Radio Business Report™

The Management, Sales & Technology Journal

November, 2002

Volume 19, Issue 30

AdBiz:
Mediaedge:cia's Kim Vasey, fresh from the RAB's Fall Board of Directors Meeting, asks for accountability in radio ad buys

Page 8

Engineered for Profit:
ABC Radio's Clay Steely and three other group VPs/Engineering discuss 2003 cap ex and operating budgets, Part I

Page 17

Catch a wave dude!

If the pundants are correct it looks to be a Republican controlled House of Representatives and Senate starting next year. You better be waxing up your board because the next consolidation wave is on the way. Crossownership rule changes will bring in a new herd of buyers. TV consolidation changes are almost certain, as both the courts and the FCC look to change the cap limits. Duops are looking to do their little ditty of bringing down combined expenses in a station cluster as they hope to pressure and get better deals on programming costs.

Experts say that newspaper crossownership will more likely take place with papers and television stations, but who knows if their crystal balls are correct? Buzz words like synergy will be re-racked from the golden oldies of investment bank prospectuses and road show antics. It should be a fun show to watch.

What about radio? Well a hot media sector raises all boats. The election might be the trigger point to see some IPOs finally break open – Citadel for starters. An election, anyway it turns out, is always a fresh piece of paper. Goodbye 2002!

September's top-selling vehicles

Vehicle	# sold	2001
1. Ford F-Series p/u	620,197	-4.7%
2. Chevy Silverado p/u	480,158	-4.4%
3. Toyota Camry	337,884	+15.2%
4. Ford Explorer	28,036	+8.1%
5. Honda Accord	304,336	-4.8%
6. Dodge Ram pickup	303,319	+18.0%
7. Ford Taurus	247,015	-10.2%
8. Honda Civic	243,633	-6.1%
9. Chevrolet Cavalier	192,839	+10.8%
10. Dodge Caravan	192,632	+4.3%

RBR News Analysis

No pay for play: Why paying indies may be ending

Cox Radio (N:CXR) has made a determination that it is going to say good-bye to independent promoters with which it has had a relationship. **Bob Neil** says that taking the indie's money fails to pass the "Mom test."

Payola did not pass the mom test, or the law of the land test. Even though much more has been said than done about payola, it has been illegal for a long time now. Independent promotion basically filled the void left when payola "disappeared."

The basic script for payola is this:
Record promoter: *I'll pay you if you play this record.*
Radio programmer: *OK.*
The basic script for independent promotion is this:
Independent promoter: *I'll pay to talk to you.*
Radio programmer: *OK.*
Independent promoter: *Play this record.*
Radio programmer: *OK.*

Continued on page 2...

Bob Neil

ADMIT ONE ™
ClicknPrint TICKETS

Your Ticket to Higher NTR

Profitably Promote & Sell Tickets to Your Own Events
Fans Buy & Print Event Tickets at Your Website!

800-370-2364 • mrainer@clicknprinttickets.com

Radio Business Report
Voice Of The Radio Broadcasting Industry ®

November, 2002
Volume 19, Issue 30

Publisher & Editor..........Jim Carnegie
Executive Editor..........Jack Messmer
Managing Editor..........Dave Seyler
Senior Editor..........Carl Marcucci
Production..........Michael Whalen
VP Administration..........Cathy Carnegie
FCC Research Consultant..........Mona Wargo
Administrative Assistant..........April Olson
VP/GM, Associate Publisher..........Ken Lee
Account Executive..........June Barnes

Editorial/Advertising Offices
6208-B Old Franconia Road
Alexandria, VA 22310
PO Box 782 Springfield, VA 22150

Main Phone: 703/719-9500
Editorial Fax: 703/719-7910
Sales Fax: 703/719-9509
Subscription Phone: 703/719-7721
Subscription Fax: 703/719-7725

Email Addresses
Publisher:..........JCarnegie@rbr.com
Editorial:..........RadioNews@rbr.com
Sales:..........KLee@rbr.com

Bradenton, FL Office
Jack Messmer
Phone: 941/792-1631
Fax: 253/541-0070
Email: ....JMessmer@rbr.com

Nashville, TN Sales Office
June Barnes
Phone: 615/360-7875
Fax: 615/360-0967
Email: ....JBarnes@rbr.com

©2002 Radio Business Report, Inc. Material may not be reproduced without permission. All content may not be reproduced, photocopied and/or transmitted without written prior consent. Any violations will be dealt with legally. Printed in USA.

Radio Business Report is published monthly by Radio Business Report, Inc. Publishers of Radio Business Report, RBR Daily Morning E-Paper, The RBR Source Guide, RBR Afternoon News Briefs, RBR Radio, www.rbr.com and the Information Services Group database.

Subscription rate:
One year $220.

RADIO NEWS®

Continued from page 1...

The people who have not been able to see much difference in the two scripts can be excused for this failure—there is not much difference.

It has been speculated that the big record companies created this monster, using independent promoters—and paying them big bucks—to up the ante for new music distribution and force smaller producer/distributors into buy-outs or into going out of business (see **Frederic Dannen**'s "Hit Men", Random House, 1990). Whether that was the intention or not, that's what happened. Only a few big companies are left standing, and it is a street-level truism among musicians that if you can't scrape together a six-figure dollar amount for promotion, you can forget about airplay.

If this was a world where record companies produce great music for all tastes, and where individual radio stations play great music tailored to the tastes of their listeners, promoters would not be necessary.

Radio stations and record companies have had a natural, symbiotic relationship since the 50s, when TV forced radio out of the block programming business and into the music business. Radio needed recorded music—tons of it. On the other hand, the record-selling industry wasn't all that old either, and by providing radio with content, it got for free what all other merchandise categories had to pay for—air time. And it got it in spades—40-50 minutes an hour on most stations. No other product category could even dream of getting the same amount of exposure.

There are promotional expenses involved in almost all successful products. Still, the record companies were essentially getting free advertising. That is, until they couldn't stand to let the quality of their product speak for itself and starting buying their way onto the airwaves, first sending in the payola boys, then the independents to stack the odds their way.

On the other hand, radio programmers are supposed to be experts, both in the available music and the tastes of the listeners. It's supposed to be an art form, not a transaction. We feel the same about this regardless of whether the cash is going to a PD or a corporation.

The radio companies say that independent promoters do not determine playlists. Clear Channel's **John Hogan** says as much in this very issue. He also says promoter cash is a very small part of CCU's business.

This is not to pick on Clear Channel—Hogan just happens to be the person we quoted on this—but it could be a programmer from any radio company who deals with the indies.

Nonetheless, saying indies have no influence rings hollow. If it doesn't determine what goes on the air, and it amounts to peanuts anyway, then radio has no business taking their money. And the record companies are fools for paying it in the first place!

If record companies are looking for a friendly partner to work with to ensure that their product gets out into the marketplace, radio has been there all along. The relationship could include doing special station concerts, pre-release product, local promotions and, yes, cash in the form of good old fashioned advertising. Yep—what a concept! If a record company really wants to push an artist, there is nothing wrong with buying an ad. Movies, TV shows, radio stations and K-TEL Records do it all the time. It has the added bonus of being perfectly legal and perfectly ethical.

Another lesson that people always fail to realize is the dynamic of the public. If consumers/listeners cannot get what they want from one channel of distribution they will go to another source. Just when you think you have a monopoly on anything the game changes. Look at the railroads—they thought they would be transportation barons forever. Nope. If they had been smarter, we would all be flying Union Pacific Airlines right now.

These two industries should shake hands, resume their long friendship, and say good-bye to the indies.

THE EXLINE COMPANY
MEDIA BROKERS • CONSULTANTS

SOLD

KDAC-AM/KLLK-AM/KUKI-AM/FM
Ukiah, California

ANDY McCLURE **DEAN LeGRAS**

4340 Redwood Highway • Suite F-230 • San Rafael, CA 94903
Telephone • 415-479-3484 Fax • 415-479-1574

Two very good ones.

abc Daytime Direction

2300+ stations
Excellent Top 10 &
Top 25 market coverage

abc Morning News

1500+ stations
80% of inventory clears in
ABC News Radio broadcasts

UNLIKE SOME ADDITIONS, YOU'LL APPRECIATE OUR TWO NEW NETWORKS.

We're changing the look of radio, with a fresh new line-up. Our two new RADAR® networks are leaders in ratings and audience delivery. And there's more. We've changed our network names, so you'll know exactly what you're getting, with the specific audiences you want. No confusion. Just a great line-up. Now your choice has never been easier.

LIKE OUR NEW LOOK? CALL US AT 212-735-1700 OR VISIT US AT WWW.ABCRADIO.COM.

abc RADIO NETWORKS
america listens to abc

By Jim Carnegie

Publisher's perspective: Hitting the convention trail

I had not attended any kind of a convention in many moons. Just got tired of the SOS. Not so this year—I hit the NAB-RAB grand slam. I was at RAB Orlando in the winter, NAB Las Vegas in the spring, NAB Seattle at the end of the summer, and the RAB board meeting in Atlanta just this fall. The latter is freshest in my mind—here's what I heard most about.

Accountability

Topped the hit parade, but the word produced a glazed look on all of our faces; we were the deer in the headlights. The flow of dollars from the client through their agencies to the station is getting tighter. In short, the handshake days are over. People are being held personally accountable for their actions. At the client level, key execs may even have to have sign a statement that what was ordered, purchased, delivered, etc. all adds up. It's the same with every radio ad placed and run. Did the station do what it said it was going to do? Prove it.

***RBR* observation**: You can't just take radio's product, put it in some nice packaging and go out and sell it. In essence, radio sells sales. A client wants to sell goods or services. People have to know that the client exists and what he's selling. Radio is one of the best ways to accomplish this. But it doesn't matter if the client doesn't realize radio's role in his own success. The more concretely we can demonstrate the relationship between radio advertising and a client's success, the better. Accountability? Bring it on. (See related story, page 8.)

Traffic department

Here again we all got the deer-in-the-headlight look. The question was asked, "How many top level executives have been in their traffic departments?" The importance of getting out of the executive chair and into the life blood of any group or station was made clear. I for one think of traffic as the daily log. Not so. The traffic department today is like NASA. It's complex, with technology (in some cases older than dirt) and the atmosphere and pacing of a circus. In fact, the alias I learned for traffic manager was "Juggler." There's the constant incoming and outgoing contact with clients and their agencies, which is all inextricably tied into what those wackos over in Programming are doing (they're too busy trying to figure out new ways to get away with saying "sex" on the air to bother with trivialities like correctly running an advertising schedule). But if you want to get paid on time, get traffic in order—and see to the care and feeding of your juggler, er, traffic manager.

***RBR* observation**: Top executives, stop handing the ball to the guy with the pocket protector—if you do your whole team is going to get stuffed at the line of scrimmage. He should go along—to block only. A heavy hitter from the administrative side of your sales department shoud carry the ball, or you should call the quarterback sneak and keep the damn thing yourself. You owe it to yourself, your company and your clients to personally call the play.

Electronic invoicing

This will be a boon for both accountability and traffic. Radio, RAB, and 4A's are working hard to get this in order. And it is needed—radio has a long way to go to get on a level playing field with its media competition.

***RBR* observation**: A lot of client reps are saying: "We love radio, but get your act together." They have to explain what they're doing to someone, and if we can't tell them what results we're providing—efficiently—they will go elsewhere. Ask questions of RAB's committee on this issue. Find out what technology is being explored and how it will improve your accountability. If we can improve it, the money will come.

Creativity

Image the sound in your mind's eye, "Thud." A big problem at the agency level is that out of one hour the creative people spend 55 minutes on TV and then get around to radio. There, radio is not a top of mind. One advertiser had some useful advice: "Help brainstorm and get a higher percentage of my money."

***RBR* observation**: It's true. Nobody understands radio and what it can do like we do—we have to help. What are two of radio's most valuable assets? It's fast and it's cheap. How about this for an idea—the next time you're getting ready to pitch a potentially big-ticket client, don't just make a pitch—make a fast, cheap, down-and-dirty-yet-irresistable radio ad before you have the account to demonstrate just what you can do. It can always be changed and enhanced, and if you play your cards right, you'll be making dozens more of them for the same client.

ANALOG AND DIGITAL
ROUTERS
SWITCHERS
DISTRIBUTION SYSTEMS
INTERCOM SYSTEMS
IFB SYSTEMS
MIX-MINUS SYSTEMS
ENGINES FOR CONTROL SURFACES
AUTOMATION SOFTWARE
SOFTWARE CONTROL PANELS
HARDWARE CONTROL PANELS
SAS
SIERRA AUTOMATED SYSTEMS
2625 No. San Fernando Blvd. Burbank, CA 91504 818-840-6749 sasaudio.com

AMERICAN URBAN RADIO NETWORKS

30 Years of National Broadcasting Excellence !!!
30 Years of News, Sports, Music, and Information to the African American Community.

Delivering the News that Our Audience Is Talking About
Creating 300 Radio Shows Each Week, the Widest Array in the History of Urban Radio
Providing the Entertainment Shows, and Sports Specials that Touch the Hearts, Souls, and Minds of Urban America
400 Radio Stations — the Largest Urban Audience in Radio History
Clearly... The Leader in Urban Radio !!!!

SUPERJAM SURVEY
AMERICAN URBAN NEWS
USA MUSIC MAGAZINE
SBN NEWS
SONI D's Old Skool Mega Mix
THE Bev Smith SHOW
RUSS PARR Morning Show With Olivia Fox
HOLLYWOOD Live WITH TANYA HART
COMING SOON
ON THE DOWN LO WITH WENDY WILLIAMS
Surfing the NET
THE WHITE HOUSE REPORT
REFLECTIONS A Journey Through America's Soul/R&B Music Scenes
THE HISTORY OF HIP HOP Keepin' it Real
Soulful Praise THE HISTORY OF GOSPEL MUSIC
THE WALL STREET WRAP
MONEY SMARTS
SBN SPORTS
RED CARPET SPECIALS
Cameos of Black Women
NewsWorld American Urban Radio Networks
BLACK COLLEGE ALL-AMERICAN
SPORTSWORLD ANOTHER ANGLE
ROAD TO SUPER SUNDAY

AMERICAN URBAN RADIO NETWORKS

Celebrating 30 Years of Black Network Radio

AMERICAN URBAN RADIO NETWORKS
30TH ANNIVERSARY
1972-2002

Call your AURN Sales Executive today.

New York: **212.883.2100** • Chicago: **312.558.9090** • Detroit: **313.885.4243**

GM TALKBACK

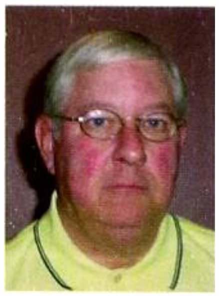
By Carl Marcucci

We ask General Managers from around the country to share with us, and you, their views of the industry.

Bill Flack, Flack Broadcasting's WBRV-AM, WBRV-FM, WLLG-FM Utica-Rome, NY
Tim Matthews, GM Bahakel Communications' KFMW-FM, KOKZ-FM, KXEL-AM and KWLO-AM Waterloo-Cedar Falls, IA
Blaise Howard, GM, WEAZ Inc.'s WBEB-FM Philadelphia

Have your started on your budget for next year? Tell us about the process.

Flack: I've got to tell you. I am really, really a small operation here. I bill under $500K. We're a mom and pop operation. I don't really do a budget. I look at a P&L every month. I compare what I've spent each month with last year and what I've spent is pretty much consistent. Whatever I do works, so I'm not complaining. We're not a big operation.



Tim Matthews

Matthews: Oh yeah, for sure. I just try to be realistic. We like to project some kind of growth for next year. We like to be aggressive, yet try to be as accurate as we can. If you're looking for numbers, we'd like to show an increase of somewhere in the range of 6%-8%. I don't know if that's realistic or not, but I think by the time it's all said and done, that's probably where I'd like to be at.

It's hard to predict, but if we go in with an attitude that we want to be as good as we were last year but no better, than that's exactly what's going to happen. Sometimes there's nothing wrong with flat, but I've got an excellent sales department. The person with the least amount of experience on the staff has got five years in. For a market this size, to have the experienced sales staff like this, I mean these people are killers. For them to go out and increase revenues next year by 6%, it's certainly attainable for these people. If I was sitting here with people who have less than 90 days of experience and that was half of my staff, I'm telling you I'd be happy with flat. So there's a lot of things that go into that 6%. I haven't filled a sales job here in over two years. I can pretty much give them free rein and all. They know what the goals are and they know how to get the job done. Sitting here poised and positioned like we are with the staff I've got, for me to tell you we're going to be flat, that's a gross disappointment as far as I'm concerned.

One station, KFMW, is the number one-rated station in the market, especially with men 18-34. The Oldies station, KOKZ, is sitting there at number two and it's real strong with people 25-54. So I think we're positioned pretty well. Both stations are 100kW each, one is at 1,800 ft, the other is almost 1,400 ft. Our AM, KXEL, is 50kW. We run **Limbaugh**, **Hannity** and **Mike Gallagher**.

Howard: We've really just opened up the envelope. We just opened up the book. Our comptroller just sent out a note to everybody [early Oct.] about expenditures for next year and we're really just starting to look at it. You have to understand—at a station like ours we don't get crazy about that kind of stuff. If we need to spend it, we spend it.

We try to keep salaries probably in the 2%-3% range. Capital expenditures, I think we need a new transmitter. So that could be a couple hundred thousand dollars.

I'm a weirdo here. We don't go into this thing and say, "How do we save money next year?" Usually, the President of the company [**Jerry Lee**] says, "What do we need to spend to drive it forward?" It's so diametrically opposed to what I'm used to. It took me almost three years working for Jerry to not think about "how do I save money?" It's more about, "how do we make money?"

Are you planning to spend more next year than this year? Why?

Flack: I would say so. I had a good year this year. I may increase it a bit, but it wouldn't be much. I don't need to go through all the formalities, thank God. I've been there, done that, believe me. I've worked for larger companies. For many years, I was a sales manager, a GSM and GM. And I don't do things the way I did them there, but it works. And sometime I realize I'm doing exactly the opposite of what I was taught to do, except for pushing sales, which is my specialty. My business is a very good business, and whatever I'm doing, it's working.

Matthews: Our capital needs here at the present time really aren't all that great. We might have to spend some money on some technical improvements we may want to make, but we really don't have any final decision on that. Usually I try to keep that a percentage of what our revenue might be. But fortunately, at least as far as the 2003 budget is concerned, over the last two or three years, we've spent pretty well here to take care of our needs. So we're not looking at any real big outlays for 2003.

Howard: We will be spending more than we did this year, next year. We're probably going to increase marketing, as we do every year. Along with that, any TV spots and things like that. We always look at ways to help drive the ratings on the radio station. I'm sure that we'll throw everything that could possibly drive ratings up there—from contesting to more TV, a new TV spot, outdoor, skywriting, whatever. I'm sure we'll throw that all up there and I'm sure we'll spend more money in marketing.

What's your plan on implementing IBOC? Are you looking to be an early adopter to eliminate the iBiquity licensing fees?

Flack: I'm not there now. I went to the NAB in Seattle and it looked to me like it was a lot of money with not a lot of return on investment for me. I priced things out and it looks to me like it's going to cost me a couple hundred thousand. And I said, 'Geez.' I may try it with the AM only but right now it seems like a lot of money. It seems like the incentive they gave was for the big guys. They could afford it. I can't, I mean there's no way. And there's no way I have any desire to. Small Country station, mom and pop.

I went there and I heard people talking about already implementing it, taking advantage of the licensing fee. And I'm thinking, 'My goodness, this licensing fee is a lot of money—just the licensing fee.'

Matthews: We really haven't even discussed it. Nobody from iBiquity has contacted us, either.

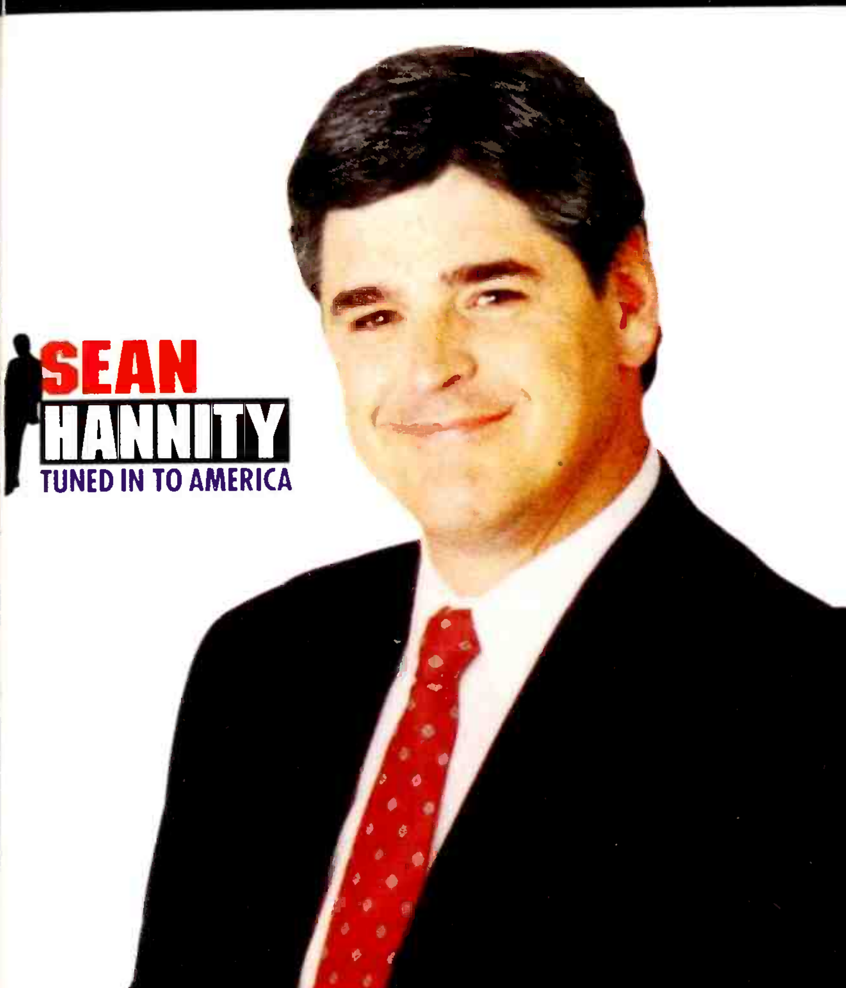
Blaise Howard

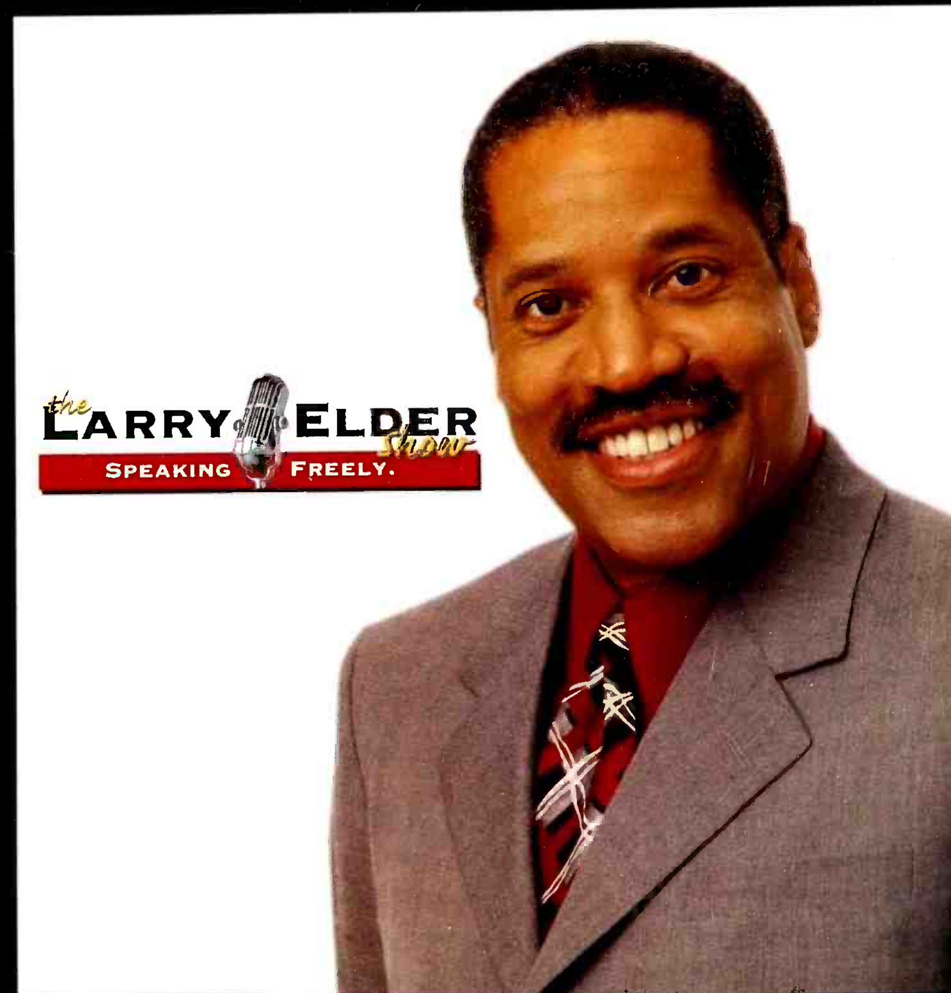
Howard: Our transmitter replacement is not related to IBOC. We're not going to be out there on the cutting edge, we're not going to be out there wanting to change. I guess the transmitter, when we buy it, everything's going to be. I guess that's one of the reasons why things are so expensive—because of the change that can happen.

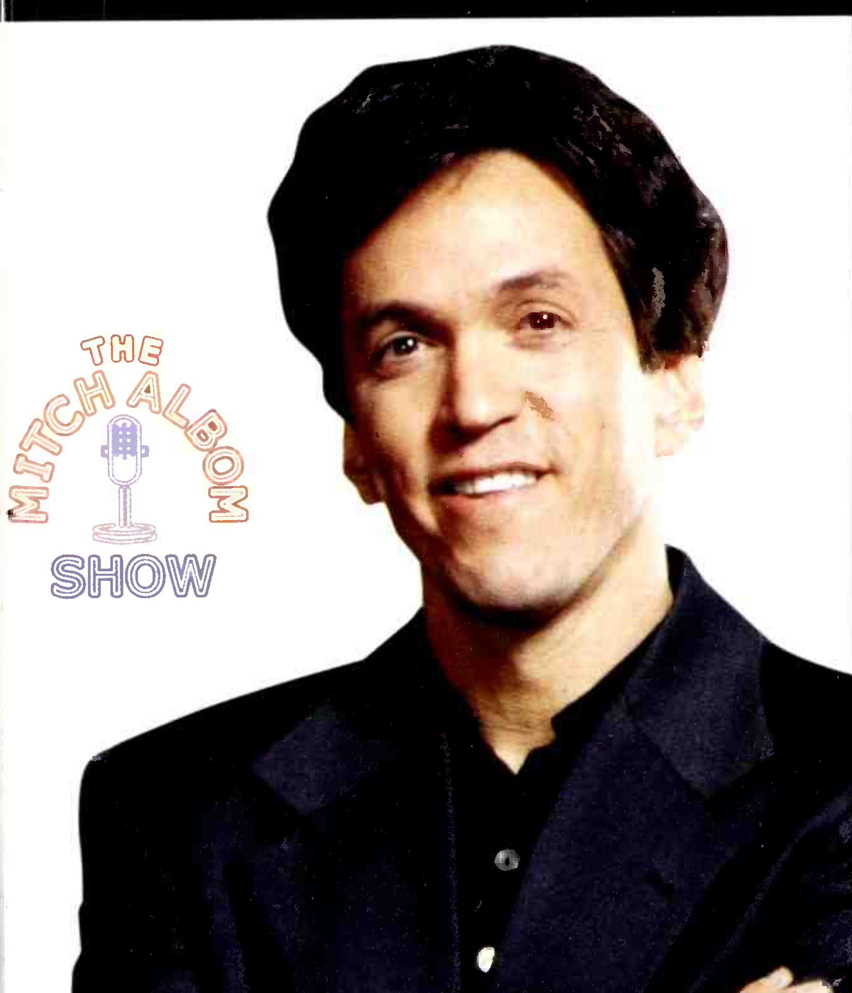
We never had the [IBOC] discussion. I don't read up on it a whole lot because it's not on my radar screen. Jerry [Lee—owner] and I don't discuss it at all. We do two things when we come into work every day—how do we drive ratings and how do we drive revenue? And then the technical side of it, if things are going to be changing from that perspective, and if it does go that way, we'll just change. If everybody else does, we'll just change. We'll pay the money and we'll do it.

I don't think IBOC will have any impact on people's listening habits at all.

WHEN THESE GUYS TALK AMERICA LISTENS







abc RADIO NETWORKS
america listens to abc

EAST: 212-735-1700 • WEST: 972-991-9200

Let's get "Accountable!"

By Kim Vasey

I think one of the best quotes about our industry that I have ever read was this......"The AEs are not trained to keep the business, nor grow the business–AEs are just motivated to GET the business." In my opinion, never has a truer statement ever been uttered! I believe that the unfortunate truth to this statement lends itself to many of the problems that plague our industry today. Lack of training, increasingly tighter time constraints and ENORMOUS pressures to achieve budgets and just "GET" the order (no matter what it takes) have contributed to a growing lack of accountability.

It does seem the big buzzword these days is accountability. It is on everyone's lips—from the clients, the agencies and the media entities. One can hardly pick up a media publication today that does not contain an article (or two) that covers this topic.

The past four industry lectures/panel discussions that I have attended over the past two months all touched on the topic in some manner. Whether it was accountability to the bottom line, accountability to the media plan, accountability for the results of the campaign or accountability for the delivery of the schedule—it was and is the "hot" topic.

I'm told it was a topic on the minds of many of the clients who presented on "Advertiser Day" at the recent RAB Board of Directors meeting in Atlanta. It was definitely the topic of a presentation, that I had the pleasure of participating in the following morning as part of a Joint Task Force of the AAAA. This Joint Task Force Committee was formed to help improve radio's accountability measures. It is a much-needed Task Force.

Accountability measures have become increasingly lax with both the buyer and the seller. Working together, agencies, group owners and radio sales representatives can build a blueprint of mutually agreed upon measures. Creating these measures will establish standards and practices that will be understood by both buyer and seller.

Some Examples:

- Each party will understand what constitutes fair and equitable rotation
- What they can expect when they package in ROS spots
- What rating will be used for a rotation based on prevailing market conditions and the expected rotation of those spots based on those conditions
- What is an acceptable deviation from the original schedule without notification
- What are the guidelines for breaking/changing a contract
- What proof of performance will be supplied on promotional venues

Issues that our local broadcast buyers are faced with every day clearly indicate the need to become more accountable:

- Sellers continue to negotiate schedules that bear little relation to station avails and buyers and sellers continue to accept "packaging" areas that often result in significant under-delivery of purchased GRP goals (and no, I'm not referring to "posting" here). I refer to stations packaging in "no charge" spots that do not air or ROS spots that deliver a significantly lower rating than was stated on their submission due to the poor rotation.
- Stations accept orders that they know full well they can't clear and then take great liberties with juggling spots, as make goods, without consent. While we understand the need to juggle inventory and accommodate moves, cancellations and changes (especially at the last minute), the true state of the "clearances" must be communicated more effectively, at the time the order is placed, so that buyer and seller understand the impact of these moves on the media schedule.
- Sales people on the street with lack of training "getting" the order without regard to what is really going to work for the advertiser.

Issues such as these create a complete lack of credibility and a negative impression of our medium, an impression that can sometimes be a lasting one. I'm sure many of you have gotten the response from a potential advertiser, "I tried radio and it didn't work."

There are many stations and account executives that do a fine job of representing our medium and helped build schedules and promotional partnerships that support the goals of our media campaign and I applaud all of their efforts and hard work.

I don't want to sound like the voice of "gloom and doom" in outlining some of the issues that we face today, but the fact remains we need to clean up our act: both agency buyers and account representatives.

Working together we can change that perception and help put the value back in our medium. Let's get "**Accountable"** together!

On the upfront:

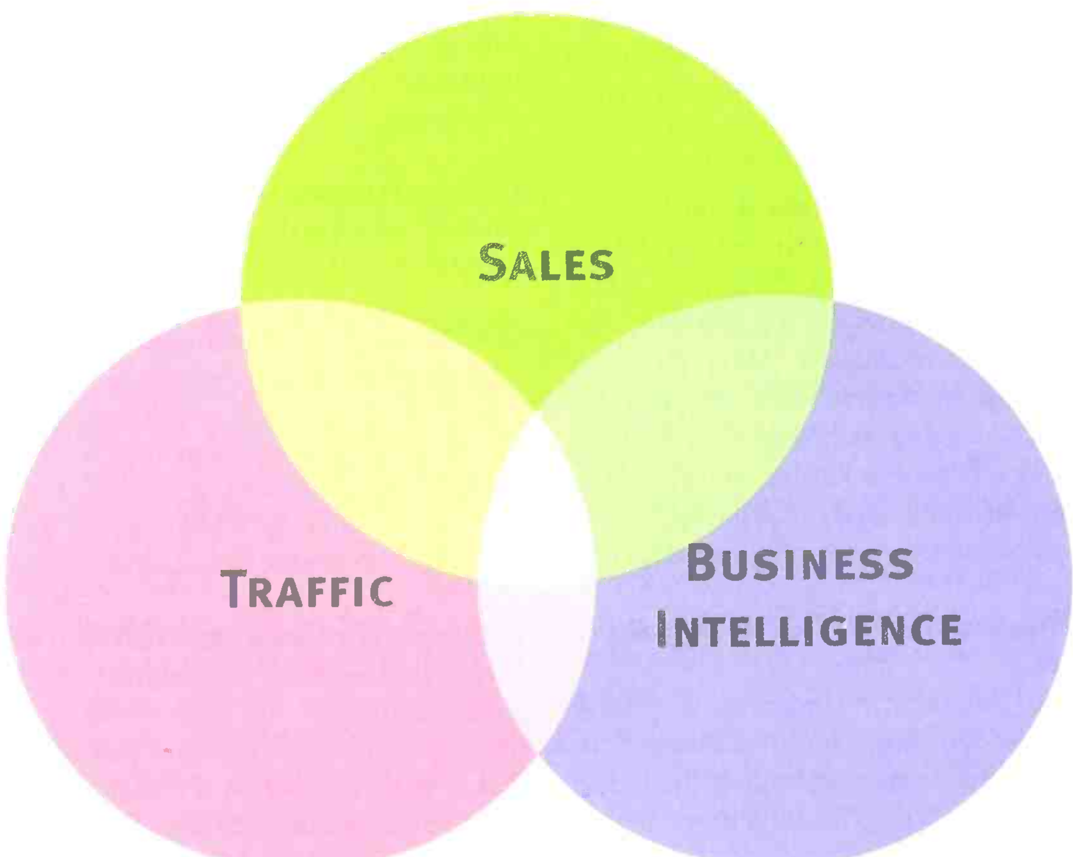
Network Radio moving along.....pacing up approximately 15%. Most advertisers from last year are back in.

Kim Vasey is Senior Partner/Director of Radio, mediaedge:cia.
She can be reached at 212-474-0655 or
kim.vasey@nyc.mediaedgecia.com.

LOU DOBBS FINANCIAL REPORTS
For Serious Business...
212-869-1111 ext. 0
loudobbs@unitedstations.com
America Hears
UNITED STATIONS RADIO NETWORKS

Marketron

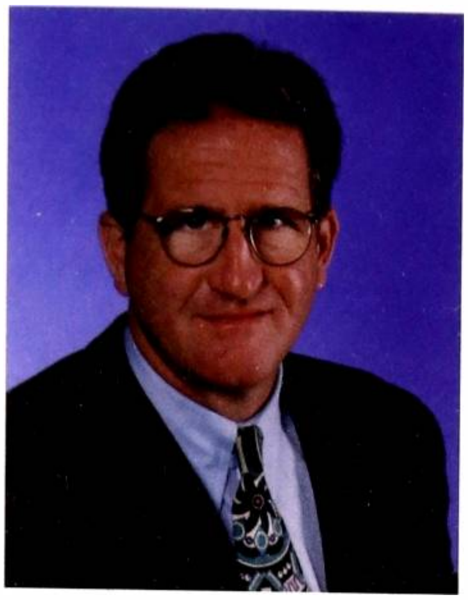
The one name that unites sales, traffic and business intelligence.



We've united the premier broadcast management technologies and practices under one name – Marketron International. We're dedicated to helping broadcasters become more successful by enabling them to optimize inventory and maximize revenue. You'll find our solutions in 80% of the top broadcast groups. Check us out at **www.marketron.com.**

©2002 Marketron International. All rights reserved.

John Hogan speaks on the record (labels)



The relationship between radio station owners and record labels is facing scrutiny on Capitol Hill, with Sen. **Russ Feingold** (D-WI) pushing a bill which would restrict payments from independent record promoters and establish rules for separating the operations of radio groups which also own concert promoters—a bill aimed squarely at Clear Channel Communications (N:CCU). And while Clear Channel was frequently discussed in the NAB Radio Show's "super session" on the indies, there was no one from Clear Channel among the panelists.

We wanted to know what Clear Channel had to say about the indies and the concert business, so we raised the topic when Clear Channel Radio's new CEO, **John Hogan**, sat down to be interviewed by **RBR** Publisher **Jim Carnegie** and Executive Editor **Jack Messmer**.

This interview took place before Cox Radio (N:CXR) announced (10/18) that it would stop working with the indies, but there has been no indication since then of any change of thinking at Clear Channel, or by Hogan.

What do you think Clear Channel Radio's relationship with the record companies should be? And how do you get there?
That's two big questions. Let me back up and say what the relationship is today and where I hope to see it go. Right now, we don't communicate very well. There is an absence of real meaningful dialog and open communication. So, first and foremost, we need to figure out a way that we can sit down and talk and hear one another out. We are in this business somewhat together. I'd like to have a better relationship with the labels. I'd like to have a more productive relationship. And I think the way to start that is by sitting down and having some open, honest communication.

Do you see the indies as being a hindrance—or do they serve a role in that relationship?
I don't think of it in those terms. I think that the indies are a creation of, or a byproduct, of the labels. We didn't put that system into place. We're happy to work with that system as long as the labels continue to fund it. If the labels were to stop funding it, we would find another way to work with the labels.

A lot of mainstream press stories about this always go back to the money—the amount of money that CCU is receiving from the indies. Is it a significant amount of money as far as you are concerned?
Well, it all depends on what significant is—not to sound too Clintonesque about it—but I would tell you that in the overall scheme of Clear Channel, which the public record is that we're better than a three and a half billion dollar revenue company, the amount of money that the indies contribute to our revenue stream is very, very, very small.

Does it have any impact on what gets played?
None whatsoever.

You've recently raised the rates being charged to indies for Clear Channel's Urban stations. Is that an attempt to drive the fees so high that the record companies will stop paying them?
No.

Would you see that as a bad thing if that happened?
Again, the indies are a creation of the recording industry—of the labels. They are what they are. I think that we have a fiduciary responsibility to our shareholders to, if there is money out there, to compete for that money—and that's what we're doing. If that system were to go away, I think that we would find another way to work with the labels.

Do you think Congress needs to be involved in solving this?
I don't, no. We didn't invite Congress in to look at the recording industry—that was the recording industry. I think that was an interesting way to handle an internal problem.

Do you agree that it has hurt the record labels and artists to have Clear Channel owning the concert business to the extent that you do?
Absolutely not. I absolutely do not agree with that.

Does it change the dynamic at all? Is it good for the artists? Is it bad?
I think that any change in ownership likely changes the dynamic. I think that the concert promotion business, much like the radio business, has undergone incredible consolidation. I think the music business and the recording business has also undergone a significant change. To blame the ownership of Clear Channel Entertainment for the woes of the music industry I think is a pretty dramatic leap of faith.

Is there a conflict of interest in owning both businesses?
I don't believe there is a conflict of interest. I think that we have great partners in our sister divisions at Clear Channel Entertainment, Clear Channel Outdoor and Clear Channel Television. I think that it is a real stretch to think that we are somehow working together to diminish the benefit that the recording industry or the recording artists get. I don't understand that.

The Media Audit

Sets The Pace In The Local Market Qualitative Audience Industry.

- The Media Audit delivered the first local market qualitative report for any market in August 1971.
- Three years before anyone else followed suit.

If you are looking for innovative leadership
Call us: 1-800-324-9921

Settling into the new job

When *RBR* interviewed John Hogan at the NAB Radio Show in Seattle, he had been in his new position for only a few weeks. Of course, we had to ask how things were going—with the new position and also his pledge to improve Clear Channel Radio's relationship with other broadcasters.

What have you learned about your new job that you didn't expect?

The biggest difference for me has been being in San Antonio. I made the decision that if I was going to do this job, and do it in San Antonio, that I was going to be there very quickly. I moved down two or three weeks ago [in August]. The support of Lowry, Mark and Randall and the whole San Antonio team has been a very, very positive surprise for me. The biggest change has been the ability to spend time with what is really the center of the Clear Channel universe, right there in San Antonio.

How soon will you decide what other parts of Clear Channel Radio headquarters will move to San Antonio?

I'm in the process of looking at that now. We want to have a terrific team of people in San Antonio to help our markets run the radio division. Clear Channel is very much a decentralized company. We believe in local empowerment and local decision-making, but having the resources of a very big company available to those markets is important to us. I know that we'll have some financial folks down there. We'll have some product and content folks down there. I expect some marketing and public relations people down there as well.

You've said you want to be a more cooperative player in the radio industry. Is that happening?

Absolutely. Not only are we talking more, but I think that we're backing up our talk with action. I can address the talking part first—I had two separate meetings yesterday with relatively large groups of radio group heads and expressed to them that we're very interested, vitally interested in doing what we can do to promote radio. Because what's good for radio, by definition, is what's going to be good for Clear Channel Radio. So we really are very committed to that. We had a couple of great discussions about what we would like to do in terms of being better citizens in the radio world, things that we can do on a collaborative, participatory basis. That was, I think, well received. In terms of backing it up with real action, I was very proud that Clear Channel was able to do two things—we invited all of our colleagues in the radio business to join us on 9/11 when we did a four-minute program across all of our radio stations—we invited all of the other radio groups to join us in a remembrance and a commemoration of 9/11/2001. In addition to that invitation, we actually made available all of the content which we had accumulated and it was an incredible amount of actualities and interviews and information that many, many stations outside of Clear Channel took advantage of. We put it up on a website and invited folks to download it. I think it's that kind of action that will be much more meaningful over time than the words. But yeah, we really want to be better partners for our colleagues in the radio business—to do what's good for radio.

Why had that broken down?

That's a great question. I think there are a number of reasons. One is that because Clear Channel had consolidated so quickly, I think that we tended to be more self-focused than industry-focused. We had more than a few challenges as we aggregated all of these properties and all of these different cultures. I think we tended to get a little bit myopic and focused more on 'us' than on the industry. I think it takes a commitment and a desire to be part of the larger group. That may have gotten lost over the last couple of years as we had gotten busier and busier.

Is that new view supported by the Mayses?

Unconditional. Lowry Mays and Mark and certainly Randall have always been folks who appreciate the whole as well as our piece of the whole. They've been terrific in their support.

What does the acquisition market look like now?

We're not acquiring very much, so I don't think I'm the right person to ask.

Are you looking at possible divestitures?

We love the radio business. We think that we have made a lot of purchases—and a lot of very good purchases. Our focus right now is not so much on divestitures as it is on operations. We're working really hard to figure out what we can do differently each day, each week, each month, each quarter to really reinvent our business and to reinvent our stations, and reinvent our clusters, and reinvent the trading areas so that we get a great advantage.

Do you agree that there is going to be another big wave of consolidation?

It's interesting, for as much as had been said about the consolidation in radio, it's still a relatively unconsolidated business. When you look at the banking business or the grocery business or the cinema business, for example—or look at the recording industry and the [record] labels. There are really five companies there that control 70, 80-plus percent of that business. The radio industry, it has consolidated—it's consolidated very quickly—Clear Channel is clearly the leader in terms of number of stations, we own 10, 11 percent of the radio stations. Yes, I think that this business will continue to consolidate. Will people be in a position to challenge Clear Channel? The interesting thing for us is that we think we own a lot of beachfront property. We have a great collection of radio stations. It would be very hard to duplicate what we have purchased, and the markets we have purchased and the footprints we have purchased. Having said that, I would say that being the biggest means sometimes that you're the biggest target. We like being the biggest and we want to make sure that we remain diligent in staying competitive and we stay aggressive in having a great product and having great people.

By Carl Marcucci

Financial Talkers on market issues-Part I

In light of our recent interview with United Stations Radio Networks' **Lou Dobbs** (*RBR*, 9/02) and that the continued volatility the stock market and economy are enduring, *RBR* asked others in the business of Financial Talk to give their views as well. We pulled a few key questions from the Dobbs interview, and his responses.

The participants:

Lou Dobbs, United Stations Radio Networks' "Lou Dobbs NBC Financial Report"
Jim Cramer, Premiere Radio Networks' "Jim Cramer's Real Money"
Suze Orman, Premiere Radio Networks' "The Suze Orman Show"
Ray Lucia, Business Talk Radio's "Ray on the Money with Ray Lucia"
Bob Brinker, ABC Radio Networks' "Moneytalk with Bob Brinker"

Why do you think we're in the problem we have right now with investor confidence?

Lou Dobbs

Dobbs: In terms of investor confidence, there's a great skepticism about the integrity of some of the financial reporting by corporations and we have just an overwhelming number of scandals that seemingly break every week. So long as that continues, we're going to have diminished investor confidence, and rightfully so. The exchanges, corporate America, the accounting industry, Congress and the White House have taken far too long to deal with this issue and more has to be done.

Cramer: Investors are not confident because they feel lied to by the companies and the brokerages. They have a reason to feel that way, they were lied to, often systematically, through "earnings management" techniques and through "investment banking pressures."

Orman: Imagine this: You are in a relationship with someone and have given them your heart, your soul, your trust, and your hard-earned money. After doing this for years, you discover that they have lied to you. Not only have they robbed you blind and enriched their own coffers, they have literally destroyed everything you worked so hard to accumulate, both financially and emotionally.

Would you ever have confidence in that person again? Would you ever trust them again? People who blindly entrusted others to protect their money and futures, which is tantamount to having them protect their financial souls and hearts, are hurt and humiliated by the way they have been treated.

Corporate greed, the current Administration's reluctance to institute guidelines that would protect the innocent investor, the robbing of our Social Security coffers to pay for the current $200B deficit, the 35% decline in the Dow Jones Industrial average since 2000, the 75% decline in the NASDAQ, two million people who have lost their jobs, the threat of war with Iraq, the potential of another terrorist attack on our homeland, the increase in home foreclosures, and almost no one giving guidance as to what to do–all of these factors are working together to compromise investor confidence.

Lucia: A lot of investors have lost confidence because most of them are not really investors, they are speculators. In fact, several money managers and investors alike entered the investment arena during the greatest bull market in history and never experienced a down market, no less a crash or grizzly bear like the one we are in.

Stocks are a long-term investment and are very risky to trade. So an investor must diversify among many asset classes, have a long time horizon and be willing to accept losses in order to benefit from the growth stocks historically experience. Investors don't like uncertainty. In light of the corporate chicanery at the forefront of some high profile companies, an imminent war with Iraq, accounting scandals and an $8T dollar loss in equity values, I think US investors are holding up magnificently well.

Brinker: The problems with investor confidence are a function of the severe bear market which has trimmed billions from investor worth coupled with the behavior of a number of accounting firms and corporate CEOs, especially Enron and Worldcom.

Do you think having CEOs forced to sign-off on SEC reports really accomplishes anything?

Dobbs: Yes I do. Every audit states, on the part of the auditor, that these financial statements are the responsibility of management. And it has always been so. But, the fact is that over time we've seen a number of people try to lay that off on the auditors and the accountants. It's time for CEOs and Chief Financial Officers to step up and say these numbers are straight. It's not enough now, in this environment certainly, for CEOs to simply do what is legal. They have to do what is right. I think that the SEC has done exactly the right thing here to have them stand up and be held liable for their numbers.

Cramer: Having CEOs check off has led to an end to earnings management, but we are not ready for the consequences as we don't like the earnings we now see.

Suze Orman

Orman: No. I think it was a nice ploy, a futile attempt to make the consumer feel better and provide them with a false sense of security. This, in turn, would have strengthened their confidence level, if only temporarily.

The principal flaw inherent in the requirement was the corporate cost necessary to accomplish this task, often millions of dollars to verify that the books were legitimate. What a waste. Obviously the same cannot be said for the CEOs. Then the question becomes: "Why wasn't it done right initially?" In my opinion, when millions of dollars are spent redoing work that should have been accurate the first time, simply to protect the current signing CEO, that leads to lack of investor confidence.

Another flaw with this requirement is that because of very complicated and sophisticated legal accounting standards and loopholes (not necessarily ethical but legal), many major corporations continue to get away with cooking their books in order to improve the façade of their bottom line. If they did it once, they will do it again. Keep in mind that almost all of the current debacles occurred under legal accounting methods not decipherable by the SEC, the NYSE, or the regulators. What a shame.

Lucia: I think it is important for CEOs to sign off more formally. They've been signing off on financials for years but now a big deal is being made of it. There's something about a real signature whether it be on a binding contract or an SEC report.

Brinker: I do not believe the CEO sign-off has accomplished much beyond cosmetic value as CEOs presumably have always known their own company financials.

TALK • RADIO • NETWORK
TRN
The Michael Savage Show
Welcomes
WRKO, Boston
LIVE Monday – Friday
Ranked the 4th Largest Show in National Syndication*
*According to Talkers Magazine
Talk Radio Network
www.talkradionetwork.com
888-383-3733

How to Negotiate Without Turning Into a Pitiful Puddle of Spineless Goo

Part 2 of 2 By Paul Weyland

Turn your weaknesses into strengths. For example, if you look young, don't let your youth be mistaken for lack of experience or ability. Same goes with your race, sex, handicap or any other issue that you believe might be perceived by a particular client as a weakness. Subtly point out your strengths and skills early in the discussion.

The offense scores the points. If you're dealing with a notoriously tough negotiator, and you've never been good with bullies, try to go on the offensive first. If the client owes you money…or didn't quite do what he said he would do the last time you had an agreement, bring those things up early and throw him off his rhythm a little.

Don't sweat the petty stuff. Always know exactly what you can or can't offer. If your client asks for small concessions and isn't moving on the bigger issue until you agree, and you know that you have the flexibility to add the concession, quickly say, "Let's add that."

ANALOG AND DIGITAL
ROUTERS
SWITCHERS
DISTRIBUTION SYSTEMS
INTERCOM SYSTEMS
IFB SYSTEMS
MIX-MINUS SYSTEMS
ENGINES FOR CONTROL SURFACES
AUTOMATION SOFTWARE
SOFTWARE CONTROL PANELS
HARDWARE CONTROL PANELS

SAS

SIERRA AUTOMATED SYSTEMS

2625 No. San Fernando Blvd. Burbank, CA 91504 818-840-6749 sasaudio.com

Paul Weyland

Look 'em in the eye. Maintain good eye contact. Practice. Try just looking at one of the client's eyes if that makes you feel more comfortable. The client will not be able to tell from across the table. If you don't believe me, try it for yourself. Sit across a table from a person and stare at just one eye. Ask the other person if they can tell.

Don't attack a grizzly bear. Professional negotiators learn early that when principle is involved…DON'T ATTACK THE PRINCIPLE. Don't try to tell a fundamental newspaper client that the newspaper doesn't work. That's just plain stupid. Former President and great negotiator Lyndon Johnson once said, "Never get into a pissin' contest with a skunk."

Kiss and make up. Never allow a misunderstanding or a personality issue to get tangled up in a business negotiation. If you and your client have underlying issues or dramas then talk about them and clean them up. Bring the facts out in the open. If the client deserves an apology, then apologize and move on.

Three's a crowd. If the client brings a third party into the negotiation, or you have to get a decision by committee, that usually spells disaster. Seldom has anyone ever gotten every single store owner in a shopping center to agree to do an advertising campaign.

Negotiate everything. Ask, Ask, Ask. Most clients will concede and pay for a number of things that the client might assume are free, or that you would normally give away for free.

- Negotiate a fee for promotional mentions.
- Negotiate for more money per paid spot to help pay the cost of the promotion.
- Negotiate to split the cost for tee shirts, calendars and other promotional items.
- Negotiate with the client to get your station featured in all of the client's other advertising.
- Negotiate with the client to pay for newspaper ads or direct mail you'll have to do, including printing, POP, catering and any other promotional costs.
- Negotiate with the client to provide substantial prizes…things that listeners will really want to win.
- Negotiate with the client to hang your banners and play your station for at least a week ahead of the promotion in highly visible locations inside and outside the store.
- Ask the client to help provide you with other vendors to help with the cost of the promotion.
- Negotiate a fee for engineers and set-up.
- Negotiate talent fees for live appearances.
- Insist on a longer-term contract before agreeing to any added value.

Put it in writing. To avoid misunderstandings, always follow up an oral negotiation with a written agreement.

The bottom line is that most clients will respect you more when you negotiate like a professional. Don't make everything so easy to get. Help your client to perceive that your station has value. Negotiate for everything. Everything should have a price. Don't allow the client to think for a minute that anything is free. Everything you have has value and can be used to negotiate a better situation for you and your company.

Paul Weyland is president of Paul Weyland Training Seminars. He can be reached at (512) 236-1222 or by email at weyland@swbell.net

Increasing and leveraging loyalty

By Carl Marcucci

A handful of providers specialize in increasing ratings through building audience loyalty—effectively creating new revenue streams in the process. Loyalty marketing gives listeners compelling reasons to listen, surf the station's website and visit a station-branded event. That's just the beginning—getting them to come back again and again is the goal. Because the more listeners a station can keep engaged through means that augment the listening experience the more likely it will touch a diary keeper—for every 10,000 listeners that opt into one of these programs, statistically there may be as many as 10 diary keepers.

Here, we bring to light some bright ideas that leverage the listener-website-station-advertiser relationship. PlanetJam's banner product is called "StickyFish Rewards." The program supplies tools crafted to drive response and feedback for timely programming decisions. The audience gets points for participating in contests and promotions, tuning in to scheduled events and responding to emails, surveys, music or programming testing. With the points, they claim or win prizes—many of which Planet Jam provides by leveraging promotional partnerships with advertisers in the station's market.

While PlanetJam takes care of prizing, audience e-mail support, content rotation and more, what does the station need to contribute? "The things we really want them to focus on are strategic prizing, on-air promotion and imaging," explains **Chris Bell**, PlanetJam President. "We do everything else. The station contribution is scalable—they can do as much or as little as they want. Some take a lot of ownership in the program and through the backend minister content themselves. We have other stations like KDMX in Dallas that do very little themselves."

Pat McMahon, KDMX-FM Dallas PD calls his program for the CCU AC station "Mix Rewards.": "Since we're still in our first year, we've focused on getting a good, solid launch and getting our listeners acclimated to the verbiage. It's turnkey for us. I'm not messing with any backend stuff that I don't want to mess with. I tell them what I need and want and they do it until it's done."

How does KDMX drive people to its site? "What works best for us is putting in those experiential-type prizes—those things that money can't buy. Backstage passes to meet Creed. Breakfast with **Jon Bon Jovi** when he's in town," McMahon explains. "And the only way you can get those prizes is to join Mix Rewards. We also give out points when people come to our events with little cards printed up with a code number on the back. I've got a mailer that's going out for a Disney World promo. Inside, there's 'Hey, Mix Rewards Members—log on, use the code word Mickey, get 10,000 points.'"

Mix Rewards debuted in January. The database is 20,000+, 5% of cume. McMahon says the revenue so far from the StickyFish program has been "somewhere north of \$100K." StickyFish Rewards costs \$750 per month per station. The ROI potential? "Some of our stations will gross over \$400K this year—completely non-spot," says Bell.

PlanetJam is also soon to launch "CashBack Rewards," a shopping-oriented program free to the station. Listeners earn points or cash-based rewards on a station-branded check for their participation in station programs and events.

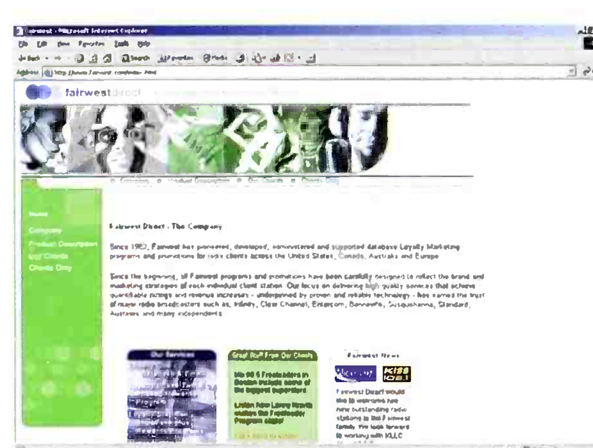
Fairwest Loyalty Marketing Systems

Faster, More Efficient Database Solutions for Ratings, Revenue and Research

If you are like other competitive and savvy radio folks, you either already have a listener database or are in the process of building one. Congratulations! That's the first step in Loyalty Marketing. Now your challenge is how to effectively use this database to increase ratings, generate new revenue, and make research more efficient.
No matter where you may be in this process, chances are we can help take you to the next level.

No company has more experience or can prove better results with listener databases than Fairwest. Backed by state of the art technology, and powered by the insights of a team with solid radio backgrounds, our innovative tools and strategies will turn your database into the most valuable resource you have.

Fairwest has worked hard for twenty years to earn the reputation of pioneer and leader in Loyalty Marketing strategies for radio. Let us show you how to maximize the value of your database.



fairwestdirect

Would you like to take your database of P1 diary keepers to the next level?
For more information, contact us today: 858-578- 9100 ext.131
Reg@fairwest.com or Jim@fairwest.com

visit us at: www.fairwest.com
to check out our ever-expanding set of database loyalty marketing tools and services for radio.

Fairwest Direct's loyalty marketing programs center on building a database of potential diary keepers. Web-based administrative tools track and measure the usage patterns of database members. "We offer tools, programs and experience that provide accountable results in ratings and revenue," Fairwest President **Reg Johns** tells *RBR*. "This isn't just another promotion. We see the listener database becoming the station's strongest asset. And we have seen that we can influence their behavior toward usage of the station. Fairwest has several success stories—like the Saturday that over 1,200 showed up at a major department store to get their code because the morning show told them a bonus code awaited them at that Reward Partner. Or about the station that got 20% of its cume to register in less than 90 days."

Tracy Johnson, GM/PD, KFMB San Diego, describes the Fairwest Rewards program, "In a more competitive marketplace, the keys to success are increasing the bond between listeners and the station—and increasing the effectiveness of our expenditures at the same time. The Rewards program is the best tool I've found that increases revenue, reduces marketing costs, and complements (not compromises) programming. Not only has it allowed us the opportunity to provide more reasons for the audience to listen, the NTR opportunities have provided hundreds of thousands of dollars in true NTR with no commercials attached!"

Fairwest programs range from $450/month to $98K per year, depending on product and market size, or as a revenue share on non-spot dollars earned. What about ROI? "We have a number of client stations that have billed over $700K in non-spot revenue so far this year with our lowest in around $120K in non-spot," boasts Johns. "We have some that strictly look at the their program as a ratings and research tool."

The platform also offers the "PD Alert" email system that allows the PD to send personalized messages to targeted members and desktop messaging, giving listeners a reason tune in. Listener Rewards also opens new revenue streams through advertiser affiliate partnerships. Members are motivated to visit partners' retail locations or websites and to sample or purchase.

For radio, MediaSpan provides solutions designed to support and grow NTR via online businesses. "In addition to our FanFrenzy sports predictions games, Charity Auction technology and online station-branded Music & Movie Stores, MediaSpan has a frequent listener program called RadioPoints," explains **Jeff Williams**, President, Radio Division, MediaSpan. "Listeners earn loyalty points from appointment listening and TSL-oriented activities, visits to station events and client locations, purchases from participating merchants and interaction with station and client websites. Listeners can redeem points to purchase tickets for major grand prize drawings, online auctions or to 'purchase' prizes provided by the station and sponsors."

MediaSpan provides stations with sample sponsorship packages, contesting ideas, point pricing recommendations and promotional concepts. The system automatically manages transactions and generates e-mails to participants and station personnel at the appropriate times, such when a prize has been won.

What about costs and ROI? "We've priced RadioPoints on a success model," explains Williams. "We jointly share in the proceeds, based on level of active monthly participants. There is a monthly maximum for fees, but essentially no limit to the amount of revenue a station can create."

STICKYFISH
LOYAL LISTENER NETWORK (SM)
*Increase TSL
*Reduce on-air clutter while simultaneously increasing promotional inventory
*Generate NTR
*Increase share by offering your advertiser high-value direct response marketing packages

CASHBACK REWARDS (SM)
Touch thousands of listeners with cash payments on station branded checks with no hard cost to your station.
Move beyond the 'Prize Pig' and capture even more of your cume into your database with guaranteed rewards.

CLIENTS
HOT 99.5
DC101 DC's Rock Station
WGAR 99.5
e107.9 the end today's hit music
98 Rock 98.5 KRXQ.NET
US 99.5 America's Country Station
Mix 102.9 Rewards
Star 93.7 The Rhythm of Boston
FM 106 Continuous Country Favorites!
WGR 55 sports radio
WAAF 107.3 FM
98 ROCK baltimore
Z100

planet jam media group
LOYALTY PROGRAMS THAT REALLY WORK

CONTACT INFO
Chris Bell
770.919.8607
chris.bell@planetjam.com
www.planetjam.com

VPs/Engineering discuss 2003 budgets - Part I

By Carl Marcucci

Jeff Littlejohn, SVP/Engineering Services, Clear Channel
Clay Steely, VP/Engineering, ABC Radio
Wes Spencer, VP/Engineering, Infinity Broadcasting
Milford Smith, VP/Engineering, Greater Media

How far have you gotten on your budget (cap ex, operating) for next year?

Littlejohn: It's almost done.

Steely: ABC Radio's capital budget has been submitted to corporate, we are currently waiting for final approval.

Spencer: We're well under way, about half done. We're right in the middle of planning. We've got 185 stations.

Smith: We are actually right in the throes of the budgeting process right now. Generally speaking, the operating budgets at Greater Media are handled first and then capital budgets second. The idea is to have both of them in the can by some time in early December.

Tell us about your cap ex and/or budgeting process.

Littlejohn: The radio stations submit—we have an online process through our internal website—their requests along with a justification for why they need it and the regional engineers go through and make a first cut on that and **Steve Davis** [SVP Capital Management] makes the final cut on capital.

We started it back in July and we're all but wrapped up right now. Last-minute questions that might come up right now would be about the only thing that would change our budget.


Clay Steely

Steely: Each market develops a capital plan for individual stations. The plan is for five years, projecting not only the stations' immediate needs but future replacement or expansion strategies. Our market engineers are all seasoned veterans, and do an excellent job anticipating upcoming capital projects. They're asked to look ahead, plan for their needs, costs and the anticipated timing of each project.

Spencer: It revolves around a 2-year planning cycle, but we're constantly planning for major components. We know the age of every transmitter and analyze fully where we have equipment needs, and we're constantly looking at transmitters and global systems. It's a full-time job, all the time. It's not like we just do it once, then do it again. It's a constantly evolving process.


Milford Smith

Smith: The stations typically prepare both of those budgets. They are then submitted to corporate and then in a series of meetings between the appropriate people at corporate and the stations, the operating and capital budgets are ultimately hammered out. Obviously in the case of the operating budget, it tends to reflect what the station is trying to accomplish next year. In terms of the capital budgets, generally speaking a lot of people want a lot of things and we try and prioritize that on a company-wide basis beginning with the projects we think are most vital to the company as a whole.

Contact us at 303.925.1708 or visit us on the web www.clearchannelsatellite.com (sales@clearchannelsatellite.com)

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

Littlejohn: We're spending a little bit less this year. Most of it has to do with the fact that our properties are maturing and we've made investments over the past years and so there's less to do now. A lot of our money is spent on consolidations and projects that have ROI.

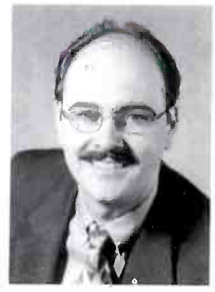
Steely: ABC is not planning on spending more next year. We're in a good position, in that most of our stations have gone through significant upgrade projects in the recent past, and are able to focus on maintenance issues rather than major capital projects. There are exceptions, however. In New York, ABC is involved in replacing WPLJ's main and auxiliary antennas on the Empire State Building.

Spencer: It depends on how many more consolidations we have. It can change dramatically based on market conditions.

Smith: I think it's probably going to be a little more next year. We have several major projects that are either ongoing or about to happen that will spill over from this year into next year. This year was a pretty substantial year for us in terms of capital expenditures. And due to a lot of those projects sort of going over the hill from '02 into '03 and a couple of new major projects we're anticipating in '03, I think next year will be a pretty aggressive year as well in terms of capital spending.

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

Littlejohn: Prophet is our biggest money-saving project. We're going to continue doing voice-tracking and rolling out those types of systems that allow us to do that. By the end of next year we will be done with the initial rollout and then, of course, in the years after that, we've got to start replacing the systems that are now eight years old.



Jeff Littlejohn

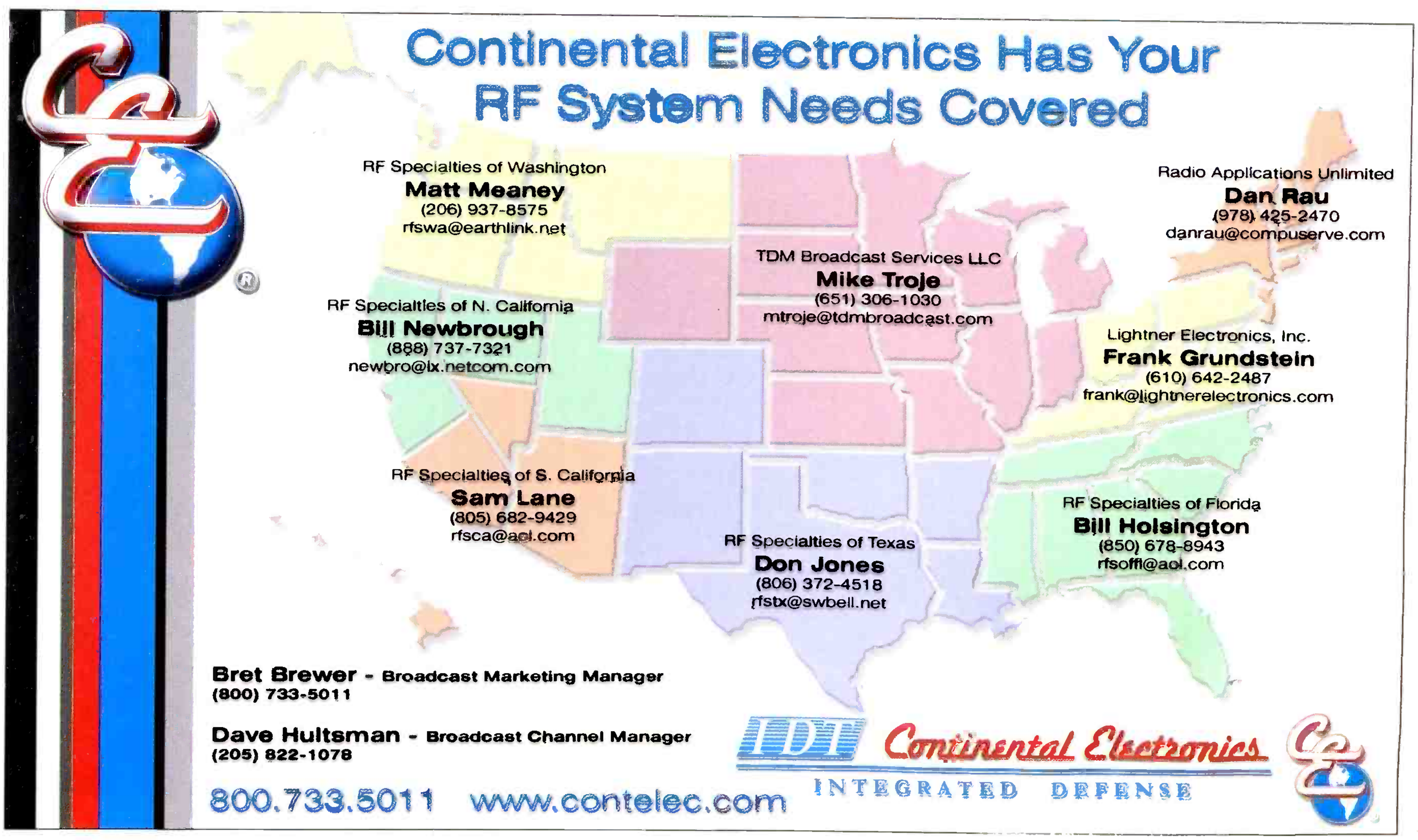
Steely: ABC and Disney are implementing a major, corporate-wide accounting system that we anticipate will result in significant savings for the company. The system shifts purchasing of major items from each individual station to a centralized department which can leverage better deals for us all by buying in larger quantities, utilizing the expertise of professional buyers, etc.

Spencer: All kinds of systems. We're constantly looking at new technologies to save money, new equipment for utility charges.

Smith: Like most broadcasters, we have largely made the transition to on-air automation systems. In the markets that we operate, they are primarily run as live assist-type operations, but they do offer the option for some off-hours automation and voice tracking. And certainly there can be some savings realized in those situations.

When we initially made the commitment to transition to the hard disk-based automation system, we also made the commitment early on when it wasn't as easy to do, that these systems would be full-linear 44.1kHz, 16-bit systems and we would not use bit-rate compression. We thought this was important from a quality standpoint at that point in time. It turns out, given particularly the lower bit rates inherent in the IBOC systems, that starting out with a bit rate-reduced piece of source material and then effectively transcoding it via IBOC is probably not a good recipe for good sound.

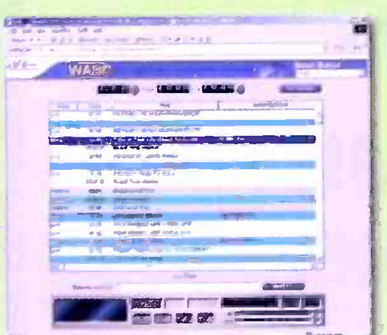
We have over the last couple of years been transitioning our tower lighting systems to LED based lights. That results in about a 90% saving of electrical power and lengthens the intervals that the towers typically have to be serviced in terms of the lighting.



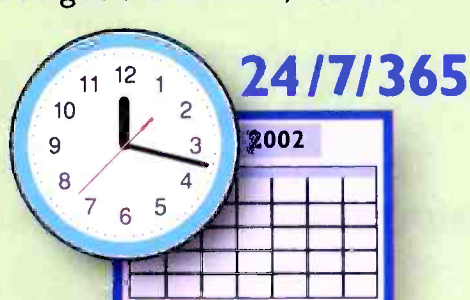
The New MASTER CONTROL™ XV

Three more reasons to make the switch!

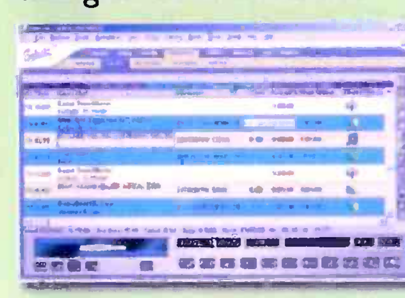
Internet Voice Tracking
Use top talent from across town or around the world.



World Class Support
The average RCS support call is answered by a real human being in 12.5 seconds... If you have a question, we've got the answer, FAST.



Living Log
No more copying log out and into the studio. All schedule changes are immediate.



See the difference, hear the difference, get the best!

RCS Sound Software

Master Control is Selector® smart.
For live-assist, automation, satellite, Internet and remote broadcasting.

Call, click or email now:
914-428-4600
info@rcsworks.com
www.rcsworks.com/howitworks

By Jack Messmer

Make room for the new kids in the radio game

Lots of new entrants are lined up on the sidelines, ready to get into the game. They're ready, willing and able to buy radio stations. The catch, though, is that it's difficult to find properties to buy—particularly clusters from which to build the base of a new group owner.

"A lot of buyers just can't find the things they want—small to medium market groups with cash flow. There aren't a lot of those possibilities out there," said broker **Mitt Younts**, a partner in Media Services Group.

Experienced broadcasters with financial backing are indeed looking to start new groups, but Younts says its taking longer for them to put deals together. "Some of it is pricing, and some of it is just that the things they're looking for are just not there. Everybody wants a lot of cash flow. There are a lot of things on the market that just don't have it because the last year to 18 months has not been particularly good," he said.

Younts had this advice for people looking to launch new groups: "I think that they have to look at anything, anywhere. They have to be aggressive in terms of making proposals and trying to buy things. If you get a group that looks and looks at everything and looks for the perfect deal, brokers are going to move on to someone else who's ready to move and pull the trigger."

After a hiatus from the brokerage business, **Tom Gammon** is back. *RBR* ran into him at the NAB Radio Show in Seattle as he worked the room at the opening day financial seminar. We also ran into former group owner **John Douglas**, which reinforced our belief that former owners think the time is ripe to get back into radio.

Gammon agrees that there's plenty of venture capital interest in radio, with plenty of money to

Mitt Younts

back experienced operators—if they can find properties to buy.

"You've got Alta, you've got Great Hill, you've got Bank of America [Capital] and you've got **John Lynch** and **Jeff Trumper** putting together large equity pools. There are probably four or five sources of equity who are knowledgeable and active in the radio business this quarter," Gammon said. "I think they have the same metrics as before—'show me how I double in five years, with reasonable comfort, and I'll buy it.' And if you can't show them that, they won't buy it. And they've got entrepreneurs lined up at all of those [VC sources]—Alta has multiple entrepreneurs—lined up to execute those plans."

His read of VC companies is that they particularly want to buy in radio, "because it's the one stable thing that will grow in the next five years—that won't sink—and that they have a winning experience with."

One of those new Alta-backed entrepreneurs is **Mary Quass**. She's already crossed that first difficult hurdle and her NewRadio Group (NRG) has signed a deal to buy 22 stations from Marathon Media for \$19M (10/3 RBR Daily Epaper), so she's now working to expand that base into a larger group.

"To find the backing was pretty easy, but I have a background in the business, so that helped. I had worked with the guys at Alta before," she told *RBR*.

When consolidation hit in 1996, Quass said she knew she had to get bigger or sell out. At that time she had talked with Alta about expanding her small group, but instead sold to Capstar and joined the company, which was subsequently merged into AMFM and then Clear

CITADEL BROADCASTING
has acquired
KLGH-FM
Oklahoma City, Oklahoma
from
KINGFISHER COUNTY BROADCASTING
for
$3,100,000
The undersigned acted as broker
in this transaction and assisted in the negotiations.

Kalil & Co., Inc.
3444 North Country Club Tucson, Arizona 85716 (520) 795-1050

Channel (N:CCU). After a sojourn into the dot-com world, Quass came up with a plan to get back into radio with a small market group.

"They say timing is everything. I was fortunate enough that they [Alta] were in a mode that they were looking for opportunities to be able to back broadcasters," she said.

"For me, it was a whole lot easier this time than the first time I ever bought a radio station," Quass recalled. That was back in the late 1980s.

"At that time I was a total unknown," she recalled. Although she had managed stations for others as a GM, "When you work for somebody else and hadn't made payroll, bankers look at you a little differently," she noted. Without the contacts she has now, Quass still managed to buy that first station, with a loan from a local bank, and built her first group from there.

Mary Quass

So while she doesn't have the access to Wall Street money that Capstar did when she was helping to make acquisitions for its Central Star group, which she headed, Quass is enjoying the advantage of having an experienced venture capital backer.

Is it difficult to find properties today, we asked?

"It depends on what you're looking for," Quass replied.

She's not interested in major markets and doesn't even want stations in the suburbs of major metros. Rather, NRG is looking to assemble clusters in "standalone retail zones." Quass is hoping to take NRG's 22-station base to 100 stations or more in the next year or two.

NRG's management team—CEO Quass, COO **Lindsay Wood Davis** and CFO **Tami Gillmore**—are all Midwesterners, so that's where the company is first looking to expand on the Wisconsin and Illinois base coming from Marathon. But Quass says they'll also be looking at other regions as well. "Obviously the Midwest makes sense for us, but we don't want to limit our scope to just the Midwest. The more we are getting out from the Midwest the more we are looking at geographic areas that have an autonomous retail base so that they stand alone on their own," she said.

"So we've talked to, and continue to talk to a lot of broadcasters who for one reason or another did not either consolidate out or were never asked to in the last wave," she explained. Quass is finding that there are quite a few station owners who see how much the radio business has changed in recent years and are now ready to sell and retire.

Building a group now will be more difficult than the late '90s consolidation, she said, because more of the acquisitions will have to be single stations and combos. In the smaller market niche which NRG has targeted, Quass says many markets have only a few successful stations which can be bought, and often quite a few sticks with little or now cash flow. So she has to determine which stations can be acquired to make a cluster which meets NRG's target of being able to produce at least $250K in cash flow. "We're not real interested in trying to do this $50K at a time," she noted.

Small market consolidation may not have been a hot sector in the past, but Quass says interest from other would-be buyers is picking up.

"As we started this process, there were very few. We've seen more people starting to be active—more so now in the last couple of months than, say, six

LIBERMAN BROADCASTING
has acquired
KQQK-FM
Houston, Texas
from
EL DORADO COMMUNICATIONS
for
$24,000,000
The undersigned acted as broker
in this transaction and assisted in the negotiations.
Kalil & Co., Inc.
3444 North Country Club Tucson, Arizona 85716 (520)795-1050

months ago," she told *RBR*.

Quass thinks NRG can succeed by bringing technological advances in radio to small markets. "To be able to enhance local radio. Not do away with it. Not homogenize it. Not any of the bad things that have happened as a result of consolidation," she said. "It's always bothered me that people think that because you live in a small town that you don't want or require the same kind of high quality product as you get in a major market."

That doesn't mean voice tracking—although she doesn't rule out using that tool—or one-size-fits-all programming, but rather giving employees the latest tools to make great radio and centralizing some backroom operations, such as accounting, to maximize cash flow.

"I think that we can provide a great product to a small community in an economical way and do great radio. I guess that's the goal. It isn't to take it public or any of that, it's to see whether we can make a profitable business out of something that is already in the community—but make it better," said Quass.

While there are many other former owners trying to do what Quass has done—get back into radio ownership—Younts cautions that it's not for everyone. "Their problem is that some people who cashed out cannot get back in at the level at which they cashed out. You have to go down in [market] size, normally, to put together a group or buy stations," he told *RBR*. "Some people are comfortable in operating in those markets and some people aren't."

For a couple of years now, we've been hearing speculation from many quarters—including Internet bulletin boards (now, there's a source of reliable information!)—that there will be opportunities for new entrants to buy radio stations as the big consolidators from the '90s start spinning off properties that aren't performing as well as they'd hoped. There's been precious little evidence of that happening, and the brokers don't expect to see any significant deal flow of that sort.

"Once they draw their cards they hold onto them. There may be a situation here or there where a group has acquired another group and there are two or three markets that just don't fit their profile," Younts said, but otherwise the big consolidators aren't selling. He noted, though, that some of the small market public groups may be willing to divest some of their smaller markets as they try to move up in market size.

Mitt Younts may be reached at 804-282-5561. Tom Gammon at ...25... and ...ss at ...

Marathon Media, LLC

has transferred the assets of

WIXN-AM & FM, WSEY-FM, WCMY-AM, WRKX-FM, WJBD-AM & FM, WACD-FM, WATK-AM, WRLO-FM, WDLB-AM, WLJY-FM, WLKD-AM, WMQA-FM, WRDB-AM, WBDL-FM, WNFM-FM, WOBT-AM, WHDG-FM, WRHN-FM, WOSQ-FM, WKCH-FM & WYTE-FM

for

$19,000,000

to

Newradio Group, LLC

Star Media Group, Inc.

"Radio's Full Service Financial Specialists" TM

5080 Spectrum Drive, Suite 609 East • Addison, TX 75001 • (972) 458-9300

THE TED HEPBURN COMPANY

Ted Hepburn
Palm Beach, FL
Phone: (561) 863-8995
Cell: (561) 371-1706
Email: tedhep@aol.com

Since 1976 America's Leading Media Broker

HAMMETT & EDISON, INC.
CONSULTING ENGINEERS
RADIO AND TELEVISION

Serving the broadcast industry since 1952...

Box 280068 • San Francisco • 94128

H&E

707/996-5200
202/396-5200
engr@h-e.com
www.h-e.com

RBR Radio

Interviews, Conference Calls & The Daily Newscast

www.rbr.com

FINDING SOLUTIONS. DELIVERING RESULTS.

dia Venture Partners is ked among the nation's op brokers, including Wall Street firms.

*2 Ranked Broker in Number of Deals**

*3 Ranked Broker in Number of Stations**

*6 Ranked Broker by Deal Volume**

*-2001 Radio and TV deals as listed by n World Media.

Sold!
The Forward Association
has conveyed the assets of
WEVD (AM)
New York, NW
to
ABC, Inc.
for
$78,000,000
(Plus a $5,000,000 Option Payment)
MVP represented The Forward Association in this transaction

Closed!
Empire Broadcasting Corp.
has conveyed the assets of
KARA (FM)
San Jose, CA
to
Hispanic Broadcasting Corporation
for
$58,000,000
MVP represented Empire in this transaction

Closed!
Bahakel Communications
has conveyed the assets of
WKSI (FM) and WPET (AM)
Greensboro, NC
to
Entercom Communications Corporation
for
$20,750,000
MVP represented Bahakel in this transaction

Closed!
First Broadcasting Corporation, L.P.
has conveyed the assets of
KXGM (FM)
Dallas, TX
to
Entravision Communications Corporation
for
$18,750,000
Plus Stations KRVA (FM) and KRVF (FM), Dallas, TX
MVP represented First Broadcasting in this transaction

Sold!
Gold Country Communications, Inc.
has agreed to convey the assets of
KNGT (FM)
Jackson, CA
to
First Broadcasting Corporation, L.P.
for
$2,500,000
MVP represented Gold Country in this transaction

MVP

MEDIA VENTURE PARTNERS

Television ◆ Radio ◆ Telecom

"For two years, MVP guided us step-by-step through a LMA, option and complex contract negotiations. Their expertise and tenacity was critical to our eventual sale. We recommend them highly to other radio professionals."

– Sam Norich
General Manager
The Forward Association

www.mediaventurepartners.com

CHICAGO
(312) 266-6484

There's a new light in the night sky...

The magic of the nation's most popular overnight radio program continues.

PREMIERE
RADIO NETWORKS

Make contact 541.664.8829