figure stood at \$43.5M. The totals were based on revenues of \$134.7M, up 900K from the previous year.

A big chunk of the increase in operating income came via an insurance settlement relating to damages suffered during the 9/11 terrorist attacks.

Net income was up 4%, climbing a cool \$1M, from \$26.7M to \$27.7M. That translated into net income per diluted share of \$0.27, also a record, up from \$0.25 per share last year.

YTD, revenue is down 2%, from \$400.9M to \$393.2M. WW1 attributes the shortfall to the Winter Olympics (there were no Olympics this year) and to a general slowdown in business attributable to the war with Iraq. YTD net revenues are down 8%, from \$74.6M in YTD 2002 to \$68.9M this year.

WW1 was able to surf the surge in national business enjoyed by the radio industry as a whole in Q3. However, soft pacings in Q4 blunted President/CEO **Shane Coppola's** assessment of near-term prospects. "We anticipate that 2003 full year revenues and operating income will be at the same level as the nine-month results stemming from the softness in local advertising that is continuing into the fourth quarter," he said. However, he sees brighter times ahead once past the Q4 hump. "In anticipation of a recovery in advertising markets in 2004, we continue to increase our audience and program offerings, while at the same time, controlling costs."

Political paucity leaves Hearst low in the water

Execs at multi-media conglomerate Hearst Argyle Television, noting difficult conditions in the current advertising environment, said that Q3 2003 would have come home just about flat were it not for 2002 comparisons weighted with hefty receipts in the political category. Absent that, the group was forced to dust off the red ink bottle in reporting its Q3 results.

Net revenues for the period dropped 5.2%, from \$176.5M in Q3 2002 to \$167.3M this go around. That result led to a three cent drop per diluted share, from \$0.27 to \$0.24.

YTD, revenues have dropped from 2002's nine-month total of \$513.7M down to \$496.2M, and earnings per diluted share stand at \$0.64, down from \$0.75 the previous year.

Absence of the political category was simply too much to overcome. The company banked \$21.3M in political revenue in Q3 2002, but only \$5.5M in Q3 2003. YTD, the political category has plunged from \$34.2M to \$8.8M.

H-A took political out of the equation. Absent that category, local advertising was up 8% Q3 and 4% YTD; national was up 3% Q3 and was flat YTD.

RBR December 2003

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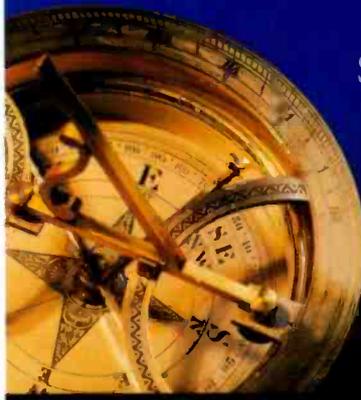
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