The ‘08 Network Radio Upfront
Earlier and more aggressive

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FEATURE

NETWORK RADIO UPFRONT, PART I

As the 2008 Network Radio Upfront negotiating season takes shape, SmartMedia is providing an in-depth synopsis and discussion on the marketplace, based on conversations with buyers and sellers for our annual two-part print feature. We're looking at networks' ability to copy split ads and their importance to the upfront; how HD Radio is being viewed; how the new CRB royalty rates might change things; have the sellers listened to buyers in reconfiguring their networks in the past year?; and given the environment right now, how do buyers and sellers think the upfront is shaping up?

Cover Art (top to bottom): Agnes Lukasewych, VP, Account Director/Radio Broadcast at MPG; Rich Russo, JL Media's SVP/Director of Broadcast Services; Natalie Swed Stone, US Director, National Radio Investment, OMD
PPM moves into New York

Arbitron’s Portable People Meter (PPM) has had its tryouts on the road in Houston and Philadelphia, but now it is playing on Broadway. PPM data has been generated on a pre-currency basis since September 20th, with the largest US radio market scheduled to begin using PPM for real world buying and selling of spots on New Year’s Eve.

After dealing with problems of failing to hit in-tab targets in the first two PPM markets, Arbitron proudly announced that it had over-installed for the New York panel. And, under urging from the Arbitron Radio Advisory Council, chaired by Steve Sinicropi of Cox Radio, Arbitron CEO Steve Morris agreed to come up with a money back guarantee for broadcasters if the company misses its 6+ targets. Sinicropi notes, though, that the broadcasters don’t really want a rebate—they want Arbitron to deliver the panel it has promised. He’s also hoping to see substantial improvement in Houston and Philadelphia when September PPM data is released this month, after what Sinicropi called “modest” improvement in August.

CC Radio Houston moving from 3 to 2 stopsets per hour

It’s all part of upping the numbers with PPM. CC Radio Houston sent out an email to agencies and clients last month indicating reasons for moving all five of its FM stations there from 3 to 2 stopsets per hour.

Excerpts: “Effective Immediately Clear Channel Houston Radio is moving from 3 stopsets per hour to 2 stopsets per hour in order to increase our PPM numbers even more. The great thing about PPM is we will see the benefits of this much more quickly than we were able to with the old diary method. PPM Changes have brought on new opportunities for ratings growth. In order to get better ratings, we are programming longer music sweeps and moving from 3 breaks to 2 per hour. We are not adding minutes or units to any hour. Research with PPM shows us that people are listening through the commercial breaks.”

Other companies have been moving their stopsets around trying to figure out the way to counter-program. Now it seems this is the only way-to-get rid of a stopset. 8-12 units per stopset will be interesting at best—and let’s see how the advertisers react. Listeners may react by just turning the dial. Remember that Cox there had been running two stopsets and a max of 10 minutes per hour. It’s going to be a learning experience, programming for a PPM world. Let’s see who gets it right and go with that. 

Noted Kim Vasey, Senior Partner/Director of Radio, mediaedge:cia: “I’m not so sure that’s a wise thing to do—that seems like a pretty long pod and I’d be concerned that the listeners will start to tune out with such long breaks. CC was the one that started the push to shorter stop sets with their Less is More initiative so it’s interesting they’re changing their position. But, who knows, we may find, through PPM measurement that consumers will stay tuned even through a 4 minute break. I’m sure CC will be monitoring it closely and one of the benefits of PPM is that one can see results on a more timely basis than through the old diary method...It’s a new world!!”

Two stream DTV mandate carries past deadline

The Federal Communications Commission took action at its 9/11/07 Open Meeting to provide assurances that owners of analog television sets will continue to receive broadcast service even after analog broadcasts are shut down 2/17/09. By unanimous vote, the five commissioners authorized mandatory dual carriage of digital and analog broadcast signals, for at least three years after the DTV deadline. Cable systems will be required to pass along both an analog and digital signal for broadcast stations (the FCC is seeking comment on whether this should apply to all stations or just stations opting for must-carry rather than negotiated carriage terms). Further, cable systems will be prohibited from degrading digital signals. If a broadcast station is broadcasting in high-def, the system must pass along high-def.

The cable industry had offered to submit to mandatory dual digital/analog carriage for three years, and it at least got that wish, with the caveat that the FCC will conduct a formal evaluation of dual carriage during the third year and will have the option to extend the obligation.

“This item at its core is about consumers,” said FCC Chairman Kevin Martin. The goal is that cable subscribers who watch a broadcast television station on 2/16/09 will be able to watch it again on 2/17/09. No matter what.

Both the National Association of Broadcasters and the National Cable & Telecommunications Association were claiming victory after the vote, but that was not the case for the American Cable Association, which represents smaller cable operators. Its President/CEO Matt Polka claimed that the requirement to carry two broadcast streams on systems with less capacity than is typical for NCTA members could put many cable systems out of business.

The FCC provision provides for waivers for small systems seeking relief. Both Democratic commissioners, Michael Copps and Jonathan Adelstein, said in their statements that they would have preferred an exemption tied to system capacity.

SmartMedia observation: If you can get two big associations like NAB and NCTA both claiming victory over an issue that pitted one against the other, you have probably found a solid workable middle-of-the-road solution to a problem. We understand why ACA was upset, but the opening is there for small systems to seek relief from dual carriage, and perhaps the rules can be tweaked in their favor between now and 2/17/09.
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The 2008 radio upfront: earlier and more aggressive

In this two-parter, we asked top media agency buyers and network radio sellers for their take on the 2008 network radio upfront, along with noting the big issues driving dollars. What are the hottest things buyers consider when being pitched a radio product for the upfront? What makes a product most competitive in today's fragmented media world? Some say it's the ability to be a part of a multimedia pitch. Some want to know what percentage of your affiliate list is broken down by format. Others are wanting to know if they can copy split the networks/products by format and market.

Indeed, the ability to copy split by market and/or format can help bring network radio out of the dark ages. Commented Natalie Swed Stone, US Director, National Radio Investment, OMD: "The networks have improved their offerings significantly over the past two years. The lines between spot and network continue to blur with network offering many of the capabilities previously only available via spot—through trafficking technology, copy splitting is now pretty widespread and traffic deadlines are much shorter than they once were. Additionally, the market deliveries and accountability have also dramatically improved—and added value packages are much more complex and creative. The networks have also made themselves relevant with Urban and Hispanic product and are now working on their online offerings. Had they not focused on the above—they would have been looking at declines year over year."

Added Agnes Lukasewych, VP, Account Director Radio Broadcast, MPG: "The ability to copy split by market and/or format has become more and more important especially for retailers. Agencies/Advertisers want the flexibility of manipulating line-ups to fit strategic goals. The technology is there, and I have to believe that the investment necessary to upgrade all properties to accommodate copy splits has the potential of creating higher returns in the long run."

Another factor in recent network radio upfronts is the Hispanic audience. Gary Stone, Univision Radio COO, says a top trend in the Hispanic media is that young Hispanics continue to prefer Spanish-language media vs. English-language, as evidenced by Univision Radio's steady ratings growth.

"These consumers are not necessarily monolingual Spanish speakers, yet their media consumption indicates a growing preference for Spanish language content, not just in radio, but in television and online as well. Furthermore, these consumers feel that advertisers who speak to them in their native tongue respect them and empower them. The way Hispanics engage in media is reflective of their cultural values based in the importance of family, a strong spiritual belief system, hard work and trust. They are extremely passionate about life and everything they do reflects that passion, including media consumption. This makes Hispanics more connected to the media they listen to than their non-Hispanic counterparts."

Monetizing HD Radio?

At the HD Radio Alliance board meeting in late September, it was discussed when the stations can open the HD2 channels for commercial sponsorships—possibly as early as 2008. When they do, what options might buyers consider for their clients, beyond the average :30 spot? What options have they heard will be out there for sponsorships of these channels? What about conditional access sponsorships?

Most still think it's still a little early to tell. "We'll have to see how well consumer's embrace this new technology," observed Kim Vasey, Senior Partner/Director of Radio, mediaedge:cia. "I was, however, excited to read about the new iHD radio that will be released for the coming holiday season. I think that version of the HD radio will help drive interest with consumers. We are always willing to bring new ideas to the clients and there are many clients who will step ahead of the curve to embrace new media options—but before we can offer up any creative market options on the HD side channels there must be an audience there. I believe that the side channels may offer up the opportunity to play with different spot."
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lengths, creative messaging and/or name branding opportunities but I have not been presented with any specific offers from any of the broadcast groups, thus far.”

“Most radio groups have not begun discussions with the media community regarding HD Radio,” observed Patrick McNew, PHD EVP/Local Media Network (LMN) Director of Operations. “As of now the price point on the hardware is still high for the average consumer so reach is limited. Once commercial time becomes a reality we will look to possibly sponsor segments of time with billboards and limited commercial breaks.”

Matt Feinberg, SVP/National Radio, SVP/Director, Interactive Broadcast, Zenith Media Services, says they’ve talked about a variety of sponsorship opportunities, but nothing very specific. “I don’t think the traditional :30/:60 spot within a pod is going to get anyone excited.”

Lukasewych thinks advertisers will be able to become more creative on how copy is integrated on these stations. “There could be opportunities to own a channel, as is available on satellite, or commercials that are truly embedded into the programming. For the right commercial content and price opportunity I’m sure the broadcasters will be open to considering unique concepts. But first let’s get consumers to buy the radios!”

Pearl Kim, Supervisor, National Broadcast, Carat USA, say they’re still exploring the opportunities, feasibility, and extent of coverage on HD Radio stations.

Maja Mijatovic, Horizon Media Senior National Radio buyer, stresses that HD penetration is very minimal at this point (11mm) and as such is still probably a local effort. “Penetration is probably only in the very top markets.”

Rich Russo, JL Media’s SVP/Director of Broadcast Services, laments the HD channels don’t really seem to be generating much buzz or steam. “If they have any sense, they would just mirror the main channel’s spots in the beginning and hope some audience gets generated and then try to monetize it. I think it’s at least five years away from viability.”

On the vendor side, Susan Love, VP/Sales & Marketing, Jones MediaAmerica, says they are prepared to “step up to the advertising plate for our producers who have HD products. We have created our digital media department to offer our advertisers the”
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complete campaign which will certainly include HD Radio."

CRB royalty rates

How might the new CRB Royalty rates foisted upon radio broadcasters that stream their signal change things for radio advertising? Rate deals were recently struck between SoundExchange and larger webcasters like AOL, Yahoo, Pandora and Live365—and 24 smaller ones. Still nothing yet for radio. McNew says if the CRB rates don’t get changed for everyone, many will have to shut their doors. “And we are concerned about the commercial load on those that do remain in business. One of the most attractive things about online radio is the low commercial load and the island advertising that is currently the norm. If internet broadcasters are forced to increase commercial loads they will start to sound like terrestrial stations and lose some of their appeal.”

Russo says the whole thing is a joke and is closing the barn door after the horses left. “They didn’t control this in the beginning when they should have regulated this like over the air, it turned into a land grab and anarchy. What will happen if the CRB fees happen is that the music sites will cut deals with unsigned artists at a lower fee to stay in business, since they get no airplay anyway, so they don’t care, they just want the exposure. The next killer app will be something that plays your iTunes library on your computer but ties into a site that every few songs mixes in one of these unsigned artists, this will effectively solve that problem. Greed will kill the big guy.”

Lukasewych expects free air play is becoming a thing of the past. “Nowadays technology has made it easier for consumers to access free music downloads and CD sales have seen a steady decline. Gone are the days when terrestrial radio could leverage the fact that they were the only accessible vehicle to increase visibility for artists. Yes, new royalty fees may put some smaller broadcast companies out of the online air play business and it might even homogenize content. But if, as a result there is too much "on-web audio clutter" by those broadcast companies that stay in the game, then we can expect to see a loss of listening appeal and an increase in popularity of subscriber paid commercial free sites.”

She added that the uniqueness of airing synched audio/banner or video/audio/banner on the web might not sustain the momentum it has attained once advertisers start seeing the click thru ratio decrease.

Kim isn’t panicking. She tells us the online radio companies they deal with like Ronning Lipset or Katz Net Radio Sales don’t seem like they’ll be affected with the royalty rates, but admits it looks like this will affect some of the smaller streaming companies.

Mijatovic doesn’t foresee much change with the operators who have comprehensive business platforms, who have accounted for this possibility and have cash flow to sustain the CRB royalty rates. “Obviously small broadcasters would have to leave the business and advertisers will deal with the bigger fish. CPMs might increase, but then again this is still a new avenue and not necessary a vehicle for many traditional national radio advertisers.”

Vasey observes that overall, big or small—in order to generate the revenues necessary to sustain their stream, the rate structures on pricing will have to increase. “I think the larger ‘branded name’ broadcast groups or internet channels will be more successful in getting higher rates which will help sustain their business model.”

Ask and ye shall receive...

We ask every year: How have the sellers listened to buyers in reconfiguring their networks in the past year? What was asked for? They all want better affiliate lists, and better targeted with like formats. There is constant flux and improvement. Mijatovic says they’ve been asking for more women and are getting more women in the schedules. “And we are not talking about female networks with 45% female skew; we are talking about 52% and above female skew. RADAR is growing and that is always good news. Every new commercial rated network in the marketplace is commendable and we buyers should always stress it to the clients. Another improvement is day specific 9a-7p inventory. There is much more of it than five years ago.”

Says Lukasewych: “I don’t know how much they listen because we are still talking, but two things drive us crazy. #1 including Hispanic speaking stations in a general market line-up and #2 including what many advertisers consider to be ‘controversial programming’.”

Many radio networks are reconfiguring their stations to more closely align to tighter demographics and qualitative. Specifically Metro Traffic, which redesigned their business model in early 2007 to target advertising demographics rather than selling in a tonnage mode. Kim also noted that Westwood One has made an improvement on their reconfigured networks this year. The result has been a higher level of accountability in affidavit posts.

“We expect to enhance our targeted inventory to advertisers,” attests Westwood One Chief Marketing Officer Roby Wiener. “Our new agreement with IDC will allow our advertisers even more geographically targeted capabilities. Our new programming offerings will expand distribution and we are very excited to provide stations and advertisers the opportunity to be associated with our newest partner Saturday Night Live.”

Jones MediaAmerica recently announced the debut of two new RA-DAR networks—Adult Power and Female Perspective. Says Love: “We reconfigured the highly successful JMA TWC RADAR Network because we purchased TM Century which has an abundance of quality, top market radio stations. We are excited to report that our Adult Power network was top-ranked in many major demographic categories, and our Female Perspective performed exactly as we had predicted, enjoying a strong rank among all female demographics.”

On the digital side, Eric Ronning, Managing Partner, Ronning Lipset Radio, says they have grown the affiliate list at RL and expanded the concept of RLSelect, the group of online only broadcasters we represent which is top-ranked in many major demographic categories and many traditional national radio advertisers. “We expect to enhance our targeted inventory to advertisers,” attests Westwood One Chief Marketing Officer Roby Wiener. “Our new agreement with IDC will allow our advertisers even more geographically targeted capabilities. Our new programming offerings will expand distribution and we are very excited to provide stations and advertisers the opportunity to be associated with our newest partner Saturday Night Live.”
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So, what's it looking like so far?
The marketplace is changing a little bit. Last year Pfizer was in—a major player. Johnson & Johnson, which acquired Pfizer's Consumer Health Care division late last year, isn't as much of a major player in network radio. Given the environment right now, how do buyers and sellers think the upfront is shaping up? So far, there's good news out there. Considering the state of radio in 2007, networks are more optimistic about 2008. The upfront started slightly earlier and stronger than last year. Lukasewych agrees, it seems to have started a little earlier this year. "I expect that many of the bigger advertisers will place '08 well in advance of last year." Mijatovic agrees—it is starting a bit earlier this year and "we are seeing more money right now. It is still too early to say though."

Pearl Kim believes it could be a very active upfront with new retail advertisers possibly participating. Dial-Global President of Sales Eileen Decker notes that although it's still a little early, at this point, she's seeing some 2008 upfront budgets being released earlier than last year and knows of accounts that were in scatter in 2007 and are moving to upfront in 2008. "Information gathered from the agencies is that 2008 budgets for some major advertisers will be up and there are no 2007 upfront advertisers that I've heard will not be returning in 2008."

Mike Connolly, SVP Sales, ABC Radio Networks, also affirms: the upfront is breaking earlier than expected due to the anticipation of a strong year for political spending (higher demand on inventory). "Some clients are choosing to spend in the upfront vs. the scatter marketplace due to this anticipated pressure on inventory."

Howard Eisen, EVP/Sales, American Urban Radio Networks (AURN), says their upfront season started in early-mid September. They're currently working on numerous upfronts. "We've also put to bed quite a few. There always new advertisers out there—in the automotive aftermarket, the healthcare business and retail. Those are the three strongest categories for us. We're also seeing CPP increases already, which is good."

What are the predictions for overall network radio spend in the upfront?

Kim believes the spending will be relatively flat to slightly up and inflation will be modest at best. Mijatovic says up at this moment. "Rates will increase depending on the category. I think we will see an increase in retail. For some other categories there are more options for buyers today and satellite and digital platforms are helping keep the rates/CPPs down and offering new, exciting things to our clients."

McNew predicts spending will be flat with a possible minor increase. CPPs are anticipated being up 2-4%. Feinberg said budgets thinks budgets are flat to 2% with rates flat. Vasey already had few things in by mid-September and expects a few more to come down later in Q4. "I know, from speaking with some of the AEs and managers that most clients that come in early are in and activity has been as expected." She expects rates to be flat. Swed Stone observed that until this point, they have been reasonable with cost expectations and therefore should have a good year.

"Interestingly aggressive" is what comes to mind, "claims Lukasewych. "According to RAB figures network radio has not fared so badly, up 3% for the first half of '07. That scenario always creates high expectations from the networks. Oh how I wish I had a crystal ball, but here goes—probably up slightly (1%-2%). There seems to be more advertisers going into or returning to network radio than there are those going out."

As far as the online streaming upfront, Ronning says they are in discussions with a substantially larger percent of advertisers this year compared to last, "which was a breakthrough year for online radio being included in the upfronts...so we are pleased so far for our affiliates."

In Part II next month, we look at hot categories for the upfront; what's looking hot for '08; digital media spend and network radio and if the 2008 election will be a factor.

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Education is key

It is at this time, when the upfront is in full swing and budgetary decisions are being made for the new year, that something becomes increasingly clear. This is an opportune time for a renewed effort to educate junior staff, in addition to your management team, about research. It is important not only at this time of year, but during this period of such change in the radio industry. A key to effective decision making is one’s ability to properly understand the information presented before them. Misunderstanding this information leads to poor decision making.

In the rush of everyday business and in the process of tightening our budgetary belts, we may be tempted to neglect to ensure that all of our staff has all of the proper tools. One of those essential tools is an education in understanding research. Before picking up that red pen and crossing out monies earmarked for research training, remember that one of the biggest changes in our industry today is happening to the measurement of the audience. Again, it is not the listening to radio that is changing, it is the measurement of the listening that is changing. Without fully understanding exactly what is changing, how it is changing, and how to use that knowledge in evaluating this or any other radio audience data, we risk misunderstanding the answer and expose ourselves to serious errors in reacting to it.

Those of us who have had a formal education in either advertising or broadcasting may not have concentrated much time on radio audience measurement, whether because research was not the most exciting specialty in radio or because the offerings on media research seemed scarce. There are many of us who did not have any formal education in either research or radio, at all. Radio was not where their paths started out. These are basic truths for the radio business. However, we are not without tools to help address these truths.

Act, don’t react

There are a number of tools at anyone’s disposal now, that cost nothing or next to nothing. A search on the web for advertising research will yield a wealth of resources. As always, keep the source in mind. Start with these not-to-be-missed sites worthy of bookmarking today. Plan now for the tools that are more costly and be prepared.

Arbitron training and support

(https://www.arbitron.com/arbitronsupport/Arbitron_Login.aspx)

Arbitron has an extensive free online training area for subscribers that should be a first stop for any staff new to radio. There are courses on everything from radio audience terminology to software tutorials. Downloadable publications abound as do their handy brochures that should be on everyone’s bulletin board.

Those who are experienced in media research must also be cognizant of the unique challenges to measuring radio listening. The mere collection of data can introduce bias to a survey. Jacobs Media teamed up with Arbitron to take another look at emerging challenges in data collection in the “Bedroom Project” (http://www.jacobsmedia.com/summit/nab_bedroom.aspx) which may yield some thought provoking findings.

National Association of Broadcasters (NAB)

(https://www.nab.org/AM/Template.cfm?Section=Books&TplID=2&ContentID=490)

The NAB has an extensive online store that includes several publications on understanding audience research and measurement. These are well worth the nominal cost if only to use as reference materials. Each is inexpensive enough to order several copies.

The Media Rating Council, Inc. (MRC)

(http://www.mediaratingcouncil.org/)

The MRC is charged with helping to ensure that “audience measurement that is valid, reliable, and effective”. It is comprised of over 100 member companies from TV, radio, cable, print, ad agencies, advertisers and internet organizations. Researchers can participate on one or multiple committees. Each committee is dedicated to measurement of a different medium. The Radio Committee meets regularly to review and evaluate audits of radio audience measurement surveys. The audits are conducted by independent CPA firms and together with the MRC’s Minimum Standards for Rating Research, form the basis on whether a rating service is granted accreditation by the MRC, Inc.

The MRC website includes an education page that contains free publications for download. These papers provide the MRC’s perspective on key research issues for the industry to consider. While at the site, find out more information about the MRC and how your company can become a member, if it is not already one. If you are not sure whether your company is a member, you check that out too on the site. Subscribers to any syndicated research service should strongly consider membership.

For members, the MRC also periodically offers educational seminars at no additional cost. These seminars are designed for those new to research, or those who desire a refresher on key elements on which a survey should be evaluated.

The Advertising Research Foundation (ARF)

(https://www.therarf.org/research/standards.html)

The ARF has established its own set of standards and guidelines for research and made them available on their website. For more than 170 member companies, the ARF offers an extensive archive of advertising research to explore. There is a council dedicated to each medium, including an Audio Council. Other councils focus on specific issues that concern more than one medium. ARF members also receive a subscription to the Journal of Advertising Research. Membership is comprised of advertising agencies, advertisers and media companies. If you are developing your own survey, the ARF even offers the services of their Research Team to evaluate your methodology and its deliverables, issuing a Research Review report for the marketplace on the appropriate use and benefits of the methodology.

Radio AdLab

(https://www.radioadlab.com/)

The Radio Ad Lab (RAEL) was formed in 2001 “to improve the understanding of how radio advertising works”. The RAEL is funded by radio companies and is comprised of advertisers, agencies and broadcasters who all work closely in this effort. Studies, whitepapers and research compendium are all available as free downloads from the website. Findings of the studies have applications for agencies, advertisers and broadcasters and include an understanding of consumer perceptions of radio versus TV or newspapers. The extensive research compendium summarizes over 20 years of research on radio.

Regardless of which tools you secure for the different members of your team, remember that the key is education. Audience estimates represent our currency. Misunderstanding how they are created and what they truly represent is failing to realize the true costs of a poor decision. Understanding equips your team with the tools to make the most of the currency that is in your control.

Martha is VP, Research ABC Radio Networks. She can be reached at martha.luszcz@citronim.com or 212-735-1718.
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Magazines morph to "magabrands"

Magazines are the original interactive medium, for both content and advertising. You have to turn pages to get where you want to go. There can be quizzes, games or questionnaires to fill out. Perfume and cologne ads invite you to peel and apply. Sometimes there are pop-ups. Always, subscription cards fall out.

Not everybody sees magazines that way, of course. As media options multiply, it is crucial to strongly brand each media vehicle to cut through the clutter and stay on top of consumers' minds. The case studies and success strategies of "new media" brands such as YouTube, Flickr, and Facebook make them hot topics for today's media marketing professionals. But magazines are also stepping up to grab readers and extend the brand experience well beyond the page.

At the core, what is it about magazines that make them such strong brands? The factors of consistency, value, integrity, and relevance translate to trust — and trust is at the core of the brand/consumer relationship. Ellen Oppenheim, Chief Marketing Director of the Magazine Publisher's Association emphasizes, "Magazines respect readers. The subscriber and newsstand relationship extends over time and results in greater engagement with readers than television, where it's all about bringing in viewers and measures of consistency are not valued."

Let's examine these four qualities, which are key to the creation of what the MPA (Magazine Publisher's Association) calls "magabrands".

Consistency

"A brand is not built overnight,” write Al and Laura Ries in their book The 22 Immutable Laws of Branding. "Success is measured in decades, not in years." Magazines epitomize this quality, with many titles thriving for 20, 30, 50, even 100-plus years! Readers know that their favorite magazine will show up at its accustomed time and place. Not so with many of their favorite television shows, which can meander over days of the week in response to business-side issues.

To succeed as a brand, a magazine must be consistent. As Eric Schurenberg, Managing Editor of Money magazine insists, "Everyone must be singing the same song, from design to articles to advertising and even circulation strategies."

Value

In his book Living Brands, Raymond Nadeau writes, "As brands play a more emotionalized role in people's lives, any brand's intrinsic value will be linked to the degree to which it is value-based.”

Readers pay for their magazines, whether at newsstand or by subscription; they are making a conscious decision to buy them, and that translates to a placement of value upon them.

Integrity

Though product integration is being more seriously examined in terms of print advertising, ASME (American Society of Magazine Editors) guidelines still are strong, and keep editorial integrity strong. Magazines have the least product placement and the most consumer trust of any media type.

Relevance

Study after study shows magazine readers look forward to reading advertising as well as editorial, as anyone who has tried lifting September's Vogue can attest. It's worth noting that consumers enjoy magazine advertising more than advertising in other media, because the ads are as relevant and interesting to them as the editorial. In a time when “Ads are Content,” magazines rule in relevance.

Another way that magazines are relevant to readers is in their tone of voice. Money's Eric Schurenberg reflects, "Strong magazine brands talk to their readers as though they really know them. They adopt a tone of voice that is relatable to their audience." Time, for example, has a more formal tone of voice, whereas Money is much less formal, but still conveys authority and empathy.

Powerful branding has increasingly enabled magazines to successfully reach beyond their pages and become true cross-platform powerhouses. For example, the Time Inc titles Sports Illustrated and Real Simple are genuine "magabrands" with many different facets; printed magazines, websites, television shows. Each has base magazine spinoffs; Real Simple Food and Real Simple Family, for example, and of course the most notorious and successful of all spinoffs, the Sports Illustrated Swimsuit Franchise. Real Simple even launched product lines at Target, featuring clever multitasking household cleaning implements and home office supplies, which embody the magazine's philosophy.

Bringing the brand to life with an event is another popular strategy. Men's Health, for example has created a new type of athletic event, the Urbanathlon™. Combining the concept of a race with a major obstacle course element, the Men's Health Urbanathlon™ unites readers with a participatory fitness event in signature city venues. The New York City event, for example, starts in Central Park and ends in the Financial District, culminating in the climbing of 52 flights of stairs at 7 World Trade Center. This event epitomizes the innovative fitness mindset of the Men’s Health reader, and has garnered major advertiser sponsorship.

Prevention magazine is so conscious of the importance of branding, and keeping it consistent across extensions, that Prevention has established the new editorial position of Brand Editor. The mission of the Brand Editor is to make sure that content across additional platforms (such as website, DVDs, books) stays true to the "mother" brand. The Brand Editor looks at articles for their potential to grow beyond the page. Moving into the future, this could be a winning model for many branded content entities.

In fact, magazines are so good at projecting their brands' values that a hotelier in California has created a winning business by aligning his individual properties with magazines, as touchstones for their design aesthetic. Chip Conley, the CEO/founder of Joie de Vivre Hospitality, a still-growing collection of more than 40 hotels in California, has used magazines as inspiration for each. His process is to think of a relevant title and use 5 adjectives to describe it. Conley then designs a hotel concept around it.

For example, Rolling Stone inspired a Tenderloin district hotel with the adjectives, "funky, hip, young-at-heart, irreverent, adventurous." Other hotels were inspired by publications as diverse as National Geographic Traveler, Lucky, and Dwell. "People have a deep emotional connection with their magazines. The relationship you have with your mate," Mr. Conley told Advertising Age so the next time you’re looking for innovative examples of media marketing, consider how a medium that’s as old as the Gutenberg Press continues to reinvent itself in order to connect with readers in new ways, ways that stand out and engage.

Beth is SVP, Director Print Services at Initiative in New York City. She can be reached at beth.fidoten@us.initiative.com
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Could You Get Jail Time For Offering LUC?

In the continuing battles between political candidates, the opponents are starting to take aim at broadcasters. Accusations have been raised that broadcasters make illegal corporate campaign contributions by charging ineligible candidates the lowest unit charge ("LUC"). How did the innocent broadcaster get in the line of fire?

Every broadcaster knows that Section 315(b) of the Communications Act requires broadcasters to charge qualified candidates their LUC in the 45 day and 60 day periods preceding primary and general elections. Under the Bipartisan Campaign Reform Act of 2002 ("BCRA"), also known as McCain-Feingold, a candidate for federal office can lose this entitlement by failing to comply with the stand by your ad certification and disclaimer requirements.

Under BCRA a candidate loses the entitlement to LUC for the rest of the period prior to an election by broadcasting commercials that make a direct reference to an opponent without including a statement that identifies the candidate and states that the candidate has approved the communication (the "BCRA Statement").

For radio broadcasts, the BCRA Statement must be a personal audio statement by the candidate, identifying himself or herself, the office sought, and an approval of the message. On TV, for a period of no less than 4 seconds at the end of a commercial, there must appear simultaneously (i) a clearly identifiable image of the candidate (at 80% of screen height); and (ii) a clearly readable printed statement, identifying the candidate and stating that the candidate has approved the broadcast and that the candidate’s authorized committee paid for the broadcast. Candidates must also certify to the broadcaster in writing that they will comply with these provisions.

In the 2004 elections, several candidates alleged that their opponents were no longer entitled to the LUC because they failed to observe the BCRA statement requirements properly. In one case, the campaign committee of Nancy Farmer—Missouri Democratic candidate for senator—alleged that her Republican opponent, Senator Christopher "Kit" Bond, was no longer entitled to the LUC. Instead, the Farmer Campaign claimed that broadcasters must charge him a higher rate, which it described as the "prevailing advertising rate".

ILLEGAL CAMPAIGN CONTRIBUTION??

Critical to broadcasters, the Farmer Campaign threatened to file a complaint with the Federal Election Commission against any station that continued to charge Senator Bond the LUC after his loss of entitlement, for making an illegal corporate campaign contribution. The Farmer Campaign contended that stations who continued to offer the discounted LUC, instead of the "prevailing advertising rate", were making an illegal contribution. The Farmer - Bond situation was only one example of similar threats against broadcasters in several states.

Broadcasters were in a bind. If they did not raise the rate to such candidates, they were exposed to the charge of having made an illegal campaign contribution. Some believed they still could charge LUC because only the entitlement had been lost, not the broadcaster's right to offer all candidates the same discount. However, an illegal campaign contribution is punishable by civil and criminal penalties. A broadcaster could do jail time! Further complicating the matter, the opposing candidate might not agree about the loss of entitlement, in which case a complaint could be filed at the FCC for failure to honor LUC.

To clarify the matter, the Missouri Broadcasters Association ("MBA"), submitted an Advisory Opinion request to the Federal Election Commission ("FEC") asking for an answer to these questions:

1. Whether offering the lowest unit charge to a candidate who is not entitled to it—due to the candidate's failure to include the required BCRA Statement in a broadcast commercial—would constitute an in-kind contribution of a portion of the charge, and

2. Whether the station that has charged lowest unit rate after the candidate is no longer entitled to receive it has a duty under BCRA to re-bill the candidate for the difference of a higher charge?

THE FEC DECISION

On February 14, 2005, the FEC issued its Advisory Opinion—Number 2004-43. The FEC stated that it had reviewed the ads and found no violation of any disclaimer requirement over which it had jurisdiction. This really sidestepped the issue. The Bond ad unquestionably violated the literal stand-by-your-ad statement requirements of the Communications Act. Yet the FEC said it was not its place to make such a judgment.

Thus, the case offers no real guidance to broadcasters, other than this: (1) the FEC commissioners apparently do not want to judge literal compliance with the stand-by-your-ad requirements—pretty close is close enough, and (2) they completely sidestepped the issue of whether continuing to offer the LUC is an illegal corporate campaign contribution. They don't want to answer that one either, even though it IS in their area of jurisdiction.

THE CASE FOR BROADCASTERS

Section 315(b) grants candidates an entitlement to a station's LUC for campaign commercials, subject to certain requirements, such as the BCRA Statement. A candidate who fails to satisfy these requirements loses that entitlement. But, it is logically incorrect to infer from this loss of entitlement that a station is prohibited from charging the candidate the LUC and that Congress intended for broadcasters to enforce the BCRA requirements.

Nowhere does the statute impose a minimum amount—or, define a "prevailing advertising rate."—that a broadcast station must charge a non-compliant candidate. Section 315 focuses solely on preventing stations from over-charging candidates. The statute removes the LUC entitlement; it does require a broadcaster to charge more.

Indeed, §73.1942 of the FCC rules—implementing Section 315—states that the LUC "shall not exceed" specified amounts. Outside the statutory LUC periods, §73.1942(a)(2) prohibits broadcasters from charging "more than the charges made for comparable use of the station by commercial advertisers". Nowhere in the FCC's interpretation of the statute is there any reference to a minimum amount that must be charged to candidates for public office. It should be emphasized that in broadcasting there is no such thing as a "prevailing advertising rate." Section 315(b) and §73.1942 recognize that broadcast stations charge varying rates to commercial broadcasters, depending on the circumstances. By definition, the LUC is the lowest of those commercial rates that are charged to commercial advertisers under a similar set of conditions that define a "class" of time, without regard to frequency.

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Alan Colmes on the 2008 election

Fox News/Fox News Radio icon and host Alan Colmes recently spent some time with SmartMedia digesting and dissecting the upcoming 2008 election. We asked about the hottest election talk topics, and for a few predictions.

Q. How do you see progressive talk radio and how it could fare better against conservative talk radio?

Well the real issue is not whether it’s progressive or how you label it. The issue is how entertaining is it? And I think the problem Air America has had from the beginning is that the perception was they are more about mission than anything else. I like to say that I’m a broadcaster who happens to be a liberal not the other way around. It’s show first. How good a product are you putting on the air? If it happens to be a show that leans left of center fine, but it’s really about the entertainment value that the host can bring to the radio show.

If my goal is simply to get Democrats elected and that was more important to me than putting out a good radio show I would fail. I’m a liberal and I’m progressive but more than anything else I’m a broadcaster. That’s really what you have to lead with. Regardless of how much you may have distaste for this administration—let’s face it 80 some odd percent of the country does—if all I did was bash Bush for three hours a night it would be a pretty boring show.

Q. Do you have any hunches as to who do you think will get the nominations for both parties?

Well I think it looks very good for Hillary Clinton. I think Democrats have a very strong field and all the polls show the public is more likely to vote for a Democrat than a Republican although there is great dissent about this Congress because there is a sense the Democrats haven’t stood up to the administration.

On the Republican side you have guys like Fred Thompson. I don’t know whom the Republicans are really going to feel comfortable with. They are trying to make themselves feel comfortable with a guy who is pro-choice, pro-gay rights, he was pro-illegal immigration as Mayor of New York. He is hanging his hat on one issue—9/11. On all the family value issues that conservatives claim is so important, he does not comport—and yet Rudy Giuliani continues to do well in the polls. Is it the Republicans care more about winning than about their bedrock principals? Are they really going to be able to embrace a guy who is on his third wife? I guess family values mean you have lots of them. It seems to be, at least on the surface, against all the things they claim are important in a candidate.

Q. Do you think the media in general is being fair to all of the candidates? Why? For instance someone said Ron Paul is left out of a lot of stories.

Ron Paul has a very active Internet presence and it’s almost like a cult. It’s a hard question to answer when you say are they being fair? The fact is the media is so diverse now. It’s not just the three networks. You’ve got cable news. You’ve got the Internet. You’ve got YouTube. You’ve got so many ways for people to access the media. People aren’t just going to the big traditional media to get their information. For example you find out that they, especially among a younger demographic, more people get their news from the Daily Show than they do from what is called the big traditional media.

Q. What are the biggest issues you believe will determine the two parties’ nominations?

I think the Iraq War is a big issue and the disgust this country has for the war itself—how and why it got initiated, and the incompetence with which it was run. Americans are pretty much disgusted, just as I believe they are disgusted with the Democratic Congress, which has not stood up to this President in terms of...

Impeachment?

Well, no not impeachment so much because I don’t know how valuable that is pragmatically, but standing up to him in terms of getting out of the war and continuing to fund it. We’re giving up the fight on timeline to get out. I think the Democrats have pretty much rolled over for the administration just like they did on wiretapping and things like that. I think the electorate is much more progressive than the Democrats and Congress are. They are looking for bold initiatives and I don’t see that coming out of Congress. That’s why Congress isn’t doing so well.

Q. What are you doing to help local radio affiliates with their current and upcoming political content and coverage?

I call my affiliates. I speak to them. I ask them what they need. We do liners. We offer our services in any way that we can; I do phone interviews with local affiliates. I get on their morning shows to give a sense that I’m a part of the radio station. I’m not just some distant voice coming from high atop Fox News World Headquarters in New York City but I’m an actual member of their family and staff. It’s those relationships, which I think make a successful syndicated show.

Our show is also very advertiser-friendly and I think a lot of shows which are deep, controversial or to left or to right become parts of no-buy lists and things like that. We strive to be advertiser friendly in spite of the fact that we are quite opinionated and have very strong points of view.

Q. Vladimir Putin and Russia are really making some bold moves and statements lately, almost acting like they’re preparing for war. Do you think this is going to amount to anything?

I hope not. I’m hoping that Putin’s perception isn’t that we’re so diverted elsewhere that we’re not paying attention to what’s happening with our traditional cold war adversary. I’m hoping it isn’t a result of the perception that we are focused elsewhere and unable to keep our eyes open in places that may not be as top of mind as they should be.

Some predators can smell blood.

Right, right. And we have terrible relations with the rest of the world. We have intransigents in this administration that don’t believe in treaties, didn’t believe in the environmental treaty, do not believe in the SALT Treaty. They are just not engaging in the world stage to an extent that I believe anyone of the Democratic potential nominees would be.
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2008 budgets and capital expenditures

In this yearly SmartMedia feature, we ask top engineers at the groups where next year’s budgets and capital expenditures are heading. What’s tops on the list for projects and new equipment? What are the latest HD Radio spending trends? This year, we asked the following:

The participants:
Gary Smith, Director of Engineering, Bonneville
Martin Stabbert, Citadel Director of Engineering
Cris Alexander, Crawford Broadcasting Director of Engineering
Sterling Davis, Cox Radio VP Engineering
Milford “Smitty” Smith, VP/Engineering, Greater Media
Glynn Walden, CBS Radio SVP/Engineering
Steve Davis, CC Radio SVP, Engineering & Capital Management

Tell us what you can about your 2008 cap ex and operating budgets. What was the biggest “theme” this year for gear?

Gary Smith: Studio construction.
Stabbert: We aren’t at that point yet.
Alexander: It’s too early for some of this yet. We’re just now starting to update cap inventories and send out budget requests.
Sterling Davis: The biggest theme is to complete our commitment to iBiquity to finish 80% of our stations conversion to digital.
Smitty: Several actually: Automation systems. Completion of the HD roll out. Transmitter site construction and/or improvement at several of the stations.
Walden: Our theme will be to upgrade our studios, STL links and transmission facilities to digital.
Steve Davis: Our 2008 budgets were flat on a pro-rata basis vs 2007 (about the same amount of spending per station as before). Computers (laptops and desktops) and IT equipment including printers, switches, routers, etc. made a big part of this. There is really not a single theme that I can divine.

What are your CEs asking for most for next year?
Gary Smith: Server space and improved routing systems
Stabbert: Haven’t heard yet.
Alexander: I should have answers from our CEs in early October but suspect it will be too late for you then.
Sterling Davis: The most frequent ask was for Comrex Access IP devices for remote transmission.
Smitty: I’m not sure there is much commonality among the markets other than possibly adding additional redundancy to the various HD transmission systems.
Walden: Projects, as above, continue CBS Radio’s upgrades to totally digital facilities.
Steve Davis: Backup systems, whether backup file servers, backup transmitters, UPS and generator systems, CC’s proprietary “SaTL” (satellite backup for the WAN and STL feeds) are all big.

What types of equipment are you looking to improve, upgrade or buy?
Gary Smith: Studio plant complete.
Stabbert: We’re in a general progression of constantly updating automation systems and RF plants.
Alexander: We are looking to plug the analog holes in our otherwise all-digital facilities. That sometimes means upgrading source equipment. It may mean new or upgraded STL systems. Also, we’re making the move to all LED tower lighting.
Smitty: We have a number of automation systems that are—as they say—of an age and we have started down the road to replacement. These are fairly large systems supporting entire clusters. We are also progressively upgrading STL systems to allow greater bandwidth and bidirectional capability, both necessary for optimum HD operation.
Walden: In addition to having digital facilities, CBS is looking to digital RF systems to simplify our remote pickup and news gathering operations.
Steve Davis: Audio processors and HD transport, broader-band and bidirectional STL links are big this year.

Any major projects/upgrades you’re planning?
Gary Smith: Studios
Stabbert: Can’t comment.
Alexander: We are looking to upgrade some of our early FM HD Radio conversions. In some of those, we are using the aux antenna for the digital signal. As such, coverage is less than what we want. In 2008 we intend to get those facilities transmitting their digital signals from the main antenna.
Sterling Davis: We are not planning any major projects in 2008.
Smitty: A few. A major studio build in Philadelphia as well as automation replacement. We also plan a couple of new FM transmitter site projects, one in Boston and the other in Philadelphia. Several AM and translator upgrades are also on the agenda.
Steve Davis: Always. Top of mind are major studio projects or moves in Portland OR, Toledo, OH, Augusta, GA and others; major tower projects in St. Louis, MO, Las Vegas NV and others.

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And the Election 2008 goes to...radio?

By Sheila F. Kirby

Radio broadcasters have traditionally viewed the political season as a mixed blessing. The opportunity for additional revenue is clearly a boon. However, lower unit rates, eleventh-hour traffic changes, accounting nightmares, and—despite our clear local market strength—the fact that political dollars flow 10 to one to television—all have served in the past to put a distaste in the palates of many radio sales managers. The 2008 election will, however, force radio to rethink its views on political spending. There is more upside than ever before. And here’s why.

Spending will be unprecedented
We know that the last presidential election year pumped unprecedented dollars into media. In 2004, the last presidential election year, political dollars topped $7.7 billion, according to TNS Media Intelligence. In 2006, without any Presidential spending, political spending rose even higher, topping $9 billion due to gubernatorial, Senate, and House races. This year—we’re set up for a doubleheader. As we near 2008, the Democratic and Republican parties are both raising record amounts of money in a bid for control when almost everything is up for grabs. The House (every seat) and Senate are both going to have major battles in 2008. As if that’s not enough, 11 states will have gubernatorial races. Oh, and then there’s the whole presidential race.

What had been known as Super Tuesday is now being dubbed “Super Duper Tuesday.” In the past, some states felt that their voice was not being counted because by the time their state held its primary the candidates had already been decided. Now, some states are posturing to play a more prominent role in the primary decision-making by getting in on the kick-off. In 2004, seven states held their primaries on the same date. In comparison, 21 states are currently scheduled to hold their primary or caucus on February 5, 2008. This puts much more pressure on candidates to win that date, or forever hold their peace out of the race. In addition, these highly competitive states could feed higher than usual spends in the states remaining after the votes are in for Super Duper Tuesday, to assure that any well-financed lead is not lost on the backend. Once the primaries are complete, there is also speculation that billionaire Mayor Michael Bloomberg of New York will launch an independent campaign, which would pump additional millions into the 2008 campaign coffers.

In 2006, the political category ranked as the fourth highest source of ad dollars for radio, behind automotive, restaurants, and telecommunications. In 2008, political may rank even higher. This spending could offer a much-anticipated and well-deserved boost to our industry.

Voter interest is intense
This will be an historic election. 2008 marks the first presidential election since 1928 where there is no incumbent President or Vice President in the running. In addition, a member of the Bush or Clinton family has held a top position in the White House since 1981—with the potential for 8 more years if Senator Hillary Clinton is successful in her bid for the Presidency. That’s 26 years with the same 2 families serving us in the White House, and a potential for 8 more! There is a tremendous amount at stake, with emotions among voters running high.

Past elections have shown apathy at the polls, but that is unlikely to continue in the 2008 elections. The war in Iraq, healthcare issues, an aging population, education and economic stability are key considerations for voters. These are often passionate issues, foremost in voters’ minds as they struggle to determine the best candidate to support. This will require more spending by candidates to differentiate their views on these issues and resonate with the hearts and minds of voters.

That’s 26 years with the same 2 families serving us in the White House, and a potential for 8 more! Therefore, it is not surprising that voter interest is intense. According to Young Voter Strategies, 77% of 18-29 year olds say they are interested in local politics, an increase of 28 points and the highest gain of any age group. The growing multicultural population, particularly Hispanic voters, is also impacting the voting base. With the war in Iraq, ongoing threats of terrorism, debates over immigration, the housing mortgage crisis and healthcare concerns, a new segment of voters is becoming more actively involved and interested in the election process and exercising their vote. And changes in the voting base require changes in campaign strategy and media outreach.

New media strategy required
Blogs, search marketing, viral marketing, text messaging, word of mouth—with so many new avenues to interact with voters—political strategists are working harder than ever to ensure that their candidate is reaching constituents in the most effective ways.

The Internet is gaining respect and popularity among campaign strategists. According to Marketing VOX, despite the press surrounding Hillary’s text campaigns, John Edwards actually started his mobile campaign in early 2006! In fact, according to the Wall Street Journal, in 2004, candidates spent $17,000 on blogs. John Edwards spent more than that in one week this year. John Edwards is not alone. In addition to spending on what is to be considered very low cost and effective conservative and liberal blogs, candidates are taking advantage of Youtube, MySpace and Facebook, where they can make an impact at no charge. Voters are utilizing these opportunities as well, creating their own supportive, and some not-so-supportive, blogs and videos regarding the candidates.

Of course, going into the 2008 elections spending season, TV is still the one to beat. Traditionally, spot television receives 8 out of every 10 political ad dollars. (Comparatively, radio receives fewer than 1 out of every 10 political ad dollars.) But the diversity of issues in play for the ‘08 election, coupled with the growing diversity of the voting constituency at large, as well as changes within media consumption, will demand a shift from this one-size-fits-all media strategy.

Michael Weiss, President of CBS Radio Sales, pointed out another challenge in reaching today’s television viewers: “The timeliness of a candidate’s message could be lost in the face of growing DVR penetration and time shifting. If a message must be seen before a given primary or other election, you will have to acknowledge the fact that a portion of your purchased commercial time will simply be seen after the fact. In essence, this lowers your impressions and increases your cost. I believe this will be an advantage to mobile media, like radio, that is not only used in real time, but also travels with consumers throughout their day.”

Radio’s chance to shine
As strategists begin to look for new venues to interact with voters, radio has a tremendous opportunity to take a considerably larger share of political dollars than in the past. Radio stands squarely in the middle of the political process and exercising their vote. And changes in the voting base require changes in campaign strategy and media outreach.

Radio’s chance to shine
As strategists begin to look for new venues to interact with voters, radio has a tremendous opportunity to take a considerably larger share of political dollars than in the past. Radio stands squarely in the middle of the electoral process with the ability to directly influence voters’ decision-making and choices. The emotional connectivity of radio, in conjunction with its growing arsenal of digital assets, allows candidates to meaningfully target voters on both a “geo” and lifestyle basis.

Sheila F. Kirby

Sheila F. Kirby
points out, political strategists increasingly recognize the target beyond "35-plus" to more targeted, lifestyle-oriented buys. She states, "I'm a voter, and you can lump me into the 35-plus category. But at the end of the day, what does that tell you about me? It doesn't tell you that I'm a mom, living in the city of Philadelphia, who wants to be secure about my son's future. I assure you that my cares and concerns about the environment, the war, healthcare and education are very different from my 76-year-old father's concerns, despite the fact that we fall into the same popular political demo. We do have one thing in common though - we each start our day every morning by listening to the radio."

Tuned in to this trend, Interep's political sales managers across the country are working closely with strategists and candidates to deliver turnkey, integrated solutions that combine radio with a variety of additional touch points, including digital marketing platforms, local radio events and mobile campaign extensions. In addition these campaigns are custom designed to go wherever a candidate needs to reach potential voters—state-by-state, city-by-city, district-by-district, community-by-community. In Interep's meetings with political strategists and agencies handling issue dollars, we have a dramatic push on our digital assets—from podcasting and mobile marketing, to polling opportunities and extensive website capabilities.

Said Weiss, "When you look at CBS's 16 news websites across the country, website traffic is dramatic in times of good news and bad. Our unique visitors, page views and streaming numbers are off the charts—and political candidates recognize that value. Local voters already connect to their local news sites to get information, news, sports, and weather. This is a natural place for candidates to discuss their positions, and in many cases, to get direct feedback."

From our country's smallest towns to largest cities, radio directly influences the needs, wants and desires of constituents. Radio—in connection with virtual town hall meetings, mobile marketing outreach, local station websites, and the powerful voice of on-air personalities—can literally engage voters in a one-on-one conversation. Achieving these types of personal connections will determine the outcome of the 2008 political races. Now it's our job as radio marketers to show the political strategists how radio wins elections.

Sheila is Interep's President of Strategic Sales Development. You can contact her at Sheila_Kirby@interep.com.

Radio makes an emotional appeal to political advertisers

By Genelle Niblack

During the Great Depression and World War II, President Franklin Delano Roosevelt's fireside chats reminded the country of its values and prepared it for battle. He entered our homes at 10 p.m. eastern time on radio networks across the nation and asked Americans to write to him at the White House—and millions did. His fireside chats were personal conversations between a president and the people, and they were deeply emotional experiences.

Radio is an emotional medium. As academics and psychologists continue to study the impact of emotions on voter behavior, the emotional connection between radio stations and their listeners cannot be overstated. In his new book, The Political Brain: How People Vote and How to Change Their Minds, Dr. David Westen of Emory University argues that people's emotional reactions to candidates are the deciding factors in elections. It's less about issues, policies or substance that drives elections, Dr. Westen says, but rather the ability of political candidates to make an emotional connection with voters.

Recent studies also bear out radio's ability to form emotional bonds with listeners. The Radio Ad Effectiveness Lab (RAEL) concluded in its latest study, Engagement, Emotions and the Power of Radio, that radio ads have an emotional impact on consumers that is equal to television ads. "Radio's relationship with listeners is consistently proven to be more emotionally connected than for newspapers or the Internet," the study said. It also showed that when exposed to 16 radio and television advertisements:

- Almost every radio ad generated emotional levels equal to or higher than its TV counterpart.
- Four radio campaigns showed significantly higher emotional impact than their TV equivalent.
- Only one TV spot produced a higher emotional reaction than a radio ad.
- RAEL's studies also point out that radio listening is a one-on-one and emotion-driven experience, and listeners believe that both the medium and its advertising are more relevant to them than television or newspapers. "Consumers believe their radio programs carry ads that are appropriate for them as individuals and listeners are therefore more ready to react at an emotional level—if the ad is well suited for that program's context," RAEL says.

But radio has a long way to go to capture its fair share of political dollars. In the 2006 election cycle, about 8% of all political advertising spending went to broadcast radio, according to PQ Media. While ahead of newspapers with 3% of the market and Internet advertising at 1%, radio was far behind television's 50% market share and direct mail's 22%.

Staggering amounts of money are being raised in the 2008 election season. In fact, well over $3 billion is expected to be spent on political advertising in 2008, up more than 40% from 2006 and about 75% from 2004. A very competitive and wide-open presidential race is getting the most attention, but the entire House of Representatives is up for grabs, along with 34 Senate seats. And with states like Florida and California moving up their primaries, there is expected to be an unprecedented amount of upfront spending on elections.

Our industry needs to do a better job of explaining radio's enormous potential to candidates and their communications teams. We need to counter the myths about radio's audience erosion or its inability to keep up with technological advancements. We need to remind key decision makers that radio reaches 238 million listeners each week, including 94% of adults 18 years or older and 85% of likely voters. Radio accommodates people throughout the day, with 46% of listening being done in the car, 36% at home and 18% at work or other places.

Advances in high-definition and other technologies provide political advertisers with an array of new avenues to share their messages with America's voters using audio and visual capabilities. And perhaps the biggest advantage to political advertising on radio is the medium's unequaled ability to target very specific demographic and lifestyle groups. It's also less expensive to produce radio commercials compared to television spots, with a much quicker turnaround time for production and placement to counter negative attacks.

Radio is a powerful medium with a unique relationship between stations and their audiences, creating an emotional connection that could significantly affect an election. Those who fail to realize this may end up feeling sorry for tuning out.

Genelle is VP/Director of Katz Media Group's new Political Sales & Strategy Unit. You can contact her at genelle.niblack@katz-media.com.
Execs tackle tough issues, part II

SmartMedia recently sought out comments from radio industry leaders on innovation, progress and solutions to some of the biggest issues facing the medium.

The participants:

Jeff Smulylan, Emmis CEO
Ed Christian, Saga Communications CEO
Peter Smyth, Greater Media CEO
Bill Stakelin, Regent CEO
Paul Robinson, Emerald City Radio Partners President
Dean Goodman, GoodRadio CEO
Mary Quass, President/CEO, NRG Media
Jeff Haley, RAB CEO
Stu Olds, Katz Media Group CEO
Dan Mason, CBS Radio CEO
Todd Lawley CEO, Peak Broadcasting

Goodman: Participation in every community involvement event from blood drives to high school football.

Quass: We continue to look for ways to make the advertiser a part of what we are already doing, rather than re-engineering our programming to fit the needs of a particular advertiser. After all, the advertiser is all about audience that is his/her potential customer, and will likely sacrifice their own ego for a long term benefit. We at NRG are working hard to be able to work with our advertisers to partner in events both on and off that can be mutually beneficial and focus on a win-win win relationship. Win for the Audience, Win for the Advertiser, and Win for the stations.

Haley: Radio has always had product integration with DJ banter and product endorsements. But we can definitely take that to the next level. We can be ambassadors for our clients because of our unique relationship with the listener and our position in the local marketplace. There has been a lot of experimentation, and success, in new advertiser platforms, including sponsorship of entire program blocks and client-customized programming. New distribution channels like the Internet and cell phones enhance our opportunities even more.

Olds: It’s a far more dynamic environment than it was years past. We’ve been looking for new ways to integrate advertisers into the on-air and off-air branding of radio stations with a variety of approaches. These include ‘take-over hours,’ in which a single advertiser owns the entire inventory in a given hour, and using unique spot lengths ranging from 2-second blinks to custom vignettes of as long as 120 seconds. We’re also working to create greater synergy that allows for better results and more long-term relationships between stations and advertisers. That can mean online elements such as offering an advertiser the ability to own the inventory on the homepage for a set period of time; and greater integration into station events and promotional appearances, which includes everything from sponsorships to co-branding promotional events to ongoing sampling campaigns. Overall, we look to leverage as many assets of a radio station as we can and integrate them into an advertiser’s campaign in unique and creative ways.

Mason: We have and will continue to do fully integrated digital deals that include on-air and online advertising. We’ve successfully worked with advertisers such as Chevrolet, Ford, Starbucks, AT&T to name a few. Video is increasingly playing a role in our everyday operations and that lends itself to an entirely new way to work with our clients. With Chevrolet, for example, our country station in Detroit, WYCD, developed an online video contest called “The Backstage Insider.” Five lucky listeners had the chance to host a backstage reality show from the summer’s hottest concerts and ultimately one contestant will win the title “Backstage Insider,” $10K and passes to the best country shows in 2008. On-air promotions drive listeners to WYCD.com where they can find a dedicated microsite for the promotion. The station has increased their traffic by double digits with hundreds of thousands voting on their favorite video generating an enormous number of impressions for the leading car company.

WXRT in Chicago worked with area Starbucks shops for the Venti Vibe campaign. The program called for Starbucks employees to submit their own original music to 93XRT.com. A panel of judges voted on the top three employees with the best “Venti Vibe.” The winning artists were then featured during spot breaks on XRT’s live stream. This is a fantastic example of creative and interactive online programming, and provides WXRT with some great in-store presence.

Lawley: A very focused streaming and internet initiative with some industry specific sites that are in the works. We have also seen a resurgence back to the locally driven NTR and Event business that radio executes better than any other medium. Radio is a locally driven, promotional medium that can turn on a dime and that is why we are seeing the NTR/other line in the Kaplan’s explode this year.

Advertisers and agencies are always looking for unconventional ways to showcase a product or service and radio has been working hard to match some of the options offered by competing media. The “Blinks” (short mentions), branding a station for a season or a day are just a couple examples.

What have you done in the way of advertiser integration into your programming and product, away from the typical spot schedule?

Smulylan: Emmis has developed what we call the 360-degree brand experience. The approach involves taking advantage of today’s multimedia convergence to create a richer, more engaging experience for the listener and a customized, targeted marketing solution for advertisers. We’re transforming traditional radio to a one-to-one relationship with listeners by integrating our broadcast signals with all the new-media platforms they’re also connecting with—texting, podcasts, online content, street events and music e-commerce. That, in turn, offers many new possibilities for advertisers. We’ve been so successful with this approach that our Emmis interactive division has begun offering consulting services to other broadcasters.

Christian: I am waiting to see the answers from others. There are some companies that have sold “naming rights” to their studios, but we have pretty much stayed away from advertiser/product integration. We have successfully tried different events and used them to help support our advertisers. One comes to mind in Champaign Illinois, where our cluster of 4 FM stations brought a circus to town, and sold 7,000 tickets. We controlled the event and its marketing, and brought responsive clients into the event with advertising. As an aside, the circus was never promoted other than on our radio stations. Once again, I am convinced of the power of radio to change and influence lifestyles.

Smyth: Advertiser integration on the radio can’t be as simple as it is on television, where the product gets placed as the hero’s car. Radio has a tradition of live spots, and we will not move beyond that to include unidentified sponsor plugs or placements within our programming. It’s not legal. What we will do is to work earlier in the promotional or sponsorship process with advertisers to insure that our programs or events are as responsive to their business needs as possible.

Stakelin: NTR, whether it be events or new interactive opportunities, have greatly increased our ability to serve our advertisers with much more than just ’30’s and ’60’s. Smart radio operators are indeed gaining the opportunity to be marketing partners with key advertisers, especially in the local marketplace.

Robinson: Not Applicable.
Credit crunch? What credit crunch?

The private equity giants may be having trouble finding financing for multi-billion dollar buyouts and financing for acquisitions in the hundreds of millions may be elusive, but brokers dealing with much smaller radio deals say business is just fine, thank you. Demand is still strong for small market radio stations, financing can still be found and deals are getting done.

And while the current credit tightening that’s resulted from problems in the mortgage industry may be troubling, a history lesson is in order. “I can remember the crash in the late ’80s when people were selling for 50 cents on the dollar. I can remember the credit crunch then—and we think we’ve got a credit crunch now? No it’s nothing to what we were looking at then,” said Brett Miller, President of MCH Enterprises.

So while the big public companies are mostly on the sidelines, with stock prices beaten up and mega deals hard to finance, Miller, who focuses on the West Coast, says there are plenty of private, fast growing companies actively looking for acquisitions. “Mid-level groups companies like Lazer Broadcasting, Mapleton, Bi-Coastal are still fairly active because they have sources of capital and they’ve been able over the last five or six years to accumulate a large enough body of properties so they can take that to the bank. The banks will be interested or the private lenders will be interested. They have a proven track record of management ability,” he noted.

The Northeast may have been a little slower than some other regions earlier this year, but Howard Bausemer, President of the Sales Group, says activity has been picking up. The reason is that smaller markets have not been hurt by the fall-off in national business that has been felt the past couple of years in larger markets. “Smaller markets actually seem to do better on a financial basis than the larger markets,” he said.

When we asked about multiples, Bausemer noted that there are two sets of buyers with very different perspectives. He recently did a deal in a small rated market, although the stations were not full-coverage signals, that commanded a solid multiple of 10 times cash flow. So there is good demand for decent cash-flowing properties. But there are also niche players, such as Religious operators, who are more focused on population, so they have their own pricing based on a multiple of population coverage.

Financing is still available, even if the credit markets are challenging. “I can’t say they are struggling to get it,” Bausemer said of loans, although he said buyers seeking loans of just a few million may have to do some hunting. “Lower lending limits are always tough to get,” he noted.

Are there still opportunities for first-time buyers, we wondered? “New people are still trying to get in. Some of them do make it. It’s getting harder and harder. Two things working against them is that everybody perceives that their station is worth a whole lot more than perhaps it ought to be given its ongoing business concern. So we have to deal with that. There’s always price creep,” said Miller of the high hurdles facing first-time buyers.

Without the minority tax certificate, without pioneer preference for identifying new allocations, Miller says doors that might have been opened to new entrants don’t exist. So, they have to buy what is available. “The smaller reality is someone will come to me and say okay I want to buy a station and that will be my first one and I’ve got ‘X’ amount of money to spend and this is the kind of thing I’m looking for. Then either I or one of the other brokers that I work with closely will have something that should suit them and they say, oh, well, that’s not big enough. Well, I want a rated market or I need more income or that’s too remote. Well, those are the kinds of properties that are available for new entrants. So it’s a tough situation,” Miller said.

In his view, many would-be new entrants are missing their best opportunities by shying away from turnarounds, rim-shots and move-ins. “Which is too bad, because I think that’s where on a return on investment basis the real upside can be found. They don’t want to tackle the move-ins. They don’t want to tackle the upgrades. They don’t want to tackle the workouts,” Miller said.

No matter what, making that first deal is not easy. “The person who wants to buy today should have started two years ago in the educational process and in the financing process, because it’s always the ‘Goldilocks’ syndrome. When they find something they want to buy and they go to the sources of money, they’re either too soon, too late, too big, or too small,” Miller noted.

We asked the brokers if there is anything on the horizon that has them worried. We found them pretty upbeat.

“I see people talking about things like the radio industry being a mature or aging media, but one of the things I’m sure you are aware of is the Spanish market is exploding—and on both dials, the AM and the FM dial. I’m sure there are things out there that are going to have a deleterious effect on radio, but I don’t see it getting crocked or the brokering business getting crocked,” said Bausemer.

“I really don’t think I see anything that worries me. I’m not worried about satellite radio. I’m not worried about Internet. I mean, just go back over the last 20, 30 years and look at the new technology that was going to totally replace radio—it was an obsolete technology, so forth and so on—and radio has survived,” said Miller.
TV station revenues fell 6.6% in Q2

TVBR is forecasting 9-10% growth for all of 2008, but the present year is showing the down pattern of a non-election year. Local TV station revenues for Q2 (national and local spot combined) were down 6.6%. Throw network and syndication into the mix and the Q2 decline was 2.8%. Automotive continued to be a drag on the tally. The #1 ad category was down 10.2% from Q2 a year ago.

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<td>Total Bdcst TV</td>
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Source: TVB; TNS Media Intelligence

Salem expands non-radio empire...again

Did you notice that more than 10% of Q2 revenues at Salem Communications came from non-radio operations? Salem is again expanding its Internet portfolio, with the acquisition of CMCentral.com, a Christian music website and online community. Terms of the acquisition were not disclosed. The deal comes just six months after Salem bought ChristianMusicPlanet.com.

"We now own and operate four fast-growing websites for devotees of Christian music—CCMMagazine.com, MyCCM.org, ChristianMusicPlanet.com, and now CMCentral.com. With these four distinctive websites and Christian music's preeminent print publication, CCM Magazine, we provide content and community for everyone from the casual fan to the in-the-trenches professional," said Jim Cumbee, President of Non-Broadcast Media for Salem.

As for those growing non-radio revenues: "We go where the audience is through a multi-platform strategy of print and online, and because of that we are able to truly meet the needs of our advertising clients," said Jerry Charles, executive director of Advertising Sales for Salem Publishing.

Martin’s public thoughts on private equity

FCC Chairman Kevin Martin recently responded to the key House Democrats John Dingell (D-MI), and Ed Markey (D-MA), who expressed concerns about the sudden influx of private equity groups into broadcast ownership.

Martin acknowledged the concerns, but said the trend is in fact too new to have a history. He noted that despite concerns about private equity ownership in some quarters, there were others who argued that it may offer advantages beneficial to the public that may be realized by divorcing corporate decision making from Wall Street's quarterly treadmill. As for public obligations, he noted that private equity firms are subject to the same rules as every other type of ownership organization.

American Media Services, LLC is pleased to announce that Armada Media Corporation, Terry Shockley, Chief Executive Officer, has agreed to acquire the assets of KODY-AM/KXNP-FM, North Platte, NE, and KUVR-AM/KMTY-FM, Holdrege, NE, from NRG Media, LLC, Mary Quass, President & Chief Executive Officer, for $4,500,000.00.

David F. Reeder represented the buyer for this transaction.

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The Development Experts
Q2 trading: TV blockbusters fuel a surge

Talk about a bell curve. April was on the slow side of normal, with a very modest $305M in stations traded. But to call May talk about a bell curve. April was on the slow side of normal, been troubled and its status remains pending.

Warshaw has stepped into Goodman's place, but the deal has stations to a group fronted by Dean Goodman. Jeffrey ($2.6B), Clear Channel TV to Providence Equity ($1.255B). There surge were Tribune to Sam Zell ($4.2B), Ion Media to CIG ($1.255B). There is in store for the remainder of 2007. The deals fueling this busters among blockbusters waiting in the wings, the sales of Clear Channel and Univision. We do not believe anything like busters among blockbusters waiting in the wings, the sales of Clear Channel and Univision. We do not believe anything like that is in store for the remainder of 2007. The deals fueling this surge were Tribune to Sam Zell ($4.2B), Ion Media to CIG ($2.6B), Clear Channel TV to Providence Equity ($1.255B). There was also a $452.1M deal sending numerous small market radio stations to a group fronted by Dean Goodman Jeffrey Warshaw has stepped into Goodman's place, but the deal has been troubled and its status remains pending.

The variable gravity of radio trading

Last time we ran this feature, we asked "Is there a pattern here?" The answer still seems to be no, but there is an underlying reality. The day-to-day station trading remains alive mostly in small and unrated markets. Large market deals are almost always for fringe or niche operations. The wild fluctuations noted in the value column below are the result of randomly filed mega deals. Clear Channel has been in command of the accelerator since last December, first in its pending attempt to go private, and second by spinning off most of its smaller markets.

Mega deals predominate

Tribune, Ion and Clear Channel made sure this would be a hot month for television, but they didn't combine for enough value to keep the quarter on pace with Q3 last year, when the Univision deal hit the wires. In general, television deals continue to get done. Note that there were 11 deals that did not involve Tribune, Ion or Clear Channel. Large market deals are almost always for fringe or niche operations.

TV deals turn spotlight on top markets

Tribune and Ion turned over a lot of television properties, and both are heavily concentrated in the top 50 markets. If this were a radio-only chart, the story would be quite different. In fact, you can pretty much look at the Q2 line in the chart below and see the television part under the 1-50 and 51-100 headings, and the radio portion under the other two headings. Clear Channel spin-offs accounted for much of the radio bulk. Because of that, the number in small rated markets was about double the number in unrated areas, breaking a trend in which the latter areas were seeing about half of the volume.

**Quarterly station trading by market size**

<table>
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<tr>
<th>Quarter</th>
<th>Total Stns</th>
<th>Mkts 1-50</th>
<th>Mkts 51-100</th>
<th>Mkts &gt;100</th>
<th>Unrated Mkts</th>
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<td>373</td>
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<td>332</td>
<td>267</td>
<td>647</td>
<td>156</td>
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<tr>
<td>Q1 2007</td>
<td>267</td>
<td>37</td>
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<td>87</td>
<td>112</td>
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<tr>
<td>Q2 2007</td>
<td>611</td>
<td>90</td>
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**Quarterly radio only transactions**

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<td>Q2 2006</td>
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<td>Q3 2006</td>
<td>112</td>
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<td>Q4 2006</td>
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<td>Q1 2007</td>
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<td>$753,575,822</td>
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**Quarterly TV only transactions**

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