

Radio Business Reporttm

Voice of the Radio Broadcasting Industry®

April 2004

Volume 21, Issue 3

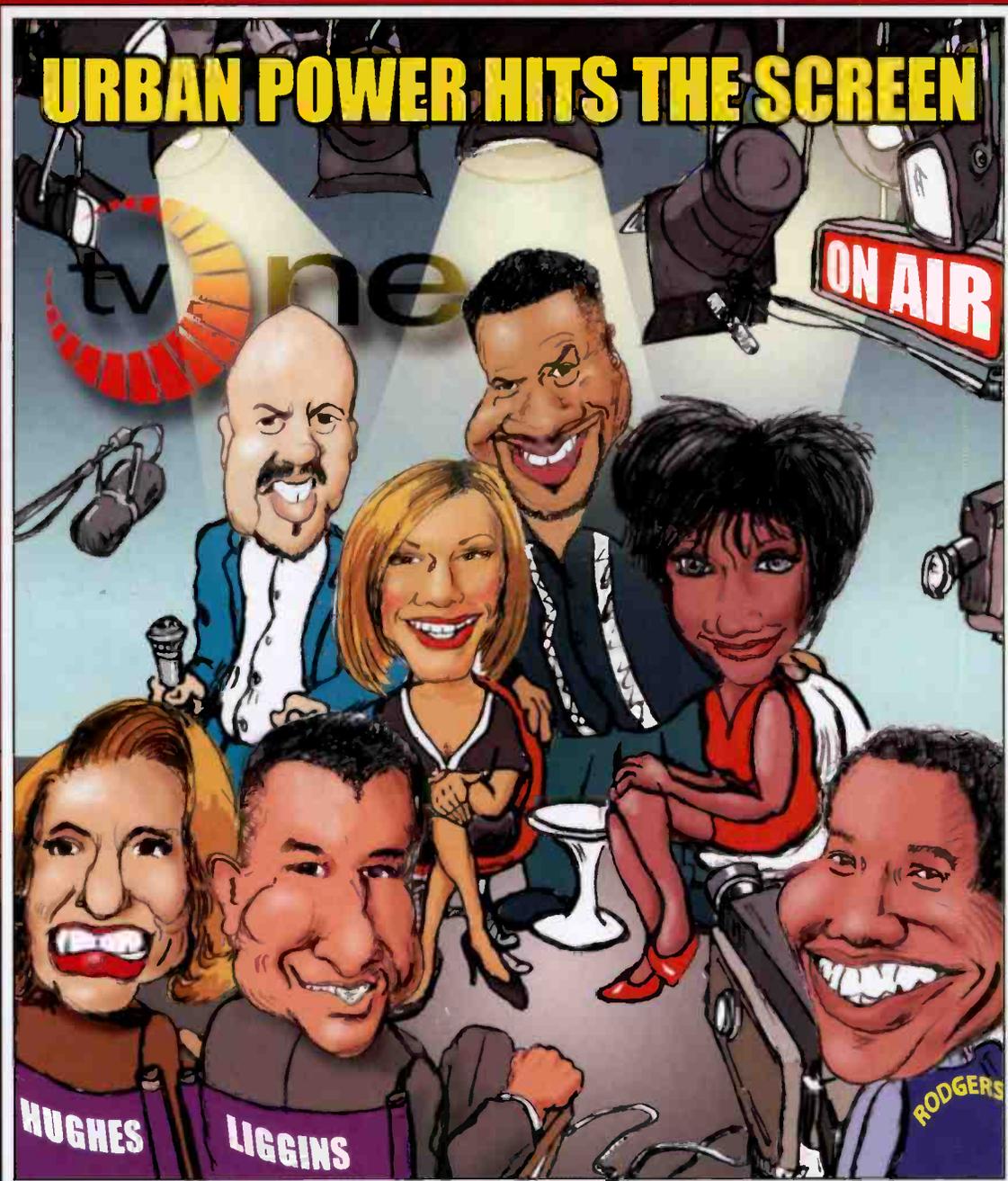
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POINT A

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Indecent activity

This past month if it was not indecent it didn't make news. Broadcasters are re-evaluating what their corporate policy is and asking themselves should it be updated as more and more radio and television executives are brought before both House and Senate hearings. **Mel Karmazin** President/COO of Viacom was the first to take his public grilling. **Michael Powell** might be the chairman, but more and more **Michael Copps** is setting the agenda. He believes media consolidation may lead to more indecency.

FCC puts the squeeze on Love Sponge

In yet another blockbuster indecency action, the FCC has levied a total of \$755K in fines on Clear Channel Communications for multiple indecency infractions emanating from its **Bubba the Love Sponge** show. Four Florida stations and 26 counts were cited in an assessment which also included \$40K for public file problems.

The stations include WPLA-FM Jacksonville, WCKT-FM Ft. Myers, WRLX-FM West Palm Beach and Bubba flagship WXTB-FM Tampa.

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Indecency Hits Super Bowl

When they called it from the broadcast booth that the second half would produce raw naked packed football the play-by-play the announcers were correct. But the half time entertainment of **Janet Jackson** produced by CBS's MTV did not get MVP or Most Valuable Performance. Ms. Jackson bared a part for the world to see that, well, it was pierced. **Justin Timberlake** was dancing with Janet Jackson and at the conclusion of their dance number reached over and ripped off part of her top. Here's the official statement release by the NFL Executive Vice President **Joe Browne** regarding the Super Bowl halftime show: "We were extremely disappointed by elements of the MTV-produced Halftime show. They were totally inconsistent with assurances our office was given about the show. It's unlikely that MTV will produce another Super Bowl halftime."

Powell puts FCC on Super Bowl indecency warpath

"I am outraged at what I saw during the halftime show of the Super Bowl. Like millions of Americans, my family and I gathered around the television for a celebration. Instead, that celebration was tainted by a classless, crass and deplorable stunt. Our nation's children, parents and citizens deserve better," said FCC Chairman **Michael Powell** following the live broadcast of **Justin Timberlake** exposing a breast of fellow performer **Janet Jackson** (2/2/04 RBR Daily Epaper #21). "I have instructed the Commission to open an immediate investigation into last night's broad-

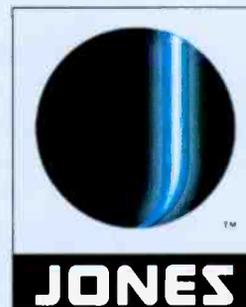
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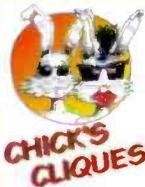
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RADIO NEWS®

cast. Our investigation will be thorough and swift," Powell declared.

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Karmazin: Indecency rules too vague to be followed

You can't obey what you can't understand, and Viacom President/COO **Mel Karmazin** told the Telecommunications and the Internet Subcommittee that current indecency laws and regulations are so vague, and enforcement so inconsistent, that broadcasters have no chance to figure out how to comply. **RBR observation:** Rules too vague to be follow? - Ah, come on guys how about some common sense as it comes with the driver's license. Maybe when new rules are written a mandatory vision test will also be required. Bravo 'Zen Master' as your bus pulls away from the curb glad to know the bus hasn't hit anyone - yet, just a few minor fender benders. Bad news is your insurance rate just went up.... May want to call that insurance company with the lizard!

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Ten times is the tenor of subcom indecency bill

Rep. **Fred Upton** (R-MI) and his Telecommunications and the Internet Subcommittee decided to make like **Pete Rose** rather than **Mark McGwire** and go for a single as they moved anti-indecency legislation forward. To that end, H.R. 3717 "The Broadcast Indecency Enforcement Act" was kept clean, focusing on a ten-fold increase in the FCC's indecency violation fining capacity, up to a \$3M maximum.

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Bubba booted by Clear Channel

WXTB VP/GM **Dan DiLoreto** had a statement for its AM cluster mate WFLA—that Bubba the

Love Sponge had been fired. Last month the station was hit with a record FCC fine of \$755,000 in indecency fines for his show (1/28/04 RBR Daily Epaper #18). BayNews 9, a local all news cable channel, reported that Clear Channel would be issuing an official statement today. Bubba had long had a contentious relationship with Clear Channel, claiming that company officials had hindered his syndication efforts, although his show expanded to four of the company's stations— all in Florida. But he was also the focus of numerous complaints filed at the FCC—allegations of both indecency and promoting drug use. And he got WXTB plenty of bad PR when he was hauled into court (but acquitted) for the on-air butchering of a wild boar.

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Clear Channel goes into self-policing mode; dumps Stern



Howard Stern

Zero tolerance is the phrase of the day when it comes to indecent programming over that Clear Channel Communications airspace. The radio giant plans to provide training to all of its program-

ming personnel regarding indecency, but with the training will come automatic suspensions for anyone who goes over the line. CC has already set the tone with the firing of **Bubba the Love Sponge**, the company's most notorious on-air (make that former on-air) personality. And now it's pulled **Howard Stern** off the air as well.

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Not all the news was about Indecency. Below is a cross section of issues to watch and be aware of: earnings, LPFM and state advertising taxes.

Clear Channel's caution worries Wall Street

Clear Channel's stock price dropped after the company issued cautious guidance for 2004 as it reported its final results for 2003. For all of '04, Clear Channel is telling investors to expect operating income to be up in the low double digits—below the mid-teens that analysts had been looking for.

For Q1, Clear Channel is expecting revenues for its largest division, radio, to be up 3-5%, but the company isn't saying how dependent that gain is on March, with its easy comps against last year's Iraq war cancellations. Asked repeatedly about Q1 pacings in his conference call with analysts, President Mark Mays repeatedly refused to provide specifics.

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Entercom's David Field speaks of shorter radio ads

On Entercom's Q4 conference call, CEO **David Field** mentioned a few things he sees coming down the road in radio advertising—less 60's and increased shorter-length messages: RBR observation: Sometimes, change is good. Listeners might listen more if the spots are shorter.

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McCain, NAB react to LPFM report

Sen. **John McCain** (R-AZ), who has wielded the power of his chairmanship of the influential Senate Commerce Committee to battle against increased consolidation in the broadcasting industry, hailed the FCC's decision to push for liberalized licensing standards for LPFM stations. RBR observation: You want to talk interference?

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What have been your strategies for increasing revenue, reducing expenses, and attracting and maintaining quality personnel?

Taft Harris, VP/GM Crawford Broadcasting/Chicago

Increasing Revenue: Our greater focus is direct retail; to the development of more direct retail business and competitive pricing for ad agency business. We are also focusing our attention on producing response and results for those clients who place their ad dollars on our station.

Reducing Expenses: Developing different and better ways of marketing and promoting our stations; using unsold inventory to maximize trade opportunities for goods and services.

Attracting and Maintaining Quality Personnel: We are promoting the benefits of working for a privately held company not required to answer to Wall Street, providing job training and management support while maintaining a quality benefits package.

Billy Young, Milwaukee Radio Alliance's WMCS-AM Milwaukee



Increasing revenue, particularly in an unfriendly economy and in a market besieged with conglomerate competition, has been a rigid test of survival. Our strategies have been, first, to offer exceptional value for the advertiser's investment and, second, to offer something the others cannot - localism, specialized programming vehicles and significant added value. Strategically, it is vital to main-

tain a conscious, "top of mind" awareness of the interests of the audience we target and the community we serve. The most critical process in generating revenue is one of dedication, commitment and execution by a dedicated, well-trained and motivated sales team lead by effective sales leadership.

Reducing expenses is most often a dynamic of cash flow versus desired resources. After identifying fixed costs and clarifying need to accomplish goals, one must decide between necessity and luxury. One can certainly get from point A to point B in a 25-year old jalopy. However, if speed, efficiency and image are critical in goal attainment, then you'll need to find a way to support the usage of a limousine or luxury vehicle.

Insofar as attracting and maintaining quality personnel, fortunately for 1290 WMCS, we have air personalities with long track records, loyal audiences and vested interest in the community. Most of our talent is homegrown thus allowing them to make a connection with the audience with a true sense of shared interest and genuine involvement. Our objective is to realize some measurable impact on our listener's quality of life, positively impacting lifestyle and addressing issues with appropriate response - doing more than simply playing music.

Melody Spann-Cooper, Midway Broadcasting's WVON-AM Chicago

Despite being in a down economy, WVON maintained its market share last year and '03 revenues almost mirrored '02, showing only a slight increase. Considering that we were able to maintain market share, I saw no need to lay off personnel or adjust spending, but made the decision to ride out the storm hoping that '04 forecasting would offer an improvement. Within the first month, we have increased revenues by 25% over January '03, which proves that I made the right decision.

As GM, I choose not to run my operation like the stock market, making instantaneous decisions because of a volatile market. If you have a good solid operation, good employees and faith in your product, rash decisions based on what everyone else in the market is doing relative to employee layoffs and budget cuts are not your answer. However I do encourage management to take a look at infrastructure in terms of employees. Because of layoffs across the board, especially as a result of media consolidation there is a lot of available talent at bargain prices. Now is the time to rid your operation of unmotivated and mediocre staff.

Michael Carter, Carter Broadcasting Group's KPRS-FM Kansas City

Here at Carter Broadcast Group, Inc. we believe the best strategy to keep revenues coming in and somewhat reduce expense and definitely attract great talent is to always use TLC. You know...trips, liquor and cash! These seem to always keep people right in the box!

On the real tip though, this has a lot of merit to it because when you treat people the way you like to be treated they will perform for you and the rest seems to fall in place. This is no secret. We are truly "family" here at CBG and that is the "real" plus considering our consolidated world we live in!

Deon Levingston, Radio One/Indianapolis



We are blessed to have a great staff in Indianapolis that has helped us outpace the market over the last three years. You have to work harder, work smarter, and ask more people for dollars. I strongly believe you can increase your revenue in a down economy by fishing in a new pond and that radio limits itself to 8% of the total advertising dollars spent because we have a bad habit of fishing in our own pond. You can walk into just

about any radio station in this country and walk into a sales meeting and hear a salesperson reading a list of the advertisers from one of its radio competitors. I believe that you should know what your competitors are doing but not forget about the other 92%. You should monitor the local newspapers, television stations, cable channels, and magazines.

You need to deliver results for advertisers, and in a down economy, this becomes even more important. We worry so much about generating new business, that we don't focus enough on attrition. You can minimize attrition by delivering a strong ROI for your clients.

We've been highly successful at controlling our expenses as a team. At Radio One we run a pretty tight ship as far as expenses go. We're constantly reviewing and modifying existing contracts in an effort to reduce expenses.

You need to keep morale up in order to attract and maintain good people. We have used trade with restaurants and amusement parks for staff incentives. We have a monthly all-staff luncheon at which we award prizes for Employee of the Month and recognize employees who have made great contributions to the stations that month. We give monthly awards to our sales staff such as the Top Dog and Street Fighter Awards. We closed the stations down one day last summer and took the whole staff and up to three family members to an area amusement park. We traded out a laser tag center and had a family night of laser tag and pizza.

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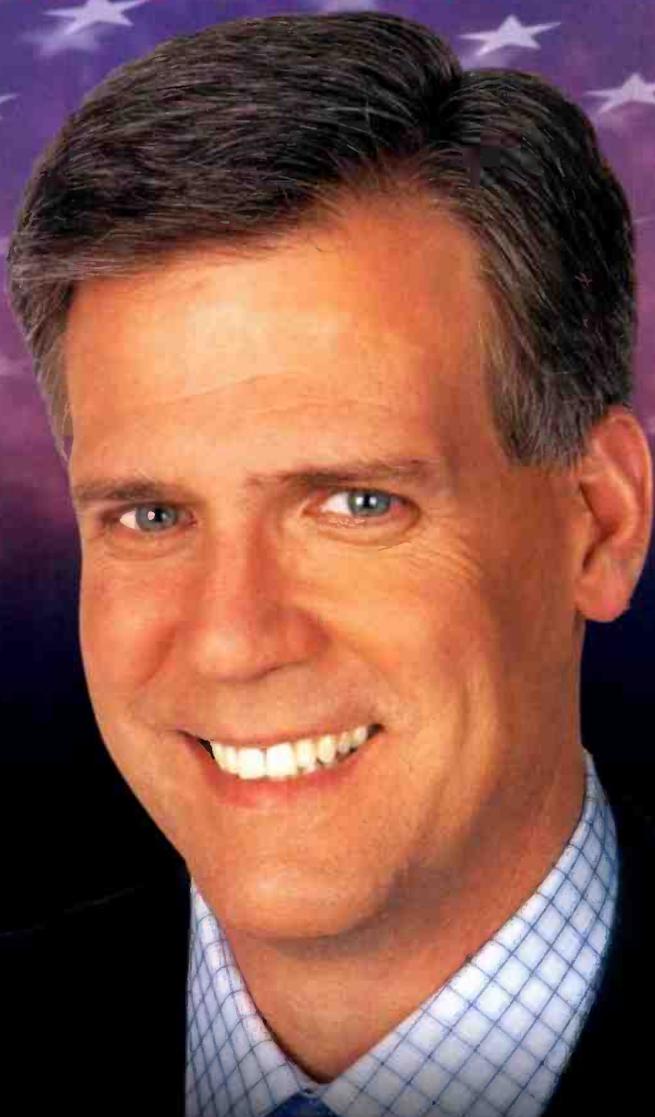
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Accountability Part II: What are the sellers doing?

We recently covered a lot of what the national radio networks are doing to improve accountability (RBR October 2003). Last month in Accountability Part I, we gave a bit of history on what the problems are. Here, we look more at the solutions. (Also see our Sales column, page 22, on the evils of adding too much inventory).



Stu Olds

On the local/spot radio side, **Stu Olds**, Katz Media CEO, says radio is getting the message and is "very aggressively addressing this issue to make sure our schedule performance standards are leading all media. We should have zero tolerance for any practices that put radio's credibility at risk. Media sales is a handshake business and the underlying assumption behind that handshake is to sell what you can deliver and deliver what you sell. Bait and switch selling, wink-nod selling

and 'just get the order and worry about it later' selling does not reflect radio's values and surely has no place in today's media world. Do what you promise to do and if you can't, communicate it immediately...advertisers should not be negatively surprised."

What else is Katz is doing to improve accountability? "Katz has taken a leadership position on the AAAA/RAB Joint Accountability Task Force through [SVP/Strategic Planning] **Gerry Boehme** and myself; we have spoken to each of the groups about the importance of delivering what we sell. We have made it a condition of employment internally and with support of Clear Channel we have invested millions in the development of electronic invoicing," Olds added.



Ralph Guild

"Accountability is a major radio industry issue and a primary focus of Interep's," Interep CEO **Ralph Guild** confirms. "It cuts across all parts of the industry. Interep has been leading the way on accountability for several years. First of all we were the only company to step up to the plate when the RAB's Radio Advertising Effectiveness Lab was announced. We put \$100K of our money on the line while our competitors were sitting on their fat wallets. Internally,

we have National Agency Teams that start at the very highest levels of agencies and are measured by their ability to get those agencies

to spend more money in radio and a larger share of that money on our repped stations. The level of renewals we get on this business is the best 'accountability' report we could get. Our renewal rate is 20% higher than the average renewal rate on regular business."

Interep invested over \$5M in the development of RadioExchange (12/12/02 RBR Daily Epaper #112), a proprietary electronic B-to-B invoicing technology. "We heard the advertising community cry out for help in processing our medium and we stepped up to the challenge," explains Guild.

As the third largest radio rep in the country, Regional Reps say they're addressing the issue as well: "For many years our Home-town Radio Network (unwired) division and our Regional Reps 'Network Billing' option have provided our agency customers with standardized proofs of performance and variance reports. Now we are in the final stages of testing the technology needed to provide agencies with electronic invoices and expect to deliver our first electronic invoices for March broadcast month billing," Regional Reps President **Stuart Sharpe** tells RBR. "In my January column in the quarterly newsletter for our station clients, I stressed the need for station management to respond to the growing demand for accountability. While agency business might be a less significant percentage of small market stations' revenues than for our colleagues in larger markets, the issue is critical for the future health of our entire industry."



Gary Fries

The issue is now on the front burner across the industry—so much so that RAB CEO **Gary Fries** opened his State of the Industry speech at RAB2004 by emphasizing the value that ROI and accountability represent to advertisers and agencies: "Advertisers are asking, 'Is my money really working for me?' 'Did I get what I paid for?' 'Did the schedule run as ordered?' 'Did I get my true value?' ROI is what shows

effectiveness. Advertisers need to show their stockholders an accountability of every dollar spent. Media buyers and planners are trying to accomplish this for advertisers and are challenged to show ROI. The radio industry is not doing a good job of showing this. We have to be able to document ROI."

RAB also released the first phase of an RAB Advertiser Perception Study from TargetCast TCM to help identify the ad community's perception of radio as an effective vehicle. 25 senior level decision makers, CEO's, marketing directors, and media buyers were interviewed. Fries said the survey will be updated annually and outlined three upcoming research projects from the Radio Ad Effectiveness Lab. The first will build contrast maps of radio versus other media, and will be released early March.

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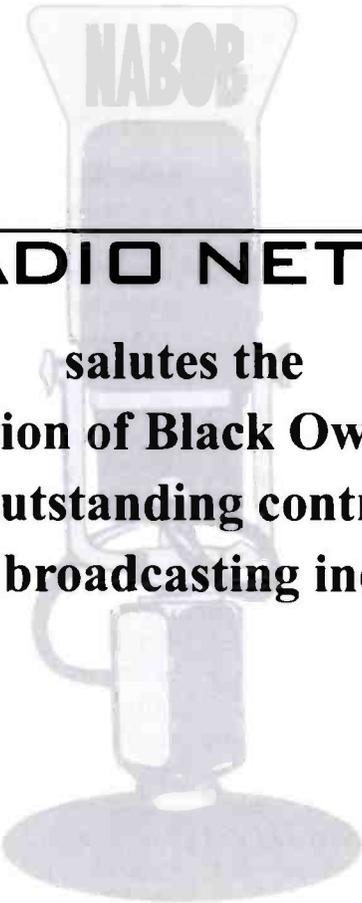
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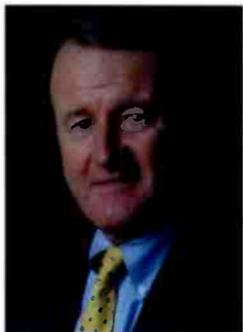
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EDI plays a big part

Electronic Invoicing is an important piece of the accountability puzzle. Electronic data interchange increases speed, accuracy and reliability of data transfer, not to mention cost savings through error-reduction and automation of clerical activity. All three major rep firms are now moving full-speed ahead on the issue, now that the fact-finding stages have been completed.



Marc Guild

As **Marc Guild**, President/Interep's Marketing Division promised (☑ 10/3/03 *RBR* Daily Epaper #194), the company's RadioExchange EDI initiative/system is gaining momentum in 2004. It was announced in February that six major broadcasters and two national agencies are now on board with the roll out: Cumulus, Entercom, Emmis, Susquehanna, Renda Broadcasting and **Jerry Lee's** WBEB-FM Philadelphia. In addition, Harmelin Media recently agreed to join Carat USA in testing

of the RadioExchange invoicing technology on the agency side.

RadioExchange allows electronic reconciling of invoices and affidavits, significantly reducing time spent on the backroom work associated with processing radio, provides greater accountability to advertisers and expedites payments to stations.

Says Marc Guild: "The excitement surrounding the roll out of RadioExchange for invoicing is palpable. We are delighted in the response we are receiving from our client radio stations and agencies alike. The list of RadioExchange users is growing weekly. By year's end, we expect the number of broadcasters and agencies taking advantage of the improved efficiencies and accountability provided by Interep's new technology to soar."

RadioExchange beta-testing began in mid-2003 between Entercom stations and Carat USA. Currently, all unwired network orders from Interep's NY office are processed via RadioExchange. In this process, stations upload their "spots run" affidavits to the system, where they are matched electronically to "spots ordered" contracts. This file is then reconciled by Interep's billing department, and an invoice is sent to the agency. The ability to electronically match affidavits to contracts shortens the billing cycle, expediting the payment to stations.

"**David Prager**, CIO of the Katz Media Group, is successfully rolling out electronic invoicing with our groups [see Part I-CC Radio CEO **John Hogan's** comments and his comments in this issues' sales column] and working in conjunction with the agency community to electronically transfer those invoices from stations to agencies," Olds tells *RBR*. "Once this is completed, discrepancies will be greatly reduced and our ability to monitor schedules will increase dramatically. We will have it in more stations and agencies each month throughout 2004."

Guild says RadioExchange goes far beyond EDI to introduce enhanced process management for all parties in the transaction: "For example, we and our station clients will be able to see at a glance the list of expected invoices for a given month. This feature helps our station clients in issuing complete billing when they perform month-end billing. Additionally, the RadioExchange matching functionality analyzes station invoices to ensure they

reach the agencies with correct codes which might otherwise result in an invoice getting kicked out of the electronic cycle at the agency, requiring manual intervention and delaying payment. Interep is currently operating Radio Exchange in radio stations and advertising agencies today. We will have it in more stations and agencies each month throughout 2004."

The RAB's EDI Task Force is also working hard with broadcasters and vendors to ensure a smooth rollout of EDI in the coming months and years. Here, we look at Part II of our survey from local and national buyers around the nation on the current state of accountability.

What do the buyers say?

Here, we continue our survey from Part I asking local and national buyers around the nation on the current state of accountability. This time: What should radio do to get more dollars out of advertisers and what are your opinions on in the emerging real-time spot verification businesses Verance, AudioAudit, MediaGuide and AirCheck.

We ask: **Reyn Leutz**, SVP, Director of Radio Negotiations, Mindshare USA; **Rich Russo**, JL Media's SVP/Director of Broadcast Services; **Natalie Swed Stone**, Director of National Radio, OMD; **Matt Feinberg**, SVP/National Radio, Zenith Media Services; **Dana Dettelfson**, Director, National Radio, CARAT USA and **Jim Gaither**, Director of Broadcast, The Richards Group.

What could radio do, in your opinion, to get more dollars out of advertisers?



Reyn Leutz

Leutz: I think that it is largely an education process. When we sit down with advertisers and show them that an AM Drive commercial or PM Drive commercial attracts bigger audiences than most cable networks in primetime, for a fraction of the cost, they get interested. When we show them that we can get strong ratings in the top markets, they get even more interested. I also think that few realize the enormous audiences that can

be reached in radio against African Americans 10.0+ ratings on selected properties/networks.

I also think that as a mobile society, radio really shines in its ability to reach consumers just prior to purchase. To cite just one example, if 75% of us have no clue as to what we are preparing for dinner at 4:00 pm that day, radio can help consumers decide in PM Drive.

Russo: I think they need to continually bombard the planners and advertisers with all of the studies that show the allocation of radio dollars versus the preferences of the consumers. I mean, every one of those general media type reports show that radio is much more preferred than the dollars it is getting.

Swed Stone: Create customized solutions-many of them are doing this—and make it exciting.

Feinberg: There are many things that could be changed in my opinion to increase radio's share of the total ad-spending pie.

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Justin Timberlake



Matt Feinberg

First of all, the ongoing training of salespeople. It never ceases to amaze me that no matter how much some stations, reps, and networks try to really provide quality training for their people, there are still so many that just throw anyone on the street with their marching orders to succeed, or else. In my opinion, this is the single biggest reason radio gets a bad rap.

Understanding the marketing strategy and media planning process I think is key. Many salespeople do not have qual-

ity backgrounds in either discipline. In fairness, however, that information is often not shared with the salespeople leaving those with these backgrounds to draw their own conclusions. Also, quite frankly sometimes clients don't know what they want, and agencies aren't sure how to translate that vagueness, and salespeople are the ones dumped on. It can seem to be a conundrum at times

While there are many avenues to greater share, one that I think could be successful would be for the NAB and/or the RAB to develop some quality training educational/informational pieces aimed at educating agencies and clients. Rather than running willy-nilly all over Washington, DC screaming about how XM local weather is breaking the "spirit" of the pact, or producing a CD of what could happen if LPFM's are allowed to exist (we have no proof but that never stopped **Joe McCarthy**), they should develop a concerted training effort. I have seen some good introductory radio advertising material geared towards the local retailer from the RAB, but never anything really big picture and aimed at large, sophisticated marketers and agencies. The RAEL initiative however is clearly a huge positive move, but I think these two organizations could really make in roads on behalf on the industry they represent.

Dettefson: Have a quicker turnaround and a more accurate accountability for new advertisers makes it easier to explain.



Jim Gaither

Gaither: I would venture to say that The Richards Group has the highest percentage of billings in radio versus any other broadcast buying entity our size or larger; approximately 20%. We, as media professionals have had success recommending and implementing radio because we are able to demonstrate the many attributes that radio has to offer in terms of reaching the right consumer prospect at the right time, cost efficiencies and the standard :60 format versus the :30 format in television. Beyond that, media plan-

ners and media negotiators at The Richards Group can be confident that our creative product will have as high a priority from our creative group as television and that a talented, senior copy writer will be the one writing the spot. We've had tremendous success using radio for branding, as well as promotionally because our media people understand the medium and our creative people place a high priority on the medium. The combination of the two yields more dollars in radio from advertisers.

What are your opinions on quicker ad clearance data providers like AirCheck, MediaGuide, Verance and AudioAudit?

Leutz: My opinion on this has been misunderstood. Clearly stated, I believe that third party audience measurement is the future. I just think that before we get married, we should spend some time dating others, seeing what everyone can offer, what are the strengths/weaknesses for each. AudioAudit, for the moment, has not developed a radio model that they wish to bring to us at this time. I think that the same is true (but I am not sure) of MediaGuide. The bigger focus at this time has been on television and I understand that.

Third party is important but there are other equally important issues staring us in the face. First, we permit vendors to supply us with audience estimates from two different measurement systems, RADAR and Arbitron. And yet we all know that 50 points of RADAR and 50 points of Arbitron do not equal 100 points! There should be one measurement system period. Secondly, 50 points of live sports purchased on any network is not 50 points—not even close. Third. If you buy 100 points on a RADAR-rated network and you post at 100 points, it doesn't mean that all the audience comes from AM Drive. How long must we live with this kind of data? And yet very few have raised any red flags about the information going in. Instead the focus has been somewhat exclusively on the the information coming out.

I am unaware of any agency that supports MindShare's insistence on more RADAR-rated properties. Both Dial-Global and Media America have gone into RADAR because we have made it a condition for doing business.



Natalie Swed Stone

Swed Stone: We are fully supportive of this technology and believe there is no turning back—that this technology will drive accountability forward immeasurably.

Feinberg: The promise is great. However there are still many issues that need to be addressed. I have been told, but don't profess to understand completely, of a few technical hurdles, but I think they are minor in comparison to the logistical problem that can occur at a

station level. Also, I believe there are some that do want to see the boat rocked as it were.

Dettefson: All of these seem to be in the trial stages. There are many issues they need to work out before our medium could look to use one of them. I am wondering why all the vendors can't work together to get one system working.

Gaither: We're all for any system that will allow us to steward our clients' schedules more effectively. Getting data sooner (during a flight or campaign) allows us to make sure the client is getting the advertising pressure that media planners planned on and that media negotiators negotiated for. These systems allow us the opportunity for greater control of our schedules and to make up shortfalls during the specified time rather than after the fact.



Dana Dettefson

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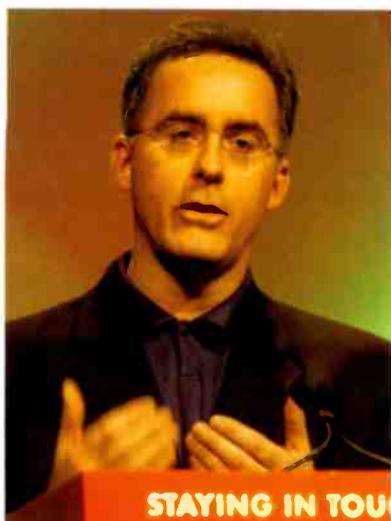


Photo: Art Beaulieu Photography

P&G'S Jim Stengel 4As high notes

RBR/TVBR attended the 4A's media conference in Orlando in February and has brought back insights into the trends of both agencies and brands. In this month's Branding Banter we give you a condensed version of Procter & Gamble Global marketing officer **Jim Stengel's** remarks.

Nothing like a dramatic entrance to underscore an issue: When **Renetta McCann**, CEO Starcom North America and Chair of the AAAAs Media Policy Committee, announced that the Conference's keynote speaker—Jim Stengel—would be televised rather than live because of travel delays, the audience was none too happy. Stengel's image showed up on what appeared to be a TiVo screen, but his speech was interrupted due to technical difficulties. Soon, however, Stengel surprised the audience by taking the stage.

"I have two teenagers and we are a TiVo household," Stengel said, by way of dramatizing the impact of new technologies on advertising. His remarks revisited the speech of former P&G CEO **Ed Artzt**, who spoke at the 1994 AAAA Management Conference.

"A wise man once said, 'The advertising business may be heading for trouble or—it may be heading for a new age of glory. Believe it or not, the direction—up or down—is in our hands. The year was 1994 and the wise man was Ed Artzt, who was CEO of Procter & Gamble from 1990 to 1995. And what a difference 10 years make.

P&G predicted fragmented TV viewership

"In 1994, we anticipated an explosion in TV channels, resulting in significant fragmentation in viewers. Today, the average U.S. household has more than 90 TV channels—this is up from an average of 27 channels in 1994. Share for the big four networks during primetime has dropped from 52.4% to 30.6%.

Specialized networks offer advertisers access to more segmented audiences, but in much smaller volume. And we've lost whole segments of consumers whose needs aren't being met by today's programming. We must accept the fact that there is no "mass" in "mass media" anymore, and leverage more targeted approaches."

Get embedded in content

"Ed stated that to gain control of this new media environment, advertisers must do what we did when radio and TV were first invented take proprietary financial interest in programming. It's no secret that P&G created the soap opera for the express purpose of reaching a specific segment of consumers.

Today, we're only beginning to fully leverage opportunities for program sponsorship paired with broader holistic marketing plans. Coke's partnership with 'American Idol' is one example. Just this

week, 'Survivor 8' premiered on CBS. Twenty P&G brands have come together for an innovative partnership made possible through our relationship with Viacom."

Life beyond the 30 second TV spot

"How new and traditional media must come together under the umbrella of holistic marketing. There must be and is life beyond the 30-second TV spot, we all say this but most of our spending and activities systems revolve around that.

All marketing should be permission marketing. All marketing should be so appealing that consumers want us in their lives.

When we think of permission-based marketing, most of us think about opt-in online newsletters. We really need to expand this mentality to all aspects of marketing. We must develop creative that both maximizes the channel and appeals to the consumer. For each element of the marketing mix, we should ask ourselves 'would consumers choose to look at or listen to this,' and let that be the benchmark."

Big ideas wanted

"P&G is interested in forging new partnerships with people and organizations that have big ideas. This includes every kind of organization represented here today from media owners to media agencies to a host of agencies that have capabilities in public relations, influencer marketing, in-store marketing and entertainment marketing. Of course we are still committed to long-term partnerships with our roster agencies as brand equity leaders."

Sampling opinions

"You may have seen it featured in Forbes magazine earlier this month. Tremor is built around P&G's belief that the Consumer is Boss. How better to know what your consumers want than to engage them in sharing opinions and feedback on new products? Tremor uses a proprietary process to identify teen thought leaders, who opt in to provide feedback on product ideas. They get to be the first to know about new products, and if they're enthusiastic about them, they'll spread the word using the most effective marketing channel that exists today: word of mouth. Innovation means taking risks."

Media usage patterns are becoming blurred

"Over-reliance on TV is just one issue. There's another phenomenon occurring a real blurring of media that happens because consumers' lives are so busy that multi-tasking has become a way of life.

She watches TV while flipping through a magazine while talking with her family. She listens to the radio while surfing the Web.

How do we capture the impact of these kinds of interactions?"

Take the bull by the horns or get gored

"As an industry, we have made progress since Ed Artzt spoke in 1994. The new technologies he described are here, and we continue to see them as a threat. But consumers, who are on the end of a long value chain we create together, are embracing these technologies so we must as well. We must adopt the mentality of permission marketing and create advertising that is so appealing consumers welcome it in their lives. New media touch points inspire creativity and innovation and, whether we like it or not, they have changed the way we approach marketing."

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Radio One adds video with TV One launch

BET is no longer the only cable TV network targeting African-Americans. Since January 19th, TV One has been running 24/7—launching initially only on systems owned by co-owner Comcast, but soon adding its first non-Comcast system in Cleveland. Soon after the launch, *RBR* spoke with veteran cable executive **Johnathan Rodgers**, who joined the new venture as President and CEO after a long career at Discovery Networks, where he rose to President.

RBR: *Let me ask you first, what is your sweet spot? How is TV One targeting viewers?*

JR: African American adults, our sweet spot would be an African American around 35 years of age.

RBR: *And why have you chosen that as the target audience?*

JR: Because it turns out that the African American adult audience is, is totally underserved by both the broadcasting and the cable industry. As we all look at weekly television ratings, we see that African Americans tend to watch different programs than the general population, but except for BET there really had not been a sort of home base for African Americans. And in the case of BET, BET does wonderful programming, but it's primarily younger-skewing. So, a huge African-American adult population just really hasn't had a place to call home.

RBR: *Unlike the Spanish niche players you don't have the language barrier so your audience is also going to be watching a lot of general market television as well. Does that make it more difficult for you to compete?*

JR: Fortunately for us, African Americans watch so much television that it sort of balances out that equation. African Americans in general watch about 75 hours of television a week versus the general population's 50 hours a week. In the same way that Radio One is able to present to advertisers a very efficient way of reaching the target demographic, we at TV One feel that we can do the same thing for advertisers. You know you could reach them some other places, but if you really want to reach them efficiently and that is your target, TV One is the place to do it.

RBR: *You mentioned Radio One. Obviously they have invested in your venture, but what else does Radio One bring to this to help you get TV One up and running?*

JR: Well, the fact is we're TV One because of Radio One's involvement. **Alfred Liggins**, the CEO of Radio One, is our vision-

ary. **Cathy Hughes**, the chairman of Radio One, is our spiritual leader. We're going to show the world the power of radio advertising and marketing because that will be our primary form of communicating our channel's brand and mission to the audience. So this is a brand new model, Radio One and Television One using each other to market each other beneficially.

RBR: *You also have some of their main radio personalities appearing on television now as well.*

JR: Well yeah, and that's wonderful for us because you know it's sort of homebred and there's already the loyalty to the mission. So we have **Russ Parr** and **Alfredas** hosting not only a game show for us, but also hosting the entire channel. We are in negotiations with **Steve Harvey** and we hope to have him on TV One by the fourth quarter. And even though he is not a Radio One personality, in the sense that he works for himself, we also have **Tom Joyner** on TV One.



Alfred Liggins and Johnathan Rodgers

RBR: *The other mega partner is Comcast. That obviously gave you a leg up on actually getting some distribution, where as other startup cable systems have a real hurdle there. How big was your launch and where do you go from here?*

JR: What this did, having Comcast involved with us sort of balanced the equation. If you look at the most recently introduced cable networks, most of them are part of a larger network group so they have the support of their parents. So, for example, Lifetime Movie is part of Lifetime. Discovery Health is part of the Discovery Channel family. So we're a standalone cable network and that's very rare in this business, so having Comcast as our partner really helps level our playing field. But the best advantage of having Comcast as our partner was the access we had to their leadership, their top corporate executives. So when Alfred and I were able to lay out

the premise and the promise of TV One we were able to go right to the top. They got it right away. From then on, not only did they invest in it but they encouraged their systems to distribute us in the best way possible.

RBR: *What is your goal for distribution? You really don't have to be in the 100% of cable systems to reach your target audience.*

JR: It is definitely a great question because our distribution plan is also unique in the cable industry. As opposed to going system by system, we're going to go market by market. We know that a good portion of the African-American population lives in the top 50 cities in America. Our goal is to go to the top urban areas first and then try to get national distribution.



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RBR: *What about on the satellite side? Are talks going on there as well?*

JR: Absolutely, we've been having those talks for months and they're on going as we speak. It's important for the success of TV One that it be distributed on satellite-if not both satellite platforms-because we believe our programming, although designed and targeted for African-American adults, is of value to the rest of the population.

RBR: *What is gauge for success?*

JR: Well, in a way there are a number of levels of success. One: Simply launching this channel in this environment was a measure of success. Two: A measure of success is sort of the response I've gotten back from a number of African-Americans who say thank God, we like what you do. We like how you represent us. What we love is having choice-so that's another level of success. But the real level of success is to be fully distributed and be respected by not only the advertisers and the cable operators, but by our competitors and the viewers as well.

RBR: *Now how have you handled advertising sales up to this point without any numbers to sell against?*

JR: Well you know, that's the fate all new cable networks have. When I was at Discovery we launched Animal Planet, we launched Discovery Health and we re-launched Travel Channel and when you do that you don't have numbers. It's understood in the cable industry that if you don't get to about 20M homes it will not be producing numbers. So this is a brand sell, just like ESPN was 20 years ago. We go to the advertisers and present them the TV One story and we ask them to become Charter Advertisers and grow with us, because most of them recognize how this audience segment has been so underserved and because they also themselves are targeting this segment it's just a great marriage for us-and we've just gotten great reaction on that.

RBR: *You say adult African-Americans is an underserved market, why is that?*

JR: You know, it just, it just sort of happened that way. If you look back at the history of cable when there were only the 40 channels it was clearly the intent of the industry to off the American public choice. So there was one sports channel, one news channel, one channel for African-Americans, one channel for women, essentially one of each. But as the technology grew and we were able to offer more options to the viewing public, it became two news channels and three news channels and two sports channels and three channels for women and five channels for Hispanics so what happened was all these other segments grew except the African-American segment. I don't know the exact reason why, but part of me is glad that it didn't happen because we're here now.

RBR: *Now that there are two cable channels targeting African-Americans how many could there be in your view before the market is full?*

JR: I would suggest conservatively that there could probably be three others. If you look, just in terms of looking at advertising sales demographics where BET is very strong is in 18-to-34s, where

I believe we will be stronger in 25-54s and where we both could share would be 18-49s. I could see a channel, a family oriented channel for African-Americans coming along the line. I could see some for older African Americans coming on line. So yeah, African-Americans have as many interests as does the general population so I think channels servicing those needs would be welcomed.

RBR: *Would you see your company filling some of those niches as well down the road?*

JR: We're trying to do the best we can on the one channel we have. We're only two weeks old and we have a long way to go.

Liggins sees big opportunity for TV One

"TV One was successfully launched on January 19, 2004. The launch occurred with a modest number of analog subscribers, which was a huge win, and good blue-chip advertising support," declared Radio One CEO Alfred Liggins, as he reported to Wall Street on earnings for Radio One. For now, the new TV venture isn't expected to have much of an impact on Radio One's financial results, but Liggins is convinced the move will pay off down the road. "The early reaction is very positive and the potential of this cable channel continues to be significant. We are very excited about our TV One investment and building a business of significant scale with our partners at Comcast Corporation."

Even before the actual launch, Liggins was enthusiastic that TV One was getting "good traction" in talks with cable MSOs about carrying the new channel. "We have every reason to believe this new network will get a fair amount of analog carriage and will not be just a digital network."

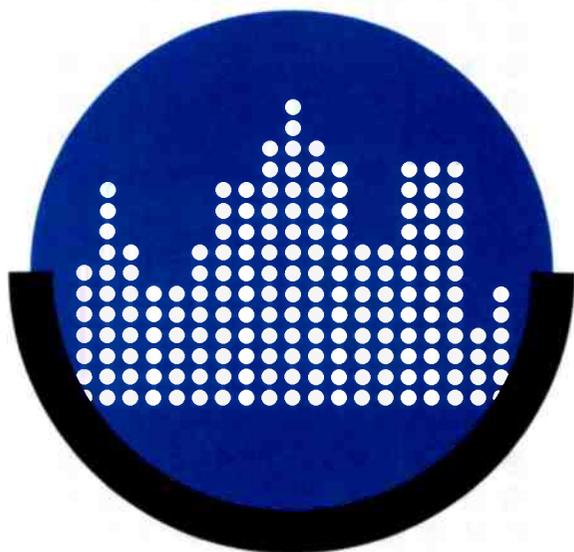
In addition to the profits that TV One is expected to eventually produce, Liggins was also talking about synergies for Radio One in his November conference call with analysts. He believes big advertisers will be more willing to talk to his company if it can aggregate more media assets targeting African-Americans.

To fund TV One, Radio One is putting up \$74M and has already made its first \$18.5M payment. The rest of the \$130M total pledged for the new network over four years is coming from Comcast and other investors. Radio One has also committed advertising time on its radio stations to promote the new cable channel.

 Zinio Bonus audio available

This month's cover: TV One has launched with Tom Joyner, Alfredas, Russ Parr and Patti LaBelle among the on-camera stars, with Radio One's Cathy Hughes and Alfred Liggins behind the scenes with Johnathan Rodgers.

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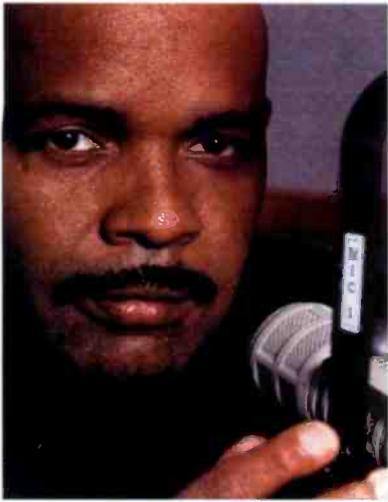
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Urban Talk: A view from the inside

One of Talkers publisher **Michael Harrison's** top picks for 2004 talkers to look for from our recent interview (*RBR* December 2003) is Radio One/WOL-AM DC's **Joe Madison**. Here's a guy who's done Talk radio from

both sides of the ownership fence. In this candid *RBR* interview, he explains the difference and what it's been like since the uplink to XM Satellite Radio.

Characterize the state of Black Talk radio in general.

It is healthy and it has potential growth, particularly in the major markets. If I took the top 20 markets in the country (I don't know if you're talking about local or national talk), most of them do not have an Urban Talk radio network. At best, they might have a Talk show, or there may be a Sunday public affairs show which allows call-ins. But **Alfred Liggins** and **Cathy Hughes** have been the matrixes of Urban Talk radio, and they've kept the flame burning. They really have.

So it's healthy, but there's potential growth. Tremendous growth, because we haven't saturated the market yet. Another reason is Black America, like most of America, is growing older. And that means that they are concerned about issues that impact their pocketbooks, community and country. They're paying a lot more attention to public policy and how it impacts their life.

What would happen if WOL went from 1,000 to 50,000 watts?

That is close to being true. One thing that Radio One did was to become a partner with XM Satellite Radio, from the get-go. We're on Channel 169—"The Power." So we are heard nationwide. I would say 75% of WOL's talkers are heard on the channel. As a matter of fact, we're the only Black Talk network. We're it. The response has been phenomenal. People who are hearing Urban Talk radio for the first time in their lives in communities. We get calls from Utah, San Diego, Maine, Atlanta, Miami, South Carolina—you name it. People are excited, they're appreciative.

It was one of the smartest moves, among many, that Cathy Hughes and Alfred Liggins have made. They became a partner with XM, and XM made a conscious decision that they wanted a 24-hour Urban Talk network from the beginning.

How did you get to be a talker? What's the history there?

Twenty plus years ago I'm living in Detroit, I'm the political director for the national NAACP, based in Detroit. I'm asked to go to what was then WXYZ-AM, owned by ABC at the time. I had done a public affairs show for WCHB-AM Detroit, for the NAACP. I did the WXYZ show for 10 years and really learned the trade. It was

the token position, and for those 10 years, I was the only African-American at the station.

After that, an opportunity came to go to WWDB-FM Philadelphia. There, I did overnights. That lasted less than 90 days. And I left in a very contentious situation. The PD at that station asked me not to talk about Black issues. Now this was during the year that MOVE and the police had their confrontation, and they burned down an entire neighborhood. And here we are in Philadelphia and you can't talk about Black issues.

So, being true to myself that night, I figured this didn't have a future anyway, and I booked **Ron Brown** to come on, because he was running for Chairman of the DNC and then the next hour I booked **Louis Farrakhan**, to show the dichotomy and the community—which would have been an interesting interview for anybody.

And I was called in the next day. I was told I was fired—not for that, but because I was travelling back home to Detroit to do my weekend show and it was a conflict of interest. Then, **Geraldo** did a show on Talk Radio. And there were several talk show personalities and PDs and there was an exchange between **John Mainelli**, who was heading up WABC. Geraldo asked him, "Why don't you have any African-Americans? Here, you're programming a station in a city that has three to 4M minorities and you don't have one Hispanic or one African-American. And there was this very heated exchange between these talk show personalities. Somebody in the audience was sitting there, and it was the PD for WRC-AM DC. And they called me the next day and said, "Look, we heard the story about what happened in Philadelphia (NBC had just sold the station). And if they don't want you in Philadelphia, We'd love for you to come and join us in Washington. And so I went to WRC, and I was there for 13 years.

Then, WRC, almost four years ago, changed formats to sports. Cathy Hughes and I had always been friends. And she had always teased me about being over at WRC, and why don't I come on over to where she was, kind of thing. And that's how I ended up where I am today.

It's a different kind of ownership. Let me give you an example. When I was at WRC, I would do a show about, let's say, the spread of AIDS. In the Black community, there is this belief that AIDS is a man-made disease. So I bring that discussion to my program. Man, it wasn't 10 minutes after I was off the air, that I'm called to the GM's office with the PD, to explain myself. Because we're getting calls from people, "How dare you say this...How dare you discuss this." The whole, "it was put into Smallpox vaccines in Africa, the whole Rolling Stone article and I was able pull out old Congressional records, reports, etc."

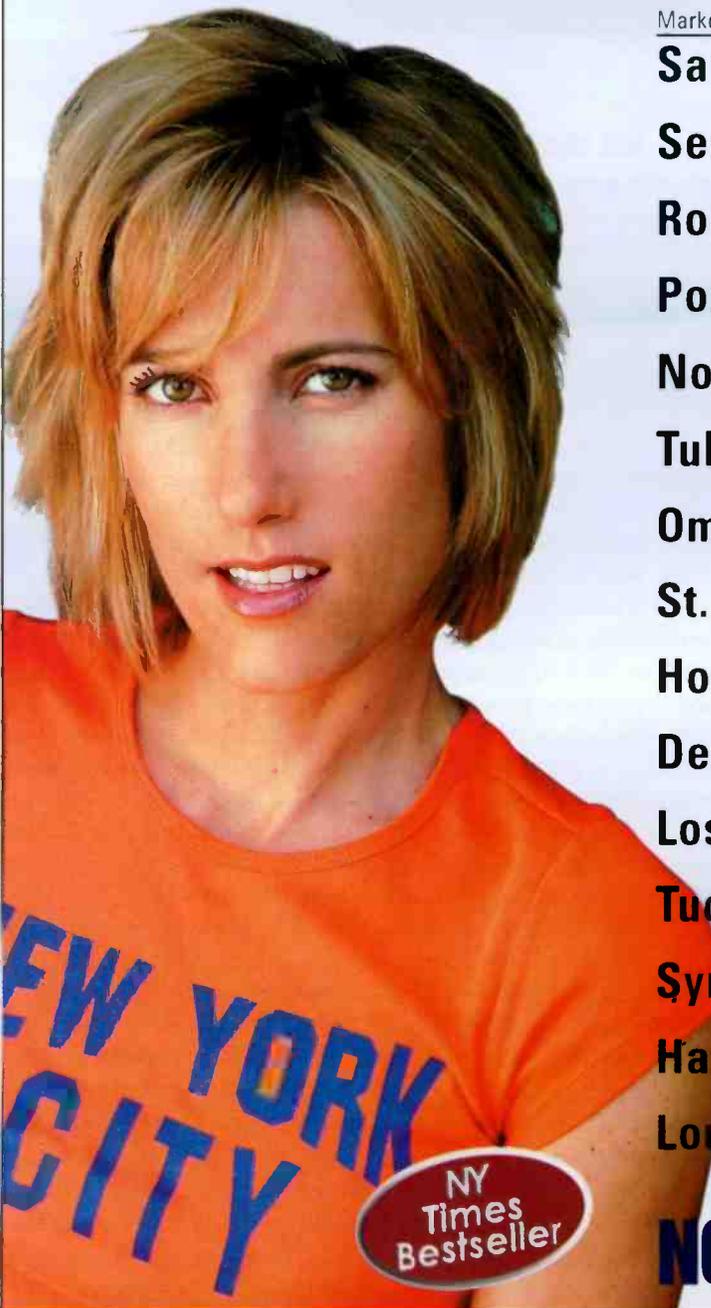
But that conversation at Radio One with the GM, PD or the owner, would never take place. I remember saying to the WRC PD, "First of all, why don't you ask me about it? Why don't you let me educate you? Why are you reacting? Because you hadn't thought about it until I raised it."

And Cathy Hughes—I'll never forget her coming to a meeting and saying to all of us, "Look, we've got to get this thing going. We've got to really push WOL." And she said to all of the Talk show personalities, "Here's what I want all of you to do, because this is the nature of our station. Find an issue, and go for it. I don't care what the issue is. If it's homelessness, if it's education, police brutality, whatever. Go for it."



Laura Ingraham's Ratings Explosion

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Market	Calls	AQH Share	Summer 2003	Fall 2003	Change
San Francisco	KSFO	P 12+	1.8	2.1	+17%
		P 25-54	0.9	2.4	+167%
		P 35-64	2.2	3.3	+50%
Seattle	KTTH	P 12+	1.7	3.2	+88%
		P 25-54	1.7	2.6	+53%
		P 35-64	1.2	2.9	+142%
Rochester	WROC	P 12+	0.9	2.5	+178%
		P 25-54	0.8	2.1	+163%
		P 35-64	1.3	2.9	+123%
Portland	KXL	P 12+	2.6	4.4	+69%
		P 25-54	1.8	2.4	+33%
		P 35-64	3.4	4.3	+26%
Norfolk	WTAR	P 12+	1.8	2.7	+50%
		P 25-54	0.4	2.8	+600%
		P 35-64	1.7	3.4	+100%
Tulsa	KFAQ	P 12+	1.4	6.0	+329%
		P 25-54	1.4	8.0	+471%
		P 35-64	1.9	13.3	+600%
Omaha	KKAR	P 12+	2.7	9.0	+233%
		P 25-54	1.9	2.1	+11%
		P 35-64	2.2	7.1	+223%
St. Louis	KFTK	P 12+	1.3	2.6	+100%
		P 25-54	1.3	3.2	+146%
		P 35-64	2.0	3.7	+85%
Houston	KSEV	P 12+	1.4	2.1	+50%
		P 25-54	0.6	1.6	+167%
		P 35-64	1.3	2.3	+77%
Denver	KNUS	P 12+	0.7	1.7	+143%
		P 25-54	0.3	1.3	+333%
		P 35-64	0.7	1.5	+114%
Los Angeles	KRLA	P 12+	0.6	1.1	+83%
		P 25-54	0.4	0.7	+75%
		P 35-64	0.7	1.3	+86%
Tucson	KVOI	P 12+	1.2	1.9	+58%
		P 25-54	1.0	2.3	+130%
		P 35-64	1.0	2.6	+160%
Syracuse	WFBL	P 12+	1.7	2.4	+41%
		P 25-54	0.6	1.9	+217%
		P 35-64	1.5	3.3	+120%
Hartford	WDRC	P 12+	1.5	2.0	+33%
		P 25-54	0.2	0.5	+150%
		P 35-64	0.9	1.9	+111%
Louisville	WGTK	P 12+	1.9	1.9	+0%
		P 25-54	1.2	1.8	+50%
		P 35-64	1.5	2.1	+40%

NOW OVER 225 STATIONS

Adding inventory: Bringing down market revenue?

We got a call from WBEB-FM Philadelphia GM **Blaise Howard** about last month's *RBR* Sales and GM Talkback columns on rate cutting. He tells us the problem isn't so much about rate cutting in the industry, but what happens afterwards to make up for any lost revenue in the process: adding inventory. To combat the growing problem in his market, he's using one of the spot verification/monitoring services to his advantage, taking the data to advertisers.

"The big thing that's happening today that's really tough is these stations are adding ungodly amounts of inventory. And there's now a way you can prove it. It's a company called AirCheck.com," Howard explains. "An Album Rock station—WMMR-FM here in Philadelphia—probably should not be running anything more than 12 minutes an hour. Well, they're running as much as 17 and 18 minutes an hour."

Howard believes this practice hurts entire markets: "And what this kind of mentality does is takes away the one thing that helps the business grow—the supply and demand curve. If there's unlimited supply, then there's no demand curve. There's nothing driving the price up of the product. And in Philadelphia, it's a freaking mess."

He adds, "This is hurting the market. Philadelphia hasn't gone anywhere in the last three years. Last year, I think Philly would have been up maybe 4-5%, but it was flat. Because there was 'self-suppression' of rates. And people say, 'The market isn't growing.' The reason is you have to let demand develop. And if you're always adding inventory or have an expandable inventory, demand will never take place. So therefore, you'll never recognize what you really should be charging for your product. If you take away the supply part of it, you can never have any kind of yield management."

"The fact of the matter is, for years, many radio groups have been solving problems (meaning how do I hit my budget, how do I grow my revenues?) by the addition of units, rather than the growth of rates," says Entercom RVP and ex-Infinity/Chicago VP/GM **Weezie Kramer**. "And it's much harder to be disciplined regarding the management of your inventory than the discipline of growing your rates. It's a heck of a lot easier to say, 'Oh, somebody wants to buy another one? Then I'll add another one.'"

Bumping one ad for another

The practice often leads to an even bigger problem when regularly done: bumping and dumping spots. Because there is no discipline, at some point (because you can't just be all commercials all the time), they have to pull the plug, yet they're still oversold. Then stations have to dump spots.

And that brings the issue back around to the current industry buzzword of **accountability**. Says Kramer: "What are the advertisers and the agencies screaming about? Radio is the least accountable of all media. And that's going to come back and bite us



Blaise Howard

in the rear. So, we're hurting our listeners, we're not doing the right thing about driving and growing our CPMs or rates. And we're so undisciplined that we get to the point where we can't add any more units that we start indiscriminately bumping people's commercials. And they're going, 'I may stop buying radio'. Until the leadership in broadcasting says 'Stop' and pays attention to this and says, 'Folks, I've drawn the line in the sand. This is it.'"

But does corporate know it's happening?

Everyone knows many cluster GMs are under incredible pressure to increase revenues from the [often] public companies they work for. If they don't, they get fired. In a tough economy, hard choices have to be made. How much does corporate pay attention to how the numbers are met? Says Howard: "I don't think that even some of the people at the corporate levels know that their local managers are adding inventory. But somebody has got to say if we're publicly-owned companies, we've got to be able to three-four years down the road, give these people a ROI on their stock. And they're not looking at that. And that's a sin in my opinion. I think that every station should have a limit on inventory."

Says Kramer: "Companies like Entercom, or stations like Blaise's determine what is the universe of inventory that we're going to take, and you don't add units. And it is a company policy where if someone is even thinking about doing it, they would have to call **David Field** [Entercom CEO] to get approval. The only time that we've ever exercised any addition of units is during political times. There are markets where we compete where our competitors add units. And I'm not talking about just going from 12 to 13, 14 or 15 units an hour—I'm talking about going up to 20 units an hour on music stations. And that's a joke. So what Blaise is referring to is what I call lazy competition, where instead of doing what's right, they do what's expedient. Entercom, Cox and Susquehanna have never added units to begin with."

But she adds fixing the problem can't be done overnight: "Now if one of these groups across the board all of a sudden said 'you can't add units, everyone would miss the quarter. So it has to be an evolutionary peel-back.'"

Broadcast consultant and ex-Infinity President **Dan Mason** explains why it happens: "Any time that any radio station in any company adds inventory, it's simply because the sales management has mis-priced it, period. If you run out of inventory too quickly it means you've sold it too cheaply. Stations add inventory because they might have demand later in the month and they've miscalculated the pricing of it. The stations' mandate was to make their budget, and how they made their budget was up to them. But obviously, they should do it through excellence in sales management. And excellence in sales management would indicate

that you shouldn't have to add a ton of inventory to make your numbers and that you should price it accordingly. When I was at Infinity, our stations were autonomous. They ran on a local level."

Apparently, things have changed and corporate now controls inventory more closely at Infinity. Nevertheless it will be a slow process. Company President/COO **Joel Hollander** was heard saying, "Nobody increases the inventory without New York knowing. We've been reducing inventory loads—for example on CBS-FM in NY and KILT-FM Houston (they were running 16-17 minutes an hour—I made them lower it). There are a number of music stations where we're doing some experiments reducing loads and putting more pressure on the inventory. And it's paying off. This is where I think, long-term, is where everybody has to go. It hasn't changed over the last couple of years—it is what it is. I think a lot of companies added inventory a number of years back. It's not a matter that the inventory load is going up. I don't think that's an issue more now than before."

CC Radio CEO **John Hogan** tells *RBR* the technology has been put in place to assure corporate knows. The problem was addressed late last year, says Hogan: "CC has recognized that commercial clutter is a real issue for us and for the industry. We took steps in the Fall of 2003 to review every CC station and working with local managers established commercial loads and spot break lengths that are as reasonable and responsible as possible. This required, in many instances, our stations to cut commercial loads...sometimes by a little, sometimes by a lot, sometimes not at all."

We have had and continue to emphasize the CC policy of not adding inventory. We establish the levels and we work with them...one cannot add spots and be a CC manager. Further, we have an enterprise-wide, proprietary inventory and yield management system that helps our managers manage their inventory. We have provided and trained them on this tool, known as Tradewinds, and it is a large point of positive differentiation for CC stations. Inventory levels will continue to be an issue for radio until we realize that we run too many spots. As an industry leader, we are implementing systems to support our underlying philosophy of scheduling the fewest possible number of spots and not adding inventory. By using Tradewinds to manage our inventory, intelligently and consistently, CC will continue to lead in this area."

What do the buyers say?

Kramer tells us that in Entercom's markets, they monitor their stations. "And if you go to a media buyer and say, 'Look, I'm a music station and we run a maximum of 12 units per hour. Our competitor in a similar format, we've monitored—here's the report—as running as many as 20. The media buyer will say, 'I don't care—a point to point to point. Arbitron will figure out the differences.'"

That may be true in some cases. We asked one buyer what he thought of the issue in general: **Rich Russo**, JL Media's SVP/Director of Broadcast Services. "Blaise brings up a ton of good points and B101's continuous ratings success backs up the fact that the addition of spots on competitors helps them out. He is

also right that the addition of units coupled with a marketplace that has never really 'driven' rates adds to the lack of growth. I think Philly ranks something like 20th in CPP although is it 5th in size." He adds, "As for the amount of units, of course I care, but think about this: TV is running eight minutes in a half hour which in effect is 16 units, or 32 units an hour. Some cable channels are running 18 minutes an hour, or 36 units. It doesn't make radio seem as bad. Radio's problem is not the unit load, but lack of inspired programming [not all—see www.indie1031.fm], no connection with the audience and the ongoing mismanagement of the record labels. If radio cleaned up the above, they could create higher demand for lesser units and still potentially appease those jackasses in suits sitting there on Wall Street, who have taken something that should resonate within our communities like radio once did, and turned it into a big game of hide and seek except the listeners and advertisers once hidden will never be found again."

Using monitoring services to your advantage

There are plenty of spot monitoring services in the industry today: MediaGuide, Verance, AudioAudit and RCS's AirCheck. Howard explains how he uses the service: "We used to do our own aircheck about our competitors and we would take it to clients. They would look at us and say they didn't have the time to check if we were being honest with these reports. But now, with AirCheck, I went on this morning and looked at KYW-AM from yesterday and in the 6AM hour, KYW ran 21 minutes! What happened to 'Give us 22 minutes and we'll give you the world?' Now it's 'Give us 22 minutes and we'll bombard you with commercials.'"

Every day Howard says he goes into AirCheck and picks two different stations in the market. "I take a look at a couple things, including commercial separation. Are they running cell phone people back-to-back? I'll take a couple hours—morning drive to midday or midday into an afternoon drive hour. And I'll just count up the spots. And every day, I just can't believe it."

Howard has gone so far as to offer his advertisers a 45-day free trial of AirCheck, "and we're taking them out and showing them how to use it. You're Cingular—do you know your spots are running right next to Verizon Wireless? That's stupid. Why are you paying for those spots? Or do you know you're in a break of 18 commercials?"

RBR observation: We're glad to hear Hollander and Hogan are putting the clamps down. This is a positive sign. The use of near-real time broadcast spot monitoring at stations—and now advertisers'—fingertips may force a change sooner rather than later. It's going to make GMs and SMS even more conscious of heavy spot loads and running competitors back-to-back. If we as an industry can get radio back down to palpable unit loads per hour, the supply will go down. When the supply goes down, the demand will go up and prices will go up. We know the real world isn't always as simple as textbook supply and demand economics, but with less spots, ratings may go up and erosion to satellite radio and audio streaming may be diminished. Isn't this what we all want for radio?



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HD Radio installations: Feedback from the engineers

Now that HD Radio is getting some teeth in more and more large markets, we called upon the CEs and Directors of Engineering to tell us about their installs and the resulting performance of the digital signal. We wanted to hear about equipment, air chains, tips, suggestions and warnings. This is Part I of a two-part series. Next month we speak to: **Tom Ray**, Buckley Broadcasting/New York, **Norman Philips**, Director of Technical Operations/Susquehanna Radio and **John Kennedy**, Entercom/Boston.

The participants in this issue:

Clay Freinwald, Entercom/Seattle

Ken Wallace, Radio One/Detroit

George Corso, Beasley/Miami-Ft. Lauderdale

Tell us what equipment you're using for the digital air chain at your stations

Freinwald: Entercom-Seattle operates 5 FM stations. All the mains are located at one site, where they are transmitting through a 10 station combiner/master antenna configuration, the 11th station is operating on its own antenna.

The aux site is similar with an eight station combiner/master antenna. HD radio equipment has been installed at the main site but not at the aux site.

The STL's—As you know, to operate HD you must have AES delivered to the HD equipment. One of our five FM's already had Moseley 606/DSP6000 equipment in place and working well for many years so we elected to go that route with three of the other stations (we already had a considerable amount of Moseley 606/6010/6020 equipment) so we added the DSP-6000's to these existing systems. The fifth station had Dolby/Marti/BE DSTL STL equipment, in this case, we simply added the AES boards and we were up and running. Due to the remote location of the main site, all STL equipment is redundant with automatic and remote controllable switching. This configuration enabled us to continue to feed our aux transmitters much as we were doing.

Analog Audio Processors—With the elimination of the old composite systems, all audio processors (Orban 8200's) were moved to the main site where they were augmented with Orban 2200's that can be remotely enabled in the event of failure of the main processor.

Digital Audio Processors—Orban 6200's were installed to feed the HD transmitters. (No redundancy this

time.) We have also installed equipment that will permit automatic and manual bypassing of the HD equipment should a failure take place there that would compromise the feed to the analog transmitters.

Wallace: At WDMK-FM we are using a Harris Z12 solid state digital transmitter. We also are using the Harris Dexstar exciter. We chose the Omnia 6 HD Radio processor to complement the analog processor which is an Omnia 6. For the combiner we purchased the ERI mid-level combiner. All of this was purchased through Harris Corp. as a package deal.

Corso: Beasley Broadcasting of South Florida has done five HD radio installations. four AM's and one FM. WQAM-AM was Florida's first HD radio station, we turned it on July 28, 2003. WNNN-AM, WSBR-AM, WHSR-AM, and WKIS-FM. All followed over the next few months.

It varies from station to station. WQAM is digital from the Moseley STL (6010) right into the BE ASI-10, WKIS-FM converts to AES-EBU at the console output and uses a Starlink STL to processor to digital exciter for the analog and an entire BE HD package for the HD signal. We have a variety of manufacturer's products at our stations (Continental, Broadcast Electronics, Harris, Telos-Omnia and Orban), we are constantly evaluating gear and working with the manufacturers to improve the systems.

How are they configured and what is the amplification method for HD?

Freinwald: One of the five stations is using its licensed auxiliary antenna for HD. In this case the transmitter is connected to the antenna via a band pass filter. The transmitter power is such that the ERP of the HD will be approx. 20 db below that of the analog. The other five HD stations transmitters are connected to the combiners input hybrid dump load port via a circulator. The power output of the HD transmitters are approximately 20 db below that of the analog counterpart. (allowing for insertion loss of the combining equipment which is not expected to exceed .5 db.)

Wallace: WDMK is a class B FM using high level combining. This method employs separate analog and digital transmitters. High level combining takes the analog signal and digital and combines them before the antenna. It is not very efficient, but is easier to install depending on the situation.

Corso: We have several methods. Two of the AM's are pure BE systems and one is pure Harris so the day and night HD on/off will change with pattern/power changes. The fourth AM is a Hybrid BE/Harris system. The pure Harris was the trickiest since it was a brand new product, but their support was fine and their techs enjoyed the trip to South Florida! The FM uses a separate transmitter at low level and is fed to our Alan Dick combiner system 180 degrees out from the analog. It was basically collect the needed parts and plug it all in. It has been working since early September. Again we were the first English language station in the market to put the HDC on the air.



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How is the digital antenna configured with the analog?

Freinwald: The antenna, a four bay, two sided panel array, was retrofitted with four port hybrids feeding each bay. A new feed system was installed on the tower with dual feed lines and power dividers resulting in a redundant, upper/lower half configuration much like the existing analog. The two feed lines are connected, inside the building, to a splitter whose input is connected to the previously terminated broadband line of the combiner.

Wallace: N/A, same antenna

Corso: The AM's required phase rotating networks to flatten the antenna bandwidth. **Ron Rackley** and **Doug Holland**, along with my staff did the measurements, design and installation work. The networks were installed and re-measured to within the acceptable specs before the signal generators were put into service. There is definitely room for improvement here, particularly with the directional systems, but using the information available to us during the Summer of 2003 all HD installations are performing as well as or better than expected. WQAM (the only non-directional) has an HD signal that is robust and covers beyond our "market of interest".

The FM antenna system WKIS had been sharing with WRMA-FM since 1986 proved to be ideal. Using the analog reject port of each of the FM signals, we employ an AFT circulator to input the HD signal. At the combined output wideband port we used the balance load port to feed the reject load port on the antenna's power divider. The analog and rejected energy are monitored in both directions on the line to prevent "fuse" operation of the HD transmission line. Since September, our HD signal has been every bit as good as our 70 hdu and begins blending somewhere in the mid -60's dbu area. At some time in the very near future we'll plot the real coverage areas and generate HD coverage maps for reference.



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Do you think the FCC should allow separate digital and analog FM antennas? Why?

Freinwald: Emphatic YES! With the parameters that have been recommended to the FCC by the group that has been working on this issue. By allowing Separate antennas, this removes the economic penalty that exists in many situations where high-level (high power) combining might appear to be the only option.



Entercom's KQBZ/100.7 HD Rig, The misc racks are to the left and behind the Continental 816R FM Tx. The monitor array to the right is used by all stations for mod level set up etc.

In our case, the same antenna is used for both modes. In the case of those stations that are combining their digital with the analog via a 10db coupler (Injector) the existing antenna becomes a dual antenna.

Wallace: Yes, it is a more efficient way to do HD radio. As long as the coverage is the same or close and there is not any additional interference.

Corso: Yes, with certain restrictions. Perhaps interlaced HD/analog radiators. WKIS happened to luck out with an existing system making low power HD implementation relatively easy and cost effective, since we were able to employ low power HD operation and didn't have to concern ourselves with the additional power requirements and cooling needed for high level injection. Not to mention the cost of several new analog transmitters.

I think that the interlacing of HD/analog antennas will help keep the non-technical radio people (some GM's, CEO's, Wall Street, etc.) from being concerned that the station across town has an unfair advantage because their digital antenna system is one meter higher than their analog. The real concern is that so many single stick stations are going to have to use high level injection if they are not permitted a separate HD antenna or some other low power option. Consider the outlay for the capital improvements (transmitters, antennas and air conditioners, etc.) then their operational cost increases (electric consumption), it might make waiting until many receivers have reached the market the only practical approach. So the see-saw between supply and demand may not function as effectively (insert chicken-egg analogy here).

Were there any surprises/difficulties you encountered?

Freinwald: Biggest difficulty has been the difficulty the combiner/antenna manufacturers are having in obtaining circulators, a key component in configurations such as ours.

Wallace: One thing we ran into was how to get an AES digital audio signal (verses analog) into the HD exciter. We accomplished this by adding new cards to our STL, which is an Intraplex STL plus.

Another issue was the delay factor for the analog. HD Radio digital audio is delayed about eight seconds due to the compression. To make the analog to digital switch sound smoother, the analog audio is also delayed. This presented a problem for the air staff, as they are used to listening to the air signal and cannot due to the delay. Having them listen to program wasn't a good



WQAM-AM



WWNN-AM



WSBP-AM



WKIS-FM

option, since they are used to hearing a processed feed and it sounds unnatural. We got around this by putting an older processor in the studio to feed the monitor chain. To ensure we were on the air we also installed a silent sense at the transmitter site to alert us in the event of dead air.

Corso: Yes, two. The availability of circulators at FM broadcast power levels and frequencies and the delay getting the final version of the HDC software.

Any techniques or tips you're used that you would recommend for the install?

- Freinwald:**
1. Start with your antenna system and work back from there.
 2. Avoid, unless absolutely necessary, high-level schemes that are very wasteful.
 3. Ask a lot of 'what ifs' of the vendors.
 4. Check with others (now that there are some) to see what can be learned from those that have gone before.

Wallace: We had Harris technicians perform the install, which made it much smoother. It can be accomplished without this, but being a new technology we thought it would be better to have the experts on hand.

Corso: Consult with anyone and everyone that you can to learn of all your options. Having five different installations, we learned that there are many different ways to skin this cat!

Are you happy with the performance and coverage?

Freinwald: Almost too early to answer this one. From what I have observed and in talking to other engineers in the market, HD's coverage is surprisingly good. The great news is that where analog is negatively impacted by multipath etc., HD seems to thrive. Keep in mind that I am talking about FM only....I feel the jury is out on AM.

Wallace: Very! We have been very impressed with the durability of the digital signal. We have done some driving tests as well as "in office" testing. The main benefit we have found is the lack of multipath interference. Where the analog was trashed due to multipath, the digital was clear and loud.

Corso: Yes. All systems perform as advertised. South Florida is flat, so the jury is still out regarding serious multipath issues for the FM signal. As for the AM's, the typical response from people that listen to the HD receiver in my car is "That's AM? Wow!". But even with the dramatic improvement in the sound of the AM audio, the audio purest and the nighttime listener will still be let down. Hopefully though, not for too long.



Main Studio and Public File

By Greg Skall

Although the FCC revised its main studio and public file rules several years ago, we still get frequent questions from broadcasters on this topic. Clearly, many are still confused about these rules and it is worth an article to clarify the current rules.

The Commission's changes were intended to afford flexibility and preserve public access to station facilities, personnel and information.

Main Studio Location. A broadcast station's main studio may be located either within 25 miles from its community of license reference coordinates; or within the principal community contour of any station, of any service, licensed to its community of license. This change has allowed broadcast stations much more flexibility over the previous rules in the location of their main studios. Where radio stations are licensed to communities in which Class C FM or Class A AM facilities are also licensed, stations may find that a main studio can be located 40 miles or more from the city of license.

Public File Location

The station public file must be located at its main studio, wherever located. The old rule allowed broadcasters to maintain a separate public file location inside the community of license when the main studio is located outside of the community of license. Since allowing expanded range for location of the main studio, that former rule is no longer in effect and stations that previously relied upon it and have not relocated the public file should immediately take corrective action. Applicants for new stations or applicants for a change of community of license must locate their file either in the proposed community of license or at a proposed main studio.

As an option to maintaining a paper file, the broadcasters may maintain all or part of their public file in a computer database so long as a computer terminal is made available at the file location for members of the public. The Commission has said that it encourages (but does not require) licensees who maintain an electronic public file to post their files on the web. Note however, that under the new EEO rules, broadcasters who maintain web sites must post their annual EEO public file report to their web sites.

Public Access to Files

The entire public file (whether on paper or read from a computer database) must be available for public inspection at any time during regular business hours. Prior ap-

pointments may not be required, nor can an "off-the-street" request be refused on the ground of inconvenience. You may obtain personal identification (name and address only) from any person requesting to review the public file, but you may not require any information relating to organizational affiliation, the purpose of the request or other matters. If a person becomes abusive or destructive, either when requesting inspection or during the inspection itself, he/she may (and should) be denied further access to the material.

If any party desires material in the public file to be reproduced, the copies must be made available within seven days of receipt of the request. All requests for reproduction made in person must be honored. If the public file is located outside your station's community of license, then a station must also honor telephone requests from residents within your service area (grade B contour for TV, 0.5 mV/m contour for AM and Class B FM, 0.7 mV/m contour for Class B1 FM and 1.0 mV/m contour for all other FM) for everything except your political file. A station may, if it wishes, also honor requests made by mail. The requesting party may be required to pay all reasonable costs of reproduction, including the direct copying costs as well as associated expenses such as the allocated salaries and overhead of staff necessary to supervise the file materials during reproduction. The station, however, is required to pay postage to mail the copies to the requestor.

To facilitate requests for public file documents, stations whose public files are located outside their city of license are required to mail to callers within their service area a copy of the current edition of "The Public and Broadcasting" manual. Both the copy and the mailing are to be at the station's expense and free of charge to the caller. In addition, station personnel are required to assist callers within the service area by answering any reasonable questions they may have about the actual contents of the station's public file (except the political file). As an example, the Commission indicates that, if asked, stations should be prepared to describe to a caller the number of pages and time periods covered by a particular ownership report or children's television programming report, or the types of applications actually maintained in the station's public file and the dates they were filed with the FCC. The Commission also encourages (but, except for EEO reports, does not require) stations to place the descriptions of their public files on any Internet home page that they maintain.

The FCC document, *The Public and Broadcasting*, must be placed in a station's public file and a copy sent by mail without charge for either copying or postage to any member of the public requesting it. The document is also available for downloading from the Media Bureau web page at <http://www.fcc.gov/mb/>

Greg P. Skall is a communications attorney with Womble Caryle Sandridge & Rice, PLLC. He can be reached at 202-857-4441.

By Jack Messmer
jmessmer@rbr.com

First time buyers: You're on your own

We knew we were getting into difficult territory when we set out to write about how first time buyers can find financing for radio stations. We knew the situation was bad, but it turned out to be even worse than expected.

In recent months two major lenders who'd been targeting the market below \$10 million, and were even willing to do loans below \$5 million, said goodbye to broadcasting. Both Silicon Valley Bank and Textron Financial simply closed up their media lending shops. Other lenders who a few years ago might have done loans in the \$5-10 million range have gradually raised their floor to \$10 million—and in some cases \$20 million—leaving virtually no one to deal with the low end of the financing market in radio.



David Honig

"A lot of the debt providers who had been doing between \$1 million and \$10 million have pulled out and now they're just doing \$10 million and up. It's the same fixed cost to do due diligence for a \$1 million loan as it is for \$10 million, so you can understand it. But it's really hurting those who have small deals to do," said **David Honig**, Executive Director of the Minority Media and Telecommunications Council (MMTC), which in recent years has expanded into brokering radio station sales to minority buyers.

"It's funny. If the deal is very small or very large, you can get it financed. It's a hole in the donut," Honig explained. "If the deal is very small people can go into savings, they can raid

their kids' college funds. We just did a deal where we got the station built and the guy took a second mortgage on his house and his kids are going to have to send themselves to college. We got the station done and that was just a half million."

"Between half a million and \$10 million is very hard. Local banks don't tend to understand this business. Part of the problem is that a broadcast license is an intangible and it's not collateral. There are ways that you can write around that, but a lot of local banks don't understand how that's done. They don't have a template for it and they don't have experience with it," Honig said.

"If he's a first time buyer that has experience, there's probably something out there. But there's just no money that I can find for anybody to buy anything other than a cluster of some sort," said **Ted Hepburn**, President of The Ted Hepburn Company. That, however, rules out standalones, which is where first time buyers tended to start in the past.

So, we asked, there are no opportunities for just a couple of million dollars?

"Well, you can have a small cluster that maybe there'd be some interest there, but the problem is that it is a lot easier to raise a hundred million than it is to raise three million. It's very difficult to raise three million because the dollars have gotten so much bigger. It's also very difficult to find somebody that's at all knowledgeable that would buy a standalone FM or FM/AM combo. They all want to have clusters because that's what is the trend and they don't know that people with just an individual station are going to be able to compete properly," Hepburn said.

And there's no difference for niche and minority players?

"It's the same thing. It doesn't make any difference. It's very difficult to do it. The financing is just almost impossible [for standalones] and I'll tell you it had damn well better have cash flow and be at a good multiple," he added.

But even when a good standalone station does come on the market, Hepburn says it's very difficult for a newcomer to outbid local cluster operators. "The chances are that whatever you as an entrepreneur could pay for it, one of the other guys that has a cluster in that market would pay more," he noted.

At Media Services Group, **Bob Maccini**—who worked on the finance side before becoming a broker—agrees that there's not much good news for entrepreneurs wanting to enter the lower-priced end of the radio business.

"It's nearly impossible. With Textron going away and Silicon Valley Bank going away, the only person playing in the under \$5 million range, and maybe even under \$10

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Bob Maccini

million, is **Dave Westburg** (Westburg Media Capital). It's very expensive, on the order of prime plus seven, and maybe some warrants in addition," Maccini said. "I've been shocked that no one has come in to fill that gap."

Maccini said he knows of a group of people who are out trying to put together a fund to address that segment, and some small venture capital firms also looking at potential opportunities. "Again, it would be fairly expensive money, but given the absence of anyone else playing, I think there would be some people that would take advantage of that," he said. "It's really a void right now that I think will get filled in time."

So, are there any alternatives now at all?

"The only other source is really going to your local bank, which some people have been able to do because of more local relationships and because the stations are in the bank's trading area," Maccini said.

Finding new lenders who'll do small radio deals would be good news for the brokers, so it's not like they haven't been looking high and low, but so far without success. Maccini says he has a couple of deals in the pipeline now, with cash flow, but in small markets, that are having a hard time finding any financing.

Seller paper makes a comeback

If banks won't finance small radio deals, there is one remaining alternative—one that used to be common in the industry.

"If it's a small station, first time buyer, the only possibility for first time buyers is to locate a station in a market they specifically would want to be in and to find a seller who is more than weary and let him finance 80% of it—and for them [the buyer] to come up with at least 20%," said **John Pierce**, President of John Pierce & Company.

"When I got into the business in 1977 it was almost common for a seller of a small market FM or AM to know that he was going to be the bank. In most cases that was the way it worked—he wanted 20-25% down if he felt comfortable with the buyer," Pierce recalled.

Most opportunities of that sort today are AMs, at least in the rated markets, Pierce said. But in areas outside cluster markets, he said owners of FM stations that the big groups don't want are finding that they too are going to have to hold seller paper to sell their stations.

While much has been said in recent years about finding ways to make more capital available to minority and female entrants in broadcasting, nothing has happened. And with Minority Tax Certificates a fading memory, which was the FCC's most successful program for increasing minority station ownership, minority entrepreneurs are in the same boat with other first time buyers—looking for lenders who don't exist. The brokers say there are still some small business venture funds targeting minority media companies from the equity side, but nothing on the debt side.

Honig's MMTTC continues to press the FCC to adopt measures to encourage minority entrepreneurs to become station owners. The group has proposed various incentives programs, but the suggestions were overlooked in last summer's broad revision of media ownership rules (now before a federal appeals court in Philadelphia). The FCC's recently formed diversity committee has, however, taken up the issue of access to capital. "So it may be that we can move that issue along," Honig noted.

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The University of North Dakota is accepting sealed bids for the sale of certain Radio Station Equipment, and transfer of the FCC license, for AM Station KUND at Grand Forks, North Dakota. Interested parties should contact the University of North Dakota Purchasing Office to request a bid form at 701-777-2132 or gerald.clancy@mail.und.nodak.edu

TAG **Media Consulting**

Terry Greenwood

Please call or email to schedule a confidential meeting in Las Vegas during NAB2004

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