

Radio Business Reporttm

Voice of the Radio Broadcasting Industry[®]

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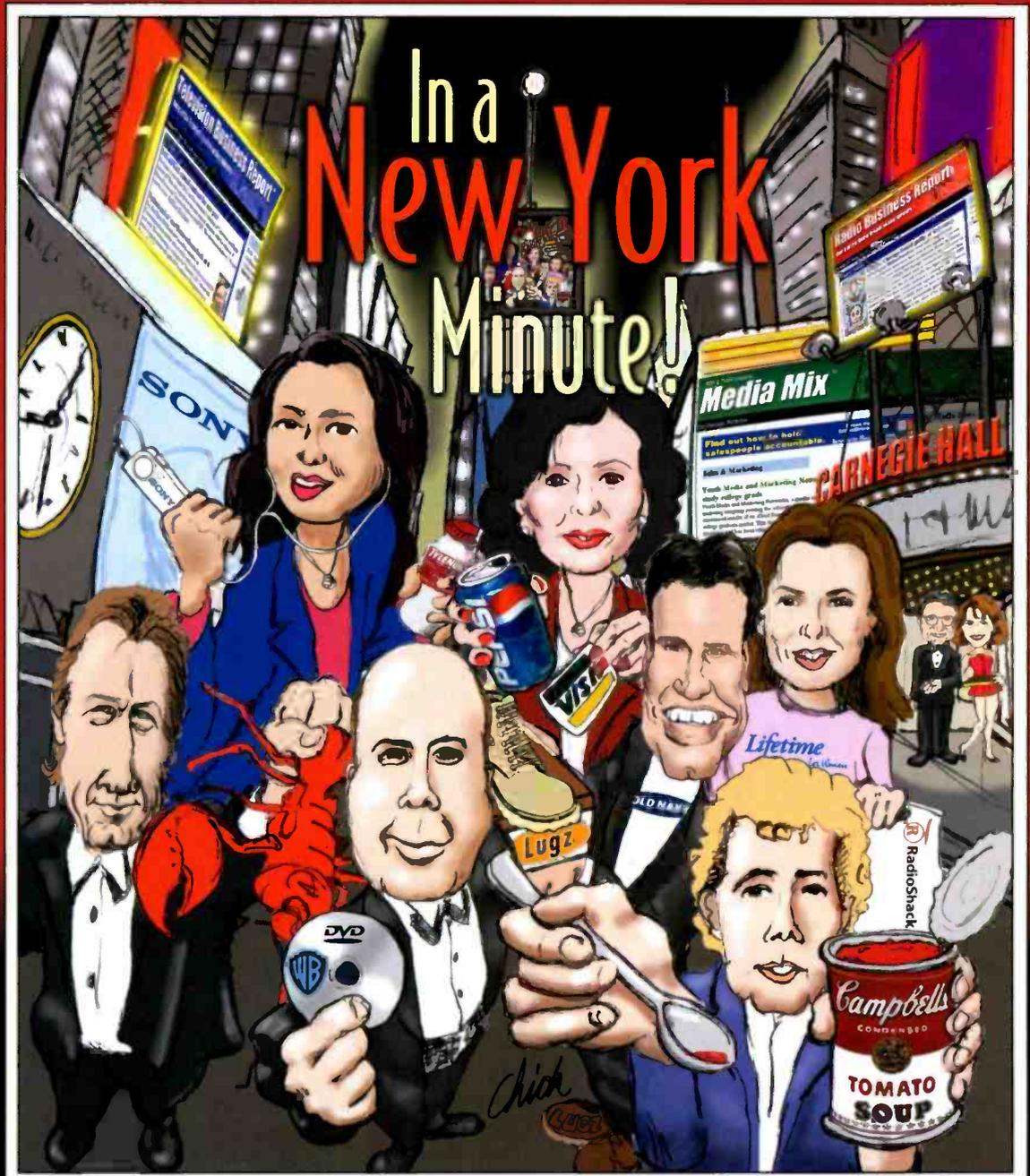
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POINT A

mar-ket-ing (mār'ki'ting), *n.* 1. getting the message from point a to point b.

POINT B

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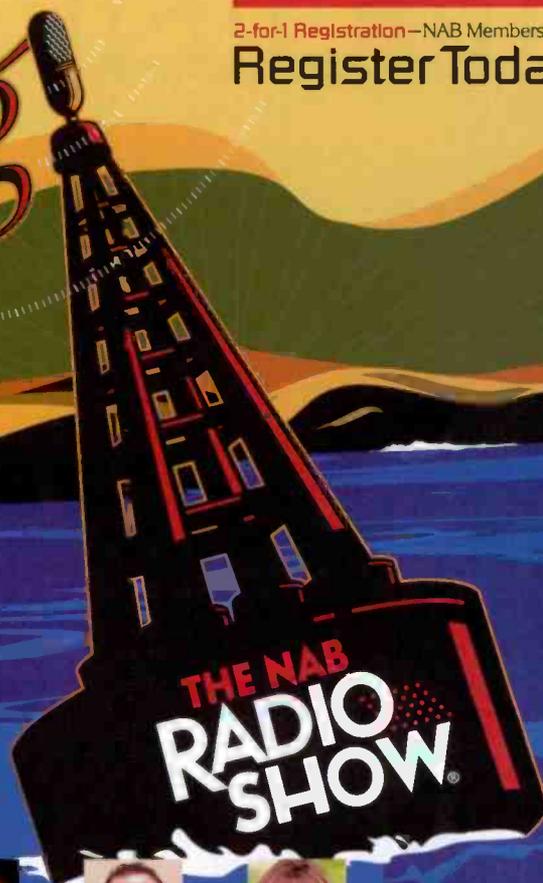
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Programming Executives:



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Cumulus Media



David Gleason
Univision Radio



Tom Owens
Clear Channel Communications



Pat Paxton
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Mary Catherine Sneed
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Chesley Maddox-Darsey
Access Communications



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Clear Channel Worldwide



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Business basics under challenge

By Dave Seyler/DSEyler@rbr.com

During the summer of 2003, the FCC launched a rulemaking which, although it promised sweeping changes in the way broadcasters do business, has still yet to result in any change at all. But that's another story. The summer of 2004, on the other hand, is turning out to be the one which may dramatically change the way broadcasters do business.

Putting pace in its place: Six feet under

The summer of change started quietly enough when Clear Channel announced that it was withdrawing from the weekly business pacing reports produced by accounting firm Miller, Kaplan, Arase & Co. in a number of generally large radio markets.

Clear Channel had to be in nearly all pertinent markets, and without its participation, the reports were rendered at best woefully incomplete and at worst meaningless. Radio giant #2 Infinity saw the obvious and quickly followed suit.

Putting ratings in their place: Out to launch

Infinity, it turned out, was just warming up. While the relationship with Miller, Kaplan was merely scaled back, Infinity decided to take a firmer stand with a much larger vendor. It fired Arbitron. Infinity's **Joel Hollander** explained, "After lengthy negotiations with Arbitron, it has become clear that we will be unable to reach a mutually satisfactory financial arrangement. "We will ready our company to grow our business using other means."

Many speculated that the whole thing was naught but hardball bargaining, but so far Infinity is not only sticking to its guns, it's getting set, with The Media Audit, to launch its own ratings service. Hollander has partnered with TMA President **Phil Beswick** to formulate a way to launch "Radio Ratings USA," an alternative ratings service to Arbitron, targeting all the "major markets." The immediate goal is to meet with radio execs and the advertising community and discuss the new service's viability.

Hollander told RBR: "We would love to have something for the short term and the longer-term for the industry. And obviously, most of the industry is not overly-happy with the one-pony race." The timing cannot be good for Arbitron, as it battles to gain acceptance for its new Portable People Meter technology. Arbitron said that as a result of the Infinity non-renewal, its revenues will be approximately \$12 million lower than its previous guidance to Wall Street. Despite that, it still expects total revenues to be up 5-7% this year. Arbitron said the Infinity contract that expire in 2004 accounted for 9% of Arbitron's 2003 revenues.

Putting spotlight blot in its place: Diet time

The Infinity/Arbitron divorce was a spectacular crack-up, but it was perhaps dwarfed by Clear Channel's next move.

Seemingly endless stopsets have been making the push-button channeler on the dashboard into radio's prime attraction. And from an advertiser's perspective, even if the listeners hold channel through the stopset, your message cannot cut through the

clutter when its buried in between commercials from 10-20 of your nearest and dearest advertising friends.

Clear Channel decided to take this issue head on—it announced that as of 1/1/05, it will be cutting inventory across the board. "It is our goal to revitalize, rejuvenate, and resuscitate radio," said radio CEO **John Hogan**. "Any consumer out there that listens to the radio will tell you that we run too many commercials. Any advertiser that uses radio will tell you the industry runs too many commercials. It's not a Clear Channel issue, it's an industry issue."

Industry analysts in general hailed the move, even with the obvious short-term revenue hit likely to accompany the move. "The announcement is very good news long-term for radio, for advertisers, for the audience and, one would suppose, radio group investors," said Wachovia Securities analyst **Jim Boyle**. "The long-term consequence should be...a much better advertising environment as well as a better supply and demand equation that should shift toward the sellers and also should blunt, partly, not entirely, one of the better selling points of satellite radio vs. terrestrial."

Putting guidance in its place: Mum's the word

Clear Channel Communications CFO **Randall Mays** is asking Wall Street analysts and investors for some feedback. He wants to know whether the company should stop giving forward guidance on financial numbers. "We believe that providing guidance to Wall Street creates short-term disruption to the trading of our stock and it focuses investors' attention—and I think some people would even argue management's as well—on shorter term goals to the detriment of accomplishing longer term goals," Mays said. "Because of that, we feel strongly that we should not be in the guidance business."

RBR would argue that this is becoming a more and more familiar motif from CC. It had no problem providing artfully-constructed guidance reports when dot-com-fueled revenue comps were sky-high, generally managing to make the prediction just conservative enough that they could outperform it. Now that conditions are tougher, it wants to hide the numbers, fearing they can be used as weapons against the CC rate card.

Putting each other in their place: Stern words

Finally, we note that Infinity and Clear Channel are suing one another over the six Clear Channel stations which at one time carried the "**Howard Stern**" show. Infinity says CC broke its contract, and wants \$10M. CC says Stern broke the law and caused it to be fined \$495K by the FCC, so it was justified in dropping him, and has countersued for \$3M.

There are not-so-hidden political implications to this squabble. In particular, in the face of the furious head-on assault of indecency foes and a suddenly fervent FCC, Infinity has chosen the fight response while CC has opted for flight. Like all of the other elements discussed in this story, the final act of the suit-countersuit is not likely to be played out any time soon.

But isn't there just a tad of poetic justice in the fact that these two radio giants, while doing so much to make-over the face of their industry, are also engaged in giving each other a make-over in the form of a rollicking, sex-tinged, attorney-driven in-your-facial?

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Bouncebacks abound!

A lot of hot issues have hit RBR's Daily Epaper as of late-from both recent news items and items in our recent print issues.

July 19

One reader decided to share with us a letter originally written to attorney **David Oxenford** of Shaw Pittman concerning the possible new rules requiring broadcasters to record, maintain and provide potentially self-incriminating tapes.

"Since you're spearheading some of these comments, thought I'd share a few of mine with you concerning the proposed rule making by the FCC to record programs and hold them for 60 or 90 days.

I was always led to believe in our legal system, that you're innocent until proven guilty. Shouldn't it be the accuser/prosecutor's role to prove guilt? Isn't that the way our system is supposed to work? This is a legal system turned upside down! I fought for a year and one half to prove my innocence in my Elko, Nevada station (and won), but the FCC asked for very LITTLE from the accuser, and everything from me! Fortunately, I keep excellent records, but many don't.

If a DJ/newstalk host is vulgar, they will be that way consistently. Therefore, a listener has ample time to record a show themselves. It's easy with today's inexpensive equipment to record a show for a couple of hours on a boom box; but for 16 hours and to save them for 90 days, places an undue burden and expense to a small broadcaster. Let the accuser prove guilt. And, why would a broadcaster turn in a tape to incriminate himself? Only a small fraction of a percentage of people would do that (they're not as honest as me). The tape would be lost, broken, or have that infamous blank space! The FCC needs to get real. Put a real broadcaster on the commission.

In addition to this proposed bogus

rulemaking, the Enforcement Bureau can't even begin to keep up with what they have! This will mangle things up even longer!

The better solution would be this: (1) the burden of proof is on the accuser; (2) the broadcaster will co-operate by instructing listeners on how to comment, to whom and have those specific procedures available in their public file, whereby a copy can be made for them. But the thought of the majority of broadcasters "turning themselves in" with "saved" recordings is ridiculous. And the thought of the already slow and tedious workings of the Enforcement Bureau taking on even more is just as absurd.

As for fining stations. Fine the person who made the statement, not the broadcaster!!! That will cut down on indecency in a hurry!! As an former owner for 22 years, I am fed up with babysitting staff and being responsible for everything they do and say. Let them be responsible for themselves and their own big mouths! Watch "indecency" disappear rapidly, when the talk show hosts have to but THEIR money were their mouth is!"

Dale A. Ganske

Hawkeye Radio Properties, Inc.

July 23

This reader advises you to pay the government early, rather than later.

"The item in today's RBR and TVBR on the "official" opening of the 2004 regulatory fee window (7/22/04 RBR Daily Epaper #142) is technically correct, but the Commission made clear (both this year and last) that the fee forms and payments may be submitted earlier. We suggest that, especially when dealing with the government, it's generally best to avoid the last-minute rush."

Roy R. Russo

Managing Partner, Cohn and Marks LLP
Washington, DC

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RESEARCH DATA

Quality Product Overview

The Crystal Media Networks product, as shown in Table 1 (*PRESTIGE*, *AMD*, *EXTEND*), represents a distinctive and demonstratively positive net result. The company has consistently delivered high indices in the Top 10, Top 25, and Top 50 markets- rendering the #1 or #2 positions in its RADAR-rated network.

Source: PRESTIGE- RADAR81 Special Tabulation, Audience to All Commercials. Base: Total US. Rank based on Top Market composition for all forty (40) RADAR networks in RADAR 81.

AMD & EXTEND- Arbitron Fall 2003 Nationwide DMA; Base: Total US.

CRYSTALNETS	PRESTIGE		AMD Index	EXTEND Index
	Index	Rank		
Persons 25-54				
Top 10 Markets	222	1	228	159
Top 25	171	1	175	136
Top 50	142	1	144	122
Men 25-54				
Top 10	224	1	235	161
Top 25	169	1	175	133
Top 50	141	1	144	121
Women 25-54				
Top 10	220	2	221	158
Top 25	173	1	174	141
Top 50	142	1	144	123

Table 1

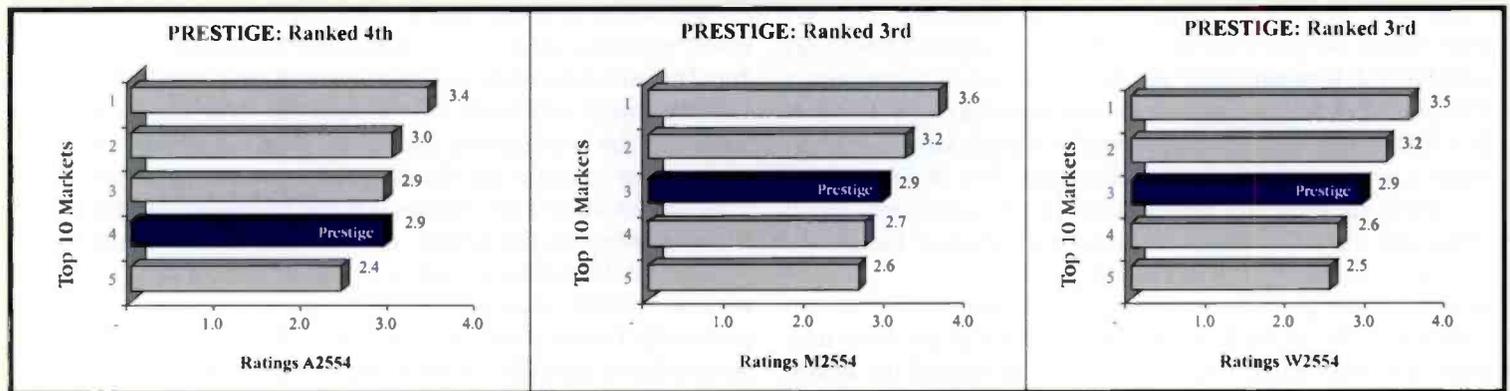


Table 2

In Table 2, CrystalNet PRESTIGE delivers a 2.9 rating for Adults 25-54 in the Top 10 markets with a gender composition of 51% women and 49% men. PRESTIGE is ranked #3 for Men 25-54 and Women 25-54, and it is ranked #4 for Adults 25-54.

Source: RADAR 81, volume 2, Audience to All Commercials, MS 6a-12m; Ranked on AQH in top 10 DMA markets against all 40 RADAR rated networks in RADAR 81.

New Product Overview

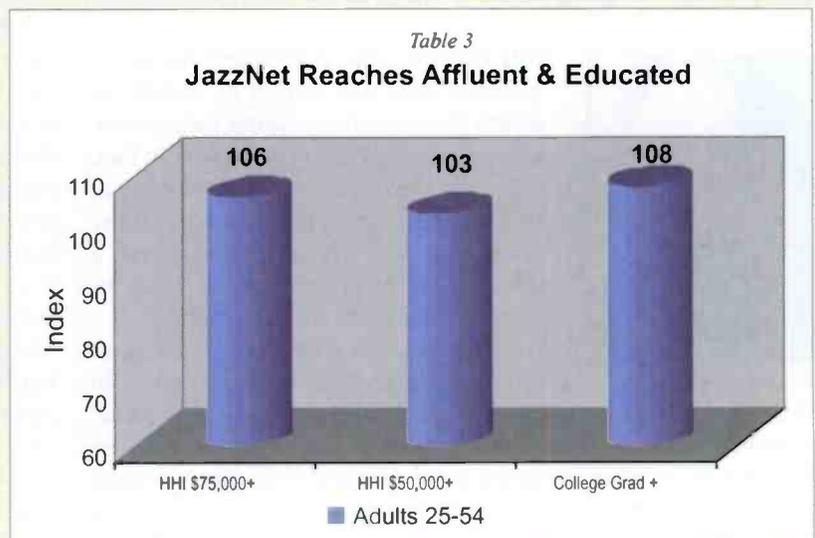
A new product- *JazzNet*- is debuting in the marketplace in Q4/04. The network includes 3-time Grammy nominated musician Dave Koz, "Chill with Chris Botti," and services provided to Smooth Jazz, A/C, and Urban A/C affiliates.

Affiliates include:

- WQCD-FM (New York)
- KTWV-FM (Los Angeles)
- WNUA-FM (Chicago)

This product targets educated, affluent consumers.

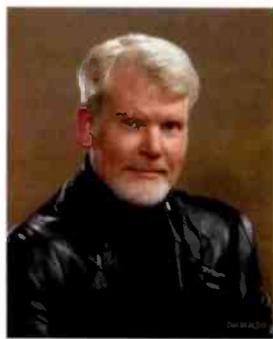
Source: Arbitron Fall 2003 Nationwide DMA



What are the top issues Spanish-language broadcasters are facing today?

We asked a few from Spanish Broadcasting System:

By Carl Marcucci / CMarcucci@rbr.com



Carey Davis, GM, SBS NYC

First, thank you for the opportunity to address some of the issues which face my fellow Spanish language broadcasters. Like so much of our everyday world, ours is a market which shares concerns with the Anglo market and has particular challenges for our unique, Hispanic community.

Ratings = Rates = Revenue is a formula which is a constant challenge for Spanish language broadcasters. For years we were told, "you get the ratings—you'll get the order". Then we got the ratings. We got some orders. We would argue that not only should Spanish language radio get the order—we should receive a PREMIUM rather than being bought (and agreeing) on a discount.

In a hyper-narrow Anglo media world Spanish language radio remains a strong territory of exclusive cume, few duplicated formats, enormous reach and a connection with the community based on trust and the gift of traditional Hispanic values of family and hard work which have blessed America.

Spanish language radio is more than another shaved format. We serve as a lifeline back to the homeland and at the same time a beacon to the shared experience of being part of the fastest growing most economically viable segment of the US population.

So, our top issues are these: 1. Rates parity with the Anglo market for our ratings. 2. The undercount of our listeners by Arbitrons continued inability to balance by language preference. 3. Our ongoing responsibility to help clients understand the power of our Hispanic consumers and their enormous contribution to our local, regional, national and global economy. 4. Helping Hispanics and businesses owned by Hispanics flourish.

We're not defending the hill...we're taking the hill....this is the Golden Age of Spanish Language Radio. It's not a format—it's a community.



Bill Tanner, SBS EVP/Programming

Arbitron does not weight its sample to match the Spanish-speaking proportionality of any market's population. In fact, they don't even know what portion of Hispanics prefer to speak Spanish in any given market. Does anyone think a listener's language preference might influence their radio listening habits?

The result is a significant amount of "bounce" in the Spanish-language ratings from book to book. In 2002, after admitting the need for language-preference weighting, Arbitron announced they couldn't implement it until 2006 because their present software, designed in the 60's and 70's, cannot accommodate it. Weighting is needed to stabilize audience estimates. Arbitron is presently involved in a joint venture with Nielsen to determine the language preference of Hispanic listeners in the top markets.

Spanish language broadcasters have long theorized that consent and diary return rates are lower among Hispanics who prefer to speak Spanish. To date Arbitron has not released a breakdown of these numbers.

The potential effect of measurement by PPM is largely unknown, and is one reason Arbitron has chosen Houston, with its 27% Hispanic population, as a second test market for PPM. However, we would have preferred the much more competitive environment of Los Angeles.

David Haymore, VP/GM, SBS LA:

I'll address that from a revenue side. As a company, we talk about parity. For a long period of time, the non-Hispanic broadcasters have enjoyed a level of respect and revenue that to some degree is inconsistent with their position in a market like Los Angeles. LA, with its high Hispanic population and the number of radio stations that serve this population, we simply do not enjoy the same kind of revenue shares that the non-Hispanic stations do, given our penetration in the market. That is, simply put, the thing that most has to change.

We demonstrate from a ratings side that we're able to have a very strong presence in the market. As evidenced by the Spring book, KLAX-FM is the number #2 station overall in P12+. It's huge. And it's not that Spanish radio stations haven't occupied the top positions previously. I mean you've got many years of history of KLAX having been in the #1 spot; KLUV-FM having been in the #1 spot; KSCA-FM; and now KLAX in the number one Spanish spot, number two overall. But the dollars just simply do not make sense. There's just a disproportion of money that goes to the non-Hispanic stations for the shares that they have in the market vs. Hispanic.

[Why don't you just demand similar rates?]

We are all about trying to serve the client, and what we're trying to do is have all the agencies (non Hispanic and Hispanic) recognize that a consumer is a consumer. If somebody goes into a store and their name is Jose Valle. He makes a purchase at the checkout stand. Because he has a Hispanic surname, he's not getting a 40% or 50% discount off that purchase. He's paying the same dollar, the same value for that product or service that John Smith is. Nevertheless, there has been an acceptance, I guess, in the marketplace, largely from the buying community (and I don't begrudge them—they're trying to do their job). But the fact of the matter is they should end up realizing that Jose Valle or John Smith, as a consumer, the dollar value is the same. And if we are reaching a consumer base that is equal to or greater than a non-Hispanic station, if we had just simply the same rate that the non-Hispanic station is getting, the revenues in LA for Spanish-language radio stations combined would immediately increase by \$80M. This is based on Miller Kaplan numbers, looking at the amount of revenue that flowed into radio in LA in 2003. It was in excess of \$1B. If you then take a look at all the Spanish language radio stations combined, they enjoyed a listening share of about 25%. Nevertheless, the total radio revenues for Spanish language stations combined were approximately \$170M last year. Now, on a one-to-one ratio of just listening shares, the disparity there is \$80M.

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THE LEADER IN NETWORK RADIO

This Spanish market continues to heat up

by Dave Seyler/DSEyler@rbr.com

As has been widely reported, there are now more Hispanics in the United States than any other ethnic group, including African-Americans. A recent release by the US Census Bureau which projected the 2000 count forward to 7/03, pegged the total US Hispanic population at 39.899M, compared to 37.099M Blacks. The Hispanic population is experiencing explosive growth, which accounts for its overall gain. It shot up at a 13% rate over the term of the census study, compared to a 3.9% growth rate for Blacks and a minuscule 0.9% growth rate for Whites.

A study from Interep underscores what this means for radio. "Buying power within the US Hispanic population has increased over the past 13 years by 215%, currently totaling \$653B," noted the rep firm in a report on radio and the Hispanic market. "It is expected to rise another 42% in the next five years, according to the Selig Center for Economic Growth...According to the 2002 Yankelovich Hispanic Monitor, 71% of US Hispanics said that they are more inclined to buy brands that specifically target them."

Interep, using info from both Simmons Research and Roslow Research Group, has unearthed numerous statistics on getting a piece of this large and growing market, and much of what they found is good news for Spanish broadcasting specialists.

For example, 50% of all Hispanics use Spanish all or most of the time, and 88% use it at least some of the time. It follows that if you want to sell to this group, Spanish-language is the way to go.

Look at these facts: Spanish-language commercials have a 61%-better effectiveness quotient in increasing product awareness; they are 57% more likely to be recalled; 69% of Hispanics think Spanish-language commercials are more informative; and finally, Spanish language commercials are deemed an astonishing 4.5 times more persuasive than English-language commercials.

It doesn't take a científico de cohete (that's rocket scientist for you gringos) to figure out that you'd better get some creative together in the Spanish language.

One of the great things about going after this group is that it is generally possible to concentrate your efforts. A 204 Synovate study shows that you can reach nearly three fourths of the Hispanic market with a campaign focusing on only six states: California, Texas, Florida, New York, Illinois and Arizona. Add in New Jersey, New Mexico, Colorado and Massachusetts and you'll be well over 80%.

Another way to look at it is by market. A buy of just the top ten markets will tap into 60% of the entire US Hispanic population. The accompanying chart shows the top 25 US Arbitron markets ranked by Hispanic population.

There is another incredibly attractive feature to this segment of the population, according to Interep's analysis, and that is its relative youth. Most marketers are willing to pay a premium to get at elusive younger demos, and the possibility they pose to create a repeat customer for life. This is built-in to the Hispanic demo.

The median age in the US is 36.6. Whites are almost wholly responsible for the high end, weighing in with a median age of 38.8. The Asian median is 32.5, and Blacks come home at 30.8.

The median age for Hispanics is 26.6. Get 'em addicted to your brand right now, and you've gotten an additional ten years of bang for your buck over what you can expect peddling the same brand to the general public.

Suffice it to say that the científico de cohete on your marketing staff, if that person is worth their enchiladas, should already be at the drawing board drafting a brand new Hispanic marketing strategy.

Top 25 Hispanic markets

Rank	Market	Hisp. 12+ pop
1	Los Angeles	3,976,500
2	New York	2,935,800
3	Miami	1,413,700
4	Chicago	1,185,900
5	Houston	1,097,700
6	San Francisco	1,062,400
7	Dallas	910,200
8	San Antonio	702,000
9	McAllen-Brnsvl	620,100
10	Phoenix	614,900
11	San Diego	593,600
12	Riverside-S.B.	560,200
13	El Paso	428,900
14	Washington	357,700
15	Denver	350,500
16	San Jose	320,000
17	Austin	273,900
18	Fresno	273,200
19	Las Vegas	256,100
20	Albuquerque	241,600
21	Atlanta	240,100
22	Boston	239,700
23	Long Island	237,100
24	Orlando	232,200
25	Sacramento	214,400

Source: Arbitron, Hispanic Radio Today, 2004 Edition

Why is Spanish-language Radio so Important in Reaching the Hispanic Community?

- 50% of U.S. Hispanics speak Spanish all or most of the time; 88% speak Spanish at least some of the time.
- Commercials in Spanish are 61% more effective at increasing awareness than those in English.
- Commercials in Spanish are 57% more likely to be recalled than those in English; commercials in Spanish are 4.5 times more persuasive than those in English.
- 69% of US Hispanics believe they get more information about a product when it is advertised to them in Spanish than in English.

Sources: 2003 Simmons Research; 2002 Roslow Research Group, Spanish v. English Ad Effectiveness among Hispanics

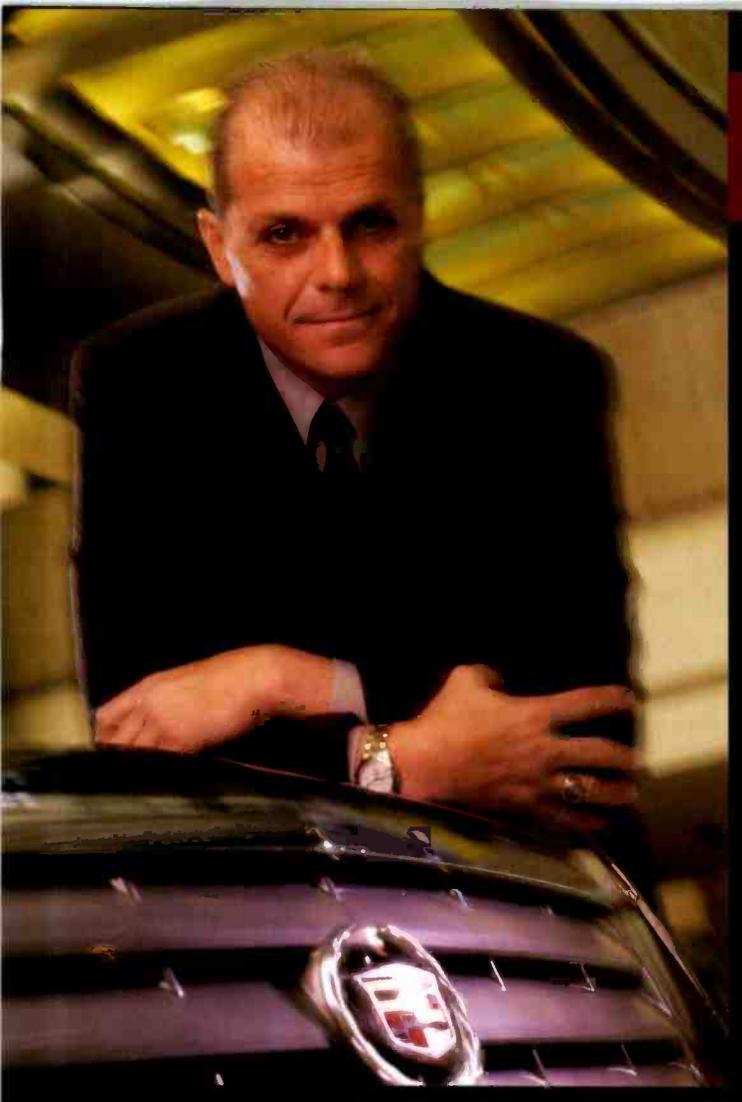
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BRANDING

By Carl Marcucci / CMarcucci@rbr.com

Mark LaNeve: Cadillac GM

Mark LaNeve was appointed GM of Cadillac in 2001, returning to GM after the role of CEO at Volvo Cars North America. He left GM in '97 to become VP/Marketing at VCNA. Prior to leaving GM, he was brand manager for the Pontiac Bonneville and held several sales and marketing positions at Cadillac between 1981 and 1995.

During his tenure at Cadillac, LaNeve has committed to a new design direction, launched eight new vehicles including the popular XLR luxury roadster, and introduced a successful ad campaign featuring the music of Led Zeppelin. In his first full year heading the division, Cadillac sales rose 16% and in 2003 reached their highest level in 13 years. Mark was recently a keynoter at the TVB 2004 in NYC. Here, he discusses the incredible turnaround at Cadillac (also see last month's issue for Part I of LaNeve).

What skills or experiences in your career pre-GM did you bring with you to your position today?

Well most of my career, all of my career has been in the auto business. I started when I was 22 with Cadillac answering complaints at the call center in our Los Angeles office. I'm now in my 23rd year in the auto industry. I came up through sales in Marketing. I had quite a few jobs, lived all over the country and I think primarily I'm very much in a marketing role now, but that sales background really helps me be-

cause in our business the dealers are such a critical part of it. I've got a lot of experience on dealer operations and field operations and how marketing gets done at the dealer level and local dealer ad group level which of course, they do a ton of radio advertising. I think that's provided a unique experience for me. The other big thing with me is I left GM for four years and went to Volvo. So I got to see a whole other side, cause that's one of the smaller companies in the world. Then we got bought out by Ford so I got to see that whole thing and how that all works. Then they formed the Premier Auto Group, which is run by BMW guys, which was Volvo, Jag, Lincoln and Land Rover. So I got quite a four-year education when I was there. So I think those were basically my field background and then working outside of GM is really built around me in terms of the experience I bring to the job.

How do you interface with creative, planning and buying (GM Mediaworks, GM Planworks)? [also see RBR's April '03 issue. We interview GM Mediaworks President Rick Sirvaitis and Planworks President Dennis Donlin]

Basically I'm in on the big strategy sessions where we're laying out overall strategy. We try to make sure that everybody is aligned both on the overall Cadillac strategy and each individual car—especially when we're launching which we've been fortunate to do a lot of recently. Then I'll get in on the creative reviews after the advertising folks have had a chance to sift through it. In fact I just left one. We had Gary Cowger, we were looking at final concepts before production for the new STS that we're going to be launching in the next couple of months. They bring me in before things are locked certainly and along the way I'm in touch with both the account people, some of the chief creative people and my people in the advertising department. You can ask me where we're at on any of our ads both local and national and I pretty much know where we're at, although I'm not doing it on a daily basis.

How do you use radio for and what you like about it? What radio could do to improve?

Our primary placement for radio is through our local marketing groups, through the dealers, which is a combination of their money and our money. We use the same creative that we have nationally, although we've run very little national radio. We've investigated it a few times, we've done a little bit, but it's been mainly through the local marketing groups. Every group is different. Some groups like it, other groups it's just a small piece of their entire media buy. Some are very heavy like our Los Angeles group for example, which is a huge critical market for us—it's very big. I would say it runs into the tens of millions of dollars that we spend on radio through their combined efforts and we think it's an effective media.

We like it because you're in your car so you've got a captive listener and they're not distracted. You can explain more detail than you could get across in a 30-second television ad. Or really even a lot of magazine ads—if you want to have an ad that has stopping power you don't want to clutter it up to much. You can get some product information into the radio ads. We use Gary Sinise. He does the voice over on both our radio spots and our television spots.



Laura Ingraham

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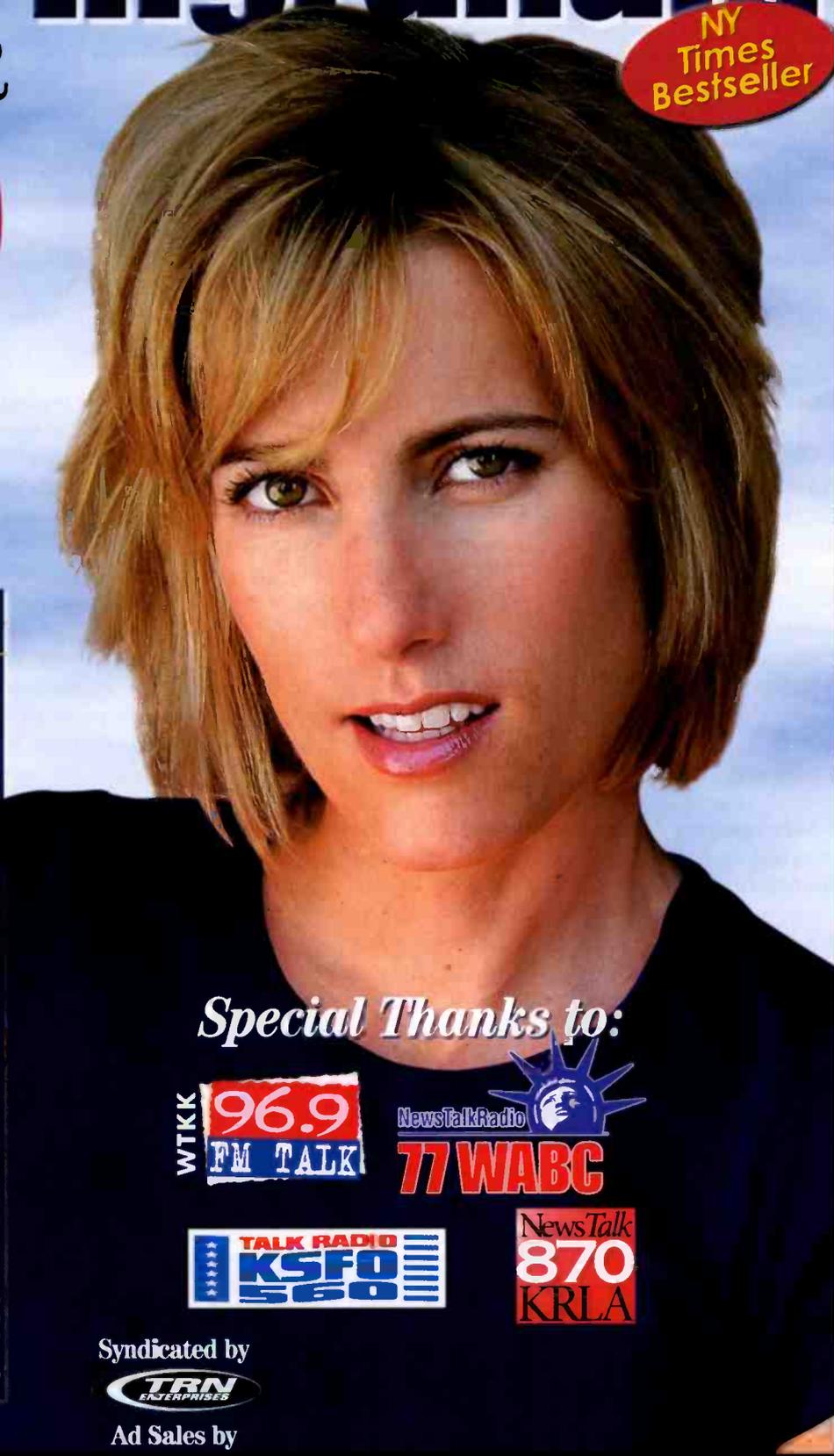
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Winter Ratings Growth

Market	Calls	AQH Share	Fall 2003	Winter 2004	Change
New York WABC	P 12+	2.1	2.1	2.5	+19%
	P 25-54	1.8	1.8	1.8	+0%
	P 35-64	2.5	3.0	3.0	+20%
Portland KXL	P 12+	4.4	4.4	5.7	+30%
	P 25-54	2.4	4.2	4.2	+75%
	P 35-64	4.3	6.9	6.9	+60%
Rochester WROC	P 12+	2.5	2.5	3.4	+36%
	P 25-54	2.1	3.6	3.6	+71%
	P 35-64	2.9	4.8	4.8	+66%
Denver KNUS	P 12+	1.7	1.7	2.3	+35%
	P 25-54	1.3	1.8	1.8	+38%
	P 35-64	1.5	3.0	3.0	+100%
Louisville WGTK	P 12+	1.9	1.9	3.3	+74%
	P 25-54	1.8	2.6	2.6	+44%
	P 35-64	2.1	3.4	3.4	+62%
Albany WROW	P 12+	4.1	4.1	4.1	+0%
	P 25-54	1.4	2.4	2.4	+71%
	P 35-64	2.5	3.7	3.7	+48%
Grand Rapids WOOD	P 12+	3.3	3.3	4.7	+42%
	P 25-54	0.9	4.1	4.1	+356%
	P 35-64	1.0	4.5	4.5	+350%
Tulsa KFAQ	P 12+	5.6	5.6	5.9	+5%
	P 25-54	4.3	7.1	7.1	+65%
	P 35-64	7.0	8.0	8.0	+14%
Spokane KXLY	P 12+	3.4	2.6	2.6	-24%
	P 25-54	1.5	3.4	3.4	+127%
	P 35-64	2.8	3.6	3.6	+29%
St. Louis KFTK	P 12+	1.5	1.5	1.5	+0%
	P 25-54	1.1	1.9	1.9	+73%
	P 35-64	1.4	1.7	1.7	+21%
Minneapolis WWTC	P 12+	1.0	1.3	1.3	+30%
	P 25-54	1.0	1.5	1.5	+50%
	P 35-64	1.0	1.9	1.9	+90%
Colorado Springs WADK	P 12+	0.3	2.0	2.0	+567%
	P 25-54	0.0	1.8	1.8	+180%
	P 35-64	0.0	2.7	2.7	+270%
Indianapolis WXNT	P 12+	1.1	1.1	1.8	+64%
	P 25-54	0.9	2.5	2.5	+178%
	P 35-64	2.5	3.6	3.6	+44%

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*Some Markets to Begin 3rd & 4th Quarter 2004

Of course a big component of our campaign is the song "Rock and Roll" by Led Zeppelin. So you've got the audible quality on the radio. You can play the music however it's featured in the ad. There's a lot of things we like about it and I guess the only thing we don't like about it is it lacks visual aspect. It's such an emotional purchase, an automobile, that you'd like to have a visual product. But that's what television is for. We think it plays a critical role in our media base.

Do you use tens and traffic reports at all or you more into the full radio spot?

We have a little bit of that going on. For example on **Don Imus'** show in New York, he does a segment every Monday during football season where **Phil Simms** gives commentary on the game, we sponsor that show. We do some the traffic reports but that's mainly negotiated by GM MediaWorks as part of a broader buy. We like it but mainly we think our primary position on radio is to get our 60-second spot buy where we get a lot of good product information and we're able to include a lease offer or what have you.

What are your thoughts about using TV?

It's just like I said in New York—it's an absolutely critical medium for our space—the automobiles and our vehicles—because you can capture the motion. You can really showcase the vehicle. It's an emotional purchase, which done well creatively, will capture some of that American Dream aspect of owning a particular car, a particular brand. But we're paying more for less audience every year in this splinter of the media and at some point that's not a winning formula for us. I think things are going to shake themselves out as customers shop more and more on the Internet. Things are going to happen, but for this current time it's a critical media for us and we plan on staying there. Our buying in broadcast and cable this year is relatively flat.

Where do you see new message channels such as the Internet, PVR/TiVo and product placement playing a role in the future media mix for Cadillac?

We're in a test and see. We did a whole TiVo spot with the launch of the SRX that we thought worked out pretty well for us. A lot of what we're trying to do now is add some rich, very rich entertaining content to our Internet site and drive traffic there. I'm big on driving traffic to a particular site and you've got to have some entertaining and informative content when you get there. We like experimenting with things like TiVo and non-traditional placements, but it's still a little premature to put huge bets on it, in terms of a huge percent of your media spend. But we like to kind of learn as we go and play around with it, certainly.

What drove you guys to choose Led Zeppelin particularly as the signature soundtrack for some of these spots?

We wanted a big iconic piece of music. We knew we weren't going to do anything overly complicated in the ad. Showcase the car, showcase the performance and we thought we needed a big iconic piece of music, something frozen in time that was cross-generational. And I'm telling you Carl, we looked at a hundred pieces of music and negotiated on a few of them and then landed on one. Then we heard the Zeppelin songs and I said, 'Yeah, but they never sold any music.' And **CJ Frawley** [GM's executive director of advertising] had a relationship from his Pepsi days with their agent and we must have caught him at the right time and place, boom, boom, boom and we had a deal. They think it's worked out well for them because we don't over-do it. We use very little of it in some ads, more in other ads. We don't talk about a whole lot. So they've been able to maintain their brand, which is mysterious, and we don't try to take the relationship beyond that just because of the use of the music. And it tests well with teenagers up to 80 year olds and we think it's working pretty well. We won't use them forever, but we still think it's working for us now so we're not backing off of it.

Are you trying to bring a different focus in for the target demo? We wondered what the image of pairing the old Cadillac with the new CTS in that one desert highway spot was all about.

We actually used the heritage cars suffice to say we used to. We're not like a mainstream brand trying to become premium. We've been the icon for premium and luxury for 100 years, so we tried to use that as a device to say hey look we used to be great and if we deliver the goods we can be great again. It wasn't really an age thing. Clearly we want to maintain our current customers. You can go broke trying to sell cars at our price point to 30 year-olds. We need to expand beyond the core Cadillac owners; we need to broaden the appeal of the brand. We want to keep every single customer we have. We have great loyalty. We have great customers. We have great dealers that take care of them. But we truly needed to start to affect the baby boomers, to get on the radar screen, just to put a new proposition out there. We've been pretty successful. We've taken the average age, in the last three or four years it's gone from like 65 down to 57. And if you really look at the way luxury buyers are aging, you know kind of the outer edge of the baby boomers, if you stayed at 57, 56 for the next ten years, you're in effect getting younger. I wouldn't be dissatisfied at all. Mercedes is like 53. We've been successful so far we still have more work to do to really get on the radar screen in every significant market in the country where somebody says, 'Hey I can afford to buy whatever I want. I'm going out to look at Mercedes and Lexus.' We want Cadillac to be on that list to. So we've got more work to do but we've made great progress too.



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Upfront on the Upfront: Buyers and sellers speak—Part I

By Carl Marcucci / CMarcucci@rbr.com

The upfront network radio marketplace for most begins in September and runs through January. Up to 50% of year 2005 network billing could potentially be placed during this period. If networks wish to compete, they are usually ready by August to address upfront avails. In our fourth annual upfront series, buyers and sellers once again are *upfront* about the upfront.



Eileen Decker

Being RADAR-rated offers an increased ROI for the networks. They're able to get on buys they wouldn't have been able to previously and possibly get a larger dollar figure. **Eileen Decker**, Dial-Global SVP/Director of Sales, tells us getting RADAR-rated has been a great move: "It's been very significant and we're currently planning another RADAR-rated network. [Arbitron VP/National Radio Services] **Bruce Supovitz** and his team at Arbitron have been very helpful to us."

What are the networks and syndicators telling Supovitz when they inquire about becoming RADAR rated? "They are telling me that more and more buyers are requesting that the non-RADAR organizations become RADAR-rated. Networks are showing buyers that they are adhering to a stricter set of guidelines and have a commitment to clearing commercials by going into RADAR."

What effect is the burgeoning number of new RADAR-rated nets having on spend? Says **Dana Detlefson**, Supervisor/National Radio, Carat USA: "We keep our clients updated and educated on the value of RADAR and have explained to them the increasing number of RADAR properties available. Being that we have always purchased a high percentage of RADAR on our buys, the effect I have seen is the shift of RADAR share from network to network."

Detlefson's clients include Black & Decker, CBS TV, Lifetime TV, Radio Shack, Hyundai, Kia, Petco, Jenny Craig, New Line Cinema, National Association of Realtors and American Institute of Architects (as for all buyers' clients listed, not all participate in the upfront).

While it's great for the industry to have purer, more targeted networks, it unfortunately does not necessarily increase overall spend in network radio, nor does it add additional GRPs into the

marketplace, points out **Irene Katsnelson**, Universal McCann VP, Director of National Broadcast, whose clients include Johnson & Johnson, Kohl's, Sony, Nestle and Hotwire.

Adds **Kim Vasey**, Senior Partner/Director of Radio, mediaedge:cia. "Most of that inventory was inventory that was available already. It was just not measured by RADAR—now it is—which means higher pricing but greater accountability."

Vasey's clients include Campbell's, Citibank, United Airlines, AT&T Wireless, Gallo Wines, Chevron, Wrangler Jeans, PetSmart, Culligan, Xerox, Vanguard, Computer Associates, Lincoln-Mercury, Land Rover, Jaguar and Pepperidge Farm.

Less inventory=higher rates?

The recent announcement of reducing commercial minutes by approximately 19% across Clear Channel stations next year (7/19 *RBR Daily Epaper* #139) could be a major impact on marketplace inventory for '05. Infinity and other groups are also moving to reduce inventory. Simple supply and demand economics would lead anyone to believe rates will go up. But will demand support those rates? We'll see as the upfront plays out.

We asked CC Radio CEO **John Hogan**: Are you going to raise rates to make up for less inventory? "We can raise them, but we can't make people pay them. What we have to do is deliver a better product. What we have to do is give people reasons to buy us... We're going to incent people with pricing. We think having a much more appealing, effective commercial environment is going to give people lots of motivation to do business with us. The only thing that raises rates is demand."



Rhonda Scheidel

Adds **Rhonda Scheidel**, Premiere Radio Networks EVP/Director of Sales: "I expect the pace and demand for the Clear Channel-based radio networks of Premiere to have a higher demand curve given our company announcing a rollback in inventory across our stations. These are stations that are exclusive to Premiere and in high demand by advertisers. The marketing platforms we can offer advertisers in tandem with the other CC divisions will allow for a lot of creativity in gaining exposure for network advertisers in 2005."

Natalie Swed Stone, US Director, National Radio Investment, OMD, agrees: "The Clear Channel cutback of commercials will



impact the network/syndication business as CC stations reevaluate what they can afford to carry now that the rules are changing—we know Premiere is affected with the elimination of Diamond network. There will be other companies affected as well.”

Her clients include Epson, ABC-TV, State Farm, Pepsi, Cingular, Visa, JC Penney, and Travelocity.

Factors influencing the marketplace

Other than less inventory at CC Radio stations and more RADAR-rated nets, what other factors are influencing the marketplace? Uncertainty about political spending/elections in radio, the Olympics and a stronger economy for starters. Increased spending against the television marketplace impacts client ad budgets against other media alternatives as well. Reach Media CEO **David Kantor** says it's also too much weak inventory, lack of urgency, no real advertising recovery, concerns of terrorism—the same uncontrollable things that effect us all.

Kelly Cadotte, PHD SVP Director, Strategic Services Local Broadcast points out a new category, Health, is having more of an effect. “There is also some left over auto money. However again, [as she points out later] you go back to the spending not being to the level of prediction and that is always an influence.”

Swed Stone points to emerging important market factors—non-traditional media including direct, digital, out of home, with increasing share going to couponing, FSIs, promotion and the like. While most buyers contend more RADAR nets don't necessarily equal more overall spend, in the competitive arena, changes to network offerings definitely affect the marketplace. Westwood's expanded lineup of 15 RADAR nets (from nine) ups its inventory some 40%. **Peter Kosann**, President/WW1 Sales also says “the real story is (a) the expansion of our medium's client base, and (b) the level of competition our clients are experiencing within their categories. This one-two punch provides network radio with a growing roster of clients who need constant access to the airwaves.”

How will the TV upfront impact radio's? Some say minimal to none. Decker says with the cable network upfront being as bullish as it is, “we think it's a good opportunity for network radio for next year. Advertisers are going to have a much tougher time in the cable scatter marketplace because of the volume sold in the upfront in addition to inventory used to meet ratings guarantees. Having networks that reach key demographics we'll be well poised to meet the demand.”

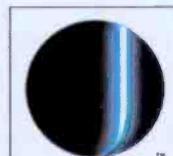
Matthew Warnecke, VP/Network & Local Radio Services. MediaCom, is also optimistic this year's TV upfront may deliver more money to radio “National advertisers rushed to place all of their money last year even at frightening CPM increases—this year, advertisers may be wiser

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Bruce Supovitz

Last year's upfront?

Last year, the traditional upfront, as many in the industry remember, diminished—giving way to an expanded scatter market. While the goal is to sell 45-50% of inventory during the upfront, 2004 upfront fell considerably short from previous years. The economy had the most impact on the upfront, as advertiser uncertainty continued from the year before.

“Last year's upfront was fairly strong, particularly in contrast to the marketplace lull that occurred due to the Iraqi war,” **Jennifer Puritan**, SVP/Ad Sales and Marketing, ABC Radio Networks. “Both the scatter and upfront marketplaces indicated recovery from advertisers' hesitance to commit during Q2 and Q3 of 2003.”

There was not a lot of urgency to last year's upfront and it started late, most agree. “There was no real supply crunch in 2003. Recalls Jones MediaAmerica SVP/Ad Sales **Cathy Csukas**: “The 2003 TV upfront was strong, but it didn't carry over into the 2004 network radio upfront. This year is very different. Many advertisers came into the Q2 market and had a difficult time obtaining the inventory they wanted. This has pushed several advertisers that have relied on the scatter marketplace to reconsider their strategy and place business upfront. We also have at least one advertiser that waited until later in the upfront that has indicated that they want to move early this year as they anticipate a strong market.”

The Q3 and Q4 marketplace and its effect on next year's spending

The big headlines have been radio stocks are down. Some are anxious to see if that's going to be reflected in upfront pricing. Most of these companies are public and the major public companies are more beholden to the stockholders than they are the advertisers. Some speculate if the stock prices go down, they may look to sell more to put more money on the books.

“Currently CPP increases are minimal at best,” concurs **Matt Feinberg**, SVP/National Radio, Zenith Media Services. “I think mostly the industry is licking its' wounds from being smacked by Wall Street for over-exaggerating financials in the past few

years (ironic because basically the radio industry is a solid biz, but just not as big as some would make it seem).”

Feinberg buys for Red Lobster, Schering-Plough, General Mills and Verizon, Astra Zeneca and Toyota.

Local radio revenues have been consistently up while national has been all over the place. Some sellers are telling us Q2 was strong but the Q3 market overall is tepid. What are buyers predicting for Q3 and Q4 national network radio spending, and what is the effect of the scatter marketplace going into '05? Observes Cadotte: “Most of the PHD clients did place a large percentage of their budgets in the 2004-2005 upfront. While we are seeing some cost benefits to this strategy, it is certainly not showing the budget savings we expected. The scatter marketplace is still very negotiable and those of our clients who are in scatter are receiving the same cost benefits as those who placed upfront. Q3 is almost done, we feel there was some disappointment—there was more anticipated spending that did not occur. Q4 is up a couple of percentage points but only slightly vs. 2003.”

“Sheer pandemonium, to quote Morrissey, “There's panic in the streets of London,” kids **Rich Russo**, J.L. Media's Director of Broadcast Services (we had to run that one). But seriously, Russo says he's out there looking to take advantage of the semi-soft market now, before substantial demand kicks in. His clients' budgets right now, compared to last year,



Cathy Csukas

are “similar if not increased. Smart marketers always ramp up in slower times to gain an advantage on further separation from competition.”

Russo's clients include Tempurpedic, Old Navy and Great Foods of America, Food Network, Lugz, Tribune Broadcasting, select Fox O&Os, McGraw-Hill, Country Music Television, Independent Community Bank, Ricola and Upromise.

“We are entering the upfront the same this year as we did last year. Our clients' budgets look to still be strong,” Detlefson explains. “We may have some existing scatter clients join the upfront this year as well. Some of our clients released some extra last minute dollars for Q2, which was a nice surprise. We think the same instance may happen in Q3 and Q4 this year. Even at the last minute, inventory was still available. If pacing continues on the same path, Q3 and Q4 will be flat to slight increases.”

Detlefson observes that tune-in, automotive, and retail spending are up, but not enough so that inventory is or will be sold out.

Next month: Part II—Oct. RBR, predicting the upfront, including CPP/price increase estimates; what percent nets plan to sell now and hold for later; what new creative is being infused to attract buys; how networks positioning for this upfront and new syndication and network opportunities getting buyers' attention.

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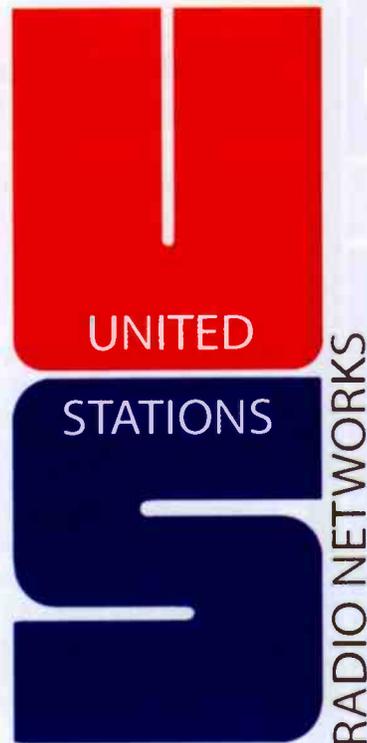
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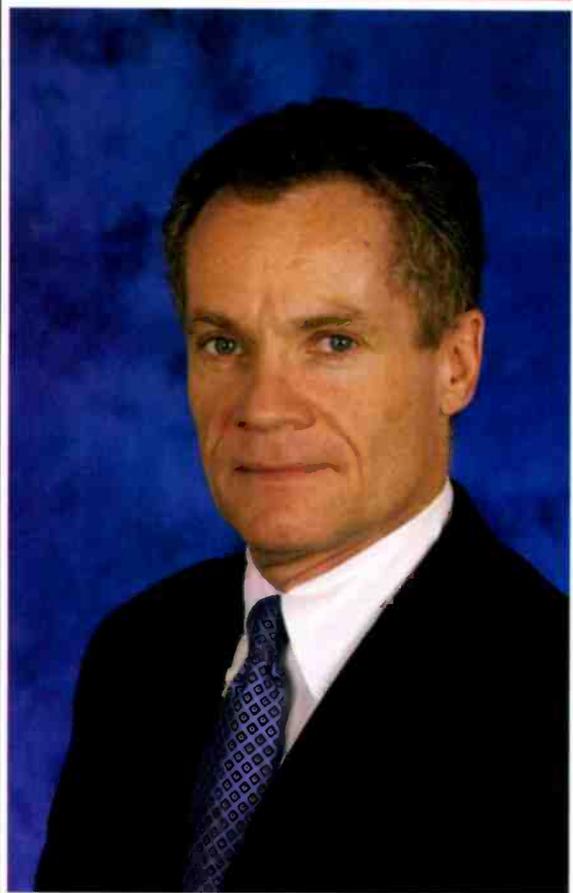
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Country Giants - Crook & Chase Country Countdown - Crook & Chase Updates
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Dr. Dave's Comedy Drops - The Final Lap - Focus on Women - Groove Boutique - HardDrive
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One on One

RBR talks with Jack Abernethy, Executive Vice President of Fox News Channel and Fox News Radio.

RBR/TVBR Publisher Jim Carnegie met Abernethy over the phone in 2003 when Fox News Radio was taking their first step alone into the radio medium. He has the smallest office in the business. If you are claustrophobic —do not close the door. The man always has his tie—untied, sleeves rolled up and in the trenches working with all the staff in the massive NYC Fox complex. Carnegie and Abernethy met face-to-face in April 2003 for an hour conversation which took up an entire afternoon. Carnegie took the Abernethy tour of Fox News and it just was not walking and talking. It was Abernethy in the studios with on-air talent to lifting the trap floor doors to show how the entire news complex is wired. If you ever take the Abernethy tour take your own soap and towel because he's not afraid to get a little dirty. After one full year under his radio belt – Carnegie went back to see if the passion for radio was still with Abernethy and to get his take of the communications medium overall. Here are the issues one-on-one. The man has passion from his gut.

RBR: Jack Abernethy, Executive Vice President of Fox News Channel and Fox News Radio. Jack a little background on yourself.

JA: I've been with Fox News since the beginning, eight years, before Fox I helped launched America's Talking and before that CNBC so I've been launching and growing media businesses now for 14 years. Before that I was with NBC in a variety of financial and operational positions mostly with their TV stations division.

RBR: You came on the scene with Fox News Radio after 9/11. There has been an extremely competitive nature in the news business and you (Fox News Channel) dominate that sector from a standpoint of all news media. How do you mentally act and focus differently as compared to your competitors in Your programming—Your strategy—What's in your head?

JA: The first difference is **Fair and Balanced News** which we've done right from the beginning and it's probably been our biggest strength. Cover both sides of the story and it's been probably the single biggest factor in resonating with our audience in growing the business.

The other thing that we did right from the beginning was look at the surveys and recognized that TV news was in trouble.

Roger Ailes (Chairman & CEO of Fox News Channel) read a number of surveys. In addition to the people feeling the news was biased they also thought it was boring.

So we have then and now continued to make news as interesting as possible through the use of: Graphics, Original shows and Authentic Talent. A real flow in what we do as opposed to a lot of repeats and repackaged packages that you would have seen on CNN ten years ago.

RBR: You made an interesting comment to me concerning **Tom Brokaw** on the **NBC Nightly News**, the content and attitude is—"This is what you're going to get and that's what Brokaw feels the viewers needs to get." You emphasized "look at the commercials it tells you the decline on their audience and news perception." Your observation hit me between the eyes. I watch Brokaw and came back and started to see his spot load and it's really not geared for somebody that is 25 years of age.

JA: I don't know for sure but I guess it's all 35 plus.



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— **Erik Braverman**,
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— **Cliff Albert**,
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RBR: As for news or as I call them, the traditional networks, Where do you see some of their problems?

JA: Their problem is from a business standpoint. Bottom line, their signature newscasts have declined dramatically in share and the part of the reason for that is you mentioned that people don't want to wait around for assigned times, 6:30 or 7:00 P.M. to see the news.

They want to see national news when it's more convenient and so cable news, with Fox News being the leader, has basically taken those viewers away from the traditionally broadcasted, newscasts, and for people that want to see news and see newscasts either as it breaks or when it convenient for them.

“Quite frankly I can not understand why radio advertising isn't doing better. We find on the TV and on the Film side here that Radio is the best advertising vehicle to advance our businesses.”

RBR: Let's put it under the Abernethy research and programming microscope. Explain.

JA: Our research shows that the real problem they (traditional networks) have is their audiences are declining but they're keeping their older loyal viewers. The decline is not from across the board it's the fact they're not getting the younger viewer who suddenly reaches age 40 and decides that maybe news and information is more important to them today than before. Then and now that younger demo decides to be a bigger news customer is going to cable TV. It's called convenience with a flip of the one remote button.

RBR: Seems that Brokaw picked the right time to get out. **Brian Williams** who is 42 years of age is going to have a rough time just because of how the traditional evening news is programmed.

JA: Right. I agree.

RBR: You've taken that Fox News Channel philosophy and methodology you described the PD question is how did you take that and move it into the radio media with Fox News Radio?

JA: We had a real advantage into moving into radio in that our management and our on air talent actually started out in radio.

Example—**Alan Colmes** was successful in radio and we've got some of our producers who knew radio so in many ways it was an easy transition into radio.

We had to learn some things and one of the things that's exciting about radio as opposed to cable is we get the opportunity to work closely with some really good PDs that have a great handle on their market place.

Cable we're just putting one product out that's airing and in it's entirety, but on the radio side we have the opportunity to really frame some products with really good input from local PDs which we've done right from the beginning.

RBR: Cable and Radio differences or similarities from a PD and Sales perspective?

JA: There are probably more similarities than differences. The fair and balanced positioning is probably even more important in radio because we have anecdotal, we have research and feedback that says the bias that you find in national news is in some cases even more pronounced in radio. So the need for and the desire for fair and balanced reports on the events of the day are even greater. That has been a key part of our radio effort.

RBR: The phrase, Show me the Money—you just made a road trip with **Dial-Global**, to the agencies, was that a religious experience?

JA: I wouldn't call it religious but it was interesting. We had tremendous response to our news service and our programs especially **Colmes** as he launched from an advertising perspective.

My drive or road trip was and will continue to be meeting with some of the agencies because—quite frankly I can not understand why radio advertising isn't doing better.

We find on the TV and on the Film side here that Radio is the best advertising vehicle to advance our businesses.

Radio is focused! It has the regional ability to focus content with presentation and the ability to get scale.

Radio is a great, great medium for us and I quite frankly as someone new or relatively new to radio, couldn't understand why radio wasn't doing better.

Part of my reason to go around and meeting with ad agency people was to maybe get a handle on that. It was interesting, a lot of the issues you dealt with in **Radio Business Report (RBR) Magazine** and your morning **Epaper**—but I think that there's challenge with compliance that I think the industry is dealing with.

RBR: Your findings on the agency road trip?

JA: I found that the agencies very interested in the medium, very much encouraging—to come up with innovative programming that advertisers could get behind and so to me it was exciting and I think we're very excited about the future of radio. In spite of whatever challenges you might have in the short term.

RBR: Your view on radio's immediate problem(s)?

JA: I see problems; you know I think this industry (radio) has to get a handle on the clutter. That is an issue that people are dealing with—it's a concern. But, I think and know radio is a tremendous medium and we at Fox are very excited about it and want to be a player with the radio business.

RBR: On the clutter side—is there going to be a shake out anywhere towards 2005 where people think it's a network or think it's a news operation which actually falls by the wayside?

JA: I don't think there'll be any great movement there. I think that there is no incentive necessarily for anyone to cut their inventory as long as they don't feel there will be a corresponding boost to their ratings. But, if they think their programming is going to be better and their audience is going to grow people will do it and so a trend will fall out of that.

For example, we found overnight on the TV side that it wasn't necessarily a clutter issue but we couldn't sell the commercials at the kind of rates that we wanted and we're getting these long two-minute commercials. You know like you see over night that kind of drives you crazy when you're watching television. We cut back the inventory dramatically on the TV side and we did that by actually increasing the programming overnight. So if you watch Fox News Overnight our newscasts are three or four times longer than they are in the daytime.

RBR: I start watching Fox probably around 4AM in the morning.

JA: You will see much less clutter. Now the reason we did that is to enhance the viewing opportunity because sales weren't there. People, individual programmers have to go do that.

RBR: Just some PD's and marketers understand branding—how do you tell a local operator about the Fox Brand and what Fox brings to the table when they work with Fox in programming, etc. Many broadcasters just don't understand that they just think they can pack um, stack um and rack um and they're not getting the full value of your brand.

JA: Jim you are so right. Our findings actually demonstrate our consistent

**Leading Radio Stations
give their listeners
what they demand**



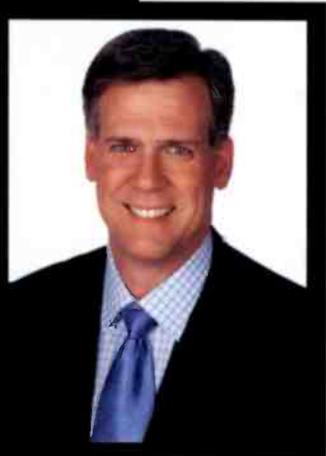
Fair & Balanced News 24/7

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| WDNL-FM | WGTV-AM | WQIO-FM |
| WBVE-FM | WORC-AM | WBZW-FM |
| WORK-FM | WORK-AM | WGFX-FM |
| WNCO-FM | WOWO-AM | WXCT-AM |
| WFXN-FM | KIOD-FM | KCBQ-AM |
| WXCM-FM | KBCT-FM | KZZK-FM |
| WXET-FM | KZNT-AM | WMEL-AM |
| Wxef-FM | WVMT-AM | KTKZ-AM |
| WKJT-FM | KNOX-FM | KGME-AM |
| WZNX-FM | WJBO-AM | WCLT-AM |
| Wsoy-AM | WUSJ-FM | KXKX-FM |
| KYYA-FM | WAOR-FM | WSWR-FM |
| KRZN-FM | WBYT-FM | WUTC-AM |
| KRKX-FM | WTRC-AM | KNST-AM |
| WBCT-FM | KKAR-AM | WWBA-AM |
| WMSR-FM | WMMK-FM | WNOX-AM |
| WMXP-FM | WOKV-AM | WCOY-FM |
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| WRXS-FM | WRKO-AM | WOOD-AM |

OWNERS BRAND



Some of Fox's heavy hitters: (from top to bottom) Alan Colmes, Neil Cavuto and Tony Snow.



brand to radio in ways that no one else has done. When you have on a radio station **Sean Hannity** or **Bill O'Reilly** plus **Tony Snow** and **Alan Colmes** your listeners believe that's a Fox News radio station. We've seen evidence of that which I'll talk about in a second. On the other hand if you have **Laura Ingraham** and **Michael Savage** and if you said to the listeners, what station is that? What would they say? There would be no brand associated with it so we have found that our product, particularly when they are leading into each other or when they're cross promoting each other, that brings the branding strength, which for stations is $1 + 1 = 3$.

RBR: Agreed, nobody in radio has done that to the best of my knowledge except ESPN. You know what you're going to get from ESPN period.

JA: Right. One example of many—**KMFB in San Diego**—they have a very strong local guy named **Rick Roberts** and then after that they have O'Reilly, Hannity, Snow and Colmes—they're a Fox News station. (By the way in the last book they moved ahead into number one in their market and are doing a number of innovative things locally there to drive that station.) Bottom line and fact: The brand comes with the names.

RBR: Does the station get an opportunity to get some liners cut from Hannity and Colmes and Snow to give it that more personalization? That local flavor?

JA: Oh sure plus they promote each other. They're also doing local commercials - we've got Hannity and Colmes doing a local commercial together and continue receiving requests for local advertising.

It's very exciting Jim cause we're finding that we're putting the product out there and some good stations are really finding a way to put it together making sure they got good local content, good local shows promoting it effectively and you know the brand strength is accruing to these stations in ways that it's very exciting.

RBR: You've got energy at Fox that I've never seen before or for a long time in the media business.

JA: We still have that energy. I think a lot of that energy now is being channeled into radio, into our online site business and we're looking at other opportunities to expand, potentially expand channels, and potentially expand programming. Your question is very broad. Let me just give one slice.

With all the channels out there, the viewer, the consumer, the listener really doesn't distinguish anymore between broadcast and whatever; it's what's available to them.

My sense is that in this world where you had PVR, which are going to allow people to time shift you have a tremendous amount of competition that there's going to be a real advantage for live programming.

What we do on the Fox News Channel and we do at Fox News Radio is very compelling and interesting. The best guests, the best and fastest news coverage and as long as we're delivering that we're not going to be immune to the challenges, but we are going to be very much defending against the time shifting those PVRs can do or the repackaging.

As long as we have a live feed of the best and most interesting content out there we're going to be better off.

Now I think radio, my sense is that radio is also going to be positioned very well. Particularly you know live and cause people aren't going to be time shifting radio like they are going to be with PVRs. So I think from relative perspective if the audiences in TV get more and more broken up and it gets harder and harder to get larger audiences cause everything is sliced up that the kind of scale you get from a KFI in LA, the kind of scale you get from good strong radio stations as an advertising vehicle is going to be relatively more important.

RBR: You did something extremely interesting on your web site Fox News.com. How many 18 year olds did you bring in there to design this thing? This site moves, it's awesome.

JA: Yeah the Internet is the young person's medium and to me it's as interesting in many ways as radio in that we are designing a medium.

Every six months the form, the relative form of the advertising in that

medium changes so we're changing, we're pushing and testing the limits, we're coming up with advertising products, sometimes it's too much you need to back off.

It's very interesting (internet) but it definitely is a young person's medium and we're finding it to be very profitable but again as I said before the key is the content and the key is to be fair and balanced. For all the bells and whistles people go to that site because they trust us and they're looking for differentiation in how we present the news.

RBR: Where do you see your growth in 2005? Any challenges?

JA: I think 2005 will be from an ad sales perspective. It will be tough coming off of an Election and Olympic year but business is with all the business indicators that I see now are strong, are good.

When we first started this business (FNC) people would say—one one is interested in news anymore—the young people get their news from **John Stewart** and MTV and you know what that's not the case. The news, the people interested in news and information grows given world events over the last four or five years what we talk about is very important.

So I'm sort of mildly bullish on ad sales, I'm very bullish on our ability to continue to grow our audiences. Higher double digit both radio and television and we're looking forward to 2005.

RBR: On your research you bring up a very interesting point, you mentioned the youth—the generation of the day. What does your research show of that particular demographic? And let's say we'll say 18+ because at 55, I have a hard time communicating with somebody that's 30, old enough to be my son or daughter.

What does that research show and what does that tell us in our medium of what we need to know?

We do have a problem with what we call free over the air radio and television because they are a regulated medium. Besides the normal clutter what do they (the consumer) want to keep us there (free media) because we've got Ipods, etc—it's just unbelievable the amount where you can get your entertainment etc.

JA: Right, one of the things Jim is that we resist the urge to package things for the young. If it's important news and information we don't say all right, how do we specifically package this for the younger audience? Should we do an investigation of Spring break to get those younger viewers like MSNBC seemed to be doing all the time a few years ago?

We don't do that—we recognize the need to get younger viewers in but we really are focusing on what's important in the world.

Who are the most important guests? Who are the top line guests? Let's get them in here on the television. Let's get them up on Alan Colmes at night. What are the interesting stories around the world? Let's get them on the air quickly. Let's make them interesting. Let's make them fast paced. Let's move on to the next thing.

I'm not avoiding your question it's just that everybody is sitting at home with a remote in their hands or they are in their car very quickly pushing the button to switch over to the next guy.

RBR: If you put me in a quick draw contest with a remote I'll win.

JA: You win. You're a quickie on the remote.

RBR: I go fast with the exception of key programming that has got content, at 4:00 P.M. nobody bothers me when **Neil Cavuto** is on. I think he is the best talent in the medium today bar none. I like his presentation and content. I don't believe he is thoroughly utilized and he is a broadcaster-broadcaster, journalist, financial expert that the youth can learn from and that I learn from. There are not too many people that can get into my brain and really hold my attention span for 60 minutes.

JA: It's that kind of approach that if you do it well we'll get the younger audience.

RBR: Do you have any plans for Cavuto going on the air besides just having him on the FNC? Professionally I can see him doing a three-minute piece and from a professional observation somebody has got to replace **Paul Harvey**. It's not going to be **Rush Limbaugh**. Somebody's got to do a morning and a mid-day three or four minutes and say you know this is My World.

JA: We look at that and we think about that all the time. The thing about what has happened with the FNC is and one of the keys to our success is unlike a traditional broadcast the more successful you get the less you actually worked.

For example: if you were hosting the big show on a network you read copy for 23 minutes and that's your main job. In our model the more successful you get the more you work.

So you have O'Reilly doing an hour a night on Cable and two hours a day of radio. You have Hannity hosting three hours a day of radio plus his Cable show. Cavuto is the managing editor for Business News and also hosts and produces four shows on the weekends which are also number one.

We've got a whole culture here that actually thrives as they produce more content, which is really a key to our success. When we find the right formula we'll be ready and we're gonna rollout more radio.

RBR: What's it like working with **Roger Ailes**?

JA: It's terrific. Roger often says that everyone likes to win, everyone likes to be on a winning team but to really succeed you need to put together a bunch of people that hate to lose and he hates to lose and it's that drive that never lets him rest that continues to drive this business eight years in and it's been a pleasure for me.

RBR: Okay last question. You made a comment as we were chatting in New York what's the election year going to come down to in November? Who is going to win?

“It's very interesting (internet) but it definitely is a young person's medium and we're finding it to be very profitable but again as I said before the key is the content and the key is to be fair and balanced.”

JA: Our own polls which we have say now (July 1, 2004) it's a very close election. We are just really going to be prepared to cover it, cover both sides of it, and cover it in an interesting way. It's just my personal view that given the challenges around the world no matter who wins they are going to have to deal with some very tough challenges and probably in many of the same ways.

RBR: Okay, let me give you an open forum and I'll close off here. Anything that you'd like, add words of wisdom to the entire radio and television medium, to say this is how I see it.

JA: My commentary my word—We're very excited about the radio medium. We see radio; news radio is very complimentary to television.

Many of the mediums that we're looking at—Internet, broadband—are competitors to our own product so we launch a new channel or we launch a broadband product it would be somewhat at the exclusion of what we're doing on the TV. In radio it is complimentary.

Our research shows that people say I love the fact that I can get up and watch Fox and Friends, get in my car and hear Tony Snow while continuing to work. Or I'm in the car and I can hear Sean Hannity or Bill O'Reilly and get out of the car and see the television. So we just think of it as a compliment to what we do. This is a terrific business and we are fully committed to it.

Show prep: breaking through the clutter

By Carl Marcucci / CMarcucci@rbr.com

In today's world of information overload, on-air talent has to be better than ever to entertain, inform and keep audiences tuned in. Today's fast-paced world requires immediate response and reaction. Listeners want instant gratification, the latest top news, the hottest gossip, quirkiest joke, most interesting fact, statistic or tidbit that they can share around the water cooler. Prep services cover the big picture, the world outside, allowing personalities to focus on their local market, which they can do uniquely. Immediacy is more important than ever and for show prep, the Internet has become the delivery tool of choice, replacing faxes, reel-to-reel, CDs and satellite for the most part. There are dozens of show prep providers in the US—many of which have a few set clients they work tirelessly for. While that's still the case, some of the larger providers have been picked up by the syndicators and are now big businesses. We asked a few what show prep brings to the table in today's web-based world that stations typically can't do their own.

Way beyond "give them something to talk about"

How have prep services changed to meet the needs of radio? What used to be faxes with jokes and interesting tidbits of information on artists and news of the day is now a compendium of audio clips, comedy bits and searchable liners, tailored to format.

Says United Stations' Launch Radio Networks Director of Programming **Dia Stein**: "In the big picture, we live in an age of information overload. Not even Superman could read every newspaper and magazine, log on to every Internet site, watch every TV show, catch every movie and listen to every CD that's released in a day. But, we turn on the radio and expect whoever is on the air to be on top of it all—which is impossible. At Launch, we present stations with an efficient toolbox full of the most pertinent, topical, latest information, devoid of filler. All of our stories are written with the complete story in the first graph, with additional bullet points for the air talent to use if they so desire."

Adds **Dr. Dave Kolin**, EVP/United Stations, in charge of comedy: "The race for information on demand is a challenge that Launch meets every day in tailoring its prep to the individual needs of our client stations. Morning shows need an edge to stay fresh



Dr. Dave Kolin

and sharp. It is no longer a luxury—it is a necessity. They get a staff of 50 people dedicated to their show each morning with Launch Prep. Our show prep services are custom designed to meet the specific needs and wants of our clients—no matter what the format or type of request comes in. We go out and get it."

Launch, which was formerly Sony Music's SW Networks, provides music news, entertainment news and show prep features for 11 formats. Content for radio websites is also available. Launch maintains news bureaus in New York, LA and Nashville, to gather and produce genre-specific content daily.

How else has show prep changed to meet the needs of stations? "The development of

format specific services is probably the biggest change," says ABC Radio Networks SVP/Affiliate Relations **John Rosso** about his E-Prep service. "Audio, audio, and more audio. Stations rely on ABC ePrep to provide them with access to relevant audio clips...in an easy to audition, select, and broadcast format. We now offer custom tailored services for Rock, AC, CHR, HOT AC, Country, and Talk stations. In addition, we offer live custom reports from ABC talent during and after major events."

E-prep offers audio, music news, entertainment news and gossip, plus birthdays, music history, tour schedules, pre-produced quick drops and comedy. Because of its relationships with ABC-TV, the service also offers "Live From The Good Morning America Green Room," a one-minute produced feature based on exclusive interviews, "Soap Up With ABC Daytime" and exclusive interview clips from 20/20 and Primetime.

"The web itself became a rich source of material for personalities. Due to its immediacy, prep services could no longer live on a single story for a week; our services had to become fresher and more immediate themselves. A valuable service we provide is a filter, based on our strategic positioning, providing a distilled product for the personalities to use, to remove the burden of surfing a hundred sites or reading ten newspapers at 5:00 am.," explains **Kirk Stirland**, President X Radio Networks, who refers to his company's XPrep service. "For example, when **Marlon Brando** died just as we were heading out the door for the Fourth of July weekend, we were able to post a terrific package of text, audio and news, hours af-



John Rosso

ter his death was confirmed."

XPrep takes a "market basket" approach with prep, with custom affiliations designed for each station depending on its needs. "Our XPrep service is designed for contemporary music stations, and we have two companion services, XPrep Gold and Country Kickers that include universal stories as well as format-specific music and lifestyle news. Our Urban Fun Factory is focused right at the Urban format, for both mainstream Urban and Urban AC. Our line-up is complete, with the highly-regarded Ross Brittain Report, written and edited by a working pro and new morning man at WOGL-FM/Philadelphia," adds Stirland.

Amy Austin, Senior Director Prep Operations, Premiere Radio Networks, tells *RBR* some of their most popular elements are overnight television drops, artist and celebrity interviews, up-to-the-minute music news, a simple-to-operate advanced search engine and daily delivery of topical bits and information. They've got 20 prep services with MJI services concentrating on music news and information to various formats.

Westwood One offers entertainment and music news prep services that include artist facts, one-on-one interviews, tour dates, audio feeds, new music previews and breaking news. Products include The MTV Morning Facts, The VH1 Morning Prep, CMT Radio, BET prep, The E! Radio Network, The CBS Morning Resource, Westwood One Prep, Entertainment Newsfeed and Westwood One One-On-One.

Service is key

With all the competition out there, service is paramount. Show prep services make sure they're always on top of breaking news and a phone call away if there's a problem or question. Serving the client is often the most important factor in keeping affiliates happy. "What do you want, what do you like, what do you want more of, what do you want less of," Stein attests. "It's clear we don't live in a world where simply knowing the news about the grooviest bands is enough. We all have too much at stake to 'cheap out' when it comes to providing the right tools for today's air talent. So we change, revisit, revamp and revise almost daily in response to what our affiliates tell us they want."

Rosso says having live human beings staffing the place 24/7 certainly makes a difference. "Certainly, the folks at the other major syndicators have people around, but I don't know to what extent they have with people around all the time who do their prep services. If you call at Tuesday at 3:00AM, who is there that can talk about prep services? For us, the prep service is part of the ABC Newsroom. So there are always people there who work on these things. So there's always somebody on staff who can address a problem—if you need a re-feed, etc."

RBR September 2004

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- Our daily **web content** service provides your station's website with entertainment news and exclusive audio.

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2005 budgets and capital expenditures

By Carl Marcucci / CMarcucci@rbr.com

In this two-part yearly *RBR* series, we ask top engineers at the groups where 2005 budgets and capital expenditures are heading. What's tops on the list for projects and new equipment? While not everyone opted to give answers to every question, we asked the following:

Glynn Walden, Infinity SVP/Engineering
Steve Davis, CC Radio SVP, Engineering & Capital Management
Talmage Ball, Bonneville VP/Engineering
Tom Ray, Buckley Broadcasting Corporate Director of Engineering
Norman Philips, Director of Technical Operations/Susquehanna Radio
Marty Draper, Emmis VP/Corporate Engineering
Cris Alexander, Director of Engineering/Crawford Broadcasting
Clay Steely, ABC Radio Director of Engineering
Milford Smith, VP/Engineering, Greater Media
Mark Stennett, VP of Engineering, NextMedia
Dave Remund, VP/Engineering, Regent Communications

Have you started on your 2005 cap ex and operating budgets? Tell us about the process.



Glynn Walden

The annual Operating Budget process doesn't begin until September. This is so managers can take into account their expected capital approvals when formulating their operating budgets, since there can be savings or additional revenue associated with approved capital projects.

Ball: We send out a form to stations in the early Fall with suggestions and amounts to be spent in following year. I then receive the requests from all Bonneville stations and we negotiate a reasonable capital expenditure for each station. I see that the money flows toward stations with highest needs. The capital budget is reviewed and approved by management later in the year.

Ray: Yes, on the Cap Ex. We are completely renovating the technical plant next year, so it's gonna be a biggie. We basically start with a blank page and budget for what we need, with input from other department heads. We have several meetings with Corporate, and make decisions on what we actually need to do and, once that is done, try to get the amount down as low as possible.

Walden: Capital budgeting begins in August. Each facility prepares a budget, which is reviewed by the regional engineers before being submitted to corporate headquarters.

Davis: We are in the process of collecting capital budget requests from the field. We'll be accepting requests until July 20th. After that, the Regional Engineering Managers will review and recommend approvals.

Philips: Actual numbers will not be determined until October.

Draper: With each fiscal year, Emmis takes a three-year look at capital planning. As we approach each new year, the plan is revised.

Alexander: We will start on our FY2005 cap ex/R&M budget in late August. We begin with a complete inventory of all our capital equipment to see where we are. All equipment is replaced on a scheduled rotation, modifiable by wear

and tear as well as special needs. Once the inventory is done, we solicit budget requests from our market CEs. They meet with the management staff in their respective markets and ascertain specific needs for the coming year. The requests they submit to me contain full justifications for each non-rotation item. I evaluate the requests, often following up with questions of my own, and either include, reject or modify them. Operational/R&M requests are handled in much the same way.

Steely: ABC/Disney's fiscal year starts in October, so the capital planning process begins fairly early...usually April. The plan is developed and reviewed by management at the station level, then sent to my office for approval at the division level. Finally, the total plan for all of the Radio Division is sent to Disney for final approval.

Smith: We are just in the process of a first half of the year review and will transition from that into the '05 budgeting exercise. This process starts at the station level and is ultimately brought to the group level where final decisions are made based on group wide priorities and available resources.

Stennett: NextMedia begins our Cap ex and operating processes each October. Data for future needs are collected and compared to history.

Remund: It is pretty early in the process at this time. The markets are identifying their needs for 2005 and we will go through the budgeting process of reviewing their requests in the Fall.



Cris Alexander



Steve Davis

Are you planning to spend more group-wide next year? Why?

Walden: We make group purchases where a large number of items are needed. Group-wide/volume purchases increase efficiency and reduce costs.

Davis: I can't comment on this at the present time.

Ray: Yes. The WOR plant is in dire need of renovation.

Philips: At this point I would say close to this years' expenditures.

Draper: No. Our year-to-year capital expenditures stay fairly fixed. Much of that is a result of our 3-year look. Certainly, unplanned events arise, but this helps stabilize the year-to-year.

Alexander: Probably. We have a couple of big tower project in the works, and if the FCC approves nighttime AM IBOC, we will likely get aboard in a big way in 2005.

Steely: In an effort to control expenses, we'll be spending about the same group-wide next year.

Smith: We had a number of big dollar projects last year so I doubt if we will equal the '04 spending in the coming fiscal year.

Stennett: Our 2005 budget is in keeping with our 2004 numbers.

Remund: I don't see any change in the formula from years past for how much we will spend on Cap ex.

Are there any facility consolidations planned? If so, what markets?

Walden: As leases come up for renewal we look for the best solution. Facility consolidation will happen in markets where it makes sense.

Davis: Yes....some of the markets include Phoenix, Philadelphia, Boston, Des Moines, Birmingham, and Albany, NY to mention a few.

Ball: We have moved WWZZ into the same building as WGMS/WTOP in Washington, DC. Next year we will be consolidating KZBR, KOIT, and KDFC into the same building in San Francisco.

Ray: No.

Philips: None at this time.

Draper: All our facilities are currently consolidated.

Alexander: No.

Steely: None are on the horizon for this year.

Smith: We are planning to commence in earnest on the consolidation of our New Jersey shore properties in '05. This will likely construction of new, consolidated facilities for these stations. Our Detroit consolidation, underway for nearly two years, is just about wrapped up.

Stennett: We have implemented a number of consolidations in 2004. 2005 may be in the cards as well.

Remund: We are actively working to complete a project for new studios in Albany, New York that will place all our studios under one roof.



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What equipment are you looking to improve, upgrade or buy?

Walden: As we build more studios we are looking to the new router based systems with control surfaces to reduce installation time, provide greater flexibility and lower total cost of ownership. With 185 stations we will always be in the market for replacements of aging transmitters and digital audio storage systems to maintain reliable operations and improve efficiency.

Davis: Certainly IBOC equipment is something we're looking at. The studio consolidation projects give us an opportunity to upgrade our audio consoles and delivery systems. We're looking at the various distributed networked console approaches, such as those offered by Harris, SAS, Wheatstone and Logitek. Also, facility hardness/redundancy is a big focus for us: auxiliary antennas, transmitters, generators, and where appropriate auxiliary towers and sites. We want to be on the air when disasters strike, since this is when our listeners need us the most!



Norman Philips

Ball: We will be upgrading or changing our RCS automation systems at some of our stations. We may be installing HD radio at four to six more stations in our group.

Ray: All studio equipment – consoles, you name it.

Philips: Digital studio and STL links
Draper: With more data going to the transmitting site, we are looking at STL technologies that improve data bandwidth.

Alexander: We have several transmitters in the planning as well as IBOC equipment for our AM stations. We have thus far gone with BE exclusively for IBOC. We will be beta testing a different transmitter in one of our markets.

Smith: We will continue our transition to HD radio in the suburban markets. We will be installing several of the new ERI "DI" series of dual feed antennas along with accompanying transmitters and peripherals.

Stennett: Each station in our company has unique needs that will be considered. Everything from microphones to antennas will be considered.

Remund: It is too early in the process for anything specific. We evaluate the facility integrity and look at the weak links. We are always looking for ways to improve reliability and efficiency.

What systems are you implementing to save money for the company?

Walden: Router based consoles, more efficient transmitters, and newer digital storage systems.

Davis: As was the case in 2004, we use our ability to aggregate our purchases and send the items out to bid as our key means of reducing our capital outlay. A high degree of visibility in this regard helps the manufacturers since they can schedule parts and labor efficiently, knowing they have a commitment for a certain quantity of an item they manufac-



Marty Draper



Clay Steely

Alexander: We utilize computer-based digital media systems to save on labor costs and eliminate costly on-air mistakes.

Steely: New phone systems to take advantage of less expensive digital services and long distance routing, new STL systems to replace expensive telco copper loops, more efficient transmitters to save on power costs

Smith: We are always looking at alternatives to leased STL facilities and have implemented a number of alternative systems over the past few years. This will continue.

Stennett: NextMedia is already a very lean company. We are continuously looking for more ways to save.



Milford Smith

ture. We are always looking at less labor intensive means of accomplishing typical tasks, such as live remote broadcasts, and continue to seek out and where possible, deploy technology that enables us to "work smarter, not harder."

Philips: More system backups to prevent loss than money savings.

Draper: This year we completed the standardization of a radio traffic system. We'll see significant improvement on inventory management and on reporting.

Any major projects you're planning?

Walden: Every year there are major projects that occur due to leases expiring or aging technology in need of replacing. I would classify any studio or transmitter move as major.

Davis: Clear Channel has always been aggressive in identifying opportunities for our stations to improve our signals and coverage, so we have a number of tower construction projects planned, including some AM directional ar-

ray moves and new construction. Of course IBOC rollouts in several markets.

Ball: HD Radio, emergency backup studio systems.

Any major projects you're planning?

Ray: As mentioned above, studio renovation at WOR. We are also presently building a new transmitter facility.

Philips: Continual HD Radio implementation.

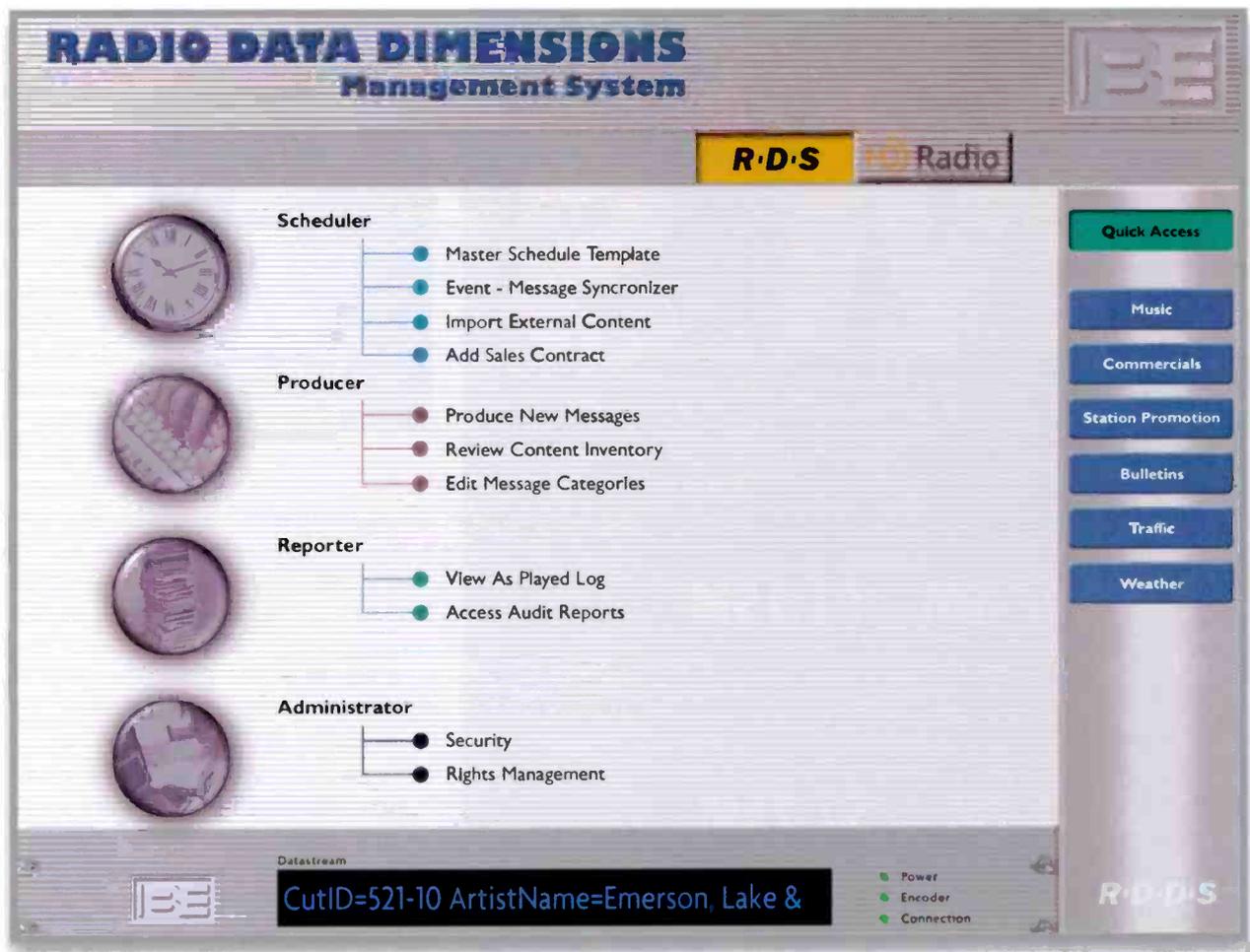
Draper: No.

Alexander: Yes, a big tower project as well as a couple of AM directional antenna projects. We bid our tower jobs to several vendors, so it's hard to say who will win that competition. Utility and Stainless are on the list.

Steely: ABC will be investing a significant amount of money in IBOC, or in upgrades to our facilities to prepare them for future IBOC installations. We'll continue to upgrade studios and offices in several of our markets.

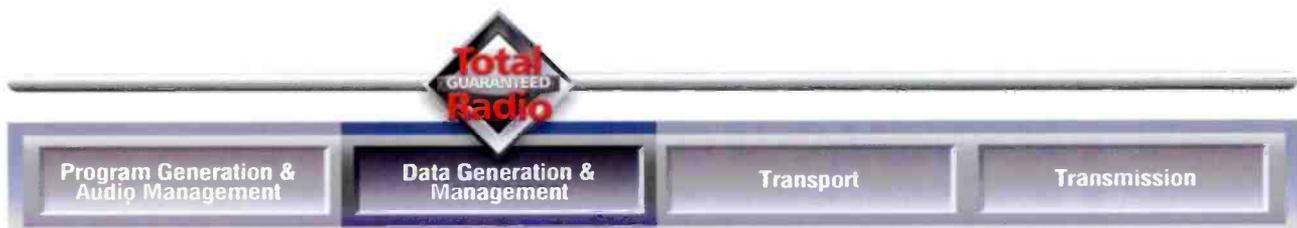
Smith: The shore station consolidation and the continuing transition to HD radio are the major items. We may have a fairly significant AM project as well.

Stennett: NextMedia is taking HDRadio under consideration.



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Flipping languages not for the faint of heart



It's quite a risky venture to buy a station with intentions of flipping the format. So consider how much more dangerous it must be to not just change format, but language—in effect kissing off every single person who

had previously been listening to the station. As he builds Border Media Partners (BMP), his third radio company, **Tom Castro** has been pursuing two approaches—buying existing (mostly) Spanish stations, but also buying English stations to re-launch with Spanish formats.

At this issue went to press, BMP was in three markets—San Antonio, Laredo and McAllen-Brownsville, all in Texas—but Castro said he would soon announce purchases in three more markets.

How many language flips have you done, we asked?

“In San Antonio we will have done that twice. We already did that once and we're in the process of doing it a second time (with the purchase of KBUC-FM). In McAllen we did it twice, but we've also done one the other way. We took off News/Talk in Spanish, which was Radio Unica when they went out, we bought their station and turned it—are you ready for this?—Hot Talk, with **Don Imus, Jim Rome** and **Don & Mike** on 840 kHz. I would argue that is a Hispanic-targeted radio station, because the market is about 85% Hispanic and of the people who listen to us, probably 75% are Hispanic. It's targeted at a young male demographic, most of whom are Hispanic. But there's a lot of English-speaking Hispanics there. That's where we saw the hole in the market and that's what we're doing.”

How do you identify such opportunities?

“We work with various consultants and we have a fellow name **Bob Perry**, who is a long-time programmer and one of the best in the business. So Bob and I, along with our outside consultants, do format searches, perceptual studies, look at the line-up of stations. That gives us certain ideas about what might be missing from a market. And then we actually ask the public—we do research and test with them different ideas and see what they tell us they want. Sometimes the research is conclusive and other times you've gotta use your gut to go along with the research. So far, either our science or our gut, or a combination of the two has worked pretty well. Laredo's a good example. When we got there, one station was off the air and the other one had an eight share, which isn't much of a share in a market where some stations have high teens and mid teens. It was the worst performing FM in the market. It was in Spanish, but we adjusted the format. With the one

that was off the air, we launched a new Spanish pop station, which had never been in that market before. Now we have 29 shares in Laredo where we had eight before. That's in a year and a half. That's the result of research, a lot of promotion, some good programming calls. We hope they all turn out like that. They don't. Some take longer."

Are you always able to buy at a stick value when you're going to jettison the format, or do you sometimes have to pay for some cash flow and listeners that you won't get any benefit from?

"Normally the stick value is greater than the cash flow value. People will buy you at the greater of stick value or cash flow value, but if the cash flow value is significant and outstrips the stick value, we probably wouldn't be changing it. Let me give you an example. We bought KURV-AM McAllen—that's the heritage News/Talk station—they have **Rush Limbaugh** and **Sean Hannity**, news in morning and afternoon drive and talk in-between. Highly successful, huge power ratio, local owner-operators. They joined our company. They got some cash and some stock and wanted the upside that Spanish provided. They're Anglos. It's a perfect marriage because they brought in the English-language expertise down there. When we bought another station, these guys were already in place and they could launch an English Talk station with Imus, etc." The upshot was that BMP paid a cash flow price for KURV, then leveraged the management team to launch Hot Talk on another AM bought at a stick price.

Obviously, buying stations to blow up their current programming and re-launch in a completely different language is not something that just anyone can do. But Castro told us that he didn't really have trouble finding financing for BMP because of his track record with his previous companies, Coronado and El Dorado.

"No, because I had done it before. That's what El Dorado was all about—turnarounds, start-ups and buying stations out of bankruptcy—so I had a track record, a pretty good one. Some of my same investors from El Dorado are in BMP. We brought in some new people that we educated about the up side."

This is a case where there may be an advantage in being a small company. Castro says he's out to buy stations that, for the most part, the big radio companies don't want.

"For a big public company with access to rather cheap money, they'd probably rather buy cash flow, even if they have to pay up for it. In our case, we'd rather create cash flow. It's harder work, and maybe somewhat riskier. In reality, you know what's really risky? When your stick value is \$20 million and you pay \$45 million for cash flow, and then somebody comes in and takes away your audience with a new format or cuts your audience in half—so your \$45 million acquisition is back to being worth stick value. That's what's really risky. The stick value is probably not going to go down, so if you screw it up, what we've lost is the launch money, whatever we put into the new format and the research, but you don't lose the stick value. In a way, I would argue that this is less risky than paying up for big, successful cash flow and then seeing your cash flow go south, which sometimes happens."

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