Radio Business Report™

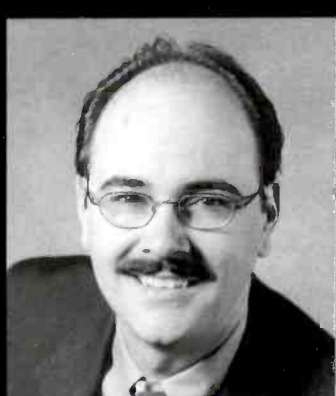
The Management, Sales & Technology Journal

December, 2002 Volume 19, Issue 31

AdBiz:

Mike Castello, VP/Hispanic Radio, MediaAmerica en Espanol, joins buyers of Hispanic radio and others in discussing the current state of Arbitron's Hispanic radio measurement mess.

page 8



Engineered for Profit:

In Part II, Clear Channel's Jeff Littlejohn and three other VPs/ Engineering discuss 2003 IBOC implementation and other projects.

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No habla Espanol?

Arbitron expanded into Mexico this year and appears to be having no trouble measuring listening there, but Spanish radio operators are giving the company a case of heartburn over how it measures Spanish radio listening here at home. Statistical wobbles can be a real downer and the Hispanic radio groups are not too happy with the ratings roller coaster that they are paying big bucks to ride. In this issue's AdBiz, pages 8-11, we go deeper into the subject matter, but essentially LA numbers would make you believe a quarter of a million Hispanic listeners switched their dials from Spanish to Anglo stations - overnight. It's a rarity that both SBS and Hispanic Broadcasting are on speaking terms, but this battle with Arbitron is huge enough for them both to put on pause their fight over the Univision merger matter.

Talk Radio heats up the political debate

Soon to be Senate minority leader **Tom Daschcle** (D-SD) lashed out at **Rush Limbaugh** as someone who incites violence by the words he uses on the air. Perhaps the deeper question is, does Daschle believe what he is saying, or is it just an attempt to change the subject after losing control of the

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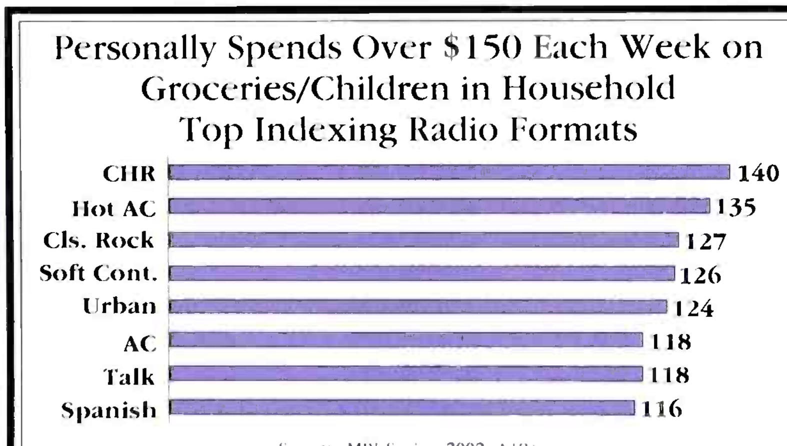

Goodbye 2002 - and don't come back here no more

This past year was a trying year for broadcasters as they dealt with economic instability and fluctuation. It was like a grown up version of the children's game "Red Light, Green Light." We'd hear of a potential recovery breaking out one week and then those same sources said, "Well, maybe that was premature thinking on our part. Things have slowed back down again."

One thing is for sure—the advertising cash was flowing during this year's mid-term elections. You can think whatever you want about the results—for better or worse there's no denying that **Dubya** reversed the mid-term jinx—but there's no denying that spending was over the top. Most pols, facing the onset of campaign reform which will restrict soft money, adopted a use-it-or-lose-it strategy with their campaign cash. In the end, the Republican President's party regained control of the Senate, giving the GOP the power to begin writing the first new page of history which we'll all be assessing ten years from now.

RBR's hot clock rotated in this fashion:

Equipment manufacturers can attest the groups for the most part held back on major capital expenses. The good news is they can't do that forever, so we expect

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RADIO NEWS®

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Senate? The problem that Senator Daschle has is that Rush is the product of the free enterprise system. People listen, Rush picks up station affiliations and advertisers buy ads.

Democrats, who see conservative Talk radio as a tool of the Republicans, have been frustrated by their inability to find a liberal foil who can attract an audience. The last "Rush for the left" was probably the old SW Network radio show of **Mario Cuomo**. The listener support just was not there. (But we would also note that Cuomo insisted on doing only one show a week. Talk radio is a daily medium.)

Bottom line: Rush is completely within his rights to go on just as he is now. The Democrats have only one option if they want equal time— keep hunting until they find Rush's equal (or a reasonable facsimile).

By the way, we have a suggestion for any syndicator looking for the next hot talker. Why hasn't anyone signed **James Carville**? Now there's a liberal who could certainly stir up the airwaves!

2002 had an ad-vantage over 2001

It's official, according to CMR/TNS Media Intelligence. Ad sales have definitely turned a corner, bouncing back from a trying 2001 performance. In all, media categories covered by the CMS/TNS totalled $84.4B during the first three quarters of 2002, compared to $82.6B for the same period in 2001.

All three radio categories are comfortably in the plus column. Note that the radio total is the sum of results for only 30 markets. CMR does not say which markets were included, but if 30 are in, that means well over 250 are out.

Most television categories also did well. Local newspaper also is doing well. Magazines, the Internet, national newspapers and outdoor are struggling. Cable is almost flat, with a slight loss so far this year.

Medium	Q1-3 2001	Q1-3 2002	Pct. Chng
Newspapers (local)	$13,375,314	$14,387,875	7.57%
Network TV	$13,425,449	$14,374,020	7.07%
Spot TV	$10,501,918	$12,041,496	14.66%
Consumer magazines	$11,926,800	$11,759,225	-1.41%
Cable TV	$7,757,505	$7,682,008	-0.97%
B2B magazines	$6,433,244	$5,313,734	-17.40%
Local radio	$3,946,237	$4,322,820	9.54%
Internet	$4,589,600	$3,755,545	-18.17%
National syndication	$2,405,628	$2,122,062	-11.79%
National newspapers	$2,183,015	$2,111,574	-3.27%
Outdoor	$1,856,241	$1,785,488	-3.81%
National spot radio	$1,613,491	$1,712,164	6.12%
Spanish language net TV	$1,131,437	$1,420,567	25.54%
Sunday magazines	$815,571	$896,871	9.97%
Network radio	$622,172	$711,255	14.32%

Source: CMR/TNS Media Intelligence, a Taylor-Sofres Company

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continued from page 1

that sales will pick up in 2003. But remember, in a tight business environment everyone wants to be a good Republican....deal...deal ....deal. In radio language it is called "value added."

Programming syndication shifts continue as groups dip into their own programming resources to recycle from market to market. This is forcing several syndicators to prune the tree. Underperforming branches which just aren't producing fruit (or which may have been overpaid for) are being lopped off to save the tree.

Network programming got heavy rotation and will continue because of consistent product, recognition of programming, and their billing accountability. It has only taken the networks 20 years to recover from the RKO Radio Network problem.

Advertising demand rebounded from the recession and the devastating impact of 9/11. Automakers, in particular, kept demand on inventory by pushing 0% financing and other enticements to draw consumers into dealers' showrooms. (See page 22 for a month-by-month chart of RAB's tally.)

Financial markets, at least as far as stock sales were concerned, were closed to broadcasters (and most other sectors) for most of 2002, although there was clearly a Wall Street appetite for broadcasting bonds. But there was plenty of private venture capital money hunting for radio deals. There were no cheap bargains to be found-cash flow multiples held up strongly—but a few new groups did manage to launch (Backyard, NewRadio Group and Archway, to name three). Stock prices improved as advertising revenues rebounded, so Citadel recently updated financials for its long-pending IPO. **Farid** didn't manage to sell any stock in 2002, but maybe 2003 will bring a better market.

Broker deal flow is like water in a desert right now. But that only makes sense since many of the groups relied on high stock prices to allow them to make "accretive" purchases—and those stock prices took a beating this year post-Enron. This might bode well for the smaller equity players who look to do future IPO's and such and can convince private money that "there's gold in them thar sticks".

Regulatory officials indicated that more deregulation is coming, but FCC Chairman **Michael Powell** put it all off until early 2003 by packaging together all radio/TV/newspaper ownership reviews into a single proceeding. Meanwhile, lone Democrat **Michael Copps** continued his plaintive cry for broadcasters to bring back the old Radio and TV Codes and accused his own agency of allowing indecency to run amok.

Radio operators returned to the basics of running radio stations. Rather than running around trying to buy everything in sight, the groups settled down to selling spots, tweaking formats and generating more cash flow without adding stations. In other words, the broadcasters got back to broadcasting. About time.

Congress largely left broadcasters alone. Most notably, it struck the **Torricelli** Amendment out of the campaign reform legislation which eventually went to the White House for a signature. Clear Channel was the inspiration for activity in both Houses on the Hill (**Feingold** in the Senate, **Berman** and **Conyers** in the House) but none of the efforts got any real traction. (Watch out in 2003, though. **John McCain** has his Senate Commerce Committee back, and you can bet he will use it vigorously to try and wrangle air time for himself and his fellow federal campaigners.)

DTV: FCC wades into raging waters to break logjam

The FCC took action on one aspect of the transition from analog to digital television, and set events in motion to take action on others. The FCC set a timetable for consumer electronics manufacturers to have over-the-air digital reception capability in all television sets 13" or larger. It is also looking at taking action on digital copyright and cable carriage issues.

GM TALKBACK

By Carl Marcucci

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

Van Goodall, KRZI Inc.'s KRZI-AM, KRZX-AM and KLRK-FM, Waco, TX
Chris Ackerman, Fisher Radio Regional Group's KMBR-FM, KAAR-FM and KXTL-AM Butte, MT
Mark Masepohl, VP/GM, Hispanic Broadcasting's KLAT-AM, KOVE-FM, KOVA-FM, KRTX-A/FM, KLTN-FM and KLTO-FM Houston
Tim Pohlman, GM, Infinity Broadcasting's KTWV-FM LA
Ray McCarty, Buckley Broadcasting's KSEQ-FM, KIOO-FM Visalia-Tulare, CA

How are Christmas bookings going?

Goodall: It's a little too early to tell, but our September and October have been good and November was above expectations, of course fueled by the politics. But we're even ahead of expectations on other stuff. The non-political stuff was up too. We do a lot of sports and this fall, we'll be covering three separate games all at the same time. We carry Baylor University sports, and their basketball and football generally collide. That's also about the time when we get into high school football playoffs. That's really what powers us through part of the year. This year we'll be adding Texas Rangers baseball, which will carry us all throughout the summer.

Ackerman: As of early November, our three stations in Butte, Montana are 37% ahead of same date a year ago and 18% over last December. Our "Shop Local for the Holidays" program and pre-booked annuals have helped us boost our up-front holiday bookings.

Masepohl: Christmas and December are pacing well.

Pohlman: Really well. Our December 2002 vs. 2001 pacing for Infinity LA is way up.

McCarty: December appears to be stronger on the national and regional side than on the local level at this point. The local retail appears to be in more of a "wait and see" mode. But we expect that we will be able to hit or exceed our projections. We had a very strong December in 2001 and don't really see reason why we won't be on target this year.

What is Q1 looking like?

Goodall: It is so hard to tell. Here, people love to wait and see how December looked. They just don't want to talk about next year until they get closer to the end of this year. So it's very hard for us to guess. But if Q4 was any indication, maybe Q1 next year will be up. We're sure hoping so, because last year was a real downer.

Ackerman: We have just completed our five-week "Advertiser Cruise Campaign." Our sales program provides customers with a consistent 12-month advertising plan designed to bring customers in to their business. This advertiser incentive plan helped us generate a great deal of "Annual" contract business. All three of our stations are off to a strong start in Q1.

Masepohl: Q1 is looking better than this year, not as strong as we would like.

Pohlman: Little too early to tell, as advertisers are still a little gun shy and holding on to their ad dollars a little closer to purchase. That being said, the 2003 Q1 pacing vs. 2002 looks very strong.

McCarty: KSEQ saw tremendous growth as we expanded our market in 2001. Last year's first quarter was killer for us, and as a result we have high expectations for the first quarter of 2002. We are optimistic and going to continue to take an aggressive approach to make Q1 even better than last year.

What are your plans for driving Q1 revenues?

Goodall: We'll be working on some things, but we don't really have anything formal at this point.

Chris Ackerman

Ackerman: KAAR-FM, our Hot Country station, puts on a Wedding Fair in January. Many non-traditional businesses buy advertising and pay to have a booth at this well-attended event. KMBR-FM Classic Rock, puts on Butte's annual "Chili Cookoff" in early March. With the selling of booth space and cash from ticket sales, this is a great moneymaker for Q1. Both of these events draw thousands of listeners from throughout Southwest Montana, so we cover both bases...it's good for programming and sales. In addition, KAAR-FM, KMBR-FM and KXTL-AM combine to promote and broadcast an "Internet Auction." All three of our station websites are used for this two-day auction in March. We get a big increase in "hits" on our sites, the listeners buy cool stuff at great discounts, our advertisers are heavily promoted and the stations generate NTR revenue...this is truly a WIN, WIN, WIN.

Masepohl: Stick to the basics. We focus on each client as well as pay attention to growing our client base.

Pohlman: New ideas....new ideas...new ideas.

Ray McCarty

McCarty: We have increased the Fresno metro sales staff and will continue to work with them to fine tune ourselves for first quarter efforts as well as the rest of the year. We plan to be face to face with as many clients and potential clients as possible. We will do everything in our power to take advantage of the growth we experienced in the market place over the past several years. Most importantly, I have the utmost confidence in our sales team and in **Clint Showalter**, our GSM. I feel that we have the best possible team assembled and they know their business. As managers we will do everything we can to support the sales team and make those projections a reality.

Any plans for Spring Book promotions?

Goodall: Still too early to plan. We don't have a Winter book, so we probably won't address that until sometime in Q1. We're not like these big guys who plan a long time in advance and a lot of the clients we deal with don't want to. We're dealing more with mom & pops and local business, as opposed to national/regional, although we do some national/regional business.

Ackerman: Butte, MT is a small market, where ratings are not a primary focus. Our company, Fisher Radio Regional Group, Inc., operates three of the five stations in Butte. As for promotions, our listeners and advertisers have come to expect fun traffic-building events that get huge response and sales results. Pohlman: Absolutely, but they are confidential.

McCarty: KSEQ, being a CHR, is extremely active promotionally. Operations Manager, **Tommy Del Rio**, is an incredible talent and promotion is certainly one of his specialties. We have continually offered fun, sometimes insane, contests and promotions. This spring, we will again present the Q97 Party Cruise giveaway for four weeks, giving listeners a chance to go on a weekend cruise to Mexico. This promotion has generated huge interest for the past two years. We will also see numerous concert, music, and movie promotions along with special focused weekend promotions.

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March 2003 (RADAR 76)

DIAL COMMUNICATIONS GLOBAL MEDIA

By Carl Marcucci

"Weighing" the Arbitron issue

Making headlines last month was the issue of Arbitron's ability, or inability, to properly measure Spanish-speaking listeners—especially in LA after the Summer ratings book numbers plunged for some Spanish-language stations (RBR e-paper 11-8). Why? Likely due to Arbitron making a change last winter on the way it measures Hispanic language preference. That change dropped the level of Hispanics saying Spanish was their primary language by reportedly 10%-15% in some markets. Previously, Arbitron had determined language preference by asking which language respondents spoke at home, away from home, and which they preferred. The current questions ask respondents whether they "mostly" or "only" speak English or Spanish at home, similar to Nielsen's criteria.

Mike Castello

Mike Castello, VP/Hispanic Radio, MediaAmerica en Espanol, helps explain: "It's a matter of population base—what is the criteria for being included in that population? So if you're working with a larger pop base and you deliver a certain share against that pop base, the AQH is larger. If your AQH is larger, you can charge more for your spots. The question is, who's included in the pop base? Or more to the point, do bilinguals listen to Spanish radio? Are you using a formula that discounts the bilingual portion of the Spanish radio audience?"

He adds, "It's similar to what we do in ad sales. Now if an advertising agency were to use a formula that only gave us credit for the percentage of the audience that they felt were Spanish dominants we would think it unfair because experience has taught us that many bilingual and even English dominant Hispanics listen to Spanish radio. What the LA broadcasters essentially are saying is that Arbitron has set the bar to high and as a result, Arbitron is making the pop bases too low. So even though the stations' share might remain the same, the AQH is down and they may not get as much for their spots."

Bill Tanner

Spanish Broadcasting System EVP/Programming **Bill Tanner** vented about it in his company's Q3 conference call: "It defies imagination to think that 250K Hispanics simply started listening to English radio in Los Angeles. All of the LA Spanish language stations, except two, were down in the summer rating book—and those two were only up 0.2%. So, it's an issue that concerns all of the Spanish language broadcasters—us particularly. Sometimes the board tilts toward us and sometimes it tilts away from us, but what we want is a level playing field—and until Arbitron gives us that, we're going to be very unhappy with their expensive service."

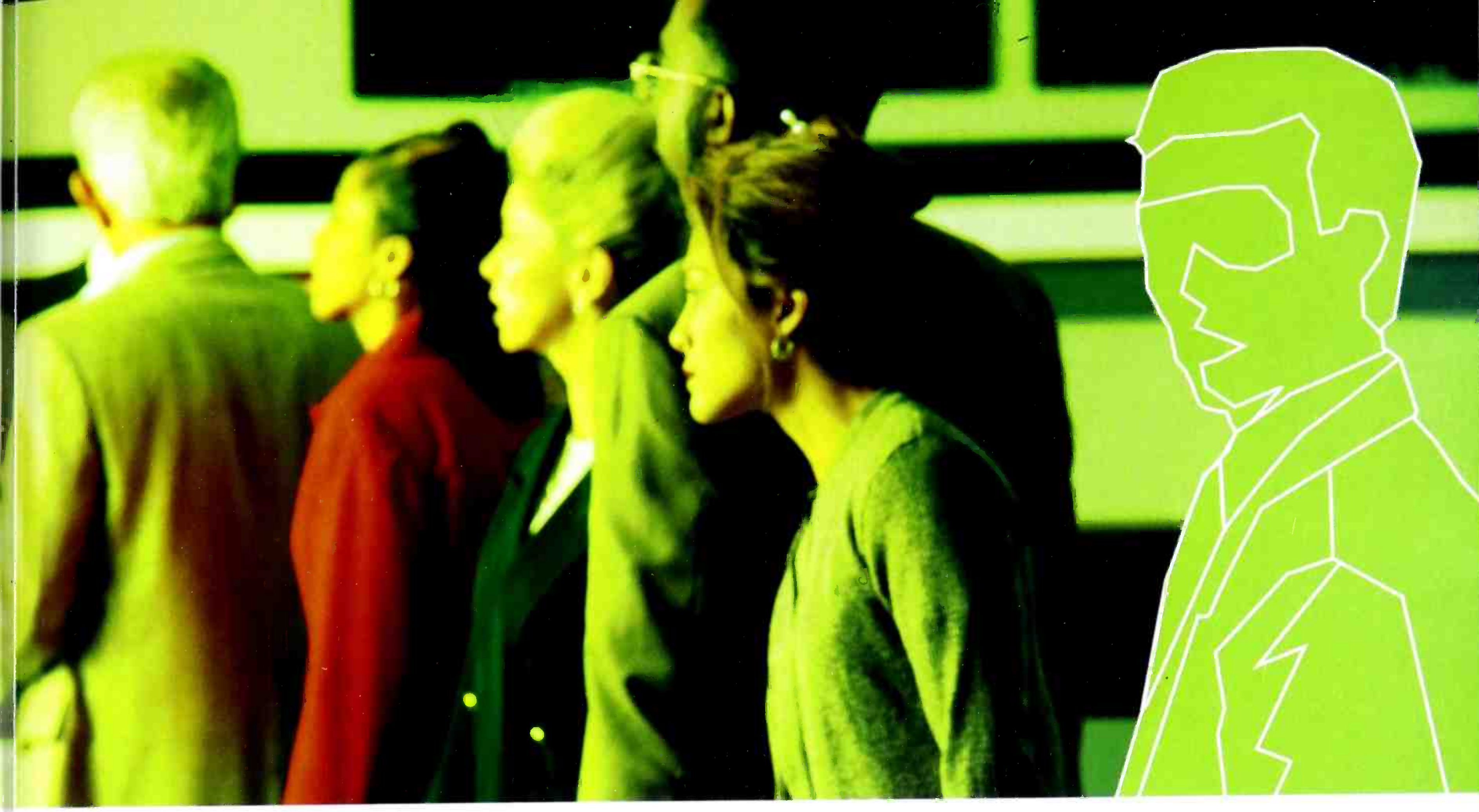
Arbitron routinely weights responses on measures such as age, gender and race in order to project ratings that reflect the demographic makeup of a market. Although Arbitron has been collecting information on language preference since '97, it's hard to weight the diary sample based on that measure and its software isn't programmed for it. Nevertheless, after meeting (*RBR* e-paper 11/13) with LA's Spanish-language broadcasters to discuss the large summer book shifts, Arbitron agreed to change its methodology and weight its Hispanic audience sample by language preference. No date has been set for the weighting to begin and that's drawing some concern now as well. The exact details will be announced early in 2003, but reportedly, Arbitron says it will implement software modifications it needs to use language preference as an additional variable. The approach would divide the Hispanic sample into Spanish-dominant and non-Spanish-dominant. Arbitron would weight the returned diaries for each of these groups against a pre-determined estimate of the language preference of the Hispanic population in each market.

Sam Pagán

What do other buyers have to say? "When you look at the historical performance of a radio market like LA, there is no way that Hispanic audience numbers should ever be decreasing," explains Lumina Americas Director of Marketing Services **Sam Pagán**. "The market is too strong and constantly growing. The fact is if the audience numbers are declining, then something is amiss with the measurement. It's not like all of a sudden, Hispanics are tuning in to English-language stations in a market that represent the 2nd highest concentration of Spanish-speakers in the Western Hemisphere. If you look at the historical performances of stations like KLVE-FM and KSCA-FM, for example, they have been leaders in the overall marketplace for years. That doesn't change overnight."

Nancy Wistrick-Nguyen, Tapestry's Media Research Director, adds, "I think the numbers have been challenged due to valid issues with the methodology, and the resulting impact on data. In fact, these challenges have been necessary to impel Arbitron to move forward with necessary improvements in methodology. Ethnic marketers have to be active agents of change for systems that have not been designed to meet their needs."

There are a couple of underlying issues at play. We're dealing with small samples—response rates are below 30% in many major markets—and inside a small sample the opportunity for significant wobble from book to book comes into play. The other issue has to do with language preference. "To what degree of appropriate weight is given to the primary Spanish speaker and the bi-lingual who prefers Spanish-language media?," asks Castello. "According to many studies, about 65% of the total Hispanic population prefers Spanish. It doesn't mean they can't speak English or can't function in the English-language society that surrounds them, but their personal preference inside the house, with the friends, with the family, viewing TV, listening to radio, is in the Spanish language. That's part of the argument Spanish broadcasters are making—



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By Carl Marcucci

when you measure the Spanish marketplace, it's insufficient to just try to work a formula based on the Spanish doms [dominants]. Because there are many people who are functionally bilingual who prefer Spanish media. I think candidly, we're underrepresented, quite frequently."

"Because language preference is such an important variable affecting media behavior for the Hispanic market, and Arbitron hasn't been weighting by language, there have been ratings swings from book to book depending on how the diaries landed among the different language segments," Wistrick-Nguyen tells *RBR*. "This has caused frustration among both the stations and the agencies. With Arbitron's recent announcement that it will begin weighting the Hispanic sample by language, we're hopeful that this will stabilize the ratings inconsistencies seen in the past. The weighting initiative is a significant improvement in methodology, and will be the foundation for effectively measuring the market."

"It's a good thing—I'm just waiting to see when. It will help us somewhat," says **Mark Masepohl**, Hispanic Broadcasting Corp's Houston VP/GM. "But the main thing is we've got questions, and we've always had a contention with Arbitron on language stratification. By them doing this, it really reflects a more accurate way of how people prefer to speak. Some people will come to work and speak English all day and speak Spanish strictly at home. I think it will be a more accurate measurement of people's preferences."

The four publicly traded Spanish radio groups also attacked Arbitron for delay in a joint statement sent to the *Wall Street Journal* (RBR e-paper 11/22) and other media outlets. The lack of both a firm timeline and details on the intended changes was the focus. The statement said Arbitron's current methodology and software, designed in the 60s and 70s, cannot support language weighting and developing new software could take several years.

"Arbitron needs to expand their sample sizes and weight their results against the population in order to properly reflect the Hispanic market. It is as simple as that. The ratings continue to be unreliable with each day that goes by without Spanish dominant weighting. Arbitron needs to begin this weighting process sooner, not later," said **Gary Stone**, SVP/COO, Hispanic Broadcasting.

"We believe Arbitron's survey methodology is defective," added Tanner. "And much the same way as other industries are forced to recall defective products, Arbitron should recall its current methodology or immediately move to correct it."

As it stands now, Hispanic agencies use Arbitron data as only a part of their buying criteria, explains Pagan: "Since there are only two Hispanic reports a year, we look at market trends and local intelligence when ascertaining a radio station's strength in the market. We use Arbitron as one of several tools when evaluating station performance. Unlike your typical general market radio buyers, we apply our Hispanic market expertise in determining the criteria that meets our client's communication objectives."

What to do?

So what else could Arbitron do to improve its service/methodology for Spanish-language broadcasters? Here are some suggestions:

"I think, number one, a larger sampling of one of the market segment, some things they've already begun to work on; more diaries in Spanish; and callouts by people who are totally bilingual," explains Castello. "And don't make assumptions. If you call me on the phone or many Spanish people, they'll respond, if they're bilingual, in whatever language the person who's calling starts out with. I think Arbitron should just ask outright during the interview process, 'in your household, is English or Spanish spoken'? Often times you'll get the answer, 'both.' "In your household, how would you describe your listening and/or viewing habits? Do you listen to more radio in Spanish or more in English. Of the more radio, can you give us a basic percentage? What is your favorite radio station, what is your second? And the more answers they get that suggest an inclination towards a Spanish vs. English media consumer, then they should ask additional questions along that line to further qualify that person as a Spanish-inclined. I think we need almost a new category: Spanish-inclined. I think the Spanish stations would have had a much stronger performance overall, particularly those with a very young focus—Rock en Espanol, Latin Urban, 12-17 18-24, 18-34 appeal. You're going to get strong bilingual there."


Millie Colon

Says Siboney agency's Buying Director **Millie Colon**: "Make sure that the distribution of the diaries, PPM or whatever they use, reflects the population. How often are they changing distribution of the diaries? Probably not often enough. That's what happens when you only have one survey. The same thing with Nielsen—you have one survey. What happens is the Spanish stations, especially in those high-density markets, they outperform the general market stations. So they feel they should get some of that money. If you get a separate survey, then they're not going to be apples to apples. Then it's a whole different thing. And then they're going to say, 'Oh, but we've been using Arbitron for years. We can't use another service.' It's a losing battle, I think [for the stations]."

What about emerging Hispanic markets? "Although not previously measured, Arbitron will be adding emerging markets such as Atlanta," says Wistrick-Nguyen. "However, many of the markets are only available via respondent level data, which may price some Hispanic marketers out of participation. Unfortunately, this becomes a Catch-22 situation where Hispanic agencies can't afford the data, but not having the data makes it harder for them to build the business that will generate the income to buy the data. Arbitron needs to take into consideration the unique situation of ethnic agencies when pricing services if it's truly committed to serving this market."


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By Dave Seyler

Rulemaking: broadcast ownership

The Federal Communications Commission is undertaking a thorough review of broadcast ownership rules. Six sets of regulations will be closely examined.

1) National audience cap for television station ownership
2) Local television ownership caps
3) Dual TV network ownership
4) Local radio ownership caps
5) TV/radio crossownership
6) Newspaper/broadcast crossownership

The FCC seeks to assure that three paramount goals of regulation are achieved: Diversity of viewpoint, competition and localism. The current rules are to be examined with an eye toward whether or not they continue to be effective in achieving these goals.

Commissioner **Kathleen Abernathy** noted that it is also important to come up with regulations which will pass court review.

Chairman **Michael Powell** noted the vast changes which have taken place in mass communications since most of the current rules were written. They predate the advent of cable, satellite TV, home video and the Internet. Calling this review long overdue, he said the FCC needs to keep up with conditions in the real marketplace.

Michael Copps

Michael Copps, the lone Democrat on the Commission, stressed that the court left it open to retain rules as long as they are justified.

In asking for comments from stakeholders, the FCC has requested as much empirical data as possible, from as many different sources as possible. Copps cited a lengthy laundry list of stakeholders which he wants to hear from: owners, associations, engineers, artists, citizens—essentially everybody in the US has an interest in the results of these proceedings.

So far, most of the comments involved extending the comment deadline. In general, those in favor of strict rules want more time—Commissioner Michael Copps has also taken this position. At a minimum, the average filer has asked for an extra 60 days. Those in favor of relaxed regulations want to get the proceedings over and done with.

The FCC compromised, adding 30 days to the commenting period, which now closes 1/2/03; reply comments will be accepted up to 2/3/03.

Adelstein joins the FCC

As had been rumored late in 2001, President **George W. Bush** nominated **Jonathan Adelstein**, an aide of Senator **Tom Daschle** (D-SD) for the fifth and final seat on the Federal Communications Commission (*RBR.com*, 2/11). Despite endorsements from both sides of the aisle and from the National Association of Broadcasters, Adelstein went on to find out firsthand what it is like to be a political football.

Jonathan Adelstein

His nomination was first held up by Senator **Trent Lott** (R-MS) in a fight with Democrats over judicial nominees. Over the summer, Daschle and Lott buried the hatchet, only to have Senator **John McCain** (R-AZ) hold up Adelstein along with numerous others while waging his war for campaign reform. That was finally settled when Lott went back on the warpath over the judicial nominees again.

Ironically, the Republican election victory, which restored the party's control of the Senate, was primarily responsible for clearing the way for Adelstein's Senate confirmation. Getting judges approved suddenly stopped being a problem for Lott and the Republicans, and they went ahead during the lame duck session and installed him on the Commission to finish off the term of failed NM Senatorial candidate **Gloria Tristani**, the ex-commissioner who failed in an attempt to unseat Republican **Pete Domenici**.

Adelstein's stay may be brief. Tristani's tour of duty expires next June. It is widely expected, however, that he'll be offered a full tour of his own.

7.8%
KHOW AM DENVER
36.9%
KFI AM LOS ANGELES
5.7%
WJR AM DETROIT
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PREMIERE TALENT

Not What, But Who?

By Jeffrey Myers

Before you close 2002, what made it a success? ...or was it who?

Many times when a company evaluates its success or failure, it is done by reviewing the relevant components of the business plan. Seldom do we give as much attention to the individuals who implemented the plan as we do to the plan itself. We are in an industry that manufactures intangible images and perceptions—and we do this not with machines, but with people.

For the many television, radio, newspaper/publication, cable and Internet companies and corporations within the communication industry who will be assessing 2002 successes or failures, the question becomes: What will I do differently next year? Or, instead: Will 2003 continue to be a challenge?

For companies or corporations who carry their unaccomplished challenges into 2003, we at Personal Selling Principles suggest you STOP. JUST STOP.

Before you make new choices for 2003, let us suggest you STOP and REFLECT on both what went right and what went wrong in 2002.

Ask yourself, were you successful in 2002 because of what you did or who you did it with?

REALITY CHECK. IT WAS THE PEOPLE.

Just recently America crowned its 2002 baseball World Series champion—the Anaheim Angels—and next month we close in on the National Football League's next Super Bowl champion. Who are the heros? The players? The coaches? How about both? As much as we give management the accolades for successfully implementing the plan we must equally give those who executed the plan their due. It always will come down to the people involved.

As your department heads take inventory of last year's budget expenditures and next year's projected expenses have them look into enhancing their departments' greatest assets... their people. The reason is as easy as one, two, and three.

If your company is to grow and achieve whatever plan set before it, it is the people (whom we often overlook) who are going to make that happen.

In order to grow any department, company, corporation or organization you must grow each employee's knowledge base. As you invest in each department's material needs for their occupational growth, consider investing in your employees' personal growth as well. Remember that employees who are skilled, confident, and prepared are more productive.

Encourage your managers and department heads to embark on creating an educational environment within their departments. Suggest that they focus on finding out where their staff gets its energy, how they take in information, how they process that information and ultimately how they use that information. Before you focus on the 2002 challenges that have yet to be conquered... before you decide a new course... focus on the accomplishments.

List the positives before you list your challenges, which are opportunities for success in 2003.

Review the challenges that were successfully accomplished in 2002—which had you rejoicing that "It's great when a plan comes together." Those are the building blocks for success in 2003.

Jeffrey Myers

We at Personal Selling Principles believe you must know your history in order to keep from repeating it, while at the same time embracing change in order to progress. If you are not satisfied with a department or division's past performance, look not only at the plan, but the people as well. We've seen companies and corporations within our industry toss out the baby with the water because of poor performance over a period of time. Over and over again a central issue is that, in the planning period, the plan had not considered the capabilities of the persons who were given the task, but the blame for not achieving them was laid squarely on the shoulders of those who had been given the tasks beyond their capability.

By the way, was the plan ever discussed with those who had to execute it?

Did you seek their input?

Management's' historical patterns have usually led to a change in personnel, rather than a change in plan. For companies that operate as if they are in a sprint this is a technique that may yield a championship or two. For those who are building a dynasty like in professional sports (you pick the sport and team) your company MUST realize your greatest assets are your people and turnover only prolongs you getting to your finish line.

We challenge management to just stop and take a personal (that's right a *personal*) assessment of each individual. Don't fall into the trap many managers do and assess the position and not the individual. They assess the individual's performance to the plan, without considering the plan's performance to the individual. An instrument that may be able to give your company an unbelievable advantage is Myers-Briggs Type Indicator (MBTI). MBTI can help each employee (and employer) identify areas of strengths and challenge/conflict by helping to realize:

- Where one gets their energy
- How one takes in information
- How one processes information
- How one uses that information

MBTI is a language unto itself that filters all different types of languages and can help to alleviate communication breakdown. Just imagine the positive impact on a department's overall productivity if the manager had an instrument that could help each member on their team communicate clearly with each other, and their internal and external customers.

We know it works and that it can yield your company significant revenue and cost benefits.

In 2003 will you focus on the what, or will you focus on the who—the people who will contribute to your company's success?

HAPPY NEW YEAR and remember, invest in your greatest asset...your people.

Jeffery Myers of Personal Selling Principles can be contacted at 301-595-1871 or Jeffrey@PSPConsulting.net

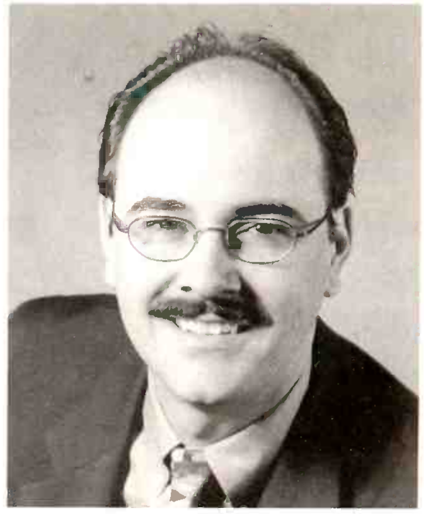
By Carl Marcucci

VPs/Engineering discuss 2003 budgets—Part II

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

Are there any major projects you are working on or planning?
Littlejohn: Several consolidations. I don't want to talk about the markets because it's not finalized yet. We've got all of our little purchases determined. It's the big purchases, over $500K, that are still under review.
Spencer: Sure, a lot of them. We're upgrading our infrastructure. Consolidating stations where it makes sense. Participating in IBOC, or HD Radio Solution.
Steely: In Dallas, we're relocating the tower site for one of our stations. We're also placing a heavy emphasis on establishing emergency backup transmission and studio facilities.
Smith: We are probably 30%-40% into the completion of the building project in Detroit. It is a three-station consolidation with some additional room for possible additional acquisitions. It's about 40,000 sq. ft. and we expect completion on that by early Summer.

We also budgeted in 2002 for company-wide IBOC implementation and needless to say, we haven't implemented it anywhere just yet, but we are fully committed in doing so and anticipate that will be a project that starts in



Jeff Littlejohn

the tail end of '02 and mostly spills into '03, given the availability of equipment and the need to make certain facility modifications.

Starting in '03, we have a substantial AM upgrade in the Philadelphia area that we're looking forward to starting. We also have quite a lot of work associated with both the stations we currently own and the stations we recently acquired in New Jersey. That ranges all the way from one new 4-tower AM directional antenna system to a possible studio consolidation to a number of RF improvements to almost all of those facilities.

What's your current plan on implementing IBOC? Are you looking to be an early adopter to eliminate the iBiquity license fees?
Littlejohn: We're talking with iBiquity and trying to come up with some plan that makes sense. I can't really say that I've got anything out there yet as far as a solid plan, but we are planning on spending some money with it next year and doing some national roll-outs. We want to roll out in markets that meet their targets and also meet our own budgetary constraints too.

The license fees are pretty high. The Early Adopter program is pretty attractive, so to the point that we can, I

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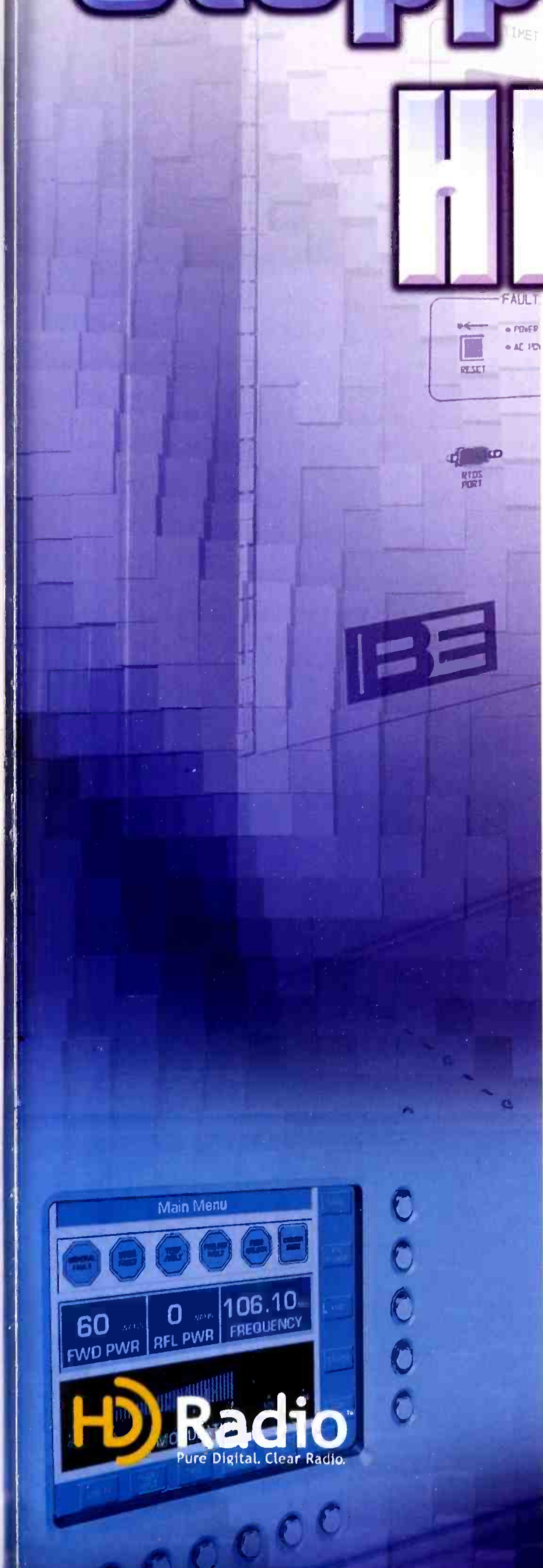

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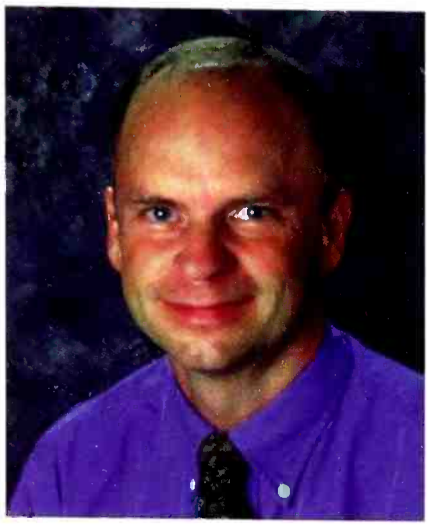
ENGINEERED FOR PROFIT

By Carl Marcucci



Clay Steely

think we will try to take advantage of it.

I think it's fairly certain that the FCC will approve it—if not in its exact form, in a form that...our capital investment wouldn't be damaged if they changed the software and the exciter. The amount of capital that we've invested is not going to be at risk.

We've been investing in IBOC-ready transmitters over the past years, so we've got a lot of those in place. Our cost to roll out in some of these markets is not as high as some other broadcasters.

Steely: We plan to roll out IBOC on at least two of our largest stations, with more to follow shortly.

Spencer: We're currently participating in a joint two station-test in Seattle and Los Angeles.

Smith: We certainly intend to take full advantage of the early adopter program. We are engaged, and have been for some time, in discussions with iBiquity. I think we're close to an agreement with them. We're not there quite yet. In the case of Greater Media, which is not a 1,200-station company, those fees just for us would be close to $1M. So it's obviously something that's worth taking advantage of. It could be argued that in some cases being able to take advantage of the waiver on the fees would darn near pay for implementing the system.

[iBiquity CEO Bob Struble previously told *RBR* to qualify for waived fees, stations must be broadcasting IBOC by the end of the year. Can you do this in time?]

Milford Smith

"Well, there's about four different criteria and certainly that's one of them. Another one is having the equipment ordered by the end of the year. And that's one of the things we're looking for in our current negotiations with iBiquity. There's a lot of different ways to do this and it's very station-specific. What is easily implemented at one station in terms of just ordering a piece of gear and having it come in the front door, may also involve an antenna replacement or modification in another market which involves people on towers, parts, shutdowns, etc...So it's not a cookie-cutter approach to this stuff. Every station is a little different and that's one of the things that we're interested in getting in our agreement—enough flexibility so we can implement this thing intelligently. We have no problem in doing it, we have no problem in committing for all the equipment necessary to do it. But it's not just the equipment. That's not something you can commit to doing in two weeks at every station and expect to have it done.

By Carl Marcucci

Financial Talkers speak on market issues—Part II

In light of our recent interview with United Stations Radio Networks' **Lou Dobbs** (*RBR*, 9/02) and the continued volatility the stock market and economy are enduring, we 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"

Along with the rise in stock market valuations that we'd had over the last decade or so before the collapse started, that was about the same time that we had the growth of daily and minute-by-minute reporting on Wall Street by the new cable networks and a lot of Internet sites. Do you think that the media itself is to blame for perhaps some over-inflated valuations?

Dobbs: I think that we all deserve some portion of blame. The media for not stating the trend. Regulators for not examining carefully the filings of corporations. Wall Street, certainly, and the venture capital community for not focusing on basics and simply driving the money machine. And I don't think we can leave out the investor, who was just as greedy as everyone else in this environment. And while the market was going higher, that was fine. But as soon as we saw this market break—it's now two and a half years ago—investors have been taken for a rather rough ride. We have to protect the public investor, period.

Cramer: I think the media celebrated the mutual funds that were all tech all of the time and presented the analysts as honest brokers instead of shills. Beyond that, though, the media simply magnified what was going on. It did not want to say anything negative for fear of lawsuits.

Orman: Somewhat, but not entirely. When people watched CNBC, CNNFN, or Bloomberg, and saw a stock going up 1,000 percent, why wouldn't they want to participate? At that point, however, the responsibility shifted to the person who was going to take action and invest money. For example, taking it away from the stock market for a second, I watch TV and, more than ever before, there are infomercials encouraging me to buy a product that I don't really need or understand how to use. In most cases, I want the same results that I see everyone else getting. I want my fat thighs to get thinner, or my cellulite to go away, or the wrinkles on my face to smooth out. Despite the fact that I want what the infomercial is offering, it is up to me to determine if that is how I want to spend my money. The same is true with investing in the market. The information on television can entice you, but it cannot force you to buy. In the end, people have got to be responsible for their own actions when it comes to money.

One other note. If it were true that television contributed to people getting into the stock market, one would have to ask why it then did not contribute to people taking their money out of the stock market before they lost 40%-70% on paper.

Lucia: The media is somewhat at fault for micro-managing every economic bit of information, putting stock analysts on television or radio, playing buy, sell and hold without accountability and underplaying the true risk of stocks. But in the final analysis it was greed that caused the bubble to burst. Greedy investors, greedy CEOs, greedy brokers, analysts, accountants and yes greedy media wanting ratings at all costs.

Brinker: We enjoyed a secular bull market from mid-1982 into early 2000. The S&P and Dow both rose about 1,400% during that secular bull market period. It was a function of rising earnings and, more importantly, rising p/e ratios for equities. I do not believe the media played a role until very late when the bubble arose in 1999. We entered a secular bear market in the first quarter of year 2000.

As we look at the market today, let us ask if you think the biggest impetus for recovery is going to come from the government, or economy, or from Wall Street. Who should we be looking to for leadership to come out of this?

Dobbs: I certainly hope it comes from business itself as corporate America begins generating some earnings. But it's really important to remember small business in this country is the employer of first resort. Small business creates 80% of the jobs. Small business is the bulwark of employment to the individual consumer, and the bulwark of the overall economy, accounting for two thirds of the gross domestic product. So, I wouldn't look to either Washington or Wall Street. I would watch very carefully the people who count most—the small business people and the consumer.

Cramer: Wall Street can't show any leadership. It is too on the defensive. The economy itself can't produce more than it has, its fuel is the incredible low rates that can't go any lower. It is up to the government to stimulate that growth and it doesn't seem to know how to do it.

Orman: When it comes to the recovery of our economy, it will never be just one driving force over all the others. At this point in time, that incentive has to come from everyone, equally. This will go a long way towards restoring the damage we've sustained from the abuse of our trust. I would urge people not wait around for others to set things right. I would have them take the necessary actions today to protect their tomorrows, no matter what happens. That is the key to financial freedom in the 21st century.

Who should we be looking to for leadership? If you want to find the best person to take care of your money, look in the mirror. No one cares about your money as much as you do.

Lucia: Leadership for our economic recovery will be driven by the consumers. Wall Street can beat the drum, but a recovery will happen eventually once investors begin to feel secure about their jobs, their retirement and their long-term security. The only way that will happen is if the Federal Reserve's monetary policy holds interest rates down, corporations regain investors' trust and the threat of war is behind us. Government spending helps but it is also inflation. When consumers wake up feeling good, they'll begin to spend money. That's what makes our system tick.

Brinker: For the market to recover, the economy must recover. The market can discount a true economic recovery several months in advance. Corporate profits are the key to this recovery in terms of stock prices. Corporate profits will improve in 2003. However, the dimension of the profit recovery remains an open question at this time.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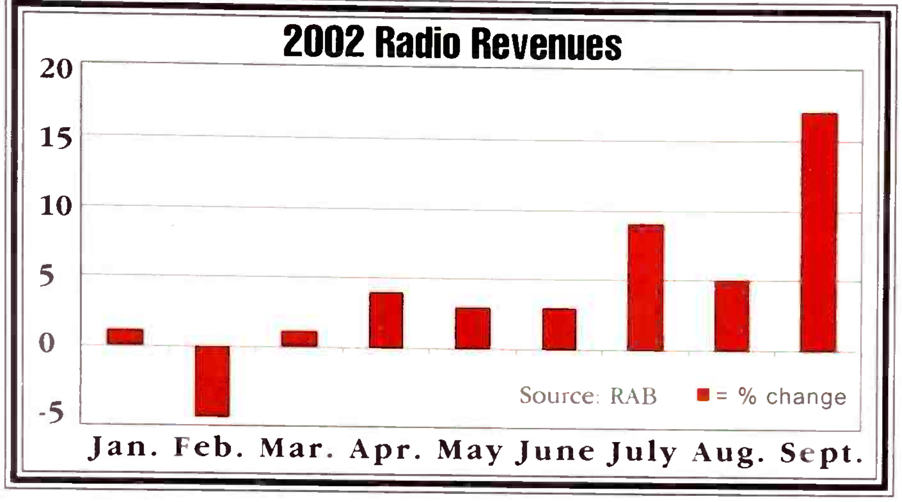
Revenues on the rise

After the unanimous string of down months in 2001, the chart below of RAB's monthly reports of radio revenues for this year looks a lot better. Only one down month out of nine, with strong indications that the year will finish 11-1.

On a quarterly basis, Q1 was down 1%, Q2 up 3% and Q3 up 10%—a nice progression in the right direction.



2002: A year of recovery

After the devastation of 2001, it was virtually assured that advertising revenues for radio would improve in 2002. What other direction could they go?

It wasn't really that simple. Newspapers didn't generally see a turnaround until Q3, so radio was really leading the recovery—with TV close behind.

Although our chart (left) shows substantial variations by month, the trend was generally up throughout the year. February's 5% drop was an aberration as the networks and local TV affiliates skipped promotion of the February sweeps as NBC dominated viewership with the Winter Olympics. Of course, September's 17% gain was also an aberration, due to the suspension of advertising immediately after the 9/11 attacks a year earlier, so don't look for such extreme gains in Q4—but strong gains nonetheless.

"Right now, radio looks to continue to exceed expectations, and the next two quarters are shaping up for sustained health in the industry," said RAB President & CEO **Gary Fries**.

In their conference calls reporting Q3 gains, radio executives were confident that the good news will continue through Q4 and into next year.

Viacom (N:VIA) President **Mel Karmazin** told analysts that radio was pacing ahead 15% for Q4, as of 10/24.

"We delivered big time in '00. In '01 we managed our way in a difficult environment to a record year and great free cash flow. In '02 we are rocking big time." Then Karmazin added, "I think that '03 will be Viacom's year."

At Clear Channel (N:CCU), President **Mark Mays** assured Wall Street that the radio giant has been putting upward pressure on rates. "There's no question we have been raising rates all the way, really from about April of this year—and it has been a focus of ours. It is our belief that as we raise rates that we raise the umbrella for the entire radio industry," Mays said.